



Headline News

The Czech Republic is the tenth most attractive place to invest

The Czech Republic is the world's tenth **most attractive country for investors**, according to a study conducted by Ernst & Young. Seven percent of the roughly 800 top managers from around the world that took part in the study consider the Czech Republic the best place to invest. China placed first. Poland was the only other Central European country to place in the top ten, primarily thank to its large consumer market. Data on investment inflow confirm the Czech Republic's attractiveness – in the first quarter of this year **foreign firms invested CZK 30.3 billion**, which is twice the amount invested here in the same period of last year.

Business

Solectron opens service and distribution centre in Plzen

The American firm **Solectron** has opened an electronics service and distribution centre worth CZK 100 million in Plzen's Borska Pole industrial zone. One

of the world's largest electronics service providers currently has 60 employees and wants to employ roughly 1,000 at the centre, which is to serve all of Europe by 2010. The firm also announced that it has been acquired by its competitor, **Flextronics**.

ACO to build another plant in Sezimovo Usti

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

DHL and PPL open a joint centre in Plzen

DHL and **PPL**, which are both owned by the world's largest logistics group, **Deutsche Post World Net**, opened their first joint terminal and distribution centre in Plzen's Borska Pole industrial zone. The new centre,

which cost CZK 148 million, has 100 employees and is to service customers from West Bohemia and part of Central Bohemia. The firms want to create a backbone network of ten main terminals worth CZK 1 billion in the Czech Republic within three years.

Auto industry should see production increase to CZK 700 billion in 2007

This year the volume of **production of domestic automakers and their suppliers** will increase by roughly 10% to CZK 700 billion. This year, automobile production is expected to increase to roughly 920,000 vehicles, including 900,000 cars, according to an estimate by the Automobile Industry Association, which adds that more than one million vehicles will be produced next year. The **revenues of Czech automobile manufacturers and their suppliers** increased by 23% to CZK 644 billion in 2006.

CTP Invest to invest CZK 4.2 billion in the Ostrava region

Developer **CTP Invest** is planning to invest CZK 4.2 billion in the Ostrava region by the end

of next year. Roughly CZK 2 billion will be spent on expanding the **CTPark Ostrava-Hrabova**. The number of employees in the industrial zone should increase from roughly 1,700 to 5,000. CTP Invest has already invested CZK 2.8 billion in the region.

Penta decides to go ahead with Vodochody International Airport

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

Thermolast expands production

The company **Thermolast** has invested nearly CZK 164 million in the construction of a new manufacturing plant in Dětřichov in the Liberec region. The company currently employs 130 workers here in the production of plastic components for automobiles, and plans to hire an additional 40 people in coming months. The plant should eventually employ up to 200 people.

Behr opens second Czech plant in Mosnov

Behr, a German manufacturer of air-conditioning and engine-cooling units, will open its second Czech plant in Mosnov near Ostrava. The firm has invested roughly CZK 450 million in the plant's construction, which began last October, and in technology. The firm will initially

employ 50 workers. The firm intends to have 200 employees by the end of next year and its 2008 turnover should total roughly CZK 1.5 billion.

Oriflame to manage its IT from Prague

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

CzechInvent to support applied research and innovation in the Czech Republic

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

R&D

Automobile firms increasingly turning to R&D

An increasing number of foreign and Czech firms from the **automobile industry** are turning to not only production and assembly in the Czech Republic but also to their own **research and development**. Firms from the sector had roughly 4,500 R&D employees last year. This represents an increase of 16.5% compared with last year, as indicated by data from the Automobile Industry Association

(SAP). Last year SAP members established ten new development centres in the Czech Republic.

Top-level engineering research centre in Brno

A top-level research and development centre could be established in Brno in the foreseeable future. The Centre of New Engineering Technologies would complement the already planned Central European Institute of Technology and the International Clinical Research Centre. Space should be found for the new centre in buildings belonging to the Faculty of Mechanical Engineering at the Brno Technical University. The project, which has a budget of approximately CZK 1.5 billion, is to be paid for mainly with grants from European Union Structural Funds.

Politics & Legislation

Investment incentives amendment signed

President Vaclav Klaus recently signed an amendment to the act on **investment incentives**. The amendment introduces stricter conditions for older machinery and also reduces the minimum investment from CZK 200 million to CZK 100 million. According to Industry and Trade Minister Martin Riman, this should also make incentives accessible to medium-sized firms. The amendment came into force on 2 July.

Government to take on corruption

The government intends to take a tougher stance on **corruption**. Ministers are to present most anti-corruption measures for discussion before the end of this year. Prison sentences for

corruption are to be increased to up to 12 years. In addition, a black list of firms that will not be allowed to bid for contracts will be created, courts will include social senates and the police will be expected to infiltrate organized-crime organisations.

Miscellaneous

New air connections from the Czech Republic

Ryanair, an Irish low-cost airline, is planning to begin flights from Prague from the end of the year and set up routes from the Czech capital to five European cities. **SkyEurope Airlines** also wants to establish new routes from Prague this year. The company is planning routes to Bratislava and Kosice and is also considering connections to Vienna and Budapest. **Air Asia**, another low-cost carrier, is also focusing on Prague, with flights to begin next year at the earliest. Czech Airlines will begin operating new routes between St. Petersburg and Karlovy Vary from the end of June.

Harrachov to have its own beer spa

The company Sklarna and Minipivovar Novosad & Syn is building a **beer spa** in the Krkonose resort of Harrachov. The spa is scheduled to open on 21 July. Bathing in natural, unfiltered, and non-pasteurised beer benefits people with skin, vascular and ischemic disorders. A similar beer spa is already in operation in the Tachovsko region of the Czech Republic.

Exchange Rates
Averages for the 2nd half of 2006
EUR 1 = CZK 28.185
GBP 1 = CZK 41.674
USD 1 = CZK 21.992
Source: Czech National Bank;
January 2007

Sources: Czech AM by Czech Information Agency, Prague Daily Monitor, Radio Prague, dailies Hospodarske noviny, Pravo, MF Dnes and Lidove noviny