WOLF THEISS

INSIDE CORPORATE

WOLF THEISS Corporate Monitor HY 1/2013

CONTENT

EDITORIAL

Dear Reader,

Welcome to our first edition of the WOLF THEISS Corporate Monitor, the latest publication project of our corporate / M&A practice.

The Corporate Monitor is released semi-annually and summarises key developments in "our" 13 jurisdictions. In cooperation with CEEMEA*, we shed some light on noteworthy macroeconomic activities and trends. Besides this economic overview, we also highlight major legal developments in the area of corporate and commercial law.

Certainly among the European Union member states within our region, the implementation of the Alternative Investment Fund Manager Directive by national legislation, due on 23 July 2013, has been a major legal topic and is likely to continue to be so in the second half of 2013. Besides the various regulatory aspects of this new legislation, one key theme is the application of the new regime to existing and new corporate or investment structures besides the typical hedge fund, private equity fund or venture fund structures. Thus, this first edition of the Corporate Monitor puts a particular emphasis on this topic.

We hope you find the Corporate Monitor a useful source and wish you a very successful second half of 2013!

Best regards

Dieter Spranz
on behalf of all Wolf Theiss Corporate Partners

* CEEMEA Business Group currently works with senior leaders of over 340 large multinational companies operating in the Central Eastern Europe, Middle East and Africa regions, helping them understand economic and business outlooks globally, regionally and at country levels. Regional and global executives also receive regular advice and updates on best practices for expansion and success in emerging markets. Executive members of the CEEMEA Business Group can also attend regular regional directors' meetings held throughout Europe and in Dubai." www.ceemeabusinessgroup.com | Contact: andrea.stark@ceemeabusinessgroup.com

NEW RULES FOR PRIVATE FUNDRAISING AND INVESTMENT, WITH MAJOR IMPACT POTENTIAL

THE AIFM-DIRECTIVE

by Harald Stingl, Partner, WOLF THEISS Vienna

The EU Alternative Investment Fund Managers Directive (**"AIFM Directive"**) entered into force on 22 July 2013. It will have a direct impact on many private fundraising and investment schemes which, until now, have operated under local private placement regimes. It defines which, and under which conditions, private vehicles will forthwith be classified as an "Alternative Investment Fund" (**"AIF"**) and/or "Alternative Investment Fund Manager" (**"AIFM"**). As a consequence, such vehicles are now faced with new regulatory restrictions and requirements in terms of authorization, on-going operation and transparency which apply to all EU AIFMs and non-EU AIFMs who manage EU AIFs or who market non-EU AIFs into the EU.

What types of vehicles are caught by the Directive?

"AIFs" are broadly defined as collective investment undertakings, including investment compartments thereof, which raise capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors. The AIFM Directive applies to all private fundraising and investment vehicles (which are not UCITS). Notably, it is of no significance whether the AIF belongs to the open-ended or closed-ended type or whether the AIF is constituted under the law of contract, under trust law, under statute or any other legal form.

"AIFMs" are all legal persons whose regular business is managing one or more AIFs. Each AIF managed within the scope of the Directive shall have a single AIFM responsible for ensuring compliance with the Directive and which can be either an **'external'** or **'internal'** manager. Where the legal form of the AIF permits an **internal management** and where the AIF's governing body chooses not to appoint an external AIFM, the AIF itself shall be treated as the AIFM, with all the regulatory consequences pertaining thereto.

What falls outside the scope?

First, it needs to be determined whether a vehicle falls **outside the definition of an AIF**: For this it needs to be demonstrated that the vehicle is either not fundraising at all, at least not with a view to investing such funds, and/or that there is no defined investment policy and/or that the aim is not to the investors' benefit. The Austrian legislation, which entered into force on 22 July 2013, also contains an exception in cases where the raised funds will be directly applied towards the business operations *(das eingesammelte Kapital unmittelbar der operative Tätigkeit dient)*. It is not entirely clear whether this exception is still in line with the Directive or, indeed, is just clarifying the Directive. In many cases these elements may inevitably lead to major interpretation issues and uncertainties in practice.

Apart from the above, the Directive provides for the following **explicit exceptions**:

- **holding companies** - in practice, the holding company exception may pose interpretation issues, centring around the purpose of the holding company.
- certain **small-scale funds** (nevertheless there remain a number of reporting, disclosure and information duties under the Directive to which they are still subject).
- certain **closed-ended funds** and their managers subject to certain transitional provisions.

What are the major consequences?

- **Authorization requirements for AIFMs**: The Directive requires that no AIFM may manage AIFs unless he/she is authorized to do so in accordance with the Directive. AIFMs who are authorized in accordance with the Directive must continue to meet the conditions for authorization at all times. The AIFM authorization is valid for all EU member states; taking advantage of the so-called **'EU Passport'** to be able to market EU AIFs within other EU member states subject to certain notification requirements. As a consequence, EU member states' private placement regimes will no longer be available in this scenario. Non-compliance with the authorization requirements is subject to significant administrative fines.

- **Initial capital:** One of the key corporate requirements is the minimum initial capital and funding. The initial capital for internally managed AIFs must amount to at least EUR 300,000. Where an AIFM is appointed as an external manager of one or more AIFs, the AIFM must have an initial capital of at least EUR 125,000.

- In addition, the Directive provides for a complex **set of rules, inter alia, on further funding, organizational and operating conditions as well as for a number of information, disclosing and transparency duties** during the lifetime of an AIF/AIFM.

- **Marketing**: All EU AIFMs, wishing to market funds in the EU after 22 July 2013, will need to comply with the Directive; meaning that they will have to be authorized as an AIFM in their home member state, even if they are marketing the AIF under their private placement rules and not under the EU Passport.

Austria, Czech Republic and **Romania** have timely passed their respective national laws implementing the AIFM Directive. In **Croatia**, the Alternative Investment Funds Act entered into force already on 1 July 2013, upon the accession of Croatia to the European Union. On the other hand, the **Bulgarian** Financial Supervision Commission only recently published the bill implementing the Directive on its web-site, while the full legislative procedure, including submission and adoption by the Parliament, was not possible within the given deadline. Still another example, in **Hungary**, there is not even a draft yet regarding the implementation.

Outlook

The AIFM Directive subjects private fundraising and investment schemes which have so far operated under rather flexible local private placement regimes to stringent and far-reaching uniform regulatory rules applicable throughout the EU. Due to the extensive scope, clients need to be cautious about having their continued or future fundraising vehicles, marketing and investment activities reviewed from the angle of the Directive, possibly even restructuring these where feasible. In particular when there is a risk that they could fall under its scope and, if this cannot be avoided, investors need to be aware of the consequences and the requirements of the AIFM(G) Directive (such as licensing, passporting and organisational information, disclosure and reporting obligations). Much of the details of the scope of the Directive currently remain unclear and it remains to be seen what practice and how the views of national regulators will develop.

COUNTRY OVERVIEWS

ALBANIA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	1.7% y-o-y*	1.6%
GDP / Capital		$4,150
FDI	Detailed data for the first half of 2013 are not available yet, but some indicators suggest weak inflows of FDI during the respective period.	We expect FDI to remain flat.
Inflation	2.3% y-o-y**	2.1%
Interest rate	3.75%	3.75%
Currency	140.3 to the €***	141.0 to the €
Corporate sales	Sales expectations deteriorated slightly during the first half of 2013, but were better than 2012 corporate results. (see CEEMEA Business Group full survey)	Generally, we expect weak corporate sales for the reminder of the year, but final results will be better than those registered in 2012.
Household spending	-0.4% y-o-y*	0.2%
Unemployment	12.8%	13.0%

Key macroeconomic messages

- GDP growth will reach 1.6% and 2.0% in 2013 and 2014 respectively, meaning that Albania will continue to grow below potential. Major downside risk is the weak external environment, particularly sluggish economic recovery in the EU and SEE states.
- Inflation will remain moderate within the central bank's target of 3.0%.
- The lek will remain a currency with a slight depreciation risk, particularly due to the high levels of Albania's current account deficit.

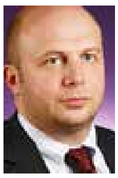
Key political messages

- The left-wing coalition led by the Socialist Party defeated the ruling Democratic Party in parliamentary elections in June 2013 by securing the absolute majority.
- Reforms aiming at Albania's EU accession path will, most possibly, accelerate now, but the political scene will continue to lack an effective cooperation between the rival parties in the future.
- The major challenge for the new government will be how to implement more austerity measures and stimulate the economy at the same time.

Recent Legal Developments

Changes to the Albanian Company Law: The Council of Ministers has proposed changes to the current Albanian Company Law which are expected to be presented to parliament for approval. These changes aim at introducing new rules in relation to the declaration of invalidity of the establishment of a company or capital increase as well as more detailed rules to regulate mergers of companies including the mandatory content of the merger agreements and merger reports as well as the right of shareholders to request documents in the process of the merger.

Sokol Nako
Partner
WOLF THEISS, Tirana



* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

AUSTRIA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	-0.7% y-o-y*	0.3%
GDP / Capital		$49,844
FDI	FDI rose by some 40% y-o-y in the first three months of 2013. It stood at €1.9bn.	We expect a slightly better FDI figure in 2013 compared to 2012.
Inflation	2.2% y-o-y**	2.0%
Interest rate	0.5%	0.5%
Currency	1.32 to the $***	1.30 to the $
Corporate sales	Corporate sales were mostly down or flat, except for companies that sell to the strong export oriented firms.	We expect a mild increase in corporate sales throughout the rest of the year.
Household spending	-1.3% y-o-y*	0.3%
Unemployment	4.9%	5.1%

Key macroeconomic messages

- Austria is likely to outperform the Eurozone. GDP growth will reach 0.3% and 1.6% in 2013 and 2014 respectively, driven largely by the competitive export sector, favourable credit conditions, low unemployment and a recovery in consumer confidence.
- Inflation will average at 2.0% this year and decelerate to 1.8% in 2014.
- The euro ought to weaken mildly against the US dollar as US interest rates are now expected to rise, at least in the medium term.

Key political messages

- The legislative elections are scheduled for September this year. We expect the ruling coalition (Austrian People's Party and the Social Democratic Party) to remain in power, but the coalition will, most possibly, fail to secure an absolute majority.
- Accordingly, the coalition may have to cooperate with the Green party, which is enjoying rising support.

Recent Legal Developments

"GmbH light": As of 1 July 2013, the legislation creating a "GmbH light" has come into force. Instead of the minimum share capital of EUR 35,000 required so far, Austrian limited liability companies (GmbHs) may now register with a share capital of only EUR 10,000, half of which needs to be paid upon establishment of the company. In addition, notaries' tariffs and administrative fees related to the establishment of a GmbH have been lowered. In all, the new enactment aims at easing the establishment of GmbHs by lowering the threshold of the initial funding requirements.

Implementation of the AIFM Directive: Austria has timely implemented the AIFM Directive into national law. It subjects private fundraising and investment schemes which have so far operated under rather flexible local private placement regimes to stringent and far-reaching regulatory rules implementing the AIFM Directive which uniformly applies throughout the EU. Much of the details of the scope of the national law and its interpretation remain unclear and it remains to be seen how practice will develop.

Dieter Spranz
Partner
WOLF THEISS, Vienna

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

BOSNIA AND HERZEGOVINA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	0.2% y-o-y*	0.2%
GDP / Capital		$4,635
FDI	The FDI inflows showed some improvement during the first months of 2013 compared to the same period a year ago.	We expect weak FDI inflows. Political instability will continue to scare off potential investors.
Inflation	0.5 % y-o-y**	1.0%
Interest rate	–	–
Currency	1.96 to the € -- fixed rate	1.96 to the € -- fixed rate
Corporate sales	Weak. A large number of companies (around 40%) registered no sales growth in the first half of 2013.	We do not expect any improvement in corporate sales during the second half of the year either, but the final (2013) sales figures will be slightly better compared to 2012.
Household spending	0.2% y-o-y*	0.2%
Unemployment	28% (ILO measurement)	28% (ILO measurement)

Key macroeconomic messages

- Growth will be subdued due to a dysfunctional political system, uncertain EU outlook, weak domestic demand, austerity measures, high unemployment and stagnant wages. In a base case scenario, it will be flat this year and accelerate to 1.5% in 2014.
- Inflation will hover around 1% this and next year.
- Despite the fact that the pegged currency is overvalued, the currency board is likely to be maintained at the fixed rate. Letting the currency fall would be devastating since over 70% of all loans in the country are denominated in foreign currencies.

Key political messages

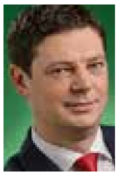
- Political stability will remain shaky as the country's three ethnic groups continue to oppose working with each other.
- Accordingly, internal political disputes will continue, protests could occur sporadically, while progress on EU accession (and structural reforms) will be delayed.
- All these factors will dampen economic and business growth in the future.

Recent Legal Developments

Law on Registration of Business Companies in the Republic of Srpska: The on-going reform aims to facilitate doing business in this entity. One of the incentives is to facilitate and simplify the registration process. The goal is to reduce the costs as well as time necessary for registration of companies. Particularly, the process that used to be time consuming is now supposed to take three days. Also, all the paperwork will be done at a single place, from filling the application for registration to obtaining of the final documentation.

Miroslav Stojanovic
Partner
WOLF THEISS, Banja Luka

Changes to the Law on Electric Energy in the Federation of Bosnia and Herzegovina: Several legal acts have been adopted during 2013. The latest and the most important one is the Law on Electric Energy, which is expected to provide a detailed regulation in this sector (the law has been adopted, but not yet published).



Sead Miljković
Partner
WOLF THEISS, Sarajevo

* H1/2013 estimate | ** 06/2013, y-o-ye

BULGARIA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	0.4% y-o-y*	0.9%
GDP / Capital		$7,581
FDI	FDI amounted to €366m in the first quarter of 2013. This is a decline of almost 55% compared to the same period a year ago.	We expect weak FDI inflows in the second half of 2013 as well.
Inflation	2.6% y-o-y**	2.5%
Interest rate	0.02%	0.02%
Currency	1.96 to the € (currency peg)	1.96 to the €
Corporate sales	Top-line sales growth was good in the first half of the year, but in terms of sales volume, Bulgaria remained a tiny market.	Corporate sales will be better compared to 2012. Around 70% of all companies believe they will register small sales growth.
Household spending	-1.0% y-o-y*	0.5%
Unemployment	11.0%	11.3%

Key macroeconomic messages

- GDP will expand by 0.9% in 2013, but will accelerate to 2.3% in 2014, when both government and household spending is expected to pick up.
- Inflationary pressures will remain moderate. Inflation will average 2.5% and 3.0% in 2013 and 2014 respectively.
- The currency peg will remain in place at 1.96 to the euro.

Key political messages

- The country has been in political turmoil for months. The new minority socialist-led government was appointed at the end of May, but the political situation has been far from stable since then.
- Street protests have continued - protesters demand the newly formed government to step down, while the risk of another early election is rising.

Recent Legal Developments

Changes to the Commercial Act: Implementing the requirements of the Directive on combating late payment in commercial transactions, major changes to the Commercial Act were promulgated in February 2013. The changes are mostly related to insolvency regulations, the term of performance of monetary obligations in commercial transactions and the consequences of failure to meet such terms. The objective is to counteract the established practice of late payment in commercial transactions between individual undertakings or between undertakings and public authorities and to reduce the negative impact on liquid assets and complicating the financial management of enterprises.

Changes to the Investment Promotion Act: Changes have been made to the Investment Promotion Act, mainly aiming at permanently overcoming the investment activity drop in times of crisis, by introducing additional opportunities to increase investment in production and services with high added value and the creation of new highly productive workplaces.

Richard Clegg
Partner
WOLF THEISS, Sofia

* Q1/2013 figure | ** 06/2013, y-o-y

CROATIA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	-1.5% y-o-y*	-1.0%
GDP / Capital		$13,654
FDI	FDI rose strongly in the first quarter of 2013 – up to €464m from €89m in the same period a year ago.	We expect FDI to decelerate in the second half of the year, but FDI in 2013 as a whole will be better compared to last year's figure.
Inflation	2.0% y-o-y**	2.6%
Interest rate	7%	7%
Currency	7.50 to the €***	7.57 to the €
Corporate sales	Croatia continues to be one of the weakest CEE and global markets for corporate sales and profit growth. Moreover, receivables collection remains a major issue.	Total 2013 sales results will not be better compared to 2012 - in a base case scenario only half of companies could find sales growth, but largely in single digits.
Household spending	-3.0% y-o-y*	2.0%
Unemployment	19.6%	20.2%

Key macroeconomic messages

- 2013 will be another recessionary year (-1.0%), marked by corporate cost-cutting measures, weak domestic demand, weak export markets, weak lending activity, high unemployment and high interest rates. Growth of 0.2% will emerge in 2014.
- Inflation rate is slowing down due to a weak domestic demand. It will average 2.6% in 2013 and 2.0% in 2014.
- The central bank will preserve its managed float of the kuna although in case of further global economic deterioration it could potentially allow the kuna to fall by up to 7.7 to 7.8 to the euro. This year, the kuna will average at 7.57 to the euro.

Key political messages

- We do not expect any significant changes on the political scene despite unpopularity of austerity measures. The coalition government, led by the Social Democratic Party will remain in power until the next election, which is scheduled for 2015.
- Croatia joined the EU as a full member on 1 July, but euro introduction could be 4-8 years away (central bank wants it quickly, the government is more cautious).
- We do not expect the EU membership to boost Croatian growth in the short-term.

Recent Legal Developments

Accession to the European Union: Some of the most important changes which occurred as a result of Croatia's accession to the European Union are listed below:

- representative offices of EU domiciled companies ceased to exist by operation of law;
- possibility to establish European Companies (Societas Europea, S.E.) in Croatia;
- EU laws are directly enforceable and EU regulations are directly applicable in Croatia;
- free movement of services and workers within the EU, with certain restrictions, applies to Croatia;
- in the field of competition law, a dual competence of the Croatian Competition Agency and the European Commission has been established;
- the ban on using foreign language words in names of Croatian companies has been lifted. Therefore, it is now possible to use words from any of the EU official languages in the name of a company;
- the Commercial Act has been fully harmonized with the Common European Policy on Commerce.

Luka Tadić Čolić
Partner
WOLF THEISS, Zagreb

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

CZECH REPUBLIC

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	-2.4% y-o-y*	-0.7%
GDP / Capital		$19,240
FDI	First quarter FDI rose by some 50% y-o-y.	Final (FDI) figure will be better compared to 2012.
Inflation	1.6% y-o-y**	1.6%
Interest rate	0.05%	0.05%
Currency	25.9 to the €***	25.8 to the €
Corporate sales	Sales expectations deteriorated slightly during the first half of 2013, while the Czech Republic was a low single-digit sales market for almost 2/3 of companies.	Sales growth will remain in low single digits for a large number of companies, but still some 30% will either stagnate or decline.
Household spending	-0.5% y-o-y*	0.0%
Unemployment	7.4%	7.6%

Key macroeconomic messages

- GDP growth will contract (-0.7%) this year on the back of weak consumer spending, austerity measures and the Eurozone slowdown, but should accelerate to 1.5% next year. Both domestic and external demand ought to show some tiny improvement during the rest of 2013 and in 2014.
- Inflation will remain low. It will average 1.6% and 1.8% in 2013 and 2014 respectively.
- Given international turmoil, the crown will be slightly weaker this year and trade at 25.8 to the euro on average. It will appreciate mildly in 2014-15 but remain quite stable.

Key political messages

- After the resignation of the country's prime minister in a spying and corruption scandal, a new (technocratic) government led by Jiri Rusnok was sworn in by the president. However, there is a strong chance it will fail a confidence vote in parliament in August in case center-right parties vote together. A center-right coalition is possible until year-end.

Recent Legal Developments

Finalization of the preparation for the recodification of the Czech private laws: The Czech Republic has finished its preparations for an unprecedented comprehensive recodification of the entire system of Czech private law. The recodification encompasses the abolishment of, among other laws, the fundamental Czech acts including the Civil Code (in place since 1964) and the Commercial Code (in place since 1991) and their complete substitution by the New Civil Code and the Code on Commercial Corporations. The large-scale set of new civil laws will become effective on 1 January 2014. The recodification itself and the transition of the existing legal affairs to the new regime means increased requirements for businesses in the Czech Republic.

Implementation of the AIFMD: The Czech Republic has recently implemented the AIFM Directive which regulates alternative investment funds that have so far operated outside the application of EU law. In this connection, there are currently bills before the Czech Parliament that aim to make the Czech Republic more attractive in the eyes of management companies, investment funds and foreign investors. The Czech Parliament approved a bill providing for a new regulation of collective investment in the Czech Republic; bill on management companies and investment funds. The bill replaces the current regulation under the Act on Collective Investment. As a tax incentive, an accompanying bill (in the same stage of the legislative process) keeps the current 5% income tax for all types of investment funds (in contrast to the 19% income tax on corporations).

Tomáš Rychlý
Partner
WOLF THEISS, Prague

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

HUNGARY

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	-0.3% y-o-y*	0.5%
GDP / Capital		$13,344
FDI	FDI fell to €626m in the first quarter of 2013 (down from €3.7bn in the same period a year ago).	We expect weak FDI inflows (much weaker compared to strong 2012).
Inflation	1.9% y-o-y**	2.1%
Interest rate	4.0%	3.5%
Currency	296.9 to the €***	300 to the €
Corporate sales	After catastrophic corporate results in 2012, companies expect that this year will be slightly better (which was the case in the first half of the year).	Still, corporate results will be weak in 2013 as a whole and among the worst in CEE – only 55% of companies expect sales growth.
Household spending	-0.6% y-o-y*	0.5%
Unemployment	10.5%	10.4%

Key macroeconomic messages

- GDP growth will reach 0.5% and 1.7% in 2013 and 2014 respectively, driven by pro-growth measures imposed by the government and the central bank. Final domestic consumption and exports will register weak but positive figures.
- Inflation will average 2.1% this year (and it could be lower if there is a further decline of some key global commodity prices). It will accelerate to 2.8% in 2014.
- Our base case average exchange rate for 2013 is 300 forint to the euro. Due to upcoming monetary easing, a worst case of 320-340 to the euro is possible as well.

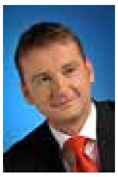
Key political messages

- The next election is scheduled for May 2014. Fidesz is expected to win the election, but with a reduced majority compared to 2010.
- During the pre-election period, we expect the government to engage in populist measures, which will aim to put more money into households' pockets (at the expense of foreign utility firms, banks, and telco firms).
- The verbal conflict between the EU and Hungary will continue and there could be more legal cases brought by the EU against Hungary this year or next.

Recent Legal Developments

New Hungarian Civil Code: On 15 March 2014, the new Hungarian Civil Code will come into force, which will incorporate and consolidate all rules pertaining to legal entities in Hungary. The new Civil Code will not only replace the current Act on Legal Entities, but also the rules pertaining to procedures conducted by the Courts of Companies' Registration. Details of the entire new regime will be seen in the course of this autumn, when the satellite and implementation laws are expected to be passed by the Hungarian legislation.

János Tóth
Partner
WOLF THEISS, Budapest



Zoltán Faludi
Partner
WOLF THEISS, Budapest

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

POLAND

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	0.5% y-o-y*	0.9%
GDP / Capital		$13,075
FDI	FDI amounted to only €359m in the first three months of 2013.	We expect a mild increase.
Inflation	0.2% y-o-y**	0.9%
Interest rate	2.5%	2.5%
Currency	4.2 to the €***	4.3 to the €
Corporate sales	Weaker than in 2012, but still a single digit growth market for the majority of companies. Consumers' downtrading to cheaper products is among the strongest in CEE.	Corporate expectations for this year are more pessimistic than 2012 results and could prove too optimistic as the year goes by.
Household spending	-0.1% y-o-y*	0.4%
Unemployment	13.6%	13.3%

Key macroeconomic messages

- The Polish economy will grow below potential as long as there is no recovery in the Eurozone (which will struggle with another recession in 2013 and possibly 2014). Accordingly, growth this year will be just 0.9%, with exceptional weakness in the first half and improvement in the last quarter.
- Inflation will average 0.9% this year and accelerate to 1.9% in 2014.
- A moderate currency risk is present due to the fact that foreign holdings of Polish government securities are at a record high and any cuts in interest rates could see some portfolio capital leaving the country and putting the zloty under some pressure.

Key political messages

- The political situation will remain relatively stable in the next couple of months despite internal issues within the Civic Platform and the rise in popularity of the PiS party. Next elections are scheduled for 2015.
- A significant rise in popularity of euro and European Union-sceptic party (PiS) has been registered, meaning that the ruling coalition will struggle to win the 2015 elections. PiS is currently leading in opinion polls.

Recent Legal Developments

The right to a dividend: At the request of the minority shareholders of the leading Polish insurer PZU SA, the Polish Supreme Court ruled on 27 March 2013 that PZU SA should have paid a dividend to its shareholders for the year 2006. The minority shareholders successfully argued that the adopted shareholders resolution on the allocation of profits to the supplementary capital and social fund, instead of the distribution of the profits to the shareholders, was detrimental to the interests of the minority shareholders and in breach of usual custom. The court ruled that the company's loyalty to its shareholders and the payment of dividends are established custom and therefore, a dividend should be paid to the shareholders if the financial situation of the company so allows.

Proposed changes to Polish competition law: A draft amendment is being debated by the parliamentary commissions. If approved it is likely to become law by the end of this year. The draft amendment introduces a two-phase merger control procedure which is likely to significantly speed up merger control proceedings in the case of mergers which do not raise competition issues. The proposed changes also relate to leniency procedures, remedies, settlements and the controversial introduction of personal liability for managers of companies who allow the company they manage to enter into anticompetitive agreements.

Amendments to the Labour Code: As of 17 January 2013, an employer commencing business activity in Poland no longer has an obligation to notify the State Labour Inspection and the State Sanitary Inspection of the location, type and scope of such business activity within 30 days of its commencement. These simplifications aim to encourage new business in Poland.

New Act on Payment Terms in Commercial Transactions: As of 28 April 2013, the new Act implements the EU Directive on combating late payment in commercial transactions. The Act provides that the maximum payment term for commercial transactions is 60 days from the date of delivery of the invoice or bill confirming the delivery of goods or provision of services to the debtor (30 days if the debtor is a public entity). The maximum payment term may be contractually extended only in justified cases (up to a maximum of 60 days if the debtor is a public entity).

Privatisation of Poland's national carrier: The law which obliged the Polish State Treasury to maintain a controlling stake in Poland's national carrier, PLL LOT, was repealed at the end of May 2013. This legal change is expected to facilitate the privatisation of the Polish airline.

Siegfried Seewald
Partner
WOLF THEISS, Warsaw

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

ROMANIA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	2.2% y-o-y*	1.9%
GDP / Capital		$8,775
FDI	FDI doubled in the first quarter of the year. It stood at €246m (up from €122m in the same period a year ago).	We expect a mild increase.
Inflation	5.4% y-o-y**	4.8%
Interest rate	5.0%	5.0%
Currency	4.40 to the €***	4.40 to the €
Corporate sales	In the first half of 2013, Romania was a single digit sales growth market for the majority of companies. However, total sales expectations have deteriorated since the beginning of the year.	Corporate sales growth will hover in the single digit zone for the majority of companies, while a significant portion (around 30%) of companies will either stagnate or decline.
Household spending	-0.2% y-o-y*	1.4%
Unemployment	5.0%	5.2%

Key macroeconomic messages

- Political stability, some possible rising portfolio investment and a pick-up in exports and industry ought to see GDP growth rise to 1.9% this year and 2.4% in 2014. However, risks are skewed to the downside.
- Inflation will average 4.8% and 3.5% in 2013 and 2014 respectively.
- The leu will remain stable in the mid-term. It will trade at 4.40 and 4.38 to the euro in 2013 and 2014 respectively.

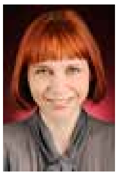
Key political messages

- The government led by Victor Ponta has a large majority and will remain in power. We do not expect any significant changes on the political scene, although some internal disagreements within the government are possible and could impact the economic policy making.

Recent Legal Developments

Corporate governance of state-owned companies: On 4 June 2013, the Government Emergency Ordinance No. 109/2011 on the corporate governance of state-owned companies was amended by Government Emergency Ordinance No. 51/2013 ("GEO 51/2013"). Among other topics, GEO 51/2013 sets out new rules for determining the remuneration of: (i) the members of the Board of Directors or of the Supervisory Board; and (ii) the managers of state-owned companies. The monthly remuneration comprises two components: a fixed amount and a variable amount. The fixed remuneration of non-executive members may not exceed the average monthly gross salary over the last twelve months, as reported by the National Institute of Statistics, in the field where the respective state-owned company operates, while for executive members, the fixed remuneration may not exceed six times the same average monthly gross salary.
The variable remuneration is established according to specific recommendations issued by the Appointments Committee or by human resources specialists and may consist of: (i) a quota of the company's net profit or a pension scheme; or (ii) a key performance indicator-based remuneration. The remuneration of the managers may not exceed the level of the remuneration for the executive members. Directors appointed as managers are entitled to receive only the manager remuneration.

Draft law regarding holding companies: In 2009, a draft law regarding holding companies (the "Draft Law") was submitted for approval to the decision-making bodies of the Romanian Parliament. Although no law on holding has been enacted to date, the representatives of the Romanian political and economic environment are very keen to expedite the legislative procedure in this regard. The new law is envisaged to boost foreign investments in Romania by introducing two new attractive concepts: the holding company and the group of companies. It is noteworthy that a holding company may only be constituted in the form of a joint stock company, which may, despite the general restriction imposed by the Company Law, act as sole shareholder in more than one of its subsidiaries. The Draft Law heavily regulates groups of companies from the tax perspective and expressly specifies that only the Romanian branches of the foreign companies belonging to the group will benefit from the specific tax regime. Amongst the most interesting and unprecedented provisions encompassed by the Draft Law are: the right of the companies belonging to the same group to conclude voting agreements; the intra-group financing techniques; the joint management of the group of companies; the liability of the holding company; the tax regime relevant for the group of companies; the special employment rules within the group of companies increasing the flexibility of the labour-related regime.



Ancuta Leach
Partner
WOLF THEISS, Bucharest

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

SERBIA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	2.1% y-o-y*	1.6%
GDP / Capital		$4,425
FDI	Net FDI amounted €155m in the first quarter of 2013.	We expect a mild increase.
Inflation	9.8% y-o-y**	8.4%
Interest rate	11%	10%
Currency	114 to the €***	113 to the €
Corporate sales	Sales expectations deteriorated slightly during the first half of 2013, but were still better than 2012 corporate results. Some 60% of companies registered sales growth.	Corporate sales will post a very mild improvement compared to 2012, while a large number of companies will find no sales growth at all.
Household spending	-1.1% y-o-y*	-2.0%
Unemployment	24.1%	24.1%

Key macroeconomic messages

- This year's growth will be driven mainly by exports and an expected stronger agricultural harvest, while the overall domestic demand will remain rather weak. GDP growth will accelerate to 2.4% in 2014.
- The inflation rate will continue to moderate from current high levels because of weak domestic demand, a stabilised dinar, fiscal consolidation and a projected decrease in global commodity prices.
- The dinar has stabilized in recent months due to high interest rate, but it is still a weak currency (and a bit overvalued due to high current account deficit). Therefore, some volatility is still possible.

Key political messages

- The coalition is strained and early elections could be called if and when the largest party (Serbian Progressive Party) decides the timing is right (they have been experiencing growing popularity).
- Following the deal on Kosovo, Serbia was finally given a preliminary date for the start of EU accession talks – January 2014 (Serbia already has candidate status) – the EU will monitor the implementation of the Kosovo deal in the coming months and if everything is OK, a formal date will be given some time in the autumn.

Recent Legal Developments

Amendments to numerous tax and social security laws were adopted in May 2013 (i.e. the Corporate Income Tax Act, Personal Income Tax Act, Property Tax Act, Tax Procedure and Tax Administration Act and Contributions for Mandatory Social Insurance Act). Some of the most important changes which occurred as a result thereof are listed below:

- The salary tax rate was reduced from 12% to 10%, while the rate of mandatory pension and disability contributions was increased from 22% to 24%.
- Serbian non-residents, who were exempt from tax residency under a double tax treaty, are now required to pay annual income tax on their Serbian sourced income.
- The personal salary of entrepreneurs is now the basis for calculating tax and social security contributions instead of company profit. Personal salary will be treated as a deductible expense for the purpose of assessment of taxable profit of the entrepreneur, while profit is subject to 10% income tax as well as subject to annual income tax.
- Unlimited secondary liability of the members of an entrepreneurs' family for tax obligations of the entrepreneur have been introduced.
- Conditions for the "large tax credit" under the Corporate Income Tax Act have been relaxed. Therefore, credit may be granted to taxpayers who hire an additional 100 new employees, while the value of investments in new fixed assets remains at a minimum of RSD 1 billion.
- Besides capital gains tax, non-residents are required to pay tax on income derived from rent on assets located in Serbia.
- Shareholders of Serbian companies are required to pay social security contributions on the minimal base for social insurance prescribed by the law, instead of the taxable profit of their companies.
- Asset transfer during mergers and spin-offs is exempt from the property transfer tax, regardless of whether there was monetary compensation to the shareholders. Likewise, assets transfer to shareholders of the company in liquidation are now exempt from property transfer tax.

Illegally Constructed Buildings Act: the newly adopted Illegally Constructed Buildings Act provides for the simple registration of ownership of illegally constructed buildings and the opportunity to register such buildings with the Cadastre. However, any third party may dispute the ownership right of buildings registered under this law. The owner may sell a building registered under this law only upon submitting proof that all land development fees have been duly paid. It should be noted that the Serbian Constitutional Court declared certain provisions of this Act unconstitutional. Therefore, the amendments to the Act are currently under public debate and should be adopted within a few months.

Miroslav Stojanovic
Partner
WOLF THEISS, Belgrade

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

SLOVAK REPUBLIC

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	0.6% y-o-y*	1.0%
GDP / Capital		$17,900
FDI	FDI dropped strongly in the first three months of 2013.	We expect weak FDI inflows for the reminder of the year.
Inflation	1.6% y-o-y**	1.8%
Interest rate	0.5%	0.5%
Currency	1.32 to the $***	1.30 to the $
Corporate sales	There has been a slight deterioration in sales expectations since the beginning of the year (similar to Czech Republic).	Some 60% of companies will find sales growth, but largely in the low single digit zone. Business in general will remain challenging.
Household spending	-0.9% y-o-y*	-0.3%
Unemployment	14.3%	14.8%

Key macroeconomic messages

- Growth will decelerate to 1.0% this year and accelerate to 2.3% in 2014. However, the risks are skewed to the downside and are related to growth trends in the Eurozone and domestic demand in Germany.
- Inflationary pressures will remain low. Inflation will average at 1.8% and 2.2% in 2013 and 2014 respectively.
- The euro ought to weaken mildly against the US dollar as US interest rates are now expected to rise at least in the medium term.

Key political messages

- The country has been governed by the centre-left party (Smer-SD) since 2012. We do not expect any changes on the political scene in the next couple of years.
- The government will focus on fiscal consolidation, particularly tax reforms, in order to reduce the budget deficit to below 3% of GDP.

Recent Legal Developments

Limitation of Cash Payments: As of 1 January 2013, cash payments exceeding EUR 5,000 among legal entities or natural persons classified as entrepreneurs and cash payments exceeding EUR 15,000 among natural persons classified as non-entrepreneurs are prohibited. A legal entity or an entrepreneur may be fined up to EUR 150,000 in case of a breach of the aforementioned prohibition. In case of non-entrepreneurs, the applicable fine is up to EUR 10,000.

Change of Tax Rates: Slovakia has abolished the flat 19% income tax rate and as of 1 January 2013 the following tax rates apply in respect to income tax:

- 23% of the tax base (less tax loss) in case of legal entities;
- The tax rate for certain withholding activities is still 19%.

Amendment to the Labour Code: As of 1 January 2013, the new amendment of Act No. 311/2001 Coll. on the Labour Code came into force introducing substantial changes to the law. The main purpose of the amendment is to strengthen the protection of employees. Among other changes, a new regulation for severance payments was introduced. If an employer terminates an employment by notice due to redundancy or other organizational reasons, the employee is entitled to a severance payment in addition to the respective salary which the employer has to pay during the termination notice period. Similarly, in case of the agreed termination of the employment for the above stated reasons, the employee is also entitled to a severance payment.

Luboš Frolkovič
Partner
WOLF THEISS, Bratislava

* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

SLOVENIA

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	-4.8% y-o-y*	-3.2%
GDP / Capital		$21,534
FDI	FDI fell to €43m in the first quarter of 2013 (down from €197m in Q1/2012)	FDI will remain weak in the second half of the year as well. We expect a decline.
Inflation	1.9% y-o-y**	2.0%
Interest rate	0.5%	0.5%
Currency	1.32 to the $***	1.30 to the $
Corporate sales	Slovenia was the worst market for sales and profit growth in CEE in 2012. Weak corporate sales in the first half of this year indicate that the country will retain this title.	In terms of sales growth, this year will be worse than 2012. Corporate sales will remain weak for the reminder of the year.
Household spending	-5.4% y-o-y*	-3.8%
Unemployment	13%	13.7%

Key macroeconomic messages

- GDP will shrink by 3.2% and 0.5 in 2013 and 2014 respectively, on the back of weak demand by consumers, companies and the government. Business will suffer, while economic recovery will be slow and long.
- The recent decline of some global commodity prices as well as a depressed demand in Slovenia will push prices lower this year. Inflation will average 2.0% and 1.6% in 2013 and 2014 respectively.
- The euro ought to weaken mildly against the US dollar as US interest rates are now expected to rise at least in the medium term.

Key political messages

- The new centre-left coalition has taken over government, which is now led by Alenka Bratusek. The government is pro-growth oriented. It announced that it will be very cautious with austerity programmes.
- However, without the ability to print its own currency, the manoeuvring space to accelerate growth is very limited. Moreover, Slovenia has to stabilize its finances and clean up the banking sector which has over €7bn in bad debts

Recent Legal Developments

Changes to the Insolvency Law: In June 2013, important changes to the Insolvency Law were enacted. The new provisions strengthen the position of creditors swapping claims into equity, provide for stronger control over insolvency administrators, reduce corporate competencies of corporate bodies of an insolvent company and facilitate capital increases. Creditors or third parties who have subscribed for shares in a capital increase in cash or in kind or who have swapped their shares into equity, may request the court for authority to manage the insolvent debtor's business. Based on such authorization, the respective creditors are entitled to recall the existing management/board members and appoint new managing directors/board members. A simplified compulsory settlement proceeding was enacted for entrepreneurs and micro companies. The period for the contestation of gratuitous transactions was extended from 12 to 36 months prior to the filing of an insolvency application.

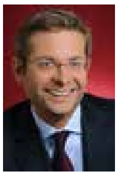
Provisions of the Amendment of the Companies Act upheld: Following its ruling of April 2013, the Constitutional Court has upheld the provisions of the Amendment of the Companies Act from 2011, which provide for (i) limitations to the ability to act as a founder or shareholder of a company in certain cases; and (ii) revocation of the authority of managing directors and members of boards from carrying out this function in the insolvent company as well as in any other company in Slovenia. An exception to this rule applies only if the managing directors/board members can prove that they acted diligently. Because of this shifting of the burden of proof, managing directors/board members will need to consider in the future how they act on the brink of insolvency, and gather proof and documentation that they acted diligently.

Amendments to the Takeover Act: In July 2013, amendments to the Takeover Act entered into force, which introduce additional exceptions from

- the obligation to launch a takeover bid in case the shareholding of the person exceeded the 33.3% threshold; and
- the sanction of a suspension of voting rights from shares imposed by the Securities Market Agency because a person/persons acting in concert acquired shares exceeding the mandatory 33.3% threshold in violation of the Takeover Act.

The exceptions aim at facilitating the purchase of shares and decision-making in public companies in the course of financial restructurings.

Markus Bruckmüller
Partner
WOLF THEISS, Ljubljana



* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

UKRAINE

Macroeconomic overview

	Development H1 2013	Outlook H2 / Year-end forecast 2013
GDP	-1.3% y-o-y*	0.4%
GDP / Capital		$3,683
FDI	FDI in the first quarter of 2013 rose by $1.6bn, which represents an increase compared to the same period a year ago.	We expect the positive trend to continue throughout the rest of the year.
Inflation	-0.1% y-o-y**	1.6%
Interest rate	7.0%	6.5%
Currency	10.5 to the €***	11.6 to the €
Corporate sales	Sales expectations deteriorated slightly during the first half of 2013, but were better than in many other CEE markets, with almost a third of companies hovering in the double digit sales growth zone.	Ukraine will remain a sales growth market for the majority of companies (75%) and will rank quite highly in the region as far as top line growth is concerned.
Household spending	4.5% y-o-y*	2.2%
Unemployment	8.6%****	8.0%

Key macroeconomic messages

- GDP growth will reach just 0.4% this year. It should accelerate to 2.9% in 2014 as investment, industry and exports post a moderate recovery.
- Good harvest and moderate food prices will keep inflationary pressures low for the next couple of months, but the removal of subsidies ought to take inflation up to 5.8% next year (from 1.6% in 2013).
- We foresee the currency ending this year at 11.6 to the € (8.8 to the $) and then depreciating marginally to 11.7 to the € (9.2 to the $) at the end of 2014.

Key political messages

- Despite the rising popularity of opposition leaders, the presidential election scheduled for 2015 will, most likely, not depose Viktor Yanukovych, who has strong support in the country's industrial east, from power.
- The EU will continue to demand more reforms, while the trade agreement with the EU could easily get postponed despite president's pardon of some jailed opposition politicians.

Recent Legal Developments

Tax developments effective from the beginning of 2013: The following tax developments have been implemented effective as of 2013:

- Introduction of tax of up to 1.5% on over-the-counter securities transactions;
- Reduction of the corporate income tax rate from 21% to 19%;
- New tax incentives for the IT industry;
- New financial promissory notes to pay VAT refunds;
- New transfer pricing rules;
- New real estate tax.

Exchange controls: In May 2013, the National Bank of Ukraine introduced temporary limitations on foreign currency turnover in Ukraine effective until 19 November 2013:

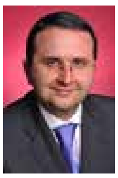
- at least 50% of a Ukrainian resident's foreign currency proceeds needs to be immediately converted to UAH;
- the performance period of foreign currency settlements for export and import transactions was shortened from 180 to 90 days.

Real Estate developments: In 2013 a new system for the registration of property rights and encumbrances over real property came into effect. The main objectives of the new system are EU harmonization and to combine in one unified register data about all existing rights to and encumbrances over real property (title and use rights, pledge/mortgage/seizure of such property, etc.) and the land plots on which such real property is located. This information was previously recorded in four different registers.

Insolvency law developments: The original post-Soviet Bankruptcy Law of Ukraine was restated in 2013. The new law provides for significant changes to bankruptcy proceedings at all stages and aims to make the insolvency process more efficient and to remedy defects in the original law.

Changes of maritime ports regime: The new Law of Ukraine on Maritime Ports became effective on 14 June 2013. It substantially changed the rules of maritime port services, allowing private ownership of ports for the first time. Strategic port infrastructure must remain State property.

Taras Dumych
Partner
WOLF THEISS, Kiev



* Q1/2013 figure | ** 06/2013, y-o-y | *** latest available exchange rate

CONTACT US

ALBANIA	Eurocol Center, 4th floor Murat Toptani Street AL - 1001 Tirana	Tel.: +355 4 2274 521 tirana@wolftheiss.com
AUSTRIA	Schubertring 6 A - 1010 Wien	Tel.: +43 1 515 10 wien@wolftheiss.com
BOSNIA & HERZEGOVINA	Zmaja od Bosne 7 BiH - 71 000 Sarajevo	Tel.: + 387 33 953 444 sarajevo@wolftheiss.com
	Jovana Dučića 52 BA - 78000 Banja Luka	Tel.: + 387 51 921 500 banja.luka@wolftheiss.com
BULGARIA	Rainbow Center 29 Atanas Dukov Street BG - Sofia 1407	Tel.: +359 2 8613 700 sofia@wolftheiss.com
CROATIA	Eurotower, 19th Floor Ivana Lučića 2a HR - 10 000 Zagreb	Tel.: +385 1 4925 400 zagreb@wolftheiss.com
CZECH REPUBLIC	Pobřežní 12 CZ - 186 00 Praha 8	Tel.: +420 234 765 111 praha@wolftheiss.com
HUNGARY	Kálvin tér 12-13, Kálvin Center, 4th floor H - 1085 Budapest	Tel.: +36 1 4848 800 budapest@wolftheiss.com
POLAND	ul. Mokotowska 49, PL - 00-542 Warszawa	Tel.: +48 22 378 8900 warszawa@wolftheiss.com
ROMANIA	Bucharest Corporate Center (BCC) 58-60 Gheorghe Polizu Street Floor 12-13, Sector 1 RO - 011062 Bucuresti	Tel.: +40 21 308 81 00 bucuresti@wolftheiss.com
SERBIA	PC Ušce Bulevar Mihajla Pupina 6 SRB - 11070 Novi Beograd	Tel.: +381 11 330 2900 beograd@wolftheiss.com
SLOVAK REPUBLIC	Laurinská 3 SK - 811 01 Bratislava	Tel.: +421 2 591 012 40 bratislava@wolftheiss.com
SLOVENIA	Bleiweisova cesta 30 SI - 1000 Ljubljana	Tel.: +386 1 438 00 00 ljubljana@wolftheiss.com
UKRAINE	5, Spaska St. UA - 04070 Kiev	Tel.: +38 044 3 777 500 kiev@wolftheiss.com

Legal Notice

Editing Team: Ancuta Leach, Sandra Müller, Siegfried Seewald, Dieter Spranz, Harald Stingl, Luka Tadic-Colic, János Tóth
Owner, editor, publisher: WOLF THEISS Rechtsanwälte GmbH, Schubertring 6, 1010 Wien. Tel.: 01/515 10; Fax.: 01/515 10-25;
email: wien@wolftheiss.com; homepage: www.wolftheiss.com; Commercial Registration Number: FN 224135 k; Commercial Registration Court: Commercial Court Vienna;
purpose of business: legal advice and services provided by lawyers; **purpose of publication:** description of legal services provided by Wolf Theiss;