

Czech Trade Focus

News from the Czech Commercial Offices in the United States / Spring 2014

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MACROECONOMIC DATA OF THE CZECH REPUBLIC

INDICATORS	2011	2012	Latest available data	
GDP (% , y-to-y)	1.9	-1.3	0.8	Q4 '13
Inflation (% , y-to-y)	1.9	3.3	1.1	Feb '14
Unemployment (% , y-to-y)	8.6	7.4	8.6	Feb '14
Industrial Production (% , y-to-y)	6.9	-1.2	9.3	Dec '13
Trade Balance (millions of USD)	10,780	15,652	17,959	Jan - Dec '13
Exchange Rate CZK/USD (average)	17.7	19.6	19.7	Mar '14

Source: Czech Statistical Office

MAJOR CHANGES IN CZECH PRIVATE LAW



The re-codification of Czech private law entered into force on January 1, 2014, and has introduced changes that have considerable impact on businesses operating in the Czech Republic, including for example requiring a mandatory review of their constitutional corporate documents, contracts or general business terms and conditions. The new regulations of Czech private law have also introduced new legal institutes such as right of construction, or trust fund enabling new asset management opportunities.

Whether you have a business in the Czech Republic or you are just thinking about setting up a business there, we would recommend that you learn more about these changes because they will have an impact on your activities. As the Embassy cannot provide the full legal expertise in this area, we would suggest that you seek out services of some of the reputable law offices in the Czech Republic. For example, the Schoenherr law firm based in Prague and other cities within the whole CEE region has recently published its annual legal publication "Roadmap" that covers many of the changes brought by the new legal framework and is freely available online at <http://roadmap2014.schoenherr.eu/>.

ONDREJ VOTRUBA ENTRUSTED WITH MANAGEMENT OF CZECHINVEST



Minister of Industry and Trade Jan Mladek has entrusted Ondrej Votruba with the management of CzechInvest, the investment and business development agency of the Czech Republic whose services and development programs contribute to attracting foreign investment and to developing Czech companies. Votruba previously served as director of CzechInvest's Investment Division.

“My goal is to make CzechInvest an open, pro-client institution that will primarily attract to the Czech Republic new investments representing necessary new jobs and opportunities for Czech suppliers,” says Ondrej Votruba, acting CEO of CzechInvest, who further adds that this does not

mean that the agency had not previously tried to achieve that goal, but rather that it did not have the necessary support. Of course, drawing financial resources from EU structural funds is also a priority.

New general director will closely cooperate with advisor of minister of industry and trade Mr. Jan Amos Havelka. The revitalization of CzechInvest Agency will be their collaborative goal.

Ondrej Votruba was born in Prague on 15 December 1977. He is a graduate of the University of Economics in Prague. From 2002, he worked at the Prague branch of JETRO, the Japanese governmental agency for trade and investment support. In 2006 Mr. Votruba joined CzechInvest, where he served as director of the agency's Tokyo office from June 2006 to February 2012. Upon returning to Prague, he became director of Investment Projects Department at CzechInvest and later director of the Investment Division. In addition to his native Czech, Mr. Votruba speaks English, Japanese and German.

ECONOMIC BRIEFS

Restaurants' sales to grow:

Czech restaurants will increase sales revenue for the first time since 2008, but the year-on-year increase will only be between 0.2 and 0.4 percent, according to tourism analyst Jaromir Beranek of Mag Consulting. Restaurants' sales could reach CZK 87.7 billion (4.4 billion USD). Foreign tourists may spend more money thanks to changes to the exchange rate due to the Czech National Bank's intervention. Sales will increase faster in the hotel segment than in the restaurant segment. They are to record a maximum growth of 1.4 percent in the entire year 2013. Sales in the hotel segment could reach CZK 37 billion (1.9 billion USD), according to Mag Consulting.

Poll: Czechs are increasingly more obsessed with discounts and 40 percent of Czech households already follow retailers' flyers

when buying food, according to the results of poll Shopping Monitor 2014 of company Incoma GfK.

The popularity of discount shops grows as well and a quarter of the households already cite them as their main shopping place. Interest in small shops is decreasing.

At the same time, the share of households which do not want flyers in their mailbox has been gradually rising in the last few years and now 12 percent of households already do not want them.

The study shows that in the last half a year, 44 percent of Czech households spent in supermarkets the largest part of their money designed for food and toiletries. But the share of these people fell moderately year on year.

Czech **retail sales growth** is the fastest in three years. This growth is attributable to the Czech

National Bank's controversial interventions. Czech retail sales **grew 6.1% year on year in November 2013**, showing the fastest increase since January 2011, according to the Czech Statistical Office (CSU). The November growth was driven mainly by purchases via mail order houses and the Internet and by sales of cars and nonfood goods.

Economic growth is set to accelerate in 2014. Analysts expect an increase in exports after currency intervention by Central Bank. After the Czech economy showed occasional signs of growth in 2013, analysts expect a more sustained recovery in 2014, driven by improved exports. Some **predict** the gross domestic product will grow by **more than 2% in 2014**, with the weaker Czech crown helping to increase demand in key export markets.

Visitor numbers at **Czech shopping centers** increased 0.3 percent in 2013 as mainly large centers recorded growth in the number of customers, while smaller centers showed a decline in the number of visitors, according to the Czech branch of the International Council of Shopping Centers (ICSC). Large shopping centers with **more than 100 retail units** attracted 1.6 percent more

visitors than smaller ones in 2013, its index of shopping center visitor traffic showed. By contrast, smaller and medium-sized centers recorded a 2.2 percent drop in visitor numbers last year.

The **Czech government** started a debate on the country's joining the European fiscal pact and a decision will be taken by summer, Prime Minister Bohuslav Sobotka told

journalists after a Cabinet meeting. The **coalition parties**, namely the Social Democrats (CSSD), the ANO movement and the Christian Democrats (KDU-CSL), are **in favor of the step**. According to Sobotka, the Czech Republic would be acting in line with the rules laid down in the fiscal pact after joining the Euro.

CZECH TECH MATCH IN SILICON VALLEY

The Czech Tech Match took place in San Francisco on February 3- 6, 2014. Twelve successful European ICT companies, including three from the Czech Republic, participated in a series of presentations and mentoring seminars, organized by the Czech ICT Alliance in partnership with the US Market Access Center (US MAC).



Czech ICT Alliance

The final presentation for several San Francisco based investors was open by Consul General of the Czech Republic in Los Angeles Michal Sedlacek on February 5, 2014. Czech firms Corinth Ltd., InveaTech Plc. and Braci Ltd presented their products and took part in several mentoring sessions throughout the week. The Czech startups had a unique opportunity to showcase their potential and to match their talent with the needs of Silicon Valley's corporations and investors (e.g. Microsoft, Adobe, Sony, LG, Honda) during the Czech Tech Match.

EU-US TRADE DEAL: COMMISSION TO CONSULT EUROPEAN PUBLIC ON INVESTMENT



EU Trade Commissioner Karel De Gucht announced his decision to consult the public on the investment provisions of a future EU-US trade deal, known as the Transatlantic Trade and Investment Partnership (TTIP).

The decision follows unprecedented public interest in the talks. It also reflects the Commissioner's determination to secure the right balance between protecting European investment interests and upholding governments' right to regulate public interest.

In early March, he will publish a proposed EU text for the investment part of the talks which will include sections on investment protection and on investor-to-state dispute settlement, or ISDS. This draft text will be accompanied by clear explanations for the non-expert. People across the EU will then have three months to comment.

EU Trade Commissioner Karel De Gucht said:

“Governments must always be free to regulate so they can protect people and the environment. But they must also find the right balance and treat investors fairly, so they can attract investment. International investment agreements like TTIP should ensure they do both. But some existing arrangements have caused problems in practice, allowing companies to exploit loopholes where the legal text has been vague. I know some people in Europe have genuine concerns about this part of the EU-US deal. Now I want them to have their say. I have been tasked by the EU Member States to fix the problems that exist

in current investment arrangements and I'm determined to make the investment protection system more transparent and impartial, and to close these legal loopholes once and for all. TTIP will firmly uphold EU member states' right to regulate in the public interest."

INVESTMENT BRIEFS

The **Agrofert group** of Andrej Babis, leader of political movement ANO, is purchasing Londa, the company that operates the most popular Czech radio station, **Radio Impuls**, according to an Agrofert press release. The transaction still has to be approved by the antitrust office, but both companies have signed an agreement on a future contract. Besides Radio Impuls, Londa also owns the Czech radio station Rockzone. Babis entered the media market last year, when he founded the free weekly *5plus2*. This year he acquired the publishing house Mafra which publishes the newspapers *Mlada fronta Dnes* and *Lidove noviny* and runs web portals iDnes.cz and Lidovsky.cz.

According to current test results, **local banks** are resistant towards possible unfavorable progress in the future. Capital adequacy of the entire sector would in such case stay **above 8% minimum** even if a recession in the next 3 years were to continue. At the end of September 2013 the adequacy of banks surpassed 17%.

CVC Capital Partners has signed a binding agreement on its investment into the firm **Avast**

Software. The investment, valued by Avast at USD 1 billion, will help the company **expand its presence** in the US and facilitate further expansion in the mobile security sector. Avast's software is running on over 200 million devices and protects almost 170 million computers. Global investment fund Summit Partners, which invested into the company in 2010, remains one of its shareholders, along with founders Eduard Kucera and Pavel Baudis.

The planned amendment of the **Investment Incentives Act** and the new programming period for aid from the **EU Structural Funds** were among the topics presented by representatives of CzechInvest and the Ministry of Industry and Trade at a **conference held in Prague** on December 12, 2013. Nearly one hundred business people, investors and other conference participants were familiarized with the consequences of the European Commission's new regional-aid regulations, which will come into force on July 1, 2014. The upcoming year will also bring forth a new programming period for aid from European Union Structural Funds, of which EUR 21.9 billion (30

billion USD) has been prepared for the Czech Republic for the 2014-2020 programming period.

The **European Commission (EC)** will issue an official proposal of new Instructions for State Support in the areas of **environment and energy**. This was stated by the Anti-Monopoly Bureau, according to which the material is a tool based on which the EC approves programs and support in the areas of ecological investments, energy savings, the production of electricity from renewable resources and the handling of waste. In the 2014-2020 period the EC plans to significantly expand the criteria for supporting the energy sector.

Japanese pharmaceutical company **Otsuka** is about to build a center for research and production of original **medicine**. The basis of this should be a Japanese-owned company Interpharma. The center should be built in Prague-Modrany.

SIX CZECH START-UPS SETTING OUT TO GAIN EXPERIENCE ABROAD



Six start-up companies, which registered in Call VI of the CzechAccelerator 2011-2014 project last year, have successfully completed the selection process. In the coming weeks and months, they will thus depart for business incubators abroad and gain new experience in Singapore, Boston or Silicon Valley.

“In previous calls the programme supported more than thirty firms, which are now being joined by these new, interesting projects,” says Marian Piecha, former CEO of CzechInvest. “Firms involved in, for example, modern language instruction, 3D printing and a website monitoring system using thermal maps have got the opportunity to establish themselves abroad.”

MetaCell, which developed a test capable of identifying cancer and thus helping with the selection of the appropriate treatment, will have the opportunity to develop its business in Boston. “We would like to establish new contacts with potential investors there,” says the company’s executive director, Katerina Tepla. “Upon our return, we want to continue promoting the product especially in EU countries and in North America. We also want to collaborate with pharmaceutical firms in Europe and oncologists in the Czech Republic, Poland, Germany and Slovakia on projects that will facilitate pharmacological and clinical application of the product.”

Czech firms will have free use of office spaces in the incubators, as well and free entry to networking events. CzechInvest will also contribute aid to them for professional seminars, mentoring, protection of intellectual property and housing. At the end of 2013, representatives of the companies underwent legal and marketing training in Prague, where they met with previous project participants.

The CzechAccelerator 2011-2014 project is co-financed from the Operational Programme Enterprise and Innovation 2007-2013. An overview of the companies selected within Call VI and all previous calls of the project is available here: <http://en.czechaccelerator.cz>.

In December 2013 CzechInvest issued an additional, supplementary call for submission of registrations in the project. Business incubators on the East Coast of the United States and in Singapore and Israel will be opened to the selected participants, who will be able to depart in the period from April to June 2014. More information is available on the CzechAccelerator 2011-2014 website.

COMPANIES AND BUSINESSES

American airline operator **Delta Air Lines** shall return to the Prague Airport after a winter break. In alliance with Air France KLM it will resume its service between Prague and New York starting May 23. The flights will have a frequency of seven times a week.

Budejovicky Budvar brews a beer record. Amount brewed, exports and revenues all hit new highs. Czech brewery Budejovicky Budvar produced **1.424 million hectolitres** of beer in 2013, a year-on-year growth of 6.2% and the highest volume in its 118-year

history. Budejovicky Budvar exported a record 763,000 hectoliters of beer last year, which was 106,000 hectoliters more compared with 2012. The exports went to 65 countries.

A Superb record for Skoda – plant at Kvasiny has produced the **1.5 millionth vehicle** (a silver **Skoda Superb**). For 66 years, Skodas have been rolling off the production line at the car factory in Kvasiny and a few weeks ago the facility reached a milestone when its 1.5 millionth vehicle was completed.

Aero Vodochody plans to hire hundreds of **new employees** in 2014, according to its President Ladislav Simek. The company predicts a similar trend also in following 2-3 years. The company plans to build a **new production hall**. According to Mr. Simek, it is possible to expect that Aero Vodochody will significantly grow until 2017 thanks to specifics of the segment, where contracts are being closed for periods of 10 to 20 years. The strategic goal of the company is to keep the 100% quality, delivery periods and focus on the supply network.

TRADESHOWS AND EXHIBITIONS IN THE CZECH REPUBLIC

INCHEBA PRAHA spol. s r.o. is one of the most important companies organizing exhibitions and fairs in the Czech Republic. Every year, Incheba Praha organizes about thirty exhibitions and fairs, all of them taking place at the Holesovice Fairground in Prague. For more information and a list of current exhibitions and fairs, please visit www.incheba.cz.

BVV Trade Fairs Brno is one of the most prominent trade fair organizers in Central and Eastern European countries. Its core business activity is organizing trade fairs and exhibitions at the Brno exhibition centre and providing exhibition services. For more information and a list of current exhibitions and fairs, please visit www.bvv.cz/en/.

March 30 – April 3, 2014

Techagro International Fair

Trade show presenting the world's leading firms in industry.

Venue: Brno Exhibition Centre, Brno

Organizer: BVV Trade Fairs Brno

Phone: +420 541 152 383

Fax: +420 541 152 928

Email: info@bvv.cz

Web: www.bvv.cz

April 10 – 11, 2014

Motosport Expo

Expo featuring parts, tires and equipment related to motorsports.

Venue: Brno Exhibition Centre

Organizer: BVV Trade Fairs Brno

Phone: +420 541 152 383

Fax: +420 541 152 928

Email: info@bvv.cz

Web: www.bvv.cz

April 11 – 13, 2014

Ecoworld

A 3-day event showcasing ecological products.

Venue: Prague Exhibition Centre Letnany, Prague

Organizer: Feliclus Media

Phone: +420 222 544 304

April 11 – 13, 2014

Inspirace

Event showcasing products like ecology, travel, Buddhism and books.

Venue: Prague Exhibition Centre Letnany, Prague

Organizer: Feliclus Media

Phone: +420 222 544 304

April 22, 2014

International Wine Show Prague

Trade show related to the wine industry.

Venue: Hilton Prague Hotel, Prague

Organizer: KapWein Bohemia

Phone: +420 737 059 277

Email: kapwein@gmx.at

Web: www.kapwein.cz

May 15 – 18, 2014

Book World Prague

Show featuring programs for visitors, seminars and conferences.

Venue: Prague Exhibition Grounds, Prague

Organizer: Svet Knihy Limited

Phone: +420 224 498 236

Fax: +420 224 498 754

Email: info@svetknihy.cz

Web: www.svetknihy.cz

May 24 – 25, 2014

Minerals Brno

International fair of minerals, fossils and gems.

Venue: Brno Exhibition Centre, Brno

Organizer: BVV Trade Fairs Brno

Phone: +420 541 152 383

Fax: +420 541 152 928

Email: info@bvv.cz

Web: www.bvv.cz

May 30 – June 1, 2014

Film & Music Professional

A 3-day event showcasing film companies, studios and equipment for film and video.

Venue: Holesovice Praha, Prague

Organizer: TNT Productions

CZECH COMMERCIAL OFFICES IN THE UNITED STATES

Czech Embassy in Washington, D.C.

3900 Spring of Freedom St. NW, Washington, DC 20008

Consular jurisdiction: Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia.

Phone: 202.274.9104, Fax: 202.244.2147

Contact: Mr. Tomas Hart

Assistant: Ms. Lenka Martinakova

Email: eco_washington@embassy.mzv.cz

Consulate General in Chicago

205 N Michigan Ave, Suite 1680, Chicago, IL 60601

Consular jurisdiction: Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, South Dakota and Wisconsin.

Phone: 312.861.1037, Fax: 312.861.1944

Contact: Ms. Dana Hunatova

Email: chicago@embassy.mzv.cz

Consulate General in Los Angeles

10990 Wilshire Boulevard, Los Angeles, CA 90024

Consular jurisdiction: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming.
Phone: 310.473.0889 x.229, Fax: 310.473.9813
Contact: Mr. Michal Sedlacek
Email: losangeles@embassy.mzv.cz

Consulate General in New York

321 East 73rd Street, New York, NY 10021
Consular jurisdiction: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, Vermont.
Phone: 646.422.3303, Fax: 646.422.3311
Contact: Mr. Martin Dvorak
Email: newyork@embassy.mzv.cz

Czech Center New York

321 East 73rd Street, New York, NY 10021
Phone: 646.422.3399, Fax: 646 422-3383
Contact: Ms. Pavla Niklova
Email: info@czechcenter.com

Czech Tourism New York

1109 Madison Avenue, NY, NY 10028
Phone: 212.288.0830, Fax: 212.288.0971
Contact: Ms. Michaela Claudino-Palkova
Email: info-usa@czechtourism.com

Czech Tourism California

6 Hutton Centre Drive, South Coast Metro, CA 92707
Phone: 714.382.6855
Contact: Mr. Vojtech Kacerovsky
E-mail: losangeles@czechtourism.com

CzechTrade

505 North Lake Shore Drive, Suite 218, Chicago, IL 60611
The Czech Trade Promotion Agency CzechTrade was established by the Ministry of Industry and Trade of the

Czech Republic in May 1997. CzechTrade's main objective is to promote international trade and cooperation between Czech and foreign companies. CzechTrade's professional information, assistance and consulting services accompany

Czech exporters to foreign markets. The agency is a contact partner for firms entering the Czech market, seeking interesting and reliable business partners and suppliers.

Phone: 312.644.1790, Fax: 312.527.5544

Contact: Ms. Zuzana Pittnerova

Email: chicago@czechtrade.cz

CzechInvest

CzechInvest was established in 1992 by the Ministry of Industry and Trade and is the investment and business development agency of the Czech Republic whose services and development programs contribute to attracting foreign investment and to developing Czech companies. CzechInvest provides the following services free-of-charge: Comprehensive services for investors - full information assistance, handling of investment incentives, business property identification, location of Czech suppliers, aftercare services; Business infrastructure development; Access to structural funds.

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Email: california@czechinvest.org

USA - East Coast Operations Office

321 East 73rd Street, New York, NY 10021

Phone: 347.216.9355

Contact: Mr. Jan Fried

Email: jan.fried@czechinvest.org

BUSINESS AND TRADE WEBSITES

- General information about the Czech Republic
- Trade promotion agency CzechTrade
- Investment and business development agency CzechInvest
- Tradeshows
- Czech Embassy in Washington
- Ministry of Foreign Relations of the Czech Republic
- Ministry of Industry and Trade of The Czech Republic

www.czech.cz
www.czechtradeoffices.com
www.czechinvest.org
www.veletrhyavystavy.cz
www.mzv.cz/washington
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www.mpo.cz

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