ABOUT CROATIA

FOREIGN DIRECT INVESTMENTS (FDI)

FDI – 27,1 BILLION € (1993 – IIIQ 2013)
WHY INVEST IN CROATIA?

TODAY IS EASIER TO INVEST THAN 1 YEAR AGO

✔ Strong Government Commitment in attracting new FDI investments to Croatia
✔ Agency for Investments and Competitiveness supporting investors
✔ New business-friendly regulatory environment
✔ Encouraging investment incentives
✔ Law on Strategic Investments of the Republic of Croatia
✔ Working group for business climate and private investments
✔ Legislation on construction and physical planning
✔ Fast-track reforms
  (181 adopted measures, 75 implemented measures 5 reforms adopted by Doing Business)
### Law on Investment Promotion

- €150,000 minimum investment
- 0% - 10% profit tax rate
- €3,000 – €18,000 cash grants per employee
- Up to €1.0 million for capital expenses
- Up to €0.5 million for R&D

### Law on Strategic Investment Projects

- Quicker investment implementation
- Less procedures and licenses needed
- Each step of the investment process listed
- Exact deadlines for each step of the investment process

### Legislation on construction and physical planning

- E-permits issued within 30 days
- Construction permit valid for 3 years – time to start construction
- 3% discrepancy between main design and actual building will be allowed
- Full on-line information on zoning, cadastre and ownership rights

Email: strateski.projekti@mingo.hr
| Sectors                          | • Manufacturing activities  
|                                | • Technology centers       
|                                | • Strategic business support services  
|                                | • Tourism (4 plus star hotels and resorts, sports and health centers, etc) |
| Incentives                      | • Tax incentives           
|                                | • Employment and education grants  
|                                | • Incentives for modernization of technology and R&D activities  
|                                | • Incentives for initial and capital expenses of the investment project  
|                                | • Incentives for labor intensive investment projects |
| Eligible investment costs       | • Equipment and machinery and intangible assets: patent rights, licenses, know-how, or  
|                                | • 2 year-gross salaries    |
Minimum investment: 150,000 € - SME’s and large size companies

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax incentives</td>
<td>0% - 10% profit tax rate</td>
</tr>
<tr>
<td>Employment incentives</td>
<td>€3,000 – €18,000 per employee</td>
</tr>
<tr>
<td>Incentives for Innovation and Development</td>
<td>20% of the eligible cost of buying the equipment/machinery (up to €0.5 million)</td>
</tr>
<tr>
<td>Incentives for Initial and Capital Expenses</td>
<td>Cash grant in amount of 20% of the eligible costs (up to €1.0 million)</td>
</tr>
</tbody>
</table>

Respective investment incentives are calculated on an individual basis.
You can calculate your investment incentives in Croatia by Investment Incentives Calculator available at AIK web pages www.aik-invest.hr
LA W ON STRATEGIC INVESTMENT PROJECTS OF THE REPUBLIC OF CROATIA

PROJECT APPLICATION
MINISTRY OF ECONOMY

COMMISSION FOR ASSESSMENT AND DETERMINING PROPOSALS

COMMISSION PROPOSES TO THE GOVERNMENT THE ADOPTION OF THE DECISION ON DESIGNATION OF STRATEGIC INVESTMENT PROJECTS

AGREEMENT BETWEEN GOVERNMENT AND THE INVESTOR

INCLUSION OF THE PROJECT ON THE LIST OF STRATEGIC PROJECTS

ESTABLISHMENT OF THE OPERATIONAL GROUP FOR THE PREPARATION AND IMPLEMENTATION OF EACH INDIVIDUAL PROJECT
LEGISLATION ON CONSTRUCTION AND PHYSICAL PLANNING

LEGISLATIVE FRAMEWORK ON CONSTRUCTION BEFORE JANUARY 1, 2014

Location Permit

- LP Application
- PPD Compliance
- Parcel Arrangement
- Parties Insight

SC Obtain

LP Decision

Main Design Certificate

- MDC Application
- LP Compliance
- Parcel Arrangement
- Communal grid and Water Contribution

SC Approval

MDC Decision

Use Permit

- UP Application
- Final Report
- Inspection Observations

UP Technical Review

LEGISLATIVE FRAMEWORK ON CONSTRUCTION AFTER JANUARY 1, 2014

Location Information

Building Permit

- SC Approval
- Parcel Arrangement
- Communal grid and Water Contribution

Location Information

Use Permit

- UP Application
- Final Report
- UP Decision

UP Technical Review
Agency for Investments and Competitiveness - main operational body

**BUSINESS CLIMATE**

- 181 adopted activities
- from which
- **75 implemented** for improvement of business and investment climate

**INVESTMENTS**

- 23 private projects
- ≈ € 1,2 billion
- ≈ 3,064 new work places
- **barriers removed** for **11 projects**
- ≈ € 500 million
- ≈ 1,800 new workplaces

**Croatia - the most successful country in the region**

- $ 1.25 billion of FDI
- $ 633 million of FDI
- $ 352 million of FDI
- $ 135 million of FDI
Active approach to attracting new investments to the Republic of Croatia

Assistance to all foreign investors entering the Croatian market

Support prior, during and after realization of investment projects

Emphasis on current investment projects – reducing barriers in cooperation with other Government Institutions

Enabling all investors to develop successful business in Croatia
** STRATEGY **

** WE PROVIDE YOU **
- Business intelligence
- Site selection
- Operation costs analysis
- After care service

** WE CONNECT WITH **
- Government bodies
- RDA
- Local institutions
- Utility companies

** WE ASSIST WITH **
- Investment opportunities identification
- Organizing site visits
- Gaining all necessary permits
- Gaining state incentives

** EVALUATION **

** REALIZATION OF INVESTMENTS **
In 2013, Agency removed barriers for 23 investment projects, with total amount of 3.1 billion €, which will create 4.311 new work places
WHY INVEST IN MANUFACTURING INDUSTRY

Access to EU market of 500 million people

Excellent geostrategic location

Cost competitive labor force

Modern infrastructure
COMPETITIVE COSTS

INVESTMENTS AND UTILITIES

Favorable initial investment costs

Electricity prices for industrial users the lowest among competitors

Source: Eurostat, 2011 S2
LABOR COSTS

LABOR COSTS PER HOUR

<table>
<thead>
<tr>
<th>Industry</th>
<th>Average labor cost per hour, €</th>
<th>Average monthly gross wage, €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing industry</td>
<td>5.9</td>
<td>905</td>
</tr>
<tr>
<td>Pharmaceutical industry</td>
<td>9.2</td>
<td>1,800</td>
</tr>
<tr>
<td>ICT</td>
<td>6.4/8.5</td>
<td>1,425</td>
</tr>
<tr>
<td>Tourism</td>
<td>5.1</td>
<td>866</td>
</tr>
</tbody>
</table>

Source: Eurostat, 2011

Cost competitive workforce

Source: CBS, 2011
INVESTMENT LOCATIONS

THREE POTENTIAL INVESTMENT LOCATIONS FOR IRISH COMPANIES

Pharmaceuticals and other Manufacturing Industry

IT Sector and Business Services

Other Investment Projects

Potential Investment Locations

Industrial Park Nova Gradiška

Business Zone Prelog North

Business Zone Podi
WHY INVEST IN ICT SECTOR

**KEY FIGURES**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICT market value (2012)</td>
<td>€ 820 million</td>
</tr>
<tr>
<td>Number of employees</td>
<td>29,648</td>
</tr>
<tr>
<td>Average gross salary (2011)</td>
<td>€ 1,425</td>
</tr>
<tr>
<td>Share of ICT in GDP</td>
<td>4.2%</td>
</tr>
<tr>
<td>Operating gross profit rate</td>
<td>24.6% / 20.9%</td>
</tr>
</tbody>
</table>

**HIGH PRODUCTIVITY**

Croatia is known for its high labor productivity in the ICT sector which is above the EU27 average.

- **Average personnel costs (€ 1000/person)**
  - Croatia: € 21,000
  - EU27 average: € 48,600

- **Total ICT sector**
  - Croatia: 21,123 €
  - EU27 average: 10,500 €
WHY INVEST IN TOURISM

KEY FIGURES

- Tourism annual turnover (2012) €6.8 billion
- Registered companies 18,324
- Number of employees 91,452
- Average gross salary (2011) 866 €
- Percentage of GDP 14.4%

Greenfield Projects

- Project Pineta
- Project Kupari

State Owned Companies

- Imperial Plc.
- Hoteli Makarska Plc.
- Hoteli Maestral Plc.
THANK YOU!

We are standing at your disposal for any additional questions:

DAMIR NOVINIĆ
Managing Director

Republic of Croatia

T +385 1 62 86 800
M +385 99 267 86 28
E damir.novinic@aik-invest.hr
Ulica grada Vukovara 78
10 000 Zagreb, Croatia
www.aik-invest.hr

www.aik-invest.hr