

# CZECH REPUBLIC –

## Blending History, Tradition and High Tech

**N**estled in the heart of Central Europe, the Czech Republic is quietly emerging as a powerhouse for innovation. Long known for its industrial prowess, the nation is now attracting a new breed of investor – those seeking fertile ground for pioneering ideas and cutting-edge technologies.

The Czech Republic boasts a rich history of invention and engineering. From being the homeland of the visionary thinker Josef Čapek, who coined the word “robot,” to the birthplace of discoveries like contact lenses, the nation’s DNA is woven with a spirit of innovation. This legacy translates to a skilled and educated workforce, with a high concentration of graduates in STEM fields.

The result is that the country also known as Czechia is becoming an increasingly popular destination for overseas investors, particularly those in industries that are driving the new economy forward. Government regulations on investment incentives came into force last April and will provide support for a wide range of sustainability and high-tech initiatives. These are expected to increase investment in new technologies and create high-skilled jobs, while promoting supplier-customer ecosystems.

Tomáš Chrenek, CEO of leading healthcare provider AGEL, believes that the new incentives will improve matters. “Collaborating with international partners allows for access to diverse resources, technologies and talent pools and enhances the capacity for research, development and the implementation of cutting-edge medical solutions,” he says.

Steffen Saltofte, CEO of the Zentiva pharmaceutical company, agrees that both the location as well as the skills and character of the Czech workforce make a big difference. “The quality of local talent has played a significant role in our success,” he says. “Being in the Czech Republic also gives us good access to a large pool of international talent.”

The country’s overall economic and political stability are also attractive to the international investment community. Fitch Ratings expects investment activity to remain solid in 2024 and anticipates modest GDP growth this year. This is expected to accelerate to 2.4% in 2025 as private consumption and investment growth improve.

This steadiness is also reflected in many private-sector companies’ short-to medium-term outlook. “Our goal is to grow continuously and maintain efficiency,” says Jiri Horyna, chairman of eMan, which is responsible for the development of applications for smartphones, tablets, websites, cars, and

other smart devices. “That is currently more important to us than growing in leaps and bounds.”

The Czech banking sector is also on a solid footing, with the International Monetary Fund recently reporting that financial sector indicators pointed to a “well-capitalized, liquid, and profitable banking system compared to its European peers.” The sector is also dynamic and fluid, with ample opportunity for private-sector growth. The 28-year-old Trinity Bank, for instance, is rapidly gaining ground through a combination of its risk adverse corporate culture and a series of shrewd investments in the real estate market, where prices are rising considerably faster than the European average, particularly in Prague. “The bank is establishing a strong market presence in the financing of real estate projects and conservatively secured loans,” says Trinity Bank founder and chairman Radomír Lapčík.

Trinity is not alone in identifying the property and construction market

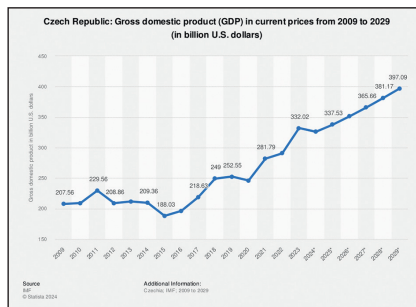
as a good prospect. There has been a boon of investment in construction by companies, including Miloš Veljković’s VMV Invest, and a surge in affordable housing along with upgrades in both electricity distribution systems and transport infrastructure. All of which bumped up the sector’s value to \$51.5 billion by the end 2022 and prompted analysts to predict an average annual growth rate (AAGR) of more than 3% for the following three years.

Prague is famous worldwide for the beauty of its historical buildings and the centuries of

architectural achievements of its craftsmen. More recently the country’s industrial designers are contributing to this longstanding legacy in everything from cut glass and beer to footwear and musical instruments. That tradition of quality craftsmanship is proving to be a further magnet for investors. “Methods of production may have changed over the decades, but the combination of skill and talent and experience as well as the careful selection of materials means that the unchanging romantic sound of our pianos endures after more than 155 years,” says Susana Petrof, whose great-great grandfather founded the family’s famous acoustic piano firm back in 1864.

The same ethos informs the continued success of Barum Tyres, which started life as a subsidiary of rubber-soled boots manufacturer Bata Shoes in 1966. The company, run by Ferdinand Hoyos, is still the republic’s most trusted tire manufacturer.

A combination of tradition and a commitment to excellence remain key to the country’s success to this day.



# ZENTIVA – Accessible Medicines

The annual revenue generated by the Czech Republic's pharmaceutical industry accounts for 4% of the country's total GDP, making its contribution to the national purse proportionately larger than in any of its European counterparts except Poland. It is also a regular and growing magnet for foreign investment.



Steffen Saltofte CEO of Zentiva

**Z**entiva is a prime example of the sector's ability to attract foreign direct investment, and the company has become something of an ambassador for both the industry and the country. "A great platform full of talented people who we can invest behind to build a new, independent European generics leader," is how U.S. private equity investor Advent International described Zentiva in 2018, after finalizing the company's \$2 billion acquisition from another multinational, France's Sanofi.

How right that description has proved to be. Since changing hands, Zentiva has doubled in size and currently operates in more than 30 countries through a network of 32 subsidiaries and 6 branches. By the end of 2022 it had finalized its expansion into the Netherlands and started operations in Austria.

"We are a European-based company and focus our activities there for the foreseeable future. We are here to provide health and wellbeing to all generations," says Zentiva CEO Steffen Saltofte, who was appointed to the role last year and brings with him a wealth of strategic and operational experience from a long and illustrious career at several large multinationals and fast-growing companies. "We reacted to COVID by looking to source our raw materials more locally and moving our production facilities closer to home. Now we look forward to deepening our presence in the region, especially within Central Europe."

Zentiva's Central European pedigree is beyond question, with the company dating its involvement in the pharmaceutical industry back to the 15th century and the Black Eagle pharmacy, which is still open for business in Prague's Old Town. These roots are, however,

just one of the qualities that caught Advent International's eye (and earlier that of Sanofi) and which Saltofte intends to harness to drive the company forward.

Zentiva's core strength lies in its commitment to providing high-quality generic medications. With its portfolio, the company contributes to sustainable public health in Europe. These "off-patent" drugs offer the same therapeutic benefits as brand-name counterparts, but at a significantly lower cost. This translates to increased access for patients who might otherwise struggle to afford their medications. By focusing on a broad portfolio of essential medicines, Zentiva helps ensure individuals receive the treatment they need, regardless of their financial situation.

While a big portion of Zentiva's portfolio is in the off-patent sector, the team's focus on research follows the Czech tradition of searching for innovative solutions. The teams at its R&D centers in Prague and Ankleshwar in India actively manage the life cycle of its products and bring value for the people who depend on the medicines every day. Zentiva drives innovation in drug product formulation and brings bioequivalent medicines to European regulators for review and approval. The company also provides pharmacovigilance and regulatory consulting services to partners via Prague Scientific.

Since 2022, Value-Added Medicines have become the focus. These are the new generation of customized drugs that help address unmet patient needs by moving from a one-size-fits-all approach to a much more tailored and patient specific one. Two years ago, Zentiva took its first public step into this world with the launch of the drug Dasatinib, which is registered in the UK and EU and is

a life-saving oncology treatment for people with chronic myeloid and acute lymphoblastic leukaemia. In the same year, Zentiva also launched 152 molecules and combinations of well-established treatments, all designed to provide more patients with affordable access to high-quality medicines.

Successful R&D is only half the battle, with production, logistics, marketing, and sales equally important. "It can take up to 7 to 10 years to get a concept to market, and we have about 200 people working in R&D," says Saltofte. "But around another 2,500 staff work in our Product Supply division, and it is their job to ensure the drugs get produced and delivered." They in turn are supported by a network of 1,900 account handlers and medical representatives who are in regular contact with physicians, pharmacists, and healthcare decision-makers in each of its markets. The loyalty and dedication Zentiva inspires across disciplines has earned it Top Employer awards in Bulgaria and Romania, as well as at home in the Czech Republic.

The pandemic compelled Zentiva to shorten its supply chain, but it also prompted the company to accelerate its digitalization process. "I think COVID forced us to use different sources of communications and to continue to accelerate the way we communicate with each other," says Saltofte. "In time, this will help us speed up some of our processes. Whatever the future holds, we've been active leaders in this sector for 500 years, and we will carry on for at least the next 500."

**ZENTIVA**