



Highlights of the Month

Why is it good to be located in Serbia? [Read more >>>](#)



Meet SIEPA

This month join us and Serbian building and interior companies at MosBuild in Moscow. [Read more >>>](#)



Industry Close Up **Food and Beverages**

The manufacture of food and beverages is one of the biggest and most successful industries in the Serbian economy. [Read more >>>](#)



Investor Personally

Stein-Erik Vellan, CEO Telenor

Right now the mobile phone market is a mature on the verge of being a professional market. [Read more >>>](#)



Monthly Reporting

The Usage of Private Mobile Phones in Serbia

Market penetration rose to almost 80% and a number of users to 5 million. [Read more >>>](#)



Arts & Entertainment

In April you may enjoy the dance festival featuring most prestigious appearances of famous dance companies. [Read more >>>](#)



The Other Home

Stein-Erik Vellan, CEO Telenor

Serbia has something that no one can copy - that is warmth and openness. That should be your trademark. [Read more >>>](#)



Hot Spots

Little Bay Restaurant

The high quality food and live classic music brings about a new type of a quiet evening in Belgrade. [Read more >>>](#)

Slovenian Mercator Opened a Mall in Nis

Slovenian Mercator has opened its 3,200 square meter shopping mall in Nis under the €23.5 million investment. This facility will provide jobs for about 500 people. Over 70% of food and consumer goods in Mercator hypermarket will originate from Serbia.

New Shopping Mall in Kragujevac

Israeli Plaza will start construction of a 80,000 square meter shopping mall in Kragujevac in July that should be finished by the end of next year. The company has 30 malls all over the world, but this one will be built using latest architectural achievements. The construction will be sourced locally. This €60 million investment will provide employment for about 2,000 people.

IT Merge on the Horizon

Serbian IT group ComTrade has submitted the obligatory bid for takeover of Slovenian software company Hermes SoftLab. Both sides agree that the merging of two companies will result in a company that would be the IT leader in Southeast Europe namely based on the market share, number of employees, business results, and portfolio. Also, this will be an excellent platform for expansion of operations onto Western Europe, US and the Near East.

Poliester in Good Hands

Consortium of Slovenian companies Imgrad, Argo and businessman Lenart Skok are the new owners of Priboj based company Poliester. They have placed the best bid for the package of shares

owned by the Serbian Share Fund by offering €14.88 per stock. Consequently, Share Fund invited minor shareholders to sell their 60.4% shares to the Slovenian consortium for €2.25 million. The Poliester company was founded in 1962, it employs 341 workers and deals with production of panels, plastic tubing and profiles, plastic packaging, parts and tools for motor vehicles and floating facilities, as well as production of plastic construction materials, anti-hail rockets and cylinder dishes.

Meet SIEPA

April 3rd - 6th, 2008

MosBuild,
Moscow, Russia

April 8th - 9th, 2008

SME Linkages Program,
Prague, Czech Republic

Another Greek Investment

Greek company Neochimiki L.V. Lavrentiadis has officially become an owner of the Industry of chemical products Prahovo by paying €5 million. Prahovo-based chemical industry will be run by Anastasios Topalis from Neochimiki group, while the General Manager of all daughter companies will be Mladen Trisic, former CEO of the company.

Volkswagen in Serbia

A visit has put an end to the mystery on who hides behind "a large European company interested in procurement of Zastava's automobile factory." The delegation of Volkswagen has visited Zastava and held talks with the management together with the officials

from the Ministry of Economy and Regional Development. The meeting was held behind closed doors and the representatives of Volkswagen were presented with the production capacities and the tender terms of the forthcoming privatization of Zastava.

Wind Power

Business-technical contract on co-operation in construction of the first wind-generator was signed in Kanjiza by the Mayor of Kanjiza, Karolj Kermenci, and the representatives of Hungarian company Vojvodanska Energetika. The generator will be installed in a few months time.

In addition, Canadian concern Trillion is interested in construction of windmills for production of electricity in Jagodina, for which it got the consent from the Ministry of Mining and Energy of Serbia.

Secure Investment from Gece

German manufacturer of security systems and components for windows and doors and one of the global leaders in the field - Gece has announced the start of a 6,000 square meter production unit construction in an industrial zone Bagljas in Zrenjanin for April. The investment contract is worth €5 million and it was signed on March 7. "As of 2009 we want to export products from Zrenjanin throughout the globe. We know that we can count on high-quality manpower here", Gece CEO Alber Herman pointed out. Gece will initially hire 50 people and soon expand to 200. After Germany and China, the unit in Zrenjanin will be the third factory of this manufacturer.

Municipal authorities in Zrenjanin have also signed contracts with a Swedish company LK Armatur and a German Immobilien Vele.

Another Bio-Fuel Production Factory

Belgrade-based company Eko-tank started construction of a production unit for bio fuel in Šabac. Projected production in the first phase will be 50,000 tons of bio fuel per year, while the production will be doubled once the construction is completed. A total of 70 workers will be hired in the factory.

Ski Center Brezovica to Be Revitalized

A total of 60 million RSD will be invested in revitalization of ski tracks and renovation of several hotels on Brezovica mountain. The funding was approved by the Government of Serbia. A three-year program for development and rehabilitation of Brezovica will be designed soon, 3.2 billion RSD were set aside and the ski center will be prepared for privatization. Serbia does not give up the ownership of the ski center on Brezovica and it intends to give the lead role in privatization process to the Republic Privatization Agency. The complex includes three

hotels with capacities for a few thousand tourists, nine ski lifts and ski tracks up to 2,500 meters above the sea level.

Transportation Company Lasta on Sale

Privatization Agency has extended the deadline for submission of final obligatory bids for transportation company Lasta, for the third time, and the new deadline is June 30. All companies involved in transportation of passengers for a minimum of three years, having a minimum of 250 buses with a 2006 business income of a minimum of €150million can participate in the tender.

Serbia Awareness Higher Than Other SEE Countries

FIAS, the multi-donor investment climate advisory service managed by the International Finance Corporation (IFC) and supported by the Multilateral Investment Guarantee Agency (MIGA) and the World Bank recently published a Survey of FDI Trends and Investor Perceptions

where Serbia's investment climate were rather similar to their views of the SEE region as a whole.

Increasing the stability of the political environment was considered the most important measure toward increasing Serbia's. Improvement of infrastructures and adoption of EU regulatory standards were also viewed among the top three government priorities. Investors said they believe that Serbia's investment climate will continue to improve, fairly or significantly, in the next three years. One half of surveyed Central and Eastern European investors reported having very good or rather good knowledge of Serbia's business conditions. Western European investors also said they are better informed about Serbia (36 %) than about many of the other countries in the region. In contrast with the results for most of Serbia's neighbors, Asian investors claimed better knowledge of Serbia's investment climate than North American investors (33 and 20 %, respectively). Companies in the professional services and industry/automotive/energy sectors reported being somewhat better informed than those in ICT and consumer goods.

SIEPA

Serbia at CeBIT

Once again SIEPA has taken 12 ICT companies to exhibit at the world's largest fair of information technologies, communications, software and services - CeBIT in Hannover. The companies that shared the national stand named HotSpot SERBIA were: CIM College, Seavus, DMV, Logo, Navigator, PSTech, Veridix, ReinkJet, Mikom, IT TV Production, Zesium Mobile, and the Serbian Cluster of Software Designers (SSC). This was the fifth time SIEPA organized joint presentation at CeBIT. This year's specialty was the presentation of the largest IT park in Europe to be built in Serbia by the Indian Embassy Group.

Foodex – a Real Success

Six Serbian companies presented their products within the national stand at one of the world's largest food fairs – Foodex, which took place in Tokyo from March 11-14. ITN, Malina Produkt, Sicoberry, Sirogojno, Igda, and Jelic winery have drawn a lot of attention enabling Serbian companies to establish numerous contacts with potential importers and distributors for their products on the Japanese market. Due to the success at this year's Foodex, SIEPA has already applied for next year's exhibition (March 6-9 2009) with an even larger number of companies and a bigger stand.

Food and Beverage

Source: Ekonomist Magazin

The manufacture of food and beverages is one of the biggest and most successful industries in the Serbian economy. In 2006, sixty leading companies in the food and beverages sector made a total revenue of €2,8 billion, along with an average growth margin of 20 percent, year-on-year. Together these companies employed more than 35,000 people in 2006.



Swisslion Takovo is topping the list of companies with the largest revenue with €233 million, and was followed by Sojaprotein, Imlek, Apatin Brewery and the Coca Cola Company with more than €100 million.

The manufacture of food and beverages is one of the biggest and most successful industries in the Serbian economy.

The top food and beverage producers and traders can be grouped into the following categories: food production, confectionery goods, coffee, sugar and other goods, and beverages. Food production is the largest sub-sector comprising of: production of meat and meat products, production of milk and dairy products, production of oil and oilseed products (and similar products), and production of flour mill products. Companies producing milk and dairy products earned more than €210 million with an average profit margin of 13%. Milk and dairy producer Imlek, owned by Salford investment fund, stands out from the rest of the group by the profit earned and it is also the 65th

largest exporter in Serbia. Salford also owns dairies in Zemun, Zajecar, Novi Sad, and Subotica and has more than 30% market share.

Companies producing raw and processed meat - Agroziv, Carnex, Matijevic, Yuhor-Export, Neoplanta, Damjanovic, Agroziv Yuko, and Topola earned a combined total of €346 million, along with a 24% growth margin. The largest among them is Pancevo-based Agroziv with € 95 million in earnings that grew 96% in one year, the highest growth margin in this sector.

In the group of oil and oilseed producers, Dijamant from Zrenjanin, Vital from Vrbas, Sunce, and Victoria Oil generated the largest revenues jointly earning around €189 million, with growth in sales of around 39%. Dijamant and Vital are among the top 100 Serbian exporters. All four companies in this sector work as part of a much bigger conglomerates: Vital is part of Invej Group, which also took over oil production plant Sunce from Delta Holding in 2007, Victoria Oil is part of Victoria Group, while Dijamant is owned by Croatia's Agrokor.

With the revenue of €89 million, flour mill and similar products represent the smallest segment in the scope of food production. This segment includes four qualified companies, Fidelinka, Zitomedija, Granexport and the Belgrade Baking Industry, which scored an average growth margin of only 5%.

Confectionery production grew by 12% during 2006 with Swisslion Takovo being the absolute leader with revenue exceeding €230 million. Takovo is followed by Crvenka and Bambi with €69 million and €42 million respectively.

The leaders in coffee business, Grand kafa and Doncafe, earned an aggregate €121 million. Doncafe is the absolute leader in this sector with earnings of €80 million, with a growth rate exceeding 40%.

Producers of sugar grew 35% and turned over €336 million. The largest of them - Sunoko from Novi Sad earned €150 million, which was a 73% drop compared to 2005.

Ice-cream producers Frikom and Somboled grew around 50%, with Frikom becoming one of the leaders in the sector. Becej based Sojaprotein is one of the most important producers of soy and soy-based products in Central and Southeastern Europe. Its annual production capacity is 300,000 tons and the turnover generated in 2006 was €144 million. The company is part of Victoria Group, which is among the 20 biggest companies in Serbia.

In the production of milk and dairy products, the listed companies scored a 13% growth margin, and earned more than €210 million, along with a total EBITDA margin of 6.4%.

Fifteen largest beverage producers earned €614 million, with a 24% growth margin year-over-year. Five leading breweries made total revenue of €225 million with a 20% growth margin. Two leaders Apatin Brewery with €121 million in revenue and Carlsberg with €50 million, took the largest chunks of the beer market, growing 22 and 39% respectively.



Six main juice producers grew 27% and achieved a total revenue of almost €260 million. Fruvita was the fastest growing company throughout the entire food and beverages sector – close to 76%, with revenues at almost €30 million.

With earnings at €64 million, Knjaz Milos remained the absolute leader in the market of bottled mineral water. Wine market was dominated by two companies - Rubin and Wine Zupa. They together earned €50 million.



Stein- Erik Vellan, CEO Telenor Serbia

Why did you choose to invest in Serbia?

There were several reasons, but I have to point out that we had a small representative office in Serbia for ten years prior to this investment. Probably the most important drive was that we believed in the product development. Also, we believed in the additional growth because, at the time, there were only 2 mobile provider companies. In addition, we looked at the geographical location of your country in the Balkans and viewed it as a natural hub. This fact prompts many international companies to start working out of Belgrade and Serbia and reach the surrounding countries. Furthermore, one of the deciding factors was definitely the assurance we received from the government officials, and what we knew ourselves, that possibilities are extremely good. Finally, our company group has a key strategy where we invest in Asia, Nordic, Western, and Eastern Europe. Entering Serbia was important to us because of the relationship between Norway and Serbia that dates back to the Second World War. There is a lot of Norwegian interest in this country namely sister towns, sister schools, also our current Prime Minister was born in Serbia. Our way of doing business is strongly value driven and fits well into different countries. The formula works so far and it led us to become the seventh largest mobile operator in the world with more than 143 million customers. We believe that we have the formula for success.

What do you think about future Norwegian investments into Serbia?

I believe they will be coming. To that fact

another one was just announced and I took some part in it. The company will use Serbian expertise within welding sector and will hire between 100 and 500 people. I think that you will see more foreign investors coming into Serbia, particularly from Norway. Also, from a personal point of view I think this is the time to invest. Serbia did come to a difficult phase, but everyone has to take responsibility. We very much did that through corporate social responsibility programs specifically targeting students, arts and vulnerable children and adults. A long term strategy needs to be developed when choosing the right timing for investing in a country. Again, for me this is the right time to enter and my message is: The time is now!

Are you satisfied with your performance in Serbia?

We are very happy with our business. We invested a big sum, but we had a strong business case and we have grown. Also, we have a long-term strategy which means that we are here to stay. So far we have grown our customer base and revenue, but we invested heavily in our infrastructure and network to make it more reliable. In addition, we invested in our employees, put a lot of emphasis on the training and enabling personal development. Right now we have around 1,200 employees and we hired around 250 people since the beginning of our operations, in September 2006.

What are your thoughts on the telecommunications sector in Serbia and Europe, in general?

The mobile segment of the telecommunications industry went from being an emerging market to a mature market during last year and the beginning of this year. This is obvious from the changes in offers, prices and the penetration. Right now there is more than one mobile phone per persons in Serbia. Then we have an area called new businesses - Voice Over IP (VOIP), cable networks, Skype which are still being developed and need to be regulated. I believe that a prerequisite for investors is a solid telecommunications infrastructure that enhances the willingness of investing. As for the government support it

is slowly moving in the right direction and there is a very good plan made by the Telecommunications Ministry.

All in all, Serbia is not lagging in the region. I think that this development will go faster, but right now it is a mature on the verge of being a professional market.

A recent survey we conducted shows that close to 35,000 people make their living out of telecommunications. This does not include only the employees of the telecom industry, but a lot of other businesses around it as well.

Are you satisfied with the local authorities and government assistance?

I recently came back from a meeting with your Prime Minister and another one with the government financial committee. They are determined to have a predictable, long- term strategy needed for investors and we are very happy about that. We need a predictable environment for setting up our business. I have to say that in Serbia it is easy to start a dialogue. For instance, through FIC (Foreign Investors Council) we produced a White Book, which is a business sector guide. We feel that the government is indeed listening and taking us into account. But, like in any other country, the market is ahead of the regulatory system that a government provides. However, businesses need to be ahead because they are trying to respond to customer needs.

What are your plans for the future?

We will keep on maintaining high-quality services having the undisputed leadership in the best quality network by leveraging the whole group's knowledge of the technology. We will look for new services, but we will target micro segments so that we can be even more specific. Also, we are planning on making additional investments into this corporation.

On behalf of FIC what is your opinion on the current developments in Serbia?

You have a difficult situation right now that needs to be handled. When it comes to investments you need to have a long-term plan and you have to have a strong will from all the politicians to have a new democratic election to ensure safety, stability and predictability for foreign investors.

The Usage of Private Mobile Phones in Serbia

The number of private mobile telephony users in Serbia has come close to 5 million, making the market penetration rise to almost 80% in 2007 (7% more than in 2006). Mobile telephone users spend 930 RSD monthly, on average. The interesting fact is that only small portion of 1.3 million non-users, mostly people older than 60, actually plan to become one.

Penetration varies among different age groups, while over 98% of young population included in this survey (people aged 15-29) uses mobile phones. Elderly population, on the other hand, is by far less oriented towards cell phones and every second citizen older than 60 owns and uses one.

Mobile phones are fewer in Eastern and Western parts of Serbia (75%) and that could mean that there is still room for mobile telephony operators to recruit new users in those areas. Penetration in Vojvodina and Belgrade is rather high, 83% and 86% respectively, and signals a very little chance of increase.

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Large portion of non-users of mobile phones, more than three quarters, is constituted of people older than 50 – housewives and those that are retired. They are not likely to become users soon as only 4.5% of them actually plan to acquire a phone in next 6 months. 6.5% will “probably” start to use mobile phones soon, while the rest of them have no affinity toward cell phones. This is bad news for business developers in Telekom, Telenor and VIP Mobilkom, but also a signal to use marketing tools to increase usage rate amongst already existing users.

The average Serbian spends 930 RSD monthly for cell phone usage. Men tend to spend a bit more, on average 1,032 RSD, then female population with 824 RSD. Belgrade is a capital of Serbia even when it comes to spending money on luxury goods such as mobile telephony, while western Serbia holds the bottom of the list with 716 RSD. The money spent directly corresponds with the age of users – the younger they are, the more they spend. Young people between 20 and 29 years of age spend 1,169 RSD, while older generations above



60 spend 500 RSD. The level of education also turned out to be a determining factor – those with higher level of education are ready to spend more money on being able to communicate “on the run”.

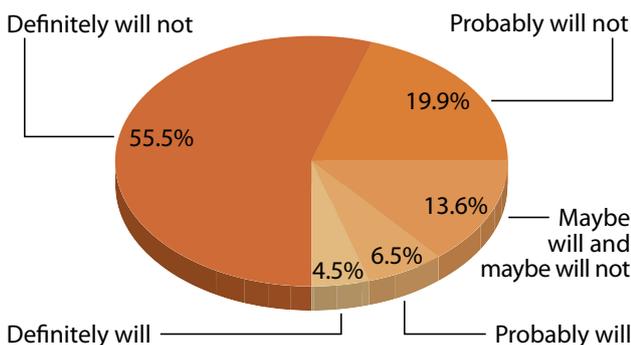
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Postpaid users pay on average 1.509 RSD, which is approximately twice the amount of prepaid users. Telenor users reported spending that is 20% higher than those using Telekom and VIP Mobilkom.

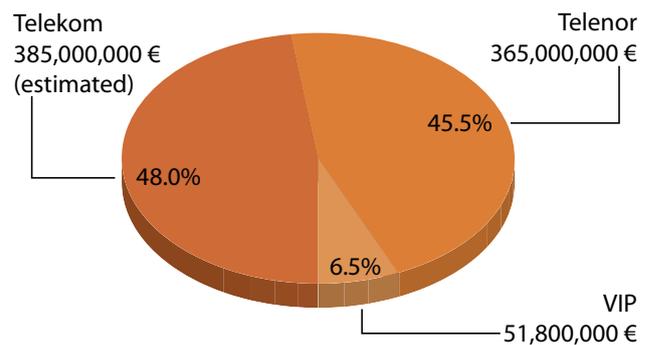
Research was undertaken from 8th to 22nd of February with the population aged 15+.

Source: GfK Belgrade

Non-Users Future Usage Intent



Total Serbian Mobile Telephony Market Value (2007)



Belgrade

April 5, 2008

Paco Penia – Concert

This infamous guitarist and a flamenco group will be appearing in front of the Belgrade audience at Ilije Milosavljevic Kolarac Endowment. Their passion was described as "one of the most exciting nights in a lifetime" by Sunday Express and "If you want to see flamenco do it now!" by The Independent on Sunday.

April 4 - 19, 2008

5th Belgrade Dance Festival

The ballet group of Milan's Skala will be opening the festival that is held under the patronage of UNESCO at Sava Centar. Nine dance productions of the most famous international ballet and modern dance companies will be presented throughout the

The Other Home

Stein-Erik Vellan, CEO Telenor Serbia

How would you describe Serbia?

I worked internationally for many years in Paris, London, New York and if you try to stop someone on the street for directions, well in New York you will be happy if they even look at you while here people take your hand and lead you there. That is a common experience in Belgrade and it is very different from other places. You do not have famous museums or big monumental buildings, although you do have some beautiful buildings and interesting architecture but you have something that no one can copy - that is warmth and openness. That should be your trademark.

festival, while the accompanying activities include master classes, exhibition of dance photographs, discussions with artists, film program and presentations.

April 24, 2008

Opera Aida

The famous opera by Giuseppe Verdi will be held at Sava Centar by

orchestra, choir and ballet of the Belgrade's National Theater. This four act show remains a staple of the standard operatic repertoire and a delight for opera lovers.

Novi Sad

April 13 - 24, 2008

NOMUS – Music Festival

While gathering professional musicians and music art lovers this Festival has become an unavoidable part of Novi Sad's cultural life. The music entrepreneurs can meet, exchange experiences, become friends, hear new pieces and interpretations. For 20 years this festival has been shaping its tradition becoming indisputably a part of unique artistic constant.

Hot Spots

Little Bay Restaurant

Being a part of the London's restaurant chain this quite small but unique Belgrade eatery is being distinguished for its unique interior, live opera and piano and internationally distinguished menu. Decorated in high operatic style with arches, winding stairways, balconies and boxes to hide away in, this venue offers a three-course meal for a price of an average main course elsewhere. The high quality food and live classic music brings about a new type of a quiet evening in Belgrade. Check out their website where you will find the repertoire of evening concerts every day of the week but Sundays.

Address: Dostejeva 9A, Belgrade, Phone: (011) 3284 163, Phone/Fax: (011) 3288 995, e-mail: beograd@little-bay.co.uk, www.little-bay.co.uk



SIEPA

**Serbia Investment and
Export Promotion Agency**

Vlajkovicva St. 3/V
11000 Belgrade, Serbia

tel: +381 11 3398 550

fax: +381 11 3398 814

office@siepa.sr.gov.yu

www.siepa.sr.gov.yu