

Establishing Business in Europe – A Dark Space ?

Presented by the optegra:hhkl – Group
supported by GABA





Section 1: Introduction and our network



1.1 Introduction and our network

» optegra:hhkl is a professional accounting firm in Germany with more than 100 specialised employees and provides services to German and international corporations, financial institutes and private individuals

- » 17 partners
- » 22 certified tax consultants
- » 8 lawyers
- » 7 German- CPA
- » 2 US-CPA
- » appr. 50 professionals



1.2 Our Service Portfolio

Tax consulting

- » Tax structuring national/international
- » Ongoing tax consulting
- » Accounting and payroll services
- » Payroll tax consulting for companies
- » Expatriate taxation
- » Tax litigation

Audit

- » Statutory and voluntary audits
- » Appraisals and special audits
- » Trusteeship

Management Consulting

- » Business analysis
- » Controlling
- » HR-consulting
- » Outsourcing of infrastructure and administration

Transaction Services

- » Corporate Finance
- » Mergers & Acquisitions
- » International transactions

1.3 International Network



Our partners:

» NIS Global (Europe / Asia / Middle East)



» SCS Global (Japan / Asia)



1.3 International Network

NIS Global (Europe / Asia / Middle East)



is an international group of independent accounting and advisory firms set up to provide mutual clients with support as they establish and maintain operations outside their home country. Coverage is more than 30 countries in Europe, Asia and Middle East.

SCS Global (Japan / Asia)



has developed own subsidiaries throughout Asia and offers accounting and taxation services for foreign companies in Japan, Singapore, China, Hongkong, Malaysia and Philippines.



Section 2: Starting Situation

2.1 Starting situation

Overview agenda

- » European market entry
- » Sales strategy
- » Product flow / Logistics
- » Organisation
- » Optegra:hhkl support

Mission

- » To shed some light into the most important decisions

2.2 Retail company wants to sell it's product in Europe

- » Initial situation: company produces a product or software
- » Business ist established in the US
- » Expansion into European market is planned

2.3 How optegra:hhkl can help

- » Many years of experience in supporting companies in their successful entry into the German market
- » Service portfolio / one-stop-shop is specialised on market entry support
- » Professional network partners in more than 30 countries



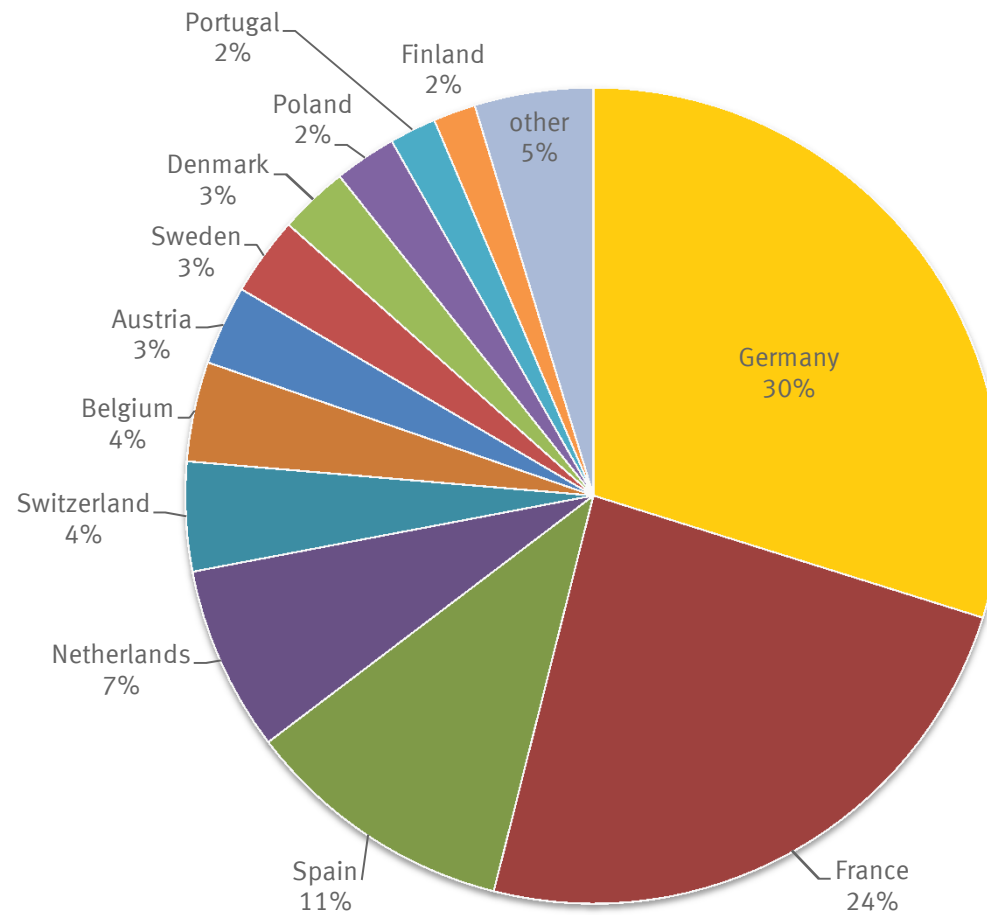
Section 3: Where to go first?

3.1 Language and Logistics

- » UK
- » Netherlands
- » Belgium
- » Germany

3.2 Market situation

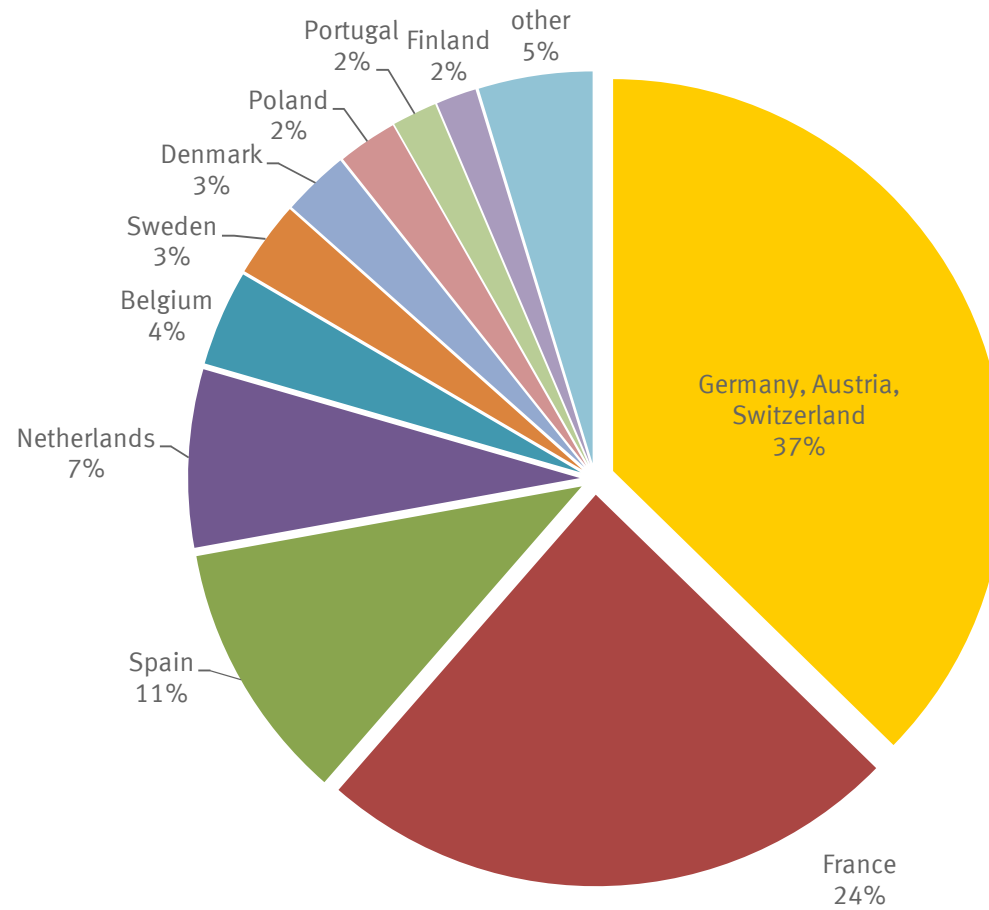
Shares of expenditure on health care
in selected countries



Source: Eurostat

3.2 Market situation

Shares of expenditure on health care
in selected countries



Source: Eurostat



Section 4: Sales strategy – Direct vs. Distributor

4.1 Sales Strategy – Direct vs. Distributor

- » Generate and increase sales
- » Go direct or start sales activities with a distributor
- » Most important pro's and con's

4.2 Selling through European distributor

Pro:

- » Fast market entry and penetration
- » Low costs and capacities

Con:

- » Loss of margin
- » No own customer base
- » Own brand is established only indirectly
- » Hard to control
- » Little influence on marketing and prices
- » Legal aspects

4.3 Direct Sales - Hiring own sales team / commercial agents

Pro:

- » Customer relationship
- » Name and brand are communicated directly
- » Customer base is owned
- » Permanent and sole concentration

Con:

- » Cost and time consuming
- » Sales people have to be found
- » Infrastructure is needed
- » Administration is required
- » Care factor



Section 5: Product Flow / Logistics

5. How is the product being transferred to the customer

- » Freight by sea
- » Freight by air
- » Parcel service

5. Location of warehouse

- » Distribution center
- » Germany / Austria / Switzerland
- » France
- » Spain
- » UK
- » Netherlands / Belgium
- » Rest of EU

5. Different stock locations

- » Parent company's stock
 - » Local subsidiary stock
 - » Customer's stock
 - » Sales personnel stock
- ➔ Take care of VAT consequences



Section 6: Organization in Europe

6.1 Status

Representation office

- » Pure presence
- » Sales support
- » No / smaller office
- » Limited number of employees

Branch

- » Pure presence
- » Sales activities
- » Office where entire business is exercised
- » Higher number of employees

Subsidiary

- » Legal entity
- » Full sales organisation
- » Needs office address
- » Unlimited number of employees

6.2 Ownership and organisation

Representation office	Branch	Subsidiary
<ul style="list-style-type: none">» Direct ownership by parent company» No own assets» Depending and controlled by parent company» Secondary/ auxiliary business activities	<ul style="list-style-type: none">» Direct ownership by parent company» Branch has own assets and bank account» Directly controlled by parent company» core business activities of parent company	<ul style="list-style-type: none">» Parent company can own directly or indirectly through holding structure» Subsidiary has own assets and bank account» Controlled by it's own board» Completely independent

6.2 Ownership and organisation

Representation office

- » Represented only by parents directors
- » No signing power

Branch

- » Representation by local manager possible
- » Signing power option

Subsidiary

- » Represented by own MD
- » Signing power mandatory

6.3 Share capital and corporate liability

Representation office	Branch	Subsidiary
<ul style="list-style-type: none">» No own shares» No working capital» International parent company is directly liable	<ul style="list-style-type: none">» No own shares» Working capital is required due to own business activities» International parent company is directly liable	<ul style="list-style-type: none">» Own shares» Min. 25.000 Euro --after registration- usable as working capital» Parent company (corporation) is generally not liable (limitation to share capital of subsidiary)

6.4 Start – up requirements and registration

Representation office

- » No registration in commercial register
- » Limited registration for employer company

Branch

- » Registration can be required in commercial register
- » Limited registration for employer company
- » Payroll filing requirements for local employees

Subsidiary

- » Registration required in commercial register
- » Employs own personnel
- » Filing of incorporation documents
- » Issuing of shares to parent

6.4 Start – up requirements and registration

Representation office	Branch	Subsidiary
	<ul style="list-style-type: none">» Appointment of own directors» All of them have to be entered in local commercial register	<ul style="list-style-type: none">» Appointment of own directors, own board possible» Only local MD´s have to be entered in commercial register

6.4 Start – up requirements and registration

Representation office	Branch	Subsidiary
	<p>» By entry and changes in the register a notarized signature of all directors and board members with power of representation is required</p>	<p>» By entry and changes in the register a notarized signature of all directors and board members with power of representation is required.</p>

6.5 On-going compliance and disclosure obligations

Representation office	Branch	Subsidiary
<ul style="list-style-type: none">» Generally no bookkeeping obligations	<ul style="list-style-type: none">» Bookkeeping obligations for tax purpose	<ul style="list-style-type: none">» Full bookkeeping requirements (statutory & taxes)
<ul style="list-style-type: none">» No registration obligation	<ul style="list-style-type: none">» Filings and registration of specific changes	<ul style="list-style-type: none">» Maintain company books/register, filing and registration of specific changes
<ul style="list-style-type: none">» No filing and disclosure obligations (statutory)	<ul style="list-style-type: none">» Annual filing and annual Tax returns, limited disclosure requirements	<ul style="list-style-type: none">» Annual filing and full disclosure of financial statements and annual filing of tax returns

6.5 On-going compliance and disclosure obligations

Representation office	Branch	Subsidiary
<ul style="list-style-type: none">» Payroll filing obligations	<ul style="list-style-type: none">» Payroll filing obligations	<ul style="list-style-type: none">» Payroll filing obligations
<ul style="list-style-type: none">» No income calculation	<ul style="list-style-type: none">» Calculation of own local taxable income (carve out problem)	<ul style="list-style-type: none">» Full F/S and P&L for statutory & taxes
<ul style="list-style-type: none">» No own letterhead	<ul style="list-style-type: none">» All directors of the parent company have to be named within the letterhead of business mails	<ul style="list-style-type: none">» Local Directors have to be named within the letterhead of business mails



Section 7: Subsidiary

7.1 Cost plus entity vs. Buy / Sell entity

Cost plus entity

- » Invoicing / selling done by group / parent company
- » Function and risk of local entity on lower level
- » Binding contractual obligation installed before start

Buy / Sell entity

- » Invoicing / selling done by local entity
- » Higher level of functions and risks
- » Binding contractual obligation installed before start

7.1 Cost plus entity vs. Buy / Sell entity

Cost plus entity

- » Clearly defined costs to be in- and excluded from cost plus calculation (for ex. other operating costs; finance costs)

Goods / Services provided by group / parent company

- » Fixed percentage to be agreed in contract
- » Benchmarking of percentage recommended

Buy / Sell entity

- » Arm's length principal
- » Own Sales/ COGS
- » Goods/ Services provided by local entity
- » Transfer pricing problem
- » Documentation locally necessary for tax purpose

7.2 Foundation & Registration

- » Formal foundation process
(Notary / Apostilled procedure)

- » Articles of association
 - » Detailed shareholder information
 - » Name and adress of subsidiary
 - » Managing Director (one or more?)
 - » Define power of representation

- » Power of attorney
 - » Who is authorized on Inc´'s level?
(officer or board members?)
 - » Assignment of optegra Partner
(to act in front of notary as a founder)

7.2 Foundation & Registration

- » Local Bank account
 - » Proof of share capital paid in

- » German notary
 - » Official request for entering GmbH in the commercial register required
 - » Information and apostilled documents check completed



Section 8: Our Services

8.1 Search for sales people

- » Definition of a individual jobprofile
- » Research and identifying
- » Contacting potential candidates
- » Personal interview and evaluation
- » Recommendation of candidate

8.2 Tax Compliance

- » Monthly VAT declarations incl. additional statistic data to be filed (ZM)
- » Annual Tax return filings (income and trade tax)
- » Disclosure tax requirements (E-Balance Sheet, effect on bookkeeping)

8.3 Statutory Compliance

- » Local bookkeeping
(storage of documents & vouchers)
- » Annual F/S incl. Notes in German language mandatory
- » Disclosure statutory books
(electronic commercial register)
- » Local server outside of Germany
(upfront application to tax authorities necessary)

8.4 Financial reporting to US

- » All documents / vouchers at local subsidiary (full bookkeeping)
- » Preparation of monthly / quarterly reporting (to be used / uploaded by parent company)
- » Bookkeeping by parent company on US system (Download locally to support tax filings)

8.5 Business administration services

- » Start-up phase: focus on marketing and sales of products
- » Commercial infrastructure and efficient administrative processes are needed directly
- optegra:hhkl offers a professional, commercial administration service right from the start

8.5.1 Customer Care – Commercial Administration

- » Invoicing, collection incl. reminder, customer accounts
- » Communication and commercial processing with customers
- » Cash planning, payment transactions
- » Order management
- » Materials planning, coordination of logistic processes, inventory management (ERP - System Microsoft Dynamics, Navision or your own application solution, if required)
- » Providing individual and up to date reportings

8.5.2 Sales Support

- » Assistance und support of sales people / commercial agents
- » Offering, travel organisation
- » Marketing / sales promotion: conceptual design and organisation of congresses and fairs, mailings, preparation of sales material etc.
- » Calculation of commissions / variable salary



Section 9: Contacts

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Education history

- Business Management degree from the University of Cologne
- Certified Public Accountant and Tax Consultant

Career history

- 1986 – 1992 Ernst & Young
- 1992 – 2002 BDO
Partner
- 2002 – 2007 Own Certified Public Accountant and Tax Consultant office
- 2007 – 2009 optegra Certified Public Accountants & Tax Consultants
Partner
- Since 2009 optegra:hhkl GmbH & Co. KG
Partner

Project experience

- Annual financial statement audits and IT audits
- International accounting
- International start-up advice
- IKS consultancy services and SOX project support
- Due diligence audits
- Company evaluations

Sectorexpertise

- International groups of companies
- Conglomerates
- IT and retail
- Automotive production
- Plant construction
- Media
- Service providers

Beate Vennebörger



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Education history

- Business Management degree from the Hochschule Niederrhein – University of Applied Sciences Krefeld

Career history

- 1996 – 2000 NetColonge
organisation accounting set-up
- 2000 – 2004 BVNT, a firm of CPAs, tax consultants & lawyers
Assistant
- 2004 – 2006 optegra Certified Public Accountants & Tax Consultants
Business development and marketing
- 2006 – 2009 Syntalis Unternehmensberatung GmbH
Managing Partner

- Since 2009 optegra:hhkl Unternehmensberatung GmbH
Managing Partner

Project experience

- Corporate identity, development and culture
- Personal recruitment and interim management
- National and international start-up support
- Infrastructure and administration outsourcing

Sector expertise

- International groups of companies
- Medical technology
- Telecommunications
- IT
- Services

Contact details

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