Emerging Europe

Central & Eastern Europe 2015|2016

THE TOP 50 COMMERCIAL OPPORTUNITIES

in association with

UK Trade & Investment

Allurentis is delighted to have been involved in partnership with UK Trade & Investment on this, the second publication and would like to thank all sponsoring organisations for their kind contributions. We are confident that it will raise awareness with all readers and prove to be an invaluable resource, especially for those wishing to become involved in the extraordinary business opportunities and growth prospects within Central & Eastern Europe.

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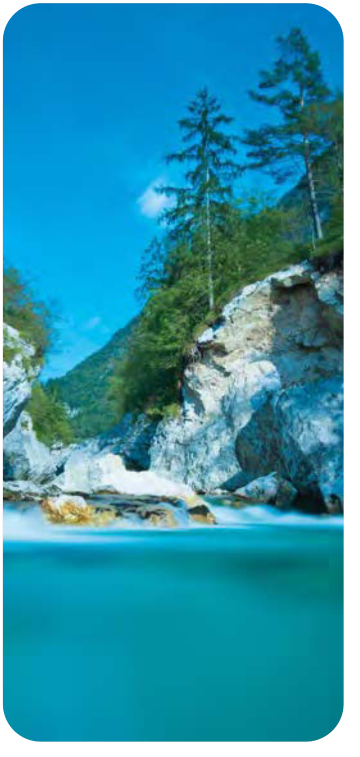

> “UKTI teams in Emerging Europe are focused on delivering the biggest return possible for UK business.”

Tom Salusbury

Tom Salusbury: Regional Director, Central & Eastern Europe, UKTI

The UK has a strong track record in developing global trade and investment opportunities. Traditional and developed markets continue to offer big rewards for exporters of goods and services. The focus for many companies is shifting towards high growth Emerging Markets. It undoubtedly makes sense to keep an eye on the future but significant potential also exists in fast developing economies closer to home.

UK business has a good track record in Central & Eastern Europe (CEE). UK exports of goods and services are currently worth around £16 billion and have doubled over the past ten years. Large numbers of UK businesses - big and small - have invested in this region. We currently take a fraction of a potential export market to the UK worth over £600 billion.

This is surprising, given that the countries of CEE are so close to the UK and so easily accessible for business travel via low-cost airlines. We are regarded very positively and English is widely spoken. UKTI support for business has also been extended, through the creation of new trade teams in British Chambers of Commerce - able to support sales through tapping into networks of local contacts, knowledge and expertise - thus supplementing existing support available through over 60 experienced UKTI staff, located in British Embassies around the region.

There are other strong reasons to prioritise trade with CEE. The region's economic fundamentals are strong and moving firmly in the right direction, with GDP growth at double the rate of developed markets. The region offers a market of 110 million increasingly prosperous and aspirational consumers. Supply chain opportunities - both for local manufacturing and services and also the development of energy, infrastructure and human capital - are increasing as a result of strong FDI inflows and EU Structural and Cohesion funding worth over £120 billion by 2020. Countries in the region are also easier to work in and lower risk than some other global markets, largely thanks to EU membership.

UKTI teams in Emerging Europe are focused on delivering the biggest return possible for UK business, through majoring on sectors that offer the best opportunities: infrastructure; energy; defence & security; healthcare & life sciences; advanced manufacturing; retail; and financial & professional services. We are also promoting UK innovation, science and technology more generally to open supply chain potential.

This publication showcases what we consider to be the Top 50 commercial opportunities in CEE. We hope it inspires: leading to proactive engagement with both UKTI and Chamber of Commerce teams and, to ultimately win new business.

"Overseas Business Network is unlocking CEE Potential for British SMEs."

Patrick Ney

Patrick Ney: Director, British Polish Chamber of Commerce Trade Team

The scale of the opportunity in the CEE region for British companies is vast, as is the effort of our competitors to take advantage of it. This means the challenge to harness the best local business networks and talent to help British companies to succeed in the region, is significant. Fortunately, there has never been a better time for British SMEs, in particular, to target CEE markets through working with UKTI and the new Overseas Business Networks (OBNs).

In six of the CEE markets, UKTI has invested in new relationships with business groups such as chambers of commerce and OBNs. These groups, staffed by local business people, provide export consultancy services on behalf of UKTI, from answering routine enquiries to conducting complex market entry projects. Together, they work with the UK network of business advisors to help British companies reach new markets.

These OBNs are able to tap into their local market members, there are over 2,000 across the region, providing additional advice and support, from trusted translators to the best logistics deals. Their Business Centres provide an ideal platform for new-to-market visits and fly the flag for Brand Britain. Poland, Czech Republic, Slovakia, Hungary, Romania and Slovenia are currently covered. But roll-out to other CEE markets is projected soon.

With over 40 new export advisors, complementing UKTI's regional team of 68 Trade & Investment specialists, the new networks have provided over 2,500 services for British companies since their inception. Businesses are starting to benefit from the new arrangements. Whether it be paintbrush manufacturer, LG Harris, breaking into the region via the British Polish Chamber of Commerce Trade team; the British Slovak Chamber's innovative use of social media and online promotion to help sell to British companies; the British Business Centre in Hungary helping a UK based firm to relocate its manufacturing business from China to Hungary, enabling the client to be closer to its distribution/customer network; or the British-Czech Chamber delivering a product launch for a vinyl flooring supplier aiming to crack the Czech market. Businesses now have more choices to target commission, agent and supply chains than ever before.

Is there a market opportunity for your goods or services? What are the spending habits of your target market? Who's the right distributor, agent or partner to take your business forward? How can you increase sales through B2B/B2C markets? The OBNs, each of which has been accredited to the highest standards by the British Chambers of Commerce, are here to help. To find out more see the Useful Contacts section at the back of this publication or contact your local UKTI advisor.


Poland Czech Republic Austria Slovakia Hungary Romania Slovenia Croatia Bulgaria

Emerging Europe - New opportunities

High rates of economic growth and huge potential for UK business across many industry sectors, are the key characteristics of a region, comprising nine countries and a combined population of some 110 million people. This is the geographic region of Central and Eastern Europe (CEE), promoted by UKTI as Emerging Europe.

For UK business, the markets of Austria, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, Slovakia and Slovenia offer many attractions: all are a mere two to three hours flying time from the UK and all are members of the EU and recipients of significant levels of infrastructure investment, expected to total £150 billion in the period up to 2020.

Emerging Europe offers a number of advantages to UK companies, not least its relative proximity and the consequent ease of developing business relationships, given the large number of excellent transport links to cities across the region.

It is a region ideally suited to development for Small and Medium Enterprises (SMEs). There are also supply chain opportunities in support of strategically important industries and opportunities arising from the funding £150 billion of EU infrastructure projects.

UK business has not been slow to take these opportunities, but does lag behind France and Germany. UK exports have nevertheless doubled over the past decade. A total of over £16 billion in 2014, still accounts for less than 3% of a market currently worth £600 billion annually.

As the features in this guide will illustrate, opportunities in Emerging Europe extend across a range of sectors. Current areas of particular focus for the marketing efforts of UKTI, include energy (nuclear, shale gas, conventional and renewables); infrastructure (railways, roads, ports and airports, water and urban regeneration); healthcare, life sciences and science and technology; industry and manufacturing; services (financial, ICT and engineering); retail and defence/security.

Among examples of infrastructure are £7 billion being invested in upgrading Romania's railways, only 37% of which are currently electrified; £19.6 billion of investment in Polish railways up to 2030, £7 billion of spending on railways in Slovenia, £9.4 billion up to 2020, on water and wastewater in Bulgaria; a £1.4 billion investment in Slovakia's roads and £786 million on seven regional water supply system projects in Croatia. UK companies have the necessary expertise and experience to secure a share of these opportunities through the provision of world

class innovation and Research and Development (R&D), specialist construction, architectural design, structural and geotechnical expertise and specialist materials.

Apart from Austria, the remaining eight CEE countries began their emergence in the early 1990s and in the years up to the global financial crisis in 2008, the region's economies were transformed. Privatisation of state-owned industries and labour reforms saw these countries become some of the best performing economies in the world. Huge amounts of capital and Foreign Direct Investment (FDI) were attracted, helping drive productivity improvements and rising per capita GDP.

Foreign interests now hold 85% of the equity in the top ten banks in the region. Western European automakers built factories and acquired local suppliers – examples include Volkswagen's purchase of Škoda, Fiat's purchase of Polish car maker Fabryka Samochodów Małolitrażowych (FSM) and Renault's purchase of Dacia. Meanwhile, manufacturers from the US and Asia also established plants to supply the Western European market, while FDI helped modernise outdated factories and introduced more efficient methods that helped raise productivity.

Prior to the crisis, CEE economies were among the fastest growing in the world. Between 2000 and 2008, GDP grew by 4.6% annually and per capita GDP rose by 4.8% a year. During this period, per capita GDP in the CEE economies, grew four times as fast as in Western Europe and average per capita GDP across the CEE countries rose from 38% of the EU-15 average in 1995 to 54% by 2011. Labour productivity also rose, from 37% of the EU-15 average in 1995 to around 60% in 2011.

Since the end of the global recession, however, the picture has been different and many of the CEE states have found it hard to regain the momentum which drove their rapid growth for the previous 15 years. This can be seen in FDI flows across the region, as reported in the United Nations World Investment Report 2014. While Austria saw FDI rise from £2.5 billion in 2012 to £7.1 billion in 2013, it was very different in the other eight CEE states.

In Bulgaria, FDI recovered slightly to £895 million in 2013, but still less than a quarter of its pre-crisis annual average of £5.11 billion. FDI flows fell significantly in Croatia, Czech Republic, Hungary and Slovakia, all remaining way below pre-2007 levels, while Poland suffered the sharpest reverse, with an inflow of £3.83 billion in 2012, being replaced by an outflow of £3.8 billion in 2013. Romania was the only one of the eight states to record an increase in FDI, which rose from £1.7 billion in 2012 to £2.3 billion in 2013.

> For UK industry, the CEE region represents a large and dynamic market for a huge range of skills, services and products, with the logistical advantage of close proximity.

This challenging backdrop was borne out when buy-out investor, Mid Europa closed an investment fund in August 2014, after 18 months of marketing and fell £157 million short of its original £785 million target. This compared to the £1.1 billion it had raised through its previous fund in 2007, and reflected poor deal-flows across the region, according to Mid Europa Founder and Managing Partner, Thierry Baudon. It followed the decision by another major CEE investor, Advent, to withdraw from the market in 2013, having previously raised a £785 million CEE dedicated fund in 2008.

A major report on the CEE by Management Consultants, McKinsey: "A new dawn: Reigniting Growth in Central and Eastern Europe" proposed a new growth model for the CEE economies, which would favour investment-led growth over consumption and increase the region's ability to finance its future growth and attract foreign investment. This would be accomplished by continuing to expand exports, raising the productivity of lagging domestic sectors, and improving the self-funding capabilities of these economies.

In its study, the McKinsey report identifies five key strengths of the CEE region. These are firstly its highly educated, yet affordable workforce - 29% of workers aged 25 to 34 have college degrees for example; secondly that the region offers a stable macroeconomic environment - public debts are under control and exchange rates relatively stable; thirdly there is the favourable business environment - corporate tax rates averaging 18% are below the EU-15 average of 26% and corruption is less rife than in the BRIC economies; fourthly is the strategic location; and fifthly is the region's past success at attracting foreign investment.

One sector which has continued to prosper with the CEE region is 'Offshoring and Outsourcing' (O&O), where a recent report from property consultants Colliers International notes very strong demand for office space from the sector since 2010, particularly in such established centres as Prague, Budapest, Warsaw and Krakow.

Having evolved rapidly in the period before the global financial crisis, the sector grew by 80% in terms of the volume of office space occupied over the four years from 2010-2014, says the report, with both strong demand from new companies wishing to enter the regional O&O market and a large number of established operators having expanded their footprint across a wider geographical area.

With an ample supply of high skill, low cost workers possessing appropriate language skills, Poland and other CEE nations attracted a range of companies from Western Europe and the United States, including UniCredit and Hewlett-Packard, which set up back-office and support operations. Today the region employs nearly 300,000 people in O&O work, and is growing at twice the rate of India's O&O sector.

As in rival O&O centres, such as India, one of the key attractions of the CEE region is its much lower labour costs, with the average hourly wage of core CEE markets being 75% less than in the EU-15 and in Bulgaria and Romania they are 90% lower (and lower than China). This has prompted O&O occupiers, positioning operations into less experienced locations such as Belgrade, where there is a significant pool of latent talent as well as lower costs.

Colliers' analysis of O&O companies located in CEE shows that only 30% of the top 100 global outsourcing companies are already there, suggesting a strong growth opportunity to capture some of the remaining 70%. In addition, the CEE region stands ahead of other globally competitive O&O regions in terms of the World Bank 'Ease of Doing Business' rankings and provides a strong cultural fit with established OECD countries.

The IT and telecoms sector has been the major source of growth alongside professional business services, which is something Colliers expect to continue. "We have also seen signs of O&O growth in the retail and logistics sectors - a direct result of growth in e-retailing and e-commerce. Given the vast scope for the evolution of this business regionally, not to mention globally, this is a definitive growth area for the regional industry to service", says the report.

Playing to its established strength in the O&O market and taking it to the next level through education and international marketing, is one of three ways in which the McKinsey report believes economic growth can be reignited in the CEE region. The two other areas of focus should be moving into more knowledge-intensive manufacturing functions and becoming a regional centre for agribusiness and food processing.

Expansion of knowledge-intensive manufacturing will mean attracting higher value activities to the industrial plants in sectors such as automotive and aerospace, which have been developed over the past 15 years, but now face competition from emerging Asian economies which are moving aggressively up the manufacturing value chain.

The labour cost advantage which CEE countries have over Western Europe, together with the strategic geographic location, leaves the region well placed to become a strong pan-European food hub, and CEE countries could consider policies to encourage international investment in CEE farmland and the provision of capital for modern equipment and techniques, while governments in the region could reform land titling procedures to make investing easier, support farmer training, and spread modern techniques.

To achieve a period of sustainable growth across the CEE region will require a number of "enablers", argue McKinsey, ranging from investments in infrastructure, to policies which enable urbanisation and investment in workforce quality. In the case of infrastructure, for example, the report suggests, that to support annual GDP growth of 4.6%, the region needs to invest more than 5% of GDP in infrastructure, with 20% of this total going into roads, in order to bring trucking productivity closer to EU levels - at present CEE truckers average only 8kmph worked compared with 13kmph in the EU-15.

For UK industry, the CEE region represents a large and dynamic market for a huge range of skills, services and products, with the logistical advantage of close proximity, cultures which look favourably on the UK as trading partners and an increasingly educated workforce where English is the chosen language of business.

CEE's economic growth attracts sourcing investment

While Central & Eastern Europe can no longer claim to be "emerging" economies, the region is entering a more exciting phase as the business services hub of Europe, writes Juraj Gerzeni, CEE Sub-Regional Director at global administrators TMF Group.

Once was a time, when it seemed that Central & Eastern Europe held the gaze of the world. As the European Union began to open up towards the East, there were a handful of countries igniting investor sentiment: Czech Republic, Hungary, Poland, Slovakia, Romania and Bulgaria were emerging economies, full of potential.

This was more than a decade ago and the "emergence" is well underway. However, that does not mean that the investment opportunities have disappeared - far from it. One might say that the numerous socio-economic, cultural and historical ties shared by this region, have relatively recently, only been strengthened by joint membership in one of the most elaborate supra-national bodies ever created. For regulatory, legal framework and compliance reasons, this will always be good for business.

Firstly, however, let us look at a few figures. The countries in question cumulatively generate roughly £878 billion in nominal GDP (Poland alone accounting for 38.2% of this figure), which would put the economy of the region in 13th place globally, just slightly behind that of Australia.

Projected cumulative growth figures for the region for 2014, range between 2% and 2.5% - quite healthy in European terms - and the four largest economies (those of Poland, Czech Republic, Romania and Hungary) are all expected to grow in excess of 2%. Though the former Yugoslav states of Croatia, Serbia and Slovenia post lower growth than their neighbours, even they are showing slight signs of recovery.

Simply put, the size of the market is there and the growth is there, which means that opportunities are many.

Outsourcing hubs breed foreign attraction

Known as trendsetters where investment in emerging economies is concerned, the Chinese have recognised the opportunities in CEE,

Warsaw, Poland

especially when it comes to investing in infrastructure, new technologies and renewable energy. Chinese investment in the region had been growing at 32% annually over the past decade, and the then Chinese Prime Minister, Wen Jiabao announced at the April 2012 China-Central Europe-Poland Economic Forum in Warsaw, that his country would create a £65 million line of credit to support Chinese investments in the region.

Other investors have followed suit, especially UK SMEs. For instance, in March 2014 as many as 60 small UK businesses, led by former Trade Minister, Lord Livingston, embarked upon an intensive, five day trade mission in CEE. Lord Livingston said: "This is a dynamic and exciting growth market. UK firms have doubled trade exports to Eastern and Central European countries in the last ten years, but we still lag behind our rivals. By 2020, I want to double exports to this region, so we are ramping up our support for UK firms on the ground, by opening a network of business centres across the region..."

Yet it is the professional services sector which has seen significant change since the days when the CEE region was primarily defined by the adjective 'transitional'. The conclusion reached at the Business Service Delivery Summit: Central & Eastern Europe, held also in Warsaw in March 2014, was that "Central & Eastern Europe can no longer simply be identified as just another sourcing location."

Indeed, competencies now on offer in CEE are very high, with veritable hubs emerging all across the region. Whether considering shared services centres (often established in Slovakia, Czech Republic and Bulgaria, or the Polish regions outside Warsaw, such as Katowice and Krakow), or basic and business advisory services, or ICT and outsourcing (in which Croatia and Bulgaria in particular have excelled), the region has shifted into a higher gear and is, rapidly maturing.

Even the banking sector - which, as evidenced by the effects of the 2008 Global Financial Crisis (GFC), has traditionally shown great susceptibility to external influences and is showing signs of recovery, with gross loans across CEE rising by 14.6% year-on-year in the last quarter of 2013 (according to UniCredit, the bank with the largest portfolio in the region). No Western bank - with the exception, perhaps, of Volksbank, which sold its international and hence regional portfolio to the Russian Sberbank in early 2012, folded operations in any one of the CEE countries during the toughest years of the GFC (2008-2012), which is in itself a good indicator that this region is worth being part of any company's both short and long term plans.

Compliance bumps require clear strategy

All CEE countries except Serbia are now under the EU umbrella, but are yet to fully align. The effects of their legislative and regulatory frameworks with EU standards, makes it impossible to underscore the importance of complying with the ever growing number of accounting, tax, employment, and other administrative regulations.

We would also mention that although all the corruption indices are still higher than in Western Europe, such practices across the region have been, and are on a steady decline. Also levels vary from country to country, but for all practical purposes, countries of the CEE region (from a business perspective) are in the last stages of consolidation.

With this taken into consideration, while investment opportunities in CEE have moved away from the set-up phase of an emerging market economy, the region has entered a perhaps more exciting phase. It is making its mark as the region for outsourcing hubs, and companies which thrive in CEE are precisely those which manage to establish efficient partnerships and which opt for 'leaner' operations and structures.

What is recommended is, as always, having clear goals, a solid strategy, and a strong and decisive approach. The local technical and professional talent is there on the ground, to facilitate a speedy process of setting up fully functional and competitive operations; it is up to the investor, to make the most of it and truly harness the potential of this exciting region.

Prague, Czech Republic

Key trends of success in CEE

- Successful companies establish a comprehensive regional presence and pay special attention to cross-border compliance related phenomena
- Successful companies keep their structures lean and know how to choose the right partners with regard to outsourcing
- Successful companies take full advantage of local employment and tax regimes and are also able to identify the infrastructural needs of local economies and act accordingly ■


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Transformed over two decades - crafting the path toward sustainable growth

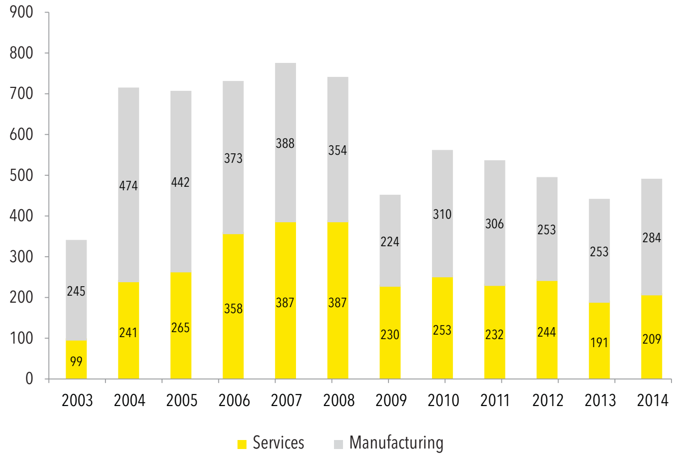
Over the last two decades, Central & Eastern Europe (CEE) has transformed itself into a cluster of transitioning and fast-growing economies, creating a brand for itself. CEE has become an inevitable outsourcing hub for corporations that target European consumers. Locating operations in the region helps businesses to offer competitive pricing and quality products to European markets, in a timely manner.

This changing landscape has created a robust platform for growth, despite various challenges and headwinds coming from the global economy. CEE countries, the majority of which are now also members of the European Union (EU), are implementing a number of reforms to improve the business environment. These initiatives constitute a promise for the future, aimed at driving investor attention and, ultimately, crafting a solid path toward sustainable growth.

For the CEE region, the whole is certainly greater than the sum of its parts. The region makes up for the size of many of its countries with the presence of clusters of activity, automotive being the best example.

The region also has, to its credit, evolved from being a manufacturing base to being equally recognised as a destination for outsourcing services. In fact, in 2008, projects in the service sector were more than those in manufacturing projects (*see figure 1*). Today, the region hosts contact centres, shared service centres and R&D centres for some of the world's largest corporations.

Figure 1 – Number of FDI projects in CEE (2003-14)



Since 2011, the number of jobs per project in shared services has exceeded the number of jobs per project in manufacturing. This is critical for meeting the challenge of high unemployment in the region.

Building the hub

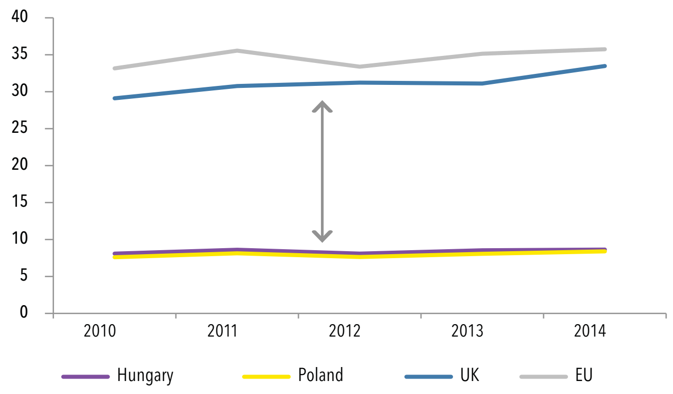
The CEE region has become a hub for multinationals from both the developed and the developing world. Apart from its proximity to mainland Europe, there are three key reasons why this has happened.

- **Skilled yet inexpensive**

The CEE region offers an attractive combination of low-cost labour for manufacturing industries and abundant technically skilled talent for white-collar jobs.

Multinationals targeting European markets appreciate being able to locate operations near shore while taking advantage of labour arbitrage. Wage rates in Poland and Hungary are less than a third of those in the UK (*see figure 2*). Also, the pace of growth in labour productivity in the CEE was generally sufficient to keep unit labour costs moderate. In fact, only a few countries in the region saw their unit labour costs rise by more than 5% since 2004, and many, including Poland, observed a fall.

Figure 2 - Hourly wages (US$)



Source: EY analysis of Oxford Economics database, January 2015

However, in decisions to outsource operations to the region, cost factors are not always the most important. One leading software company set up its development centre in the region after observing that a disproportionately large number of technical staff at its US office came from CEE.

- **An engaging state**

Most governments in the region have set up websites with information for investors. The region's heads of state conduct regular road shows in the developed world. And in most CEE countries, dedicated budgets have been established to provide financial benefits for investors, tied to the size of investment, to its location or to the number of jobs created.

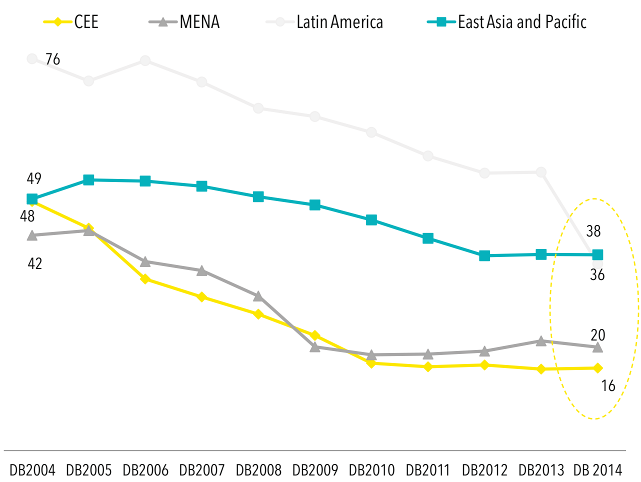
The drive of the governments in the region to attract foreign investment, as a means of quickly making up for the decades of lost development, has been a fundamental reason for its success.

- **Reduced constraints**

A key 2003 OECD report found that, although tax incentives and other financial incentives are useful, a predictable and stable policy regime is equally important.

Taking a cue from the report, the region has given significant attention to improving its Ease of doing business rankings and has achieved commendable results. Ranked against the other emerging market peer sets, the CEE region boasts the fewest days required to start a new venture (*see figure 3*).

Figure 3 - Days required to start a business



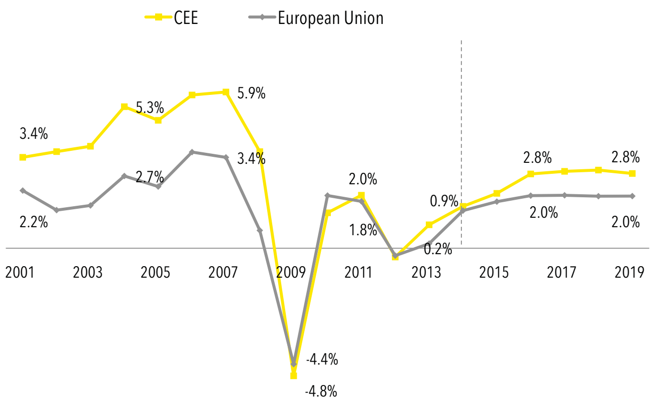
Source: EY analysis of Doing business report 2015, Doing Business website

Given its good performance over the past two decades, the region has established a robust platform for growth. The challenges it faces today are largely external rather than internal. These include the European slowdown, geopolitical tension in Ukraine and the Swiss franc jolt.

Europe's growth pocket

CEE's average growth has continued to outperform the EU's over the last decade. And this lead is likely to continue in the medium term (*see figure 4*).

Figure 4 - Real GDP growth of CEE vs. EU (y-o-y %)



Source: EY Analysis of IMF World Economic Outlook, October 2014; Oxford Economics database, February 2015; CEEMEA Business Group, January 2015

Poland, Hungary, Romania and the Czech Republic, four of the largest CEE economies which, combined, account for more than 60% of regional GDP, are expected to grow at more than 2.5%.

This growth is driven by domestic and foreign investments, prudent yet participative government and a gradual improvement in household spending, thanks to low interest rates and falling oil prices.

And as the incomes of the 100 million citizens of the region rise, it will serve as an important consumer market for Europe.

In terms of headwinds, the geopolitical tension in Ukraine will continue to be a cause of concern, given the country's proximity to the CEE region. However, in terms of economic impact, it is estimated that the tensions will reduce CEE growth by no more than 0.15%.

There has been a jolt from the sudden appreciation of the Swiss franc because many people in CEE have mortgages denominated in the currency. However, the region's governments are working to soften the impact on households, and the situation is not currently a cause for panic.

Attracting investments

The double-dip recession that followed the global financial crisis slowed FDI inflows. However, over the period from 2009 to 2013, the region still attracted 2,500 projects, which created 230,000 jobs. Automotive, machinery and business services, in that order, attracted the most projects.

The continued FDI inflows are clear evidence of the confidence in the growth story of the region.

In terms of projects, the UK was the third-largest investor in CEE over this period, behind Germany and the US. The UK contributed 136 projects, mainly in service sectors, such as business services, software, scientific research and financial intermediation.

One area that has particularly witnessed low participation from the UK in the post-crisis period is automotive. UK project numbers in the sector fell from 18 between 2004 and 2008 to just 4 between 2009 and 2013.

A sizable flow of FDI projects from the US serves as a good buffer against changing European sentiments. And the region also benefits from its greater perceived investment attractiveness than competing nations such as India and Brazil. In EY's 2015 European attractiveness survey, 28% of respondents selected CEE as their preferred destination, compared with 18% for India and 14% for Brazil.

M&A activity in the region is also set for revival. And more transformative deals, like those that hit the headlines in 2014, can be expected.[5]

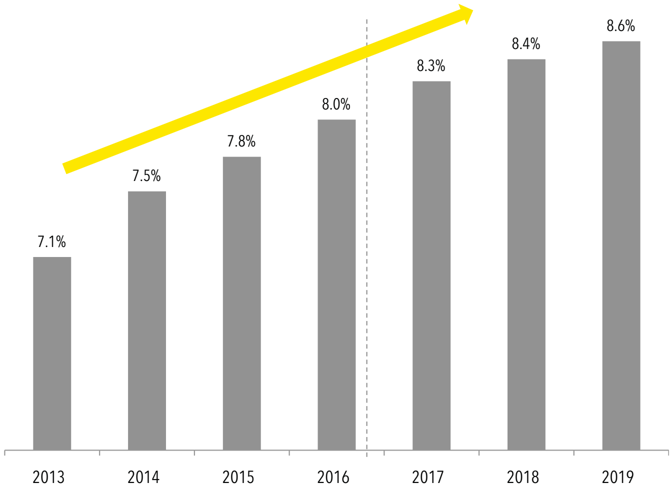
The UK appreciates CEE market potential

The CEE region's value proposition as a manufacturing and services outsourcing hub is well established. For the UK, however, CEE also represents a potential market for its goods and services. This is reflected in UK investments and trade relationships.

According to data from Oxford Economics, the UK has established almost twice as many sales offices in the region as manufacturing facilities. Similarly, the share of the UK's trade with the CEE region, compared with the total of UK trade with Europe, has been gradually rising, and the trend is expected to continue (*see figure 5*). Within CEE, Poland's ranking as a UK trade partner has improved from 17th in 2004 to 11th in 2013.

The current stage of development in the region offers a valuable window of opportunity to establish strong relationships in an emerging market. The UK is right in approaching the region in a very strategic manner through a combination of trade and investments.

Figure 5 - UK's trade with CEE (% of total trade with Europe)



Source: EY analysis of Oxford Economics database, January 2015

[1] *Tax Policy Assessment And Design In Support Of Direct Investment: A Study of Countries in South East Europe*, OECD, 2003.
[2] *Business and economic outlook 2014-18*, CEEMEA Business Group, January 2015.
[3] EY's *European Investment Monitor* 2014 (EIM).
[4] EY's *2014 European attractiveness survey: Back in the game.*
[5] EY's 11th Central and Southern Europe (CSE) *Capital Confidence Barometer*, 2014.

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Central & Eastern Europe - opportunities for UK plc

Until the onset of the global financial crisis in 2008, the economies in CEE achieved a virtually unmatched record of economic growth and attracted substantial capital flows and foreign direct investment (FDI). CEE countries have continued to outperform Western and the Commonwealth of Independent States (CIS) economies in recent years, on the back of growing domestic demand and increased investment. Together with a new focus on attracting strategic FDI, these factors present significant opportunities for UK businesses. This article concentrates in particular on prospects in the banking, energy, real estate and technology sectors.

Banking – abundant investment opportunities

Fuelled by the results of the latest European Banking Authority's stress test, the capital ratio requirements of Basel III and impending EC deadlines for selling non-core assets, as a condition for receiving state aid during the crisis, the banking sector in CEE will continue to offer abundant investment opportunities.

While we can expect Greek, Portuguese, Italian, German and Austrian banks to divest some of their retail banking assets in the region over the coming year, we will also see banks spinning off their non-core activities. There is a real opportunity for global payment services companies, interested in investing in merchant payment and payment terminal business units currently up for sale.

In addition to reducing their balance sheets, banks are taking measures to improve their credit quality by selling their non-performing loan portfolios (NPLs). The market for NPLs in Western Europe has started to become overheated and specialised funds have taken note of the interesting returns in CEE. Countries such as Bulgaria, Romania and Hungary have particularly high levels of NPLs (14% and more) and provide attractive investment opportunities. National governments and regulators are supportive of banks disposing of their bad debt and there is a solid legal framework for NPL transactions in most of the markets in the region. However, legislation varies significantly on a country-by-country basis. In some markets you will encounter stricter regulations regarding issues such as data secrecy, banking licences and debtor consent. When evaluating the opportunities it is also important to bear in mind the local differences related to enforcement of creditor rights and remedies.

Energy - opportunities in diversification

Energy policy in CEE jurisdictions, generally highly dependent on Russian supplies, is driven by the EU priorities of energy security, diversification of supply sources and a resilient Energy Union.

Pressure to reduce imports from Russia will increase further as forecasts suggest strong growth in oil & gas consumption. Given the high depletion rate of conventional onshore reserves, offshore resources have a greater role to play in meeting growing demand. Competitive bidding rounds have been conducted in the offshore economic zone of Croatia as well as in Greece and Bulgaria. Romania has announced important discoveries of oil & gas, both onshore and offshore and a new bidding round is expected to take place in 2015, for more than 60 onshore and offshore blocks. Energy infrastructure will be of particular importance in this context, partly driven by the need for diversification, especially in the case of gas interconnectors, necessary to create a real European Energy Union.

The electricity sector in various CEE jurisdictions had a difficult 2014, following controversial regulatory and political decisions which resulted in disputes, international arbitrations and even strategic investors pulling out of the region. Some jurisdictions, such as Bulgaria, Romania and Czech Republic, have made substantial progress towards the 2020 EU renewable energy targets. We expect increased activity over the next few years in some of the mature CEE countries, such as Poland and in some of the accession countries like Serbia, Albania, Macedonia and Ukraine. Given current regulatory developments at EU level, many countries in the region will continue to develop their nuclear power generation capacity. Finally, we believe the trend towards increased investment in waste-to-energy facilities throughout CEE will continue; in 2014, there were at least 15 unfinished large-scale projects in Poland, Romania and Bulgaria.

Real estate - buoyant, post-crisis sector

A growing appetite on the part of banks to finance commercial real estate, comparatively low interest rates and significant flow of foreign capital into the region, these are some of the signs of a buoyant, post-crisis real estate sector. Poland and Czech Republic remain the strongest markets in property in CEE. There is however a trend of regional real estate businesses turning to long forgotten markets in Southern Europe also. Romania, with Slovakia and Hungary, are slowly regaining the attention of major property players. These markets show significant potential for promising real estate projects in the near future.

Throughout 2014, major retail and logistics portfolios changed hands across CEE. Real estate portfolio sales and acquisitions are likely to continue across the region as some funds close down and others have substantial capital assets to support future growth. Activity levels in real estate will remain high as opportunities continue to arise particularly in retail and logistics, with many investors seeking asylum in secondary assets and development opportunities.

In addition to fast moving market conditions, legislative developments are continuing to challenge real estate developers and investors. Tighter regulation of construction and leasing projects in certain markets, have in some instances resulted in increased investment and revised asset management strategies. The implementation of EU directives on consumer protection and consumer sales contracts will also drive a shift towards increased protection for buyers and impact on current best practice, in relation to liability and warranty clauses in real estate M&A transactions.

Technology – the Internet of Things market takes off

The Internet of Things (IoT), the network of machines communicating with each other via the internet without a human interface, takes technological innovation to an entirely new level. Vending machines with facial recognition technology may refuse to vend a product based on the age of the shopper, smart fridges can notify the supermarket for home delivery, and wearable technology may monitor the body to remind the wearer to take medicine.

IoT will have a substantial impact across a wide range of sectors. The market in CEE, in part driven by public sector investment, is expected to grow rapidly and offer significant revenue potential in the next few years.

These rapid technological developments also present specific legal and regulatory challenges. A recent hacker attack which caused a fridge to send over 750,000 spam and phishing messages, raised concerns with regard to data ownership and licencing, regulatory compliance, and stakeholder liability. Data protection implications are also significant, for example, an individual living in a smart house can be profiled based on data generated by the control of lighting, heating, ventilation and air conditioning. Analysing and storing the vast amount of Big Data produced by the IoT is feasible only with cloud computing, another new technology which is on the regulators' radar.

Businesses engaged in the IoT market should identify the relevant compliance framework in relation to performing privacy impact assessments or implementing Privacy by Design and data anonymisation solutions, in the development cycle. The rules may derive either from fast developing EU legislation on data protection, network information and network security, and from industry best practice. It is also crucial they ensure proper allocation of responsibilities and liabilities in manufacturing, supply and data processing agreements.

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International ownership is a key feature of the region's banking sector

In terms of economic development, the nine countries which make up the CEE region, can broadly be divided economically into two groups. Firstly there are the six Central Europe (CE) OECD-member countries, Austria, Czech Republic, Hungary, Poland, Slovakia plus Slovenia, which are characterised by high levels of development, with the IMF considering Czech Republic, Slovenia and Slovakia to be advanced economies.

Secondly, there are the three countries in South Eastern Europe (SEE), Bulgaria, Croatia and Romania, which as a group have a lower GDP per capita.

Research by the Austrian banking group, Raiffeisen, says that on average, SEE countries are only about a third of the size of CE economies and the industrial sectors in SEE are also not as strong as those in CE. The share of manufacturing in GDP is about a third lower than in CE, at around 16%. SEE countries are less open to trade than the CEE average and, in particular, the more export-oriented CE countries such as the Czech Republic, Hungary and Slovakia.

The Raiffeisen report notes that CE countries including Poland, Czech Republic and Slovakia, and increasingly Hungary, have solid growth prospects. The bank expects GDP growth across the CE countries to average 2.5-3% in the period from 2014 to 2016, resulting in an outperformance of the Euro area of 1-1.5%.

Raiffeisen is one of three Austrian banks, along with Bank Austria and Erste that has invested heavily in the banking sector across the CEE region. It diversifies its activity from a heavily overbanked domestic market, which has 820 credit/banking institutions, along with 105 insurance companies and 175 investment service providers.

Austria has some 2,200 national investment funds, 17 pension providers and over 5,300 overseas registered investment vehicles. The financial situation in 2010, led to heavy investment in fixed assets such as land and property, leading to a boom in prices. Private Equity and Venture Capital are also seen as a likely area of growth in 2015. British business is well represented in Austria, where the principal UK firms present are HSBC, RBS,

> "While two thirds of payments in Poland are still made in cash, the banks are investing in innovation, with mobile banking taking off and growing interest in customer loyalty programmes in cooperation with retailers."

Standard Chartered and Standard Life. All UK accountancy and business advisory firms are also represented, while nine out of ten of the world's largest legal firms have offices in Vienna.

Bulgaria's financial sector is heavily bank based and mostly foreign owned. There are 24 banks licenced in Bulgaria and six branches of international banks which operate in the country. Over 83% of the commercial banking assets are held privately, with foreign ownership reaching over 75%.

Bulgarian banks are locally regulated and so remained stable in the wake of the banking crisis. The banking system in Bulgaria is based on the principle of universal banking, with banks authorised to carry out a wide range of financial services with businesses, individuals and institutions and engage in most financial sector activities.

The country offers one of the most economically stimulating taxation systems in the EU, with a corporate tax rate of 10%. The tax system is characterised by a low overall tax burden on labour and capital combined with relatively high taxation on consumption. A 10% tax was recently introduced on interest gained from personal savings accounts.

UK advisory firms and investment banks have been successful in winning mandates for advising the Bulgarian Government and state-owned companies on various matters. HSBC, for example, recently completed the financial due diligence on a planned nuclear project for the Bulgarian Government.

The Big Four audit firms (Deloitte, KPMG, Ernst & Young and PwC) have a large share of the Bulgarian market and are responsible for the audit of the majority of Bulgarian banks. In the personal loans market, International Personal Finance (IPF), the FTSE 250-Listed consumer loan group, launched a Bulgarian operation in late 2013, with offices in the country's three major cities, Sofia, Plovdiv and Varna, with further openings planned.

Like Bulgaria, the EU's newest member state, Croatia, maintains its own currency, but keeps it closely linked to the Euro - around two thirds of loans are indexed to the Euro and two thirds of savings are deposited in Euros. The country is mandated by the EU Accession Treaty to adopt the Euro, once all the conditions are met. The national currency has been largely stable, with very low fluctuations.

Banks play a dominant role in the Croatian financial system. They are the most active of all financial institutions in the country, both in terms of the payment system and their presence on all three financial markets: money, foreign exchange and the capital markets. Their activities are regulated and supervised by the Central Bank, the Croatian National Bank (CNB).

All domestic and cross-border cashless payment transactions of Croatian citizens, are conducted through the banks, while interbank cashless payment transactions are conducted through the CNB. The CNB can influence through the banks, the amount of currency in circulation and it is the institution responsible for the regulation and supervision of the domestic payment system.

More than 90% of banks operating in Croatia are foreign owned, with 85% being by banks from Eurozone countries. The two largest banks are Italian owned Zagrebacka banka (Unicredit) and Privredna banka (Intesa San Paolo), followed by Austrian banks, Erste, Raiffeisenbank and Hypo Alpe-Adria Bank, with the sixth largest being French owned Societe Generale Splitska banka.

The only large nationally owned bank is Hrvatska postanska banka, which has been scheduled for privatisation but no action has been taken yet. The banking system has remained liquid, stable and on average well capitalised throughout the crisis.

The Croatian banking sector also includes housing savings banks, savings banks and credit unions. Housing savings banks encourage national savings and help meet housing needs by collecting annuity-type savings from individual citizens with the primary goal of lending the accumulated funds back to them, in the form of affordable housing loans. Savings

banks and credit unions are the result of the transformation of savings and loan cooperatives, and their operations are regulated and supervised by the CNB.

As in Bulgaria, the four big audit firms have a vast share of the Croatian market and are mostly responsible for the audit of all the large banks. Financial services continue to grow steadily in Czech Republic, where the banking sector in particular weathered the global financial crisis without significant problems, largely due to a strong deposit base. The stability of the banking sector largely derives from the low levels of foreign currency loans to households, in contrast to regional neighbours, notably Hungary and Poland.

Key Opportunities

1. Strong and growing demand for FinTech systems and applications including Future Banking, digitalisation, transaction banking, cash management, payment systems, risk management, fraud prevention, Big Data and cyber security
2. Venture capital for the region's early stage, high potential start up companies, especially in high technology areas like ICT and biotechnology (with subsequent potential for investment and growth in the UK market)
3. Mobile banking and mobile payments
4. Project finance for infrastructure and industrial projects
5. Potential growth in Public-Private Partnership projects

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Foreign ownership is dominant in the Czech banking sector. The five largest banks, which control around two thirds of the sector's assets, are CSOB owned by KBC of Belgium, Ceska sporitelna owned by Erste Bank of Austria, Komercni banka owned by Societe Generale of France, UniCredit Bank Czech Republic of Italy and Raiffeisenbank of Austria.

To counter the dominance of foreign ownership, the Hungarian Government has been pursuing a policy since 2010, of reclaiming market share and taking ownership of foreign owned banks. Its target is for half the banking sector to be in Hungarian hands and it has bought several banks to that end.

Hungary's banking sector is currently dominated by the same foreign banks, such as Erste and Raiffeisen of Austria, Unicredit of Italy and Belgium's KBC, which have strong market shares in other CEE countries. A major issue in the country is not just one of foreign ownership, but also much of their lending is in foreign currencies, with a high proportion of Hungarian mortgages being in Euros or Swiss Francs.

The banks promoted these foreign currency mortgages at a time when the exchange rate to Hungarian Forint was favourable. However, the value of the Forint has fallen, mainly due to a sustained period of monetary easing by the Hungarian Central Bank, which has improved economic conditions, but some households been have found it hard to repay their foreign currency mortgages. The Government is introducing legislation which will require commercial banks to convert loans into Forints, in order to reduce the debt for borrowers.

Besides the enforced conversion of outstanding loans into Forints, a ruling by the Hungarian Supreme Court where losses on foreign currency mortgages were unfair and the banks now will have to bear some of the losses. They will be required to repay to borrowers any losses incurred as a consequence of adverse exchange rate movements in the calculation of interest and loan repayments, with the Hungarian National Bank estimating the total cost of compensation at between £1.84 and £2.32 billion.

Poland has developed a well regulated, stable financial market, overseen by the National Bank of Poland (NBP) and the Financial Supervision Commission. Despite the country's proximity to the Euro area, its banking sector has so far managed to deal with international financial turmoil without significant problems. The banking sector comprises 40 locally incorporated commercial banks, of which some 70% are foreign owned.

While two thirds of payments in Poland are still made in cash, the banks are investing in innovation, with mobile banking taking off and growing interest in customer loyalty programmes in cooperation with retailers. Opportunities for UK business therefore lie in the provision of innovative services and products, especially in mobile payments, as well as in cyber security and in the opening of Business Process Outsourcing (BPO) centres.

Romanian Commercial Bank, part of the Austrian group Erste and BRD Societe Generale are the largest two banks in Romania, in terms of assets. Next is Transylvania Bank (with predominantly Romanian private capital), Unicredit Tiriac Bank, The Savings Bank (a predominantly state-owned bank), Raiffeisen Bank, ING Bank, Alpha Bank, Volksbank and Bancpost (which is controlled by the Greek EFG Eurobank).

Between July 2013 and February 2014, the National Bank of Romania gradually reduced the monetary policy interest rate from 5.25% to 3.5% per year. This was accompanied by a drop in the minimum compulsory reserves in the Lei and in hard currency, which commercial banks must deposit with the central bank.

To ensure financial stability, Romania has in place a precautionary arrangement with the EU and International Monetary Fund (IMF), by which financing of around £3.2 billion could be drawn on by the Romanian authorities.

The banking sector in Slovakia is in good shape, its capital adequacy is good and the ratio of deposits to loans is positive. The banking sector comprises 14 established banks with permanent residency in Slovakia and 15 licenced branches of foreign banks, including RBS from the UK.

Once again, the commercial banking sector is dominated by foreign owned banks, mainly Austrian, German and Italian. There are five in the market owning approximately 70% of the banking assets and in 2013, the sector's net profit totalled £442.3 million, an increase of 10.7% over the previous year.

Opportunities for UK business lie in corporate banking for more complex products. These include investment banking, PPP in road construction, legal services in investment and mergers & acquisition transactions. The UK legal system enjoys a strong reputation, not least due to the quality of advice given by UK companies already present, while pension reform has opened up opportunities for asset management companies.

Like Hungary and in contrast to most other CEE countries, the largest banking institutions in Slovenia are state-owned. There are 20 banks in the country, with NLB, holding the largest market share at approximately 30%. Together with NKBM, another state-owned bank, giving the total market share of around 40%.

After rising unemployment, major efforts have been made by the Slovenian Government to restructure the country's banks. This has included re-capitalising both NLB and NKBM, together with the third largest bank, Abanka, and transferring non-performing assets to the Slovenian Bank Asset Management Company (BAMC). This reduces dependence on unstable short term funding on the international financial markets, in favour of funding accounted for by long term resources.

BAMC was founded in 2012, in a move to restore confidence and stability in the Slovenian financial sector. BAMC will relieve banks from the deadweight of non-performing assets and maximise the value recovered for taxpayers, while working with the banks to help restructure some of the still viable businesses, and so help stimulate economic recovery.

The European Bank for Reconstruction and Development (EBRD) recently re-opened an office in Slovenia, after an eight year absence. It has adopted a four year strategy focusing on three priorities: corporate sector restructuring, financial sector stabilisation and support for sustainable energy. EBRD will participate in the privatisation of key enterprises, while in the financial sector, it plans to support privatisation of state-owned banks and provide funding to support healthy banks.

Cental & Eastern Europe setting the pace in the world of payment

Mark Antipof, Chief Officer, Sales and Marketing, Visa Europe

Mark Antipof

Who cares about payment?
In the past, few people gave the matter much thought. There were a few simple ways to pay and be paid. This tended to be managed in traditional ways exclusively by banks.

But now, after many years of relative stability, something interesting and exciting is happening in the world of payment. Having caught the attention of the technology sector and the start-up community, the sector is becoming a magnet for investment and innovation. And growing businesses are set to be a big beneficiary.

The thing is, the way businesses pay, does matter.
Tracking spending and managing cash flow can eat up valuable time and money. The terms, the conditions and the costs of payment can often be a source of tension. And, when you operate across different countries and currencies, the complexities and costs can escalate.

By contrast, if payment is fast, flexible and secure, for the buyer and seller alike, it can become a lubricant for commerce - making it easier and less risky to trade with new and unknown businesses, irrespective of where they may be located.

As a global payment mechanism, which is designed to work both domestically and across borders, and which benefits from relatively consistent standards and technologies, card payments are a focus of today's innovation - and are increasingly used for business-to-business (B2B), as well as consumer-to-business (C2B) payments.

Accepting card payments made easy
A growing range of different acquirers, aggregators and agents are eager to serve small and even micro businesses. The sign-up has been accelerated. The terms have been simplified. A rapidly growing range of acceptance solutions is becoming available.

It is a similar story online. With some online marketplaces (like Amazon Marketplace, Importers.com or Bizeurope.com) the payment transaction is handled on your behalf. For your own online shop, any number of payment service providers can build or host your

payments page, and a wide range of commercial terms are available. And, if you simply want to take payment over the phone, again solutions are available.

Build your own acceptance device

A big change is the emergence of mPOS solutions.

With mPOS, a standard, consumer-grade smartphone or tablet can be turned into a go anywhere card acceptance device. It makes card payment possible in many more places (like a trade fair, or exhibition, or a customer's premises). It also opens up card acceptance to many more people, such as small businesses, sales agents and distributors.

But what is just as interesting is the way that mPOS has challenged traditional business models and pricing plans, and how and where it is being sold. So, for example, you can often buy an mPOS solution in a high street electronics shop, sign-up to a simple, no-strings-attached contract, and start accepting cards straight away.

Friction has been removed. It is easy to sign-up, easy to set-up, easy to understand, easy to use - and, if you don't like it, easy to terminate.

Sky-rocketing growth in Central & Eastern Europe

Interestingly, it is often rapidly developing markets, such as those in Central & Eastern Europe, which are setting the pace for these innovations.

Across the region, growth in electronic payment is sky-rocketing. In Poland, for example, Visa Europe reported an annual growth in 2014 of transaction numbers being more than 17%. In Hungary the equivalent figure is above 14%. In Slovakia, it's an eye watering 22%.

Meanwhile, it is the more innovative digital solutions which are storming ahead.

Poland, for example is already the clear world leader in contactless payment (Some 20% of Visa payments in Poland are contactless). Also nine banks are gearing up to deploy Visa mobile payment, and 13 banks are working on the introduction of the V.me, by Visa digital wallet - which promises to bring added speed and simplicity to online payments.

Similarly, the country is set to be fertile ground for mPOS solutions. In a major research project amongst small and medium sized enterprises (SMEs), more than a third indicated that they would take up mPOS, and that the solution appeals to almost all industry sectors. Based on these results, Visa Europe calculated that, alongside Italy, Poland could become one of the leading markets in Europe to adopt mPOS.

And, while Poland may be setting the pace, it seems clear that most neighbouring countries are following a similar trajectory.

Looking further north in Europe, we see that a growing number of smaller businesses are beginning to trade cashlessly. In Sweden, for example, when walking around in larger cities, it is not unusual to see retail businesses which do not even accept cash. And one can assume that B2B payments are following a similar evolution.

More control over your finances

Meanwhile, another big growth area for Visa Europe is commercial payment card programmes.

At the most basic level, using a Visa Business card can help an SME to manage its travel and entertainment expenses. But it can also help busy, growing companies to manage and monitor their general business expenses too - such as office supplies, everyday business services, and even raw materials.

If you pay with Visa Business, you always know exactly where you stand. You get accurate, up to date itemisation of all your business spending. So you spend less time on paperwork or agonising over your cash flow.

You also get real flexibility. No payment card is more widely accepted than Visa (which means that is welcomed in all of the places where businesses do business). And you can pay by Visa in person, over the phone or on the internet anywhere in the world.

Depending on its bank, any SME will generally be able to apply for a Visa Business debit card (which draws directly from their business current account), or a Visa Business credit card (which provides the added flexibility of up to 56 days interest-free credit). Then, for larger companies, or those with more specialised payment needs, a range of more sophisticated alternatives are available.

For example, Visa Corporate is designed to help mid-size and large businesses manage, monitor and analyse travel and entertainment expenses. It comes complete with advanced reporting and analysis of individual card expenditure, which means less administration and can help when negotiating preferential terms with suppliers.

Meanwhile, Visa Purchasing helps organisations better manage, control, and streamline their procurement processes. It is an automated procurement system, with low processing costs and comprehensive reporting and analysis tools, saving up to 80% of time spent on every purchase by eliminating paper based purchase order and invoice processing.

Taking the complexity out of cross-border B2B payments

Recent regulatory changes mean that many banks have become more cautious about managing cross-border payments, particularly occasional or one off business payments. Once again, the card payment system can be an attractive alternative.

With in-built multi-currency capabilities, cards are a simple and widely accepted solution. Visa payments tend to be far easier to set up than international bank transfers and can also be more cost effective.

With the growth of the SME sector, and the predicted increase in cross-border trading, we expect more and more businesses to take advantage of the speed, simplicity and security of Visa payments, and to benefit from the flood of innovation in the European payment sector.

UK is a major player in Emerging Europe's insurance markets

The provision of insurance products and services to the countries of Emerging Europe represents a major market for UK business, but one where there are wide discrepancies in the scale of UK participation in each of the nine countries.

A review of 2012 data, shows Austria took 28% of all insurance to CEE, whereas Bulgaria, Slovenia and Croatia each accounted for less than 3%. Three countries, Austria, Czech Republic and Poland together, comprise 64% of the insurance import market.

Insurance categories

Under the import/export categories of the World Trade Organisation, the insurance sector is divided into five categories: life insurance and pension funds; freight insurance; reinsurance; other business insurance (accidents, health, transport, motor vehicles, general liability); and auxiliary services (brokerage, actuarial services).

Reinsurance

Reinsurance is essentially a secondary market with insurance (insurance for insurers) where insurance companies share risks with other institutions and thus reduce their exposure. A company pays others part of its insurance premium to take some of its obligations and diversify the risk portfolio. In 2012, CEE imported £1.34 billion of reinsurance services, slightly down from the previous year's total of £1.45 billion.

In 2012, the UK exported £209 million of reinsurance services to the CEE region, continuing a strong growth from £84 million in 2010 and £150 million in 2011. A key driver of that growth was Czech Republic at £89 million, representing almost 43% of total CEE imports for the year. Other countries to have increased UK imports in this period were Austria, Poland and Romania, while falls occurred in Hungary and Croatia.

Looking at the relative size and distribution of reinsurance services imports to individual countries, it is clear that Austria and Hungary are under-represented by the UK, and Poland and Slovakia are slightly below average. In the rest of the countries, UK based reinsurance imports represent between 25% to 35% of the respective totals.

Other Direct Insurance (ODI)

Within the ODI category, which covers accident & health, transportation, motor vehicles, property, general liability and credit and surety insurance, the UK accounted for almost a quarter (£56 million) of the 2012 CEE import total of £230 million. The key driver of growth was Romania, with £55.2 million of total ODI imports (140% growth in 2012) and £24.8 million of UK based ODI imports (99% growth in 2012).

Romania and Bulgaria together represented 72% of the demand for UK ODIs in 2012. Poland and Slovakia accounted for around 10% each and the other five countries all represented less than 3%. Looking at the

Key Opportunities

6 Growing market of Generation Y (under 35s) and Generation Z (under 20s) consumers - forecast to make up 60% of the market within ten years – and with an appetite for digital products and services

7 Insurance services for over 15 million vehicle owners across the CEE with potential for innovative new services such as usage based insurance

8 High value added private insurance products and services across the board, that also respond to increasingly price-focused consumers

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relative size and representation of UK based ODI imports in individual countries Austria, Czech Republic and Slovenia are underrepresented, while the focus is clearly on Romania. The average share of UK imports within total imports is 24%, reflecting again the strength of the UK insurance industry.

Individual CEE states

Austria has invested heavily in both the banking and insurance sectors across Central & Eastern Europe, with Uniqa and Vienna Insurance Group (VIG) being leading companies.

Despite the dominance of banks in the Bulgarian financial sector, the popularity of non-banking credit institutions has increased. The insurance market is relatively small but competitive and profitable. A total of 34 insurance companies operate in the Bulgarian market, with foreign insurers holding about 67% of the market. Gross revenues of the Bulgarian insurance companies for 2012, totalled £338 million, according to the country's Financial Supervision Commission.

There is a total of 25 registered insurance companies in Croatia and one reinsurance company called Croatia Lloyd. After four years of continuous decline, the Croatian insurance market has been experiencing growth since 2013. In the first quarter of 2015, the insurance market had a 3.76% growth in comparison to 2014 data, which is due mainly to high growth in life insurance.

The market is dominated by a formerly state-owned Croatia osiguranje. The company was sold in late 2013 to Adris Group, a Croatian owned consortium. Until 2014, they had been experiencing a significant drop in market share, which has now been overturned, due to a complete transformation of their business model. The second largest is German owned Allianz and third is Croatian owned Euroherc, who have experienced a significant drop in gross premiums, which is due to the fact that, unlike other companies in the top five, they do not have life insurance in their portfolio. Fourth positioned Uniqa has seen significant growth and an increase in market share, helped by their acquisition of Basler Insurance in 2014. Austrian Weiner holds fifth position - although they have had a 0.61% drop in the first quarter, some positive trends have been noticed, again due to an increase in their life insurance portfolio.

According to 2013 data, non-life insurance accounted for 72.03% of the market and life insurance accounting for the remainder. All insurance companies in Croatia are members of the Croatian Insurance Bureau, while

the market is regulated and supervised by the Croatian Financial Services Supervisory Agency (HANFA).

There are opportunities for UK business within Croatia's insurance market for companies offering a variety of niche products, as well as life insurance policies.

Like Croatia, the Czech Republic has a relatively small insurance industry, but one that is growing in size and scope. A small number of foreign owned firms dominate the market for both life and non-life insurance. In both of these sectors, leading firms include Ceska pojistovna (owned by a joint venture with Generali of Italy) and Kooperativa pojistovna (owned by VIG of Austria). Insurance and investment management services are expected to play a greater role, driven by the increasing importance of private pensions and health insurance.

Hungary boasts the third largest insurance market in the CEE region after Poland and Czech Republic, in terms of gross written premiums. Challenging economic conditions meant the sector has shrunk in recent years and recorded a Compound Annual Growth Rate (CAGR) of -0.7% between 2009 and 2013.

This was principally due to declining new vehicle sales adversely affecting the non-life sector of the market, it was also hit by increased claims from natural disasters and regulatory changes. However, the market is expected to recover, driven by increasing customer awareness of property insurance, which will create opportunities for innovative and customised non-life insurance products.

In contrast to Hungary, the insurance market in Poland has grown at an annual rate of 6.6% between 2008 and 2012, to reach £4.4 billion. The non-life sector is dominated by motor insurance, which accounted for 62.2% of non-life gross written premiums, with compulsory motor third party liability insurance growing at 15.2% since 2008.

A report by London based research organisation Timetric, suggests that growth will continue up to 2017, when written premiums in the Polish non-life sector are estimated to reach £6 billion. Such growth would make Poland the eleventh largest market in Europe in 2017, overtaking countries such as Austria and Sweden.

Factors behind this growth include the effects of severe flooding and forest fires that affected the country in 2010. This led to consumers becoming more risk-averse and buying more protection, while insurers re-evaluated pricing and product strategies, increasing premiums in order to repair their balance sheets following the floods. Another growth driver is the country's rising demand for commercial products, with many large infrastructure projects scheduled, including airports, roads and healthcare facilities.

There have been some significant changes in ownership of Poland's insurance sector in recent years. A series of mergers and acquisitions led by Talanx (with the acquisitions of Warta and Europa) and deals by VIG led to the emergence of new industry leaders, with the combined share in premiums of the three major groups - PZU, Talanx, and VIG exceeding 60% in 2012.

Romania represents one of the largest untapped insurance markets in Eastern Europe, being underdeveloped in terms of the limited range of products on offer and the risks covered, but is a stable market with huge growth potential. The majority of the market is for non-life insurance, which accounts for 78% of the market. Around 60% of insurance premiums in 2012, were related to car insurance.

A total of 41 insurance companies operate in Romania, with the top ten accounting for around 76% of gross premiums and the top five hold more than 50%. The market is dominated by international groups such as VIG (Austria), Uniqa (Austria), Allianz (Germany), ING (Netherlands) and Alico (which MetLife of the US acquired in 2010; MetLife also bought the life insurance and pensions units of Eureka, a subsidiary of another Dutch company, Achmea).

Key opportunities within the Romanian market include the adoption of new technologies, especially digital strategies to improve the education and sales processes, along with quality of service; sales of products that have become mandatory by law, such as professional liability insurance; extended warranty schemes, or phone insurance products launched by telecom operators; and insurance for commercial credit, due to high levels of insolvency, bankruptcy and bad debts.

Slovakia's insurance sector is predominantly private and foreign owned, with Allianz controlling just over 50% of the market and the second largest insurance company being owned by the Austrian Wiener Stadtische Group. There is a range of opportunities within the broader financial services market in Slovakia, but pension reform represents a particular opportunity for both asset managers and the insurance sector.

Slovenia has a well developed insurance market, where life assurance accounts for around 30% of the value of all insurance business and represents an opportunity for continued growth. Health insurance ranks second with 23% of the market and is another growing area, while motor vehicle liability insurance is the third biggest individual type of insurance in the market.

At the end of 2013, there were 18 insurance companies, 14 domestic and four foreign branch offices, and two reinsurance companies operating in Slovenia, collectively generating a total of £1.57 billion in gross written insurance premiums. The Slovenian market is characterised by a high degree of concentration, with four major insurers controlling 72.9% of the market at the end of 2013. Zavarovalnica Triglav maintained the leading position, with a 30.8% share, followed by Adriatic Slovenica in second place, with the other two largest players being Maribor and Vzajamna.

Nuclear power plays significant role in CEE energy policy

Nuclear power generation plays a key and growing part in energy production across most of the nine countries in Emerging Europe. Every country except Austria and Croatia has existing capacity, which is being lifetime extended or added to, through new build. As yet Poland has no nuclear generation capacity, but is in the process of a major construction programme.

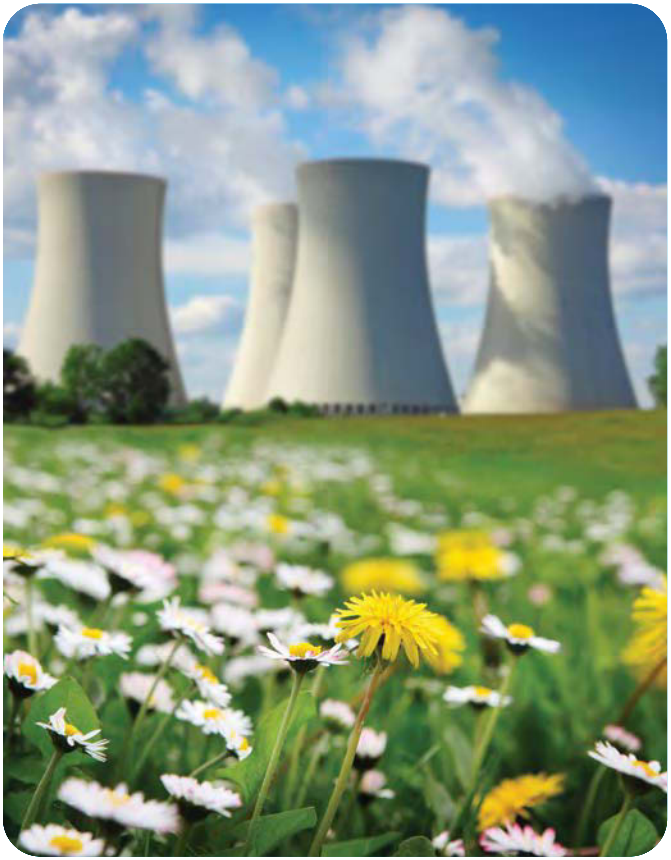
Modernisation of the nuclear power sector in the CEE region, represents a major opportunity for UK business across the supply chain spectrum. Countries are upgrading existing facilities, diversifying their overall mix and modernising grids at a time when their energy demands are increasing significantly, a 30% growth in demand by 2030 (BP Energy Outlook).

Driven by a need to implement the European Energy Security Strategy, the region is a recipient of EU funding, which will total some £115 billion between 2014 and 2020, and is already helping to drive major investment in energy infrastructure. In nuclear power alone, market opportunities are estimated at over £40 billion in new build, lifetime extensions, waste management and decommissioning.

This major investment programme has thrown up a range of opportunities for UK business. In particular, these include roles in project management, engineering and technical consultancy, together with legal advice and licencing.

Bulgaria has been operating a nuclear power plant at Kozloduy on the Danube for more than 30 years. Its first commercial nuclear power reactor began operating in 1974, and the country’s two current nuclear reactors generate about 35% of electricity requirements.

The Bulgarian Government is committed to expansion of its nuclear capacity, although it is reliant on an external source of finance to progress its plans. These plans include the building of a new AP1000 reactor, Kozloduy Unit 7, at a cost of £3.7 billion, and 20 year life extensions to the Russian VVER 1000 reactors which are known as Kozloduy Units 5 & 6.



Decommissioning work valued at £392 million is currently being tendered on reactors 1 to 4 at Kozloduy, including a waste disposal facility, while the lifetime extension work on reactors 5 and 6 is also being tendered. There is a range of opportunities associated with the planned Radiana waste disposal facility, including EPC Radiana Phase 1. There are also early stage plans for a deep geological storage facility.

Croatia co-owns the Krško Nuclear Power Plant in Slovenia, together with the Slovenian Government. As part of the joint ownership agreement, Croatia and Slovenia have agreed to ensure an effective joint solution for the decommissioning and disposal of radioactive waste and spent nuclear fuel, but no site in Croatia has yet been selected.

Nuclear power is a major source of electricity in Czech Republic, which has six nuclear reactors, generating 30% of the country's electricity. Its first commercial nuclear power reactor began operating in 1985, and Czech Government's commitment to the future of nuclear capacity remains strong, although plans for new nuclear capacity are currently on hold.

There are two nuclear power plants in Czech Republic - Temelin and Dukovany - which are owned and run by the state utility, CEZ. Opportunities for British business lie in plans for two new power plants, to double the output of the two existing plants. The whole project, if commissioned, would provide new units' life expectancy for 60 years at a cost of between £6.2 billion and £9.3 billion. There are also projects for the lifetime extension of existing power plants at both locations.

The issue of health and security at both sites in respect of decommissioning and waste management, will be addressed by a project already underway for a deep geological repository for high level radioactive waste and spent

fuels. The project has a lifetime of 100 years and the total value is estimated at £2.6 billion, with the main opportunities being in planning for a geological disposal site, environmental assessments and engineering.

Hungary is another CEE country with a long history of nuclear power generation. The country's first reactor began operation in 1982 and its four reactors at the single Paks plant, currently generate more than 35% of the national electricity requirement. The Hungarian Parliament has given overwhelming support for building two new 1,200MWe power reactors, in a project known as Paks II, which will be worth around £11.2 billion.

In January 2014, the Hungarian Government signed an agreement with Rosatom, the Russian national nuclear group, to build the two new reactors at Paks, with Russia providing 80% of the finance. The first unit is expected to be operational by 2023, and will be state-owned.

The range of opportunities for UK business, centres on plans for a 20 year lifetime extension for three existing power plants, to enable them to operate until between 2032 and 2037. Elsewhere, there are opportunities in decommissioning and waste management, with the need to identify and develop sites for final disposal of low and intermediate level waste, and the selection of a site for a long life repository for high level nuclear waste and related design and research and development.

With the largest reserves of coal in the EU at an estimated 14 billion tonnes, Poland has traditionally been a net electricity exporter, mostly to Czech Republic and Slovakia. In recent years, however, there has seen a reduction in exports, as domestic demand continues to grow, and the country is likely to become a net importer unless capacity additions are made.

Key Opportunities

9 Nuclear new build in Poland, Czech Republic, Hungary, Romania and Bulgaria

10 Lifetime extension of existing nuclear power plants in Bulgaria, Czech Republic, Romania, Hungary and Slovenia

11 Nuclear decommissioning and nuclear waste disposal across Central Europe

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Poland is therefore set to become the newest nuclear nation within the CEE region, with ambitious plans to have nuclear power from about 2025, as part of a policy to diversify its energy portfolio and move away from heavy dependence on coal and imported gas. Two new 3GW plants are planned, with the first of these costing an estimated £12 billion and being a joint venture between state-owned utilities.

The country's electricity consumption is forecast to grow by 54% up to 2030, but under the EU's strict climate policy targets, Poland will need to diversify away from coal-fired power generation.

AMEC was appointed the Owner's Engineer in September 2014, and will be involved in helping select the contractor to project manage and oversee supply chain contract management, as well as the regulatory aspects. Further UK supply chain opportunities lie in all elements of the fuel cycle, in consultancy and project management, and in infrastructure and engineering services.

Romania is also another established nuclear power within the CEE region, with two Canadian CANDU 6 nuclear reactors at Cernavoda, producing almost 20% of the country's electricity. The Government is strongly in favour of nuclear power and China General Nuclear Power (CGN) has agreed to build two more similar power plants on the Cernavoda site, in a six to seven year project starting in 2015, at an estimated cost of £5.2 billion.

Opportunities for British business lie in areas of waste management, including the £1.8 billion construction of storage facilities for radioactive waste generated by the Liquid Purification Equipment (LPE) work on Unit 1 and work on the lifetime extension programme itself, which has an estimated value of £1.3 billion and is expected to take four years, starting in 2018.

Slovakia is heavily reliant on nuclear power, with the output of its four reactors, two each at Jaslovske Bohunice and Mochovce, accounting for around 55% of the country's total electricity generation. Further expansion includes two new reactors, Mochovce 3 & 4, due to be completed in 2014-15, at a cost of £3 billion and longer term plans for one or two pressurised water reactors for Jaslovske Bohunice, at a cost of between £3.2 billion and £4.7 billion. These would replace the existing reactors, which are expected to be decommissioned in 2025.

Slovenia's only plant at Krško is jointly owned with Croatia. This has a capacity of 700MW and accounts for 35% of Slovenia's national electricity production. Plans include a 20 year lifetime extension, starting in 2023, and worth an estimated £152 million, and the eventual building of a new plant, which is expected to begin in 2025, at a cost of £2.8 billion. In addition, a Low and Intermediate Level Waste Repository is planned to be operational in 2020, at an estimated cost of £124 million.

Desire for energy security drives investment in CEE gas sector

There is a wealth of opportunities for British companies within the gas sector across the CEE region. A wide range of infrastructure investments are planned for the next decade, and also in the future development of domestic resources as a means of unlocking huge gas reserves across the region and so helping to reduce the current heavy reliance on gas supplies from Russia.

Modernisation of the energy sector in the nine countries of Emerging Europe, represents a major opportunity for UK business. Countries are upgrading existing facilities, diversifying their overall mix and modernising grids at a time when their energy demands are increasing significantly, with a 30% growth in demand by 2030, compared to OECD average of 4%, according to BP's Energy Outlook.

Poland has some of the largest potential shale gas reserves in Europe and geological survey results show huge investment opportunities in this market. In conventional oil & gas, the region is looking to reduce dependence on Russian gas and invest in infrastructure. UK companies could be involved in the upgrading of pipeline installation across the region. In terms of exploration and production, Romania is the largest oil producer and has an additional 42-48 billion m^3 of potential Black Sea oil reserves.

A report on the evolution of gas infrastructure during the period 2014 to 2023, by the European Network of Transmission System Operators for Gas (ENTSOG), identifies a total of 88 gas investment projects planned for implementation in the CEE region over the next decade, including 24 projects where the final decisions have already been taken, along with the balance of 64 projects which are at an earlier stage of development.

Implementation of the projects will improve the functioning of the region's gas network in a number of ways; upgrading of internal pipelines, construction of new cross-border interconnections, establishment of reverse flows on cross-border interconnections, extension of Underground Gas Storage (UGS) facilities and construction of a Liquefied Natural Gas (LNG) terminal in Poland.

Key Opportunities

12 81 EU Projects of Common Interest in Central Europe, with a budget of approximately £4.11 billion over 2014-2020, and covering electricity and gas transmission; storage and LNG, smart grids and smart metering and oil & gas projects

13 Over £14 billion investment in new gas pipelines, interconnectors and gas grid upgrades across the CEE

14 LNG terminals in Poland and Croatia

15 Gas storage facilities in Bulgaria, Austria and Hungary

16 Oil & gas exploration and extraction activities/tenders/blocks in Romania, Bulgaria, Croatia and Slovenia

17 Completion of the Southern Gas Corridor

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In its report on the next decade, ENTSOG anticipates an increase in demand for gas across the CEE region of between 8% and 12%, with most of that coming in the period up to 2018, with only a moderate increase in demand between 2018 and 2023.

Major investments are taking place in Austria, including a £35 million project to replace compressor units on the West-Austria Gas (WAG) pipeline with two 16MW electrical units. Elsewhere, two major interconnection projects are a bi-directional gas connector with Czech Republic and the £1 billion EU-backed Tauern Gas Pipeline Project, a 290km Cross-Alpine interconnector between Germany and Italy for which two compression stations are required.

In May 2014, the country's Verbund AG became the latest European utility to close gas-fired electricity generation capacity, on the grounds that subsidised renewable energies and coal-fired stations are less expensive to run.

Despite a number of oil & gas discoveries, Bulgaria remains heavily dependent on imports of Russian gas. As a result, the Government is therefore pursuing a diversification strategy, giving a range of opportunities, including new interconnection projects with Greece, Serbia and Turkey, construction of an import pipeline connecting Bulgaria with Romania, a £160 million capacity upgrade of the Chiren gas repository, a Gas Storage Project at Galata and research into the Black Sea's potential reserves. In 2015, the Bulgarian Government announced tenders for oil and natural gas exploration rights for Block 1-14 Silistar and Block 1-22 Teres, located in Bulgaria's Black Sea continental shelf and exclusive economic zone.

Croatia has hopes for offshore energy production, and in April 2014, the first licencing round was opened for licences for Exploration and Production of hydrocarbons in the Adriatic Sea, covering a total area of 36,823km^2, divided into 29 blocks. Croatia also has two major energy infrastructure

projects, an LNG terminal on the island of Krk in the North Adriatic, close to Rijeka, and the Ionian–Adriatic gas pipeline (IAP). It is planned to go through Albania and Montenegro to Split.

New pipeline infrastructure is also a feature of energy investment in Czech Republic. The £168 million Stork II pipeline will import gas from Poland, with a maximum daily capacity of 13.7MCM/day and is due to become operational in 2018. Elsewhere, work is due to begin in 2015, on a £112 million project in Moravia to improve pipelines in the area around the town of Ostrava.

Two interconnector projects with Austria are currently at the preparatory stage: Lanžhot – Baumgarten, Bi-directional Austrian Czech Interconnection (BACI), which is due to be completed in 2019, and an interconnection to Oberkappel, a high pressure 1,100km pipeline, with a daily capacity between 5-10MCM/day.

Hungary is heavily reliant on gas to meet its energy needs, representing 48% of the country's primary energy consumption, in comparison with OECD average of 24%. With 80% of its gas being imported from Russia, it is making efforts to improve their gas market infrastructure. Initiatives include the Hungarian-Slovenian interconnector, as part of the North-South Gas corridor from the Baltics to the Adriatic, and securing EU funding for five regional gas projects from the Projects of Common Interest (PCI).

Another major development is the South Stream Hungary project, a new gas pipeline from Russia to Europe in which MVM, the Hungarian Energy Holding, has 50% in the joint venture, managing the Hungarian stretch. Construction is due to begin in 2016, but it is unclear when the pipeline will become operational, due to work on the project in Bulgaria being halted. The South Stream pipeline is important for strengthening the security of Hungary's energy supplies, as the country currently only imports gas through Ukraine.

Poland represents the biggest natural gas demand within the CEE region, at 15 billion m^3 a year, but with gas production in the country only amounting to 4.5 billion m^3, there is a heavy dependence on imports. Two major interconnection projects are the Cieszyn Poland-Czech Republic link,

Key Opportunities

18 Potential future development of shale gas reserves in Poland, Romania and Bulgaria

19 Expansion of renewables to contribute to meeting EU 2020 targets (including wind, water and geo-thermal resources)

20 Planned investment programmes on waste to energy and biomass in Bulgaria, Czech Republic, Hungary, Poland and Romania

21 Modernisation of conventional energy plants, including the reduction of CO_2 emissions, de-dusting and desulphurisation

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launched in September 2011, with a capacity of 0.5 billion m^3, and a Poland-Germany interconnection, Lasów, involving an upgrade of 0.6 billion m^3 (to 1.5 billion m^3) which was launched in Jan 2012.

Further opportunities lie in the planned development of an LNG Terminal in Swinoujscie, expected between 2020 and 2023. By 2025, the costs of replacing the oldest gas distribution pipeline sections will reach £2.4 billion, while £0.8 billion will be invested in the expansion of underground storage facilities.

Poland is believed to have the largest potential shale gas reserves in Europe. If estimates are confirmed through a geological survey, due to be published in October 2015, then Poland will have huge investment opportunities to offer, provided that favourable investment conditions are created locally. So far, foreign investments in shale gas have been hindered by an inefficient legal framework, which has led to over investments on the part of foreign companies in the sector and their slow but steady withdrawal from the market.

Unlike other countries in the region, Romania has significant hydrocarbon resources, with the fourth largest reserves of crude oil in Europe and huge gas reserves in the Black Sea. Its reliance on foreign energy sources is therefore lower than the EU average and the country is also committed to developing a shale gas industry. Among energy projects being undertaken are the construction of 247km of new pipelines between 2019 and 2020, at an estimated cost of £152 million, while 35 new licences for exploration and exploitation, both onshore and in the Black Sea will be tendered during 2015.

Slovakia is more dependent on imported gas than many other CEE countries, with its requirements largely covered by imports from Russia under a long term contract with Gazprom, running until 2028. One major infrastructure project to have been recently completed is the 111km Slovakia-Hungary pipeline, where commercial operations begin in 2015. Feasibility work is also being undertaken on a planned Slovakia-Poland pipeline.

For its energy needs, Slovenia is reliant on imported natural gas, of which around 70% comes from Russia. A number of alternative supplies are available in Austria and Algeria. Infrastructure projects which represent potential business opportunities include interconnectors between Hungary and Slovenia (R15/1) and between Croatia and Slovenia (Kalce-Rupa). There is also a planned £200 million development of the Petišovci Gas Field in the north east of the country.

Longer term, a number of states within the region, notably Poland and Romania, have the potential to transform the current energy scene through the exploitation of shale gas, which would go a long way towards achieving the greater energy security that has long been a policy goal for the EU. The Governments of Bulgaria and Czech Republic have already imposed bans on fracking, but energy companies active in Poland and Romania have confronted public protests against shale exploration activities.

The potential size of the shale gas opportunity is enormous. Estimates by the US Energy Information Administration (EIA) suggest that Romanian shale gas reserves equal 1.4 trillion m^3, enough to meet current gas consumption levels for 100 years. In Poland the reserves are even greater, with an estimated 4.2 trillion m^3.

Rapid growth in low-cost air travel driving plans to update the region's airport facilities

Airports in the Emerging Europe (CEE) region offer a wide range of opportunities for UK business, across many sectors. The CEE airport market is well developed, with approximately 60 international airports throughout the region, served by an ever growing number of low-cost airlines, most of which are under governmental control and are due to implement modernisation and/or extension projects to counteract the effects of outdated infrastructure.

Principal areas for new investment are, terminal facilities and runway renewal, safety and navigational systems and related equipment, for both passengers and cargo. Financing for these projects comes from various streams: governmental budgets, airports profits, with EU funding; while a number of airports have entered into concession contracts or Public Private Partnership (PPP) arrangements with private investors.

Major opportunities for UK companies lie in three broad categories: consultancy, works and equipment supply. Within consultancy, opportunities range from design and technical supervision to environmental impact assessments and asset management. Works encompasses construction of new terminals, runways and other infrastructure, while opportunities in equipment supply include power, lighting, security and navigational systems.

Among the largest developments within the region are plans for the £1.6 billion construction of a third runway at Vienna International Airport. Discussions and provisional environmental impact assessments are also being undertaken in a long term plan to demolish and rebuild Terminal 2, increasing capacity to 30 million passengers a year by 2020. The third runway is of vital importance, as expected long term traffic growth cannot be effectively handled with the current system of two intersecting runways.

Elements in the third runway project include, adapting the site by altering the site levels, building taxiways and roads, and installing flight safety equipment, lighting, marking and signposts. Water supply and wastewater disposal systems and a snow storage site for the winter are also planned, along with power supply and communications. A number of buildings will also be constructed, including a third fire station, an additional fuelling depot, an aircraft de-icing station and maintenance facilities.

Key Opportunities

22 Modernisation and extension of existing airport infrastructure including terminals and runway rehabilitation; safety and signalling; passenger and cargo equipment; and security systems

23 The development of regional airports outside capital cities and the further development of CEE hubs focused on long haul opportunities

24 Ongoing development of the industry, including technology and services to support consolidation and acquisitions; new cost saving and environmental initiatives; and further penetration of low cost carriers

25 Digitalisation of the airline industry

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In parallel with the new runway, work is taking place to upgrade the ÖBB airport railway station so that it can be served in future by longer distance main line trains. This will greatly improve connectivity to the entire airport catchment area in the west, south and east, increasing the proportion of passengers reaching the airport by public transport and increasing the attractiveness of Vienna as an economic region.

Bulgaria too, is investing in its principal international airports. Expansion works have taken place at Sofia Airport, which further enhances its readiness to join the Schengen Zone. A new control tower has been opened at the capital's airport as well as new terminals at Burgas and Varna airports. The commitment of aviation giant Lufthansa Technik to concentrate a large part of its activities in Bulgaria is a good illustration of the development of the sector. The Government plans to announce concession procedures for Sofia and Plovdiv international airports by the end of 2015.

Elsewhere in Bulgaria, there are plans to transform a regional airport at Stara Zagora into an international transit/logistics hub, connecting the EU with Asia and an ambitious project to convert a former military airfield at Kondofrey, 60km from Sofia and close to a number of major cities including Pernik, Kyustendil, Blagoevgrad and Dupnitsa, into a modern cargo and passenger facility.

The £1.27 million plan for Kondofrey, which has been approved by the Advisory Board of the Civil Aviation Administration Directorate General at the Ministry of Transport, includes construction of a new passenger terminal, cargo area, taxiways and border and customs controls, designed to transform the former military facility into Bulgaria's sixth international airport.

A trio of major airport expansion projects are underway in Croatia, encompassing the airports at Dubrovnik, Zagreb and Split. At Dubrovnik, a £39.2 million terminal reconstruction project is underway, which will include construction of a new terminal building, the installation of air bridges, a new administrative building and catering facilities.

This expansion forms part of a much larger project at Dubrovnik Airport, scheduled for completion by 2020, which the country's Transport Ministry has said will cost £196 million. It includes plans to expand the airport's land and airside infrastructure to accommodate increasing passenger numbers, which are expected to reach 3.98 million by 2032, according to data from the project's environment impact assessment (EIA). In 2013, Dubrovnik Airport handled 1.52 million passengers.

At Zagreb, a £64 million loan from the European Investment Bank (EIB) is helping finance the £265 million expansion of Zagreb Airport, which will see design and construction of a new passenger terminal building and is

the first EIB development under PPP financing, in the Western Balkans. In December 2013, a 30 year concession to MZLZ - a consortium including Aéroports de Paris and construction group Bouygues Bâtiment International - for construction work on the new terminal reached financial close - the point at which all the project and financing agreements had been signed and all the required conditions contained in them had been met.

"Zagreb Airport is not only the most important airport in Croatia, but thanks to its location at the crossroads of priority Pan-European Transport Corridors V and X, it represents a gateway between the Western Balkans and rest of Europe," said EIB Vice President, Dario Scannapieco, "EIB funds, granted under an innovative PPP financing scheme, will help to extend Zagreb Airport, providing additional capacity to alleviate the existing congestion and better accommodate the expected traffic growth in the future."

Croatia's third busiest airport, Split, is investing £60 million in expanding its passenger terminal to cope with growing passenger numbers. The airport, which handles more than a quarter of all passengers arriving by air in the country and has a current capacity of two million passengers a year, plans to expand its facilities by 34,500m^2 and is also substantially extending its car parking provision.

In Czech Republic, the major airport project is the planned £264 million construction of a new parallel 3,500m long runway at Vaclav Havel Airport in Prague. It will be located some 1,500m southeast of the present main runway, and will be equipped with a the highest category III standard of instrument landing system (ILS), allowing landing and taking off in bad weather conditions (even under zero visibility). Besides almost doubling passenger capacity, the new runway will greatly reduce noise levels in some of Prague's densely inhabited areas.

Elsewhere in Czech Republic, a number of airports are being modernised for Schengen access, with a variety of investment projects including construction of new fire stations, enlargement of check-in areas and runway extensions. There are also plans for a £98.4 million transformation of

Vodochody International Airport into a modern international airport, subject to identification of a suitable buyer or investor.

A priority for the Hungarian Government is to create a new national airline to replace MALEV, which collapsed in 2012, to boost business and leisure air travel to and from the country. There are also plans to turn a number of former military airports into regional passenger or cargo airports.

One successful example of regional airport development was the £5.3 million expansion of the Győr-Pér Airport, which serves the needs of German carmaker Audi's base in Győr, in northwest Hungary, which was completed in July 2014. The airport can now accommodate Boeing 737 and Airbus 320 aircraft and talks are now taking place between the Government and Hungarian low fare airline Wizz Air on increasing the number of destinations served from the airport.

Huge investment is taking place at a number of airports in Poland, with total spending likely to reach £960 million in 2015. Existing airports benefiting from new terminal facilities include Gdansk, Lodz, Poznan, Krakow and Wroclaw airports, while two new airports to have been developed are the former military airfield which has become Warsaw Modlin, servicing low-cost and charter airlines and costing a total of £74.1 million, and Lublin Airport, opened at a cost of £96.8 million.

Largest of all the Polish airport investments has been a major upgrading of the country's principal airport, Frederyk Chopin International Airport in Warsaw. Work here has been taking place since 2012, and completion of a new Terminal 1 makes Poland's biggest airport even bigger, with a capacity to handle up to ten million passengers a year .

As with Warsaw, the principal airport in Romania, Bucharest's Henri Coandă International Airport, is being substantially upgraded and expanded in a project which began in 1994, and is due for final completion in 2022. The £120 million Phase III of this project, currently underway, includes expansion of the departure and arrivals halls and concourses, with the aim of increasing capacity to 4,500 passengers an hour and a total of six million a year.

Looking further ahead, there are plans for a new terminal building, Henri Coandă 2, at the eastern end of the current airport footprint. This would be a modular design, comprising four separate buildings, each capable of handling five million passengers a year. These would be built as passenger

> "Airports in the Emerging Europe region offer a wide range of opportunities for UK business, across many sectors."

traffic grew, but once completed would mean that the new Terminal 2 would be capable of handling 20 million passengers a year and would benefit from direct motorway, rail and metro connections.

Two significant regional airports within Romania to have seen investment in upgraded facilities are Cluj Avram Iancu International Airport and Satu Mare Airport, both in the northwest of the country. At Cluj, the first new runway to be built in Romania for 50 years underlines the airport's strategic importance, as well as it being the most modern in the country. Meanwhile, one of the country's oldest airports, Satu Mare, is receiving a £12.8 million upgrade that includes both facilities and runway, which is being undertaken with financial support from EU funds.

Slovakia's principal international airport in Bratislava, underwent a major upgrading programme between 2009 and 2012, culminating in the opening of a new Terminal A in March 2012, as part of a project which also saw a partial reconstruction of Terminal B and an increase in its handling capacity of five million passengers in a year. The country is now looking for interest from airlines to serve Bratislava and Kosice airports.

A major development in the Slovenian airports sector came in September 2014, with the privatisation of Ljubljana Airport (Aerodrom Ljubljana) through its £141.7 million sale to a consortium headed by Fraport AG, the major airport management group and owner of Frankfurt Airport. Ljubljana occupies a key location and has historically been seen as a strategic crossroads of trade between the Danube, Alps and Adriatic Sea.

Ljubljana Airport handled around 1.3 million passengers in 2013, compared to 1.2 million the previous year, with its business plan for the period 2013-2017, envisaging a further increase in passenger numbers to 1.5 million a year and an increase in the volume of cargo handled to 18,800 tonnes.

The airport, also known as Jože Pučnik Airport, is Slovenia's national air transportation gateway and is regarded as a vital driver of the country's diversified and growing export-driven economy. It has a large catchment area of some four million inhabitants within a 250km radius, which includes border areas in neighbouring Italy, Austria, Croatia and Hungary. The airport also serves as a hub in the Balkan region.

Road investment aims to raise CEE network to Western European standards

In the decade since five of the CEE countries (Czech Republic, Hungary, Poland, Slovakia and Slovenia) joined the European Union, massive investment has been made in upgrading road networks across the region, to bring them up to modern standards, cope with steadily increasing traffic and to fulfill the EU vision for European transportation, known as the Trans-European Transport Network (TEN-T).

During the period 2007 to 2013, £28.8 billion of the £284 billion EU Cohesion and Regional Funds, were allocated to the development of roads, railways, ports and airports in the CEE region. This reflected the European Commission's acknowledgement that major investment was required to modernise the region's transport infrastructure, due to the poor state of roads and railways, when these countries joined the EU.

A key challenge of the CEE road investment programme since 2004, has been to re-orientate it towards improving links with neighbouring countries in Western Europe, a reversal of the previous situation, where transport links had been focused eastwards towards Russia. Improving links with the rest of Europe was vitally important for the success of the EU's ambitious enlargement project.

"Overhauling and creating new infrastructure was essential to bring the CEE region closer to the rest of the EU from an economic as well as a political standpoint," said Roger Vickerman, Director of the Centre for European, Regional and Transport Economics at the University of Kent, in an interview with the Financial Times. "It was vital to get people in the East closer to people in the West."

While there has been some criticism in the way that the money has been invested, the focus now is on delivering the EU's "Connecting Europe" plan, to build trans-European infrastructure links. All the £9 billion being spent by the Connecting Europe Fund (CEF), for example, will have to be used in a way to benefit more than one country, with the ultimate goal of establishing nine new transport "corridors" which will allow EU goods and citizens to travel easily across the whole of Europe.

Austria has been part of the EU since 1995 and has a far more established road infrastructure than many of the newer member states. Its 1,720km autobahn network gives it the highest motorway density per capita of any country in Europe, principally due to its strategic location at the heart of the continent and on a key transit route through the Alps.

Key Opportunities

26 Design and delivery of new motorways and A roads, including tunnel work, bridges, cross-border connections and projects to improve the regions traffic flows

27 Design and delivery of urban re-generation projects, including Budapest, Warsaw, Vienna and Zagreb

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The country planned to invest £800 million in its road network in 2014, rising to one billion in 2015, with 60% of the total being on new construction projects, with one new autobahn currently under construction and another planned. New routes will include the A5 link towards the Czech border, which will form part of a new link between Vienna and Prague which is due to be completed in 2017.

Since its accession in 2007, Bulgaria has benefited from European funding to accelerate the development of its road network, which currently comprises some 750km of motorway, with a further 149km under construction. Trakia Highway, a 360km link between Sofia and Burgas on the Black Sea, Bulgaria's fourth largest city, was completed in 2013. The next project which is to be completed by the end of 2015, is the 83km Maritsa Highway, which intersects with Trakia Highway and creates a direct link across the Turkish border to Istanbul. A strategic project to be financed with EU money in the next two years is the Struma Highway, creating a route south from Sofia to the Greek border. As it is routed through the environmentally sensitive Kresna Gorge, proposals have been put forward for a 37km long twin tube tunnel, making it the longest in Europe, and is expected to cost almost £354 million. Other projects include the completion of the Hemus Highway, which crosses the country from Sofia, north towards Varna, Bulgaria's third largest city and biggest port on the Black Sea coast.

Another significant project is a 50km route, west from Sofia to the Serbian border at Dimitrovgrad. When completed it will link to a new 100km motorway being built from the Serbian border to Nis, the country's second city. Sofia and the Black Sea will be directly linked to the West European motorway network. There are plans to build another two motorways, Ruse - Svilengrad - Turkish border and Burgas - Varna (Chermo More Highway) under PPP schemes.

Currently, the Road Infrastructure Agency is implementing the Gabrovo bypass project, part of which is the tunnel under Shipka. The project is divided into five stages and the tunnel is scheduled for construction by 2020. It is part of the Pan-European Transport Corridor IX Bucharest - Ruse - Dimitrovgrad - Alexandroupoli. Also, £106 million is to be invested into the rehabilitation of smaller roads between 2015 to 2020.

Within the EU's newest member state, the Croatian Government is prioritising infrastructure spending, in a bid to improve transport connections throughout the whole country. Key projects include the construction of the Peljeski Bridge and access roads to it. This will provide an improved connection between the south and north of the country.

One major project is an Adriatic-Jonska highway, which will pass through Trebinje and Pocitelj. This will be a continuation of A1 Highway towards Albania and Montenegro. The A1 is regarded as being unfinished, as there

are plans for it to be extended from Ploče to Dubrovnik, but this is complicated, due to the Neum enclave of Bosnia and Herzegovina.

Of all the countries within the CEE region, Czech Republic has one of the most developed motorway networks, with some 730km of motorway radiating from two principal hubs at Prague and Brno. One significant project due for completion in 2016, is the huge Blanka Tunnel Complex in Prague, its opening will help to reduce high levels of congestion in the Czech capital. Accompanying parts of the project have been opened to traffic during 2015.

At 1,400km in length, the Hungarian motorway system is the most extensive in the CEE region. Hungary has no less than seven neighbouring countries, all of them can be reached by motorway, with links to Romania and Ukraine due to be opened during 2015. Within the country there are TEN-T corridors from the north to south (Slovakia to Romania) and from the west to east (from Italy to Ukraine), which cross each other in the region of the Polgar Industrial Park.

During 2015, the country’s highway programme will see around £129 million spent on upgrading some 500km of the network. Hungary’s Ministry of National Development (NFM) plans for the work to commence in the first half of 2015, and be completed by the second half of the year. The cost for this programme will be met from EU funds in line with the country's Transportation Operative Programme (KOZOP).

Hungary’s national infrastructure development company NIF, will also add two new lanes to the M85 and M86 roads, while the country's road Number 8 will be widened to dual carriageway for 42km between Szekesfehervar and Herend.

The European Football Championships in 2012, provided a huge spur to road construction in Poland, which was joint host of the tournament with Ukraine. But the building programme has continued and in the period up to 2020, Poland will spend £20 billion on motorway projects. By the end of 2015, three motorways will span the country, with two routes running east to west (the A2 running centrally and A4 along a southerly alignment) with the A1 providing central north - south link.

In June 2014, the A2 Motorway, providing a link from the Polish-German border in Świecko/Frankfurt (Oder) to Warsaw, was officially named the Autostrada Wolności (Freedom Motorway). It forms part of part of European route E30, connecting Berlin and Moscow and will gradually be extended eastwards from Warsaw to the Polish-Belarusian border at Terespol/Brest, where it will connect to the M1 Highway, with completion of this section expected in around 2020.

In August 2014, contracts were signed for two key road projects. The Polish General Directorate for National Roads and Motorways (GDDKiA), awarded a £136 million contract for construction of the Rzeszow to Jaroslaw section of the A4 Motorway to a consortium comprising contractors Budimex and Strabag. At the same time, Italian construction group Astaldi has signed a £82.4 million contract with GDDKiA for the S8 dual carriageway between Warsaw and Bialystok.

On a larger scale, GDDKiA announced plans in October 2014, for construction of three sections of a new southern ring road around Warsaw, at a cost of around £1.28 billion. GDDKiA also announced plans to build three sections of the S6 express road from Goleniow, near Szczecin, to Koszalin, a total distance of 53.4km, with each section likely to take more than three years to complete and the whole project costing around £576 million.

Major motorway developments are taking place in Romania, which currently has some 650km of motorway, with a further 245km under construction. Among projects currently underway, are the A1 Motorway, which forms part of the Pan European IV Corridor and parts of the A3, for the Autostrada Transilvania, which is the largest motorway project in Europe, extending for 588km from Bucharest to Oradea near the Hungarian border, and expected to be completed by 2018.

Romania's National Roads Authority, CNADNR, announced in June 2014, that feasibility studies would be carried out for four new routes totalling 430km. These comprise a 91km route linking Targu Mures with Ditrau, a 118km highway from Ditrau to Targu Neamt, a 100km route from Targu Neamt to Ungheni, and a 120km link from Buzau to Galati.

A major extension of Slovakia's motorway network is underway, although spending in 2015 will be lower than in 2014. The Slovakian National Motorway Company is using a combination of both EU and state funds to invest in motorway construction during 2015, with some £415 million allocated, around 16% less than the 2014 budget.

Foremost amongst the expansion is the D1 motorway, the most important route in the country, which will provide a link from the capital city, Bratislava, through Eastern Slovakia and on to the border with Ukraine, which is expected to be reached in 2020. Opening of the route from Bratislava to Košice is planned during 2015, although a number of by-passes and tunnels will not be completed until 2018.

Between Košice and the Ukraine border, a major feature of this new route will be the country's longest tunnel. The £328 million Visnove Tunnel will be around 7.7km long and will be constructed in the Tatra Mountains, close to Slovakia's border with Ukraine. Due to a number of complexities, planning the tunnel has taken 16 years, but contractor Salini Impregilo expects to complete the project in late 2019 or early 2020.

Twenty years after newly created Slovenia embarked on its National Motorway Construction Programme (NPIA), more than 500km of motorways, expressways and similar roads have been completed. Among major projects is the A4 motorway, a 34km link between Maribor and Gruškovje on the Croatian border, which also provides a link between the two principal cities of the Podravska region, Maribor and Ptuj. Construction began in 2007, and is due to be completed during 2015. ■

Upgrading rail links is a key priority

Upgrading of rail infrastructure is taking place across the CEE region on an unprecedented scale, with its nine countries being allocated around a half of the £281 billion EU budget, for the Regional and Cohesion Policy, for the period 2014-2020. Within the £143.1 billion to be shared between the nine states, the largest share (£62.1 billion) is earmarked for Poland, while three others - Romania, Czech Republic and Hungary – will receive £17.6 billion each.

One of the smallest recipients of EU funding within the region is Austria, which will receive just 0.7% of the total allocated funds, its state rail infrastructure business, ÖBB Infrastruktur AG, has an ambitious five year plan for the years 2014-2019, which envisages annual investment of between £1.6 billion and £1.9 billion in a variety of upgrading and expansion projects.

The plan for this five year period anticipates investment of £5.6 billion in these nine key projects, largest of which is the ambitious Brenner Base Tunnel. This 55km long railway tunnel, will pass through the base of the Brenner Massif and is a vital link in a series of projects which will create a single railway line from Berlin to Palermo.

Elsewhere in Austria, rail infrastructure projects include station upgrades, as well as the doubling of capacity to the south towards Italy, as part of a Trans-European Transport Network (TEN-T) southern corridor project. A total of 300km of new railway is due to be built by 2026, with extension of electrification and other upgrades, including quadrupling of the tracks between Ybbs an der Donau and Amsletten and from Linz to Wels.

In terms of rolling stock, both Siemens and Bombardier have significant carriage and bogie manufacturing and the Austrian State Railways, manufacture the Taurus Locomotive under contract from Siemens. In addition, there are a number of Tier 2 – indirect suppliers of components to Original Equipment Manufacturers (OEMs) - in Austria, including Liebherr, IFE (a major Austrian mechanical engineering group), Knorr and key infrastructure developers and designers.

The major element in Bulgaria's railway improvement plans for the period until 2020, is the £127 million modernisation of the line between Sofia and Septemvri, where harsh terrain makes the project a complex one. Tendering for the construction of this route taking place during 2015, with a similar schedule expected for Phase 2 of the Plovdiv to Burgas line, which includes the section from Plovdiv to Mihaylovo.

Bulgaria's long term plans for rail infrastructure development include the construction and modernisation of its entire east-west rail corridor, as well as the renewal of other lines which are vital for domestic and international traffic. The country has some 6,000km of railways but only two thirds are electrified, less than in most European countries. On significant parts of

the network, such as Sofia to Septemvri, the aging infrastructure limits the maximum speed to 100kmph.

Other key elements of Bulgaria's rail investment programme, include modernisation of the Karnobat to Sindel line, Sofia to Dragoman and Vidin to Medkovets routes. Reconstruction will be taking place of the Ruse to Varna line, construction of freight terminals at Plovdiv, Ruse and Varna and the building of a third metro line in Sofia. Bulgaria plans to raise £425 million in EU development funds to 2020, to upgrade infrastructure and boost services.

Sofia Underground is among the most successful infrastructure projects realised in Bulgaria in the last seven to eight years. Two lines are operational and building works on the third are expected to start by the end of 2015. Also anticipated, are the results from two tenders for contractor and supplier of rolling stock/communications systems.

Bulgaria has been at the forefront of EU driven liberalisation of its railway freight market, with a number of new private operators having entered the market. This has led to an increase in rail share, mainly along the Serbian-Turkish border. The share of this market is expected to rise further as a result of traffic passing through the new bridge over the Danube River at Vidin-Kalafal. Alongside infrastructure development, the Government plans to invest £141 million in the troubled Bulgarian State Railways (the sole passenger service operator) for buying new trains, improving the networks image and restoring profitability.

As with Bulgaria, the railway network in Croatia, has only marginally improved in recent years and Croatian Railways still lags behind the rest of Europe, with the network in urgent need of modernisation and investment in infrastructure, safety and performance, as well as integration with TEN-T corridors. As of July 2013, structural funds have become available and Croatian Railways has identified 13 projects with a total estimated value of £1.3 billion.

One major infrastructure improvement is a four year renovation and upgrading project around Zagreb's main railway station, to allow the speeding up of international rail traffic, to increase capacity and benefit the 50,000 passengers a day who use the station, which is also an important intersection on the TEN-T Network.

Croatia acts as a bridge between the north and the south and its railways link Central Europe via Salzburg, Zagreb and Belgrade with Thessalonica in Greece (TEN Corridor X). A second TEN corridor connects Budapest via Zagreb with the Adriatic port of Rijeka, and is one of the most important rail corridors in Croatia. The Zagreb upgrade project is designed to accelerate growth in national and international rail services, both passenger and freight, and deliver a boost to the Croatian economy, as 46% of the country's rail freight is export oriented.

Four major capital rail projects are planned in Croatia, worth a total of £3.8 billion. The largest of these is the reconstruction of Rijeka-Karlovac-Zagreb-Koprivnica-Botovo railway, as part of the £2.9 billion Croatia-Hungary cross-border project. Second in terms of importance, is the Vinkovci-Serbian border route, forming part of TEN Corridor X, for which the European Investment Bank (EIB) has allocated £24.8 million out of the total cost of £52 million. In total, investment of £4.2 billion is planned for the Croatian rail network, with the aim of achieving minimum speeds on the network of 120kmph for freight trains and 160kmph for passenger services.

In addition, £40 million has been allocated for the construction of 20 new diesel-electric locomotives, and approximately £16 million worth of projects tied to the maintenance of the network in Croatia. In terms of rolling stock, both Bombardier and Siemens have a strong local presence. Bombardier delivered eight tilting trains to Croatian Railways in 2004, and Siemens is actively looking for joint ventures with Croatian rolling stock producers Koncar and Gredelj.

Czech Republic is another CEE country to benefit from EU funding, as a means of upgrading its strategically important, but outdated, rail infrastructure. In July 2013, the European Commission announced approval for an investment of more than £320 million to support the modernisation of the system and to bring it in line with EU standards. Three separate projects will help complete priority routes which make up the TEN-T network, helping make the country more attractive to businesses and investors.

The main project is modernisation, at a total cost of £372 million, of the line between the Czech and Slovak state border and Český Těšín in the eastern part of the Moravia-Silesia region, for which the EU's Cohesion Fund has contributed £210 million of the total cost. In addition, almost £120 million

from EU regional funds was approved to modernise the line between Beroun and Zbiroh in the Czech regions of Central Bohemia and Southwest, which forms part of the TEN-T route connecting Athens to Prague.

Like other CEE countries, Hungary has ambitious plans for the upgrading of its rail infrastructure, and in August 2013, set out plans to invest £2 billion over the following five years, some 40% more than it planned to spend on roads in the same period.

Other lines to be upgraded before 2020, are commuter lines in the Budapest area, parts of Trans-European corridors, and previously announced schemes such as the electrification of the Hegyeshalom-Szombathely-Zalaszentiván line.

Key Opportunities

28 Design and delivery of new railway, tram and metro infrastructure, plus the rehabilitation/modernisation of existing lines and stations

29 Connecting Europe Facility (CEF), supporting strategic projects in transport, energy and telecommunications infrastructure, with over £21 billion in funding

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Currently investments are carried out in order to make the signalling system compliant with the European ECTS2 standards, plus a GSM-R system is being installed. The track between Budapest and Esztergom is in the process of being reconstructed and electrified, as is the Hegyeshalom-Csorna-Porpác section. Other investments include track reconstruction in the area of Szajol, Szolnok and Püspökladány and the section Tata-Budapest of the international corridor, between Budapest and Vienna, which is undergoing an upgrade to enable trains to reach the speed of 160kmph. In parallel, major regional railway stations are also being reshaped - Békéscsaba, Székesfehérvár, Vác, Debrecen.

On a far grander scale, a feasibility study is being undertaken for a potential £2.4 billion high speed rail line linking Budapest and Belgrade, which could be financed and built by Chinese banks and construction groups. Raising the speed of rail travel between the two capitals to 160kmph would cut the travel time to less than three and a half hours and the route could be a passage for Chinese goods shipped to Europe via ports in Greece.

Slovakian Railways (ŽSR) plans to invest £305 million for upgrading the infrastructure in 2015, through a combination of EU and state budget funding. Among projects to be financed are modernisation of the lines from Žilina-Košice and Poprad Tatry-Krompachy and the installation of new signaling on the route from Kúty-Nové Zámky-Štúrovo/Komárno.

The European Commission has approved an investment of £67.4 million from the EU Cohesion Fund to upgrade a key railway line in the Slovak region of Trenčín. The line from Bratislava to Žilina is part of a priority European transport route: the core TEN-T railway network. The 8.9km section of line between Beluša and Púchov will be made faster and safer as part of a project to modernise the entire core TEN-T corridor Bratislava-Žilina-Čadca-Polish border/Zwardon.

Major rail infrastructure proposals in Slovenia would cost an estimated £7.2 billion. These comprise of construction of new high speed lines, upgrade of existing, renewal of rolling stock and purchase of railway equipment, such as new signalling. Slovenia has access to around £2.4 billion in EU funding for such projects.

A total of £304 million was invested in the Slovenian railway network during 2014, with planned expenditure for 2015, of £264 million. A number of projects are due to be completed by the end of 2015, the largest of which will be the £372.4 million electrification and upgrading of the Pragersko-Hodos line, including modernisation of level crossings and underpasses at stations. This is the only section of the European Transport Corridor V not yet electrified, and the project has attracted a contribution from the EU Cohesion Fund of £184.9 million.

Poland has been investing heavily in the upgrading of its extensive rail network, which at more than 19,000km is the sixth largest in Europe. Two thirds of the network requires renewal, so in the period up to 2030, some £20 billion is expected to be invested in the country's rail infrastructure, with £1.7 billion being spent during 2014, when 2,000km of track was modernised.

A key driver of modernisation has been the arrival on Polish tracks of high speed trains. In December 2014, a fleet of 20 Ekspres InterCity (EIC) Premium trains, more commonly known as Pendolinos, entered service with Polish state railway operator, PKP Intercity, linking Warsaw with the country's major cities: Gdańsk, Wrocław, Krakow and Katowice. In November 2013, one of the new Pendolino trains had set a new speed record of 293kmph during test running on the Central Rail Line linking Warsaw and Katowice.

Railway lines to be modernised by EU funds

Polish railways have launched new investments within the 2014-2015 EU budget. Polskie Linie Kolejowe (PKP PLK), railway infrastructure operator, has submitted seven applications for over £1.7 billion to be spent on modernisation of railway lines. Within the Connecting Europe Facility (CEF), the funds are to be spent on modernisation of 570km of railways, including those which connect Warsaw with Poznan, Szczecin, Bialystock and Wroclaw, which will allow for higher velocity of train services. The bidding for the majority of the work is to commence before the end of 2015. PKP PLK has also filed for subsidies for a feasibility study, regarding development of two international cargo transport corridors, one linking the North Sea with the Baltic Sea and one linking the Baltic Sea with the Adriatic Sea.

PKP PLK plans to spend over £8.5 billion on investment by 2023. The firm intends to launch £1.9 billion worth of projects by the end of 2015. Worth nearly £51.2 million, the first contract for modernisation of the motor control system at the Poznan-Wroclaw section was signed in April 2015. The upcoming tenders concern the last section of Wroclaw-Poznan route, Sochaczew-Swarzedz section as well as projects in Warsaw. The remodelling will help increase trains maximum speed to 160kmph and cut total journey time.

Romania has an extensive rail network amounting to some 10,800km, but little more than one third of it is currently electrified and, after years of neglect and deterioration, the network now needs substantial investment in modernisation and upgrading. More than £7.2 billion has been allocated from the European funding to Romania for infrastructure works in the period up to 2020.

Among major rail projects underway or planned, the principal focus since 2007, has been modernisation of the pan-European Corridor IV. This route crosses Romania from west to east and has two branches: a northern branch through such cities as Arad, Alba Iulia, Sighişora, Braşov and Bucharest to Constanța on the Black Sea, while the southern branch via Timişoara and Craiova provides a connection to Bulgaria via a new bridge across the Danube at Calafat.

The next sections to be upgraded are those in Transylvania between Braşov and Curtici, at the Hungarian Border, close to Arad. This is part of a total project valued at £2.2 billion, while other future projects include the £141 million modernisation of 16 stations, and the launch of a feasibility study tender for a potential new high speed line.

Another strategically important route targeted for eventual upgrading is the pan-European Corridor IX, which crosses Romania from the Moldovan border in the east to the Bulgarian border in the south. Estimates suggest that complete renewal of this route within Romania would cost around £2.8 billion. ■

Ports being expanded across Emerging Europe

Development of port infrastructure within Central & Eastern Europe forms part of wider plans by the European Commission (EC), adopted in May 2013. These promote a set of initiatives for better connecting and developing the competiveness and attractiveness of all Trans-European Transport Network (TEN-T) ports, totalling 329 ports across the EU, including those of Croatia, the newest accession state. In 2011, EU ports handled 3.7 billion tonnes of cargo, but projections suggest that volumes will increase by 50% by 2030, so significant investment in capacity will be required.

In a strategy document setting out its key objectives, the Commission outlined three areas: the first is to establish a clear European legislative environment, to guarantee equal conditions for competition and legal certainty, while the second is to promote an effective social dialogue between the employers and employees of the port communities, in particular dockworkers.

The third initiative, is to make full use of the new TEN-T Guidelines and the Connecting Europe Facility (CEF), to attract investors, connect ports to the rail, inland waterways and road network and also to enhance their role as an integral logistic element within the corridors. It is all part of a drive to create a sustainable transport system which supports the long term prosperity and living standards of European citizens.

Seaports play a vital role within the EU: 74% of goods imported and exported internationally and 37% of exchanges within the EU, go through seaports. These ports also link peripheral and island areas. They are the hubs from where the multi-modal logistic flows of the Trans-European network can be organised, using short sea shipping, rail and inland waterways links as a way of minimising road congestion and reducing energy consumption.

The EC's strategy document suggests that new TEN-T guidelines and the CEF will mean consistent investment strategies and efficient EU funding during the 2014-20 budget period. Any port looking for funding during this period will need to be part of the core CEF network and provide a robust cost/benefit analysis of any planned investment project.

Bulgaria has seen a large increase in the volumes of trade at its two major international seaports, Burgas and Varna, particularly in container traffic. To cope with continued growth, the country will seek Public Private Partnership (PPP) schemes to develop container terminals at the two Black Sea ports. The Bulgarian Parliament sees the upgrades of the two ports as an essential step in the right direction, if Bulgaria wants to attract a part of the freight flows currently circumventing the country and using ports such as Thessaloniki in Greece and Constanta in Romania.

Ageing infrastructure at both Burgas and Varna has led to plans for new container terminals, where container volume has risen from a combined total of 127,000 twenty foot equivalent units (TEUs) in 2007, to an estimated 700,000 TEUs in 2015. Targets set for 2017, two years after scheduled completion of the expansion projects, suggest a total of 829,000 TEUs.

Both Varna and Burgas ports are planning extensive regeneration activities, to ensure wider public access to the port zones and build new recreation and amusement facilities along quayside areas. Burgas port has been partially privatised, while Varna port and the Danube ports of Vidin and Lom are expected to be offered on concession in the next one to two years.

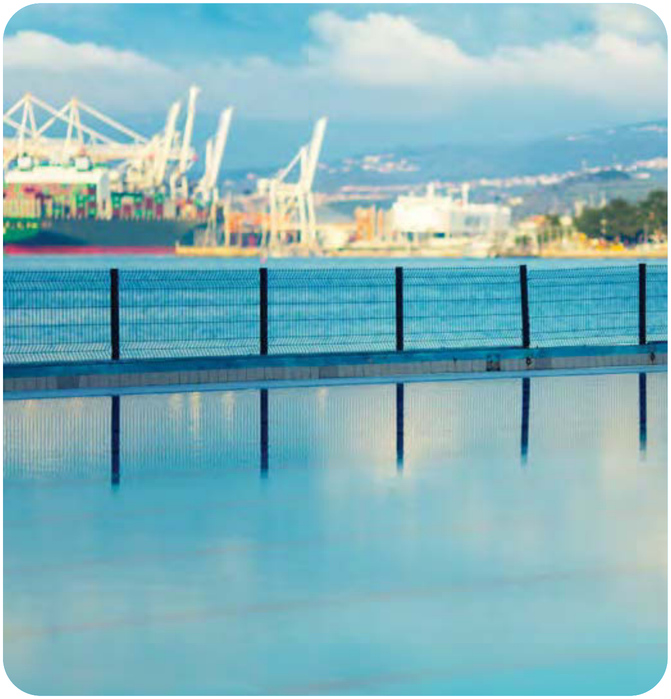
Croatia is famous for its 500km coastline, and its 1,000+ islands, which attract ever increasing numbers of visitors to its idyllic Adriatic coast. But the Croatian Government has ambitions beyond the seasonal tourist trade and with support from the World Bank, plans to turn its ports into engines of regional growth through increased private sector investments.

Two World Bank supported port projects are currently underway in Croatia, which aim to maximise the benefits of the country's proximity to both Western and to South Eastern Europe. One of these is at the Port of Rijeka, close to the Slovenian border, and the other is at Ploče, where Croatia narrows to a strip of land at the southern border with Bosnia Herzegovina.

The Rijeka Gateway programme aims to develop the capacity, financial performance, and quality of services to meet growing traffic, while also facilitating urban renewal by enabling a relocation of port activities. It already generates around 60% of its cargo traffic from trade with Hungary, Austria, Slovakia, and Czech Republic. By 2020, it is forecast to handle 600,000 TEUs per year, around four times the current volume.

This capacity upgrade, based on a PPP deal involving government authorities and one of the world's largest private terminal operators, International Container Terminal Services (ICTSI), will enable Rijeka to develop as a major regional port, connecting seaways with even more European road and railway corridors. It is the first long term port concession in Croatia, including substantial private investment in superstructure and equipment.

Investment in expansion is also taking place in Poland, which has four major ports at Gdansk, Gdynia, Szczecin and Swinoujscie. At Gdynia, for example, the port authorities signed a £8.5 million agreement in October 2014, with Strabag Sp. z o.o. for phase I of a project to rebuild the Romanian wharf quays at the port.



This project, for which the authorities are seeking funds from the EU's Cohesion Fund, includes reconstruction of the 355m long quay and dredging to a depth of 13.5m is scheduled for completion in November 2015. It forms part of a larger three phase project to modernise and increase the capacity of handling all the quays at Gdynia, by allowing the berthing of ships requiring quay depths of 13.5m, with potential further dredging to a depth of 15.5m.

Neighbouring Gdansk, is also a beneficiary of EU funding under the TEN-T programme in a modernisation of its quays and dredging of approach channels. Half the project cost, is coming from the EU, which recognises in its transport strategy that the Port of Gdansk plays a significant role as a key link in the Trans-European Transport Corridor No. 6, connecting the Nordic countries with Southern and Eastern Europe.

Key Opportunities

30 Development of existing port infrastructure and the construction of new cargo and passenger terminals and improved sea/river transport connections

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The Szczecin-Świnoujście Seaports Strategy has an ambitious plans for developing the two ports, with total investment envisaged of £170 million, of which a significant part is expected to come from the EU. The aim is to raise total cargo handling capacity of the two ports from a current total of 23 million tonnes to 42 million tonnes by 2027.

The strategy, to make Szczecin and Świnoujście major ports on the south Baltic Sea, aims to maintain the nature of the two ports in handling a range of bulk cargo, but will see improved road and rail links to the ports, deepening of approach channels to allow the handling of larger vessels and an extension of the port areas with related commercial development of land in these enlarged port areas.

A wide range of upgrading work has been undertaken at Constanta, Romania's principal port and a major strategic location, being both a maritime and a river port, as it enjoys a connection with the River Danube via the Danube-Black Sea Canal. Significant quantities of cargo are carried by river between the port and CEE countries, including Bulgaria, Hungary, Austria and Slovakia, as well as Serbia and Germany.

Among EU-backed projects undertaken during the period from 2007, are a 1,050m extension of the port's northern breakwater, a new road bridge over the Danube-Black Sea Canal and expansion of railway capacity around the port area. EU Structural Funds have met 85% of the combined £192 million cost of these projects.

One further plan to enhance infrastructure at Constanta, is a £30.4 million proposal to provide deeper approach channels and basins, where another bid for funding has been made through the EU's Sectorial Operational Programme for Transport (SOP-T 2007-2013), from EU Structural Funds and from the State budget.

As a means of identifying further opportunities for expansion, a £2 million contract was awarded to Ernst & Young SRL and Inros Lackner AG in February 2014, for their technical support in preparing a development masterplan for the port of Constanta until 2040. This report was due to be completed in February 2015.

Like Constanta, Slovenia's major port, Koper, occupies a major strategic location, being some 3,700km closer to destinations east of the Suez Canal than the ports of Northern Europe, while land transport from Koper by road and by rail to the main industrial centres in Central Europe, is approximately 500km shorter than from Northern European ports. Koper is a multi-modal port and one of the most modern in the region, but its development has been hindered by a lack of sufficient water depth.

Plans for further expansion of Koper, include an extension of the two existing piers and the construction of pier no. 3, which will be dedicated to container handling. Significant investment is also planned in cars and general cargoes handling, with the total port area being increased from 280 to more than 400 hectares. ■

Huge improvements needed in Emerging Europe's water infrastructure

There are a number of major challenges facing the nations of Emerging Europe, in the water and wastewater sector involving such issues as climate change, demographic developments, urbanisation, economic progress and social change. At the same time, new member states located in Central & Eastern Europe need enormous investment in upgrading their water infrastructure.

The sector's most significant problems are the limited availability of water resources, discharges of non-treated or insufficiently treated wastewater, the lack of investment in the rural and municipal water supply and institutional failures at the level of water operators and central or local government.

Funding for water and wastewater projects in Emerging Europe comes from various sources: (pre-accession and post-accession EU funding), governmental or local budgets, Public Private Partnerships (PPP) or concession contracts in some cases. The total market value for the water and wastewater sector in Emerging Europe is estimated at £7.85 billion in the period up to 2020.

Major opportunities for UK companies lie in three broad areas, consultancy, works and equipment supply. Within consultancy, opportunities range from general and detailed design and technical assistance.

Opportunities within works, encompass construction of water treatment plants; wastewater treatment plants; new and extended pipe networks for both water distribution and sewerage collection; rehabilitation of networks; distribution network re-configuration and flood protection and river engineering.

Equipment supply opportunities include the full range of equipment for water treatment and wastewater treatment; storm water management technology; leakage detection equipment; network management and monitoring - data logging and supervisory control and data acquisition (SCADA) equipment; geographic information systems (GIS), network modelling and network management systems software.

Austria has abundant natural water resources, with three major drainage basins (Danube, Elbe and Rhine), together with mountain peaks, glaciers and 6,000 lakes, meaning that 99% of the domestic population can be supplied with spring and groundwater, while the share of treated surface water (1%) is very small compared with many other European states. An investment programme to sustain and improve the quality of Austrian drinking water by modernising drinking and wastewater systems, was worth an estimated £130 million in 2013-2014.

On a far larger scale, investment totalling £4.25 billion is required to implement Bulgaria's national water strategy, in the period up to 2025, of which £800,500 will come from EU funding. Bulgaria's water and wastewater sector has suffered from investment neglect for the past 15 years and an estimated 500,000 of its citizens do not have 24 hour access to water supply.

Leaks in water pipes can allow infiltration of contaminated groundwater or sewerage, and infiltration of sewerage can also occur when water pressure in the mains is low. The most probable financing mechanism will be PPP to be used alongside EU funding.

KEY OPPORTUNITIES

31 Water treatment plants and flood management systems

32 Improved waste management, to comply with EU technical and environmental targets on reducing landfill and increasing recycling

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In the period between 2015-2020, EU funding will be used for the construction of water supply and sewerage infrastructure, in settlements of over 10,000 residents. This funding also includes improvement of facilities for sludge treatment, flood prevention and protection measures, improvement of drinking water, rehabilitation of existing dams and construction of new ones.

Water is a key sector for the Croatian Government, which plans substantial new investment in the period up to 2020, with support from EU Structural and Cohesion Funds. The prime focus of this investment will be the modernisation of water management infrastructure, mainly in the area of wastewater treatment and flood protection. At the same time, the Government is keen to consolidate a sector where there are currently more than 120 municipal utilities and around 400 small systems, into larger units of one service provider, in one area.

The European Bank for Reconstruction and Development (EBRD) is looking to play a role in the process of upgrading Croatia's water infrastructure. In January 2014, it announced that it was considering the establishment of a Cohesion Fund Co-financing Water & Wastewater Framework (C2CF) and the approval of up to £160 million, for the financing of up to 15 projects in the water and wastewater sector. The Framework will further mobilise up to £640 million of EU funds for water and wastewater investments.

As with Croatia, Czech Republic has had to upgrade almost every aspect of its water sector in order to meet EU standards. This has resulted in the formation of an impressive industry which is modern and runs extremely efficiently, according to a report on the sector by Business Monitor International (BMI). However, improvements are ongoing and there is certainly plenty of room for further modernisation, the report notes.

Opportunities in Czech Republic are in the numerous projects announced by municipalities and large private operators for modernising municipal wastewater treatment plants and upgrading sewage pipelines. Longer term priorities are in flood protection, anti-flood solutions, river basin management and treatment of pollution of surface waters by nutrients, for which EU funding is available.

Hungary is another CEE country to benefit from EU funding as a means to upgrade its water infrastructure. In August 2014, a Partnership Agreement for the country covering the years 2014-2020, was announced in Brussels, under which five EU funds including the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), would support upgrading infrastructure, principally in transport, but the announcement added "in the waste and water sectors, some investments are still needed to make sure EU environmental requirements are fulfilled."

In Poland, the water sector has seen major investment over the past few years, but remains to be done. Around 100,000km of wastewater pipe networking has to be constructed by 2015, in addition to more than 11,000 small sewage treatment systems. Also, around 360 sewage treatment plants need to be refurbished or built. A total of £4.8 billion was allocated to bring the country's water and wastewater management in line with EU regulations for the period 2007-2013, with further substantial investment in the period 2014-2020.

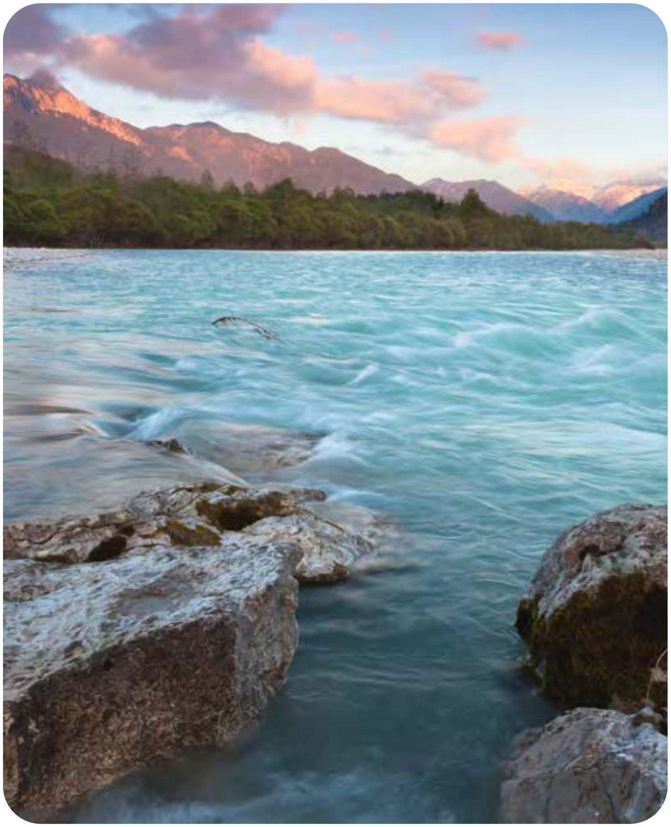
"Despite a limited number of natural water resources, Poland is putting an impressive amount of energy into developing its water sector," notes a report by BMI, "…there is a big drive to increase the amount of households connected to mains water; a change that could result in a large increase in wastewater. This focus on growth and a distinct openness to foreign financial input suggests that the sector is very attractive to potential investors," the report concludes.

Romania is another attractive market for participants in the sector as the country strives towards achieving compliance with EU directives, and deadlines for water treatment in 2015, and advanced wastewater treatment in 2018. Three specific project opportunities identified by UKTI are the upgrading of Glina Wastewater Treatment Plant in Bucharest (stage 2), with a value of £352 million; upgrading and modernisation of the water and sewage network in the cities of Hundedoara and Deva, worth an estimated £92 million; and upgrading and modernisation of the water and sewage network in Vaslui County, with a value of £103 million.

Water supply remains an issue in Romania. A World Bank report in January 2014, noted that with a current population of 20.2 million, average water availability in Romania amounts to approximately 2,000m^3 per person per year. While this is above the threshold generally defined for water stress (1,700m^3), it is significantly lower than the average value for Europe (approximately 4,500m^3), and underlines the need for good management to ensure resource conservation and sustainability.

Slovakia's water sector is extremely underdeveloped and the country's water supply is massively polluted, according to a report by BMI, which notes a number of causes for this, including poor infrastructure, high water losses, and extremely high pollution levels due to a lack of sewage connections and an underdeveloped Wastewater Treatment Sector (WWTS).

"The country is in dire need of upgrades and expansions of existing facilities, as well as implementation of a large number of new water treatment, water distribution and sewage collection projects. The instigation of these projects is further hampered by the fact that the Government reduced water tariffs in order to make drinking water affordable in the wake of the privatisation of the formerly state-owned water companies, via PPPs," notes the report.



A £160 million investment programme is underway in Slovenia to build wastewater treatment plants in nine municipalities in the period up to 2017. The country has rich water resources and well developed public water supply systems and treatment standards, but lacks expertise and technology for the reuse and recycling of water. This means there are potential opportunities for companies able to offer innovative wastewater treatment expertise.

Opportunities in advanced engineering across the CEE region

Advanced engineering is a fast growing sector of opportunity for UK business seeking to develop exports to the nine countries of Emerging Europe. The market can broadly be divided into three subsectors, aerospace, electrical equipment and machinery.

Overall global exports of advanced engineering products to CEE countries in these three subsectors, totalled almost £84 billion in 2013. The UK's share was over £2 billion, suggesting that UK business is missing opportunities in the CEE market.

Aerospace

Sales of aerospace products in 2013, totalled £2.67 billion, where the largest market, Austria, accounted for more than half of overall demand. By contrast, the smallest market was Croatia, which accounted for just £10 million of total imports to the region.

Principal exports into the CEE region from elsewhere in the world were helicopters, aeroplanes and satellites, which totalled more than 78% of the aerospace market. The balance of the market was accounted for by aircraft parts, with that market being worth £549 million in 2013, or around 20% of total aerospace sales to the CEE.

UK exports of aerospace products came to £44.6 million in 2013. The bulk of this was aircraft parts, which represented 64% of total UK sales, with only 26% of UK exports being accounted for by sales of complete aeroplanes or helicopters. Romania was the UK's most important CEE market, taking £24.3 million of our export sales, compared to Austria, which only took £9.3 million of UK equipment, and Poland accounting for £7.9 million of UK export sales.

While aerospace is the smallest subsector of the advanced engineering market, looking at current UK aerospace exports, a number of interesting questions are raised. Firstly, whether the UK is exporting the right products? Secondly, is the UK exporting to the right countries? Thirdly, where do the greatest gaps lie between the UK and other EU exporters and why? Finally, what could be done to improve the UK's export performance?

Aircraft parts account for around 66% of the UK export total, yet represent only 20% of the total CEE aerospace market. Looking at the scale of exports to Germany, it is clear that the UK has the capacity to export aircraft parts in larger numbers, while the focus needs to be on the CEE's largest aerospace markets, Austria and Poland, which offer the biggest scope for improvement of UK export performance.

Electrical Equipment

Export of electrical equipment such as motors, generators, switching gear and integrated circuits, represent another significant opportunity for UK business. The CEE market for these products was worth £12.6 billion in 2013, with exports from the UK accounting for £228.9 million of this total, which is only 1.82% of the overall market.

Within the nine CEE countries, the largest market for electrical equipment is Czech Republic, worth £3.2 billion in 2013, of which the UK share amounted to £49.1 million, or 1.5% of the total. This compares to a German market share of almost 24% and a similar discrepancy between UK and German sales in two other key markets, Poland and Hungary.

The principal market for UK exports was Hungary, followed by Czech Republic, Poland and Austria, while the smallest market was Slovenia,

KEY OPPORTUNITIES

33 Aerospace supply chain, especially in Czech Republic

34 Wider supply of technology, components, equipment and services to FDI-driven and export-led manufacturing in areas like electronics and electrical engineering, ICT, lighting and engineering services

35 Collaborative partnerships for R&D and the development of innovative technology, products and processes, including under the Horizon 2020 programme

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worth only £1.54 million. Sales from the UK were principally of electronic integrated circuits and micro-assemblies, giving 53% of the total.

With the UK behind its EU counterparts, German exports, for example, totalled £6.4 billion or four times more than the UK, France and Italy combined. There is plenty of scope for British business to increase its sales of electrical equipment to these high growth markets.

Among product categories in this sector, the UK's principal weakness lies in the export of electric motors and generators, a CEE market worth more than £2 billion, but, where the UK market share is 1.6%. The picture is slightly better in the £5 billion market for electronic integrated circuits and micro-assemblies, where the UK market share rises to 2%, although UK business is under-represented in three key countries: Poland, Czech Republic and Hungary.

Machinery

Demand for electronic and other engineered goods such as data processing machines, components for vehicle engines and office and computer equipment is substantial across the CEE region, with sales of £22.98 billion in 2013, making it the second largest market in the advanced engineering sector after automotive.

UK exports to the CEE totalled £511.5 million in 2013, representing 2.22% of the overall market. Within this total, the largest category of UK exports was £150.7 million worth of equipment in the automatic data processing machines and optical readers, etc. category, which covered 1.48% of CEE demand. More significantly was UK export of parts and accessories for computers and office machines, where sales of £146.7 million were almost 3.9% of the CEE market in that category.

In contrast to the decline in UK sales of aerospace products, the overall UK performance in this category has improved since 2010. This was particularly the case with exports of machinery to Hungary and Poland, while export into Czech Republic decreased by almost 12% in comparison with 2010.

As in other areas of the advanced engineering market, the UK directed sales fall short of the average across other EU states, with German sales to the CEE of £5.68 billion being eleven times the UK total. Yet UK sales of electronic machinery to Germany were worth £1.12 billion in 2013,

and to the US were worth £2.33 billion, both well in excess of sales to the CEE countries.

However, the UK has a reasonably strong position in electronic machinery, which is not only growing, but is the only subsector of advanced engineering in which it has a stronger market share than France. For British exporters looking to build on this improving picture, questions to consider are; which are the largest markets, and which product categories offer the best chances of export success?

Among the nine CEE countries, the largest markets for electronic machinery are Czech Republic, Poland, Hungary and Austria. British market share is 4.2% in Hungary and 2.4% in Austria, with Poland at 2% and 1.95% in Czech Republic, which are the largest markets and account for total sales of £11.8 billion, more than 50% of the overall CEE demand for electronic machinery.

For UK business, the best opportunity within electronic machinery lies in the automatic data processing machines, optical readers, etc. subsector, which represents 44% of the overall machinery market and where the UK market share of 1.48% is well below its 2.22% share of this market in Germany, suggesting that there is scope for improved sales efforts in the CEE market.

Looking at specific countries, UK business should focus on strengthening its position in the important markets of Czech Republic and Poland. Particularly in the field of automatic data processing machines, optical readers, etc. This market in Czech Republic was worth £3.57 billion in 2013, larger than the entire CEE aerospace sector, but UK exports only amounted to £15.33 million, or just 0.42% of that market. On a smaller scale, the Czech market for products in the turbo-jets, turbo-propellers and other gas turbines category was worth £157.4 million in 2013, but the UK only had a 0.3% share of that market.

Automotive industry is a key economic driver

Vehicle manufacture is a key economic driver across the nine countries of Emerging Europe, directly employing almost 600,000 people, and accounting for 3.0 million (21%) of the 14.6 million cars produced in the EU in 2013, according to figures compiled by the European Automobile Manufacturers Association (ACEA). These also show that there are 41 automotive assembly and production plants across eight of the CEE countries, out of an EU-wide total of 208, with only Croatia having no vehicle making capacity.

Development of the region's automotive sector has been both recent and rapid. The CEE has a strong automotive history. Škoda (Poland) was founded in 1894 and Dacia (Romania) in 1966. The first movers were Volkswagen (VW) and Fiat, Ford and General Motors (GM), with VW opening plants in Slovakia and Poland in the early 1990s, and then transforming Škoda of Czech Republic, into one of its most successful brands. From Japan, Suzuki entered the market in Hungary and was followed by other Southeast Asian original equipment manufacturers (OEMs), including Toyota, Kia and Hyundai, as well as a range of component manufacturers. Currently the automotive industry produces an annual turnover of around £118 billion. The growth of Original Equipment Manufacturers (OEMs) has also increased the number of suppliers in the region.

A European Commission Report into the automotive sector "CARS 2020", published in October 2014, reported that the automotive industry is and will remain a backbone of the European economy. "The target of 20% European GDP by 2020, from manufacturing, can only be achieved with the strong presence of the automotive industry; therefore it is of utmost importance to keep key elements of the supply chain in Europe," it noted.

While vehicle sales recovered during the first half of 2014, the Report notes a range of longer term structural challenges to the industry. These include an ageing population, reservations about car ownership, falling distances covered annually as well as general trends, including high congestion in urban areas, improvements in public transport and longer vehicle durability.

The European Commission has secured significantly higher levels of financing to support research and innovation compared to 2007-2013, including a 50% increase of the budget of the European Green Vehicles

Key Opportunities

36 Supply chain for 44 OEMs producing 3.5 million vehicles annually, and supporting industries

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Initiative (EGVI). With substantial funding allocated by the Commission, Financing at national levels should reflect the economic and social importance of the industry, says the Report.

"Development and implementation of modern technologies, the hallmarks of the European automotive sector, must remain the key priority of any future strategy," notes CARS 2020. "The industry should have an ambitious target of turnover spent on research and development. Innovations need to be constantly introduced and diffused across the entire supply chain, including, the areas of components, production technologies, resource-efficiency, management, human resources and design."

Within the CEE region the largest automotive manufacturing nations are Czech Republic and Slovakia, which export large numbers of vehicles while their domestic markets remain small. The two countries produce more than five times their levels of domestic demand and, with a combined population of 16 million people, now produce more cars than France, whose population is four times the size, being reliant on demand from Western Europe and operating independently from the local markets.

The region has benefited from investment in new plants committed several years ago. That activity has subsided, but there is still capacity being added in the CEE region, notably a £637 million Mercedes-Benz car plant at Kecskemet, about 90km southeast of Budapest, which began production of the Mercedes B-Class compact car in October 2012, and it is likely to be the last major car plant to be built in Europe.

A concern amongst industry experts is that the CEE may miss out on the development of new hybrid and electric vehicles. The major manufacturers with plants in the region carry out their research and development elsewhere and there are few signs of emerging electric vehicle producers. So in the longer term, CEE countries will need to avoid becoming vulnerable to decisions made by OEMs regarding which plants they need to develop and retain.

Austria has a well established automotive sector, which is one of the top five industrial sectors in the country. More than 700 companies, with an estimated 150,000 to 200,000 employees, generate annual revenues of about £17.2 billion and along with related industries and services, the automotive industry secures employment for some 370,000 people, or close to one in eight of the working population.

Among major OEMs active in the country is GM, which invested a total of around £160 million at its Vienna-Aspern engine plant, between 2008 and 2010. Since it was founded in 1982, GM has invested a total of £1.7 billion in the Opel Wien GmbH plant, making it the largest powertrain plant in its worldwide operations and currently employing around 2,200 people.

Other major manufacturers active in the country include BMW, whose engine plant at Steyr is also its largest in the world and a development centre for all BMW diesel engines. MAN Group has two truck assembly facilities, at Steyr and Vienna, while Magna Steyr is Austria's largest company in automobile component supply and employs around 8,500 people.

Component manufacture, rather than vehicle production, is the focus of Bulgaria's automotive sector, which has only one vehicle manufacturing plant, a joint venture in the town of Lovech, between the Chinese manufacturer Great Wall Motor Co. Ltd. and a local partner, Litex Motor Corporation. This is part of a fast expanding business, fuelled by Bulgaria's location, its low taxes and labour costs.

Overseas component manufacturers from as far afield as Japan and South Africa have been attracted by a strategic location, close to important markets in Turkey and Romania. Companies include Montupet from France, which recently built a second production facility in the country and Johnson Controls, which has some 500 engineers in Sofia, designing instrument panels and infotainment systems. Others present include Sensata from the US, Magna International from Canada and the Japanese groups Yazaki and Sumitomo Electric.

The country's history as a home of electronics and computer engineering is a major attraction to vehicle component manufacturers. With regard to its low labour cost, at an average of £2.96 an hour, Bulgaria is far cheaper than many of the initial CEE countries, such as Poland, where the comparable hourly rate is £5.76, Hungary, where it is £6.32 an hour and Slovakia, where the figure is £6.88 an hour.

The Croatian automotive industry is focused exclusively on component manufacture, directly employing more than 2,100 people, with an estimated 7,000 working in related areas. With an average gross monthly salary of £880, labour costs are highly competitive, with other CEE countries, while the sector has established a reputation for high quality products, including braking and safety systems, electronic components, seats and steering wheels.

Around 90% of component products are exported and the sector benefits from the high concentration of car production plants in nearby countries such as Austria, Germany, Italy, Hungary, Serbia, Slovakia and Slovenia, with its ports offering low cost access to Asia and the Middle East. More than 50 component manufacturers make up the Croatian Automotive Cluster, which was established at Zagreb in 2006.

A number of Croatia's component manufacturers are now fully integrated into the supply chains of the world's leading automobile producers, including Audi, BMW, Fiat, Ford, GM, Opel, PSA, Renault, Toyota, VW and Volvo. Croatia is also at the forefront of innovation in electric car production, with Rimac Automobili's Concept One, and the DOK-ING XD in advanced stages of development.

The Czech Republic occupies pole position among CEE countries as a vehicle manufacturer, based on the history of Škoda, which celebrated its 100th anniversary in 2005. In 1992, Škoda began its development into a major global brand when VW started to invest in the company. Today it is one of the largest economic groups in Czech Republic, dominating the domestic market as well as being a major export success, it is based at Mladá Boleslav, 50km from Prague.

The country is home to three global manufacturers. Second to Škoda, the Toyota-PSA joint venture (TPCA) entered Czech Republic after the country joined the EU in 2004, while Hyundai established a strategic base for its

European operations shortly afterwards and started production in 2008. Truck makers Tatra and Avia, also have a long history in the country.

When Korean carmaker Hyundai established its plant at NoŠovice in the east of the country, it declared that it had located the plant on the European continent in order to produce close to the market. The NoŠovice location, which has a capacity of 300,000 units a year, was also chosen to be near the Slovakian affiliated Kia facility, in order to share components.

Hungary is among the most developed of the former Eastern Bloc countries and, like Czech Republic, has a long history of involvement with the automotive sector. Prior to 1990, the country had significant truck and bus production, with domestic brands Ikarus and Rába Automotive. Today, Rába supplies its three key markets, the EU, the US and the Commonwealth of Independent States, with axles, chassis and components.

After the dissolution of the Eastern Bloc, three global car manufacturers established themselves in the country. With Suzuki, Opel, Audi and associated component suppliers, the automotive industry became the main pillar of Hungarian manufacturing. Since then, Opel has shifted its activities to powertrain production but Daimler AG opened a plant in Kecskemét, 86km from Budapest in March 2012, to manufacture its Mercedes-Benz B-Class and new CLA compact coupe models.

In terms of parts manufacture, the country is focused principally on building engines, with GM and Audi having established major factories. In addition, there is a supplier base for other automotive parts, driven bythe presence of global vehicle manufacturers. Historically, Hungary had served as a base for domestic commercial vehicle component production, for delivery to the local industry and to the Russian producer AvtoVAZ.

As a location for automotive manufacture, Hungary has a number of attractions for inward investors. Compared to Poland and Czech Republic, it still offers relatively low wages, particularly in the blue-collar sectors. Productivity is higher than in other CEE countries, such as Romania, while the education and skill levels of its workforce were reasons behind Daimler's decision to set up in the country.

Poland is one of the three biggest countries in Emerging Europe and attracted a large amount of Foreign Direct Investment (FDI) during the 1990s, when four global automotive manufacturers arrived. The country is now the region's third largest car manufacturer after Czech Republic and Slovakia, with more assembly plants (14) than any other CEE country. Its dominant manufacturer is Fiat, whose largest operational base outside Italy and Brazil is at Tychy, near Katowice in southern Poland.

Polish car production fell by 9.55% to 575,117 units in 2013, principally due to discontinued production of the Fiat Panda at Tychy, a continued downward trend in production since 2010. But the trend reversed during 2014, as EU economies recovered and production could rise to 700,000 units over the next few years, according to Jakub Faryś, the Head of the Polish Association of Automobile Industry (PZPM).

"Looking at scale of production in Czech Republic or Slovakia, it can be assumed that Poland should produce around one million cars a year," added Faryś, in an interview with the Polish Press Agency. "Even in current conditions, in a two or three shift system their production capacities are sufficient to reach such a production level."

In April 2014, VW announced plans for the construction of a new £640 million plant at Września, near Poznan, one of the biggest investments in Wielkopolska province since 1989. The factory will produce new VW Crafter models at a rate of around 85,000 cars a year, with production due to begin in Q4 2016, this includes body, paint and assembly sections.

Romania was one of the principal vehicle manufacturers in Central & Eastern Europe prior to 1989, and has successfully retained that position as foreign companies including Ford, Mercedes, Audi, Honda and Peugeot have replaced domestic manufacturers of the communist era. In 2013, a total of 410,997 cars were produced in Romania, compared to a total of just 78,165 in 2000, making the country fourth largest in the CEE region behind Czech Republic, Slovakia, and Poland.

Labour costs are lower in Romania than in these other countries. This is one of the principal attractions to foreign investors, along with a population of

22.2 million, representing a large domestic market and geographical location, with the connection between the Black, Caspian and Mediterranean Seas.

A significant feature of the Romanian market, is its focus on smaller, budget-priced vehicles. This has been driven by the progressive investment by Renault into the local Dacia car business, which began in the 1960s and led to Renault taking majority control in 1999. Today the Dacia Logan, one of the cheapest cars in Europe, is a major success story. Renault also has a major presence in Romania, operating its largest research and development centre outside France in Tutu, to further develop automotive concepts for emerging markets.

The successful and rapid development of automotive manufacturing in Slovakia, dates back to VW's acquisition of a small production facility in Bratislava in 1991. VW was followed by PSA and the Hyundai subsidiary, Kia, this has led to the country becoming one of the major vehicle manufacturers of the CEE region.

Like Romania, the focus in Slovakia is on small cars, VW produces its Up model family car near Bratislava, at a site also producing the Škoda Octavia, the VW Touareg, Audi Q7 and Porsche Cayenne. Kia's facility near Žilina, some 200km from Bratislava, produces the compact SUV Sportage and the compact family car Cee'd, while PSA's assembly line in the western Slovak town of Trnava, builds the Peugeot 207, one of the most popular small cars in Europe, as well as the compact van Citroen C3 Picasso.

The Slovak Government has been active in attracting major automotive investors such as VW, PSA and Kia, offering them tailored infrastructure solutions and attractive incentives. This approach, linked with persuasive reforms, including a benign corporate tax system, helped to secure these prestigious projects and demonstrates the country's clear focus on developing its industrial manufacturing base.

Slovenia boasted its own automotive industry when it was part of Yugoslavia. However, the Slovenian commercial vehicle producer TAM had to file for bankruptcy when its market size shrank to two million inhabitants after the dissolution of Yugoslavia in the early 1990s. The sole remaining automotive plant was a facility in Novo Mesto owned by Revoz, a former joint venture between Renault and the domestic vehicle manufacturer IMV. In 2004, Revoz was taken over by Renault and remains the only automotive manufacturer in Slovenia.

While it undoubtedly faces increasing competition from Far Eastern manufacturers in particular, the CEE's automotive industry remains a key feature of the region's economy, benefiting from the European Commission's increased financial support for research and development and the drive to develop ever "greener" vehicles, and the region's focus on the manufacture of increasingly popular smaller vehicles.


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Opportunities awaiting in Central & Eastern Europe

Alan Colquhoun, Head of Central & Eastern Europe, DTZ

DTZ has been present in the CEE region since 1991, when it opened an office in Budapest, closely followed by Prague in 1993, and Warsaw in 1994. We are now present in all the major markets in the region, with more than 400 staff in seven countries.

The CEE markets provide various opportunities for UK business. EU member states within the region have added around 80 million inhabitants to the single market. Despite comparatively lower levels of spending power, their economies are working hard to catch up. Annual GDP growth rates are generally higher than in older European markets and larger countries such as Poland and Romania have substantial domestic markets. Poland in particular has delivered high, sustainable levels of annual growth to date: DTZ has noted that businesses from various sectors, for example banking & finance, IT, automotive, pharmaceutical and engineering, have combined their CEE domestic operations with outsourcing centres which provide various services to their operations in other markets. The level of technological complexity has been increasing as well, with manufacturing, R&D and software development now being added to administrative jobs such as accounting and call centres.

The real estate sector itself has made a major contribution to the CEE economies over the last 25 years, not least as businesses from all sectors demand appropriate premises, whether they are offices, warehouses, manufacturing or retail spaces. In fact, the real estate markets have evolved into a driver of demand and investment in the CEE region, due to the main markets now being sufficiently transparent and well-functioning, offering increasing amounts of modern space for attractive prices. Many cities such as Warsaw, Prague, Budapest and Bucharest now have high availability levels and rental prices which compare favourably with much smaller Western European cities. There is also an infrastructure advantage as new motorways, airports and other transport and telecoms connectivity is rapidly added and augmented, often via EU-funded projects.

While bureaucracy can be improved in most countries, improvements have been delivered in many, and we can easily forget that it exists in our "home" markets too! As employees from the previous regimes are now leaving the labour market, the future looks bright. A new generation of well-educated, multi-lingual and aspirational people are replacing them. Come and take advantage of the many possibilities offered in CEE. DTZ is ready to help in providing a wide range of services to fulfil your real estate needs.

Selected Office Transactions in the CEE region in 2014

T-Mobile Office Park | Poland | Warsaw

Tenant: Citibank International plc
GLA: 12,660 sq m

Olbrachtova 9 | Czech Republic | Prague

Tenant: Statni fond zivotniho prostredi (SFZP)
GLA: 8,000 sq m

Selected Retail Projects (development/leasing) in the CEE region in 2014

Galeria Północna | Poland | Warsaw

Client: GTC
GLA: 60,000 sq m

Forum Lviv | Ukraine | Lviv

Client: Multi Development
GLA: 36,000 sq m

Selected Retail Projects under management in the CEE region in 2014

Złote Tarasy | Poland | Warsaw

Owners: CBRE Global Investors, AXA Real Estate, Unibail Rodamco
GLA: 66,304 sq m

Sibiu Shopping City | Romania | Sibu

Owner: ARGO Real Estate
GLA: 80,000 sq m

Business opportunities abound for British companies in CEE

Ian Worboys, CEO, P3 Logistics Parks

Ian Worboys

As a British ex-pat businessman based in Prague, I've had first hand experience of the impressive transformations shaped by the economies of Central & Eastern Europe in recent years. P3 is unusual as a top five player in the pan-European logistics real estate business, with a platform that extends from Madrid to Bucharest, because we have our roots firmly in CEE, unlike all our main competitors.

Some 60% of the 2.9 million m^2 in warehouse space which we own and manage is located in the region and P3 is particularly strong in Czech Republic. This is where we have our headquarters and also where in 2014, we completed one of the Czech market's largest real estate investments, with the £378 million acquisition of a portfolio of 11 logistics parks spread across the country.

When I'm talking to companies about doing business in CEE markets, or to those who are considering locating here, I tend to divide the region into three different categories:

Established: These are places like Poland, Czech Republic and Slovakia, which are now broadly similar to Western European markets in terms of business culture and infrastructure. The added attractions are higher economic growth rates, fast expanding consumer markets and lower wage costs. Proximity to Germany, Europe's largest economy, means that these countries benefitted early on from their integration into the extended German industrial supply chain, particularly for the automotive sector.

Growing: Markets such as Romania and Hungary lie behind their northern and western neighbours in terms of growth and infrastructure, but have the potential to catch up fast with the right Government policies.

Emerging: Croatia and Bulgaria probably top this last group among their Balkan peers.

If I had to select one country in the region to particularly watch then it would have to be Romania, because it combines most of the key attributes of CEE markets with some additional and perhaps surprising factors. While it has a skilled workforce, low wage costs and a rapidly improving infrastructure it also has a high number of English speakers. Other attributes include cooperative pro-jobs trade unions, and a tough anti-corruption and tax avoidance regime, which in the past nine months has shown great results.

P3 made its first major investment in Romania in 2014, with the acquisition of a 215,000m^2 logistics park on the outskirts of Bucharest, with 40 hectares of land for build-to-suit development.

If you are considering relocating to CEE, I can thoroughly recommend the move. It is possible to enjoy a high quality of life at a much lower cost than in Western Europe.

Local markets catch the online retail bug

A little noticed, but nevertheless seismic shift in pan-European trade flows is underway, powered by the growth in manufacturing in Central and Southeastern Europe attracted by a skilled and competitive labour force, as well as the transformation in the efficiency of the region's logistics infrastructure and the expansion of local e-commerce markets.

The scale of the changes is shown by a recent research report from real estate brokers Colliers International, on Europe's main ports. The report showed that since 2010, in terms of the volume of TEU (20-foot equivalent unit or 6.1m) containers handled, ports servicing northern Poland and Germany have been at the top of the pile, helping to drive logistics demand across northern Germany into Poland and the core CEE markets. Gdansk (Tricity) has seen trade volumes increase by 133% since 2010, putting it on a par with Marseille in France, the report shows.

The growth in trade via Greece, Turkey and also Constanta, Romania, reinforces the shift in logistic patterns to routes via the Mediterranean up through southeastern Europe, which is running in tandem with a significant shift in manufacturing growth in this corner of the region, particularly in the automotive parts sector, servicing Germany's huge car industry.

But even these maritime-originated flows are dwarfed by the surge in traffic along the central European highways from Germany across Poland and Czech Republic, as well as intra-regional cargo movements. Local equivalents of Amazon are more dominant in markets such as Czech Republic and Romania than the global e-commerce giant.

With almost everything we consume passing through a warehouse, the impact of these swiftly evolving market trends is being keenly felt in the logistic real estate markets of CEE, where available space is among the tightest in Europe and where speculative building, i.e. development before pre-leasing to a tenant, of storage and manufacturing capacity has resumed in earnest for the first time since the financial crisis.

P3 Logistics Parks owns and manages 2.9 million m^2 of logistics warehousing, spread across nine European countries and has one of the

largest land banks available in the sector, with potential for 1.6 million m^2 of development. But due to the company's historical roots, P3 has a particularly extensive and modern network in CEE.

Backed by its shareholders, TPG Real Estate and Ivanhoé Cambridge, P3 made two substantial investments in these markets in 2014, adding 11 logistics parks in Czech Republic, two in Poland and one in Romania to the portfolio as well as development land in key strategic locations. These lifted the CEE region's share to about 60% of P3's assets.

Czech Republic makes up the largest part of P3's presence in CEE, with 14 logistics parks spread across the country, including the largest, Horní Počernice, on the outskirts of Prague. P3 has its headquarters in the Czech capital, which is at the heart of the "CEE Logistics Triangle" at the crossroads of east-west European transport links and Germany's expanding industrial market.

The Czech logistics market is developing rapidly as a result of its strategic location in central Europe and good transportation network. The low cost base and skilled workforce in manufacturing have made Czech Republic a key part of the supply chain. P3 customers such as Knor Bremse and Grupo Antolin highlight the strength of auto components manufacturing for the factory assembly lines in Western Europe.

Poland is also another key market for P3, sharing the supply chain and distribution characteristics of Czech Republic as well as its economic and political stability. P3 has four parks in Poland, two of which are located close to the core market of Warsaw.

P3's footprint in CEE includes Slovakia and was extended in early 2015 to Romania, where it acquired a 215,000m² park, close to central Bucharest to become a leader in a market that is emerging as an important European manufacturing and logistics hub.

Sofa.com's Polish success story at P3 Poznań




Sofa.com is a British online retail success story that has enjoyed rapid growth since its establishment in 2006, when the founders paid £136,600 for the internet domain name. The furniture and furnishings company now has annual sales of around £25 million, with the UK as the main market for its competitively priced range of customised high quality sofas, armchairs and beds.

Sofa.com management met P3 CEO Ian Worboys and CEE Managing Director Peter Bečár, in London in early 2014, to discuss the online retailer's search for a furniture manufacturing and distribution location. The company targeted Poland in particular for its skilled local workforce, competitive cost base and fast transport connections to the UK. Sofa.com had a bruising experience previously with another industrial and logistics real estate provider, which failed to deliver on its promises, but was convinced by P3's development track record and strong presence in Poland that the company would meet the online retailer's requirements.

The P3 Poznań park sits in a western region of Poland that is renowned for its long history of quality furniture making and so has the requisite pool of skilled craftsmen to produce the tailor made quality pieces at the rapid production rate needed by sofa.com. The ease of access to Western Europe, through the region's excellent motorway and rail links, was another key factor in the choice of the park for sofa.com. The £3 million manufacturing unit sofa.com established at P3 Poznań under the name of its Polish subsidiary Zaparoh, created 180 new jobs.

Gareth Williams, sofa.com CEO, said: "We aim to supply customers with better furniture at prices better than they can find in stores. For this we need to have the right production and distribution facilities. P3 Poznań offers a very attractive combination of an available labour force with a location which allows easy transport to our largest markets."

Initial talks with P3's development team revealed, that the planned size of the Zaparoh "build-to-suit" project could be scaled back to save 30% of the construction costs without impacting the targeted 50,000 a year sofa production capacity. The smaller warehouse cuts energy costs through reduced heat loss from the fewer skylights which are required under local building regulations.

Sofa.com signed a contract in March 2014, for P3 to build it a 11,252m^2 production, distribution and office facility at P3 Poznań, to be leased by Zaparoh. Construction work started very quickly because P3 owned the land and already had the required building permits in place.

The completed facility was handed over to Zaparoh in September 2014, a remarkably quick construction period for this type of project. Sofa.com began delivering products to its UK distribution warehouses and an Amsterdam showroom a short time afterwards.

Online sales driving retail sector expansion

Retailing across the countries of the CEE region, represents a huge market and a wide range of opportunities for UK business. From the developers and occupiers of new retail space through to the appetite for UK luxury goods, and the rapid adoption of online retailing, the potential is huge to businesses across the retail sector and logistics spectrum.

The CEE region is quickly catching up with the rest of Europe in its adoption of e-commerce. Online retail sales as a percentage of all sales were at between 3% and 4% in Poland, Czech Republic and Slovakia in 2014, compared to 10% in Germany and 14% in the UK. It is already starting to have an impact on retailers' operating models.

In particular, the supporting infrastructure allowing retailers to operate multi channel retailing is being put in place. Research by property consultants, Colliers International, shows that since 2011, e-commerce occupiers of logistics space have increased from 1.9% in 2011, to 9.1% in 2013. Amazon, for example, leased a massive 300,000m^2 of space in Poland alone during 2014.

Reliable delivery to consumers is crucial in expanding the e-commerce customer base. Yet statistics for the Polish market by Dotcom River, a Warsaw based software business, show that 91% of e-commerce deliveries were carried out by just three courier companies: UPS, DPD and DHL. This suggests room for new entrants into the logistics market.

The scale of the overall e-commerce opportunity across the CEE region is enormous. Figures compiled by UKTI suggest that the online market will grow from £14.7 billion in 2012, to £35.1 billion by 2017, with annual growth rates varying between 10% and 39% and averaging 25.2% in 2013, reflecting the speed with which internet usage is catching up with the rest of Europe.

Expansion of online retailing is also bringing about changes in the way customers are dealt with, whichever method they use for shopping. A study by retail consultancy Boston Retail Partners noted that 93% of respondents were working towards streamlining their operations to serve customers in a consistent way.

Among the ways in which retailers are seeking to improve both customer service and operating efficiency is Radio-Frequency Identification (RFID), a system to identify and monitor stock without manual data entry, so a product can be tracked from factory to store and then on to the customer. Spanish fashion retailer Inditex, for example, has introduced RFID technology to its East European Zara stores.

"Online is no longer a strategy to expand the sales channel; it's now part of a broad cohesive experience where mobile, online and in-store all support and reinforce the brand promise through seamless and flawless execution," said the Boston Retail Partners report, which also showed that while only 22% of retailers had merged their channel teams into a single organisation, more than 80% were expanding their online capabilities.

Austria is the only mature e-commerce market among the CEE countries, accounting for more than half (£8.8 billion) of the £16.9 billion spent online in the region during 2013. Statistics compiled by UKTI show that clothing and sports goods are the top products sold online in Austria, followed by holidays and travel, where more than half of the total market (54%) now accounts for online sales, while in third place are books and magazines, where online sales account for 50% of the total market.

By contrast, Bulgaria is one of the smallest online retail markets in the CEE region, worth a modest £160 million in 2013, according to UKTI figures. Just 17% of the population is currently buying online, although that figure rises to 60% in major cities, with books representing a large share of the online market, along with clothes and high-tech products. Bulgarians are still wary of using credit cards online, with most e-shoppers in the country preferring to pay cash on delivery for their online orders.

Croatia is another small e-commerce market in the CEE region, also worth £160 million in 2013, and growing at 10% a year, the lowest rate of any CEE country. More than a quarter of the Croatian population (26%) are buying goods online, with the list of most popular purchases being clothes and sports goods, event tickets and household goods. Credit cards and

KEY OPPORTUNITIES

37 Expansion of e-commerce across the region including loyalty schemes, secure payment systems and technology to improve both customer journey and experience

38 Further penetration of luxury brands especially in Prague, Warsaw, Budapest and Vienna

39 Expansion of high street brands and franchises across the region

40 Support services including distribution, marketing, category and brand management and supply chain

41 Broad supply chain for new shopping centre developments in capital cities and regional centres

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Paypal are the favoured payment methods and foreign e-commerce platforms such as Amazon, ASOS, Ali Express and eBay are more popular than domestic ones.

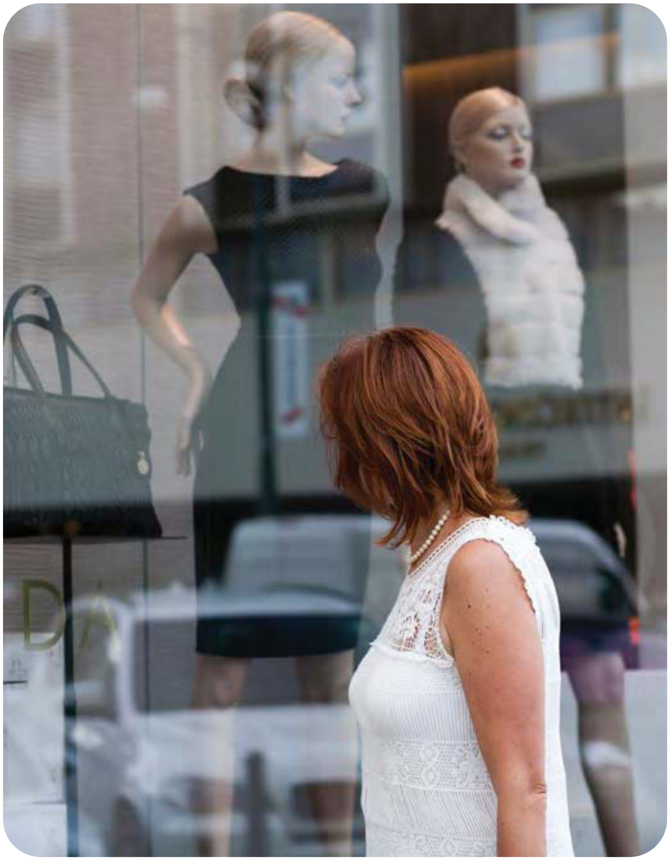
The Czech Republic represents the third largest online market place within the CEE region, worth over £1.8 billion in 2014 (accounting for almost 7% of the total retail turnover), and growing annually by 23%. With more than 37,000 e-shops, Czech Republic is an e-commerce power in the CEE region. As in Bulgaria, fears about the risk of fraud mean cash on delivery is the most popular method of payment, but bank transfer is also favoured and the rate of credit card use is constantly increasing. Electronics, home & garden, fashion and sports equipment, automotive accessories and electronic equipment are among the most popular product categories among Czech e-shoppers. M-commerce is also significantly on the increase - the current m-commerce rate is 50.3% (49.7% accounts for computers).

Hungary currently has a relatively modest e-commerce sector, worth £650 million in 2013, according to UKTI figures, which indicates that there are more than 5,400 websites available in the Hungarian language, of which 1,300 are registered outside the country. E-shoppers emphasise price and availability of products as the principal reasons for their use of websites based abroad.

After Austria, by far the largest online marketplace in the region is Poland, which, with 2013 sales of £4.2 billion, made it worth more than the combined total of the other seven Eastern European countries (£3.9 billion). Polish e-shoppers are predominantly in the 18-34 year age group (84%), they are mindful about quality versus price, making considerable use of social media and price comparison sites, and their most popular online purchases are clothing, books, electronics and household appliances.

Another fast growing e-commerce market in the region is Romania, which was worth £830 million in 2013, and is growing at 33.3% per year. Price is a major factor in online shopping, with products sold via e-commerce sites, typically being at least 10% cheaper than a retail outlet. Fashion represents the largest share of the online market (40%), with Romanians favouring cheap unbranded products or highly discounted luxury brands.

Competitive price is also a crucial factor in the Slovakian e-commerce market, where 61% of e-shoppers indicated that lower prices were their principal reason for shopping online, according to UKTI research. The Slovakian market was worth £260 million in 2013, and is growing at an above the CEE average rate of 30% a year. Most online shoppers are in the 25-34 year age range and 40% of all online buyers were doing so in a foreign online shop.



Slovenia is another modest e-commerce market, worth £145 million in 2013, but growing at the highest annual rate of any CEE country (39%). As in Slovakia, a large proportion (49%) of online shoppers are buying from international e-shops, with cosmetics, books, clothing and footwear being favoured purchases. The average online spend of a Slovenian e-shopper is £280 per year, well above the comparable figure in other countries.

Growth in online retailing has not reduced high street spending expansion across the region, with its capital cities being excellent locations for luxury retail brands, consistently ranking highly in top retail destinations. Prague, for example, ranks among the top ten in Europe and has more luxury brands than Brussels, Amsterdam or Berlin.

Vienna has history among Europe's elite, and is another particularly attractive market for luxury retail, given the rapid expansion of Austria's upper class. Austrian consumers demand high quality goods and Vienna is one of the leading cities in the region, being served by 28 of the world's top 100 luxury brands.

The report by Colliers International noted increasing confidence on the part of retailers and developers and a considerable amount of new retail construction in cities such as Bucharest and Bratislava. At the time of the report in August 2014, a total of 2.3 million m^2 of new retail space was under construction across the region.

"During 2013, a renewed level of developer confidence returned to the retail sector triggering a rise in new development across the region," said Damian Harrington, Regional Director of Research for Eastern Europe at Colliers International. "By year end, more than one million m^2 had been delivered and another 2.5 million m^2 was under construction."

Poland dominates the CEE retail market with 11.59 million m^2 of modern retail space, according to UKTI, which is three times the CEE average. Shopping centres account for 75% of the retail market, rising to 85% in the case of Croatia, and there are a number of major new developments scheduled, with four major centres planned in Poland and two in Romania.

UK retailers were quick to grasp opportunities. Companies including Tesco, Kingfisher, Marks & Spencer, Sports Direct, Costa Coffee and Café Nero have all become well established, although UK brands remain underrepresented in a CEE retail market, worth £320 billion in 2012, and is estimated to be growing at 6% per annum.

Increasing healthcare spending presents range of opportunities

Life expectancy in the countries of Emerging Europe is below that of the EU as a whole. While expectancy for males at birth rose from 75 to 77 in the EU from 2004-2012, it only reached 71 during that period in Hungary, Romania and Bulgaria and also remained below the EU average in Poland (73), Czech Republic (75) and Slovakia (72).

As the economies of the newest EU members have grown, so too has spending on healthcare. In the decade since countries including Poland and Slovakia joined the EU, the economies of Emerging Europe have grown on average by almost 25%, with Slovakia, Poland and Romania leading the way and growing by 40%, 39% and 30% respectively since 2004. This compares to around 10% for the EU as a whole.

Despite this rapid growth, the CEE nations still spend a lower proportion of GDP on healthcare than is the case elsewhere in Europe - 7.7% in 2012, compared with the EU average of 10.2%. This situation is likely to change, however, as the economies of Emerging Europe continue to develop and increased efforts are made to close the gap with the rest of the EU, with two other factors also likely to support this trend.

Firstly, the comparatively low levels of public debt existing in the region, will support sustainable economic development and drive more resources into healthcare and life sciences. Secondly, there is the prospect of £120 billion in EU funds over the 2014 to 2020 budget period, between 10% and 20% of which will be accessible for healthcare, technology transfer and infrastructure/equipment.

The scale of the market is already impressive, with more than £14.4 billion a year being spent on pharmaceuticals across the CEE region, with patients contributing far more to the cost of their own pharmaceuticals than elsewhere in Europe. In addition, the medical equipment market is worth around £5 billion per annum, and is forecast to grow by almost 5% yearly until 2018, with Poland predicted to grow fastest, at 8% per annum, followed by Slovakia and Czech Republic.

Less developed healthcare systems are acquiring new machinery to modernise, including the latest x-rays and ultrasound equipment. More developed markets are focusing on the digitalisation of technology; information sharing and e-healthcare, while in countries such as Austria, the demands of ageing populations present new challenges.

A particular feature of the healthcare market across the CEE region, is the strong growth of the private sector, which is now proportionately larger (27%) than it is in either the EU (23%) or the UK (17%). The private sector is growing extremely fast in the rest of the countries, in particular Hungary, Bulgaria and Czech Republic.

Key Opportunities

42 Design, construction and delivery of new hospitals and the upgrading of existing health infrastructure
43 Expansion of private healthcare
44 Supply of medical devices and equipment, pharmaceuticals and services to hospitals, clinics and health centres
45 Development and introduction of new technology, including helping to realise the potential offered by eHealth and Telehealth
46 Opportunities stemming from the EU Health Programme (2014-2020) and EU-funded research

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One of the key challenges which private healthcare providers are facing, is the lack of social acceptance of privatisation of healthcare, according to a report by consultants Frost & Sullivan. People fear that this process could lead to a situation where healthcare services are available only for a fee. These doubts have been intensified due to the economic slowdown, reducing disposable income in a number of CEE countries.

As these countries have moved from centrally organised, to decentralised healthcare systems, there has been significant resistance to private healthcare, with many people considering that healthcare should be provided free of charge by the state. Instances of this include discussions on privatisation of hospitals in Poland and the serious concerns of Czechs where mandatory fees for publicly provided services were introduced in 2008.

To overcome these concerns, companies seeking to offer healthcare need to provide objective information and mount educational campaigns about healthcare privatisation. Companies able to effectively fulfil healthcare needs not being met by the state sector and able to deliver quality services at affordable prices, will find substantial opportunities.

The private healthcare market in only six of the CEE countries (Poland, Romania, Bulgaria, Hungary, Czech Republic and Slovakia) was worth £4.9 billion in 2013, according to a report by research company PMR, with Poland and Czech Republic representing the largest share of the overall market.

Poland represents the largest share of the market due to its relative affluence and large population, but there were some obstacles for private healthcare providers in 2013, due to delays in the signing of agreements with the country's national healthcare fund, NFZ, for 2014. Most private hospitals, outpatient facilities and diagnostic centres in Poland operate under NFZ contracts, which ensure the inflow of patients and income stability.

Private healthcare has also become significant in Czech Republic, due to a combination of reforms and again the relative affluence of the population. In 2013, recession adversely affected the sector through increased unemployment and lower wage growth, but the country remained only one of the six countries where hospitals were in profit.

Private healthcare lost ground between 2009 and 2013, in both Slovakia and Hungary, according to the PMR report, with a reduction in the number of hospital beds in Slovakia and ageing hospital infrastructure, but this was offset by opportunities for the private sector to become involved in managing public hospitals.

In Bulgaria, the private healthcare market appears saturated in comparison to other CEE countries, which would explain why the private sector did not increase its share of the overall healthcare market between 2009 and 2013. In contrast, Romania rose from being the least significant market of the six in 2009, to the second most important, four years later, in part due to the development of new private hospitals.

CEE countries account for less than 10% of the overall EU market for pharmaceutical products, according to research by NextLevel Medical (NLM), a medical distribution company based at Bratislava in Slovakia.

Although demand for branded drugs is increasing, generics are estimated to account for 70% of the prescription sales in most of the CEE countries, especially Poland, Hungary and Czech Republic, where the use of generics is encouraged as a means of curbing the rise in costs. Nevertheless, countries such as these are likely to see a growing pharmaceutical industry, driven by demand for innovative drugs and a growing patient base.

Increasing research and development costs are driving major pharmaceutical and biotechnology companies to look for cost effective destinations in which to operate and it is likely that CEE countries will prove attractive as health budgets increase.

Austria offers full scale medical care for its population. Hospitals are well equipped, but technological and medical advancement require continuous modernisation, so the market is very strong. At the same time, the population is ageing, with 1.8 million people over 60 years old and this figure is expected to reach 2.8 million by 2030. Healthcare for older people in Austria will demand ever more investment.

Due to the relative wealth of the population there is a boom in private hospitals, which are expensive but offer a higher level of care, including the most modern equipment and treatments. Austria's medical equipment market is expected to grow at 3% annually for the next three years and represents a major opportunity. Austria not only imports medical machines and equipment for its own use, but also for re-export, mainly to other CEE countries.

The Bulgarian healthcare system is making progress and the Government is reaching to attain EU medical standards, with plans to modernise the medical system and hospital infrastructure, improve training and equipment for doctors and upgrade the ambulance system. There is an opportunity for exporting surgical machines, ultrasound systems, anaesthetics, physiotherapy instruments and pharmaceuticals.

Croatia represents one of the smallest markets in the region and its healthcare system is well developed in certain areas, including invasive and non-invasive operations as well as treatments for cancer, cardiovascular diseases and surgery.

A General Strategic Plan for the healthcare system from 2013 - 2015, is attempting to improve the national healthcare system in a number of ways, including increased availability of healthcare, building of new facilities, expanding the number of medical centres and communication systems. The overall objective is to raise the level of healthcare close to the EU average.

Czech Republic has one of the most developed healthcare systems in CEE, with Czech doctors being able to conduct complicated procedures. There is a sharp contrast between the best hospitals in Prague, with their expensive cardiographs, radiological machines and skilled personnel, with these available in smaller provincial hospitals.

Healthcare in Hungary is heavily funded by the public sector, which accounts for 80% of national spending. There is, however, a boom in private hospitals and clinics across the country, mainly in large cities and wealthier areas. These new facilities represent an important and growing market for digitalised electronic apparatus, quality sterile materials, and good quality medications.

The Polish healthcare market as a whole is expected to reach 6-8% growth annually until 2020 and the Government is focused on improving standards and working to improve the conduct of complicated procedures such as invasive surgery, chemotherapy, cardiovascular surgery and neurosurgical operations.

In 2013, Poland issued "National Development Strategy 2020", in which healthcare takes an important place. It deals with the problem of an ageing population and the necessity to adapt the system accordingly. It proposes major changes in financing, in order to achieve wider availability of healthcare and to recognise demographic changes. It emphasises prevention, palliative care and improved diagnosis, with particular areas of focus being on cardiovascular diseases, diabetes, mental diseases, orthopaedic disorders and the effects of addiction.

Romania represents one of the fastest growing healthcare markets in the CEE region, importing some £2.9 billion of pharmaceuticals in 2013, a five-fold increase on the total for 2003. In 2008, the Government announced a major healthcare development programme, with objectives for the years 2013, 2020, and 2030, with one of the first being to raise the number of beds in hospitals, build new hospitals and increase the number of doctors and nurses.

Slovakia's healthcare market is similar to those in Hungary and Slovenia, where levels vary across the country. The public system suffers from a lack of financial resources for high quality pharmaceuticals and research and development. Opportunities lie in the supply of advanced medical machines, dental equipment, surgical machines and equipment, and monitoring equipment.

The Slovenian market is relatively small, but slowly growing. It faces the challenge of an ageing population. There is also demand here for pharmaceutical and medical devices.

Across the CEE region the focus on improving healthcare provision, the growth of the private healthcare sector and increasing medical equipment sales represent a wide range of significant opportunities for UK business to build on the UK's long history of excellence and innovation in the healthcare field. ■

International tension is key driver of increased spending on defence and security

Spending on defence and security is growing fast across the CEE region, as countries rise to the challenge of EU and NATO demands to modernise and harmonise their defence capabilities. At the same time, a key driver of this growth is the challenging international environment, with continuing tension in Ukraine and instability across the Middle East.

"After the escalation of conflict between Russia and Ukraine, investments in security, which have been neglected over the past years will certainly get high priority both in terms of energy security (further diversification of energy sources/network) and defence", noted a report entitled "25 years after communism - can CEE climb its way back to growth?" published by the Austrian bank, Erste Group. "Hungary, Czech Republic and Slovakia have been spending about half on defence, compared to the NATO's benchmark at 2% of GDP, with investments and purchases of equipment being particularly squeezed", added the report.

Following several years of cuts, defence budgets are, in general, being increased. Poland plans to increase its defence budget up to 2% of GDP; while Czech Republic seeks to increase spending from 1.08% of GDP up to 1.4% in the near future; and Hungary proposes to add 0.1% of GDP to its budget annually. New equipment being sourced for the needs of modern warfare includes ground to air capabilities, multi-functional armoured vehicles and helicopters.

Estimates suggest that the total value of the CEE Defence & Security market open to UK business is around £9 billion, with three countries in particular, Poland, Romania and Hungary, significantly increasing their defence budgets. On top of this, Bulgaria, Romania and Croatia are strengthening borders as they prepare to join the Schengen Border region, while cyber security, protection of critical infrastructure and public security are all areas where UK business is well placed to compete.

Key Opportunities

47 Estimated £5 billion in Defence budget spend identified across the region to re-equip Armed Forces, with defence budgets on the increase

48 Bulgaria, Croatia and Romania aim to join the Schengen Border region in the short term, bringing both land and maritime border security opportunities

49 Major interest in cyber security (including applications covering civil, commercial and military uses)

50 The protection of critical infrastructure and public security prioritised across the region (including power plant and railway industry security, prison upgrades and modernisation and surveillance equipment)

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Key opportunities identified by UKTI in defence equipment are for the supply of armoured vehicles, submarines, destroyers, air systems, jet fighters and offshore patrol vehicles. In addition, there are further opportunities in the modernisation of frigates and in the supply of uniforms and Personal Protective Equipment (PPE), radars, tactical communications and satellite locators.

With all of the CEE countries, except Austria, committed to modernising and upgrading their armed forces to meet NATO standards, there is a major opportunity for UK business to participate in this programme. Among the CEE countries, Poland's expenditure has been highest, with its Government committing 1.95% of GDP to defence spending, and the modernisation cost estimated at £26 billion over the next five years.

"Poland as a regional leader in terms of defence modernisation expenditures and multi-defence procurement programmes, presents the highest market opportunities for defence OEMs in the region," according to Dominik Kimla, Defence & Security Analyst at consultants Frost & Sullivan. "Companies interested in the Polish market should increase their in-country presence and be proactively engaged with Polish counterparts in the military R&D and technologies areas," he added.

Defence spending by Poland is already amongst the highest of any NATO country and is set to increase from 1.95% of GDP to 2%, with the current budget of £7.9 billion a year set to rise to £11.8 billion by 2018. The country's armed forces modernisation plan 2013 to 2022, will entail expenditure of £24 billion in the period to 2016, including £8 billion of equipment acquisition, and £56 billion in the period from 2017 to 2022, with £20 billion allocated for equipment purchase.

Among the long list of military equipment to be purchased are air defence systems, Unmanned Aerial Vehicles, or drones (UAVs), transport helicopters, attack helicopters, a range of attack and transport aircraft and naval vessels, including minesweepers, submarines, and coastal patrol vessels. Army requirements include new missile systems, tanks, and armoured transporter vehicles and PPE for military personnel.

Poland's high level of defence spending is due partly to its strategic location and also to the Government's aim to play a more active role in military operations across NATO, the EU and the UN. Naval modernisation and missile defence are high priorities for the Polish Government, while privatisation, restructuring and consolidation of defence sectors also dominate the Polish, as well as the Romanian agenda.

Romania has significant aeronautical expertise and this is a key to its defence programme, where extension of maintenance, repair programmes and overhaul activities are a priority. Opportunities for UK business lie in providing support for the expansion of its domestically developed aeronautical products and services for defence contractors and military contracts across airbases and military facilities.

Elsewhere within the region, there is a well developed defence industry and opportunities for military contractors in Czech Republic and Slovakia. Both have well established links with major Western European defence businesses, due to their skilled labour forces, and openness to Foreign Direct Investment (FDI).

Austrians have been traditionally reluctant to allocate significant sums for improving the nation's defence and its defence budget has been steadily decreasing. In 1980 it represented 1.24% of GDP, but had fallen to 1.05% in 1990 and 0.8% by 2000. In 2015, the Austrian Federal Army will retire or sell much of its equipment, including tanks and armoured vehicles and the country will be heavily dependent on its nearest EU allies in the event of a military situation arising, according to the Global Security website.

A Bulgarian Government policy document commonly known as "Vision 2020", published in September 2014, called for an increase in its defence spending to 2% of GDP by 2020 (and 1.5% in 2015), compared to a 2014 figure of 1.3%. Vision 2020 notes the risks to Bulgaria of terrorism and that it lies on a major migration route from Asia to Europe.

At the same time as increasing its external defence capabilities, Bulgaria is one of the three CEE countries which offer opportunities in border security. Together with Croatia and Romania, Bulgaria is seeking to strengthen its land and sea borders in order to meet their obligations to become part of the Schengen Border region. It currently comprises 26 European countries, which have eliminated internal border controls with the other Schengen members, in order to encourage the free movement of goods, information, money and people.

In order to join the Schengen Border region, a country must fulfil a list of pre-conditions. This includes taking responsibility for controlling external borders on behalf of the other Schengen countries and for issuing uniform Schengen visas; cooperation with law enforcement agencies in order to maintain a high level of security; and applying a common set of Schengen rules, known as "Schengen acquis", covering border control, visa issue, police cooperation and protection of personal data.

Of the three non-Schengen member countries within the CEE region, Croatia looks set to become the first to join. In May 2014, Croatian Prime Minister, Zoran Milanovic, said that Zagreb will apply to join the EU's passport-free Schengen Border region on 1 July 2015.

Bulgaria and Romania should not be far behind in joining the Schengen Border region, after Jose Manuel Barroso, former President of the European Commission, declared in September 2013, that both countries had met the criteria for Schengen membership and should be given a chance to enter the zone as soon as possible.

The Czech Government spent around 1.2% of its GDP on defence in 2011, but at the NATO summit in Wales in September 2014, Prime Minister, Bohuslav Sobotka, announced that the country's Coalition Government would gradually increase defence spending, so that by 2020 it would be 1.4% of GDP.

Hungary is increasing its military spending in order to maintain the country's capability of cooperating with its allies. In October 2014, shortly after the NATO summit in Wales, Hungarian Prime Minister, Viktor Orbán declared that: "The Hungarian army is at the beginning of a process of technological modernisation. It has become necessary to replace basic equipment, which would be "rather costly" but not needed to be completed "in one go", he added, with helicopter procurement featuring in the Government's spending plans.

Romania is another CEE country where spending has risen, with the defence budget set to increase by 2% of GDP in 2015, according to Defence Minister, Mircea Dusa. Among major projects he said were being funded was renovation of Fetesti Airport and co-financing of a military base at Deveselu.

Slovakia, too, is planning a substantial increase in its budget. In comments made before the NATO summit in September 2014, President, Andrej Kiska, said spending is currently less than 1% of GDP but would rise to 1.6% of GDP by 2020. "When it comes to the defence budget, we'll commit ourselves to halting the drop in spending and allocating 20% of the yearly defence budget for modernisation of the Slovak military by 2016," he said.

At a meeting in November 2014, Slovenian Prime Minister, Miro Cerar, was told by NATO Secretary General, Jens Stoltenberg, that the country was the lowest spender on defence of any NATO member countries. In response, Cerar acknowledged spending commitments made at the previous month's NATO summit, and said that Slovenia would honour them.

UK business has a long history of successfully selling defence equipment to other parts of the world. But the clear message from UKTI and from the 2014 NATO summit, is that there are very real and substantial opportunities across the CEE region where budgets are increasing and there are significant opportunities for businesses prepared to invest in developing long term relationships with Government agencies and local partners.

Austria: Key Facts

Head of state:	Werner Faymann
Total population:	8.2 million
Capital city:	Vienna
Population of capital:	1.79 million
Area:	83,870km^2
Border countries:	Czech Republic 362km, Germany 784km, Hungary 366km, Italy 430km, Liechtenstein 35km, Slovakia 91km, Slovenia 330km, Switzerland 164km
Coastline:	0km (landlocked)
Language:	German
Monetary unit:	Euro (€)
Government:	Federal Republic
Natural resources:	Oil, coal, lignite, timber, iron ore, copper, zinc, antimony, magnesite, tungsten, graphite, salt, hydropower
Major exports:	Machinery and equipment 27.9% , motor vehicles and parts 8%, paper and paperboard 3.7%, metal goods 8.3%, chemicals 12.95%, iron and steel 5.6%, textiles and shoes 2.8%, foodstuffs (includes drinks) 6.5%
Major export trading countries:	Germany 29.31%, Italy 6.25%, Switzerland 5.08%, France 4.27%
Major imports:	Machinery and spares 12.3%, motor vehicles and spares 9.5%, chemicals 12.7%, metal goods 6.6%, oil and oil products 6.8%, foodstuffs (includes drinks) 6.3%
Major import trading countries:	Germany 40.39%, Italy 6.13%, Switzerland 5.36%
EU structural funds (in € Millions):	OP European Regional Development Fund: 536 OP European Social Fund: 442
Economic performance 2015 forecast:	GDP growth: 1.6% GDP per capita (in US$): 46,167 Inflation (Average consumer price change): 1.9% Unemployment rate (% of Labour Force): 4.1%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.at
Calling code:	+43

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office

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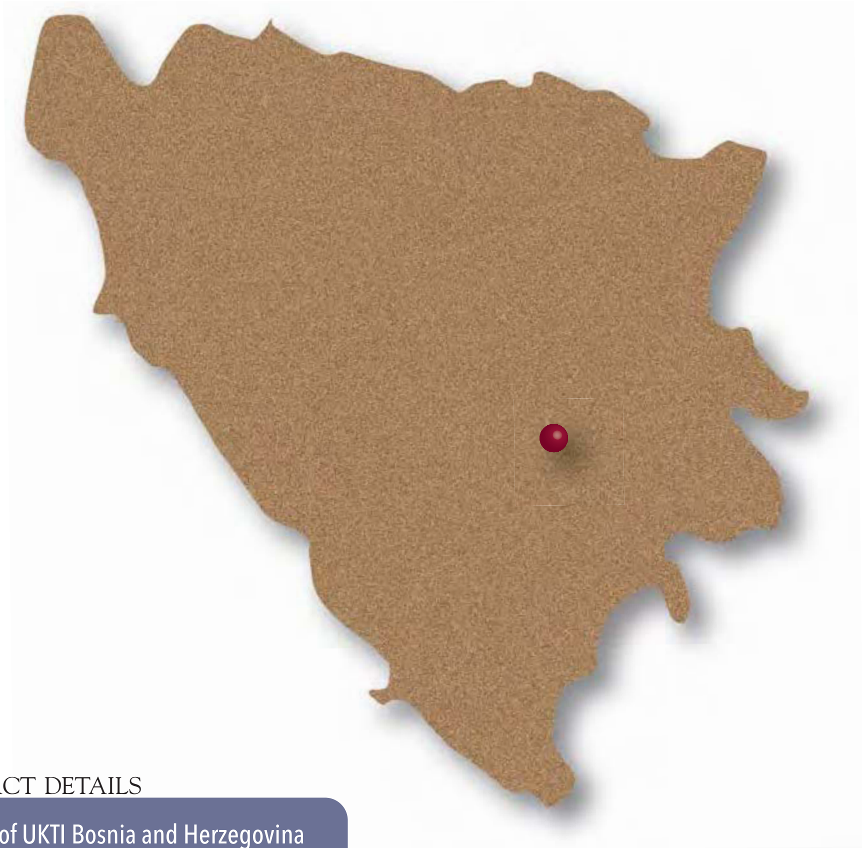
Bosnia & Herzegovina: Key Facts

Head of state:	Mladen Ivanic
Total population:	3.9 million
Capital city:	Sarajevo
Population of capital:	340,000
Area:	51,197km^2
Border countries:	Croatia 956km, Montenegro 242km, Serbia 345km
Coastline:	26km
Language:	Bosnian, Croatian, Serbian
Monetary unit:	Convertible mark
Government:	Federal parliamentary republic
Natural resources:	Coal, iron ore, bauxite, copper, lead, zinc, chromite, cobalt, manganese, nickel, clay, gypsum, salt, sand timber, hydropower
Major exports:	Raw aluminium (6.6%), seats (5.5%),leather footwear (4.4%), refined petroleum (3.5%), sawn wood (2.6%)
Major export trading countries:	Germany 15.6%, Croatia 14.2%, Italy 12.1%, Serbia 9.1%, Austria 8.2%, Slovenia 8.1%
Major imports:	Refined petroleum (6.8%), crude petroleum (6.8%), cars (3.2%), packaged medicaments (2.8%), coal briquettes (2.1%)
Major import trading countries:	Germany 11.4%, Russian Federation 9.9%, Serbia 9.8%, Italy 9.7%, China 6%, Slovenia 5%, Croatia 12.8%
EU pre-accession financial assistance 2014-2020 (in €):	Total: 290 million (to be approved)
Economic performance 2015 forecast:	GDP growth: 3.8% GDP per capita (in US$): 4,905 Inflation (Average consumer price change): 1.9% Unemployment rate (% of Labour Force): 24.5%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.ba
Calling code:	+387

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office



Country contact details

Alma Kadunic | Head of UKTI Bosnia and Herzegovina
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Bulgaria: Key Facts

Head of state:	Rosen Plevneliev
Total population:	7.3 million
Capital city:	Sofia
Population of capital:	1.3 million
Area:	110,994km^2
Border countries:	Greece 494km, Macedonia 148km, Romania 608km, Serbia 318km, Turkey 240km
Coastline:	354km
Language:	Bulgarian
Monetary unit:	Lev
Government:	Parliamentary Republic
Natural resources:	Copper, lead, zinc, coal, timber, arable land, bauxite
Major exports:	Manufactured goods 22.0%, machinery and transport equipment 17.9%, miscellaneous manufactured articles 13.0%, mineral fuel, lubricants and related materials 15.0%, crude materials, inedible (except fuel) 8.0%, food and live animals 11.0%, chemical and related products 8.0%
Major export trading countries:	Germany 12.9% %, Romania 7.7%, Italy 8.6%, Turkey 8.9%, Greece 6.9
Major imports:	Mineral fuel, lubricants and related materials 23.0%, machinery and transport equipment 23.6%, manufactured goods 16.1%, chemical and related products 12.0%, crude materials, inedible (except fuel) 9.1%, food and live animals 7.1%, miscellaneous manufactured articles 6.6%
Major import trading countries:	Russia 18.5%, Germany 10.8%, Italy 7.4%, Romania 6.7%, Turkey 5.8%
EU structural funds (in € Millions):	OP Regions in Growth: 1,312 OP Human Resources Development: 883 OP Science & education for smart growth: 596 OP Innovations & Competitiveness: 1,182 OP Transport & transport infrastructure: 1,604 OP Environment 1,504 OP Good Governance: 286
Economic performance 2015 forecast:	GDP growth: 1.3% GDP per capita (in US$): 6,200 Inflation (Average consumer price change): -1.4% Unemployment rate (% of Labour Force): 10.6%
Time zone:	GMT+2
Driving:	Right
Internet domain:	.bg
Calling code:	+359

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office

Country contact details

Tim Buisseret | Head of UKTI Bulgaria
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Croatia: Key Facts

Head of state:	Kolinda Grabar Kitarovic
Total population:	4.3 million
Capital city:	Zagreb
Population of capital:	792,875
Area:	55,974km^2
Border countries:	Bosnia and Herzegovina 932km, Hungary 329km, Serbia 241km, Montenegro 25km, Slovenia 455km
Coastline:	5,825km (mainland 1,777km, islands 4,058km)
Language:	Croatian
Monetary unit:	Kuna
Government:	Presidential/Parliamentary Democracy
Natural resources:	Oil, coal, bauxite, low grade iron ore, calcium, gypsum, natural asphalt, silica, mica, clays, salt, hydropower
Major exports:	Mineral fuels, oil 12.1%, ships, boats and floating structures 11%, electrical machinery, audio/visual equipment 8.4%, machinery 8.2%, wood 4.6%
Major export trading countries:	Italy 13.9%, Bosnia Herzegovina 11.8%, Slovenia 11.3%, Germany 11.2%, Austria 6.1%, Serbia 4.9%
Major imports:	Mineral fuels, oil 22%, machinery 9.5%, electrical machinery, audio/visual equipment parts 6.7%, vehicle (except railway or tramway) parts 5.5%
Major import trading countries:	Germany 15.1%, Italy 14.3%, Slovenia 10.8%, Austria 8.7%, Hungary 6.6%, Russia 5.0%
EU structural funds (in € Millions):	OP Competitiveness and Cohesion: 6,881 OP Efficient Human Resources: 1,582
Economic performance 2015 forecast:	GDP growth: 2%
	GDP per capita (in US$): 19,460
	Inflation (Average consumer price change): 2.6%
	Unemployment rate (% of Labour Force): 13.9%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.hr
Calling code:	+385

 Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office

Country contact details

Natasa Kalauz | Head of UKTI Croatia
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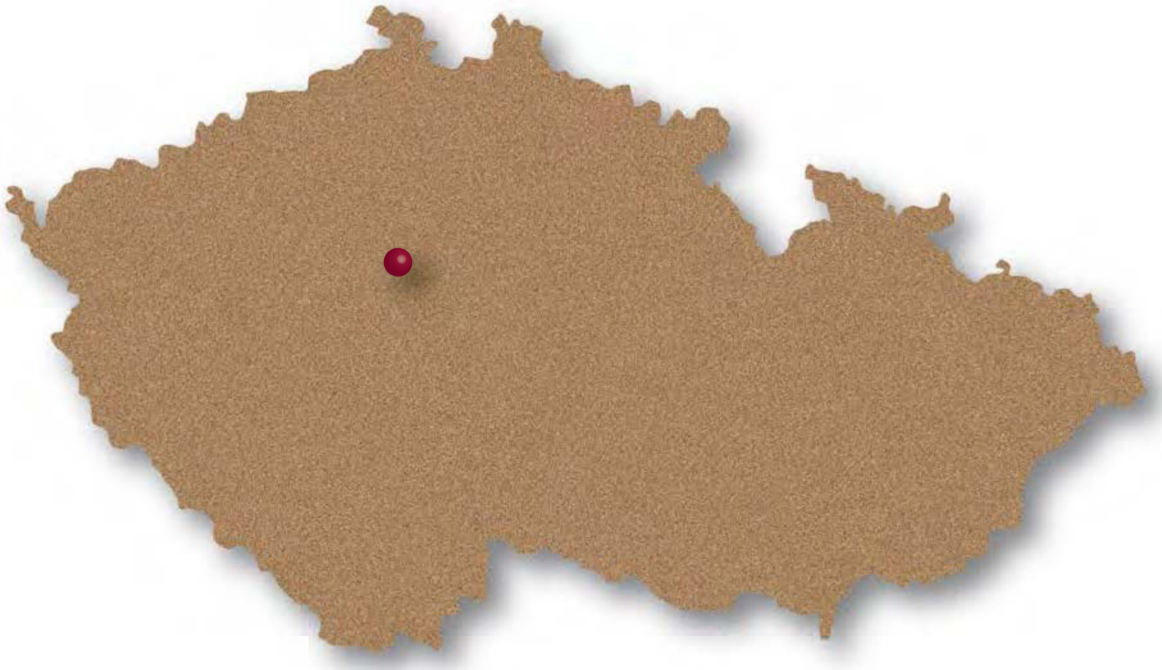
Czech Republic: Key Facts

Head of state:	Milos Zeman
Total population:	10.5 million
Capital city:	Prague
Population of capital:	1.26 million
Area:	78,864 km^2
Border countries:	Austria 362km, Germany 815km, Poland 615km, Slovakia 197km
Coastline:	0km (landlocked)
Language:	Czech
Monetary unit:	Koruna
Government:	Parliamentary Republic
Natural resources:	Coal, coke, timber, lignite, uranium, magnesite.
Major exports:	Machinery and transport equipment 55%, manufactured goods 16.5%, miscellaneous manufactured articles 11.8%, chemicals and related products 6.6%, food and live animals 3.6%, mineral fuels, lubricants and related materials 2.7%
Major export trading countries:	Germany 32%, Slovakia 8.3%, Poland 5.9%, France 5.1%, UK 5.1%, Austria 4.3%
Major imports:	Machinery and transport equipment 43.3%, manufactured goods 17.6%, chemicals and related products 11.6%, miscellaneous manufactured articles 10.4%,mineral fuels, lubricants and related materials 8.5%, food and live animals 5%
Major import trading countries:	Germany 26.1%, China 11.4%, Poland 7.7%, Slovakia 5.3%,Italy 4.1%, Russia 4.1%, Netherlands 3.4%, France 3.3%, Austria 3.1%, US 2.4%, Hungary 2.3%,UK 2.1%
EU structural funds (in € Millions):	OP Enterprise & Innovation for Comp: 4,331 OP Environment: 2,637 Integrated Regional: 4,629 OP Employment: 2,146 OP R&D and Education: 2,780 OP Transport: 4,696 OP Technical Assistance: 224 OP Prague Growth Pole: 202
Economic performance 2015 forecast:	GDP growth: 2.7% GDP per capita (in US$): 28,770 Inflation (Average consumer price change): 0.3% Unemployment rate (% of Labour Force): 5.7%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.cz
Calling code:	+420

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office



Country contact details

Zuzana Nagyova | Head of UKTI Czech Republic
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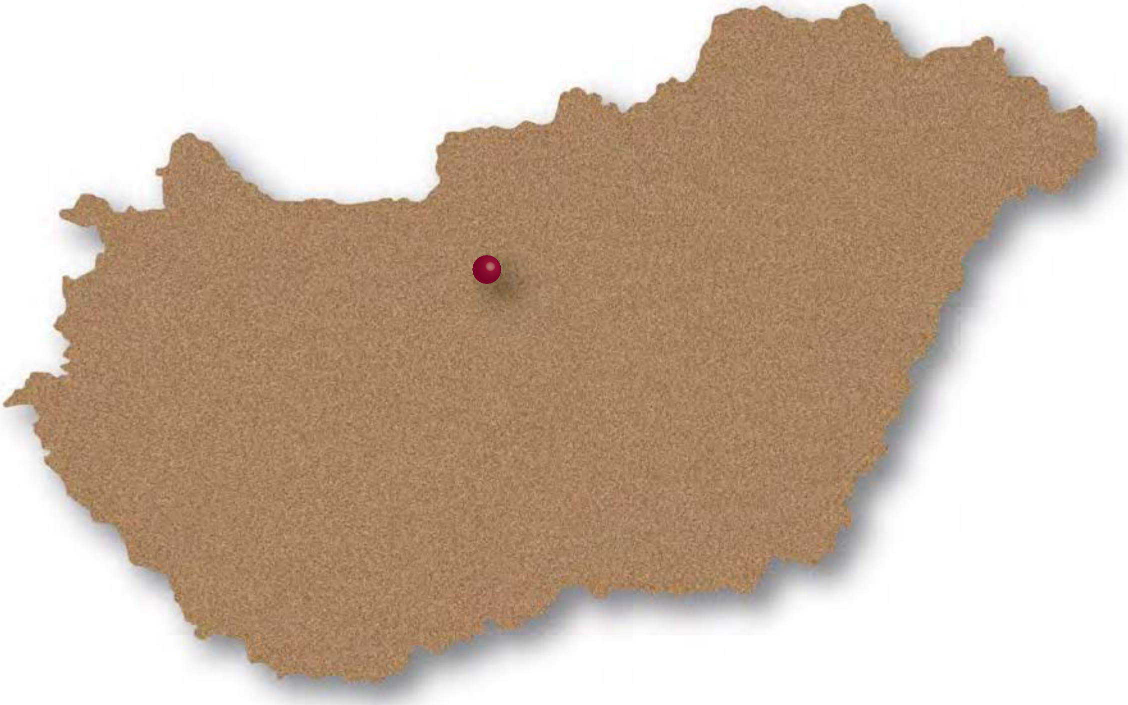
Hungary: Key Facts

Head of state:	Janos Ader
Total population:	9.92 million
Capital city:	Budapest
Population of capital:	1.73 million
Area:	93,030km^2
Border countries:	Austria 366km, Croatia 329km, Romania 443km, Serbia 166km, Slovakia 676km, Slovenia 102km, Ukraine 103km
Coastline:	0km (landlocked)
Language:	Hungarian
Monetary unit:	Forint
Government:	Parliamentary Democracy
Natural resources:	Bauxite, coal, natural gas, fertile soils, arable land
Major exports:	Machinery and equipment 53.5%, other manufactures 31.2%, food products 8.7%, raw materials 3.4%, fuels and electricity 3.9%
Major export trading countries:	Germany 25.6%, Romania 6.2%, Slovakia 6.1%, Austria 6%, Italy 4.8%, France 4.8%, UK 4.2%
Major imports:	Machinery and equipment 45.4%, other manufactures 34.3%, fuels and electricity 12.6%, food products 5.3%, raw materials 2.5%
Major import trading countries:	Germany 25.1%, Russia 8.8%, China 7.4%, Austria 7.1%, Slovakia 5.6%, Poland 4.8%, Italy 4.5%, Netherlands 4.2%
EU structural funds (in € Millions):	OP Human Resources Dev.: 2,613 OP Public Administration and Services: 795 OP Integrated Transport: 3,332 OP Competitive Central Hungary: 464 OP Economic Dev. and Innovation: 7,684 OP Environmental and Energy Efficiency: 3,217 OP Territorial: 3,389
Economic performance 2015 forecast:	GDP growth: 2.4% GDP per capita (in US$): 25,406 Inflation (Average consumer price change): 2.3% Unemployment rate (% of Labour Force): 7.8%
Time zone:	GMT+1
Driving:	Right
Internet domain:	hu
Calling code:	+36

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office



Country contact details

Dr Dora Kulauzov | Head of UKTI Hungary
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Poland: Key Facts

Head of state:	Andrzej Duda
Total population:	38.5 million
Capital city:	Warsaw
Population of capital:	1.73 million
Area:	311 888 km²
Border countries:	Belarus 418km, Czech Republic 796km, Germany 467km, Lithuania 104km, Russia (Kalingrad Oblast) 210km, Slovakia 541km, Ukraine 535km
Coastline:	440km
Language:	Polish
Monetary unit:	Zloty
Government:	Parliamentary Republic
Natural resources:	Coal, salt, copper, silver, natural gas, zinc, lead, amber, sulphur, arable land
Major exports:	Machinery and transport equipment 39.7%, chemicals, 13.9%, agricultural and food products 13.1%, metallurgical products 10.7%
Major export trading countries:	Germany 22%, China 10.5%, Russia 10.5%, Italy 5.4%, Nederland 3.8%, France 3.8%
Major imports:	Machinery and transport equipment 36.5%, chemicals, 17.6%, agricultural and food products 11.4%, metallurgical products 10.5%
Major import trading countries:	Germany 23%, China 12.5%, Russia 7.1%, Italy 4.9%, France 4.2%, Czech Republic 3.6 %
EU structural funds (in € Millions):	OP Infrastructure and Environment: 27,413 OP Smart Growth: 8,613 OP Knowledge, Education: 4,436 OP Digital Poland: 2,172 OP Development of Eastern Poland: 2,000 OP Technical Assistance: 700 16 Regional OPs: 31,276
Economic performance 2015 forecast:	GDP growth: 3,4% GDP per capita (in US$): 22,513 Inflation (Average consumer price change): -1.6% Unemployment rate (% of Labour Force): 12%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.pl
Calling code:	+48

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office

Country contact details

Ewa van Veenendaal-Rawicz | Head of UKTI Poland
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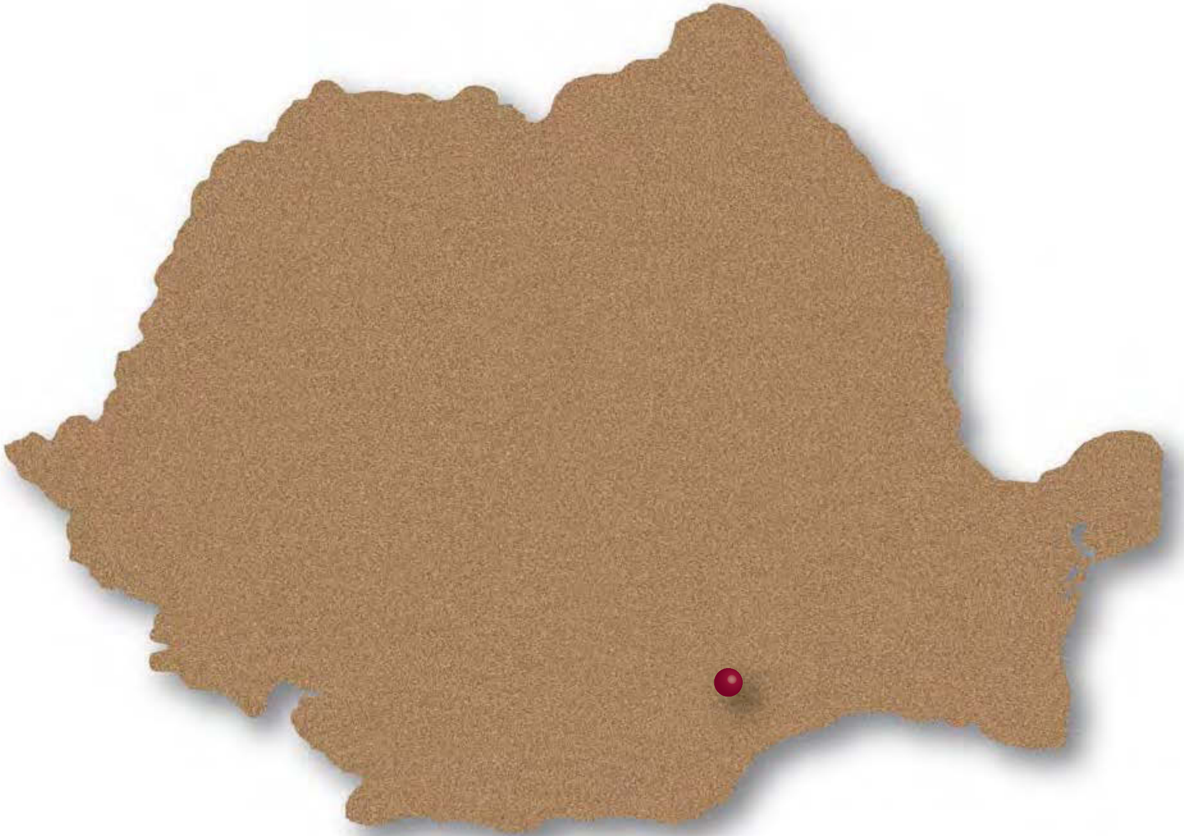
Romania: Key Facts

Head of state:	Klaus Johanis
Total population:	29.6 million
Capital city:	Bucharest
Population of capital:	1.92 million
Area:	238,391km^2
Border countries:	Bulgaria 608km, Hungary 443km, Moldova 450km, Serbia 476km, Ukraine (north) 362km, Ukraine (east 169km)
Coastline:	256km
Language:	Romanian
Monetary unit:	RON ('heavy' Leu)
Government:	Republic
Natural resources:	Salt, coal, petroleum (reserves declining), timber, natural gas, iron, arable land, hydropower, gold, silver, marble, uranium
Major exports:	Vehicles and transport equipment 42.3%, other manufactured goods 32.7%
Major export trading countries:	Germany 19.4%, Italy 11.9%, France 6.8%, Hungary 5.1%, Turkey 4.4%
Major imports:	Vehicles and transport equipment 35.5%, other manufactured goods 30.7%
Major import trading countries:	Germany 19.2%, Italy 10.9%, Hungary 7.9%, France 5.7%, Poland 4.6%
EU structural funds (in € Millions):	OP Large Infrastructure: 9,419 OP Human Capital: 4,327 OP Administrative Capacity: 553 OP Competitiveness: 1,330, OP Technical Assistance: 213 OP Regional: 6,700
Economic performance 2015 forecast:	GDP growth: 2,7% GDP per capita (in US$): 20,356 Inflation (Average consumer price change): 2.1% Unemployment rate (% of Labour Force): 5.51%
Time zone:	GMT+2
Driving:	Right
Internet domain:	.ro
Calling code:	+40

 Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office



Country contact details

Andreea Radu | Head of UKTI Romania
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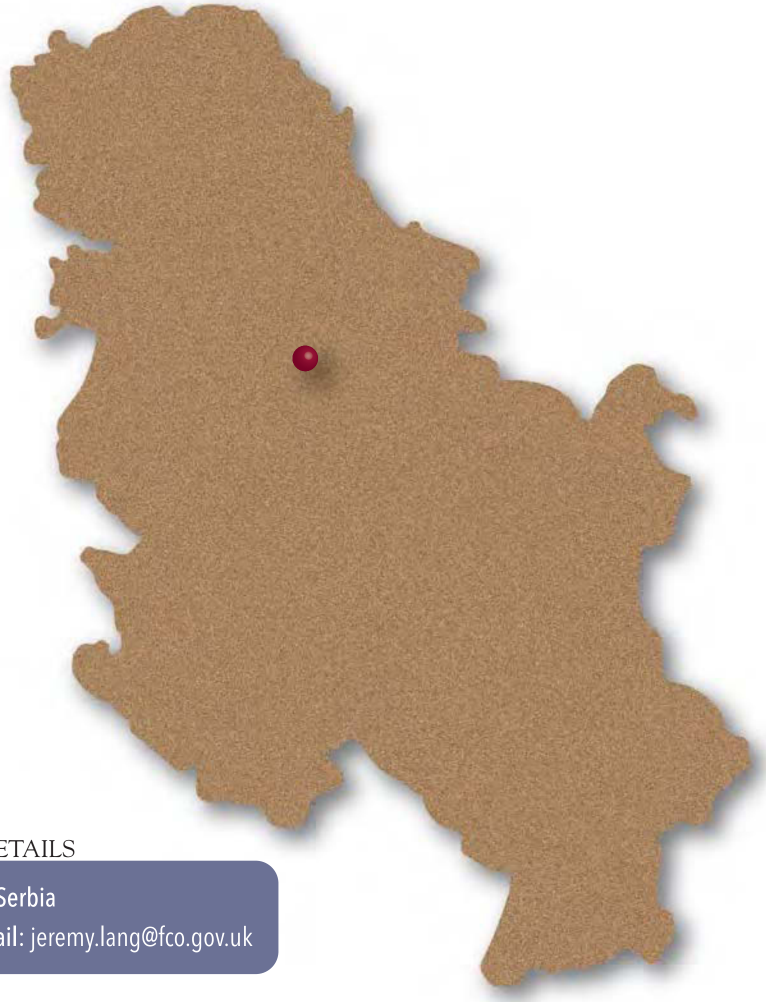
Serbia: Key Facts

Head of state:	Tomislav Nikolic
Total population:	7.2 million
Capital city:	Belgrade
Population of capital:	1.6 million
Area:	77,474km^2
Border countries:	Bosnia and Herzegovina 302km, Bulgaria 318km, Croatia 241km, Hungary 151km, Kosovo 352km, Macedonia 62km, Montenegro 124km, Romania 476km
Coastline:	0km (landlocked)
Language:	Serbian
Monetary unit:	Serbian dinar
Government:	Parliamentary Republic
Natural resources:	Oil, gas, coal, iron ore, copper, zinc, antimony, chromite, gold, silver, magnesium, pyrite, limestone, marble, salt, arable land
Major exports:	Corn (5.3%), Insulated Wire (3.6%), Cars (3.4%), Rubber Tires (2.7%), and Frozen Fruits and Nuts (2.2%)
Major export trading countries:	Germany (11%), Italy (11%), Bosnia and Herzegovina (8.6%), Russia (7.8%), and Romania (6.4%)
Major imports:	Refined Petroleum (5.8%), Petroleum Gas (5.1%), Crude Petroleum (4.3%), Packaged Medicaments (3.4%), and Cars (2.5%)
Major import trading countries:	Germany (11%), Russia (9.5%), Italy (8.6%), China (6.5%), and Hungary (5.7%)
EU pre-accession financial assistance 2014-2020 (in € Millions):	Environment and climate change: 160 Transport: 175 Energy: 125 Competitiveness and innovation: 105 Agriculture and rural development: 210
Economic performance 2015 forecast:	GDP growth: 0.5% GDP per capita (in US$): 11,700 Inflation (Average consumer price change): 4.0% Unemployment rate (% of Labour Force): 18.9%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.rs
Calling code:	+381

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office



Country contact details

Jeremy Lang | Head of UKTI Serbia
Tel: +381 11 306 1037 | **Email:** jeremy.lang@fco.gov.uk

Slovakia: Key Facts

Head of state:	Andrej Kiska
Total population:	5.4 million
Capital city:	Bratislava
Population of capital:	430,000
Area:	49,035km^2
Border countries:	Austria 91km, Czech Republic 197km, Hungary 676km, Poland 420km, Ukraine 90km
Coastline:	0km (landlocked)
Language:	Slovak
Monetary unit:	Euro
Government:	Parliamentary Republic
Natural resources:	Antimony, mercury, iron, copper, lead, zinc, magnesite, limestone, lignite,
Major exports:	Vehicles 25%, electrical and electronic appliances 20%, machines and equipment 12%, metals and metal products 4.8%, minerals and products from minerals 4.8%
Major export trading countries:	Germany 22.1%, Czech Republic 12.8%, Poland 8%, Austria 6.1%, Hungary 6.1%, UK 5.2%, France 4.9%, Italy 4.6%
Major imports:	Electrical and electronic appliances 18%, Vehicles 13%, Machines and equipment 11,9%, Minerals and fuels 10,7%, plastics and rubber products 4%
Major import trading countries:	Germany 14.9%, Czech Republic 10.4%, Russia 8.2%, China 7.7%, South Korea 7.3%, Poland 4.8%, Hungary 4.7%, Italy 3.2%
EU structural funds (in € Millions):	OP Research and Innovation: 2,267 OP Human Resources: 2,205 OP Integrated Regional: 1,754 OP Technical Assistance: 159 OP Fisheries: 15 OP Integrated Infrastructure: 3,967 OP Quality of Environment: 3,138 OP Efficient Public Administration: 278 Rural Development Programme: 1,545
Economic performance 2015 forecast:	GDP growth 2.5% GDP per capita (in US$) 28,887 Inflation (Average consumer price change): 0.4% Unemployment rate (% of Labour Force): 12.8%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.sk
Calling code:	+421

Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office

COUNTRY CONTACT DETAILS

Ivana Winbladh | Head of UKTI Slovakia
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Slovenia: Key Facts

Head of state:	Borut Pahor
Total population:	2.01 million
Capital city:	Ljubljana
Population of capital:	280,000
Area:	20,270 km^2
Border countries:	Italy 199km, Austria 330km, Hungary 102km, Croatia 455km
Coastline:	46km
Language:	Slovenian
Monetary unit:	Euro
Government:	Parliamentary Democracy
Natural resources:	Lignite coal, lead, zinc, building stone, forests
Major exports:	Motor vehicles 14.1%, electric and electronic equipment 11%, medical & pharmaceutical 8.8 %, general industrial machinery 5.8%, metal products 4.7%
Major export trading countries:	Germany 20%, Italy 12%, Austria 7.9%, Croatia 6.2%, France 4.8%, Russia 4.6%
Major imports:	Road vehicles 10.1%, petroleum & petroleum products 9.2%, electrical machinery 6.5%, iron & steel 4.5 %, general industrial machinery 3.9%, medical and pharmaceutical products 3.7%
Major import trading countries:	Italy 16.5%, Germany 16.3%, Austria 10.4%, Croatia 4.8%, Hungary 4%
EU structural funds 2013-2022:	3 billion Euro
Economic performance 2015 forecast:	GDP growth: 1.8% GDP per capita (in US$): 30,007 Inflation (Average consumer price change): 2% Unemployment rate (% of Labour Force): 9%
Time zone:	GMT+1
Driving:	Right
Internet domain:	.si
Calling code:	+386

 Source: CIA Factbook | Observatory of Economic Complexity | National Statistics Office

Country contact details

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Chamber of Commerce Contacts

Czech Republic

British Chamber of Commerce Czech Republic Business Centre

Marcela Roche | Managing Director of the British Chamber of Commerce Czech Republic

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The Business Centre of the British Chamber of Commerce has been established to strengthen business and trade relations between Czech Republic and UK. The Business Centre provides a wide range of services as well as a networking hub and business centre facilities. From here, British businesses can build local relationships to gain a stronger foothold in the market or maintain previously established connections. We offer an exceptional venue for seminars, training programmes and meetings, including a boardroom and workshop space. Business representatives visiting Prague have access to personalised local market guidance, hot-desking facilities, and much more. The Business Centre staff are trained to supply introductions to key companies and players in Czech Republic and provide further assistance to companies interested in this market. This includes market entry strategies, start-up support, promotion and outreach, mentoring and service reporting.

Hungary

British Business Centre part of the British Chamber of Commerce in Hungary

Oliver Strommer | British Business Centre Manager

Email: oliver.strommer@bcch.com

The British Business Centre part of the British Chamber of Commerce in Hungary, works in partnership with UKTI on the Overseas Business Networks Initiative (OBNi). Launched in late 2012, by the Prime Minister, the OBNi aims to transform the support available for British SME's seeking to do business in high growth, hard to access markets across the world. Working as a fully integrated team with the local British Embassy and the British Chamber of Commerce in Hungary, we are the first point of contact for British SME's and our aim is to further strengthen bilateral trade relations between the UK and Hungary. Amongst its many subsidised services, our specialised consultants are also trained to provide assistance to companies interested in the Hungarian market. This includes most importantly market studies, market visits, event organisation and hot-desking along with many other professional services provided by the Chamber network. Overall this new organisation plays a significant role in boosting UK exports to Hungary.

Poland

British Polish Chamber of Commerce (BPCC) Trade – Part of the UKTI Overseas Business Network

Russel Towlson | Deputy Director, BPCC Trade

Email: Russell.Towlson@bpcc.org.pl

As the result of a unique new partnership between the BPCC and UKTI, the BPCC has established the Trade Team as part of the UK Government Overseas Business Network (OBN). BPCC Trade has already successfully connected British & Polish businesses, providing support in identifying market opportunities, genuine interest in a product or service and enhancing potential for cooperation.

Their offices are in a central location in Warsaw and conference facilities are available within the same building at discounted rates to host events and product launches etc.

BPCC Trade Business Consultants are ready to help guide companies in formulating their export plans in respect of Poland. Whether your route to market is direct, indirect or investment, the Trade Team will focus on finding a B2B solution that fits your company needs.

Romania

British Romanian Chamber of Commerce Business Centre (BRCC)

Agata Stefan | Executive Director, BRCC

Email: requests@brcconline.eu

In 2013, we were entrusted by the UK Government, through UKTI, to help develop exports and investment from British SME's into Romania. The project, through which SME support services are transferred from UKTI to local bilateral chambers of commerce, is being piloted in 41 countries around the world. Romania is one of the pioneering countries in this initiative. A key element of the UKTI project is the setting up of the BRCC Business Centre in our Bucharest offices.

Conveniently located right in the heart of Bucharest, the Business Centre is the office-away-from-the-office for British companies travelling to Romania. It also is an excellent meeting space for all our members to do business.

Slovakia

The British Chamber of Commerce in the Slovak Republic (BCCSR)

Christopher Plant | Chief Executive, BCCSR

Email: christopher.plant@bsbc.sk

The BCCSR, founded in 1998, is a non-profit organisation in Bratislava. The Chamber is dedicated to creating and developing business relationships between the UK and the Slovak Republic. In collaboration with UKTI, we work directly with Slovak businesses and UK based SMEs. The quality and range of services offered are attested by a number of awards. Among these, one truly stands out – the prestigious Chamber of the Year 2015 Award, which BCCSR won as recognition of exceptional achievements and ground-breaking strategies. Working diligently to forge new opportunities both foreign and domestic, we provide a large portfolio of services for British Business including business friendly spaces to hot-desk, business advisory services – introductions to professional services (accountants, lawyers, translators and interpreters, sector experts), market entry strategies, mentoring opportunities and service deliveries – access to basic market information. The aim of our market promotion services is awareness building of the business opportunities in the Slovak market and includes UK visits and presentations of our trade team, webinars and online promotion.

In 2014, the British Slovak Business Centre was created. We provide key services to UK businesses and work directly with UK based SMEs to facilitate successful expansion into the Slovak market. Services include the identification and realisation of exciting commercial opportunities in Slovakia, market support, facility provision, and more.

Slovenia

British-Slovenian Chamber of Commerce (BSCC)

Martin Logar | CEO of BSCC Trade Team

Email: martin.logar@bscc.si

On 1 January 2014, we began the start-up phase, to boost trade figures between UK and Slovenia. We have already provided first class assistance and market research to both UK and Slovenian companies, to check new business channels in the UK. We offer free meeting space in our Chamber, in the heart of Ljubljana, positioned close to the House of Parliament and the National Bank of Slovenia. In addition, we offer our members a free meeting point, free hot drinks and wi-fi to catch up on emails between meetings.

Other useful contacts

AUSTRIA

Austro British Chamber of Commerce
Chairman: Julian Walton
Nottendorfer Gasse 11
1030 Wien
Tel: +43 676 40 40 407
Email: info@abchamber.org
Website: www.abchamber.org

Advantage Austria
Email: contact@advantageaustria.org

BOSNIA & HERZEGOVINA

Foreign Trade Chamber of Bosnia & Herzegovina
Advisor/PSLO: Igor Gavran
Branislava Djurdjeva 10
71000 Sarajevo
Tel: +387 33 566 223
Email: igor.gavran@komorabih.ba
Website: www.komorabih.ba

Foreign Investment Promotion Agency of Bosnia & Herzegovina
Director: Jelica Grujic
Grbavicka 4
71000 Sarajevo
Tel: +387 33 278 084
Email: jelica.grujic@fipa.gov.ba
Website: www.fipa.gov.ba

BULGARIA

British Bulgarian Business Association
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1000 Sofia
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Website: www.bbba.bg

Invest Bulgaria
Email: contact@InvestBulgaria.com

CROATIA

British Business Centre Croatia
President of the Board: Vedrana Likan
Ivana Lucica 4
10 000 Zagreb
Email: info@bbcc.hr
Website: www.bbcc.hr

Agency for Investment and Competitiveness
Website: info@aik-invest.hr

Czech Republic

British Chamber of Commerce Czech Republic
Managing Director: Marcela Roche
Florentinum, 2nd Floor
Na Florenci 15
110 00 Prague 1
Tel: + 420 277 009 937
Email: info@britcham.cz
Website: www.britishchamber.cz

CzechInvest - Investment and Business Development Agency
Email: fdi@czechinvest.org

Hungary

British Chamber of Commerce in Hungary
Executive Director: Csilla Csurgai
Eiffel Palace, 6th floor
Bajcsy-Zsilinszky út 78.
1055 Budapest
Tel: +36 1 302 5200 (BCCH)
Tel: +36 1 302 5201 (British Business Centre)
Email: bcch@bcch.com
Website: www.bcch.com

Hungarian Investment Promotion Agency
Email: info@hipa.hu

Poland

British Polish Chamber of Commerce
CEO: Paweł Siwecki
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00-108 Warsaw
Email: info@bpcc.org.pl
Website: www.bpcc.org.pl

PAIiIZ - Polish Information and Foreign Investment Agency
Email: invest@paiz.gov.pl

Romania

British Romanian Chamber of Commerce
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Fax: +40 372 032 516
Email: info@brcconline.eu
Website: www.brcconline.eu

Romania Trade & Invest
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Serbia

British-Serbian Chamber of Commerce
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