

NEWS SUMMARY FEBRUARY 23 – MARCH 1

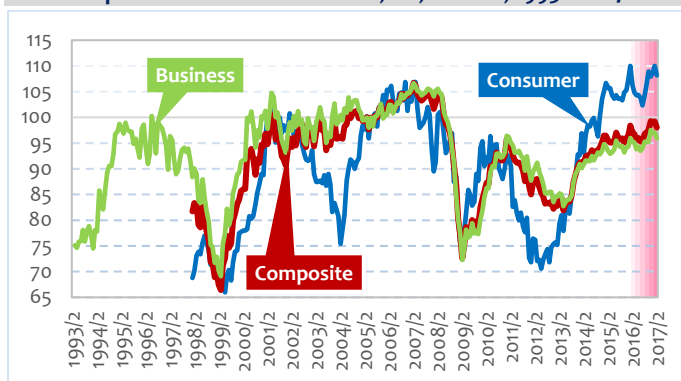
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ECONOMY & FINANCE

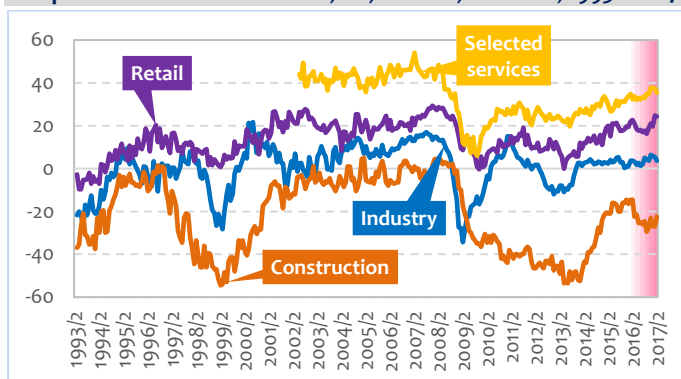
BUSINESS CYCLE SURVEY¹ – 24. 2.

Overall confidence in domestic economy decreased in February. The composite confidence indicator² decreased by 1.2 p.p.³ to 98.0, m-o-m⁴. Confidence of entrepreneurs decreased by 1.1 p.p. to 95.9 compared to January. Consumer confidence indicator decreased by 1.8 p.p. to 108.2, m-o-m. Composite confidence indicator, entrepreneurs confidence indicator and consume confidence indicator are higher, compared to February 2016.

Graph 1: Confidence Indicators, SA, Overall, 1993 – 2017

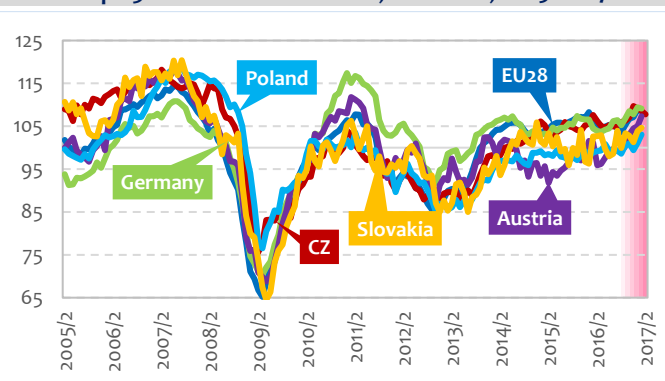


Graph 2: Confidence Indicators, SA, Sectors, balances, 1993 – 2017



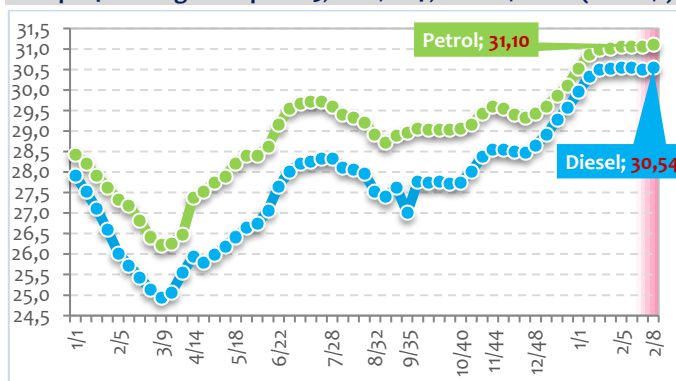
Confidence of entrepreneurs decreased very slightly by 0.1 p.p. to 97.0 compared to December. Consumer confidence indicator increased by 1.3 p.p. to 110.0, m-o-m. Composite confidence indicator and entrepreneurs' confidence indicator are higher, consumer confidence indicator is the same, compared to January 2016.

Graph 3: Confidence Indicators, Countries, 2005 - 2017



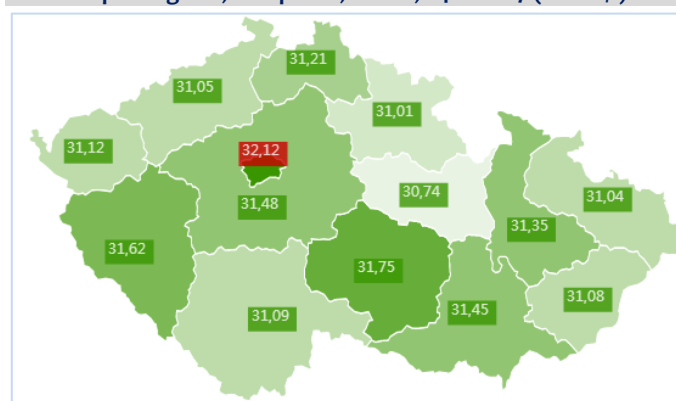
AVERAGE CONSUMER FUEL PRICES – 24. 2.

Graph 4: Average fuel prices⁵, 2016/2017, Month/Week (in CZK/l)



Czech fuel prices stagnated in the past week for the 3rd time in a row, with the price of top-selling petrol Natural 95 adding just 4h⁶ to an average CZK31.24/l⁷ and diesel oil selling for CZK30.48/l on average, the same as in the previous week. Prices of motor fuels had been steadily rising since the end of November last year.

Map 1: Regions, fuel prices, Petrol, 24. 2. 2017 (in CZK/l)



¹ monthly data (long term average = 100), seasonally adjusted

² economic sentiment indicator, stated by basic indices

³ P.p.: percentage point

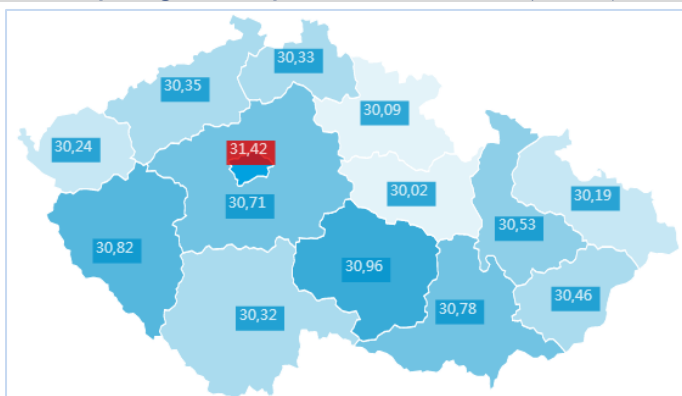
⁴ M-o-m: month-on-month

⁵ Consumer price indices calculated from the weekly price survey are not qualitatively adjusted and thus do not express the net price development applied at inflation measurement.

⁶ H: Heller, a term was used for a coin valued at 1/100 of a CZK, it continues to be used as a means of calculation since the CNB removed the coins themselves from circulation in 2008 and notionally replaced them with rounding to the next CZK.

⁷ l: litre, is an SI accepted metric system unit of volume equal to 1 cubic decimetre (dm³), 1,000 cubic centimetres (cm³) or 1/1,000 cubic metre.

Map 2 Regions, fuel prices, Diesel, 24. 2. 2017 (in CZK/l)



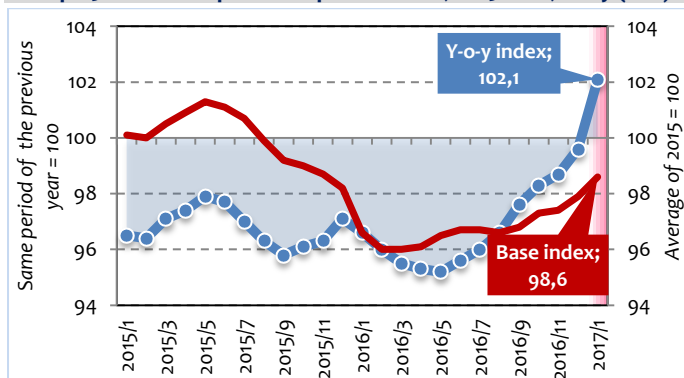
PRODUCER PRICE INDICES – 16. 2.

In January 2017 compared with the previous month, agricultural producer prices were higher by 0.5%, industrial producer prices went up by 0.7% and construction work prices grew by 0.1%. Prices of market services fell by ▲0.3%. In comparison to January 2016, agricultural producer prices went down by ▲3.0%. Industrial producer prices went up by 2.1%, construction work prices increased by 1.2% and prices of market services were higher by 0.4%.

M-o-m,⁸ prices of industrial producers went up by 0.7%. Prices were higher primarily in ‘coke, refined petroleum products’. Prices increased in ‘chemicals and chemical products’ (+4.1%) and ‘mining and quarrying’ (+2.3%). Prices were higher in ‘food products, beverages, tobacco’ (+0.4%). Prices went down in ‘electricity, gas, steam and air conditioning’ (▲1.0%), thereof ‘electricity, transmission and distribution services’ (▲1.9%).

Firstly since December 2013, y-o-y⁹ prices of industrial producers increased by 2.1% (▲0.4% in December 2016). Prices went up the most significantly in ‘coke, refined petroleum products’. Higher were prices in ‘furniture, other manufactured products’ (+2.5%), ‘mining and quarrying’ (+2.3%) and ‘water supply, sewerage, waste management and remediation services’ (+2.1%). On the increase were also prices in ‘food products, beverages, tobacco’ (+0.5%), thereof ‘dairy products’ (+3.7%). Prices went down in ‘electricity, gas, steam and air conditioning’ (▲1.1%) and ‘transport equipment’ (▲0.9%). Among the main industrial groupings, prices of ‘energy’ increased (+6.7%) and prices of ‘durable consumer goods’ decreased (▲0.3%), y-o-y.

Graph 5: Industrial producer price indices, 2015-2016, Y-o-y (in %)

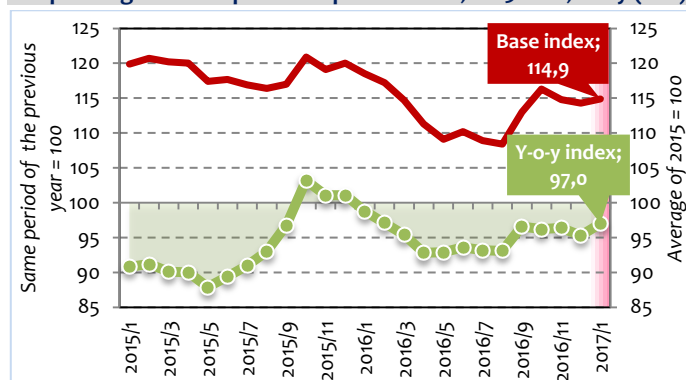


⁸ M-o-m: month on month

M-o-m, agricultural producer prices grew by 0.5%. Prices of milk (+5.6%), poultry (+5.3%), fruit (+4.7%) and fresh vegetables (+3.0%) went up. Prices of potatoes went down by 4.0%.

Y-o-y, agricultural producer prices were lower by 3.0% (-4.7% in December). Prices of crop products went down by 10.2%. Lower were prices of fresh vegetables (▲36.1%), potatoes (▲24.6%), cereals (▲12.8%) and oil plants (▲2.2%). On the increase were prices of fruit (+6.6%). Prices of animal products grew by 5.0% due to increasing prices of pigs for slaughter (+17.7%), milk (+1.9%) and cattle for slaughter (+0.8%). Higher were also prices of eggs and poultry (+0.5% both).

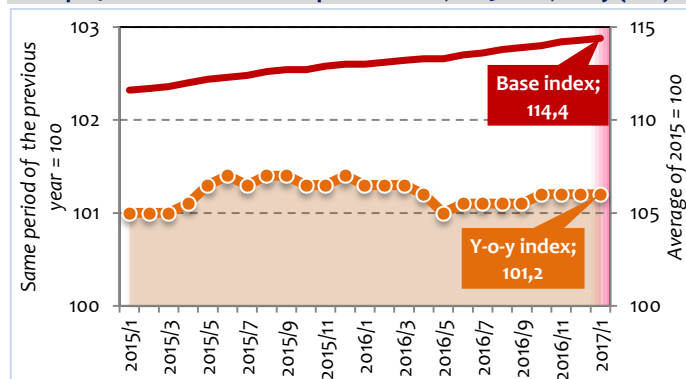
Graph 6: Agricultural producer price indices, 2015-2016, Y-o-y (in %)



M-o-m construction work prices rose by 0.1% and construction material input prices increased by 0.5%.

Y-o-y construction work prices rose by 1.2% (like in December) and construction material input prices grew by 0.6% (+0.3% in December).

Graph 7: Construction work price indices, 2015-2016, Y-o-y (in %)

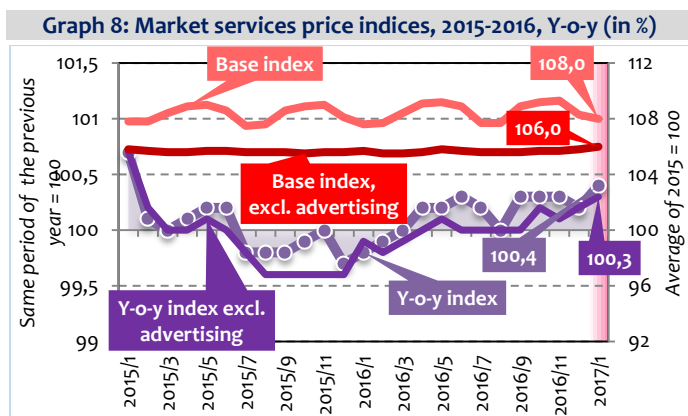


M-o-m, market services prices in the business sphere fell by 0.3% due to the price decreasing of ‘advertising and market research services’ (▲6.5%), ‘employment services’ (▲2.7%) and ‘telecommunications services’ (▲0.4%). On the increase were prices of ‘postal and courier services’ (+2.7%) and ‘publishing services’ (+1.0%). Market services prices excluding advertising services rose by 0.2%.

Y-o-y prices of market services in the business sphere grew by 0.4% (+0.2% in December). Increasing were prices in ‘postal and courier services’ (+8.4%) and ‘insurance, reinsurance and pension funding services, except compulsory social security’ (+1.0%). Decreasing were prices in ‘land transport services and transport services via pipelines’ by 0.6%. Market services

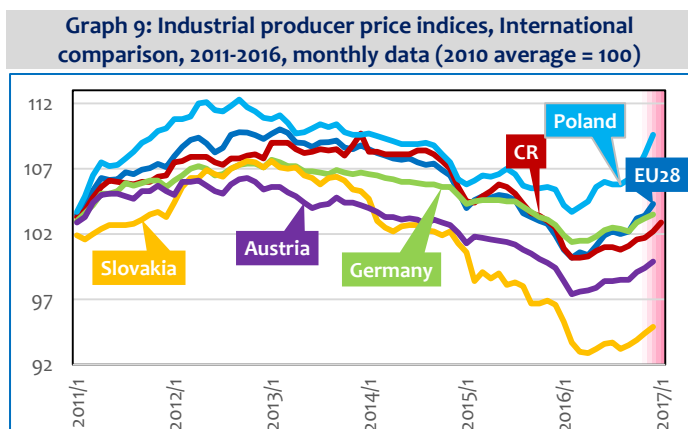
⁹ Y-o-y: year on year

prices excluding advertising services increased by 0.3% (+0.2% in December)



According to the Eurostat, **industrial producer prices increased in December by 0.9%** (+0.2% in November) **in EU28**,¹⁰ **m-o-m**. The highest increase was registered in Greece (+2.7%). Prices increased in Poland (+1.4%), the CR, Austria and Slovakia (+0.5% all) and Germany (+0.3%). Prices decreased the most in Estonia (-0.6%).

Industrial producer prices were higher in December by 2.4% (+0.7% in November) **in EU28, y-o-y**. Prices rose the most in Belgium (+8.0%). Prices increased in Poland (+4.0%), Germany (+0.8%) and Austria (+0.5%). Prices decreased in Slovakia (▲1.8%) and the CR¹¹ (▲0.4%). Prices went down the most in Luxembourg (▲6.1%).



ALMOST TWO FIFTHS OF BONDS IN CROWNS HELD BY FOREIGN INVESTORS – 28.2.

Almost two fifths of Czech state bonds in crowns are in the hands of foreign investors, namely bonds worth CZK¹²539bn¹³ out of the total of CZK1,394bn worth bonds issued on the domestic market, according to information made public by the MF¹⁴ today.

In January 2016, the share held by foreign bondholders was at less than 24%.

Analysts say this year's level is record. They see behind the rise the CNB¹⁵ exchange rate pledge, the central bank's forex interventions and their expected end.

"This growth is linked with a huge inflow of foreign capital in January. Foreign investors bet on the crown's firming when

the central bank's exchange rate pledge ends. State bonds for them are one of the few instruments where to put the money," said Komerční banka economist Marek Dřimal.

Some investors, on the other hand, are using the current imbalance and are lending their euros and dollars on the Czech market where the volume of foreign currencies is insufficient.

They can thus gain crowns, plus a high premium. It allows them to buy bonds, even with a negative yield, because the premium secures them profits.

The MF is selling state bonds with a shorter maturity even with a negative yield on the financial markets since the end of 2015. Investors then pay to the Czech state for lending it money.

Dřimal expects another growth in the share of foreign bondholders as the speculations on the approaching end to the CNB's exchange rate pledge continue.

"This development is positive for the state in a short-term outlook, it can be selling short-term bonds with a negative yield. When the exchange rate pledge ends, Czech bonds will stop being so interesting for foreign investors and some of them will certainly want to sell them. This may lead to faster growth in the bonds' yields," Dřimal said.

ING chief economist Jakub Seidler is of the opinion that the growth in bond yields at the end of the CNB's exchange rate pledge should not pose a significant problem for the MF even when in general it will lead to a moderate growth in costs of interest.

As of the end of January, the Czech state had issued bonds for CZK1,607bn, and CZK214bn of them were in foreign bond issues.

CNB: VOLUME OF EXTENDED LOANS GROWS 2.2% IN Q4 2016 – 1.3.

Total assets registered by asset financing mediators reached CZK382.9bn as of December 31, 2016. According to data provided by the CNB, the sum increased 3.6% compared with the previous quarter and grew also CZK32.9bn compared with the same period of the year 2015. The highest sum of the assets is formed by extended loans in the value of CZK283.1bn. Loans showed a growth by 2.2% q/q in Q4 2016. They increased 9.7%, or CZK25bn, y-o-y. The highest sum of loans extended to residents is formed by loans to non-financial corporations in the value of CZK210.6bn (some 77.4% of the volume). The second highest group (22.5% of the volume) is formed by loans to households in the value of CZK61.2bn.

CNB'S EX-GOVERNOR SINGER IS GENERALI'S SUPERVISORY BOARD MEMBER – 1.3.

The CNB former governor Miroslav Singer, 48, was, effective as of today, appointed a member of Generali insurance company's supervisory board, the company told CTK today. In January, Singer became Generali's institutional relations director and chief economist of Generali CEE Holding.

¹⁰ EU28: 28 member states of the EU, which are party to the founding treaties of the union and thereby subject to the privileges and obligations of membership.

¹¹ CR: the Czech Republic

¹² CZK: Czech Crown, the currency of the CR since 8 February 1993

¹³ bn: billion

¹⁴ MF: Ministry of Finance

¹⁵

Singer was the CNB's governor from 2010 until 2016, being vice-governor and member of the CNB Bank Board in 2005-2010.

Singer started his career at the Economics Institute of the CAS¹⁶ and the CERGE-EI¹⁷ at the Charles University. Afterwards, he worked in top management roles in the financial sector and consulting.

Generali group ranks among leading global insurers with billed premiums at EUR¹⁸74bn (about CZK2,000bn) in 2015. It has 76,000 employees in more than 60 countries.

Generali has a leading position on the markets in Western Europe, gaining an important position in Asia and Central and Eastern Europe. The group is active in 10 countries in CEE¹⁹ through Generali CEE Holding.

PRAGUE BOURSE WEAKENS AGAIN, PULLED DOWN BY BANKS – 1.3.

The PSE²⁰ weakened again today, its headline PX index falling by 0.49% to 953.92 points at the close of trading, according to data from the bourse's website.

The index was pulled down mainly by banking titles as well as power utility CEZ.²¹

Though only a half of the main titles closed in the red, the losers included the most traded issues.

Moneta Money Bank, which accounted for almost a half of the total volume of the daily turnover, wrote off 0.87% to CZK85.30.

Komerční banka weakened by 0.92% to CZK917.10.

Erste Bank lost 0.73% to CZK746. Erste today announced that its net profit grew by more than% to about CZK34bn last year. Its Q4 profit stayed below market estimates, analyst Jana Knechtlová of Patria Online noted.

CEZ erased 0.55% to CZK450.50.

The biggest loss was registered by betting company Fortuna, which went down by 2.94% to CZK99.

The biggest gainer, on the other hand, was soft drinks producer Kofola, which rose by 0.76% to CZK400.

The Czech crown stagnated against the euro while firming mildly against the US dollar, according to data from the server Patria Online.

FOUR BIGGEST BANKS IN CR EARN CZK50.7BN IN 2016 – 1.3.

The four biggest banks in the CR earned about CZK50.7bn in 2016, nearly 8% more than in 2015, according to the banks' results.

A significant contribution to the growth came from a sale of the banks' stakes in Visa Europe.

"The banks' business results were influenced mainly by a one-off sale of their stakes in card association Visa. Without this one-off influence, the rise in banks' profit would reach

around 1% (in the case of CSOB²²) or it would decrease moderately," Bankovnipoplatky.com portal founder Patrik Nacher said.

The decrease in income from fees and commissions is accelerating. Banks are focusing more on income from interest and other services with a high value added, Nacher noted.

Česká spořitelna saw income from fees and commissions fall by 9.2% to CZK9.3bn, Komerční banka by 4.1% to CZK6.7bn and CSOB by 3% to CZK6.22bn.

Komerční banka's net profit last year grew by 7.2% to CZK14.074bn. Its total revenues rose by 2.3% to CZK31.8bn. The results were influenced by one-off incomes, including the sale of a stake in Visa Europe and the sale of a stake in Cataps. Without these one-off influences, the bank's profit would fall by 6.7% and revenues by 0.8%.

The net profit of the CSOB group increased by 8% to CZK15.1bn. The total amount of assets administered by the group grew by 4% to CZK191bn. The growth was boosted by one-off revenues from the sale of a stake in Visa Europe, the bank said.

The Czech and Slovak branch of UniCredit Bank showed a new profit worth CZK6bn last year, which was an annual rise of 7.6%. The volume of loans provided by the bank increased by 9.7% to CZK385bn. The volume of client deposits rose by 2.6% to CZK365bn.

Česká spořitelna saw its net profit rise by 8.1% to CZK15.5bn. Besides a growth of loans, the result was influenced by a one-off income from the sale of a stake in Visa Europe. The bank's operating profit fell by 5.1% to CZK20.08bn, mainly due to a drop in the income from fees and commissions. The bank's net interest income was 1.4% below the level of 2015.

Results of the biggest banks in CR (in CZKbn)

	net profit 2016	net profit 2015
CSOB	15.1	14
Česká spořitelna	15.5	14.3
Komerční banka	14.1	13.1
UniCredit Bank CR a SR	6	5.6

CZECH HOUSEHOLD DEBT RISES TO CZK1,430BN IN JAN – CNB – 28.2.

Czech household debt to banks grew annually by CZK101bn to CZK1,430bn at the end of January, growing by CZK1.8bn compared to the end of 2016, according to data published by the Czech National Bank (CNB) on its website today.

Non-financial companies owed roughly CZK1,000bn to banks at the end of January, which is CZK5.7bn more month on month and CZK52.6bn more year on year.

¹⁶ CAS: Czech Academy of Sciences

¹⁷ CERGE-EI: Center for Economic Research and Graduate Education - Economics Institute

¹⁸ EUR: (€) Euro is the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

¹⁹ CEE: Central and Eastern Europe, is a generic term for the group of countries in Central Europe, Southeast Europe, Northern Europe, and Eastern Europe

²⁰ PSE: Prague Stock Exchange is the largest and oldest securities market organizer in the CR. After a 50-year hiatus brought about by World War II and the Communist regime, it was reopened in 1993. Thus PSE resumed the activities of the Prague Commodities and Stock Exchange founded in 1871.

PSE is by law a joint-stock company. Its largest shareholder is CEESEG Aktiengesellschaft, with a 92.739% ownership interest. PSE is a member of the CEE Stock Exchange Group (CEESEG), which also includes three other Central European stock

exchanges: the Vienna Stock Exchange, Budapest Stock Exchange and Ljubljana Stock Exchange.

²¹ CEZ: CEZ Group is a conglomerate of 96 companies (including the parent company CEZ, a.s.), 72 of them in the CR. It is involved in the electricity generation, trade, distribution and heat, as well as coal mining.

²² CGN: China General Nuclear Power Group is a major clean energy corporation under the State-owned Assets Supervision and Administration Commission of the State Council of the State Council. CGN has operating nuclear plants at Daya Bay Nuclear Power Plant, Ling Ao Nuclear Power Plant, Hongyanhe Nuclear Power Plant and Ningde Nuclear Power Plant, with five new nuclear power stations under construction and another 2 planned. CGN operates in other emerging energy industries like wind energy and solar energy, as well as more traditional industries like hydroelectricity

²³ CSOB: CSOB is a wholly-owned subsidiary of KBC Bank NV. KBC Bank is fully owned by KBC Group NV. Both companies are domiciled in Brussels, Belgium.

At the end of January, housing loans contributed more than CZK1,000bn and consumer loans nearly CZK221bn to the total amount, with the former increasing by almost CZK87bn and the latter by CZK9.3bn y-o-y.

The economic growth, increasing wages and low unemployment motivate households to invest in housing, even though mortgage loan interest rates started rising slightly at the beginning of this year, PwC's auditing services partner Marek Richter said.

People are not even discouraged by increasing real estate prices, he said.

Czech companies have a sufficient amount of liquidity and there does not seem to be that many big investment projects, Richter said.

Despite low interest rates, companies' interest in loans is not high and banks are having a hard job gaining corporate loan clients, he added.

The central bank makes the statistics public every month. It is based on balances of monetary financial institutions, including the central bank, commercial banks, branches of foreign banks, money-market funds and credit unions.

AGRICULTURE & ENVIRONMENT

CTK VETS TO CULL OVER 30,000 BIRDS IN WESTERN BOHEMIA – 28.2.

Vets will cull more than 30,000 birds at two commercial poultry farms near Cheb in the Karlovy Vary region, western Bohemia, on Thursday, as they have confirmed bird flu in them, regional veterinary administration spokeswoman Maria Slepíčková told CTK today.

This will be the biggest liquidation of poultry since the outbreak of the disease in the country, she said.

Both farms belong to the same owner, company Zephyr. Vets have confirmed the H5 virus type at both of them.

Vets are preparing measures in the afflicted zones that will partly affect the territory of Germany, SVA²³ Petr Pejchal said. The total number of bird flu epicentres in the CR has risen to 37, three of them being reported in the Karlovy Vary region. More than 58,000 heads of poultry have been culled in the CR so far.

Breeders and farmers have applied for compensations worth CZK12m'. According to an earlier statement by Agriculture Minister Marian Jurečka, CZK2.5mn²⁴ have already been paid out.

The disease broke out in the country at the beginning of this year after a decade. It has hit a number of other countries in Europe as well.

GA SZIF TO DIVIDE CZK1.3BN AMONG GREEN FARMERS – 28.2.

The SZIF²⁵ has started issuing verdicts for the support of green farming as part of the 2014-2020 Rural Development Programme.

Totally 3,861 farmers have applied for subsidies and the allocation for them amounts to about CZK1.3bn. SZIF has also issued verdicts re subsidies for ewes and goats.

These applications were requested by 2,856 farmers and the allocation reached CZK76.26m.

²³ SVA: Czech State Veterinary Administration

²⁴ mn: million

²⁵ SZIF: State Agricultural Intervention Fund

GA LOWER HOUSE STICKS TO ITS PROPOSED CHANGES TO NATIONAL PARK RULES – 1.3.

The lower house of parliament has rejected Senate proposals that would have watered down the rules for national parks and given local councils and inhabitants more room to push for development. The proposed upper house changes were backed by just 28 lawmakers with 109 opposed. PM²⁶ Bohuslav Sobotka said the original rules offered sustainable development for parks and increased the role of local authorities. The original version of the law backed by the lower house will now go to President Miloš Zeman. He repeated Wednesday he would veto the law.

GA FINCENTRUM: VOLUME OF NEW MORTGAGES DROPS TO CZK17.53BN – 23.2.

The volume of mortgages taken out in January 2017 fell by CZK133m from the previous month to CZK17.53bn, according to a Fincentrum Hypoindex survey. The number of mortgage contracts dropped to 8,665 from 8,684. The average interest rate rose by 0.05 pp to 1.82%. Fincentrum's head analyst Josef Rajdl said the rate rise had been substantially slowed down by the termination of previous guarantees and by individual discounts.

LABOUR & SOCIAL & HEALTH

GA LACK OF EMPLOYEES PREVENTS FASTER EXPORT GROWTH – 1.3.

The Export Index for the next five months promises gradual increase in the export growth rate.

The Association of Exporters has stated that Czech export performance is set to exceed the values from 2016 thanks to double-digit dynamism of contracts from abroad, renewed confidence in Europe and still stable Czech koruna.

If the central bank terminates its currency intervention in Q2 2017, last year's export record will not be beaten, the Association claims.

Lack of employees on the labour market slows export growth by up to 3 p.p. The economy is thus losing exports worth CZK3-8bn every month.

GA GOVT SUPPORTS HIGHER SICK LEAVE BENEFITS FOR LONG-STAY PATIENTS – 28.2.

On February 27, 2017, the CR's Govt²⁷ supported an increase in sick-leave benefits for long-stay patients. PM Bohuslav Sobotka (ČSSD²⁸) said that the benefit could increase to 66% of the assessment base from the 31st day of illness and to 72% of the assessment base from the 61st day of illness. He added that if the amended proposal to be prepared by the Ministry of Labour and Social Affairs were to be adopted, higher sick-leave benefits would come into effect in 2018.

²⁶ PM: Prime Minister

²⁷ Govt: Government of the Czech Republic

²⁸ ČSSD: Czech Social Democratic Party, centre-left party

HK ČR OPPOSES INTRODUCTION OF PAID LEAVE FOR FATHERS – 27.2.

The CCC²⁹ opposes the directive introduction of paid leave for fathers. It says the measure falls under the category of employee benefits. CCC said that it represents another complication for employers and that tax payers will pay up to CZK800mn more for it.

CHAMBER OF DEPUTIES SUPPORTED PUBLIC HEALTH INSURANCE WITH CZK3.5BN – 27.2.

On February 24, 2017 the ChD³⁰ sent into the second reading the draft of the amendment to the act on public health insurance. The aim of the draft is to increase insurance payments for so-called state policyholders, for years 2019 and 2020. The amendment will provide an additional roughly CZK3.5bn per year for the public health insurance system compared to the previous period. The estimated costs, which will according to Health Minister Miloslav Ludvík (ČSSD) have to be covered as part of an increase in health insurance expenditures already in 2018, total roughly CZK12 to 13bn. Of this total, CZK9bn will be provided by economic growth. He said that the proposal for the increase thus ties in with the further expected increase in expenditures for medicine.

PENSION COMPANIES MANAGE CZK383.03BN – 24.2.

Czech pension companies managed deposits in the amount of CZK383.03bn in 3rd pillar funds as of December 31, 2016. The funds registered 4,518,832 participants. Some 88% of them save money in transformed additional pension insurance funds. The number of participants in the additional pension savings in participant funds reached 542,491 (up by 47% y-o-y). The information was provided by the Association of Pension Companies of the CR.

HK ČR: THREE FIFTHS OF EMPLOYERS PLAN TO INCREASE WAGES – 23.2.

Three fifths of employers plan wage hikes in 2017. For instance, 85% of large companies have this plan. Half of companies will increase wages by up to 5%. When categorised by fields, the rise concerns 80% of companies active in the manufacturing industry and more than 50% of construction companies. This is the result of a survey carried out by the CCC. More than 90% of companies will hire new employees or maintain the current headcount in H1. Similarly to H2 2016, mid-sized companies and the manufacturing industry have the biggest recruitment plans. In 2016, wages were increased by 80% of mid-sized and large companies. Two fifths of all enterprises paid out the thirteenth wage or extraordinary bonuses.

²⁹ CCC: Czech Chamber of Commerce (also HK ČR in Czech)

³⁰ ChD: Chamber of Deputies, is the lower house of the bicameral Parliament of the CR. The seat of the Chamber of Deputies is Thun Palace in Malá Strana, Prague.

³¹ EC: European Commission, is the executive body of the EU responsible for proposing legislation, implementing decisions, upholding the EU treaties and managing the day-to-day business of the EU.

³² EU: European Union, is a politico-economic union of 28 member states that are located primarily in Europe. It has an area of 4,324,782 km², and an estimated population of over 510mn. The EU has developed an internal single market through a standardised system of laws that apply in all member states. EU policies aim to ensure

EC: LABOUR MARKET WOULD BENEFIT FROM LOWER TAX BURDEN – 23.2.

CR could deal with the lack of labour force on the labour market primarily by higher involvement of women with children and/or unskilled and/or handicapped workers. The situation could also be improved by reducing the taxation of labour and boosting professional education. This stems from the CR Report published by the EC³¹ as part of the European semester winter package. In healthcare, EC noted inefficient financing system that leads to excessive usage of medical care. Infrastructure investments are slowed down by insufficiencies in business environment and administrative obstacles. In research, CR lags behind in the cooperation of companies and research institutes. In Govt electrification, CR remains one of the least advanced countries in EU.³²

MPs³³ APPROVE CHANGES IN HEALTH INSURANCE PREMIUM REDISTRIBUTION – 23.2.

On February 22, 2017, the ChD approved the Govt amendment to the act on public health insurance premiums in the third reading. Minister of Health Miloslav Ludvík (ČSSD) said the bill aimed at providing for fairer distribution of public health insurance premiums among health insurers depending on the cost of individual insured persons. The bill will introduce so-called pharmaceutical cost groups, which will make it possible to factor in higher expenses of health insurers associated with higher costs of chronic patients within the premium redistribution. The bill is expected to become effective from January 1, 2018.

CONSTRUCTION**CENTRAL BOHEMIA RECORDS MOST FLATS PER 1,000 PEOPLE – 26.2.**

The most intensive construction of flats in the CR in 2010-2015 was recorded in Central Bohemia, where 4.4 flats per 1,000 inhabitants were approved by building authorities annually, according to data from the CSO.³⁴

In contrast, the Ústí region, northern Bohemia, recorded mere 1.2 flats per 1,000 people. This region has been ranking last since 1990. Central Bohemia was followed by Prague (3.7 flats) and South Moravia (3.2 flats).

"These three regions, where 36% of the CR's population live, generated about one half of the total construction of flats in the country," Irena Kovarnová of the CSO's regional office in České Budějovice said.

In absolute terms, the biggest number of flats in 2010-2015 was built in Prague (27,558), followed by Brno (7,245), Ostrava (2,531), Plzeň (2,478) and České Budějovice (2,011).

The top 20 municipalities with the most intensive flat construction included all regional cities with the exception of Zlín and Ústí nad Labem.

the free movement of people, goods, services, and capital within the internal market, enact legislation in justice and home affairs, and maintain common policies on trade, agriculture, fisheries, and regional development. Within the Schengen Area, passport controls have been abolished. A monetary union was established in 1999 and came into full force in 2002, and is composed of 19 EU member states which use the euro currency.

³³ MP: Member of Parliament

³⁴ CSO: Czech Statistical Office, is the main organization which collects, analyses and disseminates statistical information for the benefit of the various parts of the local and national governments of the CR. It accomplishes this goal through the management of the Czech Statistical Service.

No flat was completed in 575 out of the total number of 6.253 municipalities. Most flats were built in one-family houses (58 pct), while about 25% were built in residential buildings.

Construction of flats in individual regions of CR in 2010-2015

region	no. of flats per 1.000 people
Central Bohemia	4.4
Prague	3.7
South Moravia	3.2
South Bohemia	2.6
Plzeň	2.6
Vysocina	2.5
Pardubice	2.4
Hradec Kralové	2.3
Olomouc	2.2
Liberec	2.1
Moravia-Silesia	2.0
Karlovy Vary	1.8
Zlín	1.8
Ústí nad Labem	1.2

INDUSTRY & ENERGY & INVESTMENT

CEZ SUPERVISORY BOARD – 23.2.

The supervisory board of energy company CEZ has removed Ivo Hlaváč from the post of board of directors' member at today's meeting, the supervisory board's chairman Václav Pačes announced to CTK.

According to earlier information, the proposal for Hlavac's removal was submitted by CEZ management.

CEZ spokesman Ladislav Kříž added that Hlaváč had been removed with effect as of March 1.

CEZ board of directors has seven members, apart from Hlaváč, the members are chairman Daniel Beneš, deputy chairman Martin Novak and members Ladislav Štěpánek, Michaela Chaloupková, Pavel Cyrani and Tomáš Pleskač.

"Ivo Hlaváč has been removed and he has also resigned on the membership on the statutory bodies of CEZ's subsidiaries," Pačes wrote in an SMS message.

CEZ announced at the beginning of the week that as of March, it would merge the external relations and regulation division with the new energy division into one unit named "new energy and distribution".

The new division will be headed by Pleskač who thus far has managed the new energy division. The external relations and regulation division has been headed by Hlavac thus far.

According to Beneš's statement from Wednesday, the seat on the board will remain empty for now after Hlaváč's departure.

Beneš has not ruled out further organisation and personnel changes on the company's management.

CONDITIONS IN CZECH MANUFACTURING ARE BEST SINCE APRIL 2011 – 1.3.

Conditions in the Czech manufacturing industry improved in February, the PMI³⁵ increased to 57.6 points from January's

55.7 points and reached the highest level since April 2011, company IHS Markit announced today.

The 50-point level sets the difference between growth and fall. The PMI index monitors production, new orders, employment, suppliers' delivery times and inventories. All five indicators contributed to the growth in the index.

Production, new orders and employment grow sharply. The expectations are positive as well and the data signal that production could contribute significantly to GDP first quarter results, said IHS Markit chief economist Paul Smith.

Production was the key contributor to the improved conditions in February. Its growth was the highest since May 2014. The growth in the volume of new orders was the fastest in the last year and a half and creation of jobs was the fastest since the summer of 2015, IHS Markit said.

The development is to a large extent linked with improving conditions abroad, in particular in the euro zone and Germany, said ING chief economist Jakub Seidler.

"PMI values have been growing there as well in the last few months and in February, the same as in the CR, they reached the highest levels since 2011," he remarked.

The average of the index for January and February is notably higher than was the average in the last quarter of 2016, said Raiffeisenbank analyst Daniela Milučká.

"It can therefore be expected that the first quarter of this year will be more successful for industrial producers than was the fourth quarter of last year," she noted.

"When industry is doing well, the whole economy thrives. This is why we expect the annual growth of the Czech economy to accelerate to over 2.5% at the beginning of the year," Milučká added.

ŠKODA AUTO SOLD 2 MILLION CARS IN CHINA – 28.2.

Carmaker ŠKODA AUTO has sold its two-millionth vehicle in China. The company sold almost 1.107 million ŠKODA OCTAVIA cars, more than 305,000 ŠKODA RAPID models, almost 268,000 ŠKODA SUPERB cars, more than 251,000 ŠKODA FABIA cars and ca. 69,000 ŠKODA YETI vehicles. Six model families are manufactured in China. The KODIAQ, ŠKODA AUTO's first big SUV, will be launched on the Chinese market in Q2 2017.

ŠKODA AUTO REGISTERS ALMOST 3,500 ORDERS FOR NEW KODIAQ – 23.2.

ŠKODA AUTO has opened the sales and deliveries of the innovated ŠKODA OCTAVIA model and the first seven-seater SUV, ŠKODA KODIAQ, for clients in the CR. ŠKODA AUTO registered almost 3,500 orders for the KODIAQ during the pre-sale. The presale of the upgraded OCTAVIA model family started on November 29, 2016, and more than 5,000 Czech clients ordered the new versions of the OCTAVIA and OCTAVIA COMBI models as of February 22, 2017. ŠKODA has also handed over the new KODIAQ cars to use for medal winners from the Summer Olympic Games in Rio de Janeiro.

³⁵ PMI: Purchasing Managers' Index - index is based on the state of new orders, stocks at factories, delivery deadlines, and the recruitment of new workers. Any score higher than 50 is still in positive territory.

CTK CAR PRICES IN CR TO GROW MILDLY THIS YEAR – ANALYSTS –

24.2.

Prices of new cars will grow mildly this year due to growing prices of input materials, the overall economic growth and the arrival of new models, car industry analysts told CTK today.

"Prices of new cars will grow on average thanks to the rising prices of inputs in car manufacturing and the growth of incomes and thereby also the growth of cars sales," Vojtěch Opleštil of consulting firm PwC CR said.

On the other hand, the price growth may be hampered by the expected strengthening of the Czech crown against the euro after the CNB abandons the forex intervention regime, which is expected to happen in Q2.

The end of interventions and the expected strengthening of the crown will put car importers at advantage, so they will have space to reduce prices.

"We cannot, however, expect the prices to go down, mainly with regard to the expected inflation. As a consequence, prices of imported cars will not grow very fast," EY partner Petr Knap said.

According to Knap, the price development on the Czech car market is linked tightly with the prices of the market leader, Skoda Auto. Other car makers will therefore react to Skoda Auto this year, he said.

In mid-2016, car prices on the Czech market were among the cheapest in Europe and the cheapest in Central Europe. Following the expected appreciation of the crown and a moderate rise of prices, the CR cannot be expected to maintain this position, analysts said.

Last year, a record-breaking amount of almost 260,000 new cars was sold on the Czech market. Further growth is expected for this year.

PwC estimates car prices to grow by between 7 and 12% to 278,000-291,000 cars.

CONSUMPTION OF OF GAS IN 2016 – 24. 2.

Czechs consumed 8.26bn cubic metres of natural gas last year, 8.5% more than the year before, according to data from the ERO.³⁶

According to analyst Tomáš Suchý of the Usetreno.cz portal, the increase in consumption was caused mainly by cold weather, particularly at the end of the year.

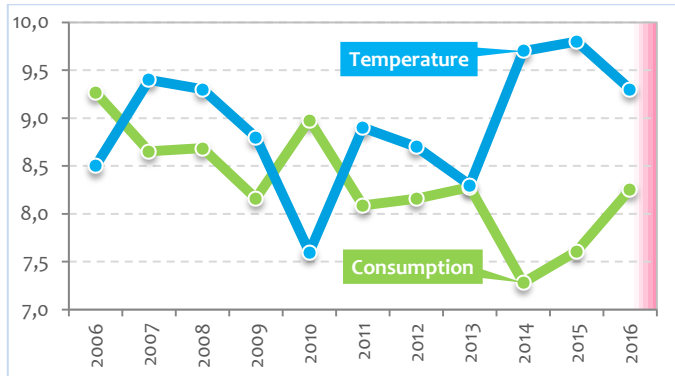
According to ERO, the average temperature in the CR last year was 9.3 degrees Celsius, which was 1.4 degrees above than the long-term average but was below the temperature in 2015, when it reached 9.8 degrees.

Suchý said he expected domestic gas consumption to grow further this year, mainly due to the weather factor again.

"The heating season accounts for about 70% of the annual consumption, so the influence of temperature in this season on the overall gas consumption will remain to be fundamental in the future," he said.

The heating season lasts from the beginning of September to the end of May.

Graph 10: Annual natural gas consumption and average temperature in CR (in bn m³, in °C)



There are about 2.84 million natural gas consumers in the CR, 92.7% of them being households and 7.3% companies.

Large companies consumed 3.84bn cubic metres of natural gas last year, 8.9% more year-on-year.

Households consumed 2.37bn cubic metres, 9.1% more than the year before.

The CR imports most of gas from Russia. The Russian gas flows to the CR mainly via Ukraine and Slovakia, but the CR is also connected to alternative pipelines Gazela pipeline and Jamal.

ČSÚ: 62.9% OF CZECH HOUSEHOLDS ARE BUYING NATURAL GAS

All 4.3 million Czech households use electricity. Natural gas is delivered to 62.9% of the households. This stems from the CSO's Energo 2015 survey. The annual energy intensity in 2015 totalled 65 GJ³⁷ per apartment, down from about 90 GJ two decades ago. Households used two thirds of the energies for heating (196,585 TJ³⁸). They are most frequently using remote-supplied heat, natural gas or renewable energy resources. Water warming (17.4%) holds the second highest share on total energy consumption.

ČEZ INVESTS IN TEMELÍN SUPPLIERS' WORKPLACES – 23.2.

The ČEZ Group plans to invest tens of millions of korunas in the adaptation of premises for suppliers at the Temelín nuclear power plant. The Group has also tightened supplier checks. Each supplier company has several workplaces in an area exceeding 5,000 m². In 2017, the ČEZ Group wants to build 25 new parking places for utility vehicles. Until the end of 2020, the Group plans to adapt the remaining three halls for maintenance. Within the framework of the supplier system, ten companies employing 600 people are active in Temelín.

ČEZ TO SUE ŠKODA JS FOR HUNDREDS OF MILLIONS – 24.2.

Utility ČEZ Group will sue ŠKODA JS for additional funds due to problematic weld controls in Dukovany Nuclear Power Plant. The newly claimed sum could be similar to November 23, 2016, when ČEZ requested damage compensation totalling CZK611mn. The spokesperson for ČEZ, Ladislav Kříž, has told ČIANEWS that the group has announced already at the time of the first legal actions that it is not claiming the entire sum for tactical reasons. ČEZ has decided not to specify future legal steps.

³⁶ ERO: Energy Regulator Office

³⁷ GJ: gigajoule, 1 GJ is equal to 1 billion (10⁹) joules.

³⁸ TJ: terajoule, 1 TJ is equal to 1 trillion (10¹²) joules

ČEZ IS RENTING BATTERIES FOR PHOTOVOLTAIC POWER

PLANTS – 27.2.

Utility ČEZ has started renting batteries for photovoltaic power plants. The firm will offer clients German firm Sonnen's system. The battery rental price, incl. import and assembly, is CZK15,000 per month. The capacity ranges from 2 to 16 kWh and price starts at CZK110,000. If the client buys the battery within six months from the start of the rental, the rental fee will be deducted from the purchase price.

CR'S TOURISM REVENUES UP BY 5.3 PCT TO CZK250BN IN

2015 – 28.2.

The CR's revenues from tourism increased by 5.3% yr/yr to CZK250bn in 2015, with the tourism share in gross domestic product being 2.8 percent, the CSO said in a press release today. A total of 228,000 people worked in tourism in 2015, the CSO said.

Tourism represented 4.4% of Czech employment, Zdeněk Lejsek of the CSO's tourism statistics department said.

Foreigners accounted for 59% of the CR's revenues and domestic tourists spent CZK102bn.

Tourists spent 29% of the total amount on products. In terms of services, transport made up 20 percent, food 20% and accommodation 18% of the total tourist expenses, CSO chairwoman Iva Ritschelova said.

AGROFERT IS BUILDING BAKERY FOR CZK8.5BN IN GERMANY –

28.2.

Chemical and food group Agrofert is building a bakery for CZK8.5bn in Germany and part of the production lines are to start operations this year in autumn, daily Hospodářské noviny writes today.

Agrofert will invest CZK10bn in its bakeries within three years, the remaining CZK1.5bn will go to bakeries in the CR.

Finance Minister Andrej Babiš, who until recently owned Agrofert and company SynBio, has recently transferred the companies to trust funds so that they have the possibility to gain subsidies.

The new bakery is Agrofert's second biggest investment, the daily notes. It will produce packed and pre-baked goods for the German market.

The bakery is being built in Wittenberg, some 100 km south of Berlin on the premises of Agrofert's member chemical producer SKW Piesteritz, which is to help cut costs.

Agrofert is building the bakery on its own land, it will use waste heat from the chemical company and buy energies together with SKW.

"We intend to develop in the baking area the most now and will massively invest in it," Agrofert's board member Zbyněk Průša told the daily.

The investments in Germany target Lieken, one of the biggest German baking chains, that Agrofert bought from Italy's food company Barilla four years ago. Agrofert closed some plants of the chain in the past years.

In the CR, Agrofert invests in the construction of a new bakery in Rosice near Brno and in new lines for bread and sandwiches production near Prague.

In the baking industry, apart from Lieken Agrofert owns in Germany also company Penam which has 12 bakeries and four mills in the CR and five bakeries and four mills in Slovakia. In Prostějov-based firm Profrost, Agrofert produces frozen baked goods. In Hungary, Agrofert owns toast bread producer Ceres.

Annual sales of all bakeries of the Agrofert group exceed CZK20bn. The companies employ over 4,000 people, the daily adds.

CZECH UNIT OF BOSCH TO INVEST CZK1.5BN THIS YEAR – 27.2.

Robert Bosch, a Czech unit of the largest car component manufacturer of the same name, is going to invest almost CZK1.5bn this year, executive and sales director Milan Šlachta told CTK today.

About one third of the funds will be invested in the Denox system which can reduce the amount of nitrogen oxide emissions by as much as 95%.

In the next three years, Robert Bosch wants to invest CZK2.2bn. It will create 650 jobs, extend its research and testing centre and increase its production capacity.

The company has obtained a promise of investment incentive worth CZK443.6m.

In recent years, Robert Bosch has invested almost CZK1bn annually.

The company was founded in 1992 as a joint venture of Robert Bosch GmbH Stuttgart and Motor Jikov a.s. Ceske Budejovice. Since 1995 it has been a 100-percent subsidiary of the German group Bosch.

The company has raised its employees' wages by 4.5% this year.

CEEC: INVESTORS OPENED BUILDING TENDERS WORTH

CZK174.2BN – 24.2.

Public investors opened totally 3,031 building work tenders worth CZK174.2bn in the course of 2016, the highest value in five years and up 30.1% y/y for number and 84.1% for value. This stems from an analysis by CEEC Research. 18 major tenders opened by the Road and Motorway Directorate and the RIA³⁹ account for almost half of the total value. CEEC Research's director Jiří Vacek has told ČIANEWS that investors improved preparation in 2016.

MOST POWERFUL LASER IN PRAGUE TO SPARK INDUSTRIAL AND SCIENTIFIC ADVANCES – 1.3.

The most powerful laser in the world is now up and running on the outskirts of Prague. The HiLASE laser centre is the result of Czech-British cooperation helped with European funds. It is hoped that many of the applications that will be tested there will have an almost immediate impact in certain fields such as aeronautics, medicine, and the car industry. Others could contribute to scientific advances further down the line.

³⁹ RIA: Railway Infrastructure Administration (also SŽDC in Czech)

TRADE & TAX & SERVICES

**≡ BIGGEST TEST FOR ELECTRONIC CASH REGISTERS ROLL-OUT
FROM MARCH 1 – 27.2.**

The biggest test of the roll-out of the MF's flagship measure, electronic cash registers or EET⁴⁰ as it is known under its Czech acronym, comes on Wednesday.

That is when around 250,000 businesses should become liable for using the registers under the second stage of the four stage process.

In the first stage at the start of December, just around 45,000 businesses, mostly restaurants, pensions, and hotels, became liable to use the registers in a move which finance minister and leader of the ANO⁴¹ party, Andrej Babiš, says is a fundamental crackdown on tax avoidance and the grey economy.

The companies now in line for EET are retailers from the smallest corner shops to large specialist shops. Some types of electronic commerce, such as those retailers who are paid using PayPal, will also be liable.

First indications suggest that many of these stores have not prepared that well. As of mid-February, less than half of the latest wave of EET users, around 102,000 firms, had registered with local finance offices to carry out transactions. The MF promised some leniency ahead of the first wave, saying that business which honestly attempted to get to grips with the new system but failed for various reasons would not be immediately fined. But the tone appears to have changed ahead of the second wave. Deputy minister of finance, Alena Schillerová, suggested that firms have been given plenty of notice and should not expect too many favours this time round.

Following the launch of the first wave, almost 7,700 checks have been carried out by MF officials by February 20. They registered just over 1,000 cases where companies failed to follow the rules and levied fines totalling almost 87,000 crowns. The top fine for breaking the rules is 500,000 crowns. Wednesday's broadening of electronic registers affects just over 40 percent of all those which should eventually be liable. The third phase involves 160,000 companies or self-employed and the fourth, affecting everyone from hairdressers to painters, another 150,000.

The jury appears to be out so far over how effective electronic cash registers are. The MF declared in December that declared turnover from restaurants and hotels doubled from the previous period. Much of that increase was put down to businesses coming clean over their real turnover.

A largely inconclusive war of words was also waged over how many small pubs and restaurants actually closed because of the EET obligation. Breweries, who claim to have a particularly good insight, say that hundreds have closed because of the extra bureaucratic burden. And many businesses, especially in the regions outside Prague, complain that some of the expensive hardware and software

⁴⁰ EET: electronic cash registers system, a method of online registration of sales, when the data on each transaction of merchant are sent online to the financial administration. EET system was launched in the CR on December 1, 2016, it has been introduced already in other countries: in Croatia (2013), in Hungary (2015), where it is operated via a hybrid system of cash registers and online registration, in Slovenia (early 2016); in Slovakia,

they have bought to comply with the ministry's demands simply do not work, or function intermittently on the ground. One such businesswoman told Radio Prague that her EET provider said it gave no guarantees that the system would actually work when she had problems and that the only option offered by the phone company, O2, was to get in contact with one of their helpers for a paid session to try and iron out the issues. She closed the business while trying to get the problems resolved.

**GA CR WANTS TO PREVENT OBSTACLES TO GOODS MOVEMENT
AFTER BREXIT – 23.2.**

The main priorities of the CR for the negotiations about the conditions to terminate the United Kingdom's membership in the European Union are the preservation of the current access to the goods and services market, the assurance of rights for Czech citizens and the resolution of budgetary affairs. Among other things, the goal of the CR will be to prevent tariff and non-tariff obstacles to the movement of goods and services. The determination of future relations with the United Kingdom in the areas of internal and external security will also be essential. This information is contained in the statement prepared by chairmen of parliamentary political parties on the Brexit negotiations, published by the Office of the Govt of the CR on February 22, 2017.

CTK PRICES IN RESTAURANTS RISE – 26. 2.

Prices of meals, non-alcoholic drinks and draught beer in restaurants grew about 3% between November and December last year, according to data from the CSO.

While prices of meals grew by several crowns, those of draught beer rose by around 80 hellers. The average price of a daily menu increased from CZK89.30 to CZK91.49.

Restaurants were obliged to introduce EET as of December 1. At the same time, VAT⁴² for restaurants decreased from 21 to 15%.

According to analyst David Marek of Deloitte, the December price hike can be attributed mainly to the introduction of EET.

TRANSPORT**GA B. SOBOTKA: STUDY FOR PRAHA-BŘECLAV ROUTE WILL BE
COMPLETED BY 2019 – 23.2.**

The preparation of the Prague-Brno-Břeclav high-speed route continues. The feasibility study is scheduled to be completed by 2019, Prime Minister Bohuslav Sobotka (ČSSD) has stated after the talks about the acceleration of the high-speed connection with the Ministry of Transport, city of Prague, city of Brno and regions.

CTK REPAIRS OF ROADS – 27. 2.

The Govt will provide CZK3bn to regions for repairs of lower-category roads this year, CZK2.5bn of the amount from the SFTI⁴³ and CZK0.5bn from the Govt's budget reserve, cabinet spokesman Martin Ayzer announced on Twitter today.

After several weeks of disputes between Prime Minister Bohuslav Sobotka and Transport Minister Dan Ťok, regions

where online registration of sales is optional. Offline registration of sales using cash registers was introduced also in other 15 EU countries by 2016.

⁴¹ ANO: ANO 2011, centre-right party

⁴² VAT: Value-added tax

⁴³ SFTI: State Fund for Transport Infrastructure

will get the same amount of money for repairs of roads as last year as Sobotka wanted.

Tok proposed to take CZK1.5bn from the Govt's budget reserve. However, Sobotka is of the opinion that it would not be reasonable to dissolve almost a half of the CZK4bn Govt budget reserve at the beginning of the year already.

The Govt originally demanded that the Transport Ministry finds some CZK3bn for an extraordinary subsidy to regions.

At the end of January, Ťok said at a meeting with representatives of regions that CZK2bn could be contributed from the SFTI fund and later raised the amount by CZK500m. Finance Minister Andrej Babiš then announced that another up to CZK1.5bn could be released from the Govt's budget reserve.

The Govt has not yet agreed on financial assistance to regions for raising of wages of bus drivers in regions.

Association of Regions chairwoman Jana Vildumetzova considered the proposal for providing CZK4bn for regions as a compromise that would cover also the spending on the wage increase for bus drivers.

The transport workers' union gave an ultimatum to the Govt, employers and regions, they are willing to hold talks until March 15 and then are prepared to strike.

STUDENT AGENCY SELLS PLANE TICKETS WORTH CZK3.3BN IN 2016 – 1.3.

Czech transport operator Student Agency sold CZK3.3bn worth of plane tickets in the CR and Slovakia in 2016, which is 5% more year on year, the company's plane ticket division head Vera Janičinová said in a press release.

Student Agency of entrepreneur Radim Jančura maintains its number one position on the Czech and Slovak markets.

The plane tickets sales increased, even though the average ticket price dropped from CZK10,400 to CZK9,400. The reason for the decline was the low fuel price and changes in the sales and tariff policy of traditional airlines affected by low-cost carriers, Janičinová said.

Ticket sales grew in terms of individuals and the corporate clientele. The rise was affected by competition among airlines leading to exceptionally favourable prices.

Many key destinations, such as London, Paris, Dubai, Bangkok, New York, Havana and Miami report low prices and Czechs take advantage of that, Janičinová stated.

Provided the economy keeps growing this year, the company expects another sales rise, which could be even bigger if the Czech crown strengthens once the CNB's intervention regime ends.

The share of people buying tickets online is increasing and it reached 60% of the total number last year.

Student Agency's competitor Asiana company operating Letuska.cz website sold tickets worth CZK2.8bn in 2016, reporting a growth.

METROSTAV, SWIETELSKY TO MODERNISE PRAGUE RAILWAY HUB FOR CZK3.5BN – 28.2.

The selection commission has recommended the grouping of builders Metrostav, Swietelsky Rail and SMP CZ for modernising the Prague railway hub, the grouping has

offered CZK3.487bn without VAT, RIA spokesman Marek Illias told CTK.

The commission has also chosen the grouping of builders Hochtief, Strabag and Avers for repairing Prague's Negerelli Viaduct, the grouping has offered CZK1.046bn without VAT for doing the work.

If no rival objects to the decisions, RIA expects signing of the contracts for work in around three weeks, Illias said.

Six companies took part in the tender for the railway hub's modernisation, the grouping of companies Eurovia, Strabag Rail and GJW Praha came second with price at CZK3.68bn.

The modernisation of the railway connection from the Prague-Vinohrady railway tunnels to Prague-Hostivař is part of the Prague railway hub.

RIA opened the tender last year in autumn for the second time. The commission last year in June recommended company Chládek a Tintěra with price at CZK3.4bn.

RIA then cancelled the tender because it could not properly assess qualification criteria of all the bidders. The winning firm then turned to antimonopoly office UOHS, demanding ban on calling a new tender. In the end, it took back its request so RIA opened a new tender.

As for the Negerelli Viaduct, it is part of the planned modernisation of a railway line to the town of Kladno with branch line to the Vaclav Havel Airport Prague. The reconstruction is to last until 2019.

CD WILL MODERNISE 25 TRAIN CARS FOR NEARLY CZK400M – 1.3.

CD⁴⁴ will modernise 25 train cars for the long-distance transport for nearly CZK400m. The contract will be awarded to CD's subsidiary DPOV. All modernised train cars will likely be available for CD beginning the train schedule 2018/2019. The cars will newly offer also electronic information and booking system, a WiFi connection, and new 230 V sockets with USB connections.

ŠKODA TRANSPORTATION INVESTED CZK80M INTO PRODUCTION – 28.2.

Škoda Transportation has invested ca. CZK80m into the production background of the Škoda facility in Plzeň.

The goal was primarily to boost production capacity and increase the efficiency of production of new tramways, locomotives and trains. According to the company, the most important project was the opening of a new welding facility for over CZK50m. The firm's rough building structure and car body welding capacity will be raised by ca. a third.

The company will open also a new laboratory and premises for test welding, testing and its own welding school. Another investment totalling about CZK20m was made into a new vehicle gluing process facility.

ŠKODA AUTO COMPLETES APPRENTICE TRAINING CENTRE MODERNISATION FOR CZK200M – 23.2.

ŠKODA AUTO has completed modernisation of the secondary vocational school of engineering in the company's seat in Mladá Boleslav. The carmaker invested in a new robotics centre, a multipurpose hall, a language centre, a CNC

⁴⁴ CD: Czech Railways, is the main railway operator in the Czech Republic providing regional and long-distance services.

- centre and in workshops for a special class. The total investment that started in 2014 exceeded CZK200m. ŠKODA AUTO has completed modernisation of the secondary vocational school of engineering in the company's seat in Mladá Boleslav. The carmaker invested in a new robotics centre, a multipurpose hall, a language centre, a CNC - centre and in workshops for a special class. The total investment that started in 2014 exceeded CZK200m.

OPC HAS CANCELLED CD TENDER FOR 20 TRAINS WORTH CZK4.6BN – 27.2.

The OPC⁴⁵ cancelled the České Dráhy (CD) tender for the delivery of 20 electric trains worth CZK4.6bn. This was confirmed for ČIANEWS by OPC chairman Petr Rafaj. The office said that the contracting authority's requirement that the deadline for the delivery of the first two units be at least 15 months from the signing of the contract is inappropriate. According to OPC this requirement disqualified from the tender most known suppliers active on the track vehicle manufacturing market.

PRAGUE PUBLIC TRANSIT CO. READIES TRAMWAY ROUTE TO LIBUŠ WORTH CZK500M – 1.3.

Prague Public Transit Company is readying the construction of a new tramway route from the existing Sídliště Modřany loop to the new final stop, Libuš, 1.9km from the current loop. The new loop will be located at the planned D metro station Libuš. The investment costs are estimated at CZK500m. The Company's board of directors chairman and general director Martin Gillar stated that the company would like to gain the required zoning verdict in 2017.

INTRODUCTION OF EUROPEAN TRAIN CONTROL SYSTEM IN CR STAGNATES-SAO – 27.2.

The introduction of the European Train Control System (ETCS) to Czech railways stagnates and it is used on only 22 km, while it was supposed to be on more than 1,300 km last year, according to original plans of the Transport Ministry, the SAO⁴⁶ said.

The delay is caused by previous ministry's leadership and a slow technology development, the Transport Ministry said. The SAO pointed out that the Global System for Mobile Communications - Railway (GSM-R) has been monopolised by one supplier.

The SAO investigated building of railway systems in 2009-2016, checking six projects worth over CZK2.1bn.

The CR is supposed to introduce the GSM-R and ETCS systems on more than 2,600 km of railways, according to the EU. Both systems have to be created to have the expected effect, the SAO said.

GSM-R was introduced on nearly 1,750 km at the time of the check. The ETCS is falling behind the GSM-R system because of technology reasons, according to RIA rail track management company.

GSM-R is a system independent of other systems, and railways with older security systems can use it. On the other hand, ETCS has to be directly connected to the operating

security technology, which is why some systems need to be replaced first, RIA said.

The ministry has not elaborated any binding schedule, which affected the systems introduction delay, the SAO stated.

The previous slow introduction of the European systems was negatively impacted mainly by halted transport projects' preparation in 2010-2011, when Vít Barta was minister, the Transport Ministry spokesman Tomas Neřold said.

The ETCS technology development and testing hampers the EU plans in the CR and other countries, Neřold said.

However, preparations of several projects on backbone routes are being completed, introducing the security system, he added.

It is not clear how much the systems introduction will cost, the SAO said, adding it could reach tens of bn of crowns, based on partial price estimates of the ministry. The ministry will not be able to evaluate benefits to the rail transport as it has established unsuitable indicators to do so.

The systems' purpose was assessed based on a feasibility study and valid methods, Neřold stated.

The GSM-R monopoly was set up for the pilot project's winner in 2005. It could have been impacted by conditions and specific technical requirements established in orders by RIA, the SAO said, adding that the orders, within checked projects, amounted to CZK1.9bn.

The Transport Ministry said that it ran checks of all GSM-R orders. It found problems including excessive qualification requirements.

Systems GSM-R and ETCS are to ensure safe and uninterrupted operation of trans-European railway system transporters on Czech railways, enabling other transporters to enter the Czech market.

VODAFONE COVERS 99% OF POPULATION WITH LTE 4G SIGNAL – 23.2.

Vodafone CR has covered all districts in the CR with LTE 4G signal. According to the frequency auction criteria, mobile operators were supposed to cover 95% of the population in all districts of the CR with LTE 4G signal by Q1 2021. Vodafone CR currently covers 99% of the population.

POLITICS & OTHER

M. ZEMAN REVOKES J. MLÁDEK, INDUSTRY MIN IS LED BY B. SOBOTKA – 1.3.

Czech President Miloš Zeman revoked Jan Mládek (ČSSD) from the post of the Minister of Industry and Trade on February 28, 2017. With effect from March 1, 2017, the President entrusted PM Bohuslav Sobotka (ČSSD) with the leadership of the Ministry of Industry and Trade.

MINISTERS OF FINANCE AND INTERIOR WILL JOIN M. ZEMAN ON TRIP TO USA – 1.3.

Czech Minister of Finance Andrej Babiš (ANO) and Czech Minister of the Interior Milan Chovanec (ČSSD) will be members of the Czech delegation heading to the USA at the end of April. They will join Czech President Miloš Zeman at a meeting with US President Donald Trump.

⁴⁵ OPC: Office for the Protection of Competition, the central authority of state administration responsible for creating conditions that favour and protect competition,

supervision over public procurement and consultation and monitoring in relation to the provision of state aid.

⁴⁶ SAO: Supreme Audit Office

CIA BABIŠ RETAINS POSITION AS HEAD OF ANO – 27.2.

Andrej Babiš has gained 195 out of 210 present votes at the ANO convention and retains his position as the leader of the movement. In his speech, he presented priorities for the upcoming parliamentary election. He refused special sector taxes and other investment incentives, adding that the Czech economy did not need them. He wants to cut income tax for people earning less than CZK113,000 per month. He also intends to reduce social security payments made by companies on condition that the saved money is invested in wages. He also proposed to cut the number of legislators from 281 to 101. Minister of Defence Martin Stropnický became deputy chairman with 174 votes. Other vice chairmen include Minister of the Environment Richard Brabec (171 votes), Mayor of Brno Petr Vokřál (173 votes) and Central Bohemian Governor Jaroslava Pokorná Jermanová (169 votes).

CIA SOBOTKA WILL TEMPORARILY MANAGE MPO – 24.2.

Czech PM Bohuslav Sobotka (ČSSD) informed that Czech President Miloš Zeman has accepted his proposal to remove Czech Minister of Industry and Trade Jan Mládek (ČSSD) from his position. This will take place as of the end of February 2017. PM Sobotka asked the president for authorising him as a temporary minister of the industry and trade. He will propose the new minister after the ČSSD assembly in March. He said that he wanted to complete changes related with the situation on the market of mobile operators and laws improving rights of consumers with a goal to reduce the price of mobile data for them.

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