

Incentives

Attractive subsidies, taxes and free trade agreements



Serbia is a member of CEFTA – a free trade area in South East Europe with 25 million people.

With the population of 7.5 million people, Serbian market itself is the second largest in the region. Furthermore, Serbia is the only country outside of the Commonwealth of Independent States that enjoys a **Free Trade Agreement with Russia**. Moreover, there are **Free Trade Agreements** with several more countries like Belarus, Turkey and Iran which equals the number of 320 million consumers in total. Apart from this Serbia enjoys duty-free exports to the European Union and the United States for most products and services.

Republic of Serbia Financial Assistance to Investors

Apart from the current advantages, such as competitive labor, duty-free export into SEE countries and Russia, strategic position and the lowest profit tax rate in Europe of 10%, Serbia offers financial support to potential investors as well. According to the Republic of Serbia Decree, passed by the end of June 2007, the investment projects in all sectors, apart from trade, agriculture, tourism, catering/hotel and retail industries may apply for the Republic grants. The funds may be used for financing investment projects in the manufacturing sector, research and development sector and internationally marketable service sector.

Grants from **€2,000 up to €10,000** per new job created, within Greenfield and Brownfield projects in manufacturing, services and R&D. Financial incentives are as follows:



Investments in manufacturing activities:

- Available funds: from €2,000 up to €5,000 per every new employee
- The minimum investment amount: between €1 million and €3 million, depending on the Unemployment rate in the municipality where the investment is made
- The minimum number of new jobs created: 50

Investments in the services sector:

- Available funds: from €2,000 up to €10,000 per every new employee
- The minimum investment amount: €500,000

- The minimum number of new jobs created: 10

Investments in R&D:

- Available funds: from €5,000 up to €10,000 per every new employee
- The minimum investment amount: €250,000
- The minimum number of new jobs created: 10

There are special subsidies for investing in the automotive industry, electronics and ICT. According to the Industrial Development Concept of the Republic of Serbia, the City of Niš is the center of these industries:

- Up to 25% of the total investment. The minimum investment amount is EUR 200 million and 1,000 employees



Tax incentives:



- VAT Standard rate – 18 % , Lower rate – 8 %
- Corporate Profit Tax – Uniform rate - 10 %
- Withholding Tax - 20 % (for dividends, shares in profit, royalties, interest income, capital gains, lease payments for real estate and other assets)
- Personal Income Tax – Salaries -12 % , other income – 20 %
- Annual Income Tax - 10/15 % (for annual income below or above 8 average annual salaries)
- Social Insurance Contribution – pension and disability insurance - 11 % Health insurance- 6.15%, Unemployment insurance - 0,75 %
- Property Tax – Progressive rates ranging between 0,4% to 3 % , plus a fixed amount

Investment Safety



Over the past nine years of extensive political and economic reforms, Serbia has developed into a stable democratic country with a fast growing market economy.

The ongoing substantial legislative reforms, repeatedly commended by leading international institutions, aim to bring the legal framework in line with the EU standards.

The EU Feasibility Report particularly acknowledged recent reforms in the field of macroeconomic stability, financial sector improvement, legislative activities, and foreign relations.

The EU accession is set as a national priority for the coming years. Stabilization and Association Agreement (SAA) was signed in 2008.

International companies in the City of Niš are guaranteed equal legal treatment as the local ones. They are allowed to invest in any industry and freely transfer all financial and other assets, including profits and dividends.

Investment projects in the country are insured against non-commercial risks by all major national and international investment and export insurance agencies, like MIGA, OPIC, Hermes, COFACE, SACE, ECGD, Kontrollbank, etc.

The protection of foreign capital is further safeguarded by Bilateral Investment Treaties signed between Serbia and 34 other countries, including the USA, UK, Germany, France, Austria, Italy, and Greece.

European Crossroads

Logistics, excellent market accessibility, Corridors X and VII and International Airport Constantine the Great



As a logistics base, Serbia is a perfect place for a company to locate its operations if desires to closely and most efficiently serve its EU, SEE or Middle Eastern customers. It borders the EU, offering a possibility of production outside the European Union. At the same time, businesses can enjoy all of the benefits of working outside the EU, while being able to provide services and transport goods in projected and flexible time frames.

The excellent geographic position of the City of Niš within the Balkan region and the position at the crossroads and in proximity of different European traffic corridors provide an excellent opportunity for making this part of Europe more homogenous. Thus, there is the opportunity to develop the sector of logistics, owing to the proximity of EU corridors VII and X.

The main transport axis, highway and railroad, comes from the direction of Belgrade to Niš where it branches towards the south leading to Thessaloniki and Athens (E 75) and towards the east to Sofia, Istanbul and further towards the Middle East (E-80).



Air traffic is carried out through the airport Constantine the Great, the second passenger and cargo airport in Serbia. The airport is situated in a zone that has very favorable weather conditions all year round, with very few foggy and snowy days.

The catchment area of the City of Niš Airport has been increased in the existing network of airports in Serbia since the contract on the European Common Aviation Area (ECAA) came into effect in Serbia in 2009. Experience shows that this will certainly result in the arrival of new companies, including low-cost companies, so that it is realistic to expect, given the excellent traffic connections, a larger inflow of passengers from neighboring areas owing to the quick and efficient road and railway access to the Airport.



International Airport Constantine the Great generates enormous investment potential of the City of Niš and is constantly a center of attention of many successful companies with great development solutions.

Apart from the transport infrastructure there is fully developed water supply network, gas pipelines, heating system power supply network. Being an industrial center there is also telecommunications and ICT infrastructure within the City of Niš. As a regional center City of Niš boasts of its own University, medias with regional coverage and numerous cultural and artistic events.

Human Resource

University, secondary school network, industrial tradition and competitive labor costs





The quality of intellectual capital in the City of Niš is based on educational system generating well-educated, fast learning, multilingual and IT literate people. Technical education is particularly strong, thus, high school students perform among the best in international competitions in mathematics, physics and IT.

All secondary schools are situated in the City centre and there are about 15,000 students attending these schools. There are 4 high schools, 2 art schools, 6 technical schools, School of Economics, School of Commerce, School of Tourism and Catering, School of Law and Administration, Medical School, Chemical, Food Production and Processing School.

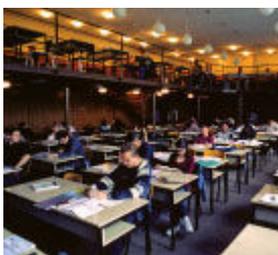


The thirteen faculties of the University of Niš, founded in 1965 employ 1.502 teachers and lecturers. There are 26.272 students studying at the University, 433 of which are foreign citizens. The number of graduates from the University of Niš since its foundation exceeds 41.000 students of different profiles. 1.869 graduate students have obtained master's degrees and 1,085 doctoral theses have been successfully defended in the same period.

In the last decade, each year around 3,000 pupils finish elementary schools, around 4,000 students finish secondary schools and around 1,500 students graduate from the University of Niš, the second one in Serbia. Additional information about the University of Niš are available at www.ni.ac.rs.

Apart from the 13 faculties of the University of Niš there is a growing number of private faculties. Currently there are 7 of them providing contemporary knowledge for those studying in the City of Niš.

In addition to formal education, there are numerous, diverse forms of education in the City offered by private firms (languages, computers), civil sector (communication, participation, project management) and different projects (management of enterprises, business, management of farms, etc.).



Like the majority of countries which were in transition, in Central and Eastern Europe, Serbia fostered extensive relationships with Western economics for decades. A list of companies maintaining strong ties with local partners is led by Siemens, Alcatel, General Motors, FIAT, IKEA and many others.

Throughout years of cooperation Serbian workers have received specific know-how and adopted advanced technology applications and high quality control standards. Having vast experience in manufacturing and management, local staff requires minimum training to adopt cutting –

edge technologies and assembly processes. The skill level of local labor force is reflected in high industrial productivity increasing over the past several years.

	City (No.)			City (%)		
	total	men	women	total	men	women
Population (>15)	212.091	102.812	109.279	100	100	100
Secondary education	95.205	50.811	44.394	44,89	49,42	40,62
BA	11.936	7.085	4.851	5,63	6,89	4,44
MA	21.211	12.138	9.073	10,00	11,81	8,30

No. of employees / enterprises

Total	60.530
Agriculture, forestry and water affairs	581
Ore and stone extraction	77
Processing industry	14.172
Production of electricity, gas and water	1.556
Civil engineering	3.868
Retail and wholesale of motor vehicles, repair of motor vehicles	9.697
Hotels and restaurants	1.326
Traffic, warehousing and communications	6.658
Finances	824
Real estate affairs	2.503
State administration, defence and compulsory social security	2.765
Education	5.913
Health and social affairs	8.244

Additional information about the University of Niš are available at www.ni.ac.rs

Streamlined Investment Procedures

Supportive local self-government



With the help of new legal acts, through the process of adjusting to the standards of local administration in EU countries and with the help of donors (programmatic aid, training courses, material-technical support), the City of Niš has accepted the basic principles of modern local administration that imply an efficient, available and accountable local self-government. A good example of that in the City of Niš is the opening of the so-called City Service Centre in June 2003, with 18 separate counters where citizens can quickly and efficiently obtain information, licenses, documents and certificates from several different units of the city administration.

Streamlined investment procedures



- Local Economic Development (LED) Office, one-stop-shop for investors and existing companies, which coordinates all activities of the City Administration related to local economic development and investments;
- Capital Investment department, a mechanism which helps investors reduce the time needed for the process of getting building permits and finish the whole process at a place;
- Personal Assistant/project manager to lead you all the way through the investment process;
- University of Niš support and assistance.

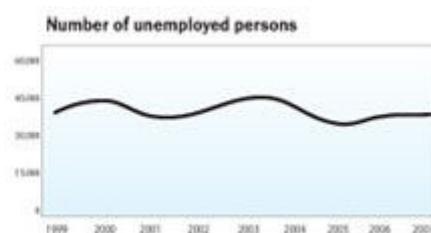
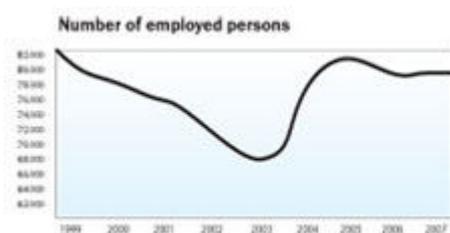
Economy Overview

The most successful companies with their annual incomes, number of employees and activities

Company	Income (€)	No. of employees	Activities
Niš Tobacco Factory Phillip Morris	208.000.000	604	Tobacco factory
PZP Niš	37.000.000	415	Road construction
Ineks-Morava	17.000.000	371	Trade
Nini	14.000.000	949	Production, trade, foreign trade
Jugo-impex	13.000.000	27	Trade
Niskogradnja	9.000.000	249	Civil engineering

Average monthly salary per employee, without taxes and contributions, for each sector

	City of Niš (€) Serbia (€)	
Average net salary-total	219	258
Agriculture, hunting, forestry and water affairs	250	210
Fishing	0	192
Ore and stone extraction	113	318
Processing industry	172	210
Production of electricity, gas and water	337	344
Civil engineering	146	228
Retail and wholesale of motor vehicles, reparation of motor vehicles	165	236
Hotels and restaurants	98	174
Traffic, warehousing and communications	233	294
Finances	454	581
Real estate affairs	264	302
State administration, defence and compulsory social security	319	328
Education	262	268
Health and social affairs	256	265
Other	238	274



Market prices of flats,

2008/2009

2008/2009

Type	Location	Price (€/m ²)
Studio	center	1100
	outskirts	900
1-bedroom flat	center	1100
	outskirts	850
2-bedroom flat	center	900
	outskirts	750
3-bedroom flat	center	900
	outskirts	750
4-bedroom and above	center	900
	outskirts	750
House	center	850
	outskirts	600



Rental values for business premises

Rental rates in the pedestrian zone of the City of Niš generally range EUR 40-50/sq m/month, however certain units achieve even up to EUR 80/sq m/month. The high-street and downtown are the primary preferred shopping areas of the City of Niš. Rental levels for non-anchor tenants in shopping centers generally range between EUR 30-50/sq m/month. Rental rates in old-style shopping centers and department stores generally range between EUR 10-20/sq m/month depending on the location, size and condition of the premises.

Rental values for industrial and warehousing facilities



Rental levels of old industrial premises in Serbia are still between EUR 1.5-3.0/sq m/month. Average rental levels for old industrial facilities in the City of Niš are at the lower end of Serbia average, standing at EUR 1-2/sq m/month. Demand for modern warehouse facilities in Serbia is still unmet and average rental rates in this segment of the industrial market reach EUR 3-6 sq m/month. Rental level is mostly determined by an object's amenities, ceiling height, location and accessibility. The City of Niš could be found in the level between EUR 3-5/sq m/month.

Investment Opportunities



1. INDUSTRIAL ZONE DONJE MEĐUROVO
2. INDUSTRIAL ZONE NORTH NIŠ
3. TECHNOLOGY PARK AND INCUBATOR TEHNIS NIŠ
4. LOZNI KALEM (NIŠKA BANJA SPA) RECREATIONAL CENTER
5. SKOPLJANSKA STREET – KING MILAN'S SQUARE

INDUSTRIAL ZONE DONJE MEĐUROVO



General Information

The exceptional geographical position of the City of Niš, within Serbia and Balkans, offers great potential for industrial and logistic development. Numerous factors add to the attractiveness of such investment – low labor and production costs, one of the lowest corporate tax rates in Europe –only 10%; new road infrastructure, significant manufacturing activity in surrounding countries, along with many others. This is one of the most attractive and promising markets for industrial and logistic developments in the Balkans.

Location

The property is located at the southern exit of the City of Niš which provides great access to all kinds of vehicles. The city airport Constantine the Great is in close proximity (new cargo center is planned within the airport) and the Niš-Skopje railroad also borders the location.

Advantages

- Excellent location
- Attractive industrial zone
- Large development potential
- Total size of construction land 10 hectares
- Divisible into smaller parcels
- Ideal for distribution/logistic and industrial centers

Construction land

The land spreads over 10 hectares, divided into several smaller lots. It is located in the industrial zone Donje Međurovo, intended for the development of light industry and logistics, along with respective services such as: shops, restaurants and vehicle repair facilities. This piece of land is triangular spreading along the regional road R 214, linking the City of Niš and Leskovac.

Infrastructure

The infrastructure is being renovated by connecting the location to the waste water network, water supply network, by drafting projects and building access roads and internal roads. This is the biggest generator when attracting new investors who are in favor of the fully equipped locations in comparison to those which are yet to be equipped.

INCENTIVES FOR INVESTING IN DONJE MEĐUROVO INDUSTRIAL ZONE

According to the standing City Decision, the tenant, in relation to the lease fee (rent), is entitled to the grace period in the duration of two (2) years, starting from the date of Lease Contract verification. The tenant must pay 20% of lease fee (rent) determined by the public auction or by collecting offers in public call procedure not later than 8 days after the Contract signing. The tenant will pay the remaining 80% after the completion of grace period in six (6) equal installments every six months. The amount of installments will be increased by the increase of retail prices according to official data from the Statistical Office of the Republic of Serbia.

INDUSTRIAL ZONE NORTH NIŠ



Location

North Niš Industrial Zone is located in the northeastern part of the City. Within the very Industrial Zone there is a traffic crossroad, a freeway intersecting the railway Belgrade-Niš-Sofa-Istanbul and Belgrade-Niš-Thessaloniki-Athens. Its southern side borders with the City of Niš International Airport Constantine the Great.

Development

The development of the Industrial Zone, covering up to 174ha out of which the majority is private property, started in the '90s, but it was not until lately that the investors started coming.

Infrastructure

The infrastructure is available in the bordering parcels and in some parts there is also a secondary network including access roads, water supply and sewerage system, electricity, gas and telecommunication networks.



TECHNOLOGY PARK AND INCUBATOR TEHNIS NIŠ



General Information

Technology Park and Incubator TEHNIS Nis is an attempt of recovering this position, which can be found in the experienced EI factory workers and intellectual capital in City of Niš. It is based on well educated, fast learning, multilingual and IT literate people.

According to these potentials, the strategic development envisages Technology Park and Incubator TEHNIS Niš being developed in a form of a park and an incubator within the industrial zones and technology parks of a national importance, through restructuring and privatization process of EI Holding Corporation.

Location

Available:

COMPEKS EI NIŠ, Bul. Sv. cara Konstantina

COMPEKS EI ŽITORADA

Perspective:

INDUSTRIAL ZONES IN NIŠ VICINITY

Industrial zone surface: 57,4 ha

Area for new greenfield investments: 16 ha

Area for new brownfield investments: 101.000 m²

Completely equipped infrastructure on existing locations:

Electricity, water supply and sewerage system, gas supply network, compressed air, industrial water, parking lots, technical water, industrial tracks and roads, greenery and a restaurant, physical and fire security measures, custom office, freight forwarding firm.

Number of industrial zone users:

Now: 86 users
1st year: 130 users
2nd year: 260 users

Number of employees in industrial zone:

Now: 1.950 employees
3rd year: 8.000 – 10.000 employees

Technology Park and Incubator TEHNIS Niš is based on the following industrial sector priorities defined by the Concept of the Industrial Development in Serbia, which are:

- electronic equipment manufacturing
- manufacturing of electronic components for the automotive industry
- IT
- Mechanical industry

The Republic of Serbia share capital amounts up to 103.334 m² of the constructions and 10ha of the plain land within the EI complex. The foreseen share capital of the City of Niš is the City construction land, which amounts up to 9ha, within the EI complex. The City of Niš will successively increase the share capital and increase its ownership rights.



LOZNI KALEM NIŠKA BANJA (SPA OF NIŠ) RECREATIVE CENTER



General Information

Niška Banja Spa is only 10 km from the City of Niš and has always been a cozy, pleasant and healthy place for relaxation, summer holiday sightseeing, medical treatments and rehabilitation. It offers healing water springs, pleasant climate and excellent medical assistance. Niška Banja heals coronary and blood vessel diseases, increased blood pressure and rheumatic disorders. It also offers the treatment of orthopedic injuries, body weight control, anti - cellulite treatments and postoperative rehabilitation.

The development land spreads on over 130,075 m², divided on into Section A and Section B.

Terms of construction

Detailed Regulation Plan defines two sections:

Section A: recreation and sports in the northern part - envisages sports and recreation capacities - handball, basketball, volleyball and tennis courts, aqua park and other related capacities.

Section B: touristic-commercial capacities in the southern part - envisages touristic-commercial capacities such as spa and wellness centers, restaurants and cafes, playgrounds, etc.

The location is equipped with infrastructure.

Construction land

- **Section A1** – sports and recreation capacities (minor courts, handball, basketball, volleyball and tennis courts, etc) having the spectators seats (in/outdoors)
- **Section A2** – aqua park with respective indoor and outdoor facilities
- **Section A3** – aqua park enlargement potentials
- **Section A4** – public space with business units (administrative units, cafeterias, restaurants, shops, other services)
- **Section B1** – congress center with a hotel and other congress tourism facilities
- **Section B2** – spa and wellness center and health center facilities
- **Section B3** – hotel and an artificial lake as a health center capacity
- **Section B4** – park with a playground

Location

Lozni Kalem is situated in the eastern part of the city of Nis, along the road leading towards Niska Banja (Spa), one of the most known spas in Serbia. The center of Niska Banja is just 1 km away from the location, while the center of Niš is only 8km. Furthermore, the site enjoys easy access from all means of transport, Niš Airport is only 10km away and Corridor 10 – one of the main European highways – 5km.

SKOPLJANSKA STREET – KING MILAN'S SQUARE



General Information

With over 300,000 inhabitants, being the business, administrative and cultural centre of southern Serbia as well as the third largest city in Serbia, the chances of the investment being successful are enormous when located in the mere center of the City of Niš.

Location

Skopljanska Street – King Milan's Square is located in the center of the City and it spreads on 3.361 m².

It is bordering with the popular pedestrian street in the north and a beautiful walking area along the river. Skopljanska Street is connected with one of the main traffic arteries in the city in the west. The location is closely surrounded by cultural and hystoric monuments. This includes the bridge over Nisava River leading towards the famous Fortress, the University center, the landmark monument of the City and the main pedestrian zone.

Terms of Construction

- In line with the defined purpose of the location, the location can be 100% intended for constructing a hotel and other business units in line with the general urban provisions
- On this location one can build a hotel with respective facilities up to 20.000 m²

Infrastructure

The location is equipped with infrastructure.

