INVEST IN KARLOVAC COUNTY, CROATIA
INVESTMENT PROFILE
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BASIC INDICATORS

Karlovac County covers 5.9% of the total Croatian territory and has its county seat in Karlovac.

The important transit, traffic and geopolitical position of Karlovac County with extraordinary nature resources defined and determined its economic development, giving the County a unique and great geostrategic importance.

LOCATION

Karlovac County is positioned in the middle of Croatia, at the intersection of the most important roads connecting Europe with the Adriatic coast and is bordered by the Republic of Slovenia in the North-West and by Bosnia and Herzegovina in the South-East.

The County is continental and has one of the most valuable hydrogeological systems in Croatia, with rivers Kupa, Dobra, Mrežnica and Korana. A part of Plitvice Lakes National Park adds to this extraordinary biodiversity.

The vicinity of Zagreb (54 km), the capital of Croatia and the strongest economic centre, as well as Rijeka (110 km), the largest Croatian seaport, marked the development of the County as a large manufacturing area.

REGIONAL HIGHLIGHTS

GOOD GEOSTRATEGIC POSITION
GREAT ACCESSIBILITY AND EXCELLENT TRANSPORT INFRASTRUCTURE
COST COMPETITIVE
THE MOST VALUABLE HYDROGEOGICAL SYSTEM IN THE REGION

EUROPEAN CORRIDOR Vh (BUDAPEST – RIJEKA)
(E65 Budapest – Zagreb – Karlovac – Rijeka)
E71 Budapest – Zagreb – Karlovac – Split – Dubrovnik

TEN-T MEDITERRANEAN ROUTE
Zagreb – Karlovac – Rijeka
Zagreb – Karlovac – Split

VICINITY OF THE BIGGEST SEA PORT IN CROATIA, PORT OF RijEKA (117 KM)

VICINITY OF ZAGREB INTERNATIONAL AIRPORT (63 KM), RijEKA INTERNATIONAL AIRPORT (111 KM)

LAND AREA
3,626 km²

COUNTY SEAT
Karlovac

ADMINISTRATION
5 towns [Karlovac, Duga Resa, Ogulin, Ozalj, Slunj] and 17 municipalities

POPULATION (EST. 2016)
120,321

CLIMATE
Continental

GDP PER CAPITA (2015)
€ 8,007

UNEMPLOYMENT RATE (2016)
21.2 %

AVERAGE MONTHLY GROSS SALARY (2015)
€ 946
**HUMAN CAPITAL**

Majority of active working population.

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**AGE STRUCTURE IN KARLOVAC COUNTY**

- 0-14: 13%
- 15-64: 22%
- 65 and more: 65%


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**COST COMPETITIVENESS**

Cost competitiveness, in terms of initial investment costs, utility prices and salaries is significant advantage that qualify Croatia and Karlovac county as an excellent destination for expanding business activities, growing the market share and improving profitability.

- Investment costs **33% lower** than EU28 average

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**ELECTRICITY PRICES FOR INDUSTRIAL CONSUMERS (€ PER KHW), 2017 S1**

- CROATIA: 0.04
- SLOVENIA: 0.05
- SLOVAKIA: 0.05
- BULGARIA: 0.05
- POLAND: 0.05
- EU 28: 0.06
- CZECH REPUBLIC: 0.06
- HUNGARY: 0.06

Source: Eurostat 2018; 70 000 < Consumption < 150 000 Mwh

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**AVERAGE GROSS EARNINGS PER HOUR (2015)**

- KARLOVAC COUNTY: 20
- CROATIA: 22
- EU 28: 25

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**PRICE LEVEL INDICES FOR INVESTMENT 2016**

- CROATIA: 67%
- EUROPEAN UNION (28 COUNTRIES): 100%

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**EDUCATION POSSIBILITIES IN THE COUNTY**

There are 15 secondary schools in the County. In addition to a science school and three grammar schools, majority of others have curriculums in nursing, economy, tourism, trade, forestry and carpentry, as well as industry and crafts.


Since 2008, the Rijeka University Economic Faculty has offered the Business Economics Studies in Karlovac.
ECONOMY AND BUSINESS CHARACTERISTICS

The most important economic sectors of the County are processing industries, trade, construction, transportation and storage. The key branches of the processing industry, well known in the County for its long tradition and skilled workforce, includes food processing and beverage industry, metal processing, the machinery & equipment industry and the wood industry.

The biodiversity of the ecosystem and the preserved natural and cultural-historical heritage represent significant potential for investment in sustainable development of agriculture (eco-production) and continental tourism, which has recorded a steady increase in the number of arrivals and overnight stays in recent years.

INTERNATIONAL BUSINESS ENVIRONMENT

SEMMELROCK

As a leading supplier of high value concrete pavers in the Central and Eastern Europe, Semmelrock offers stunning landscaping solutions for private and public spaces. Its production and distribution network comprises 17 plants and 11 countries in CEE. One of Semmelrock plants is located in Ogulin. The Company chose Ogulin because it is very well located at the intersection of the highways that connect the region with all other parts of Croatia.

DS SMITH

The Company injects moulding experts with 50 plus years’ experience developing reusable packaging and translates customer needs into optimised packaging design utilising the latest injection moulding techniques and state-of-the-art design software.

It supplies returnable beverage crates to numerous beer and water companies such as: Heineken, Molson Coors, AB InBev, Carlsberg, Coca Cola, Jamnica and many others.

TURBINE WORKS Ltd.

Industrial and marine production program

• Steam turbines and auxiliary equipment in power plants
• Marine and industrial centrifugal pumps
• Marine and industrial tube and shell heat exchangers
• Water ejectors
• Services (erection, maintenance and overhauls of steam turbines, compressors, gearboxes and pump; reversible engineering for steam turbines and pumps; vibrodiagnostic power machines; dynamic balancing; noise measurement and analysis)

HS PRODUKT

HS Produkt is one of the world’s leading manufacturers of small arms which, with its continual innovations in technology and production as well as with top-quality new products, has a prominent position in the world market. The company employs 1,700 in its modern factory in Karlovac.

Key economy sectors in the county

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing industry</td>
<td>25.7</td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td>13.8</td>
</tr>
<tr>
<td>Construction</td>
<td>12.9</td>
</tr>
<tr>
<td>Transport and storage</td>
<td>6.4</td>
</tr>
<tr>
<td>Waste and water management, remediation activities</td>
<td>3.4</td>
</tr>
<tr>
<td>Food manufacturing industry</td>
<td>9.7</td>
</tr>
<tr>
<td>Manufacture of fabricated metal products</td>
<td>3%</td>
</tr>
<tr>
<td>Beverage manufacturing industry</td>
<td>16.6</td>
</tr>
<tr>
<td>Machinery manufacturing industry</td>
<td>10.8</td>
</tr>
<tr>
<td>Wood processing industry</td>
<td>59.4</td>
</tr>
</tbody>
</table>

Manufacturing industries

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food manufacturing industry</td>
<td>23.3</td>
</tr>
<tr>
<td>Manufacture of fabricated metal products</td>
<td>6.4</td>
</tr>
<tr>
<td>Beverage manufacturing industry</td>
<td>13.8</td>
</tr>
<tr>
<td>Machinery manufacturing industry</td>
<td>12.9</td>
</tr>
<tr>
<td>Wood processing industry</td>
<td>25.7</td>
</tr>
</tbody>
</table>

HEINEKEN

HEINEKEN Hrvatska is among the most important companies in Karlovac and Karlovac county. The brewery in Karlovac has a long brewing tradition since 1854 while today it is a modern production facility and the company holds a strong number two position on the Croatian beer market. Sustainability is one of the company's strategic pillars. A new green, energy-efficient warehouse was recently opened in Karlovac. Furthermore, the brewery uses ZelEN - green electric energy obtained from renewable sources. HEINEKEN Hrvatska is very proud of its local sourcing initiative which directly contributes to Croatian agriculture: only barley from Croatian fields is being used for Karlovačko beer, while Karlovačko Natur Radler mandarina is made out of Croatian mandarins, from Neretva valley.

KIM MLJEKARA KARLOVAC Ltd.

KIM Mljekara Karlovac Ltd, a part of the Lactalis Group, produces UHT milk and cream in HDPE bottles, as well as UHT milk in Tetra Pak package, with 80 million kilograms produced annually. After a significant (20 million EUR) investment in 2010, KIM Dairy Karlovac has become the most modern production plant of the Croatian and regional dairy industry. The plant uses a state of the art line to produce HDPE bottles for UHT milk, and a line for processing and filling UHT milk into bottles, unique to Croatia and this part of Europe.

ŽITOPROIZVOD Plc.

ŽITOPROIZVOD Plc. is the biggest company for wheat processing, production of fresh pasta, bakery products and flour in Karlovac region of Croatia. With its national distribution network, the Company covers all the largest retail chains in Croatia such as Konzum, Kaufland, Plodine, Interspar, Tommy, Studenac, as well as Horeca segment throughout Croatia.

PPK KARLOVAC MEAT INDUSTRY Plc.

PPK Karlovac meat industry Plc is one of the leading meat processing companies in Croatia and the region, dealing with production, sales and distribution of fresh meat and meat products. Its production facility covers more than 20,000 m². The Company continuously follows new trends in technology and implements them into its manufacturing process in order to deliver high quality products to the consumers. It holds certificates EN ISO 9001: 2008 and has implemented HACCP system. Its production is based on a combination of traditional recipes and old-fashioned manufacturing with the support of modern technologies.

ATTRACTION INVESTMENT INCENTIVES

Up to 45% of the investment cost return through various incentives

ADDITIONAL INCENTIVES IN KARLOVAC COUNTY

Relief in the form of reduction/exemption of payment of municipal contributions in most business zones in the County.

Subsidized business loans programs by Ministry of Economy, Entrepreneurship and Crafts and Karlovac County with reduced interest rates (reduced 2% for production activities and 1% for services).

The County also annually awards grants for projects in tourism and agriculture.

EU funds available

 Guarantee scheme, up to 80% of investments, provided by Croatian Agency for SMEs, Innovations and Investments (HAMAG – BICRO)

Business loans programs, provided by Croatian Agency for SMEs, Innovations and Investments (HAMAG – BICRO), with interest rates starting from 0.5%

Subsidized business loans programs; loan repayment up to 17 years, provided by Croatian Bank for Reconstruction and Development (HBOR)

ADDITIONAL INCENTIVES

Up to 1 million EUR cash grant for capital costs of the investment project

Up to 0% corporate profit tax for 10 years

Up to 18,000 EUR for each new employee

Up to 0.5 million EUR cash grant for investment in development and innovation activities

For R&D

0% profit tax rate

18,000 EUR for employment grants

1M EUR for grants for capital costs

0.5M EUR for R&D
BUSINESS ZONE GORNJE MEKUŠJE, Town of Karlovac

Gornje Mekušje Business Zone is located in Karlovac, close to main state highways and railway routes. A modern highway connects Karlovac to Zagreb (international airport) and Rijeka (seaport). The total area of the business zone is 10.4 ha.

**Benefits for the investors**
- Area of Special State Concern – Group 2
- Deducted public utility fees (75% lower fees for the first business year, 50% for the second and 25% lower fees for the third business year)
- Water fees (deducted fees – area of special state concern)
- Sale of land under the privileged conditions with the fulfillment of certain criteria (e.g. putting the premise into service, employment, etc.) - the investors may be entitled to get the price for purchasing of land reduced by 30%, 50% or 70%
- Use of the City of Karlovac grant from the Small and Medium sized Enterprise Program

<table>
<thead>
<tr>
<th>Location</th>
<th>Gornje Mekušje Business Zone, City of Karlovac</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>City of Karlovac</td>
</tr>
<tr>
<td>Number of parcels in the zone intended for the business activities</td>
<td>10</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>In development</td>
</tr>
<tr>
<td>Size of building parcels</td>
<td>The smallest parcel is 2,000 m² and the largest 23,300 m² with a merging option</td>
</tr>
</tbody>
</table>

SELECTED BUSINESS ZONES

- BUSINESS ZONE GORNJE MEKUŠJE
- BUSINESS ZONE OGULIN
- INDUSTRIAL ZONE BOSILJEVO

READY-MADE INVESTMENT LOCATIONS

- 16 READY-MADE BUSINESS ZONES
- = 4 MILLION SQUARE METERS
- COST OF LAND STARTS FROM 1.34 €/m²
**BUSINESS ZONE OGULIN, Town of OGULIN**

The zone is situated near the Town of Ogulin, along the A1 motorway (a part of European direction E 65, which connects Middle Europe with the Adriatic Coast, only 2 km away from the important railway line. The main Croatian sea port Rijeka is approximately 100 km away. The available land parcels are from 3,000 to 82,493 square meters, completely infrastructurally equipped.

<table>
<thead>
<tr>
<th>Location</th>
<th>Ogulin</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of the zone (m²)</td>
<td>130,000</td>
</tr>
<tr>
<td>Available land size (m²)</td>
<td>90,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>electricity, water, partly sewage, telecommunications, road infrastructure and water purifier</td>
</tr>
<tr>
<td>Land price</td>
<td>8 EUR/m²</td>
</tr>
<tr>
<td>Lease price</td>
<td>0.10 EUR/m²</td>
</tr>
<tr>
<td>Incentives</td>
<td>possibility of reduction of communal fee</td>
</tr>
</tbody>
</table>

**BUSINESS ZONE LUG, Town of OZALJ**

Situated only 20 km from County’s seat Karlovac, near the main Croatian highway A1 (European direction E65). The zone is equipped with all necessary infrastructure and there is a possibility for reduction of the communal contributions.

<table>
<thead>
<tr>
<th>Location</th>
<th>Ozalj</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of the zone (m²)</td>
<td>481,000</td>
</tr>
<tr>
<td>Available land size (m²)</td>
<td>190,000</td>
</tr>
<tr>
<td>Purpose</td>
<td>Production</td>
</tr>
<tr>
<td>Infrastructure:</td>
<td>electricity, water, sewage, telecommunications, road infrastructure</td>
</tr>
<tr>
<td>Sale price</td>
<td>5-10 EUR/m²</td>
</tr>
</tbody>
</table>
BUSINESS INDUSTRIAL ZONE BOSILJEVO

It is located along the E 65 motorway (Zagreb - Rijeka) next to the junction Bosiljevo 1.

<table>
<thead>
<tr>
<th>Location</th>
<th>Bosiljevo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of the zone (m²)</td>
<td>417,700</td>
</tr>
<tr>
<td>Available land size (m²)</td>
<td>345,000</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>electricity, water, sewage, telecommunications, gas, road infrastructure</td>
</tr>
<tr>
<td>Purpose</td>
<td>industry and crafts, trade, warehouses, services, offices, hotels and catering</td>
</tr>
<tr>
<td>Incentives</td>
<td>exemption of communal contribution</td>
</tr>
</tbody>
</table>

This is an area of special state concern and there are possibilities for further tax incentives.

INDUSTRIAL ZONE GORNJE TABORIŠTE

It is located in southern, wooded part of the County, near the City of Slunj and close to the border with Bosnia and Herzegovina, on the state road which connects continental part of Croatia with the Adriatic coast.

<table>
<thead>
<tr>
<th>Location</th>
<th>Slunj</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of the zone (m²)</td>
<td>220,000</td>
</tr>
<tr>
<td>Available land size (m²)</td>
<td>100,000</td>
</tr>
<tr>
<td>Infrastructure:</td>
<td>electricity, water, sewage, telecommunications, road infrastructure</td>
</tr>
<tr>
<td>Purpose</td>
<td>production and services</td>
</tr>
<tr>
<td>Sale price</td>
<td>from 1.34 to 2.67 €/m²</td>
</tr>
<tr>
<td>Lease price</td>
<td>negotiable</td>
</tr>
<tr>
<td>Incentives</td>
<td>Possibility of reduction of utility fees and contributions.</td>
</tr>
</tbody>
</table>

Located 20 km from Karlovac, 75 km from Zagreb and 100 km from Rijeka, on the state road to Bosnia and Herzegovina.

INDUSTRIAL ZONE KRNJAK/KRNJAČKI GRABOVAC

Located 20 km from Karlovac, 75 km from Zagreb and 100 km from Rijeka, on the state road to Bosnia and Herzegovina.
Karlovac County is extraordinarily abundant in water and ichthyofauna. Four rivers flow through the county seat Karlovac, while 20% of the County area is protected by NATURA 2000 eco network.

OSULIN SOUR CABBAGE, a national Croatian specialty, has a protected designation of origin (PDO) at the European Union, under the geographical indications and traditional specialties schemes.

AQUATIKA - FRESHWATER AQUARIUM KARLOVAC is a project funded by the EU, primarily established to create awareness of the extraordinary biological diversity, but also to educate its visitors about sustainable use of the exceptional water richness of the County.

Karlovac County is

INTERESTING FACTS ABOUT KARLOVAC COUNTY

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AGENCY FOR INVESTMENTS AND COMPETITIVENESS
THE GOVERNMENT AGENCY

- Professional service for investors, free of charge
- Highly motivated team of experienced professionals
- Provides information, contacts and investment management support to potential investors as well as pre- and post-investment care

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W: www.ra-kazup.hr

Karlovac County Development Agency KARLA Ltd. was established with the aim of effective coordination and support of regional development at the regional self-government level. Its activities include:

- Coordination of the County Development Strategy
- Preparation of action plans and monitoring implementation of the County Development Strategy
- Coordination of the central electronic database of development projects
- Coordination of activities of the local self-government units related to regional development
- Promoting joint development projects through interregional and cross-border cooperation
- Cooperation with other regional agencies in creation and implementation of mutual projects

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