



### Highlights of the Month

New Alternative Fuel Factories, a number of auto news and other are featured this month. [Read more >>>](#)

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### Meet SIEPA

In the month of November our experts will be available at seminars, fairs, summits in London, Valencia, Ljubljana and other interesting locations. [Read more >>>](#)

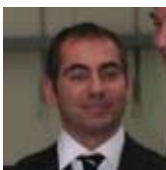
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### Industry Close Up Textile

The growth and new investment opportunities are waiting for you and your respective company. [Read more >>>](#)

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### Investor Personally

#### **Mr. Mirko Bernuzzi, Pompea**

A success story that can inspire, teach and provide ideas [Read more >>>](#)

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### Monthly Reporting

#### **Where and when do we buy clothing?**

The rise in economy has provided and increase in the shopping activities [Read more >>>](#)

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### Arts & Entertainment

Rihanna, Brass music and many others are here for you [Read more >>>](#)

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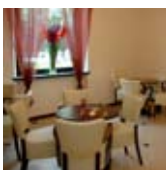
### The Other Home

#### **Masaru Hirano,**

Japan Small and Medium Enterprise Management Consultant

... the mixture of modern and old city architecture and people who are kind enough to a stranger from Asia like me. [Read more >>>](#)

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### Hot Spots

#### **Choco, Patisserie and Café**

Does Dark Chocolate and Orange Cake sound inviting? [Read more >>>](#)

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## Department Stores Beograd Sold: A Good Bargain

The used-to-be biggest retail chain in former Yugoslavia - Department Stores Beograd was acquired by the Serbian company Verano Motors for €360 million. Verano overrun 10 other domestic and foreign potential buyers on the public auction in hotel Hyatt in Belgrade. The starting price for almost 240,000 square meters of office space in 34 department stores across Serbia, a business and distribution center in Belgrade, a right-to-use 27 ha of city building land, as well as supermarket and warehouse in Podgorica was €140 million.

## Serbian IT Going East

Serbian IT company ComTrade has announced it would invest €30 million in a joint company with corporation Arjaheja from Saudi Arabia. The new company will be called ComTrade ME and operate on the Near East ICT market from its base in Riyadh. The owner and General Manager of ComTrade also announced that company's stocks will be listed on London Stock Exchange in mid 2008.

## Greek Resurrection

Greek company Neochimiki L.V. Lavrentiadis has officially become the owner of IHP Prahovo by signing the €5 million sales contract on October 26. Greek company, which is also the owner of Oil Refinery Beograd, will invest another €20 million in the Holding within the next two years. The plan is to achieve the production level from early 1990s when IHP Prahovo was at its prime and has been employing 4,500 employees.

## Lohr Starts a Production

French company Lohr, one of the leading world companies in field of production of transportation vehicles, opened the factory for production of trailers for transportation of passenger in Backa Topola. General Manager of Lohr -

Backa Topola, Andre Balua, pointed out that easier and quicker opening of the factory was enabled with the support of the Government of Serbia and ambassadors to Serbia and France. The factory now employs 150 workers while another 60 will be hired by the end of 2007. The annual production plan of 1,000 specialized transporters, representing the total production, will be exported to the Russian market.

### Meet SIEPA

November 14, 2007  
**Business Summit of Serbian and Slovenian business people,**  
Ljubljana, Slovenia

November 21, 2007  
**Opportunities to Invest in Real Estate in the Republic of Serbia Conference**  
London, UK

## Belgrade Beer Industry Acquired

Consortium made of Lithuanian company Alita and United Nordic Beverages from Sweden has officially become the majority owner (51.9%) of the Belgrade Beer Industry (BIP) for €21.4 million on October 9. Although Consortium obliged itself to invest €5.1 million until 2010, after just couple of weeks it announced an investment of €40 million over the course of next 3-5 years.

General Manager of UNB, Tavi Ejnaste, announced that money would mainly be invested in sales, marketing and new brewery, which should be built in Krnjača near Belgrade prior to year 2011.

## World Recognized Expert

Specialized British magazine Euromoney awarded former Serbian Finance Minister Mladjan Dinkic with traditional and internationally acknowledged award - Minister of Finance of the Year in the

world. The award is for year 2006, but his broader efficiency was taken into consideration, with the emphasis on the fact that he is "one of the rare officials, at the world level, who were on all three most important positions in field of fiscal policy - Governor of the Central Bank, Minister of Finance and Minister of Economy, which is the current Dinkic's duty".

## The First Entrepreneurial Incubator

The first entrepreneurial incubator for foreign and domestic companies Entre has been officially opened in Belgrade. The incubator helps foreign entrepreneurs and enterprises when entering the Serbian market and provides support in the phase of planning, founding and growth of companies in Serbia. The complete registration for the new Entre residents will take only ten days and one visit. When in the operative phase they will be provided with completely furnished office, meeting hall, secretary, bookkeeping and legal services, as well as free entrepreneurial consulting.

City administration of Kragujevac and Ministry of Economy and Regional Development have started turning old Zastava's clinic into Business Innovation Center. The Center will be finished by the end of the year and offer it's tenants completely furnished office space at low prices, professional and consulting services in field of marketing and sales. The accent is on helping young people with innovative ideas and best possible business plans.

## Hot Spot – Kragujevac

Israeli-Serbian company Plaza Centers PPM bought 2.5 ha of land in Kragujevac with the aim of building a large commercial-business building that will include trade centers, restaurants and other contents. At the same time German trade company Supernova plans to start building a 40,000 square meter trade center in May 2008 and join two retailers already present in Kragujevac - Metro and Slovenian Mercator.

## Fierce Competition

Lufthansa has increased a number of transported passengers in Serbia in 2007 by more than 30%. Expressing satisfaction with the results, General Manager Marek Kuhta reminded that Lufthansa is the market leader among foreign airlines in Belgrade having a 20% market share of the Serbian market. In order to compete with Lufthansa and other air liners, Austrian Sky Europe will introduce flights to Belgrade starting with the winter flying timetable. The air fares will be offered at the price of €89, taxes included.

## Another Multinational in Indjija

IGB Automotiv, part of German company Bauerhin, has started production of heaters for automobile seats of the most famous world car manufacturers. During the opening of the plant in Indjija President of Executive Council of Vojvodina, Bojan Pajtic, said he is "extremely proud" of the fact that Bauerhin picked Vojvodina over other assessed locations in Bulgaria, Romania and Ukraine. Replying, President of Bauerhin, Jozef Hilmer, said the company chose Indjija because of support provided by provincial administration and efficient administration in Municipality of Indjija, as well as vicinity of Belgrade and Novi Sad, airport and highway. This €1.8 million investment will employ 300 workers in the first phase.

## Two Alternative Fuel Factories

Duty-free zone in Prahovo will soon host two factories for production of alternative fuel, one for production of bio-diesel from sunflower oil and the other is for production of smokeless fuel from waste wood and sunflower stalks. The investor in both cases will be the Dutch company Vital Planet and investment will total €20 million. The construction will start in April 2008.

## Zastava Soon to Have a Partner

Tender for sale of Zastava Trucks will, most probably, be announced at the end of November or beginning of December,

depending on the outcome of the negotiations with potential strategic partner from abroad. Russian company AMS Group, Chinese manufacturer of all-terrain and freight vehicles BAIK and Austrian company Magna Steyr are all interested in privatization of Zastava Trucks.

Zastava Automobili will also soon get a strategic partner. According to unofficial information, it is probably going to be General Motors, i.e. its daughter company Opel. For starters, Opel will soon move equipment for production of Astra Classic from Poland to Kragujevac and relocate production of this model as of 2008. Austrian Steyr Puch is also interested and, after visiting the factory, is trying to push back the tender announcement set for December.

## Building Blocks Company Introduced Standards

Trudbenik – company for producing construction materials has marked 61<sup>st</sup> anniversary by acquiring ISO 14001 and 9001 standards and introducing the new top notch building block, exclusively produced for the Serbian market. Joint Stock Company Trudbenik is the largest brickyard in Serbia with the average annual production of 22 million blocks. The company has underwent a change in ownership structure in early 2006 and started investing in knowledge and R&D, introduced CE mark and ISO standard. Most of the production goes to Poland, Romania, Montenegro, Bulgaria, and Macedonia.

### SIEPA

#### India to Indjija

Embassy Group is planning to build its first technology park in Europe in Indjija and employ 2,500 people in first year of operation. In five years time this number should reach 25,000 and the total investment will total \$600 million. SIEPA was leading this project from the very start seeing it as an investment of paramount importance for Serbia. Having the global ICT leaders in Serbia would enable technology transfer and a chance for young IT experts to work with state-of-the-art technology and develop their knowledge and skills. Clients of the Embassy Group in a similar park in Bangalore are: ANZ IT, BEA Systems, Bearing Point, Continuous Computing, Covansys, Daimler Chrysler, Fidelity Investments, Goldman Sachs, IBM, Lenovo, LG Soft, McAfee, Microsoft, Misys, NetApp, PSI Data, RCI, Stylus, Super Valu, Synergy, Target, 24/7, and Yahoo.

#### Debate, Network, Interact: Enhance Your Business in Serbia

SIEPA has provided support to Economist Conferences in organizing the 6<sup>th</sup> Round Table with the Government of Serbia on November 28<sup>th</sup> and 29<sup>th</sup>, 2007. 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.

To learn more and register please follow the link.

## Textile

The textile industry of Serbia boasts with highly qualified labor, which has its base in the well developed educational system that includes education both at secondary and university level. Sewers and technicians are educated in specialized secondary schools, evenly spread throughout the country. Higher levels of education, at specialized university departments, offer post graduate education in related fields.

- One of the most price competitive in Europe.
- Quick and flexible delivery and low minimum orders.
- Exports reach €200 million, 70% absorbed by the EU market.
- Many business opportunities in yarn, fabric and ready-made garment production.
- Among the lowest average net monthly salaries in the Serbian economy – €80.

For many years, the textile industry has been the base for economic development of Serbia. Throughout this time, a tradition of quality manufacturing, competitiveness in prices and controlled expenses, shaped the industry. Serbia has traditionally cooperated with many foreign partners and has been one of the leading garment manufacturers for high selling brands. Fashion industries of France, Italy and Germany intensively used production capacities in the country together with highly qualified and low priced labor. Clients have included Zara, Mango, Benetton, Tommy Hilfiger, Hugo Boss and many more.

The strategic position of Serbia provides quick delivery, while transportation costs are extremely competitive. Hanging transport cost from Serbia to the EU is approximately €0.23

per garment. The true competitiveness of the price can be seen in comparison with other transportation costs: prices range from €1 to €3 per garment for goods from Ukraine, Belarus and Moldova and go as high as €5 per garment for goods originating from China.

Serbian textile companies can effectively serve as secondary sources of high quality textile for European retailers. They can react quickly to smaller orders with quick turnaround

times. The relatively low cost labor force, as well as the strong tradition of textiles in Serbia ensures high quality products at very competitive prices. Furthermore, many business opportunities can be found in yarn and fabric production, together with the ready-made garment production. The industry has large capacities for Cut-Manufacturing-Trim (CMT), with quality and delivery times which can suit even the most demanding clients.



**Mr. Mirko Bernuzzi,**  
Board Member of Pompea Serb

**Why did you choose to invest in Serbia?**

We have conducted a detailed ROI analysis in several Eastern European countries – Slovakia, Romania and Poland, where we already have production. We have closely looked at the price of labor, price of utilities, namely electricity and gas, transport when looking at distance to the mother company as well as our most important markets, meaning EU countries and Russia. The results were compared in relation to our investments that were made in Poland and Tunisia.

Serbia has a long tradition in the textile industry and a plentiful skilled labor force for the most demanding jobs where criteria for quality are very high.

In addition, the intention was to use the advantage of free trade with Russia as it has a great impact on our development, as well as markets of Southeastern Europe where Serbia has a central position.

Serbia has a long tradition in the textile industry and a plentiful skilled labor force for the most demanding jobs where criteria for quality are very high.

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

At this moment the Western European market is of the highest importance to us, but with an investment in Serbia we have come closer to the Eastern European buyers and especially the ex-Yugoslav countries that were a unique market. Our sales in South East Europe, especially Balkans, have increased since we established the

production center. Parts of textile industry from Western European countries where the price of labor has an important role in the final product price will be transferring their production to regions with a competitive labor cost. At the moment Serbia does offer very alluring investment options.

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

Pompea started its first investment in the spring of 2003 when the political situation was shaken up by the Premier's death, still we have decided to stay and take a risk. Today, we are more than sure that this decision was right. The investment conditions are very much improved although there are a few obstacles when it comes to acquiring licenses compared to



our experience in Italy.

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

Our experience has showed that a combination of the Italian and Serbian experts is the safest and quickest way to complete an investment. Qualified local experts, i.e. Pompea staff, and external associates assist us in targeting potential problems, foreseeing possible investment expansion and creating conditions for the fastest possible production start ups.

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

Besides the factory in Brus where we employ around 600 workers we have concluded the first investment phase in Zrenjanin where we have already hired 100 people. Before continuing with other investments it is necessary to stabilize the existing production and then we will continue to invest in Serbia.

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

It is certain that Serbia is becoming increasingly interesting for foreign investments and it has a strategic geographic position, interesting tax incentives and qualified labor force. In general, we have to say that our continual presence and experience in Serbia is proving that we are very satis-

## Where and when do we buy clothing?

Over two thirds of the population in Serbia buys clothing and textile products once in three months or even rarer. Usually, they prefer buying in specialized shops and boutiques where they can take time to try clothes and get advices from trained professionals. In spite of the increasing number of shopping malls outside the city center, residents of Belgrade and other cities prefer downtown as the shopping location.

People in Serbia were buying wardrobe more often in 2006 - 4.7 times a year against 3.9 in 2005.

Clothes do not make a man. Still, people in Serbia have always paid much attention to what they wear and, lately, they are willing and more able to pay more money for clothes that best suit their image.

The survey conducted has revealed that, compared to the year before, people in Serbia were buying wardrobe more often in 2006 - 4.7 times a year against 3.9 in 2005. This increase could be the result of an increase in standards of living, sharp increase in a number of issued credit cards that grows 50% annually, or the fact that a rising number of specialized shops are being opened, including the world's global brands.

Over 70% of the examined sample usually buys downtown where branded stores are located.

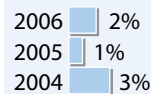
In last few years, the trend is that almost 2/3 of population in Serbia buys cloths once in three months. However, every fifth citizen buys a piece of clothing every month and the size of this segment is on a steady rise. Number of those that buy wardrobe every two weeks is rather small – around 2%. After all, clothing is not fall under fast moving consumer goods (FMCG).

As for the type of shops they prefer, 58% said they buy clothes in specialized shops, while 31% favors small boutiques. 27% said they need to have a professional guidance from the staff when buying, thus preferring stores that offer such convenience. Open marketplace was far less attractive for Serbian citizens than in 2005 – 9%.

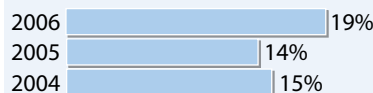
Over 70% of the examined sample usually buys downtown where branded stores are located. However, large shopping malls tend to go away from the city center and it is expected that buyers will follow. Top stores will remain in the city center for display, for psychological effect and importance of the stores in prime city streets, but it is certain that buyers' decision will in future be convenience driven and moving towards malls.

### Frequency of buying personal textiles and clothes

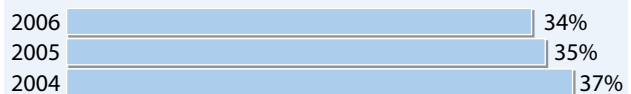
#### Once in two weeks



#### Once a month



#### Once in three months



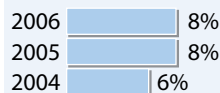
#### Once to twice a year



#### Once in two years

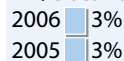


#### Less often

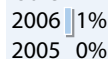


### When buying personal textiles and clothes, which locations do you generally prefer?

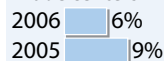
#### NA/ Does not matter



#### Other



#### Trade centers in suburb



#### Stores close to place of living



#### Stores in city center



Source: GfK IMDS 2007.

## Hot Spots

### Choco, Patisserie and Café

What makes this patisserie different from others is the quality of its chocolate that is being imported from Italy. The most famous delicacy in which all visitors indulge is the Dark Chocolate and Orange Cake that may be followed by the original Brazilian cocktails made of fresh fruit. In addition, the café offers coffee with different syrups, caramel and cinnamon, as well as French teas.

Choco, Krunska 80, Belgrade



In cooperation with  
Caffe&Bar magazine by Frame Media.

## Belgrade

November 17, 2007

### Lola Assemble - Concert

Musical heritage and traditional dance of the former Yugoslavia will be presented and performed by Lola assemble in Sava Center. Lola is the largest educational and cultural center in Western Balkan with many international awards and over 1,000 active members.

November 18, 2007

### Maceo parker in concert

Maceo Parker, one of the greatest saxophonists of the era and the man who became a symbol for funk and jazz music, will perform on the 18th of November at 8pm in Dom Sindikata Hall. At three hours and counting, the duration of a Parker live show is a dream comes true for any fan of the Grateful Dead, Phish, Moe, String Cheese, etc.

bloggers called BlogOpen. A place for book lovers and e-literature.

November 14-17, 2007

### Novi Sad Jazz Festival

Roy Haynes, Toots Thieleman, Dusko Gojkovic and Maceo Parker are the buzz names of this festival, but the jazz lovers will certainly find their own favorites at the Serbian National Theater.

November 24, 2007

### Rihanna - Concert

Belgrade Arena will host this world famous young RNB artist whose number 1 hits have been marking 2007. The latest tour under the name Good Girl Gone Bad will present the latest album under the same name. All the fans and those in favor of good quality performances will enjoy.

## The Other Home

### Masaru Hirano

Japan Small and Medium Enterprise Management Consultant

### What is your first impression of Serbia?

Although this is the first time for me to come to Serbia, I feel comfortable in staying here. These emotions come from the mixture of modern and old city architecture and people who are kind enough to a stranger from Asia like me. I am so happy to be working in Serbia and I believe that there is a great potential in your country.

SIEPA

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## Novi Sad

November 9-17, 2007

### Fall Saloon of Books and Media

The event named From Guttenberg to Byte in the Sports and Business Center Vojvodina features presentations of new books and a regional gathering of