

CZECH FOCUS

The magazine of the Association for Foreign Investment and CzechInvest

Number 2/2012

Czech Republic

nanospider

business

FUNCTION

Nanotechnology



BUSINESSMAN



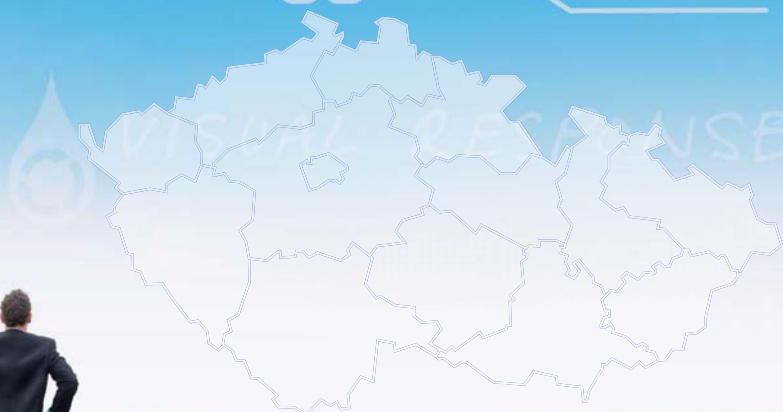
universities

strategy

Liberec

Czech Accelerator

market



Nano Republic:

**Czechs achieve huge
success in nanotechnology**

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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Please feel free to contact the AFI for more information.

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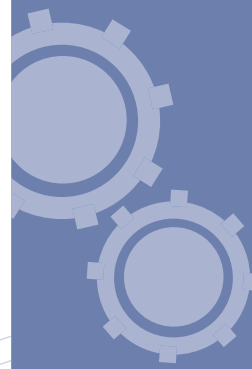
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Living Czech

The Czech Republic: The peaceful heart of Europe

Musthead

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Dear reader,

as is well known to those in the nanotechnology sector, the Czech Republic possesses a number of advantages that give it an edge in this growing field, from its high-quality technical universities and history of innovation to its skilled workforce and government with the foresight to support technological development and thus the sector's competitiveness on the global market.

It is true that the Czech Republic has made and is making full use of these advantages and is thus able to succeed in the face of global competition in the field of nanotechnology, for example in the area of water-purification technologies as exemplified by the nanofiltration solutions developed by NAFIGATE, a leading Czech nanotechnology firm, about which you can read more in this issue of Czech Focus.

On a more personal level, I connect the Czech Republic with Ladislav Mareš, chairman of the board of directors of NAFIGATE and chairman of Elmarco Business Consulting (now NFG services), and his immense contribution to the global adoption and use of nanofibres. I first met Ladislav in 2008 when Elmarco's Nanospider technology was gaining global prominence and the commercial utilisation nanofibres was still in its infancy. And now, nearly five years later, Nanospider is still the only technology that is capable of industrial-scale nanofibre production.

I am pleased that within the context of Czech-Singaporean cooperation, we are prepared to build on the success that we have achieved in recent years and to bring to the global market new nanofibre products with revolutionary properties.

I wish the Czech Republic much success in its current and future endeavours in the field of nanotechnology and beyond, and I look forward to continued cooperation between our two countries.

*Professor Seeram Ramakrishna, FREng, FNAE
National University of Singapore*



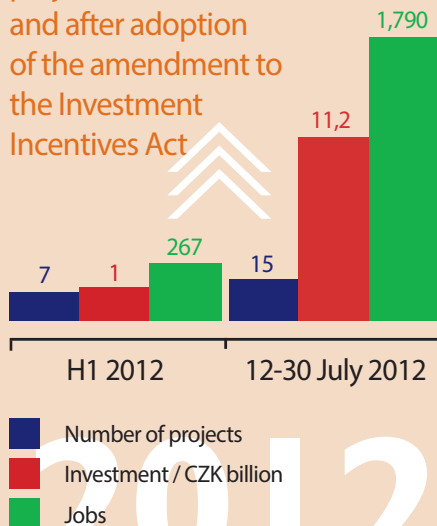
New investment incentives system launched in the Czech Republic celebrates its first success

An amendment of the Investment Incentives Act came into force on 12 July 2012. On the same date, CzechInvest received four new applications for investment incentives and eleven more followed within less than a month. These projects have a combined value of more than CZK 11.2 billion with the creation of 1,790 new jobs. By comparison, in the first half of 2012 CzechInvest received a total of seven projects with an expected total investment of CZK 1 billion and creation of 270 new jobs. It can be said that the amendment has spurred the inception of projects that are very significant in terms of both investment and employment, especially in the automotive, chemical, printing and mechanical-engineering sectors.

The volume of investments undertaken this year will not reach the level of 2011, which was a record year. However, it is apparent that some investors were waiting for the new system of investment incentives to be put into operation. Both manufacturing projects and projects involving technology centres and business support services centres have an interest in drawing incentives. Besides the Ministry of Industry and

Trade of the Czech Republic, CzechInvest and the Association for Foreign Investment played a role in the formulating the amendment to the Investment Incentives Act in cooperation with major investors. ■

Growth in number of investment projects in 2012, before and after adoption of the amendment to the Investment Incentives Act



Academy Learning Programme: Czech-Russian platform for mutual intergration of students and managers

In August 2012 the Association for Foreign Investment and the non-profit company Academy Center signed an agreement on institutional partnership in Prague. Within this agreement, the two organisations will cooperate on the Academy Learning Programme, the main focus of which is implementation of a baccalaureate study programme in the field of management in the Russian language. Coursework will be conducted mainly in Moscow and will be connected with practical training, internships and joint resolution of science and research tasks. Project participants will be Russian students, students of the University of Economics in Prague and managers of Czech and Russian companies. The programme was established with active support from the cities of Prague and Moscow and the Ministry of Industry and Trade of the Czech Republic. The primary implementers are the Faculty of Business Administration at the University of Economics in Prague, Moscow City University governed by the Moscow city government and the non-profit company Academy Center. More information is available at www.ujop.cuni.cz.



Toray invests CZK 628 million in expansion of production in Prostějov

Toray Textiles Central Europe, a leading global producer of polyester lining materials and technical textiles, is expanding production in Prostějov. The company is investing CZK 628 million in the construction of a new factory for production of plates for waterless offset printing. The new factory should be in full operation at the beginning of 2014. Production will be focused on the European market with the possibility of deliveries to markets in North America and the Middle East. At present, there are only three producers of plates for waterless offset printing in the world, none of which is located in Europe. Toray will thus be the first manufacturer of its kind in Europe. Toray Textiles Central Europe has been operating in the Czech Republic since 1997.

Toyota Boshoku establishes new plant in the Czech Republic



Boshoku Automotive Europe GmbH, a subsidiary of Toyota Boshoku Corporation, will establish its first new manufacturing company for automobile interior components, Boshoku Automotive Czech, in the Czech Republic. This is Toyota Boshoku Group's first manufacturing facility in the Czech Republic. Boshoku Automotive Europe began operations in July 2011 after Toyota Boshoku acquired the automobile interior business of European parts manufacturers. The company develops and produces interior components such as door trims and headliners for major German automobile manufacturers including BMW, Daimler AG, Volkswagen Group and Opel.

AFI Chairman speaks at 22nd Economic Forum in Poland

Kamil Blazek, Chairman of the Steering Committee of Association for Foreign Investment, joined a panel discussion titled "Czech and Polish Investment Potential in Relation to Systems of Investment Incentives" at the 22nd Economic Forum, often referred to as the Central European Davos, which took a place at the beginning of September in Krynica, Poland. Speakers from the Czech and Polish private, public and non-governmental sectors who attended the event discussed the challenges and opportunities for foreign investors that are currently operating in or are planning to enter the Polish and Czech markets. The mission of the Economic Forum is to create a favorable climate for the development of political and economic cooperation between the European Union and neighboring countries. This year it was attended by more than 2,500 guests from Europe, Asia and the United States. The presidents of Poland and Croatia, Bronisław Komorowski and Ivo Josipović respectively, were among the guest of the conference this year. ■



Investor roku
Investor of the Year

Supporting investments for two decades

1992 – 2012



Podnikatelská nemovitost roku
Business Property of the Year

The best investment projects and business properties in the Czech Republic (of the past two decades)

Investor of the Year and Business Property of the Year are annual competitions organised by CzechInvest and the Association for Foreign Investment (AFI) in cooperation with the Ministry of Industry and Trade. In 2010 they were combined into a single event with the objective of rewarding the most important investment projects and business properties implemented in the Czech Republic and thus supporting the growth of the Czech economy.

The most significant investments are selected and evaluated by an expert jury composed of representatives of the Ministry of Industry and Trade, the Ministry of Labour and Social Affairs, CzechInvest and the AFI. The jury also assesses business properties, which can be entered in the competition by their developers or managers or can be nominated by representatives of local authorities.

Investor and Business Property of the Year

As CzechInvest is celebrating the twentieth anniversary of its establishment, this year's event is called Investor and Business Property of the Past Two Decades and, in addition to the usual categories, it recognises the best investments and business properties realised during the twenty years of the agency's existence. The most significant investment projects mediated by CzechInvest in the preceding year will be evaluated. In 2011 the agency helped to bring to the Czech Republic a total of 233 projects in the combined value of CZK 33.67 billion, thanks to which more than 12,500 new jobs will be created. In terms of the volume of new investments in the Czech Republic, the figures for 2011 were more than double those of 2010, whereas the number of investment projects was the highest since 1993. Nearly half of these investment projects were focused on IT and software development.

Only 56 companies invested in manufacturing projects last year. The sector having the largest share in the number of investments was business support services with 112 new projects, followed by research and development with 65. Companies most frequently placed their investments in the South Moravia region, whereas in terms of volume the Ústí region was the top location, having received investments in the total value of CZK 6.21 billion.

Which companies will win this year?

Since 2001, when the Investor of the Year and Business Property of the Year competitions were first held, a number of companies have won the title of Investor of the Year, for example for the construction of a new operations facility or facilities for proprietary research and development, expansion of a business support services centre or for conclusion of a significant supplier contract. Winning business properties provide facilities for both large and small firms, thus supporting the business environment in the Czech Republic. The winners of Investor of the Year 2010 were **Brembo** in the Manufacturing Industry category, **Edwards** in the Greatest Innovation Potential category, and **NetSuite Czech Republic** in the IT and Business Support Services category. The title of Business Property of the Year 2010 was awarded to the **Holešov Strategic Industrial Zone** in the Zone of the Year category, **Strojírna Oslavany** in the Brownfield of the Year category and the **Business Incubator of the Palacký University Science and Technology Park in Olomouc** in the High-Tech Property of the Year category. In the 2009 edition of Investor of the Year, **Honeywell** took the top prize in the Greatest Innovation Potential category. **JOB AIR Painting** won in the Manufacturing Industry category. **Atento Česká republika** took the honours in the IT and Business Support Serv-



es category and **AGROSTROJ Pelhřimov**, was named Supplier of the Year. The winners of the that year's Business Property of the Year competition were the **Incubator and Science and Technology Park of the South Moravian Innovation Centre** (High-Tech Property of the Year), **CTPark Ostrava** (Zone of the Year) and the **František Industrial Zone** (Brownfield of the Year). **Daniel Adamčík** of the Ostrava-Mošnov Industrial Zone was named Business Property Manager of the Year 2009. Other Investor of the Year winners from past years include companies such as **Hyundai Motor Manufacturing Czech**, **Red Hat Czech**, **ŠKODA AUTO**, the pharmaceutical firm **IVAX**, IT giant **IBM**, the Czech biotechnology firm **CPN**, **Foxconn**, **Linet**, **Aufeer Design**, **Motor Jikov** and **Swell**, among others. Business Property of the Year awards have been presented to, for example, the **INBIT** biotechnology incubator in Brno, the **Pod zelenou Industrial Zone** in Český Těšín and Panattoni's **D5 Logistics Park** near Stříbro, the **Plzeň Science and Technology Park** and the **Most – Joseph Industrial Zone**. ■

Adéla Tomíčková
Head of External Communication Department
CzechInvest



India shows off in Brno

The historically largest presentation of Indian industry in Central and Eastern Europe took place in Pavilion Z of the International Engineering Fair in Brno on 10 – 14 September 2012. The India Show featuring the combined offers of 135 Indian companies was opened by the industry and trade ministers of India and the Czech Republic, Anand Sharma and Martin Kuba, respectively.

Accompanied by a large delegation, both ministers viewed the exhibits of Indian firms representing the full spectrum of engineering production, from industrial giants to small and medium-sized manufacturers.

The India Show was organised by the Engineering Export Promotion Council (EEPC), an association of fourteen thousand companies involved in mechanical engineering. The scope of the Indian offer in Pavilion Z ranged from tractors manufactured by Hindustan Machine Tools to small engineering components and confirmed that Indian engineering is currently enjoying rapid growth especially among small and medium-sized companies. According to EEPC representatives, Indian engineering offers such a broad assortment of products that it is possible to buy practically any engineering item, including highly sophisticated products. A number of these are successfully exported, whereas a full 40% of Indian engineering exports are intended for the United States and European Union, while other important customers include the United Arab Emirates, China and Malaysia. India plans to increase its engineering exports from the current USD 60 billion to USD 90 billion by 2015. Czech companies can obtain in India not only raw materials and semi-finished goods for their own production, but also a range of attractive products with strong sales potential on European markets. Of course, an information service and interpreting were available in Pavilion Z for everyone interested in establishing business ties with this distant country.

In his remarks during the celebratory opening of the International Engineering Fair, Minister of Industry and Trade Anand Sharma mentioned his country's very good relations with the Czech Republic not only in the economic realm, but also in the area of culture. He emphasised that the Czech Republic is considered a gateway to Central Europe and appealed for the use of all new opportunities for cooperation that are opening up for Czech and Indian industry thanks in part to the India Show.

The ninth session of the Czech-Indian Joint Committee for Economic Cooperation was held (for the first time at the ministerial level) within the India Show. The Czech-Indian Business Forum, Czech Technology Forum and Czech-Indian Technology Days also took place as part of the auxiliary programme of the International Engineering Fair at the Brno Exhibition Centre.

An important event that occurred during the Czech-Indian Economic Forum in Brno was the signing of a Memorandum of Understanding by the Confederation of Industry of the Czech Republic and the EEPC. In his introductory remarks, Jaroslav Hanák, president of the Confederation of Industry, emphasised India's growing importance for Czech businesses. Commenting on the topic of support at the forum, EEPC chairman Aman Chadha stated: "Our business ties are traditional, having been established with the entry of a hundred Czech firms into India fifty years ago." Indian companies have invested in the Czech Republic in the areas of IT, the automotive industry and production of tea, textiles and pharmaceuticals. Conversely, the biggest Czech investments in India are those implemented by Škoda Auto, Škoda Power and Tatra. Projects in the areas of machine manufacturing, power generation and the automotive industry have strong potential. Accounting for 3% of GDP and employing 29% of the population, Indian



engineering has tremendous growth potential. Indeed, the sector has grown by 20% annually over the past three years.

Minister Sharma of India also mentioned support for bilateral ties. His counterpart, Minister Kuba, offered to create three expert groups for the mining industry, agriculture and engineering production. "We agreed on the usefulness of setting up three specialised groups that could open up markets for the Czech side," said Minister Sharma. That participation in the trade fair in Brno was not merely a courtesy call was evidenced by the words of M.S. Nayak of the company Venus: "The trade fair in Brno was very interesting for us. We see here many possibilities for cooperation between Czech and Indian companies."

More information on Czech-Indian relations and about Indian investors in the Czech Republic is available in the Country Focus section. ■

Jiří Erlebach
PR Manager
BWT Trade Fairs Brno

Are you interested in investment opportunities in the Czech Republic? Get a step ahead by contacting the Association for Foreign Investment, which has the latest information about happenings on the Czech market.



For more information on these and other opportunities do not hesitate to contact martin.michalov@afi.cz.

Opportunity Just Ahead

Available assets

Net4Gas – Czech gas transmission grid

NET4GAS, a Czech gas-transmission network operator owned by the German energy group RWE, is drawing strong interest particularly from infrastructure funds and financial investors, according to bankers and industry sources. NET4GAS is responsible for international natural-gas transmission across the Czech Republic to Western Europe and gas transmission within the Czech Republic.

Czech Airlines

According to recent reports, the management of Czech Airlines (ČSA) is in talks with several potential bidders for the company. The potential bidders have not been disclosed officially, but internal sources are speaking about a possible investor from either the United Arab Emirates, China or another Asian country. The sale could be completed this year as part of a restructuring that ČSA is currently undergoing. ČSA is awaiting a decision of the European Commission that could penalise the airline for accepting financial assistance from the state.

Telefonica O2 Czech Republic

According to the latest Mergemarket reports and a report in Financial Times Deutschland, the listed Spanish telecoms company Telefonica O2 is apparently planning to exit the Czech Republic.

Telefonica O2 Czech Republic had revenues of CZK 5.8 billion (EUR 230 million) in the period from January to September 2011.

Minority stakes in Czech gas-distribution companies

SPP Bohemia is planning to sell minority stakes in the Czech gas distributors Severomoravská plynárenská, Východočeská plynárenská and Jihomoravská plynárenská. The majority owner, RWE, has expressed interest in the stakes. RWE spokesman Martin Chalupský said that initial talks on a potential purchase have already been held.

Parts of Czech state-owned energy pipeline operator Čepro

Čepro, a Czech state-owned energy pipeline operator, will undergo a restructuring that is likely to lead to a partial privatisation in upcoming months. A committee established to deal with Čepro is supposed to announce a tender for the Čepro restructuring later this year.

Other investment opportunities

Czech on-line market in flux

Centrum Holdings, and internet media company owned by Warburg Pincus, has been in the red recently and was therefore

put on the block in June 2012. Centrum Holdings is active in the CEE region operating servers such as Atlas.cz, Centrum.cz and Aktuálně.cz. After the recent sell of Netretail Holding, which operates the Czech e-shop Mall.cz, there has been speculation about the possible sell of Alzasoft, operator of Alza.cz, the biggest internet store on the Czech market, whose price is expected to exceed that of Netretail (EUR 230 million).

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 your build-to-suit facility of up to 53,000 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. Due to its high unemployment rate, the local area offers an abundance of skilled labour making investments there eligible for government incentives. 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. ■

CZECH NANOTECHNOLOGY

companies penetrate foreign markets

“To Czech industry, everything is nano. Czech companies are able to produce miracles of the modern science as well thanks to nanotechnology... Industries based on nanotechnology are a rapidly growing niche in the economy of the Czech Republic, which, although small, is widely respected for its technical prowess.”

New York Times, May 2012

With support from CzechInvest, Czech nanotechnology firms have exhibited at six foreign events in 2012, including the world's largest nanotechnology exhibition, Nanotech 2012 in Tokyo, where they confirmed the strong position held by Czech nanotechnology in the world. The Czech Republic had its first ever national pavilion at the event and Czech firms and Japanese institutions obtained a number of new findings, important contacts and opportunities for further development. Furthermore, the event's organiser named the Czech company Advanced Materials – JTJ as the firm with the greatest potential for Japanese partners.

Nanotech 2012 was followed in June by the Czech-Japan Technology Days event, which also took place in Tokyo. Czech companies involved in the field of nanofibres exhibited during the Nanofibres 2012 conference. Their representatives had the opportunity to present their projects to the expert public and to display their products during the

accompanying trade fair. The event was attended by 340 specialists and from 17 countries, as well as representatives of the academic sphere.

A total of 15 Czech nanotechnology firms and institutions then took part in the tenth annual edition of world's second-biggest nanotechnology exhibition, NANO KOREA 2012, which was held from 16 to 18 August in Seoul. The Czech Republic was the only European country to have its own national stand at the event; besides the Czech Republic, Europe was represented by only a few German firms. The Czech exhibitors included the Brno-based company Tescan, which already has a branch in South Korea and provides its electronic microscopes to leading Korean companies such as LG, Samsung and Hyundai. Besides the participation in the trade fair in Seoul, CzechInvest established international cooperation with South Korea by signing a Memorandum of Understanding with the Nano Technology Research Association.

For the second half of 2012 CzechInvest has prepared two seminars in Europe. The first one-day seminar was held in Copenhagen at the beginning of October and the second will be in Düsseldorf at the end of that month. In conjunction with the Australian investment agency Austrade, CzechInvest has also co-organised a Czech nanotechnology delegation's mission to Australia.

The objective of these events is to support Czech nanotechnology firms in their efforts to penetrate foreign markets and to enhance the position of Czech nanotechnology in the world. Conversely, the quality of Czech nanotechnology firms attracts foreign investment to the Czech Republic, thus supporting FDI inflow. ■



Do you want to know more about the nanotechnology sector in the Czech Republic? Download the free brochure from CzechInvest!

More information is available at www.czechinvest.org/en/nanotechnology.

Advanced Materials – JTJ

This company is a manufacturer of second-generation photocatalytic products (FN[®]) with efficacy up to 100 times higher compared to conventional first-generation TiO₂ products. AMJTJ's photocatalytic technology improves air quality by efficiently removing allergens, odours, viruses, bacteria, toxins and other microorganisms. The superior performance of the coatings makes FN[®] ideal for indoor air cleaning. As a result, several hospitals are now using FN[®] to create sanitary environments in paediatric oncology and other departments. FN[®] is a solution to the "Sick Building Syndrome" and scored second place in the "Innovation 2010" competition held under the auspices of the Czech prime minister prestigious. AMJTJ filed a second composition patent expanding the potential for use and manufacturing of photocatalytic products for air cleaning and environmental decontamination. The patent was granted this year and a new line of FN3[®] products based on this new patent was certified for concrete and masonry protection. The photocatalytic efficiency of FN3[®] has been boosted to the achievable maximum. FN product sales are steadily increasing, and AMJTJ has expanded to several new markets, such as Ireland, Sweden, the United Arab Emirates and the United States in the past year. At the same time, Advanced Materials – JTJ developed a large-scale industrial process to make high-quality TiO₂ nanoparticles for use in cosmetics, photocatalysis and other applications. This extraordinary, economical technology is a key to open the door to the commodity market with titanium-dioxide nanoparticles. AMJTJ's joint venture with HE3DA has made significant progress in the past two years. Two new patents have been filed and the first patent covering new revolutionary construction of lithium ion batteries has been transferred into the national stages. The HE3DA[®] battery business is expanding outside the Czech Republic. Financing was provided by Spanish companies and a joint venture aimed at exploiting this technology is being negotiated. ■

Kertak Nanotechnology

Kertak Nanotechnology is a supplier of high-quality inorganic nanofibres and nanofibre materials produced using industrial-scale technology operated by the company Pardam (exclusive partnership). Thanks to this unique technology, Kertak is the world leader in supplying high-quality and high-performance inorganic ceramic and polymer nanofibres. The main goals are to introduce new materials to the global market and to discover business opportunities with the aim of building the company's global business network. Kertak Nanotechnology received significant interest from major Korean companies such as Samsung and LG during the Nano Korea 2012 trade fair, which took place in Seoul, South Korea, in August 2012. "We see great potential for our products on the Korean market, where nanotechnologies are on a very high level and we expect to penetrate the Korean market with our products in the very near future," says Daniel Možíš, CEO of Kertak Nanotechnology. ■

Vojtěch Helikar
Investment Development Manager – Nanotechnology & Cleantech
CzechInvest

The best Czech universities in the field of nanotechnology



Besides the Technical University of Liberec, about which more is written in the Region Focus section of this magazine, a number of prestigious research facilities with internationally recognised results and successes are active in the field of nanotechnology in the Czech Republic. The most interesting of these are presented below.

Regional Centre of Advanced Technologies and Materials, Palacký University, Olomouc

The main objective of the Regional Centre of Advanced Technologies and Materials (RCPTM) is the regular transfer of advanced technologies into medical, industrial and environmental practice and the participation of the centre in prestigious international networks and consortia. RCPTM focuses predominantly on top research in the areas of metal-oxide nanoparticles for catalytic and magnetic applications, carbon nanostructures, metal nanoparticles for antimicrobial and water-treatment technologies, coordination chemistry, photonics, new instrumentation in optics and analytical chemistry. One of the centre's main goals is also to offer first-rate microscopic, spectroscopic, magnetic and other devices for the commercial utilisation.

Central European Institute of Technology, Brno University of Technology

The X-ray Micro CT and Nano CT group at CEITEC is involved in the development and application of (micro and nano) computed tomography (μ CT) techniques for visualization of the entire 3D structure of different samples with high spatial resolution, together with the development of laser-ablation-based analytical techniques for 2D and 3D high-resolution elemental mapping. Laser-ablation-based analytical techniques, namely Laser-Induced Breakdown Spectroscopy (LIBS) and Laser-

Ablation Inductively Coupled Plasma Mass/Optical Emission Spectrometry (LA-ICP-MS/OES) have been proven by many authors in the last two decades as excellent tools for quantitative and qualitative microspatial analysis of a wide variety of samples. The use of the recently installed state-of-the-art μ CT system for different scientific and industrial applications will be detailed. ■

Vojtěch Helikar
Investment Development Manager
Nanotechnology & Cleantech
CzechInvest

CzechAccelerator 2011-2014 outstanding support for innovations and start-ups



Young small and medium-sized firms and start-ups possess enormous potential and new technologies. Therefore the Czech Republic is passionately dedicated to supporting them. It is already more than two years since CzechInvest, the national investment and business development agency, first sent promising, innovative Czech firms to business incubators abroad in order for them to gain the experience needed to enter the global market.

The pilot phase of the CzechAccelerator project began in April 2012 in California's Silicon Valley. Having proven its value, CzechAccelerator 2011-2014, as the project is now known, was rapidly expanded. Czech companies can currently seek opportunities for doing business, obtaining capital and acquiring strategic partners in five destinations around the world. Besides Silicon Valley, the project has operations on the US East

Coast in Boston, Massachusetts, as well as in Switzerland, Israel and Singapore. During residencies of up to six months in these locations firms can receive a range of benefits, primarily free use of office space and easy access to potential strategic partners, investors and first-rate advisors. They also have the possibility to participate in free networking events with investors and other people who can help them to develop their business. Yet another benefit consists in the opportunity to receive aid for, among other things, mentoring, coaching, support for protection of intellectual property rights and legal consulting. Thirty-four Czech firms have participated in the project to date. A representative example is the nanotechnology company NFG Services, which travelled to Singapore in March 2012 for a four-month residency and thus became the first participant to receive the opportunity to develop its

activities in Southeast Asia. During its stay there, the company gained partners for development of nanofibre membranes for use in water treatment and began cooperation with the National University of Singapore on the development of smart packaging manufactured from biopolymers. Details are available at www.nafigate.com. Another call for potential participants in the CzechAccelerator 2011-2014 project will be issued at the end of 2012. An expert assessment committee will select those that have the best chance to succeed with their products on the global market. More information about the project is available at www.czechaccelerator.cz. ■

Luboš Matějka

*Project Manager for the CzechAccelerator 2011 – 2014
CzechInvest*

NAFIGATE Corporation represents the global future of Czech nanofibre technology



Nanospider, an innovative technology developed by the Czech company Elmarco in cooperation with the Technical University of Liberec, took the world of nanotechnology by storm seven years ago. Today it remains the only machine capable of industrial-scale nanofibre production. The know-how that arose thanks to this technology is being further developed and refined, bringing the Czech Republic worldwide prestige and supremacy in the field of nanotechnology. A component of this success is the NAFIGATE Cor-

poration global centre of excellence in the area of nanofibres, which has been in operation for nearly a year. Despite its short time in existence, NAFIGATE Corporation has achieved a number of major successes, such as its establishment of the Advanced Water Technology Centre in Singapore. The objective of this centre is to exploit opportunities brought forth by nanofiltration in the form of the highest possible degree of water filtration with higher efficiency than existing technologies and with significantly lower energy intensity. Research and development of final nanofibre applications will bring forth a range of new investment opportunities. Nanofibre-application markets are growing by tens of percent annually, so dominance in research and development will have the result of dominance in nanofibre-related business. "We have been focusing on innovation in the area of nanofibres for more than seven

years already. We are now approaching the time when we can put our years of work and global experience to good use. Thus we have extraordinary opportunities prepared for investors," says Ladislav Mareš, chairman of the board of directors of NAFIGATE Corporation and founder of Elmarco. With extensive experience and outstanding knowledge of the global market, NAFIGATE Corporation's expert team not only identifies these opportunities, but primarily helps to exploit them while substantially reducing investment risks. Investments in nanofibre applications make it possible to penetrate global markets with the advantage of Czech know-how. ■

Ladislav Mareš

*Chairman of the board of directors
NAFIGATE Corporation*

Czech company NANO IRON: unique waste-free technology for nanoparticle production

NANO IRON was established in 2008 with the primary objective of producing nanoparticles of elementary iron and utilising them within the framework of the domestic and world markets, including technical support in applications. The company possesses a unique, environmentally friendly and waste-free technology enabling industrial-scale production of Fe(0) nanoparticles with almost unlimited production capacity. The produced iron nanoparticles feature narrow size distribution (20-100 nm), large surface area, extremely high reactivity and excellent migration properties.

With very promising results in pilot experiments and field applications, in-situ application of zero-valent iron nanoparticles (nZVI, elemental iron nanoparticles) is a prospective technology for the decontamination of groundwater contaminated mainly

with chlorinated hydrocarbons (PCB, PCE, TCE, DCE, VC, etc.) and heavy metals. Unlike traditional remediation technologies, there is no need for groundwater and soil extraction for ex-situ treatment. Chemically, nZVI works in the same way as micro- or macroscopic ZVI placed in permeable reactive barriers. In comparison to macroscopic iron filings the advantage of iron nanoparticles lies in the small particle size and high specific surface area resulting in higher reactivity, better transportability in a saturated zone, faster application and higher efficiency of the decontamination process.

However, high reactivity requires careful handling and processing of nZVI slurry in order to retain its excellent properties.

Aging – nZVI degradation (rapid oxidation of zero-valent iron) – is a known imperfection of slurry products; unfortunately the behaviour

of nZVI was probably not fully understood in the past, which led to some unsuccessful results. The current state of the technology allows the preparation and modification of nZVI slurry directly on-site just before application, so aging behaviour is now negligible. NANO IRON provides comprehensive service including material production, delivery, processing, engineering and scientific support during feasibility tests and field applications. Due to the latest research and development in this field, the company is able to ensure industrial-scale application of the most reactive nZVI material on the market. For more information, please, visit www.nanoiron.cz/en. ■

Jan Slunsky
Director
NANO IRON



Nanovia – the right Czech partner for your nanofibre product

Nanovia is the first company in the Czech Republic and practically the first in Europe with the capacity for industrial production on nanofibre materials from organic polymers. The company uses this capacity to produce barrier textiles marketed under the brands Nanovia AntiAllergy (material developed for the purpose of preventing penetration by allergens produced by ubiquitous dust mites in mattresses and bed linens, for the production of which, among other things, this material is used) and Nanovia AntiMicrobe (material developed for the purpose of preventing penetration by microorganisms from the external environment into the patient's body and thus used in surgical dress and masks as well as in anti-viral masks). In addition to production of the above-mentioned materials, Nanovia is the only company in Europe to offer its production capacity for custom manufacturing of nanofibre materials for various applications and final products. For companies

that do not have their own production capacity yet want to do business in the nanotechnology sector, Nanovia also offers assistance with optimising the process of producing nanofibres for their products.

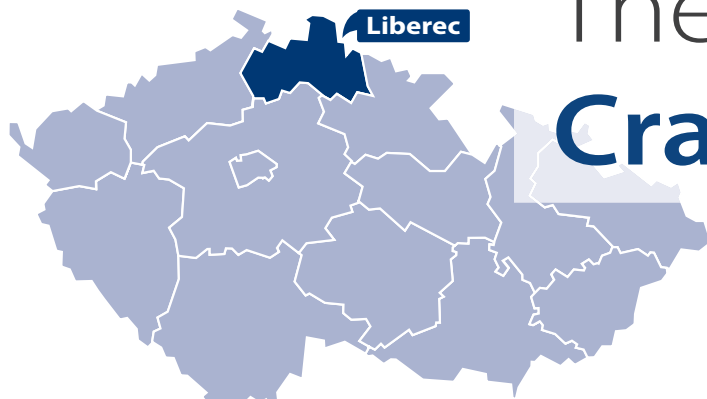
Nanovia possesses manufacturing technologies that enable it to effectively layer various substrates of nanofibre plies from various polymers and thus to create materials with new utility properties and parameters. In addition to technologies for producing nanofibres, the company also has lamination technologies enabling the production of laminated textile materials containing nanofibre plies.

Nanovia has technical facilities and equipment for development and optimisation of the manufacture of products with nanofibres (the Nanotex development centre in operation since 2010), including laboratory and pilot-plant machines for producing nanofibre materials, an electron microscope and other instruments connected with the preparation of nanofibre plies and evaluation of

their properties and parameters. The Nanotex development centre was built and equipped with financial support provided by CzechInvest via the Operational Programme Enterprise and Innovation.

Due to the character of its products, Nanovia collaborates with numerous research and development institutions (e.g. the Technical University of Liberec, the Department of Polymers at the Institute of Chemical Technology and Jan Evangelista University in Ústí nad Labem) and business partners in the Czech Republic and abroad. Nanovia's nanofibre materials have also found uses in the production of filtration media and air and fluid filters. In the automotive industry, the use of these materials is anticipated not only in fuel and passenger-compartment air filters, but mainly in the area of sound-absorption materials placed in vehicle interiors. Further development in the field of healthcare offers strong potential, particularly in the area of surgical masks reducing nosocomial infection (Nanovia AntiMicrobe materials are suitable for this), as well as wound dressings, substrates for tissue engineering, etc. ■

Marcela Munzarová
Strategy & Business Development Director
Nanovia



The Liberec Region

Cradle of North Bohemia

Centre for Nanomaterials in Liberec

The Liberec region is not only a centre of automotive production. Research and technology centres thrive here and through their specific make the region exception. The region is located in North Bohemia on the border with Germany and Poland. Covering an area of 3,163 km², it comprises only 4% of the Czech Republic's territory, making it the country's smallest region. The Liberec region has 438,433 inhabitants, i.e. 4.2% of the Czech Republic's total population. Thanks to the Jizera and Krkonoše Mountains, the region has ideal conditions for both winter and summer sports. Gross domestic product per capita in the Liberec region in 2010 was 74.8% of the average GDP per capita of the Czech Republic. The region accounted for 3.1% of the Czech Republic's total GDP in the same period. The rate of registered unemployment calculated on the basis of data from the Ministry of Labour and Social Affairs of the Czech Republic was 9.25% as of 30 June 2012.

Basic data

Land area:	3,163 km ²
Population:	438,433
Population density (persons/km ²):	136
Unemployment rate (2012):	9.25
GDP per capita (2010):	10,619 EUR
Region capital:	Liberec

Industry

Industry in the Liberec region can be divided into three main areas: mechanical engineering, textiles and glass production, which dates back to the period before the First World War. After 1989, when central planning began to give way to the market economy, a significant decline occurred mainly in the glass and textile industries. Today, however, these sectors are again enjoying an upswing in the region. The textile industry is being revitalised thanks to new technologies and special materials. The successful CLUTEX cluster was established in 2006 in the Liberec region and is focused on coordination and cooperation especially between textile and clothing companies, research and development organisations, universities and other entities. The objective is to create optimal conditions for the transfer of technologies, assurance of increasingly sophisticated innovations and development of business in the area of research, development and production of technical textiles including materials and semi-finished goods serving for the production thereof.

Textile industry

Nanotechnologies comprise an important aspect of the textile industry in the region. The Liberec-based company Elmarco s.r.o. was the first in the world to develop a technology, called Nanospider, for industrial-scale production of nanofibres.

Other innovative local companies in the field of textile production include Direct Alpine, which is focused on the production of technical outdoor clothing using nanotechnology.

Glass industry

Glassmaking in the Liberec region has enjoyed global renown for several centuries. Brands such as Jablonex, Crystalex and Preciosa are known around the world, primarily for their production of crystal and jewellery. The company Crytur engages in special production of glass products intended for use in laser and electron microscopes. Sklopan and Sklostroj are known for their design and innovation of machines for the glass industry.

Mechanical engineering

The automotive sector indisputably has the largest share of industrial production in the Liberec region. Numerous mechanical-engineering firms serve as suppliers to the automotive industry. It is commonly said that it would be possible to build a complete automobile from parts manufactured in the region. The biggest local companies in this sector include, for example, Grupo Antolin Bohemia, Denso and TI Automotive.

Outside the automotive industry, there are also smaller companies focusing on precision engineering, such as MSV Systems and VÚTS.

Research and development

The Liberec region has rising potential in the area of research and development, a pillar of which is the Technical University of Liberec, a mid-sized school with 9,000 students, six faculties and two institutes. The Textile and Mechanical Engineering Faculties, which are among the university's oldest, have their own research centres. The newest of these is the Centre for Nanomaterials, Advanced Technologies and Innovation, which will have its grand opening in October 2012. Another very interesting project is the VÚTS Centre for Development of Engineering Research. The company MemBrain's Membrane Innovation Centre is further evidence of the wide-ranging nature of research and development in the Liberec region.

Centre for Nanomaterials, Advanced Technologies and Innovation

This new centre is oriented toward two fields: materials research and competitive mechanical engineering. Besides its focus on manufacturing and the use of new progressive materials (especially nanomaterials), the centre also engages in the development and use of advanced mechanical-engineering concepts and technologies (particularly mechatronic systems and propulsion units, among others). One of the centre's priorities consists in the application of research and development results in practice.

emian technology



Ještěd mountain

Since its inception the centre has strived to build a reputation as a top-level research facility that produces high-quality results in research and development while cooperating in these areas with industrial enterprises and research organisations. The centre is gradually equipping its laboratories with the latest instruments, which are used for research work as well as for executing specific orders from industrial entities. One recent acquisition is a second-generation Nanospider machine for nanofibre production. Furthermore, the centre offers attractive opportunities for post-graduate work of young doctoral candidates and scientists, who during their studies will gain highly professional skills while working on research teams under the direction of leading scientists and obtain valuable experience not only in the areas of development, but also from cooperation with companies on actual orders and in finding new solutions.

Centre for Development of Engineering Research

The new Centre for Development of Engineering Research will be focused particularly on certain areas of mechanical engineering which in the coming decades will be of critical importance, namely reduction of the energy consumption of machines, increasing the productivity of machines, environmental aspects such as reduction of noise and vibration, use of new materials, use of mechatronic applications and innovations, and modernisation and automation of existing production facilities. An important part of the new centre will comprise top-quality laboratories, which will enable VÚTS employees to perform vibration and noises tests, and a prototyping workshop with state-of-the-art CNC machines. The centre will also feature a thermal chamber for testing, for example, technologies intended for operation in tropical climates or, conversely, in cold environments.

Membrane Innovation Centre

This centre is focused mainly on the further development of electro-membrane processes, which are currently gaining in importance in terms of the maximum value of the use of water in technological processes, special applications in the food and pharmaceutical industries and in the realisation of so-called waste-less technologies. The Czech Republic is a world leader in the field of electro-membrane processes thanks mainly to the company MEGA and its research subsidiary MemBrain. Thus, the objective of the Mem-

brane Innovation Centre is to also become a global leader in this field.

Transportation

Even though a number of railway routes have been discontinued here, the Liberec region still has a very dense rail network. Indeed, it ranks among the European regions with the densest rail networks. The region's road network features the Liberec – Turnov (Hradec Králové – Olomouc) R35 expressway, Liberec – Prague R10 expressway, European route E65 (Turnov – Harrachov – Szczytno) and several first-class roads. The Liberec region also has several small airports, notably the former military airbase in Hradčany u Mimoneň.

Main investors in the Liberec region

Company	Sector
Inteva Products Czech Republic	Automotive
Benteler	Automotive
PEKM Kabeltechnik	Automotive
Knorr-Bremse	Automotive
Denso	Automotive
Devro	Food processing
Elmarco	Engineering
Faerch Plast	Plastics, Rubber
Fehrer Bohemia	Automotive
GRUPO ANTOLIN BOHEMIA	Automotive
Johnson Controls	Automotive
KSM Castings	Automotive
Laird Technologies	Electronics, electrical engineering
TRW Automotive Czech	Automotive
Mehler Technologies	Manufacturing
Monroe Czechia	Automotive
Ontex	Manufacture of hygienic disposables
Kamax	Automotive
TI Automotive	Automotive
TRUMPF Group	Engineering

Where to go, what to see

The Liberec region is a paradise for sports enthusiasts, as it offers seven golf courses, including a few indoor facilities, as well as lakes and ponds offering water skiing, fishing and simply relaxation at the water's edge. The local network of cycling trails is among the most extensive in the Czech Republic, making the Liberec region a Mecca for cyclists. In winter it is possible to use 200 km of maintained cross-country ski trails which are located only 15 minutes by car from the city of Liberec. The region also offers numerous centres for downhill skiing. The Liberec region is also rich in culture and history, as it features numerous castles and chateaux. Opera lovers can enjoy open-air festivals at selected chateaux and the Liberec Theatre offers premieres of operas from around the world in addition to other theatrical performances. ■

Petr Bernát
Director, Liberec Regional Office
CzechInvest

Shining lights

of the Czech aerospace industry

The aviation industry in the Czech Republic comprises more than 7,000 skilled professionals at 120 companies with combined annual turnover of USD 450-500 million. The Czech Republic has become an indispensable partner in global aviation markets and supply chains. The local industry's main selling points that make it attractive to major aerospace firms consist in the ability to develop and integrate components into a variety of aerostructures, aero engines and systems, its strong engineering background, excellent product reputation, high product reliability in various climatic conditions, extensive testing experience, and the continued development of characteristically high-quality Czech products supported by collaboration of R&D teams across numerous local companies and the implemented quality management system.

"We start where others give up" is a sort of motto of Czech aviation enterprises (e.g. Aerotech). The Czech aviation sector has made many exceptional contributions to the global aviation industry, e.g. turboprop engine architecture enabling the design and production of a new engine family as an alternative to the homogenous engine offer on the market in certain categories, lightweight yet powerful small engines perfectly suited to the future needs of unmanned aerial systems, 19-seat aircraft capable of enduring difficult operating conditions and highly precise and on-time delivery of sophisticated compo-

nents and aerostructures that support prime contractors in the United States, Brazil, Canada, Germany and France.

The Czech Republic is well positioned in the aviation industry, which has changed a lot since 2010. The industrial dynamics of the sector are based on healthy competition among traditional and newly established professional groups that motivate their members to quickly adopt new and effective approaches in order to facilitate worldwide aviation programmes and to quickly innovate and develop their own products, systems and technologies. Among these groups, one of the most progressive suppliers is Frentech Aerospace, which concluded a contract with Thales Alenia Space on development and pro-

duction of a solar-array deployment mechanism for 81 satellites. Frentech Aerospace is building a new clean room and thermal testing facility at a total cost of roughly EUR 0.8 million to support this program. Another successful Czech company involved in the local aviation sector is Startech, a family-run enterprise which, like Frentech, is located in the city of Brno. Startech possesses extensive expertise in production

of high-precision mechanical components for equipment used in R&D (such as microscopes). Like other engineering companies in the area, Startech is expanding its state-of-the-art facility with five-axis CNC machines enabling it to better serve the aviation industry. The company has already proven its capabilities in precision machining of titanium components and other heat-resistant parts for the aero engine business (e.g. for GE Aviation). Startech is currently undergoing the AS/EN9100 certification process.

The number of new aviation suppliers in the Czech Republic has been growing since the leading Czech aerospace company, AERO Vodochody, signed an important contract with Embraer to be a risk-sharing partner for KC-390 military aircraft. In connection with this project, Aero has identified dozens of local mechanical-

"The aviation industry in the Czech Republic comprises more than 7,000 skilled professionals at 120 companies with combined annual turnover of USD 450-500 million."

engineering suppliers with an interest in producing parts, components, fixtures and jigs, and started working with them to implement aviation standards, ensure on-time delivery and introduce a competitive price level. Znojenské strojírny is another example of a former mechanical-engineering company that successfully developed the necessary qualifications of an aerospace supplier. The company is inves-

ting in new machinery and supplies aerospace components to AERO Vodochody and Letov/Latecoere, among others.

One of the most demanding programmes in Czech aviation is the modernisation of Czech-made L-410 aircraft. This process started in 2010 and will be completed in 2014 with the introduction of next-generation of L-410NG turboprop aircraft. The development programme comprises 33 objectives in three stages (development, prototyping and trials) and five complementary programmes (INCOM – integration of composites, ADATO – damage tolerance for structural life improvements, GC – glass cockpit, etc.). Responsible for managing 13 R&D teams from local suppliers, the company Aircraft Industries is a leader of this programme. Developed in the 1970s, the L-410 aircraft is a successful model,

Other remarkable activities are being conducted in the areas of aero-engine development and production. GE Aviation's H80 turboprop engine received type certification from the European Aviation Safety Agency in December 2011 in Prague. This is the first GE Aviation engine to receive its initial type certification from EASA. The turboprop engine combines the elegant, robust design of the Czech M601 engine with GE's 3-D aerodynamic design techniques and advanced materials to create a more powerful, fuel-efficient, durable engine with no recurrent fuel nozzle inspections and no hot-section inspection. Moreover, GE Aviation launched two derivatives of its recently certified H80 engine: the H75 and H85 turboprop engines. The H75 will be rated at 750 shaft horsepower (shp) for takeoff and maximum continuous operation, and the H85 engine will be rated at 850 shp. Like

for Small Aircraft (ESPOSA) in 7th Framework Programme. The ESPOSA project is focused on turbine engine technologies tailored for small aircraft under CS-23/FAR23 with a thermodynamic power range from 180 kW to 1.0 MW. The new engine systems and engine technologies resulting from the ESPOSA project should deliver a 10-14% reduction of direct operating costs and significantly reduce pilot workload.

Czech companies have become partners for the development of several leading aircraft and aero-engine components including:

- Embraer KC-390: leading edge, rear fuselage, cargo ramp, doors
- Airbus A320: passenger doors, cabin interior, galleys + MRO services
- Sikorsky S-76: Complete integration excluding rotors
- Bombardier CSeries: leading and trailing edge
- Alenia C-27J: central wingbox
- Honeywell Engines: combustion chambers, hot sections
- GE Aviation: turboprop engines

“ The Czech aviation sector has made many exceptional contributions to the global aviation industry. ”

with 1,100 delivered to 30 countries and more than 350 aircraft still in service. At Farnborough Air Show 2012, Aircraft Industries and the Russian leasing company Ilyushin Finance signed a memorandum of understanding on the delivery of ten L-410 aircraft in 2013–2014, with an option on three more in 2015.

These activities have confirmed the exceptional position of Czechs, who are able to guarantee delivery of more efficient, high-quality and structurally durable aircraft that are easy to operate even from unpaved and short runways in different climatic conditions. As such, they offer a solution for reliable transport in remote areas.

the H80, the H75 and H85 engines will be aimed at the agricultural, commuter, utility and business turboprop aircraft segments.

The company PBS is a traditional manufacturer of APUs, GPUs, ECSs and small turbine engines. More than 20 skilled designers and 50 technical officers participated in development of the company's new TJ100/200 family. The basic TJ100 jet version weighs only 19 kg and has a thrust level of 1.1 kN and with its derivatives, the TP100 (180 kW) turboprop and TJ200 (2 kN) and TJ20 (220 N) turbojets could comprise fully suitable family of engines to power all categories of unmanned aerial vehicles. PBS is a leader of the European program called Efficient Systems and Propulsion

The Czech aviation industry is now better consolidated and well positioned to meet the needs of global players in the aviation industry. The Czech Republic has three sectoral associations focused on aviation, each with different objectives, and country has several regions with a strong industrial heritage that may be suitable for aerospace business. ■

Petr Néték
Aerospace Development Manager
CzechInvest



Power utilities at a crossroad

In the coming years and decades, power utilities will be challenged by trends that could result in a completely different business environment. One such trend is already apparent and consists in the increasing capacity of renewable production and the interest of customers in smarter solutions in the area of electricity consumption, which requires an effective response from the energy sector.

However, this inevitable transformation of the energy sector is complicated by a number of factors. The most obvious trend – the increase in decentralised production – is bringing forth a change in the concept of the power system as a whole, which is not an easy exercise when one considers the long lifetime of energy assets. Making decisions in this evolving situation is therefore not easy, as the utilities have to be able to look into the relatively distant future and take into consideration not what the needs are and how the system looks now, but how it will look like in ten, fifteen or even twenty years from now.

All power utilities are therefore testing “new energy” concepts. This involves not only testing of new technologies, but also innovative business models and cooperation with new types of partners. Typical examples are pilot projects, allowing field testing that will be used for further decision-making.

ČEZ Group is currently running three pilot projects. In Vrchlabí the complex Smart Region pilot project, which is focused on innovations of electricity distribution network (smart grid), was launched in 2010. This pilot project is also part of the European demonstration project Grid4EU; as such, it contributes not only to the development and testing of innovative technologies but also to the definition of new standards and to safeguard the scalability and replicability of smart technologies utilization throughout Europe. Currently installation of new technologies and replacement of present components on both LV and MV level are being carried out. Furthermore, ČEZ Group is currently engaged in laboratory simulations and testing of new DSO technologies that shall be implemented within the Smart Region in future project stages. The Vrchlabí region will once the Smart Region pilot project is finished function using the new standard of 35kV lines with the added benefit of increased security and reliability of electricity supplies. It will also be possible to implement the unique automation on MV and LV level in order to automatically identify, locate and isolate potential

faults and decrease the number of affected consumers and to operate the network under the regime of autonomous island operation. The Wide Pilot Project of Automated Meter Management is closely linked to Smart Region in Vrchlabí. The objective of this project is to verify the technical and commercial feasibility of smart

future e-mobility services market and to start building the backbone charging infrastructure that will serve users of electrical vehicles and plug-in hybrid electric vehicles. ČEZ Group's concept is based on offering an e-mobility service that will provide to electric-vehicle users not only access to public charging stations, but

“ All power utilities are testing “new energy” concepts. This involves not only testing of new technologies, but also innovative business models and cooperation with new types of partners. ”

metering technology. With its results and findings the project is contributing to a national discussion on the implementation of smart metering in the Czech Republic. Based on preliminary results, however, technical feasibility and consumer acceptance were regrettably not affirmed under current market conditions. Nevertheless, ČEZ Group is preparing the continuation of tests and simulations in order to refine the technical solution, identify the correct business model and make smart metering both technically feasible and economically attractive for all key stakeholders. Focal points of this endeavour comprise, among other things, new power-line communication technologies, data aggregation and processing tools, extended load control/consumption management on the consumer side, connection of smart metering with household automation and convergence with smart grids.

The third pilot project involves testing the concept of electromobility. The aim of ČEZ Group in this pilot project is to better understand the

also a number of add-on services. The project is being developed in cooperation with vehicle manufacturers and infrastructure partners on whose premises the charging stations will be built. Again, testing the technical solution in conjunction with the business model is typical for this project. There are a number of issues that will have to be addressed before commercial roll-out, for example the required density of charging infrastructure and types of charging stations (AC or DC charging), the system of data collection and management, and the impact of electric-vehicle deployment on the grid, which could represent a significant risk the event that the charging of vehicle batteries rapidly becomes a widespread practice. ■

Tomáš Chmelík
Manager of Clean Technology Department
ČEZ Group

CEZ GROUP INSTALLS THE CHARGING STATIONS FOR ELECTRIC CARS

! CEZ Group has 26 stations in Czech Republic currently. There will be more than 100 stations by the end of 2013. !



FUTUR/E/MOTION



INDIA

a land of limitless opportunities

Basic information

The Republic of India is the world's seventh largest country by area and second largest by population. India's land area (3,287,263 km²) is 42 times larger than that of the Czech Republic; in terms of population (1.2 billion inhabitants), it is 112 times bigger. A member of the Commonwealth of Nations, India is a democracy comprising 7 union territories and 28 federal states with their own elected governments. India was established on 15 August 1947, when British India was divided into West Pakistan, East Pakistan (now Bangladesh) and the Republic of India.

Immeasurable future potential

India's economic power has grown steadily in recent years, even during the economic crisis. India has the ambition to become the world's fastest-growing economy with the clear objective of surpassing China. Emboldened by the Indian economy's growth in fiscal year 2009/2010, politicians announced that in the new decade, India would be able to achieve 10% GDP growth, whereas GDP growth in China is between 7% and 8%. However, 2011 indicated that these forecasts were too optimistic. Both macroeconomic data and actual development of the country's economic growth indicate a slowdown of the Indian economy's growth rate. The Indian vision of rapid economic development in the first decade of the 21st century thus had its flaws. This was due mainly to factors such as non-existent, insufficient or obsolete infrastructure, the country's lack of energy independence and the uneven growth of individual federal states. High interest rates, the purpose of which is basically to restrict economic growth and thus contribute to a reduction of the inflation rate that has long been in the range 10%, had a significant impact on the growth rate. Despite this, however, in a global comparison the Indian economy should achieve above-average economic growth in 2012, as forecast in a survey compiled in March 2012 by Ernst & Young, according to which no one who wants to maintain competitiveness can ignore the opportunity to penetrate the Indian market. Of course, the Czech Republic also has an interest in taking advantage of this growth potential, which is aided by the long-term positive relations between the two countries dating back to the establishment of Czechoslovakia.

The history of Czech-Indian relations

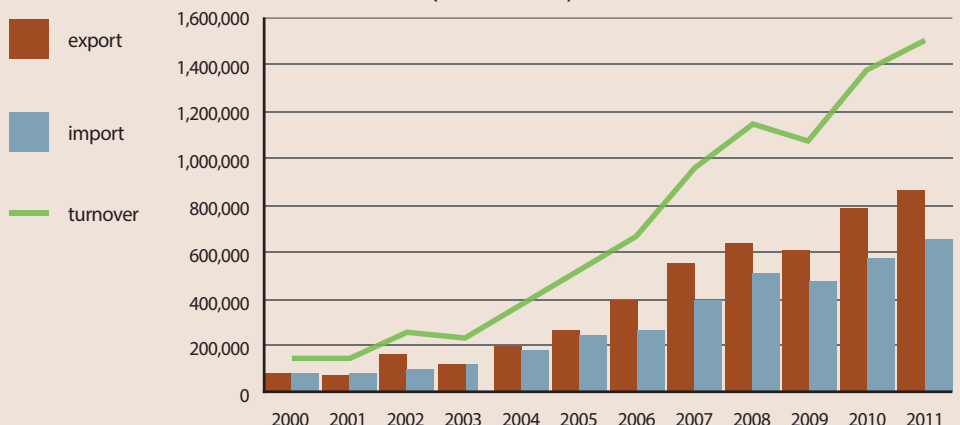
A Czechoslovak consulate was set up in Mumbai in 1921 with the purpose of supporting the expansion of Czech companies on the Indian market. In the mid-1930s, the two nations planned the foundation of an Indian-Czechoslovak Chamber of Commerce in which several dozen Mumbai-based firms would participate. Unfortunately, this plan was never implemented. However, some Czechoslovak firms established manufacturing facilities in India. A symbol of success in this endeavour is the Baťa shoe company in Zlín, which built factories in Batanagar near Kolkata and in Batapur, together with a sales network covering the entire country. Furthermore, Czechoslovakia was one of the first countries to establish diplomatic relations with India after the latter gained its independence in 1947. Conversely, India was one of the first countries to recognise the independent Czech Republic in 1993. Since then, a number of

bilateral trade agreements have been concluded between the two countries, including agreements on support and protection of investments, prevention of dual taxation and economic cooperation.

Growing commercial exchange

The value of Czech exports to India grew to USD 854 million in 2011, an increase of 8.2% in comparison with the previous year. Indian exports to the Czech Republic grew by 12.7% year on year, to USD 653 million. India has thus become one of the most important countries for Czech foreign trade with the prospect of long-term and rapid growth of exports and ranks among the Czech Republic's priority trading partners. Furthermore, India is the Czech Republic's second most important Asian trading partner behind only China. The Czech Republic's main exports to India are components for the automotive industry,

Czech-Indian bilateral trade (in USD '000)



Source: Czech Statistical Office, 2012

machine tools, industrial machines and accessories, power-generation equipment, chemical products and electric motors and generators. Particularly the Czech companies Škoda Auto, Škoda Power, ČKD Blansko, VH Services, Strojimport, Omnipol and Vítkovice Machinery Group have achieved notable success in the aforementioned sectors in India.

Expansive, larger-scale Indian investments are currently not common in the Czech Republic, even though their number and importance are growing rapidly. The most interesting investments include the opening of an Infosys branch in Brno. Other companies of Indian origin operating in the Czech Republic include the steelmaker ArcelorMittal in Ostrava as well as a number of others with ownership stakes in various Czech companies, such as the Vectra group, which has a share in Tatra, Tata Tea, owner of the Jemča brand, Alok Industries with a stake in the textile firm Mileta in Hořice, Glenmark Pharmaceuticals in Medicamenta and Ashok Leyland in Avia.

Strategic market

After years of following an export policy focused only on "open waters", whereby 83% of Czech exports are destined for the European Union, the Czech government and companies are becoming aware of the not entirely favour-

able European reality and, having taken some small steps in another direction, are trying to make their presence felt in the somewhat complicated yet very promising Indian market. Therefore there is no doubt that trade between the Czech Republic and India will continue to grow. For Czech firms, this offers opportunities mainly in the automotive industry, power generation, construction, agriculture, green technologies, biotechnology, water-treatment and waste-recycling systems, healthcare, consumer goods and IT and telecommunications. In cooperation with partner institutions, including the Ministry of Industry and Trade,

the Indian embassy in Prague and the Association for Foreign Investment, the Czech-Indian Chamber of Commerce is endeavouring to provide assistance, particularly in the most difficult early stages, because the future lies in India, a country of tremendous potential where effort, persistence and the determination to succeed can bear very sweet fruit. ■

Lukáš Temlík
Vice-president,

Czech-Indian Chamber of Commerce

Selected Indian investors in the Czech Republic

Company	Sector
CK Birla Group	IT services
Infosys Technologies	Engineering services
Hinduja Group	Automotive
Shriram EPC	Renewable energy
Siro Clinpharm	Pharmaceuticals
Glenmark Pharmaceuticals	Pharmaceuticals
Allcargo Global Logistics	Transportation
Progeon	n/a

ArcelorMittal will soon celebrate its tenth anniversary in the Czech Republic



With 260,000 employees in sixty countries, ArcelorMittal is the world's leading steel and mining company. We interviewed Tapas Rajderkar, CEO of ArcelorMittal's Czech branch in Ostrava, for this issue of Czech Focus.

How long has ArcelorMittal been operating in Ostrava and what is its main business in the Czech Republic?

The group came to the Czech Republic in 2003, so we will soon be celebrating our tenth an-

niversary here. The installations of ArcelorMittal Ostrava (formerly known as Nová Hut) have already been operating for more than sixty years, producing mainly hot-rolled long and flat products, mine supports and road safety barriers. Some of our products are destined for further processing. Our biggest clients are in the construction, automotive and mechanical-engineering sectors. ArcelorMittal Ostrava produces approximately two million tonnes of steel annually.

How many employees work for ArcelorMittal Ostrava?

Including subsidiaries, the company employs more than 8,000 people. And ArcelorMittal Ostrava takes good care of its employees. The average salary in 2011 was 30% higher than the average of the Moravia-Silesia region. Besides that, the company provides its workers with a range of benefits. But the topmost priority is the health and safety of our workers. ArcelorMittal Ostrava proudly bears the title of the Region's Best Employer 2010 and 2011.

What have been ArcelorMittal Ostrava's main achievements since privatisation in 2003?

Since 2003, ArcelorMittal Ostrava has made investments worth more than seven billion crowns. Of that amount, four billion has been invested in environmental projects, thanks to which we have reduced our environmental footprint by almost 70% and are now in compliance with the emission limits that will become mandatory in the EU as early as in 2016. The biggest environmental project that we've implemented was the sinter-plant dedusting installation commissioned last October and costing a billion crowns. Importantly, owing to our focus on health and safety, we have reduced the number of occupational injuries by more than 90%. ArcelorMittal Ostrava has also invested tens of millions of crowns to improve the quality of life in the Moravia-Silesia region. The company has become a reliable partner of social projects undertaken by local communities and a strong supporter of culture and education in the region. Moreover, more than two thousand of our employees volunteer in community projects every year. And about 700 employees are regular blood donors, making ArcelorMittal Ostrava the biggest corporate blood donor in Ostrava. ■



Radek Špicar, Executive Director of the Aspen Institute Prague and Vice-President of the Confederation of Industry of the Czech Republic



Aspen Institute Prague looks to the future

Mr. Špicar, you were appointed the first Executive Director of the Aspen Institute Prague (AIP). Can you describe what this organization is all about?

The Aspen Institute Prague was established in July 2012 as a regional platform for policy innovation and non-partisan dialogue – a non-ideological venue where all parts of society, public and private, can meet, talk and act.

As such, Aspen Prague wants to air new ideas and serve as a facilitator of solutions to current political, economic and social problems. Aspen Prague also has an ambition to contribute to further internationalisation of the Czech Republic and the whole Central European region by sending local future leaders abroad to seminars and conferences and inviting renowned personalities from other countries to contribute their experience and knowledge. Our launch

Zahradil (ODS), Jan Hamáček (ČSSD) or Zdeněk Tůma (TOP 09), public administration like AIP President Michael Žantovský (Ambassador of the Czech Republic to the UK), business like Taťána le Moigne (Google), Vladimír Dlouhý (Goldman Sachs Czech Republic), Ivan Hodač (European Automobile Manufacturers' Association) or Pavel Kavánek (ČSOB) and the non-profit sector like Tomáš Klvaňa (Director of Global Non-profit Programs of Zdeněk Bakala) and comprise a balanced combination of respected experts. Isn't that a great mix?

Indeed, but who else is standing behind AIP? Can you reveal some of the global players supporting you? There is at least one name which is often mentioned together with the "Aspen Idea".

Prominent individuals will participate in the

“ We will invite high-level guests together with experts, decision-makers and politicians from all over the world. **”**

event on 19 July 2012 was attended by twenty former ministers of foreign affairs and proved to be an example of our *modus operandi*.

How does AIP differ from other Czech NGOs?

With its operational focus in Central Europe, that is Poland, Slovakia, Hungary and the Czech Republic, the AIP creates opportunities to connect the ideas and interests of business, politics, culture and sports. AIP truly fosters an open society and promotes values-based leadership by which we understand direct support for talented individuals from all these backgrounds. The members of our board make another difference. They come from the fields of politics like Jan

further development and operations of the institute through the formation of the International Advisory Board of Aspen Prague. Participants include Madeleine Albright, former US Secretary of State and current chairwoman of the Albright Stonebridge Group, Walter Isaacson, executive director of the Aspen Institute US, Frederic V. Malek, chairman of Thayer Capital Partners and Lord Peter Mandelson, member of the House of Lords in the United Kingdom. They all actively contributed to the birth of AIP in Central Europe, as did many others.

How is the AIP funded?

Funding of the AIP consists of individual membership fees, corporate partnerships, an-

nual donations and public grants. The start-up money was granted by the Foundation Zdeněk et Michaela Bakala, though we have promised our colleagues at Aspen US that our budget will be fully independent and well diversified. This is why we are glad that we can work with a number of business partners and corporate supporters, such as Techo, Alta and KPMG. Also, support from individual members of Aspen Prague contributes to building a pool of scholarship funds and programme resources that help to facilitate policy debates and developing public programmes through a wide range of events and projects. We are finalising a new website at www.aspenprague.cz where everyone can find more information on funding opportunities and conditions of individual membership.

Now, can you explain what kind of events are you planning in the scope of your yearly activities?

As we wish to target diverse audiences throughout the region, our activities are divided into three areas: leadership, policy, and public programmes. Let me give you an example: outstanding candidates – young leaders – will receive Aspen Institute Prague Fellowships in order to participate either in the Socrates Summer Seminar or the Aspen Ideas Festival in the US. This is how we want to support future decision-makers in politics, business, the arts and civil society and connect them with their peers abroad. As a contribution to the policymaking process, we will hold Policy Branches and Policymakers Seminars, creating an environment for decision-makers to seek consensus and solutions to various issues. Another project is the Annual Conference organised for the broader public and devoted to a current topic. We will invite high-level guests together with experts, decision-makers and politicians from all over the world, as was the case with our launch conference of 19 July 2012. And last but not least, we will publish a quarterly magazine called Aspen Review, which will provide a platform for debate on current affairs in and outside the Central European region. We introduced the sample issue at our launch event in July and the first edition will be available in the fall. Just partner with us and find out what AIP has to offer! ■



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- Palác Křížák II, Prague, immeuble de bureaux, certification BREEAM niveau „Excellent“
- Siège de Komerční banka, Prague, certification BREEAM niveau „Very Good“

KOMERČNÍ BANKA, Prague



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Referenční projekty

- Palác Křížák II, Praha, kancelářská budova, certifikace BREEAM Excellent
- Sídlo Komerční banky, Praha, certifikace BREEAM Very Good

B&B Hotels, Prague



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Current trends in M&A in the Czech Republic



All the significant deals on the CEE market took place back in the 1990s – there are no financing opportunities left here now and there is no more business to be done. Is this view realistic? This article aims to present the latest trends in the M&A market in the Czech Republic, point out the interesting segments and opportunities in that market and prove that even in seemingly difficult times there is still a lot of scope for exceptional deals.

The Czech Republic (like most of the rest of Europe) saw a slowdown in M&A activity in 2011 due to the “synergies” of the Eurozone crisis. Even so, in 2011 there were more than ten transactions that each exceeded USD 100 million in value. The Czech Republic is continuing to see a smaller number of larger transactions and most of them are taking place between Czech firms (60 percent). The foreign equity financing comes from the USA, Poland, or Germany.

“The Czech Republic is no longer an “emerging” economy, but it still enjoys many of the other benefits of the emerging economies.”

The CEE region plays an important role in the M&A market – its size (EUR 3.3 billion) attracts the attention of many investors. The Czech Republic offers very good general conditions for capital investments compared to other countries in the region – in the recently-published Ernst & Young global M&A maturity index it performed best in the whole CEE region and ranked high in the maturity index level.

Our expectations for Czech M&A in 2012 and 2013 are quite optimistic and we expect increased levels of activity, especially in the sale and purchase of small and mid-sized companies.

Very often, such companies are very well managed family businesses whose owners started out in business in the 1990s. Since their owners are now aged around 50 to 60, are without a family successor and are therefore looking to sell their holdings, this segment of the market should catch investors’ eye. Apart from small-sized business, the sale of NET4GAS (whose value is estimated at between EUR 1.4 and EUR 2 billion) is underway, and further privatisations (such as Czech Airlines and Prague Airport) are also expected to come up over the next 24 months. Another opportunity will be disposals of construction companies with significant market share and a track record motivated by sharply decreasing public infrastructure investments and therefore increased price competition (if not price war) on the construction market. This would offer particular opportunities for foreign construction companies who want to enter the market and are not afraid of buying distressed assets.

There is also a growing number of interesting companies in high-tech sectors such as biotech, nanotechnology and clean-tech. The target value is often at the lower end but with high growth potential, and the owners of such outfits are typically looking for private equity or venture capital rather than a fully-fledged exit. And last but not least on the list of sectors with high potential is the healthcare and healthcare services sector.

I hope that the above may have sparked the interest of readers among investing and investment advisory circles. Now let us turn to a question we hear very often these days (especially from investors who have not had any previous experience with markets in the Emerging Europe): Is it safe enough? Well, my answer to this always is: The Czech Republic is a mature market within the global context and investing in it is generally as safe (or as dangerous) as in most Western European countries. You always take a risk when making an investment, but with the right strategy and carefully selected advisors you will be on the right path to success. The quality

of the Czech legal system and the enforceability of law are high compared to most Western countries. That cannot always be said about other countries in the region. In this respect, the Czech Republic is no longer an “emerging” economy, but it still enjoys many of the other benefits of the emerging economies – lower labour costs (and a quite highly educated workforce), and in particular it does not have the high structural indebtedness – neither on the side of public finance nor on the side of the local banks and households.

Bank financing is still relatively accessible (of course, to secure financing, your project still has to meet the necessary criteria!) and the fact that Czech Republic is not part of the Eurozone is more and more perceived as an advantage. Finally, I would like to make a few observations on the legal transactional framework which may be of interest for investors considering entering the market:

- Most transactions are structured as share deals rather than asset deals.
- Most transactions are governed by Czech law; however, a choice of law is widely possible – particularly in respect of transactions involving foreign buyers.
- When choosing foreign law, English law tends to be the most popular, followed by Austrian and German.
- Arbitration clauses are widely used; in larger transactions it is routine for foreign arbitration courts to be chosen – typically, the most popular choices are the Vienna Chamber of Commerce Arbitration Court or the London Court of International Arbitration and arbitration rules such as ICC or German DIS are applied.
- There are no general mandatory rules for using a specific language in contracts (with limited exceptions, such as real estate transactions), but that can always be solved by commissioning legally verified translations into Czech.

In conclusion, the Czech Republic is a stable destination for investment, regardless of the size of a transaction. The legal hurdles from the 1990s are long gone and there is great confidence here in the immediate future. ■



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Czech Republic – modern industrial premises available throughout the country

For new investors, there has been some positive news on the Czech industrial real estate market lately. The total stock of modern industrial spaces in the country has just passed the milestone of four million square metres. When compared to the country's total area, in percentage terms the Czech Republic has by far the highest amount of stock in the region. It is a benefit that the network of developer-led industrial parks is not concentrated only around the major commercial hubs such as Prague and Brno, but it is well spread over the whole country, perhaps with the exception of South Bohemia. This means that almost any project can be quickly accommodated in the investor's preferred location. In the

locations traditionally favoured by foreign investors – areas around Brno and Plzeň – the vacancy rate has risen significantly over the last year with approximately 36,000 m² and 66,000 m² immediately available for lease in each location respectively. Even in other regions, there is, after a long time, existing vacant space – namely in the Ústí region, a popular FDI destination due to its strategic location and availability of labour, the Liberec region, an area with a strong presence of technical universities and the cradle of Czech nanotechnology, and in Hradec Králové. Another popular destination for foreign investors – Mladá Boleslav, the seat of Škoda Auto, has experienced a major breakthrough this year as several new industrial parks have finally received permits. In some of these parks, the developers have already broken ground or even leased the first completed buildings. New industrial parks have also been announced in the above-mentioned cities

of Brno and Plzeň creating tougher competition among developers. Such competition can be of great benefit to new tenants when it is managed by experienced and qualified internal staff or an external advisor during the selection process and negotiations. Over the last year, we have also witnessed several built-to-order projects delivered by developers to investors outside of their official industrial park schemes. When the timing allows, this is a great option for investors that want to set up larger operations in a very specific location. For more information please visit www.cbre.cz or www.skladykpronajmu.cz. ■



CBRE

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Boosting the shared **services** sector in the Czech Republic

Over the past two decades, shared-services organizations (business strategy services, BPOs, etc.) have become an important and significant business model in the Czech Republic. The companies that have settled in the country during this period have enjoyed the benefits of increased cost savings, greater efficiencies within the centres and a higher overall level of service than anything available from competing shared-services models elsewhere in the world. This includes those centres already within other parts of the CEE marketplace. The Czech Republic offers an excellent educational system (with demanding language programmes), well-developed infrastructure, a multitude of government-supported public financial incentives and one of the strongest and most stable economies in the region. In addition, many cities in the Czech Republic are very cosmopolitan. Nearly half a million foreigners now live in the country, mostly in Prague and Brno, though many more are starting to explore and discover less well-known areas. In fact, since 2001

there has been a 360.5% increase in the number of foreigners living in the Czech Republic. These factors, combined with the Czech Republic's relaxed, sociable atmosphere, friendly people, renowned hospitality and great climate have already drawn many investors to the country. These factors continue also to appeal to and attract new organisations looking for other alternative global locations, further adding to the cultural and economic mix. In comparison to alternative Asian locations, the Czech Republic still remains a good choice, offering the ability to deliver a higher quality of service with closer interaction with customers and clients. The Czech Republic's current capacity to host other SSC projects equals or exceeds that of other CEE countries that have already reached their saturation point. Labour costs in the Czech Republic are comparable to those in the rest of the CEE region. However, the educational system is stronger and produces young graduates who are keen to work for international companies. Working for shared-services organisations is viewed as a career opportunity with long-term prospects for these aspiring graduates. Low overhead costs are also a strong contributor to achieving healthy profit

margins. The real estate market offers first-class business and residential premises. Advanced health care coupled with international schools make it easier and attractive for expatriates to relocate to the Czech Republic with their families. Average salaries here are low enough to ensure cost-effective operations and the rapid growth seen in the 1990s and 2000s has slowed down dramatically over the last five years, even falling below our regional CEE competitors. Income-tax and national health-insurance contributions are still among the lowest in Central and Eastern Europe. Undoubtedly this positive economic environment presents challenges as well as opportunities for those thinking of moving into or expanding their operations in the region. However, the Czech Republic continues to be a very interesting and increasingly viable option for investors. ■



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CzechLink – Promotional platform for mergers and acquisitions

Even though the euro's problems are not exactly contributing to Europe's sense of optimism, businesses and financial investors continue to be interested in the possibility of expansion. In response to growing interest in mergers and acquisitions in the Czech Republic, in 2010 CzechInvest launched the CzechLink Project, which facilitates the identification of suitable investment targets.

CzechLink in a nutshell

CzechLink is a platform for qualified support and effective presentation of companies seeking investors, regardless of their size. The project is focused on companies in the manufacturing and IT sectors. CzechLink participants are offered to potential investors for a period of one year. In the event that a given company does not find an investor during that period of time, it can extend its contract on participation. A condition for inclusion in CzechLink is that the participant must have at least a five-year history and may not have undergone any form of insolvency or bankruptcy proceedings. Upon approval, a prospectus summarising economic performance is drafted for each participant based on its financial statements for the past five years. The commonly used performance indicators are gross and net profit, EBIT and EBITDA, supplemented with a basic description of the company including its customers and technical equipment. Within the CzechLink project, both the buyer and seller are assured of the maximum confidentiality of information.

Project participants

At present, the CzechLink portfolio contains approximately thirty companies. More than a third of participants are manufacturing companies with more than 100 employees, whereas companies with revenues of up to EUR 10 million predominate. These are healthy, well-managed family businesses or companies owned by natural persons established at the beginning of the 1990s. A close relationship with customers is typical for most Czech firms, as is very stable financial management characterised by the endeavour to maintain a minimal debt burden. Profit margins are in the range of up to 10%. The customers of most Czech firms are local branches of foreign investors and their parent companies. Motivation for inclusion in the CzechLink project differs from firm to firm. Besides the absence of successors and the owner's impending exit from a firm due to the advanced age, the desire to find a partner for further expansion is prominent among participants. In most cases, owners expect the entry of an investor to bring greater market power and a higher success rate in tenders for new projects.

Main benefits of CzechLink

The main benefits of CzechLink include facilitation of introductory meetings between investors and investment targets. A potential investor receives a list of companies that are actively seeking an investor. CzechLink does not provide any form of transaction-related consulting for either the buyer or the seller, nor does it conduct any form of due diligence necessary for the conclu-

sion of a transaction. Rather, it provides the aforementioned prospectus, which gives a clear picture of the investment target's condition and comprises a subject for discussions from the very beginning of the process. Upon signing a confidentiality agreement pertaining to provided data and confirmation of the investment target's intention to provide information, the potential investor receives detailed information on the company in the form of a prospectus. CzechInvest has registered interested primarily in the automotive sector and precision machining, which is mainly due to the traditionally positive cost conditions in these sectors.

Necessary to know

When preparing a deal, it is necessary to take into account that most owners are capitalising their life's work when they accept an investor into their companies. Owners are not forced to sell their companies and thus room is created for reasonable consideration on the part of the seller as well as the buyer with regard to the benefits of the potential deal. Due to their general character, the companies participating in the CzechLink project are not suitable for short-term investments, nor is the sale of distressed assets an option. In the event that a company falls into insolvency, it is promptly excluded from the CzechLink project. ■

*Pavel Chovanec
Head of the Sourcing Section, CzechLink
M&A support
CzechInvest*



Mitas - Tyre production plant CGS US

‘Tebodin and Mitas cooperate for quite some time’, says Mr. Martin Hladík, Mitas technology and projects director. ‘And for a good reason. Tebodin team means business.’

(Tebodin World 5/2012)

Jan Becher – New production plant

‘Tebodin has proven to be a reliable partner once again; there was nothing that could not be solved. This project was a real partnership, in which all requirements were met without difficult extra agreements or any problems and I can assure you, that is unusual’, says Mr. Vladimír Darebník, Operation Director and Project Manager at Jan Becher - Karlovarská Becherovka.

(Tebodin World 10/2010)

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Can you briefly explain the expected cost of a production plant suitable for nanofibre project in the Czech Republic (maximum 10 production machines and 5,000 m² total floor area)?

The construction cost depends on many factors and is subject of continuous calculations throughout the whole project, so I can give only a rough estimate. Based on the experience gained by our design, cost-management and construction-management specialists from many projects of all sizes, we can calculate the cost of nanofibre electrospinning project similar to the standard price of a production facility for light industry plus the necessary technology units (there are no clean rooms, special environments, etc. needed for the machines). The cost calculation includes the building itself with all mechanical and electrical installations and com-

pressed air, inert gas, cooling, ventilation and electrical installations (1MW max.) for the machines. The cost also includes the necessary technology rooms, sanitation, air filtration and appropriate administrative, storage and other parts of the production plant.

Under these conditions we expect the price to be approx. CZK 13,500 – 15,000/m² for the building itself. The price will be influenced of course by the condition of the actual land plot (soil quality, water level, etc.), requirements for technology installations and hook-ups and also to mention is that the quality of design can change the final investment cost signifi-

cantly. This price on the other hand does not include the necessary infrastructure around the building, for example roads, water management, utility connections, landscaping, etc. ■



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Consultants & Engineers

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What is the taxation of the portion of profits and of dividend income? Are there any related changes prepared in the Czech tax legislation for the upcoming years?

Tax treatment of the portion of profits as well as the dividend income is the same for Czech tax purposes; therefore, we comment only on dividend income. Czech taxation is different for Czech tax residents (individuals or companies with their home address or registered office in the Czech Republic) and Czech tax non-residents.

Czech individual

Dividend income received from Czech companies is subject to 15% final withholding tax. Dividend income received from abroad is taxed in the general tax base subject to a 15% tax rate. Credit relief on the tax paid abroad is available only

under the relevant double taxation treaty (hereinafter "DTT").

Czech company

Dividend income from Czech companies is subject to 15% final withholding tax unless it is tax exempted under the conditions of the EU Parent/Subsidiary Directive (Directive 435/90/EHS). Dividend income received from abroad should be taxed within the separate corporate income tax base subject to a 15% tax rate. Credit relief on tax paid abroad is available only under a DTT.

Foreign individual

Dividend income is subject to 15% final with-

holding tax. The rate may be lowered by the relevant DTT.

Foreign company

Dividend income is subject to 15% final withholding tax unless it is tax-exempt under the conditions of the EU Parent/Subsidiary Directive or the rate is lowered by the relevant DTT.

Proposed changes in the tax law

The above-mentioned tax rules on dividend income remain the same for the year 2013. An amendment is planned to come into force from 1 January 2015. For Czech resident individuals and companies the overall tax exemption on dividend income from profits generated after 1 January 2015 should apply for such income deriving from Czech companies and companies from the EU, Switzerland, Norway and Iceland. Currently there are discussions about moving forward the effective date of the above-mentioned amendment to 1 January 2014. ■

Overview

Recipient	Dividend payer	
	Czech company	Company with its seat abroad
Czech tax resident – individual	15% withholding tax	within the general tax base - 15% tax rate
Czech tax resident – corporate entity**	15% withholding tax	within a separate tax base - 15% tax rate
Czech tax non-resident – individual	15% withholding tax*	not Czech source income – not taxed in the Czech Republic
Czech tax non-resident – corporate entity**	15% withholding tax*	

*unless lowered by the relevant double taxation treaty

**unless tax exempted under the conditions similar to those set forth in the EU Parent/Subsidiary Directive



pwc

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What are the specifications of accounting for investment properties in the Czech Republic?

Within the Czech Accounting Standards (CAS), the term “investment property” does not have the same definition as that set forth in the International Financial Standards for Reporting (IFRS) – IAS 40 Investment Property “property (land and/or buildings) held for the purpose of earning rental income or for capital appreciation (or both)”.

All properties (land/buildings), regardless of their use, must be recognised at cost and amortized over their useful life. In financial statements, they are presented at the acquisition cost less accumulated depreciation and less the impairment adjustment, if any.

Generally, the CAS do not allow increasing the value of a property by any revaluation adjustment. Should a fair value be higher than a book value, a company does not increase the property value in the books; it only discloses this fact in the notes to the financial statements.

At the balance sheet date, a company (property owner) is obliged to perform impairment testing when the fair value (market value) of

a property is compared to its net book value. Should the fair value be lower than the book value, the entity should record a provision to an asset to decrease its book value to the level of the fair value.

In special instances connected with corporate restructuring (mergers, demergers), Czech commercial law may require a revaluation of assets and liabilities. Such an expert evaluation must be prepared by an independent valuation expert appointed by the court for each individual valuation. The same applies when an asset is contributed to the equity of a company.

It is very important to underline that any revaluation effects (either due to an asset impairment or revaluation for corporate restructuring) affects accounting values only; tax values are not affected and are still derived from the historical cost. Consequently, such temporary differences between accounting and tax book values are reflected in deferred taxes.

In the Czech Republic, only statutory audited companies are obliged to recognise deferred

tax, whereas other companies may choose to do so.

There is currently an ongoing process of convergence of the Czech Accounting Standards with IFRS. At this time, listed companies are allowed to use IFRS as their only standards for accounting and reporting (though they still must calculate income tax according to the Czech tax law, so the accounting and tax profit may significantly differ).

According to the convergence schedule, from 2014 the Czech Accounting Standards should comply with the IFRS. ■



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Does a foreign investor have to pay any tax upon acquisition of a company? **Is such investor obliged to pay pensions to former employees?**

The Czech Republic is a favourite destination of foreign investors due to its quite advantageous business environment. Upon acquiring another company, a foreign investor enjoys the same conditions as a Czech entity and carries no direct transaction tax liability. During such a transaction, only the profit on the part of the seller is subject to tax. If the seller is a legal entity, the income from the sale of a company is generally subject to 19% corporate income tax. Nevertheless, there are several situations when the income from a sale is exempt from this tax.

The first possibility of exemption occurs when the seller is a company which is an EU tax resident (i.e. also a Czech company) and, at the same time, owns at least a 10% interest in the sold company over the period of at least one year (i.e. it is considered a related entity between a parent company and a subsidiary pursuant to Czech tax regulations).

The exemption of capital gains according to double tax treaties (DTT) might also be applied.

If the seller is a tax resident of a state with which the Czech Republic has concluded a valid DTT, this treaty is decisive for the definition of the tax impact of the sold shareholding. In most cases it is possible to impose tax on capital gains only in the country of the seller. However, there are DTTs which enable taxation of the sale of investments in companies in the Czech Republic either for all companies (the DTT concluded with Germany) or only for real estate companies (e.g. the DTT with France), i.e. companies whose major part of assets consists of immovable assets.

In this context, we note that if the income from the sale of a shareholding in a subsidiary is exempt from tax, the seller is not entitled to include the cost related to the sale of such shareholding in the subsidiary in tax-deductible expenses.

Employee redundancies may occur on the grounds determined by the Labour Code (e.g. dissolution of the employer or a part thereof, or

organisational changes). In such a case, the employer is obliged to make redundancy payments to the employees, which amount to no more than three months' wages, depending on the length of employment, unless a higher redundancy payment was agreed in the employment contract or collective bargaining agreement. The employer usually has no obligation to make pension payments to former employees (unless such obligation of the employer was explicitly agreed) as the Czech pension system is based on state funding and is thus not funded by employers (though, of course, employers are obliged to make contributions from the salary base throughout the duration of the employment relationship). ■



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Can foreigners and foreign investors buy land in the Czech Republic?

The real estate market in the Czech Republic is very open and foreigners – both natural persons and legal entities – are entitled to acquire land and buildings here basically without any limitations. This concerns residential, commercial and other properties and practically all agricultural land in the possession of private owners or municipalities.

One of the last remaining exceptions consists in land that is being privatised by the state via the Land Fund of the Czech Republic. Due to the complete communist nationalisation of agricultural land and related farming activities, in 1989 such land was owned almost exclusively by the state or cooperatives. Despite the return of some assets to the original owners or their descendents through restitution or the provision of compensation for assets previously seized by the communist regime, the state still possesses a large amount of agricultural land.

Privatisation of state-owned land is governed by Act No. 95/1999 Coll., on the Conditions for Transfer of Agricultural and Forest Lands from

the Ownership of the State to Other Entities. Entities engaged in farming activities on agricultural land in the Czech Republic for a period of at least 36 months are authorised to purchase such land. Such entities are, specifically:

1. natural persons who are agricultural entrepreneurs and have been conducting agricultural activities for a period of at least 36 months on agricultural land covering an area of at least 10 ha. Such land must be located in the cadastral territory of the municipality in which the privatised land plots are located or in the neighbouring cadastral territory.
2. a partner of a commercial company or member of a cooperative if such company or cooperative has already been conducting agricultural activities for a period of at least 36 months on agricultural land covering an area of at least 10 ha and which is registered in the cadastral territory of the municipality in which the privatised land plots are located or in the neighbouring cadastral territory.

3. natural persons who own at least 10 ha of agricultural land in the cadastral territory of the municipality in which the privatised land plots are located or in the neighbouring cadastral territory and, at the same time, have been conducting agricultural activities for a period of at least 36 months on agricultural land covering an area of at least 10 ha anywhere in the Czech Republic.

If citizens of EU countries, Norway, Iceland, Lichtenstein or Switzerland fulfil these conditions, they are also entitled to acquire land from the Land Fund of the Czech Republic. Citizens of other countries may not acquire such land. However, they can freely acquire agricultural land from other owners. ■



PETERKA & PARTNERS

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I want to learn Czech and get familiar with the local culture. **Where can I go?**

Being a foreigner is not always easy. Despite the fact that it may be an adventure and full of fresh new experiences, there might be also some difficulties along the way. In the Czech Republic there are many programmes helping expats to integrate. One of them is the Academy Business Programme from Academy Partners, which is an advisory and consulting company that cooperates on this programme with the Institute of Language and Preparatory Studies at Charles University in Prague. This programme helps especially foreign investors, their families and families of their employees to successfully integrate into the Czech cultural and social climate. The programme presents a flexible package of services aimed at providing professional assistance based on clients' specific individual needs in many fields, such

as integration of investors' children into the education process and leisure-time activities, providing Czech language lessons and establishment of special meeting points for investors and their families linked to prestigious social, cultural, educational, professional and sports institutions in the Czech Republic. Academy Business Programme offer top-level services, as we have a vast professional and social background as well as long-time cooperation with a number of renowned companies and institutions operating in fields such as education, culture and law. During the ten years of its existence, Academy Partners has focused on cooperation with various Czech universities. The Institute for Language and Preparatory Studies is the only institution in the Czech Republic that deals systemati-

cally with general as well as specific aspects of language and professional preparation of foreigners. Within this preparation, i.e. in teaching the Czech language as well as other subjects to foreigners, the institute is continuing a tradition started more than 50 years ago. Apart from preparatory programmes for university study in the Czech language, the ILPS also organises other preparatory and professional programmes for foreigners. Thanks to the great variety of Czech language courses of varying intensity and duration that the ILPS offers, it can easily meet the needs of foreigners living or working in the Czech Republic. Among other things, the institute also places emphasis on organising turnkey language courses for employees and top managers of companies that operate on the Czech market as well as state and municipal employees. ■

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The Czech Republic: The peaceful heart of Europe

The Czech Republic is among the safest countries in the world according to numerous internationally recognised reports as well as a detailed comparison of national police statistics. The recently released sixth edition of the Global Peace Index ranked the Czech Republic as the thirteenth safest country in the world. Produced by the Institute for Economics and Peace, the Global Peace Index ranks 158 nations using 23 qualitative and quantitative indicators that gauge current domestic and international conflict, safety and security in society and militarisation. In 2012, the Czech Republic surpassed many developed countries such as Sweden, Norway, Germany, Australia, Netherlands and the United Kingdom as well as its partners in Visegrád Group – Hungary, Poland and Slovakia.

Global Peace Index

Ranking 2012	Country	Score
1	Iceland	1.113
2	Denmark	1.239
2	New Zealand	1.239
...
13	Czech Republic	1.396
17	Hungary	1.479
24	Poland	1.524
26	Slovakia	1.590

Human Development Index

Ranking 2011	Country	HDI
1	Norway	0.943
2	Australia	0.929
3	Netherlands	0.910
...
27	Czech Republic	0.865
35	Slovakia	0.834
38	Hungary	0.816
39	Poland	0.813

Global Prosperity Index

Ranking 2011	Country
1	Norway
2	Denmark
3	Australia
...	...
26	Czech Republic
28	Poland
32	Slovakia
36	Hungary

If we take a closer look at the other most popular global measures, we will find interesting data there as well. According to the United Nations Development Programme, in 2011 the Czech Republic ranked 27th out of 187 countries within the Human Development Index (HDI) which focuses on average achievement in three basic dimensions of human development—health and longevity, attainment of knowledge and a decent standard of living. The HDI of Europe and Central Asia as a region increased from 0.644 in 1980 to 0.751 in 2011, placing the Czech Republic with its HDI of 0.865 above the regional average. The Czech Republic holds nearly the same position in the Legatum Prosperity Index, which assesses 110 countries accounting for over 90% of the world's population and is based on 89 different variables, each of which has a

demonstrable effect on economic growth or personal wellbeing. The Czech Republic ranks 26th in this index. All these measures show that the quality of life in the country is very high. As one of the main indicators of quality of life, the feeling of security in the Czech Republic is bolstered by excellent police work, especially in recent years. According to police statistics, the number of reported criminal offences in the Czech Republic in 2011 was the second lowest since 1992 and the region is generally considered to be the safest area in Europe, for example in terms of possibility of terrorist attacks. Prague, the capital of the Czech Republic, ranked 4th in a comparison with other European cities in the number of criminal offences per ten thousand inhabitants in 2009 (682 criminal offences per 10,000 inhabitants), which is better a result than

that of Rome (812), Paris (1,150), London (1,076), Vienna (1,032) and Brussels (1,667). In the same report, which was compiled by the agency CzechTourism in 2011, the Czech Republic as a whole with 341 offences per ten thousand inhabitants in 2009 ranked third in Europe, thus surpassing other western countries such as Germany (743 criminal offences per 10,000 inhabitants), Hungary (398), France (567) and Italy (452). If we take a closer look at the regions of the Czech Republic, the safest in 2011 were the Vysočina, Pardubice, Hradec Králové and Zlín regions.

All of these surveys and reports indicate that the Czech Republic offers not only a high quality of life, but also a strong sense of security, which are often the main reasons for relocating and doing business here. ■

In other numbers

In its annual credit report on the Czech Republic in July 2012, Moody's Investors Service states that the country's A1 government bond rating and stable outlook reflect the country's high degree of economic, institutional and financial strength. Moody's report is an annual update for the markets and does not constitute a rating action. The rating agency determines a country's sovereign rating by assessing it on the basis of four key factors – economic strength, institutional strength, government financial strength and susceptibility to event risk – as well as the interplay between them.

Moody's notes that the economic-strength assessment reflects the Czech Republic's steady income convergence with the EU average in recent years. In particular, relatively the Czech Republic's low wages, high educational attainment and advanced infrastructure base that closely links its economy to core Europe have made the country attractive to foreign investors.

Investment Risk Rating

Country	Standard and poor's	Moody's	Fitch
Czech Republic	AA-	A1	A+
Slovakia	A	A2	A+
Poland	A-	A2	A-
Russia	BBB	Baa1	BBB
Bulgaria	BBB	Baa2	BBB-
Hungary	BB+	Ba1	BB+
Romania	BB+	Baa3	BBB-

Iva Stříbrská

Editor of Czech Focus magazine
Association for Foreign Investment

David Labardin
General Manager
VCES Property Development



"Czech beer is definitively the best beer I've ever tasted!"

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

Prague. It is a very enjoyable city. Not too large, not too small. And with beautiful sights. It is also alive nearly 24/7. Despite the "terrible" language (I could

not image that we would have so few vowels!) we can always find a way to communicate with someone, and to find what we are looking for.

What was the most surprising for you?

The weather! I moved from Cyprus to Prague last April. I was warned about cold and harsh weather, but so far it has been quite pleasant. But I've also been told that more difficult times will come very soon!

What's your favourite Czech food?

Being French I will not comment on the food. But Czech beer. ... I was more a wine amateur; with Czech beer I've discovered the many flavours that beer can have. It's definitively the best beer I've ever tasted.

What would you recommend to visit in the Czech Republic?

Again, Prague. I haven't been in the Czech

Republic for a long time, but I've also seen that even small cities have a nice downtown area or a castle which is worth seeing. So the country offers many opportunities.

About my company

VCES Property Development is part of the Bouygues Construction Group, one of the world leaders in construction. VCES PD is the real estate development arm of Bouygues in Czech Republic. With the support of our sister company VCES a.s. and the experience of the Bouygues Group, we can develop any kind of project, either in BtoC, such as residential units, or BtoB by providing a global approach to investors, operators and/or end-users. Nevertheless, we have decided to concentrate on niche markets and to provide high-end services in long-term partnerships. For instance, we aim to be a leader in sustainable construction. ■



LaDana Edwards
Partner
Deloitte Czech Republic

"I feel stronger sense of freedom here."

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

I am living in Prague and really love the diversity and spirit of acceptance. I have friends from all

over the world and I find the Czech people very welcoming. I also work throughout the Central European region, and I see this as something specifically Czech. Also, the Czech Republic is beautiful!

What was the most surprising for you?

Freedom. I am from the US, the "land of the free", but I feel a stronger sense of freedom living in the Czech Republic.

What's your favourite Czech food?

Homemade apricot dumplings. I just discovered them!

What would you recommend to visit in the Czech Republic?

There are so many places to see in the Czech

Republic, but a few of my favorites are the Moravian wine country, Karlovy Vary, and of course Prague.

About my company

Deloitte in the Czech Republic provides advisory services focusing on corporate management, audit, tax, legal and financial advisory to a wide range of major companies, rapidly developing businesses and public institutions. Linking local market knowledge with deep international experience enables us to offer a comprehensive approach to our client's needs and challenges by delivering tailor-made solutions. Deloitte Czech Republic employs more than 600 nationals and expatriates who are led by 27 partners. ■

Christopher Guilds
Business Development
Director AIG/Lincoln



"I love using the Czech language in both my professional and private life."

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

With its location in the heart of Europe, the Czech Republic benefits from a conjunction of cultures. Coming from the homogenous culture of the United States, I really enjoy the wealth of diversity

here, which shines through the local architecture, history and citizenry. Also, having made the investment to learn the Czech language, I love using it in both my professional and private life.

What was the most surprising for you?

The amazing tenacity, ingenuity and wit Czechs use to solve their problems.

What's your favourite Czech food?

"Makový závin" (poppy seed strudel) for breakfast, "Španělský ptáček" (beef roll) or "Svíčková na smetaně" (sirloin on cream) for lunch and dinner, complimented with either hearty Czech beer or delectable Moravian wine.

What would you recommend to visit in the Czech Republic?

The observation tower on top of Jested. It is a great destination for a hike up the hill or even for an overnight stay. And the view is priceless.

About my company

AIG/Lincoln was formed in 1997 as a strategic partnership between AIG Global Real Estate Investment Corporation, New York, and Lincoln Property Company, Dallas, to acquire, develop and manage real estate internationally. With the combined financial strength and experience of its parent companies, AIG/Lincoln is uniquely positioned to provide a full range of real estate and financial services to support the development, acquisition, regeneration, and management of prime real estate for both multinational and local clients. Since its inception, AIG/Lincoln has developed over 1.8 million square metres of real estate in Europe, establishing itself as one of the most recognized and respected commercial developers in the region. Our flagship development in Prague is The Park – Chodov, which boasts 115,000 m² of Class A office space, fully let to a variety of top international companies. ■

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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