



RAS

Automotive
Industry Serbia 20.20

TIME TO ADVANCE

Ready to **TACKLE NEW CHALLENGES**



Over the past ten years Serbia was one of leading European destinations for foreign investments in the automotive industry. Facing the large residual problem of unemployment made the country appealing for expending companies looking for a place „next door“ to service their customers with top notch quality, in order to remain competitive in the ever demanding industry.

Dear Reader,


This brochure was developed by Development Agency of Serbia to present the investment and business opportunities in the Automotive Industry in Serbia 2020. For any further questions and details please contact us through our web page 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.

 Development Agency of Serbia (RAS)

 Razvojna agencija Srbije

 ras.gov.rs

Ready to **TACKLE NEW CHALLENGES**

Now, at the start of the new decade Serbia is looking to tackle new challenges that will take the country into the next phase:

- How to attract more knowledge based industrial activities and introduce cutting edge technologies?
- How to advance further linkage of educational system and industrial demands?
- How to transition from labor intensive to capital intensive investment projects?
- How to increase the effectiveness of logistical chains and add more value to the products manufactured in Serbia?

This brochure will present success stories that already resolved these challenges with the aim of demonstrating the path for future development and the support that the Republic of Serbia is ready to provide.

RESEARCH & DEVELOPMENT

Serbia is moving forward into core engineering projects. Discover the projects developed by automotive leaders such as Continental and ZF Friedrichshafen, and how to tap into the Serbian growing talent pool.

HIGH TECH MANUFACTURING

Days of anvil and hammer are behind us. State of the art production requires state of the art operators. Discover how Serbia is aligning it's educational system with industrial requirements.

SUPPLY CHAIN

Import, assemble and export – it's so last decade. Discover our plans to build up the pool of local suppliers to save time and add value to products made in Serbia.

AUTOMOTIVE NOW AND THEN

Did you know that automotive industry in Serbia dates to more than 80 years? Discover the major players in the industry and what are the trends.

INVESTMENT ADVISORY

Investing in Serbia brings numerous advantages to your business case. Discover the key information about incentives, costs, free trade opportunities and other benefits for investors.

RESEARCH & **DEVELOPMENT**

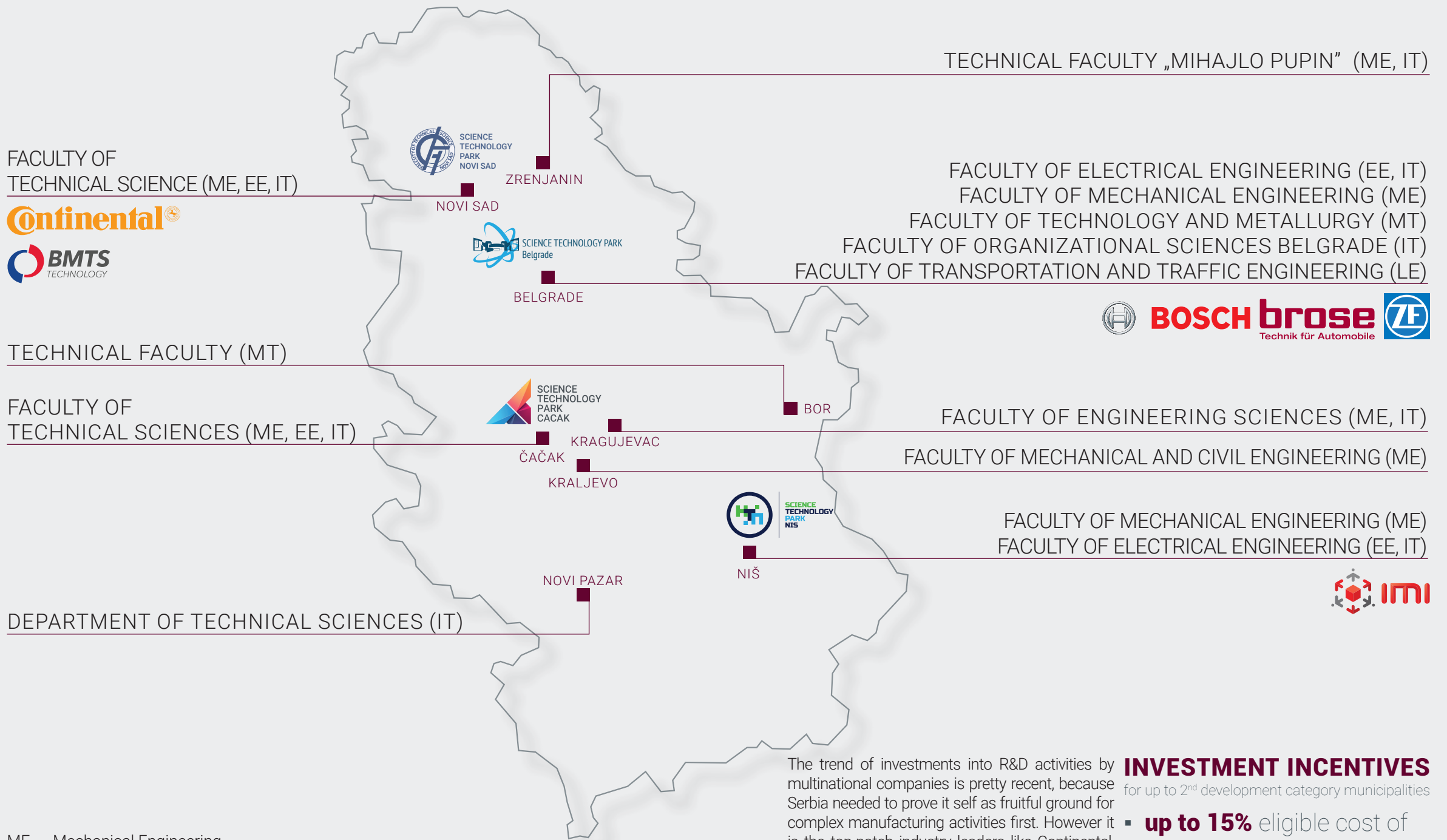
WHERE TO SET UP R&D ACTIVITIES?

It is the time of industry 4.0 and emerging technologies. Engineering is a tough profession and the world can't seem to get enough of engineers these days.

Well, the world is in luck, because we can provide!

Three largest cities in Serbia also represent the three largest centers for technical education. And by far, the biggest one is in the capital - Belgrade. There, the tradition of Faculty of Mechanical Engineering and Faculty of Electrical Engineering is supplemented by Traffic and Logistic, Organizational Sciences and Metallurgy, comprising the largest and most diversified engineering pool in Serbia. However, Novi Sad Faculty of Technical Sciences is famous for focusing on trendy areas such as software development and mechatronics, while the University in Niš, Serbia's third largest city, is renowned for being the hub for electronics. Being the center for automotive industry, Kragujevac University is strong in mechanical engineering and smaller technical faculties are also found in Zrenjanin, Čačak, Kraljevo and Novi Pazar.

The eight tech-u centers in Serbia are generating over 7,000 engineers yearly, with their preferred specialization: mechatronics, electronics, manufacturing, IC engines, ICT, quality management or aeronautics.



ME – Mechanical Engineering
EE – Electronics Engineering
IT – Information Technologies
LE – Logistics Engineering
MT – Metallurgy Engineering

The trend of investments into R&D activities by multinational companies is pretty recent, because Serbia needed to prove it self as fruitful ground for complex manufacturing activities first. However it is the top-notch industry leaders like Continental, Bosch, ZF or Brose that are pioneering these investments, and with their positive experience the government is already planning to boost its investments into educational institutions.

INVESTMENT INCENTIVES
for up to 2nd development category municipalities

- up to 15% eligible cost of investment cash grant
- up to 25% 2y cost of salary cash grant

LET US PUT IN FOCUS...



UNIVERSITY OF BELGRADE,
FACULTY OF MECHANICAL ENGINEERING

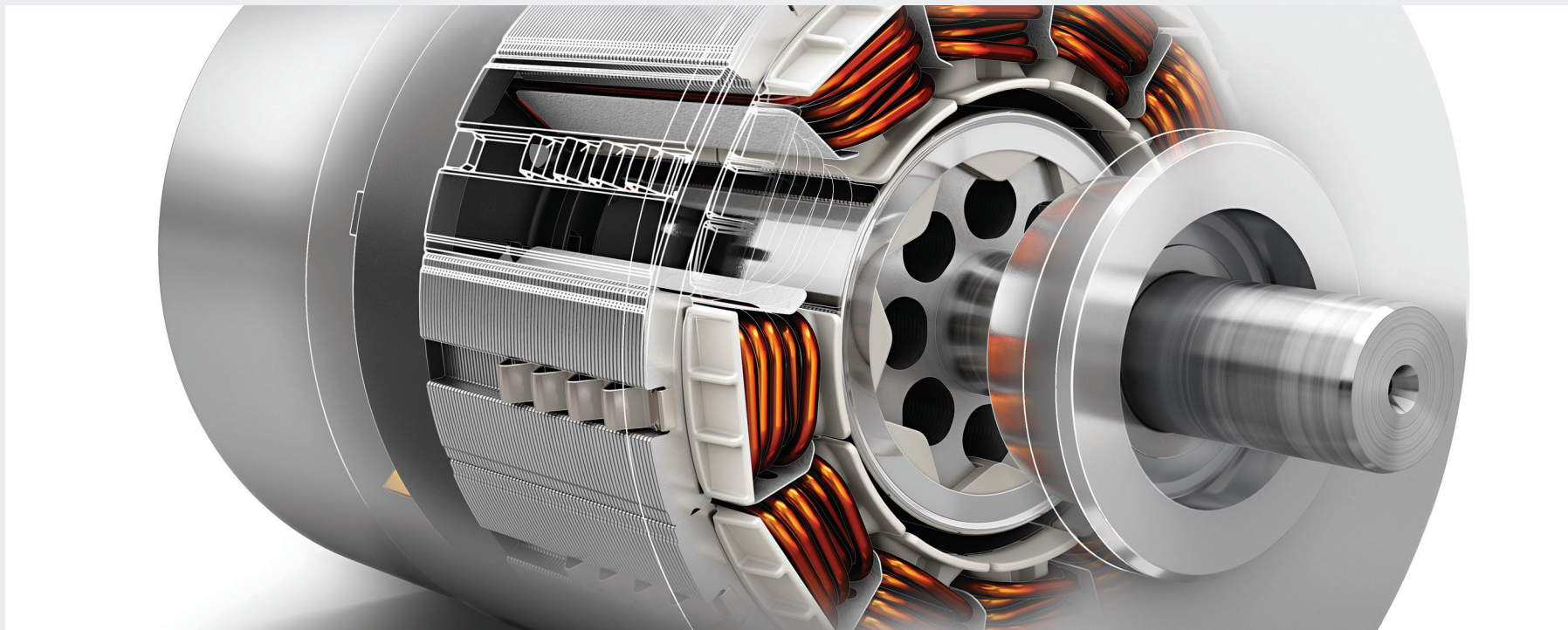
Faculty of Mechanical Engineering is the largest institution in this field in Serbia with around 3,000 active students, 400 staff and more than 400 graduate students each year. It perform basic, applied, development and scientific research to improve education and scientific research in many mechanical engineering areas such as: motor vehicles, IC engines, thermodynamics, railway, process technology, automated management, production engineering etc. The faculty traces its roots in Engineering School founded in 1846.



Started in 2019 the ZF Friedrichshafen Test Center Pančevo was created to meet the requirements of growing E-Mobility market dynamics. Center provides engineering resources for the development of electric drives for plug-in or full electric vehicles. It provides series of testings that include: high temperature operating endurance, powered thermo cycle endurance, active operation of the electric machine with power electronics, electrical supply by battery simulator, functional test stand for electro mobility and conventional traction drive and automated determination of functional characteristics such as torque, power and efficiency.



Continental R&D Center Novi Sad works on innovative products and solutions related to the future of the automotive industry. R&D Center has huge contribution in creation of global trends such as digitalization, autonomous and safe driving and electromobility. Center was established in 2017 and specializes in electronics, software and testing of instruments, displays, control units, access controls information, radio, infotainment, telemetric and intelligent transport systems. The center employs more than 500 engineers that are developing electronic products for leading global passengers' cars and commercial vehicles such as Mercedes, BMW, MAN, Volvo.



Brose has expanded its capacities by setting up a new development and production plant in Pančevo near Belgrade. Starting from 2021, the automotive supplier produces drives and electronics for cooling fans, electric braking system, electric oil pump, steering and other products. The plant is designed for more than 1,100 jobs in development, sales, purchasing and production activities.

HIGH TECH MANUFACTURING

LOCATE THE HIGH-TECH MANUFACTURING CENTERS?

The strategy of the Serbian Government is to go for more high end products, with more know how and value added. These type of investments require primarily skilled operators and good infrastructure to support.

To tackle this challenge we have identified the towns in Serbia with highest output of technicians of mechanical and electronics background which we are suggesting as the „high tech manufacturing“ map. To boost the effectiveness of technical schools, Serbia has since 2018 introduced the system of dual education, based on German model, allowing secondary technical school students to spend 3 days in classroom and 2 days in the real factory. It is a significant step in bringing educational and real sector closer together, most welcomed by employers.

If all of these efforts are bearing fruit it can be recognized through significant “capital-intensive” investments made in recent years that are encompassing state of the art manufacturing systems and high tech products. To name just some of them the new ZF E-mobility factory in Pančevo produces electric motors, generators for hybrid and electric drives while the new plant of German - Hong Kong based BMTS Technology in Novi Sad is the OEM supplier of next generation turbochargers for customers such as PSA, VW and BMW.

Further large scale investments in technology were made by companies such as Chinese Mei Ta building the largest automotive parts foundry in the Balkans, Robert Bosch plant for wiper systems or the factories specializing in production of electric motors for automotive applications by leaders such as Hong Kong Johnson Electric or German Brose. One of the more important product of automotive industry in Serbia are the tires with Michelin and Cooper Tires plants in Pirot and Kruševac, soon to be supplemented by factories of Chinese Linglong and Japanese Toyo Tires.

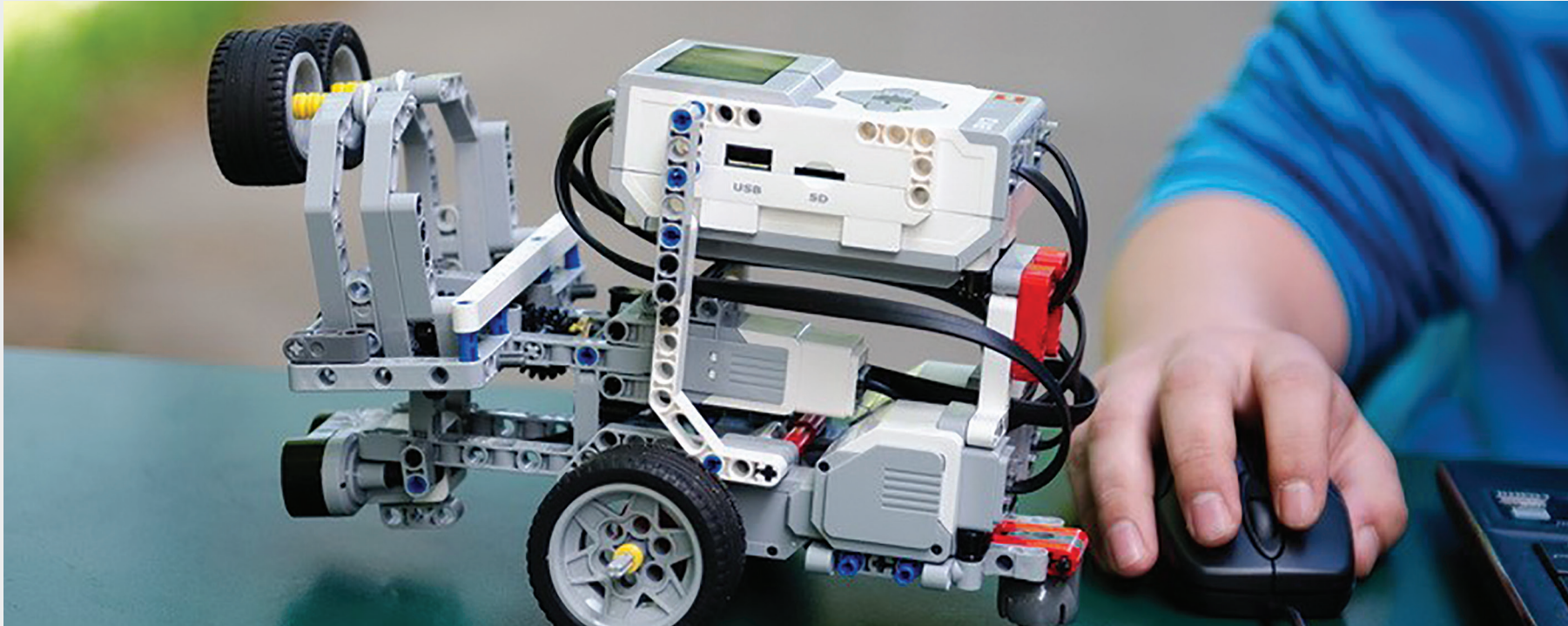


INVESTMENT INCENTIVES

for up to 4th development category municipalities

- up to 25% eligible cost of investment cash grant
- up to 35% 2y cost of salary cash grant

* Note – size of the manufacturing icon represents the yearly number of graduate technicians in particular town.



LET US INTRODUCE TO YOU...



SCHOOL OF MECHANICS PANČEVO

Secondary technical school that has resisted the test of time by constantly thinking forward, today is a fine example of an educational center in Serbia where students are trained in the disciplines such as CNC operator, CAD technician, mechatronics, motor vehicles technician, machining technician, welding technician etc.

"Our job is to create Workers of Knowledge. Our professors become instructors and guides in this process, which is very different from the usual, declarative acquisition of knowledge."
Director of School of Mechanics Pančevo

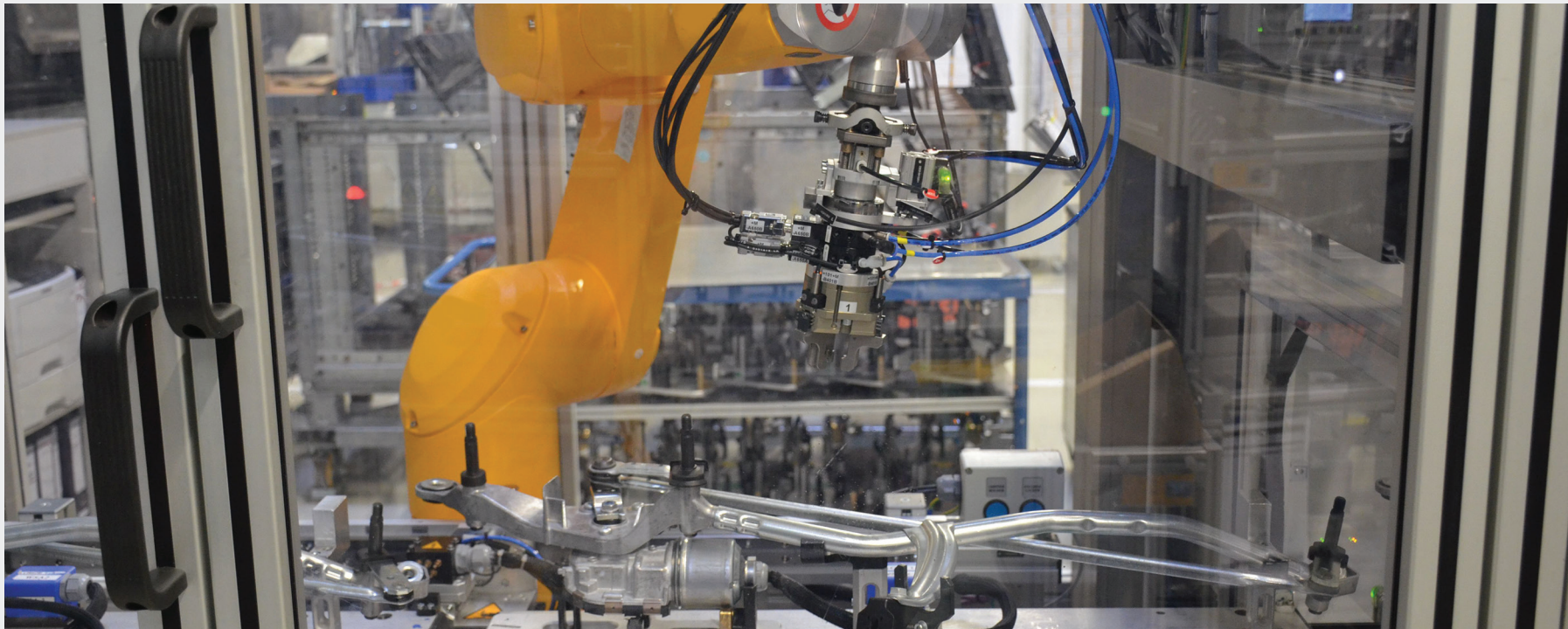


Johnson Electric - leading world supplier of innovative motion systems and components applied in large number of industries, employs more than 40 thousand people in 23 countries, with a global production capacity of over one billion pieces and sales of 3.2 billion USD.

The plant in Niš produces electric motors for all industries, primarily automotive, through processes vertically integrating the largest part of the components production. JE products meet the stringent standards of the industry, one of the most competitive in the market today. In Niš the company is investing in future staff by actively cooperating with the technical faculties and technical high schools through professional practice programs and through the dual education system.



FIAT Chrysler Automobiles Serbia is a joint venture between FCA and the Republic of Serbia. Plant is located on the former site of Zastava Automobiles, Serbian car factory that produced local car brand from 1953 to 2008. The factory was completely renovated and modernized, reopening in April 2012 as one of Europe's state of the art car factories. The operation currently has roughly 2,000 employees and works closely with 15 other companies and component suppliers, with a combined workforce of roughly 6,000 tied to production at FCAS. The factory has a daily output of roughly 400 cars manufacturing the Fiat 500L, which FCA markets globally in more than 100 countries. By early 2018, production surpassed 500,000 units.



Activities of **Robert Bosch** in Serbia consist of production and R&D of automotive wiper systems, regional distribution and a series of services on the group level. Production and R&D are performed in Bosch factory located about 30 km from Belgrade in Pecinci Municipality. The plant that was initiated in 2012 today employs more than 1,100 workers and is constantly in expansion process. Global group services are performed in Bosch Competence Center in Belgrade and include automotive aftermarket and software R&D activities.

SUPPLY CHAIN

VERTICAL INTEGRATION IS OUR AIM AND YOUR BENEFIT

The last, but not the least, piece of our puzzle are components suppliers. By the nature of their size these companies are mostly part of SME sector, and unlike with the large system suppliers there is a strong presence of local Serbian companies among them. To be clear, this segment addresses the Tier2 and further part of the chain, with companies that will take care of stamped, pressed, injected, forged, casted, machined and such elements. And while it may be that they make the smallest mark in terms of value, they are the base that makes production of complex systems possible.

This is why RAS pays special attention to this sector, as it is seen as integral part for development of local competences, while increasing the value added of Serbian made products and creating more attractive environment for investments.

RAS Supplier Development Program is aimed at providing expert consultancy in different enterprise management fields, while also financially supporting the investments into machinery and equipment. The program is tailor made to fit the SME sector and overseen by advisory board of large multinationals. To support further development of this segment, RAS is also encouraging foreign companies to consider joint-venture agreements with local Serbian suppliers that could produce synergies and broaden the market perspective of both.



INVESTMENT INCENTIVES

for up to 5th development category municipalities

- **up to 30%** eligible cost of investment cash grant
- **up to 40%** 2y cost of salary cash grant

* Note – size of the manufacturing icon represents the yearly number of graduate technicians in particular town.



WE WOULD LIKE TO EMPHASIZE...



RAS SUPPLIER DEVELOPMENT PROGRAM

RAS

The priority of our Supplier Development Program is to identify the type of intervention that a company needs to improve its performance and potentially become an OEM supplier. Interventions can be different, from professional advisory in business and management, through the acquisition of certain certificates or investment in equipment and modernization of production.



D-Company

D-Company is specialized in the production of molds for vulcanization of tires - passenger, cargo, agro-industrial, tires for bicycles, scooters, motorcycles. Years of hard work, investments in human resources and equipment and the application of modern methods in quality management and control are the principles of our business that have kept our customers satisfied for three decades.

INMOLD

Inmold Plast is a family-owned company that was established in 2006. The primary business of the company Inmold Plast is the production of high quality injection molds for plastic and non-ferrous metal. Company specialty is the production of injection molds for thin wall packaging and injection molds for technical components. Besides molds, Inmold Plast manufactures IML robots. The company owns and successfully implements ISO 9000, ISO 14001 and IATF 16949 standards. Company is also equipped with over 40 plastic injection molding machines with clamping forces ranging from 40 to 1000 tons.





Termometal is a producer of unique parts, tools and assemblies, that manufactures products for research and development centres of the automobile industry, based on customer design. The company aims, year after year, to meet the growing needs of business partners and fulfil their expectations and requirements. Consequently, the factory technique and technology is of high-level, with a wide range of technological spectrum and professional human resource. The company bears in mind that the developing branch of the automobile industry requires high technical and technological development, high quality, short delivery terms, accuracy and speed. Therefore, it strives to be not only suppliers but also strategic partners for its customers.

GOMMA LINE

GOMMA Line is an IATF 16949, ISO 9001, and ISO 14001 certified manufacturer of rubber parts prevailing for the automotive industry. Product line includes extruded rubber profiles, molded rubber products, brake, and hydraulic clutch hoses as well as tools for rubber extrusion and molding manufacturing processes. Manufacturing facilities are equipped with extrusion, vulcanization, flocking lines, injection molding machines, as well as CNC machines for metalworking. GOMMA Line meets the demands of Industry 4.0 and concepts of Lean manufacturing. Starting out as a rubber products and parts manufacturer, trusted by companies from automotive and home appliances industries, GOMMA Line has accumulated and consolidated expertise in rubber technology, tool design, and process optimization.



AUTOMOTIVE THEN and...

... **AUTOMOTIVE NOW**



PROUDLY
MADE IN
SERBIA



Automotive Then and Automotive Now

The development of Automotive sector in Serbia goes back to 1939, when assembly of military trucks started in the City of Kragujevac, today the heart of Serbian automotive industry. Ever since then, by acquiring the license from FIAT, the small Kragujevac plant was transformed into the Serbian car producing giant called Zastava (The Flag). In the next 55 years Zastava would go on to produce more than 4.5 million vehicles, 650,000 of them being designated for export.

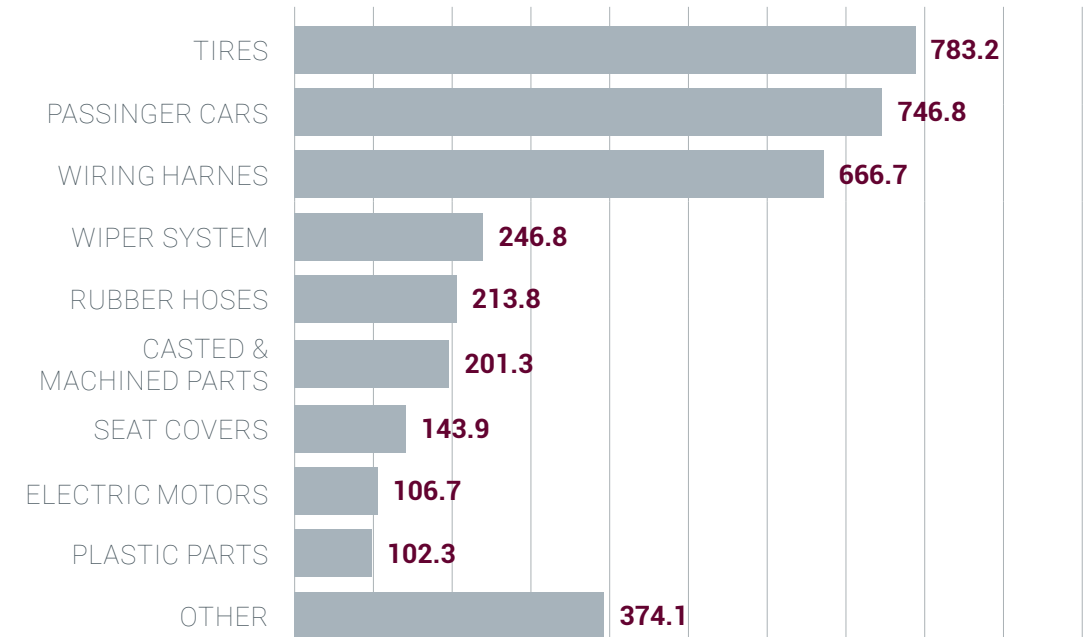
Most significantly the year 2008 saw the takeover of lumbering Zastava factory by FIAT with an unprecedented investment project worth €940 million. The factory was completely overhauled with new machinery being introduced for the production of the brand new FIAT 500L mini MPV.

As the only passenger cars producer in Serbia at present, FIAT is the backbone of the automotive industry. But what forms the meat on the bones, are the components and systems suppliers. Being a latecomer in the foreign investments game it took some time before large investors started considering Serbia as a viable location. As expected, first to come were very labor intensive low value added producers in wiring harness and seat covers. These were gradually replaced by more high end oriented companies like Bosch, Continental, ZF, Brose, Michelin and Johnson Electric.

With motor vehicles becoming an electronics product as much as mechanical, production of these systems is becoming dominating force driving the new investments. However currently the major product groups in Serbian automotive industry are tires, wiring harness, wipers, hoses and various metal components. Given the current investment trends these will be in the future replaced by products such as electric motors, turbochargers, radar and optical sensors, electronics, power converters etc.

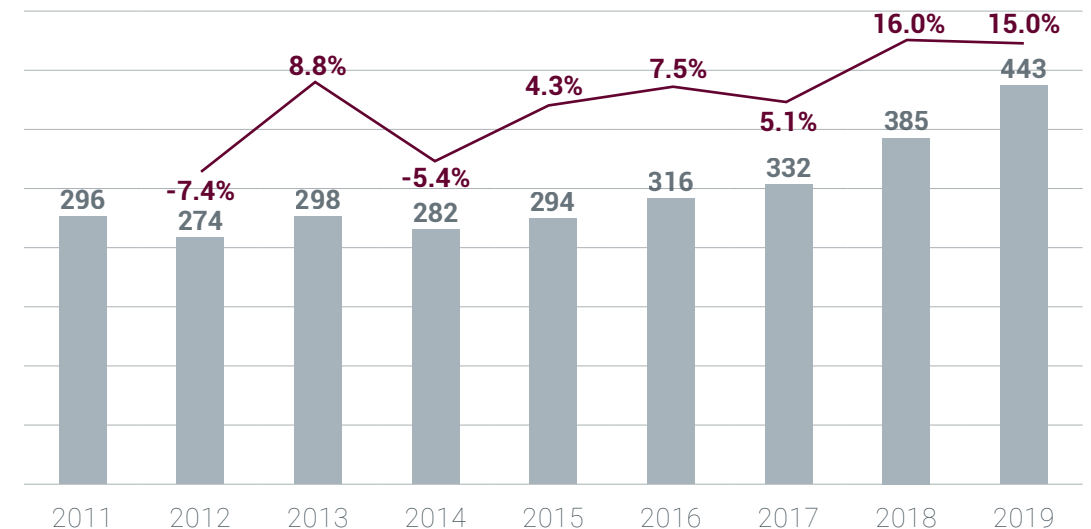
Major Products Groups VALUE OF PRODUCTION 2018 (€ mill)

Source: Serbian Business Registers Agency and Development Agency of Serbia



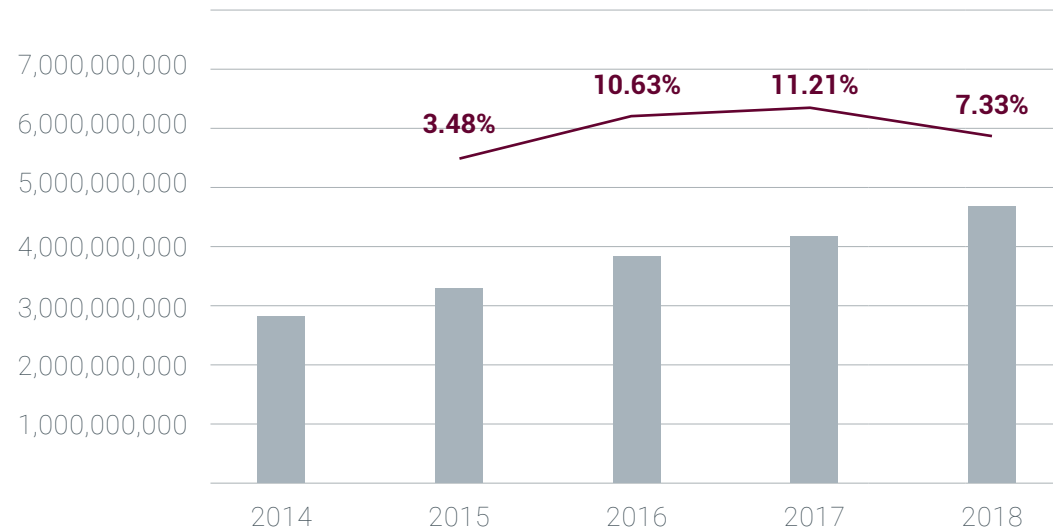
AVERAGE SALARIES in Automotive industry (EUR)

Source: Serbian Business Registers Agency and Development Agency of Serbia

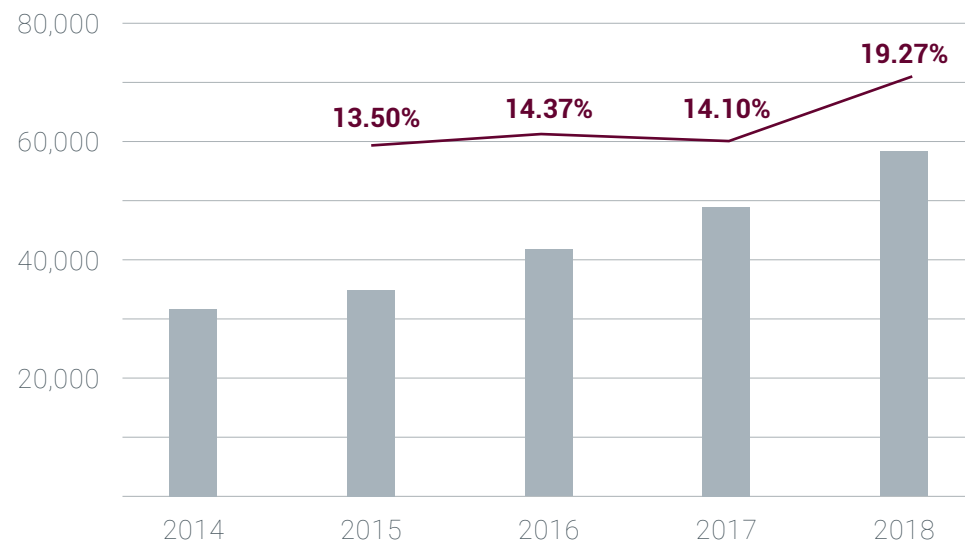


INVESTMENT ADVISORY

TURNOVER in Automotive industry (2018)



EMPLOYMENT in Automotive industry (2018)



— Growth Rate

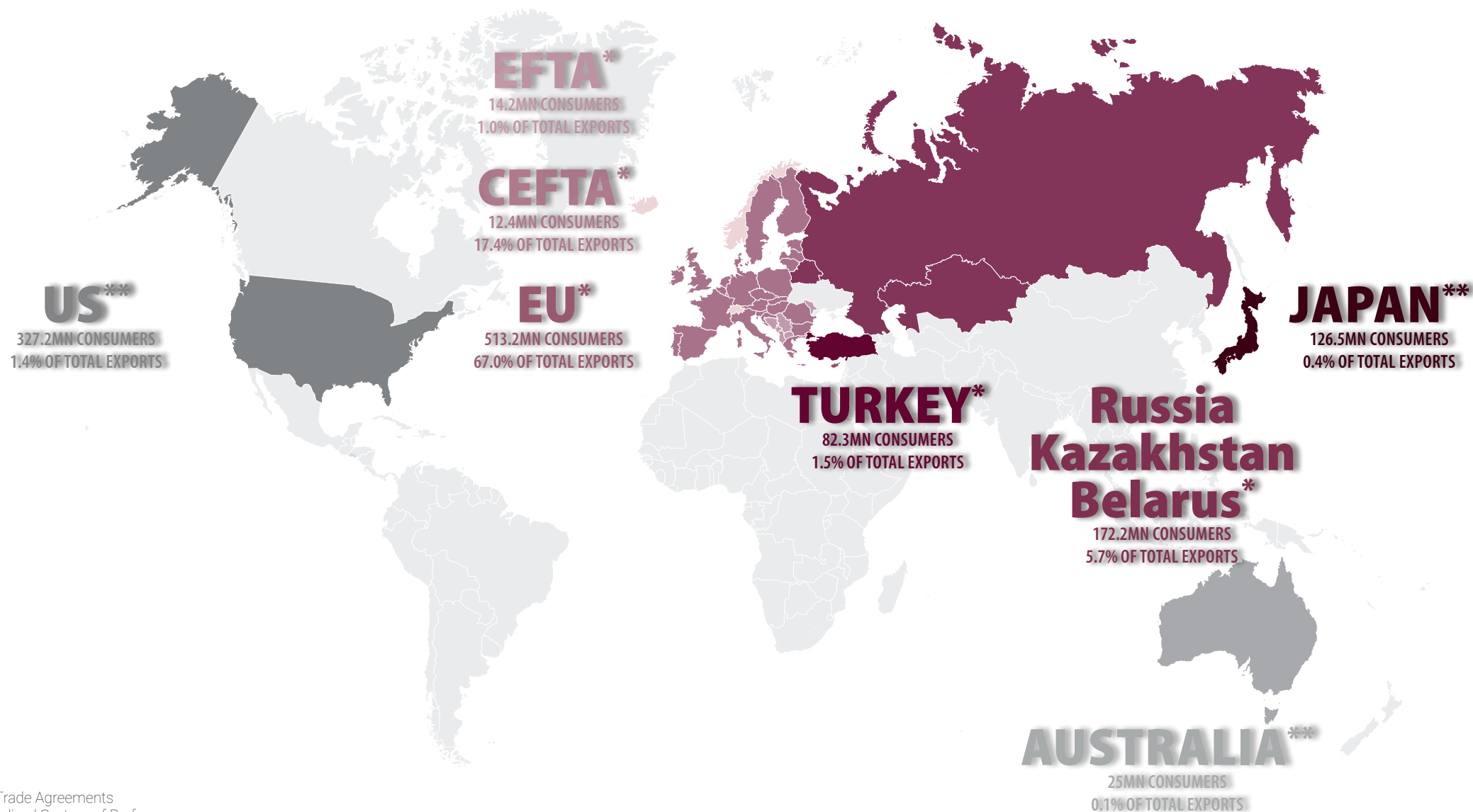
Source: Serbian Business Registers Agency and Development Agency of Serbia

ADVANTAGES AND INCENTIVES

- PERCENTAGE OF ELIGIBLE COST OF INVESTMENT AS A CASH GRANT
- PERCENTAGE OF TWO YEAR COST OF SALARIES AS A CASH GRANT
- UP TO 10 YEAR OF CORPORATE PROFIT TAX HOLIDAY
- CONSTRUCTION LAND AT DISCOUNT PRICE OR FREE OF CHARGE
- INFRASTRUCTURE DEVELOPMENT CARRIED OUR BY REPUBLIC OF SERBIA
- SUBSIDIES FOR TRAINING COST
- VAT FREE OPERATIONS IN THE FREE ZONES
- PAYROLL TAX REDUCTION FOR HIRING OF UNEMPLOYED WORKERS

TRADE UNLIMITED

Products made in Serbia can be imported into total of 55 countries without paying the import duties constituting the market of more than 1.3 billion consumers. Serbia's unique policy of friendship with East and West resulted in Free Trade Agreements with economies such as European Union, USA, Russian Federation and Japan.



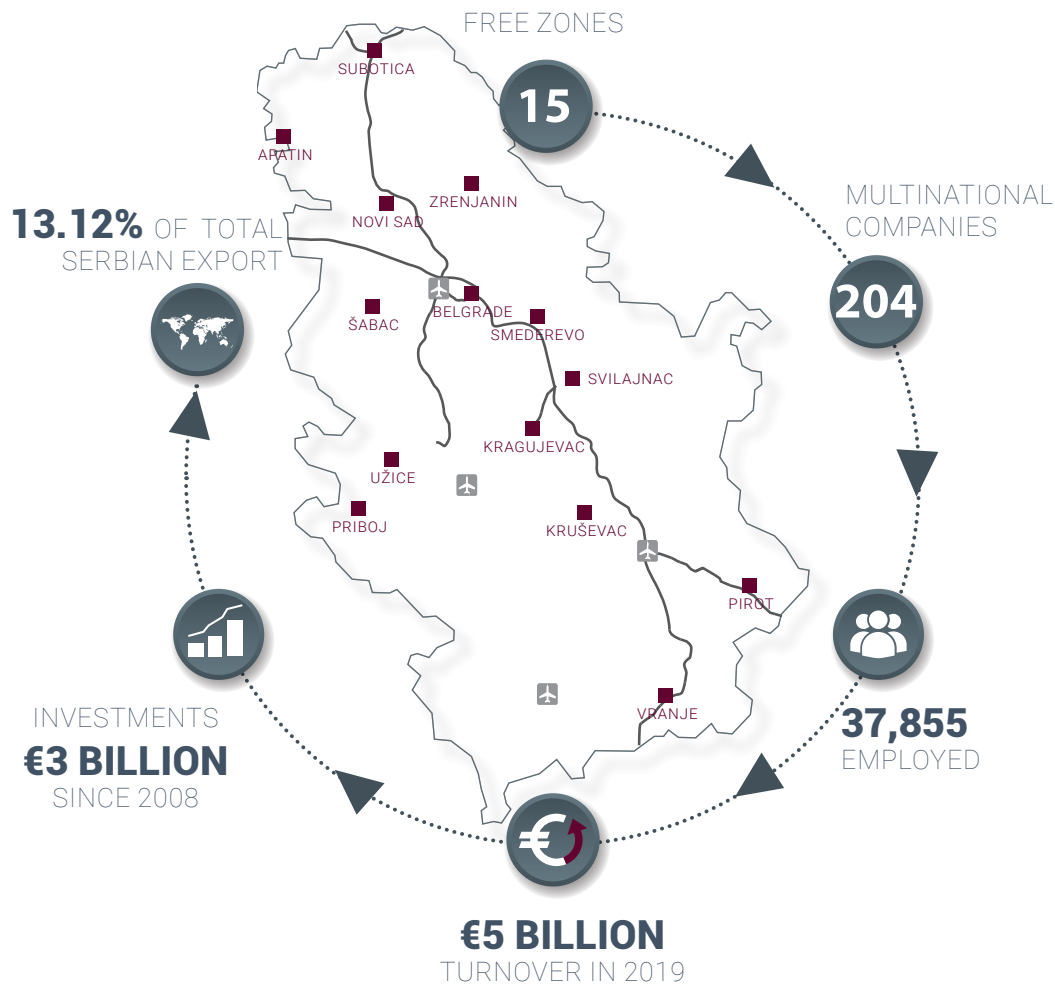
*FTA - Free Trade Agreements

**GSP - Generalized System of Preferences

Source: Statistical Office of the Republic of Serbia, 2018; World Bank, 2018

FREE TRADE ZONES

Free Trade Zones are industrial areas with special status providing the companies operating in them possibility of custom free and VAT free import of materials and goods, as well as complete VAT free operation. In addition FTZ usually provide multitude of in-house services such as custom clearance, logistics, security etc.



— Highway
 ✈ International Airport
 Source: Free Zones Administration, 2020



LET US PRESENT YOU...

MIND Park is an industrial cluster-based area, spread across 150ha in Central Serbia. The Park is set to become globally unique as a centre of competence, focused, but not limited to the rail vehicle industry only. The Park provides turnkey facilities in accordance with your business needs. Customized manufacturing halls, modern office spaces as well as a science-technology park will be supported with excellent infrastructure and business support services as well as concentrated know-how in industry.



FINANCIAL INCENTIVES

A lavish system of incentives is offered to all investors in the sector in order to further boost its development. The incentives are set up to offer the highest grants to most undeveloped municipalities, which are in Serbia divided into five categories. The subsidies are calculated as percentage of the two year salary expenses or percentage of investment. So far, more than 50 foreign investment projects have successfully participated in the incentives program, with names that include: Michelin, Bosch, Aptiv, Continental, Lear and many more.

LEVEL OF DEVELOPMENT OF THE LOCAL MUNICIPALITY	PERCENTAGE OF 2-YEAR TOTAL SALARIES COST	PERCENTAGE OF INVESTMENT IN FIXED ASSETS (OPTIONAL)
I	20%	+ UP TO 10%
II	25%	+ UP TO 15%
III	30%	+ UP TO 20%
IV	35%	+ UP TO 25%
V	40%	+ UP TO 30%
BONUS FOR LABOR INTENSIVE PROJECT		
For more than 200 employees +10% of the sum of 2-year gross salaries	For more than 500 employees +15% of the sum of 2-year gross salaries	For more than 1,000 employees +20% of the sum of 2-year gross salaries



CORPORATE INCOME TAX RELIEF

A 10-year Corporate Profit Tax Holiday is available for investors who employs 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)



RAS

Development Agency of Serbia

Kneza Miloša 12, Belgrade, Serbia
office@ras.gov.rs
ras.gov.rs