Investment Climate in the Czech Republic
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Main Reasons to Invest in the Czech Republic

Attractive Investment Climate

Basic Data

Impressive FDI Results

Selected Investors

FDI Growth Sectors

Financial Support for Investment

Partnership Opportunities

Highly Developed Property Market

International Memberships

Testimonials from Successful Investors

About CzechInvest

CzechInvest is an agency of the Ministry of Industry and Trade. Established in 1992, the agency contributes to attracting foreign investment and developing domestic companies through its services and development programmes. CzechInvest also promotes the Czech Republic abroad.
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

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

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 2017/2018 academic year, there were more than 85,000 students enrolled in technical fields at Czech universities. The number of university students increased from 118,000 in 1990/1991 to 299,054 in 2017/2018, 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.

Well-Educated and Skilled Workforce

The well-educated and skilled workforce in the Czech Republic is attractive to foreign investors. The country’s education system is designed to meet the needs of a competitive economy, providing manufacturers with highly skilled labour with impressive productivity levels.

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% (2015). 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.

Source: IMD World Talent Report 2018, IMD World Competitiveness Centre, 2018
Differences in wages among Czech regions reach approx. 20%. Employees in Prague are generally paid more than in other regions (currently 28% above the Czech average).

Source: Eurostat, 2018

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 28% 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, 2018

Note: Technical faculties are selected by CzechInvest.
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.

### Central Location in Europe and Advanced Infrastructure

<table>
<thead>
<tr>
<th>Destination</th>
<th>Flights per Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amsterdam</td>
<td>54</td>
</tr>
<tr>
<td>Brussels</td>
<td>32</td>
</tr>
<tr>
<td>Budapest</td>
<td>25</td>
</tr>
<tr>
<td>Copenhagen</td>
<td>23</td>
</tr>
<tr>
<td>Dubai</td>
<td>21</td>
</tr>
<tr>
<td>Dublin</td>
<td>11</td>
</tr>
<tr>
<td>Frankfurt</td>
<td>47</td>
</tr>
<tr>
<td>Hamburg</td>
<td>10</td>
</tr>
<tr>
<td>Helsinki</td>
<td>26</td>
</tr>
<tr>
<td>Istanbul</td>
<td>27</td>
</tr>
<tr>
<td>London</td>
<td>93</td>
</tr>
<tr>
<td>Madrid</td>
<td>21</td>
</tr>
<tr>
<td>Marseille</td>
<td>2</td>
</tr>
<tr>
<td>Milan</td>
<td>26</td>
</tr>
<tr>
<td>Moscow</td>
<td>71</td>
</tr>
<tr>
<td>Munich</td>
<td>26</td>
</tr>
<tr>
<td>New York</td>
<td>7</td>
</tr>
<tr>
<td>Oslo</td>
<td>6</td>
</tr>
<tr>
<td>Paris</td>
<td>56</td>
</tr>
<tr>
<td>Rome</td>
<td>28</td>
</tr>
<tr>
<td>Riyadh</td>
<td>3</td>
</tr>
<tr>
<td>Seoul</td>
<td>8</td>
</tr>
<tr>
<td>St. Petersburg</td>
<td>14</td>
</tr>
<tr>
<td>Stockholm</td>
<td>15</td>
</tr>
<tr>
<td>Tel Aviv</td>
<td>27</td>
</tr>
<tr>
<td>Vienna</td>
<td>32</td>
</tr>
<tr>
<td>Zurich</td>
<td>26</td>
</tr>
</tbody>
</table>

Source: Václav Havel Airport Prague, summer flight schedule, 2018

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### Direct Flights from Prague per Week

Source: Road and Motorway Directorate of the Czech Republic, 2018; CzechInvest, 2018

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### Infrastructure in the Czech Republic

Source: Road and Motorway Directorate of the Czech Republic, 2018; CzechInvest, 2018
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 2017-2018 Global Competitiveness Report published by the World Economic Forum, the Czech Republic ranks 31st among 137 world economies in terms of competitiveness.

**Competitive Advantages: (Rank)**

- Inflation (1)
- Prevalence of foreign ownership (5)
- Trade tariffs (6)
- Exports % GDP (8)
- Flexibility of wage determination (10)
- Soundness of banks (12)
- Government budget balance (13)
- Local supplier quality (13)
- Imports (13)
- Business costs of terrorism (14)
- Business impact of rules on FDI (16)
- Quality of electricity supply (18)
- Local availability of specialized training services (19)
- Primary education enrollment rate (21)
- Pay and productivity (21)
- Affordability of financial services (23)
- Internet access in schools (24)

### 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

<table>
<thead>
<tr>
<th>Country</th>
<th>Standard and Poor’s</th>
<th>Moody’s</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Republic</td>
<td>AA-</td>
<td>A1</td>
<td>AA-</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>A+</td>
<td>A2</td>
<td>A+</td>
</tr>
<tr>
<td>Poland</td>
<td>BBB+</td>
<td>A2</td>
<td>A-</td>
</tr>
<tr>
<td>Russia</td>
<td>BBB-</td>
<td>Ba1</td>
<td>BBB-</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>BBB-</td>
<td>Baa2</td>
<td>BBB-</td>
</tr>
<tr>
<td>Hungary</td>
<td>BBB-</td>
<td>Baa3</td>
<td>BBB-</td>
</tr>
<tr>
<td>Romania</td>
<td>BBB-</td>
<td>Baa3</td>
<td>BBB</td>
</tr>
</tbody>
</table>

Source: Czech National Bank, 2018

### Development of Corporate Income Tax

<table>
<thead>
<tr>
<th>Year</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>26</td>
</tr>
<tr>
<td>2006</td>
<td>24</td>
</tr>
<tr>
<td>2007</td>
<td>24</td>
</tr>
<tr>
<td>2008</td>
<td>21</td>
</tr>
<tr>
<td>2009</td>
<td>20</td>
</tr>
<tr>
<td>2010 - 2018</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: CzechInvest, 2018
Basic Data

Key Information on the Czech Republic

<table>
<thead>
<tr>
<th>Area</th>
<th>78,870 km²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>10.61 million</td>
</tr>
<tr>
<td>Labour force</td>
<td>5.4 million</td>
</tr>
<tr>
<td>Capital</td>
<td>Prague</td>
</tr>
<tr>
<td>Time zone</td>
<td>GMT +1, summer time GMT +2</td>
</tr>
<tr>
<td>Language</td>
<td>Czech</td>
</tr>
<tr>
<td>Population of major cities</td>
<td></td>
</tr>
<tr>
<td>Prague</td>
<td>1,294,513</td>
</tr>
<tr>
<td>Brno</td>
<td>379,527</td>
</tr>
<tr>
<td>Ostrava</td>
<td>322,419</td>
</tr>
<tr>
<td>Plzeň</td>
<td>189,747</td>
</tr>
</tbody>
</table>

GDP per Capita in EUR (2017)

- Czech Rep. 17,200
- Slovak Rep. 15,000
- Hungary 11,800
- Poland 11,800

General Government Gross Debt in 2017 (% of GDP)

- Czech Rep. 34.6
- Slovakia 50.9
- Poland 50.6
- Hungary 73.6

Source: Czech Statistical Office, 2018
Source: Eurostat, 2018

Macroeconomic Forecast of Ministry of Finance

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP growth (constant prices, %)</td>
<td>2.7</td>
<td>5.3</td>
<td>2.6</td>
<td>4.4</td>
<td>3.6</td>
<td>3.3</td>
</tr>
<tr>
<td>General government debt (% GDP)</td>
<td>42.2</td>
<td>40.0</td>
<td>36.8</td>
<td>34.6</td>
<td>32.9</td>
<td>31.6</td>
</tr>
<tr>
<td>Long-term interest rates (government bonds, % p.a.)</td>
<td>1.6</td>
<td>0.6</td>
<td>0.4</td>
<td>1.0</td>
<td>1.9</td>
<td>2.2</td>
</tr>
<tr>
<td>Average inflation rate (%)</td>
<td>0.4</td>
<td>0.3</td>
<td>0.7</td>
<td>2.5</td>
<td>2.1</td>
<td>1.9</td>
</tr>
<tr>
<td>Labour productivity (increase in %)</td>
<td>2.2</td>
<td>3.8</td>
<td>1.3</td>
<td>2.8</td>
<td>3.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Unemployment rate (avg., %)</td>
<td>6.1</td>
<td>5.1</td>
<td>4.0</td>
<td>2.9</td>
<td>2.4</td>
<td>2.3</td>
</tr>
<tr>
<td>Average nominal gross wage (increase in %)</td>
<td>2.9</td>
<td>3.2</td>
<td>3.7</td>
<td>7.0</td>
<td>7.3</td>
<td>6.3</td>
</tr>
<tr>
<td>Average real gross wage (increase in %)</td>
<td>2.5</td>
<td>2.9</td>
<td>3.0</td>
<td>4.5</td>
<td>5.1</td>
<td>4.3</td>
</tr>
</tbody>
</table>

Source: Ministry of Finance, May 2018

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 115.6 billion/USD 121.8 billion (1993 - 2016)

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 115 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.
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.

### Stock of Inward Foreign Direct Investment per Capita in EUR

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Czech Rep.</td>
<td>7,380</td>
<td>7,798</td>
<td>8,347</td>
<td>9,169</td>
<td>8,870</td>
<td>9,838</td>
<td>9,257</td>
<td>9,496</td>
<td>10,150</td>
<td>10,333</td>
</tr>
<tr>
<td>Hungary</td>
<td>6,475</td>
<td>6,229</td>
<td>6,856</td>
<td>6,809</td>
<td>6,646</td>
<td>7,962</td>
<td>7,985</td>
<td>8,314</td>
<td>7,853</td>
<td>7,705</td>
</tr>
<tr>
<td>Poland</td>
<td>3,043</td>
<td>2,763</td>
<td>3,043</td>
<td>2,299</td>
<td>3,301</td>
<td>3,914</td>
<td>4,377</td>
<td>4,522</td>
<td>4,429</td>
<td>4,579</td>
</tr>
<tr>
<td>Slovak Rep.</td>
<td>5,405</td>
<td>6,731</td>
<td>6,766</td>
<td>6,985</td>
<td>7,433</td>
<td>7,721</td>
<td>7,768</td>
<td>7,557</td>
<td>7,789</td>
<td>7,635</td>
</tr>
</tbody>
</table>

Source: wiiw FDI Report 2018, The Vienna Institute for International Economic Studies, 2018

### 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.
FDI Target Sectors

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.

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.

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investor</th>
<th>Country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Sciences</td>
<td>Lonza</td>
<td>Switzerland</td>
</tr>
<tr>
<td></td>
<td>Nanotherapeutics</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>Otsuka Pharmaceutical</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>Sanofi</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>Teva Pharmaceutical Industries</td>
<td>Israel</td>
</tr>
<tr>
<td>Nanotechnologies and Advanced Materials</td>
<td>AGC</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>Thermofisher Scientific (FEI)</td>
<td>USA</td>
</tr>
<tr>
<td></td>
<td>Fibertex Nonwovens A/S</td>
<td>Denmark</td>
</tr>
<tr>
<td></td>
<td>Saint-Gobain</td>
<td>France</td>
</tr>
<tr>
<td></td>
<td>Toray Industries</td>
<td>Japan</td>
</tr>
</tbody>
</table>

Source: CzechInvest, 2018

01 Aerospace

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 134 vehicles per 1,000 persons in 2017, the Czech Republic has maintained its supreme position among world automotive leaders in terms of per-capita output. With 1.4 million vehicles produced in 2017, 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
Nineteen-percent growth within the sector in 2017 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, IBM and more than 240 other companies employ over 89,000 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 and Olomouc.

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.

Mechanical engineering has a great history in the Czech Republic and it is one of the cornerstones of the Czech economy. The number of total sales and the volume of gross value added in exported goods make mechanical engineering the third largest manufacturing sector in the Czech Republic with the second biggest positive foreign trade balance. More than 5,200 highly sophisticated companies that manufacture such advanced devices as engines and turbines, complete airconditioning and cooling systems and multifunction hybrid working centres, are well known for creating the most specialised products in the world. However, the sector’s greatest asset is its workers – over 126,000 skilled professionals are employed in machinery manufacturing alone, working with cutting-edge technologies. The combination of increasing investment in further technological development and easy access to both domestic and foreign markets, creates excellent conditions for expanding the scope of companies’ operations. This has been recognised by major players such as Siemens, Ingersoll Rand and Daikin, which are extensively investing in the mechanical engineering industry in the Czech Republic.

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.
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.

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 nanofibres 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.
Financial Support for Investment

The Czech Republic offers both new and existing investors support covering up to 25% of costs associated with investment projects. Aid is provided mainly from the national investment-incentives scheme, which is described below. Certain activities, for example establishment of R&D centres, innovation activities and ICT and software development, can be also supported from EU Structural Funds.

### Investment Incentives

#### Supported areas

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

- **Manufacturing**
- **Technology centres**
- **Business support services centres**
  - software-development centres,
  - shared-services centres, high-tech repair centres, data centres and customer support centres (call centres)

Aid is provided in all regions, with the exception of Prague, pursuant to the Act on Investment Incentives and consists of the following incentives:

#### Tax incentive

- Full corporate tax relief for up to ten years for new companies
- Partial corporate tax relief for up to ten years for existing companies

#### Job-creation grants

- Financial support for creation of new jobs in selected regions (EUR 3,900 – 11,800 per new job)

#### Training and retraining grants

- Financial support for training and retraining of new employees in selected regions (up to 50% of eligible training costs for large enterprises)

#### Cash grants for capital investments

- Financial support available for large strategic investment projects in the areas of manufacturing and technology centres only (up to 10% of the investment amount); subject to special eligibility criteria (see below)

#### Property-tax incentive

- Property-tax exemption for a period of five years in Special Industrial Zones. Special Industrial Zones are zones designated as such by the Government of the Czech Republic.

### General Eligibility Criteria

#### Manufacturing

- Minimum investment of EUR 2 million – 4 million depending on the region's rate of development
- At least 50% of the eligible costs must comprise new machinery
- Creation of at least 20 new jobs

Source: Investment Incentives Act, amendment of May 2015

#### Technology centres

- Minimum investment of EUR 0.4 million
- At least 50% of the eligible costs must comprise new machinery
- Creation of at least 20 new jobs

Source: Investment Incentives Act, amendment of May 2015

#### Business support services centres

- No condition regarding minimum investment
- Services of the centre must be provided in two other countries besides the Czech Republic
- Creation of at least 20 new jobs at software-development centres and data centres; at least 70 new jobs at shared-service centres and high-tech repair centres, at least 500 new jobs at customer support centres (call centres)

Source: Investment Incentives Act, amendment of May 2015

Work on project cannot begin prior to submission of the application to CzechInvest (the investor shall not acquire any assets including orders of machines and equipment and shall not commence construction works). All of the conditions must be fulfilled within three years from the date on which the investment incentives are granted.
Eligible Costs

Either long-term 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 can serve as eligible costs from which the maximum state-aid intensity is calculated. The investor shall select one option; in the case of an investment in the manufacturing industry, only long-term assets comprise eligible costs.

Eligibility Criteria for Strategic Investment Projects

A strategic investment in the area of manufacturing is considered to be an investment wherein the value of the minimum amount invested in long-term tangible and intangible assets reaches the value of EUR 20 million, of which at least EUR 10 million is invested in new machinery and at least 500 new jobs are concurrently created.

A strategic investment in the area of technology centres is considered to be an investment wherein the minimum amount invested in long-term tangible and intangible assets is EUR 8 million, of which EUR 4 million comprises the value of new machinery and at least 100 jobs are concurrently created.

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.
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

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.

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

CzechInvest

- List of investment targets
- M&A target teaser
- Preliminary negotiation

- Due diligence
- Transaction completion

Buy side

- Selection from list of investment targets
- Non-disclosure agreement
- Receiving of M&A prospectus if confirmed by sell-side
- First meeting with potential targets

Sell side

- Company profile and analysis
- Placement on list of investment targets
- Approval of information sharing
- First meeting with potential investor

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

How We Can Help
## Class-A Office Headline Rents

<table>
<thead>
<tr>
<th>Location</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prague center</td>
<td>19.5-20.5</td>
<td>18.5-19.5</td>
<td>18.5-19.5</td>
<td>18.5-19.5</td>
<td>18.5-19.5</td>
</tr>
<tr>
<td>Prague inner city</td>
<td>15-17.5</td>
<td>15-17.0</td>
<td>15-16.5</td>
<td>15.0-16.5</td>
<td>15.5-16.9</td>
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<tr>
<td>Prague outer city</td>
<td>13-14.5</td>
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<td>13-14.5</td>
<td>13.0-14.5</td>
<td>13.0-14.5</td>
</tr>
<tr>
<td>Brno</td>
<td>10-13.50</td>
<td>10-12.5</td>
<td>11-13</td>
<td>11.0-13.0</td>
<td>13.6</td>
</tr>
<tr>
<td>Ostrava</td>
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<td>10-11.5</td>
<td>10.0-11.5</td>
<td>10.50-11.2</td>
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<tr>
<td>Pizen</td>
<td>10-11</td>
<td>10-10.5</td>
<td>10-10.5</td>
<td>10.0-10.5</td>
<td>13.2</td>
</tr>
<tr>
<td>Olomouc</td>
<td>9-10</td>
<td>9-10</td>
<td>9-10</td>
<td>9.0-10.0</td>
<td>9.5-10.0</td>
</tr>
<tr>
<td>Hradec Kralove</td>
<td>9-11.50</td>
<td>9-10.50</td>
<td>9-10.50</td>
<td>9.0-10.5</td>
<td>9.0-10.5</td>
</tr>
<tr>
<td>Usti nad Labem</td>
<td>9-10</td>
<td>9-10</td>
<td>9-10</td>
<td>9.0-10.5</td>
<td>9.0-10.5</td>
</tr>
</tbody>
</table>

Source: CBRE Research, 2018

## Rents in Industrial Premises, by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Rent* (EUR/m²/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Bohemia</td>
<td>3.9 - 4.35</td>
</tr>
<tr>
<td>Hradec Kralove</td>
<td>4.0 - 4.35</td>
</tr>
<tr>
<td>Karlovy Vary</td>
<td>3.8 - 4.2</td>
</tr>
<tr>
<td>Liberec</td>
<td>4.0 - 4.5</td>
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<tr>
<td>Moravia-Silesia</td>
<td>3.8 - 4.15</td>
</tr>
<tr>
<td>Olomouc</td>
<td>3.8 - 4.0</td>
</tr>
<tr>
<td>Pardubice</td>
<td>3.8 - 4.2</td>
</tr>
<tr>
<td>Plzen</td>
<td>3.8 - 4.35</td>
</tr>
<tr>
<td>Prague</td>
<td>4.1 - 5.5</td>
</tr>
<tr>
<td>South Bohemia</td>
<td>3.8 - 4.15</td>
</tr>
<tr>
<td>South Moravia</td>
<td>3.8 - 4.3</td>
</tr>
<tr>
<td>Usti</td>
<td>3.75 - 4.25</td>
</tr>
<tr>
<td>Vysochina</td>
<td>4.0 - 4.25</td>
</tr>
<tr>
<td>Zlin</td>
<td>3.0 - 3.5</td>
</tr>
</tbody>
</table>

Source: CBRE Research, 2018

* 2,000-5,000 m²

## Key Industrial Market Indicators in the Czech Republic

![Graph showing annual supply and gross take-up from 2008 to 2017](chart.png)

Source: CBRE Research, Industrial Research Forum, 2018

## Key Office Market Indicators for Prague

![Graph showing annual supply and gross take-up from 2008 to 2017](chart.png)

Source: CBRE Research, Industrial Research Forum, 2018
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. 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.

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."

Radovan Musil
Development Centre Director, Red Hat Czech s.r.o.

„The pool of engineering talent within the country’s open source community and the strengths of its universities provide a firm foundation of technical excellence from which to grow our business.”
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, K仍在 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

We are the Investment and Business Development Agency of the Czech Republic. Our mission is to encourage and support foreign direct investment and to help increase competitiveness of domestic companies. CzechInvest is exclusively authorised to file applications for investment incentives at the competent governing bodies. We also provide potential investors with current data and information on the business climate, investment environment and investment opportunities in the Czech Republic.

All of CzechInvest’s services are free of charge.

Our Services

+ 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
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