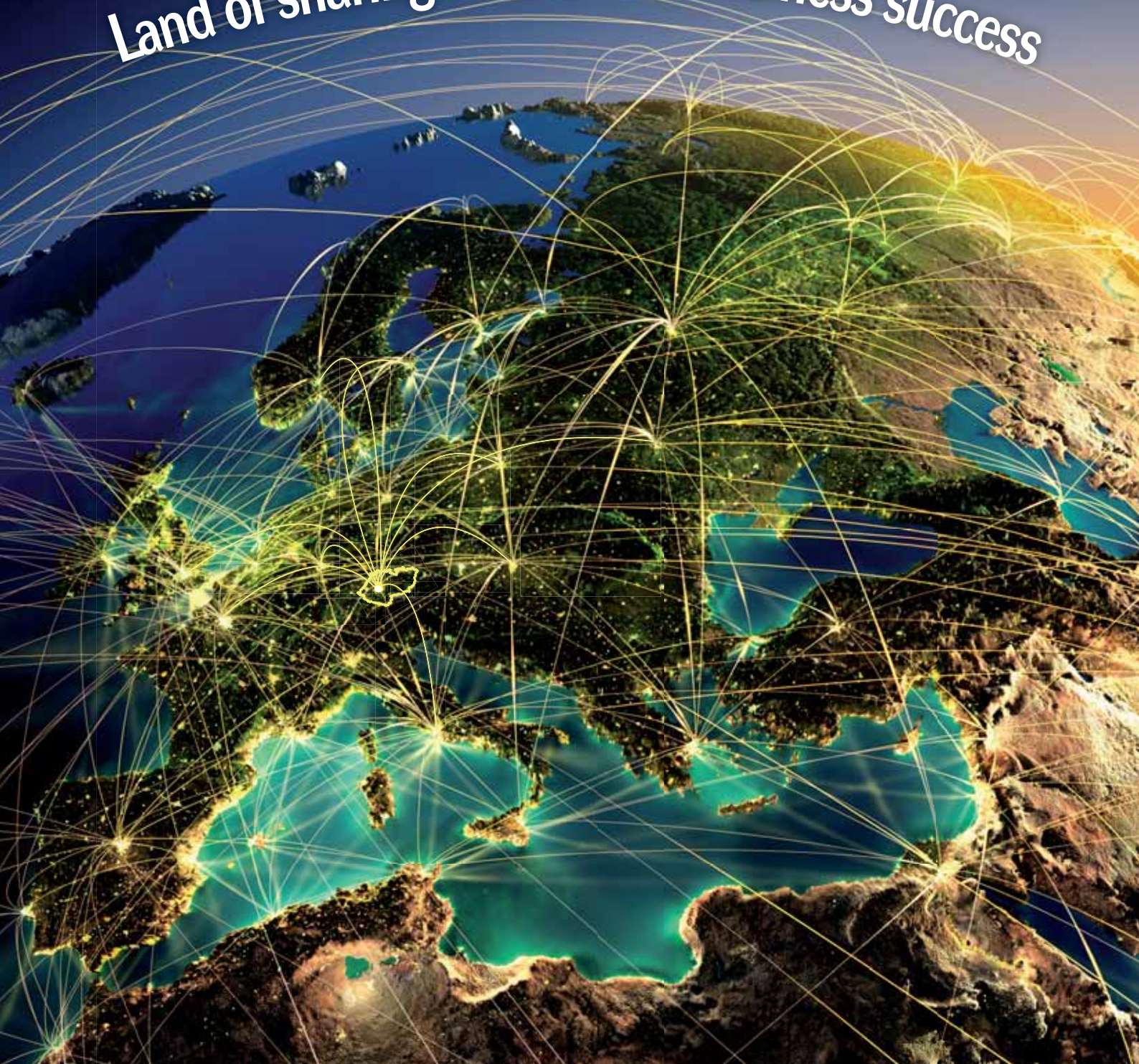


CZECH FOCUS

The magazine of the Association for Foreign Investment and CzechInvest

Number 1/2013

The Czech Republic: Land of sharing services for business success





CZECHINVEST

THE GATE FOR FOREIGN INVESTMENT TO THE CZECH REPUBLIC

As a subordinate agency of the Ministry of Industry and Trade, CzechInvest's primary objective consists in strengthening the competitiveness of the Czech economy through support for small and medium-sized enterprises, business infrastructure and innovation, and revitalising Czech industry.

CzechInvest offers a broad spectrum of services, which it unceasingly strives to improve and adapt to economic demand. The agency aids the inflow of foreign direct investments to the Czech Republic and endeavours to maximally contribute to the creation of a favourable business environment in the country. In recent years, CzechInvest has focused increasingly on the area of business support services as well as technologically demanding projects requiring a high degree of knowledge and skills and with high value-added. Besides innovation and applied research and development, key sectors also include IT and software development, shared services, life sciences, clean technologies, electronics and electrical engineering, nanotechnology, aviation, aerospace and the automotive industry. The agency serves as an intermediary for facilitating communication between the state, companies and the European Union. It covers the entire area of business support from EU resources as well as from the state budget, and carries out activities connected with the preparation, introduction and administration of projects. At the same time, CzechInvest promotes the Czech Republic abroad as a location suitable for place-



ment of mobile investments. It is the exclusive organisation which may submit applications for investment incentives to the governing bodies. Furthermore, it supports Czech firms which are interested in becoming involved in the supply chains of multinational companies. Through its services and development programmes, CzechInvest contributes to the development of domestic companies, Czech and foreign investors, and the business environment as a whole. The agency also offers aftercare services and strives to maximally satisfy the demand for business properties. In order to be closer to its clients, CzechInvest has offices in thirteen regional capitals of the Czech Republic and seven foreign offices.

CzechInvest holds investors and their project in high regard in the Czech Republic. Therefore, CzechInvest recognises and values their benefit for the Czech Republic in several competitions: Investor of the Year, Business Property of the Year and Entrepreneurial Project of the Year. More information about CzechInvest is available at www.czechinvest.org.

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Dear Readers,

In 2005 Johnson & Johnson chose Prague as the location for its business support services centre for various reasons, but the key factor was the sufficient availability of workers with professional and language skills on the Czech labour market. However, the company also considered other factors, though cost benefits resulting only from labour arbitrage was never among the top priorities.

Currently, at the time of a prolonged financial downturn, most companies face increased pressure to increase cost efficiency and to find additional sources of cost reduction and cost optimisation. Therefore, many international companies with business centres operating here in Prague or elsewhere in the Czech Republic face the question of what the future holds for services centres in the Czech Republic.

I am convinced that with the right strategy in place the future development of centres located in the Czech Republic is a very promising proposition. According to a recent PwC survey on shared-services centres, 88% of companies say they will continue to operate in this market and do not intend to scale down their current processes. Our Johnson & Johnson Finance Centre, which currently provides financial services to 28 European countries plus the United States and Canada, only confirms our commitment. We fully understand that we cannot consider labour costs as the only criteria for the further growth of our Prague centre. Instead of choosing individually selected centralised processes, Johnson & Johnson has managed to succeed in over-delivering on all planned benefits by introducing a standardised "end to end" process in a well-controlled and compliant environment. Thanks to this approach, we have become a well-respected entity and valued business partner within our corporation. Still, in order to meet high expectations we have to re-focus and set the right priorities. Our future plans clearly state our intention to start bringing more value-added activities to the centre, for example from the areas of financial and tax planning, budgeting, and reporting. The future is bright and it is only up to all SSC leaders to set a clear business strategy and go for it!

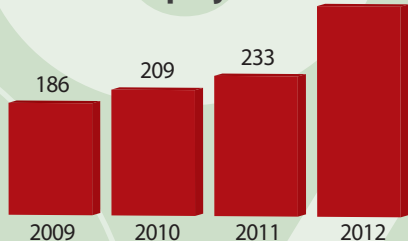
In this edition of Czech Focus, you will find more information about the Czech Republic's investment environment with special focus on business support services, general information about the sector, available locations and human resources.

*David Mansfeld
Managing Director
Johnson & Johnson Global Business Services*

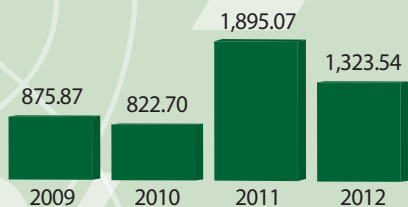
CzechInvest again mediated a record number of investments in 2012

In terms of the number of projects administrated, 2012 was a very prosperous year. CzechInvest reached 350 mediated projects last year, which is the highest yearly total in the agency's history. Investors undertook to create more than 12,000 jobs and to invest approximately USD 1.3 billion.

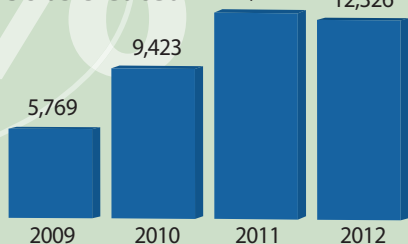
Number of projects



Investment amount in millions (USD)

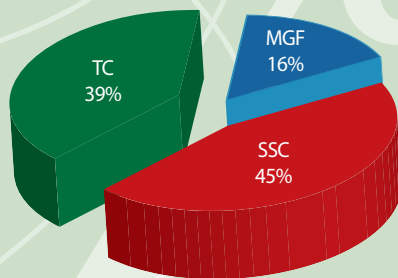


Jobs created



The current trend of investment activities, in the Czech Republic and elsewhere, runs in favour of expansions of already established companies as opposed to new investment projects. In summer 2012 the Czech Republic introduced a new investment incentives scheme in which support for business support services is newly available. Projects involving business support services (shared-services centres, business-process outsourcing, call centres) have exhibited an upward trend in recent years. Not only new investors are considering Czech Republic as an ideal location for their BSS

Number of projects according to the type of activity

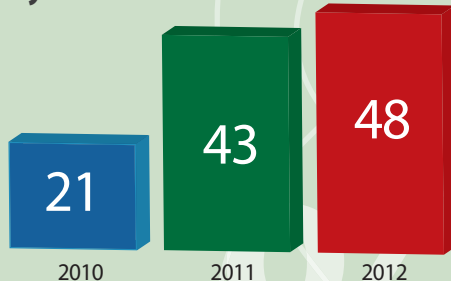


projects, more and more of CzechInvest's aftercare clients in the manufacturing field are moving their headquarters and shared-services centres to locations in the vicinity of their production facilities.

Amendment spurs inflow of investment projects

CzechInvest has registered increased interest in investment incentives since the act governing incentives was amended in June 2012. The agency received a total of 48 applications for investment incentives in 2012, five more than in 2011 and 27 more than in 2010. The projects have a combined value of CZK 20 billion (approx. EUR 773 million) and will entail the creation of 5,500 new jobs. Most of the projects are in the areas of vehicle manufacturing, plastics and rubber, mechanical engineering and the metalworking industry. The majority of projects involve expansions of

Investment-incentives applications received by CzechInvest



companies that are already operating in the Czech Republic, which illustrates the country's ability to successfully attract investments with long-term potential. In the first weeks of 2013, CzechInvest received four more applications for investment incentives in the total amount of nearly CZK 2.5 billion (approx. EUR 97 million). The most significant change brought forth by the amendment to the Investment Incentives Act is the extension of income-tax relieve from five to ten years. ■

ABB preparing to expand significantly in the Czech Republic in 2013



ABB, the world's leading provider of power-generation and automation technologies, is preparing to significantly expand its activities in the Czech Republic this year. The company is investing CZK 650 million (approx. EUR 25 million) in expanding its production of distributors, transformers and sensors in Brno. Up to 400 new jobs should be created thanks to this investment. At the same time the company wants to expand its operation in Brno in the area of research and development. The company will further invest in the construction of a new production facility in Trutnov. ABB has been operating in the Czech Republic since 1970 and currently employs more than 3,000 people here.

Faurecia to open its seventh manufacturing plant in the Czech Republic

Faurecia, a major supplier in the automotive industry, will open a new manufacturing plant near Plzeň in the Czech Republic this year. The new plant will begin production of automobile seats in autumn 2013 and will employ 800 people. This will be Faurecia's seventh production facility in the Czech Republic, the others being located in Mladá Boleslav, Písek, Pardubice and Bakov nad Jizerou. Faurecia employs more than 3,500 people here in total.



Cavaliere AB reviving production of men's suits in Jeseník

The Swedish company Cavaliere AB, which specialises in production and sales of high-quality tailored men's suits and accessories,

purchased the production facility of the textile firm OP Prostějov in Jeseník, Czech Republic, which closed in 2010. Using the knowledge and experience of local employees, Cavaliere AB intends to renew production there. The Czech branch of the Swedish producer Tex Trading Cavaliere in Jeseník already employs 30 workers and plans to further increase this number in connection with the growth of production capacity.

Lear Corporation to set up a new engineering centre in Plzeň

Lear Corporation, one of the top global automotive interior parts suppliers, is setting-up a new engineering centre in Plzeň. The high-tech research centre will employ up to 100 personnel, mostly engineers. Lear selected Plzeň, specifically CTPark Plzeň at Borská Pole, because of the city's strong engineering base and potential for cooperation with the city's University of West Bohemia. CBRE's industrial team advised Lear Corporation on the project.



PM Group celebrates 40 years in business

The international engineering, architecture and project management company PM Group is celebrating 40 years in business this year. The company, which is of Irish origin, was established in 1973 and since then it has continuously expanded to other markets across Europe, Asia and the United States. PM Group currently operates in more than 30 countries and employs over 1,800 multi-disciplinary team which deliver comprehensive projects to clients in various sectors such as biopharmaceuticals, advanced technology, medical tech-

nologies, food, research and development and the automotive industry. PM Group's portfolio of international clients includes Abbott, GSK, J&J, Novartis, Merck, Pfizer, P&G, Mars, Coca Cola, Dell, IBM, Microsoft, 3M, Toyota, American Axle & Manufacturing and Saint Gobain, among others. For most of the projects in which the company is involved, PM Group is contracted for EPCM services providing engineering, procurement and construction management. PM Group is also well established in the Czech Republic and Slovakia and has worked on over 25 projects in the industrial and commercial sectors over the past three years. The company was engaged to participate in projects such as the Gebruder Weiss logistics centre in Jeneč, Doosan's research and development centre, FEI's production facility in Brno, Vodafone headquarters in Prague, Šantovka shopping centre in Olomouc.



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40 Years
in Business*



Centres Dating conference brings the Czech public and private sectors together for the second time

The second Centres Dating conference was held in Prague at the beginning of the year with the primary objective of supporting communication between representatives of the private sector and the public administration and providing both sides with the opportunity to discuss possibilities of future cooperation, investment projects and business plans in the area of property management and construction. The AFI and CzechInvest presented current topics that play or will play a role in this area in the coming years. Kamil Blažek, chairman of the AFI's Steering Committee, gave a talk on the topic of "Prague as a destination for regional headquarters of mul-

tinational companies", in which he emphasised the necessity of bringing together and motivating relevant entities of the public and private spheres. He added that the AFI will focus intently on this area in the coming months. Ondřej Votruba, director of the Investment Division at CzechInvest, presented the recent amendment to the Investment Incentives Act, which came into force at the end of July 2012. The conference was attended by 47 hosts. Top officials of cities and towns as well as representatives responsible for regional development and planning were also in attendance. The business community was represented mainly by the construction, development and project engineering sectors and other investment services.

AFI serves as partner of the "Connected to India" conference

The Association for Foreign Investment perceives tremendous potential in the development of cooperation with India. This fact is undoubtedly

confirmed by the Czech government strategy, which includes India on the list of twelve priority trading partners. Thus the Association for Foreign Investment served as a partner of the "Connected to India" conference, which took place at the beginning of March at the Ministry of Industry and Trade in Prague. Both countries are currently hubs in the area of shared-services centres and business process outsourcing, India on the global scale and the Czech Republic in Central and Eastern Europe. The conference's agenda covered topics focusing on possibilities of cooperation between the Czech Republic and India, information on support for this segment in both countries, and current trends in the area of information technologies (outsourcing, support for technology start-ups, cloud computing, IT infrastructure, the IT labour market, etc.). The conference was attended by top representatives of both countries from the ranks of state administration as well as from the ICT sector in the private and non-profit spheres. More information on trade relations between the two countries is available in the last issue of Czech Focus, which features opportunities for Czech firms in India as well for Indian investors in the Czech Republic. ■

Opportunity
Just Ahead

Investment opportunities from AFI members



New industrial locations opened

Five new industrial parks in the Czech Republic and one in Slovakia are being opened this year by Accolade, a new Czech real estate group, together with Panattoni, one of the world's largest industrial developers. The company is offering sites in Aš, Cheb, Plzeň, Mladá Boleslav and Kvasiny – Rychnov nad Kněžnou; its sixth site is in Krásno, Slovakia. The company states that investors will be able to start operations on these sites eight months after signing a contract, which is significantly faster than is usual in the Czech market. Last year alone, Panattoni successfully completed major industrial projects for Assa Abloy, Johnson Controls and other clients.

Industrial site in the Kbely district ready for investment

Colliers International Czech Republic has been appointed as the exclusive agent to sell industrial site located in the Kbely district of northeast Prague. The site covers approximately 14 ha and currently accommodates number of existing buildings of varying size, age and use. The property is situated in the immediate vicinity of the Kbely military airport and has good connections to the Letňany metro and bus station. The site offers a superb redevelopment opportunity including a subdivision of different uses (subject to obtaining the necessary planning permits). In the meantime some of the existing buildings are ready for occupation and suitable for office/warehouse occupiers.

Warehouse/light industrial space available at D2 Logistics Park

D2 Logistics Park has space for warehouse or light industrial operations in South Moravia. This greenfield development site has all necessary permits making it shovel-ready for built-to-order facilities of up to 3,000 m². It is ideally situated in close proximity to Brno, with direct access to the D2 motorway and offering easy connections to Prague, Bratislava, Vienna, Germany, Hungary and Poland. D2 Logistics Park makes it possible for investors to consolidate and centralise distribution networks at a multi-market and multi-modal hub facilitating access to emerging markets in CEE as well as developed Western European markets. ■

NanoTech 2013 again with Czech participation

Thanks to CzechInvest, Czech firms and institutions participated for the second time within the national exposition at the world's biggest nanotechnology trade fair, NanoTech 2013 in Tokyo, Japan, that took place from 30 January to 1 February 2013. This year marked the twentieth anniversary of NanoTech, whose main themes were the environment, healthcare, food and cosmetics. Fifteen Czech firms and institutions exhibited at the Czech stand during the event. Their participation was arranged by CzechInvest in cooperation with the Embassy of the Czech Republic in Tokyo. The Technology Centre of the Academy of Sciences of the Czech Republic (ASCR) was well represented at the trade fair, for example by Roman Zima's ReSpimask, a protective facemask incorporating nanofibre technology, and post-operative medical clothing with applied silver nanoparticles from the company JIMIPLLET. Thanks to the ASCR Technology Centre, NANOPROTEX presented its newest invention involving the application of nanofibrous membranes for military use in the most extreme conditions. At the Czech stand, trade-fair visitors could view a presentation of



Events

the firm ELMARCO, which has long had a branch in Japan, and NAFIGATE Corporation, which operates the nanofibre portal at www.nafigate.com. Czech nanotechnology companies have been building up their significant position in the international market in recent years. For Japan, the Czech Republic has long been a respected European partner and many technologies from Czech companies are successful not only on the Asian market. This is due in part to the regular participation of Czech nanotechnology entities in conferences, and exhibitions abroad.

In cooperation with CzechTrade, in 2013 CzechInvest is preparing an international exposition for Czech nanotechnology companies at Euro-NanoForum, which is going to take place in Dublin in June. The agency is also readying one-day seminars in Milan and Düsseldorf in cooperation with the Czech Ministry of Foreign Affairs. ■

*Vojtěch Helikar
Investment Development Manager
Nanotechnology and Cleantech, CzechInvest*

Entrepreneurial Project of the Year 2011

In the first half of December 2012 CzechInvest and the Ministry of Industry and Trade of the Czech Republic presented awards for the best business projects implemented in 2011 with European aid from the Operational Programme Enterprise and Innovation. The awards ceremony was held at Michnov Palace in Prague's Malá Strana quarter under the auspices of Minister of Industry and Trade Martin Kuba. "Tremendous effort is required to prepare a high-quality project, undergo the aid process and successfully complete the entire project. Awards are presented for the best projects, though businesspeople also deserve recognition as the realisation of their innovative ideas increases our country's competitiveness," said Minister of Industry and Trade Martin Kuba. The Business Project of the Year 2011 awards were presented in eight categories. The winner in the Innovation category was the company Contipro Pharma with its project involving the application of hyaluronan in pharmacology. The award for the best project in the area of ICT and business support services was presented to DCIT, which provides consulting and auditing services in the area of IT and software development. The small hydroelectric power plant of Milan Mašek was recognised as the best ecological project in the Renewable Energy Sources category, while ONDRÁŠOVKA, a producer of mineral water under its eponymous brand, took the top honours in the Energy Savings category for its project focused on optimisation of energy management. In the Potential category, FAVEA, a maker of medicaments and cosmetics, received the award for the best research and development capacity, and the city of



Plzeň was presented the award for the best infrastructure for the support of innovative business in the Prosperity category. Awards were also presented to MARLIN, a provider of services in the field of education, for its new training centre and the furniture company BLANÁŘ NÁBYTEK for its production facility.

The partners of the Business Project of the Year 2011 competition were CzechTrade, the Association of Small and Medium-Sized Enterprises and Crafts of the Czech Republic, the Chamber of Commerce of the Czech Republic, the Association for Appreciation of Quality and Komerční banka. The media partners of the competition were Český rozhlas Rádío Česko, the weekly Ekonom, the ProByznys.info and EurActiv.cz portals, and the magazines Project & Property, Moderní obec and Prague Leaders Magazine. ■

*Petra Menclová
PR Executive, CzechInvest*



adVENTURE 2 winners announced

The grand-prize winning project of the adVENTURE 2 competition teaches us to love running. The other winning projects include a computer system for seniors and a social network for online betting. A smart system for synchronising contacts in mobile telephones was awarded the special jury prize.

The Association for Foreign Investment and the American Chamber of Commerce in the Czech Republic organised the second annual edition of adVENTURE, a competition for start-up businesses, in November 2012. In the final round at the Node5 business incubator, nine innovative ideas

camera technology. "The project is rightly and completely focused on the trend of healthy living, exercise and the necessity to relax. The idea to project on screens in fitness centre video clips simulating running in the countryside and in the city fulfils all of these attributes. In addition, the project is not limited in terms of language

a very interesting segment and responds appropriately to the needs of people who do not have the possibility to work with ordinary applications and programs, though they want or need to have access to modern technologies. In our opinion, this can be more than just an interesting business and the team has already achieved very interesting results without the necessity of financial investments," says adVENTURE 2 juror Tomáš Kozubek of Tarpan Partners, describing the advantages of the project. BuddyBet, a system supporting the advantages of a social network with online betting, was named the third best project in this year's adVENTURE competition. Thanks to BuddyBet, real friends and communities can challenge each other to place bets via a range of tools, from a website and application to recorded voice messages. "The BuddyBet project can be an inspiration and example for other local projects due not only to its very high level of professionalism, but also due to the fact that it does not have only global ambition, but rather it has been uncompromisingly targeted at foreign markets from the very beginning. The esteem shown for this project and the reason

"The aim is not only to recognize the best projects, but also to provide other, especially beginning entrepreneurs, with inspiration and motivation for their work."

were presented, of which the jury chose the best three. All finalists received a series of practical trainings from partners of the competition. Furthermore, the winners also got the opportunity to engage in one-to-one consultations with investors. The first-place winner in the adVENTURE 2 competition was the Spoteee project, which offers runners in fitness centres attractive projections shot using advanced

and can thus be expanded to other markets without the necessity of localisation," says Margareta Křížová of CEAG, member of the adVENTURE 2 jury. Second place in the adVENTURE 2 competition was taken by the Celebrio project, a multiplatform computer system for seniors that makes it possible for those with minimal or no experience to use a computer or tablet. "This is a project that focuses on

for optimism are also due to the strong list of initial angel investors," says juror Jan Všíanský of 42 Angels, summarising the project's advantages.

The jury awarded a special prize to the PhoneCopy.com project, which made a repeat appearance in adVENTURE, having been a finalist in the first edition of the competition. The project's representative presented the project's development

since the last year and the unprecedented progress captivated not only all participants, but also the jury.

Of the 35 projects entered in the competition, nine were chosen for the adVENTURE 2 final. With their business plans, the finalists focused on various areas of human endeavour, ranging from road safety and fighting obesity to easily making restaurant reservations. The objective of the competition is to

stimulate the creation of business concepts with potential for success on the market and to provide the originators of the projects with the expert support needed to achieve their dreams. The aim is not only to recognise the best projects, but also to provide other, especially beginning entrepreneurs with inspiration and motivation for their work. ■



Spoteee

Why not have a morning run in Paris while you're in the Czech Republic? Spoteee comprises a young team of enthusiasts who use advanced technology to shoot realistic videos, which are then displayed to runners on a wide-screen television placed in front of a treadmill.

Users thus lose the impression of being in a confined space and imagine that they have been transported to a nicer location of their own choosing, either the countryside or various cities of the world. We provide gyms with a comprehensive solution together with hardware and software that we developed ourselves.

Motivation to exercise is lacking and there is nothing attractive about running on a treadmill – staring at a blank wall, looking around the gym or watching TV shows. The Spoteee team believes that running on a treadmill can be fun. We offer a solution for runners that has competition comprising only three companies in the eastern United States. Spoteee makes time on the treadmill more pleasurable; people feel better when running and many forget that they are even running at all. Currently, we are testing incorporation of foreign-language training, as well as use in relaxation practice and other fields.

www.spoteee.com

Celebrio

Celebrio is a computer system for the elderly and makes the world of modern technology accessible to everyone who, until now, has been put off by object problems and excessive complexity. The software simulates an operating-system interface built on the belief that each of its parts should be clearly rendered with the same appearance and control. You can concentrate only on what you want to do and not have to figure out how to do it. You do not have to learn English – Celebrio will always talk to you only in your native language. You do not have to know where to find news on the internet – Celebrio will find it for you. You do not have to remember or set up anything that is not needed. If you want your family and friends to always be with you, you can have them with you at all times in Celebrio, which connects you with those who depend on you and thus they will always be in touch. You will always have something to read. Thanks to current news, you will always know what's going on.

Celebrio Software is a Czech firm established by students at Masaryk University in Brno. Celebrio has already won awards in local and international competitions; for example, it placed in the top 18 competitors from 183 registered countries in the Microsoft Imagine Cup 2011 final in New York.

www.celebriosoftware.com

BuddyBet

BuddyBet is a groundbreaking combination of social networking and online betting, offering sports fans the chance to challenge each other to direct head-to-head bets or make bets against groups, either for virtual money (BuddyBucks), forfeits or, from January 2013, cash. Users can bet on the BuddyBet website or via links posted on other sites. In the coming months, we'll open BuddyBet's functionality to forums and gaming platforms and launch a range of mobile apps, including a system that allows businesses to engage users to create and send bets across their existing sites and operating off our shared global database. Along with a unique format, BuddyBet's other big advantage is an innovative approach to marketing, targeting users who don't currently bet. By turning online betting into a fun, social activity, BuddyBet believes it can tap this huge potential market. Unlike traditional online betting platforms, BuddyBet is aimed at the widest possible user base. The platform is available worldwide in formats that comply with local laws and regulations.

Led by long-term Prague residents Jarrod Epps and Stuart Watkins, the BuddyBet team combines Czech and international expertise in the fields of web development, marketing, customer support, content creation and community management.

www.buddybet.com

*Martin Michalov
PR and Marketing Manager
Association for Foreign Investment*

The Czech Republic offers great potential for SSCs

Shared-services centres have experienced a major boom in the Czech Republic in recent years. Mainly large multinational companies have chosen various Czech cities as the locations for their operations in the area of business support services (BSS). Most of the roughly one hundred such centres operating in the Czech Republic are shared-services centres (SSC), while business processing outsource-

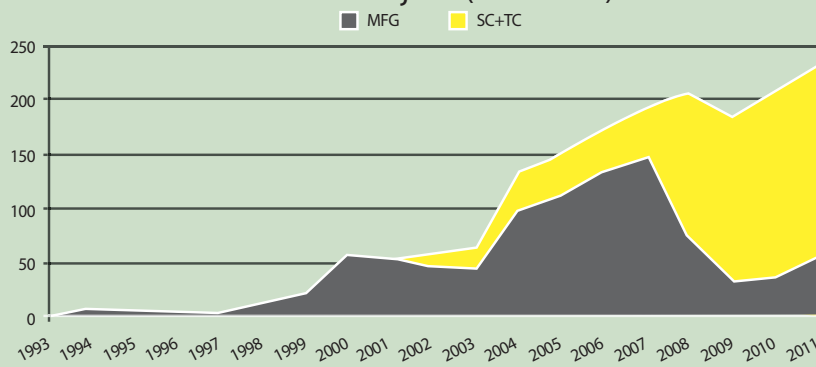
was initially characterised primarily by the establishment of call centres. As time passed, however, it became necessary to address the needs of more sophisticated operations in the fields of finance, accounting and, later, human resources and information technologies. The region of central and eastern Europe is currently attracting an ever greater number of foreign companies that are searching for locations here for shared-services centres.

cultural and social foundation. Furthermore, other European cities can be reached by air from Prague within two hours, which is an advantage for companies whose managers travel frequently. The education and expertise of students and graduates are at a very high level. The Czech Republic has 83 faculties educating students in economic fields and 63 in ICT fields. Study programmes at universities include mandatory instruction in two world languages, English is predominant. Due to the fact that the Czech Republic is a small country and Czech speakers are a relative rarity in the rest of the world, the study of foreign languages is practically a necessity for Czechs. However, among young people who travel extensively, this is rather a pleasure than an obligation. A number of graduates thus possess very good language skills. As such, many of them choose work in the BSS field as their first job.

Companies that have chosen the Czech Republic as a suitable location for their shared-services centres include DHL, Accenture, Johnson & Johnson, Siemens and Lufthansa, among others. A number of these firms are continually growing and each of them employs roughly 1,000 people in a range of fields.

The main locations for shared-services centres in the Czech Republic are Prague, Brno and Ostrava. As the country's capital, Prague offers myriad advantages and factors enticing companies to locate their BSS operations here. One of the few disadvantages of Prague is the impossibility of receiving financial aid, as it is categorised as a region with per capita

Number of Projects (1993-2011)



ing (BPO) comprises one-fourth. The same trend, i.e. the prevalence of SSCs and BPOs, can be seen throughout the region of central and eastern Europe. The primary purpose of establishing a shared-services centre is centralisation of activities in one place, resulting in greater operational efficiency and cost savings. The BSS sector is relatively young in the Czech Republic and is thus undergoing continual development.

Until the year 2000 nearly all foreign direct investments in the Czech Republic were in the manufacturing sector. Since 2000, however, investment flows have changed significantly. The development of information and telecommunications technologies supported the establishment of the first BSS operations and thus an increase of FDI in the services sector. Due to the trend of customer-focused service as well as to imperfect knowledge of the BSS environment, the development of this sector

For foreign investors, the Czech Republic is a very attractive environment and Czech

cities appear on shortlists of possible sites, mostly together with cities in neighbouring Poland. The Czech Republic's main advantages include its excellent infrastructure and, in particular, its strategic location. The fact that, of all the countries in the CEE region, the Czech Republic lies farthest to the west plays an important role in the selection of future employees among companies from western Europe and the United States. Among other things, this is due to the population's similar

“ The BSS sector is developing dynamically and is attracting increasing attention. ”

GDP that is 75% or more of the national average and is thus not eligible to receive aid from European Union structural funds. Thanks to this fact, many BSS companies focused primarily on IT and ICT choose the Czech Republic's second city, Brno, which does have this possibility. Brno is a university city where living, labour and facility costs are approximately one-fifth lower than in Prague. Companies such as AT&T, IBM, Red Hat and Solarwinds have been operating in Brno for

a number of years, thanks to which the city is considered to be the IT hub of the Czech Republic.

However, not all companies want to have their shared-services centres in major cities and thus endeavour to exploit the competitive advantages and cost savings found in smaller cities in the Czech Republic, such as Pardubice, Plzeň and Ústí nad Labem.

Nevertheless, the strong potential for establishing BSS centres in other cities of the Czech Republic is currently not being exploited. For example, Olomouc offers an ideal climate for newly incoming BSS firms thanks to its strategic location, large number of students and low costs.

The BSS sector is developing dynamically and is attracting increasing attention. This is apparent in the amendment to the Act on Investment Incentives. Until 2012 only projects focused on manufacturing were eligible to receive investment incentives. However, IT

and BSS projects also became eligible in July 2012 due to the aforementioned amendment. Companies can newly receive tax relief for a period of up to ten years instead of the previous five, which is beneficial for BPO companies, which primarily generate profit. The 2007-2013 EU structural funds programming period is coming to an end and another call involving aid for shared-services centre will probably not be issued by the end of 2013. Aid for ICT and business support services is currently being discussed, though there is no clear outline of the form it will take. However, it is highly probable that in the next programming period it will have similar parameters as previously.

The Czech Republic and the entire region of Central and Eastern Europe continues to be very attractive for foreign investors in the area of shared-services centres. This is in spite of the growing demand for locations such as India, Brazil and

the Philippines. The CEE region's favourable position derives from many aspects, as well as from welcoming investment conditions for newly incoming investors, including those from the ranks of shared-services centres. ■



Do you want to know more about the shared services sector in the Czech Republic? Download the free leaflet from CzechInvest!

More information is available at www.czech-invest.org/en/business-support-services.

Tereza Ottová

*Project Manager of Strategic Projects (BSS, IT)
CzechInvest*

Olomouc: an attractive location for shared-services centres



Schneider Logistic Europe became a pioneer in area of shared-services centres in the Olomouc region in 2004. The company, which

later changed its name to ExlService Czech Republic following a change of ownership, provides services in the areas of finance, accounting and human resources. It was very soon followed by other firms, for which Olomouc, a historical university city in the heart of Moravia, offers ideal conditions.

One of the most important factors in this area is the region's highly skilled and available workforce. Graduates of Palacký University in Olomouc, which was established in the 16th century, enter the labour market educated in economics, finance, accounting or IT while also possessing very good language skills. They are strongly motivated to join the workforce in a region with a relatively high unemployment rate. A further advantage of the city of Olomouc is its excellent transport accessibility, as it is not quite three hours from Prague on the D1 motorway and R46 expressway and roughly an hour from the international airport in Brno – Tuřany.

Investors' interest in Olomouc has been growing recently also thanks to the construction of class-A office spaces. The opening of the multipurpose CPI City Centre

Olomouc (www.cpi.cz) is planned for spring 2013. Besides a four-star Clarion Hotel, this complex also includes two administrative buildings as well as offices and retail spaces. At the same time, BEA Centrum (www.bea-centrum.cz) will be opened to potential tenants and spaces in the six-floor Nová Envelope (www.novaenvelope.cz) office building will become available for purchase and lease. Another project in the works is Silo Tower Olomouc (www.silotower.cz), which will result from the conversion of a former silo. The modern, architecturally interesting office spaces of the Silo Tower Olomouc project will provide exclusive views of the city. The Šantovka shopping centre, which has been operating in the city for several years, has in recent years been expanded upon with the addition of the new Rezidence Šantovka residential quarter and, in the last phase of the project, construction of an office park (www.santovka.cz). All of these projects are located in or near the centre of the city, giving them the advantage of outstanding transport accessibility consisting in connections to municipal mass transit as well as to national and international roads and air routes. The offer of business properties in the Czech Republic, including offices spaces, industrial zones and brownfields, is among the basic services

provided by CzechInvest. More information is available at www.czechinvest.org.

Examples of SSCs in the region:

ExlService Czech Republic

- shared-services centre focused on finance, accounting and HR
- Olomouc
- 300 employees

HELLA AUTOTECHNIK

- Design and development centre (services within the group in the area of developing lighting technology)
- Mohelnice (30 km northwest of Olomouc)
- 75 employees

BüroKomplet

- shared-services centre focused on administration of information systems, accounting, HR administration, marketing and data processing
- Prostějov (20 km southwest of Olomouc)
- 20 employees

Lenka Gondová

*Director, Olomouc Regional Office
CzechInvest*

Beyond the big cities: **SSC success in the regions**

At the beginning of the financial crisis in 2008 the British company NonStop Recruitment had to consider increased pressure on cost efficiency and performance excellence and therefore looked for further sources of cost reduction and cost optimisation such as outsourcing and shared-services centres.

The Czech branch of NonStop Recruitment has been operating as a shared-services centre for recruitment and human resources since 2008 and represents a highly original concept responding to the necessity of expansion to new economic areas or sub-areas and the internal aim of increasing the efficiency of processes and working teams.

The firm has successfully applied for aid from the Operational Programme Enterprise and Innovation (OPEI) twice with the great help of CzechInvest. The initial model costs reached the level of CZK 60 million (approx. EUR 2,3 million), based on which the company had hired more than 40 people in Pardubice by 2011. Aid from OPEI enabled the company to retroactively apply for reimbursement of more than CZK 35 million (approx. EUR 1,3 million).

The currently realised project is a follow-up of the already fully functional back-office services centre in terms of expansion into other economic

fields and improved effectiveness of internal processes. The costs of introducing a new model of sector and geographical specialisation amount to CZK 65 million (approx. EUR 2,5 million), more than half of which will be financed with aid from the Operational Programme Enterprise and Innovation. It is expected that at least 50 new jobs will be created in connection with the company's further growth.

Karolína Kašparová
Project Coordinator
NonStop Recruitment

From the UK investor's point of view

Despite the fact that SSCs are mostly located in big cities such as Prague and Brno, we have opted for the lower-cost Pardubice region and potential for further competitive advantage.

Investing in the region has been an interesting experience. There has been truly great cooperation with CzechInvest regarding the organisation and administration of the co-funding side of the project.

The region has been welcoming to the foreign workers that we have

employed, and many have integrated fully into the local community and will become permanent residents in the region, adding to the growth and prosperity of the region, financially and culturally.

However the Pardubice region differs from both Prague and Brno as it does not have a history of this type of business. This has meant that our business has been sometimes forced to employ people from overseas and Prague as well as to utilise international accountancy and legal firms based in Prague

at a higher cost. On the other hand, we have been aware of the fact that identifying the pitfalls and limitations from the perspective of a foreign business represents the successful direction towards a higher level of professional services in the area. The region definitely has great potential to attract foreign businesses. ■

Kevin Cejnar
Managing Director
NonStop Recruitment

Brno was **the right choice for Dixons Retail**

Dixons Retail is Europe's largest specialist electrical retailer and services company. It operates over 1,150 stores and online, spanning 16 countries and employing 36,500 people. Dixons Retail is the market leader in the UK and Ireland, Scandinavia and Greece.

In Brno the company operates a shared service centre (SSC) which opened in 2007. The centre employs over 400

people of 18 different nationalities, most of whom have a university degree. The SSC currently provides a wide range of services including finance, customer support, IT and business administration in 11 different languages for the group's retail businesses in the UK, Ireland and Scandinavia and Pixmania's European internet business. In 2011 the company moved to new offices in Brno and created a second legal entity that focuses exclusively on

providing Pixmania with services such as software development, customer support, purchasing and web-marketing. Pixmania was nominated for CzechInvest's and AFI's Investor award in 2012, eventually winning second place.

As the SSC's Training & Development Manager I started out as a project manager during the set-up phase. When I joined the project management team

back in 2007 the plans were all approved, but a lot of work was ahead of us to launch the centre successfully. We needed the right people, a flexible office and a proper IT network, among other things. A project like this always comes with a few surprises, but looking back I can confirm that the Czech Republic, and Brno in particular, was the right choice. In the area of finance we are proud to have become an employer of choice for economics graduates in the region.

The reasons for choosing the Czech Republic were numerous. The key factors for Dixons Retail were:

- Cultural and geographical proximity
- Availability of well-educated, internationally oriented people
- Availability of modern, affordable office space

Dixons Retail already had an established brand, Electroworld, in the Czech Republic, which meant that it could tap into local experience. In terms of geography, direct flights between Brno and London Stansted are an important physical link. Brno boasts five universities and 80,000 students, who often benefit from international university exchange programmes. Combine this with international work

experience that the local labour market offers, there is very good potential to find the necessary people.

Miroslava Ambrozova, the centre's HR Manager adds: "These success factors are still valid today, and have led to the centre growing to cover new service areas. This growth is mainly thanks to our people, who are the greatest asset of any shared service centre." ■

*Frank van Bommel
Training and Development Manager
DSG International SSC,
part of Dixons Retail*

Seven years of growth: JNJ Global Business Services

JNJ Global Business Services (GBS) is the EMEA regional financial services centre of Johnson & Johnson. We opened our doors in Prague in March 2006 and have expanded our range of services to the Johnson & Johnson family of companies. The centre is thus now servicing 28 European countries as well as the United States and Canada.

The centre provides valuable support in the areas of supplier and customer invoice processing, selection of receivables including the associated business risks, administration of both supplier and customer databases, assessment and processing of tax records, booking of accounting transactions and preparation of corporate reporting documentation. For the future, the company is actively planning to expand its operations into financial planning and effective support for budgetary preparation as well as its geographic scope.

Over its seven years in operation, the shared-services centre has certainly exceeded the original ambitious plan that was set out for it. The original investment plan assumed that the Prague office would only provide services in the area of Procure2Pay, which encompasses processing of supplier invoices for eleven European countries as

well as the associated customer service operations. The original plan called for a maximum of seventy employees. However, the first three years of operation laid the foundation for a much stronger and bigger organisation than anyone had hoped for and our range of services expanded very rapidly, both in terms of geographic scope as well as new process. The key year for our operation was 2008, when our employee count grew to 120 due to process expansion and it hasn't stopped growing since.

JNJ GBS in Prague now operates with nearly 300 professionals whose backgrounds originated in over 30 different countries across the globe. The vast majority of employees, whose average age is slightly above 30 years old, possess university-level education as well as internationally recognised professional education in fields such as finance, tax and supply-chain management. English is the official office language of Johnson & Johnson, including JNJ GBS.

Reasons for choosing Prague as the home of our SSC included the area's available, strong, high-quality and multilingual workforce, the macroeconomic stability of the Czech Republic and the country's well-developed infrastructure. Prague's

central European location makes it easily accessible from all corners of the continent and the city also offers good connections to the United States, the Middle East and Asia. Government support and investment, which Johnson & Johnson worked closely with CzechInvest to obtain, also had a positive impact on the decision-making process and helped bring the last pieces of the decision-making puzzle into place.

Today, JNJ GBS is working diligently with our fellow regional partner financial centres of Johnson & Johnson to bring greater focus on improving the quality of financial services with a strong emphasis on effectiveness and efficiency while respecting all legal regulations and international standards. The Czech Republic has proven to Johnson & Johnson employees and management both here in Prague as well as abroad that it was an excellent choice for our needs and with this in mind Johnson & Johnson is planning to continue to expand its financial activities in the centre of Prague. ■

*David Mansfeld
Managing Director
Johnson & Johnson Global Business Services*

British companies look for growth in Central and Eastern Europe

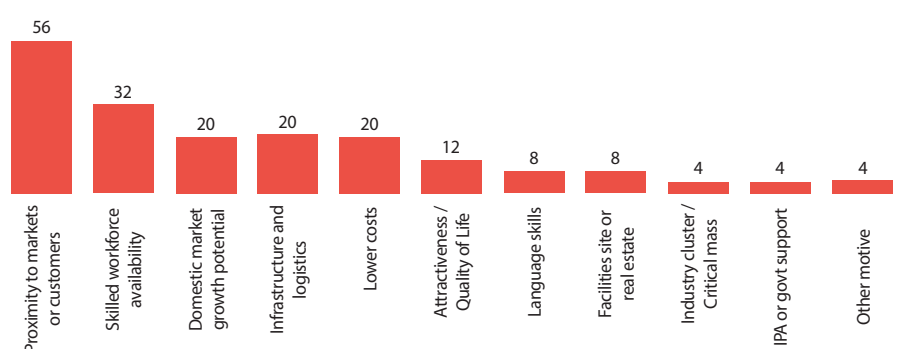


The Czech Republic ranks fifth in Bloomberg's Top Emerging Markets, right behind the Asian tigers, and it is the only EU country in the top ten. Thus it is no wonder that British companies are looking here for growth opportunities closer to home.

In the eyes of British businesspeople, the Czech Republic may have once suffered from a negative perception of being a part of "Eastern" Europe. However, with the UK's domestic market remaining depressed and mature European economies looking anaemic for the foreseeable future, all eyes have turned east for signs of growth. Unsurprisingly, many view the Czech Republic as an ideal landing spot and the gateway to other markets in the region. Bloomberg ranks the country fifth among top 20 emerging markets. The only other European country that made the top ten is Russia (9). Bloomberg's ranking is based on areas of particular interest to foreign investors: the ease of doing business, financial and monetary stability, economic freedom and the perceived level of corruption. It is the right balance of risks and opportunities that makes the Czech Republic an attractive proposition. The relative ease of doing business in an EU member state is only a part of the story. According to the Financial Times, British companies choose to invest in the Czech Republic primarily because of its advantageous location and skilled workforce. Combined with the growth potential of the domestic market, the ease of access to

neighbouring countries, relatively low costs and advanced infrastructure comprise a potent combination of reasons to invest.

ing British economic success. Tesco has made by far the largest capital investment and following several years of rapid



Sample: 25 projects. Source: fDi Intelligence from The Financial Times Ltd. March 2013

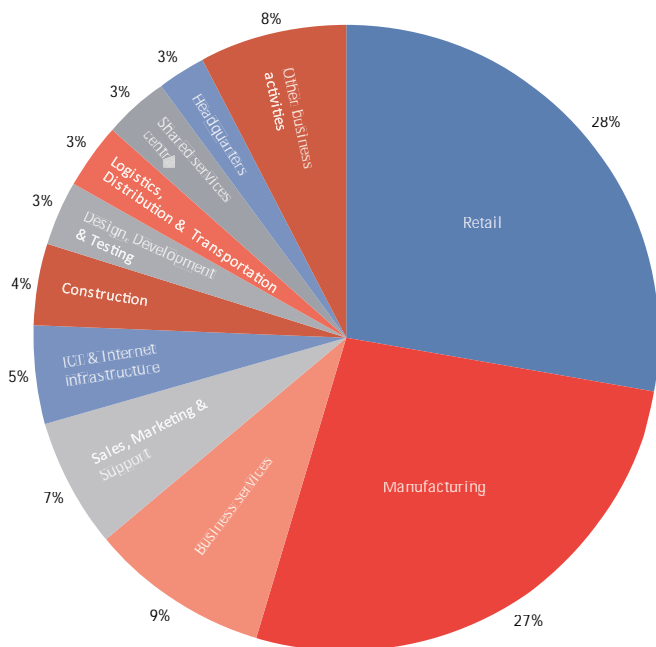
Led by examples

In comparison to the Germans, Americans or Japanese, British companies started exploring opportunities in Central and Eastern Europe relatively late. It was not until early the 2000s that the Czech Republic started seeing a significant number of entrants from the United Kingdom, which included well-known brands spearhead-

expansion it now ranks as the third largest supermarket chain in the Czech Republic by turnover. Dixons Retail Group and Vodafone have made the second and the third largest capital investments respectively. The success of large companies inspired a number of others to follow in their footsteps. According to the Czech National Bank, in 2011 the UK became the fifth

largest source of foreign direct investments, reaching a value of nearly €400 million. The Czech Republic's growing middle class with increasing disposable income attracted retailers and mobile phone network operators. The country's reputation for engineering prowess, on the other hand, convinced many investors to set up manufacturing operations. The Czech Republic punches well above its weight when it comes to exporting high-value engineering products. In the automotive sector alone the country produces 1.2 million cars a year – no mean feat for a small country of ten million people. The size of the industry is comparable to that of the UK, which makes around 1.3 million cars a year.

fDi from the UK to the Czech Republic 2003 - 2012



Source: fDi Intelligence from The Financial Times Ltd, 2003 - 2012. March 2013

Moving up the chain

The automotive sector is built on strong technical education producing high-calibre graduates. The supply of talent attracts engineering design companies that come to the Czech Republic to find solutions to their challenges. An example of this is Ricardo, a globally successful company from southern England. "The Prague Technical Centre is an integral part of our global operations, taking on an increasing number of responsibilities within the group," says Martin Fausset, managing director of Ricardo UK. "Over the last 12 years our engineering team has grown to 170 people delivering turnkey programmes including engine and transmission design, vehicle controls and software, and engineering simulation products. We also run a global IT support desk from Prague in 12 languages," he adds.

Ricardo's operation thrives on its engineers' ability to constantly seek innovative solutions.

Another UK company that realized the value of skills available in the Czech market is Dixons Retail Group, which was among the first to set up a shared-services centre in Brno, the country's second largest city after Prague. Today over 450 staff made up of 17 nationalities run finance and non-finance services for Dixons and Pixmania across Europe, including the UK. "The decision to build the in-house shared-services centre in Brno was based on our plan to deliver synergy across the international group by establishing integrated processes in a single location. Besides

modern infrastructure, Brno offers access to a diverse pool of international talent at favourable costs, which was crucial for our operation," says Julian Smith, corporate finance director at Dixons Retail, explaining the rationale behind the company's choice of location.

With two major universities, a young population and relatively low wages, it is easy to see why Brno has become the most popular location for services and software development centres over the past three years. The city hosts a number of world leaders including Red Hat, IBM or Microsoft. Edwards Vacuum Systems, another internationally successful brand from the UK,

also established its shared-services centre in Brno, consolidating the finance function for the European and US markets. This followed from their earlier strategic decision to consolidate all manufacturing, aftermarket and services into two global hubs, one in and around Brno and the other in South Korea. This vertical integration takes full advantage of Brno's geographic location and the local talent pool.

London gateway

Due to its globalised economy, the UK has also become a major decision-making centre for investments by non-European companies. The strategic importance of having the government's investment advisors represented in London cannot be overstated. Over the past three years our office has mediated large investments by corporations from the US, Japan and New

Zealand, all through their UK subsidiaries.

The nature of foreign direct investment (FDI) has also changed in recent years. Since the onset of the economic crisis in 2008, companies have become more cautious, favouring mergers and acquisitions over greenfield investments and taking a much more sophisticated approach to decision-making. The ability of our office to liaise directly with senior managers and respond quickly to their requirements has become more important than ever.

In the fierce international competition for FDI, governments strive to impress investors with smart economic policies or incentives, often to compensate for other factors which cannot be influenced, such as location, population, etc. The quality and accessibility of services provided by national investment agencies can also mean the difference between winning and losing investments.

The Czech government is continuously looking to improve the country's business environment and to stimulate investment by new entrants, as well as by those who are already well established in the Czech Republic. Since 2012 companies can benefit from up to ten years of tax relief under the new investment incentives scheme and other benefits including job-creation grants. The Czech corporate governance standards are now on par with those of western economies and the corporate tax rate is among the lowest in Europe.

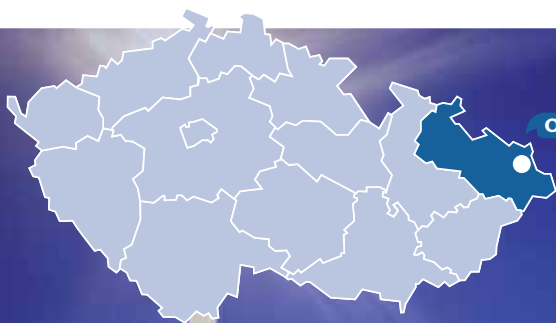
In response to the increased demand for expansions through mergers and acquisitions, CzechInvest has started providing a service called CzechLink – a database of manufacturing and IT companies searching for strategic partners. This platform is designed to facilitate qualified investor search and to lower the costs of identifying potential acquisition targets. This is all good news for UK companies looking for opportunities in Central and Eastern Europe. The Czech Republic's fundamentals are right: easy access, central location, skilled workforce, language competency, political and economic stability, and good corporate governance, all with the benefit of lower costs. Investors can also tap into CzechInvest's services, which are free of charge and include research and analysis, identification of business partners, finding suitable properties, handling of investment incentives, business infrastructure development and access to EU funds. The combination of the right business environment with support at every step of the process gives the Czech Republic an unrivalled position as an ideal gateway to Central and Eastern Europe. ■

Michal Mravinač

Director of the Trade and Investment Office

UK & Ireland

Ministry of Industry and Trade, Czech Republic



Moravia-Silesia is a dynamically developing region. In recent years its potential in the form of numerous business opportunities, a skilled workforce and well-developed infrastructure has attracted several dozen foreign investors operating in the automotive and chemical industries, IT and electronics, and business support services.

Basic data

Area	5,427 km ²
Population	1,228,403
Gross domestic product (EUR million)	15,153
Per capita GDP (EUR)	12,294
Average gross income (EUR)	883
Unemployment rate (2012)	12.34%

Town hall in Ostrava

About the region

With a population of over 1.2 million, Moravia-Silesia is the third most populous region of the Czech Republic.

It lies in the northeastern part of the country, bordering Poland to the north and Slovakia to the east. Its location on the border of three countries, almost in the very centre of European area between Vienna, Austria, the Upper Silesian agglomeration of Poland and Bratislava, Slovakia, is very advantageous. The importance of this location is emphasised by regional actors who have long striven to connect certain activities of Moravia-Silesia, the Žilina region of Slovakia and Województwa Śląskiego in Poland. Their objective is to create a significant territorial centre within the pan-European perspective. With its land area of 5,427 km² Moravia-Silesia is the sixth biggest region of the Czech Republic.

Economic data

Per capita gross domestic product (GDP) in the Moravia-Silesia region in 2011 was 86.9% of the average gross per capita GDP of the Czech Republic. The region accounted for 10.2% of the Czech Republic's total GDP in 2011. The region's

rate of registered unemployment, calculated on the basis of materials from the Ministry of Labour and Social Affairs, was 12.34% in 2012.

Industry

Although previously the industrial heart of the republic, the region's economy has never been based solely on heavy industry. Traditional companies here include representatives of the automotive industry, mechanical engineering, mining technology, the chemical industry and food production. ArcelorMittal represents a history of pig-iron and steel production dating back more than sixty years. Whereas in the past investments were made primarily in expanding production, the turn of the century brought investments in modernisation and, mainly, the greening of production. More than 130 million tonnes of iron and 160 tonnes of steel have been produced here to date. Founded on the rich history of the Vítkovické železářny ironworks established in 1828, Vítkovice Machinery Group in Ostrava is the most significant Czech mechanical-engineering group. A state-of-the-art forge was recently put into operation here. OKD (Ostravsko-karvinské doly) is the only black-coal producer in the Czech Republic. Though the sector incurred a downturn after 200 years of organised coal mining in the region, the firm continues to mine, process, refine and sell black coal that is suitable for use as fuel and for coke production, as well as in the chemical industry and in many other applications. Another traditional firm, Tatra in Kopřivnice, has been producing automobiles since 1897, making it the oldest vehicle manufacturer in Central Europe. Today its core production programme is focused on heavy-duty off-road freight vehicles and vehicles used in road construction. Finally, Radegast in Nošovice has been brewing beer for more than four decades. During that time, the brewery has

undergone several phases of modernisation, and this is not to mention either the recipe or brewing process. The company is currently part of the Plzeňský Prazdroj group.

Moravia-Silesia is also home to highly specialised firms such as Rieger Kloss, a manufacturer of organs in Krnov, and TONAK Nový Jičín, a producer of felt hats. Thanks largely but not only to investment incentives and well-prepared industrial zones, the region began to receive new investments, primarily in the automotive sector, after 2004. Suppliers of major carmakers (VW, Opel), such as Brose, Dura Automotive Systems and Erich Jaeger, set up operations in the Kopřivnice industrial zone. After the Korean carmaker Hyundai decided to build its first European factory in Nošovice in the Moravia-Silesia region, a number of its suppliers (e.g. Sungwoo Hitech, Dymos, Plakor, Hysco, Donghee) followed suit. Hyundai is currently in full operation in Nošovice, where 300,000 cars roll off the assembly lines annually. Other significant incoming investments include those undertaken by Osram Bruntál, Shimano Karviná, Mölnlycke Health Care, Bang & Olufsen Kopřivnice, Brembo, ITT and ABB, among many others.

Moravia-Silesia features a total of twenty industrial zones covering a combined area of more than 1,000 hectares. There is also an abundance of production and logistics facilities available for lease, such as Prologis Park Ostrava – Poruba and CTP Park Ostrava. A full range of modern, class-A office spaces with a total area of more than 50,000 m² (Nová Karolina, Orchard, Nordica, CTP Hrabová, Tieto Towers) is also available for IT companies and business support services centres. Facilities for companies engaged in innovation and development are available in the growing Ostrava Science and Technology Park, BIC Ostrava and the Business Incubator of the

Technical University of Ostrava (TUO), which offer close cooperation with the academic sphere. Cooperation between the region's universities (TUO, University of Ostrava, Silesian University) and the business sphere is also being expanded, resulting in numerous significant projects supported by the European Union. For example, construction has begun on the IT4Innovations National Super-Computer Centre, supported from the Operational Programme Science and Research for Innovation, and on the 4MEDi – Corporate Biotech Park for Medical Innovations Ostrava,

Major investors in Moravia-Silesia

Company	Sector
ABB	electronics and electrical engineering
Bang & Olufsen	electronics
Behr	automotive
Brembo	automotive
Brose	automotive
Continental Automotive	automotive
Dura Automotive	automotive
Hyundai Motor	automotive
ITT	automotive
Mayr-Melnhof Säge	wood-processing
Mobis Automotive	automotive
Mölnlycke Health Care	chemical and pharmaceutical
Osram	electronics and electrical engineering
Plakor	automotive
Shimano	mechanical engineering
Sungwoo Hitech	automotive
Teva	chemical and pharmaceutical
Tieto	IT
Visteon	automotive
Vítkovice	mechanical engineering

supported from the Operational Programme Enterprise and Innovation.

Business Support Services

Thanks to the region's offer of high-quality facilities and infrastructure, numerous firms have chosen Moravia-Silesia as the location for their

investments in the area of business support services in recent years.

OKIN Group a major provider of support services for businesses in central and eastern Europe, has been operating on the Czech market since 1993 and has undergone dynamic development in the intervening years. The company now employs more than 1,500 people and has operations throughout the Czech Republic as well as in Slovakia, Ukraine, Bulgaria, Romania and Poland. OKIN Group encompasses several brands with which the company covers key areas of support services for businesses – facility management, business process outsourcing and training. In Ostrava the company employs more than 500 people and focuses on order processing and management, invoicing, technical support, supervision and customer support.

The IT company **Tieto** opened its software centre in Ostrava in 2004. With more than 1,900 employees, it is one of the biggest employers in the field of IT services in the Czech Republic and the biggest in Moravia-Silesia. In terms of the number of core employees, Tieto's Czech operation is the company's third largest branch in the world, behind the parent operations in Finland and Sweden. Tieto managed to build a stable work environment in Ostrava within a relatively short period of time; the company's employees, who had previously worked in four different buildings in Ostrava, relocated to the new Tieto Towers facility at the end of 2012.

In 2006 **Stora Enso**, an international company involved in the production of paper used in newspapers, books and magazines, established its Software Development Competence Centre Ostrava as a strategic centre for software-development services within the parent company. Planning, logistics and sales systems are currently being developed here for the part of the company involved in processing and sales of wood and wood products. Based on the positive experience gained here, the parent company has decided to expand the IT centre with the development of software intended for logistics and sales solutions for companies in the paper industry, as well as modification of existing software tools and development of new ones for better economic control and analysis of units within the company. Customers comprise factories of the Stora Enso parent company around the world and external service providers. SDCC Ostrava is Stora Enso's biggest IT centre with approximately 100 employees.

Siemens opened its shared-services centre in Ostrava at the end of 2008 with the objective of providing financial, accounting, operative purchasing and human resources services for Siemens worldwide as well as for customers in the Czech Republic. Ostrava branch employs about 400 experts. The company's Czech shared-services centre is preferred by customers within the Siemens concern as well as by external customers

due to its strategic position, quality of provided services and the professionalism and language skills of its employees. In order to maintain its favourableness in terms of cost structure and to remain lucrative for customers in terms of costs and pricing, the shared-services centre is striving to minimise input costs and to gain support from state and European funds.



Transportation infrastructure

High-quality and rapid access to suppliers and customers is a key factor for the entry and operation of companies in the region. The city of Ostrava is connected to Brno and Prague via the D1 motorway, and a connection to the Polish motorway network will be completed in the foreseeable future. The dense rail network in Moravia-Silesia ensures frequent connections to other regional hubs in the Czech Republic and there are also direct connections to Warsaw, Krakow, Moscow, Bratislava and Vienna. With regularly scheduled flights to Prague, Vienna, Paris and London, Leoš Janáček International Airport in Mošnov, 20 km from the centre of Ostrava, enjoys a strong position and extensive support from the region.

Leisure time

During the winter months, residents and visitors of Moravia-Silesia spend their leisure time on the downhill slopes and cross-country ski trails in the nearby Beskydy and Jeseníky Mountains. In summer, it is possible to use the region's dense network of cycling and hiking trails. Golf enthusiasts will find high-quality courses and facilities in Čeladná, Ostravice, Šilheřovice, Kravaře and Ropice u Třince. Sightseers are drawn to municipal heritage sites in Nový Jičín, Karviná, Štramberk, Příbor and Opava. Very popular is chateau Hradec nad Moravicí. Major tourist attractions include the region's unique technical monuments, such as the developing Lower Vítkovice National Cultural Monument, Ostrava-Petřkovice Mining Museum, Michal Mine and the Tatra Kopřivnice Museum. ■

Lada Kratochvilová
Director, Moravian-Silesian Regional Office
CzechInvest

IT4Innovations to build the first supercomputer in the Czech Republic



IT4Innovations is an institution comprising a supercomputing centre and a centre of excellence where research and innovation go hand in hand with high performance

computing (HPC) systems. There are five partners involved in the project: Technical University of Ostrava, University of Ostrava, Silesian University in Opava, Brno University of Technology and the Institute of Geonics of the Academy of Sciences of the Czech Republic.

The IT4Innovations National Supercomputing Centre will employ approximately 200 highly qualified researchers. Project costs amount to CZK 1.8 billion (approx. EUR 69 million) for the period 2010-2015, provided by the Operational Programme Research and Development for Innovation with 85% of funding provided from EU structural funds (European Regional Development Fund) and 15% from the Czech national budget.

The centre has two main objectives. One of them is acquisition of a high-performance supercomputer that is planned to be put into operation in 2014, at which time it should rank among the top 100 most powerful supercomputers in the world. The supercomputer located in Ostrava will be built in two stages. Currently a so-called small cluster is being supplied and a new tender was announced for the delivery of the final part of the supercomputing technology (i.e. the large cluster).

The second objective involves research activities and the unification of a wide range of fields of knowledge and science around the central theme of information technologies, thus not only achieving advances in informatics and computational mathematics as such, but also supporting the development of all the fields involved.

The supercomputer will be available not only to scientists but also to representatives of industry. "We want it to be used for meaningful tasks that will benefit both Czech society as well as science and research at the European level", explains Martin Palkovič, director of IT4Innovations. "In industry, the supercomputer will save time and help solve problems that would otherwise be very difficult to address. Being faster and offering products and services that are superior to those of competitors is the key to the success of any business today," continues Martin Palkovič. Interested parties from industry can request cooperation with one of the eight IT4Innovations research teams that are divided into five groups based on their field of expertise, i.e. earth sciences, life sciences, engineering, new materials and embedded systems.

IT4Innovations has already started the distribution of the computational resources of the small cluster. Researchers from non-partner institutions could apply for access through the first round of the Open Access Competition, the deadline for which was on March 4. The first round of the Internal Access Competition for employees was held at the same time. All of the applications are now undergoing scientific, technical and economic evaluations. Both of the competitions will be held regularly. The Internal Access Competition is held four times a year and the Open Access Competition is held twice a year.

PRACE Research Infrastructure

IT4Innovations is also a member of the prestigious Partnership for Advanced Computing in Europe (PRACE) infrastructure. PRACE was established as an international non-profit association based in Brussels. It has 25 member countries

whose representative organisations comprise a pan-European supercomputing infrastructure. Thanks to the membership of IT4Innovations, all researchers from both academia and industry from the Czech Republic have access to the most powerful supercomputers in Europe through three forms of access. Preparatory access is intended for resource use required to prepare proposals for project access. Applications for preparatory access are accepted at any time, with a cut-off date every three months. Project access is intended for individual researchers and research groups including multinational research groups and has a duration of one year. Multi-year access is available to major European projects and infrastructures that can benefit from PRACE resources and for which project access is not suitable. Multi-year and project access are subject to the PRACE peer review process. PRACE has an extensive education and training programme to ensure effective use of the research infrastructure. The aim of PRACE RI training is to provide a sustained, high-quality training and education service for the European HPC community through seasonal schools, workshops and scientific and industrial seminars in order to effectively exploit the unprecedented capabilities of HPC resources. This year's PRACE Summer School will be organised in June in Ostrava. It will welcome around 60 participants from all over Europe. The tutorials will be presented by outstanding specialists, mostly leaders or members of the development teams from renowned institutions. ■

*Karina Pešatová
PR and marketing coordinator
IT4Innovations*



The AFI will support the export of investments

Kamil Blažek (40), partner at the international law firm Kinstellar, was re-elected to his position as chairman of the Steering Committee of the Association for Foreign Investment this year. In the interview below, Mr. Blažek outlines the AFI's plans for the 2013-2015 period.

In your address following your re-election to the AFI's leadership, you stated that you want to focus on support for the exporting of investments and investment services abroad. What exactly does that mean for investors?

Over the course of 17 years, the AFI and its members have historically supported foreign investors entering the Czech Republic and we have boundless experience and extensive know-how in this area. On the other hand, a significant number of these investors are also exporters that drive the Czech economy and also seek assistance when entering foreign markets. Besides assisting foreign investors, many of our members provide consulting services for export-oriented firms both here in the Czech Republic and via a broad network of their foreign branches around the world. From this perspective, we definitely have something to offer in the area of supporting exports. Our members' experience gained directly from environment of the transformed economy, which they use in assisting with projects in developing markets, is not insignificant. In the area of supporting exports, we would like to focus primarily on investments and services, which, among other things, help to bring Czech know-how and technologies to foreign markets. The Czech Republic has a great tradition of exporting technology and equipment (and the expertise required to install and operate such technology) in areas such as energy generation, petrochemicals, food processing or water treatment. We will help Czech-based companies to continue with this tradition.

So this means that the AFI is stepping away from supporting foreign direct investments in the Czech Republic?

Not at all. On the contrary, we plan to further expand our activities in that area. Foreign direct investments have always been and will continue to be our core activity. There are still many investors that need our assistance and advice. At the same time, it is necessary to respond to our environment and continually incorporate new ideas into our activities. Therefore, in the next two years the AFI will focus on, among other topics, Prague, whose image as a city that is an attractive location for regional headquarters of multinational companies is insufficient in my view. We are creating a coordinated policy addressing investors across the public and private spheres, similar to that developed by Vienna. In supporting foreign investors, we also want to henceforth focus on a broader spectrum of sectors. Besides traditional fields such as the automotive industry, electrical engineering and shared services, we will much more broadly target investments in the areas of commercial real estate, telecommunications, energy and infrastructure, advanced technologies (such as nano, bio and clean technologies) and M&A investments.

Speaking of technologies, how do you perceive the Czech Republic's standing from the R&D perspective?

The Czech Republic has very high-quality research capacities. Companies such as Eaton, Baumer Group, Faurecia and FEI recently announced their intention to place their R&D investment projects here. The AFI strives to help create suitable conditions for researchers and firms, while supporting the further develop-

ment of applied research and development in the Czech Republic. One such activity is the adVENTURE project, which is focused on commercialisation of R&D results and innovative start-up projects. (See page 6 for more information about adVENTURE.) Another excellent project is the Cooperation of the Year Competition, the third edition of which is currently being organised. This involves the celebratory presentation of awards for the best examples of cooperation between companies and universities, including technology transfers. Through this event, we want to support research teams and to show that cooperation in the field of R&D can be very beneficial for both sides. ■

Association for Foreign Investment (AFI)

Association for Foreign Investment is a private-to-public not-for-profit NGO comprising a group of premium reputable international and Czech firms supporting investments and investors in the Czech market. The AFI focuses on supporting foreign direct investments, development of transparent Czech business environment, export of investments and investment services and cooperation between companies and the research sphere. Together with CzechInvest, the AFI organises the annual Investor of the Year and Business Property of the Year awards.

Kamil Blažek is Chairman of AFI's Steering Committee since 2010 and Partner with Kinstellar, the Emerging Europe Law Firm.

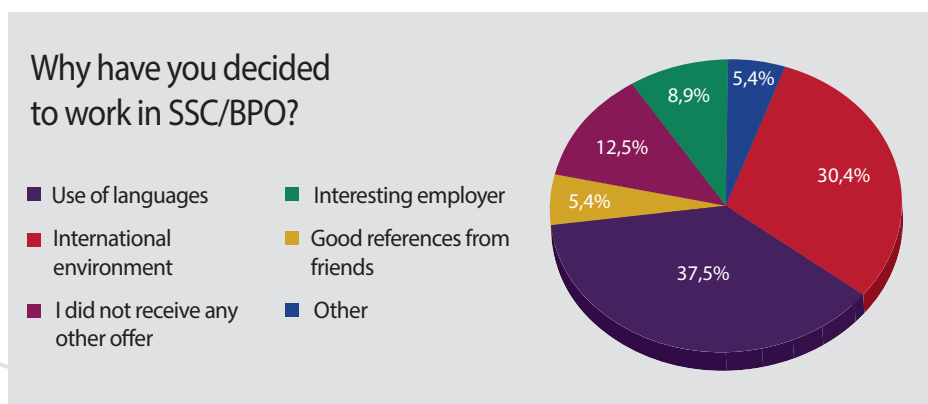


The Czech Republic feature an outstanding SSC workforce

People have moved for job opportunities for many centuries. Of course, this trend has always been related to changing economic conditions and in earlier times the migration of jobs was primarily from east to west. In later years, due to the global economic crisis, we have noticed the opposite pattern: young people are moving more and more to Central and Eastern Europe, where more job possibilities are offered. In this region employment opportunities are rising and the demand for flexible, dynamic and multilingual candidates with a strong educational background is very important. Rising work opportunities are enhanced by the presence of shared-services centres (SSCs). These entities are spin-offs of corporate services which

technical fields, sales, logistics, general transportation management and many more. SSCs are a specific market and, as mentioned above, attract individuals with an appealing background mainly as far as language skills are concerned. Due to the fact that communication with the end customer is on a native level, SSCs focus on hiring people that possess strong language knowledge, among other abilities. Besides compulsory English, the other most in-demand languages include German, French, Dutch, Scandinavian languages, Italian, Spanish, Polish, Turkish, Arabic and others depending on company requirements. The greatest motivating factor for young people when deciding to make a career within the SSC field is definitely the use

brings together people from different countries, thus creating a fascinating melting pot. The following diagram illustrates other motivating factors for working in an SSC. Thanks to growing possibilities within companies, SSCs mostly attract graduates, young professionals and even more experienced workers. Many young graduates, especially those who have completed the Erasmus program in the Czech Republic, decide to move eastwards due to greater and more attractive job opportunities. SSCs appear for them to be a perfect employer that offers an international atmosphere, experienced and dynamic managers, daily use of foreign languages, and modern offices often located in or close to city centres. Location is also an essential factor. All SSCs in Prague are near public transport stations and close to large shopping centres that also offer sporting activities, restaurants, entertainment and/or team building options. Especially young professionals see in these services centres a good opportunity to grow and develop their career, as SSCs are open to training and further professional development in order to gain as much experience as possible and become an expert in a certain field. In addition, the following aspects also influence the decision to work in an SSC: a friendly and youthful atmosphere, a good salary, benefits package and overall company culture. In order to hire the right person with the required skills, many SSCs share the talent search in parallel with local recruitment agencies. This cooperation is of key importance, as such agencies possess knowledge of the market and orientation regarding job types, and can present candidate profiles suitable for SSC positions. This

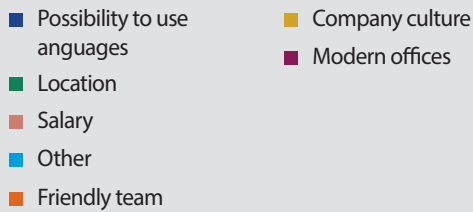


Source: Grafton Recruitment, survey focusing on candidates who work or have worked in an SSC, 2012

are established in order to separate all operational types of tasks from the headquarters and move them to centres located in the CEE region. SSCs offer a wide scope of activities, including customer service, finance and accounting, payroll, IT and

of foreign languages on a daily basis. Czech is usually not required, which is also very appealing for candidates coming from abroad. Besides this important fact, SSCs are very lucrative employers offering an international environment that

What do you like the most with your/previous employer (SSC/BPO)?



Source: Grafton Recruitment, survey focusing on candidates who work in SSC, 2012

know-how makes recruitment agencies an equal partner, and an important position that must be filled urgently can be covered in a very short period of time. The agencies' flexibility and quick reaction time are possible due to their extensive internal databases, which gather skilled, interesting and experienced candidates looking for jobs in the SSC arena. Especially new investors welcome support within the human resources process in the form of advisory services, close cooperation with SSC management, talent management, employer branding and much more. Recruitment agencies are not only a supportive partner for new and existing SSCs; they also provide help to candidates who are intensively searching for a job in an SSC in the Czech Republic. The agency guides the applicant and client through the recruitment process and offers additional advisory services for SSC hiring managers and HR teams. As many of the candidates are from abroad, recruitment agencies and SSCs offer the possibility to hold the initial interview via Skype, telephone or video conference. In that case that some SSCs insist on seeing candidates in person, a relocation package may be an option. This flexibility of SSCs is also very well perceived by foreign applicants and contributes in a positive way to overall employer attractiveness. A structured recruitment process that sets the right expectations and a well-developed internal talent management strategy are of vital importance. The biggest challenges that may be encountered are time to hire, attracting the right skill set, retention and quality of the hired employee. It is not always easy to find the ideal candidate and some compromises must be made with the aim of getting the best matching profile. While focusing on candidate search in response to a company's requirements, several aspects must be taken into account, such as position type, the candidate's experience and background, salary expectations, development perspectives within the company, overall attractiveness of the candidate as a potential employee, cultural fit of candidates within the SSC, motivation and general evolution of the organisation in the future. It is therefore very important to focus the mutual efforts between

the requirements of the SSC and the services a recruitment agency can offer. The quality of the results lies in shared cooperation. Candidates' expectations in relation to seeking

Overview of salaries for commonly offered positions

Positions within SSC	Average salary	Years of experience
Data maintenance clerk	EUR 890 – 970	0
Accounts payable (junior)	EUR 970 – 1,010	0
Accounts payable (senior)	EUR 1,160 – 1,360	2-3
General ledger (junior)	EUR 1,080 – 1,280	1
General ledger (senior)	EUR 1,360 – 1,550	2-4
Financial analyst	EUR 1,360 – 1,740	2-4
Financial controller	EUR 1,740 – 2,130	3-5
Junior credit analyst	EUR 1,050 – 1,160	0-1
Senior credit analyst	EUR 1,160 – 1,360	1-3

employment in an SSC are outlined in the following text. Firstly, we can note the difference between Czech and foreign candidates. The biggest gap is in knowledge of the local culture, costs and overall expenses. Foreign candidates often have much higher salary expectations. Recruitment agencies provide consultancy on local market conditions. Together with the salary, quite a wide range of bonus packages is offered and health and social insurance is provided. Despite certain cultural differences, positive results have been noted and more and more foreign candidates are looking for valuable work experience within an SSC based in the Czech Republic. A recent survey undertaken by one of the leading recruitment agencies in Czech Republic revealed the following aspects. This survey focused on successfully placed candidates who work or worked in an SSC and the responses are worth mentioning. For many candidates, working in an SSC in the Czech Republic goes hand in hand with good working conditions, a stable salary with growth potential, an actual contract for an indefinite period of time and job opportunities in a stable and fast-growing country. Some of the most

prominent aspects are outlined below:

- International environment, friendly atmosphere and team
- Use of foreign languages, interesting employer
- Bonuses: meal vouchers, cafeteria/flexi-passes (discount vouchers), free language courses and training, quarterly bonuses, home office
- Team activities, transport contribution, location of offices

Salary rates differ depending on the candidate's experience, position, activity sector, etc. In general we can note that the average monthly salary an SSC graduate/junior position ranges between CZK 25,000 and CZK 30,000 (approx. EUR 970 and EUR 1,160). From the competitor's perspective, we can point out information regarding the average annual salary rise, which is up to 3%.

To conclude this article, we can underline upcoming investments in the form of new SSCs that will give additional employment opportunities for skilled young individuals. The Czech Republic seems to be the perfect place for these business activities and through close cooperation with leading recruitment agencies, results-driven success for the best talent management can be guaranteed. ■

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Office markets in major Czech cities

BPO/SSC/CC activities comprise a significant share of occupational demand in the Czech Republic, especially in regional cities like Brno. For example, cities such as Prague, which are the most experienced in this field yet are also among the most costly locations, have the ability to attract higher value-added functions such as customer relationship management and business analysis/forecasting. Cities like Brno, Ostrava and others – with less BPO/SSC experience but at the same time a lower cost base – have the ability to attract less complex tasks such as basic IT support, call centres and transactional processing.

During the past five to ten years, many BPO/SSC/CC operations have been opened in the Czech Republic with major part of them located in Prague and Brno. Other cities where these activities are present but are not prominent include Ostrava, Plzeň, Olomouc and Usti nad Labem. This is largely due to the fact that many of these regional cities cannot offer modern, flexible office stock that would meet tenants' requirements. The best conditions in terms of stock size and available premises are in Prague, followed by Brno.

1. Prague office market Stock and supply

The total office stock in Prague is currently in excess of 2.88 million m² with grade-A space accounting for 70%. Eleven new office buildings totalling 98,000 m² were completed in 2012. Thirty-seven percent of the volume was delivered in Prague 8, followed by 26% in Prague 4 and 24% in Prague 5, which remain the most attractive business districts among tenants. The biggest completed projects were River Garden I, City West A2, City Green Court and B3.

New construction gathered pace over the course of 2012 with 191,000 m² of offices currently in development. Around 68% of this new supply is being constructed speculatively and is scheduled for completion during 2013 and 2014. The major developments are Florentinum, Quadrio, City West C1+C2 and River Garden II & III.

Take-up/demand

Gross take-up reached the healthy figure of 273,300 m² in 2012, which was 16% down

from the previous year's result, but a 27% improvement on 2010. Renegotiations and relocations continued to dominate leasing activity with a 70% share of the total activity. However, the share of expansions increased slightly to 6.6%, with over 35% driven by BPO/SSC/CC operations.

Companies that expanded their business in Prague included ADP, Covidien, Honeywell, CSC Computer Sciences, SOS International, SAP Business Services and others. In addition, Bodycote opened a new SSC in Prague.

Vacancy

The vacancy rate decreased during H1 2012, but increased again in H2 mainly due to lower transaction activity. At year end, city-wide office vacancy stood at 12%, which represents a similar situation as at end of 2011. Currently there is 345,500 m² of offices of various quality available for immediate occupancy across all Prague districts. The lowest vacancy rate was recorded in Prague 4 (6.8%) and Prague 5 (8.6%), while the highest vacancy remains in Prague 9 (32.3%) and Prague 7 (29.5%).

Rents

Prime office headline rents in all Prague submarkets remained unchanged in 2012. Rents in the city centre ranged from €20 to €21/m²/month, inner-city rents from €15 to €17.5/m²/month and outer-city rents from €13 to €14.5/m²/month. However, once rental incentives are taken into considera-

Key office figures

	Prague	Brno	Ostrava
Total Stock (m ²)	2,882,000	397,000	170,000
Space under construction (m ²)	189,000	51,000	25,000
Vacancy (%)	12	16	25
Average Rent (€/m ² /month)	13 – 21	9 – 12.50	8 – 11.50

tion, the net effective rent figure can be approx. 15% lower compared to the asking rent.

2. Brno office market

Stock and supply

The Brno total office stock is currently in excess of 397,000 m² of office space. Grade-A space accounts for 76%.

Four new buildings totalling 35,300 m² were completed in Brno in 2012 and include Spielberk Office Centre – Tower B, Campus Science Park – Building B, Vienna Point II and Forum Business Centre II, which was built to fully accommodate Red Hat's expansion requirements.

Over 51,000 m² of office space is currently under construction with delivery scheduled during 2013, namely AZ Tower, the first phase of Titanium and the CTZone Office building.

Take-up/demand

As Brno is home to many BPO/SSC/CC operations, demand for office space comes mainly from these companies. For example, IBM and DSGI expanded in Brno recently, whereas KBC and Gardner Denver opened new shared-services centres.

Tenants leased almost 58,000 m² of offices in Brno during 2012. In terms of BPO/SSC/CC activity in 2012, Infosys BPO renegotiated its lease in Spielberk Office Centre, while Home Credit Group leased over 5,000 m² in the newly built Tower of Spielberk Office Centre to expand its SSC providing services to Home Credit entities across CEE and Asia. Moreover, AT&T and KBC expanded their facilities in Campus Science Park and PPG Industries extended its lease and also took up more space.

Vacancy

The renewed development activity and delivery of new office projects with limited number of pre-leases that happened over 2012 resulted in an increase of the vacancy rate to the current 16%. Tenants can immediately lease nearly 64,000 m² of offices of various quality in different Brno locations. The vacancy rate may slightly increase in 2013 together with the expected completion of new projects.

Rents

The average headline office rents in Brno range from €9 to €12.50/m²/month largely depending on the location, amenities and current vacancy in the particular building. Landlords and developers in Brno are prepared to offer incentives (mainly in form of rent-free periods) to attract potential or retain existing tenants. Effective rents paid by tenants can be up to 20% lower than the contractual headline rents.

3. Ostrava office market

Stock and supply

The total office stock in Ostrava reached nearly 170,000 m² at the end of 2012, of which 69% comprised grade-A space. The largest projects delivered during the year were IQ Towers (21,700 m²), 80% of which was pre-leased by Tieto. Two other smaller buildings underwent complete refurbishment during 2012.

Passerinvest/Gemo's Nová Karolina Office Park (24,900 m²) is currently the only building to be delivered in 2013. A few office buildings are ready for development as soon as enough tenants sign pre-leases.

Take-up/demand

In 2012 a total of 16,500 m² of offices were leased in Ostrava. OKIN Group expanded its operations and DHL Express leased new premises in order to establish a new SSC serving the CEE region.

Vacancy

The vacancy rate in Ostrava increased significantly during 2012 and at year end reached almost 25%. This represents nearly 42,000 m² of offices that can be leased immediately. The vacancy increase was the result of Tieto's consolidation in IQ Towers and also HSBC's withdrawal from the Czech Republic and vacating of its leased premises. The vacancy rate is expected to continue rising in 2013 as it will prove challenging to find replacement tenants for all of the space vacated by Tieto and for the newly delivered Nová Karolina, which has yet to secure any major leases.

Rents

The average headline office rents in Ostrava currently range from €8 to €11.5/m²/month. However, the expected increase in vacancy may lead to downward pressure on rents and improved incentive packages for tenants.

BPO/SSC/CC trends in the Czech Republic Cities in the Czech Republic continue to entice international companies to relocate their BPO/SSC/CC operations here.

The country is considered attractive due to its good accessibility and infrastructure, as well as for its appeal to foreign employees who may be required to relocate to the country. The main advantages of the Czech Republic's BPO/SSC market are its positive investment climate, highly qualified local workforce and the rapidly developing availability of modern office space also in the regional cities. Thus we expect to see more companies entering the Czech market and opening centres or expanding their facilities here, though they will also often compare the relative advantages and disadvantages of the Czech Republic and Poland before reaching a decision.

A subsidiary of FirstService Corporation, Colliers International is the world's leading advisory company in the real estate sector with over 13,500 employees working in 482 offices in 62 countries. Colliers provides a full range of services to real estate users, owners and investors worldwide including corporate solutions, sales and lease brokerage, property and asset management, project management, investment sales and consulting, property valuation and appraisal, mortgage banking and market research. Colliers International has been active in the Czech market since 1994. Colliers International was awarded Industrial Agency of the Year, Office Agency of the Year and Property Management Company of the Year by the CEE Real Estate Quality Awards 2012. For more information, please visit our website at www.colliers.com. ■



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How are **business support service (BSS) offices commonly fit-out** in the Czech Republic?

As per usual, the whole process boils down to time and money. The easiest and most convenient way to set up new offices is to plan the project well in advance and to have a clear vision of how the business support center will operate.

BSS offices have specific needs, thus a suitable project must meet key criteria, e.g. power supply reliability, potential for expansion if needed, space plan efficiency, connectivity, etc. The extent of BSS fit-out depends on the status of the selected project with respect to its stage of development or existing operation. There are three potential scenarios: i) project under construction, ii) built up space with basic fit-out, and iii) vacated fit-out premises in "as is" condition. The easiest and sometimes also the most cost effective solution is to plan BSS offices in a newly built development, which is still under construction, thus making it possible to accommodate specific needs with limited cost impact. The common practice on the class-A office market in the Czech

Republic is that the landlord will provide an open-plan area together with completed service areas such as lavatories and lift lobbies. This open-plan area provides functional space, i.e. raised floor with carpet and power supply/floorboxes, suspended ceiling including light fixtures, HVAC installation and life & safety systems such as fire alarms and a public address system. As BSS offices are usually very efficient in terms of office layout, having only a limited number of enclosed offices, the architects have to condense the space plan down to 7-10 m² per working place, create meeting rooms and other amenities needed within the premises, and breathe in the spirit of the space through smart solutions.

The key technical issues to be considered by tenants are the backup systems, server rooms, internal LAN network and adaptation of the HVAC system to meet hygienic requirements based on the final layout. The fit-out of BSS offices will be more likely to require a focused engineering process and will generally require

a building permit and the necessary hygiene- and fire-department approvals. The building authority issues the use permit after the final inspection.

Thus, we can say in conclusion that despite their basic appearance, BSS offices require significant planning to achieve their desired density and long-term efficiency. AIG/Lincoln CZ has designed and coordinated the fit-out of nearly 200,000 m² of class-A office space, much of which for BSS operations. ■



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What is the **most interesting location for BSS** in Prague?

Availability, quality and costs of labour are key determining factors in the success of a shared-services centre. Choosing the right location is therefore of the utmost importance. Prague continues to be an attractive location for companies to set up shared-services centres. But not every location in Prague works equally well. A good location for a shared-services centre should be easily accessible for employees, while also being a place where employees like to work and where a sufficient and a competitively priced labour force is available. Logically, shared-services centres are therefore located within walking distance of metro stations, in modern business parks with efficient office space and ample amenities. Furthermore, shared-services centres are typically centrally located with respect to where potential employees live. As a result, popular, proven locations for shared service

centres are especially Prague 5 (e.g. City West and Office Park Nove Butovice) and Prague 4 (e.g. The Park). For example, following an extensive labour market study in the early 2000s Accenture concluded that Prague 5 would be the best location for the company to open its first shared-services centre. A few years later, after Accenture had successfully established its shared-services centre at Office Park Nove Butovice, it decided to open its second shared-services centre at The Park in Prague 4 – Chodov in order to gain access to that part of the labour market in Prague. Karlín has recently proven to be an attractive location for setting up shared-services centres as well. Especially when companies are looking to open one shared-services centre in Prague, the advantage of Karlín is that it is centrally located within Prague, thus giving companies access almost the entire Prague labour

market. On top of that, Karlín is perceived as an attractive location for employees to work and it also provides modern, efficient and competitively priced office space. Finally, we expect that Prague 9, due to good access by metro, ample amenities (e.g. Harfa) and availability of modern, competitively priced office space, will become increasingly interesting for companies and can still offer the benefit of less competition between firms for the same labour force. ■



CBRE

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Is it possible to find **employees with Nordic language skills** for BSS in the Czech Republic?

Searching for suitable candidates for positions with Nordic languages has always been one of the biggest challenges, with Swedish, Norwegian and Finnish at top of the list. It would be too daring to say that it is not a problem anymore. However, it is not as difficult as it used to be in the past. Over the past few years the Czech Republic, particularly Prague, has become a very attractive location for many foreigners for long-term residency. The percentage of foreigners (especially from western and northern Europe) living here is not comparable to any other CEE country. Those foreigners are no longer only fresh graduates searching for a few months of “eastern European adventure”; they are rather experienced professionals with various skills and backgrounds and different levels of seniority. Of no less importance, there is a growing

number of Czech people who speak Nordic languages and are searching for positions in which they can use their languages skills. To sum up, it is possible to find people speaking Nordic languages in the Czech Republic across all areas covered within SSC and also at all levels of seniority. However, the situation could be different in the case of mass recruitment projects when a company would be searching for a larger number of candidates speaking one or more particular Nordic languages and with a very specific skill set or background. It is also very important to say that the business services sector (BSS) in the Czech Republic has undergone significant changes in recent years. Unlike a few years ago when there was rapid growth in this area with a lot of investors coming into the local market with large projects including recruit-

ment of hundreds of professionals, we have recently been noticing quite strong stabilization and operational efficiency trends in this sector. For example, some of the companies are migrating new processes, usually the more knowledge based functions (such as HR, legal, purchasing, etc.), to the Czech Republic and slightly growing their operations here. Of course, this development has a determining influence on both the quantity and quality of people to be hired for those BS/SSC companies. ■



HAYS Recruiting experts worldwide

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Do shared-services centres **need the assistance of a PR agency?**

The public becomes aware of call centres and shared-services centres through the media only when they are established or when they increase (or reduce) the number of employees. Many companies think they do not need external communication of service centres in the sense of public relations. To what end should they engage specialists in communication and PR when customers do not form opinions on the quality of services according to what they read in the media, but rather on the basis of their own experience?

It may sound surprising, but a professional advisor in the field of PR and communication can significantly contribute to the satisfaction of customers of shared-services centres. We can see this often through our clients. However, this does not involve “pushing” articles in the media. PR can help, for example, in internal communication, formulating comms phrasing and tonality and coaching operators. PR agencies also often work with the current phenomenon – social networks. At the beginning there is careful monitoring, which is followed by a benefit analysis and then proposal of a solution.

On Facebook, Twitter and other networks, both employees and current and potential clients monitor each others’ opinions and exchange experience. If you give an agency your trust, it can steer the comms on your own behalf, which is an activity that practically no one has in their job description at most companies. If it becomes clear from discussions on social networks that everything is as it should be, that is good to know – but there is always room for improvement. If, as a manager, you do not have time to formulate new projects, an external firm with the ability to operate in this area will do it for you. Conversely, if there are indications of dissatisfaction in a certain area, then it is in the interest of the client (i.e. the company that operates the centre) to undertake measures to rectify that situation.

One of the reasons that not everything is fully effective externally could be reserved in internal communication. Even here a professional agency can find a solution. For example, the flow of information is disrupted somewhere within the firm, employees are not sufficiently trained or they do not have a proper relation-

ship toward their employer. All of these issues can be resolved. It should be bread-and-butter for an investor newly entering the market or expanding activities to work hand-in-hand with professional communication support. And this is true for all sectors and in all conditions. There are certainly more successful firms than those which find themselves with problems. For these flawless organisations, good communication provides an enormous opening, but a partner will of course not leave in case of problem. It is definitely good to know that someone is standing by your side and knows how to engage with the outside world (especially the media). At least that is what our clients repeatedly tell us. ■



PUBLIC RELATIONS
a c & c

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Life in the Czech Republic, like everywhere else, can be both entertaining and boring. It just depends on how a person approaches life as well as on how many entertainment and cultural opportunities his or her new home has to offer. Though being a foreigner in the Czech Republic is ostensibly easier in bigger cities, the country's regions also offer many opportunities for enjoying a rich cultural life and to enhance and enjoy one's leisure time.

Books The average Czech reads approximately seventeen books a year. Therefore, it is possible to find a public library in every Czech city; the Czech Republic as a whole has more than 6,000 libraries. For example, the Prague City Library has 42 branches throughout the city. The largest number of foreign-language books can be borrowed in the city centre at the main library on Mariánské náměstí. Last year alone, the institution purchased or otherwise obtained nearly 1,500 foreign-language books, the majority of which in English, followed by German and Russian. For children from English-speaking families, the City Library regularly organises the Storybridge children's reading club at its branch on Korunní Street, which has a truly broad offer of English books, ranging from pop-up and picture books to novels for girls, horror and sci-fi and fantasy.

The Jiří Mahen Library in Brno is similarly active with 35 branches around the city from which it is possible to borrow 9,000 foreign-language books. The library estimates that its number of foreign-language books increases by roughly 250 volumes annually. Readers will also find a very diverse offer of reading material at the Ostrava City Library, which has 26 branches. The library states that its readers can choose from nearly 10,000 foreign-language books, half of which are in English. The other most common languages here include, for example, Russian, French and Polish. The Plzeň City Library has more than 7,000 foreign-language books on its shelves and annually adds roughly 500 volumes. The most common languages are English, German and Russian.

The Czech Republic: Europe's thriving centre of culture

Selected major public libraries in the Czech Republic

Prague City Library
www.mlp.cz

Jiří Mahen Library, Brno
www.kjm.cz

Ostrava City Library
www.kmo.cz

Plzeň City Library
www.knihovna.plzen.eu

Foreign institutions operating in the Czech Republic also offer a large number of foreign-language books, magazines and other publication. Spanish-speaking residents of Prague can find reading material in their native language at the Cervantes Institute, whose library offers nearly 19,000 books in Spanish and other languages of Spain, such as Basque and Catalan. The French Institute in Prague, the Goethe Institute, the Austrian Cultural Centre, the American Centre and the Italian Cultural Centre are developing similar activities for their compatriots as well as for Czechs. The institutes' offer of services is often supplemented with other cultural activities, including theatrical performances, exhibitions, film screenings and various lectures and authors' readings. For example, the Goethe Institute organises regular discussions and literary conferences focusing on contemporary German literature in Prague as well as in other cities of the Czech Re-

public. The American Centre is very active in the capital, offering access to books and American periodicals. The centre also organises the Ninety Minutes about America discussion programme about current topics in the United States and a Women's Forum. The American Centre occasionally offers its services and activities in other cities. Study halls at Czech libraries are also popular among foreigners. Some libraries are housed in beautiful historical buildings where the quiet atmosphere of ancient interiors is very conducive to working. For example, the Academy of Sciences opposite the National Theatre is a popular place for studying in Prague.

Selected foreign institutes in the Czech Republic

Goethe Institute
www.goethe.de/prag

American Centre
www.americkecentrum.cz

Cervantes Institute
www.praga.cervantes.es

French Institute
www.ifp.cz

Italian Cultural Institute
www.iicpraga.esteri.it

Polish Institute
www.polskyinstitut.cz

Austrian Cultural Forum
www.rkfpraha.cz

Scandinavian House
www.skandinavskydum.cz

Russian Centre of Science and Culture
www.rsvk.cz

Film

Going to see a film in English is not a problem in the Czech Republic. In terms of the number of screenings according to data from 2011, American films are dominant in Czech cinemas, followed by Czech, British, German, Spanish, French and Scandinavian productions. Cinemas are easily available in the Czech Republic. Besides classic single-screen cinemas in smaller cities, of which there are more than 400, the country also has 26 modern multiplexes, which are gradually expanding to smaller regional cities. A point of interest is the large number of cinema cafés as

well as travelling and summer cinemas, of which there are nearly 100 in the Czech Republic. Various alternative mini-festivals and film screenings in smaller cinemas are popular among foreigners and young Czechs.

Documentary-film enthusiasts are well taken care of thanks to the American Centre in Prague, which organises documentary Fridays, when it is possible to view the most recent documentary films in English or with English subtitles. Increasingly popular among foreigners living in the Czech Republic is the Jeden svět (One World) documentary film festival focused on human rights, which takes place annually in several Prague cinemas as well as in many other Czech cities such as Brno, České Budějovice, Hradec Králové, Pardubice, Ostrava, Ústí nad Labem, Liberec and Olomouc. The Světozor cinema, which screens a range of classic and new films from around the world as well documentaries in English or with English subtitles is also very popular. The cinema also offers other interesting programmes for foreigners, such as broadcasts from the London National Theatre and the New York Metropolitan Opera.

The Ponrepo cinema in Prague regularly opens the global film archive. For those who want to become more closely acquainted with Czech culture, Ponrepo offers a film cycle called "The Best of the Czech New Wave", comprising weekend screenings with a selection of the best Czech films of the 1960s such as Loves of a Blonde (Miloš Forman), Closely Observed Trains (Jiří Menzel) and Daisies (Věra Chytilová). Incidentally, the well-known film blogger Jennifer Baldwin has stated: "Forget the French New Wave. If anybody wants to see what truly vibrant, brilliant, political (and personal) filmmaking is all about, they should take a look at the Czech New Wave."

There other "English-friendly" cinemas in Prague besides Světozor and Ponrepo, namely Aero and Bio Oko. As for films in other languages, the French Institute operates Kino 35 and the Cervantes Institute regularly screens Spanish films. In Brno, films with English subtitles are shown at Kavárna a pekařství Zastávka, while in Ostrava Kavárna Minikino offers a pleasant and intimate cinematic experience.

The Czech Republic is also home to a number of well-known film festivals, of which the most important is the Karlovy Vary International Film Festival, a category-A event that ranks alongside the most prestigious international festivals such as those held in Cannes, Berlin, Venice and Tokyo. More than 200 new films from around the world are debuted at the festival every year. The event has managed to maintain its original atmosphere, whereas the whole city of Karlovy Vary is inundated with visitors from all corners of the world ranging from young backpackers to the upper crust of society. The festival's most famous guests in recent years include Jude Law, Antonio

Banderas, Sharon Stone, Renée Zellweger, Robert De Niro or John Malkovich. Other popular Czech festivals are, for example, the Febiofest film and television festival, the Fresh Film Fest focusing on young artists, the Zlín International Children's Film Festival, Cinema Mundi in Brno and AniFest, a festival of animated films. Golden Prague, an international television festival, is an interesting alternative presenting the world's best music and dance programmes and films in all musical genres.



Selected film festivals in the Czech Republic

Karlovy Vary International Film Festival
www.kviff.com

Jeden svět Film Festival
www.jedensvet.cz

Febiofest International Film Festival
www.febiofest.cz

Fresh Film Fest International Festival of Student Film Debuts
www.freshfilmfest.net

Zlín International Film Festival for Children and Youths
www.zlinfest.cz

Cinema Mundi International Film Festival
www.cinemamundi.info

Prague Festival of Short Films
www.pragueshorts.com

International Festival of Animated Films
www.anifest.cz

Golden Prague International Television Festival
www.ceskatelevize.cz/
specialy/zlatapraha

Music

Czechs love the numerous music festivals that are held around the country throughout the year. Bigger cities, which naturally have the broadest and most diverse offer of clubs and concert halls, are also regularly visited by a number of music stars from the widest range of genres, from opera and jazz to rock and pop.

Prague's most significant music and sports facility

is undoubtedly O2 Arena, which hosts numerous major events every year. Madonna's 2006 concert in Prague still holds the arena's attendance record of 18,628. The arena features 66 skyboxes, 1,415 club seats and four party boxes. Santana, Bruno Mars, Alicia Keys, Eric Clapton, Joe Cocker, Pink and Eros Ramazzotti will play at O2 Arena in 2013 alone.

The country's most famous summer music event is Festival Trutnov, which traditionally takes place in August and is sometimes referred to as the Czech Woodstock. Former president Václav Havel, who was dubbed the "chief" by the festival's organisers, ranked among the event's patrons and frequent visitors when he was alive. Another popular event is Colours of Ostrava, a multi-genre music festival held annually in the city of Ostrava. As in 2012, the event will be held this year in the impressive surroundings of Dolní Vítkovice, the site of former blast furnaces, mines and ironworks. In recent years, the festival's featured performers have included Alanis Morissette, the Cranberries, Sinéad O'Connor, Bobby McFerrin and the Gipsy Kings, among many other artists. Prague hosts the annual United Islands festival with attendance in excess of 60,000 for the open-air part of the festival and 5,500 during the Club Nights portion, making it one of the biggest festivals in the Czech Republic. In 2012 United Islands featured 1,000 musicians from 21 countries who performed on ten stages on Prague's islands and in 26 clubs. Other notable festivals include Sázavafest in Světla nad Sázavou, Rock for People in Hradec Králové, Mácháč at Máchovo jezero and České hrady, which takes place during the summer at castles and chateaux in eight regions of



Selected music festivals in the Czech Republic

Open Air Festival Trutnov
www.festivaltrutnov.cz

Colours of Ostrava
www.colours.cz

United Islands
www.unitedislands.cz

Sázavafest
www.sazavafest.cz

Rock for People
www.rockforpeople.com

Mácháč
www.festival-machac.cz

České hrady
www.ceskehrady.cz

Prominent events in the area of classical music include the prestigious Prague Spring International Music Festival, which dates back to 1946, and the Prague Proms festival inspired by its London counterpart, BBC Proms. The festival presents a series of outstanding concerts taking into account the season of the year and featuring classical music together with jazz, show tunes and film music.

It is also possible to regularly experience Czech theatre with English titles at Švandovo divadlo in Prague. English stand-up comedy with professional comedians is presented at the Crown Comedy Club in Prague. Performances in English are also presented by Divadlo Alfréd ve dvoře and Studio Alta. A number of these productions are presented by Blood, Love and Rhetoric, Prague's most prolific English-language theatre company. Prague Playhouse, one of the city's longest running English-language theatre companies, and Prague Youth Theatre are also worthy of note. The previously mentioned institutions also organise theatrical performances. For example, the French Institute organises several performances per year in cooperation with the Goethe Institute and recently welcomed the Théâtre' Action company from Bordeaux. In Prague it is also possible to attend a number of stage and dance performances in which words are not necessary, such as at Divadlo Ponoc and at La Fabrika, where Cirk La Putyka performs, and the popular Tanec Praha festival of contemporary dance and physical theatre. English-language performances are presented in other cities of the Czech Republic by, for example, English Theatre, which will visit České Budějovice, Děčín, Brno and Pardubice in 2013. ■



Selected theatres classical arts festivals in the Czech Republic

National Theatre in Prague
www.narodni-divadlo.cz

National Theatre in Brno
www.ndbrno.cz

Švandovo divadlo
www.svandovodivadlo.cz

Tanec Praha International Festival of Contemporary Dance and Physical Theatre
www.tanecpraha.cz

Prague Spring International Music Festival
www.festival.cz

Prague Proms International Music Festival
www.pragueproms.cz



National Theatre in Prague

the Czech Republic. Masters of Rock in Vizovice u Zlína, Mighty Sounds in Tábor, Benátská noc near Liberec and the Open Air Festival at the airport in Panenský Týnec also rank among the country's popular music festivals.

Theatre

While Prague offers a large number of theatrical performances in English, anyone concerned about the language barrier can attend the opera or ballet at the National Theatre in Prague or Brno.

Iva Stříbrská
 Editor of Czech Focus magazine
 Association for Foreign Investment



CEZ GROUP IS A DYNAMIC, INTEGRATED ENERGY CONGLOMERATE

based in the Czech Republic and with operations in a number of countries in the region of Central and Southeastern Europe. Its principal business encompass generation, distribution and sale of electricity and heat, sale of gas as well as coal mining.

The shares of the parent company ČEZ, a. s. are traded in Prague and Warsaw, and they are also a significant part of the stock exchange indexes there. The company's largest shareholder is the Czech Republic.

POLAND	Warsaw
THE CZECH REPUBLIC	Prague
SLOVAKIA	Bratislava
HUNGARY	Budapest
ROMANIA	Reșița Bucharest
ALBANIA	Tirana
BULGARIA	Sofia
TURKEY	Istanbul





Iris Finger
Site Manager
PPG Brno Shared Services Centre

"I enjoy the openness and friendliness of the Czech people."

What do you like the most about living in the Czech Republic?

I enjoy the great weather (cold winters and

warm summers) and I enjoy the openness and friendliness of the Czech people. I struggle with the language and I have not been able to learn it even though I have lived in this beautiful country for seven years.

What was the most surprising thing for you?

I am very impressed by the reliable public transport system as well as the superb environment and nature. As I am from north-western Germany, I also find the history and the historical building/monuments fascinating.

What's your favourite Czech food?

I love potato pancakes and red wine from

South Moravia. Nonetheless, I find Czech food to be similar to German food, which is easy and very tasty for me.

What would you recommend to visit in the Czech Republic?

I think that Brno is a great city. It is small but still has everything (history, culture, entertainment, shopping, nature). I have settled in Brno and I am having the time of my life.

About my company

PPG is a global maker of paints, coatings, optical products, specialty materials, chemicals, glass and fibreglass. It was founded in 1883 and has its headquartered in Pittsburgh. ■



Norihiro Kajikawa
Construction Site
Manager
Interpharma Praha

"The Czech Republic is a paradise for beer lovers."

What do you like most about living in the Czech Republic?

Probably the scenery of Prague. You can see the Middle Ages of Central Europe everywhere in the city. You can easily slip back in time. Especially Prague Castle at dusk is my favorite.

What was the most surprising thing for you?

There are many things and it is difficult to choose. The difference in physical attributes – Czech people must have good fundamentals for athletic abilities. The volume of beer consumed per person. And I'm sure that there are many surprises to come.

What's your favorite Czech food?

I am a beer lover so the answer is very simple. This country is a paradise for beer lovers. I personally think that beer and klobasa are the devil's combination because they can kill me easily. I found that Czech vegetables are very good with a rich flavor.

What would you recommend to visit in the Czech Republic?

Other than Prague, I have very limited experience in the country but I can recommend

Český Krumlov as a place that you must visit. The town is not big but it is absolutely beautiful. The Cathedral of St. Barbara in Kutná Hora is also recommended. When we visited there a pipe-organ performance was taking place. The sound in the cathedral was very glorious and impressive, which I had never experienced before. Taking trains from Prague to Ústí nad Labem is another good one. The scenery along the Vltava and Labe rivers is so beautiful with cliffs, castles and forts on the tops of hills.

About my company

Located in Prague – Komorany, Interpharma Praha (IPP) is a fine chemical, nutraceutical and pharmaceutical company operating under GMP. In 2008, IPP became a member of the Otsuka group, a Japanese global pharmaceutical company. ■



Ben Creighton
Process Engineering
Manager, PM Group

"One of the best things about living in Prague is that it provides the opportunity to enjoy everything that the Czech Republic has to offer."

What do you like most about living in the Czech Republic?

I am based in Prague but work partly for our Czech and Polish offices. One of the best things about living in Prague is that it provides

the opportunity to enjoy everything that the Czech Republic has to offer and its location makes travelling for work and pleasure really convenient. Prague offers an interesting and very international social scene but maintains a unique local, familiar and relaxed atmosphere.

What was the most surprising for you?

The modest and informal approach of the many highly skilled and professional people living and working in the Czech Republic – for a relatively small country, the Czech Republic punches well above its weight in creative fields, high-tech research and professional services.

What is your favourite Czech food?

Marinated Hermelin – a pickled cheese served in most Czech bars. It's the perfect snack to have with a Czech beer.

What would you recommend to visit in the Czech Republic?

Český Krumlov is a favourite. During the week I share my time between Prague and Warsaw and I am trying to spend as much time as possible with my wife and son. We travel around the Czech Republic a lot, especially in the summer time.

About my Company

PM Group is an international provider of professional services in architecture and engineering design and project and construction management. The company operates in more than 30 countries and has significant experience with industrial projects in various sectors such as biopharmaceuticals, food and nutritionals, advanced technology, medical technologies, R&D and the automotive industry. More information is available at www.pmgrouppr.com. ■

The Association for Foreign Investment is a non-governmental, non-profit organisation representing a group of international and regional consultancies and other renowned firms supporting investments in the Czech Republic. The AFI focuses on foreign direct investment, development of the Czech business environment, export of investments and services and cooperation between companies and the research sphere.

The AFI cooperates with CzechInvest and other significant institutions. Since its establishment in 1996, the AFI and its members have assisted in the majority of successful investment projects (including Volkswagen, Toyota, Hyundai, DHL and Honeywell) and projects supporting improvement of the Czech investment and business environment.

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- Seventeen years on the market
- Specialisation in M&A and capital investment in all sectors

We will help you identify relevant service providers according to your particular needs. It is also possible to cooperate with the Association for Foreign Investment as a partner.

Please feel free to contact the AFI for more information.

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www.czechinvest.org



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www.afi.cz



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www.cez.cz



adVENTURE
www.spolupraceroku.cz/adventure



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www.afi.cz

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