

Czech Trade Focus

News from the Czech Commercial Offices in the United States / May 2006

New Consulate General in Chicago Czech Musical Instruments Investor of the year 2005 Czech products in the U.S. Economic Briefs

CZECH REPUBLIC OPENS A NEW CONSULATE GENERAL IN CHICAGO

The Minister of Foreign Affairs, the Hon. Cyril Svoboda officially opened the new Consulate General of the Czech Republic in Chicago on April 20, 2006. The Chicago office is the third Czech consulate general located in the United States. The others are located in New York and Los Angeles.

ECONOMIC BRIEFS

Last year, for the first time in its history, the country exported more goods than it imported. The 2005 foreign trade balance ended in a surplus of 41,9 billion Kc /\$1,8bn/. The export economy is booming thanks to a sharp increase in domestic automotive production in the past two years.

Foreign direct investment (FDI) reached a record 261bn Kc /\$11,8bn/ in 2005, up from 146,2bn Kc /\$6,6bn/ in 2004. Last year's figure is slightly deceiving as several large privatizations, most notably Cesky Telecom, added tens of billions of crowns to the FDI balance.

Czech steel production fell 10% to 6,2m metric tons in 2005 compared with 2004. Production declined because the price of steel dropped in the first half of 2005.

Domestic honey production rose 8% to approximately 8,400 tons in 2005, the highest output in the past five years.

Overall expenditures on the purchase of information technology in the Czech Republic grew by 8,6% last year.

Domestic banks provided over 51,000 mortgage loans last year and the volume of the loans grew by 37,3% to 72,7bn Kc /\$3,3bn/.

Czech building companies concluded 93,602 new orders last year, a y/y growth of 8,9%, but their total value fell by 10,1% on the year to 248,8bn Kc /\$11,3bn/.

Sales in services rose by 3,1% in constant prices last year, a slowdown from a 3,2% increase in 2004.

In 2005, Czech import prices increased y/y by 0,3% (+1,6% in 2004) while on the contrary, export prices decreased by 1,4% (against a growth of 3,7% in 2004).

Czech industrial production rose by 5,7% last year, a slower growth than in 2004 when it added a record 9,5%, but exports of Czech industry grew significantly last year.

Czech building output growth reached 4,2% in 2005, down from 9,7% in 2004, which was the best result since 1993.

Czech gross domestic product grew by 6% in 2005, the fastest growth in history, on excellent foreign trade performance.

Czech income from tourism in foreign currencies grew by 3,5% y/y to 110,9bn Kc /\$5bn/ last year.

Exports to Germany, the country's largest trading partner, were flat last year at 622bn Kc /\$28,3bn/, while

imports fell 1,1% to 548bn Kc /\$24,9bn/.

The CR exported 5,249 metric tons of hops to 63 countries last year, 13% more than in 2004. Japan was the biggest customer, buying 33% of exports. The CR has the third-largest area of hops fields behind Germany and the U.S.

Industrial production in the CR rose by 5,7% last year, to 2,5bn Kc /\$114m/.

Czech breweries produced 3,98m hectolitres of beer in Q1, a growth of 6% from a year ago.

The total health care spending in the CR has grown by 41% since 2000 with the household health care spending, including patients' cash payments for medical services growing the quickest – by 50%.

Czech public finance deficit dropped to 2,59% of GDP in 2005 from 2,86% a year earlier.

Czech state budget posted a surplus worth 15,7bn Kc /\$714m/ at end-March, up by 7,5bn Kc /\$341m/ y/y.

The Czech unemployment rate fell to 8,8% in March from 9,1% in February and 9,4% a year earlier.

Y/y inflation in March remained unchanged at February's 2,8%, and m/m prices fell by 0,1%.

Sales of new passenger cars in the CR dropped by 1% y/y to 27.568 units in the Q1.

Czech insurers collected a preliminary 32,3bn Kc /\$1,5bn/ in premiums in the first quarter, a growth of 1,3% y/y.

The Czech National Bank has increased its 2006 gross domestic product growth forecast to between 5,4% and 6,9%, thanks mainly to the fact that GDP grew a record 6% last year.

Czech housing construction increased markedly last year, like the year before, with 40,381 dwellings started, up 3,4% on the year, and 32,863 dwellings complete, 1,8% more over 2004.

Czech IT sales grew by 8,6% last year and for the first time exceeded \$3bn /\$136,4m/.

Czech currency (koruna, CZK) kept weakening towards the US dollar during March and April, trading in the range of 22,11 – 24,18 CZK per \$1 and towards euro in the range of 28,31 – 28,76 CZK per 1 euro.

Construction of 9.117 dwellings was started in Q1 2006, i.e. 5,5% more y/y.

Industrial producer prices increased by 0,5% in April y/y, while in the past three months their rise reached 0,3%, and m/m prices rose by 0,3%.

Czech building societies lent more than 14bn Kc /\$636m/ between January and April this year, 30% more on the year, with the number of loans up 5% at 48.722.

Sales in services increased by 4,7% in Q1 against a year ago, the fastest growth in the last nine quarters.

CZECH MUSICAL INSTRUMENTS

The manufacture of musical instruments has a rich tradition in the Czech Lands. This tradition dates back to the 16th and 17th centuries, mainly in places of concentrated musical culture, specifically in the royal city of Prague and in other centres.

Musical instruments continue to be among the traditional and successful sectors of the Czech manufacturing industry. Although the volume of their production and their economic importance for the industry are small, musical instruments take much credit for the high standard of the people's musical culture and they contribute significantly to promoting the Czech Republic in the world.

Practically all types of musical instruments are made in the CR, such as string and keyboard instruments, keyboard pipe organs, including reed organs, accordions and mouth organs, wind and percussion instruments, including electronic instruments, music boxes, and parts for these musical instruments.

According to the latest statistics, there are in the CR 57 musical instrument manufacturers with less than 20 employees, 15 small and medium-sized enterprises with 20 to 249 employees and 6 large enterprises with 250 and more employees.

Exports comprise all three main groups of musical instruments, i.e. keyboard instruments (pianos and upright pianos), wind instruments (saxophones, clarinets, trumpets, etc.) and stringed and plucked instruments (violins, violas, double basses, guitars, etc.). The instruments are exported to European countries, to the American continent, Asia, and to Australia and New Zealand.

The Association of Musical Instrument Makers

The Association of Musical Instrument Makers (AVHN) was founded in 1998, in response to the need for bringing Czech musical instrument makers together and associating them in domestic and international organisations.

The firms that founded the Association have a long tradition and rank among the largest European and world manufacturers of musical instruments. Among others, they include PETROF, s.r.o., AMATI-DENAK, s.r.o., and STRUNAL, s.r.o. The purpose of the association is to protect, support, and realise the common interests of its members as regards their economic and business plans and their technical problems.

Survey of Important Firms Producing Musical Instruments

Akord Kvint, s.r.o. – a manufacturer of concert and master violins, violas, and cellos. www.akordkvint.com

Amistar, s.r.o. – a manufacturer of all-metal and wooden resonant guitars and guitar accessories. www.amistarguitars.com

Bohemia Piano, s.r.o. – a manufacturer of acoustic upright pianos and grand pianos. www.bohemiapiano.cz

Harmonikas, s.r.o. – production of accordion components. www.harmonikas.cz

Josef Lidl, s.r.o. – manufacturer of brasswind instruments, mainly trumpets, flugelhorn, and French horns. www.lidlmusic.cz/josef

Piana Tyniste, a.s. – manufacturer of upright and grand pianos, music furniture and other wooden upright and grand piano components. www.piana-as.cz

TOP TEN MUSICAL INSTRUMENT GROUPS, EXPORTED TO THE U.S. (thousand USD)

Product description	2002	2003	2004	2005	2005 YTD	2006 YTD
Grand pianos	6,447	5,277	4,310	5,637	1,157	404
Upright pianos	2,640	2,240	1,763	2,677	367	110
Brass-wind musical instruments	1,338	1,581	1,465	1,429	157	190
String musical instruments, played with a bow	1,578	841	1,178	1,412	220	141
Wind musical instruments (clarinets, flutes, bagpipes)	440	730	719	837	33	53
Keyboard pipe organs, harmoniums	803	0	0	492	492	0
Electrical - banjos, guitars, accordians	326	586	325	481	50	27
String – guitars, harps	230	219	277	418	70	66
Mouth organs	281	493	378	252	28	312
Accordions and similar musical instr.	35	41	47	55	26	0
Total value of Czech mus. instr., exported to the U.S.	15,181	13,176	11,112	14,366	2,702	1,417

Source: U.S. Harmonized Tariff Schedule

INVESTMENT BRIEFS

A new bioethanol plant worth 1,2bn Kc /\$54,5m/ will be built this year in north Moravia. The plant will employ approximately 100 people and should be fully operational by 2007. It will be Central Europe's first bioethanol plant.

Danish producer of audio visual equipment Bang & Olufsen has invested 480m Kc /\$21,8m/ in a new plant in Koprivnice in the north of Moravia and will employ up to 200 staff.

Financial company First Finance wants to invest up to 100bn Kc /\$4,5bn/ into the reconstruction of houses and flats in the CR in the coming five to ten years.

Electronic Data Systems is considering Prague for a new service center in Central Europe, but Poland remains the top contender. The center will employ 4,000 people.

Czech engineering group Vitkovice wants to invest in a 2bn Kc /\$90,9m/ joint venture in China to manufacture crankshafts. Vitkovice would produce the crankshafts in cooperation with Shanghai Electric of China.

Siemens is looking for a good location to build a new Prague headquarters, out of which the company's 1,200 CR employees would work.

Bank of Tokyo-Mitsubishi, the largest bank in the world in terms of assets, opened a branch office in Prague, seeking to offer services above all to Japanese companies.

South Korean car maker Hyundai Motor will invest up to 29bn Kc

/,\$1,3bn/ in its new plant in Nosovice in northern Moravia and will gradually create up to 3.000 jobs.

Chinese electronics maker Changhong launched construction of its new plant to produce television sets in Nymburk, Central Bohemia. The plant should launch production at end-August and employ around 300 staff.

Sekyra Group, the biggest real estate group in the CR, will invest more than 9bn Kc /\$409,1m/ in three developer projects in Slovakia.

Energy group CEZ plans to invest 30bn Kc /\$1,4bn/ in renewable sources of energy in the next 15 years, of which 20bn Kc /\$909,1m/ in new wind plants.

Scottish bakery Lightbody will build a new production hall in industrial zone Jihovychod in Louny.

Climax Fort Investment will invest about 9bn Kc /\$409,1m/ in East Bohemian Airport operating the airport in Pardubice.

Sun Microsystems is opening a new research and development center in Prague. The company will invest about 260m Kc /\$11,8m/ into creating 200 high-tech jobs and 253m Kc /\$11,5m/ more into buying equipment.

US companies Goodyear and CTS confirmed their investments in the industrial zone Ostrava-Hrabova employing at least 200 staff in two years.

Foreign investors paid more than \$4bn for privately owned Czech

companies last year, the most since 1997. The largest acquisition was Spanish company Telefonica's buyout of fixed-line operator Cesky Telecom for \$1,1bn.

Cesky Telecom will invest \$6,5m this year into expanding its ADSL network to make the high-speed Internet service available at all schools, libraries and other public institutions.

Czech company Energo-pro will participate in the construction of two hydroelectric power plants in Turkey, and investment of approximately 600m Kc /\$27,3m/. The two plants should become operational in mid-2007, and Energo-pro expects a return on investment within seven years.

Morgan Stanley, the third largest US investment bank, plans to invest over 20bn Kc /\$909,1m/ in the Czech Republic through developer Multi Development, in which it has acquired a majority earlier this year.

The American Mayo Clinic will help operate the International Clinical Research Center in Brno, which will be the world's first international medical research centre. The Czech state will contribute almost 1,5bn Kc /\$68,2m/ to the project.

Television manufacturer Panasonic AVC Networks Czech intends to create up to 3.000 new jobs in Plzen by the end of next year.

This year 51% of the German firms active on the Czech market intend to increase their investments in the CR.

SungWoo Hitech will increase the number of jobs by 50% over the number it had previously stated. The Korean producer of sheet-metal car parts will thus spend a total of \$200m in North Moravia and employ 1.500 people.

GE Money opened its new customer service center in Ostrava-Hrabova. Over three years,, the center should employ at least 500 specialists who will assist all customers of the GE Money group.

Jeyes Group, a leading producer and distributor of cleaning and hygiene

products, is to build a new production plant in Kadan. The company will gradually invest 87m Kc /\$3,9m/ and employ 350 people.

Government agency CzechInvest has in the past six years helped mediate contracts worth 4bn Kc /\$182m/ with large investors for Czech companies.

INVESTOR OF THE YEAR 2005

The most important investors that decided to invest in production, development and strategic services last year in the CR received awards from Czech ministers as part of the Investor of the Year 2005 ceremony.

The following companies received awards in individual categories:

Greatest Economic Benefit – Investment in Production

1st Place – Sungwoo Hitech s.r.o. /Production of car-body components in Ostrava, Investment of 2.500m Kc, 1.041 new jobs

2nd Place – ADC Czech Republic s.r.o. /Production of network infrastructure in Brno, Investment of 360m Kc, 490 new jobs

3rd Place – FTE automotive s.r.o. /Production of hydraulic brake and clutch components in Podporany, Investment of 1.000m Kc, 500 new jobs

Greatest Economic Benefit – Investment in Business

Support Services

1st Place – Sun Microsystems Czech s.r.o. /Software-development center in Prague, Investment of 513m Kc, 200 new jobs

2nd Place – TietoEnator a.s. /Center for administration, operation and security of data networks in Ostrava, Investment of 27m Kc, 330 new jobs

3rd Place – Computer Associates CZ s.r.o. /Software-development center in Prague, Investment of 44m Kc, 126 new jobs

Investments with the Greatest Innovation Potential

1st Place – TC Inter-Informatics a.s. /Technology center for design of technical aircraft-interior solutions in Prague, Investment of 222m Kc, 170 new jobs

2nd Place – TRW-DAS a.s. /Development and production of motor-vehicle components in Dacice, Investment of 108m Kc, 22 new jobs

3rd Place – Alcoa Fujikure Czech s.r.o. /Development of electrical cable systems for the automotive industry in Pilsen, Investment of 23m Kc, 20 new jobs

Supplier of the Year

1st Place – Plastik HT a.s. /Contracts for Daikin, Matsushita Plzen, Black & Decker – plastic mouldings

2nd Place – Tokoz a.s. /Contract for Makita UK – aluminium and zinc castings and mouldings

3rd Place – Okula Nyrsko a.s. /Contract for Daikin – forms for the production of plastic mouldings, precision sheet-metal mouldings

CZECH PRODUCTS IN THE USA

Czech Biotech arrived in Chicago for BIO 2006

This year's international event BIO 2006 taking place in Chicago was a platform for the Czech Biotech sector to introduce its strengths to the world. 12 of the Czech companies took active participation in a weeklong program, including the CR country seminar giving an overview of the technologies and products being used and offered by the Czech companies. The Czech companies offering some complicated testing, research facilities as well as the world premier of the fiber nanofilters solely produced by the Czech company using the patent technology.

Road Show in Chicago and Toronto presents the latest Czech achievements in the North American markets

Early in May in celebration of the 2nd Anniversary of the Czech Republic joining the EU, Czechtrade and Chicago Chapter of Czech North American Chamber of Commerce presented some of the latest Czech accomplishments and booming industries to the business communities in Chicago and Toronto in a form of short movies that can be viewed at:

www.catvherald.com/archive_2006/Czech_documents/Bio.wmv

www.catvherald.com/archive_2006/Czech_documents/Transportation.wmv

www.catvherald.com/archive_2006/Czech_documents/Glass.wmv

www.catvherald.com/archive_2006/Czech_documents/Machinery.wmv

Czech Cement & Lime Technology Team

Czech Cement & Lime Technology Team (www.ccltt.cz) is a newly established alliance of Czech companies specializing in providing full range of technologies for building materials sector. It is one of the alliances built by the governmental export supporting agency CzechTrade which provides foreign partners with a comprehensive range of services in the progressive sectors of the Czech economy. Czech Cement & Lime Technology Team, thanks to a synergy of its services, offers a sufficiently effective range. Its principal aim is to provide comprehensive services and supplies for reconstructions and upgrade of the existing cement or lime plants and for the construction of new ones, starting with the initial project, complete plant equipment delivery, equipment assembly, start-up and commissioning, followed up by reconstruction and upgrade of individual sector – crushing, pre-homo, grinding, milling, kiln lines.

Seminar: "Doing Business in the Czech Republic"

The Czech Consulate General in New York together with CzechInvest, Chicago and The Greater Chamber of Commerce of New York organized a seminar "Doing Business in the Czech Republic" thus promoting Czech trade and the Czech Republic. The event was held at a newly reconstructed building of the Czech Republic, the "Bohemian Hall" located in Manhattan and attended by approximately 90 businessmen and entrepreneurs.

COMPANIES AND BUSINESS

Oscar Vodafone, the country's third-largest mobile operator, changed its name to Vodafone Czech Republic.

Computer company Xanadu increased its revenue by approximately 57% to 289 million Kc /\$13,1m/ in 2005. Its applications are used by hundreds of companies, including Siemens, NASA and Toyota Motor, in more than 50 countries worldwide.

Czech online bank eBanka managed to climb out of the red last year, posting 10,5m Kc /\$477thousand// in profit in 2005, compared with a 271m Kc /\$12,3m/ loss a year earlier. The bank's 2005 gross profit was 41,3m Kc /\$1,8m/. Its client base increased 19,7% to 14,4 billion Kc /\$655m/.

Skanska, the country's leading construction company, saw profit increase 20% to 1,3bn Kc /\$59m/ in 2005 on the Czech and Slovak markets. Sales were up 15% to 33,9bn Kc /\$1,5bn/. The company attributes the profit growth to major infrastructure projects, including the new terminal at Prague's Ruzyně Airport.

Insurance company CSOB Pojistovna collected 6,9bn Kc /\$313,6m/ in premiums in 2005, 13,5% more than in 2004. The Czech insurance market increased 3,5% to 115,5bn Kc /\$5,25bn/ last year, with CSOB Pojistovna's market share growing 6%.

CHT Bohemia bought 41% of Moravia Energo from Trinecke zelezarny.

Sales at the 10 largest retail chains, including Makro Cash & Carry and Kaufland, grew 11bn Kc /\$467,5m/ to 226bn Kc /\$10,3bn/ in 2005. Revenue increased 5,2% and sales were up 16%.

The Cesky Telecom group saw its consolidated net profit rise 9% to 6,2bn Kc /\$282m/ last year, and its revenues fall 0,8% to 61bn Kc /\$2,8bn/.

Czech company Skoda Praha will build a new thermal power station worth and estimated 12bn Kc /\$545,5m/ in Vietnam.

Czech car maker Skoda Auto showed record gross earnings of 10,1bn Kc /\$459m/ last year, an increase of 108% against 2004, while net profit soared by 125% to a record 7,9bn Kc /\$359m/.

Pension funds Penzijni fond České pojistovny and Penzijni fond České sporitelny saw the highest growth in client numbers in 2005, and Winterthur was the only pension fund with a slight fall.

Czech engineering group Skoda Holding doubled operating profit to 1bn Kc /\$45,5m/ and generated over 8bn Kc /\$363,6m/ in sales last year.

Czech commercial TV Prima, a unit of the Swedish group MTG, increased

sales by 13% to 1,741bn Kc /\$79m/ last year, and profit reached a preliminary 128m Kc /\$5,8m/, a fall of 136m Kc /\$6,2m/ on the year.

Czech beer producer Pivovary Staropramen will close down its Prague-based unit Branik in the first quarter of 2007 and transfer its production to Staropramen.

Ceska sporitelna CS, a bank with the highest number of clients in the CR, saw its net consolidated profit grow by 12,3% on the year to a record 9,13bn Kc /\$415m/ last year.

The biggest Czech drug maker Zentiva saw its net earnings rise by 16,4% on the year to a preliminary 1,87bn Kc /\$85m/, and sales went up by a tenth to a preliminary 11,84bn Kc /\$538m/.

Ceska pojistovna, the largest Czech insurer raised net profit by 10% y/y to a preliminary 4,6bn Kc /\$209m/ to international standards in 2005.

Komerční banka KB saw its net earnings fall to 9,15bn Kc /\$416m/ last year from 2004's 9,3bn Kc /\$423m/.

Czech petrochemical group Unipetrol raised sales by more than a fifth on the year to 105,8bn Kc /\$4,8bn/ last year, and net earnings went down by 6% to 3,46bn Kc /\$157m/.

Power company CEZ saw net profit jump by 70% to record 17,6bn Kc /\$800m/ last year.

Mobile operator T-Mobile netted 4,967bn Kc /\$226m/ last year, up by 12,9% against 2004, and sales amounted to 27,915bn Kc /\$1,2bn/, a growth of 6% on the year.

ING Pojistovna, one of the top three life insurers in the Czech Republic, netted 1,15bn Kc /\$52,3m/ last year, up 20% over 2004, and collected 5,6bn Kc /\$255m/ in premiums, 5% more than in 2004.

The Toyota Peugeot Citroen Automobile car plant succeeded in reaching full capacity in the course of last year, and now produces 1,050 units daily.

Czech pension fund Penzijni fond České pojistovny raised its profit by 35,9% on the year to 961m Kc /\$43,7m/ last year.

Energy group Czech Coal saw net profit up over 30% to 1,84bn Kc /\$83,6m/ last year, its gross profit reached 2,16bn Kc /\$98,2m/ and sales were worth 8,15bn Kc /\$370m/.

Lorry maker Tatra Koprivnice sold 1,053 vehicles in 2005, up 10% from 2004, and expects a further growth in the number this year.

Czech rail operator Ceske drahy CD lost 589m Kc /\$26,7m/ last year, which would be an improvement of 32m Kc /\$1,45m/ on the year.

CEZ Prodej, a subsidiary of power company CEZ, will this year sell railway operator Ceske drahy electricity for 1,583bn Kc /\$72m/.

Tesco Stores CR will buy from CS Edeka 27 of its 38 outlets in the Czech Republic.

Telecoms firm GTS Novera plans an increase in sales to 6bn Kc /\$273m/ this year from 4,8bn Kc /\$218m/ expected for 2005.

The largest Czech bank CSOB last year saw its consolidated net earnings rise by 17% to 8,1bn Kc /\$368m/ on higher volume of mortgage loans and managed assets.

Net earnings of Allianz pojistovna, the third largest Czech insurer, fell by 15m Kc to 635m Kc /\$28,9m/ last year. Allianz collected 9,24bn Kc /\$420m/ in premiums in 2005, a y/y increase of 3,2%.

Brewer Pivovar Starobrnno saw earnings increase to nearly 150m Kc /\$6,8m/ last year, with after tax profit reaching 106m Kc /\$4,8m/. Despite the earnings increase, sales of Starobrnno's beers decreased both domestically and on foreign markets last year.

Airbus began supplying Czech Airlines with Airbus A320 aircraft. Airbus beat Boeing in a 2004 bid to provide CSA with 12 medium-distance planes.

A.W., the world's only producer of genuine olomoucke tvaruzky cheese cakes, sold 2,319 metric tons of the pungent cheese last year, an increase of 160 metric tons from 2004.

Sales at Et netera, a software company, increased 60% this year, thanks to an increase in demand for e-business solutions from new clients such as electronics retailer Datart and fixed-line provider Cesky Telecom.

Czech bank CSOB will pay 10,327bn Kc /\$469m/ in dividends from last year's profit of 8,4bn Kc /\$382m/ and part of the retained profits from previous years.

Czech cigarette maker Philip Morris CR will pay out 1,112 Kc /\$50,5/ per share in gross dividends from profits for 2005.

First-quarter net profit at mining company Severoceske doly Chomutov grew to 762,48m Kc /\$34,7m/ in 2006 from 611,84m Kc /\$27,8m/ a year earlier, while sales went up to 2,36bn Kc /\$107m/ from 1,99bn Kc /\$90,5m/.

Cesky Telecom netted 1,92bn Kc /\$87,2m/ in Q1, up 22% y/y on revenues flat at 14,7bn Kc /\$668m/.

British retail group Tesco raised its turnover in the CR by 12% to 20,45bn Kc /\$929,5m/ last year.

Slovak group J&T bought a 50% stake in Czech power distributor Plzenska energetika from Zapadoceska

energetika, a member of energy group CEZ.

Net profit of lottery company Sazka grew by 230m Kc /\$10,5m/ to 1,56bn Kc /\$70,9m/ last year, total revenues rose by over 10% to 9,34bn Kc /\$424,5m/ and sales from betting and lottery activities improved by over 660m Kc /\$30m/ to 7,25bn Kc /\$329,5m/.

Grisoft International group, which includes the producer of the anti-virus software AVG, wants to generate 1bn Kc /\$45,5m/ in sales this year, compared with some 650m Kc /\$29,5m/ last year.

Czech sugar maker Cukrovary TTD bought Manolis, raising its sugar production quota to 200,000 tonnes a year and reinforcing its position of the largest Czech sugar producer.

Car maker Skoda Auto sold 129,778 cars in Q1, up 18,5% against a year ago.

Czech low-cost airline Smart Wings will offer a number of new flight from June, above all to seaside resorts.

Dominant gas importer RWE Transgas last year netted 5,17bn Kc /\$235m/, down one-third y/y, but sales went up by 20% to 69,6bn Kc /\$3,2bn/.

Czech energy group CEZ will buy from Segfield Investments Limited its 39% stake in Severoceska energetika and raise its share in the power distributor to 96,14% from 57,1%.

Financial group Penta has sold 98,5% of Czech water utility Severomoravske vodovody a kanalizace to Spain's Aqualia for 7bn Kc /\$318m/.

Plzensky Prazdroj, the largest Czech brewery, launched the construction of a new filling room worth 1bn Kc /\$45,5m/.

ING Penzijni fond, the fourth largest pension fund on the Czech market, appreciated assets of its 389.000 clients by 4,2% last year, after a yield of 2,46% in 2004. Net earnings at ING PF rose by 308m Kc /\$14m/ to 578m Kc /\$26,3m/ last year.

Czech company Grisoft, known for its anti-virus programme AVG, has

bought German supplier of security programmes Ewido Networks.

Building & loans signed 430.000 new contracts last year, but the total number fell by 5,4%. They had loans of 108bn Kc /\$4,9bn/ on deposits of 329bn Kc /\$14,9bn/.

Czech Airlines will raise the fuel surcharge on flights overseas by \$5 to \$51 because of the record growth in oil prices.

Telecommunications company eTel announced the acquisition of Austrian Internet provider EUNet. The deal is worth \$36,3m.

Online bank eBanka started offering clients factoring services in cooperation with the largest nonbanking factoring company, Cash Reform.

Alternative **telecom operator Advantel** has added a voice-over IP service to its Smartcall product.

Czech Airlines transported more than a million passengers in the Q1 of the year, a growth of 4,3% y/y.

Ceska sporitelna, the largest Czech bank in terms of client numbers, raised consolidated net profit by 8,5% to 2,5bn Kc /\$113,6m/ in the Q1.

Securities dealer Atlantik financni trhy raised gross earnings roughly three times to a record nearly 281m Kc /\$12,8m/ last year, which made it one of the most profitable non-banking brokers.

Czech telco and transmission company **Radiokomunikace** has bought the Czech branch of Swedish communications firm Tele2.

Steel maker Trinecke zelezarny had a 2,068bn Kc /\$94m/ audited net profit last year, compared with 2,6bn /\$118,1m/ a year earlier when the profit included revenue from extraordinary sale of shares.

The largest Czech real estate company **Sekyra Group** has bought for 1bn Kc /\$45,5m/ two luxury hotels, Parkhotel in Prague and Savoy hotel in Spindleruv Mlyn in the Krkonose (Giant Mountains).

Czech financial group **Penta Investments** is interested in buying both airports in Kyiv, Ukraine.

Sanofi-Aventis of France bought 24,9% of Zentiva for \$547, in one of the largest transactions in Czech business.

Software company Aquasoft saw sales increase 8% to 118m Kc /\$5,4m/ in 2005 and expects them to reach 150m Kc /\$6,8m/ this year.

International engineering group Vitkovice Holding saw its Q1 gross profit soar 150% to 436m Kc /\$19,8m/, and revenues were 13% higher topping 4,5bn Kc /\$204,5m/.

Czech postal service operator Ceska posta raised net earnings by 50% to 667m Kc /\$30,3m/ last year, the second best result in the company's history, and turnover was 8,3% higher at 17,7bn Kc /\$804,5m/.

Cepro, which operates the EuroOil petrol stations and transports and stores oil products, posted and audited gross profit of 23,9m Kc /\$1,1m/ last year after a loss of 31,1m Kc /\$1,4m/ a year earlier, with revenues down at 28,8bn Kc /\$1,3bn/ from 34,9bn Kc /\$1,5bn/.

The off-exchange RM-System made record-high net profit worth 21,14m Kc /\$961 thousand/ in 2005.

First-quarter net earnings at **Czech petrochemical group Unipetrol** dropped by one-third on the year to 814m Kc /\$37m/, the main reasons being shutdowns at refineries, high oil prices and losses from fuel sales.

Czech petrol stations Benzina will split into two brands – economy petrol stations offering low prices and luxury ones providing customers with a wide variety of services at a higher level.

The Bohemia Sekt group, a Czech wine and sparkling wine producer, posted a consolidated net profit of 118m Kc /\$5,4m/ last year, a y/y increase of 8%, with net earnings at the parent company Bohemia Sekt down 3m Kc /\$136 thousand/ at 96m Kc /\$4,4m/.

Czech energy group CEZ made consolidated net profit worth 10,4bn Kc /\$472,7m/ on 41,6bn Kc /\$1,9bn/ in revenues in the first quarter.

J&T Banka generated a gross profit of 107m Kc /\$4,7m/ in Q1, up 66% y/y, and its total assets rose by 59% to 19,2bn Kc /\$872,7m/.

Largest Czech brewer **Plzensky Prazdroj** raised net profit by 15% y/y to 3,38bn Kc /\$153,6m/ in the fiscal year from April 2005 till end-March 2006.

Barrandov Studio has begun construction of Europe's largest soundproof studio in Prague's Barrandov. The 4.000m2 complex, which will cost more than 100m Kc /\$4,5m/, is to be completed this November and will provide the most modern technological facilities.

CZECH-AMERICAN BUSINESS COOPERATION

Lieutenant Governor of Ohio plans to lead a trade mission to the Czech Republic

Bruce Johnson, the Lieutenant Governor of Ohio, is about to lead a trade mission to the Czech Republic in fall this year. The governor will stay in the Moravia-Silesia region.

Trade mission of Kansas to the Czech Republic and Slovakia

Trade mission of Kansas led by Czech Honorary Consul in Kansas City Sharon Valasek will take place in September 2006. In the Czech Republic they will visit Prague and Brno.

ECONOMIC POLICY

The Czech National Bank (CNB) took control of supervising the country's financial markets in an attempt by the government to unify oversight of the markets.

The average monthly salary in Prague pushed the national average up more than 1.800 Kc /\$81,8/ in 2005. The average monthly salary in the Czech capital was 18.421 Kc /\$837/. Outside of Prague, it was 16.545 Kc /\$752/. A high concentration of foreign investors is one of the reasons salaries are higher in Prague.

The number of securities dealers operating on Czech stock markets doubled to 382 last year, with nearly 200 new traders obtaining a European license from the European Union.

Small and midsize companies will have access to approximately 1,9bn Kc /\$86,3m/ in loans from Ceskomoravska zarucni a rozvojova banka, a development bank, this year.

The number of **broadband Internet access** users is growing fast in the EU as well as in the Czech Republic, to a large extent thanks to the growing popularity of ADSL access.

The CR joined the category of advanced countries in a ceremonial inauguration by World Bank head Paul Wolfowitz.

Czech banks raised credit card numbers considerably to 700,000 units in 2005.

Bank deposits of Czech households have been growing much slower in recent years, while investment in open-end mutual funds has been rising markedly.

Electricity consumption in Czech households has increased by 53% since

1989 from 9,606 GWh in that year to 14,719 GWh in 2005.

Dividends worth a record 110bn Kc /\$5bn/ will this year be transferred from the Czech Republic abroad to the accounts of the foreign owners of local companies, and the amount will be almost ten times higher than in 2000.

Portugal and Spain opened its labor market to workers from the 10 European Union accession countries May 1.

Shoe production in the CR fell to a record low last year of 5,5m pairs. Imports reached 73m pairs, of which 80% were from China.

Czechs spend more time at work than any other nationality in the EU. The average Czech citizen spends nearly 43 hours a week at work, compared with the EU average of 37,9 hours. In terms of Europeans as a whole, only Icelanders work more than Czechs.

State investment agency CzechInvest has created an online test to help businesses evaluate their strengths and weaknesses. The test focuses on marketing, human resources, production financing and financial management.

The CR has one of the highest rates of mobile phone penetration in the EU /108%/.

The CR became one of the ten largest car makers in Europe for the first time in history in 2005.

The number of passenger cars registered in the CR rose to 3,96m at end-2005 from 2,024m in 1985.

Skoda Auto is the most popular Czech company this year traced by power producer CEZ and drug maker Zentiva.

New digital TV programmes, which gained licences for digital broadcasting, could cover the whole of the CR with their signal roughly in two years and a half.

Czechs for the first time in history spent more money on their trips in the CR than abroad last year.

The government and municipalities spent 170.000 Kc /\$7.727/ per job created in an industrial zone before the year 2002, and the amount grew to 204.600 Kc /\$9.300/ by the end of last year.

Czech economy is increasingly dependent on foreign workers. The number of people legally working in the CR has risen by 30.000 to around 150.000 since March 2005.

Approximately 42% of Czechs had Internet access at home at the end of 2005, 7% more than a year earlier.

Travel agency Cedok signed a deal with CITS travel agency of China to serve its clients traveling to the CR. Only about 1.000 Chinese tourists visited the CR last year.

Five major foreign banks are interested in buying eBanka from PPF Investment group.

Sale of new motorcycles is growing in the CR despite rising competition from imported used motorcycles.

Domestic prices for goods and services have fallen since the country joined the European Union.

Tourists see Prague as the second most attractive city in Europe behind Paris.

Czech banks reported a huge rise in mortgage loans in the first quarter.

Czech Airlines provides the best on-board services in its planes in the economy class, showed a survey carried out by International Air Transport Association among 12.000 passengers of 11 classic European carriers in April-October 2005.

Sales of largest Czech Internet portals rose by around one-third on the year to more than 1bn Kc /\$45,5m/ last year.

Czech furniture shops raised sales in 2005 as shoppers spent several dozen billions of crowns on furniture.

The Czech Republic ranks 18th among the 25 European Union countries in the number of wind power stations and is the second largest electricity exporter in the EU.

The number of tourists at Czech hotels grew by 5,5% in the Q1 to 2,4m,

but the number of foreigners among them dropped by 0,3%.

Two years after joining the European Union, the CR currently meets all criteria for introduction of the euro, and should meet most conditions also in the years to come. The CR wants to introduce the single European currency in 2010.

CZECH COMPANIES LOOKING FOR REPRESENTATIVES, IMPORTERS, DISTRIBUTORS

D.W.D.Bohemia

Msenska 40
466 04 Jablonec nad Nisou
Cell.: (+420) 602 938 451
e-mail:
dwdbohemia@dwdbohemia.com
www.dwdbohemia.com
Contact person: Pavel Stejskal

DWD Bohemia offers these products: glass, crystal, christmas decorations, glass figures, crystal figures, snowdomes, glass flowers, crystal components, glass jewellery, bijoux, beads, lampworks, chatons.

Holik International s.r.o.

Za Dvorem 305
763 14 Zlin – Stipa
Tel./Fax: (+420) 577 914 327
e-mail: info@holik-international.cz
www.holik-international.cz

Emergency gloves for firefighters.

MF Design

Nadrazni 325
561 64 Jablonne nad Orlici
Tel.: (+420) 465 511 020
Cell: (+420) 777 635 980
e-mail: info@mfdesign.cz
www.mfdesign.cz

Wooden and upholstered chairs.

OfficePro

Brazdimska 1843
250 01 Brandys nad Labem
Tel.: (+420) 326 907 987
Fax: (+420) 326 902 689
e-mail: brandys@officepro.cz
www.officepro.cz

OfficePro offers office furniture.

Ganymed, s.r.o.

Mendiku 9
140 00 Praha 4
Tel./Fax: (+420) 241 400 602
Cell: (+420) 724 697 924
e-mail: office@ganymed.cz
www.ganymed.cz

Ganymed offers IT CRM and Tracking software for distributors of various goods.

DCIT, s.r.o.

4D Center
Kodanska 1441/46
100 10 Praha 10
Tel.: (+420) 234 066 149
Fax: (+420) 234 066 112
e-mail: info@provys.com
www.provys.com

IT software for broadcasting companies.

Lanex, a.s.

Hlucinska 1/96
747 23 Bolatice
Tel.: (+420) 553 751 111
Fax: (+420) 553 654 125
www.lanex.cz

Yachting and/or rock climbing ropes.

SERVICES FOR U.S. COMPANIES

Premier Business, s.r.o.

Stepanska 24
110 00 Praha 1
Tel./Fax: (+420) 222 231 922
e-mail: info@premierbusiness.cz
www.premierbusiness.cz

Premier Business is a consulting firm. They provide services in the area of establishing companies/business representation, services in the area of

commercial real-estates, tax optimization/service, juridical services, economic consultancy and financial management, virtual office, foreign business and others. The services are provided for clients in all the world countries.

MRINetwork

MRI Worldwide – Prague
The Forum
Vaclavske nam. 19
110 00 Praha 1
Tel.: (+420) 234 656 136
Fax: (+420) 234 656 138
e-mail: manager@mriww.cz
www.mriww.cz
Contact person: Michael Mayher

MRI Worldwide Prague conducts middle and senior level searches of Czech professionals for international companies. They operate in an American business style and can assist as a local guide through differences in business and culture.

Parvenu, s.r.o.

Borivojova 13
130 00 Praha 3
Cell: (+420) 608 563 986
e-mail: holesovice@gmail.com
www.parvenu.cz

The company provide professional and cost effective services for non Czechs starting, owning and operating a business in the Czech Republic. With support in areas such as, drafting of contracts in Czech law, changes in company details and legal representation before courts and authorities. They also provide a full

range of Visa services for the Czech Republic.

NWD Legal

Hastalska 6
110 00 Praha 1
Tel.: (+420) 224 215 221
Fax: (+420) 224 210 244
e-mail: info@nwd-legal.com
www.nwd-legal.com
Contact person: Michal Kroft

Area of expertise: Banking, finance and capital markets. General corporate

laws, mergers and acquisitions, supervision of mergers, competitive and administrative laws, real estate, telecommunications and the media, intellectual laws, court and arbitration proceedings, bankruptcy and settlement proceedings, labour laws and employment.

Daston

Delnicka 21
170 00 Praha 7
Cell: (+420) 723 858 388
Fax: (+420) 266 710 305

e-mail: daston@centrum.cz
www.daston.cz
Contact person: Michal Drabek

Daston – private investigation and security company. They operate in Prague and the entire Czech Republic, Central and Eastern Europe and Russia. Apart from classical services, they provide assistance in critical business and private matters. They speak Czech, English, Slovak, Polish, Russian and French.

TRADESHOWS AND EXHIBITIONS / SUMMER 2006

Prague Exhibition Grounds / www.incheba.cz

June 16 – 18
- GRANDFATHER AUTOMOBILE / International exhibition of vintage cars

June 13 – 16
- RETRO PRAGUE / Bohemia rally historic

September 7 – 10
- PRAGOINTERIER – LIVING FAIR / International fair of interiors and living

September 12 – 15
- MODA PRAHA / International fashion fair

September 15 – 17
- COLLECTOR / International fair for stamps, coins, telephone cards, minerals and collecting

September 21 – 23
- ANTIK / International sales exhibition of antiquities and art

- WATCHES AND JEWELLERY / International exhibition of clocks, watches and golden and silver jewellery

Brno Exhibition Center / www.bvv.cz

June 3 – 7
- AUTOTEC 2006 / International Fair of Utility Vehicles, Parts and Accessories

June 24 – 25
- INTERCANIS / International Dog Show

August 22 – 24
- STYL / International Fashion Fair
- KABO / International Fair of Footwear and Leatherware

September 12 – 15
- HOSPIMedica Brno/Central Europe / International Fair for Medical Technology, Rehabilitation and Healthcare

September 18 - 22
- International Manufacturing Show

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: Ms. Alena Charvatova, 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 and Wisconsin.
Phone: 312.861.1037, Fax: 312.861.1944,
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, 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.

Editor in Chief: Alena Charvatova

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