

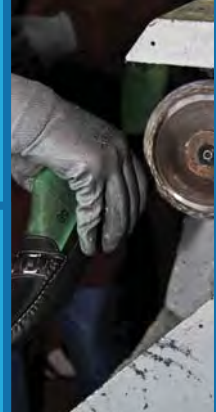
Made in Albania

Footwear Industry

www.albanianfootwear.com



high quality products



wide production range



close proximity to EU markets



new technologies



rapid turnaround time



skilled workforce



hand finishing

full cycle production



government incentives



experience and tradition



fast delivery

competitive prices

MADE IN ALBANIA SHOES

Overview of Footwear Industry

Albania has a strong and vibrant footwear manufacturing sector, shaped by a long and successful shoe making tradition and extraordinarily close relationships with Italian partners, experts and buyers over the last 20 years. It employs more than 35,000 persons and its average annual exports exceed 208 million or 13.9 percent of Albania's total exports. It supplies many major brands and retailers throughout Europe with high quality footwear products, its main markets being Italy, Germany and Greece.

A fast reforming country with a focus on improving business environment and low taxes, Albania has an excellent strategic location with easy access to a large marketplace, low costs and a highly educated and competitive workforce. Albania may be considered one of the most dynamic European exporting countries, which provides excellent opportunities for sourcing footwear products.

The Albanian shoe manufacturing history started in the 1950s, when footwear and garment production became the country's most important industries. About 40 large enterprises operated on a full cycle basis, including sourcing of raw materials, design, pattern making and finishing of the final products. These enterprises met the domestic demand in full and provided products for exports. After 1990, most of these enterprises were privatized and many new ones were established.

Manufacturing of shoes and shoe uppers has been one of the fastest growing industries in Albania, primarily due to the entrepreneurial efforts of local business people, the availability of highly skilled workers and a strong demand from sophisticated Italian buyers.

Albania's footwear industry has been dominated in the past by contract business, primarily for Italian clients. However, in recent years a significant number of manufacturers have moved up the value chain to full cycle production. In the last decade, several invested heavily in new technologies,



equipment and knowledge that allowed them to add more value to customers and realize higher margins by taking on new roles in the design and production process, including the creation of their own brands and collections. As a result, Albania's footwear sector today includes a variety of different production models that range from firms working primarily on a cut-and-sew basis to large companies that export their own brands worldwide and produce 1,000 model collections per season.

Today's Albanian owners/managers have the leadership skills needed to run successful export oriented footwear companies. They recognize that many of their best opportunities are in market segments where quality and fast turnaround time are as essential as price. More than 90 percent of Albania's footwear exports are to highly demanding Italian clients. With an abundant number of short sea, land and air connections to Europe and the region, Albania has a unique geographical position allowing an easy and exceptionally rapid and cost effective reach to large markets. This allows for a swift response to customer orders and quick product deliveries, making Albania a top choice footwear supplier to Europe and the region.

Key Features of Footwear Manufacturing

- High quality products, reliably delivered
- Wide range of products for men, women, and children: safety, classic, sport
- Full cycle production - design, sourcing, pattern making, cutting, finishing
- Experienced hand finishing, hand dying and hand sewing of shoes
- Highly skilled and cost-competitive workforce
- Accomplished Cut-Make and Cut-Make-Trim subcontractors
- New equipment and technological processes
- Able to work on Just-In-Time basis
- Rapid response to customer orders (short lead time)
- Flexible production in terms of order size (small min orders)
- Overnight delivery to EU countries
- Excellent low cost transport and logistics opportunities
- Experience and tradition mixed with Italian design influence
- Consolidated legal framework in compliance with EU and international standards
- Favourable flat-rate tax regime for personal and corporate income tax
- Government incentives available for footwear manufacturers



Advantages of Doing Business in Albania

Albania is one of the most dynamic and fastest growing economies in Europe with average annual real growth rate of 6 percent over the last decade and moderate inflation of around 2 percent. From 2007 to 2012 the Albanian economy grew by 22 percent, while exports doubled from 2009 to 2011. In the last four years the average annual growth rate of Albanian exports to EU was 13 percent, with 1.1 billion exports in 2012 compared to 678 million in 2008. Similarly, footwear exports doubled in this period, amounting to 208 million in 2012.

This strong economic performance is due not only to Albania's excellent strategic location and free market access but also its numerous fiscal incentives, such as VAT exemption for machinery imported for new investment and a low tax regime - the Albanian legislation provides for a 10 % flat rate for corporate and personal income tax.

The Albanian business legal framework is in full compliance with the EU legislation and the country is on its way to receive a Candidate Status for EU Membership. Registration of a new business is carried out in 24 hours at a cost of 100 ALL (less than 1 Euro). A single application is sufficient to register a company at the Business Register and enroll with tax, social and health insurance authorities and the Labour Inspectorate. Similarly, new businesses obtain required licences in a one-stop-shop procedure, easily verifiable online, at the National Licensing Centre for 100 ALL. An online system for tax filling and payments is fully operational.

Albania provides a liberal legal framework on foreign investment ensuring equal and impartial treatment to foreign and domestic investors. Legal dispositions set forth no limitation on the share of foreign participation; 100 percent foreign ownership is possible. Foreign investors have the right to expatriate all funds and in kind investment contributions without restriction. The Albanian government has also initiated a special instrument for the defence at trial in favour of the foreign investor who has launched an investment amounting to 50 million Euros.

Improvements in infrastructure and distribution networks continue through the implementation of large road infrastructure projects. Several Business and Technological parks now under construction will provide infrastructure for new manufacturers, guaranteeing a rapid business penetration in region.

Fiscal Incentives

As of May 1, 2013, all employees with salaries below 30,000 ALL (about 230) pay no personal income tax. As of April 3, 2013, the VAT for all machinery and equipment imported for new investment needs is zero, regardless of the total investment value. For all new hires employed as of May 1, 2013, Social Security and Health Insurance taxes (the part covered by the employer) are to be paid by the government for three consecutive years, provided the employment agreement is for a 6-year term. In addition, potential buyers and investors may get specialized assistance from Albanian Investment Development Agency (AIDA) in terms of market analysis, identifying local exporters, business partners or institutional contacts, organization of B2B events and business visits, aftercare services for investors, etc. (www.aida.gov.al)

Advantages of Trading with Albania

Albania is an excellent gateway for Western and Eastern Europe and other markets in the Balkan region and beyond. In addition to its geographical advantages, Albania enjoys the economic benefits of numerous Free Trade Agreements signed by the Albanian Government: CEFTA, EFTA, and bilaterally with Turkey and others; WTO membership; Stabilization and Association Agreement with the EU allowing Albania free access. Highlights include:

- Free Trade Agreement between the Western Balkan countries, CEFTA 2006, entered into force in July 2007. Under this agreement, Albania has a full free trade area within CEFTA countries.
- Since May 2008, a Free Trade Agreement between Albania and Turkey abolished customs duties and quotas for export of industrial products originating in Albania.
- Since November 2011, a Free Trade Agreement with EFTA countries (Iceland, Switzerland, Norway, and Liechtenstein) entered into force and abolished customs duties and quotas for export of industrial products that are of Albanian origin.

Reasons for Doing Business in Albania

- Strong growth potential
- Track record of high economic growth rates
- Young and skilled workforce (57% of population under the age of 35)
- Liberal legal framework for foreign investments
- Improving business environment
- Sound financial system
- Low tax rates
- Competitive labour cost
- Fiscal incentives
- Free access to large markets
- Excellent transport and logistics opportunities at low cost

Key Country Facts

Area:

28.748 km²

Capital city:

Tirana

Population:

3,150,886 habitants

GDP (current US\$):

13.12 billion, 2012

**GNI per capita, Atlas method
(current US\$):**

4,090 2012

Language:

Albanian

Time zone:

GMT +1

Currency:

Lek (ALL)

Airport:

Mother Teresa International (TIA)

Government:

Parliamentary democracy

Flag:

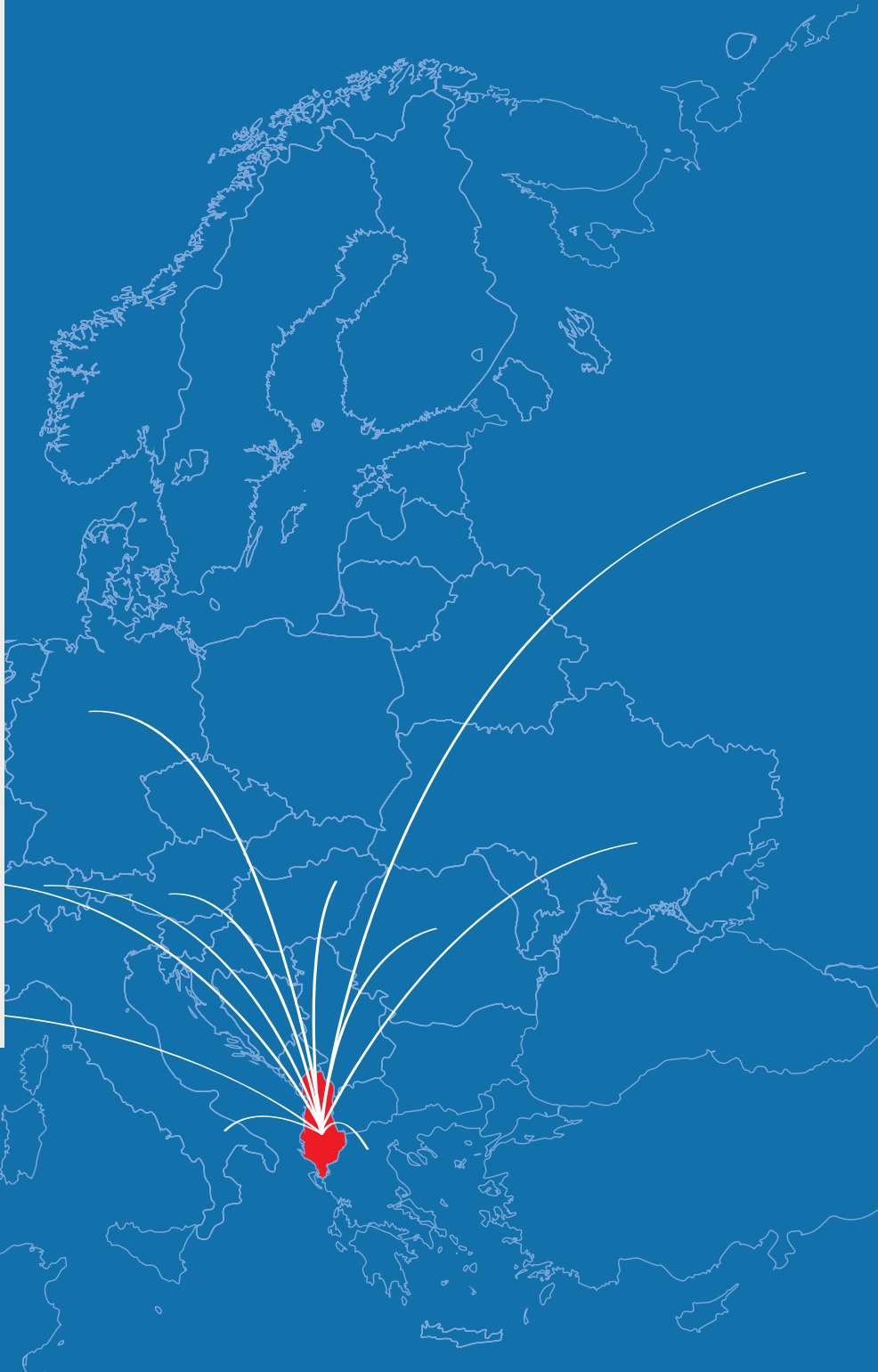
Black double-headed eagle on red background

International telephone prefix:

00 355

Climate:

Albania has a mild Mediterranean climate. On average, Albanians enjoy a great deal of sunshine, second only to Spain in average annual sunny days. The overall climate is pleasant and favors outdoor activities.



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