



RAS

Development Agency of Serbia



Automotive

Industry **Serbia**

**SERBIA HAS CONTINUED
ITS PATH TOWARDS EU
MEMBERSHIP: NEGOTIATION
PROCESS HAS OFFICIALLY
STARTED, READY FOR
ACCESSION BY 2025.**

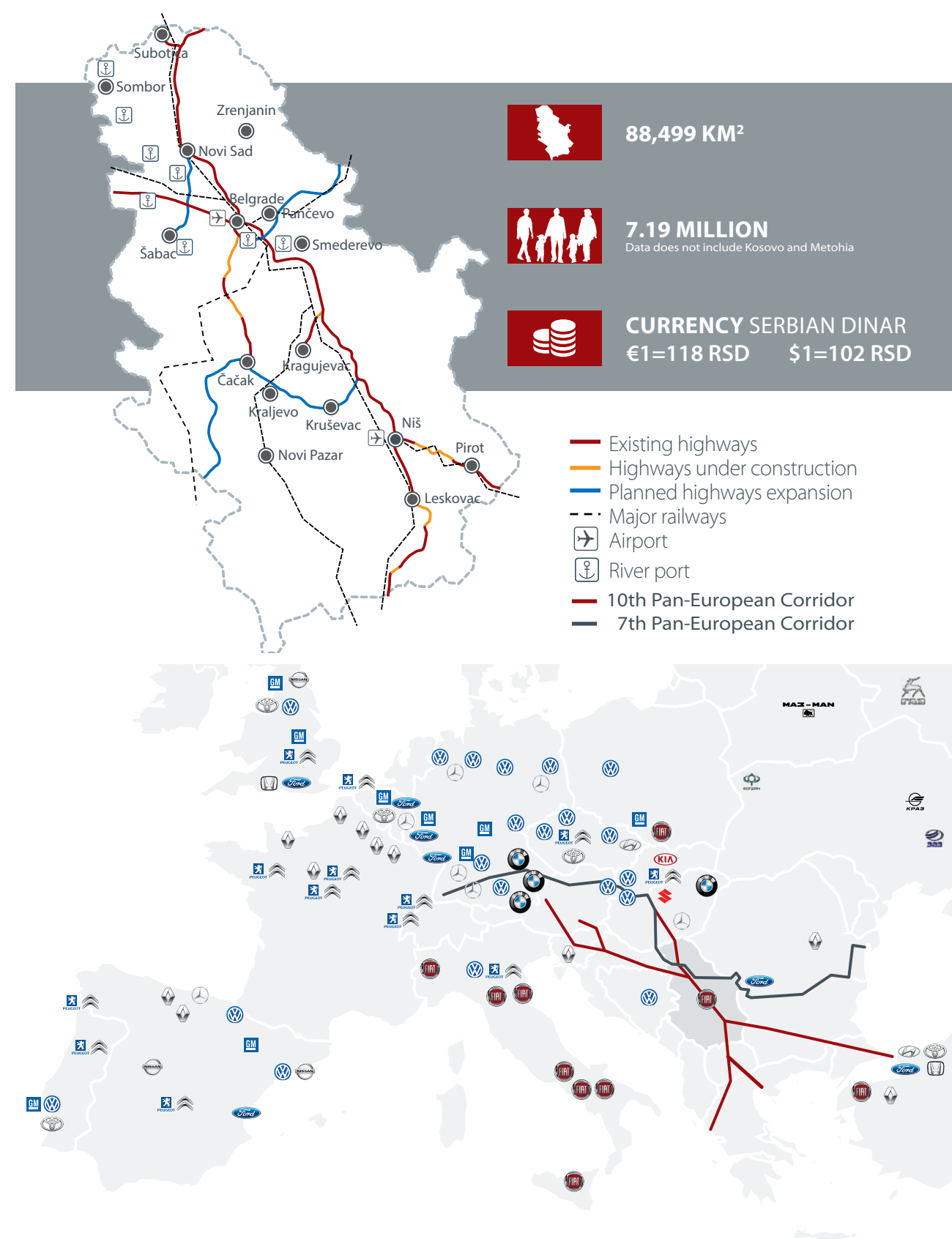
For over half a century, Fiat and Zastava have played an important role in developing the Serbian automotive industry. Moreover, our commitment demonstrates our confidence and trust in Serbia, its industry, management competence and the skill of its workers.

Mr. Sergio Marchionne,
CEO at FIAT Chrysler Automobiles

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

Mrs. Jovanka Jovanovic,
General Manager of Robert Bosch Serbia

Welcome to **Serbia!**





**MORE THAN
70 YEARS OF TRADITION IN
AUTOMOTIVE INDUSTRY**

**MORE THAN 5,000,000
PASSENGER CARS PRODUCED**

**Accounting for 10% of the
Serbian export, around 14% of
value of foreign investments
and employing more than
40,000 workers, automotive
industry is certainly the most
important industrial sector in
Serbia today.**

The development of this 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.

Over time the model of production in Zastava would shift from simple car assembly to production of almost all the components, design modifications and then finally to the independent design and development of the complete vehicles.

Naturally, this massive industry needed a wide range of cooperation, so suppliers started to boom all over former Yugoslavia. Very soon these companies found that they could expand beyond what was the market of Zastava and started to export parts and systems, mostly to Western Europe. Castings came from Kikinda and Mladenovac, complete engines from Belgrade, tires and rubber parts from Pirot

and Kruševac, valves from Sremska Mitrovica, batteries from Sombor. The automotive sector expanded to a degree where the foundry in Kikinda was exporting castings to Opel in exchange for disassembled cars, which started being assembled in new plant called IDA. This plant in Kikinda would go on to assemble some 50,000 Opel models such as Kadett, Corsa, Vectra and Omega.

Back in Kragujevac, in the late 80s, Zastava launched a modern segment B hatchback called Yugo Florida designated to lead the factory into the new age. The break-up of Yugoslavia in the 90s, combined with economic sanctions on Serbia severely reduced the market grinding the sector to complete hold. In the next ten years of economic isolation the old automotive industry in Serbia would slowly fade away.

The Automotive Story



**300,000 ANNUAL CAR
PRODUCTION CAPACITY**

In recent years the automotive industry started its rebirth, this time based more on foreign investments and entrepreneurship in sector of SME's.

Tradition and know how in the industry attracted a significant number of foreign investors to the sector which in turn stimulated local suppliers to improve and grow.

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.

Together with FIAT also came Tier 1 suppliers for the new passenger car and companies like **Adient, Magneti Marelli, Gruppo Proma** and **Sigit**, that built their factories in specially designated supplier park in Kragujevac.

Moreover, other OEMs found different advantages of producing automotive systems and parts in Serbia using the cost effectiveness, logistic position and government support for investments in the industry.

Very soon it was brands like **Bosch, Michelin, Continental, Magna, Johnson Electric, Aptiv, Lear, Hutchinson, ZF** and many more that were

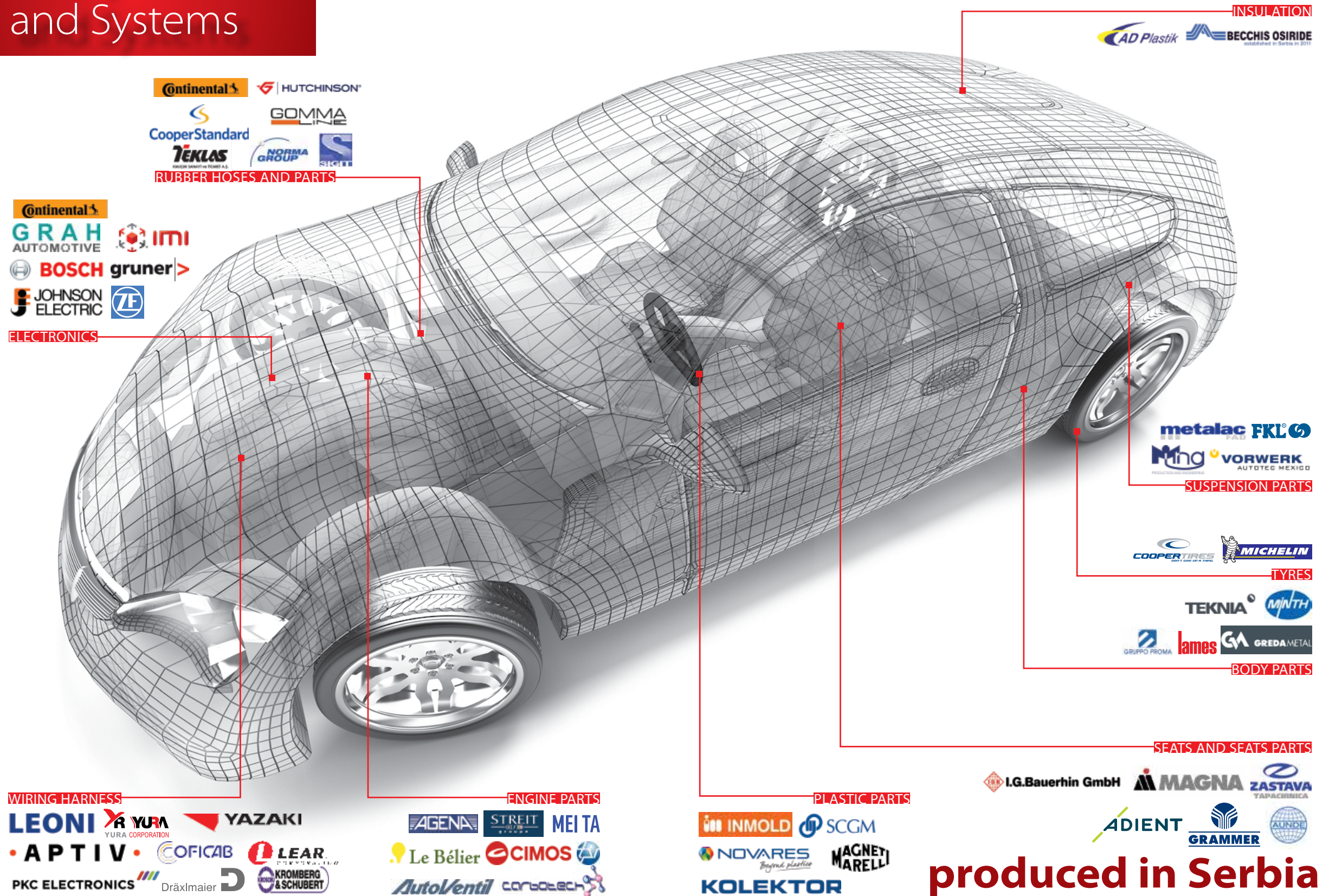
building their factories triggering the influx of much needed capital and know-how into an industry with long tradition. At the same time, Serbian capital oriented itself to more flexible SME sector while Serbian forgers, toolmakers, plastic and rubber producers found they had a new market on their doorstep.

Besides vehicles produced by Fiat, Serbian automotive sector shows a diversified portfolio of component producers.

Whether it is passenger cars, tires, turbocharger housings, wiring harness, electric motors, bearings, seat covers and heaters, fuel or coolant hoses or various plastic, rubber or metal parts, the automotive industry in Serbia is growing relentlessly year by year forwarding Serbia into the new industrial age.

Industry
Today

Components and Systems



Largest Companies

• **BATAGON ENERGY** (Batteries)

• **Magna** (Seat covers)

• **Dräxlmaier** (Wiring harness) • **Mecaplast** (Plastic parts)

• **Agena Technology** (Connecting rods) • **Hutchinson** (Rubber hoses)

• **Cooper Standard** (Rubber hoses)
• **Eurozait** (Wiring harness) • **Lames** (Window lift mechanism)

• **Ikarbus** (Buses) • **IPM** (Fuel supply)
• **Robert Bosch** (Whiper system) • **Srboauto** (Transmission parts)

• **Yazaki** (Wiring harness)

• **Adient** (Seat covers) • **Minth** (Body parts)

• **Mei Ta** (Castings)

• **GredaMetal** (Pressed parts)

• **KM Manufactur** (Interior parts)

• **Inmold** (Plastic parts)

• **Autoventil** (Valves)

• **Proleter** (Forgings)

• **FAP** (Trucks)

• **Sloga** (Hydraulics)

• **Vorwerk** (Suspension parts)

• **FAD** (Suspension parts)

• **EMA** (Superstructures)

• **LEONI** (Wiring harness)

• **Fiat Chrysler Automobiles** (Passenger cars) • **SCGM** (Plastic parts)

• **Bacchis Osiride** (Insulation) • **Gomma Line** (Rubber hoses)

• **Adient** (Car seats) • **Magneti Marelli** (Plastic parts) • **Tekina** (Pressed parts)

• **TPV Šumadija** (Pressed parts) • **Zastava Inpro** (Trailers) • **Sigit** (Rubber parts)

• **Zastava Tapacirnica** (Seat covers) • **PMC Automotive** (Body parts)

• **PPT** (Hydraulics)

• **FRAD** (Filters) • **Grammer** (Headrest)

• **Leoni** (Wiring harness)

• **Norma** (Rubber hoses) • **Continental** (Rubber hoses)

• **Mecafor Products** (Machining) • **Le Belier** (Aluminium castings)

• **Knott Autoflex Yug** (Trailers)

• **FKL** (Bearings)

• **Lear Corporation** (Wiring harness) • **Aptiv** (Wiring harness) • **Continental** (Interior Electronics R&D)

• **Coficab** (Wire)

• **Konkab** (Wiring harness)

• **IGB Automotive** (Seat heaters)

• **ZF** (Electric drives)

• **Streit Group** (Turbocharger housings)

• **Carbotech** (Graphite brushes)

• **PKC Wiring Systems** (Wiring harness)

• **AD Plastic** (Insulation)

• **Yura Corporation** (Wiring harness)

• **Grah Automotive** (LED Systems)

• **Aunde** (Seat covers)

• **Kromberg & Schubert** (Wiring harness)

• **Cooper Tires** (Tires) • **Trayal** (Tires and rubber parts)

• **LEONI** (Wiring harness)

• **Johnson Electric** (Electric motors) • **Shinwon** (Wire)

• **Ming** (Forgings) • **Yura Corporation** (Wiring harness)

• **Tigar Tyres** (Tires)

• **Elrad WS** (Electronics) • **Gruner** (Electronics)

• **Yura Corporation** (Wiring harness) • **Aptiv** (Wiring Harness)

• **Teklas** (Rubber hoses)

• **Leoni** (Wiring harness)

in Automotive Industry

Trucks and Buses



IVECO

The production of motor vehicles in Serbia started with the assembly of trucks. As the passenger cars industry flourished in the 50's and the 60's, so did the production of commercial vehicles.

Production of buses started in Belgrade in 1954. under the license of Sauer. This factory called Ikarbus was formerly a light aircraft factory called Ikarus which traced its origins to 1923. The company has cooperated with brands such as MAN, Mercedes and DAF. Today, **Ikarbus** production range consists of: city buses, intercity buses, tourist buses and medical vehicles. The majority of Ikarbus vehicles are sold on the domestic market, while the rest is exported mostly to Russia. Contemporary models under Ikarbus brand are still produced under Mercedes



license. The Mercedes components and standards of quality are their greatest advantage. Like the passenger cars, Zastava Truck factory also developed in cooperation with FIAT producing trucks in segment up to 8 tons. At the peak of its production in the 90's, factory was turning up more than 10,000 vehicles per year and has become a joint-venture company with Iveco. The state still owns a majority share in the factory which is now in the process of privatization. Larger trucks up to 32 tons were the responsibility of **FAP** from Priboj. FAP started production of trucks in 1953. A year later, FAP introduced their first heavy-duty vehicles upon acquiring a license to manufacture under the Saurer-Werke brand. In 1970, FAP signed a license agreement with Mercedes-Benz and the current FAP trucks



are still based on the old Mercedes-Benz range. FAP's core activity today is the production of heavy-duty vehicles with gross weight capacities ranging from 10 to 32 tones. FAP's annual capacity is 5,000 trucks. However, the company has only used up to 5 % of the capacity over the last few years. With a strategic partner among the reputable companies from the industry that could bring the much needed know-how to cooperation production with FAP, the company could once again be an important player on the market.

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We were delighted to find such abundance of highly qualified workforce at such proximity to the European Union market. Serbia has invested a lot of attention to the road and industrial infrastructure as well as the customs system making it possible to establish manufacturing operations and OEM supply at a very fast rate.

Mr. Jongwoo Nam
Deputy Director Yura Corporation d.o.o.

SERBIA HAS REGAINED ITS POSITION HOLDING 1ST PLACE AS THE TOP INVESTMENT DESTINATION COUNTRY IN THE WORLD*

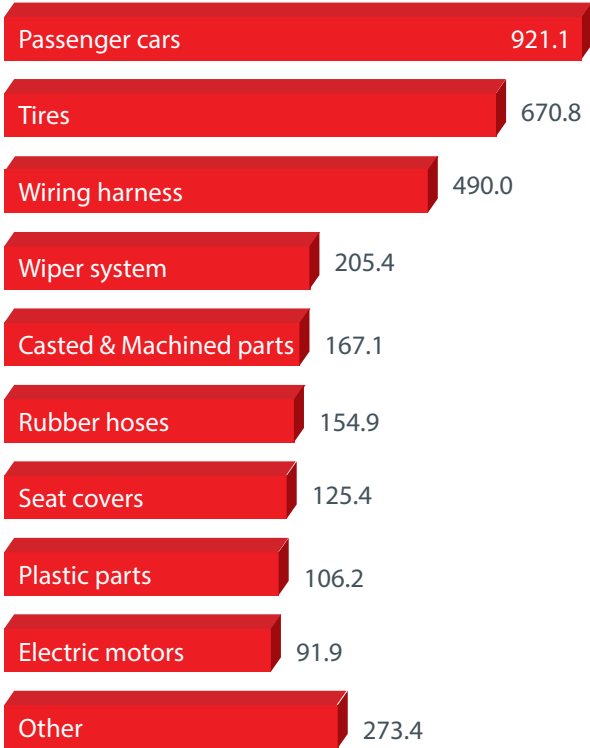
* MEASURED RELATIVE TO POPULATION SIZE;
IBM'S GLOBAL LOCATION TRENDS REPORT

Economic Indicators

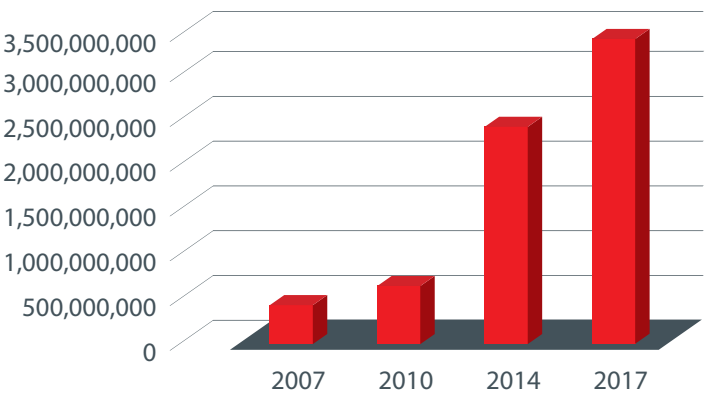


Major Products Groups
Value of production 2017 (€mill)

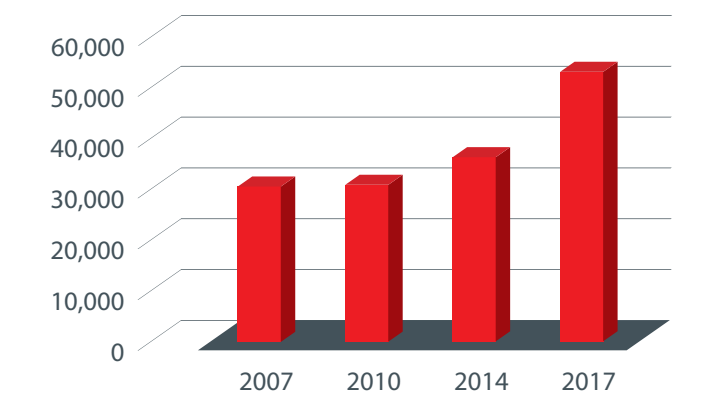
Source: Serbian Business Registers Agency and Serbian Development Agency



Turnover of automotive industry in Serbia by years (in EUR)



Number of workers in automotive industry in Serbia by years



Source: Serbian Business Registers Agency and Development Agency of Serbia

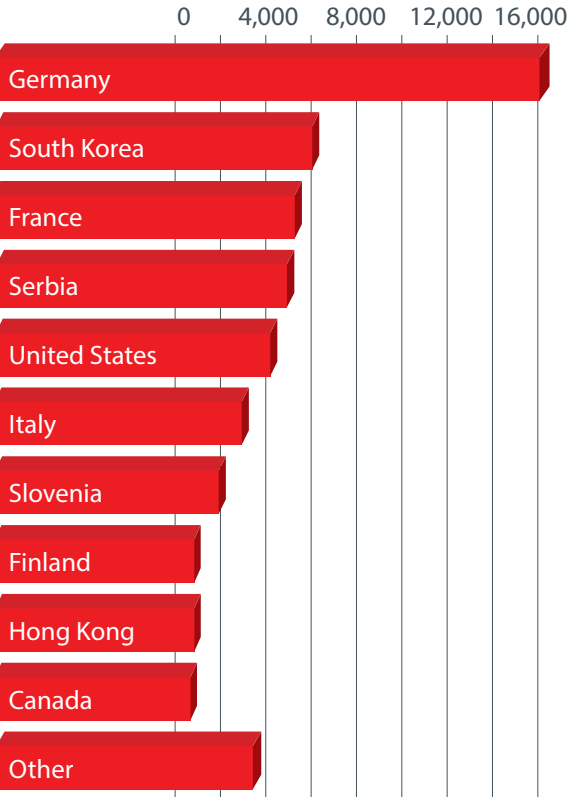
OVER €24 BILLION OF INWARD
FOREIGN DIRECT INVESTMENT
SINCE 2007.

AUTOMOTIVE INDUSTRY
ACCOUNTING FOR MORE THAN
14% OF THE TOTAL FDI STOCK.

Foreign Investments

Ownership structure in the
Serbian automotive industry 2017
(by number of workers employed)

Source: Serbian Business Registers Agency and RAS



In recent years the automotive sector in Serbia was especially vibrant in attracting foreign investments. **More than 70 factories were built by international investors with total capital value over 2.1 billion euros, creating more than 40,000 jobs.** The Flagship is FIAT's €940 million investment into the factory with the capacity of over 200,000 cars per year, but parts and systems suppliers have played an even more



significant role in creating jobs. Relatively high unemployment rate in Serbia has made labor intensive projects possible along with a balance of low operating costs, developed infrastructure, free trade possibilities, financial and fiscal incentives, traditional university technical education and lowest tax rates in Europe. One of the greatest proofs of an investment friendly climate comes from the reinvestment of

companies. The examples of these are plentiful in Serbia, making it almost a universal business practice, often even exceeding the most optimistic expectations. This is the reason why Michelin, IGB, Grammer, Draexlmaier, Leoni, Yura, Continental or Johnson Electric expanded their initial projects several times, and will continue to do so in the country that is *Automotive*.

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

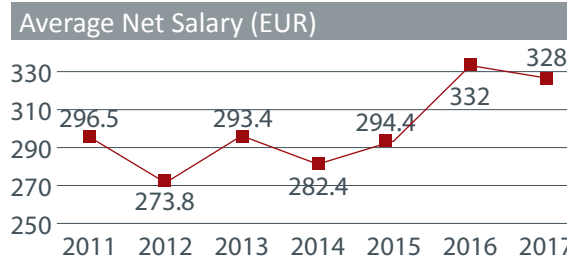
Mr. Laurent Cardon

General Manager Operations Europe,
Johnson Electric

Committed to
Technical
Education

... and Available

In order to keep competitive in the automotive industry it is recommended to ride the “economy class”. Serbia definitely boosts such an environment with its labor cost, low taxes and low cost utilities. On top of their skill, education and affordable cost, workers in Serbia are readily available. Due to high unemployment rates still existing in many areas in Serbia, labor intensive projects can enjoy unprecedentedly quick ramp-up.



13.5%

Unemployment Rate*

Source: *Statistical Office of the Republic of Serbia,
Labor Force Survey, 2017

Level of Education	% of of Unemployed
Elementary School	14.3
High School	63.4
University/College	22.3

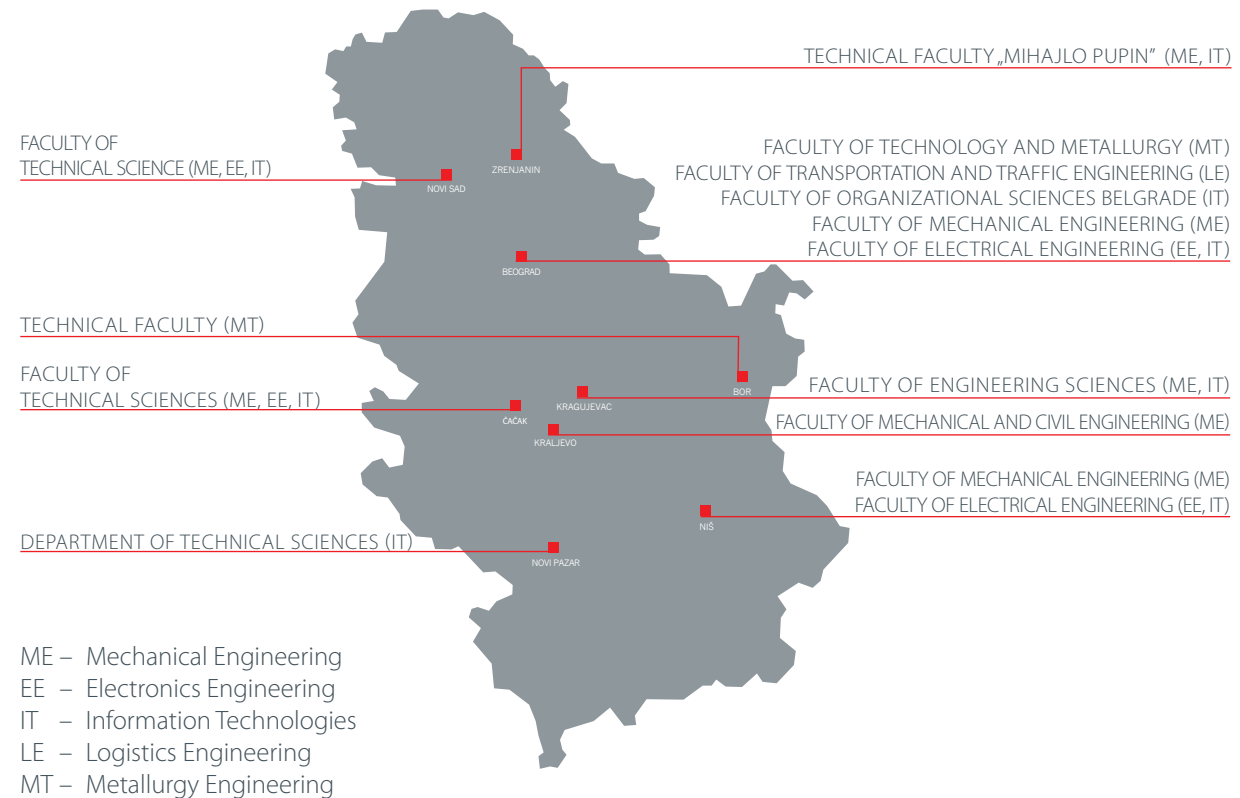
Source: National Employment Service, Republic of Serbia



The long tradition of automotive industry is best revealed by its mark on Serbia's educational system. Study of engineering is popular in Serbia and Serbian technicians pride themselves with good factory work. In total **Serbia has 14 technical faculties, 18 technical colleges and 132 secondary technical schools**. These institutions today are working closely with the industry and investors to adjust their curriculums

according to the needs of the industry. Practical work in the factories is obligatory for all the students but some institutions are beginning to pioneer the dual educational system with their students spending time on practical work throughout whole year. The Government of Serbia is placing high priority on the development of educational system and collaboration of education and industry.

Major Technical Faculties in Serbia



OLD BUILD NEW BUILD

1-2.5€/m² 3-5€/m²



AVERAGE BUILDING COST

200-400€/m²



0.067 €/kWh



0.6-1.3 €/m³



0.38-0.42 €/m³

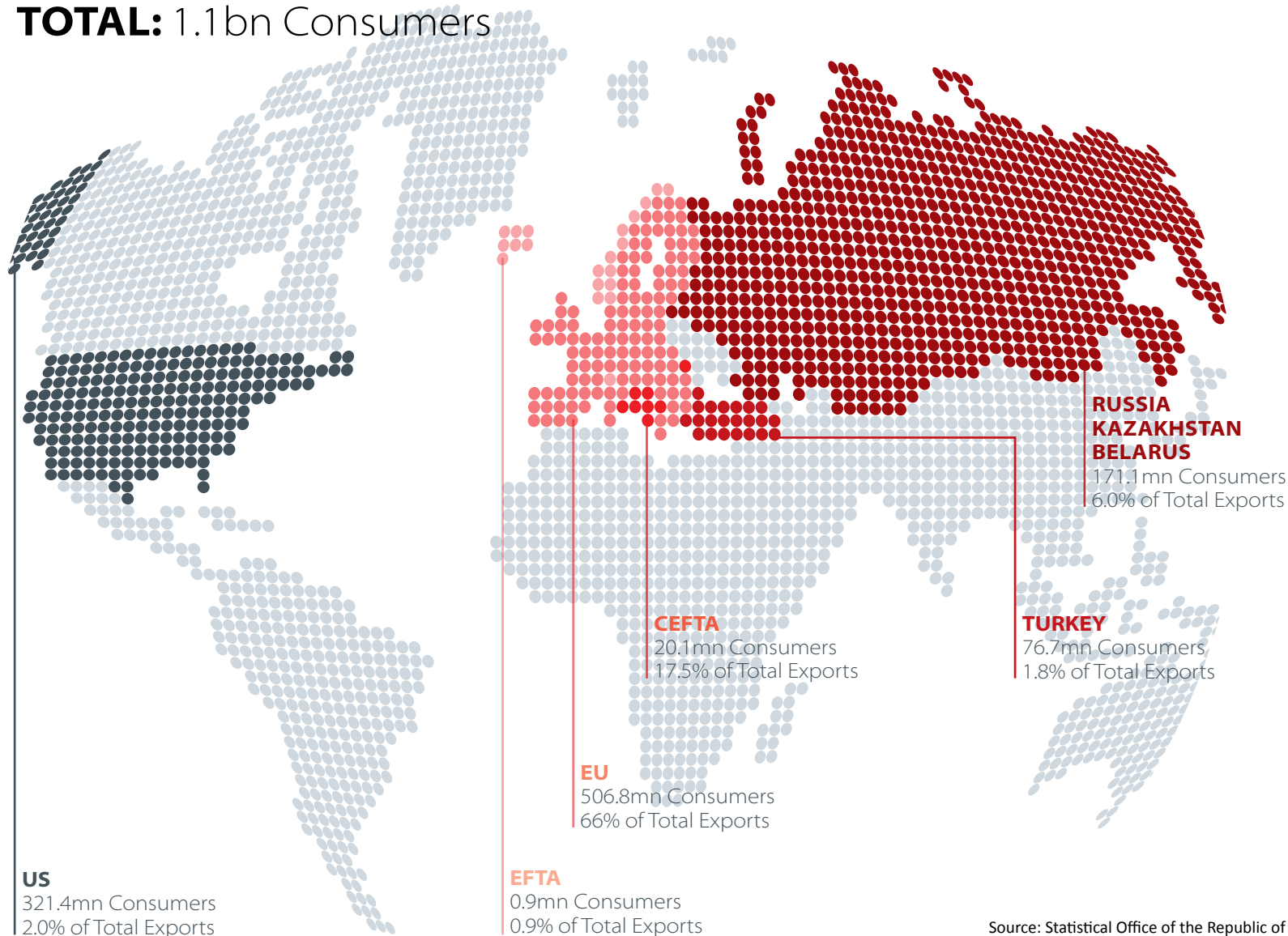
Trade Unlimited

Due to a number of free trade agreements, Serbia can serve as a **manufacturing hub for duty-free exports to a market of more than 1 billion people** that includes the European Union, the United States of America, the Russian Federation, Kazakhstan, Turkey, South East

Europe, the European Free Trade Agreement members, and Belarus. These customs-free regimes cover most key industrial products, with only a few exceptions and annual quotas for a limited number of goods.

Serbia is the only country outside of the Commonwealth of Independent States that has a Free Trade Agreement with Russian Federation.

TOTAL: 1.1bn Consumers



Average Road Transportation Costs (1€ per km)



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The existing infrastructure, speed of issuance of building permits, administrative procedures and existing transport corridors and logistics, provide solid and stable business environment, similar to the business environment in the EU.

Mr. Zivko Topalovic,
CEO, ContiTech Fluid Serbia, (Continental AG)

Source: Statistical Office of the Republic of Serbia, 2018.

Financial Incentives

Serbia places high priority on the development of automotive industry. 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 fifty 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 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, 2018:

- 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)



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.

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