CZECH REPUBLIC: QUALITY AT REASONABLE PRICE

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Support for Renewable Resources

About 4% of energy is produced today from renewable resources. The production of energy from renewable resources is very attractive in the Czech Republic, thanks in part to incentives from the European Union. The current valid State Energy Policy of 2004 expects the share of renewable resources in the Czech Republic to reach 15% to 16% in 2030. According to this document, the state should produce 8% of electricity from renewable resources by 2010 and 13% by 2020. The Czech Republic is working towards this goal by supporting the construction and operation of energy sources utilising renewable resources and through very generous policies regarding the building of these power plants. The purchase price of one megawatt-hour of electrical energy is fixed and very attractive to investors.
Questions of the Month for Jaroslav Míl, President of the Confederation of Industry of the Czech Republic

In 2009, the Czech Republic marks 20 years since the fall of the Iron Curtain. Since that time, the country has experienced dynamic development. How do you assess the last 20 years from the viewpoint of development in the quality of the business environment?

In assessing the past 20 years, we should recall what the starting level of the business environment was. Surviving socialist laws were not suitable for an economy in transformation. Business laws were determined by the Economic Code, exports were oriented to non-paying Eastern markets. The level of managerial education and language capabilities were totally insufficient. The existence of a single state ownership did not provide sufficient experience in the development of the business sphere and property management. The production quality, standards applied, and work environment were inferior as well. A critical issue was law enforcement, which situation unfortunately continues up to the present time. The economic transformation was a unique process and it can be said without exaggeration that, in the last 20 years, the majority of companies have experienced changes about which our colleagues in so-called Western Europe have only read in textbooks on Management, in chapters on Change Management. The Czech Republic’s accession to the EU and the preparations for it were of major importance for the business environment. It accelerated the process of the approval of laws that are standard in developed countries. Many things changed, and the change was in a positive direction. On the other hand, it should be noted that almost all governments were inconsistent in the implementation of reforms in state administration, the creation of rational social policy, support to research and development, and education policy. This lack of purpose in the implementation of reforms will take its toll in the longer term. Although positive changes have taken place, the business environment needs to be further improved and especially substantial system changes need to be implemented in those areas for which the state is responsible. The state must behave in the same way as a company exposed to tough conditions of competition.

What has contributed to an improvement in the Czech Republic’s business environment lately?

The business environment, or rather the assessment of its changes, is greatly influenced by the economic recession that has hit us very hard. We are now seeking the tools to mitigate its impact. I must say that no great possibilities exist. Nevertheless, the government’s anti-crisis measures, which are being taken with hesitation and delay, play a decisive role in our assessment. The capacities of the Export Guarantee and Insurance Corporation, the Czech Export Bank, and the Czech-Moravian Guarantee and Development Bank have been enhanced. The government programme also includes a reduction in social security and acceleration of depreciation rates, postponement of advance tax payments, and acceleration of VAT refunds. These measures are based on our proposals and thus we logically support them.

What is your opinion of the Czech EU Presidency in respect of an improvement in the business environment in the Czech Republic?

True, the Presidency is a short period of time, yet a very important one in our five-year EU membership. Priorities set by the presiding country make a decisive impact on the direction the EU is to take. It is up to us, the business and employer lobby, to participate in the drafting of the priorities so that they correspond to our interests. The priorities of the Czech Presidency were in harmony with the Confederation of Industry of the Czech Republic (SP ČR), as well as with the strategy signed between the trio of employers’ and entrepreneurs’ associations of France, the Czech Republic, and Sweden. What is more, developments themselves proved that the choice was correct. Quite a number of positive steps were pushed through during the Presidency with the support of the entrepreneurs’ and employers’ spheres. I can mention, e.g. the adoption of a package of measures in the area of the free movement of goods, or the law on small and medium-sized enterprises and related legislation which will boost especially cross-border trade. A great success of our Presidency was the recent decision on the implementation of the NABUCCO project. I also regard as very important the BUSINESSEUROPE Council of Presidents meeting in Prague, which was a climax of the SP ČR activities during the Presidency.

What is generally the reaction of companies in the Czech Republic to the global recession? Are the markets reacting flexibly, which means, e.g. is the growth of wages and other costs being halted, or is the reaction of business entities being delayed?

Companies react as they can, i.e. if they lose contracts, they search for new markets or change their production programmes where possible. Nevertheless, most of them cannot avoid reduction in capacities, which compels them to cut costs. Naturally, wage costs are an important item when you are looking at savings, which means not only a slower wage growth but also cuts in employee numbers. The rate of dismissals does not correspond to the economic downturn for the time being. Enterprises are trying to keep their core employees, which is now apparent in the relatively low growth in unemployment. Companies are also practising economy in other operating costs. Unfortunately, they are also cutting investment in their development.

Does the reaction of domestic companies to the global recession rank the Czech Republic among developed or developing states?

This is an interesting question. In any case, companies react in the usual way. By this, I mean their first reaction. They analyse the possibilities of mitigating the impact on the economic result by seeking sales possibilities and cutting costs. This is really the first reaction, and it cannot be any different. If, in the ensuing development, companies reduce their expenditure on research and development, education and investment in new technologies, there is really the risk that our economy will be closer to the economies of developing countries rather than developed states. We can draw the same conclusion also for state policy. In any case, the rule applies that only those companies will survive that can effectively and quickly control their costs and at the same time can offer a unique and innovative product.
Czech Republic: Quality at Reasonable Price

"The idea of eternal return is a mysterious one, and Nietzsche has often perplexed other philosophers with it: to think that everything recurs as we once experienced it, and that the recurrence itself recurs ad infinitum!" This is the beginning of one of the best Czech books - Milan Kundera’s The Unbearable Lightness of Being. After the crazy turn of the years 2008/2009, I had to read it again. Crises come and go. They recur, just as bankruptcies, recessions, and troubles do. The same applies in economy as in life, one day you are up, the next you are down. However, what to expect from the economy of the Czech Republic and the local companies? When I talk to the clients of our bank, I tell them: We are not in a crisis. Welcome to a new reality! Now is the best time to offer what we are good at: "Quality at a Reasonable Price" - this, in my opinion, is the path the Czech Republic and exporters in the country will undertake.

THREE INGENIOUS BUSINESS STRATEGIES THAT I PERSONALLY LIKE AND SUPPORT:

1. Small firm with a clever product (and at reasonable price)

The small company Y Soft s.r.o. is based in the Czech Republic’s second largest city, Brno, at the local technology park. The firm was established by a group of students in 2000. It now employs 70 people in the Czech Republic, and has branches in Denmark, Hungary, Israel, Japan, and newly also in the USA. Sixty per cent of the Czech Top 100 most successful companies use its unique product. What is it? Its product controls printers. It allows accurate accounting, prefers economical printing, and controls access. The purpose is to reduce costs. The investment returns in an order of months, savings amount to about 20%.

Soon the Czech Republic will not be labelled just as a country where cars are assembled. Indeed, the 2008 Entrepreneur of the Year, a competition organised by Ernst & Young, was Vladimir Kovář, the owner of the software company Unicorn. His firm employs about 1 060 people, was founded in 1990, and is the largest Czech company providing comprehensive services in information systems and information and communication technologies. And, among others, has established the Unicorn College.

2. Medium-sized firm with a state-of-the-art product (and at reasonable price)

When the "European Inventor of the Year" prizes were awarded at Prague Castle last April, members of the jury included Zbyněk Frolík, the director and founder of LINET. His company was established as a greenfield operation in 1990. Today, it is number one on the domestic market of health-care equipment. It is the most dynamically developing company in Europe in its branch, ranking among the five largest producers of hospital beds in the world. Linet products – hospital and care beds, mattresses and furniture, as well as other health equipment – are sold in more than 70 countries of all continents. There are hundreds of other Czech firms similar to Linet, which do business in various sectors.

3. Large firm with a quality product (and at reasonable price)

Over a hundred firms could be included in this group, I will choose two – Škoda Auto and Pilsner Prazdroj. The brewery Pilsner Prazdroj is a symbol of Czech beer and a successful part of the global SABMiller group. The history of the brew-
ECONOMIC POLICY

The Czech Republic is not in crisis!

The Czech Republic is in recession – personally, I call it “a new reality” – but it is not in crisis. The present starting conditions – as we have them in black and white from statistics – are one dimension better than those in the former Czechoslovakia during the economic crisis of the 1930s.

1933 CRISIS
Let us first go back to the past. We are in Czechoslovakia, the time is March 1933. We find ourselves exactly at the bottom of the world economic crisis – meaning the trough of the US business cycle. The value of Czechoslovak exports plummeted in 1933 by 64.4% against 1929. Industrial production fell by 39.1%. GDP in real prices dropped by 21.2% over the same period. In addition, the number of unemployed increased from 42,000 in 1929 to 738,000 in 1933 – i.e. by 1,657%. Domestic price level fell by 5% on average every year during this period. In contrast, state debt rose to 83% of GDP. The crisis hit all the financial institutions. The banks’ equity capital dropped almost by one-third. 11 banks were rescued. The population’s saving behaviour was affected as well, so that small savings declined from 13.1 billion to 10.7 billion crowns. And, finally, a case study from Škoda Auto in 1933: its workers produced 412 vehicles with 995 cubic centimetre engines, two 1200 cc vehicles – but, attention please, 433 cars with an even bigger engine of 1600 cubic centimetres were dismantled. All this summed up is minus 19 vehicles!

2009 RECESSION
That was a short excursion into the past, and now back to the present-day reality. We are in the Czech Republic, the time is March 2009. We are in recession. The latest peak of the US business cycle was December 2007. The bottom is probably still ahead of us. The value of Czech exports has dropped by 9% between December 2007 and the present time. Industrial production has fallen by 14.6% in real prices by less than one per cent. The number of unemployed has increased from 355,000 in December 2007 to 429,000 – i.e. by one-fifth. Domestic price level is going up, by 1.3% on annual average. State debt currently amounts to less than one-third of GDP (but it may be 40% within 3 years). None of the five largest banks in the country needs to be rescued with the help of the state budget. The confidence of the population in the Czech currency continues, and the deposits of households with banks were worth EUR 45.5 billion at the end of 2007, and currently are even almost EUR 8 billion higher.

And in conclusion – just as in the case of the 1930s crisis – a case study from the Škoda Auto enterprise in 2009: the sale of Škoda cars increased by 7% last year, to a record 674,500 vehicles. Welcome to the new reality!

Beyond the borders under the label of “Czech Beer”.

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Aleš Michl, Analyst, Raiffeisenbank (e-mail: ales.michl@rb.cz)
Czech Industry has experienced a dramatic year – the jumps in industrial production in 2008 were not only the result of calendar variations, later mainly the recession in Western Europe, and the weakening domestic demand of the last months.

Czech industrial production experienced exceptional fluctuations in 2008 – its year-on-year growth was the highest in April (+12%), with a significant slump in October (–8%), and further drops in the last months of the year. In December 2008, industry was down 14.6% against the same period of 2007. Industry, the key sector of the Czech economy, continued its downturn in the first three quarters of 2008 – production increases were far lower in comparison to periods when the economic boom had peaked in the Czech Republic. The trend curve of industrial production, eliminating seasonal influences and recording the real values adjusted for prices, indicated a slight slowdown from as early as the second half of 2006 (Graph 1). This was yet another confirmation that Czech industry dominates the structure of the economy and determines its dynamics – a GDP revision by the Czech Statistical Office (CZSO) in the second half of 2008 showed that the growth of the Czech economy peaked in 2006, when industry was growing at a double-digit rate.

The development trend did not fall below 10% year-on-year increases until mid-2007. Which factors have caused the lower growth rates of Czech industry?

■ PROBLEMS OF INDUSTRY DRIVERS
Unfortunately, falling foreign demand, the key factor of the slowing growth rate of the Czech economy, affected the most orders in sectors that had previously recorded the highest dynamics, i.e. the long-term drivers of Czech industry – car manufacture and electrical production (i.e. the manufacture of electrical and optical machines and devices which, however, has not yet dropped significantly despite the falling number of new business orders). The car industry partly compensated for the lack of export orders by sales on the domestic market (e.g. in September 2008, when new car sales dropped in Germany and Spain, the sale of cars on the Czech market increased year-on-year by 10%). In 2008 as a whole, the sale of new cars in the Czech Republic increased by 8.4%. However, a downturn can be expected here as well, after households limit larger purchases in response to unfavourable expectations – the business sphere already recorded a drop in sales of utility vehicles in 2008 (–3.3%).

■ FLUCTUATIONS, FOLLOWED BY DOWNTURN
The year-on-year slowdown of growth rates was reflected by all the main industry indicators already in the first quarter of 2008 with the exception of worker numbers and nominal wages, which continued to rise faster than in the previous quarter. However, foreign orders were already then at less than four-fifths of the growth rate for the same period of 2007, and their total volume in fact dropped year-on-year. The growth rate of direct export sales fell by almost 12 p.p., and by almost 11 p.p. in the case of companies under foreign control.

The second quarter brought a drop in the rate of total orders. The only industrial indicator with faster year-on-year growth was the average nominal wage. Overall, the drop in year-on-year growth rates was not so marked as in the first quarter, due in part to the lower comparison base of the same period of 2007 – production increased by 5.8%, i.e. not as much as the year before (+9.3%), though still more than in the first quarter (+ 5.7%). Sales of firms under foreign control rose even faster and, given the export weight of these companies, direct export sales increased similarly.

In the 4th quarter, foreign demand slumped by 27.9%. The nominal value of total orders in the last three months of the year was also substantially lower (-26.4%).
Obviously the drop was dominated by a loss of orders from abroad. The nominal wage in industry grew faster than in 2007 (+8.2% to CZK 22,780, i.e. EUR 913) although the number of employed persons dropped - a clear signal of the unfavourable cooling of the economy. The caution of banks, brought on by the global financial crisis and concerns about the financial health of companies that had been granted credits in the Czech Republic, hampered access to financial sources despite the substantial lowering of basic interest rates by the Czech National Bank. This led to bankruptcies of certain glassmaking companies.

REDUNDANCIES AND PRODUCTIVITY

Employment dynamics in industry declined during 2008. While a 2.5% increase in the average number of employees was recorded in the first quarter, it fell by 0.6% in the third quarter, and by as much as 3.5% in the fourth quarter. In response to production cuts in the last months of the year, companies dismissed workers (tens of thousands, mostly foreign workers) hired via employment agencies. The average drop in employment for the whole of 2008 was only 0.1% to 1,162,000 workers, although this does not reflect the year-on-year slump at the close of the year – in December, the number of people employed in industry dropped by 56,000, i.e. 4.7%.

Labour productivity (Graph 2) stagnated in 2008. The relatively good results in the first three quarters of the year were eliminated by the significant 9.3% fall in the last quarter.

GOOD TIMES CONTRA THE FUTURE

Bad times have hit industry practically throughout the whole of Europe. In 2008, production dropped the most in Estonia (-17.4%), Spain (-15.1%) and Latvia (-13%). France recorded a drop of 10.7%, Germany 6.6%. Slight increases in industry were recorded only by Norway and Ireland, stagnation by Austria and Cyprus.

Advance indicators at the beginning of 2009 seemed to indicate that the drop in industrial orders abroad, and negative expectations of the development of Eurozone economies, are not offering much optimism for export-oriented industrial sectors in the Czech Republic and their suppliers. Since the industry is interlinked with production services sectors, especially transport, part of the tertiary sector has also been “contaminated” by a weakening performance.

FIRST MONTHS OF 2009

As the graph of new orders in industry demonstrates, their sharp drop halted at the end of 2008. The first three months of this year indicate a revival, however, from very low values, and still in negative territory. In view of the dominant role of car manufacture in Czech industry, there is no doubt that this growth is attributable to the “cash-for-clunkers” schemes applied in export destinations, namely Slovakia and particularly Germany. The output of the car-making industry hit rock bottom in January 2009, when it equalled less than two-thirds (63.9%) of the level for the same period of 2008. After that, export activities halted their fall and in March 2009 car production was at 85.7% of the March 2008 level. The drop in total industrial output was the greatest in February 2009, when production reached only three-quarters of the volume for the same period of the preceding year. In March, the slump halted in this sector also. However, after the favourable effects of the “cash-for-clunkers” scheme fade away, the future remains uncertain. The question also remains whether the global economic crisis will be limited to one bottom, or whether the slight recovery will be followed by another downturn, known as the “V or W”-shaped crisis.

Drahomíra Dubská
Analyst
Economic and Statistical Analyses
Czech Statistical Office
(e-mail: drahomira.dubska@cszo.cz)
Five Reasons to Invest in the Czech Republic

In recent years, the Czech economy has remained at the forefront of interest of direct foreign investors. Although the world economic recession will lead to a global decline of investment activity in the coming period, the attractiveness of the Czech market for investors will remain unchanged. The steady influx of investment to the Czech Republic, which has continued into this year, confirms this.

**STEADY MACROECONOMIC SITUATION**

Although the cyclical slump of the economy has been augmented by the recession of the country’s main business partners, at the same time, we are seeing a significant drop in inflation and wage pressures. In addition, the balance of payments current account deficit is decreasing and foreign debt remains relatively low in comparison with neighbouring countries. Moreover, foreign debt maintains a positive structure thanks to the prevalence of long-term commitments. Similarly to other countries of the EU, this year the deficit of public budgets has increased. These deficits are however smoothly financed by the financial reserves of the domestic and foreign financial sector. Overall it is possible to declare that even in times of recession the macroeconomic situation – one of the main parameters monitored by investors – remains steady in comparison with neighbouring countries of the region.

**REDUCTIONS IN TAX BURDEN ON BUSINESSES**

Another reason for the growing interest of investors in the Czech market is the attractive tax system in the Czech Republic. In recent years the tax burden on businesses has decreased significantly to 19% at present. Besides this, property tax write-offs have again been made more attractive (the depreciation period has been shortened) as has the tax burden on labour thanks to a decrease in so-called insurance paid by employers and employers and the introduction of a maximum ceiling for the payment of insurance at the level of four times the annual average wage in the economy. The tax burden on labour (direct taxes including contributions toward the social and health system) has fallen from the previous 51.4% to 50.2%, whilst OECD data show that for instance in Germany last year the tax burden equalled over 54%. The announced reduction in the tax burden will most likely further help to push this rate below the 50% mark as early as next year.

**LOWER LABOUR COSTS**

The third important advantage of the Czech economy for foreign investors is the lower wage and price level. Labour costs in the Czech Republic equal less than a third of the costs for example in Germany inclusive of tax and quasi tax (social and tax insurance). In addition to this, the Czech Republic offers a relatively flexible labour market with an increasing influx of graduates of universities, which have been expanding in recent years. In the absence of available workforce, which has been the case in times of strong economic growth in the past three years, the advantage of the Czech economy has been its openness towards employment of foreigners not only from EU member countries but also from other countries of Eastern Europe.

**FAVOURABLE GEOGRAPHICAL LOCATION**

The fourth factor, equally as important, is the favourable geographical location of the Czech Republic, further reinforced by a growing transport infrastructure which connects to European traffic arteries. The network of motorways and highways spans over approximately 1 070 km and should expand in coming years by a further 400 km. We must also not fail to mention the high density of the rail transport network.

**INVESTMENT INCENTIVES**

The fifth factor which must not be omitted in view of competition in the region is the system of investment incentives. These offer investors abatements on legal entity income tax; they support the creation of new jobs, training and re-qualification courses, they offer preferential treatment for procurement of state land and so on. By means of these incentives, the state has already supported or pledged to support investment in the processing industry worth EUR 16.6 billion.

**LEADER OF THE ENTIRE REGION**

It is certainly possible to talk of the advantages and attractiveness of the Czech market for foreign investors; nonetheless, the best indicator of this is the value of direct foreign investment, which amounted to EUR 82.2 billion at the close of last year. In terms of per capita, the Czech Republic ranks among the leaders of the entire region. Although the current global economic crisis will temporarily cool off investment activity, in the mid-term perspective it will continue to motivate investors in their search for attractive areas with indisputable comparative advantages. And the Czech Republic is certainly able to offer such advantages within the scope of the entire EU.

Petr Dufek
Analyst
Československá obchodní banka, a.s.
(e-mail: pdufek@csob.cz)
Investors Opt for Rentals

Interest in doing business in rented space is growing fast in the Czech Republic. Investors seek especially not too large facilities ready to be let immediately.

Compared with 2007, the interest in doing business in rented space rose by six per cent more last year. 43% of new investors thus seek halls for hire. The share of companies wishing to buy land prepared in industrial zones for their business in the Czech Republic dropped below 50% - to 49% – for the first time. In contrast, the number of those wishing to regenerate brownfields slightly increased – from six to eight per cent. These figures are shown by the statistics concerning the offer of business real estate, which was undertaken by the CzechInvest Government Agency for investors last year.

"Probably the greatest surprise of the latest statistics is the speed with which investors are losing interest in building halls on their own property in industrial zones. Last year their share dropped by nine per cent", says Alexandra Rudyšarová, acting Chief Executive Officer of CzechInvest.

"An explanation is provided by our statistics of new investment in the Czech Republic – instead of large manufacturing projects we are becoming increasingly attractive rather for small technology-intensive enterprises. Whereas in 2007 research and development or services accounted merely for 32% of all investment projects, last year they made up 63%", Ms Rudyšarová continues. The growing interest in rental is further evidence that our economy is proceeding towards alignment with old EU member states, where most new investment heads into rented space."

The greatest interest is recorded in rental of space from two to five thousand square metres, followed at a distance by companies searching for rental space of less than two thousand square metres. Demand has also increased for rental of space larger than five thousand square metres, now sought by companies that only two years ago would have preferred the purchase of their own land in a zone.

The greatest demand among investors seeking prepared areas in industrial zones is for land from two to five hectares, closely followed by companies looking for less than two hectares.

Compared with 2007, an increase has been recorded especially in the demand for rental of halls from two to five thousand square metres, at the expense of investment on prepared land in industrial zones.

"INVESTORS LOOKING NORTH

Investors have been particularly interested in localities in the north-west and north-east of the Czech Republic, but Central Bohemia did not fall far behind. "Regions in the north-west and north-east are attractive mainly because of higher unemployment that makes search for employees easier, whereas Central Bohemia wins points thanks to real estate ready to be used for business, and naturally also owing to its proximity to the capital city of Prague", Ms Rudyšarová explains.

Last year, the CzechInvest Agency prepared 281 real estate offers tailored to meet the requirements and ideas of new investors in production, 40 more companies were interested in office space. This represents approximately 1.5 offers of business real estate per working day. The database from which the Agency offers real estate currently includes over 360 industrial zones, business parks, technology and science complexes, and office space all over the Czech Republic.

Jiří Sochor
Head of PR Department
CzechInvest
(e-mail: jiri.sochor@czechinvest.org)
The current Czech tax system was introduced on 1 January 1993 and is founded on a similar basis as the tax systems of the other EU states. Its parts are the corporate income tax and the personal income tax, with the standard added value tax (VAT) system. The Czech tax system has been frequently amended; vast changes were made in the system in connection with the Czech Republic’s joining the EU in May 2004 and later in the framework of the fiscal reform in 2008. More changes are to be expected in 2009.

**CORPORATE INCOME TAX**

The liability to pay corporate income tax on world income applies to persons other than natural persons having their headquarters or place of business or management in the Czech Republic (i.e. Czech tax residents). The tax liability of persons that are not Czech tax residents only applies to income derived from sources located in the territory of the Czech Republic. These incomes include incomes relating to a permanent place of business in the Czech Republic (e.g. organisational unit) of an entity that is not a tax resident, income from the sale of property located in the territory of the Czech Republic, income from the transfer of a capital share in a Czech company and other specified types of income (e.g. lease instalments, dividends, interest, and licence fees paid by Czech entities). The tax period for corporate income tax payers in the Czech Republic is the calendar year or the financial year. The deadline to file corporate income tax for the calendar year is the 31 March of the following year after the lapse of the tax period. If specific conditions laid down by law are met, the period may be prolonged. In general, the corporate income tax base is the profit/loss shown in the financial statement, modified by various taxable/non-taxable and deductible/non-deductible items.

There is no tax consolidation in the Czech Republic. Each enterprise within a group is liable to tax as a separate legal entity without having any claim to setting off its losses against the profits of the other companies within the group. Nevertheless, a type of tax consolidation is possible in the case of general commercial partnerships or limited partnerships.

As a rule, the tax administrator is entitled to check tax returns and assess tax liability in retrospect within three years after the end of the tax period in which the liability to file the tax return arose. This is a minimum term, which may be prolonged.

**WHAT IS MEANT BY PERMANENT PLACE OF BUSINESS**

Czech legislation defines the meaning of a “permanent place of business” in very general terms. In most cases, a permanent place of business means a place for performing various activities in the territory of the Czech Republic (e.g. the office, point of sale or building site). If a foreign juristic person operates services in the Czech Republic for more than 6 months during a period of 12 consecutive calendar months, from the taxation point of view it has established a permanent place of business. This has to be taken into consideration if workers posted by a foreign entity are employed in the Czech Republic. Another case where a foreign entity is deemed to have a permanent place of business established in the Czech Republic is when a person authorised to make contracts binding on a foreign entity operates in this country.

For the purpose of corporate income tax liability, Czech general commercial partnerships (v.o.s.) and limited partnerships (k.s.) are considered tax transparent entities. The profits of a general commercial partnership are not tax liable at v.o.s. level, but at the general partner level. In the case of a limited partnership profits are divided into a part falling under the general partners (tax liable at general partner level) and a part falling under limited partners (profits are subject to corporate tax at k.s. level). That part of the profits after tax is distributed among limited partners in the form of dividends; dividends are generally liable to a 15% withholding tax. The income of v.o.s. partners or general partners who are not Czech tax residents and do not have their headquarters in another member state of the European Economic Area are subject to a tax rate corresponding to the customary income tax rate (for juristic persons, 20% in 2009 and 19% from 2010).

Czech tax legislation has no rules for tax transparent entities established under foreign law. In most cases, the Czech Ministry of Finance assesses transparency on the basis of comparisons, which means that for Czech tax purposes it applies foreign taxation rules. This area, however, continues to be under discussion.

**EU RULES**

The Czech Republic has been a member of the European Union since 1 May 2004. During preparations for joining the EU, the Czech Republic incorporated the following EU directives in its legislation: the Mother/Daughter Company Directive; Directive on the common system of taxation applicable to mergers, divisions, transfers of assets, and exchanges; Directive on the common system of taxation of interest and licence fees, and Directive on the taxation of savings income in the form of interest payments (which is not covered here).
DIRECTIVE ON THE COMMON SYSTEM OF TAXATION OF MOTHER/DAUGHTER COMPANIES

In accordance with this directive, the payment of dividends by a Czech company to the benefit of a company which is a tax resident in another EU member state or Switzerland, Norway, or Iceland, or the payment made to a Czech company by a company which is a resident in another EU member state is not liable to tax in the Czech Republic, provided it has met certain conditions: the mother company has owned at least 10% of the registered capital of the daughter company for not less than 12 months (the time test may be made later). The payment of dividends between two Czech companies meeting the conditions mentioned above is not liable to tax, either. Dividends from companies based in another country with which the Czech Republic has an agreement on the avoidance of double taxation may also be relieved from tax, if similar and other conditions are met.

Capital gains generated by a Czech mother company, if those gains are related to the transfer of shares in a daughter company which is a tax resident in a country with which the CR has a contract, provided the conditions applying to the dividend tax relief are met, are also relieved from the tax burden, besides dividends. Similarly, capital gains generated by the mother company which is a resident in an EU member state, in the case of the transfer of shares in a Czech daughter company, will not be burdened by taxation, provided the conditions applying to the dividend tax relief provisions are met.

DIRECTIVE ON THE COMMON SYSTEM OF TAXATION OF INTEREST AND LICENCE FEES

Interest and licence fees paid by a Czech company to a company that is a tax resident in another EU member state or Switzerland, Norway, or Iceland will be relieved from tax in the Czech Republic (provided certain conditions are met). Legislation providing for interest tax relief entered into force on 1 May 2004, and legislation relieving licence fees from tax will come into effect on 1 January 2011.

CAPITAL GAINS

As a rule, capital gains are taxed at the customary corporate income tax rate (i.e. 20% and 19% for companies and 5% for shares funds, investment and pension funds). Capital gains flowing to Czech non-residents from (i) the sale of shares (securities) by a foreign company to Czech tax payers or Czech permanent places of business and from (ii) the sale of shares (capital interests) of a Czech company regardless of the buyer’s tax residence are considered income derived from sources in the territory of the Czech Republic, and consequently are liable to tax in the CR. Capital gains may be relieved from tax if there exists an agreement on the avoidance of double taxation. Also, capital gains will not be tax liable under provisions as mentioned in the part dealing with the Directive on the common system of taxation of mother and daughter companies.

LOSSES FROM THE SALE OF PROPERTY

Only losses from the sale of certain securities are tax allowable. Losses relating to other securities, e.g. shares that are not re-valued to market value, bills of exchange and other assets (such as receivables, land and capital interest in limited liability companies, limited partnerships or cooperatives) cannot be considered tax allowable either in the current or any other tax period.

CARRYING TAX LOSSES FORWARD

As from 2004, tax losses shown in one tax period may be carried forward to the next five tax periods. Tax losses incurred in tax periods which began before the year 2004, may be carried forward to the next seven tax periods. Carrying losses backward, however, is not possible. There are restrictions to accounting for tax losses (incurred in previous tax periods) as a result of a substantial change in the composition of owners or in the case of a merger.

WITHHOLDING TAX – PAYMENTS TO CZECH TAX NON-RESIDENTS

Withholding tax relates to dividends and other income from capital interest (including liquidation balances and settlement amounts), interest and other income flowing from financial instruments, income from licence fees, income from commercial or technical consulting services provided in the Czech Republic, rent from financial leasing, if paid to tax non-residents who do not have a permanent place of business in the Czech Republic. A 5% tax rate applies to income from financial leasing and a 15% rate for other types of income. Withholding tax may be reduced on the basis of an agreement on the avoidance of double taxation (see Rules of the European Union above). The Czech Republic adheres to all agreements on the avoidance of double taxation made by the former Czechoslovakia and has itself entered into such agreements with a number of other states.

DEDUCTION OF RESEARCH AND DEVELOPMENT COSTS FROM TAX BASE

In principle, the costs of certain research and development projects are tax allowable twice (the first time as deductible costs and the second time as an item reducing the tax base). Further conditions, however, must be met to qualify for such reduction.

INVESTMENT INCENTIVES ACT

The Czech investment incentives system may be used by both foreign and Czech companies. At the time when this article is written, existing investment incentives apply to new production plants and the enlargement of existing production facilities. At the end of 2008, the Czech Government proposed an amendment which changes significantly the current Investment Incentives Act. According to the draft (approved by the Government in January 2009, but not as yet passed by Parliament), investment incentives will no longer be available to applicants operating in the manufacturing industry, and will be accorded to projects of technological centres and shared services centres. Also, the form of investment incentives will be modified – as before, they will only be available in the form of tax reduction applicable to corporate income. On the other hand, no support will be provided for job creation, requalification and employee training, or offering land equipped with infrastructure at a favourable price. It is nevertheless expected that the current draft amendment proposed by the Government will be changed considerably in view of the economic situation. For example, subsidies to branches of industry with high added value (e.g. manufacture of demanding medical instruments) and financial subsidies (instead of tax relief) to technological centres are envisaged.

René Kulínský
Partner to Tax Consultancy Department Ernst & Young
(e-mail: rene.kulinsky@cz.ey.com)
Czech Scientists Find Success in the USA

A young team of 25 postgraduates and scientists from the Agent Technology Center at the Department of Cybernetics of the Czech Technical University (CTU) currently works on an unmanned aerial vehicles project. Their results have been so impressive that all three of the Pentagon’s branches (Army, Air Force, and Navy) expressed their interest to participate in the research. There are only a few institutions that have succeeded in attracting the interest of all three branches in Europe.

**AUTONOMY OF UNMANNED AERIAL VEHICLES**

The Prague team is concerned with improving the autonomy and independence of unmanned aerial vehicles to eliminate the need for a pilot on the ground. Until now, these machines have usually been remotely controlled from a studio; a pilot would watch the surroundings of the aircraft through a camera mounted in the plane and control the aircraft with a lever. The main topic of the scientific work is how to organise a large number of small independent autonomous aircraft to prevent collisions and enable a coordinated flight. If an unexpected discovery is made during a mission, the aircraft are to be able to reorganise and reassign tasks. Similarly, if one plane reports a malfunction or is out of order for some other reason, the remaining aircraft are to be able to find a new cooperative model for the remainder of the mission.

**UNMANNED AERIAL VEHICLES**

Planes without pilots. Some are so small they can be carried in a backpack and shot in the air with slingshots. The army uses these planes primarily for reconnaissance purposes to collect information about the enemy or an unknown terrain. Today, there is a trend to study uses of pilotless devices for collecting information in inhabited areas, such as tracing cars in cities, etc.

**NOT ONLY FOR MILITARY PURPOSES**

Unmanned aerial vehicles are currently not considered a real alternative to piloted machines in the area of civilian aviation and for the control of planes carrying people. Unmanned aerial vehicles are, however, often used in rescue missions when there is a need for very fast acquisition of information, for example, regarding a spreading fire, floods, earthquakes, or other accidents. In such emergencies, it is vital that the rescue mission leader receives as much fresh information as possible about the situation where aid is required. The use of unmanned aerial vehicles ensures the help that reaches people in need will be not only fast but also precise, i.e. people will only receive things they really need to survive.
A QUESTION FOR THE HEAD OF THE AGENT TECHNOLOGY CENTER AT THE CTU, MICHAL PĚCHOUČEK

What is the situation today with regard to brain drain? If you were to compare the Czech Republic with other countries, are Czech scientists leaving more often, is it a problem to keep them in the Czech Republic?

The situation regarding scientific brain drain in the Czech Republic today is different from, let’s say, Poland, the Ukraine, or Belarus. Czechs like to travel, but only for short periods of time. After a few years, they come back. Czech researchers returning from the USA, the United Kingdom, or Germany help to develop research, build scientific teams, or found businesses in advanced information technologies. This fact puts the Czech Republic in a very competitive place in R&D in a given area.

■ COLLABORATION WITH THE USA

Even the basic, theoretical research had been co-financed by the Air Force Research Laboratory. Following 6 years of research, when the research results started to look interesting, the team has been tasked with the development of a demonstrator and a software prototype. The Center has already been working with the US Air Force for 10 years. "The Pentagon has a research centre in London, with representatives of the Air Force, Army, and the Navy tasked with mapping Europe and European universities to offer small grants, in a way. The Pentagon uses this to gauge the potential for research collaboration. Our institution is unique because it managed to transform the seed projects into partnership and longer-term cooperation with the US Department of Defence agencies," explained Michal Pěchouček, the head of the Agent Technology Center at the CTU. The Center does not collaborate solely with the Pentagon in the area of unmanned aerial vehicles control. After several years of work for the Air Force, the US Federal Aviation Administration (FAA) has also expressed interest in the system for aircraft control. The Center is now working for FAA and they are extending AgentFly, their flagship prototype, to scale-up to the complexity of the civilian air traffic of the US National Airspace.

■ OTHER CTU PROJECTS

The CTU is a school of great research tradition, the Faculty of Electrical Engineering has a great research potential. The unmanned aerial vehicles is by far not the only project. For example, in the field of electrical engineering and computer science, the Center for Machine Perception currently researches the reconstruction of three-dimensional scenes or the recognition of car plates on fast moving vehicles. The Department of Cybernetics works on, for example, assistive technologies, i.e. technologies that enable handicapped people to access information technologies. An example of a successful project is the Eye4Control, a system that facilitates the control of computers with the movement of eyes. A handicapped person selects the path of the wheelchair on a map on a display with a special sensor and the wheelchair safely transports them. While watching the TV in the living room, it is enough to blink at the "bedroom" button and the wheelchair is on its way in the desired direction. Its camera stores codes of the three dimensional models of an apartment or a different route in its memory.

Prepared in cooperation with the Agent Technology Center at the CTU
Processing of electricity balance, analysis of operation and supply security in the Czech Republic’s power supply system within the European market

Analysis of the operation of electric networks and their anticipated development in the context of the transmission and distribution system of the Czech Republic

Forecast of electricity consumption, energy mix, and long-term development of the Czech Republic’s power supply system in the European context

Analysis of the impact of the EU’s climate packages, effective utilisation and integration of renewable sources into power supply systems

Monitoring and analysis of climate impacts affecting the operation of overhead lines using the PMS meteorological service stations

Digital measuring equipment, monitoring of reliability and quality of supply

Environmental structures and design of overhead lines
As is the case of most EU countries, the demand for electricity in the Czech Republic is continually increasing. Today, the production capacities cover the needs of the Czech Republic and some of the produced energy is exported. The increasing consumption and shutdowns of brown coal power plants would, under today’s conditions, lead to the Czech Republic becoming the sole consumer of its production in the second half of the next decade. Brown coal is used to produce over 60% of electrical energy in the Czech Republic. Existing coal reserves in the Czech Republic will last until approximately 2030. The question is thus, what sources should replace the brown coal power plants? For example, the Czech Republic is one of the world leaders in the field of thermonuclear fusion research.

**RAW MATERIALS**

When it comes to fuel and energy-related raw materials, the Czech Republic is only self-sufficient in brown coal and partially in black coal. There are considerable uranium reserves within the territory of the Czech Republic. Currently, mining takes place in Rožná (Vysočina Region), with an annual output of about 300 tonnes of uranium. On the other hand, the Czech Republic lacks significant reserves of oil and natural gas. The consumption of oil and natural gas is thus mainly covered by import. Only about 5% of oil consumption is covered by domestic production. With natural gas, the ratio is even lower (approximately 1%). The rest of these raw materials is imported and plays a significant role in the Czech Republic’s balance of foreign trade. Approximately three-quarters of natural gas are imported from Russia, the rest from Norway. Oil is currently transported by two pipelines – Družba from Russia and IKL (see below). In 2008, Družba accounted for 59.3% and IKL for 40.7% of oil imports.

**GAS AND OIL**

In the Czech Republic, the majority of oil is used for transport, not for the production of energy. The Czech economy’s dependence on the import of energy sources has long been rising. In 2000, the share of clear import (import minus export) of primary energy sources amounted to 23.7%, and 28.6% in 2006 (EU 27 average was 53.8%). Natural gas is primarily used to produce heat, especially in households and industry. Currently, there is a lot of talk about limiting the dependence on natural gas because of the so-called gas crisis.

**ENERGY CRISIS**

In recent years, the Czech energy industry has had to cope with the significantly reduced supply of Russian oil (in the second half of 2008) and with the gas supply crisis in the beginning of 2009. However, thanks to diversified transport routes and sufficient reserves, it was able to manage well the gas crisis and the reduced supply of oil. It was not necessary to restrict the supplies of gas to households or industrial consumers in either case. The crisis in the beginning of 2009 occurred during the Czech Presidency of the EU, which responded by initiating discussions regarding increases in gas security and by opening a broader discussion about a possible additional gas pipeline to the EU. One alternative is the Nabucco gas line which would bring gas from the Caspian area to Western Europe.

**LAUNCH OF IKL OIL PIPELINE**

Besides gas, the Czech Republic is, as has already been said, largely dependent on oil. As a part of the efforts to diversify oil supplies, the IKL (Ingolstadt – Kralupy nad Vitavou – Litvínov) booster pump station was put into operation in May 2009, contributing to the improvement of the energy security of the Czech Republic. The booster pump station increases the capacity of the pipeline to 11.5 million tonnes per year and is thus able to substitute a potential interruption of supplies from Russia, as the pipeline allows for tanker supplies of oil from, for example, the Near East or the Caspian area. The theoretical capacity of the pipeline is now up to 20 million tonnes and the pipeline should thus be able, if need be, to supply other countries of Central Europe as well. The booster pump station is currently one of the most modern facilities of this type in Europe.
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**ENERGY CONSUMPTION IN THE CZECH REPUBLIC**

As shown in Graph 1, household consumption amounts to approximately three-fifths of industrial consumption. Even though industry’s share of the total energy consumption decreased from 43.7% in 2000 to 38.2% in 2006, it remains higher than in the advanced states of the EU. Compared to the advanced states, households in the Czech Republic contribute considerably to the increasing demand for energy. There are significant heat losses in this area, caused by inadequate heat insulating measures. The situation is better in new buildings, however, older buildings, especially houses and apartment buildings, are only now gradually improving thanks to mass heat cladding. The Czech Republic currently consumes 1.4 times more energy per every unit of the gross domestic product than is the OECD average (see Graph 2). In this context, it should be noted that, in the energy-climate package, the entire European Union has agreed to lower the consumption of energy by 20% by 2020.

**NUCLEAR ENERGY**

The Czech Republic currently operates two nuclear power plants in its territory – Temelín and Dukovany. Approximately one-third of electrical power is produced in these nuclear power plants. The new State Energy Policy counts on a twofold increase of the share of nuclear energy in the production of electricity by 2030. The ČEZ power plant group is considering completing previously planned blocks in Temelín and Dukovany.

**CO-OPERATION IN BUILDING NEW NUCLEAR SOURCES**

During the Nuclear Energy Forum, which took place in Prague in May 2009, the Czech Minister of Industry and Trade and the Slovakian Minister of Economy signed the Memorandum of Understanding and Co-operation in Building a New Nuclear Block in Slovakia at Jaslovské Bohunice. Together with the Czech and Slovak Prime Ministers and a member of the European Commission, Vladimír Špidla, Minister Tošovský then participated in the ceremonial signing of the founding documents of a joint enterprise by ČEZ, a.s., and JAVYS, a.s., which will realise the completion of the nuclear power plant in Jaslovské Bohunice. “I consider the co-operation of a Czech and a Slovak company in the construction of the new block in Jaslovské Bohunice to be an important signal indicating that nuclear en-
Energy has ceased to be a taboo subject in both countries. Thanks to intensive discussions regarding nuclear energy that have been taking place in the Czech Republic in the past two years, public support for this source of energy is increasing,” said Minister Vladimír Tošovský. By signing the memorandum, both ministries have espoused their support for the realisation of the new nuclear block, which will be built in Slovakia by the joint enterprise of ČEZ, a. s., and JAVYS, a. s. Both sides have also committed to support the mutual exchange of experience and know-how in the area of the nuclear energy industry.

**THERMONUCLEAR FUSION**

The Czech Republic is one of the world’s leaders in the research of thermonuclear fusion. It is the only country in Central Europe to operate a device that works on the principle of thermonuclear fusion. The device, the tokamak COMPASS, was put into operation in 2009. The research is taking place at the Institute of Plasma Physics of the Academy of Sciences of the Czech Republic in Prague. Scientists mainly use the COMPASS to study the way in which hot plasma affects the walls of the device, methods for increasing temperature and maintained periods of time, and also some occurrences taking place within the chamber. In this way, they acquire additional data for explanations of yet unexplained phenomena related to thermonuclear fusion. Experience acquired from the operation of the tokamak COMPASS will also be used within Euratom. The Czech Republic is participating in the construction and operation of a large international experimental thermonuclear reactor, ITER, in the French town of Cadarache. This should be followed by the DEMO project – the construction of a half-operational testing power-plant. Despite the scientific
efforts, the professional public tends to agree that a real commercial thermonuclear power plant cannot be realistically launched sooner than around 2050.

**SUPPORT FOR RENEWABLE RESOURCES**

About 4% of energy is produced today from renewable resources. The production of energy from renewable resources is very attractive in the Czech Republic, thanks in part to incentives from the European Union. The current valid State Energy Policy of 2004 expects the share of renewable resources in the Czech Republic to reach 15% to 16% in 2030. According to this document, the State should produce 8% of electricity from renewable resources by 2010 and 13% by 2020. The Czech Republic is working towards this goal by supporting the construction and operation of energy sources utilising renewable resources and through very generous policies regarding the building of these power plants. The purchase price of one megawatt-hour of electrical energy is fixed and very attractive to investors. The biggest advantage is, however, the fact that this fixed price is guaranteed for a period of 20 years.
Tradition of Furniture Manufacture Continues in Bohemia

The Czech Republic has a long tradition in furniture manufacturing. The European market has experienced a dynamic development, and demands on products of the furniture industry have changed as well. It is getting harder to please the customers because nowadays they require not only a high quality and workmanship, but they are also focused on design. The family-run company, POLSTRIN DESIGN, s.r.o., is responding to these trends and targets the most exacting customers. It cooperates with leading designers and young talents. Correctness of their vision is acknowledged not only by increasing sales, but also by the awards won. The company regularly presents its products at trade fairs all over the world.

- **COMPANY’S PRODUCTS WIN AWARDS**
POLSTRIN DESIGN, s.r.o. manufactures both model as well as custom-made furniture. Company customers are now found mainly in the area of Central Europe. The ever-improving name of the company on the international level is also due to co-operation with the renowned Czech designer, Jan Cvrtňák, who mostly works abroad. The results of this cooperation have been rewarded, namely by the prestigious Czech Grand Design 2009 Award, which is awarded annually by the Czech Republic’s Academy of Design. Triumph in this competition moved the company to the top level of Czech design. This success was followed by the invitation to the most prestigious trade fair in Milan. At present POLSTRIN DESIGN is gearing up to the design fair in Copenhagen, which will take place at the end of August. There, the company would like to penetrate into the foreign market and achieve an increase in export to countries other than those neighbouring the Czech Republic.

- **MATERIAL IS DECISIVE**
The two generations of designers, engineers and craftsmen have achieved a unique style which is used to design new products, meeting the standards of quality as well as comfort and design. Besides design and internal construction, another visual criterion is material. This is why the company cooperates with premier international fabric producers.

- **TABOURETS FOR EU2009.CZ**
Almost 30% are fully custom-made products according to designs by well-known architects and customers’ wishes. One of the latest major orders was for the production of “EU2009CZ”-shaped tabourets for the Czech EU Presidency, which can be seen in Brussels.

More information can be found on the website: www.polstrin.cz
SERVICES

Printing Trade among World’s Best

We would be hard put to find an investor who would not make use of the services offered by the printing trade in the Czech Republic. For example, it is very common to hand out business cards in the Czech Republic. Business cards are absolutely essential when establishing new contacts, and it is thus desirable to secure them shortly after arrival in the Czech Republic.

Besides business cards, an entrepreneur or a manager will most likely use many other printing services, such as the printing of New Year’s cards, promotional wrappings, or other promotional materials. There are many companies in the Czech Republic to perform such services. Their service is modern and fully comparable with that of developed markets. Printing has a long tradition in the Czech Republic. Some graphical methods have even been invented in the Czech Republic.

SPEED AND MODERNISATION

Even though the industry is not one of the most important in the Czech economy (it only employs some 30,000 workers and its product revenues only amount to 2.1% of the processing industry), its dynamics and modernisation rival the leaders of the economy. Machines, equipment, and systems are going through a fast technical and technological development, with digitalisation being the current trend. As in developed countries, graphic designers and printers in the Czech Republic do not have to prepare complicated settings any more; all it takes is for one worker to send files for print electronically in PDF format to his or her colleague. As in the rest of the world, the trend is to digitalise and to improve the efficacy of the whole process.

COLLABORATION WITH EUROPE

Companies doing business in the Czech printing trade have managed to pick up the onset of these new modern technologies. The firms are aware that only an above-standard approach, quality, and speed may provide a competitive edge on the heavily exposed Czech market. The current period of development in the printing trade is characteristic for its close cooperation of Czech entities with EU partners, which is mainly true for the large companies of the printing industry, the majority of which have foreign owners. A classic industry structure has emerged, as known from the most developed countries. Several large firms produce a substantial part of printed products, such as newspapers, books, and magazines, and are connected with foreign customers. However, even medium-size companies are able to produce all usual printed products. Some of these firms specialise in selected market segments that require specific technological equipment. Newspaper printing works form an independent group within the printing industry. Important suppliers of periodical titles have built their own printing capacities equipped with the most modern technologies in recent years.

EDUCATION

Education in the field of printing in the Czech Republic is covered by both secondary and higher levels of the school system. The higher levels include the University of Pardubice – Department of Graphic Arts and Photophysics (www.upce.cz/fcht). The Department currently accredits the first specialised research and testing workplace for the field of printing in the Czech Republic; it will serve for independent verification of quality and properties of materials and to provide advisory and consulting services. The Print Media Academy, an institute of lifelong learning, has been recently founded in the Czech Republic to cover the growing requirements for professional knowledge needed to maintain competitiveness. This
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institute is a part of the Print Media Academy central office and the Czech branch is the 15th educational organisation of such type in the world (more at www.printmediaacademy.cz).

■ FAIRS
The Czech Republic hosts important international fairs with traditional participation by both foreign and domestic visitors and foreign exhibitors. For example, over a third of exhibitors at the EmbaxPrint Fair come from abroad. The Fair has a tradition of forty years. EmbaxPrint 2009 (www.bvv.cz/embaxprint) took place on 19-22 May in Brno. In Prague, there is the annual International Fair of Advertising Services and Printing (www.reklama-fair.cz) or the new FOR3P fair (www.for3p.cz).

■ BOOKS FOR OBAMA, BROWN, OR MERKEL
Czech companies enjoy a very good reputation in the field of printing. This can be evidenced by the following two examples. On the occasion of the NATO summit that took place in Strasbourg on 3-4 April, 2009, the official gift the top attendants of this event received from the representatives of the city was a book that was created in cooperation between the renowned photographer František Zvardoň and the Kantor’s Creative Club graphics studio. Realisation of this exceptionally demanding publication had been entrusted to the Ostrava Printo printing-shop. The company had to produce a publication satisfying the very strict criteria of the customer in a very short time. The result is a book that is now in the ownership of the president of the USA Barack Obama, British Prime Minister Gordon Brown, German Chancellor Angela Merkel, French President Nicolas Sarkozy, and the Italian Prime Minister Silvio Berlusconi. Another example: the rubber-stamps used in the NATO headquarters in Brussels are produced by the Czech firm Josef Závranský.

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The Pardubice Region has a very advantageous location in East Bohemia, not far from Prague or Brno, the main Moravian city. Its area of 4,519 sq. km makes this the fifth smallest region of the Czech Republic. The Labe Lowlands are in the south of the Region and the Orlické hory Mountains are dominant in the north, with Králický Sněžník (1,424 m above sea-level) being the third highest peak in the country. The area around Sněžník, with remnants of original vegetation and many peat bogs, is a National Nature Reserve.

**LOCATION, TERRITORIAL DIVISION, POPULATION**

The Pardubice Region (NUTS 3) is a part of the North-East territorial unit (NUTS 2) and is formed by the districts (LAU 1) of Svitavy, Pardubice, Chrudim, and Ústí nad Orlicí. The Region has 515,361 inhabitants spread more or less evenly between towns and villages. Pardubice, with almost 90,000 inhabitants, is the largest town of the Region and its centre of industry, education, culture, and sport.

**ECONOMIC CHARACTERISTICS**

The Pardubice Region does not belong to the economically strongest areas of the Czech Republic, but it is developing steadily and its industry has a diverse structure. General engineering is predominant, followed by the textile, clothing, and leather industries. Most important is the chemical industry, which has the largest share in state-wide production. Agriculture is also important – farmland accounts for more than 60% of the total area of the Region.

The improving economic situation is reflected in the favourable development of employment. At the end of May 2009, unemployment was 7.73%, due to which the Pardubice Region was sixth in the Czech Republic. The Region holds a similar place in the GDP indicator – the 2007 GDP per inhabitant was CZK 290,693 (EUR 11,135).

The development of the Region and the rising number of new inhabitants attracted by good working conditions is apparent from the markedly increasing housing construction. These statistics place Pardubice high up in the Czech Republic order. In view of the aforementioned information, the Region has been recording the increasing interest of foreign investors.

**Main Industrial Sectors**

- engineering
- textile industry
- clothing industry
- leather industry
- chemical industry

**TRANSPORT**

The transport situation is a strong economic potential of the Region. It has a dense railway network including the European high-speed railway corridor Berlin – Prague – Vienna, and an adequate road network. The most important roads are I/35 via Svitavy to Hradec Králové (the centre of the neighbouring Hradec Králové Region), and I/37 leading from the north to Pardubice and Chrudim. The Region also has its first kilometres of motorway. The international airport in Pardubice serves both civilian and military flights. The section of the Labe River to Chvaletice is suitable for river transport.

**Distance to Selected Cities**

- Prague: 103 km
- Brno: 139 km
- Ostrava: 250 km
- Písek: 195 km
- Bratislava: 265 km
- Vienna: 256 km
- Budapest: 896 km
- Warsaw: 545 km

**EDUCATION**

The Pardubice Region has educational establishments of all levels and types. In ad-
Pardubice University (www.upce.cz) has 9,722 students in the 2008/2009 academic year in seven faculties including those of Transport, Chemical Technology, Electrical Engineering, and Informatics. Its science and research have won the University renown at home and abroad.

**CULTURE, TOURISM**
The Pardubice Region has excellent conditions for tourism. It offers lowlands for summer sports as well as mountains for tourism and winter sports. Summer resorts include the Šeč Reservoir, and the environs of Horní Bradlo, while the Buková hora-Suchý vrch ski complex is popular in winter. Tourists are also attracted by the picturesque scenery, especially the wooded hills of the Orlické hory Mountains. Agro-tourism has a special position and is focused on traditional horse breeding.

Cultural activities and establishments are situated mainly in towns. Noteworthy are Pardubice Chateau with a museum and gallery, the Museum of Puppet Culture in Chrudim, the African Museum in Holice devoted to the explorer Emil Holub, a local native, and the chateau complex in Litomyšl, which has been on the UNESCO List of World Cultural Heritage Sites since 1999. The famous National Horse Breeding Farm in Kladruby nad Labem is a great attraction.

***OBJECTIVES OF THE REGION***
What specific objectives do the Deputies (and certainly also the inhabitants) of the Region regard as most important for its development? At the beginning of the 21st century, they are doing their best to ensure that the Pardubice Region is an area:

- with prosperous economy
- with good conditions for both business and living
- with a developing human potential
- with respect for land and historic traditions
- with a healthy environment
- attractive to tourism
- well managed

In the Pardubice Region, the economist, Bedřich Smetana, has been on the UNESCO List of World Cultural Heritage Sites since 1999. The famous National Horse Breeding Farm in Kladruby nad Labem is a great attraction.

**PERSONALITIES OF THE PARDUBICE REGION**

- **Prokop Diviš** (1608-1765) – inventor of the lightning conductor
- **Veverka cousins** (František and Václav, 1st half of the 19th century) – inventors and constructors of the swing-plough (the first type of plough which loosened soil in a revolutionary manner) and the winnowing machine (equipment for pneumatic transport of hay and straw)
- **Jan Perner** (1815-1845) – technician, builder of the Prague – Vienna railway line
- **Jan Kaspar** (1883-1927) the first Czech pilot
- **Bedřich Smetana** (1824-1884) – prominent Czech composer, known mainly for the symphony, “My Country”, and the operas, “Libuše” and “The Bartered Bride”
- **Bohuslav Martinů** (1890-1959) – famous Czech composer of 20th-century modern

The list of cultural “specialities” of the Region must include Smetana’s Litomyšl classical music festival. This event, which has a fifty-year tradition, honours the Czech composer, Bedřich Smetana.

**SPORT**
The Pardubice Region has very good conditions for sports. Pardubice itself is the venue for several international events, especially the Great Pardubice Steeplechase and the Golden Helmet motorcycle race. Besides these annual events, the city is the base for many popular sports. Its ice-hockey and basketball teams play in top domestic competitions, and the junior tennis team has an excellent reputation. The successes of Pardubice sportsmen testify to the good regional co-operation of clubs and sponsors.

The climatic conditions of the Region are ideal for recreational sports in all seasons of the year.

---

**BRIEF CHARACTERISTICS OF THE REGION ACCORDING TO DISTRICTS**

<table>
<thead>
<tr>
<th>NUTS 3</th>
<th>Area (sq. km)</th>
<th>Population</th>
<th>Number of municipalities</th>
<th>Inhabitants/sq. km</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAU 1 Chřudim</td>
<td>993</td>
<td>104 330</td>
<td>108</td>
<td>105.1</td>
</tr>
<tr>
<td>LAU 1 Pardubice</td>
<td>880</td>
<td>166 688</td>
<td>112</td>
<td>189.2</td>
</tr>
<tr>
<td>LAU 1 Svitavy</td>
<td>1 379</td>
<td>105 013</td>
<td>116</td>
<td>76.1</td>
</tr>
<tr>
<td>LAU 1 Ústí nad Orlicí</td>
<td>1 267</td>
<td>139 330</td>
<td>115</td>
<td>110.0</td>
</tr>
<tr>
<td>NUTS 3 Pardubice Region</td>
<td>4 519</td>
<td>515 361</td>
<td>451</td>
<td>113.0</td>
</tr>
<tr>
<td>NUTS 1 Czech Republic</td>
<td>78 867</td>
<td>10 476 543</td>
<td>6 249</td>
<td>132.0</td>
</tr>
</tbody>
</table>

Source: Czech Statistical Office, Pardubice Region

**LATEST DATA: PARDUBICE REGION**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Unit</th>
<th>Period</th>
<th>Value of indicator</th>
<th>Growth * (decline) in %</th>
<th>Latest updating</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional GDP</td>
<td>EUR million, current prices</td>
<td>2007</td>
<td>5 667</td>
<td>+8.4</td>
<td>31 Oct 2008</td>
</tr>
<tr>
<td>Creation of gross fixed capital per inhabitant</td>
<td>EUR, current prices</td>
<td>2007</td>
<td>1 942</td>
<td>+9.4</td>
<td>31 Oct 2008</td>
</tr>
<tr>
<td>Exports</td>
<td>EUR million, current prices</td>
<td>1st quarter 2009</td>
<td>1 553</td>
<td>-17.3</td>
<td>15 June 2009</td>
</tr>
<tr>
<td>Average salary</td>
<td>EUR</td>
<td>1st quarter 2009</td>
<td>722</td>
<td>+0.9</td>
<td>12 June 2009</td>
</tr>
<tr>
<td>Registered unemployment rate</td>
<td>%</td>
<td>as of 31 May 09</td>
<td>7.73</td>
<td>-0.09</td>
<td>11 June 2009</td>
</tr>
<tr>
<td>General unemployment rate</td>
<td>%</td>
<td>4th quarter 2008</td>
<td>3.6</td>
<td>-0.7</td>
<td>31 Mar 2009</td>
</tr>
<tr>
<td>Number of economic entities</td>
<td></td>
<td>as of 31 May 09</td>
<td>110 315</td>
<td>+2.5</td>
<td>05 Apr 2009</td>
</tr>
<tr>
<td>Wages in industry</td>
<td>EUR</td>
<td>1st quarter 2009</td>
<td>774</td>
<td>+0.2</td>
<td>18 June 2009</td>
</tr>
<tr>
<td>Revenue in industry</td>
<td>EUR million</td>
<td>1st quarter 2009</td>
<td>1 560</td>
<td>-8.2</td>
<td>18 June 2009</td>
</tr>
</tbody>
</table>

Note: EUR 1 = CZK 26.106 (average monthly exchange rate of the Czech National Bank, December 2008)
* Compared with the same period of the previous year, "Growth/decline in constant prices of the previous year (real growth)," Growth/decline compared with the previous month in percentage points.
+ Growth/decline in percentage points.
The Pardubice Region has a tradition of many years in various industrial sectors, which goes back to the end of the 19th century, when the railway was brought to the town of Pardubice. Industry employs more than half of the Region’s inhabitants engaged in economic activity. The Pardubice Region has great potential, and at the same time an attraction to investors, owing to the educational level of the local population, mainly thanks to the activities of the University of Pardubice. An advantage of the Region is its good location for transport.

**Invest in Pardubice Region**

<table>
<thead>
<tr>
<th>SUCCESSFUL INVESTMENT PROJECTS IN PARDUBICE REGION</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investor</strong></td>
</tr>
<tr>
<td>Matsushita Electric Industrial Co.</td>
</tr>
<tr>
<td>Hon Hai Precision Industry</td>
</tr>
<tr>
<td>Ronal</td>
</tr>
<tr>
<td>Mita IRISBUS FRANCE</td>
</tr>
<tr>
<td>SOMA</td>
</tr>
<tr>
<td>iPLATO</td>
</tr>
<tr>
<td>Rieter Holding AG</td>
</tr>
<tr>
<td>KORADO</td>
</tr>
<tr>
<td>JTEKT</td>
</tr>
<tr>
<td>SIAG Schaff Industrie AG</td>
</tr>
<tr>
<td>FormPlast Purkert</td>
</tr>
<tr>
<td>Brück AM spol. s r.o.</td>
</tr>
<tr>
<td>Matsushita Electric Industrial Co., Ltd.</td>
</tr>
</tbody>
</table>

**Note:** EUR 1 = CZK 26.106 (average monthly exchange rate of the Czech National Bank, December 2008)
The Pardubice Region has a long tradition in many sectors of industry. Industrial production has a varied structure. General engineering is predominant, followed by the textile and clothing industries. The chemical industry has the largest share in the total production of the Czech Republic. The first industrial zone in Pardubice was opened in 1995 near the international airport, which serves both civilian and military flights. The 45 prominent foreign companies operating in the Pardubice Region include AVX Limited (USA, UK, Japan), Matsushita Communication Industrial Co., Ltd. (Japan), Rieter Holding Limited (Switzerland), Foxconn Holdings B.V. (Taiwan), Kiekert GmbH & Co.KG (Germany), and MeadWestwaco Corporation (USA).

Several industrial zones in the Pardubice Region attract foreign investment and are a boon to the development of business. The following are the most important ones.

**THE TECHNOLOGY PARK** – TechnoPark Pardubice – was opened in 2008 as a joint project of the Pardubice Region, University Pardubice, and FREE ZONE Pardubice, a.s., realised in the Industrial Zone Pardubice – Staré Čivice (for details see the article “Do Business in TechnoPark Pardubice”, p. 30).

**INDUSTRIAL ZONE CHRUDIM NORTH** is situated on the northern outskirts of Chřidim between the military repairs complex and road I/37. The zone has a total area of 6.5 hectares, of which 5.3 hectares are still vacant for investment. This industrial zone is focused on light and medium-heavy industrial production and storage.

**INDUSTRIAL ZONE IN SVITAVY** is divided into several sections with a total area of approx. 42 hectares, of which 28 are vacant. The zone is intended for storage and industrial production. It is connected to a private road, fit for heavy freight transport and linked to a railway siding. The area is in the immediate neighbourhood of the future bypass of the town – road I/43, and well served by a large-capacity road.

**INDUSTRIAL ZONE IN ÚSTÍ NAD ORLÍCÍ** is in the Hylváty part of the town. The total area of the zone is 27.2 hectares, of which 15 hectares are vacant. Access to the locality is possible from road I/14, which traverses Ústí nad Orlicí, as does the First International Railway Corridor that links the town with Prague, Pardubice, and Brno. The industrial zone is suitable for industrial buildings, production services, warehouses, technical equipment requiring large space, and shops.

**INDUSTRIAL ZONE ABOVE OEZ LETOHRAD** offers an area of 5 hectares for manufacture and services, mainly those which are inadmissible in other areas for reasons of hygiene and environmental protection. The following are suitable: manufacture, storage, services limited to light and medium-heavy industry, propellant fuels filling stations interior complexes, recycling yards, parking spaces and garages also for external clients, technical equipment areas, communication network, green areas, construction yards, and equipment for network and road maintenance.

**INDUSTRIAL ZONE POLIČKA** is situated along a second-class road to Litomyšl and Hradec Králové. It is designed for the development of manufacture, trade, and small business, and offers the possibility of the construction of new production and storage sheds, buildings of supermarkets and technical amenities. In March 2009, the town of Polička launched the project - “Expansion of Polička Industrial Zone – 1st Stage” - to offer new areas for investment in business and create new jobs for inhabitants of the region.

**INDUSTRIAL ZONE TŘEMOŠNICE** in the Chrudim area is being expanded for the second year and is to offer, probably this year, seven new hectares to investors. The Municipal Office would like a single investor for the whole zone. The industrial zone is to provide new jobs for locals.

The Pardubice Region has favourable conditions for investment, due to the strong backing of the industrial sectors mentioned in the introduction to this article. Its 18 industrial zones are technically ready for investment, which is intensely supported by the local authorities. In view of these facts, the Pardubice Region is recording the interest of foreign investors who are availing themselves of the offer of the zones.

Enterprise Europe Network is an all-European network focused on support to small and medium-sized businesses. It provides qualified and complete information on the business environment in EU countries, and mediates contacts with potential trade partners.

Pardubice Region Development Agency
Enterprise Europe Network
www.rrapk.cz
Do Business in TechnoPark Pardubice

The technology park, TechnoPark Pardubice, is a modern set of facilities with space suitable for research, testing, prototype production, and technological realisations. It is an opportunity to make use of new findings and information while introducing modern processes, with the possibility of co-operation with the Pardubice University. The investment was worth over EUR 586 000 and supported by funding from the “Prosperity” programme of the European Union. The Technopark status allows for the renting of technological equipment to furnish the space without the need for investment by the incoming company.

TechnoPark Pardubice is located on the western border of the regional city, Pardubice, next to the exit road to Přelouč and Kolín. The TechnoPark’s grounds are a part of the Pardubice City Industrial Zone, where there are many other investors and businesses.

**TECHNOPARK OFFERS:**
- modern buildings
- two types of space for rent – office/laboratory space and semi-operational/production halls
- flexible arrangement of cross-bar modules
- individually configurable heating and air conditioning system
- optical data and phone connection
- Wi-Fi, VoIP telephony
- central telephone exchange with the possibility of a number transfer
- air conditioned space for computer servers
- central security system with the possibility of choosing an own application
- modern, hierarchical access system with chip cards
- services (cleaning, catering, non-stop security, large-capacity parking area, modern equipment in meeting rooms, teleconference rooms for rent, ability to utilise the advantages of a customs-free zone)

**PRICES IN TECHNOPARK:**

<table>
<thead>
<tr>
<th>Type of Space</th>
<th>Rate (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office space/laboratory</td>
<td>100/sq. m – year</td>
</tr>
<tr>
<td>Semi-operational/production space</td>
<td>58/sq. m – year</td>
</tr>
</tbody>
</table>

Prices do not include 19% VAT and a flat fee of EUR 7.65/sq. m – year, including heating costs, lighting, and water for personal use.

The market prices for the office/laboratory space may be lowered by up to 30% for new and innovative small and medium businesses.

Note: EUR 1 = CZK 26.106 (average monthly exchange rate of the Czech National Bank, December 2008)

We spoke about the TechnoPark with a Member of the Board of TechnoPark Management, a. s., Jaroslav Valoušek.

How long has the TechnoPark in Pardubice been in operation?
The TechnoPark Pardubice is an innovation: the first stage of the TechnoPark was completed last August; we have obtained permission to start operation in November 2009. The launch has been successful, 26% of the rental space is currently occupied, with the overall rental area being 10 000 sq. m. Pavilions B, C, and D are available as of September 2008. Second stage pavilions, A, E, and F, are being prepared.

Why is the TechnoPark unique?
The TechnoPark is one of the most modern constructions of its kind in the Czech Republic. It is an important part of the Region’s innovation programme and its close co-operation with the Pardubice University guarantees quality support for research and development, as well as the application of new technologies. The TechnoPark is in close contact with Jan Perner Transport Faculty and the Faculty of Electrical Engineering and Informatics. Of course, we also co-operate with the Faculty of Chemical Technology.

What other advantages would you mention to a foreign firm interested in entering the Region?
The TechnoPark Pardubice is located in an industrial region with excellent accessibility. The TechnoPark is a mere 14 km from the D11 motorway. A direct link to this motorway from Pardubice will be completed in 2010. The road distance from Prague is 105 km. The TechnoPark is also located near important railway crossroads with all the equipment for container transloading. The Pendolino Express train connects Pardubice directly to Prague (1 h.), Ostrava (2.5 h.), and Vienna (3 h.). The Pardubice International Airport operates all year round and, thanks to its 2 500-metre-long runway, it can accept aircraft of the business flight category, up to Boeing 737. The terminal building is 4 km from the TechnoPark. Companies from outside the EU, and sometimes others as well, will appreciate that the TechnoPark is part of a customs-free zone.

This project is co-financed by the European Fund for Regional Development and the Ministry of Industry and Trade of the Czech Republic.
Pardubice Knows the Way to European Funds

According to statistical data, the Pardubice Region can be regarded as an area with rather significant inter-regional disparities, where problem microregions are concentrated mainly in its south-eastern part (Svitavy District).

Targeted support to problem microregions that would eliminate disparities would require large amounts of financial resources, but the Region does not have them. This is why the Pardubice Region makes use of grants from the European Funds to resolve this situation. Specifically, resources have been provided from the Joint Regional Operational Programme, Priority 1.1, “Regional Support to Enterprise”, where more than CZK 62 million (EUR 2.38 million) have been distributed to problem microregions in business support.

Another tool is a grants programme of support to problem microregions in the Pardubice Region, which has been operated by the Pardubice Regional Authority in support of projects of municipalities and groups of municipalities since 2003. The subsidiised projects must be focused on support for economic activities in the given territory, and must help to improve the indicators by which the problem microregions in the area have been identified.

**Utilisation of European Funds**

A unique opportunity to support regional development is represented by financial resources from the European Funds. The Pardubice Region used grants from the European Funds in the pre-accession period, in the years 2004 to 2006, and is naturally using them also in the current 2007–2013 programme period.

**Pre-accession Period**

Examples that can be mentioned from the period before the Czech Republic’s entry into the EU in 2004 include supported projects for the modernisation of railway corridors with a grant of approximately CZK 1.2 billion (EUR 46 million) from the ISPA programme, a number of mostly municipal projects supported from the Sapard and Phare 2003 programmes, and the regional project for the modernisation of roads in the border area of the Pardubice Region with an EU grant of almost CZK 100 million (EUR 3.8 million) within the Phare CBC programme.

**2004–2006 Period**

In the 2004–6 period, the Pardubice Region received resources from the Joint Regional Operational Programme (JROP) that were very significant for its territorial development. The total grant from this programme to the territory of the Pardubice Region exceeded CZK 640 million (EUR 24.5 million), about a half of the amount went to the Pardubice Regional Authority, which had more than 20 successful projects in this programme. These were mostly focused on the modernisation of roads, the environment, education, information technology, tourism, etc.

Within the JROP framework, the Pardubice Region also organised the management of grant schemes, in which CZK 142 million (EUR 5.5 million) (including a subsidy of CZK 26 million, i.e. EUR 1 million, from the Pardubice Regional budget) were made available for 72 projects in support of enterprise, social integration, and tourism. The Pardubice Regional Authority also ensured the management of grant schemes under the Operational Programme “Human Resources Development” in support of educational projects in the total volume of the EU grant worth CZK 35 million (EUR 1.34 million).

A number of projects were financed from other European sources. In the 2004–2006 period, the Pardubice Region and organisations operating with its contributions implemented almost 50 successful projects with total grants of approximately CZK 475 million (EUR 18.2 million) from European Funds.

**2007–2013 Period**

Within the 2007–2013 programme period, the Pardubice Regional Authority is performing the following roles in relation to drawing down European Funds:

- the Department for Regional Strategic Development and European Funds manages four global grants of the Operational Programme “Education for Competitiveness” with total financial resources of approximately CZK 900 million (EUR 34.5 million).
- This Department also operates a contact point for the “Programme of Czech-Polish Cross-border Co-operation” and for the so-called “Norwegian Funds”.
- Other activities of the regional authority include providing information on the possibilities of drawing down the funding. Applicants can approach, with their project designs, the staff at the Regional Development and Tourism Department. The Pardubice Regional websites also give links to the EU Funds, where interested people may find the necessary information concerning the particular operational programmes.
- Preparation of projects of the Region and organisations operating with its contributions. In accordance with the principle of project management, the preparation and implementation of projects is being carried out by project teams which are led by Project Managers with precisely defined competences. The system applies to all projects of the Pardubice Regional Authority and its contributory organisations. The system has been awarded a special prize by the jury in the BEST PROJECT MANAGEMENT international competition.

For the 2007–13 period, the Pardubice Region has joined the Regions of Hradec Králové and Liberec to prepare the Regional Operational Programme North-East, whereby the Pardubice Region will receive more than CZK 6 billion in EU grants. 83 projects from the territory of the Pardubice Region, with grants from the Structural Funds totalling almost CZK 2.8 billion (EUR 107 million), have already been approved under this programme.

Besides the ROP, the Pardubice Regional Authority and applicants from this territory make use of other programmes financed from the European Funds.

The Pardubice Region is proof that, with forward-looking and systematic work, considerable financial resources can be received from the European Funds that help to cope with problems which are otherwise solved with difficulty, and thus to raise the economic and socio-cultural level of the Region several steps higher.

Note: 1 EUR = 26.106 CZK (average monthly exchange rate set by the CNB, December 2008)
The University of Pardubice has been extending sixty-year-long tradition of higher education in the town of Pardubice. Since 1994, the new name - the University of Pardubice – has been used.

The University’s study and applied research programmes have developed extensively over past 15 years. The number of students has quadrupled, and research and development results from the University’s academic staff have been recognised by Czech and international scientific communities.

The University of Pardubice is now one of 26 public higher education institutions in the Czech Republic, and the only university in the Pardubice Region.

- contributes by its education and research activities to the development of a knowledgeable society
- offers Bachelor’s, Master’s, and Doctoral degree study programmes with more than 140 study specialisations
- broadens the universal scale of scientific disciplines - natural, technical, social, and health sciences, arts
- creates an open international community
- prepares specialists for successful careers in a wide variety of professions

Nowadays, the University consists of seven faculties and one research institute, and has more than 9,700 students:

- Jan Perner Transport Faculty
- Faculty of Economics and Administration
- Faculty of Electrical Engineering and Informatics
- Faculty of Arts And Philosophy
- Faculty of Chemical Technology
- Faculty of Restoration
- Faculty of Health Studies
- Centre for Material Science

Undergraduate and postgraduate degree courses and research activities are pursued in the fields of natural and technical sciences focused on chemistry, chemical technology, biotechnology and biochemistry, material science and engineering, informatics, electrical engineering, transport and communication technologies; in the field of social sciences focused on economics and administration, philology, history, philosophy, and sociology; also health sciences and arts in the field of historical preservation, art restoration, conservation techniques including inter-disciplinary programmes.

Apart from teaching, the University of Pardubice is also renowned for its numerous scientific and research activities, in which it is in a long term on the sixth position among higher education institutions in the Czech Republic.

Research and development have been carried out on a broad scale, ranging from fundamental to specific applied research activities that reflect the particular needs of industry and other institutions and companies. Progressive long-term institutional research projects concentrate esp. on material science, special chemical compounds and supramolecular structures, advanced chemical analyses, engineering and technologies in transportation, regional and public administration affairs and development, and social life sciences. Collaborative 4 research centres conduct research activities on advanced inorganic materials such as non-oxide glasses; biomolecules and complex molecular systems; biophysical chemistry, bioelectrochemistry and bio-analysis; and rail vehicles diagnostics.

Current research partners include the businesses and companies which apply the research results, departments of other R&D institutions, and jointly operated laboratories. The most extensive cooperation is carried out with the institutes of the Academy of Sciences of the Czech Republic.

Within the scope of contracts concluded with foreign partners, and outside of them, international cooperation is maintained with over two hundred universities and research institutions in 40 countries, which also include student and staff exchange programmes. The most extensive cooperation is carried out with the EU institutions (11%) and those from the US and Canada (5%) and Japan (2%). Prestigious international sessions, workshops, conferences, and seminars are organized every year by the University as well.

The University participates in the Technological Park and several clusters in order to support technology transfers and the creation of science-oriented companies and incubators.

The University of Pardubice has become an active part of the European and world higher education and research area.
When you say “Pardubice” in the Czech Republic, almost everyone will add “gingerbread”! It’s no wonder, because the tradition of this goodie is extraordinary in East Bohemia. The history of gingerbread production goes back as far as the 16th century. The foundations of today’s world renown of this Pardubice delicacy were laid by local gingerbread bakeries which began to be established at the beginning of the 20th century.

The significance of Pardubice Gingerbread is also evidenced by the fact that it has been included in the list of food products protected by the European Certificate of Uniqueness. Thus, only the continuators of this long-time East Bohemian tradition may use the Protected Geographical Indication, “Pardubice Gingerbread”.

This example of confectionery production proves that industry and business have hundreds of years of tradition in the Region, going back to times when words like “industry” and “business” did not even exist. Through their determination and strong will, the people of this region have succeeded in turning a local goodie into a world famous and respected delicacy.

**Gingerbread facts:**

1. True gingerbread used to be made from honey, flour, and – surprisingly – pepper. This recipe has been known in the East Bohemia Region since the 16th century.
2. Gingerbread may well be as old as mankind. The oldest record of this delicacy dates from 2000 BC Egypt. Back then it was a very posh food item, as it was baked for the Pharaohs themselves.
3. Today, the Pardubice gingerbread bakers still espouse their rich history. In 2004, they founded the “Pardubice Gingerbread Association” with the aim of pushing through the regionally protected “Pardubice Gingerbread” name, to supervise the aesthetic features of the product and to enforce correct technological procedures.


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**Velká Pardubická Steeplechase**

Few things have contributed to the renown of Pardubice more than the oldest regular steeplechase on the European continent – the Velká Pardubická Steeplechase. This race, with a proud tradition of over 130 years (it was first held in 1874), is considered the toughest European race outside of the United Kingdom and enjoys an ever-growing popularity.

Let us list some statistics: the race is 6 900 metres long with 31 hurdles, including the legendary Taxis Ditch (its excessive level of difficulty was only eliminated following a modification in the 1990s). Thanks to its unique track and extraordinary racing atmosphere, Velká Pardubická belongs among the most important sporting events in the Czech Republic.

The fifteen-year link between Velká Pardubická and Česká pojišťovna is evidence of the quality cooperation between sports managers and businessmen. Česká pojišťovna is the main sponsor of the race and, as can be seen from the many years of experience, this “bond” benefits both parties.

**Velká Pardubická Snippets:**

- Velká Pardubická has hosted 118 races.
- The most successful jockey is the legendary Czech jockey, Mr Josef Váňa, who has had five triumphs to his name.
- Železník, a sorrel who came first four times, is holder of the most wins for horses.
- The track record is 8:59.9 min. – from 2008. The average speed on the 6 900-metre course was 12.78 mps – 46 kph. The record was achieved by “Sixteen”, a white mare with jockey Bartoš in the saddle.
- In 1937, a woman triumphed for the first (and thus far, the last) time. Lata Brandisová led the winning horse to the winning post.

Source: www.vpcp.cz
Pardubice District

With an area of 880 sq. km, the Pardubice District is the smallest in the Region, but it has 166,688 inhabitants and is the most densely populated. The District is situated in the north-west of the Pardubice Region and the fertile Labe Valley Lowlands account for the major part of its territory. The Labe River is the most important waterway of the Region. Due to many ponds, the Pardubice District has the largest share in the total expanse of water in the Region. Farmland spreads over 60.1% of the District area.

The District has an advantageous position for transport connections. It is crossed by the Prague–Olomouc railway line, the most important line in the Czech Republic. Pardubice can be reached from Prague by the D11 motorway. The bicycle trail network in the District is being intensely expanded.

The favourable climate and soil composition create good conditions for farming. The main crops are cereals, beet, forage plants, and vegetables. Pork, milk, and eggs are the main livestock products. The industrial centre is the city of Pardubice, where the long-term dominant sectors are electronics and computing equipment, engineering, the chemical industry, and the food industry (traditional gingerbread manufacture – see the article “Pardubice Gingerbread – Confectionery with EU Protection”).

In recent years, foreign investors have been helping to develop the manufacture of computers and communications equipment, which account for the major part of the exports of the Pardubice District. The unemployment rate of the District has been low for long – it ranged around 5.04% at the end of May 2009. The District is recording rapid construction of shopping centres, storage complexes and logistics centres, mainly in the environs of the town of Pardubice.

The town of Pardubice is also the centre of education and culture. It has a university and is the venue for many sporting and cultural events. Besides Pardubice, tourists are attracted by the spa complex of Lázně Bohdaneč (www.llb.cz) and the Kunětická Hora Late Gothic castle. The District is an area suitable for cycling, hiking, and water sports.
The Chrudim District has an area of 993 sq. km and ranks among the medium-sized districts. It is situated in the south-west of the Pardubice Region and is home to 104,330 inhabitants. In the north, the countryside is flat, with the Železné Hory mountain range in the south. The District is crossed by the Chrudimka River with two important reservoirs – Hamry and Seč. Farmland occupies 61% of the District territory, while 29% is under forest.

From the economic viewpoint, the Chrudim District is an industrial-agricultural area. The main crops are cereals, potatoes, and sugar beet. Pork is dominant in livestock production. The industrial sectors are engineering, electrical engineering, and the textile, fur, and food industries. Chrudim has several industrial zones. The unemployment rate was reduced to 8.33% by the end of May 2009 and this ranked the District second in the Region after a long time. Investment is focused on the construction of new buildings and the infrastructure.

The Chrudim District attracts tourists with a number of cultural and historical monuments. The most visited ones include the Museum of Puppet Culture in Chrudim (www.puppets.cz), Slatiňany Castle (www.zamek-slatinany.cz), and the Košumberk and Lichnice Castle ruins. The District has good conditions for tourism and sports. Worth mentioning are a number of newly built lookout towers in the Železné hory Mountains.

### BRIEF STATISTICS

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<thead>
<tr>
<th>Indicator</th>
<th>District</th>
<th>Region</th>
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<tbody>
<tr>
<td>Area (sq. km)</td>
<td>993</td>
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<td>Population</td>
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<td>Inhabitants/sq. km</td>
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<td>Unemployment rate (in %)</td>
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Source: Czech Statistical Office

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<tr>
<td>Backer Elektro CZ, a.s.</td>
<td>Hlinsko v Čechách</td>
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<td>Electropoli – galvía, s.r.o.</td>
<td>Třemošnice</td>
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<td>ETA a. s.</td>
<td>Hlinsko v Čechách</td>
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<td>Evona, a. s.</td>
<td>Chrudim</td>
<td>underwear products</td>
<td><a href="http://www.evona.cz">www.evona.cz</a></td>
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<td>Holcim (Česko), a.s.</td>
<td>Prachovice</td>
<td>construction materials</td>
<td><a href="http://www.holcim.cz">www.holcim.cz</a></td>
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<tr>
<td>Kovalis Hedvíkov, a.s.</td>
<td>Třemošnice</td>
<td>design and tool production</td>
<td><a href="http://www.kovalis-hedvikov.cz">www.kovalis-hedvikov.cz</a></td>
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<tr>
<td>Kožešnická, a.s.</td>
<td>Hlinsko v Čechách</td>
<td>fashion clothing</td>
<td><a href="http://www.kozesnicka.cz">www.kozesnicka.cz</a></td>
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Ruins of Lichnice Castle
The Ústí nad Orlicí District is situated in the north-east of the Pardubice Region. It has an area of 1,267 sq. km and 139,330 inhabitants. The surface of the District is rugged; the altitude difference between the lowest and highest points is 1,185 metres. Mount Králický Sněžník is the highest peak in the Region and third highest in the Czech Republic. Farmland spreads over the major part of the District and one-third of its area is under forest.

The overwhelming majority of inhabitants made a living from farming and domestic weaving until the mid-19th century boom in the textile industry and engineering production that followed the construction of the Olomouc–Prague railway line which crosses Ústí nad Orlicí. Due to the consequent changes in its lifestyle, the town was dubbed the “East Bohemian Manchester”. The main agricultural products are forage plants for cattle breeding. The situation in industry is similar to that in the other districts of the Pardubice Region. Electrical engineering, the textile industry, and the manufacture of machinery and equipment have the largest share in production. At this time, textile production is on a noticeable decline, and the manufacture of transport equipment is on the rise. The District’s low rate of unemployment is known, but the present economic problems have worsened the situation and the present rate is 9.16%.

The largest investment in the District went to the construction of industrial plants in Česká Třebová, Lanškroun, and Ústí nad Orlicí. As to the infrastructure, most developed is the railway network. Tourists are attracted by many exceptional localities, such as the castle ruins in Lanšperk and Litice and the reconstructed Nové Hrady Castle (www.nove/hrady.cz/zamek). Several protected landscape areas including the Králický Sněžník National Nature Reserve are also attractions. A network of bicycle trails has been constructed throughout the District with contribution from European funds.

**REGION**

**Ústí nad Orlicí District**

**Městský úřad Ústí nad Orlicí**

(Ústí nad Orlicí Municipal Office)

Sychrova 16, 562 01 Ústí nad Orlicí
Czech Republic

Phone: +420 465 523 035
Fax: +420 465 525 563
e-mail: podatelna@muuo.cz
www.ustinadorlici.cz

**SELECTED FIRMS**

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<td>AVX Czech Republic s.r.o.</td>
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<td>Intergal Vrchovina, a.s.</td>
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<td>Orpa Papíř, a.s.</td>
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<td>paper tubes, cores, paper and plastic bobbins</td>
<td><a href="http://www.orpa.cz">www.orpa.cz</a></td>
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<td>Perla, bavlnářské závody, a.s.</td>
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<td><a href="http://www.perla.cz">www.perla.cz</a></td>
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<tr>
<td>Schott Electronic Packaging Lanškroun s.r.o.</td>
<td>Lanškroun</td>
<td>special glass manufacture</td>
<td><a href="http://www.schott.com">www.schott.com</a></td>
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**BRIEF STATISTICS**

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Source: Czech Statistical Office

Photo: CzechTourism
Produce and supplies

01 SANDWICH PANELS FOR VEHICLE BODIES
02 ADDITIONAL INSULATION FOR UTILITY VEHICLES
03 MOULDED PARTS MADE OF POLYURETHANE FOAM
04 PANELS FOR CONSTRUCTION INDUSTRY

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Dráby 734 / IV
566 01 Vysoké Mýto
Czech Republic
phone: +420 465 422 091
fax: +420 465 422 090
e-mail: psp@pspizoterm.cz

www.pspizoterm.cz
Svitavy District

With an area of 1,397 sq. km, the Svitavy District is the largest in the Pardubice Region, but the density of its population is very low – only 76.1%. It is situated in the south-east of the Region, mainly under the Svitavská pahorkatina Hills. Of the total area of the District, 83,780 hectares are farmland, and forests cover approximately one-third.

In contrast to other parts of the Region, farming has a stronger position. Farmers mainly grow cereals and rape, and breed poultry. Industry is varied with predominant food and textile plants. Other important sectors are metal production, engineering, and the manufacture of glass fibres. The unemployment rate in the Svitavy District is the long-time highest in the Region. It is still 10.17%, despite a slight improvement in recent years. Although investment has not been extensive, new industrial zones have been opened in Moravská Třebová, Svitavy, and Polička. An interesting combination of economic and cultural life was the reconstruction of a former industrial complex in Svitavy into a multifunctional cultural facility called Fabrika (Factory).

The District is friendly to tourists and sporting enthusiasts. The main tourist attractions are Svojanov Castle (www.svojanov.cz), the Renaissance core of Moravská Třebová and, in particular, the castle complex in Litomyšl (www.zamek-litomysl.cz), which is on the UNESCO List of World Cultural Heritage Sites. A network of bicycle trails invites active recreation.

### BRIEF STATISTICS

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Source: Czech Statistical Office

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<td>ITG Automotive Safety Czech, s.r.o.</td>
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<td>Ravensburger Karton, s.r.o.</td>
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<td>puzzles and games production</td>
<td><a href="http://www.ravensburger.cz">www.ravensburger.cz</a></td>
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<td>Saint-Gobain Vertex, s.r.o.</td>
<td>Litomyšl</td>
<td>building industry</td>
<td><a href="http://www.sgtf.eu">www.sgtf.eu</a></td>
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<tr>
<td>Svitap J. H. J., s.r.o.</td>
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<td>TOS Svitavy, a.s.</td>
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<td>Továrna hasicí techniky, s.r.o.</td>
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<td>Westvaco Svitavy, s.r.o.</td>
<td>Svitavy</td>
<td>packaging</td>
<td><a href="http://www.meadwestvaco.com">www.meadwestvaco.com</a></td>
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</table>

Monastery gardens in Litomyšl
EGE IS A GROUP OF COMPANIES ASSEMBLED IN AN INTERNATIONALLY OPERATING HOLDING COMPANY, OFFERS PRIMARILY DELIVERIES OF SPECIAL EQUIPMENT FOR THE POWER ENGINEERING INDUSTRY – BUSducts, ARC SUPPRESSION COILS, STEEL STRUCTURES, SOLAR PHOTOVOLTAIC SYSTEMS ETC. THE COMPANY NOT ONLY RELIES ON ITS OWN PRODUCTION FACILITIES, BUT IT HAS DEVELOPED SPECIAL EXPERTISE IN CONSULTING, DESIGN, COMMERCIAL DEALINGS, AND INSTALLATION.

SPHERE OF ACTIVITY:

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Design, study, manufacture, installation, repair, maintenance, reconstruction, on-site supervision & surveillance of busducts.

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STEEL STRUCTURES
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SOLAR POWER SYSTEMS
Design, studies, audits, manufacture of steel support structures, deliveries of all components, including building work, construction, commissioning, maintenance, and repairs.

DELIVERIES FOR THE POWER ENGINEERING INDUSTRY
Deliveries of materials and equipment for construction and reconstruction of substations, transformer stations, power plants, heating plants, and transmission & distribution lines.
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export packing
transport and protective packaging

EXPORT PACKING OF TECHNICAL PRODUCTS FOR TRANSPORT

PRODUCTION OF WOODEN CONTAINERS FOR SEA, LAND, AND AIR TRANSPORT

PRODUCTION OF TRANSPORT AND PROTECTIVE PACKAGING

První obalová spol. s r.o.
Cernokostelecká 118
108 00 Praha 10
Czech Republic
Phone: +420 272 705 233
Fax: +420 272 706 240
E-mail: info.praha@pregis.com

Place of work and storage in Brno
Křižíkova 68, 660 90 Brno
Czech Republic
Phone: +420 532 045 204
Fax: +420 532 045 211, 201
E-mail: info.brno@pregis.com

První obalová spol. s r.o.: Packaging systems

www.prvni-obalova.cz