

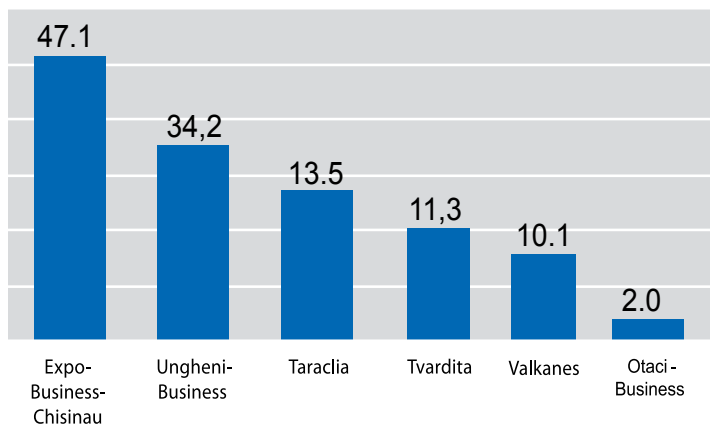
Foreign Investment Guide

Free Economic Zones and Industrial Parks

In the Republic of Moldova operate six Free Economic Zones (FEZs) at present: Expo-Business-Chisinau (located in the capital Chisinau), Ungheni-Business (107 km northwest of Chisinau), Tvardita (115 km south of Chisinau), Otaci-Business (220 km north of Chisinau), Valkanes (in Vulcanesti, 200 km southwest of Chisinau), Taraclia (153 km south of Chisinau), as well as the Giurgiulesti International Free Port (210 km south of Chisinau) and Free International Airport "Marculesti" (126 km north of Chisinau) giving a series of free zones facilities.

The total volume of investment in these zones amounted to \$118 million at January 1, 2009 of which \$17.6 million was invested 2008. The largest share of investments continues to be in the Expo-Business-Chisinau Zone (40%). The investment in Ungheni-Business FEZ during its four years of operation amounted to \$34.2 million.

Total Investment in FEZs up to 2008 (USD million)



Source: Ministry of Economy and Trade.

The total number of companies registered in FEZs as of January 1, 2009 was 147, of which 39% were located in Expo-Business-Chisinau.

Total employment in the zones in January 1, 2009 amounted to 3,586, of which 1,385 were employed at Ungheni-Business FEZ, 1,183 - at Expo-Business-Chisinau FEZ, 259 - at Taraclia FEZ, 269 - at Valkanes, 294 - at Tvardita and 196 - at Otaci-Business.

Net sales from all FEZs in 2008 amounted to MDL 1552.8 million (\$149,5 million) of which exports accounted for MDL 898.7 million (\$86.5 million).

The following types of business activities may be carried out within an FEZ:

- Production of goods for export (with the exception of ethyl alcohol and alcohol production);
- Sorting, packing, marking and other similar operations for transit goods conveyed through the customs territory of Moldova;
- Other supportive activities, such as utility services, warehousing, construction, catering and others that are needed to fulfill the activities indicated above.

Investors in an FEZ in Moldova are guaranteed against, and protected from changes in legislation for a period up to 10 years, and the legislation provides further incentives, guarantees and privileges for Zone investors. Residents enjoy a special customs and tax regime. In particular, they benefit from the following:

- Exemption from customs duties on goods imported into the FEZ and subsequently exported;
- Exemption from excise duties for goods imported into the FEZ and subsequently exported out of the FEZ territory;

Free Economic Zones in Moldova



Benefits for Investors in FEZs

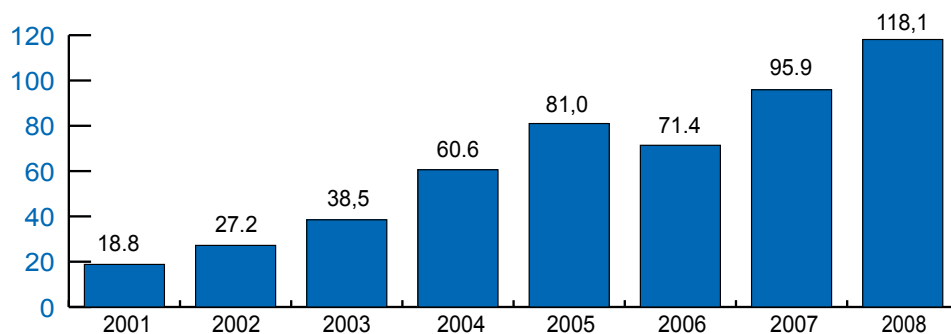
- Goods/services imported into the zone are exempt from Customs duties and are zero-rated for VAT
- Goods imported into and exported from a zone are exempt from excise taxes
- Note: In all the country 0% corporate tax is applicable on profits that are reinvested in the company.



Exemption on taxable income obtained from industrial production within the FEZ.

During the last few years, industrial production in the zones recorded strong growth, especially in the period 2001-2008, when sales of industrial goods reached \$600,8 million.

Free Economic Zones, Net Sales 2001 - 2008 (USD million)



In terms of shares in total production, new investments in the Ungheni-Business zone have increased to the extent that this zone accounted for 38.7% of total net sales from the zones in 2008. Expo-Business-Chisinau's share in overall FEZ industrial output account 37.8% in 2008. The shares of other FEZs in total zone sales were: Valkanes 10.7%; Tvardita 9.8%; Taraclia 2.6% and Otaci-Business 0.4%.

The portfolio of industrial production in the zones has diversified significantly during the last few years. Alcoholic drink production has been the dominant activity, but has started to lose ground to new activities. In 2006 alone, production of ten different products was launched within the zones including electronic equipment, PVC granules, jewelry packages, apparel and cosmetic products.

The Giurgiulesti International Free Port's entire 120 ha territory has a status of an economic free zone. The Industrial Free Zone within GIFP provides national and international investors an excellent location for their investments and businesses on the border with the European Union, in a low cost environment, with tri-modal transport infrastructure and a unique tax and customs framework.

The Free International Airport "Marculesti" implement a complex development plan which provides priority for types of activity in the aeronautical field, the creation of international logistic center, the attracting of foreign and national investors, the application of advanced experience from production and management field, and the creation of jobs. The Free Airport land is composed of the territory where the company activates like Aerodrom Operator and the territory for industrial production development.

Industrial Parks

According to the Law on Industrial Parks N164-XVI from July 13, 2007 the Government of the Republic of Moldova were established the first 3 industrial parks, which become the center of enormous investment attraction and the place for different industrial projects implementation.

Industrial parks could be created on the territory of separate state enterprises and also as Green-field investments. The law also stipulates the terms of industrial parks' creation and their functioning. The industrial parks will be developed for a period of no less than 15 years and no more than 50 years.

The main principles are:

- Non-discrimination towards the residents of the industrial parks, regardless of their investment amount and country of origin;
- Non-interfering in the production activity and offering of services to the residents of the industrial parks.
- Development of types of activities, scheduled according to the goals of industrial park creation.

At the moment, the zones for industrial parks have been identified. Following industrial parks may be emphasized: the industrial park in Floresti (60 ha- close to the border with Ukraine), in Ungheni (50 ha- situated on the border with Romania) and in Cainari (23 ha).

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