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## REFERENCES

[South Moravian Innovation Centre](#) [[link](#)]

[Czech Investment and Business Development Agency](#) [[link](#)]

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16 February 2006

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### Czech biotech sector finds its feet

Mary Lisbeth D'Amico

**Spinning out a company in the Czech Republic is far from common. But that isn't stopping Jiri Damborsky, a professor with the protein engineering group at Masaryk University in the city of Brno. After some 12 years leading a research team that has developed ways to synthesize chemical compounds with enzymes, Damborsky has founded his own company, Enantis.**

"We wanted to see what we have been working on put into practice, and we realised that to do that we would have to do it ourselves," says Damborsky, whose company will focus on applications in neutralising the deadly effects of mustard gas, as well as for uses in drug development.

Czech development authorities are hoping that more university researchers will follow Damborsky's example, helping turn Brno, a metropolis of 1.1 million people in the southeast Czech Republic, into an emerging biotech hub.

Masaryk University has teamed up with the Technical University in Brno, the Veterinary and Pharmaceutical University of Brno and the Mendel University of Agriculture and Forestry as well as local and regional authorities to form the South Moravian Innovation Centre, which is



Jiri Damborsky,  
Masaryk University

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working to develop the commercial potential within these research centres. Masaryk, the Czech Republic's second-largest university, has used EU grants to upgrade its campus, which included a new research and teaching hospital as well as new laboratories for bio-medicine technologies.

Enantis will also be one of the first firms in a new biotech incubator that is under construction on the Masaryk campus. The incubator is to be opened in 2008 and will have capacity for about 30 companies, according to Michal Kostak, biotech sector manager with the South Moravian Innovation Centre. The centre is already coaching about ten projects from the area.

Brno is not the only area of the country where biotech thrives. According to government development agency Czechinvest roughly 120 biotech companies are spread between Brno, Prague, Hradec Králové – a city in Eastern Bohemia that hosts the Military Medical Academy, and the faculty of medicines and pharmacy for Prague-based Charles University – as well as in Nové Hradky near the Austrian border. Among the better-known ones are IQA, a Prague-based company that focuses on drugs to treat cancer and HIV, and Exbio, which that manufactures and supplies antibodies and oversees research in recombinant proteins and antibodies on behalf of other companies.

### Strong selling points

Czechinvest is of course keen to promote the advantages of the Czech Republic as a centre for biotech, and the selling points are strong. The Czechs have a strong pharmaceutical tradition to hark back to; they like to point out that Gregor Mendel, whose experiments with pea plants are considered the forerunner of modern genetics, hails from the Moravian village of Hyncice.

And although 40 years of communist rule disrupted that tradition, institutions such as the Czech Academy of Sciences still carry out vital basic research in this area. For example, the FDA-approved drugs Viread, an HIV suppression drug as well as Hepsera, a treatment for hepatitis-B, are based on compounds discovered by Antonin Holy of the academy's Institute of Organic Chemistry and Biochemistry. Other researchers in the Czech Republic are focusing on stem cell research, which has recently been legally approved by the government.

Other selling points for the country in seeking foreign investment in the biotech sector, are those common across the Eastern European

cancer and HIV and improving performance and effectiveness of established drugs.

[www.iqa.cz](http://www.iqa.cz) [[link](#)]

#### ADW Bio

Large scale production of bio-ethanol, an alternative to fossil fuel, derived from surplus grains, currently a subsidiary of bio-diesel company ADW Holding based in Kojetice, Moravia.

[www.adw.cz](http://www.adw.cz) [[link](#)]

#### Lambda

Develops, manufactures and sells high-end laboratory equipment.

[www.lambda.cz](http://www.lambda.cz) [[link](#)]

#### Enantis

Exploring commercial uses for microbial enzymes including the detoxification of mustard gases for military, anti-terrorism use.

#### Saccell

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#### BP Medical

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region: low labour costs and corporate tax rates – which are currently around 24 per cent – combined with a highly-skilled work force.

According to recent OECD figures, 28.7 per cent of recent Czech graduates won degrees in science and engineering, compared with only 17.4 per cent in the US, for example. And Czechinvest notes that slightly more than 18.5 per cent, or 7400 graduates a year, earn life sciences degrees.

### Tax breaks

The government does award grants to SMEs and give tax relief for up to ten years to those that start new companies, and companies R&D costs can also be deducted from their taxes.

Drawn by some of these advantages, companies such as Baxter International and Lonza Biotec have opened drug research facilities in the country. Still, these attributes are shared by many of the Czech Republic's neighbours including Slovakia, Romania, Poland and in particular Hungary, which also has a strong pharmaceutical tradition.

It is not clear, however, that the federal government has understood that the Czech Republic needs a more specific policy to support R&D-based companies. Czechinvest, for one, cannot say how much the government annually invests in R&D.

And although the government grants subsidies towards building technology centres, the grants depend on the facility being "in regular production within three years" – far too short a time frame to help real early-stage R&D-based companies. Other than that, there are no specific measures to support the creation of start-ups. Government-sponsored seed capital is as of yet unknown.

Legislative support is coming slowly. Spin-outs have now been legitimised, but other measures are still only under discussion. "We have no history of this in the Czech Republic," says Jiří Hudeček, CEO of the South Moravian Innovation Centre, referring to the creation of spin-outs and support for start-ups.

Indeed, much of the financial support until now has come more from European Union grants. Hudeček says that the EU structural fund is bankrolling the cost of the biotech incubator, for example. And the federal government's contribution to the South Moravian Innovation Centre's €1.2 million annual budget is modest. Half of that comes from the Moravian state government.

There have, however, been a few early spin-offs from some of the government-owned basic research institutes, such as the companies Exbio and IQA, that could provide a model for the way forward. IQA, spun-out from the Research Institute for Pharmacy and Biochemistry, received an undisclosed investment from Brno-based Cash Reform Group in 2001. Although this is often touted as the region's first VC-financed life sciences deal, Cash Reform is more of a financial lender to manufacturing companies than a true VC.

Indeed, VCs that do early-stage are few and far between in the region (see Accession countries play VC catch-up) and the needs of seed-stage companies such as Enantis are still poorly served. That's why the Brno-based company has chosen to forgo VC funding altogether in favour of contract research. "Our project is very risky and we won't be able to provide investors a return that quickly," notes Damborsky. Once Enantis proves its commercial viability, he notes, it could reconsider.