

H&P

magazine

I/2023

“ INNOVATION AS THE PATH TO SUCCESS ”



Strategic thinking
Individual approach
Excellent legal team
Long-term partnership

CONTENTS

- 6 **VENTURE CAPITAL**
Investing in start-ups as an effective path to innovation

- 10 **BANKING AND FINANCE**
All you ever wanted to know about IPOs (but were afraid to ask)

- 14 **TRANSACTIONS**
Overview of selected transactions involving HAVEL & PARTNERS consultancy services

- 19 **FROM THE MEDIA**
From wealth to effective asset management

- 22 **NEXTŽENY**
Substantial wealth in Czechia and Slovakia is bound to change hands in favour of women

- 26 **FAMILY LAW**
To marry or not to marry a foreigner?

- 29 **SLOVAKIA**
Internet of Vehicles – the interconnected future of passenger transport

- 32 **RESTRUCTURING AND INSOLVENCY**
When financial problems arise, the management must act

- 34 **REAL ESTATE**
Data, digitisation and sustainability are driving the real estate market

- 36 **CONSUMER PROTECTION LAW**
Changes in retail and e-commerce. What does the amendment to the Consumer Protection Law change?

- 38 **TAX LAW**
New limits for VAT and lump-sum tax, windfall tax. Tax novelties in 2023

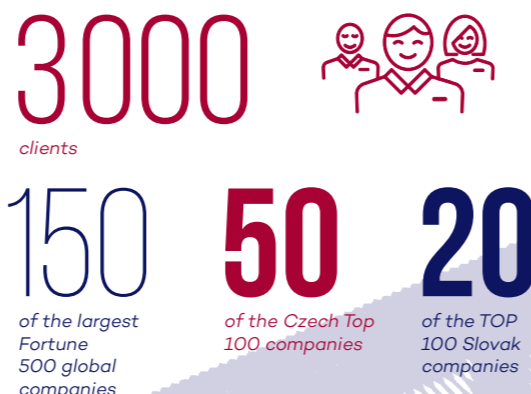
- 42 **PRO BONO**
H&P helps

HAVEL & PARTNERS IN FIGURES

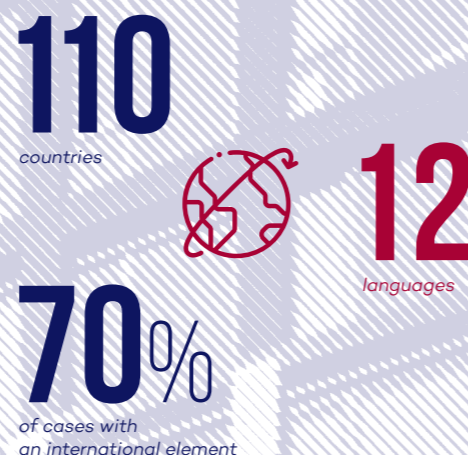
OUR TEAM



OUR CLIENTS



INTERNATIONAL APPROACH



FOREWORD

Dear Clients and Business Friends,

With the beginning of the year, we usually start to look back at our personal and professional lives and think about our plans for the future. What is in store for us? What challenges will we face in the New Year? We, too, reflect on these questions in the new issue of H&P Magazine.

Due to difficult circumstances, 2022 was a challenging year for many of us and brought unexpected events that we all faced, including ourselves and our clients. Being prepared, adapting, and not being caught off guard – that was the way to success in such a situation. Thanks to the extraordinary commitment, loyalty and professionalism of the entire HAVEL & PARTNERS team, we have once again proven that this approach is our own, and so we were prepared to be a support for our clients.

We are therefore very pleased that our clients have long appreciated our work, versatility and stability with extremely positive feedback, which has led to our firm becoming the most popular and best domestic law firm for the third consecutive year in 2022, according to the results of the Law Firm of the Year competition. At the same time, we also once again achieved extraordinary success on the international stage in 2022, being the best law firm in the Czech Republic for the third year in a row according to the Chambers Europe Awards.

It is the trust of you, our clients, that motivates us to continuously improve. Our priority is to be a reliable partner to whom you can turn with confidence in all circumstances. That is why we are always thinking ahead, looking for new challenges and preparing for them. And we want to prepare you for them as well. In the current issue of our magazine you will therefore find a number of articles, data and analyses, commentaries and interviews on current news and trends in the world of business and law that are relevant to your business.

A company that wants to be successful in the long term should always be one step ahead and invest in development and innovation. One of the ways is investing in start-ups, as colleagues from the venture capital team explain in their article. Credibility, prestige, but also new capital – these are the biggest benefits of offering company shares on the stock exchange. Experts from our capital markets team will advise you on the practical steps to a successful IPO. We are also seeing an increasingly important female element in business. What is the cause and what socio-economic changes are involved? Read the summary of our unique NextŽeny study on the phenomenon of wealth transfer to women.

We also add a range of news from the world of taxes, trade, e-commerce and other areas, and you will also learn about the legal pitfalls of a relationship with a foreign partner.

Thanks to our universality and specialisation in all areas of law, our network of contacts and proactive approach, we can effectively help you deal with any serious problems or crisis situations that may threaten your reputation, security or economic stability. In these cases, we offer high added-value legal and tax services complemented by our exceptional know-how in the areas of PR and security. No other law firm on the market offers such a range of services that effectively avert fatal damage or negative impacts on clients and their companies. Moreover, we are constantly striving to push the boundaries of our potential further.

Thank you for your trust. I wish you a useful and inspiring read, I look forward to working with you in 2023, and I trust that we will continue to be connected through success.



HAVEL & PARTNERS is once again the best rated and most popular local law firm in the Czech Republic in the Law Firm of the Year competition

For the third time in a row, our law firm received the top award for the Law Firm of the Year in the Czech Republic competition, as well as the award for the best client service. We also won in two industry categories – Mergers and Acquisitions, and Development and Real Estate Projects. In 17 professional categories, our firm was among the highly recommended law firms (top tier).

“2022 was full of unexpected challenges and events. Therefore, we have tried to be a reliable support for our clients during this time and to help them as much as possible to withstand these challenging conditions. We are therefore very pleased that they once again appreciated our commitment and approach to solving their business as well as private matters. We are grateful for their trust,” commented Jaroslav Havel, managing partner, on winning the competition. “Thanks also go to all my colleagues at HAVEL & PARTNERS. Once again, we have jointly proven that our priority is professional background and perfect service for our clients,” he added.

The firm’s outstanding results in the domestic Law Firm of the Year competition followed its winning of the most prestigious international award, the Chambers Europe Awards, which it also received for the third consecutive year in 2022. In the same year, the firm also won the main prize in the international law firm category in the Slovak Law Firm of the Year competition and, as in the previous two years, it was again the best-rated law firm by clients in Slovakia.



Legal market in the Czech Republic

We present the league chart ranked by the number of lawyers on the basis of data provided for the Law Firm of the Year 2022 awards, source: epravo.cz

Ranking	Name	Number of Lawyers
1	HAVEL & PARTNERS	257
2	Deloitte Legal	91
3	PRK Partners	89
4	ROWAN LEGAL	73
5	CÍSAŘ, ČEŠKA, SMUTNÝ	72

Ranking	Name	Number of Lawyers
6	Dentons	60
7	Rödl & Partner	52
8	ARROWS	46
9	Kinstellar	40
10	Glatzová & Co.	36

Štěpán Štarha became an equity partner of HAVEL & PARTNERS, the firm has 3 new partners and a total of 23 lawyers have been promoted

With the New Year 2023, Štěpán Štarha has been promoted internally to the position of equity partner of HAVEL & PARTNERS. Jiří Kunášek has been a partner of the firm since 1 January 2023. Adam Forst, David Šmída and Jaroslav Šuchman were promoted to counsel position at the beginning of the year. Vojtěch Katzer became a managing associate, and Josef Bouchal, Martin Pecha and Pavlína Petráčková joined the team of senior associates.

Martin Ráž and Dalibor Kovář became partners of the firm last year, specifically from 1 July 2022. Robert Porubský, Pavlína Krušinová, Jan Fikar, Šimon Hradilek and Kateřina Surková were promoted to the position of counsel. Petra Tomšů, Vladimír Ivanov, Martin Šimek and Roman Světnický became managing associates. The group of senior associates was expanded by Mária Kopecká, Róbert Gašparovič and Jiří Nečas.

“Only excellent lawyers can keep a leading law firm on top. That is why we develop a motivational environment with a clear vision of career growth, often much faster than at our competitors,” said Jaroslav Havel, managing partner, about the personnel changes.



INVESTING IN START-UPS AS AN EFFECTIVE PATH TO INNOVATION

Any company that wants to be successful in the long term must keep up with the time and invest in development and innovation. More and more companies are therefore betting on start-ups and directly investing in them. But such an investment is not an acquisition like any other. You have to prepare for it both professionally and managerially.

FOR COMPANIES, INVESTING IN START-UPS IS INVESTING IN INNOVATIONS AND PROMISING PEOPLE WITH THE POTENTIAL TO CREATE OR ACQUIRE SOMETHING THAT WILL ADVANCE THEIR BUSINESSES.

The pace of change has never been this fast, yet it will never be this slow again. Those are the words of the Canadian Prime Minister Justin Trudeau at the World Economic Forum in Davos in January 2018, eloquently describing the speed of progress, not just in technology. To keep up with this pace, the world's technology giants need to stay ahead of the curve. Many of them, such as Intel Corporation, SAP or Microsoft, have therefore long been procuring innovation through investments in start-ups.

These strategic investors, or corporate venture capital (CVC), are usually a division or separate subsidiary of a large operating company that invests its own funds in a start-up operating in the same or a related industry. For example, a large technology company can benefit from investing in and partnering with a start-up using artificial intelligence (AI). Such a relationship is mutually beneficial. The investor brings to the start-up not only funds with the prospect of a decent return, but also specific know-how in his field and business development, including a wide network of contacts and clients.

Following the example of large technology companies, more and more companies have been interested in venture capital investments in recent years. Corporate venture capital is growing dynamically and the share of corporate investments in the overall venture capital market is increasing. Over the past five years, it has increased from 5–6% to well over 10%, according to the [Global Corporate Venturing](#) platform. In the first quarter of 2022, CVC recorded more than 1,500 deals with a total estimated value of USD 69.6 billion. Corporate venture capital investments thus accounted for 14% of all venture capital deals.

And why do companies do this? For corporations, the reason for investing in venture capital is not just financial gain. They can also achieve other strategic objectives. In particular, access to innovations.

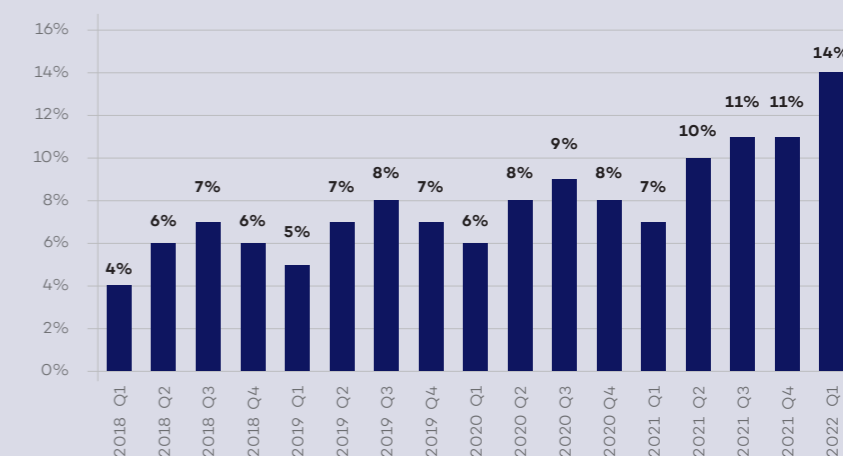
You can't stop progress
Innovation means "renewal", "improvement" or "streamlining", which is exactly what any company that wants to be successful in the long term should constantly strive for. The practice of investing in start-ups is also increasingly being emulated by players in non-technical fields. For corporations, such investments have two crucial dimensions.

The first one is aimed at technological improvements that companies do not have at the time, and which take time and money to develop. If a start-up offers an improvement on the market, it makes sense to buy such an innovation and thus eliminate the risk associated with unsuccessful development, not to mention the reputational damage that may result if the company's own technological development fails.

the management to fear that it will burn the corporation's money with a failed investment.

Concerns can be allayed by careful preparation of the investment itself, which will reveal potential risks. It is therefore essential to understand how the investment process works and to better understand its specifics. Investing in a start-up

Share of corporate-backed deals among total VC deals – global quarterly data 2018–2022



Source: PitchBook & GCV Analytics

The second and equally important aspect of such investments is the ability to bring into the company the ideas, work and results of people who would not otherwise be willing to work for such a company. In this sense, investments in start-ups are primarily investments in promising people with the potential to create or acquire something that will advance the corporation's business itself.

While the trend of large companies investing in start-ups is growing abroad, there is still a certain caution in the local market. This is mainly due to a lack of experience with the investment process and its specifics. This limits the ability of the corporation to select the right founders and, more broadly, to realistically evaluate the investment opportunity.

Technology start-ups in particular can be quite an expensive "business", often with uncertain results from a corporate perspective. Hence firms' lower risk appetite. Concerns that the investment in the start-up will not work out cause

is not an acquisition like any other, and therefore it is necessary to prepare for it both professionally and managerially.

Caution is in order
From the very beginning when considering an investment, it is necessary to think about protecting the value of the company being acquired and setting up the right investment structure. If you are acquiring a new company, it is important to conduct legal, financial and other (e.g., cyber security or technology) due diligence. However, this applies tenfold to investing in a start-up; not so much because the legal situation of start-ups is so wild, but primarily so that you as managers are aware of all the potential risks. That way you will also have realistic expectations from the beginning.

When setting up a post-investment structure, in addition to the classic issues related to taxes or regulation, the governance of the start-up must also be carefully considered. For many reasons, it is not advisable to quickly integrate start-ups into the



existing corporate structure. It is therefore necessary to agree who will be responsible for what and how the start-up's management will check on the implementation of the business plan.

Corporations like to solve this by nominating a person to the statutory body and setting up a supervisory board, which they control with their representatives. Although such a supervisory board is often unnecessary and bureaucratizes the start-up's activities, it gives corporations a sense of greater security.

However, potential concerns on the investor's side can also be avoided by preparing a detailed business plan. If prepared realistically and approved by you as an investor and the founders, it works as an ideal tool for evaluating the success of a start-up's business management. It provides a basis for investment decision-making in terms of expected return on investment and provides a structured outline for the company's activities for the next period.

Remember, however, that start-ups' business plans cannot be carved in stone, and that flexibility is the key to start-up success. Especially in today's dynamic times, it can easily turn out that the original business plan does not work and the project comes to a dead end. But that does not immediately mean it cannot get out of it. In such situations, pivoting, i.e. a change of direction, a change of strategy, can work well to steer the investment back in the right direction. This is often where the experience of the corporation plays a key role, as it can help move the start-up's business forward.

Keeping ideas safe

Pay special attention to intellectual property (IP) and technology protection. Start-ups are not ironworks – their value lies not in their gross production power, but in the intellect of their people. Ideas and innovations must therefore be protected in one of the (inter)national public databases,

THE QUALITY AND SOPHISTICATION OF CONTRACTUAL DOCUMENTATION PREVENTS CONFLICTS BETWEEN INVESTORS AND FOUNDERS, AND HAS A DIRECT IMPACT ON THE VALUE OF THE START-UP.

which then makes the protection of these rights enforceable in court. These include patents, utility models, trademarks, domains, but in a broader sense also the often neglected (and of course unregistered) NDAs, i.e., non-disclosure agreements, and also licensing agreements.

If you are investing in a start-up, ask your lawyer for a description of how intellectual rights are protected and how the different levels of protection interact as part of the due diligence process. Remember that everything starts from the bottom, i.e., from the employees and other collaborators who create the IP. If you have not

concluded the right contracts with them, then the start-up does not own the IP and its value is marginally close to zero.

The involvement of IT technology experts is also recommended, as it happens from time to time that an innovative IT solution, in which the value is supposed to lie, is not so innovative. In addition, these experts can help with research on future expansion and scaling, integration and synergy opportunities, as well as monitoring potential IP infringements, which will be very useful for you as an investor, not only when considering the amount of investment.

Contracts as a basis

Investing in a start-up is primarily a legal construct. As a result, such investment always requires specific legal documentation, which varies according to the maturity of the start-up. The quality and sophistication of contractual documentation prevents conflicts between investors and founders, and has a direct impact on the value of the start-up.

In general, it is rare for a corporation to buy 100%, and, in the vast majority of cases, partnerships are formed with start-up founders. Moreover, corporations usually do not invest in early investment rounds (seed), but are rather interested in start-ups that can already prove that their business model works.

A typical contract for the early stages of a start-up is called a convertible loan – the investor can choose between a stake in the start-up and a return of the investment after a certain period of time. In most cases, however, when a corporation

invests, a share purchase agreement (SPA) or an investment agreement (IA) will be concluded for the purchase of shares and a shareholders' agreement (SHA) will be concluded to regulate the relationship between the investor and the founders.

A good agreement between the investor and the founders should keep in mind the management of the start-up – it should define who will run it managerially, who will control it, and under what conditions the founders may be replaced with professional managers or removed if problems arise.

The SHA should also address further funding of the start-up. It is necessary to think about what will happen when the start-up runs out of money from the investment and who will bear the costs of further operation and development. In a standard venture capital investment, this is usually addressed in the next round of funding, when the basic question is whether the corporation wants other investors.

The agreement should also describe the procedure for the possible exit of the founder. For these cases, the SHA uses English terms such as ROFO/ROFR, which are forms of pre-emption right; drag



along, i.e., the right of the majority shareholder to force the minority shareholders to sell; tag along, i.e. the right of the minority shareholder to force the majority shareholder to sell; vesting, etc.

Last but not least, the agreement should also include methods to resolve disputes between the shareholders and the procedure for preventing them so that the start-up is not paralysed.

Motivation as the basis for success

If you want your start-up to work under the wings of a corporation and continue to grow dynamically, keep in mind that a motivated founder is a committed founder. It is therefore the founder who will have the greatest interest in the continued prosperity of the start-up. So do not forget to motivate key people and start-up employees.

In standard acquisitions, the buyer sooner or later changes the management and then ideally just waits for the dividend. However, this is completely at odds with the reality of start-ups, where it is true that extreme performance by key people must be highly rewarded. So turning a start-up into a small corporation and including the founders and key people in standard corporate incentive schemes is not the best approach.

In the context of incentive schemes, it is therefore always necessary to think about who the right employees are and how to set the reward. In addition to the commercial issues, it is also essential to choose the right legal form of incentive scheme, as this has major tax implications.

The current Czech law does not yet offer optimal solutions. Given the hostility of tax regulation in the area of employee stock ownership plans (so-called ESOPs), there is a need to devise alternative corporate structures that preserve a maximum of the incentive component. Creating functional and tax-efficient incentive schemes is thus the reason that leads to the creation of foreign holding structures.

Key contacts



JAROSLAV HAVEL | MANAGING PARTNER

Jaroslav leads the private equity and venture capital team, including international relations. Based on his management, business and investor experience, he is able to provide comprehensive legal and tax support to investors, as well as founders and management of companies and start-ups in the Czech Republic and Slovakia. Jaroslav thus helps companies and start-ups unique in their product or personality to develop their business.

VÁCLAV AUDES | PARTNER

In 2005, Václav co-founded the firm's private equity and venture capital practice and today leads a team specialised in this area. He has extensive experience in comprehensive international and domestic transactions. In the Czech Republic and Slovakia, Václav advises strategic and financial investors, medium-sized and smaller companies, and potential start-ups.



DALIBOR KOVÁŘ | PARTNER

In venture capital, Dalibor focuses mainly on technology solutions and their legal compliance, and on intellectual property protection. With many years of IT consulting and digital transformation experience, he helps start-ups and global companies with the technology issues and legal set-up of a completely digital operation.

JAROSLAV BAIER | COUNSEL

Jaroslav has been involved in venture capital, acquisitions and corporate restructurings for more than ten years. He specialises in investment negotiations and investment exits, and works with both professional investors and investee companies. Jaroslav is a co-founder of a start-up and also frequently lectures and blogs about start-ups.



ALL YOU EVER WANTED TO KNOW ABOUT IPOs (BUT WERE AFRAID TO ASK)

An initial public offering (IPO) is a way to raise capital for further business development. A company listed on the stock exchange is automatically more credible and has prestige in the eyes of the public, investors, customers and suppliers. This is true in the local market and especially abroad.

**AN IPO IS AN
INTERESTING FINANCING
METHOD THAT CAN
HAVE A NUMBER OF
ADVANTAGES.**

The abbreviation IPO stands for Initial Public Offering. The company increases its capital and offers new shares to the public, which are then traded on the stock exchange. The company is not going into debt but is offering an investment to new shareholders.

The existing shareholders usually retain a majority shareholding so that they can continue to control the company but share the profits with the new shareholders. A combination of new capital and the exit

of existing shareholders is also possible. The stock exchange then allows investors to trade the shares on an ongoing basis, thus showing the market value of the company.

The market for initial public offerings (IPOs) has been really “hot” until recently. The year 2021 was also a record year due to the deferred transactions from the covid period and the optimism of overcoming it, which was also reflected in the valuations achieved. Globally, firms raised USD 608 billion through IPOs, with the USA being the dominant region.

In 2022, although the very volatile markets cooled down as investors were more cautious and did not buy everything labelled “IPO”, they were still prepared to invest in interesting titles. However, they are now focusing much more on the fundamentals of companies, i.e., their valuation based on profits and free cash flow.

Despite the current slowdown in the global market, it still makes sense for Czech and Slovak companies to consider IPOs as an interesting, and in the local environment not quite traditional, financing method, which can have a number of advantages.

IPO is financing

The aim of the IPO is to raise capital for further development – investments, acquisitions or expansion of the company on local and foreign markets. You optimize your balance sheet, reduce your debt ratio or increase your debt capacity, and equity risk is spread across a wider pool of investors. It is new capital for the company, so you are not restricted by maturity or limits as with loan agreements or bonds.

An IPO usually brings other benefits as well – in addition to access to capital, it is also an effective way of maintaining control of the company despite the reduction of the original shareholders’ shareholding. Due to their fragmented structure and their typically passive nature, new investors generally do not have a significant influence on the decision-making process. Trading shares on the market may also promote liquidity in the case of a future exit of some shareholders.

Success on the stock exchange also always entails a significant positive marketing and PR effect, which contributes significantly to increasing the prestige and credibility of the brand. The very fact that your company is “listed” often opens doors to suppliers, customers, and business partners.

Where to offer?

One of the fundamental decisions when preparing an IPO is choosing the right market. There are three types of markets on offer, each suitable for a different volume of financing and type of investor.

In recent years, the PX START market organized by the Prague Stock Exchange has become popular among smaller and medium-sized Czech and Slovak companies. Issues here range from CZK 50 million to CZK 1 billion. The conditions for admission are relatively simple; the stock exchange itself is very accommodating to issues, and the market conditions to date have also been favourable to share issues. In total, more than a dozen companies are already on the START market. Investors are usually from the retail sector, but especially in larger issues, institutional investors (funds, insurance companies, etc.) also buy.

Larger issues can then be placed on the main market of the Prague Stock Exchange. Billions of crowns are issued on this market, and mainly larger institutional investors from the CEE region invest in it. However, it is a regulated market, which means stricter conditions for listing. Here the IPO is particularly suitable for larger companies with a focus on the EU or Central European market.

If you have a company with ambitions to succeed on international markets, then a listing on one of the foreign stock exchanges, for example in Amsterdam, London or New York, may be a good way to go. Compared to the local market, their investments in shares are in higher orders, i.e., in the tens of billions of crowns. Investments here are mainly made by large international investors, which is why it is necessary that the company in which they are to invest their funds is internationally known and has a product with transnational or global potential.

The fact that Czech investors have long since crossed the borders of local markets is confirmed by the success of the Czech-Slovak venture capital fund Credo Ventures in 2021, when the Romanian start-up UiPath achieved historic success with its listing on the New York Stock Exchange. UiPath is one of the fastest growing software companies in its segment in the world today and has had one of the largest IPOs in its category on the New York Stock Exchange.

A good growth story is the key to success

When considering an IPO as a financing option, you need to consider your preferences and goals. If you need capital for further development, expansion, or acquisition, you can't or don't want to take on further debt from banks or bond issues, and the company has a clear growth vision for the future with you, then an IPO could be what will move your business forward. But if you are thinking of selling the company and taking a well-deserved rest, an IPO is not the way to go.

In an IPO, investors are buying the future of your company. Therefore, your growth story (called the equity story)

will be crucial to the success of selling the company's stock. It should therefore be reasonably ambitious, but believable, and interesting to the investor. If you can back it up with decent historical results, so much the better.

Investors will become your (co)shareholders and therefore need information. Such information needs to be prepared and presented. So before the transaction itself, it is necessary to do your homework – get your data, accounting and reporting in order, find and sweep the skeletons out of the closets, find and motivate the internal team. These are all major factors in successful preparation.

How to do it

At the beginning, we recommend setting up a team to be in charge of the entire transaction. The key people in the company are the CFO and the existing shareholders. Also important will be people in the role of investor relations management who are responsible for proper communication. Of the advisers, an investment bank or adviser is essential to arrange the entire transaction, value the company, help set the right business parameters for the IPO, and then offer the shares to investors. Lawyers who should have already handled an IPO transaction are also essential.

Prior to actually going public, detailed due diligence of the company takes place. The

company provides data, ongoing communication with lawyers takes place, and any issues discovered are resolved. Due diligence allows you to uncover remaining skeletons, legal defects or other obstacles that could complicate the transaction.

A prospectus is prepared in parallel with the due diligence. This is a basic information document for investors – it describes the issuer of the shares, its business, market trends and risks, as well as the IPO itself. It must also include audited accounts for at least the last 2 years. The prospectus is written by lawyers in cooperation with the issuer and the investment bank and is approved by the Czech National Bank (or, in the case of foreign issues, by the local regulator). Only after the prospectus is published can the shares be offered.

The IPO then usually lasts 2–3 weeks, when a roadshow takes place, i.e., intensive meetings with investors and presenting the equity story (a charismatic shareholder or CFO is always an advantage). All this is complemented by an information campaign on the web, investment portals or in the media.

Depending on the results of the IPO, the company will then determine by how much it will increase its capital (or how many shares will be sold by existing shareholders), and the lawyers will arrange the necessary corporate action. When the company goes public, the investors will ultimately pay the subscription price, and the company will issue them new shares. These will start to be traded on the stock exchange.

The preparation of the transaction, from the first considerations through strategic

issues and fine-tuning details, to the actual implementation, is a process that usually takes 6–12 months on the PX START market, but 1–2 years for large companies heading to a “big” stock exchange or foreign market. The cost of going public is within a few percent of the total issue volume.

Life after the IPO

If the company performs well, its market value will grow. The investments of all shareholders (existing shareholders and new shareholders, often management or employees) will thus appreciate in value and the stock exchange will enable their liquidity.

In addition, a listed company also has a very open path to further financing, e.g., through a secondary follow-up offering of additional shares on the market or a “big” IPO on one of the larger and more prestigious markets.

After a successful IPO, the company's life changes. Shareholder and investor awareness is essential for successful stock market trading. So, for example, you need to expect to regularly publish the economic results – a detailed annual report, half-yearly reports, and sometimes a quarterly report. After the IPO, the

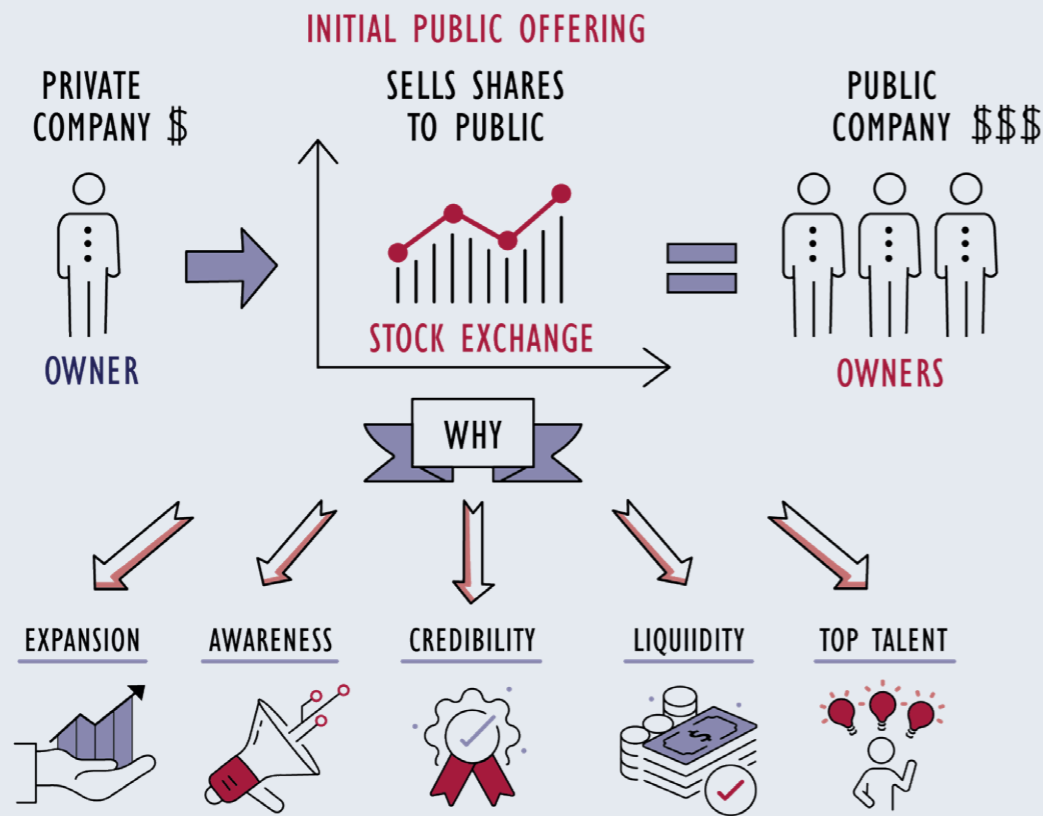
company has hundreds or thousands of new shareholders, which usually increases the agenda of “big” general meetings.

In addition, all the company's managers must report their transactions in the company shares to the Czech National Bank to prevent insider trading. To do this, it is necessary to monitor so-called inside information, work with it internally, publish the important parts and prepare for the possible increased interest of the public and the media. Therefore, reliable management of information flows within the company and the proper functioning of the investor relations department are essential.

Success factors

IPOs depend on investor demand, so no one can guarantee success in advance. However, if the company is well prepared, has an attractive equity story, does not exaggerate the valuation, and the market is positive, few transactions are unsuccessful. Therefore, in addition to careful preparation and selection of the appropriate market, proper targeting of investors and the corresponding communication and marketing are also essential.

WHAT IS AN IPO?



Original source: Napkin Finance

The HAVEL & PARTNERS team has years of experience in the capital market; in the last 5 years we have completed the most IPO transactions on the Czech market. We provided comprehensive services to issuers and arrangers of securities in the issuance, public and non-public offering of bonds and shares and their listing on the Prague Stock Exchange market. We helped list the shares of Slovak hi-tech company Gevorkyan (the most successful transaction for CZK 730 million), Hardwario, FIXED, zone, eMan and Atom Trace on the Prague PX START market.

Key contacts



JAN TOPINKA | PARTNER

Jan leads the banking, finance and capital markets group and has over 20 years of experience in the industry. He focuses on financial services regulation, capital markets transactions, projects combining financial services with technology, and legal aspects of trading financial instruments. Jan has led all of our clients' IPO transactions. He previously served as a senior staff member of the Securities Commission.

JÍŘÍ KUNÁŠEK | PARTNER
In finance law Jiří specialises in IPOs and capital markets. He also focuses on corporate law, acquisitions, corporate transformations, intergenerational capital transfer, and holding structures. Another major specialisation is the resolution of corporate and inheritance disputes.



OVERVIEW OF SELECTED TRANSACTIONS WITH THE INVOLVEMENT OF HAVEL & PARTNERS

16
years

800
transactions

32
bn EUR

Over the past 16 years, we have been involved in completing over 800 transactions, not only in mergers, acquisitions, divestments, and restructurings. Their total value exceeds EUR 32 billion. Here is an overview of the major ones in the recent period.

ŠKODA AUTO

Advice on resolving disputes concerning the “ŠKODA” trademark

For ŠKODA AUTO, a Volkswagen Group company, we provided comprehensive legal services in resolving disputes over the ŠKODA trademarks with engineering companies from the Škoda Group, which are part of the PPF Group.

The disputes that arose among all the companies were resolved by an agreement under which our client, the automotive company ŠKODA AUTO, became the owner of the ŠKODA trademarks worldwide. It is a significant step, building on the rich history of the brand, and important for the future development of this leading Czech company on local as well as global markets.

Our services included strategic legal advice and litigation services provided by a team led by partner Jan Šturm, intellectual property advisory services provided by a team led by partner Ivan Rámeš, and a team led by partner Jan Koval also provided comprehensive transactional advisory services.



CREDO VENTURES

Legal services for investment in EquiLibre Technologies

Our venture capital specialists handled legal services for Credo Ventures in its investment in the start-up EquiLibre Technologies. M&A advisory services were provided by partner Václav Audes and senior associate Tomáš Navrátil, tax aspects were handled by partner Josef Žaloudek, and corporate, contract and employment law services were provided by senior associates Irena Munzarová, Radek Riedl and Vojtěch Katzer.

For Credo Ventures this was a very early stage investment in EquiLibre Technologies. The goal of this start-up is to develop a unique algorithm and artificial intelligence system to buy and sell assets on exchanges, which would identify suitable investments, especially in stocks and cryptocurrencies, before their value rises.



EUROVENTURES

Investment in travel start-up Daytrip

Our team acted as legal advisor to investors in a Series A investment round in which Daytrip, a Czech travel start-up, raised new capital totalling EUR 6.14 million. Daytrip is a global platform that offers tourists in 85 countries around the world private transportation with local drivers directly in the place they visit.

Partner Václav Audes, together with associate Josef Bouchal, provided comprehensive legal services related to the investment in Daytrip for the Budapest-based Euroventures fund, which led the investment round and invested its assets in the travel platform together with investors J&T Ventures, Nation 1 VC, and Pale Fire Capital.

LIGHTHOUSE VENTURES

Sale of Czech start-up PEKAT VISION

The firm's team led by partner Václav Audes assisted the investment fund Lighthouse Ventures in the sale of PEKAT VISION. This Brno-based start-up has developed innovative software that can automatically detect defects in products on the production line. With the help of artificial intelligence, it recognises a product that differs from the model. This unique technology helps companies improve and automate their production processes.

The buyer was the Italian company Datalogic. The sale of the company brought significant return on investment to Lighthouse Ventures.

ATMOS VENTURES, LIGHTHOUSE VENTURES AND TERA VENTURES

Advising venture capital funds on investing in logistics fintech

Partner Václav Audes and associate Jan Krejčí participated as legal advisors to venture capital funds Atmos Ventures, Lighthouse Ventures and Tera Ventures in the investment round in logistics fintech 4Trans. It has also attracted private investors from Silicon Valley, and is thus aiming to become a leader in financing logistics companies.

4Trans provides financing for small and medium-sized companies in the logistics industry, which often face a lack of access to funding due to long invoice maturities. 4Trans solves this by factoring, i.e. immediately paying issued invoices, verifying customers' payment habits, and offering other financial products.



PRICEWATERHOUSECOOPERS

Sale of PwC's Global Mobility Tax and Immigration Services division

We were instrumental in a major international advisory transaction – the sale of PricewaterhouseCoopers' (PwC) Global Mobility Tax and Immigration Services division to funds associated with Clayton, Dubilier & Rice. The acquisition resulted in the formation of Vialto Partners, a leading independent provider of cross-border employee mobility services.

In cooperation with London-based Linklaters LLP, our M&A specialists – partner Jan Koval and managing associate Silvie Király – provided comprehensive legal services to PwC in connection with the transaction in the Czech Republic, including related tax and employment aspects.



OWNER OF SHARES IN KENTICO SOFTWARE

Sale of shares in Kentico software

For the owner of Kentico software, Mr Petr Palas, we handled all legal services related to the sale of his minority stake in the company. The buyers were the U.K. fund Expedition Growth Capital and another private owner. The transaction was attended to by our M&A specialists – partner Jan Koval and senior associate Ivo Skolil.

The Brno-based IT company Kentico software is a strong player in the field of DXP (digital experience platform) and SaaS (Software as a Service) solutions. It offers products for the creation and management of corporate, information and product websites, e-shops and intranets, and effective tools for digital marketing and e-commerce. The company has tens of thousands of clients worldwide, including many Fortune 500 companies such as Volkswagen, Starbucks and Vodafone.



EUROPEAN HOUSING SERVICES

Acquisition of a share in M&M Reality

Our lawyers represented the real estate group European Housing Services (EHS), which invested in M&M Reality, one of the largest real estate companies on the Czech market. The transaction resulted in the formation of a real estate group of European significance.

Partner Petr Dohnal and senior associate Josef Bouchal were responsible for comprehensive legal advice to the client. The EHS Group, which includes the real estate agency MAXIMA REALITY, the server Bezrealitky in the Czech Republic and Slovakia, and the Czech Real Estate Trust, has previously invested in real estate auditors NEMO Report and the Ownest start-up. HAVEL & PARTNERS provided legal services to the EHS Group in these two transactions as well.

ZFP INVESTMENTS

Advising on one of the largest real estate transactions on the office market in Slovakia

Our team advised the buyer, the Czech company ZFP Investments, on the acquisition of the Blumental Offices project into its real estate fund. The office building, located in Bratislava on the boundary of the Old Town and offering 21,597 square metres of leasable area, was purchased by ZFP Investments from the Slovak developer CORWIN.

On behalf of our law firm, the buyer was advised by partners Lukáš Syrový and Ondřej Majer, and associate Peter Košecký.

This is one of this year's largest transactions on the office market in the Slovak capital. The project's strengths include a high level of environmental certification, LEED Gold. It is one of the most environmentally friendly buildings in Slovakia.



SLOVAK TELEKOM, POSAM

Legal advice on the sale of Commander Services

Our M&A experts advised PosAm, which is majority-owned by Slovak Telekom, the largest telecommunications operator on the Slovak market, on the sale of the Slovak company Commander Services. The newly rebranded Czech software company Seyfor (formerly known as Solitea), which is part of the Sanberg Capital portfolio, bought a 100% stake in Commander Services.

The Slovak company Commander Services focuses on car management software and since its establishment in 2005 has developed into a domestic leader in the field of vehicle monitoring via GPS and GSM technologies in the B2B segment.

The legal team that assisted the client in the sale of the company consisted of partner Ondřej Majer, counsel Petra Čorba Stark, senior associate Pavel Zahradníček, and associate Ivana Gajdošová.



CENTENE CORPORATION

Sale of a healthcare provider in Spain, the Czech Republic and Slovakia

Our experts were involved in a major international transaction in the healthcare services sector. The M&A team advised Centene Corporation on the sale of Ribera Salud, a healthcare provider in Spain that operates hospitals and provides other healthcare services, including its subsidiary Pro Diagnostics Group (PDG), which owns healthcare facilities providing radiology and other services in Slovakia and the Czech Republic.

The transaction was handled by the Bratislava office team led by partner Václav Audes, counsel Petra Čorba Stark, and associate Ivana Gajdošová.

ORLEN UNIPETROL

Approval of the concentration between ORLEN Unipetrol and OLIVA Group

We provided comprehensive competition law advice to the refining and petrochemical company ORLEN Unipetrol, representing the client before the Slovak Antimonopoly Office (PMU). Following a detailed analysis of the local markets, the PMU approved the acquisition of control by ORLEN Unipetrol over OLIVA petrol stations without any further conditions.

Our competition specialists, partner Lenka Gachová and legal expert Dušan Valent, were in charge of representing the company. Upon completion of this transaction, ORLEN Unipetrol will expand its activities in Slovakia, namely by a total of 39 petrol stations (existing and under construction).



→ **HAVEL & PARTNERS receives the prestigious Czech Business Superbrands award**

HAVEL & PARTNERS has been awarded the Czech Business Superbrands title, awarded annually to the best business brands on the Czech market. Once again, we are among companies with an excellent reputation, with which clients associate important values and have a personal relationship.

The expert jury evaluates individual brands according to criteria such as renown, brand building, innovation, and prestige. "I thank not only our clients, but also all my colleagues for their loyalty, high work commitment and flexibility, thanks to which we can continue to strengthen the reputation of our brand even in today's challenging times," said Jaroslav Havel.



→ **HAVEL & PARTNERS ranked the best law firm in the Czech Republic for the fifth time in a row by Who's Who Legal**

In 2022, our firm was named the best law firm in the Czech Republic by the global rating agency Who's Who Legal. This is the fifth time in a row that HAVEL & PARTNERS has received this award.

The Who's Who Legal Awards annually recognises top legal experts and law firms in more than 35 industry categories and 75 jurisdictions. Their research is based primarily on feedback from clients, experts and consultants who work closely with the subjects under review. Individual HAVEL & PARTNERS' specialists are also regularly ranked at the top of the rankings of leaders in individual areas of law.

→ **The family constitution as a protection of private property against current risks**

Family businesses are able to adapt very quickly to different situations and times, so they work and will continue to work even in times of impactful events and economic problems. However, because any action taken by any member can significantly affect the family and the relationships between its members, and can also have an impact on the family business, it is logical for most families to endeavour to define, follow, and rather conservatively change the rules for the protection, management and distribution of family-built wealth.

That is why our law firm supported the publication of the book Family Constitution in Slovakia, which is a valuable source of information and useful advice and guidance on how to create a family constitution on your own. This will help family businesses to overcome the challenges involved and steer them towards a multi-generational family business.

FROM THE MEDIA

UNTIL NOW, ENTREPRENEURS HAVE BUILT SUCCESSFUL COMPANIES AND INCREASED THEIR WEALTH ENORMOUSLY AS THEY GROW. THEIR SUCCESSORS WILL NEED TO PRESERVE THIS PROPERTY AND CONTINUE TO MANAGE IT SUCCESSFULLY SO THAT THE INCOME FROM IT WILL PROVIDE FOR THEIR FAMILIES IN THE LONG TERM.

JAROSLAV HAVEL:
FROM WEALTH TO EFFECTIVE ASSET MANAGEMENT

Successful entrepreneurs have so far increased their wealth enormously, mainly by building and developing their firms. Now comes the time when efficient and professional property management will be crucial for their further development, but also for the mere maintenance of their value, says Jaroslav Havel, the managing partner of the largest Czech and Slovak law firm HAVEL & PARTNERS. What issues are Czech billionaires dealing with today and what role will women play in the transfer of wealth in the future?

How has the war in Ukraine affected your work? Has it had an impact on the provision of services to some clients?

Today's times are testing the readiness of business models in the face of significant economic and geopolitical changes. The global, Czech and Slovak economies are facing high inflation, many companies are still coping with the effects of the pandemic, and are now dealing with the economic and business consequences of the war in Ukraine and the energy crisis. Logically, this has major implications for many companies, and clients are concerned about how to succeed and function in these unpredictable conditions.

What impact do you think the Russian aggression in Ukraine has had and will continue to have on the wealth of Czech billionaires? And what are the common issues that Czech and Slovak billionaires are most concerned with now?

The main shock has already passed and entrepreneurs had to start functioning in the new situation. Many are adding up the losses, which will be significant in many industries, while others are focusing on changes in investment strategies. But of

course, a large part of the richest Czechs and Slovaks continue to get richer. At the same time, everyone understands that Russia is already an unacceptable business partner, which may discourage many investors. All of them, without exception, are also affected by the secondary impact of the conflict, which is energy and its prices. In addition to the impact of the energy crisis on individual sectors, Czech and Slovak billionaires are also interested in much stricter separation and more effective protection of private and business property. They also focus on geographic financial risk management. On top of that, they also deal with issues unrelated to the conflict, such as the intergenerational transfer of wealth, motivating key employees and, last but not least, educating asset managers, a field that has been neglected in our region.

Last year you described the dynamic development of the digital economy, which also affects the services you provide. Owners of companies operating in the digital economy are beginning to be counted among the richest people in the Czech Republic.

What trends have you noticed in the Czech Republic right now?

Today, the pressure for digitisation in any form is enormous. In order to catch up, companies need to be familiar with technological innovations, keep track of the latest developments, and learn how to work with them and use them strategically. Today, it is more important than ever to monitor, analyse and use data efficiently. Data can change from day to day in today's circumstances. Inflation, energy prices, the impact of the central bank's credit policy and other factors are affecting virtually every sector of business, changing conditions sometimes from week to week. If you want to survive in these circumstances, you need to make decisions based on good data analyses. I consider digitisation and data analyses to be one of the most important factors in keeping a company on the road to prosperity today.

Do you expect the share of the digital economy in the total wealth of the Czech Republic to increase?

The e-commerce segment grew significantly during the pandemic, but we have seen a downward trend in recent months. This is again related to the current situation where people are starting to economise. On the other hand, there has been a growth in technology start-ups in the field of logistics software related to e-commerce. Therefore, companies are looking for ways to save on input costs to compensate for the losses from decreasing sales. We are also seeing a growing trend in technology and fintech. We expect growth in these sectors in the coming months as well.

You have been a lawyer for more than twenty years. How would you describe

the transformation of the Czech business elite over the last two decades?

After the wild 1990s, Czech entrepreneurs have learned to develop their business in a mature market environment, not only in the Czech Republic and Slovakia, but they are also becoming more and more successful in the world. Equally, a time has arrived when the generation of post-revolutionary entrepreneurs who built successful companies after 1989 have hit the peak of their working age and are now very urgently dealing with who to pass their business to. I also find it extremely inspiring to work with the new generation – the young community of entrepreneurs and start-ups. We are in close touch with them in our work. This is a generation for which studying and working abroad was a common practice. They have grown into top professionals with innovative ideas who have achieved worldwide success. In some fields, especially in IT, Czech or even Slovak companies are really at the top and some of them set global trends.

Successful women are increasingly winning their way in business. Do you also see this trend as legal and tax advisors?

The transfer of wealth into the hands of women has long been discussed abroad. It is a topic for elite consultancies and financial institutions that tailor their services, products and marketing activities to women. Our firm has kept track of these foreign trends for a long time, assessed their impact and implemented many of them in the local environment. As a result we have decided to look into this important phenomenon in the Czech Republic and Slovakia. In fact, we expect that in the years to come, a significant part of the wealth will be transferred to women. We have carried out a unique study on this, which opens up a discussion as to what

DECISIONS NEED TO BE MADE BASED ON GOOD DATA ANALYSES. I CONSIDER DIGITISATION AND DATA ANALYSES TO BE ONE OF THE MOST IMPORTANT FACTORS IN KEEPING A COMPANY ON THE WAY TO PROSPERITY TODAY.

these changes will mean not only for advisory services, but for society as a whole.

Why is it important to focus on the topic of women and the transfer of wealth into their hands?

Women are going into business more and more often, building successful companies, becoming leaders, educating themselves and, as a result, increasing the value of their property. In addition, many of them also inherit property from their spouses or parents or acquire it through other family events, such as divorce. In our study, based on a detailed analysis of the property and family background of the richest Czechs and Slovaks and the largest family businesses, we examined what a sudden transfer of wealth from one generation to the next would look like under the law. Although these figures are only indicative of specific limited groups, our model has confirmed that, in the

extreme case, up to 70% of wealth could pass to women in the next generation. It is therefore certainly necessary to think of women as potential owners of a significant part of the wealth. This is also because they have specific needs compared to men.

What are the differences in how men and women treat property?

According to foreign studies and in our experience, women are not inclined towards risky investments and prefer more conservative capital protection. They invest on a long-term basis and in line with their goals and beliefs. For example, they take into account the environmental or social aspects of their investments, and also support other women. On the other hand, men do not mind taking risks with investments and tend to place more emphasis on pure efficiency. They make investment decisions based on performance.

On what issues do you most often advise wealthy clients?

For many women, it is already, or will be in the near future, a major challenge for how to deal with, manage and make decisions about their own property. We address their specific needs, whether they are entrepreneurs, managers or heiresses in the next generation of business families. The demand for professional representation in women-led businesses is continuously increasing. We see the transfer of wealth to women as part of a broader phenomenon known in the Western world of wealth transfer from founders to administrators.

What exactly does the property transfer from founders to administrators entail?

While entrepreneurs have built highly successful businesses and increased their wealth enormously as they have grown, their successors, many of whom will be women, will seek to maintain and continue to manage their wealth successfully so that the income from it will provide for their expanding families in the long term. This is unlikely to lead to the strong growth of companies as in the early, founding days, because the aim will be rather to maintain the value of the assets, their yield, to ensure conservative growth and to maintain the positions gained. Efficient management of acquired private assets will thus become more similar to the trend of managing family businesses through family office systems administered by professional management. Of course, the family will continue to play a key controlling role.



This interview was published in the E15 Premium – Business Elite publication, supported by HAVEL & PARTNERS each year. However, the firm is not involved in compiling the ranking of the 100 richest Czechs and Slovaks, which is part of this publication, nor in estimating their wealth. Nevertheless, by supporting this project, we would like to express our appreciation to the Czech and Slovak entrepreneurs who have created and cultivated free enterprise over the last thirty years, whose ranks include many of our clients.

WE SEE WOMEN GROW SUBSTANTIAL WEALTH IN CZECHIA AND SLOVAKIA IS BOUND TO CHANGE HANDS IN FAVOUR OF WOMEN

The female element in business is increasingly important. The share of women in leadership positions is growing, and women are increasingly becoming successful entrepreneurs investing their wealth. Their abilities help them amass yet more assets. Women also gain wealth through inheritance, transfer of property from one generation to the next, divorce and other family events. Controlling one-third of the world's wealth, women have been raising the value of their assets at a much faster rate in recent years than ever before. According to an analysis by *NextŽeny*, up to 70 percent of the richest Czech families' wealth might pass into the hands of women in the future. What is the cause and what are the socio-economic changes behind the trend?

According to the *NextŽeny* analysis, the transfer of property to women, a trend observed abroad for a long time, is also starting to unfold in Czechia and Slovakia and is likely to continue in the coming years. For many women, the management and efficient use of their own assets is currently, or will soon be, a major challenge. This is why we believe that the issue of women's ownership and succession is crucial.

Women and their property worldwide
Women are an increasingly important economic force. A survey by the Boston

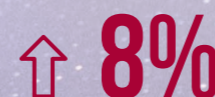


IN 2020, WOMEN CONTROLLED 33% OF THE TOTAL GLOBAL INVESTABLE PERSONAL ASSETS.

Consulting Group (BCG) reports that in recent years, women's wealth has been globally growing at a record pace – by USD 5 trillion annually. While in 2020 women controlled 33% of the total global investable personal assets, this share is projected to increase to 35% by 2025.

Economic potential

If women continue to have opportunities to contribute to the economic growth and prosperity of society, exploiting their work potential in full, and if gender inequalities in the workplace are reduced, the GDP of advanced economies might increase by around 6% within one to two decades, according to a study by Citibank. A McKinsey & Company analysis conducted in 2021 says that better use of women's economic potential might increase the Czech and Slovak GDPs by around 8% by 2030.



The wealthiest women

The number of rich women in Czechia is growing. In a ranking compiled by Euro magazine, the number of women in the top 100 richest people in Czechia in 2021 has doubled compared to 2017, from three to six women. The value of women's assets in these rankings has also increased substantially. While in 2017, women in the top 100 richest people in Czechia held assets worth nearly CZK 30.5 billion, in 2021 it was almost ten times more – CZK 290 billion.

Education is essential to a career

Higher education means a better chance of career advancement. According to the Czech Statistical Office's data, the number of women with a university degree has been rising over the past 30 years. Since 2014, women with a university degree have outnumbered university-educated men. According to statistical predictions, 1,140,000 women will have finished their university in Czechia by 2030. By contrast,

2030 is expected to see 17% – or 190,000 – fewer equally educated men.

Women in the lead

According to an analysis by SC&C, a research agency, in 2021 the number of economically active women increased overall. In addition, the absolute number of female managers has been growing, too. 35.6% of women held senior positions in the private sector in 2021, i.e. CEOs, chairpersons, presidents and board members. Within the economically active population, the number of women in top positions increased by 3% since 2015 (2015: 35,500, 2021: 36,500) and might increase by a further 3% by 2030, according to SC&C.

Female investors

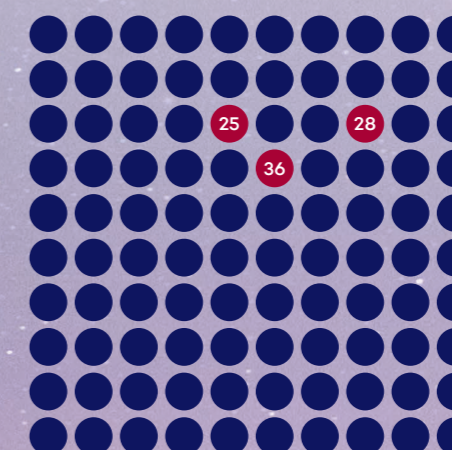
International studies point out that women and men take a different approach to financial and wealth management. Women are not inclined towards risky investments, preferring more conservative



1,140,000 WOMEN IN 2030

capital protection and managing their assets through passive investment strategies. They make long-term investments in line with their goals and beliefs. In their investments, they tend to consider environmental, social and governance aspects. In Czechia and Slovakia, however, no research has yet taken a more comprehensive look at the specific approach of women and men to property ownership and management. That is why in 2023 the initial *NextŽeny* survey will be followed by a study in Czechia and Slovakia focusing on women's and men's tendencies and decision-making processes directly related to the management of their assets.

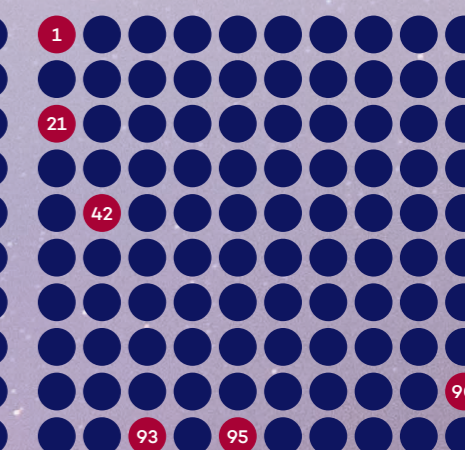
2017



Source: Top billionaires in 2017, a special issue of Euro magazine, published by MF Dnes, 2017

- 25. Mária Blašková
- 28. Jitka Cechlová Komárková
- 36. Hana Písaříková

2021



Source: 111 wealthiest Czechs and Slovaks in 2021, a special issue of Euro magazine, published by New Look Media, 2021

- 1. Renáta Kellnerová
- 21. Mária Blašková
- 42. Jitka Cechlová Komárková
- 90. Jaroslava Valová
- 93. Petra Kutnarová
- 95. Radka Prokopová

Enterprising women

The number of women with trade licences is also growing in Czechia. In the last five years, there have been 7% more, exceeding 750,000 in total. By 2030, SC&C estimates that this number might increase approximately by another 11%, to more than 850,000. Women are also improving their economic status through pay increases. Even though still wide, the gender pay gap has been narrowing in recent years. Compared with 2011, men's median pay was up by 52% in 2021, while women's median pay increased at a greater pace of 62% over the same period. So, in fact, women are improving their situation, and their pay growth rate is slightly higher than that of men.



Living longer

Demographics have a significant impact on the transfer of wealth to women. The Czech Statistical Office's data show that women in the Czech Republic are living increasingly longer lives, outliving men by an average of 6 years. In 2030 they are projected to live 7 years longer than men. Wives are on average 2 years younger than their husbands, a phenomenon further widening the gap in life expectancy between the partners. As a result, after the husband's or the male partner's death, the property is likely to pass on their spouse. In addition to inheritance from the husband, women also inherit property and money from their parents.

Inheritance

Death and inheritance are major life milestones that involve a one-off transfer of a significant amount of wealth. If there is no testament or contract of inheritance and the spouses have no provision for the division of property, the estate is settled under the statutory rules. In most cases, the property passes to heirs of the first degree, i.e. spouses and children. The heirs of the first degree receive an equal share of the estate. If the deceased was married, the community property is first settled between the spouses, and only the part of the property solely owned by the deceased is included in the inheritance.

ON AVERAGE, WOMEN LIVE 6 YEARS LONGER THAN MEN AND ARE EXPECTED TO LIVE 7 YEARS LONGER IN 2030.

Inheritance procedure

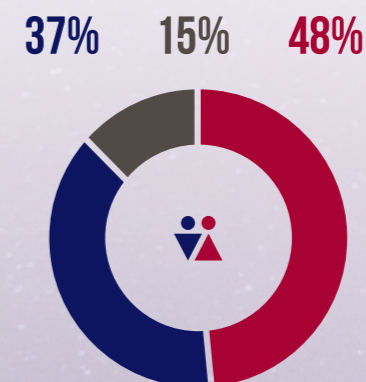
What is the procedure in the case of intestacy? Let us take the Rich family as an example. Being a typical couple in terms of age, Mr Rich has a wife 2 years younger than him and 2 children (a daughter and a son). On the assumption that men die younger than women, Mr Rich will probably die 8-9 years before his wife. He and his wife did not sign either a pre-nuptial agreement or an agreement to regulate their community property, and neither did they make any testament. Upon the death of Mr Rich, the community property would first be divided in half. His wife would be left with her half and the other half belonging to Mr Rich would then be settled as the estate, divided equally between Mrs Rich and each of the children. As a result, 4/6 of the property will go to Mrs Rich, 1/6 to the son and 1/6 to the daughter.



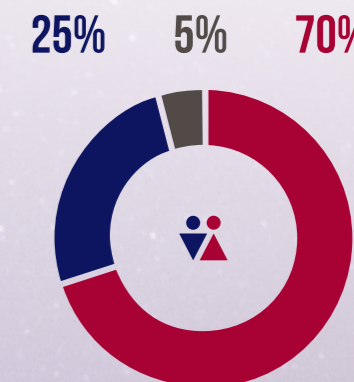
Female succession

Looking closer at the largest family firms' owners and the wealthiest Czechs and Slovaks in the case of intestacy, a study explores whether the transfer of wealth to women will be relevant in Czechia and Slovakia in the coming years. The HAVEL & PARTNERS team specialised in services to private clients prepared a detailed analysis of their property and family circumstances. The experts modelled a sudden transfer of assets from one generation to the next if the statutory rules were applied. Currently, men nominally own most assets, but the model of wealth transfer in the event of intestacy showed that in the future, between 48% and 70% of wealth might be transferred to women in the target group observed. Although these figures are only indicative of specific limited groups and only consider the transfer of property under the statutory law, the results suggest that women should be regarded as potential successors to the current owners.

Ownership after the transfer of the wealth of the richest Slovaks by inheritance



Ownership after the transfer of assets of the owners of the largest Czech family-owned companies within the framework of inheritance



The trend of transferring wealth to women can be increasingly seen worldwide. However, there has been no survey or analysis in Czechia and Slovakia offering a more comprehensive approach. The aim of the NextŽeny project is to raise the issue of women's ownership and succession to the advisory market, to initiate a discussion in the public and among experts, and to answer a number of related questions in the next phases of the project. NextŽeny is the first study to treat the topic in the context of the local market, offering a more comprehensive view supported by extensive research, statistics, and data analyses from foreign and local sources. The project takes into account historical and local specifics, social and economic factors as well as Czech and Slovak laws.



Key contacts

Jaroslav Havel | Managing Partner
Veronika Dvořáková | Partner
David Neveselý | Partner



TO MARRY OR NOT TO MARRY A FOREIGNER?

Love knows no borders and thanks to travelling, studying, and working abroad, relationships with partners from countries other than the Czech Republic are now quite common. Couples in love, however, do not always realise that cultural differences can also mean big legal differences. That can raise quite significant problems affecting property relations and childcare.

THINKING AHEAD ABOUT ALL ASPECTS OF INTERNATIONAL MARRIAGE AND POSSIBLE SEPARATION CAN ELIMINATE MANY PROBLEMS IN THE FUTURE.

Holidays, studying, working abroad, and travelling across continents – we are now completely used to all of it and it is now a normal that many people find a partner during such trips. A total of 12% of marriages in the Czech Republic in 2021 were concluded with a foreign partner, with over 5,500 such marriages in the same year. However, couples in love do not always realise that the cross-border factor might not only spice their relationship up, but it can also bring quite significant future problems.

Cultural vs. legal differences

Minor or major cultural differences are usually not perceived as nor considered to be a problem by partners at the beginning of the relationship: they may even find them attractive. It is different from the legal point of view. In particular, the different approaches to marriage, matrimonial property law, or parenting in different countries are fundamental. Religious issues and the overall legal-political setting also play an important role. Thinking ahead about all aspects of mutual cohabitation and possible separation can eliminate many future problems.

For all these reasons, it is advisable to consent to ideas about future mutual cohabitation in a prenuptial agreement, and consider not only property. The legal possibility and enforceability of such arrangements are always important issues in these international cases.

A dream wedding or limping marriage?

A partnership with an international element is always influenced in the legal context by the applicable law, i.e. the law to be applied to resolve the individual issues, including the determination of the competent court to resolve them.

The conclusion of marriage abroad or entering into marriage with a foreigner is therefore not as simple as it might seem to be at the first sight. Before an international marriage, it is necessary to always find out first what are the conditions for marriage in the perspective countries. Even having a dream destination wedding (Mauritius, Las Vegas, Paris, London, etc.) is not possible without a prior administrative process and obtaining a so-called certificate of legal capacity to marry.

Moreover, a marriage contracted abroad has legal effects in the Czech Republic only after registration in a special registry office

in Brno. Without taking the necessary administrative legal steps, a so-called limping marriage might come into existence, valid only in the territory of one state.

A preventive consultation before the wedding is not only worthwhile for these, but also for property issues. The laws of individual states differ significantly concerning matrimonial property law and the Czech institution of a community of property (“SJM”) is unknown and difficult to grasp in many states.

WITHOUT TAKING THE NECESSARY ADMINISTRATIVE LEGAL STEPS, A SO-CALLED LIMPING MARRIAGE MIGHT COME INTO EXISTENCE, VALID ONLY IN THE TERRITORY OF ONE STATE.

Contract in advance

The property aspects of marriage are therefore ideally dealt with fully consciously before marriage. The spouses can choose the applicable law and if they choose Czech law, they also choose the institution of a community of property with all its requisites, including the possibility to conclude a prenuptial agreement as known in Czech law.

Negotiating terms before the wedding can often bring negative emotions or feelings of mistrust, but if the couple overcomes them, they will gain the stability and security they need for the future. It is, however, not too late even after the wedding – the property regime can be contractually adjusted within the framework of the community of property even during the marriage. In any case, we can confirm that, in the event of divorce, significantly more disputes arise in couples who have not resolved the matrimonial property regime as a precaution.

And this is doubly true in international relations. In practice, we can give an example of a Czech-German relationship

where the spouses did not have a contractually regulated property regime. Part of the property was governed by the Czech community of property regime and other Czech laws, while another part was governed by German law and the so-called Zugewinnngemeinschaft, which is different from the Czech community of property. The different legal regulations and the different expectations of the spouses led to deeper and more complicated conflicts, which could have been resolved by a prenuptial agreement before the wedding.

Prevention is therefore essential. On the other hand, without knowing the specific circumstances, it is not possible to generalise whether Czech or foreign law is always appropriate or whether to maintain or change the community property regime. Early consultation and clarification of the rules in advance can ensure that the couple’s property interests are adequately protected in the future.

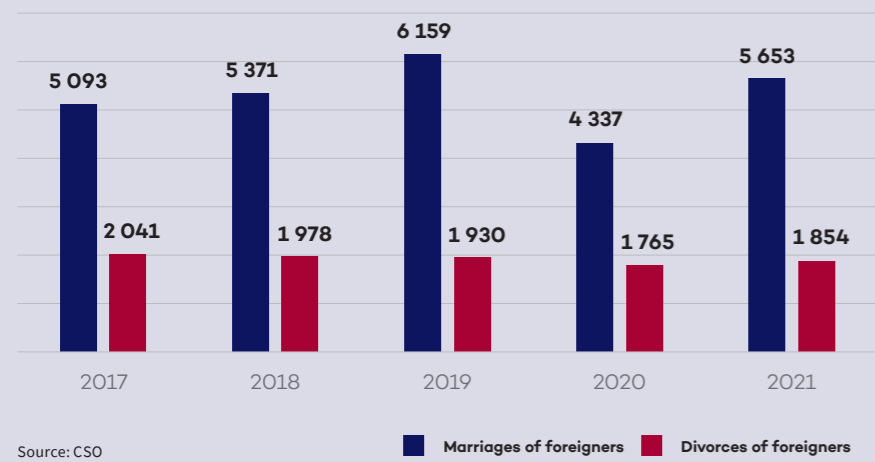
If it doesn’t work out

The international element also plays a crucial role in the case of divorce. An average of 1,900 foreigners have divorced in the Czech Republic in recent years. In total, there were more than 9,500 divorces with an international element in the Czech Republic between 2017 and 2021, representing more than 8% of all divorces in the Czech Republic.

The first automatic question in international marriages will always be in which state to file for divorce in court. If there is more than one court, then the choice of court may be influenced by several circumstances, including the court fees or legal costs. For example, in the case of spouses, two Czech nationals permanently living in Germany, divorce proceedings can be initiated in both countries. Legal representation is compulsory in Germany, but not in the Czech Republic. In Germany, fees and costs are calculated according to complex procedural regulations, in our country the court fee is CZK 2,000 and the courts traditionally do not (most of the time) award legal costs in a divorce.

If the spouses have minor children, it is also necessary to settle their custody before the divorce. The legislation also differs from country to country. Divorce and child custody arrangements do not have to be decided by the same courts. The basic criterion for determining whether the court has jurisdiction to regulate the custody of children is their habitual residence (domicile). Thus,

Marriages and divorces of foreigners in the Czech Republic



for the Czech couple living in Germany, regardless of where the divorce proceedings are held, the German courts would decide on the custody of the children.

Unwanted boomerang

The aforementioned factor of a different culture is also evident in the different concepts of child arrangements. Some countries have a traditional view of child-care, according to which it is automatically assumed that the mother is the primary caregiver, especially for young children. In contrast, other states are concerned with mathematical equality in the involvement of both parents.

We see cases where the courts of one state decide on sole custody of one parent and, after the first decision, the dissatisfied parent subsequently initiates proceedings in another state. The courts here then do not have to take much account of the original decision, and will judge the

matter (according to the actual situation) on their own. The decisions might be quite different (e.g. equal shared custody).

Thus, in practice, in situations where parents are unable to agree on custody, we may encounter unwanted “boomerangs” of repeated proceedings in courts of different states, which impose their views on one another and change the decision of the other court. In the middle of all this is the child, who is the priority, but who also, of course, suffers the most from any solution that is not based on the agreement of the parents.

Thousands of kilometres

In international marriages, courts also often have to deal practically with child custody arrangements between parents separated by thousands of kilometres. For example, an immigrant parent wants to return to his or her home country after a break-up and cannot imagine leaving without the child.

As an example, a Czech court ordered equal shared custody after 14 days with a distance of about 1,000 km between the homes of both parents. The child travels every two weeks, has relationships in two different cultural environments, and attends two preschools. Such complications arise if one parent does not “give up” or renounce his or her interest in living in an environment where they have roots. The longer and more uncertain way is then for these parents to push for the court to rule the alternation as contrary to the best interests of the child. This is not something one can be certain of in advance.

The most severe cases of legal practice are then international child abductions. There is an international treaty with a fairly strict procedure for dealing with these situations, aimed at returning the child as soon as possible to the country from which he or she was abducted, but its application cannot always be relied upon. The Convention has not been signed by all states, so we know of cases of abduction from or to states that are not bound by the Convention.

The consistently high divorce rate is in itself a compelling argument for premarital legal prevention. This is doubly true in cases of international relationships, where, in addition, applicable law, jurisdiction, and child custody must be addressed. It is necessary to avoid what is mentioned in the slightly paraphrased quote by René Descartes: “When someone spends too much time travelling, he eventually becomes a stranger in his own country.” Beware, then, of becoming a foreigner not only in your own country but also in your own family as a result of marriage or cohabitation with a foreigner or abroad.

Key contacts



VERONIKA BOČANOVÁ | SENIOR ASSOCIATE

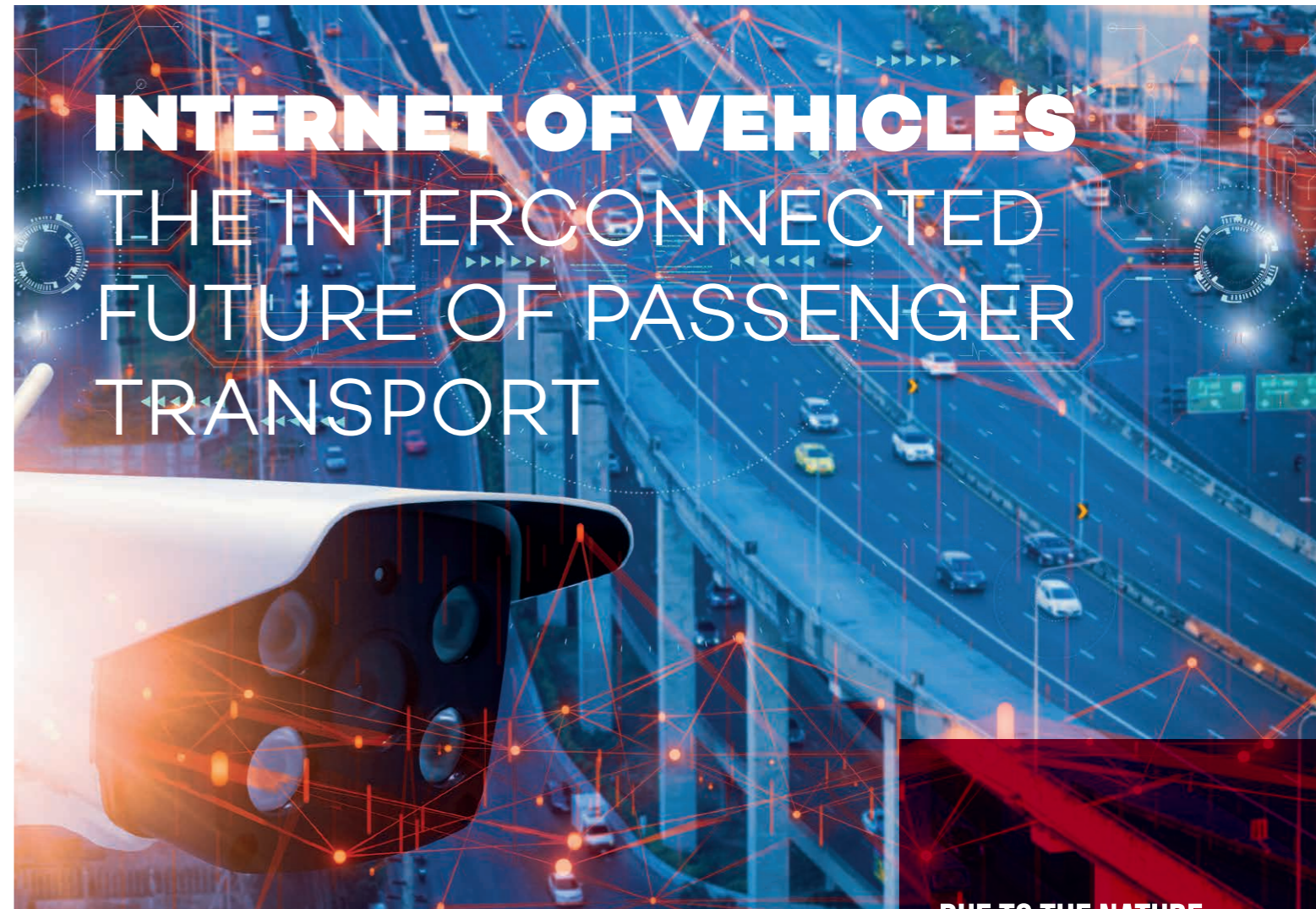
She leads the family law team and has more than 20 years of experience in this field. Veronika offers comprehensive legal services on the legal issues surrounding marriage and parenthood. She specialises in setting child custody arrangements, dealing with child support issues, matrimonial property law, managing the assets of minor children, and legal representation in custody proceedings or divorce.

RENÁTA ŠÍNOVÁ | LEGAL EXPERT

She provides comprehensive advice to private clients on divorce, custody of minor children, determination of alimony, and administration of the property of minor children. Renáta also specialises in the legal status of children in the context of family law institutions. She has published several articles, and is also the main co-author of a monographic series on family law institutes published by Leges.



SLOVAKIA



**INTERNET OF VEHICLES
THE INTERCONNECTED
FUTURE OF PASSENGER
TRANSPORT**

Requirements for increased safety, faster transport, accident reduction, entertainment and autonomy of vehicles are just some of the expectations placed on passenger cars by the market, customers and regulations. The promise of meeting these expectations lies in vehicle connectivity systems based on the ability of vehicles to communicate with their environment via the Internet, in short the Internet of Vehicles (IoV). But there are also many legal challenges associated with this future of transport – protection from hackers, liability for autonomous vehicles, data privacy, and more.

DUE TO THE NATURE OF THE CONNECTIVITY OF VEHICLES AND THE RELATED SERVICES PROVIDED, A RELATIVELY LARGE PART OF THESE WILL FALL UNDER TELECOMMUNICATIONS REGULATION OR THE EUROPEAN DATA PROTECTION FRAMEWORK.



According to *ITSdigest*, it is estimated that 470 million connected vehicles will be driving on the roads worldwide by 2025, and that up to 96% of new vehicles could be classed as connected by 2030. Connected vehicles connect to the network to enable two-way communication between vehicles (cars, trucks, buses or trains) and other vehicles, mobile devices or infrastructure to start critical communications and events.

Current systems allow connections between vehicles, the driver and other devices to be made in a number of ways. For example, V2V (Vehicle-to-Vehicle) enables real-time information exchange between vehicles. This helps to reduce the number of accidents by updating and communicating information – for example, about upcoming hazards, traffic accidents and congestion, dangerous weather, or this also helps to improve the user experience by providing information about the availability of parking spaces, charging stations for electric vehicles, traffic movements, etc.

Another system is V2I (Vehicle-to-Infrastructure) whereby vehicles can transmit/receive data and information with the road infrastructure such as information on traffic, road, weather conditions, accidents, etc., especially for safety purposes. Similarly, for safety purposes, V2P (Vehicle-to-Pedestrian) enables pedestrians, cyclists and others to connect with vehicles. V2C (Vehicle-to-Cloud) then enables vehicles to get access to additional information from the Internet. There is also V2X (Vehicle-to-Everything), a combination of all available types of connectivity, used, for example, to improve comfort and the driving experience.

The need for smart infrastructure

All IoV smart vehicles will need a reliable connection to the local infrastructure to be fully functional and to make use of the available options. These requirements

will largely have to be met by the public administration.

Among other things, it will be necessary to incorporate hardware parts such as sensors, smart parking lots, road lanes equipped with connectivity devices, smart traffic lights or to create software solutions such as applications for monitoring road conditions or weather, and many others. Smart transport infrastructure, when properly built and deployed, can, among other things, help reduce congestion on the roads. Real-time traffic monitoring and au-

SMART VEHICLES WILL NEED A RELIABLE CONNECTION TO THE LOCAL INFRASTRUCTURE TO BE FULLY FUNCTIONAL. THESE REQUIREMENTS WILL LARGELY HAVE TO BE MET BY THE PUBLIC ADMINISTRATION.

tonomous technologies will help optimise the routes and speeds of moving vehicles and prevent traffic jams. Mobile apps, which would receive real-time data from each user's location, could make real-time suggestions to the user on what public transport to take to reduce travel time.

Smart parking could equally be one of the most desirable features of smart infrastructure. Beacons installed in parking

spaces can guide drivers to available spaces, while fully autonomous vehicles can park efficiently without any human intervention. Smart cars that are visible on the network will enable drivers to find their car faster in a crowded parking lot, lock the doors remotely, quickly get any information about the vehicle's condition or track the vehicle's movements, for example in case of theft.

In Slovak practice, connected solutions have so far been used for traffic management on the Bratislava bypass, or for monitoring parking spaces and developing parking policies and systems.

How to use vehicle data

According to statistics by Deloitte, connected vehicles currently generate 25 GB of data per hour, which, for comparison, equals the volume of data needed to listen to music 24 hours a day for a whole month. As in other cases, large volumes of data can be used in a variety of ways.

A number of projects whose solutions are based on data analysis are already being developed. Examples include applications for insurers that help them determine the risks associated with a particular person based on the way they drive or assign points to drivers based on the safety of their driving, which is linked to the amount of their insurance premium and the amount of the insurer's insurance payment.

Vehicle data can also be monetised in other areas. Typical examples are analyses of the connected vehicle's condition (maintenance service notifications, eCall, vehicle statistics), driver behaviour (insurance plans, automatic travel payments, etc.), internal vehicle communication (digital voice assistant, voice control), personalised advertising (custom vehicle settings, additional goods and services, etc.) or road conditions and status (live traffic reports, road conditions, maps).

However, according to published strategies and recent developments, public authorities are also interested in data from and about vehicles or driver behaviour, for example for the purpose of checking compliance with road traffic regulations. It is thus possible that, in addition to the benefits IoV will bring users, linked suppliers and service providers, the vehicle and driving data generated will also be used by supervisory authorities.

Safety and liability

IoV, like any evolving solution, will have to deal with multiple challenges. One of them, for example, is security. Vehicles generate and share vast amounts of data and synchronise with a variety of devices, technologies and systems, making them a top target for attacks. It will therefore be essential to create a risk-focused strategy, ensure effective data encryption, and regular data backups. In addition, it is necessary to ensure compliance with cybersecurity rules and regulations, in particular to have security documentation and strategy in place, to conclude relevant contracts, and to have a strategy in place in case of attacks, e.g. reporting to the relevant authorities, etc.

Vehicle connectivity should also enable the transition to fully autonomous vehicles, where liability is a key issue. What if an intelligent autonomous vehicle misreads the speed limit and starts speeding? Who would be held liable in such a situation? The plans published so far at EU level rather foresee the liability of vehicle manufacturers. However, law is not mathematics and this assumption may not apply universally and a case-by-case approach will probably always have to be taken.

Ensuring appropriate technological solutions

Linked to the volume of data is the ability to manage the constant flow of that data, which puts pressure on storage capacity, processing and connectivity speeds, and processing reliability and accuracy. Both vehicle manufacturers and public infrastructure developers will need to ensure that all nodes are capable of transmitting and receiving information regardless of the conditions and location of the vehicle, whether it is on the highway between LA and San Diego or in the busiest part of New Delhi.

It will thus be necessary to procure appropriate hardware, its maintenance, development and other services, on the part of both the private and public sectors. Similar requirements will be placed on software solutions, their support, maintenance, administration, development and operation, which will necessarily need to be procured and adequately contracted.

Telco requirements

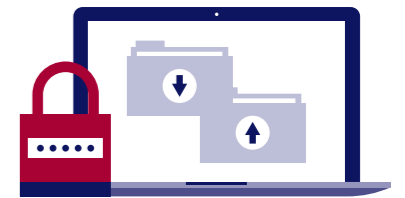
Due to the nature of the connectivity of vehicles and the related services provided, a relatively large part of these will fall under telecommunications regulations. This means, among other things, obtaining the relevant authorisations to provide networks and services, paying fees, complying with telecommunications privacy obligations and, for example, in certain cases, the obligation to allow the connection of eavesdropping equipment.

Personal data processing

Much of the data collected under IoV will fall under the European data protection framework (GDPR, ePrivacy). This can make it problematic for service providers

to process personal data if they are located outside the EU or use cloud storage on servers in non-EU countries.

The *Guidelines* of the European Data Protection Board on processing personal data in the context of connected vehicles requires, in a number of cases, obtaining the vehicle's user's prior consent. In particular, vehicle manufacturers will have to deal with situations where more than one person is using the vehicle, for example in vehicle fleets, and obtain consents before the vehicle is used. So, in addition to adjusting the seat, steering wheel and rear-view mirror, you may also need to "click" a set of consents/disagreements to the processing of personal data before you drive.



The development and evolution of IoV will enable the automotive industry to make a real breakthrough in travelling and the use of vehicles. The need to maximize productivity and save time will only increase the use of IoV. Total connectivity will completely transform the automotive industry, improving safety, making the driving experience more enjoyable and creating a wealth of business opportunities that cannot be missed.

Key contacts



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Štěpán specialises in the areas of information systems and telecommunications law, intellectual property law, data protection law, comprehensive contractual relations, and private international law. He also deals with new technologies, AI, and IoT issues. In the area of ICT law, his primary focus is on the legal aspects of information system implementation, computer software licensing, and cyber security.

Róbert specialises in IT law, intellectual property, media and telecommunications law, new technologies, personal data protection, and e-commerce. He focuses on the legal aspects of information system implementation and software licensing as well as new technologies. In the field of personal data protection, Róbert specialises in setting up processes and compliance with European and Slovak privacy and personal data protection and regulation in electronic communications (e-privacy).



RÓBERT GAŠPAROVIČ | SENIOR ASSOCIATE

WHEN FINANCIAL PROBLEMS ARISE, THE MANAGEMENT MUST ACT

The looming effects of the coronavirus pandemic, the energy crisis, a significant rise in inflation and other circumstances are having a major impact on the business of companies. What if a company runs into financial difficulties and is facing the risk of insolvency? At such times, its managers have a legal duty to act.

In the wake of the events of the last two to three years, the time may be approaching when there will be more insolvencies and corporate restructurings. If a company is facing insolvency or has already become insolvent, this imposes certain duties on the management of business corporations. These duties arise from both the Companies Act and the Insolvency Act.

Insolvency and over-indebtedness

Insolvency includes situations when a business corporation is either unable to pay (in payment default) or over-indebted. Inability to pay occurs when a company has multiple creditors, financial obligations overdue for more than 30 days, and the company is unable to meet these obligations. A company is deemed to be unable to meet its obligations if the obligations are past due for more than 3 months. The

same also applies in cases where the company has suspended payments or where creditors are unable to obtain satisfaction of any of their overdue claims by court enforcement.

Over-indebtedness occurs when a company has multiple creditors and the aggregate sum of all liabilities exceeds the value of the company's assets. In the case of over-indebtedness, the liabilities do not even have to be due and payable. In practice, over-indebtedness usually manifests itself in a business corporation reporting negative equity in its financial statements. However, when assessing over-indebtedness, future business activities of the company and the potential to continue conducting business can also be taken into account, which can potentially increase the value of the assets, and thus over-indebtedness can still be eliminated.

WHAT ARE THE OBLIGATIONS OF MANAGERS IN THE EVENT OF A COMPANY'S INSOLVENCY UNDER THE INSOLVENCY ACT AND THE COMPANIES ACT? AND WHAT IS THE RISK OF FAILING TO MEET THEM?

Whether a company is able to meet its obligations or not can be determined by calculating the so-called liquidity gap. This involves the determination of the difference between the amount of payable liabilities and the amount of available funds. If the liquidity gap is less than 10% of outstanding liabilities, then the company is considered to be able to meet its obligations.

It is also possible to prepare a liquidity gap outlook for the next 8 or 12 weeks, which should show whether or not the liquidity gap will, or will not, exceed 10% of the outstanding liabilities during that period. If it needs to be officially certified that the company is actually not insolvent, a liquidity gap statement or a liquidity gap outlook should be prepared by an auditor or a court-appointed expert in economics.

Obligation to file an insolvency petition

If the financial condition of the company shows that the company is indeed insolvent, then the members of the company's governing body (i.e. the managing directors or members of the board of directors) are obliged to file an insolvency petition with the competent insolvency court without undue delay, i.e. at the time when they became or, acting with due care and diligence, should have become aware of the insolvency.

This obligation should be taken seriously – if the managing directors or members of the board of directors fail to comply with it, they are exposed to severe sanctions. Under the Insolvency Act, they can be held liable for damages caused to creditors as a result of the late filing of an insolvency petition. The amount of the damages vis-à-vis each creditor for which they are liable is determined by the difference between the amount of the claim that the particular creditor filed in the insolvency proceedings and the amount actually received by the creditor in the insolvency proceedings.

The satisfaction of unsecured creditors in bankruptcy is usually only in the range of a few percent. Therefore, the damages for which members of the governing body of a corporation may be liable can be quite high. At the same time, the creditors may require that the member of the governing body is ordered to deposit an adequate amount of compensation for these damages in escrow with the court even as insolvency proceedings are still pending.

Surrender of income by the members of the company's governing body

Beyond the scope of the Insolvency Act, the Companies Act stipulates the liability of a member of the governing body who, by violating their duties, directly contributed

to the insolvency of the business corporation. In such a case, the insolvency court may require the director to surrender to the bankruptcy estate the income he or she has previously received in connection with the performance of his or her office in the corporation. Typically, this will involve remuneration for the performance of office or any other benefit, such as compensation for the use of a company car or flat for private purposes, etc.

If the assets of the corporation are the subject of bankruptcy, the court may order that a member of the governing body is obliged to provide funds to the bankruptcy estate up to the amount of the difference between the total liabilities of the company and the value of its assets. This is based on an action to establish a personal liability to contribute to the company's assets, and the insolvency court takes into account in particular the extent to which the director in question has contributed to the insufficient value of assets in the bankruptcy estate.

The insolvency court may also order a member of the governing body to be excluded from holding any office in business corporations for up to 3 years. The person in question is then barred from being a member of the governing body in

any business corporation in the future, and will also cease to be a member of the governing body in any business corporation in which he or she may still be active.

Company rescue and restructuring

The above-mentioned duties of members of the governing bodies are intended to help in solving the financial difficulties of the company at a time when it is still possible to save the going concern of the company, whether in the hands of the existing management and shareholders, or under the leadership of new investors who can take over the company via a standard acquisition or through the insolvency proceedings.

Insolvency proceedings do not always mean the end of a business; rather, they offer an opportunity for restructuring and further development. Indeed, the Insolvency Act offers a solution in the form of a reorganisation, which allows the company to continue its business operations, provided that the creditors' claims are restructured and paid at least partially and further restructuring measures are adopted. However, the prerequisites for a successful reorganisation are the early recognition of the company's crisis situation and the prompt adoption of the necessary recovery measures.

An example of a timely and successful resolution of insolvency are the insolvency proceedings of the company MERKO CZ, in which HAVEL & PARTNERS participated as a legal counsel to a secured creditor. MERKO CZ, a traditional manufacturer of concrete batching plants and accessories for concrete production, ran into financial difficulties. Subsequently, the company was restructured as part of a reorganisation that involved the conversion of debt into equity (debt/equity swap) and the transfer of real estate assets to the secured creditor. Those assets were subsequently sold to a real estate investor, and MERKO CZ subsequently leased them back for the purposes of its ongoing business activities.

Key contacts



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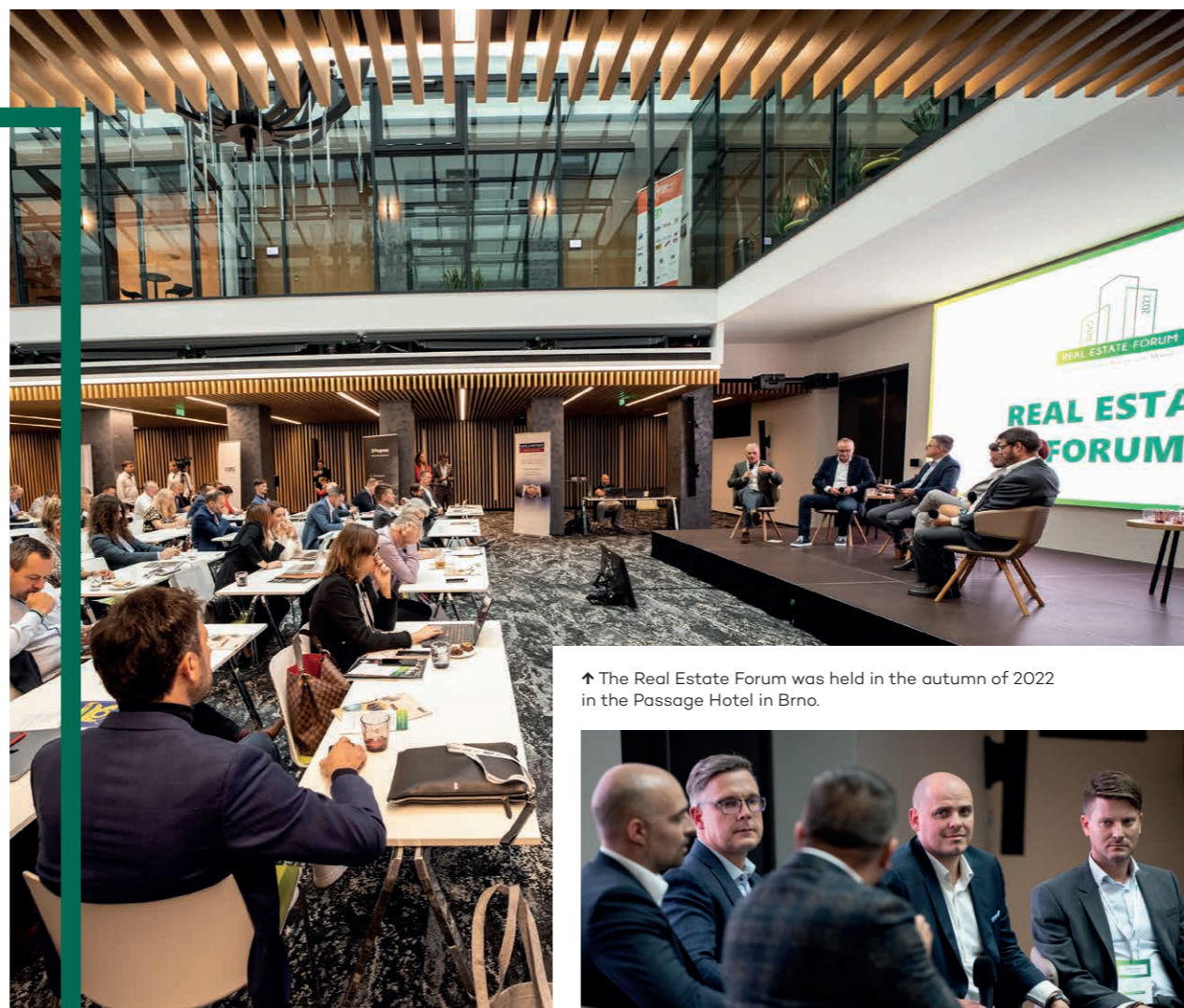
Dušan specialises in restructurings and insolvency proceedings. He has experience in representing creditors and advising Czech and foreign clients in connection with corporate restructurings and bankruptcies. He is a member of the scientific board of the Harry Pollak IEM Centre for Restructuring and Insolvency at the Faculty of Business and Economics of the University of Economics in Prague, and of the Turnaround Management Association of the Czech Republic.

MAREK VOJÁČEK | PARTNER
Marek provides legal services to Czech investment groups in restructuring and insolvency transactions, mergers, acquisitions and divestitures. He also specialises in transactions with bad debt portfolios. He managed the provision of legal services in the bankruptcy proceedings of Union banka, the largest bankruptcy proceedings in the history of the Czech Republic.



DATA, DIGITISATION AND SUSTAINABILITY ARE DRIVING THE REAL ESTATE MARKET

The real estate market has been coping with significant changes in recent months, dictated mainly by high interest rates and the energy crisis. The big topics for developers are therefore financing, sustainability, and digitisation. Representatives of developers, consultants, architects and other experts in the real estate market discussed these topics at the Real Estate Forum, the largest South Moravian real estate conference held in Brno, organised by HAVEL & PARTNERS.



↑ The Real Estate Forum was held in the autumn of 2022 in the Passage Hotel in Brno.



↑ (On the dais from left) Dušan Dvořák (TOP Estates), Pavel Rydzyk (YD Capital), Jiří Václavek (moderator), Lukáš Netolický (Cushman & Wakefield), Zdeněk Vojtek (SVOBODA & WILLIAMS), Josef Šilhánek (DRFG Real Estate)



← (On the dais from left) Martin Skalický (Progresus), Marcel Soural (Trigema), Jiří Václavek (moderator), Václav Stehno (THIERRA), Zlata Botero Vašková (sousedé.cz), Petr Vašina (Siebert & Talas)

← (Facing away) Dušan Dvořák (TOP Estates), (From left) Pavel Rydzyk (YD Capital), Jiří Václavek (moderator), Lukáš Netolický (Cushman & Wakefield), Zdeněk Vojtek (SVOBODA & WILLIAMS)

The real estate market has cooled down. Loans are expensive, and that is why there are fewer investors who buy property on mortgage. “Standard large projects draw 50% of mortgage buyers, but they have disappeared, and apartments are being bought by people who have cash,” said Dušan Dvořák, founder of TOP Estates, at the Real Estate Forum conference.

However, people are still interested in investment apartments intended for rent. Because of expensive mortgages, the demand for rental housing is increasing. Rents are rising not only for apartments but also for offices. “Ten years ago, the highest rent in the centre of Brno

was EUR 12.50 per sqm, today it is EUR 16.50,” said Lukáš Netolický, partner and head of the regional representation of Cushman & Wakefield. In a few years, according to him, the rent for offices in premium projects could reach a price of around EUR 20.

Analyses and digitisation

According to experts, digitisation and automation are the future of the construction industry. As they also said at the Real Estate Forum, without a stock of data and its sophisticated analysis, no development or construction company can stay on top today. “Today, data can change over days, or weeks. Energy prices, central bank interventions... You

need to be on the cutting edge of information technology to be able to maintain your strategy and not make mistakes,” warned Martin Skalický, chairman of the Progresus consulting team.

Developers are also helped by new technologies and digitisation. Modern projects work with the Building Information Model, a computer model of the real building in 3D. Thanks to this, it is possible to continuously monitor the design, construction and operation, and thus to have an accurate idea of the costs. “Today, digitisation is a fundamental means for optimising costs and getting quality buildings,” said Petr Vašina, partner and CEO of Siebert & Talaš.

Digitisation could also make construction management significantly easier in the future. At present, it is still necessary to run around to different authorities with paper documents and get stamps on them. The new Building Act envisages that everything can be done conveniently online. The Ministry of Regional Development is expected to launch the digitisation of building procedures on 1 January 2024. “Building authorities and all other authorities will work with a single, mutually accessible electronic original. This will fundamentally simplify the exchange of data and speed up building permitting in the Czech Republic,” described František Korbel, partner at HAVEL & PARTNERS.

Green buildings

Properties that provide a lower utility bill are also increasingly in demand today. This was confirmed by Miroslav Pekník, director of the Nová Zbrojovka project, “First and foremost, the client is interested in how much he will pay for energy in total. They’re after savings. So they are interested in the envelope, how the house can keep warm or cool.”

Therefore, with an energy crisis at hand, the pressure on energy self-sufficiency and building sustainability is growing. This is also crucial for companies committed to reducing their carbon footprint. Developers are therefore trying to think about construction differently than before.

They combine resources, they build with recycled materials. Buildings have green roofs, work with rainwater and use new technologies that make the buildings smart and save energy. This is creating a whole new standard for buildings, and banks are now offering more favourable financing for green projects.

“The construction industry is the largest contributor to carbon emissions globally. If we can get sustainability and sustainable principles into construction and reduce the carbon footprint, it will have the biggest impact globally,” admitted Lukáš Jiříček, senior advisor at One Advisory.

CHANGES IN RETAIL AND E-COMMERCE. WHAT DOES THE AMENDMENT TO THE CONSUMER PROTECTION LAW CHANGE?

An extensive amendment to the Consumer Protection law introduced considerable changes for e-shops and brick-and-mortar retailers from the beginning of 2023. As of 6 January, websites, and legal documents, especially terms and conditions and complaints procedures, must be adapted to the new rules. Which are the most significant changes?

FAILURE TO COMPLY WITH THE NEW OBLIGATIONS IS PUNISHABLE BY HEAVY FINES OF UP TO 4% OF TOTAL ANNUAL TURNOVER.



Complaints

Traders are liable for defects that were already present when the consumer bought the goods. The new rule is that a defect that becomes apparent during the first year must have already existed at the time of acceptance of the goods (unless the trader can prove otherwise). Previously, this period was only six months.



Withdrawal from the contract

The consumer has the right to withdraw from the contract within 90 days of its conclusion if the trader has used so-called unfair commercial practices (e.g., violated the rules for discount promotions). Depending on how serious the unfair commercial practice is, the consumer may alternatively request a reasonable discount instead of withdrawing from the contract.



Delivery of goods

Unless contractually agreed otherwise, the trader is obliged to deliver the goods to the consumer within 30 days of the conclusion of the contract. A simple modification prolonging the delivery times in the terms and conditions is, however, insufficient. The amendment requires the entrepreneur to directly agree with the consumer on a prolonged delivery period – a sensible option might be, for instance, a specific tick box for orders.



The “Order” button

The order button must clearly state that by clicking on it the consumer is committing to the order. It is therefore no longer sufficient to have just a general “order” button, but it is now necessary to include such wording as “payment binding order”.



Return of tested goods

If the consumer uses the goods within the 14-day period in a common manner and then decides to return them, the trader is not obliged to refund the full price. The consumer is liable for any diminished value of the goods due to a higher degree of use than is necessary to become familiar with their characteristics and check whether they are functional.



Contracts by phone

The amendment tightens the terms and conditions for concluding contracts over the phone. Such a contract will now only be considered concluded once the consumer receives it in text form and subsequently confirms the offer to the trader electronically or signs it in writing.



Discount promotions

The lowest price at which the product was sold in the last 30 days before the discount was granted must be indicated for the discounted item. The percentage discount is then calculated on the lowest price. However, there are exceptions to this obligation. The new rules do not apply to non-perishable food or goods with a short shelf life, or to “2+1 free” promotions or loyalty programmes. For loyalty programmes, these are mainly discounts that result from the consumer’s previous purchases from the retailer, for example, when the consumer receives a ‘20% off’ voucher valid for a further purchase until the end of the month or receives a discount on special occasions, i.e. when signing up for a loyalty programme or on the occasion of a birthday. Simple as this new rule may look, we are faced with a number of practical problems, which will only be definitively resolved in the practice of the Czech Trade Inspection Authority or by court case law.



Customer reviews

According to the amendment, the trader is obliged to inform whether and how it verifies that the customer has actually purchased or used the product or service. If a trader verifies reviews, it must also take reasonable steps to verify that the review comes from a customer who has used or purchased the product or service (for example, sending a link in an e-mail to customers to submit a review within a few days of purchase). It is fine if the trader does not verify the reviews; however, it is then necessary to publicly state that the reviews are not verified.



Instructions for use

The consumer should now receive the instructions on a durable medium – which can, in addition to paper, be a CD, DVD, memory card, computer hard drive, or e-mail. The trader can choose which durable medium to use, for example, to avoid printing paper manuals. Consumers are, however, entitled to request the instructions in a physical, paper form.

Our consumer law team will be happy to assist you with the interpretation of these and other new legal provisions, as well as with the modification of legal documents or the correct setting of information obligations related to the amendment.



NEW LIMITS FOR VAT AND LUMP-SUM TAX, WINDFALL TAX TAX NOVELTIES IN 2023

With the start of the New Year, there have been significant changes in the area of taxes that affect many entrepreneurs and companies. An increase in the income threshold for VAT liability or the income limit for the application of lump-sum tax, the introduction of a new windfall tax, and changes in taxes for individuals will all come into effect. Get familiar with the new tax rules.

WHAT SHOULDN'T YOU FORGET AS THE YEAR STARTS IN RELATION TO TAXES? HERE IS A BRIEF OVERVIEW OF THE MAJOR CHANGES.

Value added tax (VAT) and lump-sum tax

Significant changes have been made in connection with the obligation to pay value added tax. The limit for VAT registration has been increased from CZK 1 million to twice as much. VAT payment is therefore now obligatory for entrepreneurs whose annual turnover exceeds CZK 2 million.

This novelty is also connected with a fundamental change in the introduction of three bands of lump-sum tax, which can only be applied by VAT non-payers. Also here, the limit to apply the lump-sum tax has been increased to the income threshold of CZK 2 million per year.

Classification into one of the three tax flat-rate bands with different taxation then depends on the amount of income and the type of activity the taxpayer carries out. The first band is for entrepreneurs with income of up to CZK 1 million, the second one for entrepreneurs with income of up to CZK 1.5 million, and the third one for entrepreneurs with income of up to CZK 2 million. The classification into the band and the amount of lump-sum tax also depends on the type of income. The law allows a lump-sum expense of 80% for craft trades or agricultural production or forestry and water management, 60% for other trades under the Trade Licensing Act, 40% for freelance professions, income from copyright or business under special regulations, and a 30% lump-sum expense for rental income.

Which band an entrepreneur falls into depends on the upper limit of their income and the type of activity. The band should be chosen on the basis of the amount of previous income for 2022. If you anticipate a higher income for 2023, it is possible to voluntarily enter a higher band, but not a lower one.

Windfall tax

From 2023, a new temporary extraordinary income tax (a so-called windfall tax or WFT) is being introduced to target companies' windfall profits. The WFT applies to selected companies in specific business areas. Whether a company is subject to the obligation to pay it can be found by testing the newly introduced WFT parameters.

The first thing to check is whether the company is a WFT taxpayer at all. At the same time the company must meet two conditions: First, it must be engaged in areas which, from 2023, the Income Taxes Act now classifies as so-called relevant activities. These include, in particular, electricity and gas generation and trade,

banking, fossil fuel extraction, petrochemicals or fuel wholesale trade (the NACE classification codes must be used to precisely determine the so-called relevant activities). Second, it is then necessary to establish the amount of income (revenue) from these relevant activities. Please note that the new regulation is terminologically

compared tax base, for example the corporate income tax base in 2023). The WFT base is then calculated as the difference between the compared tax base and the comparative tax base, which is then subject to a 60% tax. The WFT is then levied on top of the existing 19% corporate income tax (on the standard income tax base).

Extending flat-rate tax for self-employed persons with an annual income of up to CZK 2 million

Classification into 3 bands according to annual income and expense charge-off flat rate for the year 2023

Annual income / lump-sum expense	80%	60%	40%
Up to CZK 1 million	First band	First band	First band
Up to CZK 1.5 million	First band	First band	Second band
Up to CZK 2 million	First band	Second band	Third band

Amounts of monthly flat rate advances according to annual income and lump-sum expense for the year 2023

Annual income / lump-sum expense	80%	60%	40%
Up to CZK 1 million	CZK 6,208	CZK 6,208	CZK 6,208
Up to CZK 1.5 million	CZK 6,208	CZK 6,208	CZK 16,000
Up to CZK 2 million	CZK 6,208	CZK 16,000	CZK 26,000

Source: mfcrcz

imprecise and allows for a different interpretation of the revenue or turnover from the relevant activities. Banks become WFT taxpayers in the case of income from CZK 6 billion and above, for other companies the income threshold is CZK 2 billion. For entities that are part of the WFT taxpayer group, the income threshold of CZK 2 billion is then reduced to only CZK 50 million if the turnover of CZK 2 billion is already achieved within the group.

Therefore, if the company is a WFT taxpayer based on the above conditions, it must then be determined whether it becomes liable to pay the windfall tax. The key is to compare the average profits from the previous years of 2018–2021 plus 20% (comparative tax base) with the general income base of the given particular period (the

The State will collect this windfall tax between 2023 and 2025. Each year will be assessed separately; that is, in any given year, the comparison with the 2018–2021 income will be decisive. Thus, companies may be liable for tax in 2023 but not in subsequent years, or they may have to pay tax for all three years, depending on when they meet the conditions for the mandatory WFT payment.

Pitfalls of the windfall tax

Unfortunately, many issues were not resolved during the discussions on the form and wording of the Czech legislation on the windfall tax. We would therefore like to point out some pitfalls. Although only a company that carries out the so-called relevant activities and earns income from them in excess of the limits set by the law becomes a WFT taxpayer, if such a company

carries out other activities, the WFT will also tax profits from them, even though according to its purpose the WFT should not apply to them (for example sales of unrelated goods). This is because the (WFT) tax base is based on a comparison of the total tax base of the current period and of the previous periods, which includes income from all activities carried out by the entity.

The WFT tax base also does not take into account accumulated tax losses in any way, unlike the standard corporate income tax base. Companies may therefore find themselves in a situation where, due to the possibility of deducting accumulated tax losses from the tax base, they will not be obliged to pay any corporate income tax, but at the same time they may be subject to the WFT, with respect to which no losses can be deducted from the tax base.

The current WFT regulation goes far beyond the original intention of taxing only selected sectors and may therefore affect entities that do not benefit in any way from the current situation. For many companies, this tax can have quite fatal consequences. For example, the current legislation also does not address cases where companies in the initial phase of doing their business or which have generated tax losses in the period between 2018–2021 have a zero or very low comparative tax base for that period. They will then ultimately have to pay a total income tax of up to 79% of all generated profits (i.e., standard 19% corporate tax + 60% WFT) in the period of 2023–2025. In these situations, which may actually arise, an additional 60% WFT may have liquidating effects, as such a high tax liability may lead to the company's insolvency.

Therefore, the Chamber of Tax Advisers of the Czech Republic has repeatedly appealed to the Ministry of Finance of the Czech Republic to incorporate the possibility of individual tax remittance in

the legislation. However, the Ministry has repeatedly refused these requests and the current legislation does not allow for any individual tax remittance.

Further tax changes for individuals

Since the New Year, the minimum annual income threshold (not the tax base) for filing personal income tax returns has been significantly increased from CZK 15,000 to CZK 50,000. Individuals with an annual income of less than CZK 50,000 will therefore not have to file a tax return at all.

At the same time, the income threshold for filing a tax return when income from employment and other income are concurrent has also changed. Until now, it was not necessary to file a tax return if an individual's income outside employment was up to CZK 6,000 per year. This threshold has increased to CZK 20,000 starting from 2023.

The amendment to the Act on Social Security Contributions and State Employment Policy Contributions also changes the rules on when insurance premium discounts can and cannot be applied from February 2023. From 1 February 2023, employers will be able to take advantage of a discount on insurance premiums of 5% of the aggregate assessment bases for insurance premiums (i.e., from 24.8% to 19.8%) for selected groups of employees.

The amendment to the Act on Social Security Contributions and State Employment Policy Contributions lays down many rules on when the discount can and cannot be applied, but in general it is a support for part-time employees, e.g., parents caring for a child under the age of 10, pensioners or students. However, the employer must notify the Czech Social Security Administration in advance of its intention to apply that discount. We therefore recommend that you familiarise yourself with the relevant rules in good time.

Information for the tax authority on trading on digital platforms

The amendment to the International Cooperation in Tax Administration Act, which implements the European DAC7 Directive, introduces a new notification obligation for digital platform operators, including Uber, Vinted, Airbnb and others, from 2023. The operators of these platforms would now be required to provide the tax authority with information about sellers – for example, their account numbers or details of their income from transactions on the given platform. This should give the authorities an overview of which business entities are making profits through digital platforms and thus ensure proper tax collection. The amendment is also intended to contribute to closer international cooperation in tax administration and to allow tax audits involving tax authorities of several EU Member States.

The new obligation is primarily aimed at platforms (e.g., websites, apps or other software) that allow sellers and users to connect for the purpose of selling goods, providing property, personal services or means of transport. Platform operators subject to the notification obligation will always submit information on sellers and transactions for the previous calendar year. The first notification for 2023 must be submitted by 31 January 2024.

Platform operators are advised to find out as soon as possible whether they are subject to the notification obligation. However, this can be quite complex in practice, as even apparent details (such as the chat window on a given platform) can be crucial to this assessment. With respect to the new notification obligation, the General Financial Directorate has therefore issued answers to frequently asked questions.

Key contacts



DAVID KRCH | TAX PARTNER

David has many years of experience in representing foreign corporations operating in the Czech Republic. He is a founding partner of HAVEL & PARTNERS Tax. David provides a complete service for clients, especially in the areas of corporate income tax and VAT in both domestic and international context. Previously, he worked in the tax department of the international consultancy firm PricewaterhouseCoopers.

JOSEF ŽALOUDEK | TAX PARTNER

Josef specialises in corporate tax law, international taxation, restructuring and related aspects of civil and commercial law. He is also responsible for tax litigation. Josef has been involved in advising major international and local companies operating in the fields of information technology, the automotive industry, engineering, the food industry, etc. He publishes on tax law and related topics in professional periodicals. Previously, Josef worked in the tax department of Deloitte.



Silver medal for sustainability from EcoVadis

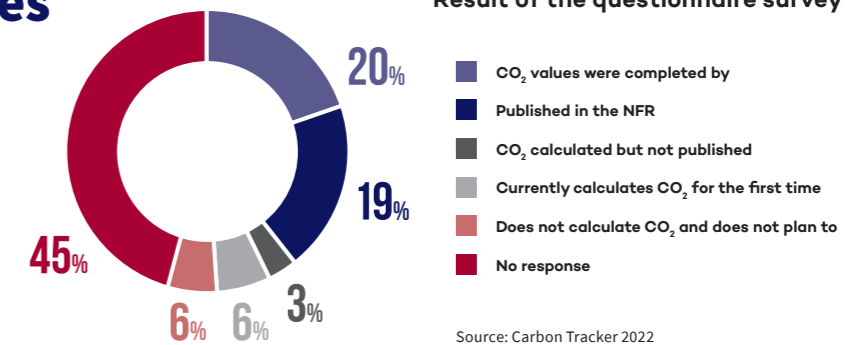
EcoVadis, an international rating company that compares companies in terms of sustainability and ESG, awarded our firm a silver medal, which places HAVEL & PARTNERS among the top 25% of companies. This is an objective and independent message to our business partners that we are a trustworthy and responsible firm.

EcoVadis provides a global rating of companies' sustainability performance based on their reported data and activities related to improving environmental, social and ethical corporate practices. It evaluates and processes information from more than 95,000 companies across 175 countries in 200 industries and categories.

Every second company in the Czech Republic does not yet calculate its carbon footprint

HAVEL & PARTNERS is a founding member of the Climate & Sustainable Leaders Czech Republic initiative. Together with other leading companies from various sectors of the Czech economy, the firm aims to support the reduction of the carbon footprint in the Czech Republic and motivate Czech companies to switch to sustainable operating models. The association is also behind the Carbon Tracker project, the first comprehensive overview of how the largest companies in the Czech Republic deal with CO₂ emissions, and how successful their ambition to reduce them is.

According to the carbon footprint information provided by 55% of the 150 largest Czech companies (by turnover in 2021), it is clear that approximately every second company in the Czech Republic does not yet calculate its carbon footprint or refuses to publish its results for various reasons. In particular, manufacturing companies, which make up more than a third of the 150 companies, have great difficulty calculating their carbon footprint. On the other hand, work on the carbon footprint and decarbonisation is most often undertaken by companies operating in the construction sector, traditionally banks and insurance companies, and also technology companies, including mobile operators.



HAVEL & PARTNERS part of the United Nations Global Compact

We were the first law firm in the Czech Republic and Slovakia to join the United Nations Global Compact, an initiative bringing together 15,000 companies and 4,000 non-business entities from more than 160 countries to promote adherence to the principles of sustainability and equality in the areas of human rights, labour, environment and anti-corruption.

“At HAVEL & PARTNERS, we are fully aware of the need to actively contribute to sustainability, equality and the fight against corruption. That is why we have joined the UN project, which strives to respect and fulfil the principles that are among our corporate values and have long been an integral part of our corporate culture,” said Veronika Dvořáková, the firm's partner responsible for CSR.

PRO BONO



Breakfast worth every penny

Sweet macarons, fluffy cakes, luxurious Christmas cakes, sponge cakes, muffins, chocolate pralines, as well as fancy meatloaf and other delicacies – after a two-year Covid break, we have resumed the tradition of charity breakfasts before Christmas. Some colleagues cook and bake and others shop. We then donate the money to a good cause.

Thanks to the skilful cooks and chefs and our hungry colleagues we broke the record and raised CZK 51,055. The office doubled and rounded the amount, so CZK 105,000 was donated to a good cause. We divided the proceeds and sent them to People in Need to help Ukraine, to support Memory of Nations, and to Plant for the Planet, an organization that fights climate change by planting trees.

A safe place for children at risk



The first Children's Advocacy Centre in the Czech Republic was established in Prague to help children at risk, and we are pleased that we were able to contribute to its establishment with pro bono legal advice. In practice, it takes months to a year for abused children to reach a specialist who can provide them with the specialised help they need. During an investigation, children must undergo forensic examinations, interviews with social workers, or questioning by the police and the court. As many as 29 different people talk to them.

At the Children's Advocacy Center, launched by the LOCIKA Center in cooperation with the Ministry of Labour and Social Affairs, the Sirius Foundation, and other institutions, children can now complete this challenging process in one place. Officials, police officers, doctors, and psychologists will come directly to them. This ensures that children receive professional help promptly and in a safe environment.

From the front page to help

During the Advent season, the Slovak National Theatre Opera and Ballet Hall in Bratislava was full of celebrities from Forbes magazine covers. Not only was the personality of the year announced at the prestigious Top Covers 2022 evening, but attendees also lent a helping hand. A traditional charity auction was held and guests bid on experiences and artwork. Thanks to the guests, the charity auction raised over EUR 139,000.

And we were there. As a partner of the event, HAVEL & PARTNERS also contributed EUR 3,000 (CZK 75,000) to support three non-profit organizations helping children and people suffering from mental disorders. We split it equally between Children with Cancer, Buddy, which supports children who cannot grow up in their families, and the Mental Health League.

3 000 EUR

Movement helps

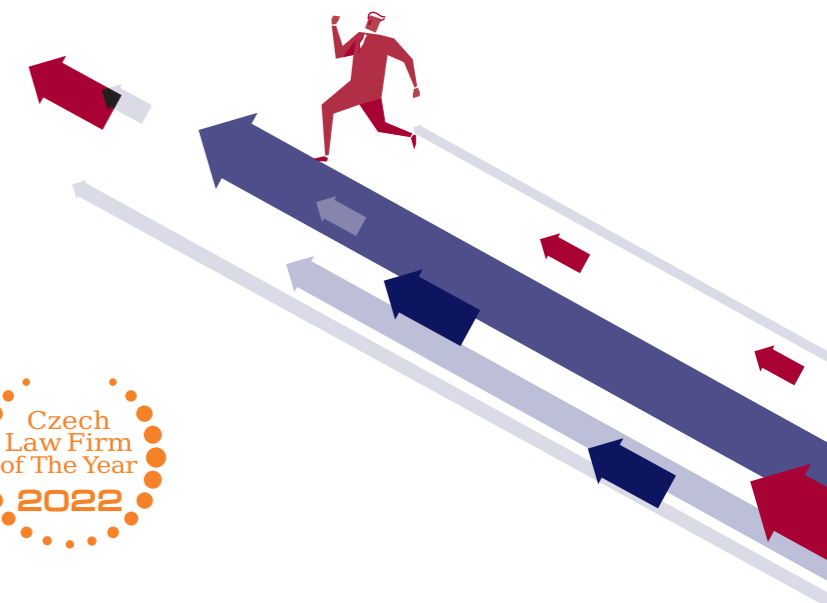
For one full week in September, we put on our running shoes and raced to do a good deed in Prague's Letná park, where the traditional charity run TERIBEAR hýbe Prahou, an event designed for everyone who wants to help, took place.

Neither the time, the running style, nor how much a person had trained was the deciding factor. Every kilometer counted and the amount of money we ran for went to support abandoned and endangered children under the patronage of the Tereza Maxová Foundation.



AWARDS RECEIVED IN THE CZECH REPUBLIC AND SLOVAKIA

HAVEL & PARTNERS is the most successful law firm, providing the most comprehensive legal services in the Czech Republic and Slovakia, based on the total number of all nominations and awards in all years of the Law Firm of the Year awards.



The firm became the absolute winner of this competition six times in the last eight years, receiving the main award **Domestic Law Firm of the Year in the Czech Republic** (2015, 2017, 2018, 2020–2022) and ranking among the most recommended law firms in all sector categories. HAVEL & PARTNERS is also a six time winner of the **Law Firm of the Year award for Best Client Services** (2015, 2016, 2019–2022) and received the same award in Slovakia (2020–2022). The firm also won the **International Law Firm** category in the Slovak Law Firm of the Year competition (2022).

HAVEL & PARTNERS was named the best law firm operating in the Czech Republic by the prestigious global rating agencies **Chambers and Partners** (2020–2022) and **Who's Who Legal** (2018–2022).

In the field of M&A, HAVEL & PARTNERS ranks among the best law firms in the Czech Republic. As part of the **Law Firm of the Year** competition, it won this category both in the Czech Republic (2019–2022) and in Slovakia (2015, 2020, 2021).

Prestigious international rating agencies **EMIS DealWatch** and **Mergermarket** have ranked HAVEL & PARTNERS among the leading law firms by the number of transactions completed in the Czech Republic since 2010. Based on the number of completed transactions, HAVEL & PARTNERS is also the top law firm in the region of Eastern Europe according to the foreign ranking **Refinitiv** (2019). Based on annual awards of the **Acquisition International** magazine, HAVEL & PARTNERS has become the Law Firm of the Year 2019 in the M&A category in the CEE region.

The firm has also won a number of non-legal awards.



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comprehensive
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and Slovak law firms.

