

Invest in Serbia

Location. Skill. Profit.



SERBIA
INVESTMENT AND EXPORT
PROMOTION AGENCY

SIEPA



All Investment Roads Lead to Serbia

Serbia bridges East and West. Its treasured position in the heart of South East Europe makes it an outstanding investment location.

Serbia Key Facts	
Official Name	Republic of Serbia
Form of State	Democratic Republic
Political Structure	President
	Unicameral Assembly with 250 seats
Area	88,361 km ²
Population	9.5 million
Official Language	Serbian
Largest Cities	Belgrade – 1,730,000
	Novi Sad – 285,000
	Nis – 255,000
Currency	Dinar (RSD)
GDP (2009)	€31.51 billion
GDP pc (2009)	€4,304
Time Zone	Central European Time (GMT + 01:00)
Internet Domain	.rs



Booming Market Potential

“One of the main reasons to invest in Serbia was the market potential and the opportunity to export our products from Serbia to the whole region of CEE.”

Nenad Vukovic, Former President, **Henkel Serbia**



Externally, Serbia can serve as a base for duty-free exports to a market of 1 billion people. It includes:

- The European Union,
- The United States of America,
- Russia,
- Turkey,
- South East Europe,
- The European Free Trade Agreement states, and
- Belarus.

This customs-free regime covers most key industrial products, with a small number of exceptions and annual quotas.

**1 Billion
People**

**Total Size of
the Market
with Customs-
Free Access**

Upon the completion of negotiations with Egypt, Serbia will have duty-free access to additional 79 million consumers.

Internally, with 9.5 million people, the Serbian market is the 2nd largest in South East Europe. The average net monthly salary rose from €91 in 2001 to €402 in 2008. Coupled with rap-

id consumer loan expansion, this fueled a sharp increase in local demand. This was reflected in double-digit growth of retail trade turnover on an annual basis.

Market	Trade Regime	N° of Inhabitants
EU	Interim Trade Agreement	494,070,000
USA	Generalized System of Preferences	302,558,000
Russia & Kazakhstan	Free Trade Agreement	158,950,800
CEFTA	Free Trade Agreement	29,990,542
Belarus	Free Trade Agreement	9,689,800
EFTA	Free Trade Agreement	13,000,000
Turkey	Free Trade Agreement	75,000,000
Total		1,083,259,142

Selected Investors in the Pharmaceutical Industry

Company	Investment Value (EUR mn)
Actavis, Iceland	50
Pharmaswiss, Switzerland	25
West Pharmaceuticals, USA	20



Low Overhead Costs

“We performed a cost/performance ratio that proved to be highest here.”

Markus Ries, CEO, **Grammer System Serbia**

Corporate Income Tax Rate

Serbia	10%
Bulgaria	10%
Romania	16%
Slovakia	19%
Poland	19%
Hungary	19%
Czech Republic	19%
Croatia	20%

Source: PricewaterhouseCoopers

Selected Investors in the Textile Industry

Company	Investment Value (EUR mn)
Calzedonia, Italy	35
Fulgar, Italy	20
Falke, Germany	10

10%

**Europe's
Second Lowest
Corporate
Income Tax Rate**

Serbia boasts a highly-skilled, competitively-priced workforce. Labor costs in Serbia are amongst the lowest in the region and low enough to ensure cost-effective operations. The total cost of labor for employers is merely 50% of the level in eastern European EU countries. Serbia's tax system is highly conducive to investment, featuring the following benefits:

- One of Europe's lowest Corporate Income Tax rates set at 10%;
- Value Added Tax of 18%-among the most competitive in Central and Eastern Europe;

- A 10-year Corporate Income Tax holiday for investments of over €8 million that generate at least 100 new jobs;
- A 5-year Corporate Income Tax holiday for small-scale investments in underdeveloped regions;
- Corporate Income Tax credits for investing in fixed assets of up to 80% of the invested amount;
- Salary Tax and social insurance charges exemptions for employees below 30 and above 45 years of age;
- Value Added Tax exemptions in Serbian Free Zones.

Attractive Investment Incentives

“We have had exceptional cooperation with SIEPA, which granted our company €300,000 for employing 150 new workers.”

Marko Mrzel, General Manager, **Gorenje Serbia**



Highly competitive and diverse investment incentives are designed to reduce the costs of investment projects in Serbia.

For large investors, a special financial package is available: If a project's value exceeds €200 million, with the minimum of 1,000 new jobs created, the state may cover up to 25% of the investment. Investments of over €50 million that create the minimum of 50 new jobs can be subsidized in the amount of up to 20% of the project's value.

For standard-scale Greenfield and Brownfield projects in the manufactur-

**€2,000–
10,000**

**State Grants
for Every New
Job Created**

ing and export-related services sectors, non-refundable state funds are offered in the range between €2,000 and €10,000 per new job created.

Over the past four years, some €47 million has been approved for €635 million worth of investment projects that will

bring more than 17,000 new jobs to the Serbian economy. This incentive scheme has already benefited a large number of world-class companies, namely Golden Lady, Gorenje, Henkel, Kronospan, Leoni, Pompea, and many more.

Financial Grants				
Eligible Projects	Standard-Scale Projects			
	Manufacturing			Export-Related Services
	Projects Realized in Devastated Regions and Regions of Special State Interest	Projects in Automotive, Electronics, IT Industries Realized in Regions of Special State Interest	Projects Realized in Other Regions	Projects Realized in Any Region
Grant Amount*	€4,000 – 10,000	€5,000 – €10,000	€2,000 – €5,000	€2,000 – €10,000
Minimum Investment	€0.5 mn	€0.5 mn	€1 mn	€0.5 mn
Minimum N° of New Jobs	50	50	50	10

* per new job created



Quality Human Resources

“In profiling our Serbian employees in a few key words, I would identify them as educated, dedicated, technically capable, results oriented, and motivated in making our company a success.”

Matthew Perkins, General Director, **U.S. Steel Serbia**

Industrial Productivity Growth Rate

2008	7.0%
2007	12.9%
2006	14.2%
2005	9.0%
2004	12.5%

Source: Statistical Office of the Republic of Serbia

Selected Investors in the Automotive Industry

Company	Investment Value (EUR mn)
FIAT, Italy	700
Michelin, France	150
Cimos, Slovenia	100

Serbia's labor force combines exceptional working efficiency with sizable labor supply. With a unique combination of high-quality and low costs, it is one of the key factors in reaching a strong business performance.

The quality of the local labor force is best reflected in robust industrial productivity, rising at an 11% rate over the 2004-2008 period. Labor supply comprises of 770,000 unemployed and increases by 27,000 university and 2-year college graduates and 75,000 high school graduates each year. Technical education is particularly strong—high school students are among the

11%

Annual
Productivity
Growth between
2004 and 2008

best performers at world contests in natural sciences, while Serbian engineers are well-known for their expertise. In addition, Serbia boasts the highest English speaking proficiency in Eastern Europe. Management education has also been improved by the introduction of joint graduate and post-graduate courses organized by local universities and renowned Western business schools.

Essentially, highly qualified staff in Serbia is widely available. The number of engineers, managers, and other specialists is sufficient to meet the growing demand of international companies.

Strategic Geographic Location

“We looked at the geographic location of your country and viewed it as a natural hub. This fact prompts many international companies to start working out of Serbia and reach the surrounding countries.”

Stein-Erik Vellan, Former CEO, **Telenor Serbia**

As a logistics base, Serbia is the perfect location for a company to efficiently serve its EU, SEE or Middle Eastern customers. It borders the EU at the Hungarian, Bulgarian, and Romanian state lines, while offering the benefits of working outside the EU.

2 Hours

**Duration
of Flight to
Anywhere in
Europe**

Furthermore, owing to its position on the geographic borderline between the East and West, Serbia is often referred to as a gateway of Europe. Two important European corridors, N° 7 – River Danube and N° 10 – the international highway and railroad, intersect on Serbian territory, providing excellent transportation connections with Western

Europe and the Middle East. By using well developed road connections, a shipment from Serbia can reach even the remotest parts of Europe in less than 72 hours. The transport of goods via railroads is highly cost effective, and through the Corridor

N° 10, Serbia offers access to major European destinations. In summary, Serbia boasts the potential to grow into the logistics hub of South East Europe.

In order to further upgrade the country's road and railway networks, roughly €4 billion will be invested in their modernization over the coming years.



Transportation Infrastructure

Length of road network	40,485 km
Length of railway network	3,809 km
Length of navigable routes	959 km
Number of river ports	12
Number of international airports	2

Selected Investors in the Wood Industry

Company	Investment Value (EUR mn)
Kronospan, Austria	85
Tarket, France	80
Fantoni, Italy	30

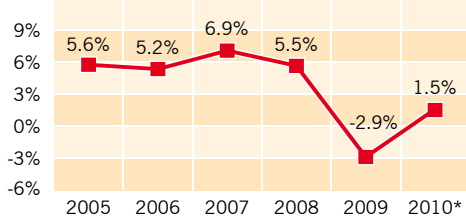


Robust Recent Growth

“For us, Serbia represents a dynamic, fast-growing market, with a great potential for further progress.”

Stefanos Vafidis, Former General Manager, **Coca-Cola HBC**

GDP Growth Rate



*Estimation; Source: Statistical Office of the Republic of Serbia

Selected Investors in the Food Industry

Company	Investment Value (EUR mn)
Agrokor, Croatia	450
Group Lactalis, France	25
Rauch, Austria	20

For years, Serbia was among Europe’s fastest growing economies. Between 2004 and 2008, economic growth averaged 6.3%, while GDP per capita almost doubled. Strong GDP performance was largely driven by services sectors such as telecommunications, retail, and banking. In addition, local food, beverage and construction industries expanded rapidly. Based on the metal, food, textile, chemical, machinery, and furniture sectors, Serbian exports also increased at a sharp rate of more than 33% annually.

6.3%

Annual GDP Increase between 2004 and 2008

In 2009, Serbia’s economic output contracted by 2.9%—less than that of most other CEE countries—as a result of a comprehensive set of state measures. The country’s external liquidity is secured through a €3 billion worth, Stand-By

Arrangement with the International Monetary Fund. State-subsidized “soft” banking loans aim to spur on production, exports, and consumer demand. Lastly, public expenditures are substantially reduced, but with the increased state investment in infrastructure development.

Reforming Business Start-Up

“We think that the procedure for the registration of a company is highly rational and that the competent institutions in the state administration perform their work very professionally.”

Milutin Ivanovic, General Manager, **Knauf Beograd**

The business registration procedure in Serbia typically takes 5 days, down from previous 23. This process in the Business Registers Agency can be completed in only 3 days, with additional several days for other procedures.

5 Days

Time To Register a Business

The entire business registration process is simplified and tailored to meet the requirements of the type of a company one wishes to establish. Transparency and low registration costs add to the efficient institutional and legal frameworks for business registration.

Company types in Serbia are similar to those in developed economies. One can incorporate a business as a Joint Stock Company, Limited Liability Company, General Partnership or Limited Partnership. The minimum capital required is as low as €10,000 or €25,000 for a Joint Stock Company, and €500 for a Limited Liability Company.

Business start-up is further encouraged by ongoing regulatory reforms the most essential of which is the Law on Urban Planning and Construction, which enables simplified construction-related procedures.



Business Registration Time and Costs

Time of Registering a Company (Days)	5
Cost of Registering a Company (EUR)	Up to 350

The Minimum Capital Required (EUR)

Joint Stock Company	10,000/25,000
Limited Liability Company	500

Selected Investors in the Tourism Industry

Company	Investment Value (EUR mn)
Metropol, Russia	100
Greotel, Greece	60
InterContinental, UK	30



New Investment Hotspot

“Serbia is ranked 3rd in the Manufacturing Index and 7th in the Services Index among emerging markets.”

The PricewaterhouseCoopers EM20 Index, 2008

Inward FDI (EUR mn)

2009	1,810
2008	2,255
2007	2,601
2006	4,279
2005	1,329

Source: National Bank of Serbia

Selected Investors in the Real Estate Industry

Company	Investment Value (EUR mn)
Airport City, Israel	200
Bluehouse, Greece	70
Grawe, Austria	30

Since the onset of economic reforms in 2001, Serbia has grown into one of the premier investment locations in Central and Eastern Europe. By the end of 2009, the FDI inflow into the country exceeded €14 billion, while in the past four years alone, Serbia attracted nearly €11 billion of inward foreign direct investment. The list of leading foreign investors is topped by world-class companies and banks such as Fiat, Telenor, AB InBev, Kronospan, Henkel, Intesa Sanpaolo, and many others.

According to PricewaterhouseCoopers, Serbia is the 3rd most attractive manufac-

€11 Billion

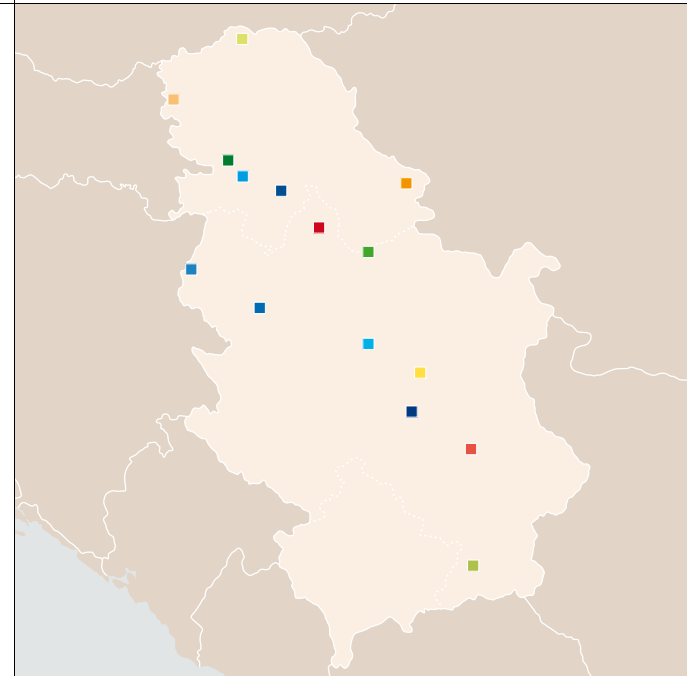
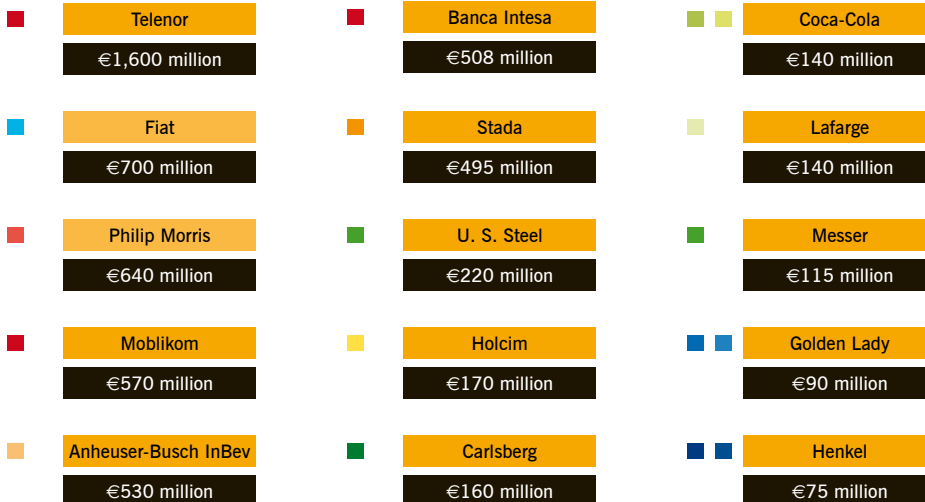
FDI in the
Past Four
Years Alone

turing and 7th most attractive services destination among emerging economies. Additionally, Ernst & Young recorded around 150 inward investment projects in Serbia in 2007, 2008, and 2009—the 2nd best performance in the South East Europe region.

The bulk of FDI in Serbia originates from the EU countries, while the United States is also a major investor country. Russia is now increasing its presence as well, meaning that investors from around the globe are most welcome to Serbia.

FDI Locator

Serbia offers vast investment potential. Each region, with its unique opportunities, represents a welcoming environment for future investors.



SIEPA—Serbia's FDI Powerhouse

The Serbia Investment and Export Promotion Agency (SIEPA) was created in 2001 by the Government of the Republic of Serbia. Our mission is to support foreign companies seeking to set up or expand their business in Serbia and Serbian companies doing business abroad. A staff of 40 multilingual employees working out of the company's headquarters in Belgrade manages projects all over the world.

We provide professional consulting services to firms interested in setting up business operations in Serbia, focusing on all relevant issues in their decision making process. We readily offer an insight in the general investment environment, as well as targeted legal and industry-specific advisory services. In addition, we have created products such as Suppliers Database and Locations Database, available on our web site at no charge, to provide quick and up-to-date information to our clients.

Some of the largest recent Greenfield projects in Serbia were completed as a result of our assistance. The Ball Corporation (USA), as well as Fiat (Italy), Kronospan (Austria), Leoni and Knauf (Germany), and Yura Corporation (Korea) are on top of our reference list.

We would like to invite you to contact our expert staff ready to assist you and your business needs. Our services are tailor-made to best match your company's needs and requests.

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