INVESTMENT OPPORTUNITIES

Investment Climate in the Czech Republic
Association for Foreign Investment in the Czech Republic

The Association for Foreign Investment (AFI) represents a group of renowned companies operating on the Czech market whose common goal is to actively support the development of the Czech business environment while facilitating the entry of foreign investors into the Czech market and complementing the activities of CzechInvest. Thanks to their comprehensive knowledge of the Czech investment environment, the companies associated within the AFI are able to provide a broad range of professional services in all phases of investment projects.

1. We are your roadmap to quality services in the Czech Republic.

Our services:
-- Legal Consulting
-- Real Estate Consulting
-- Environmental Advisory Services
-- Strategic Marketing
-- Financial Consulting and Services
-- Auditing
-- Corporate Financing
-- Tax Consulting and Services
-- Management Recruitment
-- Human-Resources Consulting and Recruitment
-- Quality Control
-- Architecture and Project Preparation
-- Project and Construction Management
-- Appraisal of Companies and Assets
-- Management Advisory Services
-- Industrial Advisory Services
-- Information Technology Support
-- Logistics Services
-- Re-engineering – Improvement of Company Processes
...and other professional services.

CONTACT:
Association for Foreign Investment
Stupenska 31, 120 00 Prague 2,
Czech Republic

 tel: +420 224 911 740
email: info@afi.cz
web: www.afi.cz
CzechInvest’s Services

Our Objectives:
- to advise and support existing and new companies and foreign investors in the Czech Republic
- to support the competitiveness of the Czech economy
- to create a space for communication between foreign investors, the state administration and Czech companies

CzechInvest is exclusively authorized to file applications for investment incentives at the competent governing bodies and prepares draft offers to grant investment incentives. Its task is also to provide potential investors current data and information on the business climate, investment environment and investment opportunities in the Czech Republic.

CzechInvest’s Services
- Full information support
- Full information assistance
- Tailor-made visits
- Maximisation of networking capacity
- Handling of investment incentives
- Access to EU structural funds
- Business properties identification
- Business infrastructure development
- Supplier /JV/ acquisition partner identification

All of CzechInvest’s services are free of charge.

CzechInvest’s prestigious awards
- Best Practices in Promotion 2004, presented by the steering committee of the World Investment Forum
- WAPA Awards 2003 – Best Advertisement by an IPA (third place)
- Best Investment Promotion Agency in the EU Accession Countries of 2002
- European Investment Promotion Agency of the Year 2001
- European Investment Promotion Agency of the Year 2000

Foreword by Martin Kocourek, Minister of Industry and Trade

Dear Readers,

In recent years the Czech Republic has consistently placed among the champions in attracting foreign direct investments not only in Central and Eastern Europe, but also at the global level. Czechs are well-known for their emphasis on quality, desire to improve familiar processes and ability to achieve maximum productivity. The government is endeavouring to support the business environment in the Czech Republic through persistent restriction of unnecessary regulations, simplification of the tax system and prudent policy which fosters a system that is clear, stable and predictable over the long term.

Through the global economy has recently grappled with problems on an unprecedented scale, the Czech Republic has managed to come through these difficulties with flying colours. In recent years the country has been attracting an ever greater share of investments in business support services, research and development, software development and technologically demanding manufacturing. Investors particularly value the Czech Republic’s well-functioning labour market and the advanced skills and professionalism of their employees here. I ranked the area of technical education among the priorities of the Ministry of Industry and Trade, as educated professionals form the basis for maintaining the competitiveness of our economy.

Besides the benefits of its favourable business environment, the Czech Republic is able to enhance investments with investment incentives and aid from the European Union or from other national sources. With their projects and subsequent expansions, hundreds of the largest global corporations have already expressed their appreciation of the Czech Republic’s qualities. I wish you much success in the Czech Republic.

Martin Kocourek
Minister of Industry and Trade

Foreword by Miroslav Křížek, Chief Executive Officer of CzechInvest

Dear Readers,

CzechInvest, part of the Ministry of Industry and Trade of the Czech Republic, offers investors a full range of services which they may need when entering the Czech market and when subsequently conducting business here. We prepare detailed information on the Czech investment environment and provide assistance with obtaining investment incentives and aid from European Union sources. At the same time, we are able to seek out the most advantageous locations for your business, and you can confidently turn to us for help when selecting local suppliers, for example. The Czech Republic offers a stable economic and political environment, a perfect location in the heart of Europe, solid transportation and telecommunications infrastructure, and motivated employees. CzechInvest is here to show you the fastest and simplest path to fully utilising all of these advantages.

The Czech Republic regularly places at the top of investment-attractive rankings. Hundreds of the world’s most important companies have already invested billions of euros in their Czech subsidiaries, which in turn have achieved a high level of success. An ever greater share of new investments comprises expansions of firms that are already conducting business here. In addition these subsequent investments mostly involve sophisticated manufacturing, services or science. And there is no greater evidence of the quality of the Czech business environment than the ever increasing reinvestments of companies that already know us well.

The longer you are in the Czech Republic, the more your business will thrive.

Miroslav Křížek
Chief Executive Officer
Main Reasons to Invest in the Czech Republic

- Safe investment environment
- Skilled workforce
- High share of secondary and tertiary education within the population
- Favourable labour costs and price stability
- Central location in Europe
- Compact and high-quality infrastructure
- Transparent system of investment incentives
- Strong focus on R&D
- Stable social and political system
- EU membership
- Mentality, culture and attitudes close to western countries
- Enviable lifestyle

Well educated and skilled labour force

The Czech educational system meets the needs of a competitive economy, according to the 2010 World Competitiveness Book published by the Institute for Management Development. The Czech Republic can provide manufacturers with impressive productivity levels and highly skilled labour. According to a 2008 OECD study, the Czech Republic has a very strong position regarding the percentage of students graduating in engineering, manufacturing and construction fields. In the year 2009/2010, there were more than 80,000 technically orientated students at Czech universities. The number of university students increased from 118,000 in 1995/96 to 389,231 in 2009/2010, due not only to changes in the education system but also to a demographic bulge of 18-26-year-olds that represent a promising group of potential employees for foreign investors. According to the last Eurobarometer survey 61% of Czechs are able to speak at least one foreign language (predominantly English and German).

Nine out of ten Czechs aged 18 to 59 speak at least one foreign language, and their knowledge is rapidly improving, according to a survey conducted by AUGUR Consulting for CzechInvest in 2008-2009. The survey shows a 13% increase in language skills in comparison with the results of similar research conducted six years ago.

Proven Research and Development Capabilities

The Czech Republic spends more resources on research and development than many of its competitor countries. Over the past ten years, the Czech Republic’s spending on R&D has increased from 0.95% of GDP to 1.54%. Many multinationals are running Czech R&D or design centres, including Panasonic, Honeywell, Mercedes-Benz, Motorola, Rockwell Automation and Visteon. Czech scientists are behind some of the world’s well-known discoveries and patents, such as soft contact lenses, polarography – a Nobel-prize-winning method of quantitative analytical measurement, and the anti-HIV drugs cidofovir (Vistide®) and tenofovir (Viread®), to name but a few.

Testimonials from Successful Investors

“[How can we characterize the Czech software engineer?] Based on my experience working with international teams from China to the Bay Area, I can say that Czech software engineers are as good as their western counterparts, regardless of whether we look at innovation, efficiency, discipline, or experience, and they usually work harder. The roots of this healthy environment lie in the Czech Republic’s high-quality education system, which provides the heterogeneous skill sets of the country’s software engineers.”

Radovan Janošek, Chief Architect, BTO, HP Software & R&D

“We are very pleased with our decision to locate our project in the Czech Republic. It is a developed country and our Czech colleagues and employees are technically erudite, flexible and hardworking.”

Kim Eok-Jo, president, Hyundai Motor Manufacturing Czech

“The Czech Republic offers a highly skilled and very efficient workforce with a strong, technically oriented educational background and a large number of engineering graduates. The country has a rich industrial history and a university system that is highly recognized.”

Jaroslav Cielošek, Honeywell National Executive for the Czech Republic

“When Rolls-Royce made the decision to enter the Central and Eastern European market in the mid 1990s, the Czech Republic was the natural choice. Prague had the infrastructure and position that we needed for establishing our headquarters for Central and Eastern Europe. Today, from Prague we manage our business in nineteen countries across the territory, the business encompassing civil aerospace, defence aerospace, marine and civil nuclear.”

Paul Hay, Managing Director of Rolls-Royce Central and Eastern Europe
The Czech Republic was the first CEE country to be admitted into the OECD. The country is a member of NATO and is fully integrated into other international organizations such as the WTO, IMF, EBRD and WIPO (World Intellectual Property Organization). The Czech Republic joined the EU on 1 May 2004. The Czech Republic has been a part of the Schengen area since 21 December 2007.

Customs Obligations

Starting on the first day of EU membership, routine customs checks of goods being moved across internal borders, i.e. the common border with other member states, were abolished. Since the Czech Republic does not have an external EU border, routine checks of goods being moved across the state border for customs and tax purposes are conducted only at the main international airports in Prague, Brno, Karlovy Vary and Ostrava. Goods are freely transported across internal EU borders.

Visa Requirements

EU member countries

The free movement of people has been agreed between all current EU member countries plus Norway, Iceland, Liechtenstein and Switzerland. This means the possibility of working in all these countries without a visa or work permit. Since 1 May 2004, EU citizens are allowed to stay and work in the Czech Republic without visas or work permits. They are only required to register with the local office of the Foreigners’ Police.

Non-EU countries

Since 1 January 2009, an integrated residency and work permit (Green Card) system has been in effect for employees from 12 non-EU/EEA countries. Citizens from these countries can now apply for a Green Card when seeking work in the Czech Republic instead of having to obtain a residency permit and work permit in separate proceedings. The new Green Card process is much simpler and faster, with a maximum overall processing time of 90 days.

Czech Technology Days

The agency CzechInvest, and other partners, established five years ago the tradition of bilateral meetings called the Czech Technology and Innovation Days. The aim of these seminars is to provide an overview over the structure of Czech R&D entities, of the respective policy principles, of the Czech Government R&D priorities and programmes, as well as of important achievements and prospects. The main goal is to facilitate direct contacts and networking between the research communities, policy makers and business leaders. So far over 20 seminars with 17 countries were achieved, details can be found on www.czechtechnologydays.org.

Favourable Labour Costs

One of the main attractions of the Czech economy is its skilled and well-educated workers available at a fraction of the cost of those in Western economies. Over the past five years average annual wage has grown around 6% but it is coming from much lower base compared to Western Europe. Differences in remunerations among regions reach approx. 20%. Traditionally, employees in Prague are paid more than in other regions (currently 25% above Czech average).

Central Location in Europe and Advanced Infrastructure

The Czech Republic has a strategic location in the centre of Europe with very good access to established western and emerging eastern markets. Prague is only a two-hour flight from most other European capitals. The significance of the Czech Republic as a transit hub has grown since the Czech Republic became a member of the EU Single Market. The road and motorway network (total 55,654 km) is already one of the densest in Central and Eastern Europe and several rail modernization projects are currently underway to link the Czech Republic with the pan-European network of high-speed railways (total 9,388 km).
Attractive Investment Climate

The Czech Republic is a fully-fledged parliamentary democracy and one of the most advanced new EU members. Its economic policy is consistent and predictable. An open investment climate has been a key element of the Czech Republic’s economic transition. The Czech Republic has attracted a large amount of foreign direct investment (FDI) since 1990, making it the most successful transition country in terms of FDI per capita. The country’s investment grade ratings from international credit-rating agencies and its early membership in the OECD testify to its positive economic fundamentals.

Competitive Advantages of the Czech Republic

According to the 2010-2011 Global Competitiveness Report published by the World Economic Forum, the Czech Republic ranks 30th among 139 world economies in competitiveness (Rank 139).

- Quality of the educational system (34)
- Quality of math and science education (25)
- Internet access in schools (24)
- Capacity for innovation (24)
- Quality of scientific research institutions (21)
- Co-operation of universities and industry (29)
- Company spending on R&D (25)
- FDI and technology transfer (15)
- Prevalence of trade barriers (12)
- Play and productivity (22)
- Local supplier quality (17)
- Quality of electricity supply (18)
- Quality of air transport infrastructure (17)
- Mobile telephone subscribers (19)
- Etc.

Investment Protection

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organization for protection of investments, which is part of the World Bank-IMF group. The country has signed a number of bilateral treaties which support and protect foreign investments, for example with the United States, Germany, Switzerland and other countries.

- Investment Protection
- The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organization for protection of investments, which is part of the World Bank-IMF group. The country has signed a number of bilateral treaties which support and protect foreign investments, for example with the United States, Germany, Switzerland and other countries.

Highly Developed Property Market

Thanks to the continued interest of real estate investors, the Czech Republic has a highly developed and dynamic real estate market. The availability of space for production facilities has been boosted by a major government programme designed to support the development of municipal industrial properties and zones.

Our Services

- Assistance in gaining financial assistance from public resources (both EU and state aid)
- Provision of information on the real estate market
- Preparation of offers of property according to your requirements – selection from an extensive database of business properties for industry and business support services
- Arranging of contacts with property owners, state administrative bodies and local authorities
- Organization of visits to recommended sites
- Assistance with preparation and financing of strategic projects (industrial zones) focused on business real estate
- Promotion of business real estate
- Offer of brownfields as investment opportunities at www.brownfeldy.org

Supported Types of Business Properties

- Industrial zones and business parks
- Production halls
- Technology centres
- Science and technology parks
- Office buildings and administrative facilities

More than 81 Industrial Zones and Parks

If you are interested in offering your properties through the database of business properties, just fill in the registration form which you will find on CzechInvest’s website together with instructions for completing it.
Supplier Forums

Does your company operate in the manufacturing industry, and are you considering the possibility of using Czech suppliers and you would like to know what they have to offer? If so, you have come to the right place: CzechInvest organises tailor-made supplier forums to which we invite Czech firms according to our clients’ needs. All you have to do is contact us and explain your supplier requirements. We’ll take care of the rest.

CzechLink

Joint Ventures & Mergers & Acquisitions

Invest in Czech companies

The Czech company market offers a great opportunity to expand a footprint in a competitive location with favourable cost structure and skilled labour force. After a boom in the manufacturing and IT sector over the last several years, many Czech owners are considering their factory growth in cooperation with a strong foreign partner or selling the equity and retiring.

Supplier Databases

CzechInvest’s fundamental tool for seeking out suitable business partners is comprised of its sector databases of Czech companies. These databases contain more than 3,000 high-quality records with a broad scope of information on Czech suppliers interested in long-term cooperation with foreign partners. The databases are regularly updated and supplemented according to the requirements of foreign companies, and contain companies from the following sectors:

- Aerospace
- Automotive
- Electronics and electrotechnics
- ICT
- Subcontracting Plastics
- Subcontracting Metal
- Materials and packaging
- Engineering
- Energy
- Healthcare, pharmacy and biotechnology

http://suppliers.czechinvest.org
Email: suppliers@czechinvest.org

Through filtering by sector, technology, products, region, company name and by full text, the databases enable fast and simple searching for suitable suppliers and partners from the Czech Republic.

Basic Data

Key information on the Czech Republic

<table>
<thead>
<tr>
<th>Area</th>
<th>78,864 km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>10.5 million</td>
</tr>
<tr>
<td>Labour</td>
<td>5.7 million</td>
</tr>
<tr>
<td>Capital</td>
<td>Prague</td>
</tr>
<tr>
<td>Language</td>
<td>Czech</td>
</tr>
<tr>
<td>Major cities (population)</td>
<td>Prague (1,249,315), Brno (371,248), Ostrava (335,073), Plzen (185,715), Liberec (169,783), Hradec Kralove (163,037), Pardubice (167,629), Ceske Budejovice (186,931)</td>
</tr>
<tr>
<td>Time zone</td>
<td>GMT +1, summer time GMT +2</td>
</tr>
</tbody>
</table>

EU legislation was adopted in preparation for EU accession. Commercial, accounting and bankruptcy laws are compatible with western standards. The Czech crown is fully convertible. All international transfers (e.g. profits and royalties) related to an investment can be carried out freely and without delay.

Foreign legal entities from EU and other states may acquire real estate in the Czech Republic without any restrictions and under the same conditions as Czech legal entities. Hence, the original legal requirements as to the location of the company or an establishment of a branch in the Czech Republic and entitlement to conduct business in the Czech Republic were lifted.

EU economic indicators

| Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (constant prices 2000, %)</td>
<td>4.5</td>
<td>6.3</td>
<td>6.0</td>
<td>2.0</td>
<td>-1.0</td>
<td>2.0</td>
<td>2.0</td>
<td>2.0</td>
</tr>
<tr>
<td>GDP per capita (PPS / EU-27)</td>
<td>16,300</td>
<td>18,200</td>
<td>19,200</td>
<td>19,000</td>
<td>18,900</td>
<td>18,800</td>
<td>18,800</td>
<td>19,200</td>
</tr>
<tr>
<td>Long-term interest rate (government bonds)</td>
<td>4.75</td>
<td>4.10</td>
<td>4.20</td>
<td>4.35</td>
<td>4.40</td>
<td>4.25</td>
<td>3.9</td>
<td>3.9</td>
</tr>
<tr>
<td>Trade balance (% GDP)</td>
<td>-0.3</td>
<td>2.4</td>
<td>4.4</td>
<td>2.6</td>
<td>3.6</td>
<td>5.1</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Average inflation rate (%)</td>
<td>3.8</td>
<td>3.9</td>
<td>3.9</td>
<td>3.9</td>
<td>4.2</td>
<td>1.0</td>
<td>1.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Unemployment (avg., thousand persons)</td>
<td>517.4</td>
<td>514.3</td>
<td>514.3</td>
<td>514.3</td>
<td>514.3</td>
<td>514.3</td>
<td>514.3</td>
<td>514.3</td>
</tr>
<tr>
<td>Unemployment rate (avg., %)</td>
<td>9.2</td>
<td>8.97</td>
<td>8.13</td>
<td>7.46</td>
<td>6.96</td>
<td>7.77</td>
<td>9.0</td>
<td>8.7</td>
</tr>
</tbody>
</table>

Czech Statistical Office, June 2010

Czech Investment Agency, October 2010

Source: Ministry of Finance, October 2010
Impressive FDI Results

Inflow of Foreign Direct Investment

The Czech Republic is one of the most successful CEE countries in terms of attracting foreign direct investment. Over 173,000 Czech firms across all sectors are now supported by foreign capital. According to the Czech National Bank, a total amount of EUR 69.1 billion worth of FDI has been recorded since 1993.

The introduction of investment incentives in 1998 stimulated a massive inflow of FDI into greenfield projects. Amendments to the investment incentives legislation have further eased the attraction of new investments.

According to an Economist Intelligence Unit database, the Czech Republic has consistently attracted a high rate of foreign direct investment per capita since 2000, which confirms the country’s strong attractiveness for foreign investors.

Statistics - ICT and Business Support Services (app. data)

 diversion of a new, very valuable type of economy, which is based not on the traditional processing of resources, but on the knowledge of the country’s people. Last year investments in research and development and business support services in the Czech Republic outweighed those in manufacturing projects for the first time.

Performance of Foreign Companies in the Czech Republic

The Czech Republic hosts over 73,000 foreign companies of all sizes. Famous multinational companies such as ABB, Continental, DANONE, Ford, Panasonic, Nestlé, IBM, DHL, Astra Zeneca, Rockwell, Procter & Gamble, Renault, Siemens, Tyco, Honeywell, and Volkswagen have significant subsidiaries in the Czech Republic.

Foreign-owned companies are transforming the Czech economy:

-- 60.9 % of the workforce in industry (Q1 2010)
-- 74.7 % of sales in industry (Q1 2010)
-- 39.6 % of exports in industry (Q1 2010)

Sources: Survey of the Czech Economy, Ministry of Industry and Trade, 2010

Business Support Services Centres

In order to strengthen the Czech Republic’s position as an information hub in Central Europe, the Czech government supports investments in business support services centres. These are defined as centres engaged in selected activities with close ties to information technologies and a distinct international focus. ICT development and implementation centres, high-tech repair centres and shared services centres are supported via the ICT and Business Support Services Programme.

Services Surpass Manufacturing

The structure of FDI inflows into the Czech Republic has been changing substantially and the trend is expected to strengthen in the coming years. The Czech Republic is experiencing the introduction of a new, very valuable type of economy, which is based

Eligibility criteria

Minimum investment: large enterprise EUR 400,000, small or medium sized enterprise EUR 200,000

The project must be implemented in the Czech Republic outside the territory of Capital City of Prague

Statistics - ICT and Business Support Services (app. data)

ICT and Business Support Services Programme, Call III, open till October 15, 2010

Form of support

Czech subsidy

Up to EUR 4-6 mil. (depending on region)

Newly created jobs

Up to 60% of the average wages or 60% of costs of long-term tangible and intangible assets

Eligibility criteria

Minimum investment: EUR 116/mil. EUR 389/mil. EUR 20m (Large/Medium/Small enterprise)

Min. number of newly created jobs:

ICT Development and Implementation Centre: 100/50/10 (Large/Medium/Small enterprise)

High-tech Repair Centre: 25/15/5 (Large/Medium/Small enterprise)

Shared Services Centre: 40/20/10 (Large/Medium/Small enterprise)

The project must be implemented in the Czech Republic outside the territory of Capital City of Prague

More value-added investment projects

1994

2008

Technology

40%

49%

Manufacturing

30%

15%

Business support services

25%

35%
Investment Incentives and Other Business Support Measures

The Czech Republic offers both new and existing investors support covering up to 60% of costs associated with investment projects in manufacturing, technology centres and business support services. Aid is provided in all regions, with the exception of Prague.

Manufacturing Sector

Aid for manufacturing projects is provided according to the Act on Investment Incentives and offers the following incentives:

- **Forms of incentives**
  - **Tax incentives**: Full corporate tax relief for up to 5 years for new companies
  - **Job-creation grants**: Financial support for creation of new jobs is selected region
  - **Training and re-training grants**: Financial support for training and re-training of new employees in selected region (up to 45% of eligible training costs)

- **Eligibility criteria**
  - Minimum investment: EUR 2-4 mil. depending on the region’s unemployment rate
  - Half of the minimum investment must be financed by the equity of the investor
  - 60% of total investment must go into machinery
  - Machinery must be new
  - No works may be started prior the issuance of Confirmation of Project Registration at CzechInvest
  - The project must be implemented in the Czech Republic outside the territory of Capital City of Prague.

Technology Centres

In order to strengthen the Czech Republic’s position as a technology hub in Central Europe, the Czech government supports investments in development activities. Technology centres are defined as centres engaged in research, development and innovation of high-tech products and technologies if there is expectation that the output of such centres will be transferred and used in production. Aid for technology centres is provided via the Potential Programme.

Selected Investors

The change in the structure of foreign direct investment shows the new trend in the Czech Republic. The number of demanding projects in the fields of research, development and business support services is rapidly increasing. New investors as well as those companies that formerly only came with a production programme are now transferring their higher-added-value development activities (technology centres or business support services centres) to the Czech Republic.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investor</th>
<th>Country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Centres</td>
<td>Panasonic</td>
<td>Japan</td>
</tr>
<tr>
<td>Honeywell</td>
<td>USA/Germany</td>
<td></td>
</tr>
<tr>
<td>Vale</td>
<td>France</td>
<td></td>
</tr>
<tr>
<td>Rockwell</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Software &amp; ICT services</td>
<td>IBM</td>
<td>USA</td>
</tr>
<tr>
<td>Hewlett-Packard</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>SUSE</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>HSBC Bank</td>
<td>UK</td>
<td></td>
</tr>
<tr>
<td>Business Support Services</td>
<td>DHL</td>
<td>Germany</td>
</tr>
<tr>
<td>Accenture</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Exxon Mobil</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Monster</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Aerospace Industry</td>
<td>Lufthansa</td>
<td>Germany</td>
</tr>
<tr>
<td>Honeywell Aerospace</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>GE Aviation</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Latencie</td>
<td>France</td>
<td></td>
</tr>
<tr>
<td>Advanced Automotive</td>
<td>Hyundai</td>
<td>Korea</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Toyota/PSA</td>
<td>Japan/France</td>
<td></td>
</tr>
<tr>
<td>Robert Bosch</td>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>Ingolstadt</td>
<td>USA</td>
</tr>
<tr>
<td>Equipment and Tools</td>
<td>Siemens</td>
<td>Germany</td>
</tr>
<tr>
<td>Honeywell</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Gates</td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Baker</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Lassa</td>
<td>Switzerland</td>
<td></td>
</tr>
<tr>
<td>TSOh</td>
<td>Israel</td>
<td></td>
</tr>
<tr>
<td>IS/Electronics</td>
<td>Sarevios</td>
<td>France</td>
</tr>
<tr>
<td>Panasonic</td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Oki Semiconductor</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Feasom</td>
<td>Taiwan</td>
<td></td>
</tr>
<tr>
<td>TECO Electronics</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Orientek</td>
<td>Taiwan</td>
<td></td>
</tr>
</tbody>
</table>

Investment and newly created jobs

<table>
<thead>
<tr>
<th>Statistic – manufacturing</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>608 projects received the decision on investment incentive</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>EUR 18,923.8 mil</td>
</tr>
<tr>
<td>Newly created jobs</td>
<td>131,037</td>
</tr>
</tbody>
</table>

Source: CzechInvest, June 2010

<table>
<thead>
<tr>
<th>Statistic – technology centre</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>182 projects received the decision about subsidy</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td>EUR 175.2 mil</td>
</tr>
</tbody>
</table>

Source: Potential Programme, Call I and Call II

<table>
<thead>
<tr>
<th>Potential Programme, Call III, open till September 30, 2011</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Form of support</td>
<td></td>
</tr>
<tr>
<td>Czech subsidy</td>
<td>Up to EUR 4-8 mil. (depending on region)</td>
</tr>
<tr>
<td></td>
<td>Up to 60% of the costs of long-term tangible and intangible assets</td>
</tr>
</tbody>
</table>
FDI Growth Sectors

CzechInvest focuses on supporting those sectors in which it sees significant potential for development. Below are highlights of the priority economic-growth sectors of the Czech Republic. For each of these sectors, CzechInvest has a specialist who can provide investors with in-depth sector-specific information.

Software & ICT Services

The Czech Republic has emerged as Europe’s top location for offshoring and outsourcing of IT services. Repeatedly recognized by various researchers this fact is confirmed by the strong inflow of high-value-added projects of the world’s top IT companies and is fuelled by the country’s tradition of excellence in technical fields.

Business Support Services

Within the business support services sector two main types of activities are supported – shared services centres (in-house centres of excellence – finance/accounting, HR, IT and other activities, BPOs, KPOs and LPOs) and high-tech repair centres for products and technologies. The Czech Republic has a mature services market with over 50 projects from companies such as DHL, Accenture, IBM, Motorola, Schneider Logistics, Johnson & Johnson and many more. The Black Book of Outsourcing’s survey from 2008 ranked the Czech Republic as the most attractive location for investment in the BPO sector in Europe and fifth worldwide.

Aerospace Industry

In comparison with other countries, the Czech Republic progressively advanced from lower categories of aerospace production to more sophisticated products such as commercial aircraft and military jets over more than 90 years. Our aerospace heritage has brought us extensive knowledge derived from the results of numerous aircraft tests. This has contributed to building a strong aerospace culture in which generations of designers have been able to acquire and develop advanced skills. These capabilities are valued by Honeywell Aerospace, GE Aviation and other companies operating in the Czech Republic. The Czech aerospace sector includes the following areas: aviation, space, UAV, MRO and other related branches.

Advanced Automotive

The Czech Republic is home to one of the world’s highest concentrations of automotive-related manufacturing, design and R&D activity, making the automotive sector one of the leading industries in the national economy. It accounts for more than 20% of manufacturing output, almost 8% of national GDP and more than 120,000 directly related jobs. At full capacity, three major production plants – Škoda, TPCA and Hyundai – produce more than 1,200,000 cars annually and the presence of almost half of the world’s top fifty leading component manufacturers underscore the sector’s importance.

Industrial Machinery, Equipment and Tools

The continuously increasing competitiveness of Czech companies in this sector is particularly due to their ability to cover a wide range of activities, from construction and design to production, and to the comprehensiveness of their products and supplementary services. The sector accounts for more than 13% of revenues from the sale of products and services of the manufacturing industry, and almost 7% in added value. The sector maintains its strong position as a traditional exporter – between 80% and 90% of the sector’s output is exported.

Life Sciences

Life sciences have become a sector of global significance due to its potential in the area of solving the biggest problems facing modern society and improving the quality of life. Thanks to a strong research base, well-educated workforce and favourable business environment, this strategic sector is developing very quickly in the Czech Republic. Global companies such as Baxter, Lonza, Otsuka Pharmaceutical, TJEVA and Sanofi-Aventis are developing their operations in the Czech Republic.

Electrical Engineering/Electronics

More than anything else, the Czech EE/electronics sector is based on a long tradition and highly qualified employees. The industry is evenly spread around the country and employs nearly 210,000 people with total revenues of EUR 19.7 billion (in 2007). The country’s manufacturing portfolio includes practically all branches of EE/electronics, from electric drives/engines and power supply to consumer electronics and microchips. The dynamic growth of the electronics industry and great references from investors prove Czech Republic’s status as a renowned investment destination.

Advanced Renewable Energy

The Czech Republic has great potential in the area of renewable energy sources and alternative biofuels. This market segment is not yet saturated and can offer a well-educated and experienced workforce. Moreover, financial support is available from European programmes. Solar energy, renewable energy from biomass and alternative biofuels offer opportunities for long-term profitable investment in the Czech Republic.

Nanotechnology

The nanotechnology sector plays an important role in many major sectors, such as mechanical engineering, electronics, biotechnology, medicine, power generation, and environmental protection, to name just a few. Over the past decade, this sector explosive development in the Czech Republic has undergone. Several academic and private entities have achieved tangible successes and hold patents on new developments in the area of nanotechnology. Companies such as CPN, Crytur, Elmarco, and Optaglio, among others, have achieved not only better-than-average results but they are capable of competing on the global market. The sector is supported by various initiatives, such as Nanotechnology for Society, which comprises a platform for universities and the industrial sphere that will guarantee long-term development in this field.
FDI Growth Sectors

CzechInvest focuses on supporting those sectors in which it sees significant potential for development. Below are highlights of the priority economic-growth sectors of the Czech Republic. For each of these sectors, CzechInvest has a specialist who can provide investors with in-depth sector-specific information.

Software & ICT Services

The Czech Republic has emerged as Europe’s top location for offshoring and outsourcing of IT services. Repeatedly recognized by various researchers this fact is confirmed by the strong inflow of high-value-added projects of the world’s top IT companies and is fuelled by the country’s tradition of excellence in technical fields.

Business Support Services

Within the business support services sector two main types of activities are supported – shared services centres (in-house centres of excellence – finance/accounting, HR, IT and other activities, BPOs, KPOs and LPOs) and high-tech repair centres for products and technologies. The Czech Republic has a mature services market with over 50 projects from companies such as DHL, Accenture, IBM, Motorola, Schneider Logistics, Johnson & Johnson and many more. The Black Book of Outsourcing’s survey from 2008 ranked the Czech Republic as the most attractive location for investment in the BPO sector in Europe and fifth worldwide.

Aerospace Industry

In comparison with other countries, the Czech Republic progressively advanced from lower categories of aerospace production to more sophisticated products such as commercial aircraft and military jets over more than 90 years. Our aerospace heritage has brought us extensive knowledge derived from the results of numerous aircraft tests. This has contributed to building a strong aerospace culture in which generations of designers have been able to acquire and develop advanced skills. These capabilities are valued by Honeywell Aerospace, GE Aviation and other companies operating in the Czech Republic. The Czech aerospace sector includes the following areas: aviation, space, UAV, MRO and other related branches.

Advanced Automotive

The Czech Republic is home to one of the world’s highest concentrations of automotive-related manufacturing, design and R&D activity, making the automotive sector one of the leading industries in the national economy. It accounts for more than 20% of manufacturing output, almost 8% of national GDP and more than 120,000 directly related jobs. At full capacity, three major production plants – Škoda, TPCA and Hyundai – produce more than 1,200,000 cars annually and the presence of almost half of the world’s top fifty leading component manufacturers underscore the sector’s importance.

Advanced Renewable Energy

The continuously increasing competitiveness of Czech companies in this sector is particularly due to their ability to cover a wide range of activities, from construction and design to production, and to the comprehensiveness of their products and supplementary services. The sector accounts for more than 13% of revenues from the sale of products and services of the manufacturing industry, and almost 7% in added value. The sector maintains its strong position as a traditional exporter – between 80% and 95% of the sector’s output is exported.

Industrial Machinery, Equipment and Tools

The continuously increasing competitiveness of Czech companies in this sector is particularly due to their ability to cover a wide range of activities, from construction and design to production, and to the comprehensiveness of their products and supplementary services. The sector accounts for more than 13% of revenues from the sale of products and services of the manufacturing industry, and almost 7% in added value. The sector maintains its strong position as a traditional exporter – between 80% and 95% of the sector’s output is exported.

Life Sciences

Life sciences have become a sector of global significance due to its potential in the area of solving the biggest problems facing modern society and improving the quality of life. Thanks to a strong research base, well-educated workforce and favourable business environment, this strategic sector is developing very quickly in the Czech Republic. Global companies such as Baxter, Lonza, Otsuka Pharmaceutical, TEVA and Sanofi-Aventis are developing their operations in the Czech Republic.

Electrical Engineering/Electronics

More than anything else, the Czech EE/electronics sector is based on a long tradition and highly qualified employees. The industry is evenly spread around the country and employs nearly 210,000 people with total revenues of EUR 19.7 billion (in 2007). The country’s manufacturing portfolio includes practically all branches of EE/electronics, from electric drives/engines and power supply to consumer electronics and microchips. The dynamic growth of the electronics industry and great references from investors prove Czech Republic’s status as a renowned investment destination.

Advanced Renewable Energy

The Czech Republic has great potential in the area of renewable energy sources and alternative biofuels. This market segment is not yet saturated and can offer a well-educated and experienced workforce. Moreover, financial support is available from European programmes. Solar energy, renewable energy from biomass and alternative biofuels offer opportunities for long-term profitable investment in the Czech Republic.

Nanotechnology

The nanotechnology sector plays an important role in many major sectors, such as mechanical engineering, electronics, biotechnology, medicine, power generation, and environmental protection, to name just a few. Over the past decade, this sector explosive development in the Czech Republic has undergone. Several academic and private entities have achieved tangible successes and hold patents on new developments in the area of nanotechnology. Companies such as CPN, Crytur, Elmargo, and Optagio, among others, have achieved not only better-than-average results but they are capable of competing on the global market. The sector is supported by various initiatives, such as Nanotechnology for Society, which comprise a platform for universities and the industrial sphere that will guarantee long-term development in this field.

Nanotechnology for Society, which comprises a platform for universities and the industrial sphere that will guarantee long-term development in this field.
Financial Support for Investment

Investment Incentives and Other Business Support Measures

The Czech Republic offers both new and existing investors support covering up to 60% of costs associated with investment projects in manufacturing, technology centres and business support services. Aid is provided in all regions, with the exception of Prague.

Manufacturing Sector

Aid for manufacturing projects is provided according to the Act on Investment Incentives and offers the following incentives:

- Full corporate tax relief for up to 5 years for new companies
- Partial tax relief for up to 5 years for existing companies
- Financial support for creation of new jobs
- Financial support for training and re-training of new employees

Forms of incentives include:

- Tax incentives
- Job-creation grants
- Training and re-training grants

Eligibility criteria:

- Minimum investment: EUR 2-4 mil. depending on the region's unemployment rate
- 50% of total investment must go into machinery
- No works may be started prior the issuance of Confirmation of Project Registration at CzechInvest

The project must be implemented in the Czech Republic outside the territory of Capital City of Prague.

Technology Centres

In order to strengthen the Czech Republic's position as a technology hub in Central Europe, the Czech government supports investments in development activities. Technology centres are defined as centres engaged in research, development and innovation of high-tech products and technologies if there is expectation that the output of such centres will be transferred and used in production. Aid for technology centres is provided via the Potential Programme.

Selected Investors

The change in the structure of foreign direct investment shows the new trend in the Czech Republic. The number of demanding projects in the fields of research, development and business support services is rapidly increasing. New investors as well as those companies that formerly only came with a production programme are now transferring their higher-added-value development activities (technology centres or business support services centres) to the Czech Republic.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investor</th>
<th>Country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Centres</td>
<td>Panasonic</td>
<td>Japan</td>
</tr>
<tr>
<td>Honeywell</td>
<td>USA/Germany</td>
<td></td>
</tr>
<tr>
<td>Vale</td>
<td>France</td>
<td></td>
</tr>
<tr>
<td>Rockwell</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Software &amp; ICT services</td>
<td>IBM</td>
<td>USA</td>
</tr>
<tr>
<td>Hewlett-Packard</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>HP</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>HSBC Bank</td>
<td>UK</td>
<td></td>
</tr>
<tr>
<td>Business Support Services</td>
<td>DHL</td>
<td>Germany</td>
</tr>
<tr>
<td>Accenture</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Exos-Mold</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Monster</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Automobile Industry</td>
<td>Luftfrasio</td>
<td>Germany</td>
</tr>
<tr>
<td>Honeywell Aerospace</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>GE Aviation</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Latencast</td>
<td>France</td>
<td></td>
</tr>
<tr>
<td>Advanced Automotive</td>
<td>Hyundai</td>
<td>Korea</td>
</tr>
<tr>
<td>Volkswagen</td>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Toyota/PSA</td>
<td>Japan/Switzerland</td>
<td></td>
</tr>
<tr>
<td>Robert Bosch</td>
<td>Germany</td>
<td></td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>Ingersoll-Rand</td>
<td>USA</td>
</tr>
<tr>
<td>Geberit</td>
<td>Italy</td>
<td></td>
</tr>
<tr>
<td>Equipment and Tools</td>
<td>Siemens</td>
<td>Germany</td>
</tr>
<tr>
<td>Honeywell</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>GKN</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Life Sciences</td>
<td>Baxter</td>
<td>USA</td>
</tr>
<tr>
<td>Leica</td>
<td>Switzerland</td>
<td></td>
</tr>
<tr>
<td>Takeda</td>
<td>Israel</td>
<td></td>
</tr>
<tr>
<td>UL/Electronics</td>
<td>Sanyo Electric</td>
<td>Japan</td>
</tr>
<tr>
<td>Panasonic</td>
<td>Japan</td>
<td></td>
</tr>
<tr>
<td>Oki Semiconductor</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Faesaen</td>
<td>Taiwan</td>
<td></td>
</tr>
<tr>
<td>TECO Electronics</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>Visteon</td>
<td>USA</td>
<td></td>
</tr>
<tr>
<td>All-Optronics</td>
<td>Taiwan</td>
<td></td>
</tr>
<tr>
<td>Delphi</td>
<td>Taiwan</td>
<td></td>
</tr>
</tbody>
</table>

Source: CzechInvest, June 2010

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Centres</td>
<td>Panasonic</td>
</tr>
<tr>
<td>Honeywell</td>
<td></td>
</tr>
<tr>
<td>Vale</td>
<td></td>
</tr>
<tr>
<td>Rockwell</td>
<td></td>
</tr>
<tr>
<td>Software &amp; ICT services</td>
<td>IBM</td>
</tr>
<tr>
<td>Hewlett-Packard</td>
<td></td>
</tr>
<tr>
<td>HP</td>
<td></td>
</tr>
<tr>
<td>HSBC Bank</td>
<td></td>
</tr>
<tr>
<td>Business Support Services</td>
<td>DHL</td>
</tr>
<tr>
<td>Accenture</td>
<td></td>
</tr>
<tr>
<td>Exos-Mold</td>
<td></td>
</tr>
<tr>
<td>Monster</td>
<td></td>
</tr>
<tr>
<td>Automobile Industry</td>
<td>Luftfrasio</td>
</tr>
<tr>
<td>Honeywell Aerospace</td>
<td></td>
</tr>
<tr>
<td>GE Aviation</td>
<td></td>
</tr>
<tr>
<td>Latencast</td>
<td></td>
</tr>
<tr>
<td>Advanced Automotive</td>
<td>Hyundai</td>
</tr>
<tr>
<td>Volkswagen</td>
<td></td>
</tr>
<tr>
<td>Toyota/PSA</td>
<td></td>
</tr>
<tr>
<td>Robert Bosch</td>
<td></td>
</tr>
<tr>
<td>Industrial Machinery</td>
<td>Ingersoll-Rand</td>
</tr>
<tr>
<td>Geberit</td>
<td></td>
</tr>
<tr>
<td>Equipment and Tools</td>
<td>Siemens</td>
</tr>
<tr>
<td>Honeywell</td>
<td></td>
</tr>
<tr>
<td>GKN</td>
<td></td>
</tr>
<tr>
<td>Sterling</td>
<td></td>
</tr>
<tr>
<td>Life Sciences</td>
<td>Baxter</td>
</tr>
<tr>
<td>Leica</td>
<td></td>
</tr>
<tr>
<td>Takeda</td>
<td></td>
</tr>
<tr>
<td>UL/Electronics</td>
<td>Sanyo Electric</td>
</tr>
<tr>
<td>Panasonic</td>
<td></td>
</tr>
<tr>
<td>Oki Semiconductor</td>
<td></td>
</tr>
<tr>
<td>Faesaen</td>
<td></td>
</tr>
<tr>
<td>TECO Electronics</td>
<td></td>
</tr>
<tr>
<td>Visteon</td>
<td></td>
</tr>
<tr>
<td>All-Optronics</td>
<td></td>
</tr>
<tr>
<td>Delphi</td>
<td></td>
</tr>
</tbody>
</table>

Source: CzechInvest, 2010

<p>| Potential Programme, Call I, open until September 30, 2010 |</p>
<table>
<thead>
<tr>
<th>Form of support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech subsidy</td>
</tr>
<tr>
<td>Tax incentives</td>
</tr>
</tbody>
</table>

Source: Potential Programme, Call I and Call II
Impressive FDI Results

**Inflow of Foreign Direct Investment**

The Czech Republic is one of the most successful CEE countries in terms of attracting foreign direct investment. Over 173,000 Czech firms across all sectors are now supported by foreign capital. According to the Czech National Bank, a total amount of EUR 69.1 billion worth of FDI has been recorded since 1993.

The introduction of investment incentives in 1998 stimulated a massive inflow of FDI into greenfield projects. Amendments to the investment incentives legislation have further eased the attraction of new investments.

According to an Economist Intelligence Unit database, the Czech Republic has consistently attracted a high rate of foreign direct investment per capita since 2000, which confirms the country’s strong attractiveness for foreign investors.

**Services Surpass Manufacturing**

The structure of FDI inflows into the Czech Republic has been changing substantially and the trend is expected to strengthen in the coming years. The Czech Republic is experiencing the introduction of a new, very valuable type of economy, which is based not on the traditional processing of resources, but on the knowledge of the country’s people. Last year investments in research and development and business support services in the Czech Republic outweighed those in manufacturing projects for the first time.

**Performance of Foreign Companies in the Czech Republic**

The Czech Republic hosts over 73,000 foreign companies of all sizes. Famous multinational companies such as ABB, Continental, DANONE, Ford, Panasonic, Nestlé, IBM, DHL, AstraZeneca, Rockwell, Procter & Gamble, Renault, Siemens, Tyco, Honeywell, and Volkswagen have significant subsidiaries in the Czech Republic.

Foreign-owned companies are transforming the Czech economy:

- 60.9 % of the workforce in industry (Q1 2010)
- 74.7 % of sales in industry (Q1 2010)
- 39.6 % of exports in industry (Q1 2010)

Source: Ministry of Industry and Trade, 2010

**Eligibility criteria**

- Minimum investment: large enterprise EUR 400,000, small or medium sized enterprise EUR 200,000
- The project must be implemented in the Czech Republic outside the territory of Capital City of Prague

**Business Support Services Centres**

In order to strengthen the Czech Republic’s position as an information hub in Central Europe, the Czech government supports investments in business support services centres. These are defined as centres engaged in selected activities with close ties to information technologies and a distinct international focus. ICT development and implementation centres, high-tech repair centres and shared services centres are supported via the ICT and Business Support Services Programme.

**Statistics – ICT and Business Support Services (app. data)**

<table>
<thead>
<tr>
<th>Year</th>
<th>ICT and Business Support Services Programme, Call III, open till October 15, 2010</th>
<th>Form of support</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>172 projects received the decision about subsidy</td>
<td>Czech subsidy Up to EUR 4-6 mil. (depending on region)</td>
</tr>
<tr>
<td>2007</td>
<td>$2,977.8</td>
<td>Up to 60% of two years wages or 60% of costs of long-term tangible and intangible assets</td>
</tr>
<tr>
<td>2008</td>
<td>3,342.0</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>4,286.4</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>5,218.3</td>
<td></td>
</tr>
</tbody>
</table>

**Eligibility criteria**

- Minimum investment: EUR 118ths/EUR 39ths/EUR 20ths (Large/Medium/Small enterprise)
- 50% of newly created jobs |
- ICT Development and Implementation Centre: 10/5 (Large/Medium/Small enterprise)
- High-tech Repair Centre: 25/15/5 (Large/Medium/Small enterprise)
- Shared Services Centre: 42/20/10 (Large/Medium/Small enterprise)
- The project must be implemented in the Czech Republic outside the territory of Capital City of Prague

*Used exchange rate CZK/EUR 25.6

Source: Ministry of Industry and Trade, 2010

---

**More value-added investment projects**

- 1994
- 2008

Source: CzechInvest, 2010
**Supplier Databases**

CzechInvest’s fundamental tool for seeking out suitable business partners is comprised of its sector databases of Czech companies. These databases contain more than 3,000 high-quality records with a broad scope of information on Czech suppliers interested in long-term cooperation with foreign partners. The databases are regularly updated and supplemented according to the requirements of foreign companies, and contain companies from the following sectors:

- Aerospace
- Automotive
- Electronics and electrotechnics
- ICT
- Subcontracting Plastics
- Subcontracting Metal
- Materials and packaging
- Engineering
- Energy
- Healthcare, pharmacy and biotechnology

[http://suppliers.czechinvest.org](http://suppliers.czechinvest.org)

**CzechLink**

Joint Ventures & Mergers & Acquisitions

Invest in Czech companies

The Czech company market offers a great opportunity to expand a footprint in a competitive location with favourable cost structure and skilled labour force. After a boom in the manufacturing and IT sector over the last several years, many Czech owners are considering their factory growth in cooperation with a strong foreign partner or selling the equity and retiring.

**Well-developed Domestic Supply Base**

**Basic Data**

**Key information on the Czech Republic**

<table>
<thead>
<tr>
<th>Area</th>
<th>78,864 km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>10.5 million</td>
</tr>
<tr>
<td>Labour</td>
<td>5.7 million</td>
</tr>
<tr>
<td>Capital</td>
<td>Prague</td>
</tr>
<tr>
<td>Language</td>
<td>Czech</td>
</tr>
<tr>
<td>Major cities (population)</td>
<td>Prague (1,249,315), Brno (371,246), Ostrava (335,073), Plzen (185,715), Liberec (169,783), Hradec Kralove (163,037), Pardubice (167,629), Ceske Budejovice (186,931)</td>
</tr>
<tr>
<td>Time zone</td>
<td>GMT +1, summer time GMT +2</td>
</tr>
</tbody>
</table>

**Czech economic indicators**

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010 forecast</th>
<th>2011 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (constant prices 2000, %)</td>
<td>4.5</td>
<td>6.3</td>
<td>6.6</td>
<td>6.1</td>
<td>2.5</td>
<td>-1.1</td>
<td>2.2</td>
<td>2.0</td>
</tr>
<tr>
<td>GDP per capita (PPS / EU-27)</td>
<td>18,289</td>
<td>17,149</td>
<td>16,230</td>
<td>15,900</td>
<td>15,196</td>
<td>15,400</td>
<td>14,800</td>
<td>12,000</td>
</tr>
<tr>
<td>Inflation rate (government bonds)</td>
<td>4.7%</td>
<td>3.1%</td>
<td>2.0%</td>
<td>4.0%</td>
<td>4.5%</td>
<td>6.0%</td>
<td>3.7%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Trade balance (% GDP)</td>
<td>-0.4</td>
<td>7.4</td>
<td>2.0</td>
<td>3.4</td>
<td>2.8</td>
<td>5.0</td>
<td>5.1</td>
<td>5.9</td>
</tr>
<tr>
<td>Average inflation rate (%)</td>
<td>3.4</td>
<td>3.9</td>
<td>3.5</td>
<td>3.8</td>
<td>6.3</td>
<td>1.0</td>
<td>1.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Unemployment (avg., thousand persons)</td>
<td>327</td>
<td>554</td>
<td>574</td>
<td>582</td>
<td>558</td>
<td>556</td>
<td>556</td>
<td>556</td>
</tr>
<tr>
<td>Unemployment rate (avg., %)</td>
<td>9.2</td>
<td>8.9</td>
<td>8.5</td>
<td>8.2</td>
<td>8.8</td>
<td>7.9</td>
<td>9.0</td>
<td>8.7</td>
</tr>
</tbody>
</table>

**Sources:**

- Czech Statistical Office, June 2010
- Ministry of Finance, October 2010

EU legislation was adopted in preparation for EU accession. Commercial, accounting and bankruptcy laws are compatible with western standards. The Czech crown is fully convertible. All international transfers (e.g. profits and royalties) related to an investment can be carried out freely and without delay.

Foreign legal entities from EU and other states may acquire real estate in the Czech Republic without any restrictions and under the same conditions as Czech legal entities. Hence, the original legal requirements as to the location of the company or an establishment of a branch in the Czech Republic and entitlement to conduct business in the Czech Republic were lifted.

EU legislation was adopted in preparation for EU accession. Commercial, accounting and bankruptcy laws are compatible with western standards. The Czech crown is fully convertible. All international transfers (e.g. profits and royalties) related to an investment can be carried out freely and without delay.

Foreign legal entities from EU and other states may acquire real estate in the Czech Republic without any restrictions and under the same conditions as Czech legal entities. Hence, the original legal requirements as to the location of the company or an establishment of a branch in the Czech Republic and entitlement to conduct business in the Czech Republic were lifted.
### Attractive Investment Climate

The Czech Republic is a fully-fledged parliamentary democracy and one of the most advanced new EU members. Its economic policy is consistent and predictable. An open investment climate has been a key element of the Czech Republic’s economic transition. The Czech Republic has attracted a large amount of foreign direct investment (FDI) since 1990, making it the most successful transition country in terms of FDI per capita. The country’s investment grade ratings from international credit-rating agencies and its early membership in the OECD testify to its positive economic fundamentals.

#### Competitive Advantages of the Czech Republic

According to the 2010-2011 Global Competitiveness Report published by the World Economic Forum, the Czech Republic ranks 36th among 139 world economies in competitiveness (Rank/139).

- Quality of the educational system (34)
- Quality of math and science education (23)
- Internet access in schools (24)
- Capacity for innovation (24)
- Quality of scientific research institutions (21)
- Co-operation of universities and industry (29)
- Company spending on R&D (20)
- FDI and technology transfer (15)
- Prevalence of trade barriers (12)
- Pay and productivity (22)
- Local supplier quality (17)
- Quality of electricity supply (18)
- Quality of air transport infrastructure (17)
- Mobile telephone subscribers (19)
- Etc.

#### Investment Protection

The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA), an international organization for protection of investments, which is part of the World Bank-IMF group. The country has signed a number of bilateral treaties which support the development of municipal industrial properties and zones.

- Assistance in gaining financial assistance from public resources (both EU and state aid)
- Provision of information on the real estate market
- Preparation of offers of property according to your requirements – selection from an extensive database of business properties for industry and business support services
- Arranging of contacts with property owners, state administrative bodies and local authorities
- Organization of visits to recommended sites
- Assistance with preparation and financing of strategic projects (industrial zones) focused on business real estate
- Promotion of business real estate
- Offer of brownfields as investment opportunities at www.brownfeldy.org

#### Supported Types of Business Properties

- Industrial zones and business parks
- Production halls
- Technology centres
- Science and technology parks
- Office buildings and administrative facilities

### Highly Developed Property Market

Thanks to the continued interest of real estate investors, the Czech Republic has a highly developed and dynamic real estate market. The availability of space for production facilities has been boosted by a major government programme designed to support the development of municipal industrial properties and zones.

#### Market Overview

- **Regions**
  - Central Bohemia
  - Prague
  - South Bohemia
  - South Moravia
  - Vysocina
  - Liberec
  - Zlin
  - Hradec Kralove
  - Usti nad Labem

- **Rent Levels**
  - €/m²/month
  - 21–23
  - 12–14
  - 9–11
  - 6–8

- **Industrial Estates**
  - Ždánice
  - Zlín
  - Hradec Králové
  - Karlovy Vary
  - Kamenice nad Lipou
  - Vsetín

- **Significant Companies**
  - Česká Třeboňská Vodárna
  - Česká Vodárna
  - EnergoProfil
  - Gundel
  - Hradec Králové
  - Končin
  - Lektab
  - MOL
  - Pardubice
  - Pardubice North
  - Pardubice South
  - Plzeň
  - Řečkovice
  - Žďár nad Sázavou

- **Financial Services**
  - **A1**
  - **Česká spořitelna**
  - **Česká pojišťovna**
  - **Česká lombardová banka**
  - **Česká pokladna**

**Source:** CzechInvest, 2010

### More than 61 Industrial Zones and Parks

[Further information on CzechInvest’s website](https://www.czechinvest.gov.cz/en)

---

**Source:** CzechInvest, 2010

### Czech Republic’s Top CEE Countries in the Competitiveness Ranking of World Economies

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Switzerland</td>
</tr>
<tr>
<td>2</td>
<td>Singapore</td>
</tr>
<tr>
<td>3</td>
<td>Czech Republic</td>
</tr>
</tbody>
</table>

**Source:** World Economic Forum, Global Competitiveness Report 2010-2011

### Standard Rate of Corporate Income Tax

<table>
<thead>
<tr>
<th>Source</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Source: Czech National Bank, August 2010</td>
<td>21%</td>
</tr>
</tbody>
</table>

### The Czech Republic is a member of the Multilateral Investment Guarantee Agency (MIGA)

- **Purpose:** International organization for protection of investments, part of the World Bank-IMF group
- **Coverage:** Support for the development of municipal industrial properties and zones
- **Agreements:** For the avoidance of double taxation

**Source:** CzechInvest, 2010

---

**Source:** CzechInvest, 2013

---

**Source:** CzechInvest, 2010
International Memberships

The Czech Republic was the first CEE country to be admitted into the OECD. The country is a member of NATO and is fully integrated into other international organizations such as the WTO, IMF, EBRD and WIPO (World Intellectual Property Organization). The Czech Republic joined the EU on 1 May 2004. The Czech Republic has been a part of the Schengen area since 21 December 2007.

Customs Obligations

Starting on the first day of EU membership, routine customs checks of goods being moved across internal borders, i.e. the common border with other member states, were abolished. Since the Czech Republic does not have an external EU border, routine checks of goods being moved across the state border for customs and tax purposes are conducted only at the main international airports in Prague, Brno, Karlovy Vary and Ostrava. Goods are freely transported across internal EU borders.

Visa Requirements

EU member countries

The free movement of people has been agreed between all current EU member countries plus Norway, Iceland, Liechtenstein and Switzerland. This means the possibility of working in all these countries without a visa or work permit. Since 1 May 2004, EU citizens are allowed to stay and work in the Czech Republic without visas or work permits. They are only required to register with the local office of the Foreigners’ Police.

Non-EU countries

Since 1 January 2009, an integrated residency and work permit (Green Card) system has been in effect for employees from 12 non-EU/EEA countries. Citizens from these countries can now apply for a Green Card when seeking work in the Czech Republic instead of having to obtain a residency permit and work permit in separate proceedings. The new Green Card process is much simpler and faster, with a maximum overall processing time of 90 days.

Czech Technology Days

The agency CzechInvest, and other partners, established five years ago the tradition of bilateral meetings called the Czech Technology and Innovation Days. The aim of these seminars is to provide an overview over the structure of Czech R&D entities, of the respective policy principles, of the Czech Government R&D priorities and programmes, as well as of important achievements and prospects. The main goal is to facilitate direct contacts and networking between the research communities, policy makers and business leaders. So far over 20 seminars with 17 countries were achieved, details can be found on www.czechtechnologydays.org.

Favourable Labour Costs

One of the main attractions of the Czech economy is its skilled and well-educated workers available at a fraction of the cost of those in western economies. Over the past five years average annual wage has grown around 6% but it is coming from much lower base compared to Western Europe. Differences in remunerations among regions reach approx. 20%. Traditionally, employees in Prague are paid more than in other regions (currently 25% above Czech average).

Central Location in Europe and Advanced Infrastructure

The Czech Republic has a strategic location in the centre of Europe with very good access to established western and emerging eastern markets. Prague is only a two-hour flight from most other European capitals. The significance of the Czech Republic as a transit hub has grown since the Czech Republic became a member of the EU Single Market. The road and motorway network (total 55,654 km) is already one of the densest in Central and Eastern Europe and several rail modernization projects are currently underway to link the Czech Republic with the pan-European network of high-speed railways (total 9,588 km).

---

**Students and graduates at technical universities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>37,333</td>
<td>41,587</td>
<td>49,392</td>
<td>52,878</td>
<td>56,712</td>
<td>60,345</td>
<td>66,304</td>
<td>52,070</td>
</tr>
<tr>
<td>Graduates</td>
<td>3,941</td>
<td>4,207</td>
<td>4,731</td>
<td>5,465</td>
<td>6,897</td>
<td>7,733</td>
<td>8,397</td>
<td>6,397</td>
</tr>
</tbody>
</table>

*Source: Institute for Information on Education, 2010*

**Labour costs per hour in 2009**

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>10</th>
<th>20</th>
<th>30</th>
<th>40</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>13.19</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>20.41</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United Kingdom</td>
<td>24.17</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>35.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>42.30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Central location in Europe**

**Infrastructure in the Czech Republic**

- Existing expressways
- End of 2011
- Planned highways
- International roads
- Railway highspeed corridors

**Students and graduates at technical universities**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>37,333</td>
<td>41,587</td>
<td>49,392</td>
<td>52,878</td>
<td>56,712</td>
<td>60,345</td>
<td>66,304</td>
<td>52,070</td>
</tr>
<tr>
<td>Graduates</td>
<td>3,941</td>
<td>4,207</td>
<td>4,731</td>
<td>5,465</td>
<td>6,897</td>
<td>7,733</td>
<td>8,397</td>
<td>6,397</td>
</tr>
</tbody>
</table>

*Source: Institute for Information on Education, 2010*
Main Reasons to Invest in the Czech Republic

- Safe investment environment
- Skilled workforce
- High share of secondary and tertiary education within the population
- Favourable labour costs and price stability
- Central location in Europe
- Compact and high-quality infrastructure
- Transparent system of investment incentives
- Strong focus on R&D
- Stable social and political system
- EU membership
- Mentalty, culture and attitudes close to western countries
- Enivlable lifestyle

Well educated and skilled labour force

The Czech educational system meets the needs of a competitive economy, according to the 2010 World Competitiveness Book published by the Institute for Management Development. The Czech Republic can provide manufactures with impressive productivity levels and highly skilled labour. According to a 2008 OECD study, the Czech Republic has a very strong position regarding the percentage of students graduating in engineering, manufacturing and construction fields. In the year 2009/2010, there were more than 80,000 technically oriented students at Czech universities. The number of university students increased from 118,000 in 1990/91 to 389,231 in 2009/2010, due not only to changes in the education system but also to a demographic bulge of 18-26-year-olds that represent a promising group of potential employees for foreign investors. According to the last Eurobarometer survey 61% of Czechs are able to speak at least one foreign language (predominantly English and German).

Nine out of ten Czechs aged 18 to 59 speak at least one foreign language, and their knowledge is rapidly improving, according to a survey conducted by AUGUR Consulting for CzechInvest in 2008-2009. The survey shows a 13% increase in language skills in comparison with the results of similar research conducted six years ago.

Proven Research and Development Capabilities

The Czech Republic spends more resources on research and development than many of its competitor countries. Over the past ten years, the Czech Republic’s spending on R&D has increased from 0.95% of GDP to 1.54%. Many multinationals are running Czech R&D or design centres, including Panasonic, Honeywell, Mercedes-Benz, Motorola, Rockwell Automation and Visteon. Czech scientists are behind some of the world’s well-known discoveries and patents, such as soft contact lenses, polarography – a Nobel-prize-winning method of quantitative analytical measurement, and the anti-HIV drugs cidofovir (Vistide®) and tenofovir (Viread®), to name but a few.

Testimonials from Successful Investors

"How can we characterize the Czech software engineer? Based on my experience working with international teams from China to the Bay Area, I can say that Czech software engineers are as good as their western counterparts, regardless of whether we look at innovation, efficiency, discipline, or experience, and they usually work harder. The roots of this healthy environment lie in the Czech Republic’s high-quality education system, which provides the heterogeneous skill sets of the country’s software engineers." Rashid Janovska, Chief Architect, BTI, HP Software R&D

"We are very pleased with our decision to locate our project in the Czech Republic. It is a developed country and our Czech colleagues and employees are technically erudite, flexible and hardworking." Kim Eok-Jo, president, Hyundai Motor Manufacturing Czech

"Lonza Kourim Czech Republic is the leading technology and manufacturing service provider for biopharmaceuticals in Eastern Europe." Stephan Borgas, CEO of Lonza

"The Czech Republic offers a highly skilled and very efficient workforce with a strong, technically oriented educational background and a large number of engineering graduates. The country has a rich industrial history and a university system that is highly recognized." Jaroslav Cikolaik, Honeywell National Executive for the Czech Republic

"When Rolls-Royce made the decision to enter the Central and Eastern European market in the mid 1990s, the Czech Republic was the natural choice. Prague had the infrastructure and position that we needed for establishing our headquarters for Central and Eastern Europe. Today, from Prague we manage our business in nineteen countries across the territory, the business encompassing civil aerospace, defence aerospace, marine and civil nuclear." Paul Hayes, Managing Director of Rolls-Royce Central and Eastern Europe
CzechInvest’s Services

Our Objectives:

\[ \text{to advise and support existing and new companies and foreign investors in the Czech Republic} \]
\[ \text{to support the competitiveness of the Czech economy} \]
\[ \text{to create a space for communication between foreign investors, the state administration and Czech companies} \]

CzechInvest is exclusively authorized to file applications for investment incentives at the competent governing bodies and prepares draft offers to grant investment incentives. Its task is also to provide potential investors current data and information on the business climate, investment environment and investment opportunities in the Czech Republic.

CzechInvest’s Services

\[ \text{Full information support} \]
\[ \text{Full information assistance} \]
\[ \text{Tailor-made visits} \]
\[ \text{Maximisation of networking capacity} \]
\[ \text{Handling of investment incentives} \]
\[ \text{Access to EU structural funds} \]
\[ \text{Business properties identification} \]
\[ \text{Business infrastructure development} \]
\[ \text{Supplier /JV/ acquisition partner identification} \]

All of CzechInvest’s services are free of charge.

CzechInvest’s prestigious awards

\[ \text{Best Practices in Promotion 2004, presented by the steering committee of the World Investment Forum} \]
\[ \text{WAIPA Awards 2003 – Best Advertisement by an IPA (third place)} \]
\[ \text{Best Investment Promotion Agency in the EU Accession Countries of 2002} \]
\[ \text{European Investment Promotion Agency of the Year 2001} \]
\[ \text{European Investment Promotion Agency of the Year 2000} \]

Foreword by Martin Kocourek, Minister of Industry and Trade

Dear Readers,

In recent years the Czech Republic has consistently placed among the champions in attracting foreign direct investments not only in Central and Eastern Europe, but also at the global level. Czechs are well-known for their emphasis on quality, desire to improve familiar processes and ability to achieve maximum productivity. The government is endeavouring to support the business environment in the Czech Republic through persistent restriction of unnecessary regulations, simplification of the tax system and prudent policy which fosters a system that is clear, stable and predictable over the long term.

Though the global economy has recently grappled with problems on an unprecedented scale, the Czech Republic has managed to come through these difficulties with flying colours. In recent years the country has been attracting an even greater share of investments in business support services, research and development, software development and technologically demanding manufacturing. Investors particularly value the Czech Republic’s well-functioning labour market and the advanced skills and professionalism of their employees here. I rank the area of technical education among the priorities of the Ministry of Industry and Trade, as educated professionals form the basis for maintaining the competitiveness of our economy.

Besides the benefits of its favourable business environment, the Czech Republic is able to enhance investments with investment incentives and aid from the European Union or from other national sources. With their projects and subsequent expansions, hundreds of the largest global corporations have already expressed their appreciation of the Czech Republic’s qualities. I wish you much success in the Czech Republic.

Martin Kocourek
Minister of Industry and Trade

Foreword by Miroslav Křížek, Chief Executive Officer of CzechInvest

Dear Readers,

CzechInvest, part of the Ministry of Industry and Trade of the Czech Republic, offers investors a full range of services which they may need when entering the Czech market and when subsequently conducting business here. We prepare detailed information on the Czech investment environment and provide assistance with obtaining investment incentives and aid from European Union sources. At the same time, we are able to seek out the most advantageous locations for your business, and you can confidently turn to us for help when selecting local suppliers, for example. The Czech Republic offers a stable economic and political environment, a perfect location in the heart of Europe, solid transportation and telecommunications infrastructure, and motivated employees. CzechInvest is here to show you the fastest and simplest path to fully utilising all of these advantages.

The Czech Republic regularly places at the top of investment-attractive rankings. Hundreds of the world’s most important companies have already invested billions of euros in their Czech subsidiaries, which in turn have achieved a high level of success. An even greater share of new investments comprises expansions of firms that are already conducting business here. In addition these subsequent investments mostly involve sophisticated manufacturing, services or science. And there is no greater evidence of the quality of the Czech business environment than the ever increasing reinvestments of companies that already know us well.

The longer you are in the Czech Republic, the more your business will thrive.

Miroslav Křížek
Chief Executive Officer
Contents

1 Foreword by CzechInvest’s CEO
2 Main Reasons to Invest in the Czech Republic
4 Attractive Investment Climate
6 Impressive FDI Results
7 Selected Investors
8 FDI Growth Sectors
10 Financial Support for Investment
12 Well-developed Domestic Supply Base
13 Highly Developed Property Market
14 International Membership
15 Testimonials from Successful Investors
16 CzechInvest’s Services

Association for Foreign Investment in the Czech Republic

The Association for Foreign Investment (AFI) represents a group of renowned companies operating on the Czech market whose common goal is to actively support the development of the Czech business environment while facilitating the entry of foreign investors into the Czech market and complementing the activities of CzechInvest. Thanks to their comprehensive knowledge of the Czech investment environment, the companies associated within the AFI are able to provide a broad range of professional services in all phases of investment projects.

...We are your roadmap to quality services in the Czech Republic.

Our services:

-- Legal Consulting
-- Real Estate Consulting
-- Environmental Advisory Services
-- Strategic Marketing
-- Financial Consulting and Services
-- Auditing
-- Corporate Financing
-- Tax Consulting and Services
-- Management Recruitment
-- Human-Resources Consulting and Recruitment
-- Quality Control
-- Architecture and Project Preparation
-- Project and Construction Management
-- Appraisal of Companies and Assets
-- Management Advisory Services
-- Industrial Advisory Services
-- Information Technology Support
-- Logistics Services
-- Re-engineering – Improvement of Company Processes

...and other professional services.
INVESTMENT OPPORTUNITIES

Investment Climate in the Czech Republic