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STATE AID: A VIABLE FINANCING OPPORTUNITY FOR INVESTMENT PROJECTS IN ROMANIA

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Noerr in Romania

- Founded in 1998
- Specialized Lawyers, Financial & Tax Advisors
- Full Service: Legal, Tax & Finance
- Interdisciplinary solutions
- Top-level international advice

**Law Firm of the Year
2012 in Romania**



Nine O'Clock Awards
2012

**Best Performance
Award 2011 & 2012
State Aid Projects**



Finmedia Top
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2013

**Banking & Finance
Team 2011 in
Romania**



Gala AvocatNet
2012

**Best Corporate/
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2009: Premium
AEROTEC**



Finmedia Top
Lawyers Gala 2010

Areas of Expertise

- Advisory
- Antitrust & Competition Law
- Automotive & New Mobility
- Banking & Finance
- Capital Markets
- Compliance & Investigations
- Corporate/Mergers & Acquisitions
- Employment & Pensions
- Energy
- Healthcare
- Intellectual Property: Trademark & Patents
- International Trade
- Insurance & Reinsurance
- Litigation, Arbitration & ADR
- Private Equity & Venture Capital
- Real Estate Investment
- Regulatory & Governmental Affairs
- Restructuring & Insolvency
- Tax & Private Clients
- TMT

Special Focus on Finance & Tax

Profile

- Noerr Finance & Tax division
- Founded in 2004
- Experienced consultants with a broad range of qualifications
- Member of the financial, accounting and taxation professional organisations in Romania

Expertise

- State Aid
- Financial & Tax Advisory Services
- Audit & Assurance Services
- Transaction Services
- Accounting, Reporting, Payroll
- Accounts Receivable Management & Insolvency Management
- Management Consultancy & Business Optimization
- Fraud Investigation
- Tax Assistance, Reviews & Procedures
- Tax Structuring & Optimization, Planning
- Assistance during Tax Inspections
- Transfer Pricing File

Special Focus on State Aid

Best Performance Award 2011 & 2012
State Aid Projects
Finmedia Top Lawyers Gala

Profile

- Awarded leader in this field & Counsel for local and international investors, ranging from medium-sized companies to international corporations on state aid in Romania
- Our projects amounting more than half a billion Euro and generating more than 5000 new workplaces cover various industries, out of which automotive and aerospace are representing the largest share
- Regional practice on state aid coordinated by our office in Brussels for complex cases (e.g. involving European Commission)

Expertise

- Structuring of the project
- Analysis of the project's eligibility and discussions with State Aid department in Ministry of Public Finances
- Identifying & solving critical points
- Setting/monitoring milestones of the project
- Solution oriented advice for milestones
- Full documentation (executive summary, business plan, investment plan, application file)
- Submission of state aid file application
- Answers to letter(s) of clarification, if the case
- Financing Approval implementation
- Post approval procedures (reimbursement file, study on deviations from initial plan, monitoring of investment parameters)

STATISTICS: PAST SCHEMES

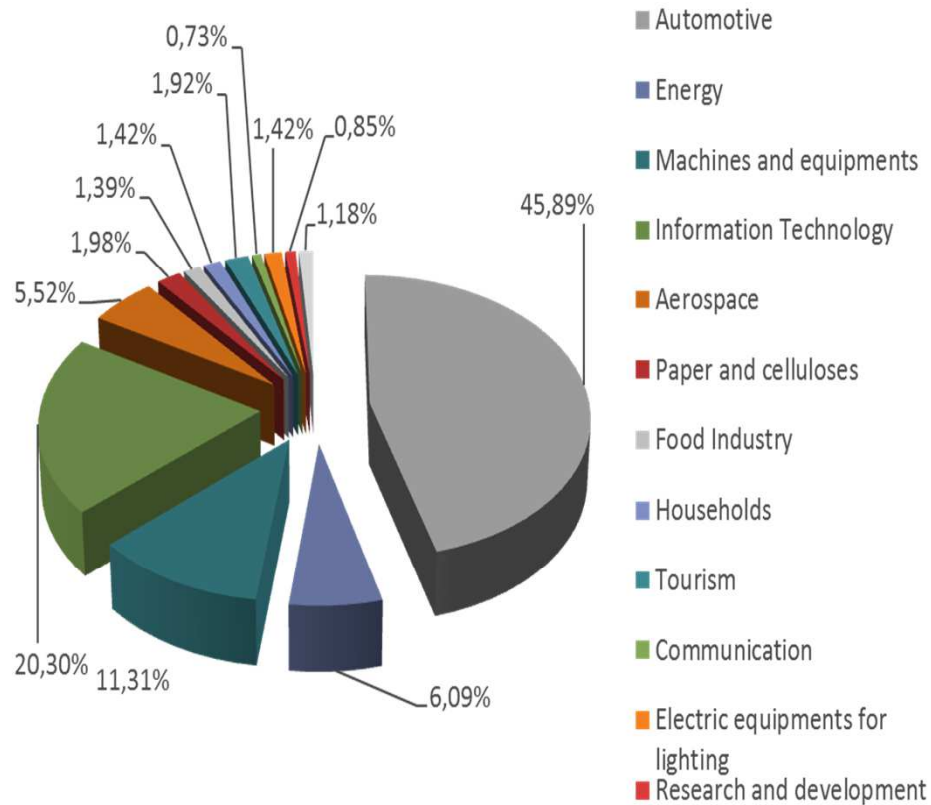
State Aid Schemes Valid until End of June, 2014

Description	Investments > 100 mil. EUR	Investments > 5 mil. EUR	R&D, Innovative Investments or IT&C
Total Budget	EUR 575 million	EUR 1 billion	EUR 135 million
Initial investment mil. EUR	> 100	5-10, 10-20, 20-30, >30	N/A
New FTEs	500	50, 100, 200, 300	200
Scheme period	2008 – 2014	2008 – 2014	2008 – 2014
Implementation period	2008-2018	2008-2018	2008-2018
Absorption rate (%)	19%	50%	99%

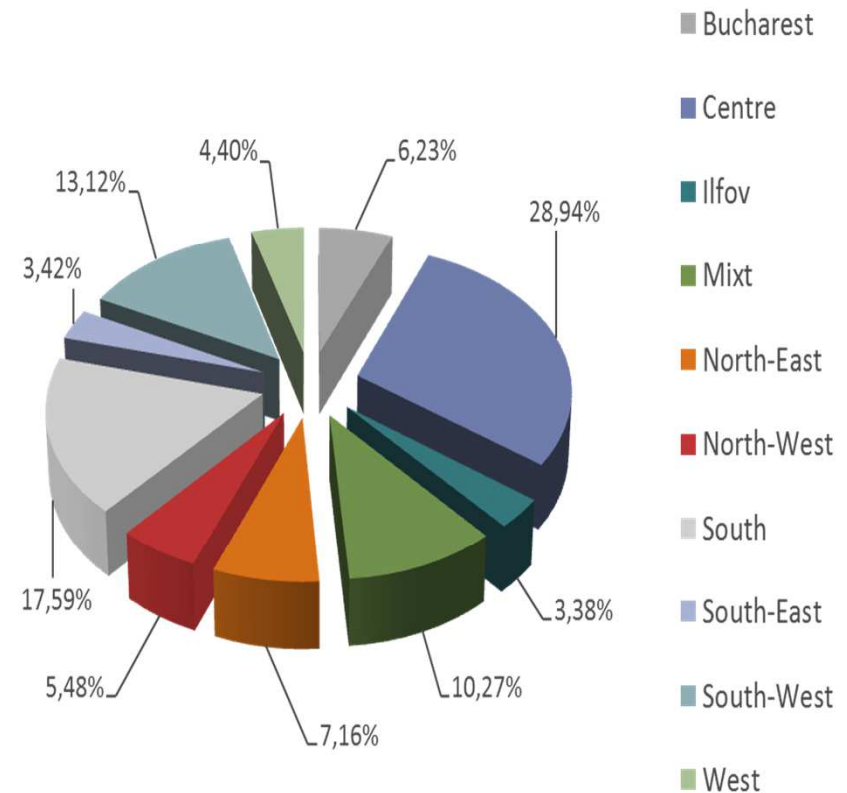
Authority responsible for state aid schemes: Ministry of Public Finances in Bucharest

State Aid Approved until End of June, 2014

By Sector



By Region



Source: based on MoF figures available at end of June, 2014

STATISTICS: CURRENT SCHEMES

State Aid Schemes Valid until 2020

Description	Investments in assets	Investments in salary costs
Total Budget	EUR 600 million	EUR 600 million
Initial investment mil. EUR	> 10	-
New FTEs	-	10 employees
Scheme period	2014 – 2020	2014 – 2020
Implementation period	2015 – 2023	2015 – 2025
Nr. of approved projects until June 2015	1	5
Absorbtion rate as at June 2015	3%	1%

Authority responsible for state aid schemes: Ministry of Public Finances in Bucharest

**OVERVIEW:
PAST & NEW STATE AID
SCHEMES**

PAST: Scheme for Investments in Assets exceeding 5 mil. EUR

1	Minimum: 5 mil. EUR 50 FTE	Minimum: 100 mil. EUR 500 FTE
2	Period of the scheme: 2008 – 30 June 2014	
3	Implementation period: 2008 – 2018	
4	Eligible industries: all sectors with 6 exceptions (to be discussed)	
5	Eligible costs: A. Assets: Tangible assets (productive buildings, technical installations and machines, equipment and industrial furniture) AND Intangible assets: e.g. licences, know-how, software OR B. Salaries: net salary and all related taxes for a period of 2 consecutive years	
6	Intensity: 40% for Bucharest and 50% for other regions	

PAST: Scheme for R&D, Innovative Investments and IT&C

- 1** **Minimum:**
200 new working places
investment with a component of at least 20% IT&C
- 2** **Period of the scheme:** 2012 – 30 June 2014
- 3** **Implementation period:** 2014 – 2018
- 4** **Eligible industries:** mainly R&D, IT&C
- 5** **Eligible costs:** net salary and all related taxes for a period of 2 consecutive years
- 6** **Intensity:** 40% for Bucharest and 50% for other regions

NEW: Scheme for Assets

- 1** **Minimum:** 10 mil. EUR Investment

- 2** **Period of the scheme:** 2014 – 2020

- 3** **Implementation period:** 2015 – 2023

- 4** **Eligible industries:** all sectors with some exceptions (to be discussed)

- 5** **Eligible costs:** acquisition/production of assets and rent expenses for investment construction

- 6** **Intensity:** 15%/10% for Bucharest , 35% for West and Ifov Region, 50% for other Regions

NEW: Scheme for Salary Costs

1

Minimum: 10 new working places

2

Period of the scheme: 2014 – 2020

3

Implementation period: 2015 – 2025

4

Eligible industries: all sectors with some exceptions (to be discussed)

5

Eligible costs: net salary and all related taxes for a period of 2 consecutive years

6

Intensity: 15%/10% for Bucharest, 35%for West and Ifov Region, 50% for other Regions

TECHNICAL HIGHLIGHTS: NEW STATE AID SCHEMES

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Eligibility Criteria

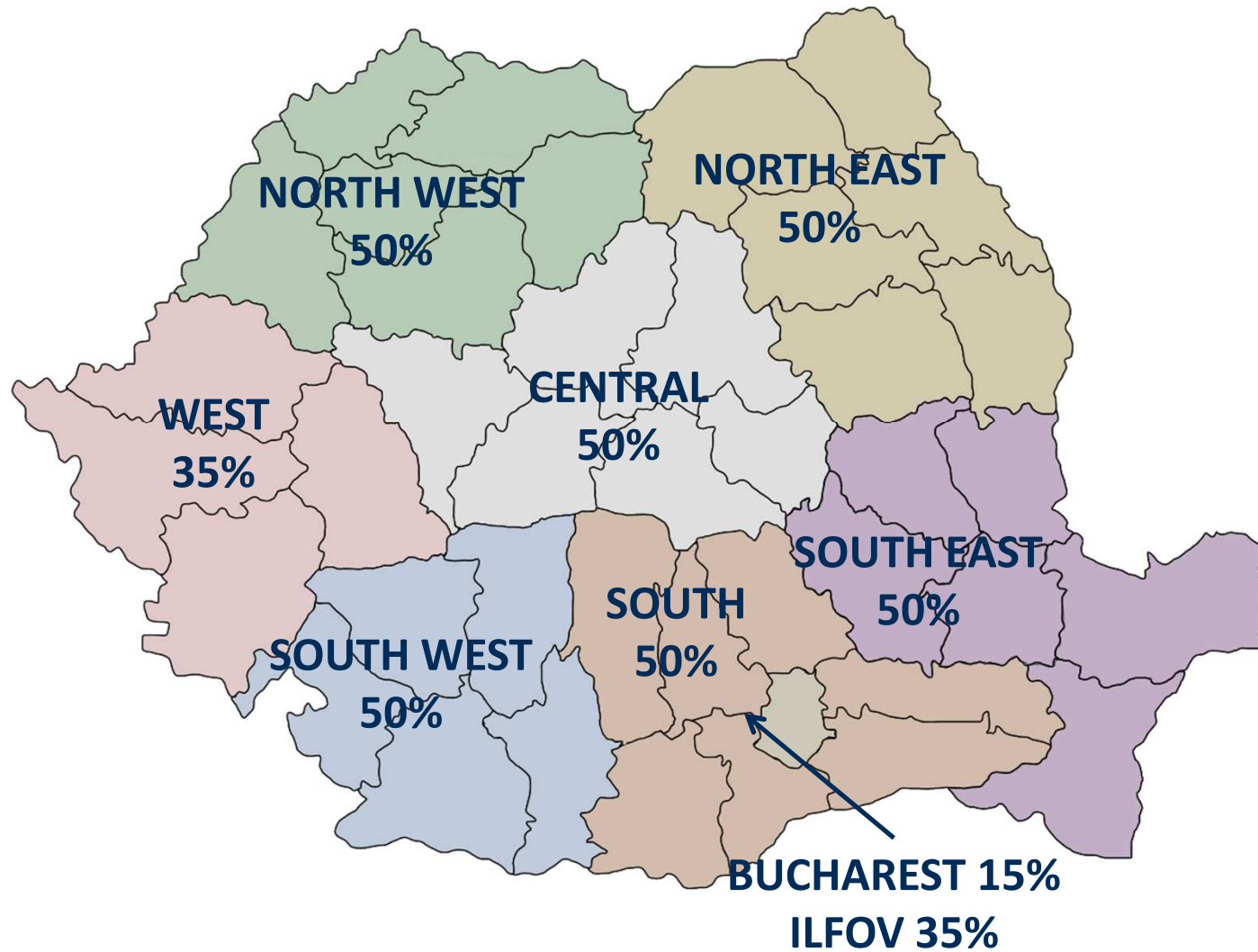
Scheme for Assets

- Minimum 10 mil. EUR investment
- Economic efficiency and viability
- Incentive effect
- Qualitative and quantitative ratios
- Taxes to be paid
- Multiplier effect in economy

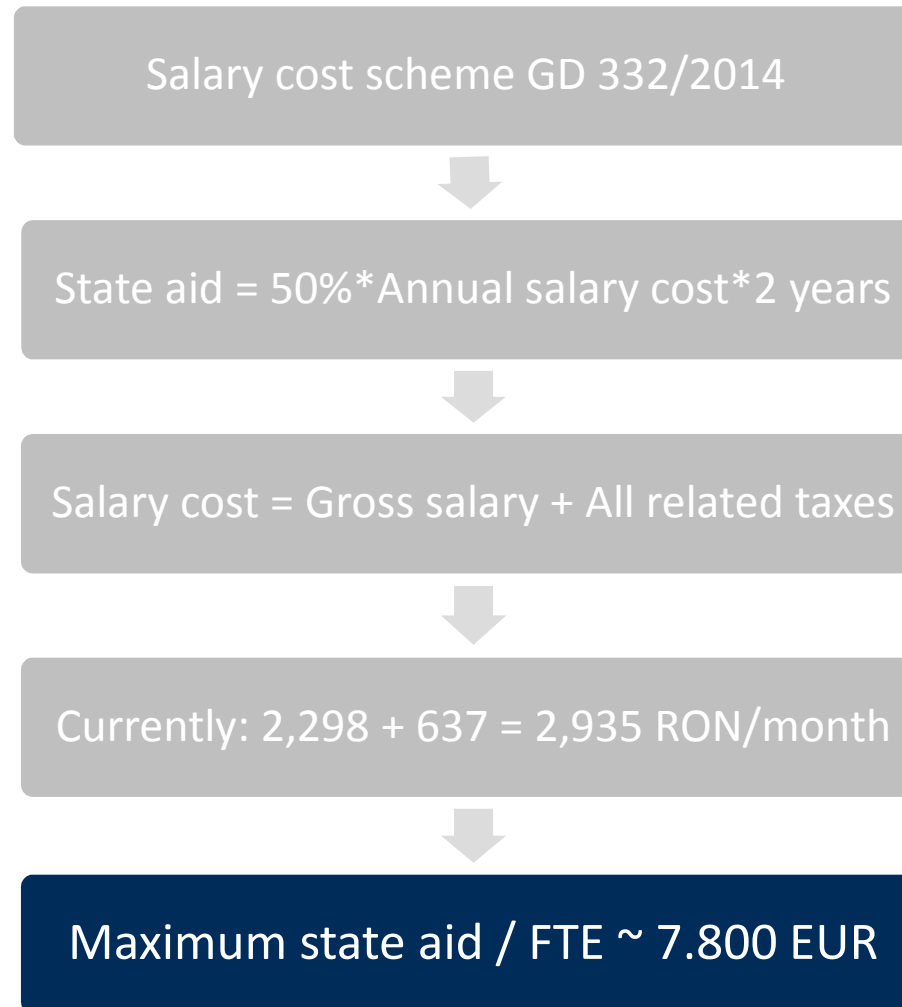
Scheme for Salary Costs

- Minimum 10 FTE initial investment
- Investment is viable and determines economic efficiency
- Qualitative and quantitative ratios
- Taxes to be paid
- Multiplier effect in economy

State Aid Intensity (% from Eligible Costs)

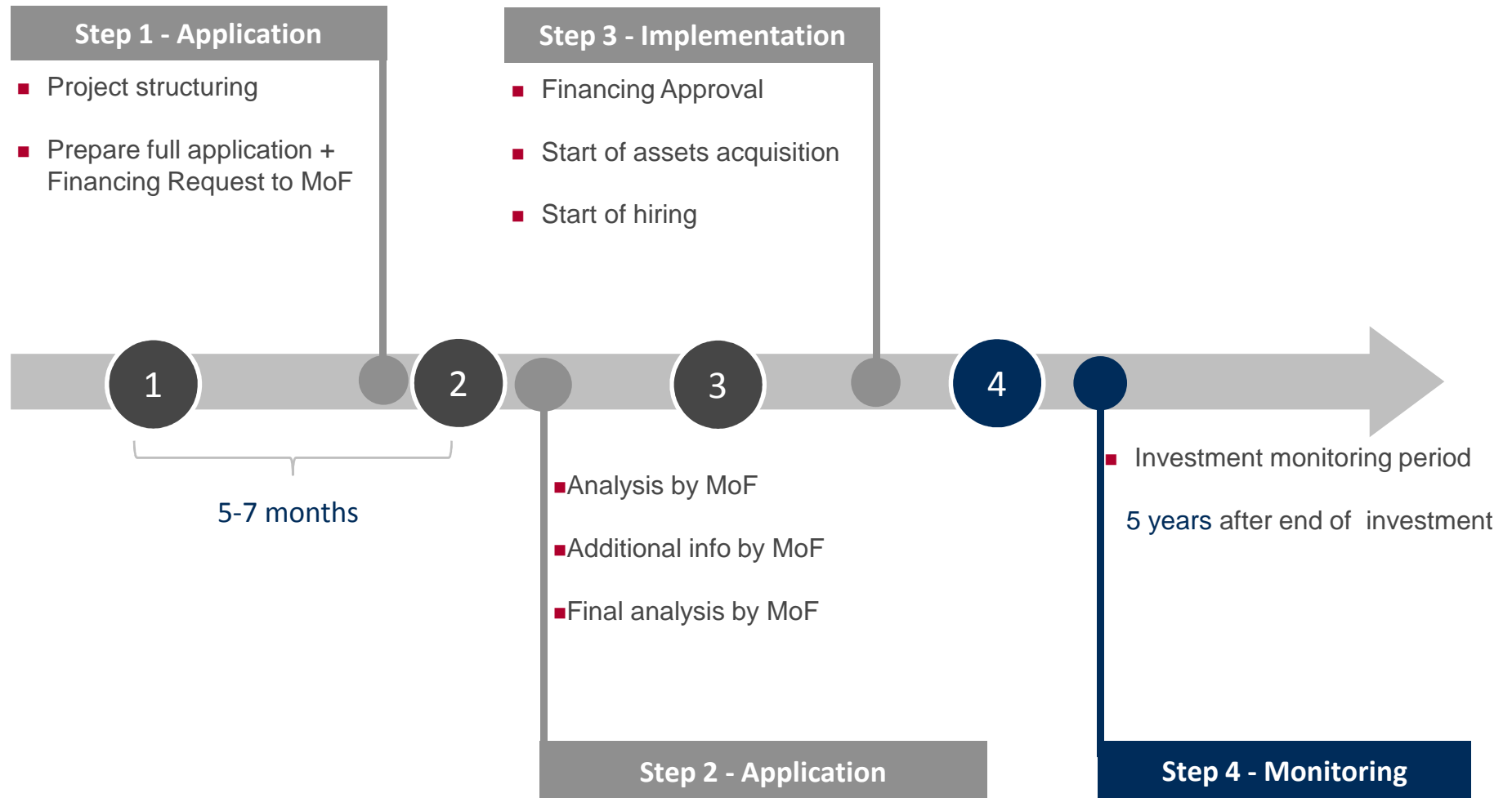


Maximum State Aid / FTE



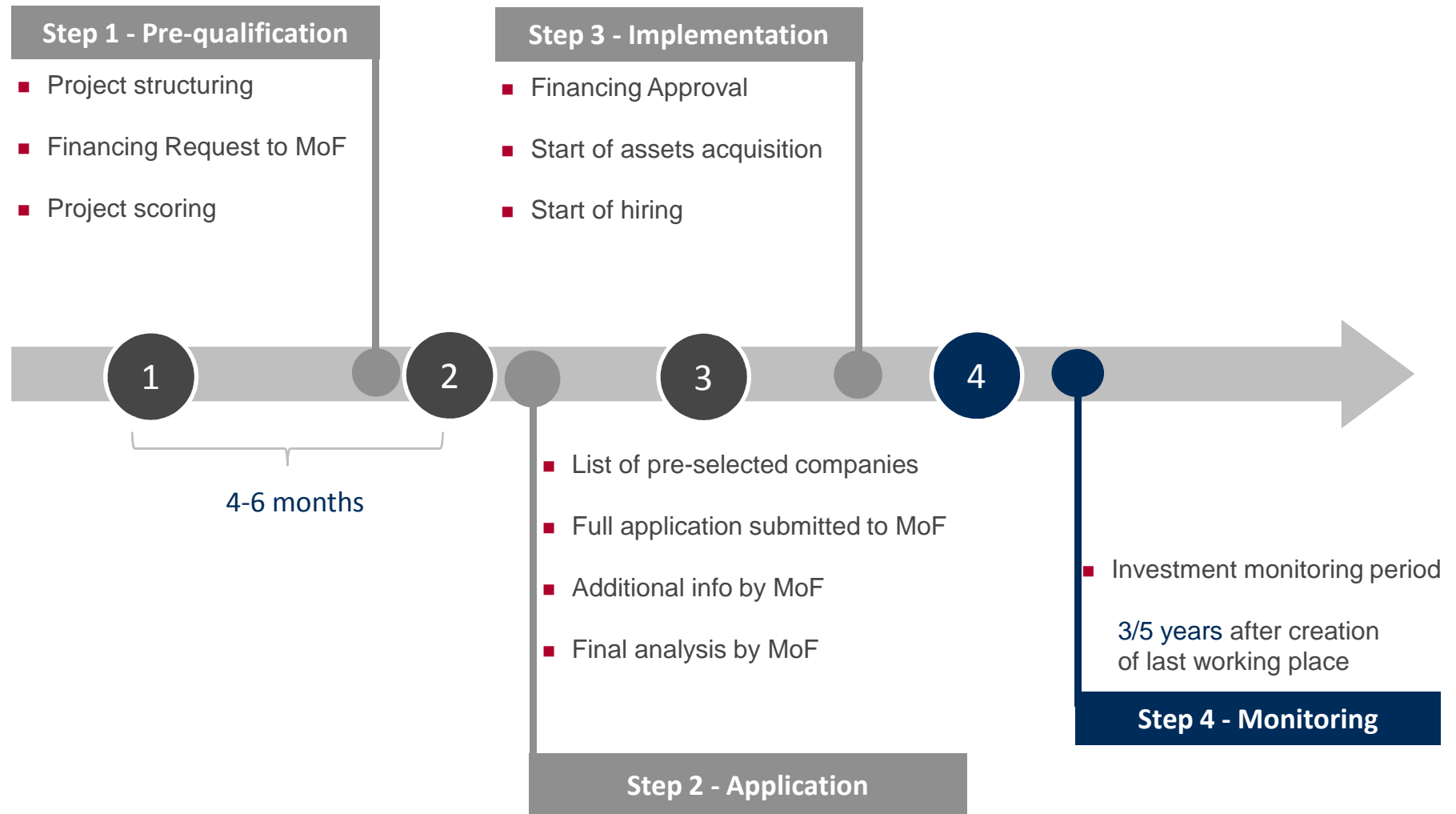
Source: Noerr Research and Computation

Timeframe: Scheme for Assets



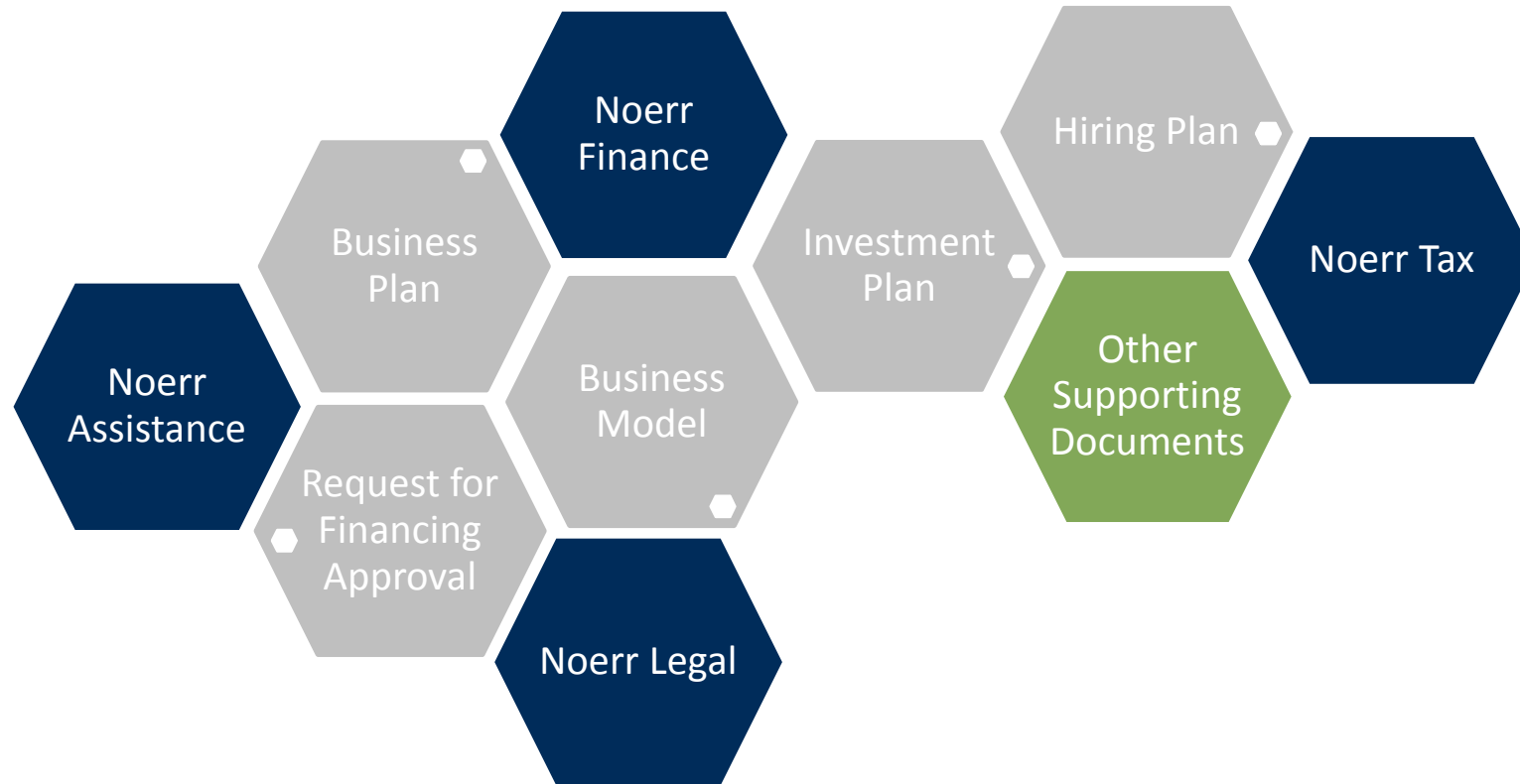
Note: Some periods are maximum and may be reduced by working in parallel ; one additional info by MoF considered

Timeframe: Scheme for Salary Costs



Note: Some periods are maximum and may be reduced by working in parallel ; one additional info by MoF considered

Application



Key Points for Project Success

Scheme for Assets	
Criteria	Condition
Return on turnover	> 0%
Net Assets	Positive
Company/Group/ Affiliated Parties did not close any identical or similar activity in Europe in the last 2 years	

Scheme for Salary Costs		
Criteria	Condition	Points
New FTEs	10 employees	1
Timeframe for FTEs	<=1 year	10
Unemployment rate for region	> national average (7,2% - March 2014)	10
Return on turnover	> 2%	10
Share capital	> 35.000 RON	10
Company/Group/ Affiliated Parties did not close any identical or similar activity in Europe in the last 2 years		

Investment cannot start before MoF Financing Approval!

Accurate and detailed Business Plan!

Accomplish promised parameters!

Deviation = state aid reduced or lost!

Business, Investment & Hiring Plan



Business Plan

- Executive summary
- About: company, products / services, competition, market share and sales strategy
- Financial situation: actual and projections
- Financing sources
- Risks assessment
- Proof of initial investment
- Innovative character of investment, if the case
- Incentive effect of state aid
- Contribution to regional development
- Economic efficiency and viability of the project



Investment Plan

- List of assets by categories
- Period of acquisition
- Details: asset name, quantity, price per unit, total value



Hiring Plan

- FTE categories
- Period of hiring
- 2 consecutive years/FTE = eligibility period/FTE for state aid computation

Business Model

Forecasts for investment period + 3 or 5 monitoring period:

Inputs
■ Turnover detail
■ Investment Plan (incl. depreciation schedule)
■ Working capital
■ FTE costs detail
■ Costs structure detail
■ Financing structure
■ Production capacity

Outputs
■ Balance sheet
■ Income statement
■ Cash flow
■ Sensitivities/Scenarios
■ NPV, IRR
■ Payback analysis
■ Financial ratios


} **with and without
state aid scenario**

Practical Tips & Tricks – Assets Scheme



Investment cannot start before Financing Approval

Start of investment = placing orders, concluding contracts, start of building etc.



Actions allowed before Financing approval: land acquisition, authorizations, building design and layouts, etc.



Second hand equipment - not eligible

Turnover supporting documents: contracts, nomination letters, letters of intention, orders, etc.



Competition and market should not be significantly impacted

Efficient and affective procurement policy should exist



Investment must be maintained for the entire monitoring period.


Only 2 major deviations from the initial plan are permitted.

Practical Tips & Tricks – Salary Cost Scheme



Investment cannot start before Financing Approval

Start of investment = placing orders, concluding contracts, start of building etc.



Actions allowed before Financing approval: land acquisition, authorizations, building design and layouts, etc.



Second hand equipment – is eligible only for IMM's investments

Turnover supporting documents: contracts, nomination letters, letters of intention, orders, etc.



Competition and market should not be significantly impacted

Investment location may be moved in a region with same state aid intensity.



Investment must be maintained for the entire monitoring period (3 or 5 years).

First state aid reimbursement is conditioned by hiring minimum 10 employees.

GREAT PERFORMANCES & SUCCESS STORIES

Noerr

State Aid: Success Cases | 1

Complex successful advice since the start of state aid schemes in Romania for several major international companies

Universal Alloy Corporation Europe (UAC)

State Aid of more than 12 million EUR for the extension of the production unit with around 260 employees

Microsoft

State Aid of 5 million EUR for the expansion and diversification of their Global Business Support Division in Romania with 200 new IT highly skilled employees aimed to offer IT support services for worldwide clients

Major automotive company

State Aid of more than 10 million EUR for the diversification of a production unit with around 1000 employees

Major international automotive player

State Aid for a greenfield investment with around 500 employees

Premium AEROTEC EADS/Airbus Group

State Aid of more than 19 million EUR for a production facility for aircraft parts with around 500 employees

ContiTech Fluid Automotive

State Aid of more than 4,4 million EUR for the extension of the production unit with 300 employees

State Aid: Success Cases | 2

Valeo

State Aid of 9 million EUR for the extension and diversification of the production unit with around 500 employees

Continental Automotive Products

State Aid of more than 11 million EUR for the extension of the production unit with around 230 employees

Major automotive company

State Aid of more than 10 million EUR for the expansion & diversification of a production unit with around 300 employees

Major company active in the automotive industry

State Aid of more than 25 million EUR for a new production unit with around 320 employees

Global Safety Textiles (GST)

State Aid of around 18.5 million EUR for the investment in a major airbag fabrics and technical textiles production facility in Sighisoara, Romania with over 400 employees

Currently we advise several leading automotive, electronics, IT&C and industrial production companies on possible state aid projects in Romania

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