

Serbia Shared Services

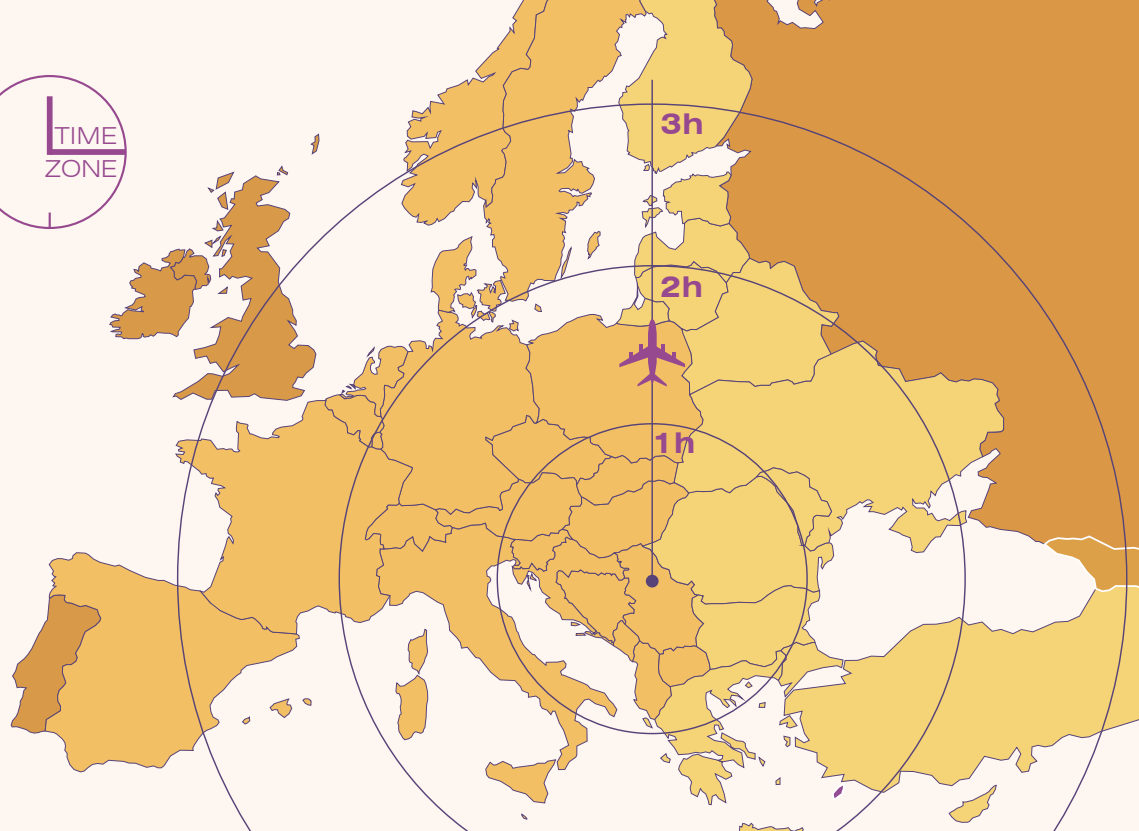
Close Competence



About Serbia



Serbia ID Card	
Official Name	Republic of Serbia
Form of State	Democratic Republic
Political Structure	President Unicameral assembly with 250 seats
Area	88,361 km ²
Population	9.5 million
Geographic Position	South East Europe, central part of the Balkan Peninsula, at the intersection of Pan European Corridors N ^o . 10 and N ^o . 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



WHY SERBIA?

“Serbia is forecast to make the largest improvement in the business environment in the region of Easter Europe between 2009 and 2013. Out of 16 countries included in the research, Serbia will be leading the region in terms of business reforms by a wide margin.”

Economist Intelligence Unit

NEARSHORE TO SERBIA

As the biggest problem nowadays is not so much attracting new customers, as retaining existing ones, companies are moving towards regional centers 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, 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 centers. 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, and ready to work, and work hard. Moreover, various Government-sponsored programs are creating a qualified labor 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.

In 2008, PricewaterhouseCoopers ranked Serbia the 3rd most attractive manufacturing and 7th most attractive services FDI destination among emerging economies. The same year, after assessing nearly 150 on-going inward investment projects in Serbia in 2007, 2008 and 2009, Ernst & Young ranked Serbia the second best performer in the South East Europe region. In March 2011 Serbia's long-term credit rating with the S&P has been raised to BB, with stable outlook. Country is pending for the EU candidate status, to be followed by the commencement of negotiation process.

More importantly, many world-renowned companies have recognized this potential and decided to locate their operations in Serbia – FIAT Group, Panasonic, Sagem, Sitel, Pompea, Nestle and many others. Why? For some of them, Serbia serves as a manufacturing hub that enables duty-free exports to a market of almost 1 billion people encompassing the European Union, the United States, the Russian Federation, Kazakhstan, Turkey, Southeast Europe, the European Free Trade Agreement states, and Belarus. Others were lured by the possibility to capitalize on an educated, abundant labor pool or a booming local market of over 9.5 million people.

Serbia's skilled and productive labor force has proven to be one of its 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. 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.

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. Labor 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.

Since 2000, inward FDI has reached \$22bn, with the number of Greenfield projects growing rapidly.

"Lower costs and a well-qualified labor force are major opportunities for foreign investors in Serbia."

UniCredit Group CEE International Competitiveness

With locations throughout Central Europe, Great Britain, and Ireland over-saturated, the industry is now seeking new locations. Serbia's capacity to host SS projects equals or exceeds those of CEE countries that have reached saturation point when it comes to receiving further investment.

Some of the Main Investors



Strong Service Base

Business, professional and technical services account roughly for one quarter of Serbia's export in this domain*. This indicates an increasing level of internationalization of the service sector in Serbia that provides for a swift and more dynamic development of shared services and BPO sector. In the beginning of the reform process this increase was driven by a heavy inflow of FDI in financial services and intermediation which was lately followed by genuine investments in BPO and SS.

Over the first five months of 2011 Serbia has exported services worth \$1.55 billion and recorded a positive trade balance in foreign trade with services in amount of \$64.6 million. Export of services rose by close to 21% compared to year before. Business, professional and technical services, as well as financial, trade mediation, logistic and personal services have dominated the exports of services and areas where the greatest surplus has been generated. All together they have accounted for more than half of exported services, with professional, business and technical services standing out with 22.2% of all exported services. Over the same period, the share of services in the total Serbian export stood at 26.5%.

Total Export of Services (million EUR)	
2010	2.667,1
2009	2.500,0
2008	2.741,4
2007	2.304,0

Source: National Bank of Serbia

*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.





LABOR POOL

The labor market in Serbia has become truly vibrant with an increasing number of international investors relocating their businesses to the country. When it comes to the shared service industry the market is still fresh, as only a handful of international companies have capitalized 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 centers 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.

Shared services centers 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.

Available

Official data

Unemployment remains one of the key economic issues in the country. The state is particularly interested in curbing high unemployment rates among young population and introduces more and more benefits for employers that provide employment for this category of the population.

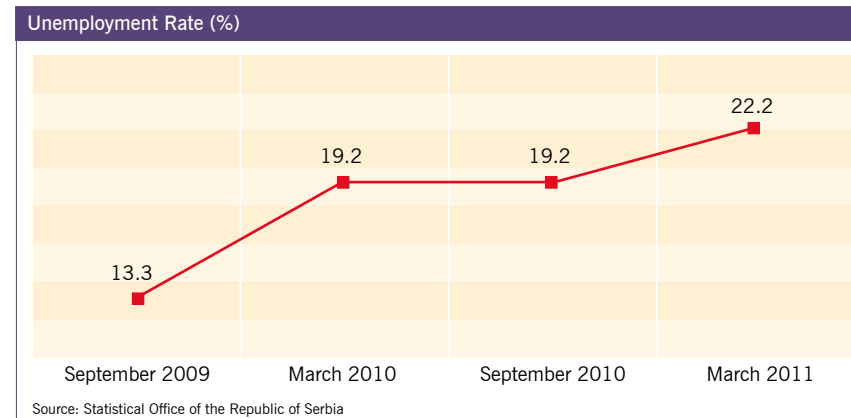
The rate in Belgrade is lower than in other parts of the country (12.85%), but given that almost 1/4 of the total Serbian population reside in the capital city the actual number of the unemployed and available for employment is quite high.

The Participation in the Registered Unemployment by the Age					
25-29 years	30-34 years	35-39 years	40-44 years	45-49 years	50-54 years
13.29%	12.46%	12.03%	11.63%	11.85%	11.79%

Source: Serbian National Employment Service

The Structure of the Unemployed by the Level of Education in December 2010			
Elementary School	High-school	College	University
244,218	396,350	44,128	44,787
33.47%	54.33%	6.05%	6.14%

Source: Serbian National Employment Service



Inside the Nutshell

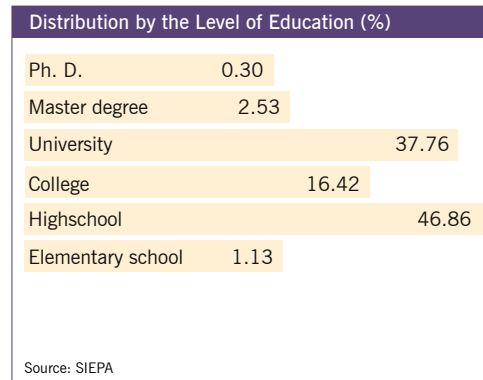
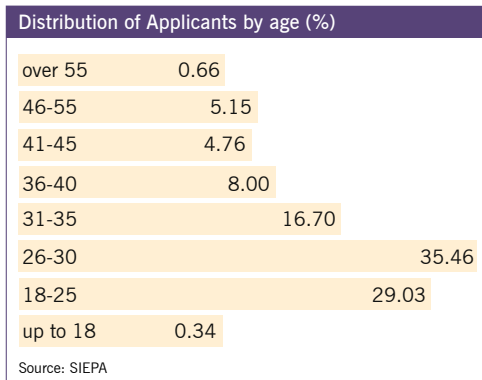
The labor market in Serbia is officially represented through a state governed institution National Employment Service of Serbia. This institution has developed a network of branches throughout the country with 34 rep offices and 120 local offices. They are registering unemployed, undertaking state programs of employment, education, additional education, mediating between employers and the unemployed and running official statistics on the labor market.

However, there are also privately owned companies that offer more immediate and quality access to the available labor pool. One of the most prominent and highly regarded is the mojtim.infostud.com Internet portal. It is a unique source of job opportunities for the unemployed but a great tool for employers to swiftly access the pool of people looking for a job, whether they are unemployed or just seeking for a job change. This particular service relies on the database of people that have decided to submit their CVs into the system. Currently, the database consists of 31,245 CVs/candidates (as of June 2011).



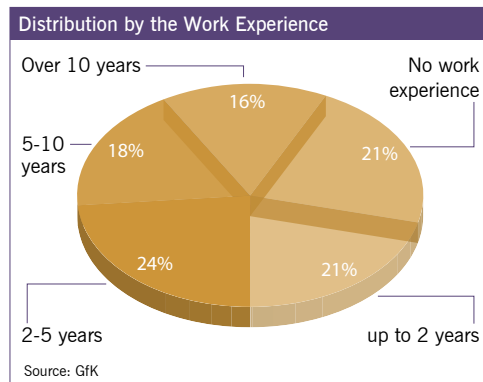
By definition these people are proactive, eager to work and computer literate. SIEPA team has a good cooperation with Infostud management which enables a variety of options – from test selection process, probation, interviews with candidates etc.

The following survey was conducted based on the screening of the available data.



The largest number of job candidates fall into the 18-35 age category, with the largest sub-group made up of people aged 26-30 - around 35% of respondents - whilst the 18-25 category is also strongly represented, as they account for 30% share in the overall number of people which have visited the website and decided to register as job seekers.

More than a third of the candidates have a university degree, while the distribution by gender is more-less even. Almost all candidates in the database have some computer skills, out of which close to 40% of them boast advanced skills such as being able to do programming and software development, web design and network engineering.



Mobility

One of the interesting characteristics of the labor force in Serbia is its mobility, both in terms of willingness to relocate and to work outside of profession and educational level. Around 45% of candidates in Infostud’s database are based in the Belgrade area and the rest of the unemployed are mostly willing to relocate to another city if the potential position satisfies other conditions desired by job-seekers.

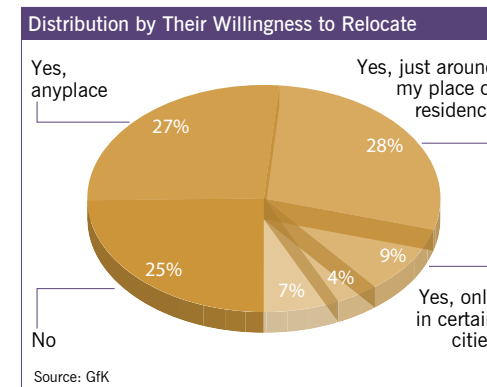
The survey among youngsters in Belgrade* has shown the same level of flexibility - the young and unemployed in Belgrade prefer jobs that match their educational level, but majority of them are willing to work outside their profile. Almost 40% are willing to work on jobs with lower demands for education.

Local Attrition

Globally, every fourth person in the world is ready to move out of the country looking for a better job. For the same reason, every fourth person is planning to leave his or her current employer within the next 12 months.

The GfK International Employee Engagement Survey was conducted using a sample of 30,556 employees from 29 countries from February 8th to April 4th, 2011 using online communication and telephone interviews. The data was adjusted in order to represent demographic composition of the country (industry, gender and age). Also, each country’s data was adjusted according to its GDP in order to assure global statistics combining different countries.

In Serbia, the percentage of employees actively seeking a job change is 28%, which is lower than that of most other countries surveyed in the region. In combination with high unemployment rates, this leads to expected low attrition rates.



Hungary	31
Russia	35
UK	38
Slovakia	27
US	47
Czech R.	27
Germany	41
Romania	40
Bulgaria	37
Serbia	28

Source: GfK

*Ipsos Strategic Marketing for Youth Office, City of Belgrade, May 2010, DESK research, Data from the National Employment Service and interviews, 800 youngsters from Belgrade, random sample on the 19-30y of age group

Educated

On average, universities in Serbia annually produce around 43,500 college and university graduates. 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. The most recent success was the achievement of a six-member team of mathematicians from Serbia winning one gold, two silver and one bronze medal and a commendation at the 52nd International Mathematics Olympics in the Netherlands in 2011. A total of 105 countries participated in that Olympics.

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.

Total Number of Enrolled Students 2009/2010: 54,510 (Selected universities)					
School of Economics	Philology School	Law School	Faculty of Organizational Sciences*	Mechanical Engineering	ICT and Electrical Engineering
1,483	1,380	1,527	732	583	828

* Management and software development
Source: Statistical Office of the Republic of Serbia

Total Number of Graduates* (2009,): 42,988					
ICT	Electronics	Engineering	Management/business	Law	Philology
2,397	644	1,556	12,681	2,900	1,355

* College graduates, university undergraduates, graduates and postgraduates
Source: Statistical Office of the Republic of Serbia

Knowledgeable in Foreign Languages

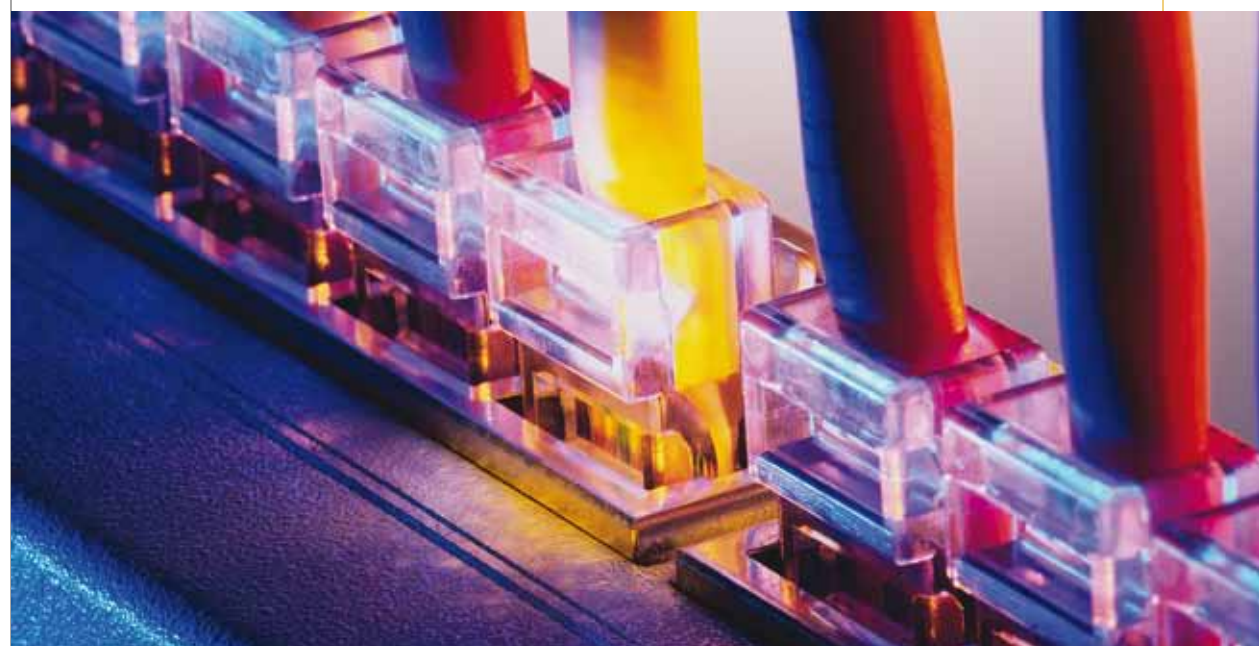
English, French, Russian and German languages are mandatory subjects throughout primary and secondary education in Serbia. English usually begins to be taught from third grade as the primary language, whilst French, German and Russian are taught from fifth grade as secondary languages.

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.

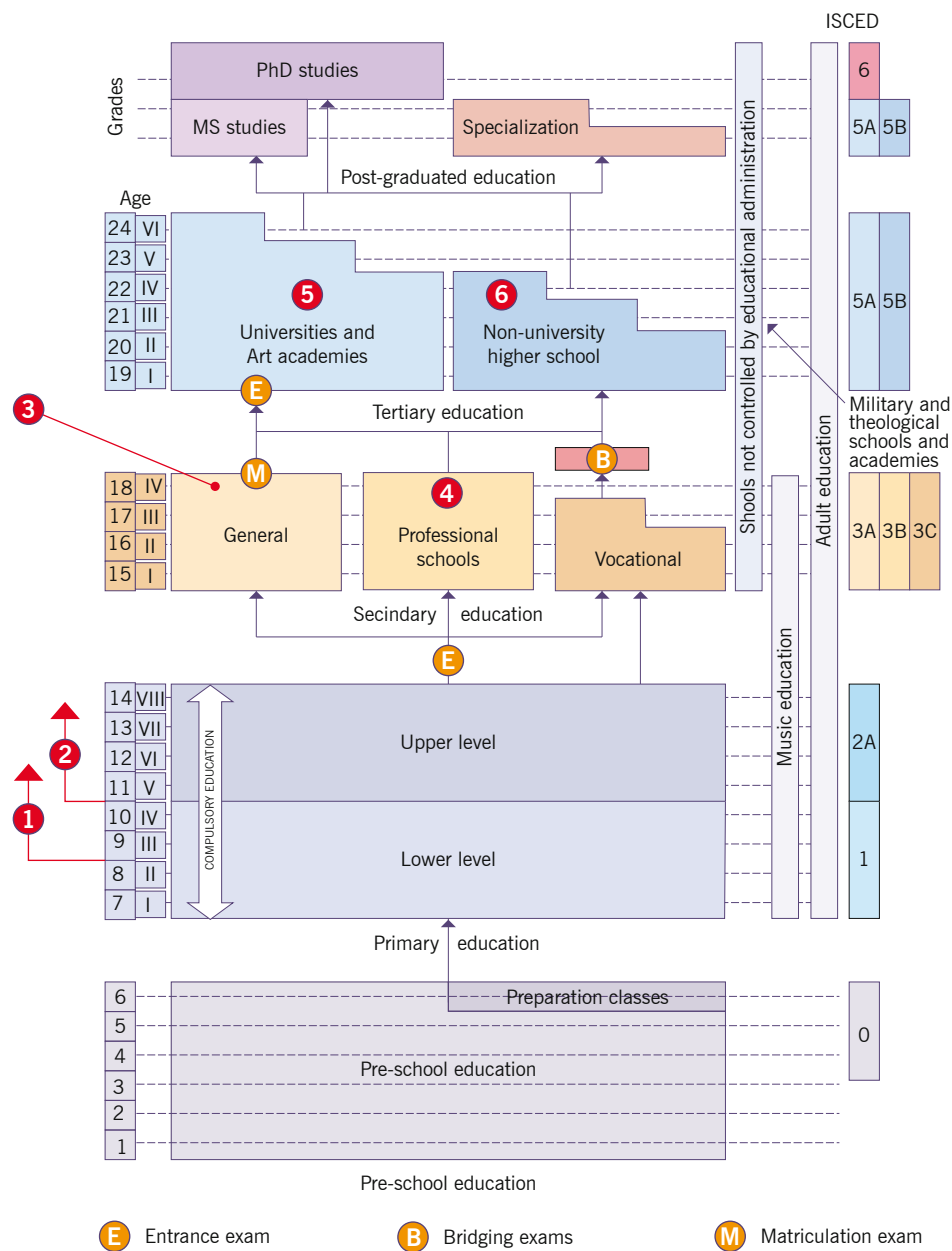
The country's key institution at the university level for the in-depth study of foreign languages is the Faculty of Philology at the University of Belgrade. However, there are also faculties in other major cities where students can study foreign languages. Languages are taught at a very high level and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

The Actual Number of People in Infostud's Database										
Language	English		French		Italian		German		Spanish	
	Inter.	Adv.	Inter.	Adv.	Inter.	Adv.	Inter.	Adv.	Inter.	Adv.
Electrical Engineering	1,460	770	27	7	18	8	24	3	9	3
Informatics	450	287	10	2	9	5	16	3	8	2
Mechanical Engineering	317	177	7	1	5	3	12	0	3	0
Philology	588	486	70	34	74	40	60	27	95	47
Economics/Management	2,782	1,509	126	19	132	34	161	43	137	27
Law	495	257	26	9	13	6	29	8	25	2
Total	7,036	4,285	470	80	452	158	406	101	386	122

Total - people residing in Belgrade, with high-school+level of education
Intermediate - Level B2
Advanced - Level C1+, spoken language



Education System in Serbia



- 1 Introduction of the first language
- 2 Introduction of the second language
- 3 Both languages taught
- 4 One language (usually English)
- 5 Depending on university one or two languages
- 6 One language (usually English)

Source: Ministry of Education and Science, 2000

English Language

English language classes are an integral part of education at all levels. Therefore, it is no wonder the Ipsos survey* shown that almost 90% of young unemployed people speak English, at least decent English. 25% percent of them have an additional language diploma acquired in one of the many language schools in Belgrade and Serbia. Over 50% of the young also speak other languages, primarily French, Spanish, Russian and German. A combination of good English language skills and computer skills is easily found as it was found at over 80% interviewees that underwent the survey.

English

Inadequate	13%
Medium	34%
Good	35%
Very good	16%

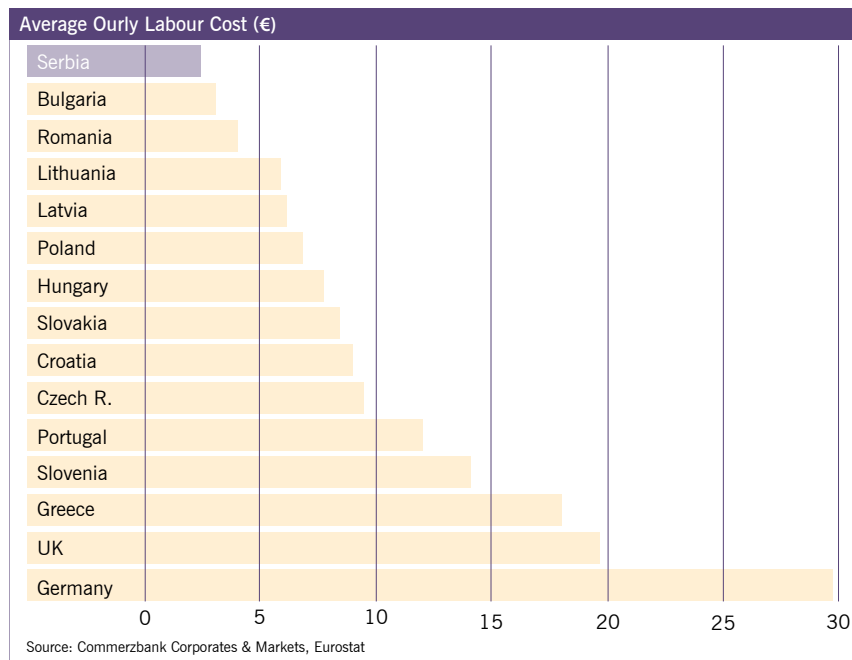
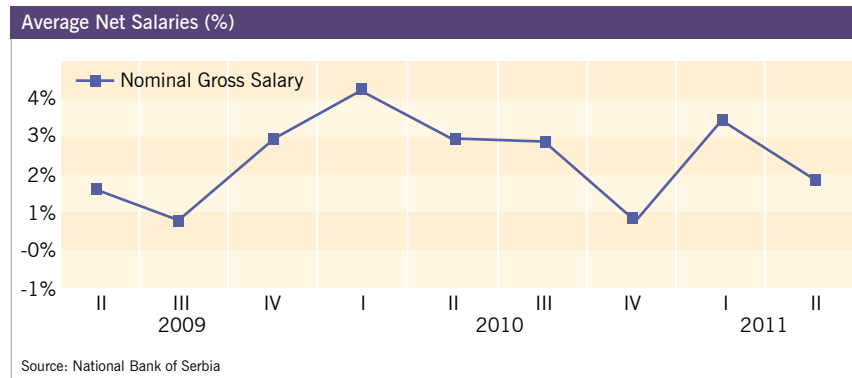
Source: Ipsos

*Ipsos Strategic Marketing for Youth Office, City of Belgrade, May 2010, DESK research, Data from the National Employment Service and interviews, 800 youngsters from Belgrade, random sample on the 19-30y of age group

Competitively Priced

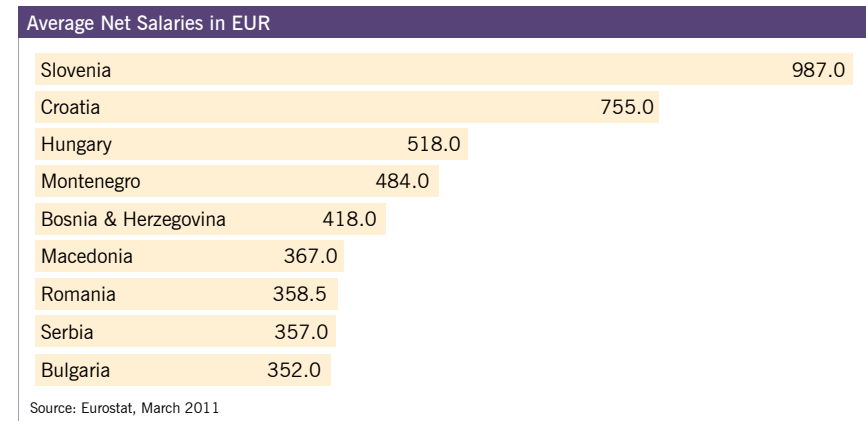
Average salaries in Serbia are low enough to ensure cost-effective operation. Total costs for employers are only 40% of those in other East European EU member-states.

Income tax and national insurance contributions are still among the lowest in Central and Eastern Europe. Total labor costs for employers stand at 63% of net salary. Real salaries fluctuate in the few percent range ensuring the cost competitiveness of Serbia's labor force.



Country/Position	Accountant	Chief Accountant	Telemarketing Operator	Call Center Operator
Slovakia	808	n/a	587	840
Czech Republic	887	1,110	636	882
Hungary	730	1,460	475	751
Serbia	492	691	365	545
Bosnia and Herz.	670	927	591	n/a

Source: Infostud; exchange rate September 2011, 1 EUR = 102 RSD



Taxation of Salaries

In Serbia, total costs of labor – 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.

A €400 Net Salary Example		
Item	Rate	Total (EUR)
Net salary		400.00
Personal Income Tax	12	48.00
Contributions paid by employee	17.9	71.60
Gross salary		519.60
Contributions paid by employer	17.9	71.60
Total labor costs		591.2

Source: SIEPA
Based on the exchange rate: EUR 1 = RSD 81

Staff Leasing Concept

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. Some of the major global players operating in Serbia are Adecco, Manpower, Dekra, Hill International, Trenkwalder etc.

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.

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

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.

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.

The National Employment Service Grants

The National Employment Service grants include:

- Employment subsidies program (grants €850–1,700);
- Apprentice program (grants €170–210), and
- Re-training program (€850).

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).

TELECOMMUNICATIONS NETWORK: AN OPEN SPEEDWAY

Market overview

Telecomm Market Overview

According to the Agency for Electronic Communications telecomm market in Serbia nominally grew by 6.4% in 2010 to \$2.12 billion. The market comprising fixed and mobile phone services, media content distribution, Internet services and VOIP had average annual growth of 13.9% in the four preceding years. Expansion and further liberalization of the industry is a priority for the Government as it seeks to begin membership talks with the European Union. The competition on the market is ever growing and will be even more in favor of users after the sale of the largest telecomm service provider in Serbia - Telekom Srbija.

Internet Access

Broadband Internet access is widely available in Serbia. ISPs offer a variety of broadband internet access options at speeds of up to 16 Mbps on the retail market. Best sellers are those at 1024 kbps, 1536 kbps 2048 kbps speed which account for 57% of all broadband connections. Due to the increased competition among ISPs and ever rising needs of end users, the prices of internet access are decreasing over time. For example, in 2009 the price of monthly fee for cable internet access at the speed of 2 Mbps was around €14, the same amount for twice faster access in 2010.

Number of ISPs by Access Type

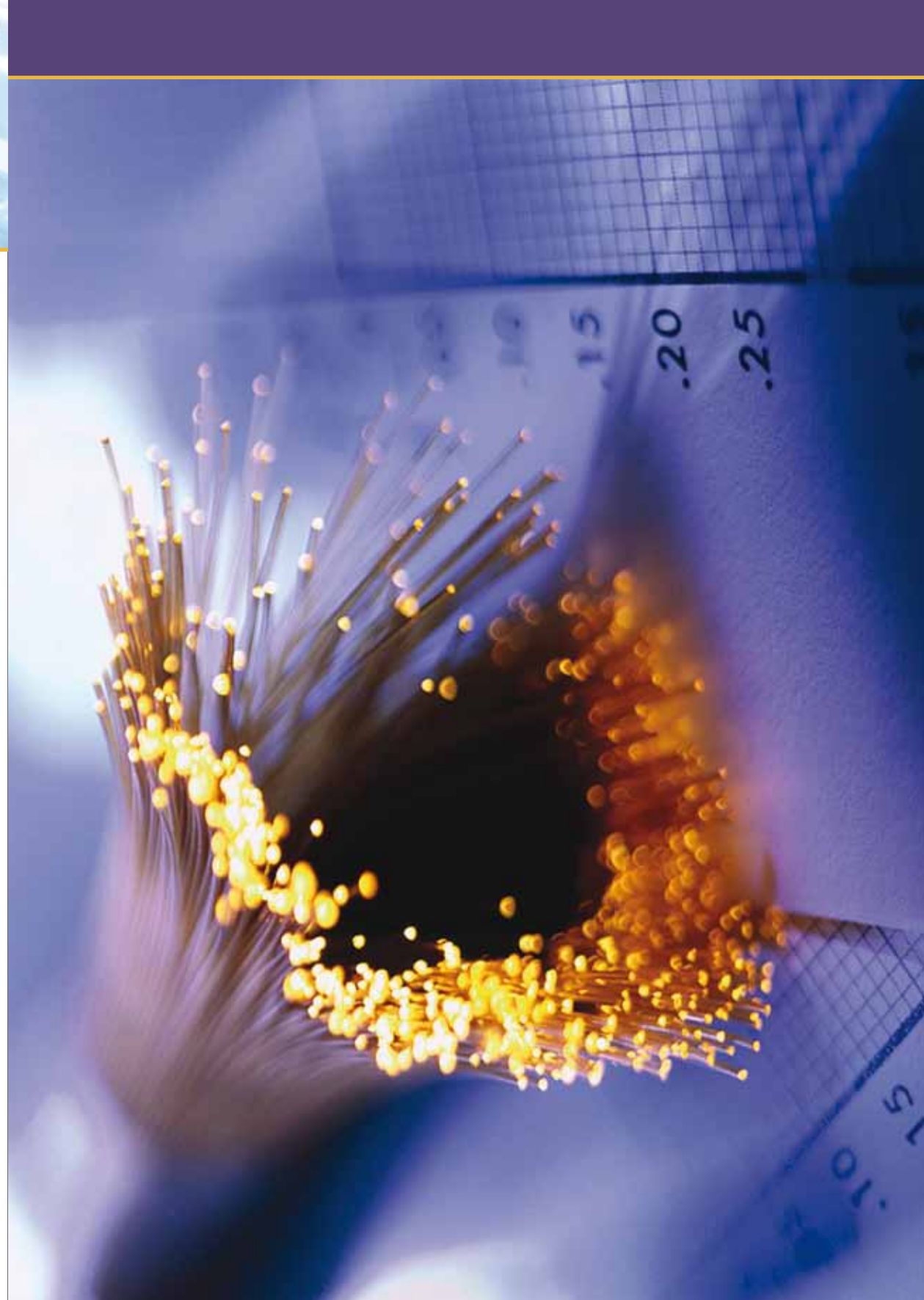
	2007	2008	2009	2010
Dial-up	60	48	36	42
Cabl Internet	14	22	20	22
Optical Cable	-	-	3	11
Ethernet	-	-	24	25
Wirless Internet	118	82	78	115
ADSL	23	21	27	23

Source: RATEL

Total Number of ISPs

	2007	2008	2009	2010
Number of ISPs	159	197	199	192

Source: RATEL



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 everyday 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, favorable personal taxation, and excellent international schools make Serbia the ideal choice for expats. Due to the specific needs of the SS industry, at this point, Serbia's capital and Novi Sad emerge as natural choices for new projects. In the near future, other big cities in Serbia would also increase their capacity to host SS projects.



Belgrade

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 reveling 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.

"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

Former President of ProCredit Bank, Serbia

"I remember when I first came to Belgrade, I could feel the energy of the city. It is unbelievable, everything is moving, the country is very open-minded, and most of the country caters to all your needs."

Oliver Maller

Chief Technology Officer, Baufinanzierung - Bayern



Belgrade University

The University of Belgrade is the oldest and the 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 centers. The following types and levels of studies are realized at the University of Belgrade: undergraduate academic studies, undergraduate professional studies, graduate academic studies, specialized academic studies, specialized professional studies, doctoral academic studies and multidisciplinary studies. Studies conducted at the faculties of the University are adapted to the principles of the Bologna Declaration.

Teachers and associates of the University of Belgrade make the largest part of the entire scientific potential of Serbia. 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 specialized courses.

www.bg.ac.rs



Living in Belgrade / Serbia

Council of Europe awards Belgrade the title of “the 12 stars city”

The Council of Europe (COE) awarded Belgrade the title of “the 12 stars city,” which confirms that the Serbian capital is devoted to respecting the principles of the European charter on local self-government. In October 2010, the European week of local democracy (EWLD) was held in Belgrade for the first time ever. The ELDW is an annual European event featuring national and local events organized by participating local authorities in all COE member States.

Belgrade - City of the Future in Southern Europe

This title carries a recommendation for the biggest future investment location, by the most recognized financial newspaper in the world The Financial Times, organizer of the European cities and regions of the future for 2006/07 contest. Categories and criteria by which the judges have made their decision are based on economic potential, cost effectiveness, human resources, IT and telecommunications, transport, quality of life and FDI promotion.

“Belgrade has many such secret delights it keeps close to its chest, making every visit a voyage of discovery even for those who may have been many times before. Stand aside Amsterdam, Prague and Barcelona – this is Europe’s new capital of cool, with not only 42 museums, 67 art galleries and 26 theatres but a vibrant café society and lively nightlife, It’s a history packed but thoroughly modern city for the young and the young at heart”.

“Berlin, Amsterdam, Barcelona - where next?

If you’re into clubbing holidays and have done the usual suspects, Serbia’s capital Belgrade has come on to the radar quickly in recent years, developing an exciting, ever-changing cobweb of clubs and bars. Belgrade is different enough to enjoy daytime around the city before hitting the town for an evening of revelry”.

Belfast Telegraph, May 2011

“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

Belgrade's Office Space Market

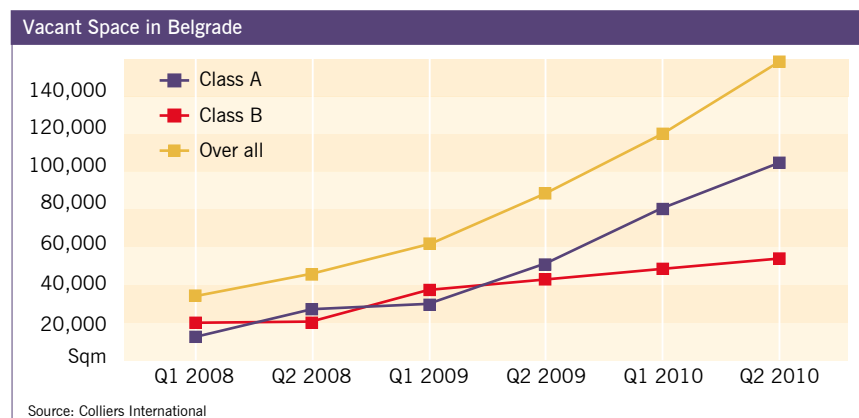
The vast majority of office stock in Belgrade is located in two areas: the traditional core of Old Belgrade, referred to as “downtown” and New Belgrade across The River Sava. The majority of establishments in the Old Belgrade are C Class office buildings with a few A and B class office buildings refurbished and improved in the last couple of years. In contrast to hilly, Old Belgrade, the area of New Belgrade is completely flat and set out on a US-style grid pattern, with numbered “blocks”. The majority of new office space is located in New Belgrade, due to the ease of locating and purchasing development land, transparency of ownership, modern facilities and infrastructure, and the availability of parking space. Class B offices dominate the office stock in New Belgrade.

Availability

Despite the construction slowdown experienced by the Belgrade office market during 2010, the total stock of Class A and B office space increased by 76,100 Sqm. By the year-end it stood at 658,419 Sqm. Of this, Class A stock comprises 414,503 Sqm GLA which is an increase of 22.5% compared to 2009. The total stock of Class B space remained the same level – 243,916 Sqm.

Vacancy

The vacancy rate increased to 26,8% by the end of H1 2011, which equates to 177,500 Sqm. Class A vacancy increased compared to the previous year, driven in large part by additions to stock, while Class B vacancy decreased. By type, there was 120,000 Sqm of vacant Class A – a vacancy rate of 28%. Class B vacant space account for 57,000 Sqm – a vacancy rate of 23%.



Rents

Although rents for all types of office space experienced a decrease, there was a greater fall in Class A rents, due to the higher level of new additions. Prime headline rents by year-end fell to €16 per Sqm. In general, headline rents for Class A space vary from €13 to €16 Sqm/pcm. Class B rents remained steady at ca. €13.5 Sqm/pcm. The landlords are

still offering more flexible incentive packages in contract negotiations (whether in terms of rent-free period, fit-out contribution or better parking ratio). A large portion of class A office space was leased for €12-14 per sqm, while class B achieved €9-11 per sqm.

CEE Prime Office Rents in 2010

City	Prime Rent (€/sq.m/month)
Sofia	14.0
Prague	21.0
Budapest	20.0
Warsaw	25.0
Bucharest	19.5
Belgrade	14.5
Bratislava	17.0
Zagreb	16.0

Source: Commerzbank Corporates & Markets, Eurostat

Outlook

Over 50,000 Sqm of space was on track to be delivered to the market in 2011. This comprises of primarily Class A stock, delivered by a few key developments. (Source for Real Estate data: Colliers International, King Sturge, CB Recharad Ellis)

Costs of living

According to the Eurostat*, costs of living and operating in Serbia are among the lowest in Europe. For instance, the prices of electricity, gas, and other fuels, as well as costs of postal services, landline telephony, fax service and maintenance of motor vehicles are the lowest among 37 European countries. In terms of the prices of consumer goods, Serbia stands at 52% of the European average with only Albania and Bulgaria being cheaper. Prices of clothes and footwear are near European average (98 and 95%, respectively) while food and beverages price indexes are closer to those in Bulgaria. Costs of telecomm services are at the very bottom of the list, by far lower than in almost all European countries – 39%, while most of the assessed countries standing at 60%.

Prices of restaurants and hotels are almost as double as low as the European average (54%), leaving Romania, Albania and Macedonia at the bottom of that list. Serbia is inexpensive the most when it comes to electricity, gas and other fuels, telecomm services and car maintenance. Prices of cloth and consumer electronics are almost at the average level for Europe. Index for food and beverages is 65%, alike Bulgaria (66%), but more than Macedonia with 51%.

*Costs-of-Living Indices 2011, Eurostat; Countries included – EU27, Iceland, Norway, Switzerland and candidate countries – Turkey, Bosnia, Albania, Croatia, Serbia and Macedonia.

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 bohemianlaissez 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.

“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.”

Mr. Fabio Corsi, Country Manager ICE



Success Stories



Euronet

Euronet is a US venture and a global leader in processing secure electronic financial and payment transactions, employing 3,400 people in 31 countries. In 2010, the Company processed approximately \$56 billion in ATM, prepaid and money transfer payments for more than 115 financial institutions, 200 mobile operators, approximately 385,000 retailer and agent locations, and millions of individual consumers worldwide. This huge customer base is served through company's Customer Support Centre in Belgrade and its sister center in the US.

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. It was the first US investment in Serbia after the start of the reforms in the country. Customer Support Centre was opened in 2004 to take advantage of the time zone difference between the US and Europe, as well as of the outstanding language skills of the local workforce. It now employs over 70 multilingual operators.

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%), duty free access to many markets and availability of 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.

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.

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.

www.euronetworldwide.net

Sitel

Sitel is a world leader in outsourced customer care services. With over 26 years of industry experience, Sitel has twice been ranked as the top overall call center outsourcing provider in Datamonitor's annual Black Book of Outsourcing survey. Sitel's 52,000 employees provide clients with predictable and measurable Return on their Customer Investment by building customer loyalty, increasing sales and improving efficiency. Sitel's solutions span 135+ domestic, nearshore, and offshore centers in 26 countries across North America, South America, Europe, Africa, and Asia Pacific. The company is privately held and majority owned by Canadian diversified company, Onex Corporation

To solidify its near shore offerings the company expanded operations into Belgrade. A well educated workforce, high national literacy levels and lower costs meant an attractive proposition for Sitel. "With such a large untapped Balkans talent pool, Serbia is the perfect choice for our latest location. Potential contact center candidates there not only have high standards of education, but also close cultural affinity with our North American and European customers," says Tim Schuh, general manager, Northern EMEA, Sitel. "They have access to those same consumer products, use the same computer and social media tools as those who they're assisting from overseas. And the wide breadth of languages we can support from Belgrade, which includes English, German, Italian, French and Russian, make it a highly attractive solution for our clients."

Sitel considered several other locations globally, but was impressed by Serbia and specifically, Belgrade as a regional business center. An educated, multilingual workforce combined with available local talent and first class call center infrastructure made Belgrade the obvious choice.

"Serbia has many qualities which are similar to our successful sites in Bulgaria and Poland. Sitel is constantly evaluating markets across the world to ensure we leverage available labor pools and infrastructures to provide our clients with the best possible service and Return on Customer Investment," continues Schuh.

Sitel has market leading operations with numerous customer care contact facilities across Europe and the globe. Sitel provides services to many of the biggest and best known brands in the world, and is now well placed to accept new clients into Belgrade as it moves forward with projected plans for a state-of-the-art customer care contact center in the Serbian capital.

Sitel's contact center will start off with 300 employees in September 2011 and gradually increase the number of people to possible 2,200. The value of investment is €1.25 million and the state has subsidized the project with €750,000.

www.sitel.com

Success Stories



Trizma

Trizma was founded in 2002 as the first Contact Centre Service Provider in Serbia. Since then we have served a portfolio of domestic and international clients for their various business needs.

We believe that Serbia today is an attractive near-shoring destination for international companies seeking to optimize their cost base by relocating parts of their operations to a more competitive market. With this in mind, we have focused on providing added-value services for a wide range of companies - banks, telecoms, insurance companies, retail chains, utilities, private businesses and governmental institutions, that are either present in Serbia or are looking to set operations here.

Through our long standing partnership with CSC, a leading global provider of business solutions and services, we are proud to be serving the embassies or several Governments in countries such as Serbia, Montenegro, Bosnia-Herzegovina, Macedonia, Russia, Ukraine and Kazakhstan for visa issuing and related needs. Today, as well as in the past, we have worked with companies such as Microsoft, Beiersdorf (Nivea), Nestle, Carlsberg, Telenor, BancaIntesa, EFG Eurobank, Metro, UNICEF, British American Tobacco, IMP, HP, Maxi, Imlek, Coca Cola, and many others who have trusted Trizma to handle various types of phone, email and web-based contacts with their customers.

Trizma services are grouped in 3 broad areas:

- Operational,
- Online and
- Managed Services.

Our **Operational Services** assume outsourcing of various Business Processes such as general customer management, information and complaint lines, phone collections, telemarketing and telesales, market research and various levels of technical support services.

Our **Online Services** cover web portal design and development including integration of leading-edge solutions for digital archiving, digital vaults and certificated document exchange provided with our partners - French group STS.

Managed Services are offered on a Build, Operate and Transfer model which brings our foreign partners a risk-free, fast-start model for local market entry.

We are passionate about Operational Excellence. This means delivering value to our Clients by day-to-day monitoring of operational results and seeking constant process improvement, while conforming to highest technical and security standards in the industry.

www.trizma.com





About SIEPA

The Serbia Investment and Export Promotion Agency (SIEPA) was created in 2001 by the Government of the Republic of Serbia. Our mission is to support foreign companies seeking to set up or expand their presence in Serbia and Serbian companies doing business abroad. A staff of around 50 multilingual employees works out of the company's headquarters in Belgrade and handles projects from and to all over the world.

We provide professional consulting services to firms interested in setting up business operations in Serbia, focusing on all relevant issues in their decision making process. Our network of contacts can link investors to all levels of government as well as private service providers. We have created products such as suppliers database and locations database that enable us to provide quick and up-to-date information to our clients.

SIEPA is also administers the most significant financial incentives program offered by the Government of Serbia. Between 2006 and the first half of 2010, we have granted €47 million to 114 projects which have created 17,000 new jobs and investments of over €600 million.

We would like to invite you to contact our expert staff which is ready to assist you and your business. SIEPA is ready to offer information on the general investment environment as well as targeted legal and industry-specific advisory services. Our services are tailor-made to best match your company's needs and requests. Working with us is simple, easy, and costs nothing.

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SEPTEMBER 2011



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