



Highlights of the Month

The new Serbia Government led by the Prime Minister Mirko Cvetkovic was elected in Serbia Parliament. [Read more >>>](#)



Industry Close Up

Media

The media advertising market in Serbia cashed in EUR 115 million in 2006, EUR 20 million more than in 2005. [Read more >>>](#)



Investor Personally

Mr. Ismet Grebovic

People in Serbia are not just fast learners they are hard working, task oriented and dedicated. Albon's success in Serbia is greatly contributed by people working for us. [Read more >>>](#)



Monthly Reporting

How Do Buyers Choose Shopping Spots

The two most important factors that determine a specific grocery shopping point are product freshness and quality and product assortment. [Read more >>>](#)



Arts & Entertainment

See what's buzzing in Serbia during summer time. [Read more >>>](#)



The Other Home

Ms. Desiree Brouwer, The European Times

Besides its buzzing terraces, amazing cuisine and cultural high lights it is the shared positive mindset that make Serbia my absolute favorite in the region". [Read more >>>](#)



Hot Spots

Club Manouche

A trendy nightclub that offers a unique live jazz experience. [Read more >>>](#)

Mirko Cvetkovic Nominee for New Prime Minister

Serbian President Boris Tadic, according to his constitutional rights, decided to propose to Serbian parliament Mr. Mirko Cvetkovic, former Minister of Finance as a nominee for Serbian prime minister. After consultations with representatives of all parliamentary parties and lists, Tadic said that a majority vote was achieved in Serbian parliament and that the new government will be formed by the list "For a European Serbia", the Socialist Party of Serbia – Party of United Pensioners of Serbia – United Serbia coalition, "For a European Sandzak" coalition and the Alliance of Vojvodina Hungarians.

GDP Growth in First Quarter Of 2008 8.2%; Trade Up by Almost 43%

According to the Serbian Statistics Office Serbia's GDP rose 8.2% over the first quarter of 2008 compared with the respective period last year. The GDP increase was mainly due to increases in the service sector, namely transportation sector (2.5 percentage points), financial intermediation sector (1.4 percentage points) and the trade sector (1.2 percentage points).

Serbia's overall foreign trade in the period January-May 2008 totaled \$14,303.8 million, up 42.9% against the same period last year. Increased exports were driven by the initial effects of privatization and restructuring of companies, through signed and ratified free trade agreements with countries signatory to the Stability Pact, which are now united under the CEFTA agreement. Serbia's exports with CEFTA signatories in the said period stood at \$1,475.8 million and imports at \$755.8 million. The surplus of \$720 million is the result of a larger export of agricultural products to these countries.

Serbia and Russia Plan To Expand Free Trade Agreement

Serbian Minister of Trade and Services Predrag Bubalo and Russian ambassador to Serbia Alexander Konuzin have announced mutual plans to expand the Free Trade Agreement. After the expansion, 95% of products will fall under the Agreement. In first four months of 2008, Serbian exports to Russia increased by 92% to \$196.1 million, while imports increased by 63% to \$1.36 billion. Energy products account for the greatest share of imports from Russia.

Timisoara to Serbia

German companies that operate in Timisoara want to cooperate with Serbian entrepreneurs because there is not enough free labor in Romania and because Serbia has good investment potentials. Delegation of the Timisoara-based German Economic Club visited Zrenjanin, Novi Sad and Belgrade and estimated that geographic position, organized industrial parks, such as the Zrenjanin industrial park, and competitive labor costs are good preconditions for investments in Serbia. The delegation was made up of entrepreneurs engaged in consulting, real estates, media, lumber and printing industry.

Another Slovenian Investment

Company Sloboda from Cacak, the part of which is the Factory of household appliances, has started negotiations with Slovenian company Kolektor from Idrija about founding of joint venture company for production of vacuum cleaners. Should the agreement is reached, the City of Cacak will provide the hall with accompanying infrastructure and labor force, while Slovenian party will provide machines and equipment for production of about

120,000 vacuum cleaners per year. The majority owner of the JV company would be Kolektor, and should be put into operation already in December. In addition to vacuum cleaners, this company will organize production of handles for saws "Stihl" and parts for automobile industry in the second phase of cooperation.

Re-investment Announced

US company for production of tin packaging Ball Packaging is expanding production in Serbia and intends to provide another €25 mn for procurement of equipment for production of aluminum covers. The decision about investment has been made, while the plan and dynamics of investing is to be defined. The facility will initially produce 1.5 billion aluminum covers, 90% of which will be exported creating additional €35 mn of exports on annual basis. Investment will enable creation of 60 new jobs in Zemun.

Just to Make Sure

Insurance company Wiener Stadtische announced that its mother company from Vienna, Vienna Insurance Group has started a construction of a €42 mn business center in Belgrade - VIG Plaza. The building will have more than 16,000 square meters of office space on the over-ground floors and about 160 parking places in the garage. Majority of offices will be used by Wiener Stadtische, while the rest of the commercial space will be rented. This will be the largest individual investment of some insurance company in Serbia.

Insurance company Wiener Stadtische Belgrade was founded in 2003, as a Greenfield investment of Austrian group. The company managed to reach the fourth position on the overall insurance market in Serbia and became leader in field of life insurance in a very short time.

Computerized Society

Research company IDC Adriatics announced that, in the first quarter of year 2008, a total of 100,215 personal computers were delivered in the market of Serbia, which is 78% more than in the same quarter last year. Exceptional growth was registered in sales of portable computers - 97% (30.268

units), but the largest overall sales were registered by desktop computers - 68,453 units (growth by 72%).

Desktop computers make 68% of total PC market in Serbia, portable computers 30%, while x86 servers account for 2% of the market. ComTrade is the leader in number of delivered PCs, HP comes second, while the third is Fujitsu Siemens.

First Logistics & Industrial Park

Immo Industry Group (IIG) and Colliers International Serbia have announced construction of Serbia's first logistics and industrial park. 85.000 m² of logistics and industrial facilities will be constructed on a 17 ha site near E-75 highway, next to Stara Pazova, on a location that makes it a prime site for logistics activities..

IIG develops tailor-made industrial real estate as standalone projects or as part of industrial park and has 18 industrial parks, mainly in Central and Eastern Europe, Russia and the CIS. This is first such project for Logistics and Industrial Department of Colliers International Serbia.

Takeover

Pharmaceutical company Hemofarm from Vrsac has announced it has took over 12.73% of stocks of company Zorka Pharma from Sabac for €10.85 mn. By this, Hemofarm increased its share in Zorka Pharma to 90.51%.

Lufthansa Flies Higher

Lufthansa registers a growth of number of transported passengers in Serbia of about 30% annually, which is twice as much as the average in the region - said the CEO of that company for Central Europe, Tamur Goudarzi-Pour. "We expect that the growth of number of transported passengers in Serbia will be resumed at the similar rate since the airplanes on the existing flights are full, and even some new lines have been introduced". In 2007, Lufthansa transported about 200,000 passengers on Serbian market, which is 31% more than in 2006, and it increased the number of transported passengers in the first five months of this year by 25%. This airliner also increased the number of flight to six flights a day.

SIEPA

The European Times in Serbia

We are delighted to inform you that The European Times is now producing a comprehensive economic report on the Republic of Serbia in cooperation with SIEPA and the Serbian government. With a readership of over 410,000 executive business and political readers, The European Times is one of the most comprehensive sources of up to date, country specific, economic information. The report 'Serbia 2008' aims to strengthen the country's key position and international exposure within Europe by highlighting recent political and economic developments, strategic investment opportunities and the emerging prosperous economy.

The report will focus on the key economic sectors: Agriculture, Energy & Mining, Trade and Industry, Finance and Capital Markets, Pharmaceutical Industry, IT Industry, Infrastructure, Energy & Mining and Real Estate and will include the personal opinion and advice of the main government officials, business institutions and the private sector. Together with SIEPA the European Times is looking to inform our readers on the success stories of current foreign investors and domestic business leaders to demonstrate the success and potential for investment in Serbia. Any contributions or suggestions are more than welcome. Contact Desiree Brouwer at desiree.brouwer@european-times.com or Rachael Donovan Rachael.donovan@european-times.com. More information can be found on www.european-times.com.

Serbia at Fancy Food Show- export worth USD 5 million

At the trade fair in New York, 12 food companies from Serbia established over 500 contacts with potential buyers from all over the world, 70 of whom were serious, and these actions should soon result in 5m USD worth of export.

Between June 29 and July 1st, fruit, jams, ajvar, juices, mushrooms, brandies and confectioneries were presented on the national booth named "Natural Serbia".

Serbia was presented by "Igda impex", "Foodland", ITN, ML, "Jugprom" and "Sicoberry", "Art-lval", "Rembraco", wine cellar "WOW", "Marni", "Arex marcipan" and "Rakia bar".

That was the fourth participation of Serbian companies in the trade fair where 2,400 exhibitors from 70 countries presented more than 180,000 products. Presentation of Serbian companies on the national booth was organized by SIEPA and financed by the Ministry of Agriculture of Serbia.

Television Supreme

The media advertising market in Serbia cashed in EUR 115 million in 2006, EUR 20 million more than in 2005. The largest chunk, EUR 70 million or 60 percent were TV ads, while print media had 21 percent or EUR 25 million of the advertising pie. In H1 2006, the Serbian Broadcasting Agency (RRA) issued five broadcasting frequencies for nationwide television coverage to TV B92, Pink, Avala, Fox and a shared frequency to Kosava and Happy TV. The public broadcasting service, Radio Television Serbia (RTS) was also allotted frequencies for their two channels. Since RTS was transformed into a public broadcasting service in 2006, the network has not been included in the list of the most successful companies in the media sector, although the nationwide viewership of the two RTS was 34 percent in 2006. In late 2007 the RRA issued regional and local broadcasting licenses to 88 television stations, effectively ending frequency allotment to TV stations for the period of the next eight years.

The most successful media companies that qualified for the Top 300 chart made EUR 140 million in aggregate earnings, a EUR 5 million slump since 2005. The setback was primarily caused by the faltering revenue of Politika Newspapers and Magazine, who made EUR 25 million less in 2006 compared to 12 months earlier. Politika remains, however, the top earner in this year's list with EUR 34 million, 42 percent less than in 2005. The company that is equally split between Politika AD and German media concern WAZ once again ended their year with losses.

However, after a major restructuring of the company in 2006, we might see Politika Newspapers and Magazines ending 2007 in the plus. The leading electronic media company in the list is Pink International Company with EUR 30 million in earnings and a 43 percent EBITDA margin, placing it in sixth place overall in this category. Pink grouped television, radio and film production in their media system and has standing contracts with Warner Brothers and Paramount, ending 2006 with 23 percent of the viewership in Serbia. At the end of last year, TV Pink also launched a satellite package comprised of 11 channels with a variety of content. The next electronic media company in the list is RTV B92, ranked fifth in the overall media list, with EUR 15 million in earnings, a 71 percent growth margin year-over-year. B92 has three pillars in its media system: the television station with the third largest viewership in Serbia, the best ranked radio station in Belgrade and the most visited internet portal in the country.

TV B92 started out by focusing on news content, but in the last few years they have broadened their scope to include commercial programs, purchasing exclusive rights to content such as the UEFA Champions League, the Big Brother reality show and the Do You Want to Be a Millionaire quiz show. TV B92 started the year 2006 with a 6 percent viewership share and ended it with 14 percent, the average viewership settling at 9 percent.



Print media companies Novosti and Blic took third and fourth place in the overall media list for 2006. Novosti and Blic both earned EUR 29 million in 2006, with a 10 percent and 33 percent growth margin respectively. Both print media firms have similar EBITDA margins between 7 and 8 percent. Blic Press is owned by the largest publishing company in Switzerland – Ringier Publishing. In 2006, Blic Press launched 24 sata (24 Hours), the first metro newspaper in Serbia.

The media advertising market is expected to grow more rapidly than in previous years, especially in the print media segment, because of the image quality that print offers to advertisers, but also due to the limited amount of time electronic media can allot to advertisements.

Source: Ekonomist Magazine

Media Sector (in RSD 000)											
Rank 2006	Rank 2005	Company	City	Operating revenues 2006	Operating revenues 2005	Growth of Operating revenues	Number of employees	EBITDA	EBITDA margin	EBT	EBT margin
1	2	Politika Newspapers and Magazines	Belgrade	2,911,206	4,958,483	-41.3%	752	-17,104	-0.6%	-211,268	-7.3%
2	3	Pink International Company	Belgrade	2,548,373	2,324,294	9.6%	571	1,089,615	42.8%	484,487	19.0%
3	4	Novosti	Belgrade	2,467,847	2,221,904	11.1%	481	162,323	6.6%	80,254	3.3%
4	5	Blic Press	Belgrade	2,411,937	1,771,628	36.1%	120	183,725	7.6%	198,753	8.2%
5	-	B92	Belgrade	1,285,733	740,313	73.7%	232	N/A	N/A	N/A	N/A

Mr Ismet Grebovic,
Plant Manager, Albon

Why did you choose to invest in Serbia?

When we decided to transfer our machine tool production to Eastern Europe we took all countries of the region into consideration. Since Albon's machine tool production is highly specialized the most significant factor in choosing the right location was the availability of skilled, qualified labour. We advertised mechanical engineer vacancies in almost every East European country and had about ten times more applicants in Belgrade than in any other place. It was after this that we had finally made decision about building the factory in the vicinity of Belgrade.

What do you think about future British investments into Serbia?

When foreign investments are concerned, Serbia is the most promising country of the region. I have to believe that the pro-European political climate will result in investment and economy boom in near future. And I hope that there will be significant number of British companies to invest in Serbia. Being a British investor in Serbia we were in such circumstances that we required assistance from Serbian or British authorities. We were pleasantly surprised with both Serbian government and British Embassy and their willingness and dedication in helping investors. This cooperation will certainly bring more companies from Great Britain to Serbia.

The factory you built in Serbia is very impressive, but are you satisfied with your performance in Serbia?

We had more difficulties in the beginning when we moved into the facility because we had to set up everything. The period of transferring

the machines and complete production from England to Serbia happened to be also one of our busiest business periods so we had to work twice harder. Now I can say that the results we have achieved so far in our facility in Simanovci are outstanding and we will try to continue like that.



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

The auto sector in Europe is going through difficult times. The companies are trying stay competitive all the time and this can be achieved only through continuous investments in technology thus keeping production costs low. These are the advantages of Serbia- the costs of production in Serbia are still reasonably low in comparison with Europe and the quality of labour is excellent. The best thing that Serbia can offer is skilled workers with experience in automotive industry.

Are you satisfied with the local authorities and government assistance?

As I have already mentioned, the support from Serbian Government as well as local authorities is

more than satisfactory. When we started with building the facility we got the Financial Support for Greenfield investments in the amount of €400,000. Local government turned out to be very helpful with obtaining all paperwork and permits for the facility. Also, whenever we needed legal, administrative or any other assistance we would talk to people from SIEPA who were ever so willing to help.

When you first started out in Serbia did you find it hard to hire an adequate labor?

We have never had problems with quality and skilled labour in Serbia. The team we have now, starting from mechanical and electrical engineers to factory workers, is excellent. Most of them needed training to be able to work but they all turned out to be fast learners and acquired very quickly our modus operandi. People in Serbia are not just fast learners they are hard working, task oriented and dedicated. Albon's success in Serbia is greatly contributed by people working for us.

What are your plans for the future?

By the end of year we plan to start with our project of building another facility in Serbia. This factory would be producing con rods for renowned automotive companies all over the world. The project would be worth three times more than the previous one in Simanovci. In this factory we would have high volume production so we expect the export to be over 60 million Euros in five years since the beginning of production. We hope that Serbian government will work with us on the realization of this project that would create 400 vacancies and significantly increase Serbia's export.

Technology

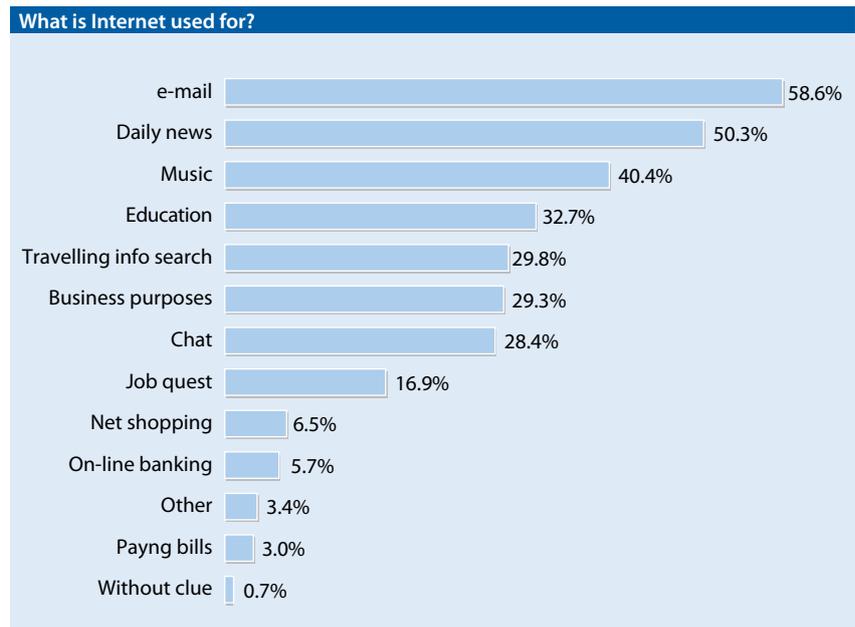
Internet penetration is rising rapidly, but more in terms of the access than the actual usage. Since May 2007 the number of people with the access to Internet rose 9%, while at the same time the number of users grew by 3%.

45.1% of the Serbian population has access to Internet, but the actual percentage of users is a bit smaller - 33.6%. E-mail service is the most widespread reason for using the Internet (more than one out of two users), while keeping updated on the daily news and reading on-line magazines were reasons number two and three.

Technological advancements in terms of infrastructure (cable Internet, optical, ADSL, wireless) are definitely in favor of more widespread usage of Internet.

What is Internet used for?

Internet is being used mostly for communication via e-mail and updating on the latest news (50% of users, roughly). Interviewees



said they find e-mail swift and efficient tool for exchange of information, both for business purposes and keeping in touch with friends and family when there is not enough time to meet personally. The trend perceived is a slight increase of those who use Internet in quest for latest news, (50.3% against 41.8% in 2007) which could endanger the ratings

of broadcasting and printed media, but it is hard to imagine that the importance of television can be compromised in any near future. It is more likely that various sources of information will be combined to a larger extent.

Compared to 2007, Internet is being, by far, more used for download of music, streaming and mp3, (40% against 28%), search for traveling information and job quest.)

In terms of demographics, men are more active in search for daily news, (56.6% over 42.8%). Also, those that fall into 20-29 and 40-59 tiers tend to be more into this kind of usage of Internet, than youngsters, who are more into downloading music.

Almost similar to last year's research, around 1/3 of users use Internet for education and another 30% for business purposes. e-commerce and e-banking are still on the very bottom of the list.

This Omnibus research was done by one of the top five research agencies globally – GfK Group, in June 2008. The representative sample was 1,000 people, older than 15.



Source: 

Belgrade

**July 24, 2008,
Lenny Kravitz in concert**

American musician Lenny Kravitz will hold a concert in Belgrade Arena on 24th July 2008.

A singer-songwriter, producer and arranger, Lenny Kravitz started his career in 1989, and has since then recorded eight albums, five of which have become platinum.

**June 28 – July 14, 2008,
8th International Festival „Days of the Organ – Dies organorum“,
Blessed Virgin Mary’s Cathedral**

This year’s festival of organ music will gather again some of the most renowned performers from several European countries, introducing the world of early baroque music and music pieces by various contemporary composers. As every year, Summer Organ School will take place in the scope of the festival. All the organists that are to perform at the aforementioned concerts are going to hold master classes too.

Novi Sad

**July 10-13, 2008,
EXIT Festival**

The largest festival of contemporary music in this part of Europe. This

Hot Spots

Manouche

Manouche is an homage to the Gypsy founder of a manouche jazz D’Jango Reinhardt and plays 1950s to 1990s jazz music from authentic LPs. Fridays and Saturdays, Belgrade’s famous artists Darko Džambasov and Darko Hladni perform here as DJs. The Manouche café is attached to the well-known Ptice (Birds) jazz bar, while during winter its visitors will be enjoying jazz duets.

The interior consists of two rooms – the first one features a Gypsy “trash style“, while the other one resembles a French bistro.

This retro ambiance is decorated with plenty of interesting items, such as old-fashioned radios and phonographs, a photo camera, accordion, and piano.

Address: Majke Jevrosime 11, Belgrade, Working hours: 10:00am – 1:00pm



year’s line up include Paul Weller, Manu Chao, Sex Pistols, Sven Vath, The Hives and 600 other performers. “I’ve never even dreamed that the hospitality and casualness

of these people would make me stay in Novi Sad for much longer than I’d planned. I’ve never stayed anywhere after the gig, by the way.”
Dave de Rose, Moloko

The Other Home

Ms. Desiree Brouwer
The European Times

“Working for an international business publication has brought me across a number of the most attractive emerging markets worldwide. Over the past two years I have had the pleasure of visiting twenty new countries, four of which became my home for at least three months. Serbia is my home number five. After Exit Festival and a number of weekends in Belgrade visiting from Zagreb, I knew what to expect. Having been here for more than a month I share the feelings of many expats - never wanting to leave again. Besides its buzzing terraces, amazing cuisine, cultural high lights, and variety of provinces to discover, it is the shared positive mindset and drive to live each day as if it was the last that make Serbia my absolute favorite in the region.”

SIEPA

**Serbia Investment and
Export Promotion Agency**

Vlajkovicева 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