



MACRO - ECONOMIC ENVIRONMENT IN MACEDONIA



Location and Transport Infrastructure

- **Two Pan-European corridors:**

- East-West Corridor 8
- North-South Corridor 10

- **Road network: 9,205 km**

- **Railway network: 900 km**

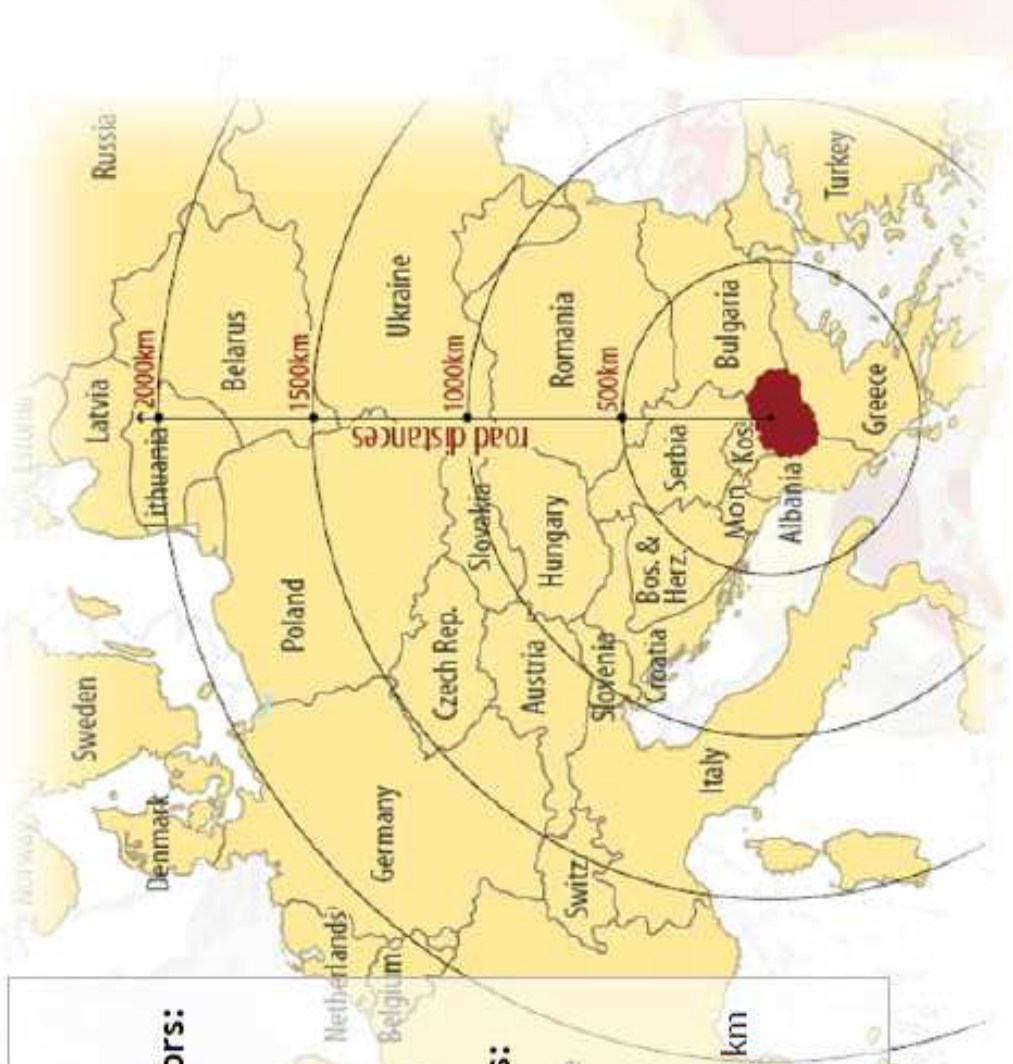
- **Two international airports:**

- Skopje
- Ohrid

- **International ports*:**

- Thessalonica (Greece): 250 km
- Durres (Albania): 300 km

* Distance from Skopje





Your Advantages

There has never been a better time to do business in Macedonia!

- **Unbeatable tax benefits – Lowest in Europe**
 - ✓ 10% Corporate & Personal income tax
 - ✓ 0% Tax on retained earnings
- **Wages – Most competitive in Europe**
 - ✓ € 506 per month
 - ✓ € 374 per month in manufacturing
- **Lowest operating costs in Europe - drive industry expansion**
- **Your investment is protected**
 - ✓ Government guarantees
 - ✓ Macedonia member of MIGA
- **Tax Free Economic Zones**
 - ✓ Manufacturing, Financial, Medical, Tourism for Greenfield projects
- **Commercial buildings available – Easy to start *Brownfield* projects**



Continuous implementation of reforms

Regulatory reforms

- ✓ One-Stop-Shop: 4 hours company registration
- ✓ Regulatory Guillotine
- ✓ Electronic One-Stop-Shop for customs permits and licenses
- ✓ Single window: Improving interoperability between government institutions

Cadaster reforms

- ✓ Digital Cadaster covering 99% of the real estate in Macedonia
- ✓ Notaries and land surveyors have access to land register through on-line system

Liberalization of real-estate market

- ✓ Foreigners free to purchase real estate and construction land
- ✓ Simplification of procedures for obtaining construction permits from 21 to 3 steps

Liberalization of Labor Market

- ✓ Modern Labor Law
- ✓ Improved labor force flexibility



BUSINESS ENVIRONMENT
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**3rd BEST IN STARTING A
BUSINESS IN THE WORLD**
World Bank's Doing Business 2015 Report



**4th FRIENDLIEST TO
FOREIGNERS**
World Economic Forum 2013

BEST FOR STARTING A BUSINESS IN THE REGION

Based on the World Bank's Doing Business Report 2015

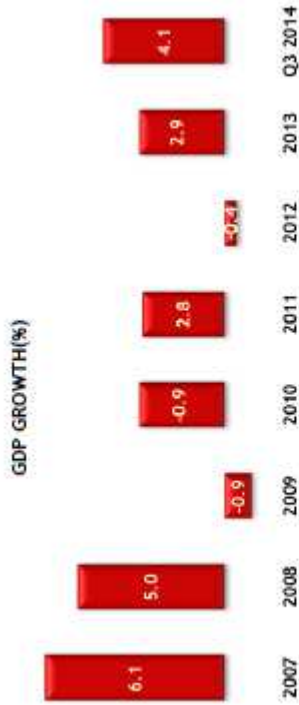
**1st IN TOTAL TAX RATE IN
THE WORLD**
PwC and World Bank Group Study 2015



**7th IN
OVERALL PAYING TAXES**
PwC and World Bank Group Study 2015



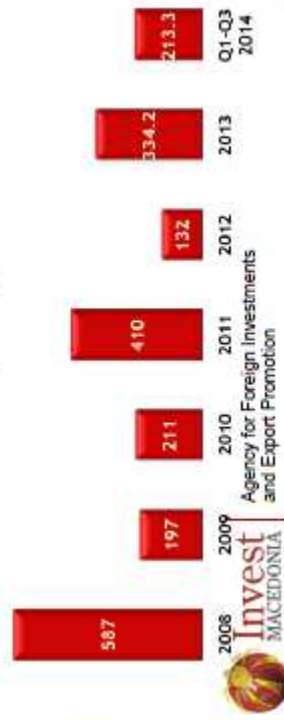
Economic Indicators



EXPORT (billion €)



FDI BY YEAR (million €)



Source: National Bank of the Republic of Macedonia

INFLATION

Low inflation: <2% annually over the last 13 years
 2013: 2.8%; 2014: -0.3%

CURRENCY

Macedonian Denar pegged to the DM/€
 for the last 20 years (€1 = MKD 61.6)

AVERAGE GROSS SALARY IN 2014

€ 517 per month
 € 374 per month in manufacturing

CREDIT RATINGS 2014

Standard & Poor's: BB- (Stable)
 Fitch: BB+ (Stable)

BUDGET DEFICIT & STATE DEBT

Budget Deficit, 2014: 3.9 % of GDP
 State Debt, Q1 2014: 35.7 % of GDP



Unbeatable fiscal benefits and utility costs

Utility Costs

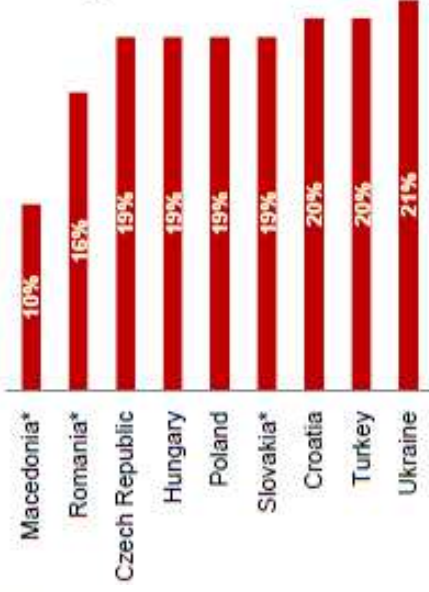
Utility prices for industry are among the lowest in Europe:



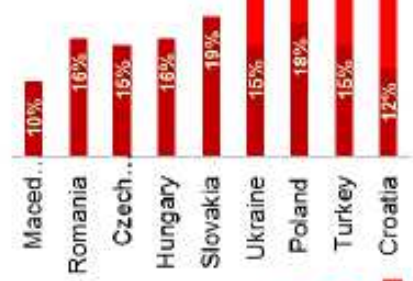
Source: Energy Regulatory Commission of the Republic of Macedonia; PE Vodovod Skopje, 2014



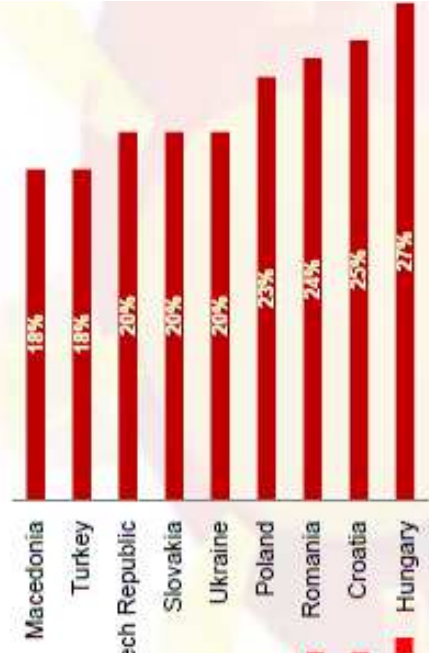
Corporate Income Tax



Personal Income Tax



General VAT Rates





Transportation costs to major European cities

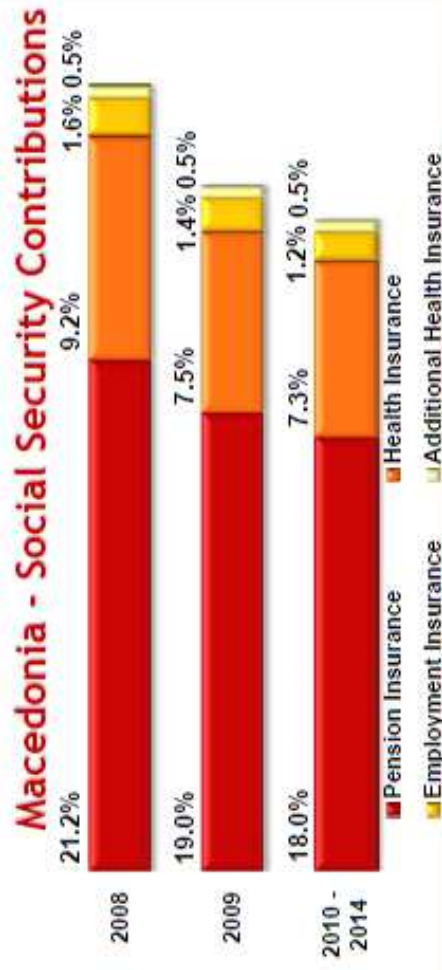


Destinatory/Origin	Distance (km)	Net Hours	Borders	From Skopje (€ (20 ton truck)
Kraguevac, Serbia	320	6	1	670 €
Pitesti, Romania	730	8	2	1,050 €
Budapest, Hungary	800	11	2	1,000 €
Gebze, Turkey	850	12	2	1,100 €
Ljubljana/Novo Mesto, Slovenia	950	15	3	1,000 €
Vienna, Austria	1,200	14	2	1,250 €
Ostrava, Czech Republic	1,300	16	2	1,550 €
Munich, Germany	1,370	17	2	1,350 €
Aksaray, Turkey	1,470	18	2	1,600 €
Milan, Italy	1,500	19	3	1,350 €
Stuttgart, Germany	1,600	19	2	1,450 €
Frankfurt, Germany	1,700	20	2	1,500 €
Cologne, Germany	1,900	24	2	1,550 €
Batilly, France	2,000	26	2	1,700 €

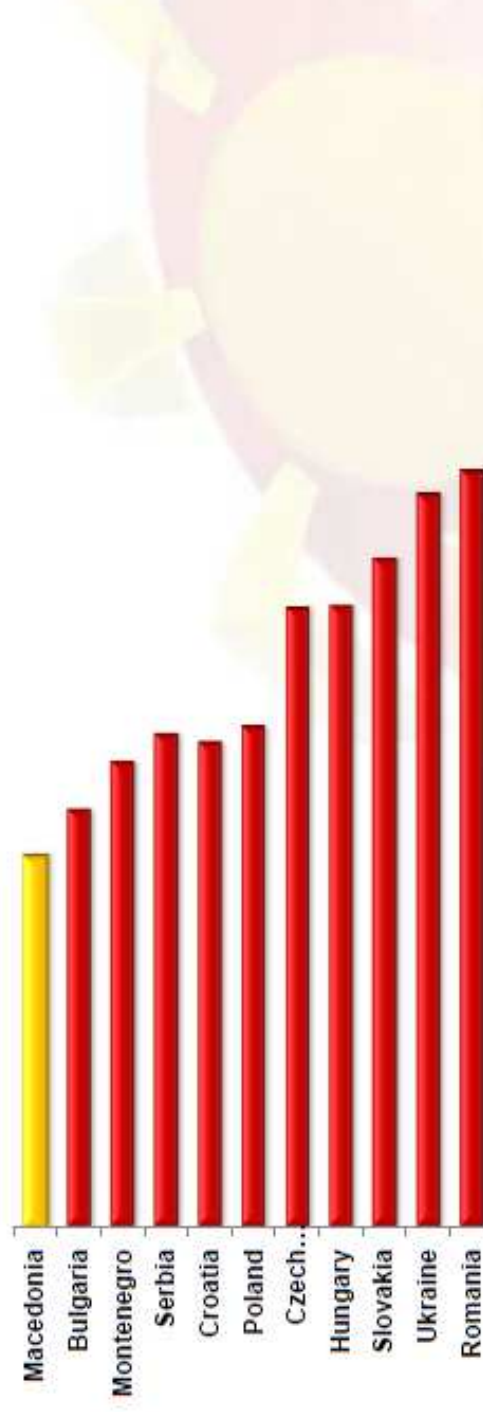
Source:
Kuehne+Nagel, ViaMichelin, January 2014



Social Security Contributions



Comparison - Social Security Contributions





Sustainable Work Force Supply

10,000 college graduates each year are ready to bring their talents to area employers

- 41.5% of population under the age of 30
- 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
- Tailor-made training programs through Vocational Schools or Universities (e.g. JCI Case)
- 6% of GDP spent on education
- € 60 million investment for 200 new laboratories in technical Universities



Sustainable Work Force Supply

Number of enrolled students
in Colleges and Universities



Number of graduates
in Colleges and Universities



Foreign Languages Studied	Students in Primary Schools, % of Total	Students in Secondary Schools, % of Total
English	99%	96.5%
French	0.6%	2.8%
German	0.3%	0.5%
Russian	0.1%	0.2%

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



Free Zones

TID Zone

A special customs area, part of the territory of Macedonia, in which special customs and tax incentives prescribed by the Law on TIDZ are applied

User of TID Zone

Any domestic or foreign entity registered in accordance with the Company Law

Incentives in the Zones are applied only for the following activities:

- Production activities
- IT and R&D activities
- Services related to the import of the goods

15 TID Zones are planned in the DTIDZ 3-year Program

- 3 fully operational (Skopje 1, Skopje 2 and Stip)
- 1 is undergoing PPP procedure (Tetovo)
- 11 others in different development stage





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Global Free Zones of the Future 2012/2013 Winners

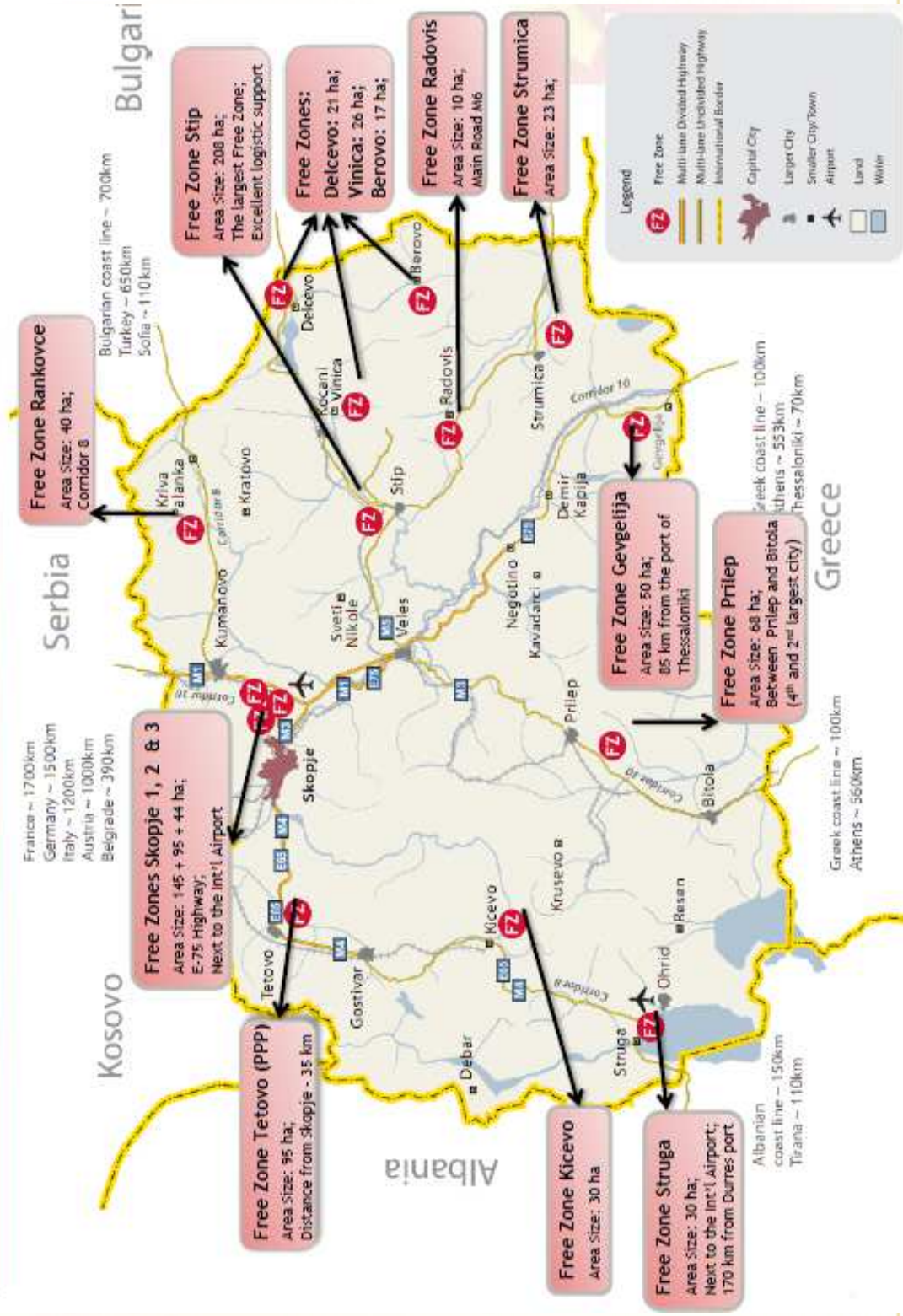


fDi Magazine's Global Ranking of Economic Zones reported Technological Industrial Development Zones Skopje 1 & 2 in the top 50 Free Zones of the Future 2012/2013





Technological Industrial Development Zones





Fiscal Benefits

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

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%

- Connection to utilities, complete infrastructure is available
- Subsidy of up to €500,000 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