



Shape the future
with confidence



EY Business Pulse

*Through the lens of the largest
companies in Serbia*

October 2024

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Executive summary



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Serbia's largest companies in 2023 remained at similar level of profitability margins as in 2022, thus navigating relatively well amidst price volatility in global markets and, locally, a surge in wage and financing costs

Although **revenues** only moderately increased YoY in 2023 (+7% YoY nominally, after +27% in 2022), they still outpaced overall increase of operating costs (+6% YoY, after also +27% the year before).

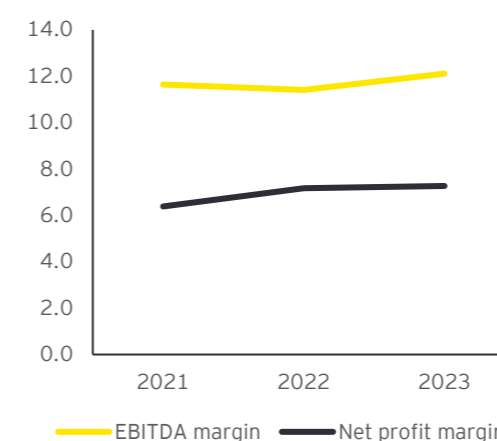
Consequently, total EBITDA rose by 14% in 2023 and 24% in 2022 (+6% and +8% in real terms, respectively). EBITDA margin was resistant, as it slightly rose by 0.7 pp to 12.1% in 2023.

Any firm conclusion on the major profitability drivers and operating efficiency sustainability throughout 2024/2025 would be challenging given the unclear nature of major price developments which remain exogenously geared amidst geopolitical uncertainties:

- ▶ **Prices of main commodities**, such as crude oil or natural gas, surged very sharply in 2022 and then slightly decreased in 2023 and 2024, but remained well over historical levels, on major supply chain disruptions, resulting from intensifying geopolitical tensions
- ▶ **Surging labor costs in Serbia**, in an environment of strong migratory outflows, deficiencies in some skills and professions, as well as of relatively high inflation rate - with the trend of increasing labor costs in real terms protracting into 2024
- ▶ **Rising financing costs and low export demand** in Serbia's key trading partners in 2023, coming as an effect of major central banks - including NBS and ECB - lifting key rates to rein down surging inflation. However, as annual inflation in Serbia and abroad recedes during 2024, most central banks embarked on easing cycle, lowering key interest rates since mid 2024

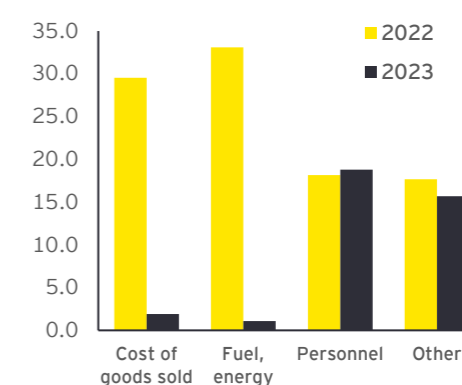
We still see GDP growth at cca 4% in 2024 and 3.8% in 2025 (for details, see EY Macroeconomic pulse), spurred by household consumption and public investments. However, due to uncertainties in price developments, operating performance might be impaired.

Profitability in Top 1% (in % of revenues)



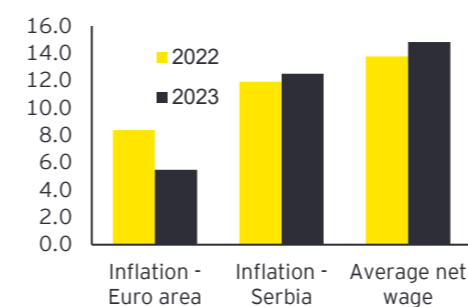
Source: SBRA, EY

Key costs in Top 1% (increase % YoY)



Source: SBRA, EY

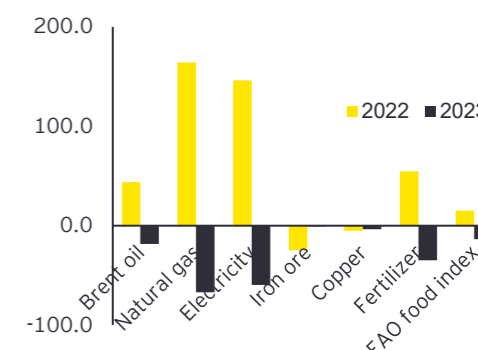
Growth of prices* and wages (% YoY)



Source: Eurostat, SORS, EY

* Refers to averaged YoY growth rates of prices

Major commodity prices* (in % YoY)



Source: SORS, NBS, Eurostat, EY



Within observed companies, in 2023, non-tradable sectors performed better than export-oriented ones, while some large recent FDIs in automotive and mining are likely to bring additional growth in the coming period

Retail trade, Construction and Automotive (i.e. car parts) were among the key contributors to overall revenue growth in 2023 while **Chemicals and Agriculture** output exerting key negative contribution.

Electricity (dominated by Serbia's largest company - EPS) revenues strongly rose by 15%, aided by exceptionally strong electricity output in 2023 coupled by price hikes locally. This, coupled with decrease in some of its key cost categories helped the Electricity segment reach exceptional EBITDA - however, this result seems to have deteriorated in 2024, in relation to the drought-related slump in electricity output.

Petrol segment (dominated by 2nd largest Serbian company - NIS) reported a relatively strong 12% decrease in revenues in 2023, returning some of the gains made after a spectacular nearly 50% increase of revenues in 2022 - made on the back of the unprecedented increase in prices in Serbia and abroad.

Retail trade sector reported a strong 18% increase in revenues, much supported by the trend of increasing wages. This might have been supported by immigration from Russia and Ukraine - and which might also be supporting real estate demand.

Construction keeps strong performance with revenues rising by more than 20%. However, it seems that the key driver behind its strong growth increasingly relies on the ambitious public CAPEX, and decreasingly the private residential and commercial real estate, the latter being the key driver in previous years.

ICT seems to be expanding inorganically, with several large firms starting operations in recent years. That said, the entire sector revenues rose by some 25% in 2023, mainly on the back of three companies - including Yandex - recently starting operations. Without these companies, revenue growth in the sector would have topped 8% in nominal terms, or a tad above stagnation in real terms.

Agriculture' revenues in 2023 dropped significantly largely on poor output of some crops, with production of most fruit crops dropping by app 20% on weather conditions. Sector's performance seems to have further deteriorated in 2024, due to extreme drought heavily affecting most crops - including the key ones, such as corn or sunflower.

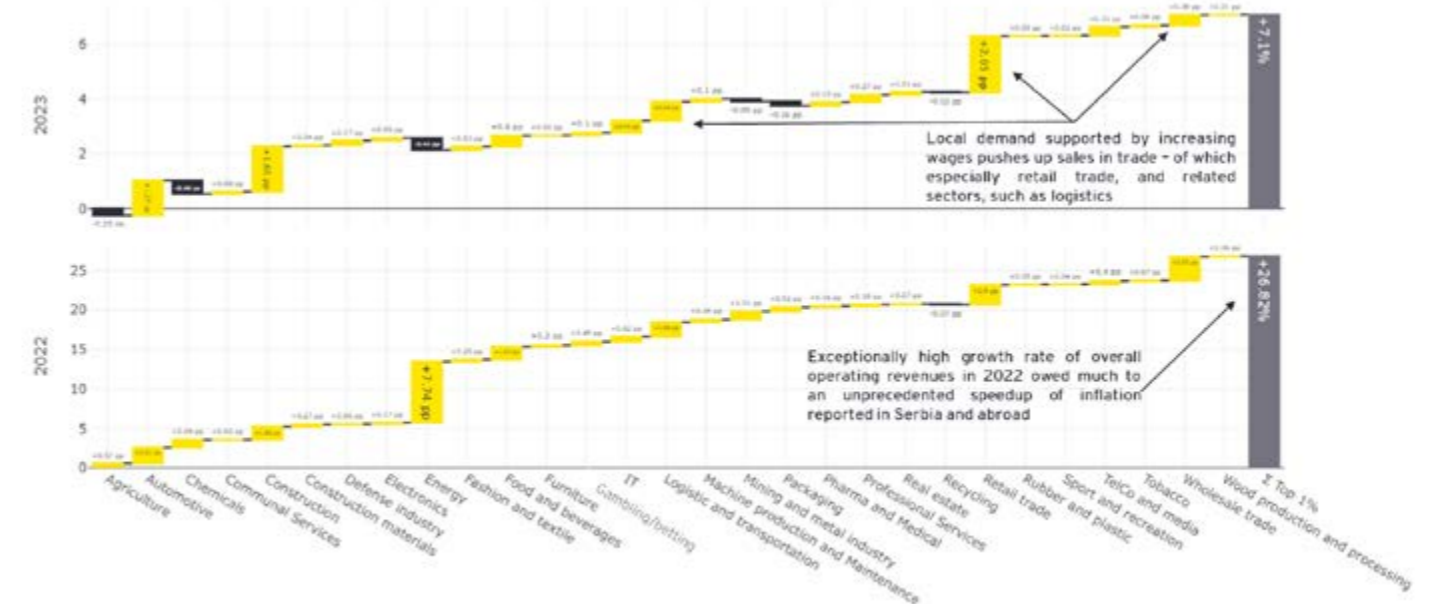
Revenues in **automotive sector** increased by a healthy 20% rate in 2023, following more than a 30% increase in 2022. However, its margins are still relatively low, while the recent investment cycle - of which most notably in Linglong and Stelantis - is yet to show full effect on profitability.

Mining revenues continuously grow by a very strong pace, in line with the ongoing investments and a continuous increase in output in the sectors' largest company - Zijin. At the same time, **basic metals** - of which most notably steel producer HBIS - shows lackluster results, with global demand for steel being subdued in recent years.



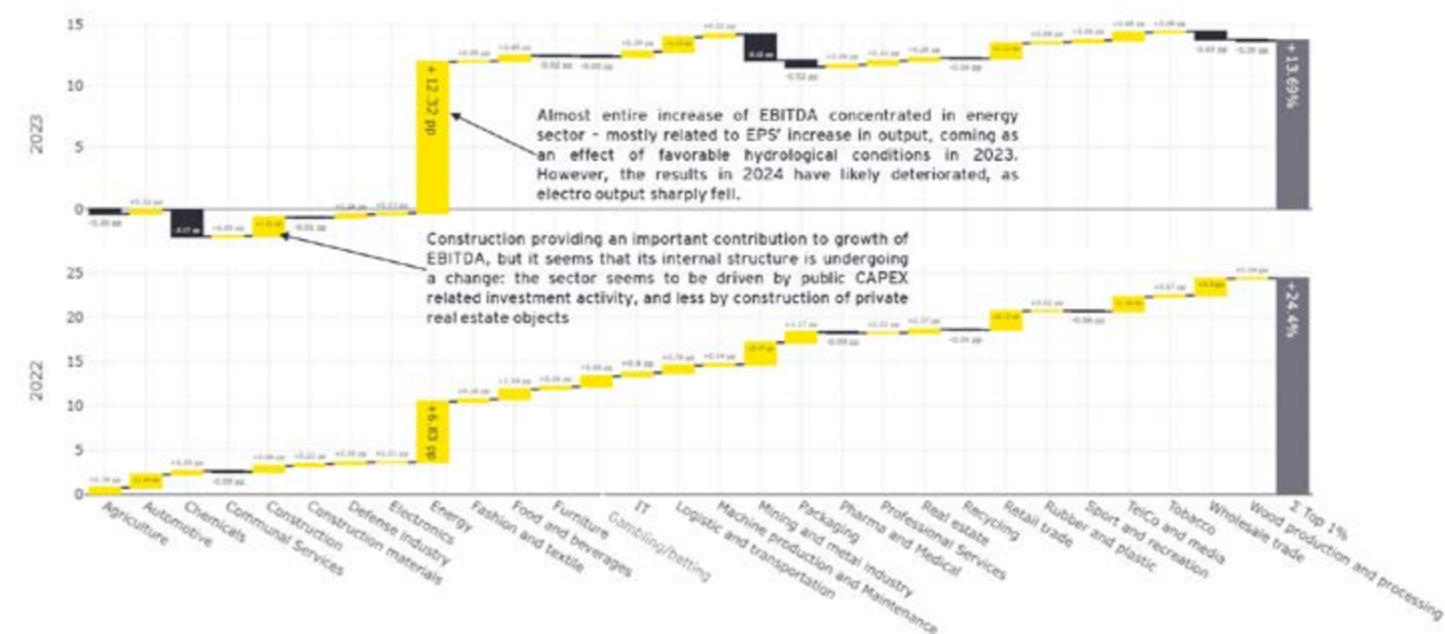
Revenue growth supported by strong local demand and by integration in international value chains in some areas of manufacturing like automotive

Decomposition of contribution to growth of Operating revenues (in pp)



Nearly all aggregate EBITDA growth in 2023 made of exceptional EPS' results, which are not likely to have sustained in 2024

Decomposition of sectors to growth of EBITDA (in pp)



2

Sector level
perspective



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Main value drivers and other relevant developments

Operating amidst global price volatility and local climate shocks: result in 2023 affected by decreasing prices, and in 2024 by weather-related drop in output

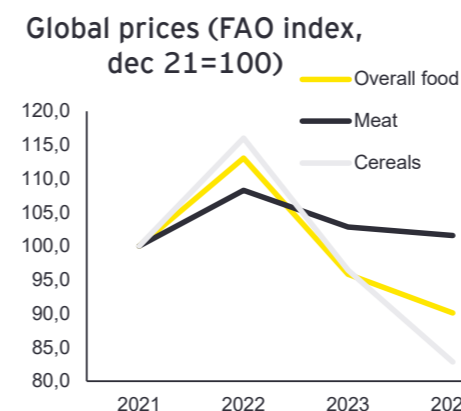
Revenues and profitability decrease in 2023. Income of agriculture sector represented in this sample decreased by 15% in 2023, after a robust 22% growth posted in 2022, against the backdrop:

- ▶ Global food prices falling by 10-20% from 2022 highs
- ▶ Relatively strong cereal output in 2023, but production of fruits and vegetables drop by 20-30% due to overly warm weather in winter and spring frosts
- ▶ Logistical issues in grain exports, which usually goes through the Romanian port of Constanta - which has become the key alternative port for Ukraine's cereal exports since 2022

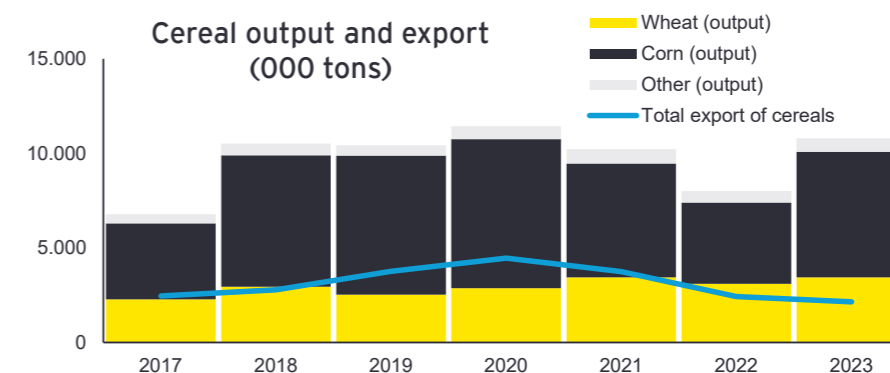
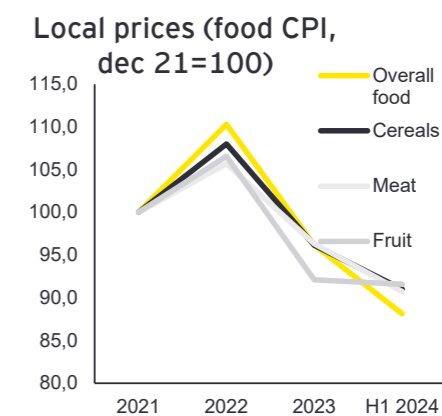
Thus already thin margins slide further, as EBITDA margin dropped to 6.6% in 2023, down from 7.7% in 2022.

Trend of decreasing revenues likely prolonged in 2024. It is possible that revenues and profitability decreased further as:

- ▶ Output was seemingly affected by extreme drought and heat - with most of crops being affected, of which corn and sunflower especially hard.
- ▶ Global prices of food commodities continued to slide



Source: SORS, FAO, EY



Source: SORS, EY

Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
44	DELTA AGRAR DOO	Agriculture	286,889	338,643	-15.4%	16.6%	13.7%	15.7%	16,266	16,493	5.7%	4.9%	3,100	4,364	528	514
59	AGROMARKET DOO KRAGUJEVAC	Agriculture	254,257	257,824	-1.6%	21.2%	15.7%	14.7%	27,165	39,713	10.7%	15.4%	26,011	58,769	443	450
76	GEBI DOO PO ČANTAVIR	Agriculture	207,185	254,424	-18.7%	20.0%	24.3%	15.0%	17,110	25,619	8.3%	10.1%	1,912	15,761	426	432
84	AGROGLOBE DOO NOVI SAD	Agriculture	188,627	274,448	-31.4%	-4.1%	10.6%	20.4%	13,964	17,650	7.4%	6.4%	6,630	12,413	160	157
112	DOO ALMEX PANČEVO	Agriculture	144,529	166,124	-13.2%	38.7%	24.3%	21.4%	13,500	27,164	9.3%	16.4%	7,649	22,187	432	407
148	RWA SRBIJA D.O.O	Agriculture	122,484	174,404	-29.9%	37.5%	29.4%	23.2%	4,441	7,826	3.6%	4.5%	962	3,879	55	45
175	PATENT CO. DOO	Agriculture	110,690	117,711	-6.1%	36.5%	27.4%	25.0%	7,403	5,321	6.7%	4.5%	3,262	1,832	284	279
209	PERUTNINA PTUJ-TOPIKO D.O.O. BAČKA TOPOLA	Agriculture	96,663	87,076	10.8%	54.7%	4.0%	4.0%	13,187	8,495	13.6%	9.8%	9,241	5,773	912	723
220	SAVACOOP DOO NOVI SAD	Agriculture	93,357	86,837	7.3%	15.9%	5.9%	1.4%	6,936	8,988	7.4%	10.4%	3,016	6,542	299	293
231	DOO KONZUL NOVI SAD	Agriculture	88,963	121,872	-27.1%	14.0%	58.5%	52.4%	391	3,473	0.4%	2.8%	-193	1,836	101	99
	TOTAL TOP 10 IN AGRICULTURE		1,593,644	1,879,363	-15.2%	19.6%	19.7%	19.2%	120,363	160,742	7.6%	8.6%	61,590	133,356	3,640	3,399
	TOTAL AGRICULTURE IN TOP 1% (64 COMPANIES)		3,493,949	4,082,280	-14.4%	21.5%	20.3%	21.4%	242,379	335,067	6.9%	8.2%	99,137	216,876	10,133	9,899

Source: SBRA, EY

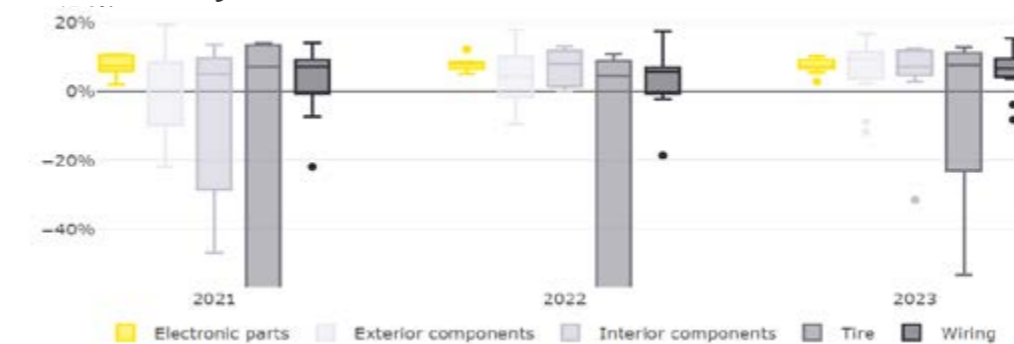


Automotive

Breakdown by subsectors & main players

Rapidly emerging, highly internationalized and moving up the value chain

EBITDA margin*



Source: SBRA, EY

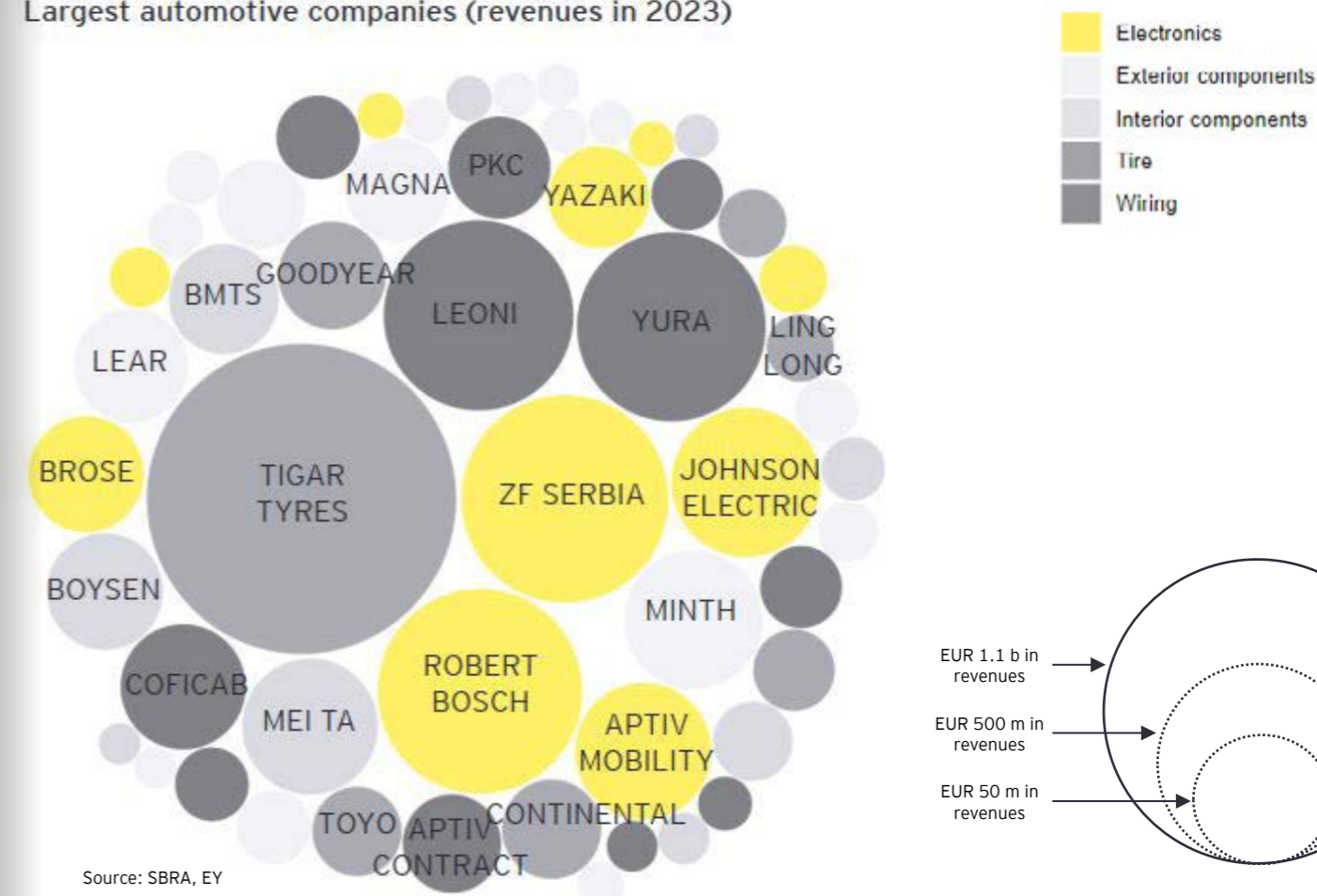
* Introduction to reading the chart is further discussed in [methodology framework](#)

Automotive sector observed in this report includes 53 companies, categorized as follows:

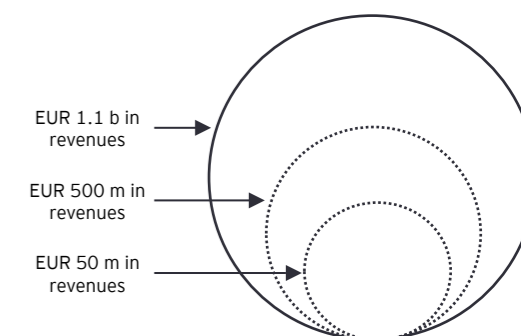
- ▶ **Electronics** - various electric parts (excluding wiring), such as lighting, wipers, etc.
- ▶ **Tire producers**
- ▶ **Wiring** - electrical wiring and cables
- ▶ **Exterior components** - car shells, seating, textiles..
- ▶ **Interior components** - "under the hood" car parts, such as engines, turbochargers, etc.

Rapidly growing sector, whose sophistication continuously grow moving away from low-tech components towards some more complex ones, and towards a full-fledged assembly of electrical cars in 2024

Largest automotive companies (revenues in 2023)



Source: SBRA, EY



Main value drivers and other relevant developments

Robust growth of export-led revenues, amidst increasing capacities and rising sophistication of output

Sector's revenues grow dynamically. Observed companies' revenues rose by 32% in 2023, following a robust 39% in 2022

- While the sector's revenues are soaring, costs grow by almost the same pace, especially due to rising energy and material costs
- Thus EBITDA margin remained at 5.5% in 2023 (vs 6.3% in 2022), which is somewhat lower than the average of all observed largest companies

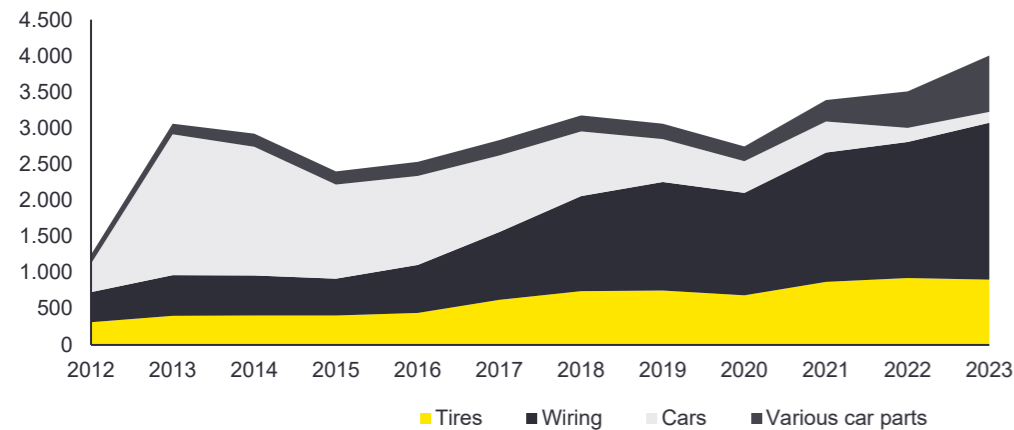
Highly integrated in global value chains. Some 90% of revenues are generated from exports; while it attracts as much as 50-60% of FDI in manufacturing sector.

- Linglong dominates sector's investment activity, making nearly a half of the total sector's investment in the past years

Output is increasingly sophisticated. Producers of wiring and tires have been driving the revenue growth since the mid 2010s. Recently, output and export of other car parts - such as the electric components, lighting, shells or wipers - has been soaring.

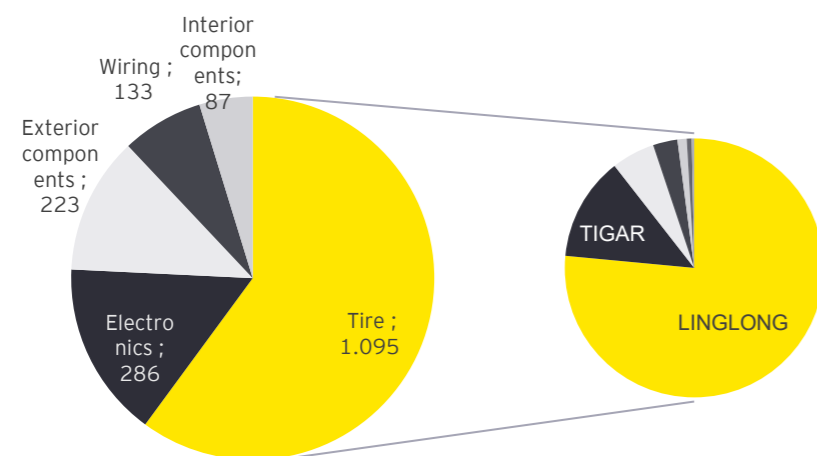
Fully fledged e-vehicle assembly initially planned to start in 2024, but there could be delays. Car assembly has been declining for the entire decade, in line with softening of production in the plant in Kragujevac. Stellantis planned and has investment in start of production of the new EV Panda model in its Kragujevac plant from Sep-24, but it seems that start will be delayed for later in 2024 or 2025.

Serbia's car and car part exports (USD m)



Source: SORS, EY

Cumulative investments 2021-2023 (EUR m)

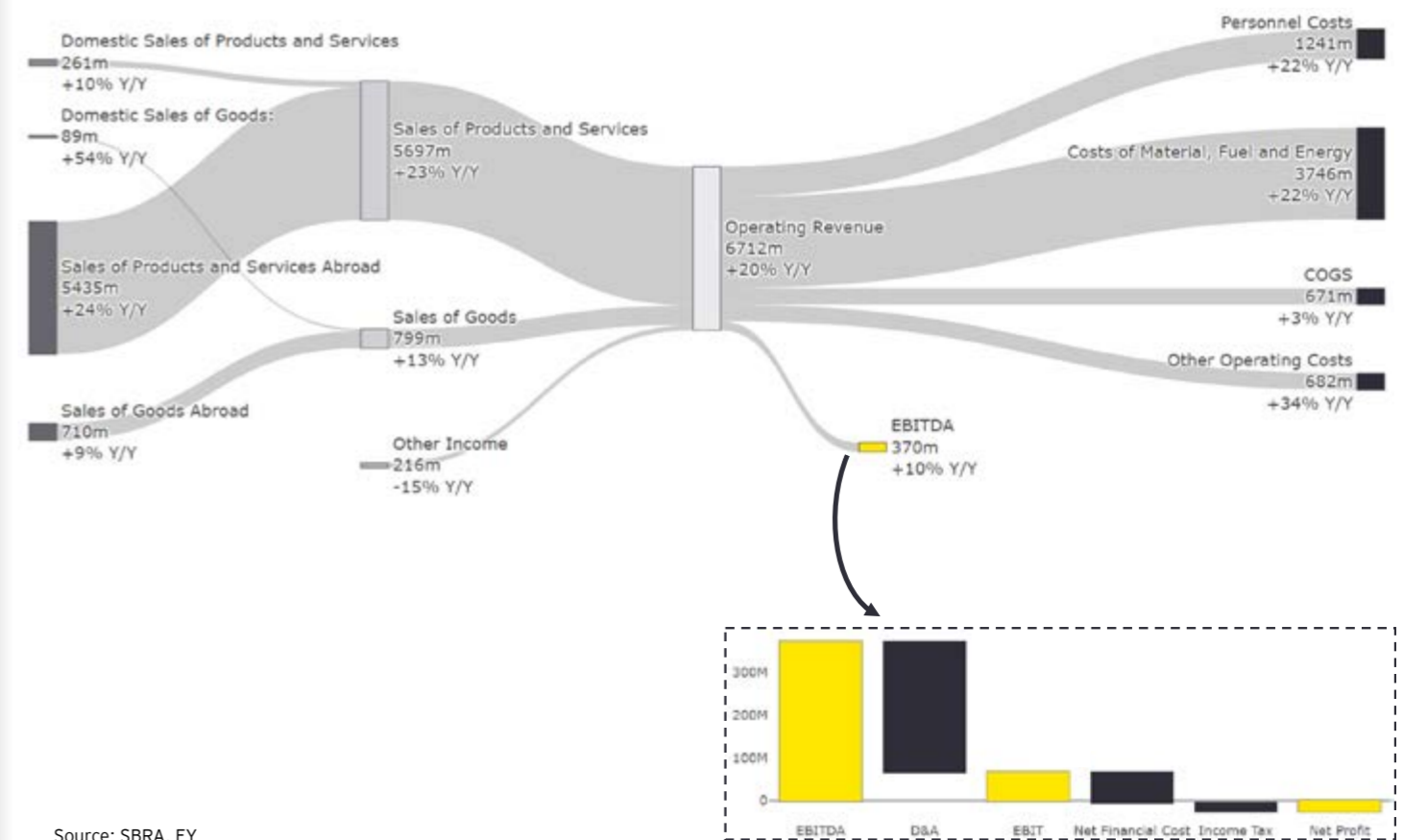


Source: SBRA, EY



Stylized overview of the sector's P/L (2023)

The sector is the most integrated in global value chains, yet has to show more tangible results



Source: SBRA, EY



Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
6	TIGAR TYRES DOO	Tire	1,097,060	1,141,951	-4.1%	28.5%	96.9%	96.0%	96,956	115,671	8.8%	10.1%	44,463	75,309	3,512	3,595
26	ZF SERBIA D.O.O	Electronic parts	491,295	403,160	21.6%	91.7%	99.9%	99.9%	33,094	24,703	6.7%	6.1%	1,033	4,758	1,818	1,536
27	ROBERT BOSCH DOO BEOGRAD	Electronic parts	478,669	387,434	23.3%	40.1%	92.7%	92.0%	26,772	32,915	5.6%	8.5%	617	10,512	3,882	3,155
30	LEONI WIRING SYSTEMS SOUTHEAST DOO PROKUPLJE	Wiring	412,407	357,528	15.1%	15.3%	100.0%	100.0%	23,741	20,908	5.8%	5.8%	3,469	-3,389	13,193	13,707
31	YURA CORPORATION DOO RAČA	Wiring	408,323	331,161	23.1%	4.6%	100.0%	100.0%	15,439	8,604	3.8%	2.6%	135	-452	7,867	7,652
58	JOHNSON ELECTRIC DOO NIŠ	Electronic parts	254,498	246,617	3.0%	37.2%	100.0%	100.0%	22,331	21,158	8.8%	8.6%	10,902	10,784	2,412	2,494
70	MINTH AUTOMOTIVE EUROPE DOO	Exterior components	220,064	82,410	166.6%	756.3%	100.0%	99.8%	25,086	54,330	11.4%	65.9%	12,978	48,329	1,663	1,013
72	APTIV MOBILITY SERVICES DOO	Electronic parts	212,826	162,678	30.6%	19.1%	100.0%	100.0%	15,701	13,773	7.4%	8.5%	9,119	2,600	4,256	3,968
73	MEI TA EUROPE D.O.O	Interior components	210,869	186,765	12.7%	31.5%	99.9%	99.8%	13,953	314	6.6%	0.2%	883	-15,708	2,740	2,921
92	COFICAB SERBIA D.O.O	Wiring	179,184	171,470	4.3%	6.4%	48.3%	52.6%	11,438	5,277	6.4%	3.1%	8,335	2,374	297	296
	TOTAL TOP 10 IN AUTOMOTIVE		3,965,195	3,471,174	14.2%	32.1%	95.9%	95.3%	284,511	297,653	7.2%	8.6%	91,934	135,117	41,640	40,337
	TOTAL AUTOMOTIVE IN TOP 1% (53 COMPANIES)		6,712,912	5,589,292	20.1%	33.3%	94.6%	94.5%	370,651	338,271	5.5%	6.1%	3,923	62,179	86,732	83,527

Source: SBRA, EY



Breakdown by subsectors & main players

Healthy growth of revenues and substantial margins stemming from strong local demand and increasingly sophisticated service

Betting in this report includes a total of 10 firms all operating in relatively similar market, i.e. offering an array of services such as sports betting, slot clubs, prize games, lotteries, etc, which are increasingly provided in an online format, in addition to the traditional physical form.

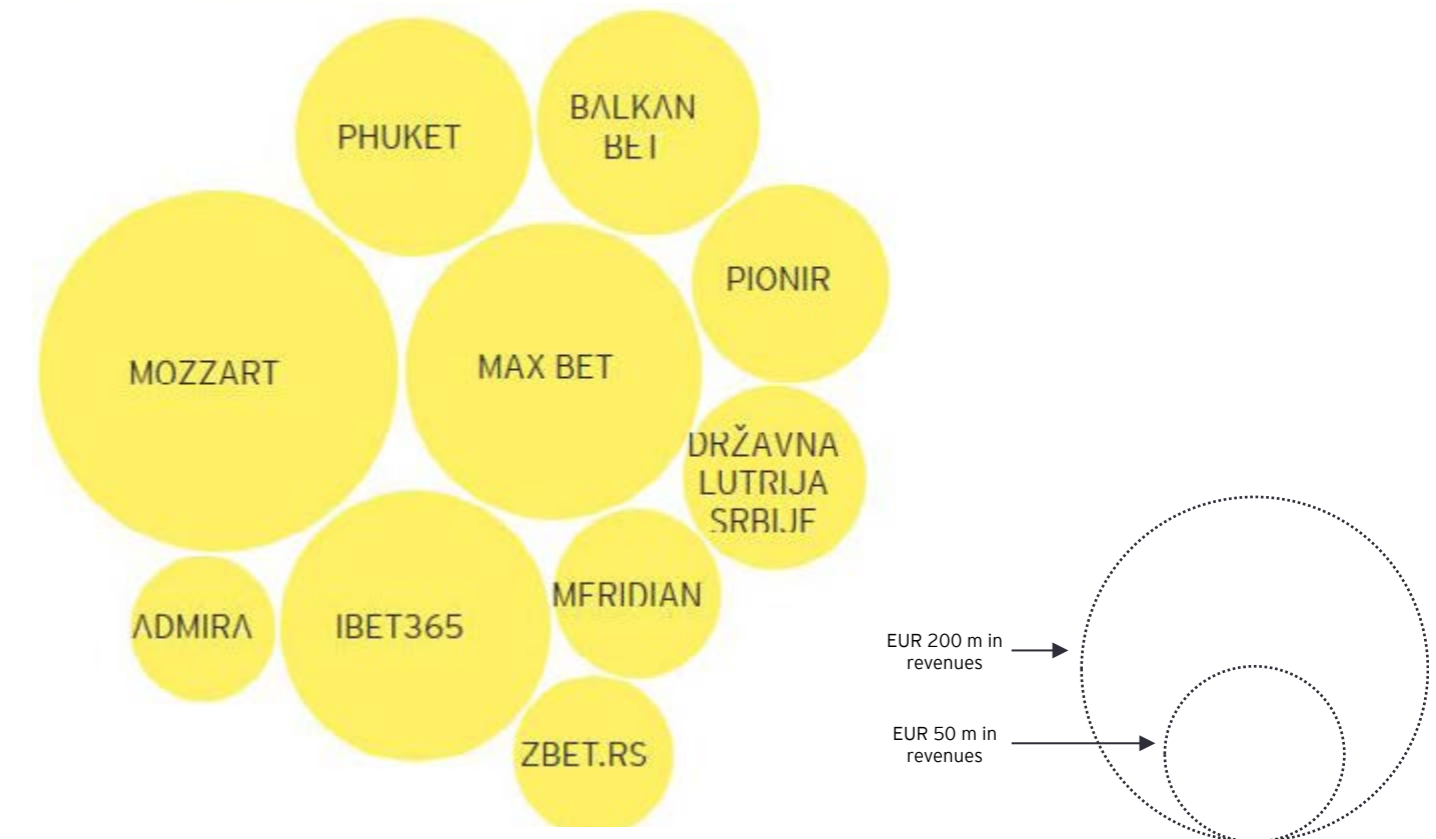
The market is relatively regulated, with the Administration for Games of Chance, a unit within the Ministry of finance, monitoring and regulating the market.

The sector is generally faring well in recent years, as show results of the companies included in the report, with a relatively strong growth of revenues, relatively high margins, and with a constantly expanding offer of services - while it also seems that this sector reaps substantial benefits from digitalization.

Revenues are surging, and have topped around EUR 840 m in 2023, which represents a growth rate of 12%, coming after a stellar 60% increase the year before. Digitalization contributes significantly - for instance, IBET365, one of the country's leading online betting facilities, reached cca EUR 113 m in revenues in 2023, or around 4 times more than in 2021.

Margins are strong, and although the sector is also one of the largest employers in the country with more than 10 thousand jobs, its costs remain at bay, keeping EBITDA margin above 20% and net profit margin at 11% in 2023. It also seems that scale matters in this respect - the largest companies, like Mozzart or Phuket, having somewhat higher margins than the rest of the sector

Largest Serbia's betting companies in 2023

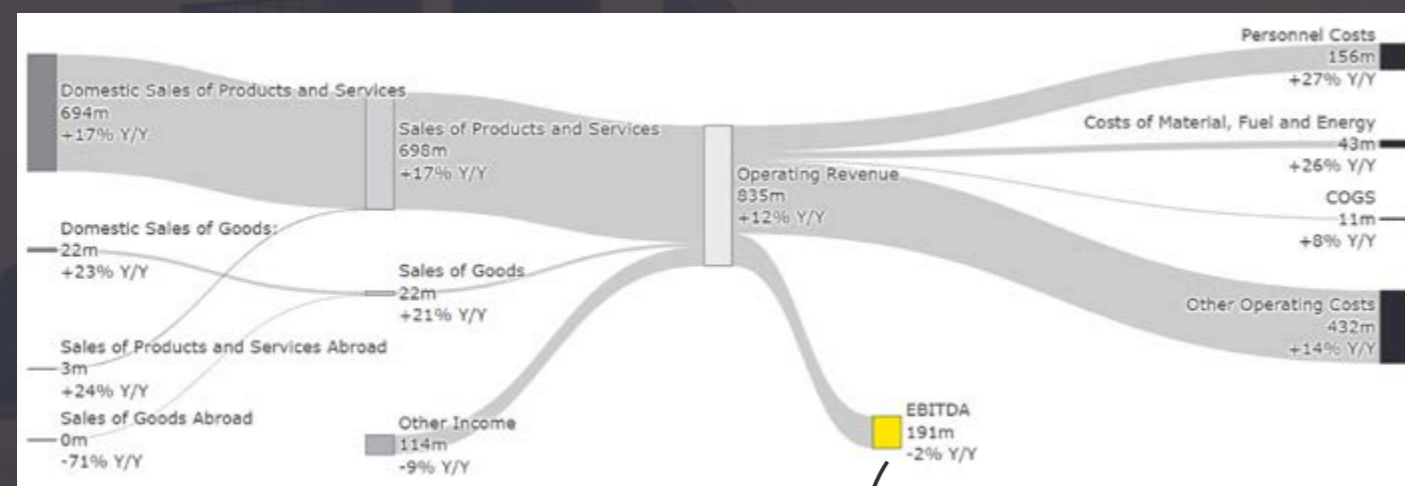


Source: SBRA, EY

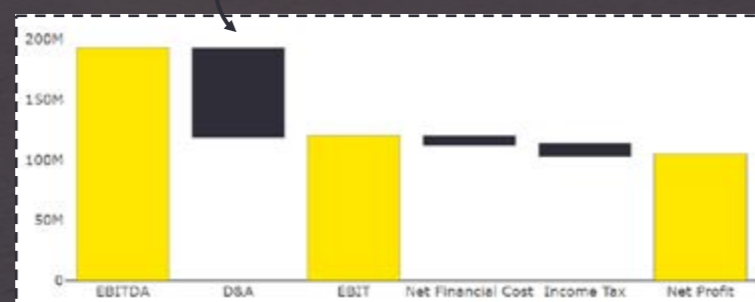
Betting



Stylized overview of the sector's P/L (2023)



Source: SBRA, EY



Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
78	MOZZART	Betting	198,575	183,856	7.8%	47.0%	0.3%	1.3%	69,820	78,277	35.2%	42.6%	40,013	36,296	2,901	2,757
130	MAX BET DOO	Betting	135,263	118,031	14.4%	39.6%	0.3%	0.2%	27,203	29,837	20.1%	25.3%	11,431	16,657	2,012	2,002
171	IBET365	Betting	112,553	124,022	-9.4%		0.0%	0.0%	1,030	1,419	0.9%	1.1%	157	879	343	488
241	PHUKET	Betting	86,268	86,315	-0.2%	36.1%	0.0%	0.0%	23,909	33,318	27.7%	38.6%	11,747	21,850	1,637	1,495
272	BALKAN BET D.O.O. BEOGRAD	Betting	76,383	46,355	64.5%	81.5%	0.0%	0.0%	25,641	14,184	33.6%	30.6%	10,006	6,971	1,096	923
357	DOO PIONIR INTERNACIONAL NOVI SAD	Betting	59,854	47,612	25.5%	71.6%	1.4%	0.0%	11,403	10,129	19.1%	21.3%	2,811	1,793	1,047	916
400	DRŽAVNA LUTRIJA SRBIJE DOO BEOGRAD	Betting	51,633	46,732	10.3%	9.7%	0.9%	0.8%	2,661	3,110	5.2%	6.7%	2,331	2,490	212	213
489	MERIDIAN TECH D.O.O	Betting	43,420	35,209	23.1%	33.5%	2.0%	1.0%	15,381	13,650	35.4%	38.8%	9,590	9,880	555	573
547	ZBET.RS D.O.O. BEOGRAD	Betting	39,436	27,452	43.4%	53.6%	1.9%	0.0%	3,585	2,530	9.1%	9.2%	1,408	440	863	672
685	ADMIRA DOO KRAGUJEVAC	Betting	32,306	28,091	14.8%	55.8%	0.0%	0.0%	11,249	9,999	34.8%	35.6%	2,824	2,528	543	512
	TOTAL BETTING IN TOP 1% (10 COMPANIES)		835,691	743,675	12.4%	72.6%	0.5%	0.6%	191,882	196,453	23.0%	26.4%	92,318	99,784	11,209	10,551

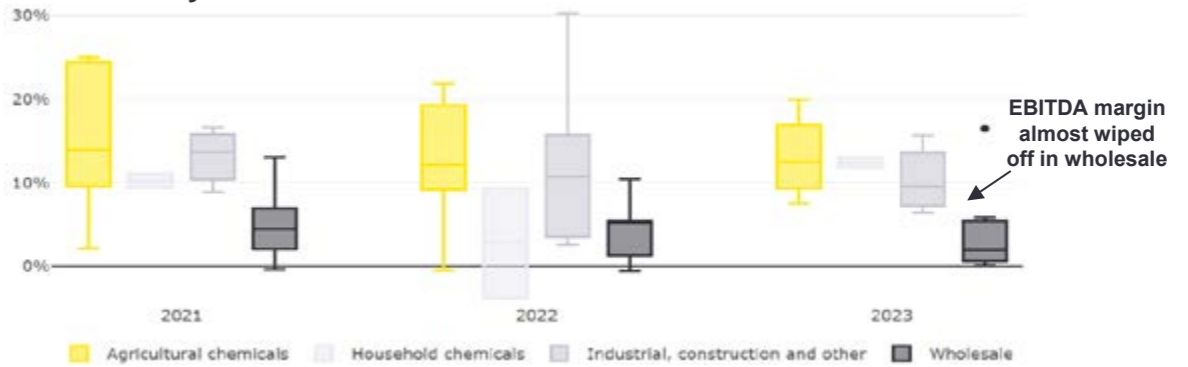
Source: SBRA, EY



Breakdown by subsectors & main players

Dominated by a handful of large industry players, whose margins are in a decreasing trend across most subsegments

EBITDA margin



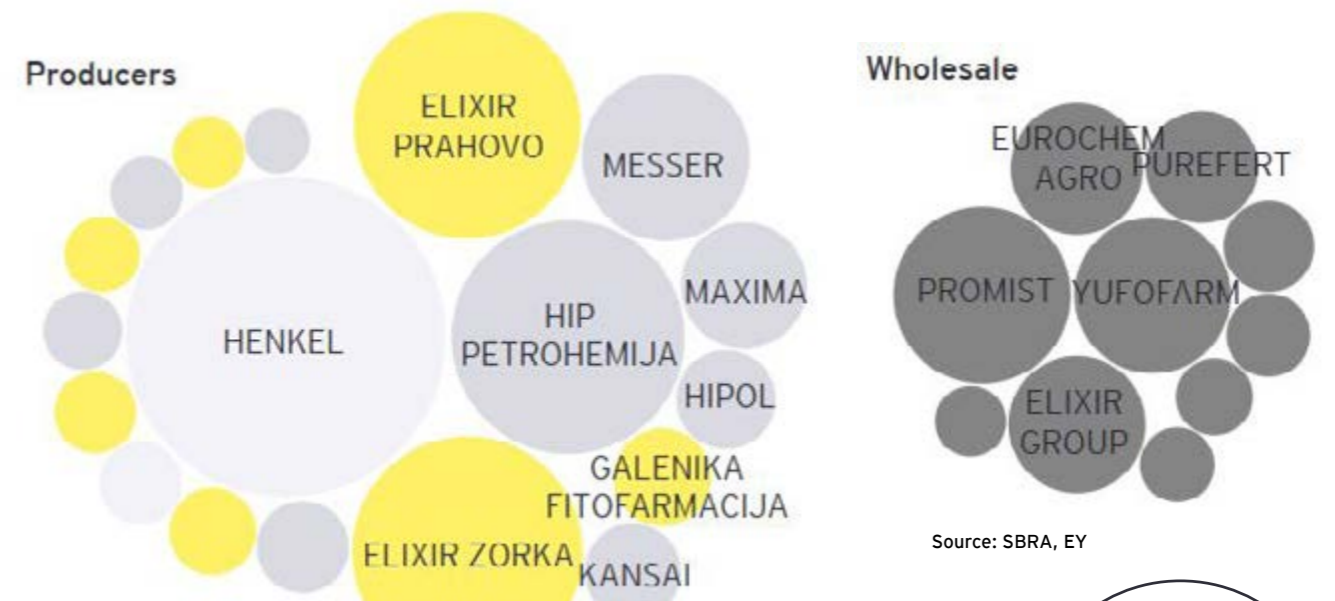
Source: SBRA, EY

The sector includes 28 companies, categorized under the following groups:

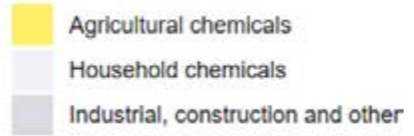
- ▶ **Agricultural chemicals** - largely fertilizers
- ▶ **Household chemicals** - products used for house cleaning, hygiene, etc.
- ▶ **Industrial, construction** - various chemicals used in production, like gases, glues, paints, etc.
- ▶ **Wholesale** - typically suppliers of local agriculture, construction or industry, rarely includes exporters

Margins are at level of Top 1% largest companies, with household and industrial chemicals' margins slightly improved, others' recording a decrease

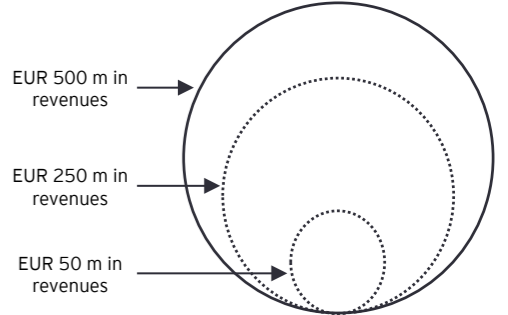
Chemicals



Source: SBRA, EY



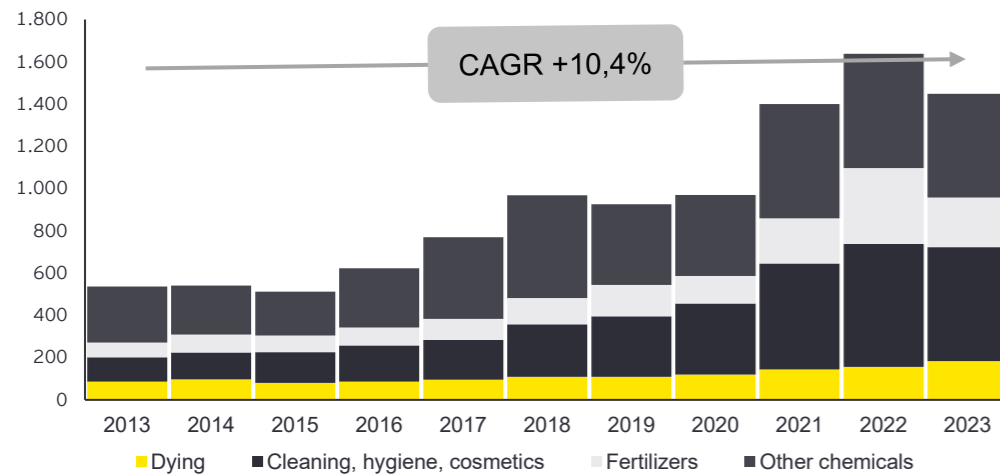
Source: SBRA, EY



Main value drivers and other relevant developments

Revenues slump in 2023, as local and foreign demand weakens, and prices of some goods fall back from the 2022 highs - worsening trend possibly continues into 2024

Chemicals export (in USD 000)



Source: SORS, EY

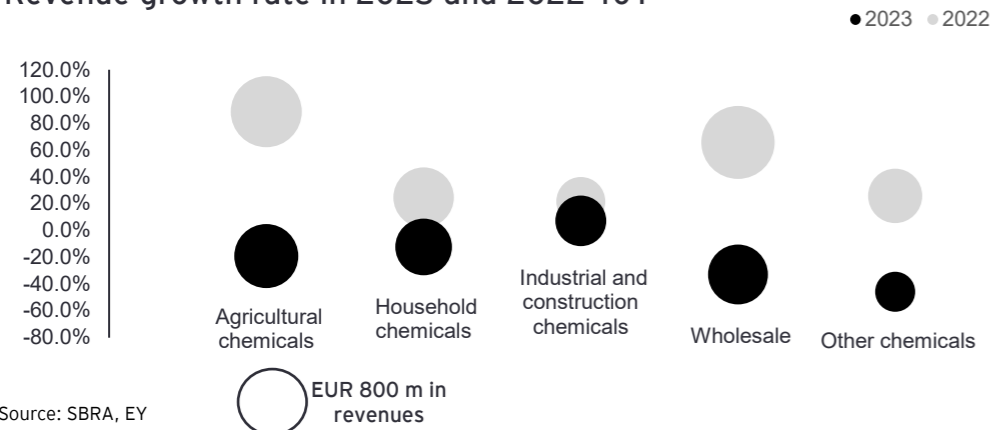
Sector's results have been improving until 2022. Output, exports and overall sophistication in the sector has been continuously increasing for at least the past decade - driven by household and construction-related chemicals demand.

Trend of performance improvement seems to have halted in 2023 and 2024. Revenues in 2023 declined by more than 20%, giving up on some of its gains following a nearly 50% increase in revenues in 2022.

- Producers of **construction- and manufacturing-related chemicals**, such as isolation, colors, gases, fared the best and even yielded a modest 7% increase in revenues, seemingly supported by the recent construction boom
- Export-oriented producers of **household chemicals**, such as Henkel, saw their revenues decrease by approx. 12%, as the export demand in the EU cools down
- Producers of **fertilizers and other agri-chemicals'** revenues decreased by some 20%, reflecting both the poor agricultural season and softer export demand. Weaker local demand for fertilizer and agri-chemicals is also mirroring the wholesalers' 33% decrease in revenues - all implying a very tight relationship between performance in agricultural sector and in segment of agricultural chemicals.
- Revenues of **HIP Petrohemija**, a producer of basic chemicals, halved compared to 2022, partially related to the 2-month long halt in production, connected to the plant's upgrades. NIS overtook 70% ownership stake in HIP Petrohemija for EUR 150 m in mid 2023, heavy investments in the next 5 year period are planned

In H1 24, results seem to have further deteriorated: industrial output in chemical industry grew by a mere 1% YoY, while exports slip by another 3%

Revenue growth rate in 2023 and 2022 YoY

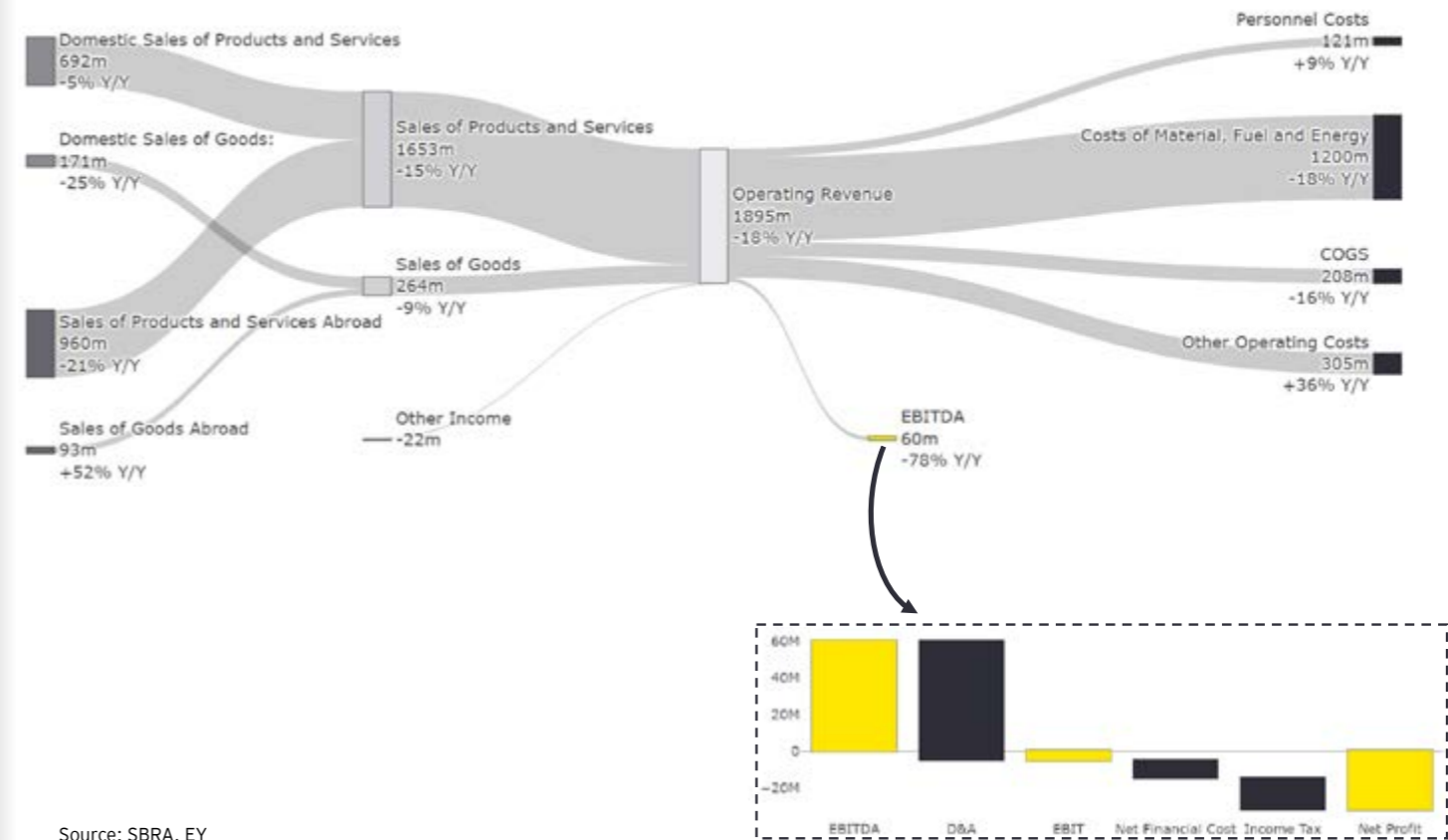


Source: SBRA, EY



Stylized overview of the sector's P/L (2023)

EBITDA almost completely wiped off, sending net profit to negative zone



Source: SBRA, EY



Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
25	HENKEL SRBIJA DOO BEOGRAD	Household chemicals	496,258	581,200	-14.8%	26.4%	80.0%	82.9%	58,532	54,240	11.8%	9.3%	26,719	22,809	775	782
51	HIP-PETROHEMIJA DOO PANČEVO	Industrial, construction and other	264,327	487,426	-45.9%	25.7%	57.0%	62.2%	-153,814	12,825	-58.2%	2.6%	-156,150	3,451	1,243	1,176
55	ELIXIR ZORKA - MINERALNA ĐUBRIVA DOO	Agricultural chemicals	258,159	340,905	-24.4%	108.1%	44.5%	47.3%	23,547	66,383	9.1%	19.5%	14,004	55,639	413	400
60	ELIXIR PRAHOVO DOO	Agricultural chemicals	250,424	293,477	-14.8%	89.2%	60.1%	49.1%	31,610	64,172	12.6%	21.9%	21,211	54,846	817	779
127	MESSER TEHNOGAS AD BEOGRAD	Industrial, construction and other	136,677	97,052	40.6%	0.9%	19.6%	20.8%	43,014	29,389	31.5%	30.3%	22,488	16,957	348	341
268	MAXIMA DOO LUČANI	Industrial, construction and other	77,464	72,444	6.7%	24.8%	33.2%	30.1%	9,417	7,778	12.2%	10.7%	8,165	6,098	287	268
432	HIPOL DOO	Industrial, construction and other	48,010	37,016	29.5%	184.7%	58.0%	24.1%	3,071	952	6.4%	2.6%	1,028	651	173	181
455	GALENIKA-FITOFARMACIJA AD BEOGRAD	Agricultural chemicals	46,134	58,102	-20.7%	19.0%	29.1%	20.5%	8,465	10,846	18.3%	18.7%	6,725	8,397	181	179
469	KANSAI HELIOS SRBIJA A.D. GORNJI MILANO-VAC	Industrial, construction and other	44,976	49,441	-9.2%	41.1%	49.4%	50.4%	3,366	1,883	7.5%	3.8%	1,997	1,207	217	202
513	VIBAC BALCANI DOO	Industrial, construction and other	41,321	49,040	-15.9%	5.7%	97.1%	96.1%	5,336	7,886	12.9%	16.1%	2,609	4,096	250	223
	TOTAL TOP 10 IN CHEMICALS		1,663,750	2,066,103	-19.5%	41.3%	58.4%	59.7%	32,544	256,354	2.0%	12.4%	-51,204	174,151	4,704	4,531
	TOTAL CHEMICALS IN TOP 1% (18 COMPANIES)		1,895,970	2,325,862	-18.5%	41.6%	55.0%	57.2%	60,100	279,009	3.2%	12.0%	-37,357	188,290	5,836	5,733

Source: SBRA, EY

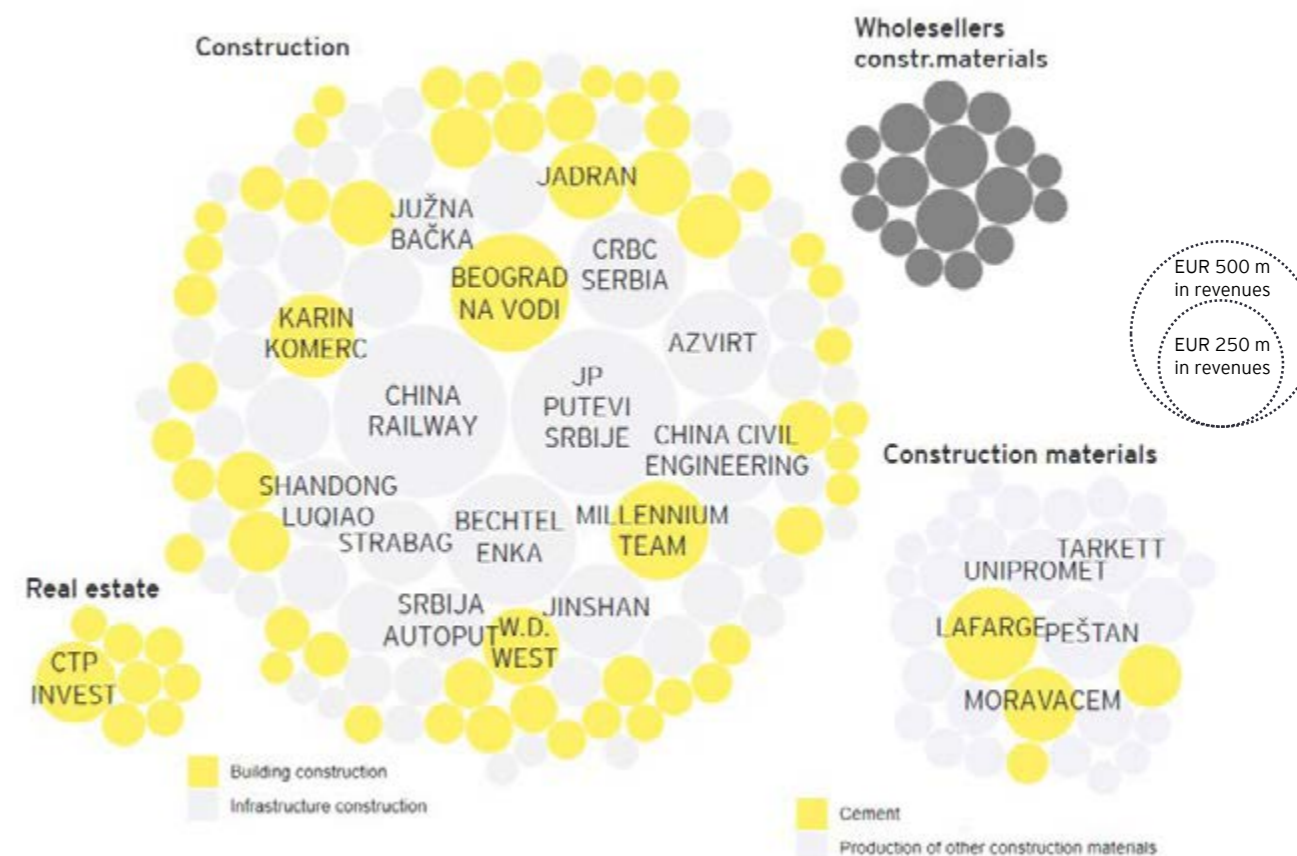


Construction, real estate and construction materials



Breakdown by subsectors & main players

Complex of several sectors revolving around construction of buildings and infrastructure - dynamic growth amidst construction boom and soaring public CAPEX continued in 2023 and 2024



Source: SBRA, EY



Construction - the centerpiece of a wider ecosystem

The "narrow" construction consists of 111 companies grouped in two broad segments:

- **Infrastructure:** highways, roads, railroads, bridges, pipelines... - the larger subsegment, with larger margins and higher growth of revenues in recent years, driven largely by public CAPEX
- **Buildings** - largely related to construction of apartments, office space, etc. - although smaller than infrastructure, still one of the largest industries in Serbia, with relatively strong margins and solid growth of revenues in recent period - driven by very healthy private sector demand



Real estate - revenue-wise, the smallest among construction-related sectors, but with highest and increasing margins.

Real estate has been enjoying exceptionally good growth rate and profitability, as both prices of apartments and volume of construction of buildings soared since the late 2010s.



Wholesale and production of construction material are the key suppliers of the construction industry, as domestic sales typically have a dominant share in revenues in these firms.

Their operation generally follows the investment cycle - which is currently very favorable.

Cement producers stand out with very strong growth in revenues and with EBITDA margin hovering around 30%.



Main value drivers and other relevant developments

Infrastructure building currently drives the overall growth in construction sector, while building construction seems to be slightly cooling off after a booming period

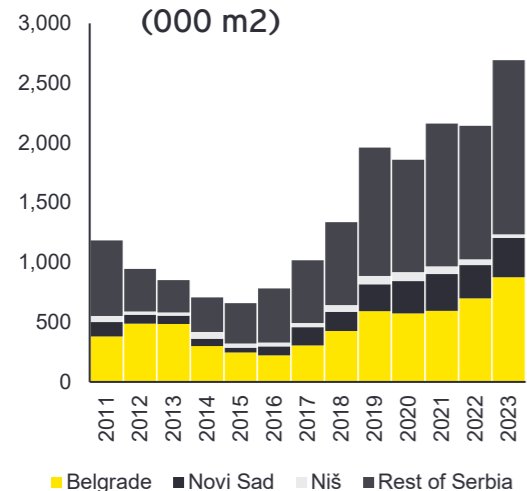
A booming complex of several connected industries: construction, real estate, construction materials and wholesale, has been steadily growing since the late 2010s pushed by

- Surging household and private demand for housing, office space, retail parks, etc. Only between 2015 and 2023, annual construction of new apartments quadrupled!
- In the same time, surging public CAPEX directed at construction of transport and other forms of infrastructure across Serbia - annual volume of investments increased 5-fold between 2015 and 2023!

Sector consistently records high growth rates, but results vary across key subsegments. Entire construction complex revenues rose by 21% in 2023, after 20% in 2022, but at subsector level:

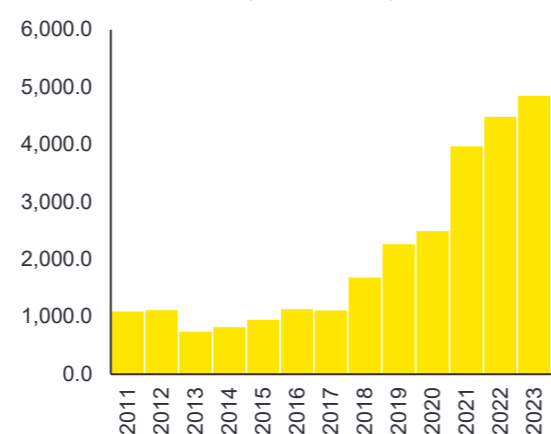
- Infrastructure** building is now the key driver of construction growth, and also one of the largest segments in Serbian economy, as its revenues attained EUR 5.5 b in 2023 - 55% more than in 2021 - with a relatively high EBITDA margin hovering above 11%.
- It is expected that this trend continued into 2024 and beyond, as public capital spending will keep continuously increasing ahead of EXPO 2027.
- Construction of buildings** was soaring very strongly in late 2010s and early 2020s. Although the activity in this segment seems to gradually cool off - as suggest the decreasing pace of issuance of construction permits, while price rise is slowing down - this segment remains very profitable.

Area of cons. res. buildings (000 m2)



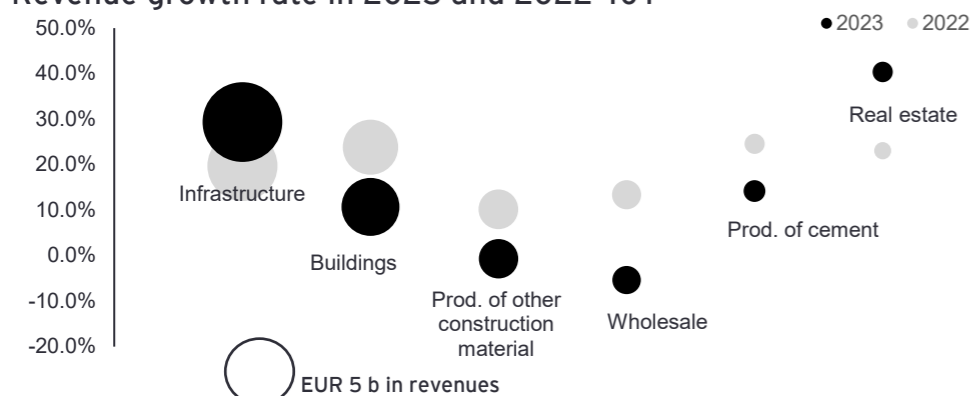
Source: SORS, EY

Public CAPEX (in EUR m)



Source: MFIN, EY

Revenue growth rate in 2023 and 2022 YoY

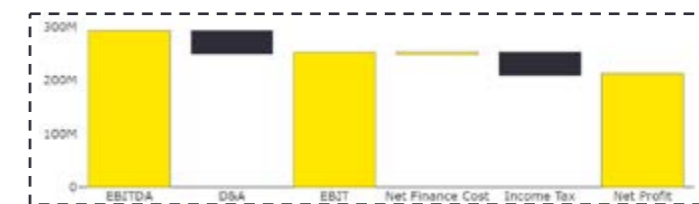
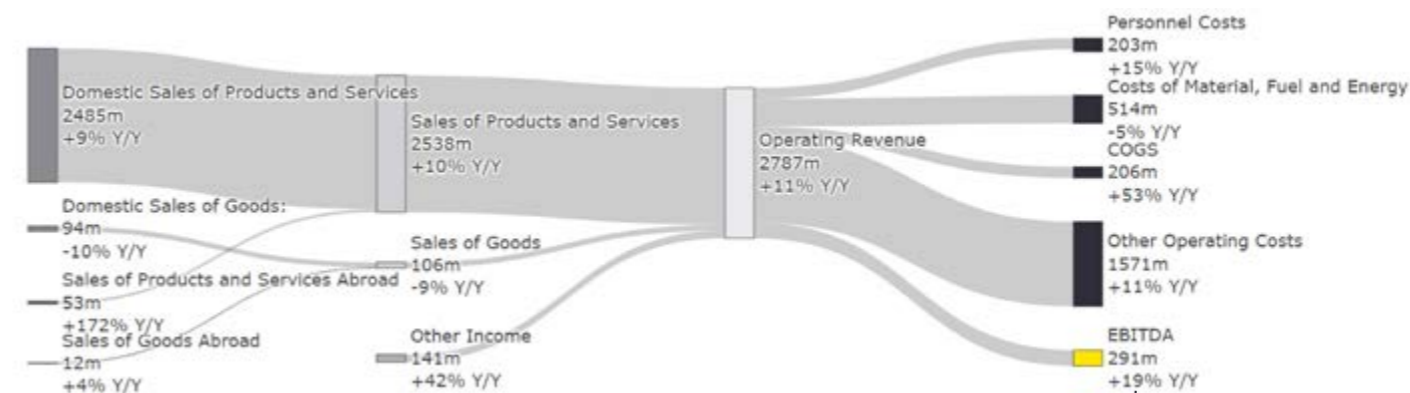


Source: SBRA, EY

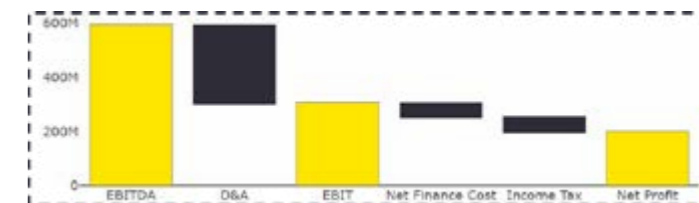
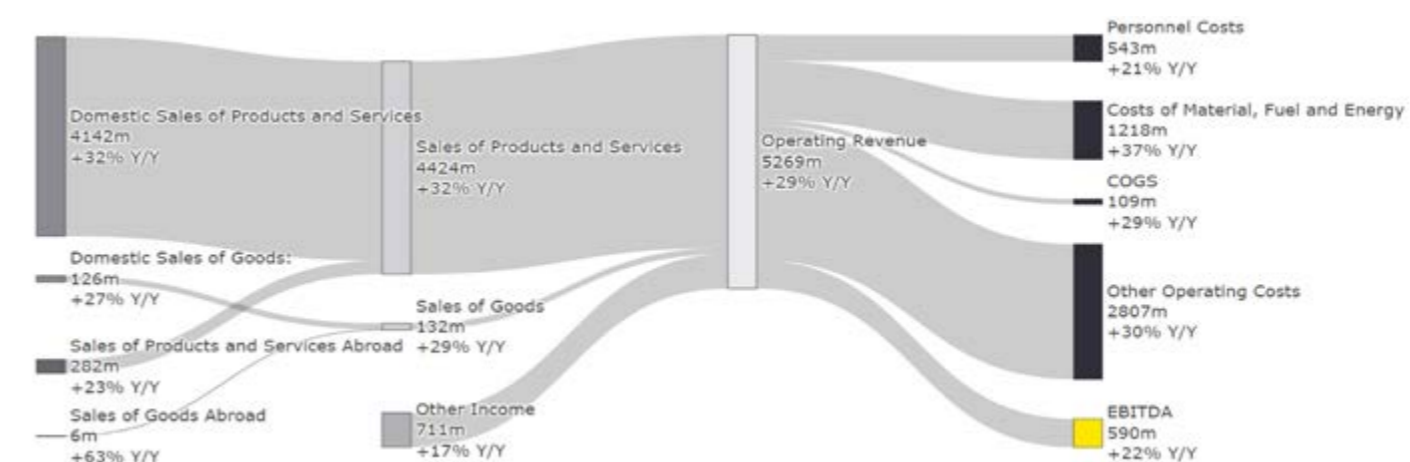
Stylized overview of the sector's P/L (2023)

Buildings vs Infrastructure - a deep dive comparison

Building



Infrastructure



Source: SBRA, EY



Summary overview: Construction

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
18	CHINA RAILWAY INTERNATIONAL CO., LTD. SERBIA OGRANAK BEOGRAD	Infrastructure construction	585,016	277,067	110.8%	29.7%	0.0%	0.0%	47,167	15,327	8.1%	5.5%	39,218	20,468	125	105
20	JP PUTEVI SRBIJE	Infrastructure construction	543,451	478,618	13.3%	-8.6%	0.0%	0.0%	82,861	89,582	15.2%	18.7%	-58,157	-43,605	2,190	2,190
37	BECHTEL ENKA UK LIMITED OGRANAK	Infrastructure construction	341,742	359,863	-5.2%	84.9%	0.0%	0.0%	51,530	114,807	15.1%	31.9%	27,739	76,179	2,801	2,342
46	BEOGRAD NA VODI D.O.O	Building construction	272,263	269,374	0.9%	46.8%	0.0%	0.0%	50,739	70,144	18.6%	26.0%	44,638	59,351	97	90
49	CRBC SERBIA OGRANAK BEOGRAD	Infrastructure construction	266,342	112,366	136.6%	125.3%	0.0%	0.0%	65,442	1,662	24.6%	1.5%	42,792	-75	310	310
67	AZVIRT OGRANAK BEOGRAD	Infrastructure construction	225,816	159,853	41.0%	73.2%	0.1%	0.0%	21,128	14,163	9.4%	8.9%	13,204	7,010	413	335
71	CHINA CIVIL ENGINEERING CONSTRUCTION CORPORATION BALKAN OGRANAK BEOGRAD	Infrastructure construction	216,012	76,933	180.3%		0.0%	0.0%	8,806	1,249	4.1%	1.6%	-9,751	-3,014	120	77
81	MILLENNIUM TEAM DOO BEOGRAD	Building construction	190,012	137,545	37.9%	42.9%	0.0%	0.0%	35,593	34,171	18.7%	24.8%	11,969	9,281	563	475
93	JINSHAN CONSTRUCTION	Infrastructure construction	174,737	206,763	-15.6%	39.5%	0.0%	0.0%	54,534	56,002	31.2%	27.1%	29,864	45,658	918	722
114	STRABAG D.O.O	Infrastructure construction	143,354	147,980	-3.3%	-4.4%	0.0%	0.0%	2,498	-176	1.7%	-0.1%	-2,491	-4,307	1,162	1,190
	TOTAL TOP 10 IN CONSTRUCTION		2,958,745	2,226,362	32.9%	34.5%	0.0%	0.0%	420,298	396,931	14.2%	17.8%	139,025	166,946	8,699	7,836
	TOTAL CONSTRUCTION IN TOP 1% (112 COMPANIES)		8,016,897	6,576,836	21.9%	21.1%	4.9%	4.5%	878,581	729,388	11.0%	11.1%	389,129	318,430	32,958	31,958

Source: SBRA, EY

Summary overview: Construction materials

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
96	LAFARGE BFC SRBIJA DOO BEOČIN	Cement	171,196	143,289	19.3%	24.9%	0.9%	0.0%	49,035	42,054	28.6%	29.3%	32,347	23,963	248	221
104	PEŠTAN DOO BUKOVIK	Production of other construction materials	154,744	167,505	-7.8%	13.1%	64.1%	67.1%	45,982	41,297	29.7%	24.7%	38,387	34,678	910	917
185	MORAVACEM	Cement	106,744	96,060	10.9%	15.3%	0.6%	0.3%	36,958	32,139	34.6%	33.5%	27,398	18,655	287	290
198	UNIPROMET DOO ČAČAK	Production of other construction materials	101,550	118,695	-14.6%	15.5%	41.5%	53.9%	5,695	6,152	5.6%	5.2%	2,932	3,559	567	527
200	TARKETT DOO BAČKA PALANKA	Production of other construction materials	100,196	113,997	-12.3%	7.6%	56.9%	53.8%	2,655	384	2.6%	0.3%	15,962	1,009	831	946
234	MPP JEDINSTVO AD SEVOJNO	Production of other construction materials	88,208	57,951	51.9%	-33.2%	1.9%	1.0%	2,961	2,499	3.4%	4.3%	2,299	2,032	301	317
267	TCK DOO KOSJERIĆ	Cement	77,839	67,767	14.7%	30.6%	16.3%	18.2%	28,879	24,173	37.1%	35.7%	22,945	19,246	189	188
332	IGM MLADOST DOO	Production of other construction materials	64,430	59,268	8.5%	60.9%	55.9%	54.1%	17,306	26,011	26.9%	43.9%	16,497	17,852	646	606
358	NORMA GRUPA JUGOISTOČNA EVROPA DOO SUBOTICA	Production of other construction materials	59,360	60,177	-1.5%	-5.0%	99.0%	99.6%	3,479	1,147	5.9%	1.9%	-2,078	-3,305	840	975
370	ALUMIL YU INDUSTRY AD NOVA PAZOVA	Production of other construction materials	56,510	65,288	-13.6%	26.9%	58.8%	57.3%	1,941	3,560	3.4%	5.5%	835	1,614	387	384
	TOTAL TOP 10 IN CONSTRUCTION MATERIALS		980,777	949,997	3.2%	12.5%	35.3%	40.2%	194,891	179,416	19.9%	18.9%	157,524	119,303	5,206	5,371
	TOTAL CONSTRUCTION MATERIALS IN TOP 1% (32 COMPANIES)		1,683,701	1,644,325	2.4%	12.9%	35.3%	38.1%	259,609	260,959	15.4%	15.9%	192,772	166,039	10,247	10,204

Source: SBRA, EY



Summary overview: Real estate

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
140	CTP INVEST	Real estate	125,768	66,814	87.9%	166.5%	0.0%	0.0%	5,082	2,083	4.0%	3.1%	3,870	1,433	25	20
543	SUNNYVILLE 5 DOO	Real estate	39,710	13,947	184.2%	322.8%	0.0%		2,936	-144	7.4%	-1.0%	2,903	-593	9	8
578	BW GALERIJA D.O.O	Real estate	37,405	27,159	37.5%	80.0%			23,940	15,797	64.0%	58.2%	4,987	2,473	0	0
599	BW KULA D.O.O	Real estate	36,610	35,477	3.0%	-41.1%	0.0%	13.4%	-1,199	-2,680	-3.3%	-7.6%	-2,735	-1,937	10	1
731	TB 65 D.O.O	Real estate	30,537	5,661	438.5%	-26.7%	0.0%	0.0%	10,595	-36	34.7%	-0.6%	9,026	-907	1	3
745	AIRPORT CITY DOO	Real estate	30,075	25,737	16.6%	19.5%	0.0%	0.0%	20,921	16,299	69.6%	63.3%	10,146	7,676	0	0
786	NEPI REAL ESTATE PROJECT ONE D.O.O. NOVI SAD	Real estate	28,007	22,049	26.8%	32.2%			20,323	15,184	72.6%	68.9%	13,327	9,096	0	0
794	SMART VENTURES D.O.O	Real estate	27,723	31,307	-11.6%	13.8%	9.6%	12.1%	3,169	8,428	11.4%	26.9%	2,372	6,756	187	213
864	UŠĆE SHOPPING CENTER	Real estate	25,136	28,908	-13.2%	21.0%	0.0%	0.0%	14,865	17,725	59.1%	61.3%	10,327	11,814	0	0
	TOTAL REAL ESTATE IN TOP 1% (9 COMPANIES)		380,971	257,059	48.2%	28.0%	0.9%	2.8%	100,632	72,656	26.4%	28.3%	54,223	35,811	232	245

Source: SBRA, EY

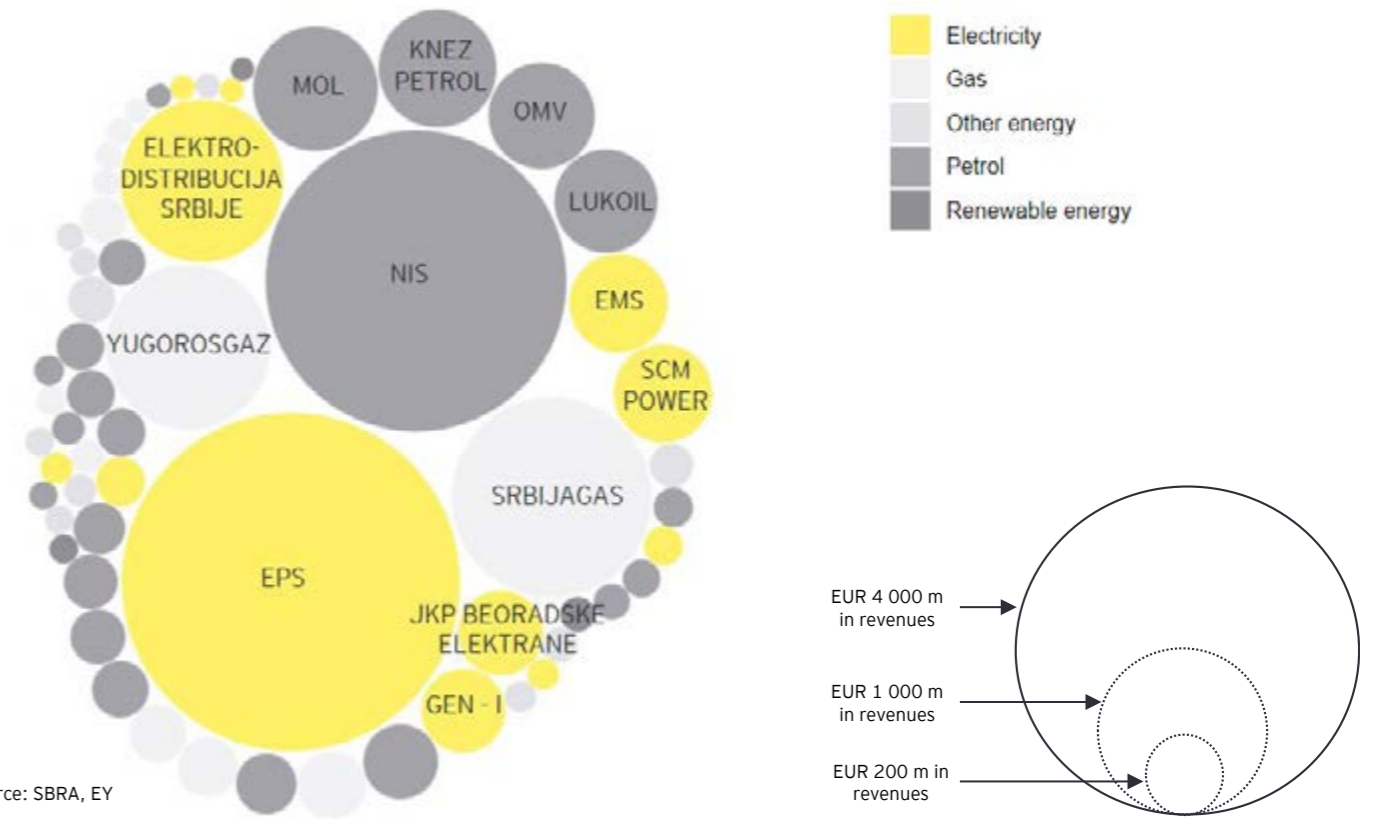


Energy



Breakdown by subsectors & main players

A sector dominated by some of Serbia's titan companies - in 2023 electricity businesses' results significantly improved on abundant output

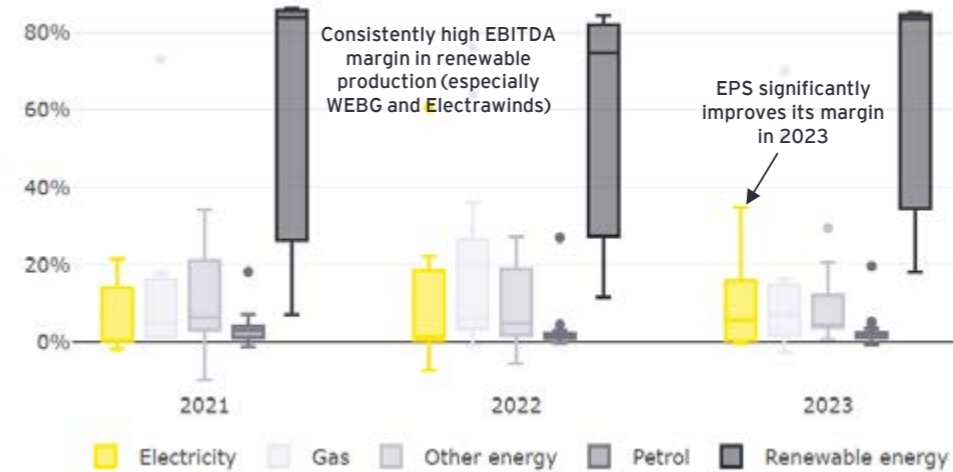


Source: SBRA, EY

The sector has 52 companies, some of which are the largest ones in Serbian economy. It can be categorized as follows:

- ▶ **Electricity** - working on production, or infrastructure, or trade, outside of renewables
- ▶ **Petrol** - production of derivatives, petrol stations, etc.
- ▶ **Gas** - distribution and sale of natural gas
- ▶ **Renewable** - relate largely to smaller producers of electricity from wind

EBITDA margin



Source: SBRA, EY

Main value drivers and other relevant developments

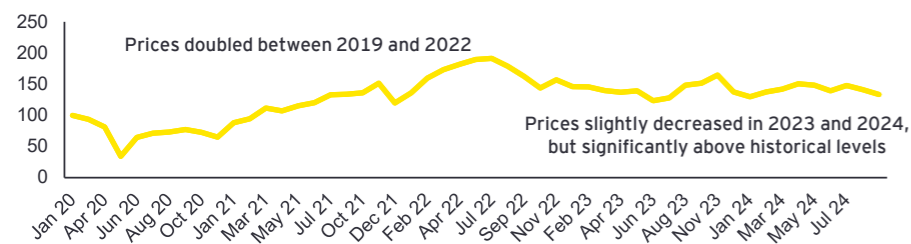
Electricity producers' result soar in 2023 but possibly severely decrease in 2024 so far. Petrol' results deteriorate in 2023, and possibly further in 2024

Volatility in global prices is the key determinant in this sector's recent results. Global prices of energy skyrocketed in 2022, and then slightly decreased in 2023 and early 2024; while since mid 2024 there is a renewed pressure on prices, all in context of mounting geopolitical tension.

Results vary across subsegments:

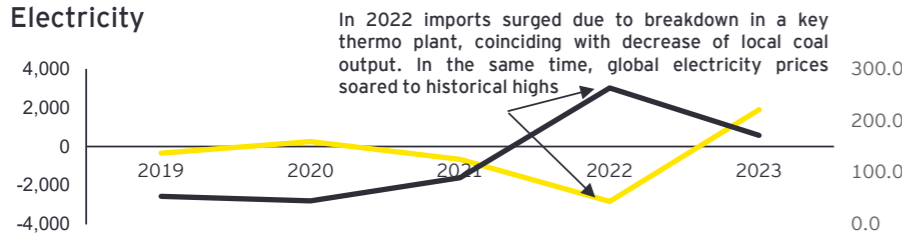
- ▶ **Electricity fared well**, as their revenues rose by 15%, after +25% in 2022. This segment was specifically aided by exceptionally strong production in hydro power plants in 2023, as weather conditions were relatively favorable; also by an increase in local energy prices, as well as due to relatively large indemnities paid to key energy producer EPS by the Gvt in mid 2023.
- ▶ However, as 2024 was marked by extreme drought, these results in 2024 have plausibly worsened due to lower hydro power output.
- ▶ **Renewables** recorded an exceptional year, as revenues grew by almost 50% - largely driven by a constant increase in capacity of ever more numerous wind and other renewable plants. Also supporting such results are the relatively hefty incentives for green electricity production - in total, EBITDA margin hits as much as 70%.
- ▶ **Petrol and gas slow down**, as related companies' revenues decreased by approx. 15% each, after having doubled in 2022 - all in line with global commodity price trends.
 - ▶ In 2024, petrol output has sharply contracted - following a 2 month halt of production in NIS' Pančevo plants due to upgrades which does not bode well for key producers' profitability in 2024 but implies improvement in mid term

Crude oil prices (index, dec 2019=100)



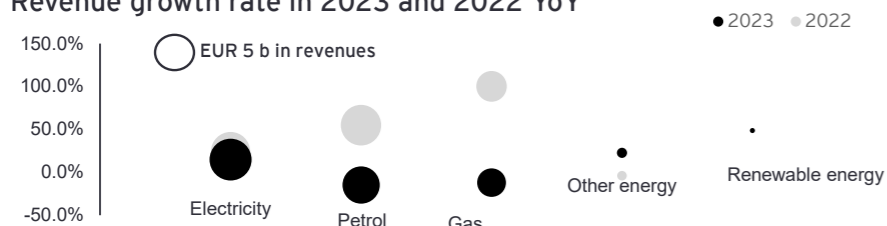
Source: SORS, EY

Electricity



Source: SORS, EY

Revenue growth rate in 2023 and 2022 YoY



Source: SBRA, EY



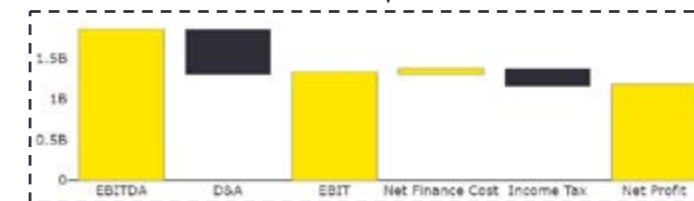
Stylized overview of the sector's P/L (2023)

Electricity vs Petrol - a deep dive comparison

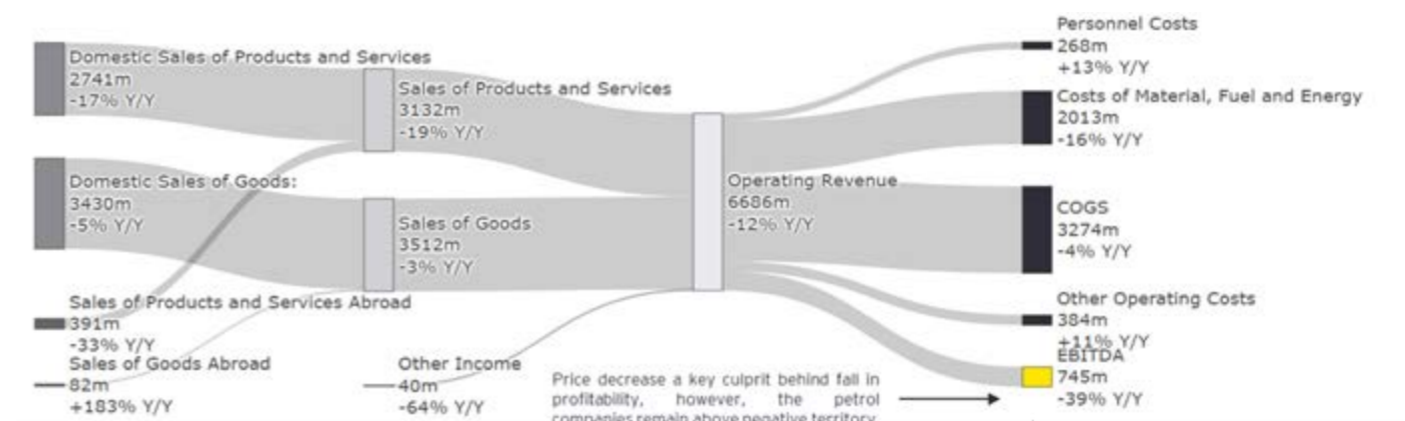
Electricity



Excellent result in 2023 largely on ample output and strong local result. But the 2024 result would plausibly deteriorate on very adverse weather conditions and a strong decrease in hydro power output

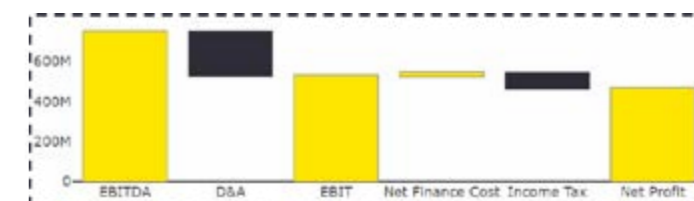


Petrol



Price decrease a key culprit behind fall in profitability, however, the petrol companies remain above negative territory

Source: SBRA, EY





Wider picture: Carbon intensity and policy landscape

A deep transition awaits in the mid-term as the sector takes the front seat in Serbia's green transition

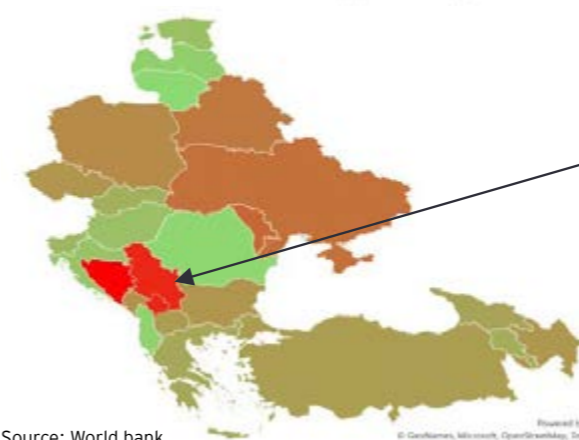
Serbia has a very heavy carbon footprint - it emits nearly 2-3 times more CO2 per 1 unit of GDP than many of the peer countries across CEE/SEE.

Policy landscape undergoes very deep transformation, as it grapples to reduce carbonization:

- ▶ **Integration to energy markets of EU within growth plan for WB** - Serbia to integrate EU common electricity market 'in coming years, implying more sustainable supply to end users. But it will also require implementation of Carbon border adjustment mechanism (CBAM), a levy on carbon intense exports to EU, risking Serbia's competitiveness, given 1) its high carbon intensity and 2) high reliance on EU export markets
 - ▶ Within EU integration context, Serbia signed **Green agenda for Western Balkans** in 2020, which aligns WB with EU goal of achieving carbon neutrality by 2050
- ▶ **Improved strategy framework:** gvt recently adopted key strategies, including the Integrated national energy and climate plan 2030 (INECP) or Energy sector development strategy 2040, envisaging a drastic change in production mix in favor of renewables (sun, wind, hydro) and decrease coal dependency
- ▶ **Law on using renewable energy sources (2021):** Among other, the landmark law introduced new models of incentivizing renewable production, effectively increasing support to wind, solar and other similar objects.
- ▶ **EPS and Srbijagas under restructuring** - with corporate reforms mainly addressing corporatization, financial and operational restructuring, as per recently adopted Law on State owned enterprises and Standby arrangement with IMF

Far reaching decarbonisation requires heavy costs. Reaching INECP-set goals would require app EUR 11 b in public financing by 2030, as estimated by [Fiscal council](#).

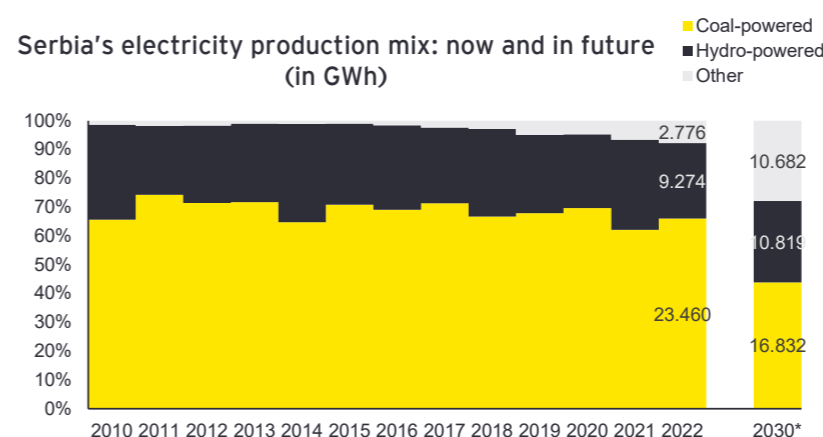
CO2 emissions (kg per 2021 PPP \$ of GDP) 0.10 0.37



Serbia and B&H producing the highest amount of CO2 per GDP in Central and Eastern Europe: around twice more CO2 per 1 unit of GDP than the average!

Source: World bank

Serbia's electricity production mix: now and in future (in GWh)



Source: SORS, Ministry of Energy, EY

*2030 result is a plan from the Integrated national energy and climate plan (2023) - scenario S

Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
1	EPS AD BEOGRAD	Electricity	4,259,708	3,051,035	39.4%	12.1%	3.2%	0.4%	1,485,689	-218,377	34.9%	-7.2%	975,258	-618,224	19,595	20,008
2	NIS A.D. NOVI SAD	Petrol	3,368,122	4,249,426	-20.9%	77.6%	11.8%	14.3%	662,783	1,148,424	19.7%	27.0%	357,477	795,657	5,101	4,949
3	JP SRBIJAGAS NOVI SAD	Gas	1,486,034	1,869,538	-20.7%	89.0%	0.0%	0.0%	199,504	106,948	13.4%	5.7%	102,598	46,729	910	936
9	YUGOROSGAZ AD BEOGRAD	Gas	1,002,231	1,070,936	-6.6%	157.0%	92.9%	92.5%	24,103	23,552	2.4%	2.2%	20,598	19,679	19	20
10	ELEKTRODISTRIBUCIJA SRBIJE	Electricity	981,989	884,627	10.8%	1.5%	0.0%	0.0%	156,154	171,930	15.9%	19.4%	-8,983	2,127	8,686	8,775
19	MOL SERBIA D.O.O. BEOGRAD	Petrol	578,557	603,374	-4.3%	21.9%	0.4%	0.4%	19,952	14,198	3.4%	2.4%	12,762	7,966	100	97
21	KNEZ PETROL DOO ZEMUN	Petrol	517,498	541,432	-4.6%	23.5%	0.0%	0.1%	8,961	8,808	1.7%	1.6%	5,020	4,971	1,229	1,223
29	OMV SRBIJA DOO BEOGRAD	Petrol	420,154	446,567	-6.1%	23.4%	0.0%	0.0%	15,025	13,880	3.6%	3.1%	8,397	6,927	46	45
33	LUKOIL SRBIJA D.O.O. BEOGRAD	Petrol	396,707	371,928	6.5%	16.3%	0.1%	0.0%	9,973	6,942	2.5%	1.9%	7,985	3,868	150	150
35	EMS AD BEOGRAD	Electricity	361,975	498,960	-27.6%	55.7%	27.5%	20.0%	57,250	110,684	15.8%	22.2%	25,798	69,349	1,391	1,391
	TOTAL TOP 10 IN ENERGY		13,372,975	13,587,823	-1.6%	45.8%	12.6%	13.7%	2,639,394	1,386,989	19.7%	10.2%	1,506,910	339,049	37,227	37,594
	TOTAL ENERGY IN TOP 1% (59 COMPANIES)		17,129,473	17,515,572	-2.2%	44.4%	16.6%	18.8%	3,099,116	1,858,148	18.1%	10.6%	1,677,661	553,024	53,759	53,755

Source: SBRA, EY

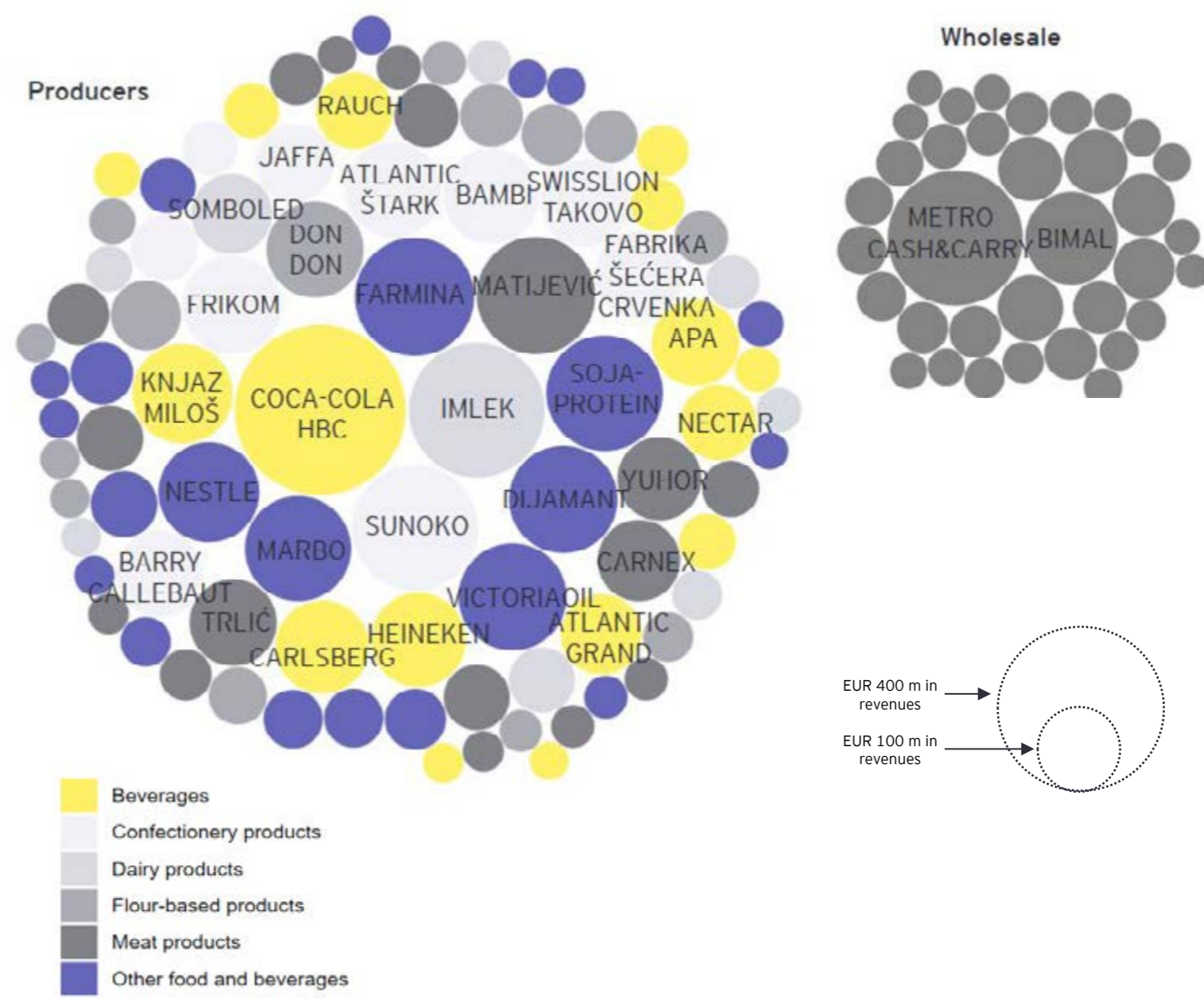


Food and beverages

Breakdown by subsectors & main players

Very numerous and very locally oriented - sector operates at stable and relatively strong margins

The Food and Beverages sector, as analyzed in this report, encompasses 123 companies. Revenues are growing at relatively strong pace and outpace inflation - whereas most of sales is generated at local market. EBITDA margin of entire sector is stable at around 10%, or a tad below the average for entire set of observed largest companies.



Source: SBRA, EY

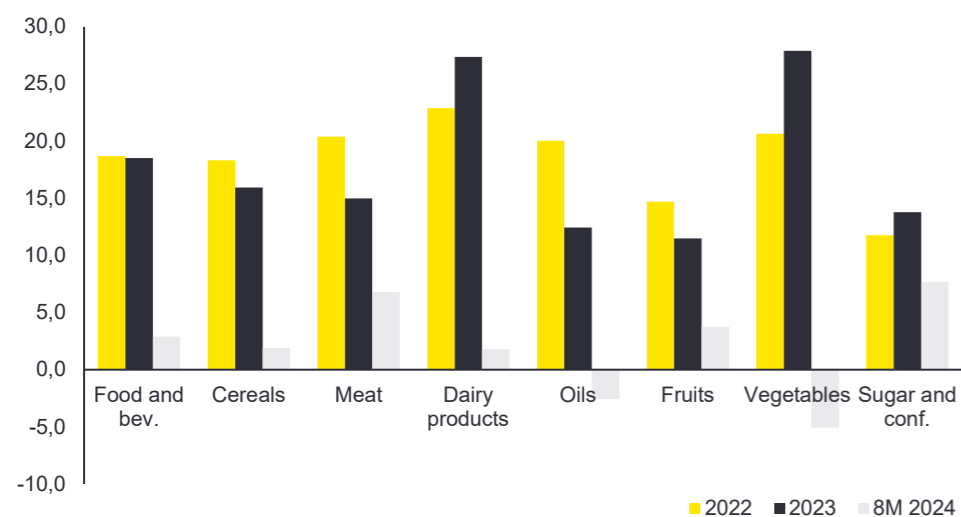
Main value drivers and other relevant developments

Sector keeps performing relatively well in 2023 amidst challenges

Volatile prices drive overall results in recent period as local and foreign prices largely peaked in 2022 and 2023, before slowing down in 2024. Adding to complexity were also several price limitations set out by the Gvt, which has impacted flour-based products, dairy or oils. Hence, very different trends are visible across sector's subsegments:

- ▶ **Sugar processing and confectionary production generally fares very well** with revenues expanding by 22% in 2023 following a 31% increase the year before, while keeping EBITDA rate stable in the mid teens. A very significant contribution to positive results stem from sugar processing - price rise is especially strong in this category, while it seems that the trend has protracted in 2024 given the poor weather conditions in key producers, such as Brazil.
- ▶ **Beverage speeds up** in 2023 driven by improving activity in the largest companies in this segment, such as Coca-Cola HBC, Knjaz Miloš, and Carlsberg, but on the overall, the margins in this segment gradually decreased towards 12% in 2023 on relatively strong increase in costs of materials: a possible effect of global surge in cocoa and coffee prices in recent period.
- ▶ **Meat processing results deteriorates** in 2023: while this segment is oriented at local market, it generally imports raw inputs from abroad. This said, its revenues rose by 9% in 2023 - for a real YoY stagnation - while its material costs rose by nearly 15%; leading to a thinned-out EBITDA margin of 7%.
- ▶ After an exceptional price-driven growth in 2022, **flour-based producers' revenues slightly decreased**, plausibly in line with Gvt-regulated price limitations along 2023. Nevertheless, the segment remains well profitable, with an EBITDA margin rising to 12%.

Local prices: average annual inflation (in % YoY)



Source: SORS, EY

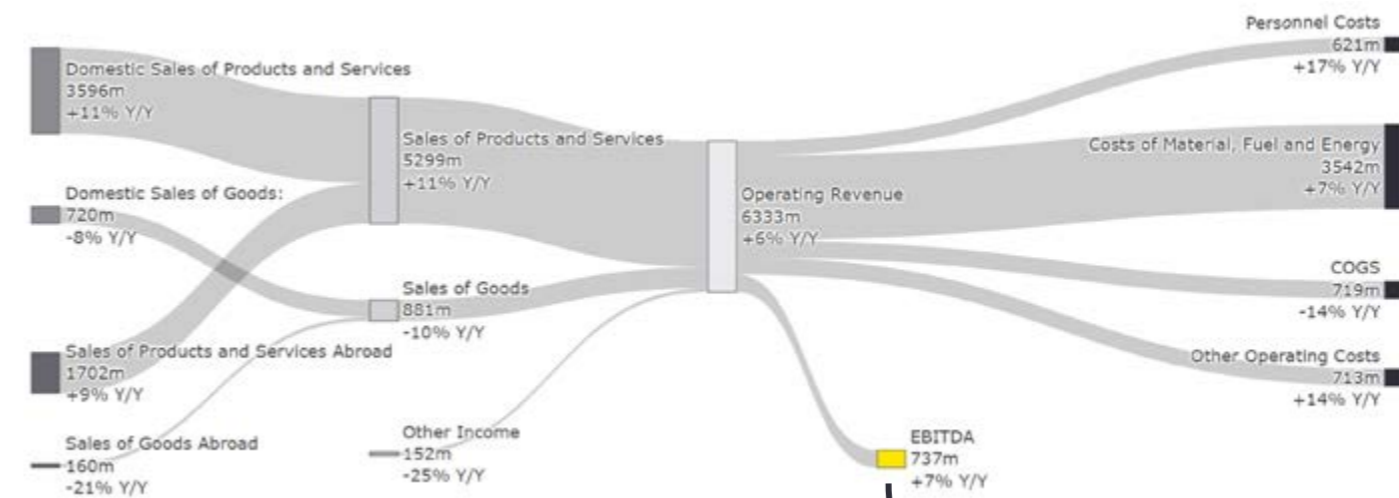
Global prices*: average annual inflation (in % YoY)



Source: FAO, EY



Stylized overview of the sector's P/L (2023)



Source: SBRA, EY





Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
32	COCA-COLA HBC - SRBIJA DOO ZEMUN	Beverages	407,640	378,016	7.6%	-14.6%	8.0%	6.4%	41,206	43,747	10.1%	11.6%	49,312	66,392	1,008	955
57	AD IMLEK	Dairy products	256,988	238,229	7.7%	20.2%	7.7%	10.1%	38,654	37,810	15.0%	15.9%	9,387	21,427	812	864
68	SUNOKO DOO NOVI SAD	Confectionery products	223,174	177,404	25.6%	34.1%	26.2%	42.2%	50,702	61,014	22.7%	34.4%	30,445	42,913	493	467
79	FARMINA PET FOODS	Other food and beverages	197,995	144,394	36.9%	15.9%	96.0%	95.1%	69,853	42,567	35.3%	29.5%	64,291	38,730	365	327
80	IM MATIJEVIĆ DOO NOVI SAD	Meat products	195,663	207,481	-5.9%	18.4%	1.0%	4.3%	13,218	28,913	6.8%	13.9%	10,824	20,667	1,659	1,712
83	SOJAPROTEIN DOO BEČEJ	Other food and beverages	189,249	223,476	-15.5%	40.2%	71.2%	76.5%	24,619	31,040	13.0%	13.9%	13,367	26,843	465	465
99	DIJAMANT DOO ZRENJANIN	Other food and beverages	164,359	241,832	-32.2%	21.1%	29.9%	27.4%	397	19,195	0.2%	7.9%	-3,602	12,309	805	802
100	VICTORIAOIL DOO ŠID	Other food and beverages	162,934	233,888	-30.5%	26.4%	44.4%	43.3%	5,310	22,805	3.3%	9.8%	-6,376	11,568	365	366
102	MARBO PRODUCT DOO BEOGRAD	Other food and beverages	157,265	136,110	15.3%	22.2%	54.7%	46.8%	13,407	3,736	8.5%	2.7%	1,994	1,654	977	1,042
118	NESTLE ADRIATIC S	Other food and beverages	142,015	127,484	11.2%	16.9%	50.1%	49.6%	4,234	6,269	3.0%	4.9%	-3,715	1,140	760	698
	TOTAL TOP 10 IN FOOD AND BEVERAGES		2,097,282	2,108,314	-0.5%	14.9%	35.3%	35.6%	261,600	297,096	12.5%	14.1%	165,927	243,643	7,709	7,698
	TOTAL FOOD AND BEVERAGES IN TOP 1% (88 COMPANIES)		6,333,123	5,979,327	5.9%	23.2%	30.1%	30.4%	737,136	691,906	11.6%	11.6%	387,833	432,696	35,558	34,317

Source: SBRA, EY

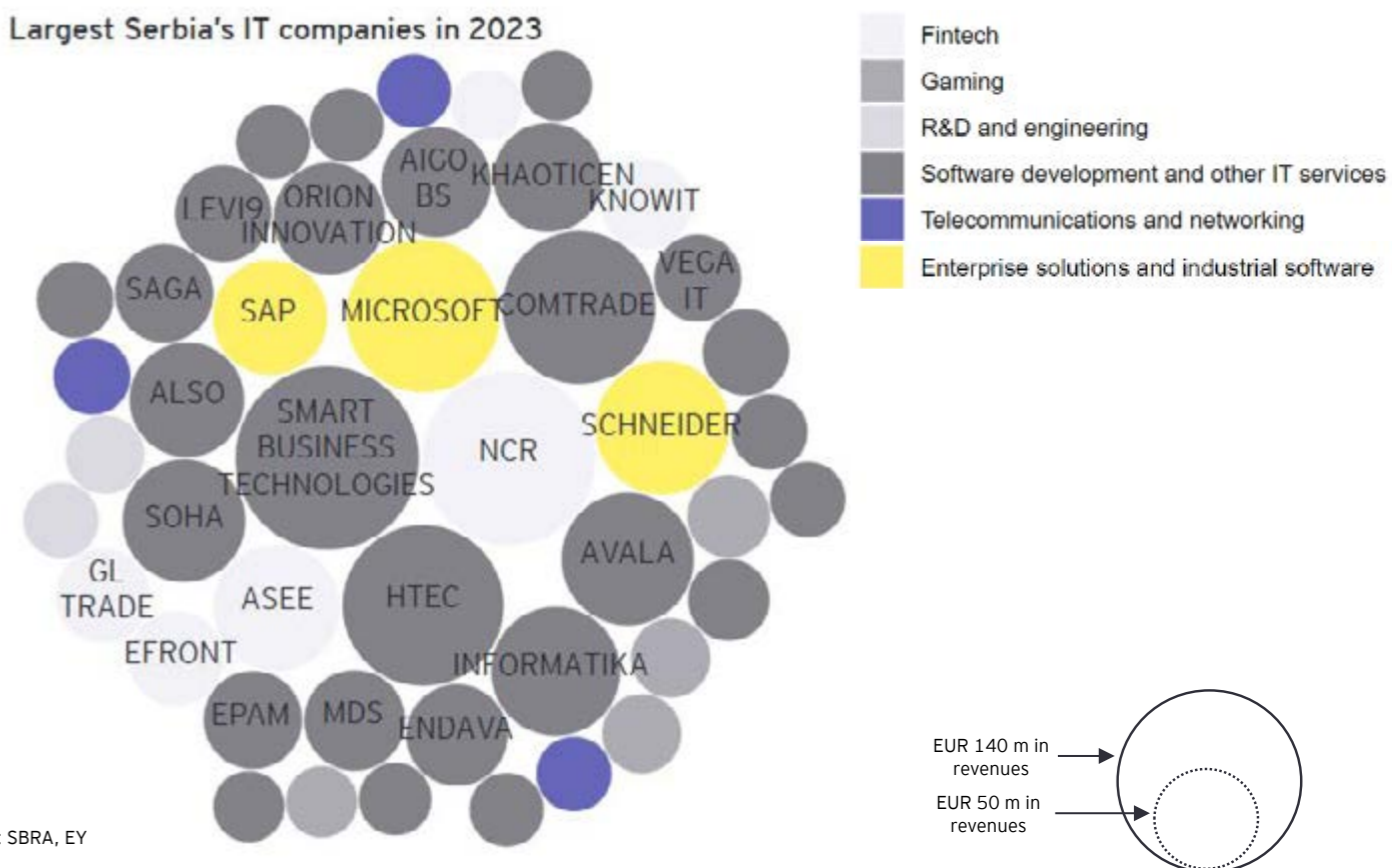


IT

Breakdown by subsectors & main players

Increasingly numerous and profitable players on a highly internationalized market

Largest Serbia's IT companies in 2023

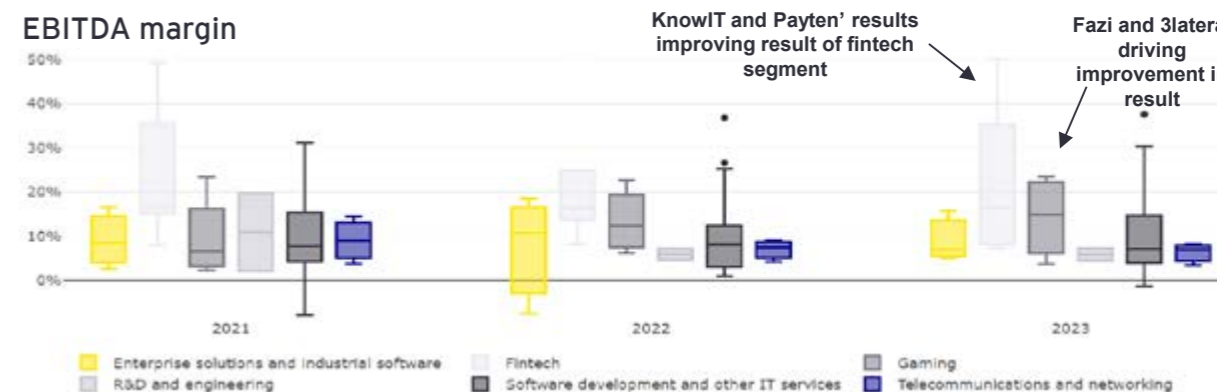


Source: SBRA, EY

The sector includes 45 firms, categorized under the following groups:

- ▶ **Software development and IT services** - the largest and fastest growing segment, some of the sector's newest entrants - Yandex (Smart business tech)
- ▶ **Fintech** - servicing mostly international financial institutions
- ▶ **Specialized corporate and industrial software** - highly specialized software, such as electricity distribution/automation systems made by Schneider
- ▶ **Gaming** - the most export-oriented sector with about 95% revenues stemming from export
- ▶ **Telecommunication/networking** - might include everything related to fraud prevention, secure communications, and more
- ▶ **R&D** - relate to a small number of institutions focused on application of novel technologies (such as AI), or might have a strong connection to academia - such as Institut Mihajlo Pupin

EBITDA margin



Source: SBRA, EY

Main value drivers and other relevant developments

Very dynamic growth of IT sector largely spurred by export demand

One of the most dynamic in the local economy: between 2021 and 2023, revenues of the observed companies rose by as much as 68%, o/w by nearly 25% in 2023.

Export demand is the key driver. Export oriented sub-sectors, i.e. where share of exports in revenues exceed 90%, (gaming, industrial software...) seem to be the key driver behind the IT surge in 2023. Sectors with smaller export orientation, including fintech, telecommunication or R&D, largely stagnated in 2023.

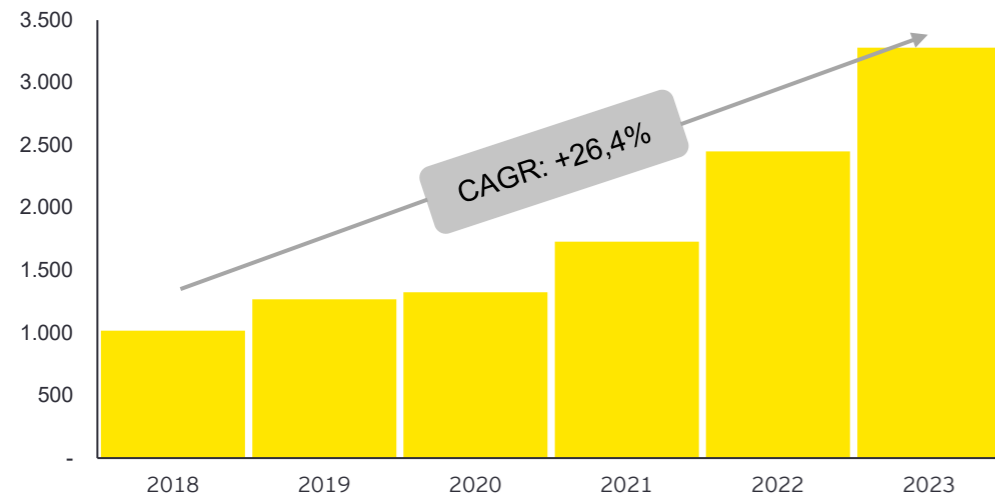
Positive trend seemingly continued into 2024, as IT-related rose by another 20% YoY in H1 2024.

Sector is competitive and attracts new players. Most notable case of Yandex (Smart business technologies), which has recently moved to Serbian market, and has already grown to a nearly EUR 140 m business in 2023 and to almost 1000 workers.

EPAM, a software engineering services company, entered local market in late 2021, taking less than two years to grow to a nearly EUR 40 m business.

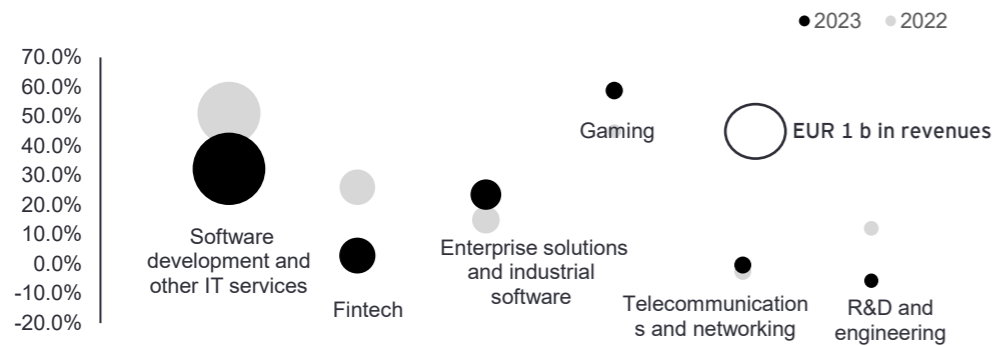
Playrix, a global mobile game developer, entered market in 2019 and has enjoyed a healthy increase in revenues - while this trend intensified in 2023, with revenues having reached EUR 25 m, almost five-fold over 2022.

Exports of IT services (EUR m)



Source: NBS, EY

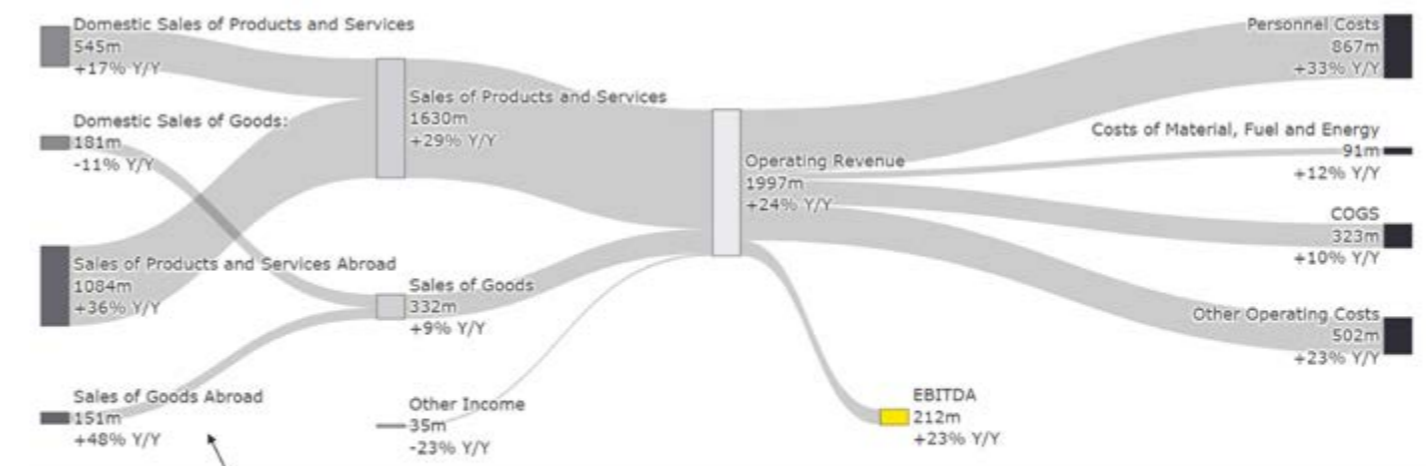
Revenue growth rate in 2023 and 2022 YoY



Source: SBRA, EY

Stylized overview of the sector's P/L (2023)

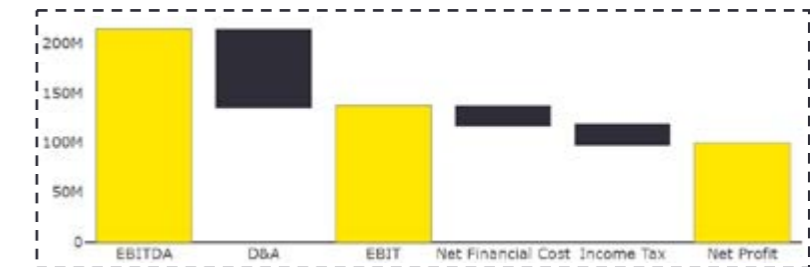
Increasingly export oriented and ever more profitable



Exports drive revenue growth: foreign demand is larger and continuously grows at a higher pace

Profits are steadily growing, gaining nearly EUR 100 m in net profit, a quarter more than in 2022

Source: SBRA, EY





Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
124	SMART BUSINESS TECHNOLOGIES	Software development and other IT services	137,851	3,061	4,395.7%		99.7%	100.0%	5,931	365	4.3%	11.9%	1,840	177	999	29
146	NCR DOO BEOGRAD	Fintech	122,650	130,604	-6.3%	23.3%	100.0%	100.0%	9,855	17,738	8.0%	13.6%	728	8,113	4,120	3,883
187	HTEC DOO BEOGRAD	Software development and other IT services	106,543	99,595	6.8%	86.4%	98.6%	93.9%	14,318	12,562	13.4%	12.6%	4,627	9,196	1,205	1,209
210	MICROSOFT SOFTWARE DOO BEOGRAD	Enterprise solutions and industrial software	96,440	87,000	10.7%	46.1%	98.8%	99.0%	4,838	9,301	5.0%	10.7%	-7,310	-1,992	612	566
211	COMTRADE SYSTEM INTEGRATION D.O.O	Software development and other IT services	95,801	98,248	-2.7%	15.0%	11.8%	8.8%	5,682	4,298	5.9%	4.4%	1,340	1,842	406	346
286	SCHNEIDER ELECTRIC DOO NOVI SAD	Enterprise solutions and industrial software	73,584	44,389	65.5%	-21.3%	94.5%	99.5%	11,569	-3,301	15.7%	-7.4%	-5,333	-15,877	923	894
291	AVALA INFORMATIKA DOO	Software development and other IT services	71,894	81,200	-11.6%	424.7%	100.0%	100.0%	-933	2,474	-1.3%	3.0%	482	680	5	3
311	INFORMATIKA AD BEOGRAD (STARI GRAD)	Software development and other IT services	68,304	53,543	27.3%	9.7%	0.6%	0.7%	2,420	1,049	3.5%	2.0%	1,077	472	166	159
325	ASEE SOLUTIONS D.O.O. BEOGRAD	Fintech	65,268	55,354	17.7%	4.3%	17.0%	15.2%	10,590	9,879	16.2%	17.8%	7,689	7,368	566	543
344	SOHA INFO D.O.O. NOVI BANOVCI	Software development and other IT services	61,910	5,989	931.8%		100.0%	100.0%	13,417	2,200	21.7%	36.7%	10,899	38	2	1
	TOTAL TOP 10 IN IT		900,245	658,983	36.6%	38.0%	76.5%	70.0%	77,687	56,565	8.6%	8.6%	16,039	10,017	9,004	7,633
	TOTAL IT IN TOP 1% (45 COMPANIES)		1,997,664	1,612,894	23.9%	36.2%	63.0%	57.3%	212,789	173,310	10.7%	10.7%	109,839	93,319	18,392	15,764

Source: SBRA, EY



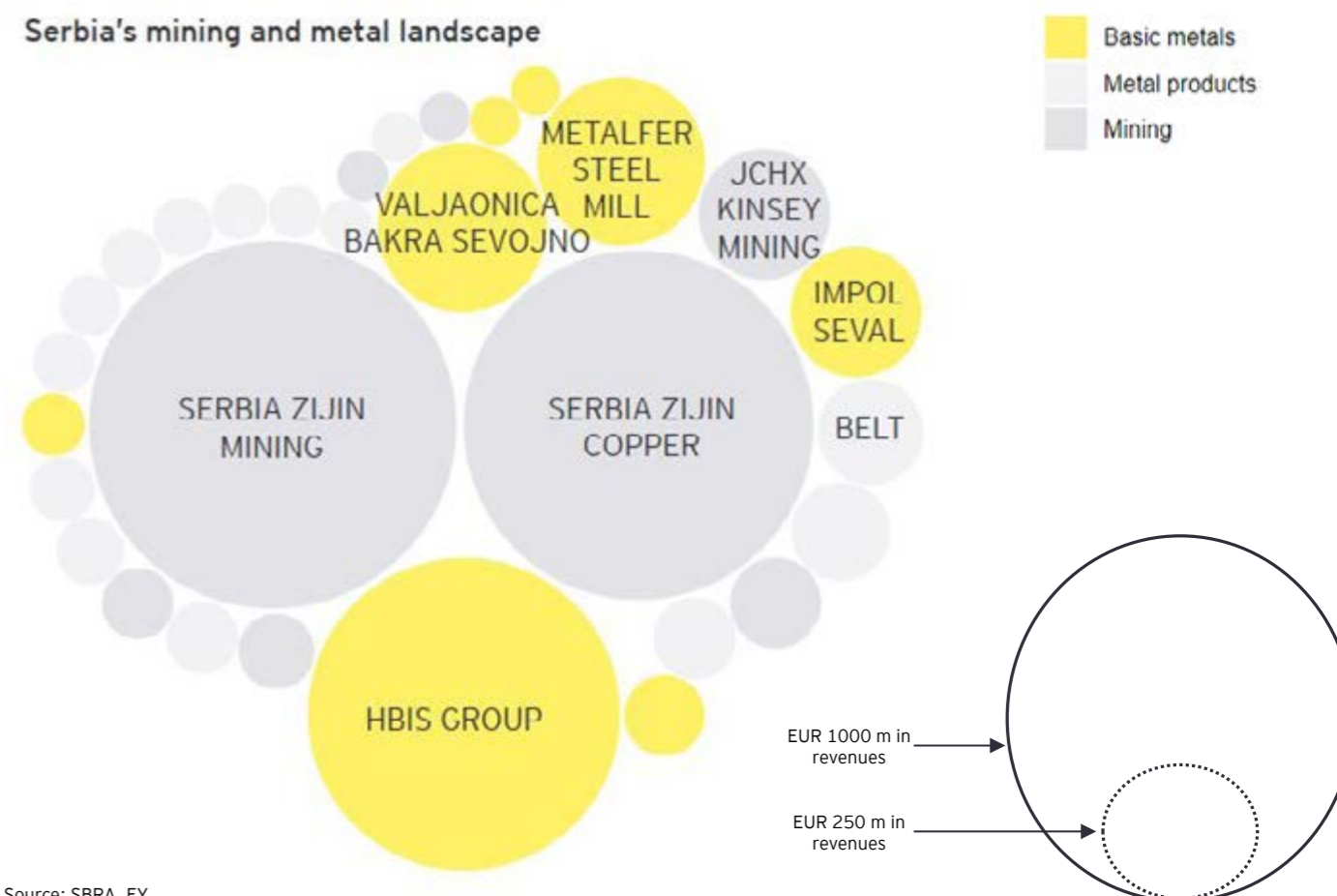
Breakdown by subsectors & main players

Very concentrated in two main players, with profits increasing in mining and decreasing in basic metals

A complex of 30 companies operating in three closely related subsegments, and which form a specific value chain:

- ▶ **Mining** - export oriented, and includes production of copper, gold, non-metallic minerals, limestone, as well as companies specializing in auxiliary mining activities, such as engineering or research
- ▶ This segment dominated by China's Zijin group, has had exceptional results recently, due to increasing output and rising prices; while it seems that the positive trend prolonged into 2024
- ▶ **Basic metals** - also export oriented and includes production and processing of steel, aluminum or copper. This segment's largest player is the China-owned HBIS steel mill, but it also includes smaller smelters of steel, aluminum and copper
- ▶ This segment operates much less profitably, with decreasing revenues and an EBITDA margin nearing negative zone
- ▶ **Fabrication of metal products** - focused on local market and includes a large set of smaller businesses which transform primary metals and alloys into intermediate products - other than machinery, electronics or other more complex goods
- ▶ Although this segment's revenues grew significantly in 2023, its EBITDA margin dropped to average of largest observed companies which is at app 10%

Serbia's mining and metal landscape



Source: SBRA, EY

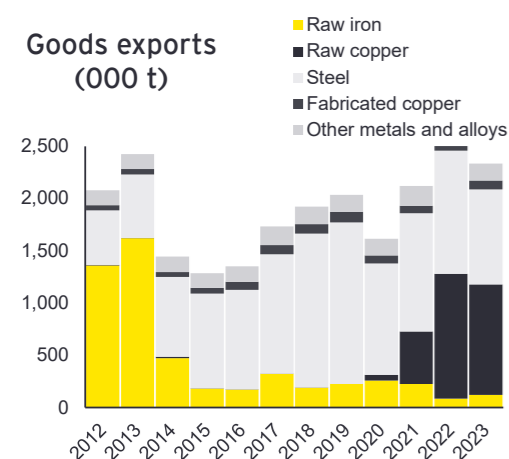
Metal and mining

Main value drivers and other relevant developments

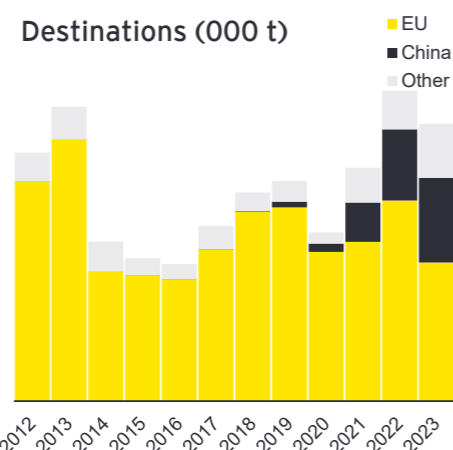
Mining revenues and profits skyrocket on increasing output and rising prices; while steel suffers from weakening external demand

The mining-metal sector in Serbia shows very different results at the level of its elements:

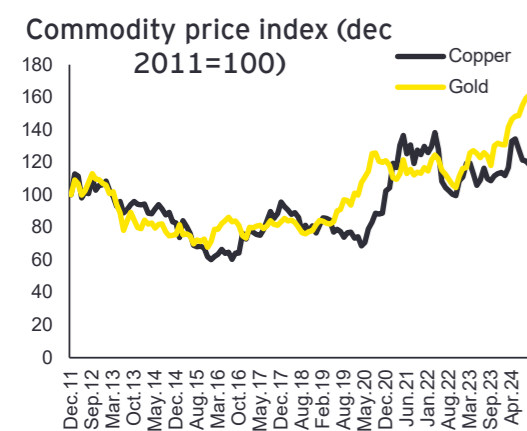
- ▶ **Mining' revenues surge in recent period** - largely on the back of Zijin' takeover of ownership stake in RTB Bor in 2018, which ushered massive investments in local production; and which has coincided with the spike in global commodity prices after 2022. As result, 2023 revenues rose by 13%, after nearly 30% the year before, with an outstanding EBITDA margin of app 50%.
- ▶ **Mining 2024 results seem to have further improved** - as volume of physical production in ore mining rose by app 20% YoY in H1 2024, while prices are at a level comparable to 2023.
- ▶ **Basic metals challenged by external conditions**- the sector's production and results gradually weaken along the past several years, driven by softening global demand, in context of recession in some of the key global economies: only between 2021 and 2023, global consumption of steel dropped by app 5%.
- ▶ **HBIS Smederevo steel plant cuts down production** as it turns off one of the two blast furnaces in 2022, reacting to low demand elsewhere.
- ▶ **Basic metals' results worsen in 2023 and possibly 2024.** Its revenues dropped by 20% in 2023, pushing EBITDA margin deeply into negative territory.



Source: SORS, EY

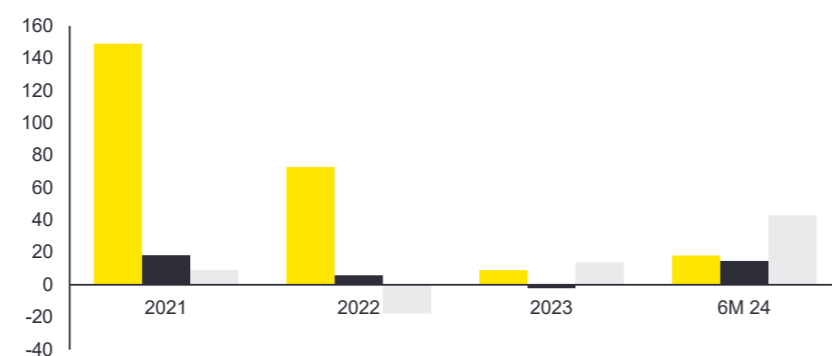


Source: SORS, EY



Source: EY

Industrial production in mining and basic metals (in % YoY)



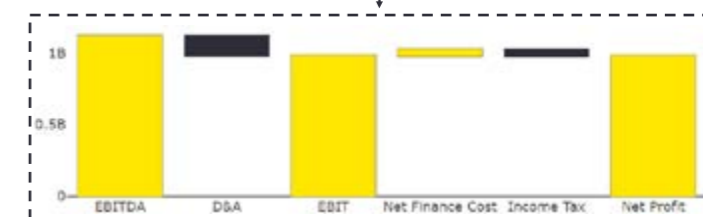
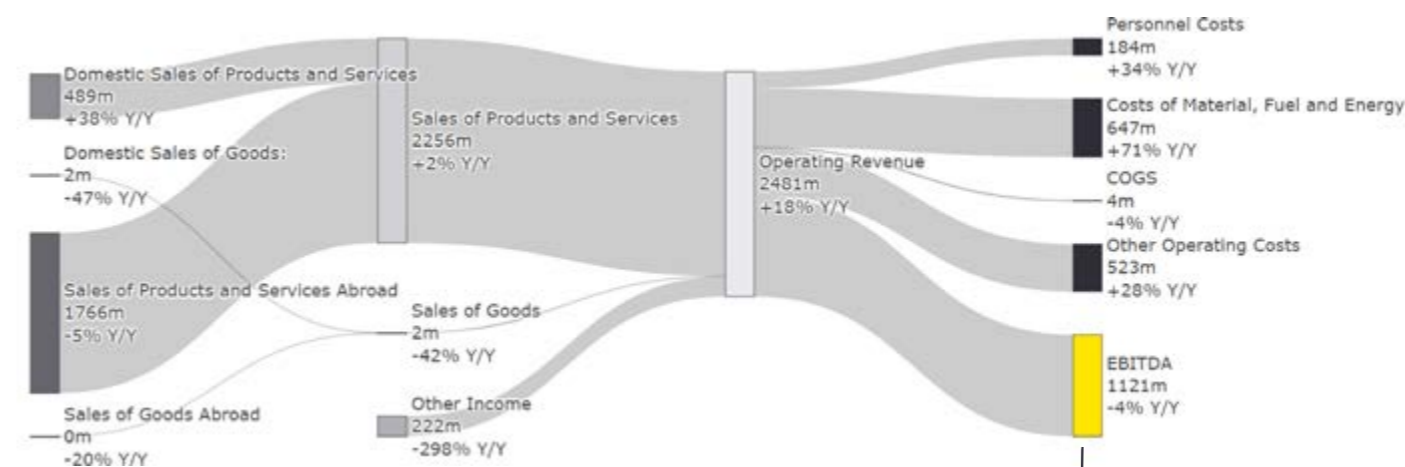
Source: SORS, EY



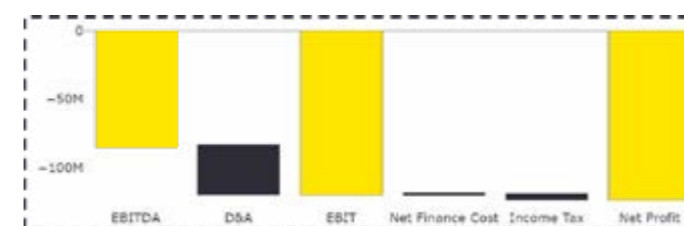
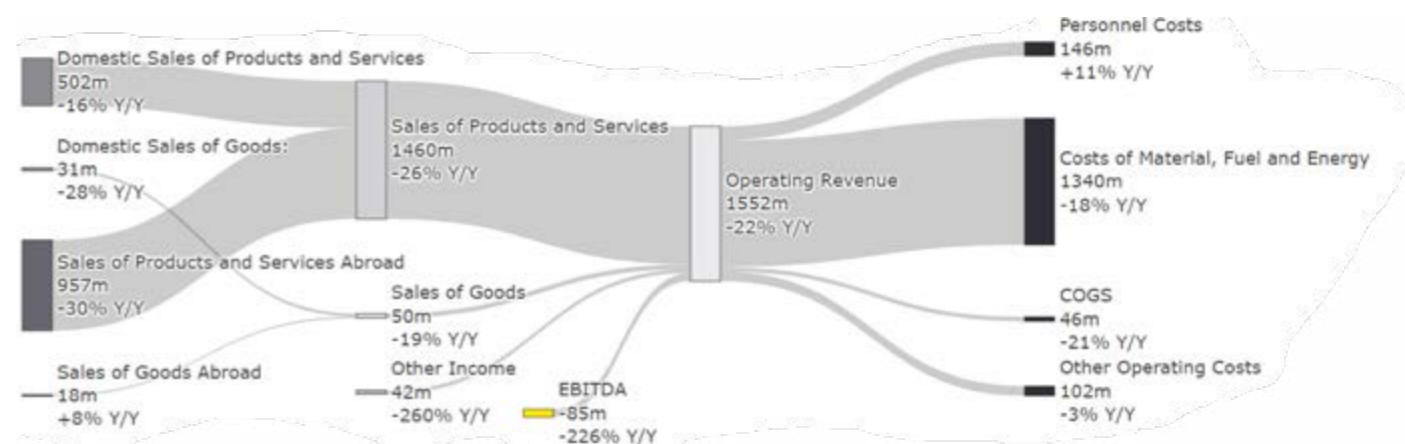
Stylized overview of the sector's P/L (2023)

Mining vs basic metals - a deep dive comparison

Mining



Basic metals



Source: SBRA, EY



Summary overview

(in 000 EUR, unless noted otherwise)

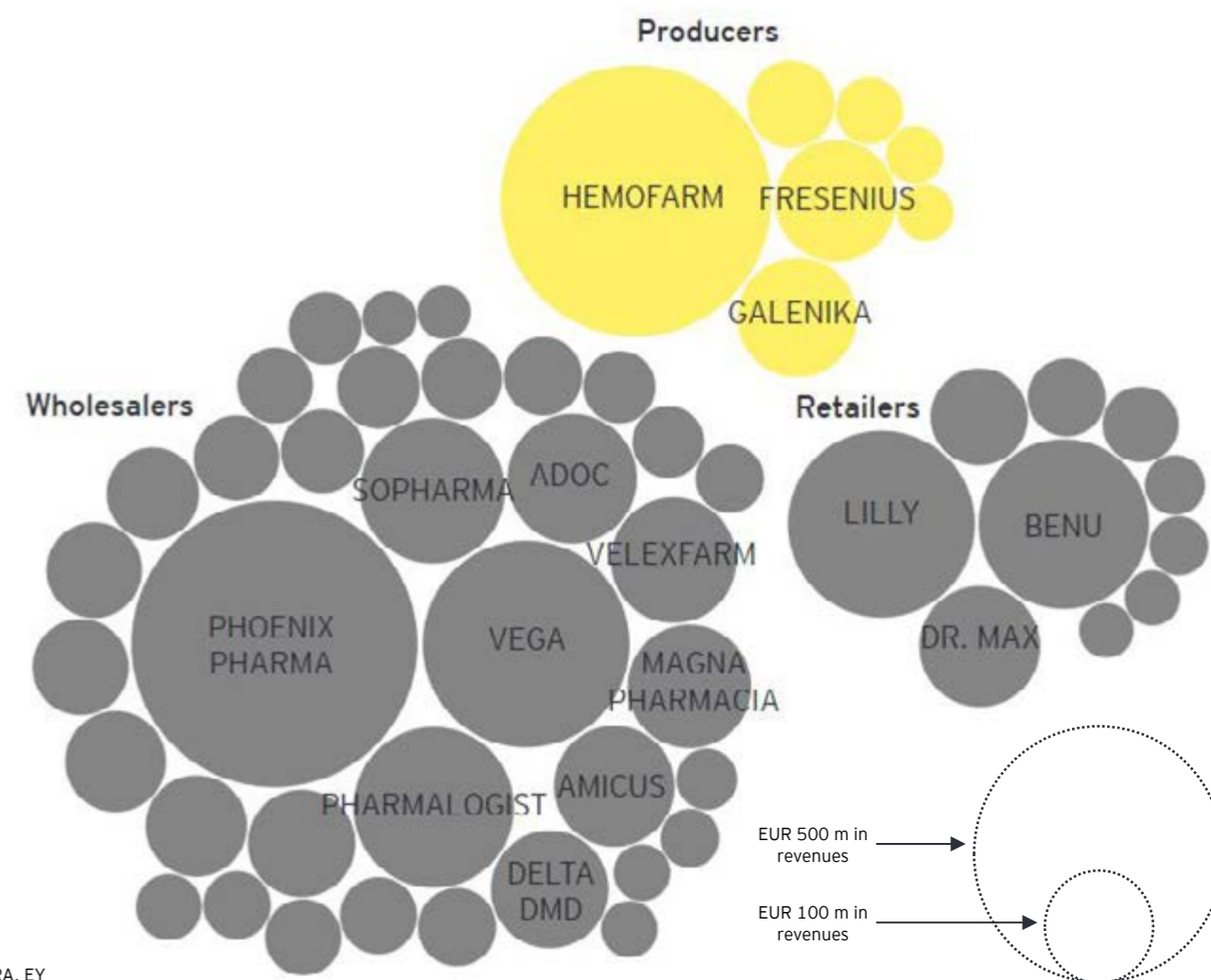
Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
5	SERBIA ZIJIN MINING D.O.O	Mining	1,120,321	1,016,426	10.0%	116.8%	100.0%	100.0%	747,862	755,223	66.8%	74.3%	702,196	638,740	1,127	846
8	SERBIA ZIJIN COPPER DOO	Mining	1,015,838	872,957	16.2%	-15.6%	77.1%	84.5%	230,276	366,407	22.7%	42.0%	163,764	299,370	6,045	5,945
14	HBIS GROUP SERBIA IRON & STEEL	Basic metals	809,780	1,097,886	-26.4%	-1.2%	68.8%	72.4%	-116,855	-33,922	-14.4%	-3.1%	-140,953	-42,268	4,940	4,884
63	VALJAONICA BAKRA SEVOJNO AD SEVOJNO	Basic metals	237,411	250,880	-5.5%	27.0%	77.3%	80.1%	15,067	17,937	6.3%	7.1%	10,004	13,176	1,070	1,032
64	METALFER STEEL MILL DOO SREMSKA MITROVICA	Basic metals	235,190	345,061	-32.0%	37.3%	26.8%	37.8%	7,585	47,772	3.2%	13.8%	-3,649	33,540	599	581
113	JCHX KINSEY MINING CONSTRUCTION D.O.O	Mining	143,713	90,767	58.1%	34.7%	0.0%	0.4%	51,967	28,001	36.2%	30.8%	38,787	18,196	1,109	762
115	IMPOL SEVAL AD, SEVOJNO	Basic metals	142,909	198,702	-28.2%	6.9%	93.3%	93.8%	7,319	28,926	5.1%	14.6%	2,846	24,082	444	511
222	BELT DOO RATINA	Metal products	92,431	114,047	-19.1%	39.2%	8.9%	3.7%	2,309	8,103	2.5%	7.1%	961	6,104	151	128
259	GRAND D INŽENJERING	Metal products	80,572	56,925	41.3%	13.5%	14.0%	16.9%	772	186	1.0%	0.3%	356	59	11	17
310	HLM D.O.O	Mining	68,669	68,547	0.0%	50.3%	0.0%	0.0%	15,401	15,374	22.4%	22.4%	9,009	8,993	506	506
	TOTAL TOP 10 IN MINING AND METAL INDUSTRY		3,946,834	4,112,198	-4.0%	17.8%	72.4%	75.2%	961,703	1,234,007	24.4%	30.0%	783,321	999,992	16,002	15,212
	TOTAL MINING AND METAL INDUSTRY IN TOP 1% (30 COMPANIES)		4,592,031	4,674,164	-1.8%	17.7%	67.4%	71.2%	1,061,292	1,275,353	23.1%	27.3%	855,567	1,022,332	19,208	17,951

Source: SBRA, EY



Breakdown by subsectors & main players

Relatively large by revenues and oriented mostly at local demand - but operating at relatively low margins



Source: SBRA, EY

Pharma and medical



Wholesale - the largest subsegment in the sector by revenues, it encompasses 30 players, of which many are local distributors of large international pharmaceutical corporations, like Novo Nordisk or Pfizer, but also has a number of large locally-owned companies, such as Vega or Farmalogist.

While its stable growing revenues are by far the largest within this sector, its EBITDA margin of app. 5% is relatively low.



Production - includes 9 mostly export oriented producers of pharmaceuticals and medical equipment, and services such as R&D, testing, and similar.

Revenue-wise, a large and relatively concentrated segment, with Hemofarm, Galenika and Fresenius making up nearly 90% of revenues.

The segment is dynamic, with relatively strong increase in revenues recently, and EBITDA margins typically around mid teens.



Retail - includes 11 retailers, of which mostly pharmacies. The segment is concentrated, with Benu and Lilly dominating the revenues - albeit the latter also retails non-pharmaceuticals.

Similarly to other commerce-concentrated businesses, it has relatively low margins, with EBITDA margin hovering around 5%.

Main value drivers and other relevant developments

Robust growth of export-led revenues, amidst increasing capacities and rising sophistication of output

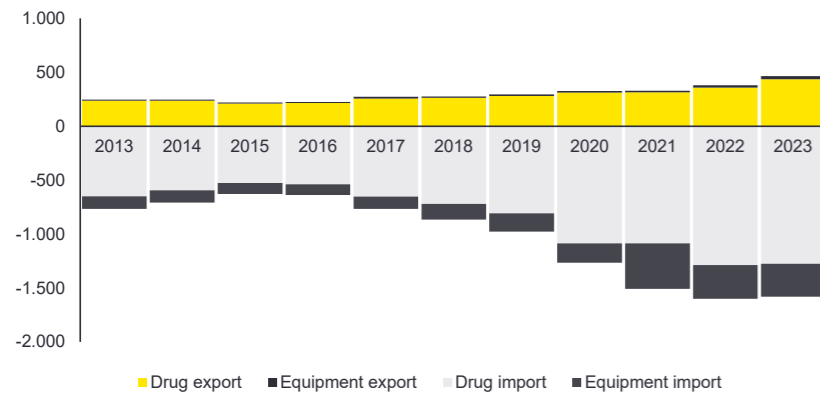
A complex of connected industries - production of pharmaceuticals and medical equipment, as well as retail and wholesale trade of pharmaceuticals - which has been growing steadily in the previous period driven by:

- Strong and intensifying local demand for health-related goods: imports of drugs and equipment topped app. EUR 1.5 b in 2023 (or nearly threefold since 2015!), while Serbia's network of pharmacies outnumbers most OECD members
- Increasingly large and sophisticated output in local large pharmaceutical companies, such as Galenika or Hemofarm: exports doubled since 2015, reflecting not only an increased physical output, but also more sophisticated coming as result of continuous investments in these plants

As producers are oriented at foreign, and retailers and wholesalers typically at local market, their results in recent period somewhat diverge:

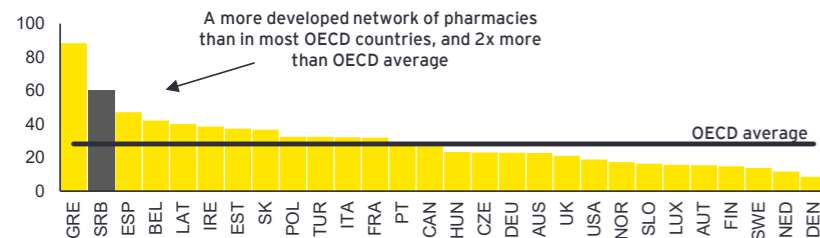
- Production of drugs and equipment is more dynamic, with revenues rising by 16% in 2023, after nearly 20% in 2022. The sector's largest companies - Hemofarm, Galenika and Fresenius drive these positive results, with all three having a double digit growth of revenues in 2023, coupled by an EBITDA margin around mid teens, and with a gradually increasing investment activity
- Wholesale and retail are Serbia's key suppliers of medicaments, and as such much larger than production in terms of revenues. However, it is relatively less dynamic, as their revenues rose by approx. the same pace as production, but very slim EBITDA margins around 5%. There are also changes within the segment - as one of the largest wholesalers - Vega - was recently acquired by Eter consulting

International trade in equipment and drugs (in USD m)



Source: SORS, EY

Pharmacies per 100,000 population*



Source: RFHI, OECD, EY

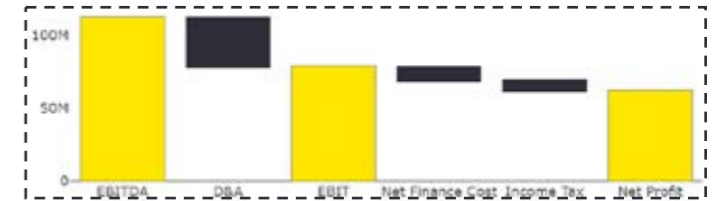
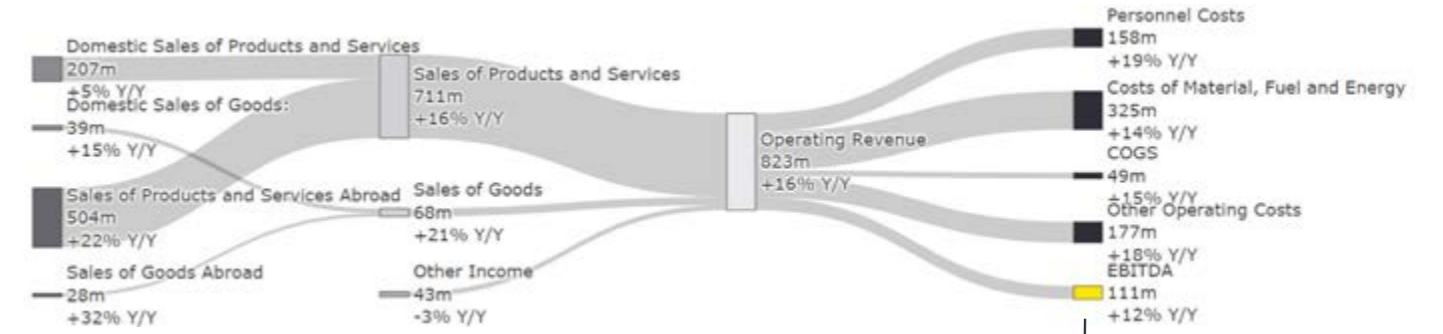
* Data for countries outside Serbia is provided by OECD and relate to 2017. Data for Serbia is estimated at the basis of RFHI database and media reports



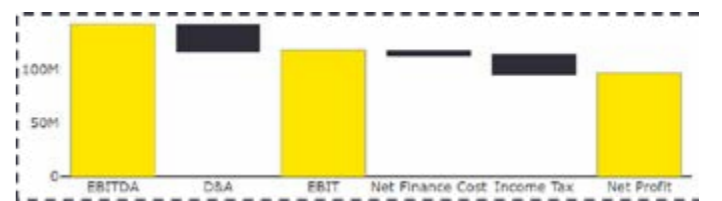
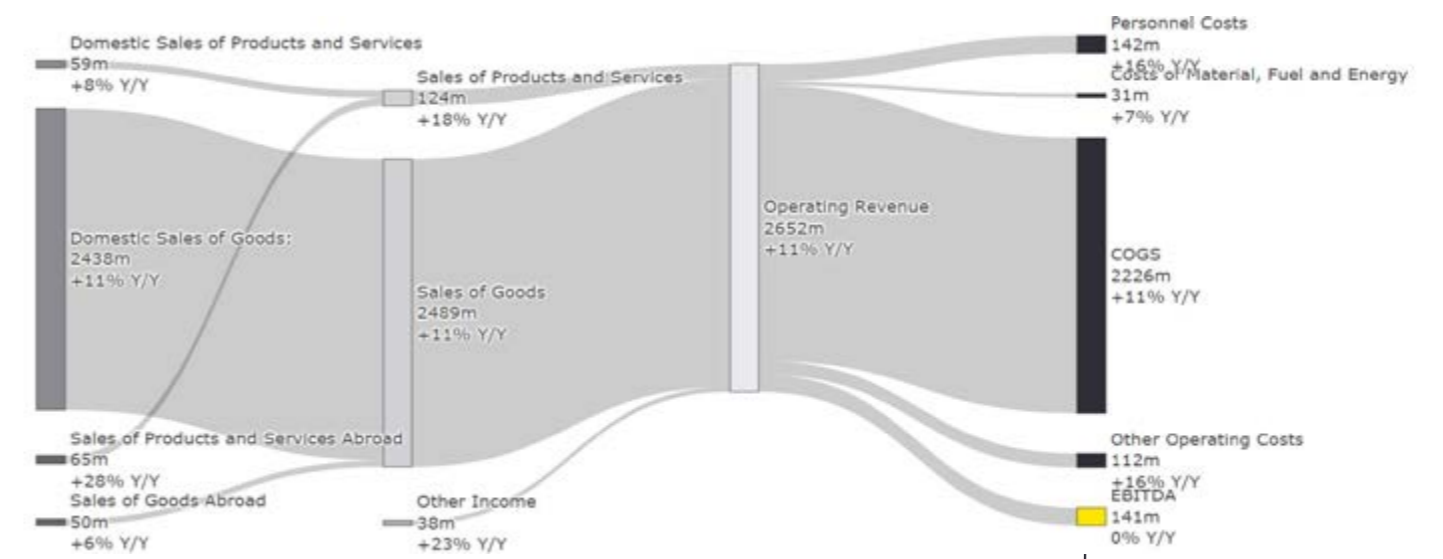
Stylized overview of the sector's P/L (2023)

Producers vs wholesalers - a deep dive comparison

Producers



Wholesalers



Source: SBRA, EY



Summary overview: Pharma and Medical

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
24	HEMOFARM AD VRŠAC	Pharma and Medical	499,568	437,349	14.0%	23.2%	71.1%	68.0%	65,059	59,907	13.0%	13.7%	33,203	37,570	3,353	3,095
201	FRESENIUS MEDICAL CARE SRBIJA DOO VRŠAC	Pharma and Medical	99,983	89,442	11.6%	8.1%	88.8%	87.0%	9,693	8,484	9.7%	9.5%	7,530	6,146	1,211	1,163
207	GALENIKA AD BEOGRAD	Pharma and Medical	97,168	83,429	16.3%	14.0%	19.7%	19.3%	22,306	18,819	23.0%	22.6%	14,656	13,827	713	697
398	WEST PHARMACEUTICAL SERVICES BEOGRAD DOO	Pharma and Medical	51,848	40,718	27.1%	14.3%	98.5%	98.9%	6,544	6,126	12.6%	15.0%	1,868	2,441	435	403
718	ZDRAVLJE AD LESKOVAC	Pharma and Medical	30,797	25,215	21.9%	-11.3%	59.2%	62.1%	2,023	113	6.6%	0.4%	-1,408	-2,528	341	313
973	SANI GROUP D.O.O. ŠABAC	Pharma and Medical	22,563	22,215	1.4%	33.2%	14.0%	13.1%	4,026	4,246	17.8%	19.1%	2,316	1,544	249	236
1005	WORLDWIDE CLINICAL TRIALS	Pharma and Medical	21,721	14,022	54.6%	55.9%	100.0%	100.0%	2,108	1,700	9.7%	12.1%	2,189	1,122	487	367
	TOTAL PHARMA AND MEDICAL IN TOP 1% (7 COMPANIES)		823,648	746,873	10.3%	17.3%	68.3%	62.0%	111,759	101,654	13.6%	13.6%	60,354	59,293	6,789	7,082

Source: SBRA, EY

Summary overview: Pharma and Medical Retail

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
61	APOTEKARSKA USTANOVA LILLY DROGERIE	Pharma retail	244,955	206,660	18.3%	18.5%	0.0%	0.0%	23,625	20,950	9.6%	10.1%	7,258	6,273	2,815	2,521
77	AU BENU	Pharma retail	203,207	182,270	11.3%	13.2%	0.1%	0.1%	13,695	13,459	6.7%	7.4%	6,948	6,617	2,058	1,926
196	AU DR. MAX	Pharma retail	102,542	64,139	59.6%	106.6%	0.0%	0.0%	452	212	0.4%	0.3%	-2,650	-2,626	977	771
321	APOTEKARSKA USTANOVA JANKOVIĆ	Pharma retail	66,418	56,353	17.7%	11.2%	0.1%	0.1%	-760	-1,301	-1.1%	-2.3%	5,566	4,067	692	660
497	AU GALEN PHARM	Pharma retail	42,756	37,694	13.2%	11.1%	0.0%	0.0%	653	757	1.5%	2.0%	168	170	587	578
526	APOTEKA FILLY	Pharma retail	40,766	42,707	-4.7%	6.8%	0.0%	0.0%	-20	-26	0.0%	-0.1%	674	647	509	494
853	AU VEGAFARMA	Pharma retail	25,504	24,393	4.4%	-8.1%	0.0%	0.0%	-41	217	-0.2%	0.9%	1,192	729	248	277
890	APOTEKA KRŠENKOVIĆ	Pharma retail	24,515	21,823	12.1%	16.7%	0.0%	0.0%	927	959	3.8%	4.4%	433	596	305	302
1008	AU CVEJIĆ	Pharma retail	21,677	21,007	3.0%	26.7%	0.0%	0.0%	-468	-119	-2.2%	-0.6%	-927	212	268	276
1055	AU VIVA PHARM	Pharma retail	20,902	15,470	34.9%	21.1%	0.0%	0.0%	914	757	4.4%	4.9%	817	677	173	130
	TOTAL TOP 10 IN RETAIL TRADE		793,242	672,516	18.0%	19.0%	0.0%	0.0%	38,977	35,865	4.9%	5.3%	19,479	17,362	8,632	7,935
	TOTAL RETAIL TRADE IN TOP 1% (10 COMPANIES)		793,242	672,516	18.0%	19.0%	0.0%	0.0%	38,977	35,865	4.9%	5.3%	19,479	17,362	8,632	7,935

Source: SBRA, EY



Summary overview: Pharma and Medical Wholesale

(in 000 EUR, unless noted otherwise)

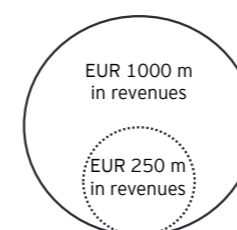
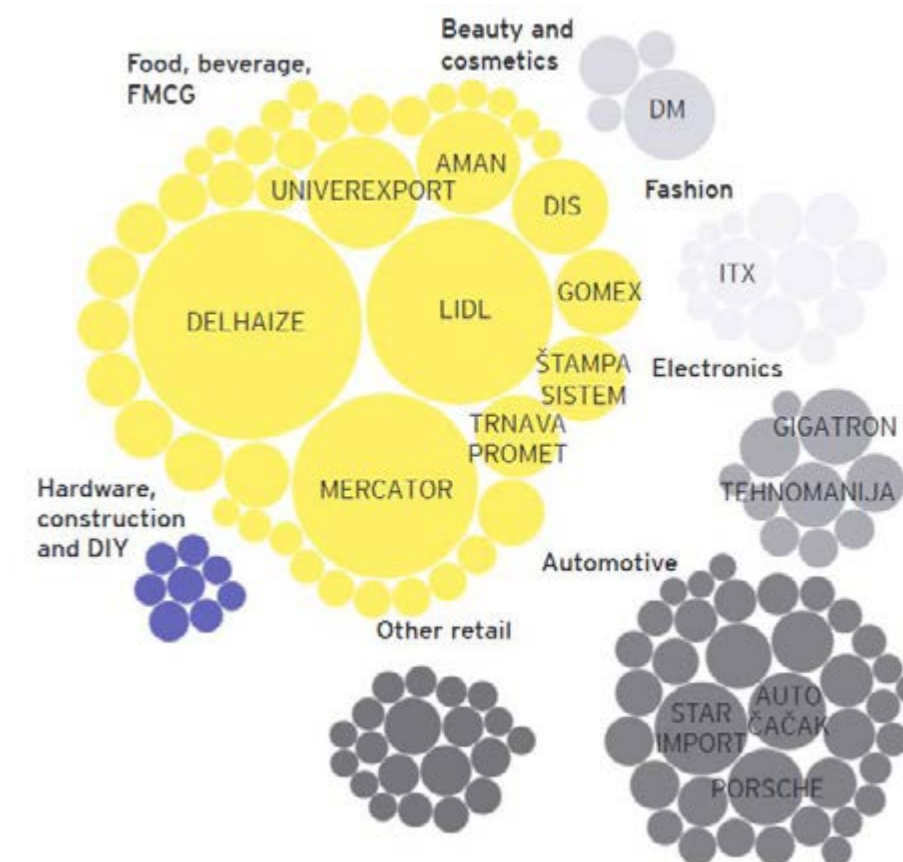
Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
17	PHOENIX PHARMA DOO BEOGRAD	Wholesale pharma	587,185	527,848	11.0%	4.8%	1.1%	0.9%	7,814	7,729	1.3%	1.5%	5,710	9,156	585	580
42	VEGA DOO VALJEVO	Wholesale pharma	306,897	260,768	17.5%	24.3%	0.1%	0.0%	6,592	3,905	2.1%	1.5%	3,998	3,039	315	324
88	FARMALOGIST DOO BEOGRAD	Wholesale pharma	184,967	165,883	11.3%	3.3%	1.7%	1.2%	4,582	3,735	2.5%	2.3%	420	1,220	335	330
107	SOPHARMA TRADING DOO	Wholesale pharma	151,366	132,209	14.3%	0.5%	0.0%	0.1%	50	-472	0.0%	-0.4%	-2,561	-6,773	313	314
151	ADOC D.O.O. BEOGRAD	Wholesale pharma	120,434	105,227	14.2%	26.9%	2.0%	2.4%	6,156	6,091	5.1%	5.8%	3,534	3,477	245	243
168	VELEXFARM DOO BEOGRAD	Wholesale pharma	112,928	97,289	15.9%	14.6%	0.0%	0.0%	4,467	2,312	4.0%	2.4%	2,985	1,388	123	126
177	MAGNA PHARMACIA DOO BEOGRAD	Wholesale pharma	109,648	153,828	-28.8%	-15.0%	0.0%	0.0%	25,707	34,558	23.4%	22.5%	20,208	28,479	118	105
192	AMICUS SRB D.O.O	Wholesale pharma	104,542	88,284	18.2%	125.9%	15.1%	15.4%	4,080	3,913	3.9%	4.4%	2,542	2,185	201	186
251	MEDICA LINEA PHARM DOO	Wholesale pharma	82,963	65,433	26.6%	70.8%	0.4%	0.5%	6,632	4,484	8.0%	6.9%	3,998	3,844	55	37
284	PHARMASWISS DOO, BEOGRAD	Wholesale pharma	73,893	70,604	4.5%	7.4%	17.1%	15.2%	14,352	18,086	19.4%	25.6%	9,109	14,984	315	305
	TOTAL TOP 10 IN WHOLESale TRADE		1,834,823	1,667,373	10.0%	11.5%	2.3%	2.1%	80,432	84,341	4.4%	5.1%	49,943	60,999	2,605	2,550
	TOTAL WHOLESale TRADE IN TOP 1% (29 COMPANIES)		2,652,709	2,386,166	11.2%	11.7%	4.4%	4.2%	141,019	140,578	5.3%	5.9%	90,879	98,950	3,958	3,834

Source: SBRA, EY



Breakdown by subsectors & main players

One of the largest and most diverse sectors in Serbian economy - improving sales, operating at a relatively low margin



Source: SBRA, EY



Food, beverage, FMCG - the largest subsegment in retail trade sector, includes the largest national and regional retail chains, whose offer mostly includes food, beverages and various consumer goods.

This segment operates at stable, yet relatively low EBITDA margins of 8%, and with 2023 revenue growth slightly outpacing inflation.



Hardware, construction and DIY - relatively small segment focused on tools and materials for home handiwork, like Uradi Sam or Wobi.

Its results are deteriorating, with revenues dropping by 5% in real terms in 2023, and with an EBITDA nearly halved compared to 2022.



Other retail - includes a heterogeneous groups of retail companies, not elsewhere categorized. In this sample, it includes many retailers of agricultural tools and materials, toys, luxurious goods, etc.

Results in this group of companies slightly deteriorated in 2023, with revenues mildly decreasing vs 2022 in real terms, and with EBITDA margin continuously decreasing towards 7% in 2023.



Beauty and cosmetics - a small segment dominated by chains such as Lily or DM; whose results relatively significantly improved in 2023 - revenues hitting a double digit growth in real terms, and an increasing EBITDA margin, which also surpassed retail sector average.

Retail trade



Fashion is a relatively highly concentrated segment, with a handful of companies such as ITX, Pepco or Fashion company generating lion's share of revenues.

The segment's results have been very positive, with revenue growth strongly outpacing inflation both in 2022 and 2023.

Although EBITDA slightly decreased recently, it remains nearly twice the size of sector average.



Electronics includes retailers of household appliances, IT hardware and other similar items.

Its recent results are largely lackluster, with real growth of revenues of 8% coming only after a 6% fall in 2022; and with an EBITDA margin decreasing to a near 0% percent.



Automotive - large number of relatively large players, whose activity has been improving in recent period.

It has had a very strong real growth of revenues in the previous several years and with an EBITDA margin hovering around the retail sector' average.

Main value drivers and other relevant developments

Increased household spending fueling robust growth in retail sector; results significantly vary across segments

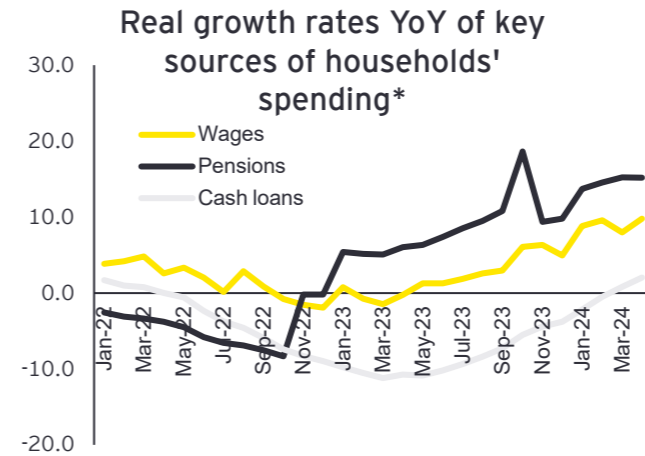
Retail sector has been one of key drivers of Serbia's economy since early 2023, as household spending is gradually improving - on the back of recent massive increases in key sources of citizens' financing:

- ▶ Pensions and wages has been continuously speeding up since early 2023, with their real growth rate reaching double digit levels by early 2024
- ▶ Stock of cash loans started to improve since mid 2023, and by early 2024 passed into positive growth territory

Albeit these drivers affect entire retail sector, **there are substantial differences sub-sector wise:**

- ▶ **Automotive retail sales are soaring** - 2023 sales rose by 30% YoY in real terms, and by as much as 45% since 2021 - within subsegment, somewhat stronger growth is reported within high-end cars than in others.
- ▶ **Fashion/clothing also growing strongly** - sales rising by nearly 40% in real t. since 2021. The largest firms in this area - such as ITX or Pepco - drive growth of revenues, likely due to their wide presence across Serbia as well as to very high variability of products.
- ▶ **Food&beverage** - the largest segment - grew by 6% in real terms in 2023, following a 5% decrease the year before: the improvement likely resulting from significant growth of wages/pensions

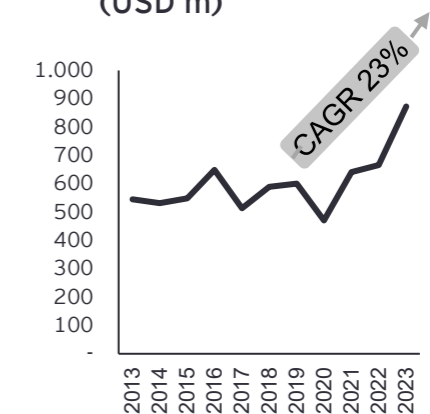
Looking ahead, it seems that results of overall retail trade keep improving in 2024: it grew by 7% YoY in real terms along 7M 24, driven by a continued increase in wages and pensions.



Source: SORS, EY

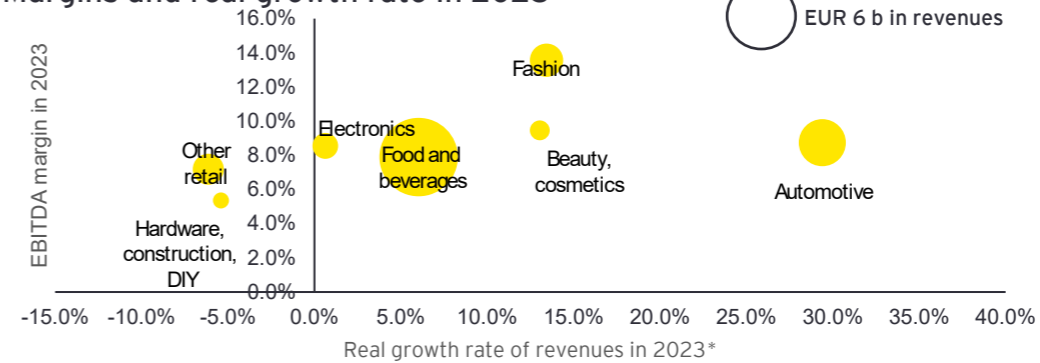
*Real growth rate equals to nominal growth rate adjusted for CPI inflation

Imports of vehicles (USD m)



Source: SORS, EY

Margins and real growth rate in 2023



Source: SBRA, EY

Real growth rate equals to nominal growth rate adjusted for inflation of a relevant price category, e.g. food and beverage' nominal growth rate is adjusted for inflation in price category of food and non-alcoholic beverages.



Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
4	DELHAIZE SERBIA DOO BEOGRAD	Food and beverages	1,326,014	1,145,009	15.6%	13.1%	0.0%	0.0%	147,175	118,494	11.1%	10.3%	65,991	57,449	12,399	11,426
11	LIDL SRBIJA KD	Food and beverages	885,159	794,567	11.2%	30.3%	0.1%	0.1%	69,674	63,063	7.9%	7.9%	15,061	20,999	3,415	3,562
12	MERCATOR-S DOO	Food and beverages	870,255	776,482	11.9%	12.0%	0.1%	0.1%	77,017	74,076	8.8%	9.5%	14,142	4,824	7,372	7,950
40	UNIVEREXPORT DOO NOVI SAD	Food and beverages	321,712	266,728	20.4%	20.6%	0.0%	0.0%	29,038	23,430	9.0%	8.8%	7,131	7,421	3,065	2,912
45	AMAN DOO BEOGRAD, SURČIN	Food and beverages	273,695	252,453	8.2%	10.6%	0.0%	0.1%	21,952	21,399	8.0%	8.5%	9,409	9,036	2,858	2,935
61	APOTEKARSKA USTANOVA LILLY DROGERIE	Pharma retail	244,955	206,660	18.3%	18.5%	0.0%	0.0%	23,625	20,950	9.6%	10.1%	7,258	6,273	2,815	2,521
62	STAR IMPORT D.O.O	Automotive	243,469	194,565	24.9%	22.5%	38.0%	35.6%	13,068	10,901	5.4%	5.6%	10,485	8,860	109	120
66	PTP DIS DOO KRNJEVO	Food and beverages	233,635	208,417	11.9%	12.3%	1.4%	1.8%	16,030	14,571	6.9%	7.0%	4,026	3,738	1,480	1,343
69	DM DROGERIE MARKT DOO BEOGRAD	Beauty and cosmetics	220,471	168,871	30.3%	18.3%	0.2%	0.1%	26,274	22,345	11.9%	13.2%	8,091	6,802	1,713	1,467
77	AU BENU	Pharma retail	203,207	182,270	11.3%	13.2%	0.1%	0.1%	13,695	13,459	6.7%	7.4%	6,948	6,617	2,058	1,926
	TOTAL TOP 10 IN RETAIL TRADE		4,822,572	4,196,022	14.9%	17.1%	2.0%	1.8%	437,548	382,688	9.1%	9.1%	148,542	132,019	37,284	36,162
	TOTAL RETAIL TRADE IN TOP 1% (146 COMPANIES)		12,031,172	10,225,205	17.7%	20.5%	3.9%	2.7%	997,595	873,408	8.3%	8.5%	416,317	381,356	82,867	78,698

Source: SBRA, EY



Breakdown by subsectors & main players

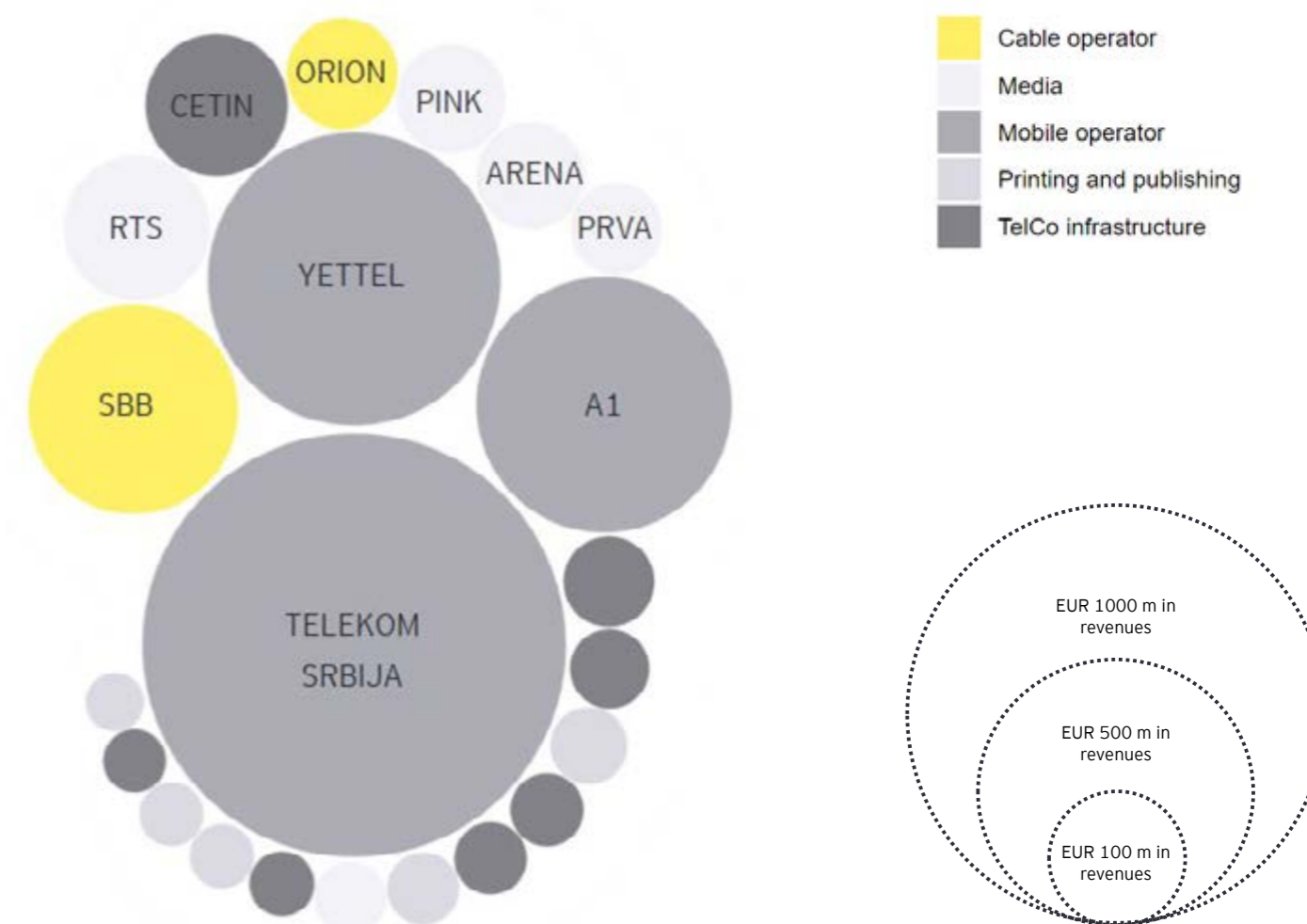
A handful of companies operating on an increasingly profitable market

The TelCo and media sector, as analyzed in this report, encompasses 22 companies, which are categorized into :

- ▶ **Mobile operators** - the largest subsegment in terms of revenues, and consisting of the 3 suppliers of mobile services - Telekom, A1 and Yettel
- ▶ **Cable operators** - referring to cable TV and internet service providers, which include Orion and SBB
- ▶ **TelCo infrastructure** - specializing in construction and maintenance of objects such as optical cables, base stations, etc.
- ▶ **Media** - referring to the production and broadcasting of television programs
- ▶ **Printing and publishing** - referring to publishing of books, newspapers and more.

Revenue-wise, a relatively large sector, with a small number of well-established players, operating at very high margins.

Largest Serbia's TelCo and media companies in 2023



Source: SBRA, EY

TelCo and media

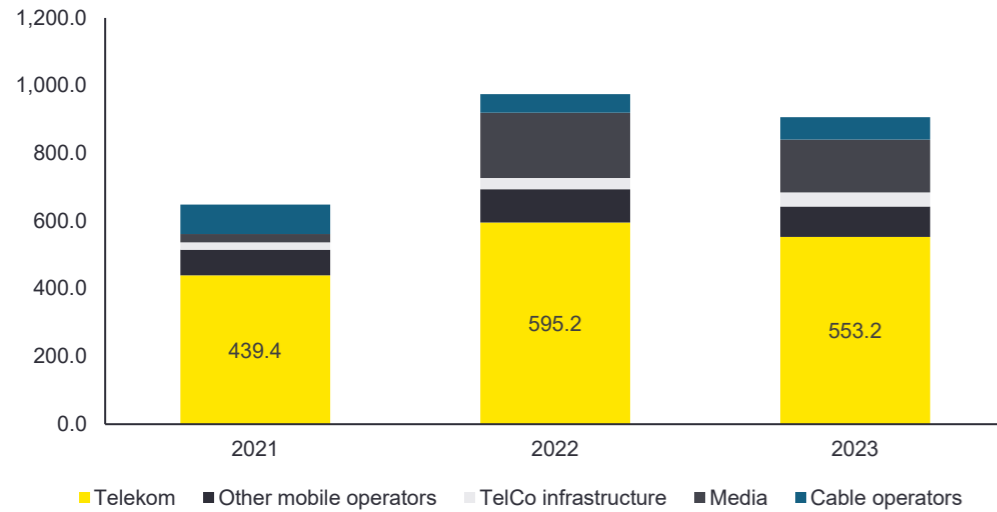
Main value drivers and other relevant developments

Often very regulated but also at technological forefront, the sector's revenue keep steadily expanding, while profitability stays at very high levels

Telco and media companies show relatively mediocre growth rate of revenues, but at very high profitability. Its revenues have been continuously growing at around the level of inflation - bearing also in mind that it operates at relatively highly regulated market - but with one of the largest EBITDA margins in the economy of around 35%. While it is a highly capital-intensive sector, i.e. having relatively large depreciation rates, its net profit margin too is relatively high and increasing, topping nearly 17% in 2023.

- ▶ **Mobile operators** are the dominant group of companies within the sector, whose revenues grew by 7% in 2023, following a 13% increase the year before. The largest company in this segment is Telekom, followed by Yettel and A1, with growth rates of revenues being relatively similar in all three players. Telekom is also one of Serbia's largest investors: its net investments (as per cash flow statement) topped nearly EUR 1.6 b between 2021 and 2023 - and which includes buyback of own shares, investments in digital and media content, as well as various material CAPEX
- ▶ **TelCo infrastructure is very dynamic** as show the 31% increase in revenues recorded in 2023 after a strong 13% increase in 2022. CETIN is the largest player in this segment, generating more than a third of its revenues. This company enjoys a very large EBITDA margin which hovers above 70%, and given its relatively high capital intensity, it is also a relatively significant investor with 2023 investments reaching EUR 35 m - nearly a double more than in 2021
- ▶ **Less tech-savvy businesses, like media or printing and publishing seem to be somewhat less dynamic**, with revenue growth in 2022 and 2023 remaining in single digits, possibly reflecting the sector-related regulations, and overall shift in consumers behavior

Investments in the sector (in EUR m)

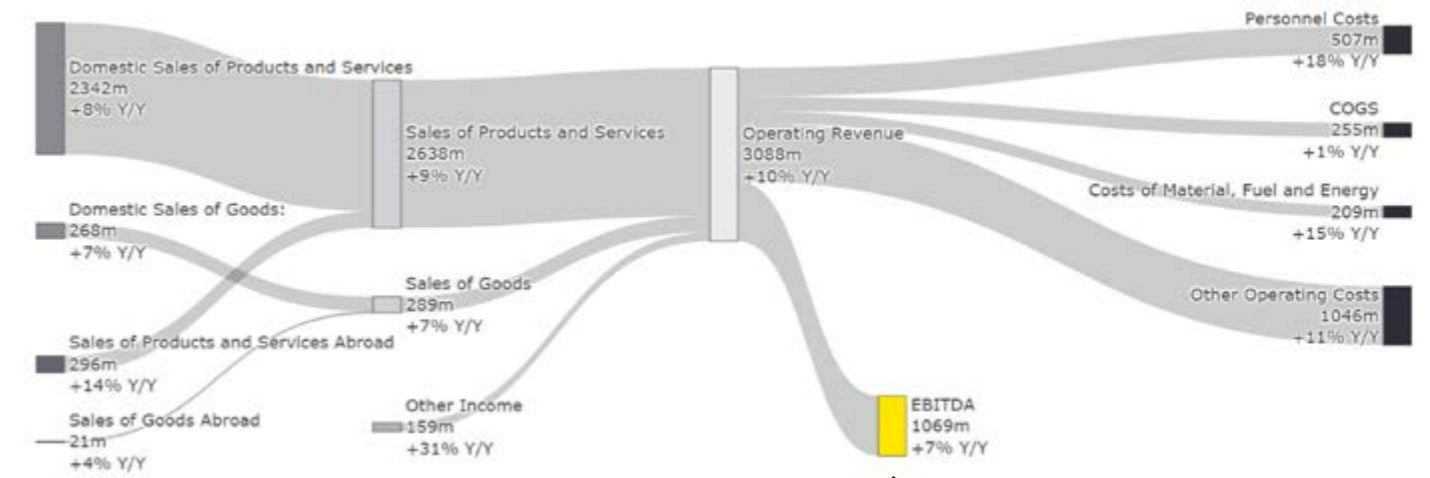


Source: SBRA, EY

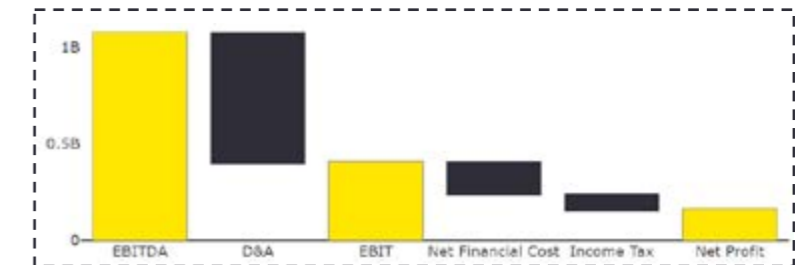


Stylized overview of the sector's P/L (2023)

Often very regulated but also at technological forefront, the sector's revenue keep steadily expanding, while profitability stays at very high levels



Source: SBRA, EY





Summary overview

(in 000 EUR, unless noted otherwise)

Rank	Company	Subcategory	Operating Revenues		Growth of Operating Revenues		Share of Export in Sales		EBITDA		EBITDA Margin		Net Profit / Loss		Avg. No. of Employees	
			2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
7	TELEKOM SRBIJA A.D., BEOGRAD	Mobile operator	1,063,788	982,817	8.0%	12.2%	9.5%	9.4%	445,960	420,040	41.9%	42.7%	291,278	113,545	8,367	7,980
22	YETTEL D.O.O	Mobile operator	507,960	480,069	5.6%	13.0%	1.9%	1.8%	127,689	126,786	25.1%	26.4%	77,023	72,034	1,848	1,680
34	A1 SRBIJA	Mobile operator	386,421	362,196	6.5%	13.1%	7.1%	6.4%	127,263	123,223	32.9%	34.0%	38,551	45,534	1,700	1,628
54	SBB DOO BEOGRAD	Cable operator	260,671	252,302	3.1%	2.3%	7.0%	6.7%	119,433	123,407	45.8%	48.9%	32,717	34,888	1,519	1,558
141	JAVNA MEDIJSKA USTANOVA RADIO-TELEVIZIJA SRBIJE	Media	124,855	119,735	4.1%	5.4%	0.8%	1.1%	19,682	15,589	15.8%	13.0%	-3,612	-725	2,484	2,537
153	CETIN D.O.O	TelCo infrastructure	120,115	102,204	17.3%	3.7%	3.4%	4.0%	86,143	77,443	71.7%	75.8%	38,553	36,037	314	294
287	ORION TELEKOM DOO BEOGRAD	Cable operator	73,449	48,925	49.9%	18.5%	27.9%	46.6%	13,579	8,252	18.5%	16.9%	1,570	2,733	208	206
301	PINK MEDIA GROUP D.O.O. BEOGRAD	Media	69,826	72,404	-3.7%	6.4%	16.3%	15.4%	25,952	35,918	37.2%	49.6%	14,028	14,129	791	775
314	ARENA CHANNELS GROUP DOO BEOGRAD	Media	68,169	60,625	12.2%	26.0%	42.9%	34.9%	36,719	30,996	53.9%	51.1%	-67,528	-106,765	427	277
420	PRVA TELEVIZIJA DOO	Media	49,087	34,641	41.5%	-12.2%	2.0%	3.9%	4,681	4,988	9.5%	14.4%	1,551	2,172	306	314
	TOTAL TOP 10 IN TELCO AND MEDIA		2,724,341	2,515,918	8.3%	10.6%	8.1%	8.0%	1,007,101	966,642	37.0%	38.4%	424,131	213,582	17,964	17,249
	TOTAL TELCO AND MEDIA IN TOP 1% (22 COMPANIES)		3,088,145	2,811,746	9.8%	11.1%	10.9%	10.4%	1,069,965	1,004,604	34.6%	35.7%	451,499	245,629	21,059	20,153

Source: SBRA, EY



3

Methodological framework

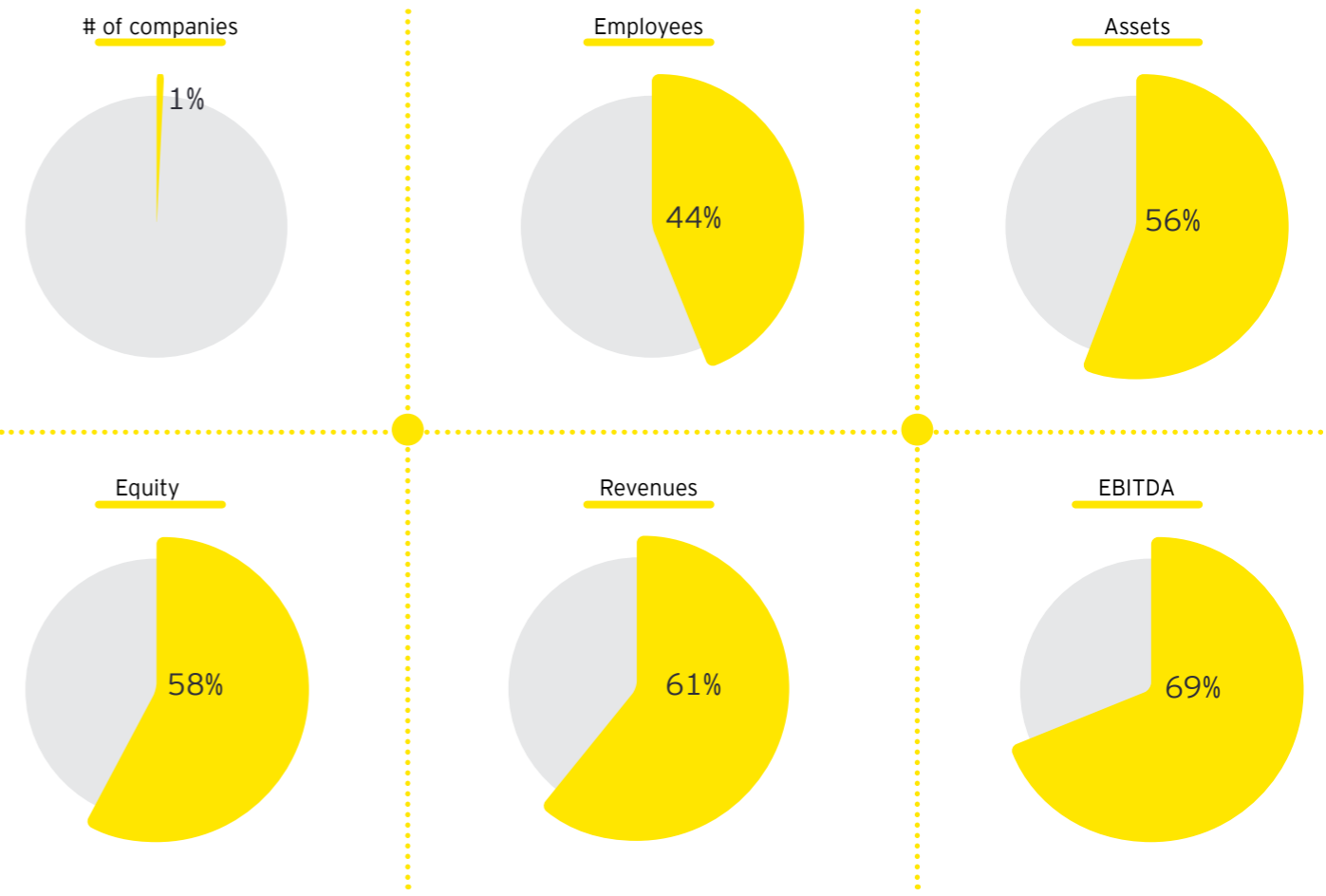


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The report presents developments and structural characteristics of Serbian business (non-financial) sector. It is based on the analysis of the 1% largest companies in Serbia in terms of operating revenues. We examined individual - and not consolidated - financial reports for 2023, as well as for 2022 and 2021, in order to investigate performances and outlook for the segment of largest companies, and their most important sectors of activity.

- ▶ **Total operating revenues** of analyzed 1,100 companies amounted to app. EUR 95.5 b in 2023, or about 61% of the total revenue generated by the 110,808 companies in Serbia as registered with the SBRA. Threshold for inclusion in Top 1% in 2023 amounted to EUR 19.9 m. Serbia's Top 1% companies' revenues stagnated along 2023 in real terms, while that of entire non-financial segment decreased by app 4%.
- ▶ These companies **employed** about 575 thousand persons (average for 2023), or 44% of all employees in non-financial companies, and about a quarter of the total number of employees in Serbian economy (2.4 m as of end 2023, of which 1.7 m in private sector).
- ▶ Although these companies make up only around 1% of the total number of firms, they are Serbia's **most productive ones**: while they constitute some 44% of jobs, their share in revenues is at 61% and in EBITDA at nearly 70%.
- ▶ **Size-related**, out of the analyzed companies, 568 are classified as large, 532 as medium and 12 as micro or small, according to Law on accounting size classification.
- ▶ **As for sector breakdown**, we used intelligence and expert judgment in terms of prevailing business activity for the observed period, while relying on official classification as per Law on Classification of Activities for indicative purposes. In case of mixed activities, we tended to assign the observed firm to a sector of its prevailing activity. Some areas were particularly complex to break down and consequently derive conclusions for financial performance. Therefore, pet food companies are classified to Food and beverages sector, given its reliance on household consumption. We avoided subcategorization within Agriculture, due to highly mixed product mix and vertical integration.

The Top 1100 within the Serbia's non-financial sector



Source: SBRA, EY

How to read Box plot charts?

Box plots are essential for visualizing data distribution and identifying outliers. They're widely used in statistical analysis because they provide a simple summary of key data points and allow quick comparisons between different datasets. They have the following elements:

▶ **Whiskers (Minimum & Maximum Values):**

The lines extending from the box (called whiskers) represent the minimum and maximum values within the dataset, excluding outliers. They give a sense of how spread out the data is.

▶ **The Box (Quartiles):**

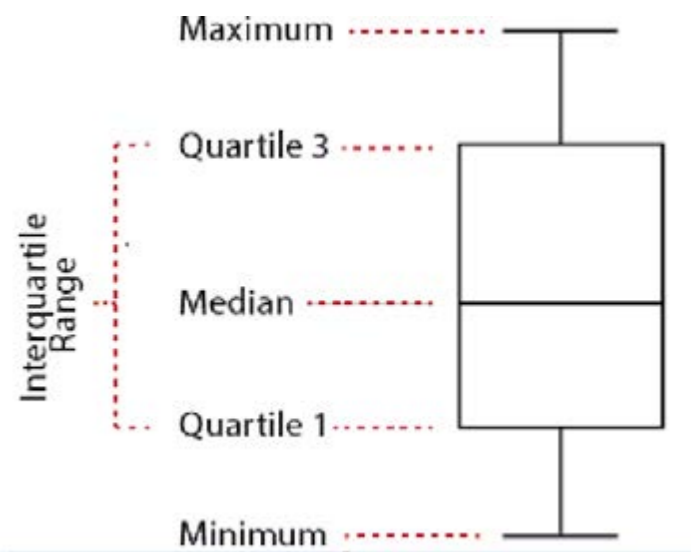
The box itself represents the middle 50% of the data. The bottom of the box is the **first quartile (Q1)**, which shows where 25% of the data falls below. The top of the box is the **third quartile (Q3)**, showing where 75% of the data is below.

▶ **Median (Middle Line):**

The line inside the box marks the **median**, which is the middle value of the dataset. This is the point where half the data is above and half is below.

▶ **Interquartile Range (IQR):**

The distance between the first and third quartiles (Q1 and Q3) is called the **Interquartile Range (IQR)**. This captures the middle 50% of the data and is useful to understand the data's variability.



Glossary of commonly used abbreviations, expressions and definitions



Betting	Referred to interchangeably as Betting, Gambling and Games of chances and includes all companies engaging in such related activities.
CAGR	Compounded annual growth rate
CAPEX	Capital expenditures
CEE	Central and eastern Europe
EBIT	Earnings before interest, taxes
EBITDA	Earnings before interest, taxes, depreciation and amortization
EBT	Earnings before taxes
ECB	European central bank
EU 28	European Union, also interchangeably referenced to as EU
EY	Ernst and Young
FDI	Foreign direct investment
Gvt	Government of the Republic of Serbia
GWh	Gigawatt hours, i.e. measure of the amount of energy produced or consumed over time
Investments	along this report, we refer to net investments as the difference between cash inflows and cash outflows from investment activities, as per Cash flow statement.
MoM	Month on month growth rate, i.e. percentage difference between a value in a certain month over the preceding month
Net profit	interchangeably referred to as net profit
NBS	National bank of Serbia
OECD	Organization of economic co-operation and development
P/L	Profit and loss (income) statement
pp	Percentage point
RFHI	Republic fund for health insurance
SBRA	Serbian business registers agency
SEE	Southeastern Europe
Top 1100	Set of 1100 observed companies, which are largest by 2023 revenues in Serbia. As these companies make up 1% of all non-financial firms we interchangeably refer to them as Top 1%.
SORS	Serbian office of statistics
WHO	World health organization
YoY	Year on year growth rate, i.e. percentage difference between a value in a certain period over the same period in the previous year

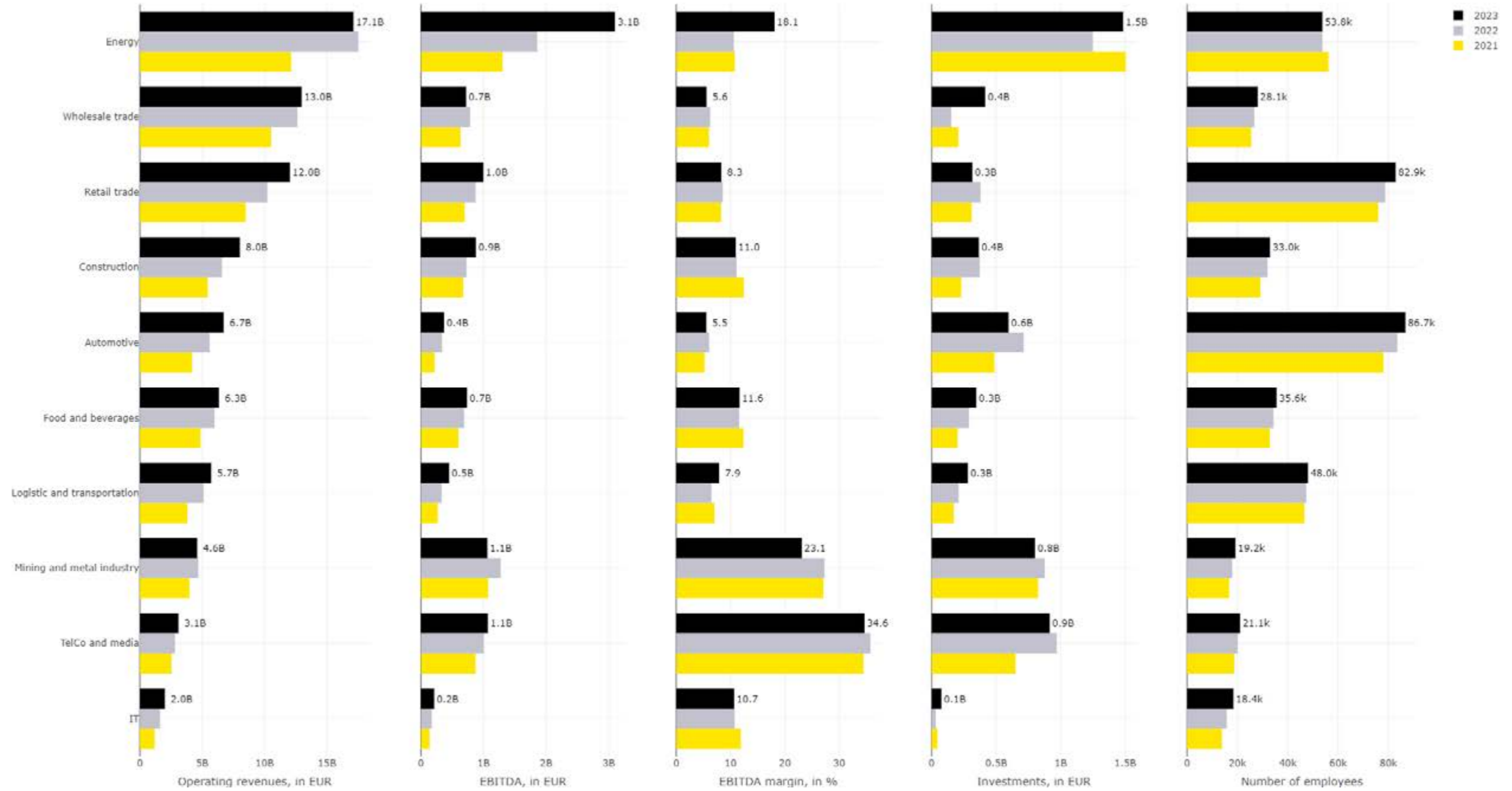
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Appendix



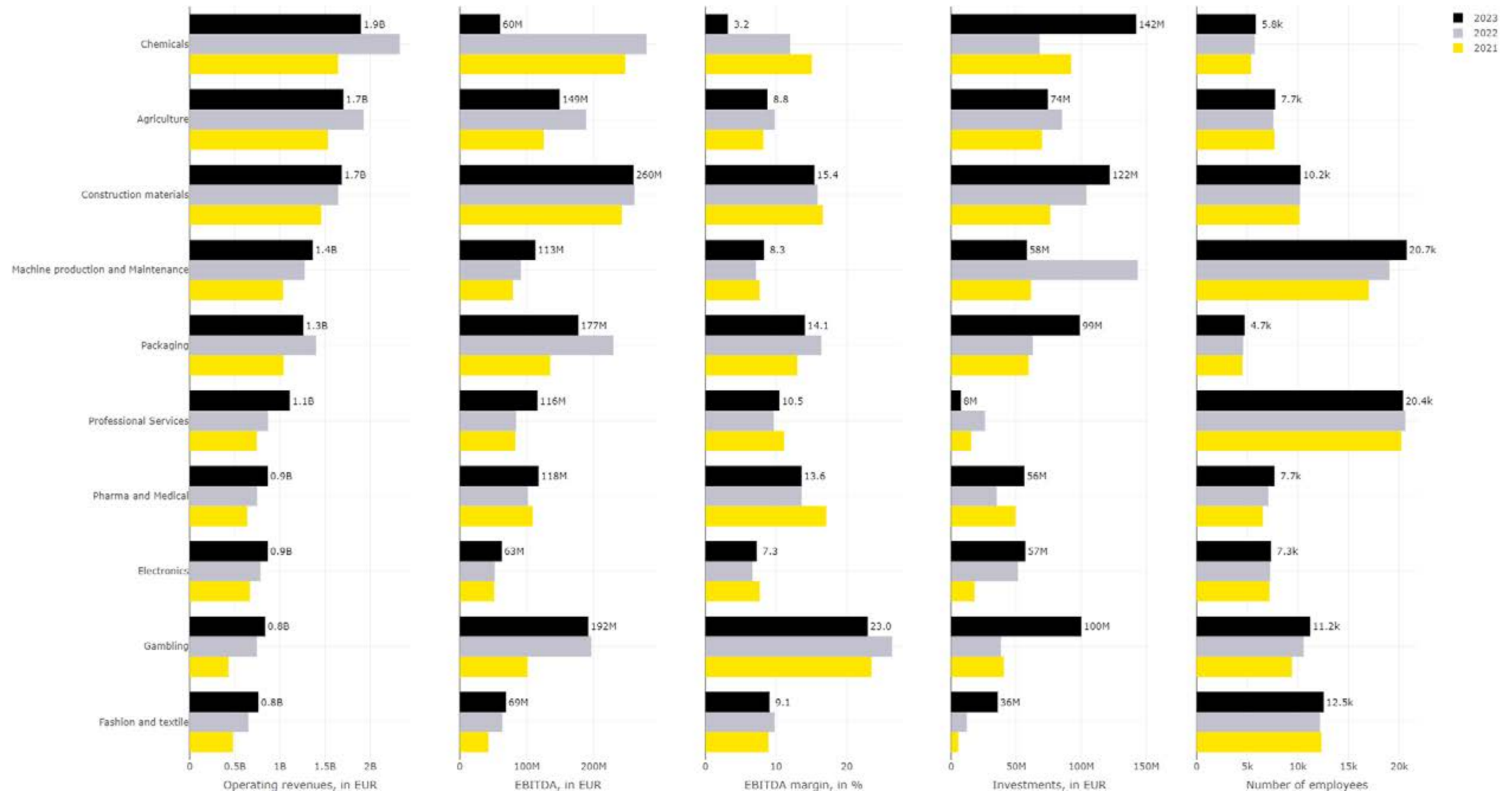
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Bird's eye view on business sectors aggregate performance/1



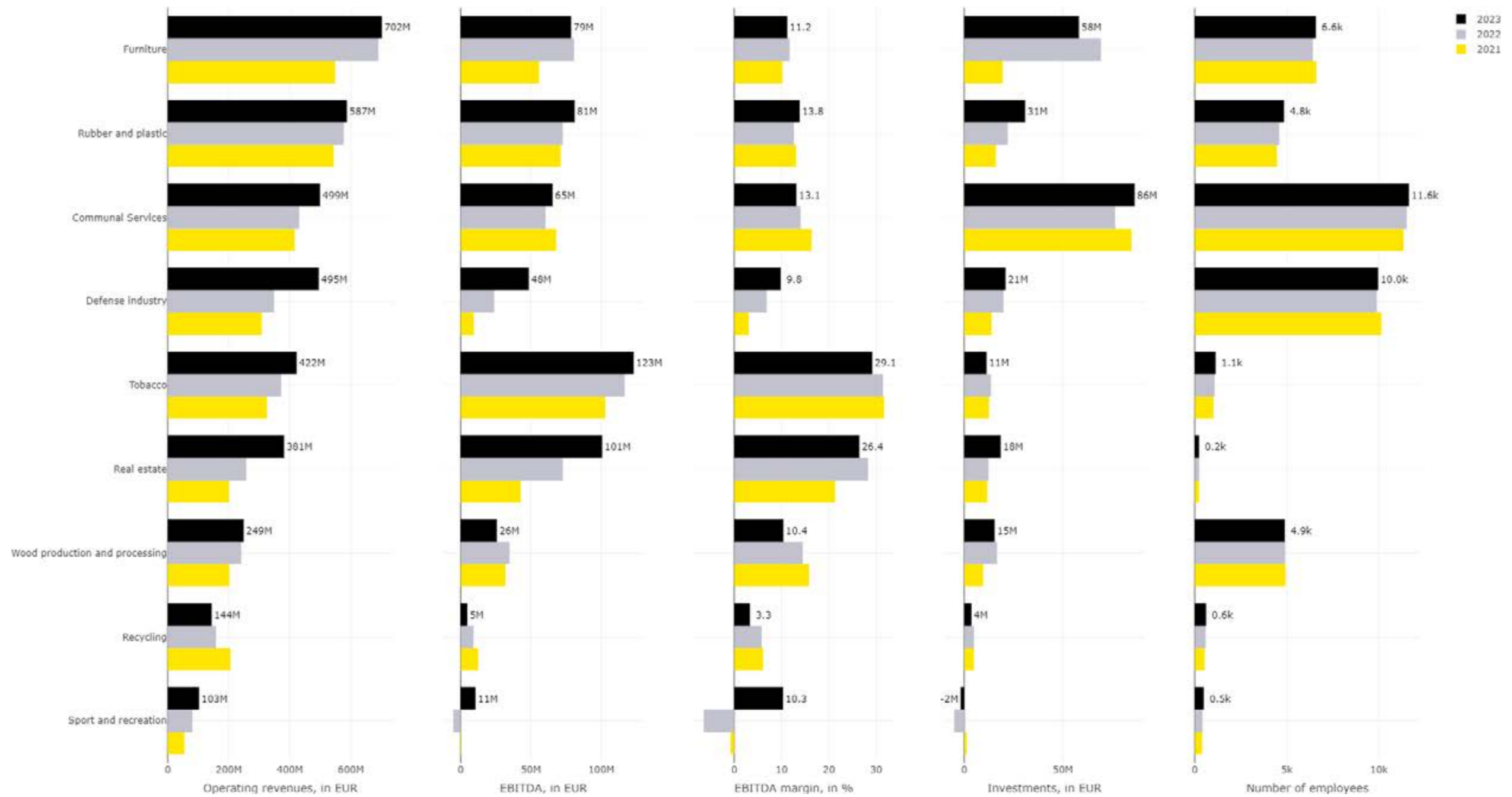



Bird's eye view on business sectors aggregate performance/2





Bird's eye view on business sectors aggregate performance/3





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radical change,
how will we
shape the
future?

The better the question. The better the answer. The better the world works.

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Our internal team, experienced in applied economic research and skilled in advanced data analytics, together with our external network of specific domain experts is capable to develop tailor made solutions for your needs. Our approach consists of deep understanding of clients' needs and perspectives, defining the best suited methodologies for a specific question, and conducting robust research.

I: Economic Analysis and Forecasting:

Client Context: Private and public entities needing a clearer understanding of relevant economic trends and market development to get reliable inputs to medium to long-term strategic planning or annual business planning.

Services:

Analysis of macroeconomic trends and future economic outlook to inform planning and better define goals and milestones

In-depth industry analysis and assessment of market prospects to inform commercial due diligence with well elaborate inputs and assumptions related to broader economic developments or industry specific trends

Customized economic research tailored to the client's specific operational and strategic needs, such as estimating price elasticity, assessing market potential, and other

III: Public Policy and Regulation:

Client context: Public sector reforms, local economic development initiatives, or private sector associations seeking public intervention, including regulatory changes and can provide services to Government entities at all levels, international donors and IFIs, large corporations, private sector associations

Services:

Comprehensive situation analysis and diagnostics to identify and understand policy issues

Policy design and formulation of government strategy to address identified issues effectively

Preparation of proposals for legislative changes, supported by robust economic argumentation and regulatory impact assessments

Preparation of public policy planning documents, policy monitoring reports, and assistance with policy consultations

Policy and program evaluation

Capacity building services to enhance skills in public policy analysis and development.

II: Economic Valorization of Big Data in Decision Making (Data empowered strategy and everyday decisions):

Client Context: Private sector companies and public agencies looking to leverage their substantive internally generated/administrative data sets for performance improvement, internal tool development, or to create new or enhanced public services.

Services:

Design and development of business intelligence tools that incorporate advanced data analytics, machine learning (ML), and artificial intelligence (AI) to support decisions such as strategic decision-making, external reporting to stakeholder groups, and internal operations.

Building tools and internal capabilities (teams) for utilizing big data in public policy formulation, innovation in public sector, and modernization of public services.

Once developed and tested these solutions can be brought to full-fledged integrated into an internal BI platform by other EY teams with expertise in technology consulting and/or organization transformation.

IV: Market Structure and Competition Analysis:

Client Context: Companies engaged in mergers and acquisitions (M&A) needing to complement their legal strategies with economic studies and econometric models assessing effects on market structure and competition.

Services:

Horizontal mergers: assessment of market concentration and the implications for competition.

Vertical mergers: analysis of vertical integration within industries and its effects on market dynamics.

Evaluation of horizontal and vertical restrictive agreements and their compliance with competition laws.

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