

THE WESTERN BALKANS:

A REGION ON THE MOVE

The time is right to be a "first mover" and make your business expand in the Western Balkans. The attractive business environment, strategic location and access to more than 650 million consumers make the region – Albania, Bosnia and Herzegovina, Croatia, FYR of Macedonia, Montenegro, Serbia and UNMIK Kosovo – Europe's high – growth business location.

The Invest in the Western Balkans (IIWB) program, based in Vienna, supports investors looking for business locations, partners or any sector – specific information in the region. IIWB serves investors through all stages of the investment process.

It is my pleasure to present the first edition of IIWB's newsletter, which will be issued semi – annually and can be subscribed to free of charge at www.iiwb.org. With this newsletter, IIWB concretizes the term "foreign direct investment" by spotlighting companies successfully doing business in the Western Balkans region.

Dermot Coffey
IIWB Program Manager

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IIWB was established by the World Bank Group with financial support from the Austrian Government and the European Commission. IIWB services are provided free of charge, including:

- Information and research on business conditions, locations, partners in the region
- Coordination of site visits
- Cooperation with the region's investment promotion agencies
- Access to an extensive network of key contacts
- Assistance in the sourcing of finance



GLOBAL LEADER IN AUTOMOTIVE INTERIOR BUILDS PLANT IN MACEDONIA
Johnson Controls

Johnson Controls laid the foundation stone of a new automotive electronic plant near Skopje in October 2006. "The foundation stone signifies an important and exciting achievement for Skopje and Johnson Controls," said chairman and CEO John Barth.

The new plant is part of Johnson Controls' long – term strategic objective to position itself in the growth markets of Eastern Europe. Production will start at the end of 2007. The operation of the new facility will generate about 500 jobs, including 150 highly – skilled technical staff hired during the initial stage. The company is investing around EUR 20 million.

"We are always conscious of our social responsibility and here in Macedonia we are making an investment in the future," explained John Fiori, Executive Vice President and President Johnson Controls International. The investment is thus not only in the construction of the plant but also in technology, people and community. Johnson Controls has a scholarship program at the University of Skopje providing financial support to 35 students for a maximum of four years.

STONE WOOL MADE IN CROATIA
Rockwool Group

The Rockwool Group builds a new factory in Istria. The new Croatian factory is the latest step of an overall expansion of the company in Europe. It follows the acquisition of a production facility in Hungary in 2003 and the formation of a new factory in Russia in 2006. Rockwool, headquartered in Denmark, is the world's leading producer of stone wool.

Rockwool's initial investment in Croatia is around EUR 75 million, covering construction, equipment and machinery as well as the training of 130 employees. The trial production is expected to start at the end of 2007.

ZINC COATING PLANT BUILT IN VOJVODINA, SERBIA
Maksim Group

The Maksim Group, headquartered in Celje, Slovenia, builds a hot dip zinc coating plant near Indija. Maksim has a long tradition in development, design and production of special containers and steel constructions.

The company will invest EUR 15 million in the new plant and create approximately fifty new jobs in the initial phase. Maksim also intends to start container production in the Vojvodina.

HIGH QUALITY NON-METALLIC STARPING MADE IN CROATIA
Caristrap International

Caristrap is resuming production in Europe after having had production plants in the Netherlands and Sweden 25 years ago. While the company focused on Austria, Hungary, Slovakia and Slovenia as potential locations for the production of non – metallic strapping systems, "Caristrap decided in favor of Croatia due to its lower labor costs, geographical position and good transport connection via road and sea," said Lidija Gruber, CEO Caristrap Europe.

In capturing the European market, Caristrap is following a double – tracked strategy, by establishing a logistic center in Zagreb in 2005, and as of December 2006, a manufacturing plant near Zagreb which commenced operations in May 2007. Caristrap Europe is responsible for sales in Europe, Russia, the Middle East and North Africa. The plant's average production capacity envisaged for the first five years is 200 million meters – or five times around the globe – of non – metallic strapping. Caristrap will invest EUR 3 million within three years and create approximately sixty new jobs, including quality – testing laboratory technicians.



CATALYSTS MADE IN MACEDONIA

Johnson Matthey

Johnson Matthey, headquartered in the United Kingdom, is a world leader in the manufacture of catalysts for vehicles. The company has chosen Macedonia among other Eastern European countries – Hungary, Poland, the Czech Republic and Slovakia were also mooted as possible locations – as country where it can spread production. The plant will be build up in Bunardzik free zone and production is expected to start in 2009.

On March 22, 2007, Prime Minister Nikola Gruevski and Colin Jaffray of Johnson Matthey signed a Memorandum of Understanding, which moves the factory's construction a step further. Not stating the exact amount of investment, Jaffray said "it would worth millions, creating hundreds of jobs". He also said "that serious favorable conditions such as tax breaks, a skilled workforce and the professionalism of the Macedonian government had been the driving factors for the decision in favor of Macedonia."



TELEMARKETING MAGIC IN ALBANIA

Intercom Data Service

Albanian businessman Agron Shehaj has taken Intercom Data Service Ltd. from a small business operating in a modest office at the center of Tirana in April 2006 to a firm currently employing 100 operators.

Contacts with the Italian Call – Center Association provided initial clients for Intercom Data Service; further support from the Albanian Business and Investment Agency, Albnvest, facilitated close cooperation with the Italian branch of a global company engaged in teleselling and telemarketing. "Without Albnvest's assistance it would have remained just a hope," says Agron Shehaj.

Merging the human resources of a small and developing enterprise with the multidimensional experience of a global company proved successful in Albania, and today, Intercom Data Service boasts strong experience and offers jobs to the youth of Albania.



INCREASED GASES PRODUCTION IN SERBIA

Messer Tehnogas

Messer Tehnogas AD, of the Messer Group, has built a new air – separation plant in Smenderevo. The new plant went into service at the beginning of 2006 and produces more than 40,000 cubic meters of gaseous oxygen per hour. The investment of EUR 44 million follows a contract with US Steel Serbia for the supply of oxygen, nitrogen and argon. In addition to the agreed supply of oxygen to US Steel, Messer supplies the entire Balkans region with products from the new air – separation plant.

90 YEARS OF INDUSTRIAL MINING IN BOSNIA AND HERZEGOVINA

Mittal Mines

Mittal Mines Prijedor, a joint venture with RZR Ljubija Prijedor since 2004, celebrated its 90 – year jubilee in December 2006. Mittal, which also has a 92% shareholding in Mittal Steel Zenica, formerly BH Steel, is the biggest foreign investor in Bosnia and Herzegovina.

Mittal has invested EUR 30 million in a new surface pit in Prijedor, opening in 2009 at the latest; the pit has a capacity of 45 million tons of iron ore. At present, Mittal Mines has 700 employees and produces over 1.5 million tons of iron ore.

"Through continuous geological research into potential iron ore emplacements, we expect development of new surface pits, increase of capacities, new employment and further development of the environment in which we work," said Mladen Jelaca, Director of Mittal Mines Prijedor.

RESTART OF FERRONICKEL PRODUCTION IN KOSOVO

IMR/Alferon

The International Mineral Resources (IMR)/Alferon reopened Kosovo's nickel plant Ferronikeli Complex in January 2007. The second production line is expected to become operational in October 2007. Ferronikeli, based in Glogovac in central Kosovo, comprises three open pit nickel laterite mines with estimated reserves of more than 13 million tones of nickel ore.

Since acquisition of the largest former socially owned enterprises, which was successfully completed in May 2006, IMR/Alferon has invested more than EUR 20 million in repair and modern equipment. At present, Ferronikeli has about 800 employees.

GORENJE LAUNCHES PRODUCTION IN SERBIA

Gorenje

Gorenje opened a new plant, producing refrigerators and freezers, in Valjevo in October 2006. The plant is part of Gorenje's push towards new markets and is the second production facility located outside of Slovenia after the Czech Republic.

Starting with 840 units per day, production capacity will rise to one – million units per year by 2010. "Valjevo suits Gorenje as a location because of its proximity to key markets as well as rail connection. Moreover, the land around the plant allows for expansion," said Franjo Bobinac, chairman of Gorenje, at the opening. He also said, "in planning the investment (EUR 20 million) Gorenje believed that we would get good workers and make our investment a success in Serbia, a country with a rich tradition of industry."

HIGH QUALITY PÂTÉ MADE IN BOSNIA AND HERZEGOVINA

Droga Kolinska

Droga Kolinska d.d., headquartered in Slovenia, has begun producing Argeta pâté in Bosnia and Herzegovina. Argeta is the company's brand label of high quality pâté, made entirely from meat and spiced with natural seasonings. Droga Kolinska invested roughly EUR 20 million in construction and meets the highest environmental standards with its cutting – edge production facility. With a production capacity of 4,500 tons of pâté, Bosnia is the basis of Droga Kolinska's expansion to new markets. Argeta products will be exported not only to Eastern European markets but also to Turkey, the Middle East and the Far East

STARCH PROCESSING IN CROATIA

GP& Partners Agribusiness Baranja

In the northeast of Croatia, in Beli Manastir, a Dutch company turned an old sugar factory into a modern starch processing plant. GP&Partners Agribusiness Baranja, a 100% affiliate of GP&Partners Agribusiness BV in the Netherlands, has started trial production of native corn starch. The plant's capacity of corn manufacturing is 400,000 tons per year. Up to now the company invested around EUR 75 million and employs more than 180 workers.

With an additional investment of EUR 125 million, the company plans to enlarge its business to starch production from potato and wheat as well as using by – products for production of bio – ethanol.



PECOCAR BUILDS PLANT IN SERBIA

Pecocar

Pecocar has started to build a production plant in the autonomous province of Vojvodina. Pecocar, headquartered in the Netherlands, produces high quality construction panels based on polyester. The company will invest around EUR 8 million within five years and create around 200 new jobs.



LARGEST MARINA WILL BE BUILT IN MONTENEGRO

Luxury Yacht Marina

The scenic Bay of Kotor will be redeveloped as a luxury yacht marina with 724 berths, the largest in the Eastern Mediterranean. Peter Munk, chairman of PM Securities, has bought the Montenegrin ship repair company Arsenal and the military facility in Tivat. In addition to the purchase price of EUR 3.4 million, PM Securities will invest more than EUR 100 million within the next four years.



AUSTRIAN INSURANCE COMPANIES ENTER ALBANIA; KOSOVO AND MACEDONIA

UNIQA Group Austria and Vienna Insurance Group

TBIH Financial Services Group N.V., in which Vienna Insurance Group holds a majority share, has signed a Memorandum of Understanding for the acquisition of at least 60 percent of shares of Sigma Sh.a., headquartered in Tirana, on March 16, 2007. Sigma has a subsidiary in Macedonia and a branch office in Kosovo and has in total around 160 employees. "Sigma enables the Vienna Insurance Group the early entry into three new insurance markets with a high potential to catch up", said Günter Geyer, CEO of Vienna Insurance Group.

UNIQA Group has agreed on an extensive cooperation with Sigal, the largest Albanian insurance company, on March 23, 2007. UNIQA has also fixed the option of majority acquisition in Sigal by 2010. The agreement reflects UNIQA's strategic orientation towards a step – by – step internationalization of the group into South and Southeastern Europe.

HENKEL BUILDS FACTORY IN SERBIA

Henkel

Henkel invests roughly EUR 5 million in a new plant in Indija, around 50 kilometers north of Belgrade. Construction works started in October 2006 and are scheduled to be completed in the first half of 2007. The factory will provide around 60 new jobs. Its annual production capacity will be 100,000 tons of adhesives per year.

UPDATED CEMENT PLANT LUKAVAC IN BOSNIA AND HERZEGOVINA

Alas International

Alas International starts second step of reconstruction and modernization of its cement plant Lukavac; works should be finalized in 2009. The company will invest around EUR 40 million in upgrading the plant on up-to-date ecological standards.

Alas International, a subsidiary of Asamer Holding, is the major shareholder of the cement plant Lukavac. Since acquisition in 2001, Alas has invested around EUR 60 million in modernization.





ITALIAN CALL CENTER EXPANDS BUSINESS IN ALBANIA

DOXA

DOXA, headquartered in Milan, serves clients such as RAI, FIAT and many famous garment corporations in Italy. Its Albanian branch, the GRID Company, was established in 2006 and employs more than 100 people at present. According to Mr. Simonetti, CEO of GRID, the essential factor in the company's progress are human resources, in particular the employees' fluency in Italian language, knowledge of the Italian economy and society, as well as their strong sales capabilities.

GRID plans to expand its business in the course of this year and increase employees up to 200. Besides business expansion to Macedonia, Montenegro and Kosovo, Greece is also one of the key target markets due to excellent Greek language skills especially in southern part of Albania.

TELEKOM SLOVENIA INVESTS IN KOSOVO

Telecom Slovenia

After winning the international tender for the second mobile operator, the consortium Telecom Slovenia, Mobitel and Ipko Net invests around EUR 120 million in the construction of the GSM network. The start of service provision is planned before end of this year.

Taking into account past and future investments through its subsidiary Ipko Net, the Telekom Slovenia Group is one of the largest investors in Kosovo. "Information and communication technology is a driver of economic growth and with the state-of-the-art services that Telekom Slovenia, Mobitel and Ipko Net will provide to citizens and business community, this growth opportunity is coming to Kosovo", said Ziga Turk, chairman of Telecom Slovenia's Supervisory Board.

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News in brief

The new and improved Central European Free Trade Agreement (CEFTA) was signed by all countries of South Eastern Europe as well as by UNMIK/Kosovo on December 19, 2006 in Bucharest. "The new CEFTA is a tremendous economic and political achievement for South Eastern Europe. It demonstrates the region's capacity to work together for its own development and towards its European future," said Erhard Busek, Special Coordinator of the Stability Pact for South Eastern Europe.

ALBANIA

- Albanian power utility KESH plans to invest over EUR 452 million in the rehabilitation and upgrade of the national energy system.
- Italian company Italgest plans to invest EUR 180 million in a wind farm.
- As of January 1, 2008, Albania will have implemented the 10% flat tax system.

BOSNIA AND HERZEGOVINA

- German pharmaceutical giant Stada will produce antibiotics in its distribution company Hemofarm in Banjaluka, which will lead to one hundred new jobs for local workers.
- British Airways has set up summer direct flights from London (Gatwick) to Sarajevo in March.

CROATIA

- Municipalities within the Vledit mountain ranges have plans to build a center for mountain and winter tourism. The project already has the approval of the government, and the EC has granted it EUR 1.8 million.



MACEDONIA

- A flat tax rate of 12% for both corporate and personal income tax has been in place since January 1, 2007.
- The Bulgarian company Crystal Chemicals plans to build the third bio - diesel plant in Macedonia.

MONTENEGRO

- On January 18, 2007, Montenegro became the 185th member of the International Monetary Fund (IMF) and the World Bank.

SERBIA

- Ikea is investing approximately EUR 6 million in increasing production at Simpo, its joint venture partner. Production capacity will be raised up to 120,000 beds per year, leading to around 100 new jobs.
- Gorenje has announced it will move the production of boilers and radiators from Slovenia to Serbia.

