CZECHINVEST

Investment and Business Development Agency

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Czech Automotive Suppliers and the Attractiveness of Investment Climate in the Czech Republic

13th June 2012

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Sector Specialist of Automotive Industry,
Green Mobility and Electronics

MINISTRY OF
INDUSTRY AND TRADE

AGENDA

CZECHINVEST
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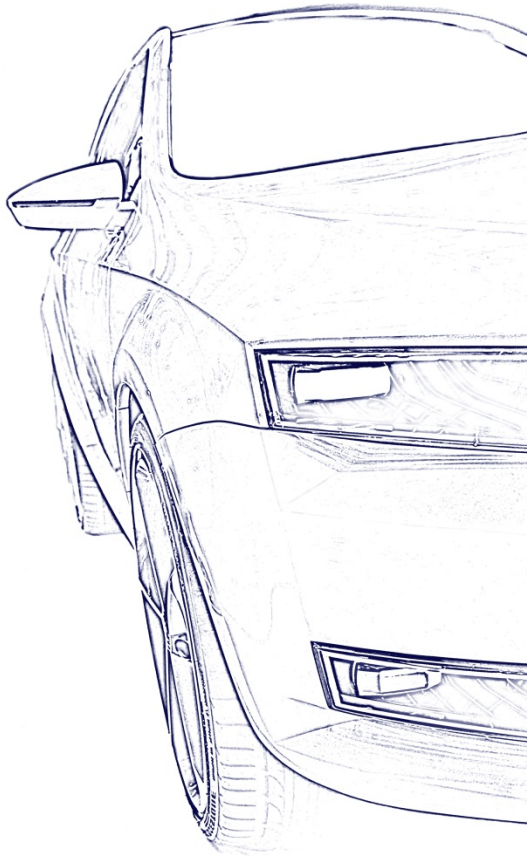
- CzechInvest – short introduction
- Czech automotive industry at a glance
- Sourcing opportunities in the Czech Republic
- Favourable investment climate
- Attractive R&D location



CZECHINVEST AGENCY

CZECHINVEST
Investment and Business Development Agency

Investment and Business Development Agency of the Czech Republic

- *Established by Ministry of Industry and Trade*

Mission:

-- To support foreign direct investment

-- To develop local companies

-- To implement business-development programs

-- To improve business environment

Source: CzechInvest, 2012

CZECHINVEST'S SERVICES

CZECHINVEST
Investment and Business Development Agency

Services for potential investors:

- Information support
- Identification of suitable business properties
- Identification of suitable Supplier/JV partners
- Handling of investment incentives
- Access to EU structural funds
- Liason with government bodies
- Aftercare services

CzechInvest's services are free of charge

Source: CzechInvest, 2012

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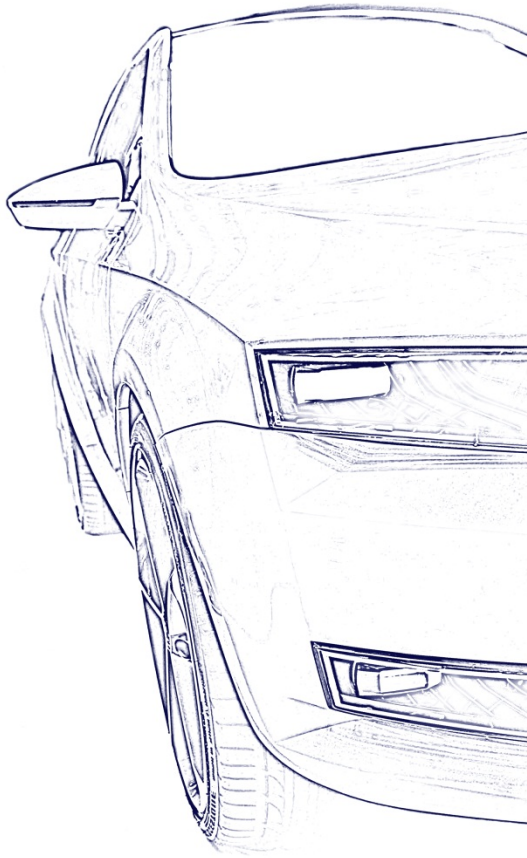

AUTOMOTIVE INDUSTRY IN CEE REGION

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Source: CzechInvest, 2012

CZECH AUTOMOTIVE INDUSTRY

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-- more than 850 companies

-- EUR 32 billion in sales

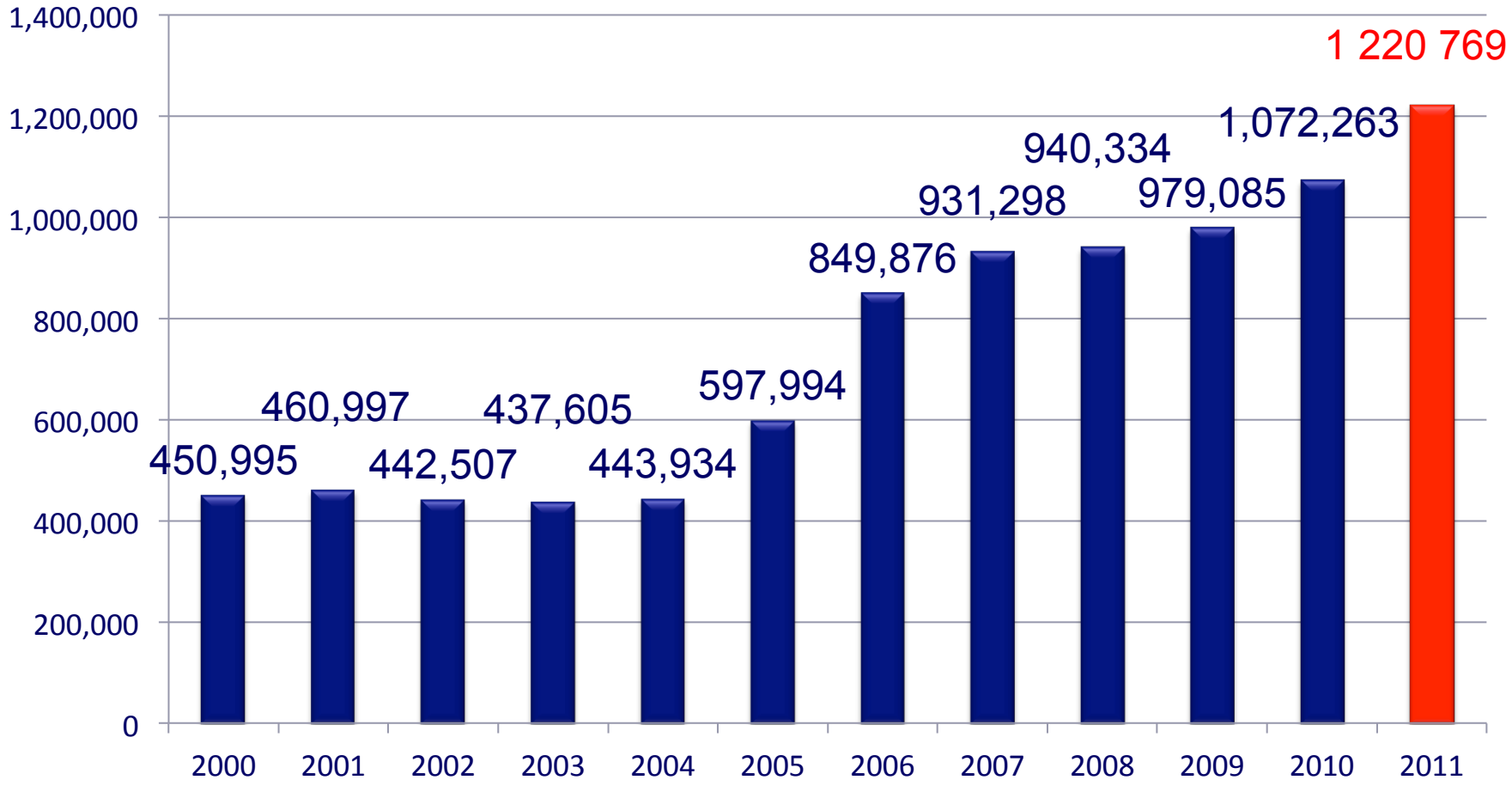
-- more than 20% of both Czech export and manufacturing output

-- more than 260 000 employees

Note: 1 EUR = 24,45 CZK

Source: CzechInvest's Supplier Database and MagnusWeb database, ČEKIA, 2012

CZECH PRODUCTION OF MOTOR VEHICLES



Source: Automotive Industry Association, 2012

AUTOMOTIVE INDUSTRY ASSOCIATION

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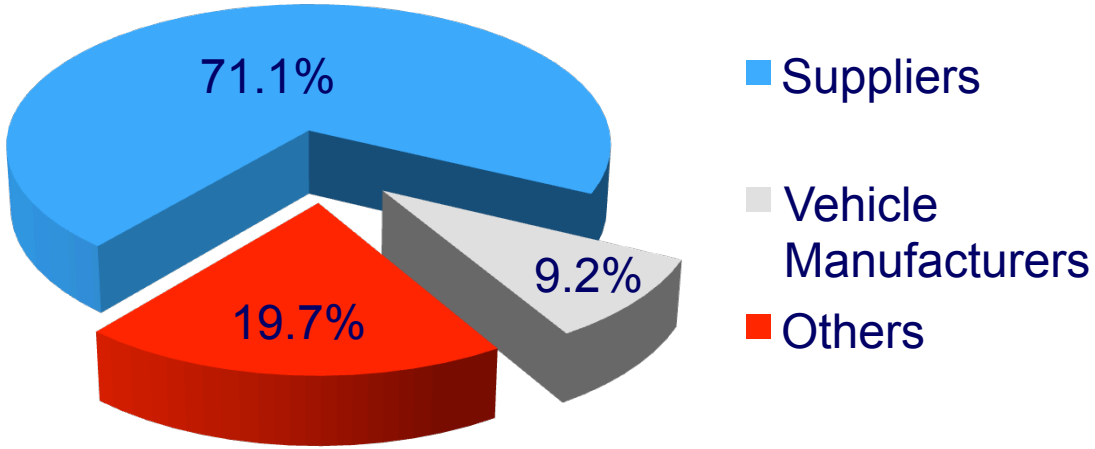
Investment and Business Development Agency

108 members of AIA Supplier division = 73,3% of AIA member base



For more information visit http://www.autosap.cz/

Source: Automotive Industry Association, 2012

MORAVIAN-SILESIAN AUTOMOTIVE CLUSTER

CZECHINVEST
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- **Profile**
  - A network of companies in Moravian-Silesian region that focus on automotive industry
  - 52 members (incl. Continental, Visteon, Brose, Brembo, etc.)
- **Pillars**
  - Coordination of local automotive companies within their **businesses, R&D, testing a HR activities**
  - Coordination of **cooperation** between companies, research institutions, universities and other institutions in both private and public sector
  - Cooperation **with** national and international **partners**
  - **Laboratory** specialized in measurement of noise, vibrations, pulsing and performance of climate systems

CENTRAL EUROPE
COOPERATING FOR SUCCESS.

Source: MAK, http://www.autoklastr.cz/

MORAVIAN-SILESIAN
AUTOMOTIVE CLUSTER

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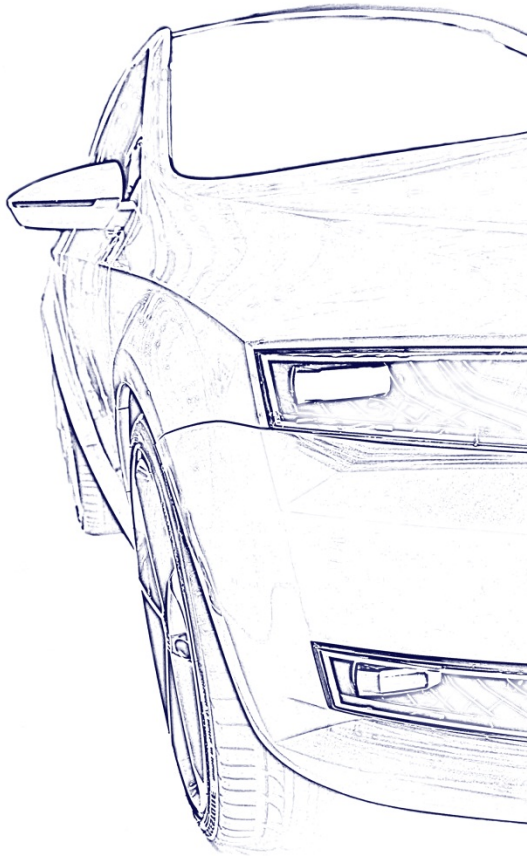

CZECH-BASED TIER 1 SUPPLIERS

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BOSCH
LEAR CORPORATION
BENTELER
tyco
Eberspächer
Dräxlmaier
DENSO
TRW
INTEVA PRODUCTS
EATON Powering Business Worldwide
ALPS
HAYES LEMMERZ
MAGNA
Valeo
JTEKT
TOKAI RIKA
DURA Automotive Systems
RIETER
AISIN
Visteon
TOYODA GOSEI
FUTABA
AGC
Johnson Controls
YAZAKI Vehicle power and data solutions
HELLA Ideas today for the cars of tomorrow
brose Technik für Automobile
KNORR-BREMSE
GRUPO ANTOLIN
Continental
FEDERAL MOGUL
Honeywell
KOITO
HUTCHINSON WORLDWIDE
KYB
faurecia
AL AUTOMOTIVE LIGHTING
BEHR
MANN+HUMMEL
COOPER STANDARD AUTOMOTIVE
TENNECO
SAINT-GOBAIN SEKURIT
Panasonic
MITSUBISHI ELECTRIC
RONAL
KEIHIN
Ingersoll Rand

-- 55 out of Global TOP 100 automotive suppliers are based in the Czech Republic

-- Czech-made components are involved in their products

CARMAKERS USING CZECH SUPPLIERS

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SUPPLIERS IN THE CZECH REPUBLIC

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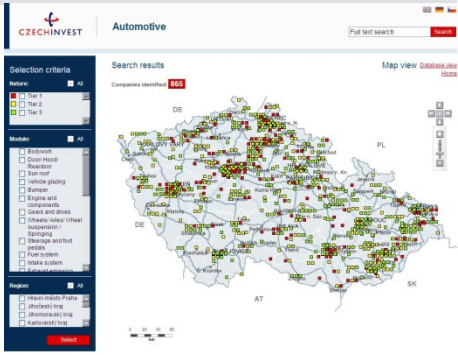
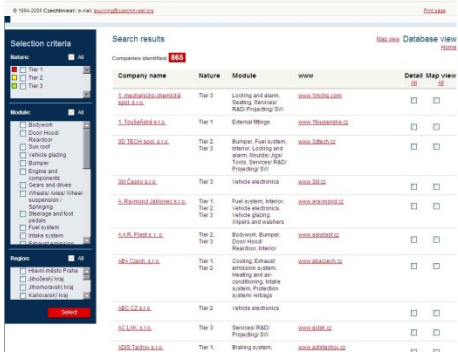
- -- Nearly **900 companies** in the automotive database
- -- Staff in supplying companies: more than 260,000
- -- Listing by various criteria (incl. Tier 1-3)

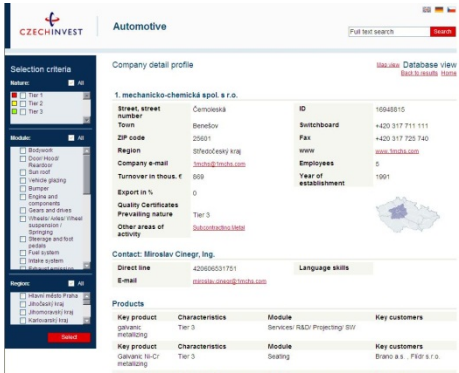
Available on

http://suppliers.czechinvest.org/

Source: CzechInvest, 2012







Carmakers using CzechInvest's automotive supplier database:

PEUGEOT, mazda, HONDA, IVECO, CITROËN, BMW, ŠKODA, TOYOTA, HYUNDAI, NISSAN, VW, CHEVROLET, Mercedes-Benz, DAF, McLaren, Ford, VOLVO

SERVICES OF SOURCING DEPARTMENT

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-- **Feasibility study support for large companies' trading in CZE**

(structure of supplier market, competitivness tests)

-- **Preparation and maintenance of sector database**

(automotive, aerospace, ICT, energy, subcontracting metal and plastics)

-- **Organization of Supplier Forums (B2B event)**

(14 forums since 1999)

-- **Development of connection between local suppliers and investors through information support of foreign trade**

(optimaly selected suppliers)

-- **Search for potential targets for joint-venture and acquisition**

CZECH SUPPLIERS IN CONTEXT OF CEE REGION

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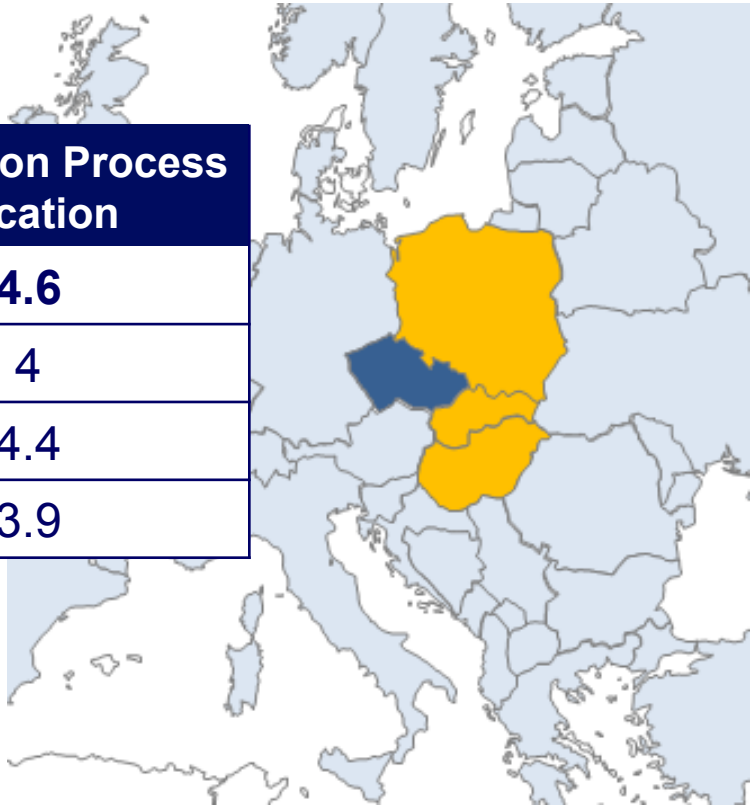
World Economic Forum rating 1-7, 7 highest, 1 lowest

	Local Supplier Quality	Production Process Sophistication
Czech Republic	**5.4**	**4.6**
Poland	4.9	4
Slovakia	4.9	4.4
Hungary	4.6	3.9



Source: World Economic Forum – Global Competitivness Report 2012

PRICE-LEVEL IN THE CZECH REPUBLIC

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Indicator	Value
Minimum Wage (2011)	8 000 CZK (320 EUR)
Average Wage (2011)	24 740 (1000 EUR)
Median Wage (2011)	20 074 CZK (800 EUR)
Median Hour Wage (2011)	125 CZK (5 EUR)
Working Week	42,5 hours
Fuel Price (Petrol/Diesel, 12-month average)	35,31 CZK/Litre
CZK/EUR	24,59 in 2011 25,01 in 2012
PPP index 2010 (Comparative Price Level)	CZE 75,2 GER 104.3

Source: CZSO, Eurostat, CNB

TIPS FOR CZECH SOURCING

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-- Subassemblies including manual or semi-manual work added

-- High demanding technical components (plastics with glass fiber content, stamping including welding, complex parts including tooling, etc.)

Constraints

-- Simple components are imported to region

-- Realistic expectations regarding supplier investments

-- Cost advantage is present, however low-cost is not actual

PARTS FOR CZECH SOURCING

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Group 1: a) tools, moulds, dies,
b) plastics
c) plastical assemblies with high portion of manual assembly

Group 2: a) metal stamping
b) metalic assemblies (weldments)
c) Electronics: PCB Assembly, wire harnesses

Group 3: a) machining
b) aluminium die-casting

Group 4: a) steel casting
b) forgings

Group 5: a) powder metalurgy
b) springs, bolts, screws (except high tension parts)

ASSISTANCE DURING SUPPLIER SELECTION

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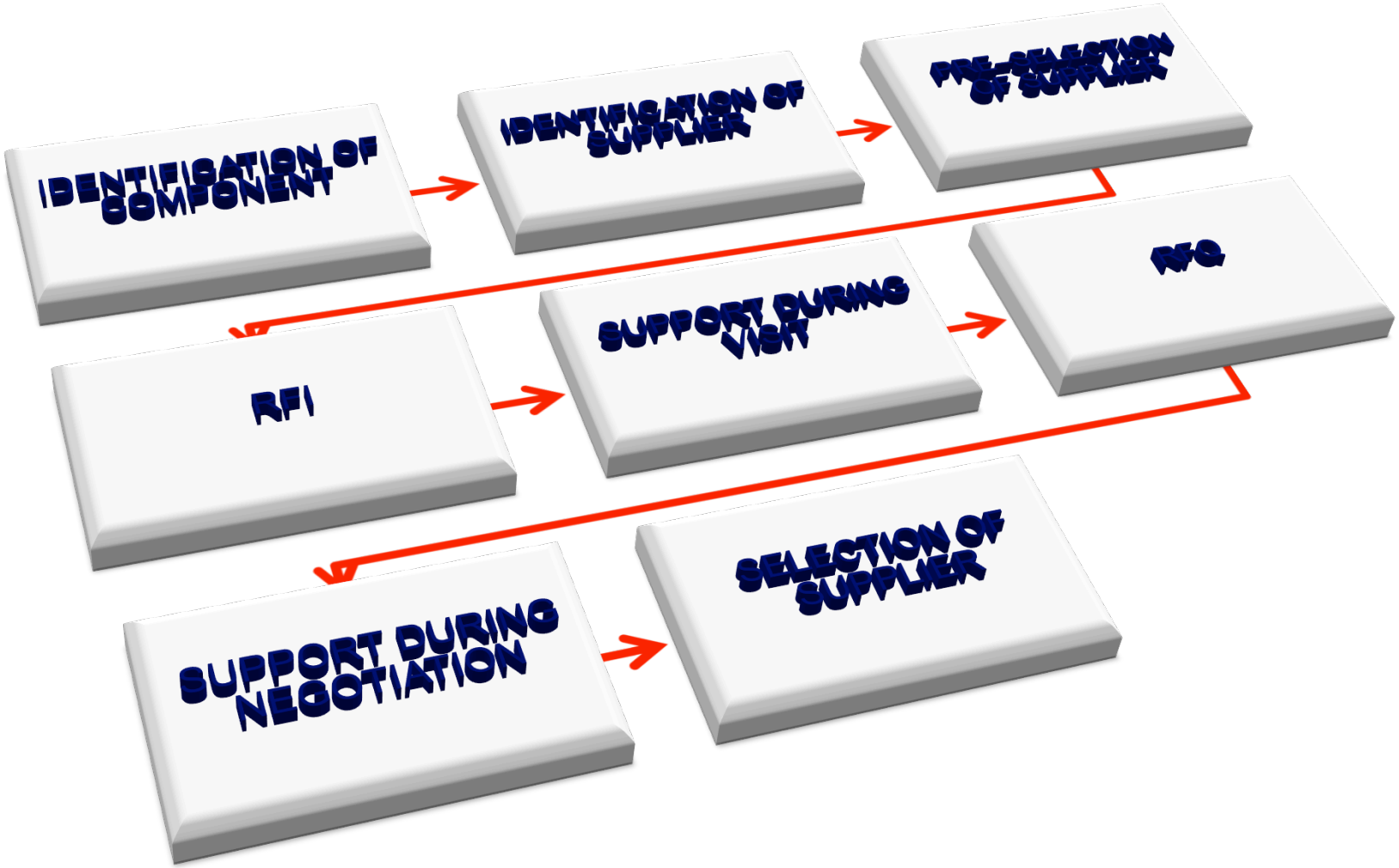

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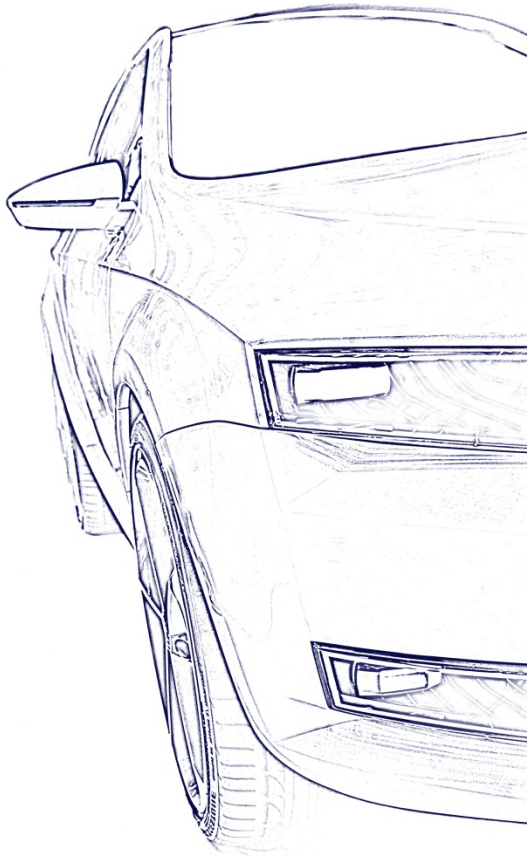

GLOBAL COMPETITIVENESS INDEX RANKINGS

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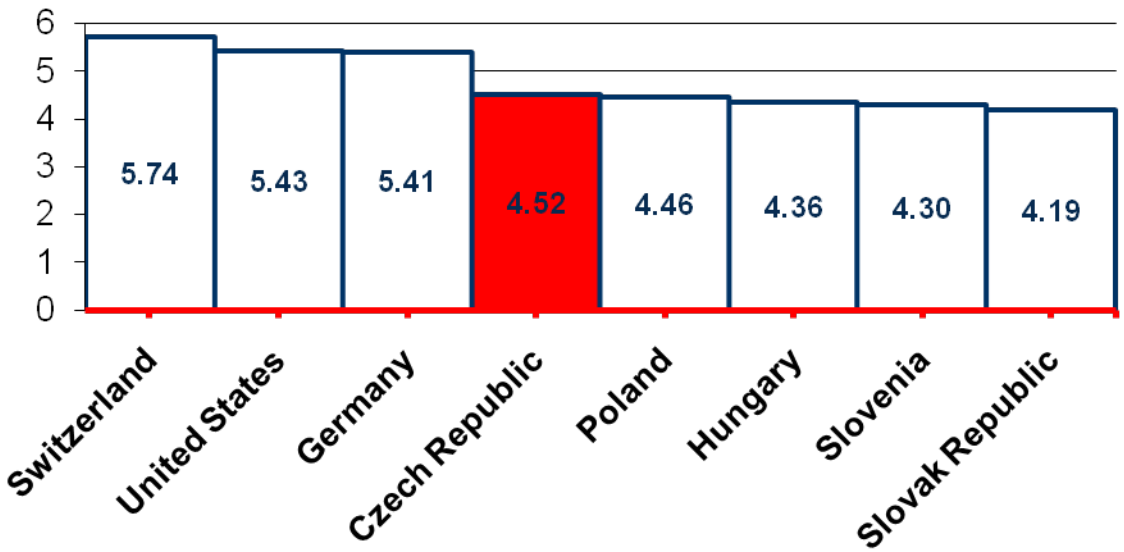
Czech Republic is at the top of the CEE countries in the competitiveness of the world economies

(Global Competitivness Index – GCI)



1st place –

Switzerland (GCI – 5.74)

142nd place (last) –

Chad (GCI – 2.87)

Source: World Economic Forum, Global Competitiveness Report 2011-2012

HIGH VALUE FOR MONEY
GROSS MONTHLY WAGES 2011 [EUR]

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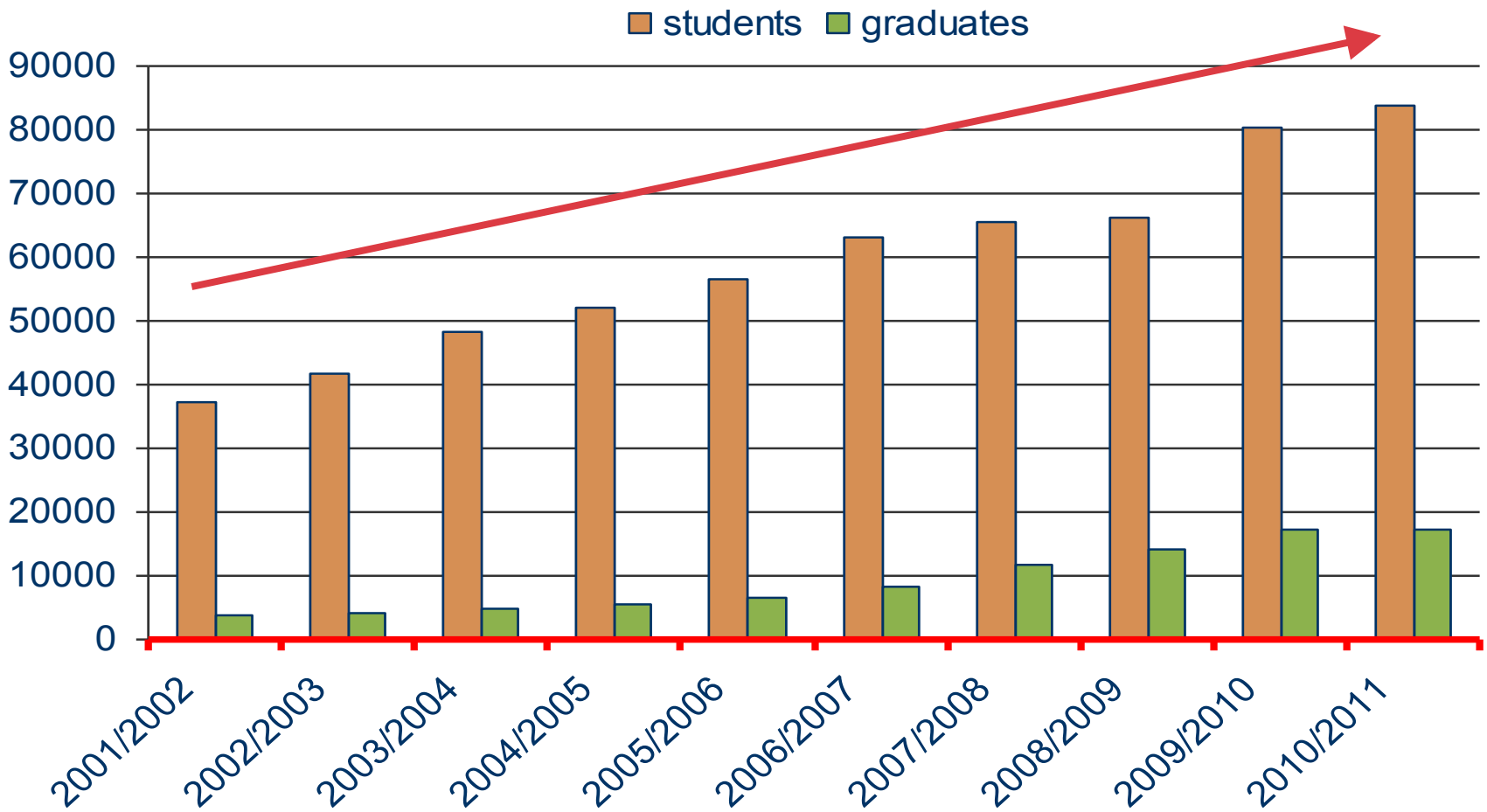
Job position	Central Bohemia Region	Plzeň Region	Ústí Region	Liberec Region	Czech Republic average
R&D managers	2 167	N/A	2 766	N/A	2 220
Manufacturing managers	2 350	2 129	1 540	N/A	1 882
Electrical engineers	1 475	N/A	1 923	N/A	1 557
Mechanical engineers	1 803	1 634	N/A	1 554	1 566
Electrical engineering technicians	1 294	1 154	1 559	1 154	1 210
Mechanical engineering technicians	1 162	1 052	1 192	1 101	1 084
Sheet-metal workers	1 212	N/A	N/A	N/A	897
Welders and flame cutters	1 128	N/A	953	1 006	980
Electrical mechanics and fitters	1 066	887	996	999	924
Mechanical-machinery assemblers	994	N/A	787	921	863
Motor vehicle mechanics and repairers	852	N/A	N/A	N/A	788
Manufacturing labourers	733	677	653	N/A	584

Source: Ministry of Labour and Social Affairs, 2012 Average exchange rate 1 EUR = 24,590 CZK (average for year 2011, Czech National Bank 2012)

TECHNICAL STUDENTS AND GRADUATES FROM CZECH UNIVERSITIES



Note: according to the selected educational fields - source CzechInvest

Source: Institute for Information on Education, 2012

ATTRACTIVE SUPPORT OF INVESTMENT

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FUNDING PROGRAMMES ADMINISTERED BY CZECHINVEST

Last update: May 2012

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Source of funding	Type of activity		Funding programme	Type and amount of incentive		Eligible costs
				New manufacturing investors	Existing manufacturing firms	
State incentive programme	OPEN	**Production activities** **Technology centres (R&D)** **Business support services centres** (SW development, shared service centres, high-tech repair centres)	**National incentives** (Act on Investment Incentives)	Full tax relief for ten years, Job-creation grants, Training grants	Partial tax relief for ten years, Job-creation grants, Training grants	Investment costs, i.e. purchase price of land, buildings, new machinery and intangible assets **OR** Gross wages of new employees (including social security and health insurance)
European Union structural funds	OPEN TILL 18.6.2012	**Renovation of a building** (e.g. a brownfield) (conversion of a building into a business facility and project documentation)	**Real Estate** (EU funding programme OPPI)	Subsidy CZK 1–16 million Max. 30% of eligible costs	Subsidy CZK 1–16 million Max. 30% of eligible costs	Project preparation, purchase price of real estate, utilities networks, land preparation, renovation of business property
	OPEN TILL 4.7.2012	**Energy savings in factory buildings**	**Eco-Energy** (EU funding programme OPPI)	Subsidy CZK 0.5–60 million Max. 30% of eligible costs	Subsidy CZK 0.5–60 million Max. 30% of eligible costs	Engineering works under construction, renovation/ modernisation (technical improvement) of structures, hardware and networks, machinery and equipment, including control software
	OPEN TILL 14.11.2012	**Training of employees** (both internal and external)	**EDUCA** (Global EU grant)	Subsidy CZK 1–8 million Max. 25% of eligible costs	Subsidy CZK 1–8 million Max. 25% of eligible costs	Travel, dining, accommodation of trainers and employees in training, personnel costs and direct support of training participants, administrative and overhead costs, etc.
	POSSIBLE OPENING IN 2012	**R&D activities** (industrial R&D)	**Potential** (EU funding programme OPPI)	Subsidy CZK 1–200 million Max. 40% of eligible costs	Subsidy CZK 1–200 million Max. 40% of eligible costs	Investment costs, i.e. purchase price of land, buildings, new machinery, intangible assets and other necessary equipment
	CLOSED	**IT and software development activities** **Repair activities** (high-tech repair centres) **Shared services, including Data centres**	**ICT and Business Support Services** (EU funding programme OPPI)	Subsidy CZK 1.5–150 million Max. 40% of eligible costs	Subsidy CZK 1.5–150 million Max. 40% of eligible costs	Investment costs, i.e. purchase price of land, buildings, new machinery, intangible assets and other necessary equipment **OR** Gross wages of new employees (including social security and health insurance) **PLUS** Real estate rental in the case of both options
		Innovations (purchase of new or modernisation of existing technology to produce	**Innovation** (EU funding programme OPPI)	-	Subsidy CZK 1–100 million Max. 40% of eligible costs	Investment costs, i.e. purchase price of fixed assets

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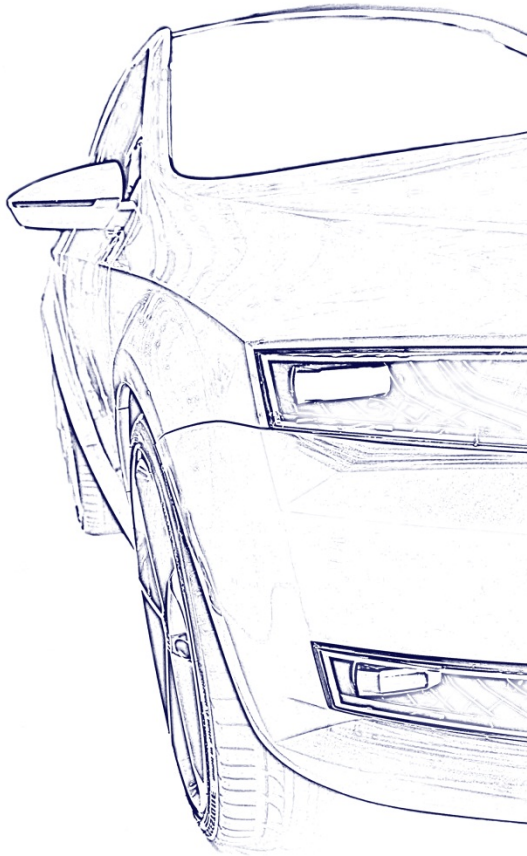

SELECTED R&D COMPANIES AND TECHNOLOGY CENTRES

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Selected Technology and R&D Centres

PRAGUE
MBtech Bohemia
Porsche Engineering Services
Ricardo Prague
VALEO
SYSTEMES THERMIQUES
TÜV-SÜD Czech

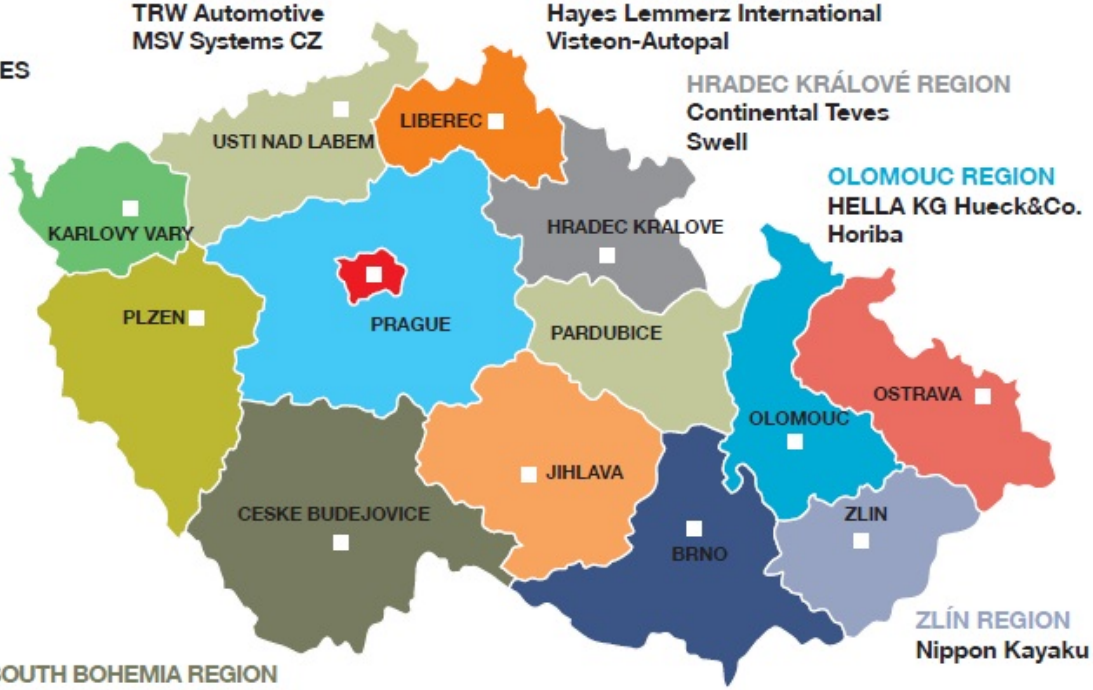
LIBEREC REGION
Denso
Idiada CZ
TRW Automotive
MSV Systems CZ

MORAVIAN-SILESIAN REGION
Behr Czech
Continental Automotive Systems Czech Republic
Hayes Lemmerz International
Visteon-Autopal

HRADEC KRÁLOVÉ REGION
Continental Teves
Swell

CENTRAL BOHEMIA REGION
AUFEER DESIGN
Behr Czech
Faurecia
Idiada CZ
Ingersoll Rand
Kostal CR
MBtech Bohemia
Swell
Škoda Auto

OLOMOUC REGION
HELLA KG Hueck&Co.
Horiba



PLZEŇ REGION
MBtech Bohemia
NARETEC
ZF Engineering

ZLÍN REGION
Nippon Kayaku

SOUTH BOHEMIA REGION
Robert Bosch
ČZ a.s.
MOSLED
TRW-DAS
Brisk

VYSOČINA REGION
Bosch Diesel
Mann+Hummel
Motorpal

SOUTH MORAVIA REGION
Blata
Honeywell Turbo Technologies
Mann+Hummel

Source: CzechInvest, 2012

RECENT R&D PROJETCS

proof of quality

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EATON company:

- January 19, 2012 the company opens its **first European and 5th Global Innovation Center** in STP Roztoky, Central Bohemia
- **300 top engineers**
- Core focus on smart grids, charging systems and electrification of traffic, transport vehicles and aircraft applications, consumer electronics
- Main clients: **Skoda Auto, Volkswagen Group, E-on, HP, Czech Railways**
- Close coopeation with **CTU in Prague**

EATON
Powering Business Worldwide

Source: CzechInvest, 2012

TECHNICAL UNIVERSITIES

FOCUSED ON ADVANCED AUTOMOTIVE RESEARCH WITH THEIR INDUSTRIAL PARTNERS

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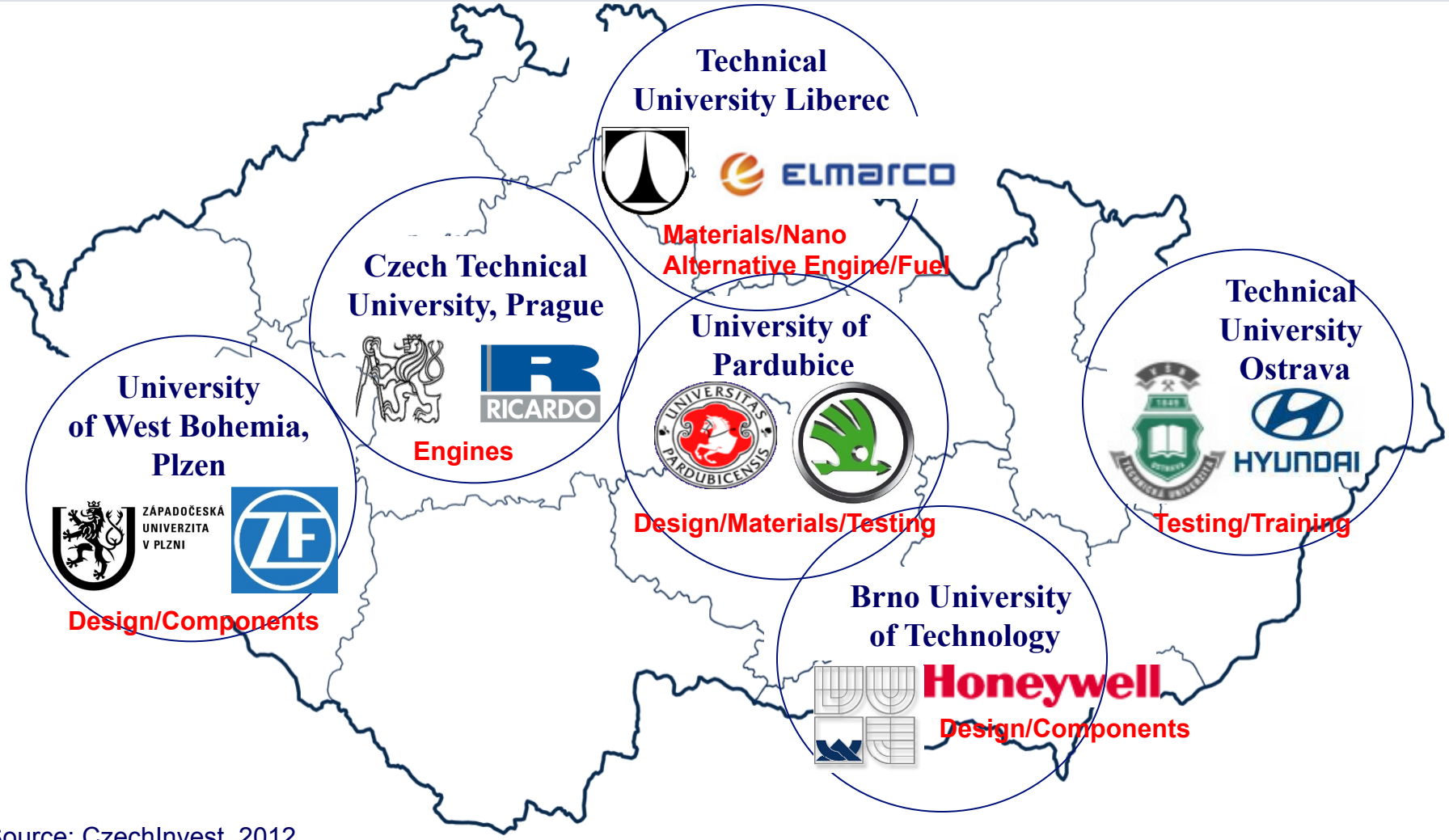

Source: CzechInvest, 2012

CZECH AUTOMOTIVE SUPPLIERS OFFER

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- Strategic location in the center of Europe & Short distance to key markets
- Developed industry of car parts production (nearly 900 companies from this industry)
- Excellent sourcing references (including quality and luxurious car brands)
- Well-developed transport infrastructure and logistics services
- Highly educated workforce, good access to university graduates with technical education, focus on quality
- Stable business & political environment – EU and NATO membership, member of OECD, no industrial disputes & low government debt to GDP (38%),
- Perfect risk rating: Standard and Poor's **'AA-'**
- Government policies supporting investments & CzechInvest's services

Source: CzechInvest, 2012

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THANK YOU FOR YOUR ATTENTION

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MINISTRY OF
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