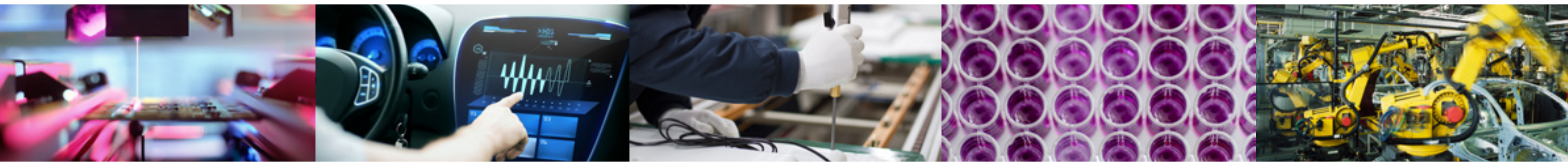
Your World First

Greenfield investments in CEE



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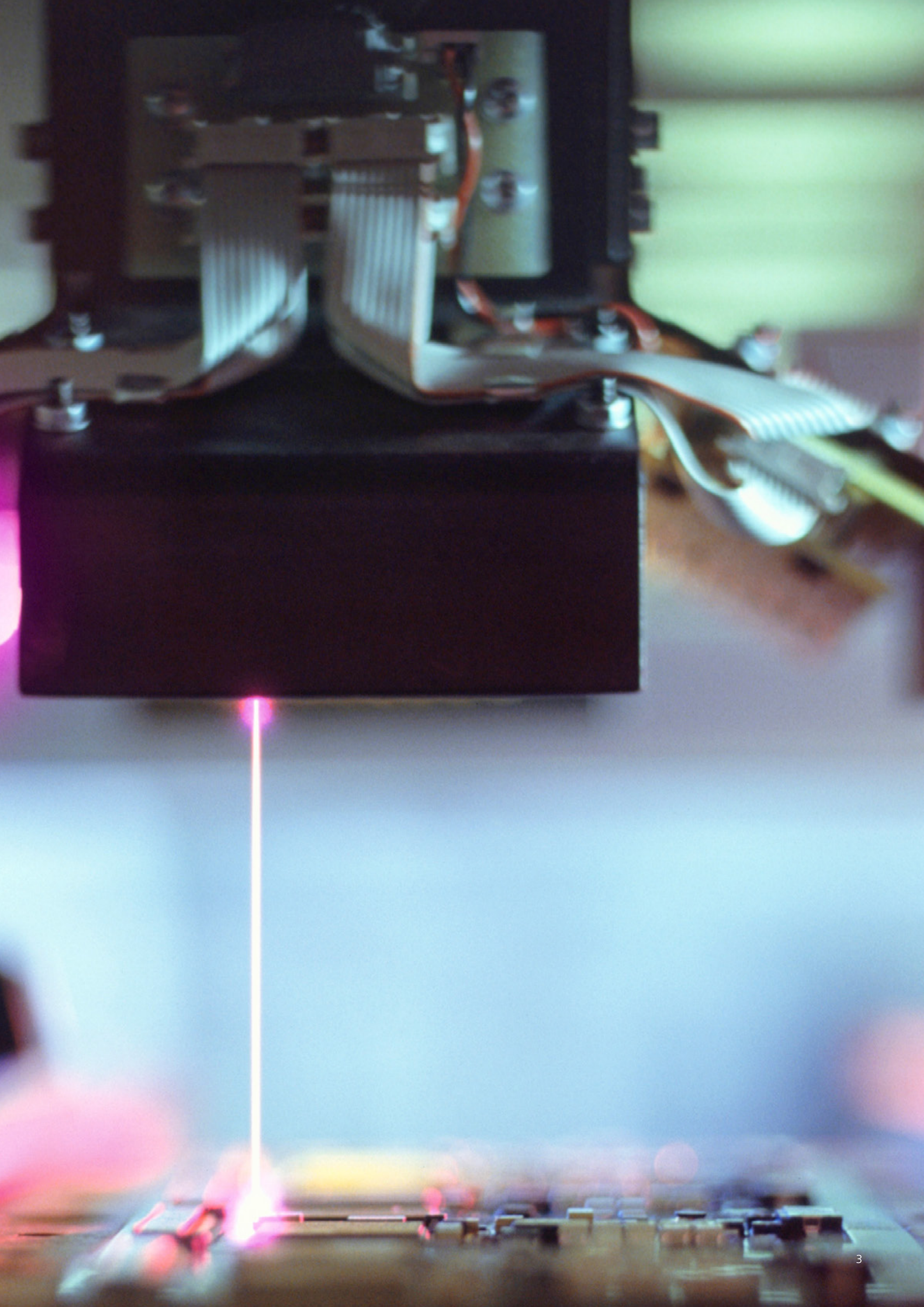

CEE region

What must investors consider?

This guide to investment in the Central and Eastern European ("CEE") region is intended to help potential investors understand what incentives are available when investing in the leading countries in CEE. It also sets out information about the process for entering into an investment agreement in order to access funds, as well as covering key real estate, competition, infrastructure, tax and employment considerations.

Since the fall of the Berlin Wall over a quarter of a century ago, the countries of CEE have attracted significant foreign direct investment in greenfield operations. Indeed many manufacturing businesses have focused on expanding capacity in the countries of CEE, sometimes at the expense of Western Europe.

By way of an example, in the automotive sector many "OEMs" have developed additional capacity in the region. Over the last decade or so there have been noteworthy investments by Hyundai, KIA, and Volkswagen Group and, more recently Jaguar Land Rover has declared its intention to open a factory in the region. Many component suppliers including Bosch, Delphi and Honeywell have set up manufacturing facilities to serve these operations, as well as customers in Western Europe. We have also seen significant investments in manufacturing in electronics, IT, life sciences and consumer products.

However, it would be simplistic to regard the CEE region as merely providing relatively low-cost manufacturing facilities. Since the admission of many countries in the region to the European Union, there has been a significant move by companies from all sectors to set up shared services operations. These range from the creation of an accounting back office for IBM in Poland to the creation of a call centre by AIG in Bulgaria. We have also seen a number of companies create IT operations in the region. This has been particularly marked in Romania, where there is a strong emphasis on the technology sector.

Over the coming years this trend is likely to increase. Many governments in the region realise that for their economies to catch up with Western European income levels, it will be necessary for there to be more in the way of "value-added" input. This is likely to mean that CEE countries will be keen to attract more R&D centres and engineering bases.

International companies wishing to invest in the CEE region will inevitably look at a number of different markets before selecting a suitable location. Often potential investors run beauty parades and seek offers from local investment agencies in relation to the available incentives packages. In conjunction with this process, investors normally organise site trips to, among other things, identify suitable land plots, ascertain the availability of skilled labour and assess the transport links available.

We have deliberately made this guide easy to read and have structured it in such a way that potential investors can compare incentives and other key criteria in respect of the major markets.

We have focused on seven countries: Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey. These are the seven countries which have attracted the highest greenfield FDI levels in recent years. However, there are other markets including the Baltic States and parts of the former Yugoslavia which can also prove attractive. This guide comes with a health warning that it is not meant to be comprehensive and that laws can quickly change. It is, therefore, important to seek professional advice at an early stage. CMS is a full service law firm with significant offices in all the countries covered by this report. We frequently help international investors with planning and implementing greenfield operations and can make introductions to the investment agencies in the various countries.

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CEE in numbers

169 m
population

EUR 1.7 tn
GDP in total

EUR 113 bn
EU funds in total (2014-2020)

5 reasons to invest in CEE

1. Well-educated labour force and lower labour costs than in western Europe
2. Tax exemptions and preferences for investors.
3. The region benefits from EU structural funds and multiple national programs on investment grants.
4. Rapidly developing infrastructure with good transport links to western Europe and elsewhere.
5. Significant and growing domestic markets.

Largest investments in CEE

Sector	Bulgaria	Czech Republic	Hungary
Machinery	SKF, Lufthansa Technik, Montupet	Ingersoll Rand, Siemens, Edwards, Daikin	Apollo, Hankook, Continental, Bridgestone, Ibiden, Knorr-Bremse, Denso
IT & Telecoms	ICB, CISCO, Microsoft, HP	Microsoft, Skype, DHL, Tieto, Red Hat, SolarWinds, IBM, NetSuite	IBM, ZTE, SAP, Oracle, Huawei, Nokia
Shared Services Centres	Coca Cola Hellenic Bottling Company, HP, AIG	DHL, Accenture, ExxonMobil, IBM, SAP, Infosys, Johnson & Johnson	British Telecom, BP, Vodafone, National Instruments, Emirates, IBM, Morgan Stanley, Tata, General Electric, Diageo
Electrical Engineering/ Electronics	Liebherr, ABB, Siemens, Honeywell	–	Samsung, Flextronics, Philips
Automotive	Witte Automotive, Sumitomo Electric, Yazaki Corporation	Hyundai, Johnson Controls, Volkswagen/Škoda Auto, Bosch, Toyota/PSA, Valeo, Faurecia, TRW, Magna	Audi, Suzuki, Daimler - Benz, Bosch, General Motors
Lifesciences	Pharmaceutical Product Development, TEVA Pharmaceuticals	TEVA Pharmaceuticals, LonzaBiotec, Baxter International, Otsuka Pharmaceuticals, Sanofi Aventis, Beckman Coulter, Zentiva	GE Healthcare, Johnson & Johnson, Becton Dickinson, TEVA, Sanofi, Sauflon
R&D	–	–	Becton Dickinson

	Poland	Romania	Slovakia	Turkey
	Faurecia, Nexteer Automotive, TRW, Delphi, Valeo, Hutchinson, Michelin, Bridgestone, Goodyear, Pilkington, Johnson Controls, Lear Corporation	–	INA Kysuce, Getrag Ford Transmissions, INA Skalica, Vaillant Industrial Slovakia, Continental Automotive Systems	Airbus
	IBM, Asseco, Comarch, Ericpol	Microsoft, Oracle, ZTE, Huawei, IBM, Nokia, Orange	Dell, IBM, HP, ESET, Sygic	Foxconn
	Shell, Electrolux, HP, Nokia, Heineken, Carlsberg, Credit Suisse	–	Dell, IBM, Hewlett-Packard, AT&T, Lenovo, Accenture, JCI, NESS	–
	LG Display Poland, Jabil, Sharp, Funai, LG Electronics, Alcatel-Lucent, Kimball Electronics, Flextronics International, Dell	–	Samsung Electronics, Whirlpool, Foxconn, Panasonic Electronic Devices Emerson Electric Slovakia, Emerson	Bosch, Huawei
	Volkswagen, Fiat Auto, General Motors, Ford	Renault, Autoliv, Ford, Daimler, Draxlmaier, Bosch, Continental	Volkswagen, KIA Motors, PSA Peugeot Citroen, Jaguar Land Rover	Fiat Chrysler Automobiles, Ford, Hyundai, Toyota, MAN, BMW, PSA Peugeot-Citroen, Renault
	GlaxoSmithKlein, Bayer CorpScience, GenMed	GSK, Glenmark, Aspen, Novartis, Pfizer, Roche	Elfa Pharma, GSK, Low&Bona	Novartis, Pfizer, GSK, Bayer, Sanofi-Aventis, Unilever
	NSN, Motorola, Samsung, Delphi, Rockwell Automation, Faurecia, Delphi, Valeo, Google, Capgemini, Oracle, Unilever	Oracle, Unilever	Johnson Controls, ON Semiconductor, Leoni, BSH, ThermoSolar, Sauer Danfoss, Krauss Maffei, Ness, Siemens, Alcatel-Lucent, Mühlbauer, Continental Automotive Systems	–

Balancing the factors in CEE

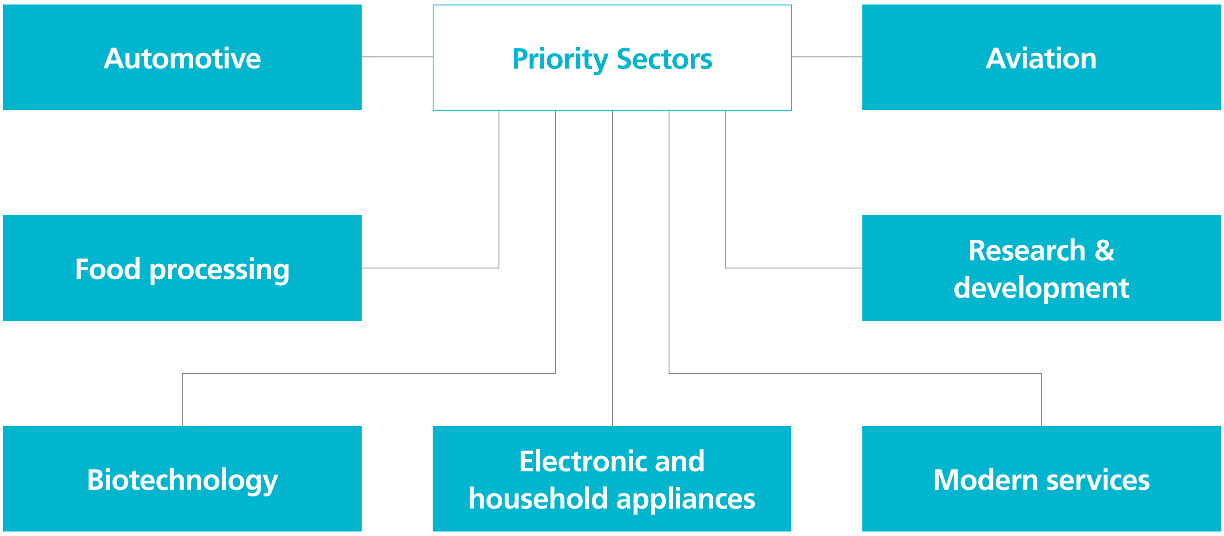
Potential investors need to take into account a variety of factors in choosing a location. Many of these factors are covered in this guide e.g. investment grants, tax incentives, land purchase issues, employment law etc.

It is rarely the case that an investment will be made on the basis of a single set of criteria. For example, the tax regime on its own should rarely be a sole determinant. Governments change, as do tax regimes. Likewise, labour costs have increased in some markets over the last few years and are likely to continue doing so although claims that there will be convergence in the coming decades may be wide of the mark.

Key Issues

- **Timing**
- **Investment grant**
- **Infrastructure**
- **Availibility of real estate**
- **Taxation**
- **Labour**

Investment grants



EU rules

Generally, under EU law it is prohibited to grant any kind of incentives that may affect competition and trade between Member States. However, there are a number of exceptions from this general rule, allowing the granting of aid for research and development, training, the creation of employment and environmental protection. There are also certain exemptions from the general prohibition, to facilitate the development of certain business areas or activities. This permitted is known as sectoral aid. Current priority sectors for such sectorial aid are set out in the table above.

Furthermore, regional aid is permitted to promote economic development in areas where the standard of living is abnormally low or where serious unemployment (compared to the EU average) occurs. The intensity of aid will depend on which region the investor chooses.

As many of the countries in CEE are less economically developed than their western European counterparts, aid is often permissible under EU law to encourage development within regions. It is generally the case that aid tends to be more generous away from major conurbations. For example, in Poland, aid generally will not be available for investments in the Warsaw region but will be available for investment in the south of the country, where unemployment tends to be high. The main exception to this general rule is the Czech Republic where, as set out in the table below, there is a uniform percentage of aid available across the whole country (with the exception of Prague).

The table below presents the maximum level of aid in regions within EU CEE countries[1]:

Bulgaria

25%

Yugozapaden region

50%

Other regions

Czech Republic

25%

whole country with the exception of Prague

25%

Hungary

20%

certain parts of Central Hungary

50%

Northern Hungary, Northern Great Plain, Southern Great Plain and Southern Transdanubia

Poland

15%

Warsaw

50%

Lubelskie, Podkarpackie, Podlaskie, Warmińsko-Mazurskie

Romania

10%

35%

for the Western Development Region and 50% for all other Development Regions

Slovakia

25%

Western Slovakia

(please note that the Bratislava region is excluded entirely)

35%

Eastern Slovakia, Central Slovakia

The maximum amount and form of support varies from country to country. We set out below a summary of the main support available in each country.

1 Based on Regional Aid Map for each country approved for the years 2014-2020.


>>01
LOREMIPSUM
140
RATE
01
02
05
06
07
08
09
10
11
12
01
03
06

Bulgaria

In Bulgaria there are two main categories of support – employment subsidies as cash grants to enable existing employees to obtain further qualifications and/or the creation of new employment, and support for new investment by way of cash grants for the acquisition of assets and/or building infrastructure. There is also a third category of support, which is available with either of the above. This comprises enhanced administrative support whereby licenses, permits, etc. relevant to a certified investment project are processed with priority. Investment projects are classified as Class A and Class B according to mainly quantitative criteria such as the minimum number of new jobs and minimum investment expenditures, as set out in the tables below.

Employment subsidies

Required level of investment and job creation

Processing industry

	Class A	Class B
Minimum new jobs created	150	100
Minimum investment expenditures	BGN 4 m	BGN 2 m

High-tech industry sectors:
Automotive, biotechnology, chemicals, pharmaceutical, electronics incl. household appliances, medical appliances

	Class A	Class B
Minimum new jobs created	25	10
Minimum investment expenditures	BGN 4 m	BGN 2 m

Business support services, including shared service centres (accounting, finance, call centres, etc.)

	Class A	Class B
Minimum new jobs created	150	100
Minimum investment expenditures	BGN 1 m	BGN 0.5 m

High-tech services:
IT services, software development, R&D, healthcare services

	Class A	Class B
Minimum new jobs created	50	20
Minimum investment expenditures	BGN 1 m	BGN 0.5 m

Available support

Level of grants for job creation (the figures below apply to all sectors)

25%
of training costs
(but not more than EUR 2 m)

17.5%
of actual payroll costs (available for a maximum period of 24 months)

Support for new investment

Required level of investment and job creation

Processing industry

150
Class A

100
Class B

Minimum new jobs created

BGN 10 m
Class A

BGN 5 m
Class B

Minimum investment expenditures

High-tech industry sectors:
Automotive, biotechnology, chemicals, pharmaceutical, electronics incl. household appliances, medical appliances

150
Class A

100
Class B

Minimum new jobs created

BGN 4 m
Class A

BGN 2 m
Class B

Minimum investment expenditures

Business support services, including shared service centres (accounting, finance, call centres, etc.)

150
Class A

100
Class B

Minimum new jobs created

BGN 3 m
Class A

BGN 1.5 m
Class B

Minimum investment expenditures

High-tech services:
IT services, software development, R&D, healthcare services

150
Class A

100
Class B

Minimum new jobs created

BGN 2 m
Class A

BGN 1 m
Class B

Minimum investment expenditures

Available support

Level of grants for job creation (the figures below apply to all sectors)

25%

of eligible costs
(but not more than EUR 18.75 m
for the Yugozapaden region)

50%

of eligible costs
(but not more than EUR 37.5 m
for the rest of Bulgaria)

Czech Republic

In the Czech Republic there are two categories of support – (i) employment subsidies as cash grants for job creation and training and (ii) cash grants for strategic projects.

Required level of investment and job creation

Minimum thresholds for qualifying as a strategic cumulative investment project (to be achieved within 3 years):

Manufacturing

EUR 18.5 m
Expenditures

500
Jobs created

Tech centres

EUR 9.25 m
Expenditures

250
Jobs created

Available support

Employment subsidies as cash grants for job creation and training are only available in regions with high unemployment rates. These subsidies are as follows:

Special industrial zones[2]

EUR 11,100
Job creation grant per single new job

–
Eligible training costs

Regions with an unemployment rate between 25 % - 50 % higher than the national average

EUR 3,700
Job creation grant per single new job

25%
Eligible training costs

Up to 25 % of all eligible costs

The cash grants for strategic projects are as follows:

Mainly manufacturing and technology centres

EUR 5,546,000
Manufacturing

10%
Eligible investment costs in a cash grant

[2] Industrial Zone Holešov, Industrial Zone Ostrava – Mošnov, Triangle Industrial Zone (Northwest), Industrial Zone Joseph (Northwest), and Industrial Zone Kolín-Ovčáry

Hungary

Hungary has two main categories of support. These are cash subsidies and development tax incentives. Cash subsidies can take a number of forms, as listed in the table below, where, besides the location of the investment, there is also a minimum cumulative condition for both the size of the investment (i.e. amount of eligible costs, including assets or payroll for new employees for the first 24 months) and the minimum number of new jobs created.

Required level of investment and job creation

Available support

(Depending on region)

Initial investment outside the Central Hungary region (irrespective of size of Company) eligible costs calculated based on investment amount

Minimum amount of eligible costs	Minimum number of new jobs	Location of the investment	Maximum level of support
EUR 20 m	100	Győr-Moson-Sopron County; Fejér County	25%
		Komárom-Esztergom County	35%[1]
EUR 10 m	50	Vas County; Zala County	25%
		Veszprém County	35%
		Northern Hungary; Northern Great Plain; Southern Great Plain; Southern Transdanubia	50%[1]

Initial investment in the Central Hungary region (only for SMEs!) eligible costs calculated based on investment amount[2]

Minimum amount of eligible costs	Minimum number of new jobs	Location of the investment	Maximum level of support
EUR 20 m	100	0% cities of Central Hungary	–
		20% cities of Central Hungary	20% (+10% or 20%)
		35% cities of Central Hungary	35%[1] (+10% or 20%)

Initial investment for new economic activity in the Central Hungary region by large enterprises (eligible costs calculated based on investment amount

Minimum amount of eligible costs	Minimum number of new jobs	Location of the investment	Maximum level of support
EUR 20 m	100	0% cities of Central Hungary	–
		20% cities of Central Hungary	20%
		35% cities of Central Hungary	35%

[1] In case of investments by small enterprises the maximum level of support could be increased by 20%, in the case of investments by medium-sized enterprises the maximum level of support could be increased by 10%

[2] Within the Central Hungary region, there are different categories of city, which attract different levels of support

Required level of investment and job creation

Initial investment for new economic activity in underdeveloped regions (eligible costs calculated based on investment amount)

EUR 5 m

100

- Vas County
- Zala County
- Veszprém County
- Northern Hungary
- Northern Great Plain
- Southern Great Plain
- Southern Transdanubia

Initial investment for job creation (eligible costs calculated based on first 24 months payroll costs) outside Central Hungary

EUR 10 m

100

- Győr-Moson-Sopron County
- Fejér County
- Komárom-Esztergom County

EUR 10 m

50

- Vas County
- Zala County
- Veszprém County
- Northern Hungary
- Northern Great Plain
- Southern Great Plain
- Southern Transdanubia

Initial investment for job creation (eligible costs calculated based on first 24 months payroll costs) in Central Hungary (only for SMEs!)

EUR 10 m

100

- 0% cities of Central Hungary
- 20% cities of Central Hungary
- 35% cities of Central Hungary

Initial investment for job creation (based on first 24 months payroll costs) in favour of a new economic activity in Central Hungary (for large enterprises)[5]

EUR 10 m

100

- 0% cities of Central Hungary
- 20% cities of Central Hungary
- 35% cities of Central Hungary

Setting up a Shared services center

Initial investment outside the Central Hungary region

50

- Western Transdanubia
- Central Transdanubia
- Northern Hungary
- Northern Great Plain
- Southern Great Plain
- Southern Transdanubia

Minimum amount of eligible costs | Minimum number of new jobs | Location of the investment

Available support

25% 35% 50%[4]

25% 35%

25% 35% 50%

0% 20% (+10% or 20%) 35% (+10% or 20%)

0% 20% (+10% or 20%) 35% (+10% or 20%)

25% 35% 50%

Maximum level of support

[3] SMEs shall meet less stringent conditions as specified in line 1
[4] +10% for medium-sized companies, +20% for small companies
[5] For SMEs, please see line 3

Required level of investment and job creation

Setting up a Shared services center

	Minimum amount of eligible costs	Minimum number of new jobs	Location of the investment	Maximum level of support
Initial investment in the Central Hungary region (only for SMEs!)		50	0% cities of Central Hungary	0%
			20% cities of Central Hungary	20% (+10% or 20%)
			35% cities of Central Hungary	35%[1] (+10% or 20%)
Initial investment for new economic activity in the Central Hungary region by large enterprises		50	0% cities of Central Hungary	0%
			20% cities of Central Hungary	20%
			35% cities of Central Hungary	35%

Available support

Special non-refundable job creation/training subsidy

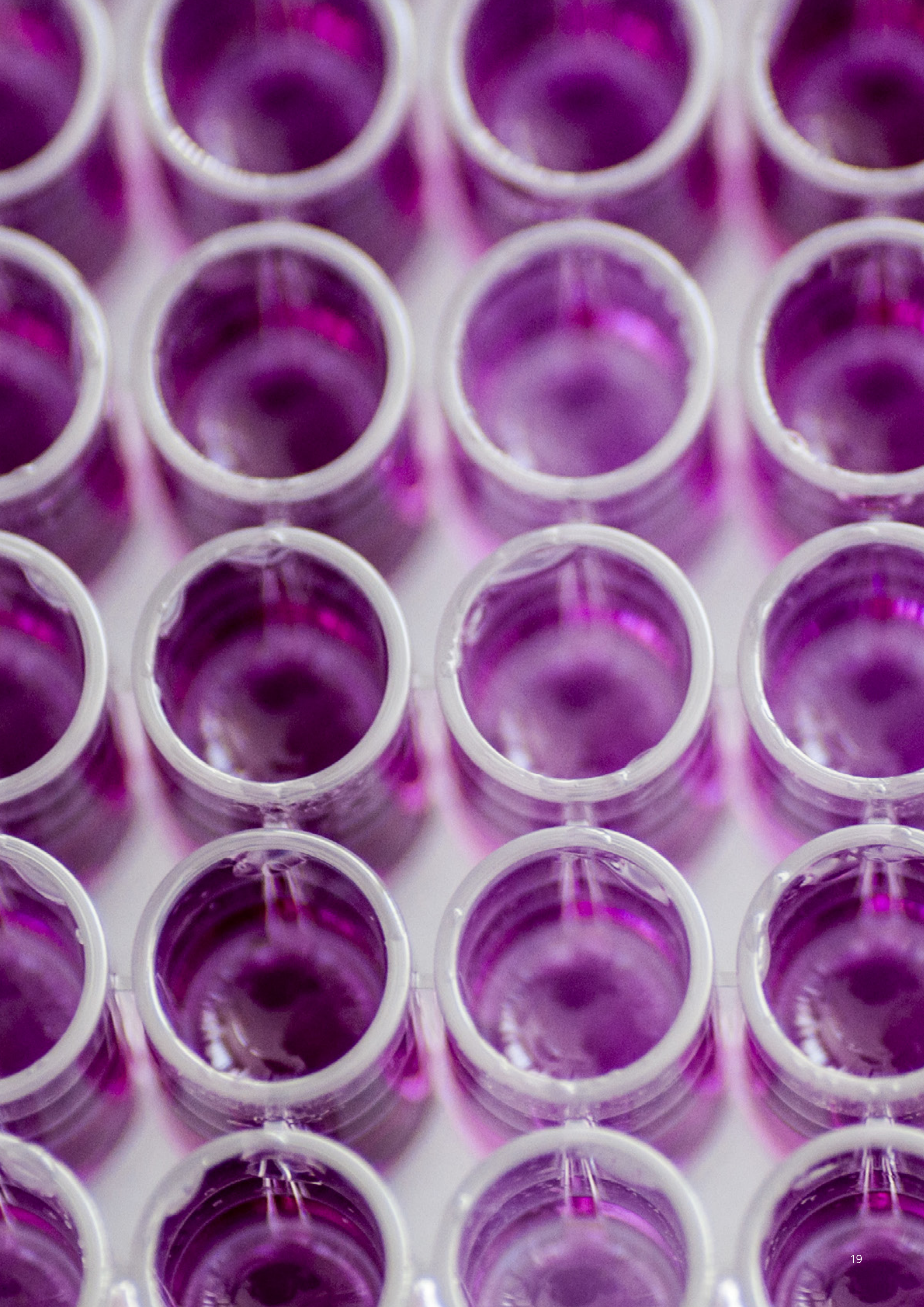
	Minimum amount of eligible costs	Minimum number of new jobs	Location of the investment	Maximum level of support per employee
Usually granted for the largest investments only		–	–	EUR 3,000

The amount of subsidy will be decided by the government, taking into account factors such as the number of jobs created above the minimum ratio of employees with higher education; the sector concerned etc. The key subsidised sectors are biotechnology, electronics, machinery, life sciences, information technology and telecommunications, automotive, the food industry and shared service centers.

Tax incentives

Tax incentives are available. These amount to up to 80% of the corporate income tax payable (up to the state aid intensity ceilings, which also reflect cash grants), and may be claimed for a limited amount of time (for 10 years after completing the investment, and not later than 14 years from the application). The minimum amount of investment in order to make a development eligible for tax incentives are as follows:

Minimum amount of investment	Purpose or location of the investment / Size of investor
HUF 3 bn	Purpose or location of the investment: Other regions
HUF 1 bn	Purpose or location of the investment: Northern Hungary; Southern Great Plain; Northern Great Plain; Southern Transdanubia
HUF 500 m	Size of investor: Investments by SME's
HUF 100 m	Purpose or location of the investment: R&D investments; Food processing; Environmental protection; Film and video production; Investment following an IPO; Free enterpreneurial zones



Poland

In Poland there are two categories of support – employment grants and support for new investment. Both categories of support may be obtained simultaneously. In order to attract support both the minimum investment and new jobs figures need to be met. In order to attract support both the minimum investment and new jobs figures need to be met.

Minimum employment figures and investment levels to attract support

Employment grants

Manufacturing:
automotive, biotechnology, electronics incl. household appliances, aviation, agricultural and food processing

250

PLN 40 m

BSS

250

PLN 1.5 m

R&D

35

PLN 1 m

Significant investment in other manufacturing sectors

200

PLN 750 m

500

PLN 500 m

Grants for new investment

Manufacturing:
automotive, biotechnology, electronics incl. household appliances, aviation, agricultural and food processing

50

PLN 160 m

R&D

35

PLN 10 m

Significant investment in other manufacturing sectors

200 — Investment expenditures

PLN 750 m — Employment

500 — Investment expenditures

PLN 500 m — Employment

Available support

PLN 3,200 – PLN 15,600

Per job

1.5% – 7.5%

Eligible costs

10%

Eligible costs

Romania

Romania currently runs a couple of state aid schemes, the most relevant being: (i) a cash grant scheme covering salary costs in job creating investments and (ii) a cash grant scheme covering the creation or acquisition of tangible and intangible assets in investments which has a major impact on the economy. Unlike certain other countries covered in this report, there are no statutory requirements for the creation of a minimum number of jobs or minimum investment levels.

Scheme supporting investments in regional development which promote job creation

Maximum national budget

Until 2020

EUR 600 m

Maximum EUR 100 m per year

New jobs per location

20

Maximum level of grant

EUR 26.25 m

Western Romania & Ilfov

EUR 37.5 m

All other regions

EUR 11.25 m – EUR 7.5 m

Bucharest region

Jobs created must be maintained for 3 years for SMS and 5 years for large sized enterprises.
Investment must remain operational over the same period.

Scheme for promoting investments with a major impact on the economy

Maximum national budget

Unil 2020

EUR 600 m

Maximum EUR 100 m per year

Minimum investment

EUR 10 m

Maximum level of grant

EUR 26.25 m

Western Romania & Ilfov

EUR 37.5 m

All other regions

EUR 11.25 m – EUR 7.5 m

Bucharest region

Investor must source at least 25% of the eligible costs from own equity.
Costs associated with tangible assets cannot exceed 50% of the total eligible costs of the investment.

Other tax incentives

Romania offers a number of other tax incentives including: (a) profit tax exemption (in certain conditions) for reinvested profit; (b) income tax exemption (in certain conditions) in the IT (software development) sector.

Slovakia

In Slovakia there are, in general two categories of cash support : cash support for new investments (for procured tangible and intangible assets) and contributions to newly created jobs.

Other categories of support include income tax relief and transfer of state/municipal immovable property or exchange of immovable property at a price lower than the general value of property.

The overall levels of cash support are subject to maximum intensity levels i.e. the amount of aid is subject to a maximum investment limit as a percentage of eligible costs.

Maximum intensity of investment aid*

Western Slovakia

Eligible costs up to EUR 50 million			Eligible costs over EUR 50 million		
45%	35%	25%	25%	12.5%	8.5%
Small Enterprise	Medium Enterprise	Large Enterprise	For part of Eligible costs up to EUR 50 m	For part of Eligible costs over EUR 50 m and up to EUR 100 m	For part of Eligible costs over EUR 100 m

Central Slovakia

Eligible costs up to EUR 50 million			Eligible costs over EUR 50 million		
55%	45%	35%	35%	17.5%	11.9%
Small Enterprise	Medium Enterprise	Large Enterprise	For part of Eligible costs up to EUR 50 m	For part of Eligible costs over EUR 50 m and up to EUR 100 m	For part of Eligible costs over EUR 100 m

Eastern Slovakia

Eligible costs up to EUR 50 million			Eligible costs over EUR 50 million		
55%	45%	35%	35%	17.5%	11.9%
Small Enterprise	Medium Enterprise	Large Enterprise	For part of Eligible costs up to EUR 50 m	For part of Eligible costs over EUR 50 m and up to EUR 100 m	For part of Eligible costs over EUR 100 m

***** as % from the amount of Eligible costs

In order to be eligible for investment aid, the following criteria apply in respect of investment amounts and newly created jobs.

Minimum investment amounts

Industrial manufacturing

Lower than average unemployment rate

Large Project	SME	Own equity	Spent on new machinery and equipment	Minimum level of newly created jobs
EUR 10 m	EUR 5 m	50%	60%	40
Eligible costs				

Higher than average unemployment rate

Large Project	SME	Own equity	Spent on new machinery and equipment	Minimum level of newly created jobs
EUR 5 m	EUR 2.5 m	50%	50%	40
Eligible costs				

35% higher than average unemployment rate

Large Project	SME	Own equity	Spent on new machinery and equipment	Minimum level of newly created jobs
EUR 3 m	EUR 1.5 m	50%	40%	40
Eligible costs				

Districts listed in the "List of the least developed districts" unemployment rate

Large Project	SME	Own equity	Spent on new machinery and equipment	Minimum level of newly created jobs
EUR 200,000	EUR 100,000	50%	30%	10
Eligible costs				

Technological centres

Eligible costs	Own equity	Minimum level of newly created jobs
EUR 500,000	50%	30*

***70% of all employees must have a university degree**

Shared services centres

Eligible costs	Own equity	Minimum level of newly created jobs
EUR 400,000	50%	40*

***60% of all employees must have a university degree**

Contributions to newly created jobs

The maximum level of contribution to newly created jobs depends on the region of Slovakia where the project is implemented.

Western Slovakia

Not more than 100% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
–	EUR 10,000	EUR 6,000

At least 135% and lower than 160% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 6,000	EUR 10,000	EUR 6,000

Higher than 100% and less than 135% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 5,000	EUR 10,000	EUR 6,000

At least 160% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 15,000	EUR 30,000	EUR 18,000

Central Slovakia

Not more than 100% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
–	EUR 10,000	EUR 6,000

At least 135% and lower than 160% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 10,000	EUR 10,000	EUR 6,000

Higher than 100% and less than 135% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 9,000	EUR 10,000	EUR 6,000

At least 160% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 30,000	EUR 30,000	EUR 30,000

Eastern Slovakia

Not more than 100% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
–	EUR 10,000	EUR 6,000

At least 135% and lower than 160% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 10,000	EUR 10,000	EUR 6,000

Higher than 100% and less than 135% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 9,000	EUR 10,000	EUR 6,000

At least 160% of average unemployment

Industrial manufacturing	Technological Centres	Shared services centres
EUR 30,000	EUR 30,000	EUR 30,000

Turkey

Turkey has pursued an aggressive incentives scheme, which has been available to both Turkish entities and Turkish subsidiaries of foreign companies, since 2012. For the purposes of the scheme, Turkey is divided into six regions. Region 1 is the richest region, containing cities such as Istanbul and Izmir while Region 6 is the poorest. The incentive scheme is also divided into four regimes: the general investment incentives regime, the regional investment incentives regime, the large scale investment incentives regime and the strategic investment incentives regime.

The general investment incentives regime supports investments in an amount of at least TL 1 million for investments in regions 1 and 2 and TL 500,000 for investments in regions 3, 4, 5 and 6. Investments that may not be incentivised cannot benefit from this regime.

Under the regional investment incentives regime, on the other hand, the sectors to be supported are determined according to the potential and size of the local economy of the relevant region. As with the first regime, this regime also supports investments in an amount of at least TL 1 million for investments in regions 1 and 2 and TL 500,000 for investments in other regions. Certain activities, such as the manufacture of renewable energy turbines and generators and certain mining activities, are provided with higher value incentives, especially if the value of the investment is at least TL 1 billion.

The large scale investment incentives regime supports 12 investment areas, mainly relating to the energy, infrastructure and life sciences sectors. The minimum investment amount required in order to benefit from the relevant incentives varies between TL 50 million and TL 1 billion.

The strategic investment incentives regime, meanwhile, supports investments where the production capacity for the products to be manufactured will be less than the products exported, the export value of the products to be manufactured for the last year has been USD 50 million, the investment amount will be at least TL 50 million and the investment will create added value of at least 40%.

The support to investors under each regime is set forth in the following table.

General investment incentives regime

TL 1 m	**TL 1 m**	**TL 500,000**	**TL 500,000**	**TL 500,000**	**TL 500,000**
Region 1	**Region 2**	**Region 3**	**Region 4**	**Region 5**	**Region 6**

Regional investment incentives regime

TL 1 m	**TL 1 m**	**TL 500,000**	**TL 500,000**	**TL 500,000**	**TL 500,000**
Region 1	**Region 2**	**Region 3** (see exceptions)	**Region 4** (see exceptions)	**Region 5** (see exceptions)	**Region 6** (see exceptions)

Large scale investment incentives regime

TL 500,000 — TL 1 m

12 sectors

Strategic investment incentives regime

TL 50 m

Support Provided	General Investment Incentives Regime	Regional Investment Incentives Regime	Large Scale Investment Incentives Regime	Strategic Investment Incentives Regime
VAT Exemptions	Provided for all regions.	Provided for all regions.	Provided for all regions.	Provided for all regions.
Customs Tax Exemptions	Provided for all regions.	Provided for all regions.	Provided for all regions.	Provided for all regions.
Tax Deductions	–	Provided for all regions.	Provided for all regions.	Provided for all regions.
Social Security Premium Support (Employer Share)	–	Provided for all regions.	Provided for all regions.	Provided for all regions.
Income Tax Withholding Deduction	–	Provided for investments in region 6.	Provided for investments in region 6.	Provided for investments in region 6.
Social Security Premium Support (Employee Share)	–	Provided for investments in region 6.	Provided for investments in region 6.	Provided for investments in region 6.
Interest Rate Support	–	Provided for regions 3, 4, 5 and 6 within the scope of regional investment incentives.	–	Provided for regions 3, 4, 5 and 6 within the scope of regional investment incentives.
Allocation of Land	–	Provided for all regions.	Provided for all regions.	Provided for all regions.
VAT Returns	–	Not provided.	–	Provided for the construction expenses of strategic investments with an investment amount of at least TL 500 million.

Other support offered by CEE countries

New manufacturing facilities are likely to require additional infrastructure including rail and possibly road links. It may also be necessary for there to be upgrades to utility lines and, in the case of larger facilities, additional training facilities, social housing, health care facilities and public transport. As a general rule, governments are keen to explore ways of providing such additional infrastructure for significant investments. However, it is important to be aware that such provision of additional infrastructure may count towards the overall state aid limit. The key fact is whether such infrastructure is provided purely for the benefit of the new investment or is provided for other businesses operating in the area and/or the local community. Without being able to demonstrate that this is the case, it is possible that the European Commission will take an interest.

Timing and procedural steps

As a general rule, most applications for investment aid in the EU countries will involve a two-stage process. It is firstly necessary to deal with the national authorities. In most cases, subject to a few exceptions, national authorities will have to seek approval from the European Commission.

The timing of the investment process in CEE will generally depend on the size of the project and the scope of the investor's needs. Usually it will be necessary to enter into a specific investment agreement with the relevant government. Often such agreements can take a long time to finalise and may go through many iterations.

As a general rule, it is not possible to commence investment until at least the formal application for state aid has been submitted. In certain cases, it will be necessary to wait until later in the process.

The timing set out below primarily focuses on situations where only domestic approval is required. Usually the national authorities that have considered the state aid application will, after giving preliminary approval, submit the application to the European Commission.

For more straightforward cases, there is a simplified procedure which provides that the Commission will adopt a decision within 20 working days from the notification. For more significant cases, the member state granting the aid will submit an application form to the Commission. The content of the application form is generally agreed with the investor.

For more significant cases the Commission investigation will take at least six months. As a general rule, it is recommended that the investor makes direct contact with the Commission in advance, particularly where a significant amount of state aid is contemplated. The Commission should be able to give guidance as to its thoughts on the form of the application and documentation to be entered into between the investor and the member state.

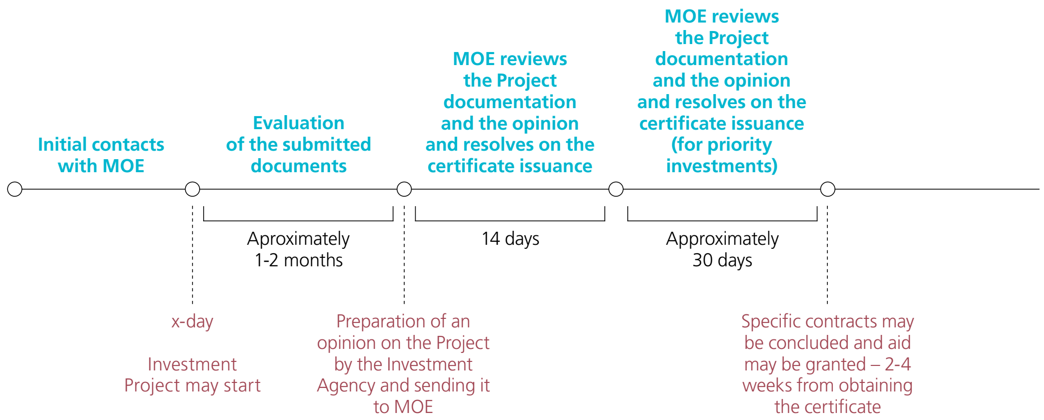
In large projects there is inevitably a risk of other delays, which may occur, for instance, in cases where zoning is required (see below) or where the state is involved in the acquisition of land or the preparation of a site. In order to minimize such a risk it is always recommended to include deadlines for the completion of each key stage of process into the investment agreement or side letters signed by the local authorities.

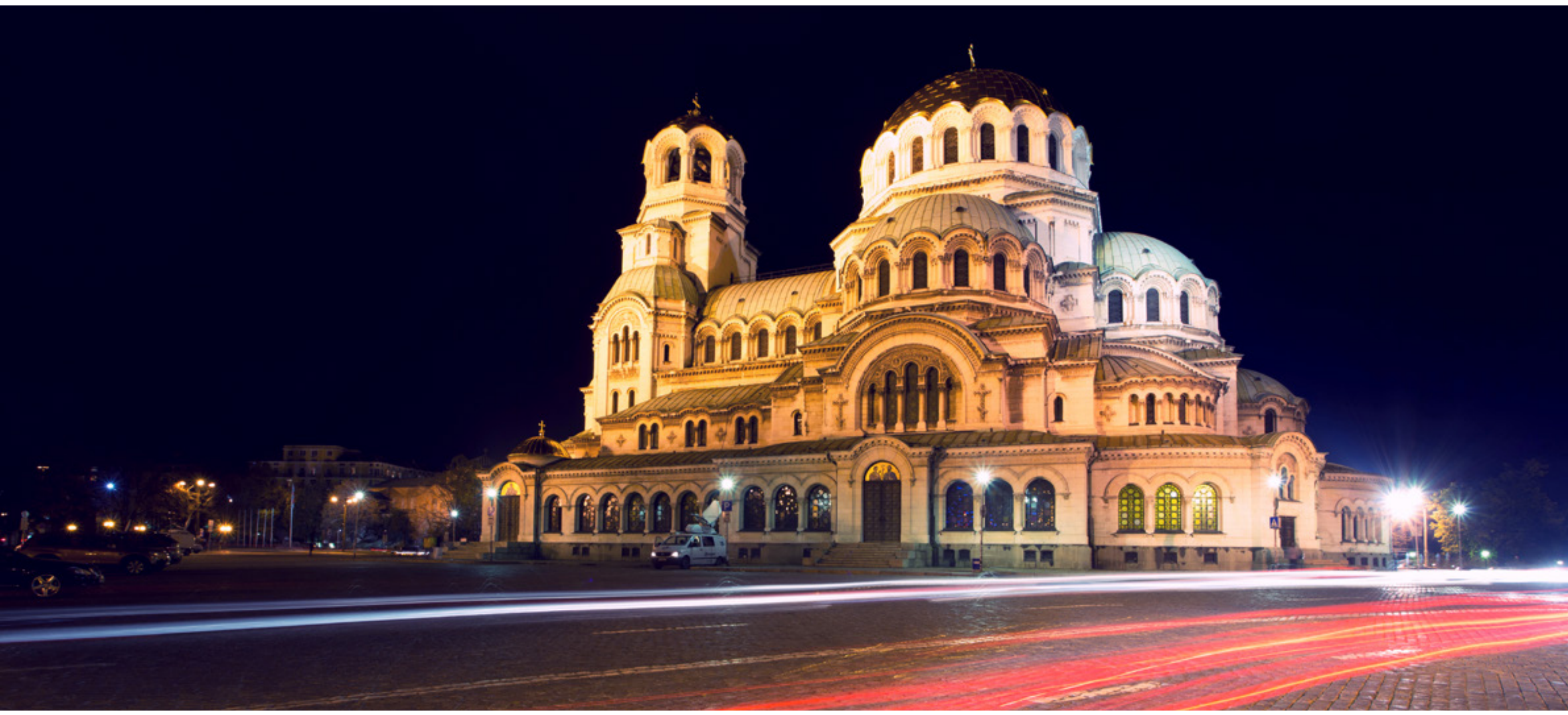
Sometimes governments and governmental agencies in the region can play fast and loose with confidential information. Often this is to ensure favourable publicity for a government, particularly in the run up to elections or to score points over other countries competing for the same investment. To minimise such problems, it is essential that a potential investor emphasise that the maintenance of confidentiality is a prerequisite for investment in the country. This can be reinforced by having appropriate confidentiality provisions with corresponding penalties, in the investment agreement and other key documentation.

Bulgaria

In Bulgaria, the investment incentives process officially starts with the submission of an investment project to the Invest Bulgaria Agency. Usually, this step is preceded by detailed discussions with the Invest Bulgaria Agency and the Ministry of Economy ("MOE"). The implementation of the investment project may not start before the investment project has been submitted for certification. Only investment projects that meet certain criteria (eligible sectors, minimum amount of investment, minimum new employment etc.) can benefit from incentives.

The process is divided in two major stages. The first stage involves certifying the investment project. Depending on the type of the certificate (Class A, or Class B) different sets of incentives are available for the project. The second stage covers negotiating and entering into a specific investment agreement in respect of particular investment incentive(s). It normally takes three to four months from the submission of the investment project until entry into a specific investment agreement but the process may take longer in certain situation.





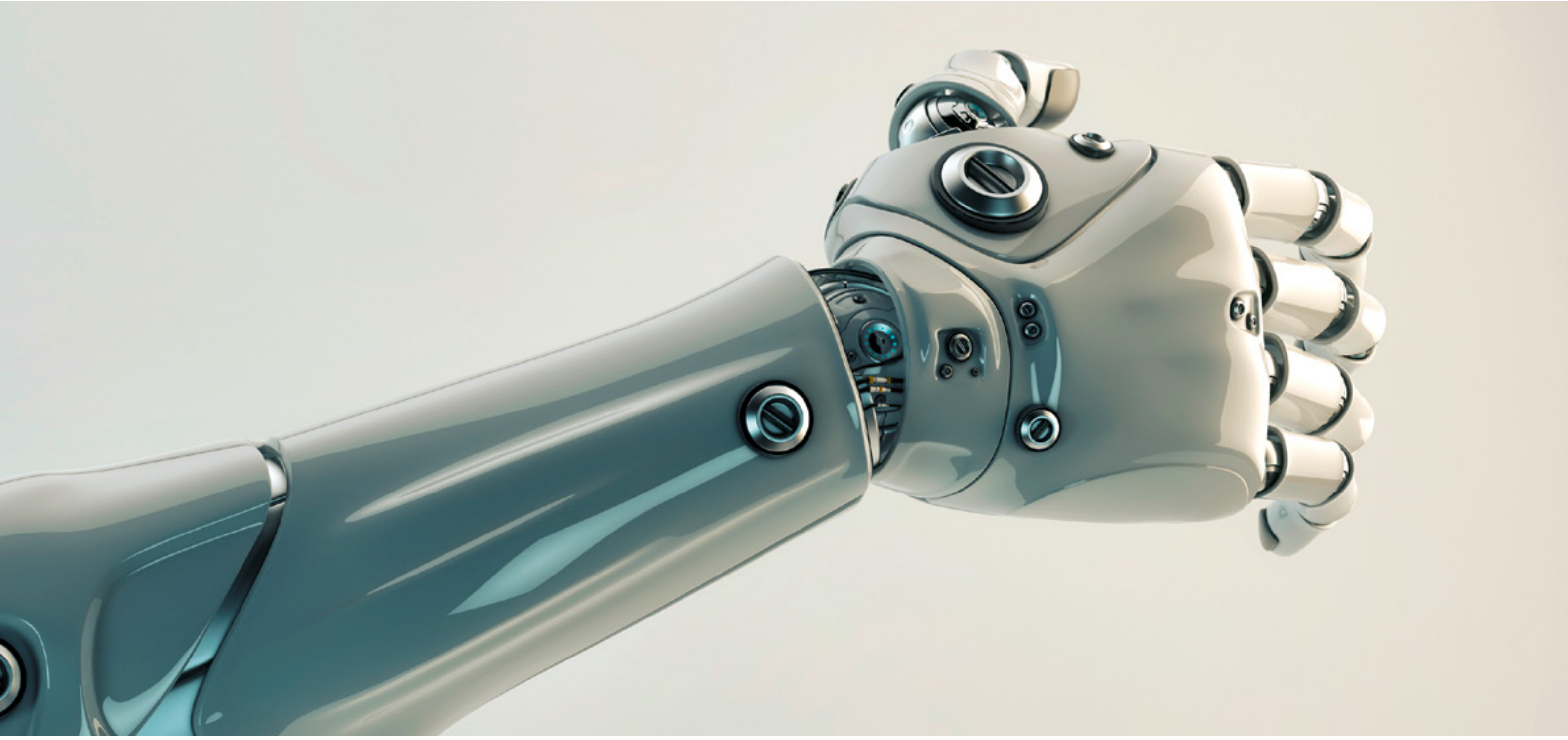
Czech Republic

In the Czech Republic, the investment process officially starts with an application for incentives to CzechInvest. No investment should be undertaken prior to this time. From the point at which the application is received, the whole procedure normally takes around six to nine months. The exact time will depend on how quickly the applicant files the final application. From the submission of the final application, the Ministry of Trade and Industry has 30 days to issue a binding promise to grant investment incentives. The promise takes the form of an administrative decision. In practice, for larger investment, certain aspects of the investment can be also governed in an investment agreement between the investor and the state.

In case of employment subsidies, after the applicant obtains a promise of investment incentives, the applicant (employer) enters into an agreement for the granting of subsides with the Employment Agency. This agreement sets out the terms for granting of these subsidies.

Application for incentives to CzechInvest	Assesment by CzechInvest	Ministry's assessment stage	The final application	Decision on incentives granted
approx. 14 days (depends on communication with CzechInvest regarding the revised documents)	1 month	2 to 3 months	0 to 3 months (depends on applicant)	Up to 1 month

Ministry of Trade and Industry provides the applicant with an offer

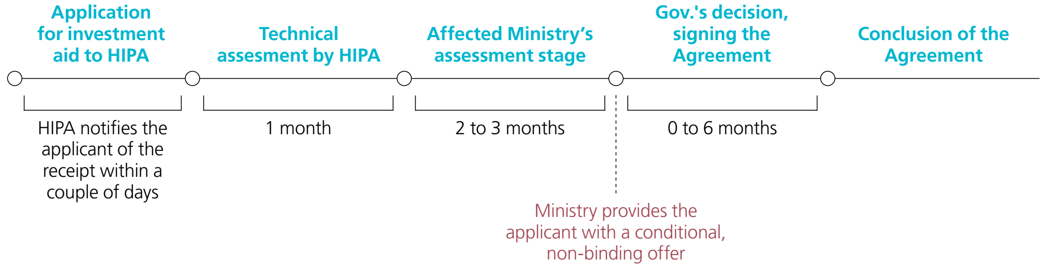


Hungary

The investment process in Hungary officially starts with the submission of a detailed investment aid application to the Hungarian Investment Promotion Agency ("HIPA"). HIPA will then confirm the receipt of the application within a few days. The investment cannot start prior to submission of the application for investment aid.

Following the technical assessment of the application, HIPA as a representative of the donor and on the basis of the donor's agreement will provide the applicant with a non-binding, conditional offer. If the applicant accepts such conditional offer, the donor will present the subsidy application to the Hungarian Government. The Government will then issue its decision on granting the subsidy. In accordance with the decision of the Hungarian Government the donor will conclude an investment agreement with the applicant.

The procedure from acceptance of the conditional offer by the applicant to the signing of the investment agreement (including notification to the Commission) normally takes 6-12 months. However, if Commission notification is unnecessary, the process will usually be much shorter.

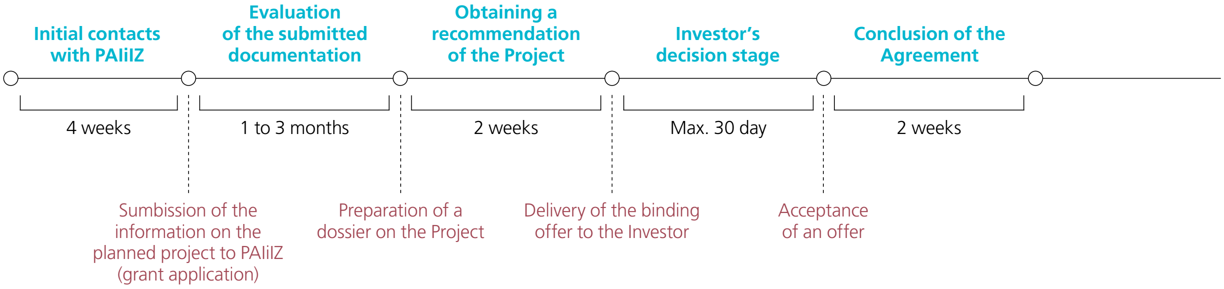


Poland

In Poland, the investment process consists of two procedures conducted simultaneously:

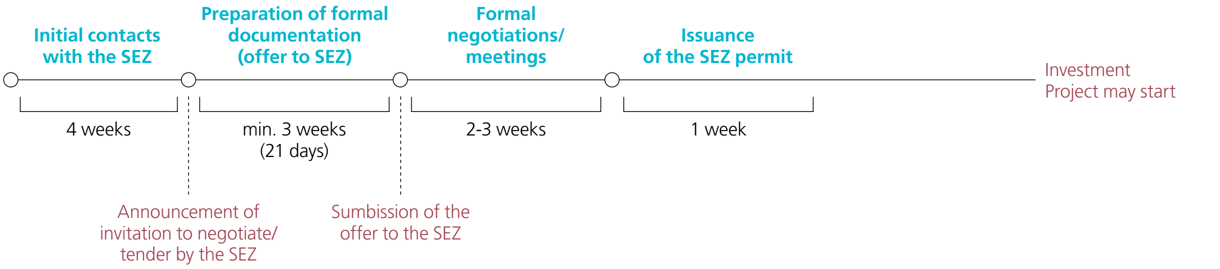
(i) negotiation and conclusion of an investment agreement; and (ii) procedure to obtain a permit to operate within a Special Economy Zone (“SEZ”). The investment agreement process officially starts after submission of the grant application to the Polish Information and Foreign Investment Agency (“PAIiIZ”) and usually takes approximately three months. The procedure for obtaining the SEZ permit is shorter and takes no more than two months.

(i) Conclusion of the investment agreement



The investment process officially starts after submission of the grant application to the Polish Information and Foreign Investment Agency (“PAIiIZ”). After evaluation of the documentation, PAIiIZ will make its decision on recommended support for the project and submit its recommendation to the Minister of Economy in order to obtain the final approval. Once the recommendation is approved, PAIiIZ will provide the Investor with the binding offer. The Investor has a maximum 30 days to decide whether to accept the offer or not. In case of a positive decision, the investor has to apply to the Minister of Economy for a letter of intent confirming that the investment may commence. As a final step, the Minister of Economy will conclude an investment agreement with the investor. The whole procedure usually takes approximately three months.

(ii) Obtaining an SEZ permit



In order to carry on business activities in the SEZ, a permit has to be issued. To apply for a SEZ permit, a company has to prepare a formal documentation (“the Offer”) for submission to the SEZ. The Offer must contain the business plan that describes the envisaged investment to be carried out in the SEZ and must state the declared amount of capital expenditure to be incurred and the number of new jobs that will be created. The minimum capital investment expenditure for which an SEZ permit can be issued is EUR 100,000. Once the Offer is prepared, the company can take part in a tender organised by the SEZ authorities. It is common for the company to be the only participant in the tender. If it wins the tender, the company is granted a permit to operate in the SEZ. Please note that there are some business activities that do not qualify for operation in a SEZ (e.g. manufacturing of tobacco, manufacturing of alcoholic beverages, wholesale and retail services). Therefore, before filing the Offer, it is advisable to check whether the planned business activity is covered by one of the exclusions. The procedure to obtain the SEZ permit usually takes no more than two months.

Romania

In Romania, the granting of state aid follows certain procedural phases, as follows:

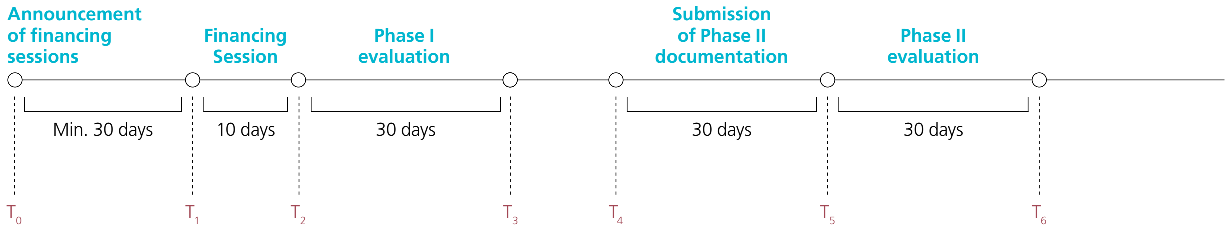
(i) Phase I – application for a financing agreement which includes:

- Submission of a Request for Financing;
- Assessment of the Request for Financing from both, a documentary and an eligibility/compliance perspective;
- Publication of the results on the website of the Ministry of Public Finances ("**MPF**");
- Communication of results to applicants which meet the eligibility/compliance criteria.

(ii) Phase II – evaluation of application, which includes:

- Submission of evaluation/assessment documentation by applicant;
- Assessment of Phase II documentation (in this phase, the applicant may be requested to submit additional documents and/or clarifications);
- Issuance of the Financing Agreement;
- Notification of the applicant via post as to the issuance of the Financing Agreement.

Requests for Financing may be submitted only during the course of "financing sessions", which generally last 10/15 working days and are announced in advance on the website of the Ministry of Public Finances at least 30 days in advance. The timeline for granting financing under the State Aid schemes is usually as follows:



T_0 date on which the financing session is announced via MPF website;

T_1 start date for financing session;

T_2 end date for financing session;

T_3 end date for Phase I evaluation;

T_4 communication of results to eligible applicants;

T_5 deadline to submit Phase II documentation;

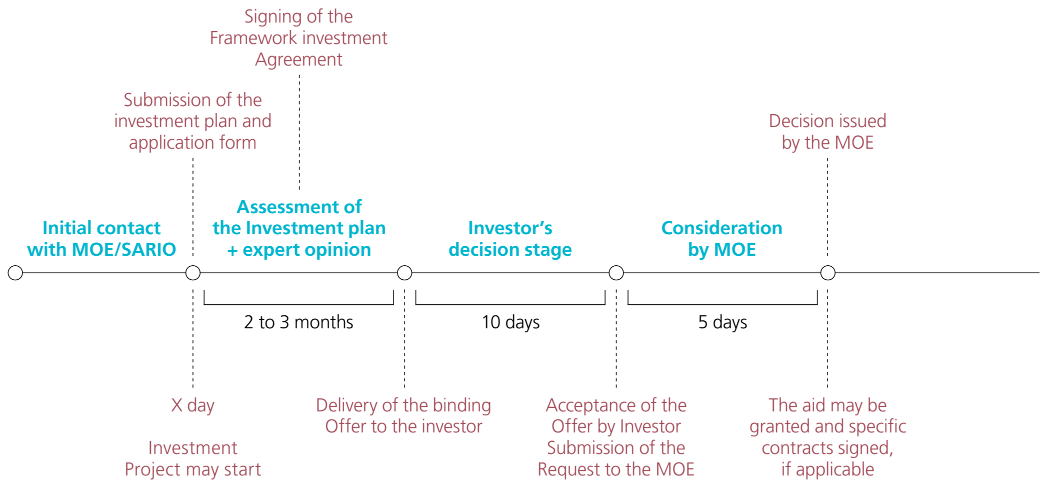
T_6 end date for Phase II evaluation (* note the 30 days start to run from the day the Phase II documentation is complete; the MPF may request additional documentation/clarifications, each such request to be responded to within 10 working days).

In general, the MPF recommends that a period between 5 and 10 months be taken into consideration from the date of the Request for Financing until final issuance of the Financing Agreement regional State Aid is granted in accordance with EU Regulation no. 650/2014 and is exempt from notification to the European Commission.

Slovakia

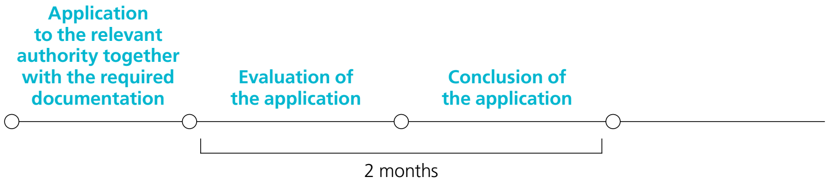
In Slovakia the investment process officially starts with the submission of an investment plan (along with an application form) and the prescribed attachments to the relevant ministry (usually the Ministry of Economy – "MOE"). From this moment, the whole procedure normally takes around three months. Submission of the investment plan should, however, be preceded by a detailed discussion with the MOE as well as the Slovak Investment and Trade Development Agency (SARIO) in order to ensure matters proceed smoothly after submission.

The investment process consists of several stages, each of which is time limited by law. Following submission of the investment plan, the MOE has 30 days to ensure preparation of a detailed expert opinion of the investment plan. If the opinion indicates that the applicant has the capacity to comply with the general terms and conditions for granting the investment and that the investment will make a significant regional contribution, the MOE should prepare, within 20 days of the delivery of the expert opinion, a proposal to grant investment aid specifying the aid intensity, the form of investment aid, the amount of investment aid, and the conditions under which the investment aid will be granted. The proposal will be sent to the investment aid providers, which have 15 days to prepare a written statement as to whether they agree or disagree with the granting of the investment aid. On the basis of an affirmative statement, the MOE prepares an investment aid offer within 10 days. The applicant may submit an application for granting of investment aid to the MOE within 10 days of the receipt of the offer. As a next step, the MOE submits, on the basis of the applicant's application, a proposal for granting the investment aid for approval by the Slovak government. If the investment aid in question is not subject to the European Commission notification requirement, the MOE must issue a decision on the approval of investment aid to the applicant within five days of the approval of the proposal for granting of investment aid by the Slovak government.



Turkey

In order to apply to benefit from incentives, an application fee must first be paid to the Ministry of Economy ("**Ministry**"). Following the payment of such fee, the investor makes an application to the General Directorate of Incentive Practices and Foreign Capital of the Ministry and submits documents relating to the planned investment. For investments with a value of less than TL 10 million, applications may be made to local development agencies and chambers of industry in order to obtain an investment incentive certificate. Applications are evaluated technically and financially in accordance with macro-economic policies. The total procedure involving the evaluation must be concluded no later than two months after the date of application.



Acquisition of real estate

Depending on the type of investment, investors may take advantage of various ways of holding real estate. The most popular are: (i) ownership (full right to use, manage and dispose); (ii) leases; (iii) in Poland, perpetual usufruct right (a long-term right to use or manage property and to construct own buildings on publicity-owned land); or (iii) other rights which are limited in scope and time (e.g. easements, rights of usufruct etc.).

In case of the acquisition of property, it is common to sign a preliminary or conditional sale agreement. It is crucial to fulfil all the formal requirements when buying real estate – usually this should be done in an appropriate legal form before a notary public. Depending on the local regulations, it may sometimes also be necessary for foreigners to obtain specific consent to purchase real estate. It is very important to check public registers, as in some countries rights entered into such registers are presumed to be valid while rights which are not entered there are presumed to be non-existent.

An investor is required to obtain a number of permits before it starts business activity. The main one is a building permit (required for construction, renovation and reconstruction). A building permit may only be issued if the application complies with a zoning plan, an environmental decision and after meeting all the technical requirements. In case when the acquired land is agricultural land, the investor must obtain a permit allowing for its exclusion from agricultural production. Generally this will entail an additional fee for the investor.

At the end of the construction process, an occupancy permit is also required.

Many CEE countries also have specific regulations concerning:

1. remnants of the communist legal system e.g. restitution rights for owners who were deprived of rights by Nazi or Communist regimes,
2. protection of historic monuments,
3. expropriation regulations, and
4. Special Economic Zones (Poland only).

Zoning

Every investment must be consistent with a local master plan binding for a given property. The local master plan is a local law for the specified area presenting a possible designation of properties covered by the plan. As a rule, no development of a non-agricultural character is allowed on agricultural land. Zoning is commonly controlled by local governments.

Infrastructure

Before the final decision on the location of the project is made, it is extremely important to analyse the available infrastructure. The most important areas to investigate are:

1. Roads
2. Rail links
3. Airline access
4. Access to water

A high level overview of CEE infrastructures is below:

Country	Roads	Rail lines	Airports	Access to water
Bulgaria	610 km of highways	Currently over 6,500 km of railway lines operated by state and private companies	5 international airports	4 ports. Borders with the Danube and the Black Sea.
Czech Republic	1247 km of highways	Currently over 9 580 km of railway lines operated by state-owned and private companies	5 public international airports (with a total of 24 international airports)	There are no borders with the sea, however there are many rivers especially the Elbe flowing into the Nordic Sea.
Hungary	1680 km of motorways	7718 km public railway lines operated by one state-owned and one with majority state ownership	4 international airports	Danube-Rhine-Main Canal and the Danube–Black Sea Canal as well as inland waterways
Poland	1,552 km of highway (with a further 1,770 km under construction)	Currently over 20,000 km of railway operated by state-owned and private companies	13 international airports	Borders with the Baltic Sea. The main ports are Gdańsk, Gdynia, Szczecin-Świnoujście, Kołobrzeg
Romania	17,272 km of national roads, of which 6.194 km are European roads; and 683 km are highways;	10,777 km of public railway lines;	16 international airports	Borders with the Black Sea. Main maritime ports are: Constanta, Sulina and Mangalia. Also crossed by the River Danube – main fluvio-maritime ports are Braila, Galati and Tulcea.
Slovakia	415 km of highway (with a further 130 km under construction)	Currently over 3,600 km of railway lines operated by state-owned company	8 international airports	River Danube flows through Bratislava and connects the North Sea and the Black Sea.
Turkey	65,909 km of highways	Currently 12,097 km of railway lines operated by state-owned companies	55 airports of which 21 are classified as international	7,186 km of borders with the Black, Aegean, Mediterranean and Marmara Seas. The main ports are Ambarli, Mersin, Haydarpasa and Iskenderun.

Taxation

Tax will be a key issue when determining the location of an investment. An investor will usually act through an investment vehicle such as a company or partnership. The applicable tax regime will vary depending on the precise structure.

A high level overview of the main forms of tax is set out in the below table. It is always important to check the precise level of tax, and relevant exemptions, available in specific circumstances. It is also prudent to ascertain whether there are any stamp duties, transaction taxes etc. in place.

Country	Personal Income Tax	Corporate Income Tax	VAT (standard rates)	Real estate tax
Bulgaria	**10%**	**10%** flat rate Income tax and social security contributions relief available for specific business activities in certain areas.	**20%**	Determined by each municipality in the range of **0.1** to **4.5%** on the tax value / balance sheet value of the property. No RET on agricultural land.
Czech Republic	**15%** (extra **7%** tax for annual incomes over approx. **EUR 44,370**)	**19%** New companies: CIT relief for up to **10 years** for Existing companies: partial CIT relief for up to **10 years**.	**10%**, **15%**, **21%**	According to type, location and purpose of use of the real estate etc. using these rates per m2: Residential and agricultural: **EUR 0.7**, Industrial: **EUR 0.37**, Other business: **EUR 0.37**, Special industrial zones: exemption for up to **5 years**.
Hungary	**15%**	**10%** up to a corporate income tax base of **HUF 500 million** and **19%** on the excess.	**5%**, **18%**, **27%**	Building tax/land tax can be imposed at the discretion of the municipalities. Max. annual building tax rate cannot exceed **HUF 1,852** per m2 or **3.6%** of the adjusted market value. The maximum land tax rate cannot exceed **HUF 336** per m2 or **3%** of the adjusted market value.
Poland	**18-32%** (or **19%** flat rate for entrepreneurs)	**19%** Income tax exemptions for business activity in Special Economic Zones	**0%**, **5%**, **8%**, **23%**	Max. annual rate for land uses for business purposes cannot exceed **PLN 0.89** per m2 and **PLN 22.86** per m2 for buildings. Real estate tax exemptions may be granted to investors on the basis of a resolution passed by the relevant local authorities.

Country	Personal Income Tax	Corporate Income Tax	VAT (standard rates)	Real estate tax
Romania	**16%**	**16%** Tax exemption for reinvested profit; **50%** additional deduction for R&D	**0%**, **5%**, **9%**	Land tax - max. RON 2.1/m2 Building tax - max. **1.3%** of gross book value. Valuations must be made every 3 years. Investments in industrial parks and science technology parks benefit from exemption from real estate tax **1%** Please also note that special construction tax applies until 31 December 2016.
Slovakia	**19%** (annual income up to **EUR 35,022.31**) **25%** (part of annual income exceeding **EUR 35,022.31**)	**22%**	**10%**, **20%**	Land tax is generally levied at **0.25%** of the land value, as assessed by the municipality. Rates vary depending on the type of land and its location. The general tax rate on construction is **EUR 0.033** for every sq. m. occupied by the construction. The general tax rates above may be decreased or increased by the respective municipality.
Turkey	**15-35%**	**20%** Exemptions provided for certain activities; such as those realised in Free Zones	**1%**, **8%**, **18%**	A maximum annual tax rate of **0.4%** for land and **0.6%** for buildings, calculated on their registered value.

Labour issues

EUROSTAT data shows that in 2014, average labour costs in the European Union amounted to EUR 24.6 per hour. Labour costs on average in CEE are approx. 30% lower than the equivalent rates in Western Europe.

Costs	Bulgaria	Czech Republic	Hungary	Poland
Minimum approximate gross monthly wage (EUR)	**EUR 190**	**EUR 370**	**EUR 338**	**EUR 415**
Average approximate gross monthly wage (EUR)	**EUR 413**	**EUR 975**	**EUR 715**	**EUR 1.031**
Social security costs	**14.7%** for employers	**25%** for employers	**28.5%** for employers	Approx. **42%** for employers
Recorded unemployment	**11.2%** (2014)	**6.4%** (January 2014)	**7.9%** (2014)	**11.5%** (2014)
Percentage of highly educated citizens	**0.9%** (2014)	**14.6%** (2011)	**15%** (2011)	**17.5%** (2013)
Number of universities	**46** universities;	**28** public universities; **44** private universities	**25** universities	**42** public universities; **3** private universities
Proportion of trade union membership (approximate)	**13.9%** workers (2014)	**15%**	**12%**	**12%**

Costs	Romania	Slovakia	Turkey
Minimum approximate gross monthly wage (EUR)	**EUR 235**	**EUR 405**	**EUR 425**
Average approximate gross monthly wage (EUR)	**EUR 540**	**EUR 882**	**EUR 607**
Social security costs	Approx. **39%** (split between the employer and the employee)*	Approx. **35%** for employers	**22.5%** for employers
Recorded unemployment	**4.89%** (September 2015)	**10.63%** (September 2015)	**10.1%**
Percentage of highly educated citizens	14.4%	Current estimate: approx. **16%**	**11%** (2014)
Number of universities	**51** public universities; **37** private accredited universities	**23** public/state universities, **13** private universities	**114** public universities; **76** private universities
Proportion of trade union membership (approximate)	**< 30%**	**11.5%**	**4.5%**

Although many employment laws are harmonised pursuant to EU rules, there are numerous differences between them and many country-specific variations. Nevertheless, there are some common legal characteristics.

Typically, across the region a staff member can be hired as an employee, freelancer or a self-employed entrepreneur. Non-employee structures may be attractive due to e.g. social security and tax requirements, but the employee-employer relationship still dominates and is promoted at both local and EU levels. Moreover, local authorities tend to fight “hidden employment” structures, so freelancer and business-to-business structures may be subject to scrutiny.

New entrants sometimes begin local operations with agency workers, i.e. employees recruited and hired by a temporary work agency. This is a quick and cheap option to start a business and get staff on board. However, restrictions on hiring agency staff limit the feasibility of this structure, so businesses usually eventually opt for permanent staff, predominantly employees. An employment relationship typically needs to be documented with a written contract. The main forms of contract are trial-period agreements, fixed-term contracts and open-ended contracts, with the latter being the preferred option for more CEE employers. Although fixed-term contracts are attractive for the business, their usage is typically limited, e.g. the duration of a single contract may be restricted (e.g. in Poland to 33 months).

Although employment contracts are often simple and concise, many labour laws will automatically apply and govern the employment relationship. Each country has an extensive body of laws regulating issues such as working time, rest periods, overtime, work on Sundays etc. Investors should pay particular attention to working time restrictions, as they may not be in line with their business needs. For example, ensuring a 24/7 business operates within working time restrictions may be a challenge. Any violations may be closely monitored, as the law and local courts typically give preference to employees.

Most CEE countries protect employees against termination without notice. Such measures include: statutory notice periods, employer's obligations to give a reason for termination, classes of heavily protected employees e.g. pregnant employees. Moreover, individual or group redundancies will require payment of severance pay and an information and consultation procedure.

Hiring local staff will inevitably require an investor to comply with local tax, social security and payroll regulations. Typically, an employee must be covered by state-run pension insurance to which both the employer and the employee must contribute.

CEE countries – as required by EU laws – allow employees to participate in the company's important decisions. Employees are free to establish trade unions and works councils. On many occasions employee representatives must be informed and consulted e.g. on issues such as mass lay-offs or social issues.

Employee mobility is key to the economic growth of CEE countries. In most cases, EU nationals can freely move between Member States and work in the country of their choice. Thanks to this, an investor may easily use its existing EU workforce and specialists to start operations in the CEE region. Non-EU citizens can only work and live in CEE countries after meeting visa and residency requirements.

For more information about employment law, there is a useful CMS guide to employment law across Central and Eastern Europe. This can be found at http://www.cms-rrh.com/en-CMS-Guide-to-Labour-Law-in-Central-and-Eastern-Europe-2014

Utilities

Agreements concerning utilities (water supply, gas, electricity) will need to be signed between the investor and each supplier. For that purpose it is crucial to define the exact needs of the investor.

It is an increasingly common practice in certain countries for investors to sign a preliminary agreements with utility companies at the very beginning of the investment process. This enables the volume to be guaranteed and the price to be fixed.

The crucial aspects to be discussed with utilities suppliers are:

1. Costs;
2. Timing; and
3. The risk of routing utilities to the site.

Tackling corruption

Many countries in Central and Eastern Europe are making determined efforts to tackle corruption. Nevertheless, corruption is more prevalent in CEE than it is in most parts of Western Europe. In the 2014 Transparency International Corruption Perceptions Index, the countries covered by this report have the following positions in the league table (where 1 is the least corrupt (Denmark) and 174 is the most corrupt (Somalia)).

69	53	47	69
Bulgaria	**Czech Republic**	**Hungary**	**Romania**
35	54	64	
Poland	**Slovakia**	**Turkey**	

Any potential investor needs to be mindful of corruption related risk. It is, in particular, important to ensure that all staff and consultants working on an investment project are mindful of the risk and implement appropriate corporate procedure.

CMS has produced a comprehensive guide to anti-corruption laws in CEE and elsewhere. This can be found at http://www.cmslegal.com/CMS-Guide-to-Anti-Bribery-and-Corruption-Laws

Effective investment
Coordination of the project

Local legal systems are usually complex and provide many traps for the unwary In order to minimize the timing of transaction it crucial to choose the appropriate legal advisor.

CMS is a leading European commercial law firm employing almost 5 500 people in 53 cities across 33 countries. We deliver legal advice adjusted to our clients' needs and expectations in all legal areas. Our network of offices makes us one of the largest legal service providers in CEE.

We have enormous experience in cross-border investment projects. Our clients benefit from well-established contacts with governments and investment authorities and a clear commercial approach to our clients' needs.

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Contact with local authorities

Each country has its own Foreign Investment Agency which is a part of the governmental structure. Often investors will explore a number of countries at the outset. In such circumstances it makes sense to get the Foreign Investment Agencies to compete with each other. This can produce benefits later on, particularly if it elicits commitments to accelerate time scales.

It is generally recommended to commence contact with agencies at an early stage when starting to explore markets. The agencies can provide a great deal of know-how and logistical support including assistance with identifying suitable locations.

The details of each agency are provided below.

Invest Bulgaria Agency

Invest Bulgaria Agency is an institution for encouraging, attracting and assisting foreign investments and priority investment projects to the Republic of Bulgaria. The function of the Agency is to assist the companies in the investment process, and to also provide prospective investors with up to date information on the investment process in the country, legal advice, identification of suitable Bulgarian partners, co-ordination of the investment policy with other institutions, etc. Invest Bulgaria Agency also assists investors in their dealing with all Bulgarian government institutions.

www.investbg.government.bg
+359 2 9855500
iba@investbg.government.bg

INVESTBULGARIA AGENCY

CzechInvest

CzechInvest was established in the year 1992. CzechInvest is an agency of the Ministry of Industry and Trade that advises and supports existing and new entrepreneurs and foreign investors in the Czech Republic. CzechInvest is exclusively authorized to file applications for investment incentives at the competent governing bodies and prepares draft offers to grant investment incentives. Its task is also to provide potential investors current data and information on business climate, investment environment and investment opportunities in the Czech Republic.

www.czechinvest.org
+420 296 342 500
info@czechinvest.org

CZECHINVEST

Hungarian Investment Promotion Agency

The Hungarian Investment Promotion Agency was established on 1 January 2011 under a Government Decree to provide professional help to foreign companies intending to invest in Hungary. It operates under the supervision of the Ministry of Foreign Affairs and Trade. Through its extensive network of contacts in the public and private sectors, HIPA provides foreign investors with high-quality support for critical investment decisions and a wealth of supplementary services. HIPA helps foreign investors through the whole investment process, from start to finish, through a one-stop shop service model, free of charge.

www.hipa.hu
+36 1 872 6520
info@hipa.hu

Polish Information and Foreign Investment Agency

The Polish Information and Foreign Investment Agency (PAIiIZ) was established on 24 June 2003. PAIiIZ helps investors to enter the Polish market and find the best ways to utilise the possibilities available to them. The Agency also guides investors through all the essential administrative and legal procedures that involve a project. PAIiIZ provides rapid access to the complex information relating to legal and business matters regarding the investments, helps in finding the appropriate partners and suppliers, together with new locations.

www.paiz.gov.pl
+48 22 334 98 00
invest@paiz.gov.pl

Romanian Department for Foreign Investment & Public-Private Partnership

The Romanian Department for Foreign Investment & Public Private Partnership (DISPPP) is a Romanian Governmental agency. Its main functions consist of the coordination, monitoring and application of governmental policies in the field of promotion, marketing, attracting and implementing direct foreign investments in Romania, and in the field of public private partnerships. Among others, DISPPP supports the implementation of foreign investments, acting as a point of contact between foreign investors/partners and, as applicable, central and local Governmental authorities.

www.dpiis.gov.ro/new_dpiis/
+421 316 31 29 (int. 106/107)
investromania@dpiis.gov.ro

Slovak Investment and Trade Development Agency (SARIO)

SARIO is a government-funded allowance organization that works under the supervision of the Ministry of Economy of the Slovak Republic. The mission of the agency is to design and use all kinds of stimuli to increase the influx of foreign investment while promoting Slovak companies in their effort to transform into high-performance businesses in the globalized world market. SARIO provides in–depth information about Slovak business environment, industry opportunities, complex information on setting up a business, site selection assistance as well as real estate services. The provision of consultancy services on state incentives is one of the integral parts of SARIO´s agenda.

www.sario.sk/en
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