



RAS

CHEMICAL and

PHARMACEUTICAL Industry

in Serbia

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CHEMICAL INDUSTRY

The Chemical Industry is a globally one of the most important and most linked branches with the overall economy of a country. The products are highly integrated along the entire value chain, and their use can be found in nearly all processing industry branches - construction, automotive, household appliances, etc.

The product range of the Chemical Industry can be divided into three basic groups of sectors - chemicals and chemical products, basic pharmaceutical products and rubber and plastics products.

Based on the chemical composition, they are divided into the inorganic and organic products. The largest part of the chemical Industry belongs to the organic chemistry - carbon-based, which means that the basic raw materials are crude oil or natural gas. These products include pharmaceutical products, rubber and plastics, agrochemistry products, paints, detergents, household cleaning products, etc. A smaller group of products belong to the products of inorganic chemistry, which are not based on carbon.

CHEMICAL INDUSTRY IN SERBIA

EARLY DAYS

The introduction of the chemical industry in Serbia started in the 18th and 19th century with the manufacture of gunpowder, candle wax, soap, paints, coatings and pharmaceuticals.

THE FIRST SERIOUS GUNPOWDER MANUFACTURING FACTORY WAS FOUNDED IN 1889 UNDER THE NAME OF OBILIĆEVO . TODAY, THE COMPANY, NOW RENAMED, IS ONE OF THE LARGEST MANUFACTURERS OF PLASTIC PRODUCTS IN THE BALKANS.

THE LARGEST MANUFACTURER OF SANITARY PRODUCTS WAS FOUNDED IN 1839 BY SOAP MANUFACTURERS GLIGORIJE JANKOVIC . NOW THE COMPANY SELLS LAUNDRY DETERGENTS IN THE ENTIRE SOUTHEAST EUROPEAN MARKET AND THE MIDDLE EAST.

THE FIRST SERBIAN FACTORY FOR PAINTS AND COATINGS WAS FOUNDED IN 1894 BY DIMITRIJE DJORIC, WHOSE ANNUAL PRODUCTION AMOUNTED TO SEVERAL HUNDREDS OF TONS. THE HISTORY OF THE SERBIAN CHEMICAL INDUSTRY IS THEREFORE RICH AND HAS BUILT ITS EXPERIENCE OVER SEVERAL CENTURIES.

Period between two world wars was marked by serious surge in production capacities, especially in light chemicals, but that period was also important for establishment of base chemical industry, with

factories producing sulfuric and hydrochloric acid, bile salts, iron sulfate and copper sulfate in Subotica. Also, there were significant achievements in development of manufacturing capacities for tar, asphalt, rubber, industrial gases and other chemical products.

The most successful period for chemical industry, as well as for the complete industry of Serbia, were the 1970's. Concerning effects of erected manufacturing facilities, the most favorable times were the 1980's, when chemical industry and rubber industry of Serbia had 6 to 8 thousand of various products in their production programs and global production volume at the level of 8-10 million tons per year.

Record volume of production chemical industry achieved in 1989 and rubber industry in the middle of the 1980's. In the year 1989 a record was reached in employment, which equaled about 63,000 in chemical industry and 20,000 in rubber industry, and also in share of chemical industry and rubber industry in gross domestic product of industry, which was 10.6%.

Record export level of chemical goods of around 600 million \$, which was approx. 11% of the value of the total export of Serbia, was reached in 1990.

INDUSTRY TODAY

The structure of Chemical Industry in Serbia is defined in following way:

1. Base chemicals and chemical products (base chemicals, fertilizers, plastic granulates, industrial gases, bases for colors and varnishes, basic non-organic chemicals, synthetic rubber); Pesticides and agriculture chemicals; Paints, varnishes, dyes, printing colors and fillers; Detergents, soaps and cleaning products; Other chemical products (glues, ether oils..)
2. Rubber and plastic products (rubber tires, other rubber products); plastic profiles; plastic packaging; plastics products for construction purposes, other..)
3. Non-metal mineral products (glass products, fireproof products, ceramics, porcelain, grinding products and agents)
4. Pharmaceutical products



1,507
COMPANIES



32,051
EMPLOYEES



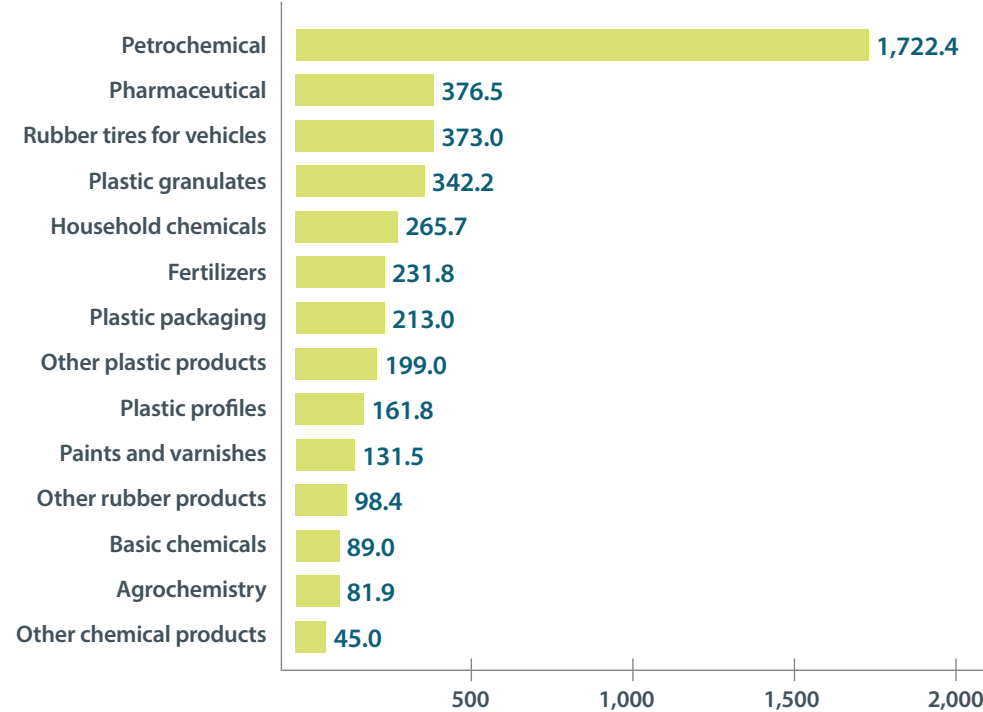
€3.95 BN
TURNOVER

Chemical Industry in Serbia consists of 1,507 companies active, which in 2014 contributed to the GDP with 2.2% and employs over 32,000 people. Unlike the average of the Serbian economy, chemical industry was more resilient to the impact of global financial crisis and proved to be more dynamic and healthier. There is significant growth recorded both in terms of production volume and exports, while the sector has suffered a drop in total employment by more than 3,500 people, mostly due to reduction of jobs in socially owned big pharmaceutical companies.

SECTOR OVERVIEW

Production volume of the Chemical industry is on the rise. By far, Petrochemical Industry is the strongest performer in the group, followed by Pharmaceutical and Rubber and tires Industry. Production volume of pharmaceuticals increased by 17% in 2015 while rubber and plastics achieved growth of 6.1% and chemicals and chemical products 2.7%, compared to the previous year. In 2015 the chemical, rubber products and non-metallic minerals achieved \$1.82 billion of exports, which is 13.5% of Serbia's total exports value and 15.0% of exports of countries processing industry.

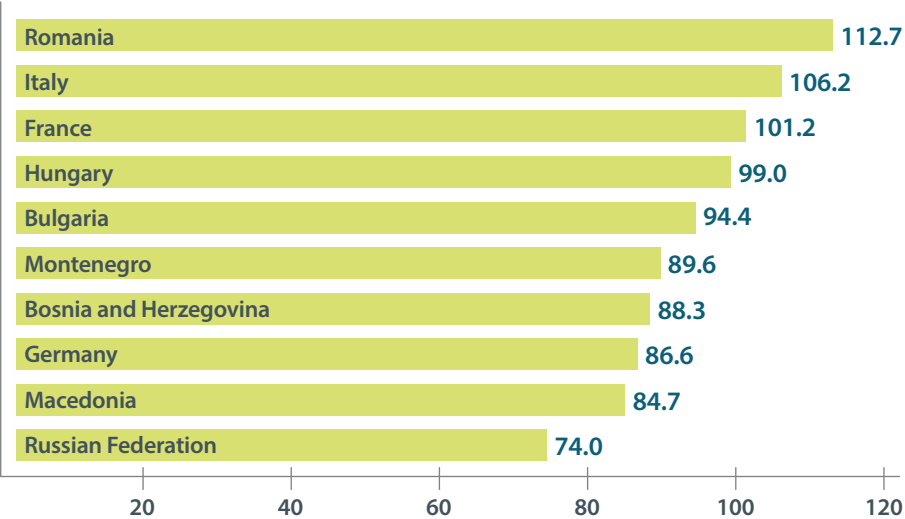
TURNOVER CHEMICAL INDUSTRY SECTOR 2015, € MILLION



Source: Statistical Office of the Republic of Serbia

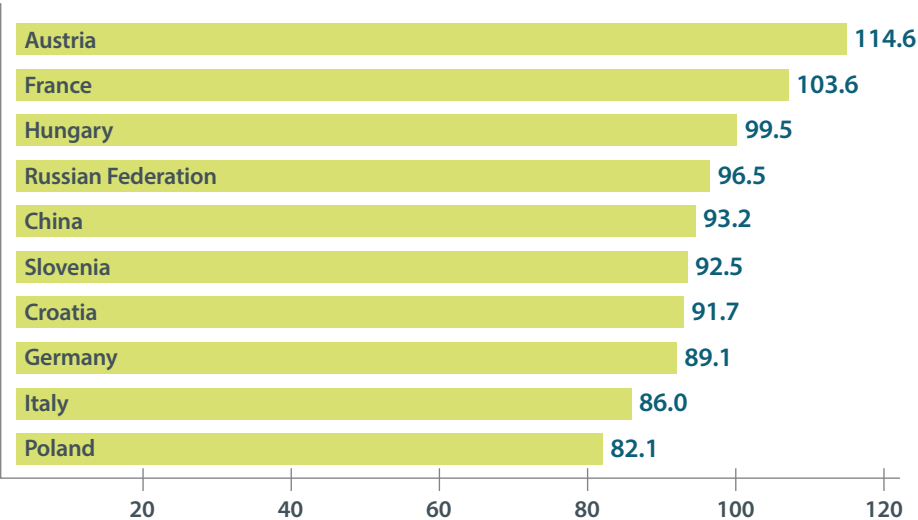
Sector of pharmaceutical products and preparation operates under significantly different regulations in relation to the rest of the chemical industry. Operation is highly controlled by national legislation both in Serbia and globally. The leaders "Hemofarm", "Galenika" and "Zdravlje" have the necessary certificates for export. The strongest export is achieved by the company "Hemofarm", with a share of 81% of total exports of the pharmaceutical industry.

EXPORT VALUE PER MARKET IN 2015, \$ MILLION



Source: Chamber of Commerce and Industry of Serbia

IMPORT VALUE PER MARKET IN 2015, \$ MILLION



Source: Chamber of Commerce and Industry of Serbia

WORKFORCE

In 2015 number of employed in Chemical and Pharmaceutical industry was 32,051. The most populated sector is by far Rubber tires for vehicles, providing permanent employment for more than 5,300 people and growing in numbers on annual basis. Over the past 8 years since the global financial crisis broke out, the number of employees in Chemical and Pharmaceutical industry has been reduced significantly, leaving experienced and skilled technicians and engineers looking for alternative opportunities. It is estimate that more than 20,000 people in this field had lost their jobs in this sector from 2008 up to now.

By far the biggest reduction in jobs was in Pharmaceutical industry sector, where more than 2,000 people have lost their jobs in the last 5 years. Combined with constant inflow of qualified pharmaceutical engineers from Universities and Colleges, this creates resourceful labor pool for new investors to come.

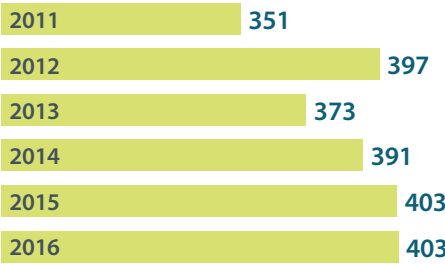
Average salaries in Pharmaceutical Sector are usually quite higher than comparing to processing industry in Serbia, mostly due to higher educational and skill level needed for manufacturing processes, higher capital intensity of investments in this field and overall growth rate in most of the sectors. Pharmaceutical industry makes an exception with average salaries which are almost double than processing industry.

AVERAGE NET SALARIES BY INDUSTRY (EUR)

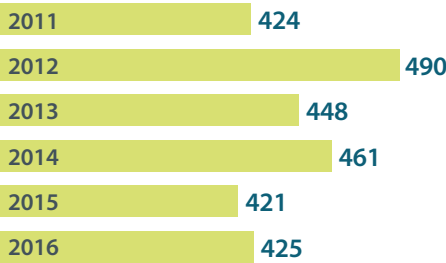
PETROCHEMICALS



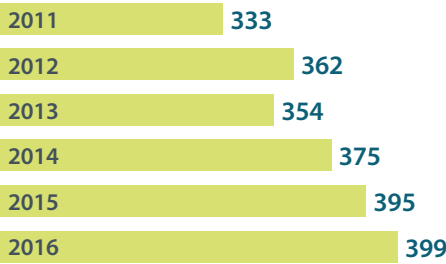
RUBBER AND PLASTICS



CHEMICAL PRODUCTS



NON MINERALS



MAJOR SECTORS

PETROCHEMICAL

PHARMACEUTICAL

RUBBER
AND TIRE

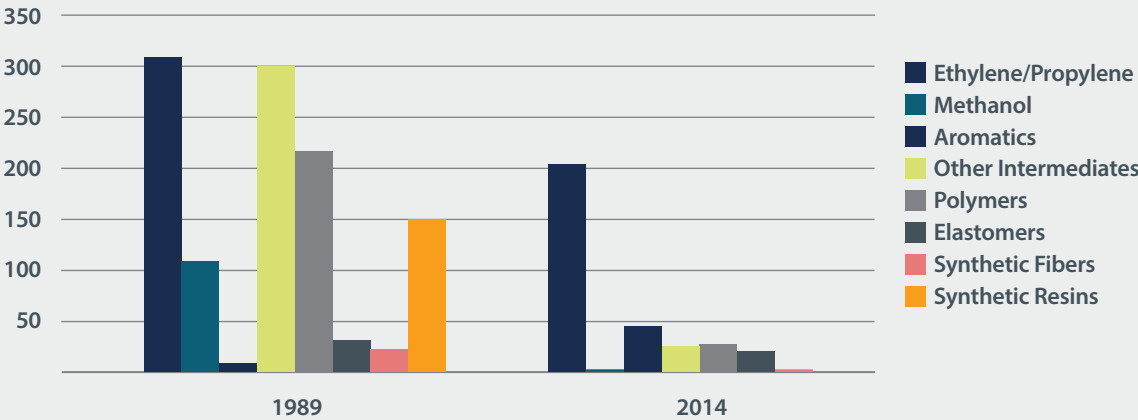
PETROCHEMICAL INDUSTRY

Petroleum refining and the petrochemical industry account for a major share of the world’s energy and industrial markets. In many situations, these industrial sectors represent the economic backbone of national economy.

The entry of the petrochemical industry into Serbia dates back in the 1970’s. Between 1975 and 1985 several high-tonnage capacities for manufacturing of basic petrochemicals and their derivatives were brought on-stream, such as facilities in the company PETROHEMIJA from Pancevo (200,000 tpy of ethylene, 85,000 tpy of propylene, 45,000 tpy of C4-fraction, 100,000 tpy of VCM and other by-products), then in the company FSK from Zrenjanin (45,000 tpy of 1,3-butadiene, 35,000 tpy of MTBE and 22,000 of Raffinate-2) and finally in the company Methanol-Acetic Acid Complex (MSK) from Kikinda (200,000 tpy of methanol and 100,000 tpy of acetic acid).

Record production of petrochemical commodities in Serbia was achieved 25 years ago:

PRODUCTION OF PETROCHEMICAL PRODUCTS



Today, the base petrochemicals produced in Serbia are internally converted into more profitable derivatives at low percentage (excl. ethylene and butadiene), almost as it was in the late seventies of the previous century. A smaller part of basic petrochemicals is sold in the country (as low profitable semi-finished goods), and the rest is exported. The petrochemical industry of Serbia has been always significantly oriented towards export.

With exception of Romania, all countries of Central and South-Eastern Europe are dependent on imports of crude oil and natural gas. On the other side, this region has a significant number of process plants to produce basic petrochemicals – finished commodities that are not profitable enough to withstand the high costs of transport to distant destinations, limited regional demand and relatively small installed capacities.

SUCCESS STORIES

NIS

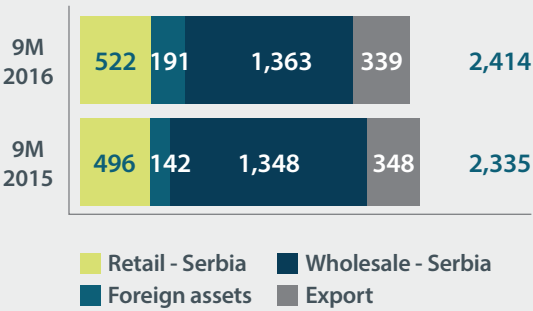
NIS, formerly national oil company and today a joint stock company majority owned by “Gazprom Neft”. Russian company owns 56.15 % of the share capital of NIS, while 29.87 % of NIS shares are held by the Republic of Serbia. The head office is in Novi Sad, and its main production capacities are located all over the Republic of Serbia, which is, owing to its geographical position, the center of trade and investments in the Balkans.

Its basic business activities include exploration, production and refining, sales and distribution of a broad range of petroleum products, as well as the implementation of energy projects.

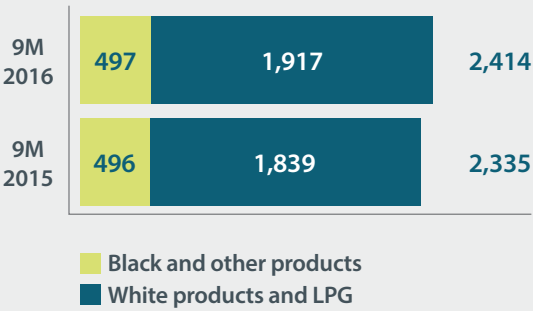
In Serbia, NIS owns a refining compound, with two units, one in Pancevo and the other in Novi Sad, which produce a wide range of petroleum products – from motor fuel and diesel fuel, through aviation fuel, to industrial lubricants and feedstock for petrochemical industry. In 2012, NIS completed the first stage of the modernization of Pancevo Oil Refinery (RNP), enabling the transition to the production of European-quality fuel, increasing production of „white derivatives“, and optimization of energy consumption. The sales structure consists of export and domestic wholesale deliveries of crude, gas and petroleum products, as well as retail sales of finished petroleum products, liquefied petroleum gas and a series of related products. NIS owns the largest retail network in Serbia which has been expanding across the region since 2012.

NIS also has activities in up-stream executing exploration and production of natural gas and crude oil in north-Serbian region (having advanced gas process plant located in Elemir). Energy Block in NIS has been established in line with the development strategy which implies specific key activities: positioning of NIS as the leading energy company both in Serbia and in the region, increase in use of renewable energy sources, electricity generation and distribution.

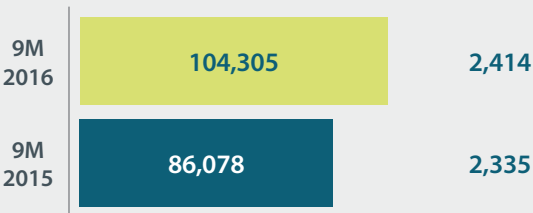
SALES VOLUME kt



SALES STRUCTURE kt



ELECTRICITY GENERATION MWh



Source: NIS Gazprom Neft, Quarterly Report 2016

SUCCESS STORIES

HIP-PETROHEMIJA

JSC “HIP-Petrohemija” Pancevo (HIPP) is the largest petrochemical company in Serbia and organized as a joint stock company majority owned by the state of Serbia.

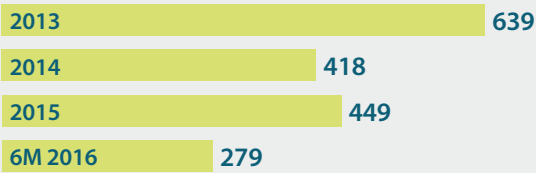
It’s designed to produce around 650,000 tpy of petrochemical products: Ethylene as excess to needs of captive polyethylene production, Propylene, 1,3-butadiene as excess to SBR (styrene-butadiene rubber) needs, MTBE (methyl tert-butylether), HDPE (high-density polyethylene), LDPE (low-density polyethylene), and around 100,000–200,000 tpy of by-products (pyrolysis gasoline, pyrolysis fuel oil, raffinate II) at production sites in Pancevo (southern Vojvodina), and Elemir.

HIPP also operates two plants to produce HDPE pipes and fittings at location Luka Dunav, and HDPE granules near town of Crepaja. The production program includes: Polyethylene pipes (telecommunication, gas, water); Fabricated fittings (Equal Tees, Reducing Tees, Reducer Couplers, Elbows, Cross branches, End Caps, Stub Flanges); Corrugated Electro-Insulating Pipes.

In July 2010 HIP-Petrohemija and NIS signed an agreement regarding strategic cooperation in long-term naphtha supply. In November 2011 it was signed an agreement on strategic cooperation with the NIS concerning production efficiency increase and financial stability of the company.

HIP has well established position at domestic and foreign markets. Total export value reached for 6 months of 2016 was €92.5 million. Basic products are exported mainly to EU countries. Main destinations for basic products were Czech Republic, Italy, Slovakia and Germany, and Bosnia and Herzegovina outside the EU. The most successful products on the international market are polymers which are exported to the European Union and neighboring non-EU countries. Polymers were mainly directed to Italy, Bulgaria, Hungary, Romania, Croatia, Greece, Bosnia & Herzegovina, Slovenia and Germany.

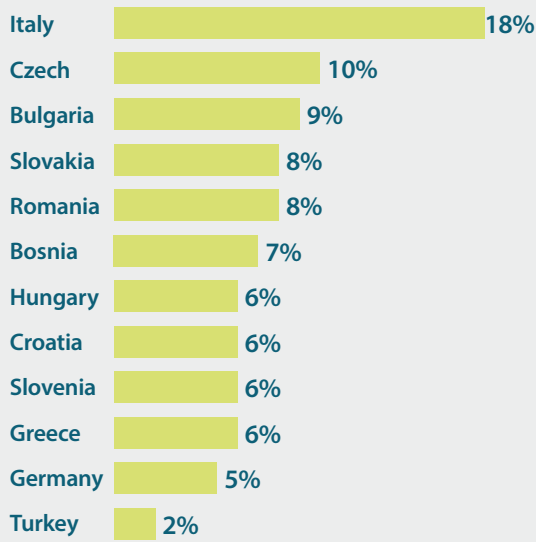
TOTAL PRODUCTION tones



SALES € mill

	2013	2014	2015	6M 2016
Total sales	366	253	231	134.8
Domestic sales	133	110	84	39.6
Export	233	143	147	95.2

MAJOR EXPORT COUNTRIES



Source: HIP Petrohemija

SUCCESS STORIES

HIPOL

JSC “Hipol” Odžaci, a joint stock company majority owned by the state of Serbia. It is located on production site near town of Odžaci, western Vojvodina.

Production complex was put into operation in 1983. It has capacity to produce 35,000 tpy polypropylene, 300–400 tpy atactic

METHANOL-ACETIC ACID COMPLEX

JSC “Methanol-Acetic Acid Complex” (MSK) is a joint stock company majority owned by the Public Company “Srbijagas”. It is located in the vicinity of the town of Kikinda, 6 km to the south of the Hungarian border and 25 km to the west of the Romanian border. Production complex was put into operation in 1987. It has capacity to produce 200,000 tpy of methanol, 100,000 tpy of acetic acid (glacial), and 220,000 tpy oxygen.

Basic products in MSK production programme are Methanol (Technical and purssimum) and Acetic Acid (Technical, Pharmaceutical and Acetic Acid for Food Industry), Nitrogen, Liquid oxygen and Demineralized water.

STANDARD PRODUCTS

Methanol, technical 99.85%
Acetic acid, technical 99.85%
Acetic acid, pharmaceutical 99.5-100.5%
Acetic acid, Foodstuff 80.0%
Acetic acid, Foodstuff 99.8%

Source: MSK a.d. Kikinda

Methanol is also applied in the production of many industrial products such as: furniture, panels, PET bottles, solvents, resins, paints, glues, liquid for the washing of windshields, sports equipment, pharmaceutical products etc.

Acetic Acid is used widely in the industry as primary raw material for the production of other

polypropylene (APP) and 20,000–30,000 tpy propylene – “polymer grade” (as excess to polypropylene plant’s needs). Company also operates two distillation columns to process light naphtha (C3–C6 fraction) and produce 50,000 tpy LPG and C5–C6 residue for its partner.

organic compounds. More than one third of entire produced Acetic Acid is used for vinyl acetate monomer production.

Nitrogen in liquid aggregate state is used for the rapid cooling in industry, food production, medicine and veterinary medicine, as well as in research procedures.

Liquid oxygen, most often when combined with hydrogen and kerosene is applied in rocket industry it is also used in explosives production, in the process of purification of waste waters in order to maintain high content of microorganisms, for medicinal purposes etc. More than 95 % of MSK total production is sold to foreign market. By its export volume MSK has a very important role at the European market of methanol and acetic acid.

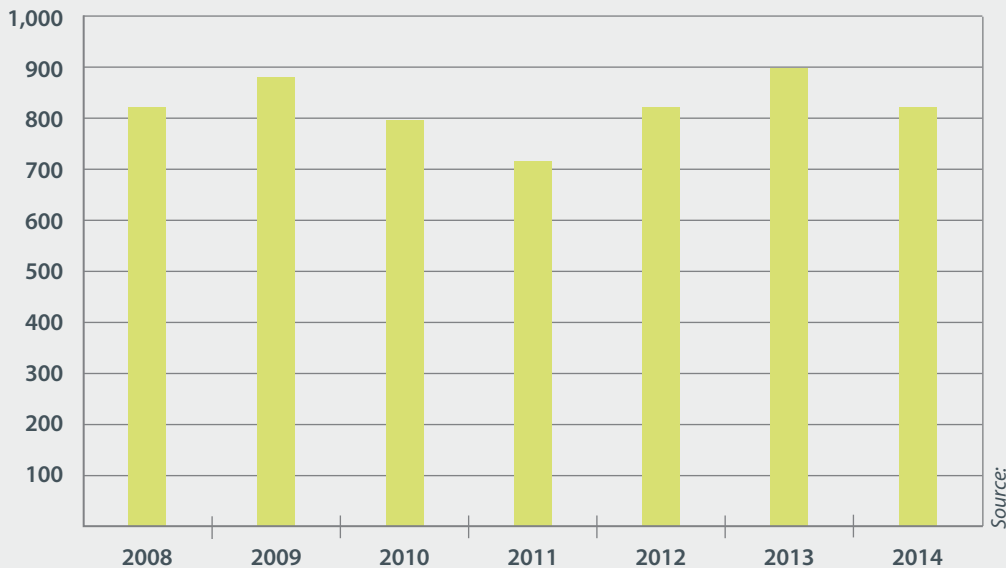
MSK owns rail tank cars produced in accordance with European standards and intended solely for the transport of MSK products: 88 Methanol rail tank cars and 122 Acetic Acid rail tank cars. Transport and distribution of finished products are carried out by railway, land (road and rail transport) and by water (marine transport). MSK owns railway line installed in the factory for the manipulation of RTC during the loading and the overloading site. There is the reloading site for tank cars with the accompanying roads. Products loading can be carried out in all weather conditions.

Also, MSK has a terminal in the port of Bar, Montenegro with the installation for Acetic acid manipulation and loading into the vessels.

PHARMACEUTICAL INDUSTRY

Serbian Pharmaceutical market is one of larger markets in Central and Eastern European region. The market for pharmaceutical products in Serbia is constantly growing both in terms of value and volume of products sold on domestic market. The early estimates for 2015 are indicating that value of pharmaceutical market in Serbia surged by 2.54% compared to previous year reaching close to €900 million, with significant growth of products packed in boxes (7.13%).

MARKET VALUE, € MILLION



Pharmaceutical Sector in Serbia, as the one of the most important industries, is closely connected to the transforming of complete political and economic environment. Changes in this area must follow changes in the state policy toward healthcare in general. Efficiency increase in the healthcare system of Serbia depend on the ability of generic pharmaceutical companies to deliver high quality and cheap generic medications to the market.

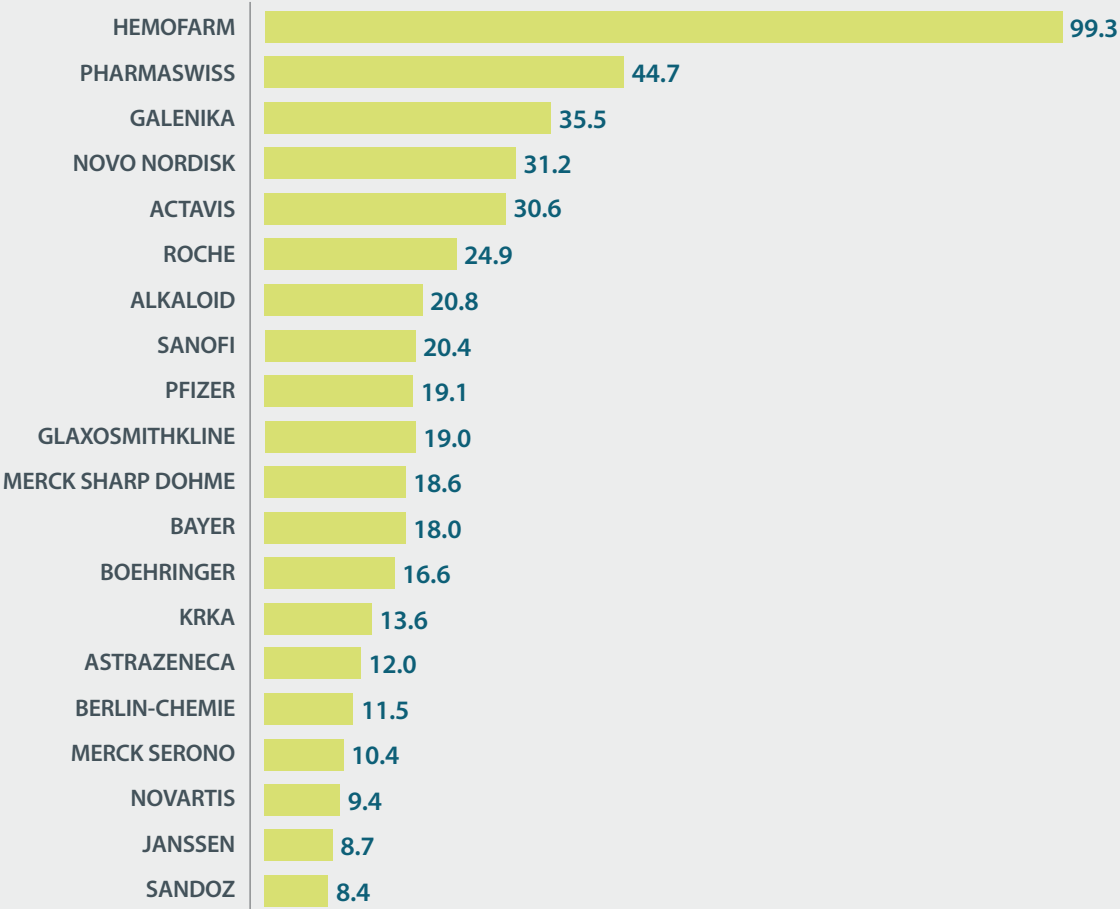
Pharmacy is the activity regulated in detail, with precisely specified rules for each stage a drug or a medicament shall pass through before it can be prescribed to patients. Serbian Drug and Medicaments Agency is given the task of regulating Serbian pharmaceutical market. Its competence is not limited only to issuance of the licenses and placing of drugs on the list, but Agency also issues licenses for clinical testing of drugs and medicaments; monitors undesired reaction to drugs; approves advertising of drugs and medicaments; exercises quality control of drugs and medicaments and engages in other task and assignments specified by the law.

The drug production includes the complete drug production process or certain parts of the production process, active substance production, raw material procurement, drug quality control and market release of drug batch, drug storage and distribution. The production process is any procedure applied

in the drug production, from the receipt of raw materials, production, packing in interior packaging, up to the labeling and exterior packaging.

More than 30 pharmaceutical companies perform their business activities in Serbia. The Serbian pharmaceutical market splits between domestic production and imports of pharmaceuticals from foreign multinationals, as the country is home to several, large generic drug makers such as state-owned Galenika, Strada subsidiary Hemofarm and Actavis subsidiary Zdravlje. Most multinationals are involved in the Serbian market through imports of their product portfolios or through licensing and marketing agreements with local players. Novo Nordisk is one of the leading players on the market, with other multinational companies in Serbia including Roche, Merck, GlaxoSmithKline, Pfizer, Sanofi, Abbot, Janssen-Cilag and AstraZeneca. About 70 foreign companies have representative offices in the country, with the majority being members of the Association of Foreign Pharmaceutical Manufacturers in Serbia.

SALES VOLUME IN 2015, € THOUSAND

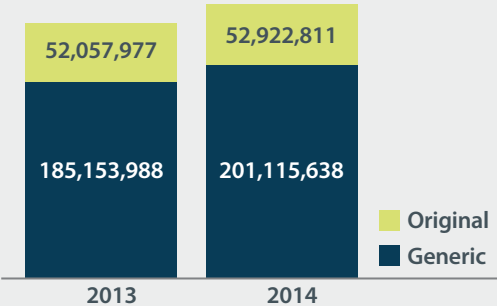


Source: Chamber of Commerce and Industry of Serbia

Out of all drugs sold in Serbia i 2015, 64% are produced in the country, while 38% are imported from other countries. Top 20 companies in pharmaceutical sector are holding almost 55% of sales volume in Serbia. The biggest share by far is reserved for Hemofarm Vršac with 14,53% of market in terms of value of drugs sold and more than 30% share in number of boxes. Other 3 big producers from Serbia (Pharmaswiss, Galenika and Actavis) are also positioned within top 5 companies, totaling close to €210 million in value of drugs sold in the country.

SALES VOLUME OF ORIGINAL AND GENERIC DRUGS

The market is dominated with generic drugs with almost 80% of market share in terms of number of drugs sold in 2015. When it comes to value the share of both types of drugs is almost even, due to higher average cost of original drugs. In terms of jurisdiction, 73% of all items sold are prescription drugs, 12,2% are over-the-counter drugs while 14,8% are dietary supplements.



The market for natural medicine has expanded significantly in recent years. There are significant demand for oncology products, vitamins/minerals, and natural medicines aimed at the prevention of diseases, as well for drug and alcohol tests.

One of the opportunities for the industry in Serbia is to launch medications prior to the EU or neighbouring countries. The local legislation enables earlier launching of new molecules due to a shorter period for the term of patent than in the EU countries, which opens up the opportunity to supply markets with new therapies at lower prices.

The Law on Drugs prohibits the sale of any pharmaceuticals, including OTC, outside the pharmacies. Customs-free access to markets such as Russia, former Yugoslav countries, and the EU provide many opportunities for both medicines, and medical devices. Serbia's leading pharmaceutical companies have modern technological solutions that comply with good manufacturing practice and enable them to manufacture over 95 % of existing generic forms.

Significant opportunity for investments in Pharmaceutical sector in Serbia lies in drug patent expirations since almost \$160 billion worth of patent protected drugs are about to become generic, thus viable for manufacturing by generic brand companies who often offer same drugs for 20-90% lower price than original producers. In addition to that, most of the original brands are not protected in Serbia so often authorized generics are introduced in Serbia much before it becomes available in EU and USA.

SUCCESS STORIES

HEMOFARM

Founded in Vršac on 1st June 1960, Hemofarm A.D. is today the leading generic pharmaceutical company in Serbia and in the region. Since 2006, Hemofarm has been a part of the German STADA Group, one of the largest generic pharmaceutical companies in the world. STADA has invested a total of approximately €150 million in Serbia since the integration of the largest Serbian health company into the Group in 2006.



Hemofarm is a leader in the Serbian pharmaceutical market with a 17.3% share in financial terms. And with a 79.1% share in the export of Serbian pharmaceutical products. Hemofarm produces over 4 billion tablets and capsules a year. The portfolio included 1.974 different products, an increase of 15% in relation to the 2014. This is the widest recorded assortment of production in the history of the company so far. Product range includes more than 250 products from different categories – prescription drugs, OTC products, dietary supplements and cosmetic products have been developed and marketed over the course of the previous 25 years. Almost all pharmaceutical forms are present: all types of tablets – conventional, film-coated tablets, effervescent tablets, or orodispersible tablets, capsules, syrups, ointments, creams, gels, sterile products – ampoules, lyophilized injections and infusions. Production is focused on Rx and OTC products within the most important pharmacotherapeutic groups, such as for cardiovascular diseases, antibiotics or neuropsychiatric medicines. Hemofarm's prescription drugs, called Rx drugs, are the most common products in the pharmaceutical market of Serbia. The product range comprises 11 out of a total of 14 pharmacotherapeutic groups, thus covering a wide range of diagnostic indications.

Hemofarm has a comprehensive OTC product range that can be bought without a doctor's prescription. They include products for prevention and relief of mild health problems. CHC (Consumer Healthcare) products include food supplements and commodities. Hemofarm's OTC product range enjoys a leading position in the Serbian pharmaceutical market, with a 16.8% .

Beside Rx and OTC products, main products are medical devices (include instruments, appliances, devices and products used in diagnostics, prevention, monitoring, treatment as well as disease testing), Dietary supplements and Consumer goods.

Thirty development projects, which include 67 new products in total, have been successfully implemented in the period since 2006 when Hemofarm became a member of STADA Group. Twenty three projects have been completely implemented in Hemofarm Research and Development while 7 projects have been the result of collaboration with colleagues from the same division in Germany. These products have been granted the confirmation of successful development through registration in 25 EU countries as well as 5 countries in region. Fifty two new products have already been successfully launched, 43 of which are in the EU market and 9 products in the markets of South-East European countries. Ten additional new products were launched onto the market at the end of 2015 and beginning of 2016.

SUCCESS STORIES

PHARMASWISS

PharmaSwiss has a broad product portfolio in seven therapeutic areas and operations in nineteen countries throughout Central and Eastern Europe, including Poland, Hungary, the Czech Republic and Serbia. The company also has operations in Greece and Israel. PharmaSwiss is an existing partner to several large pharmaceutical and biotech companies offering regional expertise in functions such as regulatory, compliance, sales, marketing and distribution.



In 2011 PharmaSwiss S.A. and Valeant Pharmaceuticals International announced that they signed a binding agreement for Valeant to acquire PharmaSwiss. In mid-2013, the construction of a pharmaceutical factory “PharmaSwiss” in Zemun Polje, has successfully completed. Factory space of 13.000 square meters consists of warehouse, production and administrative work. In the construction of the factory was invested €30 million, and this is the largest Canadian greenfield investments. PharmaSwiss produce 12 million packages of the highest quality standards, and their designed capacity is 16 million finished packages. Production is concentrated on the production of tablets, coated tablets, capsules and granules in accordance with national and European GMP requirements.



STAGES OF PHARMACEUTICAL MANUFACTURING:

Primary packaging:

- Pellet filling of hard gelatin capsule
- Automatic Primary blister packaging (PVC / Alu, PVC / PVDC / Alu, PVC / PE / PVDC / Alu and Alu / Alu)
- Sampling, Control of Process

Secondary packaging:

- Packaging and Labelling of bottles
- Automatic packaging in folding carton
- Automatic overpack
- Manual packing in folding carton
- Manual packing in transport boxes
- Sampling, Control of Process

Storage

SUCCESS STORIES

ACTAVIS

The company Actavis is one of the leaders in the pharmaceutical industry in Serbia. After taking over Zdravlje, Actavis has invested €50 million in the development of production and latest technologies for the production of drugs. Zdravlje Actavis became one of the first domestic manufacturers of pharmaceutical products that apply the highest standards of both domestic and the European Good Manufacturing practice.



SUCCESS STORIES

WEST PHARMACEUTICAL

West is a leading global manufacturer in the design and production of technologically advanced, high-quality, integrated containment and delivery systems for injectable medicines. West Pharmaceutical Services is a subsidiary of West International Group, and its activities are focused in the pharmaceutical packaging materials sector. The company produces rubber stoppers for vials containing penicillin and other antibiotics, IV platelets and plungers for prefilled and disposable 3-piece syringes. West has invested €23 million.



RUBBER AND TIRE INDUSTRY

In this field there are three important manufacturing sectors - pneumatics, rubber-technical goods and rubber footwear. This industrial branch was developed from handicrafts, especially manufacture of rubber based technical goods and rubber footwear that existed even before Frist World War.

Today's Serbian rubber industry shows a rather great development potential. Already in 2004 it almost reached the historical record level of foreign trade achievements since the value of export overcame €186.6 million. The most successful exporter was TIGAR MH which has exported tires and inner tubes in the value of nearly €80 million.

SUCCESS STORIES

MICHELIN

The project of Michelin company in Pirot is one of the biggest FDI manufacturing projects in Serbia, with more than €363 million invested from 2009 when the company acquired local tire manufacturer Tigar. Production capacity of the factory is 12 million car tires per year, enabling Company to reach €315 million in sales and almost €290 million in exports, making the factory the third largest exporter in Serbia. The company had 2 extensions from merging with Michelin, with 240 million invested in the last one completed in 2016. Currently, there are more than 3,000 employees in the factory.



1
PRODUCTION
SITE



3,108
EMPLOYEES



2
PRODUCTION
TYPES OF TIRE

COOPER STANDARD

Cooper Standard is one of the top USA supplier of rubber parts in global Automotive Component Industry. In 2013 the Company decided to invest more than €24 million and develop Geenfiled manufacturing facility with 19,000m2 under the roof for production of rubber sealing systems for passenger vehicles. The facility was constructed within 6 months from groundbreaking point. The company employs more than 400 people.



1
FACTORY



500
EMPLOYEES



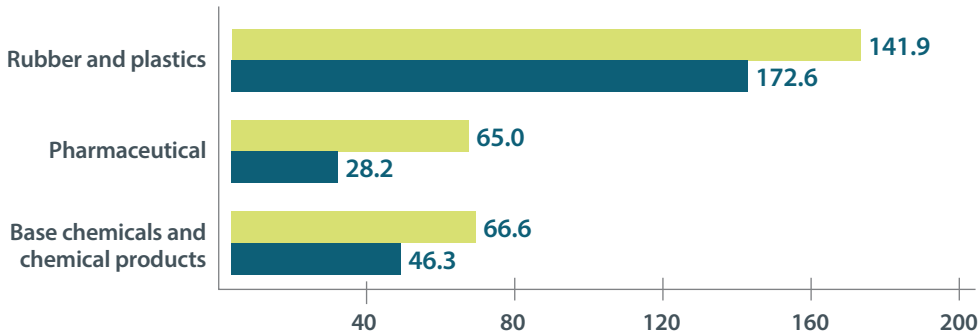
MOTOR VEHICLE
PARTS AND
ACCESSORIES

FDI

Chemical and Pharmaceutical industries has been subject of intensive interest of international companies over the past 10 years. The biggest projects recorded were acquisition of Hemofarm company in Vrsac by German Company Stada for € 440 million in Pharmaceutical industry, Michelin project in Pirot worth close to € 360 million producing vehicle rubber tires, Mitas and Cooper Tire with investments of above € 50 million, together with Henkel investments in Krusevac worth more than €150 million in light chemicals and cleaning products.

In the last 2 years, the most attractive field of interest for foreign investors is rubber industry (mostly with application in automotive components), followed by base chemical and pharmaceutical products.

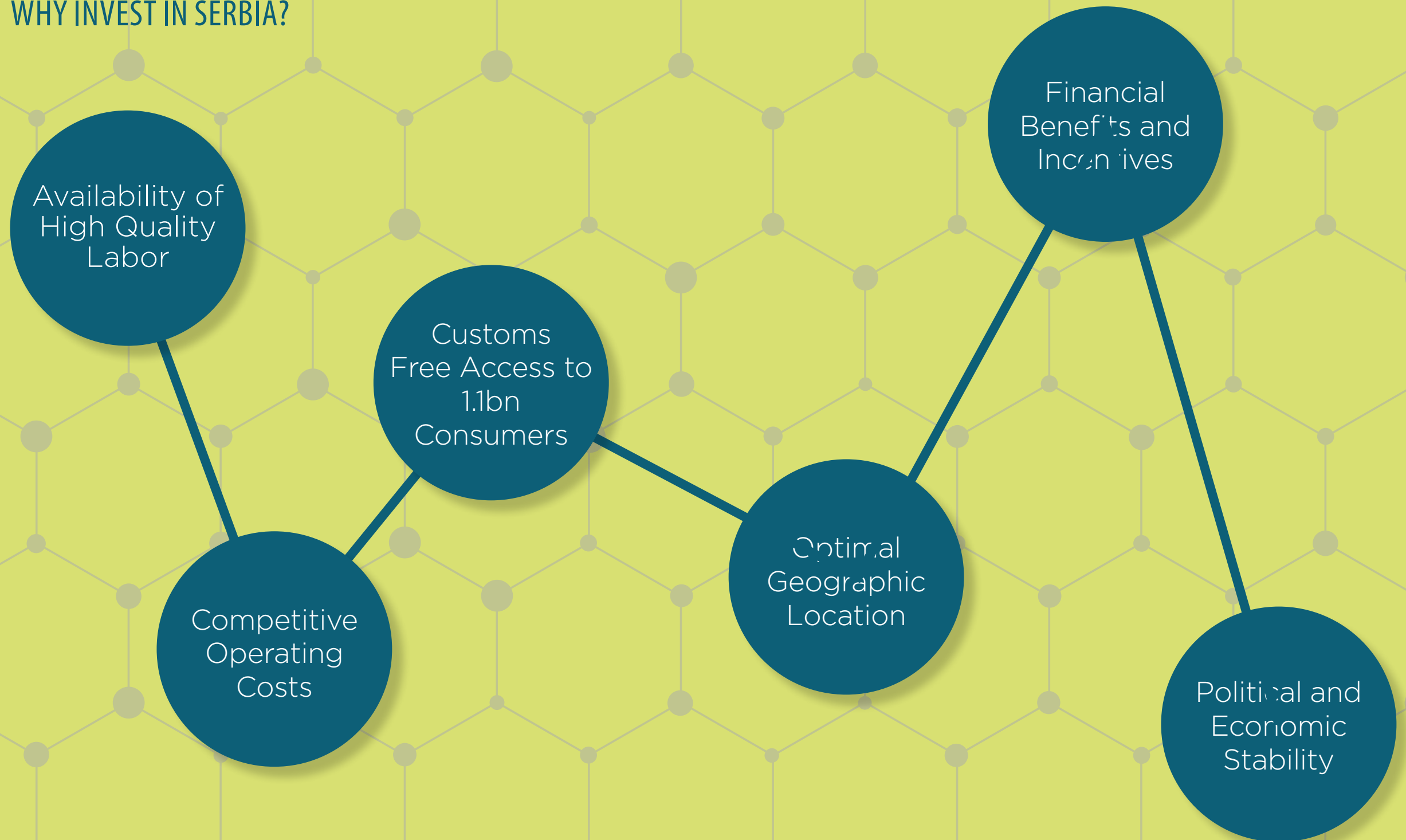
FDI IN CHEMICAL AND PHARMACEUTICAL INDUSTRY 2014-2015, € MILLION



Source:



WHY INVEST IN SERBIA?

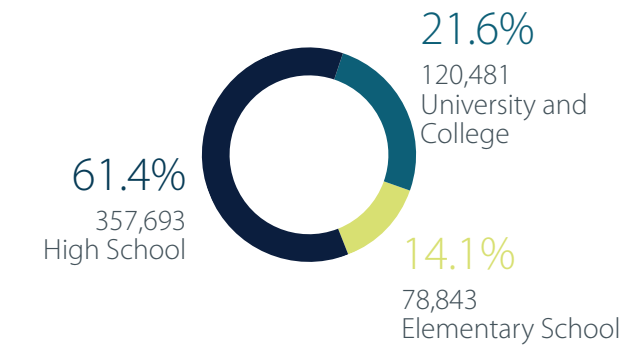


AVAILABILITY OF HIGH QUALITY LABOR



Source: *Statistical Office of the Republic of Serbia, Labor Force Survey, I-IX 2016, **National Employment Agency

THE STRUCTURE OF UNEMPLOYED BY LEVEL OF EDUCATION



Source: Statistical Office of the Republic of Serbia , 2015/2016

5 UNIVERSITY CENTERS ACROSS THE COUNTRY

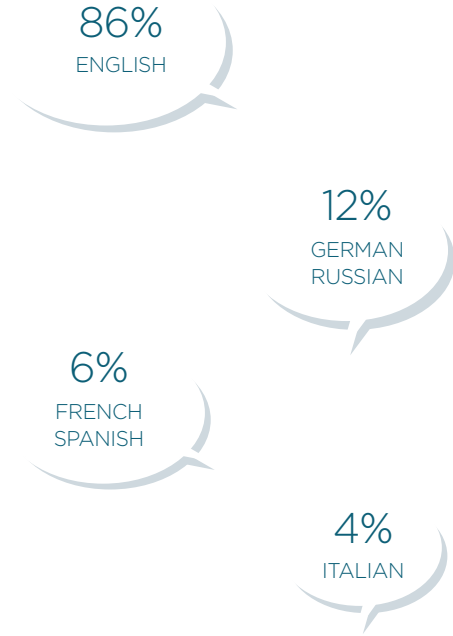
Active students	241,054
Mathematics, IT and Computing	26,298
Engineering and Manufacturing	40,172
Social Sciences, Business and Law	79,878
Other	94,706

506 HIGH SCHOOL ACROSS THE COUNTRY

Graduates	73.457
Agriculture and Food Production	4,118
Trade and Tourism	6,959
Economics, Law and Administration	10,034
Mechanics and Electronics	14,254
Gymnasium	16,611

Source: Statistical Office of the Republic of Serbia, Survey on Labor Force 2016
Source: Statistical Office of the Republic of Serbia, 2015/16

LANGUAGE PROFICIENCY



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

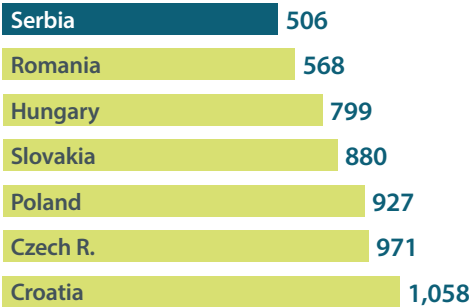
SERBIA WAS RANKED 4TH OUT OF THE 76 COUNTRIES IN BUSINESS ENGLISH PROFICIENCY BY BEI*.

*Business English Index, Global English Corporation, 2012

COMPETITIVE OPERATING COSTS

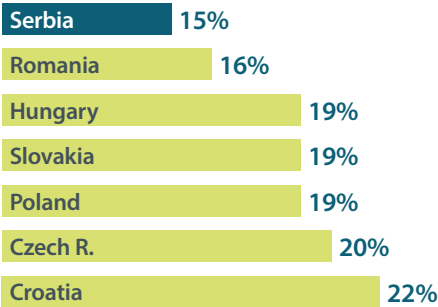
According to EUROSTAT, Serbia has the lowest costs of electricity, gas, other fuels and landline telephony among 37 European states.

AVERAGE GROSS MONTHLY SALARY (EUR)

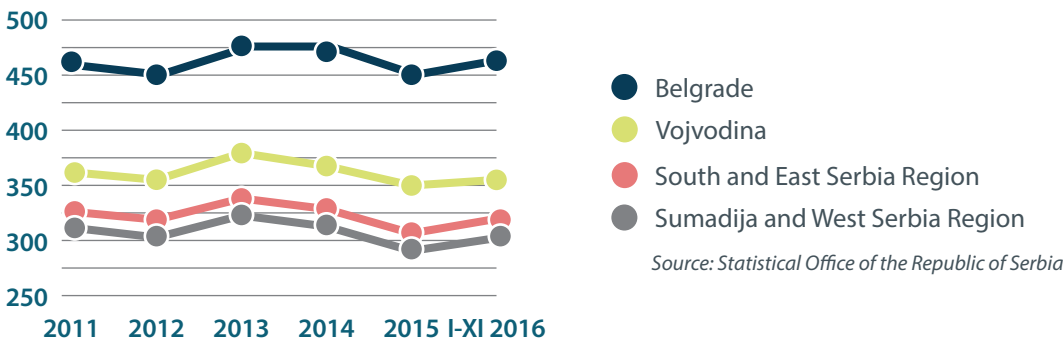


Source: The Vienna Institute for International Economic Studies, 2015

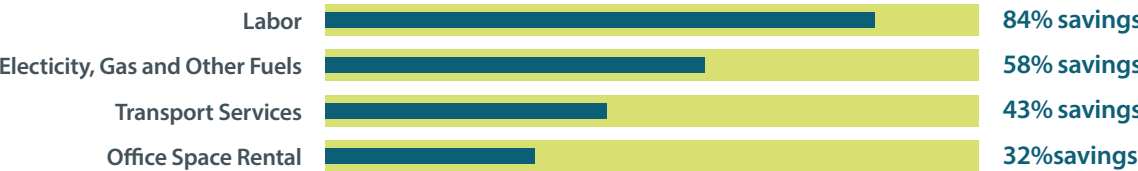
CORPORATE PROFIT TAX



AVERAGE NET SALARY BY REGIONS (EUR)



COST SAVINGS VS EU-28 AVERAGE



Source: EUROSTAT, CBRE, 2015



0.067 €/KWH

Source: RAS

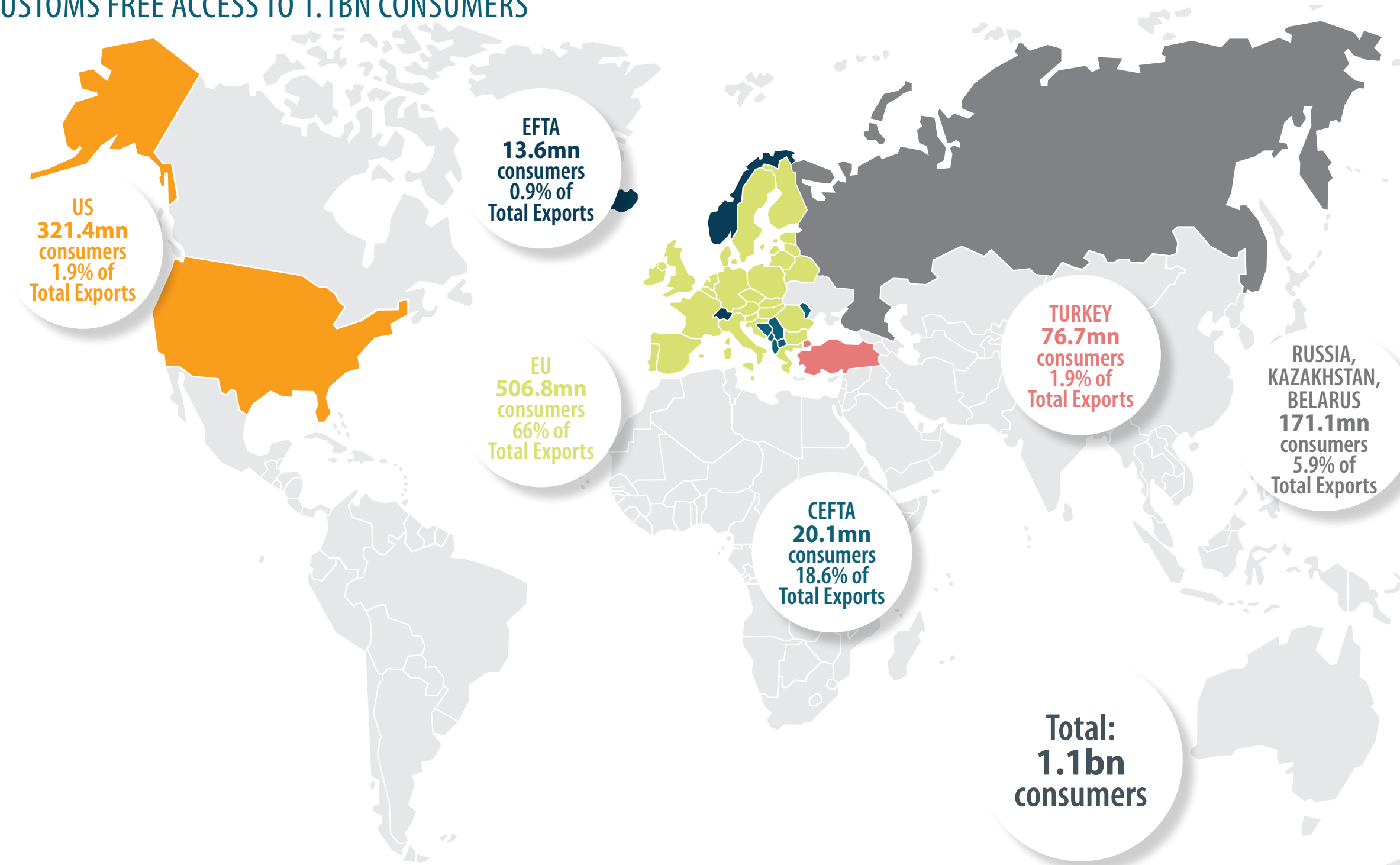


0.6-1.3 €/M³



0.33-0.42 €/M³

CUSTOMS FREE ACCESS TO 1.1BN CONSUMERS

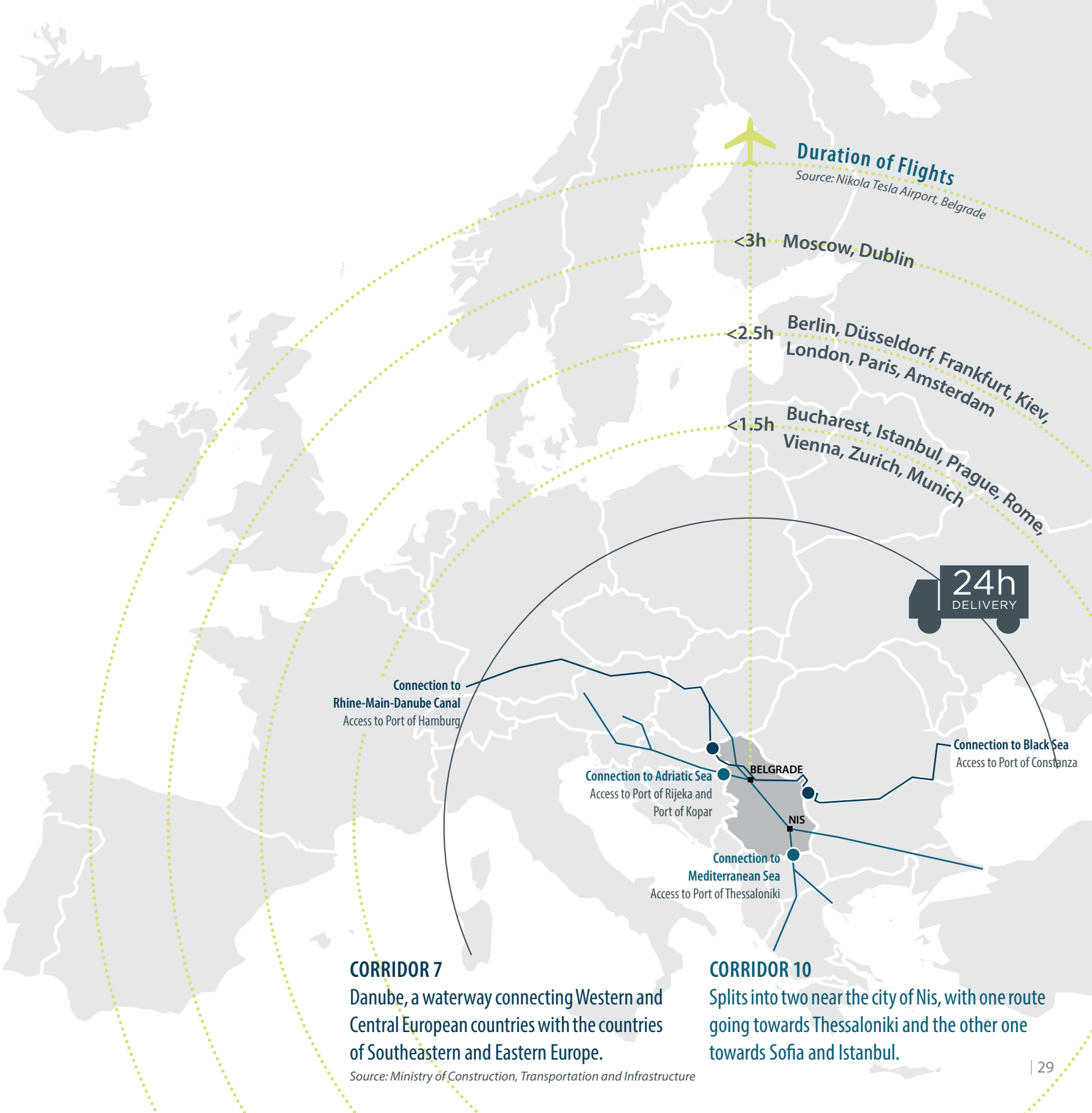


Source: Statistical Office of the Republic of Serbia, 2015

OPTIMAL GEOGRAPHIC LOCATION

AVERAGE ROAD TRANSPORTATION COSTS
(1€/km)

Vienna	€620
Prague	€900
Munich	€944
Istanbul	€962
Milano	€1,050
Warsaw	€1,098
Stuttgart	€1,176
Zurich	€1,200
Copenhagen	€1,700
Paris	€1,700
London	€2,050
Moscow	€2,250
Madrid	€2,570



CORRIDOR 7
Danube, a waterway connecting Western and Central European countries with the countries of Southeastern and Eastern Europe.

CORRIDOR 10
Splits into two near the city of Nis, with one route going towards Thessaloniki and the other one towards Sofia and Istanbul.

Source: Ministry of Construction, Transportation and Infrastructure

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 manufacturing, and the services sector which may be subject to international trade.

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 until December 31, 2017:

- 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 54 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 ZONES



14

FREE TRADE ZONES



more than
200

MULTINATIONAL COMPANIES



20,000

EMPLOYED



€5 BILLION

TURNOVER IN 2016



97% INCREASE

SINCE 2012



20% OF TOTAL

SERBIAN EXPORTS

**CONSTRUCTION MATERIAL, ENERGY,
TRANSPORT AND FUELS COST FREE OF VAT**

**NO CUSTOM DUTIES (RAW MATERIALS,
EQUIPMENT, CONSTRUCTION MATERIALS)**

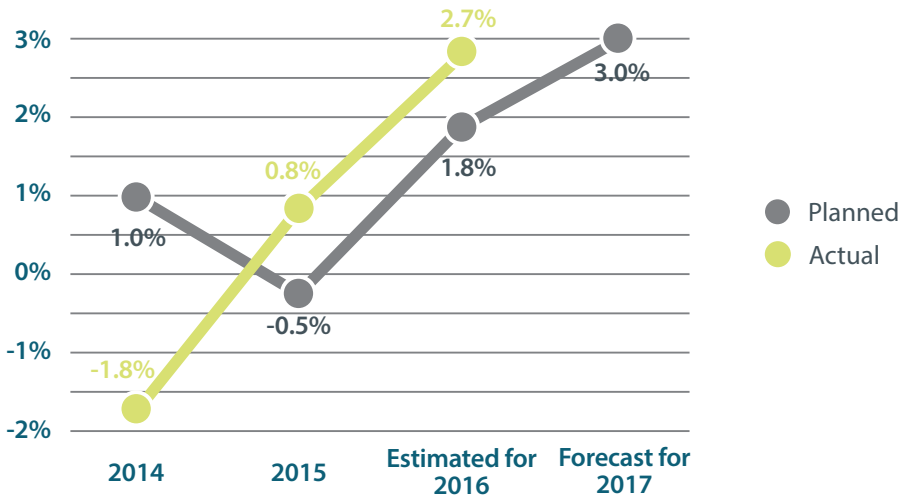
Source: Free Zones Administration, 2015

POLITICAL AND ECONOMIC STABILITY

Over the past 4 years Serbia took steps to further improve political and economic stability. In order to reverse the Serbia's trend of economic growth driven by import and consumption, and put the country on a dynamic and sustainable growth path, led by investments and exports, it was necessary to carry out economic reforms consisting of macroeconomic stabilization and improving the business climate. Since 2014, the Government of the Republic of Serbia has taken steps towards reducing the government debt, including greater fiscal responsibility, reform of the public administration, reform of the state-owned enterprises and an overall increase of the productivity in the public sector.

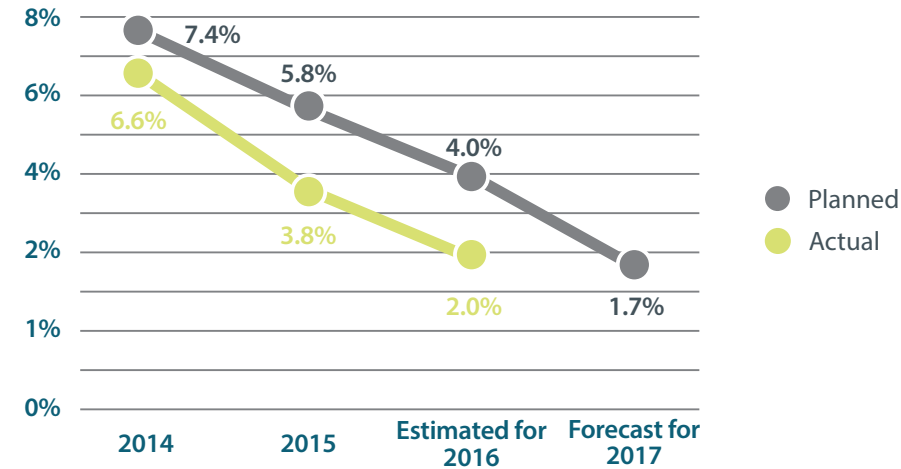
GDP GROWTH (%)

Source: National Bank of Serbia, Statistical Office and Ministry of Finance of the R.Serbia, IMF



BUDGET DEFICIT (%GDP)

Source: Ministry of Finance and Fiscal Council of the Republic of Serbia





RAS

Development Agency of Serbia (RAS) offers a wide range of services on behalf of the Government of the Republic of Serbia, including support of direct investments and export promotion, and leads the implementation of projects with the aim of improving Serbia's competitiveness and reputation in order to support the economic and regional development.

As a newly established agency, RAS builds upon the knowledge of the former Serbia Investment and Export Promotion Agency (SIEPA) and National Agency for Regional Development (NARD) and brings improvements required to meet the needs of a modern economy.

RAS will serve as a one-stop-shop 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.

Development Agency of Serbia (RAS)

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