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This month join us in Russia, China and France. [Read more >>>](#)

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### Sector Close Up

#### Agriculture

Ten companies from this sector made a combined revenue of € 360 million, a 29% year-over-year growth margin. [Read more >>>](#)

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### Investor Personally

#### Fabio Corsi, ICE Director

Today, we have over 200 Italian companies operating in Serbia with turnover estimated at € 2.4bn. [Read more >>>](#)

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#### Chocolate

Chocolate is fairly popular in Serbia, as borne out by the fact that 75% of households bought that product in the six-month period under analysis. [Read more >>>](#)

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Emir Kusturica is on a world tour with his No Smoking orchestra. Catch them in Belgrade! [Read more >>>](#)

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#### Mr. Remer Lane, USAID, Booz Allen Hamilton

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### Hot Spots

#### Nas Salas (Our Restaurant), Novi Sad

Besides great food and an impressive wine list, you can take a panoramic flight over the beautiful plains of Vojvodina. [Read more >>>](#)

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SIEPA

## SIEPA among the Best TPOs in the World

The International Trade Centre has ranked SIEPA among the top six trade promotion agencies in the world. The finalists for the award, conferred at the World Conference of Trade Promotion Organisations in The Hague, were Serbia, Brazil, Palestine, Paraguay, South Africa, with Kenya emerging triumphant. This award, which is handed out every two years, is the highest international accolade granted to trade and investment promotion agencies. The International Trade Centre is an organ under the joint auspices of the World Trade Organisation and the United Nations.

## Who is the Best Exporter in 2008?

For the fifth year running, SIEPA is honouring the best exporters that are successfully promoting Serbian industry and its image around the world. SIEPA, in cooperation with DHL, will hand out awards in four categories: Best Exporter of the Year, Best Export Product, Best New Market and SME Exporter of the Year. All export-oriented companies with headquarters in Serbia are entitled to apply for this Award. The deadline for submission of applications is 1st December 2008.

## Mitas Takes Over Rumaguma

Czech company Mitas has taken over the Rumaguma factory from US tyre manufacturer Galaxy and, from now on, tyres for heavy vehicles and agricultural and construction machinery produced in Ruma will be sold under the Mitas brand name. The factory's new owner, the European leader in tyre production for agricultural machines, will relocate part of its new production equipment to Ruma and maintain tyre production at a level of 15,000 tonnes next year, which should bring in total revenue of €40 million, €35 million of which will come from export.

## Nikola Tesla – The Best Air France-KLM station

The Cargo Tracing Service at Nikola Tesla Airport has been declared the best Air France-KLM station in the central Europe region following its exceptional results in the Cargo 2000 system, with 100% efficiency in cargo tracing. Airport CEO Bojan Kristo said that he expected

the public company's profits in 2008 to reach €18 million, four times higher than last year. The airport's management, together with the Petroleum Industry of Serbia (NIS) and Telekom Serbia have offered to buy a stake in the Serbian airline Jat Airways for €35 million and thus help the company generate funds and avoid bankruptcy. The Government of Serbia's idea is to start restructuring Jat Airways through reducing the number of employees, where the redundancy programme would be financed from the sale of company real estate, part of which would also be used to revitalise the existing fleet.

## Reinvestment from Ball Corporation

US company Ball Corporation will reinvest €25 million in its factory in Belgrade and take on 100 new staff. Prime Minister Cvetkovic and Minister of Economy and Regional Development Dinkic welcomed the news of this company's decision to invest in Serbia, and said that it would contribute to increased

export from Serbia given that the investment was mainly export-oriented. The company is the second largest manufacturer of tin cans in Europe. It owns 11 factories in Germany, England, France, Poland and the Netherlands and employs a total of 2,500 staff.

## World Quality of Products Award Goes to Stari Grad

The Stari Grad catering company, a member of Belgrade-based Invej business system, has won the World Quality of Products award for 2009 in the field of tourism, hotel management and catering, which is conferred by the Editorial Office and Trade Leaders Club from Madrid. The Trade Leaders Club is an association of entrepreneurs from 120 countries, and Stari Grad fought off competition from 14,000 members of this prestigious institution.

## New Investment in Zrenjanin

The City of Zrenjanin has signed a €4 million investment contract with Hungarian-Italian company Eurowind to be implemented within the next three years. Eurowind's core activity is production and sales of superstructure elements for freight vehicles, trailers and semi-trailers. Production units will be built on premises covering some 5,000 square meters in the Ecka industrial zone, and the company will employ between 50 and 100 people.

## Competitive Serbia

Serbian Deputy Prime Minister Bozidar Djelic said that Serbia has climbed the global competitiveness table from 91st to 85th place, adding that Serbia's aim was to enter the top 70 by 2011. He said that the competitiveness table, which is published by the World Economy Forum, included 134 countries, and that the most competitive countries were the ones that attracted the biggest investments and had the lowest unemployment rates.

## Spar and Ramstor Soon in Serbia

The Serbian market is going to gain another two retail chains - Austrian Spar and Turkish Ramstor - by the end of the year, announced Minister of Trade Slobodan Milosavljević. Spar has already completed all the paperwork for the purchase of a location in Subotica, while the procurement of a location in Novi Sad is in its final stages.

## Poultry for The Russian Market

Perutnina Ptuj, the largest Slovenian poultry producer, will invest €40 million in the Topico poultry factory in Backa Topola before 2011, said Perutnina Ptuj Managing Director Roman Glazer. He announced that a modern distribution centre would be built near Belgrade by the end of the year. As Glazer explained, that will be only the first in a series of investments in Serbia. Topico will produce 22,000 tonnes of meat in 2009 and may export to Russia.

## Serbia To Remain Growing

According to the IMF's semi-annual forecast of global economic trends, global economic growth will amount to 3.9% in 2008 and 3% in 2009, which is 0.9% down on July's forecast. The forecast for economic growth in Serbia of 6% remains unchanged for both 2008 and 2009.

## Nis To Get a €100mn Cargo Center

Nis Airport CEO Radisav Radojkovic and the managing director of Eymaxx Management GmbH from Vienna, Mihail Miler, have signed a joint financing contract for the development of the logistic, commercial and cargo centre in the vicinity of Nis's Konstantin Veliki civil airport. The investment, which everybody expects to kick-start the development of Nis and the whole of south-east Serbia, is worth €61.3 million and work will start in spring.

The Viennese company participated in the tender together with London-based investment fund Chayton Capital. "This is our first logistics centre in Serbia. We also want to develop a retail centre in that region and invest a total of €100 million in several phases. The first phase will result in the creation of 500 new jobs," Miler pointed out.

## Nexe Group Committed for New Investments

The Nexe Group from Nasice will invest about €44 million in three companies in Serbia where the group has a majority holding, announced Nexe Group Chairman Ivan Ergovic. The beneficiaries in question will be Sremski Karlovci-based brick factory Strazilovo, the Jelen Do cement factory in western Serbia, and Polet in Novi Becej.

## Meet Us

5<sup>th</sup> - 7<sup>th</sup> November 2008

Exhibition of Serbian Companies

Krasnodar, Russia

13<sup>th</sup> - 15<sup>th</sup> November 2008

Third Participants Meeting for the Shanghai World Expo 2010

China

## Upgrade in Belgrade

The 7<sup>th</sup> Belgrade Stock Exchange International Conference, "Belgrade SuperMarket: One Stop – Learn All", will be held on 13<sup>th</sup> and 14<sup>th</sup> November 2008, in the Sava Centre, Belgrade. This year's Conference will bring together many experts from all over the world, who will shed light on some of the most burning issues on the global financial market that have been insufficiently treated in South-East Europe. The Conference schedule consists of four panels, presentations

of domestic companies, and a special lecture on general Serbian economic trends, investment opportunities and development plans.

## Serbia Indexed by Dow Jones STOXX

Dow Jones STOXX, the leading provider of European stock indexes, launched a new family of indexes yesterday for monitoring the performance of stocks on 18 Eastern European markets, including Serbia. According to the President of the Dow Jones STOXX Supervisory Board Werner Burki, Eastern Europe is made up of developing economies that recorded enviable revenue in the previous period and, with Dow Jones STOXX new indexes, investors will be able to track developments in the region on the basis of clear, comparable and precise indexes. The Dow Jones STOXX Sub Balkan 30 Index currently includes the stocks of five Serbian companies: AIK Banka, Komercijalna Banka, Agrobanka, Sojaprotein and Energoprojekt Holding.

## CEFTA Doing Good for Serbia

According to figures from the Statistical Office of Serbia, Serbia registered a trade surplus of €1.29 billion with CEFTA countries in the first eight months of this year, a 40.7% increase on 2007. This is largely thanks to the export of iron, steel and agricultural products.

## Great Prospects for Nis

Serbian Deputy Prime Minister Bozidar Djelic said that French Sagem was planning a significant investment in Nis. Djelic confirmed at a press conference that he would be meeting with representatives of the company's management at the beginning of November in Paris. Sagem already cooperates with one company from Niš and plans to invest tens, maybe even hundreds, of millions of euros in the city.

## Agriculture

### Growth despite Setbacks

Source: Ekonomist Magazin

Owing to its natural potential and over 5 million hectares of cultivated soil and human resources, agriculture constitutes one of the most significant economic sectors in Serbia, accounting for almost 15% of GDP.

Owing to its natural potential and over 5 million hectares of cultivated soil and human resources, agriculture constitutes for almost 15% of GDP.

Ten companies from this sector made a combined revenue of € 360 million, a 29% year-over-year growth margin.

After a drop in agricultural activities in 2005 and large problems with floods in the first half of the year, agricultural production growth was just under 1%, while export in this sector was € 233 million, exceeding import by more than 10%.

Ten companies from this sector a combined revenue of € 360 million, a 29% year-over-year growth margin.

Agroziv from Pancevo maintained its leadership in this sector with the highest revenue. After faltering in 2005, Agroziv almost doubled its revenue in 2006, with total earnings of € 95 million. Agroziv also joined the elite of the 20 most successful Serbian companies with an impressive growth margin. However, soaring revenue growth was accompanied by a fall in EBITDA margin from 19% in 2005 to 11% in 2006. Besides being traditionally present in the Top 300 companies list, Agroziv also entered the Top 300 list of exporters.

In 2006, PIK Becej pulled in just under € 40 million with EBITDA margin down from 10 to 3%. This company, privatised in early 2007, cultivates 14,000 hectares of arable land. The sales value of the company's total assets was around € 30 million.

Poljoprivredni Kombinat Belgrade (PKB) posted similar earnings to PIK Becej Agriculture, but they were almost 10% down on 2005, with a negative EBITDA margin to boot.

PKB cultivates more than 20,000 hectares of agricultural land and is currently in majority public ownership. The company is expected to enter the privatisation process sometime in 2008.



Among the other companies on the list, Agrocoop merits particular mention. The company's primary activity is production and sale of agricultural seeds. Agrocoop achieved a 74% growth margin in 2006, earning € 35 million. Almex from Crepaje and the Veterinary Institute in Zemun reported revenue of around € 25 million, while maintaining high EBITDA margins for the second consecutive year at around 12%.

### Retail Sector

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	1	Agroziv	Pancevo	7,955,820	4,006,425	98.6%	47	853,227	10.7%	2,474,130	31.1%
2	3	PIK-Becej-Poljoprivreda	Becej	3,631,819	3,619,005	0.4%	2,436	122,951	3.4%	9,343	0.3%
3	2	PKB Beograd	Padinska Skela	3,574,948	3,873,231	-7.7%	2,820	-53,763	-1.5%	-137,511	-3.8%
4	4	Victoria Group	Novi Sad	3,006,513	2,144,854	40.2%	49	-61,937	-2.1%	838,355	27.9%
5	7	Agrocoop	Novi Sad	2,939,208	1,665,309	76.5%	402	-110,011	-3.7%	17,251	0.6%
6	6	Almex	Crepaja	2,134,787	1,691,411	26.2%	40	247,328	11.6%	279,609	13.1%
7	5	Veterinarski Zavod Zemun	Beograd	2,124,766	2,046,820	3.8%	313	253,499	11.9%	150,338	7.1%
8	8	Topiko	Backa Topola	1,862,196	1,592,468	16.9%	607	-98,605	-5.3%	-147,392	-7.9%
9	9	Mitrosrem	Sremska Mitrovica	1,685,343	1,499,009	12.4%	1,107	-97,347	-5.8%	-141,580	-8.4%
10	11	Farm-Commerc	Cantavir	1,376,247	1,050,264	31.0%	71	122,776	8.9%	108,512	7.9%

**Mr. Fabio Corsi**  
ICE Director**What do you consider to be Serbia's biggest strength?**

When speaking of your country's strengths and comparative advantages, people often mention the strategically attractive geographical location. Although this is true, especially for industries predominantly dependent on infrastructure (roads, railways, Pan-European corridors), there is a saying - getting a good hand in poker is luck, what you do with it is skill. I believe that Serbia has the right skills to overcome the difficulties that have plagued it in past years.

I see great human potential here in Serbia and there is the will to grow, to do better. So I would have to say that human potential is the biggest strength, but we should not neglect other areas - namely, industrial and engineering tradition and agricultural potential.

**What are the most attractive industries and sectors for Italian investors? How would you rate their success up to now?**

Looking at the past five to ten years, I would have to highlight two major groups of investments: clothes and shoes on the one hand, and the financial sector on the other. These sectors would certainly deserve the highest marks. Italian banks cover one quarter of the Serbian banking industry, while our insurance companies control 44% of the insurance sector. The arrival of FIAT, IVECO and Magneti Marelli clearly indicate the importance and potential of the Serbian automotive sector. Serbia is a fast-growing market generally, and Italian investors recognise its great potential.

Today, we have over 200 Italian companies operating in Serbia with turnover estimated at € 2.4bn. However, our office in Belgrade provides information, intelligence and services to a variety of Italian companies in virtually all business areas, on a daily basis: agriculture, ICT, energy, infrastructure, and services.

**In your opinion, what are the greatest bottlenecks for investors and have there been any improvements?**

The problems that many investors have to face are mainly those related to certain procedures and regulations that are not yet fully EU-harmonised, although I must say that there has been noticeable progress lately. Some of the most important improvements pertain to certain technical standards, customs procedures and infrastructure improvements in various parts of the country. There are many procedures that have yet to be approved by parliament, such as bylaws governing the energy sector, where some



government agencies and bodies have been established but are not yet fully functional. There is also the issue of land ownership rights that has yet to be fully settled. On the other hand, there has been an impressive improvement in company registration and administration issues. The forthcoming unilateral implementation of the EU Trade Agreement is a strong indicator of the intensive political and economic development that will continue alongside market growth.

**SIEPA and ICE are long time partners. What are your current projects that you can talk about publicly, as we know many investors like to keep these things private?**

We are currently expecting a large delegation from the Basilicata province composed chiefly of construction companies. They want to become acquainted with the Serbian market, find potential partners and possibly enter joint ventures with local companies. There is a group of companies that regard the excellent growth of the ICT sector (17% in 2007) to be a good indicator of future developments in this sector. Furthermore, we are constantly being bombarded by information requests from Italian SME's looking to find partners and distributors, or thinking about relocating their production facilities to Serbia.

**What is your opinion of the Fiat investment, and how do you think it will reflect on future investments in the automotive sector?**

When we talk about the FIAT-Government contract and the subsequent arrivals of IVECO and Magneti Marelli, we are talking about what is set to become the largest single industrial investment in Serbia in the last decade. These projects will certainly attract other Italian manufacturers and producers in the automotive industry, so we can expect many small and medium-sized enterprises to follow this path. Nor should one overlook the presence of the Italian banking sector, as it instils small and medium-sized companies with added confidence in their investment plans.

**What would be your message to potential investors considering Serbia?**

It is important to gather all the necessary information, to prepare a business strategy and to be very patient. Long term, stable investments require some time and preparation, but once the investor gets a grasp of the country, of its opportunities and prospects, he will not be disappointed.

## Chocolate Market

The analysis of the chocolate market pertains to GfK household panel figures for a six-month period, from October 2007 until the end of March 2008. This analysis does not include chocolate fingers that are chiefly destined for impulse buys outside the house.

The top five manufacturers cover almost 2/3 of the overall market - in alphabetical order: Kraft, Nestle, Pionir, Swisslion-Takovo, and Stark

With the end of the hot period and the onset of autumn, the ice-cream season is gradually coming to an end, and the chocolate market is becoming exceptionally significant. When it comes to chocolate, while Serbia's image cannot be compared to that of Belgium or Switzerland, it would be untrue to say that Serbs do not have a sweet tooth. Chocolate is fairly popular in Serbia, as borne out by the fact that 75% of households bought that product in the six-month period under analysis.

When it comes to the different flavours, the most widespread remains plain chocolate, then nut-based flavours and the remaining account for only 3 - 6%.

The top five manufacturers cover almost 2/3 of the overall market (in alphabetical order: Kraft, Nestle, Pionir, Swisslion-Takovo and Stark). Milk chocolate dominates this sector, with a market share as high as 76%. White chocolate still has a small share, while dark chocolate has enjoyed significant growth in recent years. Traditionally,

cooking chocolate dominated this segment, but the selection on offer has been considerably enhanced by high-quality dark dessert chocolate with interesting flavours (chilli, orange, mint...) or high cocoa content.

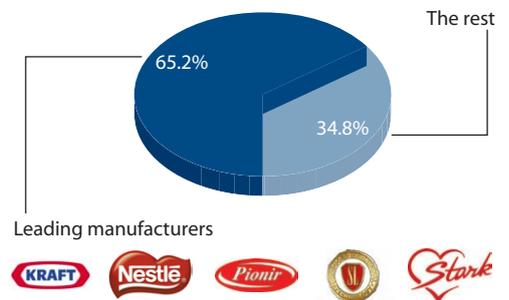
When it comes to the different flavours, the most widespread remains plain chocolate, without any added flavours (61%). Next come nut-based flavours (11%), while the remaining flavours account for 3-6%. Nevertheless, the chocolate market is very dynamic and manufacturers compete to introduce exotic and unusual flavour combinations, so that the selection of flavours on offer is constantly changing.

In terms of brand names, Milka and Najlepse Zelje have a very similar number of buyers (these brands were bought at least once by 43.5% and 42.2% of chocolate buyers respectively), although Milka holds a slight advantage. The strategies of these two brands differ to an extent, with Milka constantly advertising in the media, while Najlepse Zelje relies more on tradition, reputation and its long-standing presence on the market. Moreover, following Stark's privatisation, considerable money has been invested in extending this brand's assortment and introducing new flavours. Nonetheless, there has still to be any makeover in terms of packaging, even though Stark has done so with the majority of other segments where it is present. The other brands under analysis trail far behind the first two in terms of buyers.

Success indices		
	Loyalty	Relative penetration
Milka	36.2%	43.5%
Najlepse zelje	29.1%	42.2%
Nestle	16.7%	24.0%
Eurocrem blok	11.4%	17.5%
Galeb	10.6%	6.2%

Loyalty – quantity of a brand name that the buyer of that brand name purchases to satisfy their overall need for that category  
Relative penetration - % of households of all a category's buyers that have bought at least one of the given products in the observed period

Overall market share (October 2007 – March 2008)



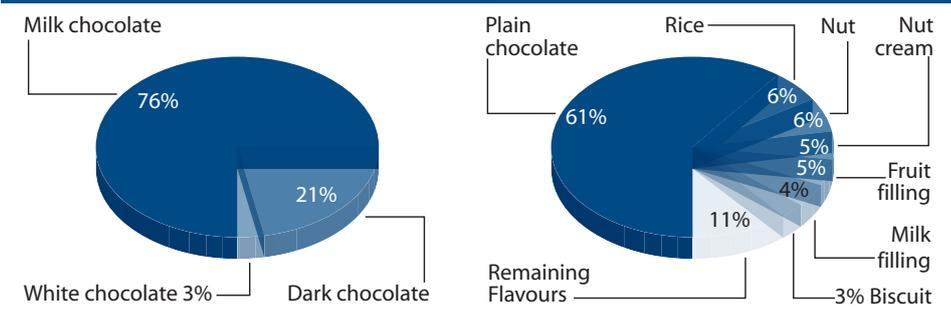
The situation and brand comparison are very similar when it comes to brand loyalty indicators, although, in this instance, Milka (36.2%) has managed to attract rather more loyal customers than Najlepse Zelja (29.1%). Clearly Najlepse Zelja buyers are more prone to trying other brands. Once again, the remaining brands under analysis enjoy far lower loyalty rates, with their buyers buying, by and large, competitors' products.

Given the intense competition in this product group, many new innovations can still be expected in all areas (interesting flavours, practical packaging, attractive campaigns etc.).

GfK panel research sample in Serbia from January 2008 covers 1,500 households that, via a special logbook, record their daily purchases of everyday goods destined for the exclusive consumption of the household occupants (all non-household purchases are excluded). This analysis does not include chocolate fingers that are chiefly destined for impulse buys outside the house.

Source: GfK Belgrade

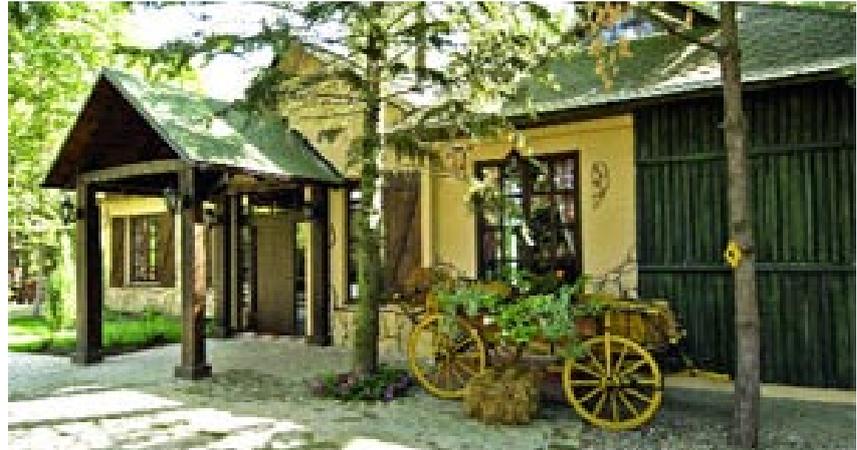
Overall market share (October 2007 – March 2008)



## Belgrade

### 29<sup>th</sup> November 2008 No Smoking Orchestra Concert

The concert in the Belgrade Arena will mark what used to be one of the biggest national holidays in the former Yugoslavia – Republic Day. The band, featuring world renowned film director Emir Kusturica, has added the concert to its world tour covering Chile, Argentina, Mexico, Uruguay, Italy, Norway, and Greece.



## Hot Spots

### 16<sup>th</sup> October-10<sup>th</sup> December 2008 Life in Serbia before Electrification Exhibition

Exhibition creators Zorica Civric and Danijela Petrovic will replicate the atmosphere of a Serbian home from the 1920s at the SANU Gallery of Science and Technology. Work on the first power plant in Serbia started 115 years ago and over 110 exhibits from that period will be on display.

### 26<sup>th</sup>-29<sup>th</sup> November 2008 Food, Drinks and Equipment Fair

Food products, food equipment, packaging, packaging machines,

### Nas Salas (Our Restaurant), Novi Sad

This restaurant stands out from the string of new eateries opening up in and around Novi Sad by virtue of offering a wide range of foods, stretching beyond the limits of Vojvodina itself. Besides great food and an impressive wine list, you can also take a panoramic flight in one of the planes built in a workshop right on the grounds of this complex. Enjoy a stunning flight over the plains of Serbia's most fertile region. For those of more conventional tastes, we recommend a ride in a horse-drawn carriage as a perfect ending to an afternoon filled with sublime food and vintage wine.

Address: Medjunarodni put, Cenej, Novi Sad

and transportation of all shapes and sizes will be showcased at the Belgrade Fair. The fair will feature seminars on organic production laws, HACCP standards, trademark and recipe protection, and others. Visit this unique event and learn more – all in one place.

## Pancevo

### 7<sup>th</sup>-8<sup>th</sup> November 2008 11<sup>th</sup> Jazz Festival

The festival will kick off with the Depart band from Austria, who will be followed on stage by Unit 5. The Big Band of Serbian Youth Musicians will also perform on the first night. This festival will come to a memorable climax with Bojan Z, accompanied by French base player Ruth Goller and drummer Seb Rochford.

## The Other Home

### Mr. Remer Lane, USAID, Booz Allen Hamilton

#### What are my impressions of Serbia?

I arrived in Serbia in 2003 not really sure what I would find. World news was not always positive but I came with an open mind. What I found was a wonderful country filled with exciting opportunities. Frankly, I fell in love with Serbia. Serbia and the Serbian people are warm, welcoming and eager for debate and to do business. The landscapes offer a variety of contrasts, the music is alive and inviting and, for me, the food is really one of Serbia's greatest assets. I found porcini, truffles, raspberries, meats, cheeses and my personal favorites, the native wines. Accept, maybe Ajvar. The ajvar is in all its variations makes a meal a bit more special. Serbia though was exporting its raw natural resources and value and letting others make the money. Over the years, Serbian companies have stepped-up and started to bring those values home. I have seen the same in the clothing and information technology. When foreigners find out what Serbian business can produce, they are ready to stay and do business. I encourage investors and potential buyers to join us in Serbia and see for yourself what a remarkable place it truly is.

SIEPA

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