

Republic of Macedonia

# BUSINESS CLIMATE AND INVESTMENT OPPORTUNITIES IN MACEDONIA

September, 2014



# Why Macedonia?

*Competitive  
Location*

*Excellent  
Infrastructure*

*Competitive  
& Educated  
Workforce*

*Investment  
Incentives*

*Investor -  
friendly  
Government*

**Higher Profits & Increased Competitiveness**

# 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

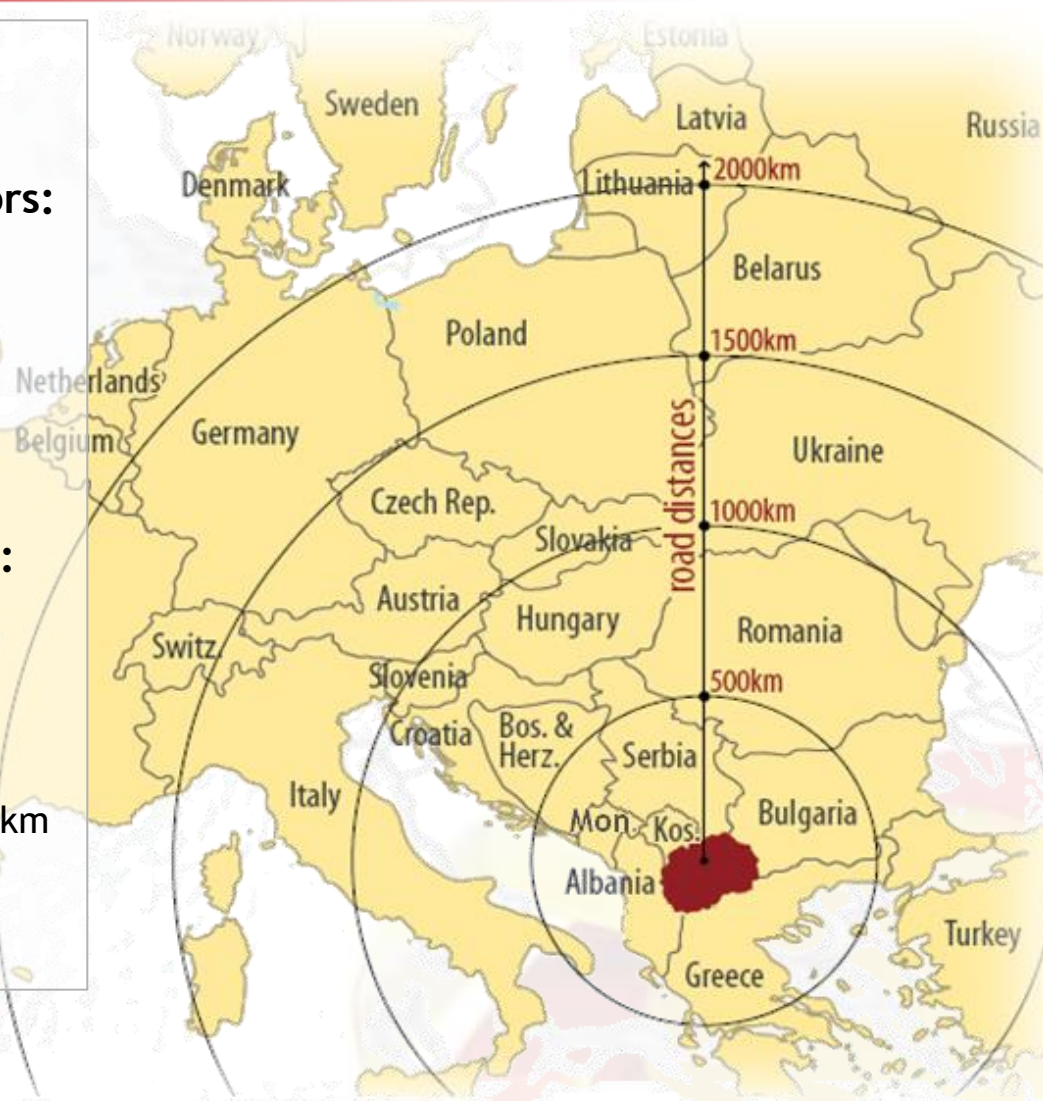
- **Two international airports:**

- Skopje
- Ohrid

- **International ports\*:**

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

\* Distance from Skopje





# Political and Economic Outlook

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- Political, monetary and macroeconomic stability
- Strategically located for future business expansion
- First country in SEE to sign a SAA with the EU in 2001
- EU and NATO candidate country
- FTAs with numerous countries
- Business oriented Government
- Welcoming and decisive government ready to serve investors



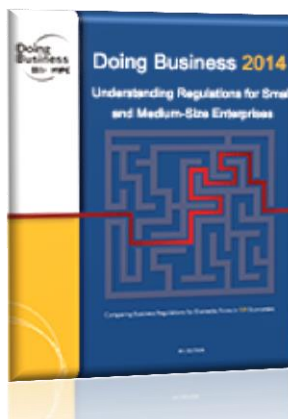
# Foreign Investment Regime

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- Macedonian Constitution guarantees fair treatment of foreign investors
- Complete protection of the ownership rights of foreign investors
- Republic of Macedonia is member of MIGA  
(Multilateral Investment Guarantee Agency)
- Investment protection treaties with numerous countries
- 100% foreign ownership of a company allowed
- No restrictions for repatriation of profits

**7<sup>th</sup> BEST IN STARTING A  
BUSINESS IN THE WORLD**

World Bank's Doing Business 2014 Report



**2<sup>nd</sup> BEST IN STARTING A  
BUSINESS IN EUROPE &  
CENTRAL ASIA**

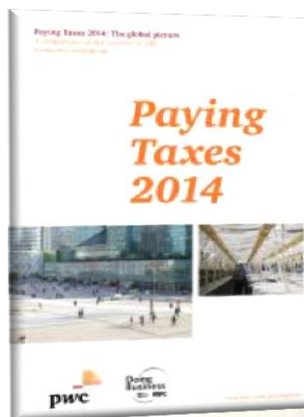
World Bank's Doing Business 2014 Report

**BEST CONSECUTIVE REFORMER  
IN SOUTH EASTERN EUROPE**

Based on the World Bank's Doing Business Reports in the last three years

**1<sup>st</sup> IN TOTAL TAX RATE IN  
THE WORLD**

PwC and World Bank Group Study 2014



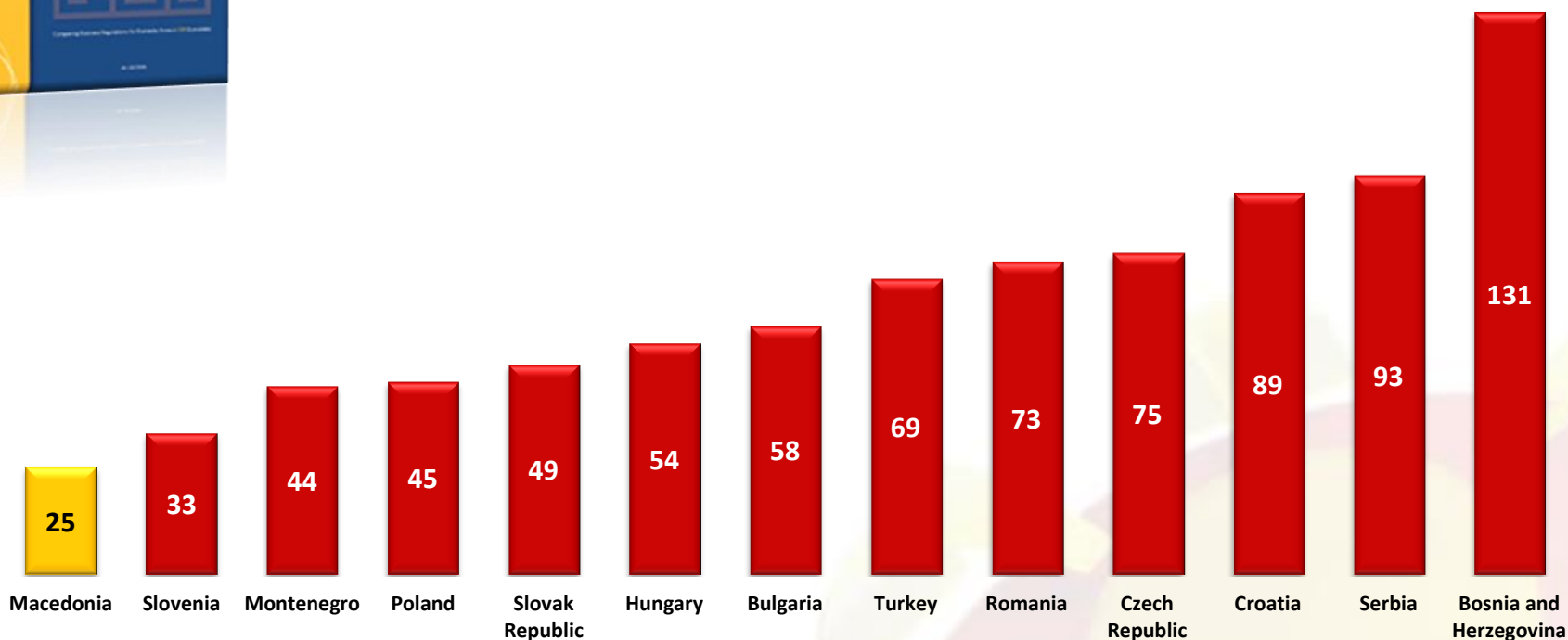
**26<sup>th</sup> IN  
OVERALL PAYING TAXES**

PwC and World Bank Group Study 2014



# Ease of Doing Business 2014

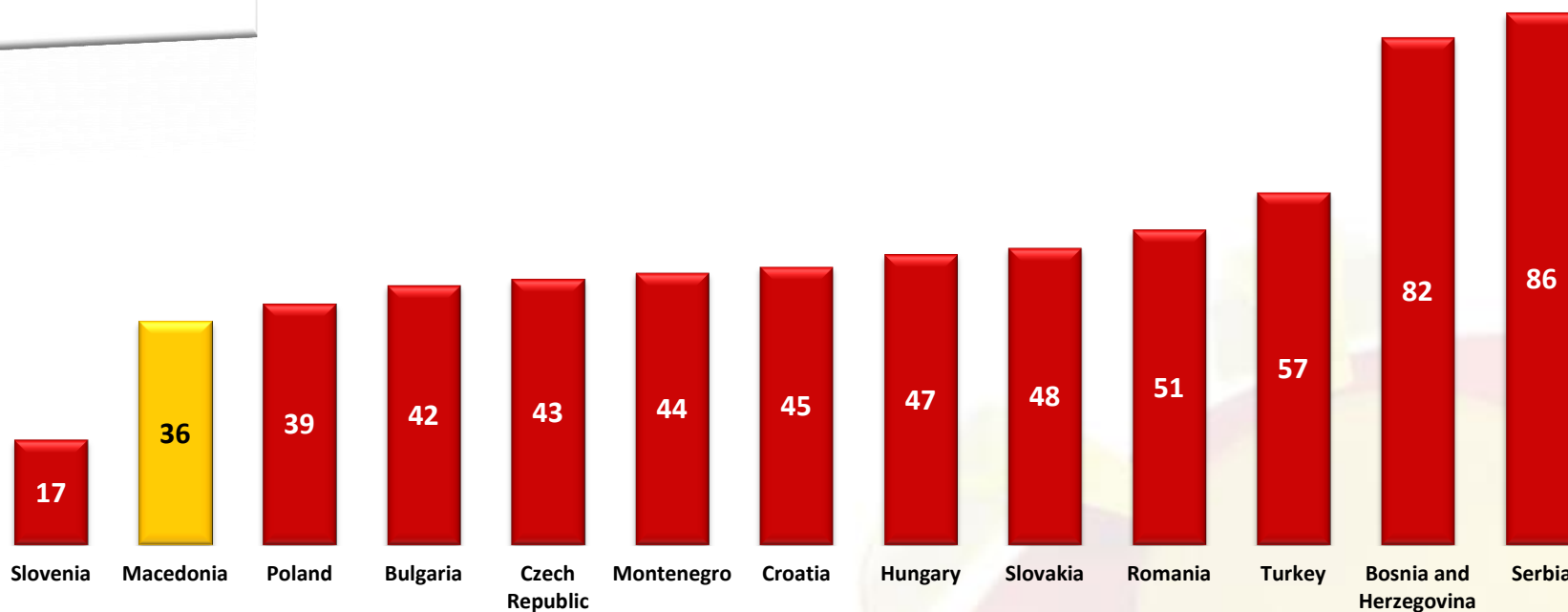
## Global Rank

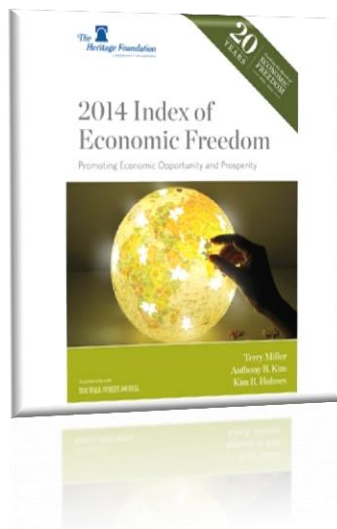




# Best Countries for Business 2013

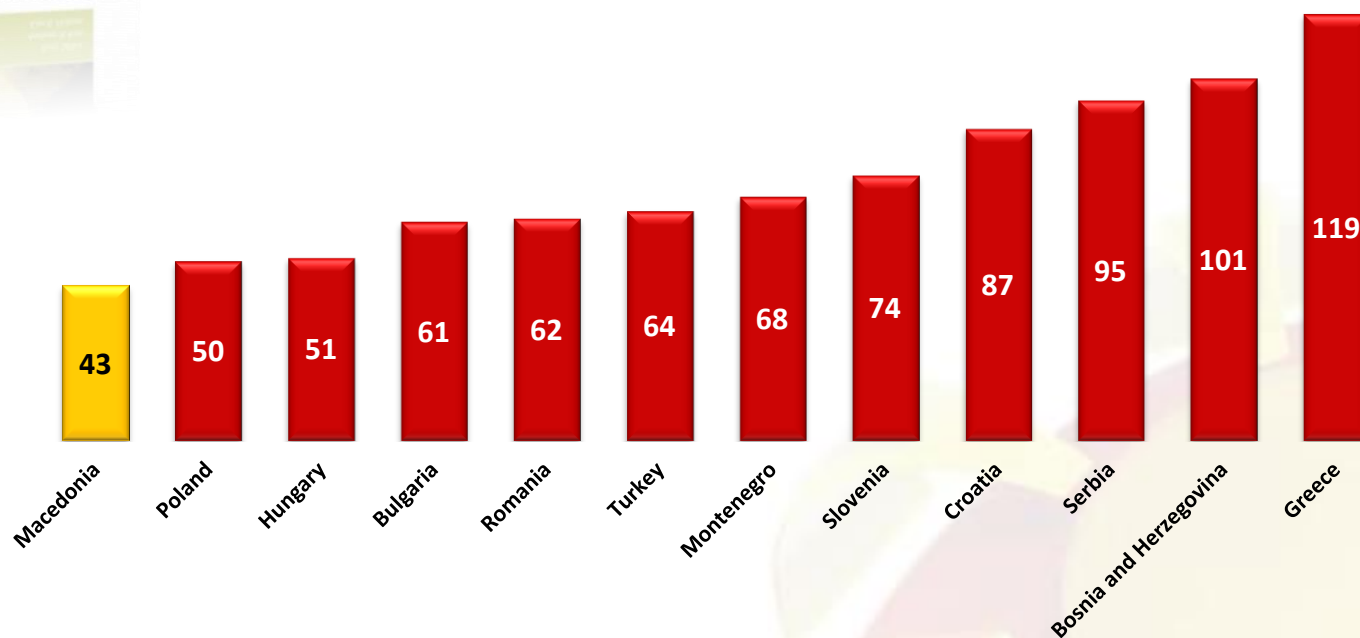
## Forbs Magazine Global Rankings

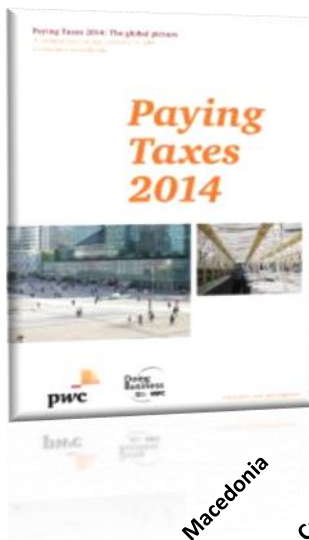




# 2014 Index of Economic Freedom

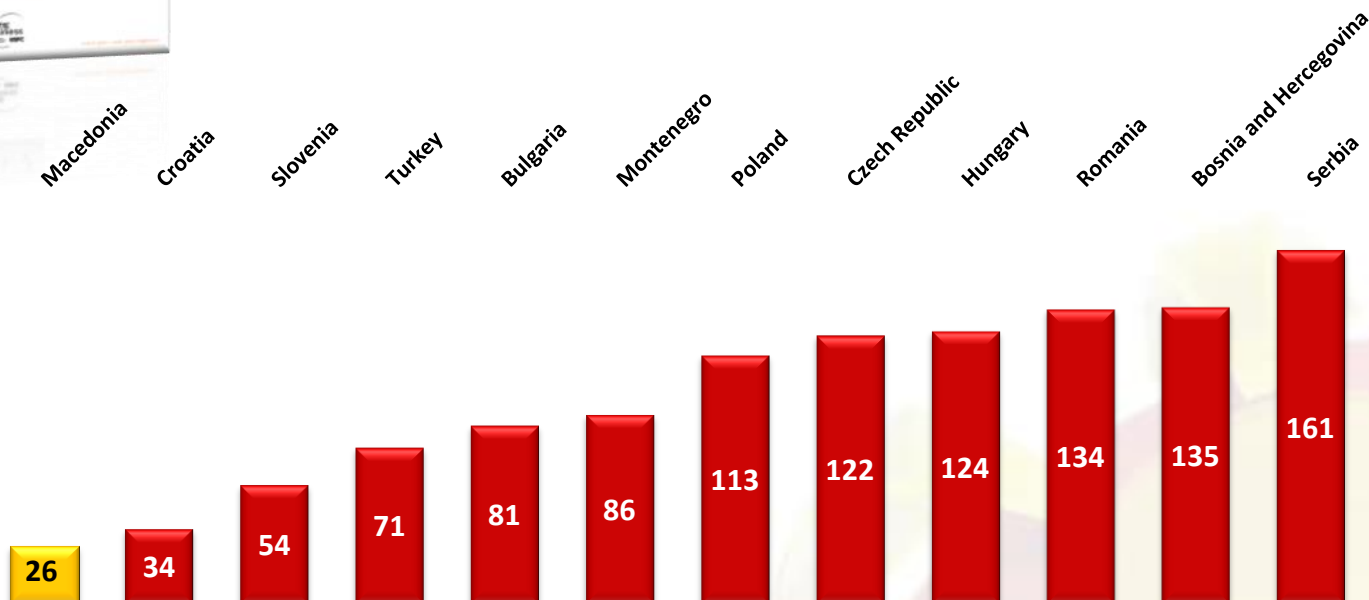
## World Rankings





# Ease of Paying Taxes 2014

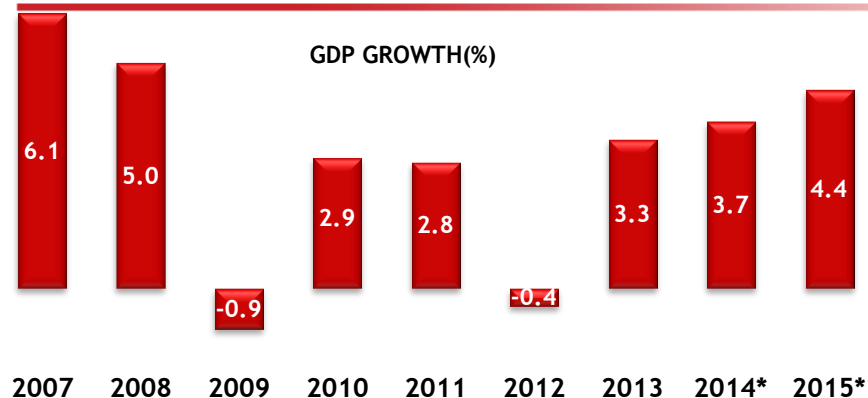
## Total Tax Rate World Rankings



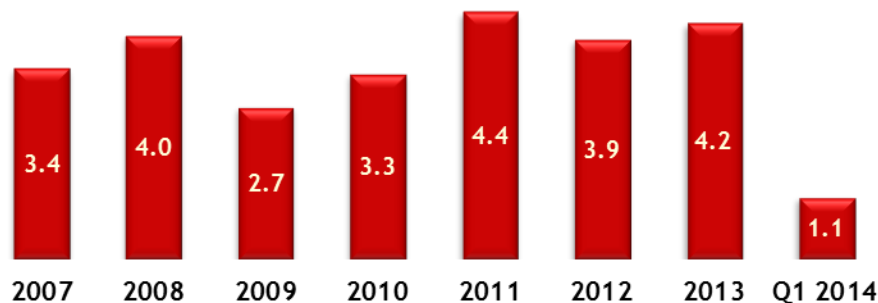


# Economic Indicators

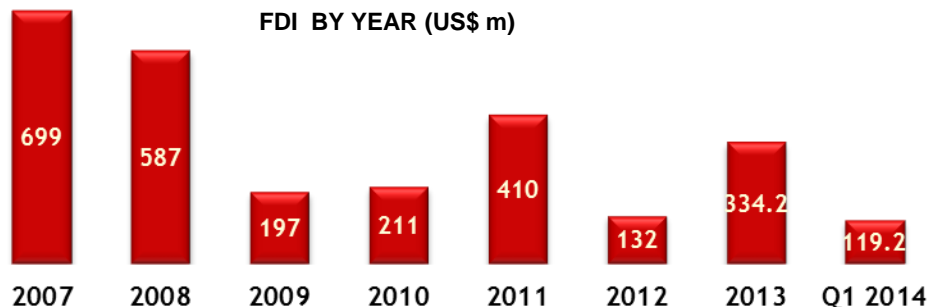
GDP GROWTH(%)



EXPORT BY YEAR (US\$ bn)



FDI BY YEAR (US\$ m)



Agency for Foreign Investments  
and Export Promotion

## INFLATION

Low inflation: <2% annually over the last 13 years  
2013: 2.8%; Q2 2014: - 0.2%

## CURRENCY

Macedonian Denar pegged to the DM/€  
for the last 20 years (€1= MKD 61.3)

## AVERAGE GROSS SALARY IN 2014

€ 502 per month  
€ 374 per month in manufacturing

## CREDIT RATINGS 2014

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

## BUDGET DEFICIT & STATE DEBT

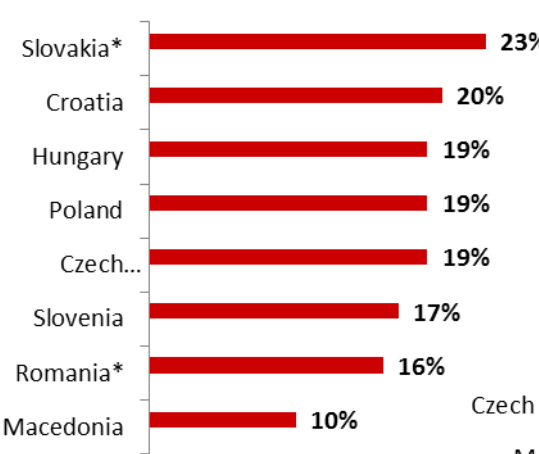
Budget Deficit, 2013: 4.1 % of GDP  
State Debt, Q1 2014: 35.7 % of GDP



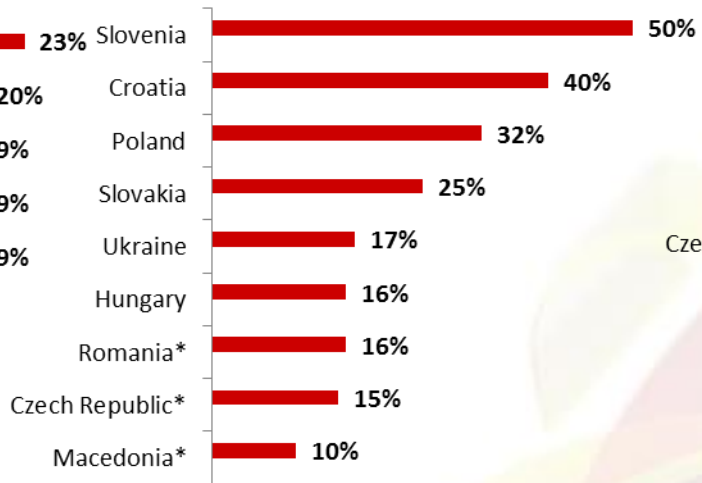
# Unbeatable Fiscal Benefits

- 10% Corporate & Personal income tax (among the lowest in Europe)
- 0% Tax on retained earnings
- Double taxation treaties with many European countries
- 0% tax for operation in a Technological Industrial Development Zone
- Real estate taxes at 2% - 4%
- VAT at 18%, with 5% on specific items
- FTAs with EU, EFTA, CEFTA countries; Turkey and the Ukraine; providing access to over 650m customers

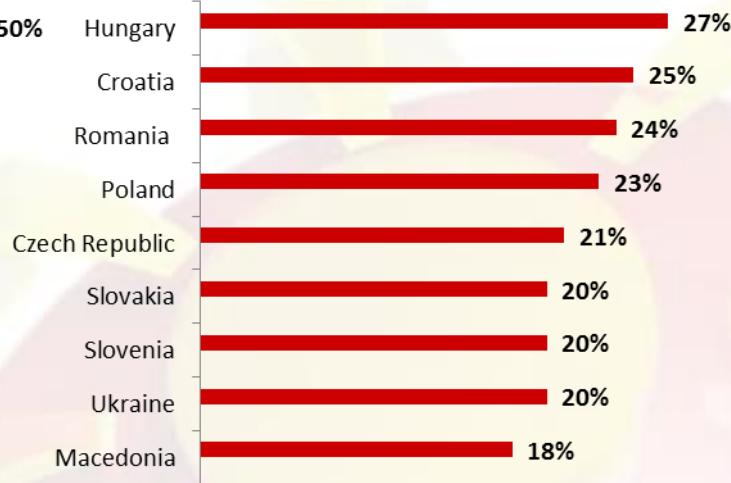
## Corporate Income Tax



## Personal Income Tax



## General VAT Rates

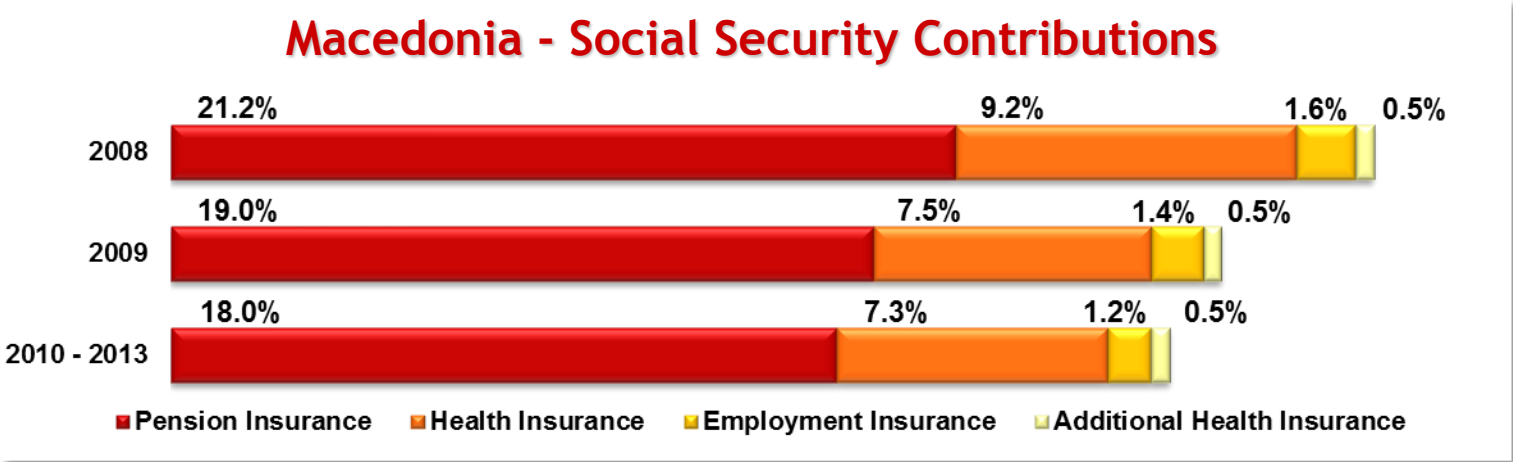


Agency for Foreign Investments and Export Promotion

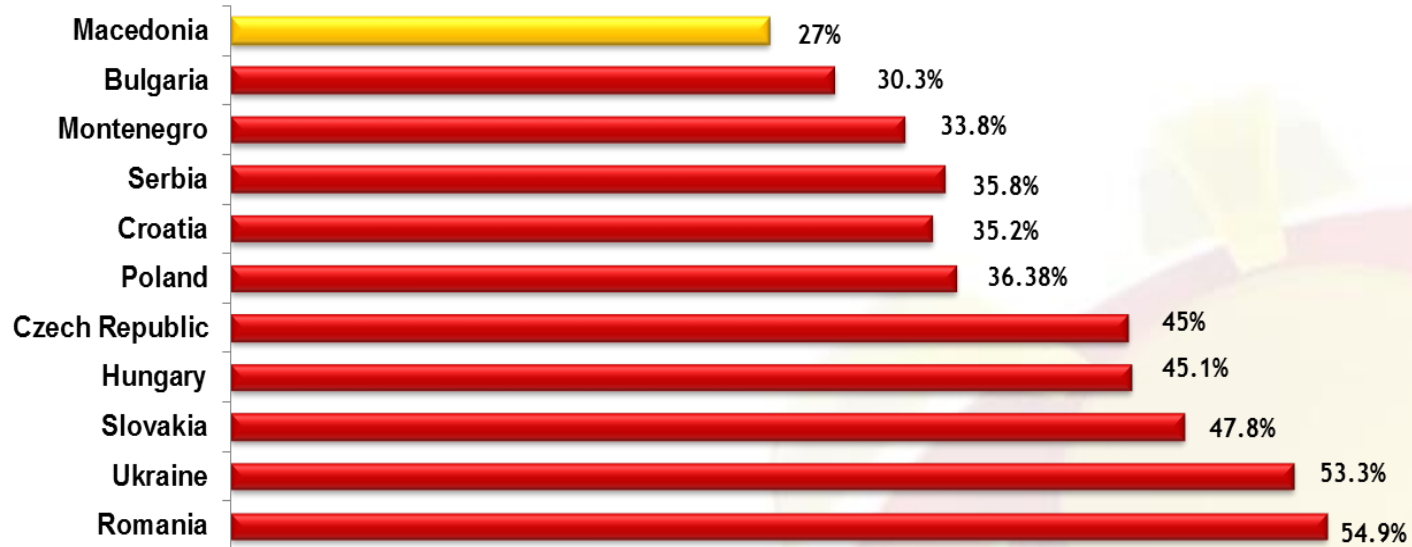
\* Flat rate  
Source: PricewaterhouseCoopers (Taxes at a glance 2013), National Investment Promotion Agencies



# Social Security Contributions



## Comparison - Social Security Contributions

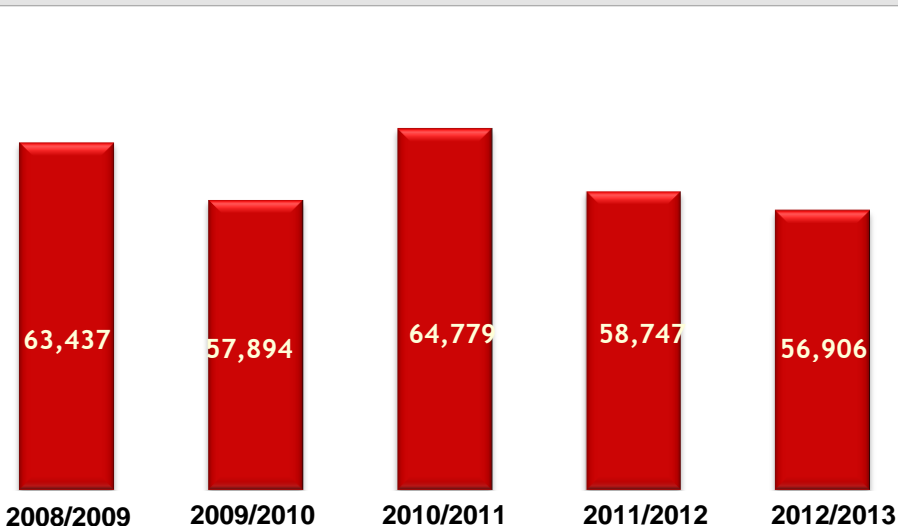




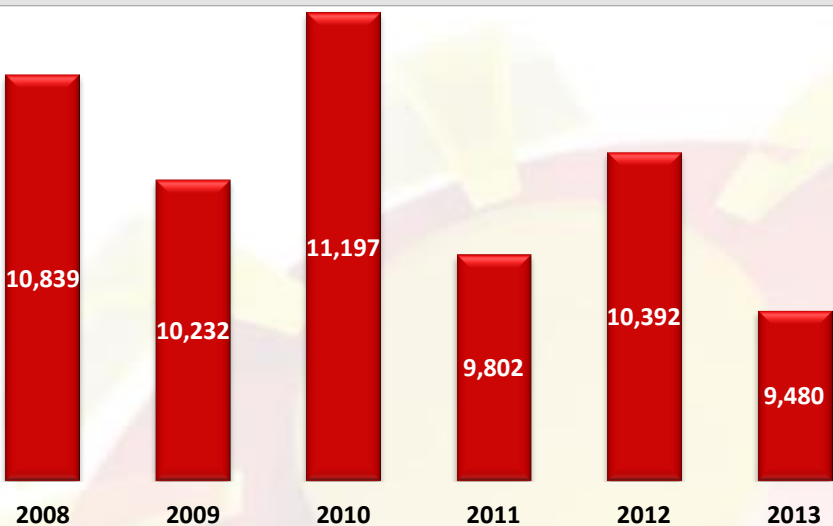
# Sustainable Work Force Supply

- 41.5% of population under 30
- High intellectual capital
  - 95+% of high school graduates enrolled in universities in 2012
  - Multiple vocational high schools in each city
- Tailor-made training programs through Vocational Schools or Universities
- 6% of GDP spent on education

Number of enrolled students  
in Colleges and Universities



Number of graduates  
in Colleges and Universities



# 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

| 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%                                      |

# **INVESTMENT OPPORTUNITIES**

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# Investment Opportunities

## Target Sectors

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Machine and Automotive components



ICT



Medical Devices and Pharmaceuticals



Agribusiness and Food Processing



Energy sector



Real Estate & Construction



Textile



Tourism



Filming

# Investment Opportunities

## Machine and Automotive Components Industry

- Existing engineering and manufacturing tradition
- Legacy of skills available to new investors
- Component production started in the 1960' s to supply Zastava, Serbia
- Companies primarily supply the aftermarket
- Johnson Controls, Johnson Matthey, Kemet, Teknohose, (Free Economic Zones), Kromberg & Schubert, Hi-Tech to supply OEM' s, Van Hool
- Markets are Europe, Russia, Turkey, Africa, USA
- Most companies have ISO 9001 / TS 16949 quality certification



# Investment Opportunities

## ICT Sector

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- 4-hour company registration
- Electronic fee payments for government services
- Digital certificates for employers
- Legislation fully harmonized with the EU
- Free computer application training



# Investment Opportunities ICT Sector

- Best telecommunication networks in the region - the system is 100% digital
- Leading multinational hardware and software suppliers (Microsoft, HP, IBM) have local sales and support services in Macedonia
- IT skills shortage in Western economies and growing demand for outsourcing services - *Macedonia can be your solution!*
- Availability of well-educated staff at competitive costs
- Quality assurance and standardization procedure initialized



# Investment Opportunities

## Healthcare Sector, Medical Devices and Pharmaceuticals

- Existing pharmaceutical industry, exports to over 30 countries worldwide
- Strong educational system, with an abundance of medical and pharmacy graduates
- Supportive regulatory environment
- Licensing arrangements in place with many of world's leading pharmaceutical companies
- Available sites at industrial and free economic zones
- Manufacturing tradition





# Investment Opportunities

## Agribusiness and Food Processing Industry

- Unique combination of Continental and Sub-Mediterranean climates
- Environment friendly production practices
- Technologies for food processing
- Excellent access to regional markets
- Strong reputation for quality food products

### The greatest investment opportunities:

- fruits and vegetables - production, storage distribution and processing industries (logistic centers)
- wine production
- sheep and goat cheese production





# Investment Opportunities

## Textile sector

- Esteemed reputation of Macedonian textile producers on the European Union market
- High flexibility and readiness to adapt to the demands of foreign markets
- Exceptional relation between product quality and costs
- Modern equipment
- 1-2 days distance to European Union markets
- Foreign investment welcomed in the ready-made clothing and knit production industries



# Investment Opportunities

## Tourism

### Summer Destinations

- Numerous tectonic, glacial and man-made lakes, 50 in total
- Large natural lakes: Ohrid, Dojran and Prespa
- Water sports, archeological, wine, eco and rural tourism
- In april 2014 the number of foreign tourists increase for 5% compared to april 2013

### Winter Destinations

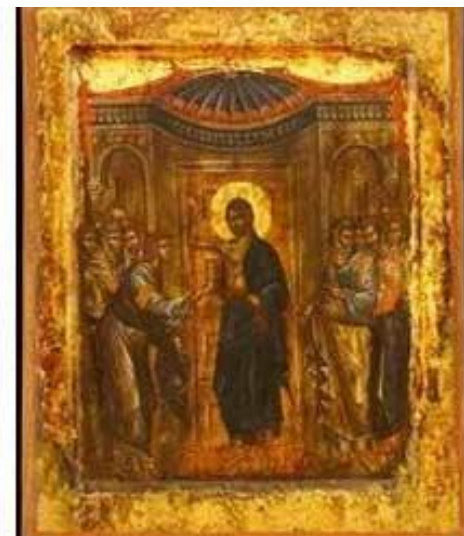
- Over 45 mountain peaks exceeding 2.000 m
- 70% of the territory is mountainous and many locations have more than 100 days of snow
- Opportunities for development and enhancements of hotels and spa resorts on many locations



# Investment Opportunities Tourism

## Historical and Culture Heritage

- 4,293 archeological sites
- 992 churches and monasteries
- 23,000 icons (2nd most valuable collection in the world)
- 228 mosques, inns, Turkish baths and old bazaars,
- 47 towers and fortresses



## Spa tourism

- Territory rich with geothermal waters
- More than 60 thermal springs
- Identified locations for construction of new spa centers and hotels





# Investment Opportunities

## Filming industry

Macedonia geographically provides various types of landscapes on locations at very short distances from each other.

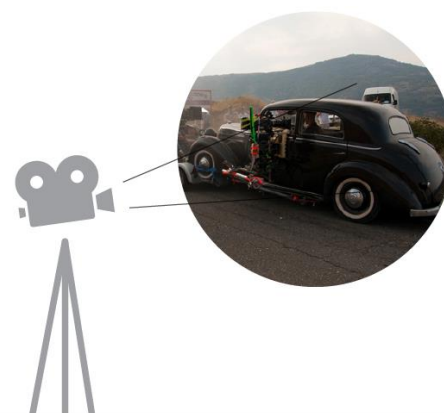
With annual average of 280 sunny days, Macedonia is one of the best locations for exteriors and locations filming.

### INCENTIVES

A film producer interested in investing funds in Republic of Macedonia for making a feature film, documentary, animation, television film or television series, may acquire the right to refund 20% of direct eligible expenditures paid in Republic of Macedonia.

### Eligible expenditures

- 1) Production services
- 2) Postproduction services
- 3) Animation services
- 4) Procurement of goods for film sets and the costumes needed for production of the film/television project.



# **INVESTMENT PROJECTS**

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## **TOURISM**



# Tourism Development Zone Nov Dojran

## Possible Planning Purposes :

- 2 gated communities
- Hotel, Sport and leisure facilities
- Swimming pools





# Tourism Development Zone

## Nov Dojran



| EVALUATION OF POSSIBLE SPACE FOR PLANNING PURPOSES (contents) |   |  |
|---|---|--|
| Project No.   | 1   |  |
| P (ha)  | 13.8 ha   |  |
| Relief CONDITIONS   | The location is on flat terrain                                     |  |
| ALTITUDE  | 150 - 200 m   |  |
| STRUCTURE OF LOCATION IN RELATION TO THE LAKE                 | The location is on the coast  |  |
|   | CURRENT SITUATION   | Institution in charge  |
| TRAFFIC CONNECTIONS   | THE LOCATION IS NEAR THE REGIONAL ROAD R604 AND IS ACCESSIBLE)      | Agency for Promotion and Support of Tourism                                |
| WATER PIPING INFRASTRUCTURE                                   | THERE IS WATER INFRASTRUCTURE AND SEWERAGE INFRASTRUCTURE COLLECTOR | <a href="http://www.macedonia-timeless.com">www.macedonia-timeless.com</a> |
| ELECTRICAL INFRASTRUCTURE                                     | THERE IS ELECTRICAL INFRASTRUCTURE                                  |  |

Tourism Development Zones TDZ offer: tax incentives, training and education for new employees.



Agency for Foreign Investments  
and Export Promotion

# Tourism Development Zone Star Dojran

## Possible Planning Purposes :

- Hotel complex
- Restaurants, sport courts
- Swimming pools,
- Walking and biking trails



# Tourism Development Zone

## Star Dojran

| EVALUATION OF POSSIBLE SPACE FOR PLANNING PURPOSES (contents) |   |  |
|---|---|--|
| Project No.   | 2   |  |
| P (ha)  | 19.85 ha  |  |
| Relief CONDITIONS   | The location is on flat terrain                                     |  |
| ALTITUDE  | 160 - 200 m   |  |
| STRUCTURE OF LOCATION IN RELATION TO THE LAKE                 | The location is on the coast  |  |
|   | CURRENT SITUATION   | Institution in charge  |
| TRAFFIC CONNECTIONS   | THE LOCATION IS NEAR THE REGIONAL ROAD R604 AND IS ACCESSIBLE)      | Agency for Promotion and Support of Tourism                                |
| WATER PIPING INFRASTRUCTURE                                   | THERE IS WATER INFRASTRUCTURE AND SEWERAGE INFRASTRUCTURE COLLECTOR | <a href="http://www.macedonia-timeless.com">www.macedonia-timeless.com</a> |
| ELECTRICAL INFRASTRUCTURE                                     | THERE IS ELECTRICAL INFRASTRUCTURE                                  |  |

Tourism Development Zones TDZ offer: tax incentives, training and education for new employees.



# Tourism Development Zone - Kalista Struga Municipality

## Possible Planning Purposes:

- Small trade units
- Sport and recreation
- Motodrom



# Tourism Development Zone - Kalista

## Struga Municipality



### EVALUATION OF POSSIBLE SPACE FOR PLANNING PURPOSES (contents)

|   |   |  |
|---|---|--|
| Project No.                                   | 3   |  |
| P (ha)  | 18.37 ha  |  |
| Relief CONDITIONS                             | The location is on flat terrain                                     |  |
| ALTITUDE                                      | ~700 m  |  |
| STRUCTURE OF LOCATION IN RELATION TO THE LAKE | The location is on the coast  |  |
|   | CURRENT SITUATION   | Institution in charge  |
| TRAFFIC CONNECTIONS                           | THE LOCATION IS NEAR THE REGIONAL ROAD R420 AND IS ACCESSIBLE       | Agency for Promotion and Support of Tourism                                |
| WATER PIPING INFRASTRUCTURE                   | THERE IS WATER INFRASTRUCTURE AND SEWERAGE INFRASTRUCTURE COLLECTOR | <a href="http://www.macedonia-timeless.com">www.macedonia-timeless.com</a> |
| ELECTRICAL INFRASTRUCTURE                     | THERE IS ELECTRICAL INFRASTRUCTURE                                  |  |

Tourism Development Zones TDZ offer: tax incentives, training and education for new employees.



Agency for Foreign Investments  
and Export Promotion

# Spa Tourism

- Region rich with geothermal waters with healing effects
- More than 60 thermal springs
- Identified locations for construction of new spa-wellness centers, hotels and resorts



## Locations with strong indications of geothermal water

- **Raklis - Radovis**
  - Borehole with yield of 2l/sec and temperature 25°C
- **Toplec and Nikolic - Dojran**
  - Natural spring with temperature 40°C
- **Banjice - Tetovo**
  - Natural springs with yield of 10l/sec and temperature of 27-30°C
- **Proevci, Kumanovska Banja - Kumanovo**
  - Estimates of up to 100°C from the primary collector





## Locations with strong indications of geothermal water

- **Sabota Voda - Veles**
  - Borehole with yield 3.5 - 4.0l/sec and temperature of 30-48°C, estimates of up to 110°C for the primary collector
- **Mariovo - Prilep**
  - Numerous spring appearances, temperature varies from 20-23°C
- **Kezhovica -Shtip**
  - 2 boreholes with yield 4.5 l/sec and temperature 63 °C
- **Majdan and Toplic - Kavadarci**
  - No temperature available due to the mixture of hot and cold water



# Ski Centres in Macedonia



# Popova Sapka Ski Center

## OVERVIEW

- Popova Sapka is situated in the north-western part of Macedonia on 1,780 metres above the sea level, just 35 kilometres from the capital Skopje.
- Pre-feasibility study is already completed and four phases were identified to complete this project



# Popova Sapka Ski Center

## Current situation

- Total ski terrain length of 55km
- Currently there are 10 lifts
- Capacity of 2900 skiers per day
- Housing
  - Hotels - 600 beds
  - Private accommodation - 3000 beds
- Parking space for 549 cars
- Relatively dense and unstructured resort village



# Popova Sapka Ski Center

## PHASE 1: Existing area optimization

- Build two new lifts (Pods 3 & 4) and remove eight existing lifts
- Keep lifts Sv. Ilija and Aerodrom
- Total mountain capacity > 3400 skiers per day
- Improvements needed in the base area:
  - new parking area
  - increase of the quality of the existing beds
  - new mountain restaurants/skier services.





# Popova Sapka Ski Center

## PHASE 2: Building new village

- Start developing “Aerodrom flats” to create a new village
- As soon as beds are available at the new village, build two new lifts (Pods 1 & 2) and remove Sv. Ilija and Aerodrom
- Finally build lift in Pod 5
- Total mountain capacity: 7130 skiers/day
- A total of over 4000 new beds (3000 skier beds at least) and some additional 300 parking stalls



# Popova Sapka Ski Center

## PHASE 3: New village completion

- Complete Village and add new parking and connecting lift
- Two new lifts will be added.
- The village will keep increasing in size to almost build-out stage (nearing 6000 beds)
- A new parking 3km before the existing Popova Sapka needs to be developed to accommodate all the skiers
- A connecting lift from the new village to the bottom of Pods 4 & 5 should be built
- Total mountain capacity: 10190 skiers/day





# Popova Sapka Ski Center

## PHASE 4: Build out

- Two new lifts are to be built
- A new lift coming from Tetovo city center could be built, bringing the skiers and pedestrians to the recently developed village center.
- Total mountain capacity of 13,010 skiers/day



# Popova Sapka Ski Center

## PROJECT DETAILS

- Currently ski center Popova Sapka is managed by ELEM, a state company producing electricity.
- They are seeking a partner to develop Popova Sapka using PPP model.



# National Park Galicica

- Recognized as National Park in 1958
- Encloses an area of 25.000 hectares
- Bordered by Lake Ohrid (695 m), Lake Prespa (850 m), with the highest peak Magaro (2255 m)
- Balkan Lynx (indigenous specie)



## Tourism opportunities:

- Lake tourism
- Leisure tourism
- Medical tourism

Proximity to City of Ohrid with 250.000 tourists per year

## Ski center

### PROJECT OVERVIEW

- Ski slopes start at 1600 m up to 2200 m (5 km of ski lifts and 12 km of ski slopes)
- Capacity of 5000 skiers per day
- Land concession 7,290,000 m<sup>2</sup>
- Project will be developed in 4 phases (Possibilities for PPP or private investor)

### DEVELOPED INFRASTRUCTURE

- 40 km from the airport to the ski center
- Existing hotels 7 km away from the ski slopes



# National Park Ponikva

- 1560 meters above sea level
- Winter and summer recreational and tourist center
- Tourism potentials of the Osogovo region (locations for construction of accommodation and tourist service facilities)



- Hunting:  
Lodges and famous hunting grounds (deer, mouflon, wild pig, doe, etc.)

- Nature and Food:  
Intact beauty and high quality, authentic ecologically clean food

## Winter and summer activities

### Skiing, mountaineering, paragliding

- 2 ski lifts
- Peaks

Ponikva - 1560 m

Retki buki - 1760 m

Sultan Tepe (King's top) - 2085 m

Ruen - 2250 m

- Tourist recreational trails





# National Park Mavrovo

- New locations for construction of additional commercial premises and hotels
- Planned expansion of the ski-resort

## National Park Mavrovo

- Recognized as a National Park in 1949
- The largest in Macedonia (over 73,000 ha)
- Tourist resort at the foothill of Mount Bistra
- 70 cm average snow cover (November-April)

## Existing Capacities


- 3 chair lifts & 11 ski lifts with total length of 5,700 meters and capacity of 11,100 skiers/hour
- The highest ski lift tops at 1,860 meters
- 15 km ski trails & Night skiing



- **Alpine & Nordic Skiing**
  - From beginner to expert slopes
  - 30 km trail length
  - (“Peaceful Valley”-7.5 km)
- **Hiking & Biking**
  - 52 peaks over 2000 m
  - 500 km new trails with maps and guides
- **Hunting & Fishing**
  - Mavrovo Lake (rich in famous lake trout)
  - Hunting grounds
- **Paragliding**
- **Kayaking**
  - Radika river

# INVESTMENT PROJECTS ENERGY SECTOR

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- Government strongly committed to developing the energy sector through public and private investments
  - National strategy based on diversifying the sources and types of energy use
  - Focus on completing the strategy for the exploitation of renewable sources of energy
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# Energy Sector Strategic Projects

## Gas Transmission System



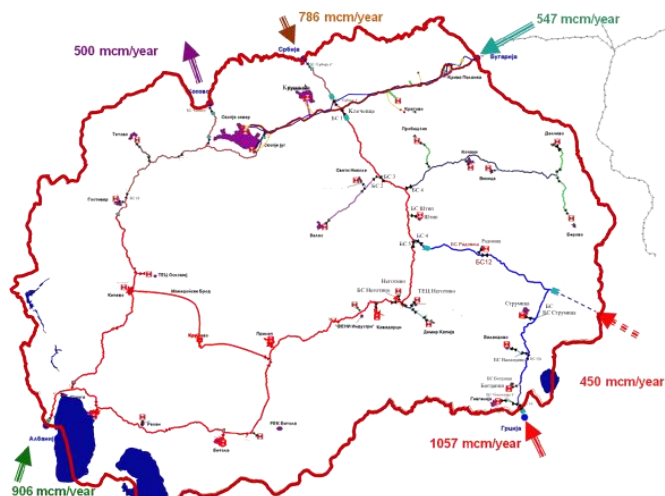
- Complete feasibility study for expanding the national gas transmission system
- Rapid investment in completing the national gas transmission system with support from international financial institutions - €250 - €350 M
- Strong commitment to supporting the development of regional gas transmission pipelines
- Focus on diversifying the source of gas available to consumers in the country



# Energy Sector Strategic Projects

## Gasification of the Republic of Macedonia

Planned routes and possible connections for construction



### Existing condition of pipeline in the Republic of Macedonia

- Total length of pipeline - 98 km pipe, Ø 530 mm and of 54 bar;
- Capacity 800 million m<sup>3</sup> per year up to 1000 million m<sup>3</sup> per year;
- Connected cities - Kriva Palanka, Kratovo, Kumanovo and Skopje.

**Total potential consumption in 2020 approximately 1300 million m<sup>3</sup>/year**

#### Potential consumption

- in households, service sector and industry in 2020 - 500 million m<sup>3</sup>/year
- in energy sector in 2020 - 800 million m<sup>3</sup>/year

#### Potential consumption in households, service sector and industry in the cities

- 2017 170 million m<sup>3</sup>/year
- 2040 1.136 million m<sup>3</sup>/year

### Planned Activities - Gas Transmission System

#### Phase I - priority sections with lengths

Kavadarci-Prilep-Bitola - 97 km

- Stip-Radovis-Hamzali-Strumica-R. Greece - 110 km
- Skopje-Tetovo-Gostivar branch to Kicevo - 110 km

#### Phase II - priority sections with lengths

- Gostivar-Kicevo-Ohrid-Struga-Kafasan - 114 km
- Bitola-Ohrid - 64 km
- Hamzali-Novo Selo-border of R. Bulgaria - 25 km and other small sections in length of 250 km

# Energy Sector Strategic Projects

## Gas transmission (distribution) system

### Existing gas transmission (distribution) system

- Kumanovo
- Strumica



### Planned gas transmission (distribution) system

| SKOPJE                                   | PRILEP                                  | GOSTIVAR                                | TETOVO                                  | STIP                                    | BITOLA                                  |
|--|---|---|---|---|---|
| 2015<br>80 million m <sup>3</sup> /year  | 2015<br>7 million m <sup>3</sup> /year  | 2015<br>3 million m <sup>3</sup> /year  | 2015<br>6 million m <sup>3</sup> /year  | 2015<br>2 million m <sup>3</sup> /year  | 2015<br>7 million m <sup>3</sup> /year  |
| 2040<br>500 million m <sup>3</sup> /year | 2040<br>48 million m <sup>3</sup> /year | 2040<br>23 million m <sup>3</sup> /year | 2040<br>42 million m <sup>3</sup> /year | 2040<br>24 million m <sup>3</sup> /year | 2040<br>47 million m <sup>3</sup> /year |
| €80M                                     | €27M                                    | €21M                                    | €26M                                    | €18M                                    | €31M                                    |

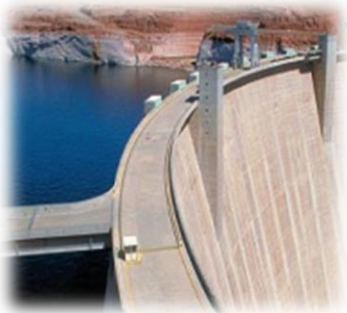
# **INVESTMENT PROJECTS ENERGY SECTOR**

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## **HYDRO POWER PLANTS**

# Energy Sector Strategic Projects

## Hydro Power Plants



- PPP with PE “ELEM” for the construction of a combined cycle heat and power plant (investment value  $\approx$  €250M) - CHP Energetika
- An ongoing tender procedure - under the auspices of the IFC advisory services for HPP “Cebren and Galiste” (investment value  $\approx$  €600M)
- HPP “Boskov Most” (investment value €70M)
- Vardar Valley system of HPPs along the Vardar river (investment value  $\approx$  €1.5B)

### CHP ENERGETIKA

300MW(e), 150MW(h)  
2.000 GWh(e), 500  
GWh(h)  
€250M

### HPP BOSKOV MOST

H=44.4 m  
68.2 MW  
117.55 GWh  
€ 70M

### HPP GRADEC

152,70 m<sup>3</sup>/s  
252,40 GWh  
54,60 MW (e)  
€156.8M

# Energy Sector Strategic Projects

## HPP Cebren

### *Technical parameters:*

- Average discharge: 26.00 m<sup>3</sup>/s
- Average production: 840/786 GWh
- Installed flow: 231/208 m<sup>3</sup>/s
- Number of units: 3
- Installed capacity: 333/347 MW

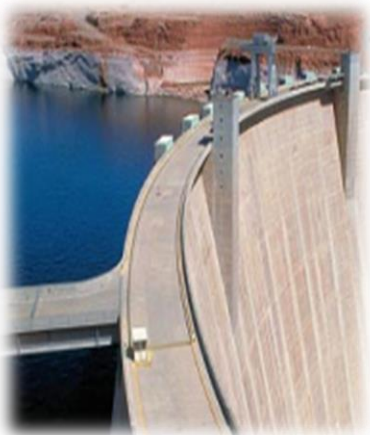
Construction period: 6 years

Project costs: approx. €320M



# Energy Sector Strategic Projects

## Small Hydro Power Plants



- Potential for construction of 400 SHPPs with total installed capacity of 250 MW and average annual electricity production of 1200 GWh
- Completed tender procedure and signed 68 concession contracts for production of electricity from SHPPs with total installed capacity of 58 MW
- Expected annual production of 227 GWh and projected investment value of €103M



# **INVESTMENT PROJECTS ENERGY SECTOR**

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## **Thermal Power Plants**



# TPP Bitola

- The Thermal Power Plant Bitola is located 8 km east of the city of Bitola and about 15 km north from the Greek border. The total installed capacity is 675 MW<sub>el</sub> and the power plant is the country's major energy source. About 70% of the total energy produced in the Country, is generated in TPP Bitola
- The Power Plant with the 3 units has been operate for 20 years (each unit has a capacity of 225 MW<sub>el</sub> and consumes about 2 mil.t of lignite annually)

The Project consists of three phase:

- Revitalization and modernization of the turbines, generators and automation in TPP Bitola  
Investment costs: **€56.83M**
- Revitalization and modernization of the boilers and lowering of the **NO<sub>x</sub>** in TPP Bitola and modernization of the cooling towers  
Investment costs: **€97.5M**
- Revitalization and modernization of TPP Bitola with lowering of **SO<sub>x</sub>** and dust  
Investment costs: **€154.25M**

# Energy Sector Strategic Projects

## Combined heat power plants

- **CHP Energetika**-installed power 300 MW (e), 150 MW (h) - consumption 300-450 million m<sup>3</sup>

Project costs:€44M

- **TEC Negotino** - installed power 210 MW (e) - consumption 300-450 million m<sup>3</sup>
- **TEC Oslomej** - installed capacity 125 MW (e) - consumption 200 million m<sup>3</sup>

Project costs:€300M



**Small combined heat plants** - Opportunity to invest in small combined heat plants by building a pipeline network in the Republic of Macedonia

# INVESTMENT PROJECTS

## Renewable Energy

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- Measurement of wind potential; Preparation of a feasibility study
- Study for Reliability of the Power System and Connection of Wind Power Plants
- Solar potential: the annual solar radiation is 1385 kWh/m<sup>2</sup>
- Climate characteristics - continental climate with hot and dry summers, and high intensity of solar radiation

# Ongoing projects

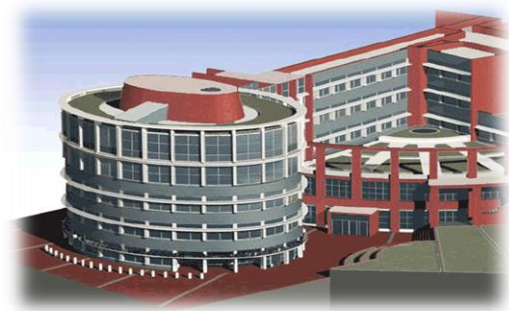
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- Rehabilitation of 400 kV substations  
Skopje 4, Skopje 5, Bitola 2 and Dubrovo  
(loan from EBRD) €6.5M
- 2x110 kV OHTL HEC Vrutok - SS Tetovo 1  
(loan from EIB) €3M
- Procurement of high voltage equipment for 400 kV and 110 kV level
- New SCADA/EMS and backup national dispatching center (EBRD loan saving and MEPSO funds)
- Project for development of transmission network (loan from IBRD) €20.7M
  - New 2x110 kV OHTL SS Bitola 3 - Bitola 4
  - Rehabilitation of 110 kV OHTL SS Skopje 1 - SS Tetovo 1
  - Project i.e. unbinding of the substation and rehabilitation 110 kV SSs
  - Project for telecommunication - procurement and installation of OPGW





# Real Estate & Construction



| City   | Real estate project  |
|--------|--|
| Skopje | <p>Skyscrapers</p> <p>Hotels (3 hotels in the center of the city; 1 hotel near to the airport)</p> <p>Shopping and business centers, including golf terrain</p> <p>Sport and recreational center</p> <p>Business center</p> <p>Locations available as a result of land transformation of army barracks (commercial and business centers and residential areas)</p> |
| Ohrid  | <p>Hotels (along the lake coast)</p>   |

# **PRIVATIZATION PROJECTS**

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# Privatization Projects

## JSC “OHIS” - Skopje

- 75.6% of shares owned by the state
- Each interested investor must have sales revenues in 2009 and 2010 that exceeds €2,000,000 for each year and the structure of the criteria for evaluation are:
  - Offered price (starting price of the share): 10% .
  - Reputation/creditworthiness of the bidder): 30 %,
  - Business plan in the first 5 years: 60% (Investments in the first 5 years: 30% and number of additional new employments in the first 3 years: 30 %)
- Is based in an industrial zone within Skopje (occupies 74,1 ha)
- Largest local chemical producer (detergents, soaps, chemicals, etc.)
- Locally available skilled workforce
- Strong brand recognition of chemical products on regional markets
- The nature of the industry compels significant improvements in the environmental conditions and standards
- 897 employees



# Privatization Projects

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## JSC “EMO” - Ohrid

- 65 % of the shares are owned by the Government of the Republic of Macedonia
- 1419 employees
- Established in 1972 and for the last 30 years has been a leading Macedonian manufacturer and supplier of electro-mechanical components and systems with design, manufacturing, and installation capability
- Strong brand name in the region, Middle East, Africa, and Russia with 45% of sales for export
- Locally available highly qualified workforce



# Privatization Projects

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## JSC “Eurokompozit” - Prilep

- 100% of the shares are owned by the Government of the Republic of Macedonia
- Total number of employees 308
- Extensive expertise and experience in production of special purpose products since 1952
- Civilian production program [wound products, spare parts for locomotives, honey comb, molding composites]
- Military production program [rocket launchers, ballistic helmets and vests, mortar shells, bayonet, upgrades of military vehicles]
- Partners include Hyundai Heavy Industries, Haefly Test AG, Passoni - Villa, Koncar, etc.
- Eurokompozit is ISO 9001 certified and its product are UL approved
- Total sales revenue (2012): €2.5M
- Net Profit/Loss (2012): €822,786

The capital of the Company equals EUR 18.959.198,75 and is divided into 3.708.038 ordinary shares with nominal value of EUR 5.113.



# **Agribusiness and Food Processing Industry**

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# Agribusiness and Food Processing Industry

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- Agribusiness is one of the fastest growing sectors with more than 10% increase over the past three years
- More than 400.000 people make whole or part of their income from agriculture activities
- Sector comprises 16% of national GDP
- For the last three years there has been an increase of exports for >10 % in average.
- In 2013 the export of processed agricultural products was 130 thousand tons or 53.8 million EUR
- Excellent supply
- 304 agricultural enterprises
- 170 581 family owned agricultural holdings
- EU Standards applied

### *Industrial Crops*

- **Tobacco**
  - Largest agribusiness export contributor - €20.6M (Q1 2014)
  - 27 859t produced in 2013
  - Mainly production of oriental aromatic tobacco
- **Poppy**
  - Production in accordance with international agreements
  - 103t produced in 2013
- **Sunflower**
  - 3 832 t produced in 2013
  - 1 559 ha production area in 2013
  - Satisfied only 10% of domestic consumption of edible oil



# Investment Opportunities

## Agribusiness and Food Processing Industry

### *Vegetables*

- Harvesting area of more than 50,000ha
- More than 900,000t annual production

### Production of vegetables (2013)

#### **TOMATOES**

Area in ha: 5,457  
Production in tons: 130,960

#### **WATERMELONS**

Area in ha: 5,586  
Production in tons: 128,417

#### **POTATOES**

Area in ha: 13, 477  
Production in tons: 189,590

#### **PEPPERS**

Area in ha: 8, 501  
Production in tons: 152,153

#### **BEANS**

Area in ha: 8, 0895  
Production in tons: 6, 246

#### **CABBAGE**

Area in ha: 4,482  
Production in tons: 119,662

# Investment Opportunities

## Agribusiness and Food Processing Industry

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### *Fruits*

- Annual production of fruits in 2013 was 195,726 tons
- 14,000 ha of orchards

### *Grapes*

- 292,075t annual production of grapes in 2013
- 21,109ha of vineyards in 2013



### *Wine Production*

- Winegrowing and wine production accounts for ~20% of total agricultural GDP
- More than 80 existing wineries
  - Total capacity: 250 million liters
  - Production: 100,000,000l
- Domestic cellars purchased 163,278 675kg wine grapes in 2013
- Domestic consumption of ~15l per inhabitant
- Major export markets: Germany, Slovenia, Serbia, USA, Russia, China

### ***Project 150 new wineries***

#### **Criteria**

The following criteria have been taken into consideration for providing land locations that would be adequate for construction of new wineries:

- Proximity of the wine grapes production regions
- Accessibility to the road infrastructure
- Presence of sufficient quantities of wine grape production

# Investment Opportunities

## Agribusiness and Food Processing Industry

### *Project 150 new wineries*

- 66 available locations in 6 municipalities
- Starting bidding price of €1/m<sup>2</sup>
- Starting bidding price of €0.1/m<sup>2</sup> for 99 year lease
- Average location size: 3000m<sup>2</sup> - 4000m<sup>2</sup>
- State aid in the form of co-financing available

| Municipality | No. of Locations |
|--------------|------------------|
| Negotino     | 28               |
| Kavadarci    | 12               |
| Rosoman      | 8                |
| Kratovo      | 1                |
| Ohrid        | 9                |
| Bitola       | 8                |

# Investment Opportunities

## Purchasing and Distribution Centers

### *Criteria*

The following criteria have been taken into consideration for providing land locations that would be adequate for construction of purchasing and distribution centers for agricultural products:

- Proximity of the agricultural production regions
- Accessibility to the road infrastructure
- Presence of sufficient quantities of agricultural production

### *Locations*

- **East region:** Sveti Nikole, Kochani, Obleshevo, Shtip
- **Tikves region:** Negotino
- **South-east region:** Valandovo, Gevgelija, Demir Kapija and Bogdanci
- **South-west region:** Bitola

## East region

1. Sveti Nikole (150,000 m<sup>2</sup>)
2. Obleshevo (54,000 m<sup>2</sup>)
3. Kochani (142,000 m<sup>2</sup>)
4. Stip (30,000 m<sup>2</sup>)

| Total size             | Initial price per m <sup>2</sup> |
|------------------------|----------------------------------|
| 376,000 m <sup>2</sup> | 1 EUR                            |

- Climatic conditions of the East region are favorable for the production of garden and fruit crops, especially due to the presence of natural geo-thermal water springs.
- The most produced agricultural crops in the East region are the following:
  - Peppers: ~9,000t
  - Tomatoes: ~5,000t
  - Plums: ~5,500t
  - Sour cherries: ~about 2,000t



# Purchasing and Distribution Centers

## Tikves region

### 5.Negotino

| Size                  | Initial price per m <sup>2</sup> |
|-----------------------|----------------------------------|
| 30,000 m <sup>2</sup> | 1 EUR                            |

- Large number of sunny days and fertile soil in the Tikves region play an especially significant role in the production of grapes and fruits with high quality
- Production in Tikves region:
  - Grapes: ~10,000t
  - Peaches: ~5,500t
  - Plums: 14,800t

# Purchasing and Distribution Centers

## South-east region

6. Valandovo (68,000 m<sup>2</sup>)
7. Gevgelija (90,000 m<sup>2</sup>)
8. Bogdanci (23,000 m<sup>2</sup>)
9. Demir Kapija (40,000 m<sup>2</sup>)

| Total size             | Initial price per m <sup>2</sup> |
|------------------------|----------------------------------|
| 221,000 m <sup>2</sup> | 1 EUR                            |

- South-east region is qualified as a south - warm region which is adequate for production of early vegetables
- The most produced agricultural crops in this region are the following:
  - Tomatoes: ~80,000t (production during winter and summer periods)
  - Cucumbers/gherkins: ~30,000t
  - Peppers: 70,000t
  - Cabbage: 50,000t
  - Melons: 30,000t

# Purchasing and Distribution Centers

## South-west region

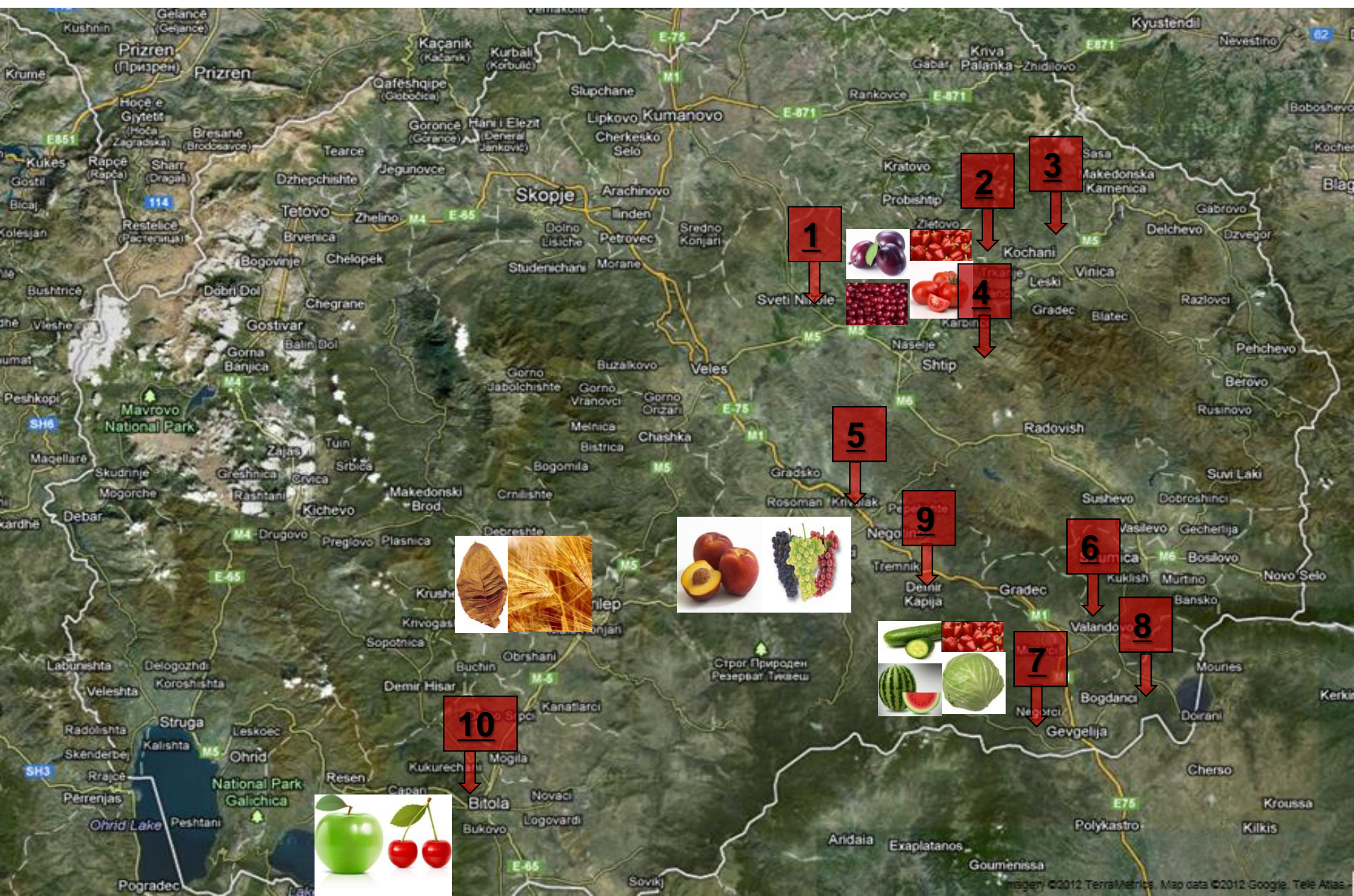
### 10. Bitola

| Size                  | Initial price<br>per m <sup>2</sup> |
|-----------------------|-------------------------------------|
| 91,500 m <sup>2</sup> | 1 EUR                               |

- South-west region (Ohrid, Prespa, Pelagonia) is characterized by a more moderate climate compared to the North part of the state.
- Climatic conditions in this part are favorable for the development of orcharding.
- The following agricultural crops are the most produced in the South-west region:
  - Apples: 90,000t
  - Sweet cherries: ~1,200t
  - Sour cherries: ~1,700t



# Purchasing and Distribution Centers





# **Technological Industrial Development Zones - TIDZs**

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# Free Zones







# **Technological Industrial Development Zones - TIDZs**

## **Infrastructure Benefits**

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



# Technological Industrial Development Zones - TIDZs

## Fiscal Benefits

| TAX                 | TAX RATES                    |               |
|---------------------|------------------------------|---------------|
|                     | TIDZs                        | Outside TIDZs |
| Corporate tax       | 0%<br>for the first 10 years | 10%           |
| Personal income tax | 0%<br>for the first 10 years | 10%           |
| Value added tax     | 0%                           | 18%           |
| Property tax        | 0.1% - 0.2%                  | 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%      |

- Management of existing (established) Free Zone
- Development of planned Free Zone
- Subsidy of up to €500,000 towards building costs
- Incentives in line with EU regulation
- Green Customs Channel available at border for rapid export from Zone to EU countries
- Land in a TIDZ in Macedonia is available under long-term lease for a period of up to 99 years

# TIDZ “Skopje 1”



Johnson Matthey

- €55mn investment
- over 500 employees
- catalyst production



JOHNSON MATTHEY



- \$40mn automotive components plant;
- 150 employees initially – increasing to 500;
- Integrated circuits



JOHNSON CONTROLS



KEMET  
SIGNING OF THE AGREEMENT



TEKNOHOSE  
ANNOUNCING BEGINNING OF  
CONSTRUCTION WORK IN TIDZ “SKOPJE 1”



PRODIS GROUP  
ANNOUNCING BEGINNING OF  
CONSTRUCTION WORK IN TIDZ “SKOPJE 1”



VAN HOOL  
SIGNING OF THE AGREEMENT



**FORTUNE 100 COMPANY**  
**\$40B Turnover**

## PROJECT SCOPE

- 2<sup>nd</sup> project in Macedonia
- \$20M Investment
- 1400 employees
- Construction of cut & trim plant for car seats

*“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  
Johnson Controls*

## CONSIDERED COUNTRIES

- Macedonia, Moldova and Tunisia

# Investment Projects outside of TIDZs



## SIZE OF INVESTMENT

- €20M
- 2000 employees
- Production of cable installations
- Start of operations Q2 2012

“ We are very satisfied with the support provided by the Macedonian Government and its institutions and Bitola municipality. The decision for investment in Macedonia represents an important step in our expansion as part of the strategy for international output.”

*Martin Passern  
Managing Director  
Kromberg & Schubert*



## SIZE OF INVESTMENT

- over \$4M
- 150 new full time jobs + 300/350 new seasonal jobs
- Tobacco facility in Kavadarci
- Fortune 500 company

# Testimonials

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“Macedonia offers the company just-in-time delivery and minimal freight costs.”

*Philippe Simon  
VP of Global Electronics  
Johnson Controls*

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

*Colin Jaffray,  
Director, Strategic Planning  
Johnson Matthey PLC*





# Invest Macedonia at Your Service...

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- One-stop shop and project management approach
  - VIP Investment tour
    - Locations
- HR Companies, construction, real estate, tax advisory and consulting
  - Universities and Reference Company visits
- Creating linkages with local and central Governments
  - Navigate the legal requirements
    - **Ensure success!**

# Thank You!

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AND EXPORT PROMOTION  
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