

SERBIA  
INVESTMENT AND EXPORT  
PROMOTION AGENCY

SIEPA

# Automotive Profile Serbia

Quality Works



# About Serbia



| Serbia ID Card      |  |
|---------------------|--|
| Official Name       | Republic of Serbia   |
| Form of State       | Democratic Republic  |
| Political Structure | President<br>Unicameral assembly with 250 seats  |
| Area                | 88,361 km <sup>2</sup>   |
| Population          | 9.5 million  |
| Geographic Position | South East Europe, central part of the Balkan Peninsula, at the intersection of Pan European Corridors N <sup>o</sup> . 10 and N <sup>o</sup> . 7  |
| Border              | In the east–Serbia borders Bulgaria, in the northeast–Romania, in the north–Hungary, in the west–Croatia and Bosnia-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 (2010)          | € 29,343 million   |
| GDP pc (2010)       | € 4,016  |
| Time Zone           | Central European Time (GMT + 01:00)  |
| Internet Domain     | .rs  |

*"For over half a century, Fiat and Zastava have played an important role in developing the Serbian automotive industry. Moreover, our commitment demonstrates our confidence and trust in Serbia, especially in view of the strong determination of its Government and the perspicacity of President Boris Tadic to enable the country to advance on its European Union path."*

Mr. Sergio Marchionne, Fiat Group President



## SERBIAN AUTOMOTIVE INDUSTRY TODAY



### TRADITION OF SERBIAN AUTOMOTIVE INDUSTRY

#### More than 70 years of car making

The automotive industry in Serbia dates back to 1939 when first trucks emerged of the assembly lines in the city of Kragujevac. After World War II, this factory was renamed Zastava and the production of motor vehicles was resumed under the license of Fiat. This was a booming period for automotive suppliers in Serbia, as many component manufacturers were needed to support the growing new industry. Since Zastava was working under strict Fiat quality standards, its suppliers had to adapt to them, too. High quality production enabled them to work for other Western car manufacturers. Soon, companies like Mercedes, Ford, PSA and Opel were sourcing automotive components from Serbian companies.

The highlight of the company's operations occurred in 1989 when Zastava produced roughly 250,000 cars. They were exported to 70 countries worldwide, including the UK and the USA. Unfortunately, political problems and economic sanctions imposed on Serbia during the 90s halted development of this export-oriented sector. The break-up of former Yugoslavia had a big impact on Zastava's existing supply chain while economic sanctions left it with a severely depleted market. Serbian suppliers faced the same problems. Industry was confined to serving more or less only the Serbian market whereas reduced profit made investment in technology development nearly impossible.

Since the democratic changes in 2000, Serbian automotive industry has rapidly re-emerged. Privatization of companies and a strong influx of foreign capital, combined with the experience of Serbian workers and active government support are producing incredible success in the industry that was completely stagnating just a few years ago.

#### Annual growth of 30%

At the end of the 90s, the cornerstone of Serbian automotive industry, Zastava Automobili, was virtually stagnating: there was almost no technical development, the market had shrunk severely, and the production had decreased from more than 200,000 vehicles to around 20,000.

On the other hand, privatization process in all state-owned companies in Serbia was initiated in 2001 and gradually the sector of automotive industry transformed itself. Much needed investments started production modernization, but recovery of the industry was not an instant one. As companies became much more export oriented, the structure of automotive parts produced changed together with the principles of a traditional market. The entry of foreign capital increased year by year, while the takeover of Zastava Automobili by Fiat Group in 2008 signified a new milestone in the sector.

Today automotive industry is one of the key factors for Serbia's economic development, designated by the Government of Serbia as one of the sectors of strategic importance. As the effects of global economic crises are diminishing, production of the newest Fiat model will surely mark 2012, thus restoring vehicle production in Serbia to its former heights.

The review of sector turnover shows a constant and rapid annual growth. A five year period demonstrates that the revenues almost doubled. Since production of vehicles is still not reaching its highest potential, most of the turnover comes from the production of car parts.





*"Until three or four years ago, not a single company from Serbia had been able to compete on international level. The situation is now much better. Most of them will, as suppliers, join our international companies that will be built in the location of Grosnica by the end of the 2011."*

**Mr. Giovanni de Filippis**, former CEO Fiat Automobili Srbija

#### Breakdown of Automotive Product Groups in Serbia 2010

|                                       |        |
|---------------------------------------|--------|
| Chassis System                        | 31.36% |
| Motor Vehicles                        | 23.32% |
| Electrical, Electronic & Power supply | 14.19% |
| Engine & Components                   | 12.59% |
| Oils And Lubricants                   | 4.79%  |
| Vehicle Interior System & Parts       | 2.67%  |
| Vehicle Plastic & Rubber parts        | 1.89%  |
| Drivetrain                            | 1.80%  |
| Filters & Gaskets                     | 1.80%  |
| Special Equipment & Accessories       | 1.47%  |
| Vehicle Superstructures               | 1.33%  |
| Body Parts                            | 0.92%  |
| Automotive Hydraulic & Pneumatics     | 0.85%  |
| Trailers                              | 0.54%  |
| Braking System                        | 0.47%  |
| Standard Parts                        | 0.01%  |

Source: SIEPA Suppliers Database and Serbian Business Registers Agency data

#### Largest Products in Automotive Industry in Serbia 2010

|                         |        |
|-------------------------|--------|
| Tires                   | 26.54% |
| Passenger Cars          | 19.69% |
| Casted & Machined Parts | 12.52% |
| Car Batteries           | 9.87%  |
| Oils And Lubricants     | 4.79%  |
| Wiring Harness          | 4.33%  |
| Trucks                  | 2.70%  |
| Ball Bearings           | 1.89%  |
| Seat Covers             | 1.54%  |
| Vehicle Superstructures | 1.28%  |
| Forged & Machined parts | 1.21%  |
| Other                   | 13.66% |

Source: SIEPA Suppliers Database and Serbian Business Registers Agency data

Manufacturing of vehicle chassis system parts, especially tires and suspension parts, is mostly present in the industry. Electrical system components are another dominant product group with car batteries and wiring installations as the most important products. Also, production of engine components, mostly casted, is very significant, along with forged and machined parts like camshafts, brake discs, valves or flywheels.

The ownership structure of the sector shows that around 66% of automotive companies in Serbia are domestically owned. However, many of them are small companies and their number does not clearly indicate the ownership structure in the sector.

Viewing the employment structure, most of the workers are employed by Serbian-owned companies, and this represents around 43% of the sector. German and Slovenian companies follow with around 12% respectively, while Bulgarian and French companies participate with around 10% each. Finally, strong presence in the sector comes from South Korean and Italian automotive companies (around 5% each). This is a good indicator of the internationalization of the sector.



#### Analysis of Employment in Automotive Industry in Serbia (2010)

|                     |        |
|---------------------|--------|
| Serbian-owned       | 10,666 |
| German-owned        | 3,091  |
| Slovenian-owned     | 2,947  |
| Bulgarian-owned     | 2,660  |
| French-owned        | 2,561  |
| South Korean-owned  | 1,205  |
| Italian-owned       | 1,077  |
| Saudi Arabian-owned | 204    |
| Hungarian-owned     | 149    |
| Croatian-owned      | 79     |
| Swedish-owned       | 6      |

Source: SIEPA Suppliers Database and Serbian Business Registers Agency data



## FDI INFLUX

### Recent years marked by foreign investments

Automotive industry in Serbia had a successful decade marked by foreign investments. Initially, those were French Michelin and Le Belier and Slovenian Cimos, who entered Serbia through the privatization process. Later on, capital began entering through Greenfield projects as well. In this period, companies like German Dräxmaier, Leoni or Norma Group, Italian Dytech or Korean Yura Corporation built their factories in Serbia to supply the growing markets of EU and Russia.

As a location, Serbia offers a balance of low operating costs, free trade possibilities, financial incentives and labor availability, while investment security is fully guaranteed

Foreign Investments in Serbia by Sectors (in € million) 2001-2011

|                                      |                |
|--------------------------------------|----------------|
| Financial                            | 3,250.0        |
| Food and Beverage, Agriculture       | 2,653.1        |
| Telecommunications                   | 2,245.0        |
| Retail                               | 1,875.2        |
| Real Estate                          | 1,456.0        |
| Oil and Gas                          | 1,452.4        |
| <b>Automotive industry</b>           | <b>1,374.7</b> |
| Tobacco                              | 905.0          |
| Construction                         | 819.3          |
| Pharmaceutical                       | 767.0          |
| Metallurgy and Metalworking          | 403.7          |
| Insurance and Pension                | 313.0          |
| Tourism                              | 292.7          |
| Wood and Furniture                   | 271.1          |
| Chemical                             | 225.2          |
| Packaging                            | 178.8          |
| Electrical & Electronics             | 145.6          |
| Clothing                             | 111.1          |
| Textile                              | 67.2           |
| Energetics                           | 56.5           |
| Business services                    | 55.0           |
| Environmental Management & Recycling | 52.4           |
| Others                               | 117.1          |

Source: SIEPA Foreign Investments Database

*“Serbia fulfills a lot of preconditions for labor-intensive JIT production with available labor force, good infrastructure and not forget the strong and highly qualified support of the government and local authorities.”*

**Mr. Peter Prohaska**, former General Manager LEONI Serbia

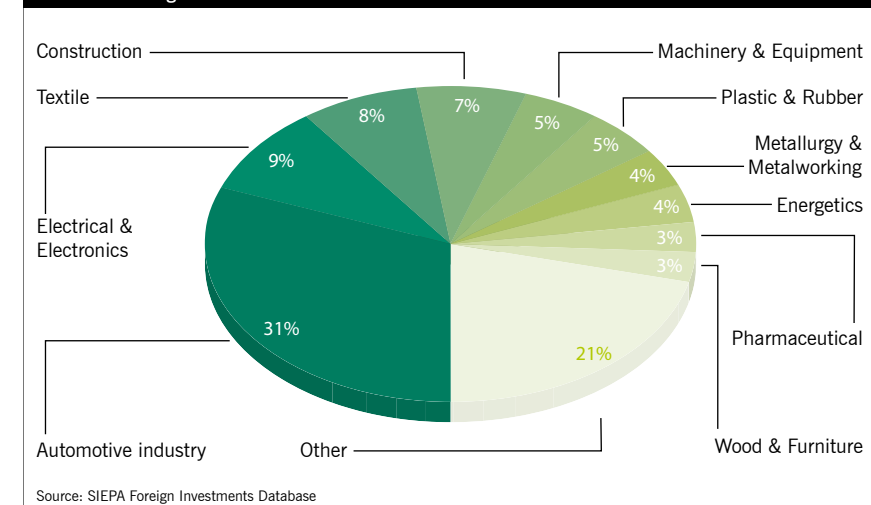
through the Law on Foreign Investment. Due to the free trade agreements with the Russian Federation on one side and European Union on the other, Serbia is the only country in Europe which offers custom free export opportunities for automotive parts to both of these abundant markets.

Excellent conditions for automotive production resulted in almost €1.4 billion of foreign investment in the last ten years, accompanied with growing interest for further investment. This is best represented by the fact that 30% of all investors' inquiries to SIEPA stem from the automotive sector.

Fiat's decision to acquire the old Zastava plant in 2008 marked a new age in the sector's foreign investments. Majority of previous investment projects were export oriented and seeking a cost effective manufacturing location, but Fiat also managed to revive domestic market for automotive parts. This attracted new type of investors, as brands like Magneti Marelli and Johnson Controls established their Greenfield factories in Serbia in 2011 to supply the Fiat project.



Interest of Foreign Investors in Serbia in 2011



"Serbia is a country that has a very interesting logistic position. From Serbia it is very easy to access the Central Europe and also you can serve the Eastern Europe."

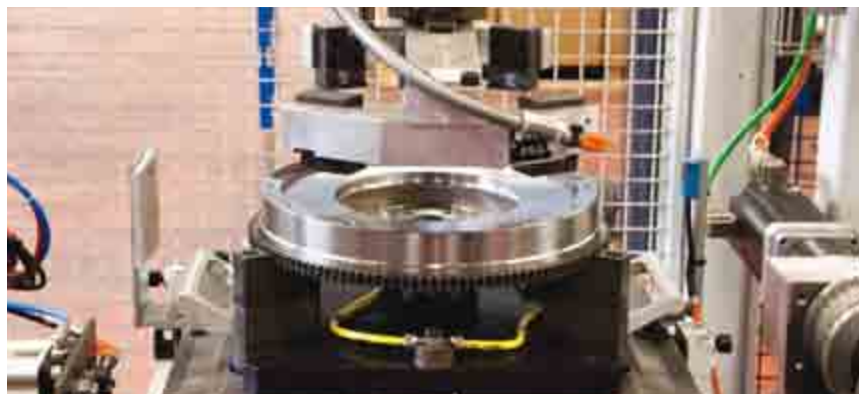
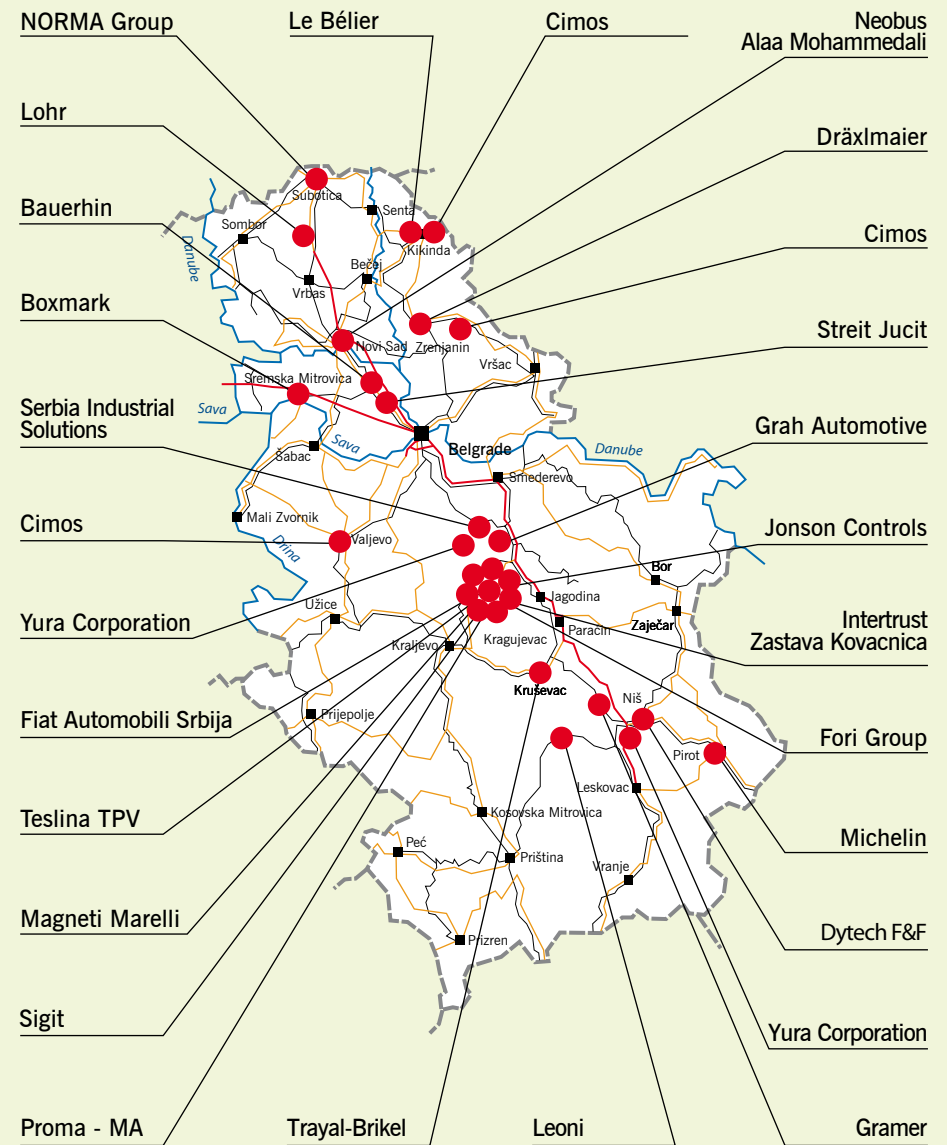
Mr. Giovanni de Filippis, former CEO Fiat Automobili Serbia



| Name                         | Country      | Municipality      | Value | Jobs  | Completed |
|------------------------------|--------------|-------------------|-------|-------|-----------|
| Fiat Automobili Serbia       | Italy        | Kragujevac        | 940.0 | 1.100 | 2008      |
| Michelin Tigar Tyres         | France       | Pirot             | 150.0 | 2.000 | 2002      |
| Cimos                        | Slovenia     | Kikinda           | 116.0 | 1.100 | 2004      |
| Yura Corporation             | South Korea  | Rača              | 44.0  | 4.500 | 2010      |
| Magneti Marelli              | Italy        | Kragujevac        | 26.0  | 170   | 2011      |
| Johnson Controls             | USA          | Kragujevac        | 26.0  | 380   | 2011      |
| Proma - MA                   | Italy        | Kragujevac        | 25.0  | 315   | 2011      |
| Trayal - Brikel              | Bulgaria     | Kruševac          | 21.0  | 2.150 | 2006      |
| Leoni                        | Germany      | Prokuplje         | 15.0  | 1.300 | 2009      |
| Le Belier Kikinda LBK        | France       | Kikinda           | 15.0  | 500   | 2003      |
| Sigit                        | Italy        | Kragujevac        | 13.5  | 104   | 2011      |
| Dytech F&F Serbia            | Italy        | Niš               | 13.0  | 403   | 2010      |
| NORMA Group                  | Germany      | Subotica          | 11.0  | 500   | 2010      |
| Grah Automotive              | Slovenia     | Batočina          | 11.0  | 400   | 2009      |
| Dräxlmaier DAD               | Germany      | Zrenjanin         | 10.0  | 1.200 | 2007      |
| Tesnila TPV                  | Slovenia     | Kragujevac        | 6.0   | 100   | 2005      |
| Bauerhin                     | Germany      | Indija            | 5.0   | 750   | 2010      |
| Grammer                      | Germany      | Aleksinac         | 5.0   | 720   | 2007      |
| Lohr                         | France       | Bačka Topola      | 3.2   | 84    | 2008      |
| Intertrust Zastava Kovacnica | Bulgaria     | Kragujevac        | 3.2   | 360   | 2005      |
| Fori Group                   | Slovenia     | Kragujevac        | 3.0   | 360   | 2006      |
| Boxmark                      | Austria      | Sremska Mitrovica | 3.0   | 140   | 2008      |
| Serbia Industrial Solutions  | Italy        | Batočina          | 3.0   | 150   | 2011      |
| Streit Jucit                 | France       | Stara Pazova      | 2.0   | 50    | 2005      |
| Neobus - Alaa Mohammedali    | Saudi Arabia | Novi Sad          | 2.0   | 220   | 2004      |

Source: SIEPA Foreign Investments Database

Largest Foreign Investors in Automotive Industry in Serbia - SIEPA research 2001-2011



# Success Stories



Fiat Automobili Srbija (FAS) was established on the 29<sup>th</sup> of September 2008 by a joint venture agreement between Fiat Group Automobiles (67%) and the Republic of Serbia (33%). Based on the subsequent agreement, signed on the 29<sup>th</sup> of December 2009, the Government handed over the ownership of the land and the property of Zastava plant in Kragujevac to FAS, as well as a building in Belgrade. In return, Fiat Group will invest 940 million EUR in the Serbian Automotive Industry. Starting from February 1<sup>st</sup>, 2010, FAS has already employed 1,000 workers.



During the first ten-month period, FAS produced 16,000 units of Punto Classic, positioning itself as the leader in the national market with 30% of the total share and 60% of the B segment car sales. In October 2010, only a year-and-half since the start of the production, the 30,000<sup>th</sup> jubilee Punto was produced. In the second quarter of 2010, FAS began exporting Punto Classic, primarily to the Northern African region, Ukraine and CEFTA countries. Within the first several months, a contingent of approximately 4,000 vehicles was exported, or an average of about 500 units per month.

Simultaneously, FAS started a complete reconstruction and renovation of plant facilities stretching across 1,400,000 square meters. The scope of work encompasses civil works (new and elevated roof constructions, land remediation, renovation of production units), the installment of new utilities and latest top-of-the-class equipment. This ambitious project is being conducted in preparation for the new car model for the global market that will be produced in Kragujevac. The first trial series of the new car model, currently known as “L-zero”, will emerge from the production line by the end of 2011.

In addition, some of the world-known producers of car-components have started building their factories in Grosnica – an area dedicated to FAS Supplier Park that stretches across 300,000 square meters and constitutes a part of the FAS free-trade zone. Components produced in Grosnica will be provided to FAS factory and used for the production of “L zero.”

From the infrastructural point of view, the Government and the local authorities are contributing to this Greenfield investment by improving railway and road conditions and building a connection with Corridor 10. Government of Serbia is also contributing financial and tax incentives to the FAS project, raising the total volume of state support to 200 million EUR.



One of the most motivating investment success stories in Serbia is the Korean Yura Corporation. The leading Korean supplier of automotive electrical and electronics distribution systems first visited Serbia in January 2010, with an idea to establish a manufacturing site. Only a year later Yura Corporation already had two operating plants in Serbia and two more on the way. Yura Corporation is investing more than 44 million euros in their factories in Serbia that will employ more than 4,500 workers and supply the growing production of Hyundai and KIA cars in Europe.

## COMPETENT LABOR MARKET



# 11%

**Annual  
Productivity  
Growth  
between  
2004 and  
2008**

*"We are very pleased with the professionalism of our employees from operators to engineers. Studies from schools to colleagues are providing students with very good skills in all areas of techniques like chemistry, mechanics and electronics, which are necessary for our high technology industry."*

**Mr. Bruno Masson,**  
Industrial Director  
Tigar Tires Michelin

### High availability of quality work force and experts

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

Quality of local labor force is best reflected in robust industrial productivity, rising at an 11% rate between 2004 and 2008. Labor supply in Serbia in 2011 comprises of 730,000 unemployed and that number annually increases by 42,000 university and 2-year college graduates and 74,000 high school graduates. Technical education is particularly strong—high school students are among the best performers at world contests in natural sciences, while Serbian engineers are well-known worldwide for their expertise. In addition, Serbia boasts the highest English speaking proficiency in Eastern Europe. Management education has also been improved with an introduction of joint graduate and post-graduate courses organized by local universities and renowned Western business schools.



| Serbia Labor Chart 2010                              |                |
|--|----------------|
| Average net salary                                   | 323€           |
| <b>Contributions paid by the employer</b>            |                |
| Pension and disability insurance                     | 11.00%         |
| Health insurance                                     | 6.15%          |
| Unemployment insurance                               | 0.75%          |
| <b>Contributions paid by the employee</b>            |                |
| Pension and disability insurance                     | 11.00%         |
| Health insurance                                     | 6.15%          |
| Unemployment insurance                               | 0.75%          |
| Personal Income Tax                                  | 12.00%         |
| <b>Average gross salary</b>                          | <b>450€</b>    |
| <b>Labor law</b>                                     |                |
| Working week:  | 40h            |
| Overtime:  | 8h/week 4h/day |
| N°. of shifts:                                       | max 3          |
| <b>Labor supply</b>                                  |                |
| Employed people                                      | 2,881,965      |
| Unemployed people                                    | 729,520        |
| Unemployment rate                                    | 20%            |
| Source: Statistical Office of the Republic of Serbia |                |



## COMPLETE LOGISTICS AND INFRASTRUCTURE



# 2 Hour

Flight to  
Anywhere  
in Europe

### Well developed and constantly improving

As a logistics base, Serbia is a perfect location for a company wishing to efficiently serve its EU, SEE or Middle Eastern customers. It borders the EU at the Hungarian, Bulgarian, and Romanian state lines, while offering benefits of working outside the EU. Owing to its excellent strategic position on the geographic borderline between 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. Through the Corridor N° 10, Serbia offers access to major European destinations. Serbia boasts a great 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 its modernization over the coming years.

The natural availability of hydropower and coal in Serbia results in the lowest price of electricity in Europe, averaging just 0.05 €/kWh. The gas pipeline covers around 50% of the major cities in Serbia but further boost will come from the new South Stream Pipeline that will transport Russian natural gas across Black Sea, Bulgaria and Serbia into the mainland Europe. The 63 million m<sup>3</sup> per year pipeline is due to be completed by 2015.



*“Serbia has invested a lot of attention to the road and industrial infrastructure as well as the customs system making it possible to establish manufacturing operations and OEM supply at a very fast rate.”*

**Mr. Jongwoo Nam,**  
General Manager  
Yura Corporation

| 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                     |
| Average Utilities Cost  |                       |
| Electricity   | 0.05 €/kWh            |
| Gas   | 0.42 €/m <sup>3</sup> |
| Water   | 0.2 €/m <sup>3</sup>  |
| Average Production Hall Cost  |                       |
| Building  | 400 €/m <sup>2</sup>  |
| Renting   | 5 €/m <sup>2</sup>    |
| Source: Ministry of Infrastructure and Energy of the Republic of Serbia |                       |

# 1 Billion People

Total Size of the Market with Customs-Free Access

*"Our operations here will provide the Fiat Group with the means to widen its customer base and to support its expansion and volume aspirations from a strategic region, while, at the same time, contributing to Serbia's industrial and technological development. This initiative will enhance the economic and social growth of the region."*

**Mr. Sergio Marchionne,**  
Fiat Group President

## UNIQUE FREE TRADE AGREEMENTS

### Serving both East and West

Externally, Serbia can serve as a unique base for duty-free trade for a market of 1 billion people including:

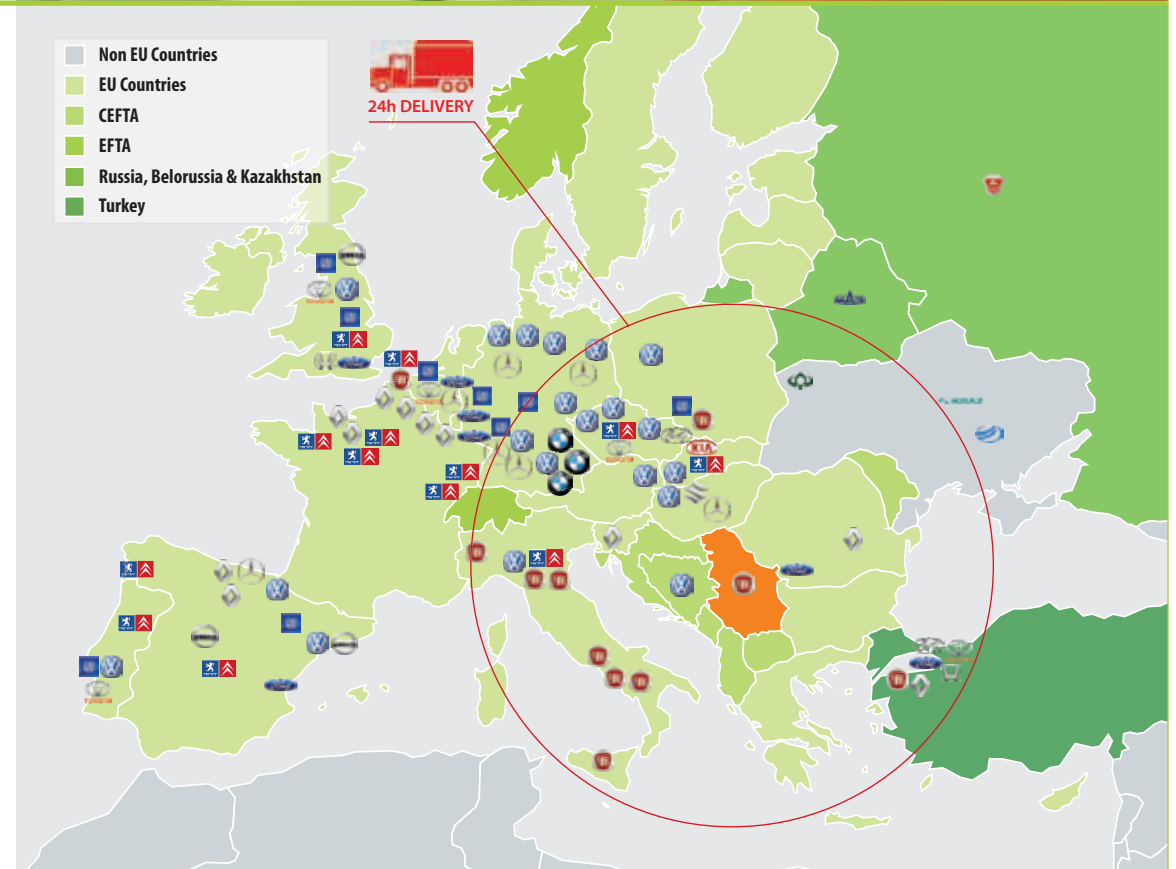
- The European Union,
- The United States of America,
- The Russian Federation,
- Turkey,
- South East Europe,
- The European Free Trade Agreement states,
- Kazakhstan, and
- Belarus.

Serbia is the only European country with free trade arrangements with both European Union and Russian Federation. Not only it bridges East and West but it also serves as a service hub for European and Asian markets. The free trade agreements with EU, EFTA, CEFTA and Turkey allow mutual accumulation of origin, as do the agreements with Russia, Belorussia and Kazakhstan.

Only two restrictions in free trade still exist: when importing from EU to Serbia, there are customs duties that will gradually be reduced to zero by 2014, while the agreement with Russia excludes only passenger cars.

### Free Trade Zones and Inward Processing

Exporters in Serbia do not have to be concerned with import duties and VAT on materials from EU or any other country in the world. In order to stimulate export oriented production, Republic of Serbia provides custom and VAT free import of materials through the Inward Processing procedure. The general permission for Inward Processing is obtained once a year but even further simplification of the procedure can be gained by operating in one of the Free Trade Zones. Free Trade Zone is considered to be outside the custom system and all goods bound for factories inside them are custom and VAT free.



| Market                          | Trade Regime                      | N°. of Inhabitants   |
|---------------------------------|-----------------------------------|----------------------|
| European Union                  | Interim Trade Agreement           | 494,070,000          |
| USA                             | Generalized System of Preferences | 302,558,000          |
| Russia, Belorussia & Kazakhstan | Free Trade Agreement              | 168,640,600          |
| CEFTA                           | Free Trade Agreement              | 29,990,542           |
| EFTA                            | Free Trade Agreement              | 13,000,000           |
| Turkey                          | Free Trade Agreement              | 75,000,000           |
| <b>Total</b>                    |                                   | <b>1,083,259,142</b> |

## FAVORABLE TAX REGIME



# 10%

Europe's  
Second  
Lowest  
Corporate  
Profit Tax  
Rate

### The lowest tax rates in Europe

Serbia's tax system is highly conducive to investment. Apart from featuring the lowest tax rates in Europe, investors can benefit from possible tax incentives which create excellent start up conditions. Primarily, there is a possibility of a 10 year corporate profit tax holiday for investments into the manufacturing sector which are worth over €8 million and create more than 100 new jobs. In addition, investors can receive incentives on almost all principal taxes in Serbia.



*"Production capacities are expected to increase significantly once we have commenced our operations in Subotica. The facility is expected to be at full operating capacity by 2015. Our decision to invest in Serbia will benefit both the region of Subotica and our European customers to meet their high and increasing demand."*

**Mr. John Stephenson,**  
COO of NORMA Group

| Tax   | Rate  | Recurrence              | Possible incentive  |
|---|---|-------------------------|---|
| Corporate Profit Tax  | 10%   | yearly                  | 10 year holiday (investments over 8 million euro and 100 new jobs) or 20%, 40% or 80% of investment value as tax credit |
| Withholding Tax (for dividend, shares in profits, royalties, interest income, capital gains, lease payments for real estate and other assets) | 20%   | yearly                  | lower rate of 10% or 5% according to double taxation agreement  |
| VAT   | 18% - standard<br>8% - lower rate                             | monthly                 | import VAT return for export of finished goods<br>import VAT exempt in free trade zones                                 |
| Property Tax  | up to 0.4%  | yearly                  | rates vary by municipality  |
| Absolute Rights Transfer Tax  | 0.3% - stocks and bonds<br>2.5% - other property              | at purchase of property |   |
| Salary Tax  | 12%   | monthly                 | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers                               |
| Annual Income Tax   | 10% - under 8x average salary<br>15% - over 8x average salary | yearly                  |   |
| Pension and disability insurance  | 11%   | monthly                 | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers                               |
| Health insurance  | 6.15%   | monthly                 | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers                               |
| Unemployment insurance  | 0.75%   | monthly                 | 3 - year holiday for hiring apprentices<br>2 - year holiday for hiring unemployed workers                               |

## STIMULATING FINANCIAL INCENTIVES



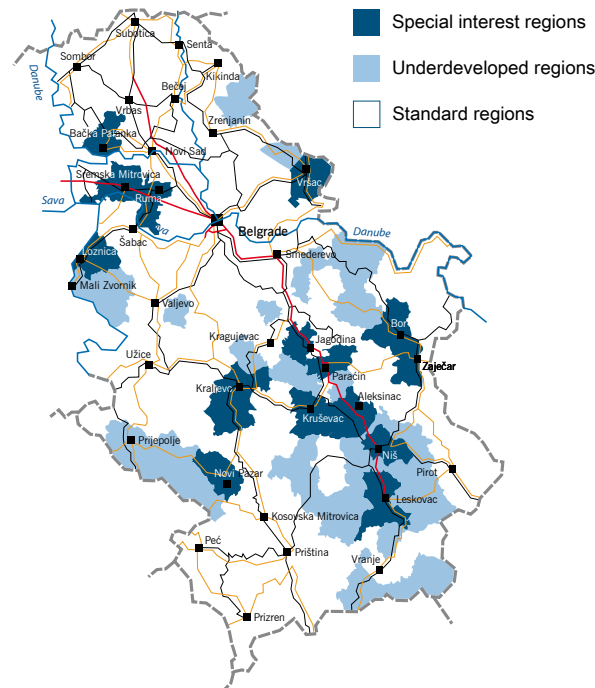
€2,000-  
10,000

State Grants  
for Every New  
Job Created

### Reducing investment costs

Highly competitive and diverse investment incentives are designed to reduce costs of investment projects in Serbia. For standard-scale Greenfield and Brownfield projects, non-refundable state funds are offered in the range between €2,000 and €10,000 per new job created within 3 years. Investments over €50 million that create a minimum of 300 new jobs within 3 years can be subsidized in the amount of up to 20% of the project's value. Projects in automotive industry are eligible for the highest subsidies since they are a part of the sector of strategic interest in Serbia.

Over the past four years, more than 15 investment projects in the automotive industry have benefited from the state grants program. The list of companies that developed their projects in Serbia with a support of financial incentives includes: Fiat, Michelin, Magneti Marelli, Johnson Controls, Leoni, Yura Corporation and many more.



*“Serbian Government is very strongly supporting the industrial development of the country making it very easy and profitable for foreign investors to locate there.”*

Mr. Jongwoo Nam,  
General Manager  
Yura Corporation

| Financial Grants                       |   |  |  |  |  |
|--|---|--|--|--|--|
| Eligible Investments                   | Standard-Scale Projects   |  |  |  |  |
|  | Manufacturing   |  |  | Internationally Marketable Services                  | Tourism  |
|  | Investment Realised in Underdeveloped Regions and Regions of Special State Interest | Investments in Automotive, Electronics and IT, Realised in Regions of Special State Interest | Investment Realised in Other Regions of the Republic of Serbia | Investments in All Regions of the Republic of Serbia | Investments of Strategic Importance in All Regions of the Republic of Serbia |
| Grant Amount (per job created)         | € 4,000 - 10,000  | € 5,000 - 10,000   | € 2,000 - 5,000  | € 2,000 - 10,000                                     | € 2,000 - 10,000   |
| The Minimum Investment Amount          | € 0.5 mn  | € 0.5 mn   | € 1 mn   | € 0.5 mn   | € 5 mn   |
| The Minimum Number of New Jobs Created | 50  | 50   | 50   | 10   | 50   |

| Financial Grants                       |                                       |                                   |
|--|---------------------------------------|-----------------------------------|
| Eligible Investments                   | Large-Scale Projects                  |                                   |
|  | Manufacturing                         |                                   |
|  | Capital and Labour Intensive Projects | Capital Intensive Projects        |
| Grant Amount (EUR)                     | Up to 20% of the total investment     | Up to 20% of the total investment |
| The Minimum Investment Amount          | € 200 mn                              | € 50 mn                           |
| The Minimum Number of New Jobs Created | 1.000                                 | 300                               |

40  
million

Square meters  
of equipped  
Greenfield  
locations  
in SIEPA  
investment  
location  
database

## RECOMMENDED INVESTMENT LOCATIONS

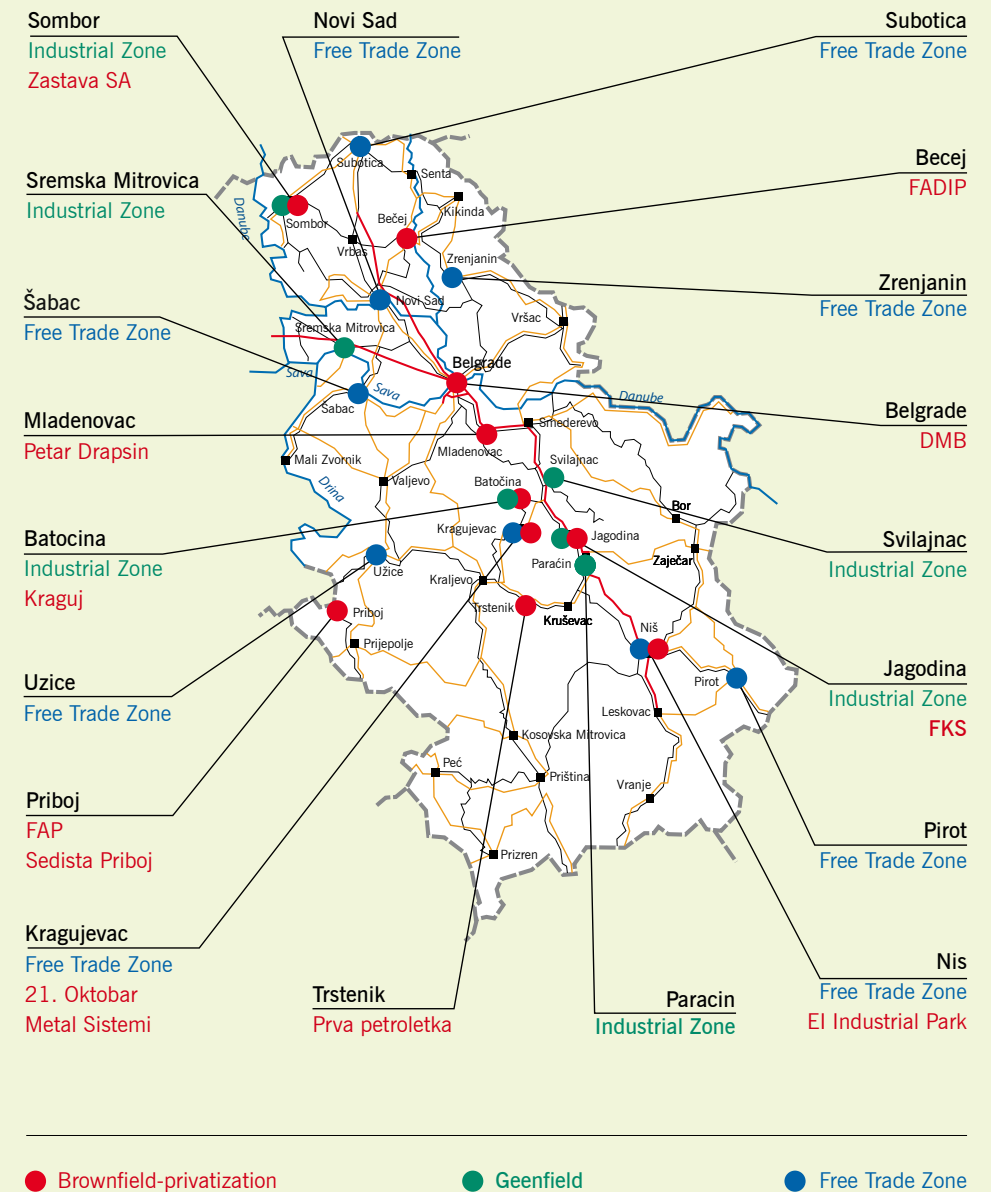
### Locate the right spot

One of SIEPA's primary activities is finding suitable investment locations in Serbia. By maintaining an investment location database and working closely with investors, SIEPA advises on opportunities in Serbia, best suited to a particular project. In the automotive industry, SIEPA has already worked with companies such as Leoni, Yura Corporation, Dytech or Norma Group in presenting available locations and assisting in the right selection. Based on our experiences, we can recommend the following investment locations and will be pleased to offer more details to interested investors:



*"Subotica is a strategic location for NORMA Group, and our local and regional partners made it a convincing choice. Our investment in Serbia furthermore reflects a strongly increasing demand for NORMA Group's innovative solutions in engineered joining technologies and distribution services."*

Mr. Werner Deggim, CEO of NORMA Group





# About SIEPA

Serbia Investment and Export Promotion Agency (SIEPA) is a government organization dedicated to effectively helping foreign investors and buyers, while raising Serbia's profile in the minds of international business decision-makers. Created in 2001 by the Government of the Republic of Serbia, SIEPA's mission is to support foreign companies seeking to set up or expand in Serbia and Serbian companies when doing business worldwide.

Created as a one-stop-information-shop, SIEPA acts as a reliable partner for international companies throughout their investment project to ensure the best results. Foreign buyers committed to the highest quality may rely on our knowledge and expertise when looking for the right supplier.

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

- Providing statistics, economic and legal investment related information,
- Database of Greenfield and other investment opportunities, with site visit organization,
- Assistance in obtaining registration, licenses, permits and other documentation,
- Identifying local partners and suppliers, including meeting facilitation,
- Presenting ready-to-invest projects,
- Maintaining investment and exporters databases,
- Delivering sector analysis and studies.

Some of the largest recent Greenfield projects in Serbia were completed as a result of our assistance. The portfolio of automotive companies that rely on our services to implement their projects in Serbia ranges through brands like Fiat, Michelin, Leoni, Yura Corporation and many more.

To help potential investors speed up completion of their projects, SIEPA networks with all FDI-related public and private sector bodies, including Government ministries and other Governmental bodies, municipal authorities and local self-government, 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 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).

We would like to invite you to contact our specialized staff ready to assist you and your business interests. Information packages about law, industries, sectors, business practices, and general doing business in Serbia is tailored and, may be, confidential based on your company's needs and requests. If you would like the best access to the opportunities and intelligence gathered by our expert team, do not hesitate to contact us. Working with us is simple and effective.

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AUGUST 2011



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