

# Central and Eastern Europe Business Opportunities



## DID YOU KNOW...?

### PRAGUE

... capital of the Czech Republic, is the highest-ranking Central and Eastern European city according to Mercer Quality of Living Survey.

### SOFIA

... is the second oldest city in Europe, founded 7,000 years ago.

### BUCHAREST

... capital of Romania, has the densest population per capita among all cities in the EU, and is EU's 6<sup>th</sup> largest by population.



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## COUNTRY NEWS

### POLAND

#### GDP grew by 4.3% in 2011, beating market expectations

Poland has been enjoying the longest period of uninterrupted growth in Europe (last decline occurring in 1991). Its GDP grew (by 1.6%) even in 2009, while the rest of Europe, with no exceptions, went down! The Polish economy expanded by 3.9% in 2010 and 4.3% in 2011.

### POLAND AND CZECH REPUBLIC

#### Poland and the Czech Republic drive the industry in the EU

Year-on-year industrial production results for December 2011 brought surprising findings! Poland and the Czech Republic were the EU leaders with industrial production up by 10% and 4.4% respectively. For the entire EU, the indicator declined by slightly less than 1%.

### UKRAINE

#### An emerging market for renewable resource technologies

Ukraine's energy supply is dominated by nuclear, fossil-fuel heavy thermal and hydropower plants, combining for 99% supply now – with nearly no energy obtained from renewable resources despite vast potential especially of wind and solar energy. By 2030, however, renewables should cover 19% of the country's energy needs. Ukraine also stipulates that local content in power equipment required to qualify for green (feed-in) tariffs needs to reach 15% in 2012, 30% by 2013 and 50% by 2014. However, very few technologies are currently available in Ukraine. The State Program on Energy Efficiency thus presents an opportunity for export of green energy technologies in the short term, and investments/partnerships in local production in the medium term.

### CZECH REPUBLIC

#### Jihlavan Airplanes Skyleader to produce a new type of aircraft in consortium with US and Chinese companies

In a joint venture with US and Chinese partners, the company will produce a **brand new type of aircraft** – a gyroplane or a small two-seat or six-seat plane with a helicopter-like propeller – **first of its type** worldwide. The project is backed by a consortium of Guangzhou Suntrans Aviation Science and Technology of China (75% share) and Groen Brothers Aviation (GBA, 25% share). China alone is interested in acquiring **1,000 planes** of this type. (The country has recently decided to open its airspace below 3,000 meters to public, which is expected to create a huge market for small private planes in China.) Czech producers of light sport aircraft belong to the best in the world, currently supplying a quarter of the US market.

### ROMANIA

#### A new seat systems plant opened by Johnson Controls

The new production facility built in premises of the Ford plant in Craiova will assemble seat systems for up to 1,300 cars - the new B-MAX minivan – each day. The model is to be rolled out during 2012.

### LITHUANIA

#### Lithuania to build a nuclear power plant in Visaginas

The country plans to build a nuclear plant together with Latvia and Estonia, and Hitachi of Japan in alliance with GE Nuclear Energy as a strategic investor. The **USD 5.1 billion project** should become **operational by 2020**.

### CEE

#### Banks in CEE amongst the strongest in the world

According to a study by Boston Consulting Group that evaluated the effects of new capital reserve requirements imposed by the Basel III regulations, capital adequacy ratios maintained by CEE banks reach a high level of 11.4%, which places them at the forefront in the global banking sector.

COUNTRY IN  
A NUTSHELL

## SLOVAKIA

- ◆ Enjoyed 15 consecutive years of growth from 1994 to 2008 (averaging 4.7% over the period), back to 3-4% growth in 2010-11
- ◆ Adopted the Euro in 2009 as only the second country in the region
- ◆ Ranks **third** in CEE in terms of GDP per capita (after Slovenia and the Czech Republic)
- ◆ Car production in Slovakia reached a **record-high 650,000 in 2011**, up by almost one-fourth compared to 2010

Area & Capital	48,845 sq. km / Bratislava
Population & Language	5.44 million / Slovak language
Currency	Euro (EUR)
GDP per capita (PPP, 2011)	USD 23,400 / EUR 16,800

## MARKET AND SECTOR HIGHLIGHTS

**Security software: Czech Republic****AVG Technologies, the first Czech company ever makes a NYSE debut, AVAST recently filed registration statements for proposed IPO with SEC**

AVG Technologies began trading on the NYSE on February 2. Also, Avast Software has filed a Registration Statement with the U.S. Securities and Exchange Commission for a proposed initial public offering. Both companies, originally established in the Czech Republic, have become leading developers of antivirus and security software in the world. Applications of AVAST Software serve over 147 million active and 192 million registered users around the world. AVG's user base comprises approximately 106 million active users.

**Shale gas and oil: Poland, Lithuania and Bulgaria****Will Poland have shale oil?**

Northern and Eastern parts of Poland may have large quantities of shale oil. The Polish Geological Institute together with US Geological Survey experts are studying deposits in areas belonging to Silurian and PGNiG of Poland, Chevron and Exxon Mobile of the U.S., and ENI of Italy. Results are expected by the end of Q1 2012.

**Bulgaria's new decision on use of fracking technology**

Bulgaria's government has decided to amend the license awarded to Chevron. It now bans the company from using hydraulic fracturing technology while exploring potential shale gas reserves in the northeast of Bulgaria.

**Lotos to drill in Lithuania**

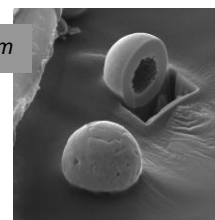
Polish oil company Lotos plans to begin search for shale gas and oil in Lithuania. The company also plans to participate in a **tender to be launched this spring for a license to explore two new sites** close to the border with Poland.

## MARKET LEADER PROFILE

**CZECH REPUBLIC – Scanning microscopes producer growing worldwide****Sales of Tescan up by 75% in 2011**

The company has established itself as a **world-leading supplier of scanning electron microscopes** and focused ion beam workstations; about a quarter of its production volume is exported to South Korea and another quarter to the United States. The company has been able to maintain record-high sales even at times of economic downturn. Tescan currently employs 160 people in its plant in Brno, Czech Republic and additional 40 at their distribution facilities in the United States and China. Its **gross sales grew by 75%** from CZK 376 million (USD 20 million) in 2010 to CZK 659 (USD 37 million) in 2011.

Gun-shot residuum



## EASYLINK'S CURRENT &amp; RECENT PROJECTS

- ◆ Research of pipe bushing market in Poland
- ◆ Identification, selection and business meetings with distributors of metallurgical products, stainless steel, wrought iron in the Czech Republic and Slovakia
- ◆ Market research and partner search for a Czech supplier of automotive window foils, targeting Poland, Hungary and Slovakia
- ◆ Business meetings with furniture manufacturers in Poland arranged for a US hardwood exporter
- ◆ Background check of a prospective distributor in Russia for a US mobile communication company

Newsletter resources: Warsaw Business Journal, Kyiv Post, Romania Business Review, company press releases, PMR, and other local media outlets