Real Knitting can only confirm its positive experience and suggest Serbia as country for long term investment due to the fact that Serbia is in a strategic position for Europe and Eastern countries business.

MR. ANDREI KRUPE, MANAGING DIRECTOR, REAL KNITTING SERBIA

Serbia has comparably high social and labor standards. This partnership and the support from the government as well as our professional collaborations are key success factors.

MR. MARTIN NYLAND, FORMER CEO AT FALKE SERBIA
Welcome to SERBIA!

- Serbia has continued its path toward EU membership; EU negotiation process officially started, ready for accession by 2020.

- In 2014, for the first time in last couple of decades, total export of textile industry exceeded 1 billion euros.

- Outside the Commonwealth of Independent States, Serbia is the only country that has a free trade agreement with Russia.

- Serbia has regained its position as the top investment destination country in the world, measured by the number of jobs relative to the size of the population.*
  
  *According to IBM Global Location Trends 2014 report, IBM Institute for Business Value

- On WB doing business list, Serbia moved up by 32 places in 2016, and is now ranked 58th globally.

---

**Table**

<table>
<thead>
<tr>
<th>AREA</th>
<th>POPULATION</th>
<th>MAJOR CITIES</th>
<th>TIME ZONE</th>
<th>GDP 2015</th>
<th>GDP PC 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>88,499 KM²</td>
<td>7.19*</td>
<td>Belgrade 1.6 ML; Novi Sad 0.34 ML; Nis 0.25 ML</td>
<td>Central European Time Zone (GMT + 1)</td>
<td>€32,908 million</td>
<td>€4,626</td>
</tr>
</tbody>
</table>

*Data does not include Kosovo and Metohija
Join the Pool of the Successful

KEY INVESTORS

FDI Ranking by No. of Projects
- Italy 18.0%
- Germany 13.7%
- Austria 11.5%
- Slovenia 8.5%
- US 5.5%
- France 5.2%
- Greece 4.2%

FDI Ranking by Value
- 13.8% Italy
- 12.2% US
- 11.8% Austria
- 8.4% Greece
- 7.0% Norway
- 5.1% France

Source: RAS*, June 2016

* RAS database includes almost 400 foreign investment projects and tracks all investment types in the manufacturing and service sector, excluding portfolio investments. Data are based on the research that was done according to the country of origin of the investor company.

OVER €26 bn
OF INWARD FOREIGN DIRECT INVESTMENT, SINCE 2000

OF INWARD FOREIGN DIRECT INVESTMENT
IN TEXTILE INDUSTRY

OVER €330 mn
Industry at a Glance

Companies active in Textile Industry

Total number of workers employed in the Industry

1.767

Garment Production / Knitwear
Apparel and Underwear Production / Denim Production
Garment Production / Shoe Production

North Serbia

9
1,697,686
280,578

No. of Schools
Employed
Unemployed

Average Monthly Net Salary

€ 403
Overall
€ 358
Textile Industry

South and East Serbia

10
298,951
185,926

No. of Schools
Employed
Unemployed

Average Monthly Net Salary

€ 304
Overall
€ 224
Textile Industry

Sumadija and West Serbia

11
369,109
236,516

No. of Schools
Employed
Unemployed

Average Monthly Net Salary

€ 311
Overall
€ 234
Textile Industry

Source: Statistical Office of the Republic of Serbia / School Year 2013/2014
Industry at a Glance

Strong tradition of manufacturing and exports combined with proven experience in maintaining customer relations and meeting customer requirements based on the international standards, contribute to a steady increase of the export volume in this sector. As a result, in 2014 total exports of textile industry exceeded 1 billion euros, which represents a rise of 8% compared to the exports in 2013.

**TOTAL EXPORT €1bn**

- 24,50% Shoes
- 23,08% Integral Parts Used in Textile Production
- 13,08% Garment
- 12,33% Men and Women Coats
- 27,01% Other

**Source:** Statistical Office of the Republic of Serbia / School Year 2013/2014

**More than 70% of production in 2014 is sold to EU countries**

<table>
<thead>
<tr>
<th>MAJOR EXPORT COUNTRIES</th>
<th>Textile products</th>
<th>Garment products</th>
<th>Manufacturing of leather</th>
</tr>
</thead>
<tbody>
<tr>
<td>Italy</td>
<td>19.3%</td>
<td>Italy 12.0%</td>
<td>Italy 56.9%</td>
</tr>
<tr>
<td>Russia</td>
<td>14.5%</td>
<td>Germany 7.7%</td>
<td>Bosnia and Herzegovina 11.2%</td>
</tr>
<tr>
<td>Germany</td>
<td>11.0%</td>
<td>Bosnia and Herzegovina 3.5%</td>
<td>Slovenia 8.1%</td>
</tr>
<tr>
<td>Romania</td>
<td>3.9%</td>
<td>France 2.4%</td>
<td>Montenegro 8.0%</td>
</tr>
</tbody>
</table>

**Source:** Statistical Office of the Republic of Serbia / School Year 2013/2014

For more information about Serbian manufacturers, fashion labels and designers please search our [DATABASE](http://www.serbianapparel.com)

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08 | serbianapparel.com
Why invest in Serbia?

1. Availability of High Quality Labor
   Skilled workforce developed through an educational system that includes education at both secondary school and university levels.

2. Competitive Operating Costs
   Long-standing tradition of textile industry, and one of the leading industries in Serbia. High-quality goods at competitive prices.

3. Customs Free Access to 1.1 bn Consumers
   Favorable trade agreements with EU, Russia, USA, CEFTA, EFTA, Turkey, Belarus, and Kazakhstan.

4. Financial Benefits and Incentives
   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.

5. Optimal Geographic Location
   Serbia’s treasured positioning in the heart of SEE makes it an outstanding investment location. Businesses based in Serbia are able to provide services and transport goods in projected and flexible time frames.

6. Political and Economic Stability
   Government of Serbia offers institutional support to investors and is always looking for ways to improve the investment climate in Serbia.

Key Investors in the Textile Industry:

- FALKE
- Golden Lady
- Comprom Plus
- JEANCI
- Trendtex
- Texbaltic
- Calzedonia
- University of Benetton
- Pompea
- Fila
- aster
- GEOX
Highly skilled labor force in textile industry is a result of experience gained through many years of work, and of an educational system, at both high schools and university level.

**Availability of High Quality Labor**

- **17.7%**
- **43%**

Unemployment Rate

Unemployment Rate** (under 30 years old)


**The Structure of Unemployed by Level of Education**

- 61.4% 357,693 High School
- 21.6% 120,481 University and College
- 14.1% 78,843 Elementary School


**The Structure of the Educational System**

<table>
<thead>
<tr>
<th></th>
<th>Number of High Schools</th>
<th>High School Graduates</th>
<th>Unemployed People</th>
<th>Number of Faculties</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
<td>503</td>
<td>73,600</td>
<td>759,851</td>
<td>136</td>
</tr>
<tr>
<td><strong>Textile</strong></td>
<td>30</td>
<td>3,002</td>
<td>34,562</td>
<td>7</td>
</tr>
</tbody>
</table>

Source: Statistical Office of the Republic of Serbia / School Year 2013/2014

**Language Proficiency**

- 86% English
- 12% German
- 6% French
- 4% Italian

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

Serbia was ranked 4th out of the 76 countries in Business English proficiency by BEI*.

*Business English Index, Global English Corporation, 2012
According to EUROSTAT, Serbia has the lowest costs of electricity, gas, other fuels and landline telephony among 37 European states.

**Average Gross Monthly Salary (€)**

- **Serbia**: 506 €
- **Romania**: 568 €
- **Hungary**: 799 €
- **Slovakia**: 880 €
- **Poland**: 927 €
- **Czech Republic**: 971 €
- **Croatia**: 1,058 €

**Corporate Profit Tax**

- **Serbia**: 15%
- **Romania**: 16%
- **Czech Republic**: 19%
- **Poland**: 19%
- **Hungary**: 19%
- **Croatia**: 20%
- **Slovakia**: 22%

**Cost Savings vs EU-28 Average**

- **Labor**: 84% savings
- **Electricity, Gas and Other Fuels**: 58% savings
- **Transport Services**: 43% savings
- **Office Space Rental**: 32% savings

Source: The Vienna Institute for International Economic Studies, 2015

**Industrial Facility Lease Cost**

- Old Build 1-2.5 €/m²
- New Build 3-5 €/m²

**Average Building Cost**

- **Electricity**: 0.067 €/kWh
- **Gas**: 0.6-1.3 €/m³
- **Other Fuels** (between 0.038-0.042 €/m³)

Source: CBRE, 2015

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Source: The Vienna Institute for International Economic Studies, 2015
In 2014, Serbia’s export of panty hose, tights, stockings and other hosiery, knitted or crocheted represented 1.85% of world exports, ranking Serbia 9th in the world.

With 19.5% share in Russian Federation’s import Serbia is the number one exporter of panty hose, tights, stockings & other hosiery, knitted or crocheted (HS 6115), ahead of China, Belarus and Italy.

Financial Benefits and Incentives

Cash Grants
To offset initial capital investments and ease the start-up of business endeavours, 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.

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Optimal Geographic Location

**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.

**Investments into infrastructure continue to be one of Government’s top priorities**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constructed highways</td>
<td>91.1km</td>
<td>90.7km</td>
</tr>
<tr>
<td>Highways to be constructed</td>
<td>190km</td>
<td>1,100km</td>
</tr>
<tr>
<td>Roads rehabilitated</td>
<td>1,100km</td>
<td>1,100km</td>
</tr>
</tbody>
</table>

**AVERAGE ROAD TRANSPORTATION COST (€ per km)**

- **London** €1.750
- **Paris** €1.700
- **Zurich** €1.200
- **Vienna** €944
- **Milano** €1.050
- **Madrid** €2.570
- **Moscow** €2.250
- **Istanbul** €962

**DURATION OF FLIGHTS**

- **<1.5h**
  - Belgrade, Nikola Tesla Airport
  - Bucharest, Istanbul, Prague, Rome, Vienna, Zurich, Munich
- **<2.5h**
- **<3h**
  - Moscow, Dublin

**Take offs/Landing**

- **58,513**
  - Belgrade, Nikola Tesla Airport

**NO. of Passengers**

- **4,776,110**
  - 2015
  - Source: Nikola Tesla Airport, Belgrade

**DELIVERY**

- **<24h**
  - Copenhagen €1.700
  - Warsaw €1.998
  - Prague €900
  - Vienna €820
  - Moscow €2.250
  - Istanbul €962
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.

Despite the global economic crisis and problems with liquidity of the domestic economy, the company Pompea is still investing in Serbia. Pompea decided to invest in the Republic of Serbia and to strategically position itself in this part of Europe, using all the benefits the country offers to domestic and foreign investors. It was the right choice.

MR. CLAUDIO BERARDI, DEPUTY MANAGING DIRECTOR, MODITAL, PART OF POMPEA GROUP

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

MR. JOHANNES HAHN, EUROPEAN COMMISSIONER FOR EUROPEAN NEIGHBORHOOD POLICY AND ENLARGEMENT NEGOTIATIONS
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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