Investment Opportunities in Montenegro

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Macro-economic Stability
Macroeconomic Overview

- Relatively high level of macroeconomic stability is reached over last 2 years:
  - **Budget deficit** – is below 3% of the GDP for the last 5 years;
  - **Inflation** in 2005 was 1.8%;
  - **New institutional framework** is being developed;
  - **Euro** stabilized financial flows;
- Reform of the state administration is under the way with focus on PPP;
- Reform of the courts and legal system with the focus on the protection of the property rights and settlements is initiated;
Important Figures & Rates

- Currency – **Euro** since 2002 (before DEM since 1999);
- Corporate Tax Rate – 9%;
- VAT – 17% except in tourism (7%);
- Personal Income Tax – Flat rate from 01.01.2007 15%
- Average tariff rate 6% (before harmonization was 2.8%)
- Starting Capital for LLC – 1 €;
- Period for Registration of Your Business – 4 days;
- NationalTreatment of Foreigners;
- International Accounting Standards (IAS)
<table>
<thead>
<tr>
<th>Country</th>
<th>Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montenegro</td>
<td>9%</td>
</tr>
<tr>
<td>Serbia</td>
<td>10%</td>
</tr>
<tr>
<td>Hungary</td>
<td>16%</td>
</tr>
<tr>
<td>Poland</td>
<td>19%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>19.5%</td>
</tr>
<tr>
<td>Croatia</td>
<td>20%</td>
</tr>
</tbody>
</table>

**Lowest Corporate Profit Tax Rate in Europe**
<table>
<thead>
<tr>
<th>Country</th>
<th>Income Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montenegro</td>
<td>15%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>5-30%</td>
</tr>
<tr>
<td>Romania</td>
<td>18-40%</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>17-50%</td>
</tr>
<tr>
<td>Croatia</td>
<td>32-56%</td>
</tr>
</tbody>
</table>

**Lowest Income Tax Rate**
FAVORABLE TAX REGIME

Montenegro 17%
Slovenia 19%
Albania 20%
Croatia 22%
Poland 22%
Hungary 25%

Lowest Value Added Tax Rate
Also Important to Know

- Free repatriation of the capital, profit or dividends;

- Free Trade Agreement with Russia;

- Preferential trade Agreement with the European Union;

- Negotiation with WTO under the way;
<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (mil €)</td>
<td>1,022.20</td>
<td>1,244.80</td>
<td>1,301.50</td>
<td>1,433.00</td>
<td>1,535.00</td>
<td>1,644.00</td>
</tr>
<tr>
<td>GDP per capita €</td>
<td>1,688.51</td>
<td>2,024.75</td>
<td>2,109.11</td>
<td>2,317.90</td>
<td>2,472.99</td>
<td>2,638</td>
</tr>
<tr>
<td>GDP growth (%)</td>
<td>3.10</td>
<td>-0.20</td>
<td>1.70</td>
<td>2.30</td>
<td>3.70</td>
<td>4.1</td>
</tr>
<tr>
<td>Inflation</td>
<td>28.0</td>
<td>9.40</td>
<td>6.70</td>
<td>4.30</td>
<td>1.80</td>
<td></td>
</tr>
<tr>
<td>Unemployment rt.</td>
<td>32.7</td>
<td>31.5</td>
<td>30.45</td>
<td>25.82</td>
<td>22.6</td>
<td>20.2</td>
</tr>
<tr>
<td>Average wage</td>
<td>150</td>
<td>176</td>
<td>193</td>
<td>271</td>
<td>302</td>
<td>319</td>
</tr>
<tr>
<td>Revenues from tourism (mil €)</td>
<td></td>
<td></td>
<td>144</td>
<td>151.20</td>
<td>179.70</td>
<td></td>
</tr>
<tr>
<td>Budget deficit as % of GDP</td>
<td></td>
<td></td>
<td>1.93</td>
<td>3.16</td>
<td>2.10</td>
<td>2.10</td>
</tr>
<tr>
<td>Savings deposits</td>
<td>2.47</td>
<td>5.62</td>
<td>22.21</td>
<td>45.07</td>
<td>80.68</td>
<td>121.0</td>
</tr>
<tr>
<td>FDI</td>
<td>175.51</td>
<td>225.62</td>
<td>182.90</td>
<td>213.62</td>
<td>111.08</td>
<td>365.40</td>
</tr>
</tbody>
</table>
Budget deficit

Deficit/surplus 2002-2005

-3.29

-2.10

-2.10

-3.00

-2.50

-2.00

-1.50

-1.00

-0.50

0.00

2003

2004

2005p
Gross Domestic Product (GDP)
Private vs. State Ownership

- **Telecommunication** – 100% private ownership;
- **Banking** – 96% private ownership;
- **Capital market** – 100% private ownership;
- **Agriculture** – 100% private ownership;
- **Services** – 100% private ownership;
- **Oil import and distribution** – 100% private ownership;
- **Tourism** – mostly private ownership (just a few hotels remain in majority ownership of the state and will be tendered this year);
- **Industry** – mostly private ownership;
On capital market:
Capitalization has increased from 37 million € in 2002, to over 1,150 million € in 2005.

On banking market:
Free access of foreign banks on domestic market and high freedom of capital flow over the border;

Deposits held in private banks- over 80%;

Credit extended to private sector- over 83%;
Investments in Montenegro
Investment Opportunities
Overview

Investment Opportunities

Services Including banking

Infrastructure

Energy

Tourism

High Tech
Important Business Projects

- **Infrastructure**
  - Highways;
  - Port of Bar and Marinas;

- **Tourism**
  - Privatization of remaining hotels
  - Construction of new hotels and resorts

- **Banking**
  - 23% of one bank left for privatization;
  - Two new banks are in process of registration;
Important Business Projects

- **Capital Market**
  - Investments funds;
  - Private pension funds;

- **Energy Sector**
  - Privatization of Electric Company of Montenegro;
  - New hydro and termo power plants;

- **Education**
  - Private schools and collages;
Important Business Projects

- **Industry**
  - Wood processing;
  - Spare part production;
  - Privatization of Tobacco company;
  - Software development;

- **Services**
  - Different area of services (import/export, transportation, services in banking, tourism, ...
Free Trade Zone Port of Bar

- Favorable geographical positions;
- No customs and tax duties;
- Flexible, efficient and profitable conditions for doing business;
- 95% of total passenger and freight transport in Serbia and Montenegro;
Strong Impact of the FDI’s on:

1. the way of thinking;

2. speed of the reform;

3. the structure of the economy;

4. GDP, GDP growth, employment, budget revenues, export/import…

5. regional cooperation;
Q - Why You Should Invest in Montenegro?

A - Because you can make profit!

Q – What you should do?

A – Do it now. Waiting will only decrease your future profit!
The Most Important Business Project

- The most important business project in Montenegro is **further improvement of the economic system**;
  - Business oriented;
  - With Stable, Predictable Macroeconomic Policy;
  - Effective and Small Government;
  - High Level of Economic Freedom;
  - Property Rights and Protection;
  - Strong Currency;
  - Ability to Remit Profits, Dividends and Interest; and
  - Favourable Tax Climate;
www.vlada.cg.yu
Thank you!