

INVEST IN MACEDONIA

New Business Heaven in Europe

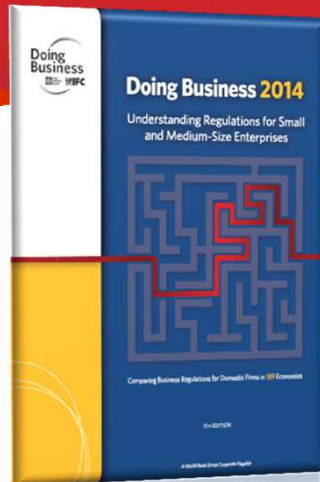
Republic of Macedonia: INVESTMENT OPPORTUNITIES IN MACEDONIA

Viktor Mizo

CEO, Free Zones Authority

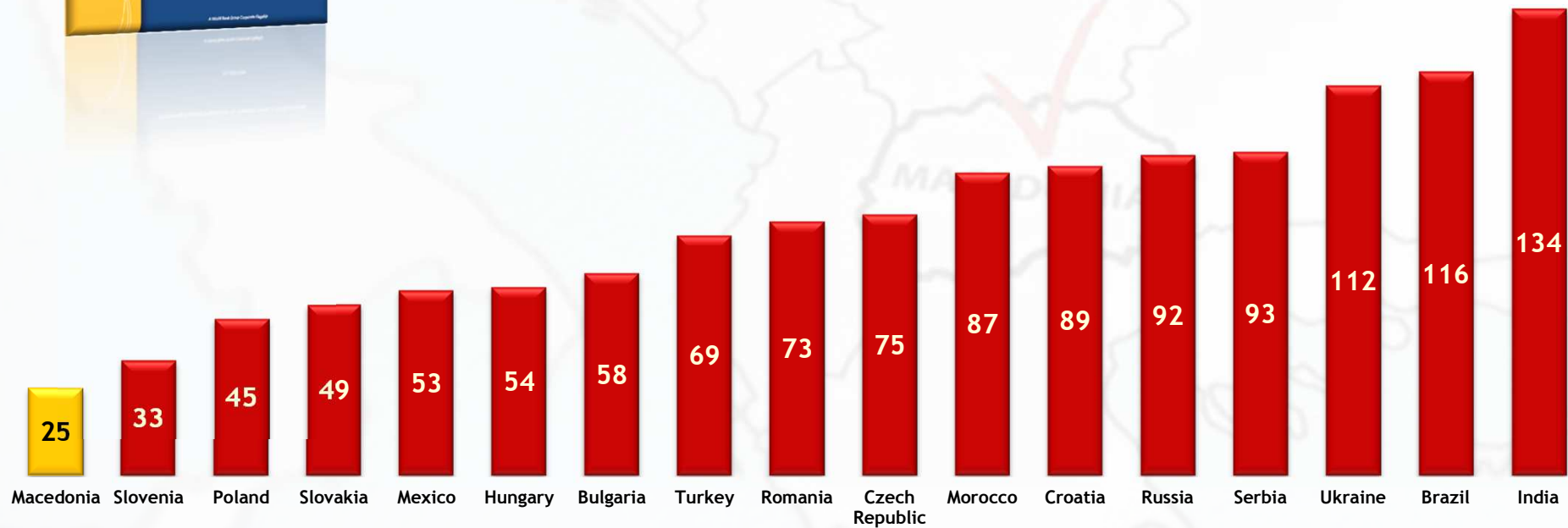


December, 2013

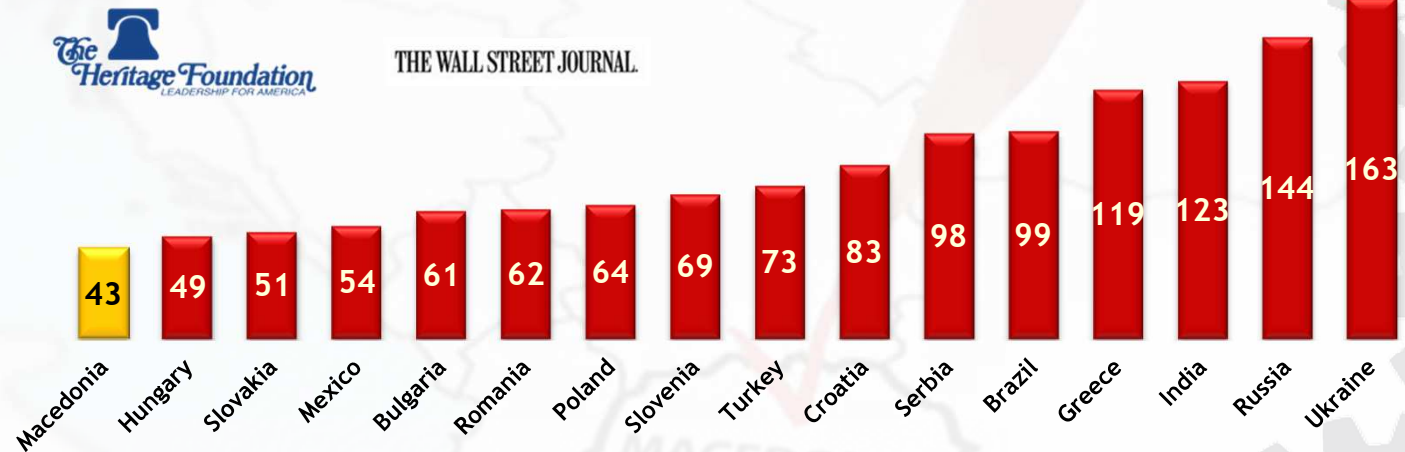


Ease of Doing Business 2014

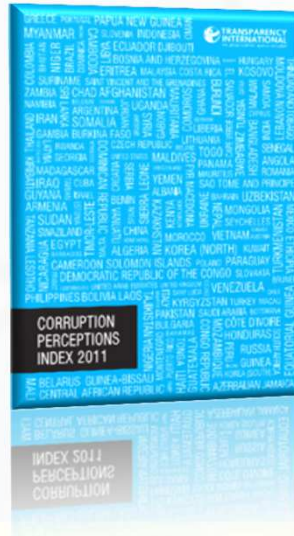
Global Rank



Improvements in the Business Climate



**2012 Index of Economic Freedom
World Rankings**



**Corruption Perceptions Index
2012**

Major recent investors in Greenfield sites

Johnson Matthey 

Plant 1, TIDZ Skopje 1: €80M; 350+ employees; Exhaust catalyst manufacturer supplying all OEM plants in Europe; The biggest exporter from Macedonia


Plant 2, TIDZ Skopje 1: €65M; 300 employees; Set to double production

VANHOOL 

€20M; 500 employees; Production of buses & coaches for the USA and EU markets; Major bus manufacturer in Europe

PROTEK 

Phase 1: \$12M; 160 empl's; Pharmaceutical plant; The largest pharmaceutical company in Russia

TEKNOHOSE 

€10M; 150 employees; Production of armored high-pressure rubber hoses for the automotive industry

Johnson Controls 

Plant 1, TIDZ Skopje 1: \$40M; up to 500 employees; Production of equipped PCBs for Mercedes, VW, BMW, Renault, Ford, Skoda, PSA

The Capacitance Company
KEMET 

€25M; 500 employees; Production of capacitors (consolidation of European footprint)

MARQUARDT 

€35M; 500+ employees; 15.000 m² plant; Production of PCBs, metal & plastic housings and final assembly (Mercedes, BMW and Audi)

Amphenol 


€2.5 M; 2,000 employees; Production of interconnect systems for safety devices and expanding onboard electronics

KSS 

Over \$15M; 800 employees; 15,000 m² plant for production of Airbag Cushions

Johnson Controls 

Plant 2, TIDZ Stip: \$20M; 1,400 employees; Cut & trim plant for car seats

KROMBERG & SCHUBERT 

€20M; 3,500 employees; Wire harness automotive supplier; Production of cable installations in Macedonia

Dräxlmaier 

€25M; 4,500 employees; Plant for production of wiring harness and electrical management systems



PROJECT SCOPE

- \$40M automotive components plant, 350 - 500 employees
- PCB production for OEMs

WHY MACEDONIA

- Availability of skilled engineers
- Macedonia offers just-in-time delivery and minimal freight costs

CONSIDERED COUNTRIES

- Macedonia, Poland, Romania and Slovakia

“The increase in costs over the next couple of years will be significantly lower in Macedonia than in other CEE countries.”

*Philippe Simon
Johnson Controls' VP
of global electronics*

“The Macedonian government has been extremely committed and I would like to thank its officials for their work in supporting this effort.”

*John Barth
Chairman and CEO
Johnson Controls*

Johnson Controls cooperation program with Universities

JCI Blue Sky Program

- Tailor-made program for development of potential JCI employees
- Mechanical, electrical engineering and computer science

Impact

- 8 years of commitment
- Scholarship funding 2005 - 2012
- 66 total students awarded 4-year scholarships



University of Skopje, Macedonia

Internships at Johnson Controls

- Scholarship recipients interned at JCI facilities in Macedonia, Bulgaria, France and Slovakia
- Internship opportunities with Finance, Logistics, Maintenance, Method, Production, Quality and beyond

PROJECT SCOPE

- 2nd project in Macedonia
- \$20M investment
- 1,400 employees
- Construction of cut & trim plant for car seats

CONSIDERED COUNTRIES

- Macedonia, Serbia, Romania, Bulgaria, Moldova, Ukraine, Tunisia and Morocco

“Macedonia was chosen because of its international competitiveness, because of our positive existing corporate experience here and above all because of the support and professionalism that we have received from all Government institutions during the analysis process.”



17.10.2011 - CORNERSTONE LAYING CEREMONY FOR JOHNSON CONTROLS PLANT IN TIDZ STIP

*Steven Meylemans
Project Manager
Johnson Controls*

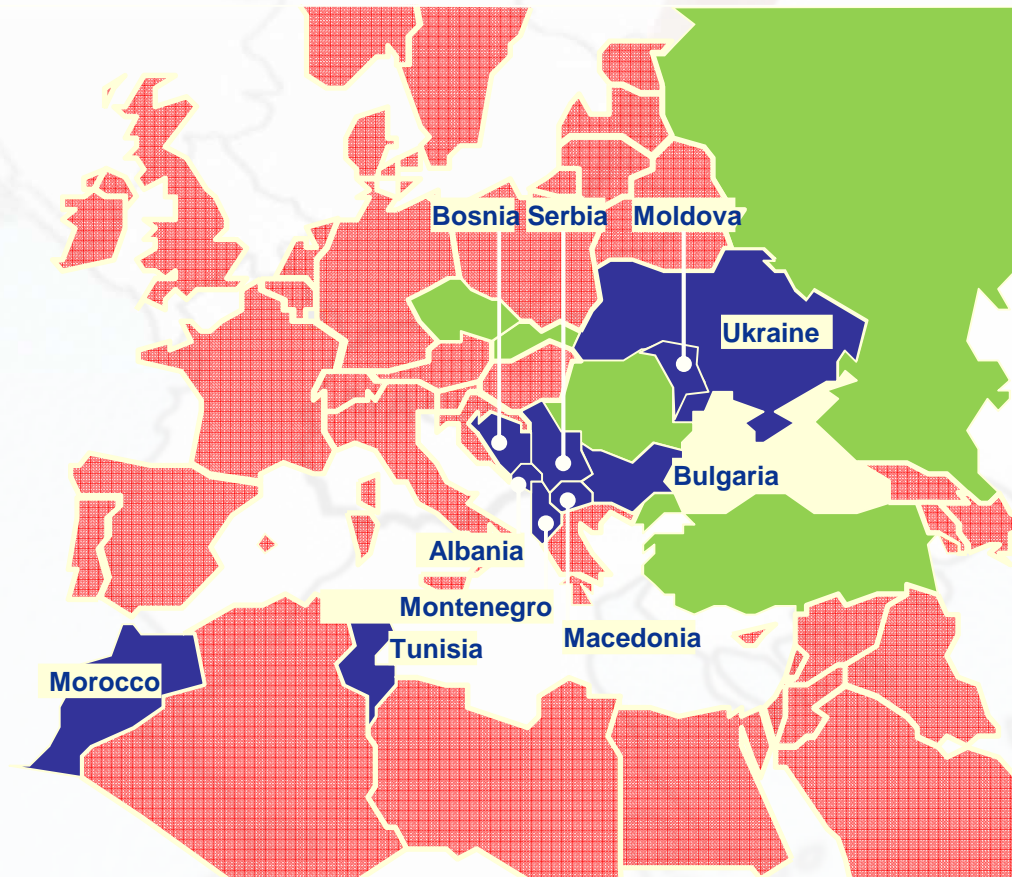
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Country Selection 10 Countries Considered

- Countries with existing C&S locations
- Excluded due to cost, distance, risk
- Investigated for potential new location

Selection criteria

- **Significant cost labor advantage** compared to existing sites. Excludes EU members and plants with existing C&S plant
- **Reasonable logistics** and distance to seat assembly plants excludes Middle East
- Sufficient level of **business friendliness and stability**. Excludes Belarus, and – at the moment – most of Northern Africa





Country Selection

Macedonia Offers Best Balance Of Cost And Business Friendliness

Country	Cost		Business friendly**	Comments
	Labor cost Index, CZ=100	Inflation* Percent p.a.	Rating, higher = better	
Moldova	14	12	45	High inflation. Low investment incentives. Lack of skilled workforce
Tunisia	18	5	59	Attractive, but currently unstable – maybe later
Ukraine	21	19	41	High inflation, very negative business climate
Albania	22	3	<i>Not researched</i>	Consistently reported not to be ready for foreign invest
Macedonia	22	3	76	Cost competitive & business friendly, attractive subsidies, good skill base
Morocco	27	3	107	Logistically disadvantaged, currently overcapacities
Bulgaria	32	9	75	Relatively high labor cost with unfavorable investment benefits
Serbia	33	14	79	Subsidies will not compensate for high and rising labor cost
Montenegro	37	9	<i>Not researched</i>	Very small country, largely focusing on tourism
Bosnia	43	4	50	No cost advantage compared to existing JCI plants

* 2005-2010, forecast for labor cost increase 2010-15 available for Tunisia (6.8%), Macedonia (4.6%), Ukraine (16.8%), Bulgaria (10.1%)

** Reflects infrastructure, business climate, automotive foreign direct investment

Sources: EIU; Mercer; Laborsta; Worldbank; ANIMA, CIA, Ernst & Young; Global Insight ; WEF; Trim Change Office





Johnson Matthey

PROJECT SCOPE

- \$100M automotive components plant
- 350+ employees in phase 1

CONSIDERED COUNTRIES

- Reviewed: Bulgaria, Croatia, Estonia, Latvia, Lithuania, Slovenia, Romania, Ukraine, Czech, Poland, Hungary, Slovakia
- Initial choice: Czech Republic

Macedonia a “Late entrant”



Johnson Matthey

WHY MACEDONIA

- Macedonia scores best for labour, slightly lower on logistics
- Labour availability looking very good for Skopje
- Our experience has been positive, Invest Macedonia, Ministry and others superb
- This will be JM's 'mega-European plant' and the largest ever single investment project

*Colin Jaffray, Director, Strategic Planning, Johnson Matthey PLC,
Presentation Skopje June, 2007*



MARCH 2007 - SIGNING OF THE MEMORANDUM OF COOPERATION BETWEEN MR. COLIN JAFFRAY, STRATEGIC PLANNING DIRECTOR AND PRIME MINISTER NIKOLA GRUEVSKI



JOHNSON MATTHEY PLANT IN TIDZ SKOPJE 1



Johnson Matthey

PROJECT SCOPE

- 2nd project in Macedonia
- \$85M investment
- 300 additional employees
- Set to double production



JOHNSON MATTHEY COVERS ONE-THIRD OF THE GLOBAL MARKET OF CATALYSTS FOR LIGHT AND HEAVY VEHICLES

"Johnson Matthey has been present in Macedonia since 2010, producing six million world-class catalysts, being the country's number one exporter. The expansion comes as a response to the rapidly increasing demand for more sophisticated and complex catalysts and the effort undertaken by the Macedonian Government to welcome and fully support our initial investment"

*Larry Pentz
Executive Director on
Environmental Technologies
Johnson Matthey*

CONSIDERED COUNTRIES

- Bulgaria, Romania, Macedonia, Slovakia, Poland, Czech Republic

SIZE OF INVESTMENT

- \$35M investment
- 500 employees
- Production of capacitors

WHY MACEDONIA

- Competitive labour
- Excellent institutional support
- Strategic position of Macedonia
- Favourable tax regime and other incentives offered to foreign investors



30.06.2011 - CORNERSTONE LAYING CEREMONY FOR KEMET FACTORY IN THE TIDZ SKOPJE 1



18.10.2012 - KEMET FACTORY IN THE TIDZ SKOPJE 1

Low Cost Manufacturing Search



Initial discussions and decision process included existing manufacturing locations, including Mexico and China. Logistical considerations and customer base determined manufacturing needed to remain in Europe.

Initial “short list” included:

- Czech Republic
- Romania
- Poland
- Bulgaria
- Slovakia

	Labor Cost	Labor Inflation	Labor Availability	Education System	Labor Organization	Technology/Engineering	Political Stability	Economic Stability	Transparency	Infrastructure	Logistics	Expat Friendly
Poland	Yellow	Red	Green	Green	Yellow	Green	Green	Green	Green	Green	Yellow	Yellow
Czech Republic	Red	Red	Yellow	Green	Yellow	Green	Green	Green	Green	Green	Green	Green
Romania	Green	Red	Green	Yellow	Green	White	White	Yellow	White	White	White	White
Bulgaria	Green	Green	Red	Red	Red	Yellow	Yellow	Yellow	Red	Red	Green	Red
Slovakia	Yellow	Red	Yellow	Yellow	Green	White	White	Yellow	White	Red	Yellow	Red

Low Cost Manufacturing Search

Low cost manufacturing is a risk-benefit decision

- Macedonia offers an excellent balance
 - ✓ Labor cost
 - ✓ Work force
 - ✓ Infrastructure
 - ✓ Stability
 - ✓ Logistics

	Labor Cost	Labor Inflation	Labor Availability	Education System	Labor Organization	Technology/Engineering	Political Stability	Economic Stability	Transparency	Infrastructure	Logistics	Expat Friendly
Poland	Yellow	Red	Green	Green	Yellow	Green	Green	Green	Green	Green	Yellow	Yellow
Czech Republic	Red	Red	Yellow	Green	Yellow	Green	Green	Green	Green	Green	Green	Green
Romania	Green	Red	Green	Yellow	Green	White	White	Yellow	White	White	White	White
Bulgaria	Green	Green	Red	Red	Red	Yellow	Yellow	Yellow	Red	Red	Green	Red
Slovakia	Yellow	Red	Yellow	Yellow	Green	White	White	Yellow	White	Red	Yellow	Red
Macedonia	Green	Green	Green	Green	Green	Yellow	Green	Yellow	Green	Yellow	Yellow	Green



PROJECT SCOPE

- \$35M investment
- 4,500 employees
- 52,000 m² plant for production of wiring harness and electrical management systems
- Mercedes C-Class project



MAJOR CLIENT FOR THE NEW FACTORY IN KAVADARCI WILL BE MERCEDES-BENZ



fDi Top Projects of 2012

The best investments in a number of sectors all around the globe

Tracked more than 16,000 greenfield projects in determining the winners

Winner: Dräxlmaier's new facility in Macedonia

Best production facilities

Winner: Draexlmaier in Macedonia

Germany-based automotive electronics major Draexlmaier plans to invest €30m to establish a factory in Kavadarci, Macedonia. The new facility will employ 4000 people.

Runner-up: Mercedes-Benz in Hungary

Mercedes-Benz has expanded into eastern Europe with a new factory in Kecskemet, Hungary. The plant will offer 3000 new jobs and incur an investment of \$1.06bn.

Orascom in Iowa

Egypt-based Orascom Construction Industries plans to invest more than \$1.3bn to construct a nitrogen fertiliser manufacturing plant near Wever, Iowa.

Caterpillar in Georgia, US

Illinois-based Caterpillar plans to set up a \$200m plant to produce small track-type tractors and mini hydraulic excavators near Athens, Georgia (US), hiring 1400 people.

Honda in Indonesia

PT Astra Honda Motor, a joint venture of Japan-based Honda, is to establish a manufacturing facility at the Bukit Indah Industrial Park in the Cikampek district of Karawang, Indonesia, creating 3000 jobs.

CONSIDERED COUNTRIES

- Serbia, Macedonia, Slovakia

SIZE OF INVESTMENT

- \$26M
- 500 employees
- Production of buses & coaches
- Start of operations Q3 2013



THE PRODUCTION FACILITY IN MACEDONIA HAS BEEN THE COMPANY'S LARGEST STRATEGIC INVESTMENT OUTSIDE BELGIUM

- Van Hool of Belgium is a major bus manufacturer in Europe
- The plant in TIDZ Skopje 2 will produce 400+ buses for the U.S. market

TECHNOLOGICAL INDUSTRIAL DEVELOPMENT ZONES (TIDZs) - FREE ZONES





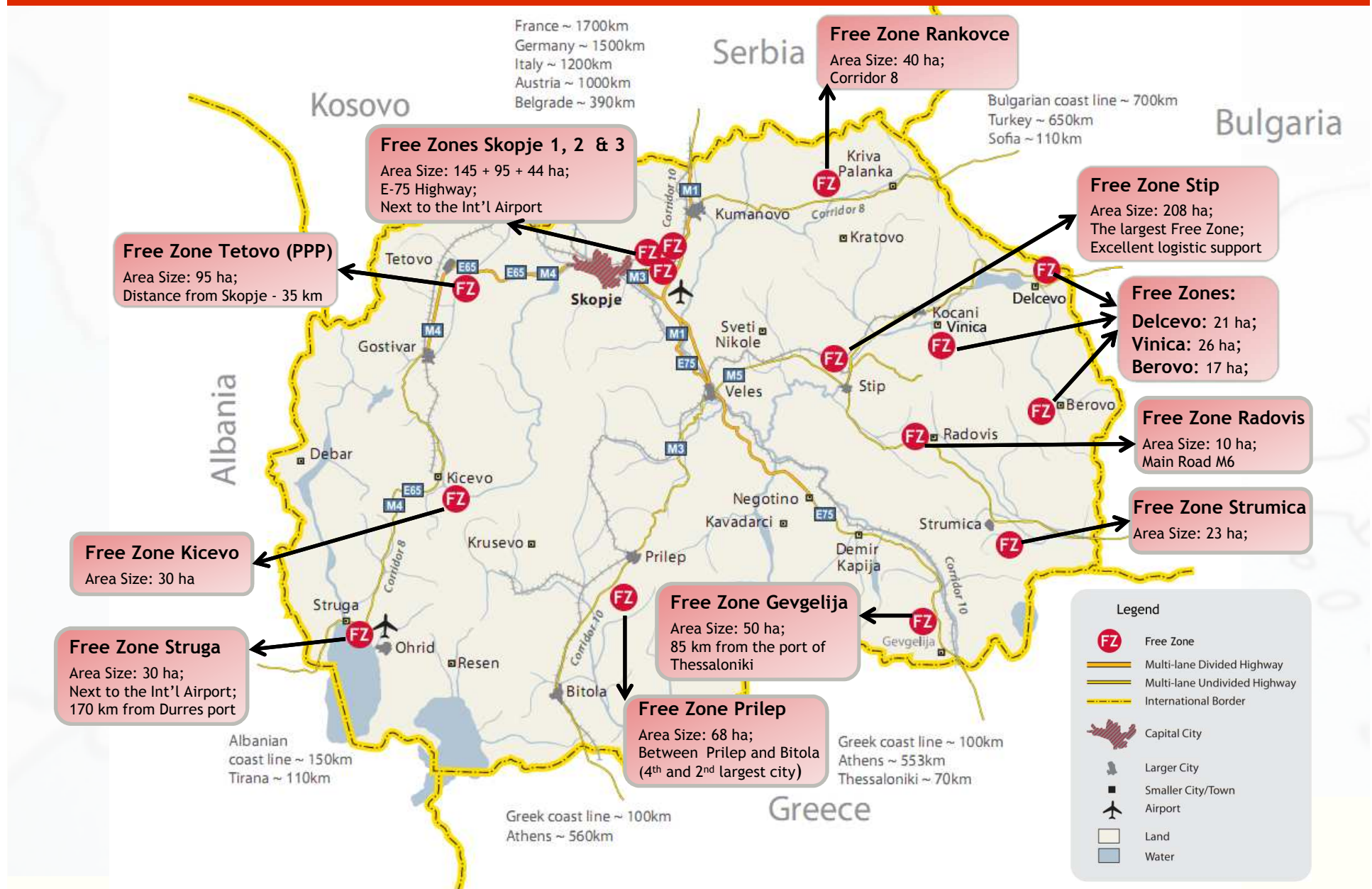
Global Free Zones of the Future 2012/2013 Winners

fDi Magazine

fDi Magazine's Global Ranking of Economic Zones reported Technological Industrial Development Zones Skopje 1 & 2 in the top 50 Free Zones of the Future 2012/2013



Investment Opportunities Free Zones



Investment Opportunities Free Zones



Strategic Policy

- Geographic dispersion of the Free Zones in order to secure right access to qualified and cost-competitive workforce
- Government strategic policy to distribute investment projects to ensure long term competitive labor environment

Investment Opportunities

Technological Industrial Development Zones - TIDZs

Infrastructure Benefits

- Electrical grid outlet, new power substation in place
- Telecommunications network
- Central heating
- Lighting
- Fire safety system
- Security monitoring system
- Water, sewage and waste treatment plant
- Gas pipeline, etc.

Investment Opportunities

Technological Industrial Development Zones - TIDZs

Fiscal Benefits

TAX	TAX RATES	
	TIDZs	Outside TIDZs
Corporate tax	0% for the first 10 years	10%
Personal income tax	0% for the first 10 years	10%
Value added tax	0%	18%
Property tax	0%	0.1% - 0.2%
Excise taxes	0%	5% - 62%

PRODUCT	CUSTOMS DUTY	
	TIDZs	Outside TIDZs
Raw materials	0%	Up to 15%
Equipment	0%	5% - 20%

No customs duties & No VAT on imported raw materials, equipment & construction materials

- Connection to utilities, complete infrastructure is available
- Subsidy of up to €500,000 (\$650,000) towards construction costs
- Green Customs Channel available at border for rapid export from Zone to EU countries
- Land in the TIDZ is available under long-term lease for a period of up to 99 years
- Training and job creation grants
- All incentives are in line with EU regulations

The Free Zone Authority at Your Service...



Connections, Culture and Lifestyle



Brand New Int'l Airports in capital Skopje and Ohrid
- \$150M+ investment from TAV

Summer and winter sports
- 4 national parks
- Lakes, several ski-centers



**World Economic Forum -
Travel & Tourism Competitiveness Report 2013**
"Attitude of population toward foreign visitors"

**MACEDONIA -
4th most friendly country in the world**



5 International Schools with large mix of ex-pats

Largest wine producer in the region
- 78 wineries in Macedonia
- "Wine Road" travel programs

International cultural events:

- Ohrid Summer Festival
- Struga Poetry Evenings
- Skopje Jazz Festival
- May Opera Evenings



Thank You



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