

INVEST IN MACEDONIA

New Business Heaven in Europe

BUSINESS CLIMATE AND INVESTMENT OPPORTUNITIES IN MACEDONIA



Akron OH, May 2017

Macedonia - Hidden Pearl of the Balkans

- Located in **the heart of the Balkans** and at the crossroad of the greatest civilizations of the world
- **Paradise of sun, mountains, rivers and lakes**, rich historical ruins and idyllic villages that have remained unchanged for centuries
- **Rich historical and cultural heritage:** 4,200 archeological sites; over 1,000 churches and monasteries; 220 mosques, inns, Turkish baths and old bazaars and about 50 towers and fortresses
- **Land of lakes:** Ohrid, Dojran and Prespa
- **Ski resorts:** Mavrovo, Popova Shapka, Kozuf, Jablanica
- *Ohrid is ranked 5th in the top 10 cities by “Lonely Planet Best in Travel 2017”*



Why Macedonia?



*Competitive
Location*

*Excellent
Infrastructure*

*Skilled &
Dynamic
Workforce*

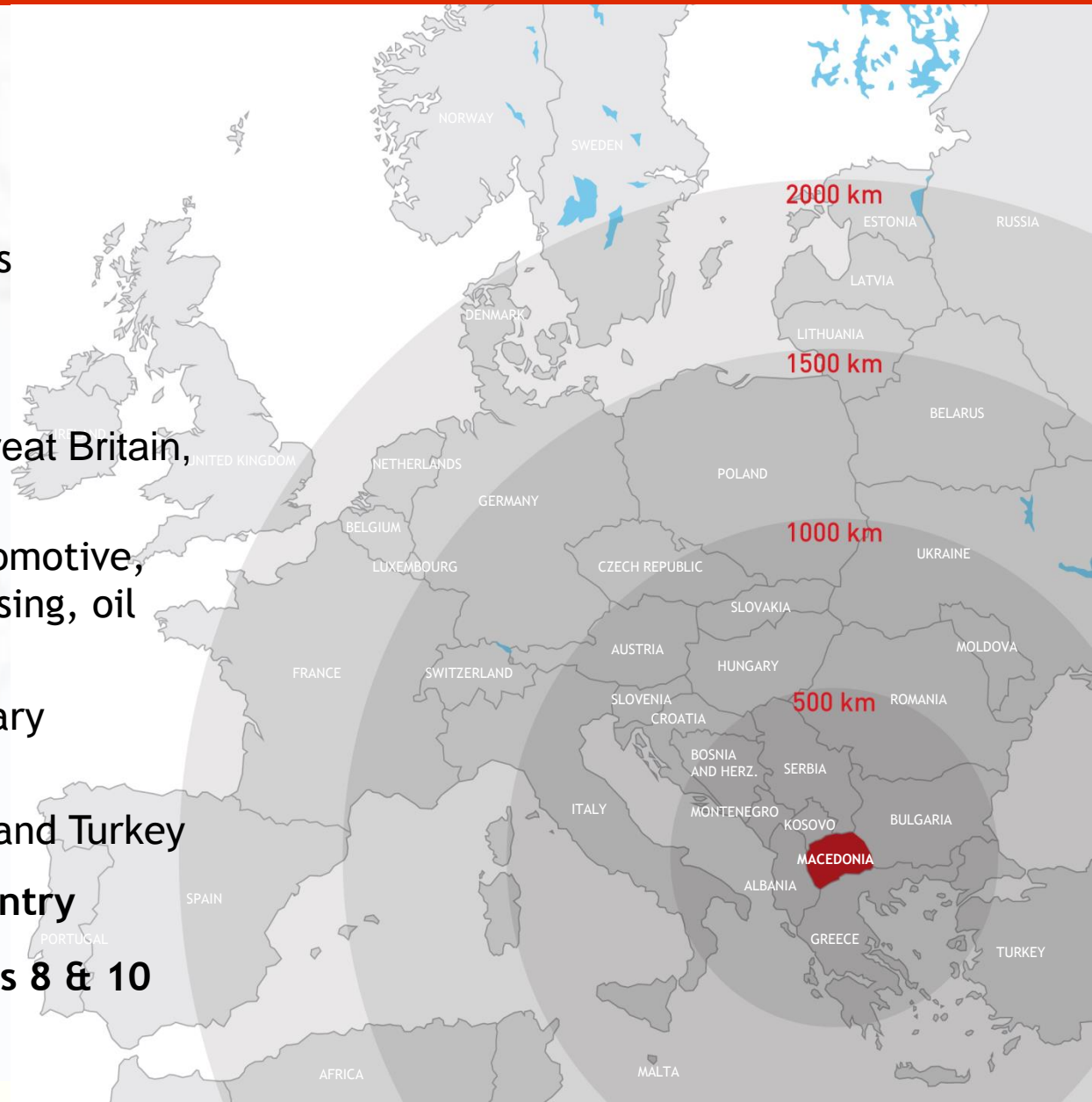
*Investment
Incentives*

*Business
oriented
&
investor -
friendly
Government*

Higher Profits & Increased Competitiveness

Basic facts and Location

- **Population** - 2.1 million
(41.5% under the age of 30)
- **Land area** - 26,000 sq.km
- **GDP (2015)** - \$10,093 billions
- **GDP per capita** - \$4875
- **Main trading partners:**
Germany, Greece, Serbia, Great Britain, Bulgaria, Italy,
- **Main export industries:** automotive, metallurgy and metal processing, oil industry, mining, food
- **Political status** - Parliamentary democracy
- **Strategic Partnership** - USA and Turkey
- **EU and NATO candidate country**
- **Two Pan-European corridors 8 & 10**
- **Two international airports**



Stable Macroeconomic Indicators

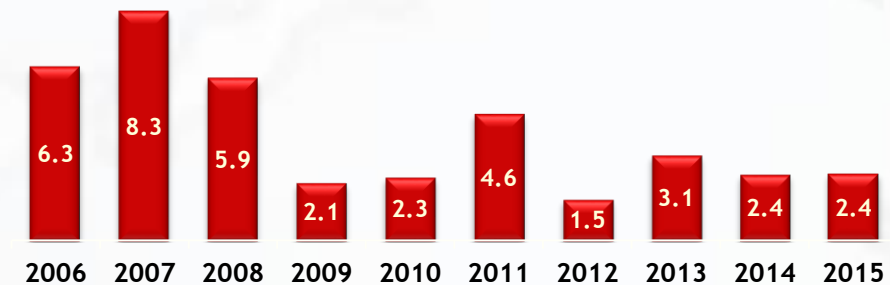
REAL GDP GROWTH RATE (%)



EXPORT GROWTH RATE (%)



FDI (% of GDP)



INFLATION

Low inflation:
avg < 2% annually over the last 15 years

CURRENCY

Macedonian Denar pegged to the DM/€
for the last 22 years (€1 = MKD 61.5)

AVERAGE GROSS SALARY IN 2016

€522 per month
€393 per month in manufacturing

CREDIT RATINGS

Standard & Poor's: BB-, Stable Outlook
Fitch: BB+, Stable Outlook

BUDGET DEFICIT IN 2016

Budget Deficit: 2.8% of GDP

Free Trade Agreements

Free Trade Agreements provide access to markets in 41 countries with 650 million consumers

- EU - European Union (28 countries) 
- EFTA - European Free Trade Association (4 countries) 
- CEFTA - Central European Free Trade Agreement (7 countries) 
- Bilateral Free Trade Agreements with: Turkey and Ukraine

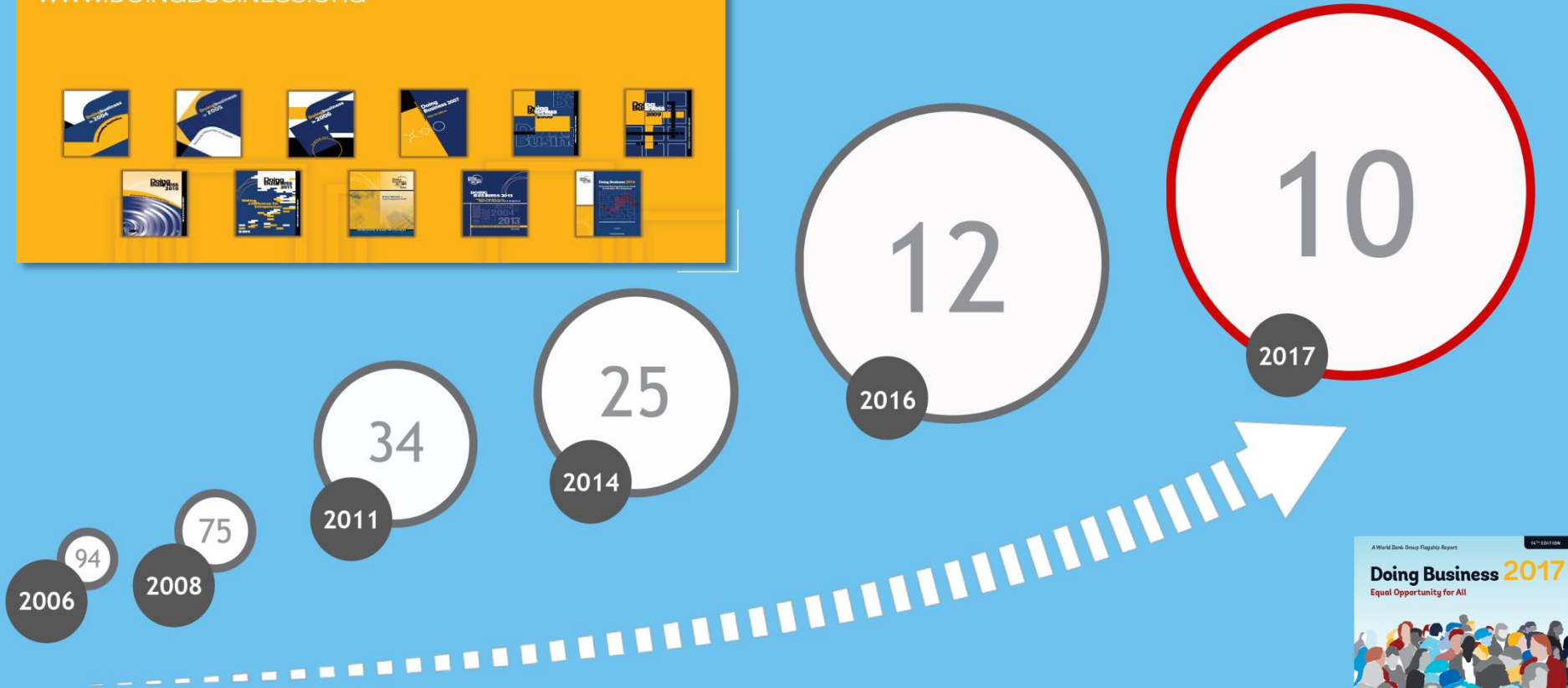
11 Years Continuously Among the Best Reformers in the World

**5th BEST REFORMER
IN THE WORLD 2005-2013**
World Bank's Doing Business Report 2014

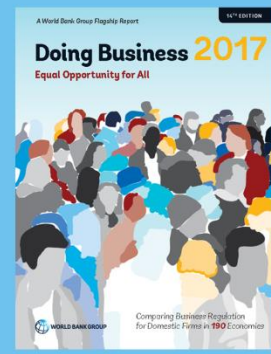
WWW.DOINGBUSINESS.ORG



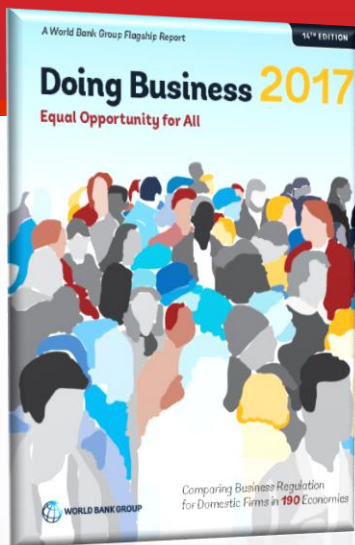
10th IN THE WORLD
5th IN EUROPE
1st IN EASTERN EUROPE



Rank of Macedonia on the Ease of Doing Business Indicator

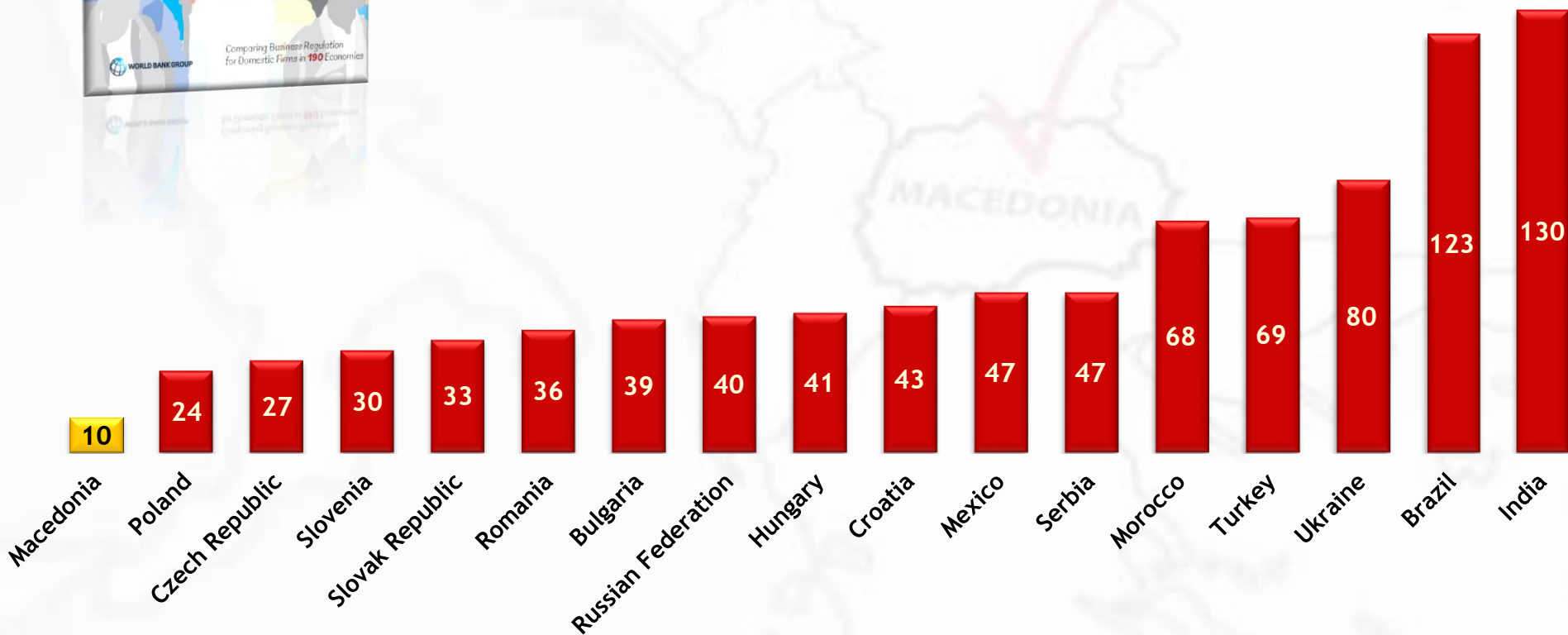


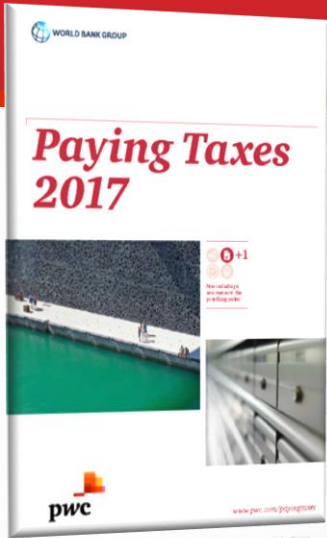
Source: World Bank's Doing Business Reports 2006-2017



Ease of Doing Business 2017

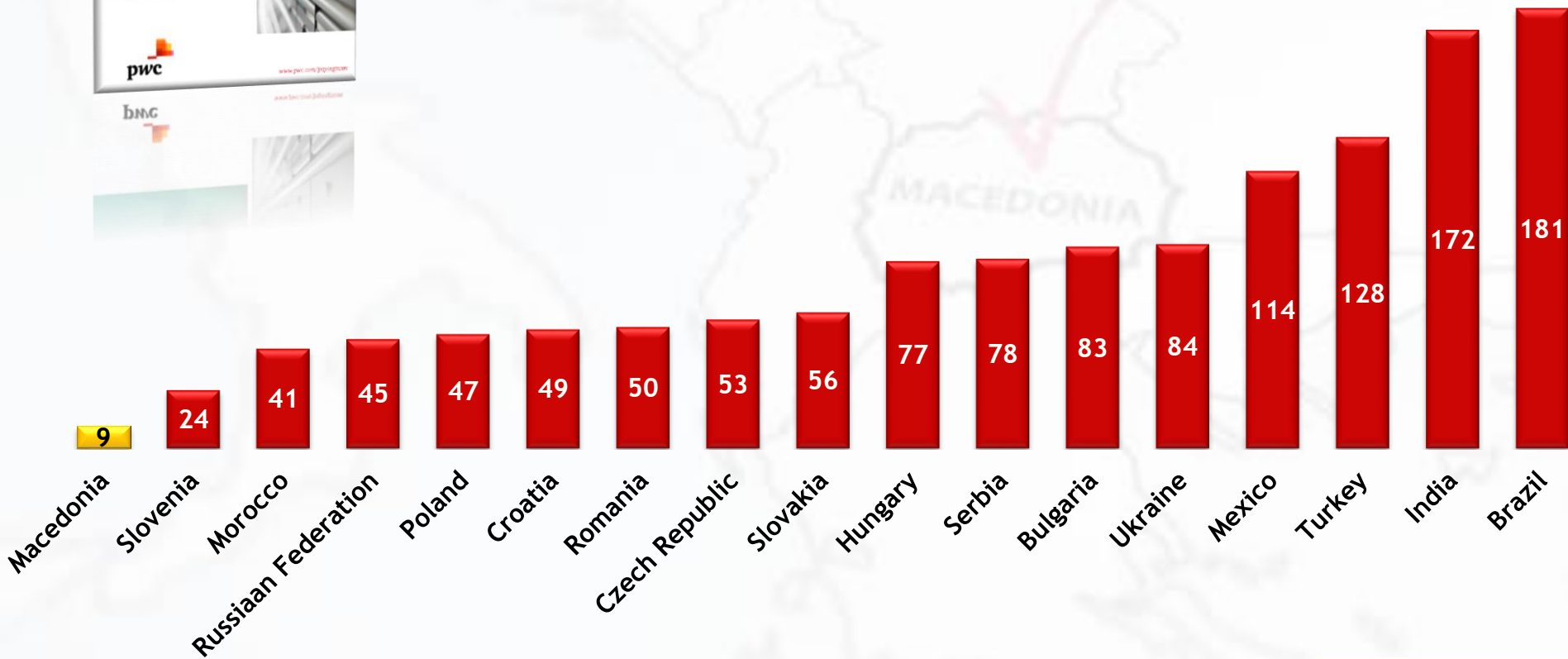
Global Rank



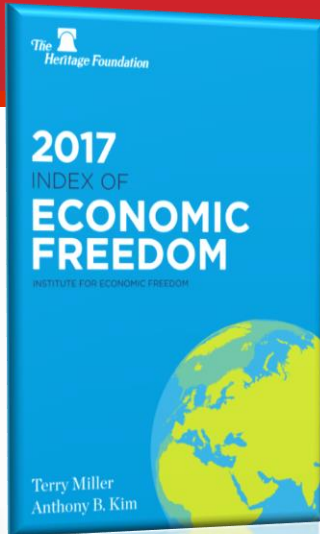


Paying Taxes 2017

World Rankings



THE WORLD BANK
IBRD • IDA



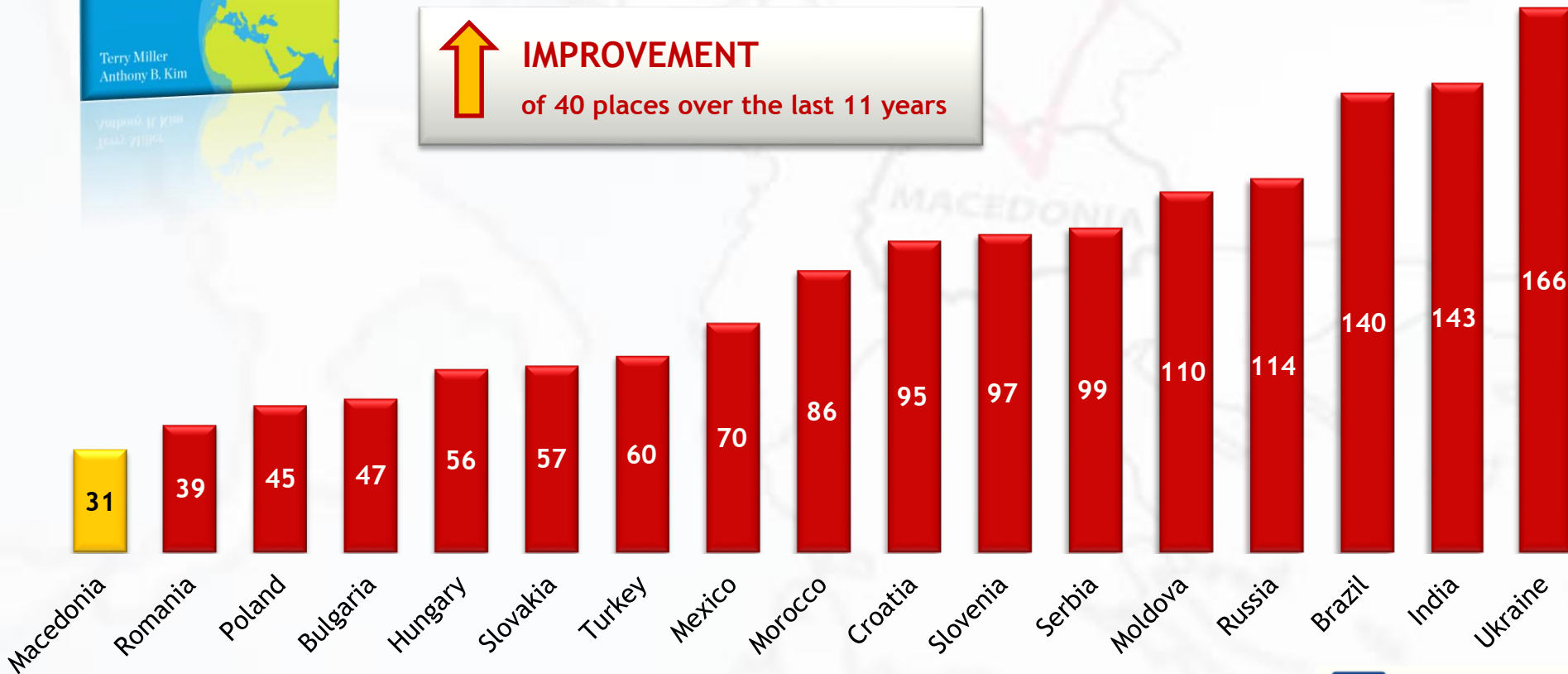
2017 Index of Economic Freedom

World Rankings



IMPROVEMENT

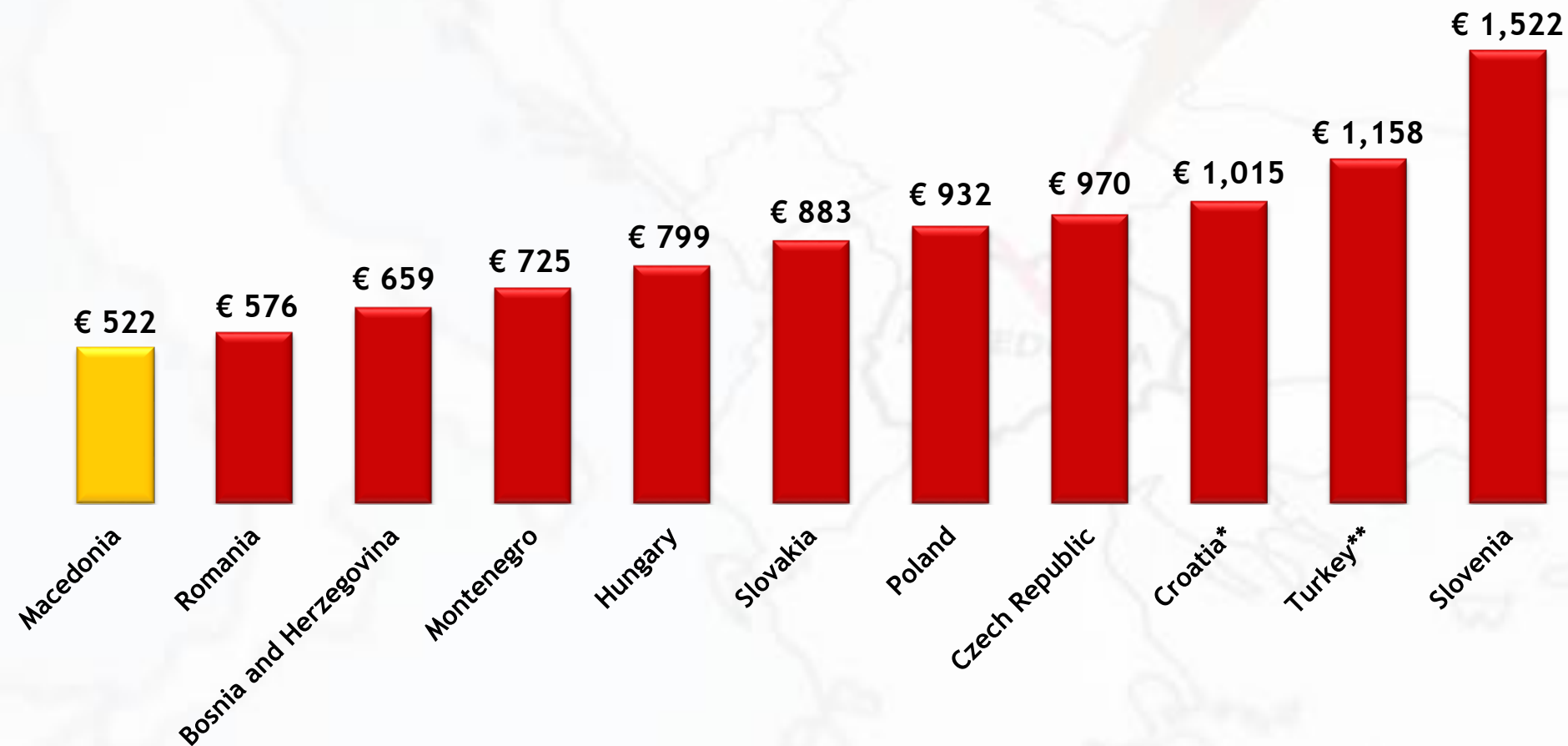
of 40 places over the last 11 years





OPERATING COSTS and TAXES

Average Gross Monthly Salary CEE Countries



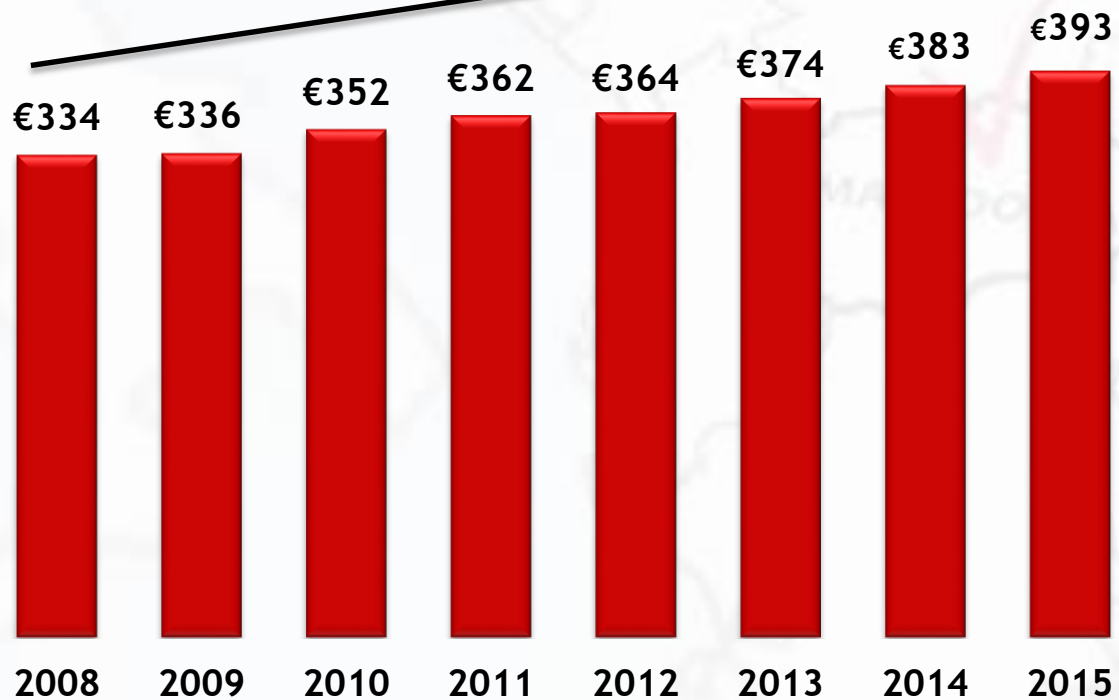
* Data for February 2016

** Data for 2012

Source: National Statistical Offices

Average Gross Monthly Salary in Macedonia

Manufacturing sector



CAGR

2%

European Cities and
Regions of the Future
2014/15

Winners

FINANCIAL TIMES

European Cities and Regions of the Future

European Cities and
Regions of the
Future 2016/17

Winners

TOP 10 SMALL EUROPEAN REGIONS -COST EFFECTIVENESS

Rank	Region	Country
1	Ohrid-Struga	Macedonia

TOP 10 SMALL EUROPEAN CITIES - COST EFFECTIVENESS

Rank	City	Country
1	Skopje	Macedonia

TOP 10 MICRO EUROPEAN CITIES - COST EFFECTIVENESS

Rank	City	Country
1	Stip	Macedonia
2	Veles	Macedonia

TOP 10 SMALL EUROPEAN REGIONS -COST EFFECTIVENESS

Rank	Region	Country
1	Skopje Region	Macedonia

TOP 10 SMALL EUROPEAN CITIES - COST EFFECTIVENESS

Rank	City	Country
1	Skopje *	Macedonia

TOP 10 MICRO EUROPEAN CITIES - COST EFFECTIVENESS

Rank	City	Country
1	Stip **	Macedonia

* Skopje #6 in *FDI STRATEGY* amongst Small European Cities

** Stip #6 in *FDI STRATEGY* amongst Micro European Cities

Judging Criteria

- Average annual salary (\$) for an unskilled worker
- Average annual salary (\$) for a semiskilled worker
- Average annual salary (\$) for a skilled worker
- Annual rent for prime grade-A office space (\$/m²)
- Annual rent for prime Grade A industrial space (\$/m²)

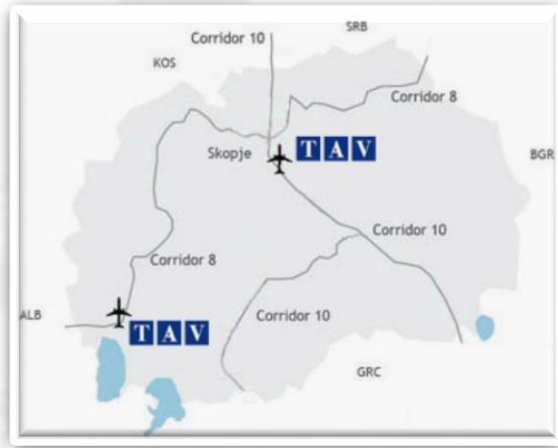
- 4*/5* hotel in city centre (\$ per night)
- Minimum wage (\$)
- Cost of establishing a business (absolute value using GNI)•
- Cost of registering a property (% of property value)
- Cost of construction permits (absolute value using GNI)

- Petrol prices (\$)
- Cost of electricity (\$ per kWh)
- Corporation tax rate (%)
- VAT/common indirect tax rate (%)
- Total tax rate (% of profit)
- Country PPP rate

Excellent Infrastructure and Competitive Transportation Costs



North-South & East-West Highways
2 Brand New Int'l Airports
 - Int'l Airport Alexander the Great - Skopje (Capacity 4 million passengers, 23 check-in desks, 6 passenger boarding gates, Cargo hangar with 40,000 tons)

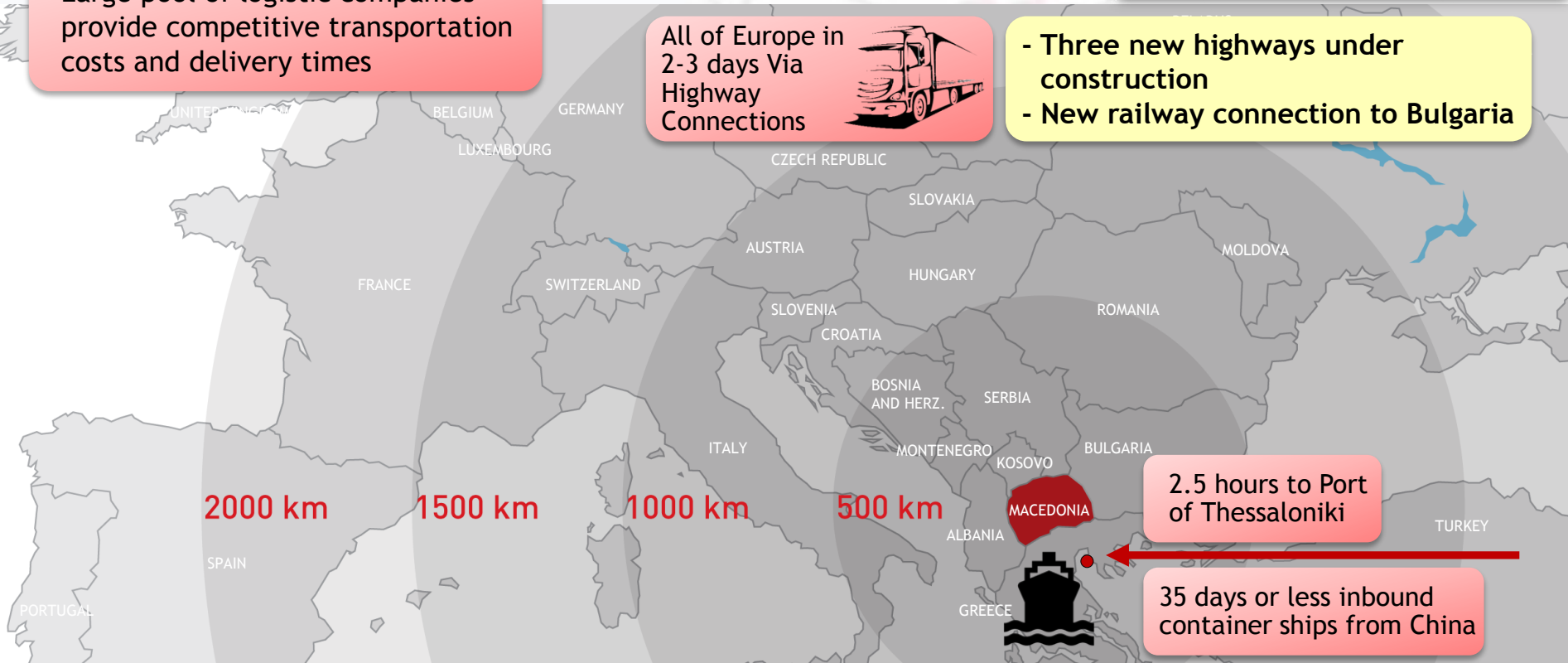


Large pool of logistic companies provide competitive transportation costs and delivery times

All of Europe in 2-3 days Via Highway Connections



- Three new highways under construction
 - New railway connection to Bulgaria



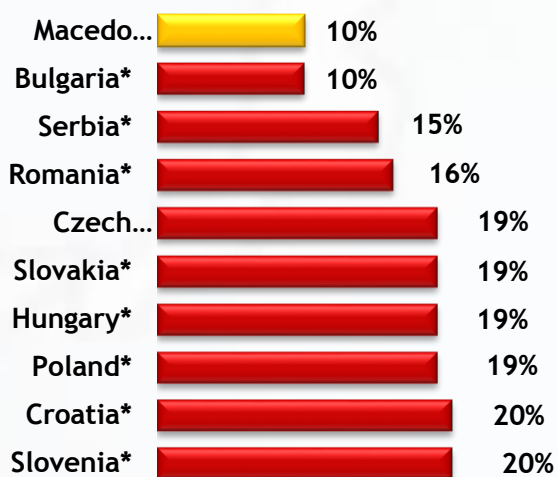
2.5 hours to Port of Thessaloniki

35 days or less inbound container ships from China

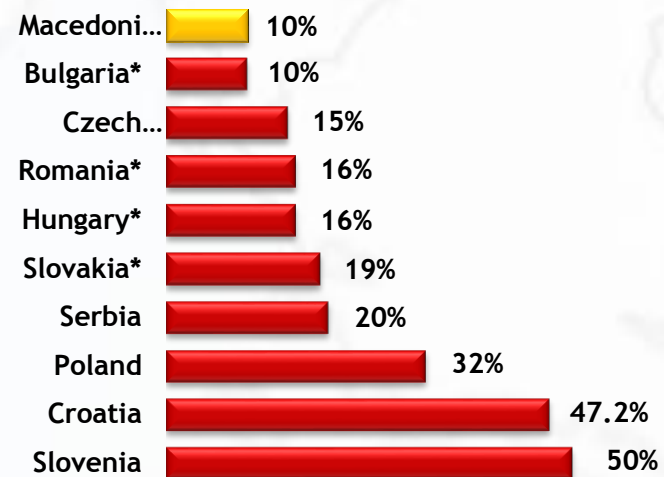
Unbeatable Fiscal Benefits

- 10% Corporate & Personal income tax (among the lowest in Europe)
- 0% Tax on reinvested earnings
- Double taxation treaties with many European countries
- 0% tax for operation in a Technological Industrial Development Zone
- Real estate taxes at 0.1% - 0.2%
- VAT at 18%, with 5% on specific items
- FTAs with EU, EFTA, CEFTA countries; Turkey and the Ukraine; providing access to over 650m customers

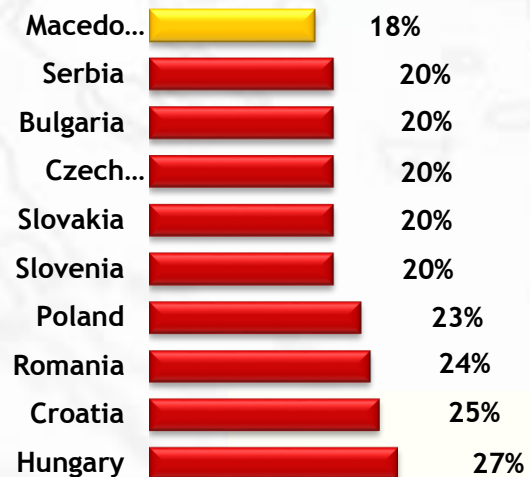
Corporate Income Tax



Personal Income Tax (highest rate)



General VAT Rates



* Flat rate Source: Taxation trends in the EU, Eurostat 2012



LABOR AVAILABILITY

Sustainable Work Force Supply

- **High intellectual capital**
 - 65% increase in total number of undergraduate degrees in 2009 compared to 2006
 - 85% of high school graduates enroll in universities
 - Multiple vocational high schools in each city
 - New universities, focused on R&D and cooperating with the top 100 world universities
- **Tailor-made training programs** through Vocational Schools or Universities (e.g. JCI)
- **5% of GDP** spent on education
- **€ 60 million investment** for 200 new laboratories in technical universities

**Number of enrolled students
in colleges and universities each year**

~60.000

**Number of graduates in colleges
and universities each year**

~10.000

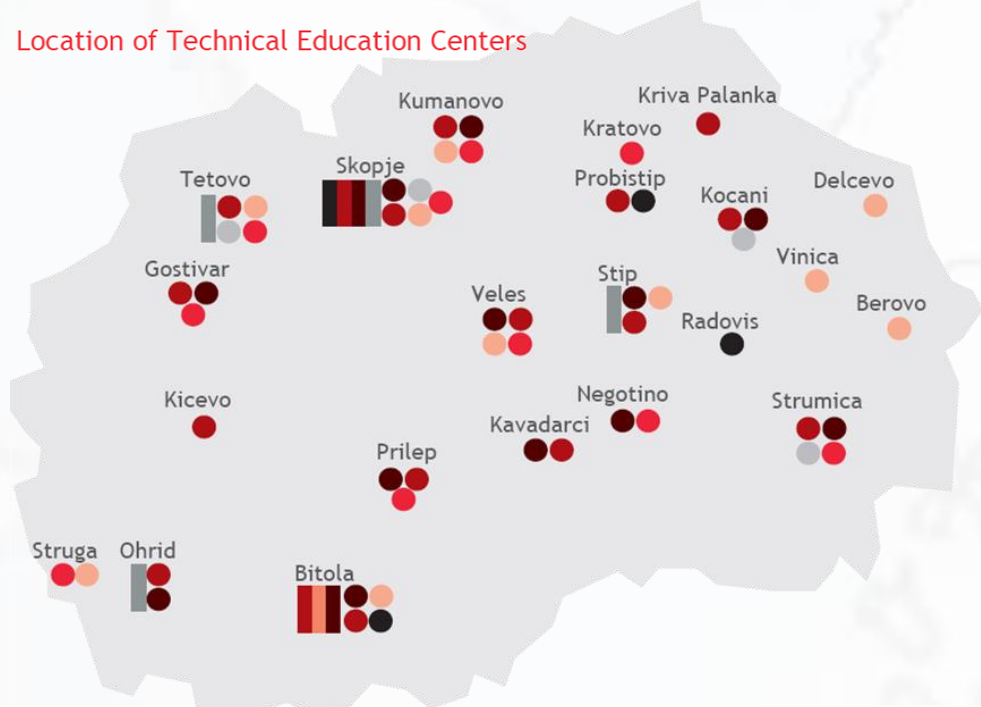
Expert Engineering Academic Base

Labor Availability

- Specialised engineering vocational secondary schools, currently enrolling over 22,000 students
- Over 9,000 students studying engineering branches at university level

Technical Education Centres

Location of Technical Education Centers



Legend:

Upper Secondary Schools	Universities and Faculties
Mechanical Engineering	ICT
Electrical Engineering	Electrical Engineering
Transport	Mechanical Engineering
Textile and Leather	Technological Engineering and Metallurgy
Metallurgy Transport	
Chemical Engineering	

Source: Ministry of Education and Science of the Republic of Macedonia

Language Skills and ICT

Excellent Language Skills

- Every child in Macedonia begins to learn English in the first grade of primary school
- Two foreign languages are mandatory in high school: English, and either German, French, or Russian
- English is also taught for two years at University level
- Regional languages (Serbian, Croatian, Bulgarian, Albanian and Greek) are widely spoken

Information Technology

- One Computer per Child Policy
- Internet penetration rate - EU average
- Scholarships for ICT students

Foreign Languages Studied	Students in Primary Schools, % of Total	Students in Secondary Schools, % of Total
English	99%	96,5%



FREE ECONOMIC ZONES
or
Technological Industrial
Development Zones (TIDZs)



Global Free Zones of the Year 2014 Winners

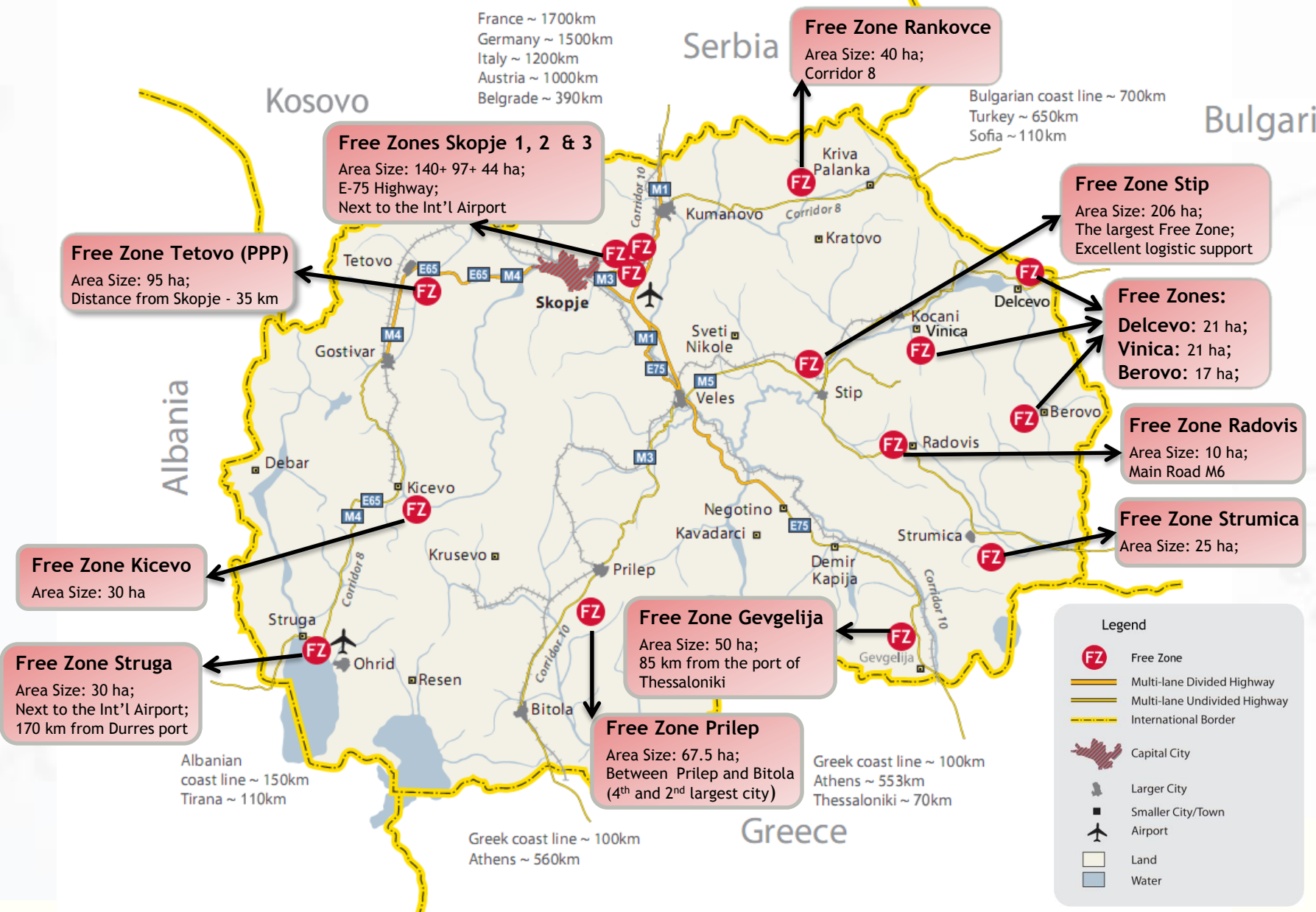
Technological Industrial Development Zone Skopje awarded **Best Zone for Large Tenants within Europe** in fDi Magazine's Global Free Zones of the Year 2014 report



Global Free Zones of the Future 2012/2013 Winners

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 Economic Zones



Investment Opportunities - Free Economic Zones (cont.)

Fiscal Benefits

TAX	TAX RATES	
	TIDZs	Outside TIDZs
Corporate tax	0% Up to 10 years	10%
Personal income tax	0% Up to 10 years	10%
Value added tax	0%	18%
Excise taxes	0%	5% - 62%

PRODUCT	CUSTOMS DUTY	
	TIDZs	Outside TIDZs
Equipment	0%	5% - 20%

***All incentives are in line
with EU regulations***

- Connection to utilities, complete infrastructure is available
- No municipal utility tax
- Customs outpost in the zones
- Subsidy of up to €500,000 towards construction costs
- Land in the free zones is available under long-term lease for a period of up to 99 years
- Training and job creation grants

Infrastructure Benefits

- Electrical grid outlet
- Telecommunications network
- Lighting
- Fire safety system
- Security monitoring system
- Water and sewage network
- Gas pipeline (currently in the Skopje 1 & 2 Free zones)

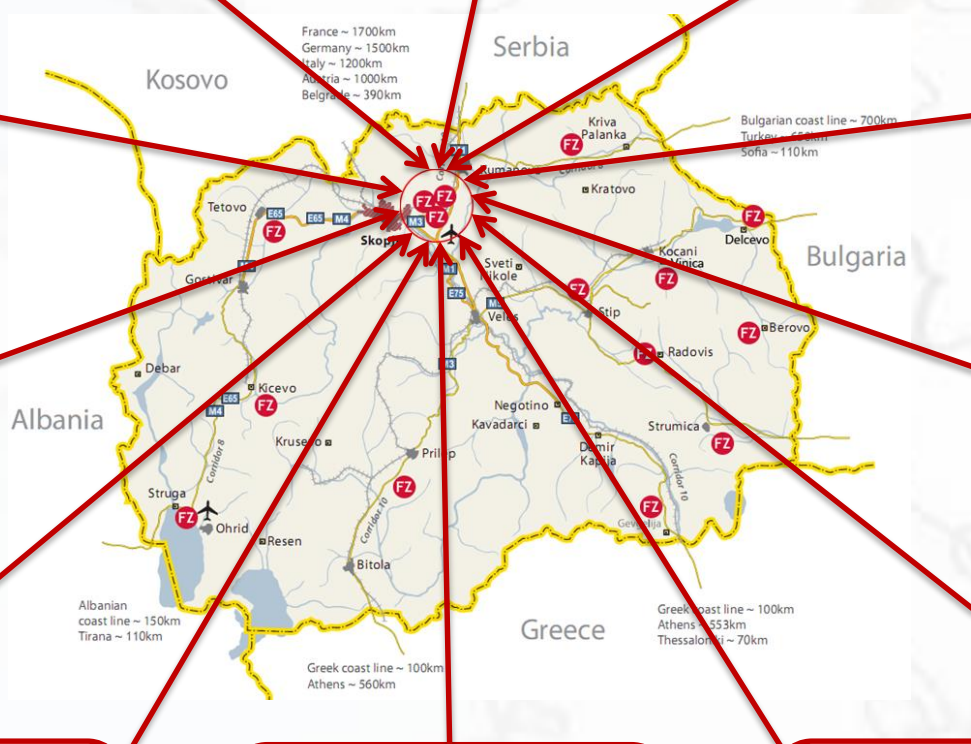
Major recent investors in Greenfield sites

JM
Johnson Matthey 
 Plant 1: \$100M; 350 employees; Exhaust catalyst manufacturer; The biggest exporter from Macedonia
 Plant 2: \$85M; 330+ employees;

DELPHI 
 \$15M+; 500 employees;
 Production of electronic and mechatronic components

VAN HOO 
 Plant 1: \$35M; 800+ employees; Production of buses and coaches for the US and EU markets;
 Second investment stage: \$20M; 400 employees

ARC 
 PIONEERING SAFETY. SINCE 1948
 \$18M; 400 employees;
 Production of inflators for vehicle airbags



The Capacitance Company
KEMET 
 CHARGED.[™]
 \$35M; 500 employees;
 Production of electrical capacitors

DIATEC 
 THE COATING COMPANY
 \$10M+; 200 employees;
 Global leader in paper surface treatments and polymeric films

Vitillo 
 Plant 1: \$13M; 150 employees;
 Production of armored high-pressure rubber hoses;
 Plant 2: \$13M; 150 employees;

HI-TECH CORP 
 MULTILAYER PCB PRODUCTION
 \$20M+; 300 employees;
 Production of sophisticated electrical components

GES 
 GERMAN ELECTROMECHANICAL SYSTEMS
 \$15M+; 200 employees;
 Production of high-quality and energy-efficient LEDs

TE-TE PLAST 
 \$10M+; 200 employees;
 Production of tools and plastic components

ÇAĞATAY 
 Kablo Şan. ve Tic. A.Ş.
 \$6M+; Up to 200 people;
 Production of wiring harness and cables

MSA 
 MODERN SHOCK ABSORBERS
 \$10M+; Up to 400 people;
 Production of shock absorbers for industrial and railway vehicles

Major recent investors in Greenfield sites



Over \$20M; 1,000 employees;
Production of Airbag Cushions and Modules



\$15M+; Ramp-up of up to 3,000 employees;
Production of seat covers



\$45M; 600 employees; Production of PCBs, plastic and molded containers and final assembly



\$35M; 3 plants; Rump-up to 2,500 employees; Production of interconnect products



\$85M+; 1,000 employees;
Production of mechatronic and electronic products



\$20M; 1,000 employees;
Production of automotive cables, solenoids and mechatronics



\$25M ; 2,000 employees;
Production of seat and steering wheel heaters and seat climate technologies



\$3M+; 250 employees;
Plastic injection molding of car parts



\$12M+; Up to 1,200 employees;
Production of electrical appliances and devices



Plant 1: \$35M; 2,500 employees; Production of wires and cables;
II phase expansion: 2,000 people



\$45M; 6,000 employees;
Production of wiring harness and electrical management systems



\$15M; 1,000 employees;
Production of industrial woven fabrics (insulating materials)



\$45M; 250 employees;
Production of wall-hung boiler components



Cut&trim plants for seat covers
Plant 1, Free Zone Stip: \$25M; 1,800 employees
Plant 2, Free Zone Strumica: \$20M; 1,500 employees

PROJECT SCOPE

- 2nd project in Macedonia (Stip free zone)
- €20M investment
- 1,800 employees
- Construction of cut & trim plant for car seats

CONSIDERED COUNTRIES

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

“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.”

*Steven Meylemans
Project Manager
JCI*



17.10.2011 - CORNERSTONE LAYING CEREMONY FOR JCI'S PLANT IN FREE ZONE STIP



20.01.2014 - JCI WAS THE FIRST FOREIGN COMPANY THAT DECIDED TO LAUNCH A SECOND INVESTMENT IN MACEDONIA

PROJECT SCOPE

- 3rd project in Macedonia (Strumica free zone)
- €20M investment
- 1,500 employees
- Construction of cut & trim plant for car seats

“Successful development of our plant in Stip and successful cooperation with the Macedonian government during the past several years traced our path to the next step for the new plant in Strumica”

Vladimir Teplik
VP Operations Trim
JCI



19.05.2016 - CORNERSTONE LAYING CEREMONY FOR ADIENT'S PLANT IN FREE ZONE STRUMICA



Johnson Matthey

PROJECT SCOPE

- €80M automotive components plant
- 350 employees in phase 1

CONSIDERED COUNTRIES

- Reviewed: Bulgaria, Croatia, Estonia, Latvia, Lithuania, Slovenia, Romania, Ukraine, Czech, Poland, Hungary, and Slovakia
- Initial choice: Czech Republic, **Macedonia a “Late entrant”**

WHY MACEDONIA

- Macedonia scores best for labor, slightly lower on logistics
- Labour availability looking very good for Skopje
- Our experience has been positive, Invest Macedonia, Ministry and others superb

Colin Jaffray, Director, Strategic Planning, Johnson Matthey PLC



“This will be JM’s ‘mega-European plant’ and the largest ever single investment project”



Johnson Matthey

PROJECT SCOPE

- 2nd project in Macedonia
- €65M investment
- 330+ additional employees
- Set to double production



JOHNSON MATTHEY COVERS ONE-THIRD OF THE GLOBAL MARKET OF CATALYSTS FOR LIGHT AND HEAVY DUTY 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, Slovakia, Poland, Czech Republic, and Macedonia

SIZE OF INVESTMENT

- €30M investment
- 500 employees
- Production of capacitors for automotive components and industrial applications

WHY MACEDONIA

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



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



18.10.2012 - KEMET FACTORY IN THE SKOPJE 1 FREE ZONE

PROJECT SCOPE

- €35M investment
- 6,000 employees
- 52,000m² plant for production of wiring harness and electrical management systems
- Mercedes C-Class project



A MAJOR CLIENT FOR THE NEW FACTORY IN KAVADARCI IS MERCEDES-BENZ



fDi Top Projects of 2012

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

Winner: Dräxlmaier's new facility in Macedonia

COFICAB Member of Elloumi Group

Supply partner for the top automotive wire harness makers as well as the main OEM's

Production of standard and special electrical automotive cables and wires



CONSIDERED COUNTRIES

- Serbia, Slovakia, and Macedonia

SIZE OF INVESTMENT

- €25M; 800+ employees
- 37,000m² plant for production of buses & coaches for the U.S. market

SECOND INVESTMENT STAGE

- €15M; 400 employees

"I've been asked why our company has chosen to invest in Macedonia, instead of emerging countries such as India or China. Well, Macedonia is one of the emerging business centers in Europe and the World."

Philip Van Hool
CEO, Van Hool NV



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



VAN HOOL EXPORTED THE FIRST BUSES MADE IN THE SKOPJE 2 FREE ZONES FACTORY IN MACEDONIA

PROJECT SCOPE

- €30M investment
- Brownfield start
- Next phase: 6 new plants
- Ramp-up of up to 2,500 people
- Production of interconnect products for automotive, telecommunications and aerospace industries



AMPHENOL - INVENTORS OF AIRBAG AND SEATBELT PRETENSIONER INTERCONNECT SYSTEMS AND THE AUTOMOTIVE INTERCONNECT STANDARD





PROJECT SCOPE

- €20M investment
- 2,000 employees
- Plant for production of seat and steering wheel climate technologies



21.07.2016 - GENTHERM OPENED THEIR NEW PLANT IN THE PRILEP FREE ZONE

CONSIDERED COUNTRIES

- Serbia, Bulgaria, Romania, and Macedonia

“We also have a very strong specialty cable business in Europe that continues to grow. We believe that the country of Macedonia provides us with a competitive environment to further pursue our ambitious growth plans in Europe, and elsewhere in the world.”

*Daniel R. Coker
President and CEO, Gentherm Inc*

DELPHI

PROJECT SCOPE

- Investment size €15M
- Production of electronic controls technologies
- 500 employees

WHY MACEDONIA

- Favorable business environment
- Advanced skillset
- Excellent infrastructure in the free zones

“Delphi is focused on delivering high-quality, industry-leading technologies that help automakers manage increasingly complex electronics and safety systems. The facility in Macedonia will help further this goal.”



14.12.2015 - CONTRACT SIGNING BETWEEN THE U.S. COMPANY DELPHI AND THE FREE ZONES AUTHORITY

*Lucie Toscani
Vice-President
Delphi Electronics & Safety operations*

CONSIDERED COUNTRIES

- Vietnam and Macedonia

PROJECT SCOPE

- Investment over €15M
- Plant for production of Airbag Cushions in Stage 1 and Airbag Modules in Stage 2
- 15,000m² facility
- 1,000 employees
- Markets: Turkey and EU countries



09.03.2016 - KEY SAFETY SYSTEMS (KSS) OPENED THEIR
NEW PLANT IN THE KICEVO FREE ZONE

Key Safety Systems (KSS) is an independent partner to the world's most renowned automobile manufacturers Audi, VW, Fiat, Ford, BMW, Kia and Hyundai

PROJECT SCOPE

- €15M investment
- 400 employees
- Production of automotive airbag inflators for the European market
- Opening of a technical center

WHY MACEDONIA

- Low costs and taxes
- Talented and qualified workforce
- Government support



07.12.2015 - OFFICIAL OPENING OF THE ARC AUTOMOTIVE
PLANT IN THE SKOPJE 1 FREE ZONE



PROJECT SCOPE

- Over €15M investment
- Production of seat covers
- 12,000m² facility
- 2nd phase expansion - 8,000m²
- Ramp-up of up to 3,000 employees

“With Lear’s continued success in vertically integrated automotive seating systems and components, we are pleased to begin operations at an interim site in Macedonia and plan new plant construction by mid-2016 in the area.”

*Jeanne Hanley
VP for Global Trim and Craftsmanship
Lear Corporation*



08.11.2016 - LEAR CORPORATION OPENED THEIR NEW PLANT IN THE TETOVO FREE ZONE

“In line with our position as the world leader in automotive luxury and performance seating we welcome the opportunity in adding this new plant to deliver dedicated quality and service every day for our customers.”

*Raffael Gagliardi
VP of European Seat Fabric Operations
Lear Corporation*

Companies Already Present in Macedonia

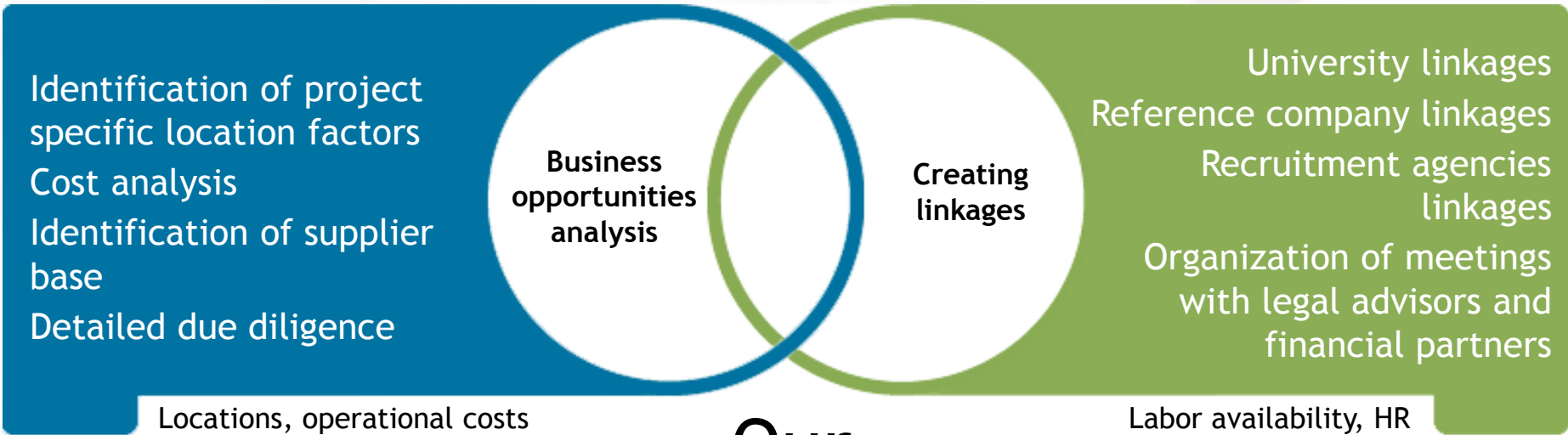


Summary: Why to Invest in Macedonia?

- ✓ **EU & NATO Candidate Status**
- ✓ **Macroeconomic and financial stability**
- ✓ **Prudent fiscal policies that support economic growth**
- ✓ **Free trade to 650 million market**
- ✓ **Attractive tax package and incentives in the Free Economic Zones**
- ✓ **Young, available and competitive work force**
(41.5% of population under 30, excellent language skills)
- ✓ **Exceptional track record in reforms**
- ✓ **Among top reformers according to WB Doing Business**
- ✓ **Excellent Infrastructure**
(Trans European Corridors 8 & 10)
- ✓ **Business friendly government**



Macedonian Authorities at Your Service...



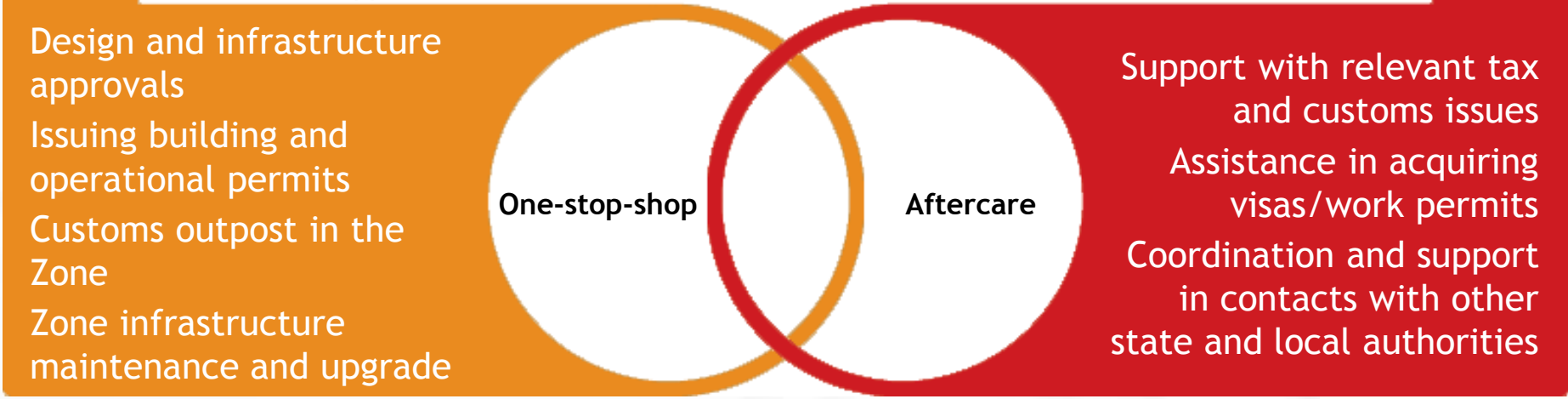
Locations, operational costs and competitiveness

Labor availability, HR companies and consulting

Our Services

One-stop-shop and project management approach

Ensure success!



Thank You!

Ivana Nikolik
Deputy CEO



Ul. Nikola Vapcarov 7
1000, Skopje
Republic of Macedonia
Tel.: +389 2 3100 105
Mob. +389 71 259 731

ivana.nikolik@investinmacedonia.com