

The background image is a photograph of an industrial facility, likely a refinery or chemical plant. In the upper left, a large, dark, curved pipe arches over the scene. Below it, a complex network of metal pipes, walkways, and structural supports is visible. In the center-right, a tall, white, cylindrical distillation column stands out against the sky. The sky is a clear, bright blue. The overall lighting suggests it's daytime, with some shadows cast on the ground.

Ministry of Economy

MONTENEGRO INVESTMENT OPPORTUNITIES

INDUSTRY SECTOR • BUSINESS ZONES • MINING AND ENERGY SECTOR • OIL AND GAS

INDUSTRY SECTOR

“Gornji Ibar” Rožaje

Rožaje is a town in the far North-East of Montenegro, with 22 693 inhabitants living in 26 settlements. It is located on the main road connecting Montenegro with Serbia, known as Rožaje – Kula – Peć, and also with a connection to Novi Pazar (Central Serbia). By two roads via Berane, which is about 30 kilometers away, it is connected to the inner part of Montenegro. The distance to the airport of “Golubovci” is 180 km.

The Company “Gornji Ibar” was established in 1967, and the wood processing industry is its primary business. Timber industry is an essential factor for the development of this town, and therefore this Company used to be the main agent of development. Until 1989, the Company employed 2100 workers, and in 2003 it was merged with the forest enterprise “Rožaje”.



The Company includes the following production facilities:

- **Sawmill** – the primary wood processing, capacity 40-60000 m³ per year, depending on the average tree diameter. It covers an indoor area of 2,443 m² and an outdoor area of 26,280 m²;
- **Lamination Plant** – with a capacity of approximately 18 000 m³ of timber and laminated plates. It covers an indoor area of 8,757 m² and an outdoor area of 9,860 m². So far, the investors have been interested the most specifically in the lamination plant;
- **Panel production** - panel board production with a capacity of 15,000 m³ of panels per year. It covers an indoor area of 5,291 m² and an outdoor area of 11,460 m²;
- **Carpentry** - production of interior and exterior finish carpentry with a capacity of 86 000 condi-

tional openings per year. It covers an indoor area of 9,249 m² and an outdoor area of 7,229 m²;

- **Repair Servicing Unit** - provides support to the production both through current and capital maintenance. It covers an indoor area of 2,724 m² and an outdoor area of 2,120 m²;
- **Restaurant** – it covers an indoor area of 926 m² and an outdoor area of 1,518 m²;
- **Management Unit** – it covers an indoor area of 1,968 m², an outdoor area of 8,648 m² and 8,648 m² of green areas;
- **Forest Enterprise “Rožaje”** – it covers an indoor area of 726 m² and an outdoor area of 1,776 m²;
- **Own energy source** - a boiler room with three boiler units in the sector.

The equipment was last revitalized in 2003 and 2004.

The study entitled “Development Opportunities and Optimization of the Capacity of Purchased Assets” of the Joint Stock Company “AD Gornji Ibar” Rožaje and the Forest Enterprise “Rožaje” is prepared. The proposal is to put a part of the assets back to their original function (restarting the wood processing industry), and those are located near the city’s main road, including: Panel Production; Lamination Plant; Servicing Unit; Management Unit, Heating Station, etc. In detail, the proposed model includes:

Initiation of production facilities based on felling which is divided between the newly-started company and the existing wood processors in the Municipality of Rožaje, in the proportion **30,000 m³: 12-16,000 m³**, in favor of the newly-started company. This option implies an optimum employment of **356 workers**;

Reorganization of the Panel and Finish Carpentry production lines, by moving the Finish Carpentry to the Panel Production, while reducing the panel production.

The Electrodes Factory of Plužine (EFP)

INDUSTRY SECTOR

The construction of EFP began in 1982, while the production started on 13 July 1986. The main activity of the factory is the manufacture of consumables for welding: solid welding wire; cored wire electrode; coated electrodes for welding low-alloy and high-alloy steel; electrodes for welding casting pig and cast iron; special electrodes for welding prochrome steel; production of construction nails; manufacturing of wire for couplings and clams. The designed capacity of EFP is approximately 5,000 tons, of which 3,000t of coated electrodes, 1,500 t of solid electrodes and 500 tonnes of other materials. The EFP produces about 60 types of electrodes and in several dimensions. The technological lines and equipment are in good condition despite the fact that the equipment of specific technological lines is old, and that there is a lack of spare parts due to the lack of funds for their procurement.



The following was introduced: quality standard ISO 9001:2000; CE - mark and certificates of test of the world renowned classification companies such as GL, LR, ABS, MRS, DNV, TUV, DB, JRM, and ZJZ.

The usable area of the factory amounts to 9,132 m² and its estimated value is € 3,132,673. Of the total usable area, the production hall includes 7365 m². The total value of equipment, tools and spare parts is € 2,534,671.80.

The EFP is an export-oriented company, and 80% of

its production is sold mainly in the former Yugoslav countries. Currently, the factory employs 174 workers, and its ownership structure is as follows:

Investment Development Fund (The State)	34.6554 %
TREND	11.8189 %
Hempton Corp. LTD	5.2060 %
Cosmos LTD	4.3246 %
Other legal entities	43.9951 %

The total number of shares of the Company is 308 489, the nominal value of a share is € 25.5646, with an equity of € 7,886,398.

The factory has all the essential prerequisites for the production, including qualified work force, capital and infrastructure. The factory production program includes:

- Covered electrodes for E welding;
- Electrodes for gouging and cutting;
- Electrodes for cast iron welding;
- Wire for welding in the CO₂ gas protection;
- Wires for arc welding;
- Wires for TIG welding;
- Stuffed welding and surfacing wire;
- Wires for gas welding;
- Wires for making clamps;
- Construction nails.

The conditions in which the business operated were analyzed the following was concluded:

- The demand for EFP products exists, unabated in volume compared to the previous years;
- In a very short period of time monthly sales can be achieved in the market of Serbia in the amount of approximately 120 tonnes, and in the market of Montenegro and other Republics of former Yugoslavia, in the amount of approximately 50 t per month, the value amounting to approximately € 300,000.00 per month.

BUSINESS ZONES

BUSINESS ZONES

Business zones represent a project of the Government of Montenegro aiming to encourage small and medium entrepreneurship development on the land equipped with infrastructure. Their construction allows more favorable conditions of work, primarily because of the resolved infrastructure issues (transportation, utilities, energy and communications infrastructure), cost reduction based on lease rates for office space and lower cost of administration.

A pre-designed and implemented business zone is attractive for investors in the industry and related companies, because they do not have to be concerned about how to find an area where such zones are provided by town plans. This is especially pronounced nowadays in the case of more numerous industrial enterprises which are, due to various measures of executive authorities, forced to move.

The main reasons for the establishment of business zones include: encouraging investment, new jobs, new technologies and equipment, modernization and improvement of industrial connectivity.



Who can use the zone?

The zone can be used by small and medium-sized enterprises engaged in light industry, which does not pollute the environment. The priority will be given to the activities in the field of production of goods, and then finishing and assembly operations. The activities of storing goods and materials may be allowed, but limited in scope and type.

Greenfield Investments

The establishment of new business zones is considered to fall under potential greenfield investments. Each municipality has specific individual potentials that can be used.



Andrijevica

In its detailed town plan, the Municipality identified the business zone of "Most Bandovic", planned for the performance of manufacturing and service activities. The zone is located near the main road Andrijevica - Berane and includes some built offices, manufacturing plants and the necessary infrastructure. The facilities are not in operation at the moment.

BUSINESS ZONES

Berane

In its detailed town plan, the Municipality identified the business zone of "Rudeš" covering an area of approximately 100 ha, including green areas and roads. Some manufacturing activities are carried out in the zone on about 40 hectares, while about 24 ha still remains unused. This area was once used by the Pulp and Paper Factory. The zone is fully equipped with the necessary infrastructure (water, electricity, access roads, fecal sewerage), but there is no wastewater treatment plant. The zone is managed by the Municipality.

Bijelo Polje

The Municipality previously established an industrial zone in the period of construction of large industrial facilities on an expropriated land area of about 255 hectares. According to the detailed town plan, an area of 55.6 hectares is planned for industrial production, of 55.4 hectares for the transport and road surfaces, and 44.2 hectares for small businesses and operations.

Kolašin

In its General Town Plan, the Municipality envisioned an industrial zone at the site of "Bakovići" covering an area of 30 hectares, where a business zone can be established. The site is equipped with the necessary infrastructure (water, electricity) and is located along the main road Kolasin - Mojkovac, only 3 km away from the city center.



BUSINESS ZONES

Mojkovac

Several city areas can be organized as business zones: the former wood processing plant "Vukman Kruščić"; the former mines "Brskovo"; the zone in Ambarine where the sawmill is located as well, etc. It is intended, under the spatial zoning plan which is currently under preparation, to turn some areas into future business zones. The free zones which will be recognized in the planning documents as the business zones include: a business center at the bus station in the downtown area; "Mojkovac Travel Gate" covering an area of approximately 5 hectares; commercial industrial buildings on the site of "Feratovo polje" in Podbišće, of approximately 1.5 hectares, the business zone at the railway bridge towards the Biograd Lake in Podbišće, covering an area of approximately 1.5 hectares; the future ski center on Mount Bjelasica and future mini hydropower plants on Bjelovička River and Štitarička River.



Pljevlja

The applicable General Town Plan, at several locations, includes: "Monte Kod" clothes factory; the Thermal Power Plant complex; the store house in the Detailed Town Plan of "Gorijevac"; the area reserved for a dairy and abattoirs in the Detailed Town Plan of "Podlipa"; the area planned for a new pit of "Potrlica"; Coal Mine workshops; the area reserved for a bakery and the distribution center of the Joint Stock Company "Žitoprodukt AD". A spatial zoning plan to define more precisely the areas of business zones is currently under preparation.



Rožaje

In the 80s, a business-industrial zone was designated by the Municipality. Five factories were built in this area, and many of its plants are currently not in use. The area has a solid municipal infrastructure and a sufficiently large surface area upon which new production facilities can be built. The property is owned by the State, Municipalities and private owners.

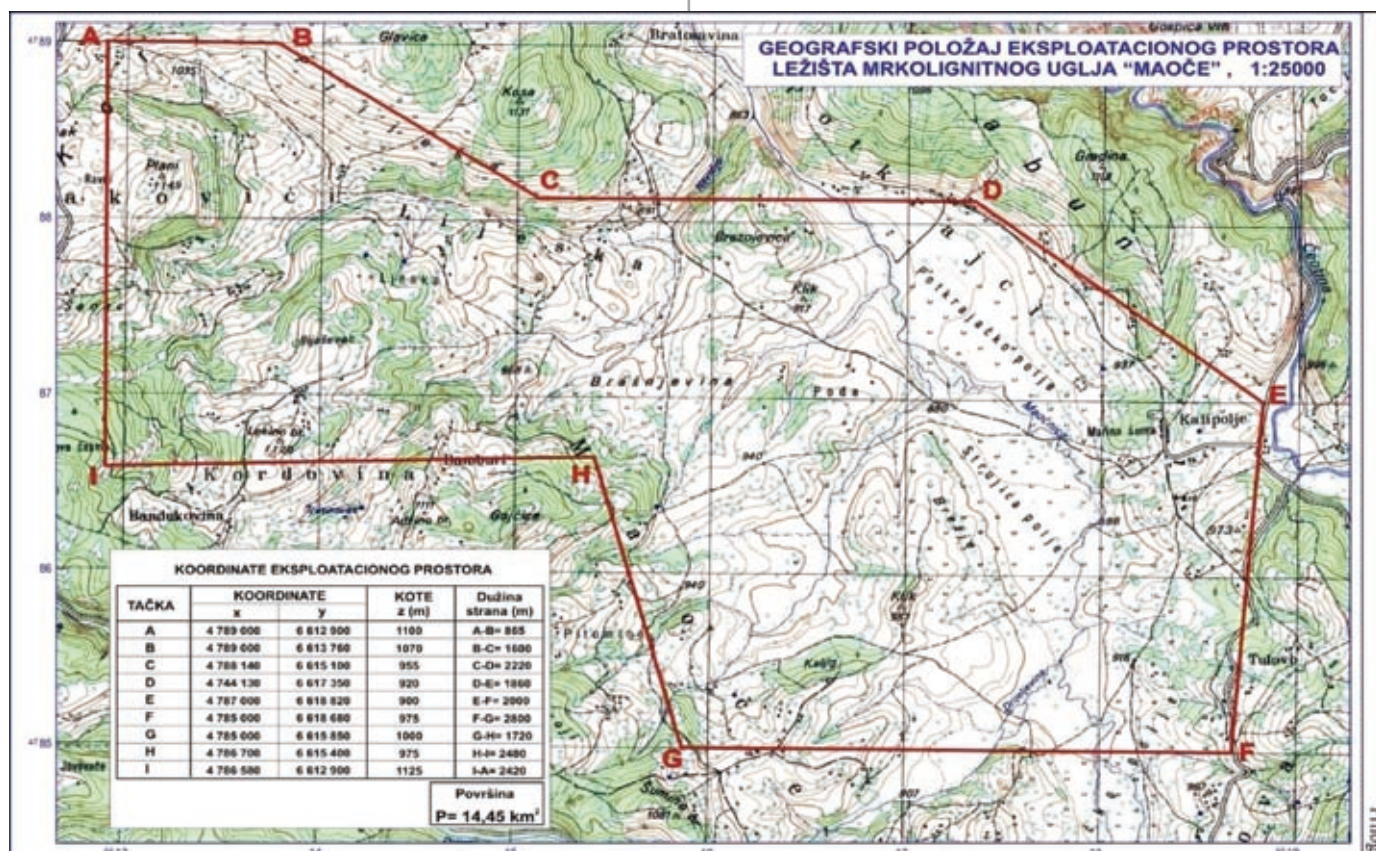
MAOČE PROJECT

(Coal Mine and Thermal Power Plant)

MINING AND ENERGY SECTOR

The coal basin of "Maoče" is located in North-Eastern part of Montenegro, with an air distance of about 15 km from the town of Pljevlja. The Maoče Basin is located in the Neocene basin at an altitude of 880-980 meters in the mountain area. An average annual precipitation (snow and rain) amounts to 900 mm. An average annual temperature is 7°C and there are 40-50 cold days (air temperature below 0°C) during the year. The investors are expected to finance, open, exploit and perform recultivation of the coal mine "Maoče", and to finance, build and operate the Thermal Power Plant "Maoče", as a single business entity.

The Project "Maoče" refers to the exploitation of coal, conditioned by the construction of a thermal power plant with an estimated capacity of 500 MW. Coal reserves in the basin of Maoče are geological (123 million t) and exploitation (109.9 million tons). **The annual production potential is 3,500 GWh.**



MINING AND ENERGY SECTOR

Investment opportunities

- The Government of Montenegro will award a concession for the exploitation of coal from the basin of Maoče and the construction of a thermal power plant of the estimated capacity of 500 MW (2k250MW), based on the current reserves of coal and the thermal power plant life cycle;
- The term of the concession contract is 45 years, with a possibility of extension in accordance with the law;
- Concession fees for the exploitation of coal will be calculated as a percentage of revenues from the sales of electricity;
- The proposed model of business operations is DBOMR (Design Build Operate Maintain Recultivate).



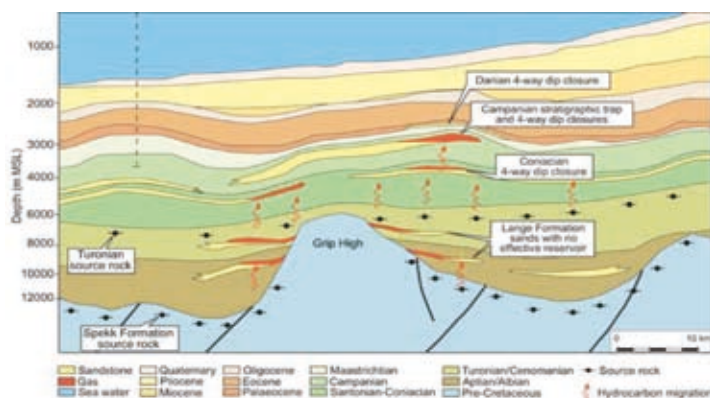
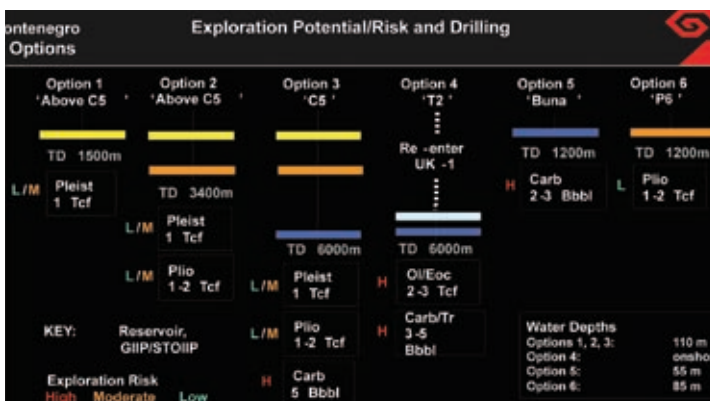
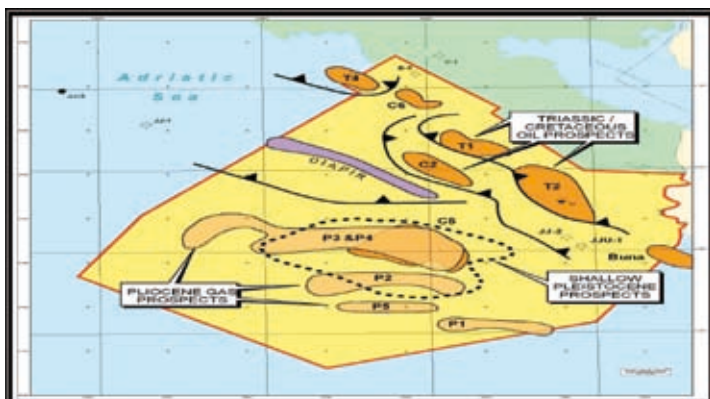
The Manner of Investment Realization

Regarding the energy sector, Montenegro is characterized by the radial structure of the three voltages (400 kW, 220 kW and 110 kW) and connections with Kosovo (400 kW), Serbia (220 kW), Albania (220 kW) and Bosnia and Herzegovina (over 400 kW, 220 kW and 110 kW overhead power lines). The new 400 kW transmission line to Albania is in preparation. A submarine cable with the transmission capacity of 1,000 MW is planned between Montenegro and Italy.



Exploitation Potential

OIL AND GAS



The Government of Montenegro in cooperation with Norwegian experts regulated the field of research and production of oil and gas. In August 2010, The Law on the Research and Production of Hydrocarbons was adopted (in full compliance with relevant EU directives).

In 2011, a call for proposals will be announced for the research/production of oil and gas. The first public call for research/production of oil and gas will be important for defining the future development of this sector in Montenegro.



The Manner of Investment Realization

Exploration

- The Government may award a concession contract for exploration to one or more bidders;
- The concessionaire is obliged to submit a report on the results of exploration to the Government within six months from the date of completion of the works set out in the work plan;
- The subject of the concession agreement for exploration may be the right to Geological, geophysical or other detailed examination of the earth's crust, except for drilling wells in order to determine the structural and tectonic features of the environment and estimate the presence of hydrocarbons;
- The right to hydrocarbon exploration is obtained by concluding a concession agreement for exploration;
- The concession agreement for exploration can be assigned for a period of up to two years.

Concession System

- The oil company has exclusive rights to the exploration and production at its own risk and cost;
- The oil company owns the production;
- The oil company pays fees and area rental fees to the Government;
- The oil company pays taxes on profits;
- The oil company owns the equipment;
- The oil company has the right to export hydrocarbons;
- The oil company has the right to equipment

Production

The production includes the operation of extracting hydrocarbons from the reservoirs, their separation and the initial processing and preparation of oil or gas for the production, transportation and storage, gas liquefaction at the reprocessing facilities, as well as bringing the hydrocarbons to the terminal.

- A call for bids to allocate the right to produce and execute a concession agreement for the production in one or more blocks is announced by the Government;
- The concessionaire is obliged to pay an annual fee for the concession contract for the production, relating to the surface area used for the production, based on the concession contract, calculated on the basis of surface area for the exploration and production, according to the criteria set forth in the concession contract for the production;
- The concessionaire is obliged to pay a fee for the produced oil and gas for monthly extracted hydrocarbons, in the quantity proportional to the produced and supplied oil and gas in accordance with the concession contract for the production;
- The production stage begins from the date of the first extraction of hydrocarbons from the reservoir and lasts until the deadline specified in the concession contract for the production, or until the date of filing notice of the concessionaire to the administration authority that further production from the reservoir is not commercial;
- Cannot exceed 20 years from the date of initiation of the production;
- The production must be carried out in accordance with technical regulations, norms and standards of best practice, taking necessary measures to increase fuel efficiency and prevent losses of hydrocarbon or energy from the reservoir deposits.



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