

Czech Trade Focus

News from the Czech Commercial Offices in the United States / July 2007

? Economic Briefs ? Czech Economic Growth ?Czech ICRC Project at the Bio 2007 Trade Fair ?Investment Briefs ? Czech Energy Companies ? Companies and Businesses ? Czech Plastics and Rubber Industry ? 2006: Record Balance of Trade Surplus ? Economic Policy Brief ? Czech Company Looking for Representatives, Importers, Distributors ?Tradeshows and Exhibitions ? Czech Commercial Offices in the United States ?Business and Trade Websites ? Subscription Information ?

ECONOMIC BRIEFS

The unemployment rate fell to 5.3% in the second quarter, the lowest rate in eight years. Over the past year, the number of unemployed workers in the country has dropped 92,200 to 274,600.

Czech economic growth reached 6.2% in the first quarter of 2007 year-on-year, according to the European Commission. The Czech Statistical Office put the GDP growth for the first quarter at 6.1%.

Czech state budget posted a 1.3 billion CZK (\$63 million) surplus for the first half of the year, a worsening of 6.4 billion CZK (\$312 million) year-on-year. Budget revenues rose by 14.5 billion CZK (\$706 million) year-on-year to 483.3 billion CZK (\$24 billion) at end-June, of which income from taxes and fees added 2.6 billion CZK (\$127 million) to 245.3 billion CZK (\$12 billion). Value-added tax revenues jumped by 9.9 billion CZK (\$483 million) to 80.3 billion CZK (\$4 billion), and individual income tax revenues grew by 7.5% to 46.5 billion CZK (\$ 2billion). In contrast, corporate income tax revenues fell by 3.4% to 53.6 billion CZK (\$3 billion), although the ministry expects a 12.6% growth in the full year.

The Czech Republic is the second most popular tourist destination among EU newcomers. Foreign exchange revenue from tourism exceeded 113 billion CZK (\$6 billion) last year. Tourism is directly or indirectly the source of living for 14% of Czech population and contributes 3.1% to the Czech GDP, more than agriculture.

Foreign tourists spend an average 1,650 CZK (\$80) a day in the Czech Republic. Tourists spend half of their money on food and accommodation. Spending on transport makes up 16% and spending on entertainment 12%.

Job security is the most important element of employment to Czechs, according to a new poll by CVVM. Some 93% of those polled rated security as important, followed by job enjoyment — a close second, at 91% — and high income. The lowest-rated choice was opportunity for promotion and personal career development, which only 65% rated as important.

Measures taken to protect the Czech Republic against bird flu in 2006 caused 1 billion CZK (\$48.5 million) in losses to the poultry industry, boosting pharmaceutical companies by an equal amount.

Prices of goods imported to the Czech Republic decreased by 0.1% on the year in May, while export prices rose by 2.8%. In a month-on-month comparison, export prices rose by 0.8% and import prices were 1% higher in May. Import prices have been falling year-on-year since last October. The year-on-year decline in import prices was influenced in particular by lower prices of machinery and transport equipment. But the biggest decrease was reported for prices of mineral fuels.

Holland has fully opened its labor markets to employees coming from the 10 states — including the Czech Republic — that joined the European

Union in 2004. Czechs will no longer require a permit to work in the country. Six remaining “old” member states still protect their labor markets: Germany, France, Austria, Belgium, Denmark and Luxembourg.

Aggregate meat production in the Czech Republic decreased by 1.5% on the year to 156,026 tonnes in the second quarter of 2007, while milk purchases rose by 1.7% to 615.7 million litres. Of the total meat output, pork accounted for 54.4% and poultry for 33%. Production of beef and veal made up 12.6%.

The Czech Retail Inspection COI found shortcomings in 9,290 (31.9%) of 29,086 checks carried out in the first half of 2007, while in the same year-ago period checks did not turn out well for 9,936 (35%) of 28,365 businesses.

Czech blogging is on the rise, especially for music and information technology lovers, according to Navrcholu.cz, a local Internet company. The number of blogs, or Web logs, registered with the company grew 142% from 383 to 928 from 2006 to 2007 while the number of Web sites grew from 20,205 to 23,297, or almost 16%. Blogs are open forums on the Internet where users can talk to one another and all participant’ comments are registered onscreen.

A total of 127,133 foreigners who are EU citizens now work in the Czech Republic, 23% more than a year ago. Most of them are employed in the sectors of health care, education and industry.

The ten largest retail chains strengthened their position on the Czech market last year, holding already 63% of the fast-moving goods market, while in 2005 their share was at 53%. At the same time, thanks to mergers of large retail chains, the share of Czech trading companies rose.

Income from electronic toll charged on Czech motorways and dual carriageways exceeded 2 billion CZK (\$98 million) after 137 days of operation. The toll system, launched on January 1, registers more than 180,000 lorries, whose owners pay 20 million CZK (\$975 000) a day on average. If toll collection continues at the same pace, the full-year income will reach 5.3 billion CZK (\$259 million). Czech lorries paid over 61% of the total sum. Slovak drivers make up 16%, followed by Polish, Hungarian and German lorries. Monaco, Israel and Kyrgyzstan come at the end of the rankings. At present, toll is collected on almost 1,000km (621 miles) of Czech motorways and dual carriageways.

The first chain of private medical clinics is being formed in the Czech Republic. The chain, composed of former independent private practices, is being formed by Marek Potysz, former director of the firm Agel, which built the country's largest network of private hospitals from 2001 to 2006.

The number of imported used cars grew by more than 40% year-on-year to 109,435 units in the first six months. Ford ranked the top-selling make among used passenger cars imported to the Czech Republic in the first half of the year, followed by Renault and Skoda.

Passenger car numbers have increased by nearly 109,000 to over 4.217 million in the Czech Republic in Jan-June this year.

The proportion of Czech citizens planning to save more money fell to

22% this year from 60% in 2006. On the other hand, those who wanted to spend more money accounted for 69% of Czech consumers in 2006 and 74% in 2007. Czechs want to invest especially in leisure time and travelling, and the purchase of household equipment and mobile phones.

Organic farming in the Czech Republic accounts for 7.4% of the total farmland area in the country, which represents the third place in the European Union. However, the high proportion of organic farmland does not automatically mean that the Czech Republic is a leading producer of organic foodstuffs. The European Union average is 3.9%.

Czech power consumption is increasingly affected by the growing popularity of air-conditioning systems. In the first quarter, power consumption fell by a record-high 6.7% owing to warm winter. Although power consumption usually drops in May, it grew by 3.7% on higher industrial output and on increased use of air-conditioning units. The producers of air-conditioning units have registered an increase in demand.

Led by carmakers Skoda Auto and Toyota Peugeot Citroen Automobile, the **Central Bohemia region of the country made up nearly 20% of total exports**, the largest share of Czech exports. The two carmakers make up almost 60% of all car exports from the country. In absolute figures, the region's exports topped 417 billion CZK (\$20 billion), up 10% from the year before.

Czech movie-making is booming and creating new rivalries on the domestic market. In the past, domestic cinemas typically premiered approximately 20 domestic movies per year, and local producers generally kept a distance of at least two weeks in between the premieres of their movies and those of their colleagues. But with increased

production driving up market competition, this gentlemen's agreement has become a thing of the past. In the first quarter of this year, already high sales at domestic cinemas saw additional growth, with attendance rising 500,000 and sales up 57 million CZK (\$3 million).

Czechs led the region in purchasing power, rising to 79% of the European Union average in 2006, compared to 74% in 2005. Its next closest neighbor in purchasing parity was Hungary at 66%, followed by Slovakia at 63%. But it still falls far below the EU's richest countries: Luxembourg is now at 280%, Austria is at 129% and Germany is 117%.

Fueled by construction and loan-making, Czech banks posted 13.3 billion CZK (\$649 million) in pre-tax earnings in the first quarter, down 3.6% from the same period in 2006. Revenues went up 25% to 35 billion CZK (\$1.5 billion). At the same time, foreign debt also rose to 1.24 trillion CZK (\$60.5 billion), putting it at almost 38% of the country's gross domestic product.

Regulated rents will rise more quickly next year around the country than they have so far in 2007. The country's effort to deregulate rents has caused thorny problems for numerous residents, most notably for pensioners living on fixed incomes. In Prague, rents are expected to jump 35% in 2008. In Ceske Budejovice, they could rise more than 40%.

The number of self-employed in the Czech Republic has increased by 10,000 to 914,000 at end-June. The category of self-employed includes entrepreneurs, private doctors, artists and farmers. Companies with 9 staff at most account for more than 95% of all the businesses in the country and are the biggest employer, employing more than a third of the Czech workforce.

CZECH ECONOMIC GROWTH

The Czech economy has experienced two years of massive economic growth at +6.1%. With more than 6% growth of GDP, it ranks among the fastest-growing economies in the framework of the entire EU. Its growth was two times faster than that of the old part of the EU and whole EU itself. Hence, the Czech Republic made another step last year on its way towards reducing the lead of the most advanced countries of the European integration and reaching the envisaged 76% level of the EU average.

The manufacturing industry has contributed the most to the fast growth of the Czech economy. The industry alone accounted for approximately two-thirds of last year's economic growth, the same as in 2005. Upon closer look, the boom is primarily based on the automobile industry. The success of car manufacturing is directly responsible for the trend of Czech exports and the country's balance of trade. The export of road vehicles has been growing by 20% a year on average and plays an important role in the improvement of the Czech Republic's trade balance.

Still, demand indicators reflected an acceleration of household consumption in the Czech Republic. In 2006, household consumption grew by 4.6% in comparison with 2005. High consumer confidence is probably the main reason behind this growth. Another reason is declining unemployment linked with the rapid creation of employment opportunities and the growth of real wages.

Lastly, an increase in investment is also a factor in the positive economic trend. The interest of foreign investors to directly invest in the Czech Republic continues.

THE CZECH ICRC PROJECT AT THE BIO 2007 TRADE FAIR

The International Clinical Research Centre Brno (ICRC) project, which was presented by Czech specialists in collaboration with their colleagues from Mayo Clinic in the United States, attracted the attention of the expert public and industry at the recent BIO 2007 conference and exhibition in Boston. This year, over 20,000 people attended BIO 2007, the world's largest biotechnology exhibition.

With the support of the Czech government and its institutions, 13 leading biotechnology firms from the Czech Republic participated in the event. The star attraction, however, was the ICRC project, which is to become the first international centre in the area of medical and biotechnology research. The ICRC is currently the largest European Union initiative for 21st-century oriented biotechnology and medical research. The initiative will be based predominantly on collaboration between Mayo Clinic (Rochester, Minnesota, USA) and the Czech and European specialists.

The novel concept of the ICRC will accelerate the entire research process up to 50 percent and will also increase the efficiency and cost/benefit ratio of research projects. Simultaneously, the ICRC platform may join intellectual and financial sources of the US and the European Union allowing for design and perform research projects on a global scale. The high flexibility of the ICRC concept supports the establishment of close collaboration between academic institutions and industry by respecting the highest safety criteria as required by the US and EU regulatory agencies.

Part of the presentation at BIO 2007 focused on the introduction of the largest European Union biotech cluster that will be established in Brno, Czech Republic, in close collaboration with the new Basic Sciences Laboratory Center of Masaryk University, new Animal Research Center located at School of Veterinary Medicine in Brno, the ICRC and the Central European Technological Institute, which will also be based in Brno. The total budget for this new Brno biotech cluster is almost USD 1 billion.

There are approximately 70 biotech and pharmaceutical companies operating in the Czech Republic, with prevailing interest in the field of medicine. A substantial number of these companies cooperate closely with significant pharmaceutical firms that are conveniently positioned in the Czech market.

INVESTMENT BRIEFS

The volume of production of domestic automakers and their suppliers shall increase by roughly 10% to 700 billion CZK (\$34 billion). This year, automobile production is expected to increase to roughly 920,000 vehicles, including 900,000 cars. It is also estimated that more than one million vehicles will be produced next year. The revenues of Czech automobile manufacturers and their suppliers increased by 23% to 644 billion CZK (\$31 billion) in 2006.

Developer CTP Invest is planning to invest 4.2 billion CZK (\$205 million) in the Ostrava region by the end of next year. Roughly 2 billion CZK (\$98 million) shall be spent on expanding the CTPark Ostrava-Hrabova. The number of employees in the industrial

zone should increase from roughly 1,700 to 5,000. CTP Invest has already invested 2.8 billion CZK (\$137 million) in the region.

The investment group Penta, which purchased Aero Vodochody, an aircraft manufacturer, for 3 billion CZK (\$146 million) this year, has definitively decided to transform the on-site runway and its surroundings into a commercial airport. The Vodochody International Airport, which will primarily serve budget carriers, should start operating in 2009 or 2010. Penta expects 1.5 million passengers to pass through the terminal each year.

The company Thermolast has invested nearly 164 million CZK (\$8 million) in the construction of a new

manufacturing plant in Detrichov in the Liberec region. The company currently employs 130 workers in the production of plastic components for automobiles in the Czech Republic, and plans to hire an additional 40 people in the coming months. The plant should eventually employ up to 200 people.

Behr, a German manufacturer of air-conditioning and engine-cooling units, will open its second Czech plant in Mosnov near Ostrava. The firm has invested roughly 450 million CZK (\$22 million) in the plant's construction, which began last October, and in technology. The firm will initially employ 50 workers. The firm intends to have 200 employees by the end of next year and its 2008

turnover should total roughly 1.5 billion CZK (\$73 million).

The Swedish cosmetics firm Oriflame will open its IT management center in Prague. The local service center will be responsible for information systems and IT support in the 59 countries in which Oriflame does business.

The newly established non-profit technology agency CzechInvent is intended to support applied research and innovation in the Czech Republic. CzechInvent will offer its services to both Czech and foreign enterprises that are interested in the commercial utilization of domestic scientific output. The agency will also assist enterprises in obtaining resources from European funds intended for innovation. CzechInvent will focus on biotechnology in the first phase.

The Czech Republic is the world's tenth most attractive country for investors, according to a study conducted by Ernst & Young. The Czech Republic attracted 30.3 billion CZK (\$1.5 billion) in the first quarter of this year. This is twice the amount invested here in the same period of last year.

The international industrial group ACO is building a new plant in the municipality of Sezimov Usti. The facility for the production of oil – product drainage systems and wastewater treatment plants will employ more than 400 people and generate revenues in excess of 600 million CZK (\$29 million) within five years. ACO has been doing business in the Czech Republic since 1993 and has already invested more than 0.5 billion CZK (\$24 million) in the country.

DHL and PPL, which are both owned by the world's largest logistics group, Deutsche Post World Net, opened their first joint terminal and distribution

center in Plzen's Borska Pole industrial zone. The new center, which cost 148 million CZK (\$7 million), has 100 employees and is to service customers from West Bohemia and part of Central Bohemia. The firms want to create a backbone network of ten main terminals worth 1 billion CZK (\$49 million) in the Czech Republic within three years.

The Italian oil company Eni has more than doubled its share of the Czech oil refiner Ceska rafinerska after it bought out ConocoPhillips' portion of the company, worth 14.1 billion CZK (\$679 million). Eni now owns 35% of the company, and wants to become sole owner by year's end.

The South Korean car manufacturer Hyundai ceremonially launched construction on its 30.8 billion CZK (\$1.5 billion) automotive plant in north Moravia. When operational, the facility should produce 30,000 cars a year and employ 3,500 people. Thirteen other Korean subcontractors have followed Hyundai to the country, representing an additional investment of 11.2 billion CZK (\$546 million).

British cosmetics manufacturer Swallowfield is coming to the Czech Republic. The firm, which supplies cosmetics to retail chains, has signed a five-year rental contract for a production hall in Tabor with production to start in January. The plant will create 100 new jobs.

French cheesemaker giant Lactalis will pay more than 100 million CZK (\$5 million) for a majority stake in the Czech cheese company Moravskoslezske mlekarny. Lactalis, which is best known for making President Brie cheeses in France and exporting them around the world, also said it would buy Mlekarna Klatovy dairy. In 2004, it bought Promil, then the #2 Czech cheese maker on the market.

The Dutch brewer Heineken has bought Krusovice, one of the largest Czech brewers, from the Radeberger Gruppe. The deal, which still requires anti-trust approval in several countries, will make Heineken the third-largest brewer in the country; it already owns Starobno. Heineken hopes to increase Krusovice's exports, which grew 36% last year.

The Japanese company Olympus has opened a unique centre for the repair of endoscopes in the Czech Republic. The company plans to repair sixty endoscopes per month. These will come to Prerov, Central Moravia, from hospitals throughout Europe. There are currently only two similar facilities in continental Europe for repairing Olympus endoscopes, in Paris and Hamburg. The operation currently employs 25 people, though within nine months this number should grow to 58.

The Czech company Kofola, a.s., one of Central Europe's most important producers of non-alcoholic beverages, will invest over 650 million CZK (\$32 million) in the expansion of its plants in north Moravian Krnov and central Bohemian Mnichovo Hradiste over the next three years. Kofola, which currently employs approximately 1,200 people in the countries where it operates, will thus add nearly 80 employees to its workforce. Uniquely in the Czech Republic, a production line for wide-mouth bottles will be set up in Mnichovo Hradiste. It is estimated that their exports will grow by 400 million CZK (\$20 million) annually.

The German utility E.ON is in exclusive talks with Czech Coal to build a coal-fired power plant in north Bohemia. Czech Coal had been seeking international partners for such a plant after its discussions with CEZ fell apart. Talks on the deal will stretch through the next few months.

CZECH ENERGY COMPANIES

Czech energy companies are on a roll in expanding eastwards. They are successfully expanding their interests across Central and Eastern Europe. CEZ, the country's dominant energy utility, made history with the largest-ever foreign investment by a domestic company, at 1.4 billion EURO (\$1.9 billion/39.6 billion CZK). The deal is a joint venture with Elektroprivreda Republika Srpska (ERS) to modernize the Gacko I power plant and construct a new coal-fired power plant, Gacko II, in Bosnia and Herzegovina. CEZ will own a 51 percent stake in the enterprise, called Nove Elektrarne RS (NERS), which is also the largest direct foreign investment in the Serb Republic.

It is the company's fifth foreign agreement. CEZ has already acquired three distribution companies and the Varna power plant in Bulgaria, a majority stake in the distribution company Electrica Oltenia of Romania and two Polish power companies, Elcho and Skawina.

Moreover, Russia's state-owned energy utility, RAO UES, has signed a memorandum of understanding with CEZ, agreeing to cooperate on reforming the Russian power sector. This is the first such agreement RAO has made with a foreign investor. The companies' initial project will be a 400-megawatt combined-cycle generating unit at the Shchekinskaya thermal power plant.

Furthermore, Skoda Praha has asked the Czech Export Bank to gather a consortium of banks to fund an energy project in Vietnam worth 3 billion EURO (\$4 billion/63.8 billion CZK). President Vaclav Klaus visited Vietnam last year and discussed Skoda's possible construction of a 300-megawatt power plant with the Electricity of Vietnam Group.

COMPANIES AND BUSINESSES

Autogrill, the world's largest operator of refreshments for travelers, has signed contracts with the Benzina, Shell, and Agip chains and will open restaurants at their gas stations. Five Autogrill restaurants will appear in the Czech Republic and the firm expects to generate revenues of roughly 564 million CZK (\$28 million) in the coming ten years. Last year Autogrill served almost 900 million customers, the group's revenues totaled roughly 4 billion EURO (\$6 billion).

CPI Hotels and J&T want to open the first Buddha-Bar Hotel near Prague's Old Town Square next year. The five-star hotel, which is to offer 36 rooms and three apartments with oriental interiors, is based on the conception of the international Buddha-Bar restaurant chain. The Buddha-Bar Hotel in Prague will be followed by a hotel in Dubai and other large international cities.

Czech aircraft producer Aero Vodochody sustained a loss of 950 million CZK (\$46 million) in 2006, reducing it from a loss of 1.38 billion CZK (\$67 million) the year before, and plans to net 200 million CZK (\$10 million) this year. Aero's owner, investment group Penta, plans to open an international airport at Vodochody.

The sports betting agency Fortuna has launched an online betting service in Slovakia, the first Czech firm to open a gambling site abroad. Online gambling is banned in the Czech Republic. There's one catch for people looking to bet on Fortuna's site: It requires a Slovak bank account.

Retail giant Tesco has announced that it will open its first two Czech low-energy stores this year. The energy

consumption of the stores — in Zatec, north Bohemia, and Ricany, near Prague — will be at least one-third lower than the chain's traditional shops. The move is part of the company's pledge to cut its worldwide electricity use in half by 2020.

Skoda Auto has added production shifts on Saturday due to unexpected demand. The carmaker is expecting to produce 600,000 cars this year, rather than the projected 580,000 cars. Workers volunteering for the Saturday shifts will receive special bonuses.

The largest Czech car maker Skoda Auto made net profit worth 7.9 billion CZK (\$386 million) in the first half of the year, a year-on-year growth of 23.2%. Skoda Auto produced more than 318,000 cars in the period, a year-on-year growth of more than 9%. The results were affected by a successful launch of Skoda Roomster and growing demand for Skoda Octavia. Sales grew by 8.7% to 113.5 billion CZK (\$5.5 billion). Profit before tax rose by 22.1% to 10 billion CZK (\$488 million).

Four beer and spirits companies announced a merger, creating the seventh-largest brewer in the country. The companies — UP, Drinks Union, PaSB and Pivovar Kutna Hora — will operate under the UP name and will produce an average 1 million hectoliters (26.4 million U.S. gallons) of beer a year.

Czech Railways (CD) is in the black for the first time in its history. The company, buoyed by its freight business, earned nearly 14.7 million CZK (\$704,700) in the first quarter; the same time last year, it lost 240 million CZK (\$12 million). Separately,

the EU has approved a state-backed loan of 847 million CZK (\$41 million) to CD to help the firm purchase new locomotives.

The European Commission has approved the 111 million euros (\$150 million/3.1 billion CZK) of state aid the Czech Republic has given to Hyundai for its new car plant being built in Nosovice, north Moravia. The aid consists of direct cash and discounted land grants. The company is also receiving another 194 million EURO (\$265 million/5 billion CZK) in regional aid on its total investment of 1.2 billion EURO (\$1.6 billion/34 billion CZK).

In what's being hailed as the retail deal of the year, **European Property Development** sold the **Palladium**, a military-barracks-cum-shopping-center being developed in downtown Prague, to the German firm Hannover Leasing for 15 billion CZK (\$732 million). The center, set to open in October, will be home to more than 59,000 square meters of business space, including 200 shops.

Dominant Czech electricity producer CEZ will merge with five regional power distributors that are part of the CEZ group. The merger will concern Stredoceska energeticka, Severomoravska energetika, Severoceska energetika, Vychodoceska energetika and Zapadoceska energetika. CEZ will be the successor company.

The Anti-Monopoly Office has imposed a fine of 14.2 million CZK (\$693,000) on seven **poultry breeders** for a cartel agreement between the companies. The companies fixed buyout prices for slaughtered chickens last December. The two ringleaders,

Agrodruzstvo Jevišovice and Susarna Pohorelice, were fined 8.3 million CZK (\$405,000) and 5.4 million CZK (\$264,000), respectively.

Tesco plans to become the largest supermarket chain in the country by opening a string of small shops branded Tesco Express, to be introduced this fall. The company intends to open 24 new shops by the year's end.

Supermarket Ahold is considering rebranding its 13 largest Hypernova stores as Albert supermarkets, reducing their size and product selection.

Lukoil Czech Republic started to operate a network of Jet filling stations as of July 2007. Lukoil bought the Jet filling stations from ConocoPhillips Czech Republic at the end of last year.

The Irish low cost airline Ryanair plans to begin flights from Prague at the end of the year and set up routes from the Czech capital to five European cities.

The company Sklarna and Minipivovar Novosad & Syn is building a beer spa in the Krkonose resort of Harrachov. Bathing in natural, unfiltered and non-pasteurised beer benefits people with skin, vascular and ischemic disorders. A similar beer spa is already in operation in the Tachovsko region in the Czech Republic.

Skodaexport should be in private hands by the end of the year. The state-owned technology firm manages major energy projects in China, Turkey, India and Pakistan, and its revenues hover between 1 billion CZK (\$49 million) and 2 billion CZK (\$98 million) annually.

The European Commission has authorised, under the EC Treaty state aid rules, an ad hoc aid of 111 million EURO (\$152 million/3 billion CZK), that the Czech Government plans to provide to **Hyundai Motor Manufacturing Czech** for the setting-up of a new passenger car production plant in the Moravia-Silesia region of the Czech Republic. The aid consists of a direct cash grant together with a transfer of land at a reduced price. The aid is combined with other regional aid measures to Hyundai Motor

Manufacturing Czech which are granted under already approved aid schemes. The total regional aid package to the beneficiary company amounts to 194.49 million EURO (\$267 million/5.5 billion CZK), for an eligible investment cost of 1.148 billion EURO (\$1.569 billion/32 billion CZK). The Commission considered the aid to be compatible with the state aid rules, based on the Commission's cohesion policy and in conformity with the conditions for regional aid to large investment projects.

Budejovický Budvar has seen sales of its beer in the United States increase 43% last year, thanks to a new distribution agreement it signed with rival Anheuser-Busch in January. The company, which sells under the name "Czechvar" in the United States, now plans to sell 12,000 hectoliters of beer there, up from a projected 8,000 hectoliters.

Radek Novak, former general director of CzechInvest, has launched a new company called **CzechInvest**, aimed at helping firms finding commercial applications for new technologies. The company's first office will be in California.

The oil and gas company Moravske naftove doly has begun a new subsidiary, called Gas Storage, which will run the company's gas storage tanks in the country. Hence, it has separated its gas storage, which is controlled by the state, from its other activities.

German food conglomerate Eckes AG has sold the largest Czech spirits distiller, Stock Plzen, to the U.S. investment company Oaktree Capital Management for an undisclosed sum. Stock Plzen controls about 30% of the Czech spirits market, and its brands include Fernet.

Petr Kellner's PPF Group has agreed to jointly set up a banking group with Russia's Nomos-Bank. Nomos is the 20th-largest bank in Russia by assets, and will postpone a planned IPO to pursue the partnership.

The Czech Finance Ministry approved a fine of 2.7 billion CZK (94 million EURO/ \$126 million) levied on the **country's dominant steel producer**

Mittal Steel Ostrava AS. Mittal Steel Ostrava was fined last year by a tax office in Ostrava, 350 kilometers (220 miles) east of Prague for charging its subsidiary, Vysoke Pece Ostrava, too high a price for blast furnace coke in 2004. The company appealed to the ministry against the fine. Mittal Steel Ostrava is the biggest Czech steel maker. It produced 3.06 billion metric tons of steel in 2006. The company employs 7,400 people in the Czech Republic.

Czech automaker Skoda sold 311,062 cars globally in the first half of the year, up more than 13% from 2006. It plans to double annual production by 2012 to 1 million vehicles. It's basing rapid expansion plans on growth in export markets, including a joint venture with parent company Volkswagen Group on an assembly facility outside of Moscow and subsequent sales in Russia. In addition, the car manufacturer sold 54,000 of the first-generation Octavia model cars in 2006, compared to 200,000 of the new version Octavia.

Czech Airlines (CSA), the national air carrier, said its debts were 2.7 billion CZK (\$123.4 million) at the end of 2006, up from 2.146 billion CZK (\$105 million) a year earlier. Most of that debt comes from CSA's purchase of new Airbus aircraft. Airbus requires airlines to pay at least 5% of airliner purchases in advance. The company lost 397 million CZK last year, but expects to see a slight profit of 42 million CZK in 2007, fueled by sales of some assets, including shares of France Telecom.

The Russian nuclear fuel supplier Tvel is interested in investing in the Czech Republic's uranium mining operations. To cover his company's contract with the Temelin power plant alone, Tvel needs 400 metric tons of uranium a year — greater than the country's total annual production.

Vodafone Czech Republic will begin offering broadband Internet access through DSL thanks to a contract it signed with the fixed-line operator Radiokomunikace. Analysts expect T-Mobile will soon follow suit and also begin offering DSL access.

The Irish low cost airline Ryanair

plans to begin flights from Prague at the end of the year and set up routes from the Czech capital to five European cities.

Czech Airlines (CSA) transported 2,486,000 passengers in the first half of this year, a year-on-year increase of 1.1%.

CZECH PLASTICS AND RUBBER INDUSTRY

The manufacture of rubber and plastic products has been one of the most dynamically developing sectors of the manufacturing industry in the Czech Republic in the last five or six years. The revenues from the sale of this sectors' products and services in 2006 were preliminarily estimated at almost 21% higher in constant prices than in the previous year. The dynamic growth of the sector, which is supported by investment incentives that go primarily to the plastics industry, is closely linked with developments in other manufacturing sectors, especially the automobile industry, manufacture of electrical machinery and equipment, the building industry, engineering and the food industry, i.e. sectors which increase the amounts of rubber and plastic products.

Foreign trade in this sector is also booming. In 2006, it accounted for 4.7% of total Czech exports and 5.2% of total imports. The largest trading partner of the Czech Republic in the rubber and plastic products has constantly been the European Union.

Survey of Successful Companies Operating in the Plastics and Rubber Industry

Fatra, a.s.: The company is part of the AGROFERT HOLDING and ranks among main processors of PVC, PE, PP, and PET materials. Fatra traditionally belongs to the plastics industry in the Czech Republic and Central Europe. In 2006, revenues from the the sale of its products and services were EUR 110 million and one half of its production went to foreign markets. The basic products are in the PVC and PO group: floorings, insulating foils, technical foils, extruded profiles, PVC conveyor belts, PVC granulate, synthetic rubbers, BO PET- biaxial oriented polyester foils, PPF and L- vapour permeable membranes and laminates, packaging materials, and special products-textured membranes and injected products. www.fatra.cz

Fortell, s.r.o.: The company provides complete services in the branch of injected thermoplastics. Besides the actual injecting, an advantage is high- quality manufacture of injection moulds in the company's own tool room. This makes it possible to adapt moulds and deliver plastic components on schedule. Fortell products go to the automobile, electrical, consumer goods, and medical equipment industries. The construction of a new factory began in 2007 and is to be completed in 2008. This will increase the capacity, especially of the injection moulding of plastics, and the size of the moulds (investment into new machinery). www.fortell.cz

Plastika, a.s.: The company is an European supplier of complete plastic components with many accompanying services for the automobile, electronic, and PC industry with many accompanying services. Plastika operates on B2B markets exclusively and its customers are prominent multinational corporations. www.plastika.cz

Gumarny Zubri, a.s.: The enterprise was founded in 1935. During its existence, it has gained and retained a firm position on the market. The present products include rubber, plastic, and thermoplastic components for the automobile and building industries, engineering and electrical engineering, and protective masks. www.guzu.cz

Bohemia Bartering vytlacovani plastu, spol. s.r.o.: The company manufacturers extruded plastic profiles for the building industry, medicine, interiors, the automobile industry, and other sectors. The company co-operates with the suppliers of basic materials, manufacturing equipment and universities to optimise production. www.bbplastv.cz

Exhibitions and Trade Fairs in the Area of Plastics and Rubber Industry

Plastex 2008

International Fair of Plastics, Rubber and Composites
May 16-19, 2008
Brno Exhibition Grounds
Veletrhy Brno, a.s., e-mail: plastex@bvz.cz, web: www.bvz.cz

Official Participation of the Czech Republic in International Fairs and Exhibitions

Hanoi- VIII

International Industrial Fair
October 23-25; Hanoi 2007- VEFAC, Vietnam
e-mail: vefac@netnam.vn,
web: www.vietnamindustrialfair.com

K 2007

International Exhibition of Plastics and Rubber
October 24-31, 2007; Duesseldorf, Germany
e-mail: mhorakova@bvz.cz; web: www.k-online.de

2006: RECORD BALANCE OF TRADE SURPLUS

In 2006, the Czech Republic recorded its best results in foreign trade yet. Both exports and imports reached the highest levels in the history of the country and for the second time since its founding in 1993 (first time being in 2005) its foreign trade balance ended in a surplus exceeding EUR 0.3 billion year on year. Compared to 1993, foreign trade turnover was five times higher in 2006, and per capita export increased more than five-fold. The improvement in export performance played an important role in economic growth (though less significant than in 2005). According to a preliminary estimate, the Czech economy rose by 6.1% in real terms year on year in 2006.

Foreign Trade of the Czech Republic (EUR million/ \$ million)						
	2003	2004	2005	2006	Change in 2006 against 2005	
Exports	43 053/ 58 847	54 075/ 73 921	62 784/ 85829	75 679/ 103 445	12 895/ 17628	20.5%
Imports	45 236/ 61 836	54 914/ 75 061	61 499 / 84062	74 122/ 103 317	12 623/ 17256	20.5%
Trade Balance	- 2 183/ -2989	-839/ -1140	1285/ 1767	1557/ 2128	272/ 372	

Source: Czech Statistical Office

ECONOMIC POLICY BRIEF

The Czech Republic has received the best EC rating for drawing of finances from the EQUAL European programme with the aim to remove discrimination on the labour market and stimulate employment. EQUAL is one of the three European Social Fund (ESF) programmes. By 2008, the Czech Republic can draw up to 44 million euros from the programme for the years 2004-2006.

Public administration costs in the Czech Republic are lower than in most EU countries, according to a study by the Netherlands Bureau for Economic Policy Analysis (CPB). The Czech Republic spent 3.3% of GDP on public administration in 2005.

The Czech Republic filed a lawsuit against the European Commission over the cut in carbon emissions the country was granted for 2008-2012. The country had requested 102 million metric tons a year, but received only 86.8 million metric tons. The suit is lodged with the European Court of Justice and could last several years.

CZECH COMPANY LOOKING FOR REPRESENTATIVES, IMPORTERS, DISTRIBUTORS

Wikov Wind a.s.

Na Pankráci 1618/30
140 00 Praha 4
Czech Republic
tel.: +420 234 633 322
fax: +420 234 633 347
e-mail: wind@wikov.com

Company Wikov Wind specializes in the production of SPG wind turbines. The W200SPG wind turbine uses the most advanced gearbox technology. Highly efficient, responsive, cost effective and reliable conception with the system of variable transmission ration enables a continuous variation of the transmission ratio in accordance with the force of wind and the robot speed. The fixed speed of output shaft allows the synchronous generator to be used. The generator with voltage 6.3 to 11kV and direct connection to the grid produce unbeatable quality electric power.

TRADESHOWS AND EXHIBITIONS IN THE CZECH REPUBLIC/ FALL 2007

10. 1.-5. 2007

MSV

49th International Engineering Fair

Contact person: Marie Fejfusova
phone: +420 541 152 957
fax: +420 541 153 044
e-mail: mfejfusova@bvvcz
<http://www.bvv.cz/msv-gb>

10. 1.-5. 2007

TRANSPORT & LOGISTIKA

4th International Fair for Transport & Logistics
Contact person: Pavel Dokladal
phone: +420 541 152 571

fax: +420 541 153 044

e-mail: pdokladal@bvvcz
<http://www.bvv.cz/translog-gb>

10. 04. - 07. 2007

**HODINY A KLENOTY/
WATCHES AND JEWELS**
16th international specialized

exhibition of clocks, watches and golden and silver jewellery
Contact person: Vera Voriskova
phone: +420 220 103 307
fax: +420 233 378 225
v.voriskova@incheba.cz
www.hodinyaklenoty.cz

10. 04. - 07. 2007

ANTI K

15th international sales exhibition of antiquities and art
Organiser: M.I.P. Group
Contact Person: Zdenka Hachova
phone: +420 267 315 585-8
fax: +420 267 315 589
e-mail: hachova@mip.cz
www.mip.cz/veletrhy/antik.php

10. 11. - 13. 2007

PRAGODENT

15th international dental apparatus, instruments, surgery equipment and service fair
Organiser: Incheba Praha
Contact person: Ing. Marcela Benesova
phone: +420 220 103 491
fax: +420 220 103 492
e-mail: m.benesova@incheba.cz
www.incheba.cz/pragodent

10. 16.-19. 2007

HOSPIMEDICA BRNO/CENTRAL EUROPE

International fair for medical technology, Rehabilitation and Healthcare

Organiser: Veletrhy Brno, a.s.
Vystaviste 1, CZ - 647 00 Brno
phone: +420 541 152 818
fax: +420 541 153 063
e-mail: hospimedica@bvz.cz
<http://www.bvz.cz/hospimedica-gb>

10. 18. - 21. 2007

AUTOSHOW PRAHA

13th international fair of passenger-cars and light commercial motor vehicles and automobile tuning, car-parts, car accessories, services and garage technology
Organiser: Incheba Praha
Contact person: Vladimir Janous
phone: +420 220 103 475
fax: +420 233 376 444
e-mail: v.janous@incheba.cz
www.autoshowpraha.cz

10. 18. - 21. 2007

TRANSPED – COMMA

14th exhibition of trucks, water-, rail- and air-transport, logistics, warehousing and manipulation;

Organiser: Incheba Praha
Contact person: Jan Janacek
phone: +420 220 103 488
fax: +420 233 377 217
e-mail: j.janacek@incheba.cz
www.transped-comma.cz

10. 23.-27. 2007

INVEX

International Fair of Information and Communication Technologies
Contact person: Lenka Pavelkova
phone: +420 541 152 534
fax: +420 541 153 057
e-mail: lpavelkova@bvz.cz
<http://www.bvz.cz/invex-gb>

10. 23.-27. 2007

DIGITEX

International Fair of Consumer Electronics and Digital Entertainment
Contact person: Lucie Matalova
phone: +420 541 152 867
fax: +420 541 153 057
e-mail: lmatalova@bvz.cz
<http://www.bvz.cz/digitex-gb>

10. 30. – 11. 02. 2007

GAUDEAMUS

The European Education and Life-Long Learning Exhibition
e-mail: mp-soft@mp-soft.cz,
phone: +420 545 176 136-7
<http://www.gaudeamus.cz/?id=en/main>

11. 01. - 04. 2007

EROTICA SEX PRAHA

13th international fair of erotic culture
Organiser: Incheba Praha
Contact person: Tomas Ruzicka
phone: +420 220 103 489
fax: +420 220 103 242
e-mail: eroticasex@incheba.cz
www.eroticasex.cz

11. 08.-11. 2007

SPORT Life

International Sports Fair
Contact person: Pavel Dvorak
phone: +420 541 152 923
fax: +420 541 153 068
e-mail: pdvorak@bvz.cz
<http://www.bvz.cz/sport-life-gb>

11. 08.-11. 2007

BOAT BRNO

International Boats and Water Sports Show
Contact person: Renata Cernoskova
phone: +420 541 152 279
fax: +420 541 153 068
e-mail: rcernoskova@bvz.cz

<http://www.bvz.cz/boatbrno-gb>

11. 08.-11. 2007

CARAVANING BRNO

International Caravanning Show
Contact person: Renata Cernoskova
phone: +420 541 152 279
fax: +420 541 153 068
e-mail: rcernoskova@bvz.cz
<http://www.bvz.cz/caravanning-gb>

11. 20. - 24. 2007

AQUATHERM

14th international trade fair for heating technology, air-conditioning, sanitary, environment protection technology, measurement and regulation
Contact person: Ing. Josef Domorad
phone: +420 224 213 905
fax: +420 224 235 033
e-mail: aqua@ppa.cz
www.ppa.cz

12. 7.-16. 2007

CHRISTMAS MARKETS

Christmas Markets
Contact person: Eva Tomaskova
phone: +420 541 152 168
fax: +420 541 153 068
e-mail: etomaskova@bvz.cz
<http://www.bvz.cz/chrismar-gb>

01. 02. – 12. 30. 2007

Building Center

EDEN 3000

Center of Sample Houses and Display Room of Building Materials, Entrance through the Building Center EDEN 3000 from the Bauerova Street, via the Display Room of Building Materials. Admission is free
Open Daily (Weekends included) from 10 a.m. to 6 p.m., during the Fairs from 9 p. m. to 6 p. m.
Contact person: Sarka Gryczova
phone: +420 541 152 861
e-mail: gryczova@stavebnicentrum.cz
<http://www.bvz.cz/eden3000-gb>

12. 07. - 16. 2007

CHRISTMAS MARKETS

Traditional Christmas Markets
Retail exhibition of gifts, decoration, ceramics
Organiser: Incheba Praha
Contact person: Ing. Renata Danielisova
phone: +420 220 103 471 / 493
fax: +420 220 103 462
e-mail: r.danielisova@incheba.cz
www.incheba.cz/vanoce

CZECH COMMERCIAL OFFICES IN THE UNITED STATES

Czech Embassy in Washington, D.C.: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Ohio, Oklahoma, South Carolina, Texas, Tennessee, Virginia, West Virginia.
Contact: Mrs. Andrea Krejci, Phone: 202.274.9104
Fax: 202.244.2147, eco_washington@embassy.mzv.cz

Consulate General in Chicago: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota a Wisconsin.
Phone: 312.861.1037, Fax: 312.861.1944,
Contact: Borek Lizec
chicago@embassy.mzv.cz

Consulate General in Los Angeles: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.
Contact: Ms. Ludmila Kundratova, Phone: 310.473.0889 x.229
Fax: 310.473.9813, losangeles@embassy.mzv.cz

Consulate General in New York: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.
Contact: Mr. Josef Dvoracek/ Tomas Hart, Phone: 212.717.5643
Fax: 212.717.5064, consulate.newyork@embassy.mzv.cz

CzechTrade - Chicago Office (Czech producers & Opportunities)
Contact: Ms. Ivana Ingram, Phone: 312.644.1790, Fax: 312.527.5544, chicago@czechtrade.cz

Czech Center New York
Contact: Ms. Monika Koblerova, Phone: 212.288.0830 x.103,
Fax: 212.288.0971, koblerova@czechcenter.com

CzechInvest – Chicago Office
(investment opportunities in the CR)
Contact: Mr. Bohuslav Frelich, Phone: 312.245.0180,
Fax: 312.245.0183, chicago@czechinvest.org

CzechInvest – U.S. Operation West, Campbell Office
(investment opportunities in the CR)
Contact: Mr. Radomil Novak, Phone: 408.376.4555,
Fax: 408.376.4557, california@czechinvest.org

BUSINESS AND TRADE WEBSITES

General Information	www.czech.cz	CzechInvest	www.czechinvest.org
Czech Supplier	www.supplier.cz	Tradeshows	www.veletrhyavystavy.cz
CzechTrade	www.czechtrade.cz	Czech Embassy	www.mzv.cz/washington

SUBSCRIPTION INFORMATION

The Czech Trade Focus© is published by the Commercial Office of the Czech Embassy in Washington, DC.
Editors in Chief: Andrea Pohl, Andrea Krejci
Sources: The Prague Post, Finančni Noviny, CzechInvest, CzechTrade

If you would like to receive **Czech Trade Focus**© by e-mail, please submit your request to: eco_washington@embassy.mzv.cz.