



●●● GENERAL INFORMATION

The purpose of this document is to provide the key economic indicators, information about doing business in the Czech Republic, specific sector briefings, details of the tax system and other information relevant to those looking to invest and/or operate in the Czech Republic.

Located at the crossroads of Europe, the Czech Republic is a nation of vast cultural and historical heritage as well as inspiring natural beauty. Its economic performance has ensured its successful entry into the European Union and established it as an important economic player in the increasingly globalized world.

The Czech Republic is divided into 14 regions, including the capital city Prague. Prague is amongst the most developed regions in the EU, with a GDP per capita over twice the Czech average and an unemployment rate half that of the national rate. Prague has been one of the most economically developed region of the 10 nations which joined the EU in 2004.

Area: 78,867 km²

Population: 10,5 million

Labor force: 5,3 million

Capital: Prague

Length of state border: 2,303 km

Border countries:

- Germany (810 km)
- Poland (762 km)
- Austria (466 km)
- Slovakia (265 km)

The Czech Republic's key advantages as an investment location include:

- Central location in Europe
- Strong presence of foreign investors
- EU membership
- Availability and quality of local suppliers
- Existing platform for R&D
- Compact and high-quality infrastructure
- Skilled workforce
- High share of secondary and tertiary education
- Favorable labor costs and price stability
- Transparent system of investment incentives
- Mentality, culture and attitudes close to western countries
- Envable life style

Source: CzechInvest

Elections:

- Senate - last election held in October 2014
- Chamber of Deputies - last election held in October 2013
- President elected directly in nationwide elections for a 5-year term - last election held in January 2013
- Prime minister named by the president on the basis of election results. Based on the prime minister's proposal, the president then names ministers

GENERAL INFORMATION

Political Parties in the Chamber of Deputies:

- ČSSD - Czech Social Democratic Party [50]
- ANO 2011 [47]
- KSČM - Communist Party of Bohemia and Moravia [33]
- TOP 09 a Starostové - TOP09 and Mayors [25]
- ODS - Civic Democratic Party [16]
- KDU - ČSL - Christian-Democratic Union - Czechoslovak People's Party [14]
- Poslanecký klub Úsvit - Národní koalice - Úsvit - National coalition [8]
- Nonparty Members [6]

Source: Chamber of Deputies

Selected distances from Prague:

- Berlin 282 km
- Paris 864 km
- London 1,030 km
- Moscow 1,665 km
- New York 6,561 km

Time zone: GMT +1, summer time GMT +2

Official language: Czech

Official currency: Koruna (Kč) - Czech Crown (CZK)

1 USD = 23,743 CZK, 1 EURO = 27,020 CZK

Average value for 2015: 1 USD = 24,676 CZK, 1 EURO = 27,873 CZK

Source: Czech National Bank, June 6, 2016; Czech Statistical Office

KEY INDICATORS	REFERENCE	GO TO SECTION
GDP growth rate	4.2%	1
Inflation	0.3%	2
Interest rate	0.29%	3
Trade balance (CZK million)	429,197	4
FDI inflow (USD million)	4,993	5
Number of banks	46	6
VAT	21%	8
Unemployment rate	6.2%	9
Share of households with internet connection	73.2%	10
Share of renewable energy sources	13.17%	13
Share of people with university education	17.6%	14
Number of hospital beds	6,6/1000 people	15
Tourist visits	15,981,115	17
Average monthly wage (CZK)	28,152	9
Number of regions	14	18
Population	10,537,818	18



1. GROSS DOMESTIC PRODUCT



“Czech GDP has surprised positively with the growth around 4% in 2015. However, in 2016 it is likely to decelerate well below 3% as benign impact from lower oil prices and massive inflow of the EU funds will not repeat this year. On the other side, the labor market has become great support for consumer spending, though the pickup in wage growth is still relatively modest. Both acceleration of wage growth and stronger investment activity are likely to remain bounded by geopolitical uncertainty and still fragile prospect for global economy growth in both industrial countries and emerging markets.”

Michal Nebeský,
Citi Country Officer Czech Republic

CONSUMPTION	2011	2012	2013	2014	2015
% (y/y)	-0.4	-2.1	0.6	2.0	4.2
From household % (y/y)	0.5	-2.7	0.1	1.9	2.8
Ration Household / Government	-0.67	-6.00	-	-2.3	2.8

Source: Czech Statistical Office

GDP PER CAPITA IN PURCHASING POWER STANDARD (EU28=100)					
	2011	2012	2013	2014	2015
Czech Republic	81	81	80	82	85
Poland	65	67	68	67	68
Slovakia	75	76	76	75	77
Germany	123	123	124	122	124
Austria	129	130	129	128	130
EU 28	100	100	100	100	100
Euro Area 19	108	108	108	107	107

Source: Eurostat

GDP VOLUME	2011	2012	2013	2014	2015
CZK billion, current prices	3,823,4	3,845,9	3,883,8	4,266,1	4,472,3
GDP per capita	2011	2012	2013	2014	2015
CZK, current prices	364,249	365,995	369,507	405,342	424,201
GDP, % y/y	2011	2012	2013	2014	2015
CZK, constant prices	1.8	-1.0	-0.9	1.4	4.2

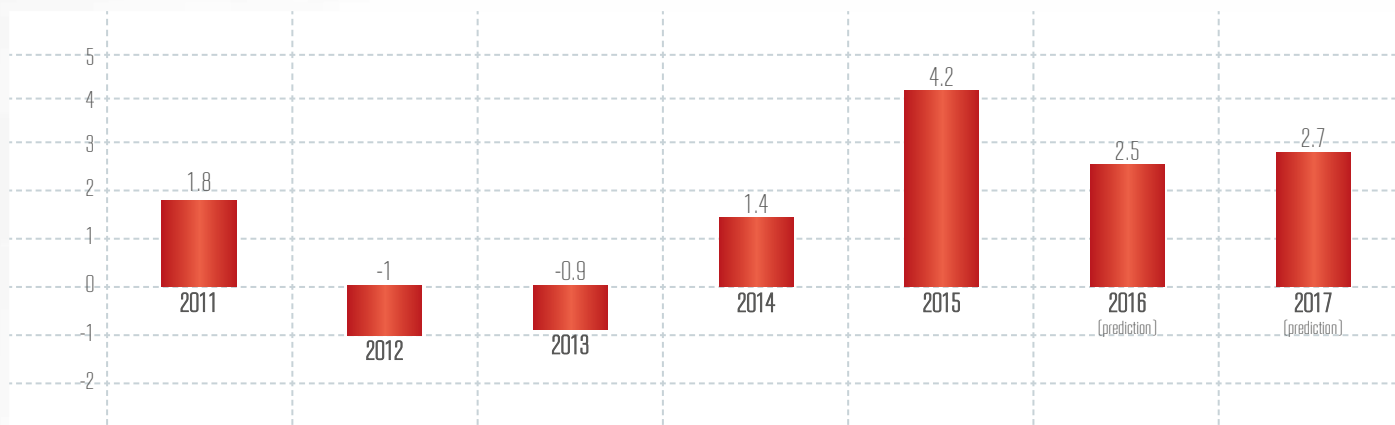
Source: Czech Statistical Office

INCOME (CZK BILLION)					
	2011	2012	2013	2014	2015
Net national income	2,845,430	2,815,372	2,913,191	2,892,493	2,925,758
Gross national income	3,565,877	3,560,995	3,792,730	3,797,896	3,926,601

Source: Czech Statistical Office



GDP growth rate 2011-2015 (2016 - 2017 prediction)



Source: Ministry of Finance (Macroeconomical Prediction 2016-2019)



Real GDP increased in 2015 by some 4.2%. Nevertheless, 2016 predictions show drop to some 2.5%. In 2017 the growth should be 2.7%. This year's and next year's growth should be founded on home demand by 2/3 and only by 1/3 on the increased foreign trade.

The whole year 2015 can be evaluated as extraordinarily successful. Real GDP growth of 4.2% was the highest since 2007. GDP growth was driven exclusively by domestic demand, with gross fixed capital formation being its fastest growing component. Efforts for maximal use of EU funds from the programming period 2007-2013 manifested itself with strong YoY growth of investments in fixed capital of 7.5%. However, final consumption expenditure of the government (by 2.8%) and households (also by 2.8%) increased dynamically, too. In foreign trade, stable growth of the CR's main trading partners' economies and increased imports, which reflect the accelerated growth of domestic demand and high import content of Czech export, roughly offset each other. The economy was growing strongly in completely balanced macroeconomic environment.

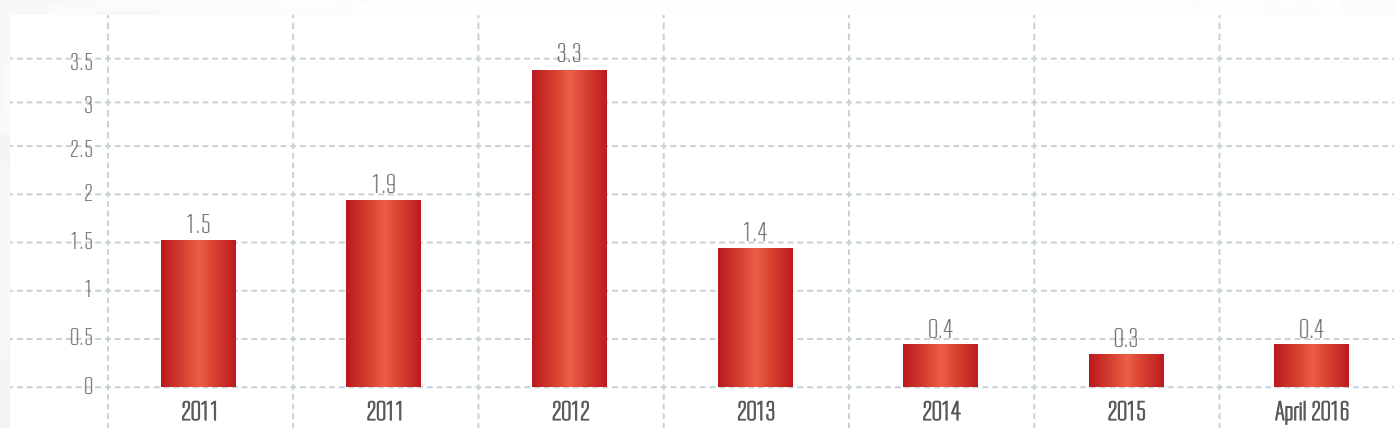
2. INFLATION



“Czech inflation remains subdued despite the effort of the Czech National Bank (CNB) to spur it. While we are importing price deflation from abroad (low oil prices and negative inflation in Euro Area), domestic inflation gradually revives. If global oil price does not increase too fast above USD 60 per barrel till 2016-end, the Czech inflation will stay below the CNB's inflation target (2%). And consequently, the CNB will intervene against the koruna appreciation through 27 level to the euro till 2017. Only strong wage growth in Czech Republic might bring near the end of current CNB's intervention regime. But an unexpected drop of inflation into negative territory might force the CNB to send the koruna to even weaker level.”

Helena Horská,
Chief Economist, Raiffeisenbank

Inflation rates (% Y/Y) 2010-2016



Source: Czech Statistical Office

HICP - Annual average rate of change in Harmonized Indices of Consumer Prices (HICPs)

	2011	2012	2013	2014	2015
Czech Republic	2.1	3.5	1.4	0.4	0.4
Poland	3.9	3.7	0.8	0.1	-0.7
Slovakia	4.1	3.7	1.5	-0.1	-0.3
Germany	2.5	2.1	1.6	0.8	0.1
Austria	3.6	2.6	2.1	1.5	0.8
EU 28	3.1	2.6	1.5	0.6	0.0
Euro Area 19	2.7	2.5	1.3	0.4	0.1

Source: Eurostat



Czech National Bank and inflation targeting

- Czech National Bank adopted inflation targeting in 1998 to fulfill its primary objective of maintaining price stability.
- A headline inflation target of 2% was set by the Czech National Bank from January 2010 until the country joins the euro zone. As before, the CNB will strive to ensure that actual inflation does not differ from the target by more than one percentage point in either direction.
- To increase transparency, accountability and credibility of the independent central bank, the CNB publishes interest rate path forecasts into the medium term in addition to quarterly inflation reports.
- Currently, the inflation rate is 0.4% (April 2016). The CNB predicts a slightly higher level of inflation in the following quarters with the value slowly reaching the 2% target.

Source: Czech National Bank

3. INTEREST RATE



“Since the end of 2013 we have been in an environment with extremely eased monetary policy. CNB maintains its monetary commitment (27 CZK for 1 EUR) which is likely to last until the next year. Significant easing in monetary policy can be seen throughout Europe, largely due to missing inflation pressures. However, this should gradually change with growing consumer demand and increasing oil prices, so unless we experience another negative shock we'll be able to see at least in some European countries the beginning of a new cycle of monetary policy next year with the possibility of slight increase in interest rates.”

Tomáš Spurný,
Chairman of the Board of Directors and CEO, MONETA Money Bank

3-MONTH INTEREST RATE, MONTHLY AVERAGE (NSA)

	01/15	02/15	03/15	4/15	5/15	6/15	7/15	8/15	9/15	10/15	11/15	12/15	1/16	2/16	3/16
Euro Area 19	0.06	0.05	0.03	0.00	-0.01	-0.01	-0.02	-0.03	-0.04	-0.05	-0.09	-0.13	-0.15	-0.18	-0.23
Czech Republic	0.33	0.33	0.32	0.31	0.31	0.31	0.31	0.31	0.30	0.29	0.29	0.29	0.29	0.28	0.29
Poland	2.03	-	-	1.65	1.67	1.70	1.72	1.72	1.72	1.73	1.73	1.72	1.71	1.69	1.67
Hungary	-	-	-	1.64	1.42	1.57	1.26	1.14	1.29	1.32	1.25	1.35	1.19	1.34	1.19

Source: Eurostat



2 WEEK REPO, DISCOUNT RATE, LOMBARD RATE

	29 JUNE 2012	1 OCTOBER 2012	2 NOVEMBER 2012
2 Week Repo	0.50	0.25	0.05
Discount rate	0.25	0.10	0.05
Lombard rate	1.50	0.75	0.25

Source: Czech National Bank

The 3-month interest rate is a representative short-term interest rate series for the domestic money market.

- From January 1999, the euro area rate is the 3-month „Euro InterBank Offered Rate“ (EURIBOR). EURIBOR is the benchmark rate of the large euro money market that has emerged since 1999. It is the rate at which euro InterBank term deposits are offered by one prime bank to another prime bank. The contributors to EURIBOR are the banks with the highest volume of business in the euro area money markets.
- The panel of banks consists of banks from EU countries participating in the euro from the outset, banks from EU countries not participating in the euro from the outset, and large international banks from non-EU countries but with important euro area operations.
- Monthly data are calculated as averages of daily values. Data are presented in raw form.

Source: ECB

4. EXTERNAL TRADE



“A healthy foreign trade is a vital condition for the small open economy like the Czech Republic. Czech companies not only survived turbulent years after the financial crisis very well, they also managed to enhance their position in the global trade thanks to an increase in productivity outpacing wage growth. Accommodative monetary policy also partially helped. Rising exports outweigh an outflow of dividends abroad, the overall current account of the balance of payments switched from negative values to a surplus and contributed to the stability of the Czech economy. One never knows when the global economy could face a headwind again, the Czech Republic is now even stronger than before the last crisis - provided that the most recent political and security disruptions do not change the geopolitical landscape in which we operate.”

Josef Kotrba,
Office Managing Partner, Deloitte

BALANCE OF PAYMENT [CZK MILLION]	2011	2012	2013	2014	2015
Current account	-103,959	-51,291,6	-55,980,6	26,099,5	41,375,1
Current account (USD million)	-6,111,7	-2,547,9	-2,853	1,442,9	1,500,2
Trade balance	90,323,1	148,633,5	188,028,7	441,867	429,197
Exports	2,409,328,1	2,596,886,3	2,653,020,9	3,617,091	3,628,823
Imports	2,319,005	2,448,252,8	2,464,992,2	3,175,224	3,199,626
Balance of services	58,438,1	62,266,5	52,996,8	49,675,2	75,043,3
Capital account	14,727,8	51,930,6	74,754,5	32,170,0	106,141,6
Financial account	59,443,6	74,315,5	187,889,8	47,963,1	193,793,4

Source: Czech National Bank

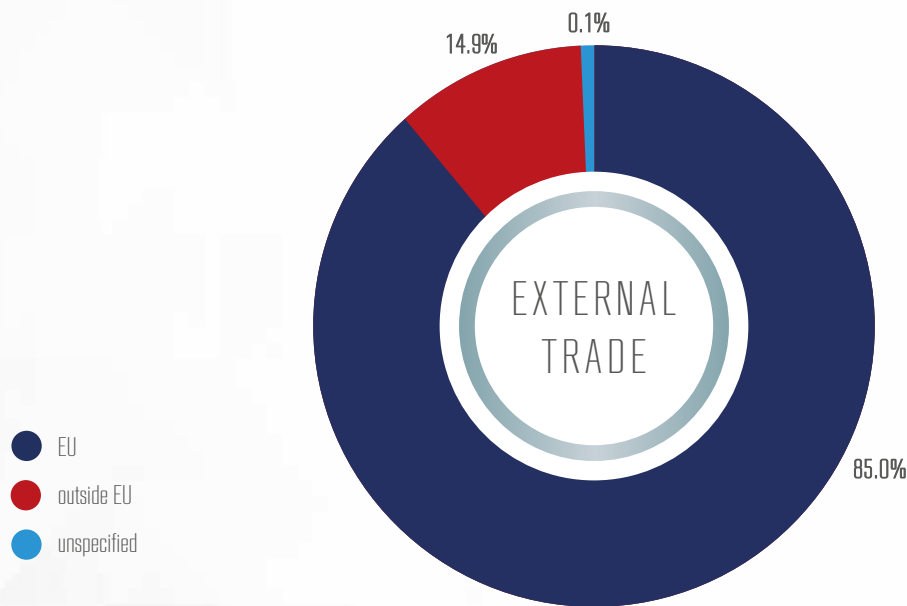
TRADE PRODUCT BREAKDOWN 2015	EXPORTS VOLUME [CZK MILLION]	EXPORTS VOLUME [PREVIOUS YEAR=100]	SHARE OF EXPORTS (%)	IMPORTS VOLUME [CZK MILLION]	IMPORTS VOLUME [PREVIOUS YEAR = 100]	SHARE OF IMPORTS (%)
Plastics products	40,489,609	108.5	1.0	52,892,911	108.3	1.5
Chemicals and chemical products	21,775,898	98.4	0.4	21,072,361	96.2	0.6
Fabricated metal products, except machinery	198,899,613	108.8	5.1	149,758,789	114.5	4.3
Basic metals	22,201,731	80.7	0.6	21,684,851	78.6	0.6
Machinery, equipment for electricity production	103,399,745	98.3	2.6	122,877,218	113.3	3.5
Machinery, equipment for further industrial production	95,300,001	107.6	2.4	84,434,032	113.8	2.4
Machinery, equipment for industrial use	259,779,019	107.2	6.7	185,042,041	108.9	5.3
Computer, electronic and optical products	391,959,046	112.8	5.6	344,223,982	131.2	6.4
Motor vehicles, trailers and semi-trailers	770,711,138	112.7	19.8	335,941,856	117.0	9.7

Source: Czech Statistical Office

EXTERNAL TRADE [IN TOTAL]	2013	2014	2015
Export [CZK million]	3,167,423	3,617,091	3,628,826
Import [CZK million]	2,816,810	3,175,224	3,199,630
Turnover [CZK million]	5,984,233	6,792,315	6,828,456

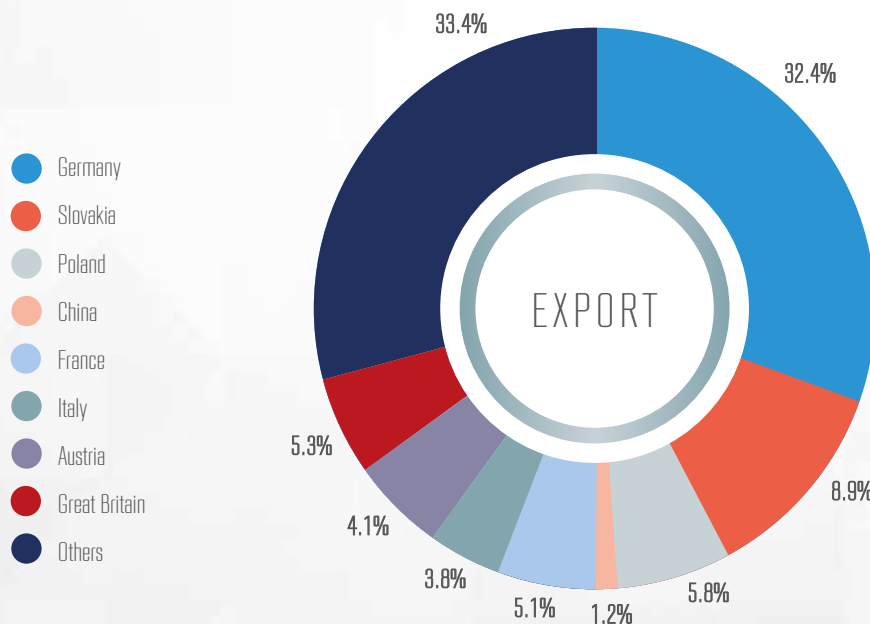
Source: Czech Statistical Office

CR Export to EU and outside the EU in 2015 (%)



Source: Czech Statistical Office

CR Export to selected countries in 2015 (%)



Source: Czech Statistical Office, Ministry of Industry and Trade

In the first quarter of 2016, exports increased by 4.7% and imports by 0.4% in comparison with the same period in 2015. Exports grew by 7.5% and imports by 8.6% in 2015. The largest external trade turnover was reached with developed market economies (83.8%). In 2015 a large part of them were member states of the European Union, whose share on external total trade turnover of the Czech Republic was 85.0%. In 2015 the most important trading partner for the Czech Republic is Germany, whose share on the turnover is almost 32.4%, followed by Slovakia with 8.9%.

Development in foreign trade in 2016

Foreign trade figures for the first two months of this year revealed no surprises as they followed on from the growth recorded in the previous year, both for imports and exports (using the cross-border concept). The impact of the artificial weakening of the Czech crown has not worn off and it still has a positive effect on Czech exports. Together with the low prices of imported raw materials, which lower import prices, thereby reducing growth rates of imports, the positive figures are also due to the faster growth in exports than imports, resulting in a further increase in the trade balance, with a surplus even higher than a year ago. This has also occurred in a situation where high levels of household consumption and solid industrial activity, which generate demand for imports, have increased import volumes. The situation on the European automotive markets continues to be favorable. Industrial companies continue to report increased foreign orders and this raises expectations that Czech exports will continue to grow this year. The German economy remains in good shape, which in turn results in increased demand for Czech exports. The possible risks for growth in foreign trade as a whole, particularly in terms of cooperation, are the slowing Chinese economy, as well as signs of weakening global economic growth, the risk of deflation in the EMU countries and the migration crisis.

Source: Ministry of Industry and Trade

5. FOREIGN DIRECT INVESTMENT (FDI)

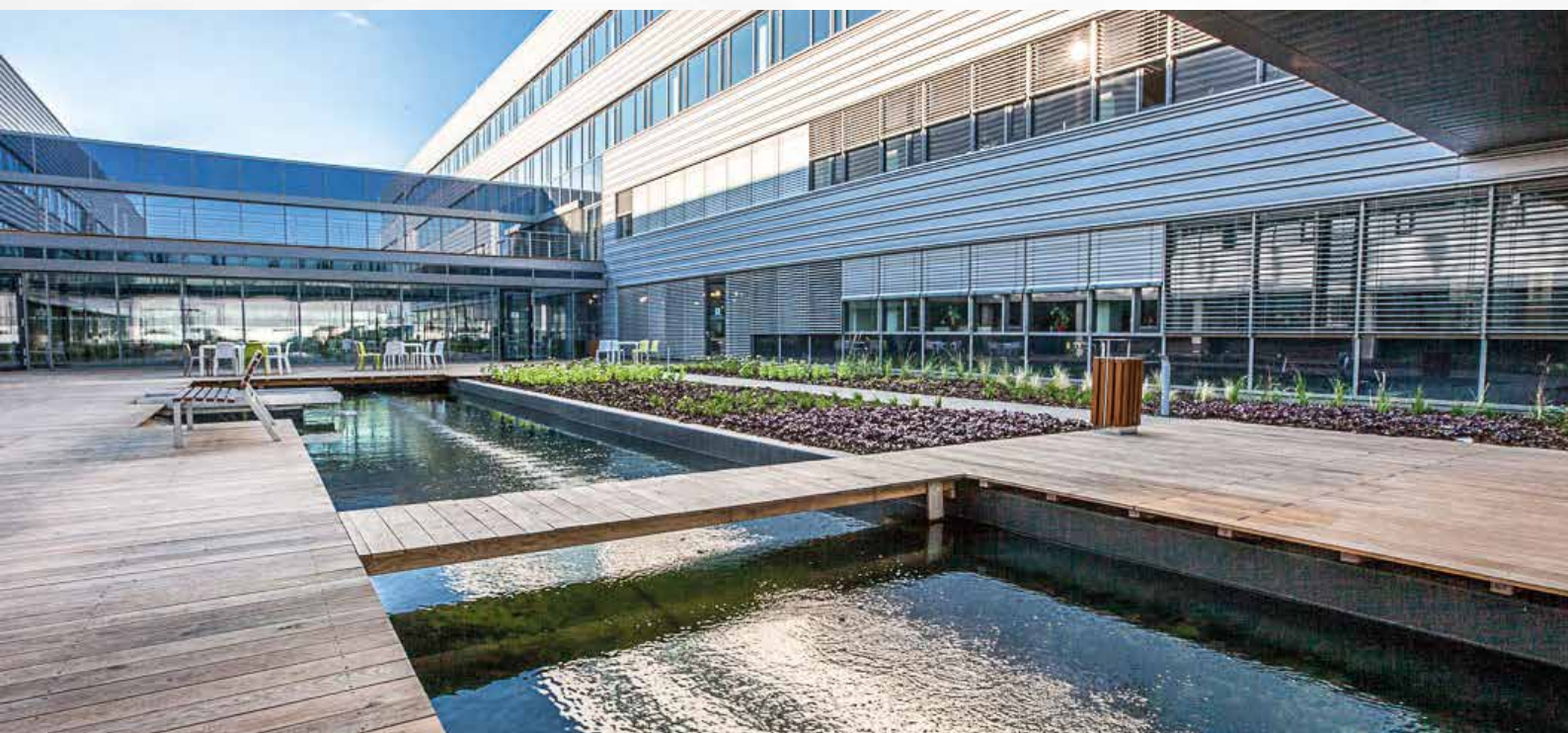
RATING	S&P	MOODY'S	FITCH
Czech Republic	AA-	A1	A+
Slovakia	A	A2	A+
Poland	A-	A2	A-
Hungary	BB+	Ba1	BB+

Source: <http://countryeconomy.com/ratings>

FDI INFLOWS (USD MILLION)	2012	2013	2014	2015
EU 28	238,525	250,263	211,096	239,374
Czech Republic	8,000	3,641	5,908	4,993
Slovakia	2,827	591	479	591
Poland	12,674	6,600	-	-6,038
Hungary	14,393	3,099	4,039	3,093
Austria	4,144	10,374	4,675	11,081
Germany	13,208	20,292	-2,171	26,716

FDI OUTFLOWS (USD MILLION)	2012	2013	2014	2015
EU 28	231,864	248,588	268,815	251,622
Czech Republic	1,794	4,021	-529	3,296
Slovakia	-74	-422	-123	-422
Poland	7,361	1,488	-	70,122
Hungary	11,693	1,869	3,381	2,271
Austria	13,229	16,213	7,691	13,936
Germany	79,638	32,208	108,230	57,539

Source: OECD Statistics



CZECH REPUBLIC: INWARD FOREIGN DIRECT INVESTMENT BY INDUSTRY (2013-15)

	2013 (EUR THOUSANDS)	2013 (USD THOUSANDS)	2014 (EUR THOUSANDS)	2015 (EUR THOUSANDS)	2015 (USD THOUSANDS)
Nonmanufacturing					
Agriculture, hunting, and forestry	-11,933,1	-15 842,1	5 483,8	23 340,3	26 523,1
Mining and quarrying	67 149,9	89 146,5	-205 770,2	118 593,3	134 765,2
Electricity and gas supply	-1 843 386,4	-2 447 233,2	-739 629,4	-57 575,0	-65 426,2
Construction	-70 209,2	-93 207,9	114 052,3	102 481,8	116 456,7
Hotels and restaurants	-3 452,1	-4 582,9	-9 891,9	- 29 716,5	-33 786,8
Transport, storage and postal services	-182 159,5	-241 830,4	-170 475,4	183 184,4	208 164,2
Financial intermediation	2 041 783,4	2 710 620,1	1 358 290,5	2 644 187,3	3 004 758,3
Real estate business activities	685 971,5	910 678,5	1 222 096,5	290 961,6	330 638,2
IT and communication services	-485 648,4	-644 734,5	177 196,0	217 243,6	246 867,8
Administrative and supporting services	1 510 912,2	2 005 848,8	-982 493,3	478 530,9	543 785,2
Innovation, development, technologies	1 010 976,1	1 342 146,3	1 902 052,3	1 572 259,3	1 786 658,4
Manufacturing					
Food and tobacco	-61 347,0	-81 442,7	-139 997,3	- 111 547,8	-126 758,9
Textiles, wearing apparel	13 277,9	17 627,4	25 465,8	29 556,7	33 587,2
Wood, paper and publishing	107 868,9	143 204,0	123 757,9	134 167,1	152 462,7
Refined petroleum and chemicals	52 704,9	69 969,7	226 957,7	175 109,0	198 987,6
Basic metals and metal products	124 327,4	165 053,9	393 792,1	355 117,8	403 543,0
Machinery and equipment	210 544,9	279 514,1	248 622,6	199 885,1	227 142,2
Other manufacturing	-187 036,1	-248 304,4	38 690,3	60 513,2	68 765,1
Motor vehicles	226 974,6	301 325,8	709 512,8	712 573,7	809 742,9
Other transport equipment	67 668,5	89 835,0	60 683,8	52 495,3	59 653,8

Source: OECD



The Czech Republic is one of the most successful CEE countries in terms of attracting foreign direct investment. Over 175,000 Czech firms across all sectors are now supported by foreign capital. According to the Czech National Bank, a total amount of EUR 122,6 billion worth of FDI has been recorded since 1993 to 2015.

The introduction of investment incentives in 1998 stimulated a massive inflow of FDI into greenfield projects. The Czech Republic's accession to the European Union in 2004 and the amendments to the investment-incentives legislation have further boosted investment. According to an Economist Intelligence Unit database, the Czech Republic has consistently attracted a high rate of foreign direct investment per capita since 2000, which confirms the country's strong attractiveness for foreign investors.

In 2015, the FDI inflow reached almost USD 6 billion. Some 81% of the investment projects were aimed at expanding the already existing investments. The most important investors are Germany, the US, Japan, Switzerland, Austria, the Netherlands, the UK and Denmark. Most of the investments in 2015 flowed into automotive and machinery industries, followed by basic metals and metal products, financial intermediation, electronics, pharmacy, biotechnology and innovation, development and technologies.

Source: CzechInvest

6. BANKING & FINANCE



“The Czech banking sector has been - in the long term - among the most stabilized, the most capitalized, highly liquid and the most profitable banking systems in the European Union and these strong qualitative parameters contribute to the country's overall economic growth. Unlike a number of banks in the Western Europe, Czech banks came out of the recent financial and debt crisis with positive results and no need for state aid. In the past year, local banks continued to strengthen their credit activities, not only by increasing the volume of credit provided to businesses and households, but also by making ever cheaper credit more and more accessible, while maintaining the high quality of banks' credit portfolios. Moreover, Czech banks learned how to live with record-low interest rates, negative return on state bonds and almost fixed foreign exchange rate. Despite this quite unfavorable environment for traditional banking, Czech banks have been able to continue to innovate and have been ready to satisfy clients' needs.”

Petr Knapp

ČSOB Member of the Board of Directors

MARKET OF SHARES / TRADE VALUE	2014	2015
Total trade value (CZK billion)	153,49	167,90
Average daily trade value (CZK million)	613,95	674,28
PX index	946,71	956,33
Number of issued shares (million pieces)	23	25
Total trade value of bonds (CZK billion)	8,23	5,10
Number of issued bonds (total trade turnover CZK billion)	116	112

Source: Prague Stock Exchange



SHARES - TRADE TURNOVER / ISSUES OF SHARES WITH THE HIGHEST TOTAL TRADE TURNOVER IN 2015			
RANK	ISSUES	VALUES (CZK MILLION)	SHARE (%)
1.	EZ	59,675,458	35.54
2.	Komerční banka	53,390,835	31.80
3.	Erste Group Bank	23,556,570	14.03
4.	O2 Czech Republic	13,933,213	8.30
5.	Philip Morris ČR	2,414,699	1.44

Source: Prague Stock Exchange

NUMBER OF BANKS (2015)	
Czech-owned banks	8
Foreign owned banks	15
Branches of foreign banks	23
Total	46

Source: Czech National Bank

CAPITAL ADEQUACY RATIO (CAR)	12/2014	3/2015	06/2015	09/2015	12/2015
Capital adequacy ratio (%) and CNB's outlook	17.19	17.49	17.05	16.73	17.43

Source: Czech National Bank

The Czech National Bank acts as an independent central bank in setting interest rates and supervising financial markets and the banking sector. Further information at www.cnb.cz.

- Commercial banks are private and the majority is foreign-owned.
- Bank lending remains the main source of company financing in the CR.
- Banks operating on the Czech market: Česká spořitelna, Citibank, Československá obchodní banka, Komerční banka, Moneta Money Bank, ING Bank, Raiffeisenbank, UniCredit Bank and others.
- Net profit of the banks exceeded CZK 66,92 billion in 2015.
- The total assets of the Czech banking sector stood at CZK 5,643 billion at the end of 2015. Loans to residents are the predominant asset item. Their volume reached CZK 3,845 billion. Deposits of residents, which are the most important item among banking sector liabilities, totaled CZK 3,128 billion.
- The Czech banking sector has remained well capitalized and has not required any public aid. The average sector capital adequacy ratio has also been at healthy values.

Source: Czech National Bank

7. GLOBAL COMPETITIVENESS AND OECD BETTER LIFE INDEX



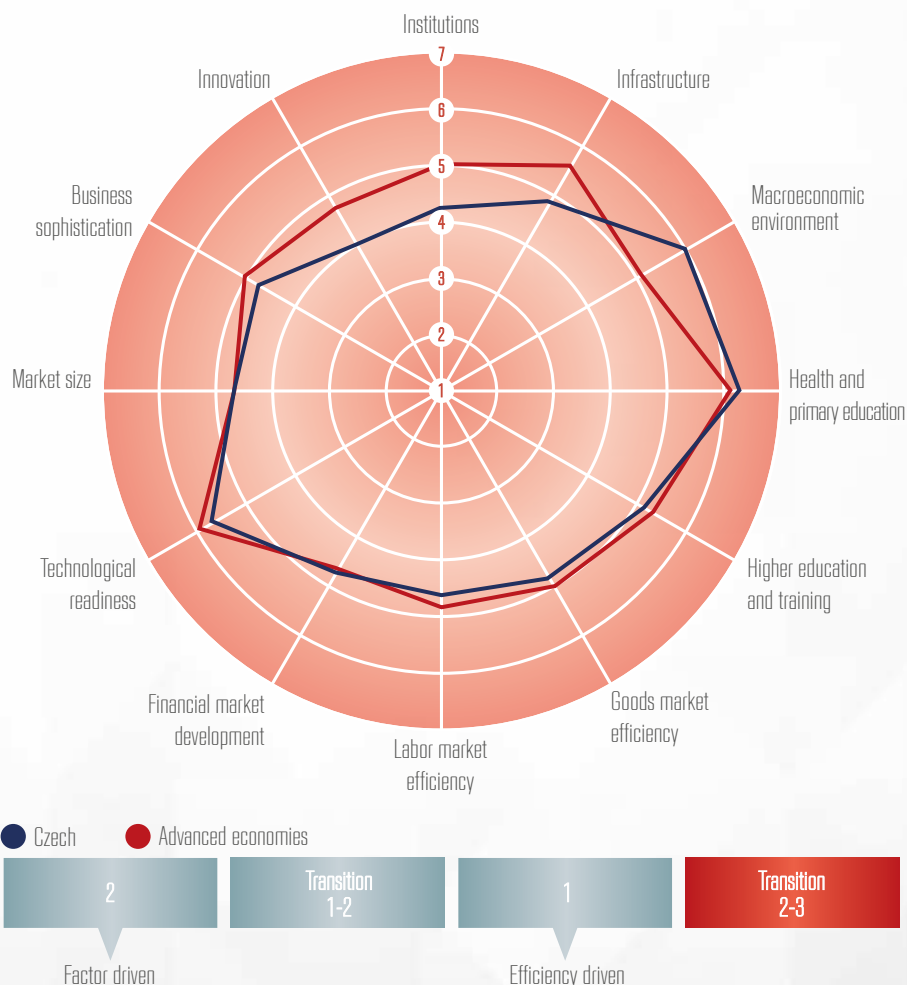
“In past few years several projects supporting research and innovation has been successfully implemented. This initial phase will now need continuity mainly in reaching results which can be turned to products and solutions competitive on global markets. I see this trend progressing to innovative economy positive. But this trend also shows the discrepancy between company directions and labor structure. Educational system will need to tailor their curriculums to be in sync with the industry development and same time companies have to provide right feedback or directly participate. The world of academic knowledge and industry needs to find synergy on level of education and research which turns to commercial results.”

Michal Klimeš,
Managing Director CEE, SILICON GRAPHICS

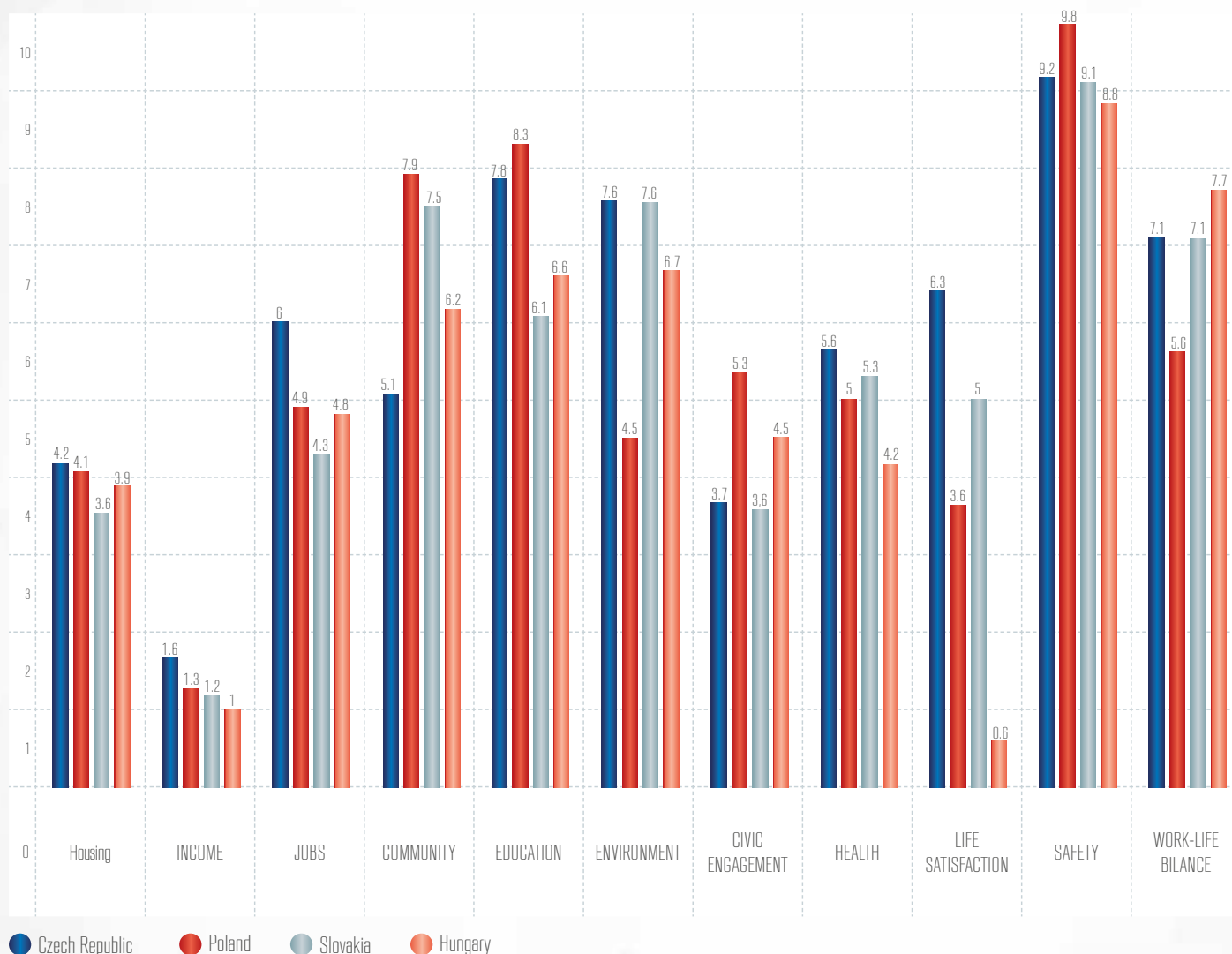
Global Competitiveness Index

	RANK OUT OF 140	SCORE (1-7)
GCI 2015-2016	31	4.7
GCI 2014-2015 (out of 144)	37	4.5
GCI 2013-2014 (out of 148)	46	4.4
GCI 2012-2013 (out of 144)	39	4.5
Basic requirements (20.0%)	31	5.3
1 st pillar: Institutions	57	4.1
2 nd pillar: Infrastructure	41	4.7
3 rd pillar: Macroeconomic environment	21	6.0
4 th pillar: Health and primary education	27	6.3
Efficiency enhancers (50%)	26	4.8
5 th pillar: Higher education and training	29	5.1
6 th pillar: Goods market efficiency	37	4.6
7 th pillar: Labor market efficiency	47	4.4
8 th pillar: Financial market development	24	4.6
9 th pillar: Technological readiness	29	5.4
10 th pillar: Market size	47	4.5
Innovation and sophistication factors	32	4.1
11 th pillar: Business sophistication	30	4.5
12 th pillar: Innovation (30%)	35	3.8

Source: World Economic Forum, The Global Competitiveness Report 2015-2016



OECD BETTER LIFE INDEX



Source: OECD Better Life Index (figures out of 10)

The Czech Republic performs well in many measures of well-being in the Better Life Index. The Czech Republic ranks above the average in personal security, education and skills, work-life balance and environmental quality, but below average in jobs and earnings, housing, health status, income and wealth, social connections, and civic engagement.

Money, while it cannot buy happiness, is an important mean to achieving higher living standards. In the Czech Republic, the average household net-adjusted disposable income per capita is USD 18 404 a year, less than the OECD average of USD 25 908 a year. But there is a considerable gap between the richest and poorest - the top 20% of the population earn nearly four times as much as the bottom 20%.

In terms of employment, some 68% of people aged 15 to 64 in the Czech Republic have a paid job, higher than the OECD employment average of 65%. Some 76% of men are in paid work, compared with 60% of women. In the Czech Republic, 7% of employees work very long hours, below the 13% OECD average, with 10% of men working very long hours compared with just 3% for women.

Good education and skills are important requisites for finding a job. In the Czech Republic, 92% of adults aged 25-64 have completed upper secondary education, well above the OECD average of 75% and the highest rate in the OECD. This is truer of men than women, as 95% of men have successfully completed high-school compared with 90% of women. In terms of education quality, the average student scored 500 in reading literacy, maths and science in the OECD's Programme for International Student Assessment (PISA). This score is slightly higher than the OECD average of 497. On average in the Czech Republic, girls outperformed boys by 9 points, slightly more than the OECD average of 8 points.

In terms of health, life expectancy at birth in the Czech Republic is almost 78 years, two years lower than the OECD average of 80 years. Life expectancy for women is 81 years, compared with 75 for men. The level of atmospheric PM10 - tiny air pollutant particles small enough to enter and cause damage to the lungs - is 16.2 micrograms per cubic meter in large urban areas, lower than the OECD average of 20.1 micrograms per cubic meter. The Czech Republic also does well in terms of water quality, as 85% of people say they are satisfied with the quality of their water, higher than the OECD average of 81%.

Concerning the public sphere, there is a moderate sense of community and moderate levels of civic participation in the Czech Republic, where 85% of people believe that they know someone they could rely on in time of need, slightly less than the OECD average of 88%. Voter turnout, a measure of citizens' participation in the political process, was 59% during recent elections; this figure is lower than the OECD average of 68%. Social and economic status can affect voting rates; voter turnout for the top 20% of the population is an estimated 68% and for the bottom 20% it is an estimated 49%, a considerably wider gap than the OECD average gap of 13 percentage points, and points to shortcomings in the political mobilization of the worst-off.

In general, Czechs are less satisfied with their lives than the OECD average. When asked to rate their general satisfaction with life on a scale from 0 to 10, Czechs gave it a 6.5 grade, slightly lower than the OECD average of 6.6.

Source: OECD Better Life Index

8. TAX SYSTEM



“The tax quota of the Czech Republic is lower than the EU average. The tax laws are amended relatively frequently, which may be an issue for businesses when planning their operations and investments. The emphasis has recently been laid upon the effectiveness of tax administration, including the integration of digital technologies in all phases of tax assessments and inspections. It seems that the Czech Republic's approach is to implement an electronic system that will primarily help the tax administration monitor and identify tax fraud instances but the administrative burden laid upon the taxpayers may increase. The fight against tax evasion involves the implementation of instruments against carousel fraud in the VAT area and instruments and actions against BEPS (base erosion and profit shifting) focusing on the multinational group of companies in the corporate income tax area.”

Jan Žurek,
Managing Partner, KPMG Czech Republic

TAX RATES IN THE CZECH REPUBLIC

Corporate Income Tax	<p>The standard corporate tax rate is 19%.</p> <p>A special tax rate of 5% is applied to certain collective investment funds, to pension funds. 0%.</p> <p>Withholding taxes on income of non-residents</p> <p>For example:</p> <ul style="list-style-type: none"> • Dividends 35/15/0% • Interest 35/15/0% • Royalties 35/15% • Operating lease rentals 35/15% • Finance lease rentals 35/5% <p>The withholding tax rates may be reduced by double tax treaties. Payments to persons resident in a country with which the Czech Republic has not concluded a double tax treaty or an agreement for the exchange of information are subject to the 35-percent rate. Withholding tax normally becomes payable when the payer of the income accounts for the liability.</p> <p>Persons from EU and EEA countries who receive income subject to withholding tax (except for dividends) may either apply the withholding tax as a final tax, or file a tax return including expenses and deduct the withholding tax from the final tax liability.</p>
Personal Income Tax	<p>Personal income is subject to a flat tax rate of 15%.</p> <p>The tax base for employees is calculated as the gross salary increased by the employer's health insurance and social security contributions.</p> <p>Employment and/or business income in excess of 48-times the average wage (annual income of CZK 1,296,288 in 2016) is subject to 7 percent solidarity tax.</p>
Value Added Tax	<p>There are three VAT rates:</p> <p>Standard VAT rate 21 percent - most products and services</p> <p>Reduced VAT rate 15 percent - basic foodstuffs, certain pharmaceutical products, newspapers, certain medical equipment, heating, social housing</p> <p>Reduced VAT rate 10 percent - essential baby nutrition, certain pharmaceuticals, books, mill products and other products suitable for a gluten-free diet</p>
Real Estate Tax	<p>The tax on buildings is based on the area of land occupied. The rates range from CZK 2 to 10 for buildings. Increased rates apply in certain circumstances. Real estate tax on agricultural land is 0.75 percent of the deemed value. Special rates apply for forests, lakes and ponds. For other types of land, the tax is based on the area; the rate is CZK 2 per square metre for building land, CZK 5 per square metre for improved land surface used for business and CZK 0.20 per square metre in other cases.</p> <p>Real estate tax is deductible for corporate income tax purposes.</p>
Tax on the Acquisition of Real Estate	<p>This tax is payable by the seller of real estate unless the parties agree that it will be paid by the buyer. The rate of tax is 4 percent of the higher of the sale price and the reference value of the property.</p>
Energy Taxes	<p>Energy taxes apply to natural gas and other gases, electricity and solid fuels.</p> <p>Only supplies of these products delivered within the Czech Republic are subject to energy taxes. There is a wide range of exemptions (e.g. for energy used in metallurgical or mineralogical processes). In order to claim an exemption, approval needs to be obtained from the customs authority.</p>
Consumption Tax	<p>Excise tax is imposed on entities that produce or import certain goods, including hydrocarbon fuels and lubricants, alcohol and spirits, beer, wine and tobacco products.</p> <p>The tax is based on the quantity of goods expressed in specific units and tax may be levied only once on a particular good.</p>
Road Tax	<p>Road tax is generally payable by the operator of a vehicle registered in the Czech Republic.</p> <p>The tax rate varies from CZK 1,200 to CZK 4,200 in the case of passenger vehicles and from CZK 1,800 to CZK 50,400 in the case of other vehicles.</p>
Inheritance and Gift Tax	<p>There are no gift and inheritance taxes as of 1 January 2014. Gifts are subject to income tax except for those between close relatives.</p>

RETIREMENT AGE

- For people born between 1936 and 1977 there is a special enclosure to the Pension law specifying the retirement ages depending on gender, year of birth and until year of birth 1975 for women also on number of children. For people born in 1977 unification of retirement age for men and women occurs firstly. For example, the retirement age for people born in 1977 is 67 years for both men and women (irrespective of the number children). Nevertheless, the law contains also provision with rules for calculation of the retirement age for the people born after 1977.
- Both men and women can claim early retirement. If the retirement age is lower than 63 years, the early pension can be granted 3 years earlier. If the retirement age is at least 63 years or higher, it is possible to request early pension 5 years earlier (but not sooner than at 60 years).
- Individuals can claim retirement benefits on the condition of having worked for at least 25 - 35 years depending on the year of achieving the retirement age.

Central Government Budget for 2016

- The total budgeted expenditure for 2016 is CZK 1,251 billion.
- The total budgeted revenue for 2016 is CZK 1,181 billion.
- The resulting budget deficit is CZK 70 billion.

Source: Ministry of Finance



Social Insurance

- State social security system covers health care provisions, pensions, employment insurance and sickness pay as well as child-related benefits and other social services.
- Both employers and employees contribute to the social security system.
- Employers are obliged to pay salary to employees for the first 14 days of illness. Statutory sick pay is paid from the 15th day.
- The effective tax and social security rate for a person who is subject to Czech social and health insurance earning CZK 1,200,000 (EUR 44,000) per year is 29 percent.
- There is an annual cap on the calculation base for social security equal to 48-times the average wage (CZK 1,296,288 in 2016). No cap applies to health insurance.

TYPE OF INSURANCE	PAID BY		TOTAL [%]
	Employer [%]	Employee [%]	
Social:			
Pension insurance fund	21.5	6.5	28.0
Sickness insurance fund	2.3	0	2.3
Employment insurance fund	1.2	0	1.2
Health	9.0	4.5	13.5
Total (%)	34.0	11.0	45.0

Tax base for self-employed persons

Self-employed persons cannot deduct social security and health insurance contributions from their tax base. They can apply lump sum deductions instead of claiming actual expenses in the range of 40-60 percent (80 percent for farming activities). However, in some cases the amount of the deduction is limited.

Revised by KPMG Czech Republic

9. LABOUR MARKET



“Employment of non-EU foreign workers in the Czech Republic has been simplified in recent years (new dual residency permit combining a work and residence permit into one document), but this has been complicated by recent efforts to implement immigration quotas from certain countries and mainly instigated by the Syrian refugee crisis. As a result, there could be follow-on protectionist effects for other non-EU workers such as Ukrainians which make up a large part of the work force in certain industries.”

Michael Mullen,
Partner, PwC CEE Legal Leader

YEAR	2012	2013	2014	2015
Unemployment rate	7.37	8.17	7.7	6.2

Source: Czech Statistical Office

STRUCTURE OF EMPLOYMENT AND AVG. WAGES BY SELECTED SECTORS (NACE CLASSIFICATION) 4Q 2015	MONTHLY AVG. WAGE IN CZK	EMPLOYEES (THOUSANDS)
Finance and insurance	51,053	70,8
IT & Telco	48,050	98,9
Energy	29,615	29,1
Research & Science	32,219	156,5
Public sector service	26,988	281,7
Education	23,690	277,6
Health care	25,355	277,2
Construction	21,988	197,9
Wholesale, retail, maintenance of vehicles	23,669	489,9
Transportation & Storage	23,783	241,7
Manufacturing	25,707	1,188,0

Source: Czech Statistical Office

AVERAGE MONTHLY WAGE 2014-2015	MONTHLY WAGE [CZK]
Q1 2014	24,806
Q2 2014	25,492
Q3 2014	25,231
Q4 2014	27,200
Q1 2015	25,306
Q2 2015	26,287
Q3 2015	26,072
Q4 2015	28,152

Source: Czech Statistical Office



ESTIMATED LABOR COST LEVELS (€ PER HOUR)	2012	2013	2014	2015
Czech Republic	10	9,8	9,4	9,9
Poland	7,9	8,1	8,3	8,6
Slovakia	8,9	9,2	9,7*	10*
Hungary	7,4	7,4*	7,3*	7,5*
EU 28	23,9	24,2	24,5	25

Source: Eurostat, NACE Classification, * provisional

EMPLOYMENT LAW

Employment of foreigners

Foreign employees (other than EU nationals and their relatives) who intend to perform working activities for a Czech employer, either on the basis of a direct employment contract or secondment, require relevant documentation.

In case of an employee on a Czech work contract a work permit (issued by a local labor office) and a visa (issued by the Czech embassies) or an employee/blue card (issued by the Czech Ministry of the Interior) are required.

In case of a seconded employee a work permit (issued by a local labor office) and a visa (issued by the Czech embassies abroad) or a residence permit (issued by the Czech Ministry of the Interior) are required.

Employment relation

Czech legal entities can employ Czech nationals mainly under a Czech employment contract.

Foreign entities/branches can employ Czech nationals, and Czech entities can employ foreigners, on the basis of an employment contract governed by the law of any country, unless an international treaty concluded by the Czech Republic stipulates otherwise. However, choice of foreign law may not have the result of depriving the employee of the protection afforded to him/her by mandatory provisions of the Czech labor law.

Employment can be terminated on the basis of written agreement of both the employer and employee. The employee may terminate by written notice for any reason or without giving a reason. The employer can serve termination notice in writing exclusively based on reasons that are set out in the Labor Code. Stricter conditions apply to collective dismissals.

A minimum two months' notice is required from both employers and employees. Longer notice periods can be agreed.

A probation period of three months for regular employees and of six months for managing employee (unless a shorter period is agreed) can be agreed upon in the employment contract. During the probation period, both the employer and the employee may terminate the employment relationship in writing for any reason or without stating a reason.

Employment can be also terminated on the basis of written immediate termination for a serious breach of duties.



Selected aspects of employment

The minimum working week is 15 hours, maximum working week is 40 hours; the minimum salary is CZK 9,900.

Overtime may be ordered up to 8 hours a week and 150 hours a year. In case of overtime work, the employee is entitled to compensation amounting to his/her average earnings, plus a premium payment of 25% of his/her average earnings; alternatively, employer and employee may agree that the employee will be provided with time off instead of paying the premium.

The employer is not obliged to pay premium or provide time off instead of paying the premium, if the salary reflects any potential overtime. This must be concluded in the agreement with the respective employee. Such an agreement may be concluded with managerial employees for all of their overtime work (i.e. 416 hours per year) and with other employees (i.e. blue-collar workers) for up to 150 hours of overtime per year.

A non-compete obligation can be agreed between the employee and employer under the terms set out in the Labor Code.

Further, under certain circumstances, employers and employees are allowed to conclude repeated fixed-term labor agreements. These changes particularly favor companies that depend on seasonal workers including, for example, those operating in the construction, agriculture and tourism sectors.

10. TELCO & IT



“ICT remains a very progressive industry with significantly growing importance and high level of investments. Unfortunately, we struggle with explaining this to some key stakeholders, and we still face pressures for stronger and more drastic regulation rather than improving a favourable business environment. The Czech Republic still underestimates the role of the digital economy, the need to build a strong and high-quality digital infrastructure and invest in digital growth. We support data driven economy and we, as an industry, will do our utmost to ensure that our customers have access to high quality and affordable connectivity. The digital future is already a surpassed milestone, we live in a digital society today, and for those who will not be prepared the future will be very difficult.”

Richard Stonavský,

Director, Regulatory & External Affairs, Vodafone Czech Republic

TELECOMMUNICATION IN 2015	[%]
Households with personal computer	74.6
Households with internet connection	73.2
Households having broadband connection	70.2
Households with mobile phone	98.3

Source: Czech Statistical Office

MOST FREQUENT TYPES OF INTERNET CONNECTION IN 2015	[%]
Wi-Fi	40.8
TV Cable	14.9
ADSL	14.3
Dial-Up, ISDN	8.3

Source: Czech Statistical Office

Situation in the Industry of Telecommunications and Digital Market

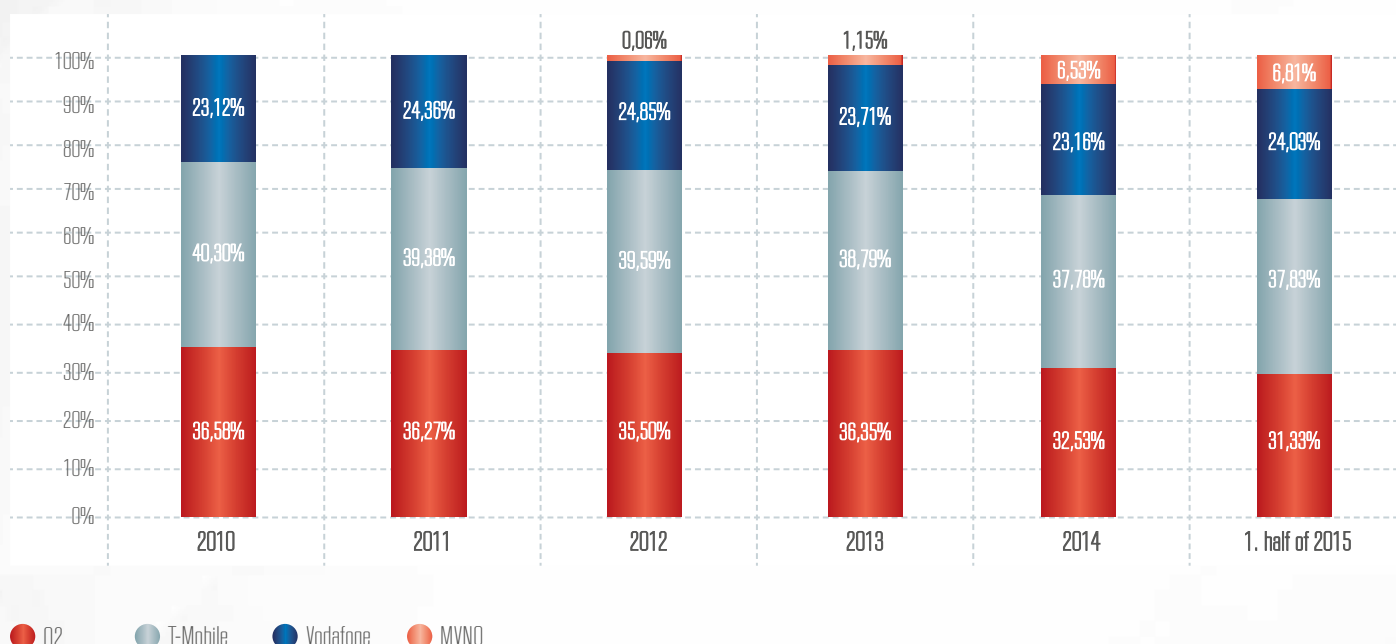
- The digital and telecommunications infrastructure (especially NGN networks) - is the basic building block of modern information society and digital economics.
- The Czech Republic is experiencing a significant growth in traditional sectors, however, within the EU28 it continues to lag behind in readiness to start and accelerate the growth of the digital economy.

INDICATOR (INCLUDING BREAKDOWN AND UNIT)	CZECH REPUBLIC VALUE				EU28 VALUE	CZECH REPUBLIC RANK AMONG EU28 COUNTRIES
	2012	2013	2014	2015	2015	2015
Standard fixed broadband coverage/availability - Total (in % of households)	98	99	98	98	97	14
Rural standard fixed broadband coverage - Total (in % of households)	87	91	90	90	91	18
Households with a broadband connection - All households (in % of households)	63	69	76	76	80	17
Households with fixed broadband connection - All households (in % of households)	60	66	76	76	72	9
Enterprises with a fixed broadband connection - All enterprises (in % of enterprises)	91	95	96	98	93	5
Enterprises having a fast fixed broadband connection - All enterprises (in % of enterprises)	-	-	19	19	27	24

European Commission, Digital Scoreboard

- The coverage of LTE high-speed mobile internet has been increased by mobile operators and the data consumption by end users has grown. Overall data consumption at the network operators has increased by about 53% (2014/2015, source: CTU), of which the ratio of the data traffic via LTE network to total data consumption was about 27% (2015, source: CTU).
- Nominal prices of calls and SMS at standard (post-paid) tariffs have remained unchanged. From the point of view of the average price per minute for calls in 2015, a long-term trend of price decline has continued, to wit by about 11% (compared with 2014) to CZK 1.10/minute (source: CTU).
- Compared with 2014, there were no significant changes in the number of active SIM cards which amounted, according to CTU's current estimate, to nearly 14 million at 31 December 2015. The number of active post-paid SIM cards is expected in the amount of 9 million. The number of active pre-paid SIM cards is then estimated at less than 5 million (source CTU).

Retail market shares of active SIM cards



- The volume of voice traffic has been slightly increasing while the number of SMSs sent has been slightly decreasing. An important factor in the development of the retail mobile market in 2015 was an increase in the realized data traffic: year-to-year increase by 60% (source: CTO), and further increase is expected in connection with the development of LTE networks and devices supporting the LTE.

Network

- In early 2016, an independent measurement of the quality of mobile networks in the Czech Republic was carried out by P3 communications. The measurement was carried out through 2,600 calls and 1,100 data connections. The test showed that the fastest data transfers and the most reliable voice services were offered by Vodafone Czech Republic that gained 863 points and the "Best in Test" certificate; T-Mobile Czech Republic gained 806 points and O2 Czech Republic gained 724 points.
- The Czech Republic is still below the EU average in the expansion of broadband Internet through fixed lines. While the European average was 31.1% at the beginning of the last year, the number was 28.4% in the CR (source: CTO). The share of connections has increased by ten percentage points for the last five years. The number of connections over optical fibres has been constantly growing at the expense of the share of xDSL access via fixed telephone lines. The cable market has been stagnating recently.
- After the inclusion of mobile and wireless connections, Wi-Fi with almost 27% has the largest share in the CR followed by xDSL with 24%. Mobile operators have more than 23% and cable companies have 14%. Connection over the optics amounts only to 12% share.
- On the contrary, coverage of LTE mobile broadband internet continues to grow, and in comparison with other European Union member states the Czech Republic holds on top. After 2014, when mobile operators in the Czech Republic increased LTE coverage several times, the level of coverage increased again thanks to additional investments and thus remains above the European average. With nearly 94% of Czech households for which the signal of the fourth generation networks is available, the Czech Republic holds at the level of Germany, leaving behind Italy, Spain and France and also countries with traditionally high coverage, such as Finland, Ireland or the United Kingdom (source: European Commission, Digital Scoreboard).
- Thus thanks to massive investments of the Czech mobile operators the 4G LTE coverage further expands and thickens.
- Within the EU funds for the period 2014 - 2020, the planned support of investments in the broadband development amounts to CZK 14 billion. The Czech Republic shows a significant delay in the creation of the NGA National Development Plan and also in the process of implementing the European Directive on Broadband Cost Reduction (Broadband Cost Reduction Directive) which aims to increase the efficiency of infrastructure and reduce administrative barriers to the deployment.

Telecommunications Policy

- There are areas which the Czech Republic has to improve in the telecommunications and digital agenda. Support of the development of the digital infrastructure, in particular investments from private sources, is inadequate, as well as improvement of digital literacy, strengthening of innovations and computerization and internalization of private and public spheres. The Czech Republic faces a risk that within the framework of the European and global digital economy it will take the position of a player on the tail and will have to continue to rely on traditional industries that, strategically and in the long-term perspective, will not be sufficient to ensure the prosperity and growth of the Czech economy.

11. LEGAL & BUSINESS



“The newly passed legislation is aimed at simplifying the administrative demands of contracting authorities, which is certainly a plus. However, quick and easy, uncomplicated public procurement does not always mean high-quality public procurement. On the one hand the law should contain flexible and clear rules. On the other hand, it should require as much publicity and transparency of procurement procedures as possible. This is the only way to ensure fair competition and equal access to public procurement for suppliers, as well as the effective spending of public funds.”

Magdalena Soucek,
Country Managing Partner, EY



“New civil legislation which included new voluminous Civil Code, Act on Business Corporations and related laws became effective only two years ago. In the first years of their applicability, the new civil laws proved to modernize Czech legal system in a practical, business oriented way and did not cause any major problems. The new laws represent the biggest legislative change in private law in over 20 years. The Act on Business Corporations aims to modernize the regulation of Czech corporate law, and thus it has introduced numerous new possibilities to the Czech corporate legal system which are often utilized by foreign investors coming to the country.”

Daniel Weinhold, Managing
Partner, Weinhold Legal

Czech Legal System

- The Czech legal system is a civil law jurisdiction appertaining to the continental legal system.
- As the Czech Republic is a Member State of the European Union, EU law forms part of the Czech legal system.
- The New Civil Code, Act on Business Corporations and related legislation became effective on January 1, 2014. They represent the biggest legislative change in private law in over 20 years. The Act on Business Corporations aims to modernize the regulation of Czech corporate law, and thus it introduces numerous new possibilities to the Czech corporate legal system. At the same time, the new legislation does not change the legal forms through which business may be conducted in the Czech Republic.

Business Presence

- Both natural persons and legal entities may engage in business in the Czech Republic.
- Generally, there is no limitation on the level of foreign participation in a Czech legal entity. Foreigners/foreign companies can establish both joint-ventures and wholly-owned subsidiaries in the Czech Republic.
- As of July 1, 2011 there are no limitations of acquisition of real property by foreign legal entities and individuals.

Companies

- Types of companies include a joint-stock company, a limited liability company, a limited partnership and an unlimited partnership.
- Joint-stock and limited liability companies are the most commonly used for business purposes; only the joint-stock company must fulfil the minimum capital requirements.
- A joint-stock company can be set up by one or more legal entities or individuals. The minimum share capital requirement is CZK 2 million or EUR 80,000, if the joint-stock company keeps its accounts in EUR. As from January 1, 2014 the bearer certificated shares are not allowed.
- A limited liability company can be set up by one or more legal entities or individuals. There is no requirement for the minimum amount of registered capital; however, each shareholder is required to contribute at least CZK 1.
- As from January 1, 2014, it is possible for a limited liability company with a sole shareholder to be a sole shareholder of another limited liability company (i.e. previous ban on chaining of limited liability companies has been abolished). The registered capital of such sole-member company must be fully paid up before the registration into the Commercial Register.
- Under the new legislation, there is no longer a general obligation for joint-stock or limited liability companies to establish a reserve fund.

Other types of business entities

- Besides companies, business may be conducted by means of the following legal forms: a co-operative, a branch, a silent partnership, an association, a European Company (Societas Europaea) and a European Economic Interest Grouping.
- A branch (of a legal entity) does not form a separate legal entity, and thus any actions by the branch are seen as actions of the entity registering the branch. A registered branch may generally undertake the same scope of business activities as a Czech legal entity.
- Authorization of a foreign entity to carry out business activities in the Czech Republic within the scope of activities registered in the Commercial Register takes effect upon registration of such entity or its branch in the Commercial Register.

Commercial Register

- Companies, co-operatives, as well as branches and foreign non-EU or non-EEA sole proprietors are required to be registered in the Commercial Register.

Trade licensing / Business authorization

- A trade license authorizes the legal entity or foreign entity acting through its branch or a foreigner to carry out business.
- All required types of licenses and qualification requirements are defined by the Trade Licensing Act.
- Special authorization may be needed to carry out activities in certain areas that are not governed by the general trade licensing regime, e.g. certain financial services (such as banks, securities brokers, insurance companies, investment funds, investment companies / unit trusts, and pension funds), telecommunications, utilities, pharmaceuticals, broadcasting, gaming and employment mediation (recruitment, executive searches, etc.).



Civil Procedure and Arbitration

- There is no trial by jury system in the Czech Republic; nearly any evidence is admissible before Czech courts. Punitive damages are not available and class action lawsuits are generally not available either; however, in certain cases (where specifically stipulated by law) lawsuits may have an effect that is similar to a class action.
- Court fees for property disputes are generally 5% of the amount in dispute. Cost-shifting is commonplace and also includes costs incurred for legal representation. However, compensation of incurred costs for legal representation is determined pursuant to a governmental decree, i.e. costs are not compensated in correlation with the amount actually spent. Also, compensation of costs is limited in so-called petty cases (where the subject of the dispute is of a relatively insignificant value).
- Contingency fee arrangements with legal counsel are not widely used in practice, however, they are not forbidden either. The majority of attorneys charge an hourly fee for services rendered.
- Judgments and arbitral awards are enforced either by courts or by (private) executors. The Czech Republic is a party to the "New York" Convention on the Recognition and Enforcement of Foreign Arbitral Awards.
- Parties to a contract may agree on a choice of law.
- Parties to commercial disputes may generally agree on prorogation, i.e. they may select the court to which their dispute will be submitted.
- Court proceedings typically last for 2-4 years (provided an appeal is filed).
- Property disputes, either domestic or international, may be resolved by arbitration (nevertheless, arbitrability of consumer disputes is limited and such disputes are subject to strict rules). The only permanent arbitration court in the Czech Republic with general jurisdiction is the Arbitration Court attached to the Economic Chamber of the Czech Republic and Agricultural Chamber of the Czech Republic. Arbitrators' fees are determined based on the amount in dispute.
- Parties to property disputes may also generally opt for an ad hoc arbitration proceedings, e.g., arbitration pursuant to the UNCITRAL Arbitration Rules, or any foreign arbitration court.
- The Czech Republic is a party to a large number of bilateral investment treaties and it is also a party to the "Washington" Convention on the Settlement of Investment Disputes between States and Nationals of Other States.

Competition Law, Public Procurement, Investment Incentives

- The central authority of state administration in the field of competition and public procurement is the Antimonopoly Office.

Act on Protection of Economic Competition

- Arrangements distorting economic competition (such as price-fixing agreements and other cartel arrangements) are prohibited.
- The business conduct of enterprises with a dominant market position (competitors with less than a 40% share of the relevant market are presumed not to have a dominant position, unless proven otherwise) is subject to special regulation.
- Any concentration of businesses that exceed a minimum threshold (a combination of criteria based on world-wide and Czech net turnover) requires approval by the Antimonopoly Office. Notification on concentration can be filed with the Office either prior to signing the respective concentration agreement or after, however, always before the respective concentration is to take effect.

Public Procurement

- Public procurement is governed by the Public Procurement Act and the Concession Act. In connection with recent adoption of the new EU public procurement directives, a new public procurement act was prepared by the Czech Government - the new Act on Public Procurement (which regulates also concessions) and related legislation becomes effective on October 1, 2016. The government declared the new law should reduce administrative work associated with the public procurement process while ensuring the process remains sufficiently transparent. The new law introduces a simplified below-threshold procedure that should be a truly simple, administratively undemanding and quick procedure. Also, a wider range of possible reasons for excluding a vendor from a procurement procedure, e.g. if, in the last 3 years, a procurement procedure participant engaged in serious professional misconduct that undermines its credibility. A new type of procurement procedure is being introduced: the innovation partnership procedure designed to develop an innovative product, service or building work, which is new to the market. The Office for the Protection of Competition is the superior state authority that supervises the process of public contracts granting (control, assessment of objections and possible imposing fines on specific breaching the law).
- On July 1, 2016, the Contract Registry Act will enter into force. The new law introduces special requirements for disclosure of certain contracts executed with public entities in a publicly accessible registry. As of July 1, 2017, the effectiveness of these contracts will be tied to their disclosure in the registry.

Investment Incentives

- Investment incentives may be granted pursuant to the Investment Incentives Act to the investors investing in manufacturing industries, technological centres and centres of strategic services. The incentives package is on offer to both foreign and Czech investors and cover both new activities and expansion of existing activities.
- The incentives can be obtained in a form of (a) a corporate income tax relief, (b) job creation grants, (c) training grants, (d) cash grants for strategic investments and (e) real estate tax exemption.
- The total benefits (excluding training grants) received by the investor must not exceed the benefits cap, which is set as a 25% of the total value of the actual eligible expenses. This percentage is increased by 10% for medium-sized enterprises and 20% for small enterprises. In Prague, no incentives are provided.
- The major general qualifying conditions for manufacturing are the following: (a) CZK 100 million (approx. USD 4.2 million) investment (CZK 50 million in selected regions), (b) the acquired machinery should be produced no more than 2 years prior to the acquisition, should not be subject to tax depreciation before, should be acquired at a fair market value and represent at least 50% of the total tangible and intangible assets value, (c) at least 20 new jobs have to be created.
- The major general qualifying conditions for technology centres are similar as for manufacturing, just the minimum required investment value is CZK 10 million.
- Services provided by shared services centres should cover territory of at least three countries (including the Czech Republic), at least 20 jobs have to be created in case of data centres and software development centres, at least 70 jobs for shared service centres and high-tech repair centres and 500 new jobs in case of customer support centres.
- For a newly established entity, corporate income tax relief can be utilized over a period of ten years. The tax relief will equal the tax that would have been paid in each year. For the expansion of an existing plant, the corporate income tax holiday can also be utilized over a period of ten years for the incremental income tax generally attributable to the expanded production income. Several specific conditions needs to be met.
- A subsidy of CZK 100,000 - CZK 300,000 (approx. USD 4.2-12.5 thousand) could be granted to an employer for each job created in a region suffering from an unemployment rate at least 25% higher than the Czech national average or in a special industrial zone. The amount of a subsidy granted depends on the respective region.
- An employer who carries out employee training programs is entitled to a financial grant to fund the training costs. Again, this grant is only available to investors in a region with an unemployment rate of at least 25% higher than the Czech national average. The grant currently covers 25%-50% (large enterprises), 35%-60% (medium-sized enterprises) and 45%-70% (small enterprises).
- Companies may also take into account the possibility of direct subsidies (cash grant) for strategic investment projects in form of manufacturing industry projects or technological centres. The following criteria must be met in order to qualify as strategic investment project:
- Manufacturing industry projects - investment of at least CZK 500 million (approx. USD 20.8 million), out of which at least CZK 250 million must be spent on new machine equipment and at least 500 new jobs must be created
- Technological centres (focused on research and development) - investment of at least CZK 200 million (approx. USD 8.3 million), out of which at least CZK 100 million must be spent on new machine equipment and at least 100 new jobs must be created
- Provided that the above requirements are met and the project is approved by the Czech Government, the investors may claim up to 10% of their qualifying investment costs in form of a direct subsidy (certain limits apply). In case investments in manufacturing and technology centres are carried out simultaneously, it is possible to claim even up to 12.5% of the qualifying investment costs.
- In special industrial zones, the legal entities that have been established in connection with the subsidized investment can benefit from real estate tax exemption for up to 5 years.

12. REAL ESTATE



“The Czech Republic is currently among the strongest economic performers in the EU, recording a growth of 4.2% in 2015 and is forecasted to continue to grow, on average, by 2.6% between 2016 to 2018. This has positively reflected on real estate. Higher employment levels, the rise of average wages, low interest rates and an optimistic economic outlook have fueled higher consumer spending. The number of new apartments sold in Prague in 2015 rose to 7,500 units, almost 30% more than was sold in 2014. In commercial real estate, the Czech Republic continues to profit from its geographical location, skilled, educated and affordable work force and maturing stable markets. In 2015, we registered several records - the highest level of office demand in Prague and also the highest level of demand for industrial and logistics space in the country. On the retail side, Prague as a top global tourist destination and one of the wealthiest in the EU region remains to be the top CEE retail destination. The Czech Republic recorded €2.65 billion in property investment transactions which was 65% higher than the comparable 2014 figure, within 2% of the 2011 post-crisis high benchmark and just ca. 8% below the 2007 country record. With the level of capital forcing itself into the real estate sector continuing to increase, it is no surprise that 2016 is expected to show healthy activity across all property sectors and all along the value curve.”

Tewfik Sabongui,
Managing Director, JLL

Office Sector

The current office stock in Prague stands at ca. 3.2 million m² of modern office space with A class schemes comprising 70%. Following the high levels of supply in 2015, new supply in 2016 will be limited with only ca. 40,000 m² of offices due for completion. In 2015, we have recorded not only strong supply levels but also high occupational activity. With a gross take-up of almost 450,000 m², 2015 became the most successful year in terms of demand. Moreover, 2016 is also on track to become another successful year in terms of demand as in Q1, gross take-up reached approximately 92,200 m² representing a y-o-y increase of 26%. With strong demand and limited supply we should see a gradual decline of the vacancy rate throughout 2016. Currently, the vacancy rate stands at the level of 13.9%. Prime headline rents in Prague are oscillating in the range of €18.5 - 19.5 m²/month and are expected to slightly increase over the mid-term horizon due to the lack of available prime office space in the city centre.

	2014	2015	F2016
Office Stock (m ²)*	3,035,900	3,222,400	↗
Completions (m ²)	147,500	190,600	↘
Demand (m ²)	331,200	449,500	↘
Vacancy Rate (%)*	15.3	14.6	↘
Prime Rents (EUR/m ² /month)*	18.5 - 19.5	18.5 - 19.5	↔
Prime Yields (%)*	6.00	5.75	↘

* figures as of Q4

Source: JLL, Prague Research Forum

Retail Sector

The current modern retail stock in the Czech Republic reached 3.7 million m², out of which, 2.6 million m² is accounted for by shopping centres (70%), followed by 1.0 million m² of retail parks and 50,000 m² of outlet centres. 2015 was a year of consolidation for the Czech shopping centre market. Central Kladno was the only shopping centre delivered in 2015. Development activity will also remain constrained in 2016. The largest scheme planned for delivery in 2016 includes Aupark Hradec Králové and Shopping Centre Přerov. Construction works also commenced on the extension of Centrum Chodov in Prague, to be completed in 2017. Prague's High Street has proven its unique position with a number of new market entries in 2015. The Golden Cross, Na Příkopě and Wenceslas Square have attracted Petit Bateau, Marc O'Pollo and Barbour. Pářížská, which is home to luxury retailers, has witnessed the openings of Tory Burch and Breitling boutiques.

	2014	2015	F2016
Shopping Centre Stock (m ²)*	2,597,000	2,623,000	↗
Completions (m ²)	79,000	26,000	↗
Prime Rents - Shopping Centre (EUR/m ² /month)*	95	110	↔
Prime Rents - High Street Prague (EUR/m ² /month)*	180	185	↗
Prime Yields - Shopping Centre (%)*	5.50	5.00	↔
Prime Yields - High Street Prague (%)	5.00	4.00	↔

* figures as of Q4

Source: JLL

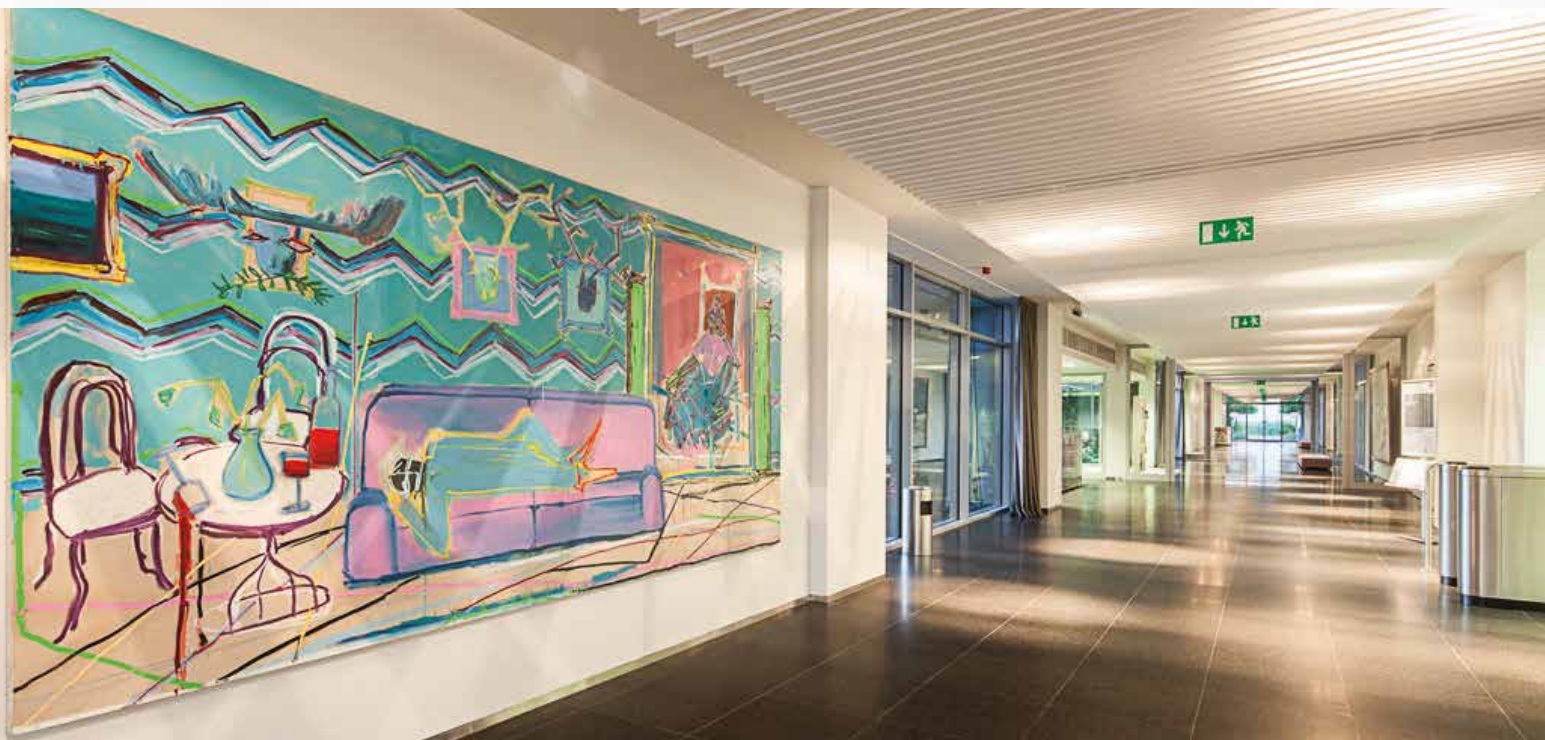
Industrial Sector

The total A-class industrial stock in the Czech Republic stands at ca. 5.8 million m². Greater Prague remains the largest industrial market in the country with a 40% share, followed by the Pilsen (15.3%) and Brno (14.9%) regions. During 2015, new completions reached 567,700 m² which was the highest figure recorded since the global financial crisis. The majority of space was built on a pre-let basis (88%). Gross take-up reached a record level of 1,390,200 m². Net take-up amounted to 875,600 m². The drivers of net demand were manufacturing companies who were behind 43% of all net deals. Strong demand continued also in the beginning of 2016, gross take-up for the first quarter reached approximately 313,600 m² which is 29% above the 5-year average. The vacancy rate decreased throughout 2015 and currently (Q1 2016) stands at the level of 4.2% which represents the lowest rate in the last decade. Prime headline rents were stable at €3.80 - 4.25 EUR m²/month.

	2014	2015	F2016
Industrial Stock (m ²)*	5,129,700	5,697,500	↗
Completions (m ²)	388,000	567,700	↘
Gross Take-up (m ²)	1,383,900	1,390,200	↔
Vacancy Rate (%)*	8.3	5.1	↘
Prime Rents (EUR/m ² /month)*	3.80 - 4.25	3.80 - 4.25	↔
Yields (%)*	7.0	6.5	↔

* figures as of Q4

Source: JLL, Industrial Research Forum



Residential Sector

During 2015, a total of ca. 4,400 flats in apartment buildings and villa houses were completed in Prague. This level is approximately 10% more than in 2014. For 2016, a higher level of new completions is expected to be delivered to the market. Approximately 6,700 apartments are scheduled for completion, which will be the highest figure since 2009. The number of newly commenced apartments reached 5,000, which, compared to 2014's results, represents a decrease of 19%. Nevertheless, it was still above the 5 year average which is ca. 4,800 apartments. For the entire year 2015, the total number of apartments sold reached 7,500 which showed a 29% improvement on 2014 levels. The largest volume of apartments sold was recorded in Prague 10, Prague 9 and Prague 5. The average asking price of newly built apartments in Prague reached 54,100 CZK per sqm in 2015, increasing by 7% y-o-y.

	2014	2015	F2016
Number of commenced apartments	6,200	5,000	↗
Number of completed apartments	4,000	4,400	↗
Number of sold apartments	5,800	7,500	↔
Number of available apartments	5,700	5,700	↗
Asking price levels (CZK/m ²)*	50,500	54,100	↗

* figures as of Q4

Source: JLL

13. ENERGY



“Low prices of energy commodities and the resulting constantly decreasing margins force the major players on the market to develop a new business segment - Energy services. The development of this business is significantly supported by possible subsidies to energy saving, efforts to reduce operating costs and interest from customers to produce their own electricity, independently, preferably with a low carbon footprint. Despite the steady decline in electricity prices on the wholesale market, the process of integration of national and regional wholesale electricity markets continues and this happens also under pressure of new European legislation.”

Blahoslav Němeček,

Executive Director, Power&Utilities and Excellence, EY

Energy market

- The Czech electricity and gas market is fully liberalized. All households and companies are eligible customers with the right to select their own electricity and gas supplier.
- Power electricity and gas prices in the Czech Republic are strongly influenced by the price level in Germany.
- Decline in the installed capacity of fossil fuel plants due to ending life time will require new investments in conventional generation capacity.
- Highly subsidized renewable sources in the Czech Republic and Germany which have also minor operating costs triggered persistent low market prices of power electricity. This creates a difficult market situation for investments into the new traditional generation capacities.

Expected trends

- Adoption of EU legislative enabling a drop in the support for renewable sources to offset the consequences of subsidies and thus improve the market conditions for traditional sources companies.
- The motivation for new investments into traditional energy sources will be probably solved by restructuring of the energy market and introduction of a new compensation mechanisms such as capacity payments.
- Increased regulatory powers in respect of market transparency and the monitoring of transactions with energy commodities and their derivatives.
- Projects increasing energy efficiency may be co-financed by the government subsidy programs from 2015 onwards in order to comply with the directive EU 27/2012 concerning energy efficiency. Government has prepared up to 100 billion CZK until 2020 for this program. Source: EY

Source: EY



STRUCTURE OF ENERGY PRODUCTION [%]	2013	2014	2015
Thermal	51.38	57.4	58.22
CCGT + SCGT	6.05	0.1	0.05
Hydro	4.32	4.3	3.4
Nuclear	35.31	35.3	35.26
Wind	0.55	0.5	0.55
Solar	2.37	2.4	2.46

Source: Czech Statistical Office

STRUCTURE OF RENEWABLE ENERGY SOURCES 2013-2015 [%]	2013	2014	2015
Hydro	29.6	29.8	20.66
Wind	5.2	5.25	5.1
Solar	21.9	22.2	22.9
Biomass	22.6	18.0	21.7
Biogas and Landfill gas	18.5	24.2	27.7

Source: Czech Statistical Office

ANNUAL ELECTRICITY CONSUMPTION AMONG INDUSTRY SECTOR 2013-2014	2013 [GWH]	2013 [%]	2014 [GWH]	2014 [%]
Industry	23,587	33.61	23,008	33.21
Energy Industries	12,213	17.40	12,182	17.58
Transportation	3,294	4.69	3,345	4.82
Construction	326	0.46	314	0.45
Agriculture	1,216	1.73	1,176	1.69
Households	14,732	20.99	14,589	21.06
Services	6,831	9.73	6,786	9.79
Others	7,978	11.36	7,867	11.35
Total	70,177	100.00	69,267	100.00

Source: Eurostat



ELECTRICITY EXPORT AND IMPORT [TWH]	2011	2012	2013	2014	2015
Export 110, 220, 400 kV	-31,1	-27,4	-27,7	-27,4	-27,4
Import 110, 220, 400 kV	14,1	10,3	10,8	10,5	10,3
Balance	-17	-17,1	-16,8	-16,9	-17,1

Source: Czech Statistical Office

14. EDUCATION AND R&D



“Universities in the Czech Republic can be nowadays successful only if they focus on internationalization. It means accreditation of joint degree or double degree study programs in cooperation with developed universities from other countries, international exchange of instructors, students and staff. Very important is to offer study programs in foreign languages, especially in English. The quality of study programs can be proved by Diploma Supplement Label and ECTS Label given to the respective university”

Petr Budinský,

Vice-Rector for Education, University of Finance and Administration

PUBLIC UNIVERSITIES IN THE CZECH REPUBLIC	NUMBER OF STUDENTS [AS OF 31.12.2014]	NUMBER OF STUDENTS [AS OF 31.12.2015]
Charles University in Prague	47,798	47,010
Masaryk University in Brno	34,822	32,950
Czech Technical University in Prague	20,866	20,218
Technical University in Ostrava	17,322	9,189
Brno University of Technology	21,416	20,741
Palacky University in Olomouc	21,063	20,897

Source: Ministry of Education, Youth and Sport

GRADUATES	2013	2014	2015
Public universities	76,586	74,424	70,578
Private universities	15,102	13,765	11,436

Source: Ministry of Education, Youth and Sport

UNIVERSITY STUDENTS	2012/2013	2013/2014	2014/2015
University students total	381,272	356,179	326,909
Public universities	332,880	316,578	292,576
Private universities	48,392	39,601	34,795

Source: Ministry of Education, Youth and Sport



ECONOMICALLY ACTIVE POPULATION ACCORDING TO EDUCATION (2015)	IN THOUSANDS	SHARE (%)
No education or elementary school	1,279,1	14.2
Vocational school	3,061,7	34.1
Secondary school	3,049,8	33.9
University education	1,585,4	17.6

Source: Czech Statistical Office

The Czech Republic combines an outstanding level of general education. Technical education in the Czech Republic has a long tradition and enjoys a strong reputation around the world. The availability of technically educated graduates at a fraction of the cost of western labor creates a perfect environment for both manufacturing and R&D-oriented companies. About one-third of Czech students studies economics, finance or IT. According to the last Eurobarometer survey, 77% of Czechs are able to speak a foreign language (predominantly English, German, Russian). Public universities offer programs ranging from ICT and electronics to life sciences and humanities, while a number of private institutions offer mainly business administration or economics studies. University education is generally focused on meeting the needs of a competitive economy and cooperation between universities and the corporate sector has been expanding in recent years.

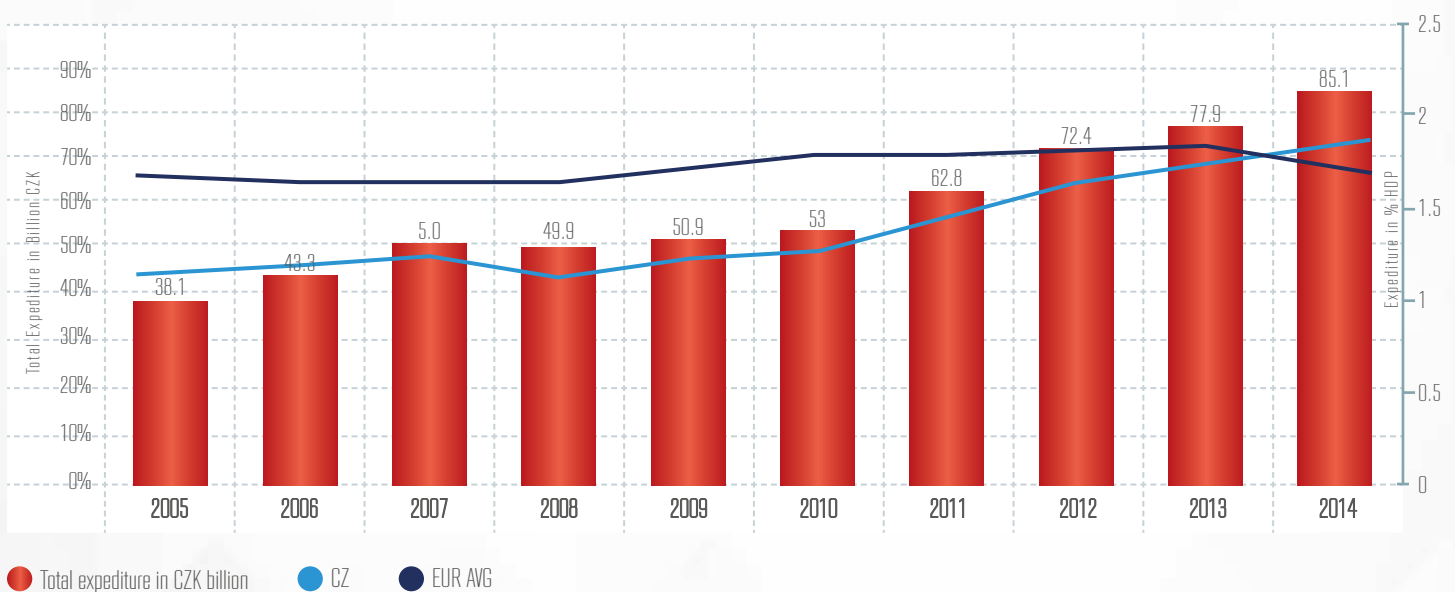
Source: CzechInvest

The Czech Republic is home to a motivated workforce with a high degree of responsiveness to training and interest in continual professional and personal growth. The Czech Republic is already recognized as a prime location for European services-sector expansion and hosts an increasing number of business- support, research and customer-oriented services including expert solution centers, data processing and call centers as well as regional headquarters, value-added distribution centers and technology parks. Employment in high-tech services and manufacturing is also very prominent in the Czech Republic, providing input for the innovation activities of other firms in all sectors of the economy.

Spending on R&D in the Czech Republic has increased from 0.95% of GDP in 1995 to 2% of GDP in 2014. In 2004 the country became a member of the EU and gained access to a variety of European funds and programmes. Today total expenditure on R&D ranks among the highest in Central and Eastern Europe and ranks higher than the EU28 average.

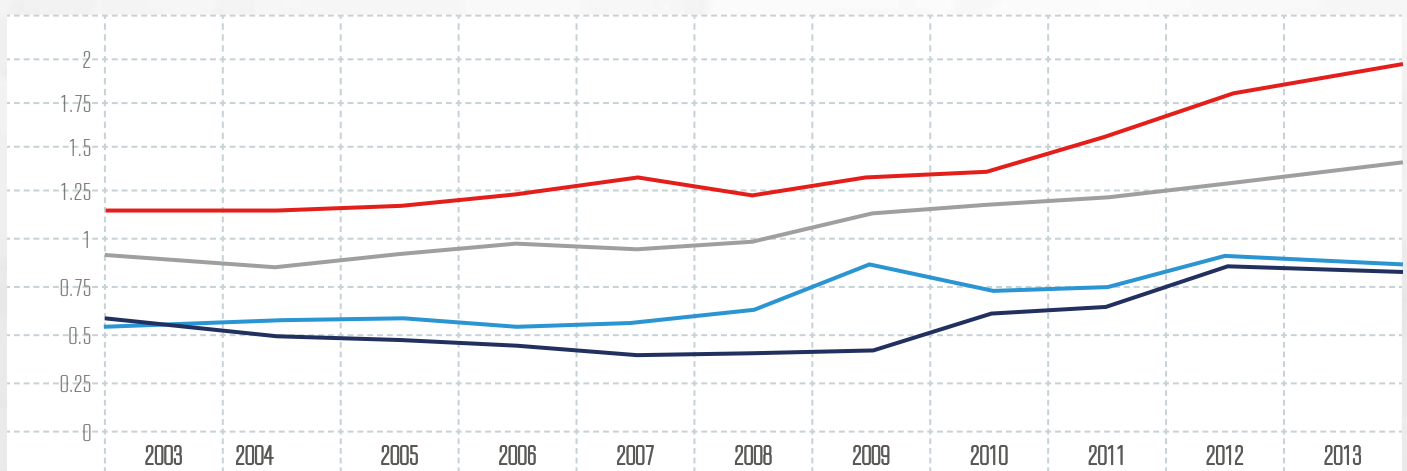
Source: CzechInvest

Gross Expenditure on R&D in the Czech Republic



Source: Eurostat, 2016

Gross Expenditure on R&D Comparison



Source: Eurostat, 2016

15. HEALTHCARE



“The quality of health-care is in general on very high level in the Czech Republic despite the relatively low % of GDP spent. At the same time the system faces many challenges both long term and short term which need to be addressed. These include for example attracting physicians and nurses to stay work in the Czech Republic, monitoring performance through e-health systems and focus on quality criteria in health care procurement.”

Václav Novotný,
Managing Director, Cordia Consulting

INTERNATIONAL COMPARISON OF EXPENDITURE ON HEALTHCARE (BASED ON OECD HEALTH STATISTICS 2015)	PUBLIC EXPENDITURE ON HEALTHCARE AS % OF TOTAL	TOTAL EXPENDITURE ON HEALTHCARE AS % OF GDP	TOTAL HEALTH CARE EXPENDITURE PER CAPITA, USD PPP
Czech Republic	84.1	7.0	2,039,6
Poland	70.8	6.4	1,530,2
Austria	76.2	8.8	4,553,1
Germany	76.6	11.1	5,002,4
Hungary	64.6	7.4	1,719,5
Slovakia	74.2	7.6	2,010,2

Source: OECD Health Statistics



CZECH HEALTH STATISTICS

Number of hospital beds	6,6 / 1000 people
Average Life Expectancy	78 years

Source: OECD Health Statistics

EXPENDITURES ON HEALTHCARE ACCORDING TO SOURCES OF FINANCING AS % OF TOTAL EXPENDITURES ON HEALTHCARE	(%)
Public insurance	76.7
Public budgets	7.6
Private expenditures	15.7

Source: Czech Statistical Office

Healthcare services are paid for by one of the public health insurance companies. All individuals have to have insurance - it is mandatory and no qualifying individual can be denied coverage by a public health insurance company. In the case of an employment relationship, the employer pays for the health insurance at the rate of 13.5% of the calculated base income (of which one third is paid by the employee and two thirds by the employer). In certain cases, the insurance premiums are paid for by the state (dependent children, pensioners, etc.).

Source: Ministry of Health

The Czech healthcare system includes a diversity of provision, with mainly private ambulatory care providers and public hospitals which have contractual arrangements with the insurance fund; and joint negotiations among key players on coverage and reimbursement issues. Providers are paid based on various schemes, with DRG-based schemes having increasing presence.

Prague and other cities have a growing range of private international clinics. There is a strong pressure for healthcare system reforms due to public budget constraints, an ageing population and technological development.

Source: KKPMG Czech Republic

16. TRANSPORT



“UPS has experienced strong growth in Europe, above the underlying market growth rates, and the company intends to invest to continue to maintain strong regional growth. Europe is a gateway to trade between traditional and emerging markets and UPS believes there is continued opportunity for growth within Europe and as part of larger inter-regional global trade lanes.”

Marcin Krzak,

Country Manager CZ, SK, UA, UNITED PARCEL SERVICE CZECH REPUBLIC

ROAD AND MOTORWAY NETWORK LENGTH	LENGTH [KM]	SHARE [%]
Motorways	775,8	1.38
Expressways	459,4	0.82
Class I	5,773,8	10.3
Class II	14,577,5	26.17
Class III	34,161,1	61.33
Total	55,747,6	100

Source: Roads and Motorways in the Czech Republic



With the very good location in the middle of Europe the Czech Republic (mainly Prague) belongs to the most attractive countries for foreign investors. The significance of the transport infrastructure has been increased after entry of the Czech Republic in to EU in 2004.

The motorways and trunk roads carry the largest proportion of transportation and connect the most important political, economic and recreational centers. With the density of 0,70 km of roads and motorways per 1 km² the Czech Republic ranks among the leading European countries.

Modernization of D1 motorway, which is the busiest road in the Czech Republic connecting Prague, Brno and Ostrava, started in May 2013. The daily traffic flow on D1 motorway totals 100,000 vehicles. The modernization shall bring improvement of the road's technical condition, but also cost savings in the long-term. The planned process of modernization should last until 2020-2022.

There are 4 important airports: Prague, Brno, Ostrava and Karlovy Vary. Václav Havel Airport Prague is the busiest and operates flights to the main important business destinations. It is located 17 km northwest of Prague city center. In 2015 it processed more than 12 million passengers.

The Czech Republic has a wide railway network providing a good connection between cities within the country and Europe (avg. train travel time from Prague to Vienna is 4 hours, to Berlin 5 hours).

Source: Ministry of Transport



17. TOURISM



“2015 was a very strong year for tourism in the Czech Republic and Prague, driven by an improvement of the global macroeconomic trend, positive exchange rate and good local GDP growth driving business travel. Additionally, events such as the Ice Hockey World Championship and congresses supported demand for the city. Czech Republic remains an excellent value for money destination within Europe with a good safety image, which is a key driver for decision makers, whether leisure or business. But the uncertain climate from fear of terrorism in Europe, Chinese slowdown, US elections and Brexit could slow down or even stop the growth. Prague however is an amazing destination, which has great potential to grow also in the future. It remains being an attractive place for international companies, investors and an exciting workplace at the same time.”

Michael Specking,
Cluster General Manager, Hilton Prague & Hilton Prague Old Town



The Czech Republic offers tourist and business people a colorful variety of landscapes and activities. Prague has one of the few remaining living historical centers, a vibrant cultural community and a modern conference infrastructure. The countryside is dotted with castles and ancient chateaux, and beribboned with hiking, biking and ski routes.

- Information on the options available for tourists: www.czechtourism.com
- Calendar of events throughout the year: www.pragueeventscalender.cz
- Interested in organizing an event in Prague?: www.pragueconvention.cz

OCCUPANCY IN COLLECTIVE ACCOMMODATION ESTABLISHMENT (NUMBER OF GUESTS)	TOTAL	NON-RESIDENTS	RESIDENTS
2011	12,898,712	6,715,067	6,183,645
2012	13,646,913	7,164,576	6,482,337
2013	13,868,336	7,309,856	6,558,480
2014	15,644,707	8,126,369	7,518,338
2015	15,981,115	8,095,885	7,885,230

Source: Czech Statistical Office

FOREIGN GUESTS	2014	2015
Germany	1,559,836	1,553,370
Russia	695,288	691,198
Poland	451,729	448,736
USA	442,697	441,457
UK	398,809	397,431
Italy	371,487	369,268

Source: Czech Statistical Office

18. REGIONS & CITIES

REGION	WEBSITE	REGIONAL CAPITAL	AREA (KM ²)	REGION POPULATION	UNEMPLOYMENT RATE (%)	SHARE OF NATIONAL GDP (%)	PUBLIC/STATE (PRIVATE) UNIVERSITIES	AVERAGE MONTHLY WAGE IN CZK	NUMBER OF ECONOMIC ENTITIES	NUMBER OF NONCZECH NATIONALS
Prague	www.praha-mesto.cz	Prague	496	1,251,075	4.20	24.3	9 [25]	33,343	557,613	166,332
Central Bohemia	www.kr-stredocesky.cz	Prague	11,015	1,317,227	5.07	11.3	0 [2]	23,407	319,807	59,765
South Bohemia	www.kraj-jihocesky.cz	eské Budjovice	10,057	632,269	7.01	5.1	2[2]	25,122	161,270	15,276
Pilsen	www.kr-plzensky.cz	Pilsen	7,561	579,579	7.06	5.2	1[0]	22,149	142,136	26,059
Karlovy Vary	www.kr-karlovarsky.cz	Karlovy Vary	3,315	295,058	6.22	1.9	0[1]	23,433	76,535	18,870
Ústí nad Labem	www.kr-ustecky.cz	Ústí nad Labem	5,335	821,948	4.96	6.0	1[1]	23,490	172,204	31,900
Liberec	www.kraj-lbc.cz	Liberec	3,163	442,587	6.36	3.2	1[0]	24,118	114,802	17,073
Hradec Králové	www.kr-kralovehradecky.cz	Hradec Králové	4,758	547,965	8.56	4.6	1[0]	23,628	133,935	13,479
Pardubice	www.pardubickykraj.cz	Pardubice	4,519	516,352	7.01	4.0	1[0]	22,901	117,536	11,681
Vysočina	www.kr-vysocina.cz	Jihlava	6,925	505,814	5.14	4.0	1[1]	23,060	109,336	7,638
South Moravia	www.kr-jihomoravsky.cz	Brno	7,066	1,169,695	4.62	10.9	6[7]	24,945	300,674	38,639
Olomouc	www.kr-olomoucky.cz	Olomouc	5,159	632,268	5.41	4.7	1[2]	25,987	139,403	9,884
Zlín	www.kr-zlinsky.cz	Zlín	3,964	590,116	8.91	4.9	1[1]	23,411	139,405	8,087
Moravia - Silesia	www.kr-moravskoslezsky.cz	Ostrava	5,535	1,222,384	5.98	9.7	3[2]	22,648	248,739	23,812
Total				10,537,818					2,733,459	449,367

Source: CzechInvest



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REGION	REGION'S ADVANTAGES
Prague	<ul style="list-style-type: none"> - Highest number of university graduates - Highest disposable income per citizen - Most popular for FDI
Central Bohemia	<ul style="list-style-type: none"> - The favorable geographical location in the center of the country, the proximity of Prague and their advantages - High density of roads, highways and railway tracks - Diversified economy with the potential creation of skilled jobs
South Bohemia	<ul style="list-style-type: none"> - Quality environment - Strategic location - proximity to markets in Germany and Austria - Stability economic structure - Good infrastructure for research in biological disciplines and R&D - University region - Well known tourist districts
Pilsen	<ul style="list-style-type: none"> - Traditional machinery industry - One of the most attractive region for investors - High disposable income per citizen - Good transport connection with Germany and Prague thanks to D5 highway - University city
Karlovy Vary	<ul style="list-style-type: none"> - International airport - Good transport connection with Germany thanks to new highway - Engineering industry tradition
Ústí nad Labem	<ul style="list-style-type: none"> - Advantageous geographical location between Prague and Germany - Dense and high capacity transport network - Large number of industrial zones - Industrial tradition
Liberec	<ul style="list-style-type: none"> - Strategic position with Germany and Poland - Traditional engineering industry - Quality environment - Technical University in Liberec - Institute for Nanomaterials, Advanced Technology and Innovation
Hradec Králové	<ul style="list-style-type: none"> - Stable economic structure (manufacture of motor vehicles, electrical equipment and textile, agriculture and services) - Significant potential for tourism (Giant Mountains) - Quality of life and environment, healthcare
Pardubice	<ul style="list-style-type: none"> - Skilled workforce, scientific workplaces and university - Continuing industrial tradition (chemical industry, engineering industry, electrical engineering industry) - International airport; main railway line crosses the region
Vysočina	<ul style="list-style-type: none"> - Advantageous location in the CR and the EU and good transport infrastructure - Strong tradition in machinery industry - Quality environment with the lowest crime rate <p>South Moravia - Geographically favorable location - border with Austria and Slovakia</p> <ul style="list-style-type: none"> - Highly developed transport infrastructure - international airport - Industrial tradition - skilled workforce
Olomouc	<ul style="list-style-type: none"> - Skilled workforce - Very good transport infrastructure - R & D centers of Advanced Technologies and Biomedicine - Very good level of language skills - High quality of life
Zlín	<ul style="list-style-type: none"> - Significant innovation potential of enterprises - Long business tradition - Fast increasing quality of life
Moravia - Silesia	<ul style="list-style-type: none"> - Major industrial center - Well connected to highway, railway network - International airport - Skilled and educated labor force - Strong network of public and private secondary schools, 4 Universities and 1 International School - Developing IT sector; R&D and innovation potential (supercomputing center IT4Innovations)

Source: CzechInvest

19. VISAS & USEFUL INFORMATION

SHORT-STAY VISAS

1. Airport transit visa - type A
2. Short-stay visa up to 90 days - type C

for the purpose of tourism
 for the purpose of visit (invitation)
 for the purpose of culture
 for the purpose of sport
 for the purpose of study
 for the purpose of employment
 for the purpose of scientific research
 for the purpose of business journey
 for the official/political purpose

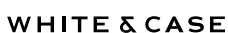
LONG-STAY VISAS

1. A visa for stay over 90 days granted for purposes of stay - type D
 for the purpose of entrepreneurship
 for the purpose of participation in a legal entity (managerial position)
 for the purpose of study
 for the purpose of scientific research
 for the purpose of family unification
 for the purpose of sport
 for the purpose of medical treatment
 for the purpose of collection of employee /blue card/ long-term residence/ permanent residence permit

RESIDENCE PERMITS

1. Residence permit granted for purposes of stay
 for the purpose of employment
 for the purpose of entrepreneurship
 for the purpose of participation in a legal entity (managerial position)
 for the purpose of study
 for the purpose of scientific research
 for the purpose of family unification
 for the purpose of sport
 for the purpose of medical treatment
 for the purpose "other"
2. Blue card
3. Permanent residence permit

Source: PwC



Business Hours

- Government and offices: Monday to Friday 8.00 - 17.00
- Banks: Monday to Friday 8.00 - 17.30
- Shops: Monday to Friday 8.00 - 18.00, on Saturdays 8.00 - 12.00
- Major shopping centers: all weekdays 9.00 - 21.00

Weather/Climate

- Temperate climate with characteristically mild spring, warm, sometimes humid summers, cool autumns and cold winters with moderate precipitation.

National Holidays in 2016/2017

January 1st (New Year's Day), March 28th, 2016/April 14th and April 17th, 2017 (Easter), May 1st (Labor Day), May 8th (National Liberation Day), July 5th (Constantine and Methodius), July 6th (Jan Hus Day), September 28th (St. Wenceslas Day), October 28th (Foundation of the independent Czechoslovak State), November 17th (Struggle for Freedom and Democracy Day), December 24th-26th (Christmas).

Source: www.czech.cz

Main Sources:

AmCham, CzechInvest, Czech Statistical Office, Czech National Bank, Czech Top 100, Czech Tourism, Energy Regulatory Office, EY, European Central Bank, European Commission, Eurostat, Chamber of Deputies, Jones Lang LaSalle, KPMG Czech Republic Ministry of Education, Youth and Sport, Ministry of Finance, Ministry of Industry and Trade, Ministry of Labor and Social Affairs, OECD, Office of the Government of the Czech Republic, Prague Stock Exchange, PricewaterhouseCoopers, Roads and Motorways in the Czech Republic, Václav Havel Airport Prague, Vodafone, Weinhold Legal, World Economic Forum, www.czech.cz.

Other useful data available on www.czechmarketplace.cz - Business news portal of AmCham member companies.

Every effort was made to verify the data used. Information is subject to change. The American Chamber of Commerce is not responsible for any inaccuracy or subsequent adjustment in the data found in this document.

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