

Investment Climate in the Czech Republic

Investment Climate in the Czech Republic

2	Main Reasons to Invest in the Czech Republic
5	Attractive Investment Climate
6	Basic Data
7	Impressive FDI Results
8	Selected Investors
9	FDI Growth Sectors
12	Financial Support for Investment
13	Partnership Opportunities
14	Highly Developed Property Market
16	International Memberships
16	Testimonials from Successful Investors
17	About CzechInvest

Latest update: January 2020



Established in 1992, CzechInvest is The Investment and Business Development Agency of the Czech Republic. Its mission is to support foreign direct investment, develop local companies, implement business-development programmes and improve the business environment.

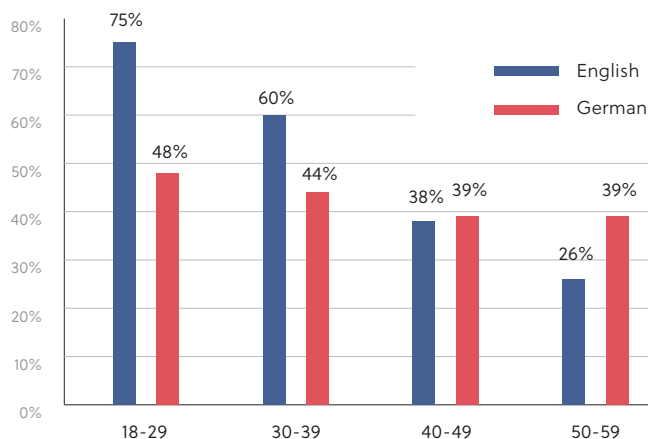
Our services for investors

- + Information and business intelligence
- + Access to broad spectrum of financial support
- + Identification of business properties or suitable sites
- + Supplier database
- + Tailor made visits to the Czech Republic
- + Aftercare

Main Reasons to Invest in the Czech Republic

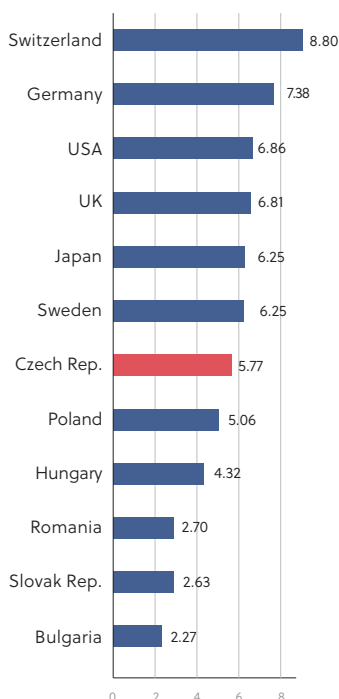
- + Safe investment environment
- + Skilled and well-educated workforce
- + Favourable labour costs and price stability
- + Central location in Europe
- + Dense and high-quality infrastructure
- + Transparent system of investment incentives
- + Strong focus on R&D
- + Stable social and political system
- + EU membership
- + Mentality, culture and attitudes similar to those of western countries
- + High quality of life

Foreign Language Skills by Age Group (%) 2014



Source: STEM, 2020

The Czech Education System Meets the Needs of a Competitive Economy (2018)



Source: IMD World Talent Report 2020, IMD World Competitiveness Centre, 2020

Note: IMD Executive Opinion Survey based on a scale of 0 to 10

Well-Educated and Skilled Workforce

The Czech education system meets the needs of a competitive economy, according to the IMD World Talent Report 2015 published by IMD World Competitiveness Centre. The Czech Republic can provide manufacturers with impressive productivity levels and highly skilled labour. In the 2018/2019 academic year, there were more than 81,000 students enrolled in technical fields at Czech universities. The number of university students increased from 118,000 in 1990/1991 to 299,099 in 2018/2019, due not only to changes in the education system but also to a demographic surge of 18- to 26-year-olds who comprise a promising group of potential employees for foreign investors. According to a survey conducted by STEM for CzechInvest in 2014, 72% Czechs aged 18 to 59 speak at least one foreign language and their knowledge is rapidly improving.

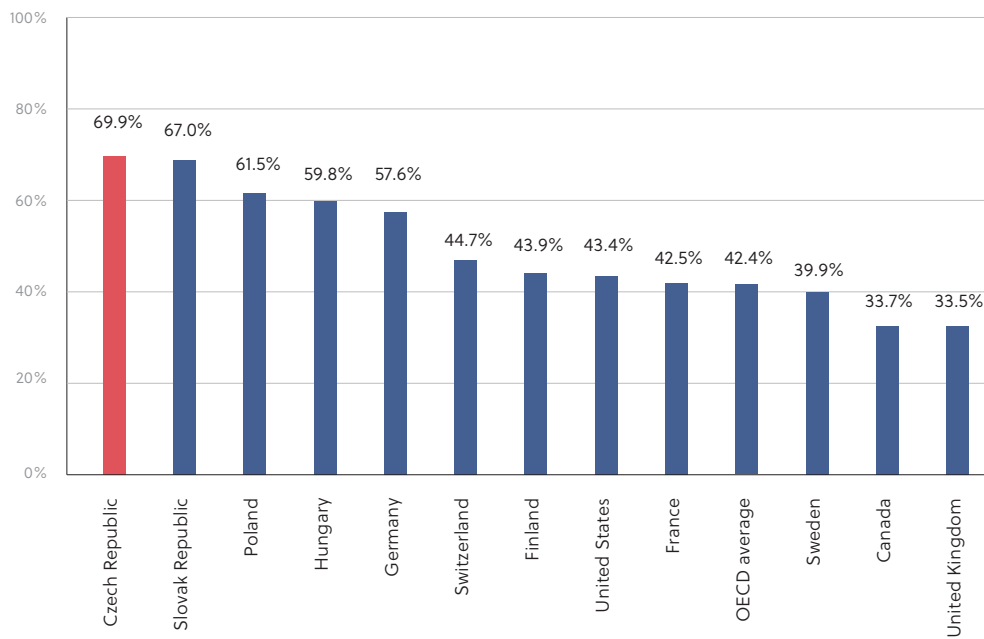
Proven Research and Development Capabilities

The Czech Republic spends more resources on research and development than many competing countries. Over the past twenty years, the Czech Republic's spending on R&D has increased from 0.95% of GDP to 1.93% (2018). Many multinationals have

Czech R&D or design centres, including Panasonic, Honeywell, Mercedes-Benz, Motorola, Rockwell Automation and Visteon. Czech scientists are behind some of the world's well-known inventions and patents, such as soft contact lenses, polarography (a Nobel-prize-winning method of quantitative analytical measurement) and the anti-HIV drugs cidofovir (Vistide®) and tenofovir (Viread®).

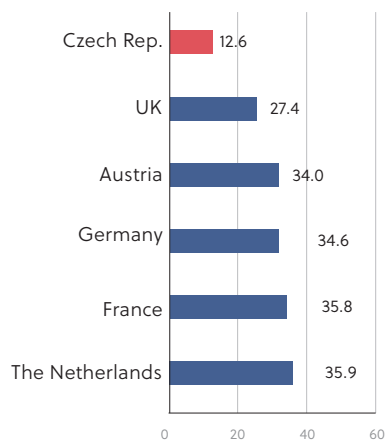
Using financial resources obtained from EU structural funds, new research centres are being established with the objective of becoming prestigious European science centres with state-of-the-art infrastructure and conditions making it possible to employ the best researchers. Among these are the Central European Institute of Technology in Brno focusing on life sciences and advanced materials and technologies; the International Clinical Research Centre in Brno targeted at prevention, early detection and treatment of cardiovascular and neurological diseases; IT4Innovation in Ostrava, a large supercomputer facility combining IT research and applications; and two research centres located near Prague – Biotechnology and Biomedicine Centre and Extreme Light Infrastructure, which operates the world's most powerful lasers.

Percentage of the Population That Has Attained at Least Upper Secondary Education as of 2018 (% of the 25-64 Age Group)



Source: Education at a Glance, OECD Indicators, 2020

Labour Costs per Hour, Year 2018 (EUR)



Source: Eurostat, 2020

Note: Differences in wages among Czech regions reach approx. 20%. Employees in Prague are generally paid more than in other regions (currently 24% above the Czech average).

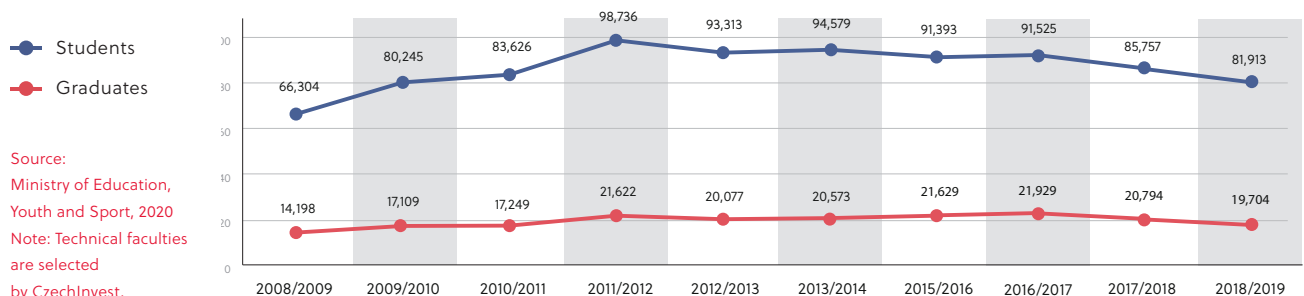
Favourable Labour Costs

One of the main attractions of the Czech economy is its skilled and well-educated workers available at a fraction of the cost of those in western economies. Furthermore, the country's attractiveness is rooted in its dense, high-quality infrastructure as well as its geographical and cultural proximity to Western Europe. Although the country's labor costs are higher than in some Asian countries, the above-mentioned factors far outweigh any negative aspects and make the Czech Republic an attractive destination for foreign investors. Conversely, FDI positively influences the local market and local businesses, which operate as suppliers and subcontractors of services and products for foreign investors. Differences in wages among Czech regions reach approx. 20%. Employees in Prague are generally paid more than in other regions. According to Czech Statistical Office currently 24% above Czech Republic average.

Life in the Czech Republic

Since the Velvet Revolution in 1989, the Czech Republic has become a highly popular destination. Tens of thousands of foreigners have happily settled here, enjoying the country's combination of a high standard of living and low costs. Although in most respects life in the Czech Republic has rapidly approached western standards of living, the cost of living remains substantially lower than in Western Europe. Prague and many other cities in the Czech Republic are famous for their architectural heritage, museums, theatres, cinemas, galleries, historical gardens and cafés. An overwhelming choice of cultural events is on offer, embracing all types of music and an outstanding theatrical tradition. A number of foreign cultural centres, ranging from the British Council to the Goethe-Institut, also offer a wide range of events and services.

Students and Graduates of Technical Universities



Source:

Ministry of Education, Youth and Sport, 2020

Note: Technical faculties are selected by CzechInvest.

Central Location in Europe
and Advanced Infrastructure

The Czech Republic has a strategic location in the centre of Europe with very good access to established western and emerging eastern markets. Prague is only a two-hour flight from most other European capitals. The significance of the Czech Republic as a transit hub has grown since the country became a member of the EU single market. The road and motorway network (total 55,757 km) is already one of the densest in Central and Eastern Europe and several rail modernisation projects are currently underway to link the Czech Republic with the pan-European network of high-speed railways.

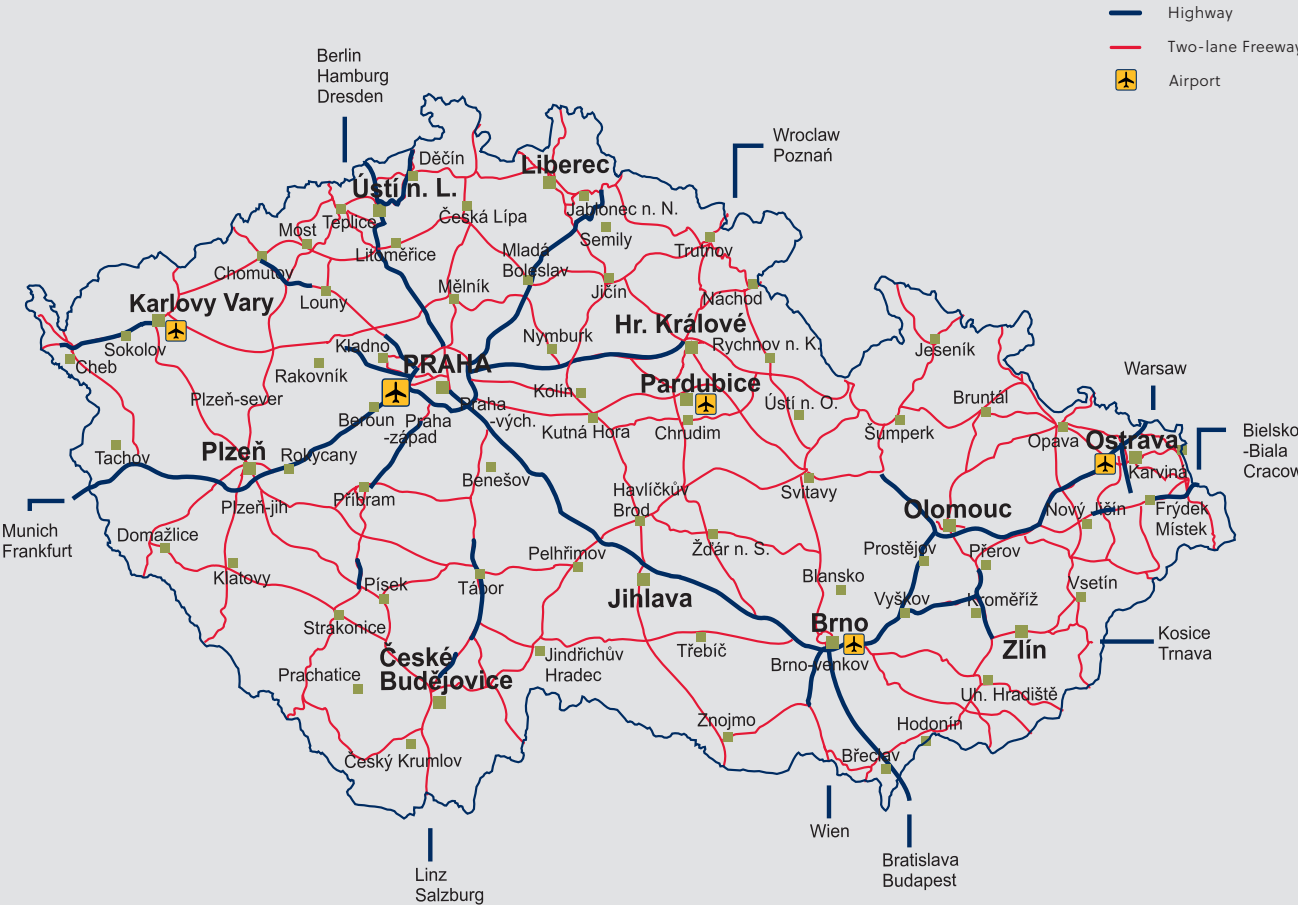
Direct Flights from Prague per Week

54	3	31	26	35	21	47
Amsterdam	Beijing	Brussels	Budapest	Copenhagen	Dubai	Frankfurt
23	2	27	94	25	2	63
Helsinki	Chengdu	Istanbul	London	Madrid	Montreal	Moscow
27	14	12	58	7	28	8
Munich	New York	Oslo	Paris	Philadelphia	Rome	Seoul
5	23	5	32	52	2	24
Shanghai	Stockholm	Toronto	Vienna	Warsaw	Xi'an	Zurich

Source: Václav Havel Airport Prague, summer flight schedule, 2020



Infrastructure in the Czech Republic



Source: Road and Motorway Directorate of the Czech Republic, 2020; CzechInvest, 2020

Attractive Investment Climate

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

Competitive Advantages of the Czech Republic

According to the 2019 Global Competitiveness Report published by the World Economic Forum, the Czech Republic ranks 32nd among 141 world economies in terms of competitiveness.

Competitive Advantages: (Rank)

- + Inflation (1)
- + Debt dynamics (1)
- + Credit gap (1)
- + Electricity access (2)
- + Railroad density (3)
- + Electrification rate (3)
- + Trade tariffs (7)
- + Insolvency regulatory framework (9)
- + Active labour market policies (11)
- + Worker's rights (14)
- + Mean years of schooling (15)
- + Flexibility of wage determination (15)
- + Imports (15)
- + Road connectivity (17)
- + Energy efficiency regulation (18)
- + Reliability of water supply (19)
- + School life years (19)
- + Quality of land administration (20)

Investment Protection

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

for example with the United States, Germany, the United Kingdom, France, Austria, Switzerland, Italy, Belgium, Luxembourg, the Netherlands, Finland, Norway, Denmark and China. The Czech Republic has also concluded agreements for the avoidance of double taxation.

Czech Credit Ratings

Country	Standard & Poor's	Moody's analytics	Fitch Ratings
Czech Republic	AA-	Aa3	AA-
Slovak Republic	A+	A2	A+
Poland	A-	A2	A-
Hungary	BBB	Baa3	BBB
Romania	BBB-	Baa3	BBB-
Russia	BBB-	Baa3	BBB
Bulgaria	BBB-	Baa2	BBB

Source: Czech National Bank, 2020

Corporate Income Tax

Year	%
2005	26
2006	24
2007	24
2008	21
2009	20
2010 - 2020	19

Source: CzechInvest, 2020

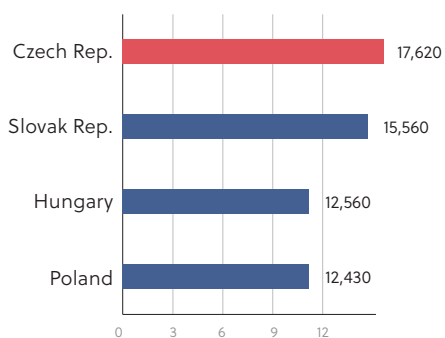
Basic Data

Key Information on the Czech Republic

Area	78,870 km ²
Population	10.68 million
Labour force	5.42 million
Capital	Prague
Time zone	GMT +1, summer time GMT +2
Language	Czech
Population of major cities	Prague - 1,308,632 Brno - 380,681 Ostrava - 289,128 Pilsen - 172,441

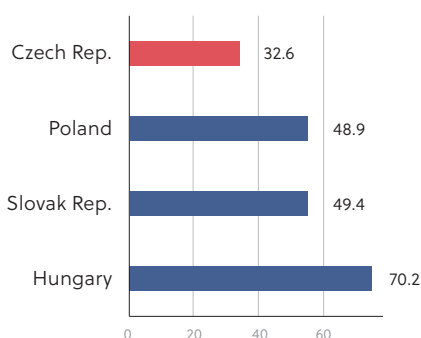
Source: Czech Statistical Office, 2020

GDP per Capita in EUR (2018)



Source: Eurostat, 2020

General Government Gross Debt in 2018 (% of GDP)



Source: Eurostat, 2020

Macroeconomic Forecast of Ministry of Finance

Indicators	2015	2016	2017	2018	2019 forecast	2020 forecast	2021 outlook
GDP growth (constant prices, %)	5.3	2.5	4.4	3.0	2.5	2.0	2.2
General government debt (% GDP)	40.0	36.8	34.7	32.6	31.2	30.6	30.0
Long-term interest rates (government bonds, % p.a.)	0.6	0.4	1.0	2.0	1.5	1.2	n/a
Average inflation rate (%)	0.3	0.7	2.5	2.1	2.8	2.6	2.0
Labour productivity (increase in %)	3.8	0.8	2.8	1.6	1.6	1.7	2.1
Unemployment rate (avg., %)	5.1	4.0	2.9	2.2	2.2	2.3	2.4
Average nominal gross wage (increase in %)	3.2	4.4	6.7	7.5	7.1	5.7	5.1
Average real gross wage (increase in %)	2.9	3.7	4.3	5.3	4.1	3.0	3.1

Source: Ministry of Finance of the Czech Republic, Macroeconomic Forecast, 2020

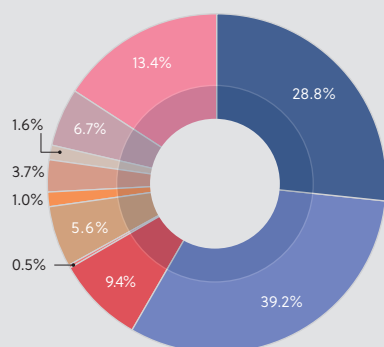
EU legislation was adopted in preparation for EU accession. Commercial, accounting and bankruptcy laws are compatible with western standards. The Czech crown is fully convertible. All international transfers (e.g. Profits

and royalties) related to an investment can be carried out freely and without delay. Foreign legal entities from the EU and other countries may acquire real estate in the Czech Republic without any restrictions and under the same conditions as Czech

legal entities. Hence, the original legal restrictions pertaining to locating a company or establishing a branch in the Czech Republic and entitlement to conduct business in the Czech Republic have been lifted.

Impressive FDI Results

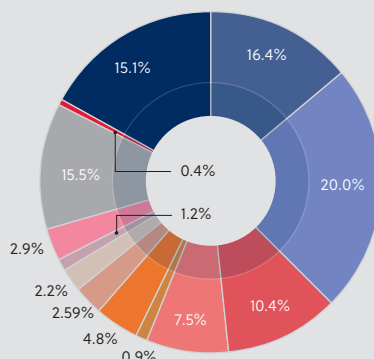
Total: EUR 130.04 billion/USD 155.99 billion (1993-2017)



Cumulative FDI Inflow by Sector, 1993-2017



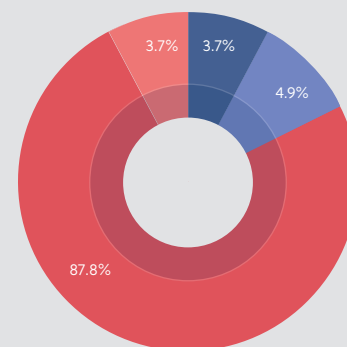
Source: Czech National Bank, 2020



Cumulative FDI Inflow by Country, 1993-2017



Source: Czech National Bank, 2020



Investment Projects Mediated by CzechInvest in 2018



Source: CzechInvest, 2020

Inflow of Foreign Direct Investment

The Czech Republic is one of the most successful CEE countries in terms of attracting foreign direct investment. According to the Czech National Bank, a total amount of more than EUR 130 billion worth of FDI has been recorded since 1993. The introduction of investment incentives in 1998 stimulated a massive inflow of FDI into greenfield projects. Amendments to the investment-incentives legislation have further eased the attracting of new investments to the country. According to the Vienna Institute for International Economic Studies, the Czech Republic has consistently

attracted a high rate of foreign direct investment per capita, which confirms the country's strong attractiveness for foreign investors. The Czech Republic is characterised as a mature host country for FDI with low inflation, modest interest rates, a relatively stable currency and a good rate of economic growth providing favourable conditions for investors.

Services Surpass Manufacturing

The structure of FDI inflow into the Czech Republic has been changing substantially and the trend is expected to strengthen in the coming years. The Czech Republic

is experiencing the introduction of a new, very valuable type of economy, as investments in research and development and business support services in the country have outweighed those in manufacturing projects in recent years.

Performance of Foreign Companies in the Czech Republic

The Czech Republic hosts almost 100,000 foreign companies of all sizes. Famous multinational companies such as ABB, Continental, Danone, Ford, Nestlé, IBM, DHL, Astra Zeneca, Rockwell, Procter & Gamble, Renault, Siemens, Tyco, Honeywell, Amazon and Volkswagen have significant subsidiaries in the Czech Republic.

Stock of Inward Foreign Direct Investment per Capita in EUR

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Czech Rep.	7,798	8,347	9,169	8,870	9,838	9,257	9,496	10,151	10,93	12,257	12,713
Hungary	6,232	6,858	6,822	6,658	7,992	8,027	8,384	8,032	7,971	7,971	8,510
Poland	2,763	3,043	2,299	3,301	3,914	4,324	4,522	4,430	4,639	5,179	5,201
Slovak Rep.	6,731	6,766	6,985	7,434	7,722	7,768	7,557	7,789	8,307	9,116	9,365

Source: wiw FDI Report 2019, The Vienna Institute for International Economic Studies, 2020

Selected Investors

The change in the structure of foreign direct investment indicates a new trend in the Czech Republic. The number of demanding projects in the fields of research, development and business support services is rapidly increasing. New investors as well as those companies

that formerly only came to the country with a production programme are now transferring their higher-value-added development activities (technology centres and business support services centres) to the Czech Republic.

Sector	Investor	Country or region of origin
Aerospace	GE Aviation	USA
	Honeywell Aerospace	USA
	Latecoere	France
	Bell Helicopters	USA
	UGMK	Russia
Automotive	Hyundai	South Korea
	Nexen Tire	South Korea
	Robert Bosch	Germany
	Toyota/Groupe PSA	Japan/France
	Volkswagen	Germany
Business Support Services	Accenture	USA
	DHL	Germany
	IBM	USA
	Infosys	India
	SAP	Germany
Electrical Engineering & Electronics	ABB	Switzerland
	ThermoFisher Scientific (FEI)	USA
	Foxconn	Taiwan
	On Semiconductor	USA
	Panasonic	Japan
High-tech Mechanical Engineering	Bombardier	Canada
	Daikin	Japan
	Edwards	United Kingdom
	Ingersoll Rand	USA
	Siemens	Germany
Information and Communication Technologies	Microsoft	USA
	Oracle	USA
	Red Hat	USA
	Solarwinds	USA
	Tieto	Finland

Sector	Investor	Country or region of origin
Life Sciences	Lonza	Switzerland
	MSD	USA
	Otsuka Pharmaceutical	Japan
	Synthon	Netherlands
	Teva Pharmaceutical Industries	Israel
Nanotechnologies and Advanced Materials	AGC	Japan
	ThermoFisher Scientific (FEI)	USA
	Fibertex Nonwovens A/S	Denmark
	Saint-Gobain	France
	Toray Industries	Japan

Source: CzechInvest, 2020



FDI Target Sectors

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

01

Aerospace

The Czech Republic has become an indispensable partner in global aerospace supply chains. The local industry's strength that makes it attractive to major aerospace firms consists in the ability to develop and integrate structural components into a wide range of aircraft, engines and systems. The combination of a strong engineering background, excellent R&D facilities, skilled workforce, government support, outstanding product reputation

and high product reliability in various climatic conditions reinforces the country's competitiveness in the global market and enables further development of characteristically high-quality aerospace technologies. The Czech Republic is an active member of the European Space Agency and the headquarters of the European Global Navigation Satellite Systems Agency is located in Prague.

As a result of its long industrial tradition and ability to compete on the global level, the Czech Republic has achieved one of the highest concentrations of automotive manufacturing, design and R&D activity in the world. With passenger car production at 136 vehicles per 1,000 persons in 2018, the Czech Republic has maintained its supreme position among world automotive leaders in terms of per-capita output. With 1.43 million vehicles produced

in 2018, it is also among the fifteen largest global passenger-car producers by volume and the largest one in Central and Eastern Europe. The Czech automotive industry employs more than 150,000 people and accounts for more than 20% of both Czech manufacturing output and Czech exports. After all, the presence of more than half of the world's top 100 tier-one suppliers underscores the local automotive sector's long-term focus on excellence.

02

Automotive

03

Business Support Services

Twelve-percent growth within the sector in 2018 shows the vast potential of business shared services in the Czech Republic, as it is not just the second most attractive country in the CEE region, but also one of the most attractive countries in Europe with respect to this sector. The most frequently shared services are financial, accounting and IT services and customer support. The shared-services centres of DHL, Accenture, Novartis, ExxonMobil,

Johnson & Johnson and more than 290 other companies employ over 100,000 specialists in the Czech Republic. Nearly 80% of these centres are captive, while BPO companies comprise about 20% of the market. The country offers several attractive locations for business shared services – besides Prague and Brno, more and more companies are focusing on cities such as Ostrava, Olomouc or Plzeň.

Electrical engineering and electronics is a fast-growing sector due to digitization and miniaturization. More than anything else, the success of the electronics sector in the Czech Republic is based on its long tradition here and the extensive skills of its employees. Firms based in the Czech Republic are active in every possible field of the industry, but are particularly strong in manufacturing and R&D activities involving optoelectronics, semiconductors, special consumer electronics, healthcare

electronics, IoT and robotics. The industry as a whole accounts for more than 13% of Czech manufacturing output, which makes it the second largest sector in the economy with over 15,000 businesses employing more than 150,000 workers. Final products comprise unique solutions for customers as well as supplies for other industries. Electronics companies in the Czech Republic benefit from the European common market and, primarily, exporting of their products to countries in the European Union.

04

Electrical Engineering and Electronics

05

High-Tech Mechanical Engineering

Since the early 20th century, the engineering industry remains one of the cornerstones of the Czech economy. Stable economic environment, high level of manufacturing technological maturity and cutting-edge R&D programs contribute to the creation of the optimal climate for business establishment and further development. This fact has been recognized by the world's major players such as Siemens, Solar Turbines, Ingersoll Rand, Edwards or Daikin, who have invested in various facilities in the Czech Republic. The Czech Engineering sector employs over 126 000 workers and around 85% of manufactured products is being exported. More than 5200 machinery companies are

manufacturing even the most sophisticated components, which makes the Czech Republic 2nd most specialized in Industrial Machinery, equipment, and tools in the world. That makes the Engineering sector one of the three most important industry sectors in the Czech Republic. According to EU statistics, the Czech Republic can offer average labor-cost savings of 40% to 60% in comparison with costs in Western Europe and the United States while sustaining comparable productivity. More than 3,500 mechanical engineering graduates enter the workforce every year and that number is increasing to satisfy demand and the needs of the vibrant engineering sector.

The Czech Republic is one of Europe's top locations for ICT investments. Repeatedly recognised by various researchers, this fact is confirmed by the strong inflow of high-value-added projects of the world's top ICT companies and is fuelled by the country's tradition of excellence in technical fields. The list of successful investors in the country includes Skype, DHL, Tieto, Red Hat, SolarWinds, Oracle, IBM, CA Technologies and many more. Besides foreign investors, there are many

internationally successful Czech ICT companies, such as Avast/AVG, GoodData, Y Soft, STRV and Seznam.cz, to name just a few. Most of the ICT companies operating in the Czech Republic are concentrated in the country's two largest cities, Prague and Brno. Which are also home to some noteworthy game development studios, such as Bohemia Interactive, Warhorse Studios, 2K Czech, Madfinger Games, Amanita Design and About Fun, among others.

06

Information and Communication Technologies

As the country that laid down the principal laws of heredity, introduced the contact lens to the world and successfully developed the compounds on which current anti-AIDS drugs are based, the Czech Republic is an attractive location for manufacturing and contract R&D operations. Development of the sector is supported by effective patent protection, adoption of GMP, GLP and GCP standards, relatively non-restrictive genetic engineering and the

government's policy goals comprising continuation of support for R&D and acceleration of the transfer of knowledge between the science and business communities. The country's membership in the European Union guarantees that licenses issued in the Czech Republic are valid in all EU countries, which comprise a market of over 500 million consumers within just a two-hour flight from Prague.

07

Life Sciences

08

Nanotechnologies and Advanced Materials

Since 2000, the field of nanotechnology has attracted more and more attention worldwide with a lot of new, promising applications in the fields of medicine, textiles, surface treatment and filtration. The Czech Republic has established its own respectable position in the world of nanotechnology thanks to its industrial tradition, well-developed research infrastructure with institutions cooperating on the most prestigious projects, education offering high-quality phd programmes, clusters and a number of companies with fully developed products and innovative applications.

The most influential discoveries in the area of nanotechnology have been made in the fields of electron microscopy and nanofibers. Brno is considered the global centre of electron microscopy thanks to the Czech-based companies Tescan-Orsay Holding, Delong Instruments and thermofisher Scientific (formerly FEI), which together account for one-third

of global electron-microscope production. The Liberec-based firm Elmarco became the first supplier of industrial-scale nanofibre production equipment in 2004 and is the holder of a global patent for electrospinning, a technology that has enabled other Czech companies to produce nanofibers for use in textiles and filtration membranes. The Czech company HE3DA is developing a unique nano-based battery technology for use in the e-mobility. Nanotechnologies are closely associated with chemistry and advanced materials. This sector is highly attractive to major foreign companies and it stands to mention at least the ongoing investments of Fibertex Nonwovens A/S in nonwoven textiles, Toray in waterless printing technology and AGC in advanced glass. Furthermore, the Saint-Gobain group has implemented numerous investments in the Czech Republic, where many of its branches are located.



Investment Incentives

Only the projects with the highest added value will be supported by the investment incentives.

The Czech Government will evaluate and decide about the project support based on the benefits of the project for the region and state. This new concept of the investment incentives came into force on September 6, 2019 via the amendment to the incentives legislation.

Supported areas

Investment incentives are offered for establishment or expansion of projects in the following areas:

- + **Industry**
 - Introduction or expansion of production in sectors of the manufacturing industry
- + **Technology centres**
 - Construction or expansion of research and development centres
- + **Business support services centres**
 - Launch or expansion of the shared-services centres, software-development centres, high-tech repair centres, data centres

THE NATIONAL INCENTIVES SCHEME

Corporate tax incentive	Corporate income-tax relief for up to ten years for new companies Partial corporate income-tax relief for up to ten years for existing companies
Cash grant for capital investment	Financial support in the case of strategic investments up to 20% of eligible investment costs
Cash grant for new jobs and training	Financial support in the case of Technology centres up to CZK 200 thousand per new job and 50% of eligible training costs. Investment in production can receive a cash grant for new jobs and training only in regions with min. 7.5 % unemployment rate

STATE AID

State aid is understood to be tax incentives, cash grant for capital investment and cash grant for new jobs. The maximum permissible state-aid intensity in the Czech Republic is 25% of total eligible cost for large enterprises. Eligible costs can be either fixed assets, when the value of machinery comprises at least half of the value of acquired assets, or two years' gross wages for newly created jobs. State-aid intensity is increased to 35% for medium and 45% for small enterprises. Data centres can benefit from 6.25% intensity.

ELIGIBILITY CRITERIA

For all types of activities, it applies that the recipient of incentives shall not start work on the project (i.e. shall not acquire any assets including orders of machines and equipment and shall not commence

construction works) prior to submission of the application to CzechInvest and that the recipient shall retain the required assets and created jobs throughout the entire period of utilising state aid (at least for a

period of five years). The required investment and number of new jobs is reduced to half for SMEs.

Eligibility criteria for the manufacturing industry

- + The investor must invest at least CZK 100 million (approx. EUR 3.9 million) within three years. This limit is reduced to CZK 50 million in afflicted regions and in special industrial zones.
- + At least CZK 50 million (CZK 25 million) must be invested in new machinery.
- + In developed regions, the investor must fulfil high-added value condition of the project.

Strategic investment

- + The investor must invest at least CZK 500 million (approx. EUR 19.5 million) within four years.
- + At least CZK 250 million must be invested in new machinery.
- + The investor must create at least 500 new jobs.

Eligibility criteria for technology centres

- + The investor must invest at least CZK 10 million (approx. EUR 0.4 million) within three years.
- + At least CZK 5 million must be invested in new machinery.
- + The investor must create at least 20 new jobs.

Strategic investment

- + The investor must invest at least CZK 200 million (approx. EUR 7.7 million) within four years.
- + At least CZK 100 million must be invested in new machinery.
- + The investor must create at least 70 new jobs.

Eligibility criteria for business support service centres

- + Creation of at least 20 new jobs at software-development centres and data centres.
- + Creation of at least 50 new jobs at high-tech repair centres.
- + Creation of at least 70 new jobs at shared-services centres.

Strategic investment in high-tech repair centres only

- + The investor must invest at least CZK 200 million (approx. EUR 7.7 million) within four years.
- + At least CZK 100 million must be invested in new machinery.
- + The investor must create at least 100 new jobs.



Partnership Opportunities

Sourcing

The start of production is closely connected with creating new supply networks. Therefore, CzechInvest is prepared to assist you with selecting suitable Czech suppliers. CzechInvest will compile for you a detailed **overview of potential suppliers** according to your specifications. Furthermore, the agency will organise visits to the facilities of selected suppliers, including transport and interpreting if needed. Use our services and contact us at suppliers@czechinvest.org. For multinational companies seeking a larger number of suppliers, CzechInvest organises B2B events – supplier days.

The possibility of organising supplier days is offered to all multinational companies operating in the manufacturing industry.

CzechInvest administers its own sector database of suppliers, which serves as a **useful tool in seeking out business partners in the Czech Republic**. This database contains almost 3,500 high-quality records with a broad scope of information about Czech manufacturing and IT companies. The database is divided into ten key sectors (icons on the right side). The database is freely available at <http://suppliers.czechinvest.org>.



Engineering



Healthcare, pharmacy, biotechnology



ICT



Aerospace



Subcontractive – plastic



Subcontractive – metal



Materials and packaging



Automotive



Energy



Electronics and electronic engineering

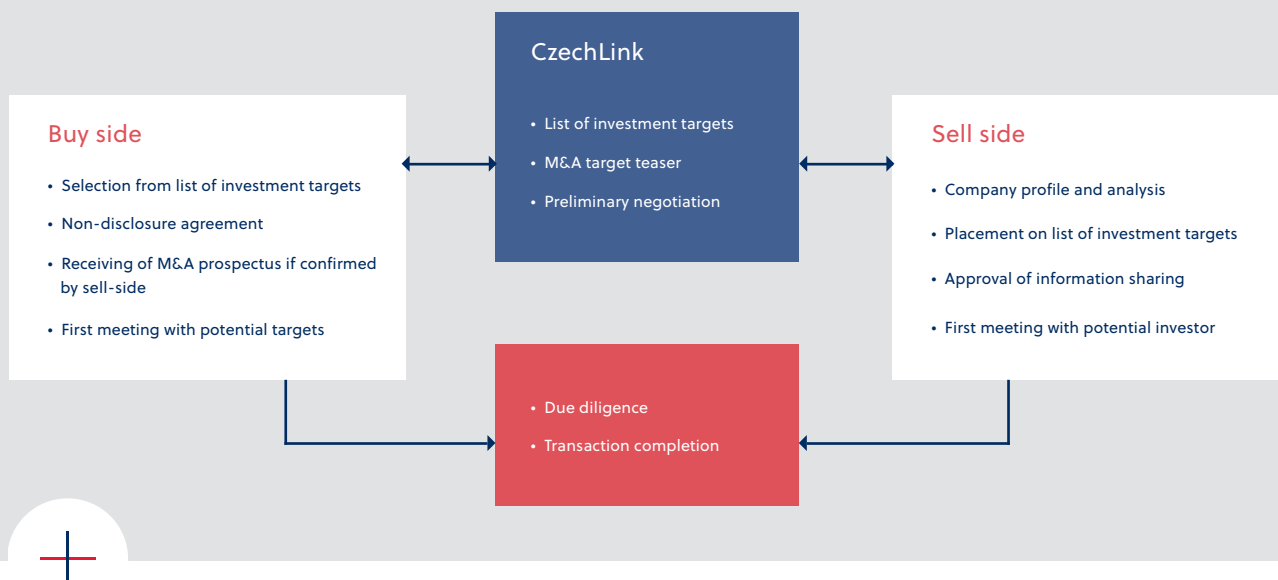
M&A, Joint Ventures

Since 2010, CzechInvest has administered the CzechLink project, which can help you to find a suitable joint-venture partner or acquisition target. The purpose of the project is to bring foreign investors together with Czech companies that

are seeking a strategic partner or investor. Czech firms are divided into three categories – manufacturers, IT firms and start-ups. If the offered firms do not fulfil your requirements, we are able to prepare for you a tailored list of potential partners and acquisition targets and contact the

selected firms on your behalf. You can contact us directly at czechlink@czechinvest.org.

All our services are free of charge.



Highly Developed Property Market

Thanks to the continued interest of real estate investors and excellent economic conditions, the Czech Republic has a highly developed and dynamic real estate market.

The availability of space for production facilities has been boosted in recent years by a major government programme designed to support the development of municipal industrial properties and zones.

The programme is currently also being focused on regeneration of brownfields for further commercial use.

The CEE region's growing economic power attracted a record number of real estate investments in 2017, with the Czech Republic's

EUR 3.3 billion ranking it at the top in the region in terms of per-capita investment. A large share of these investments is due to the industrial property sector, in which investors and manufacturing companies appreciate the availability of technical and transport infrastructure and immediate proximity to the German and Western European markets. This explains why demand for vacant land plots and industrial zones is expected to grow among investors in the fields of manufacturing, logistics and research and development. It is in the ongoing interest of private owners and the state to utilise present economic development and provide an adequate

supply of these properties for newly incoming investors, as well as for investors that are already established on the Czech market.

The development of industrial zones has been supported by the state via CzechInvest since 1998 through various programmes and aid from the state budget. The main priorities in the preparation of industrial zones and regeneration of brownfields are a clear asset structure of land plots in the given zone and the presence of transport and technical infrastructure on such land plots. These plots are then offered to investors in the manufacturing and research and development sectors.

The CzechInvest also administers an extensive database of properties where it offers more than 700 business properties including:

- + Industrial zones
- + Industrial parks
- + Science parks
- + Office buildings
- + Brownfields

How We Can Help

- + Consultancy pertaining to the property market in the Czech Republic
- + Consultancy pertaining to financial support from public sources and EU funds
- + Site selection within the Czech Republic according to the client's requirements
- + Site inspections tailored to the client
- + Registration of properties in the database of business properties
- + Monitoring of the business-property market

Class-A Office Headline Rents (EUR/m²/month)

Location	2015	2016	2017	2018	2019
Prague city center	18.5-19.5	18.5-19.5	19.5-20.5	21.0-22.0	22.5-23.0
Prague inner city	15.0-16.5	15.0-16.5	15.5-16.9	15.0 – 16.5	15.5-17.0
Prague outer city	13.0-14.5	13.0-14.5	14.0-14.9	13.5 -14.5	13.5-15.0
Brno	11.0-13.0	11.0-13.0	13.6	15,0	15.0-15.5
Ostrava	10.0-11.5	10.0-11.5	10.5-11.2	11.5-12.0	11.5-12.0

Source: CBRE Research, Regional Research Forum, 2020

Rents in industrial premises, by region, year 2019 (EUR/m²/month)

Region	Rent* (EUR/m ² /month)
Central Bohemia	3.9 - 4.4
Hradec Kralove	4.0 - 4.3
Karlovy Vary	3.8 - 4.2
Liberec	4.0 - 4.5
Moravia-Silesia	3.8 - 4.2
Olomouc	3.9 - 4.4
Pardubice	3.8 - 4.2
Plzen	3.8 - 4.4
Prague	4.0 - 5.5
South Bohemia	3.8 - 4.2
South Moravia	4.1 - 4.7
Usti	3.7 - 4.3
Vysocina	4.0 - 4.3
Zlin	3.0 - 3.5

Source: CBRE Research, 2020

* 2,000-5,000 m²

Key industrial market indicators in the Czech Republic (2019)

	Total CZ
Total Stock* (sq m)	8,360,000
Total leasing activity (sq m)	1,329,100
Space under construction (sq m)	646,300
Vacancy rate (%)	4.1
Existing vacant space (sq m)	342,400
Rent** (EUR/sq m/month)	3-5.50
Net absorption (sq m)	508,500
New completions (sq m)	622,000

Source: CBRE Research, Industrial Research Forum, 2020

Key Office Market Indicators for Prague (2018)

	Inner City	Outer City	City Centre
Prime Rent (€/m ² pm)	17	15	23
Total leasing activity (sqm)	299,703	85,800	52,800
Vacancy (sqm)	111,600	73,100	16,300
Vacancy Rate (%)	5.6	6.5	2.8
Completions (sqm)	122,645	76,436	3,930
Space U/C	194,500	26,800	25,300
Total Stock ('000m ²)	1,977	1,117	574

Source: CBRE Research, Prague Research Forum, 2020

International Memberships

The Czech Republic was the first country in Central and Eastern Europe to be admitted into the OECD. The country is a member of NATO and is fully integrated into other international organisations such as the WTO, IMF, EBRD and the World Intellectual Property Organisation. The Czech Republic joined the EU on 1 May 2004 and has been a part of the Schengen area since 21 December 2007.

Customs Obligations

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

Visa Requirements

EU Member Countries

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

Non-EU Countries

The general classification recognises

Schengen visas (also known as short-term visas), which can be issued for a maximum stay of 90 days within a period of 180 days in the Schengen area (including the Czech Republic). Furthermore, some foreign nationals such as Americans and Japanese, among others, can enter and stay in the Czech Republic without a visa for up to 90 days. This applies to short stays of a non-business nature.¹

Long-term visas and employee cards are intended for foreigners intending to stay in the Czech Republic longer than 90 days (and can be repeatedly extended). There are several types of visas that differ according to the purpose of one's stay.

The employee card is a dual (residence and work) permit for the purpose of employment on a long-term basis. It is for all types of employment regardless of the level of required professional qualification. The application for an employee card must be submitted in person at a local embassy of the Czech Republic. An employee card is issued for the duration of contractual employment according to the submitted documents (such as an employment contract), though for no longer than two

years, with the option of repeated extension of its validity.

The blue card is a dual permit for highly qualified employees. It is intended for a long-term stay associated with the performance of high-skilled work. The employment contract must contain a gross monthly or yearly salary that is equivalent to at least 1.5 times the gross average monthly or annual salary in the Czech Republic. Validity of the blue card extends three months beyond the period for which the employment contract is valid (maximum period of two years; extension is possible).

The Intra-Company Employee Transfer Card is a permit for long-term residence in the Czech Republic where the purpose of residence (longer than 90 days) of the foreign national is to perform work in the position of manager, specialist or employed intern at a branch to which the foreign national has been transferred. The Intra-Company Employee Transfer Card is issued for the duration of transfer to an EU member state, though only to a maximum of three years for a manager or specialist and for one year for an employed intern.

Source: CzechInvest, 2020

Note:

¹ Regulation(EC)No 539/2001

https://www.mzv.cz/jnp/en/information_for_alien/short_stay_visa/list_of_states_whose_citizens_are_exempt/index.html

Testimonials from Successful Investors

Frederic Langrand

Finance Director

Valeo Autoklimatizace k.s

"Valeo has been investing in the Czech Republic for more than 20 years with the first production site opened in 1995. Ever since

we have been strongly accompanied by the aftercare team which clearly shows that for CzechInvest the mission and competences go far beyond promoting one-off capital expenditure in the country. Their support and professional approach with

state and EU-funded investment incentives largely contributed to the fact that in 2017 Valeo is not only an efficient production company, but also one of the key R&D actors in automotive sector in Czech Republic."

Pavel Roman

**Head of Corporate Communications,
Public Affairs Bosch Group CZ and SK
Robert Bosch odbytová s.r.o.**

"Bosch Group's operation in the Czech Republic is a success story that has endured for 25 years. During that period, Bosch has invested more than EUR 1 billion, built modern factories on greenfield sites and created roughly nine thousand jobs primarily for Czech employees in Prague, Jihlava, České Budějovice, Brno, Krnov and Město Albrechtice. CzechInvest's advice

and analytical assistance have always been important parameters of success in Bosch's decision-making with respect to placing its investments. The mutual trust and knowledge of both partners have grown stronger with every step. Joint formulation of conditions and benefits for the development of investments has had a positive impact on decision-making at the group level, where strong intracompany competition dominates. A no less important factor has been detailed collaboration on completing formal applications and subsequent documentation."

David Mansfeld

Director of Johnson and Johnson SSC

"Reasons for choosing Prague as the home of our SSC included an available, strong, quality and multilingual workforce, the macroeconomic stability of the Czech Republic and well-developed infrastructure. Government support and investment, in which Johnson & Johnson worked closely with CzechInvest to obtain, also had a positive contribution to the decision-making process and helped bring the last pieces of the decision-making puzzle into place."



About CzechInvest

CzechInvest plays a key role in the area of supporting business and investments in its comprehensive form. The agency's unique combination of regional, central and international operations ensures the integrity of services and the ability to connect global trends with regional conditions in the Czech Republic. One of CzechInvest's main objectives is transformation of the Czech Republic into an innovation leader of Europe. Established in 1992, CzechInvest is a state contributory organisation subordinate to the Ministry of Industry and Trade of the Czech Republic.

All of CzechInvest's services are free of charge.

CzechInvest's activities:

- + Development of Czech technology firms' potential Support for "smart" investments
- + Motivation of foreign investors already established in the Czech Republic toward sophisticated complementary investments
- + Development and cultivation of the national start-up and spin-off environment
- + Assistance for Czech firms when entering foreign markets
- + Promotion of the Czech economy, technologies and R&D abroad
- + Cultivation of the business and investment environment in all regions of the Czech Republic
- + Linking of partners from the business and R&D spheres
- + Use of trends in progressive sectors of the global economy

CzechInvest Headquarters and Foreign Offices:

Czech Republic

Phone: +420 296 342 500
E-mail: fdi@czechinvest.org
Stepanska 15, 120 00 Prague 2

Germany

Phone: +49 211 250 56 190
E-mail: germany@czechinvest.org

China

Phone: +86 (0)21 60322035
E-mail: china@czechinvest.org

Japan

Phone: +81 03-5485-8266
E-mail: tokyo@czechinvest.org

South Korea

Phone: +82 2 720 6080
E-mail: seoul@czechinvest.org

Russia

Phone: +7 495 787 7851
E-mail: russia@czechinvest.org

UK and Ireland

Phone: +44 20 8748 3695
Mobile phone: +44 77 8523 1520
E-mail: london@czechinvest.org

USA – East Coast

Mobile phone: +1 (347) 789 0570
E-mail: newyork@czechinvest.org

USA – West Coast

Phone: +1 831 313 6295
E-mail: california@czechinvest.org

Canada

Phone: +1-647-640-2113
E-mail: canada@czechinvest.org

