

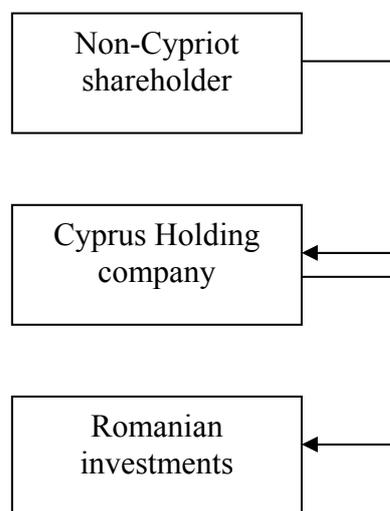


Tax circular 30 August 2010

THE CYPRUS HOLDING OF ROMANIAN SUBSIDIARY

With Cyprus' accession to the European Union, in 2004, the status of the Cypriot holding company has been enhanced considerably. Cyprus has a favorable domestic tax regime and since 2004, it also enjoys the reputation and privileges attached to a EU member country, and has become an effective international tax planning instrument.

Tax structure involving a Cyprus Holding company of Romanian investments



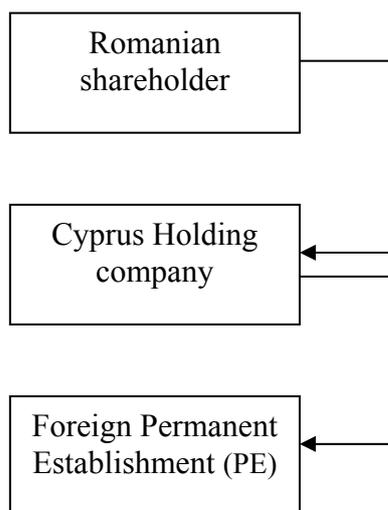
- Payment of dividends from a Romanian company to a Cypriot company is not subject to any withholding tax in Romania (provided that the Cypriot company has held a minimum of 10% of the shares of the Romanian company for a continuous period of at least two years by the date of payment of the dividend) and is not subject to any tax implications in Cyprus unless the paying company engages directly or indirectly more than 50% in activities which result in investment income and the foreign tax burden is substantially lower than the Cyprus tax burden (practically interpreted by the Tax Authorities to mean less than 5%).
- Payment of interest from a Romanian company to a Cypriot company is not subject to any withholding tax in Romania with effect from 1 January 2011 (provided that the Cypriot company has held a minimum of 25% of the shares of the Romanian company for a continuous period of at least two years by the date of payment of the interest). The granting of finance by a Cypriot Holding to a Romanian subsidiary is considered to be part of the Cypriot company's ordinary activities and the interest income net of the interest expense (Tax Authorities expect that the interest differential to be no more than 0,35%) forms part of the company's taxable income subject to corporation tax at the lowest rate in EU of 10%.

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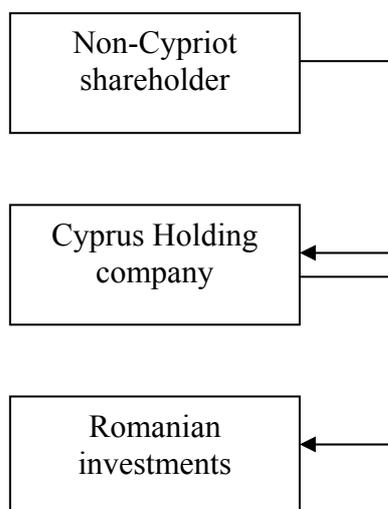
- Any dividends payable by the Cypriot company to its non-resident shareholders are not subject to any tax in Cyprus (there are no requirements to distribute unless the shares of the Cyprus company are held by another Cyprus intermediary company).
- Any gains arising from the sale of the Romanian investments by the Cypriot company are not subject to any tax in Cyprus.

Tax structure involving a Foreign Permanent Establishment



- The profits of a PE may not be taxable in the other country depending on the specific requirements of the Cyprus Treaty Network. The profits of a PE are not taxable in Cyprus unless the PE engages directly or indirectly more than 50% in activities which result in investment income and the foreign tax burden is substantially lower than the Cyprus tax burden (practically interpreted by the Tax Authorities to mean less than 5%).

Tax structure involving Royalties

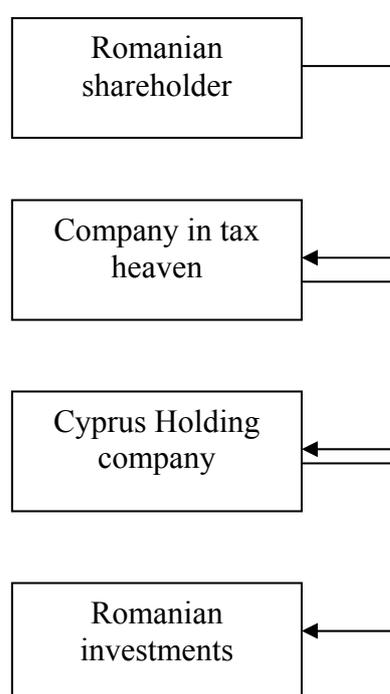


- Under the above scenario, the Cyprus company receives a Licence/Patent from its shareholder and grants a Licence/Patent to its Romanian subsidiary at a mark up.



- The royalty payable by a Romanian company to a Cypriot company is not subject to any withholding tax in Romania with effect from 1 January 2011 (provided that the Cypriot company has held a minimum of 25% of the shares of the Romanian company for a continuous period of at least two years by the date of payment of the royalty).
- The mark up forms part of the company's taxable income in Cyprus that is subject to corporation tax at the rate of 10%.
- There is no withholding tax on the payment of the Licence/Patent fee by the Cypriot company.

Tax structure involving an intermediary holding company in tax heaven



Under the above structure the tax provisions up to the Cyprus level as explained above remain unchanged. This structure provides added benefits relating to the preserved anonymity of the ultimate shareholder.