RAS

WHY INVEST IN SERBIA

Welcome to **Serbia**!

> I have been nothing but impressed by Serbia, a hidden gem to the business world.
>
> **Jeff McCroskey**, VP Global Customer Support & Delivery, NCR

AREA:

88,499km²

POPULATION:

7 million

MAJOR CITIES:

BELGRADE CAPITAL
1,694,056
NOVI SAD
360,925
KRAGUJEVAC
176,699
NIS
255,901

GMT +01:00

CENTRAL EUROPEAN TIME

Serbia has continued its path toward EU membership: **EU negotiation process officially started**, ready for accession by 2025.

Serbia is ranked No. 1 at the FDI 2019 Europe list, based on the criteria of Greenfield investments relative to the size of economy*

*Financial Times, fDi Report 2020

Serbia has confirmed its top position holding **1st place as the top investment destination country in the world**, measured by the estimated number of jobs relative to the size of the population.*

*According to IBM Global Location Trends 2019 report, IBM Global Business Services

Efforts in attracting new investments in the Republic of Serbia were also recognized by the new " E&Y European Attractiveness Survey 2019". **Serbia** has attracted a record number of FDI in 2018, and it **is listed as one of the top 15 countries in Europe by the number of FDIs**.

On WB Doing Business List, Serbia moved up by 47 places over the past 5 years, and is now ranked 44th globally.

> The business environment is stable, and it offers transparent market conditions, which creates a good starting point for our business growth in a long run.
>
> **Marco Aspesi**, Former VP Corporate Transformation, SR Technics Group

Join the Pool of the
Successful

> Serbia has taken important steps to implement the reforms necessary for attracting foreign and domestic investors. We are pleased to be further strengthening the investment climate and enhancing governance. Given Serbia's strong potential, such positive changes in what is the largest economy in the Western Balkans will have a wider impact throughout the region.
>
> **Sir Suma Chakrabarti**, EBRD President (2015)

KEY INVESTORS

BMTS TECHNOLOGY · NCR · MICHELIN · IMI · brose Technik für Automobile · MTU Aero Engines · YAZAKI · COOPERTIRES · BARRY CALLEBAUT · ZF · Continental · BOSCH · SIEMENS · LINGLONG TIRE · MEITA · gorenje · LEAR CORPORATION · TOYOTIRES · EATON · FCA FIAT CHRYSLER AUTOMOBILES · Microsoft · SITEL · LEONI · Tarkett · PEPSICO · MAGNA · FALKE · Schneider Electric · JOHNSON ELECTRIC · Nestlé · Ball · MINTH · VORWERK DRIVETEC SERBIA

MORE THAN **€34** billion of FDI inflow since 2007

Largest Foreign Investors in Serbia

by No. of Projects (%)		by Value of Projects (%)	
GERMANY	15.1	ITALY	10.7
ITALY	14.4	USA	10.2
AUSTRIA	8.1	FRANCE	9.7
USA	6.1	GERMANY	9.6
FRANCE	5.4	AUSTRIA	9.3
TURKEY	4.9	CHINA	8.9
CHINA	3.5	CZECH R.	6.8

Most Atractive Investment Sectros

per Sector by No. of Projects (%)

Automotive	18.7
Agriculture, Food and Beverage	10.4
Textile and Clothing	8.8
Electrical and Electronics	6.5
Construction	5.4
Machinery and Equipment	5.1
Metallurgy and Metalworking	3.7

Source: RAS, May 2021

Investment
Climate

1 AVAILABILITY OF HIGH QUALITY LABOR

2 COMPETITIVE OPERATING COSTS

3 CUSTOM FREE ACCESS TO 1.3bn CONSUMERS

4 POLITICAL AND ECONOMIC STABILITY

5 FINANCIAL BENEFITS AND INCENTIVES

6 OPTIMAL GEOGRAPHIC LOCATION

> We saw Serbia as a country with good strategic position, adequate infrastructure and great human resource potential. Being at a unique position in the European market, Serbia offers divers-e possibilities and, above all, high quality workmanship.

Mrs. Silvia Vernetti - Blina, Director, FCA Serbia

> The attractiveness of the location, logistics advantages, availability of skilled workforce, and a very good support of the Government of the Republic of Serbia and the local community are the main reasons why the Bosch Group decided to invest in the municipality of Pecinci and the Republic of Serbia.

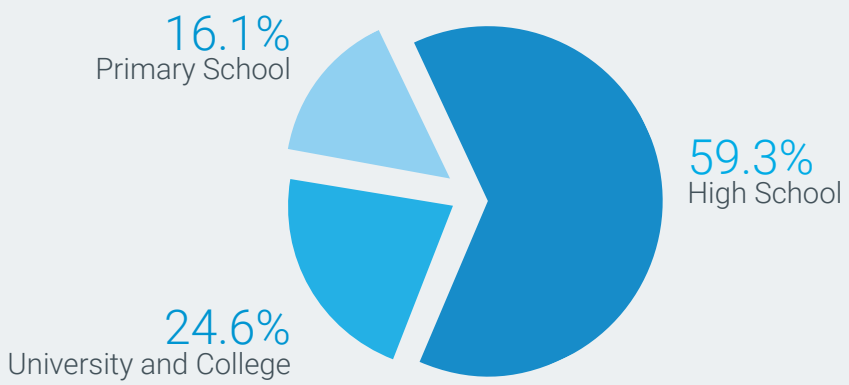
Mrs. Jovanka Jovanovic, General Manager, Robert Bosch Serbia

People in Serbia are recognized as ambitious, persistent and hardworking. They stand out with a unique competitive spirit, and that is what makes their performances in the project great and their contribution to the projects outstanding.

Sasa Cioringa, General Manager, Continental Automotive Serbia

9.9% Unemployment Rate

The Structure of Unemployed by Level of Education

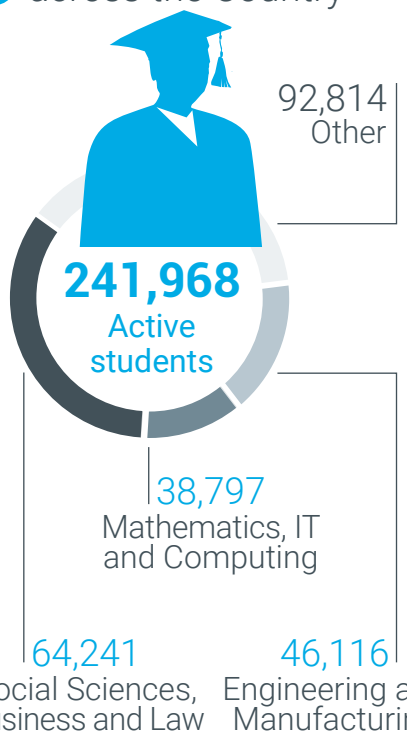


Source: Statistical Office of the Republic of Serbia, Q4 2020

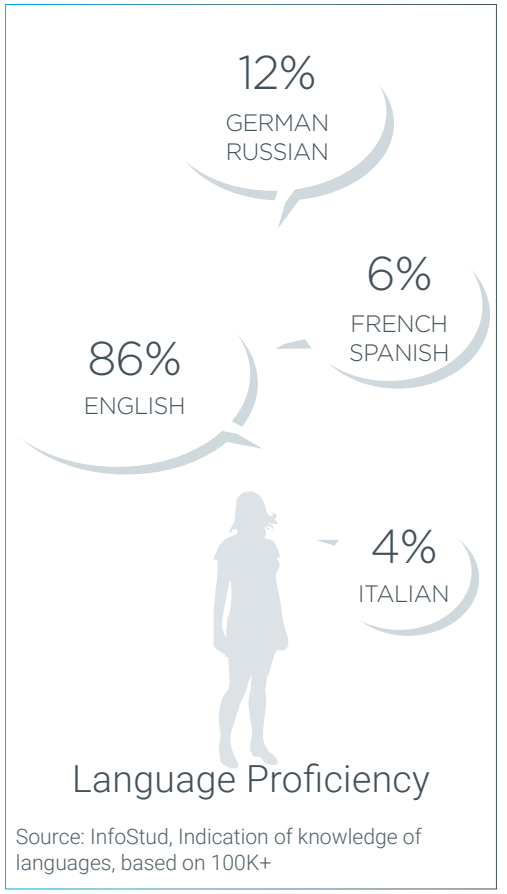
Our decision (to invest in Serbia) was based on a high confidence to find a very motivated and skilled workforce, to have optimal logistics conditions from and to the other European countries, to develop an intense cooperation with technical high schools and universities and to build a strong partnership with the national and local authorities.

Mr. Laurent Cardon, VP Global manufacturing, Johnson Electric

5 University Centers across the Country

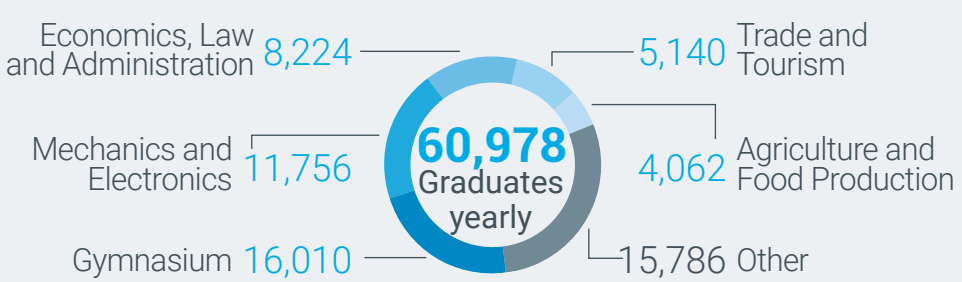


Source: Statistical Office of the Republic of Serbia, School Year 2019/20



Source: InfoStud, Indication of knowledge of languages, based on 100K+

517 High Schools across the Country



Source: Statistical Office of the Republic of Serbia, 2019/20

2 COMPETITIVE OPERATING COSTS

According to EUROSTAT, Serbia has the lowest costs of electricity, gas, other fuels and landline telephony among 37 European states.

Average Gross Monthly Salary (EUR)

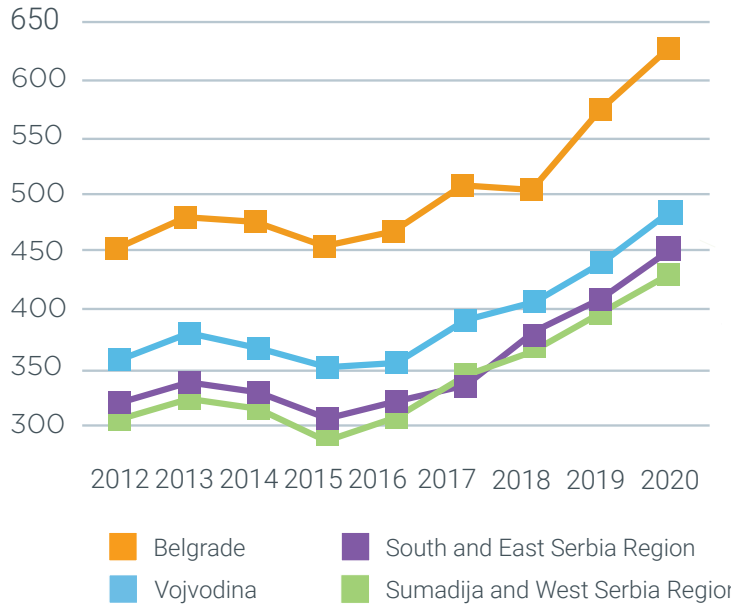
SERBIA	**706**
ROMANIA	**1,067**
SLOVAKIA	**1,133**
HUNGARY	**1,149**
POLAND	**1,163**
CZECH R.	**1,346**

Corporate Profit Tax

SERBIA	**15%**
ROMANIA	**16%**
CROATIA	**18%**
SLOVENIA	**19%**
POLAND	**19%**
CZECH R.	**19%**

Source: The Vienna Institute for International Economic Studies, 2020; KPMG, 2021

Average Net Salary by Regions (EUR)



Source: Statistical Office of the Republic of Serbia

Cost Savings vs EU-27 Average

Net Salary
79% savings

Electricity
52% savings

Transport Services
38% savings

Office Space Rental
30% savings

Source: EUROSTAT

Old Build **1-2.5€/m²** Industrial Facility
New Build **3-5€/m²** Lease Cost

200-400€/m² Average Building Cost

0.067 €/kWh

0.6-1.3 €/m³

0.38-0.42 €/m³

Source: RAS

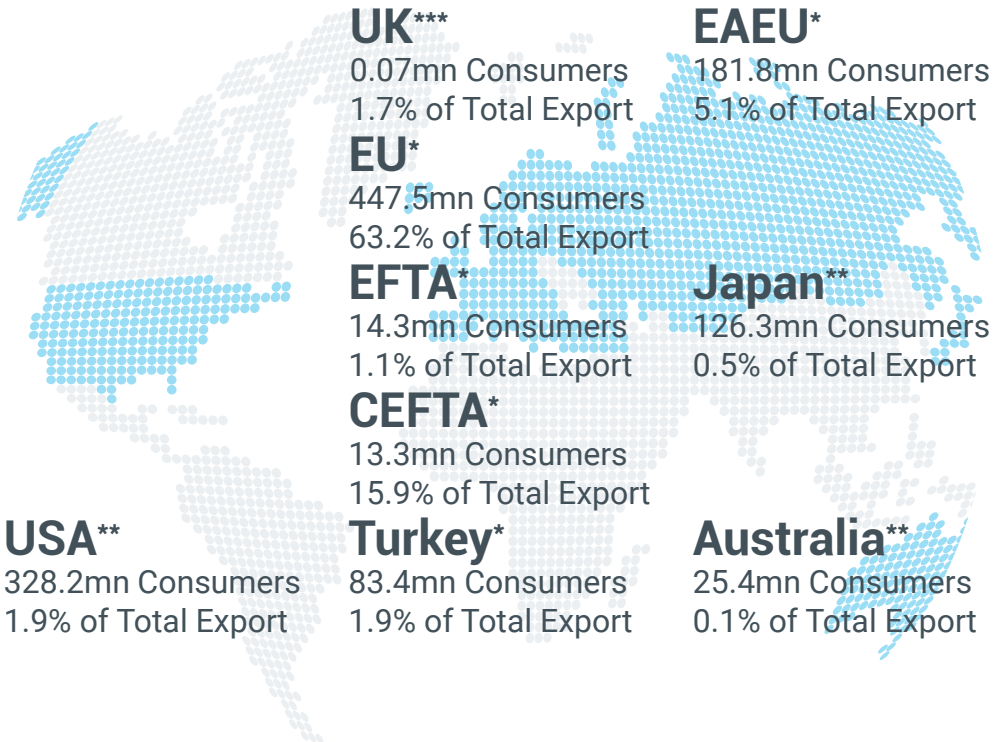
3

CUSTOMS FREE ACCESS TO 1.3BN CONSUMERS

The existence of educated and skilled workforce, incentives to investors, and the free trade agreements with the Russian Federation and Turkey, as well as developed infrastructure and favorable geographical position were the key factors for Grundfos investment to Serbia.

Jim Toft Nielsen, Sn. Manager, Grundfos

Total: 1.3bn Consumer



UK***
0.07mn Consumers
1.7% of Total Export

EAEU*
181.8mn Consumers
5.1% of Total Export

EU*
447.5mn Consumers
63.2% of Total Export

EFTA*
14.3mn Consumers
1.1% of Total Export

Japan**
126.3mn Consumers
0.5% of Total Export

CEFTA*
13.3mn Consumers
15.9% of Total Export

USA**
328.2mn Consumers
1.9% of Total Export

Turkey*
83.4mn Consumers
1.9% of Total Export

Australia**
25.4mn Consumers
0.1% of Total Export

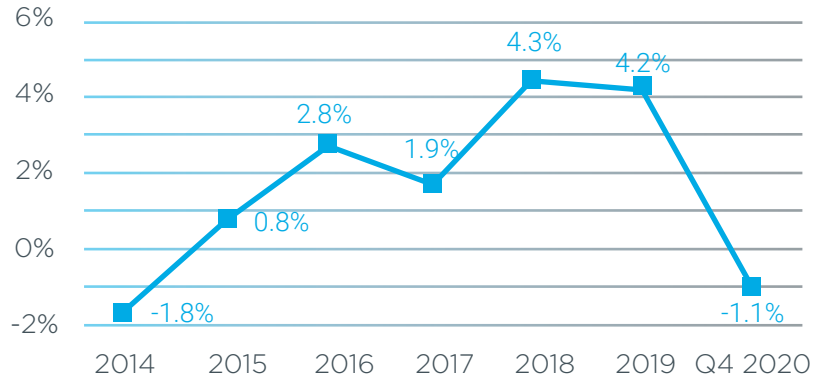
*FTA - Free Trade Agreements
**GSP - Generalized System of Preferences
*** Partnership, Trade and Cooperation Agreement
Source: Statistical Office of the Republic of Serbia, 2020; World Bank

4

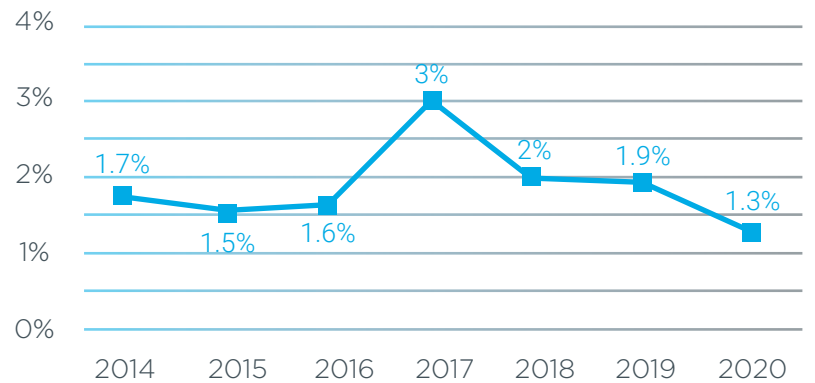
POLITICAL AND ECONOMIC STABILITY

GDP, Real Growth (%)

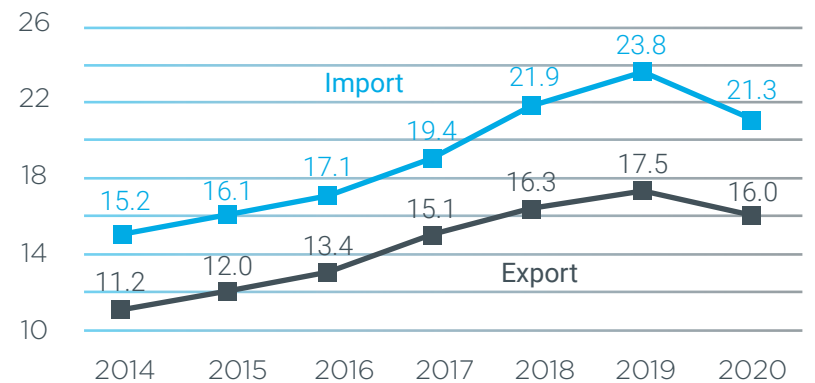
IThe lowest GDP drop in Europe in 2020 (Source: IMF)



Inflation (%)



Import and Export (billion EUR)



Source: National Bank of Serbia

5 FINANCIAL BENEFITS AND INCENTIVES

Cash Grants

To offset initial capital investments and ease the start-up of business endeavors, the Government of Serbia offers financial support for Greenfield and Brownfield projects in production sector and service centres services.

Construction Land Transfer Subsidy

Government or the local municipality can sell construction land at a price which is lower than the market price in support of an investment project that is of national importance (if the land is owned by the government) or an investment projects that promotes local economic development (if the land is owned by the local municipality).

Corporate Income Tax Relief

A 10-year Corporate Profit Tax Holiday is available for investors who hire more than 100 employees and invest more than 8.5 million euros (1 billion RSD). Tax holiday begins once the company starts making a profit.

Payroll Tax Incentives

Employment of people who were registered with the National Unemployment Agency for more than 6 months entitles employers to a sizable relief of taxes paid on net salary from the moment of employment:

- 1-9 new jobs: 65% reduction
- 10-99 new jobs: 70% reduction
- 100+ new jobs: 75% reduction

(payroll tax incentives can't be combined with Financial Incentives)

Double Taxation Avoidance

Republic of Serbia has 62 effective double taxation agreements in place that cover income, capital and property. In addition to having double taxation agreements in place with most European countries, Serbia has double taxation treaties in place with many countries in Asia and Africa.

Free Trade Zones

NO VAT Energy, transport, Construction material and fuels cost free of VAT

NO custom duties raw materials, equipment, construction materials

15 Free Trade Zones

204 Multinational companies

37,855 Employed

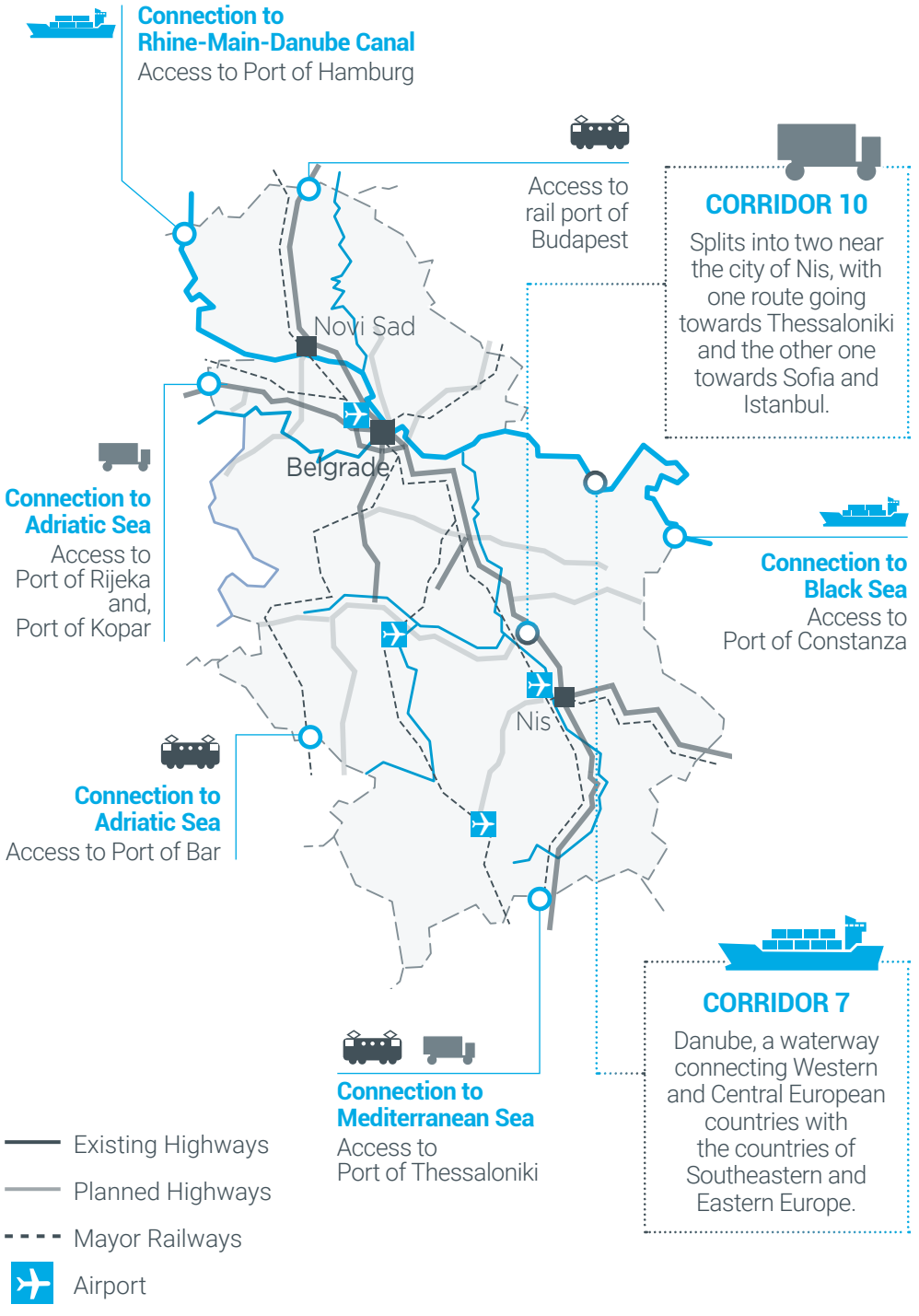
€5bn Turnover in 2018

€3bn Investments since 2008

13.12% of total Serbian goods export

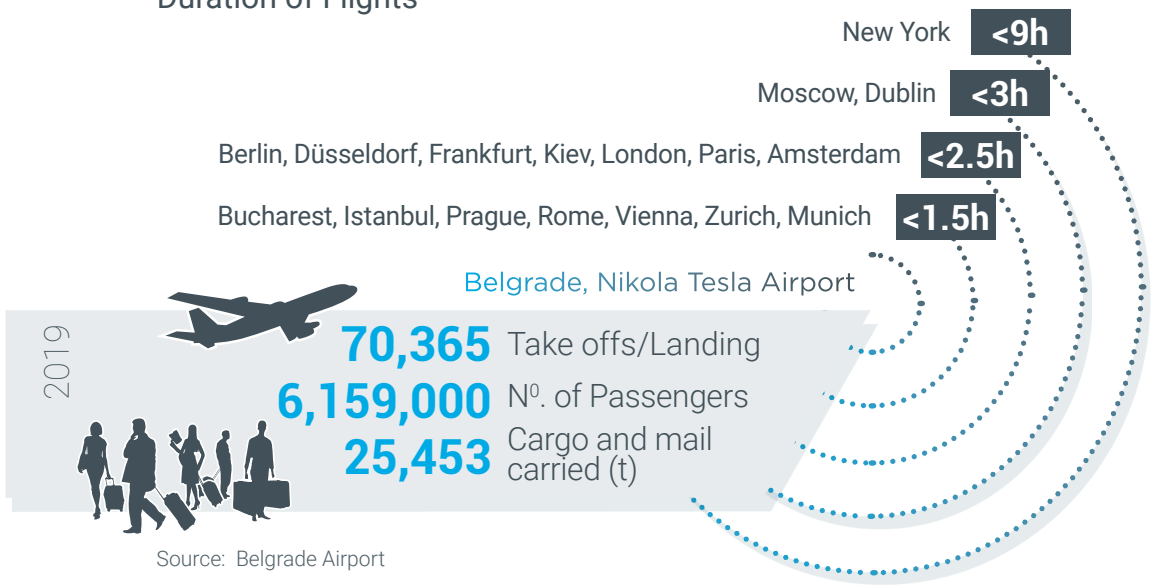
Source: Free Zones Administration, 2020

6 OPTIMAL GEOGRAPHIC LOCATION



Getting to Serbia is easier than ever!

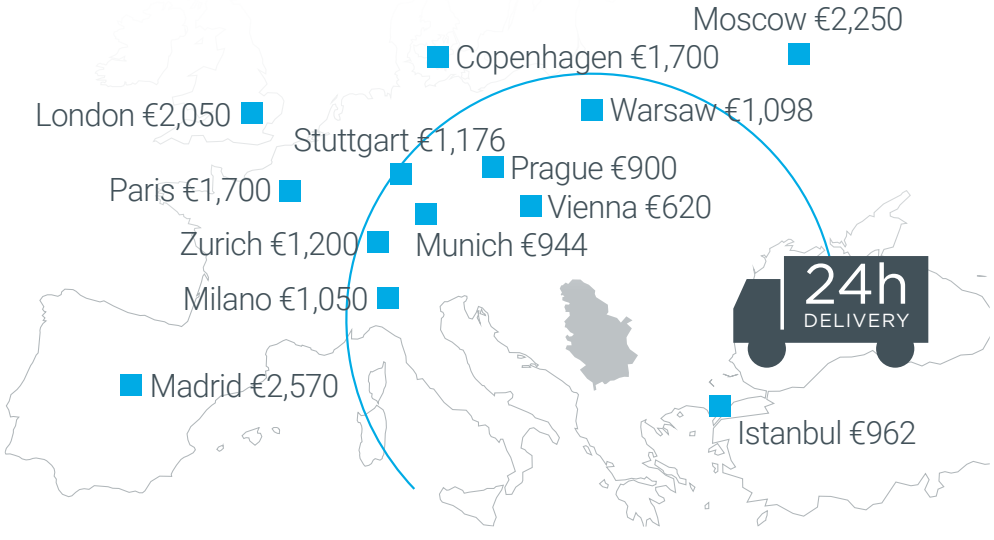
Duration of Flights



Source: Belgrade Airport

Stay close to your customers

Average Road Transportation Costs (1€ per km)



The Serbian government has also moved ahead with an ambitious economic and structural reform agenda which will contribute to a more attractive business environment: restoring growth, improving competitiveness and creating new jobs.

Mr. Johannes Hahn, European Commissioner for European Neighborhood Policy and Enlargement Negotiations

Serbia offers an ideal base for business activities throughout eastern Europe. A strong argument for investing in Serbia is also the access to highly qualified employees, and thus the ability to produce and develop products of the highest quality economically.

Dr. Ronald Seeliger, CEO, STada/Hemofarm

Continuous support of the state administration has monitored all successes of the company, enabling efficient operations and realization of further investments, without major administrative barriers.

Miroslav Okuka, General Director, Tarkett Serbia

Wide availability of highly qualified staff in Serbia is the core of our success. Only through their commitment it is possible to survive in a market environment despite increasing difficulties, to develop new markets, to increase efficiency and take position for future challenges.

Hubert Forster, Muhlbauer Technologies

Numerous factors have influenced the decision where to build the factory, and we picked Pancevo thanks to the excellent infrastructure. We have plenty of room to expand the factory, potentials for its development, several transportation roads, and there's also the proximity of the capital of Serbia.

Mr. Michael Hankel, Member-Mgmt Board, ZF Friedrichshafen

The IMF Delegation was satisfied with the progress Serbia had made in macroeconomic stability and fiscal consolidation. The economic recovery continues to take hold, supported by strong policies and improved confidence.

Mr. James Roaf, Head of the IMF Mission to Serbia (2015)

RAS

Development Agency of Serbia (RAS)
office@ras.gov.rs
www.ras.gov.rs

Development Agency of Serbia (RAS) is a government organization offering a wide range of services including support to direct investments, competitiveness and export promotion, leading the implementation of projects aiming to improve Serbia's attractiveness and reputation and increase economic and regional development.

With a unique set of support programs tailored for micro, small and medium enterprises and entrepreneurs, as well as domestic and foreign investors seeking to set up or expand their business in Serbia, RAS strives to raise Serbia`s position in the region and globally.

Created as a one-stop-shop, RAS acts as a reliable partner for both domestic and international companies with a single goal of building a strong and sustainable economy, and increasing the quality of life for the people in Serbia.