

SODENA
Sociedad de Desarrollo de Navarra



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1. NAVARRA. GENERAL DESCRIPTION

Navarra (www.navarra.es) is a region with a high degree of autonomous government located in northern Spain at the western end of the Pyrenees, where it shares a 163-kilometre-long border with France.

The region covers 10,421 square kilometers and has a population of 642,051, with a population density of 61.61 inhabitants per square kilometer. Its capital is Pamplona, with 32% of the total population.

Navarra was an independent kingdom for almost a thousand years up to the XVI century, when it began to share the same king as the other former small independent kingdoms in Spain. The full integration with the rest of the country of Spain occurred in the XIX century, but Navarra still retains many of its ancient laws, one of them being the right to some economic autonomy and having its own taxation system. These rules are nevertheless, in line with those of the national government of Spain and of The European Union.



AN ATTRACTIVE ECONOMY AND A COMPETITIVE BUSINESS ENVIRONMENT

A DYNAMIC, STABLE AND BALANCED ECONOMY

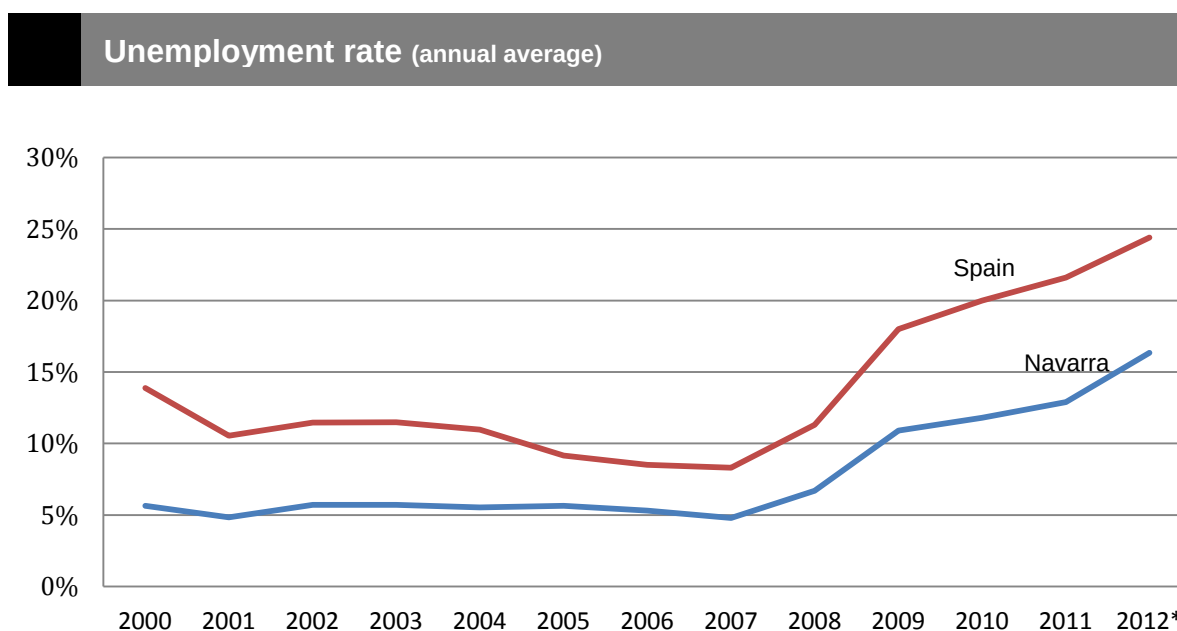
Navarra has a high per capita GDP with a growth rate above the European average in recent years. It ranks in the 32nd position of region development from among the total of 277 European Union regions, with a GDP equivalent to 132.2% of the European average.

According to recent data published by the National Institute of Statistics in March 2011, Navarra was the regional economy in Spain that grew most in 2010, 1.2%, while the national GDP fell by 0.1%.

Navarra maintains a stable economy with moderate inflation.

EMPLOYMENT

The unemployment rate in Navarra is one of the lowest in Spain. In the first quarter of 2012 it stood at 16.34%, in contrast to the national average of 24.44%.

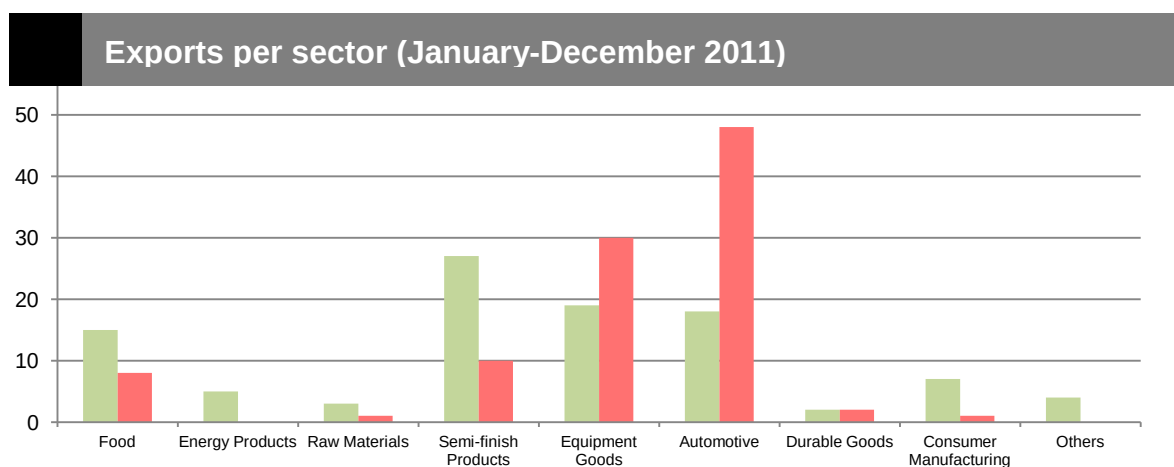


(* data 1st quarter 2012)

GLOBAL ECONOMY

Exports from Navarra have grown considerably in recent years.

In the period January-December 2011, total value of exports from Navarra grew to over 8,092.7 million Euros representing an increase of 9.3% over the same period of 2010. The largest export earners were from the automotive, equipment, semi-finished goods and food sectors.



Source: Studies Unit of the Ministry of Industry, Tourism and Trade. Based on Customs data.

Navarra's foreign trade. By countries & geographical areas

	EXPORTS			IMPORTS			NET BALANCE
	Thousand of €	% Total	% 11/10	Thousand of €	% Total	% 11/10	Thousand of €
EUROPEAN UNION	6.320.796,0	78,1	7,1	4.459.016,5	84,3	20,6	1.861.779,5
EURO ZONE	4.807.324,2	59,4	1,4	3.672.931,2	69,4	22,7	1.134.393,0
France	1.510.449,5	18,7	12,4	600.638,9	11,3	10,8	909.810,6
Netherlands	301.989,6	3,7	19,9	259.637,3	4,9	-14,4	42.352,3
Germany	1.306.775,0	16,1	-5,0	1.966.911,7	37,2	39,3	660.136,7
Italy	768.512,2	9,5	-13,4	273.431,5	5,2	17,6	495.080,7
Ireland	25.676,3	0,3	-1,8	21.584,5	0,4	331,0	4.091,9
Greece	84.974,7	1,1	-40,0	1.941,6	0,0	-34,9	83.033,1
Portugal	295.362,6	3,6	11,8	284.130,2	5,4	9,7	11.232,4
Belgium	241.458,8	3,0	0,0	159.289,3	3,0	19,5	82.169,5
Luxembourg	26.829,1	0,3	-3,9	21.448,0	0,4	44,0	5.381,2
Finland	25.617,7	0,3	-18,9	24.769,9	0,5	-10,5	847,7
Austria	130.938,4	1,6	25,4	17.860,8	0,3	-6,4	113.077,6
Malta	1.374,8	0,0	-69,2	240,1	0,0	-51,2	1.134,7
Slovakia	46.360,2	0,6	74,2	33.867,5	0,6	7,6	12.492,7
Slovenia	21.526,3	0,3	92,1	7.179,6	0,1	-28,5	14.346,7
Cyprus	19.478,9	0,2	686,5	0,3	0,0	-98,5	19.478,7
OTHER UE	1.513.393,8	18,7	30,2	773.603,9	14,6	12,9	739.789,8
The UK	469.271,6	5,8	-5,9	159.613,2	3,0	11,8	309.658,4
Denmark	62.297,4	0,8	114,0	24.272,6	0,5	25,1	37.324,9
Sweden	118.772,0	1,5	35,5	24.957,2	0,5	-14,0	93.814,9
Estonia	2.277,8	0,0	40,6	1.668,9	0,0	1.653,2	308,9
Latvia	1.706,0	0,0	35,3	12.400,0	0,2	640,2	-10.694,0
Lithuania	26.102,8	0,3	28,2	2.604,3	0,0	-56,7	23.498,5
Poland	454.240,9	5,6	152,1	218.664,3	4,1	37,5	235.576,6
Check Republic	114.982,2	1,4	-12,3	278.363,2	5,3	-1,6	-163.381,0
Hungary	48.094,9	0,6	-57,5	36.271,8	0,7	23,6	11.823,2
Romania	200.016,5	2,5	140,1	13.627,7	0,3	7,7	186.388,8
Bulgaria	15.631,7	0,2	-0,6	460,9	0,0	-72,8	15.170,8
OTHER EUROPE	390.006,1	4,8	27,3	107.468,0	2,0	29,2	282.538,1
Norway	21.263,3	0,3	-8,0	11.902,8	0,2	38,8	9.360,5
Switzerland	109.390,0	1,4	16,3	34.946,7	0,7	46,7	74.443,3
Turkey	209.652,3	2,6	52,8	43.956,6	0,8	18,9	165.695,8
Russia	31.434,7	0,4	-8,8	15.969,9	0,3	24,3	15.464,9
Croatia	18.265,7	0,2	4,4	692,1	0,0	-29,6	17.573,6
NORTH AMERICA	218.162,1	2,7	8,8	79.179,2	1,5	26,7	138.982,9
The USA	203.293,7	2,5	15,0	71.742,3	1,4	47,2	131.551,4
Canada	14.868,4	0,2	-37,6	7.436,9	0,1	-46,1	7.431,6

	EXPORTS			IMPORTS			NET BALANCE
	Thousand of €	% Total	% 10/09	Thousand of €	% Total	% 10/09	Thousand of €
LATIN AMERICA	414.153,5	5,1	44,3	94.401,5	1,8	11,9	319.752,0
México	269.920,0	3,3	52,6	18.629,7	0,4	48,7	251.290,3
Venezuela	12.121,3	0,1	-17,8	2.890,5	0,1	-71,8	9.230,8
Brazil	65.015,2	0,8	57,1	19.566,2	0,4	186,4	45.449,0
Chile	16.498,5	0,2	0,8	14.657,1	0,3	30,6	1.841,5
Argentina	15.470,8	0,2	39,7	3.948,5	0,1	50,0	11.522,3
ASIA	401.806,4	5,0	3,1	354.498,5	6,7	3,5	47.307,9
Iran	22.485,3	0,3	-47,1	71,5	0,0	-60,4	22.413,7
Israel	47.297,6	0,6	16,6	2.216,7	0,0	8,7	45.080,9
Saudi Arabia	30.187,5	0,4	52,0	530,9	0,0	-13,8	29.656,6
United Arab Emirates	16.487,2	0,2	18,7	769,8	0,0	58,4	15.717,4
India	67.430,3	0,8	11,7	23.667,5	0,4	20,9	43.762,8
Thailand	16.154,3	0,2	11,2	3.753,2	0,1	19,1	12.401,2
China	102.812,6	1,3	-2,9	174.514,7	3,3	-5,4	-71.702,1
South Korea	13.392,9	0,2	-25,9	31.402,1	0,6	20,1	-18.009,2
Japan	12.009,0	0,1	-26,5	41.302,8	0,8	18,7	-29.293,8
AFRICA	280.545,8	3,5	13,8	177.339,2	3,4	0,7	10.306,7
Morocco	64.541,7	0,8	19,4	125.447,9	2,4	31,3	-60.906,2
Algeria	67.044,7	0,8	35,0	843,7	0,0	-51,6	66.201,0
Tunisian	51.772,0	0,6	11,3	5.002,9	0,1	27,2	46.769,1
Egypt	9.769,8	0,1	-40,7	7.371,6	0,1	-16,6	2.398,2
South Africa	64.858,7	0,8	18,7	15.233,9	0,3	-6,2	49.624,7
OCEANIA	23.068,2	0,3	-39,0	1.981,5	0,0	-35,5	21.086,8
Australia	11.996,6	0,2	-65,5	506,7	0,0	149,6	11.789,9
TOTAL WORLD	8.092.744,6	100,0	9,3	5.292.079,7	100,0	18,5	2.800.664,9

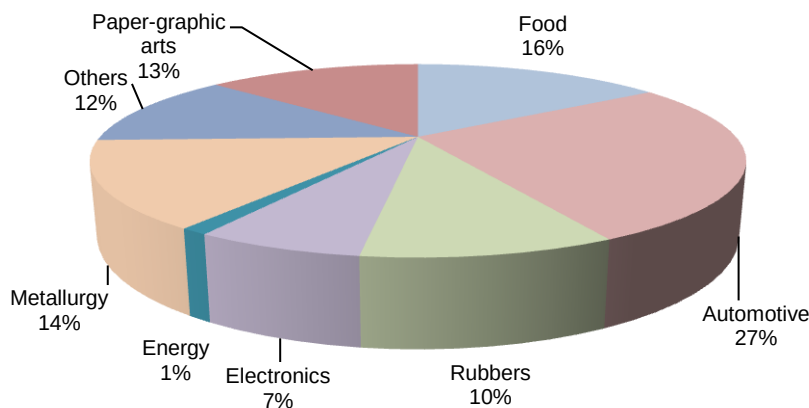
Source: Studies Unit of the Ministry of Industry, Tourism and Trade. Based on Customs data.
Development: Territorial Directorate of Trade in Pamplona.

Spain's foreign trade. By autonomous regions

	EXPORTSs			IMPORTS			NET BALANCE	
	Mill €	% total	%11/10	Mill €	% total	%11/10	Mill €	%11/10
TOTAL	214.485,6	100,0	15,4	260.823,2	100,0	9,6	-46.337,7	-11,4
Andalucía	22.851,1	10,7	23,7	29.211,5	11,2	25,8	-6.360,4	34,0
Aragón	9.282,6	4,3	9,4	7.692,1	2,9	9,0	1.590,5	11,5
Asturias	3.698,6	1,7	7,4	4.192,3	1,6	14,5	-493,7	125,7
Baleares	851,2	0,4	5,2	1.529,8	0,6	-1,8	-678,5	-9,5
Comunidad Valenciana	20.013,1	9,3	7,1	20.412,7	7,8	5,1	-399,6	-44,9
Canarias	2.379,2	1,1	22,3	4.727,3	1,8	0,5	-2.348,1	-14,9
Cantabria	2.591,1	1,2	13,6	1.953,3	0,7	-0,6	637,9	102,3
Castilla La Mancha	4.156,0	1,9	22,0	5.068,7	1,9	-1,7	-912,8	-47,8
Castilla y León	12.356,6	5,8	17,7	10.297,4	3,9	16,8	2.059,2	22,4
Cataluña	55.524,8	25,9	14,3	70.849,6	27,2	5,9	-15.324,8	-16,4
Ceuta	0,1	0,0		389,7	0,1	43,6	-389,6	43,6
Extremadura	1.430,7	0,7	14,4	982,2	0,4	1,0	448,6	60,9
Galicia	17.532,3	8,2	15,7	14.029,8	5,4	1,5	3.502,4	162,4
Madrid	24.548,9	11,4	17,2	53.288,0	20,4	5,6	-28.739,0	-2,6
Melilla	4,0	0,0	10,9	159,9	0,1	28,3	-155,9	28,8
Murcia	5.619,3	2,6	13,2	10.168,8	3,9	36,5	-4.547,5	83,1
Navarra	8.092,7	3,8	9,3	5.292,1	2,0	18,5	2.800,7	-4,8
Pais Vasco	21.066,7	9,8	20,1	17.100,3	6,6	12,1	3.966,4	73,4
La Rioja	1.492,1	0,7	17,6	1.111,7	0,4	13,9	380,4	30,1
Others	994,5	0,5	-245,5	2.368,2	0,9	-224,8	-1.373,8	-648,8

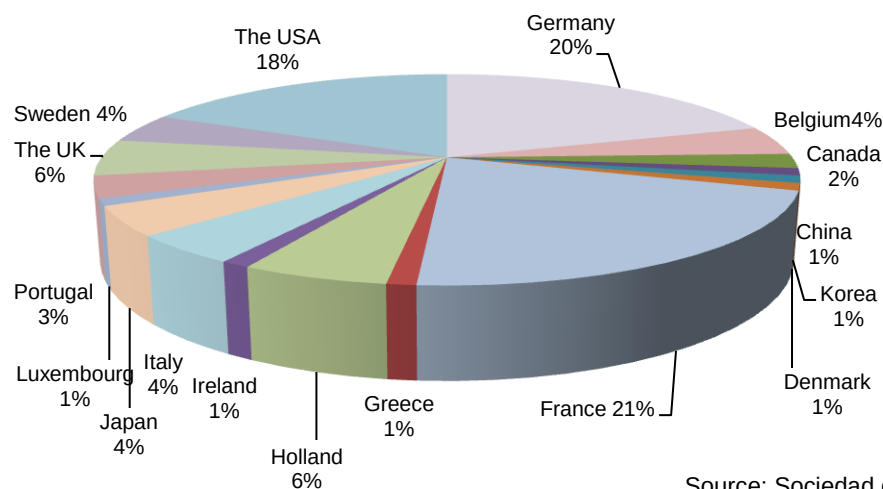
Currently, there are over 100 multinational companies from 20 countries operating in Navarra, of which 90 are manufacturing companies. The following graph shows the distribution, both by activity and by country of origin:

Multinational Companies by activity



Source: Sociedad de Desarrollo de Navarra

Multinational Companies by country of origin



Source: Sociedad de Desarrollo de Navarra

ACCESSIBLE ADMINISTRATION

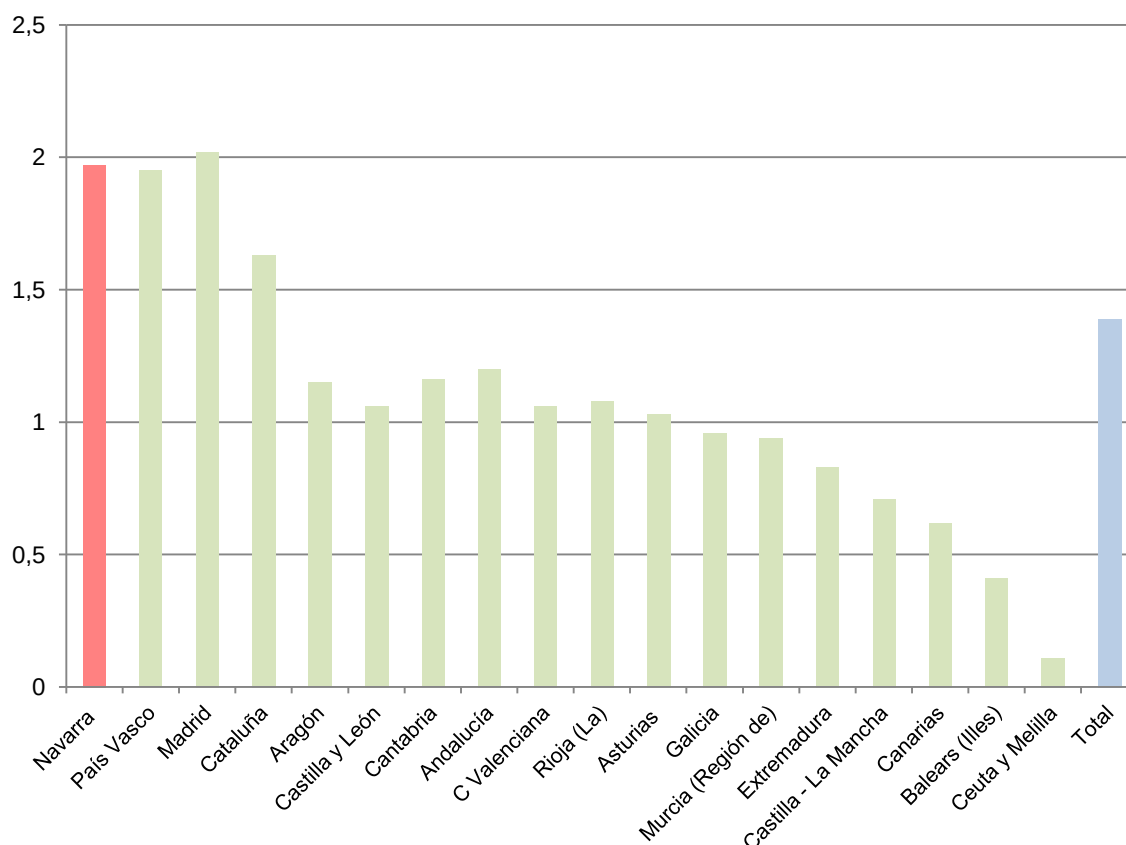
The Government of Navarra strongly supports entrepreneurs with fast and coordinated responses to business enquiries. Its small size means less bureaucracy!.

LEADERSHIP IN R+D+i

Other than Madrid, Navarra leads the Spanish regions in investment in R+D+i per capita. The 2011 budget forecasts a spend of 2.5% of GDP investment in R+D+i, surpassing the 2.13% EU15 average.

The following graph shows the percentage of investment in R+D+i of the different Spanish regions:

R+D Expenditure /GDP, by regions (year 2010)



Source: National Statistics Institute.

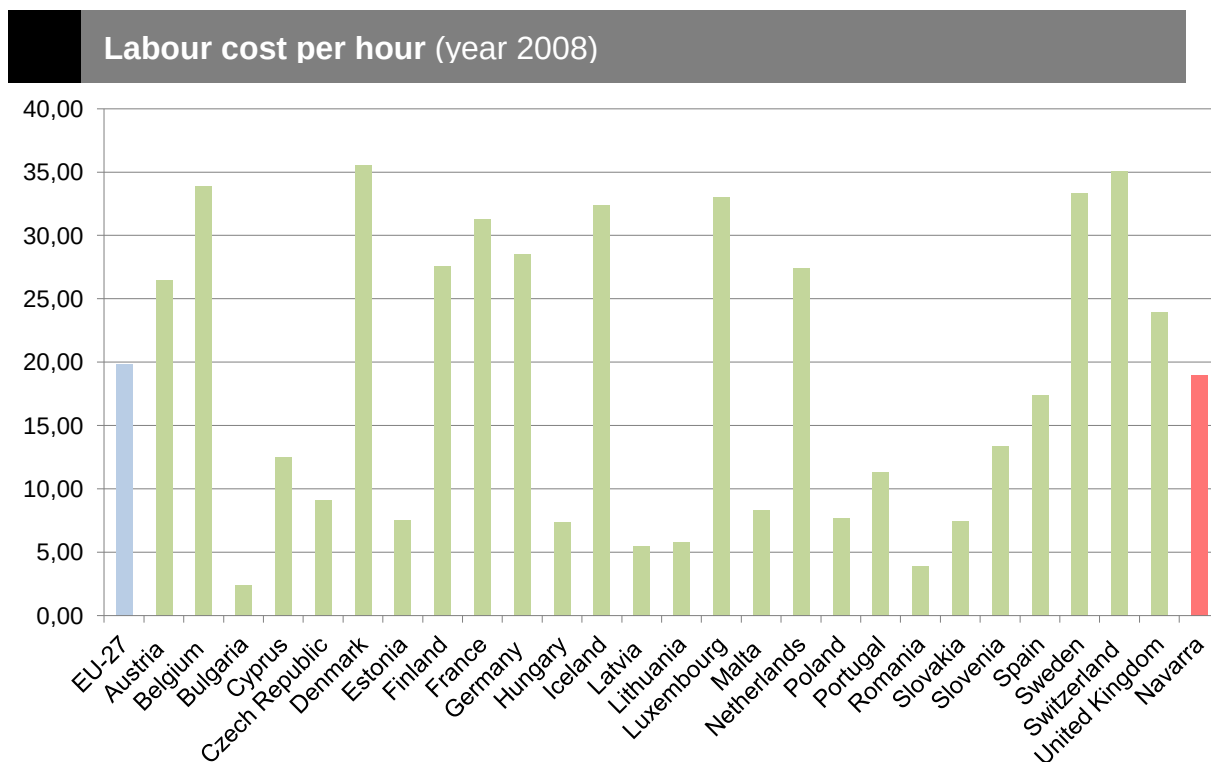
THE FISCAL SYSTEM OFFERS SIGNIFICANT DEDUCTIONS FOR INVESTMENT IN R+D+i

The private sector in Navarra accounts for two thirds of the total investment in R+D+i, well above the national average.

The Navarra Tax system offers substantial deductions for investing in R+D+i.

OPERATING COSTS

Navarra offers very competitive wage and salary costs, below the EU-15 and EU-25 averages.



Source: Eurostat.

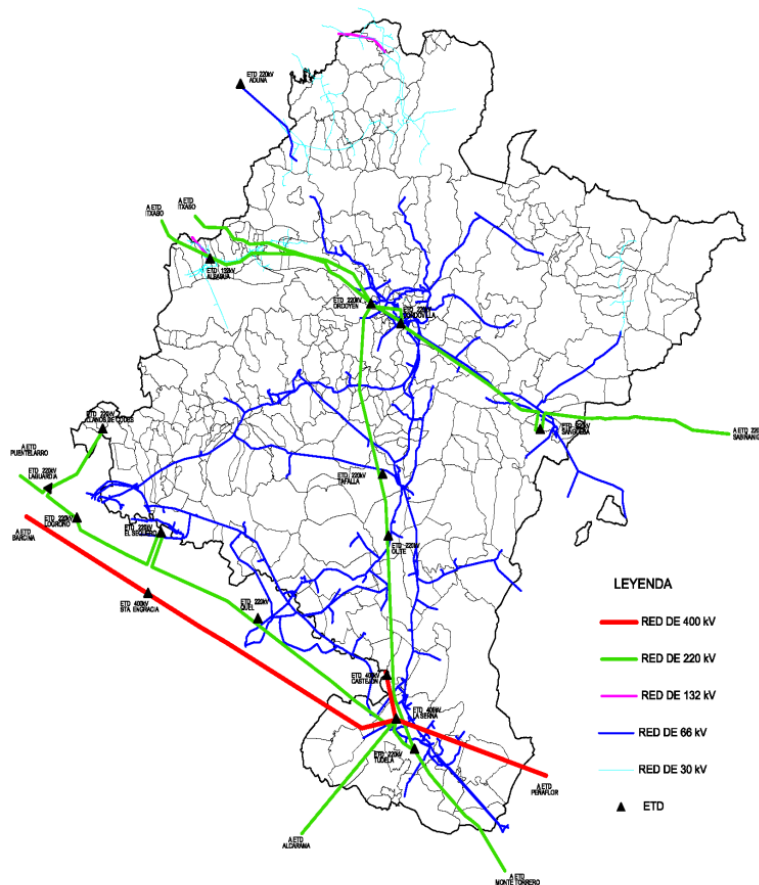
Navarra has an extensive natural gas and electric power infrastructure capable of meeting the demands of large-scale energy consumers.

Electricity. Transport and distribution network in Navarra. Current situation



Líneas	Circuitos			Tensiones	
	previstos	instalados			
En servicio	1	1	———	220 kV	
	2	1	———	132 kV	
	2	2	———	66 kV	
En construcción	1	1	———	< 66 kV	
Cable submarino / subterráneo	En servicio				
	En construcción y programadas		———		
Prevista transformación a tensión superior			———		
			En servicio	En construcción y programadas	
Subestaciones			•	○	
Centrales	Hidráulica		☒	☒	
	Térmica clásica		■	□	
	Ciclo Combinado		☒	☒	
	Eólica		■	□	

Map: gas transport and distribution network in Navarra. Current situation



Spanish energy prices are in line with other EU countries, operating in a non-regulated power generation market.

MODERN TELECOMMUNICATIONS

The availability of state-of the art telecommunications technology covers almost all the territory of the region.

The Government of Navarra has allocated 4 million Euros, as part of its telecommunication plan to connect industrial estates and technology centers with high capacity fiber optic cables.

TAX SYSTEM

Navarra has a high degree of self-government, enabling it to maintain its own, differentiated tax system with a clear focus on providing incentives for investments in production facilities and equipment.

There are major tax incentives for R & D+i, investment, training and the contracting of personnel as well as other initiatives..

HIGH RATING IN FINANCIAL SOLVENCY

Navarra maintains a higher Standard & Poors credit rating than Spain as a whole. In 2012, S&P ranked the value of long-term debt for the region as AA-, a level higher than Spain's national ranking of A. Prior to April 2010, Navarra's credit rating had been the highest possible AAA rating, However, as with most other localities in Europe in 2011, it was downgraded to reflect the deepening crisis within the Eurozone.

In its January 31, 2012 report, S&P wrote: "Relative to Spain, the Basque Country and Navarra have high income per capita; lower unemployment rates;significantly healthier budgetary performances; and strongly industrialized and export-oriented economies with excellent infrastructure. Based on the latest available information, the region was not posting a budgetary deficit as of third-quarter 2011. The special constitutional and legal status of Navarra, in our opinion, affords them broad fiscal autonomy. Among others, it has unique taxing powers relative to other Spanish regions, including collection, management, and ample room to implement tax legislation... Lastly, protective clauses shelter Navarra against new expenditure responsibilities that the central government may seek to impose. We believe the special status of Navarra is unlikely to change in the foreseeable future."

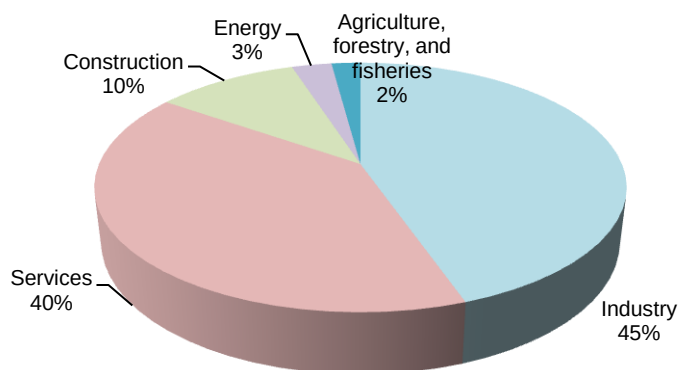
COMPETITIVE COSTS

Navarra has very competitive costs in renting out infrastructures for the service and industrial sectors.

ECONOMIC STRUCTURE

The economic structure of Navarre is well balanced between the industrial and service sectors. It also demonstrates the viability of its plans to grow the energy and food and agricultural secotrs.

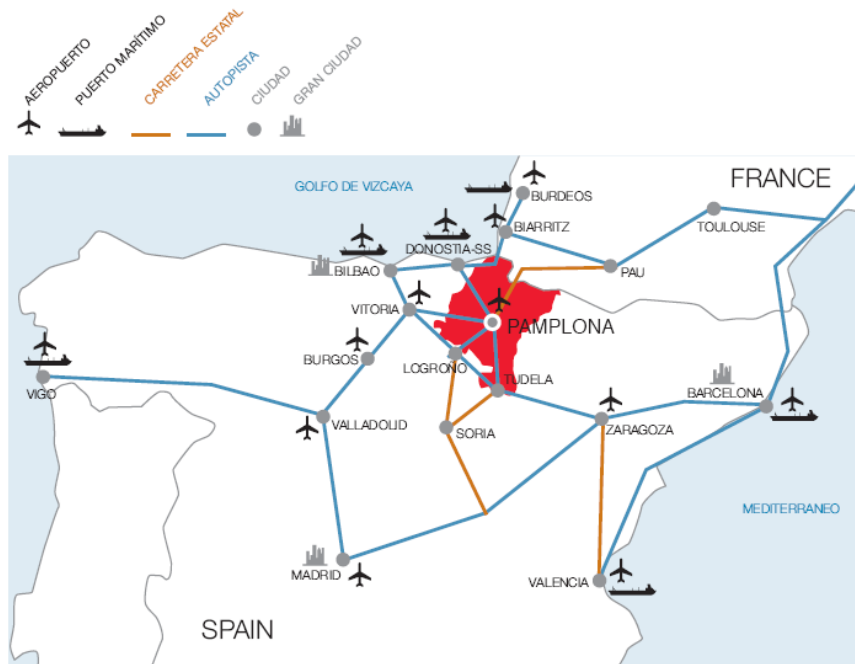
Economic Activity (2010)



Source: Navarra Institute of Statistics.

WELL CONNECTED

Navarra has a well-developed road network. It is located on the frontier with France to the north and it is crossed by several motorways that afford easy access with the rest of Spain and Europe.



The main distances from Pamplona are:

Pamplona – Madrid: 411 km

Pamplona – Barcelona: 434 km

Pamplona – Zaragoza: 181 km

Pamplona – Bilbao: 159 km

Pamplona – Vitoria: 97 km

Pamplona – Lisbon: 918 km

Pamplona – Paris: 900 Km

Pamplona – Pau: 240 Km

NAVARRA HAS A
MODERN
TRANSPORTATION
INFRASTRUCTURE

Air transport

From Pamplona there are 8 daily flights to Madrid and 4 to Barcelona with flight times of less than an hour., which can then connect you to flights anywhere in the world. By car you are within a two-hour reach of several other international airports with flights to the most important European destinations.

The major freight airports servicing Navarra are Vitoria (97 km to the west) and Zaragoza (182 km to the east). Both airports are listed respectively in fourth and third position on the list of main freight airports in Spain.

Train

The high-speed Alvia train links Pamplona to Madrid in three hours and to Barcelona in four hours. Currently, A further upgrade of the high-speed rail network by 2015 will integrate the Navarra railway system within the main European railway networks.

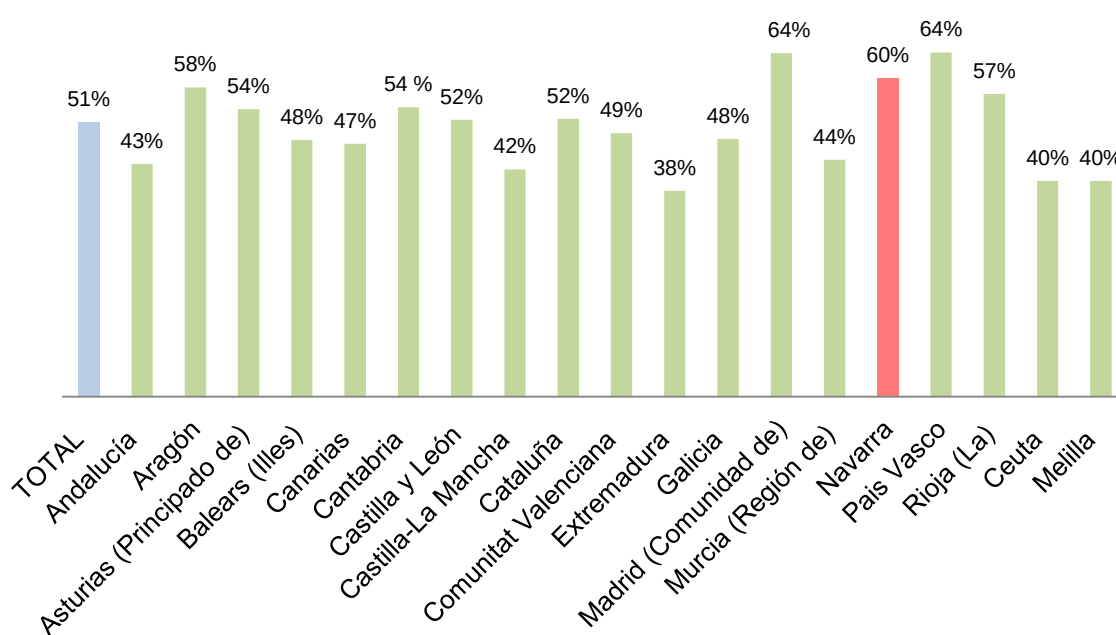
Ports

Navarra is situated between the two main Spanish ports of Bilbao (159 Km) and Barcelona (434 km). Bilbao's port is one of the most important transport and logistics hubs in the Atlantic European Arc. The UK, Russia, Netherlands and Nordic countries are among its main markets.

A HIGHLY QUALIFIED POPULATION

Navarra has one of the highest level of education in Spain, along with the Basque Country and Madrid.

% High school + University education level of adult population (2009)



Source: Spanish Ministry of Education

Navarra is the home of two well-funded universities, **The State University of Navarra** and **The Private University of Navarra**, which provide a steady flow of highly qualified and highly skilled young people for the local workforce. In academic year 2009/210, 2,929 students graduated with Bachelor Degrees.

	Total	Juridical and Social sciences	Technical	Humanities	Health sciences	Other sciences
Univ. Pública de Navarra	1,426	736	557	-	133	-
Univ. Navarra	1,503	455	461	54	361	172
TOTALS	2,929	1,191	1,018	54	494	172

In the same academic year, 341 students graduated with Master's Degrees at the two universities. (119 at the State University of Navarra and 222 at the Private University of Navarra)

Navarra has an excellent and diverse education system:

- 2 universities.
- 33 vocational training centers.
- 57 secondary schools and over 250 primary schools..

Navarra has the best exam pass rates in Spain (also above the European average).

Navarra has a number of specialized technology centers whose primary purpose is to help business and industry :

- CENER: National Renewable Energy Centre.
- LEA: Wind Turbine Testing Laboratory.
- CNTA: National Centre of Food Technology and Security.
- CIMA: Applied Medical Research Centre.
- CIFA: Applied Pharmacology Research Centre.
- FIDENA: Foundation for Nanotechnology Research and Development in Navarra.
- IdAB: Institute of Agro-biotechnology • AIN: Asociación de la Industria Navarra.

- AIN: Industry Association of Navarra.
- CITEAN: Automotive Technological Innovation Centre of Navarra.
- EVENA: Wine-growing and Wine-making Centre of Navarra.
- CETENA-CEMITEC FOUNDATION: Multidisciplinary Centre for Innovation and Technology of Navarra.
- IBA: Applied Biotechnology Institute.
- Milk Research Centre of Lekunberri.
- L'UREDERRA.
- UN: Universidad de Navarra (Private University)
- UPNA: Universidad Pública de Navarra (State University)
- CTCL: Technology Center for Graphic and Visual Communication.
- FIDIMA: Foundation for Environmental Research, Development and Innovation

EXCEPTIONAL STANDARD OF LIVING

According to a survey made by the national Consumers and Users Organization (OCU), Pamplona heads the list of Spanish cities with the best quality of life in terms of culture, leisure, sport, education, mobility and transport, urban landscape, employment and labor market, environment and air quality, safe streets, shops and services, administration, municipal services and healthcare.

Valuation of Spanish cities (from 1 to 10)

Ciudad	Housing	Health care	Education	Environment	Safety	Commerce and services	Transport and mobility	Cityscape	Labor Market	Culture, leisure and sport	Administration and management
Albacete	7.3	7	6.8	5.9	5.8	7.7	5.5	6.1	4.8	6.5	5.1
Badajoz	7.3	7.2	6.6	5.8	5.5	7.1	5.6	5.3	3.8	5.5	4.6
Barcelona	7.2	7.4	6.7	4.6	4.9	8.1	5.4	6.2	4.9	7.2	4.8
Bilbao	7.2	7.8	7.1	5.8	5.9	7.9	5.7	6.4	4.6	6.6	5
Gijón	7.6	7.4	6.8	5.8	6.3	7.8	6.1	6.1	3.3	6.9	5.1
Las Palmas de G. Canaria	7.1	6.3	6.5	5.1	5.2	8.1	4.9	5.4	4.3	5.9	4.1
Logroño	7.7	6	6.3	6.1	5.9	7.9	4.9	6.2	5.7	6.2	5.1
Madrid	7	6.9	6.2	4.4	4.5	7.8	4.7	5.7	5.2	7.1	4.5
Murcia	7.2	7.2	6.5	5.1	5.2	7.9	4.5	5.8	5.5	6.2	5.1
Palma de Mallorca	7.2	7.4	6.2	5.3	5.4	7.8	5.1	5.2	5.7	5.7	4.3
Pamplona	7.5	8.3	7.3	7.1	6.4	7.9	6.2	7.1	6.3	6.6	5.4
Santander	7.1	7.2	6.7	6.4	6.3	7.3	5.2	6.3	3.9	5.3	4.9
Sevilla	7	6.8	6	4.8	4.1	7.7	3.9	5.4	3.8	5.6	3.3
Valencia	7.2	6.9	6.2	4.8	5.3	7.8	5.3	6	5.1	6.5	4.8
Valladolid	7.3	6.8	6.8	4.8	5.8	7.5	5.1	5.7	4.4	6.5	4.8
Vigo	7.1	6.5	6.6	4.8	5.6	7.9	4.3	5.1	4.5	5.3	3.8
Zaragoza	7.4	6.6	6.6	5.4	5.7	7.9	5	5.6	5.7	6.1	4.3

-  The cities best valued by this criterion
 The cities worst valued by this criterion

What makes Navarra a great place to live in?:

- Natural Parks coverage within the territory:
 - Navarra: 13%
 - Spain: 1%
 - European Union: 10%
- Major sports infrastructures.
- More than 1,600 cultural and recreational associations.
- The first region of Spain to establish Selective Garbage Collection and Recycling.
- Exemplary health care system.

IMPROVEMENT PLANS TO 2030

The Government of Navarra is undertaking a strategic reflection with a horizon to the year 2030 through the MODERNA plan, with the aim of defining a New Economic Development Model for Navarra in the medium and long term future

The Fourth Technological Plan of Navarra 2012-2015 has also been launched, to improve business competitiveness, boost the attraction and transformation of knowledge and integrate innovation in the European research projects.

THE IV
TECHNOLOGICAL
PLAN (2012-2015)
IMPROVES
BUSINESS
COMPETITIVENESS



VISIÓN 2030

SECTORES ESTRATÉGICOS

- Biotecnología.
- Energías Renovables / Medio Ambiente.
- Industria Agroalimentaria.

**MOTORES
DEL CAMBIO
DE MODELO
PRODUCTIVO
EN NAVARRA**

2. GOVERNMENT AID

The Government of Navarra is helping to develop business and industry with financial assistance; investments in fixed assets; and projects and schemes in Research, Development and Innovation (R+D+i).

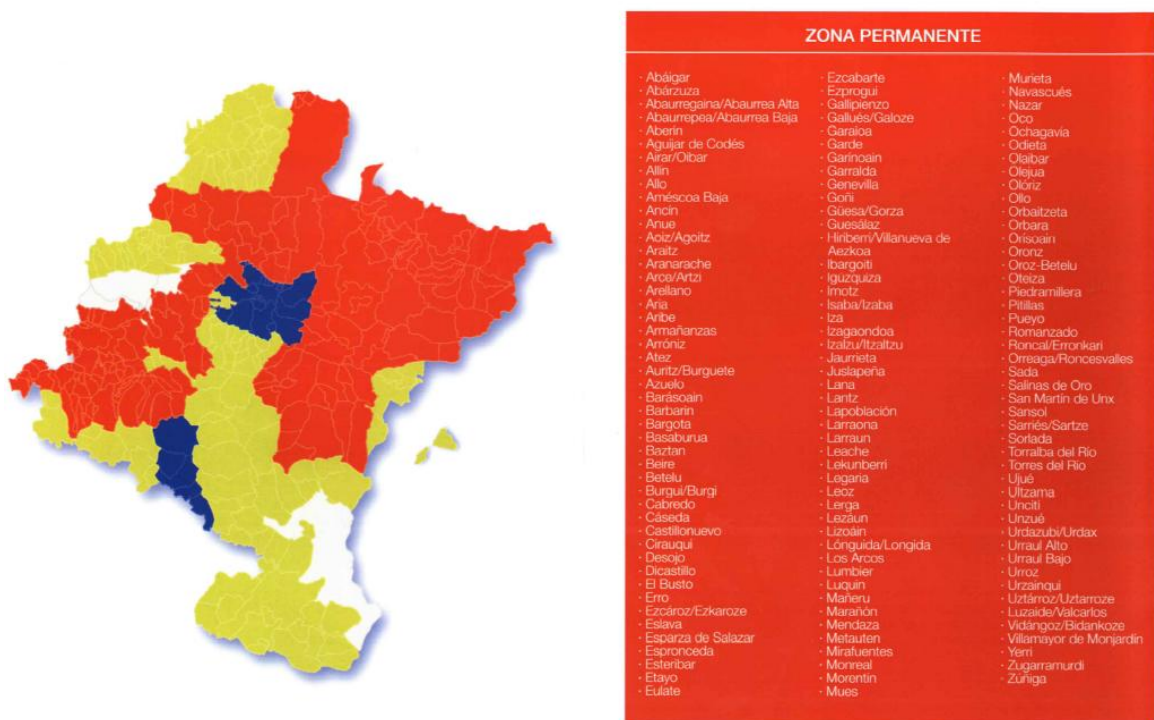
2.1 GRANTS FOR INVESTMENTS

Repayable loans are given by The Government of Navarra through the Department of Innovation and Employment.

Maximum grants available are outlined below:

Geographical zone	Size of business		
	Small	Medium	Large
Benefit zone	30%	20%	10%
Non-benefit zone	20%	10%	0%*

Aid for geographical zones is defined according to a European normative “Map of Regional Aid” from the 20th of December, 2006 (in red, benefit zone).



* In this case, a large company located in a non-benefit zone, the grants will be minimal, therefore they will not exceed € 200,000.

Subsidies are aimed at:

- **Extractive Industries, manufacturers and entities from information and communication activities** as contained in sections B, C and J of the National Classification of Economic Activities (CNAE 2009).

- Making the most of certain sources of renewable energy (Regional Bill passed 140/2010):

- Production of thermal energy and or electricity through the use of energy types such as biomass and biogas included in the sub-group b.6.3. and in the groups b.7 and b.8 and of the Law Bill D 661/2007, of the 25th of May.

- Treatment of biomass for its thermal use in line with the regulation above..

- Production of second generation bio-combustibles.

- Using thermal sources at a lower temperature than solar energy.

- Production of useful energy through the use of the sub-soil temperature.

- Production of electricity through hydro-electric centers whose installed is no higher than 10 MW (mini-hydraulic).
- Production of electricity from solar radiation through photovoltaic technology with installations whose power does not exceed 100 kW and with particular location conditions established in the Bill passed by The Regional parliament and intended for self-consumption on a net metering basis.
- Production of electricity through turbine generations with a unitary power or a group no higher than 100 kW and under particular location conditions and intended for self-consumption on a net metering basis.
- Treatment and elimination of residuals.
- Logistic activities for industrial firms.
- Technical services of engineering and other activities related to technical assessment.
- Research and Development.
- Activities of specialized design.

2.2. AID FOR EMPLOYMENT

The following subsidies are available to promote work contracts and labor stability in employment in Navarra:

Indefinite contracts and conversion of temporary contracts into permanent contracts (under 30 years, over 45 and long-term unemployed) in companies with fewer than 25 workers: € 4,800

Temporary contracts to promote employment for disabled people: € 4,800.

Social and labour inclusion grant recipients: up to € 3,848

2.3. AID FOR RESEARCH AND DEVELOPMENT ACTIVITIES

There are several programs and grants available for R+D+i projects.

These programs and grants depend on the volume of investment and/or project expenses as well as the size of the company applying.

A company can receive aid for all R+D programs that it is developing, with a major chance of getting funds from either The Government of Navarra and/or from the CDTI – a national entity which finances technological innovation and which grants aid for technology and for technology development projects..

All the expenses for these projects are covered, such as labor costs; external collaborations; materials; depreciation of funding; and indirect costs, whenever these have not already been claimed on other to grants.

The maximum amounts of aid for R+D projects are:

	Size of business		
	Small	Medium	Large
Development Projects	45%	35%	25%
Research Projects	70%	60%	55%

The type of Project is defined depending on the risk inherent in the Project. Three types of projects may be classified:

1. **Project on Industrial Research.** These refer to high-risk projects that are at a pre-competitive stage and which have significant contracts with technological centers.
2. **Development Projects:** Projects which have reached an advanced stage of development and which, in general, are related to new products or with processes which have already been identified
3. **Innovation:** Refers to those projects which add external technologies to the company, but where no development exists.

Existing norms

Outlined below are costs that are eligible in innovation projects:

- Wages and Salaries.
- External collaboration agreements.
- Perishable materials.
- Equipment
- Indirect costs

Control periods are normally established in the development of these projects.

2.4. FISCAL TAX SYSTEM

Navarra has a high level of self-government, enabling it to maintain its own, differentiated tax system with a clear focus on providing incentives for investments in production facilities and equipment.

The main tax differences between Navarra and the rest of Spain are:

Type of Company	Navarra	The Rest of the State
Large Firm	30%	30%
Small to Medium Size Enterprise (SME)	27%	Tax base between 0 and 3,000 €: 20% Tax base above this figure: 25%
Micro SME	20%	This category does not exist

Size of company is defined as follows:

Large Firm: Companies with a turnover > 10 million Euros.

SME: Companies with a turnover of between 10 and 1 million Euros.

Micro SME: Businesses with a turnover of less than 1 million Euros.

The most significant tax deductions

	Navarra	The rest of the State
Credits for investments in new tangible fixed assets and investments in real estate	10%	None
Credit for activities in R&D ^{1,2}	40%-50%	30%-40%
Credit for carrying out activities of technological innovation ²	15%	12%
Credit for the promotion of ICT technologies (Internet, Intranet, GPS) ³	15%	None
Credit for vocational training expenses	15%	None
Credit for activities of conservation and improvement of the environment	15%	8%

Credit for job creation with permanent contracts ⁴	4,200 € for new contracts (6,000 € in the case of disabled persons). 1,500 € for old temporary contracts (2,700 € for disabled persons) These figures are increased by 30% for SMEs.	3.000 € (only for companies with <50 workers, only first contract and contracted < 30 years)
Credit for company contributions to employment pensions schemes or mutual benefit societies that act as an instrument of social insurance, and for contributions to safeguarding wealth/patrimony of disabled persons	10%	None

Navarra has more tax flexibility in tax depreciation than the rest of Spain and there are special conditions for tax deductions.

¹ The tax rating of an R+D Project is given by The Department of Innovation, Business and Employment of The Government of Navarra at the same time that it approves subsidies for R+D and this is binding on the tax conditions.

² The SME's can discount tax on deductions on R+D+i although the actual payable tax returns might be negative with a limit of up to 25.000 Euro per tax year.

³ Except for the part applicable to GPS, only applicable to SMEs.

⁴ SMEs will increase these credits by 30% in 2012 and 2013.

In Spain, most tax credits for carrying out certain activities are gradually reduced every year until they run out. The expiry date is set in advance.

SODENA can provide an extended explanation of the deductions listed in the above table.

Special regime for investment credits

In Navarra there is a Special Regime for Credits for Investments, whereby entities interested in this modality can make an application to the Department of Rural Development, Industry, Employment and the Environment for a special credit in their quota, which can reach the percentage authorised by the European Union for aid to investments.

Once the application is received, the Government of Navarre makes a decision whether to grant or refuse the special credit. This decision states the percentage of the applicable credit and the

maximum sum of investment to which it is applied, the maximum timescale for carrying out the planned investment and the conditions and requirements that the company has to accept to be entitled to the credit.

Depreciation

Navarra also has freedom of depreciation and special plans for tax depreciation. Specifically, there is freedom of depreciation for elements of tangible fixed assets whose unit value does not exceed 1,800 euros and elements related to R&D exclusively and permanently. In the case of buildings, the parts that are related to R&D activities

Reinvestment tax credits

Navarra allows the exemption of income obtained from the onerous transfer of tangible fixed assets, intangible fixed assets and real estate investments related to the company's activity that have been operational for at least one year in the three years prior to the transmission, provided that the sum of the transmission is reinvested in any of the abovementioned elements (assets).

The credit will be 50% of the income obtained from these onerous transmissions when the sum is reinvested in shares that represent a participation in the share capital or in the equity funds of entities that grant a participation not lower than 5% of the share capital.

The State offers a 12% tax credit on positive income obtained in the onerous transmission of assets, including those from the transmission of shares that represent participation in the share capital or equity capital of entities that grant a participation not lower than 5% of the share capital.

Special reserve for investments

In Navarra it is possible to reduce (from the tax base) 45% of the sums allocated in the accounts to a Special reserve for investments, with a limit of 40% of the tax base. The minimum sum to be allocated in a financial year is 90,000 euros. The sum allocated to the Reserve must be materialized in certain timescales and assets.

New and Innovative Firm

The Government of Navarra has created a new category of business firm under the title “New and Innovative Firm” which receive the following tax concessions:

- Tax free for company operations
- Tax free for economic activities
- Automatic granting of a postponement of payment to the Tax Office in Navarra of up to one year without interest or guarantees.
- Tax exemption on account of company tax.
- People who invest in this type of company would have a tax reduction on their income tax of 20% of the investment made.

Such a company must first meet the following conditions:

- Be a normal company with less than 5 years in existence.
- Have a turnover of less than 10 million Euros.
- Carry out an economic activity in which:
 - The costs of R+D+i are higher than 15% of the total expenses of the company or,
 - Work on products, processes or services which are technologically innovative.

Non-resident Tax Payers

People who keep residence for tax purposes in Navarra after having moved to another part of Spain have the right to pay taxes as non-residents at a single tax rate of 24% whenever the move to another part of Spanish territory is to carry out some special highly-qualified job or for research reasons or for cases where renowned professors or other recognized academics have taken up some new post.

2.5. INDIRECT TAX RELIEF

These are difficult to quantify as they are synergistic situations which arise from a developing relationship of a company with the Government Administration Services over an extended period of time and its accessibility to all the Government Departments. This can mean that the procedures are faster and more efficient when applying for help than would be found in any other Region within the State.

2.6. AVAILABILITY OF LAND AND BUILDINGS FITTED WITH BASIC INSTALLATIONS

The Government entity, NASUVINSA, has been set up to create industrial estates and warehouses for later sale to particular clients. In some exceptional cases, all the investment in land, buildings and basic installations may be covered by Nasuinsa, and these could then be let by Nasuvinsa to any firm at an agreed rent. In this way, the initial costs for a new firm could be noticeably reduced.

2.7. PROJECT FINANCING

The European Investment Bank (EIB) has granted the Government of Navarra, through SODENA, a 100 million Euros to finance investment projects of small and medium enterprises in the framework of Moderna Plan (Economic Development Model of Navarra). This amount represents the first outlay of a 250 million Euros loan approved by the board of the European Investment Bank.

The financing from EIB will be allocated to support strategic sectors of the Moderna Plan (green economy, health economy and talent economy) through co-financing investment projects promoted by SMEs and public entities.

SODENA will transfer the funds to regional and national intermediary banks that will lend them to the end users.

Navarra's SMEs will be able to apply for EIB financing for up to 50% of the investment in the project. The life span of the loans shall not exceed 12 years with a grace period of 4 years and interest rates will be below market price. The specific conditions of each operation will be negotiated between the beneficiary and the bank.

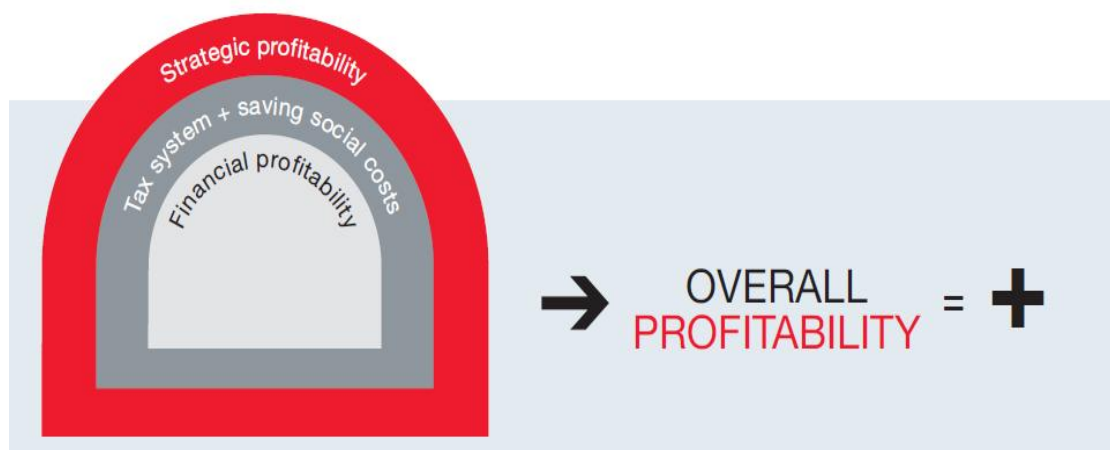
3. POSSIBILITY OF GETTING SUPPORT FROM SODENA FOR AN INVESTMENT PROJECT

Sodena is the main tool of the Government of Navarra for helping business **development** within the Navarra Region.

The purpose of SODENA is to “**Promote the generation and development** of business projects within **Navarra** both for local businesses as well as for businesses coming in from outside. SODENA would collaborate with and coordinate its actions for the purpose of ensuring maximum **competitiveness for the Navarra economy**”.

SODENA carries out its activities by taking an **active participation** in **start-up businesses**, in its different phases and making a contribution towards **ensuring a well-balanced** development resulting in a **sustainable business** in Navarra.

Its main financial instrument to take on these projects is venture capital, an activity which it has been carrying out ever since its foundation in **1984**.



In general terms, SODENA looks for the following criteria in making venture capital decisions:.

- SODENA participation of between 5% and 45%. The minimum of the investment would be approx. 500.000 Euros.
- A maximum limit of involvement of 10 years (average period 5 to 7 years), depending on the financial needs of the business plan.
- No day-to-day involvement in the management of the business. SODENA participation would be limited to intervening in decisions taken at board level.
- The means of withdrawing from the investment made by SODENA would normally be set down in the partnership agreement where the buyer would normally be same the company or the same promoter of the Project.
- The repayment of the investment (TIR) would depend on the actual results achieved by the Company and consequently, SODENA would accept the risk of the non-achievement of the Business Plan.

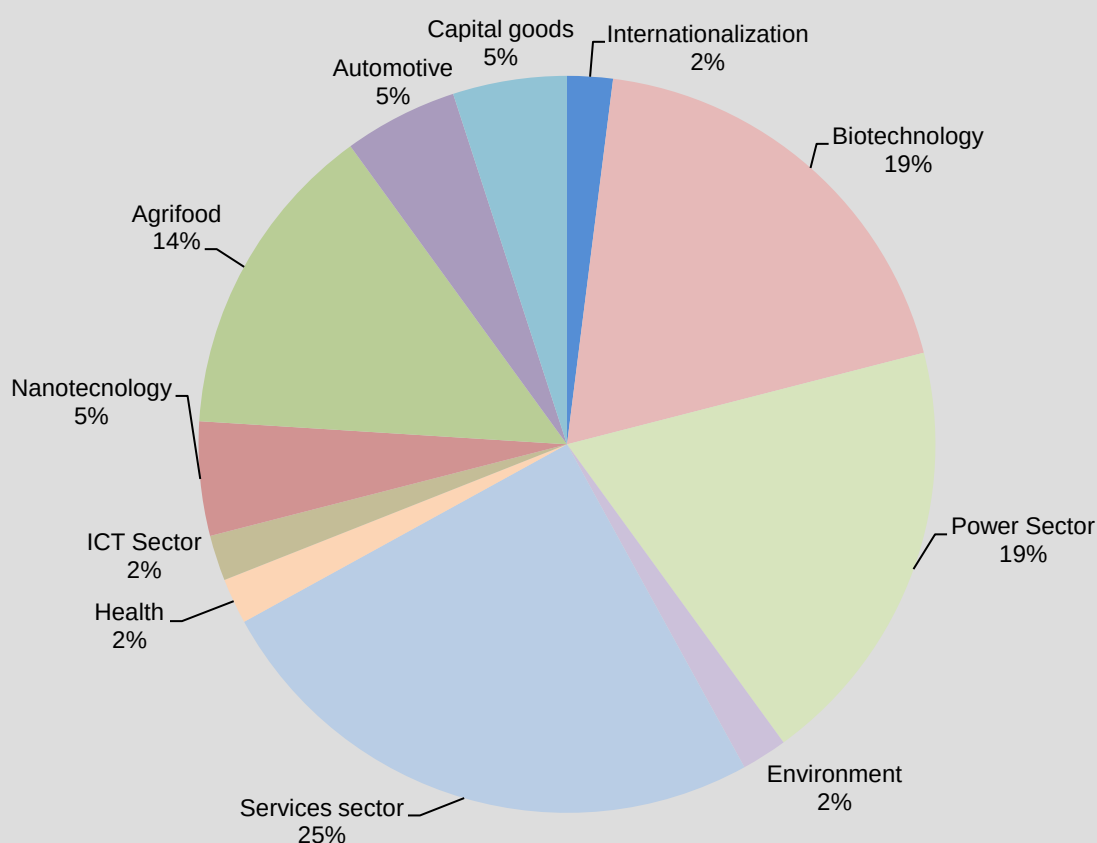
In addition, as a complement to its capital risk participation, SODENA habitually grants participating loans, which could be used as capital and whose interest would be linked to some accounting variable within the Company.

SODENA SEEKS
THE OVERALL
PROFITABILITY OF
YOUR PROJECTS

Finally, the fact that SODENA takes part in a business project means that the businessmen in these schemes have the advantage of:

- A more accessible relationship to public administration within Navarra.
- Access to information aimed both at the business and that particular business sector.
- A network of relevant work contacts to help identify opportunities and projects.
- Maximum collaboration with agents, consultants and access to other regions.
- Mechanisms of sufficient finance that can be specialized and swift.

Currently, Sodena is participating in 78 different businesses with an investment volume of some 300 million Euro, distributed in the following manner;





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