



Highlights of the Month

The largest IT park in Europe to be built. [Read more >>>](#)



Meet SIEPA

In the month of October join us in Munich at Expo Real 2007 where our Minister of Economy will be holding 2 presentations on investment opportunities in tourism. [Read more >>>](#)



Industry Close Up **Tourism**

Tourism is becoming a highly lucrative business in Serbia with enormous investment opportunities and high ROI. [Read more >>>](#)



Investor Personally

Mr. Stavros Ioannou,

President of Executive Board of Eurobank EFG Stedionica
"Serbian outlook is positive ... while its stock and real estate markets present several opportunities for significant capital gains. [Read more >>>](#)



Monthly Reporting

What would we do with more money?

Serbian citizens talk about their outlets for spending money. [Read more >>>](#)



Arts & Entertainment

This month the capital is booming with different cultural events for all ages. [Read more >>>](#)



The Other Home

Michael Schmidt,

Consultant, Ministry of Economy and Regional Development
Belgrade Jazz Festival, offers interesting concerts and gathers a great audience of people. [Read more >>>](#)



Hot Spots

Villa Breg

Being outside of Belgrade presents itself as a perfect weekend getaway or a team building haven. [Read more >>>](#)

Remax Real Estate in Serbia

American real estate giant Remax has started its real estate operations in Serbia through franchise. President of Remax Europe Mr. Frenk Polzler said that the reasons for this were Serbia's growing real estate market and company's strategy to introduce new methods of operation not sufficiently developed in Europe.

The owner of franchising rights for Serbia and Montenegro, Miodrag Kusic, estimated that about 25,000 real estate transactions are being carried out in Serbia on annual basis, as well as that real estate is still expensive due to the limited offer. He also expressed expectations that the prices will fall with more massive construction.

The First Serbian National Brand

Minister of Agriculture, Forestry and Water Management of Serbia, Slobodan Milosavljevic, announced that plum brandy will become the first official national brand of Serbia. The certificate is to be obtained from EU and the name of the protected product will be Srpska Sljivovica (Serbian Plum Brandy). Thus, Serbia will be the only country entitled to exporting and producing plum brandy under this name.

Investments in Pharmaceutical Sector

Romanian investment fund Tender Group, an owner of 34 companies around the world, took over Krusevac based drug factory Fampharm. Group's Manager for Serbia, Ionel Tanase announced that the fund will invest a large amount of money in the factory and open new production lines. They also plan to export the entire production to Romania. Tanasu also announced plans to continue investing in Serbia and said that the fund decided to come to Serbia because it has a prospective market in the area of trade and production.

Company for trade of drugs and other goods Sumadijalek from Cacak was acquired by a Greek company

Alapis for €2 million. Alapis also committed itself to additional million of future investments in the company and a mandatory social program.

CEFTA Now Official

Parliament of Serbia has ratified the CEFTA agreement on September 24, 2007. The Agreement stipulates the abolishment of customs duties for industrial and agricultural products in trade between signatory countries by 2010.

The agreement also implies liberalization of public procurements and stronger attraction of investments in the participating countries and increases chances for appearance on European markets according to preferential treatment.

CEFTA agreement was signed on December 19, 2006, by Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Serbia, Montenegro, and UNMIK on behalf of Kosovo.

Meet SIEPA

October 13 – 17, 2007

Anuga,
Cologne, Germany

October 14 – 19, 2007

Foreign Direct Investment
Policies Seminar,
Vienna, Austria

October 15 – 20, 2007

Equip Auto 2007,
Paris, France

BOEING Certificate

Jat tehnika will soon get a Boeing certificate for maintenance and servicing of Boeing aircrafts of later generation, which will lead to significant broadening of company's portfolio. On that basis, Jat tehnika will be able to broaden cooperation with British low-budget airliner JET2.com and to service its Boeing 757 airplanes. Cooperation between two companies already exists

and is based on a €3 million contract for maintenance of six airplanes Boeing 737s, series 300. Jat tehnika signed similar contract with Russian Siberia Airlines and looks to enter cooperation with the world largest company for servicing engines Chromalloy. Jat tehnika intends to hire 200 young technicians and engineers soon.

Last month Privatization Agency started procedure for selection of financial advisor for privatization of Jat Tehnika, which should be completed soon.

Air Cluster

The aircraft industry cluster of Serbia - Feniks, was found in Belgrade. Its aim will be to enable further development of domestic aircraft industry, which used to be the leader in the region before the disintegration of SFR Yugoslavia.

Civil Aviation Directorate announced that the founding assembly of that cluster was attended by representatives of leading Serbian companies in the field of aircraft industry: Jat tehnika, Avia pro tim, JV Turbine support, Aviation Institute Moma Stanojlovic, Aviation-Technical Institute Orao, Prva pe-toletka, and Kluz padobrani.

Participants in the meeting agreed upon joint participation on foreign markets in order to reach strategic partners in the best possible way.

500 New Jobs in Indjija

German car component manufacturer Bauerhin, will start initial production of heaters and sensors for automobile seats in Indjija. It will be a Brownfield investment worth €1.8 million with more than 500 jobs created.

Mayor of Indjija, Goran Jesic, pointed out that it is one of the largest investments in Vojvodina in terms of job creation. As far as realization of projects in Indjija is concerned, Jesic estimated that the unemployment rate in that municipality would be reduced to 8.5-9% by the end of year 2008. Bauerhin expects turnover of €580,000 in 2007, €3.7 million in 2008 and €7.5 million in 2009.

Great Success

The President of the administration of Volks Bank in Serbia Friedhelm Boschert, stated that Volsbank International Group has so far invested €120 million in Serbia. Also, he pointed out that Volks Bank in Serbia had the quickest growth among the banks in

nine countries of Central and Eastern Europe, which operate within this Austrian banking group.

Privatization

Acceleration of privatization and restructuring processes in public compa-

nies is one of the greatest priorities of the Ministry of Economy and Regional Development. Over the first 100 days of its work 77 companies have been privatized enabling the state to bring in €159 million. Moreover, contracts have been signed for investments worth €27 million, with another €25 million coming from the sale on capital market.

SIEPA

Recognition of SIEPA's work

At the La Baule 2007 World Investment Conference SIEPA was awarded with the special prize for the Best Practices in Promotion. Serbian IPA received the European Attractiveness Award for its package of tools comprising of a promotional video about Serbia, Internet presentation and set of sectors brochures covering domestic economic potentials. By winning this award SIEPA enabled Serbia to advertise its investment climate, at no cost, on a famous international television station Euronews in seven different languages. This is an additional recognition of the agency's quality work, keeping in mind that less than a year ago after the performance review by the World Bank (MIGA) SIEPA was ranked among the top 8 agencies for promotion of investments in developing and countries in transition. MIGA compared 114 agencies from developing countries against the top five agencies from developed countries.

SIEPA Reaches Out for Japan

As a result of a strong cooperation between SIEPA and JICA, two representatives from the Agency visited Japan from 9th until 22nd of September 2007 to participate in a special training organized jointly by JICA and UNIDO. The main goal of their stay in Japan was to have direct meetings with selected Japanese companies and an opportunity to present Serbia and its potential for doing business directly with headquarter personnel. During the two weeks they had opportunity to meet with more than a dozen Japanese companies with trading houses and automotive components producers being the main target. The meetings were very constructive given the fact that the targeted companies were the ones already doing business in Europe and that this is a continuation of SIEPA efforts to introduce Japanese companies to Serbian market.

SIEPA also organizes participation of Serbian companies with a national stand on one of the most important food fairs – FOODEX 2008, thus it was a very good occasion to invite, primarily trading houses, to visit our stand next year.

The Second Largest Greenfield Investment Up To Date

Company Embassy Group plans to develop a €60 million technology park in Indjija on the area of 50ha. The park will have 25,000 square meters of business premises and provide employment to 2,500 people. The available space and number of jobs are expected to tenfold in five years time to over 25 ha parcel. This will be the largest Greenfield investment in Serbia whilst Embassy Group will become the second largest investor in Serbia so far, after Norwegian Teletor's with €1.5 billion investment in telecommunications sector last year. This investment will also largely contribute to Serbia's foreign trade balance since it is a very export oriented investment: once the park reaches its full capacity it will per annum generate exports of nearly \$2 billion.

Debate, Network, Interact: Enhance Your Business in Serbia

SIEPA has provided organizational support to the Economist Conference - 6th Round Table with the Government of Serbia. As a tradition, this will be a chance for senior executives who are genuinely interested in influencing Serbia's economic and business development over the next 12 months to interact and debate critical business issues with the Serbian Government: from privatization to EU integration prospects. Why should you attend?

- Put your concerns directly to Serbia's top policymakers and officials.
- Gain high-level intelligence on Serbia's prospects from regional experts at the Economist Intelligence Unit.
- Engage in candid, two-way discussion with senior members of the government.
- Network with Serbia's elite business leadership in an informal and off-the-record atmosphere.
- Assess how the government's plans will affect your business in Serbia.
- Ensure your voice contributes to one of the most important debates to take place this year on Serbia's future.
- Return to your business equipped with first-hand insights into the government's intentions for business.

Tourism Industry

Serbia represents a unique, unexplored and unsaturated destination with a rich history and vibrant culture. Numerous attractions that can generate significant tourist demand can be found all over the country: from stunning nature and specific microclimatic spas to peaceful villages and bustling cities. Medieval monasteries housing beautiful frescoes and modern galleries represent Serbia's real treasures. One can also experience senses of Serbia through enjoyable national cuisine, authentic wines and famous brandy.

The tourism industry directly employs around 8% of the active population in Serbia. Compared to other regional economies, Serbia offers very skilled and experienced labor at reasonable costs and higher degree of flexibility in terms of labor relations. Furthermore, as the ease of

- Wide variety of tourism alternatives: ethno, history, city, spa, mountain, event, and congress
- 90% increase in the number of tourists since 2000
- Total revenues amounted to \$300 million in 2005
- Average growth – 20% per year of arrivals and overnights

communication with hotel staff is crucial for guest's satisfaction and vital for providing quality tourism service, it should be emphasized that the knowledge of foreign languages has always been an advantage of the Serbian workforce when compared to other SEE countries.

There are numerous tourist attractions along 588 navigable kilometers of the River Danube in Serbia. Historical monuments, national parks and natural reserves makes perfect environment for cruising and fishing, but also represent investment potentials. Moreover, the costs of transportation on this waterway are much lower than those associated with any other form of transport.

At present, a number of Greenfield projects in the tourism industry are well underway. Yet, many premium locations in downtown Belgrade are still waiting for potential investors. Many attractions

for city breaks and MICE tourism will attract an increasing number of tourists, but international hotel chains are still not sufficiently present in Serbia to meet this increasing quality demand.

In the late 1980's, Belgrade was one of the key destinations in terms of congress tourism. Nowadays, Serbia has emerged as a new prospective destination for many reasons: existence of one of Europe's largest plenary spaces, good hotel packages for up to 1,000 rooms, good accessibility by air, number of tourist attractions, etc. Exclusive opportunities that have just opened up are investments in Stara Planina, Zlatibor, Kopaonik, various spas and Palic resort.

Being one of the few remaining untouched mountains in Europe, Stara Planina is the perfect choice for investors looking to lead the way in putting a new hip ski destination on the map of Euro-

pean prestige winter resorts. The Serbian Government will invest almost €3 million in the improvement of the existing infrastructure and construction of new ski facilities. With a fully prepared master plans developed by leading international companies, the projects to be developed on this mountain enjoy a priority status by the Government of the Republic of Serbia. They envisage the development of ski runs together with base area facilities. Both master plans provide complete technical assessment (terrain capacity including climate/solar conditions), mountain assessment (ski lift and slope designs) as well as base area facilities and land planning.



Zlatibor has strong, natural potential for the development of many different types of tourism including winter, summer, hunting, conference, and spa. The three main areas with exceptional potential for further development are new ac-

commodation capacities, golf tourism and exploration of natural spring waters.

Privatization is an important channel of possible investments in Kopaonik. The hot offers currently include Hotel Grand and the apartment complex Sunny Heights, both keeping up with the high service standards. Having brought in €9.5 million of total income in 2006 and a profit of €1.8 million for the winter season 2006/2007 alone, both facilities represent an outstanding business and investment opportunity and are ready to find a new owner this year.

Located in the foothills of green mountains, alongside lush forests, Serbian spas offer mild climate and clean, unpolluted environment that nourish and enrich. The rich offering of our spas ready for privatization with highly professional health care and medical experts available throughout the whole year are at your disposal. Serbia

is a European leader in spa prices and we invite you to explore the 1,000 natural thermal springs ready to endow its healing powers.

Serbia's Palic Complex draws upon nature's beauty to offer one of Serbia's premier vacation destinations throughout the whole year. According to the detailed urban plan recently adopted by local authorities, Palic resort will develop five different zones connected with walking/hiking track, but separately equipped with independent entrances and parking. The zones will include golf, park, family/spa, sports and a rural area in a traditional local style.

If you would like to find out more on these investment opportunities join us at the Real Expo in Munich where Mr. Mladjan Dinkic, the Minister of Economy, will be holding two presentations on investment opportunities in tourism available in Serbia.

Mr. Stavros Ioannou,
President of Executive Board
of Eurobank EFG Stedionica

Why did you choose to invest in Serbia?

Especially in the past three years, the Serbian society and economy are in a new orbit. Reforms and restructuring have been so intense that the World Bank ranked Serbia as the top reforming country for 2006, and Financial Times Belgrade as City of the Future in SEE/CEE.

Serbian market is one of the fastest growing markets in SEE region with its strategic position and adequate infrastructure, market access and potentials, optimism of the Government for joining European Union, valuable human capital etc. The cost of doing business has been reduced significantly; the country enjoys one of Europe's lowest corporate profit tax rates, second lowest salary tax rate in emerging Europe and the state subsidies for creating new employment.

Therefore, Eurobank EFG group, as one of the most dynamic European banking organizations recognized Serbian market as one of the main points for its business activities and development in this region, which has been proven by the fact that after only three years of operations our bank is on the 5th position in terms of assets and market share.

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What are you thinking about current financial and banking market in Serbia?

Very fast growing of the Serbian economy is mainly generated by growing of the banking market. It is a very important issue because good competition means better quality of services. An important concern for the banking sector in Serbia is the high level of FX-exposure, as the largest share of the loans and deposits are foreign currency denominated. However, officials from the National Bank do not share this

concern because both assets and liabilities are in Euros. In the next year, 3-4 mergers and acquisitions are expected to take place and the total number of banks is going to decrease to 20-25 by the end of 2009.

From the other hand, the Belgrade stock exchange has advanced considerably in the last years, from a non-existent market to an emerging market. The market capitalization and the average daily



turnover have more than doubled since 2006 (about €8 mil in 2007 so far). For that reason, our group has decided to strengthen its position on the market by acquiring a successful domestic brokerage house Prospera Securities last year.

Worth to be mentioned is also the booming real estate market, which is characterized as a market of great potential by local experts. The construction activity was up by 50% in Q1 2007. There is particularly strong demand in all three segments of the market: residential, office and retail market. Fields in the real estate market are considered to be more than attractive compared to other countries of New Europe. Our property and investment company is ready to play a significant role by covering all aspects of real estate operation including investment development and management of both individual properties and extended portfolios. These services are provided to individual clients and organizations of the public and private sector with the aim of maximization of property value and return. Together with our affiliated companies, developers, investors, real-estate funds, and hotelier groups we are able to provide our clients with complete regional real-estate solutions.

To what extent have your expectations been met so far and what are your plans for the future?

Our business activities in Serbia have been proven by our shareholders and the market. By investing over EUR 350 m up to date in the Serbian banking subsidiary, shareholders are satisfied with the 5th position that was achieved during our relatively short period of operations. Acquisition of large domestic Nacionalna stedionica and its fast integration in the Eurobank EFG family, brokerage house Prospera, foundation of EFG Leasing and EFG Property investment companies are additional proofs of our strength.

Through the implementation of our successful domestic business model of the parent company and putting special emphasis on quality, innovation and comprehensive service, we intend to continue our dynamic business development and becoming a successful story of foreign investment in Serbia.

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

European and Greek investors have promising opportunities if they want to invest in this country. Currently there are many structural changes in the country and despite the overall perception of political instability, foreign investors can find many opportunities much better than in their local markets and thus contribute in general to the economic growth of the country. This is how economic circles work.

Serbian outlook is positive and geopolitical risk and political instability will have a limited impact on Serbian economic growth while its stock and real estate markets present several opportunities for significant capital gains.

What would we do with more money?

At the end of 2006 GfK Belgrade has conducted a research by questioning our citizens if they had more money where they would spend it. The answers were given and based on the results it can be observed that health is highly appreciated. One third of the population has chosen health as a priority for investment showing that this value has regained its position and people are ready to take action on this note. Also, as people are getting older the funds are directed toward that expenditure as precaution or curing existing illnesses. From those in favor of health 40% is older than 60. On the other hand, students would like to satisfy their curiosity and would like to “see more” directing their energy to travel, while health is rated 3rd on their list.

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When looking at the overall results, the second placed investment for our citizens is travel. Almost every other person would go on a vacation, if having more money, especially those having a higher level education and those still in the process of receiving their diploma. Two years ago the situation was somewhat different. People thought more of purchasing a car and vacations were on the 3rd spot with a significantly lower percentage (39%). This should be helpful information for tourist agencies and all those organizing travels as Serbian people are eager to visit other cultures after years of having financial strains.

When looking at purchasing a new vehicle in 2004 – 45% of citizens was thinking of this investment, but in 2006 only 14%. In the meantime majority has obtained a car, thus the motivation for this category has drastically decreased. Also, a larger number of men than women are thinking of this investment.

Women are more inclined to buying clothing, 64% of females cite clothes as

one of the goods that would be invested in. In addition, people of less than 30 years of age more often think about their image, but clothing is not as important investment item as two years ago. In 2004 there were 17% of examinees who have dreamed of new clothes and in 2006 there are only 8%. Likewise, today every tenth person is considering purchasing household appliances comparing to 2004 when it was every third.

What did not change is the wish of our citizens to secure a roof over their heads, invest into additional real estate (34%) or redecorate their living space (44%). Older people of over 50 would renovate their house/apartment and younger ones (between 20 and 39 years of age) would purchase their own homes.

Although education is becoming more expensive, the desire and challenge of receiving a diploma is not decreasing and every fifth citizen is aiming toward this goal.

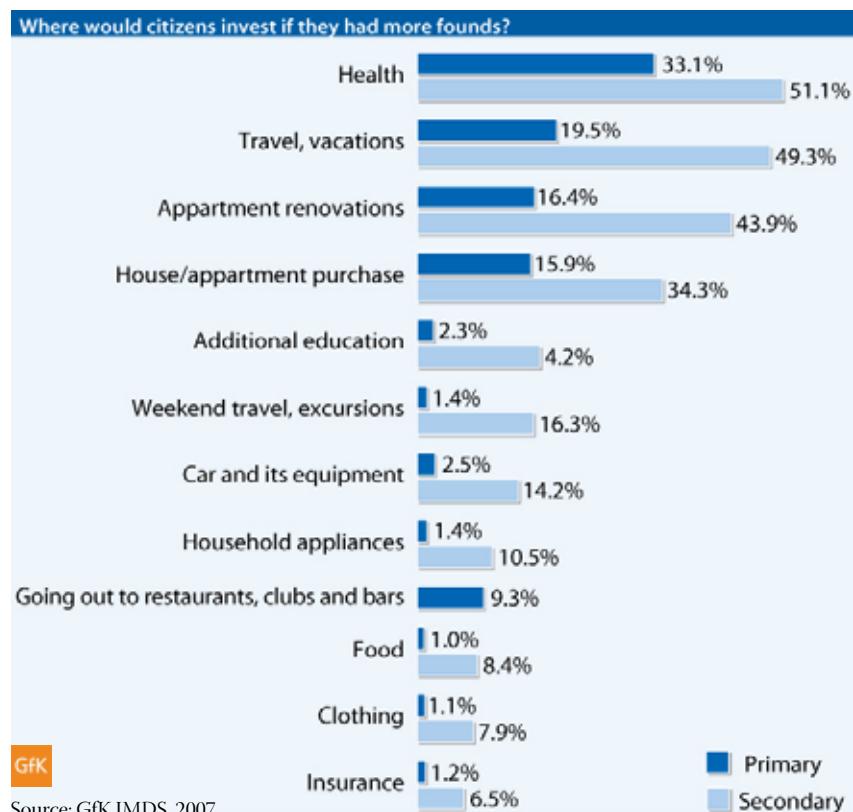
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Just how much our citizens are missing partying, short weekend trips and

picnics with friends? Every fourth Serb would like to go on weekend trips and restaurants for lunches and dinners if additional money was available. It is interesting to observe that one third of those are retired people, while half of them desires going out to restaurants. Other categories of the population have these types of outings more available, thus they do not think about it as much.

Purchase of CDs, DVDs, television sets and other similar items has become available and that is why the percentage of those that would spend their surplus of money on these goods has decreased.

In summary, workers think about vacations, students of exploring the world, elderly would like to be healthier and enjoy short vacations more, if extra funds were to be available. But, what is in common for all these groups? Everyone would like to own a real estate and decorate it as nice as possible. Is the desire for a shelter and its decoration unfulfilled instinctive need for security that was amplified in the period of transition? One thing is for sure - the trend of fast changes in the needs and values when it comes to population's investments.



Belgrade**September 29 – November 11,
2007 48th October Salon – Exhibition**

The exhibition will present around 86 local and foreign artists from 13 countries that will gather in Belgrade under the name of Micro narratives. The exhibition will be held in different museums, galleries and alternative venues in the city, such as the 25th May Museum, Legacy House, Belgrade Public Bath, and the Belgrade Cultural Centre (Art Gallery, Artget Gallery, Belgrade Window).

**October 5 – 19, 2007
Starlit 39th BEMUS – Music Festival**

This year's Belgrade Music Festival programme concept is based upon the concerts of leading musicians and great interpretations of the baroque, classic and romantic époques, orthodox spiritual, contemporary, jazz, and film music. The following artists are featured: distinguished pianist Jean-Yves Thibaudet, and one of the best mezzo sopranos of today, Marjana Lipovsek, worldwide famous violinist Gidon Kremer with his ensemble Kremerata Baltica, popular cellist Alexander Rudin and exquisite ensemble Musica Viva, and many others.

The Other Home**Michael Schmidt**
Consultant, Ministry of Economy
and Regional Development**What is your favorite happening/
manifestation in Belgrade?**

The newly revived Belgrade Jazz Festival, which I attended in the last 2 years. It offers interesting concerts and gathers a great audience of people that are open, cosmopolitan and forward-looking. In a way the Jazz festival is the continuation of what was great in the old Yugoslavia.

Hot Spots**Villa Breg**

Situated at the slopes of Vrsac Mountain, the hotel Villa Breg***** has a breathtaking view of the Banat plain. Four luxurious apartments and 44 spacious rooms equipped with satellite TV, mini bar, electronic safe, cable Internet and other 5-star amenities are rounded with luxurious bathrooms, while 8 rooms have an exit to secluded gardens of the hotel. A congress hall seating up to 140 people, banquet hall adaptable for celebrations, banquets and cocktails for up to 80 attendants and 2 conference rooms, together with a fully equipped business center are available to its business guests.

Hotel Villa Breg*****, Goranska bb 26300 Vršac Srbija, tel: +381 13 831 000, fax: +381 13 831 007, e-mail: office@villabreg.com, www.villabreg.com

**October 18, 2007
Paco de Lucía – Music Concert**

This Spanish composer and guitarist who is the leading proponent of the Modern Flamenco style will be, again, playing for the Belgrade audience at Sava Center. Not only skilled in flamenco, he is one of the very few flamenco guitarists who has also successfully crossed over into other genres of music. He enjoys, and has been a successful musician in many styles, such as jazz, funk, classical, and world music.

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