

# Serbia

## a Perfect Place for High Profits

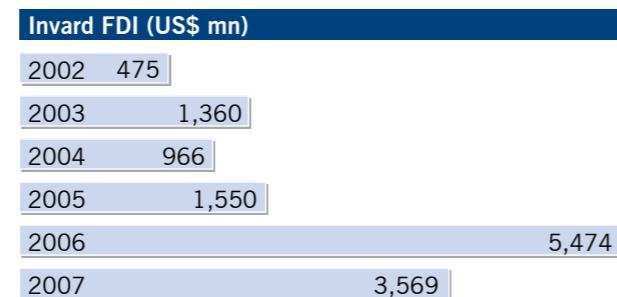
The quality of Serbia's business climate has been reflected in over \$13.5bn of FDI in the country. Key investment benefits include

economic stability, exports opportunities, low costs, skilled labor, and investment incentives

"There is a huge potential in Serbia for attracting investments, and this is the opportunity for the investors to further develop their businesses." This compelling, yet impartial statement—coming from the Head of the European Bank for Reconstruction and Development, Mr. Jean Lemierre—dates back from the EBRD Annual Meeting hosted in Serbia's capital three years ago. Given the recent country's track record for inward investment, it appears that the growing international business community mirrors the views of the Europe's financial powerhouse, with a project portfolio in Serbia breaking the €1bn mark.

### Massive FDI

Since the onset of economic reforms back in 2000, Serbia has grown into one of the premier emerging investment locations in Central and Eastern Europe. Over the past seven years, inward FDI in the country has exceeded \$13.5bn, while in the past two years alone, Serbia attracted over \$9bn of inward foreign direct investment. The list of leading foreign investors is topped by blue-chip companies and banks, such as Telenor, Philip Morris, Mobikom, Banca Intesa, InBev, and many others.



Source: National Bank of Serbia

"I strongly believe in the Serbia's potential for future growth, I can literally feel it each time I am here. I would encourage foreign investors to open eyes on Serbia, to evaluate the specific opportunities and to make their decision."

**Silviu Hotaran**  
General Manager  
Microsoft SEE

### Leading Foreign Investors in Serbia

Company	Country	Industry	Investment Type	Investment Value (€ mn)
Telenor	Norway	Telecommunications	Privatization	1,602
Philip Morris	USA	Tobacco	Privatization	611
Mobilkom	Austria	Telecommunications	Greenfield	570
Banca Intesa	Italy	Banking	Acquisition	508
Stada	Germany	Pharmaceuticals	Acquisition	475
InBev	Belgium	Food	Acquisition	462
Embassy Group	India	Real Estate	Greenfield	428
NBG	Greece	Banking	Privatization	425
Mercator	Slovenia	Retailing	Greenfield	240
Fondiarria SAI	Italy	Insurance	Privatization	220

Source: SIEPA

In a largest ever single deal, Norwegian telecommunications giant Telenor purchased the local mobile telephony provider Mobi O63 for €1.5bn—double the expected sales value. Commenting on the transaction, the Norwegian Minister of Foreign Affairs argued that „Serbia has a large economic potential and is a good place to invest.“

Over the 7-year period, a bulk of FDI came from the European Union—Austria holds the top spot, followed by Greece and Germany. In terms of FDI breakdown by type, telecommunications, banking, trade, and other services dominate the list but the past two years saw a sharp increase in the number of Greenfield ventures in manufacturing industries.

Serbia's strong FDI track-record is substantiated by internationally recognized awards for local Greenfield investors. Between 2004 and 2006, Greenfield projects in Serbia were awarded by OECD as the largest investments of this type in South East Europe.

### Investment Benefits

MNCs in Serbia can largely benefit from the country's strong economic performance, booming market potential, low overhead costs, highly qualified workforce, and attractive investment incentives.

For years, Serbia has basked in robust GDP growth of app. 7%, and the per capita figure has reached more than US\$5,700, or almost four times the amount in 2001. On the fiscal front, the state budget has been balanced, while the monetary reforms have led to \$16bn record-high foreign currency reserves

and sharply reduced public foreign debt of less than 30% of GDP. Further, Serbia offers tremendous sales opportunities, as a result of customs-free access to the markets of the European Union, Russia, and South East Europe, along with a soaring local market potential. Cost-effective operating in Serbia is ensured through extremely competitive tax rates, as well as labor and utility costs. Corporate tax rates are among the lowest in Europe—corporate profit tax rate stands at merely 10%, VAT is set at 18/8%, while salary tax amounts to 12%. In addition, total labor expenses average below ½ of the level in EU members from Eastern Europe. On top of this, overheads can be further cut down by taking advantage of a variety of financial and tax incentives. They include state grants ranging between €2,000 and €10,000 for a new job post, a 10-year corporate profit tax holiday, or 1-3-year salary tax and social insurance charges exemptions. The former benefits are garnered with Serbia's quality labor force boasting high productivity, strong engineering skills, and excellent command of English.

### Major Developments

In the course of 2007, Serbia's business climate was further upgraded through a series of positive developments. Following merely two and a half months of active negotiations between Serbia and the European Union, the two parties initialed the SAA in November last year. As an essential stride in the EU accession, the Agreement is expected to be formally signed by mid-2008.

In September 2007, Serbian parliament ratified the CEFTA agreement on free trade in South East Europe, which calls for the creation of a free trade zone by end 2010. The regional market, with a 29mn consumer-base, boasts one of Europe's fastest economic growth rates, and the Agreement introduces diagonal cumulation of origin of goods meaning that all products produced in Serbia will get a "Made in CEFTA" certificate if constituting components originate from any CEFTA country.

Based on a strong early response from 2006, the Government continued its state subsidies program for direct investment. Financial grants are offered for Greenfield and Brownfield projects in manufacturing activities, internationally marketable services sector, and research and development. The amount of non-refundable funds ranges between €2,000 and €10,000 for each new job post and is dependant

on the number of points earned by a project. In 2007, a total of app. €16mn were approved to over €255mn worth of investments bringing in more than 7,000 new jobs. The program beneficiaries include world-class companies, like Henkel, Rauch, Kronospan, Calzedonia, or Golden Lady.

#### SIEPA Services

To be able to set up a business at a low cost and in the minimum amount of time, investors can rely on the services offered by the country's central investment institution – SIEPA (Serbia Investment and Export Promotion Agency). Based on its dense network

of contacts with other state bodies, particularly with local municipalities, the Agency specializes in Greenfield and Brownfield investment providing free-of-charge assistance throughout the project's lifetime, be it economic figures, legal information, construction sites, or investment after care.

On the promotional front, the Agency is involved in marketing Serbia as a competitive place to do business in. Through various international marketing activities, SIEPA works on creating awareness for Serbia among target investors.

To date, SIEPA has facilitated some of the largest investment projects in Serbia totaling over €1bn. The list of Agency's clients features companies like US Coca Cola and Ball Corporation, German Knauf, Japanese Japan Tobacco International, and many others.

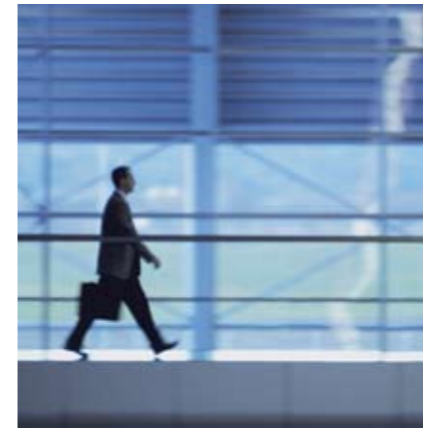
The Agency's expert staff is ready in assisting you and your business interests. SIEPA's free-of-charge services

are tailor-made to best match your company's needs and requests.



### Invest in Serbia

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WITH INWARD FDI OF  
\$13.5 BILLION SINCE  
2001 AND 7.5% GDP  
GROWTH IN 2007



ENJOY FREE TRADE  
ACCESS TO REGIONAL,  
EUROPEAN, AS WELL  
AS RUSSIAN MARKET,  
AND 10% CORPORATE  
INCOME TAX RATE



VIEW MORE THAN 400  
AVAILABLE INVESTMENT  
SITES AND OVER 1,200  
POTENTIAL SUPPLIER  
PARTNERS REGISTERED  
IN OUR DATABASES



## Serbia – The Home of Good Business

In Serbia, we understand that your business is a global network of operations. That is why many multinational companies have decided to use the business advantages we offer and profit by establishing financial, IT, R&D, and manufacturing ventures. Microsoft, Telenor, U.S. Steel, Luk Oil, Ball Packaging, Lafarge, Pompea, and Messer, are but a few that have recognized the strengths of Serbian labor force, economy, free trade agreements, and geographic location.

Serbia Investment and Export Promotion Agency - SIEPA is a key governmental institution whose mission is to effectively assist and follow through your investment projects in every step of their implementation. All our services are tailored to your needs and free of charge.

SIEPA

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