



SERBIA



Area: 34,461 square miles
 Population (excluding Kosovo): 7,498,001
 GDP per Capita: \$4,207
 Language: Serbia
 Capital: Belgrade
 Government: Democracy
 Monetary Unit: Serbian Dinar

The revived hub of Southeast Europe

Since becoming President of the Republic of Serbia in 2004, Boris Tadic has consolidated Serbia's democracy and has become the international spokesman of the "new Serbia". Serving as his country's "ambassador of business", President Tadic has led numerous trade delegations abroad; has actively promoted the "de-Balkanization of the Balkans" by taking the initiative in reconciliation efforts as well as by encouraging an increase in regional trade; and has vigorously re-forged a strategic partnership - based on common principles and interests - between Serbia and countries such as the United States, the member-states of the European Union, Russia and China.

In particular, President Tadic has been a strong advocate of Serbia's full and rapid integration into European and Euro-Atlantic structures. Lastly, he has been a forceful advocate of a strategic solution to the challenge of Kosovo and Metohija - a solution that takes seriously the interests of all the legitimate stakeholders in the Serbian province's future.

Serbian President Boris Tadic states that the new democratic Serbian government must work to serve the people, raise the living standard and conduct a proactive policy to strengthen the economy. He stresses that it is extremely important that the Serbian government's programme is based on five basic principles.

These principles are safeguarding the sovereignty and territorial integrity of Serbia, conclusion of cooperation with the Hague tribunal, creating better living conditions, continuation of European integration and the fight against organised crime and corruption.

The President believes that the renewed negotiations on the Stabilisation and Association Agreement with the EU are paramount for Serbia in order to get the official status of candidate country for EU membership by the end of 2008.

Prime Minister

Serbia has become the Balkan leader in the pace of reforms and record holder for the level of growth of GDP in southeastern Europe in 2006, foreign direct investment increased by more than four times, proceeds from privatisation

are growing bigger, and Serbia is no longer only a place to invest in, but has also become an investor. Telekom Srbija bought Telekom Srpske at a tender for €646 million, which from a historical point of view is the largest investment from a Serbian firm.

On the basis of the results achieved and the planned economic growth of 6 per cent per year, the government's aim is to achieve 80 per cent of GDP of new EU member states by 2012, to increase the annual growth of exports to 17 per cent and to pull in between US\$ 3 billion to US\$ 5 billion in investments per year.

The major investments in Serbia that are expected are in the field of energy. The government's aim, based on realistic assumptions, is to secure at least €3 billion in investments in the next three years, first of all in the field of gas and oil industry. For example, the government plans to build an almost 250 miles long gas pipeline worth around \$1 billion within two years.

The Serbian governments have reached a full agreement over five crucial program principles of government policy: they deal with the issues of Kosovo-Metohija, European integration, cooperation with the Hague tribunal, social and economy policies and the fight against crime and corruption.

"The government will make efforts to continue and speed up the adoption of laws harmonised with EU legislation. Acquiring the status of a candidate for EU membership must be our short-term goal," Prime Minister Vojislav Kostunica explains.

The precondition for Serbia's development as a whole, and particularly for even-balanced regional development, is the development of infrastructure. Since one of the government's key aims is to stimulate investments in the country, which is conditioned by infrastructure development, the government will pay special attention to development in this area, particularly the development of road infrastructure, improvement of road safety and harmonisation of legal regulations with those of the EU.

There are realistic indicators which confirm that the pace of reforms in the economy sector is satisfactory. The results we have had so far, such as macroeconomic stability, low inflation rate, stable national currency, constant GDP growth, real salary increase, business climate improvement, considerable influx of privatisation funds and foreign direct investments and others, are a solid basis and a guarantee of a successfully completed Serbian economy transition process and reduction in its lagging behind in comparison with economies of other countries.



Boris Tadic
President



Vojislav Kostunica
Prime Minister



FINANCE

Showcase of courage and strength for successful transformation

In the last three years, Serbia has transformed its banking sector. The balance sheet has almost doubled, and three-quarters of local banks are now majority-owned by foreign firms, all from the EU. There is also healthy growth in the depositary base, and in the credit sector.

Governor of the National Bank Radovan Jelasic is delighted with these developments, especially since the banking sector suffered a major shock in 2001 when 66 per cent of the banking sector's balance sheet was shut down and 30 banks closed, resulting in 8,000 job losses.

He explains, "The uniqueness of Serbia is proved by the fact that no other country was ready to take such a big cut of 66 per cent, and



Radovan Jelasic
Governor of the National Bank

come back with courage and strength to rebuild the sector in a healthy, EU-based and correct way. This should prove to potential investors that this is a country where there are people

"The uniqueness of Serbia is proved by the fact that no other country was ready to take such a big cut of 66 per cent, and come back with courage and strength to rebuild the sector in a healthy way. This is a country where you should be ready for positive surprises."

who can do that, and where you should be ready for positive surprises."

Following that shock in 2001 salaries are now five times higher, proving Serbia's resilience, according to Mr Jelasic. There are healthy public finances, with inflation in check, 6 per cent GDP growth and a surplus accrued through the proceeds of privatisation and a well-managed budget.

"Nonetheless, foreign direct investment per capita is significantly lower than the regional average, and we expect this balance to be corrected in the next few years, especially with utilities, gas and telecom companies," Mr Jelasic comments.

With supervisory responsibility for the banking, insurance and leasing sectors, the National Bank has seen positive outcomes from privatisation. Mr Jelasic mentions Delta Generali as taking first mover advantage, but also highlights Unica Austria in insurance, and Raffeisen Bank, which began with a green-field investment in 2001 and became Serbia's number one bank without any acquisitions.

Mrs Draginja Duric, CEO of Banca Intesa Belgrade, believes Serbia is on its way to be once again the 'business and finance heart of Southern Europe'. The bank, which has been the preferred partner of choice by top foreign and local investors in key sectors of Serbia's economy, has proven its faith in the country's future by becoming the largest investor in the banking sector. "We stand for confidence and trust, Serbia's corporations have been very swift in introducing transparency and professionalism in their conduct," explains Mrs Duric. "Now, by offering our expertise and advice to smaller enterprises we aim to remain an important subject in the economic development of the country."

BELGRADE

Belgrade - City of the Future

Mayor of Belgrade Nenad Bogdanovic is overseeing a thriving city. Belgrade has key economic and agricultural capacities, especially in metallurgy, the metalworking and electronics industries, as well as commerce and banking.

A free trade zone is located in the wider area of Belgrade – Smederevo and Panævo – on the banks of the River Danube, covering 2,400 square-yards of business space. An impressive 30 per cent of Serbia's national product is made in Belgrade.

After winning the "City of the Future" title for Southeast and Central Europe, the Serbian capital has won the second round of this prestigious competition. The title carries a recommendation for the biggest future investment location, by the most recognised financial newspaper in the world, the Financial Times.

Categories and criteria by which the judges have made their decision are based on economic potential, cost effectiveness, human resources, IT and telecommunications, transport, quality of life and foreign direct investment (FDI) promotion.

The municipal infrastructure investment support programme is an important initiative from the City Assembly of Belgrade. It is being realised in cooperation with the



Nenad Bogdanovic
Mayor of Belgrade

European Union (EU), which has provided financial support through the European Agency for Reconstruction (EAR).

Its objective was the establishment of a programme management unit (PMU), tasked with ensuring all major capital investments that are internationally funded and worth over €1 million are managed efficiently, according to European standards and practices.

With the support provided by the EU, the EAR and a COWI consultant, Belgrade is establishing a system that will enable better project planning and coordination, at the level of standards applied in European countries.

"With better coordination of all the city's public utility companies, we achieve much faster and more efficient implementation of large and complex infrastructure projects in Belgrade," explains Mr Bogdanovic. "A number of projects have been selected to be monitored by PMU, including the water treatment plant MAKIS 2 and the Belgrade urban renewal project."

Mr Bogdanovic adds that under the direction of Vladimir Tausanovic, the Belgrade Waterworks & Sewerage Company is prospering. Currently the city of Belgrade is financing the successful MAKIS 2 potable water treatment works, which is already underway with funding from the EBRD.

Mr Bogdanovic also mentions that one of Belgrade's most recent

significant achievements is the organization of the 2009 Universiade, being held in Belgrade. This is in many ways important for Serbia and its capital.

In relation to Belgrade as an attractive destination for tourism, Mr Bogdanovic points out, "There is no place in the world with such a natural combination of oriental passion and European finesse. It has abundant vitality, a sense of humour and curiosity. Come to a city where you will feel at home."

Belgrade Waterworks and Sewerage (BWS)

Beogradski Vodovod I Kanalizacija – or Belgrade Waterworks and Sewerage (BWS) – was founded in 1892. It provides the water supply and wastewater disposal services for the city of Belgrade, the capital of Serbia.



Vladimir Tausanovic
Managing director

Under managing director Vladimir Tausanovic, the firm has prospered. The successful Makis 2 Potable Water Treatment Works project is underway. The main contractor is Tahal Israel, financed by the city of Belgrade and the European Bank for Reconstruction and Development (EBRD). "We have strong relations with the EBRD and are looking forward to furthering this cooperation," says Mr Tausanovic.

BWS is now using a SCADA system to manage its distribution. This has required an investment of US\$10 million, and the main contractor is Japan's Ebara Corporation. BWS is also preparing future development programmes to complete its sewerage system and wastewater treatment works, which may also involve private capital participation.

Mr Tausanovic explains, "We are one of the leading utility companies in the city and have a clear vision of where we want to go." Undoubtedly BWS has evolved into a well-managed

enterprise that meets European standards. Following Serbia's move to democracy in 2000, the company analysed its operations and highlighted areas for improvement. It utilised studies from international consultants Stone & Webster and Mott McDonald, which helped to pinpoint weaknesses and point out the potential direction for future development.



The Royal Complex in Belgrade

enterprise that meets European standards.

Mr Tausanovic points out that BWS is continually growing, with a growth in revenue of more than 25 per cent last year. This

"We have strong relations with the EBRD and are looking forward to furthering this cooperation."

means, he says, that key funding institutions are willing to work directly with BWS.

On the subject of investment in Serbia, he adds, "The most important factor that international investors need to be aware of, is that no investors in Serbia have decided to leave. The results have proven that they are satisfied with their decisions."



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TRADE AND INDUSTRY

CEFTA and Unique Trade Agreement with Russia to increase returns on FDI

Former Minister of Economy Predrag Bubalo (currently Minister of Trade and Services) has been one of the architects of Serbia's successful privatisation programme. He is best known for speeding up the process in 2004, by releasing the debt carried by state-owned businesses to make them more attractive to investors.



Predrag Bubalo
Minister of Trade and
Services

The result has been the privatisation of around 60 state-owned companies. Minister Bubalo's system to reform company registration in Serbia is also now being applied in neighbouring countries.

There were huge reforms in 2006 and Serbia aims to repeat this performance in the next two years. Serbia build-up US\$ 12 billion in foreign reserves, decreased

inflation to 6.5 per cent and saw an increase in export of 30 per cent next to strong and consistent GDP growth for a third consecutive year.

Serbia's National Strategy for Economic Development 2006-2012 depends on generating annual GDP growth of seven per cent. To achieve this target, Serbia needs to attract a minimum of € 2 billion each year in green-field investment

Dr Bubalo says that for that to happen, Serbia needs more political stability, a number of economic measures, and good infrastructure. "We have started building 49 industrial zones and will be able to provide land to investors with all the infrastructure they need," he indicates. The two key objectives that will mark this term of the government in assuring Serbia's membership in EU by 2012 are anti-monopolistic policies and create an open and competitive free market and set a system to defend consumer's rights. "I would also like to see the stock market in Serbia bridging commodity producers and buyers in an efficient and modern way." Minister Bubalo believes that this way with increased investments for export market people in Agriculture for instance can be given an opportunity to have an income throughout the year.

Serbia is a member of CEFTA, the Central European Free Trade Agreement. "The CEFTA agreement is a great incentive for investors," comments Dr Bubalo. "It puts Serbia at the heart of a consumer market of 28 million people, allowing them a higher return on their investment in modern technologies and green-field facilities."

Minister Bubalo stresses that Serbia also benefits from a unique trade agreement with Russia, which allows Serbian-based producers to export to Russia duty-free. "This and the fact that old business traditions and relations are strong between the two countries," says Minister Bubalo, "offers investors the opportunity to approach the Russian market from a safe and business-friendly Serbian base."

Trade and Industry is most prominent for the transitional process. With his strong business experience internationally and having been trusted to lead and coordinate 4 ministries in the last 3 and a half years Minister Bubalo is known as the "Playmaker in the Government Team". He has developed and set Serbia's strategy to economic growth "Serbia has now entered a period of 7 investment

years. Our ambition is to enter EU by 2012 economically stronger than the last 2 or 3 members. The cornerstones of this strategy are 3 magical figures: minimal yearly FDI of US\$ 2 billion, 17 per cent in growth of exports and 7 per cent growth of GDP."

Most significant recent developments in investment is IKEA & chain of Plaza, which provides incentive for other investors

"FDI is very important to us and it is more than one aspect," Minister Bubalo explains This capital will also bring the relevant technology & management while making use of domestic local resources. FDI will bring employment and the fight against poverty which will thereby solve the problem of corruption.

Dr Bubalo points out that Microsoft chose to open one of four global development centres in Serbia, a country with technically skilled human capital. He also sees a strong future for pharmaceuticals, services and banking.

Zekstra

The Zekstra Group is synonymous with fashion and innovation. Dating back to 1979 when it was founded as the first private company in Serbia, it has evolved into a highly respected fashion designer, retailer and wholesaler. Since 1998, Zekstra has also held the exclusive Serbian franchise for global brands Max Mara, Diesel and Max & Co.



Dragan Djuric
Director

The entrepreneur and sole owner behind Zekstra is Dragan Djuric, a well known local business leader who, through his many successful ventures, has proven the growth potential of the Serbian market. To acquire the funds to launch the Zekstra Group, Mr Djuric had to mortgage his apartment, and he has been a daring pioneer and entrepreneur ever since. Zekstra, in another of its "firsts", was the first Serbian firm to open a store on Belgrade's main shopping street, and this is now one of 200 Zekstra retail outlets around Serbia.

"We always relied on ourselves, rather than anyone else. We also managed to do all this when the political situation was risky, unlike now."

Zekstra also pioneered a method of integrating various family firms within its production lines, a system which went on to be successfully



Zekstra

adopted in other countries, including Italy. "We did it all step by step, but we always had the big picture in mind," says Mr Djuric. "And we always relied on ourselves, rather than anyone else. We also managed to do all this when the political situation was risky, unlike now."

Today Zekstra is a multi-faceted fashion retailer. It designs and manufactures the Zekstra Classic men's and women's collection, and the Zekstra Red Carpet collection for young people. Its NOVITET factory produces ready-to-wear clothing, using materials from top Italian manufacturers including Lanerossi, Picci, Guabelo, Zegna and the Marzoto Group.

Zekstra is also a wholesaler, franchising its brand out to partners around the world. Its team can provide everything from the concept and the collection, to store management training, marketing support, and visual merchandising expertise.

Mr Djuric explains that choosing the right people and training them well is one of the secrets of his company's success. He says, "Management positions on the Zekstra team are very challenging. Usually when we recruit top managers from other market leaders in Serbia, they need additional training in order to perform at what Zekstra sets as a standard level. Potential investors should be aware that there is the human capital in Serbia, but simply high wages will not make people give their best. Workers need to feel devoted and responsible."

Over the last year Mr Djuric has diversified the Zekstra Group by acquiring another six businesses. A broad portfolio, network of partners, strong distribution channels and ethical corporate values make Zekstra a benchmark for investors in Serbia. According to Mr Djuric, "Investors have to finally realise that the 'bad' Serbia is in the past, and the true, real Serbia is now open and welcomes them."



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Delta Holding

Delta Holding, Serbia's third-largest enterprise by total revenue, grew by almost 90 per cent last year. It has organised its wide range of thriving businesses into four units: Delta M, Delta Sport, Delta MC and Delta Generali Insurance.

Starting in 1991 as an exporter of frozen fruits and wood products, Miroslav Miskovic – the visionary owner of Delta – has built a business empire with a turnover of around €1.4 billion and 16,200 employees in 2006. Delta Holding is the ultimate testimonial of the potential for investment in Serbia.

Vice President of Delta Holding Ivana Veselinovic is also managing director of its largest company, Delta M. She believes that Serbia offers outstanding opportunities for international investors.

“Like all companies in Delta Holding, Delta M – involved in agriculture, retail sales, distribution, real estate and financial services – has formed productive partnerships with leading international firms including Pioneer, Unilever, BASF and more,” she says. “Delta M has established its own chain of supermarkets, the Maxi stores, and represents many prominent international brands.”

Ms Veselinovic adds, “International and British businesses are greatly surprised to discover the benign investment environment in Serbia. Its economic growth rates are much higher than in other countries, the political situation is stable again and the government has adopted new laws supporting investors. Serbia also offers the advantages of a strategic location and a young, talented work force.”



Ms Ivana Veselinovic
Vice president of Delta
Holding and CEO of
Delta M Group



Ms Veselinovic believes Serbia's key geographic position combined with its advantageous trade agreements and strong history of trade relations creates unique incentives for investors to select Serbia for their regional production facilities. Known as a pioneer in Serbian business, Delta uses the momentum of the CEFTA agreement and has once again led the way by forming the first large-scale cross border business partnership between Serbia and Croatia.

“International and British businesses are greatly surprised to discover the benign investment environment in Serbia.”

“For Delta the whole idea of Mr Miskovic was and still is to be the first,” explains Ms Veselinovic. “Our partnership with Agrocort is a logical step outside the borders of Serbia. Now we can offer to our global partners our regional expertise, network and logistics not only for Serbia but for the CEFTA region.”

Having such a diverse and successful business portfolio provides Delta with exposure to many high potential sectors in the Serbian economy, from chemicals to insurance to automotives. “Real estate and financial services are our new focus and the company plans over €1,205 million in real

estate investments,” according to Ms Veselinovic. “These include the exclusive Delta City and the first funfair of its kind. We are now negotiating various joint ventures with interested global players. Yet Delta is committed to maintaining full control over its core businesses in agriculture and retail.”

Delta has initiated the idea of forming a business ecosystem, which together with its partners and related businesses will increase the amount of Serbian products on the shelves in the region. According to Ms Veselinovic, “We will become the national company in our role to lead the country to internationalisation, by continuously aiming to increase knowledge transfer from successful foreign companies.”

At the same time Delta Holding remains committed to community and youth activities. It has even established a management school, the Delta Academy, and offers lucrative career prospects to its capable graduates.

Ms Veselinovic predicts continued strong growth for Delta Holding, and encourages international investors to investigate opportunities in Serbia. She concludes, “Delta will continue to develop joint venture partnerships with international players. We have a strong strategy and aim to be a regional leader as well as moving into new fields of development. Delta is now a brand in Europe and with our Croatian partner Agrocort, the next step is the London Stock Exchange in 2008.”

We built the system.

Member companies of Delta Holding are engaged in production, retail, export, import with representation of foreign companies, distribution, as well as in financial brokerage, real estate development and insurance activities.

Delta Holding's turnover in 2006 amounted to €1.4 billion with the 2007 estimate expected to be €1.8 billion. Delta Holding has 17,000 employees.

Delta Holding is comprised of:

Delta M Group, Delta Sport, Delta MC and Delta Generali Insurance.

DELTA HOLDING
www.deltayu.com

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Delta Generali Insurance

Mr Nebojsa Divljan
Chairman of the Board and CEO Delta Generali Insurance

Delta Generali Osiguranje is the biggest private insurance company in Serbia, serving 510,000 customers. With its headquarters in Belgrade and 35 branch offices nationwide, Delta Generali Osiguranje had total premiums of €54 million, as well as €60 million of assets under management in 2006.

Delta Generali Osiguranje started up in 1999, under the name Delta Osiguranje, when Delta Holding decided to enter into the insurance sector. At that time, the group already played a large part in the national economy and was the only newcomer able to take over the firm's large corporate accounts.

Having started as a corporate insurer, in 2000 Delta Generali Osiguranje established reinsurance company Delta Re, and in 2001 launched its life products. These were new to the market and helped establish the firm's reputation as an insurer offering innovative, quality solutions.

According to Chairman of the Board and CEO of Delta Generali Insurance Nebojsa Divljan, "We started to grow after the political turnaround, in 2001 and 2002. The growth was rapid, although not that impressive by European standards because the Serbian market was worth only €480 million in total. In 2002 we had a written premium of €5 million, and in 2006 it was €54 million."

The signing of the contract between Generali Group and Delta Holding in March 2006, led to Assicurazioni Generali becoming the owner of 50 per cent plus one share of Delta Osiguranje. This partnership has marked the debut of one of the leading international insurance companies in the Serbian market. Following this agreement between Delta Holding and the Generali Group, Delta Osiguranje changed its name to Delta Generali Osiguranje.

By becoming a member of Generali Group, Delta Generali Osiguranje gained access to significant knowledge and technology transfer from one of the world's biggest insurance companies. Mr Divljan comments,

"Generali has a 175-year long tradition and does business across five continents. It has 112 insurance companies, and 119 financial and real estate companies in 41 countries around the world, with an amazing number of 65,000 employees."

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After the pension reform in Serbia, and when the country adopted the pension fund law in 2006, Delta Generali

Osiguranje founded the first private pension fund in the country. Today Delta Generali Osiguranje, with its reinsurance and pension fund, is a provider of total insurance solutions. It is an expert in serving the needs of national companies, while able to access innovative solutions from around the world. This has been very beneficial for its customers in Serbia.

Delta Generali Osiguranje is a specialist in every customer segment: commercial and corporate, each providing non-life, life and pensions. This meets people's need for savings products, and very soon the average Serbian client will require the same level of insurance services that exist in other European countries.

Delta Generali Osiguranje has two strong shareholders. The first is Generali, which operates in many countries around the world, and has expanded into Central and Eastern Europe. The second is Delta M, which has a clear strategy to be a regional leader. The natural conclusion from these two shareholders is that Delta Generali Osiguranje will also look at opportunities for regional expansion.

Delta Sport

Mr Goran Karic
CEO Delta Sport Balkan

Delta Sport Group was founded in 1993, focusing on trade, retail sales and wholesale in the sport and fashion industry. Delta Sport Group comprises two separate profit units: Delta Sport Balkan and Delta Sport CIS.



Mr Goran Karic
CEO

Although running its businesses in two different markets at the same time – the Commonwealth of Independent States and the Balkan region including Serbia, Montenegro, Macedonia, Bosnia and Herzegovina and Albania – the company operates as a whole. It is able to successfully apply contracts from one region to another, and implement company policy across multiple markets.

Delta Sport Balkan is headquartered in Belgrade. Delta Sport, as part of Delta Holding, implements modern business principles in the markets of Serbia, Montenegro, Bosnia and Herzegovina, Macedonia and Albania. The company's core business is the import and distribution of sports and fashion brands.

Delta Sport is the exclusive distributor for Nike in the Balkans and the leading sports retail chain. The main directions for Nike brand development in the Serbian market are Nike Performance, Nike Sport Culture, NikeWomen, NikeFootball and Nike Kids.

According to Delta Sport Balkan CEO Goran Karic, in the domestic market Delta Sport and Nike have signed contracts with the Serbian National Football Team, the Red Star football club, the Meridian Super League, Dejan Stankovic (the Serbian National Team captain), the 12 best players in the Meridian Super League and the Mini Maxi league. Most of the leading football clubs play in Nike sportswear, while most successful players wear only Nike boots.

Mr Karic explains, "Constant communication with customers has contributed immensely to the success of the Nike brand in the domestic market." According to Synovate agency research, Nike was the most influential brand in Serbia for 2006. In 2006, Delta Sport was also awarded a prestigious prize for being the

"Delta Sport Balkan has realised its top position by operating successfully, attaining its objectives, and differentiating its retail outlets."

best Nike distributor in Europe, Africa and Middle East.

"Delta Sport Balkan has realised its top position by operating successfully, attaining its objectives, and differentiating its retail outlets," says Mr Karic. "This has resulted in new stores such as NikeWomen, NikeFootball, Nike Kids and Buzz."

In 2001 Delta Sport entered the fashion retail business, signing a franchise contract with Dutch fashion brand Mexx. In 2005, the company became the Serbian franchise partner of Zara, part of the Inditex group.

Today the company's sports wholesale network comprises 100 partners, while its sports retail portfolio includes 24 stores and four fashion retail stores. In 2005, after years of experience and tremendous success in the sportswear market, Delta Sport developed and launched its own sportswear brand, Addition.

In 2007, Delta Sport will open up the first stores of other Inditex brands in the Serbian market. Besides its sports and fashion retail business, Delta Sport has recently signed a franchise contract with Costa Coffee – the second biggest coffee shop retail chain worldwide – and will open up the first Costa Coffee stores in the Serbian market in 2007.

Delta Sport aims to maintain its leading market position by implementing modern business principles, cultivating and maintaining fair and professional relations at all levels – especially with customers – and maintaining a conscientious and responsible way of running its business.

The company takes a long-term approach to its objectives, powered by the retail network expansion of its sports and fashion businesses. The future development of Delta Sport, says Mr Karic, will focus on expanding its retail units regionally.





Dis

Dis, originally known as Diskomerc, is a family business with an impressive track record of growth. It has just risen in ranking to become the fifth-largest trade company in Serbia – up from eleventh place – and is highly respected for the quality of its goods and services.

Owner and president Zoran Tirnanic founded Dis in February 1991. The firm specialises in the wholesale trade of food products, cleaning products for the home, beverages, delicatessen goods and dairy food products. Dis has relationships with more than 500 key manufacturers and other wholesale distributors.



Zoran Tirnanic
Owner and president

Strategic location

The company's location in the heart Serbia has proven to be a great advantage. Dis is situated 50 miles from Belgrade, on the road to Smederevo. The company has a strategic location close to the E75 – the major road network in Serbia. This enables Dis to provide warehousing and distribution coverage for the entire country.

Altogether Dis has five warehouses with total available space of 14,400 square metres. Within these warehouses, more than 10,000 products are stored in five fully automated sections. According to Mr Tirnanic, keeping abreast of the latest technology is the Dis difference. He explains, "The secret to our success is constantly applying new technological trends, in line with western European models."

State-of-the-art IT system

Dis has invested in one of the most comprehensive and modern IT systems in Serbia. This use of technology has eliminated paperwork. Instead there are 90 handheld terminals, capable of conducting more than 50 different operations, and transmitting information to a central database. Data processing is done by modern SQL, and a wireless network operates throughout the company. This makes it very simple for Dis to work with large amounts of data.

Mr Tirnanic explains that this IT system is not merely efficient, but accurate and tailored. "Dis has created a custom-made system that is designed to complement the mentality of the Serbian market, which is extremely effective," he says. "The IT system is so specific it would not give the same results in a competitor's company, as it is completely custom-made for our customers and suppliers."

Modelled on international business practices

Taking an international approach has also paid dividends. Mr Tirnanic has adopted a vertical integration strategy, entering Dis into franchise agreements with retail outlets that benefit from the company's strong brand and business model. For Mr Tirnanic, this is the natural way to proceed. "We are not really innovating anything, but simply following the most successful international practices with hard work and motivation," he points out.

By modelling itself on international best practices, Dis continues to be a great achiever. Moving from its eleventh place



Dis

to fifth place ranking among Serbian trade companies is proof of this achievement. Dis also has an unrivalled reputation, and is generally regarded as the best wholesaler in terms of its level of goods and services in Serbia.

Potential partners and investors sought

International investors looking for a mutually beneficial partnership would do well to consider Dis, with its expertise in the local market, knowledge acquired over many years, and state-of-the-art warehousing and distribution network. Any partner could also capitalise on the goodwill created by Dis's strong brand name and market position.

"The IT system is so specific it would not give the same results in a competitor's company, as it is completely custom-made for our customers and suppliers."

For Mr Tirnanic, the key factors that Dis can offer an international partner are financial stability and integrity. He says, "Our reliability and trustworthiness has already been recognised, as we have a permanent contract with key international companies Dell and IBM."

Mr Tirnanic himself is a dynamic leader with drive and vision, who has ambitious plans for the future. Any potential partner would have to share that mindset, as well as being a leader in their own field. Dis would be interested in joint ventures, cooperation and partnerships with any suitable companies looking at the Balkan region.

Growth strategy for further success

For the future, Dis plans to open a new cash and carry outlet in Smederevo (Dis has already opened the c&c in smederevo, which has been up and running for almost 5 months), as well as expand its retail operations and develop further international partnerships. Dis will open four retail outlets by 2008, and six by 2009, focusing on retaining the same quality distribution system. For Mr Tirnanic, "My long-term vision of the company is a family business which will be carried on by my two sons."

Dis remains driven and brand-oriented, with a strong name in the local market. It is both quality-focused and an example of a local business following ethical business practices in line with modern European standards. As Mr Tirnanic comments, "Work and effort will prove themselves."



Bomex



Refractory materials

Steel products

Shipyard

Construction

Acclimatization and heating

www.bomex.co.yu

Bomex

The Bomex Group, founded in 1922, illustrates the potential of the Serbian market. The company specialises in the production, marketing and sales of high-quality refractory materials and steel products, and achieves an annual turnover of €100 million. Having grown steadily over the years, Bomex became an international corporation in 1992 and today the Bomex Group includes a network of integrated companies in Serbia (Belgrade), Montenegro (Herceg Novi and Kotor), Macedonia (Skopje and Pehcevo) and Russia (Moscow and Lipetsk).

Milan P. Bjelic, owner and president of the Bomex Group, explains that Bomex has reached western European levels of productivity and that he anticipates an annual increase of at least 20 per cent in the group's turnover over the next three years. Bomex aims to become one of Europe's top producers of refractory materials, and Mr Bjelic envisions listing Bomex on the London Stock



Milan P. Bjelic
Owner and president

Exchange in the near future.

Bomex has recently launched a project that is considered one of the best investment opportunities in Serbia at present: the company is building a shipyard near Belgrade in partnership with Serbian Investment Export Promotion Agency (SIEPA) and a number of banks. "We have already signed a contract with the renowned French firm Compagnie Française de Navigation Rhénane to build four barges to transport goods to Europe," Mr Bjelic explains. The fact that the French firm signed the contract with Bomex even before the shipyard was built, reflects Bomex's reputation for exceptional performance and reliability. Mr Bjelic adds that Bomex sees huge potential in new greenfield projects in Serbia to produce goods for export to Russia. Such projects offer an outstanding opportunity for international partners, since Bomex is particularly well placed to take

Bomex sees huge potential in new greenfield projects in Serbia to produce goods for export to Russia.

advantage of the tremendous growth prospects the Russian market offers. "Companies cannot lose, as the market potential is huge," Mr Bjelic comments. "It is important for international investors to realise this potential, by collaborating with the right partners and capitalising on local strengths."

DIS

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Bomex is certainly the right kind of local partner for European investors. It has managed to succeed in a free-market economy without having been given any special privileges, and has always emphasised dynamic growth strategies and human resources. Mr Bjelic says, "It is essential for companies to employ the right people, and like a soccer player, there is no limit to the amount of money to invest in them."

The Bomex group has established a reputation as a highly skilled designer and developer of specialised refractory linings for various aggregates, and the Bomex factory in Pehcevo, Macedonia produces a wide range of refractory materials that Bomex exports to Russia, Bosnia and Herzegovina, Macedonia, Bulgaria, Greece, Montenegro and other markets. Bomex's refractory materials are employed in ferrous and non-ferrous metallurgy plants, cement plants and thermal power plants, as well as in the lime and glass industries in many countries. Bomex also produces steel products at its plant in Montenegro and is the key partner of Mittal Steel – Steel Mill Zenica, located in Bosnia and Herzegovina.

Thanks to a winning combination of high standards, innovative strategies, financial stability and a well-developed network, Bomex has positioned itself as the ideal partner for investors seeking opportunities in Eastern Europe, Russia and beyond. Mr Bjelic explains, "We have a strong market position concerning marketing and sales of both refractory materials and steel products, and our development strategy is based on our well-established business links with Russian steel mills, which are Europe's chief consumers of refractory materials, as well as our long-standing business ties with the Mittal Steel – Steel Mill Zenica."

Mr Bjelic believes strongly in the future of Bomex and of Serbia. He cites the positive experience of U.S. Steel in Serbia as just one example of an international firm that has prospered there. "Not a single foreign investor that has come to Serbia, has left Serbia," he points out. As for the future, he says, "At Bomex, we will continue our development and strong healthy progress, through a combination of production and trade, with a focus on exports to reach €1 billion turnover by 2012."

Siepa

The Serbian Investment Export Promotion Agency (SIEPA) was founded in 2001 by the nation's first democratic government. SIEPA is a one-stop shop that promotes foreign direct investment (FDI) and boosts Serbian exports abroad. Director Jasna Matic explains, "We are committed to promoting Serbia in a positive light for investment."

An assessment of investment agencies in developing countries by the World Bank Group (MIGA) ranked SIEPA in the top eight among

114 surveyed, with a score of 71.5 per cent. SIEPA continues to work successfully with companies across multiple sectors.

Among its successes is Gorenje, a Slovenian home appliance firm that is now a key example of a successful foreign investment in Serbia. Among small and medium-sized enterprises (SMEs), another success story for SIEPA has been Manual Company. It manufactures leather products with a lifetime guarantee, achieving exponential growth, and has recently been selected as a key partner for Averix.

Gorenje

Certain brands in Serbia have achieved international recognition, and Gorenje Beograd is one. It is currently the seventh largest domestic appliance manufacturer in Europe, with a four per cent market share, and expects to be in the top five European manufacturers within five years.



Marko Mrzel
General manager

Gorenje Beograd is a subsidiary of the Gorenje group, which comprises 47 companies. These businesses are split between household appliances, home interiors, and trade and services. Among its awards, the Gorenje group has won the International Partnership Award 2006, and the Manufacturer's Award 2006.

Marko Mrzel is general manager of Gorenje Beograd. He describes the company as a domestic brand

with a European orientation, with highly skilled employees and strong customer relationships. Gorenje Beograd is focusing on expansion, and opened a new production plant in November 2006.

"Our vision is to become the most original, design-oriented trendsetter in home appliances in the world."

"Our vision is to become the most original, design-oriented trendsetter in home appliances in the world," says Mr Mrzel. "We are strongly focused on enhancing user satisfaction and creating environmentally friendly products for home use."

He is convinced that attracting foreign direct investment in the form of green-field investments is the best way forward for Serbia. The

gorenje

Gorenje d.o.o. Beograd

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Gorenje group has been a pioneer in this type of investment for industry, and is an ideal showcase to highlight the potential for investment in Serbia. "It is important for potential investors to receive first-hand information about the market from companies such as Gorenje," says Mr Mrzel.

The Gorenje group also continues to place a strong emphasis on corporate social responsibility and is very environmentally aware. "The more investment which comes to Serbia, the better wealth is created for the general public," says Mr Mrzel. "It is a privilege to have been in Serbia for a long time. Our emphasis is on sustaining our market share and improving the quality of life in Serbia."

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PHARMACEUTICALS & CHEMICALS

The health sector is eyeing significant opportunities as market widens

Interview with Tomica Milosavljevic, Minister of Health



Tomica Milosavljevic
Minister of Health

"In the last 15 years we didn't have any investment in infrastructure, clear regulations on quality insurance, licences and strategy were insufficient. We have a huge network of health institutions which are state owned. We did a deep analysis in the health insurance funds and we discovered serious debts and lack of significant financing insurance – based on Serbian legislation that every citizen is covered by insurance. Key challenge not only

for the health sector but the whole economy in that respect is the dependency rate: there are 2.7 million employers in Serbia providing for the overall population of 7.5 million citizens with total coverage.

Until this moment we were working on stabilizing the sector, eliminating inefficiencies and setting a solid base for future developments. Now together with the World Bank we are restructuring 4 pilot hospitals and emergency interventions in 15 hospitals as well as carrying out a new energy efficiency program in 17 hospitals.

Quality insurance, individual licensing and legislation base is set. We are doing much on changing the financing of the system towards output-based rather than the previous input-based. Our ambitious plan is to reach the level of the EU at each key dimension by 2011. We have our strategic orientation to increase private participation in providing services to citizens. The pharmaceutical sector has an output of €400 million each year. Galenika is the only state owned company with 25-30

per cent market share. The company has been restructured, all debts have been paid and it is now very efficient and market driven.

We have 2009 as a deadline for harmonization of the market regulations and adopt all procedures. The environment is now there for foreign investors to step in but of course investors need to be aware that they will have to invest, be patient and work together with us and the other institutions to develop the sector and earn their gains."

Veterinarski Zavod Zemun

Pioneering owner of the Zekstra Group, Dragan Djuric, has acquired six other Serbian businesses. Among them is Veterinarski Zavod, the Veterinary Medicine Institute of Zemun, founded in 1938 and a long-term leader in its sector. In February 2005, the Zekstra Group took a 70 per cent stake in the company and has rejuvenated it while also maintaining its well known commitment to high quality and integrity.

Mr Djuric took on a business with an iconic name across the former Yugoslavia, but one which was sorely lacking in facilities and updated know-how. Previously a Europe-wide exporter, the Veterinary Medicine Institute of Zemun had a strong brand name but needed investment. Mr Djuric and his team brought in new skills, initiated education and training programmes to make sure that all staff members were brought up to date on new developments in their fields, and promoted synergies and partnerships through every aspect of the business, from production to consumers. Following the restructuring programme, the company's profits have risen 15-fold.

The Veterinary Medicine Institute of Zemun specialises in three main areas. It is the largest producer of biological products for veterinary use across the former Yugoslavia, with a portfolio of around

50 items. In chemical and pharmaceutical production it has around 80 product lines. The company was also the first producer of animal feed and supplements in the Balkans, and today its production capacity for animal feed and food supplements has reached 120,000 tons annually.

Mr Djuric describes the firm as a company with a great future. Its location is another key asset, next to the River Danube and the corridor 10 motorway, just ten minutes from central Belgrade. The company is also surrounded by parkland with over 800 protected trees. "The Veterinary Medicine Institute of Zemun will be among the top five or six companies in Serbia by next year," he indicates.

The business plan that Mr Djuric has developed allocates €50 million in investment into the Veterinary Medicine Institute of Zemun, and the right kind of partners are welcome to participate in this high potential venture. "We are interested in working with investors, but only the "right" investors," says Mr Djuric. He concludes, "Hence we are focused on efficiency and profitability, for that makes us the partner of choice to the strongest investors."

"We are focused on efficiency and profitability, for that makes us the partner of choice to the strongest investors."

Mr Djuric encourages investors to view his successful projects as a reflection of Serbia's growth potential, and he urges them to take a look at the new Serbia for themselves. "Investors should not be concerned about risks, because the system that business needs is working," he explains, adding, "Every day that investors stay out of Serbia is a loss for them. Come here, and let's develop business and the country together."



Vetfarm

The distribution, wholesale and retail of pharmaceutical products and medical devices has been the speciality of Vetfarm for more than 50 years. One of the largest suppliers to the Serbian healthcare system, it has long-term partnerships with clinics, hospitals, health centres, doctors and pharmacies. Through its companies in the Republic of Srpska and a joint venture based in Pristina it is continuously present at the market of these regions, Bosnia and Herzegovina as well as in the market of Kosovo and Metohia

Managing director Dr Zeljko Dobric leads a team of 250 employees, of which 25 per cent have a university qualification in a branch of medicine. The company continues to invest heavily in an efficient logistics and distribution system, and there is also a state-of-the-art IT platform at Vetfarm.



Dr Zeljko Dobric
Managing director



Vetfarm

Mr Mihailo Tomic, who used to be managing director of Vetfarm for many years, made a big contribution to strong growth in recent years. Vetfarm has ambitious plans for the future but remains quality-focused. It already has the ISO 9001 certification and is audited by Ernst & Young, both signs of this commitment to quality. "We are fully committed to ethical business practices and continually comply with all market regulations," says Mr Dobric. "In the next few months we will increase our network of partners and invest significantly into the expansion of our buildings in Nis, Pozega and Subotica."

"In the next few months we will increase our network of partners and invest significantly into the expansion of our buildings in Nis, Pozega and Subotica."

In the long term, Vetfarm would like to expand the business through international partnerships with multinational pharmaceutical manufacturers. It can offer these manufacturers the opportunity to have their goods distributed throughout Serbia, Bosnia and Herzegovina, Kosovo and Metohia. Vetfarm has the capacity to increase its product assortment by 100 per cent, with total storage facilities of over 15,000 square meters in six regional sites.

Mr Dobric is also interested in alliances with manufacturers of non-drug products that may be interested in the region. "The quality of goods as well as quality of service is paramount to the continual development and expansion of Vetfarm," he says, adding that this is a new beginning for Serbia where its unlimited potential for international investment can be realised.



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Zdravlje Actavis

Serbia's pharmaceuticals sector has been targeted by the government as one of the country's key sectors, and a number of incentives have been created to encourage foreign investment. Zdravlje Actavis is an outstanding example of the potential of Serbian pharmaceuticals.

A former public company, Zdravlje was acquired by the Iceland-based Actavis group in 2002 and is one of Serbia's most successful privatization initiatives to date. Actavis has invested significantly in the company by now around 27 million Euro and investments will grow to 31 million Euro by the end of 2008.



Goran Stojilkovic
Managing director



Zdravlje Actavis

Zdravlje Actavis now produces more than 200 pharmaceutical preparations and is constantly adding to its portfolio. In addition, the company is expanding into regional and international markets.

Mr Goran Stojilkovic, managing director, is regarded as a visionary leader who instills strong corporate values in his management teams and employees. "Our company illustrates how synergy can be created through a combination of foreign capital and strong local talent and expertise. Zdravlje Actavis serves as a testimonial for potentials within Serbia as the company was transformed to achieve 50 per cent growth in production volume and value in only four years," he says.

Zdravlje Actavis adheres to the most stringent international standards and has been certified ISO:9000,14001; it aims to receive ISO 18001 certification by the end of this year. The company has been performing so well that in 2006 it produced 18 per cent more than projections.

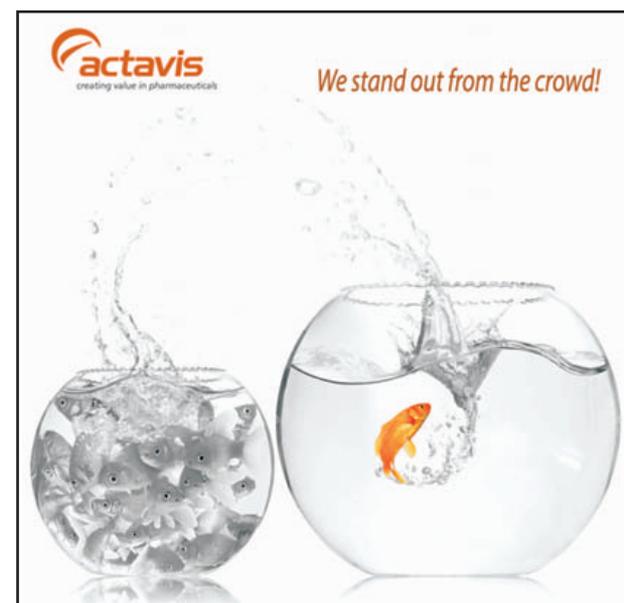
Over the past four years, Zdravlje Actavis has also dramatically improved its customer service rating so that now 98 per cent of its customers say they are satisfied with its services. In addition, the company has implemented state-of-

"Actavis is committed to Serbia and has invested far beyond its obligations according to the privatization agreement. People are naturally afraid of the unknown, but investors have to be brave just like Actavis was. There is huge potential here."

the-art infrastructure, including SAP software, and a production facility that employs the latest technologies.

"Actavis is committed to Serbia and has invested far beyond its obligations according to the privatization agreement," Mr Stojilkovic says, noting that, far from suffering from labor problems as a result of privatization, the company is now considered one of Serbia's most desirable employers. He adds proudly, "Actavis is recognized locally and internationally for its outstanding quality. No recalls, no back orders."

Mr Stojilkovic encourages UK investors to target Serbia. He concludes, "People are naturally afraid of the unknown, but investors have to be brave just like Actavis was. There is huge potential here."



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ECONOMY

Minister of Economy and Regional Development Mladjan Dinkic is focusing on completing the reform of the real estate sector by next year, and increasing the role of the private sector. He points out that Serbia enjoyed significant achievements during 2006 and has attracted US\$ 4.5 billion in foreign direct investment.

The signing of the CEFTA agreement is an even greater incentive for investors, giving them access to a market of 55 million people," he says. "Now as Serbia's unique trade agreement with Russia is scheduled to be ratified this year, more and more companies are coming here solely to have access to this market. Serbia also offers numerous other incentives. It has one of the lowest levels of corporation tax at 10 per cent, along with decreasing labour costs."

Serbia is currently subsidising green field investments, giving investors US\$ 2,000 to US\$ 10,000 for every job they create. This is a similar model to that used in Ireland to create the "Celtic Tiger" economy, and Serbia hopes to attract US\$ 3-5 billion next year.

Mr Dinkic explains, "We have some top companies investing here such as Michelin and U.S. Steel, but that is still not enough. Multinationals increase the level of international exports, and we want to

balance this with employment. Our main goal is that the multinationals coming to Serbia will use our small and medium-sized enterprises as suppliers, thereby increasing employment."

He adds, "We still have some companies left to privatise, however green field investments are the only way for further growth. The unique advantage of Serbia in the region is its strategic position. Our main goal is to finish the Corridor 10 highway, which will decrease transport costs to the EU."

In terms of tourism, the Ministry of Economy and Regional Development would like to implement the strategy that is in place. Mr Dinkic wants to attract private and foreign investors to modernise spas, and would like to develop Belgrade tourism around the MICE (meetings, incentives, conferences and exhibitions) sector. He sees the role of the Ministry of Economy and Regional Development as attracting more international hotel chains and privatising many hotels, which is necessary to achieve sustainable growth in tourism.

Serbia aims to build its national brand through the adoption of EU standards, and further programs to introduce these standards. Looking to the future, it plans to produce Serbian brands and promote them for export.

The next key achievement for Serbia will be to finish the process of transition in the next three years. "Becoming an EU member is essential and we must compensate for time lost," explains Mr Dinkic. "Now we have a balanced budget, a majority democratic government, and GDP growth forecast at between seven and eight per cent. We must improve the efficiency of the legal system, fight corruption and abolish all administrative barriers, as well as increasing employment, all of which will lead to faster growth."

Mr Dinkic would like to invite all serious investors to Serbia. He explains that the cost of entry is currently much lower than it will be in a few years.

American Chamber of Commerce (AmCham)

The American Chamber of Commerce (AmCham) in Serbia is an organisation that is leading change. According to former President Eugenio Sidoli, "We believe in change very much, and it is the key word for transitioning this country and helping it achieve its best potential. The role of our members is to support this change."

All of the largest investors in Serbia are members of the AmCham, which helps private business to develop and positively influences the regulatory process. The AmCham is both an advisor and partner to the government, and a repository of best practice. Its member companies share knowledge and experience, both with each other and at all

"We believe in change very much, and it is the key word for transitioning this country and helping it achieve its best potential. The role of our members is to support this change."



levels of government, bringing valuable training and knowledge to Serbia.

The AmCham promotes the US and European way of doing business: an open, fair and competitive environment, a level playing field, regulations that do not inhibit business, transparency and compliance. "Serbia is a country with huge potential," says Mr Sidoli, "and the new government should continue to unleash this by working to develop the investment environment."

The Foreign Investors Council (FIC) was established by major foreign investors in Serbia, working as an intermediary between the government and private business. President Budimir Kostic supports the government programme to improve Serbia's infrastructure and electricity supply.

The European Agency for Reconstruction (EAR) in Belgrade is keen to help develop the Danube, so that Serbia can capitalise on its potential as a service hub for the region.

EAR President Daniel Giuglaris says, "The agency has dedicated over €40 billion into restoring and rebuilding the energy sector and restructuring the energy market to become self-sufficient. For the waterways, EAR in cooperation with the EBRD and the government are setting up several investment projects to develop those river arteries as key economic assets for the country."

Security Consultancy & Partners International (SCP)

Security Consultancy and Partners International (SCP) illustrates the outstanding potential of the fast-growing Serbian economy. Certified ISO 9001:2000 since 2005 and also certified by TUV Management GmbH, SCP doubled its turnover to reach €3.6 million in turnover in 2006.

SCP provides a full range of security services, including personal protection and asset security, secure transport of assets and valuables, electronic protection, fire protection, staff training and security consulting.

Employing the latest technologies, state-of-the art equipment, stringent staff screening and state of the art training programs, SCP offers the kind of world-class security services that international companies and executives require. It is the only company in its sector to be a member of the American Chamber of Commerce in Serbia, which is the reflection of the company's international perspective.

The Belgrade-based company is now present in over 45 cities in Serbia. Its client list includes visiting and local VIPs, banks, embassies, leading local and international companies, factories, sports institutions among others.

"Investors can double their turnover in Serbia, and SCP International is a living proof."

Tahir Hasanovic, SCP's president, is a trained physicist who saw opportunities in the security sector in Serbia. He attributes his company's success to hard work, high-quality staff, professional standards and customer service. Now ranked among Serbia's top three companies in its sector, SCP believes in its slogan, "Security is a privilege".

Mr Hasanovic is an enthusiastic supporter of Serbia and urges UK companies to follow the example of other international firms and investigate investment opportunities in his country. "Serbia is a crossroad and a leader in the region, and is quickly adopting EU standards in every aspect of the business environment," he points out, adding, "International partners are essential for Serbia, and Serbia is very open to new partners and new markets. It offers a transparent and free open market."

Citing the country's many strong points, Mr Hasanovic believes that Serbia's young people are its most important asset, and he favors increased investment in infrastructure, energetic complex and education for the continuous development of the economy. "There are huge potentials and good profits in investments for education," he adds.

To UK investors, Mr Hasanovic concludes, "Foreign investors should not hesitate to come to Serbia. You can double your turnover in Serbia, and SCP International is living proof. We are doubling our turnover every year!"



Security Consultancy & Partners International

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Lafarge Cement Serbia

Lafarge Cement Serbia has been a pioneer in several areas. As well as being the first French investment in Serbia, it has been one of the first companies to undergo the privatisation process. Lafarge Cement remains an international company operating successfully and continuing to invest significantly in Serbia, taking a long-term view.

Lafarge Cement is contributing to Serbia's sustainable growth by helping small and medium sized enterprises (SMEs) to develop by utilising the services of its business park. Director Kamil Beffa explains that the Beocin Business Park is a corporate social responsibility project initiated by Lafarge Serbia.

"The business park is a non-profit project with all the advantages of cheaper land and shared services, which are passed on directly to the investor," he says. "It is located in the region of Vojvodina, the most developed business area in Serbia, which offers direct access to a highly skilled low-cost labour force."

This business Park recently launched offers up to 124 acres of land in a prime location with direct connection to the existing harbour at Danube, and very close to the international Corridor no. 10 – highway and railway. The infrastructure is fully developed, facilitated with gas, electricity and telecommunication. The business park offers a shared service centre providing business and technical services to possible investors, as well as administration and manpower support. In addition it can also provide investors with an in-depth view of demand in Serbia's domestic market.



Kamil Beffa
Director

"Serbia is a growing market with a positive growth rate expected for this year, which is higher than in central eastern European countries and far higher than the EU-Euro zone."

Mr Beffa points out that the park will provide reassurance and advice to SMEs on recruitment, training and performance evaluation, as well as providing a shared service centre. "We want investors to know that Beocin Business Park can provide them with all of their needs as a total solution provider," he says. Companies that could benefit from the park include those in the construction and building materials, and production and manufacturing sectors, as well as companies needing well-developed logistics.

Mr Beffa explains that it is important to communicate the unique advantages Serbia can offer to investors. "Serbia is a



growing market with a positive growth rate expected for this year, which is higher than in central eastern European countries and far higher than the EU-Euro zone," he comments.

"Serbia also benefits as it is the only country in the region which maintains a Free Trade Agreement with Russia. The business park's harbour at the Danube River creates the basis for perfect logistics to and from Russia on the Danube waterway via the Black Sea."

Looking to the future, Mr Beffa outlines his vision for the future of Serbia's economic development. He says, "We are very positive about the continuous growth of the economy. We expect to see significant changes in infrastructure, the further implementation of legal reforms, as well as a significant increase in foreign investment."

U.S. Steel Serbia

U.S. Steel Serbia illustrates the potential of the Serbian economy, and the company's experience in Serbia has proved that the Serbian government is committed to providing the services and infrastructure international companies need.

U.S. Steel Serbia's general director Douglas Matthews explains, "Global companies are reticent about investing millions of dollars to build or modernize facilities in countries that cannot provide the necessary infrastructure to support high-performance operations, such as those we have at U.S. Steel Serbia."

"The Serbian government is to be congratulated for its recent efforts to develop plans to improve the country's infrastructure, particularly natural gas projects. Still, there are many issues that Serbian authorities must resolve in the near future, in order to make preconditions for further investments," Mr Matthews points out and adds that he would like to see "accelerated realization" of these plans.

Supportive government

Mr Matthews believes that Serbia has the capacity to become a regional economic leader and hub for various types of economic activities, and that the government needs to focus on swift implementation of the many key projects now underway in the country that would further support international investment.

Mr. Matthews notes that U.S. Steel's experience in Serbia has been positive concerning the support the company has received from the government. "An example of this is how the government has established a customs office at our plant to help us quickly ship our products to the customer. This has allowed us to be more efficient and allows our customers to be more cost effective, as inventory at a supplier's plant or customer's facility is very expensive," he says. Mr Matthews believes that support of the Government toward foreign investors must continue and that necessary regulations that are still on hold must be adopted as soon as possible. "That will enable further economic development of Serbia," Mr Matthews said.

Economic Development Center serves foreign investors

International investors demand a stable, world-class regulatory environment and other incentives for investment so that companies can efficiently establish business operations.

To this end, U.S. Steel Serbia has established an Economic Development Center devoted to promoting business-friendly legislation and new regulations that would simplify and expedite the process of setting up and running a business in Serbia. The Center welcomes contacts from foreign investors. "We have our doors open to inform



Douglas Matthews
General director

investors about how we have overcome challenges and the progress we have made here in Serbia," Mr Matthews says.

Strongly committed to Serbia's long-term future, U.S. Steel Serbia is serving as an example for local companies concerning the importance of maintaining international standards. "We feel we have already achieved significant

results in terms of increasing the level of safety which is consistent with U.S. Steel corporate standards, as well as with our Business Ethics standards that are well accepted by our local suppliers," Mr Matthews says.

Education a priority

Mr Matthews believes that one of Serbia's key strong points is its young workforce, and he comments that Serbia must place significant emphasis on education and training to prepare its young people for the competitive global marketplace of the twenty-first century. He says, "It is imperative that we capitalize on the innate intelligence, enthusiasm, and creativity of Serbia's young people. It is our generation's responsibility to prepare today's youth for global achievements and leadership, as these children are Serbia's future." Putting this belief into practice, U.S. Steel Serbia supports a number of local programs concerning children's health and education.

As for the future, Mr Matthews says the government must continue to emphasize infrastructure improvement, establish new legislation that will promote economic growth, and invest in creating a vibrant, advanced educational system to prepare young people to meet future challenges.

"The government has established a customs office at our plant to help us quickly ship our products to the customer. This has allowed us to be more efficient and allows our customers to be more cost effective."

Advantages of investing in Serbia

To potential investors in the UK, Mr Matthews points out, "Serbia has a robust culture of entrepreneurship, and the workforce shows ingenuity, flexibility and a strong desire to compete successfully in the regional and global market. The Serbian people are working hard to achieve European social and economic integration, with aspirations to become a full and productive partner in the European Union." He adds, "As is the case in many countries and regions around the world, Serbia holds great economic promise; but no business can be conducted without some risk, and Serbia is no exception. However, these risks should continue to mitigate over time as Serbia strengthens its democracy, reforms, and market economy, while forging ever closer links with its European neighbors."

As for U.S. Steel Serbia, it has made a long-term commitment to the local and regional market. Mr Matthews concludes, "We aim to be supplier of choice in the region, and we aim to serve the people of Serbia."



TOURISM

Europcar & Primero

Europcar is the leading car rental company in Europe, active in 145 countries worldwide. It operates in Serbia through the local franchise owner, Primero Rent a car, under the supervision of general manager Stanko Jankovic and sales and marketing manager Kosana Arsic.

Europcar Serbia maintains international standards through its superior service and quality fleet, which is renewed every two years. Mr Jankovic explains, "We treat every client as a VIP by offering them superb personalised service. Our well-educated and professional staff are on call whenever we are needed, 24 hours a day."

"We treat every client as a VIP by offering them superb personalised service. Our well-educated and professional staff are on call whenever we are needed, 24 hours a day."

With many different car categories available, Europcar Serbia can cater to all clients' needs. Its additional services include international one-way rentals to all European countries, chauffeur service, delivery and collection, and meeting clients at Belgrade Airport after office hours. Currently Europcar Serbia has stations at Belgrade Airport and in the Belgrade city centre, with plans to open more nationwide in 2007.

Mr Jankovic would like Europcar Serbia to become the exclusive partner for international companies travelling to Serbia. It offers special products and services for corporate clients, such as long-term rentals and corporate vouchers. He adds that Europcar Serbia also has a close relationship with all major tour operators and internet booking services.



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National Tourism Organisation (NTO)

Serbia is located in the central part of the Balkan Peninsula, on the most important route linking Europe and Asia. It is one of the last undiscovered tourist destinations in Europe, with its bustling cities, beautiful countryside and friendly, passionate people. Still unspoiled by mass tourism, Serbia is now an exceptional destination at an incredibly good value.



Miodrag Popovic
Director

For centuries, Serbia's capital city, Belgrade, has shaped itself on the banks of the Danube and Sava rivers, meandering around its jewel, the Kalemegdan Fortress. Belgrade boasts some of the greatest nightlife to be found anywhere in Europe. The city has a range of museums and galleries for those seeking to enjoy a more cultural experience. Like the rest of Serbia, Belgrade offers a range of restaurants and hotels which, compared to those in most European cities, offer great value. The city was awarded the accolade "City of the Future for Southern Europe" by the Financial Times in the UK.

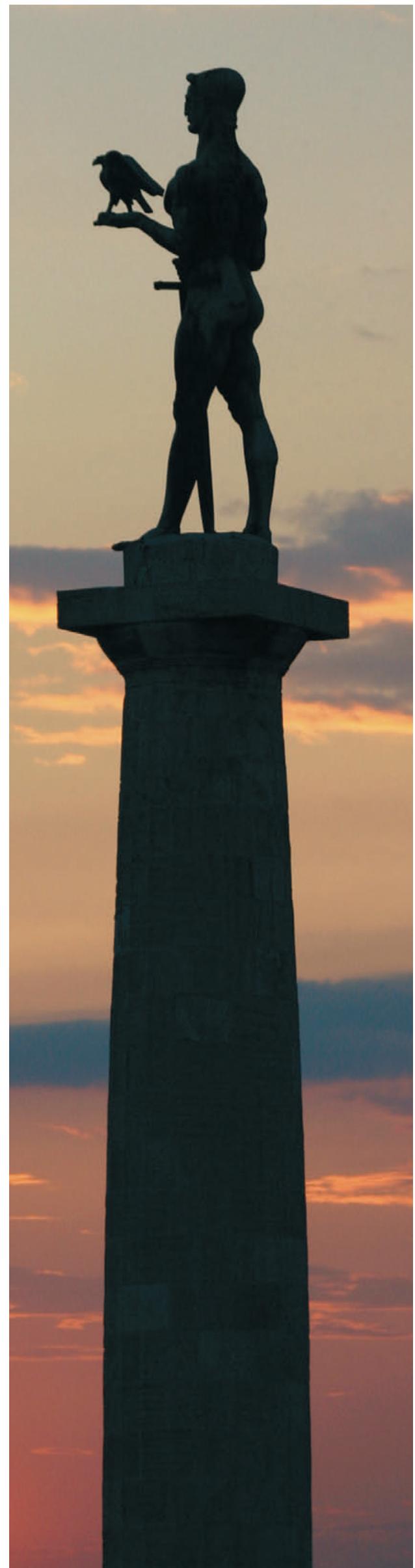
Novi Sad is the elegant capital of Vojvodina, the northern autonomous province of Serbia. The city is known for being a heaven of tranquillity and tolerance. Its architectural jewel is Petrovaradin fortress, which hosts museums and art galleries, and in the summer the hippest of Eastern European summer music festivals, EXIT.

Fruska Gora, a national park situated in the vicinity of Novi Sad near the banks of the Danube, contains mountains, fertile valleys, unspoiled rivers, vineyards and orchards, as well as the greatest concentration of linden trees in Europe. About 700 types of medicinal herbs grow in the park, and deer, boar, lynx and marten all make the park their home. Travellers can also visit the 17 Orthodox monasteries located within the park that date from the 15th to the 18th centuries and are known for their beautiful sites and interior decoration.

Sports lovers will find many possibilities in Serbia. The country's top ski resort is Kopaonik mountain, which is also a national park. Kopaonik is famous for its natural beauty and in the summer it is a perfect destination for hikers, mountaineers, bikers and river rafters. Situated in the western part of Serbia, the "golden mountain" of Zlatibor with its cool mountain climate, clean air, long summer days and heavy winter snows, is an ideal getaway in any season.

Nearby is the famed ethno-village of Sirogojno andDrvengrad, creation of world-renowned film director Emir Kusturica. A ride on the Sargan 8 steam engine, which ascends the side of the mountain in a figure-8 pattern, is an enjoyable experience and feat of engineering.

The Serbian countryside provides a rich cultural experience reflected in traditional architecture, numerous monasteries and traditional arts and crafts still widely practiced today. Rural Serbia offers popular activities such as hiking, bird-watching, fishing, horseback-riding, and mountaineering.





There are many spas in Serbia that are highly respected for their unique medicinal and vitality programs. The emphasis is placed on treating specific ailments and devising on-going treatments to rejuvenate the mind, body and soul. The most visited spas are Vrnjacka Banja, Soko banja, Kanjiza, Koviljaca and Zlatibor.

Cruising down the Danube is another unforgettable experience for visitors to Serbia. Travellers will be enchanted by stunning views of the cities of Novi Sad and Belgrade, the medieval fortresses of Smederevo and Golubac and the Trajan's tabula marking the spot where the Roman Emperors crossed the Danube.

Wine is another of Serbia's attractions; the country's winemaking tradition dates back more than 2,000 years. Serbia's wines are known as "wines from sands" for the sandy soil of the chief wine-producing region, Backa. Serbia's vineyards cover around 50,000 acres around the towns of Kanjiza and Subotica.

Three key wineries - Palic, Coka and Biserno Ostrvo (Pearl Island), all dating from around the turn of the 20th century - are the cornerstones of the country's wine industry. Serbia's best known wines include Muscat Krokan, produced by Biserno Ostrvo; Zdrepeva Krv (Fool's Blood) from Coka; and Palic Francuski Poljubac (French Kiss), a sparkling wine obtained from the region's indigenous kevedinka grape.

The Palic region produces famous the Muscat Croquan, Kevedinka and Kedarka. Serbia also has another seven well-known winemaking locations: Sremski Karlovci, Vrsac, the Oplenac wine region, the Smederevo vineyards, the Negotin region, the Knjazevac wine region, and the Zupa vineyards.

Serbia is also a land of festivals. Throughout the year visitors can enjoy numerous events which reflect Serbia's creative force and spiritual wealth. Some of the most popular events are "Dragacevo Trumpet Festival" in Guca, "Homolje Motifs" in Kucevo, "Shepherd Days" in Kosjeric, and the grape-harvesting festivals in Vrsac, Topola, Smerderevo, Aleksandrovac and Sremski Karlovci.

One of Serbia's cultural attractions is Lepenski vir, a prehistoric settlement discovered only around 20 years ago that is unique in the Balkan region. It contains a number of monumental stone sculptures carved 6,000 to 7,000 years ago as well as other artefacts, and is an invaluable source of information about the lives of prehistoric Europeans.

Serbia also has several monuments that have been included on the UNESCO World Heritage list of cultural and natural treasures. These are the monasteries of Sopotani, Studenica, Decani and Gracanica, the Patriarchate of Pec Monastery, and the Church of the Virgin of Gracanica Ljevska.

Business travellers will find excellent facilities in Serbia, which is well on track to regain its former position as one of the top five convention destinations worldwide. In 2005 Belgrade hosted the annual conference of the European Bank for Reconstruction and Development. Serbia will host the International Press Institute World Congress and the Eurovision Song Contest, among other events, in 2008, and the 25th Universiade in 2009.

According to The World Bank, in 2005 Serbia was named the top business reformer in the world in implementing reforms that promote the starting and growth of businesses and creation of new jobs. Serbia is moving through the transition rapidly and the economy has already rebounded. The advantages of investing in Serbia include a strategic location at the intersection of European transport corridors numbers ten and seven, as well as macroeconomic stability, great market potential, low operating costs and a labour force that is well-educated, hard-working, fast-learning and multilingual.



Serbia



National Tourism Organisation of Serbia