

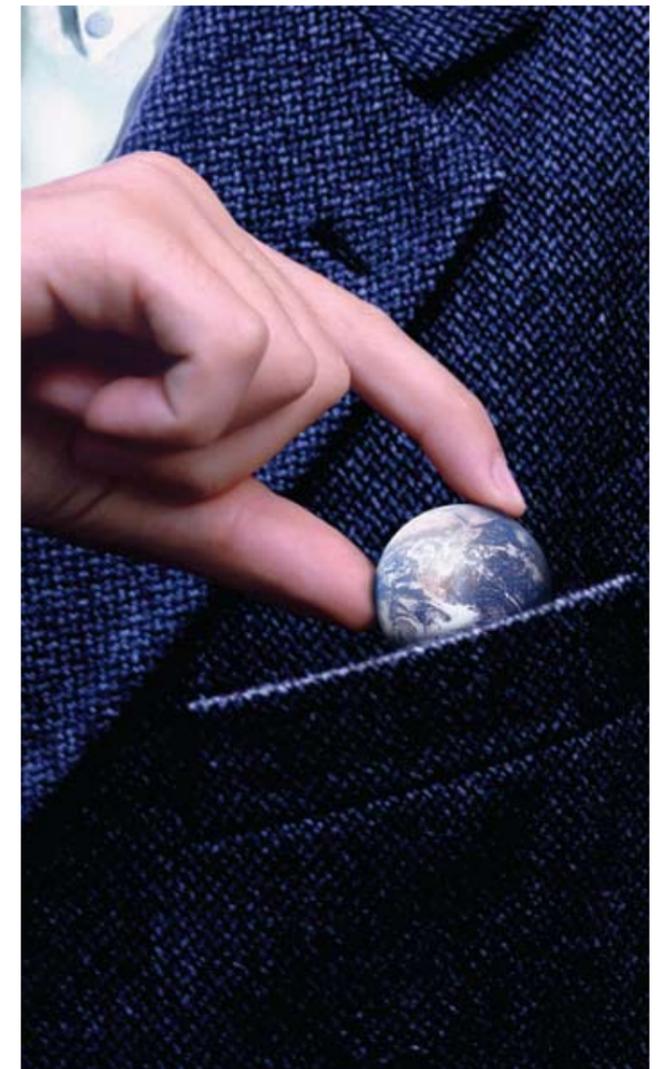
# General Data

Official Name	Republic of Serbia
Form of State	Democratic Republic
Political Structure	President Unicameral assembly with 250 seats
Area	88,361 km <sup>2</sup>
Population	9.5mn
Geographic Position	South East Europe, central part of the Balkan Peninsula, at the intersection of Pan European Corridors N°.10 and N°.7
Border	In the east, Serbia borders Bulgaria, in the northeast–Romania, in the north–Hungary, in the west–Croatia and Bosnia and Herzegovina, in the southwest–Montenegro, and in the south–Albania and Macedonia
Climate	Temperate continental, with monthly average temperatures ranging between 0.7°C in January and 17.5°C in July
Official Language	Serbian
Main Religion	Christian Orthodox
Other Religions	Roman Catholic, Islamic, Jewish, Protestant
Major Cities	Belgrade: 1,576,000; Novi Sad: 298,000; Nis: 250,000
Currency	Dinar (RSD)
GDP (2007)	29.92 bn €
GDP pc (2007)	3,971 €
Time Zone	Central European Time (GMT + 01:00)
Internet Domain	.rs



# Contents

- General Data
- 2 Near Shore to Serbia
- 4 Enticing Environment
  - 6 Why Serbia?
  - 7 Rising FDI Star
  - 7 Strong Service Base
- 8 The People
  - 10 Proficient in Foreign Languages
  - 11 Available
  - 12 Competitively Priced
  - 13 Productive
- 14 Where to Set Up?
  - 15 Novi Sad
  - 16 Belgrade
  - 18 Nis
- 19 ICT Infrastructure
- 20 Success Stories
- 24 SIEPA – Your Investment Facilitator



## Near Shore to Serbia

As the biggest problem nowadays is not so much attracting new customers, as retaining existing ones, companies are moving towards regional centres in order to be closer to clients and to be in a position to provide superior customer care. However, with many countries and regions reaching saturation point, companies are now faced with a multitude of issues, including high staff turnover rates (up to 35%), a lack of the required language skills, cultural assimilation etc.

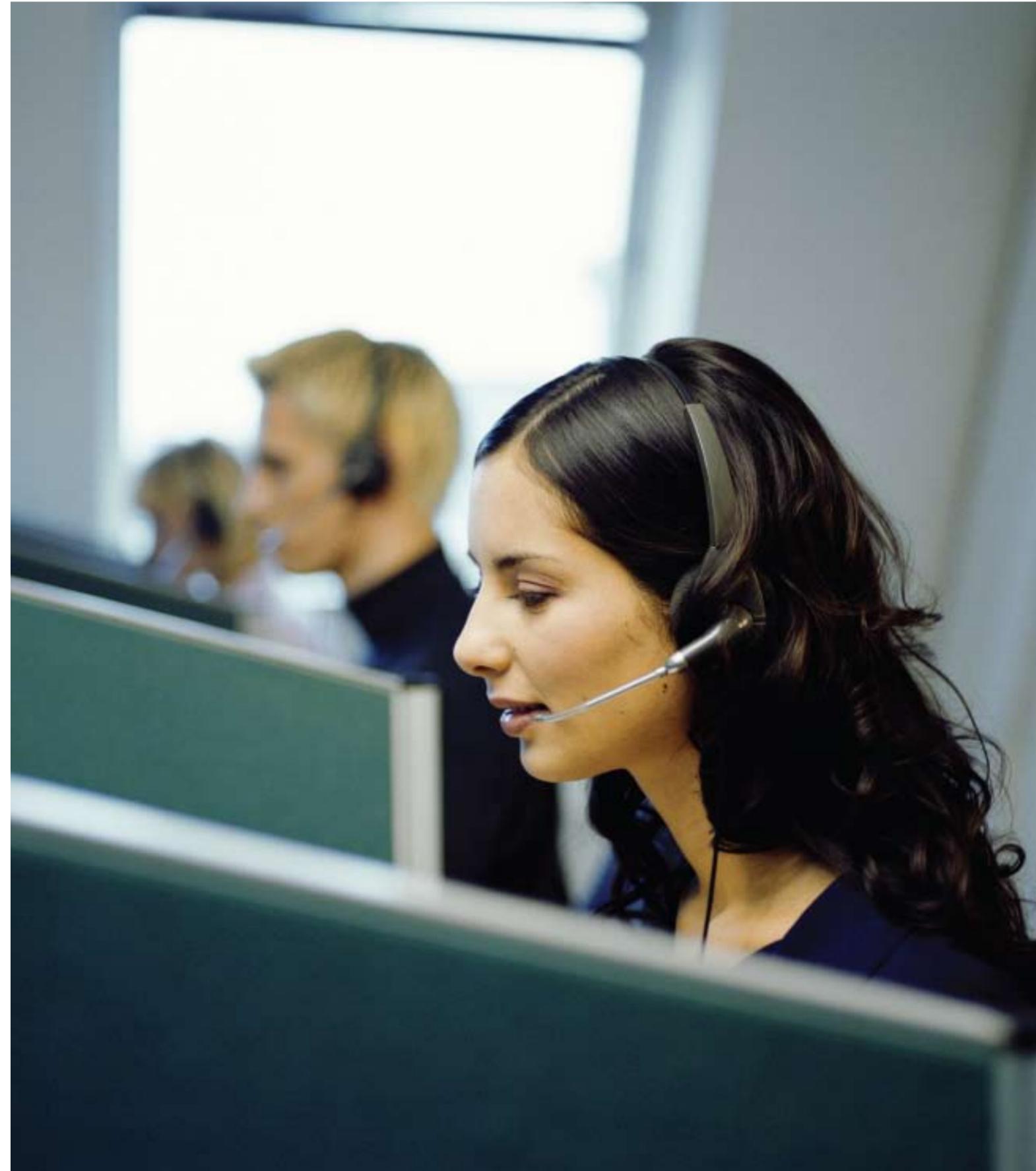
In these, as in many other respects, Serbia holds a whole range of aces up its sleeve, and is emerging as a new hot spot for hosting shared services centres. It is located at the heart of CEE and shares the same time zone as most West European countries (GMT+1), thus offering obvious advantages when compared to off-shore regions like India. The workforce is reliable, with a robust skills base, and a business culture stemming from strong cultural and business ties with the West. The country has a level of multilingualism – especially English



language – almost without parallel in many other parts of Central and Eastern Europe. People are highly trained, productive, ready to work, and work hard. Moreover, various Government – sponsored programmes are creating a qualified labour pool through training and development, thus ensuring a constant stream of work-ready staff.

Serbia is also well-positioned to handle off-shore calls from Russia. Language and accent are not an issue. A similar time zone, close cultural alignment in terms of language, availability of technology, the country's appetite for new business and work ethics, not to mention cost benefits are its key assets when it comes to attracting shared services investment.

Travelling to and from Serbia is swift and easy. With two international airports (in Belgrade and Nis), Serbia is well connected with the rest of Europe. Almost any destination can be reached within 3 hours. Although lacking an international airport, Novi Sad is just 30 minutes drive from Belgrade airport.



Rising star of the service market.

## Enticing Environment

“Serbia is the leader in economic growth in South-East Europe.”

Peter Sanfey  
Senior Economist  
The European Bank for Reconstruction and Development

### Which Region is most Attractive for SSC and Back Office Hubs?

Southeast Europe	25%
Western Europe	25%
Central Europe	21%
Nordic countries	4%
Baltic countries	1%
Northern Africa	1%
Russia, Ukraine, Belarus	<1%

Source: E&Y Southeast Europe Attractiveness Survey 2008, 216 international executives

### Services Index—Summary Rankings

Rank	Country	Index Value
1	Poland	95
2	Chile	95
3	Russia	93
4	Romania	93
5	Bulgaria	93
6	Slovakia	91
7	Serbia	89
8	Brazil	87
9	Malaysia	87
10	Turkey	87

Source: PricewaterhouseCoopers, EM20 Index

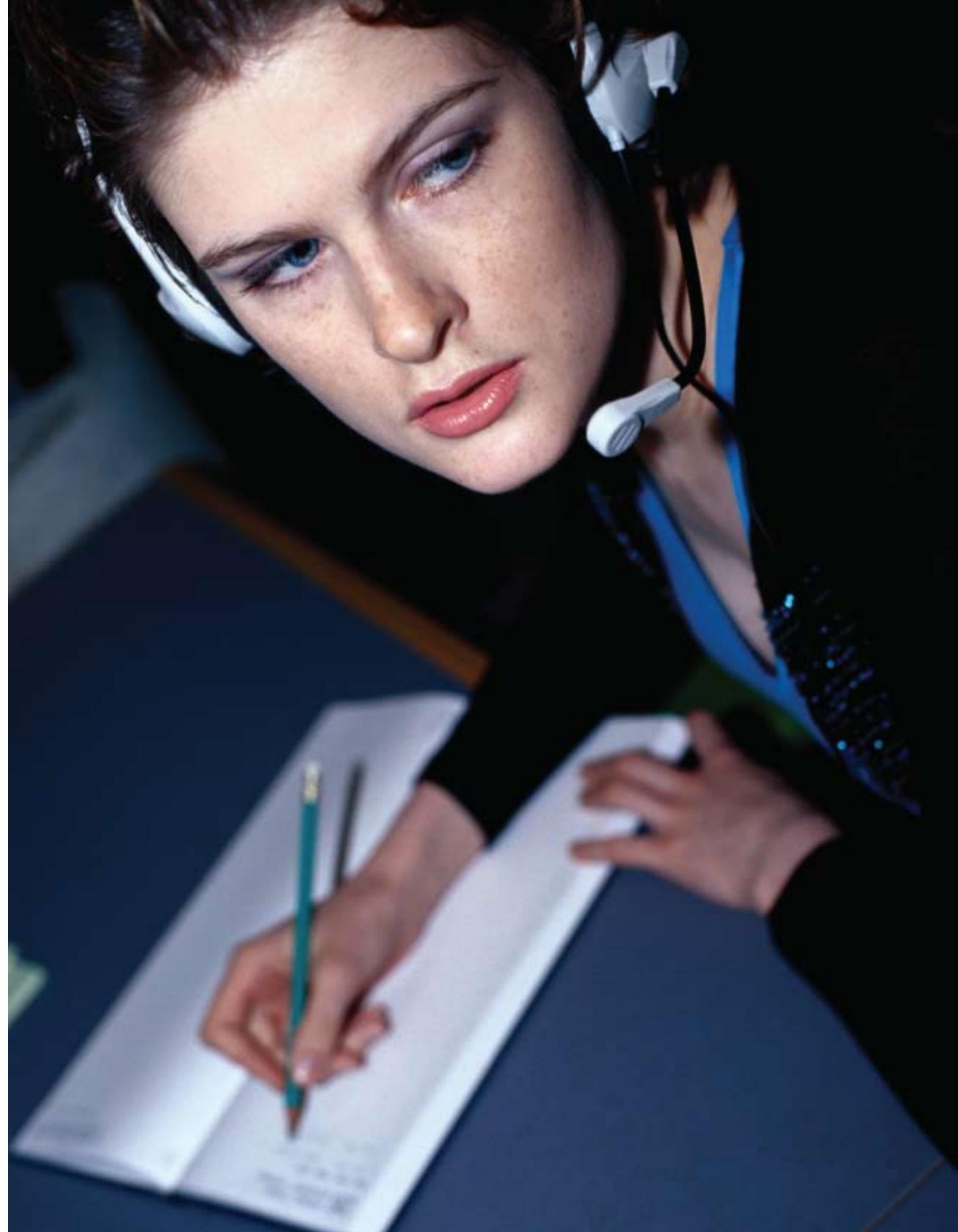
Over the past 10 years, the Shared Services Centre (SSC) concept has emerged as the dominant business trend for the provision of cost-effective support functions. Today, 80% of all Fortune 500 companies have introduced SSCs.

With locations throughout Central Europe, Great Britain, and Ireland over-saturated, the industry is now seeking new locations, and South-East Europe is emerging as the next region of choice for many investors.

Serbia's capacity in terms of hosting SS projects equals or exceeds those of CEE countries that have reached saturation point when it comes to receiving further investment.

A number of studies carried out by renowned location consultants have ranked Serbia among the new stars of the service industry. PricewaterhouseCoopers's EM20 Index of attractive emerging markets, generated by PwC's Risk & Reward Model, rates Serbia among the most promising locations, on an almost equal footing with Poland, Russia, Slovakia etc.

Ranked outside the top 20 in 2004, Serbia has climbed to seventh place in 2008. This rapid rise largely reflects increasing GDP per capita, while falling risk premiums reflect improvements in terms of political and economic stability, as the country moves towards EU admission.



## Why Serbia?



In recent years, Serbia has been among Europe's fastest growing economies. Over the past four years, GDP growth has averaged 7%, with this rate likely to continue in the coming years. GDP per capita of \$5,764 in 2007 is coupled with rapid bank loan expansion with a view to meeting increasing local demand.

With a population of 7.5 million, the Serbian market is the second largest in the region, after Romania. Furthermore, Serbia is the only country outside the Commonwealth of Independent States (CIS) that enjoys a Free Trade Agreement with Russia. Added to this are duty-free exports to the European Union and the United States for most products and services. Serbia is also a member of the CEFTA South-East Europe free trade zone, a market of some 29 million people. This region is also among the fastest growing in Europe.

Serbia's skilled and productive labour force has proven to be one of her major competitive advantages in the global investment market. The quality of Serbia's intellectual capital is based on extensive relationships with Western economies stretching back decades, as well as an educational system generating fast-learning, multilingual, IT-literate people.

In recent years, the number of university graduates has grown at an annual rate in excess of 15%, averaging over 16,000 per year. Technical education is particularly strong, with a third of graduates coming from technical universities. Furthermore, secondary school pupils are consistently among the best performers at international contests in mathematics, physics and IT.

Bordering Hungary, Romania, and Bulgaria, Serbia is at the doorstep of the European Union. Via strategic transport routes, Corridors N<sup>o</sup> 10 and N<sup>o</sup> 7, the country links Western Europe with the Middle East. From Serbia, you can effectively serve both your European and Middle Eastern customers, thereby enhancing your business performance.

To top it all, operating costs for doing business in Serbia are significantly lower than those in other CEE countries. Serbia's tax system is highly conducive to investment, offering one of Europe's lowest corporate profit tax rates of 10% and a package of tax incentives and breaks to encourage high profit rates and easy start-up.

Labour costs in Serbia are comparable to the rest of the Western Balkan region, while standing at less than half the level of East European EU member-states. Low utility costs are also a strong factor in achieving high profit margins.

GDP Growth Rate	
2008	6.1%
2007	7.5%
2006	5.7%
2005	6.2%
2004	8.4%
2003	2.5%
2002	4.2%

Source: Statistical Office of the Republic of Serbia

## Rising FDI Star

Since 2001, inward FDI has reached \$13.5bn, with the number of Greenfield projects growing rapidly.

The number of hosted projects in 2007 and the dizzying increase compared to 2006 (Graph) underline Serbia's status as a rising star in the FDI universe – and not just at regional level. At pan-European level in 2007, Serbia ranked 11<sup>th</sup> in terms of job creation, and 16<sup>th</sup> in terms of FDI projects. In 2007, Serbia had 13.5% industrial productivity growth, and enjoyed a 174% increase in inward FDI projects, thus overtaking a number of EU members like Greece, Cyprus and Bulgaria, as well as some of the booming economies like Turkey. (SEE Attractiveness Survey, Ernest & Young)

The list of leading foreign investors is topped by blue-chip companies and banks, such as Telenor, Stada, Pharma Swiss, Actavis, Philip Morris, Mobilkom, Microsoft, Banca Intesa, InBev, and many others.

Serbia's strong FDI track-record is borne out by a string of internationally-recognised awards for local Greenfield investment. Serbian Greenfield projects have received OECD awards in the category of largest Greenfield investments in South-East Europe for three consecutive years.

Inward FDI (US\$m)	
2008 (Jan-Nov)	3,004
2007	3,569
2006	5,425
2005	1,616
2004	987
2003	1,388
2002	504

Source: National Bank of Serbia

Number of FDI Projects (2006-2007)	
Romania	149 (+6%)
Serbia	63 (+174%)
Bulgaria	60 (-12%)
Turkey	40 (+43%)
BiH	14 (+40%)
Croatia	12 (-20%)
Greece	11 (-8%)

Source: E&Y European Investment Monitor 2008

## Strong Service Base

By glancing at Serbia's trade balance in the service industry, we can see that business, professional and technical services account for close to 20% of Serbia's exports in this domain\*. This indicates that the level of development and internationalisation of the service sector in Serbia is rather high, establishing the prerequisites for swift and more dynamic development of shared services and BPO.

On the investment side, shared services account for a small percentage of inward investment in the area of financial intermediation services (encompassing shared services). According to E&Y European Investment Monitor, this figure stands at around 2%.

Total FDI in financial intermediation, which includes shared services, accounts for a very large and increasing share of total FDI inflow, attesting to great potential for the entire tertiary sector when it comes to overall inward investment.

By investing in Serbia, a company can streamline its operations, gain business synergies, improve customer service, reduce cost, and deliver stakeholder value.

\* The methodology used by the National Bank of Serbia is not detailed enough to keep an isolated track of shared services or BPO. Thus, we are using the generic classification of business, professional and technical services, which encompass shared services.

Foreign Direct Investment (EUR)			
Year	Total FDI	FDI in financial intermediation	Percentage
2006	3,429,762	1,561,665	45.5%
2007	1,596,986	824,705	51.6%
2008	2,254,527	861,035	38.2%

Source: National Bank of Serbia

Trade in services (000 USD)			
Year	Total exports of services	Exports of business, professional and technical services	Percentage
2006	2,107	363.4	17%
2007	2,940	637.9	21%
2008	4,033	827.2	21%

Source: National Bank of Serbia

Service industry –  
about and for the people.

## The People

“It’s not a coincidence that Intel opened its regional office in Serbia. It has a great strategic position and a capable and well educated workforce”.

John E. Davies  
Vice-President and Director  
of the Global Program  
Development  
Intel

On average, universities in Serbia annually produce around 16,000 graduates, 1,000 Masters of Science, and 380 PhDs. High-quality education is chiefly a result of primary and secondary schools offering more advanced curricula in natural and social sciences than the majority of other countries. For example, students from Belgrade’s Mathematical Gymnasium alone have won more than 100 prizes at World Science Olympiads.

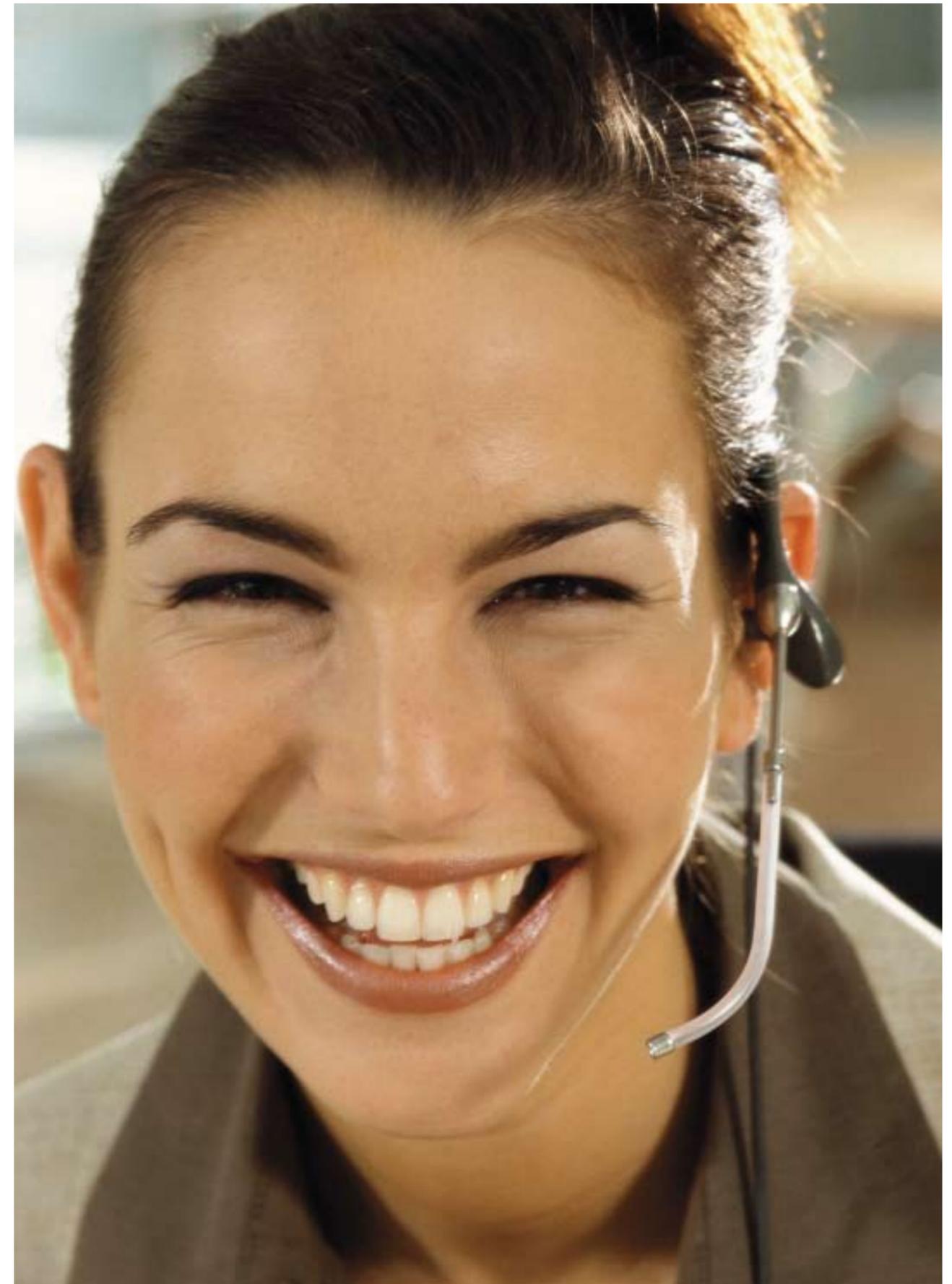
In order to further enhance the quality of teaching provided, domestic universities have implemented substantial reforms in line with international standards. More flexible and diversified curricula, along with hands-on training and new textbooks, are aimed at equipping students with the fundamental problem-solving skills required in the business world.

Number of Graduate Students, Masters of Science, and PhDs			
Year	Undergraduate Degrees	Masters Degrees	PhD Degrees
2007	35,952	2,554	472
2006	20,872	1,038	401
2005	19,678	1,154	468
2004	14,968	978	394
2003	13,224	1,101	359

Source: Statistical Office of the Republic of Serbia

Graduates from colleges, universities, regional distribution (2006)				
Field	City			
	Belgrade	Nis	Novi Sad	Other cities
Management	1,002	/	697	1,773
Accounting	195	/	237	576
Marketing	731	13	40	159
Economics (other)	1,395	263	1	29
Law	1,202	128	458	135
IT	1,211	59	294	449
Languages	1,181	114	254	34

Source: Statistical Office of the Republic of Serbia



## Proficient in Foreign Languages

A poll conducted in the spring of 2003 by Gallup International showed that 42.3% of the Serbian population was to some extent familiar with the English language\*, without further segmentation according to level of knowledge.

A clearer insight into the percentage of the population speaking foreign languages is provided by a GfK Research survey in February 2007. It shows that 48% of the population at least understands English; 31% are able to hold a conversation, 22% of whom have a good or excellent command of the language.

English, French, Russian and German languages are mandatory subjects throughout primary and secondary education in Serbia. English usually begins to be taught from third grade as the primary language, whilst French, German and Russian are taught from fifth grade as secondary languages.

Foreign languages – usually English, French and German – are also mandatory modules at colleges and universities, with a special focus on vocabulary used in the specific scientific areas being taught.

The country's key institution at university level for the in-depth study of foreign languages is the Faculty of Philology at the University of Belgrade. However, there are also faculties in other major cities where students can study foreign languages. Languages are taught at a very high level and are studied together with the respective countries' cultures.

Beside formal education, numerous private language schools provide a good informal education. According to some estimates\*\*, there are around 1,000 language schools in Serbia, with up to 500 located in Belgrade alone. They offer language courses in almost all the main languages, with the list topped by the most widely spoken: English, Spanish, German, Chinese, French, Italian, Russian etc. However, in order to get a clearer

picture of the number of students whose level of knowledge is up to the standard sought at call/contact centres or BPO centres, we have interviewed the certifying bodies in the country.

Between March 2007 and March 2008, 630 people took a CAE (Certificate in Advanced English) test in order to attain this internationally recognised diploma. This is roughly the average number of people that annually applies to sit this test. However, not everyone that takes and completes the C1 course actually goes on to sit the test (they don't see the need to, they don't want to go to the additional expense, etc.), and therefore the number of those with that level of knowledge of English is, in fact, considerably higher. Experts estimate that the number of people with C1 level of knowledge of English is at around the 10,000 mark. In total, close to 5,000 students applied and were tested for all internationally acknowledged certificates between March 2007 and March 2008, while there are 43 language schools in Belgrade (26 in Novi Sad) certified for preparing students for the Cambridge Certificate.

German language is taught at the Goethe Institute in Belgrade. The school operates according to A1-C2 international standards, and provides standard and custom developed courses.

The Cervantes Institute in Belgrade is the leading institution in Serbia for learning and obtaining achievement certificates in Spanish. The institute is certified to issue DELEs (Diplomas de Espanol Como Lengua Extranjera), and is one of the top Cervantes Institutes worldwide (out of around 50) in terms of the number of enrolled students.

CELI/CILS certificates for Italian language are widely available at the Institute of Italian Culture, while the Institute of French Culture issues various DELF (French) levels.

Knowledge of Foreign Languages						
	English	Russian	German	French	Spanish	Italian
Excellent command, oral and written	6%	1%	1%	1%	-	-
Able to conduct conversation	9%	2%	1%	-	-	1%
Good command, oral and written	16%	7%	3%	3%	2%	1%
Understands	17%	18%	10%	5%	7%	3%
Unfamiliar	52%	72%	85%	91%	91%	95%

Command of English Language (% of population)	
Serbia	42.3%
Czech Republic	22%
Poland	22%
Romania	16%
Bulgaria	14%
Hungary	14%

Source: Gallup International, 2003

\* The question asked was "Which foreign languages are you familiar with to any extent?"

\*\* The Association of Language Schools with the Serbian Chamber of Commerce.

## Available

The labour market in Serbia has become truly vibrant with an increasing number of international investors relocating their businesses to the country. However, inward investment in shared services is still low, thus offering many opportunities for further development. The market is still fresh, as only a handful of companies have thus far capitalised on the opportunities that beckon.

Recruitment of young graduates and undergraduates is simple given the high unemployment rate, especially among the under-30 population. Many are keen to work for international companies. Work ethics are good, while shared services centres are not viewed as a transition industry, but a career for young people. The demographics are right: a young, ambitious, educated population, in a country where employment rates are such that demand has kept wage expectations at competitive levels.

As we mentioned earlier, Serbia has still not received significant investment in the shared services industry, but the banking sector is well developed and a financial services culture is in place. There are 34 banks operating in Serbia, of which 20 are fully or majority owned by foreign banks (as of June 2008, data provided by the National Bank of Serbia).

Shared services centres would be regarded locally as an employer of choice, both by bright school-leavers and graduates looking for immediate opportunities with long-term prospects. The motivation to attract and retain good staff is, after all, one of the key drivers for the centres' existence, as it allows HR issues to be handled much more quickly and efficiently than before – an imperative which has increased with the travelling habits of both staff and partners.

### Private Universities

In addition to state universities, there are a large number of private colleges and universities which, in some cases, enjoy very high enrolment and a developed network throughout the country. Megatrend University alone annually enrolls over 2,800 new students and has facilities in Belgrade, Zajecar, Vrsac, Valjevo, Sombor and Backa Topola. Business studies (management, banking, finance) are regionally distributed, and can be studied in Belgrade, Zajecar and Valjevo. Besides Megatrend, there is the Faculty of Economics, Finance and Administration (FEFA) with 180 students in Belgrade, the Faculty of Management, and the European University which also produce young international management, finance, and accounting professionals.

Population by Functional Contingents (2005)		
	Population	Percentage
Babies	74,802	1.01%
Pre school (0-6)	522,887	7.03%
Primary school (7-14)	649,599	8.73%
Adult (18+)	5,995,398	80.57%
Working – women (15-64)	2,514,757	33.80%
Working – men (15-64)	2,476,986	33.29%
Old ( 80+)	192,141	2.58%

Source: Statistical Office of the Republic of Serbia

Unemployed by Age and Education (December 2008)							
Age	Primary School	Secondary School	2-year College	University	Masters Degree	PhD	Total
Under 18	4,339	4,367	0	0	0	0	8,706
19-25	27,887	76,185	5,642	4,277	28	1	114,020
26-30	26,856	49,143	5,886	9,912	96	0	91,797
31-40	68,658	95,167	5,925	6,684	164	5	176,603
41-50	67,009	92,691	5,772	4,767	149	8	170,396
Above 50	72,438	71,661	6,879	5,913	160	16	157,067
Total	267,187	389,214	30,104	31,553	597	30	718,589

Source: National Employment Service, December 2008

Unemployment Rates by Education Level (2006)			
	Pre-primary, primary and lower secondary	Upper secondary and post secondary non-tertiary	Tertiary
EU 27	10%	8%	4%
Serbia	34%	48%	3%
Czech R.	22%	5%	2%
Hungary	15%	7%	2%
UK	6%	4%	2%
Ireland	6%	3%	2%
Romania	7%	7%	3%

Source: Eurostat, Serbian Employment Service

# Competitively Priced

Average salaries in Serbia are low enough to ensure cost-effective operation. While slightly higher than in neighbouring countries like Romania and Bulgaria, total costs for employers are only 40% of those in other East European EU member-states.

Labour costs are particularly low in a number of industries. For example, in the processing industries only one in nine employees receives the average salary, with a large number reporting average salaries below €300. Production of furniture, motor vehicles, clothing, footwear, and several other industries fall within this category, while the situation in other industries, such as tobacco and oil refining, is not much better.

Salaries in the service industry are slightly higher than those in manufacturing, but are still very competitive in international terms.

Income tax and national insurance contributions are still among the lowest in Central and Eastern Europe. Additional tax breaks introduced last year reduced total labour costs for employers from 73% to 63% of net salary. Modest real salary growth in the coming years, forecast at around 5% (Serbian Ministry of Finance), will further enhance the cost competitiveness of Serbia's labour force.

## Taxation of Salaries

In Serbia, total costs of labour – i.e. the amount paid by the employer – include net salary, income tax, and contributions paid by the employee and employer.

Income tax does not apply to the following: public transport allowance (to and from one's place of work), meal allowances on business trips in Serbia and daily allowances on business trips abroad, accommodation and transport allowances, as well as solidarity relief in the event of sickness.

The majority of international HR, recruitment, and head-hunting agencies have already set up their operations in Serbia. Besides conventional HR services, many offer staff leasing services\*. This service – contracting a service provider – allows companies to have greater control over recruitment costs, time-to-hire, and quality of hire. This approach gives companies flexibility, cost savings, and an increased candidate pipeline to ensure they get the best staff on the market when required.

Another advantage of this approach is that firms can hire these temporary employees via the recruitment provider, thereby reducing payroll and administration costs even further. HR departments can focus on the human capital side of the business, and target business objectives, dispensing with the administrative burdens of multilingual recruitment. By outsourcing these processes it no longer pays fees-per-hire, substituting a monthly fee for all the company's recruitment needs.

## Enticing Incentives

When deciding on outsourcing certain activities abroad and implementing the shared services concept, companies base their initial decisions on a myriad of factors – not least, near-shore and offshore locations, corporate taxation, property costs, salaries, language capabilities, and saturation of local recruitment markets. And, just in case any lingering doubts remain as to where to invest your money, the Government has introduced further incentives to make sure you choose Serbia as your next outsourcing location.

### Financial Incentives

State grants are offered for Greenfield and Brownfield projects carried out by companies involved in the internationally marketable service sector and R&D.

#### Investment in the internationally marketable service sector

- Available funds: from €2,000 to €10,000 per every new employee;
- Minimum required investment: €500,000;
- Minimum number of new jobs created: 10.

#### Investment in R&D

- Available funds: from €5,000 to €10,000 per every new employee;
- Minimum required investment: €250,000;
- Minimum number of new jobs created: 10.

### Incentives for Employing Certain Categories of Population

As part of the employment support strategy, the National Employment Service offers an attractive incentive package for potential employers. The forms of financial assistance available range from subsidies for job creation in under-developed regions and for certain categories of the population, through to sharing retraining costs. The complete list of incentives provided can be downloaded from SIEPA's web site ([www.siepa.gov.rs](http://www.siepa.gov.rs)).

Moreover, head-hunting agencies cover all the major cities in Serbia offering a full range of consulting services, including executive search, staff training, and salary surveys. Among the HR processes on offer are recruitment and selection, learning and knowledge management, recognition and retention, and leadership.

\* For more information and a full list of service providers, please contact SIEPA experts.

### Average Net Salaries in the Service Sector, Jan-May 2008

Turism and Hospitality	263
Other services	376
Real Estate	448
Transport	365
Financial Intermediation	778

Source: Statistical Office of the Republic of Serbia

### A €300 Net Salary Example

ITEM	Rate	Total (EUR)
Net salary		300.00
Personal Income Tax	0.12	42.59
Contributions paid by employee	0.179	74.69
Gross salary		427.96
Contributions paid by employer	0.179	74.69
Total labour costs		502.65

Based on the exchange rate: EUR 1 = RSD 81

## Accounting: Association of Accountants and Auditors of Serbia

Each year, the Association of Accountants and Auditors of Serbia educates and certifies 5-6,000 new and existing members. The Association is a non-governmental, non-profit organisation of professional accountants. It has been actively involved since 1955 in promoting accounting and education, as well as bringing national accounting practices in line with international standards and implementing international best practices. The Association has been a fully-fledged member of IFAC since 1996.

### International Accolades

The international committee for selection of Business Initiative Directions (BID), comprised of eminent professionals and managers at top multi-national companies, has awarded the Serbian Association with The Arch of Europe Award in the

# Productive

The service sector stands out from other industries in every respect, even in terms of productivity. According to a survey conducted by Fren&CEVES, Belgrade's service sector had very high productivity (€17,700 of GDP per employee) in 2006, over twice the average for the Serbian economy as a whole.

Productivity is remarkably high in ICT and engineering – 68% higher than average for the entire sector, and over three times higher than the Serbian average! However, the ICT and engineering group also has highest average gross salary (€604 a month, or €7,244 per year). Productivity in Serbia is growing on annual pace of around 12%.

### Productivity, Gross Wage and Unit Labor Cost, 2006

	Productivity (GDP/employee, in €)	Productivity, index (total = 100)	Average yearly gross wage (in €)	Unit labor costs
Total	17.746	100	4.919	0,277
Non tradable	14.858	84	4.603	0,310
Tradable	28.634	161	6.012	0,210
ICT and engineering	29.238	165	7.244	0,248
Other	26.248	148	5.128	0,195

Source: Fren&CEVES

Diamond Category\*. The Association was awarded for special professional achievements and premium corporate governance, as well as the quality of its work, training, the service offered to its members, and its leading position in the industry. The Award was presented to the Association during the 30<sup>th</sup> International Convention that took place on 28<sup>th</sup> February 2008 in Frankfurt.

The Association fought off competition from companies and associations from 166 countries worldwide to win the same award in March 2003 for quality and technology in the Platinum Category. In 2002, the Association won the BID International Star for Quality.

\* Those eligible to enter the Diamond Category are professional associations that have already received international awards, and whose work and contribution to development is already internationally acknowledged.

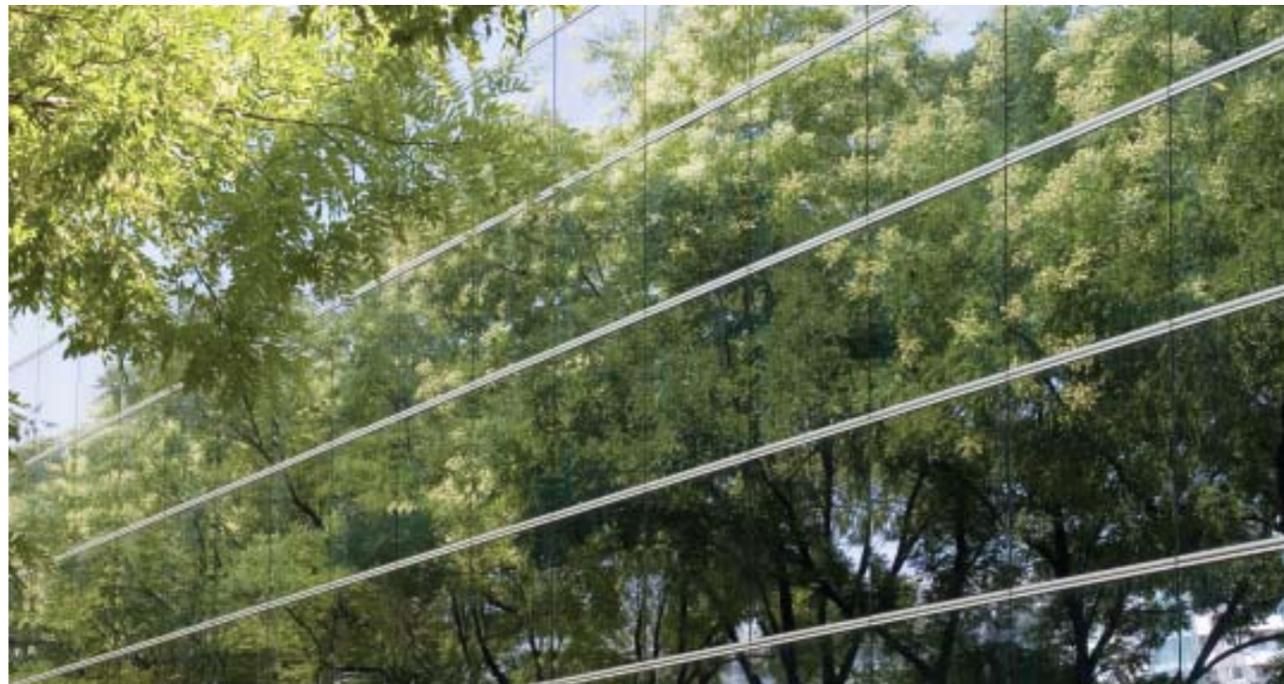
Our offer, your perfect choice.

## Where to Set Up?

“When it comes to hospitality, there are no words to describe it. How can I describe that generosity? Actually, we feel like at home. It has been our pleasure to come and work here”.

Mirko Bernuzzi  
Director  
Pompea Serbia

Booming business, mixed with vibrant culture and every day life in Serbia offers inspiration to all those willing to experience what is truly a jewel in the European crown. The thriving real estate scene throughout the country offering first class business and residential premises, health care provided in both state and private institutions, favourable personal taxation, and excellent international schools make Serbia the ideal choice for ex-pats.



## Novi Sad

The second largest city in Serbia and the administrative centre of the Province of Vojvodina. A city that inspires great pride among its inhabitants, and with good reason. Often compared to Belgrade, it has a similar charm, culture, and night-life to the capital, but on a smaller, more personal scale. For those who appreciate art, music, food and fun, but prefer an easy-going city without the frenetic hustle and bustle of Belgrade (which has been called the city that sleeps less than New York!), Novi Sad is a perfect mix of urban sophistication and bohemian laissez faire.

Located on the plains of northern Vojvodina, the city is also known as “a haven of tranquillity and tolerance” for being one of the Serbia’s most multi-ethnic cities. Besides beautiful scenery, Novi Sad offers a myriad of restaurants featuring unique Vojvodina cuisine that draws on the influences of Serbian, Hungarian, Romanian, and Slovakian spices and traditions.

The University of Novi Sad was established in 1960. Today, it boasts 13 faculties located in four of the Autonomous Province of Vojvodina’s largest cities and towns: Novi Sad, Subotica, Zrenjanin, and Sombor. It employs 2,700 teaching personnel, and has 38,000 students. The University is the second largest (of six) state university in Serbia, and is held in high esteem at European level, recognised for its reformist orientation. The main University campus, catering to all a student’s educational and leisure needs, is situated in one of the most unique and beautiful settings in the region.

### Residential Space

A feature of the post-2000 period has been a resurgence of the population’s purchasing power, resulting in a surge in residential demand and construction in Novi Sad. Sales prices of residential RE in Novi Sad are significantly lower than those in the capital.

### Office Space

The Novi Sad office market is still modest since the majority of office space was developed after 2000 and built for owner occupancy. A large number of foreign banks and companies that entered the market have acquired newly-built rental units. Part of existing office demand is still focused on multi-purpose premises. Asking prices for modern office premises range between €10 and 15/m<sup>2</sup>/month. The highest rents are sought for city centre premises (along Boulevard Oslobođenja), while premises of €10-12 can be found in broad centre locations. The city economy’s constant development in 2007/2008 required the launch of several projects that will open up a further 24,000 sq. meters of quality office space by 2009.

“Sport is very easy to practise, you have all the sports facilities, plenty of tennis courts and golf courses”.

Jerome Bayle  
Managing Director  
Tetra Pak Production

WHERE TO SET UP?

Main Developments in Novi Sad			
Project	Investor	Gross size	Timeline
Park City	Vondel Capital	45,000	2009
Aleksandar Boulevard Center	Aleksandar	50,000	2009
Zoned Penthouse Building	Zoned Gradjevinar	31,000	2009

Source: Collier International Research

Sales Prices in Novi Sad EUR/m <sup>2</sup> *			
Center		Suburban	
New developments	Old developments	New developments	Old developments
1,800-1,700	1,400-1,700	1,100-1,400	800-1,200

Source: Collier International Research

\*Presented prices include VAT of 8%

# Belgrade



WHERE TO SET UP?

“I have lived in Belgrade for 4 years and I must say, personally, I believe that Belgrade is the most attractive and most interesting city in Europe. There is no doubt”.

**Doerte Weidig**  
President  
**ProCredit Bank – Serbia**

The capital city: the economic, university, political and cultural hub of Serbia. Southern Europe's City of the Future for 2006-2008, as chosen by FDI Magazine (Financial Times), and among the most developed cities in the region based on economic potential, cost efficiency, human resources, IT and telecommunications, transport, quality of life, and FDI promotion.

Belgrade has always been shaped by its history – situated at the historic crossroads of Eastern and Western empires, each has left its mark as new generations continue to build and fight over this highly-prized metropolis. To unravel Belgrade's mystery and charm, one must contemplate this history, while at the same time, enjoying and revelling in the city's passionate demeanour.

Whether it is the bustling city centre, or the trendy riverbank cafés perched along the Danube and Sava rivers, the city's joie de vivre is omnipresent, and offers something for visitors of all tastes, the whole year round. An eclectic mix of architecture sees the latest trends seamlessly incorporated side-by-side with Belgrade's classic heritage, as a city that has always pioneered change in the field continues to blossom. Just as it never ceases to surprise its many inhabitants, Belgrade will amaze and astonish its visitors as it goes through yet another rebirth.

The University of Belgrade is the oldest and most important higher education institution in Serbia. It is also one of the largest universities in the Balkan region, with over 78,000 students and 2,500 members of teaching staff.

The University has 31 faculties, 8 scientific research institutes, and a system of university libraries and information centres. The faculties and academic departments are clustered into five groups according to their academic characteristics, and include: faculties for bio-technical sciences, social sciences, medical sciences, natural sciences and mathematics, and technical sciences.

Undergraduate students have a choice of around 150 basic educational curricula, while around 1,700 postgraduate students can hone their knowledge in a range of specialised courses. Since its foundation, the University has educated more than 330,000 Bachelors, around 21,300 Masters, 29,000 specialists, and 12,600 Doctors (data from 2006).

Residential Space, Rental Levels - H2 2008 (EUR)		
Dedinje	10	17
Vracar	10	15
New Belgrade	10	11
Downtown	10	12
Minimum		Maximum

Source: CB Richard Ellis

Residential Space, Asking Prices – H2 2008 (net of VAT)				
	Vracar	Stari Grad	New Belgrade	Dedinje
Mid-end (min)	2,000	2,000	1,600	2,000
Mid-end (max)	2,800	2,800	2,400	2,800
High-end (min)	3,000	3,000	2,700	3,000
High-end (max)	4,000	4,000	4,200	3,500

Source: CB Richard Ellis

## Residential Space

In addition to being a capital, Belgrade is also the country's chief construction centre. Up to 40 percent of the annual construction in Serbia over 2000-2007 was done in Belgrade, delivering an average of 7,000 new apartment units (7,601 in 2007).

During first three months of H2 2008, asking prices have recorded increase of 5-10%, depending on municipality. Global financial crisis has slowed down or even stopped further price increase in 2008 second year-half.

## Office Space

In H1 2008, Belgrade's total office inventory saw the delivery of 66,000 m<sup>2</sup> of new office space, which is an 18.5% increase in the six-month period. Belgrade's total office inventory (including Class A and B offices) currently is slightly less than 518,000 m<sup>2</sup>. Class A inventory marked an increase of 20% during H1 2008, amounting to 295,000 m<sup>2</sup>. Class B supply recorded a 15% increase, achieving the total supply of 223,000 m<sup>2</sup>.

Class A inventory marked an increase of 20% during H1 2008, amounting to 295,000 m<sup>2</sup>. Class B supply recorded a 15% increase, achieving the total supply of 223,000 m<sup>2</sup>.

Rental rates for contemporary Class A office space in Belgrade have declined in H1 2008, with CBD prime net rents averaging EUR 18/m<sup>2</sup>/month.

Average Achived Rents for Class A/B Office Space (€/m <sup>2</sup> /month)		
	Class A	Class B
H2 2006	19 €	15.5 €
H1 2007	18.5 €	14 €
H2 2007	18.5 €	13.5 €
H1 2008	18 €	13 €

Source: Colliers' Research

Vacancy Rate for Class A/B Office Space			
	Class A	Class B	Overall
H2 2006	7.5%	12.7%	10.5%
H1 2007	8.1%	9%	8.7%
H2 2007	7%	13.2%	10%
H1 2008	6.2	14.5	9.8

Source: Colliers' Research

“Life is very cosmopolitan, it is very easy to integrate, and I have a great quality of life. It's relatively easy for me to get back to the UK at weekends, as my children do not live here with me. But when they come over to visit, my kids love it. They stay forever. They don't want to go back when they come”.

**Anthony Burnett**  
Plant Manager  
**Ball Packaging**

WHERE TO SET UP?

## Nis



“All the people that I’ve been in touch with since I first came to Serbia have been always very friendly and hospitable. They are always up for a joke; they like making the most of life and are never too busy not to be able to have a drink and friendly chat with you”.

Fabio Corsi  
Country Manager  
ICE

One of the oldest cities in the Balkans and the third largest in Serbia (more than 250,000 inhabitants). Situated at a crossroads, Nis connects the Balkans to Europe and Europe to the Middle East, and has always been considered a gateway between East and West.

Nis is very easily accessible, having an airport, and being located at a junction of numerous railway lines and motorways. It is the centre of South-Eastern Serbia – a natural, social, economic, educational, medical, cultural and sports centre. It is a city with a long tradition, as evidenced by the recent 100th anniversary celebrations of its first Grammar School, the National Theatre, and the Public Library. The city is also one of Serbia’s most important industrial centres, and is especially renowned in areas such as electronics, mechanical engineering, textiles, and tobacco.

The University of Nis was founded in 1965 and is divided into 13 faculties. Its establishment rounded off an important, in many ways pioneering, period in the city’s modern history, which started in 1960 when the first undergraduate courses commenced in Nis under the academic patronage of the University of Belgrade. These courses were institutionalised within the faculties of Law & Economics, Medicine, and Engineering, constituting a core from which the University’s ever more elaborate and rich physiognomy would systematically develop, keeping up with the demands of the times and life itself.

The University started its independent life with 234 full-time teaching staff and 6,800 students. The increase in the student population, the development of new disciplines, and the rising needs of the immediate and broader industrial and social environment led to a reconfiguration of existing faculties and the creation of new ones.

Most of the aforementioned faculties have a composite structure, containing various departments and divisions, offering wide and diversified study and research opportunities at both undergraduate and postgraduate level, including the opportunity to obtain a Ph.D. degree.

### Residential Space

Like other cities throughout Serbia, the Nis real estate market has also undergone a boom. In the 2002-2008 period, the number of new residential units has quadrupled.

Sales prices follow, but not so rapidly.

### Office Space

Nis office space still represents a virgin market, and is predominantly located within multi-purpose and retail developments in the city centre. However, a number of modern small-scale buildings are scheduled for opening in 2008 and 2009 in the city’s pedestrian zone. In 2007, rental levels for quality office space (converted apartments) in downtown Nis ranged from €10 to 12/m<sup>2</sup>/month. Asking prices within new office developments can be expected to range between €13 and 15.

Sales Prices for High-quality and Mid-quality Apartments in Nis

Year	High-quality		Mid-quality	
	Highest price	Lowest price	Highest price	Lowest price
2006	1,100 €	900 €	750 €	550 €
2007	1,100 €	950 €	800 €	600 €
2008*	1,200 €	1,000 €	950 €	750 €

Source: Serbian Statistical Office, Colliers’ Research

## An open speedway.

## ICT Infrastructure

### Telephone Access

Telekom Srbija is Serbia’s leading provider of landline telephone services. The state holds a majority stake in the company, while Greek OTE is the second biggest shareholder. The market is open for other ISPs, who can also be your provider.

Company’s income in 2007 totalled €411 million while investments in the network for the same year reached €166 million.

Key features of the fixed telephone network (April 2008):

- Total number of available installed subscriber lines: 3,216,734;
- Total number of connected subscriber lines: 2,930,273;
- Installed subscriber capacity per 100 inhabitants: 42.90;
- Level of digitisation: 93.31%.

### Internet Backbone

External internet links available via Telekom Srbija have capacity of 10.2Gb/s and these are connected to several providers. Most well known are Sprint, Level 3, Global Crossing, Telia Sonera, Verizon, Seabone, Deutsche Telekom, Tiscali and Interoute. Telekom Srbija is regional leader in field of Internet services, connecting 91 local and 12 regional ISPs with the world. Investments scheduled for 2009 should make ADSL connection available to at least 80% of all fixed line subscribers. In Belgrade, this percentage should reach 100%.

Links of smaller capacity are owned by Serbian Academic Network and VeratNet ISP. Bandwidth of VeratNet’s links are 2x155Mb/s towards Hungary. Serbian Academic Network has one link towards Greece (1Gb/s) and one towards Hungary (155Mb/s).

### VoIP

VoIP services in Serbia are provided by 16 ISPs (as of February 2009). The cost of service is, on average, €0.05 per minute for phone calls throughout Europe and US.

### Mobile Phone Network

Mobile phone networks are widespread, covering 90% of the country geographically. There are three active providers – Telekom Srbija’s MTS (49% owned by government), Telenor (owned by Norway’s telecommunications group) and a new entry, Mobilkom, the Austrian mobile operator.

In light of this competitive situation, all the providers are planning further infrastructure investments to expand their existing broadband services. Under such a scenario, demand for the Internet could skyrocket with people using 3G to access the Internet and make high quality VOIP phone calls, as well as utilising other broadband features.

Those who pave the way.

## Success Stories

“Numerous large domestic and international companies have placed their trust in Trizma. Let us worry about you!”

Mijat Iovic  
General Manager  
Trizma

### Trizma

Trizma is the first Contact Centre Service Provider in Serbia. It was founded in 2002 in Belgrade. Soon after, Trizma expanded its operations on the local market by providing services to domestic and international clients. In striving to meet ever increasing demand, Trizma opened a branch office in Bucharest, Romania, in 2005.

Nowadays, company's focus is on contact centre outsourcing and 24/7 CRM services for a wide range of companies: banks, telecom and insurance companies, retail chains, utilities, and governmental institutions.

Trizma is currently a professional Contact Centre for the US Embassy in several countries: Serbia (including Kosovo), Montenegro, Bosnia-Herzegovina, Macedonia, Romania, while we also offer our services to companies like Microsoft, Nivea, Nestle, Carlsberg, Telenor, EFG Eurobank, UNICEF, the National Bank of Serbia, British American Tobacco, HP, Maxi, Imlek, Coca Cola, and many more.

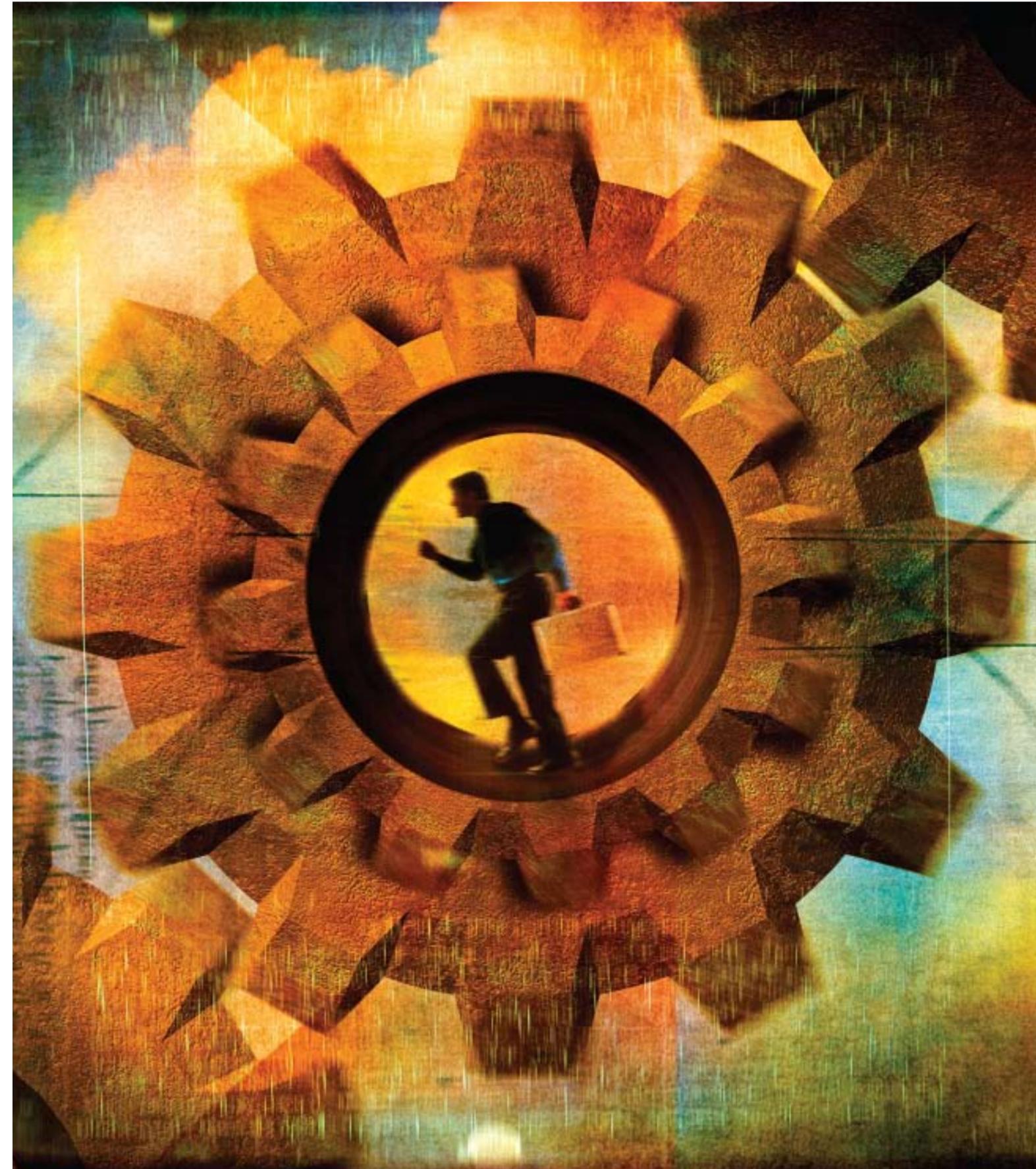
The quality and reliability of people in Serbia help the company accomplish its mission and provide top-end customer service, whether it be via telephone or other electronic forms of communication. With a good telecom infrastructure in place, Trizma contact centre, equipped with state-of-the-art solutions, delivers Automated Voice Announcement (IVR) applications, Front-End solutions, and operator-led Campaign scenarios.

The key services provided are: customer service, info line, debt notification services, telesales, market research, telemarketing, technical support services, consulting, to name but a few.

International clients are offered an efficient and effective service. Telephone Operators are highly skilled, multilingual and conform to the highest standards in the Contact Centre industry. Meanwhile, Automated Voice Response system can ensure interactive, menu-driven communication with callers, without interference from operators.

In August 2007, the company's endeavours to set new standards and quality benchmarks in the industry were rewarded when it signed a contract with Microsoft.

[trizma.com](http://trizma.com)



## Euronet

“We started very carefully, but our Serbian investment has proven to be the best our company has made so far!”

Dusan Marceta  
Country Manager  
EURONET Worldwide

Euronet is a US venture and a global leader in processing secure electronic financial and payment transactions, employing 2,500 staff worldwide. Euronet entered the Serbian market in 2002 with the distribution and maintenance of ATMs, and the company also launched the use of VISA and Master Card systems in Serbia.

In 2004 Euronet opened a Customer Support Centre in Belgrade, which currently employs over 50 multilingual operators and serves the world market in cooperation with its sister centre in the US.

The Euronet Customer Support Centre in Belgrade is one of two global centres run by the company, and seeks to take advantage of time zone difference between the US and Europe, as well as of the outstanding language skills of the local workforce.

While Euronet's decision to invest was initially market-driven, the company selected Serbia over other countries in the region for the following reasons: Serbia offers Europe's lowest corporate profit tax rate (10%), offers access to large South-East European markets (60 million consumers) and has a large, highly skilled workforce.

To successfully operate a global Customer Support Centre, a location providing multilingual staff is a must – Belgrade, with its extensive pool of highly-educated, multilingual graduates, was the natural choice.

### Why Serbia?

The Serbian market has proven to be highly lucrative – the introduction of VISA and Master Card systems, the launch of the national DINA card system, and development of an ATM network throughout Serbia made the local Euronet branch one of the most profitable business units in the whole group. Moreover, the Serbian market demonstrated a huge potential for further business expansion – the company expects 20% annual revenue growth over the next five years.

Customer Support Centre staff have demonstrated not only excellent skills and professionalism but also exceptionally high company loyalty, with the staff retention rate well above the industry average.

### Future plans

Euronet plans to further expand its core business and introduce an additional 100+ new ATMs throughout Serbia over the next 2 years.

In addition to its existing operation, the company also intends to expand its portfolio of services by launching a software development centre exporting software solutions to other markets. Euronet's operation in Serbia should, therefore, soon reach 100 employees, including highly specialised software programmers.

### Message to investors

Use Serbia as your hub for further expansion in the region. Capitalise on the fact that Serbia has the lowest corporate profit tax rate in Europe.

Exploit local market opportunities – unlike Central Europe, the region still has many market niches to be tapped.

euronetworldwide.com

## 2ETC

2ETC is providing SME (Subject Matter Experts) outsourcing services to companies outside Serbia since its foundation in 2004. Due to highly skilled and educated human resource base in Serbia, the company is able to deliver various high-complexity projects and to be extremely competitive on the global market. Customer retention rate is very high allowing 2ETC to make specific partner oriented relationship its customers. 2ETC is fully project oriented company.

One of company's primary activities is contact centre outsourcing service with complete Customer Lifecycle features (marketing, sales and customer support) through integrated CRM and IP Call Center. 2ETC also provides highly specialized banking marketing and support services targeted to future and existing customers of payment cards and FX Trading platforms, training and exam development in IT, project management and banking. More than 25 development projects were successfully delivered in the last four years using virtual teams (Subject Matter Experts) from Serbia, Europe and US.

CRM integration, IP Call Centers and Help Desk (Service Desk) products and mixed integrated solutions are based on FrontRange Solutions product portfolio. 2ETC is in the process of fully aligning its customer support outsourcing services with ITIL and plans to expand our outsourcing services to German speaking markets like Germany and Austria.

Key international partners and customers of 2ETC include HP (USA), Systems Documentation, INC (USA), qSTC (Slovenia), Eurolink (Serbia), KPD-Consult KG (Austria).

2ETC.net

“Our goal is to deliver value to our customers and their retention rate is showing us that we are doing the right job!”

Radomir Bozic  
Managing Director  
2ETC

We share our knowledge and expertise. At your service.

## SIEPA – Your Investment Facilitator



SIEPA

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The Serbia Investment and Export Promotion Agency (SIEPA) is a government institution committed to successfully assisting foreign investors and buyers. Created as a one-stop-information-shop, SIEPA has a mission to support foreign companies seeking to set up or expand in Serbia, and Serbian producers looking to do business internationally.

The major services offered to potential investors are free-of-charge and readily available:

### Pre-investment services

- Information on FDI-related legislation;
- Macro-economic data and profiles of specific industries;
- Operation cost analyses;
- Business opportunity presentations.

### Investment set-up services

- Assistance with company establishment (registration, work permits, office space etc.);
- Identifying locations for Greenfield projects;
- Finding existing facilities for Brownfield investment;
- Organising site visits;
- Matchmaking with Joint Venture partners;
- Facilitating contacts with national and local authorities.

### Post-investment services

- Assistance in dealing with bureaucracy at both national and local level;
- Advice on business service providers (banks, leasing companies, consulting firms, law firms, real estate agencies etc.);
- Linking with local suppliers.

Our assistance led to some of the largest recent investment projects in Serbia, totalling over €1bn. SIEPA's list of clients includes companies like Coca-Cola and the Ball Corporation, Knauf, Japan Tobacco International, and many others.

To help potential investors speed up the completion of their projects, SIEPA networks with all FDI-related public and private sector bodies, including ministries and other government agencies, municipal authorities and local self-governments, building land agencies, tax and customs authorities, statistical bureaus, chambers of commerce, and the National Bank of Serbia.

SIEPA publications and materials on doing business in Serbia, as well as detailed sector analyses and studies, feature the numerous business opportunities in our country. They are available in hard copy and can be downloaded from our web-site at [www.siepa.gov.rs](http://www.siepa.gov.rs).

Do not hesitate to contact our expert staff who are ready to assist you and your business interests. Our services are tailor-made to best meet your company's needs and requests.

Serbia Investment and Export Promotion Agency (SIEPA) is the government agency responsible for promoting FDI and export opportunities in Serbia. Companies wishing to establish or expand their operations in Serbia, can obtain tailor made services from SIEPA free of charge.

[www.siepa.gov.rs](http://www.siepa.gov.rs)



SIEPA