

Market survey of the Barents region

for

TECHNOGROWTH



Euroopan unioni
Euroopan aluekehitysrahasto

Pohjois-Savon liitto tukee
maakunnan
menestystä



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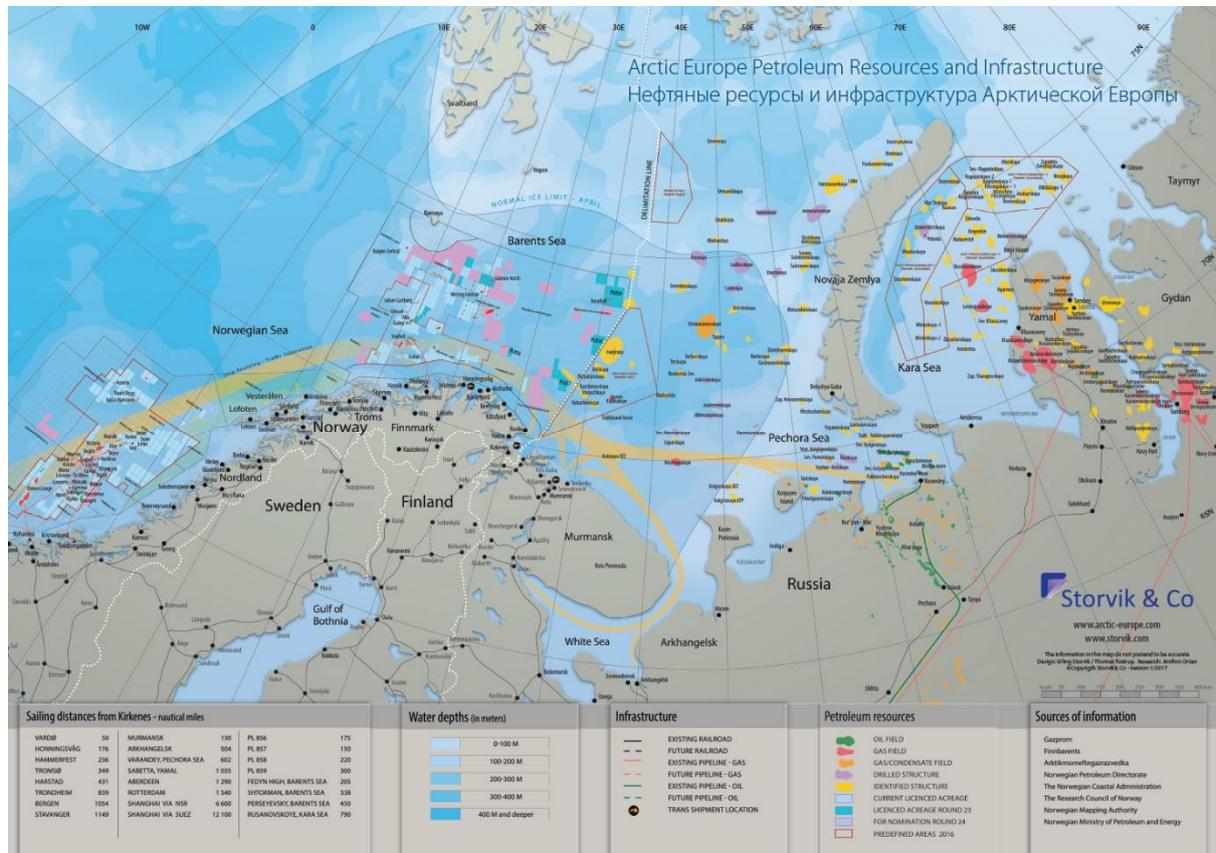
1 Assignment implementation plan

The project shall investigate market opportunities in Northern Sweden (Norrbotten and Västerbotten counties), Northern Norway (Nordland, Troms and Finnmark counties) and Northwest Russia (Murmansk, Arkhangelsk and Karelia regions). The investigation will focus on 21 companies, selected by the project owners. The results will be presented during the period 23-25.

The project will be presented in three parts:

- ✓ A summary report: "Market survey of the Barents region based on the CV's of 21 technological companies"
- ✓ 21 individual reports based on each company's information taken from website and from interviews. These reports will be presented during individual meetings with each company.
- ✓ A power point presentation used for introducing the project to the participants and a presentation at the "Pohjois-Savon Teknologiafoorumi Business Forum" on 24.08.2017, by Bjørn Storvik.

2 Summary and Conclusions



The Barents region has been through amazing development during the last 25 years with the opening of the borders for both commercial and cultural cooperation. It is a paradox that a region that has seen so much violence and tension during a world war followed by a cold war, is now one of the most peaceful regions in the world, let us hope we can keep it that way. The geo-political situation is challenging, but we must persevere.

This is also a very rich region with oil and minerals, fish and forest and now the world has discovered its potential as a tourist destination, and also amazingly, during all seasons. As a Norwegian tourist developer said, "snow is more valuable than oil", but we have both.

Cross border cooperation is just starting in the region with new infrastructure being planned, road, rail and air. The biggest project, a railway line connecting the arctic ocean with first Finland and then Europe, is now going through a feasibility study by the Finnish Government, we think, like a famous line from a movie "Just build it and we will come"

This report is attempting to show some of the potential in the region from the perspective of a group of companies from central Finland.

3 Market survey of the Barents region

This chapter is dedicated to the market conditions, potential, competition related to the individual companies included in this survey, for confidential reasons this will be reported separately for each company, this report will however state some general conditions.

3.1 Northern Sweden

3.1.1 General Market Overview

The region of Övre Norrland lies in the northernmost part of Sweden and consists of two counties: Norrbotten and Västerbotten. Put together they make up an area of about 150 000 square km which is almost exactly one third of the country's total area. The population of the region is about 516 000 people which is only slightly more than 5% of the country's total.

In the last decades Norrbotten has been one of the country's most dynamic regions with a growth, measured in GRP, which is stronger than in the rest of the country.

During the period 2011-2013 about 15 percent of Sweden's industrial investments were made in Norrbotten.

In the years 2010-2012 about 6,2 billion Kroner were invested in Norrbotten which is Sweden's second largest investment volume per county after the county of Västra Götaland. Calculated in Kroner per capita Norrbotten was obviously far ahead.

The primary industries in the region of Övre Norrland are mining, mineral processing, steel production, pulp and paper production, forestry and wood processing as well as energy production.

Mining industry

Almost 90 per cent of EU:s iron ore comes from Sweden, with the main part of it produced in Norrbotten. The two major mining companies running active mines in the region are LKAB, producing iron ore and Boliden producing copper, gold and silver. Northland Resource's iron ore mine in Pajala which was closed in 2014 after the owner company had gone bankrupt might open again according to recent information in Swedish media.

Norrbotten's mining industry is concentrated around Gällivare-Malmberget and Kiruna where most of the active mines are located.

Besides the ample share of Norrbotten in the production of iron ore, the amounts of zinc, lead and silver are also significant from a national perspective.



After the boom in 2012-2013 the Swedish mining industry is now experiencing a recession. Large investment were made during the boom years which had ripple effect on the supplier industries of the region. Boliden invested about 6 SEK billion in Aitik mine and doubled its production from 18 to 36 million tonnes per year. Despite the sales slow-down Boliden continues to make major investments in its production facilities. Only in Aitik copper mine Boliden is planning to invest about SEK 1 billion up to 2018. Boliden is also planning to open a new mine in Laver. However, the project is uncertain due to environmental issues. In 2016, around 36,051 ktonnes of ore were processed by Boliden to form metal concentrates containing copper, gold and silver. Boliden's smelter facility is located in Skellefteå port.

During the boom period LKAB invested heavily in new mines in Svappavaara area: Mertainen, Gruvberget and Leveäniemi. In December 2016 it was announced though that LKAB's new open-pit mine Mertainen outside Svappavaara will not be taken into production. The prevailing situation in the market means that the mine will be mothballed until circumstances change. Mining operations in Leväniemi mine continue on a smaller scale than it was initially planned.

The mining industry in Västerbotten is concentrated in the area between Skellefteå and Boliden, although the Skellefteå field stretches further inland. There are plans to start mining operations in Storuman, Lycksele and Sorsele municipalities.

Despite the current recession the mining industry of Övre Norrland continues to be the basis of the region's economy.

Forest-based industries

Forest-based industry plays a very important role in in Norrbotten and Västerbotten creating large economic value. Forestry in the inland regions provides raw material for the processing industry based along the coast. The largest pulp and paper companies of the region are SCA in Munksund and Obbola, SmurfitKappa in Piteå and BillerudKorsnäs in Karlsborg (Kalix municipality). The forest-based branches produce 26,5 billion SEK worth of products. The largest sawmills of the region are Martinssons in Bygdsiljum, Setra in Kalix and Malå and Snenvalls in Sikfors. There is a number of major manufactures of prefabricated houses the largest of which is Älvsbyhus.

Energy sector

Hydropower

The River Lule in the County of Norrbotten accounts for one fourth of the total hydropower production in Sweden (17 TWh in year 2008).

The River Umeälven in the county of Västerbotten accounts for one eighth of the total hydropower production in the country (10 TWh 2008).

Wind power

Wind power potential is available in the highland areas of the region and along the coast. In Norrbotten and Västerbotten there are about 291 wind power turbines, another 614 turbines have been granted construction permits. The largest wind power project is being implemented in Markbygden, Piteå municipality. The planned facility involves construction of about 1100 turbines with estimated capacity of 8-12 TWh per year, which is a half of the planned land-based wind power production in Sweden by 2020. Feasibility studies are ongoing for another 970 turbines in Västerbotten.

Bioenergy

Bioenergy in Sweden is mainly produced with forest raw materials, such as waste from forestry, sawmills and pulp and paper industry. Forest industry both uses and delivers biofuel. Bark and sawdust are used as fuel by sawmills and paper industry while paper industry uses black liquors – a byproduct of paper manufacturing – for energy production. Intensive research is being conducted in Piteå concerning waste liquor gasification and production of environment-friendly fuel for vehicles.

In Norrbotten there are three major companies producing biofuel on a commercial basis. Bioenergi i Luleå is the largest one producing 100 000 tonnes of biopellets a year. Biopellets are used both for district heating and for heating of single-family homes. Bio pellets factory in Pajala produces about 8 000 tonnes pellets a year and has a capacity for 15 000 tonnes. Glommersträsk Miljöenergi produces 3 000-5 000 tonnes a year.

The Däva CHP plant, a major heat and energy generating facility in Umeå, consists of sorted household waste, forestry waste, in total about 700 000 tonnes.

Skellefteå Kraft has combined bioenergy facilities in Hedensbyn in the municipality of Skellefteå and Stensele, Municipality of Storuman (Biostor). The capacity is 130 000 tonnes/year for Hedensbyn and about 105 000 tonnes/year bio pellets for BioStor. The combined facility in Hedensbyn in Skellefteå consists of CHP plant which is fueled with wet bio fuel using a modern fluid bed technology as well as a pellets factory.

Over the recent years a number of manufacturers of environment-friendly fuels for vehicles have been established. Solander Science Park in Piteå is behind several projects aiming at production of bioenergy products from existing pulp processes.

SunPine in Piteå produces biodiesel based on raw talloil, which is a byproduct from pulp production. The production volume is about 100 000 m³ a year and diesel fuel is sold by Preem.

3.1.2 Public Tender procedures

All Public Tenders over certain values shall be announced on a common web site where potential providers can find information regarding the tender and how to be a contender, the following gives some information how this system works in Sweden. Storvik & Co are following this sites and can provide branch specific information to companies that wish to take part.

For most public procurements the detail information can be found in the Procurement database VismaOpic <http://www.opic.com/sv/offentlig-upphandling/> and its procurement instrument VismaTendSign <http://www.opic.com/sv/tendsign/>. A potential tenderer shall be registered in the TendSign system to receive the tender documentation. Detailed information on several tenders can be obtained from the services E-avrop (www.e-avrope.com) and www.mercell.se after an easy registration procedure.

In some cases the potential supplier must be registered directly in own procurement system of the tender publishing organization (a customer), for example LKAB or Trafikverket (Swedish Transport Authority), to get access to detailed information on the tender or report interest directly to an organization responsible for procurement.

Besides announced tenders, Storvik & Co can also provide information about some actual planned and coming projects the tenders under which have not been announced yet.

Changes in the legislation

At the turn of the year 2016 – 2017 several major changes were introduced in the Swedish legislation on public procurement. The largest change is that the Law on public procurement (LOU) and the Law on procurement within areas water, energy, transports and post services (LUF) were updated and a completely new Law on procurement of concessions (LUK) was adopted.

The only law which is relevant in the context of the present survey is LOU.

Threshold values

Threshold values are the limits which determine whether a procurement procedure shall follow national rules or the rules set by EU directives.

Threshold values for public procurement according to LOU (gäller från 1 januari 2016) source: <http://www.konkurrensverket.se/upphandling/om-upphandlingsreglerna/om-lagstiftningen/troskelvarlden/>

| Goods and services | Euro | SEK |
|--|---------|-----------|
| State authorities | 135 000 | 1 233 941 |
| Other procurement authorities (for example municipalities, regional authorities, municipal companies, foundations) | 209 000 | 1 910 323 |
| Construction contracts | | |

| | | |
|---|-----------|------------|
| All procurement organizations / authorities | 5 225 000 | 47 758 068 |
| Social services and other special services | | |
| All procurement organizations / authorities | 750 000 | 6 855 225 |

Guidelines for foreign bidders

An overview of Swedish requirements to bidders in general and foreign bidders in particular

Limitations: There is no single approach for all kinds of situations...

Requirements as to the form and content of the offer are often very specific and compulsory

Non-compliance can lead to rejection of the offer!

Offer preparation guidelines for tenderers participating in procurement procedures in Sweden

Introduction

The purpose of the present document is to provide potential tenderers participating in Swedish procurement procedures with a comprehensive picture of requirements concerning the form and content of their offers. At the same time the user of these guidelines should be clearly aware of the fact that there cannot be any single approach applicable in all situations as the requirements differ depending on the type of organization conducting the procurement, the branch it operates in, the type of contract to be concluded, the choice of procurement procedure and many other factors. Please, observe that individual requirements can be applied for specific tender procedures. Many procurement authorities, organizations and companies require that the bidders use special forms (offer templates) included in the procurement documentation. Failure to observe this requirement may lead to the tender being rejected.

Pursuing our objective – to create, as far as it is possible, universal guidelines applicable in most cases – we assumed that models and procedures of public procurement in the construction sector can be used as a basis of our overview. Public sector is characterized by the most stringent and clearly defined requirements as to the procurement procedures striving to envisage all possible scenarios and eliminate all ambiguity. Due to complexity, long duration, high costs and numerous interacting participants of construction projects legal framework for implementation of such projects is highly elaborated to rule out any misunderstanding between the customer and the contractor. This is also true as for the requirements concerning the form and content of offers.

Legal framework and branch-specific documents

Procurement in the Swedish public sector is regulated primarily by Public Procurement Act (2007:1091) (LOU). Procurements under the so called "threshold value" are regulated by Chapter 15 of LOU. Threshold value is SEK 45 256 666 for the period of 2014 – 2015. National regulations are

applied to procurements under the threshold value while EU directives are applied to those over the threshold.

The Swedish construction sector has an elaborated system of branch documents which have been developed in cooperation between branch associations of construction customers and contractors and form the basis of request for proposals concerning construction and installation projects.

These are AMA AF ("Guidance for the preparation of particular conditions for Building and Civil Engineering Works and Building Services Contracts"), available in English both as a paper book (SEK 1 890 + VAT) and e-book (SEK 1 510 + VAT) and can be ordered at:

<http://www.byggjtjanst.se/bokhandel/kategorier/projektering-upphandling/ama-af-07-engelsk-utgava/>

The choice of contract form (general contract, design and build contract etc.) determines which provisions are to be applied.

AB 04 (General Conditions of Contract for Building and Civil Engineering Works and Building Services) is applied to general contracts. Available in English both as a paper book (SEK 399 + VAT) and e-book (SEK 239 + VAT) and can be ordered at:

<http://www.byggjtjanst.se/bokhandel/kategorier/projektering-upphandling/ab-04-engelsk-utgava/>

ABT 06 (General Conditions of Contract for Design and Construct Contracts for Building, Civil Engineering and Installation Works) is applied to design and build Contracts. Available in English both as a paper book (SEK 388 + VAT) and e-book (SEK 115 + VAT) and can be ordered at:

<http://www.byggjtjanst.se/bokhandel/kategorier/projektering-upphandling/abt-06-engelsk-utgava/>

Procurement procedures

The procurement authority may choose to apply different procurement procedures depending on the value of the contract and other conditions. These following procedures may be applied:

simplified procedure, selection procedure, direct procurement and competitive dialogue procedure.

The selection procedure is applicable when the procurement authority has grounds to believe that a very large number of bidders will submit their offers. When the selection procedure is used the bidders have to apply for the right to submit tenders and the procurement authority announces in the procurement notice how many qualified bidders will be invited to submit tenders. When the simplified procedure is used all the tenders have to be considered.

When direct procurement procedure is applied there are no requirements at all concerning public notification or the form of offer. Competitive dialogue is complement to other types of procurement. It implies that the procurement authority can have a dialogue with the bidders in those cases when the procured product has a complex nature. For example when the procurement authority needs help from the bidders having specific competence to define the object of purchase in itself. The dialogue, as it follows from the name, should be competitive and the procurement entity invites the suppliers to participate in it.

Contract type

Construction contract (general contract/trade contract) implies that the Customer has developed the design (construction drawings and technical specifications) whereupon the Customer employs the Contractor that undertakes to perform the work according to how it is described in drawings and specifications.

Design and build contract implies that the contractor develops the design on his own or with the help of a subcontractor. In the request for proposals the customer describes the purpose of the facility to be built and its qualities in the form of functional requirements.

Customer coordinated project implies that the Customer concludes separate direct contracts with different trade contractors and is responsible for coordination between them.

Customer coordinated design and build project implies that the customer is in charge of the procurement procedure soliciting bids and evaluating offers from all trade contractors. When the contracts are awarded one of the contractors (usually construction contractor) takes over the responsibility for coordination of the project.

Payment terms

Depending on the conditions set out in the procurement documentation the Contractor offers either a fixed price or a time-and-materials price.

The fixed price is an agreed price of the contract which does not depend on the amount of resources or time expended by the contractor. The fixed price is indicated excluding VAT.

In case of time-and-materials contract arrangement the procuring authority pays the supplier after delivery of works for the time spent according to an agreed price per hour plus other costs such as materials and goods.

The time-and-materials offer should specify price per hour for every category of trade workers as well as construction management, as well as an estimated time (number of hours) for the construction project in question.

According to provisions in AB 04 price items for trade workers and corresponding construction managers shall be specified separately, as two different items. Please, observe that estimated cost or estimated number of hours is normally not binding for the supplier unless otherwise agreed by the parties.

Even if the fixed price arrangement is chosen there may still occur works not included in the contract. That is why it is always obligatory to specify a price per hour for every trade worker category and construction managers.

Usually the prices are given excluding VAT.

Deadline for questions

Check what is the last day when the bidders can ask questions concerning the procurement documentation. The last day for questions is always specified in the procurement documentation so that the procurement authority should have enough time to answer these before the last day for publishing of answers.

Additional clarifications concerning the procurement documentation should always be published no later than six days before the deadline for tenders. The bidders should have enough time to change the tender according to the published amendments and clarifications.

7. Signatory of the offer

Swedish procurement authorities are not recommended to demand that the offers should be signed by the authorized signatories of the bidding company as it can be a problem for big organizations with central management in other places. Instead it is often allowed for an "authorized representative" to sign the offer. The representative can be requested to confirm such an authorization.

Language and currency of the offer

The usual requirement is that the tender should be submitted in Swedish. If the tender is submitted in Swedish all attached documents such as certificates etc. must also be submitted in Swedish.

Though it can sometimes be allowed to submit certificates and other documents of the same kind in the original language with a selective translation attached.

The price of the offer is normally specified in Swedish Kroner (SEK). However, the procurement authority may choose to request prices in other currency.

Main offer and alternative offer

The main offer means an offer based strictly on the standards, performance and functional requirements described in the procurement documentation.

An alternative offer is an offer that deviates from what is described in the procurement documentation.

If the procurement organization intends to consider alternative offers it is announced in the procurement notice. It should also be specified what obligatory minimal requirements shall be met for the alternative offer to be taken into consideration. If there is no such information in the announcement it means that alternative offers will not be considered.

Fulfillment of obligations concerning tax and social security payments

According to the Public Procurement Act (LOU) the procurement authority shall itself request information from the Tax Authorities to control if the bidder has fulfilled obligations concerning tax and social security payments. The only requirement is that this control shall be done concerning the bidder or bidders that are invited to negotiations and the bidder that is awarded the contract (concerns simplified procedure) as well as applicants that are invited to submit offers (concerns selection procedure). For the foreign tenderers it is recommended to prepare relevant documents confirming fulfillment of obligations concerning tax and social security payments.

Obligatory grounds for exclusion

Obligatory grounds for exclusion are participation in a criminal organization, fraud, bribery or money laundering. Certificates concerning obligatory exclusion grounds cannot be demanded from all bidders and can only be demanded if there is a grounded suspicion.

Voluntary grounds for exclusion

- ✓ Tenderer is bankrupt or in the process of being wound up
- ✓ Tenderer is under compulsory external management
- ✓ Tenderer is subject for accord and satisfaction, suspended its payments, banned from business operations
- ✓ Tenderer is subject bankruptcy application, involuntary liquidation etc.
- ✓ Tenderer is convicted and sentenced for crimes concerning the sphere of current professional activity
- ✓ Tenderer is charged with major blunders in the sphere of current professional activity
- ✓ Tenderer has not fulfilled his obligations concerning social security payments or taxes, or has failed to submit significant information or has submitted inaccurate information concerning these issues.

In case the foreign bidder is requested to prove that his company is not subject to bankruptcy, has fulfilled its obligations concerning tax and social security payments he shall attach a relevant certificate issued by a legal or administrative body in the country of origin or in the country the bidder / his representative comes from. If the country in question does not issue such certificates they are to be substituted by an official testimony made to a legal or administrative body, a notary public or an authorized branch organization in the country of origin or in the country the person in question comes from.

Company registration certificate

Bidders can be requested to submit a registration certificate from a Company register or a corresponding register for foreign tenderers.

Economic stability

It can be required that a bidder should confirm that the economic status of his company is stable enough to perform the contract works. The proofs of economic stability can be presented in the form credit ratings, financial statements, extracts from the balance sheet and bank certificates. In some cases a relevant responsibility insurance can be submitted or some other documents that the procurement authority finds to be appropriate.

It is not recommended to procurement authorities to request financial statements on a regular basis as their evaluation requires special competence. Sometimes financial statements do not reflect the actual state of the company's finance. In some cases the latest quarterly statement can be requested as a complement.

Technical capacity

The tenderers can be requested to confirm their technical capacity both in the form of resources (equipment) or in the form of experience. The tenderers can describe available technical and organizational competence to be employed in the contract works or technical equipment and methods to be used to ensure quality.

The tenderers can be requested to confirm that they have sufficient experience by submitting information on reference projects. So that the procurement authority can easily reach the references clear contact information shall be provided. The procurement documentation is supposed to contain information on the time point for contacting references, but the responsibility for accessibility of the references rests with the bidder.

Professional capacity

A bidder can be requested to confirm the company's professional capacity in the form of personnel and competence available to perform the works. A bidder can, if needed and when certain contracts are concerned, refer to the economic, technical and professional capacity of other companies to fulfill the requirements of the procurement. In practice these companies are often engaged as subcontractors when implementing the contract.

Quality certification

The procurement authority can demand that a bidder applies some kind of quality management system, for example ISO 9001, or that the bidder complies with requirements of a certain certification system or standard. The procurement entity can require that the bidder submits a

certificate issued by an independent certification agency or an equivalent of such a certificate. Certificates from both Swedish and European certification bodies that comply with European standards are accepted. The procurement organization can instead of this demand that the bidder confirms his quality work by giving an account of quality management routines observed in his organization. This can be a description of routines concerning production, handling of orders and reclamations.

In those cases when the bidder can demonstrate that it has quality management system corresponding to the standard necessary for certification, it should be regarded equal with certification.

Environmental management system

Environmental management system is an internal management tool that among other things contains routines for information on the company's environmental work. A company can be certified according to a certain standard, for example ISO 14001.

The procurement authority can require that a bidder should have some kind of environmental management system, complete or in certain specified parts (for example the Chapter on Environmental policy and planning in ISO 14001), or, alternatively, that the bidder fulfills the requirements that are specified for a certain certification or standard.

The procurement entity can require that the bidder submits a certificate issued by an independent certification agency or an equivalent of such a certificate. Certificates from both Swedish and European certification bodies that comply with European standards are accepted. The procurement organization can instead of this demand that the bidder confirms his environmental work by giving an account of environmental management routines observed in his organization.

Quality and environmental plan of the contractor

The procurement authority can require that a bidder submits a quality and environmental plan. In this case the procurement documentation should specify:

- ✓ What measures influencing quality are to be described in the quality plan
- ✓ Form of the quality plan
- ✓ Requirements as to the volume, implementation and reporting of internal control.

The procurement authority should specify what factors having impact on the environment the bidder should describe in the environmental plan so that the total impact on the environment is reduced, such as:

- ✓ Choice of energy system and what measures are intended to be taken to reduce the impact on the environment
- ✓ What environmental factors the bidder should have as priorities when choosing materials, and, if possible, what system of evaluation the bidder should use
- ✓ What measures the bidder should take to ensure damp-proof construction
- ✓ How waste sorting and disposal is to be reported

Representative of the contractor etc.

The bidder may be required to provide information on his representative, on-site foreman, quality officer, environmental officer etc. Normally name and contact information is to be provided. In those cases when the competence of the on-site foreman, quality officer and environmental officer

are regarded as award criteria this information is to be submitted in the form of CVs or equivalent documents.

Production management

The bidder submits information on the employees engaged in management positions. Normally names and contact information is to be provided. In those cases when the competence of the construction management staff is regarded as award criteria this information is to be submitted in the form of CVs or equivalent documents.

Sub-contractors

The procurement authority sometimes requires that the bidders specify the proportion of work that is planned to be subcontracted and what subcontractors are proposed. Generally speaking, the requirements of the procurement authority only concern the contractor who is a party to the contract and submits a tender in the procurement procedure. In some cases, however the procurement authority may need to ensure the seriousness of the potential sub-contractors. It can in this case set requirements for sub-contractors according to Chapter 10 in LOU.

Insurance

Unless otherwise stipulated, the bidder, according to AB 04 should have an all-risk insurance against damage to buildings under construction and construction liability insurance. The bidder's all-risk and construction liability insurance must comply with provisions in "Basic coverage of all-risk and construction liability insurances as defined by the insurance branch association according to AB 04 Chapter 5 §22". The current insurance policy is to be submitted together with the offer or in connection with contract signing.

Validity period of the offer

According to AMA AF the offer is binding for the bidder one month after the end of the bidding period. However the procurement authority can choose to require a longer validity period to make sure that there is enough time for review by appeal. It can be specified in the procurement documentation that an offer shall be valid for three months after the deadline of the bidding period and can be prolonged for three months more in case of appeal.

Security

Security, when applicable, can be provided in the form of a bank security bond, loan guarantee, underwriter's guarantee or parent company guarantee.

3.1.3 Business events and communication channels

Exhibitions and trade fairs

| Event / location / dates | Themes / Description / Contact |
|---|--|
| EuroExpo Industrimässor Trade fairs 2017: Kiruna 8 – 9 November Luleå 29 – 30 November Trade fairs 2018: Skellefteå 11 – 12 April Umeå 29 – 30 August | EURO EXPO´s business idea since 1997 has been to organize meetings between buyers and sellers within manufacturing industry in a rational way. To achieve that the company arranges regional industrial Trade Fairs near potential customers. http://www.euroexpo.se/industrimassor/ European Exposition Systems AB +46 (0)26 18 10 00 info@euroexpo.se |
| Process Teknik Gothenburg 9-11 October 2018 | Process Technology is an event that focuses solely on entire process industry. Since its inception in 2001, this event is concerned with solutions rather than catering to a particular industry. In the next edition, this event will be held together with the Scanautomatic which is concerned with the manufacturing and automation industries and these two trade fairs were first held together in 2010. Contact: Susanne Rydberg, Sales Executive susanne.rydberg@svenskamassan.se Phone: +46 (0) 31-708 82 02 www.processteknik.info |
| Industrimässorna Stockholm 2017 10 – 11 October 2017 | Three co-located events dedicated to process technology, automation and maintenance. Contact: Fabian Sundelin, Sales Executive fabian.sundelin@easyfairs.com +46 (0)31 - 89 41 16 http://www.easyfairs.com/ru/industrimaessorna-stockholm-2017/ |
| Nordbygg 2018 Stockholm 10 – 13 April 2018 | Northern Europe´s largest and most important construction industry event. Nordbygg is held in March/April every even year at Stockholmsmässan and attracts around 900 exhibitors and 53,000 visitors. Event service: +46 8 749 44 44 |

| | |
|---|---|
| | eventservice@stockholmsmassan.se |
| Automation Stockholm 10 – 11 October 2017 | Co-located with Industrial Trade Show in Stockholm. Contact: Richard Hansson, Sales Executive E-mail: richard.hansson@easyfairs.com Tel : +46 (0)31 - 89 41 10 http://www.easyfairs.com/nl/industrimaessorna-stockholm-2017/ |
| Elmässan Norr Umeå 6 – 7 September | Exhibition for companies working with electrical installations, lighting and fiber. Contact: Jörgen Stjernlöf Tel : +46 (0) 31-89 41 02 E-mail: jorgen.stjernlof@easyfairs.com |
| Elmia Subcontractor Jönköping 14 – 17 November | Elmia Subcontractor is a good opportunity to get an overview of the industry. Being the leading trade show of its kind it attracts "everyone" connected to the Swedish subcontracting industry. https://www.elmia.se/en/subcontractor/ Ann Kittendorf, Business Manager E-mail: ann.kittendorff@elmia.se Tel +46 36 15 21 49 |
| Elmia Nordic Rail 10 – 12 October 2017 Jönköping | Nordic region's most important meeting place Elmia Nordic Rail is Scandinavia's main railway exhibition. The trade fair show the latest products, innovations and services. Elmia Nordic Rail is arranged in Jönköping every two years. The fair is the leading of its kind and attracts international guests. Contact person: Magnus Ringqvist Tel: +46 36 15 22 60 E-mail : magnus.ringqvist@elmia.se |
| Tak & Fasad / Lågenergihus (Roof and Façade / Low energy houses) Skellefteå, 7 November 2017 Umeå, 8 November 2017 | Organizer: http://www.skanskbyggjtjanst.se The concept is a "tailor-made" branch specific exhibition and forum for professionals involved in design and construction of all types of roof and facades, such as architects, structural engineers, purchasers and project managers from major construction companies as well as |

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| | <p>customers within property management for private sector, commercial properties, industry, state and municipality.</p> <p>Contact person for practical arrangements:</p> <p>Peter Kihlstedt +46 (0) 40-920012.</p> <p>Skånsk Byggtjänst AB</p> <p>Address: Ågatan 67, 233 25 SVEDALA</p> <p>Postal address: Box 267, 233 33 Svedala</p> <p>Tel: +46 (0) 40-92 00 10</p> <p>Web: www.skanskbyggtjanst.se</p> <p>E-mail: info@skanskbyggtjanst.se</p> |
| <p>Elmia Svets och Fogningsteknik 2018</p> <p>Jönköping 15 – 18 May 2018</p> | <p>An industrial trade fair dedicated specifically to welding and joining technology. The first fair of this kind was held in 2012 in cooperation with the Swedish Welding Commission - a technical industry association for the welding and joining industry.</p> <p>Contact: Tanja Lundberg</p> <p>Business Manager</p> <p>Tel +46 36 15 21 03</p> <p>E-mail: tanja.lundberg@elmia.se</p> |
| <p>MaskinExpo 2018</p> <p>Stockholm</p> <p>24 – 26 May</p> | <p>MaskinExpo Sweden AB</p> <p>STOXA, 195 93 Märsta, Sweden</p> <p>Phone: +46(0)8-512 937 00</p> <p>Fax: +46(0)8-512 937 10</p> <p>E-mail: info@maskinexpo.se</p> |
| <p>Load Up North</p> <p>Boden</p> <p>31 August – 2 September</p> | <p>Load Up North is the largest trade fair north of Stockholm for those who work within construction machinery sector.</p> <p>Anne-Lene Andersson (Project sales manager)</p> <p>+46 (0)911 649 32 / +46 (0)70 600 98 84</p> <p>annelene@nolia.se</p> |
| <p>Nolia Höst</p> <p>Piteå</p> <p>3 – 5 November</p> | <p>Mixed / "Home" and "Design" are among product areas</p> |

| | |
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| Wood Building Summit Skellefteå 7 – 8 November | Building in wood |
|--|------------------|

3.2 Northern Norway

3.2.1 General market overview

Northern Norway is presently enjoying a rapidly expanding economy in many sectors of industry and public spending, the most important are:

Oil & Gas industry

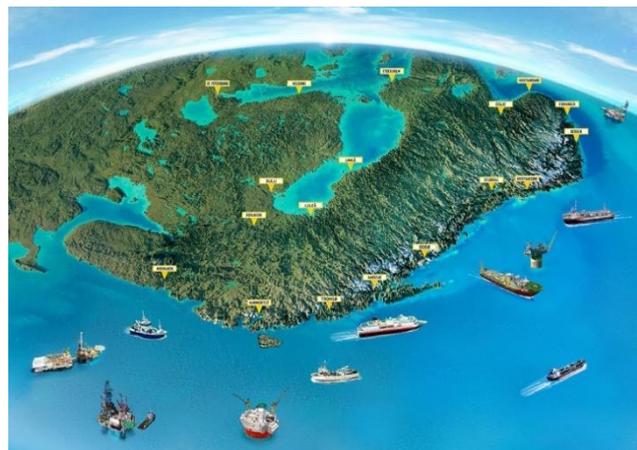
Fishing and Fish Farming

Tourism

Construction, Industrial and Privat

Infrastructure development

Industrial Development Privat and Public.



Oil & Gas

According to the most recent estimates by the Norwegian Petroleum Directorate 68 % of the remaining petroleum resources of Norway will be found in the Norwegian Barents Sea. The industry is moving North. By 2040 a majority of Norwegian oil and gas it is expected to be produced in the North.

Hammerfest Barents Sea activities are best described by the fact that offshore producers of oil and gas are expected to increase from two to five before 2030. Statoil Snøhvit including the Statoil Hammerfest LNG plant and the ENI Goliat offshore oil producer are expected to be followed by Statoil Johan Castberg (decision expected in October this year) , OMV Wisting and Lundin Alta/Gohta offshore oil producers.

New acreage and continuity is secured by the 23rd , 24th and APA licensing rounds. The 23rd licensing round in on the Norwegian continental shelf defined the future oil & gas development in the region with thirteen companies offered ten production licenses. All ten production licenses are located in the Barents Sea. For the first time ever exploration acreage has been made available to the industry in the south eastern Barents Sea, with three production licenses awarded in this area. Among them the Korpjell and Stangnestind prospects. Additionally, the Ministry of Petroleum and Energy announced the 24th licensing round on the Norwegian Continental Shelf. This licensing round includes a total of 102 blocks, with 93 in the Barents Sea. The aim is to award new production licenses during the first half of 2018.

The Hammerfest reach is now being extended to serve near border fields on both the Norwegian and the Russian shelf. Along with Kirkenes, further north, developments in the Pechora Sea, Kara Sea, and Yamal, as well as the Northern Sea Route, are supported.

Actually, for the past two years, and still successfully going on, Chinese seismic vessels working on the Russian shelf, are served from Northern Norway.

The mighty ice class LNG tanker "Christophe de Margerie" just picked up its first LNG load at the Hammerfest LNG plant for the Asian market through the Northern Sea Route.

All this are signs of new world trade patterns. Which the local industries are busy adjusting to.

The Northern Norwegian Sea is served by Sandnessjoen and the surrounding Helgeland region. The present oil producers Statoil Norne and Aker BP Skarv will be followed by the worlds largest Spar platform, the Statoil Aasta Hansteen now under construction for connection to the new, most Northernly European grid pipeline, the Polarled. Smaller fields are continuously being developed and tied up to the existing infrastructure.

Both Hammerfest and Sandnessjoen are served by ASCO and NorSea supply bases and large and expanding clusters of British, Norwegian and Finnish oil and gas and marine services companies securing professional and competitive services to the operators. Arctic Europe fabrication and construction facilities are Kimek Offshore in Kirkenes, Momek in Mo I Rana and Aker Solutions in Sandnessjoen.

Operational conditions Offshore Northern Norway may be different but not difficult. Regional technology researchers in Narvik and elsewhere in the region are working on Arctic work climate and survival technologies to secure safe work conditions.

The Arctic Europe emerging oil industry calls for new infrastructure and industry building as well as logistics and operational activities and regional industries, towns and ports are offering cooperation and assistance in the form of partnerships, guidance in logistics, local conditions, available facilities, industrial parks, supply bases, industrial and port sites, harsh environment experienced, short travelled work forces etc.

Fishing & Fish Farming

The fishing industry has had some very good years, both coastal and open ocean. Most of the investments are in fishing boats and technical equipment.

Fishfarming is growing, and especially in the North, with cold water and a healthier environment. The industry is also expanding the use of robotics and sensor technology.

Infrastructure Development

All sectors of infrastructure development are in a growth mode, roads, ports, airports throughout the region

Tourism

Tourism has traditionally been at a high during the summer months, June through August, however during the last years it has expanded to cover all seasons, this can partly be explained as an overflow of tourist and ideas from the Finnish sector, but also influenced by the fact that we are living in a safe part of the world. Arctic tourism has also become a term.

Construction, Industrial and Private

As most industries and commercial activities are in a growth mode the construction industry is also very high, within all sectors, public, commercial and private.

Industrial Development

The Nordland county is the most industrialized part of Northern Norway due to an extensive development of hydroelectric power and metallurgical industries over many years.

The Norwegian defence is concentrating activities around the Harstad / Narvik region including massive investments in upgrade and maintenance of equipment.

The Norwegian and International Oil & Gas supplier industry is moving north to support the rapid expansion of this industry in the Norwegian Sea and specifically the Barents Sea. See above.

Finmark county has Norway's highest potential for onshore wind power generation, the development is coordinated by Finnmark Kraft AS <http://www.finnmarkkraft.no/index.jsp?lang=no&ref=home>

3.2.2 Public Tender procedures

The most Norwegian public procurements are published in the Norwegian national database for public procurements - <http://www.doffin.no/>. A potential tenderer shall be registered on this website and report its interest in participating in the tender to receive the tender documentation. Most information will be in Norwegian, and unless otherwise stated the offer must also be in Norwegian.

Latest update :

Source: <https://www.anskaffelser.no/gjore-anskaffelser/anskaffelsesfaglige-temaer/terskelverdier>

Decree on public procurement (Forskrift om offentlige anskaffelser - FOA) dated 12.08.2016 last amended on 20.04.2017

What parts of the document apply to what procurement procedures depending on threshold values

| Threshold values | Applied procurement procedure |
|-----------------------|---|
| <i>Part I of FOA:</i> | No specified procedure. Basic principles and provisions |

| | |
|---|--|
| <p>All contracts worth between NOK 100 000 and NOK 1,1 million excluding VAT (irrespective of who procures and what is procured)</p> <p>Contracts on purchasing of health and social services under 6,3 million excluding VAT.</p> | <p>according to FOA chapter 7 are to be observed.</p> |
| <p><i>Parts I and II of FOA:</i></p> <p>Goods and service contracts worth between NOK 1,1 million and NOK 1,75 million excluding VAT for everybody except state authorities</p> <p>All construction and infrastructure contracts worth between NOK 1,1 million and 44 million excluding VAT. (irrespective of who procures)</p> <p>Contracts on special services worth over NOK 1,1 million excluding VAT. Attention!: for this type of procurements some provisions in Part III apply.</p> | <p>Open tender procedure (FOA § 8-3)</p> <p>Limited (selective) tender procedure (FOA § 8-3)</p> |
| <p><i>Part I and III:</i></p> <p>Goods and service contracts worth over NOK 1,1 million excluding VAT for state authorities.</p> <p>Goods and service contracts worth over 1,75 million excluding VAT for all other organizations</p> <p>Construction and infrastructure contracts worth over 44 million excluding VAT. (all organizations)</p> | <p>Open and limited (selective) procurement procedure (FOA § 13-1 (1))</p> <p>Procurement with negotiations (FOA § 13 (2))</p> <p>Competitive dialogue (FOA § 13 (2))</p> <p>Innovation partnership (FOA § 13 (3))</p> |
| <p>Kontrakter om helse- og sosialtjenester for over 6,3 mill. kr ekskl. mva.</p> | <p>Own procedure provisions</p> |

Guidelines for foreign bidders

Legal framework

Public procurement in Norway is primarily regulated by Public procurement decree (Forskrift om offentlige anskaffelser FoA) that was adopted on 7 April 2006, with minor changes in 2006, and came into effect on 1 January 2007. The three main procurement methods, "procurement procedures", in the public sector are competitive tendering where bidders submit offers which cannot be negotiated, competitive tendering with negotiation and direct procurement. Part I of the Decree is applicable to all cases and sets general rules. Part II concerns procurements under the so-

called EU threshold, but over the national notification threshold – see table above. Part III concerns procurements over the EU threshold.

Procurement procedures

Procurement procedures according to Part 1 of the Decree

What we call Procurement procedures according to Part 1 of the Decree is often commonly referred as "direct procurements". This term is though somewhat misleading, as it implies that the procurement authority can go directly to the contractor / supplier without holding a competition which is not true. The basic requirement for these procurements is also that a competition should be held. To avoid the misunderstanding it is recommended to use the term «procurement according to Part 1 of the Decree". The difference as compared to other types of procurement procedures is that there are not so many explicit requirements as to how the contracting authority should conduct the procurement procedure. For example there are no requirements for notification. The contracting authority is therefore rather flexible in how it conducts the procurement procedure. It should nevertheless observe the basic requirements for competition that are equal treatment of the participants, predictability, transparency and verifiability. When this type of procedure is applied the contracting authority can invite suppliers / contractors to the competition instead of / or in addition to public announcement. The number of suppliers that are invited should be sufficient to ensure effective competition.

Open tender

An open procurement procedure allows all interested bidders submit their bids. No pre-qualification is held and the bidders must submit requested documentation confirming their qualification at the same time as they submit their bids. The contracting authority must consider all the submitted bids. It is forbidden to negotiate with the bidders.

Selective tender

A selective tender is a procedure that only allows those bidders that are invited by the procurement authority to submit their bids. First a pre-qualification is held, where all the interested suppliers / contractors can file an application for participation in the tender together with the documentation confirming their qualification. The contracting authority evaluates if the bidders comply with requirements set in the notification and tender specifications. After that the contracting authority invites qualified suppliers/contractors or a section of these to submit tenders. The contracting authority shall in any case announce the lowest limit for how many bidders will be invited, as well as the main principles of the selection method or criteria that the choice is based on. The number of suppliers/contractors that are invited shall be sufficient to ensure effective competition. It is forbidden to negotiate with the bidders.

Competitive dialogue

Competitive dialogue can only be applied in case of especially complex procurements when it is difficult for the contracting authority to describe what is to be procured. Typically these are applied

for highly complicated IT-contracts and PPP-contracts (Public-private partnership). The contracting authority describes in the announcement what needs the procurement shall satisfy and what qualification requirements are set for the bidders. A pre-qualification is held thereafter and the contracting authority starts a dialogue with the qualified suppliers/contractors concerning possible solutions. In the course of the dialogue all aspects of the contract can be discussed (including the price). However, when the dialogue phase is over and the suppliers/contractors have submitted their bids, it is not allowed to negotiate.

Competitive tendering with negotiation

Competitive tendering with negotiation can be used at the discretion of the procurement authority for procurements conducted according to Part II of the Decree (under EU threshold), and can in exceptional cases also be applied for procurements according to Part III of the Decree (over EU threshold). This procedure allows the procurement authority to negotiate with suppliers/contractors concerning all aspects of their offers, which is not allowed by other procurement procedures. According to Part II of the Decree the procurement authority can choose if all interested contractors can submit bids or a number of contractors will be selected to submit bids (pre-qualification). Pre-qualification phase must be held for procurements according to Part III (over EU threshold).

Application of procurement procedures

The choice of the procedure and type of notification depends mainly on how big the procurement budget is as well as the subject of the procurement. Compulsory notification in the national database Doffin must be done for procurements over 1,1 million Kroner. The procurement authority should keep record of the proceedings for procurements over 100 000 Kroner. Procurements of construction services must be announced in EEA if the allocated budget exceeds NOK 44 million. Regulations concerning choice of procedures, notification type etc. are specified in accordingly Parts 1,2,3 of the Public procurement decree.

Branch specific regulations / Standard contracts

Norwegian contracting organizations are recommended to use agreed and balanced standard contracts. There are standard contracts for all types of assignments, such as supply of goods, provision of services and construction. These standard contracts have been developed through negotiation between representatives for different parties to the contract. This concerns primarily the standards that are acknowledged on the national level. For example in the building branch these are Norsk Standard 8405, 8406. The contracting authority shall specify in the procurement documentation what standard contracts will be applied. The bidder shall normally refer to the specified contract in the offer.

Norwegian building and civil engineering contracts – a collection of contracts is available at:

<http://www.standard.no/no/Nettbutikk/produktkatalogen/Produktpresentasjon/?ProductID=503001>

Price: 1620 ex. VAT

The collection contains:

NS 8405.E:2008

Norwegian building and civil engineering contract

NS 8416.E:2009

Simplified Norwegian contract for sub-contracts concerning the execution of building and civil engineering works

NS 8406.E:2009

Simplified Norwegian building and civil engineering contract

NS 8402.E:2010

General conditions of contract for consultancy commissions with remuneration on the basis of actual time taken

NS 8401.E:2010

General conditions of contract for design commissions

NS 8415.E:2008

Norwegian contract for sub-contracts concerning the execution of building and civil engineering works

NS 8403.E:2005

General conditions of contract for construction supervision commissions

NS 8407.E:2011

General conditions of contract for design and build contracts

NS 8417.E:2011

General conditions of contract for design and build sub-contracts

NS 8409.E:2008

General conditions of contract for contracts concerning the purchase of construction products

Qualification requirements

General information

Qualifications requirements are minimum requirements used to confirm the supplier's / contractor's eligibility and aptitude to perform the contract. Qualification requirements are set to ensure the bidder's technical, organizational, economic and financial capacity to deliver according to what is specified in the procurement documentation. Economic stability can be an example of these. Failure to comply with such requirements leads to rejection of the bid.

Qualification requirements shall be proportional to the procurement. Therefore if there is a requirement for a certain size of annual turnover, this requirement shall be proportional to the price of the contract.

Economic and financial capacity

§ 17-8 in Part III of the Decree gives examples of documentation that can be accepted as proof of economic and financial capacity.

- Suitable bank certificates or relevant liability insurance
- Financial statements of the company or extracts thereof
- Statement on the company's total annual turnover and, if necessary, the annual turnover within the area the procurement concerns from, at most, three latest annual financial statements, depending on the date of the company's establishment as far as the information on such turnover is available.

The list is not exhaustive.

Confirmation of the financial and economic capacity can also be done by providing a credit rating awarded by an officially acknowledged credit rating institution. The rating shall be based on the figures from latest financial statement and contain information on the development of the credit rating over the latest 3 years.

If the bidder has reasonable excuses for not being able to provide the documents required by the Contracting authority, the bidder can confirm its economic and financial capacity by submitting other documents that the Customer can accept. In this case the bidder shall contact the Customer in writing to make it clear what other documentation can be regarded as acceptable.

Technical and professional capacity

The list of documents to be submitted as proof of the supplier's / contractor's technical and professional capacity specified in § 17-9 of the Decree is exhaustive. No there other documents can therefore be demanded.

One or several of the following documents can be demanded to prove technical and professional capacity of the bidder depending on the kind, volume and purpose of the services provided / goods delivered:

- a. For all contracts: description of the supplier's / contractor's technical personnel or technical units the bidder has at his disposal to perform the contract work, irrespective of whether they are owned by the company or not, in particular those that are responsible for quality control;
- b. For contracts for delivery of goods:

1. Samples, descriptions or photos of goods that are to be delivered. The authenticity of these shall be confirmed on request from the contracting authority.
 2. Certificates issued by acknowledged official institutions or organizations for quality control. The certificates shall confirm that the goods are clearly identified as complying with certain standards and requirements.
- c. For goods and service contracts
1. A list of the most important deliveries or provided services over the last three years, including information of the worth of contracts, times of delivery, name of public or private customer. When services provided for public customers are concerned, these shall be documented by certificates issued or confirmed by the public customer in question. In case of private customers the certificates shall be issued or confirmed by those. In the absence of this, a declaration of the supplier can be accepted
 2. Description of methods for quality assurance, as well as description of the supplier's R&D resources
 3. If a service is of a complex nature or in exceptional cases is to be used for a special purpose, the contracting authority can, if necessary, control the supplier's resources for R&D and routines and methods of quality control. In case of service contracts the contracting authority can control the supplier's production capacity and in case of goods supplies – its technical qualifications. The contracting authority can entrust this control to a competent public organization in the country where the company is situated.
- d. For service contract: a statement on how big part of the contract the contractor intends to engage sub-contractors for
- e. For service contracts and construction contracts
1. A description of the contractor's average work force and the number of administrative staff over the last three years
 2. A description of technical aids, machinery, tools, material or technical equipment that the supplier has at his disposal to perform the contract
 3. Information on education and professional qualifications of the supplier and the company's management, and in particular of the person or persons that are responsible for performing of the services
- f. For construction contracts
1. Evidence and certificates concerning education and professional experience of the supplier, company's management and the person or persons that are responsible for performing of the contract
 2. An overview of works performed over the last 5 years including certificates confirming adequate quality of the most important works. The certificates shall

specify the worth, time and place of the work performed as well as state whether the work was performed professionally and fully completed. The public customer in question shall, if necessary, send the certificates directly to the contracting authority.

- g. For goods contracts involving assembly and installation work, service contracts or construction contracts: the contractors can be evaluated on the basis of their professional capacity, efficiency, experience and reliability.

A supplier / contractor can in regard to a particular contract, if necessary, rely on another company's capacity irrespective of the legal nature of relations between them. In this case the supplier shall provide a documentary proof to the contracting authority that they will have access to the necessary resources, for example, by providing a letter of commitment from such a company.

Bids and applications for participation in a tender can be submitted by groups of suppliers / contractors. The only requirement is that groups of suppliers/contractors shall establish a company of some form after the contract is awarded. A group of suppliers / contractors can rely upon each other or other companies concerning necessary resources.

Documentation on registration and approvals

1. The contracting authority can demand the bidders that wish to participate in a tender shall confirm that they are registered in a branch register, trade register or company register according to regulations of the country where the company is established.
2. In case of service contracts the contracting authority can demand that the service provider submits documents confirming necessary approvals, licenses or membership in a certain organization in their home country.
3. Registration in an official register over approved suppliers, certified by a competent organization in the supplier's home country, gives the contracting authority grounds to assume that the supplier is qualified from the point of view obligatory and optional eligibility criteria.

Documentation on observance of quality assurance standards

1. The procurement authority can demand certificates issued by independent organizations that confirm that a supplier / contractor fulfils certain quality standards.
2. If the contracting authority demands such certificates it shall refer to quality assurance systems based on European standards or are certified by organizations that fulfill European standards for certification. The contracting authority shall accept equivalent certificates from organizations established in other EEA countries. The contracting authority shall also accept other documentation on equivalent quality assurance routines that is provided by the bidder.

Documentation on environment management systems

1. As proof of the contractor's technical capacity, depending on the kind, volume or purpose of the services provided, the contractor submits a statement on relevant environmental management system applied when implementing service contracts and construction contracts.
2. If the contracting authority demands that the bidder should provide documents certifying compliance with established environmental standards, it shall refer to EMAS-regulations (Eco-Management and Audit Scheme) or to environment management standards based on relevant European or international standards. Contracting authorities shall acknowledge corresponding certificates issued by institutions in other member states. They shall also accept other documentation on equivalent environmental management routines from the bidders.

Obligatory attachments

Tax certificates

Tax payer certificate (equivalent to the Norwegian form RF-1244 B) and VAT payer certificate (equivalent to the Norwegian form RF-1244) issued by a local tax office are to be submitted before the deadline of the bidding period and shall not be older than 6 months from the deadline of the bidding period. Foreign bidders shall obtain these documents from the corresponding authorities in their home country. Taxpayers exempt from VAT taxation shall submit a document from the tax authorities confirming this.

HMS-declaration.

Bidders that intend to perform work in Norway shall submit the so called HMS declaration confirming that the bidder complies, or if he is awarded the contract will comply, with statutory requirements concerning health, environment and safety issues.

Declaration of compliance with health, environment and safety regulations (HMS)

This declaration concerns

| | | | |
|--------------|--|---------------------|--|
| Company name | | Organization number | |
| Adress | | Country* | |
| Postal code | | Postal area | |

We hereby confirm that, while preparing our offer, we have taken into consideration statutory health, environment and safety regulations based on the Decree on health, environmental and safety routines applied by companies (decree on internal control), issued on 6 December 1996 supported by Norwegian Law No 62 dated 17 June 2006 "On labor protection, working time and employment security". We accept that the Customer with prior notice has the right to inspect and verify the company's routines concerning health, environment and safety.

| | |
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| Arctic Frontiers | <p>Arctic Frontiers 2018 – Connecting the Arctic Start Sunday 21 January, 2018, 19:00 Finish Friday 26 January, 2018, 14:00 In 2018 the Arctic Frontiers Policy program will have five main sessions with the following tentative working titles: State of the Arctic, Technology and connectivity, Resilient Arctic societies and business development, Healthy and productive oceans, Industry and environment. http://www.arcticfrontiers.com/</p> |
| Harstadkonferansen | <p>New Thinking will make us "dare to want new things", and the Harstad Conference gives you the speakers who will tell you how to do it. How we humans must challenge ourselves, change our perspectives and get rid of our prejudices so that we can get better at everything we do. In addition, the Harstad Conference is the best place to be January 20, 2017(dates for 2018 is not yet available). In Nordic Hall you will meet representatives from business in the whole region. http://harstadkonferansen.no/new-thinking/</p> |
| EastWest Arena | <p>This year's East West Arena is hosted in Gällivare! 15. – 17. November 2017. The development companies in Narvik, Gällivare and Kiruna arrange the annual business / conference East West Arena. There are great opportunities for cooperation for companies in the region and the axis Finland, Luleå, Kiruna, Gällivare, Narvik, Harstad and Lofoten / Vesterålen. The East West Arena is a boundless meeting place and a knowledge arena for business. http://www.eastwestarena.com/</p> |
| Beredskapskonferansen | <p>The 2017 Conference in Bodø 31.05 – 01.06 focused on emergency preparedness in the High North. The main themes were oil spill preparedness in the north, cooperative and operational preparedness in relation to darkness / cold, logistics etc. Dates for the 2018 conference is not available yet. https://www.facebook.com/Beredskapskonferansen/</p> |
| Offshore Nordland | <p>Statoil's supplier day and Offshore Nordland were held in Sandnessjøen on 7 and 8 June. Oil and gas cluster Helgeland was presented at both events. On June 7, Statoil arranged supplier day in Sandnessjøen, where the main contractors Transocean, Halliburton and Baker presented what opportunities they saw for local supplier industry related to drilling and well activities at Aasta Hansteen. Statoil participated with representatives from procurement, drilling and well and the Aasta Hansteen project. Project Manager Andreas Inselseth presented the Oil and Gas Cluster Helgeland at the event and stressed the need to facilitate activity on land in order to exploit the opportunities that lie in the North Sea waters. (Dates for 2018 is not out yet) http://www.oljegassklyngehelgeland.no/2017/06/10/offshore-nordland-statoil-leverandordag-sandnessjoen-7-8-juni/</p> |
| GeoNor-konferansen | <p>International conference on minerals and the environment</p> |

| | |
|--|--|
| | <p>GeoNor is an annual conference focusing on geological resources in the High North. GeoNor17 has the title Growth in the North - Future Mining and Mineral Nutrition, and is held in Mo i Rana 21-22. March 2017! (Dates for 2018 is not out yet)</p> <p>http://www.sintef.no/arrangementer/geonor-konferansen-2017/</p> |
|--|--|

3.3 Northwestern Russia

3.3.1 General market overview



In this report we concentrated on three regions of Northwest Russia which are considered to be the most promising in terms of business cooperation, namely the Murmansk and Arkhangelsk regions and the Republic of Karelia (hereinafter, the target region).

The target economic region covers the vast territory of the European part of Russia with an area of 730 thousand km², extending to the Barents and White Seas of the Arctic Ocean. Favorable economic and geographical position is ensured by the proximity of the largest industrial bases of northwestern economic region, large ice-free Murmansk port which allows year-round navigation, offshore Arctic zone rich in hydrocarbons. These factors contributed to the establishment and development of marine industries in the area, development of large industrial hubs, expansion of economic scientific and technical relations with Norway, Finland and Sweden.

Key industries of the region include mining and metallurgy, pulp and paper industry, fishing, oil and gas industry, shipbuilding and power industry.

Mining

Murmansk region is one of the most developed mining regions of Russia. Kola Peninsula has large deposits of chemical, copper-nickel, iron ore, noble and rare metals. Exploration and development of the Kola Peninsula resulted in establishment of a powerful mining and metallurgical complex, which includes enterprises of the mining and chemical industry, non-ferrous and ferrous metallurgy, the building materials industry, specializing in the extraction and primary processing of raw materials to semi-finished products (mineral concentrates). Today the region is implementing a project for the

construction of a mining and processing plant based on the apatite-nepheline ore deposit Oleniy Ruchey.

The mining sector of Arkhangelsk region is represented by aluminum and diamond mining industry. The only diamond-bearing province in Europe has been discovered in the Arkhangelsk region, 20% of Russian diamond reserves are concentrated here.

The mining industry in Karelia plays a significant role in the economic structure of the region and is represented by JSC Karelsky Okatysh (ore pellets) and enterprises for the extraction of building stone for the production of crushed stone, blocks, sand and turf. Over 40 investment projects are being implemented on the territory of the Republic of Karelia for the construction of new and upgrading of existing mining facilities.

Forest-based industries

The woodworking, pulp and paper industry is one of the most important branches of the economy of Northwest Russia. The northern region is the main region of the country's pulp and paper industry. A number of large enterprises are located in the district. Almost half of the paper is produced in Karelia, where the largest centers of the pulp and paper industry are Segezha and Pitkyaranta. Forestry is also well-developed in the Arkhangelsk region. The main processing enterprises are located in Arkhangelsk, Kotlas, Velsk.

Machine building

Machine building complex occupies a significant position in the structure of the economy of the target region. The basic sectors of the machine building complex are represented by shipbuilding, ship repair, mechanical engineering.

Shipbuilding is stable with regular state defense orders and contracts for repair and construction of ships, including those for foreign customers.

Energy sector

The problem of energy costs is urgent for the northern territories. Almost 80% of fuel is delivered from other regions of Russia, namely fuel oil, liquefied natural gas, coal. Only approx. 20% of energy resources are local. The energy complex of the region significantly affects the budget, so the government's task is to reduce costs in this direction. *Bioenergy* is considered a promising branch for the Barents region of Russia. Karelia is the most advanced region for the development of this type of energy supply due to a large number of timber processing enterprises in its economic structure. There are several manufacturers of wood pellets on the territory of the Republic of Karelia. The volume of export of this type of biofuel to Europe is about 40-50 thousand tons per year.

The Arkhangelsk region is heated by coal and gasified, but only bioenergy will provide municipalities with inexpensive heat and electricity. There are many logging enterprises operating in the region that cover their own need for biofuels. In addition, there are sufficient forest resources in the region to provide municipal boiler houses with wood. Today the Arkhangelsk region has already implemented projects for the production of wood pellets with a total capacity of 260,000 tons/year of biofuel. By 2020, the share of biofuel in the thermal energy sector should be 60%. By the same year in the region it is planned to build two large thermal power plants with approximately 40 MW

of heat and 7-8 MW of electricity on wood chips in the town of Kotlas and the village of Leshukonskoe.

The Murmansk region is dependent on extremely expensive imported fuel oil. In order to reduce dependence on fuel oil, most municipalities switch to coal. Boilers of small villages in the Murmansk region are gradually being converted to biofuel - wood sawdust supplied from Karelia. However this is strongly dependent on the price of biomass supplied from the neighboring region. The solution to this problem could be the emergence of producers of wood pellets, but currently such fuel is not produced in the Murmansk region.

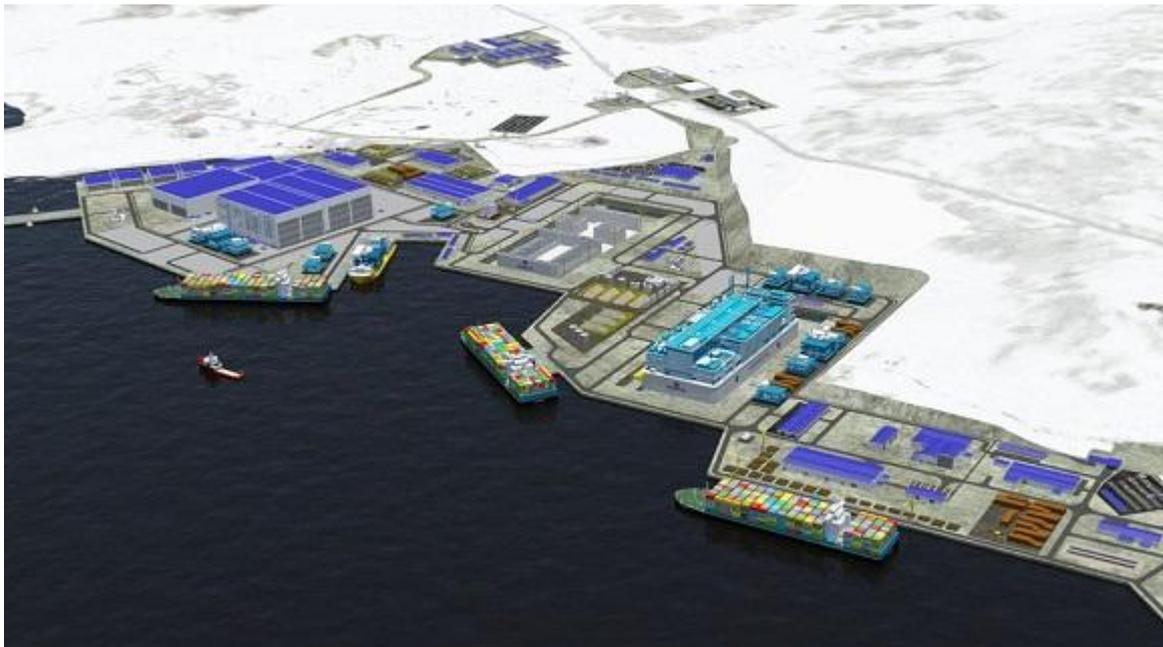
Oil and gas

The resource of hydrocarbon deposits on the Arctic shelf of Russia is impressive. In the northwestern part of Russia it is estimated at 42 billion tons of oil equivalent, including 25% onshore, 75% - in the water area of the Barents and Pechora Seas.

Petroleum companies are increasing activity in the region. Currently, Rosneft and Gazprom are implementing large-scale offshore exploration and development projects in the Arctic, which have socio-economic and strategic importance for the region and country in general. The major offshore ongoing project is the Prirazlomnoye field development operated by Gazprom Neft Shelf (subsidiary of Gazprom). The oil extracted from the field is transported by tankers to the port of Murmansk, to the floating oil terminal Umba, and then to the recipient. Oil from Novoportovskoye field in the Nenets Autonomous Okrug is also delivered to Murmansk terminal.

The Murmansk region is now regarded as the service base for the Arctic offshore projects. Rosneft plans to invest 120 billion rubles by year 2030 and implement a whole range of large-scale production and infrastructure projects. One of them is establishment of a support base for offshore projects in Roslyakovo (currently a district of Murmansk) on the basis of Shiprepair Yard No. 82.

Kola Yard, a subsidiary of Novatek based in Murmansk, started the construction of a yard in Belokamenka (see fig. below) that will produce large modules for the Arctic LNG-2 project. In June 2017 Novatek received permission to build four artificial islands in the Kola Bay for operation of the yard.



Fishing Industry

The fishing industry is one of the traditional branches of the regional economy. It is based on the production fleet and coastal facilities including port facilities and coastal fish processing enterprises. Aquaculture is actively developing in all three regions. The reasons for the high development rate is the economic efficiency of production, the rapid receipt of marketable product and favorable environmental conditions.

4.3.2 Tender bidding procedures

Some general requirements for participation in tenders in Russia:

- ✓ As a rule, to be able to participate in a tender, a tenderer shall provide cash security for the tender. Usually, it is 5 % of the contract initial price. In some cases a bank guarantee is acceptable.
- ✓ When a contract is awarded, usually a contractor shall provide performance security. As a rule, it is 10% (up to 20%) of the contract price. It is possible to provide a bank guarantee.
- ✓ To be able to participate in engineering and construction tenders, a tenderer shall be a member of a relative self-regulating organization and hold a permit to implement the works covered by the tender.
- ✓ To take part in tenders for energy audits a tenderer shall be a member of the self-regulating organization for energy auditors.

If the tender documentation sets the above-listed requirements (e.g. to be a member of a self-regulating organization) a Finnish company cannot be qualified as a main tenderer. In this case a recommended approach will be to establish cooperation with a Russian company (as a subcontractor, or by partnership or Consortium).

In the tender documentation the budgets (usually, a maximum tender price) are indicated in roubles. For the purpose of this Report the Russian roubles are converted into EURO using a rounded exchange rate of the Russian Central Bank as of the date of the Report preparation (1 EURO = 65 roubles).

Submission of tenders electronically (electronic auction, auction) can be made only by persons/companies that have already received accreditation at the website shown in the Notice of Electronic Auction.

3.3.2 Business events and communication channels

Business events and communication channels, Northwest Russia

| Event | Location | Dates | Themes/Description |
|--|--------------------------|----------|---|
| EXPO DOM | Murmansk | April | House design and construction, interior, doors and fittings, home and office furniture etc. |
| Real Estate and Low-Rise Housing Construction | Murmansk | April | Land plots, new build and secondary housing, wooden construction, facing and finishing materials, windows, doors, interior design, decor |
| Arctic Logistics, Conference | Murmansk | April | Navigation on Northern Sea Route; development of Russian Arctic shelf; transport and logistics issues in development of Arctic hydrocarbon fields |
| Arctic Shelf Development 'Step by Step', Conference | Murmansk | November | Within the framework of Murmansk International Business Week - Russian Arctic shelf: oil and gas development, exploration; Technological support of offshore projects; environmental and industrial safety; Development of the Northern regions; International cooperation in |
| International conference "Mining the Barents Euro-Arctic region: glance into the future" | Kirovsk, Murmansk region | November | Mining conference within the framework of Murmansk International Business Week |
| SevTec | Murmansk | November | Regional technical expo. New engineering solutions. Equipment and materials. |

| | | | |
|--|--------------|----------------------|--|
| | | | <p>Construction, operation of power facilities</p> <p>Energy efficiency, energy saving</p> <p>Automation, Robotics</p> <p>Protective and rescue means</p> <p>Environmental protection, ecotechnology</p> |
| International forum "Arctic Projects - Today and Tomorrow" | Arkhangelsk | October | <p>Perspectives, implementation, and technological aspects of projects on the Yamal Peninsula, Nenets Autonomous Okrug, and Barents, Kara, and Pechora seas shelf.</p> <p>Industrial, transport, scientific, and human capacities. Use of the Northern Sea Route, transport infrastructure in the High North</p> |
| Wood and Woodworking | Arkhangelsk | April | Current situation and prospects of the industry, transport infrastructure, forest preservation, planning |
| StroyExpo. Mortgage. Interior | Petrozavodsk | April | HVAC systems, water supply, drainage; floors, windows and doors; interior design services; low-rise construction |
| Karelian Forest | Petrozavodsk | August/ September | <p>Technologies, equipment and tools for logging, sawmilling and woodworking, processing of wood; Pulp and paper industry</p> <p>Furniture production, wooden housing construction http://karles.ru/</p> |

| | |
|--|---|
| Northern Chamber of Commerce and Industry of Murmansk Region | <p>www.ncci.ru</p> <p>Address: Rusanov Lane 10, Murmansk, 183038</p> <p>Tel/fax: +7 (8152) 554 -721</p> <p>Contact person: Nadezhda Kumashova — International Department Manager, e-mail: nkumashova@ncci.ru, tel.+7 (8152) 554-723, Mob.: +7 960 020 1605</p> |
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|--|---|
| Chamber of Commerce and Industry of the Republic of Karelia | http://chamber.karelia.ru/ Address: 185035, Republic of Karelia, Petrozavodsk, Titova Str, 3, office 303 Tel / Fax: (8142) 78-30-40, 76-54-78 E-mail: chamber@karelia.ru |
| Murmansk regional Ministry of Energy and Housing | http://minenergo.gov-murman.ru/ 183032, Murmansk, Kolskiy Ave, 1 Tel: (8152) 486-730 Fax: (8152) 486-732 E-mail: minenergo@gov-murman.ru |
| Arkhangelsk regional Ministry of Fuel and Energy Complex and Housing | https://dvinaland.ru/ 163004 Arkhangelsk, Troitskiy Ave, 49 Tel +7 (8182) 28-84-14, fax 20-17-36 e-mail atek@dvinaland.ru |
| Ministry of Construction, Housing and Energy of Karelia | http://минстройрк.рф/ Address: 185028, Petrozavodsk, Antikainen Str, 1-A Tel: +7 (8142) 78-51-57 Fax: +7 (814-2) 78-51-60 E-mail: minstroy@karelia.ru |
| Energy Efficiency Agency of the Murmansk Region | 183032, Murmansk, Kola Ave., 1 Tel./Fax: (8152) 994-259 E-mail: info@aeemo.ru |
| Energy Efficiency Centre of Karelia | http://kaeec.org/en/ Address: 10, Englesa str., 185035 Petrozavodsk, Russia Tel/fax: +7 (8142) 76 93 91 e-mail: kaeec@sampo.ru |
| Energy Efficiency Centre of the Arkhangelsk Region | http://www.aoesc.ru/ Russia, 163000, Arkhangelsk, Lenina Sq. 4, of. 1102, 1105, 1106, 1107 Tel. +7 (8182) 635-911; Fax +7 (8182) 635-913 E-mail: office@aoesc.ru |
| Murmanshelf, Association of Arctic Projects' Contractors | http://en.murmanshelf.ru Director General- Olga Buch |

| | |
|--|--|
| | <p>Address: 82 Lenin avenue, AZIMUT Hotel, 1007 office, Murmansk, 183038</p> <p>Phone/Fax: (8152) 45-41-07</p> <p>E-mail: info@urmansshelf.ru ; buch@urmansshelf.ru</p> |
| <p>Sozvezdye, Association of Oil and Gas Suppliers</p> | <p>Director - Sergey Vladimirovich Smirnov</p> <p>Tel.: +7 (8182) 28-69-30</p> <p>E-mail: mail@sozvezdye.org; sozvezdye@gmail.com</p> <p>office address:</p> <p>163004 Russia , Arkhangelsk , pl. Lenin 4 , Office 1210</p> <p>postal address:</p> <p>163004, Russia, Arkhangelsk, Troitsky av. 49, POB 3</p> |

4 Identification of the most significant laws in the Barents region countries

4.1 Northern Sweden

4.1.1 Practices related to starting a business

1. Legal form of the operations

Activities performed in Sweden by a foreign-based company can be deemed to constitute a permanent establishment in Sweden. A foreign-based company wishing to engage in business activities in Sweden should usually register a branch.

Another option is to incorporate a Swedish limited liability company that operates the Swedish business. Different alternatives will have different legal and tax implications, for example, branch income should usually also be included in the accumulated results of the foreign company, whereas income in a Swedish limited liability company is reported only in that entity. In order for branch income to avoid being taxed twice, the tax treaty in force between Sweden and Finland should be consulted.

It is possible to purchase off-the-shelf limited liability companies in Sweden. The minimum required share capital is SEK 50,000. There is no share capital requirement for a branch.

2. Registration for corporate income tax and VAT

Depending on the tax implications of the presence in Sweden, it might be necessary to register for VAT and corporate tax (Sw. F-skatt) with the Swedish Tax Agency (Sw. Skatteverket). Registration for corporate tax is especially important when services are sold within Sweden as F-skatt implies that the purchaser of the services will not have to withhold tax on remuneration paid.

An obligation to register for VAT in Sweden can arise for a foreign company even if the company does not have a permanent establishment in Sweden, for instance, a company that transfers its own goods from another EU member state to Sweden is obliged to register for VAT in Sweden.

3. Employer and employee registration

A Swedish employer, or a foreign employer with a permanent establishment in Sweden, is required to register with the Swedish Tax Agency in order to fulfill the employer reporting obligations, such as preliminary tax deductions and the payment of social security contributions.

Under Swedish law, foreign employers must report postings to Sweden and register a contact person in Sweden with the Swedish Work Environment Authority (Sw. Arbetsmiljöverket). A posting to Sweden is defined as the sending of an employee by his/ her employer to work in Sweden on behalf of the employer for a limited period of time in conjunction with the employer providing cross-border services to a recipient of those services in Sweden. The posting has to be reported if the employee

carries out activities in Sweden for a period longer than five consecutive days. The reporting is required in respect of both citizens of the EU/EEA and third country nationals. The registration can be done electronically at a web-site provided by the Work Environment Agency.

Also, foreign employers without a permanent establishment have to register for social security contributions if they have employees who belong to the Swedish social security system.

Employees with the intention to stay in Sweden for more than 12 months should register with the Swedish Tax Agency in order to receive a Swedish personal identity number (Sw. personnummer).

4. Registration of a limited company

4.1 Registration with the Swedish Companies Registration Office (Bolagsverket)

A limited company must be registered with the Swedish Companies Registration Office (Bolagsverket). A limited company only becomes a legal person when it has been registered with the Swedish Companies Registration Office. Registration provides nationwide protection of the company name.

The application form for registration is available at:

http://www.bolagsverket.se/polopoly_fs/1.338!/Menu/general/column-content/pdfFile/816.pdf

The registration fee is SEK 2 200

When submitting the application the following documents are to be attached:

- The establishment agreement (Stiftelseurkund), original or certified copy.

(The decision to establish a limited company in Sweden must be expressed in an “Establishment Agreement” (stiftelseurkunden). This document is issued when a limited company is incorporated and it contains important conditions for the establishment of the company)

- The approved Charter.
- Bank certificate (original) from a Swedish bank or a bank within European Economic Area (EEA), translated into Swedish. The certificate shall be provided on a special form, not an ordinary deposit slip. (The bank certificate proves that the share capital has been deposited)
- Signature list (original or certified copy). It can be included into the establishment agreement.

When applying for registration of a limited company the following information is required:

- Proposal of a name
- Description of business
- Information of the members of the board and deputy members of the board
- Information on the auditor
- Information on how many shares are issued to each founder

- Price of a share
- Accounting period
- Names of founders
- Address
- Contact information
- Bank certificate confirming the share capital has been deposited.

The time for consideration of an application can vary depending on how busy the Companies Registration Office is. As of the date of the present report the registration of a limited company does not take longer than 5 working days.

4.2 Applying for corporate tax (F-skatt) registration

When a limited company has been registered the next step is to apply to the Tax Authority (Skatteverket) for corporate tax registration (F-skatt), VAT registration and employer registration.

The application form is available at:

<https://www.skatteverket.se/foretagorganisationer/blanketterbroschyrer/blanketter/info/4620.4.6efe6285127ab4f1d2580003836.html>

4.3 Registration of the company as an employer

Practically all limited companies are to be registered as employers as the owner working in a limited company is viewed as an employee. Social security contributions (Arbetsgivaravgifter) and preliminary tax (A-skatt) on employees' (and the owner's) salaries are declared in the employer's declaration and paid to the tax account monthly.

It is free of charge to apply for corporate tax registration (F-skatt), VAT registration and employer registration.

4.4 Creating a share register

The board of directors must create a register over all of the company's shares and share holders (aktiebok). This is a public document. When a share is sold or some other event takes place which affects the data in the share register, it must be immediately recorded in the share register.

4.5 Buying an off-the-shelf limited company

It is possible to buy a registered limited company without operations, the so called off-the-shelf company (lagerbolag). A number of alterations have, however, to be done in the limited company which is bought. Normally the company selling shelf companies provides assistance with that.

Make sure that the shelf company acquired has not had any operations as any of its liabilities will be transferred onto the new owner.

5. Registration of a branch

A foreign company wishing to operate in Sweden without registering a subsidiary may open a branch. A branch is a foreign company's local office in Sweden with its own administration and corporate identity number.

5.1 Register with the Swedish Companies Registration Office

It is an independent entity which conducts business transactions in its own name, acting on behalf of the company. The branch must have a managing director. The managing director represents the branch and must register it with the Swedish Companies Registration Office (Bolagsverket) prior to the commencement of business operations.

The application for registration of a branch is available at:

http://www.bolagsverket.se/polopoly_fs/1.247!/Menu/general/column-content/pdfFile/887.pdf

When submitting the application the following documents as to be attached:

- Certificate that the foreign company has been duly established and incorporated (certified copy). The certificate shall not be older than six months.
- Certificate confirming that the foreign company is not insolvent (certified copy). The certificate shall be issued by the registering authority of the foreign company.
- The company's Charter or a similar document applicable in the foreign company.
- The foreign companies, and, if it exists, the parent company's accounting documentation for the last two financial years.

It costs SEK 2 000 to register a branch.

Corporate identity number

When the branch has been registered, it is allocated a ten-digit corporate identity number (organisationsnummer). This number is a kind of identifier for the branch and is used in its contacts with authorities and other parties. A branch is not an independent legal entity, but a part of a foreign company.

5.2 Applying for corporate tax (F-skatt) registration

Foreign companies with a permanent operational office in Sweden are liable to pay income tax and have to apply for corporate tax (F-skatt) registration.

The application form is available at:

<https://www.skatteverket.se/foretagorganisationer/blanketterbroschyrer/blanketter/info/4620.4.6efe6285127ab4f1d2580003836.html>

5.3 Registration of a branch as an employer

If a branch pays salaries to employees for work in Sweden it has to be registered as an employer with the Tax Authority (Skatteverket). The branch shall withhold income tax and pay social security contributions on the salary paid to its employees. The tax deductions and social security contributions are to be presented in the employer's declaration, that the company files to the tax Authority monthly.

The application form is available at:

<https://www.skatteverket.se/foretagorganisationer/blanketterbroschyror/blanketter/info/4620.4.6efe6285127ab4f1d2580003836.html>

5.3 Reporting to the Swedish Companies Registration Office

The rules regarding the preparation and submission of financial statements can be summarised as follows:

Branches of companies in the EEA which are comparable with limited companies:

- The accounting is concluded with an annual financial statement (årsbokslut).
- The annual report for the foreign company must be sent to the Swedish Companies Registration Office.

Branches of companies in the EEA which are not comparable to limited companies:

- The accounting is concluded with an annual report (årsredovisning).
- The annual report for the branch and the foreign company must be sent to the Swedish Companies Registration Office if the annual report is a public document in the homeland of the foreign company.

The financial statements must be prepared in Swedish or translated into Swedish.

5.4 Tax

A foreign company starting a branch in Sweden must pay income tax on its business operations.

5.5 Typical features of branches:

- A branch is not a separate legal person, but part of the foreign company.
- A branch is subject to Swedish law and Swedish regulatory decisions with regard to legal relationships that arise in connection with business activities in Sweden.
- A branch does not have its own share capital and its assets and liabilities are part of the company's total assets and liabilities.
- The branch accounts must be kept separate from those of the foreign company. This is partly in order to allow a separate annual report to be prepared for the branch.
- The branch's accounts and the managing directors' administration must be reviewed by an authorised public accountant.

4.1.2 Customs and tax practices

Corporate tax

Incurring income tax liability in Sweden by means of a Swedish branch or limited company, will lead to various corporate tax questions depending on the business operated in Sweden, the financing structure, the event of a profit distribution, etc.

The statutory corporate income tax rate in Sweden is 22 percent. All income of corporate entities are treated as business income. Branch income is taxed at the same tax rate and general corporate tax rules apply to branch offices in Sweden.

VAT

The standard VAT rate is 25 percent with a reduced rate of 12 percent which applies to, for example, food, restaurant and catering services, and 6 percent VAT applies to books, newspapers and the transportation of persons.

Employee and employer taxes

The income taxation of the employee is dependent on whether the employee is considered tax resident or non-tax resident in Sweden.

The income tax rates for residents are progressive and range between 29-59 percent. Non-resident tax payers are taxed with a flat rate of 20 percent.

Income tax relief may be available to resident foreigners with high salaries or those qualifying as experts/specialists or key employees with a vital position in the Swedish company or branch.

After application to the Taxation of Research Workers Board (Sw. Forskarskattenämnden), the tax relief provides exemption from taxes and social security contributions on 25 percent of all salary and benefits. In addition, benefits, such as moving costs, schooling and home travel, are tax exempt.

Mandatory employer social security contributions amount to 31.42 percent of gross salary and benefits and are used to fund benefits such as old age pension, survivor's pension, health insurance, occupational injury insurance, parental insurance and unemployment insurance and also include a general payroll fee. Employees pay a general pension fee towards the funding of the social security old-age pension. The employee pension fee is capped and is allowed as a credit against income taxes.

In addition to social security contributions on remuneration to employees, a special wage tax of 24.26 percent is levied on certain pension contributions made by employers.

Transfer Pricing

For any transactions carried out cross border between related parties (i.e. group companies or even between a head office and its branch), it is necessary to consider transfer pricing aspects, such as whether fair market prices are applied intra-group and the required level of transfer pricing documentation.

Operational matters

Payroll and reporting

Swedish employers and foreign employers with a permanent establishment in Sweden are required to report and pay withholding taxes in Sweden on a monthly basis.

Irrespective of the activities performed and the legal status in Sweden, an employer has to report and pay Swedish social security contributions for any employee belonging to the Swedish social security system. The reporting and payments are made on a monthly basis.

An employer is also obliged to file annual income statements with the Swedish Tax Agency for each employee. The annual income statement should summarize the salary paid (and preliminary taxes withheld, if applicable) during the income year.

Corporate tax compliance

Corporate tax compliance includes, for instance, preliminary tax returns, tax computations at year end and yearly income tax returns to be filed with the Swedish Tax Agency.

There are four different filing dates in respect of the yearly income tax returns, depending on the tax year in question (financial year). If the tax year corresponds to the calendar year, the income tax return is due on 1 July in the following year.

VAT compliance

VAT compliance can include preparing and filing of VAT returns, EC sales lists and Intrastat declarations. VAT paid on purchases can be offset against VAT collected on sales and the net is payable through VAT returns. The VAT return must, as a main rule, be filed every month. However, if the tax base for VAT does not exceed 40 million SEK per year, the VAT return is usually to be filed every quarter.

Transfer pricing documentation

According to Swedish tax law, transfer pricing documentation is to be maintained for all intra-group transactions. According to the documentation requirements in force since 1 January 2007, transfer pricing documentation is to contain the following information:

- a general description of the company, the organization and its activities
- information about the nature and extent of the transactions
- a functional analysis
- a description of the transfer pricing method chosen, and
- a comparability analysis.

Companies entering into transactions of limited value can benefit from simplified documentation requirements. Transactions of limited value are defined as intra-group transactions of goods for a value of less than approximately SEK 27.9 million per company within a multinational enterprise, and

for other transactions, a value of less than approximately SEK 5.5 million. The concept of other transactions does not include the transfer of an intangible asset. If a transfer of intangible property takes place, no simplified documentation requirement applies.

The EU Code of Conduct and the EU TPD are explicitly accepted in Swedish legislation. Transfer pricing documentation may be submitted in Swedish, Danish, Norwegian or English. The documentation requirements do not cover dealings between a foreign company's headquarters and its Swedish branch. The arm's length principle should, however, nevertheless, be observed.

Although no formal documentation requirement exists between a headquarters and its branch, the Swedish Tax Agency has, in recent tax audits, requested written documentation on how allocations are made between the headquarters and the branch.

The current rules regarding small and medium-sized companies are about to change. The following companies will be obliged to maintain transfer pricing documentation:

- companies belonging to groups with more than 250 employees,
- companies belonging to groups with fewer than 250 employees, but with either net sales in excess of SEK 40 million or a balance sheet total in excess of SEK 400 million.

Bookkeeping

A Swedish company or branch is obliged to keep its own accounting records, in compliance with the Swedish Bookkeeping Act or the Foreign Branches Act. Depending on the legal form, an annual report or annual accounts are to be prepared at year end.

Audit

Depending on the size of the business carried out in Sweden, it could be a requirement to appoint an auditor according to Swedish law. There are certain thresholds to consider in this respect. If a company or a branch has exceeded at least two of the following criteria in the last two financial years, it is required to appoint an auditor:

- Average number of three employees
- Balance sheet total of more than SEK 1.5 million
- Net turnover of more than SEK 3 million

For certain financial activities, an auditor is always required

VAT and customs when importing goods from other EU-countries

EU is a customs union. There are no customs borders between EU-countries. It is a common market and EU countries have common rules for VAT.

Transfer to own activity

The term transfer means a shipment of goods (movable property) between EU countries without a change in their ownership. For example, this can be a shipment from an activity in Sweden to an own

warehouse in another EU country. Or transport of goods from Sweden to be used in a service that is performed in another EU country, e.g., a construction company that transports building materials from Sweden in connection with the performance of building services in another EU country. It can also be a shipment to a separate branch in another EU country. Since the branch and headquarters are the same legal entity, the goods do not change owner during the transfer.

If you carry out economic activity in another EU country, a transfer of goods to that country is treated in the same way as a supply which is exempt from VAT if the following conditions are satisfied:

- The goods are transported by you or on your behalf to your operations in the other country.
- The transfer is undertaken for the commercial activities that you undertake in the other country.
- The transfer will be taxed as an intra-EU acquisition in the other country. Please refer to the section under the heading “The customer accounts for VAT” below.

The transfer may, of course, be made from a branch or the like in another EU country to the headquarters in Sweden. The transfer then becomes an intra-EU acquisition in Sweden, but does not involve any taxation in the other EU country. You should account for transfers from Sweden to another EU country in the EU sales list. Transfers to Sweden from another EU country must be reported in a corresponding manner there.

Sales between parent and subsidiary companies are taxed as a sale between completely independent companies since they are separate legal entities.

The customer accounts for VAT

Companies in other EU countries can sell you goods VAT free if you give the vendor your valid VAT registration number. In such a case, it is you personally who has to calculate the VAT on the goods value and account for it. This form of reverse charge liability is often called intra-EU acquisition. You have the right to deduct the VAT that you have calculated under the same rules that apply to other VAT.

Purchasing goods from other EU countries

Goods purchasing can be exempt from VAT if:

- The seller is registered in another EU country.
- Your company gives its VAT-number to the seller, who in his turn specifies both your and his own VAT-number on the invoice.
- Goods are transported from one EU-country to another.

När du köper varor momsfrött ska du själv beräkna momsén på varans värde och redovisa den till Skatteverket via din momsdeklaration.

4.1.3 Logistics

Logistics

1. Automobile roads

In order to connect population and business in northern Sweden, a very extensive road network is required. In Norrbotten only there are more than 8 500 kilometers of state roads, which is twice as many as the average country in Sweden. Despite this extensive road network, the road density is still very low because of the immense area of the county. For instance, the distance between Norrbotten's two most important East-West connections between Sweden and Norway, E10 and Rv 95, is over 200 km.

The main European roads going through the region are E4, E10, E12 and E45. These are important for the international connections to Norway, Finland and, indirectly, Russia.

The E4 is the main road for north-south bound traffic. The road is built as a dual carriageway through larger parts of Norrbotten. It also has a relatively good standard in Västerbotten.

The E10 connects the coast of Norrbotten, Kiruna / Gällivare and northern Norway. Major bottlenecks are found along the road, especially between Gällivare and Svappavaara where the E10 coincides with the E45.

The E12 road performs an important function for the east/west connection Mo i Rana-Lycksele-Umeå-Vasa (and further towards Helsinki, Russia and South-Eastern Europe).

The E45 is of great importance for inter-municipal transports and for north-south freight traffic, especially inland.

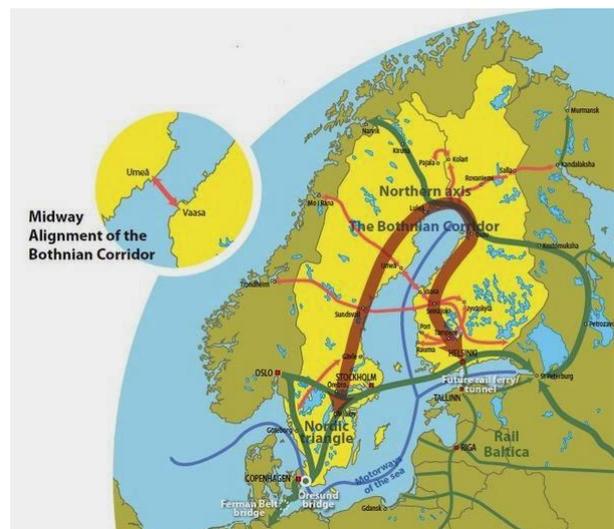
12 000 km out 18 000 km of roads in Norrbotten och Västerbotten are considered to be high priority roads by the Swedish transport agency due to their importance for the industry. This creates favorable conditions when applying for financing of major projects.

2. Railway system

The railway system in northern Sweden is very important for the export-intensive economy of the region and thus for the nation's economy as a whole. Malmbanan (the Ore railway) is one of the country's most important freight routes alongside the Stambanan (the Main line) through Upper Norrland. The rail system is particularly important for the mineral and forest-based industries. The railway has great potential as a resource-efficient, environmentally friendly and safe means of transportation.

The Bothnia Corridor

The Bothnia Corridor is the collective name of the railway route between Mjölby in the south and Haparanda in the north including sections going through Norrbotten and Västerbotten: Botniabanan, Norrbotniabanan. The Swedish government is lobbying inclusion of the Bothnia Corridor in the list of Core Network priorities. The Bothnia Corridor is of great importance for freight transport from / to northern Sweden. It has corresponding importance on the Finnish side. It links the Northern Axis corridor with the Nordic Triangle.



Bothnia line (Botniabanan)

In the autumn of 2010, the Botniabanan was opened between Nyland and Umeå. This 190 km long railway changed the conditions for freight and passenger transport dramatically.

The railway forms a link between the north and Southern Sweden as well as between the existing European rail network and the emerging network in Russia and the Barents area sea. Botniabanan is therefore of great importance for the region as well as for the whole of Sweden and Europe.

Norrbothnia line (Norrbotniabanan)

The Norrbothnia line is the final link between northern and southern Sweden and the existing European rail network linked to the Norwegian, Finnish and Russian railways.

For freight traffic, the Norrbothnia line between Umeå and Luleå means transport time gains, shorter transport distances, increased car weights and delivery safety. With the launch of this railway section, transport costs for industry are estimated to decrease by approximately 20-30 percent with a corresponding increase in competitiveness.

Feasibility studies for the Norrbothnia line are now completed and the Swedish Transport Administration has chosen a corridor for the track.

Haparanda railway (Haparandabanan)

Haparandabanan is Sweden's only railway link with Finland and further northwestern Russia. Refurbishment of Boden and Kalix sections and expansion of the new Kalix - Haparanda route was completed in 2012. The railway was built primarily for goods transports, but also creates opportunities for passenger traffic.

A common Swedish / Finnish terminal in Haparanda providing better efficiency of cross-border transports is under investigation / planning. The terminal is supposed to be equipped with gauge changing facility (to handle the problem of different track width in Finland and Sweden), bogie exchange, transshipping facilities. At present there is no financing solution available for this project.

Main line (Stambanan) through Upper Norrland

The main line through Upper Norrland is today one of the most important freight transport lines in northern Europe. The track goes along the route Bräcke, via Långsele and Vännäs / Umeå, to Boden and Luleå.

The ore line (Malmbanan)

The Malmbanan between (Luleå) Boden-Gällivare-Kiruna-Narvik is single-track and transports very large freight flows, mainly the iron ore pellets (Kiruna-Narvik and Gällivare-Luleå), copper (Gällivare-Rönnskär) and fish (ARE trains from Narvik to Oslo). The track has Sweden's highest permitted axle load (30 tons STAX). The line also has passenger traffic, both daytime and night. Malmbanan has major capacity problems. A Swedish investigation is under way for Kiruna-Narvik section, which will provide better cost estimates and partly examine which sections of the track will be provided with double track in the first place. A number of projects is being implemented to build railway yards which will make it possible for 750 m long ore trains to pass through simultaneously in both directions.

Cross-link railways (Tvärbanor)

The major railways going in the North-South direction are inter-connected by the so-called cross-links (tvärbanor). The cross-links are mainly used for freight traffic and are single-tracked. They connect inland industrial facilities with the coastal region.

Inland railway (Inlandsbanan)

The inland line between Mora and Gällivare is single-track and lacks electrification. The track is equipped for 22.5 tons of axle load, on sections that carry heavier freight trains.

3. Aviation

The airline network in Northern Sweden is primarily linked to the national hub Stockholm / Arlanda and Bromma. Some traffic also occurs in northern Sweden where Luleå has a limited regional hub function. For Haparanda with surrounding areas, proximity to Kemi Airport is an option for international travel via Helsinki / Vantaa.

Airports

Luleå Airport is Sweden's 6th largest airport with approximately 1.1 million passengers in 2012. The airport has approximately 16 daily flights to / from Stockholm-Arlanda and is the country's largest domestic line. Luleå Airport also has direct scheduled services to / from Kiruna, Umeå, Pajala, Östersund (via Umeå) and Sundsvall. The airport has about 10 charter destinations.

Umeå Airport had approximately 985,000 passengers in 2012.

Kiruna Airport is Sweden's northernmost airport and has gained importance in recent years through tourism development. In addition, the airport has gained importance due to a large city relocation project that is being carried out in Kiruna. The airport has three daily departures to / from Stockholm Arlanda and daily connections with Luleå. In 2012, the number of passengers was approximately 200,000.

Apart from the above mentioned state airports there are minor airports in Gällivare, Lycksele, Skellefteå, Vilhelmina and Pajala-Ylläs.

4. Ports / maritime transports

The ports of Norrland coast fill an important function for the region's transport system. There is a number of general cargo ports, as well as several smaller, so-called industrial ports. The ports along the northern north coast handle different cargo types and have relatively short distances between each other, allowing for enhanced cooperation.

ShoreLink

Luleå, Skellefteå, Piteå and Kalix ports cooperate through transport and logistics company ShoreLink with operations in three business areas: terminal, shipping and transport. This cooperation reflects a new trend that is now evident in several parts of the country, and in neighboring countries.

Working in complementary segments, the ports strengthen and create value for one another. This synergy concept is most likely to be spread and different collaborations can be expected along the entire north coast. Current cooperation in joint icebreaker services in Sweden / Finland is a necessity for continued development in the Bothnia Gulf.

General cargo ports

Luleå harbor

Luleå harbor, which is trafficked throughout the year, handles approximately 8.3 million tons (2012) annually with approximately 600 calls per year. Dominating goods are bulk goods, mainly LKAB's iron ore pellets and incoming coal to SSAB. The harbor has cement and oil berths and associated storage facilities. The harbor also has a ro-ro facility.

The port has an electrified rail connection to LKAB Malmhamn (Ore harbor).

In order to increase efficiency of shipping operations, new quays and dredging works in the entry fairway are planned.

Piteå harbor

Piteå Harbor Haraholmen, which is operated all the year round, handles approximately 1.6 million tons / year (2012) with approximately 300 calls a year. The cargo is mainly forestry products, kraftliner cardboard and pulp. The harbor also has an oil jetty and ro-ro facility.

Umeå harbor

Umeå harbor is Sweden's northernmost container port and receives the most vessels of all ports in northern Sweden. Line traffic is growing and today the port sends and receives goods to and from continental Europe, Great Britain and Finland. Umeå port is an integral part of the Nordic Logistic Center (NLC)

Umeå harbor in Holmsund handles annually about 1.8 million tons (2011). Forest products and unit goods account for approximately 50 and 17 percent of the volume respectively. Umeå harbor also has extensive terminal operations that handle approximately 400,000 tons / year.

Umeå harbor is part of a collaboration between Interforest Terminals in Umeå, Sundsvall, Lübeck, Rotterdam and Tilbury. Through the well established Kvarken link, Umeå Harbor also has close cooperation with Vaasa port. The ports work together in marketing and strategy investigations.

Skellefteå harbour

Skellefteå harbor handles approximately 1.6 million tons / year. The volumes consist mainly of bulk and forest products, raw material and finished products to / from Rönnskär smelter, steel, metal scrap and sawn timber.

Narvik harbor

Although located in Norway the port plays a crucial role for Northern Sweden. It is a strategically important hub in the northernmost part of the EU's Northern Axis corridor and the NEW corridor for the United States East Coast Asia.

The port has a railway connection and manages approximately 17.7 million tons annually and is LKAB's main port of import and export of mainly iron ore and oil products from and to Kiruna respectively. The harbor also handles containers.

Industrial ports

Kalix/Karlsborgs industrial port

The industrial harbor in Karlsborg, which operates all the year round, handles approximately 200 000 tons (2011) annually with approximately 90 calls per year. The main transport consists of imports of pulpwood, approximately 60,000 tons. Paper pulp is the predominant kind of outbound cargo. The port has an electrified railway connection.

Skuthamn/Piteå industrial port

The port handles approximately 110,000 tons of pulpwood to SCA's factory with approximately 30 calls per year.

Rönnskär industrial port

Boliden's Rönnskär industrial harbor has rail connections and manages large amounts of ore concentrates, sulfuric acid, raw materials for smelting, coal etc.

Rundvik industrial port

SCA concern operates its own port in Rundvik for sea transports to Europe. The harbor handles exclusively forest products. The predominating kind of incoming goods is round timber and the outbound shipping consists mainly of sawn timber. The harbor also has a timber terminal.

5. Terminals

Luleå intermodal terminal

Intermodal terminal in Gammelstad, Luleå, has a strategic location where Malmbanan (the Ore railway) crosses E4 road and state road 97. The terminal has become a central hub for long-haul transport system with combined transports on truck and railway. The terminal handles trains plying on a daily basis between Luleå-Nässjö-Luleå as well as Luleå-Göteborg-Luleå. Luleå intermodal

terminal is a part of an extensive terminal network with about 40 destinations all over the country and abroad.

Next to the Intermodal Terminal there is a truck terminal established by DHL that generates large volumes of international goods. About 24 000 units are handled at the Intermodal terminal per year.

Piteå transport terminal

Piteå goods terminal has today very little free loading activity as it is mainly used as a railway classification yard for trains carrying wood and paper industry products.

Haraholmen (Piteå harbor)

Piteå Harbor has good capacity for both handling and storage. Railway communications are deemed to meet today's needs, while the track standard is in need of upgrading.

The operations at Haraholmen consist mainly of handling products from the forest-based industry such as kraft liner, pulp mainly exported to Germany, the Netherlands and England. Among the goods there are also sawn timber products.

Nordic Logistic Corridor (NLC)

The EU project Nordic Logistic Corridor aims to increase accessibility within the EU by linking Sweden Norway and Finland with an economically efficient and environmentally friendly transport path. In this way, the conditions for continued transport to Russia and beyond into the EU area are created.

NLC Umeå

In parallel with construction of the Botniabanan, which was put into operation in 2010, extensive investments were made into new infrastructure in Umeå with its surroundings.

Umeå's new railway yard at Västerslätt, NLC Terminal, is a part of the strategic network of intermodal terminals. At the same time, NLC Park (a large logistics area adjacent to the new intermodal terminal) was completed. Significant investments have been made and are ongoing in Umeå port, with its connection to the two European roads meeting in Umeå.

NLC Storuman terminal

In 2012, the NLC Storuman terminal was opened. Forest raw materials and processed forest products are from the beginning the basis of transport flow. But the growing mining industry, wind power and the manufacturing industry are also part of the planning.

Skellefteå

Skellefteå goods terminal is located adjacent to Skellefteå harbor. Railway cars and container traffic are mainly handled in the vicinity of the harbor's industrial railway track, which is enough for the volumes that are being handled today, but if the traffic increases in the future the facility will have to be expanded.

Since the terminal was started, rail freight traffic has been steadily increasing, and the services are used by a wide variety of companies mainly in Skellefteå municipality, but also in neighboring

regions. The possibility of using maritime transports makes many companies choose the terminal in Skellefteå harbor.

4.1.4 Business culture

Sweden's business culture is highly egalitarian, with a lack of formal hierarchy. Compromise and consensus are key business principles, and people at all levels are often empowered to make decisions. If conducting business in Sweden, you should try to identify the most appropriate people with whom to negotiate, who might not necessarily be in senior management.

Appointments should be arranged at least two weeks in advance, and you should arrive on time, as punctuality is considered important. When arranging your trip it is advisable to avoid the main holiday periods of June-August, February-March and Christmas.

Most Swedes speak English well, so there is no need to translate correspondence or business cards into Swedish.

Day-to-day attire for workers in Sweden is often business casual, so one shouldn't be surprised to see jeans and trainers in the office. Very few companies operate strict dress codes, but it is generally considered good form to be conservative and not too showy in your work attire. For business meetings with new contacts you may wish to dress more formally, but try to avoid appearing flashy.

The usual greeting is a brief, firm handshake, which is lighter when shaking hands with women. Business cards are exchanged at the initial meeting. Personal space is important in Sweden and the acceptable distance between people is wider than in many other countries.

Titles are not normally used in Sweden, where status is regarded as unimportant. You are likely to be addressed by your first name and should reciprocate accordingly.

Swedish communication styles are direct and open, and can sometimes be perceived as abrupt. Small talk is rarely used, and it is considered inappropriate to show emotion in business meetings. Don't interrupt anyone else who is speaking, as this will be seen as rude.

You should prepare well for the meeting, and ensure that your presentation is thorough and well organized, as the Swedes are very systematic and pay great attention to detail. Avoid hard-sell tactics or exaggerating your accomplishments. Do not be surprised if there are long periods of silence, as these are often used for reflection.

Initial meetings are primarily used for the purpose of getting to know you and your company and considering your proposal, it will usually take several meetings before decisions are reached. Once business deals are made, however, they will be implemented quickly.

Although business relationships are quite informal in Sweden, the Swedes like to maintain strict boundaries between business and their private lives. Personal information is rarely exchanged, and it is quite unusual to be invited to the home of a Swedish contact.

Cultural taboos

Although Sweden represents a generally open culture, there do exist some issues that are best avoided, particularly at the beginning of a relationship.

Swedes avoid arguing, especially with visitors. If a discussion appears to be turning into an argument, do not be offended if a Swede abruptly changes the subject.

Do not use a lot of superlatives when speaking. The Swedes are opposed to stretching the truth. The marks of rank or status are disliked.

Do not get too personal. Topics like family, income and personal background should be avoided.

Swedes are very proud of their society, so it is wise not to criticize their way of life, welfare system, economy, government or culture.

Racist or sexist jokes are not tolerated.

4.2 Northern Norway

4.2.1 Practices related to starting a business

A step by step description how to establish a legal entity in Norway (AS)

Note: all documents prepared for Norwegian institutions have to be in Norwegian.

The decision to establish a legal entity in Norway must be expressed in an "Establishment Agreement" (Stiftelesedokument). This document will be required if there is one or more companies behind the establishment, and must be signed by the person(s) with legal rights to commit the company. See attachment 1. The document includes the Charter of the company.

The date of the document indicates the date of establishment, although this has to be followed up by a formal registration process. It also shows that a selection of Auditor and Accountant has to be done. The accountant can be an employee, if certified as a registered accountant, or a separate accountant company (easier when establishing).

Once this document is completed a bank has to be chosen and the agreed share-capital and funds has to be deposited. The bank needs a signed copy of the Establishment Agreement, they will then issue a letter stating that the agreed funds are on the account. The account is blocked until a formal registration has been established at the Brønnøysund register.

The next step is to complete the application for registration, the form can be found at http://www.brreg.no/blanketter/samordnet_last_ned.html There is a Main section and a section for registration for VAT. Both are attached separately to this document.

When submitting the application the following documents as to be attached:

- The Establishment document
- The letter from the bank indicating that the share capital has been deposited
- Letters from the Auditor and Accounting firm agreeing to the said duties, although instead of a letter they can both sign in the appropriate place on the registration form, both versions are allowed.
- A version of "Vedtekter" taken from the establishment document, see attachment 3
- D-number application is case of foreign nationals in the Board or as Director.

In case the officers of the company are of foreign nationality it is required to get a formal ID number in Norway, a so called D-Number. Normally the Board has to consist of a certain percentage of Norwegian citizens, but in the case of Finland and Sweden this is not required.

The application of D-numbers must accompany the registration form, the appropriate form is shown in Attachment 4. This application has to be filled in and signed by all foreign nationals that will be officers in the company. In addition the form has to be accompanied by a copy of the persons passport certified by Notarius.

When all this is done it is recommended that the documents are reviewed by the auditor or a person familiar with the process to make sure that all is correct, otherwise the application may be returned for lack of information.

The register will send a return letter within 2 to 6 weeks, depending on the time of year and how busy they are. The letter will contain a "Firma-attest" given the registration number, and also a letter indicating the d-numbers issued to foreign officers. By sending a copy of the firma-attest to the bank, the accounts will be unfrozen and business can commence. However it is worth noting that the formal date of establishment is the date of signature of the establishment agreement.

Attachments

Attachment 1 Stiftelsesdokument

Attachment 2a Samordnet Registermelding, del 1 Hovedskjema

Attachment 2b Samordnet Registermelding, del 2 MVA registrering

Attachment 3 Vedtekter

Attachment 4 D-Number application

4.2.2 Customs and tax practices

NORWEGIAN TAX, VAT, SOCIAL SECURITY CONTRIBUTION AND CUSTOMS

1. Branch and Company taxation

1.1 Branch or subsidiary

As a general rule, no taxes or duties are imposed upon the formation of a Norwegian company, whether subsidiary or not, neither on the company or the shareholder(s), irrespective of their tax residence.

If, however, a foreign company incorporates its Norwegian branch, the transfer of the branch with its assets to the subsidiary will be regarded as taxable disposal of the branch business which may result in a gain/income taxable in Norway, unless certain tax free reorganisation regulations are applied.

The fee for registration a subsidiary in the Company Register is approximately NOK 6,000, as the fee for a branch is approximately NOK 3,000. Professional fees may easily be more than twice when forming a subsidiary, rather than a branch.

The taxable profit of the branch is the main rule determined as for Norwegian resident companies, and taxed at the corporate tax rate of 27% (from 2014). It is only income/gains generated and expenses/losses incurred in the business activity carried on in/from the branch that are included in the taxable profit. Norway does not have a “force of attraction” principle.

1.2 Tax resident - Norwegian subsidiary and branch

Norwegian Resident companies are subject to corporation tax on worldwide profits and capital gains. Non-resident companies are subject to corporation tax on Norwegian sourced profits, including income derived from a permanent establishment in Norway. Partnerships and limited liability partnerships are transparent entities for tax purposes i.e. profits and losses are calculated at the partnership level and the result is allocated to the partners and taxed at their hands.

The term “resident” is not defined in the legislation. As a starting point, a company is regarded as resident in Norway when it is incorporated under Norwegian law and registered in the Norwegian Registry of Business Enterprise or its central management and control is carried out in Norway.

For companies resident in Norway, all income derived from whatever source, as well as capital gains, is liable to Norwegian tax. The determination of taxable income is based on the results shown by the annual accounts, as adjusted by legislation or any other rule of

Law. Capital gains are computed at the difference between the selling price and the original acquisition cost less the tax deductible depreciation taken.

The general corporate tax rate is 27% (from 2014), chargeable on the company's ordinary net income.

Limited liability companies shall pay their corporate tax the year after the income year. In the beginning of that year shall be paid advance tax in two installments (15 February and 15 April), the aggregate normally corresponding to half of the corporate profit tax assessed for the previous income year. When the corporate tax assessment is completed, normally in October of the same year, the advance tax is deducted from the actual assessed taxed. Balance in favour of the company shall be repaid to the company as soon as possible, but not later than three weeks after the tax assessment. Tax arrears are due three weeks after the tax assessment notice was sent the company.

When setting up the tax accounts for determining the net tax base, the financial result is adjusted according to the Norwegian Tax Act and its regulations which have definitions of income and expenses and depreciations and other timing issues in many aspects different from the accounting regulations and standards.

The main adjustments, or differences, are:

- Inventory is valued at cost price, and no tax deduction for obsolete goods is allowed before the inventory is sold or destructed.
- Loss on receivables are deductible first when the loss is demonstrable, and deduction of loss on customer receivables requires certain procedures to be followed.
- Tangible, fixed assets and goodwill are depreciated under the declining balance method at rates varying from 30% to 2%.
- Taxation of capital gains and deduction of losses on business assets may or shall, respectively, be deferred.
- Capital gains and losses on shares are not taxable or deductible under the participation exemption method.

1.3 Capital gains and losses – Norwegian subsidiary

Capital gains and losses are as the general rule taxable and included in the ordinary income (net profit) of the company, taxed at the ordinary tax rate of 27 % (from 2014).

However, the taxation of capital gains and deduction of losses on business assets may or shall, respectively, be deferred by transferring the gains and losses to a special "capital and

loss account". Briefly explained the account shall be included in the ordinary income with at least 20 % (for certain assets 30 %) of that account at year end.

There are a participation exemption for capital gains for corporate shareholders, on sale or other realisation of shares in Norwegian companies, shares in companies resident in another EEA state, which is genuinely established and performing genuine business in the EEA, and shares in companies outside EEA provided the corporate shareholder holds at least 10% of the shares and votes in the foreign company for at least two years and the foreign company not is resident in a low tax country.

Shareholders not tax resident in Norway, whether being corporate or individual shareholders, are not subject to tax on the sale or other disposal of shares in a Norwegian company.

1.4 VAT

The Norwegian company performing business in Norway will as general rule be subject to 25 % VAT on turnover of goods and services (more on VAT se section 4).

1.5 Finnish company – permanent establishment in Norway?

The term permanent establishment is defined in the Nordic tax treaty article 7 ref. article 5. Permanent establishment means a fixed place of business through which the business of an enterprise is wholly or partly carried on. The term permanent establishment includes especially:

- a place of management
- a branch
- an office
- a factory
- a workshop, and
- a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

A building site or a construction, installation or assembly project, or activities consisting of planning, supervising, consulting or other auxiliary work by personnel connected with such a project, constitutes a permanent establishment only if the project last more than 12 months and is carried out in the same place.

When a person is acting in another Nordic country on behalf of an enterprise and he has, and habitually exercises, an authority to conclude contracts in the name of the enterprise, the enterprise shall be deemed to have a permanent establishment, so-called dependent agent.

An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

However, the maintenance of a fixed place of business solely for the purpose of carrying on for the enterprise activity of a preparatory or auxiliary character may on certain conditions not constitute a permanent establishment.

The tax implications are that all income from the permanent establishment is taxable in Norway.

2. Employees of the Norwegian subsidiary - income tax liability, tax withholding and Norwegian social security contribution

2.1 Employment

Compensation for work performed in Norway for a Norwegian employer is always taxable to Norway (Tax Act § 2-3 (1) (d)). There is no minimum time period relating to the physical presence in Norway in order for such tax liability to be imposed. If no specific remuneration relating to work presence in Norway is agreed, the taxable amount shall for practical purposes be determined to be a portion of the total compensation to the employee through e.g. month or year in proportion to the work time in Norway compared to the total work time for the relevant period. This would also apply to possible taxable benefits from subscription rights/share subscriptions.

Employee tax rates:

27 % (from 2014) on net income

plus 0 % to 12 % on gross salary

=> marginal tax rate of 40 %, but normally an average of some 30 %

An individual employed by a foreign consultancy company (e.g. which is owned by the employee) may, according to the circumstances, be regarded as hired out labor to the Norwegian company, in which case Norwegian tax liability as described in the preceding paragraph will apply.

In general, tax treaties do not modify Norway's taxing rights as described above (normally art. 15 of the treaties).

Remuneration, including pension, to a foreign general manager or person in similar position in a Norwegian company is, however, subject to tax in Norway irrespective of whether the tasks to which the remuneration relates are performed in or outside Norway (Tax Act § 2-3 (1) (e)). This will also include benefits from subscription rights/share subscriptions.

Generally tax treaties regard such remuneration as income from employment and thus limit Norway's taxing right to remuneration relating to work performed in Norway (normally art. 15 of the treaties).

2.2 Consultancy

Provided the foreign consultant is not regarded as having an ordinary employment relationship to a Norwegian contractor, but is considered self-employed, the consultant will be subject to Norwegian tax on the part of the business profits attributable to activity actually performed in Norway (Tax Act § 2-3 (1) (b)). This would also include any benefits from subscription rights/share subscriptions.

However, in general, a relevant tax treaty modifies this tax liability as the treaty would require that the consultant has a "permanent establishment" or "fixed base" in Norway through which the consultant carries on the business activity (normally art. 14 and 7 of the treaties, or art. 5), which, in brief, means that the physical presence in Norway has to have a certain degree of permanence at a distinct geographic place.

2.3 Board of directors

Foreign board members are liable to tax on remuneration earned as board member in the Norwegian subsidiary (Tax Act § 2-3 (1) (e)), irrespective of whether the tasks as board member are performed in or outside Norway. This will also include benefits from subscription rights/share subscriptions.

Generally (but with a few exceptions), tax treaties do not modify Norway's taxing rights as described above (normally art. 16 of the treaties).

2.4 Tax withholding

The Norwegian company is obliged to withhold tax on compensation to foreign and Norwegian employees and board members which is taxable to Norway, according to tax deduction cards issued by the tax office. If such tax deduction card is not presented, the tax withholding shall be 50 % of the taxable compensation. The withheld tax shall be paid to the tax collector.

Compensation to self-employed consultants is not subject to tax withholding; the consultant itself is responsible for tax payment.

2.5 Norwegian social security contribution

2.5.1 Individual contribution (“trygdeavgift”)

Compensation relating only to work performed outside Norway is not subject to Norwegian social security contribution.

Foreign employees and board members are liable to pay individual social security contribution (7.8 %) of gross compensation only on compensation earned for work performed in Norway. Self-employed consultants are liable to pay individual social security contribution (11 %) only on Norwegian taxable business profits. However, the individual may be exempt from such duty according to social security treaty with his or her home country, which normally is the case where the recipient is resident in an EEA country. The exemption is subject to the individual presenting a so-called A1 or E101 declaration from the social security authorities in his or her home country, which confirms that the individual is secured under the national insurance scheme in his or her home country.

2.5.2 Employer contribution (“arbeidsgiveravgift”)

The Norwegian company is, as a starting point, obliged to pay employer social contribution (generally 14.1 %) on gross compensation to employees and board members that is subject to tax reporting (ref. Section 2 above), but not to self-employed consultants. The following exemptions apply to compensation to foreign employees and board members:

Compensation relating only to work performed outside Norway is not liable to employer social security contribution provided the recipient is a foreign citizen and not a tax resident in Norway and not member of the Norwegian Social Security Scheme (Social Security Act § 23-2 (9)).

Compensation relating only to work performed in Norway is not liable to employer social security contribution provided the individual presents so-called A1 or E101 declaration from the social security authorities in his or her home country, which confirms that the individual is secured under the national insurance scheme in his or her home country.

3. Services/transfer of funds between the Finnish Oy company and the wholly owned Norwegian company

Section 13-1 of the Norwegian Tax Act lays down the general arm’s length principle, which shall apply between associated companies, and if not adhered to, the income of the

company may be adjusted. According to the regulations, the OECD's Transfer Pricing Guidelines shall be taken into account when applying the arm's length principle.

Section 4-12 of the Tax Assessment Act imposes obligations to prepare transfer pricing documentation, depending on the size of the company group and transaction/position, which in essence shall document that the transactions and relationship between the group companies are in accordance with the prices and terms that would have been agreed between independent parties. The enterprise may elect to prepare the documentation in accordance with the Code of Conduct on Transfer Pricing Documentation for associated enterprises in the European Union.

4. Employees employed by the Finnish contractor company

4.1 Employee taxation

The employee will be regarded as tax resident in Norway if the employee stays for:

- 183 days through a 12 months period
- 270 days through a 36 months period

The employee will then be taxable to Norway for worldwide wealth and income, unless otherwise follows from the Nordic Tax Treaty.

It follows from the Nordic Tax Treaty art. 15 that if the employee stays in Norway less than 183 days in Norway through any 12 months period and the foreign employer has not a permanent establishment in Norway the employee will be taxable to Norway only for the work performed in Norway.

Employee tax rates:

27 % (from 2014) on net income

plus 0 % to 12 % on gross salary

=> marginal tax rate of 40 %, but normally an average of some 30 %

Certain deductions/allowances are based on number of months in Norway

The Finnish company is obliged to withhold tax on compensation to foreign and Norwegian employees and board members which are taxable to Norway, according to tax deduction cards issued by the tax office. If such tax deduction card is not presented, the tax withholding shall be 50 % of the taxable compensation. The withheld tax shall be paid to the tax collector.

Compensation to self-employed consultants is not subject to tax withholding; the consultant itself is responsible for tax payment.

How long does the employee stay in Norway?

If the employee's stay will last less than 3 consecutive months, she/he has to meet in person at a tax office, presenting ID (passport) and employment agreement, and will receive a D-number and tax deduction card, re <http://www.skatteetaten.no/en/International-pages/Felles-innhold-benytttes-i-flere-malgrupper/Articles/Identification-checks-at-selected-ID-offices/>

In other cases and alternatively the employee can register at of 2 Service center for Foreign Workers (in Oslo and Stavanger), re <http://www.udi.no/Norwegian-Directorate-of-Immigration/Central-topics/Work-and-residence/Work-and-residence-EUEEAFTA-citizens/>

The employee has to register with The National Population Register (Folkeregisteret) if the intention is to stay longer than 6 months in Norway. Employees from EU/EEA do not need a general permit other than what is mentioned above but in some branches, ex. construction and cleaning, a specific identity card from the Norwegian Labour Inspection Authority is needed.

4.2 Social security contribution

4.2.1 Employers' social security contribution

Employers' social security contributions are charged on all remuneration paid in cash or in kind to employees, including remuneration in respect of work performed abroad. The obligation does not apply to payments made to self-employed persons. The tax rates are determined annually by the Parliament. The tax rates range from 0% to 14.1%. The rates are initially differentiated by region based on the tax municipality of the employer, and regardless of the location of the employees. However, for the hire out of labour business, the places where the hired out labours are working determine the social security contribution rate.

An employer resident abroad is required to pay social security contributions in respect of employees working in Norway, subject to the possible exemption under social security treaties.

4.2.1 Employee social security contribution

Social security contributions are levied on gross earned income. The first NOK 39.600 of a taxpayer's income is exempt from the charge and the contributions may not exceed 25 % of income above that amount. Social security contribution rate on salaries is 7.8 %.

4.3 Mandatory registration for staffing enterprises

The regulations concerning mandatory registration for staffing enterprises came into force on 1 January 2009. This new scheme means that all staffing enterprises engaged in the hiring out of labour in Norway have a duty to report these activities to the Norwegian Labour Inspection Authority, so that they can be registered in a new public register of staffing enterprises overseen by the Labour Inspection Authority.

As of 1 March 2009 companies are prohibited from using staffing enterprises that are not lawfully registered in accordance with this scheme in the Labour Inspection Authority register.

The scheme requires staffing enterprises engaged in activities in Norway, regardless of whether the enterprise is Norwegian or foreign-based, to have a permanent representative in the country, and this representative must be authorised to fully act on the enterprise's behalf in all legal situations. Other requirements are also introduced, concerning organisation and finances, and the enterprise must also be lawfully registered with the Directorate of Taxes.

5. The Nordic Tax Treaty

Under the various sections specific reference are also made to the Nordic Tax Treaty.

In general the treaty determines that Finnish company or an employee tax resident to Finland (art. 4) shall only be tax liable to Finland unless otherwise provided for in the treaty. The relevant issues in relation to this memo are taxation of business income from the Finnish company and salary and allowances for the Finnish employees (see the relevant sections).

There are no tax treaties between Norway or any other states regarding VAT.

6. VAT

i. It is obligatory for a foreign registered company or legal entity to be registered for VAT in Norway if the foreign company/ legal entity enter into contracts and supply goods or services deemed to be inside Norwegian geographical borders for VAT. Re: Norwegian VAT Act § 1-2.

This rule brings up the question as where goods/services are supplied, inside or outside Norwegian borders.

This question will be deemed differently depending of the character of the content of the supply.

Goods will be deemed related to VAT based on the legal terms of the supply. Sale of goods from a foreign country to a Norwegian customer may follow two tracks.

Sale from the supplier's country to another country will normally be zero rated as export sale, and Norwegian VAT will be assessed by Norwegian customs authorities upon arrival of the goods in Norway.

The Norwegian recipient pays VAT to the customs authorities, and foreign suppliers should not register for Norwegian VAT. In such cases the foreign supplier are not in a position to apply for and to be registered for VAT in Norway.

It is generally assumed that it will be a disadvantage for a foreign supplier of goods into Norway to place his customers in a position to have to deal with customs authorities. Alternatively the foreign supplier might find it convenient to enter into a contract stating that the supply takes place in Norway.

This alternative will give as a result that the foreign supplier imports goods into Norway in his own name, and pay VAT assessed by the custom authorities. The subsequent supply of goods take place in Norway and the foreign supplier register for VAT and charge VAT when invoicing the recipient. Registration for VAT in Norway will give the supplier a general right to deduct VAT, including VAT charged by Norwegian customs authorities on importation.

When it comes to services there is also the question where the services are supplied. Normally Norwegian VAT law take the position that services are supplied where the supplier has its office or p.e.

A foreign supplier of services to a Norwegian recipient will as a main rule not have to register for VAT in Norway.

If the service in question is a service capable of a supply for a remote location, (consultancy advice, legal services etc.) Norwegian VAT will be due for the recipient according to the existing reversed charge mechanism in Norway.

On the other hand if it is a service connected to a fixed property or location in Norway, (for instant all kinds of construction work, also if supplied by Norwegian subcontractors) the service will be deemed to be supplied within the geographical borders of Norway, and the foreign supplier should register for VAT an invoice the services (including goods/materials) with Norwegian VAT.

Such registration will give the ordinary right to deduct VAT on all relevant costs.

If the foreign supplier has no office or p.e. in Norway, registration should be made by representative. Any Norwegian resident or legal entity may act as a representative for VAT. Normally accounting firms or the recipient of the services will act as representative for VAT.

It is difficult to give an opinion about the question whether it makes sense to be registered for VAT in Norway. Registration for VAT is obligatory if the content of the supplies indicate that registration is due according to Norwegian VAT Act and regulations.

One reason to register for VAT is the following possibility to deduct VAT on local costs in Norway or deduct import VAT if due.

We will add that if construction work in Norway is the actual line of the business of the foreign company in question, in our view this will make it quite clear that there is an obligation to register for VAT in Norway.

Service implicating heavy machinery in Norway indicate that the services in question will be deemed to be performed within Norwegian judicial borders with reference to VAT act § 1-2 (1).

Such activities makes it obligatory to register for VAT in Norway provided that the consideration for the services exceeds NOK 50 000 during any 12 months period.

Registration for VAT is a two stage operation as the foreign company initially should register in the central register of legal entities in Norway (Enhetsregisteret i Brønnøysund) in order to obtain a Norwegian organization number. This registration is based on a form to be filed to the register including documentation showing that the foreign company formally exists and is registered in its home country.

When registered in the central register and having received organisation number, the VAT registration can be carried out.

If the foreign company has no permanent establishment or office in Norway, registration for VAT should be by representative according to Norwegian VAT act § 2-6 (6). The representative should have an office or be a resident in Norway.

Up to 1st of July 2013 all sales documentation from a company that was registered by representative, should be forwarded to the recipient through the representative, and the foreign company and the representative were jointly responsible for the payment of VAT.

This has changed from 1st of July 2013, and the foreign company may now issue invoices and forward them directly to the recipient. The representative is from the same date, no longer jointly responsible for the payment of Norwegian VAT.

Copies of the invoices should be forwarded to the representative as the foreign company and representative are still jointly responsible for keeping accounts in Norway.

Payment of VAT in Norway should be arranged by a private agreement between the foreign company and the Norwegian representative. Normally the foreign company open a

Norwegian bank account and arrange with the representative to issue a proxy to draw from the bank account for payments of VAT.

If the foreign company does not comply with the Norwegian VAT rules and register in Norway, this will be negative regarding contact with potential Norwegian business partners and raise suspicion of the seriousness of the foreign company.

A VAT registration indicates normally that VAT forms should be filed for every two months period. Time limit to file the forms and pay the VAT due is one month and 10 days after the end of the VAT period. For instance, the first period of VAT, January and February, should be filed and paid within 10th of April same year.

VAT registration in Norway will automatically give the right to deduct VAT on relevant costs in connection with the filing of the VAT forms.

If input VAT should exceed the output VAT of the period, VAT will be refunded to the registered entity by tax authorities.

Norwegian VAT Act chapter 10 open for refund of Norwegian VAT for foreign companies that have paid Norwegian VAT.

Refund is based on application and documentation of the VAT cost, and it is restricted to foreign entities that would have been obliged to register for VAT in Norway if the activity has been carried out in Norway.

Foreign entities who apply for refund will have the application rejected if the Norwegian VAT authorities find that the foreign entity should have been registered for VAT in Norway.

For reporting of VAT and payment for VAT for an entity will be responsible. When registered by representative the representative normally as part of its services will do the VAT reporting and arrange for payment of VAT.

Representatives were until last year jointly responsible for the payment of VAT. These rules are now changed and do not apply for the representatives of EU or EØS companies.

If services are supplied in Norway and reported in Norway according to the local VAT regime, it is in our view obvious that these services should not raise any VAT obligation in Finland.

On the other hand if the operation in Norway is run by the foreign entity (and not by a Norwegian subsidiary) it is our view that the net cost and income should be included in the entities accounts in Finland. Local Finish regulation will be relevant for the question where that this income shall be reported as zero rated according to Finnish rules.

ii. Norway has not introduced a reverse charge mechanism related to the construction sector.

This indicates that a construction company as well as subcontractors shall be registered for VAT and invoice contract partners with VAT.

- i. The representative normally has the responsibility to file VAT forms in Norway, and also to perform the necessary accounts relevant to the Norwegian activities as a basis for the Norwegian VAT authorities for the control activity.
- ii. As work in Norway will be performed by a Finish company, the activity should probably according to Finish accounting rules, be included in the total reported accounts in Finland. The Norwegian part of operations should in this connection be reported as services rendered outside the geographical area of Finish VAT.
- iii. There is no reverse charge mechanism in relation to value-added tax in Norway related to the construction sector. The question of introducing such rules has been taken into consideration here but has been rejected. As far as we know, there is now no activity among the tax authorities in order to raise this question again.
- iv. As VAT in to Norway will be deductible, Norwegian import VAT will not establish a final cost. Re-export will not give bases for Norwegian VAT. There is no mechanism in Norway to offset import and export VAT against each other.
- v. There exist no tax treaties between Norway and any other state including Finland with the effect for VAT.

7. Customs

- The main rule according to VAT Act § 3-29 is that VAT is due at import of goods into Norway. VAT is claimed assessed by the customs authorities at a rate of 25 %.
- If such charges are carried, the 25 % VAT will be based on the face value of the imported machinery/ cranes etc. at the time of importation. As there is no real sale transaction the owner has to supply customs authority relevant information on the value of the imported goods.
- If VAT is charged the importer should be registered for VAT and based on the registration be in a position to deduct the full amount of VAT. Alternatively there is a possibility to apply for refund.
- There is according to Norwegian VAT Act chapter 7, certain zero rates regarding import of goods. This zero rating regime is based both on the VAT Act and the customs Act.
- According to customs Act (Tolloven) § 6-2 there is a zero rating for customs duties for professional equipment imported by a person/ entity from outside Norwegian borders when the equipment is for the use in assignment by the importer himself or led by the importer.

VAT Act § 7-2 (2) states that no Norwegian VAT is to be charged if a guaranty as mentioned according e. to the customs Act § 6-2 (1) is granted.

This set of regulations indicate that there will be no customs duties or VAT on importation provided there is an arrangement with the customs authorities regarding necessary guaranty. As far as we know bank guaranties are normally required.

Zero rating as mentioned above is relevant provided the equipment in question is re-exported within twelve months.

- As Finland is a member of EU we can see no reason for, or legislation etc. in Norway creating difficulties regarding use of machinery in Norway that is permitted for use in Finland.

4.2.3 Logistics

The region is dominated by large distances and very little public transportation available, if you want to visit Hammerfest, Kirkenes or Narvik from Kuopio for example, you can get into your car and drive more than 1000 km, or take a plane to Helsinki, then Oslo and then any of the destinations in Northern Norway. But there are some developments also here.

Oulu, Luleå and Tromsø has sponsored an airlink that has been operating for some time now, see <http://www.arcticairlink.com/>

The need for reliable salmon export routes to Asia has seen the development of a truck route from Finnmark through Alta and Oulu to Helsinki-Vanta where the salmon is loaded on Finnair planes destined for multiple locations in Asia.

Finland and Norway (and hopefully Brussels) are now discussing a railway link from Rovaniemi to Northern Norway, most likely Kirkenes. See the Arctic Corridor brochure here: <http://arcticcorridor.fi/wp-content/uploads/jkrautatie4scr2eng.pdf>

Russia has opened up the Northern Sea route. With the declining ice situation in the arctic the commercial use of this route is cutting the distance to Asia in half.

The famous railway from Kiruna to Narvik developed to carry iron ore to the ice free port is now also being used to carry most of the consumer goods from the Oslo area through Sweden to Narvik where it is then distributed throughout Northern Norway.

The roads linking Finnmark and Troms with Finnish Lapland is being improved and so are the roads to Murmansk.

Once inside Northern Norway the air links provided by SAS, Norwegian and Widerø is connecting most of the towns in the region, the local links are also well served from Oslo with several flights

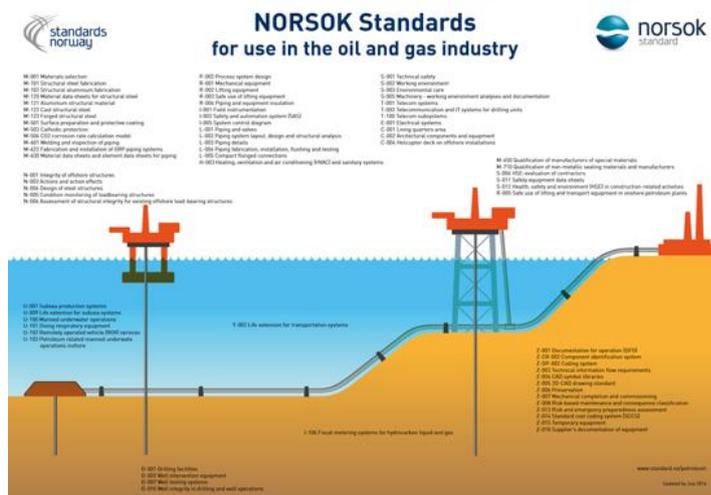
daily to Bodø, Harstad/Narvik, Tromsø, Alta and Kirkenes. See Widerøe extensive map connecting most smaller towns in Norway: <http://www.wideroe.no/>

And along the coast we are served by the Coastal Steamer, the Hurtigruten, and many fast boats and ferries operating year round.

4.2.4 Business culture

The business culture in Norway do not differ much from the rest of the Nordic countries, however there are some differences.

Norway has been an oil producing country for nearly 50 years, and during that time we have also advanced the technology involved with offshore oil & gas business and are now leading the world in many areas. Norway has therefore developed new standards for such operations like the NORSOK standards and Achilles supply chain management.



Norsok Standards, illustrated on the left.

The NORSOK standards are developed by the Norwegian petroleum industry to ensure adequate safety, value adding and cost effectiveness for petroleum industry developments and operations. Furthermore, NORSOK standards are as far as possible intended to replace oil company specifications and serve as references in the authorities regulations.

You can get the standards applicable to your products and service here:

<https://www.standard.no/en/sectors/energi-og-klima/petroleum/norsok-standards/#.WZplhSgjGUK>

Achilles; a system for pre-qualifications and information, in their own words:

We are the global leader and partner of choice for supply chain risk and performance management in Natural Resources, Industrials and Infrastructure sectors. We run supplier pre-qualification programmes, validate data, carry out industry audits and mitigate risks.

We offer innovative products, services and training in supply chain management. Our buyers and suppliers form lasting business partnerships in industry communities unique to Achilles.

More on Achilles here <http://www.achilles.com/>

If you are going to supply goods and/or services to the oil industry it is often required that you are registered with Achilles.

4.3 Northwest Russia

4.3.1 Practices related to starting a business

The form of legal presence in Russia influences all aspects of activity including possibility for making deals and tax consequences of the deals, financial and tax accounting and reporting, possibilities under customs, currency control legislation, ability to employ foreign nationals, repatriation of income, and many others. Therefore, particular attention must be paid to Russian business modeling to be made prior to setting up legal presence in Russia.

There are several forms for a foreign investor to start business in the Russian Federation. The following 3 forms of companies are the most commonly used:

- OOO Limited Liability Company
- AO Joint-Stock Company
- PAO Open Joint-Stock Company

Hereinafter we will refer to them as OOO, AO and PAO. These companies have a formal structure, something similar to a western joint-stock company. Based on our experience we recommend to seriously consider establishment of an OOO. This is the simplest and quickest form in terms of the establishment process. Registration of AO requires registration of shares which takes a longer time and involves additional expenses.

OOO, Limited Liability Company, in Russia is similar to a joint-stock company in Finland, where the share capital, divided into a number of shares (participation interests), is paid by the shareholders. The company has Articles of Association according to the Russian standard, but there are possibilities to adjust the Articles of Association according to individual needs.

This company form is very commonly used, and Storvik & Co AS has itself established its daughter company in Murmansk as OOO Storvik Consult.

The minimal share capital is RUR 10.000 (approx. EUR 145), 50% of which is to be paid during the registration. The registration authority is the local Tax Inspection in Murmansk.

The process of preparation of documents and registration will take 1 to 2 months.

Russian companies have the organization structure based on a (General) Director as the first main person in a company and Chief Accountant as the second person. A (General) Director has more freedom in managing the company's values than in western joint-stock companies. In general, we used to recommend appointing a (General) Director from the parent company, at least at the initial stage. But according to the rules introduced in 2008, a non-Russian (General) Director is not allowed to sign any documents on behalf of the company before obtaining a permit to work in Russia. This also applies to the application for the work permit that must be signed by the Company's Director. It

means that the Company can only be registered with a Russian (General) Director. Employing a Russian (General) Director can be a permanent solution or an interim solution until the non-Russian director obtains a work permit.

OOO's Articles of Association open a possibility for a "Board of Directors". From a legal point of view, a BOD is not necessary if a company has one founder only, but we see that several of our western clients considered establishing a Board. Members of the Board can be Russian or of Foreign origin. Membership in the Board does not mean employment in the company and hence does not require a permit to work in Russia.

Chief Accountant is a very important position in Russian companies. The taxation system in Russia is more complicated than in most western systems, and accounting reports are to be submitted on a more frequent basis. It is extremely important that it is done correctly to avoid any negative focus from the Tax Inspection and any claims for penalties or additional taxation. Our experience shows that newly established companies face a challenge to find reliable and competent accountants. Besides, the Russian reporting system is different from western systems, it is therefore often required to "translate" the accounting reports to provide reports to the founding company.

Establishment of a Russian legal entity will require the following:

1. Registration at the Tax authority
2. Registration at the State Committee for Statistics
3. Making of the seal of the Company
4. Registration at non-budgetary funds (Pension Fund, Social Security Fund, Obligatory Medical Security Fund) is done by tax inspectorate
5. Opening of the bank account
6. Registration of the shares issue with the Federal Services for Financial Markets* 24-30 working days

*Applicable only to Private and Public Joint Stock Companies

4.3.2 Customs and tax practices

General Customs Regulations

Customs payments include customs duty, value-added tax (VAT) and excise tax. In addition, there are different customs fees.

The basis for calculation of the customs payments (duties, fees, excise taxes and VAT) is the customs value of the goods. Besides the cost of the goods, it includes expenses for transportation, insurance, licensing and other expenses incurred by the customs applicant the moment the goods crosses the border.

Customs fees for customs clearance, storage, etc. If goods are transported across the customs border for commercial purpose, the following customs fees shall be paid: customs fee for customs formalities (0,1% of the customs value of goods) and additional fee in foreign currency (0,05% of the customs value of goods). The general rule is that a company needs to apply for customs clearance to a local customs office, where the company is registered, and during the working hours. Otherwise the customs fees will double. However, there are some exceptions when customs clearance of certain goods is done by assigned customs offices. If the goods are placed at a bonded warehouse or at a temporary storage warehouse, the customs fee for goods storage shall be paid. Additional fee shall be paid if the goods shall be transported under the customs escort.

Certification of products is an important part of customs clearance process when importing into Russia.

Certification of conformity is a procedure to attest that a product or service meet certain standards. The procedure is confirmed by issuing a Certificate of Conformity or adoption of the Declaration of Conformity.

According to Federal Law No. 184-FZ of 27.12.2002 "On Technical Regulations" the obligatory requirements to the facilities subject to technical regulation are established by different technical regulations. The most importation regulatory document for temperature-controlled and refrigerating equipment is the Technical Regulation "On Safety of Machinery and Equipment".

Currently valid and new regulations provide for 2 possible forms of quality verification. They are: certification of conformity and declaration of conformity.

In case of the declaration of conformity the applicant shall himself prepare the evidences to confirm conformity of products to the requirements of the technical regulations. Different from that, the certification process implies preparation of these evidences by a Certification Agency.

The declaration procedure is almost similar to the certification procedure and consists of the same stages:

- issue of the sanitary and epidemiological certificate;
- laboratory certification tests;
- issue of the declaration (or certificate) of conformity.

A peculiar feature of the declaration of conformity is that it can be issued only by Russian producers or organizations registered as Russian legal entities representing interests of non-Russian producers.

According to Federal Law "On Technical Regulations" No. 184-FZ of 27.12.2002, Clause 24 "Declaration of Conformity", the declaration can be issued only in the name of a Russian producer or importer. The declaration cannot be issued by a non-Russian producer. If there are products to declare, but a producer and an applicant is a non-Russian company, then a voluntary certificate is issued instead of a declaration.

Depending on a type of the product, taking into account whether a product is a serial or a unique one, and considering some other factors, a producer can choose one of 7 procedures of declaration of conformity, or one of 7 procedures of certification of conformity.

Taxation

The Russian tax system is regulated by the Russian Tax Code. The tax system has three levels: the first federal level, second federal level, and regional level. On the first federal level, a consistent tax rate is applied to the whole of Russia. One such instance is VAT. Second-level federal tax rates are also determined centrally by the federal fiscal code, but local municipalities are entitled to reduce this by a local part. An example is corporate income tax. Regional or local-level taxes include wealth and property tax.

The most important tax types in Russia with the respective rates are:

- Corporate income tax: 20%
- Value-added tax: 18% (reduced rate 10%)
- Personal income tax: 13% (30% for non-residents)
- Wealth tax: up to 2.2%
- Dividend tax (withholding tax): 13% (15% for non-residents)

Corporate Income Tax

Russian corporate income tax is a federal tax, payable by all domestic and foreign enterprises at a rate of 20 percent. In special economic zones intended to develop selected industries, the regional portion of the corporate income tax rate applied to eligible companies may not exceed 13.5 percent. The taxable profit equals total revenue minus deductible expenses. Expenses are deductible if they are economically justified, duly documented, and facilitate the generation of future income.

Value-Added Tax

In Russia, all revenue generated through the purchase or import of goods or services is subject to VAT. The destination principle applies; generally, the taxation principles used correspond to those of the EU. The current basic tax rate is 18 percent. The VAT is calculated based on the customs value of the goods plus customs duties.

The customs payments are calculated by a customs applicant and included in the customs declaration. The payments can be made in Russian rubles or foreign currency either in cash to the customs cash office, or by a bank transfer.

The due payments dates shall be carefully observed. In some exceptional cases a payer may be allowed to postpone the payment, but maximum for 2 months from the date of declaration receipt.

If the customs applicant paid higher amount of customs payments than it should have done, the difference can be paid back on request from the customs applicant. Such request can be submitted within one year from the payment date. But, if not a full amount is paid on due date, this fact is considered as violation of the legislation resulting in penalties.

Corporate Wealth Tax

Corporate wealth tax is a regional tax payable by all Russian and foreign businesses that own assets in Russia. The tax rate depends on the type of business activity and does not exceed 2.2 percent. The net fixed assets are only taxed if they are being used.

Personal Income Tax

All natural persons that generate income in the Russian Federation are subject to personal income tax. A distinction is made between residents and non-residents. Natural persons that demonstrably spend at least 183 days per year inside the country qualify as tax residents. The basic personal income tax rate is 13 percent; however, non-residents are taxed at 30 percent. Companies must calculate income tax for their employees and transfer it to the tax office on payday.

Social Insurance Contributions

All social contributions in Russia have to be paid by the employer. Those payments include contributions to the federal pension fund, the social security fund as well as to health care. Furthermore a mandatory accident insurance has to be paid. The rate for this accident insurance ranges from 0.2 to 8.5 percent and depends on the business field the company is settled in and on the task the particular employee has to fulfill.

Highly Qualified Specialists

When it comes to the calculation of the income tax of an employee, there are several differences as soon as the employee has the title of a so called "highly qualified specialist" (HQS). For an employee who can be called a HQS only 13 percent income tax has to be paid, even though he lives less than 183 days per year in Russia. The regular income tax rate for non-residents is 30%.

Simplified Taxation System

The simplified taxation system for smaller enterprises was introduced in order to reduce their tax burden and simplify taxation. Smaller enterprises, under Russian tax law, are those that employ fewer than 100 employees, generate revenues of under 60 million roubles and own fixed and intangible assets with a net book value of under 100 million roubles (c. €1.45m). Further, no other firm which does not qualify as small under these criteria must have a stake in it of 25 percent or more. Instead of VAT, corporate income tax, wealth tax and social security contributions, only one single tax must be paid under this system. Two options are possible in this respect:

- Revenue-based taxation (cash method). The tax rate here is 6 percent.
- Profit-based taxation at a 15 percent rate.

However, some enterprises are ineligible for this procedure regardless of their size. The simplified taxation system is inapplicable to companies that are expected to earn particularly high returns, i.e. banks, insurances, investment and pension funds. Foreign companies are also excluded

Foreign Exchange Controls

In Russia, all payments between residents and non-residents are subject to foreign exchange controls. All legal persons founded under Russian law and all natural persons whose annual stay in

Russia exceeds 183 days are considered residents. Conversely, legal persons formed elsewhere and natural persons that remain in Russia for less than 183 days per year are considered non-residents. The recipient of a controlled payment in excess of USD 50,000 is required to apply for a transaction certificate at his bank. To this end, all documents associated with the payment (contracts, invoices, etc.) must be submitted to the bank. Russia's official currency is the rouble. While Euro- or dollar-denominated contracts can freely be entered into, the actual cash or non-cash payments must be made in the local currency. Often, differences in FX rates between the day of entry and the 26 day of fulfillment arise as a consequence, leading to a duplication of records and VAT calculation issues.

4.3.3 Logistics

Murmansk region. The Murmansk region possesses a number of essential pre-conditions for transport and logistics system creation. Motor, rail, air and water transport infrastructure is developed in the region.

The Murmansk region has a special strategic status for Russia. Its non-freezing deep-water Kola Bay became the main base of the Northern Navy, and Murmansk sea port became the center of industrial fishing in the Barents Sea and the North Atlantic. Today, Murmansk is the only port in European Russia with an open access to major oceanic routes. Port of Murmansk has direct access to the Northern Sea Route, that links the Atlantic to the Pacific through the arctic waters and provides access to natural resources of the Far North, Siberia and the Far East. The Murmansk Region is located at the junction of transnational routes and has reliable sea, railway, road and air links with industrial Russian regions.

There are three seaports in the Murmansk Region. The main port of the Region is the Murmansk Port located in the Kola Bay. It is also the core port of the Arctic Basin as far as transporting goods to the Far North and far abroad is concerned. The necessary infrastructure for receiving, servicing and repairing vessels is in place in the Murmansk port. It is a base for Russian shipping companies, the emergency and rescue fleet and the unique fleet of nuclear icebreakers which arrange piloting ships along the routes of the Northern Sea Route. The Murmansk seaport is one of the ten biggest Russian ports as regards the amount of cargo transshipment. Cargoes going through the Murmansk port include general cargoes, liquid cargoes as well as containers, fish and fish products. The total cargo turnover is above 25 m tonnes a year (annual average of 5 years).

Coal prevails in the overall amount of transhipped goods. The coal is handled in terminals of JSC "Murmansk Commercial Seaport", the biggest stevedoring company of the Murmansk Region. The company also successfully handles apatite and iron-ore concentrates, non-ferrous metals, manganese ore, containers and other cargoes.

Two ports – Kandalaksha and Vitino – are located in the southern part of the Kola Peninsula in the water area of the Kandalaksha Bay. The Kandalaksha port specializes in transshipment of bulk and general cargoes, and the Vitino port is focused on transshipment of oil products. The total cargo turnover of the Kandalaksha Bay ports is over 4.5 m tonnes.

The project of Comprehensive Development of the Murmansk Transport Hub is the main transport infrastructure development project in the region. It aims at increasing competitiveness and further

development of the regional transport infrastructure. The integrated development project for the hub consists of creating transport infrastructure on the west coast of the Kola Bay, including construction of a coal and oil terminal, railroad infrastructure development including construction of the Vykhodnoy — Lavna branch line, and also modernization of the coal terminal and construction of a container terminal on the east coast of the Kola Bay. The Murmansk transport hub development project is being implemented as a public-private partnership.

The Northern Sea Route underlies the Arctic transport system of Russia. It ensures economic integration of the Arctic territories both with developed areas of Russia and with other countries, gives access to major petroleum deposits and aquatic bio-resources of the Arctic zone and to other strategic raw materials.

FSUE "Atomflot" where an integrated icebreaker technology complex for the Russian federation civil nuclear fleet is based provides icebreaker pilotage for vessels along the Northern Sea Route, for exploration, scientific and research activities in the arctic seas and for emergency and rescue operations in the ice.

JSC "Murmansk Shipping Company" has a unique experience of shipping in northern latitudes. It is the biggest shipping company taking up the main share of cargo shipping under the Russian flag in the Russian arctic sector.

Public rail transport occupies a significant share in the market for freight and passenger transportation. The total length of railways in the region is 870 km. The railway connects Murmansk with Saint-Petersburg and central Russia. Main stations are Murmansk, Olenegorsk, Kandalaksha. There is also important shoulder to Nickel.

Road transport plays an important role in passenger traffic between the Murmansk region and the border states. The length of public roads is 3,5 thousand km. The federal highway M-18 "Kola" connects St. Petersburg through Petrozavodsk, Murmansk and Pechenga with the border with Norway. There are three automobile checkpoints on the territory of the region: "Borisoglebsk" (Norway), "Lotta" and "Salla" (Finland). Due to the increased traffic, there are a number of cross-border projects aimed at technical equipment of the international border checkpoints and road reconstruction.

Air transport is of similar importance. There are two airports operating on the Kola Peninsula - in Murmansk (650 thousand passengers per year) and Apatity (20 thousand).

Arkhangelsk region. All types of transport are widely used in the region: road, rail, air, river and sea. The main volume of cargo transportation is taken by rail and road transport; transportation of passengers is mainly by buses.

The Northern Sea Route is in the immediate vicinity of the White Sea coast of the Arkhangelsk region. Multi-functional commercial port of the year-round navigation is able to handle up to 4.5 mln tons of cargo annually. Six stevedoring companies with their own cargo areas provide handling services in the seaport of Arkhangelsk. Inland waterway transport is an integral part of the transport complex in the Arkhangelsk region and provides regional transportation of goods and passengers by inland waterways. The length of the inland waterways in the Arkhangelsk region - the rivers Severnaya Dvina, Vychegda, Pinega, Mezen, Onega, overlooking the Vologda region, the Republic of Komi and the White Sea coast, is 3,443 km, including a guaranteed depth of 2463 km. However,

except for the lower course of the Vychegda and some parts of the Northern Dvina, there is currently very little or no regular passenger navigation on these rivers. They are used for cargo traffic though.

The principal railway line in the region is the railroad connecting Moscow and Arkhangelsk. The piece between Vologda and Arkhangelsk was constructed in 1890s and passed through previously uninhabited areas between the valleys of the Northern Dvina and the Onega. The railroad construction gave the momentum to the population and exploitation of these areas. A branch from Konosha eastwards to Kotlas and further to Vorkuta was constructed in the 1940s to facilitate the transport of coal from the Komi Republic. From Kotlas, another branch continues south to Kirov. A branch from Obozersky to the west, to Onega and further to Belomorsk, was built during World War II to secure the transport of goods from the harbour of Murmansk to central Russia. A piece of railroad between Arkhangelsk and Karpogory was also built in the 1970s and is expected to become part of the Belkomur project — a railway line connecting Arkhangelsk via the Komi Republic with the Perm Krai and the Ural mountains. Almost the entire rail network belongs to the Northern Railway, which west of Onega connects to the Oktyabrskaya Railway. There is also a railway line from Severoonezhsk west to Yangory (an extension of the line from Puksa to Navolok), which belongs to the Department of Corrections.

In 1765, a road was built between Saint-Petersburg and Arkhangelsk, mainly for postal service. The road still exists and passes Kargopol and Plesetsk. One of the principal highways in Russia, M8, connects Moscow and Arkhangelsk, and passes Velsk. This highway is heavily used. In general, the road network is grossly underdeveloped. Only several all-season highways, in addition to M8, cross the oblast boundaries: the one (partially unpaved) connecting Kotlas with Syktyvkar; the one connecting Kotlas to Veliky Ustyug and eventually with Vologda and Nikolsk, the one from Konosha southwards, and two (unpaved) from Kargopol to Pudozh and to Solza and Belozersk. Most of the local roads are unpaved. Until 2008, there were no all-season roads connecting the main road network with the north-east of the region, including the town of Mezen and the settlement Leshukonskoye, and there are still no roads into the Nenets Autonomous Okrug, on the left bank of the Onega downstream from Severoonezhsk, and very few roads on the right bank of the Northern Dvina. Many rivers can only be crossed by ferry boats, which means they cannot be crossed during the ice melting period. There is regular bus service on the main roads.

Airport Talagi in Arkhangelsk provides air connection with Moscow, St. Petersburg, Murmansk, Naryan-Mar and such destinations which do not have rail or road connections, such as Novaya Zemlya, Solovetsky Islands. International flights are seasonal charter flights. Regular flight to Tromsø via Murmansk has been cancelled in 2014.

Republic of Karelia. The region's geographical and geopolitical location helps promote close relations between Russia and its neighbours. Karelia is well-positioned to access attractive markets. To the west, the republic borders on Finland, while to the south its neighbours are the Leningrad and Vologda regions of Russia. Karelia shares its northern and eastern borders with the Murmansk and Arkhangelsk regions, respectively. To the north-east the republic is washed by the White Sea. The region's western border, which runs along the international border between Russia and Finland, is 798.3 km long. The distance between Petrozavodsk and Moscow is 1,091 km, while St Petersburg is

412 km away. The international Blue Road motorway to Finland stretches 350 km. Three federal roads go through Karelia: Murmansk-St. Petersburg (M-18), Vologda-Medvezhegorsk (A-119), Sortavala (A-121).

Due to the low population density in Karelia, the road network is not significantly ramified. The length of public roads is 7822 km. The total length of the republic's motor roads is currently 12,463.2 km, including: public roads (7,869.2 km) and roads under the control of a government agency (4,594 km). Roads totalling 11,271 km are hard-surfaced. New routes and sections of the roads are being actively built. Top priority has been given to building access roads to large cities and transportation hubs, as well as to motor roads that will promote the gradual development of transport corridors integrated into a unified Eurasian transport network, including seaports.

Rail transport plays an important role in the republic's economic development. It accounts for over 90% of freight transportation. The total length of railways in Karelia is 2,225.6 km. Railway routes to Murmansk, St Petersburg and Helsinki traverse the republic. The regional government is working to enhance the rail transport sector in cooperation with OAO Russian Railways (RZD). The key project in this area will be the opening of a new route from Petrozavodsk to Finland. In 2013 Russian Railways invested RUB 1.6 billion in railway infrastructure in the republic, and by 2015 investments will amount to RUB 5.3 billion. Three airports, 3 airfields, 11 landing grounds and a helicopter aerodrome operate in Karelia. Petrozavodsk International Airport is a critical transport hub for Russia's North-Western region. Expanding relations with Northern and Western Europe in the industrial sector, tourism and culture have given fresh impetus to developing the region's air transport capabilities, especially at the Petrozavodsk airport. Engineering structures are currently being rebuilt and renovated at the airport complex. Passenger flights are available to the following cities: Moscow, St Petersburg, Kostomuksha, and Helsinki. Plans call for establishing regular air service between Petrozavodsk and Pudozh, Solovki, Sochi and Gelendzhik. Lakes, rivers, and channels form a developed transport system in Karelia, giving the region access to the White Sea, Baltic Sea, Caspian Sea, Black Sea, and Mediterranean Sea, as well as to world oceans. Two main waterways are used for navigation: the White Sea-Baltic Sea and the Volga River-Baltic Sea. Altogether, waterways provide access from St Petersburg on the Baltic via Lake Ladoga and Lake Onega to the White Sea, to the town of Belomorsk and further to the Barents Sea, or to the Black Sea in the south.

4.3.4 Business culture

Russian business is generally transactional in nature: there is no need to spend a long time building up personal relationships, but you will still need to demonstrate your personal sincerity and capabilities. Organizations are hierarchical, with decision-making concentrated at a senior level, but work practices are based on teamwork.

You should make appointments in advance and confirm them by fax or email. Normal business hours are 9 a.m. to 5 p.m. Mondays to Fridays.

Many Russians speak English, but you should arrange for an interpreter if necessary, and have your materials and business card translated.

Normal business attire is conservative, consisting of dark business suits. The usual form of greeting is a very firm handshake; while close contacts or friends often embrace. Business cards are always exchanged.

Meetings begin with small talk, including discussion about family or other personal matters. Initial meetings are often just for the purpose of getting to know you and your company. Negotiations are frequently conducted over dinner or drinks but will be finalized in a formal meeting.

Presentations should be thorough, with full background information and lots of data and supporting evidence. The most important thing is to convey your capability and expertise.

Russians are tough negotiators, and will aim to secure concessions. Discussions are lively and negotiation styles are often theatrical, including emotional outbursts. You should remain courteous and firm, and be sure to ask for reciprocal favours if you make concessions. Avoid praising an individual, as this will be viewed with suspicion.

Russians place great importance on putting everything in writing, and you are likely to be asked to sign a record of the meeting, as well as any formal contracts or agreements. It is not unusual for Russians to renegotiate a contract.

It is normal practice to give gifts in Russian business; suitable gifts include a quality souvenir from your home country or something with your company logo.

5 Information meetings

Information meetings with the participating companies will be arranged on 23.-24. And 25. August in Varkaus, Kuopio and Iisalmi. The meetings in Kuopio will be in connection with the Pohjois-Savo Technology Industry Business Forum (Pohjois-Savon Teknologiateollisuuden Business Forum) on Thursday 24.08.2017 in the afternoon.

5.1 Varkaus

Information meeting 23.08.2017, host Katja Niiranen, Projektijohtaja, Navitas Kehitys Oy

5.2 Kuopio

Information meeting 24.08.2017, host Ari Pietiläinen, Kenttäpäällikkö, Iisalmen Teollisuuskylä Oy

5.3 Iisalmi

Information meeting 25.08.2017, host Reijo Hynynen, Projektipäällikkö, Iisalmen Teollisuuskylä Oy