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# *Restructuring of Czech Firms: An Example of Gama, a.s.*

*by Antonín Bulín*

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**Comments Welcome**

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Czech Republic

# RESTRUCTURING OF CZECH FIRMS: AN EXAMPLE OF GAMA, A.S.

*Antonín Bulín*

Czech Management Center

Čelákovice, Czech Republic

June, 1996

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### Abstract

The process of massive privatization of Czech firms created a completely new situation for Czech managers and developed a new institution of corporate owners. This case uses the example of Gama, a.s. - joint stock company, one of a few successful firms operating since restructuring and turnaround, to discuss the process of privatization, the impact of the Prague Stock Exchange and regulation there for changes in the ownership structure. The role and process of the so-called "third wave" of privatization is also discussed together with the opinions of major players.

Gama, a.s., a former branch of the industrial group Koh-i-noor, became a leader in this group and started the restructuring process there. Managers decided to develop a strategic alliance with a strong financial partner in order to support their ideas of restructuring the industry. A two-step process followed—a turnaround of their own firm and the acquisition of daughter companies through cooperation with investors.

The rule of thumb seems to be similar to the lesson of the famous Czech opera "The Bartered Bride": competent and informed people win.

## Overture

Four decades of collectivism and a State-controlled economy had established a very special framework for Czech enterprises—a highly concentrated market structure. The logical consequence of a command economy philosophy is to have as few controlled subsystems as possible. In the 1980s in (former) Czechoslovakia, state-owned enterprises accounted for 96.7 percent of the national economy. Many industries (and other enterprises) had become both vertically and horizontally integrated to the extreme. In 1989 the 200 largest companies accounted for 72.6 percent of the total manufacturing output and 58 percent of employment.

Table 1. Shares of the Largest Companies in the Total Manufacturing Output 1989

Largest companies 1989 - shares in the total		
	output	employment
10 largest companies	17.8%	13.1%
20 largest companies	26.8%	17.9%
50 largest companies	41.9%	26.3%
100 largest companies	55.2%	38.9%
200 largest companies	72.6%	58.0%

adopted from <sup>1)</sup>

Table 2. Size Distribution of Manufacturing Enterprises, 1989 and 1992

Size of enterprise by number of employees	1989	1992
less than 25	0.8%	58.5%
25 - 200	3.4%	18.3%
201 - 500	8.1%	11.8%
501 - 1000	15.6%	5.5%
1001 - 2000	28.4%	4.0%
2001 and more	43.7%	2.5%
Total	652 enterpr.	4739 enterpr.

adopted from <sup>1)</sup>

The massive privatization process, in which several methods were used to change the ownership structure, was the important part of the restructuring of Czech enterprises. Privatization was considered not only as the vehicle for establishing the basic legal, financial, and administrative structures indispensable in any free-market economy but also the very pivot of the entire restructuring process. The courageous target of the privatization program was to give up the State's stake in almost 4000 enterprises, which accounted for roughly 80 percent of the nation's value-added. By comparison, Britain's privatization program encompassed a few dozen companies, accounting for only 5 percent of value-added, and which were sold over a decade in a fully developed market economy with the world oldest and arguably most sophisticated equity market.<sup>2)</sup> A description of privatization process is given by Samuel Hayes <sup>2)</sup> and by Laštovička <sup>3)</sup>.

### Act I. - Privatization and Restructuring of Gama

Gama a.s., České Budějovice (joint stock company) was also part of a similar structure, the former Koh-i-noor VHJ, where VHJ stands for "výrobně hospodářská jednotka", i.e., productive industrial unit. Koh-i-noor VHJ encompassed the toy, sport and technical equipment industries and had more than 17,000 of employees. A part of this unit was Koh-i-noor o.p. (o.p. - industrial enterprise), with approximately 6000 employees. All Czech manufacturing of educational and office supplies were incorporated into Koh-i-noor o.p. in 1958. In addition to writing materials, Koh-i-noor also produced measuring instruments, spirit levels, toys, and medical instruments. Before the first wave of privatization, Gama was one of the companies incorporated into this "holding".

Koh-i-noor o.p. consisted of the following enterprises:

1. Koh-i-noor Hardmuth, in České Budějovice: a producer of wooden graphite pencils. The history of this company began in 1848. The name Koh-i-noor was given to the firm by the owner Franz Hardmuth after introducing the pencil with a yellow, polished finish, which offered a broad hardness range. The name was derived from the large yellow Indian diamond, Koch-i-nur (Mountain of Light), which had become a part of the British royal treasury at the time of Franz's studies in England. Koh-i-noor's principal factory became the main joint stock company during the privatization process. After the privatization process Koh-i-noor acquired a diversified ownership structure, with 34.6 percent controlled by the Fund of National Property.

The balance sheets and income statements of Koh-i-noor for the years 1993, 1994 are presented in Appendix.

**Koh-i-noor Ownership Structure (over 5 percent) - 1993**

Fund of National Property	34.6 %
Creditanstalt IPF (inv.fund)	15.8 %
Spořitelní Privatizační (inv.fund)	11.1 %
VUB KUPON (Slovak inv. fund)	6.1 %
The City of České Budějovice	5.0 %
....	
individual investors	less than 15 %

**2. Grafo, in České Budějovice - a producer of mechanical pencils and ballpoint pens.**

During the first wave of privatization Grafo became (May 1, 1992) an independent joint stock company, with a subsidiary in Bohumilice. Grafo also produced ballpoint pens for all individual investors who were participants in the privatization waves.

The balance sheets and income statements of Grafo for the years 1993 and 1994 are presented in Appendix.

**Grafo Ownership Structure (over 5 percent) in 1993**

Fund of National Property	25.2 %
Creditanstalt IPF (inv.fund)	24.5 %
Spořitelní Privatizační (inv.fund)	9.6 %
YSE ( inv. fund)	6.6 %
....	
individual investors	15.2%

**3. Gama, in České Budějovice - a producer of medical products (insulin syringes, infusion adapters, Petri dishes, catheters, dialysis, infusion and transfusion sets, school and office supplies)**

During the first wave of privatization Gama became (December 31, 1990) an independent joint stock company, with subsidiaries in

- Městec Králové - chalks, inks
- Dalečín - infusion and transfusion sets
- Litomyšl - medical products, plastics
- Trhové Sviny - mechanical and plastic toys, plastic tubes, insulin syringes
- Milevsko - medical products, toys
- Jímramov - medical products, after reinvestments ecological production was introduced there
- Logarex, České Budějovice - plastic rulers, set squares, plastic French curves

The balance sheets and income statements of Gama for 1992, 1993, 1994, 1995 and the first quarter of 1996 are presented in Appendix.

4. Trhové Sviny - became a part of Gama
5. Milevsko - became a part of Gama
6. Městec Králové - became a part of Gama
7. Logarex - was already a part of Gama
8. Kardašova Řečice - office supplies; became an independent joint stock company
9. Centropen, in Dačice - a producer of markers, became an independent joint stock company

One of the key factors to success in the restructuring of Gama a.s. occurred just at the beginning of the privatization process. The management team under the supervision of Gama's CEO - ing. Vlastislav Bříza (49 years old) had prepared a plan for developing a unified enterprise, which joined similar companies under the Gama umbrella. They decided to establish a compact firm and did not follow the "practice" of many Czech companies in which the managers of joint stock company would establish a private distribution firm, developing the so-called "Czech sandwich". This term has been used by foreign investors to describe the situation in which top managers use such distribution firms to take "the cream" of the business".

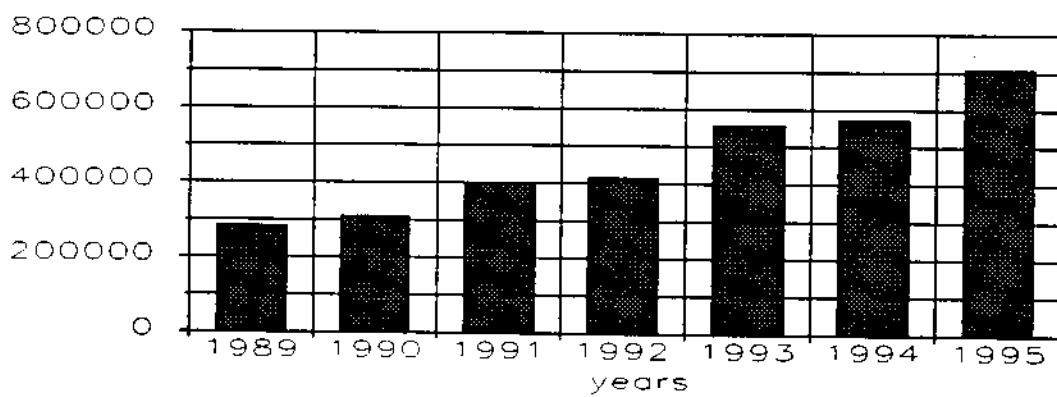
They were able to define the core businesses of their firm: medical products and office supplies. At the same time Gama gave up some businesses that managers did

not consider as a part of their future product portfolio (toys, copy machines). The independent joint stock company Gamex was established as a producer of carbon papers and tapes.

The strategic goal of Bříza's team was to develop a compact technological, production and marketing unit in order to use all the effects of synergy between the existing and new subsidiaries. The idea was to prepare a stable and strong firm to be able to compete in the open European markets.

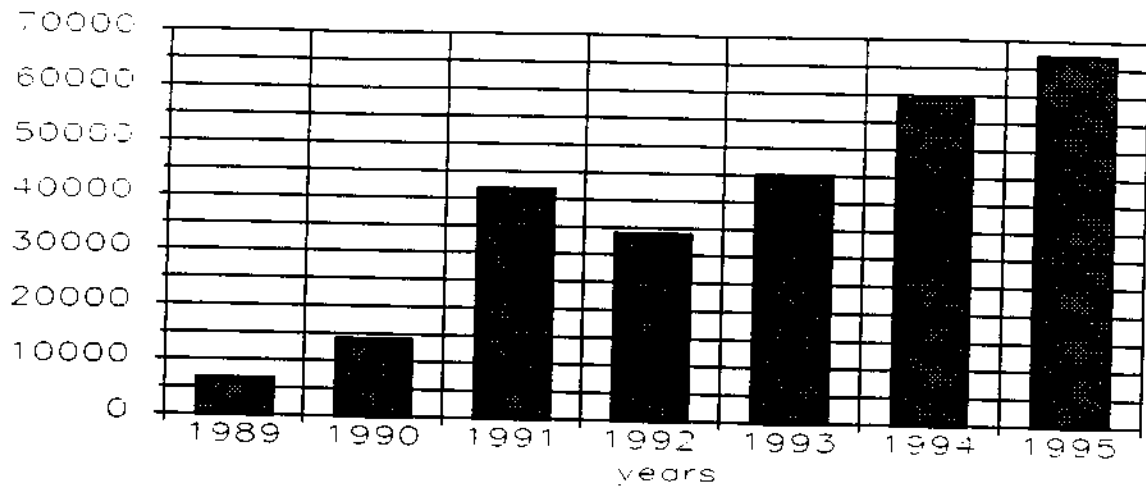
### Results of Restructuring Gama:

Table 3. Assets - Gama a.s., 1989 - 1995, [thousands of CzK]





**Table 4. Net Profit - Gama a.s., 1989 - 1995, [thousands of CzK]**



**Table 5. Production - Gama a.s., 1989 - 1995, [thousands of CzK]**

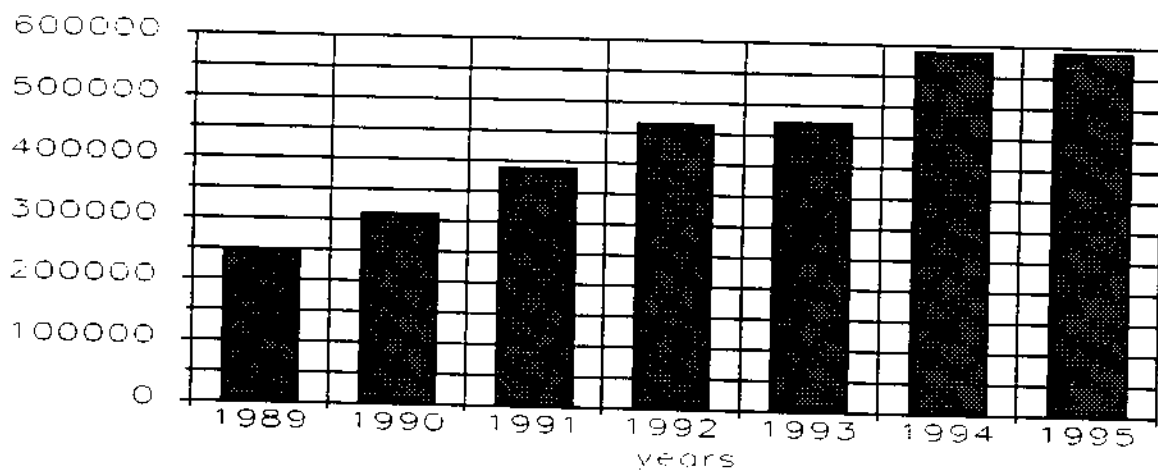


Table 6. Number of Employees - Gama a.s., 1989 - 1995

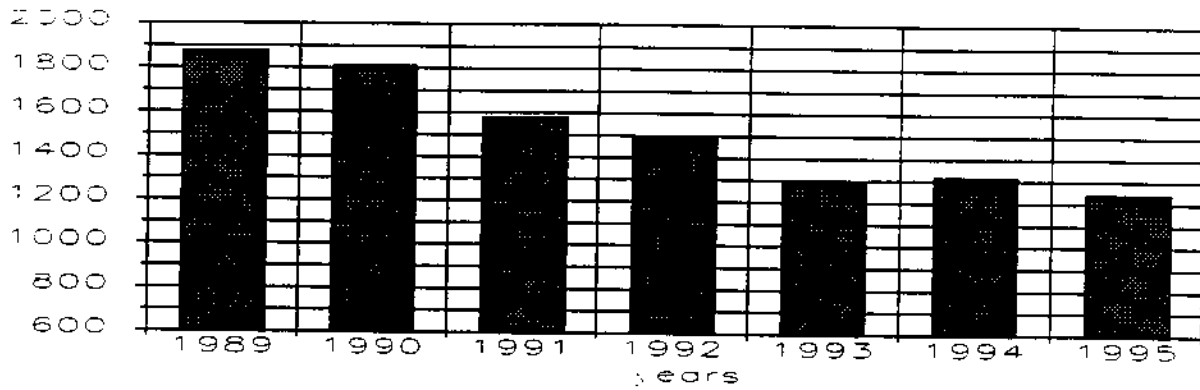
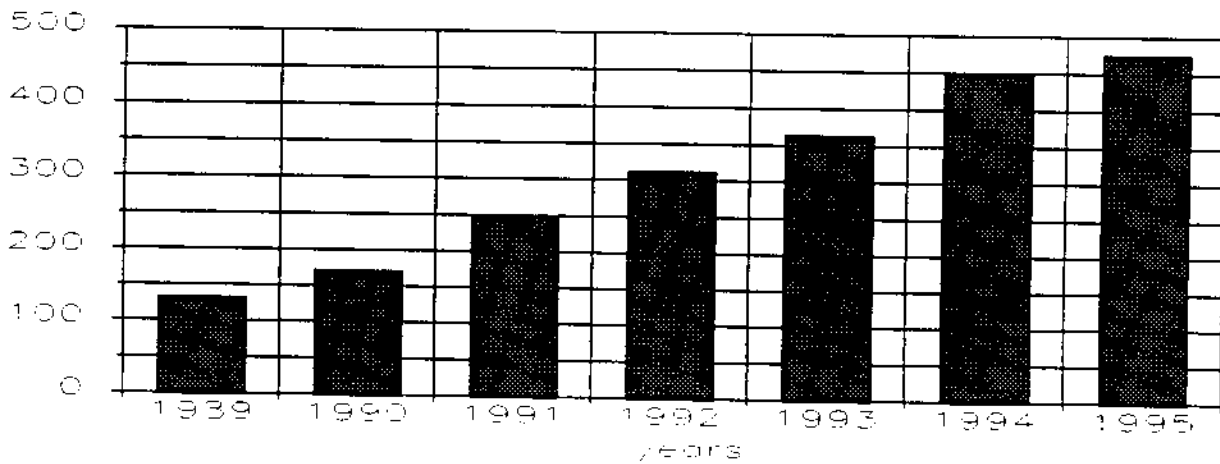
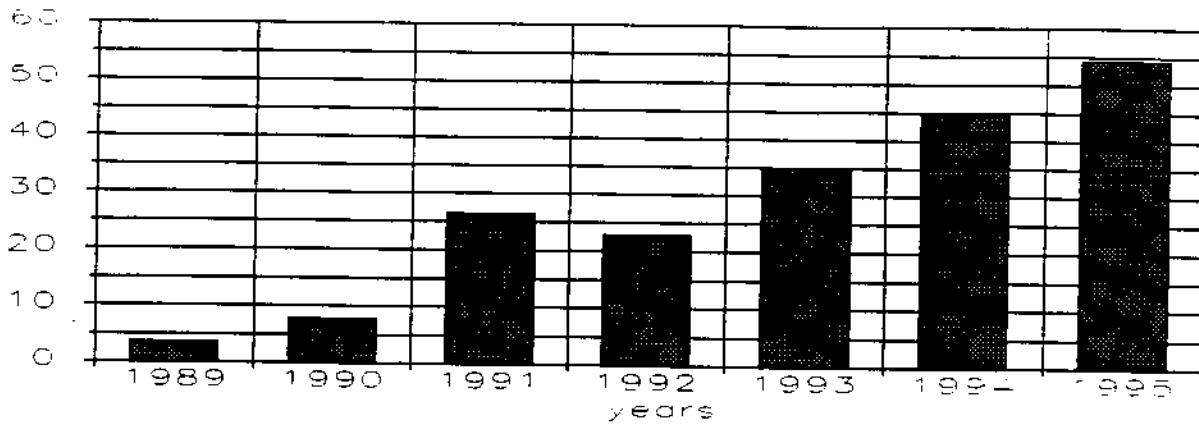


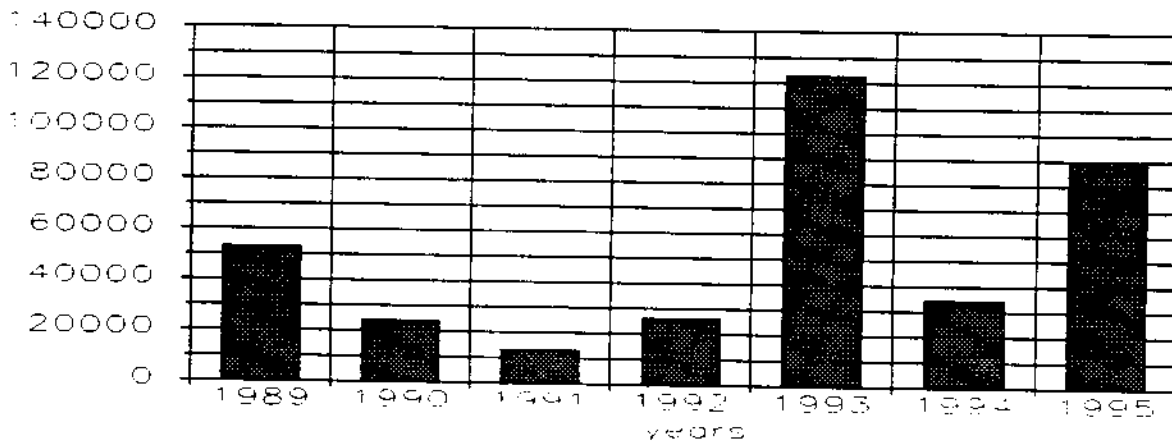
Table 7. Production per Employee - Gama a.s., 1989 - 1995, [thousands of CzK]



**Table 8. Net Profit per Employee - Gama a.s., 1989 - 1995, [thousands of CzK]**



**Table 9. Investments - Gama a.s., 1989 - 1995, [thousands of CzK]**



The results given above Gama achieved in spite of growing competition in the market. After the unification of Germany, Gama lost a major part of its former Eastern Germany market, which represented one-third of its former export activities. One-third was the rest of the former Eastern Block, and the final third was realized in the local market. But Gama's managers were able to find new markets. (See bar charts above.) Competition grew in many businesses. European firms competed mainly in high-quality products and those from Asia competed in price. The product life-cycle is very short in businesses like school and office supplies and it is affected by fashion trends. Gama quickly followed its customers and prepared new products based on ecological materials and bio-production, such as unfinished wooden toys and pencils instead of polished and colored ones. After analyzing perspective businesses and market trends, Gama management invested heavily in this type of production and completely rebuilt some of their plants. On the other hand, they did not hesitate to decrease production in businesses where analyses did not prove future benefits. This was mainly the case with plastic toys, simple products where tough price competition from Asia threaten Gama's market share. In the toy industry Gama moved into more expensive metal toys and models with a high proportion of craftsmanship. Gama also expended enough effort to improve environment in their manufacturing plants and invested heavily in its subsidiaries.

### **Intermezzo - Privatization - "Third Wave"**

When the official privatization process ended, after the first and second waves of privatization, the Czech Republic had the region's largest stock market. The Prague Stock Exchange - PSE had its first trading session on April 6, 1993. More than 1700 quoted companies traded on the PSE represent a market capitalization of 35 percent of GDP, which is larger than the German stock market. Listed companies were divided (according to liquidity and market capitalization) into two trading groups: the main and free markets. The new segmentation of the PSE was initiated on September 1, 1995, when three markets were introduced: main, secondary and free markets.

The most important players in the PSE market are investment funds. The original scenario of the privatization process did not considered investment funds at all, according to Tomáš Ježek (who is considered to be one of the "fathers" of the Czech privatization process). This was the reason why the legislation of investment funds was not perfect at the beginning<sup>51</sup>. Ownership of investment funds was limited to a maximum

of 20 percent of the shares in a specific company, but officials thought at the beginning of canceling this limit<sup>9)</sup>.

PPF - První Český IF a.s. (the first Czech Investment Fund), which later became the a strategic partner for Gama, was one of the more powerful investment funds. It was among the top 10 funds after the first wave and the second-largest non-bank fund after the well-known Harvard Funds. PPF acquired 117,541,500 points from individual investors<sup>9)</sup>.

A special role was played by the so-called "bank-funds", which were created by Czech and Slovak banks. Neither Czech nor Slovak banks have been privatized yet, so many Czech companies are owned by these "bank-funds". These bank funds are owned by banks where the state, represented by the Fund of National Property still has a fairly large stake.

Table 10. The State Ownership Structure of Four Major Czech Banks, May 1996:

Bank:	Česká Spořitelna	Komerční Banka	IPB	ČSOB
Fund of National Property	45%	48%	29.5%	19.6%
Czech National Bank				26.5%
Slovak National Bank				24%
Ministry of Finance				20%
municipalities	14.75%			

In addition to these figures, "bank funds" are involved in this ownership structure, so it becomes even more "State-owned". This situation has been criticized several times and many insiders consider this feature as not supporting the restructuring of Czech firms. They worry that the governmental bureaucrats are not motivated to take their ownership rights seriously<sup>9)</sup>.

The Prague Stock Exchange opened the possibility of changing the ownership structure and following up the original idea of privatization and restructuring of Czech firms. So the logical consequence of the official privatization process was the so-called "third wave" of privatization. The "third wave" is the term used for the process of changes in the ownership structures of Czech firms after official privatization ended. The

“third wave” started in the summer 1995 and ends in the summer of 1996. Many companies have changed hands quietly during the “third wave” of privatization. “75 percent of publicly traded companies gained new owners during the “third wave”, and we are expecting another 10 percent to do the same. These are mainly companies with equity of over 500 mil. CzK which have not yet been taken over,” stated Jiří Bělohlávek of the brokerage house Zvěřina and Bělohlávek <sup>6)</sup>.

“According to our analyses, at least 60 percent of the companies traded on the Prague Stock Exchange went through the “third wave” of privatization. This process will probably end very soon. I think that in the Czech Republic now not percents but majorities or even whole companies now in will be traded,” says Jan Blaško, chairman of Stratego Invest Fund <sup>7)</sup>. He also expects a wave of mergers following the “third wave” of acquisitions. The real strategy, tactics and parameters of acquisitions are the secret know-how of investment funds. The base for it is knowledge of ownership structure, the value of stock and an estimation of market reaction. Both friendly agreements with owners and hostile take-overs are used. According to Stratego Invest most acquisitions have been accomplished for institutional investors but not for management. Blasko estimated that approximately 500 to 800 companies are considered to be potential targets for mergers and acquisitions. The process is based mainly on Czech capital sources; foreign investors are too cautious according to Blasko, and there are also legal differences.

Zvěřina and Bělohlávek estimate that 50 percent of the acquisitions were made by institutional investors, 20 percent by managers, 15 percent by competitors, 5 percent for foreign investors from abroad and 10 percent were take-overs done without any particular relationship to the specific company <sup>8)</sup>.

Table 11. Trading volumes in the Prague Stock Exchange during the "third wave"

Trading Volumes - Shares & Units [mil. CzK]						
Central market	1994	1.Q 1995	2.Q 1995	3.Q 1995	4.Q 1995	1.Q 1996
Main	6,834.3	2,522.8	1,576.6	2,607.2	3,194.6	3,994.2
Secondary					82.0	825.9
Free	24,794.5	2,397.7	2,584.3	2,750.8	4,116.1	3,586.8
Subtotal	31,628.8	4,920.5	4,160.9	5,358.0	7,392.7	8,406.9
Other trades*						
Main	21,017.4	8,180.7	14,678.1	15,777.7	40,078.3	43,601.3
Secondary					214.1	15,240.2
Free	7,992.2	5,542.7	9,484.9	7,801.4	23,884.9	21,568.5
Subtotal	29,009.6	13,723.4	24,163.0	23,579.1	64,177.3	80,410.0
TOTAL	60,638.4	18,643.9	28,323.9	28,937.1	71,570.0	88,816.9

*source Prague Stock Exchange*

\* Other trades include direct or block trades where the price is not based on auction.

Investment funds were the main players in this game. In addition to the PSE trades, whose figures are given in Table 11, many trades are negotiated and settled directly through the Securities Center, without going through PSE disclosure. "The funds are the only ones that know what's going on," complains Rory Landman of Baring Asset Management in London <sup>9)</sup>.

As a reaction to the "third wave" former Czech privatization minister Tomáš Ježek, who is the current head of Prague Stock Exchange, has prepared a package of new laws to ensure greater transparency and shareholders' protection in the Czech capital markets. Among the bill's key provisions are following:

- shareholders must disclose purchase or sale of stock equal to or exceeding a five-percent stake in a company;
- shareholders who acquire more than 50 percent of a company must offer to buy out the other shareholders at market prices. (What market price really means is not well defined; the price differential among different markets is extremely large-- sometimes in multiples of ten );

- investment funds must disclose quarterly the size of the holdings within their portfolio;
- members of each of the country's three stock exchanges—the PSE, RMS and newly licensed RTP—must publish the volume and price of all their trades;

The bill passed in Parliament in May 1996, just prior to the election, and becomes effective on June 1, 1996.

The reactions of investment funds varied and not everyone was happy with the changes. "There has to be a balance between protecting minority shareholders and not inhibiting investors from gaining control of a company," says Daniel Arbes, who heads European operations of Stratton Investment. He questions the need for an announcement each time his firm acquires a sizeable chunk in a company<sup>9)</sup>. Ježek replies: "Of course some venture capitalists like the existing situation. If they are interested in taking companies by surprise, it's better if they are able to act in semi-darkness. But many other investors—particularly the large London houses—have declared themselves hesitant to come here because the market is not transparent enough"<sup>10)</sup>.

The quick response of investment funds came very soon after the law was presented in Parliament. In March, April and May 1996 many investment funds transformed themselves into more loosely regulated joint stock companies. The fund managers say they are merely trying to exercise greater control over the companies within their portfolio. Fund managers also tried to avoid the restriction limiting a company to control of no more than 20 percent of a company in their portfolio. At the same time many fund managers tried to consolidate the ownership within the marketplace. "Many of these funds have very serious plans to become active owners in enterprises," says Deputy Finance Minister Vladimír Rudlovčák<sup>10)</sup>. The whole process of privatization was considered to be a base for restructuring Czech enterprises, but at the same time the 20 percent ownership limit seemed to be a serious obstacle in the process of restructuring. Harvard Capital & Consulting Funds, founded by Viktor Kožený, the hero of the first privatization wave, was the first to convert investment fund to joint stock company. Harvard spokesman Leoš Nevosad said, "We will be able to develop a horizon of investment opportunities by acquiring direct control over portfolio companies without needing the support of other investors. We believe this step will create better conditions for increasing the value of all our shareholders' property."<sup>11)</sup>

Harvard funds were followed by number of other funds, including the PPF - První Český Investiční fund, which controls CzK 1.7bn (\$65m) in assets. All these funds



came under intensive criticism after that conversion. Jan Valdinger, chief executive for the PPF, explained this endeavor: "In this particular state of the market, we felt it would serve our shareholders best if a significant portion of our fund was used to build up a large minority position. That would allow us to have a hands-on approach to corporate governance, which we can do better with a larger holding than we could with a more passive share".<sup>10)</sup> Compared to funds under the ownership limit, transformed funds are prepared to take more responsibility for strategy and play the role of the strategic owner. These words correspond to the statement made often in the workshop "Foreign Investments in the Czech Republic" held in Pilsen on, May 6, 1996 - "many owners (investment funds) are thinking in terms of transactions rather than strategy." A research analyst at Wood and Company, Vladimír Jaroš<sup>11)</sup>, commented about the transformation of investment funds into holding companies, "This step will help the fund diversify its assets and increase the return for shareholders"

## **Act II. - Gama Restructuring Continues**

After the restructuring and turnaround of Gama a.s. , the management team decided to look for a strategic partner in order to increase the competitiveness of its firm. When the first attempt was made to find a partner abroad, Gama managers found that the companies they were negotiating with were looking for market share rather than for a strategic partnership. Their own firm's good results allowed them to seek more courageous goals. They decided to become the largest producer of plastic medical products and to build their firm to be the supplier of "everything for the school and the office". The next step was to acquire the Koh-i-noor joint stock company and a sister, Grafo. They believed strongly in their ability to be better managers than that of the current management of those firms.

The movements in the stock markets allowed a chance to think over developing a strategic alliance with a strong financial partner that was knowledgeable about the Czech stock market. After both side analyses they entered into partnership with PPF investment fund. PPF fund managers consider Gama as a strategic investment within their 4 billion CZK portfolio. At the same time managers of Gama a.s. considered PPF fund as competent and giving the assurance to continue in the vision outlined by Gama's management.

According to the PSE survey <sup>12)</sup> PPF owned in March 31, 1996:

45,896 shares of Gama, a.s.	out of 249,438
14,013 shares of Grafo, a.s.	out of 77,269
4,936 shares of Koh-i-noor Hardmuth	out of 266,051

Gama together with PPF experts had gained a majority of Grafo and Koh-i-noor. They developed a personal alliance (CEO Bříza) in order to improve the management style. Gama managers came with a clear management philosophy of developing the strong enterprises in the field of medical products and office and school supplies. Immediately after the acquisition Gama introduced its own management information systems into Koh-i-noor and Grafo and started the process of downsizing these organizations. The synergistic effects in finance, marketing, distribution, etc., under the umbrella of a unified management team has improved the dynamics of all three firms. Currently Gama and PPF are looking for optimal control and an ownership structure based on the framework of recently announced legislation. The efficiency of management control systems, synergy in distribution, ability to offer a complex product portfolio are the results of restructuring in Gama, a.s., České Budějovice. General meetings will be held soon in order to continue this process.

## Finale

Several key factors for success should be found in this case for future discussion. The management team had prepared a privatization project (which won among competing projects) that did not destroy the market power of the firm. Managers were able to define the vision of the firm and to support the core businesses. Cooperation between the competent and skilled management team under the visionary leadership and strategic owner developed the potential for future growth. The stock market has prepared the conditions for changes in ownership structure and acquisitions.

Gama a.s., České Budějovice provides an example of how firms can be restructured after privatization using the synergy of managers and owners..

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**Appendix:**

Gama - Balance sheet	1993 - 1.Q 1996
Gama - Income statement	1993 - 1.Q 1996
Grafo - Balance sheet	1993 - 1994
Grafo - Income statement	1993 - 1994
Koh-i-noor Hardmuth - Balance sheet	1993 - 1994
Koh-i-noor Hardmuth - Income statement	1993 - 1994
Gama - stock prices & trading volumes	1/4/96 - 30/5/96
Grafo - stock prices & trading volumes	1/4/96 - 30/5/96
Koh/i/noor - stock prices & trading volumes	1/4/96 - 30/5/96

<b>GAMA - Balance sheet</b>	<b>1/1 1993</b>	<b>12/31 1993</b>	<b>12/31 1994</b>	<b>12/31 1995</b>	<b>3/31 1996</b>
<b>Total Assets</b>	<b>416,055</b>	<b>556,791</b>	<b>573,286</b>	<b>706,944</b>	<b>742,778</b>
	0	0	0	0	0
<b>Fixed Assets</b>	<b>242,740</b>	<b>332,675</b>	<b>369,978</b>	<b>469,553</b>	<b>464,247</b>
Intangible Assets	31	289	501	888	815
Tangible Assets	240,509	324,150	328,473	371,350	366,116
Investments	2,200	8,236	41,004	97,315	97,316
<b>Current Assets</b>	<b>173,315</b>	<b>222,992</b>	<b>188,453</b>	<b>225,686</b>	<b>267,573</b>
Inventory	67,534	73,512	83,318	88,067	95,422
L/T Receivables	0	0	0	0	0
S/T Receivables	54,688	50,950	64,330	68,388	96,768
Cash and Checks	51,093	98,530	40,805	69,231	75,383
Other Assets	0	1,124	14,855	11,705	10,158
<b>Total Liabilities</b>	<b>416,055</b>	<b>556,791</b>	<b>573,286</b>	<b>706,944</b>	<b>742,778</b>
<b>Net worth / Shareholders equity</b>	<b>289,709</b>	<b>368,976</b>	<b>464,264</b>	<b>522,587</b>	<b>599,473</b>
Common Stock	221,902	249,438	249,438	249,438	249,438
Reserves	0	37,000	80,000	80,196	80,000
	67,807	37,353	39,494	43,019	43,070
Retained Earnings	0	0	35,981	82,453	191,785
Current earnings	0	45,185	59,351	67,481	35,181
<b>Liabilities</b>	<b>122,045</b>	<b>187,122</b>	<b>105,807</b>	<b>179,840</b>	<b>140,322</b>
Provisions	0	0	111	77	126
L/T Payables	0	274	19,955	19,955	19,478
S/T Payables	8,758	12,411	44,983	49,884	14,918
<b>Bank loans</b>	<b>113,287</b>	<b>174,437</b>	<b>40,758</b>	<b>109,924</b>	<b>105,799</b>
L/T bank loans	53,287	126,437	1,064	59,924	57,319
S/T bank loans	60,000	48,000	39,694	50,000	48,480
Other Liabilities	4,301	693	3,215	4,517	2,983

<b>GAMA - Income Statement</b>	<b>12/31 1993</b>	<b>12/31 1994</b>	<b>12/31 1995</b>	<b>3/31 1996</b>
Production	471,209	590,197	590,973	138,864
Sales	467,299	586,902	595,862	125,099
Variation in stocks	4,349	3,388	-1,155	13,629
Activation of production	6,448	4,357	2,541	1,453
"Costs of goods sold"	257,756	307,854	326,145	71,010
Gross profit / Value added	220,340	286,793	271,103	69,171
Staff costs	105,547	126,676	129,799	29,943
Taxation	1,308	1,489	1,107	40
Other operational income	35,576	16,600	28,106	6,866
Other operational expenses	20,570	8,544	14,278	1,988
Depreciation	25,384	42,334	36,053	10,102
Provisions	0	2,440	7,908	0
Creating provisions	2,440	7,908	7,412	0
Operating profit before taxes	100,667	118,882	118,468	33,964
Profit from financial operations	-13,948	-11,994	-9,238	250
Taxation operational	35,980	48,574	42,158	0
Operating profit	50,739	58,314	67,072	34,214
Profit on ordinary activities	178	3,378	1,744	979
Expenses on ordinary activities	9,644	2,341	1,335	12
Taxation ordinary	-3,912	0	0	0
Profit from ordinary activities	-5,554	1,037	409	967
Net Profit	45,185	59,351	67,481	35,181

<b>Grafo - Balance sheet</b>	<b>1/1 1993</b>	<b>12/31 1993</b>	<b>12/31 1994</b>
<b>Total Assets</b>	<b>152,175</b>	<b>144,140</b>	<b>159,921</b>
<b>Fixed Assets</b>	<b>76,361</b>	<b>83,723</b>	<b>92,931</b>
Intangible Assets	58	12	103
Tangible Assets	76,303	83,711	92,828
Investments	0	0	0
<b>Current Assets</b>	<b>75,814</b>	<b>59,250</b>	<b>64,708</b>
Inventory	35,603	34,006	29,623
L/T Receivables	0	0	0
S/T Receivables	33,396	24,127	30,318
Cash and Checks	6,815	1,117	4,767
<b>Other Assets</b>	<b>0</b>	<b>1,167</b>	<b>2,282</b>
<b>Total Liabilities</b>	<b>152,175</b>	<b>144,140</b>	<b>159,921</b>
<b>Net worth / Shareholders equity</b>	<b>97,710</b>	<b>112,414</b>	<b>117,891</b>
Common Stock	77,269	77,269	77,269
Reserves	0	0	5
Retained Earnings	9,192	8,911	17,434
Current earnings	11,249	10,556	10,745
Current earnings	0	15,678	12,438
<b>Liabilities</b>	<b>54,385</b>	<b>31,390</b>	<b>40,777</b>
Provisions	633	0	139
L/T Payables	0	0	0
S/T Payables	14,778	6,064	6,922
<b>Bank loans</b>	<b>38,974</b>	<b>25,326</b>	<b>33,716</b>
L/T bank loans	8,974	16,950	22,901
S/T bank loans	30,000	8,376	10,815
<b>Other Liabilities</b>	<b>80</b>	<b>336</b>	<b>1,253</b>

**Grafo - Income Statement**

	12/31 1993	12/31 1994
Production	143,947	137,041
<b>Sales</b>	<b>144,857</b>	<b>138,232</b>
Variation in stocks	1,739	-59
Activation of production	205	1,922
"Costs of goods sold"	68,694	67,024
<b>Gross profit / Value added</b>	<b>78,107</b>	<b>73,071</b>
Staff costs	39,151	40,313
Taxation	149	109
Other operational income	5,724	3,637
Other operational expenses	671	2,331
Depreciation	8,771	8,212
Provisions	633	827
Creating provisions	827	528
<b>Operating profit before taxes</b>	<b>34,895</b>	<b>26,042</b>
Profit from financial operations	-3,464	-4,026
Taxation operational	14,761	9,194
<b>Operating profit</b>	<b>16,670</b>	<b>12,822</b>
Profit on ordinary activities	155	42
Expenses on ordinary activities	1,958	426
Taxation ordinary	-811	0
Profit from ordinary activities	-992	-384
<b>Net Profit</b>	<b>15,678</b>	<b>12,438</b>

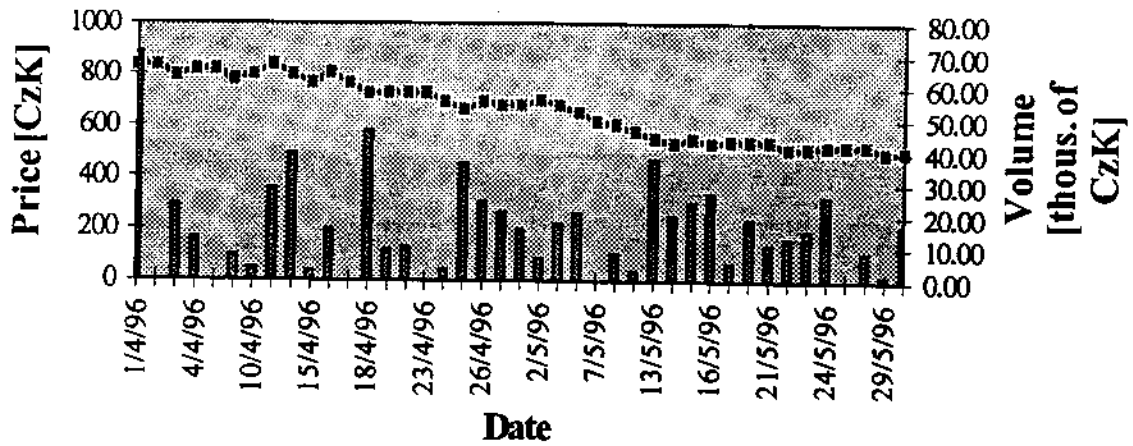


<b>Koh-i-noor - Balance Sheet</b>	<b>12/31 1993</b>	<b>12/31/1994</b>
<b>Total Assets</b>	<b>441,520</b>	<b>457,202</b>
	0	0
<b>Fixed Assets</b>	<b>212,120</b>	<b>246,720</b>
Intangible Assets	456	954
Tangible Assets	183,400	206,080
Investment	38,254	39,686
<b>Current Assets</b>	<b>216,312</b>	<b>206,919</b>
Inventory	155,970	145,690
L/T Receivables	13,361	656
S/T Receivables	39,701	47,022
Cash and Checks	7,280	13,551
<b>Other Assets</b>	<b>3,098</b>	<b>3,563</b>
<b>Total Liabilities</b>	<b>441,520</b>	<b>457,202</b>
<b>Net worth / Shareholders equity</b>	<b>299,909</b>	<b>284,207</b>
Common Stock	266,051	266,051
Reserves	11	24
	29,230	30,088
Retained Earnings	0	2,979
Current Earnings	4,617	-14,935
<b>Liabilities</b>	<b>139,057</b>	<b>168,341</b>
Provision	705	1,289
L/T Payables	0	0
S/T Payables	12,531	26,960
<b>Bank loans</b>	<b>125,821</b>	<b>140,092</b>
L/T bank loans	NA	13,051
S/T bank loans	NA	127,041
<b>Other Liabilities</b>	<b>2,554</b>	<b>4,654</b>

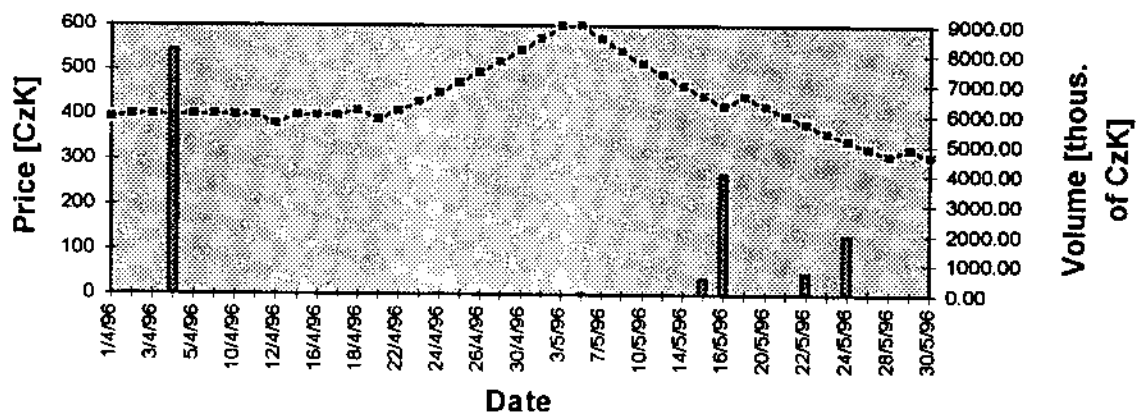
**Koh-i-noor - Income Statement**

	12/31 1993	12/31 1994
Production	298,804	327,997
Sales	294,636	328,980
Variation in stocks	5,407	-964
Activation of production	2,056	2,363
"Costs of goods sold"	184,193	200,504
<b>Gross profit / Value added</b>	<b>117,906</b>	<b>129,875</b>
Staff costs	64,210	72,008
Taxation	592	659
Other operational income	2,709	7,387
Other operational expenses	2,891	8,809
Depreciation	14,954	17,500
Provisions	5,080	5,199
Creating provisions	5,103	5,897
<b>Operating profit before taxes</b>	<b>37,945</b>	<b>37,588</b>
Profit from financial operations	-18,985	-16,023
Taxation operational	7,717	8,803
<b>Operating profit</b>	<b>11,243</b>	<b>12,762</b>
Profit on ordinary activities	30	1,485
Expenses on ordinary activities	9,689	29,182
Taxation ordinary	-3,033	0
Profit from ordinary activities	-6,626	-27,697
<b>Net Profit</b>	<b>4,617</b>	<b>-14,935</b>

## GAMA - stock prices & trading volumes



## GRAFO - stock prices & trading volumes



## Koh-i-noor - stock prices & trading volumes

