

CLAAS ENTERS INTO FIRST EVER FEDERAL SPECIAL INVESTMENT CONTRACT WITH VEGAS LEX SUPPORT

The Russian Federation and the Russian subsidiary of the German group of companies CLAAS have signed the country's first federal special investment contract prepared by VEGAS LEX.

On June 17, 2016, CLAAS and the Russian Federation, represented by the Ministry of Industry and Trade, entered into **the country's first federal special investment contract (SIC)** at the St. Petersburg International Economic Forum. The VEGAS LEX law firm had prepared the required documents, and had been directly involved in the negotiations for the conclusion and subsequent implementation of the SIC in the interests of CLAAS.

A team of the VEGAS LEX lawyers led by Partner, Head of special projects [Maxim Grigoryev](#) started working on the project even before the regulatory framework for the SIC was fully developed and introduced. They analyzed the existing and planned incentives and government support measures, made significant adjustments to CLAAS business plan and drafted several alternative SIC projects*. The firm also represented the interests of CLAAS in negotiations with representatives of the Ministry of Industry and Trade, the Ministry of Agriculture, the Industry Development Fund, the HSE and others.

As the result of the project, CLAAS received the official status of Russian supplier of agricultural machinery, which means that the purchase of its products is entitled to financial support from the state. CLAAS, in turn, committed itself to moving more of its technological operations to local industrial facilities in accordance with the Government Resolution No. 719, and to invest in its Russian assets additional RUB 750 million plus**.

“All we want is to work on an equal footing with other leading farm equipment manufacturers,” said Dr. Ralf Bendisch, General Director of CLAAS and German Honorary Consul in Krasnodar. *“We have gone a long way to ensure that the CLAAS plant in Krasnodar is recognized by a Russian manufacturer, and we believe we have earned this recognition. Of the 45 suppliers we use, only seven are outside the Russian Federation. We pay taxes to the Russian budget and have actually remitted over RUB 2 billion to budgets of different levels, raising the profitability of Russian agricultural businesses. Higher production volumes and lower prices will only increase the benefits for the Russian economy,”* he added***.

The Ministry of Industry and Trade has recently used the CLAAS project and the SIC consultations with other foreign manufacturers (Mazda Motor, DMG Mori, KOVOSVIT, Hyundai Motor CIS, and others) to draft the necessary amendments to relevant Government Resolutions to clarify the rules for concluding, modifying and terminating the SIC, as well as the SIC template to be used.

At the end of 2014, Russia adopted Federal Law No. 488-FZ, On the Industrial Policy of the Russian Federation, which introduced a new tool termed a special investment contract. A SIC is different from concession agreements and other PPP contracts because here the government does not invest any funds or property in the project. Under a SIC, investors undertake to create new or modernize existing production facilities, while the state agrees to provide the investor with unprecedented privileges, preferences or other benefits as incentives on the part of the federal government, regions or municipalities.

** The template and procedure for the SIC were approved by the Russian Government in July 2015. However, most of the by-laws needed for the practical application of the novelty, were not adopted and / or approved by the Ministry of Finance until the end of the last year or the first half of 2016.*

*** Previously, CLAAS has invested over RUB 5 billion in the construction of a plant in Krasnodar.*

**** Source: [CLAAS website](#).*

CLAAS is a German engineering group, one of the world's leading manufacturers of agricultural machinery, headquartered in Harsewinkel (Nordrhein-Westfalen). The plant, which employs more than 11,000 people, reported

turnover of EUR 3.8 billion in 2013. Its Krasnodar plant, modernized at the end of 2015, is the most up-to-date agricultural engineering facility in Europe. <http://www.claas.ru/>

VEGAS LEX, one of the leading and oldest law firms in Russia, provides legal services since 1995 and employs more than 100 lawyers. For more information on VEGAS LEX's services and support of investment projects, please go here <http://www.vegaslex.ru/en/>.