

# Business Plan

for an establishment of a foreign project management firm in the Czech Republic



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**DRAFT**

# Business plan for an establishment of a foreign project management firm in the Czech Republic

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## Executive summary

Aim of this document is to evaluate risks and economical benefits of a foreign project management company who would establish its subsidiary in the Czech Republic (CR). The Czech Republic is a fresh member of the European Union and is a leading recipient of direct foreign investments (FDI) in Europe.

## Goals

The objective of this document is to assess benefits and risks of expanding company's project management activities into the Eastern Europe. The company would establish a branch in the Czech Republic where services of project & construction management, claims evaluation, and resource management would be provided to local private / public or foreign investors.

## Location

The Czech Republic is suitable as a base for company's activities for a number of reasons. The Eastern Europe region is strategically located in the center of Europe between Western Europe and Asia.



Prague, the capital of the Czech Republic, is located right in the heart of Europe and serves as a logistics hub since both the road and the rail networks are highly developed and connected to all major European routes.

Eastern Europe has been experiencing an economical boom since 1989 when it was liberated from the communistic oppressive regime and from the influence of the Soviet Union where all property, industry and services were owned and operated by the central government. The process called privatization, where the government owned firms and properties were transferred to private hands, initiated right away.

The Czech Republic proved during the past decade that it has one of the strongest and fastest developing economy from the East European block which consists of Belarus, Bulgaria, Czech Republic, Hungary, Poland, Republic of Moldova, Romania, Slovakia, Ukraine. The former country of Czechoslovakia dissolved into the nations of the Czech Republic and Slovakia, effective January 1, 1993.

Czech, one of the Slavic languages, is the official language, however, English, German, and Russian are widely spoken.



*Czech Republic (former Czechoslovakia)*

*Population: 10,290,000*

*Capital City: Prague / Praha (1.7 million)*

*Languages: Czech (official)*

*Official Currency: Koruna (1Euro=30CZK)*

*Religions: Catholic*

*Land Area: 78,864 sq km (30,449 sq miles)*

**Economic Background**

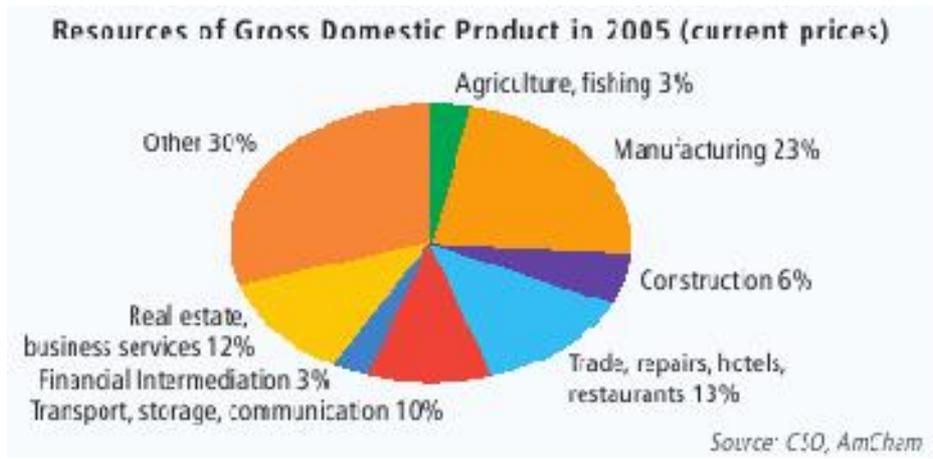
The Czech Republic (former Czechoslovakia) was one of the most developed industrial countries in Europe before the World War II. The current pace of its economic development indicates that the country is aiming to re-gain its position. Growth of the Gross Domestic Product (GDP) was about 5% per year during past couple of years. The inflation is below 3%. The unemployment rate is around 8%. The economical growth continued as the country accepted its membership in the European Union in 2005. Prague, the capital of the Czech Republic, became the richest region from all the 10 new EU member countries.

 <b>IMPORTANT MACRO-ECONOMIC INDICATORS</b>		
Growth Year-on-Year, Constant Prices	2004	2005
Consumption	0.7%	2.0%
- Household consumption	2.4%	2.6%
- Government consumption	-3.2%	0.8%
- Non-profit institution consumption	11.1%	1.9%
Gross capital formation	9.0%	0.1%
Industrial production	6.7%	10.4%
Construction	-1.5%	0.8%

*Source: CSO*

The Czech Republic main economical activities are from the following fields - automotive industry, steel production, and other heavy industrial activities. Foreign investors usually value country's strategic geographical location, highly skilled and well educated cheap labor, highly developed transportation networks – roads and railways connected to all major European cities. The foreign investment into the country is strongly encouraged and supported by the Czech government by investment incentives (tax exceptions, land acquire assistance, investment protection). The Czech Republic ranked to be the 20<sup>th</sup> largest worldwide recipient of the Foreign Direct Investment (FDI) in 2005. The investments are quite secure (see note 1) and bring reasonably high revenues<sup>1</sup>.

<sup>1</sup> Several arbitrary trials took place where the government was found guilty of not being able to protect foreign investments (Nomura – IPB Bank, Nova – TV Station). The Czech government did or would pay all the loses to the investors as directed by international courts.



The currency of the Czech Republic is Czech Crown / Koruna (1EURO = 30 CZK; 1USD = 21 CZK). The currency in general slightly grows against Euro and quickly grows along with Euro against USD.

The Czech Republic is a multi-party parliamentary representative democratic republic. President is the head of state while the Prime Minister is the head of government, exercising supreme executive power. Legislature is bicameral, with the Chamber of Deputies and the Senate. There are several political parties, however, two major parties with about equal election results are currently cause of instability on the political scene where the minority government has about 49-51% support of the parliament.



The construction industry is growing at an annual pace of about 10% which is mostly attributed to the growing GDP and growing FDI. The recent most significant construction projects in the Czech Republic are listed bellow.

## Construction Industry

### Development of building production volume

	<i>constant prices (as at 2000)</i>		<i>current prices</i>	
	<i>CZK bill.</i>	<i>previous y. = 100</i>	<i>CZK bill.</i>	<i>previous y. = 100</i>
2000	258.9	105.3	259.7	109.3
2001	283.8	109.6	295.7	115.8
2002	290.9	102.5	311.2	105.2
2003	317.0	108.9	346.8	111.4
2004	347.7	109.7	394.3	113.7
2005	362.1	104.2	422.7	107.2

**Project: Toyota Peugeot Citroën Automobile Czech (TPCA) – Automobile Factory (124 Ha)**

Investor: Foreign Investment; Cost: 1300 Million Euro; Year of Completion: 2005



**Project: Metro subway tunnel under river (Metrostav)**

Investor: Public Investment; Cost: 5500 Million CZK; Year of Completion: 2004



**Project: Prague Ring (Metrostav)**

Investor: Public Investment; Cost: 1500 Million CZK; Year of Completion: 2003



**Project: Section of a highway D8 to Germany (Metrostav)**

Investor: Public Investment; Cost: 4800 Million CZK; Year of Completion: 2006



**Project: Hyundai Motors Factory**

Investor: Foreign Investment; Cost: 1000 Million Euro; Year of Completion: 2008



**Project: Phillips TV Screen Factory**

Investor: Foreign Investment; Cost: 200 Million Euro; Year of Completion: 2001



**Project: Hitachi LCD Screen Factory**

Investor: Foreign Investment; Cost: 80 Million Euro; Year of Completion: 2007

**Scope of Services**

The company would provide the project & construction management services, claims evaluation, and resource management. The services would be provided to local or foreign investors, both public and private. The spectrum of services provided will depend on a selected business model which the company decides to implement. The main service offered would be the project management. The additional services would be implemented later based on company's success in the business development and creating of its portfolio of clients and understanding of their demands. The additional services would include the construction management, the claims & disputes evaluation and mitigation, the resource management (labor, cost, and time).

In Eastern Europe the project management services are not as common as in the western block. The clients usually rely on management of their projects by their turn-key contractor or tend to establish their own project management groups. The company would have to use its vast international project management experience to attract the attention of potential clients. The company may also seek a joint venture partnership with local construction or cost management firms for certain kinds of projects.

**Potential clients and competitors****Potential Clients**

After the revolution in 1989 the government owned firms, industry and property were transferred to private investors who were mostly Czech citizens or newly established private companies. However, the foreign investors started their activities also. Most of the international firms started their new offices in the Czech Republic and many of them use their Czech branches as headquarters for the whole European region.

The foreign investors who are deciding to build or renovate their real estate properties are not quite often fully confident in the Czech construction companies and seek a support of international project management firms whom they trust more. These investors would be company's prime target.

In April 2003, the creation of new DHL, formed by the integration of DHL, Danzas, and Deutsche Post EuroExpress, meant that none of the existing IT data centers in Europe had the capacity to support the business volumes of the new DHL or the anticipated growth.

After an extensive review of alternative locations against a number of stringent selection criteria, Prague was chosen as the site for the new IT Services Center. The facility was constructed and fitted out in record time to be opened and ready for operation in June 2004.

Between June and December 2004, more than 600 highly skilled IT professionals were recruited, the majority of whom are Czech nationals. At the same time, more than 500 servers were installed and configured to enable the migration of the processing of business transactions from the IT Data Centers in the Staines, UK and Basel, Switzerland. By the 1st January, 2005, the migration was largely complete and the IT Services Center Prague became fully operational.

From 1st January, 2005, the IT Services organization has been integrated to support the DPWN Mail, Express & Logistics businesses from four key locations the IT Services Centers in Prague; Scottsdale, USA; Cyberjaya, Malaysia; and Bonn, Germany.

Illustration 1: Typical Foreign Investor

There are several major international construction firms already operating in the Czech Republic. The most significant are Skanska, Strabag, Porr AG. Other major construction firms were usually developed from government owned firms who were acquired by private investors. The most significant are Metrostav, Prumstav, Stavby Silnic a Zeleznic, Dalnicni Stavby Praha, Syner, or Subterra.

**Potential Competitors**

There are currently only few international project management firms operating in the Czech Republic. One of them from the below provided list of the 'Top USA program management firms' would be Bovis Lend Lease, and Skanska who's role in the Czech Republic is more like a construction firm and a property developer for its own projects than a project manager.

TOP USA CM FEE FIRMS 2006

Source: [http://www.enr.com/people/topLists/topCmFee/topcmfee\\_1-50.asp](http://www.enr.com/people/topLists/topCmFee/topcmfee_1-50.asp)

Rank / Company Name	Czech Rep.	Eastern Europe	Competitiveness
1 CH2M HILL Cos., Englewood, Colo.	Not present	Poland	0
2 Parsons, Pasadena, Calif.	Not present	Not present	0
3 Parsons Brinckerhoff Inc., New York, N.Y.	Not present	Poland	0
4 URS, San Francisco, Calif.	Not present	Not present	0
5 <b>Jacobs, Pasadena, Calif.</b>	<b>Present</b>	<b>Poland</b>	<b>1</b>
6 Bechtel, San Francisco, Calif.	Not present	Not present	0
7 The Turner Corp., Dallas, Texas	Not present	Not present	0
8 <b>KBR, Houston, Texas</b>	<b>Present</b>	<b>Romania</b>	<b>2</b>
9 <b>Bovis Lend Lease, New York, N.Y.</b>	<b>Present</b>	<b>Vast presence</b>	<b>4</b>
10 <b>Jones Lang LaSalle, Chicago, Ill.</b>	<b>Present</b>	<b>Poland, Hung.</b>	<b>1</b>

11 Tishman Construction, New York, N.Y.	Not present	Not present	0
12 Foster Wheeler Ltd., Clinton, N.J.	Present	Poland	1
13 Trammell Crow Co., Dallas, Texas	Present	Not present	1
14 WorleyParsons Corp., Houston, Texas	Not present	Bulgaria	0
15 Heery International Inc., Atlanta, Ga.	Not present	Not present	0
16 PBS&J, Tampa, Fla.	Not present	Not present	0
17 Hill International Inc., Marlton, N.J.	Not present	Romania, Bul.	0
18 Fluor Corp., Irving, Texas	Not present	Poland	0
19 HNTB Cos., Kansas City, Mo.	Not present	Not present	0
20 Earth Tech Inc., Long Beach, Calif.	Present	Hungary	1
26 Black & Veatch, Overland Park, Kan.	Not Present	Romania	0
32 Skanska USA Inc., Whitestone, N.Y.	Present	Poland, Hung.	4

**Rating of the competitiveness:**

- 0 – None, the company is not registered in the Czech Republic
- 1 – Company is present in the Czech Republic, however, is not active in the project man. field
- 2 – Company is present and active in the PM field, however, in a limited scale only
- 3 - Company present and active in PM
- 4 - Company present, active, and has a strong experience with large projects
- 5 – Company, present, active, large projects, international clients, scope of services beyond PM

Profiles of the above listed companies which are located in the Czech republic follow:

<p>Jacobs Engineering Group Inc.:                  PPU-Babtie Spol, s r.o.                  Vyzlovska 2243/36                  100 00 Praha 10                  Prague, Czech Republic                  Phone: 420.274.812.537                  Fax: 420.274.812.497  <a href="http://www.jacobs.com/offices/office.asp?officename=Czech%20Republic:%20%20Prague">http://www.jacobs.com/offices/office.asp?officename=Czech%20Republic:%20%20Prague</a>                  or  <a href="http://www.muweb.cz/www/ppu-babtie/">http://www.muweb.cz/www/ppu-babtie/</a></p>	<p>Editor's Comment: Jacobs has an indirect partner in the Czech Rep. - PPU-Babtie which is an independent privately owned design company dealing mostly with infrastructure project. Doesn't look like a real competitor to a project management firm.</p> <p>Website Statement: Our Prague staff provides engineering and management consultancy, mainly in the areas of transportation planning, and road and railway engineering. In addition to local infrastructure projects, we are introducing new consultancy services such as supervision of EU funded infrastructure projects, Central European support of EU transport policy research projects, transport telematics planning, cost benefit analyses, Public Private Partnership projects, and introducing the FIDIC form of contract procurement and implementation.</p>
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<p>KBR:                  Brown &amp; Root Skoda s.r.o.                  Antala Ataska 30                  14620 Prague 4                  Czech Republic  <a href="http://www.halliburton.com/ofc_loc/location_search.jsp?USA=0&amp;rgn=EU&amp;cnt=all">http://www.halliburton.com/ofc_loc/location_search.jsp?USA=0&amp;rgn=EU&amp;cnt=all</a></p>	<p>Editor's Comment: There is a very limited information regarding the Brown &amp; Root Skoda s.r.o. company on the Czech Internet. It seems that Brown &amp; Root Skoda s.r.o. used to deal with production and installation of industrial turbines, switchgear and other products of Skoda Holding (<a href="http://www.skoda.cz">www.skoda.cz</a>). Brown &amp; Root Skoda s.r.o. was listed in the Czech commercial registry (<a href="http://www.justice.cz">www.justice.cz</a>) until 1997 under Skoda Power company. It seems there is no affiliation anymore.</p>
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<p>Bovis Lend Lease:          Bovis Lend Lease a.s.          Peckova Str 9          186 00 Prague 8          CZECH REPUBLIC          T +420 221 775 211          F +420 221 775 212  <a href="http://www.bovislendlease.com/llweb/bll/main.nsf/all/gl_europe_czech_e?opendocument">http://www.bovislendlease.com/llweb/bll/main.nsf/all/gl_europe_czech_e?opendocument</a>          or  <a href="http://www.bovis.cz">www.bovis.cz</a></p>	<p>Editor's Comment: Strong international company with two large project / construction management offices in the Czech Republic.</p> <p>Website Statement: Bovis Lend Lease has been in the Czech Republic since 1991 following the opening up of the construction markets in Central and Eastern Europe. Our experience, skills and knowledge are making an integral contribution to the ongoing development of the Czech Republic. We are considered to be the leading Project and Construction Management organization with significant projects completed and under construction for some of the leading national and international real estate organisations. Under Bovis Lend Lease Czech Republic also belong regions Slovakia and Croatia. Established offices in Prague and Brno with the staff over 130 employees</p>
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<p>Jones Lang LaSalle:          (Foreign Company)          Myslbek Building          Ovocny trh 8          117 19 Prague 1          +420 2 2423 4809          +420 2 2423 9520  <a href="http://www.cz.joneslanglasalle.com">http://www.cz.joneslanglasalle.com</a></p>	<p>Editor's Comment: Company operates more in the finance field than in the construction field. Offers property management, feasibility studies, leasings &amp; rents.</p> <p>Website Statement: Wherever our people are located, in the Czech Republic or around the world, they report to the same management and ownership structure. As a result—and this is unique in our industry—we can deliver a consistent and comprehensive range of fully integrated services to our clients, wherever their needs arise. This ability to combine complementary services allows us to develop and implement real estate strategies that meet increasingly complex business and financial needs. Our Research team’s work ranges from the analysis of economic and property market trends to in-depth research of the longer-term drivers of the real estate market. It also undertakes selective consultancy projects covering all sectors where they relate to its research agenda.</p>
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<p>Foster Wheeler Italiana S.p.A.          (Foreign Company)          Vinohradska Street 37 (3rd Floor)          120 00 Prague 2          Czech Republic          Phone: 420-2-2225 2578          Fax: 420-2-2225-2579  <a href="http://www.fwc.com/contact/ppscfm#Czech">http://www.fwc.com/contact/ppscfm#Czech</a></p>	<p>Editor's Comment: Company registered in the CR since 2000 by an Italian firm Foster Wheeler Italiana S.p.A. It seems they operate in the CR only as a power equipment supplier (steam generators, etc.).</p> <p>Website Statement (corporate website): Foster Wheeler is a global engineering and construction contractor and power equipment supplier, with a reputation for delivering high quality, technically-advanced, reliable facilities and equipment on time, on budget and with a world-class safety record.</p>
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<p>Trammell Crow Company: Trammell Crow Company Czech Republic, s.r.o. <a href="http://www.trammellcrow.com/default.aspx?locationid=105&amp;tabid=127&amp;languageid=1">http://www.trammellcrow.com/default.aspx?locationid=105&amp;tabid=127&amp;languageid=1</a></p>	<p>Editor's Comments: Registered in the CR since 2004, originally under Scintilla name. It seems that their jobs (if any) are managed from their London office. Their main filed is property management.</p> <p>Website Statement: Today, Trammell Crow Company oversees user client requirements in over 60 countries, including the Czech Republic. We manage our clients' real estate requirements using a centralized account management model that drives consistent operating standards, processes, and systems across their global portfolio. Contact us to learn how we can help you find solutions for your brokerage, project management, or facilities support in the Czech Republic.</p>
<p>Hill International s.r.o Manesova 27 120 00 Praha 2 <a href="http://www.hill-praha.cz/">http://www.hill-praha.cz/</a></p>	<p>Editor's Comment: A company Hill International is registered in the CR, however, is no affiliated to the American project management firm Hill International. Hillacts in the CR as a human resources agency.</p>
<p>Earth Tech Inc.: Earth Tech CZ s.r.o. Trojska 92 171 00 Prague 7 Czech Republic Phone: 011 420 2 83 09 06 11 Fax: 011 420 2 83 09 06 58 Plus additional 3 offices <a href="http://www.earthtech.com/about/offices.htm">http://www.earthtech.com/about/offices.htm</a> or <a href="http://www.earthtech.cz">www.earthtech.cz</a></p>	<p>Editor's Comment: Registered in the CR under Earth Tech CZ s.r.o. name. Provides services only in the field of environmental protection and studies.</p> <p>Website Statement: Since 1991 Earth Tech CZ has been providing environmental consulting and engineering services. Initially these services were provided under the trade name of KAP and since 2005, under the trade name of Earth Tech CZ. In Czech Republic, Earth Tech CZ is located in Prague, in addition Earth Tech CZ regional branches operate in Brno, Liberec, Ostrava and Plzen.</p>

<p>Skanska: Skanska CZ a.s. Kubanske namesti 1391/11 100 05 Prague 10 - Vrsovice tel.: +420 267 095 111 fax: +420 267 310 644 <a href="http://www.skanska.cz/">http://www.skanska.cz/</a></p>	<p>Editor's comment: Provides a complete spectrum of services including construction (buildings, infrastructure, industrial), property development, management &amp; sale, rental of tools and heavy equipment, production of concrete, sale of building materials, construction management, etc. Skanska CZ employs more than 4000 employees. Not sure if Skanska offers project management for third parties or only for their own projects or their turn-key projects – to be investigated further.</p> <p>Website Statement: The Skanska Group in the Czech and Slovak Republics (Skanska CZ corporation) consists of the parent company Skanska CZ a.s. and its subsidiaries, organized into six sector- or region-oriented divisions. The main business of the corporation is the construction activity focusing primarily on carrying out civil, community, residential, engineering and industrial projects. The history of the company begins in 1953 with the founding of the company Zemstav Prague. By gradual development, under various business names and legal forms (Inženýrské a průmyslové stavby – IPS – IPS Skanska – Skanska CZ) the Skanska CZ corporation became a leader of the Czech construction industry with approximately 8% share of the construction market. It is also rapidly developing its business in Slovakia.</p>
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## **Business Model**

Business in the Czech Republic is conducted by a variety of different entrepreneurial entities. These include entrepreneurs carrying on business alone (sole traders) and the following types of company: limited liability companies (společnost s ručením omezeným or s.r.o.), joint stock companies (akciová společnost or a.s.), general commercial partnerships (veřejná obchodní společnost or v.o.s.) and limited partnerships (komanditní společnost or k.s.). Co-operatives also exist as a special legal form. Foreign entities can register to conduct business in the Czech Republic via a branch or a participation in Czech entities. In addition, European forms of entrepreneurs are or will be allowed to operate in the Czech Republic. As of January 2002, there are no restrictions on acquisition of real estate by branch offices of foreign companies in the Czech Republic.

Legal entities with the seat outside the Czech Republic and individuals with permanent residence outside the Czech Republic are considered as foreign persons. Generally, foreign persons may conduct business activities in the Czech Republic under the same conditions as Czech persons. Persons from the EU, EEA and Switzerland enjoy all rights resulting from the membership of the Czech Republic in the EU with just a few temporary derogations.

All companies and co-operatives are legal entities and are registered in the Commercial Registry. With registration in the Commercial Register a company starts to exist and may carry out business within the scope of the licenses (trades) it has obtained. Commercial Registry is a public evidence kept by the Regional Courts of the region in which the company or has its registered office (addresses and other contacts to be found on [www.justice.cz](http://www.justice.cz)).

## **Investment Incentives**

The Czech Republic offers to both new incoming and already established investors, irrespective of their ownership, investment incentives and business support through several schemes.

The most attractive incentives package is the National Investment Incentives Scheme offered by the government to investors in manufacturing facilities and to technology centers and business support services.

*Why the Czech Republic?*

*Stable economic environment!*

*Highly skilled labor force!*

*High share of secondary and tertiary education within the population!*

*Favorable labor cost and price stability!*

*Codified system of investment incentives!*

*Safe investment environment!*

*Compact and high quality infrastructure!*

*Responsible attitude and approach by government!*

*Culture and attitude close to western countries!*

*EU membership!*

Foreign companies working in the field of consultancy services will most probably not qualify for any of the investment incentives. Companies not eligible for any of the above incentives can apply for other business support measures. These include support of new job creation, support for SMEs, grants from local labor offices, tax relief, access to EU funds and regional aid.

## Taxation

The taxation which derives from Czech tax legislation may be modified by a particular international Double Tax Treaty. The current tax system was introduced in January 1993. The legislation is subject to frequent amendments and changes due to rapid developments in the economy.

Tax	Tax rate
Corporate income tax	24 %. There are plans for a reduction of corporate income tax, however no timetable has been set for this.
Personal income tax	Progressive taxation with tax rates from 12% to 32%
Value added tax (VAT)	5% (food, healthcare services) or 19% (most goods and services)
Excise tax	Levied on petrol and petrol derivatives, alcohol (beer, wine and spirits) and tobacco
Road tax	CZK 1,200 - 4,200 (cars), CZK 1,800 - 50,400 (trucks)
Real estate tax	According to type, location and purpose of use of the real estate
Real estate transfer tax	3%
Inheritance tax & gift tax	From 1% (0.5% for inheritance tax) to 40% (20% for inheritance tax)

## Financial Analysis

Several models of the company establishment and operations in the Czech Republic were developed. The models are developed from the lowest to the greatest risk involved.

### Model 1 (conservative)

The company would enter the Czech market with only minimal initial funds invested. The company would establish the limited liability company (s.r.o.) and would employ only one person (Company Representative) who would be responsible for the business development which would include company establishment and its representation in the region. The company representative would operate from his own residence and would be using his own vehicle in order to minimize company's initial expenses to minimum. The representative would start contacting investors who are planning to develop their construction products in the region. The representative would be responsible to prepare offers and participate in both government and private tenders.

#### Model 1 - Initial Expenses

Description	Fee [Euro]
Trade license fee (s.r.o.)	100
Translation of parent company licenses	200
Trade license deposit (s.r.o.)	5000
Computer (1 station), Printer, Office Software	1500
Fax	100
Office purchase	0
Vehicle purchase	0

<i>Description</i>	<i>Fee [Euro]</i>
Company brochure translation	0
Company brochures printing	200
Company web site development	200
Company representative business cards	50
<b>TOTAL SETUP</b>	<b>7350</b>

#### Model 1 - Regular Monthly Expenses

<i>Description</i>	<i>Fee [Euro]</i>
Representative's salary (including VAT)	9000
Legal & Tax and Accounting Adviser (external)	100
Reimbursable - gas	150
Reimbursable – phone, fax, cell phone	150
<b>TOTAL MONTHLY</b>	<b>9400</b>

The representative would report weekly his progress in securing jobs and projects for the Company. Progress and feasibility of this model would be evaluated after 6 months. A decision would be taken whether the company should leave the country in case of failing to acquire significant projects or whether the company would pursue more aggressive model in case of it's success in the country.

Total expense of model (6 months duration) would be 64,000 Euro.

#### **Model 2 (medium risk)**

The company would enter the Czech market with a reasonably higher risk than in Model 1. The company would establish the limited liability company (s.r.o.) and would employ a team of three persons. The company would employ a team leader who would be transferred from company's headquarter (Company Representative) who would be responsible for the business development which would include company's establishment and its representation in the region. The team would operate from a small local rented office and would be using one shared vehicle rented by the company. The representative's team would start contacting investors who are planing to develop their construction products in the region. The representative would be responsible to prepare offers and participate in both government and private tenders.

#### Model 2 - Initial Expenses

<i>Description</i>	<i>Fee [Euro]</i>
Trade license fee (s.r.o.)	100
Translation of parent company licenses	200
Trade license deposit (s.r.o.)	5000

<i>Description</i>	<i>Fee [Euro]</i>
Computer (3 stations), Printer, Office Software	3500
Fax	100
Office purchase (monthly lease)	0
Office furniture	1500
Vehicle purchase	0
Company brochure translation	0
Company brochures printing	300
Company web site development	200
Company representative business cards	100
<b>TOTAL SETUP</b>	<b>11000</b>

#### Model 2 - Regular Monthly Expenses

<i>Description</i>	<i>Fee [Euro]</i>
Representative's salary (including VAT)	9000
Employee 2 and Employee 3 (2x4500)	9000
Legal & Tax and Accounting Adviser (external)	100
Reimbursable - gas	300
Reimbursable – phone, fax, cell phone	500
Company insurance	50
Monthly office lease	1200
Monthly car lease or rental	500
<b>TOTAL MONTHLY</b>	<b>20650</b>

The representative would report weekly his progress in securing jobs and projects for the Company. Progress and feasibility of this model would be evaluated after 6 months. A decision would be taken whether the company should leave the country in case of failing to acquire significant projects or whether the company would pursue more aggressive model in case of it's success in the country.

Total expense of model (6 months duration) would be 135,000 Euro.

## **Notes & Disclaimer**

### Disclaimer:

**Information for this document was collected from various public sources including Internet and may not be accurate or correct at all.**

The following websites were used as sources of information for this document:

Czech Invest (Government Investment Promotion Agency) [www.czechinvest.org](http://www.czechinvest.org)

Czech Statistical Agency [www.czso.cz/eng/redakce.nsf/i/home](http://www.czso.cz/eng/redakce.nsf/i/home)

Ministry of Industry and Trade of the Czech Republic [www.mpo.cz/en/industry-and-construction/](http://www.mpo.cz/en/industry-and-construction/)

American Chamber of Commerce in the Czech Republic [www.amcham.cz](http://www.amcham.cz)

Others