

Serbia Investment and Export Promotion Agency

Invest in Serbia Info Pack 2015



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1. General Information about Serbian Economy and Doing Business in Serbia



Owing to its position on the geographic borderline between the East and West, Serbia is often referred to as a gateway of Europe. Two important European corridors, VII – the River Danube and X – the international highway and railroad, intersect on Serbian territory, providing excellent logistic connections with Western Europe and the Middle East. Serbia is thus a perfect place for a company to locate its operations if it wants to efficiently serve its EU, SEE or Middle Eastern customers. Although Serbia borders the EU, and has started EU accession negotiations in January 2014, it also offers the possibility of enjoying all benefits of working outside the EU while being able to provide services and transport goods in projected and flexible time frames.

The combination of the favorable geographic position, competitive tax environment, network of free trade agreements, low operating costs, and extraordinary human capital puts Serbia high on the investment list. As forecasted by KPMG Belgrade, in spite of the global crisis, the inflow of foreign investment into Serbia in 2011 was the largest in the region. Serbia attracted more than €1.8 billion net worth of FDI, and that way more than doubled the amount from the year

before. The net FDI inflows in cash and goods in 2012 amounted to around €670 million, which was the significant decrease. However, some of the main projects in 2012 included investments from Bosch, Cooper Tires, Swarovski, Magna Seating, Meggle and many others.

The net FDI increased in 2013 to the more than €1.2 billion, and in first 11 months of 2014 it amounted over €1.2 billion net. The main characteristic of this period are new investment projects of the investors already doing business in Serbia, such as NCR, Grammer, Leoni, Calzedonia, Tigat Tyres, Delhaize, KWS and others, but also investments of the Sika, Johnson Controls, Cooper Standard, etc.

At the same time, Serbian exports have been growing at an astonishing pace of almost 25% annually for the last 5 years and are predicted to continue increasing at the same speed. The main reasons behind this growth are large number of investors serving markets from Serbia, a network of free trade agreements that open the doors to almost 1 billion people and more competitive Serbian companies which can serve international markets more efficiently. At the same time, the imports increase at the lowest percentage, that effects significant decrease of the Serbia's trade deficit.

Serbia ID Card	
Official Name	Republic of Serbia
Form of State	Democratic Republic
Political Structure	President
	Unicameral assembly with 250 seats
Area	88,407 km ²
Population	7.12 million (excl. Kosovo)
Geographic Position	South East Europe, central part of the Balkan Peninsula, at the intersection of Pan European Corridors No. 10 and No. 7
Climate	Temperate continental, with monthly average temperatures ranging between 0.7°C in January and 27.5°C in July
Official Language	Serbian
Main Religion	Christian Orthodox
Other Religions	Roman Catholic, Islamic, Jewish, Protestant
Major Cities	Belgrade (Capital): 1,639,121
	Novi Sad: 335,701
	Nis: 257,867
Currency	Dinar (RSD)
GDP (2013)	€ 34,263 million
GDP pc (2013)	€ 4,783
Time Zone	Central European Time (GMT + 01:00)
Internet Domain	.rs

1.1. Serbia Key Macroeconomic Indicators

Serbia Economic Indicators	2008	2009	2010	2011	2012	2013	2014
Gross Domestic Product (GDP)							Jan – Dec
GDP, EUR million *	33,705	30,655	29,766	33,424	31,683	34,263	-
GDP per capita, EUR *	4,586	4,187	4,082	4,620	4,401	4,783	-
GDP, real growth rate, % *	5.4	-3.1	0.6	1.4	-1.0	2.6	-1.9
Prices							Dec
Inflation rate, y-o-y, %	8.6	6.6	10.3	7.0	12.2	2.2	1.7
Salaries							Jan - Dec
Average net monthly salary, EUR	402	338	331	372	366	388	380
Average gross monthly salary, EUR	561	470	460	517	508	537	524
Employment and Unemployment							Jan – Oct
Employed, average (thousands)	1,999	1,889	1,796	1,746	1,727	1,715	1,690
Unemployment rate (ILO), % (according to the Survey)	13.6	16.1	19.2	23.0	23.9	22.1	20.8 (Q1) 20.3 (Q2) 17.6 (Q3) 16.8 (Q4)
Unemployed, end of period (thousands)	756	747	744	753	762	775	774
Foreign Trade							Jan – Dec
Export of goods, EUR million	7,429	5,961	7,393	8,441	8,739	10,997	11,157
Import of goods, EUR million	16,478	11,505	12,622	14,250	14,717	15,469	15,526
Balance of goods, EUR million	-9,049	-5,544	-5,229	-5,809	-5,978	-4,472	-4,369
Foreign Currency Reserves, end of year, EUR million	8,162	10,602	10,002	12,058	10,915	11,189	10,271
							Jan - Nov
FDI net, EUR million **	1,824	1,373	860	1,827	669	1,229	1,210

Source: Statistical Office of the Republic of Serbia, National Bank of Serbia, Ministry of Finance

* Revision of the system of national accounts in the Statistical Office of the Republic of Serbia and harmonization with new European System of National and Regional Accounts (ESA 2010)

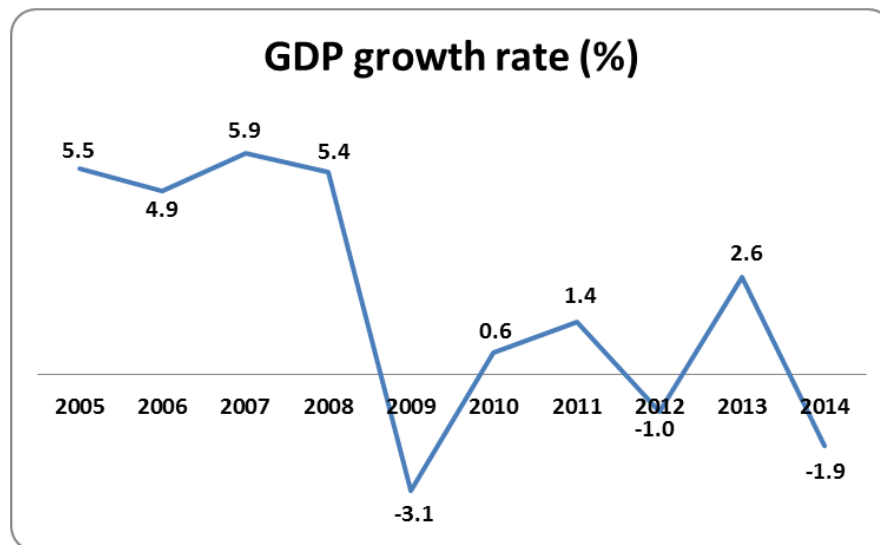
** Since 01.01.2010. General Trade System were introduced which include all goods that enter country or leaves it, except for goods in transit. Data for 2008 and 2009 are changed according to new methodology. BPM 5 methodology in order from 2008 and BPM 6 methodology in order from 2012.

Between 2004 and 2008, Serbia was one of Europe's fastest growing economies. Strong GDP performance was largely driven by service sectors such as telecommunications, retail, and banking. In the light of the global financial crisis, Serbia's economic output in 2009 contracted by

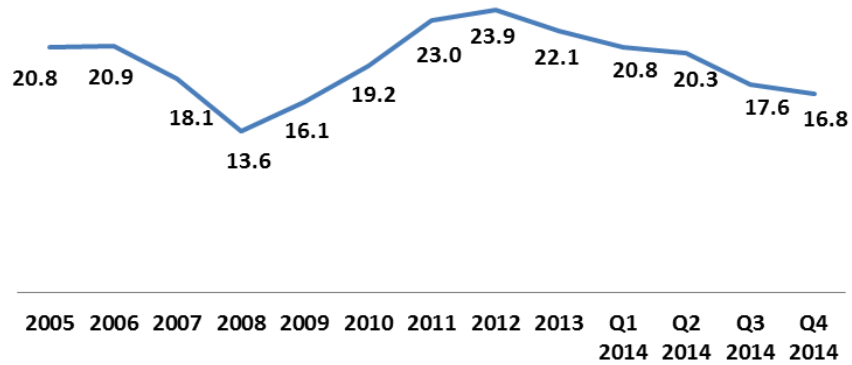
3.1% but then expanded by 1% in 2010 as a result of a comprehensive set of state measures, including state-subsidized banking loans. In 2011, the economy grew by 1.4% due to the Euro zone crisis, but declined once more in 2012 by 1%. Growth of GDP in 2013, together with decrease of unemployment rate and reduction of the inflation rate, marks the Serbia's firm dedication to the stability of economic environment.

It is estimated that increased net exports will further boost gross domestic product in the following years, largely due to the impending realization of agreed investments, notably in the automotive industry. The World Bank estimates that Serbia's economic growth in 2013 will exceed 2% came true and Serbia reached 2.6% of the GDP growth. Furthermore, even though public revenues declined, taxes did not increase until 2012 and real wages and contributions related to salaries were reduced.

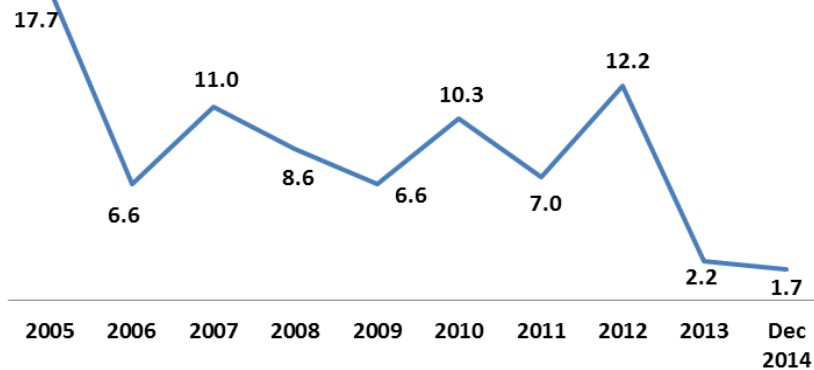
In 2013, the Government reduced the salary tax rate to 10% to further relieve businesses. Specific actions were taken to strengthen fiscal responsibility and improve transparency of policies and administration. This remains a key priority for the future. Major reforms in the pension and social system were made in the mid of 2014, that were followed with the new set of economy laws that made significant changes in the field of privatization and bankruptcy. Pursuant to the new Privatization Law, mandatory deadline for privatization of socially owned capital is December 31st 2015.



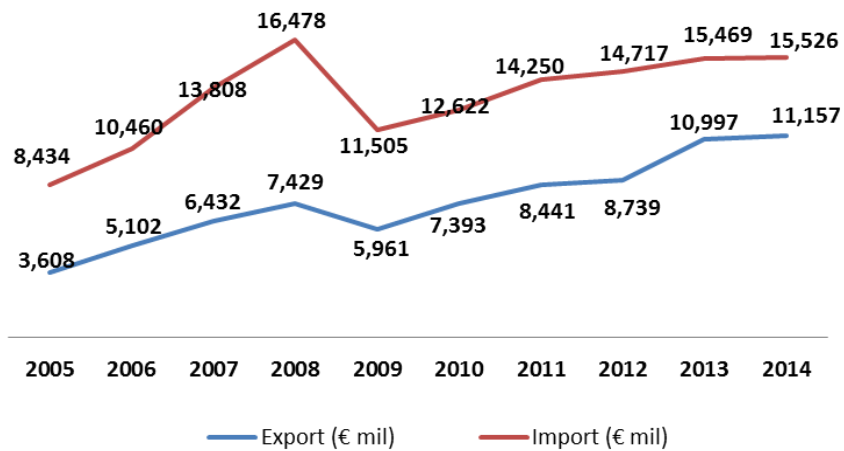
Unemployment rate (ILO), %



Inflation (%)



Export and Import (million EUR)



Source: Statistical Office of the Republic of Serbia, National Bank of Serbia, Ministry of Finance

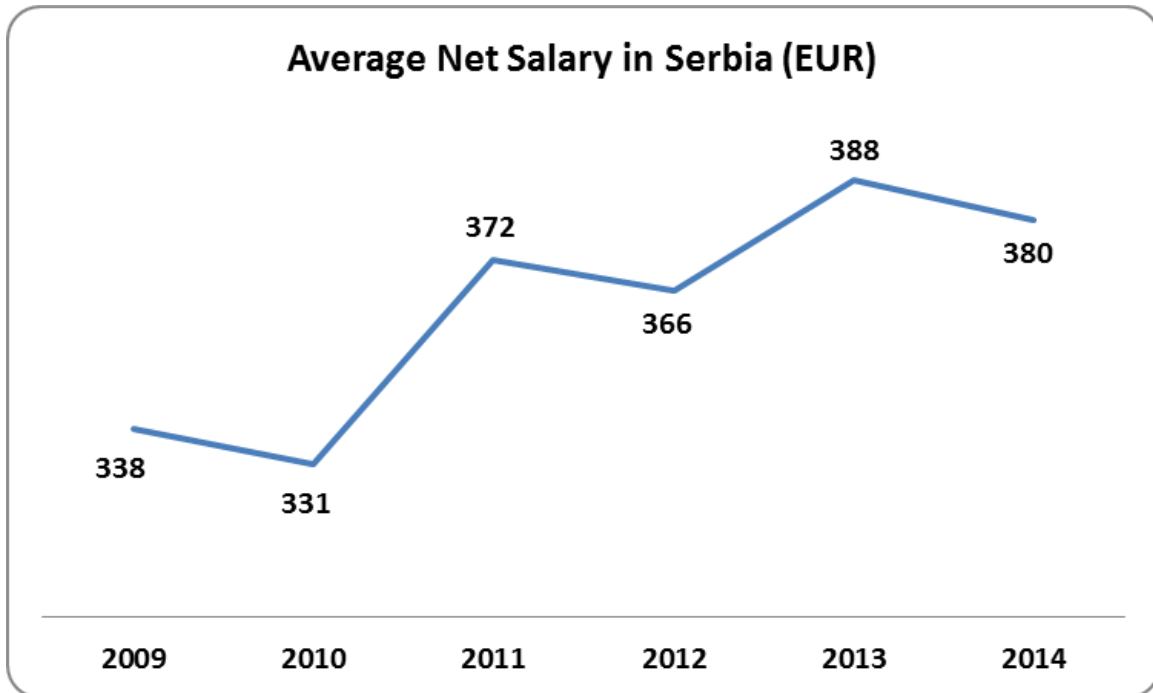
1.2. Labor

Serbia's labor force offers a unique combination of high quality, wide availability and cost effectiveness. It is one of the key factors enabling strong business performance.

The quality of the local labor force is best reflected in the robust industrial productivity, which raised 11% rate between 2004 and 2008. 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 for their expertise. In addition, Serbia boasts the highest English speaking proficiency in Eastern Europe. Management education has also been improved by the introduction of joint graduate and post-graduate courses organized by local universities and renowned Western business schools.

Serbia Labor Chart	
	January – December 2014
Average net salary	380 €
Contributions paid by the employer	
Pension and disability insurance	12.00%
Health insurance	5.15
Unemployment insurance	0.75%
Contributions paid by the employee	
Pension and disability insurance	14.00%
Health insurance	5.15%
Unemployment insurance	0.75%
Personal Income Tax	10.00%
	January - December 2014
Average total labor cost	622€
Labor law	
Working week:	40h
Overtime:	8h/week, 4h/day
No. of shifts:	max 3
Labor supply 2013	
Employed people	1,715,164
Unemployed people	774,874
Unemployment rate	22.1%

Source: Ministry of Finances and Statistical Office of the Republic of Serbia



Source: Statistical Office of the Republic of Serbia

2. Investment incentives

In addition to existing benefits such as its strategic geographic location, duty-free exports to the countries of Southeast Europe and Russia, one of the lowest corporate tax rates in Europe of 15% and an educated and experienced workforce available at a competitive cost, Serbia offers financial support to investors. So far, SIEPA has published 19 calls in which around 280 million euros have been allocated for the creation of more than 46,000 jobs in Serbia. The funds may be awarded for financing investment projects in the manufacturing sector, the services sector which may be subject to international trade and strategic projects in the field of tourism. Investment projects in the sector of primary agricultural production, hospitality, lotteries, trade, the production of synthetic fibers, coal and steel, tobacco and tobacco products, weapons and ammunition are not eligible to receive funding.

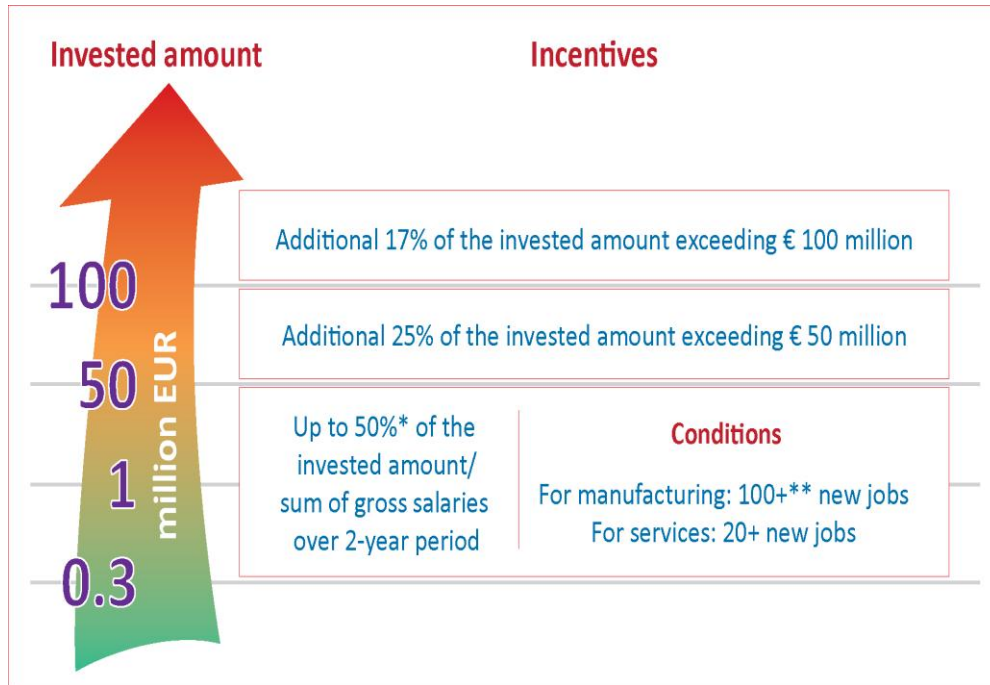
The level of funds which may be awarded are determined in accordance with the criteria set forth by the Decree on Terms and Conditions for Attracting Direct Investment in relation to the eligible investment costs (investment into material and non-material assets) or in relation to the eligible costs of the gross salaries for new employed during a two-year period after the investment project's implementation.

The amount of funds which can be awarded to large enterprises is determined up to 50% of the eligible costs for the implementation of the investment project. The amount of funds may be increased by up to 20 percentage points for small-sized companies and up to 10 percentage points for medium-sized companies.

For eligible costs over 50 million euros, amount of awarded funds for investments may not exceed 25% of the total value of the eligible costs. For eligible costs greater than 100 million euros, this percentage may not be greater than 17% of the investment's eligible costs, and shall be determined as follows:

1. For eligible costs up to 50 million euros – up to 50% of these costs;
2. The part of the eligible costs from 50 million euros to 100 million euros – up to 25% of these costs;
3. The part of the eligible costs greater than 100 million euros – up to 17% of these costs.

The main rules are also given in the graph below:



*For SMEs, the approved incentives may be increased up to 70% or up to 60% of the total invested amount.

**Minimum investment for devastated regions and for the 4th group of local administration is 0.5 million EUR and 50 new, full-time jobs created while for investments in the services sector it is 0.3 million EUR and 20 new jobs.

3. Tax System

Tax:	Rate:	Recurrence:	Possible incentive:
Corporate Profit Tax	15%	yearly	10 year holiday (investments over cca 8.5 million euro and 100 new jobs)
Withholding Tax (for dividend, shares in profits, royalties, interest income, capital gains, lease payments for real estate and other assets)	20% for legal entities; 10% for natural persons	yearly	lower rate of 10% or 5% according to double taxation agreement
VAT	20% - standard 10% - lower rate	monthly/quarterly	import VAT return import VAT exempt in free trade zones
Property Tax	up to 0.4%	yearly	varies by municipality
Absolute Rights Transfer Tax	0% - stocks and bonds 2.5% - other property	at purchase of property	tax for transfer of shares has been abolished
Salary Tax	10%	monthly	New employment entitles employers to a sizable relief of personal income tax paid on net salary from the moment of employment until June 30, 2016. <ul style="list-style-type: none"> • 1-9 new jobs: 65% reduction; • 10-99 new jobs: 70% reduction; • 100+ new jobs: 75% reduction;
Annual Income Tax	10% - on part of income exceeding 3 and below 6 the times average salary 15% - on part of income exceeding 6 times the average salary	yearly	
Pension and disability insurance	12% - employer 14% - employee	monthly	New employment entitles employers to a sizable relief of contributions paid on net salary from the moment of employment until June 30, 2016. <ul style="list-style-type: none"> • 1-9 new jobs: 65% reduction; • 10-99 new jobs: 70% reduction; • 100+ new jobs: 75% reduction;
Health insurance	5.15% - employer 5.15% - employee	monthly	
Unemployment insurance	0.75% - employer 0.75% - employee	monthly	Together with salary tax relief, this reduces the total salary load to a very competitive 20% (an estimate for an average salary in Serbia).

Principal Tax Rates in Serbia, Source: SIEPA

Serbia's tax system is highly conducive to investment. Apart from featuring the lowest tax rates in Europe, investments can benefit from possible tax incentives which create excellent start up conditions.

Corporate Profit Tax Holiday

Companies are exempt from Corporate Profit Tax for a period of 10 years starting from the first year in which they report taxable profit if:

- they invest in fixed assets an amount exceeding RSD 1,000 million (approximately €8.5 million), and
- they hire at least 100 additional full-time employees during the investment period

Carrying Forward of Losses

The tax loss stated in the tax return can be carried forward and offset against future profits over a period of 5 years.

Avoiding Double Taxation

If a taxpayer already paid tax on the profit generated abroad, he or she is entitled to a Corporate Profit Tax credit in Serbia up to the amount already paid, and vice versa

The same right is enjoyed by a taxpayer who earns revenue and pays Personal Income Tax in another country, and vice versa, provided there is a Double Taxation Treaty with that country.

Examples of double taxation treaties	In effect as of	Withholding tax (for dividends in case of majority ownership)
Austria	2010	5%
Belgium	1981	10%
Bosnia and Herzegovina	2004	5%
Bulgaria	1999	5%
China	1997	5%
Croatia	2004	5%
Cyprus	1986	10%
Czech Republic	2010	10%
Finland	1987	5%
France	1975	5%
Germany	1988	15%
Great Britain	1982	5%
Greece	1998	5%
Hungary	2001	5%
Denmark	2009	5%
India	2007	5%
Ireland	2010	5%
Italy	1983	10%
Macedonia FYRO	1996	5%

Netherland	1982	5%
Norway	1985	15%
Poland	1998	5%
Romania	1996	10%
Russian Federation	1995	5%
Slovakia	2001	5%
Slovenia	2003	5%
Spain	2009	5%
Sweden	1981	5%
Switzerland	1981	5%
Turkey	2006	5%

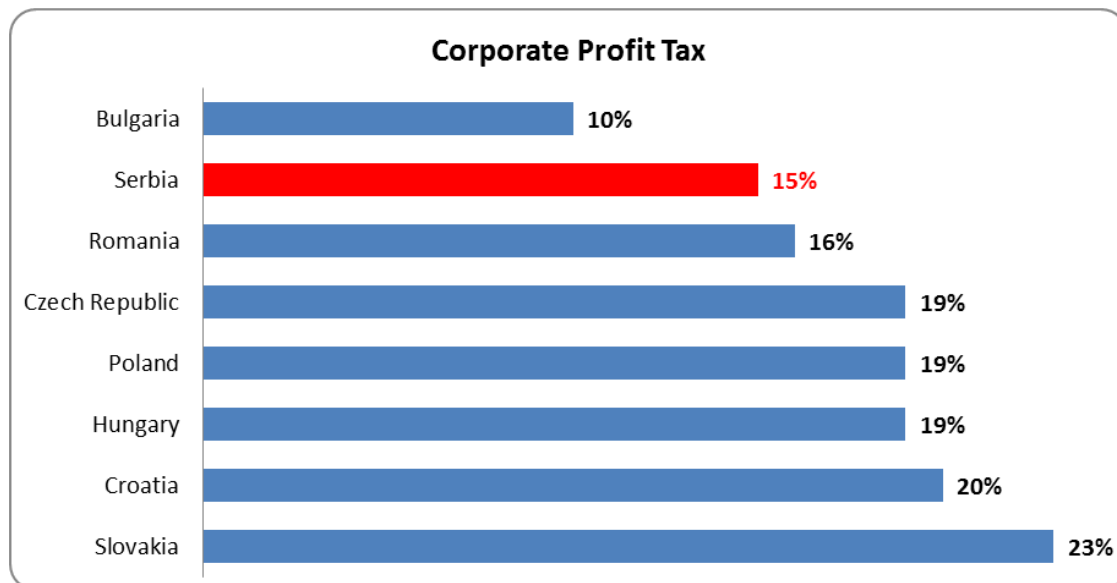
Source: Ministry of Economy

Salary Tax Exemptions

The Salary Tax base in Serbia is deducted by approximately €100 a month for all employees working full time. New employment entitles employers to a sizable relief of taxes and contributions paid on net salary from the moment of employment until June 30, 2016 according to the *Principal Tax Rates in Serbia* table above.

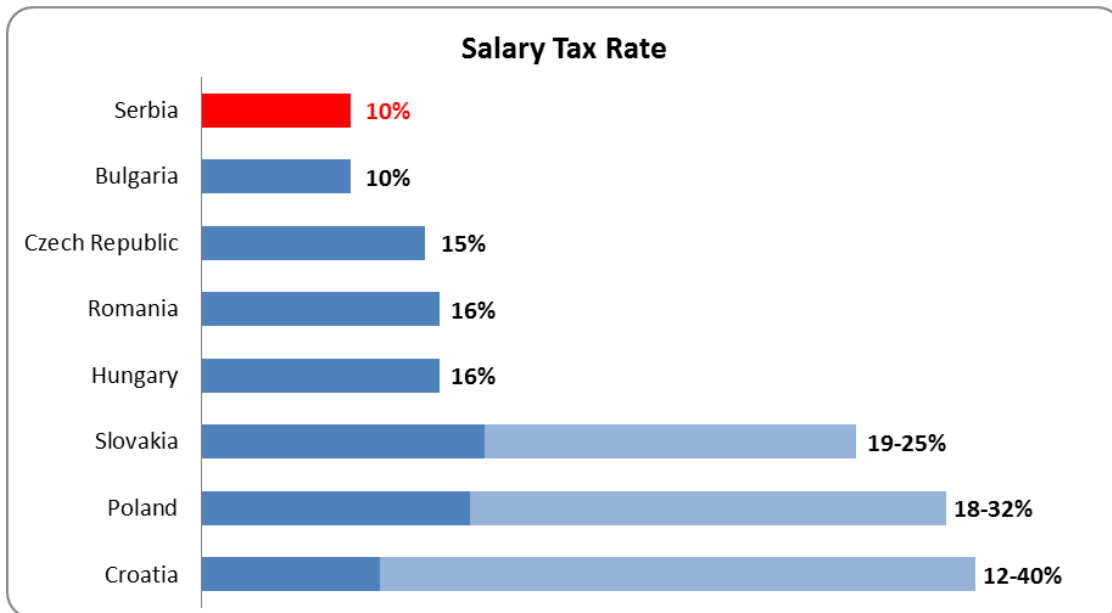
Annual Income Tax Deductions

For Serbian or foreign residents, the annual income is taxed if exceeding the amount of threefold the average annual salary in Serbia. The tax rate is 10% for the annual income below the amount of 6 times average annual salary in Serbia, and 15% for the part of the annual income above the amount of 6 times average annual salary. The taxable income is further reduced by 40% of an average annual salary for the taxpayer and by 15% of an average annual salary for each dependent member of the family. The total amount of deductions cannot exceed 50% of the taxable income.



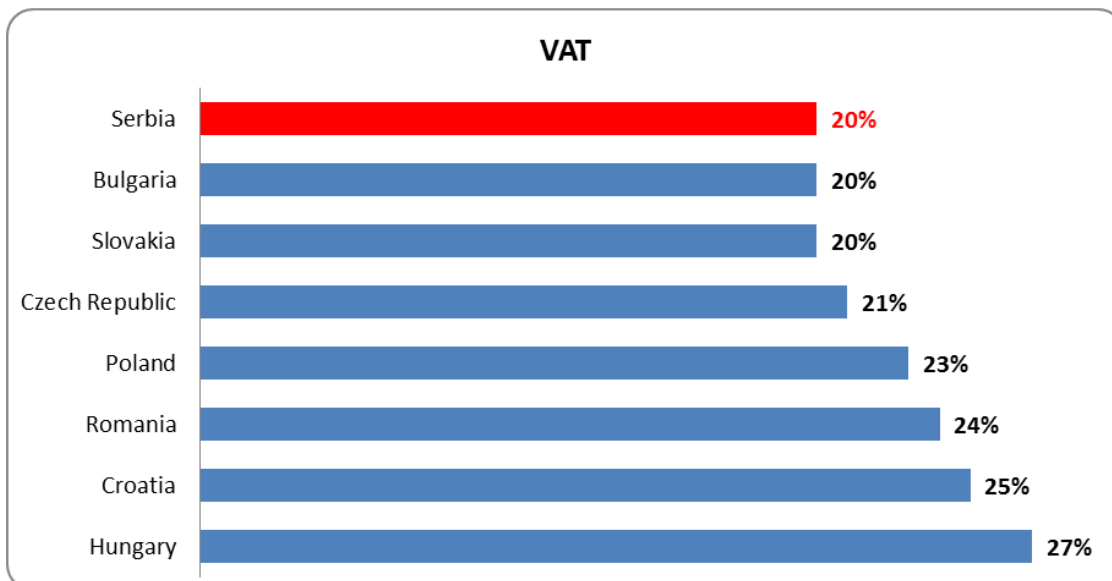
Corporate Profit Tax Rates in CEE

Source: National IPA's



Salary Tax Rates in CEE

Source: National IPA's



VAT Rates in CEE

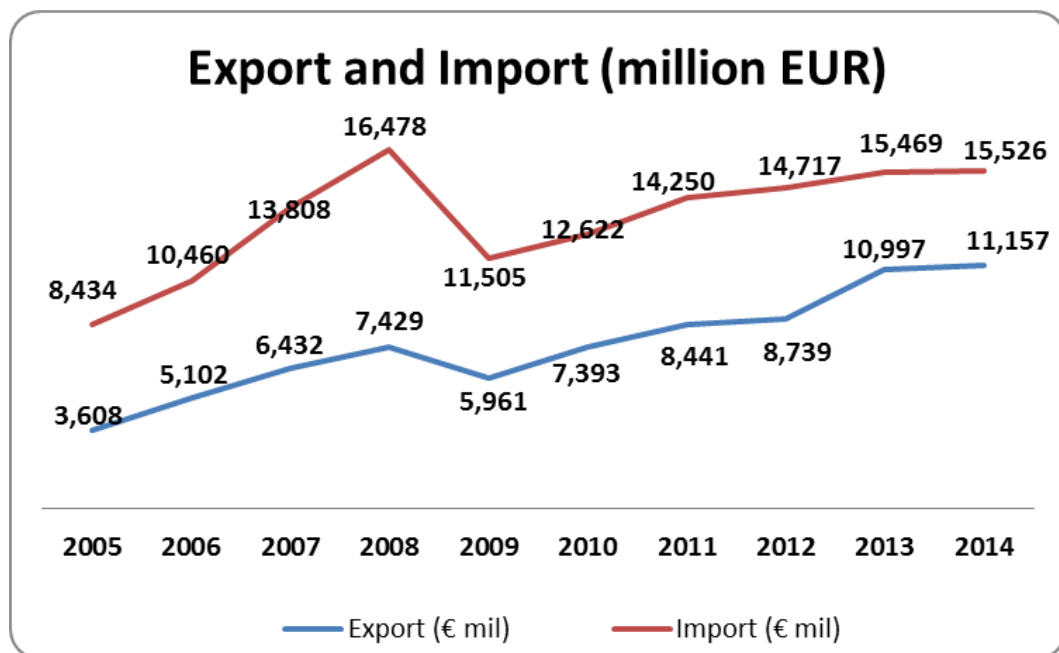
Source: National IPA's

4. Foreign Trade Regime

Serbian industry today represents a diversified mix of focus on agriculturally fruitful land and tradition and experience in manufacturing. Key sectors which feature a rich history of cooperation with Western European companies in Serbia are the base metal, food, automotive, electronics, clothing, and pharmaceutical. An overview of key trade partners of Serbia reflects both its geographical position between east and west as well as the openness to cooperation with all countries. The key markets for Serbian products today are Italy, Bosnia and Herzegovina, Germany, Montenegro and Romania; while Serbia mainly imports products from Russia, Germany, Italy, China and Hungary.

The Serbian economy suffers from a constant trade deficit, which is slightly decreasing, and is the reason why the Serbian government strongly supports the further industrial development of the country, and especially so on export-oriented sectors. In this sense, the three sectors designated as sectors of special importance for the development of Serbia are the automotive, electronics and ICT industries.





Source: Statistical Office of the Republic of Serbia

Main Serbian Export Products 2014	export in € million	
	I-XII 2013	I-XII 2014
Road vehicles (including air-cushion vehicles)	1,637.2	1,537.3
Electrical machinery, apparatus and appliances	843.6	873.9
Cereals and cereal preparations	498.4	594.6
Vegetables and fruit	503.6	564.0
Articles of apparel and clothing accessories	453.2	473.1
Manufactures of metals, not elsewhere specified	458.2	466.5
Non-ferrous metals	487.3	443.7
Miscellaneous manufactured articles, not elsewhere specified	386.2	407.1
Iron and steel	306.2	369.6
Rubber manufactures, not elsewhere specified	348.6	359.2
Petroleum, petroleum products and related materials	290.0	316.8
Power-generating machinery and equipment	260.9	291.0
Paper, paperboard and articles of paper pulp, of paper or of paperboard	224.4	272.1
General industrial machinery and equipment, and machine parties	242.4	261.1
Furniture and parts thereof; bedding, mattresses, cushions and similar	206.9	227.5
Footwear	204.2	214.8
Medicinal and pharmaceutical products	185.0	186.8
Metalliferous ores and metal scrap	230.8	178.8

Beverages	161.7	167.1
Plastics in non-primary forms	157.3	159.1
Other	2,910.6	2,792.9
TOTAL	10,996.7	11,157.0

Source: Statistical Office of the Republic of Serbia

Main Serbian Export Products 2013	export in € million	
	I-XII 2012	I-XII 2013
Road vehicles (including air-cushion vehicles)	469.9	1,637.2
Electrical machinery, apparatus and appliances	647.1	843.6
Vegetables and fruit	421.0	503.6
Cereals and cereal preparations	648.8	498.4
Non-ferrous metals	523.8	487.3
Manufactures of metals, not elsewhere specified	367.3	458.2
Articles of apparel and clothing accessories	392.4	453.2
Miscellaneous manufactured articles, not elsewhere specified	335.2	386.2
Rubber manufactures, not elsewhere specified	282.9	348.6
Iron and steel	287.8	306.2
Petroleum, petroleum products and related materials	200.6	290.0
Power-generating machinery and equipment	205.1	260.9
General industrial machinery and equipment, and machine parties	207.6	242.4
Metalliferous ores and metal scrap	239.7	230.8
Paper, paperboard and articles of paper pulp, of paper or of paperboard	201.8	224.4
Furniture and parts thereof; bedding, mattresses, cushions and similar	171.7	206.9
Electric current	98.2	205.3
Footwear	190.5	204.2
Plastics in primary forms	79.3	193.7
Medicinal and pharmaceutical products	195.4	185.0
Other	2,572.8	2,830.6
TOTAL	8,738.9	10,996.7

Source: Statistical Office of the Republic of Serbia

Main Serbian Import Products 2014	import in € million	
	I-XII 2013	I-XII 2014
Road vehicles (including air-cushion vehicles)	1,901.4	1,617.8
Petroleum, petroleum products and related materials	1,458.8	1,359.6
Electrical machinery, apparatus and appliances	661.4	611.6
Gas, natural and manufactured	693.7	604.5
Medicinal and pharmaceutical products	576.2	526.7
General industrial machinery and equipment, and machine parties	498.0	519.8
Iron and steel	481.6	476.8
Paper, paperboard and articles of paper pulp, of paper or of paperboard	427.6	474.7
Plastics in primary forms	459.7	445.6
Miscellaneous manufactured articles, not elsewhere specified	436.7	442.1
Non-ferrous metals	447.6	428.6
Textile yarn, fabrics, made-up articles, and related products	380.1	406.9
Manufactures of metals, not elsewhere specified	392.7	382.4
Machinery specialized for particular industries	356.3	314.1
Chemical materials and products, not elsewhere specified	307.7	313.5
Telecommunications and sound-recording and reproducing apparatus	334.7	295.5
Articles of apparel and clothing accessories	251.2	276.3
Essential oils and perfume materials; toilet, polishing and cleansing	260.7	265.0
Vegetables and fruit	237.2	238.1
Non-metallic mineral manufactures, not elsewhere specified	205.7	216.8
Other	4,700.0	5,309.9
TOTAL	15,469.0	15,526.3

Source: Statistical Office of the Republic of Serbia

Main Serbian Import Products 2013	import in € million	
	I-XII 2012	I-XII 2013
Road vehicles (including air-cushion vehicles)	917.8	1,901.4
Petroleum, petroleum products and related materials	1,458.4	1,458.8
Gas, natural and manufactured	843.3	693.7
Electrical machinery, apparatus and appliances	638.2	661.4
Medicinal and pharmaceutical products	553.5	576.2
General industrial machinery and equipment, and machine parties	527.3	498.0
Iron and steel	498.6	481.6
Plastics in primary forms	463.6	459.7

Non-ferrous metals	485.4	447.6
Miscellaneous manufactured articles, not elsewhere specified	339.9	436.7
Paper, paperboard and articles of paper pulp, of paper or of paperboard	427.5	427.6
Manufactures of metals, not elsewhere specified	406.9	392.7
Textile yarn, fabrics, made-up articles, and related products	355.3	380.1
Machinery specialized for particular industries	412.7	356.3
Telecommunications and sound-recording and reproducing apparatus	334.9	334.7
Chemical materials and products, not elsewhere specified	288.6	307.7
Essential oils and perfume materials; toilet, polishing and cleansing	265.4	260.7
Articles of apparel and clothing accessories	242.1	251.2
Vegetables and fruit	228.4	237.2
Power-generating machinery and equipment	220.8	232.4
Other	4,808.1	4,673.0
TOTAL	14,716.7	15,469.0

Source: Statistical Office of the Republic of Serbia

4.1. Free Trade Agreements

Externally, Serbia can serve as a base for duty-free imports and exports to a market of almost 1 billion people which includes:

- The European Union,
- Russia,
- Turkey,
- South East Europe,
- The European Free Trade Agreement States
- Kazakhstan, and
- Belarus.

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



Map of Serbia Free Trade Agreements

Market	Trade Regime	No. of Inhabitants
European Union	Interim Trade Agreement	507,416,607
Russia, Belorussia & Kazakhstan	Free Trade Agreement	171,216,970
Turkey	Free Trade Agreement	76,667,864
CEFTA	Free Trade Agreement	20,121,321
EFTA	Free Trade Agreement	13,608,545
TOTAL		789,031,307

Source: EUROSTAT

The free trade agreement with the Russian Federation makes Serbia particularly attractive to foreign investors and manufacturers since Serbia is the only country outside the Commonwealth of Independent States that enjoys customs-free trade with Russia. Goods produced in Serbia, or whose prevailing value is added in Serbia (at least 50% of ex works price of goods and subject to a sufficient processing) are considered of Serbian origin and are subject only to a 1% customs administrative tax rate when entering the Russian market. The list of products excludes small number of goods, among which are passenger cars, but automotive parts can be exported in free trade regime.

The free trade agreement between Serbia and Belarus stipulates the mutual removal of customs duties and other taxes for numerous products. Goods produced in Serbia, or whose prevailing value is added in Serbia (at least 50% of ex works price of goods and subject to a sufficient processing) are considered of Serbian origin and, if directly distributed, are subject only to a 1% administrative tax rate when entering the Belorussian market. This free trade regime does not apply to the following goods: passenger cars, tractors, buses and tires, although it does apply to automotive parts.

The free trade agreement between Serbia and Kazakhstan took effect when Kazakhstan entered into a Customs Union with the Russian Federation and Belarus. Therefore, the free trade regime which Serbia has signed with Russia and Belarus has been expanded to include Kazakhstan.

The Interim Trade Agreement between Serbia and the European Union enables customs-free export of all products originating from Serbia which are completely produced in Serbia or use materials originating from EU countries, Turkey, or countries in the EU accession process, provided that such products have undergone sufficient processing in Serbia.

The Free Trade Agreement between Serbia and EFTA countries (Norway, Liechtenstein, Iceland and Switzerland) allows Serbian exporters to export products to these countries without paying customs or other fees. Goods completely produced in Serbia, or which use materials originating from the EFTA countries, EU countries, Turkey, the Faeroe Islands, or countries in Euro-Mediterranean partnership (Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia and Palestinian Authority), are considered to be of Serbian origin, if they have only undergone minimal processing in Serbia.

The CEFTA (Central European Free Trade Area) agreement includes the following countries: Albania, Bosnia-Herzegovina, FYR Macedonia, Moldova, Montenegro, Serbia and the United Nations Interim Administration Mission in Kosovo. The Agreement stipulates accumulation of products origin, meaning that products exported from Serbia are considered of Serbian origin if integrated materials originate from any other CEFTA country, provided that such products have only undergone minimal processing, i.e. if the value added outside of Serbia is less than the value of the materials used in Serbia. Accumulation of origin, however, does not apply for product destined for Russian market.

Serbia and Turkey have signed a bilateral economic free trade agreement based on a trade liberalization model that allows Serbian exporters to sell their products customs-free to the sizeable Turkish market. Goods completely produced in Serbia, or which use materials originating from EU countries, or countries in the EU association process, are considered products of Serbian origin, provided that such products have undergone minimal processing in Serbia. These products must be distributed directly.

5. Establishing a Company in Serbia

The business registration procedure in Serbia takes maximum 5 days, down from the previous 23. This process at the Business Registers Agency can be completed in just 3 days, with a few additional days for other procedures.

No.	LTD START-UP PROCEDURE	Time to complete
1	Authentication of incorporation Act and Signature form by the Representative Court and opening of a temporary bank account for share capital deposit	1 day
2	Registration of incorporation Act and share capital deposit by business registry	3 days
3	Make Stamp and seal	1 day (less than half a day)
4	Open a permanent business account with the commercial bank and transfer of share capital from temporary account	1 day
5	Register with local tax authority and VAT registration	1 day

Total minimum of 7 working days for the procedures in the institutions of the Republic of Serbia. All additional time depends on Your lawyers and the preparation of documents required.

The expedient and cost-effective procedure of registration and incorporation at the Business Registers Agency, will cost you only €350 in fees.

Choose from different company types and enjoy the advantages of a Joint Stock Company, Limited Liability Company, General Partnership or Limited Partnership. The minimum capital required is as low as RSD 100 for a Limited Liability Company and RSD 3,000,000 or more for a Joint Stock Company.

Foreign investors can conduct business as an entrepreneur or found a company in the form of:

- Joint Stock Company (a.d),
- Limited Liability Company (d.o.o),
- Limited Partnership (k.d),
- General Partnership (o.d).

The most common company type is a Limited Liability Company, which requires merely RSD 100 for incorporation.

Joint Stock Company (a.d)

Shareholders - A Joint Stock Company is founded by one or more legal entities and/or natural persons.

Minimum share capital is RSD 3,000,000.

Share and Contribution Requirements - The registered value may not be less than RSD 100. A shareholder's contribution can be made in money or in kind, but not in labor or services.

Management of a business organization can be arranged as a one-tier or two-tier system.

In the one-tier system the company organs are:

- Shareholders
- One or more Managing Directors, i.e. Board of Directors

In the two-tier system the company organs are:

- Shareholders
- Supervisory Board
- One or more Executive Directors, i.e. Executive Board.

The Articles of association determine the type of Joint Stock Company.

There are higher minimum capital requirements for companies acting as:

- **Banks** - RSD equivalence of €10 mn
- **Insurance companies:**
 - **Life insurance** - RSD equivalence of €2 mn
 - Voluntary pension insurance - RSD equivalence of €3 mn
 - All types of life insurance - RSD equivalence of €4 mn
 - **Non-life insurance:**
 - Accident and voluntary health insurance-RSD equivalence of €1 mn
 - Motor and railway vehicles total insurance and obligatory insurance - RSD equivalence of €2.5 mn
 - Other forms of asset insurance, risk insurance, and other types of non-life insurance - RSD equivalence of €2 mn
 - All types of non-life insurance - RSD equivalence of €4.5 mn
 - Reinsurance - RSD equivalence of €4.5 mn
- **Leasing companies:** RSD equivalence of €100,000.

Limited Liability Company (d.o.o)

Shareholders - legal entities and/or natural persons.

Minimum Capital - RSD 100.

Share and Contribution Requirements - A member's contribution to a Limited Liability Company may be made in money or in kind including past, but not future labor or services. The shares are freely transferable between the partners. A share may be transferred to a third party, in which case other members of the company and the company have pre-emptive rights.

The members of the company have pre-emption rights of shares which are the subject of transfer to a third party, except if specifically excluded by the law or memorandum of association. Management of a business organization can be arranged as a one-tier or two-tier system.

In one-tier system company organs are:

- Shareholders
- One or more Directors.

In two-tier system company organs are:

- Shareholders
- Supervisory Board
- One or more Directors.

Limited Partnership (k.d)

Partners - Two or more natural persons.

Minimum Capital - No minimum equity requirements.

Other Features - A Limited Partnership is a company established for performing business activities within the framework of a mutual firm. In this form of a company, a general partner is jointly and severally liable for the obligations of a partnership, while a limited partner bears the risks and obligations only to the extent of his or her investment.

General partners manage the business and represent the company. Limited partners are not allowed to manage business and to represent the company.

General Partnership (o.d)

Partners - Two or more.

Minimum Capital - No minimum equity requirement.

Other Features - In a General Partnership, partners may contribute in money or in kind, including past or future labor and services. All partners bear the unlimited liability for the obligations of the general partnership.

Additional information on financial organizations can be obtained by the National Bank of Serbia: www.nbs.rs

Businesses can be also registered as:

- Entrepreneur,
- Representative offices,
- Branches,
- Business Association.

Representative Offices

Under this type of business in Serbia, a foreign mother company is required to take responsibility for all obligations that may occur as a result of the representative office's performance. The office has to be registered with the Business Registers Agency.

A representative office does not have the capacity of a legal entity.

A representative office can only conduct business in the scope of its own activity.

The foreign company is liable for obligations arising from the business of his representative office toward third parties.

Company Branches

Domestic and foreign companies may establish one or more branches as their organizational parts. A branch does not have a legal personality, but conducts business activities in the name and on the behalf of the company. A branch is a registered entity in accordance with the Law on Registration of Business Entities.

Business Association

A business association is a legal entity founded by one or more companies or entrepreneurs to achieve common goals.

A business association cannot conduct business for profit, but only for the mutual interest of its members.

The name of business association must specifically include the words "business association", abbreviated "b.a." or "p.u." in Serbian.

A business association formally becomes a legal entity when registered in accordance with the law on registration.

A business association is not permitted to change its legal form into a company of any type.

6. Potential Sectors for Investment

AUTOMOTIVE INDUSTRY

Sector Highlights

- Top technical education at all levels means the wide availability of highly-qualified staff;
- The perfect geographic location for efficiently serving EU, SEE and Middle Eastern customers.
- Sufficient capacity for even larger volumes of production.



Sector Overview

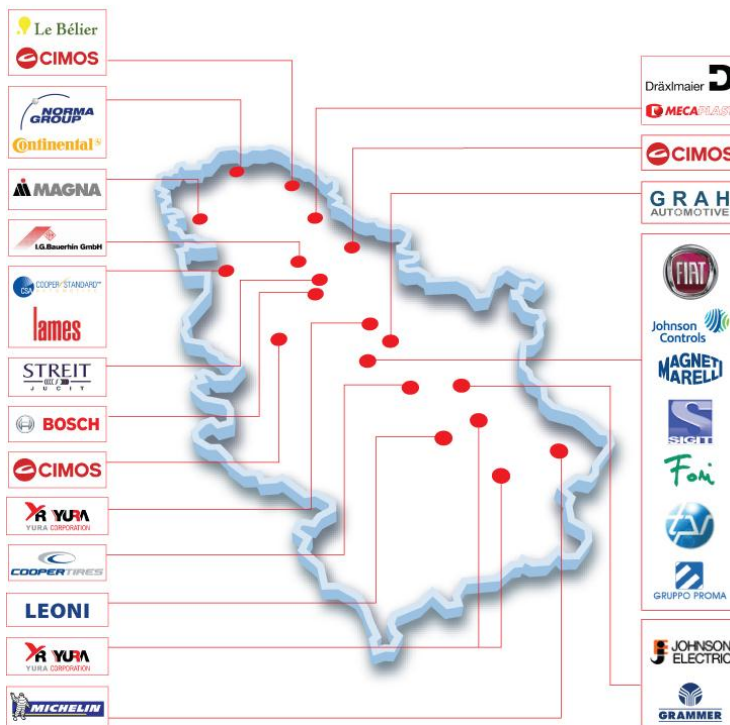
The Serbian automotive industry has a tradition of more than 70 years, dating back to 1939 in the city of Kragujevac, where Zastava, the Serbian producer of motor vehicles, produced automobiles under the license of Fiat. Zastava's suppliers manufactured under strict, high-quality production standards that enabled them to work with other western car manufacturers such as Mercedes, Ford, PSA and Opel.

Today, the automotive industry is one of the most prominent sectors in Serbia, accounting for almost 10% of the entire FDI stock in Serbia since 2001. Around 60 international investors have invested over €1.7 billion in the sector, creating more than 27.000 jobs. The Serbian automotive industry supplies almost all major European and some Asian car manufacturers.

The manufacturing of vehicle chassis system parts, especially tires and suspension parts is the most prominent activity in the industry. Electrical system components are another dominant product group with car batteries and wiring installations as the most important products. Also, the production of engine components, mostly casted, is very significant, along with forged and machined parts like camshafts, brake discs, valves and flywheels. Today, automotive industry contributes to country's exports with \$2.1 billion.

The largest and the most important investment in the sector is the FIAT project, not only because of the high investment amount, but also because it has helped to attract a number car parts producers to Serbia. It is arguably the most important investment project of the past 20 years and a future engine of growth of the Serbian economy. FAS (Fiat Automobile Serbia) produced 117,000 vehicles of 500L in 2013 generating over 1.5 billion of turnover, majority of which was exported to US and EU markets. Hence FIAT took over the first place in the race for the biggest exporter from Serbia.

The largest foreign investors in the automotive industry



SHARED SERVICES AND BPO

Sector Highlights

- Low market saturation
- Available multilingual labor with low attrition rates
- The right time zone to service European customers

Sector Overview

Serbia holds a wide range of aces up its sleeve to emerge as the new hot spot for hosting Business Process Outsourcing (BPO) centers. The market is still quite unsaturated compared to the “usual” BPO locations in CEE, with all of the prerequisites for growth in place and

considerable development potential, especially given the size and labor pool availability. The workforce is reliable, with a good skills base and business culture stemming from strong cultural and business ties with the West. The country has a high level of multilingualism, particularly in regards to the English language, almost without parallel compared to many other parts of Central and Eastern Europe. It is located in the heart of CEE and shares the same time zone as most western European countries (GMT+1) and is thus an easy choice to handle customers all throughout Europe. Serbia is also well-positioned to handle off shore calls from Russia. Accent and cultural alignment are not an issue.

Many global players, mostly US companies, have already recognized and tapped into Serbia's potential as a BPO destination. The list of companies serviced from Serbia is even longer and includes companies across a wide spectrum of industries: Sitel, NCR, Euronet, Telesign, FirstData, Iron Mountain and many more.

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 services industry, the market is still fresh, as only around 30 international companies have capitalized on the opportunities that beckon to be utilized. 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 rather as a career for young people. The demographics are right: a young, ambitious, and educated population, in a country where employment rates are such that demand has kept wage expectations at competitive levels.

ELECTRONICS INDUSTRY

Sector Highlights

- Significant investment track record - previous investors include Siemens, Panasonic, Gorenje, Elrad, ATB, Gruner and Eaton
- Manufacturing tradition and skillset in place
- Sector of high priority - investors are entitled to more favorable investment incentive packages.

Sector Overview

Serbia is home to a rich tradition in the electronics industry that dates back to the days of Nikola Tesla, one of the greatest pioneers and inventors in the field of electricity. This industry had its peak in the 1980s, when Yugoslavia's electronics industry was a \$1 billion sector that employed around 100,000 people. Although the sector today is still only a fraction of what it was back then, recent foreign direct investment into the industry and various state-driven initiatives suggest that this sector has strong potential for future growth.

The Serbian electronics industry presents over 1,700 innovative companies working in the sector; it also has the lowest total annual labor costs. Further, Serbia represents home to highly experienced and skilled workers. Technical education in Serbia is particularly strong with

approximately 33% of university graduates coming from technical schools. For the reasons above, Serbia has a highly competitive electronics sector. It offers foreign investors not only the possibility to employ a highly skilled workforce but also to hire them at the most competitive prices in the South Eastern European region.

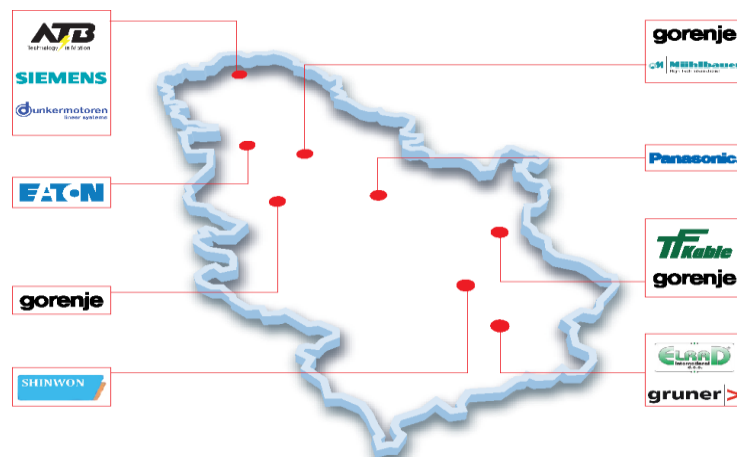
From 2001 onwards, this industry has witnessed a steady revival primarily driven by a continual inflow of foreign direct investment, totaling roughly €168 million. This, coupled with the upcoming opening of several IT-electronics parks, illustrates that the best is yet to come for companies in Serbia's electronics sector. Some key investments already in place are those of Austrian giant ATB Gruppe, Slovenian home appliance company Gorenje (which has invested a total of €50 million in three separate locations), Siemens and Panasonic's €13 million facility in central Serbia.

The Serbian electronics industry is a thriving, export-oriented sector that only figures to grow with the recent influx of foreign direct investment. Relative to 2008 and 2009, exports from the industry in 2010 grew by 15% and 44%, respectively. The 2009 economic crisis gap was surpassed swiftly in 2010 and, with new export-oriented projects such as the first Panasonic factory in Serbia, exports are expected to flourish further. Between 15 and 20 electronics companies each export more than €1 million per year.

The government of Serbia is actively promoting the growth of this sector: Along with the automotive and ICT industries, the electronics sector has been designated as one of the priority sectors in Serbia's National Development Strategy. This allows investors in this sector to receive more favorable investment incentive packages. Companies in this industry have taken advantage of this fact: investments in the electronics industry are third when it comes to the number of projects which have been approved for funding and the fourth highest in terms of all investments in Serbia since 2000.

Numerous initiatives, including the promotion of IT and Research and Development parks throughout the country and the founding of an electronic systems cluster, will propel the sector even further.

The largest foreign investors in the electronics industry



FOOD INDUSTRY

Sector Highlights

- Serbia is a global leader in the export of frozen raspberries with \$232 million exported in 2013.
- Serbia is the largest provider of frozen fruit to the French and German market, and the second largest to the Belgium market in 2013.
- Over 6.12 million ha of agricultural land, of which 60% is arable.
- This highly-attractive sector accounts for 13.1% of FDI stock since 2001.
- One of the few industry sectors recording a trade surplus; made-in-Serbia food is present around the globe.

Sector Overview

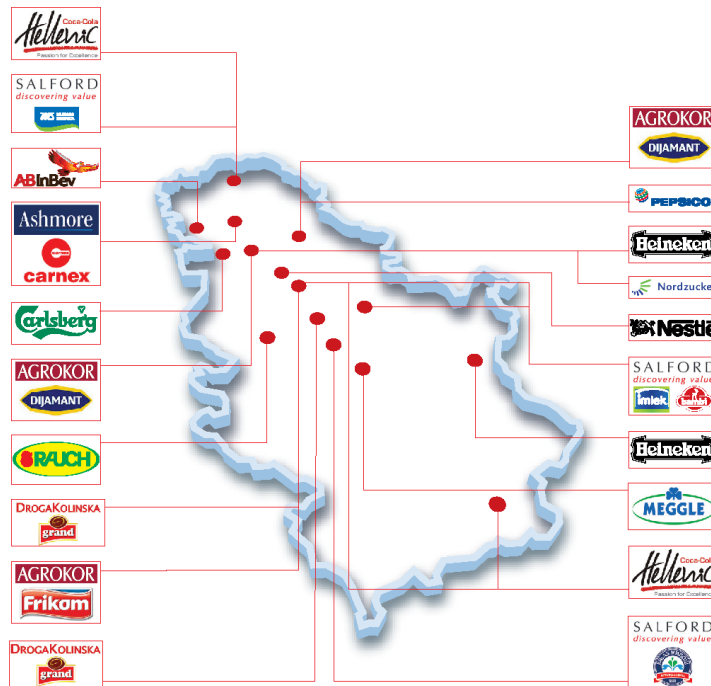
Serbia boasts ideal natural conditions for growing crops, fruit and vegetables. The soil is still one of the cleanest in Europe, while most of the fruit is grown in perfect conditions; it is hand-picked, carefully stored, and packaged in order to attain the highest possible quality and a unique flavor. Serbia's diverse climate and ample land resources also create unique opportunities for the development of primary vegetable production.

An excellent raw material base, network of FTAs, and a long tradition of high-quality food production and strong regional brands are key reasons world class companies have come to Serbia. As noted above analysis, the agro-food sector accounts for a massive proportion of foreign direct investments, whether in terms of value or of the number of projects.

In addition to excellent raw materials and conditions for producing high-quality, healthy food in Serbia, investors can also enjoy strong support from Serbia's widely recognized fruit-research institutes. Research mainly focuses on technologically-advanced production that leads to high-quality, environmentally-friendly seeds and vegetable crop production. Moreover, Serbian law prohibits the production and import of any genetically modified (GMO) foods and seeds.

Made-in-Serbia food is present around the globe, from Japan to the US, and is sold under Serbian brands and through world's largest supermarket chains such as Tesco, Lidl, Asda, Spar, Carrefour, Metro, Idea, Leader price, Kopeika, and Rewe. In the first seven months of 2014, Serbia exported €1,232 million of agriculture produce, which is for 16.1% higher than in the same period last year, making it one of the few industry sectors recording a trade surplus (€537.3 million). International customers keep increasing orders for Serbian truffles, raspberries, apples, corn, juices, concentrates, purees, jams, frozen and dried fruit and other first-class produce.

The largest foreign investors in the food industry



ICT INDUSTRY

Sector Highlights

- Serbia - home to 1,600 innovative IT Companies employing more than 14,000 people.
- Microsoft's 4th development center in the world opened in Serbia, evolving over time into an innovation center.
- Expertise in custom, high-end IT development services including software development, hardware, and solutions.

Sector Overview

As the world market for ICT continues to evolve towards outsourced software engineering, offshore systems design and integration, Serbia is well-placed both geographically and structurally to provide a cost-effective, reliable alternative to more established markets. An outstanding pool of intellectual capital, attractive labor costs, excellent skills, good communications networks and a high fluency in English are just some of the key competitive advantages that persuade international companies to expand their businesses to Serbia.

Engineering education in Serbia is particularly strong, with approximately 33% of university graduates coming from technical schools. ICT is taught at 35 high-education institutions, 16 of which state-owned, 6 private and 13 state-owned Vocational Higher Schools. These institutions are located in 18, which greatly helps recruiting a wide base of ICT students for two studying

programs (Tertiary-type A and type B) and six studying sub-programs. Given today's growing demand for ICT products and services, Serbian educational institutions are facing challenges, both accommodating booming interest among high-school graduates and supplying more experts to the market. Total number of new ICT enrollees in school year 2011/2012 was 5,523, of which 3,042 students begun their ICT education with Tertiary type A studying program (OAS) and the remaining 2,481 with tertiary type B (OSS). Serbian ICT sector absorbs a vast majority of ICT graduates, although "brain drain" is still an issue.

The cost-competitiveness of engineers is another advantage of doing business with Serbia. Compared to salaries in the country, IT specialists earn more than average, but compared to their European colleagues, the situation is quite different. Net salaries range from €600 to €1,200 per month for highly-qualified, university-educated personnel, while gross salaries range from €1,000 to €2,000 per month.

Shoulder to shoulder with food, production and automotive sector, ICT is becoming one of the pillars of the Serbian economy. A large number of Serbian ICT companies offer very strong technical skills that have attracted partnerships with international firms and won them a place in high-value market niches.

Serbia ranks 40th on the list of biggest software exporters globally. In 2013 Serbia exported around €230 million in software services, which is a 30% increase compared to the year before and as much as 165% against 2008. Local market is worth additional €400 million.

TEXTILE INDUSTRY

Sector Highlights

- One of the most price-competitive locations in Europe with a respectable tradition and vast availability of skilled workforce
- Numerous business opportunities, primarily in yarn, fabric and ready-made garment production; more than 25 investors have already taken advantage of this opportunity
- Existing FTAs all encompass textile products, enabling efficient access to various markets

Sector Overview

Textile and apparel production in Serbia have a long history and an admirable tradition of fruitful collaboration with foreign partners. Throughout this illustrious history, the principles of high-quality manufacturing, price competitiveness and controlled operating costs have made Serbia a leading garment manufacturer for the biggest textile companies of Western Europe. Because they are highly labor-intensive, investments in the textile industry greatly reduce unemployment and therefore enjoy full support from local government.

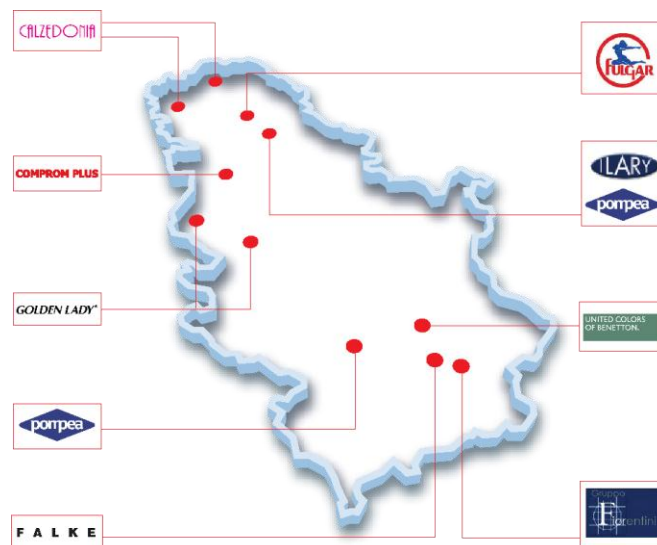
In terms of the number of investment projects and jobs created, the textile industry ranks quite high on the list of sector attractiveness. Companies such as Benetton, Calzedonia, Golden Lady, Pompea, and many more are extensively using their production facilities as secondary manufacturing sites for the production of high-quality apparel. Thus, they can react quickly to

smaller orders with quick turnaround times. Competitively-priced labor, as well as the strong textile tradition in Serbia, ensures both high-quality end products and very affordable prices.

Over the last 10 years, the Serbian fashion industry has evolved from a domestic, manufacturing-based industry into a design-led sector operating in the global marketplace. Many Serbian design students go on to work in global fashion houses which promote the Serbian fashion industry abroad.

Serbia's textile sector predominantly trades with EU member countries (Italy, Germany, France, Austria, and Slovenia), the Russian Federation, Turkey, and China. Exports have risen by 71% since the free trade of textile products with the EU was instituted in 2005.

The largest foreign investors in the textile industry



WOOD AND FURNITURE INDUSTRY

Sector Highlights

- Strong local demand and duty-free export access to Russian, EU and SEE market
- Large opportunities in sawn wood, engineered wood products, furniture, and paper production
- Top-quality raw base materials

Sector Overview

FTAs with CEFTA, the EU and Russian Federation underpin vast opportunities for the customs-free export of Serbian office furniture. Made-in-Serbia furniture has a good reputation in the Russian market. This creates many ways in which international companies can cooperate with local ones - either through subcontracting, undertaking a Greenfield or Brownfield investment, or entering a Joint Venture. Moreover, numerous Serbian construction companies are engaged on projects in Russia, further increasing demand. Furniture industry is one of the few recording

trade surplus of over €100 mil. Moreover export furniture to Russia is growing each year by 50%.

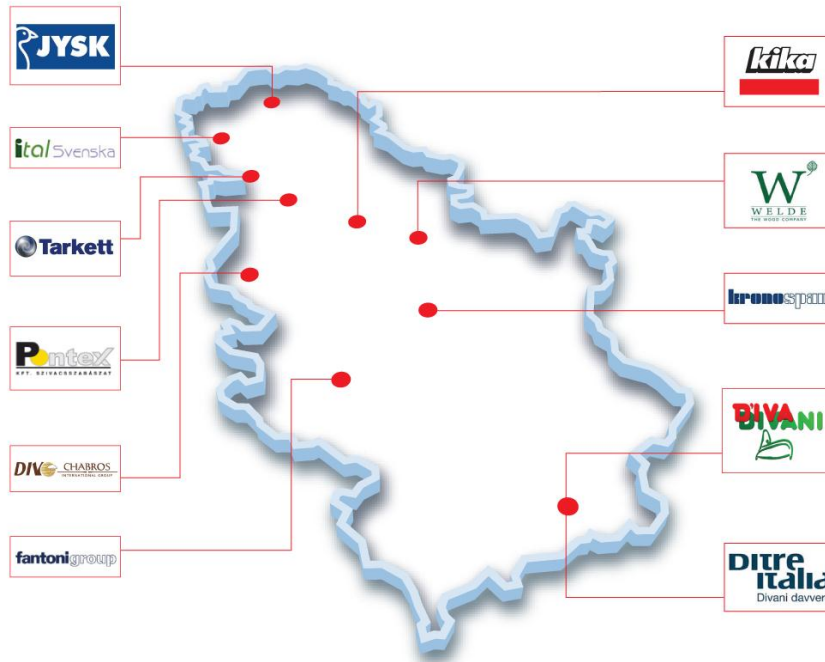
One of the sub-sectors of the industry with the brightest future is the production of massive furniture. This area offers comparative advantages such as: high-quality local raw materials, a low-priced labor force, low energy prices compared to other European countries, and a strategic geographic position that allows for fast shipment. All of these benefits represent advantages relative to Asian competition. Majority producers of solid wood furniture from Serbia are successful, as they focus on exporting to Russia, Germany, France, Italy and neighbouring countries. Upholstery production is also a strong point for Serbia. Simpo and Forma Ideale are the biggest furniture producer in Serbia and the region followed by the exporters such as Matis, Gir, Atlas, Tra-Duga and Extraform, which are widely recognized for their style and quality. Serbian companies dominate the region, especially in Macedonia, Bosnia and Herzegovina, Montenegro, Croatia and Albania. To support the local and regional demand for chipboard furniture, there have been significant investments into automated lines for production of chipboards, especially by Austrian company Kronospan, the largest multinational company in this domain, and Fantoni from Italy. Interior design is also a sub-sector in which Serbian companies achieve great results not only in smaller markets like Montenegro and Greece, but also in larger countries such as Russia.

The last but certainly not the least important significant component of furniture industry, offering enormous potential and competitive advantage, is business relationships between Serbian designers and local furniture producers, in order to create a sustainable cooperation and business ventures. The highlight is their unique approach to modern living – a fine combination of futuristic, yet traditional Balkan style applied to eco-friendly furniture pieces that fascinate and capture viewer`s attention. The creative professional services constitute a flexible, high-quality, and export-oriented part of the Serbian industry.

Forests cover some 2.252.400 hectares (29.1%) of the territory of Serbia. Broad leaves constitute 90% of Serbian forests, while the remaining portion is made up of various conifers. The main tree groups of Serbian natural forests are beech (40%), oak (30%) and other broadleaves. State owned forests (1.194.123 hectares) has been certified by FSC standard. In the local market, forestry is closely linked to the construction industry, matching its outputs to the demand of this sector. As the Serbian real estate market is growing, local market needs are increasing. The development and growth of this sector is also associated with the expansion of the banking sector and the wide availability of personal loans.

The skill-set for the wood processing industry is constantly improving. There are 22 high schools in Serbia that specialize in wood processing, while the Forest Sciences Faculty at the Belgrade University produces around 1,000 graduates annually. Serbian companies also have long-standing traditions of supplying international buyers.

The largest foreign investors in the wood and furniture industry



METALWORK AND MACHINE BUILDING INDUSTRY

Sector Highlights

- One of Serbia's core industries with the longest manufacturing tradition;
- Most of the companies are export-oriented because of internationally acknowledged quality and competitive prices;
- Highly-skilled workers and low labor costs;
- Quick and easy access to the key markets - EU, SEE and Middle Eastern customers.

Sector Overview

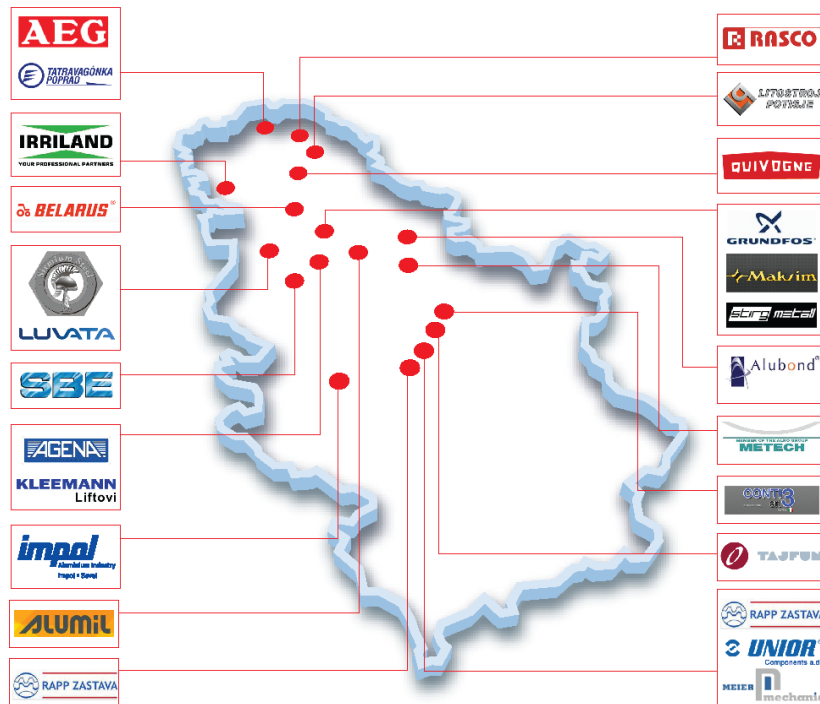
Industry's long tradition dates back to 1853 when the newly-built foundry successfully casted its first cannon, marking the start of the Serbian metals/machine building industry's development, but also of the manufacturing in Serbia. Nowadays, it is still one of the most important sectors of the Serbian economy, accounting for 6% of national GDP, with highly-skilled workers, trained to meet European standards. On the other hand, labor costs are among the lowest registered in the Serbian industry.

Companies within the sector vary in size and structure, as the metal processing sector is relatively diverse. Large companies dominate the first part of the value chain, with significant economies of scale (production of primary metals, primary processing of metals), while the companies operating in the processing and manufacture of metal products subsectors are more

specialized and customer-oriented SME's. In the secondary processing such as casting, pressing, processing and coating of metals, the share of SME's is 90%.

Metal-processing accounts for 20% of the Serbian exports as it has always been very export oriented and opened to collaboration with foreign companies. Italy, Germany and Bosnia and Herzegovina are the most important markets, while thanks to the FTA with Russia, Serbia has a growth of export to Russian market.

The largest foreign investors in the metalwork and machine building industry



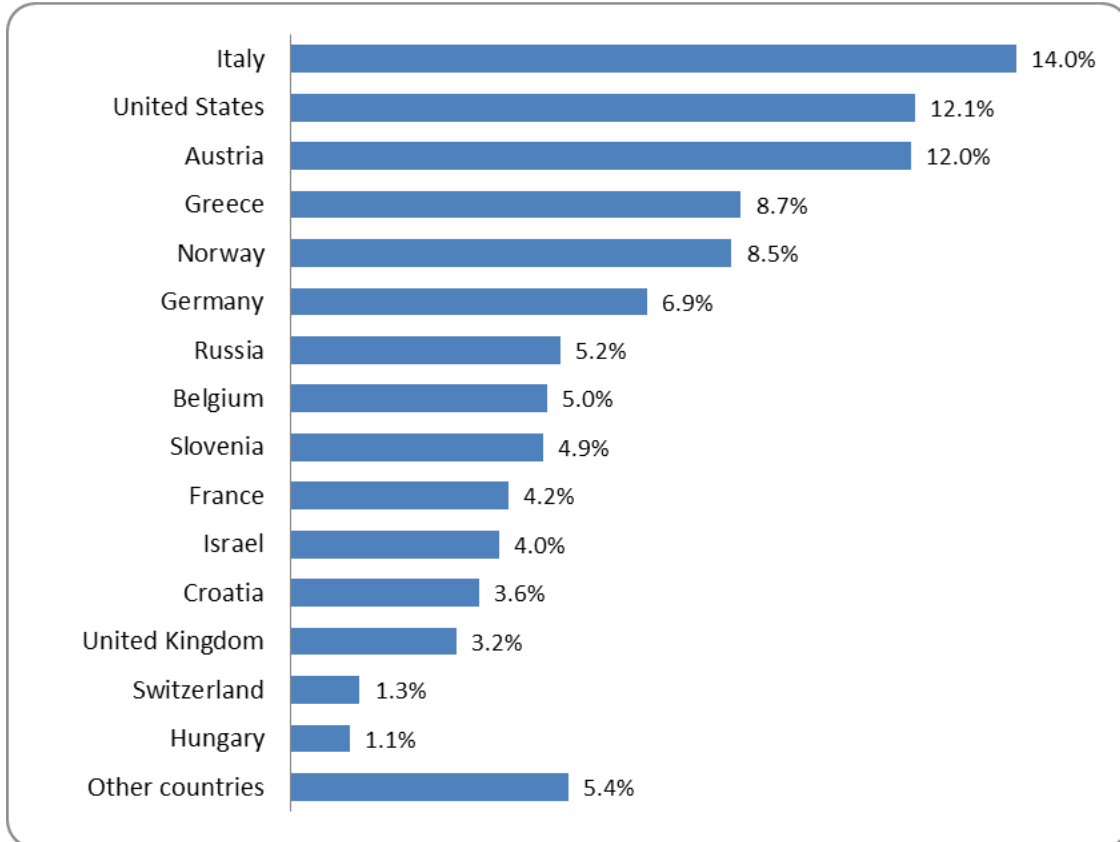
7. Basic Information Related to Foreign Investments

Many world-renowned companies have recognized Serbia's potential and decided to locate their operations in the country: FIAT Group, Panasonic, Bosch, Sitel, Pompea, Nestle, Cooper Standard and many others. For some of them, Serbia serves as a manufacturing hub that enables duty-free exports to a market of almost 1 billion people. Others are attracted by our country's strong level of English language proficiency, highly-skilled and easily-trained workforce and the extremely low 15% corporate profit tax rate. Regardless of the reason for their initial interest, businesses that decide to set up operations or conduct trade in Serbia encounter a reliable and dynamic country that affords them a much greater opportunity than they initially perceived.



Examples of Largest Foreign Investors in Serbia – SIEPA research 2013

Based on SIEPA analysis and database of investment projects, we are able to provide an in-depth analysis of FDI from 2001 – 2014. The analysis covers over 300 foreign investments whose total value is around 22 billion EUR and includes all investment types (privatizations, acquisitions and greenfield investments). The main host countries of companies that invested in Serbia can be seen below:

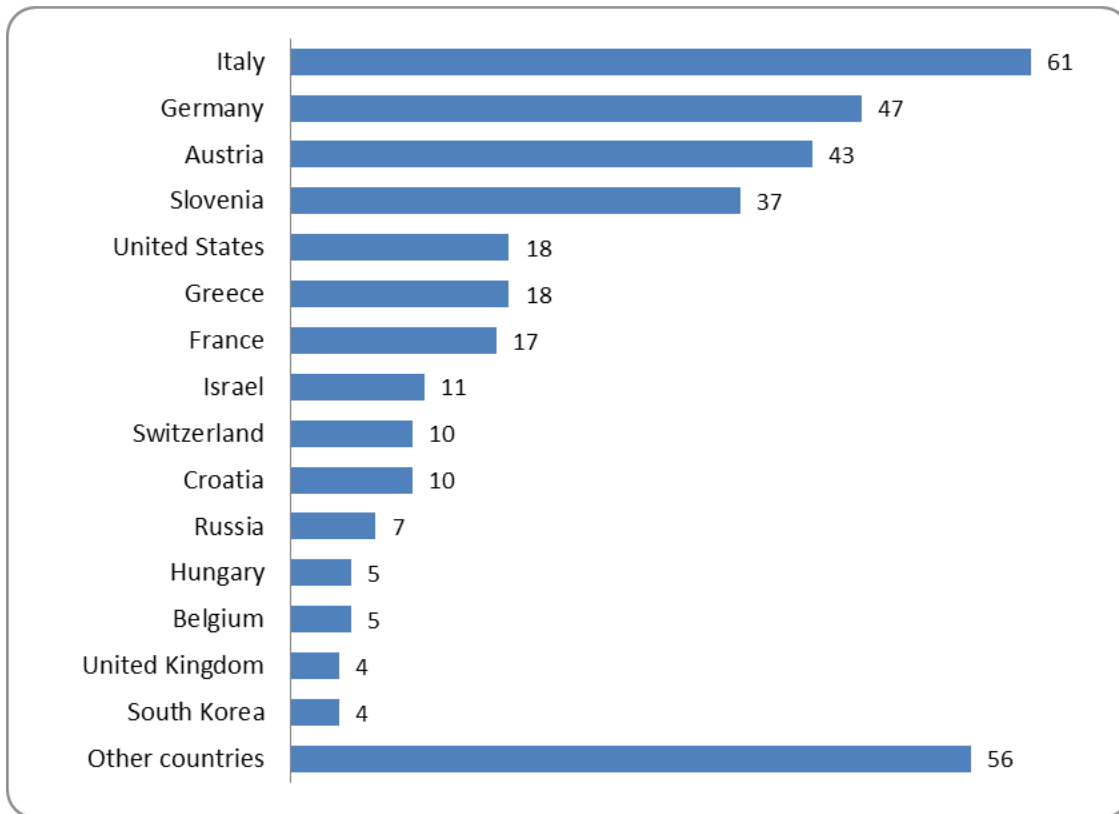


Foreign Investments in Serbia by Value and by Country

Source: SIEPA

When we look at national origin of companies that have invested Serbia, it is clear that the EU countries dominate the investment and that American and Russian companies have shown strong interest as well. Russian investments dominate the oil and gas sector (Gazprom and Lukoil) while Telenor's €1.6 billion investment still puts Norway high on the FDI value list. Belgium's contribution to the overall FDI stock was limited until the finalization of a €1 billion deal to acquire a local food retailer, Maxi. Greek banks were among the first to enter the Serbian market with many privatizations and acquisitions in the sector between 2001 and 2006. Austria tops the list primarily because of the closeness of the two economies and a strong motivation of Austrian companies to grow within the Eastern European markets. Germany and Italy are Serbia's main foreign trade partners and are neck to neck in terms of Serbian export markets and key contributors to FDI. Slovenia, the first country from the former Yugoslavia to join the EU, plays an important part in the FDI portfolio. Serbian companies have also realized a several major investment projects in Slovenia.

However, the number of registered investment projects paints a slightly different picture:

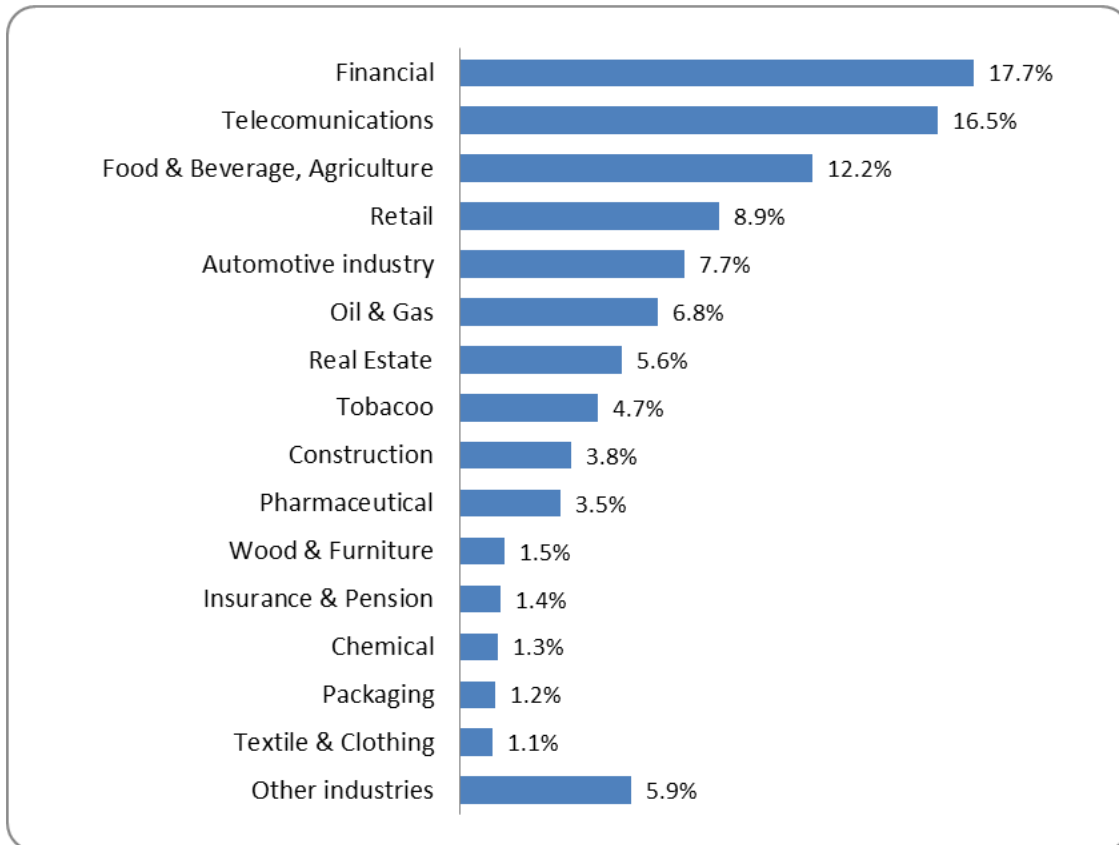


Foreign Investments in Serbia by Number of Projects and by Country

Source: SIEPA

The graph shows that Germany, Austria, Italy, Slovenia, and EU member countries account to more than 50% of the total project number. This only proves the importance of EU economies for the Serbian FDI environment. Norway, Belgium and Russia fade out while United States remains in the top 10 list. French companies, not seen in the value list, now enter the picture, especially with the large number of automotive sector investments. The importance of proximity and knowledge of the local and regional markets is also visible, as Hungary and Croatia playing an important role in the overall project number. Israeli investors are heavily involved in the real estate sector and have quite a few projects in the pipeline, so we expect them to climb the value list in the years ahead.

The attractiveness of the Serbian economy can be best reviewed by looking at specific sectors which have attracted the largest portion of investments.

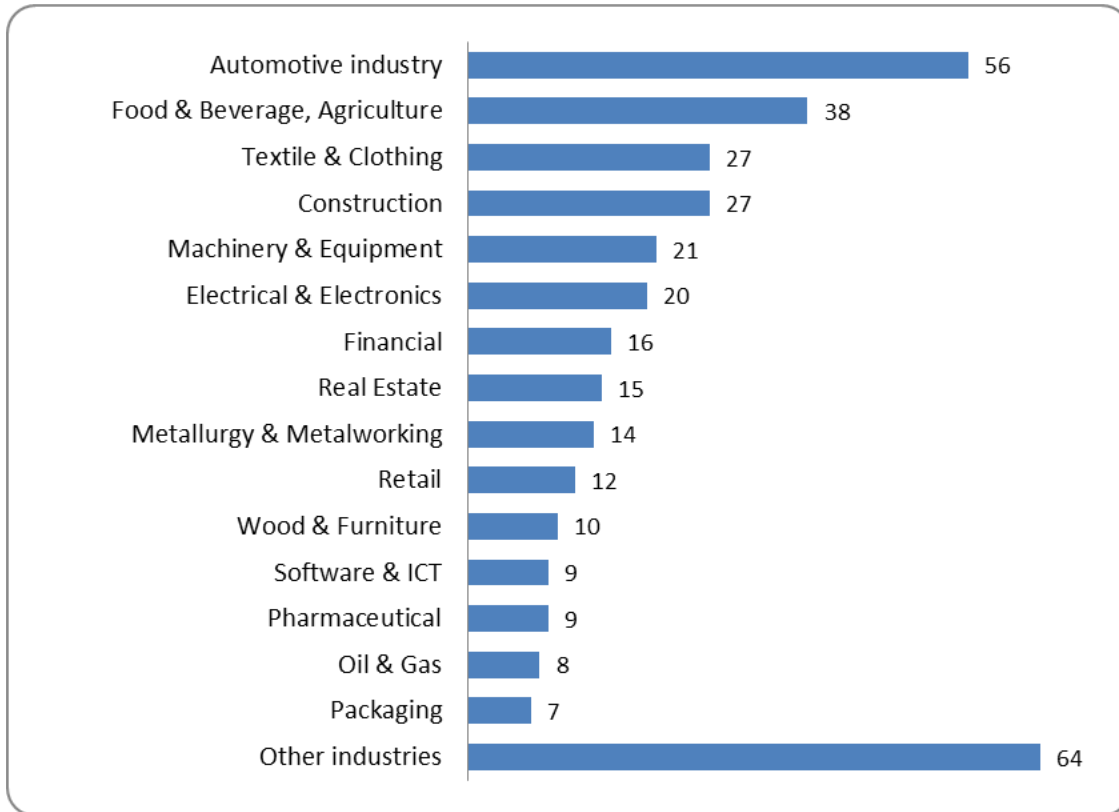


Foreign Investments in Serbia by Value and by Industry

Source: SIEPA

Agro-food investments are second in terms of FDI by sector. There are a few reasons for this: Firstly, the booming local market was marked by a number of significant privatizations between 2001 and 2005. This was followed by major acquisitions by PepsiCo, Heineken and others which occurred after 2007. Secondly, the regional CEFTA market proved to be one of the major drivers of the FDI in this sector. Finally, as can be seen from export figures, Serbian agro-food products have a strong future in not only the European, but also Russian and other markets. Apart from unsurprising results in the financial sector (the vast majority of banks operating in Serbia are now foreign-owned), telecommunications, retail and real estate, Serbia has also attracted major investments in the automotive sector. These are now one of the main drivers of exports. The pharmaceutical sector was also quite interesting to investors in large part due to Serbia's network of FTAs, especially with Russia, where our pharmaceutical products are exported in significant scale). Investments into construction material production were also quite important both in terms of value and the number of projects.

If we deepen the sector analysis and look at the number of projects realized in particular sectors, we are able to get a better understanding of the attractiveness of Serbia.



Foreign Investments in Serbia by Number of Projects and by Industry

Source: SIEPA

The importance of the automotive industry grows takes on even greater significance. This proves that the Fiat investment, although strategically important, was not the main contributor and that the sector has much more to offer. Agro food investments remain extremely important even in terms of the number of projects. However, looking at project numbers, the manufacturing sector plays a much more important role than in value terms. The automotive, electrical and electronics, machinery, equipment, textile, and metallurgy, and metal work projects account for a large number of the total projects. These analyses tend to confirm our strategic orientation, as the government has designated investments into the automotive, electronics and ICT sector as being of strategic importance. It also confirms that the key messages sent in the previous chapter are correctly perceived by the investment community.

7.1. Success Stories



One of the most interesting investment success stories in Serbia is the Korean Yura Corporation. The leading Korean supplier of automotive electrical and electronics distribution systems first visited Serbia with the idea to establish a manufacturing site in January 2010. Two years later Yura Corporation operates no less than four factories in Serbia. Yura Corporation has invested more than 44 million euros in their factories in Serbia that employ more than 4,000 workers and supply the growing production of Hyundai and KIA cars in Europe.

Mr. Jongwoo Nam, General Manager Yura Corporation d.o.o. statement:

“We were delighted to find such abundance of highly qualified workforce at such proximity to the European Union market. 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. This was essential to us since the production of our clients in Europe was also growing rapidly and we needed to maintain our position as key supplier. Serbian Government is very strongly supporting the industrial development of the country making it very easy and profitable for foreign investors to locate there.”



Fiat Automobili Srbija (FAS) was established in 2008 by a joint venture agreement between Fiat Group Automobiles (67%) and the Republic of Serbia (33%). Based on the subsequent agreement, the government handed over to FAS the ownership of the land and the property of Zastava plant in Kragujevac, as well as a building in Belgrade. In return, Fiat Group invested 940 million EUR in the Serbian Automotive Industry. Fiat Automobiles Serbia factory was officially opened on 16th April 2012. The plant is designed for production of more than 200,000 cars annually.



Important part of the above mentioned agreement is the establishment of a 67-hectar supplier park in Grošnica, which provides components to the plant and contributes to increased production for export. List of key suppliers in this park includes: Magneti Marelli, Johnson Controls, Proma MA, Sigit and HT&L. 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 to Corridor 10.



Mr. Sergio Marchionne, FIAT Group President

“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. 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.”

8. About SIEPA

The Serbia Investment and Export Promotion Agency (SIEPA) is a government organization dedicated to 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.

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; 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 Ball Corporation and Cooper Standard Automotive from the United States, Austrian companies OMV and Knauf, Bosch, Leoni, Continental and Norma Group from Germany, and Coca Cola from Greece top our reference list.

To help potential investors speed up completion of their projects, SIEPA networks with all FDI-related public and private sector bodies, including 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 and www.doingbusinessins Serbia.com.

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 business environment in Serbia are 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.