



Highlights of the Month

The public call for the 7th round of SIEPA's Financial Support for Investment Projects is announced. [Read more >>>](#)



Meet SIEPA

Join us around the globe. [Read more >>>](#)



Industry Close Up **Motor Vehicle Sales**

The entire sector is experiencing impressive growth. Find out why. [Read more >>>](#)



Investor Personally

Antoine Toussaint, President, Societe General Srbija Executive Board
After successful development in Serbia we recently acquired and de-veloped activities in the whole region. [Read more >>>](#)



Monthly Reporting **A Lot of Room for Increase in Sales of New Cars** [Read more >>>](#)



Arts & Entertainment

The summer arrived and Serbia is full of majestic events. [Read more >>>](#)



The Other Home

Diane Cromer, CEO, Diane Cromer Enterprise
I have been traveling between the US and Serbia for eight years now. I see progress each time ... [Read more >>>](#)



Hot Spots

Grand Casino Beograd

The Casino offers a number of restaurants with different cuisines serving different tastes. [Read more >>>](#)

New Investment Fund

The first Closed-end Investment Fund has been established in Serbia by FIMA Invest a.d. - Investment fund managing company. Initial public offer of FIMA SEE Activist Fund will last from May 30, 2008 until June 30, 2008. The investment policy will be based on a portfolio with a moderate number of stocks, primarily companies whose shares are traded on regional organized markets. The focus is on a small and mid cap market segment - companies with largest growth potential whose market capitalization runs between €5 and €40 million.

Slovakian Investment on the Horizon

According to Slovarm's Belgrade CEO Ms. Marija Durandzi, the company is planning to buy a local factory with similar production or build a new facility in Serbia. At the Technology Fair this year, the Company was present with its current portfolio (brass fittings, radiator valves, water valves, ball valves, garden jets and Press System (Pex – Al – Pex) and a new PPR program. Slovarm represents parent company Slovarm a.s. and member companies.

Serbian Pharmaceutical Companies Rising Profile

Certification company SGS issued ISO 9001:2000, ISO 14001 and OHSAS 18001 certificates to Zdravlje Actavis. Zdravlje Actavis is in the final phase of modernization of production in accordance with the highest world standards. Executive Manager Goran Stojiljkovic said that €33m have been invested in modernization of company.

Company IN MED from Belgrade is building a factory for production of capsules and pills in Zrenjanin. The investor stated that the total cost of construction will be around €2m and 40 pharmacists will be employed.

Strategy for Export Development

Newly adopted Government Strategy for Export Growth should enable 25% of export increase by 2011. The plan includes covering new markets and exporting a greater amount of finished goods. Deputy Prime Minister Mr. Bozidar Djelic said that more financial support will be given to export financing agencies, customs, tax policies and product standardization will be improved, while administration procedures simplified.

CEFTA Pays Off

Serbia's export to CEFTA countries in 2007 was \$2.8bn (31.6% of total Serbia's export), while import amounted to \$1.49bn (8.1% of total Serbia's import). This is a result of agricultural products export to these countries. Due to the trade with CEFTA countries, Serbia registered surplus with Bosnia and Herzegovina, Albania, Macedonia, and Montenegro but deficit with Moldova and Croatia. The largest trade exchange with CEFTA countries was in fields of ferrous and non-ferrous metallurgy, chemical industry, agriculture, and electric energy.

Comtrade in Zagreb

The leading IT company in the region ComTrade Group intends to open a large software camp in Zagreb. This decision was made following the takeover of Slovenian Hermes. Mr. Veselin Jevrosimovic, the owner of Comtrade Group, said that participants from Belgrade and Zagreb constantly win all IT Olympics. There are people from this territory at high positions in largest IT companies worldwide and this should help the company enter the US, European and Middle East markets.

Meet SIEPA

June 8 – 14, 2008
JISA – DICG Congress,
Herceg Novi, Montenegro

June 11 – 13, 2008
The World Forum for Direct
Investment 2008,
London, UK

June 12 – 13, 2008
Economic Opportunities
in the Western Balkans,
Bratislava, Slovakia

June 16 - 17, 2008
CEE Real Estate Investment,
Prague, Czech Republic

June 29 – July 2, 2008
Fancy Food Show 2008,
New York, USA

First Russian Bank in Serbia

The Bank of Moscow will operate in Serbia under the name of Moskovska banka AD Beograd (MBB). The founding capital of the bank is €15m in the national currency. MBB will serve both individuals and legal entities.

The Best Park in the Region

Belgrade-based Airport City was granted the regional award as the best office space project in 2007 by europaproperty.com, leading European media company specializing in real estate markets. Total of €40m was invested in the construction of 65,000 square meters of office space. The space is rented mainly to foreign companies operating in Serbia. Further, construction of a €60m luxury hotel, led by company Africa Israel, should start in 2008.

e-business

Starting May 12, Business Registry Agency of Serbia (BRA) introduced the electronic registration procedure. This will enable on-line registration of businesses.

Collateral Acquisition of Telekom Shares

Deutsche Telekom and Greek Government have reached agreement that German company can buy 20% of shares of the Greek telecommunications company OTE. Thus, Deutsche Telekom will become co-owner of 4% of Telekom Srbija, in which OTE holds 20% ownership and the Serbian state controls 80% of shares. Greek Government asked for exclusive rights in business decisions, but it was agreed that the Government will keep rights within security of telecommunications in Greece and during OTE sales abroad.

Bio Power

Company Bio Energy Point, owned by Cyprus based East Point, intends to start production of high-calorie, ecologically clean fuel of fire-wood and sawdust in Boljevac scheduled for the beginning of August 2008. The first consumers will be heating plants in Belgrade. According to Dragan Stojanovic, CEO of Bio Energy Point, €3m will be invested in each of five planned factories. One of the benefits of this fuel will be reducing pollution in the city center.

Regrouping on the Printing Media Distribution Market

Danish company EMI became the sole owner of the largest Serbian news-stand chain and printed media distributor Futura Plus, previously owned by German media company WAZ and EMI.

German WAZ sold 50% of their shares in Futura Plus and bought 100% of share capital in the companies Stampa system, Stampa press and Stampa komerc.

Large Profits in Serbia

Company Coca Cola HBC made profit of €17.7m in Serbia in 2007, which is 23% more than in 2006. It has also invested over €150m in expansion and modernization of production and distribution. Coca Cola HBC has six distributive centers in Serbia and employs about 1,000 workers. The company owns bottling unit Vlasinka and Subotica based Fresh & Co Company, producer of Next and Su-voce juices.

Norwegian Telenor made profit of €15.53m in the first quarter of 2008, which makes 11% profit increase compared to the first quarter of 2007. With total of 2,987,000 users it keeps its stable market share of over 39%.

SIEPA

Successes at Real Vienna

Investors at one of the largest RE and investment fairs in Europe – RealVienna in Vienna, expressed great interest in coming to Serbia, said the State Secretary of the Ministry of Economy and Regional Development, Ms. Jasna Matic. "The expressed interest was really great and everybody was positive towards our country, recognizing great potential of Serbia in all investment fields, especially in the field of real estates" - Matic pointed out. She also said that demand in all segments of the real estate market in Serbia (office space, apartments, shopping malls and retail facilities) is higher than supply, "so that the profits are pretty high and foreign investors are very interested in coming to Serbia".

The greatest interest at the Fair was expressed by investors from Austria, Germany and Israel, as well as by large investment funds.

For the second time, the participation of local companies and municipalities on Real Vienna was organized by SIEPA. The national stand of Serbia was divided into two parts - "Serbia - discover opportunities" and "Belgrade - City of the Future".

ASVILOC

Under the auspices of the EU funded ASVILOC project SIEPA, jointly with our Italian partners, is organizing business match matching event for Italian, Croatian and Serbian SMEs. This two-day event will include site visits, introduction of successful Serbian companies and industrial zones and B2B event that will take place in Belgrade's Hyatt Hotel on June 17, 2008. The companies seeking partners in Serbia are coming from machine building, wine making, electronics, wood and furniture production and other sectors. Any company interested in taking part in the event is welcomed to contact us for further information.

Sixth Round of SIEPA's Financial Support for Investment Projects

Minister of Economy and Regional Development Mladjan Dinkic and Minister in charge of National Investment Plan Dragan Djilas have signed contracts with 12 companies - investors for support of their investment projects in Serbia jointly worth €67,973,399. For opening a total of 1,475 new jobs in 11 municipalities in Serbia they will receive €3,324,000.

Motor Vehicle Sales

Source: Ekonomist Magazin

Ten motor vehicle dealers made € 370 million in revenue last year, with a 3.4 percent average EBITDA margin. Another remarkable detail is that all the companies in this segment ended 2006 with a positive balance sheet.

The entire sector has an impressive growth trend, partly due to better living standards, as well as the development and diversification of financial products such as consumer loans and leasing services. 46,000 passenger cars were sold in 2006, which is a 7 percent growth margin year-to-year.

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Daimler Chrysler Serbia and Montenegro has topped the chart of the most successful companies selling motor vehicles in Serbia the third consecutive year in 2006. The official distributor of Mercedes' program posted € 74 million revenue along with a 27 percent growth margin year-to-year. Aside from leading the revenue charts, Daimler Chrysler also had a 7.6 percent EBITDA margin above average with € 5.6 million in 2006.

All the companies in this segment ended 2006 with a positive balance sheet.

The second largest company in the list is Porsche Serbia and Montenegro, who is the general agent for Audi, Volkswagen, Seat, and Porsche vehicles in Serbia. Volkswagen was the second largest foreign brand of motor vehicles in 2006 with 3,350 sold cars. Porsche posted € 67 million in revenues last year and a 24 percent growth margin.

Two more companies in the list had revenues above € 40 million, Verano Motors and Auto Čačak. Verano Motors, the official agent of Peugeot in Serbia, made € 47 million in revenue in 2006 with a 70 plus percent growth margin, climbing from fifth to third place in the motor vehicles sales segment. 2,350 Peugeot vehicles were sold in Serbia last year.

Auto Čačak came in third in the revenue list in 2006 with € 45 million. The official Škoda agent in Serbia stagnated in 2006 in terms of revenue, but had the highest EBITDA margin in this sector for the second consecutive year with 9.3 percent. Also, Auto Čačak is the leader in the

Serbia, they were agents for the best selling foreign car brand in Serbia in 2006, with 5,000 vehicles sold.

Toyota posted € 25 million in revenues with 1,700 vehicles sold, with a relatively low 2.5 percent EBITDA margin. Zastava promet is also among the top 10 in this sector with € 19 million in revenue. They are the sole licensed distributor of Serbian automobile brand Zastava. Unlike last year, when despite solid revenue the company ended the year with losses. Zastava was profitable in 2006, albeit with a low 1.1 percent EBITDA margin. Zastava remains in a decisive lead in the Serbian automobile market with 13,500 vehicles sold in 2006, the year in which



category of profit margins with 8.8 percent with profit-before-tax at around € 4 million. With 3,275 vehicles sold, Škoda was ranked third among foreign car makers.

After their revenue soared 400 percent at the end of 2005, Integra Motors remained at the same level in 2006 with € 37 million, but as distributors of Dacia car models in

the company launched their Zastava 10 model in partnership with Italy's Fiat. The company sold 3,100 Zastava 10 vehicles in 2006. The list for this sector does not show car dealership revenues for Delta Automoto, who is the official agent for Fiat, Honda, BMW, Lancia, Alfa Romeo, Renault trucks, and Mini Morris.



Antoine Toussaint, President
Societe General Srbija Executive Board

Why did you choose to invest in Serbia?
Societe Generale bank is present on the Serbian market for 3 decades. From 2001 the bank has been developing its activity for individuals and has extended its branch network, enlarged number of products for citizens and legal persons. In 2004 we decided to increase our investment with the construction of our Head Office in New Belgrade. In 2007, we offered the first housing loan with fixed interest rate, and we are planning to continue with new product and business lines according to the world market trends. We always believed that Serbia is a country with great potential, lots of possibilities for quality investments, development and launching of new products. Furthermore, we came and stayed in Serbia to serve our international customers which are also developing their activities in Serbia. It's crucial today for an international player on the banking market to have a good geographical coverage. After our successful development in Serbia we more recently acquired and developed activities in the whole region, namely Montenegro, Macedonia and Croatia, and we have an integrated regional customer approach.

How would you rate your success from one to five in Serbia?

We, in Societe Generale Serbia, are satisfied with our business results. Apart from figures our main success is that we were able to establish a very strong team of people sharing the same core values: professionalism, team spirit and innovation. As a result we are having loyal clients who recognized our bank as the one that can be trusted. It's our strategy to invest in long term relations with our customers. They know that they can count on us. Thus, considering this success and knowing that there is always room for new challenges and improvement I would grade it with a four!

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

Banking sector in Serbia has been rapidly developing in the past years. A lot of foreign financial institutions came to Serbia, consequently the quality of banking services and products is raised to a higher level. And it is still developing. Furthermore, we expect from the Central Bank to bring new prudential regulations in order to meet the Basle 2 requirements which should be developed together with further capital transactions' liberalization. Also, measures on monetary policy stabilization and financial market liberalization, with market control and healthy concurrence among the banks, would make business environment secured and close to European standards.

Do you have plans on opening or expanding your operations in Serbia?

Societe Generale Serbia holds a strong position on the Serbian market thanks to its organic growth that started 30 years ago. Today, we have 88 branch offices, 240,000 clients and more than 1,100 employees. We successfully implemented new business lines in Consumer Finance (PartnerKredit), in leasing (SOGLEASE SERBIA) and ALD started its activities in car financing. Recently, we successfully invested in a brand new IT system that raised our customer services competitiveness to a higher level.

The development of SG in Serbia will continue through an ambitious strategy and few new projects. In the near future we will establish a Pension Fund Company, Life Insurance Company and new branches around Serbia, as well as some other services that will be announced in due time. We will continue to offer our new tailor-made products and services in order to meet all our clients needs. So we are definitively having significant plans in expanding our operations in Serbia.

Have you had any major obstacles when planning to invest in Serbia?

There were no major obstacles, but Serbia went through a difficult period and the banking sector is very sensitive to uncertainty. We went through all those difficulties together with our clients - citizens of Serbia and we believe that hard times are behind us. Nevertheless, as every serious investor we need stability in economy and regulation transparency in order to plan and forecast. It is not always easy to explain and convince a banker, who considering an investment of hundreds of millions of euros, on investing in Serbia. We need a predictable environment to develop our business and support our customers.

Who were your major partners when looking for the investment location, acquiring permits and related documents?

Being present in Serbia for a long time enabled us to rely on our own teams. We are having very knowledgeable and experienced people in all fields of activity. Thus, today we are providing a lot of support services to foreign investors.

Given your large experience in Serbia what would be your message to potential foreign investors?

Serbia is, despite occasional turbulences, very attractive for foreign investors. Even if there is some uncertainty, especially on a regulation side, we expect many new investors to come. I am personally convinced about the quality of Serbian people and about the potential of this market. So my message to foreign investor would be: "Come and join the market, but take advices and support from a serious and experienced bank."

A lot of room for increase in sales of new cars

At present, two-thirds of the Serbian population drives cars older than 10 years. However, purchasing power growth and the development of international economic relations are bringing about major changes in demand for cars. According to the data of the Statistic Bureau of Serbia, about 56,000 new passenger cars and light commercial vehicles were sold in Serbia in 2007. Compared to the year before, this represents a sales increase of almost 19%. When it comes to brand, Zastava cars dominated the market followed by Opel's Astra II model, exempt from import customs duties in Serbia, which accounted for almost 50% of the sales. German Volkswagen ranked third.

76% of all men and 40% of women in Serbia have a valid driving license. Those aged 20-29 and 30-39, are the ones most frequently found behind the wheel since as many as 70% of them have a driving license. Both men and women drive their cars at least once a day.

About a half of all households are in possession of at least one car, 8% own two or more, while 41% of the households in Serbia have no cars at all. Speaking about ownership by gender, 55% of men and 46% of women own a motor vehicle. More than half of all college and university educated persons are in possession of a car.

Monthly "mileage" of an average Serbian household is 860 km. According to the results, youngsters below 20 drive even "further" - 1.500 kilometers, while people over 60 tend to cover slightly less than average - about 570 kilometers.

Average household fuel bill amounts to slightly over 6 thousand CSD. Men spend about 6.4 and women 5.7 thousand CSD. The youngest (18-19 years of age) spend the most - close to 7 thousand CSD, while on the bottom of the list are car enthusiasts with 60+ years, which say they spend only 4.2 thousand CSD. It is interesting that those who are mostly unemployed (age 18-19) spend more than, conditionally speaking, their parents.

Leaded gasoline MB95 is the fuel most often used by the households in Serbia (about 40% of all households), followed by LPG (20%), unleaded (17%) and diesel fuels which are being used by 13% of all households. The 20-29 age group is particularly keen on LPG, while the fuel of choice for more than a half of the 60+ people seems to be leaded gasoline MB95.



Only 10% of our households have a car less than 4 years old. About 20% have a 5-10 years old car.

Further growth and development of the Serbian car market directly depends on economic development of the country. Purchasing power of the people is dictated by economic growth and improved international economic relations, which should, in addition to Fiat, eventually attract more foreign car manufacturers to Serbia. Reliable data on some of the basic inclinations and habits with respect to the use of cars in Serbian households may be found in the GfK Omnibus survey of April, 2008, conducted among a nationally representative and proportional sample of 1,000 respondents over 15 years of age.

Source: GfK Belgrade



Motor Vehicle Sales Sector											
Rank 2006	Rank 2005	Company	City	Operating revenues 2006	Operating revenues 2005	Growth of Operating revenues	Number of employees	EBITDA	EBITDA margin	EBT	ROE
1	1	Daimler Chrysler Srbija i Crna Gora	Belgrade	6,193,603	4,814,947	28.5%	190	472,429	7.6%	535,009	8.6%
2	2	Porsche SCG	Belgrade	5,668,457	4,486,587	26.3%	178	198,444	3.5%	180,399	3.2%
3	5	Verano Motors	Belgrade	3,949,617	2,284,433	72.9%	125	138,912	3.5%	210,369	5.3%
4	3	Auti Cacak	Cacak	3,777,867	3,561,708	6.1%	157	351,690	9.3%	333,109	8.8%
5	4	Integra Motors	Belgrade	3,129,864	3,105,792	0.8%	20	-140,913	-4.5%	243,630	7.8%
6	6	Toyota Srbija i Crna Gora	Novi Sad	2,069,087	1,603,697	29.0%	15	51,548	2.5%	59,583	2.9%
7	-	Renault Nissan	Belgrade	1,928,036	258,799	645.0%	10	88,898	4.6%	102,516	5.3%
8	-	Grand Motors	Belgrade	1,594,520	946,126	68.5%	49	45,099	2.8%	41,168	2.6%
9	7	Zastava Promet	Kragujevac	1,584,551	1,248,077	27.0%	306	17,984	1.1%	103,011	6.5%
10	-	Vitro Group	Belgrade	1,264,441	179,064	606.1%	34	46,258	3.7%	19,001	1.5%

Belgrade

June 9, 2008

Julio Iglesias - Concert

The most popular Latino singer of all times with over 100 million records sold will be performing live in the Belgrade Arena. His career started in late sixties, but he is still more than able to sell millions of records and have sold out tours.

June 10, 2008

Mark Knopfler - Concert

Knopfler, rock legend, leader of the famous Dire Straits and one of the most respected finger style guitarists of the modern rock era will perform in the Belgrade Arena. Since the final Dire Straits album in 1991, Knopfler has continued to record and produce albums as a solo artist. Knopfler was ranked #27 on Rolling Stone magazine's list of "100 Greatest Guitarists of All Time".

June 24, 2008

The Police - Concert

An extension of, what was voted, the best tour of 2007. After 2.2 million tickets sold before the end of the year, the legendary music group is back in Europe. After last year's Rolling Stones concert, Police will be playing at the same spot - Usce.

Novi Sad

June 14-21, 2008

Cinema City - International Film and New Media Festival

During the eight days of the festival, Novi Sad will be a city-festival, with rich film, music, and academic program. The program concept of the festival encompasses film, music and academic program, as well as new media festival, and they are to take place on more than 20 locations. In eight days, 135 movies in more than 160 shows are to be presented.

The Other Home

Diane Cromer,

CEO Diane Cromer Enterprise

I have been traveling between the US and Serbia for eight years now. I see progress each time - new cafes, freshly bricked streets and taxi drives who gladly offer a visitor tour information while moving from one municipality to the. In the past three days, I have taken a run through Kalemegdan, and I was happily serenaded by a group of young musicians playing some wonderful jazz. On Thursday, as I reached Trg Republike, I was treated to a dance recital by young dancers performing a variety of traditional dances in traditional costumes. Today, sitting in my apartment, just across the street from "Kalish", another group of young musicians are performing tradition songs in the middle of Knez Mihailova. Bravo, Belgrade.

Hot Spots



Grand Casino Beograd

Futuristic design with a modern glass façade, imaginative lighting and a combination of leather, glass, marble and polished wood is an interior of the Grand Casino Belgrade. The Casino offers a number of restaurants with different cuisines serving different tastes. In the game room the exclusive restaurant Diva is situated offering international cuisine and a rich wine list from around the world, while a self serving buffet Ginger is an Asian option in between games. In the Piano Bar a full menu is available whilst you listen to the music. Restaurants Chameleon and Roulette bar are placed outside of the game zone and are available to those who do not wish to play. In the Chameleon enjoy French and Italian cuisine while the lighting plays constantly portraying its name holder.

Address: Bulevar Nikole Tesle 3, Dunavski kej

Sombor

June 7-13, 2008

Theatre Marathon

National Theatre Sombor will be a stage for a marathon of plays that will be taking place during the 16th Theatre Marathon. It will host a number of other city theaters including organization of exhibitions and poetry evenings throughout the city.

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