

Lithuania

Open For Business

PRESENTATION: Equity and Grant

June 2010





Equity and Grant Background

Equity & Grant has been working with the Baltic States and other EU Inward Investment Agencies since 2004. We have Directors based in Lithuania, Estonia, Latvia, Poland and Bulgaria; our work has included;

- Relocating UK Company Operations;
- Finding Research & Development Partners;
- Finding Manufacturing Partners;
- Best Value Product Sourcing;
- Developing Distribution and Supply networks;
- Utilising EU funding schemes;
- Providing Equity Investment.



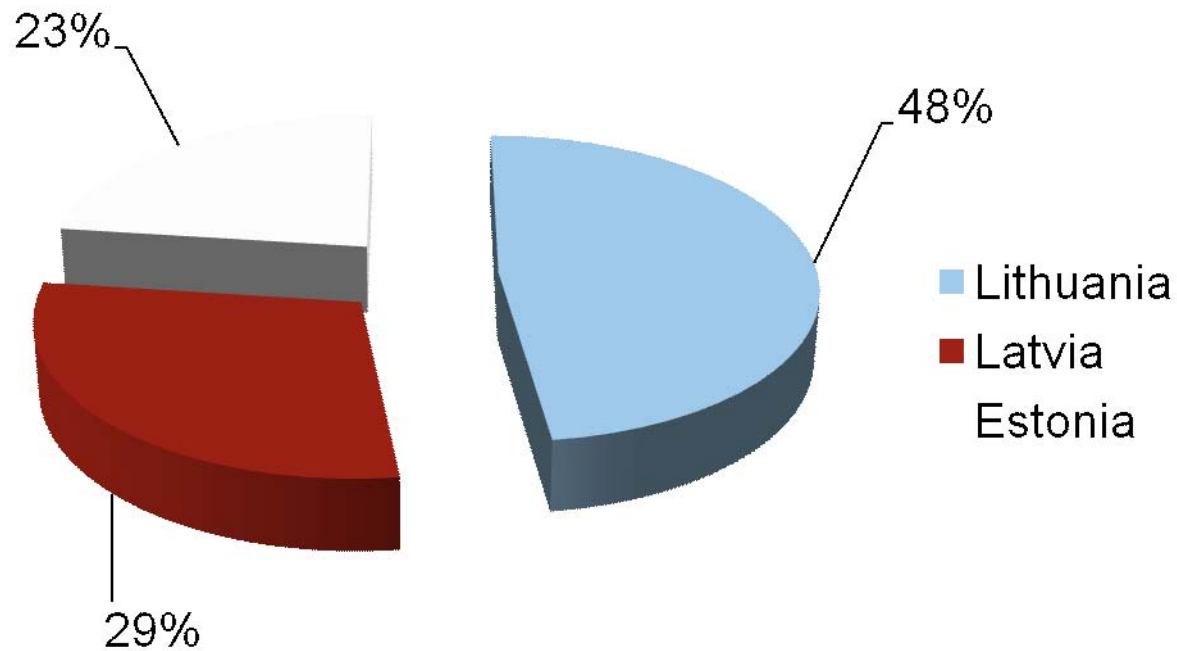
Lithuania in the world

- ☑ • Territory: 65,300 km²
- ☑ • Common borders with:
- ☑ Latvia
- ☑ Belarus
- ☑ Poland
- ☑ Russia (Kaliningrad Region)
- ☑ • Population: 3.4 million (84% of Lithuanians, 7% Poles, 6.5% Russians)
- ☑ • Capital and biggest city: Vilnius (population: 542,000)
- ☑ • State language: Lithuanian
- ☑ • State Government: Democratic Republic
- ☑ • Religion: 80% of Roman Catholics, 5% Orthodox





Half of the Baltic States Economy





Convenient industrial network

- Klaipėda FEZ:
412 ha Greenfield territory
- Kaunas FEZ:
534 ha Greenfield territory
- 9 industrial parks:
Greenfield territory from 15 to 219 ha





Investment Considerations



Availability of EU Funding support is similar across all 9 CEE states

All CEE Investment Agencies have similar programmes to attract Investment and Investors with;

- Similar Types of EU Funding
- Similar Funding Priorities
- Similar types of Investor Support

What is important is the intention of the state as to how the money is used and how easy it is for Foreign Companies to access the funds

Ready-for-investment locations:

Klaipėda and Kaunas Free economic zones

Tax	Regular rate, %	Taxes in Lithuania's 2 free economic zones
Corporate profit tax	20	no corporate tax during the first 6 years and only 50% of corporate tax over the next 10 years
Dividends	0* to 20	no tax on dividends for foreign investors
Real estate tax	0.3-1	no real estate tax



Companies that invested in the Klaipėda Free Economic Zone saved EUR 100,000 - 5,000,000 in 2006. Business enterprises that invested in the Kaunas FEZ saved ~EUR 174,000 in 2007. Visit www.fez.lt and www.ftz.lt.

Points of Policy

Lithuania currently has a Conservative Coalition Government

The Government has taken the decision to use EU Funds to attract Foreign Investors rather than prop up dying LT Companies and to use funding to attract companies that have world-wide market potential;

The Investment Agency has been split into 2 parts;

- **Invest Lithuania:** Focus on FDI Investment;
- **Enterprise Lithuania:** Focus on Trade;

Many Lithuanian Ministries are headed by Ministers who have real business experience.

R&D Funding Support

Patent Cost Support

Grants of up to 50,000 Euros for registering patents are available at a grant rate of 95%.

Applying for an **advance** payment of expenses, the eligible costs are:

- Patent application filing fee;
- Patent search fees;
- The examination fee;
- Patent attorney services

R&D Staged Support

3 Programmes Operate

Stage 1: Preparation of technical feasibility study or patentability;

Up to 75% project value; Min. 5,793 Euro - max. 43,478Euro

Stage 2: Implementation of R&D projects except initial R&D-related investments;

Up to 65% project value: Min. 28,985 Euro - max. 869,565 Euro.

Stage 3: Business start up investments into the new company and (or) a development of current company's R&D infrastructure;

Up to 70% project value; Min. 14,492 Euro - max. 5,797,101 Euro.

FDI Support

Incentives to Foreign Investors take the form of Direct Investment Grants offered by the Lithuanian Government to cover:

- Wage costs,
- Personnel training costs,
- CAPEX Costs,
- Purchase of equipment,
- Construction costs,
- Office/building/land/equipment rent costs,
- Export activities grant.

At grant intensities of up to 50%

Project Outline

Our brief was to find a production and development partner for a UK Meditec company that had pioneered a radical new technology. The technology is being adopted by the NHS and the company could not achieve cost effective and volume manufacture in the UK. The company had specific requirements;

- To find a production partner that could manufacture and assemble 500 machines within the next 12 months;
- To find a partner who could value engineer the machine and prepare the current model for mass production;
- To find a partner with specific metal process and electro mechanical engineering skills;
- To find a partner that could develop the machine and produce additional variants of the technology.

The Key drivers for the client were:

- Production Cost, (client required a minimum 25% cost saving per machine);
- Specialist skills in metal forming and working with stainless steel;
- Quality; the client required a partner with ISO Accreditation;
- Ability to conduct R&D;
- Ability to meet delivery schedules;
- A relationship of trust

Outcomes

We achieved the following;

- Identified 18 Companies that met client specification and were technically capable
- Short listed these down to 3 for commercial discussions;
- Identified and engaged R&D Partners to develop 2nd generation product
- Obtained R&D Grant Assistance;
- Found an JV partner;
- Provided investment of £20m;
- Applied for Manufacturing grant assistance.



Advantages of Lithuania

- Typically no more than 2 Hours by plane from UK;
- LT Company can be formed and registered in one day;
- EU Legal and Economic Protection;
- Highly qualified and experienced workforce with high degree of 2nd and 3rd language speakers;
- Economy is in growth following the crisis (+6% Q3 2009);
- Average monthly wage between 550/650 Euros;
- Move to 15% flat Tax regime by 2010.

Thank you

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