

CZECH FOCUS

The magazine of the Association for Foreign Investment and CzechInvest



**Czech
aerospace:
Reaching
new frontiers**

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Content

4

Events

Entrepreneurial Project of the Year awards presented at Prague Castle

8

Sector Focus

Czech aerospace: Reaching new frontiers

12

Country Focus

Economic recovery in Britain generates opportunities for new business and investment

16

Region Focus

Zlín: A small region with big plans

19

Hot Topic

Czech Republic well suited for investments in the chemical industry

22

Investment Climate

M&A in the Czech Republic

24

Questions & Answers

Everything you need to know about investment in the Czech Republic

26

Living Czech

Ice hockey – the greatest Czech sporting passion

Masthead

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Dear Readers,



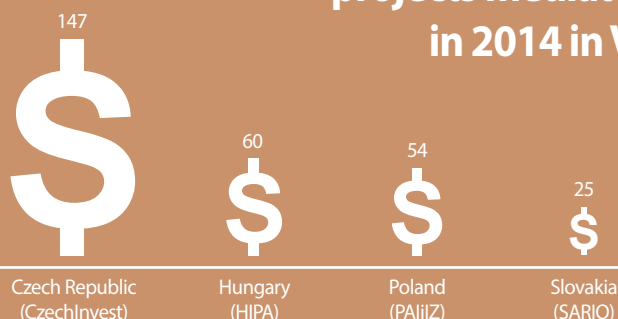
I am very pleased that you have decided to pick up this issue of Czech Focus, which features the field of aerospace in the Czech Republic. I am pleased that this year's first edition of the magazine focuses on this particular topic. I believe that 2015 will be better than the preceding years (both for the Czech economy generally and for incoming investors), and the Czech Republic's aerospace industry will certainly play a significant role in this upward trend. I often say that the Czech Republic is the most industrial country in Europe. That is not a recent phenomenon, as the Czech lands have been right at the industrial heart of the continent since the middle of the nineteenth century. Aviation has been a part of the Czech industrial tradition for at least the past hundred years. If we look at the aerospace industry's output in comparison with the country's size, we can clearly state that the Czech Republic ranks among the global elite in this field. After all, how many countries of a similar size still produce a number of different aircraft types in various categories? And how many are also important suppliers to other major manufacturers in the aerospace industry? The long tradition of the aerospace industry in the Czech Republic is reflected in the quality and availability of skilled workers. This local embedded knowledge, which has naturally been maintained by generations of Czech technical specialists, has preserved the Czech Republic's top-ranking position – within both the European and the global context. We recognise that knowledge and know-how are extremely important – not only in aerospace but in all fields – and that is something that we have here and are able to offer. You can find more information about the Czech aerospace industry and its history and current successes in the main article of this issue on page 8. The local M&A market is another prominent topic in this issue of Czech Focus. Dozens of companies in aerospace sector are small and medium-sized enterprises that are often seeking partners for their business operations. They are turning their interest not only to developed countries with advanced aerospace sectors, but also to corners of the world where the industry is just starting to develop (for example, in the Persian Gulf region). See page 22 to learn more about how mergers and acquisitions work in the Czech Republic and how AFI members and CzechInvest are prepared to help investors deal with this issue.

I wish you pleasant reading.

Kamil Blažek
Chairman of the Association for Foreign Investment

CzechInvest leads in Central Europe in the number of investments

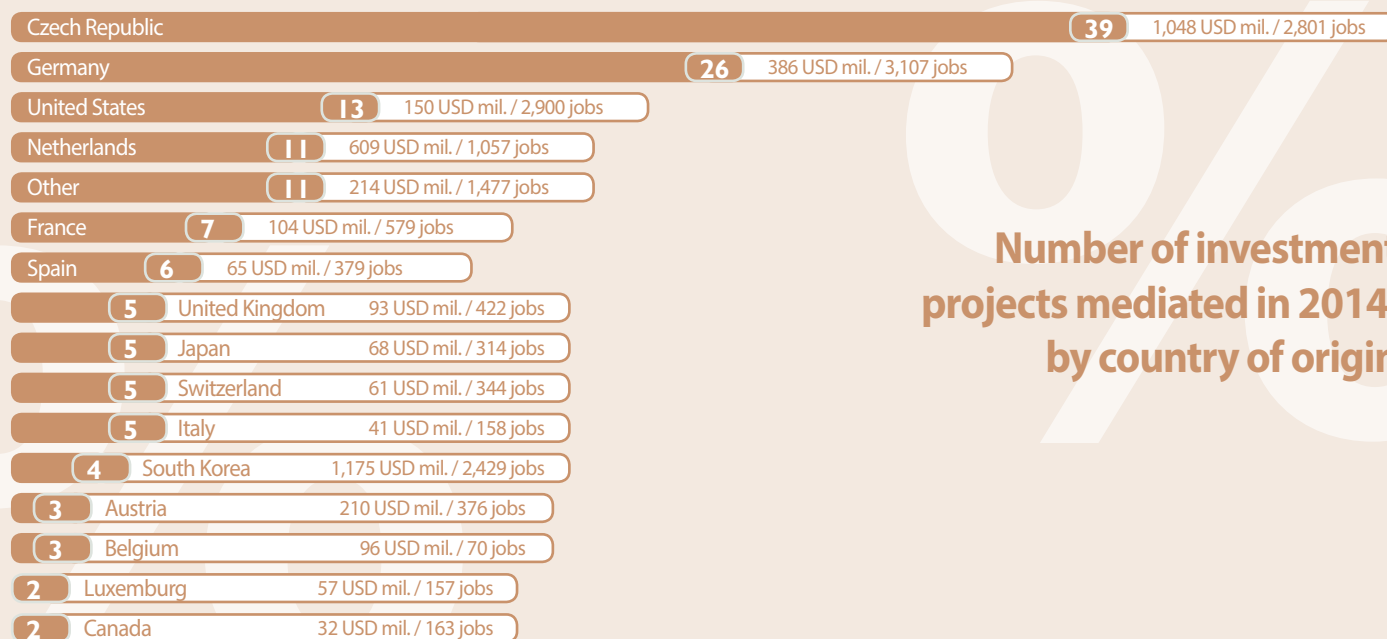
Number of investment projects mediated in 2014 in V4



Last year CzechInvest reached agreements with foreign and domestic investors on 147 investment projects, far surpassing the investment agencies of the Czech Republic's nearest neighbours – Slovakia, Poland and Hungary – which mediated a combined total of 139 projects. The investments mediated by CzechInvest have an aggregate value of nearly CZK 87 billion and should create more than 16,000 jobs. If we leave out domestic investors, the largest number of investors coming to the Czech Republic are traditionally from Germany and the United States. However, South Korea is indisputably the leader in terms of the amount of invested funds.

Vehicle production is the historically dominant sector in all indicators. The metallurgy and metalworking, rubber and mechanical-engineering sectors are also of major importance.

Moravia-Silesia can look forward to the largest number of new jobs (3,851). A similar number of jobs is expected in the Ústí region (3,231). ■



Number of investment projects mediated in 2014, by country of origin

KION Group to manufacture forklifts in the Czech Republic



KION Group is building a new forklift factory in the town of Ostrov u Stříbra in the Karlovy Vary region. Approximately 200 people will be employed at the 24,000 m² factory in Panattoni Park Stříbro, which was

recently named the Industrial Zone of the Year. KION Group is investing more than CZK 300 million (approx. EUR 11 million) in the facility's technology and equipment. Production is set to begin in 2016. This is the third major investment landed by Panattoni Park Stříbro in the past several months, with American furniture manufacturer Steelcase and Ideal Automotive having invested in the zone prior to KION Group's entrance.

German firm in-tech establishes Czech branch

The German firm in-tech GmbH began operations in the Czech Republic in January. The firm, which develops and tests electronic

components for the automotive industry, is planning cooperation with local companies such as Škoda Auto and Bosch. The Czech branch, called in-tech Automotive Engineering, will employ up to twenty engineers and technicians by the end of 2016. The company is investing CZK 15 - 20 million (approx. EUR 550 - 740,000) in the branch in Prague's Vysočany district. "The automotive industry has a very strong position in the Czech Republic, and Prague is not far from our headquarters in Munich. Furthermore, the Czech Republic has outstanding infrastructure and reliable legal and tax systems, as well as a highly skilled workforce," says Christian Kummer, COO of in-tech Automotive Engineering. The parent company, in-tech GmbH, began in Germany as a start-up founded by

students and currently employs 450 highly skilled people in Germany, the United States and China. Its main customers include BMW, Audi, Daimler and Rolls-Royce.

CzechInvest opens office in Korea

Czech prime minister Bohuslav Sobotka and CzechInvest CEO Karel Kučera announced the opening in Seoul in February 2015. "CzechInvest's office in Korea will help to bring about closer and more intensive communication with our existing potential partners. It is confirmation of our interest in maintaining good relations between the Czech Republic and Korea in the area of investments," says Karel Kučera, CEO of CzechInvest. CzechInvest established its first foreign office in London in 1994. Beside Great Britain and, newly, South Korea, the agency currently has operations in five other key destinations around the world, including the East and West Coasts of the United States, Germany, Japan and China.

Amazon's new distribution centre taking shape in Dobrovíz u Prahy



Construction of the American company Amazon's new distribution centre has begun in the town of Dobrovíz u Prahy. The groundbreaking ceremony was attended by Minister of Industry and Trade Jan Mládek; Miloš Petera, governor of the Central Bohemia region; and Martin Šafr, mayor of Dobrovíz. The company's investment in the new 95,000 m² facility will reach CZK 2.1 billion (approx. EUR 78 million), making it the biggest industrial property intended for leasing in the Czech Republic. Amazon plans to open its new distribution centre in summer 2015 and will employ there nearly 2,000 people from districts with high unemployment, such as Kladno and Rakovník. Up to 3,000 additional seasonal jobs will be created over the following three years.

AFI participates in CEE Shared Services and Outsourcing Awards



Twenty-six companies were honoured in February 2015 at the third annual CEE Shared Services and Outsourcing Awards in Poland. Martin Ježek of Grafton Recruitment, who serves as chairman of the Supervisory Board of the Association for Foreign Investment, was a member of the jury. The event was attended by more than 275 executives from 21 countries across the CEE region, Western Europe and Scandinavia, as well as from the United States and India. MANN+HUMMEL Service of the Czech Republic won the Employer of the Year category. The MANN+HUMMEL shared-services centre has been providing services for other subsidiaries of the MANN+HUMMEL Group since 2007. In September 2013, the company opened a new facility with office spaces and a development laboratory including a testing plant. It is the only facility of its kind in the Czech Republic and employs nearly twenty experts with more to be hired in future.

The Association for Foreign Investment has new leadership

Kamil Blažek has been re-elected to the highest post in the Association for Foreign Investment for the third time and will thus remain the chairman of the Steering Committee for another two years. Petra Rychnovská has been elected to a second consecutive terms as vice-chairperson of the AFI. The newly re-elected leaders intend to carry out and, in several aspects, further develop the AFI's mission of supporting foreign direct investments in the Czech Republic and the exporting of investments and investment services. The focus of activities will consist in broader cooperation with entities in the Czech Republic and abroad, as well as expansion of the portfolio of potential investors and more intensive marketing. However, traditional aspects of the AFI's operations and its cooperation with CzechInvest, such as in the area of improving the investment environment, will remain unchanged. In their next term in office, Kamil Blažek and Petra Rychnovská want to intensify promotion of the Czech Republic abroad through

investment seminars and roadshows. They also plan to enhance the country's attractiveness or investors from countries and sectors that hitherto have not had a strong presence in the Czech Republic.

Deloitte: European A&D industry gains momentum with 5.4% revenue growth in 2013, projected to increase through 2014

The European aerospace and defence (A&D) sector's revenue growth rate of 5.4 percent outpaced the United States' growth rate of 1.3 percent in 2013. This is mostly attributable to the negative revenue performance of the U.S. defence subsector and the strong revenue performance of key European commercial aerospace companies. However, according to the Deloitte Global Manufacturing Industry group's Global Aerospace and Defence Sector Financial Performance Study (2013), Europe continues to lag behind the U.S. in profit-margin performance due mainly to one-time charges and certain difficulties in rationalising assets and reducing labour costs. The report finds that some level of regional consolidation may be needed in order to gain economies of scale, should that coincide with national employment and defence policies.

CTP expands its aerospace client base



CTP, a leading full-service commercial real estate developer and manager, is continuing to expand its aerospace portfolio. CTP recently completed phase III of a 21,000 m² office campus for a major aerospace manufacturer at CTPark Brno, the region's premier high-tech business park. Another client, Lufthansa InTouch, is a long-term tenant of CTP's flagship office development, the Spielberg Office Centre in Brno. The company leases 1,460 m² at Spielberg, from where it operates a service centre and load control centre. Zodiac Aerospace, which specialises in the design and production of aircraft cabin interiors, aero-safety and aircraft systems, occupies 2,240 m² at CTPark Plzeň, which is ideally located just 75 km from the Czech-German border. CTP is the fourth-largest industrial developer in Europe and the eighth-largest overall. ■



Winners of Entrepreneurial Project of the Year awards

Entrepreneurial Project of the Year awards presented at Prague Castle

CzechInvest and the Ministry of Industry and Trade of the Czech Republic presented the prestigious Entrepreneurial Project of the Year awards at Prague Castle in November 2014. An expert jury selected the best projects implemented with support from European Union structural funds provided via the ministry and CzechInvest, specifically through the Operational Programme Enterprise and Innovation (OPEI) 2007-2013. OPEI provides aid specifically to small and medium-sized enterprises undertaking investments in the area of improving productivity, product quality and equipment, as well as investments aimed at development of innovations. In turn, such investments improve the Czech business environment and strengthen its competitiveness. The Association of Small and Medium-Sized Enterprises of the Czech Republic

and CzechTrade are partners of the Entrepreneurial Project of the Year competition. OPEI was one of the most popular programmes for utilising structural funds in the Czech Republic. A total of CZK 82 billion (approx. EUR 3 billion) was available through this programme, of which CZK 61 billion (approx. EUR 2.3 billion) has been provided to Czech businesses. In light of the fact that the EU contributes funding for only part of

30,000 jobs while developing five thousand new or innovated products and installing 11,000 new machines, devices and other systems. CzechInvest accepted applications for aid within OPEI from 2007. All of the remaining aid granted within the programme will be disbursed by the end of 2015. In the 2014-2020 programming period, Czech businesses have the opportunity to apply for financial

“ A total of CZK 120 billion (approx. EUR 4.4 billion) will be made available through OPEIC. ”

the cost of each project, the actual investment in the Czech economy is far greater. For example, CZK 15.6 billion (approx. EUR 580 million) was disbursed through OPEI in 2014, whereas the total value of implemented projects reached CZK 30 billion (approx. EUR 1.1 billion). Several thousand aid applications were submitted, while the OPEI was in existence. Aid recipients went on to create nearly

support from the new Operational Programme Enterprise and Innovation for Competitiveness (OPEIC), which is based on OPEI but is newly focused on, for example, development of shared-services centre and implementation of high-speed information networks. A total of CZK 120 billion (approx. EUR 4.4 billion) will be made available through OPEIC. ■

Eva Křivánková
CzechInvest

Selected Entrepreneurial Projects of the Year 2013

The Ministry of Industry and Trade and CzechInvest recognised a total of 24 firms in eight categories. Some of them are presented here.



CEPS maintains high-pressure steel pipelines. One of the company's most important operations is evaluation of the technical condition of pipelines that have been in use for a long period of time. The project for which CEPS was recognised involved innovation of this process, whereby two improved technology chains for emptying oil pipelines were created.



Frentech aerospace manufactures components for Airbus, Boeing and Embraer aircraft. During its two decades in existence, the company has gained a leading position in the global aerospace industry. Its award-winning project consisted in introducing production of a unique mechanical device that ensures the deployment of solar panels on satellites and other orbiting spacecraft.



dataPartner develops information and control technologies. The company's award-winning project involved the development of a software application for managing the processes of connecting various materials, especially welding and screw joints. The application, which is useful mainly for production of metal structural elements of bridges and in pipefitting, will bring about significant cost savings while increasing labour productivity.



MEDIN is a developer, manufacturer and distributor of medical instruments and implants for use in traumatology, surgery, orthopaedics and dentistry. The company's project involved construction of a new facility for design, development, production and testing of functional models and prototypes.



COMINFO specialises in the development of electronic and mechanical components, software and security systems. The company is also a major global manufacturer of turnstile systems, motorised gates and mechanical barriers. Its newly constructed research centre will aid the development of security elements and systems.



Red Hat Czech is the local branch of Red Hat, Inc., a leading provider of open-source software solutions. The company's new software-development centre in Brno is now the largest Red Hat development centre in the world. Equipped with state-of-the-art technologies, the centre employs 150 people in newly created positions.

Kinet specialises in outsourcing IT services, which it provides to small and medium-sized enterprises. The company was recognised for its development of an information system that helps sports clubs and facilities to handle administrative work in order to improve their internal functioning.

Pardam focused its attention on nanofibres without organic additives and put a new nanotechnology laboratory centre into operation. The company became the world's first industrial-scale producer of purely anorganic nanofibres.

MAGNETON manufactures electrical accessories for motor vehicles and tractors. Its customers include Škoda, Audi, Tatra and John Deere. The company's winning project involved modernisation of its research and development capacities, which are now focused on product R&D according to customers' specific requirements.



CEPA EXPO 2014:

Business aviation is taking off in CEE

In November 2014 Prague Castle hosted CEPA EXPO, a prestigious annual conference organised by the Central Europe Private Aviation organisation. The event was attended by roughly 200 entrepreneurs and officials in the area of private aviation.

Where the development of private and commercial aviation is concerned, Central and Eastern Europe is seen as a fascinating sectoral laboratory. The private aviation sector has been expanding rapidly here in recent years, with sales of private planes alone having grown by 350% since 2004.

operators and owners from other regions," Oliver Stone added. CEPA EXPO 2014 was focused primarily on the challenges that the ongoing crisis in Ukraine has presented to the private aviation sector. The conference programme also included talks on the topics of safety, current changes in regulations, the latest technolo-

Dagmar Grossman believes that during its five years in operation the organisation has mitigated the risk potential that managers of foreign banks, insurers and other companies have assigned to it. "More investors are coming to the region and understand that the old Iron Curtain is just an illusion. We have achieved a lowering of the barriers to entry in some countries and as Prague is centrally located, we can attract more business to the region," Ms. Grossman stated. ■

*Eva Křivánková
CzechInvest*

At a time when western economies are facing the consequences of the economic slowdown, the private aviation business is growing more rapidly in Central and Eastern Europe than in the West.

"Central and Eastern Europe was overlooked for a long time but is now seen as having a great deal of potential as a key growth area," said Oliver Stone, managing director of Colibri Aircraft.

At a time when western economies are facing the consequences of the economic slowdown, the private aviation business is growing more rapidly in Central and Eastern Europe than in the West. The CEE market is characterised by a higher proportion of large-cabin aircraft and the lower age of the aviation park where most of the planes have been manufactured since 2006. Large private planes are well suited to corporate use due their sufficient cabin space and greater range. Roughly half of the planes in the region are based at airports in Austria, whereas a large number of them have Russian owners. "The future looks promising for business aviation in Central and Eastern Europe, but there is the ever present threat that as the market demand grows, it will be met by

gies and differences in insurance between western and eastern countries. CEPA's long-term objective is to overcome market and cultural barriers between the east and west. CEPA founder



Korean investors show persistent interest in the Czech Republic

Together with CzechInvest and with support from the Ministry of Industry and Trade, the Association for Foreign Investment organised the recent "Invest in the Czech Republic – Your Gateway to Europe" seminar, which took place in Seoul, South Korea, in February 2015. The seminar was attended by forty representatives of major Korean manufacturing firms and other compa-

nies, as well as by Czech Prime Minister Bohuslav Sobotka, who was in Korea to lend his support to Czech companies engaged in commercial activities with their Korean counterparts. Conditions for investing and investment opportunities in the Czech Republic were presented to the seminar participants. The topics discussed during the event included, for example, state financial support and options

for project financing, the country's legal and tax environment, labour market and property market, and the building-permit process. Support for M&A investments and possibilities for Czech-Korean investments in third-country markets were also presented. The partners of the event were Erste, Kinstellar, KPMG, Reed and Takenaka. ■



Cooperation of the Year winners benefit Czech manufacturing

The outstanding cooperation between the Czech Technical University in Prague and the Moravian mechanical-engineering firm KULIČKOVÉ ŠROUBY KUŘIM on a new motion threaded mechanism won the top prize in the fourth annual Cooperation of the Year competition organised by the Association for Foreign Investment, the American Chamber of Commerce in the Czech Republic and the Technology Agency of the Czech Republic. The non-profit Česká inovace is a co-organiser of the event. The purpose of the competition is to select and honour the year's best projects involving cooperation between companies and the research sphere. This year's edition of the event was held under the auspices of Deputy Prime Minister for Science, Research and Innovation Pavel Bělobrádek, Minister of Industry and Trade Jan Mládek and Minister of Education, Youth and Sport Marcel Chládek. KULIČKOVÉ ŠROUBY KUŘIM is a traditional manufacturer of ball screws, which are structural components that convert rotational motion into linear motion. Ball screws are used in all areas of mechanical engineering, particularly in the production of machine tools and injection moulding machines, as well as in the aerospace and automotive industries. In the case of ball screws, the principle of converting rotational motion into linear motion is based on the rolling of ball bearings between the thread profile of the screw and the nut. The circulation of ball bearings with low loads is not often fluid, as the balls move counter to each other at the point of mutual contact and the conversion process is thereby impacted. This deficiency can be eliminated by the newly devised motion threaded mechanism, which uses separate, individual followers in the thread profile of the motion screw. The jury was impressed by the clever and,

R&D cooperation in the aerospace industry intensifies

In the course of five years of monitoring the development of cooperation between the research and application spheres, the AFI and the American Chamber of Commerce in the Czech Republic have registered significant progress in a number of sectors, including the aerospace industry. When, in 2010, these two organisations awarded the first aeroplane designed and built at an academic facility, they could not have known how that cooperation between the project's originators would intensify in the following years. The aforementioned plane was the result of cooperation between the Institute of Aerospace Engineering at Brno University of Technology (BUT) and the companies První brněnská strojírna Velká Bíteš, JIHLAVAN airplanes and PLASTSERVIS-L. The subject of innovation was a special modification for testing new jet engines controlled by an electronic system. Thanks to the successful cooperation of the entities involved in the project, BUT and První brněnská strojírna Velká Bíteš were able to nominate for the 2013 Cooperation of the Year competition their project involving the experimental VUT 061 TURBO aeroplane, which serves as a flying test bed for the TP 100 turboprop engine. This advanced flying laboratory enables operational testing and verification of newly developed components and modifications that increase the engine's useful properties and thus the competitiveness and marketability of products to customers around the world.



in principle, simple solution of the project, as well as by the fact that the project's originator at CTU managed to find a company that could put his idea into practice, which is confirmed by the existence of a prototype and ongoing preparation of production. In the jury's view, a valuable aspect for the academic sphere is that the patent belongs to CTU. The general partner of this year's competition was Erste Corporate Banking. Huawei and Hewlett-Packard were also partners of the event. Cooperation of the Year 2014 was supported by CzechInvest, the South Moravian Innovation Centre, the Czech-German Chamber of Trade and Industry, AC&C Public Relations and Zátíší Group. ■

*Eva Bendlová
Project Manager, AFI*

Next destinations where you can get more information about investing in the Czech Republic in 2015:

Nanjing, China, April 2015
R&D and M&A

Paris, France, June 2015
New investments and M&A

Düsseldorf, Germany, June 2015
Czech chemical industry

Shanghai, Beijing, China, August 2015
M&A

...and events in other destinations in Asia, America and Europe are being planned.

For more information, contact the AFI at eva.bendlova@afi.cz.

Czech aerospace: Reaching new frontiers



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

The aerospace sector has been a successfully developing part of Czech industry since the first aeroplanes took to the skies over a century ago. The Czech aviation industry ranked among the global elite throughout the twentieth century, survived the country's economic transition following the regime change in 1989 and today possesses priceless experience and know-how gained over the course of decades.

Local aviation companies are among the best in the world, particularly in the areas of military training, LSA and commuter aircraft and components, and turboprop engines. It is no accident that the global leaders in the aerospace industry are ever more frequently choosing the Czech Republic as the place to grow their business.

Rich history

Aerospace has long been an important part of the Czech Republic's industrial mix. Since its inception, the sector has grown rapidly over the course of a century from the basic category of aerospace production to today's highly sophisticated products such as military trainers, turboprop engines for commuter aircraft, and solutions for satellite and rocket systems.

parable to that in Germany, France, Great Britain and even the United States. Among other things, the Czech aviation industry has developed and manufactured more than 32,000 aeroplanes and 37,000 engines, which are remarkable figures for a country of only ten million people. The Czech Republic's flagship carrier, Czech Airlines, is an important part of the industry's history. The company was established as Czechoslovak National Airlines in 1924 and thus ranks among the world's oldest air carriers. Czech Airlines Technics, today a separate maintenance, repair and overhaul (MRO) centre, has more than eighty years of experience with aircraft hangar maintenance, fifty years of experience with maintaining jet aircraft and more than twenty years of experience with repairing Boeing and Airbus aircraft.

// Local aviation companies are among the best in the world, particularly in the areas of military training, LSA and commuter aircraft and components, and turboprop engines. //

The extensive technical skills found in the Czech Republic are primarily due to the country's strong aviation culture and the legacy of previous generations of aerospace specialists. The Aerospace Research and Test Establishment in Prague was established in 1922 and today it is a national centre for research, development and testing in the field of aeronautics and space technology. The biggest Czech company in the sector, Aero Vodochody, was established in 1919. In the 1930s, the number of people employed by Czech aviation firms was com-

Following the Second World War, the Czech Republic fell under the sway of communism, which was characterised by central planning, the result being the cessation of dynamic development of new technologies. After the fall of the Iron Curtain at the beginning of the 1990s, Czech industry was hit hard by the loss of basically all eastern markets and it was not prepared to face the competition on highly developed and technologically advanced western markets. Nevertheless, the Czech Republic was able to build on its tradition of technical

competence and manufacturing excellence and over the past twenty years its aviation sector has returned to the ranks of competitive and innovative players.

Bright future

The sector was able to overcome that difficult period thanks to entrepreneurialism, enthusiasm and investment. Due to these and other factors, the Czech aerospace industry is perceived today as a high-quality and reliable partner in global supply chains and other areas. The Czech Republic also ranks among the world's biggest producers of light and sport aircraft, alongside Germany, France and Italy. The main export markets for local LSA manufacturers are Europe and North America. Czech companies such as Aero Vodochody, Aircraft Industries and Evektor are globally esteemed in the areas of production, research and development, and testing.

Together with the Italian firm Piaggio Aero Industries, Evektor is a leader of the Small Air Transport programme activity of the Europe-wide Clean Sky 2 project, which is part of the European Joint Technology Initiative. Evektor is one of the project's 16 founding partners, together with major firms like Airbus, Rolls-Royce, Saab and Alenia Aermacchi.

Local leaders in the sky

In 2013 Aero Vodochody was named the ninth fastest-growing firm by sales growth in the Aerospace Top 100 global ranking published by the prestigious aviation magazine *Flight International*. Aero Vodochody's product portfolio includes the legendary L-39 jet trainer. More than 3,000 L-39s have been manufactured, making it the most widespread jet trainer in the world.

A project involving a new generation of this popular plane, the L-39NG, was initiated in 2014. Today, Aero is a partner and supplier for the military and civil programmes of Boeing, Airbus, Embraer and Bombardier, as well as the helicopter company Sikorsky, for which Aero has been manufacturing complete S-76 helicopters prepared for installation of dynamic components since 2000. Like Aero Vodochody, Letov also has a long history in the industry. The company became part of Groupe Latecoere in 2000 through a major investment by the latter firm. A new research and development department was subsequently established, thanks to which the company's Prague branch has become a centre of excellence for aircraft door mechanisms and subassemblies. The company currently supplies its products to Airbus, Embraer, Boeing

and Dassault. Part of production is sent for finalisation to the parent company in Toulouse, France, and another major part of production is delivered directly to the final customers' assembly lines.

Another significant foreign investor is Honeywell, which opened a laboratory in Prague in 1993, its first such facility outside the United States. This was followed by a design centre in Brno, which was later integrated into Honeywell Technology Solutions, an international network of R&D centres in the United States, China and India, and an aviation-focused manufacturing plant in Olomouc. Honeywell also has a shared-services centre here. It is clear that the Czech Republic has become a key base for Honeywell's technological development in Europe. The company employs more than 4,000 people in Prague, Brno and Olomouc. At its facility in Plzeň, Zodiac Galleys Europe manufactures component for the Airbus A320 family of short-haul airliners for A330 and A340 long-haul liners. The company, which is part of the Zodiac Aerospace group, a leader in the area of products for cabin interiors, structures and systems, will refurbish the interiors of more than 250 aircraft for Lufthansa/Swiss and Delta Airlines. US-based GE Aviation, the world's biggest manufacturer of commercial aircraft engines, decided to expand into the business and general aviation category in 2008. It chose the Czech Republic as the base for this expansion and acquired Walter, a traditional Czech manufacturer of turboprop engines. The result was the top-quality H80 turboprop engine based on the successful Walter M601. The H80 is the first GE engine designed, developed and manufactured outside the United States.

The Czech Republic's roots in the area of helicopters date back to 1915 with the establishment of the company LOM Praha, which today is engaged in modernisation and repairs of helicopter technology, especially for Mil helicopters. LOM Praha is the only company that is fully certified to work on these helicopters in the EU and NATO countries. This history and local technical competence were among the reason that the US based company Bell Helicopter, part of the Textron group, chose Prague as its European headquarters and in 2014 opened here its Customisation and Delivery Centre, where final customisation, deliveries and maintenance will be carried out for European customers.

The Czech government bets on space

Projects for the space industry are very important in the Czech Republic, which has

a strong tradition of space exploration. For example, in 1978 Czech astronaut Vladimír Remek became the first person from outside the United States or the Soviet Union to go into space. The Czech Republic and local companies focus on development and production of components and software solutions for satellite and rocket systems. For example, Frentech Aerospace received from the multinational concern Thales Alenia Space a commercial order for delivery of mechanisms for unfolding solar panels on satellites in connection with the construction of new-generation satellites of the American Iridium Next system. Important projects are most commonly connected with the European Space Agency, of which the Czech Republic is an active member. The Czech Republic is also the site of the administrative centre of the European Global Navigation Satellite Systems Agency, which is responsible for the Galileo navigation system.

The National Space Plan has become one of the fundamental documents setting the long-term direction of the Czech space industry. With a view to significant benefits for the local economy, the Czech Republic has increased its contributions within the optional programmes of the European Space Agency. Broader participation of Czech entities in ESA activities is considered to be a unique opportunity to improve the competitiveness of Czech industry and science. However, cooperation is not limited solely to ESA member countries such as France, Austria and Germany, as institutional contacts also exist with space organisations in the United States, Russia, Brazil, Chile and Japan.

The Czech government has also committed to investing in and supporting education, research and development, and local infrastructure, thus supporting the further development of local skills, which are the main resource necessary for successful high-tech industrial sectors. Financial support is available from national and European sources for the further growth of local companies. The Czech aerospace sector has remained stable through economic crises and other extraordinary events in the country's history. This stability is confirmed by the significant growth and expansion that have occurred in recent years and are expected to continue into the future. ■

Jan Chmelík
Sector Manager for Aerospace
CzechInvest

Aero Vodochody reaching new heights

Aero Vodochody is the biggest aerospace manufacturer in the Czech Republic. The company engages in development, production, sales and service of military and civilian aviation technology, and collaborates with global aircraft manufacturers. Within its military programme, it is a long-term partner of the armed forces of several countries, including the Czech Republic.

The company's Aerostructures Division is focused primarily on development and production of complex systems including integration and testing, aircraft-component assemblies and development and production of landing-gear systems. Aero also has its own Engineering Division, which provides a broad range of development services to customers around the world in addition to fulfilling internal orders. The Defence and MRO Division provides a complete portfolio of services ranging from aircraft development,

manufacturing and sales, through maintenance, general refurbishment and service-life extension, to modernisation and modification all aircraft systems including flight testing, training of personnel and integrated logistics support. As an aviation manufacturer with world-class quality, Aero did not hesitate to join risk-sharing programmes, where it shares responsibility for the development of complete aircraft. Thus, the company takes on the risk incurred by the whole programme. The latest such project involves cooperation on the KC-390 multipurpose transport/tanker aircraft, which can carry eighty passengers, three Humvees or one completely assembled Pandur armoured personnel carrier. Aero is responsible for the development and production of the wing leading edge and production of the rear fuselage section, all doors and the cargo ramp. This is one of the most extensive, internationally significant collaborative projects in the history of the Czech aerospace in-

dustry. That this project is a success is evidenced by the maiden flight of the KC-390, which took place at the beginning of February this year. Another major project being undertaken by Aero Vodochody is the development of the new L-39 Next Generation jet trainer. The L-39NG project takes the best features of the legendary original L-39 Albatros and adds a range of modernisations and upgrades. The new plane has a more powerful engine, lighter weight, improved performance (speed and range), lower fuel consumption, advanced flight systems and a number of new structural elements. Aero is thus making use of the space that is opening up on the market as the original L-39 and other training aircraft become obsolete. ■

Ladislav Šimek
President

AERO Vodochody AEROSPACE

A winning combination: GE Aviation and Czech manufacturing

GE Aviation Czech acquired part of the assets of Walter Engines in 2008 and concurrently began operations upon transferring production to new facilities in Prague-Letňany, thus building on the Czech Republic's longstanding tradition of development and manufacturing of turboprop engines. Thanks to the direct involvement of GE Aviation, the world's biggest aircraft-engine manufacturer, it was possible to incorporate a range of new technologies, materials and processes into the original design of the Walter M601 engine, leading to European and American certification of the new GE H80 engine in 2012. Thanks to these innovations and successful penetration of new markets such as the United States and China over the past six years, annual production has increased to 100 units of the H80 engine and its high-performance H75 and H85 variants. Expressed in figures, production grew by 30% last year in comparison with 2013, with annual turnover of roughly CZK 1 billion (approx. EUR 37 million). We expect production to increase further in 2015, with turnover reaching CZK 1.2 billion (approx. EUR 44 million). With its L-410 transport aircraft, the Czech

company Aircraft Industries remains the biggest customer for locally manufactured GE turboprop engines, though US-based Thrush Aircraft, manufacturer of the Thrush 510G agricultural aircraft, is becoming an increasingly significant buyer. At the same time, development is underway on completely new aeroplanes powered by our engines, such as the Chinese CAIGA AG300 in the biz-prop class. A large group of future customers involves projects involving the re-engining of existing aircraft with our engines in connection with the Supplemental Type Certificate. An example of this is the retrofitting of L-410 aircraft with GE H75 engines carried out by AirTec in South Africa, which gained GE Aviation Czech the Exporter of the Year award in 2014. Another example is Nextant G90XT with H75 replacing competitor's engines. At the same time, the company is maintaining a stable number of general overhauls of the original M601 engines, which are in use around the world in approximately twenty types of aeroplanes. GE Aviation Czech ensures full availability of replacement parts, engine overhauls and maintenance interventions. Support is provided directly from Prague or via the company's exten-

sive global network of service centres. Strong emphasis is being placed on the continuing innovation of the H80 family of engines, including the development of a new gearbox with a lower number of propeller RPM, which will contribute significantly to the reduction of cabin noise. This gearbox is undergoing flight testing this year. The second major development project is a completely new electronic engine-control unit, which will greatly increase pilot comfort. Though a large part of components is currently manufactured in the Czech Republic, the company is finding partners and subcontractors abroad to supply parts including key engine components. For the future, we anticipate continuing growth in deliveries of the H80 family of engines for new applications as well as growth of our engine portfolio. Thanks to the quality and capability of Czech workers, preserving the tradition of engine manufacturing in the Czech Republic will remain a priority for us. ■

Zdeněk Soukal
Executive Director and Sales Manager
GE Aviation Czech

Frentech Aerospace: Czech industry in orbit

Sector Focus



When the Czech Republic joined the European Space Agency in 2008, the door to not only the world but to the universe was opened to the Czech company Frentech Aerospace, a supplier for the aviation and space industry with roots stretching back to 1994. This led to the start of cooperation with new partners in the Czech Republic as well as realisation of a number of projects with the leaders of the European space industry. In recent years, this successful Czech company has added to its "trophy case" contracts on, for example, supply of so-called SPACE mechanisms – Solar Array Deployment Mechanism for the IRIIDIUM NEXT project, Cryostat Structures for the MTG (Meteosat Third Generation) project and J-BOOM for the JUICE project, which is being implemented in cooperation with a consortium of Czech firms, three members of the Czech Space Alliance and two other firms that are striving to assert themselves in the space industry. Within this alliance, the company is also working to build up the space industry in the Czech Republic as an extremely demanding discipline requiring very capable technicians and engineers as well as a

highly skilled workforce and the willingness of firms to accept new challenges, invest and take on "healthy" risks. For Frentech Aerospace, this involves not only a fundamental expansion of international cooperation including collaboration on major European projects, but also substantial

strengthening of exports and gaining of much valuable experience including assurance of achieving return on its investments. ■

*Pavel Sobotka
Executive Director, Frentech Aerospace*

Solar Array Deployment Mechanism for IRIIDIUM NEXT

This is the largest commercial project being implemented in the Czech Republic. A total of 500 mechanisms will be manufactured for use in 81 satellites. Frentech Aerospace is responsible for manufacturing and testing these mechanisms, which ensure the opening of solar panels in orbit. The company is collaborating on this project with Thales Alenia Space.

Cryostat Structure for the MTG project

This project involves supplying highly robust gold-plated titanium cryostat structures. Frentech Aerospace is responsible for design review, all qualification processes, production, assembly in the conditions of an ISO5 clean room, and testing. The company is collaborating with Thales Alenia Space also on this project.

J-BOOM for the JUICE project

This is the first major space project entrusted to Czech industry and involving the cooperation of a consortium of Czech firms. It is a very complex undertaking on which Frentech Aerospace is collaborating with LK Engineering, 5M, SERENUM and the Aerospace Research and Test Establishment. The customer is the European Space Agency. The project involves design, simulations including thermal simulations, development and manufacturing of mechanical structures and composite materials, and testing. The objective of the project is to deliver a MAG Boom qualification model on which will be placed instruments for measuring physical quantities in proximity to Jupiter.

Zodiac is flying high with Airbus



Located in Plzeň, Czech Republic, Zodiac Galleys Europe is a major supplier of aircraft interior components and equipment for the Airbus A320 family. In particular, the product range includes galleys, stowages and class dividers for single-aisle airliners (A320 family) and galleys and crew rests (LDMCR – lower mobile crew rests) for long-haul liners (Airbus A330). The Zodiac Galleys Europe production facility in Plzeň was founded in 2001 as a subsidiary of Driessen Aerospace Group. In the first three years of its existence, our facility was focused on production of modules for Bombardier and Siemens trains. Since 2004, the Plzeň facility has manufactured aircraft interiors exclusively. In 2008 Driessen Aerospace was acquired by Zodiac Aerospace, one of the global leaders in aircraft interiors and equipment, with more than

30,000 employees worldwide. Three years later, Zodiac Galleys Europe was awarded a major contract by Airbus to supply all galleys for its best-selling A320. The purpose of this contract was to transition from a highly fragmented and customised product to a standard and pre-certified galley that Airbus would impose on all airlines.

As a result, Zodiac Galleys Europe has achieved an 80% share of the A320 market and will reach 100% by 2017. The production rate will follow Airbus requirement that could be up to 50 aircraft per month in the coming years. In order to achieve this challenging target, Zodiac Galleys Europe has doubled the size of its Plzeň operation to 750 employees in the past three years and has established a production plant in Tunisia. The Tunisian facility manufactures bonded structures which are then completed

and finalised in Plzeň before being delivered to Airbus's final assembly line in Hamburg. Zodiac Galleys Europe is continuously investing in research and technology and new developments in order to bring innovation to the market and stay far ahead of the competition. The company's latest success is a new combined galley and lavatory concept that enables installation of an additional row of passenger seats at the rear of the aircraft. The benefit for airlines consists in additional revenues and this concept has been selected by Airbus, again on an exclusive basis, guaranteeing the Plzeň facility continuous growth in the coming years. ■

*Ondřej Svatoň
Head of the Programme Management Office
Zodiac Galleys Europe*

Economic recovery in Britain generates opportunities for new business and investment

Great Britain was hit hard by the financial crisis at the end of the last decade. After a period of painful adjustments, the economy grew by 2.6% in 2014, which was the fastest growth rate among major European countries last year. The positive outlook is spurring companies to look for investments and growth opportunities, and the Czech Republic is uniquely placed to benefit from both.

The United Kingdom has recently survived some serious challenges to its economic and political stability. These include mounting national debt in the aftermath of the financial crisis and a brush with dissolution of the country, which was narrowly averted when Scottish voters expressed their will to remain part of the Union in a referendum in September 2014. Despite all these challenges, the country's GDP grew by 2.6% in 2014 and will retain the growth trajectory even in the face of weak demand in continental Europe.

The current British government is facing an election contest in May 2015. Its record on lowering the country's debt and reforming public finances remains patchy, but its broad economic policies are viewed positively by the private sector. The government's priorities lie with increasing competitiveness, maintaining a favourable business climate in areas where Britain is strong, such as financial services, and actively supporting the rebalancing of the economy towards manufacturing.

Most importantly, current UK government policy stresses internationalisation of business and exploration of new markets closer to home. Aware of the relative underrepresentation of British companies in Central and Eastern European (CEE), the British trade and investment agency, UKTI, launched a massive effort to promote opportunities for both trade and outward investment among businesses as part of the national GREAT campaign. British businesses are

encouraged to actively take advantage of investment opportunities abroad, which in turn will open new possibilities for open economies in the broader neighbourhood, such as the Czech Republic.

Technology rules

Britain's sophisticated economy is a fertile breeding ground for technological innovation, particularly in the field of software development. The country is, however, facing talent shortages and those skilled programmers who are available command some of the highest salaries in Europe. The pressures of the market taught nimble companies to operate internationally from a very early stage and to create remote teams

and services. LogicaCMG (now part of the CGI Group), Financial Express and FNZ are just some examples of technology leaders in their respective areas of specialisation that came to Brno from the UK. The companies were attracted by the city's potent mix of entrepreneurial spirit and talent pool, which has been spurring the city's advance in innovation rankings. Brno featured in Virgin's selection of Europe's top five tech cities in 2015 and has also repeatedly placed in the top ten Cities of the Future in CEE according to fDi Intelligence.

The city of Brno benefits not only from three major universities constantly supplying the market with qualified graduates, but also from a major development programme which has

“ Brno featured in Virgin's selection of Europe's top five tech cities in 2015 and has also repeatedly placed in the top ten Cities of the Future in CEE according to fDi Intelligence. ”

in places where they can access local talent at a favourable price.

One such centre of activity is the city of Brno. With a small airport offering direct flights to England and less than a two-hour drive from three European metropolises (Vienna, Prague and Bratislava), the Czech Republic's second city has become a popular choice for international investors in the last five years, capturing the lion's share of new projects in software development

been underway for some years now. Annual investment in the city and the surrounding areas hovers around a hefty EUR 450 million, split between private enterprise, national and local government and the EU. The recently built Czech Technology Park, located in the vicinity of the prestigious Brno University of Technology, is home to some of the best domestic technology companies such as Y-Soft Corporation, a print-management solutions provider, as well

The most significant British investors in the Czech Republic

Investor	Sector
Barclays Bank	Software + IT services
Dixons Carphone Group	Retail + shared services
FNZ	IT
Centillion Environment & Recycling Ltd.	IT
Edwards Vacuum Systems	Manufacturing
Ricardo	Automotive
CGI Group (formerly Logica CMG)	IT
Smiths Medical	Medical devices
Vodafone	Telecommunication
Tesco	Food and tobacco

Source: CzechInvest, 2015

as to international players such as IBM, Motorola and the UK telecoms giant, Vodafone. Of no less importance, the city boasts roughly 400 research and development companies, many of which are spin-offs from local and foreign universities.

Serving the world

Czech-British business relations are burgeoning particularly in the fast growing business support services industry. Britons are no strangers to consolidation of corporate business functions and their companies have been setting up shared-services centres and outsourcing processes all around the world. Those looking to service multiple European areas from one location often look to the Czech Republic. The centralisation trend is a global one, as it allows companies to benchmark and improve their processes. Czech-based centres often gain prominence within larger multinational structures due to their excellence. Leaders that are considered trendsetters in this area include the British Dixons Carphone Group and the domestic OKIN BPS, based in Brno and Ostrava respectively.

The BSS industry employs more than 55,000 people in over 200 centres concentrated in university cities across the country. Easy access to qualified staff with multi-lingual capabilities is the biggest factor drawing companies to set up their centres here. Nearly 80% are captive shared-services centres, with outsourcing playing a comparatively small part. Services are often delivered as part of a global delivery model, where centres in various parts of the world

operate seamlessly to deliver optimum results. The fact that the Czech Republic is in the GMT+1 time zone helps immensely with workflow organisation, particularly when serving advanced Western economies.

“ Czech-British business relations are burgeoning particularly in the fast growing business support services industry. ”

One of the key advantages of the Czech business support services market is the low attrition rate, which averages 8%. This reflects the traditional employee loyalty which is a part of Czech culture and also the fact that the local market is not overheating. This sector is considered a key investment opportunity for British companies and interest has remained high in the past five years.

Made to last

While the dominant nature of services in the United Kingdom's economy is reflected in the footprint of British companies established in the Czech Republic, there are many who have come to benefit from the excellent manufacturing tradition and location at the doorstep of many leading European OEMs.

In 2013 Smiths Medical Group opened a new manufacturing site in Hranice na Moravě in an effort to simplify its global supply chain and improve customer service. The company's decision was strongly influenced by its requirement for a strategic location with access to major European motorways, qualified workers and an

advantageous cost/value ratio. The company is based near two other major British manufacturers, John Crane and Edwards Vacuum Systems. Edwards chose the Czech Republic for one of its two global manufacturing centres in connection

with its worldwide corporate restructuring. A particular area of mutual interest between Britain and the Czech Republic is the automotive sector. Czechs supply vehicles for the consumer market in the UK and components for the revived British car-making industry. Famous luxury brands including Bentley feature components from Czech factories while UK-based engineering companies, such as Ricardo in Prague, provide design services for Skoda and other OEMs. The highly sophisticated British manufacturers can benefit from the Czech Republic's efficient market practices shaped by some of the world's most demanding carmakers, while applying their experience with designing globally successful automotive solutions. There is clearly room for expansion of British high-tech manufacturing into the Czech Republic. Judging by the success of existing investors, the links forged between the two countries are made to last. ■

Michal Mravinač
Director of UK and Ireland Operations
CzechInvest



Focusing a global business in various markets

Growing a company across markets globally is not a simple task, but it's definitely a rewarding one. In six years, we expanded from our headquarters in the Czech Republic to 11 offices worldwide with employees of over 30 nationalities. Our client roster features more than 2,500 companies globally, including over half of the Global Fortune 500 list. As a social media analytics and marketing company that's focused on providing brands with benchmarks and competitive intelligence, we don't find our global standing out of the ordinary at all. In fact, when it comes to social media and many other industries, being "global" comes naturally. But with global growth comes a unique set of considerations. Through this growth, it's been extremely important for us to retain our core culture while also embracing the opportunities and differences that vary from country to country. In particular, the UK has been a very interesting and successful region for us. As a Czech-based company, our presence

in the UK has been on the whole very well received. Many companies are used to dealing predominantly with US-based SaaS vendors, so being from the Czech Republic has been a welcome differentiator for us. We also have a great story behind the expansion of our business, which has resonated well with clients and prospects.

Being based in the Czech Republic has come with its fair share of advantages. To have the same operation based in the UK or elsewhere would be considerably more expensive, so we've seen great success with our business model. It allows us to scale and innovate faster, delivering outstanding value for our clients without compromising our own resources.

The UK is a very mature market and, as a result, it's also quite crowded. You have to be working with well-known brands, products and people to succeed in this space. Contracts in the UK tend to be quite lucrative and, accordingly, require more resources to execute and finalise. The Czech market is smaller but valuable; it's

nimble and fast moving.

With that said, we see many similarities when it comes to the people we're doing business with in both markets. You'll be dealing with tech-savvy, progressive clients in both the UK and the Czech Republic. In our case, we've seen that this leads to a welcome challenge for us to continue innovating and optimising our business.

The UK is one of Socialbakers' largest markets, where there is a real appetite for our products. It hosts some of the largest global companies and we are happy to count many of these amongst our clients. Our UK business is continuing to grow steadily, and we expect 2015 to be a very successful year as companies seek advanced social analytics. ■

*Jan Rezab
CEO and Co-founder
Socialbakers*



Dixons Carphone: success through change

Winston Churchill once said, "To improve is to change; to be perfect is to change often." These last few years have been a game changer for Dixons Carphone. We have gone from being two struggling retailers, Dixons Retail and Carphone Warehouse, that were considered outdated and doomed by the media, to one company, Dixons Carphone, which has become a star of the London Stock Exchange. Part of the transformation was the establishment of our shared-services centre in July 2007 in Brno, where Dixons Retail was looking to leverage the abundance of talented university graduates available at a very competitive cost. The story fortunately did not end there, and today we have more than 400 FTEs providing finance and accounting, IT and HR services to our group businesses across Europe. The success of the Dixons Carphone shared-services centre is partly due to the support we

have been given by the Association for Foreign Investment, CzechInvest and the Ministry of Industry and Trade of the Czech Republic. The local business environment is easy to operate in and very predictable, which makes it easy for us to make long terms plans for our business in the Czech Republic.

The shared-services centre has enabled Dixons Retail to standardise its service offering, optimise resource usage across teams and implement best practices across the group, and it has become a centre of excellence for key finance processes such as purchase-to-pay and order-to-cash. We are also growing our IT development capabilities and we are today developing and supporting the online trading platforms for crys.co.uk and pcworld.co.uk.

The shared-services centre has become an integral part of our business and gives us a competitive edge in the marketplace. On top of the benefits of a highly scalable, flexible, educated

and skilled workforce, we are providing our group annual savings of more than GBP 8 million per year.

To continue to provide high-quality services to our group companies, we are investing heavily in developing our people. This year, we will spend GBP 65,000 on training and development, including having 50 employees going through the ACCA programme to become qualified accountants.

The central location of Brno and the Czech Republic gives us access to all of the main business languages that we use in Dixons Carphone, including more than 20 native Scandinavian speakers. Brno is in the heart of Europe, with three international airports within a ninety-minute drive and daily direct flights from Brno to London. ■

*Petter Frisell
Head of Finance Shared Services
Dixons Retail SSC*

Václav Havel Airport: We're changing to meet passengers' needs

Over 11 million passengers pass through the gates of Václav Havel Airport Prague every year. This figure is expected to grow further in the coming years. It has been estimated that the largest Czech airport is going to handle up to a million passengers more over the course of the next three years.

What has been the airport operator's reaction to the positive development trend in the aviation industry and what changes have been planned to take place at the airport? We asked Jiří Petržílka, a member of Prague Airport's Board of Directors, responsible for economics, controlling, and commercial activities.

Firstly, it is important to note that we still expect to achieve positive operational results despite the partial decline in passenger numbers to destinations in Russia. Working with air carriers, we have been able to keep expanding the network of regular scheduled connections from Prague. This summer season, the greatest number of new destinations will be added to our schedule in recent years. The increased passenger numbers entail more complex requirements with regard to the airport services and commercial products offered, as well as linked services, such as onward transportation. Therefore, we have been actively involved in negotiations with the offices responsible for improving the traffic situation. We have prepared, together with Prague City Hall and Prague Public Transport Company, improvements to the connection between the airport and the city centre, linking the airport with the new A-line Metro stations. As a result, it will be possible to get from the airport to the city centre in 30 minutes. In this regard, our standing is actually really good when compared to selected competing airports. Realising that this convenience costs only 32 CZK, will help you appreciate the unparalleled nature of the product. Such differences are often the points which appeal to both passengers and the airport's potential business partners.

Focusing on the airport's commercial activities, which steps are you planning to take in this area?

We wish to keep working equally on two key objectives – to keep increasing our passengers' satisfaction and facilitating the growth of non-aviation business revenue. Our goal is to provide passengers with services with great added value

at adequate, i.e. market-accepted, prices. We wish to cover the entire process through which passengers go from a business point of view – from the moment they start thinking about purchasing airline tickets or travel packages to the time they travel to the airport, check-in, make final purchases at the airport shops and enjoy gastronomic services there, focusing also on their return and trip back home. To be specific, we are working on improvements in the parking department, aimed at increasing the already high quality of our product and enhancing its sale and communication practice. For example, passengers are seldom aware that by using the online booking option they can park at one of our parking facilities from 790 CZK a week. I believe that this is an unparalleled product when compared to other airports but also, most importantly, to our local competitors. In the retail business, launching a brand new concept of "walkthrough" duty free shops is planned. It is a completely unique concept in the Czech Republic, but a highly effective one in terms of sales.

Next, we wish to focus on the gastronomic services, currently not completely well-perceived by passengers, primarily regarding the "value for money" parameter. It is an unfortunate truth that Prague Airport has very limited ways of influencing the pricing policy of restaurant operators. Nevertheless, we have engaged in a series of negotiations with our business partners regarding pricing structures and the quality of products and services provided in order to improve the quality/price ratio. We want to promote conditions which will allow the majority of passengers to enjoy the offers of one of the airport restaurants. We are now in the process of negotiating future co-operation with established, successful

chains to serve as examples of quality at fair prices. We are also responding to our customers' secondary needs. E.g., we have initiated the launch of the "take-away" option for those who spend the minimum amount of time at the airport. We also wish to adjust the opening hours of the establishments and to expand the range of Czech-made products available to passengers. The constant development of the airport lounges has also been among the new trends pursued by the airport. Ordinary passengers may still be unaware of this service, but I am convinced that the quality of services provided is of a very high level. We are one of the few airports which ensure the provision of premium services in co-operation with strong global brands, such as MasterCard, Erste Premier and CITIbank. I will even claim that the VIP Service Club CONTINENTAL, the proverbial icing on the cake, is one of the best in Europe, helping us to stay true to our motto: "Once you try our services, you will never want to fly any other way."

What else have you planned for passengers?

Among other trends, we want to ensure that passengers feel really good at the airport – not only thanks to the quality of the services provided, but also as a result of the airport's environment. At the same time, we wish to reinforce the positive perception of our country and its capital city and, possibly, of other interesting Czech cities. Therefore, we have decided to locate objects featuring motifs of Prague and the Czech Republic around the airport's premises. This is one of the many examples of changes planned for the near future with the goal I stated at the beginning of this interview: To increase our passengers' satisfaction. ■

Zlín: A small region with big plans

Basic data

Total population:	586,299
Population density:	149.2
GDP:	7,538 (EUR mil.)
Share of GDP of CR:	4.9%
Average unemployment rate:	7.7

Source: Czech Statistical Office, 2014

Located in the east of the country on the Slovak border, Zlín is the fourth smallest region of the Czech Republic. Its capital, the city of Zlín, is connected to the highway network via the R55 expressway. The region is also served by an electrified railway connecting it to Austria and Slovakia to the south and Poland to the north. It is within reach of the public international airport in Brno-Tuřany and two smaller, private airports in Otrokovice and Kunovice.



The city centre of Zlín

Economy and industry

The region's economy is based primarily on a processing input raw materials and semi-finished goods. Per-capita gross regional product amounted to CZK 329,403 (approx. EUR 12,200) in 2013. In terms of the structure of local entities, the Zlín region's economy is composed mainly of small and medium-sized enterprises, though natural persons comprise the largest group in the regional registry of economic entities. However, the region is also home to a number of larger companies with more than one thousand employees, such as Continental Barum, Tajmac-ZPS, ON Semiconductor, Česká zbrojovka, Slovákcké strojířny and Fatra, among others. The most significant regional population and commercial centres include the cities of Zlín, Otrokovice, Napajedla, Uherské Hradiřte, Kunov-

ice, Staré Město, Valařské Meziřičí, Vsetín, Kroměříž and Rožnov pod Radhořtem. The Zlín region is characterised by its historically strong manufacturing industry. Today, a major role in the region's economy is played by rubber and plastics production, tyre manufacturing, the chemical industry, mechanical engineering, wood processing, shoemaking, ICT and electronics, and the dynamically developing aviation sector.

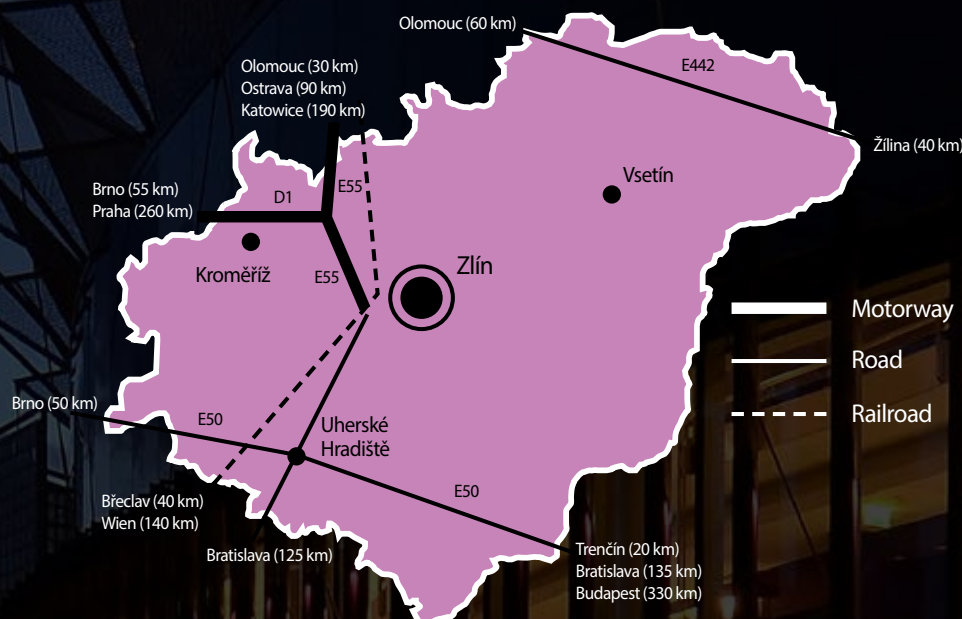
The rubber and plastics industry has long held a strong position in the region and has enjoyed extraordinary growth in recent years thanks to its connection to the automotive and electrical-engineering industries. However, this growth can also be attributed to the ever increasing use of rubber and plastic products in other key areas of industry, such as food production, construction, power engineering and furniture manufacturing.

Another important factor in the development of this sector in the Zlín region is the presence of high-quality infrastructure for research and development, which is represented by two institutions: the Plastics Cluster and Tomáš Bařa University with its Faculty of Technology and recently opened Centre of Polymer Systems.

Mechanical engineering remains a fundamentally important part of the region's industrial base, as it comprises a broad field of production ranging from steel structural elements and forged parts to machine components, hydraulic systems and machine tools.

Leather and shoe manufacturing is undoubtedly the oldest and most recognisable industrial sector in the Zlín region. Shoemaking has been a characteristic feature of the region since the late nineteenth century, when the world-famous

Transport infrastructure



entrepreneur Tomáš Baťa (1876-1932) established here the company that still bears his name. However, the impact of global economic factors has led to a shift from large-scale manufacturing to boutique shoe production. Focused primarily on processing meat, non-perishable and frozen products, the food industry has long been a significant component of the Zlín region's economy. ICT and electrical engineering are characterised by strong innovation potential and high value added, while the construction industry is represented in the region by several major companies. Finally, it is necessary to also mention the rising positive impact of the region's aviation industry, which features outstanding manufacturers and service providers, as well as the Moravian Aerospace Cluster associating aerospace firms and educational institutions with the purpose of bolstering the sector's development in the local environment.

Education

The Zlín region's education infrastructure is composed of 257 elementary schools, 16 high schools, 67 secondary schools, and 10 higher professional schools. In terms of the number of graduates, economics and administration and mechanical engineering are the dominant secondary-school study programmes terminating with a leaving examine. Other offered fields include electrical engineering, telecommunications and computer technology, technical chemistry and chemistry of silicates, leather and shoe manufacturing, and plastics processing, among others. In programmes terminating with a vocational certificate, mechanical engineering and machine manufacturing, gastronomy and construction have the largest number of graduates. There are two universities in the Zlín region. Located in the regional capital, the public Tomáš Baťa University has six faculties offering bachelor- and master-level programmes in humanities, natural sciences, arts and technical fields. The university is a centre of high-level science and research on the national and, in some respects, international scale. With approximately 11,300 students, TBU ranks among the mid-sized universities in the Czech Republic. The region's other university is the European Polytechnic Institute in Kunovice. Other universities are present in the region through branch facilities.

Innovation potential and R&D

The Zlín region has growing science and research potential, which is evident in the high-quality equipment and expansion of the public and private institutions that comprise the local

innovation infrastructure. The region is above average in the number of entities conducting research and development, mainly in the commercial sector. Successful innovative firms are most common in the plastics, aviation, mechanical-engineering and electrical-engineering industries, as well as in the ICT, armaments and metallurgy sectors. The business sector is the prevailing source of financing for research and development in the region, as it covers nearly two-thirds of the total volume of spending. One-fourth of R&D funding is provided by the Czech government.

Cultural characteristics

Zlín takes a great deal of pride in the legacy of brothers Tomáš and Jan Antonín Baťa,

It was their intention to transform Czechoslovakia into the Switzerland of Central Europe. Unfortunately, this dream was never realised, as Tomáš died in an air crash in 1932 and Jan Antonín was forced to flee the country prior to the Second World War and the subsequent imposition of communism. He eventually settled in Brazil and never returned home. The communist regime nationalised the Baťa business empire and suppressed the brothers' story. After the fall of communism in 1989, however, their legacy was given its due and today the Baťa name is the cornerstone of Zlín's identity. The Zlín region is a popular tourist destination due to its numerous natural, cultural and historical monuments. Nowhere else in the Czech Republic can one find another

“ Shoemaking has been a characteristic feature of the region since the late nineteenth century, when the world-famous entrepreneur Tomáš Baťa (1876-1932) established here the company that still bears his name. ”

who were instrumental in the city's rapid development prior to the Second World War. The small village and its surrounding areas were transformed in an advanced industrial agglomeration with the development of not only the shoemaking industry, but also mechanical engineering and aviation. The Baťa shoe company was a significant part of the Czechoslovak economy at that time and expanded throughout the world. Today the Baťa brothers remain very popular figures in Czech culture thanks to their discipline and visionary approach.

single area that offers mountains, landscape architecture, spas, vineyards, remnants of the Great Moravian Empire of the ninth century, a number of religious monuments and historically valuable structures, including Baťa-style functionalist architecture. ■

Daniel Hajda
Director, Zlín Regional Office
CzechInvest

MAC: Pushing the envelope in Moravia



The Moravian Aerospace Cluster was established in 2010 with the purpose of associating aviation firms, specialised suppliers, service providers, firms in related sectors, and educational and non-profit organisations in the region of South Moravia on the basis of a common interest in developing the competitiveness of the Moravian aerospace industry. As an effective instrument of economic growth, the cluster has the task of supporting the innovation efforts and exports of its members, collaborating with educational institutions in preparing and developing human resources, creating an attractive business environment for investment, providing targeted support for the research and development base and creating conditions for maximum use of synergies involving the production and development potential of the associated organisations. In carrying out its activities, the cluster cooperates closely with CzechInvest, the Association of Aerospace Manufacturers of the Czech Republic and the Light Aircraft Association. The cluster has been acquiring and developing contacts since its establishment. Thanks to involvement in the Bridging East West for Aerospace REsearch (BEAWARE) project, the cluster's members meet with members of clusters and universities from France, Germany, Poland, Italy, Great Britain, Spain, Lithuania, Romania and Slovakia. The objective of the BEAWARE project is to strengthen cooperation between aerospace firms, research institutes and universities in Western and Eastern Europe. ■

*Marcela Sapáková
Chairwoman of the Executive Board
Moravian Aerospace Cluster*

Members of the Moravian Aerospace Cluster

Aircraft Industries – the biggest manufacturer of transport aircraft in the Czech Republic. The company's main product is the 19-seat, twin-turboprop L-410 operated in more than 50 countries.

EVEKTOR – provider of design and development work in the aviation and automotive sectors. The company developed the twin-turboprop EV-55 Outback, which is currently undergoing certification.

Evektor-Aerotechnik – manufacturer of the EuroStar and SportStar lines of ultralight aircraft with a distribution network covering more than 40 countries and more than 1,300 aircraft sold.

JIHLAVAN airplanes – manufacturer of all-metal SKY-LEADER ultralight aircraft.

První brněnská strojírna Velká Bíteš – firm specialising in development, production and maintenance of small combustion turbines for use in aviation.

MESIT přístroje – developer and manufacturer of electronic devices in the area of aviation: fuel-gauge systems, equipment for monitoring aircraft wiring systems, power converters, thermal cells, electronic jet-engine performance regulators, etc.

JIHLAVAN – partner for development, production and MRO of hydraulic components and systems for aviation.

UNIS – aviation and advanced control division: developer and manufacturer of aircraft electronics (avionics, ECU/FADEC) and control systems for critical applications.

5M – developer and manufacturer of composite parts for the aviation industry. The company focuses primarily on special and demanding applications.

Alucast – manufacturer of aluminium castings.

Česká zbrojovka, SBU Auto & Aero – manufacturer of reductor and drive components and assemblies, including general overhauls for the aviation industry.

KOVOVÝROBA HOFFMANN – designer and manufacturer of moulding machines, body components and subassemblies for the automotive and aviation industries.

ZNOJEMSKÉ STROJÍRNY – CNC machining of parts weighing up to 35 kg with maximum length of 1.8 m.

Ray Service – comprehensive production of cable assemblies, electromechanical assemblies, electronic equipment and cable components.

C.S.O. – precision machining, especially of aluminium alloy. Use of sophisticated technologies and CAD/CAM enables the company to achieve outstanding quality and precision.

IMOPRA – precision machining of parts for the automotive and aviation industries. The company designs and tests production technologies and ensures production of prototype parts.

VR Group – developer and manufacturer of training simulation systems and related advanced M&S technologies for training pilots and vehicle crews, weapon systems and tactical preparation of crisis-management units and elements.

TECMOS – technical calculations in mechanical engineering including strength, fatigue and dynamic analyses of aircraft structures using of FEM and standard analytical methods.

EDLINE – specialist in translating specialised technical texts; creation and processing of technical documentation pursuant to ČSN EN 62079, ATA 100 and other standards.

Brno University of Technology, Institute of Aerospace Engineering – education in the area of aerospace, research and testing of aircraft and aviation technology. Departments: Aircraft Design, Air Transport and Flight School.

Tomáš Baťa University in Zlín – The university's Faculty of Technology and Centre of Polymeric Systems comprise a top facility of international significance in the area of polymeric materials.

Secondary School of Aviation – preparation of category A, B1 and B2 aircraft maintenance technicians.

Uherské Hradiště – one of the largest school in the Zlín region, in addition to the education of pupils implements the training of corporate employees in technology, hospitality and healthcare.

Czech Republic well suited for investments in the **chemical industry**

The chemical sector is one of the most important branches of industry in Europe. Eleven of the world's thirty countries with the largest share of chemical production in GDP are in Europe. The sector employs 1.2 million people in the European Union with revenues in excess of EUR 500 million. The chemical industry in the Czech Republic has more than a 12% share of the country's manufacturing industry. In terms of revenues, it is the third biggest sector in the Czech Republic. Sales in chemical industry reached 22 billion EUR in 2012.

Selected chemical companies in the Czech Republic

- | | |
|---|-----------------------------|
| 1 MOMENTIVE SPECIALTY
CHEMICALS, Sokolov | 7 SPOLANA, Neratovice |
| 2 UNIPETROL, Litvínov | 8 Synthos, Kralupy |
| 3 ČESKÁ RAFINÉRSKÁ | 9 SYNTHESIA, Pardubice |
| 4 SPOLCHEMIE, Ústí n. L. | 10 PARAMO, Pardubice |
| 5 LOVOCHEMIE, Lovosice | 11 DEZA, Valašské Meziříčí |
| 6 ČESKÁ RAFINÉRSKÁ | 12 BORSODCHEM MCHZ, Ostrava |



The products of Czech chemical industry include inorganic and organic chemicals, fertilisers, basic petrochemicals, primary-form plastics, synthetic resins, synthetic rubber, paints, dyestuffs and pigments, agrochemicals, pharmaceuticals and cosmetics, soaps and detergents, chemical fibres and explosives. Rubber and plastics represent the biggest share of sales (about 40% of 2012 figures), followed by chemicals (31%), refined oil products (24%) and pharmaceuticals (5%). In the Czech Republic, the chemical sector is a significant part of industry especially in terms of its standing as a producer of input materials for other industrial sectors and for agricultural production. The chemical sector's share in employment is not negligible, as it employs more than 100,000 people, accounting for approximately 2% to 4% of the country's total workforce.

In the past 25 years the industry has been gradually modernised in all major aspects and environmental performance has reached the highest standards. The industry is a crucial supplier of raw materials for a number of downstream domestic industries. It also ranks

among the industrial sectors with the highest innovation potential.

Several Czech chemical plants (Deza, Lovochemie, Precheza, Synthesia) are owned by Agrofert, a domestic holding company focused mainly on fertiliser production, though foreign investors also play a significant role in the local chemical industry.

Česká rafinérská is engaged in oil refining and is a joint venture of two shareholders – Unipetrol (Orlen Group of Poland) and Eni of Italy. Both of these companies have their own filling-station chains in the Czech market. The Orlen Group is the majority owner of two other production complexes, Unipetrol in Litvínov (petrochemicals and refinery products) and Spolana in Neratovice (polymers and fertilisers). The Polish firm also owns another major plant near Prague, Synthos in Kralupy nad Vltavou (synthetic rubber). The Hungarian firm Borsodchem manufactures base chemicals at its plant in Ostrava in the northeast of the Czech Republic, while Momentive Speciality Chemicals engages in similar production in the west of the country. Most large chemical production complexes in the Czech Republic contain sufficient space

and facilities for a reasonably large investment in this industry. Plants are equipped with everything to which investors are accustomed in similar cases – production areas with process utilities at the boundary of the site and integrated safety measures for the entire complex. Furthermore, the relevant authorities are familiar with the issues that arise in connection with projects in the chemical industry and can thus respond flexibly to the needs of investors. There are numerous examples of successful foreign investments in the Czech chemical industry, such as those of Cayman Pharma (API production) in the Spolana complex, Eurosupport Manufacturing (catalyser production) and Air Products in the Unipetrol Litvínov complex and Dukol (adhesives production) at the Borsodchem facility. The Czech Republic has tremendous potential as a destination for investments in the chemical industry thanks to its infrastructure and workforce, as well as the space that it has available for such investments. ■

Jan Bobek
Business Development Director
Tebodin Czech Republic

Investors, take note: The Czech Republic is flying towards a better tomorrow

A small country in the heart of Europe – this is the Czech Republic. Should you invest here and, if so, why? The latest edition of the PwC CEO Survey helps to answer that question.

Business in the Czech Republic is looking forward to a better tomorrow and top managers see the 2015 in a positive light; they are planning to grow. According to the survey, more than 80% of Czech CEOs expect sales to grow.

// According to the survey, more than 80% of Czech CEOs expect sales to grow. The signals are clear. The market in the Czech Republic is ready to absorb new investments. //

The signals are clear. The market in the Czech Republic is ready to absorb new investments.

Czech managers feel confident

Top managers in the Czech Republic are expressing extraordinary confidence about their respective companies' growth prospects over both the short and medium term. This is particularly the case in comparison to the CEE average, which is far below the level of confidence for 2015 expressed by CEOs globally. The results ensuing from the 18th PwC Global CEO Survey, released at the opening of the World Economic Forum Annual Meeting in Davos, Switzerland, and the Czech CEO Survey demonstrate that the Czech market and local firms are ready and willing to face global challenges with strong self-confidence.

The Ukraine crisis did not change our plans

One might argue that sentiment in the CEE is highly influenced by the Ukraine crisis and by the pessimism of Russian CEOs which, in this edition of the survey, is the highest in the world and is mostly justified. However, in 40% of Czech CEOs we see people who are very confident

about their respective companies' revenue growth prospects over the next 12 months. This level of confidence is 39% higher than the worldwide average. The confidence of Czech CEOs is also higher than that of CEOs from, for example, China (36%), Germany (35%), Brazil

(30%), France (23%), Italy (20%) and Russia (16%). Although there are a lot of companies in the Czech Republic that are more or less dependent on eastern markets, particularly on Russia, according to the survey 88% of the companies stated that the Ukraine crisis – including Russian sanctions – did not affect them significantly.

CEOs in the Czech Republic are going to innovate

The sixth PwC Czech CEO Survey shows that, in comparison to last year, the percentage of CEOs who want to innovate has grown. To remain competitive, more than 70% of companies plan to increase the efficiency of current human resources and almost 60% are going to increase the efficiency of current technology. In addition, 70% of Czech CEOs plan to increase investment in digital technologies. Therefore, investors can expect a flourishing innovation environment in the Czech Republic.

M&A opportunities

A suitable way how to enter the Czech market or to multiply business activities could be to take advantage of the greater number of M&A op-

portunities that Czech CEOs expect in the coming year. According to the Czech CEO Survey, 17% of companies plan to complete an ongoing domestic M&A process in the next 12 months and 15% of Czech CEOs plan to enter into a new strategic alliance or joint venture. According to the survey, 25% of companies are going to enter a new significant market during the year.

The biggest threat on the market? It's not a big deal.

According to Czech CEOs, the biggest threat on the Czech market in the following year is the lack of people with a suitable degree of knowledge and capabilities. It is clear that companies anticipating expansion will need more and more qualified people, and here is where the global labour market comes into play. As companies are fighting for the best professionals and managers across the world, it is not difficult to search for employees on other markets. As the Czech Republic is an attractive market for potential foreign employees, there is no problem convincing them to come to work in the Czech Republic.

It seems that the Czech Republic has left the miasma of the crisis and the ensuing uncertainty. Managers are no longer afraid and they feel confident about their future results. The Czech environment is again seeking new business opportunities. ■

Jiří Moser
Country managing partner
PwC Czech Republic

Finance helps aviation projects take wing

Erste Corporate Banking structures its solutions for the aviation industry with respect to the specific needs and requirements of the sector. Companies operating here generally export on a massive scale and expand through development and innovation. A necessary prerequisite for their competitiveness is growth of their capacities in terms of technology and skills. We see our strategic objective in building a partnership with the aerospace industry over the long term.

In the EU, an extraordinary degree of importance is attached, from the macroeconomic perspective, to the aviation industry and aviation in general, i.e.

including air transport, air traffic control, etc. The aviation industry also has a positive impact on the development of other branches of industry thanks to the transfer of quality and of development and production technologies. In coming years, aviation will be one of the most dynamically developing sectors of the EU economy. The Czech Republic's accession to the European Union opened up a number of new opportunities for Czech aviation firms to utilise their potential, human resources and extensive experience with aircraft development and manufacturing for the further growth of this important sector. In the Czech Republic, aviation comprises a major part of mechanical-engineering output. Even though this sector has incurred difficulties in recent years, when production slowed at a number of major companies, Czech firms have managed to shore up their position as a stable part of the supply chains of the biggest global manufacturers. Furthermore, the Czech Republic is one of the biggest European aviation producers and exporters, particularly in the area of sport and ultralight aircraft.

TOP Innovation programme

In order for the Czech aviation sector to grow, it is necessary to have a sufficient skilled workforce as well as development and production capacities and investment in production. As this sector is a key part of the mechanical-engineering industry, aviation firms can benefit from the specialised TOP Innovation programme intended for investment financing of innovation activities. We provide such financing under favourable interest conditions for a predefined period. An advantage of this programme is the possibility to combine the provided financing with any other form of aid from national or European funds, as the interest-rate discount is paid for by Erste Corporate Banking. Specific activities

financed within the TOP Innovation programme include those that are connected with the purchase of licenses, as such activities are common in the aviation industry.

European Investment Fund guarantee programme

Due to the frequent lack of collateral on the part of applicants for innovation financing, Erste Corporate Banking offers guarantees of up to 50% of the given loan amount in cooperation with the European Investment Fund. The maximum amount of financing is limited to CZK 190 million with a seven-year maturity period.

Export financing

According to our estimates, exports account for 75% of revenues earned by firms operating in the aviation industry. Erste Corporate Banking is able to prepare structured financing of sales contracts (domestic and export) using Trade Finance products and state export-aid programmes (insurance provided by the Export Guarantee and Insurance Corporation).

Our export financing solutions include:

- Payment and non-payment bank guarantees
- Import and export documentary letters of credit
- Documentary encashment
- Pre-export credit
- Credit for financing production
- Export financing
- Forms of financing for the purchase of receivables from contracts

Energy savings

Manufacturing companies often do not pay attention to their energy management, which is ineffective in many cases. By using the latest technologies, however, it is possible to substantially reduce energy costs. Therefore, ECB offers analysis of the potential for savings through an

independent technical consultant who helps to set up projects and evaluate providers of technical solutions. At the same time, it is possible to provide electricity via our subsidiary, Erste Energy Services.

Green Energy Global Loan

In cooperation with the European Investment Bank (EIB), we provide the Green Energy Global Loan with reduced interest and a grant of 14% of the loan amount. This loan is intended for financing projects that reduce the energy intensity of small and medium-sized enterprises as defined by the EU. ■

The Green Energy Global Loan is used for financing projects in industry and non-residential buildings including, among other things:

- technology lines and equipment with lower energy intensity;
- insulation of outer walls, window replacement, replacement of existing heating sources with heat pumps or biomass boilers, lighting replacement, replacement of air-conditioning units, installation of co-generation units, installation of efficient energy metering and regulation systems;
- in the case of renewable sources of energy: installation of solar water-heating systems, installation of photovoltaic panels on buildings and biomass boilers.

Forms of financing:

- investment loan up to the amount of EUR 12.5 million;
- loan maturity period of at least three years;
- loans provided in CZK or EUR.

Petra Pařízková
Head of Specialized Programs Dept.
Erste Corporate Banking

M&A in the Czech Republic

CzechLink

The CzechLink project was launched by CzechInvest to facilitate mergers and acquisitions in the Czech Republic by creating a pool of companies actively searching for foreign investors. The project is designed for local companies of all sizes in the manufacturing and IT industries that need capital for further expansion or whose owners are considering leaving the business. In order to participate in the project, companies need to undergo a business review by CzechInvest, including financial analysis based on the company's performance over the past five years. The data enables us to match the investor's needs and find a suitable acquisition target. CzechInvest is in direct contact with foreign strategic and financial investors that wish to expand their activities in the Czech Republic through mergers, acquisitions or joint ventures. Since 2011, over 60 local companies in various sectors of the Czech manufacturing industry, including the aerospace or automotive sectors, have participated in the project. The current list of participants is available on the CzechInvest website. Participation in the CzechLink project is free of charge. ■

The AFI's role in M&A

The Association for Foreign Investment is a non-governmental non-profit organization focused on support for foreign direct investment. Since its establishment in 1996, the AFI has comprised a group of renowned Czech and multinational firms providing services for investors on the Czech market as well as services focused on the export of investments abroad. The AFI supports foreign investors also in acquisitions and joint ventures with its partners in the Czech Republic. We are able to identify suitable targets, seek out partners and recommend leading advisory firms that are also AFI members. We fulfil the role of intermediary between the public and private sectors. The AFI is active in a broad range of sectors including industrial manufacturing, advanced technologies, R&D, commercial real estate, energy, infrastructure, the chemical industry and hospitality. The Association closely cooperates with the national investment and business development agency CzechInvest, the Ministry of Industry and Trade and various other public and private institutions. ■

How are purchase prices set?

In an acquisition of any company through a purchase of shares or stock, both parties to the transaction are primarily concerned with the purchase price. In this respect, transactions carried out in the Czech Republic are no exception. The basic problem is how to set the purchase price when concluding a transaction in the course of the financial year, where from the accounting perspective there is no "fixed point" that would serve as a foundation for determining the purchase price based on the company's ordinary economic indicators. A more traditional solution is to agree on a preliminary purchase price in the contract, which will subsequently be adjusted based on the company's next financial statements. The parties concur on the rules for this calculation and the process for resolving any disputes that may arise, usually through a so-called neutral auditor. The purchase price thus is not certain at the moment of signing the contract and the seller bears the economic result of the company (positive or negative) in the period between the signing of the contract and preparation of the next

financial statements. Furthermore, the buyer, who already controls the company during this interim period, has the possibility to influence the accounting procedures and, for example, revalue certain accounting items whose previous valuation it does not agree with, thereby influencing the subsequent adjustment of the purchase price. A compromise can consist in preparation of extraordinary financial statements as of the moment of the actual handover of the company (so-called closing accounts), though this further increases the transaction costs.

A second option is to determine the purchase price based on the company's most recent financial statements. This procedure is called the locked-box mechanism. An advantage of this is that the purchase price in the contract is firmly set and it is not necessary to negotiate a complicated formula for calculating its subsequent adjustment, thus saving transaction costs. In this case, the company's economic result for the period since the last financial statements were issued is borne by the buyer, which can be but is not necessarily an advantage. In order for

the buyer to know that the company has not undergone any fundamental changes since the last financial statements were issued, the parties generally agree on a catalogue of legal acts that can be executed during the interim period only with the consent of the buyer, whereas legal acts carried out under normal business conditions are permitted. The seller is fully liable to the buyer for other instances of drawing funds from the company that are not thusly permitted. Whether the parties choose either of the procedures described above or a different procedure, it is clear that they should focus considerable attention on the purchase-price calculation embedded in the contract and that not only the attorneys preparing the transaction documentation but also the economic and tax advisors of both parties should be consulted. ■

*Ondřej Havránek
Partner, Weinhold Legal*

*Vladimír Petráček
Attorney, Weinhold Legal*

M&A from the HR perspective: good communication is the foundation



Companies are under growing pressure to reduce margins, raise efficiency and accelerate innovations. They are compelled to produce more with the same or smaller amount of human resources. One of the trends related to this is the growing concentration of firms. At a time when people are increasingly sensitive to changes and rising pressure, it is ever more difficult to manage a merger on the personnel side so that the transformation does not have a critical impact on the business or on the company's image. Shutting down operations, transferring certain activities to external suppliers or eliminating a department always involves cutting a number of jobs. This has its pitfalls for which it is wise to prepare ahead of time.

For outgoing employees, it is necessary to find a practicable way to terminate their employment. Thus begins a period of heightened demands on the managers who are implementing the changes and handling this part of their role in a professional manner is fundamentally important for a smooth transition. Increased attention must be focused on the remaining employees from whom the required output is expected. It usually happens that distorted information is disseminated within the company, causing uncertainty, decreased motivation and the departure of crucial employees who would not have been

affected by the planned change. The key aspect is management's professional and timely communication about the change and during the change. This communication must be consistent, unambiguous and respectful to the outgoing employees. However, the company must communicate equally intensively with those that it will continue to employ. In connection with a planned restructuring or implementation of a change, it is ideal to plan a programme aimed at retention of the remaining employees, involving them in the implementation of the change as well as directly and indirectly assuring them that the company intends to keep them on. Failure to properly handle communication causes a breakdown of motivation throughout the firm and those with the best prospects on the market can pull up stakes even though the change does not affect them. Suitable communication regarding the change is quickly and easily trainable and positively colours the experience of everyone involved – outgoing employees who appreciate the fairness shown to them, managers who enhance their professional skills, and the remaining employees, who perceive and value the quality of their employer at a time of difficult changes. ■

Jiří Halbrštát

*Marketing & Communications Manager
ManpowerGroup*

Debts must be paid

I have dedicated the last 10 years or so to the buying and selling of companies. In this time, I've come across so many myths and urban legends that it would take hundreds of articles to cover them. However, some of these, such as ignoring company debt, crop up with reliable regularity. From the buyer's point of view, the target company is essentially a black box. No one knows what is actually inside; often, no one really cares. The only important thing is what the box costs and how much cash it generates annually. Still, one thing remains key – how much the box owes. Indeed, before the box starts generating cash for the buyer, its debts have to be paid. So the value (and thus the price) of a purchased company is contingent on the amount of its debt. And here is where a stumbling block arises. How much does the box/target company actu-

ally owe? Some debt items are relatively easy to identify. These include bank loans, overdrafts and shareholder and other similar loans. Others, such as future lease payments, are less obvious. Systematically unsettled trade payables, whether they are nominally overdue or only have long maturity periods, can also represent hidden company debt. Yet another category is made up of various longstanding liabilities, e.g. from environmental damage to the grounds of a purchased company or pending litigation. A purchased company can also be undercapitalised, and obsolescent fixed assets can be another form of company debt. Similarly, the target company may lack sufficient working capital, whether due to trade payable arrears, deliberately depleted inventories in anticipation of the company's sale or the use of forfeiting services.

One of my personal favourites is deferred tax payable. Most investment bankers do not understand this concept because it is purely an accounting matter and so depends entirely on which party you are representing. From the seller's point of view, deferred tax payable does not exist. From the buyer's perspective – unsurprisingly – it does.

The debt of a target company at the time of its acquisition is a complex matter to which careful attention should be paid, as the discharge of this debt will lie exclusively with the buyer, while the seller may already be long gone, having decamped for the Bahamas or who knows where. ■

Petr Kříž

*Head of the Mergers and Acquisitions Department
EY*

What is the investment potential of Ostrava area?

Ostrava is the capital of the Moravia-Silesia region and the third-biggest city in the Czech Republic. It is a dynamic city which, thanks to its attractive profile, has become a popular destination for a wide range of international companies seeking to invest in Central Europe. A central element in the City of Ostrava's development strategy is its long-term close cooperation with investors located within our region. This proactive approach has helped the city to achieve excellent ratings from both Standard & Poor's and Moody's.

Our region offers state-of-the-art facilities at the newly built Ostrava-Mošnov Multi-modal Logistics Centre. Forming part of the Ostrava-Mošnov Strategic Industrial Zone, this ultra-modern complex represents a unique opportunity for investors wishing to take advantage of its strategic location in the heart of Central Europe. Situated just 15 miles south

of downtown Ostrava next to an international airport complex, the strategic industrial zone covers an area of 200 hectares, with 62 hectares still available for new investors. The zone offers excellent access to national and international road, rail and air infrastructure, with direct links to the nearby high-speed road and rail network. Ostrava's Leoš Janáček International Airport is the only airport in the Czech Republic with a rail link; it has its own rail terminal, connected to the main airport building via a covered walkway. The range of public transport services connecting to the airport means that the industrial zone can be easily reached by people living in Ostrava and the wider region; this has helped to boost the zone's potential even further. These major infrastructure investments ensure that Mošnov can provide everything that modern investors require – quick and easy transportation of materials and

finished products, as well as easy access for employees including a comprehensive regional public transport network. The zone's overall appeal is further enhanced by an adjacent business and enterprise park covering an area of 30 hectares, with premises for small and medium-sized businesses plus office space to let. The region's unemployment rate (around 10%), low wage costs and strategic location give Ostrava strong potential for growth in the upcoming years. Situated at an international crossroads in the very heart of Europe, Ostrava is a magnet for manufacturers and logistics companies drawn to the region by the presence of the many global corporations that have set up their operations here. ■

Tomáš Macura
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How should one choose a PR agency in the Czech Republic and which mistakes should be avoided?

Communication with stakeholders is an integral part of every company's operations regardless of sector. If you have decided to use a professional PR agency for this purpose on the Czech market, you should know that it is not advisable to underestimate the importance of preparation and evaluation in the tender process. If you do underestimate it, there is a risk that you will have to initiate a new tender in six months.

At the very beginning, you must have a clear idea of what you expect from the communication agency. Your entire management team should concur on the objectives, on which the tender requirements should be based and expressed clearly and simply. Ideally, the tender will be a multi-round process.

Careful pre-selection of the companies that you invite to participate in the tender should be a matter of course. This requires only a few hours of work on the internet: on each company's website, you can learn its history, who stands behind it and who its key consultants are, as well as the firm's competencies and the clients

for which it works or has worked. If possible, it is good to become familiar with the work produced by the agencies, such as campaigns and printed materials. It can also be beneficial to look into whether the given agency has been connected with any scandals. An advantage is membership in the Association of Public Relations Agencies, which is open only to firms that comply with the PR code of ethics (though of course this does not mean that all agencies outside this association act unethically). It is certainly worthwhile to seek out a firm with experience in the sector in which the client operates, though that can sometimes be a problem. PR agencies take great care to avoid conflicts of interest. To use an example, if an agency works for Boeing, it will not accept a commission from Airbus. If an agency does not have prior experience with a given field (i.e. it has not yet had such a client), a member of its team (internal or external) who is familiar with the given area can demonstrate the agency's capability. Do not demand that a PR agency should

promise you that it will ensure publication of a certain number of articles in the media, and do not choose an agency that makes such promises. Do not start out favouring a particular agency only because it is the cheapest. Equally important are the factors that do not appear in the bid, by which I am not referring only to information that you can find on your own, but rather feelings, impressions and mutual affinity, for example. Before making the final decision, do not forget to bring together at one table everyone who will be directly communicating with each other. If they share the right "chemistry", the result will be significantly better. Conversely, if the counterparts do not get on well with each other, then that can absolutely destroy the good efforts of either side. ■

Jan Klíma
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What role do brands play in the real estate business?

Real estate marketing plays a key role in real estate asset management and development. The initial concept for a project – whether in the retail, office or logistics sector – also involves detailed planning for the design, brand and communication strategy. Therefore, we place strong emphasis on branding in our property portfolio.

This policy has proved to be an advantage in all areas of our business, both in development and asset management, since it not only allows for a fast roll-out to a number of countries, but also guarantees uniform quality standards and a high degree of recognition for our customers. From our residential brand BUWOG, which has been successfully spun off, to Deutsche Lagerhaus and LOG CENTER, which stand for our logistics activities in Germany and Eastern Europe, we can already point to numerous successfully established brands with which we are

also expanding further in our core countries. In the retail sector, we have already launched two successful brands with our new VIVO! shopping centres and our STOPSHOP retail ware-house chain. Regarding STOPSHOP, we already have more than 50 locations in Central and Eastern Europe, including ten in the Czech Republic. While further expansion is planned in Poland, in particular, we are also preparing our first STOPSHOP sites in Romania and Serbia. As for our office buildings, we apply our brand policy via the “more than office” concept. Here, the headline reads: the customer comes first. Our aim is to increase our services for customers and potential tenants by offering them more than just space in our buildings. In the Czech Republic, this approach is represented by our two prestigious office refurbishments in Prague, Jindřišská 16 and Jungmannova 15. Both of them benefit from their premium

location in the heart of the city centre and the unique combination of historical elements with new parts and state-of-the-art technology. However, attractiveness does not end with the architectural design. On the contrary, we offer an addressing, comprehensive service package. To put it briefly, tenants appreciate a clearly defined brand policy and a large network. Especially retailers require a certain minimum number of sites when expanding into new countries in order to achieve economies of scale. They therefore want a reliable partner and developer to accompany them which is able to quickly implement a roll-out in several countries. Against this backdrop, focusing on a brand-building policy definitely pays off. ■

Dietmar Reindl
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Does the Czech Republic offer a sufficient number of technically educated and experienced specialists for the aerospace sector?

Some employers in the Czech Republic are finding it difficult to fill vacant positions. This problem might affect also the aerospace sector, where employers' requirements for expertise and knowledge are especially high. This trend has led employers and new investors to change their approach to recruitment and to the manner in which they work with human resources, including investing in further training and development of candidates. There are now firms on the Czech market that cooperate with schools and even encourage the founding of new academic departments. For example, one of our key clients collaborated with a vocational school in bringing about the establishment of a logistics department whose graduates will precisely fulfil the client's needs.

A number of firms are investing time and money in building training and testing centres for the purpose of creating their own sources of specialists, who will become long-term employees. Investors and new employers entering the Czech labour market cooperate on these projects with personnel agencies, which ensure for them operation and management of training centres, training and testing of candidates, and other support. In regions with a lack of high-quality, skilled workers, the introduction of such training and testing centres substantially increases the odds that employers will find the specialists they need. Employers determine which specific skills and knowledge are offered to candidates and current employees within training blocks. Accompanied by practical

examples, each training block ends with a test, by means of which the personnel agency verifies the knowledge of course participants. The agency then informs the employer of the results and assigns the candidate to the employer on a temporary basis or, as the case may be, the candidate is hired as a permanent employee. With the increasing demands placed on candidates by new investors, more and more firms will have to adopt this method. ■

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ICE HOCKEY the greatest Czech sporting passion

Hardly any other sport reflects Czech culture and history quite like ice hockey does. It was the national hockey team that sent a message of defiance to the Soviet Union with its victories over the Soviet team following the occupation of Czechoslovakia in 1968. The team's Olympic victory in 1998 inspired the opera "Nagano". The team has often brought massive crowds of excited fans into the streets. In short, Czechs love ice hockey.

When the ice hockey World Championship is at stake, the Czech nation – from small children and their mothers on maternity leave to top managers in corner offices – has no other concern. In restaurants, shops and municipal mass transit, the Czech team's roster, tactics and health of its players are analysed in detail. Czechs are unbelievably proud of their hockey prowess. When we look at the numbers, it's easy to see why. Hockey players from this small country in the middle of Europe manage to regularly beat squads from such hockey powerhouses as Canada, the United States and Russia. A number of Czech players have reached the heights of ice hockey abroad. For example Jaromír Jágr, and legendary goalie Dominik Hašek have left an indelible mark on the NHL. In the modern era, the Czech national hockey team has won gold medals in six World Championships (1996, 1999, 2000, 2001, 2005 and 2010), one silver (2006) and four bronzes (1993, 1997, 1998 and 2011). The Czech Republic is second only to Canada in the number of World Championship medals won by its hockey team. However, the team's greatest triumph came in the 1998 Winter Olympic Games in Nagano, Japan, which was the peak and the symbol of the golden age of Czech hockey. That the Czechs were considered underdogs at the start of the tournament made their eventual gold-medal finish an even greater achievement.

Musketeers with Hockey Sticks

The Czechs' love of ice hockey dates back to 1908, when the Czech Ice Hockey Association was established. At that time, the country was part of the Austro-Hungarian Empire, where hockey was played mainly by eleven players

with a round ball and sticks similar to umbrella shafts. However, this form of the sport was soon pushed aside by the Canadian version of ice hockey – more or less the sport as we know it today. The International Ice Hockey Federation was founded that same year, so the Czechs have played a role in the official history of ice hockey since the beginning. In 1909, the Czech team played its first international match in Chamonix. The seven-member squad, dressed in sweaters and riding breeches, later acquired the nickname "Musketeers with Hockey Sticks". Though the Czechs lost every match in that first tournament, they took the gold medal in the European championship only a year later. Ice hockey's path to becoming the nation's number-one sport was opened.

Great stories of Czech hockey

Societal events and historical milestones have left on Czech hockey indelible marks, and often scars, that have given it a special place in the hearts of many Czechs. The saddest story played out in the 1950s, when the nascent communist regime sentenced members of the Czechoslovak hockey team to lengthy prison sentences as a warning to other successful athletes with plans to emigrate. Another unforgettable event occurred in 1969, when the squad from occupied Czechoslovakia clashed with the Soviet team. On the ice they fought for much more than victory in a hockey match. In protest, several of the Czechoslovak players placed a black band over the five-pointed red star above the lion in the Czechoslovak national symbol of the day. The slogan "Vy nám tanky, my vám branky!" ("You bring us tanks, we bring you goals!") resounded for two unforgettable evenings. The Czechoslovak hockey



players beat the Soviets twice in a row, which had never happened before. Even though they finished third in the championship, they were welcomed home as conquering heroes.

The golden age

For many people in the 1970s, the sport became an escape from the everyday reality of life in a communist country. The Czechs won several medals at the European and World Championships. In 1976 the Czechoslovak team shocked the world with its victory over Canada in the inaugural Canada Cup. Spectators were stunned by the audacity with which the European guests attacked the home team. The Czechoslovak team's performance forever changed the approach to hockey on both sides of the Atlantic. The outstanding results of this era were achieved by a team built around Ivan Hlinka, who later became the head coach of the national hockey team of the independent Czech Republic. On Hlinka's watch, the Czech team reached the Olympic summit in the 1990s. The icing on the cake from the Nagano

games in 1998 remains the fact that the greatest victory in the history of Czech hockey came in the tournament in which NHL players were allowed to compete for the first time. The Olympics had never seen such a strong group of international stars. The team from the little Czech Republic, which of the six seeded teams used the fewest NHL players, took the gold medal. That Nagano was tremendously important to Czechs was made apparent six years later, when an opera of the same name retelling the story of this Olympic victory debuted at the National Theatre in Prague.

2015 World Championship in the Czech Republic

The Czech Republic will enjoy a major hockey holiday in 2015, when it hosts the World Championship for the tenth time from 1 to 17 May. The event was held here previously in 1933, 1938, 1947, 1959, 1972, 1978, 1985, 1992 and 2004. With the exception of 2004, the Czechs have always managed to win a medal when hosting the championship, including three golds, one silver and four bronzes. Of course,

this year's medals are unique in that they are in the shape of a puck made of galvanised metal and Czech crystal, for which the country is well known around the world. The tournament's mascots are Bob and Bobek, characters from a popular series of animated children's stories that first aired at the end of the 1970s and became an essential part of childhood for many Czechs. The pucks will again be provided by the Czech company Gufex, the official manufacturer of pucks for all World Championships as well as for the Olympic Games in, for example, Nagano, Salt Lake City and Turin. The pucks used in this year's World

Championship will bear the Czech colours and will perhaps bring the Czech players a bit of luck in their quest for victory. ■

Iva Fialová
Editor, Czech Focus

Where to go for hockey in the Czech Republic?

- The 2015 World Championship will take place in the Czech Republic from 1 to 17 May. Matches will be held at O2 Arena in Prague and ČEZ Arena in Ostrava. The tournament of sixteen teams will feature not only squads from the traditional hockey powers, but also from France, Austria, Germany, Slovenia and Latvia.
- With the country's fourteen best teams, the Tipsport extraliga is the highest-level hockey league in the Czech Republic, a step above the first league. The teams with the most championships in this league are Vsetín, Sparta Praha and Pardubice. Other successful clubs include Zlín, Slavie Praha and Trinec. The extraliga regular season runs from September to February.

What to taste (and cook) in the Czech Republic?

Guinea Fowl with Mushroom Gnocchi and Mushroom Sauce

4 servings

Ingredients:

Guinea Fowl:

4 guinea fowl breasts
20 g of butter
5 g of thyme

Mushroom Gnocchi:

400 g of potatoes
400 g of Solamyl powder
80 g of all-purpose flour
50 ml of beef stock
30 g of butter
100 g of fresh mushrooms (chanterelle, oyster mushroom, boletus, Shiitake)
2 spring onions
Salt and pepper

Mushroom Sauce:

100 g of dried boletus mushrooms
200 g of cream
50 ml of dry white wine
5 g of thyme
10 g of garlic (sliced)
10 ml of olive oil
100 ml of beef stock

Directions:

Gnocchi:

1. Bake the potatoes with the skins still on in an oven pre-heated to 160° C for an hour.
2. Let cool down, mash, mix with flour, Solamyl powder and make a dough.
3. Roll out strings of dough and cut out gnocchi.
4. Bring enough water to boil, add the gnocchi and let boil for about 2 minutes.
5. Rinse the gnocchi in cold water to form a crust.
6. Chop the mushrooms. Heat up 2/3 of the butter in a frying pan and roast the mushrooms. Add the beef stock, then the gnocchi and let simmer. Add the remaining butter and sliced spring onions.
7. Season with salt and pepper.

Mushroom Sauce:

1. Roast the mushrooms in the olive oil with garlic and thyme. Add the white wine and let boil out.
2. Add the beef stock and reduce to 50% of the original content.
3. Add the cream and reduce to 50% of the original content.
4. Season with salt and pepper, fine blend and strain using a fine strainer.

Guinea Fowl:

1. Season the guinea fowl breast with salt and



pepper and together with the butter and thyme place in a vacuum bag. Then place the bag in a water pre-heated to 62° C and cook for an hour.

2. Remove from water and let cool down.
3. Stir fry in a pan the skin side of the breasts until golden-brown and crunchy.

Serving Tips:

Place the gnocchi and the meat on a plate, cover with the mushroom sauce and if you like spring onions, sprinkle some atop. ■

You can try this and other dishes at Zátisí Group's fine dining restaurants in Prague, www.zatisigroup.cz

James Stoker
President & Managing
Executive
GE Aviation Czech



"I am lucky to live in Prague which is one of the most beautiful cities in the world."

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

There are a lot of things! First, I am lucky enough to live in Prague which is one of the most beautiful cities in the world. When my wife and I first walked around town she described it as being in a "Walt Disney" fairy-tale movie. The countryside is just as beautiful, sprinkled with forests, mountains and of course historic towns and castles.

What was the most surprising for you?

Everyone seems to be in a hurry. I think that is because of two things. One, the Czechs are hard workers (I read they work more hours than other EU countries!) and they really value their free time (family, sports, hobbies), so they minimize travel time in between, which makes them seem in a hurry!

What is your favourite Czech food?

Pork knee is definitely my favourite. Additionally, I love potatoes and there are hundreds of great potato dishes, all of which go perfectly with a Czech beer.

What would you recommend to visit in the Czech Republic?

In order, my top three are (but there is still a lot of the Czech Republic I still need to see!) first Prague's Old Town and Prague Castle, second Český Krumlov and third Kutná Hora.

About my company

GE Aviation Turboprops is a division of GE Aviation, the largest producer of aircraft engines in the world. GE Aviation (>\$20 billion in revenue) is one of the business units of The General Electric Company. Our turboprop division is headquartered in Prague and designs and manufactures turboprop engines for the business and general aviation market. We employ about 400 people. ■

Mikio Tokunaga
General Manager,
Business Promotion
Takenaka Europe



"I was surprised by Czech people's kindness and friendliness towards others."

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

Living in Prague is what I like the most. The scenery is totally different from my home country, Japan, and I sometimes have the feeling that I have slipped back to the Middle Ages. However, the most remarkable point about Prague is that historical build-

ings and modern buildings typified by the "Dancing Building" create a unique harmony together.

What was the most surprising for you?

I was surprised by Czech people's kindness and friendliness towards others, especially young children. When I go out with my young daughters, someone always helps me to bring the baby buggy onto the tram and offers a helping hand with the steps.

What is your favourite Czech food?

My particular favourite is česneková (garlic soup). It highlights the simplicity and daintiness of Czech cuisine; therefore, I try to gauge the quality of each restaurant's food by their česneková. If the taste is not suitable for my tongue (which rarely happens), I simply enjoy the beer!

What would you recommend to visit in the Czech Republic?

All of the Czech lands are beautiful, but my favourite spot is South Bohemia, in the Czech Lake District. It is impossible not to relax beside the water, with the warm sun shining through green leaves. The starry sky that I saw there is the most beautiful sky that I have seen in my life.

About my company

Takenaka Europe is the European subsidiary of Takenaka Corporation, which is Japan's oldest architecture, engineering and construction firm with a 400-year history. We offer various kinds of services and solutions related to construction projects ranging from supporting clients' feasibility studies to planning, design and engineering for both facility and construction management. ■

Katie Schoultz
Group General Counsel
P3 Logistic Parks



"In Prague, I like being at the heart of things."

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

Being at the heart of things: from Prague you can drive to the Alps and the Mediterranean and any European city of your choice. I also appreciate the perspective Czech people seem to have on life, working hard but valuing friends and family, having fun and maintaining a high quality of living mentally, not just materially.

What was the most surprising for you?

Despite the "Bohemian" reputation, the persistently traditional attitudes about the position and role of women in Czech society, meaning in government, business, popular culture and home life, even in younger people. It is a continual source of frustration for me, but at the same time a stimulus for me to speak out. Czech women can, want to and should do more in politics and business especially, and could make great leaders.

What is your favourite Czech food?

Tatarak (steak tartare) with beer.

What would you recommend to visit in the Czech Republic?

The Krkonoše Mountains (wild, with wonderful hiking and skiing), Český ráj (Bohemian Paradise) with its funky rock formations, forests, river valleys and castles, and the Třeboň region fishponds (cycling and peacefulness).

About my company

P3 Logistic Parks is one of the top five European owners and operators of industrial properties, with 2.9 million m² of leasable space and a land bank for development of 1.6 million m². We not only own and develop warehouse buildings, but manage them ourselves as a service provider. We take a personal approach to every client, having the capacity to follow and support them in their business from Madrid to Bucharest. ■

Philippe Michel
General Manager
Zodiac Aerospace



"Český Krumlov and its surroundings are my favourite places."

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

The Czech Republic is a country with a lot of beautiful spots and places to visit or to do activities. And whether you go hiking, cycling or even canoeing, you can be sure you will be able to get a good beer.

What was the most surprising for you?

Czech people like the outdoors. It sometimes seems that almost everyone has a chalupa (cottage) somewhere to get together with the family in the middle of the woods or in the mountains.

What is your favourite Czech food?

Hmm, this is probably the most difficult question. I would be tempted to answer tomato with mozzarella but I will mention the famous pork knee.

What would you recommend to visit in the Czech Republic?

Prague is definitely an awesome place to visit. In the centre, every single house is different and can be a work of art. Český Krumlov and its surroundings are my favourite places.

About my company

Zodiac Galleys Europe is a key supplier to Airbus, especially for the A320 family, which is the world's best-selling airplane. Each year in Plzeň we manufacture in hundreds of galleys to feed Airbus's final assembly line in Hamburg. Altogether, 900 people work for Zodiac in Plzeň and 30,000 worldwide on several other activities, all in the field of aerospace. ■

The Association for Foreign Investment (AFI) is a non-governmental, non-profit organisation representing a group of global and regional firms actively supporting investors and being leaders in their respective fields in the Czech Republic. The AFI focuses on foreign direct investment, export of investments and services, commercialisation of R&D, support for innovative start-up projects and development of the Czech business environment.

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