

CZECH FOCUS

The magazine of the Association for Foreign Investment and CzechInvest

Czech Mechanical Engineering in Transformation

Germany:

A key partner for the Czech economy

BREXIT:

An opportunity for the Czech Republic?

Essentials:

Establishing a company in the Czech Republic

HR in manufacturing:

Competitive on every level

The Association for Foreign Investment

is a non-governmental, non-profit organisation established by a group of leading global and regional firms with key competences in supporting new and existing investors in all areas of their activities and actively promoting the Czech Republic as an investment destination of choice. The AFI has been actively assisting investors since 1996 and cooperates closely with the Czech government, CzechInvest Investment and Business Development Agency and all relevant public authorities.

How we help investors

Expert support for investors and exporters in all key phases of investment implementation:

- Site selection advisory
- Comprehensive services related to getting established on the market
- Necessary information from all sectors of the economy („doing business“, analyses)
- Organisation of investors' visits to Czech Republic
- Personal consultation
- Mediation of contacts with business partners and other relevant entities on the market
- Facilitation of contact with the public sector, the academic sphere and science and research organisations
- Expert support in the area of visas and work permits
- M&A advisory, target selections

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Contact the AFI for more information

Zdenka Hrabicová

Association for Foreign Investment,

Štěpánská 11, 120 00 Prague 2, Czech Republic

Phone: (+420) 224 911 750, mobile: (+420) 602 686 597, email: zdenka.hrabicova@afi.cz

www.afi.cz



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Czech mountains

Masthead

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Dear Readers,



you are holding the latest edition of Czech Focus magazine, which is published by CzechInvest and the Association for Foreign Investment.

As usual, the second edition of 2016 is filled with interesting information. This time we placed our focus on Germany, which is a significant trading partner of the Czech Republic. If you are interested in knowing which German companies have established branches in the Czech Republic and how many jobs they have created and in which sectors, you will surely enjoy the article by our foreign representative for the D-A-CH region. While Germany and mechanical engineering go hand in hand, the same is true for the Czech Republic, where mechanical engineering is one of the drivers of the economy. In the current issue, we focus on this rapidly changing sector, which is being strongly affected by the changes wrought by the fourth industrial revolution, for which the Czech Republic is diligently preparing with CzechInvest at the fore.

BREXIT shook the whole of Europe and the Czech Republic was no exception. We are currently getting ready for foreign investors who will choose the more stable Czech political and economic environment and decide to transfer their operations to our country. And we have something to offer them! For example, the Czech Republic has research and development centres that are recognised around the world for their excellence. Quite a few foreign investors have become convinced of the fact that we have outstanding specialists and highly skilled workers, and more are preparing to join their ranks. The current flagship investment is undoubtedly GE Aviation's project to build the global headquarters of a new business in the Czech Republic, namely a centre for research and manufacturing of turboprop engines. But let's not get ahead of ourselves. Have a look at this edition of Czech Focus and see for yourself all the great things that are happening here in the Czech Republic.

I wish you pleasant reading.

Karel Kučera
CEO, CzechInvest

The Czech Republic - basic information

10.5 mil
Population

78.866 km²
Area

The Czech Republic in the world



The Czech Republic in Europe



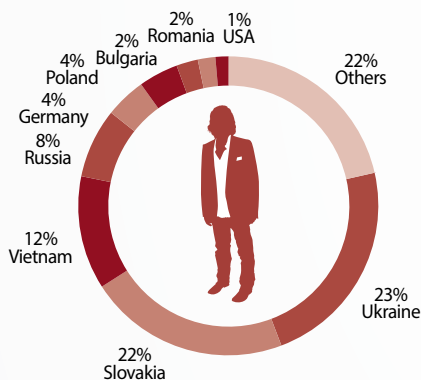
The Czech Republic in detail



Population

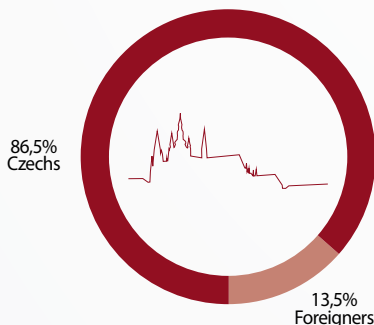


Note: Percentage of foreigners in total population
Source: Eurostat, 2012



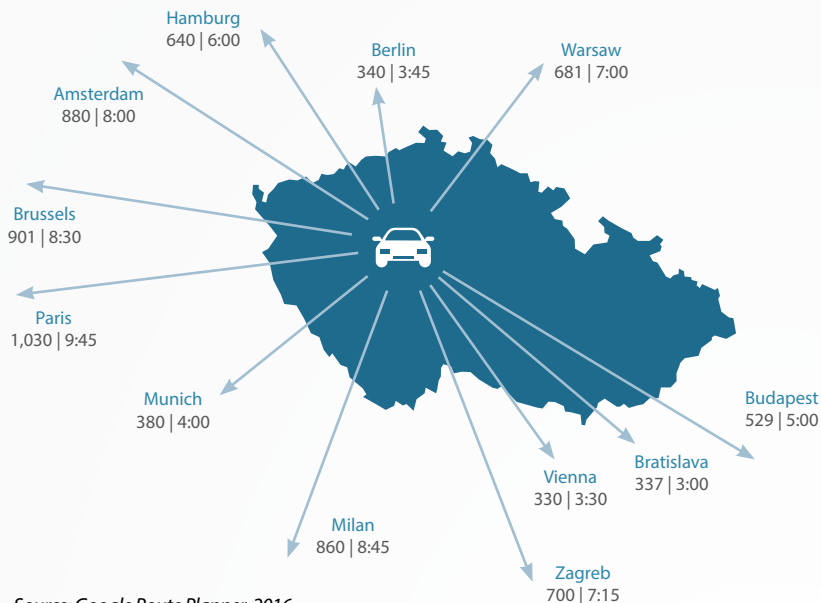
Note: Percentage of foreigners, by citizenship
Source: Directorate of Alien Police Service, September 2015

Foreigners living in Prague



Note: Permanent and other types of stay.
Source: Directorate of Alien Police Service, Czech Statistical Office, September 2015

Travel distances from Prague (km | driving time, h:m)



Source: Google Route Planner, 2016

Economy

2.6%

GDP growth, Q2 2016

31st

The **31st most competitive country** according to the **Global Competitiveness Index, 2015 – 2016**. The Czech Republic is also among the most competitive countries in the CEE region.

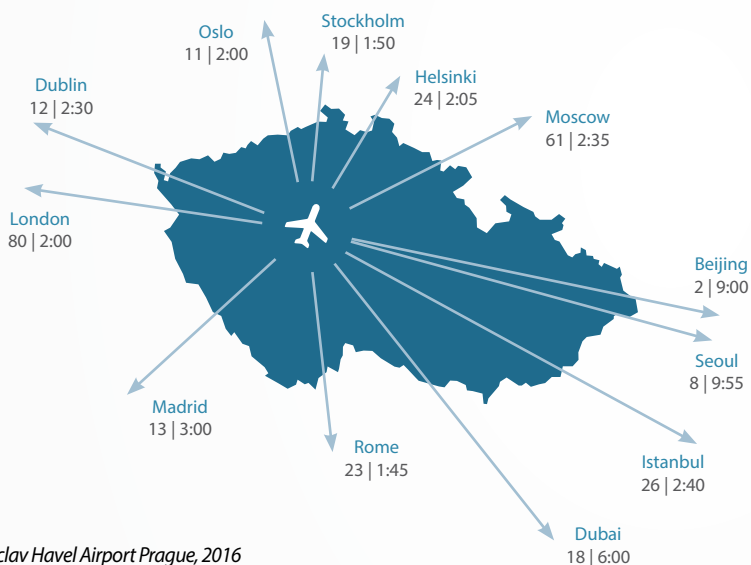
Source: Czech Statistical Office, 2016

Investment risk rating

Country	Standard and Poor's	Moody's	Fitch
Czech Republic	AA-	A1	A+
Slovak Republic	A+	A2	A+
Poland	BBB+	A2	A-
Bulgaria	BB+	Baa2	BBB-
Hungary	BBB-	Ba1	BBB-
Romania	BBB-	Baa3	BBB-
Russia	BB+	Ba1	BBB-

Source: Czech National Bank, 2015

Travel distances from Prague (flights per week | flight time, h:m)



Source: Vaclav Havel Airport Prague, 2016

Industry

47.3%

Industry's share in the commercial economy

1st

The **Czech Republic is the most industrialised country** in the EU.

Source: Eurostat, 2015

Quality of life

6th

The **6th safest country in the world** according to the Global Peace Index 2016.

1st

The **1st happiest country among the newer EU member countries** according to World Happiness Report issued by the United Nations, 2016.

4th

The **Czech Republic is 4th** in the world according to Expat Explorer Survey HSBC, 2016.

Sources: Global Peace Index, 2015; World Happiness Report, 2016

Recent history

Velvet Revolution

In November and December 1989 the people of Czechoslovakia held a series of non-violent demonstrations against the communist government, which resulted in the regime's collapse. The leading figure of the events, Václav Havel, was later named the first president of the free, post-communist Czechoslovakia.

1989

Velvet Divorce

The federated Czechoslovakia was divided into the Czech Republic and Slovakia on 1 January 1993 through a bilateral political decision. Due to the peaceful course of the breakup, the event was called the Velvet Divorce.

1993

Accession to NATO

The Czech Republic became a member of NATO in 1999.

1999

Accession to the EU

The Czech Republic joined the European Union in 2004.

2004

CzechInvest and the Association for Foreign Investment recognise major investment projects of 2015



The winners of the sixteenth annual Investor and Business Property of the Year competition were announced by CzechInvest and the AFI at an awards ceremony held on Tuesday, 25 October 2016. The main partners of the competition were CTP and Česká spořitelna. A total of 13 significant entities received awards for 2015. The event was held under the auspices of Minister of Industry and Trade Jan Mládek, who presented the first-place award in the Manufacturing category to representatives of INA Lanškroun. FNZ (Czechia) was named the winner of the IT and Shared-Services category, while Honeywell took the top honours in the Research and Development category.

The Svitavy-Papsek Industrial Zone and Waltrovka were this year's winners in the Business Property Category. The AFI Prize for Significant Achievement in the Field of Investments was awarded to Konica Minolta Business Solutions Czech. Jan Amos Havelka, one of the founders of CzechInvest, received the AFI Prize for Long-Term Benefit to the Investment Environment of the Czech Republic.

Cooper Standard Automotive building plant worth USD 20,67 million in the Czech Republic



The American company Cooper Standard Automotive began construction of its new manufacturing plant in Bystřice nad Pernštejnem in July 2016. Important guests led by Prime Minister Bohuslav Sobotka and CzechInvest CEO Karel Kučera laid the factory's cornerstone.

The company's new assembly hall is expected to create nearly five hundred new jobs and thus significantly contribute to reducing the rising unemployment rate in the Bystřicko region. Cooper Standard Automotive has operations in nineteen countries. The company is focused on production of brake and fuel lines for all well-known European carmakers. Its Czech operations are based in nearby Žďár nad Sázavou, where it employs nearly one thousand people.

The Czech Republic is the sixth safest country in the world

The Global Peace Index issued by the Institute for Economics and Peace ranks countries according to various factors such as levels of crime and violence and external relations, as well as military spending and conflicts. In this year's tenth annual edition of the Global Peace Index, the Czech Republic is ranked as the sixth safest country out of the 163 nations evaluated, thus it placing among the ten safest countries in the world led by Iceland and also including Switzerland, Canada and New Zealand, for example.

The safest countries in the world



Johnson & Johnson expanding its Prague centre

The American company Johnson & Johnson is planning to expand the scope of services provided by its JNJ Global Business Services international centre in Prague. The centre has grown in the past ten years and currently has a team of 450 specialists from

43 countries. In the coming years, the company expects to add more than 300 employees and move into new facilities. The centre should thus employ approximately 750 people. JNJ Global Business Services, the shared-services centre of Johnson & Johnson in Prague, supports primarily financial operations in the company's main fields of activity – medical devices, pharmaceuticals and consumer goods.

Czech and German cooperation in the area of Industry 4.0

During a visit to Prague in August 2016, German Chancellor Angel Merkel met with Czech Prime Minister Bohuslav Sobotka, with whom she discussed mutual support for Industry 4.0. In the presence of Chancellor Merkel and Prime Minister Sobotka, representatives of the Czech Institute of Informatics, Robotics and Cybernetics at the Czech Technical University (CTU) and the German Research Centre for Artificial Intelligence (DFKI) signed an agreement on cooperation in this field. An open laboratory-testing facility for small and medium-sized enterprises should be established at CTU. The meeting with the chancellor was also attended by representatives of CzechInvest, which has long been focused on the issue of Industry 4.0 and played a role in formulating the National Industry 4.0 Initiative, which has already been approved by the government.

American giant Mirantis buys Czech tpc cloud



The Pisek Technology Centre has succeeded in selling the start-up tpc cloud to the American company Mirantis, an IT market leader in the area of B2B cloud computing, which has been operating on the market for twelve years. The company's customers include global firms such as Volkswagen and eBay, and its investors are, for example, Dell Ventures, Goldman Sachs and Intel Capital. The value of the contract is nearly CZK 1 billion. The joint-stock company

tcp cloud, which is involved in the area of private cloud solutions, was established as a spin-off of the Písek Technology Centre in 2014.

AFI co-organising events around the world in autumn 2016

One hundred representatives of Japanese potential investors attended an investment seminar held on 16 September 2016 in Tokyo, where the AFI was a supporting partner. The directors of Takenaka and Technoprojekt gave presentations at the event. Investment seminars in China were held on 19 September in Beijing and on 22 September in Shanghai. The AFI was a supporting partner of the events and three AFI partner or member companies, namely Erste, Kinstellar and KPMG, gave presentations at the seminars. Apart from Asian markets, the AFI also co-organised two investment seminars in Germany, the first of which was held on 4 October in Munich, where CTP, Kinstellar and Tebodin presented. The second seminar took place on 24 November in Mönchengladbach, where LMC, PRK Partners and KPMG gave presentations.

ARC Robotics moves to new facility

Cooperation between ARC Robotics and CBRE, member of the AFI, resulted in the rental of two units rented at the CTZone Plzeň industrial park. "We helped ARC Robotics with identification of a suitable property, supported the company during negotiation of commercial conditions and, finally, we provided consulting regarding the amount of additional costs," says Jan Hřivnacký of CBRE, who was responsible for the transaction. Within a short time, a lease contract was signed for 513 m² of warehouse space and 268 m² of offices and a showroom. The investment and development company CTP Invest will enable ARC Robotics to move in to the new facility within three months.

Optimising solutions to meet clients' needs



Finding the right solution for a new investor requires balancing a number of opposing demands: location, existing or new solutions, technology, environment, labour and regulations. CTP, partner of AFI, recently handed over a unique solution for a retail client in CTPark Plzeň which required refurbishing a 20,000 m² facility to modern standards while also building a new 10,000 m² extension. The investor required a clear-height solution above our standard, so we designed a unique roof and ceiling solution that met their needs; while installing completely new HVAC, sprinklers, offices and floor-levelling that allowed for very narrow aisles, enabling more efficient use of the given floor space. In order for companies to compete, they require bespoke solutions that give them an edge.

Colliers facilitates the largest ever industrial transaction in the Czech Republic



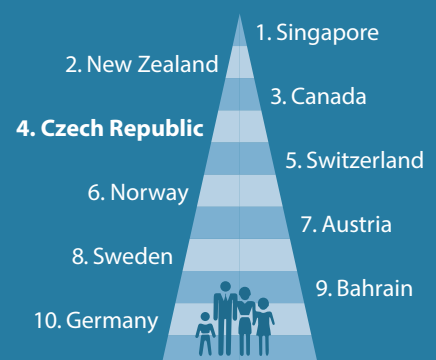
Colliers International, an industry-leading global real estate services company and member of the AFI, facilitated the largest ever industrial transaction by a real estate agency in the Czech Republic: the lease of a 73,000 m² distribution centre for Tchibo, one of the world's largest coffee roasters and fashion e-tailer. The new Tchibo distribution centre, which

will serve online customers throughout Central Europe, is being built at Panattoni Park Cheb in two phases and the total investment will exceed EUR 60 million. Slated for completion by the middle of 2017, the distribution centre will store, sort, arrange, pack and distribute goods for the region, including the Southern German market and will create up to 350 new jobs.

The Czech Republic is the fourth most popular destination for expatriates

According to the Expat Explorer 2016 survey conducted by HSBC in forty-five countries, the Czech Republic is the world's fourth most popular destination for expatriates. People living and working outside of their home country evaluated three aspects of private and professional life in a given country, namely the economy, life experience and family. Foreigners living in the Czech Republic rated the country highly in the life experience category. They especially valued Czech hospitality to foreign cultures. They assessed the economic conditions here as being better than those in, for example, England or Ireland. The biggest Czech success in the ranking is, however, second place in the family category. Sixty-four percent of foreigners living in the Czech Republic rated the quality of education here as better than that in their home countries.

Top countries according to Expat Explorer 2016



Czech Mechanical Engineering in Transformation

The Czech Republic is a medium-sized European country with a wide-open economy and a lot of skilled engineers and technicians. Its excellent system of higher education trains professionals who can easily work on complex international projects. That's one of the reasons why leading global engineering companies such as ABB, Siemens, Doosan Heavy Industries and Construction, Caterpillar, Ingersoll Rand and others have established their presence in the Czech Republic. Other companies like Honeywell, Eaton, Edwards Vacuum, Bosch Rexroth also operate major R&D centres here.

Domestic engineering companies elevate the overall business environment by increasing their regional and global competitiveness and by participating in global projects across the engineering spectrum. The Czech machine-tool industry sets the base, followed by rail transport and other industrial segments. Companies like Škoda

within industry. Artificial intelligence, additive manufacturing, augmented reality and other new phenomena are being intensively used to transform desired goals into results. The boundary between the physical and digital worlds has become blurred. The mechanical engineering industry is leading the implementation of disruptive technologies due to the Industry 4.0 concept

“ The Czech Republic is the most industrialised country in the EU with the largest share of people employed in the manufacturing industry and with the most manufacturing companies per 100,000 inhabitants.”

Transportation, Bonatrans, Třinecké Železárny, Fermat, ZPS-Tajmac and Škoda Machine Tool comprise only a fraction of what the Czech Republic has to offer.

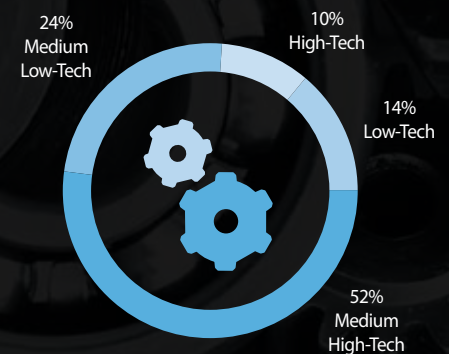
The cardinal point for companies is to emphasise the effectiveness and efficiency arising from the Industry 4.0 concept. Let's have a look at three opportunities that, when addressed properly, can guide Czech mechanical engineering through its transition to Industry 4.0.

Changing environment

With the introduction of R.U.R, a play written by Czech novelist Karel Čapek in 1920, the word robot took on a unique meaning and position

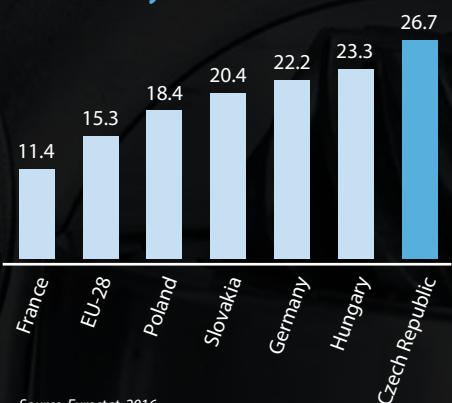
spreading horizontally across other sectors and connecting information technology with operating processes, humans and machines. As the most industrialised country in the EU (with a share of industry to GDP ratio of 47%, compared to “only” 40% in Germany) with the largest share of people employed in the manufacturing industry and with the most manufacturing companies per 100,000 inhabitants, the Czech Republic has a lot to gain from Industry 4.0. While setting ambitious goals, the country will need to adapt even more rapidly to new trends in order to join the ranks of industrial pathfinders. Czech mechanical engineering companies can draw strength from their history and can

Technological sophistication of the MFG industry



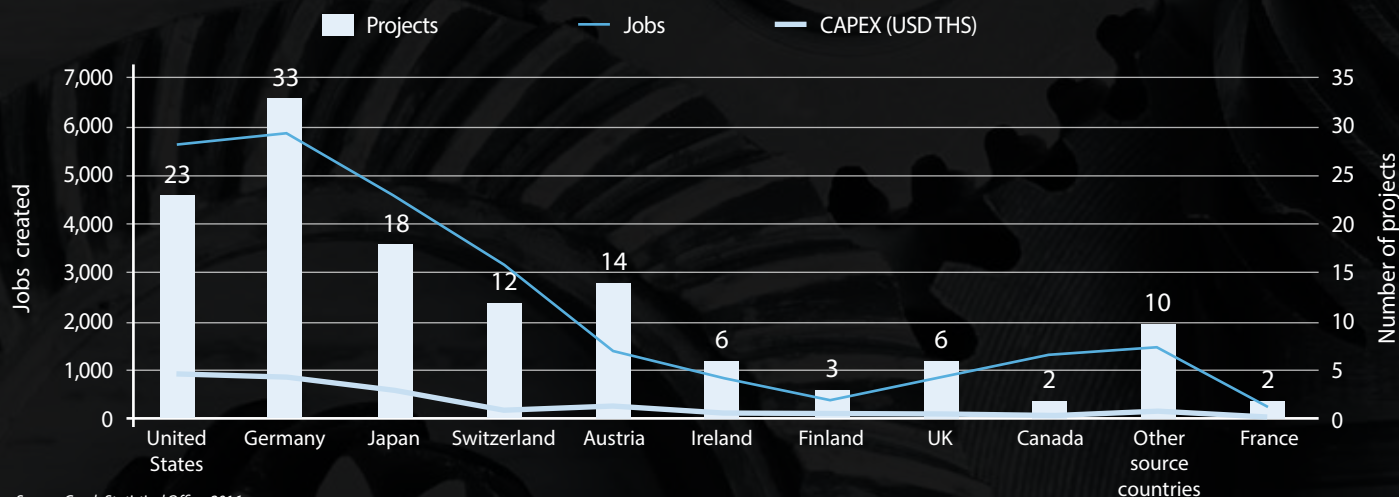
Source: CZSO, 2016

Largest contributor of the manufacturing industry to GDP within EU



Source: Eurostat, 2016

FDI to high-tech mechanical engineering



Source: Czech Statistical Office, 2016

remain competitive by investing in research, development and innovation. What paths does the Czech mechanical engineering sector need to follow in order to rise at the top?

1) Seize the opportunities offered by Industry 4.0

Automation and digitisation of production are having a significant effect on market conditions. This phenomenon will create new kinds of requirements: more critical thinking, broader knowledge and a different set of skills. While robots generally replace the routine work of employees and help them carry out difficult tasks, they are also starting to be involved in more complex assignments. According to IFR, the Czech Republic is above the global average in terms of the use of robots in the manufacturing industry (66 robots per 10,000 people employed in manufacturing). The trend is increasing in order to maintain competitiveness and production efficiency. This is possible particularly due to decreasing initial, maintenance and operating costs of the machinery itself.

The Czech Republic can improve the cost and performance of its installed base of industrial robots, accelerate its manufacturing growth and strengthen the growth of its economy. Though German leadership can be very inspirational for Czech industry, a unique path must be taken to reach the summit. The Czech National Industry 4.0 Initiative is showing the way.

2) Redefine the need for human capital

The last two years have brought a turnaround in the Czech economy. After two recessions, the Czech economy has gradually started to grow again and unemployment has begun to fall, all without shaking the country's internal or external macroeconomic and

financial stability. Nevertheless, the growing pace of EU economic growth and, more precisely, the growing pace of Czech economic growth have revealed a certain shortage of human capital.

The talent crisis in engineering is affecting not only the CEE region, but all other developed regions, including the United States. The scarcity of workers dedicated to mechanical engineering is a natural consequence of the evolution of our economy, where new graduates pursue careers in economics, law or social sciences rather than engineering. Knowing that 65% of today's students will have a job in a field that does not exist today pushes even further for redefinition of the need for human capital. Industry 4.0 can address some of these problems. The lack of suitable workers can be, to a certain extent, addressed through automation, though human capital will still remain crucial and the education system needs to deliver the required skills and knowledge.

The important thing is to set up a new educational system that will not only address but satisfy the needs of industry and the market. For example, one of the first steps was taken by the oldest technical university in Central Europe, the Czech Technical University, which introduced the new major of Industry 4.0. Also, the Czech government is trying to adapt by increasing its proactivity in the field of targeted migration and requalification of unemployed citizens.

3) Attract investors with higher value for the benefit of both, the country and the investors

Czech domestic companies and foreign companies operating here create an attractive environment for themselves as well as

for future investors. From the historical perspective, the majority of FDI projects in mechanical engineering were in the manufacturing industry due to a cheaper labour and a generally outstanding cost-to-quality ratio. However, Industry 4.0 is creating space for investments with added value that will increase Czech productivity and move the country upwards in the value chain ladder. Such investments can benefit both the Czech economy and the investing companies. The Czech Republic's strategic location, great history of technical education, know-how, potential of domestic proximity to foreign markets and safe environment might convince future investors to select the country as the ideal destination for their investments, especially with the right support and policies of Czech authorities. The country needs investors that can bring much needed higher value and sophisticated know-how. In return, it offers not only all the benefits mentioned above, but also high quality of life.

What lies ahead?

In general, the Czech mechanical engineering industry faces a great challenge but also unique opportunities. Reaching the top will require increased investment in research, development and innovation, research and development as well as continuous investment in human capital. Attracting investors with higher added value should be the priority and the implementation of specific steps that align with the Industry 4.0 concept remain crucial for both companies and the government in their bid to successfully transition to Industry 4.0. ■

Milan Křík
Advanced Engineering Sector Manager
CzechInvest

TAJMAC-ZPS:

Building on Zlín's engineering legacy

The origins of mechanical-engineering production in Zlín, where TAJMAC-ZPS is based, are connected with the well-known Czech industrialist Tomáš Baťa, who gained fame primarily for his introduction of highly advanced and efficient methods of machine-based shoe production at the beginning of the 20th century. The origin of mechanical engineers' activities as a relatively separate operation can be traced back to 1903. The Czech company TAJMAC-ZPS is thus connected with a more than 110-year tradition of mechanical-engineering production. TAJMAC-ZPS is a complete firm focusing on development, manufacturing and sales of machine tools. The company has

its own foundry facilities (ZPS – SLÉVÁRNA), which are located in its production complex in Zlín's Malenovice district, and thus possesses concentrated capacity including all stages of development and production of machines, from design, production of models and castings, machining and milling, to final assembly. TAJMAC-ZPS ranks among the major European firms in the area of machining CNC centres and among the global elite in the segment comprising its key product, i.e. multi-spindle automatic lathes. The company's production programme is composed of high-performance vertical, portal, horizontal and multipurpose machining centres, MANURHIn K'MX sliding-headstock automatic CNC lathes

and outstanding MORI-SAY multi-spindle automatic lathes. These machines are used in the most demanding industrial sectors on all global markets and have earned a very good reputation for their high-level technical parameters, precision and reliability, and they regularly receive awards at trade fairs. At this year's 58th International Engineering Fair in Brno, the MCG 1000 5XT multipurpose machining centre was awarded the top prize in the category Gold Medal for Production Machine Innovation. ■

Michele Taiariol
General Director
TAJMAC-ZPS

Strojírna Tyc:

To the whole world with innovations

Strojírna Tyc in Plzeň develops and manufactures proprietary multifunctional portal centres. This involves fully controlled machining centres and grinding machines for flat and shaped surfaces. The company's other activities include modernisation and general maintenance of various machines. A broad range of technical operations can be carried out on the company's FVC, FPPC and FSGC machines, including stocking as well as high-precision finishing. The company's new FSGC machine was introduced to the market in 2015. All load-bearing parts of the machines are made of grey cast iron with optimised design for achieving maximum dynamic and thermodynamic stability. These

parts exhibit very good rigidity and vibration damping parameters. The components are designed to be modular, which makes it possible to build machines according to the customer's requirements. At this time, the company intends to significantly expand the number of countries to which it exports, which currently include, for example, Russia, Ukraine, Kazakhstan, Turkey, Slovakia and Poland. In 2016, Strojírna Tyc introduced the FVU compact machining centre intended for clients for which the company's traditional portal centres are too large. The FVU was exhibited at this year's International Engineering Fair in Brno.

Strojírna Tyc has also introduced a new FSGW machine intended for machining large and oversized parts. Thanks to the highly adjustable cross rail, parts with great height can be machined on this portal centre. Based on the company's years of experience with licensed continuously controlled heads, its developers set out to create a proprietary continuously controlled head. This development was completed this year and the company will present the prototype of the new and improved Tyc continuously controlled head in 2017. ■

Jaroslav Tyc
Owner
Strojírna Tyc

Target sectors of the Czech Republic

Automotive

The Czech Republic has one of the highest concentrations of automotive-related manufacturing and design activity in the world. With 122 motor vehicles per 1,000 inhabitants, the country has the second highest rate of production per capita in the world. It is also the biggest producer of passenger cars in Central and Eastern Europe with nearly 1.3 million units manufactured annually.

Top investors: Hyundai Motor | Manufacturing Czech | Iveco Bus | Škoda Auto | Tatra Trucks | Toyota Peugeot Citroën Automobile
Contact: Richard Schneider | Tel.: +420 296 342 513 | e-mail: automotive@czechinvest.org



Business Support Services

The Czech Republic is leader in the business support services sector in Central and Eastern Europe. The shared-services centres of DHL, Accenture, ExxonMobil, IBM and more than 200 other companies employ over 65,000 specialists in the Czech Republic. In addition to Prague, the country has several strong hotspots ready for international projects in regional centres.

Top investors: DHL | Accenture | ExxonMobil | IBM | Infosys
Contact: Matouš Kostlivý | Tel.: +420 296 342 514 | e-mail: fdi@czechinvest.org



Aerospace

With more than 32,000 aircraft 37,000 engines delivered, the country has made a name for itself in aerospace based on outstanding quality, reliability and innovation in the industry. From basic production to final aircraft assembly and cutting-edge R&D programmes, most Czech aerospace companies work with top industry players.

Top investors: Aero Vodochody Aerospace | Bell Helicopter | GE Aviation Czech | Honeywell Aerospace | Latecoere
Contact: Marek Aubrecht | Tel.: +420 296 342 458 | e-mail: aerospace@czechinvest.org



Nanotechnology and advanced materials

The nanotechnology and advanced materials sector brings together the Czech Republic's traditional focus on textiles, glassmaking, the chemical industry and electrical engineering with its current emphasis on the automotive industry, aerospace and biotechnology. The rapid development of this sector has been aided by innovations of global significance in electron microscopy and nanofibres, which have brought the Czech Republic to the forefront of global development in these fields. One-third of global production of electronic microscopes is carried out in the Czech Republic.

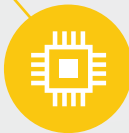
Top investors: AGC | Contipro | FEI | Saint-Gobain | TESCANA ORSAY HOLDING
Contact: Jiří Fusek | Tel.: +420 296 342 809 | e-mail: nano@czechinvest.org



Electronics and electrical engineering

Manufacturing and R&D activities in the country include, for example, semiconductors, optoelectronics, consumer electronics and even robotics. The industry accounts for more than 14% of Czech manufacturing output, which makes it the second-largest sector of the economy.

Top investors: ABB | Bang & Olufsen | Foxconn | ON Semiconductor | Panasonic
Contact: Martin Kratochvíl | Tel.: +420 296 342 569 | e-mail: electro@czechinvest.org



Life sciences

The Czech Republic has a rich heritage of discoveries and innovations in the field of life sciences, ranging from the laws of genetics laid down by Gregor Johann Mendel to the invention of soft contact lenses and development of groundbreaking antiviral drugs by Professor Antonín Holý. Development of the life sciences sector is supported by effective patent protection, adoption of GMP, GLP and GCP standards and the country's integrated healthcare system supported by cutting-edge research centres, making the Czech Republic an attractive location for both R&D and manufacturing.

Top investors: Lonza | Merck | Otsuka Pharmaceutical | Teva Pharmaceutical | Zentiva, member of Sanofi Group
Contact: Hana Chlebná | Tel.: +420 296 342 803 | e-mail: lifesciences@czechinvest.org



ICT

The Czech Republic is one of Europe's top locations for ICT investments. Antivirus giants AVG and AVAST have both their origins and operations in the Czech Republic, which is also the only country using the Latin alphabet where Google is not the clearly dominant internet search provider, as it has a strong local competitor in Seznam.cz.

Top investors: AVAST | AVG | Microsoft | Red Hat | Tieto
Contact: Matouš Kostlivý | Tel.: +420 296 342 514 | e-mail: ict@czechinvest.org



High-tech mechanical engineering

The high-level technical know-how found in the Czech Republic has been shared over centuries, resulting in the world-class level of today's mechanical engineers, who are the sector's greatest asset. Mechanical engineering plays a major role in the Czech economy and the country's large concentration of mechanical-engineering companies makes the Czech Republic an engineering hub.

Top investors: Bosch | Comco Europe | Edwards Vacuum | Siemens | OTIS
Contact: Milan Kilik | Tel.: +420 296 342 805 | e-mail: engineering@czechinvest.org



Energy and environment

Technologies for reusing industrial waste in new products, increased use of renewable energy sources and support for energy savings through the introduction of smart energy distribution systems are of paramount importance in the sector. The country offers investors in these areas both technical competence and manufacturing excellence that, combined with cost effectiveness, create favourable conditions for new investments.

Top investors: Doosan Škoda Power | Mavel | Solar Turbines | Stora Enso | Vyncke
Contact: Jan Zapletal | Tel.: +420 296 342 515 | e-mail: energy@czechinvest.org



Germany – a key partner for the Czech economy

Germany is one of the world's greatest economic powers. Last year, the country's economy grew by 1.7%, which was its strongest performance in the last four years. The Czech Republic has also benefited from this positive development of the German economy, as Germany is a key trading partner for the Czech Republic as well as the latter's biggest foreign investor.

T he Czech Republic and Germany

Since 1998, trade with Germany has shown a lasting surplus and has increased by nearly EUR 10 billion in only the last two years. According to the German Federal Statistical Office, bilateral trade between the Czech Republic and Germany reached the record volume of EUR 75.7 billion in 2015, when Germany imported goods worth more than EUR 37 billion to the Czech Republic. From the perspective of German firms, the Czech Republic is a more appealing market than, for example, Turkey, Russia or Japan.

One-third of Czech exports are shipped to Germany, with Bavaria alone receiving Czech goods in a greater value than Russia, the United States, India and China combined. In 2014, the Czech Republic ranked third behind only Austria and China among countries exporting to Bavaria, to which Czech goods worth more than EUR 10 billion were shipped.

Czech exports to Germany

Every revival of the German economy has positive impacts on Czech exports and thus on the develop of Czech companies' orders. The structure of industry also depends on long-term cooperation. Both countries can boast a large share of exports of mechanical-engineering products. Besides machinery, Germany is also the most important market for the Czech Republic with respect to automobiles and metal, plastic and electrical-engineering products. Investments in digitisation and automation of industrial production are opening up new possibilities for cooperation.

“ From the perspective of German firms, the Czech Republic is a more appealing market than, for example, Turkey, Russia or Japan. ”

Investment in Czech industry

The total value of German direct investments mediated by CzechInvest in the Czech Republic since 1993 is in excess of CZK 209 billion. With assistance from this government agency for supporting investment and business development, German firms have implemented 332 investment projects, which have led to the creation of more than 55,000 jobs. The majority of investments are focused on the Czech automotive industry. The biggest German investors include, for example, RWE Gas, Volkswagen, E.ON Energie, Siemens, Robert Bosch, Continental and Hella. The most recent major German investment here was the expansion of Brose CZ in Rožnov pod Radhoštěm and Kopřivnice at a cost of CZK 2.65 billion, which brought forth 810 new jobs.

German investors consider the Czech Republic to be the most attractive country in Central and Eastern Europe. According to a survey

conducted by the Czech-German Chamber of Industry and Commerce in April 2015, 92% of German companies investing in the Czech Republic have chosen to do so repeatedly. German companies most highly value the Czech Republic's high-quality network of local suppliers, the productivity and diligence of the country's workers, wage costs and high level of education. Besides vehicle manufacturing and mechanical engineering, German investors are also attracted by the Czech IT, telecommunications and financial sectors. Other priority sectors of the German economy, such as nanotechnology, biotechnology and molecular genetics, may also offer strong investment potential in the future. ■

Martin Partl
Director D-A-CH Region Operations
CzechInvest

Trade between Germany and the Czech Republic (in EUR billion)



Source: Federal Statistical Office of Germany, 2015

German investment projects in the Czech Republic, 1995 - 2015 (according to CzechInvest)

Year	Number of projects	Investment (in USD million)	Jobs created
1995	1	17.40	250
1996	1	1.20	220
1997	2	4.40	240
1998	6	642.65	1,430
1999	4	145.38	560
2000	12	667.87	4,712
2001	14	320.14	3,197
2002	13	367.34	4,450
2003	10	245.65	1,697
2004	31	812.64	7,388
2005	39	997.05	4,604
2006	35	538.70	4,891
2007	24	473.30	3,630
2008	22	407.45	2,595
2009	5	319.76	884
2010	11	95.67	1,233
2011	16	687.91	2,929
2012	15	365.68	1,688
2013	23	441.67	2,749
2014	26	385.71	3,107
2015	21	373.47	2,468

Source: CzechInvest

Czech firm ACTUM creates Sitecore website of the year in Germany



The web solution of METRO Cash & Carry, which was created by the Czech technology company ACTUM, is the winner of the 2016 Sitecore Experience Awards in the categories Site of the Year 2015 and The Best Use of Contextual Intelligence for the Germany, Austria and Switzerland Region. Cooperation between the Czech company ACTUM and METRO Cash & Carry began

in 2013, when the client decided to globally expand its long-term strategy in the area of digital customer experience. For METRO Cash & Carry, the company built separate websites in 25 countries such as Japan, China, Germany and France. These sites are visited by more than 700,000 unique users per hour. In order to fulfil the required business goals and achieve the necessary goals in individual countries, the Czech company uses its own methodology built on, for example, personalisation, data migration, e-mail campaigns and web analytics. ACTUM has been connected with dozens of internal and external systems and has used several data centres around the world. Continuous administration and maintenance in all countries are provided from Prague. The company is currently working on a number

of other projects for METRO Cash & Carry involving both development and consulting. ACTUM is now cooperating on digital solutions on the global scale with other multinational companies in Germany. With respect to ongoing projects, it must be mentioned that ACTUM has become a technology partner for the digital transformation of RWE, which is being rebranded as innogy. ACTUM is also preparing a new e-commerce concept for Conrad Electronic for selected European countries. Thanks to the Telligent Social platform, it has also helped Olympus to bring users from more than 25 countries together in the MyOLYMPUS online community. ■

Jan Havel
Managing Partner
ACTUM Digital

Foreign offices of CzechInvest

Germany

Germany is the Czech Republic's most important trading partner, occupying first place among source countries of foreign direct investments in the Czech Republic and accounting for approximately 22% of the total volume of investments in the country.

Top investors:

Bosch | Continental | Daimler | Hartmann | Siemens

Contact



Martin Partl
+49 211 250 56 190
+49 211 250 56 192
germany@czechinvest.org

United States

In terms of the number of projects, the United States is the second-biggest investor in the Czech Republic after the European Union. This partnership fosters projects with high value added and creates skilled jobs especially in research and development, manufacturing and services.

Top investors

AT&T, Caterpillar Solar Turbines | GE Aviation | Honeywell | Johnson Controls

Contact

CzechInvest East Coast – New York

Jan Chmelík
+1 (347) 789 0570
newyork@czechinvest.org



CzechInvest West Coast – California

Roman Horáček
+1 (415) 794 0665
california@czechinvest.org



Scandinavia

Scandinavian investors often view the Czech Republic as a gateway primarily to the CEE region, Germany and the rest of Europe. These investments very well illustrate the rising emphasis on knowledge and professional skills in combination with the country's high-quality innovation environment.

Top investors:

Bang & Olufsen | KONE | LEGO | Mölnlycke Health Care | Tieto

Contact

Jiří Fusek
+420 296 342 809
scandinavia@czechinvest.org



China

Chinese companies' interest in the Czech Republic has been rising over the past two years and the number of investments originating in China can be expected to grow. To date, CzechInvest has helped to mediate twelve investment projects of Chinese firms in the aggregate value of more than CZK 2.6 billion.

Top investors:

BWI, Hisense | Changhong Europe Electric | Saar Gummi Czech | Xi'an Shaangu power

Contact

Ondřej Koc
+86 13817792614
china@czechinvest.org



South Korea

South Korea is one of the three most important non-European countries for the Czech Republic in terms of investment inflow, as it is the source of the biggest investments in the country's history, such as those of the carmaker Hyundai and tire manufacturer Nexen. South Korea is also the Czech Republic's first and currently only strategic partner in Asia.

Top investors:

ARRK – Plakor | Hyundai | Hyundai Mobis | Nexen | Sungwoo Hitech

Contact

Martin Jirovec
+82 10 2987 5632
seoul@czechinvest.org



Great Britain and Ireland

Great Britain is the Czech Republic's fifth-biggest export partner. Mutual trade has more than doubled since 2000. There are more than 300 British firms operating in the Czech Republic, which chose the country for their Central European headquarters.

Top investors:

Covidien | Dixons Carphone Group | Ricardo | Smiths Group | Tesco

Contact



Lucie Polášková
+44 (0) 20 8748 3695
+44 (0) 77 8523 1520
london@czechinvest.org

Japan

Japan ranks among the traditional investors in the Czech Republic and accounts for the second-largest volume of foreign investments in the country. In terms of the number of Japanese manufacturing firms per capita, the Czech Republic is first in Europe.

Top investors:

Daikin | Denso | Olympus, Panasonic | Toyota Motor Corporation

Contact

Michal Žižlavský
+81 3-5485-8266
+81 3-5485-8277
tokyo@czechinvest.org



BREXIT: An opportunity for the Czech Republic?

In June 2016, fifty-two percent of the British population voted to end their country's membership in the European Union. The result of the referendum caused major uncertainty with respect to future relations and complicated the formation of a coherent prediction of the development of foreign trade and investments. Everyone became concerned about the recession that was expected to occur in the short term.

Three months after the referendum, however, the situation seems to be somewhat more optimistic. The Purchasing Manager Index (PMI), an indicator of economic activity commonly used in Britain, showed significant improvement, to which Credit Suisse and Morgan Stanley in London responded by withdrawing their negative economic growth predictions. While Britain still faces a long road to actual withdrawal from the EU, there is also the question of what opportunities Brexit will bring to the Czech Republic.

Transfer of headquarters or parts of business operations from Great Britain

In connection with the results of the referendum, investment banks, which used their money to vehemently support the campaign to remain in the EU, have had the most to say about shifting jobs from London to Europe. According to the Financial Times, they are considering the new financial hotspots of Paris, Dublin and Frankfurt. For the Czech Republic, however, this could present an opportunity in the form of relocation of some European Union agencies. Presently, the most promising idea involves relocation of the European Medicines Agency or the European Banking Authority. Another opportunity could arise in the form of companies with origins outside

of the European Union that have their European headquarters in Britain, through which they have implemented expansions

“ The possible transfer of headquarters to the Czech Republic would be an ideal choice, especially as it would allow companies to maintain their access to the European single market. ”

to the Czech Republic. The possible transfer of headquarters to the Czech Republic would be an ideal choice, especially as it would allow companies to maintain their access to the European single market and location in the centre of Europe, while being in proximity to their branches and subsidiaries, which can save travel costs.

Skilled workforce

Not even two months after the results of the referendum were announced, the Czech embassy in London registered heightened interest among Brits with Czech roots in the possibility of obtaining Czech citizenship. It can be expected that a certain percentage of foreign workers who either no longer feel welcome in Britain or lose their jobs due to employee transfers will consider relocating to another European Union country. Thanks to its high quality of life and rich history, the Czech Republic offers very good working and living conditions. Especially

in comparison with London, housing and transport are far more affordable in Czech cities. There are also countless job

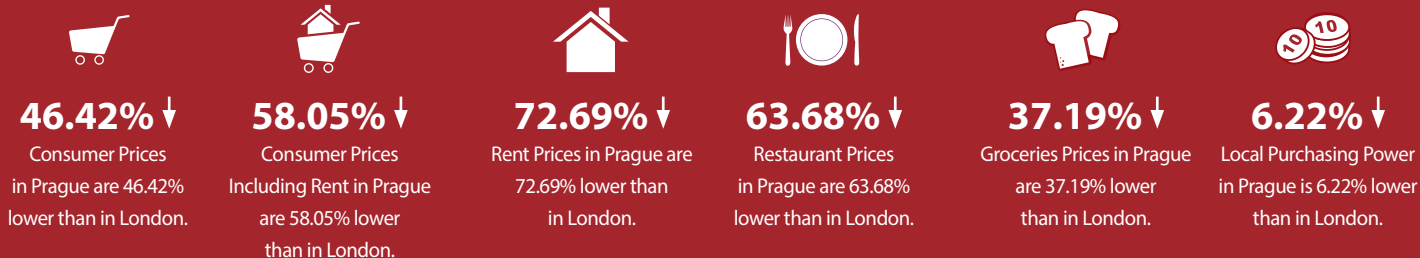
opportunities thanks to successful companies such as Škoda Auto, Johnson & Johnson and Honeywell, which in recent years have decided to undertake major investments and expand their operations in the Czech Republic.

Academics and European research projects

A number of uncertainties surround the future conditions for British scientists and academic institutions. For academics working in Great Britain, the Czech Republic can offer the research capacities and infrastructure that it has built up in recent years. Thanks to these investments, which were partially funded by the European Union, the Czech Republic can provide good conditions for foreign scientists and high-quality facilities for top-level science. ■

Lucie Polášková
Director UK and Ireland Operations
CzechInvest

Cost of living comparison between London and Prague



Source: Numbeo.com

Competitive mechanical engineering: the promise of Czech research capacities

- **Czech mechanical engineering is adopting the technologies of Industry 4.0**
- **The cornerstone of future competitiveness is top-notch R&D**

The Czech Republic has a well-known tradition of excellent mechanical engineering. Much has been written about the historical importance of Josef Ressel's ship propellers and the steam engine constructed by Josef Božek. However, the country is advancing in many new engineering technologies and that merits considerable attention.

Industry 4.0

Currently, one of the all-encompassing technological concepts is Industry 4.0, a term coined at the Hannover Fair in 2013. The connectedness of Czech industry with the German market provides a beneficial environment for the adoption of all key technologies like cyber-physical systems, additive manufacturing, artificial intelligence, simulation and digitalization. These technologies, which in practice include 3D printing, the use of new materials and digitised production, have found their way not only into mechanical engineering in the Czech Republic, but also into the corresponding research and development.

Czech research centres

The Czech Republic's matrix of sophisticated research centres allows it to keep pace

with these current trends in mechanical engineering with visible results. For example, the Jan Evangelista Purkyně University in Ústí nad Labem recently patented new grinding methods for aluminium alloys, Brno University of Technology has developed a device for automatic replacement of tools in CNC cutting machines, and the Czech Technical University in Prague has received recognition for its QPmR algorithm, which is applied to vibration damping, among other uses. These are only a few particular

“ Czech research recently received a considerable financial boost from European funds, which has enabled the construction of new R&D centres in the field of mechanical engineering. ”

honourable mentions from Czech R&D in different branches of mechanical engineering. Given the current state of affairs in Czech R&D, more such achievements can be expected.

European funds

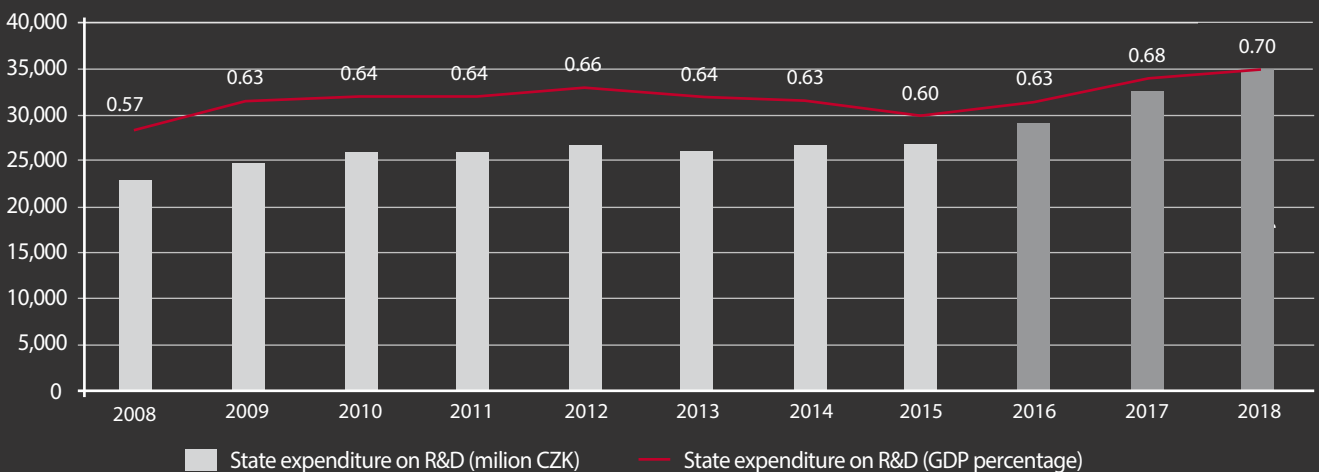
Czech research recently received a considerable financial boost from European funds, which has enabled the construction of new R&D centres in the field of mechanical engineering. To name a few, Brno Technical University established the NETME Centre (New Technologies for Mechanical Engineering) dedicated to the advancement of engineering in the aerospace and automotive sectors,

energy and resources and engineering technologies. Competitive engineering is promoted also at the Technical University of Liberec and its Institute for Nanomaterials, Advanced Technology and Innovation. Advanced materials used for engineering are further being developed at the Regional Materials Science and Technology Centre at the Technical University in Ostrava. These new centres are complementary with research already being conducted at the mechanical-engineering faculties of major Czech

universities and together they are contributing to new trends in engineering. We can see that with its combination of research and long tradition in mechanical engineering, the Czech Republic is striving to retain its competitiveness through the development of top-notch innovations aligned with Industry 4.0. With the adoption of Industry 4.0 production methods by most Czech companies, the Czech mechanical engineering sector promises to provide previously unseen efficiency and flexibility. ■

*Eva Bartoňová
Project Manager
CzechInvest*

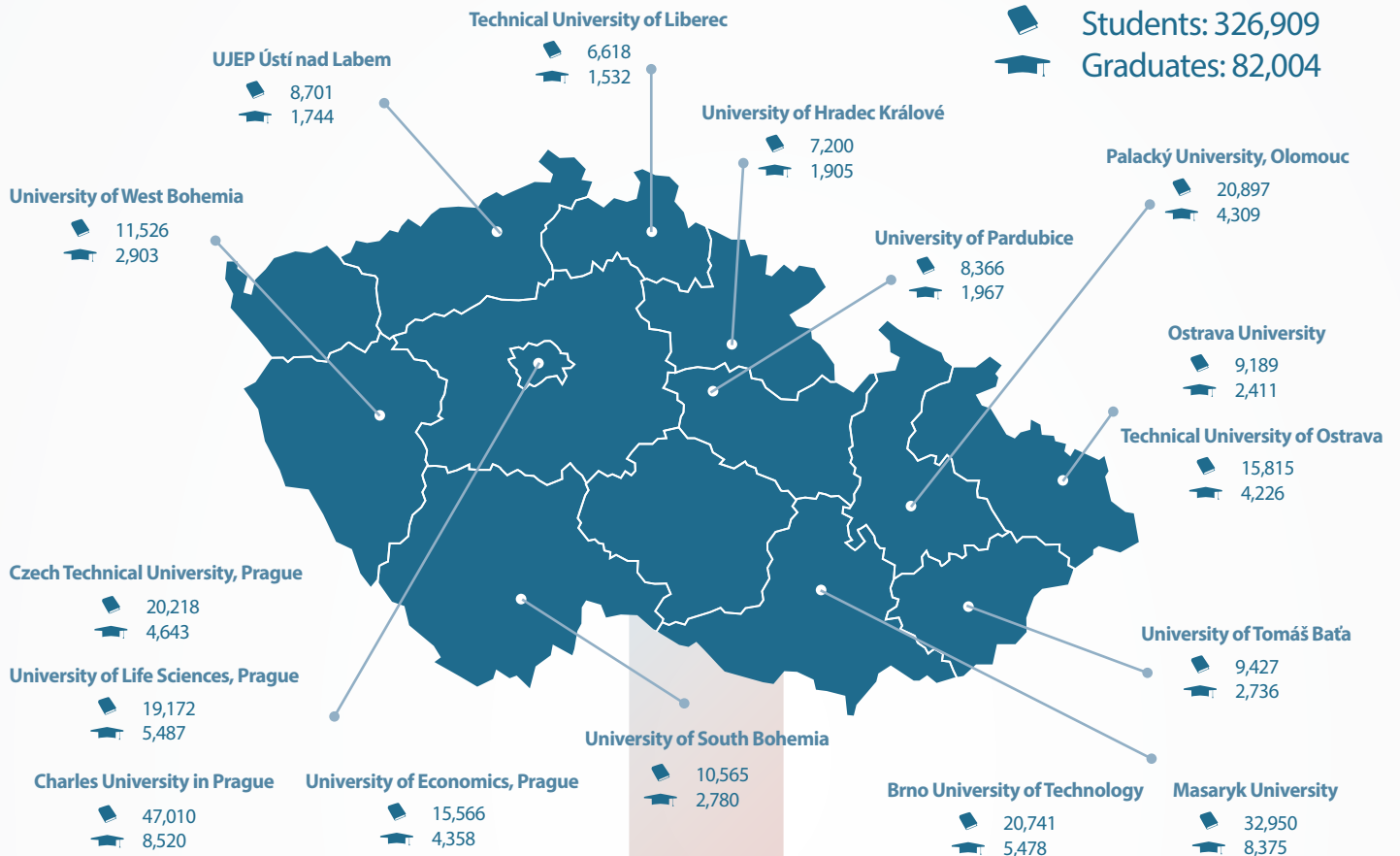
State expenditure on R&D in the Czech Republic - projection



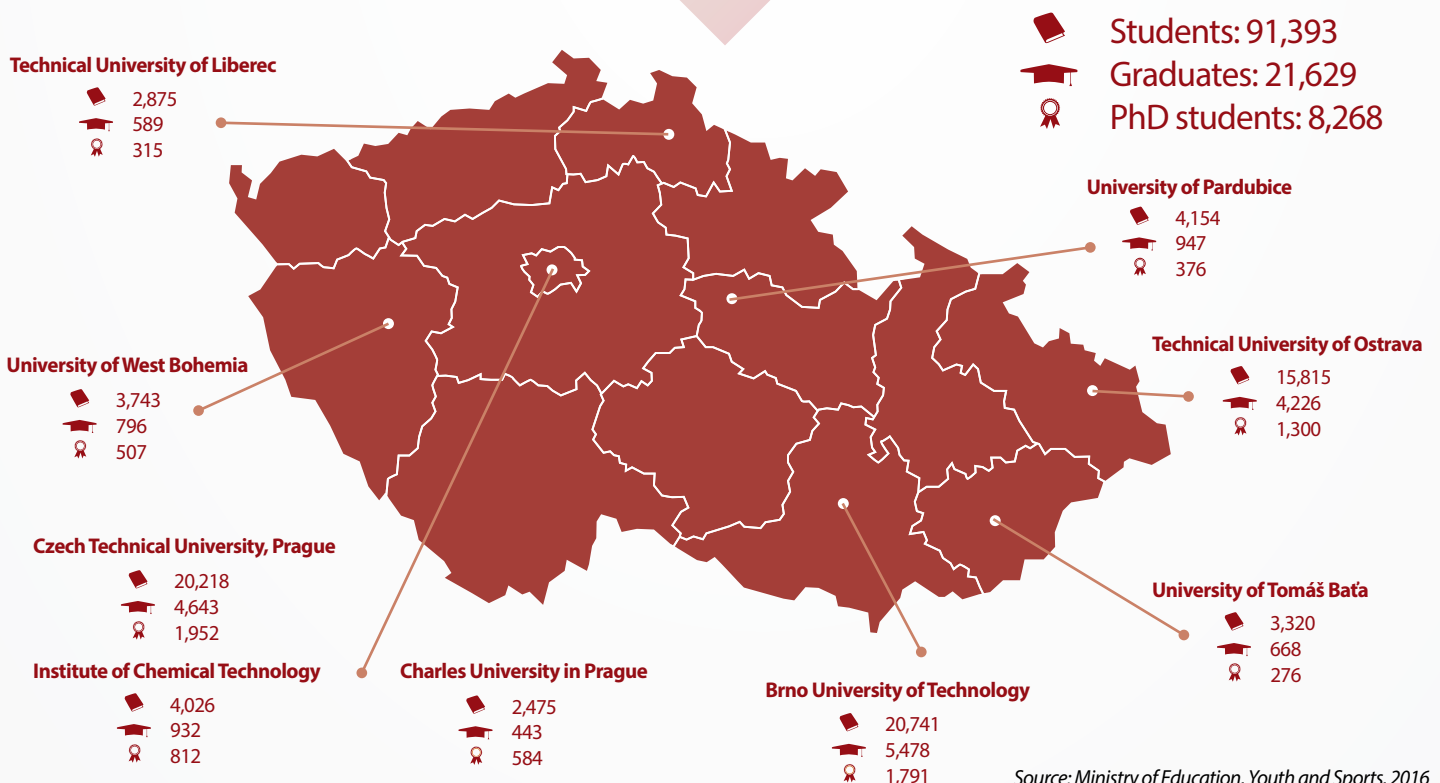
Source: Research, Development and Innovation Council of the Czech Republic

University education in the Czech Republic

Main universities, 2015/2016



Technical education at selected universities, 2015/2016



Source: Ministry of Education, Youth and Sports, 2016

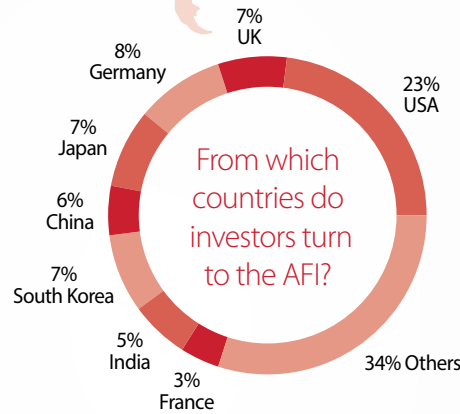
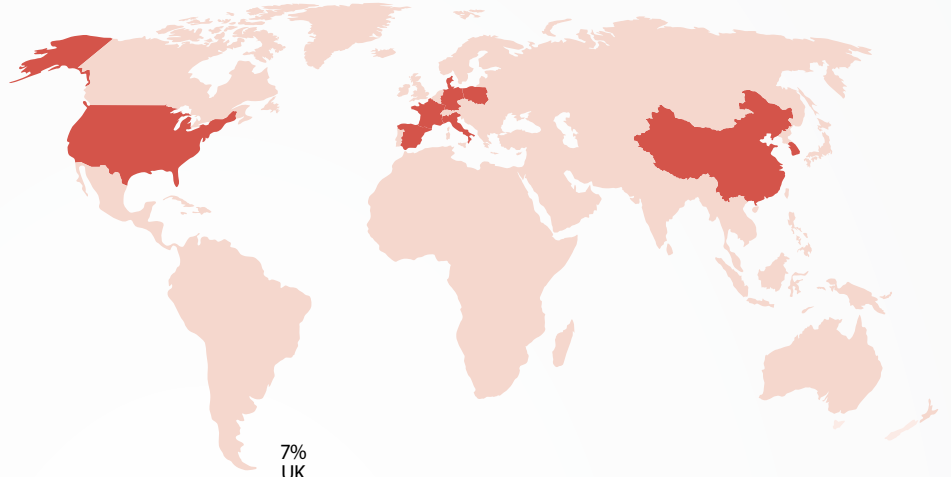
Association for Foreign Investment



About the AFI

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

Where did the AFI hold events in 2015?



Note: data for 2015.

How to reach us

- www.afi.cz
- @AFI_czech
- LinkedIn

AFI was one of the instrumental organizations for our company when deciding about the final location of our investment project. AFI's members delivered professional service from key advisory sectors and helped us to understand the local tax/legal/HR/construction environment, which was crucial for making the right decision. This service is definitely worth recommending to any potential investor coming to the Czech Republic.

Petr Pospíšil

General Manager
External Affairs
Nexen Tire



AFI members provide professional services in a broad range of areas



The fact that a group of renowned companies in the areas of consulting, legal services, HR, commercial property and engineering came together with the purpose of contributing to the promotion of the local business environment is an exceptional occurrence in the world. We want to offer our expert know-how and unique experience, enhance the Czech Republic's positive image abroad and help to demonstrate the country's advanced state of development and readiness for further investments.

Kamil Blažek

Chairman
Association for Foreign
Investment



Establishing a company in the Czech Republic

Czech law recognizes a variety of legal entities and forms of business vehicles under which it is possible to do business in the Czech Republic. Those typically used by foreign investors are, in particular:

- ➔ Unlimited partnership
- ➔ Limited partnership
- ➔ Limited-liability company
- ➔ Joint-stock company
- ➔ Branch office

All of the above-mentioned vehicles must be registered in the Commercial Register. An unlimited partnership is a company with at least two persons participating in its business activities, trading under the same trade name and being jointly and severally liable for its debts. The partners are liable for the company's debts up to the value of all of their assets. Profits are shared equally among the shareholders.

A limited partnership is a company where at least one member is liable for the company's debts up to the amount of his/her unpaid contribution to the registered capital recorded in the Commercial Register and at least one member faces unlimited liability with respect to the obligations of the partnership. However, most foreign investors a limited-liability company, joint-stock company or

a branch as the vehicle for carrying out their business activities.

A limited-liability company is the most common form for small and medium-sized businesses. Shareholders are jointly and severally liable for the company's debts and obligations up to the amount to which they have not fulfilled their contribution obligation according to the amount recorded in the Commercial Register.

Conversely, a joint-stock company is the form most common for large businesses. Its registered capital is apportioned among a certain number of shares. A joint-stock company is established by means of a founding deed and the issue of shares. Unlike a limited-liability company, a joint-stock company must generally have both a board of directors elected by a general meeting and a supervisory board. Finally, investors may choose to establish a branch. The principal advantage of a branch office is that there are no requirements with respect to registered capital. The disadvantage of a branch is that it is not a separate legal entity, thus exposing the founder to direct liability for the branch's actions.

Companies and branches are incorporated upon being registered with the Commercial Register. The initial document required for the establishment of a company is the founding

deed executed in the form of a notarial deed. The founding deed must contain, as applicable, the company's business name, the legal form of the company, its subject of activity, the amount of registered capital, identification of the shareholders, corporate bodies, etc. Additional required documents for incorporation of an established company are a lease or sub-lease agreement and the consent of the landlord concerning the registered seat, the decision of the executive directors (the board of directors) on the precise location of the registered office, an extract from the Register of Criminal Records for the executive director (member of the board of directors or member of the supervisory board), affidavit of the executive director (member of the board of directors or member of the supervisory board) stating that the legal requirements for his/her office have been fulfilled, declaration of the contribution administrator on the payment of the registered capital, confirmation of the bank on the payment of the registered capital, a trade license and an application for registration with the Commercial Register. ■

Aleš Terš
Senior Associate
PwC Legal

The choice of the type of company may depend on the following factors:

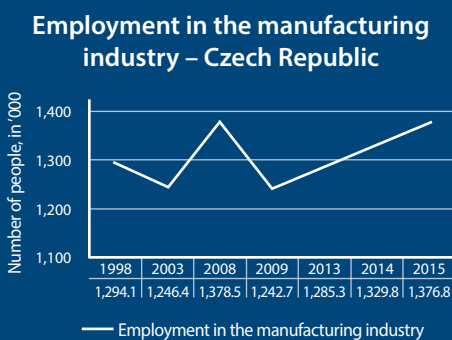
	Limited-liability company (s.r.o.)	Joint-stock company (a.s.)
Scope of business	Without restrictions (however, for certain activities, consent of the state authorities may be required).	Without restrictions (however, for certain activities, consent of the state authorities may be required).
Number of shareholders	Minimum is 1 / maximum is without restrictions	Minimum is 1 / maximum is without restrictions.
Administration	At least one executive director (no domicile or nationality requirements). The executive director must have (i) full legal capacity, (ii) no record in the Register of Criminal Records and (iii) no bankruptcy proceedings declared against his/her assets.	Minimum is 1 member of the board of directors / maximum is without restrictions (no domicile or nationality requirements). The executive director must have (i) full legal capacity, (ii) no record in the Register of Criminal Records and (iii) no bankruptcy proceedings declared against his/her assets
Corporate governance	Supervisory board is optional.	A supervisory board or administrative board is mandatory (the type depends on the type of internal structure of the company).
Registered capital	CZK 1 (approx. EUR 0.04)	CZK 2,000,000 or EUR 80,000
Advantages	Easy and relatively cheap to establish, maintain and administer.	Relatively easy transfer of shares of a joint-stock company in comparison with transfer of shares in a limited liability company.
Disadvantages	Administratively more complicated to transfer shares compared to a joint-stock company.	Administratively more complicated to establish and maintain. Higher costs due to capital requirements.

Competitive on every level

The Czech Republic competes strongly based on price, but investors are attracted primarily by the quality and skills of the country's workers

The manufacturing industry has long accounted for more than 40% of all jobs in the Czech Republic. Between 1998 and 2005, the sector's development very faithfully mirrored the general development of the market as a whole. Though the economic crises that occurred in 1998 and at the end of 2008 caused a relatively sharp decline in employment here, the situation stabilised rapidly over the course of two to three years.

During recent economic boom times (2006–2008 and 2014–present), employment in the manufacturing industry returned to its original values near the record level of 1.4 million people employed in the sector in 1993.



However, not even this sector managed to avoid changes in the structure of employees, especially in terms of qualifications: between 1998 and 2015, there was a significant loss of craftspeople and manual labourers, though such loss is being continuously offset by automation of production.

A strong foundation of employees with diverse technical skills, including a significant number of people with outstanding university education in technical fields requiring an extensive knowledge, remains one of the primary reasons why multinational investors are interested in establishing branches in the Czech Republic.

Therefore, the favourable development of the Czech economy continues to whet employers' appetite for reinforcements

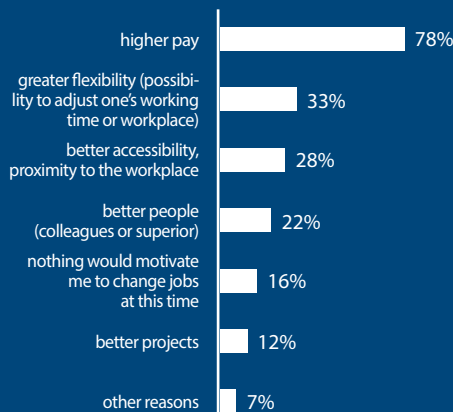
in domestic industry, with mechanical engineering at the fore.

Excellent people at a long-term discount

Despite the facts laid out above, the Czech Republic still paradoxically excels to some extent in one respect. The wages of local employees – including the most sought-after specialists in industry and manufacturing – remain at a very low level. Whereas the Czech Republic's per-capita GDP is 84% percent of the EU average, wages are at the level of only 62% of the EU average. This is the most significant price/performance imbalance on the old continent.

The average monthly wage in the Czech Republic is slightly more than CZK 28,000 (EUR 1,040), which is less than one-third of that in neighbouring Germany and Austria. Even in Slovakia, with its slightly lower per-capita GDP, wages are higher than those in the Czech Republic in a number of professions. In terms of the price/

What would motivate employees to change jobs (Jobs.cz survey, 2015)



How big a pay increase would motivate employees to change jobs (Jobs.cz survey, 2015)



performance ratio, Czechs are by far the most attractive choice. Furthermore, the given situation enables any employer to attract new recruits and distinguish itself from the existing competition. For the vast majority of people, their wage level remains the deciding criterion when judging the attractiveness of a job opportunity, even if it is far from being the only criterion.

Stay awake and start immediately

Even though it may seem that the data on wage levels relates more to positions with lower skill requirements, that is actually far from the case in the unbalanced Czech environment. At the end of last year, even entry-level wages of much sought-after, highly qualified engineers did not exceed CZK 33,000 (EUR 1,220), which is less than a quarter of the cost of labour in the most demanding technical fields in Germany and Austria.

Due to companies' strong interest in new employees, however, the average offered entry-level wage rose 15% year-on-year to CZK 38,000 (EUR 1,400) in 2016. Very similar development can be seen also in the case of, for example, quality inspectors (to whom companies in the Czech Republic currently offer CZK 35,000 or EUR 1,290 per month), technicians in mechanical engineering (CZK 34,000 or EUR 1,255) and other in-demand technical workers. Even the most common machine operators, who can currently expect a monthly wage

of not quite CZK 18,000 (EUR 665), saw their pay increase by more than 10% in the past year, whereas wages grew in the Czech economy overall by "only" 4.4% year-on-year in the first quarter of 2016. The combination of all the above-mentioned factors is creating not only strong pressure on further growth, but primarily presents an extremely advantageous opportunity for those employers who are not sleeping through the changes on the market, but are rather responding to them in the best possible matter.

Despite wage growth, the cost of labour in the Czech Republic remains extraordinarily low in light of what local employees offer, primarily those with the highest technical qualifications in the most sought-after professions. Don't shy away from better rewarding their contribution. ■

Tomáš Ervín Dombrovský
Analyst
LMC

Number of positions (excl. part-time jobs) newly occupied via job portals in selected sectors and professions, 2010-2015

Jobs.cz + Prace.cz – development of the number of advertised positions / selected sectors	2010	2011	2012	2013	2014	2015	growth		Average number of responses to each position	
							2015/2014	2015/2010	2014	2015
Total	118,224	139,439	132,277	128,001	148,910	189,652	27.4%	60.4%	32	21
Manufacturing and industry	11,115	15,644	15,268	15,878	20,759	27,632	33.1%	148.6%	16	11
Mechanical engineering	10,357	16,088	16,124	16,650	19,515	24,191	24.0%	133.6%	11	8
Electrical engineering and energy	5,438	7,087	6,858	6,480	7,660	9,454	23.4%	73.9%	14	9
Construction and real estate	5,728	5,959	5,403	5,260	6,437	8,538	32.6%	49.1%	29	17

M&A

Intellectual
PropertyDispute
Resolution

Banking

Real
Estate**KONEČNÁ & ZACHA**

Corporate

IT

IT

Real
Estate

Commercial

M&A

Energy

Colliers International continues to expand local team amidst market success



Omar Sattar
Managing Director
Colliers International
Czech Republic

When Tchibo, a popular coffee roaster and retailer, looked to strengthen its regional operations earlier this year, Colliers International helped it do just that by effectively negotiating for the company a lease for 73,000 m² state-of-the-art distribution space near the German border in the Czech city of Cheb. Coincidentally, this transaction is the largest ever lease brokered by an agency in the Czech Republic and involves the second largest logistics facility to be built in the Czech Republic. This was just one of the many recent accomplishments of Colliers International's growing Czech team. The firm's

comprehensive and extensive range of real estate advisory services, ranging from investment and valuation to its new workplace solutions consultancy, has positioned Colliers' Prague office as the go-to consultancy not only for companies looking to expand their operations, but also for those looking to enter the Czech or CEE market. "Our strength lies not only in our collective knowledge of the market, but also in the professionalism of our individual team members," said Omar Sattar, Managing Director of Colliers International Czech Republic. In addition to servicing our clients, our team focuses heavily on research;

whether it's related to the commercial, office or industrial sector, we encourage the exploration of different perspectives when considering the market." Globally, Colliers International employs more than 16,000 skilled professionals operating in 66 countries and has been ranked among the top 100 outsourcing firms by the International Association of Outsourcing Professionals' Global Outsourcing for 11 consecutive years, more than any other real estate services firm. ■

CzechInvest helps employees of foreign investors acquire visas

Obtaining visas for employees of foreign companies operating in the Czech Republic can be a relatively long and administratively difficult process requiring preparations to be made well in advance. In order to accelerate this process, a number of projects have been implemented with the purpose of simplifying the transfer of highly skilled employees – statutory representatives, managers and specialists – from third countries for stays longer than ninety days.

One of these projects is Welcome Package for Investors, whose objective is to halve the time required for processing visa applications. In the case of employee cards, the processing period is 30 days instead of the original 60 days following submission of the application to an embassy abroad. The project is administered by CzechInvest and intended for newly established companies in the Czech Republic with a history of not more than two years. The Fast Track project is intended for established companies operating in the Czech Republic for more than two years. The purpose of Fast Track is also to accelerate the visa process for managers and specialised employees. This project is

administered by the Ministry of Industry and Trade; CzechInvest issues a recommendation, which is one of the conditions for inclusion in the project. Use of these projects is continuously being expanded among companies; the quotas of both projects have been completely fulfilled. The largest number

How long is the relocation process with and without Welcome Package or Fast Track?

up to 30 days → With

up to 60 days → Without

of applicants are from Ukraine, Russia, China and India, with IT specialists forming the majority. In addition to projects aimed at accelerating the visa process, measures have also been introduced to simplify transfer of employees from Ukraine to the Czech Republic. Implemented last year, Project Ukraine is aimed at highly skilled Ukrainian workers. In August this year the System Ukraine for lower-skilled jobs was introduced and CzechInvest is one of guarantors. Its aim is to enable to get an appointment at the embassy with no need of registration through Visapoint. ■

Klára Černá
Project Manager
CzechInvest

The potential of smart data in the Czech Republic

What is smart data? As with most of IT terms, it is an acronym: S.M.A.R.T. – Self-Monitoring, Analysis and Reporting Technology. Smart data makes sense out of big data, providing value from harnessing the challenges posed by the volume, velocity, variety and veracity of big data, and thus also providing actionable information and improved decision-making.

Smart data was also the main topic of a conference that took place during September this year. Organised by the Department for International Trade of the British Embassy in Prague and co-sponsored by Allen & Overy and DataHub Verne Centrepoint, the British-Czech Smart Data Conference provided a series of one-day workshops and presentations by speakers from British and Czech companies. Hosted by Czech journalist and prolific Twitter user Miloš Čermák, the event was held at the multifunctional venue of Impact Hub Prague, part of a worldwide community

discussed the potential of smart data in the Czech Republic. "The Czech Republic has strong potential to compete with established data hubs such as Frankfurt or London; it is well positioned but it must be more confident in marketing itself to the rest of Europe as a preferred data location, in the same way Iceland has done", he said. He praised the Czech Republic's central position within



density open compute platform for servers with a patented system of cooling, capable of PuE close to 1.06. Vapor IO has also developed Vapor CORE, built in smart data software to manage the Vapor Chamber, Vapor Compass, software for automated workload management, and Open DCRE (data center run time

environment) to monitor, analyse and move data between locations in real time. "DataHub Verne will be one of the most modern, green and efficient data centers in the world," said Cole Crawford, founder and CEO of Vapor IO. "With the Vapor Chamber hardware design and Vapor CORE software for remote monitoring and operations, Centrepoint Verne is able to build and operate its datacenter and cloud services with an efficiency that rivals the largest web-scale companies like Facebook." The Pilot of 1MW with six Vapor chambers at DataHub Verne Centrepoint will come to market by the first quarter of 2018, with low latency dark fibre connection to Frankfurt and Prague. It will offer full public and private cloud services, DR (disaster recovery), data storage and fully managed IoT platforms. DataHub Verne will have an off-grid energy supply of up to 150MW of power from the nearby ČEZ Pruněřov Plant. ■

" The Czech Republic has strong potential to compete with established data hubs such as Frankfurt or London. "

John Stotter, CEO of DataHub Verne Centrepoint



sharing platform. The conference was well attended by professionals from the fields of IT security and smart data technologies and by data centre operators and IT manufacturers. Jan Thompson, British Ambassador

to the Czech Republic, gave the opening remarks, in which she addressed the need for continuing all existing trading and commercial activities between the UK and the Czech Republic following Britain's exit from the EU. She highlighted the geopolitical stability of the Czech Republic and its growing economy, encouraging both countries to form meaningful partnerships.

John Stotter, CEO of DataHub Verne Centrepoint, was one of the speakers who

Europe with respect to existing dark fibre access to the western and eastern parts of the world, with excellent, skilled IT personnel who can be hired for competitive prices, good infrastructure and lower operating costs in general. With new disruptive technologies entering the IT market and putting additional pressure on lowering the PuE (Power usage Effectiveness), the CFOs of big companies are constantly trying to lower the costs of storing their data and these new technologies are making traditional colocation centres unable to compete.

During the Smart Data Conference, John Stotter unveiled the partnership that DataHub Verne entered into with Vapor IO, an American IT start-up from Austin, Texas. Its founder and CEO, Cole Crawford, was one of the key people behind the creation of Facebook's Open Compute. Using the Open Compute philosophy as a base, he developed and patented the unique Vapor Chamber, a high-

For more information about smart data and its potential for your company, please contact our technical expert, Martin Gavanda, head of IT & Sales at DataHub Verne Centrepoint, and a former cloud architect at Casablanca. Martin can be reached at Martin.Gavanda@centrepoint.cz.

“Do you want to experience an earthquake?”

Česká spořitelna made an unusual appearance at the International Engineering Fair in Brno.

Why don't you come to trigger an avalanche? Do you want to be at an earthquake's epicentre?

Leading Czech bank Česká spořitelna made an unprecedented appeal to business partners before the annual International Engineering Fair in Brno in early October. Česká spořitelna invited its partners to the VIDA! science centre located near the Brno Exhibition Grounds. Česká spořitelna staged its exhibition at the unusual venue in order to highlight its commitment to innovations and the Industry 4.0 revolution. “We made the decision to rent premises within the science amusement park in order to set the inspirational stage for an exchange of opinions between

businesspeople, bankers and academics,” said Česká spořitelna board member Pavel Kráčmar. Most Czech companies are dealing with a lack of qualified technicians. Boosting technical education appears to be critical for the continued competitiveness of Czech industry. Česká spořitelna invited some 2,500 kids to visit the science amusement park. They got a chance to interact with more than 170 exhibits that gave them a better understanding of the world around us. In cooperation with the Depositum Bonum Foundation, Česká spořitelna staged

in the science centre demo math lessons and a conference enabling teachers and businesspeople to discuss the needs arising from the Industry 4.0 revolution. The other presentations that Česká spořitelna gave in Brno included the Institute of Circular Economy focusing on lowering dependency on primary commodities. ■

František Bouc
Communication department
Česká spořitelna

www.erstecorporatebanking.cz

„WHO WANTS TO CONQUER THE WORLD MUST NOT WAIT TILL HE SAVES ENOUGH MONEY TO DO SO.“

Doing business is hard work, risk and also fun. You can't have everything planned in advance, you must be able to improvise and enjoy it. I don't like troublemakers and people who say something can't be done and should not be done. When I feel I am making a right decision I won't be shackled by advice from the cautious. I don't wait. I know that the best time is right now.

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Vlastimil Sedláček
Director
SEKO Aerospace, a. s.

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How should one handle risks associated with investments?



On the one hand, an investment project in a new and little-known environment is a great opportunity. On the other hand, it is always associated with risks that can significantly influence the overall business results of the given project. Whether this concerns an acquisition or a greenfield construction project, it is necessary to recognise, measure and assess the probability of the impacts of such risks and, above all, to be ready to deal with the consequences. Services are available to help companies address risks before they become problematic situations and lead to negative impacts on the given company's business. Such services, which can be offered in the Czech Republic, include the following:

Risk due diligence consulting

Due diligence services provide support in the area of financial,

insurance, pension and employee benefit transactions in order to enhance investment, pricing and strategic decision-making. Throughout the due diligence process, the due diligence service provider liaises with other providers to ensure thorough and coordinated analyses and cost-effective solutions. Merger consultants focus on deal-related issues and share findings with the client in real time, thus having immediate impact on the client's business dealings. Clear and succinct reports offer a better understanding of historical, current and future risks.

Mergers & acquisitions

The complexity of merger and acquisition transactions demand skilled and dedicated advisors who can identify risks and opportunities and add value throughout the lifecycle of a deal. ■

Michal Šrámek
Commercial Director
Aon Risk Solutions
michal.sramek@aon.cz

How willing are Czechs to relocate for work?

The number of people in the Czech Republic who commute to work is growing significantly. Willingness to commute grew mainly as a result of the economic crisis, when commuting became the only option for many people to find interesting work. "Also, a generation has come of age that is more focused on their careers and for whom commuting to work is normal," says Olga Hyklová, owner and COO of AC JOBS. In the Czech Republic, the largest number of commuters (36%) travel less than half an hour. Another 33% spend 30-60 minutes on their commute, while the remaining 31% are on the road for over an hour a day. For employees in the Czech Republic, commuting to work is often a condition for getting a better job and better pay. People who show flexibility and are not bothered by a daily commute often achieve a higher standard of living. According to a survey (KPMG CZ), women in the Czech Republic are surprisingly more flexible in this regard. Seventy-five percent of women would leave their homes because

of work, compared with 67% of men. The results indicate that women are beginning to assert themselves in the labour market to a far greater extent, are more ambitious and, logically, are thus more willing to adapt to their employers' requirements. In the case of the generation of younger people entering the labour market, it is clear that there is a rising focus on having a career often with the necessity of relocating as opposed to staying in the region where they are from, finding a job at the local level and having a more certain family life. "University graduates see working outside of the place where they live primarily as an opportunity to gain new experience, career growth and better pay, and to choose their employer according to the brand," adds Olga Hyklová. People with basic or vocational education

temporarily relocate only during the work week; according to the survey, less than half of them are willing to permanently relocate. Conversely, three-fourths of those with university education would permanently relocate and 48% would even move abroad. ■

Marcela Vyskoková
Marketing Manager
Advantage Consulting
vyskokova@acjobs.cz



What advantages does accounting in the Czech Republic provide for foreign investors?



From the perspective of foreign investors, the Czech Republic is considered to be one of the most appealing locations in terms of investment. Besides many other factors contributing to foreign investors' favourable view on the country, the Czech Republic has relatively stable accounting legislation.

One of the country's advantages in this area is the option to use the International Financial Reporting Standards (IFRS) for accounting and preparation of statutory financial statements. If companies are obliged to participate in preparation of consolidated financial statements (e.g. reporting package for the purposes of investors) under IFRS, they can decide to use IFRS also as a base for preparation of statutory financial statements. Investors thus gain a degree of certainty that they are entering

an environment that will be favourably disposed to them in terms of accounting. If companies choose this option, they may unify their accounting methods for preparation of reporting packages and statutory financial statements. Of course, this approach also presents a number of challenges. For example, the tax legislation is not yet capable of working with IFRS principles and for tax purposes it is necessary to keep an additional record of differences between IFRS and the Czech accounting standards (CAS). On the other hand, the Czech accounting legislation is very vague and general in many areas and thus allows companies to adapt statutory accounting methods to the methods they are using for preparation of reporting packages for parent companies. Therefore, it is possible to avoid some of differences e.g.

in creation of provisions, reserves and practically all accounting areas where management's judgment is necessary. Also, the requirements for disclosing information in the footnotes to the financial statements are significantly lower in CAS than in IFRS.

Furthermore, there are certain accounting difficulties that can present definite challenges for companies that are part of international groups – e.g. use of exchange rates, where Czech law strictly requires use of the exchange rates announced by the Czech National Bank. ■

*Klára Mádllová,
Senior Manager*

*Financial Accounting Advisory Services
EY*

klara.madlova@cz.ey.com



Creating space for business in the Moravian-Silesian Region


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Czech mountains



The Czech Republic is a very rugged country. Mountain ranges (areas above 500 metres above sea level) cover 33% of the country's territory and mostly comprise its natural borders. Whoever travels to dense forests, fragrant meadows and hills shrouded in legends will find not only magical places in which to relax, but also surprise possibilities of sporting activities. The Czech Republic possesses one of the best networks of hiking trails in Europe and is also popular with skiers, cyclists, equestrians, spa tourists and sightseers.

Krkonoše

Located in the country's northeast, the Krkonoše are undoubtedly the most popular mountains in the Czech Republic and are also a national park. One of the oldest ranges in Europe and forming the border between the Czech Republic and Poland, the Krkonoše comprise a wall of rounded, barren mountains with harsh arctic conditions in winter. The range's, and also the Czech Republic's, highest peak is Sněžka, which reaches the elevation of 1,603 metres above sea level. According to legend, the Krkonoše

are protected by the fabled spirit Krakonoš, a bearded, grandfatherly figure. The most popular destinations for skiing include Pec pod Sněžkou, Špindlerův Mlýn, Janské Lázně, Harrachov and Rokytnice nad Jizerou. The Czech Republic's biggest ski centre, SkiResort Černá hora-Pec, is located in the Krkonoše Mountains.

Jizera Mountains

The Jizera Mountains spread out in the north of the Czech Republic between the Lužice and Krkonoše Mountains. The range's highest peak is Smrk, at 1,124 metres above sea level. The scenery of the Jizerska Mountains enthralls visitors with its rugged Nordic character and many beautiful places with unique natural formations. The mountains also feature numerous peat bogs and areas covered with spruce groves forming a primeval forest. Featuring a network of cross-country ski trails called the Jizerska Thoroughfare, the mountains are the site of the legendary annual Jizerská 50 cross-country ski race. The most significant winter sports centres here include Bedřichov, Severák and Tanvaldský Špičák. The neighbouring Ještěd Ridge is dominated by Ještěd Mountain, whose

identifying feature is a 90 m tower that has won several architectural awards.

Jeseníky

With the Hrubý Jeseník range at their core, the Jeseníky Mountains are located in the northernmost corner of Moravia at the Czech-Polish border. The eastern part of the range contains the highest mountain of Moravia and Silesia, Praděd, which stands at 1,492 metres above sea level. Hrubý Jeseník possesses one of the most beautiful mountain passes in the Czech Republic and the entire area is covered by an extensive network of hiking trails. The Jeseníky offer several locations for skiing, such as Červenohorské sedlo and Praděd, which traditionally have the longest season of the year due their abundance of snow. The jewel among the local tourist attractions is the Karlova Studánka mountain spa, which The New York Times placed on its list of the world's most interesting tourist destinations in 2013.

Beskydy

Located on the border with Slovakia, the Beskydy Mountains are the most expansive range of the Western Carpathians in the Czech Republic. The highest peak is Lysá Mountain at 1,324 metres above sea level. The range's well-known peaks also include, for example, the myth-enshrouded Radhošť with its statue of the pagan god Radegast. The most popular winter centres include Pustevny and Bumbálka. Rožnov pod Radhoštěm, famous for its Wallachian Open-Air Museum, is also attractive for tourists. Other unique places found here are a nature preserve with original primeval forests such as Mionší and Javořina in the White Carpathians.



Why does the Czech Republic have the best hiking trails? The five most interesting facts:

1889 – the year when the first designated hiking trail in the Czech Republic was marked out

40,000 km – total length of marked hiking trails; relative to size, the Czech Republic has the most hiking trails in Europe

250 m – distance between signs

red – the colour of the most important trail in the area; other utilised colours are blue (regional trails), green (local trails) and yellow (connecting trails and shortcuts)

1,400 – the number of people who take care of the trails every year, spending a total of 75,000 man-hours on maintenance per year

Šumava

The Šumava Mountains are located on the Czech Republic's southwestern border with Germany and Austria. The highest peak in the Czech part of the range is Plechý (1,378 metres above sea level). Together with the Bavarian Forest, Šumava National Park is one of the most expansive national parks in Europe and offers visitors fragrant forests and meadows, remote valleys, endless moorlands, glacial lakes and horizons filled with mountains and hills. The most significant recreation centres include Špičácké sedlo, Zadov-Churáňov, Antýgl, Srní, Modrava and Lipno Reservoir. The unique Treetop Walkway with toboggan and bobsledding courses is located near the reservoir. Ice skating is possible on frozen lakes in winter, while cyclists and in-line skaters can enjoy the Lakeshore Trail during the rest of the year. Hikers seek out the most famous places in the Šumava National Park, such as the source of the Vltava River and the celebrated glacial lakes, Černé and Čertovo near Železná Ruda. Other popular destinations include Jezerní slať and Boubín with its primeval forest.

České Švýcarsko

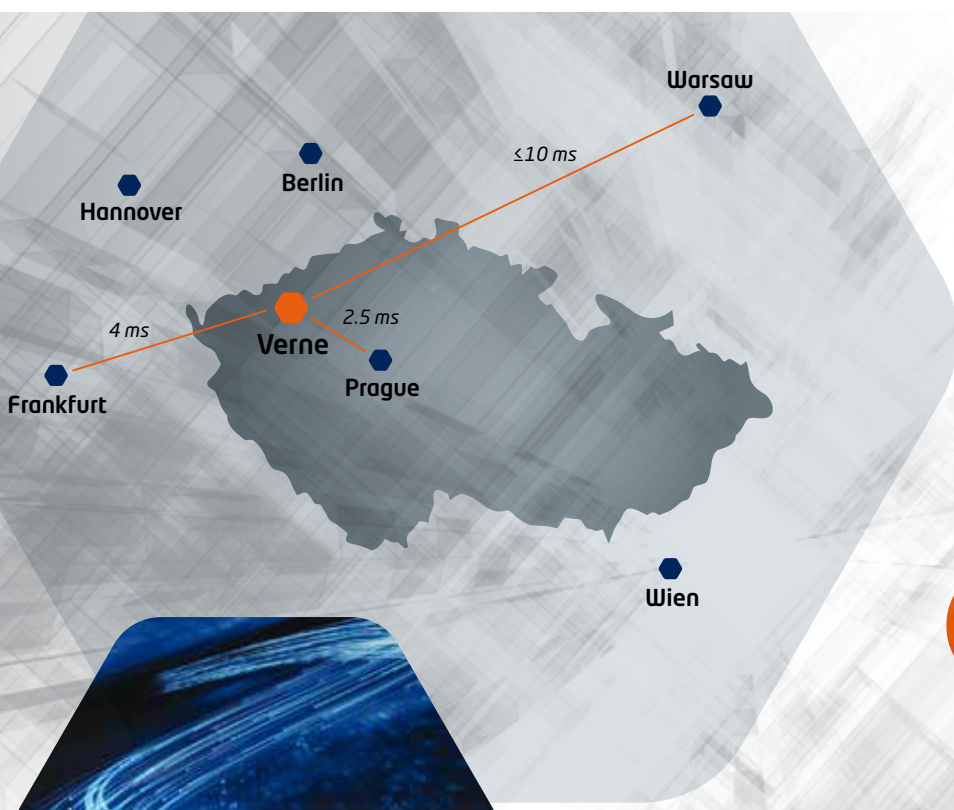
České Švýcarsko is located in the area where the Elbe River exits the Czech Republic into Germany. The most attractive features for tourists are the park's sandstone formations, which form expansive rock cities in several places, such as Tisá, Ostrov and Jetřichovice. The real pearl of the park is the Pravčice Gate, Europe's biggest natural stone bridge. Tourists are also attracted by the possibility to swim in the Kamenice River gorge and the city of Děčín with its charming chateau and zoo.

Other locations

Of course, the Czech Republic offers much more. Tourists are gradually discovering the half-forgotten Rychleby Mountains in Czech Silesia and the picturesque Novohradské Mountains near Austria, which offer visitors the peace and quiet of untouched nature. Conversely, the Central Bohemian Mountains are noteworthy due to their sharp volcanic peaks and the extraordinary Adršpach and Broumov sandstone formations. With its fantastic natural formations, the Moravian Krast is also worth a visit. ■

The longest ski slopes in the Czech Republic

Ranking	Name of slope	Resort	Range	Length	Vertical distance
1	Šerák	Ramzová	Jeseníky	3,381 m	577 m
2	Turistická Modrá	Rokytnice n. Jizerou	Krkonoše	3,185 m	652 m
3	Černohorská	Janské Lázně	Krkonoše	3,057 m	559 m
4	Vyhádková	Herlíkovice	Krkonoše	2,800 m	450 m
5	Svatý Petr – Turistická Modrá	Špindlerův Mlýn	Krkonoše	2,700 m	450 m



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Bernard Bauer
Executive Member
of the Board of Directors
Czech-German Chamber
of Industry and Commerce

"I enjoy living and working in the Czech Republic."

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

The country itself, the people, the culture and, of course, that it is close to Germany, to my home. I previously lived here from 1996 to 2001. The dynamics of the Czech market and, in particular, German-Czech relations have impressed me a lot. Therefore, I returned to the Czech Republic after spending some years in several other countries. I am enjoying living and working here.

What was the most surprising for you?

I was positively surprised by the rapid development of the country after the fall of the Iron Curtain. Czechia is one of the countries with a long industrial tradition. It made its way to one of the leading industrial countries. Today the Czech Republic is a country pulsating with energy.

What is your favourite Czech food?

There are many. I like the typical Bohemian dishes. Especially "svíčková", if it is well-prepared. But also duck with dumplings and sauerkraut can be a kind of a culinary experience for me.

What would you recommend to visit in the Czech Republic?

I would recommend visiting Prague's

Old Town and its other sights. The city's atmosphere is unique. But you can get out of town in a couple of minutes as well. I think that is what distinguishes Prague from other metropolises. The beautiful historic city of Český Krumlov is also worth a visit.

About my company

The German-Czech Chamber of Industry and Commerce (DTIHK) is the Czech Republic's largest bilateral chamber of commerce and a part of the worldwide network of German Chambers of Commerce. It aims at promoting economic exchange between Germany and the Czech Republic. Due to our strong ties in the economy and society, plus our wide range of services, we are able to contribute to the added value of our clients and members in both countries. ■



Jakob Sassersen
General Manager
NNIT Czech Republic

"I like the small food festivals that take place more or less every week during the summer around Prague."

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

I like the vibrant life in Prague with all the opportunities it offers, such as the sights, restaurants, festivals and Náplavky during summer, as well as the beer.

What was the most surprising for you?

I was very positively surprised by how much Prague had developed between my first visit 15 years ago and when I arrived in 2014 for the second time.

What is your favourite Czech food?

If we can call beer a food, then that would be my choice. Otherwise, what I like the most about food in the Czech Republic is all the small food festivals that take place more or less every week during the summer around Prague

What would you recommend to visit in the Czech Republic?

There are so many things and places. Český Krumlov is definitely worth a visit if you

travel outside Prague. Otherwise, a walking a tour around Prague from Old Town Square over Charles Bridge to Prague Castle in the evening is among my favorites.

About my company

NNIT is one of Denmark's leading IT service companies with 2,800 employees globally. We started in the Czech Republic in 2006 with an office in Olomouc and we opened our office in Prague in 2014, we have grown to 235 employees and are continue to grow. We focus a lot on our culture in the Czech Republic by bringing the Danish company culture into the international environment we have in the Czech Republic, where English is the spoken language in our offices. ■



Ian Worboys
Chief Executive Officer
P3

"I think that many people would be surprised at the quality of some of the Czech red wines."

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

I live in Prague, which is a city that is big enough to be full of interest, culture, international restaurants and night life, and yet small enough still to be personal and without big city congestion. There can be few other cities in the world that allow you to drive for under two hours and experience everything from wine tasting amongst sun-soaked vineyards to skiing in the mountains. From a business point of view, the pool of qualified English-speaking Czechs in Prague

means that we have a fantastic, energetic company full of people who want to learn and to help us grow.

What was the most surprising for you?

I was surprised by how truly international Prague is as a city. As a foodie, I love the many top-quality restaurants that you can try.

What is your favourite Czech food?

I have to admit that I am not a fan of dumplings, which seems to be the most Czech of foods. For me, the tastiest of snacks is Trdelník. I am a complete sucker for them. Certain restaurants have great modern takes on traditional Czech foods such as pike and pork. These I particularly love, and Czech chefs are some of the best that I have experienced anywhere.

What would you recommend to visit in the Czech Republic?

As a lover of castles, I find that the Czech Republic is an amazing country. My favourite is still Karlštejn. Prague Castle, Český Krumlov Castle and Bezděz Castle are amongst the best of the others that I have visited. Although my kids are now grown up, they still enjoy visiting the Prague and Liberec zoos. Tasting wine in the south of the country makes for a great weekend trip and I think that many people would be surprised at the quality of some of the Czech red wines.

About my company

P3 is a specialist owner, developer and asset manager of European logistics properties. Active throughout Europe, P3's asset base comprises 163 high-quality warehouses with an average age of 8.4 years and totaling 3.3 million m² across nine countries and a land bank with zoning for 1.4 million m² of further development. ■



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www.czechinvest.org

Association for Foreign Investment

Štěpánská 11

120 00 Prague 2

+420 224 911 750

www.afi.cz

[@AFI_czech](https://twitter.com/AFI_czech)



Business and Investment Development Agency CzechInvest

Štěpánská 15

120 00 Prague 2

+420 296 342 579

www.czechinvest.org

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