

PERMANENT- MULTI-USER FREE TRADE ZONES:

A COMPETITIVE FOREIGN DIRECT
INVESTMENT OPTION IN
ANTIOQUIA-COLOMBIA



AGENCIA DE COOPERACIÓN E INVERSIÓN
DE MEDELLÍN Y EL ÁREA METROPOLITANA

Creamos lazos con el mundo para el desarrollo

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PREFACE

In recent decades, Medellín and the Antioquia region have developed into a place of growth and economic prosperity. When multinationals and businesses from across the world choose to establish themselves in this region, which provides high-quality human resources, competitive prices, and the best infrastructure for high-level operations, their growth has been exponential.

Antioquia's Free Trade Zones are an essential component of governmental and private efforts to attract Foreign Direct Investment. Their location, advantages, infrastructure, and affordability have made these zones an important lever for local and regional economy growth.

An attractive tax regime, customs, and exchange system is the main benefit of Antioquia's Free Trade Zones. Companies that operate in these zones benefit greatly, including being free from sales tax, income tax, and parafiscal contributions. This tax advantage offers foreign investors a good setting in which to grow their businesses and increase their profits.

A key factor for foreign investment in Antioquia is also its first-level infrastructure; these areas are favored by a free trade system since they are placed conveniently close to major airports, seaports, and land transportation hubs, which promotes the effective movement of goods and services. In addition, they have modern facilities, such as industrial parks with cutting-edge technology, which enables companies to work efficiently and competitively in the international marketplace.

Access to a highly skilled and competitive labor force is another benefit for foreign investment. The region is recognized for having highly qualified workers in important industries including manufacturing, technology, and services. The presence of universities and technical training facilities guarantee a constant supply of experts with the necessary qualifications, providing international companies the assurance that they have the staff available to carry out their activities.

Finally, Antioquia's Free Trade Zones benefit from a strong network of both public and private organizations. Policies and initiatives that encourage investment and competitiveness in these sectors have been put in place by the local and departmental governments. Organizations like ACI Medellín offer guidance and support to international investors in order to make the process of establishing and running companies in these zones easier.

These factors make these special economic development areas an ideal setting for foreign investors to launch and grow their companies, therefore promoting regional economic expansion and sustainable development.



ACI MEDELLÍN'S SERVICES FOR INVESTORS

ACI Medellín is the leading entity in the process of internationalization of Medellín and its metropolitan area through Foreign Direct Investment attraction and retention, supply and demand management for international collaboration, territorial positioning and promotion, and city diplomacy. This makes ACI Medellín a pioneering organization in Colombia that handles resources for international collaboration, while simultaneously promoting investment through the following services:

Connection to regional, international, and local audiences

Support in the execution of cooperation projects

Connection with "paisas" (Antioquians) abroad

Positioning of the city region

Support to companies incorporated in Medellín

Access to valuable information for decision-making

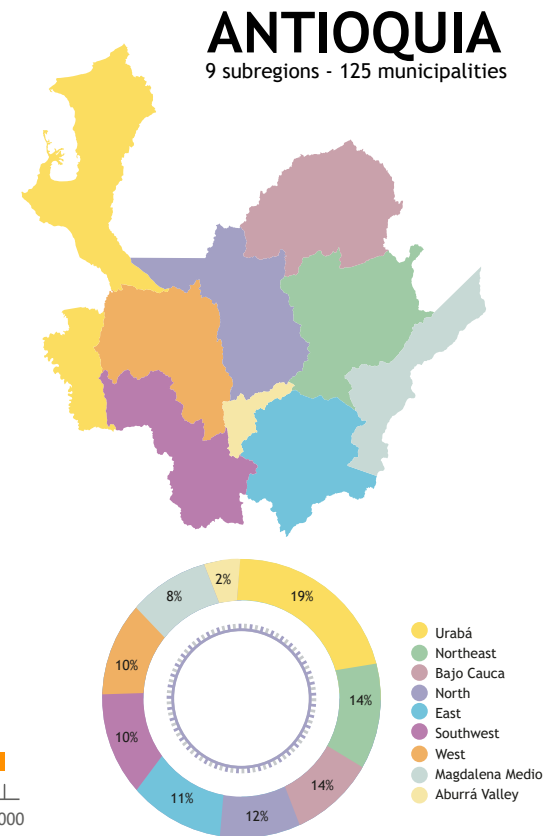
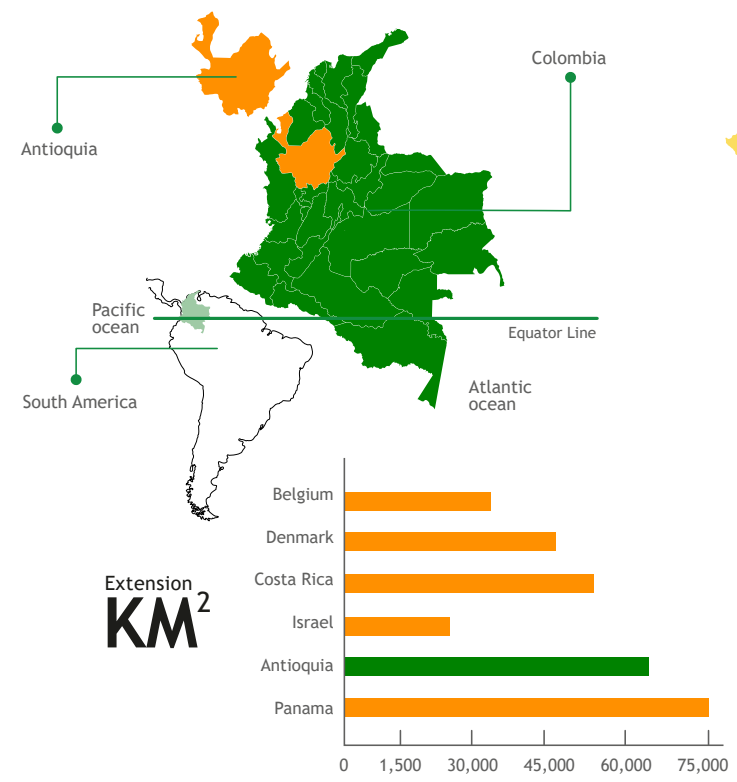
Events planning to encourage investment and cooperation

Advice on investment climate



01
GENERAL
INFORMATION ABOUT
THE ANTIOQUIA REGION

More than
63,600 km²
of opportunities



1.1 TERRITORY

Antioquia is located in the northwest of Colombia in the tropical strip on the Equator.

It is the second largest economic and populated region in Colombia, after Bogotá Capital District.

When compared to other countries in the world, the department's 63,612 km² area is greater than Costa Rica, Denmark, or Belgium; it is three times the size of Israel; and it is almost as large as Panama.

Antioquia is the department in Colombia with the most municipalities, 125 in total, according to administrative standards.

Nine subregions, each with unique elevations, microclimates, soils, cultures, and other distinctive socioeconomic attributes, make up the distribution of these municipalities. This has caused each area to focus on certain economic endeavors.



1.2 POPULATION

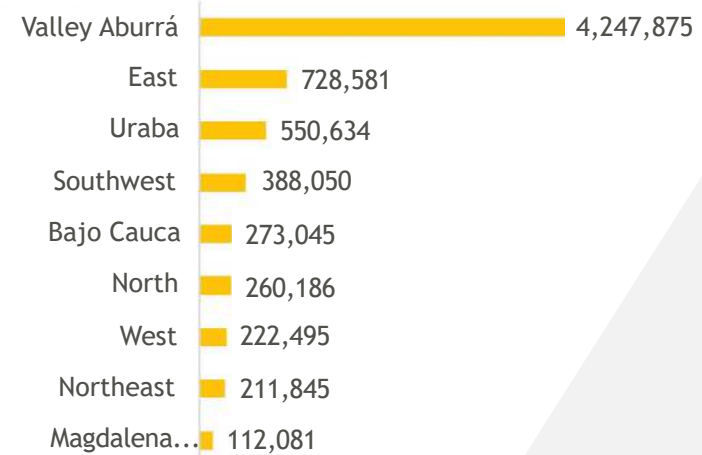


1.3 OUTSTANDING ECONOMIC PERFORMANCE

Antioquia's sub-regional population distribution

In terms of population, Antioquia is the second-largest population cluster in Colombia, with about 6.9 million residents, or 13.2% of the country's total population. This also suggests a benefit because human talent is not only numerous but also highly qualified.

If compared to other counties' population, Antioquia is larger, including those in Latin America like Costa Rica, Panama, Uruguay, and even Finland.



Source: DANE - Population projections based on the 2018 National Population and Housing Census Updated July 2020.

1. The Antioquian economy has grown at a faster pace than the national average for economic growth.
2. Antioquia contributed with 14.5% of the country's GDP in 2022, according to preliminary data from the National Administrative Department of Planning, in part because of its broad corporate structure and concurrent specialization in the markets in which it participates.
3. On the other hand, due to the diversification of the labor market and the use of Information and Communication Technologies (ICT), Antioquia was placed as the second most competitive region in Colombia by the 2023 Departmental Competitiveness Index.

Overall score and position in the IDC (Departmental Competitiveness Index) 2023



Source: DANE - Population projections based on the 2018 National Population and Housing Census Updated July 2020.

4. The major pillars of the region’s economy are services, manufacturing, and trade. Antioquia is home to eight of the top 20 traded companies on the Colombian Stock Exchange. Due to their expansion and worldwide outlook, several of them—including Bancolombia, Isa, Nutresa, Grupo Sura, and Grupo Argos—are regarded as “Multilatinas.” (Emerging Market Multinational headquartered in Latin America).


5. evidencia en el sector privado, un claro ejemplo Grupo EPM, a “Multilatina” public utilities company with headquarters in Medellín, Antioquia, and subsidiaries in Central America, Chile, Mexico, the United States, Spain, and Colombia, is a clear example of how the public sector can be effective and profitable in addition to the private sector in terms of economic performance. With its influence on more than 13.5 million people through its electric power, natural gas, water, and sanitation services, among other services, it is a standard for operational quality, reputation, and development generation.




“Multilatina” company that provides public utilities. With an impact on more than 13.5 million people, it is Colombia's largest company in its industry

Eight of the 20 companies with the highest value on the Colombian Stock Exchange have their headquarters in Medellín


Grupo·epm




Electric services




Natural gas




Water and sanitation




Chile




El Salvador



Panama

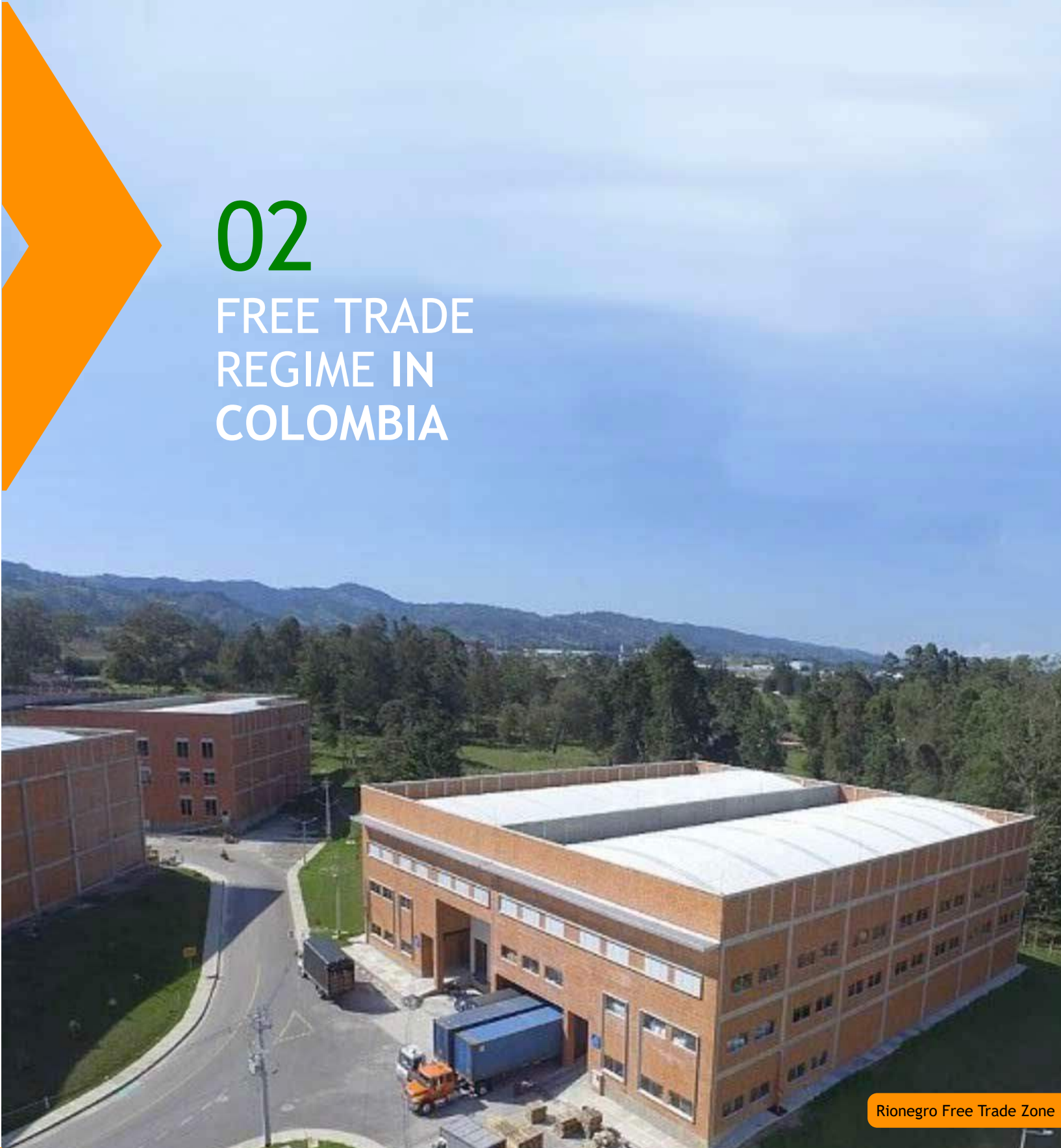


Mexico



Argentina

26 International subsidiaries and affiliates



02
FREE TRADE
REGIME IN
COLOMBIA



Urabá Free Trade Zone

2.1 DEFINITION

Free Trade Zones are defined as "geographically delimited areas within the national territory, where industrial activities of goods and services or commercial activities covered by special tax, customs and foreign trade regulations are developed" (Art. 1 Law 1004 of 2005).

2.2 PURPOSE OF THE FREE TRADE REGIME IN COLOMBIA

- ✓ Serve as a tool for attracting capital investments and new jobs
- ✓ Serve as a center of development for the promotion of regional competitiveness
- ✓ Create competitive, highly productive industrial processes based on the principles of security, openness, technology, clean manufacturing, and ethical business practices
- ✓ Encourage the creation of scale economies
- ✓ Simplify procedures for trading goods and services facilitate their sale
(Art. 2 Law 1004 of 2005)



Urabá Free Trade Zone

2.3 TYPES OF FREE TRADE ZONES

Permanent - Multi-User Free Trade Zones (ZFP, for its acronym in Spanish): is the designated region of the country's territory where numerous industrial or commercial users are present and are given preferential tax, customs, and/or trade treatment, as appropriate. (Art. 3 Decree 2147 of 2016)

Transitory Free Trade Zones (ZFT, for its acronym in Spanish): specific regions of the country's territory used to host fairs, exhibits, conferences, and seminars that are significant to the economy and/or international trade and are given preferential tax, customs, and foreign trade treatment. (Art. 3 Decree 2147 of 2016)

Special Permanent Free Trade Zones (ZFPE, for its acronym in Spanish): defined regions of the country's territory where a single industrial user is located and receives preferential tax, customs, and international trade treatment. (Art. 3 Decree 2147 of 2016)



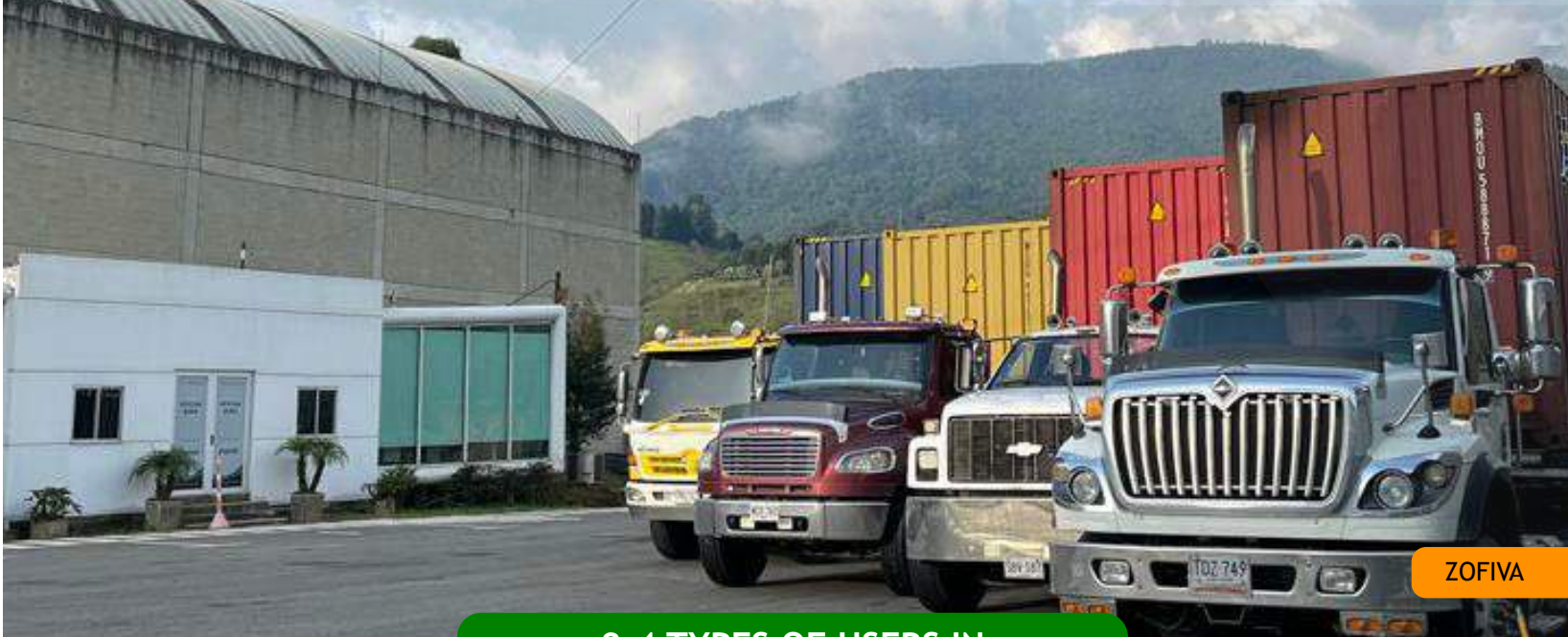
Rionegro Free Trade Zone



Rionegro Free Trade Zone



Rionegro Free Trade Zone



2.4 TYPES OF USERS IN FREE TRADE ZONES

User Operator: legal entity qualified to operate, manage, monitor, promote, and develop one or more Free Trade Zones, as well as to approve users. (Art. 4 Decree 2147 of 2016)

The User Operator may grant permission for the installation and operation of support companies within the area designated as a Free Trade Zone to develop services such as security, maintenance, daycare, cafeterias, financial institutions, restaurants, training, basic medical care for employees, employee transportation, and other needs for the Free Trade Zone's operation. These companies will not be eligible for the benefits offered to users of Free Trade Zones and will be subject to the rules set forth for the handling and supervision of goods. (Art. 5 Decree 2147 of 2016 Modified by art. 2 Decree 659 of 2018)

Industrial User of Goods: Legal entity with a sole location in one or more Free Trade Zones and having the right to process raw materials or

semi-finished goods in order to create, alter, or assemble commodities. (Art. 4 Decree 2147 of 2016)

Industrial User of Services: Legal entity qualified to solely develop, in one or more Free Trade Zones, the following activities:

1. Logistics, transportation, handling, distribution, packing, repacking, bottling, labeling or classification
2. Telecommunications, information technology systems for data capture, processing, storage and transmission, and organization, management or operation of databases
3. Scientific and technological research
4. Medical, dental and general health care
5. Tourism

6. Repair, cleaning or quality testing of goods
7. Technical support, maintenance and repair of equipment, ships, aircraft or machinery
8. Auditing, administration, brokerage, consulting or similar

(Art. 4 Decree 2147 of 2016)

Commercial User: legal entity allowed to create marketing, commercialization, storage, or conservation operations for products in one or more free trade zones.

Commercial Users are not allowed to occupy more than 15% of the entire area of a certain Free Trade Zone collectively. (Art. 4 Decree 2147 of 2016)

2.5 OVERVIEW OF PERMANENT - MULTI-USER FREE TRADE ZONES

✓ In Colombia, there are currently 42 Permanent Free Trade Zones spread throughout 20 departments or regions.

(ANDI - National Business Association of Colombia - Chamber of Free Trade Zone Users)

✓ More than 1,000 companies located, 90% of which are “MiPymes” (SMEs)

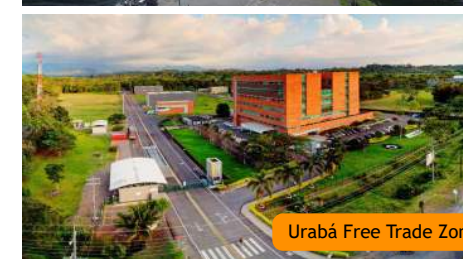
(ANDI Chamber of Free Trade Zone Users)

✓ More than 152,000 jobs created in Colombia

(ANDI Chamber of Free Trade Zone Users)

✓ Exports registered in 2022 by the Free Trade Zones exceed USD \$2,7 billion Free On Board - FOB

(Dane, National Administrative Department of Statistics)





Urabá Free Trade Zone

2.6 REQUIREMENTS AND CONDITIONS FOR THE QUALIFICATION OF INDUSTRIAL USERS OF GOODS AND SERVICES IN PERMANENT - MULTI-USER FREE TRADE ZONES

Industrial Users:

- ✓ Legal entity
- ✓ It operates only inside the Free Trade Zone
- ✓ Employment and investment commitments:

Real productive fixed assets	Initial investment		Investment within three years of qualification		Minimum jobs created
UVT (Tax Unit Value)	COP		UVT (Tax Unit Value)	COP	Sustain 90% of jobs at least in the second year
\$0 a 12,326	\$0 - \$522,770,312		0	0	Minimum of 3 jobs at project launch, plus 2 jobs in year two and 2 jobs in year three
12,327 a 123,263	\$522,812,724	\$5,227,830,356	20.092	\$852,141,904	Minimum 20 jobs at project start
123,264 a 739,576	\$5,227,872,768	\$31,366,897,312	100,459	\$4,260,667,108	Minimum 30 jobs at project start
739,577 o más	\$18,643,339,724		231,068	\$9,800,056,016	Minimum 50 jobs at project start

Source: Art. 80 Decree 2147 of 2016.
TVU 2023: 42,412



2.7 BENEFITS ASSOCIATED WITH PERMANENT - MULTI - USER FREE TRADE ZONES IN COLOMBIA



2.7.1 Income tax:

For legal entities that use the Free Trade Zone, the income tax rate is 20%. (Art. 240-1 Tax Statute)¹.

2.7.2 Sales tax (VAT):

0% VAT and tariffs on goods from abroad.

Due to the extraterritoriality, sales of foreign commodities between Free Trade Zone participants do not result in VAT.

Raw materials, components, inputs, and finished goods are VAT exempt goods with the right to a bimonthly refund when sold from the TAN (National Customs Territory) to industrial users of goods or services of Free Trade Zones or among them. This is true to the extent that they are required for the development of the corporate purpose of such users. (Letter e. Article 481 E.T)².

1.*Does not apply to business users (Law 2277 of 2022).
 * Only industrial users would be eligible for the special 20% income tax rate regarding "ordinary liquid income that is conformed with the income from the export of goods and services." (Law 2277 of 2022)
 * For industrial users who "have had a growth in gross income of 60% in 2022 compared to 2019," the special 20% rate would be in effect until the tax year 2025. (Law 2277 of 2022)
 * Requirement of an agreement with the Ministry of Commerce, Industry, and Tourism is necessary and must include the following: (i) an annual sales strategy; (ii) an annual internationalization plan; and (iii) maximum income commitments for activities inside the national customs territory. (Law 2277 of 2022)

2. Not all goods entering the Free Trade Zones from the TAN (National Customs Territory) are exempt, as the introduction of fuels, construction materials, and other items that are required for normal business operations but do not directly serve the corporate purpose of the Free Trade Zone are subject to VAT.



2.7.3 INDUSTRY AND COMMERCE TAX (ICA):

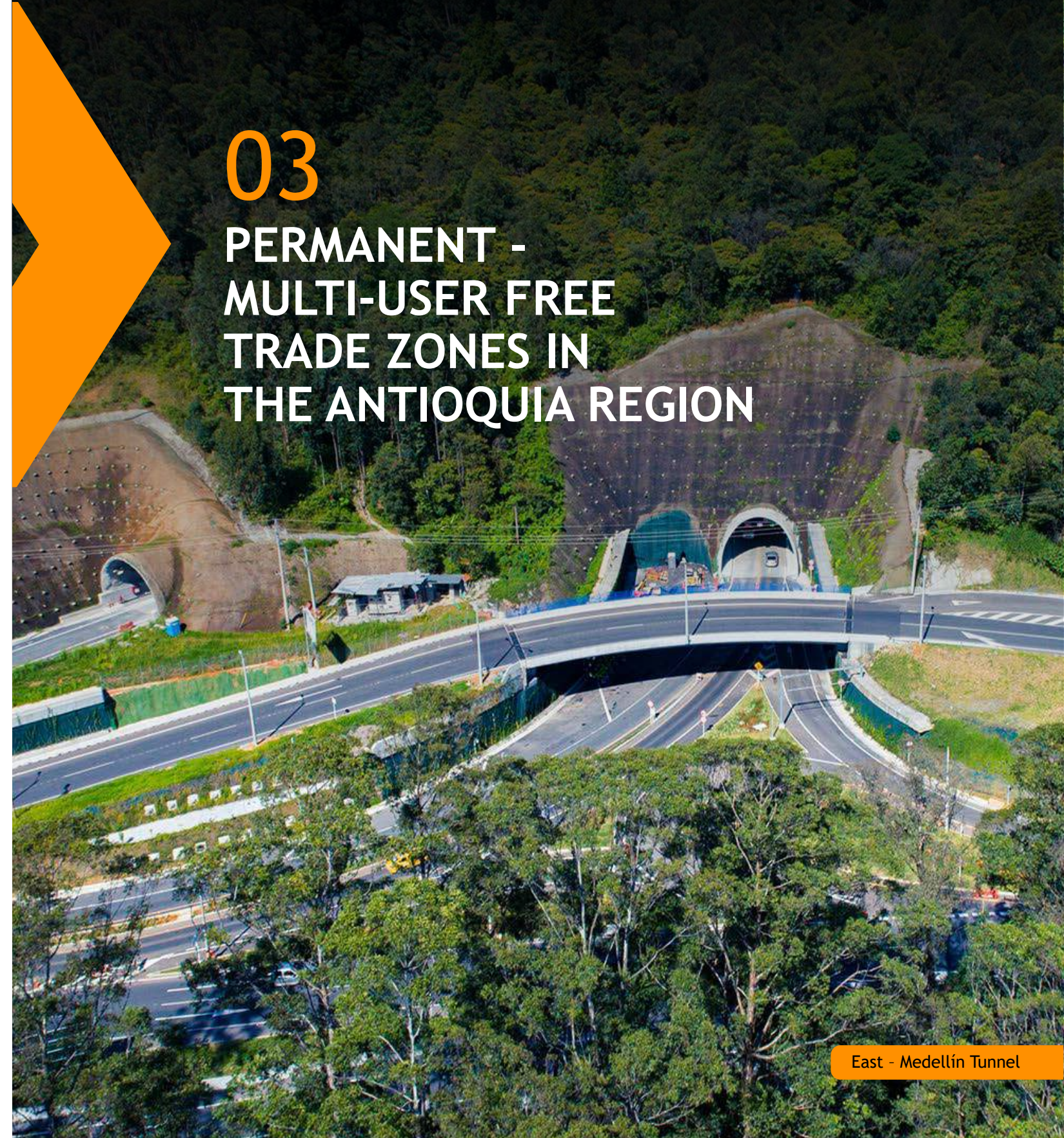
Benefits for national taxes under the national free trade system do not include the Industry and Commerce Tax incurred by users of Free Trade Zones.

Local government entities, who have the authority to grant tax prerogatives, are the only ones with the authority to exclude territorial taxes.

2.7.4 OTHER BENEFITS:

- ✓ Foreign origin goods entered to the Free Trade Zones may stay permanently (Decree 1165 of 2019)
- ✓ Possibility of selling goods and services to the TAN (National Customs Territory) without limitations or restrictions when the product has been nationalized and the applicable customs taxes have been paid (Decree 1165 of 2019)
- ✓ Permanent accompaniment by DIAN (Colombia Internal Revenue Service)
- ✓ The Free Trade Zones' processes have been simplified specifically to boost productivity and competitiveness (Source: Own)
- ✓ Corporate credibility, knowledge of the security and management requirements for each Free Trade Zone (Source: Own)
- ✓ Inventory control
- ✓ Reduction of paperwork and approvals

03 PERMANENT - MULTI-USER FREE TRADE ZONES IN THE ANTIOQUIA REGION



East - Medellín Tunnel



3.1 INTERNATIONAL FREE TRADE ZONE OF THE ABURRÁ VALLEY (ZOFIVA)



Near to Colombia's major ports, ZOFIVA offers vast office spaces, storage areas, and all of its expertise in managing Free Trade Zones to private businesses engaged in local, as well as, international commerce.

Unbeatable choice in terms of market distribution, administration, and expansion plans for import, export, and commerce in all its forms.

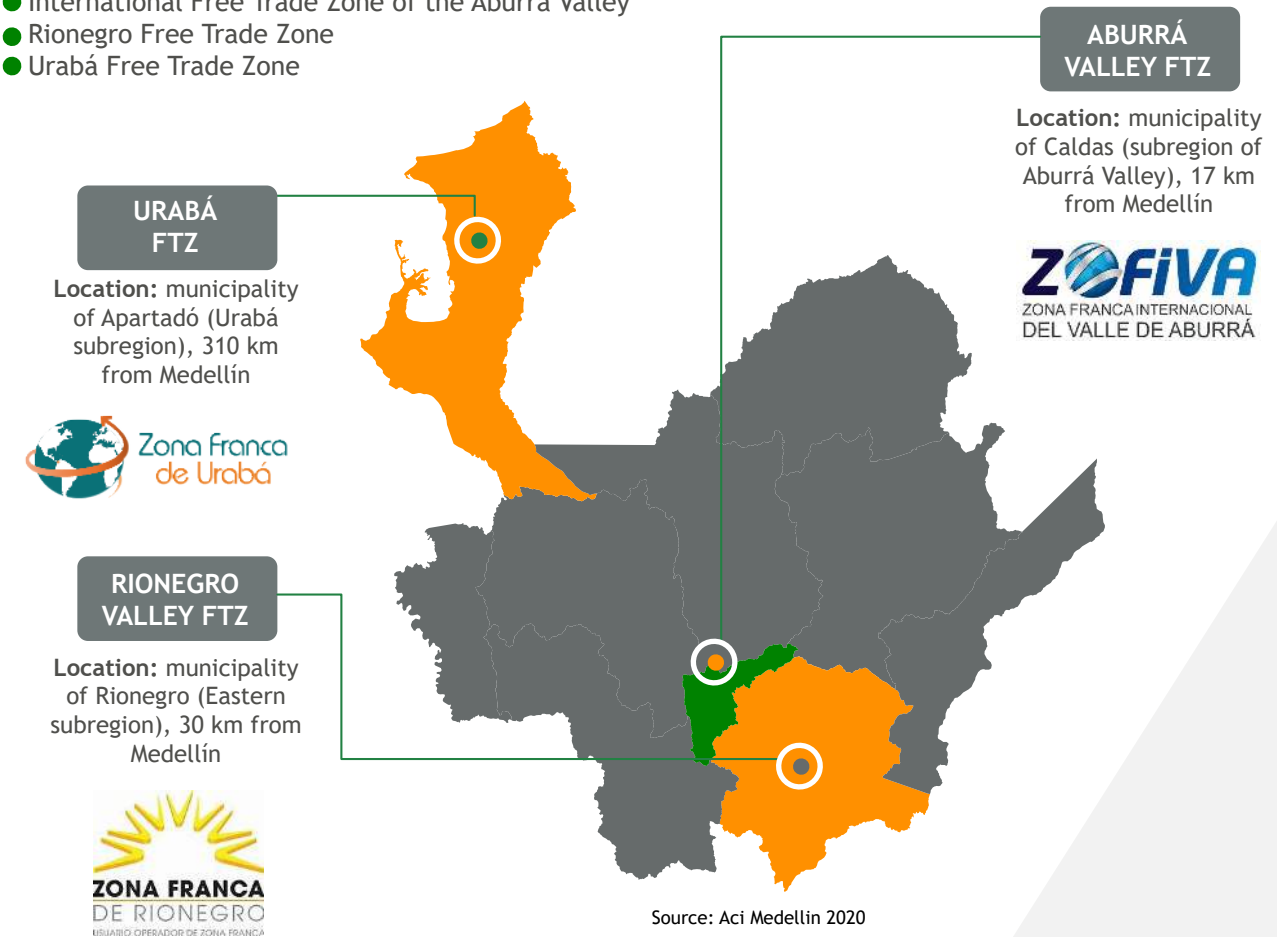
Location:

- ✓ Modern, cutting-edge industrial park with a 207,941 m2 area situated 17 km from Medellín in the municipality of Caldas, south of the Aburrá Valley
- ✓ ZOFIVA is positioned as the Metropolitan Area's premier logistics platform



Currently, Antioquia has three Permanent Free Trade Zones:

- International Free Trade Zone of the Aburrá Valley
- Rionegro Free Trade Zone
- Urabá Free Trade Zone



Source: Aci Medellín 2020



Proximity to ports:

- ✓ Barranquilla: 720 km
- ✓ Cartagena: 650 km
- ✓ Buenaventura: 450 km
- ✓ Urabá: 352 km

Established year:

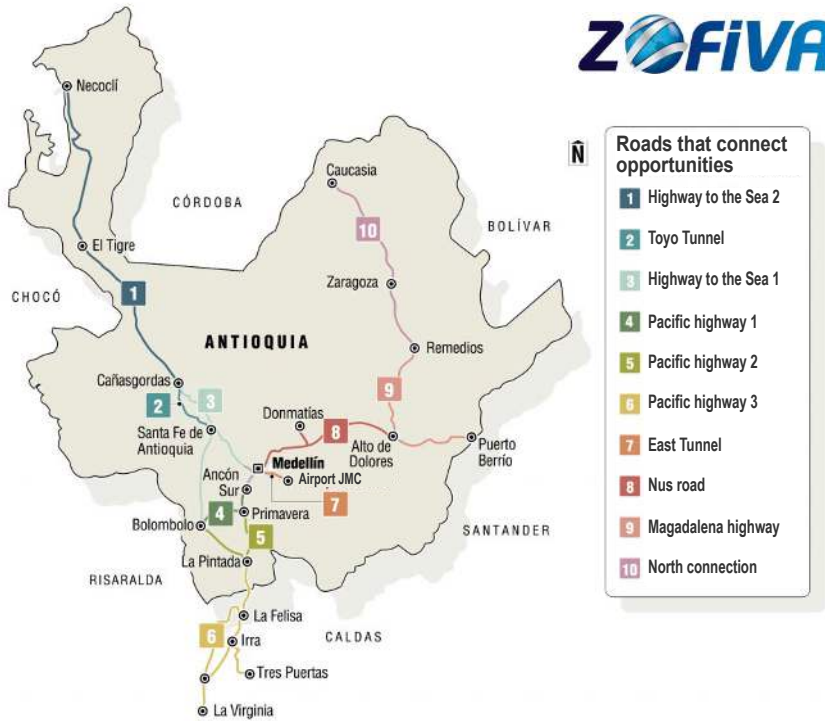
- ✓ Free Trade Zone approved by Resolution No. 7957 of October 24, 2012

Current main sectors at Free Trade Zone:

- ✓ Precious metals
- ✓ Logistics
- ✓ Automotive and auto parts

**Declared Area/
Available Area:**

- ✓ Declared area: 207,941 m2/
- ✓ Available area: 72,000 m2



4PL Services



FÉNIX Zona Franca S.A.S



Intex Trade ZF.

Installed users:

30 qualified users approximately,
some of them are:

Jobs created:

150 direct jobs
approximately

Contact information:

Assistant Manager:
+573014237551

asistente.gerencia@zofiva.co



3.2 RIONEGRO FREE TRADE ZONE

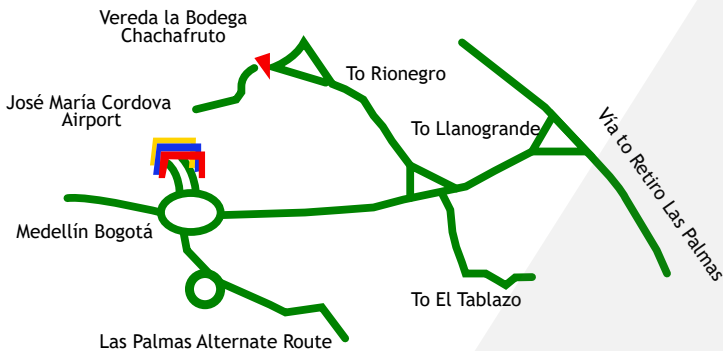


Zona Franca de Rionegro is located 30 kilometers from Medellín, next to the runway of the José María Córdoba International Airport.

Its privileged location in one of Antioquia's fastest-growing areas enables to find skilled and operative human capital ideal for the development of any project.

With more than 30 years of expertise, Zona Franca de Rionegro provides a comprehensive, high-quality services with professional assistance from project's design, in addition to all the customs and tax benefits provided by Colombian rules.

Location:
The Zona Franca de Rionegro is an industrial park of approximately 46 hectares (1,000 acres):



Distances to certain cities:

- ✓ Buenaventura: 602 km
- ✓ Cartagena: 705 km
- ✓ Bogotá: 473 km

Established Year:

Rionegro Free Trade Zone was established in 1993 and has its designation extended for 30 years, or until 2053.

Current main sectors at Free Trade Zone:

- ✓ Textile/Clothing
- ✓ Food supplies
- ✓ Metalmechanics
- ✓ Paints and inks
- ✓ Plastic
- ✓ Laboratory
- ✓ Logistics
- ✓ Precious metals

Declared Area:

210,000 m2 of constructed area
Approx. 50 hectares, where green areas predominate

Available area:

Warehouses for lease: 10,000 m² in total, areas from 1,300 m²

Lots for sale: 8,000 m²

Installed users:

Approximately 100 qualified users

Jobs created:

Approximately 6,194 direct jobs

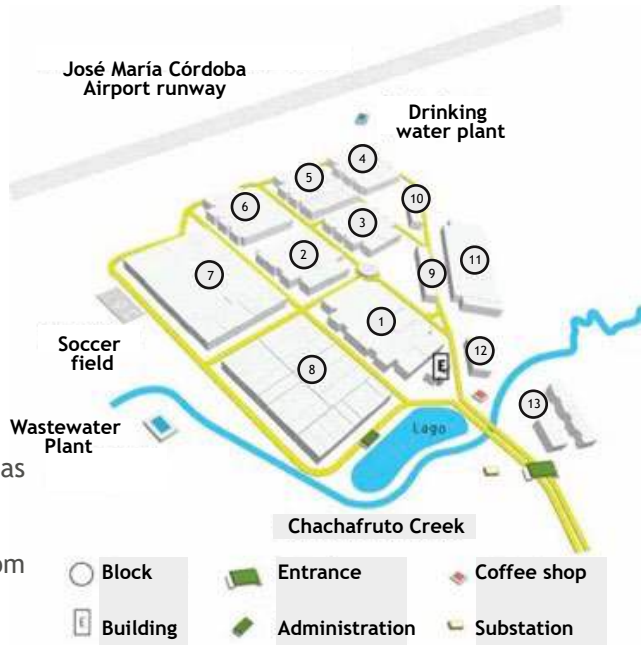
Contact information:

Sara Isabel Valderrama Zapata
Administrative Assistant Manager
svalderrama@zonafrancarionegro.com
Phone: (+57) 3003259614



Distances to some destinations:

- Turbo: 338 Km
- Bogotá: 473 Km
- Buenaventura: 602 Km
- Cúcuta: 607 Km
- Cartagena: 705 Km
- Ipiales: 885 Km





Urabá Free Trade Zone

3.3 URABÁ PERMANENT FREE TRADE ZONE



The only permanent Free Trade Zone in the Urabá region, which has a high-impact industrial urban development.

Regardless of the industry they serve, Zona Franca Urabá was created to make it easier for companies of all sizes to function efficiently while adhering to the highest international standards.

As it was developed in accordance with international standards and on the Transversal Highway of the Americas, 18 kilometers from the current port platforms, the industrial park provides its clients with unique qualities in the area that facilitate and provide an economic advantage for international trade operations.

Location:

In the Apartadó municipality, the hub of Urabá's economic, social, and industrial development:



Urabá Free Trade Zone

Main distances:

- ✓ 310 km from Medellín
- ✓ 18 km from the logistics and port platforms of Zungo and Nueva Colonia
- ✓ 20 km of the Puerto Antioquia port project
- ✓ 16 km from Los Cedros de Apartadó airport

Established Year:

It was approved by Resolution No. 5423 of June 20, 2008.

Current main sectors at Free Trade Zone:

- ✓ Health
- ✓ Industry
- ✓ Logistics
- ✓ Commercial

Declared Area/ Available Area

- ✓ Declared area: 26 hectares
- ✓ Available area: 9.5 hectares
- ✓ Expansion capacity: 49 hectares

Installed users:

11 qualified users, some of them are:



Commerk S.A.S



Valle Verde
Zona Franca S.A.S



Cardioestudio
Zona Franca S.A.S



Promotora Clínica
Zona Franca de
Urabá S.A.S



Agencia comercial
de distribuidora
Tropicana S.A.S



Dique Constructores
Zona Franca S.A.S

Jobs created:
Approximately 754 direct jobs

Contact information :
Business Manager
Julian.velilla@gruposantamaria.com.co
Phone: (+57) 3136525558

Comparative table on road distances to ports in the Caribbean vs Turbo

