

INVESTMENT OPPORTUNITIES

Business Support Services in the Czech Republic



Contents

1	Shared Services in the Czech Republic	11	High Amenity Property Environment
2	Offshoring? Nearshoring!	12	Locations for BSS Projects
3	Trends In Business Support Services	13	Regional Capitals – Emerging Locations for BSS Projects
4	Top Quality Labour Resources	14	High-quality Infrastructure
5	Multiple Language Skills	15	Exquisite Life Style
6	Labour Costs and Development	16	Business Development Support
7	Case Studies		

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Last update: May 2007



CzechInvest offers you the following services: Information collection, tailor-made visits to the Czech Republic, handling of investment incentives, business property identification, supplier identification, aftercare services, and business infrastructure development. CzechInvest is the only agency to have been awarded “European and Candidate Country Investment Promotion Agency of the Year” for three consecutive years. This underscores the agency’s professionalism in terms of fully anticipating and responding to the needs of the investor. CzechInvest is a one-stop-shop for foreign investors. All our services are offered **free of charge**.

Shared Services in the Czech Republic

Czech Shared Services Sector at a Glance

Number one in Europe and seventh globally, was how A.T. Kearney ranked the Czech Republic for offshoring services, thereby explaining why the country's leadership in attracting manufacturing investment is now matched within business support services.

World class e-readiness and feature-rich telecommunications combine with exceptional intellectual capital, extensive linguistic skills and cost efficiency, to set the Czech Republic apart – not only as a recipient of high value added outsourcing, but as a major European centre for research and development and technological entrepreneurship.

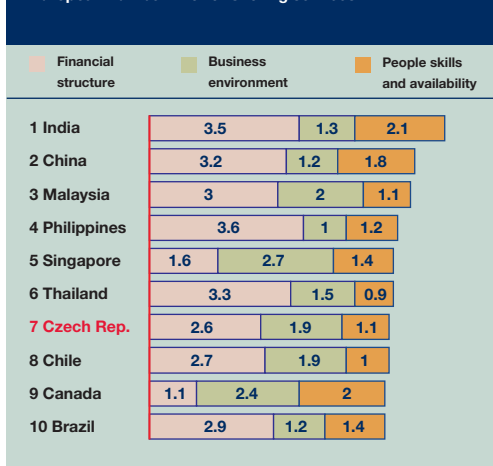
Prague served as the original beacon guiding international companies into the Czech Republic and in so doing, is now hosting some of the most significant shared services operations in Europe with several operating in more than twelve languages and others, like DHL, making the city their global IT headquarters.

Reflecting the Czech Republic's broad regional economic diversity, however, investors are appreciating that their needs can also be competitively satisfied within the regional centres and university towns offering rich seams of talent coupled with low overheads. Centres like Ostrava, Brno, Pilsen and Olomouc, to name but a few, also offer a high living amenity and have local teams in place linked to CzechInvest investor services.

Unlike other recent EU Member countries, the labour supply in the Czech Republic has not been undermined by emigration. Moreover, a student population which has grown by over 70% during the last ten years to well over a quarter of a million and the migration to the Czech Republic from so many neighbouring countries, has only served to complement both labour availability and linguistic competences and thereby sustain competitiveness.

Irrespective of your interests being in offshoring or nearshoring, CzechInvest, the Investment and Business Development Agency of the Czech Republic, is a full service agency committed to developing and delivering solutions matching your needs, be they for a greenfield operation, renting existing offices and /or the identification of a strategic Czech partner.

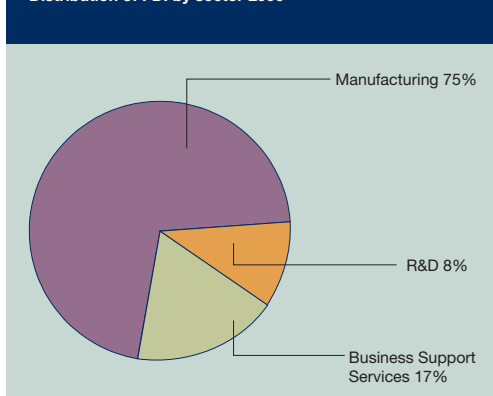
European number 1 for offshoring services



Source: A.T.KEARNEY Global Services Location Index, 2005

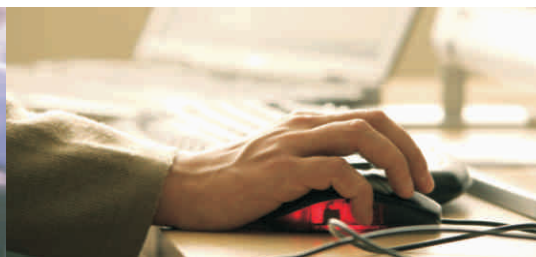
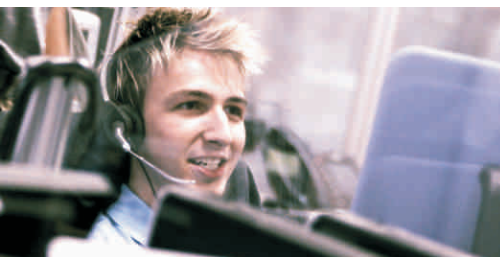
Note: The Global Services Location Index rates countries according to three factors: financial structure, business environment and people skills and availability. The numbers in the bars are index numbers. The weight distribution for the three categories is 40:30:30, meaning that the financial structure is rated on a scale of 1 to 4, and that business environment, and people skills and availability are on a scale of 1 to 3.

Distribution of FDI by sector 2006



Source: CzechInvest, 2007

Note: The structure of successful investment projects is proving that the Czech Republic is moving from quantity to quality. Every year the number of BSS projects supported by CI is growing. While in 1999 most of the investment projects were represented by manufacturing projects, in 2006 BSS projects comprised 17% of the total number of 176 investment projects.



Offshoring? Nearshoring!

In the heart of Europe - approximate flight time



Source: CzechInvest, 2007

Are you considering offshoring? Think about nearshoring instead: Prague is only about a two-hour flight from most major European cities, whereas other offshoring locations like India require much longer journeys and are in different time zones. English is widely spoken in business as well as daily life and many more languages bridge the West and East in the Czech Republic. Training, promotion, secondment and career development can maximize the potential of agents in service centres more than a simple salary increase. The latest technology and modern working environment highlight the benefits of this Central European location. The nearshoring solutions on offer are considerably cheaper than a Western Europe operation.

With its seventh-place ranking in A.T. Kearney's 2005 "Global Services Location Index" the Czech Republic overtook its rivals in the region and is the number one location in Europe. This index rates countries according to three factors: financial structure, business environment and people skills and availability. Poland and Hungary ranked 18th and 19th, respectively. The high scores of these countries reflect the increasing interest in Eastern Europe as a nearshoring location for European companies.

A recent Economist Intelligence Unit study (CEO Briefing, Corporate Priorities for 2005) ranks the Czech Republic third among the world's most attractive offshoring locations, just behind India and China. The criteria assessed were proximity, political environment and security, macroeconomic stability, regulatory environment, tax regime, labour costs, labour skills, labour regulation and infrastructure. "The Czech Republic's potential stems from a combination of relatively low labour costs, an attractive regulatory environment, and close proximity to Western Europe, with which it also shares close cultural and historical ties. The country's relatively well-educated workforce broadens its attractiveness as an offshoring location beyond that of regional competitors such as Poland and Slovakia."

Offshoring environment rankings

Country	Score	Rank
India	7.76	1
China	7.34	2
Czech Republic	7.26	3
Singapore	7.25	4
Poland	7.24	5
Canada	7.23	6
Hong Kong	7.19	7
Hungary	7.17	8

Source: Economist Intelligence Unit, 2005

Reasons for investment in the Czech Republic:

- ICT infrastructure
- Skilled workforce availability
- Proximity to markets or customers
- Lower costs
- Language skills
- Regulations or business climate
- Facilities site or real estate
- IPA or governmental support



Trends in Business Support Services

Types of Business Support Services:

- Shared services centres
- Customer contact centres
- ICT expert solution centres
- Software development centres
- High-tech repair centres
- Headquarters

The business support services represent one of the most rapidly emerging sectors of the Czech economy. The growing number of firms that establish their shared services, customer support, or software development centres in the Czech Republic confirms the country's attractiveness for this sector and type of business. In 2006 alone, more than 30 BSS projects were launched in the Czech Republic. Existing projects perform well in the Czech Republic and after a few years they usually expand in both number of employees and the range of services provided.

For instance **Siemens** started its activities in the Czech Republic with manufacturing, afterwards expanding into R&D and shared services. Their 24 subsidiaries employ around 14,000 employees. The **IBM Global Services Delivery Centre** in Brno is a part of IBM's outsourcing organisation, which offers services to hundreds of clients around Europe. Although the original plan in 2001 was to employ only 100 people, there are now 2,100 employees working at the centre. This is a classic example of a small IT centre growing into an expansive shared services centre. **Accenture** has been operating in the Czech Republic since 1991. In 2001 the company opened a delivery centre in Prague and earlier this year opened its second Czech delivery centre in Brno (South Moravia), which will provide application outsourcing and infrastructure outsourcing for Western European clients.

Selected business support services projects

Company	Type of project	No. of employees	Location	Established
Accenture	BPO (fin/acc)	1,500 by 2008	Prague	2001
DHL	Global IT centre	1,300	Prague	2004
Exxon Mobil	Shared services (fin/acc)	900	Prague	2004
IBM	Business support centre	2,100	Brno	2001
Siemens	Shared services /BPO	250	Prague	2003
TESCO Stores	IT shared services	200	Prague	1999
TESCO Stores	Financial Accounting (CR/SK)	160	Brno	1999
Symbol Technologies	High tech repair centre, customer support centre	400	Brno	2004
Johnson&Johnson	Shared services/Customer contact centre	90 by 2008	Prague	2006
Honeywell	Aerospace Global Business Center	475 by 2007	Prague	2006
InBev	Shared Services/BPO	80	Prague	2006
Ariba	Shared services	60	Prague	2005
Schneider Logistics	Shared services (fin/acc)	300 by 2008	Olomouc	2005
GE Money Multiservis	Customer support centre	500 by 2008	Ostrava	2006
Lufthansa	Customer contact centre	300 by 2008	Brno	2005
Infosys	Shared services /BPO	160	Brno	2005
SAP	Shared services (HR, F&A)	340	Prague	2005
Icon Communication Centre	Call centre	150	Prague	2003
Team Trackers	Customer contact centre	140	Prague	2003

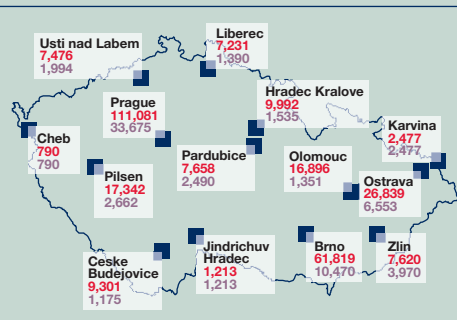
Source: CzechInvest, 2007



Top Quality Labour Resources

Selected Czech universities - economics & finance

■ Total students: 296,435 ■ Economics and finance: 73,841



Source: Institute for Information on Education, 2006

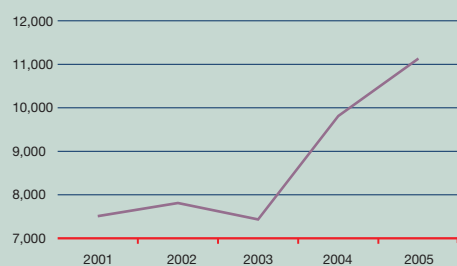
The Czech Republic features a high level of university education which is backed by a long tradition. Established in 1348, Charles University in Prague is the oldest university in Central and Eastern Europe and enjoys a worldwide reputation of excellence. Having 25 public universities and 39 private universities with almost 300,000 students, the Czech Republic can offer a particularly skilled workforce. One-third of all students study finance, accounting, economics or IT. In total, the newly opened private finance and economics universities, with more than 70,000 university students in these fields, produce over 12,000 graduates every year.

Vocational education and training are thoroughly integrated into both secondary and higher education institutions, and enrolment in vocational education is exceptionally high by OECD standards.

There are 893 secondary schools with 202,375 students in the Czech Republic. These schools provide education in economic, financial and ICT fields. Nearly 51,500 graduates are produced every year, of which 39,261 graduate from economic and financial fields and 12,216 from ICT fields.*

*Source: ÚIV, September 2005

Total finance & accounting graduates (from Czech universities)



Source: Institute for Information on Education, 2006

The Czech education system has a very strong position in upper secondary education. In 2004 the percentage of adult population that had completed at least secondary education in the Czech Republic was the highest in all OECD countries.* Eighty-nine percent of the Czech labour force aged 25-64 has completed at least their upper secondary education compared to an OECD average of 67%. This position further improves when a younger age group is considered: 94% of the Czech population aged 25-34 has completed upper secondary education compared to the OECD average of 77%.

*Source: Education at a Glance, OECD, 2006

The regions of the Czech Republic



Source: CzechInvest, 2007

Finance and accounting students at various types of schools at the secondary and tertiary levels

Region	Training centres	Secondary specialised schools	Higher professional schools	Universities
Prague	8,454	13,155	2,077	33,675
Central Bohemia	5,637	7,652	636	683
South Bohemia	5,357	4,127	950	2,709
Pilsen	3,305	3,645	302	2,662
Karlovy Vary	2,600	2,056	192	790
Usti	6,704	7,318	163	1,994
Liberec	3,423	3,806	393	1,390
Hradec Kralove	3,452	3,368	374	1,537
Pardubice	2,382	4,190	421	2,490
Vysocina	3,414	4,425	743	616
South Moravia	6,999	7,880	501	10,548
Olomouc	3,376	3,673	102	1,351
Zlin	4,246	5,404	633	3,970
Moravia - Silesia	8,645	10,415	1,340	9,426
Total Czech Republic	67,994	81,114	8,827	73,841

Source: Institute for Information on Education, 2006

Labour Costs and Development



According to a study conducted by the Economist Intelligence Unit in 2006, the Czech Republic enjoys low costs, strong skills, EU regulations and solid infrastructure. Wage costs are around half of those in Western Europe and wage inflation has slowed since the country's accession to the EU in 2004.

Selected positions in business support services			
Position	CZK (month)	EUR*	Annual salary (EUR)
Finance Manager	86,900	3,061	36,732
Accountant Junior	21,000	740	8,880
Accounting Clerk	16,300	574	6,888
HR Manager	60,800	2,142	25,704
HR Specialist Senior	45,000	1,585	19,020
Payroll Specialist	25,800	909	10,908
IT Support Specialist	28,000	986	11,832
IT Support Technician	24,900	877	10,524
Customer Service Manager	52,000	1,832	21,984
Call Centre Team Leader	22,500	793	9,516
Call Centre Operator	15,500	546	6,552

Source: PayWell, PricewaterhouseCoopers, 2006

*Note: Wages represent the upper end of the market, as most of the companies surveyed are foreign owned. CZK/EUR 1.6.2006 = 28.385



Improving the Professionalism

ACCA

The Association of Chartered Certified Accountants represents professional education for international finance, accountancy and management. It is the largest global professional accountancy body with 296,000 students and 115,000 members in 170 countries. ACCA has been around for over 100 years, which means its growth is backed by a solid history. The ACCA Professional Scheme offered is an international accountancy qualification which is relevant to national and global business environment and is based on International Accounting Standards (IAS/IFRS) and Czech tax and commercial laws. In the Czech Republic there are currently 1,300 students and 580 members and the ACCA Prague office covers also other countries in the Central & Eastern Europe.

For more information visit www.accaglobal.com

Junior Achievement

Having long tradition worldwide, Junior Achievement provides the blueprint and know-how that helps young people understand and appreciate business through economic education. The Czech branch of Junior Achievement was founded in 1992 and its mission is to educate young people to value free enterprise, understand business and economic, develop ethical leadership, and to be work force ready. Business people give lectures to students and share in the teaching as well as in the management of the organization. By means of the Junior Achievement system, schools arrange for contacts, and make use of their partnership, with those entities of the business sphere that can enrich the class work by their experience and information gained in the real world of business. Since 1992 more than 190,000 students participated in JA courses in the Czech Republic and this year there are almost 15,000 students involved.

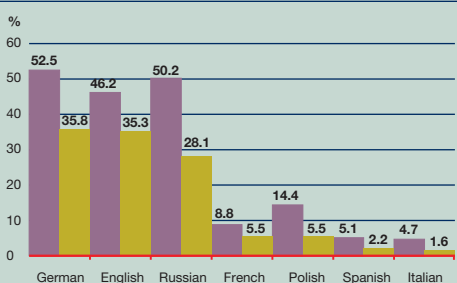
For more information visit www.jacr.cz



Multiple Language Skills

Excellent language skills

■ Skill level from working knowledge to fluent ■ All skill levels



Source: Universitas, September 2002

Note: 74.7% of the Czech population speak at least one foreign language

Knowledge of foreign languages has become a standard skill of the Czech population. At school, children usually begin learning foreign languages at the age of eight and great emphasis is placed on their tuition. The proportion of secondary-level students studying English is 77%. Almost 75% of the Czech population speaks at least one foreign language.* While English and German predominate, there is a growing trend towards learning other languages, especially French, Spanish and Russian. Other Central and Eastern European languages, such as Polish, also have their place.

* Source: Universitas, 2002

Many Nations Like to Travel, Czechs Like to Come Back!

Mobility programmes for students and workers improve not only language skills but also intercultural relationships. Just last year, the EU Socrates and Erasmus programmes helped more than 4,178 students to experience living and studying in their selected host country. This was a 79% increase over the 1998/1999 school year. Work and study programmes abroad and a focus on improving language capabilities rank among the top interests in the personal development of Czech employees.

According to Student Agency, the largest language travel agency in the Czech Republic and Slovakia, interest in language and professional education abroad is traditionally well-recognized among the younger generation and has expanded in the past few years across all generations, thus increasing the quality of the workforce available in the Czech services sector.

Language courses abroad offered in the Czech Republic include courses for adults, short-term, long-term, work-study, and executive courses, as well as general business-language courses, specialised courses, junior courses, high school programmes, study at universities and community colleges, MBA courses and courses for top management and professionals.

With the Czech Republic's entry to the EU, growing interest is also recognized in all EU destinations, across all industries and generations. An overwhelming interest remains with English courses, but stays in Nordic countries and Southern Europe are increasing in popularity.

Czech students studying abroad in 1995 - 2005 in the Socrates (Erasmus) programmes

Austria	1,091
Belgium	653
Denmark	483
Finland	1,061
France	2,321
Germany	4,567
Greece	341
Ireland	228
Italy	788
Netherlands	956
Portugal	791
Spain	1,375
Sweden	737
UK	1,857

Source: Socrates, 2006

“Brno is an excellent location with young, multilingual labour pool, quality infrastructure & proximity to 3 European capitals. The Infosys center in Brno today provides Finance & Accounts (F&A), Sales Order management, Banking, Insurance & IT Infrastructure Management services in more than 16 languages, for several Global companies, which have outsourced to us.”

Ratnesh Mathur, Vice President of Business Process Outsourcing (B.P.O.), Infosys

Multiple languages spoken

Company	Type of project	LOCATION	LANGUAGES
Accenture	BPO (fin/acc/HR)	Prague	14 languages
ExxonMobil	Shared services (fin/acc)	Prague	16 languages
SAP	Shared services (HR, fin/acc)	Prague	15 languages
Infosys	Outsourcing shared services	Brno	16 languages
Schneider Logistics	Shared services (fin/acc)	Olomouc	12 languages
Icon Communication Centre	Outsourcing call centre	Prague	16 languages
Ariba	Shared services centre	Prague	19 languages
Lufthansa	Customer contact centre	Brno	12 languages
Symbol Technologies	High-tech repair centre, customer support centre - EMEA	Brno	14 languages

Source: Socrates, 2006

Case Studies



DHL

Established in 2004, DHL's IT Services Centre in Prague manages and supports the entire IT infrastructure of DHL and its parent company, Deutsche Post World Net, across Europe. Key support operations include a Network Operations Centre to monitor and manage the network, as well as a Helpdesk providing 24/7 support. The European centre in Prague, together with DHL's centres in USA and Malaysia, interconnected via a global corporate broadband IP telecommunications network, comprise the global backbone which supports DHL's activities around the world. Furthermore, Global IT management of DHL is located in Prague making this the global IT headquarters. The IT Services Centre has created more than 1,300 new highly qualified jobs.

"We chose the Czech Republic for its availability of a skilled and flexible labour force, well-built and reliable telecommunications networks, and good air links, as well as for the optimum incentives package offered by the Czech government."

Stephen McGuckin, Global CIO, DHL



Symbol

The New York-based IT company Symbol Technologies Inc. established its shared services centre in the Moravian capital city of Brno in the Czech Republic in 2004. The centre serves as the hub for Symbol's EMEA customer-support services including a repair centre, multilingual customer call centre, financial shared services, contract administration and sales ordering operations. The centre helps Symbol to make better use of its resources and to standardize business processes through the use of modern technologies. The Brno centre also offers integrated logistics support and warehousing of spare parts. The centre has more than 400 employees and provides support in 14 languages.

"We chose Brno for several reasons, namely the good supply of qualified labour, a good site and the good position of Brno in proximity to Symbol's existing centres and customers in Europe."

Steve Priestley, Vice-President and General Manager, Symbol Technologies



SAP

SAP, the world's leading provider of business software solutions, officially opened its shared services centre in 2005. The SAP Business Services Centre Europe (BSCE), which is located in Prague, provides human resources and finance and administration services to SAP branch offices in the Europe, the Middle East and Africa (EMEA) region. Jak uvadi Claus Heinrich, member of the executive board, SAP AG, In addition to providing HR and F&A services to SAP employees, the centre also offers customers unique insight into how "SAP runs SAP" in performing these services. The centre's current workforce of approximately 340 employees supports 70 countries in 15 different languages. Worldwide, SAP has three shared services centres located in the U.S., Singapore and the Czech Republic.

Case Studies



Schneider Logistics

In 2005 one of the world's largest providers of shipping and logistics services Schneider Logistics decided to establish its centre for business support services in the city of Olomouc, one of the most charming cities in central Moravia. The Financial and Accounting Shared Services Centre focuses on two chief activities: receiving data from invoices that shipping companies issue to the final customer, invoice evaluation and payment (on behalf of the customer); and evaluation, analysis, reporting to final customers based on invoice data. The centre serves customers of Schneider Logistics from all over Europe in 12 European languages (mainly English, German, French, Italian and Spanish) and plans to employ up to 300 people.



Accenture

The European BPO Delivery Centre in Prague was established in 2001 as the European node of the Accenture global network of strategic delivery centres. The Prague Centre specializes in Business Process Outsourcing (BPO), providing its clients with a wide range of BPO services, covering finance and accounting, procurement and supply-chain management, customer care and claims processing, human resources and learning services. The Prague Centre is a multi-client operation. At this time, it serves 15 clients from all major industries, with particular focus on communications & high-tech, financial services and products and the employees use 14 languages in dealing with more than 40 countries. Currently, the Prague Centre employs more than 1,200 accounting, HR and administration professionals and plans call for expanding the facility in phases, culminating in 2008 when it is expected that as many as 1,500 people will work at the Centre.

"The Prague centre has been a huge success, thanks to the skills of the local staff and the quality of the facility."

Hugh Kirby, Accenture Partner for BPO operations



Johnson & Johnson

One of the most recently opened shared services centres in the Czech Republic is the Johnson & Johnson's centre JNJ Global Business Services. The international shared services centre started its operations in September 2006 in Prague and plans to create up to 90 new jobs. The centre will partly cover the global procure-to-pay services for Johnson & Johnson affiliates throughout Europe. This includes activities such as accounts payable (invoice processing and reporting), customer service to suppliers and affiliates, and administration of the corporate supplier database. The centre started operations in eight languages and the scope will be gradually extended to the entire European region.

"Prague was selected as a preferred location for our SSC activities mainly because of the sufficient pool of skilled human resources, the solid macroeconomic environment and the benefits from sharing the operating environment and infrastructure with local Johnson & Johnson sales and marketing organization. Quality of life and accessibility of the location was also carefully considered before making our final decision."

David Mansfeld, Managing Director, JNJ Global Business Services s.r.o.

Case Studies



TEAM TRACKERS
A member of the Europ Assistance Group

Team Trackers

The French companies Europ Assistance and Frequence Plus Services opened their joint customer centre in Prague in 2003. Team Trackers, as the joint company is called, is located in the very heart of the city and currently the centre employs more than 140 people. Like their centres in Madrid and Paris, this modern customer service centre provides Air France and other airlines with global assistance in searching for lost luggage. The seven languages used by centre employees include English, German, French and Italian.

“Our company’s decision to locate in the centre in Prague was based mainly on the qualified and cost-effective workforce, and especially their language skills. Other factors include the long-term, positive experience of Europ Assistance on the Czech market and the government’s investment incentives, which helped us to expand the centre considerably.”

Jean-Luc Benjamin, Executive Director, Team Trackers



ICON

The ICON Communication Centre made the strategic decision to locate its operation in the Czech Republic due to the unique benefits it is able to offer clients, including a wealth of resources, access to the rest of the CEE, favourable costs, performance and technology. The company opened its first call centre in Prague in 2003, serving customers of insurance, automotive, utilities and market research companies in the UK, the USA and Australia. The ICON Communication Centre in Prague offers a multilingual and multinational environment with capacity of up to 16 languages, and the company has plans for further development. With 150 agents ICON offers inbound and outbound services: data enhancement, customer research, customer care calls, acquisitions, response call handling, card application and donation calling.

Essentially the reason for selecting Prague was convenience. However, the benefits can be summed up in the acronym EASE– Educated workforce, Accessibility, State of the economy, Enjoyment.

ExxonMobil

ExxonMobil, a leading international energy company, opened one of its Global Business Support Centres in Prague in 2004. The Prague office provides customer service, credit services, procurement and supplier payment services to ExxonMobil businesses throughout Europe and other regions. Among the 900 people employed at ExxonMobil’s center, which services 23 countries, a total of 16 different languages are spoken. ExxonMobil has 15 similar centres around the globe where thousands of people perform internal accounting, issue invoices and take care of customers all over the world.

“We selected Prague based on thorough assessment of all relevant factors. In the end, the quality of the local infrastructure, telecommunications service, availability of skilled personnel with the required education and language proficiency, operating costs and legal and statutory requirements convinced us Prague was the right location.”

Marc Van Eeckhoudt, General Manager of Business Support Centres, ExxonMobil

ExxonMobil

Case Studies



Infosys

Infosys (formerly known as Progeon), one of India's leading business process outsourcing companies, established its BPO centre in Brno in 2005. The centre was the first significant project in the BPO field in the Czech Republic by an Indian company. At present, the centre has approximately 160 staff in Brno, delivering business process outsourcing services such as sales order management, finance and accounts, market research and underwriting for clients in 16 European countries. Infosys plans to add ITO operations to its Brno center, such as infrastructure management and package implementations such as ERP and CRM. Currently, Infosys is expanding its Brno facility, targeting a capacity of 500 seats by end of 2007 in order to increase its capability to deliver services to its European customers. Complementing the offshore model with near-shore capacities allows the outsourcers to operate in languages that are scarce or unavailable in India. Furthermore certain data require may not be processed outside of the EU because of the data protection legislation that is valid in the EU.

Honeywell

The U.S. Technology Company Honeywell has opened a new Aerospace Global Business Centre in Prague that will coordinate and support the company's operations in Europe, the Middle East and Africa (EMEA). The centre, which was opened in October 2006, offers functional support for the Honeywell's business operations. The facility will also house Honeywell's Finance, Law & Contracts, Human Resources and Communications staff which will provide support to Honeywell's EMEA Sales, Marketing and Engineering activities. The centre is to create 475 highly qualified jobs by 2007.

Honeywell

"Prague was selected for long-term affordability, its growing industrial base and infrastructure, access to critical technical skills, and close proximity to Honeywell's business opportunities in Europe, the Middle East and Africa,"

Bob Smith, Vice President, Honeywell Aerospace

Ariba

The American company Ariba, a leader in the area of comprehensive expense management solutions including global sourcing services and supplier search, opened a shared services centre in Prague in 2005. The centre is responsible for the EMEA area and it assists large and small companies and suppliers with seeking out and managing sourcing opportunities in new markets, including expense management solutions. The centre currently has more than 60 employees, 70% of whom are tertiary-level graduates, who provide support in 19 languages (including uncommon languages such as Flemish and Catalan).



"When it comes to achieving spend management results, our commodity expertise and services have proven to be a key differentiator – particularly in emerging economies. Due to value proposition of available multilingual and customer focused resources coupled with favorable business climate, the Czech Republic became an ideal location for our services delivery center."

Premysl Pela, Managing Director of Operations for the Ariba Global Services Organization in Prague

High Amenity Property Environment

Office space market in Prague

Annual Data	2001	2002	2003
Total Stock (m ²)	1,103,719	1,270,361	1,451,577
New Supply (m ²)	55,000	130,000	160,000

Annual Data	2004	2005	2006
Total Stock (m ²)	1,660,000	1,837,000	1,935,000
New Supply (m ²)	171,000	144,000	130,000

Source: DTZ, 2006

The market for office space in the Czech Republic is rapidly developing with rents at a similar or even lower level than in comparable European cities. The Prague market, as well as regional office-space markets outside of Prague, is growing quickly in terms of development. Prague remains the main focus of corporate entities, although the regional markets offer a cost effective alternative to the capital city, predominantly in the sector of business support services.

Prime modern office rents in the Prague market are under downward pressure, despite the improvement in demand. There has been no growth in office rents over the past few years. The total office stock stands at approximately 1,900,000 m² of which 66% is comprised of newly built buildings and 34% refurbished buildings. In comparison with the previous year, the total stock has increased by 10%.

Average rent (EUR/m²/month)

Location	Standard A	Standard B
Prague		
Central business district	15.00 – 18.50	12.00 – 15.25
Edge of centre	14.00 – 16.50	11.00 – 15.00
Mid-town	13.00 – 15.50	10.00 – 12.50
Out of town/ Suburbs	11.5 – 14.00	9.00 – 11.00
Brno	12.00 – 14.00	10.50 – 11.50
Pilsen	9.00 – 12.00	6.00 – 8.00
Ostrava	9.00 – 11.00	5.00 – 9.00

Source: CB Richard Ellis, 2006



Among the regional centres Brno has the most developed office-space market. The supply of office space in Brno has responded to the increasing demand of investors and there are currently approximately 65,000 m² of modern office space. With planned new construction, this figure should rise rapidly over the next few years. At present the vacancy rate is relatively high due to several major recent completions. Brno's most important office developments are the Brno Technology Park, Spielberg Office Centre, Brno Business Park, Platinum and the Axis Office Park.

Ostrava and Pilsen have attracted the interest of developers as well. The total stock of modern office space in Ostrava stands at approximately 25,000 m² but new completions are expected in 2007-2008, including the Orchard office and hotel complex with 36,000 m² of office space. The first part of the project will be finalized by 2008 and will offer 12,000 m². The Conference Centre will provide flexible room sizes for large conferences or training uses. The Pilsen office-space market will be extended with two new developments in 2007: the Avalon Business Center with 10,715 m² and the Diplomat Center.

Recently, office-space markets in other regions have also started to develop as regional capitals experience a growing demand for modern office space from both international and local companies. According to Cushman & Wakefield, new, modern offices are in the pipeline in cities such as Olomouc, Liberec, Hradec Kralove, Pardubice, Usti nad Labem and Zlin.

Emerging office developments

The Czech Technology Park Brno	www.technologypark.cz
Brno Business Park	www.bbpark.cz
Platinum Brno	www.platinum-brno.cz
Spielberk Office Centre	www.spielberk.cz
Axis Office Park Brno	www.axisofficepark.cz
The Orchard Ostrava	www.theorchard.cz
Avalon Business Center	www.avalonbc.cz

Source: CzechInvest, 2007

Locations for BSS Projects



“The Czech Republic is an attractive destination for companies like ours that hope to reach a wide European market. Brno has excellent infrastructure and facilities, a supportive government, and people with multiple language skills.”

Akshaya Bhargava, Managing Director and CEO, Infosys

Prague

Prague offers immense business potential thanks to its powerful, heterogeneous economy, highly skilled population, multicultural business environment and large concentration of services and institutes necessary for business. Nearly a quarter of the country's GDP is generated here and approximately one-fifth of all investment in the Czech Republic takes place within the city. The city is frequently the host of major events, with several conferences focused on shared services taking place here, including the Shared Services Week 2007, the leading European conference in this field.

Charles University, the oldest and most prestigious university in Central Europe, is based in Prague. Over forty thousand students, one-tenth of them foreigners, study at seventeen faculties in all fields of science. Prague's other six universities with over 100,000 students offer study programs in economics, technical fields, agriculture and the arts. In addition there are many other private colleges in Prague. There are 205 secondary schools in Prague, 97 of which are economics, finance or ICT schools with 7,335 graduates.

According to annual studies conducted by Cushman & Wakefield Healey & Baker in recent years, the city of Prague has strengthened its position as one of the best cities for doing business in Europe. The factors considered were the sufficiency of qualified workers, accessibility to clients, excellent transport connections, quality of telecommunications and appealing quality of life.



Brno

Brno is the Czech Republic's second largest city and the administrative, economic and cultural capital of the South Moravia region in the southeast of the Czech Republic. Brno is an important university town with a highly educated workforce. With six public universities and three private colleges, it is the second most important centre of higher education in the Czech Republic after Prague. There are 114 secondary schools in the region, 95 of which provide education in economic, financial and ICT fields.

During the past five years, Brno has become an important centre for BSS activities. This has been confirmed by a number of companies, such as IBM, Symbol Technologies, Infosys, Lufthansa, PPG and TESCO, which established their centres here and are further expanding them. Most recently, Accenture opened its Delivery Centre in January 2007.

Brno came out on top in the Visegrad category of the European Cities and Regions of the Future 2006/2007 competition organised by the prestigious magazine fDi. Locations were ranked according to 28 individual criteria in seven main categories (economic potential, cost effectiveness, human resources, IT and telecommunications, transport, quality of life and investment promotion). Brno owes its remarkable success to a wide range of factors. In addition to economic results – especially the city's rapid economic growth and high per capita GDP – a significant role was played by Brno's economic development strategy, investment promotion, clear incentives and public investment projects. The city also ranked at the top in the area of IT and telecommunications.

Comparison of selected Czech locations

	Praha	Brno	Ostrava	Olomouc	Pilsen
A	1,188,126	366,680	309,098	228,956	163,392
B	1,188,126	1,132,563	1,249,290	639,894	554,537
C	722,890	591,346	637,343	327,979	303,042
D	2.6%	8.9%	12.6%	9.1%	5.6%
E	25,282	18,362	18,680	17,095	18,733
F	892	648	659	603	661

A Population of the city (as of 2006) **B** Population of the region (as of 2006)
C Labour force in the region (as of February 28, 2007) **D** Unemployment rate in the region (as of February 28, 2007) **E** Average wage in CZK (as of 2006)
F Average wage in EUR (as of 2006)

Regional Capitals – Emerging Locations for BSS Projects

Selected Czech regional capitals



Source: CzechInvest, 2007

According to the latest forecasts, the inflow of foreign investment in BSS to the Czech Republic will continue to grow in the future. The current objective is to focus investment activities in the BSS sector also on other regions of the Czech Republic. Through monitoring and analysing the current and future needs of the labour market and providing information to educational institutions, CzechInvest has started working on improving the investment environment in the regional capitals according to the needs of the BSS sector.

Ostrava

Ostrava is the third largest city in the Czech Republic and the administrative centre of the Moravia-Silesia region in the northeast of the Czech Republic. With its 1,250,769 inhabitants, the Moravia-Silesia region is the most populous region in the Czech Republic. The region borders Poland to the north and Slovakia to the southeast and its close proximity to the neighbouring countries allows for effective cross-border cooperation. This is also an advantage in terms of the possibility of workforce migration. Ostrava hosts two universities, the VŠB Technical University and the University of Ostrava. There are 186 secondary schools in the area, 103 of which are economics or ICT schools. GE Money Multiservice opened its customer support centre in Ostrava in 2006. The city is currently the site of several restructuring and renovation projects, the largest being Karolina, which involves the regeneration of a former mining area in the centre of Ostrava. The project will start in 2008 and the area should become an important administrative, business and cultural centre.

Olomouc

The Olomouc region is situated in north-central Moravia. Olomouc is a historic university town that attracts young people from its wider surroundings. Palacký University, which is the second oldest and one of the largest universities in the country, offers bachelor and master degrees from seven faculties including programmes in all of the main European languages at the Faculty of Humanities. There are 103 secondary schools in the region, of which 60 provide education in economic and ICT fields. Olomouc is the centre of the Central Moravia region and offers very good living conditions. Schneider Logistics has established its shared services centre in Olomouc and Westcombe operates its international call centre here.

Pilsen

The Pilsen region is situated in the southwest part of the Czech Republic. The City of Pilsen is the fourth largest city in the Czech Republic, home to two universities and a major national economic centre. The city benefits from its favourable geographical position with excellent road links to neighbouring Germany and Prague. The region has 76 secondary schools, of which 41 provide education in economic and ICT fields. The City of Pilsen is involved in numerous major projects to renovate neglected buildings, regenerate city districts and create new urban zones. It is also starting to focus on close cooperation with strategic services investors and on supporting R&D activities. In 2006, Automatic Data Processing (ADP) opened its HR outsourcing centre in Pilsen.

“We chose Olomouc mainly for its sufficient supply of qualified people. The new centre will serve customers of Schneider Logistics from all over Europe, which is why our demands, for example on employees’ language skills, are high.”

Willem Jan van Vorstenbos, Managing Director, Schneider Logistics Europe



High-quality Infrastructure

Major airports with international status
in the Czech Republic



Source: CzechInvest, 2007

Telecommunications

The Czech telecoms market is one of the most dynamic in Central Europe offering high-end technologies and unique solutions. The DHL's IT Services Centre confirms this.

Underpinning the business, DHL has two independently managed Metropolitan Area Networks (MANs), providing the company with a highly available and resilient IP (Internet Protocol) telecommunications network connecting the IT Services Centre to international and domestic telecommunication partners' facilities in Prague. The network consists of 56 km of 48-strand optical fiber and 1,000 km of copper cabling and supports 60 million transactions, or 65 terabytes of data throughput, every day.

The MANs enable high speed interconnectivity with DHL's international network (DHLNET) connecting more than 220 countries and territories worldwide and its global IT Services Centers in Scottsdale, USA, Cyberjaya, Malaysia and Bonn, Germany. This creates a seamless core IT infrastructure supporting DHL's business across the world.

Flight departures from Prague to selected destinations
Average per week – October 2006 to March 2007

Destination	Frequency
London	92
Dublin	21
Paris	66
Frankfurt	51
Copenhagen	32
Amsterdam	40
Vienna	54
Munich	42
Brussels	33
Budapest	38
Riga	12
Tallinn	11
Vilnius	12
Kiev	12
St. Petersburg	8
New York	8
Montreal	6
Toronto	6
Soul	3
Madrid	21

Source: Czech Airport Authority, 2007

Transport Infrastructure

The Czech Republic has a strategic location in the centre of Europe with very good access to established western and emerging eastern markets. The highway network, already the densest in CEE, is planned to double by 2007 and several rail modernization projects are currently underway.

There are 3 main international airports in the Czech Republic located in Prague, Brno and Ostrava. The largest is the Prague – Ruzyne airport which has a capacity for about 200 flights in and out every day. The Prague airport cleared 2.3 million passengers in the first quarter of the year 2007, a year-on-year growth of almost 16 percent. In full-year 2007, the airport plans to clear 12.2 million passengers, an increase of around 5 percent on the year.

Flight departures from Brno to selected destinations
Average per week – October 2006 to March 2007

Destination	Frequency
London	7
Munich	6
Prague	13

Source: Czech Airport Authority, 2007

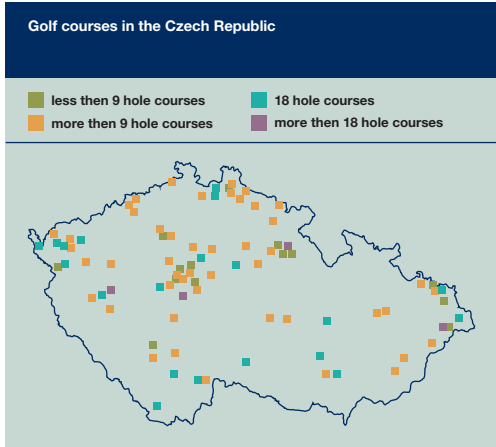
Flight departures from Ostrava to selected destinations
Average per week – October 2006 to March 2007

Destination	Frequency
Vienna	17
Prague	26

Source: Czech Airport Authority, 2007



Exquisite Life Style



Source: Czech Golf Federation, 2007

Since its Velvet Revolution in 1989, the Czech Republic has become a highly popular destination, and tens of thousands of foreigners have happily settled here, enjoying the country’s combination of high living standards and low living costs. According to the IMD World Competitiveness Yearbook’s Quality of life Index from 2006, the Czech Republic is on the first place with the highest quality of Life in Central and Eastern Europe. In the worldwide ranking it occupies the 27th position, followed by Hungary (41th), Slovakia (45th) and Poland (59th).

The Czech Republic is an excellent location for expatriates. The country has the full range of services that international managers and their families look for, including international schools, attractive housing, mall shopping and first class recreational facilities, including more than 68 golf courses. The country also boasts more than two thousand castles, one for every fifty thousand inhabitants, and some of Europe’s most secluded wildlife areas.

The Czech Republic offers a significant and growing choice of foreign-language education, ranging from kindergartens to MBA studies, and providing education in various foreign languages like English, German, French or Japanese. Besides Prague, such international educational institutions can also be found in other cities like Brno, Olomouc, Ceske Budejovice or Liberec. There are also many international cultural institutes in Prague and other cities, e.g. the British Council in Prague, Brno and Pilsen, the Goethe-Institut Prag, the American Culture and Trade Center Prague, Österreichisches Kulturinstitut Prag, L’Institut Français de Prague, the Japanese Information and Culture Centre Prague, Istituto Italiano di Cultura Praga, etc.

The Czech Republic is an ideal base from where you can test your market propositions for the new and expanding Central and Eastern Europe.

Twelve UNESCO heritage sights have been listed within the country so far. In relation to the size of the country and its population, the Czech Republic has the largest number of UNESCO heritage sites in the world.



Golf courses in Central and Eastern Europe		
Country	Number of golf courses	Number of registered players
Czech Republic	68	23,366
Poland	24	1,680
Hungary	7	2,140
Slovakia	5	2,640

Source: European Golf Association, 2007



Business Development Support

“In addition to manufacturing proximity, the government incentive programme for new technology centers was key to Honeywell's decision. We are very pleased with the support CzechInvest is providing.”

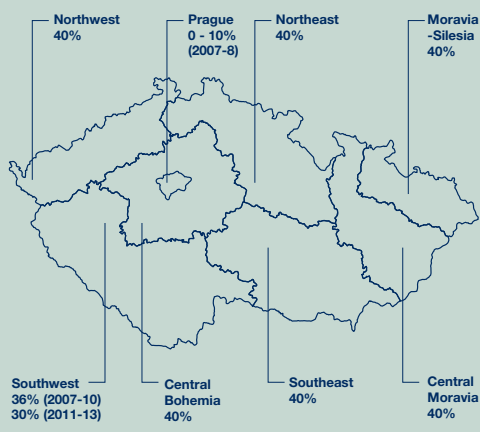
Dan Sheflin, Honeywell Vice President of Technology for Automation and Control Solutions

The Czech Republic offers both new and existing investors investment incentives and business support through several schemes. One option is to benefit from a competitive **investment incentive scheme**, the other option is to use an appropriate programme based on the **EU structural funds**.

Business Support Services and Technology Centres

Through the Framework Programme for the support of technology centres and business support services, the Czech government supports investment into services and development activities as well as innovation activities.

Regional map valid until year-end 2006
Maximum aid in %



Source: CzechInvest, 2007

Note: The maximal value of investment incentives (excluding training) may not exceed the respective percentage of investment, as shown on the map.

Investment incentives for technology centres and business support services (incl. repair centres)

Form of Support	Description
Subsidy for business activity	Up to 40 % of gross wages effectively paid to new employees
Subsidy for training and retraining	Up to 35 % of eligible costs for training and retraining for up to 5 years

Note: In the case of small enterprises the ceiling rises by 20 percentage points, in case of medium enterprises by 10 percentage points.

Eligibility criteria

Minimum investment	CZK 10 mil. (approx. EUR 0.36 mil. / USD 0.48 mil.)
Minimum number of newly created jobs	
-- Software Development Centres	20
-- Expert Solution Centres	20
-- Technology Centres	30
-- Shared Services Centres	50
-- Call-Centres	100
Internationally oriented project	
Fulfillment of conditions within 3 years from obtaining the official Project Aid Decision	

EU Structural Funds – Program ICT and Business Support Services

Within this new programme the following activities are supported: Creation of new IS/ICT solutions and applications and IS/ICT design and implementation centres. Support is provided in the form of a subsidy that is paid out retroactively upon completion of a particular phase of the project. The subsidy can be provided in the amount of up to 40% of selected tangible and intangible assets (hardware and networks, software, licenses, know-how) or wages of employees in new jobs. Support from the programme can be granted only to companies outside of Prague.



Join the Successful!



Partnership to Support Foreign Direct Investment into the CR...

“It is clear that foreign investments are, and will be in the future, one of the key drivers of strong economic growth in the Czech Republic. These investments contribute not only in financial terms, but also help the economy to move up more rapidly along the competitive learning curve, thus resulting in higher standards of the overall business environment. For a leader in corporate banking such as CSOB, this is a strategic issue. The AFI has proved to be very successful in performing its mission and we are honoured to remain its traditional general partner in our joint ambition to help support the Czech economy and promote it to foreign investors.”

Peter Roebben, Executive Director, CSOB Corporate Banking

...is a joint project of the Association for Foreign Investment and CzechInvest - the Investment and Business Development Agency of the Czech Republic. The project is intended for stable companies that offer highly competitive services and products and that are interested in supporting the high-quality investment climate in the Czech Republic while promoting the country abroad. Programme activities support, to the maximum degree possible, communication between partners and foreign investors, Czech companies, representatives of the state administration and AFI members by means of e.g. organising prestigious award ceremonies, such as:



Organized with the kind support of:

“As one of the project’s Main Partners, we support AFI’s diverse marketing activities that are not only a source of expert information for investors already operating in the Czech Republic (such as seminars) but also those that help deepen awareness of our country beyond its borders (international trade fairs, expert presentations).”

IRCR Manufacturing s.r.o. Stephen Rodick, General Manager (Main Partner)



Main Partners



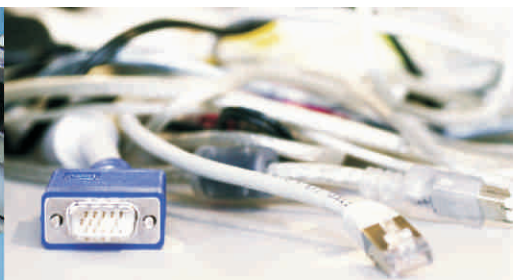
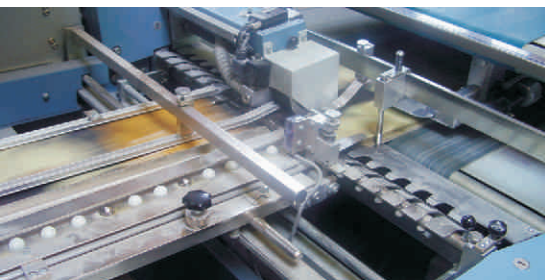
Partners



Supporting Partners



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