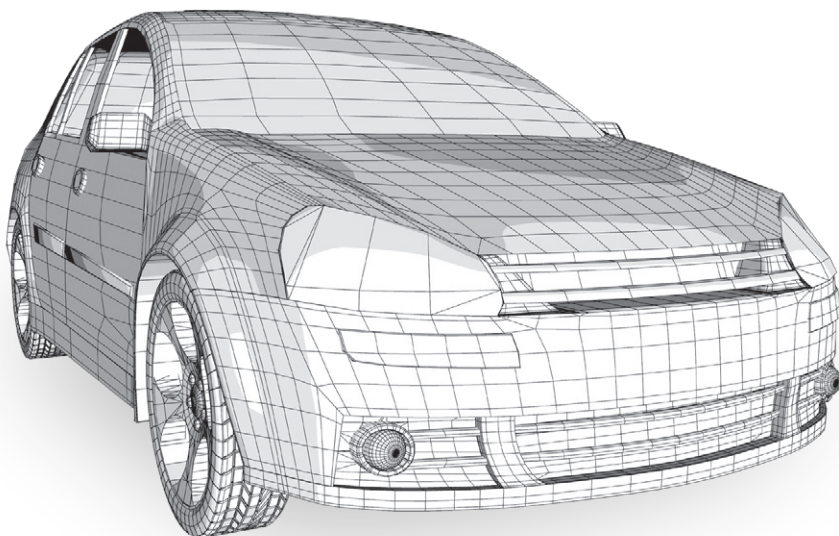


AUTOMOTIVE COMPONENTS SECTOR

in the Republic of Macedonia



Invest
MACEDONIA

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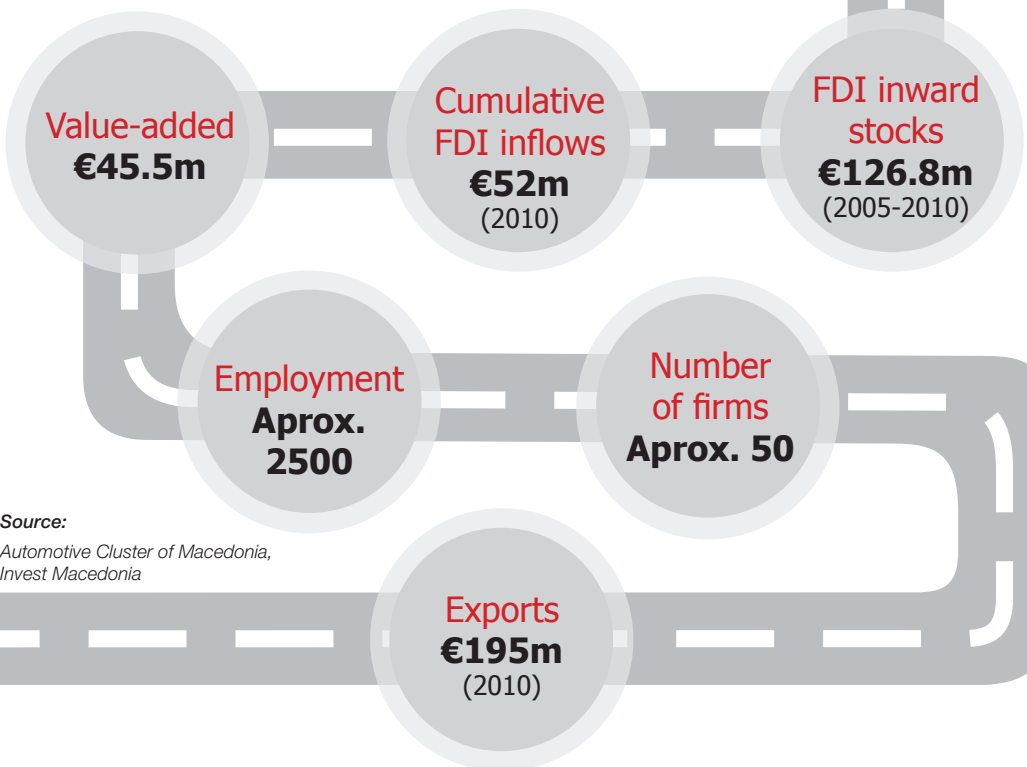
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MACEDONIA

The New Hub for Automotive Components Production

To gain a competitive advantage in a highly uncompromising automotive market driven by cost-cuts, take advantage of our strategic location with its proximity to assembly plants in Central and Eastern Europe and Turkey, and duty-free access to the European market. Macedonia is sure to be the ideal location for corporations looking to set up or relocate their business, with its winning combination of a cost-competitive environment, educated and accessible workforce, and unbeatable incentives offered in the Free Economic Zones. A few key figures for the automotive components sector in Macedonia are summarized in the graph below.



Source:

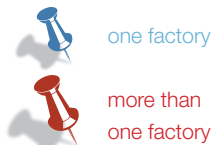
*Automotive Cluster of Macedonia,
Invest Macedonia*

WHY MACEDONIA

Favorable Location

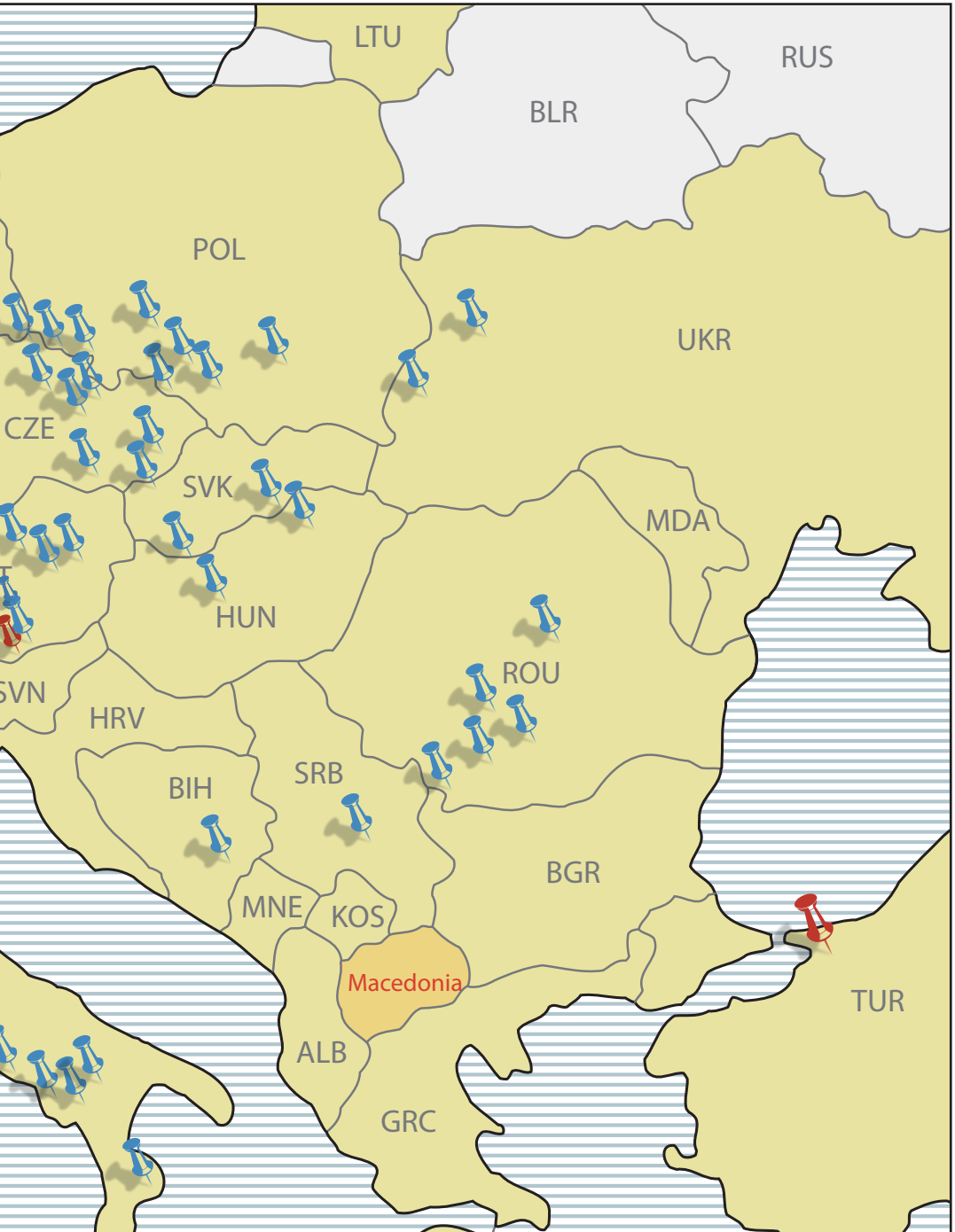
Macedonia's proximity to the rapidly growing automotive manufacturing base in Central and Eastern Europe and Turkey, which have become a regional superpower in the automotive industry, makes it an ideal location. The geographical proximity to these markets allows low distribution costs and "just-in-time" product delivery from Macedonia.

Automotive production and assembly plants in Europe



Source: Invest Macedonia





Availability of Workforce

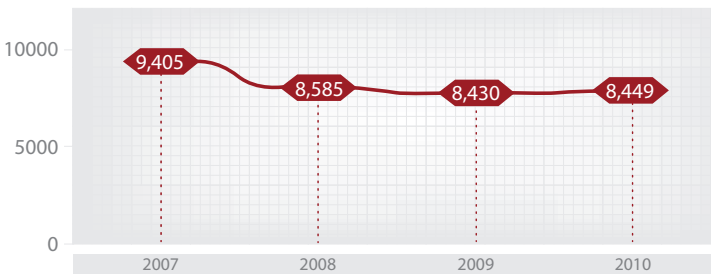
Central European economies increasingly experience over-investment, leading to tight labour markets, rapidly growing costs and outbound labour migration.

Macedonia offers a particularly cost competitive operating environment for automotive components manufacturing. The operating costs for the automotive components sector in Macedonia are among the lowest in Central and Eastern Europe due to its excess capacity and low average wages.

With nearly half of the population under 30 years of age, companies operating out of Macedonia can rely on an ample source of trained and qualified professionals to contribute to the growth of their business.

Sustainable Work Force Supply

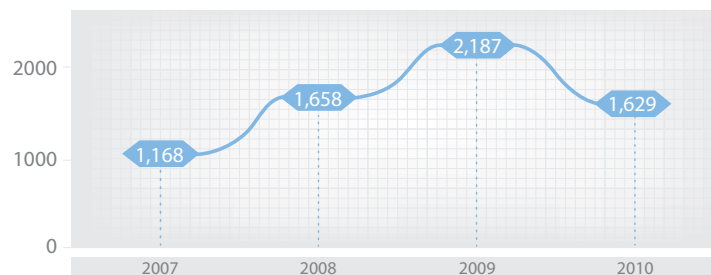
Number of Graduates in High Schools in Technical Fields



Source:
State Statistical Office
of the Republic of
Macedonia

* Mechanical Engineering, Electrical Engineering and Computer Sciences, Technological Engineering and Metallurgy, Textile and Leather Processing, Transport Engineering

Number of Graduates in Colleges and Universities in Technical Fields



Source:
State Statistical Office
of the Republic of
Macedonia

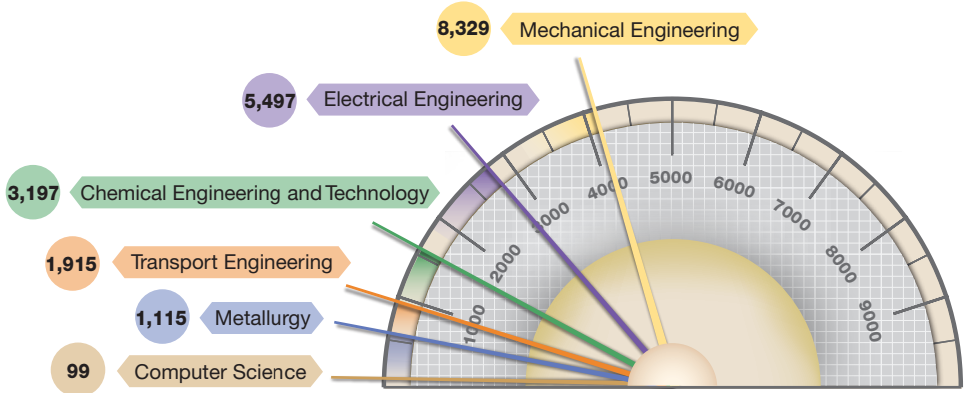
** Mechanical Engineering, Electrical Engineering and Computer Sciences, Technological Engineering and Metallurgy, Transport Engineering

Readily Available Labour Force

Excess capacity of technically educated personnel secures ample workforce supply for the potential automotive industry investors.

Unemployed Persons with Technical Skills

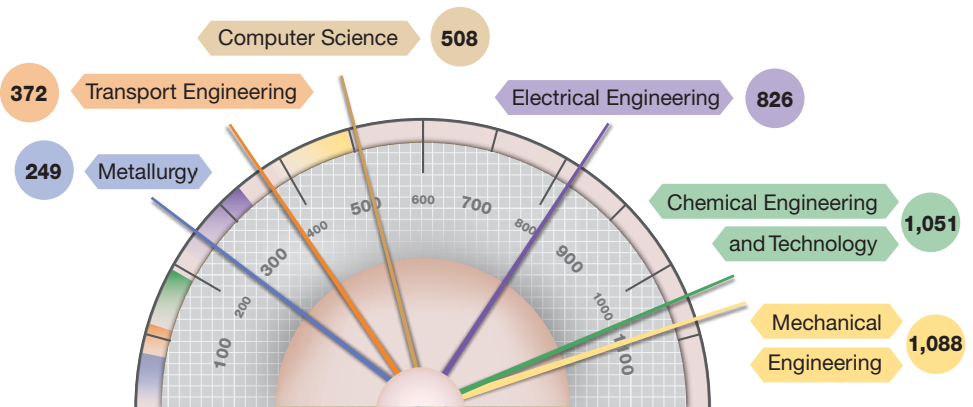
a. with a high school education



Source:

Employment Service Agency of the Republic of Macedonia, August 2011

b. with a college and university education



Source:

Employment Service Agency of the Republic of Macedonia, August 2011

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 as well: English, and either German, French, or Russian.

English is also taught for two years at University level. Regional languages (Serbian, Croatian, Bulgarian, Albanian, Greek, and Turkish) are widely spoken.

Source:

State Statistical Office of the Republic of Macedonia, 2010

Foreign Languages Studied	% of total students in:	
	Primary Schools	Secondary Schools
English	98%	96%
French	18%	32%
German	6%	21%
Italian	-	2%
Russian	1%	2%
Turkish	3%	2%

Tailor-Made Training Programs and Supportive Government

Macedonia's traditionally strong technical schools provide an excellent human resource base for the automotive components sector. The Government is willing to aid investors with their labor force requirements by participating in customized vocational training programs. Specifically, the educational system is willing to collaborate with incoming investors by providing tailor-made training that meets the skill prerequisite for the personnel the organization wishes to employ.

Mechanical Engineering is one of the oldest, broadest, and best established engineering disciplines. The Faculty of Mechanical Engineering as a part of the "Ss. Cyril and Methodius" University in Skopje offers a variety of study programs, which comprise disciplines from both the fundamental engineering sciences that represent the core of mechanical engineering, and the modern scientific disciplines dedicated to engineering analyses and concepts younger than two decades. Other than educational activities, the Faculty of Mechanical Engineering is the leader of scientific research activities within the domain of mechanical engineering. With its staff potential, it represents a center of scientific development, scientific thought, and science application in the industry.

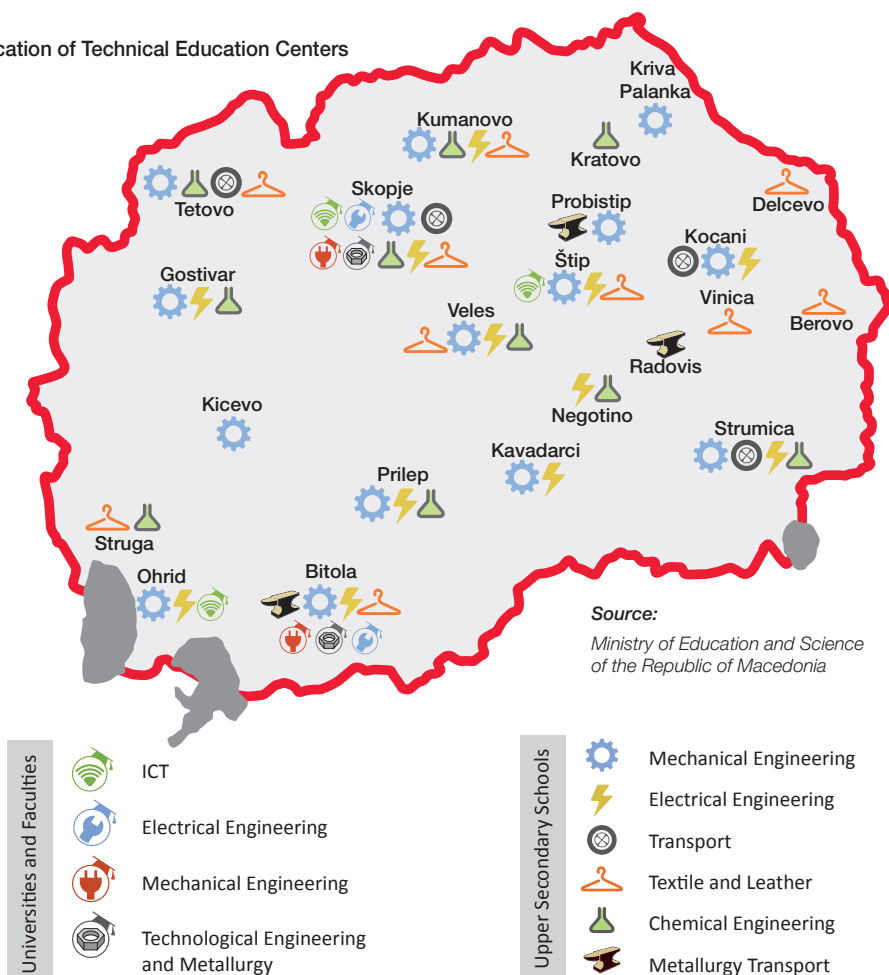
Throughout the years, the Faculty has been fruitfully cooperating with the automotive industry in Macedonia and the region, as well as with companies from other countries around the world. The cooperation is conducted through joint work on scientific research projects, scholarships for students and organization of lifelong learning courses.

The Business Start-Up Centre is an institution that monitors, controls, and aids the development of business ideas by students and graduates from their conception to their ultimate development in stable companies, successful on the market. This is realized by direct support in the process of establishing a company, consulting services, provision of starting capital, infrastructure training, retraining of entrepreneurs, joint marketing promotions and fairs, continuous consulting services, along with consistent monitoring of the work and success of the companies. (www.bsc.ukim.edu.mk).

Centre of Excellence CIRKO was created in 2005 as a joint venture between the Faculty of Mechanical Engineering and the USAID e-BIZ Project. The Centre provides a variety of advanced engineering services for the machine industry in Macedonia. The Centre provides training in CAD, simulations and visualization of processes (www.cirko-mfs.com).

The Jonson Controls Training Centre started operating in November 2005, as a result of the partnership between Johnson Controls, a worldwide leader in the production of vehicle interiors, components, and batteries, and the Faculty of Mechanical Engineering in Skopje. The Center trains prospective employees for work in companies that use advanced technology. It is located in the new building of the Institute of Engineering Design, Mechanization, and Motor Vehicles, and is equipped with modern computers, CATIA engineering software, along with additional equipment donated by Johnson Controls. Users of this Centre are scholars from the Johnson Controls Blue Sky Foundation and students of the Faculty of Mechanical Engineering.

Location of Technical Education Centers



Operating Costs and Taxes

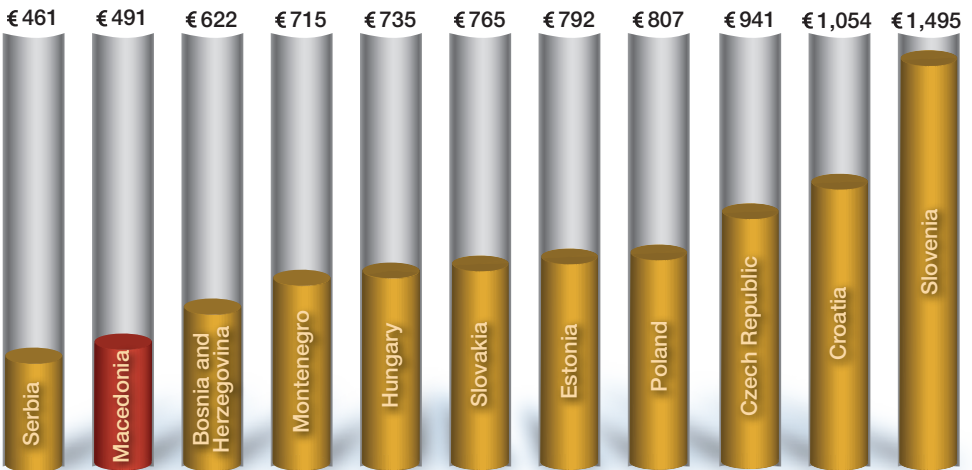
Macedonia offers a particularly cost competitive operating environment for automotive components manufacturing. The operating costs for the automotive components sector in Macedonia are among the lowest in Central and Eastern Europe.

Labour Costs

Macedonia has a sustainable supply of young, highly skilled labour at a competitive cost.

The average gross salary in 2010 was €491 per month across all sectors (see Graph 1), while in manufacturing the average gross salary was €352 per month (see Graph 2). Excess capacity and low average wages put Macedonia in an excellent position compared to other Central and Eastern European economies.

Graph 1: Average Gross Monthly Salary in Selected Countries in CEE in 2010



Source:

The Vienna Institute for International Economic Studies (wiiw)

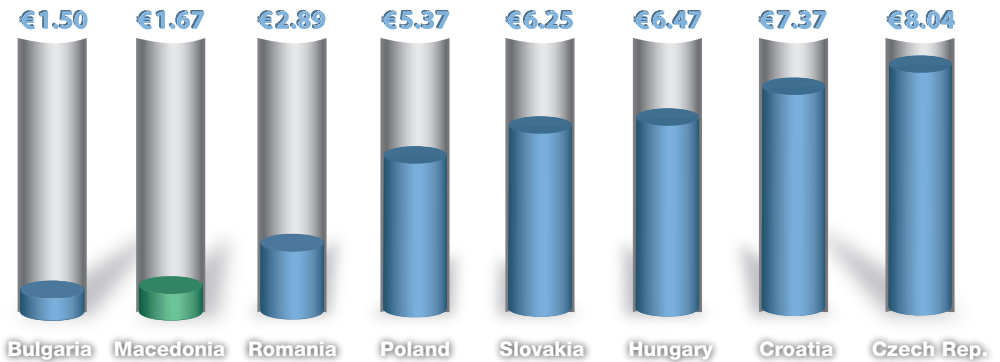
Graph 2: Gross Monthly Salary in Manufacturing in Macedonia

Source:

State Statistical Office of the Republic of Macedonia



Graph 3: Hourly labor costs in the automotive industries, 2006



Source: International Labor Organization Bureau of Statistics

Utility Costs

Utility prices for industry are among the lowest in Europe:

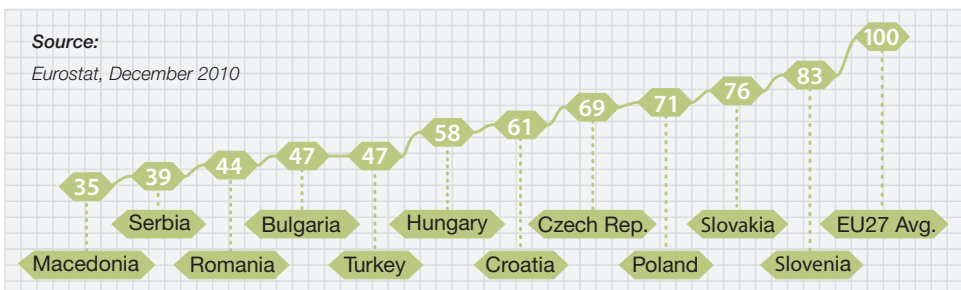


Source: Energy Regulatory Commission of the Republic of Macedonia; PE Vodovod Skopje

Construction Costs

Numerous Macedonian construction companies can build factories quickly to international standards and at the most competitive prices in Europe. The average cost of constructing a factory building shell is between €170/m² - €210/m². Chart below shows the Price Level Indices for construction in selected countries in Europe as well as EU27 average indexed at 100.

The sale price of state-owned construction land for industrial and production facilities varies depending on the location, from €5/m² to €40/m².



Transportation Costs and Delivery Times from Skopje

With Macedonia's world-class transportation infrastructure, it takes less than a day to deliver goods to Central and Eastern Europe and Turkey, and a maximum of two days to Western Europe.

Destination/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	950 €
Gebze, Turkey	850	12	2	1,100 €
Ljubljana/Novo Mesto, Slovenia	950	15	3	1000 €
Vienna, Austria	1,200	14	2	1,200 €
Ostrava, Czech Republic	1,300	16	2	1,500 €
Munich, Germany	1,370	17	2	1,300 €
Aksaray, Turkey	1,470	18	2	1,500 €
Milan, Italy	1,500	19	3	1,250 €
Stuttgart, Germany	1,600	19	2	1,450 €
Frankfurt, Germany	1,700	20	2	1,400 €
Cologne, Germany	1,900	24	2	1,500 €
Batilly, France	2,000	26	2	1,600 €

Source:

Kuehne-Nagel, ViaMichelin, September 2011

Proximity to Ports

Due to Macedonia's proximity to the ports of Thessaloniki, Durres, Igoumenitsa and Burgas, goods can easily reach even the furthest destinations.



Port of THESSALONIKA
(Greece)



233 km



3 hours



1 border



Port of DURRES
(Albania)



319 km



4 hours



1 border



Port of IGOUMENITSA
(Greece)



529 km



5 hours



1 border



Port of BURGAS
(Bulgaria)



619 km



8 hours



1 border



Name of port and location



Net Hours



Distance from Skopje

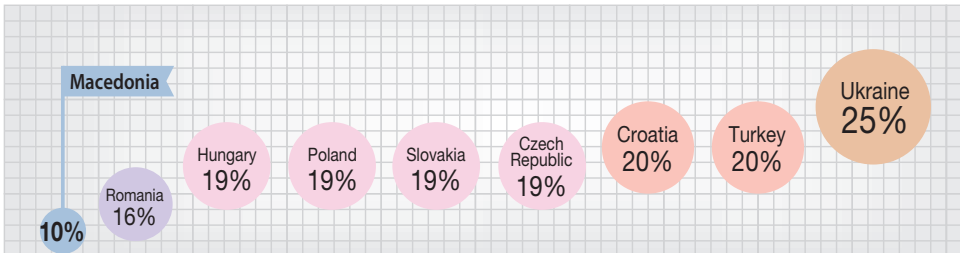


Borders Crossed

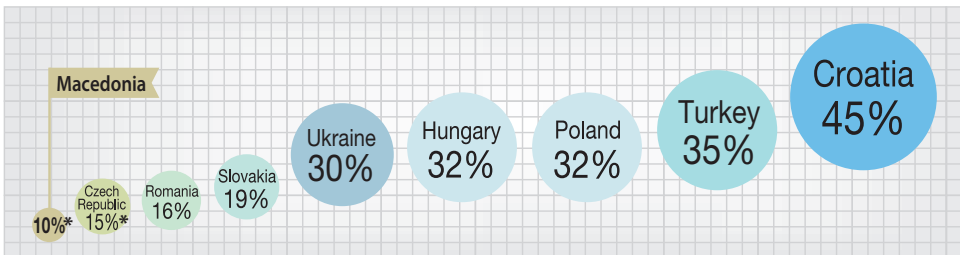
Taxes

- 0% tax on retained earnings
- 10% corporate & personal income tax
- Real estate taxes at 2% - 5%
- VAT at 18%, with 5% on specific items
- Double taxation and investment protection treaties with many European countries

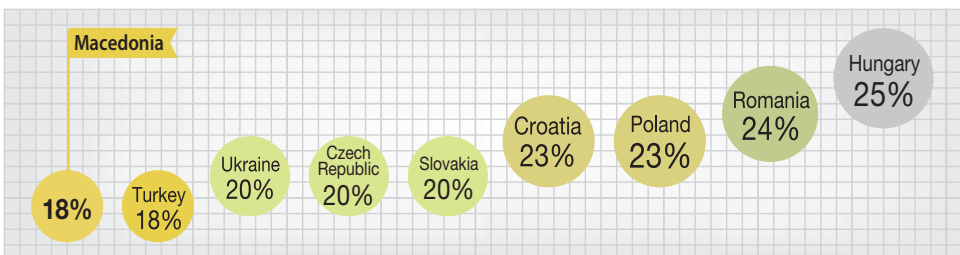
a. Corporate Income Tax



b. Personal Income Tax



c. General VAT Rates



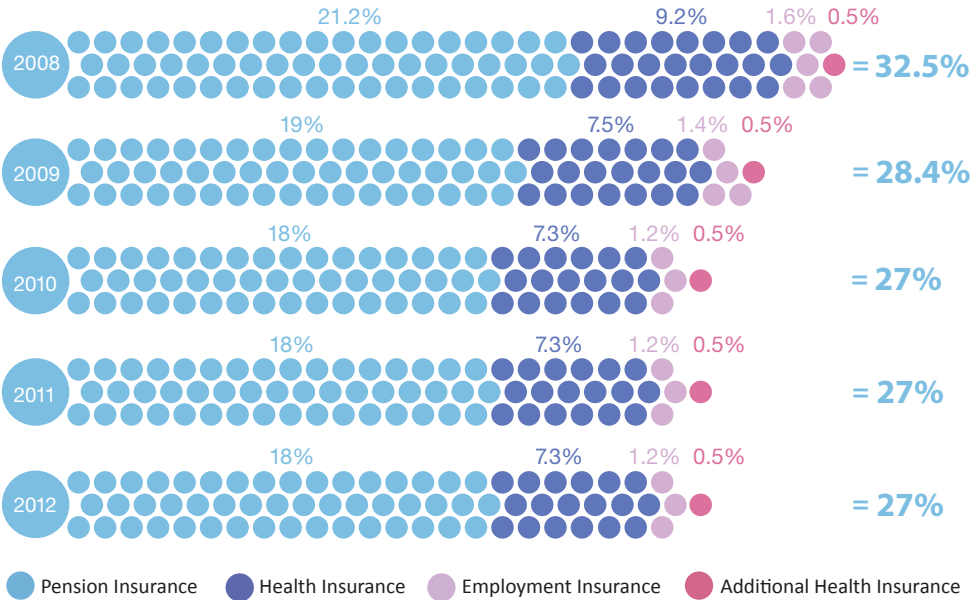
Source:

PricewaterhouseCoopers (Taxes at glance 2011), National IPAs

* Flat rate

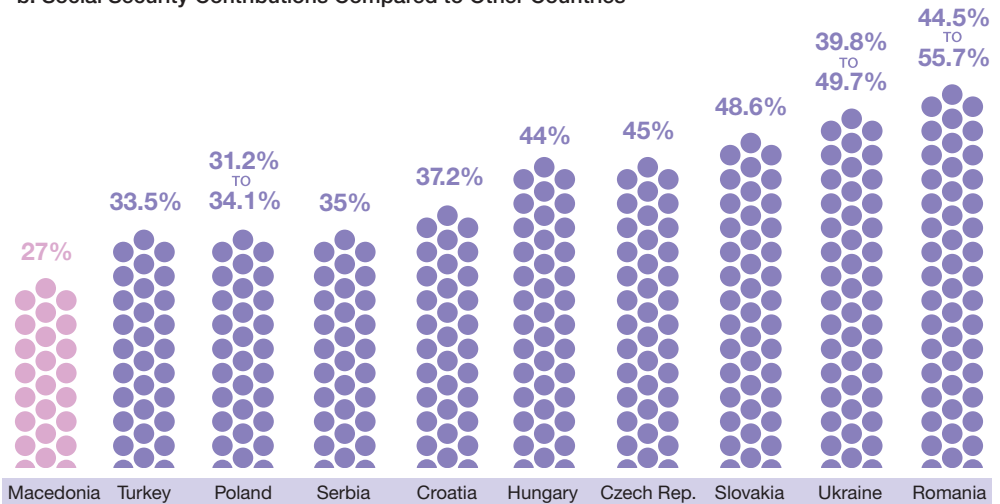
Social Security Contributions

a. Social Security Contributions in Macedonia



Source: PricewaterhouseCoopers (Taxes at glance 2011), National IPAs

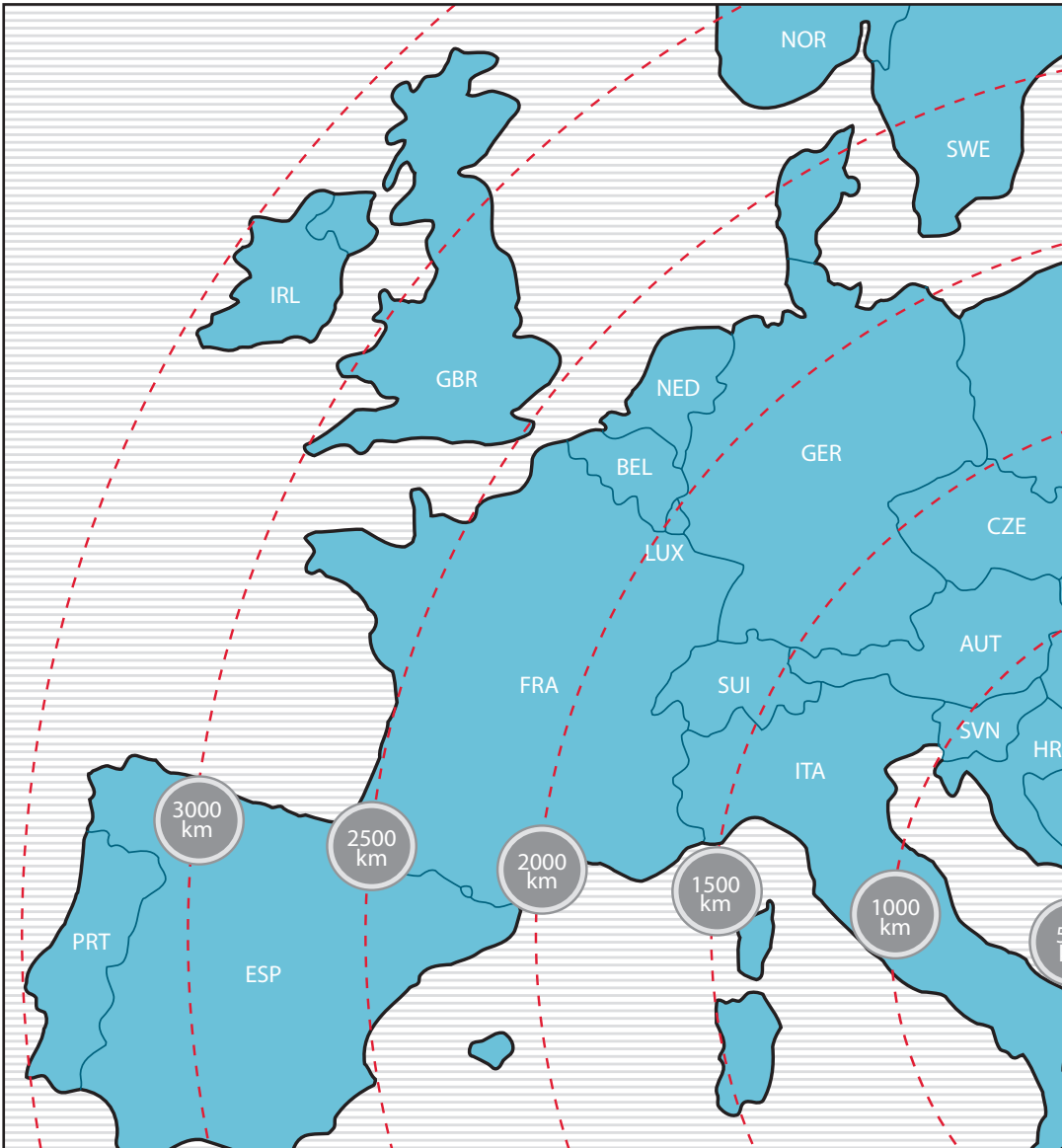
b. Social Security Contributions Compared to Other Countries



Source: PricewaterhouseCoopers (Taxes at glance 2011), National IPAs

Free Trade Agreements

Macedonia is a full member of WTO since April 2003, and our free trade agreements offer duty-free access to 650 million customers.



Macedonia is a signatory of three multilateral Free Trade Agreements:

- SAA (Stabilization and Association Agreement) with the EU member-states;
 - EFTA (Switzerland, Norway, Iceland and Liechtenstein), and
 - CEFTA (Macedonia, Albania, Moldova, Croatia, Serbia, Montenegro, Bosnia and Herzegovina and Kosovo).
- and two bilateral Free Trade Agreements with Turkey and Ukraine



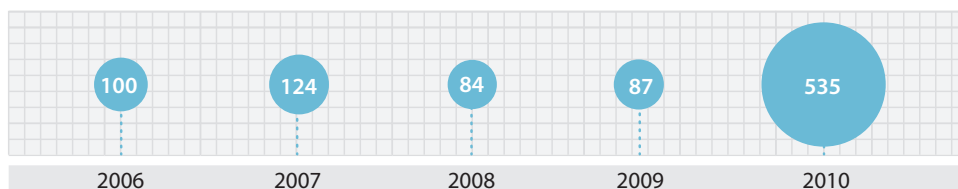
Good Track Record and Investment Opportunities

Macedonia has a history of automotive components manufacturing which started in the 1960s initially to supply the former Yugoslavian automotive producer Zastava.

Today, the automotive components sector is comprised of a number of companies. Quality products produced in compliance with automotive standards TS 16040 and ISO 9001 assures that factories in the Macedonian automotive components sector will be able to export their goods.

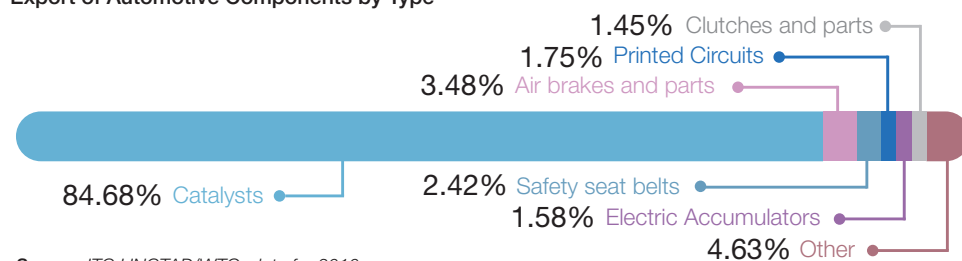
The country is particularly suitable as a location for the manufacture of high value to weight and labour-intensive products such as safety systems (seat belts, airbags), electronics (controllers, sensors), precision engineered and plastic products, aluminium and zinc die-casting, and grey iron casting components.

Growth Index of Automotive Components Export from Macedonia (2006=100)



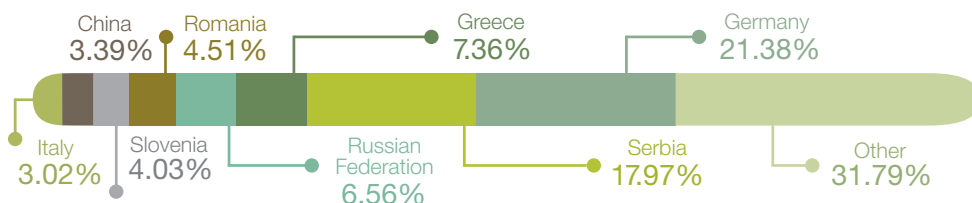
Source: ITC calculations based on UN COMTRADE statistics

Export of Automotive Components by Type



Source: ITC UNCTAD/WTO, data for 2010

Export of Automotive Components by Country



Source: ITC UNCTAD/WTO, data for 2009

Supplier Base

Macedonia has a strong engineering and manufacturing tradition. There is sub-contract capability in a range of processes such as machining, forging, aluminium die-casting and plastic injection moulding.

Foundaries

- BC** Brake Components
- DC** Die Casting Products

Seat Belts and Seat Belt Parts

- S** Seats and Interior Parts
- SB** Seat Belts
- SBP** Seat Belt Parts

Other Automotive Parts

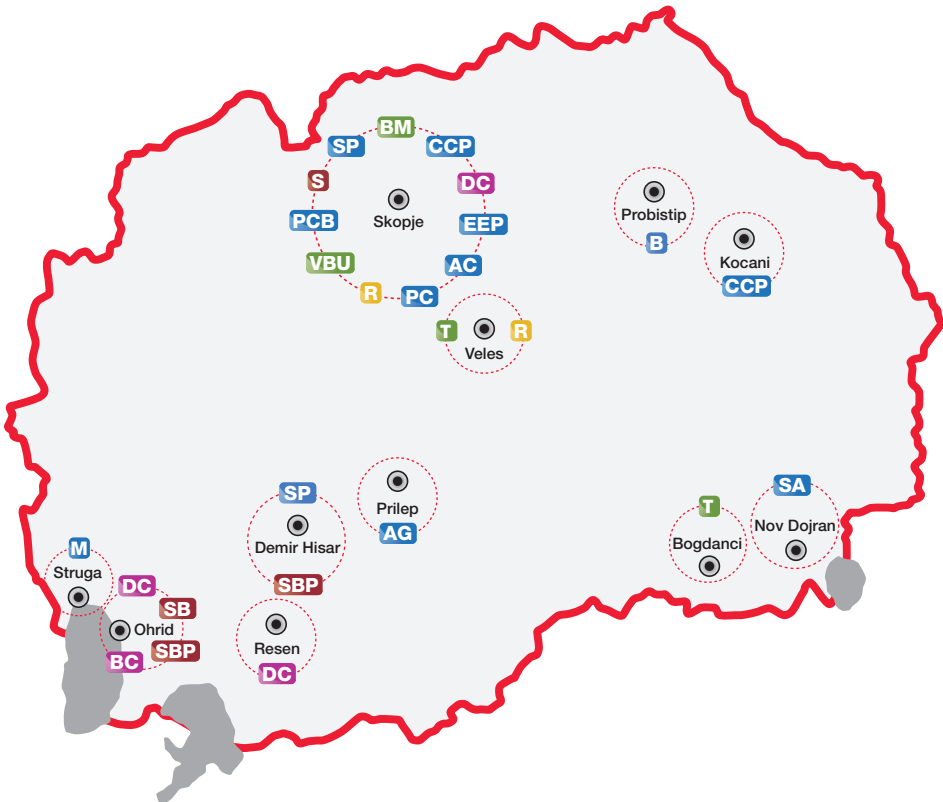
- B** Starter Batteries
- CCP** Clutches and Clutch Parts
- EEP** Electrical and Electronic Parts
- PC** Plastic Components
- PCB** Printed Circuit Boards
- SA** Shock Absorbers
- SP** Springs
- AC** Air Conditioning
- AG** Auto Glass
- M** Mirrors

Railway Vehicles

- R** Railway Vehicles and Components

Buses and Minibuses and Vehicle Bodies Upgrade

- BM** Buses and Minibuses
- T** Trailers
- VBU** Vehicle Bodies Upgrade



Companies operating in the automotive components sector

Currently there are around 50 companies operating in Macedonia, covering seat belts and seat belt parts production, busses and coaches, various automotive and machine parts, and railway vehicles and components.

Foundries

Company Name	City	Description
Aluminium and Zinc Foundry Resen	Resen	Aluminium pressure-die castings for the needs of automobile industry
MZT Learnica	Skopje	Clutch parts
LTH Learnica	Ohrid	Brake components and anti-vibration products for OEM
Urum	Skopje	Metal parts

Seat Belts and Seat Belt Parts

Company Name	City	Description
Sipo	Ohrid	Seat belts and seat belts parts
Velmaks	Ohrid	Seat belt parts
Eurotehnika	Ohrid	Seat belt parts

Buses and Minibuses and Vehicle Bodies Upgrade

Company Name	City	Description
Brako	Veles	Cargo trailers
KGL Systems	Skopje	Vehicle body upgrade
IEV	Skopje	Design and production of coaches
Marana Automotive	Skopje	Design and production of commercial vehicle bodies

Machine Parts

Company Name	City	Description
RDV Faber	Skopje	Different kinds of tools and rear lights
Alatnica SVEMEK	Skopje	Pneumatic and hydraulic parts by design: cylinders, valves, screws, implants, and other machine parts

Other Automotive Parts

Company Name	City	Description
Johnson Controls	Skopje	Printed circuit board components
HI-TECH Corpotarion	Skopje	Multi-layer printed circuit boards for automotive, communication and electronics
EIN-SOF	Skopje	Automotive diagnostic software
Elko Elektromehanika	Skopje	Auto electrics
STD	Nov Dojran	Shock absorbers for trucks and buses
MZT Oprema za vozila	Skopje	Springs
RUEN International Technologies	Kocani	Clutches (clutch cover, clutch disk and release bearing), gears and gear elements for three types of vehicles: passenger cars, heavy duty (trucks and buses) and tractors
Sigurnosno Staklo (Izostaklo)	Prilep	Bent tempered and laminated glass for the needs of the automotive industry (a variety of windscreens)
TE-TE Plast	Skopje	Moulds and plastic parts
Vesna SAP	Probistip	Starter batteries
Johnson Matthey	Skopje	Production of catalysts
Miriplast	Gostivar	Plastic parts and car accessories
Tehnoproduct	Gevgelija	Rubber parts, hoses, metal parts

Railway Vehicles and Components

Company Name	City	Description
Factory for railway vehicles Veles	Veles	Freight and passenger cars
MZT Hepos	Skopje	Pneumatic and brake systems for locomotives, freight and passenger cars
MZT Eka	Skopje	Rail vehicle brake digital testing equipment, pressure and speed sensors
Netcetera	Skopje	Software for railway traffic management

ALREADY HERE



Johnson Matthey



“Johnson Matthey chose Macedonia for its European mega-factory in competition with 13 other countries, including the Czech Republic, Hungary and Slovakia, because of the quality and cost competitive labor force, government’s incentives regarding the price of the land and taxes, but most of all because of the highly professional and effective approach of the Government.”

Colin Jaffray

Director, Strategic Planning

Johnson Matthey



“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



“The Macedonian government has been extremely committed and I would like to thank its officials for their work in supporting this effort. I have no doubt that our partnership will yield excellent results for both Johnson Controls and the Skopje community.”

John Barth

Chairman and CEO

Johnson Controls



“To be competitive on the clutch market requires highly qualified workers, technicians and engineers. We have found these skills here in Macedonia, in well trained, highly motivated and very responsible work force.”



Jacques Nassieu Maupas

CEO

Ruen Kocani



“

“We believe that this factory will make us more competent on the market, having into consideration the fact that we would expand on European markets. The location is excellent and since we are close to the airport we can bring the clients here so they can personally see and make sure of our production.”

Per-Olof Loof
CEO and Director
Kemet Corporation

“

“We picked Macedonia as an investment destination due to the benefits the Government offered to foreign investors, and the country’s strategic position and proximity to eastern markets and Russia, where we plan to export the entire range of products.”



Andrea Vitillo
Owner
Vitillo Group



“

“Macedonia works hard on encouraging foreign companies to review it as a possible investment option. Macedonia offers very simple construction procedures, many fiscal advantages, cooperative state institutions, and, what is most important for us, high quality workforce.”

Vivek Chaand Sehgal
Chairman
Samvardhana Motherson Group

“

“We are satisfied from the support provided by the Macedonian Government and its institutions. 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

INVEST IN THE TECHNOLOGICAL INDUSTRIAL DEVELOPMENT ZONES (TIDZs)

The Technological Industrial Development Zones (TIDZs – Free Economic Zones) are established by the Government of the Republic of Macedonia to provide favourable conditions for the development of business activities by offering prepared industrial sites, pre-built factories with completed physical infrastructure, support services and tax, customs and other incentives.

Investment Incentives in the FEZs and Technology Parks

0% VAT AND CUSTOMS DUTIES FOR EXPORT PRODUCTION

0% EXCISE AND PROPERTY TAX

0% PERSONAL INCOME TAX FOR THE FIRST 10 YEARS (10% THEREAFTER)

0% CORPORATE TAX FOR THE FIRST 10 YEARS (10% THEREAFTER)

FREE CONNECTION TO UTILITIES *
* (PIPED NATURAL GAS, WATER AND SEWAGE)

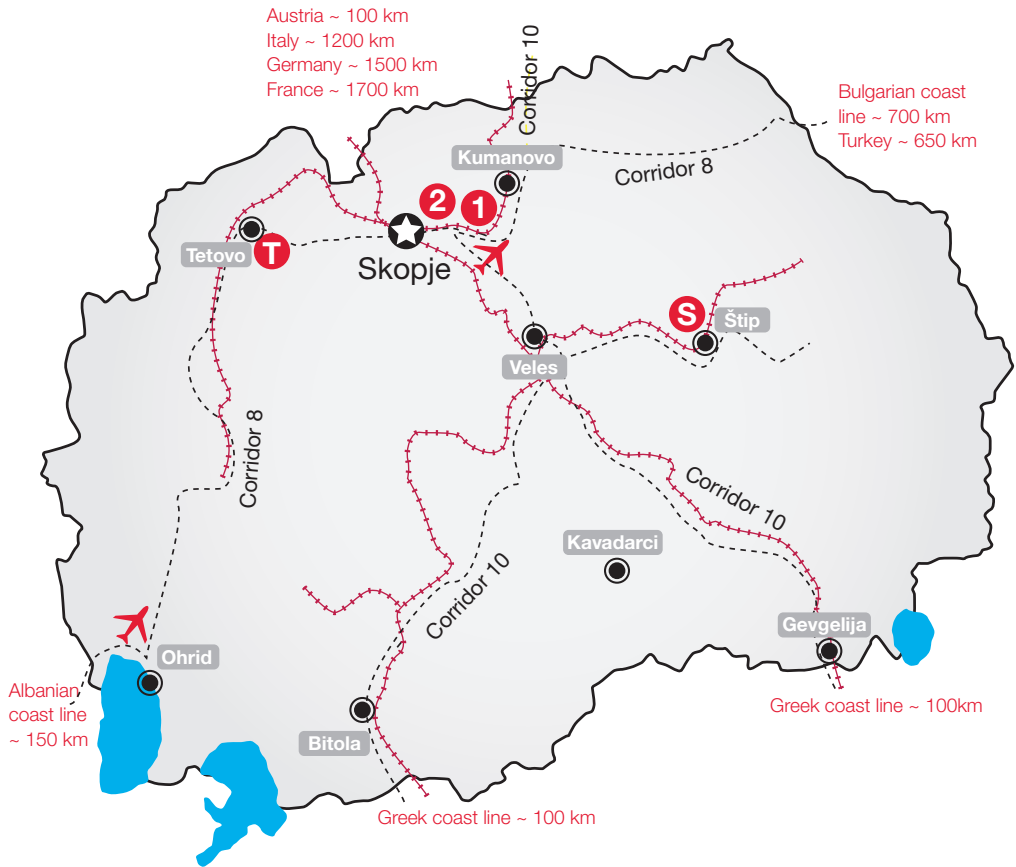
SUBSIDY OF UP TO **€500,000** TOWARDS BUILDING COSTS

BENEFIT PACKAGE FOR ELIGIBLE INVESTORS WITHIN **10 BUSINESS DAYS** APPROVAL



LAND LEASE FOR UP TO **99** YEARS AT ATTRACTIVE CONCESSIONARY RATES

GREEN CUSTOMS CHANNEL AVAILABLE AT BORDER FOR **RAPID EXPORT** FROM THE ZONES TO EU COUNTRIES




ADVANTAGEOUS LOCATION ACCESS TO PAN-EUROPEAN CORRIDORS 8 AND 10, RAILROAD AND INTERNATIONAL AIRPORT



1 TIDZ Skopje 1 (140 Ha)

-  Adjacent to Alexander the Great Airport, Skopje
-  Trans-European Network transport (Corridor 10)
-  Thessalonika, Greece (220km)

2 TIDZ Skopje 2 (95 Ha)

-  Adjacent to Alexander the Great Airport, Skopje
-  Trans-European Network transport (Corridor 10)
-  Thessalonika, Greece (220km)

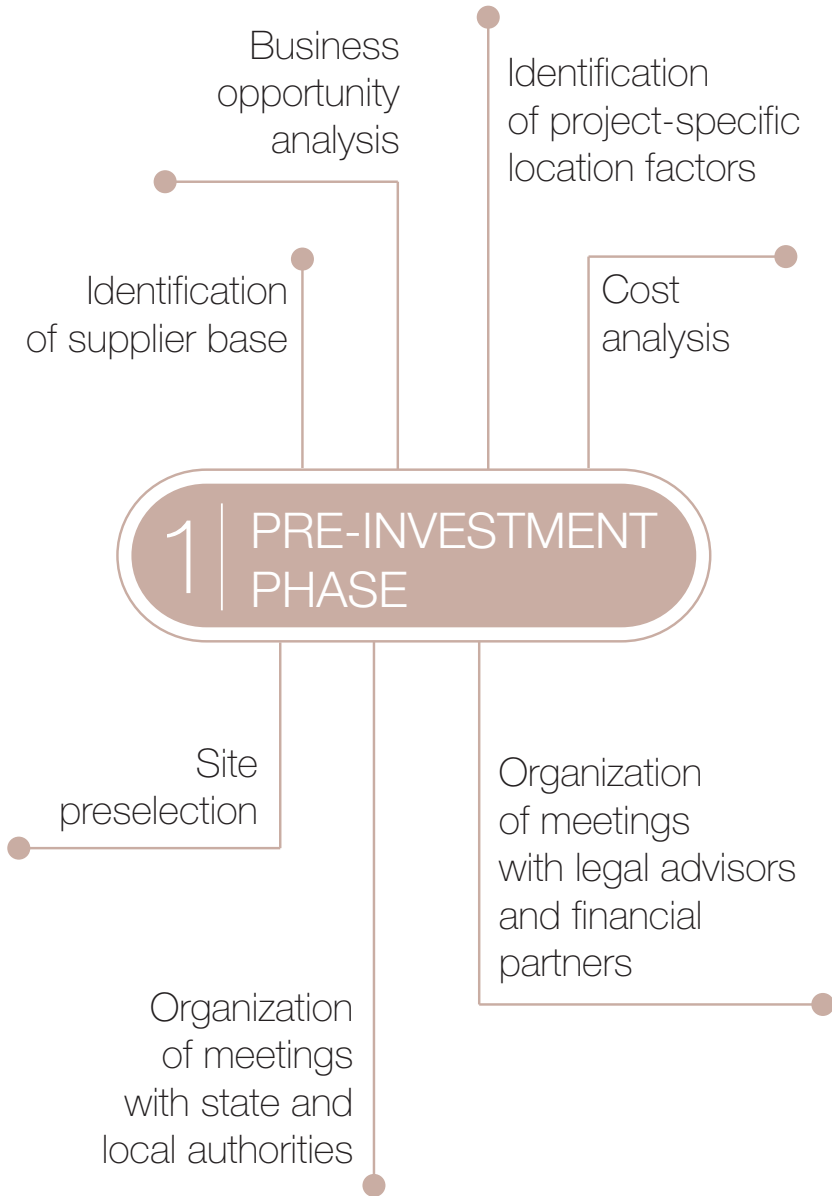
S TIDZ Štip (208 Ha)

-  Skopje (80km)
-  Trans-European Network transport (Corridor 10 - 40km, Local station - 1 km)
-  Thessalonika, Greece (220km)

T TIDZ Tetovo (97 Ha)

-  Skopje (50km)
-  Trans-European Network transport (Corridor 10 - 30km, Local station - 5 km)
-  Thessalonika, Greece (280km)

OUR SERVICES

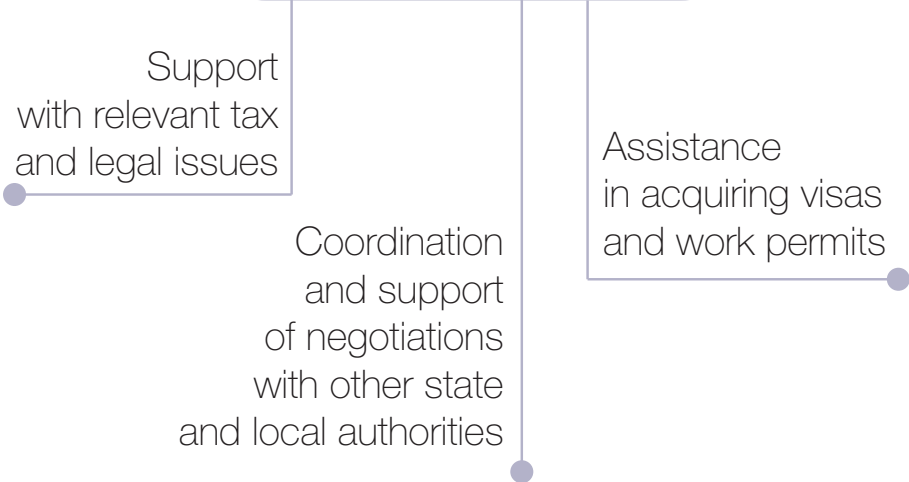




2 | DECISION AND INVESTMENT



3 | AFTERCARE





Invest Macedonia, the official Government agency responsible for attracting and developing foreign investments is a full service agency prepared to guide you throughout the decision-making process.

As an institution dedicated to making this process as beneficial and effortless as possible, we are eager to lead you through the initial inquiry phase, arrange a suitable itinerary to visit Macedonia, and culminate with an objective evaluation of the potential success of your project in Macedonia in comparison to neighboring countries, based on the current business climate. If your business requires finding suitable local partners, we will aid you through the process and ensure that an open exploratory dialogue can take place.

Meeting your business requirements is our primary goal. Our Aftercare program will provide assistance by mediating on your behalf with local authorities and the Government, supporting your expansion or reinvestment needs, aiding in obtaining required permits, and be at your disposal at all times to ensure the continued success of your business venture in Macedonia. Invest Macedonia understands the ever changing business needs as an operation grows, and to that effect, we pledge to collaborate closely with you to facilitate that growth in Macedonia.

INTERNATIONAL OFFICES:

Austria, Belgium, Croatia, France, Germany, Italy, Kosovo and Albania, The Netherlands, Poland, Russia, Serbia, Sweden, Turkey, United Kingdom, Canada, United States of America, South America, PR China, India, Japan, Qatar, Kazakhstan and Azerbaijan.

**Agency for Foreign Investments
and Export Promotion
of the Republic of Macedonia**

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