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TOP 100 SEE

SOUTHEAST EUROPE'S BIGGEST COMPANIES

SIXTH ANNUAL EDITION

2013

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SEENEWS TOP 100 SEE

editorial

In its sixth annual SEE TOP 100, SeeNews picks up the thread of the previous editions, while adding further value to rankings, analyses and interviews which give insight into the economic and corporate life in Southeast Europe (SEE).

Apart from the pivotal rankings of the biggest non-financial companies, banks and insurers in SEE, SeeNews has laid a strong emphasis on the Sustainability and Industries chapters. It has also prepared for the first time a chart of the largest pharmaceutical manufacturers and distributors and has added a whole chapter on the pharmaceutical sector.

In an exclusive interview for SEE TOP 100, Dimitris Tsitsiragos, IFC's Vice President for Europe, Central Asia, Middle East, and North Africa, elaborates on the challenges faced by the SEE economies and on the IFC's activities in the region.

This year, SEE TOP 100 has brought into focus MBA programmes and the human capital in the region, dedicating the Leadership chapter to these issues.

Loyal to tradition, the 2013 edition includes numerous interviews with top managers, along with analyses by SeeNews Research on Demand and features by SeeNews journalists.

In cooperation with its exclusive content partner Euromonitor International, SeeNews has compiled a chapter of country profiles, which it sets against an overview of the region's turbulent political scene. A special article is dedicated to Croatia's accession to the European Union and the repercussions of this historic event for the country and the whole region.

Mira Karadzhova
Editor-in-chief

Mira Karadzhova

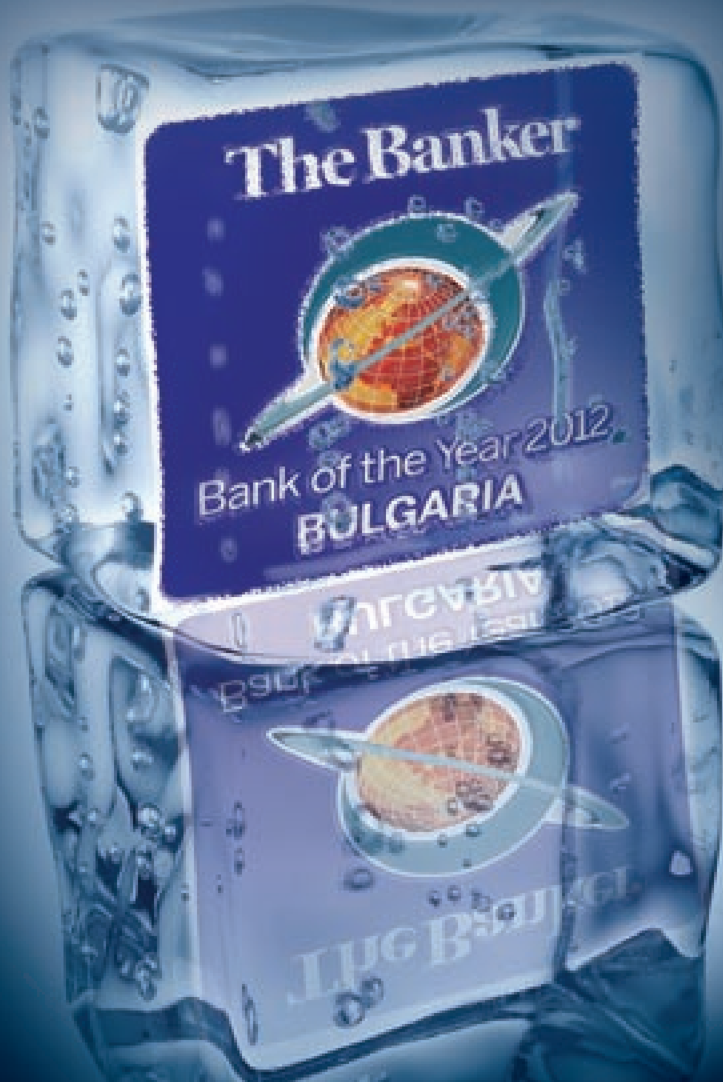
The Banker

Global Financial Intelligence Since 1926

ДЕКЕМВРИ 2012

УниКредит Булбанк е

БАНКА НА ГОДИНАТА 2012



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2012 бе годината, през която УниКредит Булбанк разшири и укрепи водещата си позиция на пазара.
Банката продължава да е безспорен лидер по размер на активи, депозити, кредити, корпоративно и инвестиционно банкиране.

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FT Business
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TOP 100 companies

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in millions of euro

2012	2011	Company name	Country	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/loss 2012	Net profit/loss 2011
1	1	OMV Petrom SA	Romania	Petroleum/Natural Gas	4 733	18.32%	869.5	853.2
2	3	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	4 207	22.09%	-48.1	-69.5
3	2	INA d.d.	Croatia	Petroleum/Natural Gas	3 607	0.03%	175.3	261.2
4	4	OMV Petrom Marketing SRL	Romania	Petroleum/Natural Gas	3 427	10.33%	57.3	29.0
5	7	Petrol d.d.	Slovenia	Petroleum/Natural Gas	3 263	14.11%	34.5	11.6
6	8	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	3 124	17.28%	-67.2	-170.3
7	5	Automobile-Dacia SA	Romania	Automobiles	2 923	-3.63%	62.6	63.7
8	6	Aurubis Bulgaria AD	Bulgaria	Metals	2 717	-5.67%	102.8	115.7
9	9	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	2 160	18.42%	436.2	389.2
10	18	Holding Slovenske Elektrarne d.o.o.	Slovenia	Electricity	1 956	43.29%	54.7	46.7
11	11	Rompetrol Downstream SRL	Romania	Petroleum/Natural Gas	1 851	6.91%	-33.9	-25.1
12	10	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	1 836	2.97%	-36.3	-2.2
13	13	Hrvatska Elektroprivreda d.d.	Croatia	Electricity	1 821	5.24%	41.0	62.4
14	12	Konzum d.d.	Croatia	Wholesale/Retail	1 789	1.07%	27.1	45.8
15	16	Petrotel – Lukoil SA	Romania	Petroleum/Natural Gas	1 696	9.05%	-62.0	-90.7
16	14	Natsionalna Elektricheska Kompania EAD	Bulgaria	Electricity	1 598	-4.28%	-48.1	35.1
17	29	GEN-I d.o.o.	Slovenia	Electricity	1 510	52.67%	14.2	8.1
18	17	British American Tobacco (Romania) Trading SRL	Romania	Food/Drinks/Tobacco	1 504	9.15%	89.1	73.4
19	19	Kaufland Romania SCS	Romania	Wholesale/Retail	1 470	15.20%	62.0	38.8
20	15	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	1 447	-9.55%	-77.6	31.3
21	20	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	1 364	10.49%	-50.4	-26.7
22	38	Renault Industrie Roumanie SRL	Romania	Automobiles	1 235	37.22%	-4.5	0.243
23	27	E.ON Energie Romania SA	Romania	Petroleum/Natural Gas	1 215	24.80%	-7.4	-44.4
24	21	JP Elektroprivreda Srbije (JP EPS)	Serbia	Electricity	1 202	3.49%	-21.1	-46.6
25	22	Arcelormittal Galati SA	Romania	Metals	1 199	4.38%	-52.2	-143.6
26	31	Krka d.d.	Slovenia	Pharmaceuticals	1 060	8.56%	154.6	150.4
27	28	GDF SUEZ Energy Romania SA	Romania	Petroleum/Natural Gas	1 030	6.19%	85.7	48.5
28	New	Electrica Furnizare SA	Romania	Electricity	1 022	153.93%	20.4	19.6
29	25	Romgaz SA	Romania	Petroleum/Natural Gas	1 016	-3.62%	280.9	238.8
30	32	Carrefour Romania SA	Romania	Wholesale/Retail	997.7	7.67%	23.6	31.0
31	36	Prirodni Plin d.o.o.	Croatia	Petroleum/Natural Gas	997.7	8.85%	-137.0	0.043
32	42	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	962.7	14.55%	-58.1	-37.4
33	26	Hrvatski Telekom d.d.	Croatia	Telecommunications	958.1	-6.62%	222.7	240.8
34	46	MOL Romania Petroleum Products SRL	Romania	Petroleum/Natural Gas	949.9	31.46%	17.2	-3.1
35	37	Orange Romania SA	Romania	Telecommunications	940.0	3.07%	116.9	186.5
36	24	Revoz d.d.	Slovenia	Automobiles	918.4	-19.09%	12.8	13.9
37	35	OMV Bulgaria OOD	Bulgaria	Petroleum/Natural Gas	889.4	-5.51%	-3.7	2.3
38	40	Selgros Cash & Carry SRL	Romania	Wholesale/Retail	870.5	1.36%	15.5	20.1
39	34	Telekom Srbija AD	Serbia	Telecommunications	863.9	-0.37%	99.2	213.5
40	43	Vodafone Romania SA	Romania	Telecommunications	821.7	2.59%	113.4	98.5
41	New	Complexul Energetic Oltenia SA	Romania	Electricity	814.2		26.7	
42	54	OMV Slovenija d.o.o.	Slovenia	Petroleum/Natural Gas	795.6	14.82%	16.0	16.3
43	65	Overgas Inc. AD*	Bulgaria	Petroleum/Natural Gas	751.4	21.56%	18.0	8.2
44	49	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	735.4	4.37%	54.1	31.9
45	33	CFR SA	Romania	Transportation	732.1	-20.37%	32.7	-164.0
46	61	Mediplus Exim SRL	Romania	Wholesale/Retail	730.5	15.89%	14.2	13.0
47	39	JP Srbijagas	Serbia	Petroleum/Natural Gas	706.3	-13.23%	-309.7	12.0
48	53	Gorenje d.d.	Slovenia	Electronics	705.9	1.61%	-14.1	7.3
49	63	Lek d.d.	Slovenia	Pharmaceuticals	697.9	9.11%	75.9	73.9
50	55	Naftex Petrol EOOD	Bulgaria	Petroleum/Natural Gas	697.1	0.72%	-42.8	-19.1

UniCredit Bulbank

TOP 100 companies

in millions of euro

2012	2011	Company name	Country	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/loss 2012	Net profit/loss 2011
51	64	CEZ Elektro Bulgaria AD	Bulgaria	Electricity	690.0	8.40%	0.303	1.2
52	57	Interagro SA	Romania	Diversified Holdings	683.3	2.31%	45.7	37.7
53	48	Telekom Slovenije d.d.	Slovenia	Telecommunications	677.8	-7.26%	48.9	21.3
54	New	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	Petroleum/Natural Gas	665.1	86.46%	-80.6	-70.3
55	52	Delhaize Serbia DOO	Serbia	Wholesale/Retail	661.8	5.75%	16.4	-79.0
56	56	Romtelecom SA**	Romania	Telecommunications	658.8	-1.62%	52.8	-294.3
57	51	real,- Hypermarket Romania SRL	Romania	Wholesale/Retail	657.3	-3.73%	-16.6	-28.0
58	New	Ford Romania SA	Romania	Automobiles	653.7	154.41%	-108.5	-109.1
59	45	Transelectrica SA	Romania	Electricity	646.8	-12.49%	7.8	21.0
60	58	RCS & RDS SA	Romania	Telecommunications	637.6	-2.87%	19.9	-2.9
61	44	Termoelektrane Nikola Tesla DOO	Serbia	Electricity	622.8	-11.47%	-16.4	58.7
62	62	Electrocentrale Bucuresti SA	Romania	Electricity	617.0	-1.74%	15.3	24.7
63	59	Okta AD	Macedonia	Petroleum/Natural Gas	604.3	-9.95%	-9.8	-22.4
64	75	HEP-Proizvodnja d.o.o.	Croatia	Electricity	601.1	10.83%	-0.8	-1.1
65	66	Alro SA	Romania	Metals	582.7	-3.79%	-35.1	52.9
66	47	Hidroelectrica SA	Romania	Electricity	578.5	-19.56%	-114.7	1.5
67	76	Oscar Downstream SRL	Romania	Petroleum/Natural Gas	570.2	9.45%	6.8	6.2
68	72	Mercator – S DOO	Serbia	Wholesale/Retail	568.5	10.51%	-3.4	9.0
69	67	OMV Hrvatska d.o.o.***	Croatia	Petroleum/Natural Gas	567.4	-7.98%	5.6	4.3
70	77	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	562.8	6.04%	56.4	38.5
71	73	J.T. International (Romania) SRL	Romania	Food/Drinks/Tobacco	560.8	4.33%	1.8	1.4
72	88	Dedeman SRL	Romania	Wholesale/Retail	555.3	19.16%	58.4	47.6
73	80	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	546.7	6.94%	90.0	46.8
74	New	Samsung Electronics Romania SRL	Romania	Electronics	541.3	55.04%	14.3	7.4
75	71	IMPOL d.o.o.	Slovenia	Metals	523.7	-8.09%	2.8	5.1
76	74	Philip Morris Trading SRL	Romania	Food/Drinks/Tobacco	517.9	-3.28%	4.1	3.5
77	69	Compania Nationala de Autostrazi si Drumuri Nationale din Romania SA	Romania	Construction	517.8	-10.00%	39.3	57.0
78	84	Zagrebacki Holding d.o.o.	Croatia	Diversified Holdings	510.0	2.15%	-47.6	-64.5
79	81	Cosmote Romanian Mobile Telecommunications SA	Romania	Telecommunications	505.3	-0.10%	9.9	-7.1
80	New	Kaufland Bulgaria EOOD & Co KD*	Bulgaria	Wholesale/Retail	503.1	19.79%		
81	79	Michelin Romania SA	Romania	Rubber/Rubber Products	502.0	-2.65%	7.9	10.4
82	50	Cargill Agricultura SRL	Romania	Agriculture	491.9	-28.74%	6.7	7.3
83	New	Johnson Matthey DOOEL	Macedonia	Chemicals	490.8	22.35%	29.5	19.8
84	New	Elektro Energija d.o.o.	Slovenia	Electricity	487.6	33.13%	3.5	1.5
85	New	Enel Energie Muntenia SA	Romania	Electricity	479.9	11.74%	16.3	-0.300
86	99	Enel Energie SA	Romania	Electricity	478.0	8.95%	74.8	-10.0
87	86	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	Electricity	473.6	-3.21%	3.6	0.759
88	New	FIAT Automobili Srbija DOO	Serbia	Automobiles	471.4	345.06%	-2.0	-54.5
89	91	Idea DOO	Serbia	Wholesale/Retail	469.4	8.71%	-34.8	-17.9
90	New	Farmexpert D.C.I. SA	Romania	Wholesale/Retail	468.8	11.43%	19.5	20.0
91	New	Geoplin d.o.o.	Slovenia	Petroleum/Natural Gas	464.7	20.77%	7.1	14.0
92	New	Coca-Cola HBC Romania SRL	Romania	Food/Drinks/Tobacco	460.8	10.57%	33.5	31.8
93	78	Mobiltel EAD	Bulgaria	Telecommunications	458.5	-13.38%	47.2	39.1
94	New	Delphi Diesel Systems Romania SRL	Romania	Automobiles	451.4	40.24%	27.4	11.0
95	68	CFR – Calatori SA	Romania	Transportation	450.7	-22.55%	-224.0	0.352
96	New	Auchan Romania SA	Romania	Wholesale/Retail	447.3	25.14%	0.745	-1.7
97	92	Brodosplit – Brodogradiliste d.o.o.	Croatia	Transportation	443.5	-4.75%	353.4	211.2
98	100	Alfred C. Toepfer International (Romania) SRL	Romania	Agriculture	442.6	2.68%	-4.1	-4.0
99	89	Bulgarian Telecommunications Company AD	Bulgaria	Telecommunications	440.7	-6.40%	-20.1	4.7
100	New	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	439.9	20.13%	89.7	55.5

(*) denotes net sales revenue for 2012 and 2011 as per K100
(**) denotes consolidated figures
(***) denotes gross profit/loss for 2012 and 2011

2012: Taking bitter with sweet

by **Mira Karadzhova**

SEE countries, with their strengths and weaknesses, painted a mixed picture in 2012, but in general the slowdown in economic activity and rising unemployment rates put a mark on the year all around.
The recession in the eurozone had unfavourable influence upon SEE countries' foreign direct investment and external demand.

All countries in the region reported slower GDP growth rates in 2012 compared to 2011. The main deterrent to the economic activity was the crisis in the eurozone, the major trade partner of SEE countries, which led to last year's slump in exports. Low household consumption was another important cause for the sluggish performance of the SEE economies. Harsh winter, spring floods, summer drought and forest fires in the region devastated crops and affected trade, infrastructure and economic activity in the region.
And yet some of the SEE economies managed to achieve growth, albeit modest, and keep inflation in check. Given the difficulties faced by the eurozone and the disastrous macroeconomic conditions in Greece and Italy, the stable picture in SEE suggests that smaller boats could survive more easily in rough waters.

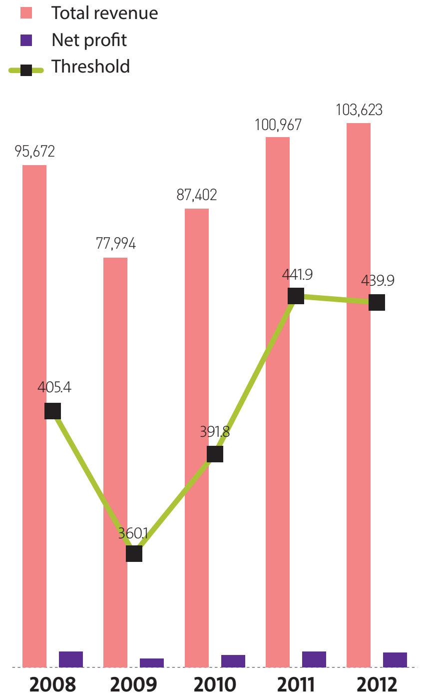
Mixed signals

The mixed results of the TOP 100 non-financial companies for 2012 are in concert with the development of SEE economies. Despite the tough times, the combined revenues of the top 100 players grew to 103.6 billion euro from 101 billion euro a year earlier. Their total net profit, however, went down to 2.85 billion euro from 3.0 billion euro in 2011. The revenue threshold for the SEE TOP 100 chart slightly declined to 440 million euro, compared with 442 million euro in the previous edition. This shows that although companies managed to generate higher revenues, their profitability was not on the rise. Nevertheless, all three indicators had returned to pre-crisis levels in 2011, a trend which continued in 2012, implying that the times of tumbling earnings are over.
The number of companies which saw their revenues go down in 2012 rose to 33 from 21, but they were predominantly placed at the lower end of the chart, meaning that big companies proved to be more resilient to the challenging economic situation. Romanian agricultural firm Cargill Agricultura, whose revenues tumbled 28.74%, experienced the steepest decline. As a result, it fell 32 spots to number 82 in 2012. By contrast, Bulgarian gas distributor Overgas climbed 22 spots to number 43, marking the highest jump in the 2012 chart.
The best bottom line was registered by the leader, OMV Petrom, at 869.5 million euro, while the deepest loss was of 47th-ranked Serbian gas company JP Srbijagas – 310 million euro.

Titans clash

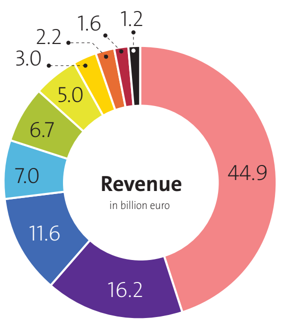
There was no surprise at the lead, as Romanian oil and gas heavyweight OMV Petrom held its crown for the sixth year in a row. The behemoth managed to boost its revenues 18.32% year-on-year to 4.733 billion euro in 2012, thus keeping a safe half-a-million-euro distance from the runner-up, just like a year earlier. In August 2013 the Romanian major confirmed it was pursuing its ambitious 1.2-billion-euro investment programme for 2013, which translates into a 24% surge in investments compared with 2012. The bulk of the funds will be injected in exploration and production.
Surprisingly, Bulgarian oil refiner Lukoil Neftochim stole the second place from Croatian oil

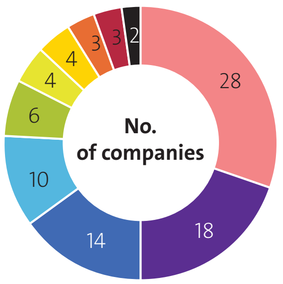
TOP 100 companies combined financial results 2007-2012 (in millions of euro)



and gas major INA, which it had occupied for four years running. The Bulgarian giant's revenues surged over 22% to 4.2 billion euro. Still, it remained in the red, with a net loss of 48 million euro although it improved its performance from a negative result of 69.5 million euro in 2011.
INA switched places with the Bulgarian major after the former's revenues remained unchanged at the 2011 level, but its net profit dipped by about one-third. INA is 49% owned by Hungarian oil group MOL, with the remainder in the hands of the government in Zagreb. The Croatian cabinet has been trying to reverse the deal, which gave MOL operational control over the company in 2009.
Romanian carmaker Dacia slipped two spots to number seven in 2012, as both its revenues and profit were on the decline last year. Renault's Romanian unit boosted its 2012 global passenger car sales 4.8% to 360,000.
By contrast, Slovenian fuel retailer Petrol earned two spots to number five, as its revenues advanced by 14% and its bottom line soared almost 200%.
The top five players – all of them oil and gas specialists – registered a two-digit increase in revenues, with the exception of INA. As usual, oil and gas firms dominated the TOP 100 ranking with 28 representatives in the ranking for 2012, the same number as the previous year.
The number of electricity companies in the chart also remained intact at 18. Wholesal-

SEE TOP 100 2013 industry breakdown





ers and retailers numbered 14 in 2012, versus 13 a year earlier. A total ten telecoms made the 2012 TOP 100 companies list, flat on the year. Only four representatives of the metals industry were present the ranking for 2012, down from six a year ago. With the entry of another carmaker, the number of automobile companies on the list rose to five.

Budding hopefuls

The TOP 100 companies list accommodated 16 new entrants in 2012. Newcomer FIAT Automobili Srbija made the biggest jump in terms of sales among all firms on the list, soaring 345% and landing straight at number 88. Despite the remarkable gain, it wasn't the highest-ranked new entry in SEE TOP 100 companies 2012. Romanian power company Electrica Furnizare debuted at number 28, on the back of a 154% surge in revenues.

The bigger – the better

Romania blew away all competition with the impressive 51 companies on the list in in the chart, versus 49 a year earlier, because nine out of the 16 new arrivals in the ranking were based in Romania, while only seven Romanian firms left the chart. Slovenia outranked both Serbia and Bulgaria with 13 companies in the top 100, up from 12 in 2011. Bulgaria, which, in turn, outranked Serbia, had 12 representatives, one less than in 2011, when it was the third-strongest represented country in the chart. Serbia followed suit with nine companies, versus 14 in 2011. Croatian companies numbered 11, against 10 in the previous year. Macedonia and Bosnia and Herzegovina had two representatives each, versus one in 2011. Just like in 2011, none of the biggest companies in Albania, Moldova or Kosovo made it to the list in 2012.

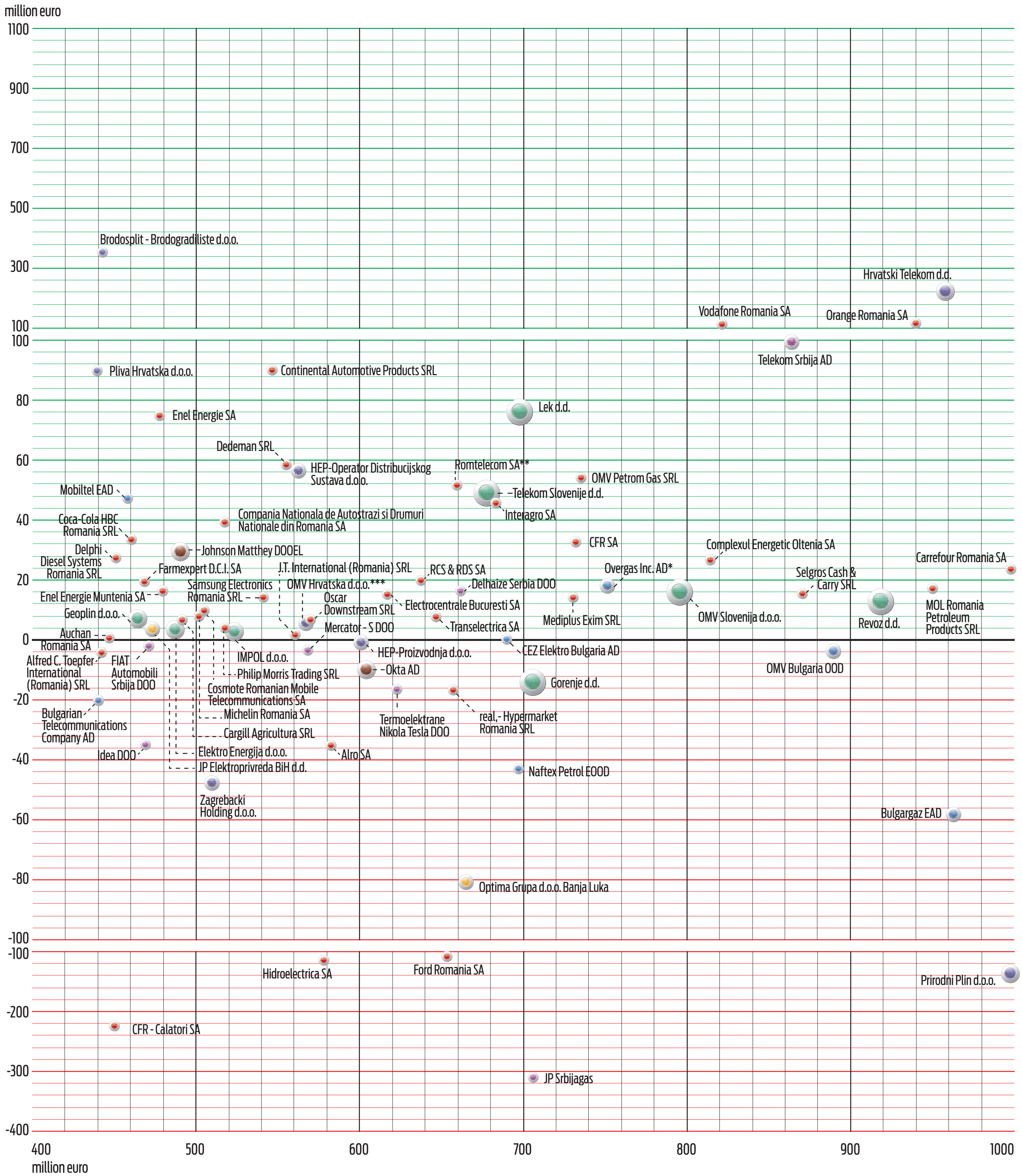
Methodology

SEE TOP 100 ranks the biggest companies in Southeast Europe by total revenue for the fiscal year ended December 31, 2012. Both 2012 figures and 2011 comparative counterparts are sourced from 2012 annual non-consolidated reports.
The SEE TOP 100 ranking covers non-financial companies registered in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia and Slovenia. Banks, investment intermediaries, insurers and real estate investment trusts (REITs) are excluded from the ranking as total revenue is not an accurate indicator of their performance. We have compiled separate rankings of the largest 100 banks and insurers. Holding companies, on the other hand, are represented in the ranking by their subsidiaries.
All data is sourced from national commercial registers, stock exchanges, government and corporate websites, industry regulators and companies themselves.
The initial pool of companies exceeds 1,200. The ranking does not include companies that declined or failed to provide financial results by the time SEE TOP 100's content was finalised, thus Romanian Metro Cash & Carry Romania SRL and Slovenian Engrotus d.d. are not included in the ranking. Romanian energy holding Complexul Energetic Oltenia SA, set up in 2012, includes state-owned mining company SNLO and the Craiova, Turceni and Rovinari thermal power generation complexes, which no longer exist as a separate legal entities and were written off from the national trade register.
To allow comparison, all local currencies in the rankings have been converted into euro, using the respective central bank's official exchange rate on the last working day of 2012 and 2011. Year-on-year changes in the companies' financial indicators have been calculated using the figures in the original currency.
Elsewhere, local currency figures referencing past periods have been converted into euro using the respective central bank exchange rate as of the end of the relevant period while all other local currency figures have been converted using the exchange rate as of the date the relevant editorial content was finalised.

Top 10 of TOP 100 companies 2008-2012

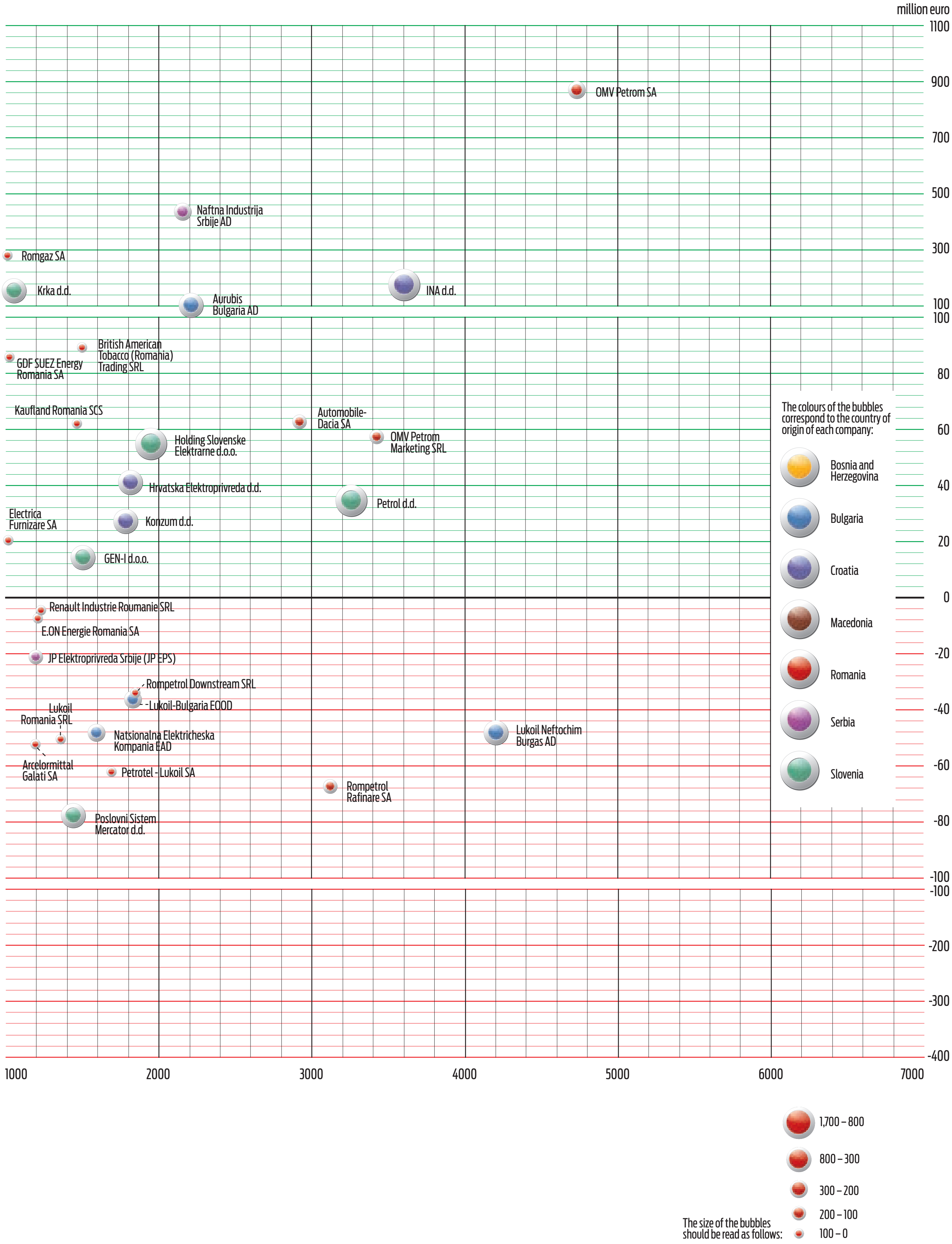
	2012	2011	2010	2009	2008
1	OMV Petrom SA	OMV Petrom SA	OMV Petrom SA	OMV Petrom SA	Petrom SA
2	Lukoil Neftochim Burgas AD	INA d.d.	INA d.d.	INA d.d.	INA d.d.
3	INA d.d.	Lukoil Neftochim Burgas AD	Lukoil Neftochim Burgas AD	Lukoil Neftochim Burgas AD	Lukoil Neftochim Burgas AD
4	OMV Petrom Marketing SRL	OMV Petrom Marketing SRL	Automobile Dacia SA	Automobile Dacia SA	Naftna Industrija Srbije AD
5	Petrol d.d.	Automobile-Dacia SA	Petrol d.d.	Petrol d.d.	Petrol d.d.
6	Rompetrol Rafinare SA	Aurubis Bulgaria AD	Rompetrol Rafinare SA	Poslovni Sistem Mercator d.d.	Lukoil-Bulgaria EOOD
7	Automobile-Dacia SA	Petrol d.d.	Aurubis Bulgaria AD	Konzum d.d.	Rompetrol Rafinare SA
8	Aurubis Bulgaria AD	Rompetrol Rafinare SA	Konzum d.d.	Rompetrol Rafinare SA	Arcelormittal Galati SA
9	Naftna Industrija Srbije AD	Naftna Industrija Srbije AD	Naftna Industrija Srbije AD	Hrvatska Elektroprivreda d.d.	Automobile Dacia SA
10	Holding Slovenske Elektrarne d.o.o.	Lukoil-Bulgaria EOOD	Lukoil-Bulgaria EOOD	Lukoil-Bulgaria EOOD	Poslovni Sisitem Mercator d.d.

TOP 100 companies



The chart illustrates the position of each of the SEE TOP 100 companies in terms of total revenue, net profit/loss and total revenue per capita for 2012. The X axis is a measure of 2012 total revenue, the Y axis represents net profit/loss and the size of the bubbles corresponds to the total revenue per capita. Kaufland Bulgaria EOOD & Co KD was not included in the graph as no net profit/loss data was available.

TOP 100 companies



Croatia's Brodosplit – Brodogradiliste holds onto top spot in SEE 2012 most profitable company ranking

by Tsvetana Paraskova

Croatian shipbuilder Brodosplit – Brodogradiliste d.o.o. topped the SeeNews 2012 ranking of the 20 most profitable companies in SEE for a second year running as oil and gas operators moved up the standings dominated by 11 Romanian companies.

Most profitable companies

No	SEE TOP 100 №	Company name	Country	Industry	Return on revenue 2012	Return on revenue 2011
1	97	Brodosplit – Brodogradiliste d.o.o.	Croatia	Transportation	79.69%	45.28%
2	29	Romgaz SA	Romania	Petroleum/Natural Gas	27.66%	22.11%
3	33	Hrvatski Telekom d.d.	Croatia	Telecommunications	23.24%	23.42%
4	100	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	20.39%	15.12%
5	9	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	20.19%	19.63%
6	1	OMV Petrom SA	Romania	Petroleum/Natural Gas	18.37%	20.80%
7	73	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	16.45%	8.93%
8	86	Enel Energie SA	Romania	Electricity	15.65%	-2.22%
9	26	Krka d.d.	Slovenia	Pharmaceuticals	14.59%	15.40%
10	40	Vodafone Romania SA	Romania	Telecommunications	13.80%	12.00%
11	35	Orange Romania SA	Romania	Telecommunications	12.44%	19.95%
12	39	Telekom Srbija AD	Serbia	Telecommunications	11.49%	22.66%
13	49	Lek d.d.	Slovenia	Pharmaceuticals	10.88%	11.55%
14	72	Dedeman SRL	Romania	Wholesale/Retail	10.52%	9.96%
15	93	Mobiltel EAD	Bulgaria	Telecommunications	10.30%	7.38%
16	70	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	10.02%	7.23%
17	27	GDF SUEZ Energy Romania SA	Romania	Petroleum/Natural Gas	8.32%	4.88%
18	56	Romtelecom SA	Romania	Telecommunications	8.01%	-42.87%
19	77	Compania Nationala de Autostrazi si Drumuri Nationale din Romania SA	Romania	Construction	7.59%	9.67%
20	44	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	7.35%	4.42%

Brodosplit–Brodogradiliste – which had turned a -28.04% return on revenue in 2010 into a 45.28% return on revenue in 2011 – boosted further its profitability to a massive 79.69% in 2012.

Having raised its return on revenues to 27.66% from 22.11%, second in the 2012 ranking came Romania's Romgaz SA, top of the five petroleum/natural gas industry representatives and highest of the 11 Romanian firms which made it to the list. Romgaz replaced the 2011 runner-up, Serbia's railway company Zeleznice Srbije AD (formerly JP Zeleznice Srbije), which dropped out of the 2012 top 20 ranking. Croatia's Hrvatski Telekom d.d. kept its third place in the 2012 standings.

Serbian oil and gas company Naftna Industrija Srbije AD moved up to the fifth spot in 2012 with return on revenue at 20.19%, up from the 19.63% which had helped it snatch the eighth place in the 2011 ranking. Romania's OMV Petrom SA, SEE's number-one enterprise by revenue, kept its sixth place in the 2012 most profitable ranking but saw its return on revenue drop to 18.37% from 20.80% in 2011. Two Romanian petroleum/natural gas sector companies – GDF SUEZ Energy Romania SA at 17th and OMV Petrom Gas SRL at 20th – entered the 2012 list, raising the number of their industry representatives to five from three in 2011.

Romania also placed Continental Automotive Products SRL at the seventh spot in 2012, with return on revenue up to 16.45% from 8.93% which had allowed it to grab the 15th place in 2011. Another Romanian entry last year was electricity company Enel Energie SA at the eighth spot, with return on revenue at 15.65% after having posted a -2.22% return in 2011, missing the top-20 spots in the standings. Romania-based Vodafone Romania SA, Orange Romania SA, and Romtelecom SA, ranking 10th, 11th and 18th respectively, were the three out of six telecommunications companies in the 2012 money-makers list, alongside Hrvatski Telekom, Telekom Srbija AD and Bulgaria's Mobiltel EAD.

Romania's Dedeman SRL was the only 2012 top-20 entry of the wholesale/retail industry, placed 14th and dropping one position from the 2011 table. Romania also qualified the only construction sector company in the 2012 standings, Compania Nationala de Autostrazi si Drumuri Nationale at 19th, retreating from its 14th place in 2011.

The pharmaceutical industry had three representatives in the 2012 ranking, courtesy of fourth-placed Pliva Hrvatska d.o.o. which missed out on the 2011 standings, and Slovenia's another-year-running appearances, Krka d.d., 9th, and Lek d.d., at 13th , with Krka confirming its spot and Lek dropping one place from the previous year.

Croatian electricity company HEP-Operator Distribucijskog Sustava d.o.o. retained its 16th place to complete the 2012 SeeNews ranking of the most profitable companies operating in the SEE region.

Methodology

Most profitable is a ranking of the top 20 companies with the highest return on revenue in SEE TOP 100. Return on revenue is calculated as net profit divided by total revenue, both in euro terms. To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2012 and 2011, respectively.

Energy sector takes over 2012 SEE money losers rankings

by **Tsvetana Paraskova**

Money losers

in millions of euro

No	SEE TOP 100 №	Company name	Country	Industry	Net loss 2012	Net profit/ loss 2011
1	47	JP Srbijagas	Serbia	Petroleum/Natural Gas	-309.7	12.0
2	95	CFR – Calatori SA	Romania	Transportation	-224.0	0.352
3	31	Prirodni Plin d.o.o.	Croatia	Petroleum/Natural Gas	-137.0	0.043
4	66	Hidroelectrica SA	Romania	Electricity	-114.7	1.5
5	58	Ford Romania SA	Romania	Automobiles	-108.5	-109.1
6	54	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	Petroleum/Natural Gas	-80.6	-70.3
7	20	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	-77.6	31.3
8	6	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	-67.2	-170.3
9	15	Petrotel – Lukoil SA	Romania	Petroleum/Natural Gas	-62.0	-90.7
10	32	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	-58.1	-37.4
11	25	Arcelormittal Galati SA	Romania	Metals	-52.2	-143.6
12	21	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	-50.4	-26.7
13	2	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	-48.1	-69.5
14	16	Natsionalna Elektricheska Kompania EAD	Bulgaria	Electricity	-48.1	35.1
15	78	Zagrebacki Holding d.o.o.	Croatia	Diversified Holdings	-47.6	-64.5
16	50	Naftex Petrol EOOD	Bulgaria	Petroleum/Natural Gas	-42.8	-19.1
17	12	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	-36.3	-2.2
18	65	Alro SA	Romania	Metals	-35.1	52.9
19	89	Idea DOO	Serbia	Wholesale/Retail	-34.8	-17.9
20	11	Rompetrol Downstream SRL	Romania	Petroleum/Natural Gas	-33.9	-25.1

Energy companies booked the majority of Southeast Europe's heftiest corporate losses in 2012 as 13 oil, gas and electricity firms made the TOP 20 money losers ranking of predominantly heavy-industry entries.

Companies that turned 2011 bottom lines into SEE's biggest losses took the top four spots in the 2012 standings. Number one in the losers' ranking was Serbian gas provider JP Srbijagas which posted a net loss of 309.7 million euro last year versus a net profit of 12 million euro a year earlier. Romanian railway passenger transport company CFR – Calatori SA ranked second with a 224-million-euro loss, compared with a net profit of 352,000 euro, followed by Croatian natural gas supplier Prirodni Plin d.o.o., which reported a net loss of 137 million euro after a net profit of 43,000 euro in 2011. Romanian hydropower generation company Hidroelectrica SA ranked fourth, as it booked a net loss of 114.7 million euro in 2012 following a 1.5-million-euro profit in 2011.

Serbia may have placed the biggest loser on the 2012 table but had just two companies in it – JP Srbijagas and Idea DOO of the wholesale/retail industry at 19th position – compared with five firms in the 2011 standings.

Romania, which had the second and fourth largest money losers, counted nine companies in the 2012 standings, down from 11 in 2011. Most of Romania's other loss-making enterprises in 2012 operated in the oil and gas industry, the other being representatives of the metals and automobile sectors. Refiner Rompetrol Rafinare SA and oil company Petrotel – Lukoil SA, ranked 8th and 9th respectively, saw their losses shrink in 2012 from a year earlier, while Lukoil Romania SRL, at 12th spot, and Rompetrol Downstream SRL, placed 20th, extended their losses over the year. Ford Romania SA narrowed its loss to 108.5 million euro from 109.1 million euro but nevertheless ranked fifth in the 2012 losers standings. Romania's metals industry representative Arcelormittal Galati SA more than halved losses but still made the 2012 list at 11th place; yet down from the fifth biggest loser spot in 2011. Another Romanian metal industry entry in 2012 was Alro SA which turned a 52.9-million-euro net profit in 2011 into a net loss of 35.1 million euro in 2012, ranking 18th.

Romania's lower number of entrants came at the expense of Bulgarian companies whose number rose to five in 2012 from three in 2011, with all five operating in the energy sector – four in the oil and gas industry and one in the electricity sector.

Apart from third-placed Prirodni Plin, Croatia had one other company in the 20 biggest losers ranking, diversified holding group Zagrebacki Holding at 15th position, one of the few non-heavy-industry entries alongside Slovenia's only representative, Poslovni Sistem Mercator of the wholesale/retail industry, ranked seventh with a net loss of 77.6 million euro versus a 31.3-million-euro net profit in 2011.

Oil company Optima Grupa d.o.o. Banja Luka was Bosnia and Herzegovina's only entry in the 2012 money losers standings at 6th spot after none of the country's companies had made the 2011 losers list.

Methodology

Money losers is a ranking of 20 companies with the most significant losses in SEE TOP 100. To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2012 and 2011, respectively.

TOP 100 companies

IFC sees better investment climate, competitiveness unlocking SEE region's growth, job creation potential

by **Georgi Georgiev**

Dimitris Tsitsiragos,
IFC's Vice President for Europe, Central Asia, Middle East, and North Africa

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. Working with private enterprises in more than 100 countries, IFC uses its capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity. In fiscal 2013, IFC's investments climbed to an all-time high of nearly 25 billion U.S. dollars, leveraging the power of the private sector to create jobs and tackle the world's most pressing development challenges.

What are the challenges facing the economies of SEE?

The SEE region is very well integrated into Europe and the challenges in SEE are, in may ways, the challenges of Europe itself. Number one is growth and number two is job creation, which are closely related. The SEE region is expected to return to growth in 2013, which concerns pretty much all the countries. Even though growth will be at low levels, it is still positive compared to what is happening around SEE – with the exception of Turkey.

The problem is that these countries need higher growth to create more jobs and they need higher growth to attract more investment. This is also linked to the credit recovery in the region because the deleveraging that is still taking place in Europe has an impact on the SEE economies."

How can the SEE governments overcome these challenges? What sort of opportunities are these market conditions creating for IFC's engagement in the region?

Since up to 80-90% of new jobs are created in the private sector, the SEE stakeholders must work to create an environment that would encourage private sector investments and also linked to that is the need to improve competitiveness. A lot has been done to improve the investment climate across the region but there is still work to be done. Beyond

The problem is that these countries need higher growth to create more jobs and they need higher growth to attract more investment.

that, the SEE governments need to look at what are the competitive advantages of their respective economy and then focus on specific sectors.
In terms of raising competitiveness, I think all the governments in the region are well aware of the challenges ahead. What we see is that maybe the smaller countries in the region are slightly ahead in this respect compared to the larger ones.
From the IFC's point of view, we see opportunities to engage in the region's financial services sector – because you need liquidity to keep business going and growing on a day-to-day basis – agribusiness also, which is very important for job creation in the region but needs to address some productivity issues and find access to new markets, and the other key areas are infrastructure and renewables, especially small hydro.

What has the IFC tentatively planned in terms of funding commitments in the SEE region in the coming fiscal year?

In the aftermath of the serious impact on the region from the global financial crunch and the subsequent slow recovery, the IFC – alongside the World Bank of which it is part – thought there was a need to step up our engagement and do more. So in the last fiscal year, we invested about 1.1 billion U.S. dollars in the Western Balkans – including mobilised co-funding from other investors.
Looking ahead, for our own account we would like to invest 400-500 million U.S. dollars a year in the Western Balkans.
But I think our major role, biggest opportunity and mandate is to keep mobilising third-party funds for the region. The IFC can help the region but it also needs us to bring along other investors and, in my view, this is critical.
When it comes to Bulgaria, Moldova and Romania, we disbursed funding of around 300 million U.S. dollars during the last fiscal year, mobilising an additional 60 million U.S. dollars or so, and we see room for more commitments there.

Could you dwell, in particular, on IFC's operations in the region's biggest market, Turkey?

In Turkey, we invested about 1.0 billion U.S. dollars in financing for our own account during the last fiscal year. A lot of it was in infrastructure which has been a very busy space. We were also very active in the financial services sector. In Turkey, the IFC is especially looking to back projects in the country's less developed regions where infrastructure development is a priority. So we would be looking to do more in that area.

20%

In SEE, the IFC would like about 20% of its total funding to be in renewables.

Which industries in the SEE region do you see as most underfunded at the moment?

Clearly, infrastructure is one. I also see opportunities in the agricultural sector. Then there is the manufacturing industry. The problem there is that it is a cyclical business and it is well integrated into the rest of Europe and if Europe is not chugging along, then there is also not much activity in manufacturing.

IFC is planning to invest around 1 billion U.S. dollars in Southeast Europe, excluding Turkey, this fiscal year.

How do you see the development of the renewable energy sector in the region?

When it comes to renewables, our objective is to promote climate change-related investments, energy efficiency and cleaner production technologies. When you look at energy efficiency and cleaner production technologies, they can make a big difference in terms of reducing energy consumption in the region.
In SEE, the IFC would like about 20% of our total funding program to be in renewables.
Governments in the region are experiencing a strain on their budgets and the revenue side is going down and, subsequently, the various incentive schemes for renewables are coming under review. But what we are seeing is that we can still find renewables projects in the SEE region that are sustainable on a commercial basis. The IFC is also very actively involved in advising the governments in the region in the development of their regulatory framework while also consulting private companies on the drafting of projects, especially on small hydro.
In the area of small hydro, good opportunities exist in Albania and Macedonia where the IFC is engaged. But you can also look at places like Montenegro which also has significant untapped potential. Small hydro and wind are currently the most bankable types of renewable energy in the region.

TOP 100 banks

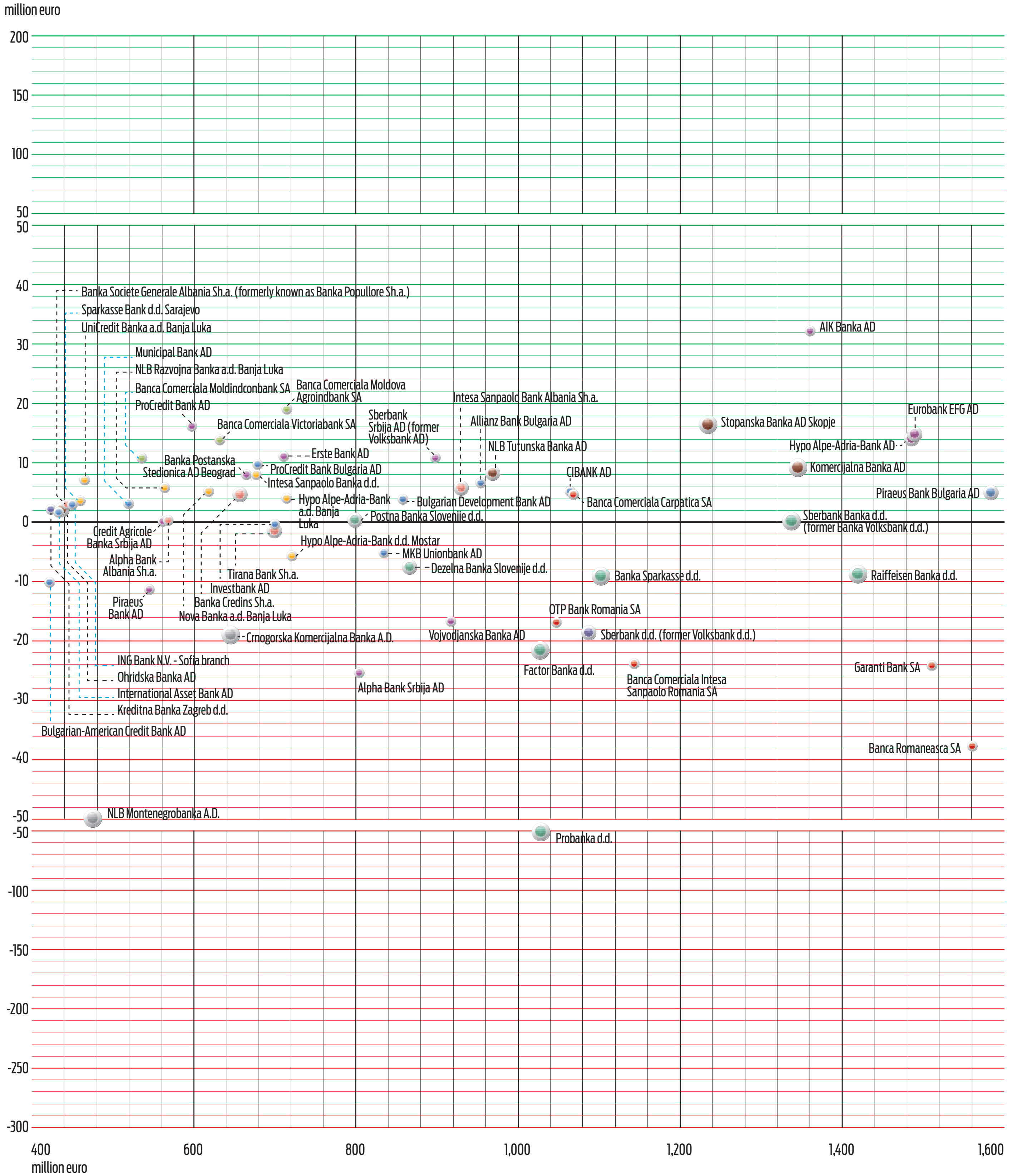
in millions of euro

2012	2011	Company name	Country	Total assets 2012	Y/Y change in assets	Net profit/loss 2012	Net profit/loss 2011
1	1	Banca Comerciala Romana SA	Romania	15 926	-4.54%	-274.3	56.7
2	2	Zagrebacka Banka d.d.	Croatia	13 801	0.12%	117.6	174.7
3	3	Nova Ljubljanska Banka d.d.	Slovenia	11 487	-11.50%	-304.9	-233.2
4	4	BRD – Groupe Societe Generale SA	Romania	10 821	-1.70%	-74.8	108.7
5	5	Privredna Banka Zagreb d.d.	Croatia	9 066	1.38%	112.1	150.9
6	6	Erste & Steiermarkische Bank d.d.	Croatia	7 755	2.60%	64.0	86.4
7	8	Banca Transilvania SA	Romania	6 677	14.54%	72.4	52.9
8	7	UniCredit Bulbank AD	Bulgaria	6 472	6.34%	108.6	115.8
9	9	CEC Bank SA	Romania	6 075	8.34%	8.3	26.9
10	12	UniCredit Tiriac Bank SA	Romania	5 659	9.80%	39.1	35.9
11	10	Raiffeisenbank (Romania) SA*	Romania	5 424	-1.04%	89.5	99.0
12	13	Raiffeisenbank Austria d.d.	Croatia	4 731	-7.19%	48.2	43.4
13	11	Hypo Alpe-Adria-Bank d.d.	Croatia	4 571	-15.55%	34.1	5.6
14	15	DSK Bank EAD	Bulgaria	4 462	1.96%	98.1	43.6
15	14	Nova Kreditna Banka Maribor d.d.	Slovenia	4 339	-9.81%	-203.3	-84.0
16	18	SID – Slovenska Izvozna in Razvojna Banka d.d.	Slovenia	4 089	1.48%	5.0	6.5
17	20	Banca Intesa AD	Serbia	3 646	5.35%	83.7	91.9
18	16	Abanka Vipa d.d.	Slovenia	3 598	-14.64%	-75.7	-119.1
19	25	First Investment Bank AD – Fibank	Bulgaria	3 532	13.20%	14.8	18.7
20	21	Societe Generale – Splitska Banka d.d.	Croatia	3 490	-1.61%	12.7	18.3
21	22	United Bulgarian Bank AD	Bulgaria	3 246	-5.21%	-20.8	6.1
22	23	Raiffeisenbank (Bulgaria) EAD	Bulgaria	3 156	-4.29%	2.3	26.0
23	26	Eurobank EFG Bulgaria AD – Postbank	Bulgaria	2 882	-5.90%	0.762	3.8
24	35	Corporate Commercial Bank AD	Bulgaria	2 882	39.40%	28.9	31.2
25	29	Komercijalna Banka AD	Serbia	2 859	17.68%	36.4	33.7
26	28	UniCredit Banka Slovenija d.d.	Slovenia	2 815	-4.42%	1.1	14.7
27	30	SKB Banka d.d.	Slovenia	2 594	-1.63%	3.7	24.2
28	33	Banka Koper d.d.	Slovenia	2 316	2.96%	7.2	17.7
29	32	Raiffeisen Bank Sh.a.	Albania	2 273	-1.22%	37.2	51.0
30	31	Banka Celje d.d.	Slovenia	2 270	-8.87%	-25.0	-14.9
31	34	Hrvatska Postanska Banka d.d.	Croatia	2 259	3.61%	12.5	11.7
32	39	Unicredit Bank Srbija AD	Serbia	2 148	22.66%	38.8	43.6
33	43	UniCredit Bank d.d. Mostar	Bosnia and Herzegovina	1 914	6.04%	27.3	25.6
34	37	Hypo Alpe-Adria-Bank d.d.	Slovenia	1 901	-3.89%	-11.4	-26.9
35	72	Alpha Bank – Bulgaria Branch	Bulgaria	1 888	111.94%	-9.9	-22.5
36	36	Raiffeisen Bank d.d. Sarajevo	Bosnia and Herzegovina	1 884	-8.24%	18.7	22.4
37	46	Societe Generale Expressbank AD	Bulgaria	1 833	8.99%	23.6	24.2
38	38	Gorenjska Banka d.d.	Slovenia	1 790	-8.08%	-62.2	1.7
39	42	Societe Generale Bank Srbija AD	Serbia	1 790	7.22%	0.907	13.2
40	52	Banka Kombetare Tregtare Sh.a. (National Commercial Bank)	Albania	1 772	23.38%	23.4	20.6
41	45	OTP Banka Hrvatska d.d.	Croatia	1 763	4.16%	13.3	13.2
42	40	Raiffeisen Banka AD	Serbia	1 760	2.85%	51.0	47.3
43	49	Central Cooperative Bank AD	Bulgaria	1 712	11.48%	5.5	6.9
44	47	Piraeus Bank Bulgaria AD	Bulgaria	1 584	-3.44%	4.9	26.9
45	44	Banca Romaneasca SA	Romania	1 561	-8.27%	-37.7	-13.1
46	51	Garanti Bank SA	Romania	1 511	6.34%	-24.1	0.366
47	48	Eurobank EFG AD	Serbia	1 490	5.27%	14.8	25.6
48	53	Hypo Alpe-Adria-Bank AD	Serbia	1 486	14.83%	14.0	12.3
49	50	Raiffeisen Banka d.d.	Slovenia	1 420	-6.35%	-8.8	-5.5
50	54	AIK Banka AD	Serbia	1 361	7.79%	32.1	28.5

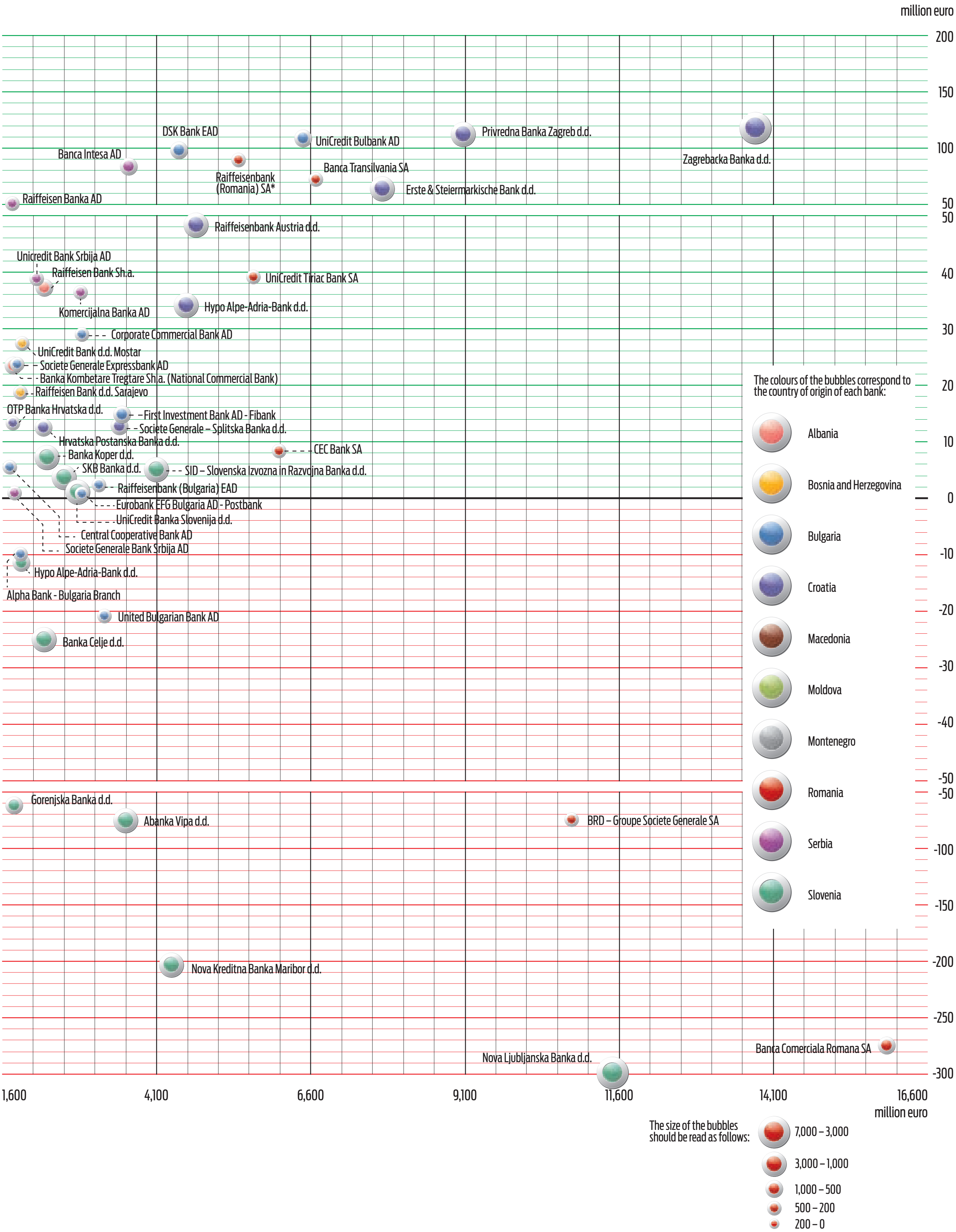
in millions of euro

2012	2011	Company name	Country	Total assets 2012	Y/Y change in assets	Net profit/loss 2012	Net profit/loss 2011
51	56	Komercijalna Banka AD	Macedonia	1 346	3.27%	9.1	17.7
52	62	Sberbank Banka d.d. (formerly Banka Volksbank d.d.)	Slovenia	1 338	32.04%	0.156	2.7
53	59	Stopanska Banka AD Skopje	Macedonia	1 235	7.63%	16.4	12.5
54	65	Banca Comerciala Intesa Sanpaolo Romania SA	Romania	1 144	2.20%	-23.8	-31.2
55	60	Banka Sparkasse d.d.	Slovenia	1 103	3.40%	-9.1	-0.745
56	66	Sberbank d.d. (formerly Volksbank d.d.)	Croatia	1 088	9.55%	-18.6	0.115
57	74	Banca Comerciala Carpatica SA	Romania	1 067	22.11%	4.9	-7.4
58	63	CIBANK AD	Bulgaria	1 065	5.73%	5.1	-28.5
59	76	OTP Bank Romania SA	Romania	1 048	23.66%	-16.9	-0.458
60	58	Probanka d.d.	Slovenia	1 029	-10.88%	-51.4	-19.9
61	61	Factor Banka d.d.	Slovenia	1 028	-1.61%	-21.5	1.3
62	64	NLB Tutunska Banka AD	Macedonia	969.3	-3.33%	8.2	10.7
63	71	Allianz Bank Bulgaria AD	Bulgaria	954.7	7.04%	6.6	6.2
64	69	Intesa Sanpaolo Bank Albania Sh.a.	Albania	930.5	0.70%	5.7	17.8
65	73	Vojvodjanska Banka AD	Serbia	917.9	12.49%	-16.7	-11.2
66	79	Sberbank Srbija AD (formerly Volksbank AD)	Serbia	898.6	27.33%	10.8	14.3
67	70	Dezelna Banka Slovenije d.d.	Slovenia	866.8	-2.91%	-7.6	-8.8
68	68	Bulgarian Development Bank AD	Bulgaria	858.7	-10.21%	3.8	3.2
69	75	MKB Unionbank AD	Bulgaria	835.2	-4.55%	-5.2	2.3
70	78	Alpha Bank Srbija AD	Serbia	804.7	7.10%	-25.3	-20.3
71	77	Postna Banka Slovenije d.d.	Slovenia	799.5	-3.21%	0.332	2.5
72	80	Hypo Alpe-Adria-Bank d.d. Mostar	Bosnia and Herzegovina	721.7	-4.54%	-5.7	-20.8
73	88	Banca Comerciala Moldova Agroindbank SA	Moldova	715.5	21.34%	19.0	19.0
74	81	Hypo Alpe-Adria-Bank a.d. Banja Luka	Bosnia and Herzegovina	715.3	-3.38%	4.0	11.9
75	83	Erste Bank AD	Serbia	711.7	11.95%	11.0	7.6
76	87	Investbank AD	Bulgaria	700.7	9.32%	-0.371	-2.6
77	85	Tirana Bank Sh.a.	Albania	700.2	4.66%	-1.5	5.5
78	86	ProCredit Bank Bulgaria AD	Bulgaria	679.6	5.60%	9.7	4.3
79	84	Intesa Sanpaolo Banka d.d.	Bosnia and Herzegovina	677.7	-0.75%	8.0	5.3
80	New	Banka Postanska Stedionica AD Beograd	Serbia	665.7	100.93%	8.0	11.0
81	89	Banka Credins Sh.a.	Albania	657.7	9.94%	4.6	11.9
82	82	Crnogorska Komercijalna Banka A.D.	Montenegro	646.3	-5.74%	-19.0	-19.0
83	94	Banca Comerciala Victoriabank SA	Moldova	632.8	21.11%	13.8	10.8
84	99	Nova Banka a.d. Banja Luka	Bosnia and Herzegovina	619.1	24.46%	5.1	4.5
85	93	ProCredit Bank AD	Serbia	598.2	13.76%	16.1	14.5
86	New	Alpha Bank Albania Sh.a.	Albania	569.1	7.41%	0.282	-4.2
87	92	NLB Razvojna Banka a.d. Banja Luka	Bosnia and Herzegovina	564.9	-2.62%	5.8	5.4
88	95	Credit Agricole Banka Srbija AD	Serbia	562.6	11.96%	0.107	-4.1
89	98	Piraeus Bank AD	Serbia	545.9	13.26%	-11.3	-0.394
90	New	Banca Comerciala Moldindconbank SA	Moldova	536.6	26.55%	10.8	7.4
91	100	Municipal Bank AD	Bulgaria	520.3	8.27%	3.1	-5.8
92	97	NLB Montenegrobanka A.D.	Montenegro	476.2	-9.42%	-49.8	0.301
93	New	UniCredit Banka a.d. Banja Luka	Bosnia and Herzegovina	466.1	29.56%	7.1	4.2
94	New	Sparkasse Bank d.d. Sarajevo	Bosnia and Herzegovina	460.8	15.48%	3.6	1.0
95	New	ING Bank N.V. – Sofia branch	Bulgaria	451.0	37.26%	2.9	2.4
96	New	Banka Societe Generale Albania Sh.a. (formerly Banka Popullore Sh.a.)	Albania	444.5	9.28%	3.0	2.2
97	New	Ohridska Banka AD	Macedonia	438.3	10.71%	2.1	0.572
98	New	International Asset Bank AD	Bulgaria	434.1	18.47%	1.6	1.0
99	New	Kreditna Banka Zagreb d.d.	Croatia	424.4	18.37%	2.1	1.6
100	New	Bulgarian-American Credit Bank AD	Bulgaria	423.0	10.09%	-10.1	-19.4

(*) denotes consolidated figures



The chart illustrates the position of each of the SEE TOP 100 banks in terms of total assets, net profit/loss and total assets per capita for 2012.
The X axis is a measure of 2012 total assets, the Y axis represents net profit/loss and the size of the bubbles corresponds to the total assets per capita.


million euro
200
150
100
50
50
40
30
20
10
0
-10
-20
-30
-40
-50
-50
-100
-150
-200
-250
-300
1,600
4,100
6,600
9,100
11,600
14,100
16,600
million euro
DSK Bank EAD
UniCredit Bulbank AD
Privredna Banka Zagreb d.d.
Banca Intesa AD
Raiffeisenbank (Romania) SA*
Banca Transilvania SA
Zagrebacka Banka d.d.
Raiffeisen Banka AD
Erste & Steiermarkische Bank d.d.
Raiffeisenbank Austria d.d.
Unicredit Bank Srbija AD
Raiffeisen Bank Sh.a.
UniCredit Tiriac Bank SA
Komercijalna Banka AD
Hypo Alpe-Adria-Bank d.d.
Corporate Commercial Bank AD
UniCredit Bank d.d. Mostar
Societe Generale Expressbank AD
Banka Kombetare Tregtare Sh.a. (National Commercial Bank)
Raiffeisen Bank d.d. Sarajevo
OTP Banka Hrvatska d.d.
First Investment Bank AD - Fibank
Societe Generale – Splitska Banka d.d.
Hrvatska Postanska Banka d.d.
CEC Bank SA
Banka Koper d.d.
SKB Banka d.d.
SID – Slovenska Izvozna in Razvojna Banka d.d.
Raiffeisenbank (Bulgaria) EAD
Eurobank EFG Bulgaria AD - Postbank
UniCredit Banka Slovenija d.d.
Central Cooperative Bank AD
Societe Generale Bank Srbija AD
Hypo Alpe-Adria-Bank d.d.
Alpha Bank - Bulgaria Branch
United Bulgarian Bank AD
Banka Celje d.d.
Gorenjska Banka d.d.
Abanka Vipa d.d.
BRD – Groupe Societe Generale SA
Nova Kreditna Banka Maribor d.d.
Banca Comerciala Romana SA
Nova Ljubljanska Banka d.d.
The colours of the bubbles correspond to the country of origin of each bank:
Albania
Bosnia and Herzegovina
Bulgaria
Croatia
Macedonia
Moldova
Montenegro
Romania
Serbia
Slovenia
The size of the bubbles should be read as follows:
7,000 – 3,000
3,000 – 1,000
1,000 – 500
500 – 200
200 – 0

Third win in row for Romania's BCR in TOP 100 banks ranking

by **Ina Ivanova**

Romania's Banca Comerciala Romana (BCR) emerged again as the best-performing lender in terms of assets in the TOP 100 banks ranking for 2012, retaining its number one position for a third consecutive year. Overall, 2012 saw no reshuffle in the top-five and all of them were successful in keeping the positions they had secured the previous year.

Only three banks in the top 10 experienced a decline in assets in 2012, including the leader BCR. On the earnings front all banks but three – BCR, Nova Ljubljanska Banka (NLB) at number three and BRD – Groupe Societe Generale (BRD) at number four – suffered losses in the period.

Around 35% of the banks that made it to the list exited 2012 with a higher profit, against 40% the previous year. The largest net profit in the TOP 100 banks ranking was 117.6 million euro, while the most substantial loss was 304.9 million euro.

The bank that secured the top spot in the league table, BCR, ended 2012 with total assets of 15.926 billion euro, down 4.54% on the year. The lender registered a hefty loss of 274.3 million euro after posting a profit of 56.7 million euro in 2011. Its owner, Austria's Erste Group, put the disappointing result down to the adverse economic environment, the high provisioning requirements that prompted an increase in risk coverage costs and the rise in the unit's non-performing loans coverage ratio to 58.6% as of end-December 2012 versus 50.1% at end-2011.

Croatia's Zagrebacka Banka (ZABA) finished second again, exiting the year with 13.801 billion euro in assets. ZABA was also the lender with the highest net profit among the TOP 100 banks for a third year running, at 117.6 million euros. The result was, however, lower than the profit of 174.7 million euro seen in 2011. The Croatian unit of Italy's UniCredit attributed the solid financial result to its efforts in improving cost and process efficiency and to its success in preserving its credit portfolio quality.

Third from the top in the ranking was NLB, Slovenia's biggest lender. The bank had assets of 11.487 billion euro, down 11.5%, while its net loss widened to 304.9 million euro from 233.2 million euro in 2011. According to NLB, its 2012 performance was chiefly affected by the high volume of impairments and the gap in provisions on non-performing loans that hurt its bottom line. The bank had warned earlier its losses would most likely continue into 2013 because of the high and still rising number of bad loans since the economy collapsed in 2009.

Romanian bank BRD, the local arm of French banking group Societe Generale, retained its fourth place in the ranking with assets of 10.821 billion euro. Croatia's Privredna Banka Zagreb completed the top five, reporting some 9.0 billion euro in assets for 2012.

The TOP 100 banks ranking saw 11 new sector players that mainly filled the bottom places of the chart. The one that made the most impressive entry was Serbia's Banka Postanska Stedionica AD Beograd, which landed the 80th position.

Bulgarian banks dominated the ranking with 21 local lenders making the cut, leaving last year's winner, Romania, third with 11 entries. Slovenia was the runner-up with 17 lenders in the chart, keeping the number of entries it had last year and moving one spot up in the ranking.

Serbia had 16 lenders in the chart, unchanged from 2011. Croatia was represented by 10 banks, followed by Bosnia and Herzegovina with nine. Albania came next with seven entries, or two more than the previous year. Macedonia followed with four lenders against three a year earlier, while Moldova had three versus two in 2011. The number of Montenegro-based banks on the list remained flat at two.

The biggest winner in this year's edition of the TOP 100 banks chart was the Bulgarian branch of Greek lender Alpha Bank, which climbed 37 positions up to the 35th spot. The bank managed to cut its loss to 9.9 million euro from 22.5 million euro a year earlier and its assets more than doubled to 1.89 billion euro in 2012. Two Romanian banks, Banca Comerciala Carpatica and OTP Bank Romania, scored the second-strongest progress in the ranking, each going 17 spots up to the 57th and 59th place, respectively.

There were several lenders that lost some positions in the ranking, but the declines recorded were not that steep. These were Slovenian lenders Abanka Vipa and Probanka, which both lost two spots and dipped to the 18th and 60th place, respectively. Croatian Hypo Alpe-Adria-Bank filled the 13th place after being ranked 11th in 2011 and Serbian Raiffeisen Banka slid two places to the 42nd position.

Methodology

SEE TOP 100 banks is a ranking of the largest banks in Southeast Europe in terms of total assets from non-consolidated balance sheets as of December 31, 2012. To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2012 and 2011, respectively. Local currency figures have been used when calculating year-on-year changes.
All data is sourced from central banks, national commercial registers, financial supervision commissions, bank associations, government and corporate websites, and companies themselves.
The initial pool of companies exceeds 240 banks registered in the region including branches and representative offices of foreign banks.

Competitive advantage in the era of smart

IBM Southeast Europe covers 11 countries. IBM has been investing in SEE countries since 1936. Through its network of business partners, IBM's advanced technologies and know-how support the most important economic processes and industries in SEE, such as banking, privatisation, government, manufactoring, telecommunication and distribution, to name just a few. In an industry characterized by a constant change, IBM's business model is based on innovation, reinvention and shift to higher value.

Michael Paier,
General Manager of IBM Southeast Europe

Do you see any changes in decision making related to technologies at organisations in SEE?

Today IT decisions in Southeast Europe included, are moving from the exclusive competence of the CIO office, through the entire C-suite to the front office, where the range of technology decision makers is becoming increasingly diverse. Executives across the C-Suite acknowledge that they must reorient their businesses and deliver more personalised customer experiences to become more competitive in a digital economy. This personalisation is driven by digital, mobile cloud and social technologies, which are reshaping the way people consume and share information.

Slovenian Railways has adopted an IBM cloud solution to develop a more holistic approach.

How would you describe the importance of the widely discussed phenomenon called Big Data?

Big Data could be a big challenge or a big opportunity. Over the last two years, we've created 90% of world's total data. It floods from all over the place and in all forms: from sensors, cars, RFID networks, mobile devices and social media. That is the complexity we are facing.
It becomes an opportunity once we are able to extract value from this large pool by collecting, processing and analyzing huge volumes of structured and unstructured data in real time to reveal unexpected linkages to get unique insights. This is how Big Data elevates to a new level of a corporate asset.

How should managers outside IT departments look at opportunities brought up by cloud computing?

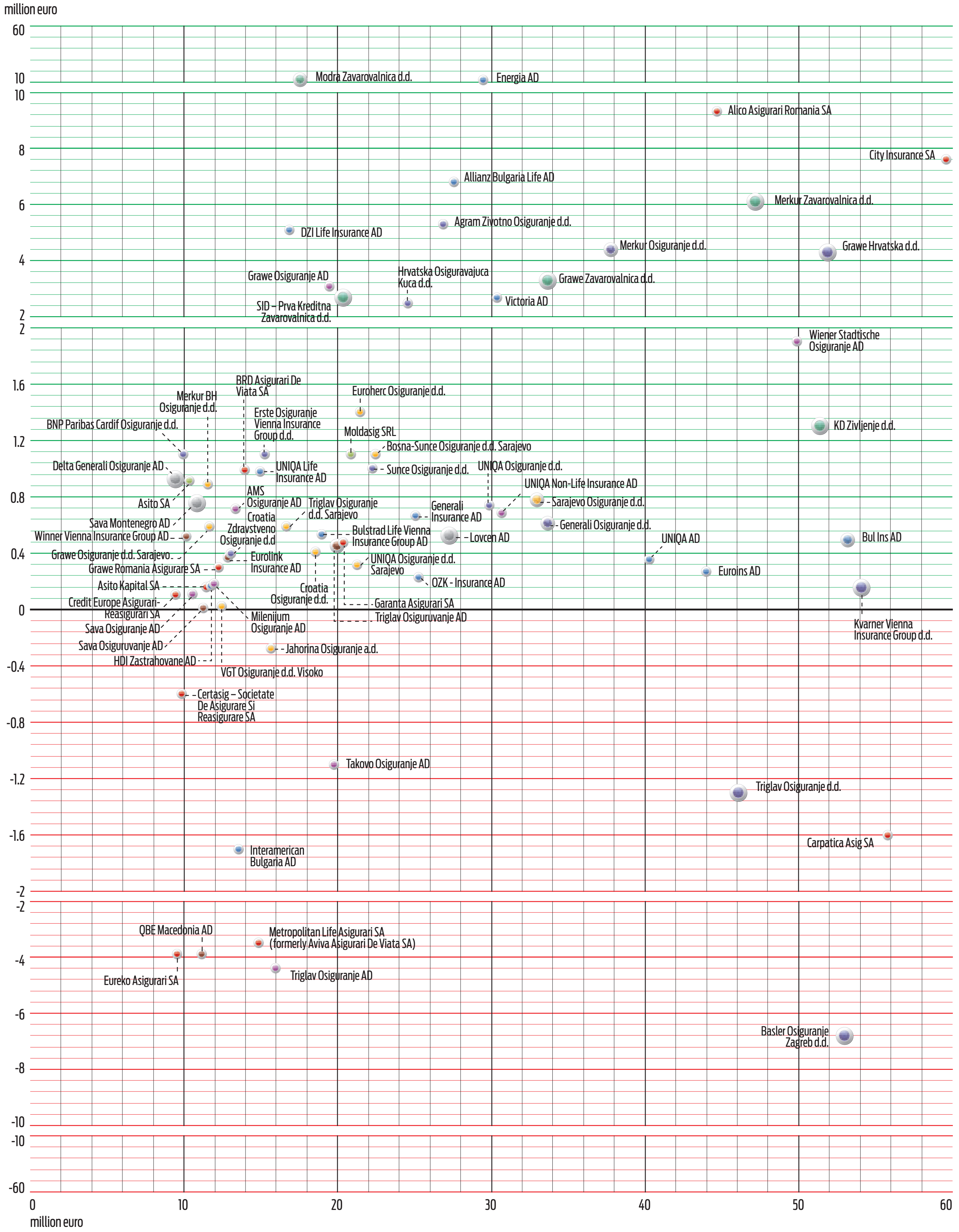
Cloud computing technologies open up new opportunities for personalised engagement and service delivery. Cloud computing is also well prioritised within IBM as one of our growth plays.
What differentiates IBM's offerings is that our solutions are based on the broadest portfolio of systems, software, services and research, combined with a deep industry insight.
In SEE, for example, Slovenian Railways has adopted an IBM cloud solution to get a more holistic view across all of its freight, passenger and logistics operations in order to more effectively maintain and manage the railway traffic across its network. The company is now able to provide better services to customers, shorten waiting times for commuters, reduce train delays and respond faster to customer queries.

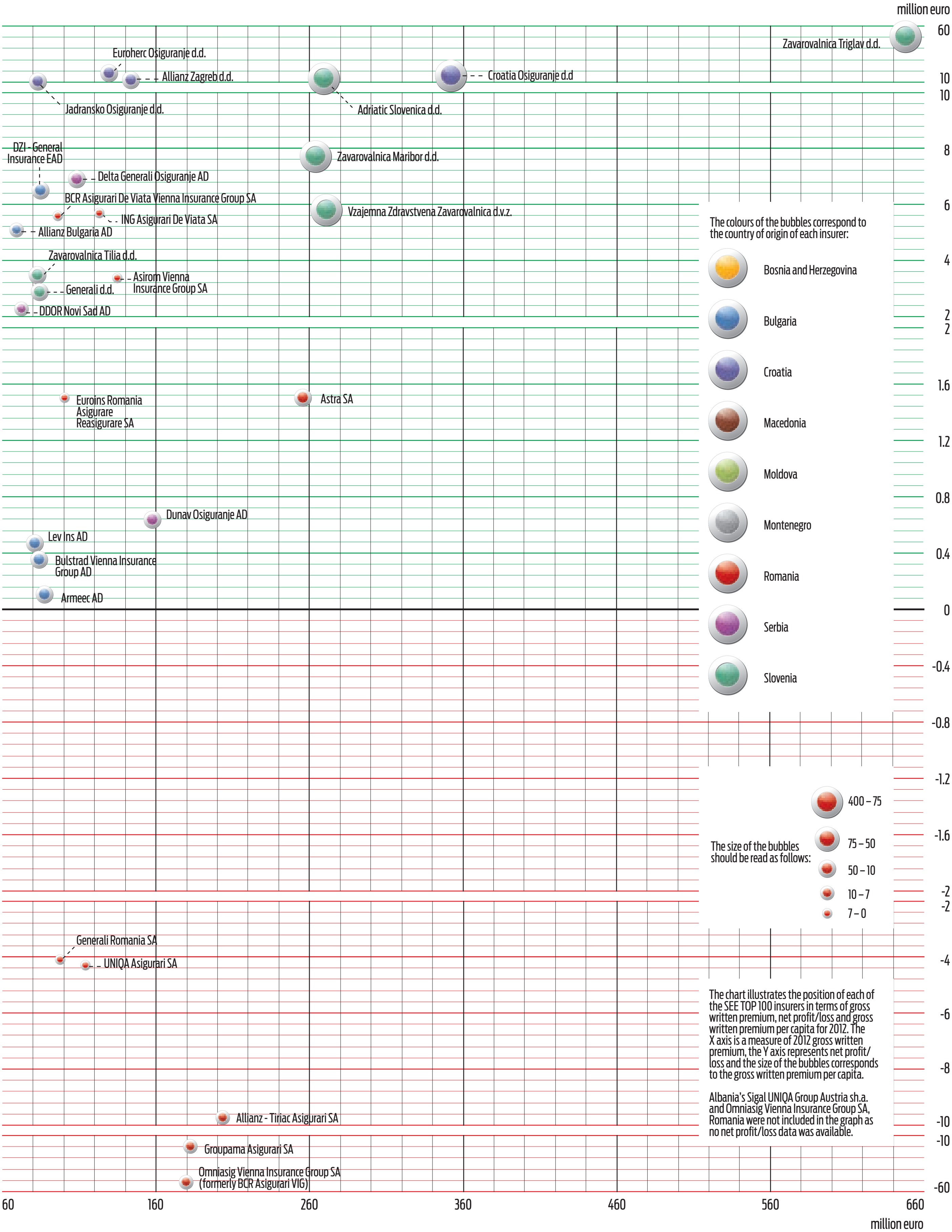
What are the main growth drivers for IBM in Southeast Europe?

A clear growth engine for the region and for its EU member states in particular is the EU funding, which will provide a stable investment flow until 2020. I firmly believe that SEE countries will be able to leverage it and use innovation and advanced information technologies to help organisations and businesses transform, grow and become more competitive. IBM can help here.
What differentiates IBM in this journey, along with our history in the region that spans for more than seven decades, is the fact that IBM combines the broadest portfolio of solutions tailored to the region's key industries and needs. From providing core banking to running data centres or applying analytics, IBM together with its business partners is engaged with companies from the region across its broad portfolio of services and solutions.
With this support, SEE governments and businesses are well positioned to adopt smarter computing approaches to IT that have the potential to spread the benefits far beyond the IT industry to the entire population.

IBM combines the broadest portfolio of solutions tailored to the region's key industries and needs.

TOP 100 insurers





The chart illustrates the position of each of the SEE TOP 100 insurers in terms of gross written premium, net profit/loss and gross written premium per capita for 2012. The X axis is a measure of 2012 gross written premium, the Y axis represents net profit/loss and the size of the bubbles corresponds to the gross written premium per capita.

Albania's Sigal UNIQA Group Austria sh.a. and Omniasig Vienna Insurance Group SA, Romania were not included in the graph as no net profit/loss data was available.

Adriatic Slovenica eyes 15% market share in Slovenia after merger with KD Zivljenje

Gabrijel Škof,
President of the Management Board, Adriatic Slovenica

Adriatic Slovenica is one of the leading Slovenian insurers and the only company in Slovenia to offer a full range of life, non-life, health and pension insurance services. A landmark event in the history of the company was the merger of two insurance companies – Adriatic and Slovenica in 2005, as a result of which Adriatic Slovenica was formed. The company's gross written premium in 2012 totalled almost 270 million euro. Adriatic Slovenica is a member of financial holding KD Group, which is currently being transformed into an insurance holding company centred around Adriatic Slovenica. As part of this process KD Group is merging Adriatic Slovenica with KD Zivljenje (KD Life).

What is the business rationale behind the merger of Adriatic Slovenica and KD Zivljenje?
Both insurance companies are part of KD Group and the merger of the two portfolios is one of the most important steps in implementing the new strategy of the group. By getting stronger in terms of capital, the insurance company will have bigger opportunities for development in the region. Furthermore, we will ensure more successful cross-selling between life and non-life insurance, and will improve business performance by unifying back-office and optimising personnel.

Adriatic Slovenia will retain its focus on the Slovenian market while still exploring the opportunities for expansion in SEE, mainly in new EU member states.

What strategic business goals – especially in terms of regional expansion, is the combined entity eyeing?
KD Group is being reorganised with a goal to become one of the leading insurance holdings in Slovenia and in the Balkans by 2015, with Slovenia as its central market and Adriatic Slovenica as the holding company. We are planning to consolidate the group's insurance business. Available capital will grow and we will have an insurance company with

an annual premium income of 330 million euro and a 15% market share, which means a steady second position in Slovenia.

Elsewhere in the SEE region, we are present in Serbia with a non-life insurance business and in Croatia with life insurance operations. We expect only moderate growth in the companies' premium income due to the economic crisis, which is why we are looking for attractive acquisition targets that will enable portfolio growth.

However, all the while we will remain focused on the Slovenian market which will continue to provide significant leverage for development and a capital base for SEE expansion, focused mainly on new EU countries.

What market conditions did Adriatic Slovenica face on its domestic market in 2012?

Slovenia has been witnessing keen competitive pricing, especially in the field of car insurance, over the past years, and shrunken general consumption as of lately. However, 2012 was successful for Adriatic Slovenica, which reported a net profit 13.2 million euro. Despite the restrictive situation, we increased our market share to 13.2% and achieved 1.3% premium growth, outperforming the market. We saw growth in health, fire and other non-life insurance segments, and steady performance in endowment and term life insurance. Good results were supported by non-life insurance claims figures and investment return.

Could you elaborate on the key drivers behind Adriatic Slovenica's earnings and insurance premiums performance in 2012? What were some of the key market trends that shaped the company's business performance last year?

Some of our key advantages are the wide variety of modern insurance we offer, our branch sales force with 372 points of sale across the country and rapid development of new sales channels such as direct marketing, call centre, on-line selling and selling through smartphone applications. Currently, we are focusing on the development of special offers for specific target groups. We are building up relations with insured persons and improving claims handling services. We have also set up an online claims portal.

We are facing growing competition in car insurance and other non-life insurance segments. Another notable trend is the growth of online insurance.

330 mln euro

Available capital will grow and we will have an insurance company with an annual premium income of 330 million euro and a 15% market share, which means a steady second position in Slovenia.

What is your view of how the insurance industry in Slovenia on the whole fared in 2012 and what were some of the main factors that set the tone for its performance in 2013?

Though the Slovenian market weathered the crisis well, its impact on the insurance market will be seen in the 2013 financial results. In 2012, the insurance companies maintained their share of the country's gross domestic product at 5.8%, unchanged for the last few years. However, these companies represent the most successful part of the financial sector, with a total premium income exceeding 2.0 billion euro. The stagnation of the Slovenian insurance market is the result of the economic crisis and competitive pricing, and their effect will persist in 2013.

KD Group is being reorganised with a goal to become one of the leading insurance holdings in Slovenia and in the Balkans by 2015, with Slovenia as its central market and Adriatic Slovenica as the holding company.

How did the life/non-life segments in Slovenia perform in 2012 and what is the near-term outlook for their development? Which of the two segments offers better growth potential?

In 2012, life insurance premiums (pensions excluded) decreased by almost 5.0%. In 2012, premium income in non-life insurance slightly increased, by 0.3%.

In the short term, no insurance segment is expected to post growth. Recent legislative amendments, however, have opened up opportunities in pension insurance. Health insurance too holds untapped potential. Consumers, though, are becoming more demanding. They will only buy insurance they really need. Therefore, insurers will be paying increasingly attention to sales channels.

What do you perceive to be the biggest risk to insurance growth in Slovenia going forward?

Further growth of the Slovenian insurance market is contingent on the revitalisation of the entire economy and, above all, the banking sector. An important leverage for growth should be a proactive and development-oriented government policy. The implementation of the new pension programmes requires the urgent adoption of certain statutory acts. Debate on the need for reforms in health care and health insurance has been on the agenda for years in Slovenia. If complementary health insurance was abolished, this would threaten the development of the insurance sector and endanger financing of the entire health care. On the other hand, the compulsory contract-based health insurance proposed by the insurance companies would bring long-term stable financing of health care. Demographic and environmental change too will have an impact on the sector, our insurance company including, but we see them as a challenge we are already adjusting to.

TOP 100 insurers

in millions of euro

2012	2011	Company name	Country	Gross written premium 2012	Y/Y change in GWP	Net profit/loss 2012	Net profit/loss 2011
1	1	Zavarovalnica Triglav d.d.	Slovenia	647.6	-7.05%	50.4	43.8
2	2	Croatia Osiguranje d.d.	Croatia	351.9	-2.61%	15.7	10.4
3	New	Vzajemna Zdravstvena Zavarovalnica d.v.z.	Slovenia	270.9	8.76%	5.8	2.4
4	3	Adriatic Slovenica d.d.	Slovenia	269.2	1.32%	13.2	17.7
5	4	Zavarovalnica Maribor d.d.	Slovenia	263.9	0.25%	7.7	10.6
6	5	Astra SA	Romania	255.5	12.20%	1.5	18.8
7	6	Allianz – Tiriac Asigurari SA	Romania	203.3	0.20%	-9.7	5.7
8	8	Groupama Asigurari SA	Romania	182.2	13.95%	-19.8	-23.7
9	15	Omniasig Vienna Insurance Group SA (formerly BCR Asigurari VIG)	Romania	179.5	80.26%	-51.5	0.320
10	9	Dunav Osiguranje AD	Serbia	157.6	15.80%	0.635	2.6
11	11	Allianz Zagreb d.d.	Croatia	143.6	6.48%	12.0	12.4
12	10	Asirom Vienna Insurance Group SA	Romania	134.7	-5.02%	3.4	1.7
13	12	Euroherc Osiguranje d.d.	Croatia	129.4	-2.39%	18.1	24.4
14	13	ING Asigurari De Viata SA	Romania	123.0	-1.79%	5.7	3.4
15	17	UNIQA Asigurari SA	Romania	114.0	31.71%	-4.3	-16.9
16	14	Delta Generali Osiguranje AD	Serbia	108.4	12.88%	6.9	5.0
17	28	Euroins Romania Asigurare Reasigurare SA	Romania	100.4	52.16%	1.5	-8.5
18	32	Generali Romania SA	Romania	97.5	85.54%	-4.1	-19.3
19	22	BCR Asigurari De Viata Vienna Insurance Group SA	Romania	96.0	23.37%	5.6	4.5
20	21	Armeec AD	Bulgaria	87.4	5.66%	0.105	0.460
21	18	DZI – General Insurance EAD	Bulgaria	84.8	-1.68%	6.5	6.4
22	20	Generali d.d.	Slovenia	84.2	0.98%	2.9	2.2
23	24	Bulstrad Vienna Insurance Group AD	Bulgaria	83.9	13.08%	0.352	0.195
24	19	Jadransko Osiguranje d.d.	Croatia	83.1	-2.02%	10.7	12.5
25	23	Zavarovalnica Tilia d.d.	Slovenia	82.8	4.59%	3.5	2.3
26	25	Lev Ins AD	Bulgaria	81.1	10.56%	0.468	5.4
27	16	DDOR Novi Sad AD	Serbia	72.4	-16.74%	2.3	2.0
28	26	Allianz Bulgaria AD	Bulgaria	69.2	-4.76%	5.1	6.1
29	39	City Insurance SA	Romania	59.6	32.01%	7.6	4.0
30	38	Carpatica Asig SA	Romania	55.8	23.74%	-1.6	-1.1
31	30	Kvarner Vienna Insurance Group d.d.	Croatia	54.1	-6.75%	0.154	-12.2
32	27	Bul Ins AD	Bulgaria	53.2	-24.93%	0.492	0.934
33	31	Basler Osiguranje Zagreb d.d.	Croatia	53.0	-2.59%	-6.8	-14.6
34	7	Omniasig Vienna Insurance Group SA*	Romania	52.5	-69.49%	N/A	-42.0
35	34	Grawe Hrvatska d.d.	Croatia	51.9	-0.25%	4.3	4.2
36	29	KD Zivljenje d.d.	Slovenia	51.4	-17.90%	1.3	1.1
37	35	Wiener Stadtische Osiguranje AD	Serbia	49.9	10.26%	1.9	1.6
38	37	Merkur Zavarovalnica d.d.	Slovenia	47.2	-0.71%	6.1	4.3
39	33	Triglav Osiguranje d.d.	Croatia	46.1	-12.15%	-1.3	0.091
40	36	Alico Asigurari Romania SA	Romania	44.7	-4.39%	9.3	17.1
41	42	Euroins AD	Bulgaria	44.0	12.54%	0.268	0.248
42	41	UNIQA AD	Bulgaria	40.3	-0.09%	0.354	-2.5
43	43	Merkur Osiguranje d.d.	Croatia	37.8	0.18%	4.4	3.4
44	40	Generali Osiguranje d.d.	Croatia	33.7	-21.35%	0.611	0.349
45	44	Grawe Zavarovalnica d.d.	Slovenia	33.7	-1.98%	3.3	3.5
46	45	Sarajevo Osiguranje d.d.	Bosnia and Herzegovina	33.0	3.50%	0.777	0.878
47	48	UNIQA Non-Life Insurance AD	Serbia	30.7	15.41%	0.684	-2.8
48	50	Victoria AD	Bulgaria	30.4	7.06%	2.7	0.591
49	46	UNIQA Osiguranje d.d.	Croatia	29.9	-1.04%	0.738	0.167
50	49	Energia AD	Bulgaria	29.5	2.52%	12.0	12.1

TOP 100 insurers

in millions of euro

2012	2011	Company name	Country	Gross written premium 2012	Y/Y change in GWP	Net profit/loss 2012	Net profit/loss 2011
51	53	Allianz Bulgaria Life AD	Bulgaria	27.6	6.95%	6.8	5.3
52	47	Lovcen AD	Montenegro	27.3	-7.20%	0.523	0.517
53	52	Agram Zivotno Osiguranje d.d.	Croatia	26.9	1.27%	5.3	7.0
54	72	OZK – Insurance AD	Bulgaria	25.3	50.93%	0.228	0.029
55	51	Generali Insurance AD	Bulgaria	25.1	-10.62%	0.664	0.161
56	54	Hrvatska Osiguravajuca Kuca d.d.	Croatia	24.6	5.12%	2.5	1.7
57	57	Bosna-Sunce Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	22.5	0.91%	1.1	0.052
58	56	Sunce Osiguranje d.d.	Croatia	22.3	-2.53%	1.0	1.3
59	61	Euroherc Osiguranje d.d.	Bosnia and Herzegovina	21.5	3.68%	1.4	1.3
60	62	UNIQA Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	21.3	4.39%	0.316	0.138
61	68	Moldasig SRL	Moldova	20.9	18.60%	1.1	3.0
62	67	Garanta Asigurari SA	Romania	20.4	11.22%	0.474	0.230
63	59	SID – Prva Kreditna Zavarovalnica d.d.	Slovenia	20.4	-3.12%	2.7	5.6
64	64	Triglav Osiguruvanje AD	Macedonia	20.0	-0.76%	0.450	0.351
65	58	Takovo Osiguranje AD	Serbia	19.8	-2.83%	-1.1	0.068
66	66	Grawe Osiguranje AD	Serbia	19.5	10.64%	3.1	1.6
67	75	Bulstrad Life Vienna Insurance Group AD	Bulgaria	19.0	30.06%	0.532	0.325
68	65	Croatia Osiguranje d.d.	Bosnia and Herzegovina	18.6	-4.36%	0.408	0.270
69	New	Modra Zavarovalnica d.d.	Slovenia	17.6	1060.51%	12.3	0.443
70	60	Sigal UNIQA Group Austria sh.a.	Albania	17.5	2.38%	N/A	N/A
71	New	DZI Life Insurance AD	Bulgaria	16.9	-5.10%	5.1	2.7
72	74	Triglav Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	16.7	6.43%	0.588	0.764
73	63	Triglav Osiguranje AD	Serbia	16.0	-14.46%	-4.4	-2.5
74	85	Jahorina Osiguranje a.d.	Bosnia and Herzegovina	15.7	25.83%	-0.276	0.263
75	76	Erste Osiguranje Vienna Insurance Group d.d.	Croatia	15.3	10.92%	1.1	0.667
76	78	UNIQA Life Insurance AD	Bulgaria	15.0	11.92%	0.977	0.049
77	71	Metropolitan Life Asigurari SA (formerly Aviva Asigurari De Viata SA)	Romania	14.9	-10.08%	-3.5	-1.5
78	New	BRD Asigurari De Viata SA	Romania	14.0	39.95%	0.989	-0.183
79	69	Interamerican Bulgaria AD	Bulgaria	13.6	-24.55%	-1.7	-6.3
80	77	AMS Osiguranje AD	Serbia	13.4	6.12%	0.713	0.725
81	80	Croatia Zdravstveno Osiguranje d.d.	Croatia	13.1	1.52%	0.396	0.420
82	83	Eurolink Insurance AD	Macedonia	12.9	2.45%	0.369	0.153
83	82	VGT Osiguranje d.d. Visoko	Bosnia and Herzegovina	12.5	-0.40%	0.022	0.136
84	81	Grawe Romania Asigurare SA	Romania	12.3	-0.96%	0.298	0.716
85	89	Milenijum Osiguranje AD	Serbia	12.0	12.84%	0.182	0.063
86	88	HDI Zastrahovane AD	Bulgaria	11.8	0.47%	0.167	0.142
87	94	Grawe Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	11.7	14.18%	0.587	0.677
88	91	Merkur BH Osiguranje d.d.	Bosnia and Herzegovina	11.6	7.04%	0.887	0.816
89	79	Asito Kapital SA	Romania	11.5	-10.95%	0.158	0.269
90	84	Sava Osiguruvanje AD	Macedonia	11.3	-9.82%	0.010	-2.5
91	86	QBE Macedonia AD	Macedonia	11.2	-8.30%	-3.9	-1.2
92	93	Sava Montenegro AD	Montenegro	10.9	5.17%	0.753	0.106
93	87	Sava Osiguranje AD	Serbia	10.6	-2.11%	0.109	0.170
94	92	Asito SA	Moldova	10.4	6.22%	0.912	0.346
95	New	Winner Vienna Insurance Group AD	Macedonia	10.2	18.61%	0.518	0.328
96	99	BNP Paribas Cardif Osiguranje d.d.	Croatia	10.0	10.82%	1.1	0.538
97	New	Certasig – Societate De Asigurare Si Reasigurare SA	Romania	9.9	47.06%	-0.598	0.396
98	97	Eureko Asigurari SA	Romania	9.6	0.99%	-3.9	-1.3
99	New	Delta Generali Osiguranje AD	Montenegro	9.5	32.65%	0.923	0.470
100	New	Credit Europe Asigurari-Reasigurari SA	Romania	9.5	21.94%	0.105	0.340

*Figures for the period between January and April 2012, before the company's take-over by BCR Asigurari VIG.

SEE insurers send off 2012 with glimmer of hope

By **Emiliya Atanasova**

2012 was not a year Europe would want to remember, at least when it comes to matters of economy. Rising unemployment, persistent sovereign debt problems in the eurozone and public backlash against austerity programmes: these were some of the problems the European Union had to wrestle with.
Against that dismal backdrop, the performance of SEE's TOP 100 insurers in 2012 is something of a feat. Judging by the overall figures, insurance companies may have finally glimpsed the proverbial light at the end of the tunnel given expectations for a return to GDP growth (albeit very modest) in the region.

A look at the 2012 results provides ground for optimism. After sliding to 6.05 billion euro in 2011, the combined amount of gross written premiums (GWP) went up to 6.33 billion euro last year. Moreover, the number of unprofitable companies on the TOP 100 list inched down from 17 to 16 (full-year data was not available for two companies in 2012 and three in 2011).
Modra Zavarovalnica d.d. merits special mention for its GWP growth, which stood at a mightily impressive 1,060.51%. This achievement resulted in GWP of 17.6 million euro and granted the Slovenian company entry into the TOP 100 club, placing it at number 69. At the other end of the spectrum was Romania's Omniasig Vienna Insurance Group SA, whose GWP plunged by 69.49% to 52.5 million euro. As a result, it finished at number 34 on the list as opposed to seventh in the 2011 ranking. It should be noted, however, that the company was acquired by BCR Asigurari VIG and its results cover only the January-April period of 2012. Overall, 39 insurers wrapped up 2012 with lower GWP, while 44 suffered declines in 2011.
Slovenia's Zavarovalnica Triglav d.d. refuses to let go of the SEE insurance crown, holding firmly to the top spot for yet another year. SeeNews published its first insurer league table in 2010 and Zavarovalnica Triglav has always finished way ahead of the competition. In 2012, the company recorded yet another slide in GWP, which fell by 7.05% to 647.6 million euro. Nevertheless, the amount was far greater than the number featuring next to the name of perennial number two: Croatia Osiguranje d.d. In 2012, it delivered GWP of 351.9 million euro. In an interesting turn of events, the third place was occupied by a new chart entrant: Vzajemna Zdravstvena Zavarovalnica d.v.z. of Slovenia stormed in with GWP of 270.9 million euro. The former occupant of that slot, Adriatic Slovenica d.d., slid to number four but it was still a win for Slovenia. The country ended with four representatives on the top ten list, compared to three in 2011, including fourth-ranked Zavarovalnica Maribor d.d. Romania had the same number of representatives but the country did better in 2011, when it had five. In 2012, positions six to nine were occupied by Romanian insurers Astra SA, Allianz – Tiriac Asigurari SA, Groupama Asigurari SA and Omniasig Vienna Insurance Group SA (former BCR Asigurari VIG). The tenth place went to a Serbian company, Dunav Osiguranje AD.
Not surprisingly, the most profitable SEE insurer in 2012 was Zavarovalnica Triglav. The company exited the year with a net profit of 50.4 million euro compared to 43.8 million euro in 2011. The former BCR Asigurari VIG rose from number 15 to number nine thanks to an 80.26% surge in GWP but it was a whole different story on the profit front. The Romanian company posted the biggest net loss, recording a deficit of 51.5 million euro. A year earlier, it had delivered 320,000 euro in net profit.
The TOP 100 club of SEE insurers welcomed eight newcomers in 2012. In addition to the two Slovenian companies already mentioned, the doors opened before BRD Asigurari De Viata SA, Certasig – Societate De Asigurare Si Reasigurare SA and Credit Europe Asigurari-Reasigurari SA of Romania (ranked 78th, 97th and 100th respectively); Bulgaria's DZI Life Insurance AD (71st); Winner Vienna Insurance Group AD of Macedonia (95th) and Montenegrin Delta Generali Osiguranje AD (99th).
In 2011, Bulgaria managed to overtake Romania as the SEE country with the highest number of representatives on the TOP 100 list. However, Romania snatched back the title in 2012 as the number of its insurers rose to 22 from 20 a year earlier. In contrast, Bulgaria's contribution amounted to 18 names versus 21 in the 2011 chart. Slovenia and Montenegro were winners in that respect: the list featured 11 Slovenian names compared to nine previously, while the number of Montenegrin representatives rose from two to three. Croatia did worse, placing 17 companies in the chart as opposed to 19 in 2011. The rest of the countries maintained their share steady: Serbia with 11 names, Bosnia and Herzegovina with ten, Macedonia with five, Moldova with two and Albania with one.

Methodology

SEE TOP 100 insurers is a ranking of the largest insurers (excluding re-insurers) in Southeast Europe in terms of gross written premium from non-consolidated income statements for 2012.
To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2012 and 2011, respectively. Local currency figures have been used when calculating year-on-year changes.
All data is sourced from central banks, national commercial registers, financial supervision commissions, insurance associations, government and corporate websites, and companies themselves.
The initial pool of companies exceeds 250 insurers.

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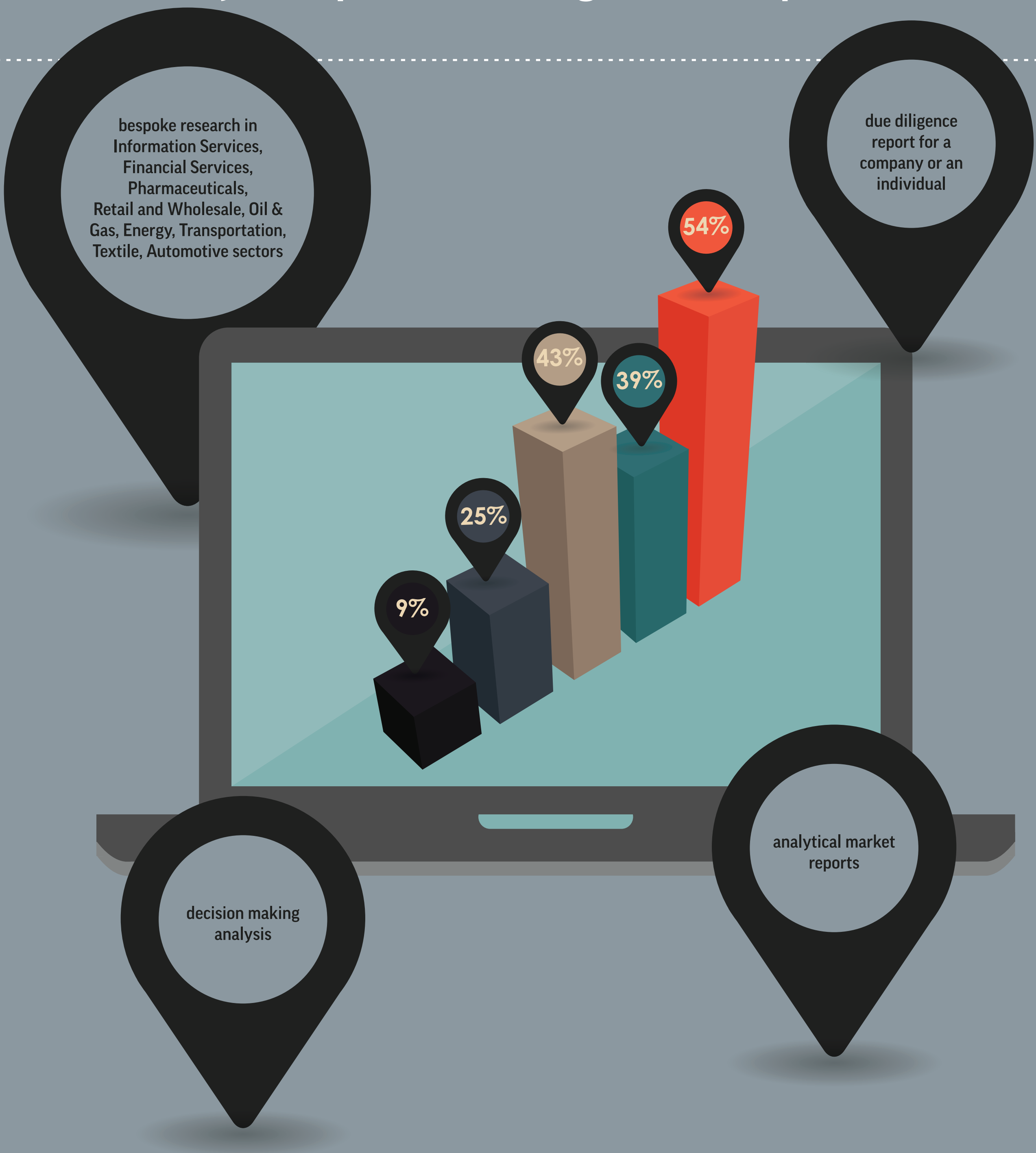

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Slovenian companies again lead in SEE TOP 100 per capita

By **Tanya Ivanova**

Slovenia, a country of just over 2 million people, continues to show the best performance in the SEE TOP 100 per capita ranking with Slovenian companies dominating the top positions. As many as 40 firms entered the 2012 list, the same number as a year earlier.

Slovenian fuel retailer Petrol ranked first for the fifth consecutive year with revenue per capita of 1,634 euro in 2012 compared with 1,430 euro in 2011. The company took the fifth place in the SEE TOP 100 companies ranking in 2012.
State-owned power generation company Holding Slovenske Elektrarne climbed to second from fourth position with revenue per capita rising to 979.4 euro from 682.3 euro.

Croatia, a country of over four million people, is the second best performer in the SEE TOP 100 per capita with 16 companies on the list. Oil company INA still ranks third despite its revenue per capita slipped to 805.2 euro from 805.9 euro.
Croatia's second-best performing company is power producer and distributor Hrvatska Elektroprivreda, which advanced by two positions to the 10th place. Its revenue per capita grew to 406.4 euro from 386.6 euro.

Bulgaria has nine companies in the SEE TOP 100 per capita list, of which Lukoil Neftochim Burgas showed the best result with revenue per capita of 597.7 euro in 2012 against 485.8 euro in 2011. The company ranked sixth in terms of revenue per capita and second in the TOP 100 companies chart.
The second best Bulgarian performer was Aurubis Bulgaria, which ranked 16th with revenue per capita of 314.8 euro.
Montenegro and Macedonia have seven companies in the chart each, followed by Serbia and Bosnia and Herzegovina with six firms each.
Montenegro's best performer, power company Elektroprivreda Crne

No.	SEE TOP 100 №.	Company name	Country	Per capita 2012	Per capita 2011
1	5	Petrol d.d.	Slovenia	1 634	1 430
2	10	Holding Slovenske Elektrarne d.o.o.	Slovenia	979.4	682.3
3	3	INA d.d.	Croatia	805.2	805.9
4	17	GEN-I d.o.o.	Slovenia	756.5	494.7
5	20	Poslovni Sistem Mercator d.d.	Slovenia	724.9	800.0
6	2	Lukoil Neftochim Burgas AD	Bulgaria	597.7	485.8
7	26	Krka d.d.	Slovenia	530.9	488.2
8	36	Revoz d.d.	Slovenia	460.0	567.5
9	199	Elektroprivreda Crne Gore A.D.	Montenegro	426.6	426.3
10	13	Hrvatska Elektroprivreda d.d.	Croatia	406.4	386.6
11	14	Konzum d.d.	Croatia	399.4	395.7
12	42	OMV Slovenija d.o.o.	Slovenia	398.5	346.4
13	48	Gorenje d.d.	Slovenia	353.5	347.3
14	49	Lek d.d.	Slovenia	349.5	319.8
15	53	Telekom Slovenije d.d.	Slovenia	339.5	365.4
16	8	Aurubis Bulgaria AD	Bulgaria	314.8	343.0
17	309	Jugopetrol AD	Montenegro	303.4	292.2
18	9	Naftna Industrija Srbije AD	Serbia	296.9	271.2
19	63	Okta AD	Macedonia	290.2	323.0
20	75	IMPOL d.o.o.	Slovenia	262.3	284.9
21	12	Lukoil-Bulgaria EOOD	Bulgaria	260.9	251.4
22	84	Elektro Energija d.o.o.	Slovenia	244.2	183.1
23	83	Johnson Matthey DOOEL	Macedonia	235.7	193.1
24	91	Geoplin d.o.o.	Slovenia	232.8	192.4
25	411	Kombinat Aluminijuma Podgorica A.D.	Montenegro	229.1	288.5
26	16	Natsionalna Elektricheska Kompania EAD	Bulgaria	227.0	235.3
27	31	Prirodni Plin d.o.o.	Croatia	222.7	204.8
28	1	OMV Petrom SA	Romania	216.6	187.2
29	33	Hrvatski Telekom d.d.	Croatia	213.9	229.3
30	114	EVN Elektrostopanstvo na Makedonija AD	Macedonia	198.2	178.7
31	123	CIMOS d.d.	Slovenia	195.5	207.5
32	116	Makpetrol AD	Macedonia	193.4	196.1
33	505	Crnogorski Telekom A.D.	Montenegro	178.3	181.4
34	54	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	171.4	150.9
35	24	JP Elektroprivreda Srbije	Serbia	165.1	172.6
36	168	BSH Hisni aparati d.o.o.	Slovenia	158.7	169.0
37	169	Druzba za Avtoceste v Republiki Sloveniji d.d.	Slovenia	158.1	168.3
38	4	OMV Petrom Marketing SRL	Romania	156.9	145.4
39	184	Talum d.d.	Slovenia	145.2	146.6
40	6	Rompetrol Rafinare SA	Romania	143.0	124.7
41	194	Tobacna Grosist d.o.o.	Slovenia	142.6	141.2
42	198	Porsche Slovenija d.o.o.	Slovenia	141.0	156.1
43	32	Bulgargaz EAD	Bulgaria	136.8	118.5
44	207	Kemofarmacija d.d.	Slovenia	134.6	140.6
45	64	HEP-Proizvodnja d.o.o.	Croatia	134.2	121.2
46	7	Automobile-Dacia SA	Romania	133.8	142.0
47	212	Termoelektrarna Sostanj d.o.o.	Slovenia	132.3	122.1
48	216	Merkur d.d.	Slovenia	129.7	158.2
49	209	Elektrani na Makedonija AD	Macedonia	127.4	131.2
50	69	OMV Hrvatska d.o.o.	Croatia	126.6	137.8
51	643	Roksped D.O.O.	Montenegro	126.6	127.5
52	37	OMV Bulgaria OOD	Bulgaria	126.4	132.7

in euro

No.	SEE TOP 100 №.	Company name	Country	Per capita 2012	Per capita 2011
53	124	Bankers Petroleum Albania Ltd.	Albania	126.1	91.6
54	70	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	125.6	118.6
55	238	Hella Saturnus Slovenija d.o.o.	Slovenia	122.4	132.8
56	87	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	122.1	105.9
57	658	Telenor D.O.O.	Montenegro	120.9	122.2
58	39	Telekom Srbija AD	Serbia	118.7	128.9
59	253	MOL Slovenija d.o.o.	Slovenia	117.7	84.1
60	259	Posta Slovenije d.o.o.	Slovenia	115.8	120.5
61	670	Montenegro Airlines A.D.	Montenegro	113.9	115.8
62	78	Zagrebacki Holding d.o.o.	Croatia	113.8	111.6
63	153	Kastrati Sh.a.	Albania	113.2	49.1
64	265	Shell Adria d.o.o.	Slovenia	113.0	96.5
65	269	Helios d.o.o.	Slovenia	110.7	108.6
66	267	Feni Industry AD	Macedonia	107.2	108.6
67	43	Overgas Inc. AD	Bulgaria	106.8	87.1
68	284	Goodyear Dunlop Sava Tires d.o.o. (formerly Sava Tires d.o.o.)	Slovenia	105.1	121.3
69	286	Eni Slovenija d.o.o. (formerly Agip Slovenija d.o.o.)	Slovenia	104.1	75.2
70	313	Interenergo d.o.o.	Slovenia	99.1	103.5
71	50	Naftex Petrol EOOD	Bulgaria	99.1	97.6
72	97	Brodosplit – Brodogradiliste d.o.o.	Croatia	99.0	104.1
73	100	Pliva Hrvatska d.o.o.	Croatia	98.2	81.8
74	51	CEZ Elektro Bulgaria AD	Bulgaria	98.0	89.7
75	316	SIMobil d.d.	Slovenia	98.0	94.9
76	104	Tisak d.d.	Croatia	97.8	96.2
77	319	GEN Energija d.o.o.	Slovenia	97.6	93.4
78	145	Moldovagaz SA	Moldova	97.5	80.7
79	47	JP Srbijagas	Serbia	97.1	121.0
80	326	Renault Nissan Slovenija d.o.o.	Slovenia	95.7	105.1
81	135	Arcelormittal d.o.o. Zenica	Bosnia and Herzegovina	95.3	73.9
82	327	Nuklearna Elektrarna Krsko d.o.o.	Slovenia	95.2	100.0
83	193	CEZ Shperndarje Sh.a. (formerly Operatori i Sistemit te Shperndarjes (OSSH) Sh.a.)	Albania	95.1	116.8
84	110	Plodine d.d.	Croatia	94.4	88.4
85	331	Letrika d.d. (formerly Iskra Avtoelektrika d.d.)	Slovenia	94.3	99.5
86	322	Makedonski Telekom AD	Macedonia	92.2	94.9
87	55	Delhaize Serbia DOO	Serbia	90.9	93.0
88	345	Droga Kolinska d.d.	Slovenia	89.7	83.1
89	118	Petrokemija d.d.	Croatia	89.6	88.0
90	120	VIPNet d.o.o.	Croatia	88.9	92.9
91	354	Cinkarna d.d.	Slovenia	87.8	93.0
92	355	Salus d.d.	Slovenia	87.6	103.0
93	61	Termoelektrane Nikola Tesla DOO	Serbia	85.6	104.6
94	11	Rompetrol Downstream SRL	Romania	84.7	81.0
95	130	Vindija d.d.	Croatia	83.1	82.8
96	170	Konzum DOO	Bosnia and Herzegovina	80.6	65.1
97	171	BH Telecom d.d.	Bosnia and Herzegovina	80.6	68.4
98	385	UNIOR Kovaska Industrija d.d.	Slovenia	80.3	82.7
99	173	HOLDINA d.o.o. Sarajevo	Bosnia and Herzegovina	79.2	39.5
100	392	Kovintrade d.d.	Slovenia	78.5	84.6

Gore, ranked ninth with revenue per capita of 426.6 euro versus 426.3 euro a year earlier.

Oil refinery Okta showed the best performance among Macedonian companies. It is 19th on the list with revenue per capita of 290.2 euro in 2012 compared with 323 euro in 2011.

Just one place ahead of Okta was Serbia's best player, oil and gas firm Naftna Industrija Srbije. Its revenue per capita rose to 296.9 euro in 2012 from 271.2 euro in 2011.

Bosnia's top performer, oil company Optima Grupa, occupied the 34th place. Its revenue per capita grew to 171.4 euro in 2012 from 150.9 euro in 2011.

Five companies from Romania entered the 2012 revenue-per-capita ranking. Oil and gas group OMV Petrom, which is the leader in the SEE TOP 100 companies ranking, is 28th in terms of revenue per capita. The company went up by three positions after its revenue per capita increased to 216.6 euro from 187.2 euro.
Albania had three representatives in the ranking with Bankers Petroleum showing the best result among them. The firm ranked 53rd with revenue per capita of 126.1 euro.

Only one company from Moldova found a place on the latest SEE TOP 100 per capita list. Gas utility Moldovagaz SA took the 78th position with revenue per capita of 97.5 euro.

Methodology

TOP 100 per capita is a ranking based on the same pool of 1,200 companies as in TOP 100 companies. The ranking is compiled by dividing the total revenue in euro of each company by the population estimate in the country of registration. This benchmark indicates the importance of individual companies for the local economies.

SEE listed companies

in millions of euro

2012	2011	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2012	Y/Y change
1	3	OMV Petrom SA	Romania	BVB	SNP	5 475	43.99%
2	2	INA-Industrija Nafte d.d.	Croatia	ZSE	INA-R-A	5 196	2.98%
3	4	Hrvatski Telekom d.d.	Croatia	ZSE	HT-R-A	2 140	-18.68%
4	5	Krka d.d.	Slovenia	LSE	KRKG	1 771	-5.48%
5	8	Fondul Proprietatea SA	Romania	BVB	FP	1 710	25.52%
6	7	Zagrebacka Banka d.d.	Croatia	ZSE	ZABA-R-A	1 595	-7.55%
7	9	Privredna Banka Zagreb d.d.	Croatia	ZSE	PBZ-R-A	1 289	7.15%
8	6	BRD – Groupe Societe Generale SA	Romania	BVB	BRD	1 276	-26.14%
9	11	Naftna Industrija Srbije A.D.	Serbia	BELEX	NIIS	1 059	11.94%
10	12	Makedonski Telekom AD	Macedonia	MSE	TEL	810.3	0.01%
11	13	Crnogorska Komercijalna Banka A.D.	Montenegro	MNSE	CKBP	734.5	6.73%
12	21	Telekom Slovenije d.d.	Slovenia	LSE	TLSG	624.5	51.71%
13	16	BH Telecom d.d.	Bosnia and Herzegovina	SASE	BHTSR	607.1	2.39%
14	15	S.N.T.G.N. Transgaz SA	Romania	BVB	TGN	579.6	-4.80%
15	24	Banca Transilvania SA	Romania	BVB	TLV	545.7	50.35%
16	27	Petrol d.d.	Slovenia	LSE	PETG	493.2	52.42%
17	19	Konzum d.d.	Croatia	ZSE	KNZM-R-A	433.2	-12.36%
18	17	Poslovni Sistem Mercator d.d.	Slovenia	LSE	MELR	429.3	-22.45%
19	14	Bulgarian Telecommunication Company AD	Bulgaria	BSE	5BT	391.3	-39.77%
20	23	Telekom Srpske a.d. Banja Luka	Bosnia and Herzegovina	BLSE	TLKM-R-A	386.9	5.48%
21	34	Zavarovalnica Triglav d.d.	Slovenia	LSE	ZVTG	375.1	65.00%
22	29	Adris Grupa d.d.	Croatia	ZSE	ADRS-R-A	363.2	18.51%
23	20	Petrol AD	Bulgaria	BSE	5PET	363.1	-18.34%
24	31	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	SASE	JPESR	350.7	22.31%
25	18	Alro SA	Romania	BVB	ALR	322.3	-39.98%
26	22	Rompetrol Rafinare SA	Romania	BVB	RRC	313.7	-19.78%
27	26	Elektorprivreda Crne Gore A.D.	Montenegro	MNSE	EPCG	310.9	-8.15%
28	65	Bulgartabac Holding AD	Bulgaria	BSE	57B	293.8	148.41%
29	33	CB Corporate Commercial Bank AD	Bulgaria	BSE	6C9	285.0	14.84%
30	49	Croatia Osiguranje d.d.	Croatia	ZSE	CROS-R-A	256.8	57.18%
31	40	Imlek A.D.	Serbia	BELEX	IMLK	245.2	24.40%
32	41	Ericsson Nikola Tesla d.d.	Croatia	ZSE	ERNT-R-A	244.4	27.98%
33	35	Atlantic Grupa d.d.	Croatia	ZSE	ATGR-R-A	236.9	6.98%
34	36	Jadranski Naftovod d.d.	Croatia	ZSE	JNAF-R-A	233.3	6.06%
35	New	Adris Grupa d.d.*	Croatia	ZSE	ADRS-P-A	223.0	13.02%
36	52	Ledo d.d.	Croatia	ZSE	LEDO-R-A	221.8	50.19%
37	44	Koncar – Elektroindustrija d.d.	Croatia	ZSE	KOEI-R-A	221.6	26.20%
38	12	C.N.T.E.E. Transelectrica SA	Romania	BVB	TEL	210.0	-28.86%
39	54	SIF Oltenia SA	Romania	BVB	SIF5	183.8	29.47%
40	59	Riviera Adria d.d.	Croatia	ZSE	RIVP-R-A	179.0	34.63%
41	53	SIF Transilvania SA	Romania	BVB	SIF3	175.5	22.40%
42	46	Podravka d.d.	Croatia	ZSE	PODR-R-A	172.4	3.70%
43	32	Dukat mlijecna industrija d.d.	Croatia	ZSE	LURA-R-A	171.0	-36.89%
44	60	SIF Moldova SA	Romania	BVB	SIF2	170.0	30.95%
45	New	CEZ Distribution Bulgaria AD	Bulgaria	BSE	3CZ	158.7	
46	62	Crnogorski Telekom A.D.	Montenegro	MNSE	TECG	151.9	18.98%
47	68	SIF Banat Crisana SA	Romania	BVB	SIF1	150.3	31.02%
48	75	Plava Laguna d.d.	Croatia	ZSE	PLAG-R-A	141.8	34.56%
49	38	Sopharma AD	Bulgaria	BSE	3JR	141.7	-33.96%
50	69	Helios Domzale d.d	Slovenia	LSE	HDOG	140.6	24.69%

* Preferred shares

Methodology

SEE TOP 100 listed companies ranks the biggest companies in Southeast Europe by market capitalisation as of December 31, 2012, sourced by Banja Luka Stock Exchange (BLSE), Belgrade Stock Exchange (BELEX), Bucharest Stock Exchange (BVB), Bulgarian Stock Exchange (BSE), Ljubljana Stock Exchange (LSE), Macedonian Stock Exchange (MSE), Montenegro Stock Exchange (MNSE), Sarajevo Stock Exchange (SASE) and Zagreb Stock Exchange (ZSE).

Our pool of listed companies, monitored in 2012 includes more than 1,300 public companies, in millions of euro

2012	2011	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2012	Y/Y change
51	73	SIF Muntenia SA	Romania	BVB	SIF4	140.3	31.53%
52	48	Aerodrom Nikola Tesla A.D.	Serbia	BELEX	AERO	135.5	-17.22%
53	63	NLB Razvojna Banka a.d. Banja Luka	Bosnia and Herzegovina	BLSE	VBBB-R-A	126.7	0.00%
54	58	AIK Banka A.D.	Serbia	BELEX	AIKB	122.4	-11.15%
55	66	Jamnica d.d.	Croatia	ZSE	JMNC-R-A	121.7	3.54%
56	42	JP Elektroprivreda HZ HB d.d.	Bosnia and Herzegovina	SASE	JPEMR	120.5	-33.31%
57	78	Luka Koper d.d.	Slovenia	LSE	LKPG	111.3	11.97%
58	New	Valamar Adria Holding d.d.	Croatia	ZSE	KORF-R-A	107.9	53.20%
59	New	Energo-Pro Grid AD	Bulgaria	BSE	2EG	107.8	
60	55	Komercijalna Banka A.D.	Serbia	BELEX	KMBN	107.5	-24.27%
61	82	Tvornica Cementa Kakanj d.d.	Bosnia and Herzegovina	SASE	TCMKR	104.8	8.58%
62	56	JP Hrvatske Telekomunikacije d.d.	Bosnia and Herzegovina	SASE	HTKMR	103.4	-26.69%
63	New	Banka Postanska Stedionica A.D.	Serbia	BELEX	PSBN	101.7	51.05%
64	70	Hidroelektrane na Drini a.d. Visegrad	Bosnia and Herzegovina	BLSE	HEDR-R-A	99.4	-11.82%
65	79	Tvornica Duhana Zagreb d.d.	Croatia	ZSE	TDZ-R-A	99.0	-0.20%
66	New	Advance Terrafund REIT	Bulgaria	BSE	6A6	97.9	55.28%
67	98	Viro Tvornica Secera d.d.	Croatia	ZSE	VIRO-R-A	97.4	27.15%
68	91	Petrokemija d.d.	Croatia	ZSE	PTKM-R-A	96.7	11.82%
69	87	Alkaloid AD	Macedonia	MSE	ALK	96.6	5.70%
70	95	Soja Protein A.D.	Serbia	BELEX	SJPT	96.6	19.70%
71	50	Hrvatska Postanska Banka d.d.	Croatia	ZSE	HPB-R-A	94.6	-36.30%
72	72	Monbat AD	Bulgaria	BSE	5MB	93.4	-13.72%
73	71	Istraturist Umag, hoteljerstvo, turizam I turisticka agencija d.d.	Croatia	ZSE	ISTT-R-A	92.9	-16.37%
74	94	Luka Rijeka d.d.	Croatia	ZSE	LKRI-R-A	91.9	12.31%
75	New	Montenegrobanka A.D.	Montenegro	MNSE	MONB	89.7	865.68%
76	81	Komercijalna Banka AD	Macedonia	MSE	KMB	89.5	-8.58%
77	76	KD Group d.d.	Slovenia	LSE	KDHP	88.3	-15.62%
78	88	Terme Catez d.d.	Slovenia	LSE	TCRG	88.0	-0.56%
79	New	Frikom A.D.	Serbia	BELEX	FRKM	86.9	160.43%
80	80	Hidroelektrane na Trebisnjici a.d. Trebinje	Bosnia and Herzegovina	BLSE	HETR-R-A	85.7	-13.00%
81	100	Maistra d.d.	Croatia	ZSE	MAIS-R-A	84.8	17.64%
82	61	Albena AD	Bulgaria	BSE	6AB	84.6	-34.12%
83	New	Kaolin AD	Bulgaria	BSE	6K1	83.1	58.15%
84	New	Velgraf Asset Management AD	Bulgaria	BSE	1VX	80.2	6.01%
85	New	Atlas Banka A.D.	Montenegro	MNSE	ATBA	78.8	12.21%
86	74	CB First Investment Bank AD	Bulgaria	BSE	5F4	78.6	-26.05%
87	86	Belje d.d.	Croatia	ZSE	BLJE-R-A	76.8	-17.21%
88	New	Galata Investment Company AD	Bulgaria	BSE	GOA	76.5	32.31%
89	New	Valamar Grupa d.d.	Croatia	ZSE	VLHO-R-A	74.3	77.66%
90	New	Bambi Banat A.D.	Serbia	BELEX	BMBI	73.7	6.74%
91	New	Crnogorski Elektroprenosni Sistem A.D.	Montenegro	MNSE	PREN	73.1	47.06%
92	92	Zentiva SA	Romania	BVB	SCD	73.0	-14.78%
93	New	Liburnia Riviera Hoteli d.d.	Croatia	ZSE	LRH-R-A	71.4	4.49%
94	89	Eurohold Bulgaria AD	Bulgaria	BSE	4EH	68.3	-22.38%
95	New	CB Bulgarian American Credit Bank AD	Bulgaria	BSE	5BN	67.8	38.26%
96	New	Trebjesa A.D.	Montenegro	MNSE	TRNK	67.8	90.75%
97	10	Energoni AD	Bulgaria	BSE	2EL	67.2	-93.30%
98	New	Pozavarovalnica Sava d.d.	Slovenia	LSE	POSR	66.7	22.55%
99	New	Chimimport AD*	Bulgaria	BSE	6C4P	65.8	-19.76%
100	96	Kras d.d.	Croatia	ZSE	KRAS-R-A	65.5	-18.35%

based in Southeast Europe with their regular and preferred shares. We excluded from the ranking both companies, listed on the Bucharest Stock Exchange, but not headquartered in SEE countries – Erste Group Bank AG (stock symbol EBS) and New Europe Property Investments Plc.(stock symbol NEP).

To allow comparison, all local currencies in the ranking have been converted into euro, using the respective central bank's official exchange rate on the last working day of 2012.

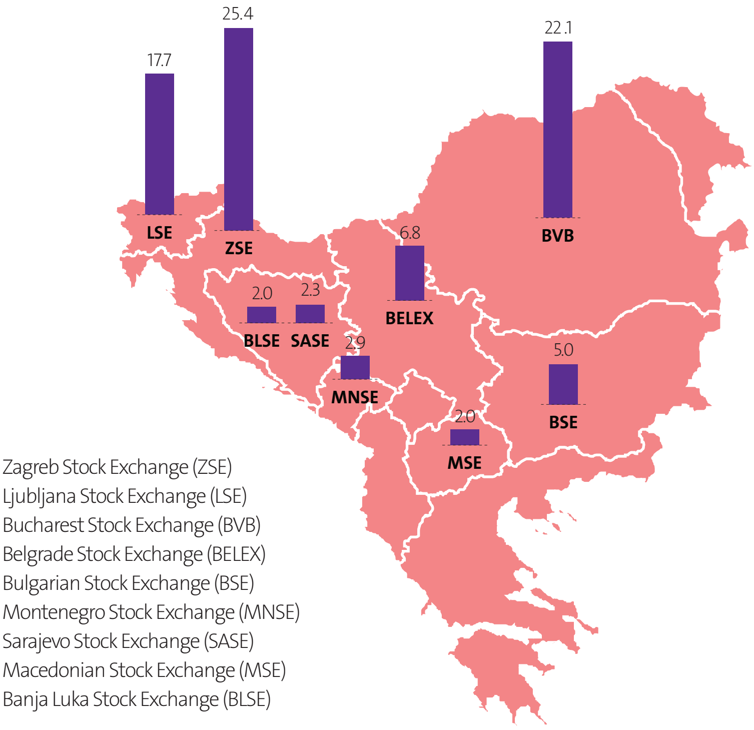
SEE stock exchanges gain momentum in 2012, as regional hubs stand out

by **Gabriela Tzekova**

The stock markets in SEE closed 2012 on a positive note as the majority of the TOP 100 public companies saw their market value increase and the blue-chip indices reversed their downward trend. Despite the upturn, the indices failed to erase the losses accumulated in 2011. Meanwhile, the overall growth in the combined capitalisation in SEE was mostly prompted by the good performance of the three leading stock markets in the region: Zagreb, Bucharest and Ljubljana.

SEE stock exchanges market capitalisation

as of 31.12.2012, in billions of euro



Romanian and Croatian companies asserted their dominance at the lead of SEE publicly traded companies, the 2012 ranking by market cap showed. Slovenia, Macedonia and Serbia each had a representative in the top 10 of market value heavyweights, making the list more mixed. A year earlier only one Slovenian and one Bulgarian company made it to the big league.

Last year was particularly strong for oil and gas firms on the bourse. Romania's OMV Petrom topped the ranking with market capitalisation of 5.48 billion euro. The oil and gas group earned two spots, after closing 2011 with 3.8 billion euro. Investors were reassured by its improving financial results. "After

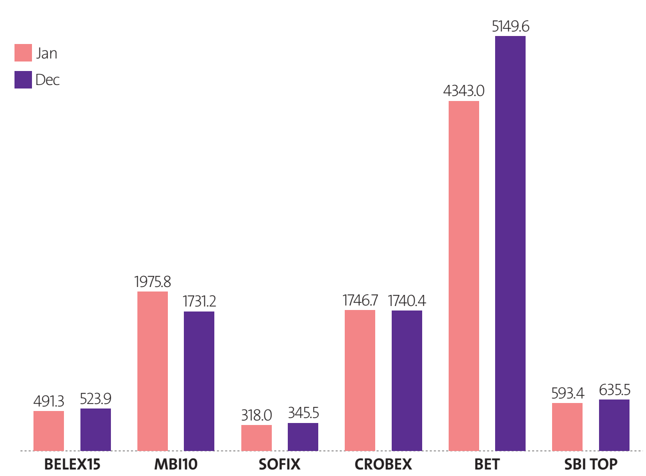
Romanian and Croatian companies asserted their dominance at the lead of SEE publicly traded companies, the 2012 ranking by market cap showed

a recent period of volatile crude prices and macroeconomic uncertainty, 2012 was a year of relative stability, with strong operational and financial performance for Petrom," CEO Mariana Gheorghe commented on the annual figures.

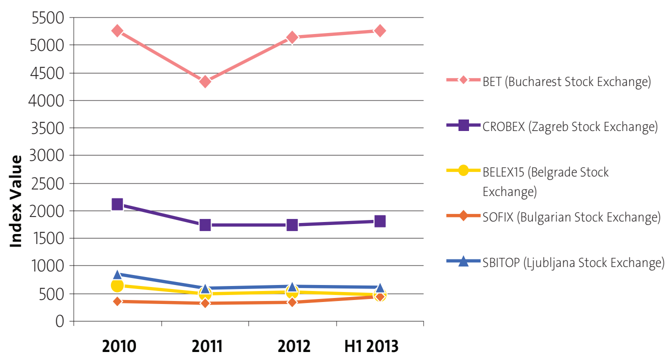
Due to a change in the methodology of the ranking, the 2011 leader, Vienna-based Erste Group Bank, listed in Bucharest, dropped out of the 2012 snapshot.

INA-Industrija Nafte, the Croatian refiner controlled by Hungary's MOL, cemented its runner-up position with a market value of 5.2 billion euro, up 3.0% on the year. While its bourse positions remained strong, INA's financial results suffered as the company halted its gas and oil business in Syria to comply with EU policy on the politically unstable

Blue-chip indices of major SEE bourses in 2012
(in points)



Blue-chip indices in some SEE countries
(Index value at year-end)



Middle Eastern country.
Croatia's Hrvatski Telekom climbed one spot to number three last year although it saw its market capitalisation fall to 2.14 billion euro from 2.63 billion euro. HT faced multiple challenges, including prolonged recessionary environment, tougher regulatory pressure ahead of Croatia's accession to the EU and increasingly aggressive competition, Erste said

Overtaking the bourse in Ljubljana, the Bucharest Stock Exchange closed 2012 with combined market value of 22.06 billion euro, up from 16.39 billion euro.

in a note to investors.
Slovenian drugs company Krka ranked fourth with market capitalisation of 1.77 billion euro, down from 1.87 billion euro in 2011, when it was fifth. Brokers identified the stock as an attractive opportunity for investors despite cost-trimming measures in the healthcare sector in Central and Eastern Europe (CEE) which continued to take a toll on Krka's results. Erste added Krka to its top 10 picks in CEE and Turkey for the fourth quarter of 2012, pointing out that the stock has lost its premium and is now trading at a discount.
Financial groups also had a major presence on the list of the 10 largest SEE companies. Romanian investment fund Fondul Proprietatea was fifth with market capitalisation of 1.71 billion euro, up 25.5% on the year.

Banks as a whole lost some of their market value last year. Croatia's Zagrebacka Banka ranked sixth with 1.595 billion euro, down from 1.726 billion euro. Another Croatian lender, Privredna Banka Zagreb, bucked the trend of its peers with its market value of 1.289 billion euro, which put it in the seventh place, up from 1.2 billion euro. Romania's BRD, a unit of France's Societe Generale, came eighth as its market cap slid 26% to 1.276 billion euro.

25.39 bln euro

The Croatian stock exchange asserted its leadership in the region with 25.39 billion euro in combined market capitalisaiton of the listed firms at end-2012.

The newcomers to the SEE top 10 were Serbian oil group Naftna Industrije, whose market capitalisation grew to 1.06 billion euro, from 945.6 million euro, and Makedonski Telekom, whose value stood flat on the year at 810.3 million euro.
The top public companies of the other SEE countries were also either banks or telecoms.

Montenegro's Crnogorska Komercijalna Banka ranked eleventh as its market value grew to 734.5 million euro from 688.1 million euro.
Bosnia and Herzegovina's BH Telecom saw its market cap rise to 607.1 million euro from 592.9 million euro, which put it in the 13th place.
The largest Bulgarian company by market value ranked only 19th. Bulgarian Telecommunication Company's market value tumbled to 391.3 million euro from 649.6 million euro. In 2011, Bulgaria had a surprising participant in the top 10 list – energy specialist Energoni, whose market value slumped by 93.30% at end-2012, which put it in the 97th spot.
The Croatian stock exchange asserted its leadership in the region with 25.39 billion euro in combined market capitalisaiton of the listed firms at end-2012, versus the year-earlier 24.53 billion euro. Overtaking the bourse in Ljubljana, the Bucharest Stock Exchange closed 2012 with combined market value of 22.06 billion euro, up from 16.39 billion euro.
Unlike the other top bourses in the region, the Ljubljana Stock Exchange saw a decline in the combined market cap of its public companies to 17.66 billion euro, from 19.35 billion euro.
The good performance of the three top markets in the region widened the gap between the leaders and the smaller SEE bourses. Although the overall combined value of all SEE markets grew to 86.16 billion euro, from the year-earlier 83.47 billion, the combined value of smaller bourses slid to 21.04 billion euro from 23.2 billion euro.

SEE TOP industries

Oil & gas lead 2012 SEE industrial ranking by far despite net profit decline

By **Valentin Vassilev**

The four leading industries in terms of total annual revenue in the 2012 SEE industrial ranking remained unchanged for a fourth year in a row.
Last year's earnings at the top of the ranking were marked by rising revenue and declining profitability, with only the telecommunications sector reporting an increase in profit.

With an 8.5% rise in total revenue to nearly 45 billion euro in 2012, the oil and gas industry remained on top for a fifth successive year. Its total net profit, however, declined to 1.1 billion euro in 2012 from 1.3 billion euro a year earlier.
Electricity came in a distant second, with total revenue rising 17.2% year-on-year to 16.2 billion euro. Its total net profit tumbled to 134 million euro from 262 million euro. This slide looks even more impressive when compared with the profit of 487.4 million euro achieved in 2010.
Wholesale/retail remained third for a third year running after registering a 3.3% increase in revenue to 11.6 billion euro and a net profit drop to 105 million euro from 130 million euro.
Telecommunications alone among the top four industries was able to book an increase in profit. Total net profit achieved by the companies in the region climbed to 710.8 million euro in 2012 from 500 million euro a year earlier. Revenue however fell 5.1% to nearly 7.0 billion euro.
The automobile industry ranked fifth in 2012 after leapfrogging the metals sector on the back of last year's 13.2% revenue jump to 6.6 billion euro. However, the automotive industry managed to narrow its total net loss in 2012 to 12.2 million euro from 74.7 million euro the year before. Diversified holdings were the only other loss-makers in the ranking.
Metals dropped to sixth place following a 4.31% fall in revenue to 5.0 billion euro. Net profit almost halved to 18.3 million euro from 30 million euro.
Of the 15 industries included in this year's SEE ranking, transportation registered the steepest revenue drop, which, interestingly enough, was accompanied by a net profit surge. Revenue slid 19% to 1.6 billion euro, while net profit soared to 162 million euro from 47.6 million euro. Registering a similar drop, agriculture saw revenue slump 18.7% to 934.4 million. Total revenue in construction was down 12.2% to 517.8 million euro.
The biggest increase in total revenue was recorded by chemicals, a newcomer in the chart at the 15th place. Its revenue jumped 22.3% to 491 million euro in 2012, while net profit climbed 29.5 million euro from 19.8 million euro. The ICT equipment industry, which occupied the tenth position in the previous edition of the ranking, dropped out of it in 2012.
The pharmaceuticals industry was the most profitable one in 2012 with a return on sales of 14.5%, followed by telecommunications with 10.2%.

SEE industrial ranking 2012

in millions of euro

2012	2011	Industry	Total revenue 2012	Y/Y revenue change	Net profit/loss 2012	Net profit/loss 2011
1	1	Petroleum/Natural Gas	44 887	8.51%	1 117	1 346
2	2	Electricity	16 161	17.18%	133.9	261.8
3	3	Wholesale/Retail	11 637	3.32%	105.1	130.1
4	4	Telecommunications	6 962	-5.10%	710.8	500.1
5	6	Automobiles	6 654	13.22%	-12.2	-74.7
6	5	Metals	5 023	-4.31%	18.3	30.1
7	8	Food/Drinks/Tobacco	3 043	3.50%	128.5	110.1
8	9	Pharmaceuticals	2 198	10.84%	320.2	279.7
9	7	Transportation	1 626	-18.92%	162.0	47.6
10	14	Electronics	1 247	18.42%	0.170	14.7
11	11	Diversified Holdings	1 193	0.68%	-1.9	-26.8
12	13	Rubber/Rubber Products	1 049	-0.38%	97.9	57.2
13	12	Agriculture	934.4	-18.75%	2.6	3.3
14	15	Construction	517.8	-12.21%	39.3	57.0
15	New	Chemicals	490.8	22.36%	29.5	19.8

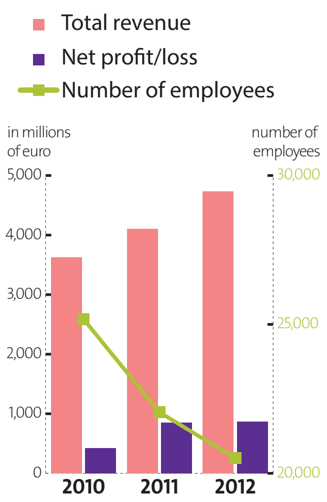
Most profitable industries 2012

	Industry	Return on revenue 2012
1	Pharmaceuticals	14.57%
2	Telecommunications	10.21%
3	Transportation	9.96%
4	Rubber/Rubber Products	9.33%
5	Construction	7.59%
6	Chemicals	6.01%
7	Food/Drinks/Tobacco	4.22%
8	Petroleum/Natural Gas	2.49%
9	Wholesale/Retail	0.90%
10	Electricity	0.83%
11	Metals	0.36%
12	Agriculture	0.28%
13	Electronics	0.01%
14	Diversified Holdings	-0.16%
15	Automobiles	-0.18%

SEE oil refineries map

OMV Petrom SA

Date of Establishment	23.10.1997
Ownership	OMV Aktiengesellschaft (Austria) – 51.01%
	Ministry of Economy (Romania) – 20.64%
	Property Fund S.A. – 18.99%
	European Bank for Reconstruction and Development – 1.62%
	Legal entities and individuals – 7.74%
Headquarters	Romania
Listed	Bucharest Stock Exchange ISIN:ROSNPPACNOR9 Ticker – SNP
Website	www.petrom.com
E-mail	press.office@petrom.com
Phones	+40 372 161 547
Products and services	Oil and gas exploration and production, refining and marketing
Annual operating capacity (mln tonnes)	4.2 (crude oil)
Output (mln tonnes) in 2012	3.1 (crude oil)
Production area (sq m)	2,000,000
ISO certification	ISO 9001:2008 Quality management systems
	ISO 14001 Environmental management systems
	OHSAS 18001 Safety and health management
	SR EN 16001:2009 Energy management systems
	ISO 50001:2011 Energy management systems



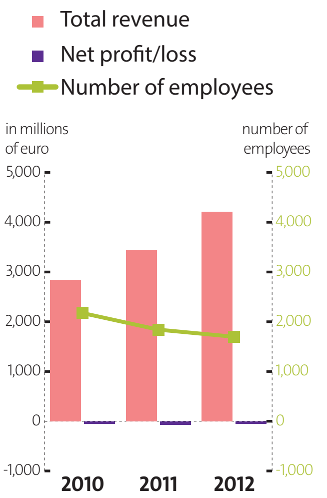
News

In 2013 OMV Petrom targets a non-consolidated net profit of 4.43 billion lei on sales worth 17.216 billion lei. The company eyes a daily oil and gas production of 171,000 barrels of oil equivalent (boe), amounting to some 62.460 million boe for the entire 2013.

In 2013 OMV Petrom's investment plans stand at 1.4 billion euro, up by 24% year-on-year. About 80% of the investments will be allocated for the exploration and production business division and 17% of the total figure will be invested in the refining and marketing division.

LUKOIL Neftohim Burgas AD

Date of Establishment	25.11.1991
Ownership	Lukoil Europe Holdings BV (Netherlands) – 75.29% Other – 24.71%
Headquarters	Bulgaria
Listed	No
Website	www.neftochim.bg
E-mail	priemna@neftochim.bg
Phones	+359 55 112 600
Products and services	Oil refining, production of oil and petrochemical and polymer products
Annual installed capacity (mln tonnes)	9.5 (oil)
ISO certification	ISO 9001:2008 Quality management systems, valid until Oct 05, 2013
	ISO 14001:2004 Environmental management systems, valid until Sept 01, 2013

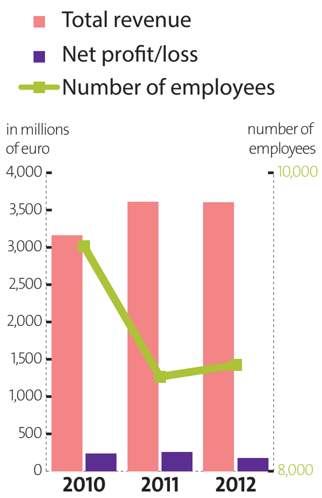


News

Bulgaria's sole oil refinery, Lukoil Neftohim Burgas, and the Italian unit of French oil and gas engineering services supplier Technip signed a 910-million-euro contract in January 2012. Lukoil Bulgaria said that the deal, which is part of its 1.5-billion U.S. dollar investment programme for increasing refinery efficiency, envisages the construction of a heavy-residue hydrocracking installation. In the 2016-2017 period the refinery plans to start building another main hydrocracking unit with an annual processing capacity of 1.8 million tonnes.

INA – Industrija Nafte d.d.

Date of Establishment	1964
Ownership	MOL Plc. (Hungary) – 49.08% State – 44.84% Other – 6.08%
Headquarters	Croatia
Listed	Zagreb Stock Exchange ISIN: HRINA0RA0007 Ticker:INA-R-A London Stock Exchange ISIN:US45325E2019 Ticker:HINA
Website	www.ina.hr
E-mail	PR@ina.hr
Phones	+385 16 450 000
Products and services	Exploration of oil and gas; refining of crude oil and production of oil products; retail of petrol, diesel and liquefied petroleum gas (LPG) through a network of petrol stations; trade in crude oil; retail and wholesale of petroleum products
Annual installed capacity (mln tonnes)	Rijeka refinery – 4.5 Sisak refinery – 2.2
Output (mln tonnes) in 2011	4.1
ISO certification	ISO 9001:2008 Quality management systems ISO 14001:2004 Environmental management systems



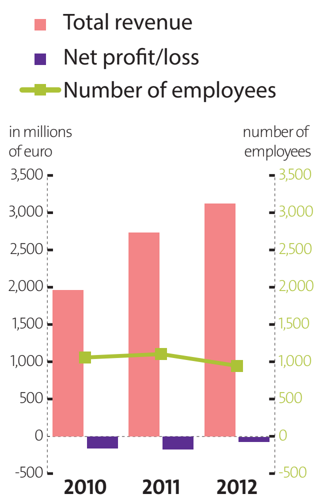
News

In April 2013 INA signed a 312.5-million-euro long-term multi-currency revolving credit facility agreement for general corporate purposes. The maturity of the loan is three years with an option for one-plus-one-year extension. In addition to this facility, INA also signed an intragroup long-term loan agreement provided by Hungary's MOL Group, with which intragroup financing was increased to 300 million U.S. dollars from 200 million U.S. dollars.

In the period 2011-2015 INA plans to invest 3.6 billion U.S. dollars to improve exploration, production and its market position in Southeast Europe.

Rompetrol Rafinare SA

Operational since	1979
Ownership	Rompetrol Group – 54.64% State – 44.69% Other – 0.67%
Headquarters	Romania
Listed	Bucharest Stock Exchange ISIN:ROPTRMACNOR5 Ticker:RRC
Website	www.rompetrol-rafinare.ro
E-mail	office.rafinare@rompetrol.com
Phones	+40 41 506 000
Products and services	Petroleum refining; production of unleaded petrol, petroleum, other medium and heavy oils used as heating fuel, diesels, cyclic hydrocarbon, liquefied petroleum gas, petroleum coke, CC Propylene, petroleum sulfur
Annual installed capacity (mln tonnes)	Petromidia Refinery – 5.0 (raw materials) Vega Refinery – 0.5 (raw materials for specific products)
Output (mln tonnes) in 2012	4.04 total (3.8 crude oil and 0.24 other raw materials) for both refineries
ISO certification	ISO 9001 Quality management systems ISO 14001 Environmental management systems OHSAS 18001 Safety and health management



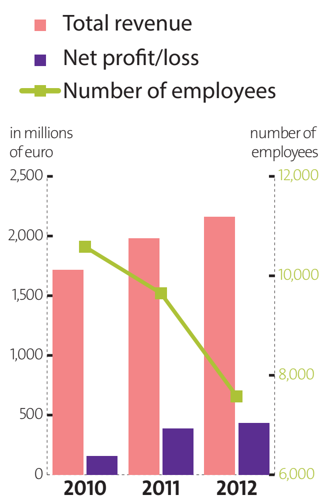
News

In September 2012 Dutch-based Rompetrol Group completed the modernisation of its Romanian refinery Petromidia, the total investment amounted to 380 million U.S. dollars. The project raised Petromidia's processing capacity to 5.0 million tonnes per year of raw materials, from 3.8 million tonnes.

Rompetrol Rafinare's investments totalled 118.62 million U.S. dollars in 2012, 194.76 million U.S. dollars in 2011 and 169 million U.S. dollars in 2010. The company plans to invest 60 million U.S. dollars in upgrades in 2013.

Naftna Industrija Srbije A.D.

Date of Establishment	2005
Ownership	Gasprom Neft OAO (Russia) – 56.15% State – 29.87%
Headquarters	Serbia
Listed	Belgrade Stock Exchange ISIN:RSNISHE79420 Ticker – NIIS
Website	www.nis.rs
E-mail	Investor.Relations@nis.eu
Phones	+381 11 311 3311
Products and services	Oil and gas exploration and drilling; extraction of crude oil; processing of crude oil; production of oil, gas and geothermal energy; wholesale/retail of oil and gas products; transportation, distribution and storage of oil and oil products
Annual operating capacity (mln tonnes)	7.3 (oil)
Output (mln tonnes) in 2012	2.1 (crude oil) – Novi Sad and Pancevo refineries
Production area	Pancevo – 165,101 sq m Novi Sad – 144,274 sq m
ISO certification	ISO 14001:2005 Environmental management systems OHSAS 18001:2008 Safety and health management



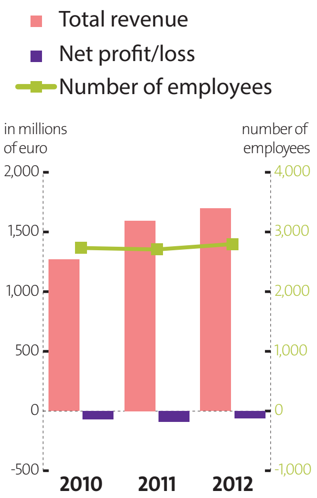
News

Nafta Industrija Srbije announced in November 2012 the company's upgraded refinery will start producing only Euro 5-grade petrol and diesel fuel from 2013.

At the end of 2012 it was reported that Naftna Industrija Srbije (NIS) will commission its Pancevo refinery after investing 500 million euro in upgrading it. NIS planned to invest an additional 100 million euro in a new plant for base oil in Novi Sad, northern Serbia in 2013. The company invested 1.5 billion euro in the 2010-2012 period.

Petrotel – Lukoil SA

Date of Establishment	1998
Ownership	Lukoil Europe Holdings BV (Netherlands) – 95,6254% Other – 4,3746%
Headquarters	Romania
Listed	Delisted
Website	www.lukoil.ro /www.lukoil.com
E-mail	office@romania.lukoil.com
Phones	+40 24 450 40 01
Products and services	Crude oil refining; production of diesel oil, petrol and liquefied gases
Annual operating capacity (mln tonnes)	2.4 (oil)
Output (mln tonnes) in 2012	2.3
Production area (sq m)	1,400,000

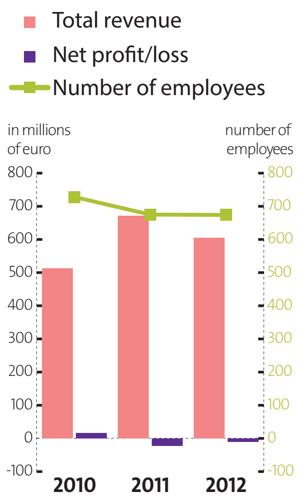


News

On April 12, 2013 Petrotel-Lukoil resumed oil production after a major overhaul started in February 2013. The overhaul was intended to improve the technical equipment reliability, better technological processes, lower energy consumption and improve ecological parameters and operations security.

Okta AD

Date of Establishment	1982
Ownership	EL.P.ET. Balkaniki S.A. (Greece) – 81.51% Pucko-Petrol Uvoz-Izvoz DOO (Macedonia) – 10.84% Other – 7.65%
Headquarters	Macedonia
Listed	Macedonian Stock Exchange ISIN:MKOKTA101017 Ticker:OKTA
Website	www.okta-elpe.com
E-mail	oktacabinet@hellenic-petroleum.gr
Phones	+ 389 2 2532 000
Products and services	Crude oil refining; production of unleaded petrol, diesel fuels, liquefied petroleum gas, jet fuels, extra light and heavy fuel oil
Annual installed capacity (mln tonnes)	2.5 (crude oil)
Output (kMTn) in 2012	758 of which 521 domestic sales and 237 export sales
ISO certification	ISO 17025:2005 The competence of testing and calibration laboratories



News

In July 2012 Macedonian oil refinery Okta won a tender to supply heating oil for the state compulsory reserves. The value of the deal is 2.7 million euro, value added tax (VAT) included. The contracting authority is Macedonia's Directorate of Compulsory Reserves of Oil and Oil Derivatives.

In 2012 Okta AD invested 1.3 million euro in production and sales capacity increase, environmental protection and IT equipment.

A.R.M.O Sh.a.

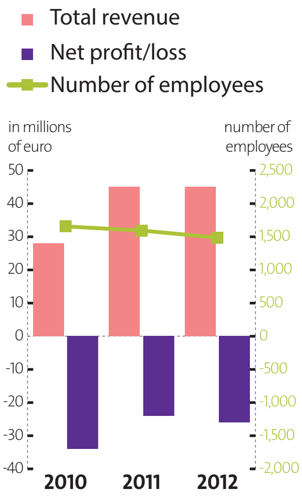
Date of establishment	1999
Ownership	Anika Mercuria Refinery Associated Oil (Albania) – 85% State – 15%
Headquarters	Albania
Listed	No
Website	www.armorefinery.com http://scimantics.com/armorefinery/
E-mail	info@armorefinery.com
Phones	+355 4 2247 004
Products and services	Import and refining of crude oil; wholesale and distribution of petroleum products
Annual installed capacity (b/cd)	Ballsh refinery – 17,800 (crude oil) Fier refinery – 8,500 (crude oil)

News

In January 2012 ARMO awarded a feasibility study to Swiss engineering and construction group Foster Wheeler for the modernisation of two of its refineries. ARMO plans to upgrade its refineries in Ballsh, southern Albania and Fier, southwestern Albania, to restore output to the original design capacity and to bring production of fuels in line with current European Union regulations.

Rafinerija Nafte Brod a.d.

Date of Establishment	1892
Ownership	OAO NefteGazInkor (Russia) – 80% Other – 20%
Headquarters	Bosnia and Herzegovina
Listed	Banja Luka Stock Exchange ISIN:BA100RNAFRA7 Ticker:RNAF-R-A
Website	www.rafinerija.com
E-mail	rafinerija@rafinerija.com
Phones	+387 53 626 001
Products and services	Crude oil processing and production of motor fuels, diesel fuels, bitumens, liquid oil gas, heating oil, sulphur
Annual installed capacity (mln tonnes)	1.2 crude oil (current constructions should increase capacity with 3.0 more)
Output (mln tonnes) in 2011	1.15 (oil) 1.02 (petroleum)



News

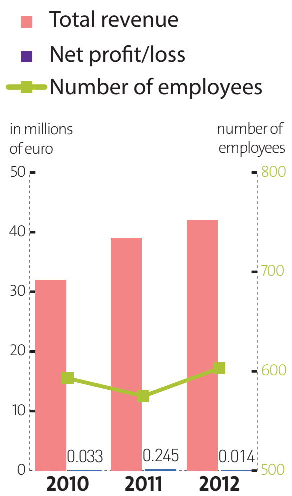
Rafinerija Nafte Brod will deliver a combined 100 million litres of petrol, diesel fuel and oil fuel annually to Bosnian state-owned coal mining and energy complex RiTE Ugljevik under the EUR-30-million contract signed in September 2012 between RiTE Ugljevik and Optima Grupa.

Rafinerija Nafte Brod is part of oil and gas company Neftegazincor, a unit of Russian oil company Zarubezhneft. Neftegazincor via its wholly-owned subsidiary Optima Grupa DOO operates and manages Rafinerija Nafte Brod A.D. and Rafinerija Nafte Modrica A.D.

In 2011 Russian NeftegasInCor announced its plans to invest between 50 million euro and 70 million euro by 2015 in order to improve Rafinerija Nafte Brod's environment-friendly technologies.

Rafinerija Ulja Modrica a.d.

Date of Establishment	1954
Ownership	OAO NefteGazInkor (Russia) – 75.7% Nestro Petrol AD (Bosnia and Herzegovina) – 16.3% Other – 1.64%
Headquarters	Bosnia and Herzegovina
Listed	Banja Luka Stock Exchange ISIN: BA100RFUMRA7 Ticker:RFUM-R-A
Website	www.modricaoil.com
E-mail	info@modricaoil.com
Phones	+387 538 10111
Products and services	Production of engine oils, lubricants and functional fluids
Output (mln tonnes) in 2011	0.086 (oil destillate) 0.014 (oils and lubricants)
ISO certification	ISO 14001:2004 Environmental management systems
	ISO 17025:2005 The competence of testing and calibration laboratories



News

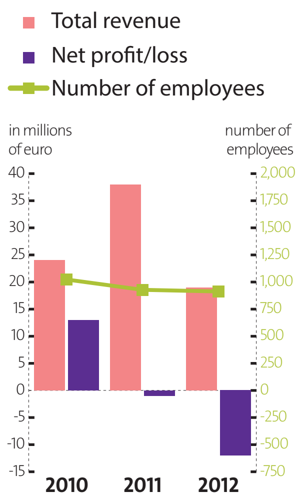
Rafinerija Ulja Modrica will deliver 300 tonnes of products to Bosnian state-owned coal mining and energy complex RiTE Ugljevik for a total value of 511,200 euro by the end of 2013. The contract between RiTE Ugljevik and Optima Grupa was signed in September 2012.

Rafinerija Ulja Modrica is controlled by oil and gas company Neftegazincor, part of Russian oil company Zarubezhneft. Neftegazincor via its wholly-owned subsidiary Optima Grupa DOO operates and manages Rafinerija Nafte Brod A.D. and Rafinerija Nafte Modrica A.D.

The company's investment programme for the 2010-2014 period includes the construction of a modern blending facility with a capacity of 45,000 tonnes per year, construction of hydrocracked base oils production plant with an annual capacity of more than 200,000 tonnes and investments in environmental projects.

RAFO S.A.

Operational since	1964
Ownership	Petrochemical holding GMBh (Austria) – 96.51% Other – 3.49%
Headquarters	Romania
Listed	Bucharest Stock Exchange ISIN:RORAFOACNOR2 Ticker – RAF
Website	www.rafo.ro
E-mail	rafo@rafo.ro
Phones	+40 23 430 33 03
Products and services	Crude oil refining and production
Annual operating capacity (mln tonnes)	2.6 – 3.0 (crude oil)
ISO certification	ISO 9001:2008 Quality management systems
	ISO 14001:2004 Environmental management systems, valid until Aug 8, 2014



News

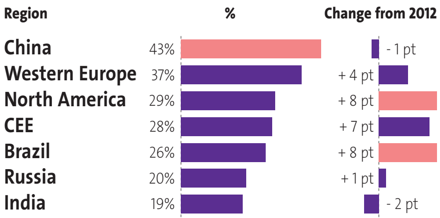
In March and June 2012 RAFO announced it plans to borrow for upgrades a total of 390 million euro from foreign lenders and its majority shareholder, Austria's Petrochemical Holding GmbH. The Austrian company will provide 10 million euro of the total sum.

Diana Nikolaeva,
Partner in EY Bulgaria, leading the Transaction Advisory Services offering

SEE countries should seek to inspire confidence among executives

What is the place of our region in the European and the global picture?
The latest EY European attractiveness survey based on interviews with 808 international decision-makers indicates that China is still perceived as the world's most attractive investment region. Europe has improved its attractiveness in the eyes of investors, Western Europe being the second most attractive region after China. CEE has also strengthened its position as a preferred investment destination and remains among the top picks for investors.
Southeast Europe is quite diverse in terms of investment climate – Turkey's strong growth attracts investors; Greece's privatization programme is expected to offer many opportunities for large-scale transactions; Bulgaria and Romania keep a low profile and Serbia is gaining momentum.

World's most attractive regions to establish operations



Source: EY's European attractiveness survey 2013 (total respondents: 808).

What are your expectations on the M&A deals activity in SEE in the short-term?
EY has recently launched its bi-annual Capital confidence barometer. Positive sentiment about economic growth, corporate earnings and employment decreased remarkably because of the prolonged crisis in Europe and the sluggish to negative growth in Central and Southeast Europe.
However, the positive global trend and the narrowed valuation gap create opportunity for first-mover advantage and the challenge for the SEE countries is to inspire confidence among executives looking for growth when confidence within their borders remains weak.

What are the key factors defining the M&A maturity of a country?
Regulatory, political, socio-economic, financial, infrastructure, technological factors are key M&A maturity factors. Without good awareness on them, risks can be left unmitigated and opportunities overlooked. Over the last few years when growth was weak, we saw that investors are paying much more attention to macroeconomic, regulatory and political factors. In my experience, though, deals happen when the target demonstrates strong business fundamentals.

What are the main challenges/advantages for the investors in this region?
The biggest challenge for most of the SEE countries is the sluggish or negative growth. Considering that emerging market economies are slowing down, my feeling is that foreign investors are for the most part confident that Europe will weather these hard times, and emerge stronger and different. When asked how Europe could strengthen its competitiveness, respondents to our Attractiveness Survey indicated improving business confidence and economic stability through reducing debt as key priorities. Cost differentials now matter less when assessing a region's competitiveness, however, research and innovation now rank second among competitiveness factors.

Which are the sectors which are most likely to attract investor's interest to the region?
In 2012 the automotive sector provided the biggest surprise: despite European car sales being at their lowest for almost two decades in 2012, the sector provided 28% of all new FDI jobs in Europe – most being component makers. The focus of car manufacturing is gradually moving from the heart of Europe to its periphery and companies are quickly reorganizing their assets to gain competitiveness and tap into growing markets.

About EY
EY is a global leader in assurance, tax, transaction and advisory services.
The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities. For more information about our organisation, please visit ey.com.

European transport networks – the road to economic connectivity in Southeast Europe

by **Tsvetan Ivanov, Deyan Matov**

The transport infrastructure of SEE consists of national transport systems and a number of integrated international networks that upon their completion should ensure quick and unhampered movement of people and goods across Europe. This makes the integrated European transport system a key prerequisite for the seamless operation of the internal market and for the economic, social and territorial cohesion of the European countries.
In accordance with the EU initiative to create integrated road and railway networks in Europe, new laws on road categorisation and railways were adopted in most non-EU member states in the region. Furthermore, infrastructure-oriented investments, managed by the governments and substantially supported by EU funding schemes, are also likely to be important growth drivers in the future.
In 2012 foreign direct investments (FDI) hit the bottom in most countries in the region, weighing on their economies and the civil engineering and construction sectors in particular. According to the United Nations Conference on Trade and Development (UNCTAD), in 2011 the total FDI inflows in Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro and Serbia amounted to 4.745 billion euro, up from 3.109 billion euro in 2010, but still 45% lower than in 2008.

Social factors

The deteriorating demographic situation in SEE, except the countries in the Western Balkans, will weigh on their development in the long run. The decreasing fertility rates, the increasing average age of the population, the concentration of the population in urban areas and the depopulation of large rural areas are the main demographic burdens in SEE. However, road and railway infrastructure development can play a significant role in the economic recovery of such areas. The constantly increasing mobility, thanks to the European policy for removing barriers for the movement of people, goods and capital, however, calls for the development of an integrated transport network throughout Europe.

Technological factors

SEE is well behind Western Europe in terms of technological innovations. Another underdeveloped area in SEE is the implementation of the European Strategy for Intelligent Transport Systems, which aims to secure efficient transport infrastructure management and reduce traffic congestion, road accidents and carbon dioxide emissions.

National transport systems of SEE countries

In contrast to the sharp construction slowdown in SEE, transport infrastructure remains one of the most dynamic sectors in the region's economy. The main trigger for transport infrastructure development is the massive public investment, both by the national governments and the EU. Improved utilisation of EU funds will contribute significantly to the recovery of the transport infrastructure sector in SEE.
The European Commission strives to promote growth, employment and competitiveness via targeted infrastructure investment

Road network in SEE countries in 2011

Country	Roads			Railways
	Main roads	Highways	Total	Total
Albania	N/A	N/A	18 000	399
Bosnia	N/A	N/A	22 600	1 042
Bulgaria	19 054	458	19 512	2 863
Croatia	28 156	1 254	29 410	2 722
Kosovo	1 925	38	1 963	333
Macedonia	N/A	N/A	13 983	696
Moldova	N/A	N/A	9 352	1 157
Montenegro	N/A	N/A	7 835	250
Romania	N/A	N/A	83 703	10 777
Serbia	N/A	N/A	43 757	3 819
Slovenia	38 276	768	39 044	1 209

Sources: Croatian Bureau of Statistics, State Statistical Office of Macedonia, Kosovo Agency of Statistics, Albanian Institute of Statistics, National Statistical Institute of Bulgaria, National Institute of Statistics of Romania, Statistical Office of Serbia, Agency for Statistics of Bosnia and Herzegovina, Statistical Office of Slovenia, Statistical Office of Montenegro, National Bureau of Statistics of Moldova

European cohesion policy 2007-2013 (bln euro)

Transport infrastructure	EU contribution	National contribution	Total public contribution
Bulgaria	1.62	0.38	2.00
Romania	4.57	1.13	5.70
Slovenia	0.92	0.16	1.08

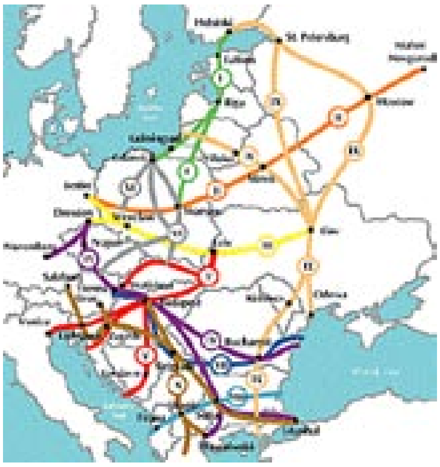
Source: European Commission

Carried passengers in SEE countries in 2011

Country	Road transport	Railroad transport	Air transport	Water transport
Albania	N/A	453 147	1 817 084	N/A
Bosnia	29 303 000	821 000	649 686	N/A
Bulgaria*	487 945 800	29 308 200	6 894 054	N/A
Croatia	52 561 000	49 983 000	2 078 000	12 926 000
Kosovo	N/A	357 725	1 422 302	N/A
Macedonia	15 644 000	1 421 000	834 958	28 440
Moldova*	114 678 600	4 711 300	700 400	122 600
Montenegro	6 240 000	692 000	1 259 000	69 436
Romania	243 000 000	61 000 000	11 000 000	N/A
Serbia	73 488 000	5 270 000	1 087 000	N/A
Slovenia	32 404 000	15 744 000	1 363 000	133 000

* including urban bus transport

Sources: Croatian Bureau of Statistics, State Statistical Office of Macedonia, Kosovo Agency of Statistics, Albanian Institute of Statistics, National Statistical Institute of Bulgaria, National Institute of Statistics of Romania, Statistical Office of Serbia, Agency for Statistics of Bosnia and Herzegovina, Statistical Office of Slovenia, Statistical Office of Montenegro, National Bureau of Statistics of Moldova



Pan-European corridors
Source: Ministry of Transport of Romania

Carried freight in SEE countries in 2011 (tonnes)

Country	Road transport	Railroad transport	Air transport	Water transport
Albania	N/A	317 208	2 215	N/A
Bosnia	4 857 000	14 224 000	1 883	N/A
Bulgaria	135 276 100	14 152 000	21 912	29 415 000
Croatia	74 645 000	11 794 000	3 000	30 348 000
Kosovo	N/A	1 001 000	N/A	N/A
Macedonia	32 537 000	2 770 000	2 185	N/A
Moldova	26 012 900	4 554 000	1 600	149 100
Montenegro	1 247 000	1 213 000	1 074	280 000
Romania	184 000 000	61 000 000	27 000	45 000 000
Serbia	6 181 000	12 581 000	2 393	1 952 000
Slovenia	75 615 000	17 024 000	2 000	16 198 000

Sources: Croatian Bureau of Statistics, State Statistical Office of Macedonia, Kosovo Agency of Statistics, Albanian Institute of Statistics, National Statistical Institute of Bulgaria, National Institute of Statistics of Romania, Statistical Office of Serbia, Agency for Statistics of Bosnia and Herzegovina, Statistical Office of Slovenia, Statistical Office of Montenegro, National Bureau of Statistics of Moldova

at European level. This could be achieved with the means of the Connecting Europe Facility (CEF), aimed at construction of integrated trans-European transport, energy and telecommunication networks. For the 2014–2020 programming period CEF's proposed budget for transport infrastructure projects for the entire EU is 31.7 billion euro.

The goal of EU's Cohesion Policy is to reduce the development gap between the different EU regions. It grants aid via the structural funds, the Cohesion Fund and various initiatives. Its major tools include two structural funds – the European Regional Development Fund (ERDF) and the European Social Fund, as well as the Cohesion Fund. The latter is a financial instrument used to support investments in the economies of EU member states with gross national income per capita below 90% of the EU's average. Up to 85% of the value of transport infrastructure projects can be financed by the fund. All four EU member states in SEE – Bulgaria, Croatia, Romania and Slovenia – are eligible for financing from the Cohesion Fund.

The country with the largest transport network in SEE in 2011 was Romania. It was the leader in the amount of transported cargo by all types of transport. Romania also received more funds from the EU's Operational Programme Transport for the period 2007–2013 than any other country in the region – 4.57 billion euro.

Integrated European transport networks

Pan-European corridors

The purpose of the ten pan-European corridors is to connect Western and Eastern Europe on the one hand, and to link the eastern European countries on the other hand. These corridors are distinct from the TEN-T network, which is a project of the European Union.

Six of the pan-European transport corridors pass through SEE.

Corridor IV from the German cities Dresden and Nuremberg to Istanbul, Turkey, with branches to Thessaloniki, Greece, and Constanta, Romania, passes through Romania and Bulgaria.

Corridor V from Lviv, Ukraine, to Venice, Italy, with branches to Bratislava, Slovakia, Rijeka and Ploce, both in Croatia, passes through Croatia, Slovenia and Bosnia and Herzegovina.

Corridor VII – the Danube River – crosses the territory of SEE from Vukovar, Croatia, to Sulina, Romania.

Corridor VIII from Durres, Albania, to Varna and Burgas, both in Bulgaria, lies entirely in SEE and crosses Albania, Macedonia and Bulgaria.

Corridor IX from Helsinki, Finland, Klaipeda, Lithuania, and Kaliningrad, Russia, to Alexan-

International e-road network
Source: United Nations Economic Commission for Europe

Trans-European transport networks (TEN-T)
Source: European Commission

droupolis, Greece, passes through Moldova, Romania and Bulgaria.
Corridor X from Salzburg and Graz, Austria, and Budapest, Hungary, to Thessaloniki and Igoumenitsa, Greece, and Sofia, Bulgaria, passes through Slovenia, Croatia, Serbia, Bulgaria and Macedonia.

International e-road network

The International e-road network is a set of major roads throughout Europe, Russia, Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan and Turkmenistan. The network is designed and managed by the United Nations Economic Commission for Europe (UNECE) with the goal to encourage economic cooperation and integration among its member states. It includes 107 major roads with a total length of more than 160,000 km and 141 B-class roads. The e-road network spans across all countries in SEE except Albania.

Trans-European transport networks (TEN-T)

The Trans-European transport networks, designed by the European Commission, is a system of integrated roads, railways, air transport networks and waterways on the territory of the European Union. The aim of TEN-T is to establish an efficient trans-European transport network to meet the constantly growing transport among EU-member states. The major financial instruments provided by the EU to support the TEN-T programme include the Cohesion Fund, the ERDF and European Investment Bank's loans and credit guarantees.

The total sum, allocated to the TEN-T programme by the EU for studies and construction works for the period 2007-2013, amounts to 8.013 billion euro, up 80.88% against 2000-2006. The budget of the Cohesion Fund and ERDF increased by 76.10% to 44.20 billion euro, while European Investment Bank loans and guarantees rose by 28.02% to 53 billion euro. On November 2012, 379 projects with a total TEN-T funding of 7.1 billion euro were ongoing or completed. Out of these projects, 174 with a combined TEN-T funding of 5.6 billion euro made it to the 30 priority projects defined by EU. Romania received 1.9% of the total investments under this programme, Slovenia – 1.1% and Bulgaria – 0.6%.

4.57 bln euro

Romania received the most funds from the EU's Operational Programme Transport for 2007–2013 in the region – 4.57 billion euro.

Over 40% of the TEN-T projects worth 4.1 billion euro was designated for railway infrastructure. Out of the railway investments, 1.4% was allocated to Romania, 1.3% to Slovenia and 0.5% to Bulgaria.
In November 2012, more than half of the works on the three priority projects in SEE were completed. The major subprojects with ongoing construction works within the priority projects at end-2012 are:

- Sea2Sea project for a freight corridor from Bulgaria's ports Varna and Burgas to Greek Alexandroupolis and Kavala, planned to be completed by December 2014 (part of PP 7);
- reconstruction of the Nadlac-Arad and Timisoara-Sibiu roads, due to be completed by 2015 (part of PP 7);
- modernisation of the railway line Radomir–Kulata in southwest Bulgaria with deadline December 2015 (part of PP 22);
- reconstruction of a 90 km section of the Coslariu-Sighisoara line in Romania, due to be completed by end-2015 (part of PP 22).

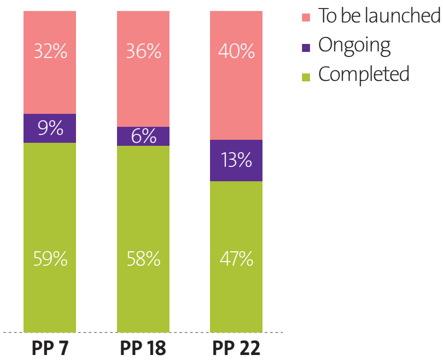
TEN-T priority projects in SEE

Number	Route	Length (km)	Financial support by TEN-T (mln euro)	Number of projects supported within the priority project	Planned completion date
PP 7	Igoumenitsa/Patras-Athens-Sofia-Budapest	3 221	3.5	2	2020
PP 18	Waterway axis: Rhine/Meuse-Main-Danube	3 113	191.0	9	-
PP 22	Railway axis: Athens–Sofia–Budapest–Vienna–Prague–Nuremberg/Dresden	3 793	21.9	6	2020

Source: European Commission

SEETO comprehensive network
Source: South East Europe Transport Observatory

Stage of implementation of the priority projects as of November 2012



Source: European Commission

Sources of funding for SEETO investment projects

Sources	Completed	Ongoing
State Budgets	43.0%	19.0%
International Financial Institutions	23.0%	48.0%
Concessions	7.0%	8.0%
EU Funds	2.0%	7.0%
Other	25.0%	18.0%

Source: South East Europe Transport Observatory

SEETO comprehensive road and railway network in 2011

Country	Length of roads (km)	Length of railways (km)
Albania	729	392
Bosnia and Herzegovina	870	652
Croatia	1 606	1 422
Macedonia	708	531
Montenegro	640	184
Serbia	1 622	1 445
Kosovo	354	151
Total	6 529	4 777

Source: South East Europe Transport Observatory

SEETO comprehensive network

The South East Europe Transport Observatory (SEETO) is a regional transport organisation set up by the European Commission and the governments of Albania, Bosnia and Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Kosovo. The aim of SEETO is to support the development of transport infrastructure in the seven states and integrate the SEETO comprehensive network within the TEN-T standards. The result of the SEETO network will be the logistics interconnection of the SEE countries outside the EU. The goal of developing transport infrastructure is to avoid the isolation of the region from the main transportation corridors of the EU, which surround the Western Balkan countries.

The SEETO network encompasses:

- 6,529 km of roads and 4,777 km of railways in all SEETO member states;
- 17 airports in seven countries;
- 10 seaports in Albania, Croatia and Montenegro;
- 1,359 km of inland waterways (the rivers Danube, Sava, Tisa and Drava) with eight river ports in Croatia, Serbia and Bosnia and Herzegovina.

In the 2007-2011 period the total investments in the SEETO comprehensive network amounted to 10.8 billion euro. This sum includes 6.7 billion euro investments in completed, and 3.9 billion euro in ongoing projects. It is worth noting that there is a huge difference in the sources of financing between the completed and ongoing projects. Most of the completed projects were launched before the downturn from 2009 and received 43% of their financing from the countries' national budgets. On the other hand, most ongoing projects received financing after the breakout of the crisis, when the countries reduced their investment budgets. As a result, the share of state funds in the SEETO financing more than halved to 19%. Accordingly, loans from international financial institutions became the major source of financing for ongoing projects in the 2007–2011 period with a share of 48%.

In 2011 Croatia was the country with the biggest expenditure in SEETO – 65.3 million euro of the total 131.8 million euro invested by the SEETO regional participants in road network maintenance and 67.7 million euro of the total 97 million euro invested in rail network maintenance was spent by Croatia.

In 2011 the length of the SEETO comprehensive network decreased by 25 km of roads and 30 km of railways compared with 2010, due to the exclusion of three minor roads in Albania, Macedonia and Montenegro.

RailNetEurope (RNE)

RailNetEurope (RNE) is a non-profit association of 36 railway infrastructure managers and allocation bodies from 26 European countries. RNE aims to facilitate international railway traffic across Europe through the creation of a harmonised Europe-wide timetable, fostering cooperation between the national railway operators and real-time information exchange across borders.

The total length of the railway network covered by RNE exceeds 230,000 km. Four RNE corridors pass through the territory of SEE, two of which (C07 and C08) cover only short sections within

RailNetEurope (RNE)
Source: RailNetEurope

RNE Corridors in SEE

Number	Corridors
C07	Gdynia-Ponetow/Warsaw-Katowice-Vienna/ Bratislava-Trieste/Koper
C08	Lyon/Dijon-Torino-Ljubljana/Koper-Budapest
C09	Wien-Budapest-Bucharest-Constanta/Kulata/ Svilengrad/Varna/Burgas
C11	Munich-Salzburg-Ljubljana-Zagreb-Belgrade-Sofia-Istanbul

Source: RailNetEurope

the Slovenian railway network. The other two encompass the main lines in the directions North-South and East-West on the Balkan Peninsula. The C09 corridor passes through Bulgaria and Romania, while C11 crosses Slovenia, Croatia, Serbia and Bulgaria. The main railway axes in all above-mentioned countries are part of the RNE network, which ensures unhindered trans-border railway transport.

The future of the European transport system

Strengths:

- Sufficient density of the road and railway networks;
- Willingness of governments to support transport infrastructure development;
- Favourable geographical location that determines the high number of international corridors passing through the region.

Weaknesses:

- Non-uniform development of transport infrastructure in SEE countries;
- Insufficient length of highways, considering the growing traffic, and the low quality of national and local roads;
- Lack of high-speed railway lines and poor condition of the existing rail network.

Opportunities:

- Increasing movement of passengers and goods across Europe, leading to steadily growing demand for transport infrastructure;
- Large trans-border projects as an opportunity for economies of scale;
- Implementation of EU standards at all stages of project development and construction.

Threats:

- Technologically underdeveloped civil engineering and road construction companies;
- Possible deterioration in governments' policy towards investments in transport infrastructure;
- Insufficient utilisation of EU funds due to corruption and low transparency.

Conclusion:

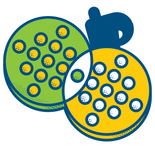
International transport networks turn out to be a key instrument in the EU's efforts to achieve integration among all European countries at an economic, social and cultural level. Upon their completion, these networks will build up a united European transport system with a uniform development and road and railway network density, which would be beneficial to all.

The unification of the SEETO comprehensive network with the networks in the EU member states will have an indispensable role in overcoming the western Balkans' isolation from the rest of Europe. In addition, it will help accelerate their economic development.

Infrastructure upgrades will bring more flexibility to transport companies, more intensive competition and improved quality of cargo and passenger services at lower cost. The upgraded transport network will also lower costs for companies operating in the neighbouring regions, which in turn will increase their competitiveness.

Are you thinking too small about Big Data?

By 2005, the world had generated a total of 130 billion gigabytes of data—a level expected to increase to 40 trillion gigabytes by 2020.



Only 0.5 percent of the 2.5 billion gigabytes of data generated every day is examined for its analytic value.

Count the mentions of "Big Data" you see today. Then count the times you see someone moving from Big Data promise to Big Data practice. On a Smarter Planet, a few enterprises are doing more than analyzing the data. They're using analytics to change how they think and serve their customers as individuals.

First comes analytics. Next comes action.
Predictive analytics can help you offer the ideal experience on any platform your customer chooses. Banco Itaú Argentina used analytics to identify likely customers and determine which offer would be most relevant to each. Getting more customers the right service on their phones, online or at the teller window helped the bank increase revenue by 40 percent.

Reaching customers on their terms.
More organizations are using analytics to respond to customers' individual needs. The city of Bolzano, Italy, analyzes older residents' home sensors for abnormal energy use and possible leaks. Acting on the analytics keeps more aging people independent and has helped the city save an estimated 30 percent on elderly care and assistance.

The right action for every interaction.
If every employee shares insights from your company's customer interactions, every employee knows the right action to take with a customer. Centerstone, a health-care provider, used data from 70,000 patient interactions to generate predictive models that help schedule services faster, letting clinicians spend more time seeing patients, without increasing staff.

Putting Big Data and analytics to work.
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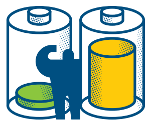

The Big Data industry was worth $3.2 billion in 2010. In 2015, it will be worth an estimated $16.9 billion.

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IBM

The Balkans – crossroads of gas pipelines

by **Silviya Stoykova, Valentin Stamov**

Natural gas pipeline development is indispensable for Europe as a whole and for SEE in particular. Such projects are designed to diversify the gas supply and delivery routes for Europe on the one hand, and reduce the dependence of the region on Russian gas, on the other. Russia is the dominant gas supplier for the entire continent, its gas representing 25% of gas imports in the EU alone.

Apart from these major considerations, SEE could also benefit from developing alternative gas pipelines, which will result in an upgrade of the region's old and ineffective energy infrastructure.

In light of the ever-insufficient gas reserves in many countries, not only European states but also gas majors such as Iran and Russia might be forced to import Caspian gas. The Azerbaijani Shah Deniz gas field, located in the south Caspian Sea, could solve Europe's gas shortage problems. It is operated by the same-name consortium between UK oil and gas giant British Petroleum (BP), and the State Oil Company of Azerbaijan, SOCAR.

The consortium is currently developing the Shah Deniz Stage II project that is expected to yield about 25 billion cubic metres (bcm) of gas per year. The project could help open the Southern Gas Corridor, an initiative of the European Commission. The goal of the Southern Gas Corridor is to provide gas supplies from the Caspian region and the Middle East to Europe and it consists of multiple energy projects, such as Nabucco West, Trans Adriatic Pipeline (TAP) and South Stream.

Two major pipeline projects were pitching to secure gas supplies from the Caspian field – Nabucco West and TAP. They have offered to carry 10 bcm of gas annually to various central and southern European markets. The Shah Deniz consortium made a decision at the end of June 2013, preferring TAP over its rival Nabucco. However, this does not mean that the Nabucco West pipeline project is over. Both projects will be needed in the near future and Nabucco's route is still to be discussed, according to European Energy Commissioner Guenther Oettinger. The forthcoming opening of the Southern Gas Corridor is more important than the choice of a particular pipeline. Once the internal energy market is functional and efficient, the gas that has reached the European Union will be easily transported across the continent.

Gas pipeline projects in the SEE region

TAP – Greek–Turkish border to Western Europe

The approximately 870-km TAP will transfer natural gas from Azerbaijan, via Greece and Albania, across the Adriatic Sea to southern Italy and finally to Western Europe. It will connect with the Trans Anatolian Pipeline (TANAP) close to the Greek-Turkish border, at Kipoi. TAP's initial transportation capacity will be 10 bcm, but it might subsequently be raised to 20 bcm per year. The gas is projected to begin flowing in 2019.

The Shah Deniz consortium made a decision at the end of June 2013, preferring TAP over its rival Nabucco. However, this does not mean that the Nabucco West pipeline project is over. Both projects will be needed in the near future and Nabucco's route is still to be discussed, according to European Energy Commissioner Guenther Oettinger.

Source: Trans Adriatic Pipeline (TAP) AG

Source: Nabucco Gas Pipeline International GmbH

The joint venture company operating the project is Trans Adriatic Pipeline (TAP) AG and its shareholders are Swiss Axpo, Norwegian Statoil and German E.ON. Statoil also has a 25.5% participation in the Shah Deniz consortium.

TAP provides various interconnection possibilities with already existing and planned gas infrastructure. It could connect with planned pipelines in the region such as the Interconnector Greece-Bulgaria Pipeline (IGB), the West Balkan Ring and the Ionian Adriatic Pipeline (IAP).

According to an unnamed expert from Azerbaijan quoted by Reuters, TAP is expected to cost about 7.5 billion U.S. dollars, which is 500 million dollars less than Nabucco. TAP owners declared that the project would not require public subsidies or grants and therefore will not be a burden on taxpayers.

TAP also has another advantage over Nabucco in the race for the Caspian gas. Azerbaijan would rather avoid any conflict with Russia, which might have tipped the scales in favour of TAP. This is because TAP will not pass through territories in the Russian sphere of influence.

TAP has defeated Nabucco on seven out of eight evaluation criteria, according to Italy's Industry Ministry. These are market opportunities, timing, scalability, management operability, funding available, project quality and transparency.

The choice of a pipeline to transport gas from the Caspian region is historical because 10 bcm of gas will be delivered to Europe on an annual basis and this is expected to happen before 2020.

Nabucco West – Turkish-Bulgarian border to Austria

Nabucco West is one of the main projects in the Southern Gas Corridor and is operated by Vienna-based Nabucco Gas Pipeline International GmbH (NIC). NIC initially had five partners – Bulgarian Energy Holding, Turkey's BOTAS, Romania's Transgaz, Hungarian MOL's unit FGSZ and Austria's OMV. In May 2013 French power giant GDF Suez became the sixth partner in the project.

The Nabucco West pipeline is planned to start at the Turkish-Bulgarian border, crossing Bulgaria, Romania and Hungary and will reach one of the biggest gas hubs in Europe in Baumgarten, Austria. Nabucco is seen to cost less than 8.0 billion U.S. dollars.

If the 1,329 km long route of Nabucco West is completed, the annual capacity of the pipeline will be between 10 bcm and 23 bcm. The construction of the pipeline is supported by an intergovernmental agreement between Austria, Hungary, Romania, Bulgaria and Turkey, signed on July 13, 2009.

32% of the pipe will pass through Bulgaria, 36% through Romania, 29% through Hungary and 4.0% through Austria. In Turkey, Bulgaria, Hungary and Austria, parts of the route will follow already existing pipeline routes similar to TAP.

The Turkish section continues to be part of the route of the initial Nabucco project. Its length will be 2,581 km.

In June 2012 Shah Deniz gave the green light to Nabucco West to compete with TAP for securing Caspian gas supplies to Europe. Shah Deniz II would have received a 50% stake in NIC in case it chose Nabucco West as its European gas export route in exchange for joint funding and development of the pipeline.

The EU has shown its preference for the development of Nabucco over the construction of TAP. The reasoning behind this decision is the route of Nabucco, which will cut across former eastern bloc countries, highly dependent on Russian gas. However, the EU said in May 2013 it will be content with any decision of the Shah Deniz consortium on which of the projects to select.

OMV, which led the Nabucco West consortium, announced that the project is over for them, but they might after all build their own pipeline depending on the outcome of Black Sea exploration off Romania's coast.

South Stream – Russian gas to Italy

The South Stream pipeline will transport natural gas from Russia under the Black Sea to the Bulgarian coast and further northwest through Serbia, Hungary, Slovenia and Austria to Italy. A branch to Croatia is also planned.

The pipeline is expected to carry 63 bcm of Russian gas per year. To build the onshore gas pipeline section, Russian Gazprom has signed agreements with Bulgaria, Serbia, Hungary, Greece, Slovenia and Croatia. The total length of the Black Sea section will exceed 900 km.

The construction of the South Stream pipeline was officially inaugurated in Russia in December 2012. Gas deliveries to Europe are planned to start well before 2019, when the gas from Azerbaijan is expected to begin flowing to the EU countries.

In March 2013 it became clear that Macedonia could also take part in the South Stream project, as it is close to reaching an agree-

Source: South Stream project official website

South Stream stakeholders

Company	Shareholders/Partners	Operations area
South Stream Transport BV	Gazprom Russia (50%) EDF France (15%)	Offshore section
South Stream Austria Gmbh	Gazprom Russia (50%) OMV Austria (50%)	Austria
South Stream Bulgaria AD	Gazprom Russia (50%) Bulgarian Energy Holding (50%)	Bulgaria
Joint venture being set up	Gazprom Russia Plinacro Croatia	Croatia
South Stream Greece S.A.	Gazprom Russia (50%) DESFA Greece (50%)	Greece
South Stream Hungary Zrt	Gazprom Russia (50%) Magyar Villamos Muvek Hungary (MVM) (50%)	Hungary
South Stream Serbia AG	Gazprom Russia (51%) Srbijagas Serbia (49%)	Serbia
South Stream Slovenia LLC	Gazprom Russia (50%) Plinovodi Slovenia (50%)	Slovenia

Source: South Stream project official website

ment with Gazprom on the construction of a branch of the pipeline. Now the Macedonian participation is pending approval by both the Russian side and the Macedonian authorities.

Construction works on the Serbian section and the transit route through Bosnia and Herzegovina are expected to start at the end of 2013 or the beginning of 2014.

The White Stream – Georgian gas to CEE

The White Stream gas pipeline, developed by the White Stream Consortium, featuring UK White Stream Pipeline Company Limited and US GUEU Inc, is planned to transport gas from Georgia to Romania, Ukraine and other markets in Central and Eastern Europe.

The White Stream gas pipeline will be built in three stages. The first one includes a pipeline across the Black Sea from Georgia to Romania, and affiliated onshore pipeline sections and compression facilities, to be completed in 2018. It is projected to transport 8 bcm or 16 bcm per year, depending on what pipeline diameter will be chosen. The next stages include offshore pipelines across the Black Sea to Romania, and possibly Ukraine. More onshore facilities are planned to be constructed. The system capacity is foreseen to surge to 32 bcm per year.

The offshore section includes two alternative routes crossing the Black Sea. The first one would land close to Constanta, on the Romanian coast, and will be connected to the existing Romanian gas system. The second possible route would reach the Crimean peninsula, on the Ukrainian coast.

TANAP – Azerbaijani gas to the Turkish-Bulgarian border

The 2,000-km TANAP is projected to transport natural gas from Azerbaijan and probably its neighbours through Turkey to Europe.

TANAP is run by a consortium of SOCAR and Petroleum Pipeline Corporation of Turkey (BOTAS). Turkish Petroleum Corporation (TPAO) might also join them in the future.

Source: The Trans Anatolian Gas Pipeline Company B.V.

Other gas infrastructure development initiatives

In 2007 Hungarian oil and gas company MOL proposed the New European Transmission system (NETS) project. It is an initiative aimed at joining the gas pipeline systems in central and Southeast Europe, thus uniting transmission system operators (TSOs) in the region and creating a common transmission system operator in order to upgrade and develop the regional gas infrastructure.

Another similar initiative is the European Transmission System Operator, promoted by some major gas players, which could help improve assets integration and network management.

All Europe needs is energy

Natural gas is expected to surpass petroleum and coal use within the next couple of decades. The growing consumption of gas is driven by its key advantages – it is used across many sectors, it is more environmentally friendly than coal and oil, and it is less water-intensive than other fuels. Furthermore, the introduction of new drilling techniques has enabled the production of shale gas which could cover local gas demand in some SEE countries. The pipeline projects could be launched only after the successful completion of environmental assessment which guarantees strict environmental standards.

25 bcm

The estimated annual capacity of the Shah Deniz gas field.

World population growth and GDP rise are the two reasons that could lead to increased energy demand. The world population is expected to rise to 8.3 billion people by 2030 from 7.1 billion in May 2013. According to BP, the world's GDP in 2030 is projected to be approximately double the 2011 level in real terms. The primary energy consumption is expected to climb by 1.6% annually by 2030.

All this makes gas pipeline projects a necessity all around the world and especially in SEE, where the gas infrastructure is old and needs improvement. With the higher energy consumption, the Balkans would take up a strategic position in Europe for gas transportation from the Caspian region.

According to BP, energy production will go up everywhere but in Europe in the future. That is why the European countries have to continue importing energy in order to meet the demand.

The countries in SEE currently buy gas mainly from Russia, which gives it the upper hand in determining prices. Diversification of the sources would create competition between the suppliers, which would bring down prices. The continuity of gas supplies is also a major potential problem when there is a single supplier.

The construction of pipelines will also open new job opportunities for people in the region. The Nabucco project alone is expected to create thousands of jobs. In Greece, TAP is expected to create about 12,000 direct and indirect jobs.

The pipelines might boost SEE countries' GDP as well. According to a study conducted by Oxford Economics, the TAP project in Albania will bring 57 million euro to the Albanian economy and create 4,200 jobs.

Economic growth could be achieved through energy efficiency and new energy supplies. The gas pipeline projects in SEE are one of the means to accomplish this goal.

*The analysis is up to date as of August 1, 2013.

Domaine Boyar invests in new microvinification winery, to add boutique wines to portfolio

The winery is eyeing opportunities to buy wineries in Romania, Serbia, Croatia and Greece.

Evgeni Haramliyski,
CEO of Domaine Boyar

Domaine Boyar is a leading Bulgarian wine producer and exporter to Europe, the U.S. and Canada. It holds more than 80% of Bulgaria's wine exports to Britain, Belgium and the Netherlands. The company's strategic goal is to become an EU-calibre player over the next three to five years by acquiring several wineries in EU-member states.

Domaine Boyar recently won a tender to supply low-alcohol wines to Sweden. What prospects do you see for growth on this segment on other foreign markets and in Bulgaria?
Yes, at the beginning of 2013 Domaine Boyar won a low-alcohol wines tender called by Sweden's liquor stores operator, the only one in the country, amid very tight competition from leading global winemakers, which is why we value this achievement so highly. Until now, this category was non-existent on the Swedish market, and this makes it hard to come up with projections for the future. The initial order is to supply 120,000 bottles of white wine and rose.
Earlier this year we decided to launch sales of low-alcohol wine in Bulgaria, as well, to a very warm reception, I am happy to say. I believe prospects for this type of wine are very good.
I would single out Britain as one of our export markets where our low-alcohol wines sell very well. We have already succeeded in raising considerably our overall domestic sales, by 27% in terms of value since the beginning of the year.

Domaine Boyar contemplates buying a small winery in France.

Which are your key export markets? Are you planning to expand exports?
Our sales on all foreign markets have grown by between 4% and 11% so far this year.
We maintained our market share in our key markets and considerably raised our exports to China, Russia and Sweden. In mid-2013 we signed a 10 million euro two-year deal with one of Russia's biggest importers.
Britain remains our key market. We have been present there for twenty two years and we are working with all the big retailers. Our wines often make the best buy wine rankings in the country, as well as in the U.S. Our wines often make the best buy wine rankings in the country, as well as in the U.S.
Domaine Boyar holds more than 80% of Bulgaria's wine exports to Britain, Belgium, and the Netherlands.
Canada and the U.S. are two other markets where we have a strong presence, the U.S. in particular. Two months ago a popular local magazine, Wine Enthusiast, ranked our Domaine Boyar 2009 Reserve Cabernet Sauvignon among its 100 best buy wines, which is a significant achievement for a Bulgarian wine.
Growing interest towards our wines gives us

grounds to expect a rise by some 16% in exports next year, mostly driven by sales in Russia, Britain, the U.S. and China.
The company's strategic goal is to become an EU-calibre player over the next three to five years by acquiring several wineries in EU-member states. In pursuance of our strategy to enter the markets of Southeast Europe, we are eyeing opportunities to buy wineries in Romania, Serbia, Croatia and Greece.
We are contemplating the option to buy a small winery in France, as well, as it would allow us to offer French wines on the Bulgarian market and in other countries. French wines are still the most popular ones in the world, whereas the reputation of Bulgarian wines is not too good.

Which are the main areas in which you have been investing lately?
We recently completed a project worth 850,000 levs to build a new microvinification winery in Korten, which will allow us to make limited series of red and white boutique wines.
This new technology, which is employed by some of France's most renowned chateaus, makes it possible to pay scrupulous attention to every detail along the various production stages.
We have also invested a lot to buy new French oak barriques from the regions of Voges and Allier.
Also, we have adopted the most innovative Cross flow filtering system which is crucial for maintaining the wine's quality and purity. With this cutting-edge equipment in their hands our talented and experienced oenologists can create some remarkable wines in the coming years.

Are you planning to launch new wines?
Yes, we are working on creating some new wines in the medium and high price segment, which will hit the market in October, offering wine connoisseurs a product of exceptional quality at an affordable price.

16%

The wine producer expects 16% rise in 2014 exports, driven by sales in Sweden, Russia, Britain and China

Do you see a change taking place in Bulgarian consumers' tastes?
Consumers in the low price segment tend to be more constant in their preferences and, in general, their tastes have not changed much in the past years. However, we observe a trend to foster wine culture in Bulgaria with customers in the medium and high price segments definitely becoming increasingly curious to try new tastes, varieties and foreign wines.
In order to meet that new demand we started processing new and relatively unfamiliar for Bulgarians grape varieties such as Caladoc, Marselan, Tempranillo, Mourvèdre, Grenache, Viognier, Riesling, Sémillon, which are very successfully cultivated on Bulgaria's terroir. This allows us to make unique wines and variety blends which the other local winemakers do not offer.
The wish to meet the needs of the wine connoisseurs and collectors prompted us to set up the Enotheque Prive Club. The club's aim is to provide information on the grape varieties and wine making technology, and on how the terroir and weather influence the wine taste; it also gives insights to wine and food pairing, ways to decanter wine, etc. When you buy expensive wine it is important that you know how to store it, when and how to open it, what food to serve it with, whether to let it breathe and for how long, and so forth. The club's idea is to offer connoisseurs the information they need, as well as introduce unique wines and stage events that will enrich their knowledge and wine culture, and consequently – enhance their ability to enjoy a good wine.

What are your expectations for the development of the wine market in Southeast Europe?
Over the past few years we have been witnessing a steady growth of wine consumption in the region of Southeast Europe, which is probably due to a striving for a healthy life – we all know it is better to drink wine than liquor. And we expect that this trend will continue.

Generic drug focus helps local companies weather the storm

by **Pavel Gramatikov**

SEE TOP pharmaceutical manufacturers 2012

in millions of euro

2012	Company name	Country	Total revenue 2012	Total revenue 2011	Net profit/loss 2012	Net profit/loss 2011
1	Krka d.d.	Slovenia	1 060	976.5	154.6	150.4
2	Lek d.d.	Slovenia	697.9	639.6	75.9	73.9
3	Pliva Hrvatska d.o.o.	Croatia	439.5	366.6	89.7	55.5
4	Hemofarm AD	Serbia	221.0	224.3	24.6	-53.1
5	Europharm SA	Romania	119.0	112.6	11.1	6.0
6	Terapia SA	Romania	109.3	100.7	21.9	22.2
7	Balkanpharma Dupnitsa AD	Bulgaria	108.3	85.5	12.7	10.9
8	Sopharma AD	Bulgaria	107.5	115.6	20.9	20.8
9	Alkaloid AD	Macedonia	94.1	93.1	9.9	9.8
10	Biovet AD	Bulgaria	91.6	64.0	4.2	1.1

The pharmaceutical industry in the SEE region is continuing to show growth contrary to the general trend in Europe, bolstering the notion that it is one of the most resilient sectors. Even in the EU periphery, pharmaceutical companies enjoyed growth and immunity to the region's slower recovery helped, again, by its core focus on generic medicines, or cheaper copies of branded drugs.

Two Slovenian generic drugs makers dominated the top five companies this year, namely Krka, which makes the majority of its sales revenue abroad, and Lek d.d., part of Swiss Novartis' generics arm Sandoz. Krka, which occupies the first place in our ranking, boosted its 2012 sales by 6.0% to 1.06 billion euro. It sold 148.1 million euro worth of products in 2012 in Southeast Europe, representing some 13% of its total sales. This is a slight increase from the 146 million euro registered in 2011. In Romania, the region's biggest market, the company made 47 million euro and some 35.2 million euro in Croatia. Krka also achieved double digit growth in Serbia and also boosted its sales in Bosnia and Herzegovina, Macedonia, Kosovo and Bulgaria. At home, the company booked sales of 91 million euro. Its peer, which came second, Lek d.d., also benefited from the increased adoption of generic drugs, boosting its revenue to 697.9 million euro from 639.6 million euro in 2011 and its net profit to 75.9 million euro from 73.9 million euro.

Pliva Hrvatska d.o.o., a unit of Israeli generics major Teva and the only Croatian pharmaceutical firm to find its way into the top 10 regional players grabbing the third spot, benefited from an investment by its parent, raising its 2012 revenue to 439.5 million euro and its net profit to 89.7 million euro from 366.6 million and 55.5 million euro registered in 2011, respectively. Last October, Teva decided to inject 200 million U.S. dollars, one of the biggest investments in Pliva's history, intended for the construction of wastewater and process gas treatment facilities and the expansion of multipurpose synthesis plants as well as the building of a new factory for finished dosage forms in Zagreb.

In Serbia, Hemofarm AD, controlled by German generic drugs maker Stada Arzneimittel, managed to turn in a 24.6-million-euro net profit in 2012 from a loss of 53 million euro, getting to the fourth spot in the ranking. Last year, Hemofarm started direct sales to pharmacies, thus avoiding some wholesalers which had failed to pay for deliveries. Its revenue inched down to 220.9 million euro from 224 million euro in 2011.

A newcomer to our annual ranking is the Romanian pharmaceutical company Europharm

SEE TOP pharmaceutical wholesalers and distributors 2012

in millions of euro

2012	Company name	Country	Total revenue 2012	Total revenue 2011	Net profit/loss 2012	Net profit/loss 2011
1	Mediplus Exim SRL	Romania	730.5	646.3	14.2	13.0
2	Farmexpert D.C.I. SA	Romania	468.8	431.3	19.5	20.0
3	Polisano SRL	Romania	299.9	292.5	6.4	9.8
4	Roche Romania SRL	Romania	294.9	252.6	1.0	0.035
5	Medika d.d.	Croatia	288.3	278.9	4.6	1.7
6	Kemofarmacija d.d.	Slovenia	268.8	281.3	5.5	6.7
7	Phoenix Farmacija d.d. *	Croatia	256.7	250.6	2.2	-0.072
8	Fildas Trading SRL	Romania	255.8	223.3	5.7	5.7
9	Farmexim SA	Romania	254.3	227.8	2.8	2.4
10	Sopharma Trading AD	Bulgaria	238.6	228.6	3.8	3.3

* denotes gross profit/loss for 2012 and 2011

SA which is also focused on manufacturing generic medicines. It succeeded in doubling its 2012 net profit to 11.1 million euro and boosting its revenue to 119 million euro from 112.6 million euro registered in 2011, taking the fifth spot in the ranking.

All other entrants which made it to the top 10 managed to generally keep their revenues and profit in line with their 2011 figures. Romania's copycat pharmaceuticals maker Terapia SA, at number six, improved its 2012 revenues to 109 million euro from 100.6 million euro. However, its net profit slightly decreased to 21.9 million euro from 22.2 million euro in 2011. Bulgaria's Balkanpharma Dupnitsa, standing at number seven in the ranking, boosted its revenue to 108 million euro from 85.5 million euro, as well as its net profit – to 12.7 million euro from 10.8 million euro. The company is part of generics drugs major Actavis. Sopharma's net profit rose to 20.9 million euro from 20.8 million euro. However, its sales fell to 107.5 million euro from 115.5 million euro. The company ranks eighth and is the biggest Bulgarian public pharmaceutical company. It has 12 domestic manufacturing facilities and three plants in Russia, Ukraine and Serbia. Earlier this year, the company inaugurated its biggest production facility yet with a capacity of 4.0 billion pills a year.

Macedonia's Alkaloid occupied the ninth position in our ranking with figures in line with its performance in 2011. Last year its revenue stood at 94 million euro with a net profit of 9.9 million euro. The revenue of Bulgarian veterinary drug maker Biovet in 2012 placed it tenth with 91.6 million euro, up by 43% year-on-year. The company raised its net profit more than three times to 4.2 million euro.

All companies in the top 10 were profitable in 2012.

In total, Bulgaria had three companies in the ranking, followed by Romania and Slovenia with two each. Croatia, Serbia and Macedonia placed one company each in the chart.

The performance of the distributors and wholesalers was also satisfactory, with the majority of them increasing their revenue and profit. The top four places were occupied by Romanian companies with Mediplus Exim SRL reaching the first place with 2012 revenues of 730.5 million euro and net profit of 14.2 million euro. This compares to 646.3 million euro and 13 million euro registered in 2011, respectively. It was followed by Farmexpert D.C.I. SA, Polisano SRL and Roche Romania SRL. The only company in the top five to book a drop in its net profit was Polisano. It generated a net profit of 6.4 million euro against 9.8 million euro back in 2011.

Croatia's Medika d.d., which came fifth, booked a rise in both its revenues and profit, while its domestic peer Phoenix Farmacija d.d., even managed to return to profit in 2012, thus getting to the seventh place. The only Slovenian company in the top 10, Kemofarmacija d.d., saw its revenue and net profit drop and it took the sixth place in the ranking. Another two Romanian firms demonstrating solid performance also found their way into the ranking – Fildas Trading SRL and Farmexim SA. Bulgarian Sopharma Trading AD came tenth with revenues of 238.6 million euro and a net profit of 3.8 million euro. By comparison, it registered revenues of 228.6 million euro and a net profit 3.3 million euro in 2011.

sopharma PHARMACEUTICALS

Sopharma puts portfolio expansion in the limelight

***Ognian Donev, PhD,* is the chairman of the board of directors and executive director of Sopharma AD. In 2012, he was reelected as president of the Confederation of the Employers and Industrialists in Bulgaria.**

Sopharma, established 80 years ago, is the oldest Bulgarian pharmaceutical company. Its products are sold in over 32 countries. The company focuses on generic medicines and also offers original plant-based therapies.

In June, Sopharma opened a new solid forms facility, an investment of about 75 million levs. What are your short-term investment plans?

With the completion of the new factory we are finished renovating the production facilities of Sopharma and we have now completely changed the face of the company. In the future our efforts and resources will be focused on the expansion of our product portfolio.

Will the focus be on generic medicines or on original drugs?

Some 75% of the company's portfolio is comprised of generics and the remainder is original products, mainly products with plant origin. Efforts will be focused predominantly on generic therapies. As you know, Sopharma's original portfolio consists of phyto products which were developed before the privatisation of the company.

A number of countries across the globe have stepped up reimbursement of generics. Do you think that Bulgaria is following their example?

Generics can improve the efficiency of the National Health Insurance Fund's reimbursement policy, but this resource has not been tapped so far. Original products remain dominant, including some whose patent protection has expired. I believe that this issue will be on the agenda of both the Ministry of Health and the National Health Insurance Fund, as it will give them the opportunity to better address the needs of citizens with otherwise insufficient financial resources.

Some recession-hit countries made great efforts to quickly introduce generics to cut healthcare costs.

Bulgaria has done little about the problem. The Ministry of Health should use the generics industry as one of its main tools in its cost-trimming mission. Sopharma was even accused of selling the most expensive medicines, which is a paradox. Indeed, we are proud of the fact that the company operates on the free market. Sopharma received only 1.82% of public funds spent on medicines in 2011. The company generates the remainder of its sales on the free market, so we are definitely not relying on the government. Foreign experts refer to the Bulgarian healthcare system as a "boutique" one – it reimburses mainly therapies for rare conditions, which require very expensive drugs. Sopharma, though, is not present in this segment. We are focused on the "everyday" needs of peo-

Sopharma has some of the most competitive prices in the country and we do not see a reason to worry.

ple and that is Sopharma's strongest point and the guarantee of its good positions.

Does the Bulgarian Generic Pharmaceutical Association collaborate with the government on the approval for reimbursement of generic medicines?

The role of the association is more that of a teacher – to raise awareness about the advantages of generic drugs. However, we should not go to extremes as there are innovative drugs, which are also necessary. The process of replacing original drugs with generic ones, where possible, will free financial resource, which can be allocated for expensive and unique original therapies.

Various blockbuster medicines have lost their patent protection lately. How many new products do you plan to launch?

It is hard to specify a number. Now that we've completed our major investment initiatives we will earmark more financial resources for new product launches.

At the opening of your latest production facility you said that you plan to expand into new markets, including Austria, Finland.

We are pursuing our strategy but entering new markets is a lengthy and difficult process. To overcome barriers to some totally new markets we look for good local partnerships.

Sopharma is seeking to broaden its footprint in Asia, some countries in Africa and other new markets.

The company is also seeking to broaden its footprint in Asia, some countries in Africa and other new markets.

The majority of your manufacturing capacities are in regions with lower labor costs such as Bulgaria and Ukraine. Do you think that this gives your advantages over your rivals?

In the generics business this can give you certain advantages but at the same time labor costs in countries like India and China are not higher than those in Bulgaria. I believe that Sopharma has found a good balance.

Which Southeast European countries have the highest growth potential for you?

As you probably know, recently a Romanian pharmaceutical company Rompharm became a big shareholder in Sopharma, after it bought a stake of 9% in Sopharma it now has an over 13% ownership in the company. They have a strong footprint in their home country and we hope for productive cooperation with them, we will definitely look for synergies. Sopharma will also continue its expansion in our neighbouring Serbia where we also have a production base. We operate there under the name of our subsidiary Ivancic & Sons. We hope to further strengthen our presence on those markets and make the next step which may include the new EU member, Croatia, as well as Hungary.

25%

25% of Sopharma's portfolio is comprised of original products, most of which phyto-based.

Do you outsource manufacturing processes?

Yes, historically Sopharma has helped various Bulgarian third-party production facilities fill up their existing capacities. There are a lot of small companies working for Sopharma, giving rise to criticism among our competitors. However, I consider this a plus.

Do you expect any market shifts now that Israel's Teva vowed to boost its presence in Bulgaria and after Watson's acquisition of Actavis?

I do not expect major changes. For a company accused of monopoly, Sopharma is relatively small compared to such big generic players. You can't expect us to overtake them in the near future but one should never say never.

Are we going to witness any price changes due to increased competition?

Sopharma offers some of the most competitive prices in the country and we do not see a reason to worry.

Do you think that the unstable political situation in Bulgaria will have an effect on sales?

All industries take a hit when a country's macroeconomic framework is in a bad state. This also applies to pharmaceuticals. The absence of reforms in the healthcare sector and the inadequate budget allocated for healthcare are somewhat impeding our development in Bulgaria. That is why, while stable, the share of sales recorded for Bulgaria is decreasing; by comparison, our sales abroad are rising.

In your capacity as president of the Confederation of the Employers and Industrialists in Bulgaria, do you think that the continuing political turmoil will affect the economy or scare away investors?

Every investor looks for a stable political situation. The Confederation's opinion about the events from June 14 and 19, which was previously disclosed in a statement, is still unchanged. The lack of alternatives will not make us approve certain behaviour. At the same time, nothing is ever black and white. There is a sufficient number of professionals in this government, who are good at their jobs. The thing that troubles the Bulgarian business is the non-transparent management and allocation of funds. The latest budget update, for example, is not major enough to prompt a discussion. However, the secretive voting without disclosing any arguments is not welcomed by the Confederation.

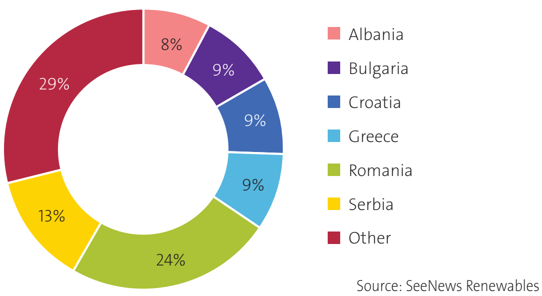
News headlines send mixed signals for SEE renewables

Capacity and financing news draw positive picture, while government policy changes cast shadow

by **Tsvetomira Tsanova**

Around the globe the young renewable energy industry is facing numerous challenges and SEE is no exception. Sector players operating in the region, both local and foreign, are trying to survive amid policy uncertainty and retrospective changes in legislation, falling subsidies and reluctant financing. Yet, a quick browse through news headlines from the first half of 2013 shows that interest in renewable energy is picking up in SEE and more and more projects are becoming reality.

Most attractive markets

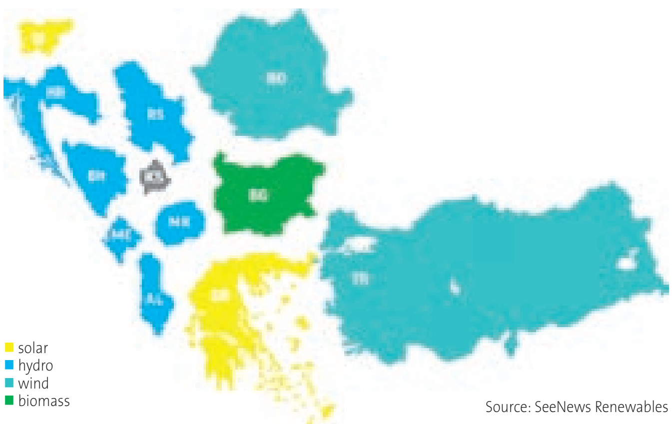


Source: SeeNews Renewables

HPPs for western SEE, all renewables for the rest

It is hard to speak of the SEE region in general as each country here has its specific regulations, targets and challenges. An analysis of 300 articles published by SeeNews and other reliable news providers in the first half of 2013 shows that hydropower was the hottest green energy source in Albania, Bosnia and Herzegovina, Croatia, Macedonia and Serbia during the period. Nearly all news related to that group of countries concerned the hydropower sector and good hydrologic conditions locally are the main reason for this. Also, hydroelectricity is a familiar power generation method compared to new technologies such as wind turbines and photovoltaics (PV), which adds to its attractiveness. Last but not least, none of these countries were EU member states* in the period under review, so there were no binding targets pressing them to deploy various clean technologies.

Main renewable energy sources, by country



Source: SeeNews Renewables

In contrast to that first group of countries, news from Slovenia, Greece, Turkey, Romania and Bulgaria was varied in terms of renewable energy source – there were articles on wind, solar, hydropower and biomass. Looking at the prevailing type of renewable energy resource in news headlines, the sunniest SEE countries in January-June were Slovenia and Greece. Most stories from Turkey and Romania were focused on wind power, while biomass attracted much attention in news from Bulgaria.

"Negative" news for EU member states in SEE

Our media analysis showed a curious trend when it comes to the mood in SEE renewable energy news. A negative mood in articles was mostly observed for the three EU member states Bulgaria, Romania and Greece, and to some extent the bloc's newest member – Croatia. Only Slovenia was an exception with predominantly positive news. What is more, the majority of articles with the negative mood tag were related to government policy changes or market development. The following headlines speak for themselves:

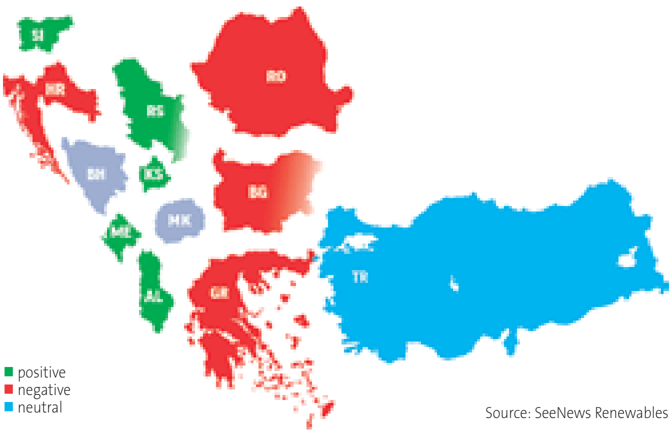
- Bulgaria to suspend some 40% of solar, wind power plants
- Romanian renewable energy incentive cuts likely to deter investment
- Greece will increase renewable-energy taxes next month

* Croatia joined the bloc at the beginning of July.

- Croatia to redefine incentives policy for solar plants
- Number of green certificates traded in Romania halves in March, prices fall
- Lower feed-in tariffs could 'neuter' Greek solar: PV lobby
- Wind turbine maker Vestas says deliveries in Bulgaria, Romania down in 2012

Overall, after the EU-promoted fever to stimulate renewable energy generation backfired, now the EU member states in SEE are looking for ways to slow down capacity installations as the costs for consumers are rising. Measures are rather inventive and included a proposal to introduce a levy targeting between 10% and 15% of the revenues that rooftop solar installations in Greece bring and the regular and scheduled suspension of solar and wind park generation that became reality in Bulgaria. Unsurprisingly, investment is already declining due to the policy insecurity in these markets.

Prospects ahead of the RES sector, by country



Source: SeeNews Renewables

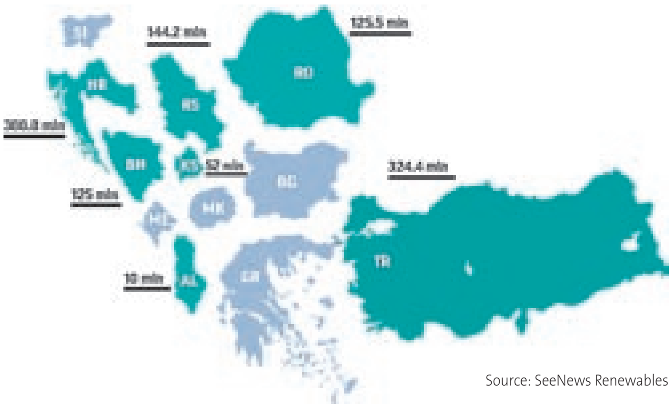
On the other hand, renewable energy news from Albania, Kosovo, Serbia and Slovenia were predominantly positive in January-June 2013. Kosovo presented its national renewable energy sources action plan 2011-2020 in the period; Serbia unveiled intentions to add 1,092 MW in green energy capacity by 2020; Albania gave the green light to a number of HPPs and started construction of new stations; and Slovenian solar module maker BISOL struck several deals and boosted production.

SEE's renewables enjoy financial backing by development banks

The good news is that the majority of positive articles in the first half of 2013 were related to financing. Development banks played a major role in the SEE renewable energy sector – the European Bank for Reconstruction and Development (EBRD) appeared in eight stories while six articles involved financing from the IFC, the European Investment Bank (EIB), the World Bank, German KfW and Japan Bank for International Cooperation (JBIC) also made the headlines in SEE renewable energy news at least once or twice between January and June.

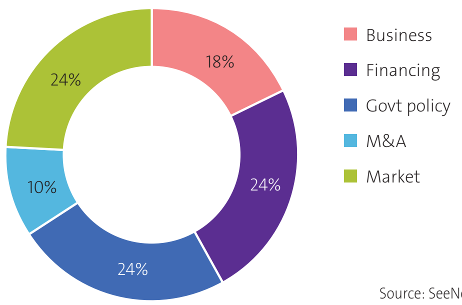
Croatia got 388.8 million euro in financing, according to five news stories. Serbia and Romania got 144.2 million euro and 125.5 million euro, respectively, again according to headlines. Financing news from Bosnia and Herzegovina showed 125 million euro in attracted funds as well. Most of the allocated money went to the hydropower sector, with smaller portions for wind and solar projects.

Financing for the RES industry, by country



Source: SeeNews Renewables

News dedicated to financing accounted for 24% of all articles in the first half of 2013. Government policy news and market development stories also got a 24% share each. The rest was mergers and acquisitions and business news.



Source: SeeNews Renewables

Methodology

SeeNews analysed 300 articles by independent sources such as SeeNews, Energetika.net, Reuters and Dnevnik.bg, published between January 1 and June 7, 2013. The focus was on five topics – legislation, financing, market development, business and M&A.
The survey does not try to give a full picture of renewable energy in SEE, it is aimed at analysing the media coverage of the sector.

Gen-I targets SEE markets with lowest-priced electricity, gas supply offer

Robert Golob,
President of the Management Board, GEN-I Group

Gen-I Group's core activities include international electricity trading, which is conducted through a number of energy exchanges and organised electricity trading platforms and using various forms of bilateral trading, as well as the sale of electricity and gas to end-customers. The Krsko-based group has subsidiaries in Austria, Italy, Germany, Hungary, Romania, Bulgaria, Serbia, Bosnia and Herzegovina, Montenegro, Macedonia, Kosovo, Albania and Greece.

What is your view of the competitive environment on the gas and electricity trading markets in SEE?

These are two different markets and two different stories. On one hand, the electricity trading market in the SEE region is very well developed and well regulated. Apart from some unilateral interventions by individual governments, the market is functioning well and business is thriving.

On the other hand, the development of the gas trading market in the region is still at a rudimentary stage as these are still fragmented sub-regions, each functioning separately and in a different way compared to the others. Here, there is plenty of room to boost the scope of business operations. Currently, the consumers are the ones paying the price for the insufficient level of deregulation of these gas markets.

In which SEE markets do you expect to see the fastest gas/electricity sales growth for Gen-I over the medium term?

All of them! And not only markets in the SEE region, but also the neighbouring markets. Only once it sets foot on as many markets as possible, GEN-I would be in a position to offer competitive prices – simply because of economies of scale and the versatility of its offer – and be a competitive player in the trading business.

With regards to end-users, there are still countries that haven't completed the process of liberalisation of this segment as prices still depend on the energy policy of each state.

How is Gen-I performing on two of its newest segments, the gas supply market in Slovenia and the electricity supply market in Croatia? What are your medium term goals there?

We have excellent results in both markets. In Slovenia, in a year since entering the gas market, we have gained a 10% market share. Over the next three years, we expect our market share to double and reach 20%. But our key achievement is that in the first year of doing business on the gas market in Slovenia, GEN-I has succeeded in slashing gas prices by 40%, thus aligning prices in Slovenia with the average gas tariffs in the EU.

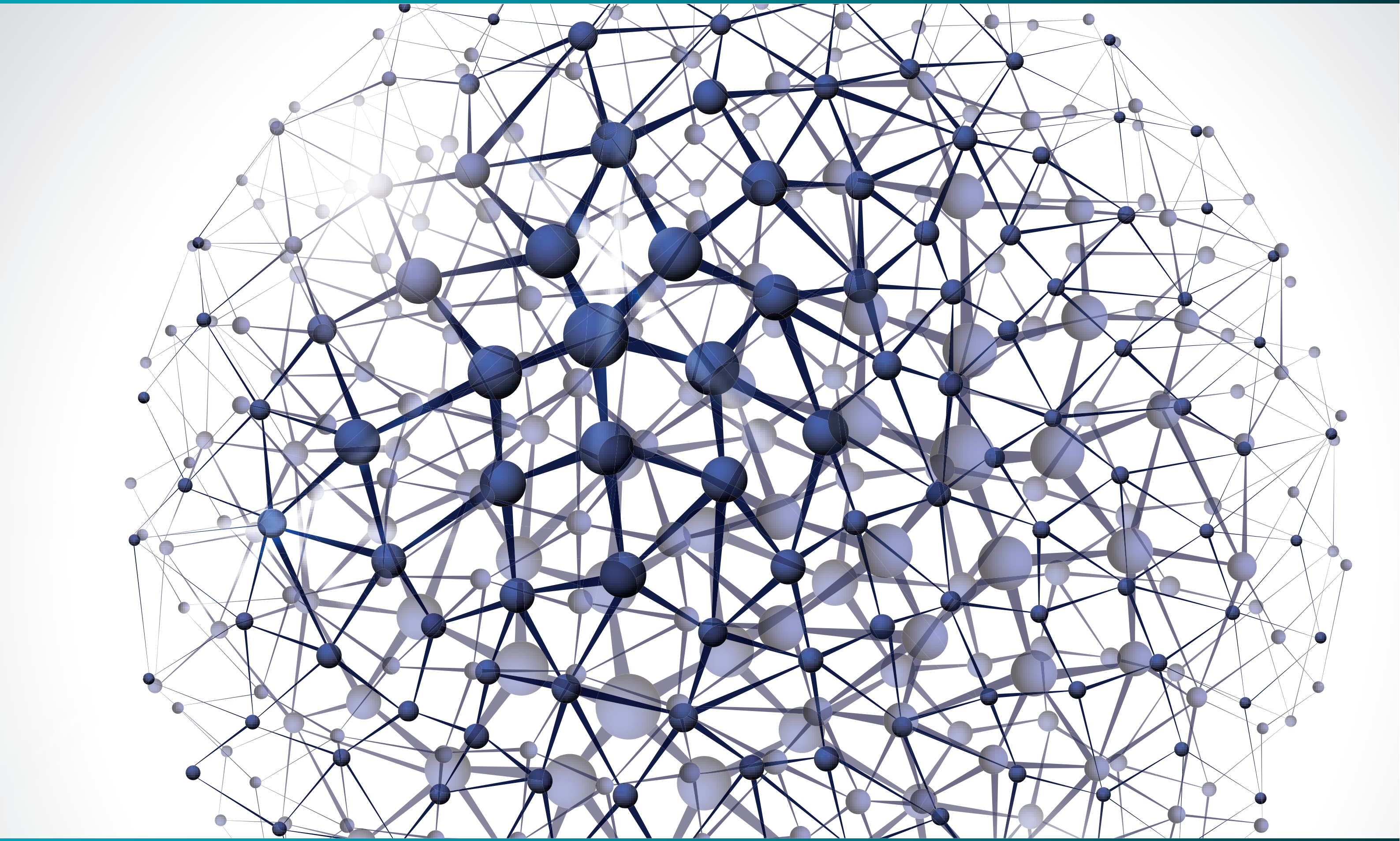
In Croatia, our initial results are great and our plans even more ambitious. In just three months since we entered the electricity market for end consumers in Croatia, we have gained a share of 4.0% of the total market and we expect to reach 17% in three years.

What are your medium-term goals in terms of the development of new products and expansion to new markets?

We are continuously investing in the development of new products as this is the only way we can be competitive. With regard to expansion to new markets, the question isn't whether or not we will enter new markets, but when this will happen! Conditions that need to be in place for us to enter a particular market include defined and functioning sector legislation and price levels. Over the medium term, we plan to enter one more market in the region. At the moment we are assessing the business aspects of that venture before we choose the specific market.

How is Gen-I's sustainability and social responsibility programme aligned with the group's business development strategy?

For us, social responsibility is not a PR stunt – social responsibility is our business model. Our business goal is to provide consumers with the lowest possible prices for electricity and gas. We share the same goals with our consumers – to have the lowest prices in the market. We make the decision as to which market to enter by investigating where the monopolist is "squeezing" its consumers the most. That's why GEN-I is a socially responsible company by its nature.



Energy Trading and Sales

www.gen-i.si

Raicommerce Construction JSC eyes projects in Albania, Kosovo, Romania, Serbia and Macedonia

In 2012 the company completed its first project in Macedonia

Blagoy Kozarev,
Board member and representative of the company owners

Raicommerce Construction, a Bulgaria—based company whose main line of business is the construction of water mains and sewerage, has a track record of over 330 successful projects. Since it was set up in 1991, the company has built over 350,000 metres of water mains and over 50,000 metres of sewerage in various parts of the country. Raicommerce Construction has a staff of nearly 400 highly qualified employees and operates a large fleet of machines, including horizontal drilling equipment. Its annual turnover exceeds 20 million euro. Raicommerce Construction's operations are certified under the ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 quality standards. The company is a member of the Bulgarian Water Association, the Bulgarian Association for Trenchless Technologies, Bulgarian Utility Contractors Association, and the Confederation of Employers and Industrialists in Bulgaria, among others.

What major projects is Raicommerce Construction currently implementing?

Since 2003 Raicommerce Construction has been the main partner of Sofia's water supply and sewerage company Sofiyska Voda, a unit of Veolia Water. We are in charge of the maintenance of 40% of the capital city's water supply and sewer network. Over the past ten years, our teams have fixed more than 45,000 problems on the city's territory. We make sure that every day over 800,000 people can use the water supply services of Sofia.

In 2013, in a consortium with other leading companies, we launched in the town of Kostinbrod a project worth a total of nearly 50 million euro which includes the construction of 43 km of sewerage, 40 km of water mains and 7 km of riverbed works.

We make sure that every day over 800,000 people in Sofia get water.

Another major project, worth nearly 11 million euro, that we are due to complete in 2014 envisages the construction of a water cycle in the town of Byala Slatina. It involves the construction of 12 km of sewerage network, 10 km of water mains and a waste water treatment plant.

Back in 1995 we were first in Bulgaria to employ trenchless directional drilling – a technology via which the pipes in a 100-metre street can be replaced without digging, which cuts costs, time, and noise and air pollution, and does not interrupt traffic. So far, we have built over 200,000 metres of water mains using trenchless technology, and in 2004 we even published a manual to share our experience.

In 2012 Raicommerce Construction completed its first project in Macedonia. Are you considering expanding to other countries in SEE?

Yes, we have the ambitious goal to carry out projects on the territory of other countries in SEE, in particular in Albania, Kosovo, Macedonia, Romania and Serbia, where, I believe, the social and economic situation is not so different from the one in Bulgaria.

Which are the main challenges facing construction companies in the water and sewerage sector in SEE?

The problems that we encounter are stemming from insufficient financing in the water and sewerage sector, as well as the unclear ownership of the networks and facilities.

Politicians prefer investments in the construction of visible elements of urban infrastructure areas such as roads, bridges and parks. These challenges, however, could be overcome through better cooperation between the state institutions and organisations with the representatives of the private business such as public private partnerships and concessions.

Drinking water is less than 1% of the world's water resources and is constantly decreasing. This makes the maintenance of a region's water and sewerage network vital for its sustainable development.

Bulgaria's software, IT services market set for long-term growth

Elena Drecheva,
Managing director

Konica Minolta Business Solution Bulgaria is part of Konica Minolta's global net. The company offers innovative multifunctional devices and software applications and services that perfectly fit the individual needs for print and document workflow in the modern business environment. According to Swiss agency infoSource, Konica Minolta is a leader on the Bulgarian market for colour and black-and-white A3 printing devices in 2012.
At present, Konica Minolta has offices in Sofia, Varna, Plovdiv and Stara Zagora.

How do Konica Minolta's solutions help businesses increase the productivity and efficiency of their operations?

Konica Minolta provides a wide portfolio of solutions for improving the businesses' productivity and efficiency by offering the right tools for optimisation and management of their printing environment and document management. And by solutions, we mean the comprehensive mix of hardware and software, from simple document capturing automation to optimisation of whole business processes and implementation of a thorough document management system.
From our experience so far, we can see up to 30% cost improvement by simply implementing a solution that provides transparency of the printing process in the company and offers tools for speeding up employees' daily operations like printing, scanning, and copying. Further statistics say that companies' cost for invoice processing is 30 euro on average, as well as that employees spend about 150 hours annually looking for a document they cannot find as eventually 5% of the corporate documents are lost. All this could be solved by implementing an Enterprise Content Management system, which is a powerful tool for management of the whole document lifecycle in corporations.

What solutions does Konica Minolta offer to clients eyeing a closed-cycle waste-free production process?

At Konica Minolta, we have always attached top priority to our responsibility for the world we live in. This is why we have developed numerous proprietary Konica Minolta features and technologies to help minimise the impact that using our products has on the environment. This approach begins with the research and development of new products and services, continues through all internal processes integrating both the supplier and customer chain, and comes full circle with the recycling of old devices.

Employees spend about 150 hours annually looking for a document they cannot find.

Here are just some of our examples. Our Simitri HD polymerised toner has considerably less impact on the environment during its production, use and recycling. Konica Minolta adopted IH technology to design an energy-efficient fusing unit. Our latest product generation switches to energy-saving mode faster and consumes considerably less power in sleep mode than previous products.

Which is your key product category pacing the company's growth on the Bulgarian market?

Those are our business solutions – we provide the products, systems and solutions that satisfy the demands of the office and production printing markets. According to Infosource, Konica Minolta is a market leader in three segments for 2012 – A3 colour devices, A3 B/W devices and colour production printing devices.

Could you comment on the development of the overall printer market in Bulgaria?

Across Eastern Europe, the printing devices market has dropped dramatically during the last five years, and Bulgaria is no exception to this trend. Unfortunately, market researchers do not forecast significant growth within the next few years. However, Konica Minolta Business Solutions Bulgaria has managed to maintain its leadership position.

What is your view of the pace of recovery of IT spending in Bulgaria?

Market researchers forecast less than 7% growth of IT spending in Bulgaria until 2017. Unlike the unstable hardware market, the outlook on Bulgaria's software and services markets is for long-term growth. Expansion of the Konica Minolta software and services portfolio should bring additional value to our customers and could result in higher hardware sales as well.

City branding: mapping the media images of the SEE capitals

by **Konstantina Vasileva, Perceptica**

The nature of the modern knowledge economy has changed the way we perceive physical spaces. Contemporary cities are increasingly viewed not only as geographic and economic entities, but also as brands, shaped and popularized by the experience they offer to both locals and visitors. The added value, provided by a city's brand image can help it increase its economic potential, to attract labour force and tourist interest and reap many other advantages. In other words: city landscapes are now turning into brandscapes.

While larger cities around the world have already made significant steps toward building a sustainable and highly recognizable brand identity, the capitals of Southeast Europe face many challenges and opportunities on their way to discovering the importance of city branding. This article aimis to take a closer look at ten SEE capitals (Tirana, Sarajevo, Sofia, Zagreb, Skopje, Chisinau, Podgorica, Bucharest, Belgrade, Ljubljana) and the way they are represented in conventional and social media. Identifying the key focal points of the media discourse on a given city is a good starting point to grasp a city's perceived image and work towards building a more sustainable and recognizable identity.

Perceptica is a team of professionals specialised in creating innovative in-depth reports based on online media analytics. Mapping brand perceptions among customers provides valuable insights for helping brands, individuals and organisations thrive.

www.perceptica.com

Methodology

We chose six key categories for analysis and comparison and we based them on Simon Anholt's City Branding Index – a methodology developed to measure the image and reputation of world cities, and to track how their profiles evolve. Simon Anholt is an independent policy advisor who has worked with the governments of over 40 countries worldwide and helped them develop and implement strategies for managing and improving country and city reputation. We approached these six categories* through our own analytical methods in two types of media context: conventional news articles and social media sources (blogs, Twitter and forum discussions). The analyzed period was three months (15 April – 15 July 2013) and our focus was only on English-language content, as it is currently the leading global language with a high potential for reaching large international audiences.

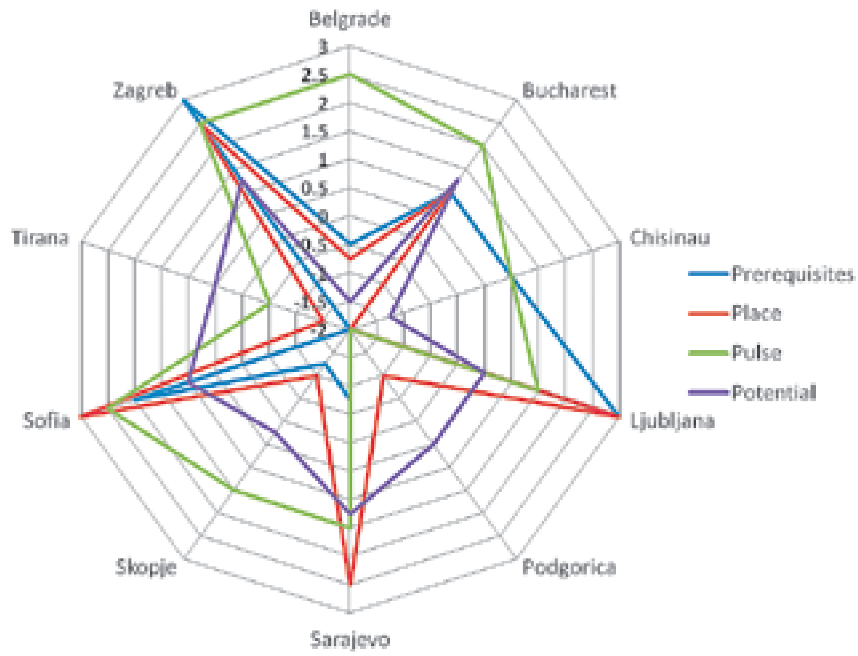
Patterns

With the accumulation of the analyzed conventional and social media content, certain patterns started to emerge and shape the image of individual countries and the region as a whole.

One of the key conclusions from the comparison of the 10 capitals was that only a few of them had a highly recognizable and explicitly distinct city image. The best example in this regard would be Slovenia's capital Ljubljana, which was often described as a very special and unique mixture of Slavic soulfulness, German industriousness and Italian dolce vita. On the other hand, most of the remaining capitals were frequently discussed en bloc, often mentioning three or four cities in the context of a large Balkan trip. This reveals an important factor for branding these cities: the challenge to create their own distinct identities, as opposed to remaining a part from the collective space – the Balkans.

Alternative forms of tourism were a recurring subject in social media channels. Backpacking, hiking and cycling tours seemed to dominate blog posts and forum conversations – a sign that the SEE region is more popular among adventurers and people interested in exotic, unusual and unexplored destinations as opposed to the standard 4 or 5-star tourist experience. Many travellers from countries such as the UK and even Australia came on a cycling tour and mapped out long itineraries across the Balkan Peninsula, trying to visit as many destinations (countries and cities) as possible. This supported the above-mentioned conclusion that people were generally

*A few words on how the categories themselves are defined: Presence – the overall reputation of a city in the eyes of locals and visitors; Place – how the physical traits of a city are perceived – climate, architecture, environment; People – the perceived general traits and attitude of residents towards visitors and potential emigrants; Prerequisites – these are the basic qualities and living amenities of a place: infrastructure, healthcare, education, transportation, social services, etc.; Pulse – how interesting and exciting a city's cultural and social life is and a very subjective category: Potential – the economic and educational opportunities provided by the city. Two of the categories, Place and People, were not given numerical values, because conversations consisted mainly of general impressions without focusing on tangible topics. The rest of the categories were benchmarked on a scale from -3 to +3. Theme, sentiment and volume of conversation were used for evaluating the scores.



10 Capitals – Ranking on Anholt's Prerequisite, Place, Pulse, Potential

interested in seeing more of the region, once they have come to this part of Europe, as opposed to staying in a single place.

Given SEE's troubled history in the past decades, it came as no surprise that themes like politics, religion and ethnic tolerance often emerged in both news and social media discussions. This was particularly true for cities like Sarajevo, Tirana and Belgrade, where the wartime scars often affected visitors on a more emotional level as can be seen from the various tales on travelling blogs. Stories of either religious co-existence (Sarajevo, Tirana) or aggressive nationalism (Belgrade, Skopje) marked the vibrant social media landscape and were the topic of many blog posts and forum discussions. Protests in Sofia (actively discussed on Twitter) and Sarajevo added their influence on the way the two cities were portrayed in the media.

An unexpectedly salient topic which emerged across news and blog posts on most of the analyzed capitals was the lack of tolerance towards the LGBT community. Human rights abuse and aggression towards gay pride parades were reported in five of the 10 capitals – Sofia, Chisinau, Belgrade, Skopje and Tirana – raising important questions about the culture of tolerance and overall attitudes towards sexual minorities in the region. Reports of this controversial attitude could have negative impact on how Balkan capitals are perceived in more liberal societies.

SEE capital media images

Belgrade: The edgy party capital of Europe

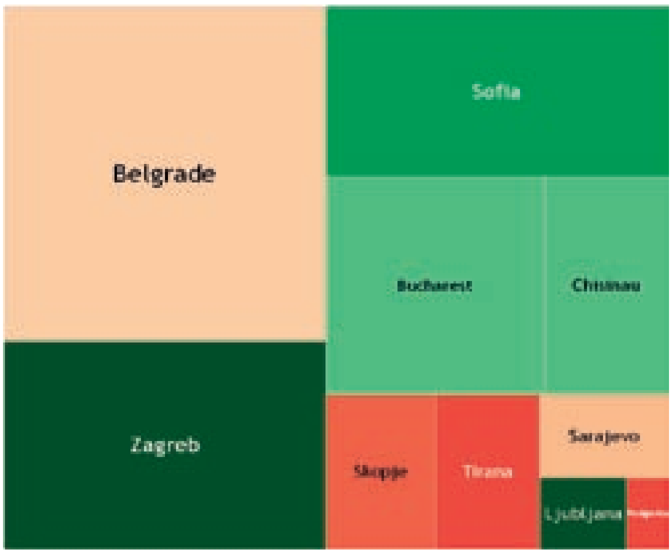
While younger visitors remained charmed and blogged about the bustling street culture of the Serbian capital and music festivals like Belgrade Calling, the city's image suffered from serious issues like environmental pollution and bad infrastructure, covered mainly in news articles. Additionally, the blogs and online forums were abundant with complaints about the uncontrolled stray dogs and rip-off taxi rates.

Nevertheless, the city's friendly inhabitants, great vistas and the quickly recovering urban life after a harrowing war also left a positive impression on many visitors. In news articles Belgrade's potential was mentioned in connection to negotiating the Stabilization and Association Agreement with the European Union. Additionally, the European Bank for Reconstruction and Development praised the pace of the structural reforms beat in Serbia.

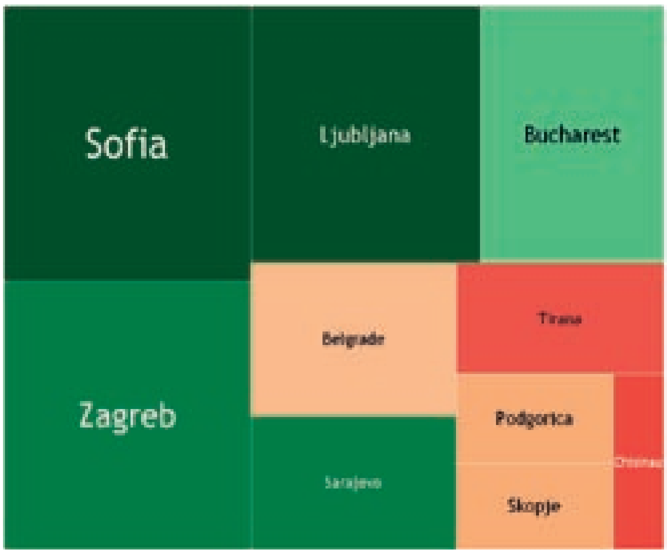
Bucharest: city of extremes

The Romanian capital was a contradicting mixture of positive and negative factors: a unique geographic location (Bucharest was often visited by travellers on their way to the Carpathian Mountains and the popular Transylvania region), poor infrastructure (people complained a lot in forum discussions and blog posts about the horrible public transport, lack of street signs and overall stressful driving conditions), friendly locals, high crime rates (according to news articles) and vibrant cultural life (discussed freely in blogs

Prerequisites



Place



and Twitter messages). Economically, the country's potential after entering the EU is marred by the vast 'to do' list of the administration; urgent action is needed to reform the public sector and state-owned companies, deliver infrastructure investments, reduce red tape and fight corruption.

Chisinau: troubled beauty

The capital of Moldova turned out to be a popular destination for "bargain shoppers" looking for less popular places around Europe, as well as socially responsible adventurers and Peace Corps volunteers. While it was often mentioned in blogs and news in connection to colorful events like the hot-air balloon festival and its beautiful women, Chisinau's public image in the traditional media was damaged by reports on human trafficking and smuggling. Ultimately, despite its beautiful parks, museums and location, near beautiful country landscapes and wine producing regions, Chisinau has been portrayed as an unsafe travel destination with many issues to take care of.

Ljubljana: the hidden gem

Ljubljana's image proved remarkably consistent across all media channels. Intellectual activities, cultural events, museums, folklore festivals and music events contributed to the lively pulse of the city and spread its positive image across news articles, blog posts and forum discussions. In combination with the amazing natural scenery, highly developed infrastructure (bike-friendly alleys, free wi-fi internet connection) and excellent customer service, the Slovenian capital also impressed visitors with the friendliness of the locals. Travellers claimed on their blogs that it was the people of Ljubljana who played a big role in co-creating the city experience with their hospitality and excellent English language skills. In terms of economic potential, news articles reported that Ljubljana has a high concentration of state and local government institutions, as well as a flourishing business climate and art scene.

Podgorica: still on the rise

The location of the city, close to a number of other capitals, could turn it into a bustling transportation hub if it could only improve its bad infrastructure. Blogs and forums were buzzing with people expressing their admiration for Montenegro's nature but the capital Podgorica seemed underappreciated compared to the beauty of the countryside. The city was noted by bloggers for its climate of religious tolerance and proximity to Montenegro's beautiful coasts. On the other hand, Podgorica was portrayed in online forum discussions as small and lacking cultural events of international importance.

Sarajevo: a rich culture revived

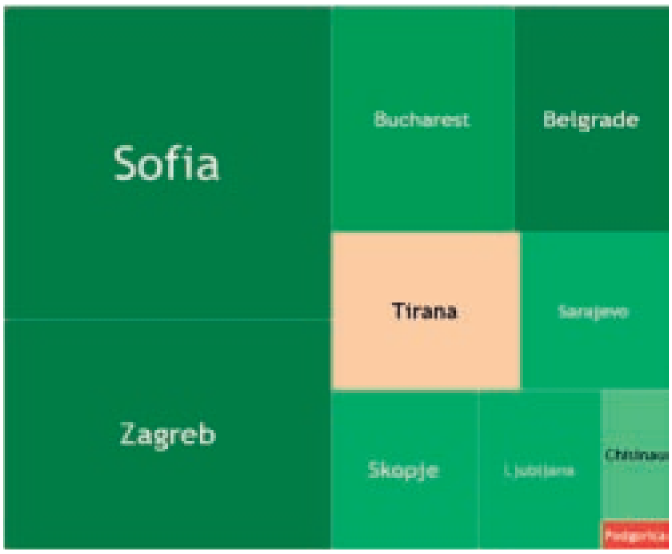
As could be expected, the image of the Bosnian capital both in news articles and blog posts was heavily marked by the wartime experience. Even sightseeing described by bloggers and online forum users included gruesome reminders of the horrible massacres: bullet holes on the ground are outlined with red paint – the so-called Red Roses of Sarajevo which symbolise the blood spilled during the war. Many travellers wrote in their blogs about the rich and mixed cultural heritage in Sarajevo and the impressive co-habitation of different religious groups. The friendliness of the locals, mixed with the busy cultural life (news of concerts, exhibitions, festivals and conferences were often tweeted) made the city a truly moving experience for most visitors. The good tram system and sights within walking distance were also an advantage.

The news articles featuring Sarajevo suggested that the local business and economic landscape was heavily shaped by the development agency SERDA, indicated by the sheer volume of economic news featuring it. SERDA is a regional development agency appointed by the European Union. According to the numerous reports in the traditional media, the agency's role is to encourage and strengthen the regional development through the provision of financial support, education, business infrastructure development, capacity building, information services for foreign investors, and through implementation of interregional and international projects.

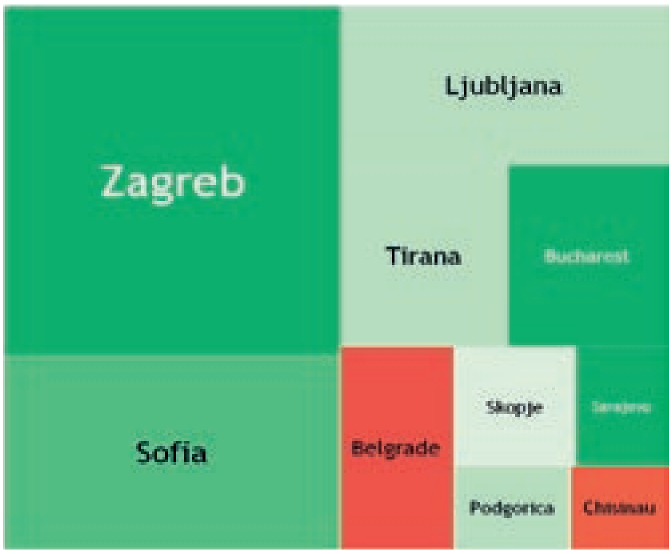
Skopje: statue-rich Balkan experience

One word was repeated ceaselessly across news articles, blog posts, forum discussions and Twitter – the word statues. Huge, awkwardly contrasting to their surroundings statues are being built for the project Skopje 2014 which is supposed to be a grandiose commemoration of events in Ancient Macedonian history (a point Greeks are not too sure about). Many people noted the striking contrast between the dull communist city architecture and the posterity of the urban cen-

Pulse



Potential



tre, sometimes using truly negative remarks such as "the Kitsch capital of Europe", "spending more money on ancient horses than roads and development". The heavy pull on the public budget associated with the ambitious project has resulted in strain for some other important sectors of public spending. The city's interesting cultural life (including a popular Museum of cartoons and the Memorial house of Mother Theresa), however, attracted positive mentions from foreign bloggers and journalists.

Sofia: a city on fire

Anti-government protests in the summer months have spurred the media interest in the Bulgarian capital. Analyses of political turmoil in the region and the rest of the world appeared frequently in the conventional media. Many bloggers also helped spread the word, mixing other stories about Sofia's cultural life with a large number of tweets and blog posts capturing the pulse of political pro-activity. However, according to news articles the current political situation seems to have a negative impact on Bulgaria's economic and FDI image on the international scene.

Apart from politics, Sofia also attracts the attention of travellers and backpackers with its vicinity to the Vitosha mountain. The fact that it is just a few hours away from several other Balkan capitals made it a popular starting point on the route to visit the Bulgarian countryside in addition to other countries in the region. Numerous tweets and blog posts also reported on a wide range of cultural events taking place in Sofia (Sofia Design Week, A to Jazz festival, film fests, dance events, etc) revealing its dynamic social life and focusing on sports events like the Deaf Olympics 2013, held between 23 and 25 July, 2013, which attracted a lot of attention in foreign news articles.

Tirana: spirit over physical presence

Backpackers and travelling cyclists seemed to enjoy the off-the-beaten-path charm of Tirana and posted many positive stories and photos from the city on their blogs. However, poor infrastructure, irregular transportation and streets full of garbage were a problem for most visitors. Despite (or because of) its many issues, the city kept a strong social position and hosted numerous events and conferences related to pressing social issues (like the Conference on tolerance and non-discrimination) and offered volunteering opportunities for helping the local Roma population. Economic news articles revealed more optimistic plans for the future: the TID tower, an 85 metre business tower constructed in Tirana, has become a media symbol of the local government's ambition to improve the business climate in the country. Like other Eastern European capitals, Tirana has set up a business park to stimulate business and entrepreneurship environment in the city.

Zagreb: a stop on your way to the coast

Croatia's accession to the EU attracted a lot of fresh attention to Zagreb and many news sources and bloggers commented on the special celebrations organised in the capital for the day of the big entry. However, despite its booming music festivals (a topic with huge coverage on Twitter), philharmonic concerts and beautiful Austrian-style architecture, the city was often discussed in forums only as a pleasant stop for visitors on their way to the Croatian Adriatic coast. Overshadowed by the beauty of Istria and Dalmatia, Zagreb nevertheless remained a city celebrated in travelling blogs and forums for its well maintained infrastructure, popular tram transportation and exciting open space markets. Zagreb has the image of an international trade and business centre, and is often called "the transport crossroad of Central Europe". It enjoys the best economic climate in the country, responsible for more than half of the total financial turnover and profit of Croatia.

With this diverse, yet somehow homogenic mixture of cities, the region holds many opportunities for further development and improvement in terms of image and identity. The impressions we have mapped so far form a great basis for differentiating each place and creating a consistent and well-informed brand strategy.

How is each capital perceived by different audiences (media, expats, travellers etc.)? What is unique about it? What are people expecting and what do they actually experience? What impressions do they finally share online? By giving answers to all these questions we made an effort to map the media images of the SEE capitals and highlight their emerging points of untapped potential.

Heat Maps – The size of the square represents the overall volume of discussion in both conventional and social media. The colour of the square represents overall sentiment, green being positive and red being negative. Darker hues of the colour signify stronger magnitude (darker green means stronger positive sentiment, and darker red means stronger negative sentiment).

SEE provides numerous opportunities for MBA training

by **Liliya Chausheva**

SEE hosts 61 business schools across ten countries, according to compiled data in a survey carried out by SeeNews Research & Profiles on MBA training in English in the region. These universities offer some 90 MBA programmes, either full-time or part-time. While not widespread, distance learning, which provides more flexibility, is also available.

In terms of number of business schools, the situation varies greatly from country to country. Turkey and Greece have established themselves as regional business training hubs with 16 and 13 business schools, respectively. They are followed by Serbia, Romania, Croatia, Bulgaria and Slovenia, which have between four and nine business schools each. By contrast, the lowest number of business schools was registered in Macedonia, Moldova and Bosnia and Herzegovina. Turkey is also the country with the longest tradition in MBA training, as some of its business schools have been offering MBA programmes for several decades now. By comparison, the business schools in Sofia, Belgrade and Sarajevo were all set up after 2000.

Statistics shows that most students who opt for an MBA degree are already experienced managers. In other words, they have gained several years of experience before enrolling in a university programme. The average pre-enrolment experience ranges from five to eleven years, with most managers having worked for seven years. Although in some cases no experience is required, students at these schools have experience of up to three years.

SEE business schools are open to foreign students. The share of students coming from abroad may reach the impressive 90% but in the vast majority of the cases the figure is more modest. It is common to see a share of foreign students of not more than 12-15% of the overall number of students.

When it comes to gender issues, apparently MBA progammes are no longer exclusively reserved for men because more and more female managers decide to pursue MBA studies. In some cases, the share of female students exceeds 50%. In other business schools the share of female students stands at 35-39%.

Image by Jenny Rollo

Regarding the estimated number of students for the 2013/2014 academic year, figures again vary to a large extent but they prove that the interest in MBA studies has not faded. The number of new students depends on many factors, among which the size of the business school, the plans of the school, the interest in specific studies, etc. Thus, the number of newcomers ranges from 27 to 120 for the 2013/2014 academic year.

Without doubt, motivation is a major factor for all MBA students. In some cases, they feel motivated because their employer finances their MBA studies, either partially or fully. Most often, the share of companies which fully pay the tuition of their employees stands at between 21% and 32%. There are exceptions to that rule as the share may come in under 10% for some schools or it may jump to 50% for others.

Motivation to pursue MBA studies may also be triggered by prospects to climb the corporate ladder after graduation. It is difficult to obtain specific figures about that indicator in particular but there are cases in which 60% or even 70% of MBA graduates were offered a promotion three years after earning the MBA degree. The indicator is difficult to follow because often the promotion does not occur right after graduation.

Another major issue for all potential MBA students is the tuition fee. Fees start from 10,000 euro and may reach 35,000 euro a year. Usually, the tuition fee is lower in the Western Balkans and Bulgaria, while the amount is higher at Turkish business schools.

Lana Dojčinović,
Executive Director of COTRUGLI

COTRUGLI: Managers seek quality, practical modules in MBA programmes

COTRUGLI Business School is the leading business school in SEE, focused on providing premium business education services to executives and entrepreneurs in this region. The core of COTRUGLI programmes are various MBA programmes, including MBA, Executive MBA, Chief Executive MBA and DBA, each targeting different level of executives.

What keeps managers motivated to pursue MBA programmes despite the crisis?

Managers of today increasingly take care of their career development. They seek quality and practical modules in the MBA programme, with an emphasis on quick return of investment. To the highest world standard in education, MBA programmes equip alumni with knowledge essential to managing their organisations. Over the past decade MBA programmes have become very popular worldwide and there are thousands of different opportunities. Nevertheless, based on accreditation criteria, only a small number of them can be rated as high quality courses. COTRUGLI Business School's best reference is its AMBA accreditation and a long list of satisfied clients and partner organisations.

Managers from which business sectors in SEE are most interested in MBAs? By contrast, which are the sectors with the lowest number of representatives?

Over 70% of MBA students at COTRUGLI Business School hold management positions at large and small companies across SEE. The majority of them come from pharmaceutical, engineering and IT companies. Managers from the construction sector, financial services and banking are also strongly represented. The rest come from the hotel industry, consulting and media.

Is the share of female managers enrolled in MBA programmes higher than it used to be? Do you expect it to increase in the future?

The number of women in MBA programmes has increased in the past years by 30% to 40%. This is in line with the growing importance of women in the world of business today. The gender breakdown of MBA students of COTRUGLI Business School is 43% for women and 57% for men. An interesting fact is also that the average age of alumni is decreasing, which only illustrates the entrepreneurial spirit of the younger generations.

To date COTRUGLI has invested more than 2.0 million euro in the development of this region through MBA scholarships.

What are the scholarship opportunities for MBA candidates in SEE? Do business schools grant scholarships more often than companies?

The scholarship scheme at COTRUGLI Business School is part of COTRUGLI's Social Responsibility Programme, created to encourage positive changes within the SEE region. To date COTRUGLI has invested more than 2.0 million euro in the development of this region through MBA scholarships. Scholarships are granted to the most successful candidates in the selection process from Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Slovenia, Bulgaria and Romania.

What is the share of alumni who were promoted within three years of their MBA graduation?

It is interesting to point out that already during their studies 33% of COTRUGLI students change their positions and companies, thanks to the networking opportunities in their E/MBA course.

What is the average salary of alumni three years after MBA graduation? What is the percentage difference in MBA graduates' wages compared with the period before MBA enrollment?

Research shows that the average increase of income after MBA, compared to people with BA or BSC is 36%. However, you should be aware that MBA will not work wonders and will not solve your problems without your involvement. Rather think of it as a unique platform that provides you with the variety of tools you need to become a holistic leader and helps you increase your competitiveness on the global labour market. Note that the amount of benefits you will extract from the programme is directly determined by the amount of efforts you will put into it. But do not take these words for granted – experience it yourself!

Local executives replace expats at lead of intl companies in SEE

Irena Bushandrova,
Country Manager
for Bulgaria
at Pedersen & Partners

Pedersen & Partners is an international executive search firm, operating 50 offices in 47 countries: 33 offices in Europe & CIS, 7 offices in the Middle East & Africa and 10 offices in Asia & the Americas. www.pedersenandpartners.com

How has Southeast Europe's executive search market been evolving in the past few years?
The demand for senior experts and executives has been rather stable. Corporates are more actively promoting internal candidates and this is indeed a great trend, yet, they also hire professionals externally to bring in special expertise, get fresher look at their business or boost team spirit. The recruitment process itself has become more transparent now that companies use social media to post job advertisements, and even approach potential candidates directly through internal talent recruiters. Since 2008 we see a focused and better organised recruitment process and more stringent requirements when it comes to candidates' profile in contrast to the past when business was growing fast, hiring was more aggressive and companies were prone to make concessions.

How long, on average, does it take to recruit a manager in SEE, and is this process longer than in Western Europe?
The executive search process both in SEE and in Western Europe usually takes about four to six weeks on average.
To recruit successfully in the region, one must have local presence to be able to reach out to a wide pool of executives and get market recommendations. Managers in some countries in SEE are still conservative when they receive calls from head-hunters and it is a challenge to attract their interest. Another issue is the smaller pools of professionals in relatively 'new' industries in the region such as outsourcing or automotive production given the fact that the SEE countries have been on the way to market economy since the 1990s and we have seen new industries setting foot in these countries since then.

We see greater demand for managers in consumer goods, technology and industrial sectors whilst for example the pharmaceutical industry has become less active.

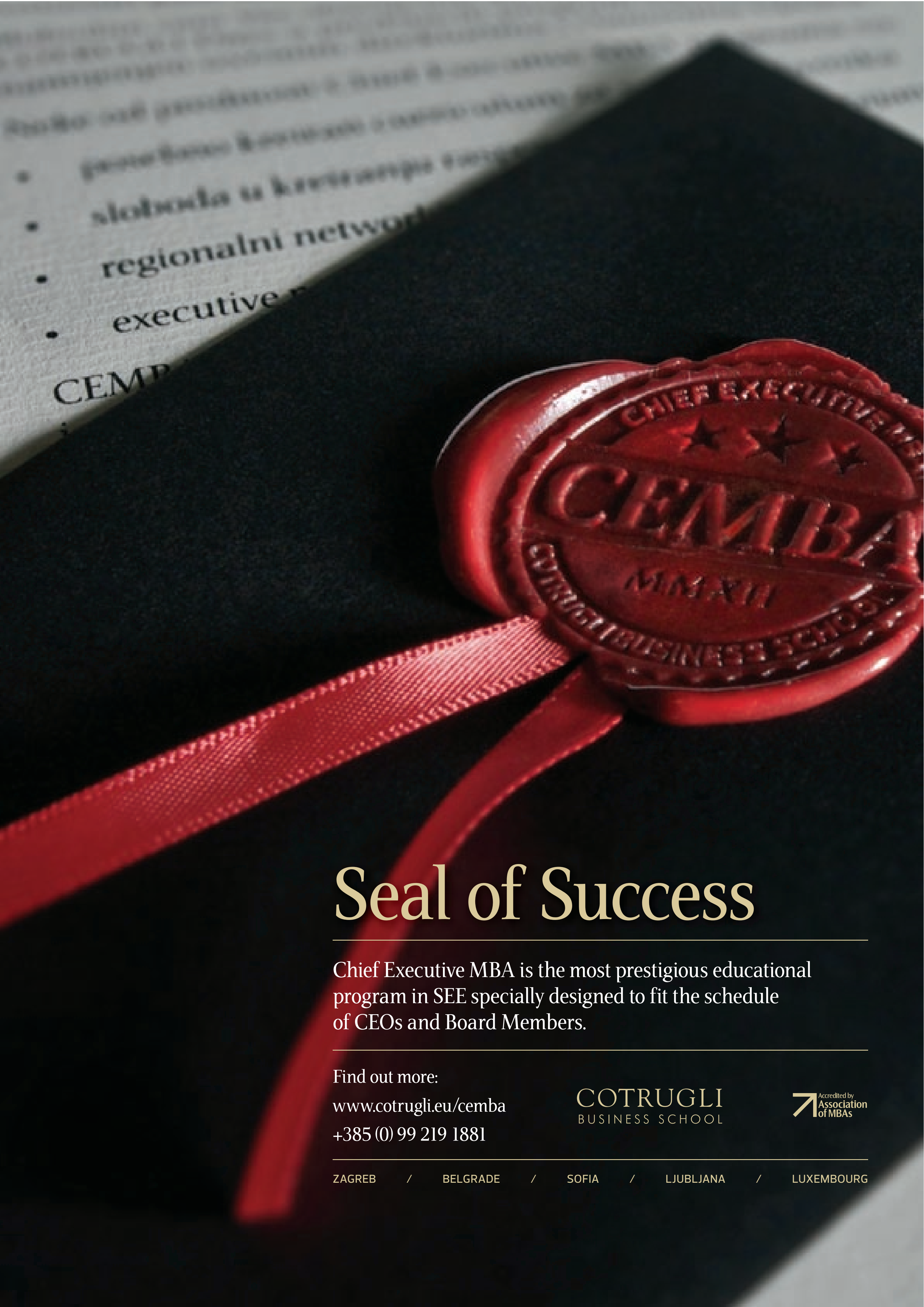
Would global companies rather recruit local or foreign managers for their operations in the region?
We do see a change related to recruitment of local versus foreign managers at global companies. Fifteen years ago the SEE market had high demand for experienced expat professionals who brought in international corporate culture and Western standards. As business developed and expanded, global companies gradually started replacing foreign managers with local executives. A local manager would know the market environment and national mentality better.

Managers tend to be changing their job ever more often. What motivates a manager in SEE to change their job?
Managers are usually motivated by clear, long-term career opportunities, a greater array of responsibilities, challenging goals and more freedom to act. Last but not least managers also look at the corporate environment or culture and take it into consideration when changing jobs. SEE managers are also attracted by the possibility to broaden their experience and work outside their countries.

In which sectors in SEE is demand for managers most acute?
We see greater demand for managers in consumer goods, technology and industrial sectors whilst for example the pharmaceutical industry has become less active in hiring top managers in the last year or so. The demand for managers follows industry trends and is usually most acute in sectors that are in a growth.

How important is an MBA degree when recruiting managers in SEE?
Employers in SEE definitely appreciate an MBA degree and it is always an asset. A large portion of local managers opt for an EMBA or MBA and are eager to learn and develop. Executives in Southeast Europe are well-educated and some usually hold two or three university degrees.

Do you see due diligence of potential managers becoming a common practice in SEE in the coming years?
Now that employers put greater emphasis on personality and ethics, people due diligence would become a must when hiring managers.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SEE country profiles

Eventful times for SEE's political life

By **Valentin Stamov**

The economic recession determined an eventful political year in the SEE region in 2012 and the first half of 2013. Parliamentary, presidential and local elections, impeachment process, no-confidence votes and a new EU member in the face of Croatia were the features of the political picture in the region. Most of the countries ended up with left-wing governments as a result of the harsh economic conditions. General elections were held in Albania, Montenegro, Romania, Serbia and Bulgaria amid mass protest rallies. In Albania, Montenegro and Romania the leftist parties won the elections and formed cabinets.

Bulgaria

In Bulgaria, the centre-right party GERB won a slim victory in the snap elections but failed to secure enough seats in parliament to govern alone. A Cabinet, backed by the Socialists' Coalition for Bulgaria and the ethnic Turks' Movement for Rights and Freedoms, was set up.

Albania

The Alliance for a European Albania led by the Socialist Party achieved a landslide victory in Albania's parliamentary elections held in June 2013. According to the Organisation for Security and Co-operation in Europe (OSCE) the elections were conducted with respect for basic freedoms but the killing of a party supporter in the town of Lac, northwestern Albania, and other isolated cases of violence raised concerns about the state of democracy in the country.

Montenegro

In December 2012 the Montenegrin parliament voted into office the country's new cabinet headed by Milo Djukanovic, after his centre-left coalition won the general elections. In his speech before parliament Djukanovic pledged to lead Montenegro towards EU and NATO membership and to accelerate the fight against corruption and organised crime.

Elections for the largely ceremonial presidential post in Montenegro took place in April 2013. The country's incumbent president Filip Vujanovic won and will serve a third term in office. Vujanovic was the presidential candidate of the Democratic Party of Socialists.

Romania

In 2012 Romania saw anti-government protests, a resignation of the prime minister, a successful non-confidence vote, local elections, a national referendum on the impeachment of the president and parliamentary elections. In February 2012, Romania's prime minister Emil Boc of the Democratic Liberal Party decided to resign, following several weeks of anti-government protests across the country. The demonstrations were against the tough austerity measures which have hurt Romanians' living standards. The measures were demanded by the International Monetary Fund (IMF) in exchange for a multi-billion dollar loan. The protesters also demanded the resignation of president Traian Basescu and that led to a national referendum on his impeachment in July 2012. Basescu survived the referendum due to low voter turnout, even though more than 87% of the votes were against him.

Following the general elections held in December 2012, Romania's parliament approved the cabinet line-up proposed by prime minister Victor Ponta, leader of the left-wing Social Democratic Party.

The political turbulence in Romania is likely to hinder structural reforms, jeopardise fiscal consolidation and is credit negative for the country, according to Moody's Investors Service.

Serbia

In May 2012 Serbia held combined presidential and parliamentary elections. The vote was preceded by protest rallies against the unfavourable socioeconomic environment and the widespread corruption. The protests were organised by the centre-right Serbian Progressive Party (SNS). Following the elections SNS got 73 seats in the country's new legislature while the alliance led by the ruling centre-left Democratic Party (DS) garnered 67 seats.

SNS won the presidential vote in May 2012, as well, after its candidate Tomislav Nikolic defeated the incumbent Boris Tadic by a narrow margin in the runoff. The ballot results showed that Nikolic, who is also SNS's founder and president, had 49.54% of the votes compared to 47.31% for outgoing president Boris Tadic.

General elections were held in Albania, Montenegro, Romania, Serbia and Bulgaria amid mass protest rallies.

Slovenia

The Slovenian political life featured a rejection of the premier-designate, a successful no-confidence vote and presidential elections in 2012 and the beginning of 2013. Slovenia's government crisis began in September 2011 when the parliament voted out the cabinet led by Borut Pahor in a confidence vote. That led to snap elections in December 2011. The crisis deepened after the winner in the vote, Ljubljana's mayor Zoran Jankovic, was rejected by the parliament in January 2012. The situation cooled down in February 2012 when the Slovenian parliament endorsed the

image by Ignat Ignev

centre-right cabinet of prime minister Janez Jansa. However, only a year later the parliament confirmed Alenka Bratusek, interim leader of the centre-left Positive Slovenia (PS) party, as prime minister after ousting Janez Jansa in a no-confidence vote.

> *The economic development of the SEE countries will determine the political stability there in 2013. It will be hard for the countries' governments to survive a whole term in the current year as economic instability and high unemployment continue to put pressure on the living standard of the population.*

In December 2012 the former prime minister Borut Pahor won the country's presidential vote with a landslide against incumbent Danilo Turk.

Macedonia

No-confidence votes marked the political landscape in Macedonia and Moldova in 2012 and in the first half of 2013. In Macedonia, the government led by prime minister Nikola Gruevski survived in October 2012 a no-confidence vote for its policy towards the ethnic Albanian minority in the country. The Social Democratic Union of Macedonia (SDSM), led by former president Branko Crvenkovski, filed the no-confidence motion, accusing the government of stirring tension between Macedonians and ethnic Albanians, who account for a quarter of the country's population.

Moldova

In Moldova, the no-confidence vote succeeded and the premier Vlat Filat was replaced by his colleague from the Liberal Democratic Party (PLDM) Nicolae Timofti in May 2013. Filat, now president of PLDM, lost a no-confidence vote sought by the opposition Communists on corruption charges in March 2013.

Bosnia's Serb Republic

In Bosnia's Serb Republic, the government, led by Aleksandar Djombic, resigned in February 2013 because it could not cushion the effects of the economic downturn, including the rising unemployment in the country. In March 2013 Bosnia's Serb Republic parliament voted into office the new cabinet headed by Zeljka Cvijanovic.

Croatia

Croatia's accession to the EU on July 1, 2013 was met with little enthusiasm because of the economic instability both in the union and in the country. The Croatian economy has been in recession since the beginning of the global economic downturn in 2009 with unemployment rates reaching the record-high 15.8% in 2012. Less than 44% of Croatians took part in a national referendum on EU accession in January 2012 and 66.27% of the voters backed the country's membership in the union. According to politicians and analysts the factors for the low turnout include the lack of interest on the part of the Croatian diaspora, the crisis in the eurozone and an election surfeit having in mind the parliamentary elections at end-2011.

Tough times ahead

The economic development of the SEE countries will determine the political stability there in 2013. It will be hard for the countries' governments to survive a whole term as economic instability and high unemployment continue to put pressure on the living standard of the population. The future of the current Bulgarian government, for one, seems most uncertain, with protesters vowing to continue to hold until its resignation. In order to improve their economies and to dampen social tension, the SEE governments will have to accelerate the fight against corruption and organised crime.

The economic slowdown in SEE, coupled with high unemployment, widespread corruption and red tape, has created a favourable environment for the emergence of new political leaders, including more radical ones. And even though the overall economic situation in the region is expected to improve, the social discontent accumulated since the beginning of the global downturn is expected to shape another busy political year.

44%

Less than 44% of Croatians took part in a national referendum on EU accession in January 2012 and 66.27% of the voters backed the country's membership in the union.

2013: a year of readjustment and renewing commitments to sustainable growth for SEE

By **Hilary Walsh, Economy, Finance and Trade Manager at Euromonitor International**

The global economic slowdown of 2012 was far sharper than expected and its impact on the economies of Southeast Europe turned the spotlight on the region's structural weaknesses whilst also exacerbating the effects of the eurozone debt crisis.
For these economies, 2013 is a year of readjustment and renewing commitments to creating robust and sustainable economic growth, an approach which is forecast to result in more promising rates of real output in 2014.

Key points

- Moldova, Turkey, Kosovo, Macedonia, Serbia, Albania, Romania, Montenegro, Bulgaria, Bosnia and Herzegovina, Croatia, Slovenia and Greece make up the key SEE economies. Five of these are already EU members, while "the Balkan 6" (Serbia, Albania, Kosovo, Macedonia, Montenegro and Bosnia-Herzegovina) and Turkey, are in the candidate process for membership;
- The residual effects of the eurozone debt crisis are the key downside risks that these countries are exposed to. However, structural issues such as high unemployment rates, unsustainable public debt and deficit levels, weak business environments and poor consumer confidence levels are also hindering overall macroeconomic prospects in Southeast Europe;
- Average regional growth in SEE or "emerging Europe" is expected to increase from -0.6% in 2012 to 1.0% real GDP growth in 2013 before growing by 2.3% in 2014;
- In this group, it is the EU members who are the worst affected, countries such as Croatia, Greece and Slovenia still struggling with deep recessions, unstable financial systems and lack of privatisation dragging on potential investment levels;
- By 2020, the regional average real GDP growth of Southeast Europe will be 3.5%, up from just 1.0% in 2013, while the EU average in 2020 will still be just 1.9%.

Real GDP growth in selected SEE economies 2012-2014

Geographies	2012	2013	2014
Moldova	-0.8	4.0	4.0
Turkey	2.2	3.6	4.6
Kosovo	2.1	2.9	4.3
Macedonia	-0.3	2.0	3.1
Serbia	-1.8	2.0	2.0
Albania	1.3	1.8	2.5
Romania	0.4	1.3	2.5
Montenegro	0.0	1.2	2.0
Bulgaria	0.8	1.0	2.1
Bosnia-Herzegovina	-0.7	0.5	2.0
Croatia	-2.0	-0.7	1.2
Slovenia	-2.3	-2.1	0.3
Greece	-6.4	-4.8	-1.2

Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund
Note: (1) Data for 2013/2014 are forecast. (2) Geographies are ranked in order of descending real GDP growth rates for 2013.

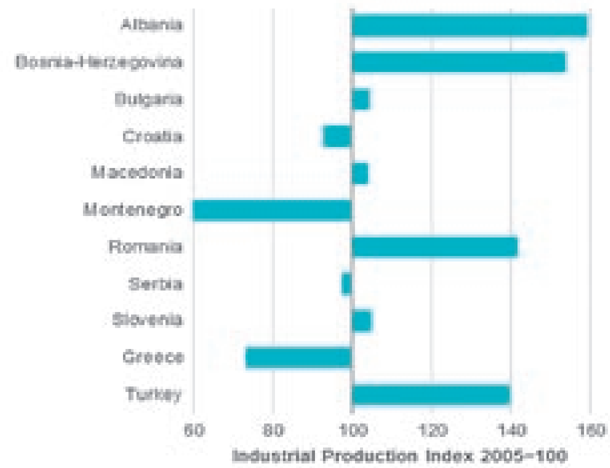
Average regional growth in Southeast Europe is expected to increase from -0.6% in 2012 to 1.0% real GDP growth in 2013 before growing by 2.3% in 2014. While these growth rates pale in significance when compared to the growth rates seen in Asia-Pacific and Africa and the Middle East, emerging Europe's main competitors, the increase in output growth forecast between 2012 and 2014 says a lot about the overall prospects for the region in the long term.

- Moldova is forecast to be the fastest growing economy in SEE in 2013 and the third fastest growing in 2014, with 4.0% real GDP growth expected both years. The economy contracted in 2012 thanks to a prolonged drought which impacted key agricultural exports but these have since rebounded healthily with remittances and industrial activity also boosted. Inflation in the country also slowed from 7.7% in 2011 to 4.7% in 2012 and an estimated 4.6% price growth is expected in 2013 which will continue to take the pressure off consumers' real incomes, hence fuelling consumer expenditure which is forecast to grow by 4.8% in Moldova in real terms in 2013, the biggest increase in consumption in the region;
- In 2014, Turkey is expected to be the fastest growing economy in Southeast Europe, as well as the entire European region. Despite this the country is still struggling with unemployment and constrained capacity. Turkey is a highly open economy but this creates vulnerabilities in terms of weak demand from external markets and capital outflows which have been an ongoing issue since the global financial crisis of 2008-2009 and were made worse by the eurozone debt crisis. FDI inflows shrank by 23.9% in US dollar terms in 2012 but this should reverse in 2014 at least, if not sooner;
- Kosovo is expected to grow by 2.9% in real terms in 2013 before expanding by a further 4.3% in 2014. Kosovo has proven to be one of the most resilient economies in Southeast Europe since 2008, with real GDP growth averaging 3.4% a year in real terms. One of the "Balkan 6", the next group of countries hoping to accede to the

EU over the next decade, Kosovo was lucky in that it had very little exposure to the eurozone debt crisis. Kosovo is on a formal path to EU membership at the moment and so is doing its best to keep public debt as a percentage of GDP and government deficits as low as possible whilst also trying to stimulate domestic demand and resolve the issue of high unemployment, which stood at 48.3% in 2012;

- Serbia is set to see one of the biggest changes in fortune in 2013, going from real growth of -0.8% in 2012 to 2.0% in 2013. The country's industrial production index is still below 2005 levels in 2013, thanks mainly to supply bottlenecks while unemployment is high at 16.9%. However, this stagnation is showing signs of receding as inflation levels ease and its automotive exports boost growth prospects. The country's proximity to Croatia will also be a boon to the Serbian economy which, in turn, will also help the Serbian EU accession process in the mid to long-term.

Industrial production index in selected SEE economies in 2013



Source: Euromonitor International from UN/national statistics/Eurostat/OECD
Note: (1) Data for 2013 is forecast. (2) Data unavailable for Kosovo and Moldova.

Whilst some of the emerging SEE economies are already starting to come out of the other side of the slowdown caused by the eurozone debt crisis, some are still struggling with deep recessions, unstable financial systems and lack of privatisation dragging on potential investment levels. In this group, it is the EU members who are the worst affected.

- The newest member of the EU, Croatia, is forecast to shrink in 2013 by 0.7% in real terms but this is an improvement on the 2012 figure of -2.0%. Despite the prospect of EU accession, economic conditions have actually deteriorated since the eurozone debt crisis began. Business and consumer confidence levels are low and the fiscal consolidation programme put in place to prepare the country for EU membership has suppressed growth. However, this consolidation needs to continue for now as in the long run, sustainable debt levels will be more conducive to higher growth rates and definitive structural changes;
- Slovenia is a current EU member, since 2004, and like Croatia, it's also suffering from the effects of the eurozone debt crisis, high debt levels and poor investor confidence. However, in 2013 Slovenia is taking major steps forward to stabilise the economy and foster real economic growth. The deep recession in Slovenia means there has been speculation that it may be the next EU member to need a bailout and as such, the country has embarked on a spate of long overdue privatisations to reduce the government's influence on industry and services as well as improving the overall business environment;
- Another EU member, Greece, the only SEE economy to be considered a developed economy, is also stuck in a deep recession. Greece's economic problems are well documented and while the forecast for 2013 and 2014 is for the economy to keep contracting, the size of the contractions is getting smaller and Euromonitor International is forecasting the country to return to positive growth in 2015, with 3.8% real growth expected, it's first real economic expansion since 2007;
- Of all the EU members in SEE discussed here, Bulgaria is the only one that has seen moderate positive growth over the last year. However, unemployment is still too high at 12.6% while bank non-performing loans to total gross loans are expected to reach a record high of 17.2% in 2013. The good news for Bulgaria is that inflation has declined and is expected to stay low while exports are recovering to above their pre-crisis levels.

Real GDP growth & inflation vs. bank non-performing loans in SEE in 2013

Source: Euromonitor International from national statistics/Eurostat/OECD/UN/International Monetary Fund (IMF), World Economic Outlook (WEO)
Note: (1) Data is forecast for 2013. (2) "NPL" is an abbreviation of Bank Non-Performing Loans to Total Gross loans.

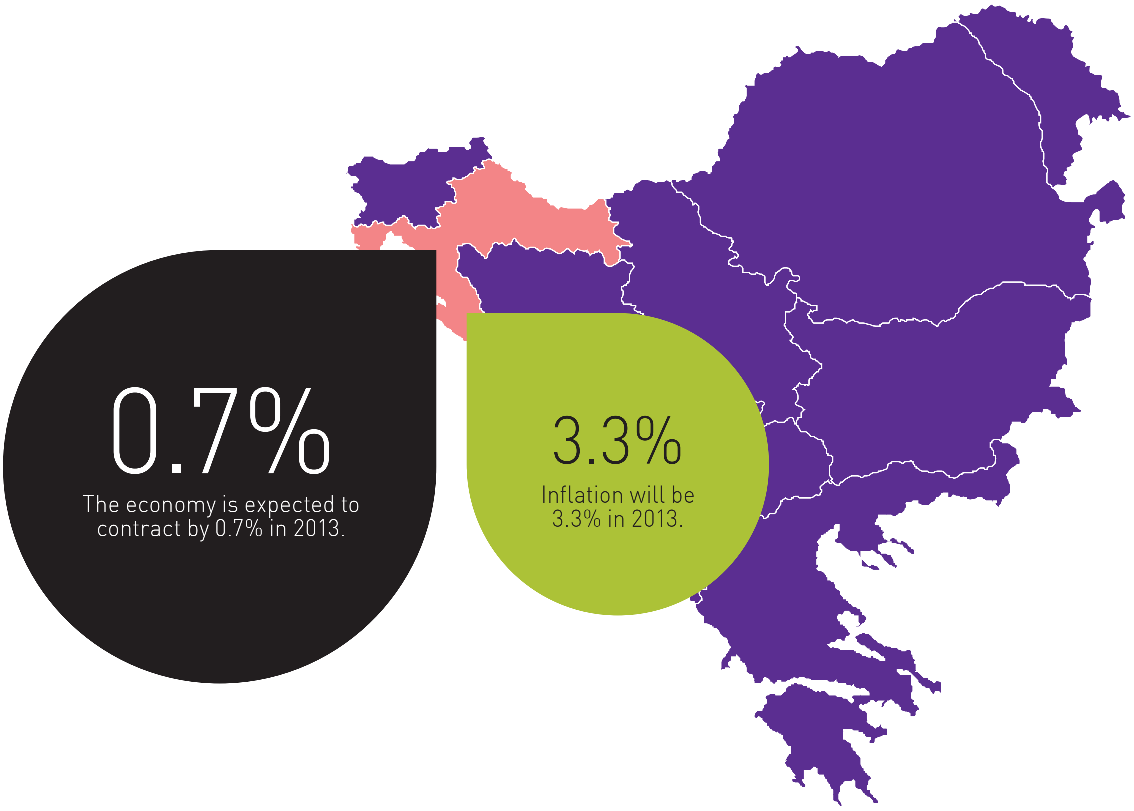
Prospects:

The overall macroeconomic outlook for this region in 2013 is still relatively poor but in the mid to long term it does look more promising. It's easy to forget how far these countries have come in the last twenty years in terms of economic and political stability so challenges associated with opening up to trade, increasing productivity, developing social safety nets and generally building credible institutions are to be expected.

- By 2020, the regional average real GDP growth of Southeast Europe will be 3.5% while the EU average will still be just 1.9%, according to Euromonitor International. Economic adjustment will continue briskly as the recovery in Southeast Europe gradually gathers pace;
- The next few years will see these countries, particularly the "Balkan 6" gaining greater access to the free market in preparation for EU accession whilst also building on their fiscal achievements to ensure macroeconomic stability, strong business environments and rising consumer incomes.

country profile

Croatia



Croatia's economy faces its fifth consecutive year of contraction or no growth in 2013.
Weak external demand, continuing debt reduction by households and businesses, and rising unemployment hold back the economy. Unemployment is in double digits but falling.

The 2013 budget deficit has been revised upward twice as spending rises. Croatia joined the EU in July 2013. Accession can bring up to 2.0 billion euro of the EU funds to upgrade the economy.

Overview of the economy

Based on most economic indicators, Croatia performed better than throughout most of the past decade. The economy is open to trade and capital flows, and privatisation is well advanced, although uneven. Croatia's openness left the country especially vulnerable during the Great Recession. Private sector credit declined sharply while weaknesses in consumption and investment outweighed gains in exports. Later, because of its narrow export base and weak competitiveness, Croatia was unable to take full advantage of the economic rebound among its trading partners.The economy has either stagnated or contracted for the past four years. Both domestic demand and investment weakened during this period while the large public sector also imposed a drag on growth. Public agencies and enterprises have not been subject to strict financial discipline and state aid in various forms exceeds that in other Central and Eastern European countries.

Economic prospects

Real GDP is expected to contract by 0.7% in 2013 after a contraction of 2.0% in 2012. Weak external demand, continuing debt reduction by households and businesses, and rising unemployment hold back the economy. Borrowing costs are also expected to rise now that Croatia's debt has been downgraded to junk status. This will be the fifth consecutive year of contraction or no growth. Growth will be subdued in 2014.
Inflation will be 3.3% in 2013, down from 3.4% in 2012.
Unemployment was 15.9% in 2012 and it will remain at this level in 2013. The jobless total will remain high in the medium term. Youth unemployment is thought to be one of the highest in the EU. The number of employed workers is expected to continue its gradual fall in 2014.
Consumption is held back by household debt owed which, as a share of GDP, is one of the highest in Central Europe. A weak labour market also depresses growth of disposable income. The real value of private final consumption fell by 2.9% in 2012 and a decline of 1.3% is expected in 2013.
Croatia's public investment programme fell short of its target for 2012 but was still about 25% higher than in 2011. An ambitious programme of public investment is planned for 2013 but timely realisation of these investments will be critical.

Evaluation of market potential

Growth should resume in the medium term but is not expected to reach pre-crisis levels. The competitiveness of Croatia's external sector remains in doubt. Croatia's Economic Recovery Programme is aimed at addressing

Croatia TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
1	3	INA d.d.	Petroleum/Natural Gas	3 607	0.03%	175.3	261.2
2	13	Hrvatska Elektroprivreda d.d.	Electricity	1 821	5.24%	41.0	62.4
3	14	Konzum d.d.	Wholesale/Retail	1 789	1.07%	27.1	45.8
4	31	Prirodni Plin d.o.o.	Petroleum/Natural Gas	997.7	8.85%	-137.0	0.043
5	33	Hrvatski Telekom d.d.	Telecommunications	958.1	-6.62%	222.7	240.8
6	64	HEP-Proizvodnja d.o.o.	Electricity	601.1	10.83%	-0.826	-1.1
7	69	OMV Hrvatska d.o.o.	Petroleum/Natural Gas	567.4	-7.98%	5.6	4.3
8	70	HEP-Operator Distribucijskog Sustava d.o.o.	Electricity	562.8	6.04%	56.4	38.5
9	78	Zagrebacki Holding d.o.o.	Diversified Holdings	510.0	2.15%	-47.6	-64.5
10	97	Brodosplit – Brodogradiliste d.o.o.	Transportation	443.5	-4.75%	353.4	211.2

deep-rooted structural problems and weaknesses in competitiveness but critics call for a more decisive effort. Accession to the EU can bring up to 2 billion euro of the EU funds to upgrade the economy.

The government has adopted a plan to resolve its long-standing debt to current pensioners which amounts to about 1.2% of GDP. The bulk of this debt will be paid off completely in 2013. The payments should help to boost consumer spending. Meanwhile, pension laws have been amended to equalise the statutory retirement age of women and men by 2030, penalties for early retirement have been increased and incentives introduced to delay retirement.

Foreign trade

Croatia's exports represent a smaller portion of GDP than is true for most of its neighbours. The share has also been relatively stable over time. In 2012, exports were the equivalent of 21.9% of GDP. In dollar terms, exports fell by 7.4% in 2012 but gains of 1.0% are expected in 2013. In addition to weak external demand, Croatia's export performance is constrained by labour force rigidities and high wages.

In 2012, 58.5% of the country's exports went to markets in the EU. Croatia has a narrow export base in terms of the commodities it exports. Machinery and transport equipment accounted for 30.5% of total exports in 2012 followed by basic manufactures (14.7%).

The government is pursuing a strategy of trade liberalisation at the bilateral and regional levels, and negotiating free trade agreements with Turkey, the European Free Trade Association (EFTA) countries and accession to the 2006 Central European Free Trade Agreement (CEFTA). These agreements have contributed to the expansion of export markets. These moves, however, are undermined to some extent by Croatia's waning competitiveness in international markets.

The current account deficit was 0.3% of GDP in 2012 and it is expected to widen to 1.0% in 2013.

Business environment

Croatia lags behind its neighbours in creating an appealing business environment. Many reforms are held back by legal battles, the objections of vested interests and a legal framework which favours insiders. Major barriers are a burdensome regulatory environment and a slow-moving judiciary. The country's telecommunications and media industries have been liberalised but monopolies dominate in other markets. A new property tax is planned and the privatisation programme is being accelerated.

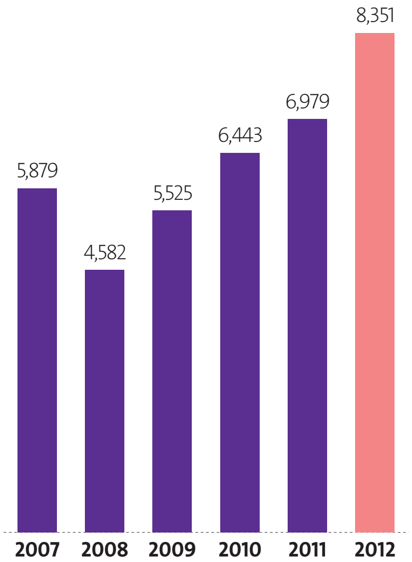
More reforms are needed to reduce the cost of doing business. There are significant "unofficial" restrictions on foreign investment which add to the overall cost of doing business. Subsidies to state-owned firms further distort the economy. Rapid implementation of pension system reforms is needed to raise the very low rate of labour force participation.

The government hiked the VAT from 23% to 25% in March 2012 to boost revenues. The increase will offset a reduction in health contributions.

Imports and exports

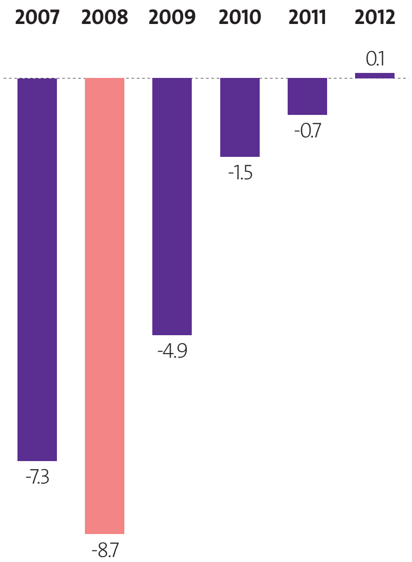
Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	87.1	Europe	80.3
Africa and the Middle East	4.7	Asia-Pacific	13.2
North America	3.8	North America	2.6
Asia-Pacific	2.4	Latin America	1.9
Latin America	1.7	Africa and the Middle East	1.5
Australasia	0.2	Other countries	0.5

Foreign debt
in millions of euro



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance
as % of GDP



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Croatia – new kid on the EU block

by **Mira Karadzhova**

Croatia celebrated its accession to the EU on July 1, 2013, to the sounds of Beethoven's Ode to Joy and fireworks in the presence of the country's leaders and EU officials. The latest EU enlargement, however, raises a number of questions not only about the future of Croatia but also about the EU in general.

The long road to the EU

Croatia's EU membership came true after prolonged talks under the cloud of unconvicted war criminals and border disputes with Slovenia. The country became the EU's 28th member state ten years after it filed its application and nine years after its neighbour Slovenia joined the bloc in the so-called big bang enlargement, which opened the door to another nine countries. This was followed by the accession of Bulgaria and Romania in 2007. Croatia is only the second ex-Yugoslavian country to get aboard, as for the Western Balkan states membership is not exactly around the corner, yet.

Dropping ratings

Despite the enthusiasm on the political scene, credit rating agencies are not so optimistic about the effects of the EU integration on the Croatian economy and the accession prompted some rating downgrades and warnings about future rating updates.

In August, Moody's voiced doubts that Croatia's economy will not enjoy the full benefits of the EU membership and said it did not expect it to return to growth any time soon. Although Croatia's income ranks it in the upper-middle class of the EU, its economy is not competitive enough, as it relies on domestic demand, has sluggish growth and is indebted.

Bottlenecks ahead

And yet, will the accession revive the economy? After joining the EU, Croatia now has access to cohesion and structural funds, which could give a breath of fresh air to the country's economy. However, if Croatia's administration is not ready to absorb them, the country could find itself giving more to the EU than it actually gets. The country, however, can avoid these traps if it has learned the lesson from the woes of Bulgaria and Romania in absorption of EU funds. The reasons behind their low absorption rate could be found in the inefficient administration, untrained employees and poor knowledge of EU standards.

So far Croatia has done well with pre-accession funds with an absorption rate of 70% as of June 2013, up from 37% at end-2011, Deputy Prime Minister and European Funds Minister Branko Grcic said.

Given the example of recent EU newcomers, one cannot help but wonder whether Zagreb will mothball reforms and lose its pre-accession momentum, or will seek to turn into a country of more efficient administration and healthier economy.

While logical, the comparison between Bulgaria, Romania and Croatia is not entirely justified, as the newest EU member claims to be a country of a different order. Its GDP per capita of 8,500 euro, as shown by Eurostat statistics for 2012, puts it on an equal footing with Hungary, Poland, Slovakia and the Baltic countries. By comparison, Romania and Bulgaria report GDP per capita of 4,400 euro and 3,700 euro, respectively.

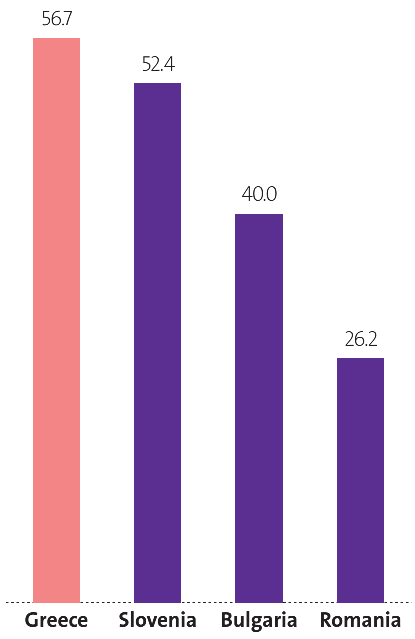
Meanwhile, Croatia differs from its SEE peers in terms of wages, too. The minimum salary in the country was 401 euro in July 2013, according to Eurostat data - well above 159 euro in Bulgaria and 179 euro in Romania.

Who's next?

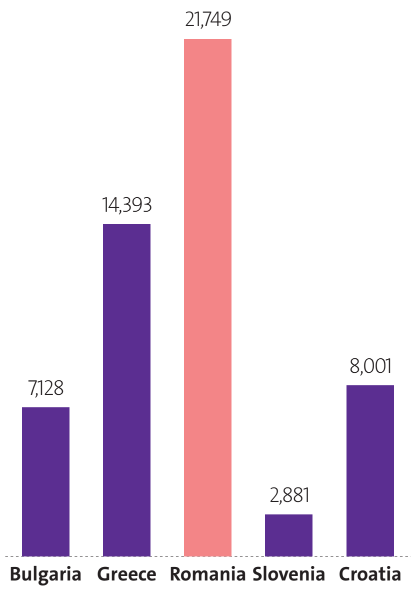
Nevertheless, Croatia's European integration is a milestone in the recovery from the Yugoslavia wars in SEE as a whole. The price of the membership was the rigorous reforms, which took Croatia seven years to implement. Currently, there are four SEE candidates on the waiting list: Montenegro, Serbia, Turkey and Macedonia and three potential candidates: Albania, Bosnia and Herzegovina and Kosovo.

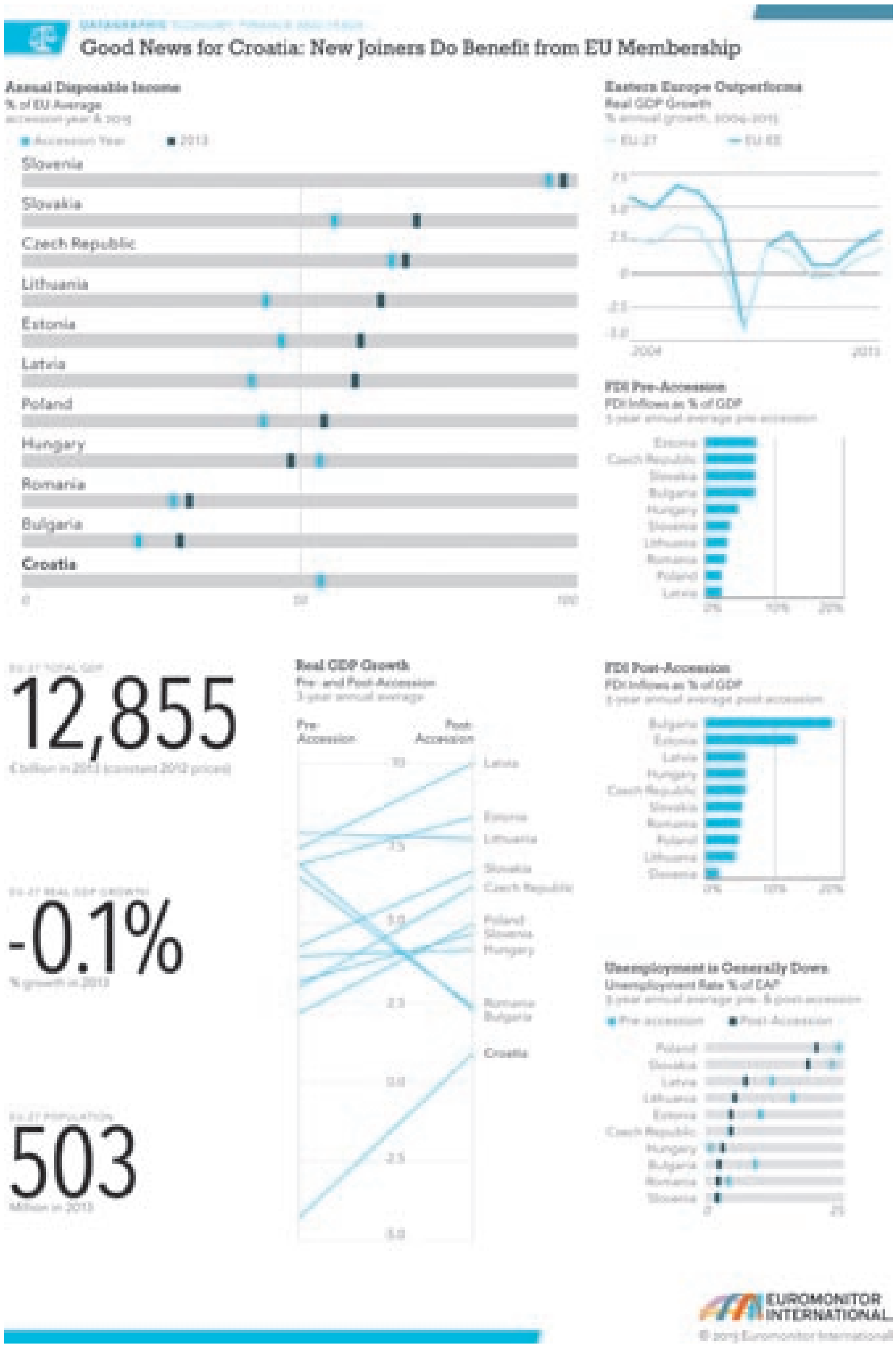
If everything goes smoothly, Croatia's EU membership could further motivate the Western Balkan countries and Turkey to join the EU faster. If all those countries come on board, the EU would see its population grow by 100 million people, an increase of 20% compared with the current figure. This means not only a bigger territory, but also a bigger inter-

EU funds absorption in SEE member states as of June 2013 (in %)



Total allocations of cohesion policy 2014-2020 (in million euro, 2011 prices)



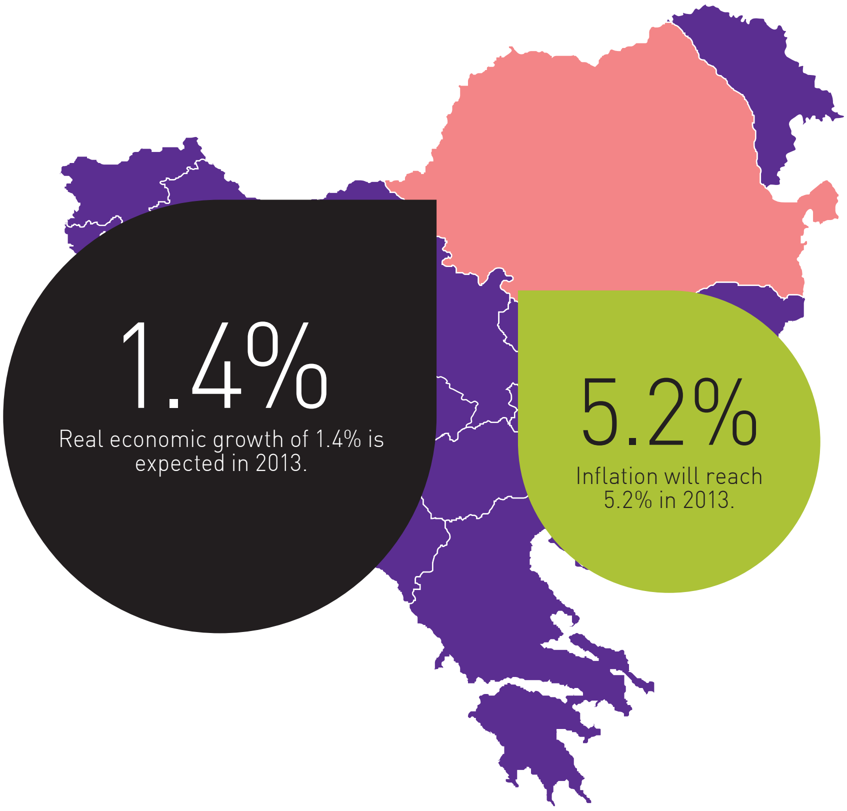


nal market. However, in the light of the recent political uncertainty and human rights issues in Turkey - the strongest economy among the would-be EU members - its EU future is growing dimmer. Now the dice are rolling and at some point it will be clear which will be the next SEE country to join the EU. Serbia, which opened accession talks in June 2013, has declared its ambition to overtake its neighbours and be the next to jump on the wave of EU enlargement eastward.

While further enlargement is not high on the EU agenda due to growing economic concerns and the eurozone debt crisis, it is still one of the bloc's main instruments to strengthen its positions as a global leader, both in political and economic terms.

country profile

Romania



The economy should see a modest recovery in 2013. Domestic demand will rebound after stagnating in 2012 because of a drought. Labour costs have declined, helping to enhance the competitiveness.

Tax increases imposed as part of the programme of fiscal consolidation slow the recovery of consumer spending. The budget deficit will be held to well under 3.0% of GDP in 2013. Health and pension reforms were introduced in 2012.

Overview of the economy

Romania was one of the EU's fastest growing member states in 2004-2008. Real GDP growth averaged better than 6.0% per year throughout most of this period and investment surged after the EU accession. A boom in consumer spending was driven by a rapid rise in borrowing which left Romania highly vulnerable when the global financial crisis hit.

The economy entered a sharp recession in 2009. Domestic demand contracted, capital inflows abruptly fell and the exchange rate depreciated. The deterioration forced the government to turn to the IMF and the EU for loans. A rebound occurred in 2011 but the economy stagnated again in 2012 owing to a series of external shocks. Unemployment has remained high, but labour market reforms contributed to a recovery in employment.

Romania faces a host of problems. It has the lowest income per capita in eastern Europe, the weakest environmental standards, the largest tax arrears, the most pervasive corruption and the lowest education spending. With strong trade and financial sector linkages with the eurozone, Romania is particularly vulnerable to the regional economic slowdown.

Economic prospects

Romania is experiencing a difficult recovery. Real growth of 1.4% is expected in 2013. Domestic demand should rebound in 2013 after stagnating in 2012 because of a drought. Real GDP is forecast to grow by 2.5% in 2014. The economy is thought to have grown faster than expected in the first half of 2013.

Prices rose by 3.3% in 2012 – roughly in line with the central bank's target. However, both the weakening exchange rate and the effects of the recent drought are putting upward pressure on prices. Inflation will be 5.2% in 2013 – possibly the highest rate in Europe. Monetary policy is being tightened.

In real terms, private final consumption rose by 0.6% in 2012 and gains of 0.7% are expected in 2013. Tax increases imposed as part of the programme of fiscal consolidation slow the recovery of consumer spending. Credit will increase very little as households continue to repair their balance sheets. Somewhat stronger rates of growth are forecast over the next several years but gains will not match those experienced prior to the recession.

Unemployment was 7.0% in 2012 and it will fall to 6.8% in 2013. Romania has trimmed the public-sector work force to 1.1 million, down from 1.4 million in 2010. Labour costs have declined, helping to enhance the competitiveness of the economy. However, two small increases in the minimum wage are planned during 2013. Youth unemployment is nearly 25%.

A significant portion of the FDI that has entered to the country in recent years went

Romania TOP 10

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
							in millions of euro
1	1	OMV Petrom SA	Petroleum/Natural Gas	4 733	18.32%	869.5	853.2
2	4	OMV Petrom Marketing SRL	Petroleum/Natural Gas	3 427	10.33%	57.3	29.0
3	6	Rompetrol Rafinare SA	Petroleum/Natural Gas	3 124	17.28%	-67.2	-170.3
4	7	Automobile-Dacia SA	Automobiles	2 923	-3.63%	62.6	63.7
5	11	Rompetrol Downstream SRL	Petroleum/Natural Gas	1 851	6.91%	-33.9	-25.1
6	15	Petrotel – Lukoil SA	Petroleum/Natural Gas	1 696	9.05%	-62.0	-90.7
7	18	British American Tobacco (Romania) Trading SRL	Food/Drinks/Tobacco	1 504	9.15%	89.1	73.4
8	19	Kaufland Romania SCS	Wholesale/Retail	1 470	15.20%	62.0	38.8
9	21	Lukoil Romania SRL	Petroleum/Natural Gas	1 364	10.49%	-50.4	-26.7
10	22	Renault Industrie Roumanie SRL	Automobiles	1 235	37.22%	-4.5	0.243

to low-skill industries such as textiles and leather goods. Another 15-20% of FDI went into retail and wholesale operations. Romania needs to attract more green-field investments in export-oriented manufacturing and services that demand higher skills.

Evaluation of market potential

Rates of real GDP growth will begin to improve by 2014. Driven by investment, domestic demand will continue to be the main driver. Some help should come from the 30 billion euro fund the EU has set aside to modernise Romania. In the medium term, higher absorption rates for the EU funds should drive investment and create more jobs.

With guidance from the IMF, the country's monetary and fiscal constraints should be alleviated as the economy strengthens. The domestic market is still immature and has considerable potential to grow. Convergence to the EU living standards will depend on increased investment and improvements in employment creation. More progress in structural reform is needed to prepare for eventual euro adoption.

Foreign trade

Romania has become well integrated into the EU trade. The EU's share of Romanian exports amounted to 71.3% in 2012. Exports fell by 7.6% (in dollar terms) in 2012 but gains of 6.1% are expected in 2013.

Romania's external sector is heavily dependant on manufacturing with machinery and transport equipment accounting for the highest share of the country's exports – 41.5% in 2012.

The share of exports in GDP has been rising for several years and amounted to 34.2% in 2012, up from 24.3% in 2008.

The current account deficit was 3.9% of GDP in 2012 and it will narrow to 2.5% in 2013.

Business environment

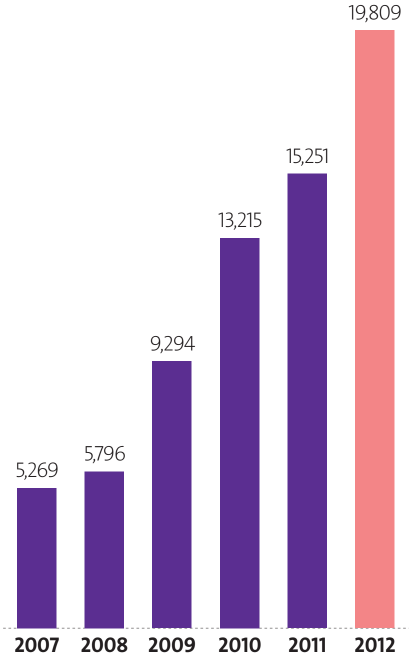
The privatisation programme and the appointment of private managers and professional boards at state-owned enterprises have fallen behind schedule. Altogether, ten state-owned companies are scheduled for liquidation or privatisation.

Romania has one of the largest informal economies of any EU member – estimated at more than 30% of GDP. The government has taken several steps including an increase in penalties levied on employers for unregistered employees and more rigorous inspections to scale back the informal economy. A flat tax (16%) on personal income and profits is intended to draw much of the country's sizeable informal economy into the legal sphere.

The deregulation of prices for commercial users of electricity and gas is scheduled for 2013. There has been progress in implementing structural reforms but more efforts are needed in the case of the energy and transport sectors. A financially viable health care reform is important to deal with rising aging costs over the longer term.

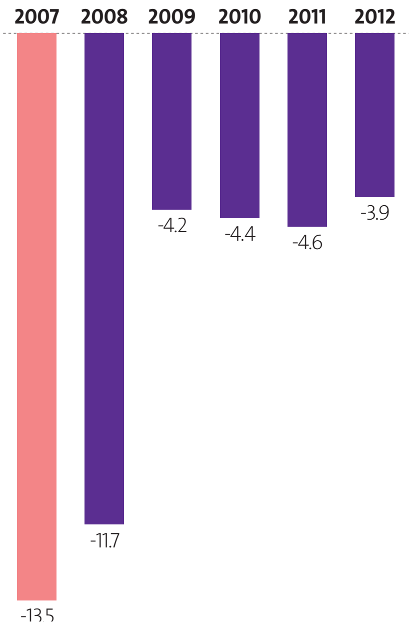
More extensive reforms of state-owned enterprises together with stronger regulation and market-oriented pricing are essential to boost economic efficiency and strengthen growth. Corruption is regarded as widespread.

Foreign debt
in millions of euro



Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance
as % of GDP



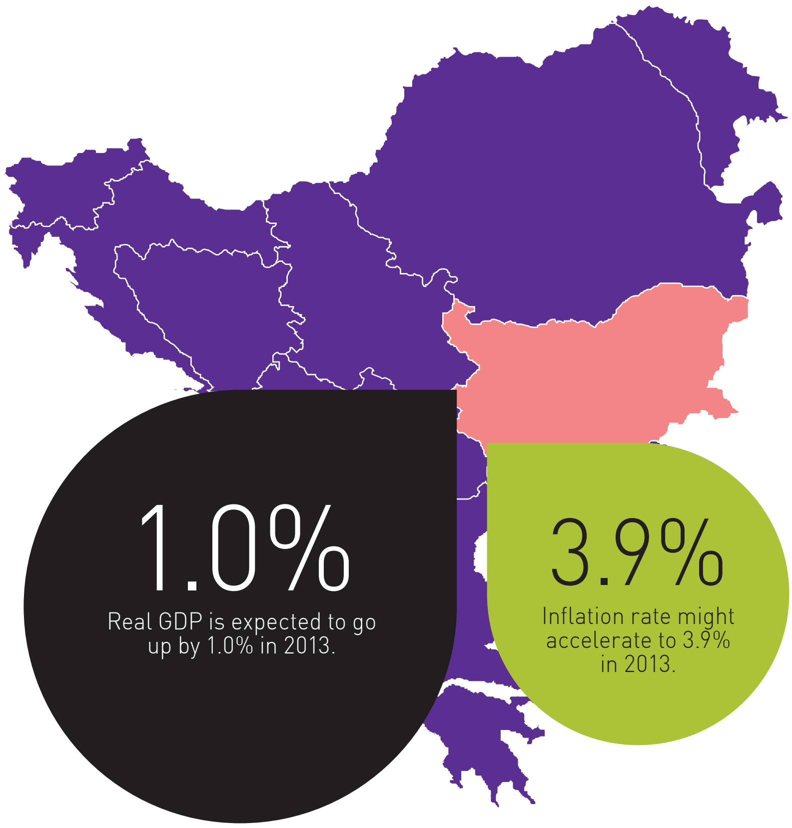
Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	86.4	Europe	85.1
Africa and the Middle East	7.0	Asia Pacific	10.7
Asia-Pacific	3.3	North America	1.6
North America	2.0	Africa and the Middle East	1.3
Latin America	1.1	Latin America	1.0
Other countries	0.1	Other countries	0.2

country profile

Bulgaria



Presidential elections were held in October 2011. Rosen Plevneliev received 52.6% of the vote, defeating Ivaylo Kalfin in the second round of voting. Protests forced the resignation of the government in February 2013 and parliamentary elections were held in May 2013.
During the campaign there were allegations of fraud and an illegal wiretapping scandal. The Citizens for European Development of Bulgaria (GERB) took 97 seats while the Bulgarian Socialist Party received 84 seats. Anti-corruption protests have spread and gained momentum since the latest parliamentary election.

The economy will see very modest gains in 2013. The recovery is held back by weaknesses in the labour market, a slump in consumer spending and downsizing in the construction sector. Foreign direct investment has been sharply reduced. More than a fifth of the population lives below the poverty line. The jobless rate is in double digits and rising. Millions have emigrated, leaving swathes of the country depopulated.

Overview of the economy

Based on per capita income, Bulgaria is the poorest member of the EU with living standards less than half its average. It will require more than 20 years for Bulgaria to achieve a per capita income that is two-thirds of the EU average. Growth has been feeble since the Global Recession and output remains below pre-crisis levels.
A feeble recovery began in 2012 but Bulgaria's economy has continued to struggle. Prior to the eurozone crisis, external demand was the main driver while domestic demand stagnated. Productivity gains were limited, resulting in Bulgarian firms losing ground just at the time when EU membership exposed them to greater competition. Foreign direct investment in Bulgaria has been sharply reduced while a process of fiscal consolidation has curbed domestic demand.

Economic prospects

Real GDP is expected to grow by 1.0% in 2013. The recovery is held back by weaknesses in the labour market, deleveraging in the corporate sector and downsizing in the construction sector. The economy grew by 0.1% in the first quarter of 2013 compared with the fourth quarter of 2012.
Inflation was 3.0% in 2012 and it will rise to 3.9% in 2013.
The real value of private final consumption rose by 3.2% in 2012 and an increase of 0.1% is forecast for 2013. Over one million Bulgarians work abroad and their remittances provide support for consumer spending. In 2012, remittances amounted to 1.4 billion U.S. dollars. This is significantly less than the value prior to the Great Recession.
Unemployment was 12.3% in 2012 and it will rise to 12.5% in 2013. Low-skilled workers represent 70% of the unemployed. The jobless rate is highest among young adults, ethnic minorities and rural residents. Average salaries are stuck at about 800 levs a month and millions have emigrated, leaving swathes of the country depopulated.
Investment has been steadily falling. The government plans to increase the absorption of the EU structural funds significantly but this will not be sufficient to offset the fall in investment. According to the central bank,

Bulgaria TOP 10

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/loss 2012	Net profit/loss 2011
							in millions of euro
1	2	Lukoil Neftochim Burgas AD	Petroleum/Natural Gas	4 207	22.09%	-48.1	-69.5
2	8	Aurubis Bulgaria AD	Metals	2 717	-5.67%	102.8	115.7
3	12	Lukoil-Bulgaria EOOD	Petroleum/Natural Gas	1 836	2.97%	-36.3	-2.2
4	16	Natsionalna Elektricheska Kompania EAD	Electricity	1 598	-4.28%	-48.1	35.1
5	32	Bulgargaz EAD	Petroleum/Natural Gas	962.7	14.55%	-58.1	-37.4
6	37	OMV Bulgaria OOD	Petroleum/Natural Gas	889.4	-5.51%	-3.7	2.3
7	43	Overgas Inc. AD	Petroleum/Natural Gas	751.4	21.56%	18.0	8.2
8	50	Naftex Petrol EOOD	Petroleum/Natural Gas	697.1	0.72%	-42.8	-19.1
9	51	CEZ Elektro Bulgaria AD	Electricity	690.0	8.40%	0.303	1.2
10	80	Kaufland Bulgaria EOOD & Co KD	Wholesale/Retail	503.1	19.79%	N/A	N/A

capital outflows exceed inflows.

Evaluation of market potential

Bulgaria's economy depends heavily on exports for its growth momentum, meaning that the slowdown in key foreign markets is a serious impediment. In the medium term, annual rates of growth should approach 4.5% by 2017 and close the output gap. To achieve these rates of growth the government must attract more investment by cutting bureaucracy and corruption.

Potential rates of growth in the future are likely to fall owing to a drop in capital inflows and the possible end to Bulgaria's investment boom.

Per capita GDP (at purchasing power parities) is just a third of the EU average. Thus, one of the government's major challenges is to sustain high rates of economic growth while maintaining macroeconomic stability and continuing its economic reforms.

With a shrinking and rapidly ageing population, the potential for further employment growth is limited. Marginal gains in employment will be accompanied by a steady decline in the unemployment rate. Thus, the labour market situation will become increasingly tight, with shortages developing in some industries. This is expected to lead to noticeably higher wage gains in the future.

Foreign trade

Bulgarian exporters depend heavily on other European markets. Exports to other EU markets amounted to 59.6% of the total in 2012. Basic manufactures made up 24.6% of the total. In dollar terms, Bulgarian exports fell by 5.4% in 2012 and gains of 15.3% are expected in 2013.

The competitiveness of Bulgarian exporters is jeopardised by a steady rise in energy prices. The impact of higher prices is accentuated by the fact that Bulgarian manufacturers are relatively inefficient users of energy.

As a share of GDP, exports amounted to 52.4% in 2012, up from 43.4% in 2008.

The current account deficit was 0.7% of GDP in 2012. The deficit will widen to 2.0% in 2013 as domestic demand gradually strengthens.

Business environment

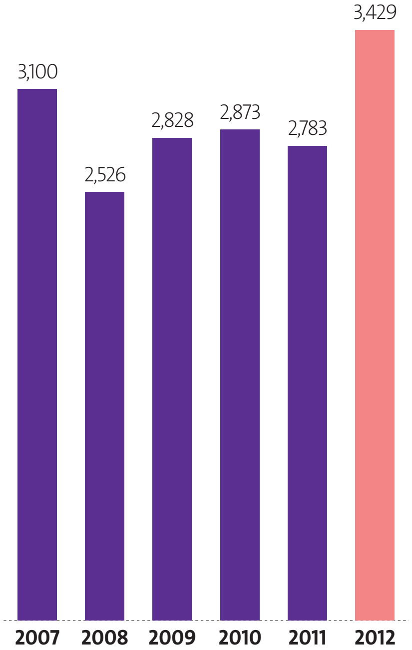
The government sold its stakes in two power distributors in 2012. Officials also intend to simplify company registration and licensing procedures, expand one-stop shops, and intensify their efforts to combat corruption. Their goal is to reduce the administrative burden on companies by 20% in 2012.

The informal sector represents at least a third of GDP. Although workers are relatively well educated, skill shortages are a constant problem.

Government spending is relatively high, leading to concerns that it may crowd out private investors. Officials plan to keep public expenditures to less than 40% of GDP in the future. Reforms in health, public administration, and pensions are still needed to bolster the process of fiscal consolidation.

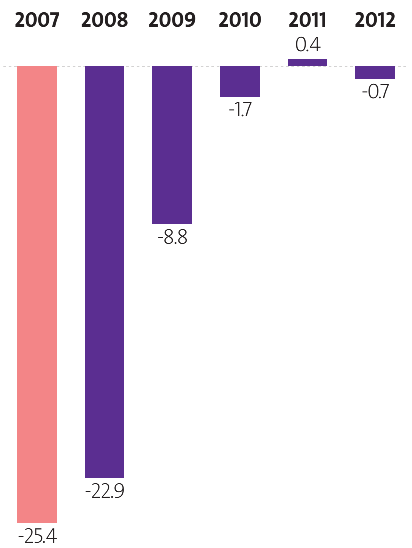
Bulgaria lacks an independent judiciary system. Increases in excise taxes and reforms to ensure better compliance should prevent a further drop in tax revenues. Further reforms are also needed to improve the business climate.

Foreign debt
in millions of euro



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance
as % of GDP



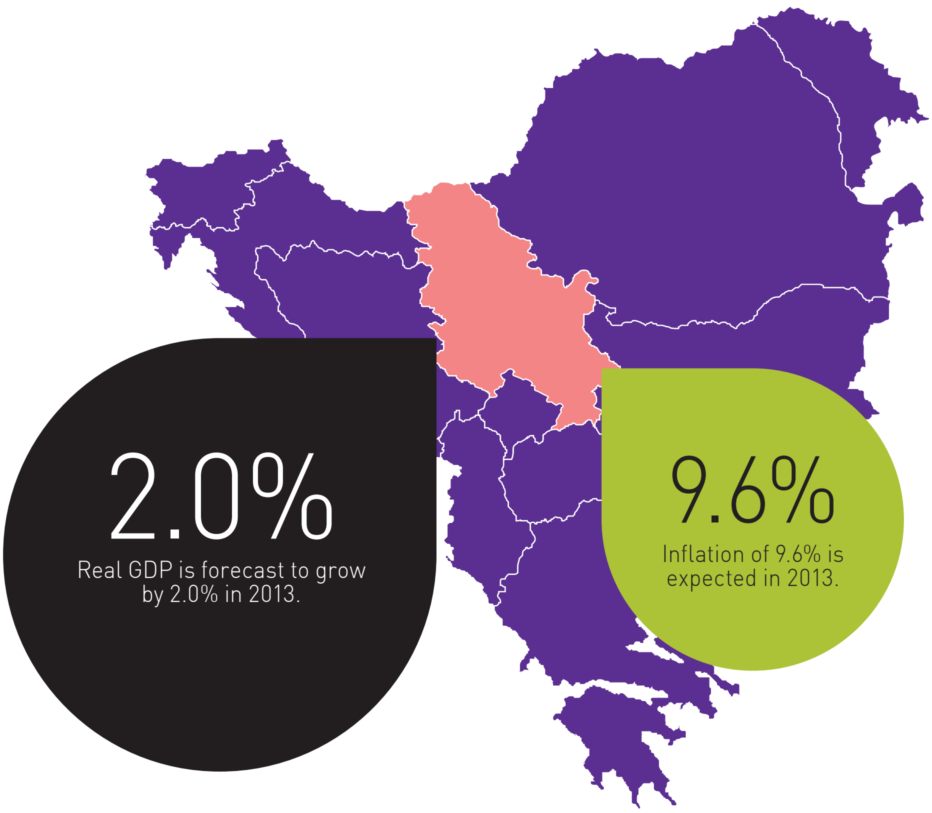
Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	83.6	Europe	90.7
Africa and the Middle East	7.1	Asia Pacific	5.1
Asia-Pacific	5.1	Africa and the Middle East	1.6
North America	2.2	Latin America	1.1
Other countries	1.5	North America	0.8
Latin America	0.5	Other countries	0.7

country profile

Serbia



After contracting in 2012, Serbia's economy will see moderate growth in 2013. Stronger exports along with a normal agricultural harvest should provide support for the economy.
Domestic demand, however, will remain subdued.

The economy is too narrowly based to reduce unemployment. Serbia's standard of living is about one-third of the EU average. Inflation will rise in 2013, exceeding the central bank's target range. The government has missed its budget deficit target for the past two years.

Overview of the economy

Serbia's economy slipped into recession in 2009 when exports fell at a double-digit pace and industrial production declined. In response, the government introduced an emergency spending programme valued at 3.0 billion euro to stimulate production and exports. The economy grew modestly in 2010 and 2011 but Serbia slipped back into recession in 2012 owing to poor weather, the closure of a major steel plant, and weakness in the eurozone.

The transition from a pattern of consumption-led growth to an export-driven form of growth is proving to be exceptionally difficult. Smaller firms are going through a particularly troublesome adjustment, and employment in both formal and informal segments of the private sector has contracted. Meanwhile, the economy faces significant vulnerabilities and a daunting agenda of structural reforms.

Economic prospects

After contracting in 2012, Serbia's real GDP is forecast to grow by 2.0% in 2013. Stronger exports along with a normal agricultural harvest should provide support for the economy. Domestic demand, however, will remain subdued.

Depreciation of the exchange rate and increases in administrated prices will push up inflation. Prices rose by 7.3% in 2012 – well above the central bank's target range of 3%-6%. Inflation of 9.6% is expected in 2013. In response, interest rates have been raised several times.

Domestic demand will continue to be weak in 2013, mainly as a result of fiscal consolidation. Perennially high levels of unemployment also undermine consumer spending. The real value of private final consumption fell by 1.9% in 2012 and an increase of 1.6% is forecast in 2013.

Serbia's low corporate tax rate and favourable trade and customs relations with Russia can still attract investors. Western companies have moved in to take advantage of the country's well-trained work force.

Growth is too narrowly based and feeble to reduce unemployment. Unemployment was 16.9% in 2012 and that will not change in 2013. Approximately half of all young adults are unemployed. Serbia's rate of employment (the percentage of people of working age actually working) is only about 45%. This is about 20% lower than the EU average. Serbia's labour market is tightly regulated and inflexible. Increases in the minimum wage outstrip productivity gains.

Evaluation of market potential

The transition from consumption-led growth to a greater reliance on exports is proving to be slow and cumbersome. Politically difficult reforms will be necessary to achieve sustainable growth. The reform agenda includes measures to address the oversized public sector, steps to follow up on the recent pension reform and the rationalisation of public enterprises.

The government's goal is to move the economy towards an environment which is more

Serbia TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
1	9	Naftna Industrija Srbije AD	Petroleum/Natural Gas	2 160	18.42%	436.2	389.2
2	24	JP Elektroprivreda Srbije (JP EPS)	Electricity	1 202	3.49%	-21.1	-46.6
3	39	Telekom Srbija AD	Telecommunications	863.9	-0.37%	99.2	213.5
4	47	JP Srbijagas	Petroleum/Natural Gas	706.3	-13.23%	-309.7	12.0
5	55	Delhaize Serbia DOO	Wholesale/Retail	661.8	5.75%	16.4	-79.0
6	61	Termoelektrane Nikola Tesla DOO	Electricity	622.8	-11.47%	-16.4	58.7
7	68	Mercator – S DOO	Wholesale/Retail	568.5	10.51%	-3.4	9.0
8	88	FIAT Automobili Srbija DOO	Automobiles	471.4	345.06%	-2.0	-54.5
9	89	Idea DOO	Wholesale/Retail	469.4	8.71%	-34.8	-17.9
10	101	Elektrovojvodina DOO	Electricity	439.8	1.70%	2.7	5.1

conducive to investment and exports. There is a small, market-oriented sector which generates the most growth, a large, unreformed central planning system and a sizeable informal economy. A volatile political climate and a host of vested interests are other barriers to reform.

Agribusinesses have considerable potential once markets in the EU begin to recover. The elimination of waiting times at borders would make it possible for producers to shift from low-profit frozen exports to fresh exports. In addition, the growing season is unique and fits comfortably with the EU's needs.

Foreign trade

The share of exports in GDP has been rising for several years but still totalled just 30.4% of GDP in 2012, up from 23% in 2008. Exports (in dollars) fell by 3.6% in 2012. The government predicts growth of at least 25% in 2013 because of expanding car and oil product exports. According to the national statistics office, exports rose significantly in the first five months of 2013 compared with the same period in 2012.

The EU is Serbia's main trading partner. In 2012, it accounted for 49.7% of all exports. The EU has agreed to a trade agreement as the reward for improved cooperation with Belgrade. Serbia also has a free-trade agreement with Russia, which allows Serbian-made products easy access to a large market. Serbia's exports of military arms have been rising quickly since the industry was rebuilt. Basic manufactures made up 29.1% of total exports in 2012.

The lack of competitiveness among many exporters and the country's voracious appetite for imports has led to huge trade deficits in recent years. Serbia's current account deficit was 10.9% of GDP in 2012 and it will narrow to 8.7% in 2013. Serbia is trying to lure industrial investors to export industries to cut its reliance on imports and narrow the traditionally high trade deficit.

Business Environment

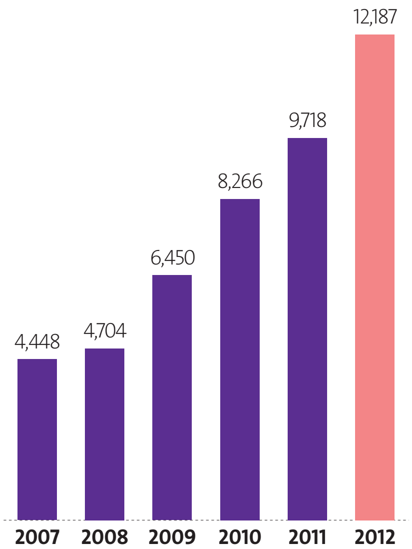
A shift to indirect taxes has been completed. Reforms to better secure property rights are intended to encourage investment. Business regulations have been simplified, making it easier to start a business and access credit. A reform of the pension system has begun. Serbia's low corporate tax rate and favourable trade and customs relations with Russia make it an attractive place for expansion. The Serbian government is boosting its own investments in the railway and road systems in order to gradually reduce the costs of doing business.

The role of the state has been reduced and the private sector's share in total employment has risen. However, the remaining state-owned firms continue to experience significant losses. A partial sale of the state-owned telecoms enterprise was cancelled in 2011. State ownership in banks will be phased out. The government has stepped up its fight against corruption and organised crime as part of its effort to achieve EU membership.

Government officials believe the sector employs up to 600,000 unregistered workers and costs the government 1.5 billion euro per year. High taxes on labour and, complex tax procedures are some of the reasons for the large size of the informal sector.

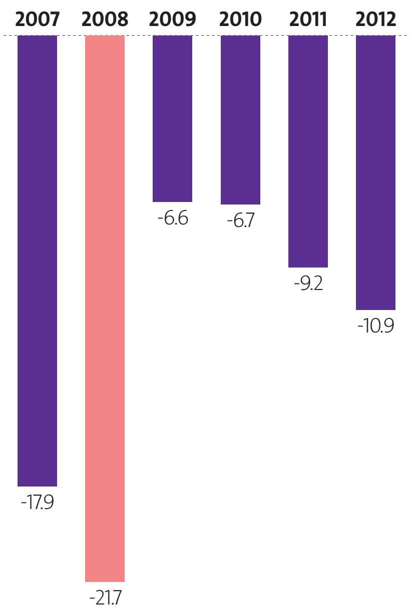
In 2011, Serbia entered a regional cooperation agreement with both parts of Bosnia, Slovenia and Montenegro to clamp down on tax evasion. It is estimated that Serbia is currently losing more than 210 million U.S. dollars due to tax evasion.

Foreign debt in millions of euro



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance as % of GDP



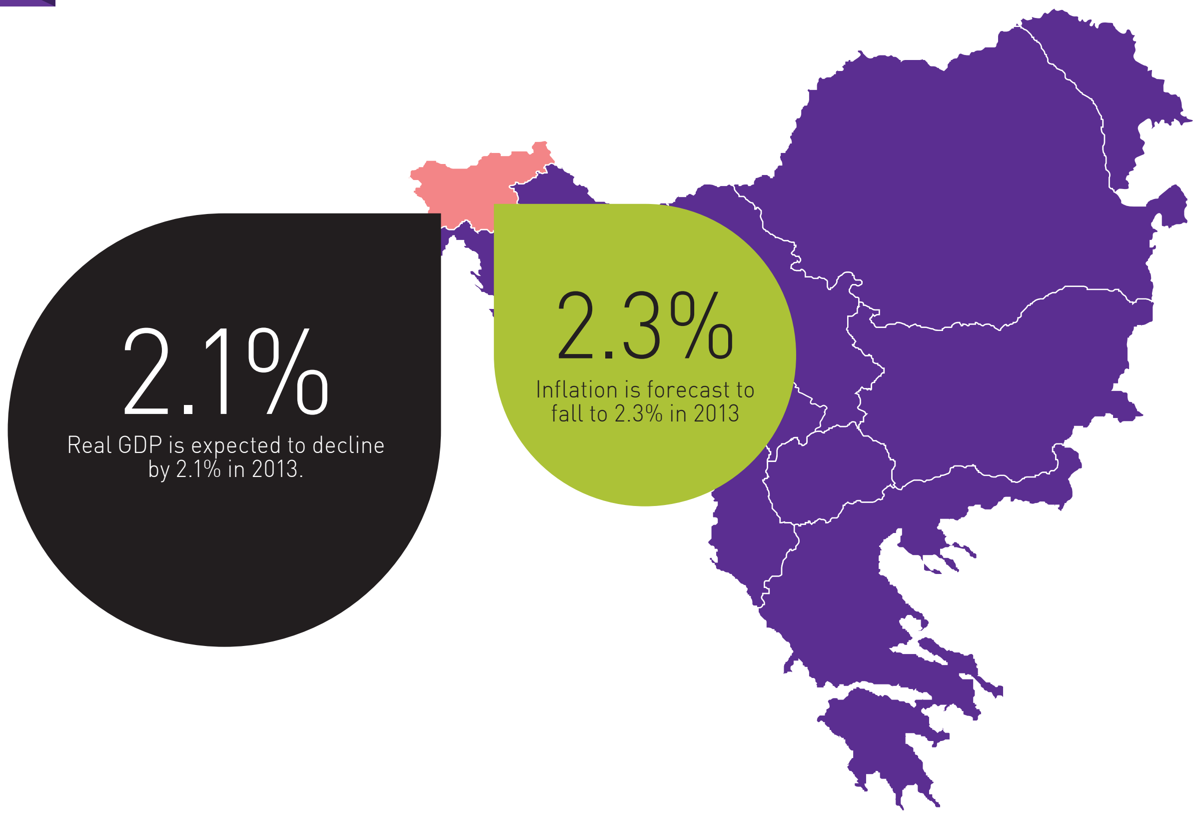
Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	85.3	Europe	92.3
Other countries	6.9	Asia Pacific	4.5
Asia-Pacific	4.7	Other countries	1.0
North America	1.4	Latin America	0.8
Africa and the Middle East	1.3	North America	0.8
Latin America	0.4	Africa and the Middle East	0.6

country profile

Slovenia



The economy contracted in 2012 and a further decline is expected in 2013.
A slump in investment, a banking crisis and weaknesses in consumer spending hold the economy back.

The country also faces a severe banking crisis. A weak jobs market and a fall in real wages exert downward pressure on consumer spending. The budget deficit for 2013 will rise, owing in part to bank recapitalisation. Population ageing poses a serious problem. More than 40% of the economy remains in state hands.

Overview of the economy

Before the EU accession, Slovenia's per capita GDP (at purchasing power parities) was about 50% of the EU average. Yet in the 25-country bloc that included so many poorer countries, that figure has risen to 91%. At this level, Slovenia was not eligible for structural funds given to the EU's poorest regions.
The economy grew faster than economic potential from 2005 until mid-2007. However, the pace decelerated in 2008 and in 2009 Slovenia experienced one of the largest economic contractions among eurozone countries. A timid export-driven recovery faded as external demand slumped. In the next few years, the fiscal deficit rose and competitiveness waned.
After two years of feeble growth, Slovenia slipped back into recession in 2012. The main drag came from a sharp retrenchment in investment, with construction and private consumption under-performing. Domestic demand also weakened significantly.

Economic prospects

Real GDP is expected to decline by 2.1% in 2013 following a contraction of 2.3% in 2012. A slump in investment, a banking crisis and weaknesses in consumer spending hold the economy back. The recession is expected to be the sharpest in the EU after Greece and Cyprus.
Inflation is expected to fall to 2.3% in 2013, down from 2.6% in 2012. Falling commodity prices, static nominal wages and depressed demand will be partially offset by higher taxes.
The real value of private final consumption fell by 3.6% in 2012 and another decline of 2.9% is forecast for 2013. A weak jobs market and a decline in real wages will continue to exert downward pressure on private consumption in the medium term.
After declining substantially for several years, investment will drop less in 2013 (by -0.5%). This is, largely due to government infrastructure investment, which is related to the anticipated faster drawing on EU funds and the construction of a major energy facility.
Household debt, at just 30% of GDP, is much lower than the eurozone average. The corporate sector, however, is one of the most indebted in the eurozone.
Employment growth has been negative since 2009 and this trend is expected to continue through 2013. Unemployment was 8.9% in 2012 and it will rise to 10.1% in 2013. The labour market is not flexible although an improvement is expected following the adoption of a recent reform aimed to reduce labour market dualism.

Evaluation of market potential

The recovery will be slow with real GDP expected to grow by less than 2.0% per year for several years. The government's large debt remains a serious impediment. The potential rate of growth has fallen significantly owing to slow growth in productivity, difficult financing conditions and high levels of structural unemployment.
More than 40% of the economy remains in state hands, compared to 8% in Hungary. A large chunk of what is private belongs to a handful of former state companies privatised in the 1990s. Nearly half of public spending

Slovenia TOP 10

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
							in millions of euro
1	5	Petrol d.d.	Petroleum/Natural Gas	3 263	14.11%	34.5	11.6
2	10	Holding Slovenske Elektrarne d.o.o.	Electricity	1 956	43.29%	54.7	46.7
3	17	GEN-I d.o.o.	Electricity	1 510	52.67%	14.2	8.1
4	20	Poslovni Sistem Mercator d.d.	Wholesale/Retail	1 447	-9.55%	-77.6	31.3
5	26	Krka d.d.	Pharmaceuticals	1 060	8.56%	154.6	150.4
6	36	Revoz d.d.	Automobiles	918.4	-19.09%	12.8	13.9
7	42	OMV Slovenija d.o.o.	Petroleum/Natural Gas	795.6	14.82%	16.0	16.3
8	48	Gorenje d.d.	Electronics	705.9	1.61%	-14.1	7.3
9	49	Lek d.d.	Pharmaceuticals	697.9	9.11%	75.9	73.9
10	53	Telekom Slovenije d.d.	Telecommunications	677.8	-7.26%	48.9	21.3

goes to social transfers, with very little reaching those truly in need. In the field of privatisation, steel and energy holdings could all attract serious international attention but none will be sold in the near future. There is a danger that private consumption will prove to be weaker than expected owing to the poor performance of the labour market. Finally, Slovenia has one of the fastest ageing populations in Europe.

Business environment

The government plays a major role in the economy with government spending accounting for about 50% of GDP. The government is now prepared to sell off most state-owned enterprises, except for a small number of "strategic" companies. These apparently include energy infrastructure, railways and some financial services. The privatisation of publicly-controlled banks and corporations is especially important. Revenues from these sales are expected to cut the public debt by around two percentage points.

As part of its effort to return to growth, Slovenia has already implemented important labour market and pension system reforms. A gradual cut in the corporate tax rate and more generous investment and R&D allowances have been made but these moves will make the government's efforts to deal with its fiscal problems more difficult. According to the European Commission, the informal economy represents 24.1% of GDP, higher than the average for Central Europe.

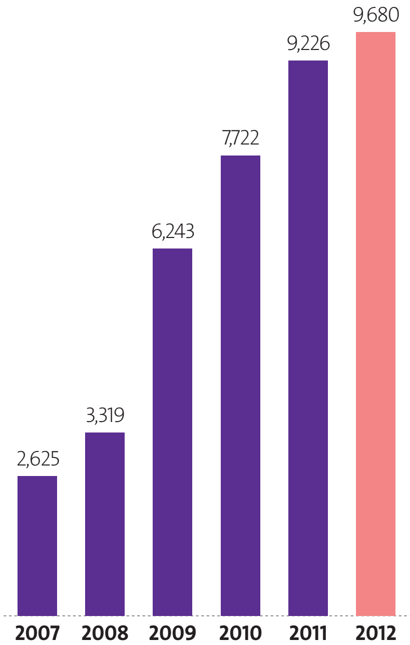
Foreign trade

Exports account for a significant portion of GDP but their share has fallen as demand in Western European markets faltered. In 2012, exports were 58.9% of GDP, up from 53.6% in 2008. Exports (in U.S.dollars) fell by 7.4% in 2012 and gains of 12.2% are forecast for 2013. Slovenian exports are concentrated in relatively low value-added industries, which leave them vulnerable to mounting competition from Asian competitors.

In 2012, 68.9% of total exports went to the EU – mainly to Germany, Italy and Austria. Trade with neighbouring ex-Yugoslav countries is significant, but decreasing. Exports of machinery and transport equipment and basic manufactures represented 59.4% of the total in 2012.

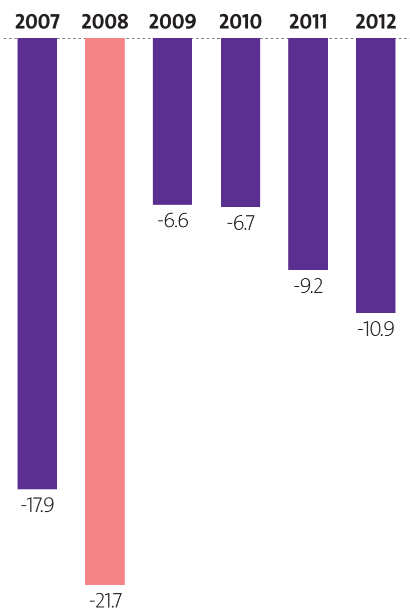
Weaknesses in domestic demand, along with favourable movements in commodity prices, have moved the current account from deficit to surplus. The surplus was 2.2% of GDP in 2012 and it will increase to 3.7% of GDP in 2013.

Foreign debt
in millions of euro



Euromonitor International from national statistics/OECD/
International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance
as % of GDP



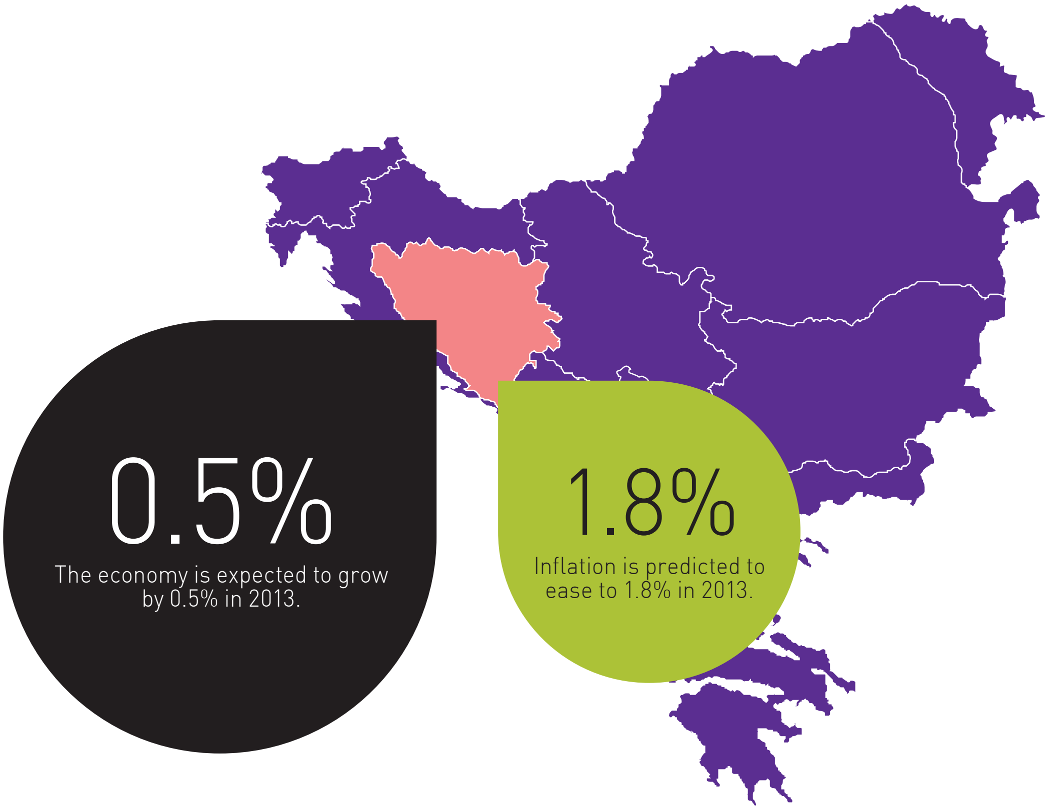
Euromonitor International from national statistics/OECD/
International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	91.0	Europe	81.8
Africa and the Middle East	3.5	Asia Pacific	9.2
Asia-Pacific	2.9	Latin America	2.8
North America	1.6	Africa and the Middle East	2.6
Latin America	0.6	Other countries	1.9
Australasia	0.3	North America	1.7

country profile

Bosnia&Herzegovina



Weak domestic demand, an unfavourable external environment and political stalemate hold back economic recovery.

The economy will grow slowly in 2013 after contracting in 2012. Weak domestic demand, an unfavourable external environment and political stalemate hold back economic recovery. The country's macroeconomic policies are sometimes disjointed and poorly designed. Unemployment will fall slightly in 2013 but is still one of the highest in Europe. Fiscal consolidation will require a shift away from recurrent capital expenditures.

Overview of the economy

Bosnia enjoyed a remarkable period of growth in 2003-2008 when real GDP growth averaged 6.0% a year. During that period, the economy relied increasingly on domestic demand as the key driver. Meanwhile, the private sector was fuelled by a credit boom financed from abroad. The country slipped into recession in 2009 when exports fell and inflows of FDI disappeared. Tighter credit conditions also undermined growth of demand. A feeble recovery began in 2010 but prospects were subsequently undermined by the eurozone crisis, which was negatively affecting exports and capital inflows. Ultimately, real GDP rose by 1.3% in 2011 and dropped by 0.7% in 2012.

A large portion of all economic activity is still conducted in the informal sector. Growth in the formal economy remains partially dependent on the international aid going to the country but these funds are now being supplied in smaller amounts and with conditions. Macroeconomic policies are sometimes disjointed and poorly designed. Gains in export-oriented industries have not spread to the larger economy. Around 18% of the population still live in poverty and another 30% (including many state employees) are only slightly better off.

Economic prospects

After shrinking by 0.7% in 2012, real GDP is expected to grow by 0.5% in 2013. Weak domestic demand, an unfavourable external environment and political stalemate hold back the economic recovery. To realise its growth potential, the country needs to accelerate structural reforms and improve the business climate.

Inflation was 2.0% in 2012 and prices are expected to ease to 1.8% in 2013.

Country-wide unemployment was 27.6% in 2012 and it will fall to 26.5% in 2013. This is still one of the highest rates in all of Europe. Over 50% of young adults are not officially employed. Because labour mobility is limited, unemployment in depressed areas is very high. More than 75% of the unemployed have been out of work for over two years. Skill gaps are sizeable and training is antiquated. Labour markets are also encumbered with out-of-date procedures for collective bargaining. Labour productivity is expected to grow by 2.0-3.0% a year through 2014.

Domestic consumption remains subdued owing largely to the government's austerity measures. The real value of private final consumption did not change in 2012 and gains of 1.2% are expected in 2013.

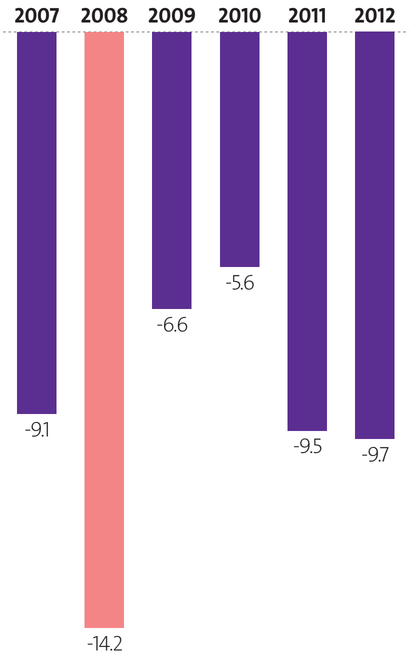
The country has received more than 5.0 billion U.S. dollars in aid since the war but inflows have dropped sharply in recent years. Bosnia also relies heavily on remittances from

Bosnia and Herzegovina TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/loss 2012	Net profit/loss 2011
1	54	Optima Grupa d.o.o. Banja Luka	Petroleum/Natural Gas	665.1	86.46%	-80.6	-70.3
2	87	JP Elektroprivreda BiH d.d.	Electricity	473.6	-3.21%	3.6	0.759
3	135	Arcelormittal d.o.o. Zenica	Metals	369.8	8.30%	-4.2	-0.461
4	170	Konzum DOO	Wholesale/Retail	312.8	3.96%	1.3	0.608
5	171	BH Telecom d.d.	Telecommunications	312.7	-1.07%	67.3	68.7
6	173	HOLDINA d.o.o. Sarajevo	Petroleum/Natural Gas	307.2	68.08%	-2.3	0.234
7	185	Aluminij d.d.	Metals	288.5	-9.52%	-33.7	0.611
8	232	Telekom Srpske a.d.	Telecommunications	250.8	-2.22%	56.2	54.9
9	248	HIFA-OIL d.o.o.	Petroleum/Natural Gas	236.8	13.78%	3.6	N/A
10	262	Bingo d.o.o. Tuzla	Wholesale/Retail	229.3	12.07%	18.7	12.4

Current account balance as % of GDP



Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	95.4	Europe	98.3
North America	1.5	Asia Pacific	1.0
Africa and the Middle East	1.4	Latin America	0.3
Asia-Pacific	1.4	North America	0.2
Latin America	0.2	Africa and the Middle East	0.2
Australasia	0.1	Australasia	0.0

overseas workers. This is especially important since the country has failed to attract much foreign investment. Although remittances have declined, they are still nearly four times the level of FDI. Investment inflows will continue to be weak for several years.

Evaluation of market potential

Bosnia-Herzegovina's open economy makes it especially vulnerable to the downturn in Western European markets. Domestic demand is crucial for growth but is expected to remain subdued, held back by high unemployment and fiscal restraint. Continued implementation of reforms in the public sector and adherence to the IMF agreement should lead to somewhat higher rates of growth in the medium term.

Officials calculate that an increase in domestic savings of around 10 percentage points of GDP is needed to sustain investment. Additional financial assistance from the IMF is being sought. This, most likely, will come with stringent conditions on spending and revenue polices.

Foreign trade

A Stabilisation and Association Agreement (SAA) between Bosnia and Herzegovina and the EU came into force in 2008, reducing or abolishing tariffs on many goods. Croatia's entry in the EU in 2013 is seen to hurt Bosnian exporters as Zagreb will have to ban Bosnian imports that do not comply with the EU's quality rules.

Exports consist mainly of commodities and low value-added manufactures. Basic manufactures and miscellaneous manufactured goods made up 45.4% of total exports in 2012. The EU accounted for 70% of all exports in 2012.

The exports-to-GDP ratio is modest but has been on the slow rise for several years. In 2012, exports represented 29.8% of GDP, up from 27% in 2008. There has been a gradual diversification of export markets as the country's industrial base has broadened. The dollar value of exports fell by 11.8% in 2012 as external demand in the EU slumped.

The current account deficit was 9.7% of GDP in 2012 and it will narrow to 9.0% in 2013. Weaker domestic demand is responsible for the declining deficit.

Business environment

The Serb Republic, one of the two political entities which constitute Bosnia and Herzegovina, is pursuing several programmes for privatisation with sales conducted at the entity level by separate agencies. The Federation (the entity led by Bosniak-Muslims and Croats) also has a privatisation programme. The Federation has already sold more than 70% of the companies identified for privatisation, but these are mainly small firms and represent only 40% of total assets slated for privatisation.

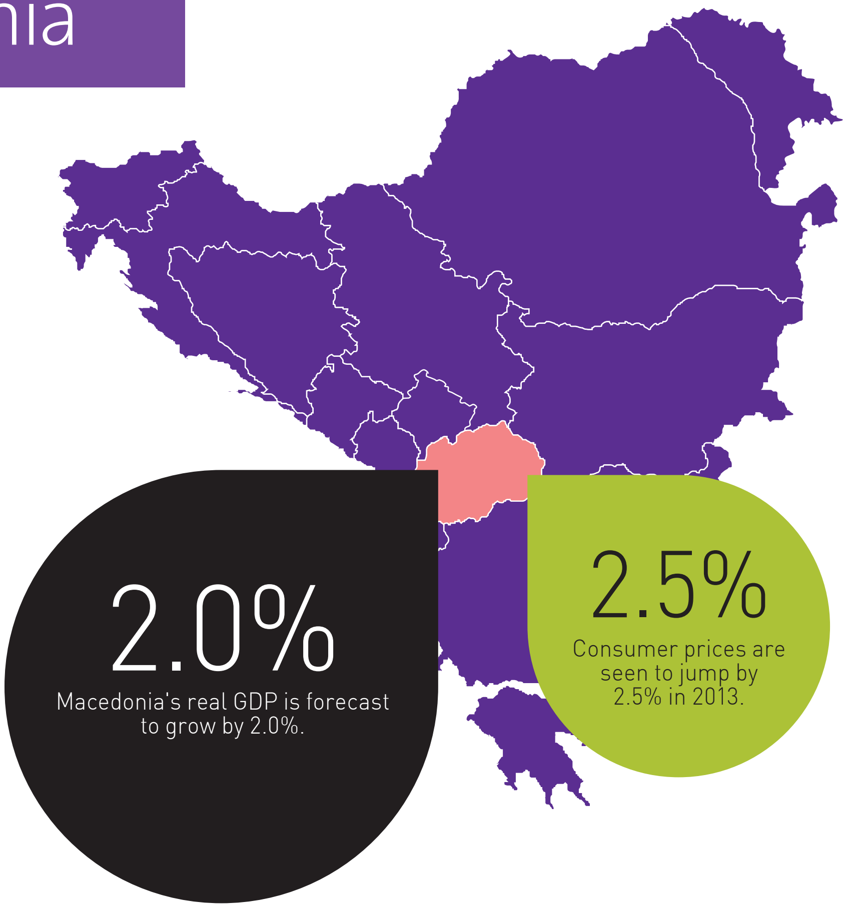
Despite these efforts, many firms (both privatised and state-owned) suffer losses. The informal sector is estimated to account for nearly two-fifths of GDP in the Federation and more than one-fifth in the Serb Republic. The large informal economy undermines tax revenue collection. In 2011, Bosnia entered a regional cooperation agreement with Serbia, Slovenia and Montenegro to clamp down on tax evasion.

Large differences in the corporate income tax between the Serb Republic and the Federation make it difficult for businesses operating in both entities. In the Serb Republic, corporate taxes are 10% while they are 30% in the Federation. The two tax bases are also different. The Serb Republic has introduced a VAT system of taxation and reformed the income tax regime. A comprehensive pension reform is planned with advice from the IMF. The reform will raise the retirement age, deter early retirement and reward later retirement.

The country's regulatory framework is vague and often contradictory. A variety of complex registration processes in both the Muslim-Croat and the Bosnian Serb entities discourages nationwide business development. Business registration processes were simplified in 2013.

country profile

Macedonia



Growth is expected to speed up in the medium term if the eurozone economy picks up and FDI continues to diversify the export basket.

After contracting in 2012, Macedonia's economy will see a slight recovery in 2013. Growth is expected to speed up in the medium term if the eurozone economy picks up and FDI continues to diversify the export basket. The jobless rate is one of the highest in Europe. Many of the unemployed work in the informal sector. Real growth of GDP should start improving significantly in 2014. The government's target is to achieve sustainable growth of at least 6.5% over the medium term.

Overview of the economy

Driven by domestic demand, remittances and higher levels of investment, the economy grew steadily between 2004 and 2008. A mild recession occurred in 2009. Weaker export demand and tighter conditions on foreign lending were the main culprits. Afterwards, the economy staged a modest rebound but real GDP fell by 0.3% in 2012. Growth has consistently been insufficient to raise living standards.

Macedonia was generally shielded from the impact of the eurozone crisis due to the country's prudent fiscal policy, an absence of major imbalances and a financial system that is not dependent on significant parent bank capital.

Ambitious programmes to improve roads, power, water and other infrastructure (mainly through internationally-funded projects) could lay the basis for more sustainable growth in the future. Inflation has been rising but wage hikes have prevented a drop in consumer income.

Economic prospects

Macedonia's economy will return to growth in 2013 when, real GDP is forecast to grow by 2.0% in 2013 (after contracting by 0.3% in 2012). Growth is expected to speed up in the medium term if the eurozone economy picks up and FDI continues to diversify the export basket.

Inflation was 3.3% in 2012 and prices are expected to rise by 2.5% in 2013.

A key objective of the government is to increase investment spending on roads, railroads, gasification, and other energy infrastructure. The authorities hope these programmes – in addition to the lower tax burden – will help attract more FDI.

The Macedonian government's efforts to lure foreign investment are yielding results. The development of free economic zones in Skopje, Tetovo and Bitola is one attraction. In addition, the government offers investors an "investment premium" to repay 50% of the cost once a production facility is completed. Macedonia's 10% flat tax along with a favourable business and investment environment is also an advantage.

The real value of private final consumption fell by 2.3% in 2012 while gains of 1.6% are expected in 2013. Stronger rates of growth are forecast in the medium term.

Unemployment was 31.9% in 2012 and it will fall to 30.2% in 2013. Youth unemployment is thought to be close to 50%. Although the jobless rate is huge, some of those reported officially as unemployed work in the informal sector. The informal market represents 20-45% of GDP. The potential rate of growth must be raised in order to cope with the huge number of unemployed. The jobless rate is one of the highest in Europe.

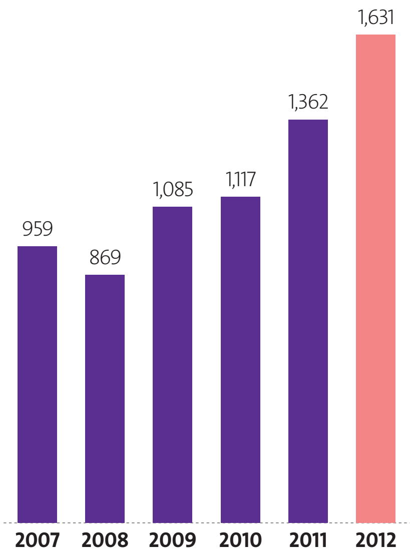
Evaluation of market potential

Real growth of GDP should start improving significantly in 2014. The government's target is to achieve sustainable growth of at least 6.5% over the medium term. The stock of FDI is lower than the regional average, and substantially less than in Bulgaria, Croatia and Romania. An increase will be necessary to meet the government's target. If downside risks associated with the EU financial and debt crisis materialise, they could quickly spill over to Macedonia.

Macedonia TOP 10

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
							in millions of euro
1	63	Okta AD	Petroleum/Natural Gas	604.3	-9.95%	-9.8	-22.4
2	83	Johnson Matthey DOOEL	Chemicals	490.8	22.35%	29.5	19.8
3	114	EVN Elektrostopanstvo na Macedonija AD	Electricity	412.7	11.15%	-4.3	-10.7
4	116	Makpetrol AD	Petroleum/Natural Gas	402.6	-1.17%	-1.0	0.417
5	209	Elektrani na Makedonija AD	Electricity	265.2	-2.71%	0.776	0.761
6	267	Feni Industry AD	Metals	223.3	-1.06%	3.5	27.0
7	322	Makedonski Telekom AD	Telecommunications	191.9	-2.65%	80.5	90.6
8	449	T-Mobile Makedonija AD	Telecommunications	138.2	-8.67%	40.0	54.6
9	539	Lukoil Makedonija DOOEL	Petroleum/Natural Gas	106.0	-0.78%	4.0	5.1
10	551	GEN-I DOOEL	Electricity	103.2	100.93%	0.875	1.9

Foreign debt in millions of euro



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Macedonia has high rates of unemployment, high youth unemployment, and low rates of labour force participation and it appears that much of this is structural in nature. This means it will be more difficult to reduce. Pro-growth policies include preservation of a low tax environment, investments in infrastructure and education and the promotion of FDI.

Foreign trade

The significance of the external sector has been growing steadily. In 2012, exports were 41.4% of GDP compared to 39.9% in 2008. Exports (in dollars) fell by 10.2% in 2012. Export growth should be much stronger in the medium term, underpinned by inflows of FDI to the tradable sector, low wage levels relative to neighbouring countries and improvements in the business climate.

Tariffs on more than 100 imported products have dropped as part of the country's drive to implement its Stabilisation and Association Agreement (SAA) with the EU. Tariffs on agricultural products will remain partially in place. The government is intent on protecting domestic agriculture, which is not covered by the SAA. Macedonian exporters benefit from Kosovo's embargo on Serbian goods.

Both the manufacturing sector and the agricultural sector are increasingly export-oriented. In 2012, basic manufactures – often low-cost products with limited international competitiveness – were 27.6% of the total. In 2012, 52.9% of total exports went to the EU.

The current account deficit was 3.9% of GDP in 2012 and it will widen to 4.7% in 2013. The imbalance is mainly financed by inflows of FDI.

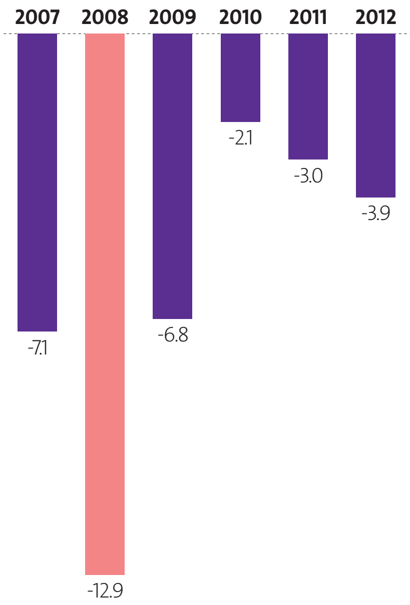
Business environment

The government has introduced a series of significant reforms but there are lingering constraints on the private sector. Privatisation of some of the remaining state-owned assets is proving difficult. Moreover, the methods employed allow insiders a distinct advantage, resulting in a smaller boost in efficiency than had been expected. The clearance of payment arrears began in late 2012 and will provide businesses much-needed liquidly. Property rights are weakly enforced and corruption in the customs department adds to the cost of trading.

Other reforms introduced in recent years include an overhaul of the business registration system, the simplification of licensing procedures and privatisation of electricity distribution. A flat tax rate for both corporations and personal incomes has proved attractive to investors. Macedonia has also developed free economic zones in Skopje, Tetovo and Bitola.

Macedonia is committed to reform its electricity industry. A new energy law is expected to bring the country in compliance with its treaty obligations once it is fully implemented.

Current account balance as % of GDP



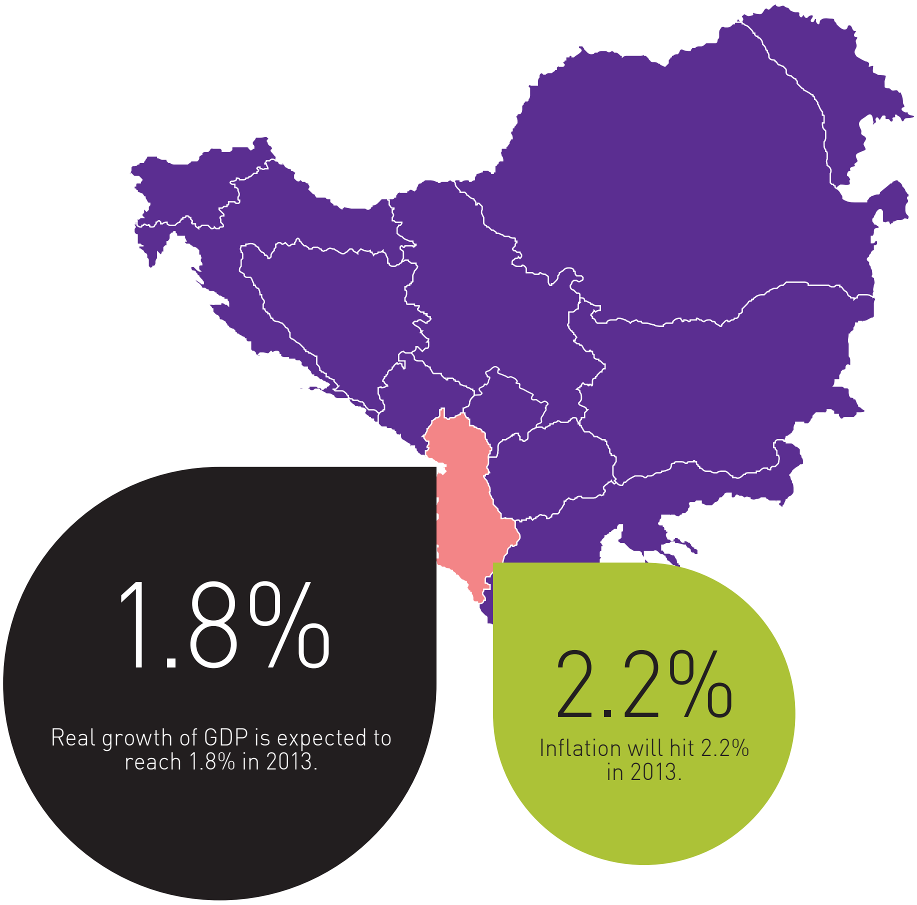
Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	90.9	Europe	94.1
Asia-Pacific	6.0	Asia Pacific	3.6
North America	2.2	Latin America	1.1
Africa and the Middle East	0.6	Africa and the Middle East	0.6
Latin America	0.2	North America	0.6
Australasia	0.1	Other countries	0.0

country profile

Albania



Albania will see only feeble growth in 2013. Lacklustre domestic demand, a fall in remittances and limited bank credit to the private sector are holding back the economy.
The informal economy accounts for nearly one-third of GDP. The large share of short-term public debt accentuates financial risks. Remittances have fallen as Albanians working in foreign countries have lost their jobs.

Overview of the economy

Albania was Europe's poorest country for many years but levels of per capita income have more than doubled since 2001. Despite modest progress, the economy remains vulnerable on several fronts because of a culture of tax evasion, significant amounts of long- and short-term domestic public debt, and weak anti-money laundering laws. Investment is badly needed to broaden the export base.

The economy slowed in 2012 when real GDP rose by just 1.3%. The incidence of poverty has been reduced from 25% in 2002 to around 18.5% today. Poverty is worst in rural areas because family farms have such low levels of productivity.

Economic prospects

Real growth of GDP is expected to reach 1.8% in 2013, up from 1.3% in 2012. Lacklustre domestic demand, a fall in remittances and limited bank credit to the private sector are holding back the economy.

Inflation was 2.0% in 2012 and prices will rise by 2.2% in 2013.

The real value of private final consumption rose by 1.9% in 2012 and gains of 2.2% are expected in 2013.

The current account deficit was 10.2% of GDP in 2012 and it will narrow to 9.5% in 2013. The large imbalance leaves the country vulnerable to external shocks.

With about one million Albanians working outside the country, the flow of remittances has been essential for consumer spending, the purchase of new homes and cars, and investment in small businesses. Most of these people, however, were employed in Greece and Italy and have lost their jobs. Remittances (in dollars) fell by 10.9% in 2012 and in nominal terms are still below the level recorded for 2008.

Unemployment is still very high (12.0% in 2012) despite the large numbers working abroad. The problem is that much of the income earned abroad does not create sustainable jobs at home.

The budget deficit will exceed 5.0% in the medium term. Such an increase could push public debt up, very close to the legal ceiling. The large share of short-term public debt accentuates financial risks. In the medium term, rising public debt could hinder growth by crowding out private sector credit and af-

Albania TOP 10

in millions of euro

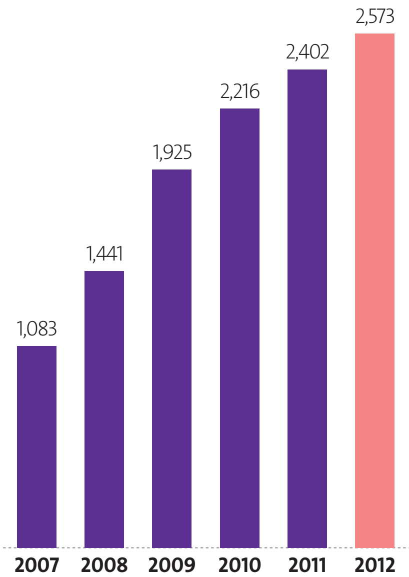
No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
1	124	Bankers Petroleum Albania Ltd.	Petroleum/Natural Gas	378.8	38.78%	N/A	N/A
2	153	Kastrati Sh.a.	Petroleum/Natural Gas	339.9	132.16%	N/A	N/A
3	193	CEZ Shperndarje Sh.a. (formerly Operatori i Sistemit te Shperndarjes (OSSH) Sh.a.)	Electricity	285.6	-17.93%	N/A	N/A
4	254	Taci Oil International Trading and Supply	Petroleum/Natural Gas	234.8	596.19%	N/A	N/A
5	292	Korporata Elektroenergjitike Shqiptare Sh.a. (KESH)	Electricity	205.5	146.01%	N/A	N/A
6	337	Kurum International Sh.a.	Metals	184.1	9.57%	N/A	N/A
7	364	Vodafone Albania Sh.a.	Telecommunications	171.2	18.51%	N/A	N/A
8	386	Europetrol Durres Albania Sh.a.	Petroleum/Natural Gas	160.1	-27.61%	N/A	N/A
9	476	A.R.M.O. Sh.a.	Petroleum/Natural Gas	128.9	-19.64%	N/A	N/A
10	522	Belle Air Sh.p.k.	Transportation	111.8	10.67%	N/A	N/A

Source: Media Union Group, Monitor magazine-Albania estimations based on the data provided by the tax office.

Imports and exports

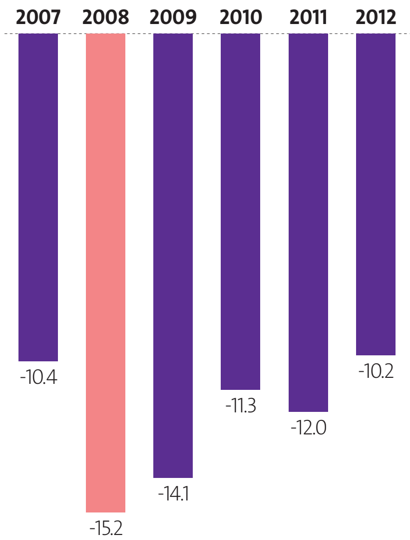
Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	87.9	Europe	83.7
Asia-Pacific	9.3	Asia-Pacific	10.1
North America	1.2	North America	2.2
Africa and the Middle East	1.1	Africa and the Middle East	2.1
Latin America	0.5	Latin America	1.5
Australasia	0.0	Other countries	0.4

Foreign debt in millions of euro



Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance as % of GDP



Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), World Economic Outlook (WEO)

fecting the government's ability to finance development projects.

Evaluation of market potential

Public and private consumption is expected to fall as a share of GDP as the business sector assumes a more central role. Fiscal consolidation will have to be a priority. Ongoing reforms to enhance the efficiency of tax administration – combined with a concerted effort to reduce the size of the informal sector – should raise tax revenue as a share of GDP. Risks include the country's high level of public debt, sluggish productivity growth and significant external vulnerabilities.

Sustainable growth will require reforms to strengthen governance, property rights protection and the rule of law. The large losses in the electricity industry put a major strain on the budget and reduce potential growth. Collection rates in the industry are only around 50%.

Business environment

New company laws and legal reforms have improved transparency. The privatisation agenda is gaining momentum with almost all small and medium enterprises having been sold off. All commercial banks have been placed under private management. In other fields, however, progress in improving the business climate has been limited.

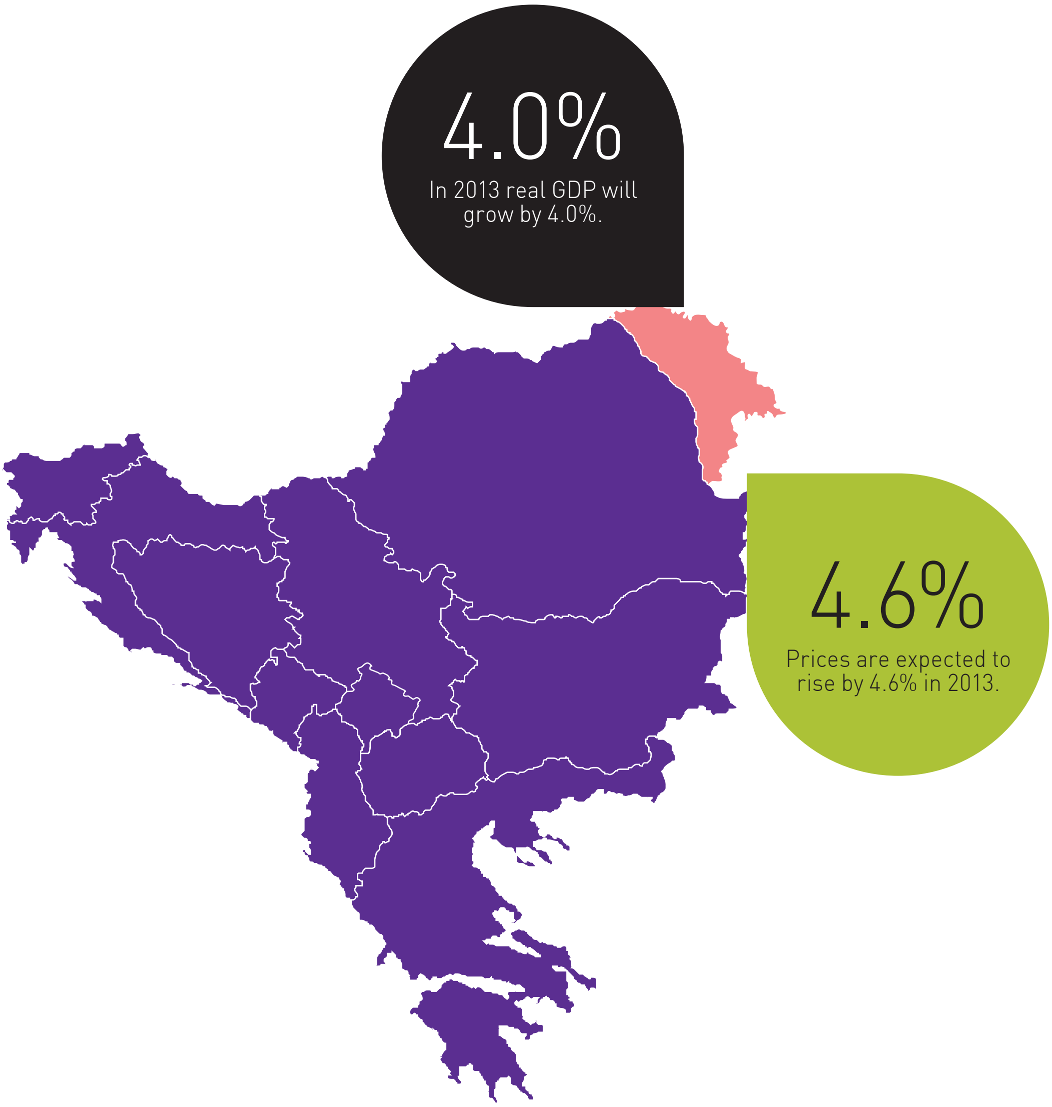
Structural reforms to improve the business environment by securing property rights, land titling, and contract enforcement are urgently needed. Improvements in debt management are also a priority.

Poor transport, telecommunications and other infrastructure are considered the main obstacles to investment. The government plans to increase spending on transport systems during the current development plan. An estimated 6,000 kilometres of roads will be rehabilitated by 2013.

In the future, the government plans to broaden the tax base, a move which should eventually allow a reduction in the corporate income tax rate. The share of the underground "black" economy in GDP is falling as the administration of tax revenue is improving.

country profile

Moldova



After contracting in 2012, the economy should pick up in 2013. Investment in infrastructure will be an important driver along with a recovery in agriculture.
A process of fiscal consolidation is underway and has shown impressive results so far.

The huge public sector will eventually have to be scaled back in order to maintain a sound fiscal position. The current account imbalance is large but should narrow in the medium term with sustained reforms and export promotion efforts.

Overview of the economy

Moldova is the poorest country in Europe. Though disputes with Moscow slowed progress, the economy grew at an average rate of around 5.0% per year prior to the global recession. However, a sharp contraction occurred in 2009 when domestic demand plummeted. Unemployment soared and public revenue fell as VAT receipts and foreign trade taxes shrunk.

After two years of healthy growth, the economy's performance deteriorated in 2012 when real GDP contracted by 0.8%. Foreign and domestic trade, industrial production, and remittances all decelerated markedly.

Moldavians have continued to emigrate at a rapid pace. The government estimates that more than 500,000 have left the country to work abroad, either in Western Europe or Russia. Much of the exodus is driven by poverty. An estimated 26.3% of the population lives in poverty.

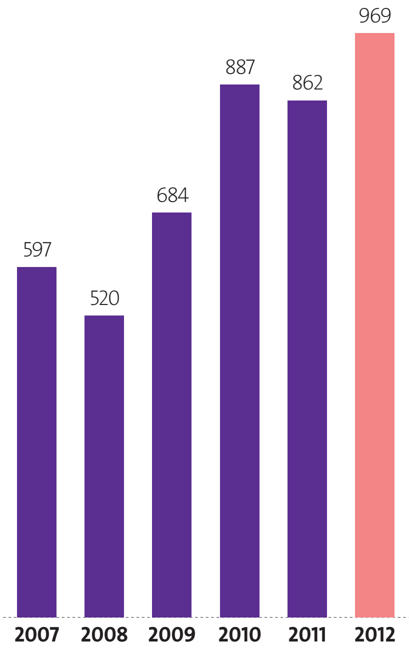
Moldova TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
1	145	Moldovagaz SA	Petroleum/Natural Gas	356.6	8.67%	-10.9	3.5
2	236	Red Union Fenosa SA	Electricity	245.8	15.55%	23.9	24.9
3	381	Orange Moldova SA*	Telecommunications	162.1	1.40%	N/A	N/A
4	432	Moldtelecom SA	Telecommunications	145.6	1.83%	7.0	13.4
5	538	Tirex-Petrol SA	Petroleum/Natural Gas	106.6	0.75%	0.229	1.2
6	690	Sudzucker Moldova SA	Food/Drinks/Tobacco	64.3	8.82%	4.7	9.7
7	693	Floarea Soarelui SA	Food/Drinks/Tobacco	63.7	-3.98%	-1.6	3.6
8	701	Retelele Electrice De Destributie Nord SA	Electricity	61.8	9.56%	4.6	3.3
9	708	Moldcell SA*	Telecommunications	59.7	3.37%	N/A	N/A
10	729	JLC SA	Food/Drinks/Tobacco	45.9	11.16%	1.3	0.854

(*) denotes net sales revenue

Foreign debt in millions of euro



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Economic prospects

The economy is expected to pick up in 2013 when real GDP grows by 4.0%. Investment in infrastructure will be an important driver along with a recovery in agriculture.

Inflation was 4.7% in 2012. Prices are expected to rise by 4.6% in 2013.

The budget for 2012 continued a planned programme of fiscal consolidation by reducing current spending, raising revenues and boosting investment. Moldova's budget deficit was 1.9% of GDP in 2012. A deficit of 1.5% is planned for 2013.

Consumer spending depends heavily on remittances. The real value of private final consumption is expected to grow by 2.2% in 2013 after gains of 2.0% in 2012.

Up to 50% of the working population has been employed abroad in recent years. The value of remittances (in dollars) rose by 9.9% in 2012.

Moldova's public sector still dominates the economy and is much larger than that in neighbouring countries. Expenditure was reduced and revenue rose after tax collection procedures were improved. The possibility of early retirement is gradually being phased out. In the medium term, the huge public sector will have to be scaled back in order to maintain a sound fiscal position.

The current account deficit was 9.4% of GDP in 2012 and this will widen to 10.0% in 2013. In the medium term, the deficit should narrow as a result of sustained reforms and export promotion efforts.

Evaluation of market potential

Disagreement within the ruling coalition slows the pace of reforms. The gradual pace of progress enables special interest groups to exert considerable influence on policy decisions. Growth should still accelerate in the medium term thanks to increased investment in infrastructure and gains in productivity.

Reform of the pension system that allows indexation of past earnings with inflation is needed to slow the steady decline in replacement rates and address old-age poverty.

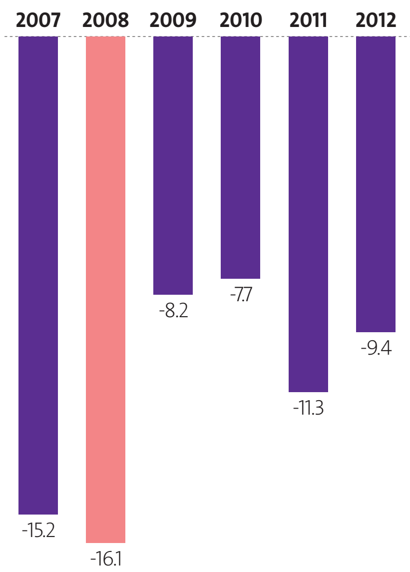
Business environment

Structural reforms have improved the business climate and promoted competitiveness. Officials hope to accelerate the privatisation programme and the sale of a large bank is nearing completion. Corporate income taxes have been reduced and an amnesty has been granted. Efforts to cut red tape, safeguard competitiveness and stimulate trade are broadly on track. However, the economy is excessively over-regulated and hampered by price distortions. Corruption is widespread and governance weak.

A planned tax policy reform aims to improve tax administration and simplify regulations. Authorities are committed to close loopholes in the VAT, upgrade tax and customs administration, and clear government expenditure arrears. At the same time, the corporate income tax will be re-introduced with a single rate of 12% and a broad base to ensure adequate resources.

The government has expanded the list of firms it intends to privatise with up to 60 companies launching privatisation auctions in 2012.

Current account balance as % of GDP



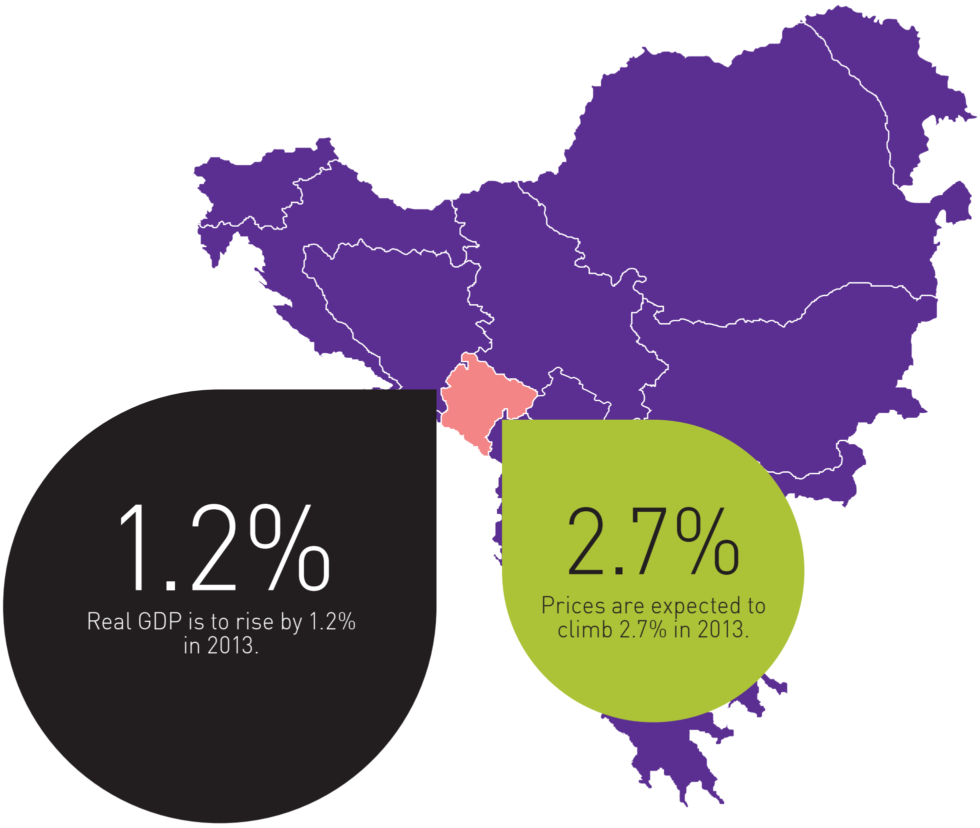
Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	91.8	Europe	93.4
Asia-Pacific	3.0	Asia-Pacific	3.8
Africa and the Middle East	2.2	Africa and the Middle East	1.0
North America	1.4	North America	0.8
Other countries	0.9	Latin America	0.7
Latin America	0.6	Other countries	0.3

country profile

Montenegro



Montenegro's economy will see only feeble growth in 2013 after stagnating in 2012.
The outlook is uncertain, clouded by problems in the metals sector and the high level of debt in the private sector.

A huge current account deficit poses great risks for the economy. The economy is facing growing vulnerability from persistent fiscal imbalances and a rapid increase in public debt. The informal economy is thought to generate as much as 40% of GDP. Unemployment is in double digits.

Overview of the economy

Montenegro's economy grew steadily between 2003 and 2008 and inflation slowed after adoption of the euro. Demand was supported by large increases in credit. Employment and wages rose and unemployment fell sharply in 2005-2008. The country experienced somewhat of a property boom with wealthy Russians and Europeans buying property along the coast. However, the economy slipped into recession in 2009 when property prices fell by more than 50% and real GDP contracted. Growth resumed – but at a modest pace – in 2010 and 2011. The economy stalled in 2012 as a result of severe weather and a sharp slowdown in metals production.

Economic prospects

Economic activity has nearly returned to its pre-crisis level but Montenegro's economy continues to struggle. A modest recovery is expected in 2013 with real GDP rising by 1.2%. However, the outlook remains uncertain, clouded by problems in the metals sector and the high level of debt in the private sector. Shortages of domestic liquidity are another constraint.

Inflation was 3.6% in 2012 and prices are expected to rise by 2.7% in 2013.

Montenegro's huge current account deficit poses great risks for the economy. In 2012, the deficit was 17.7% of GDP and it will ease to 17.1% in 2013. Improvements in competitiveness will be essential to keep the imbalance from worsening as the economy gains strength.

Household demand and investment remain weak and bank credit continues to decline. The real value of private final consumption fell by 0.5% in 2011 and gains of 0.7% are expected in 2013.

Unemployment was 19.8% in 2012 and that will not change in 2013. Participation in the labour force is at a very low level while the share of long-term unemployed continues to grow.

The economy is facing growing vulnerability from persistent fiscal imbalances and a rapid increase in public debt. In 2012, the fiscal deficit exceeded the revised target. Officials still hope to balance the budget in the medium term. Tangible and significant new spending cuts and revenue measures will be needed to achieve the 2013 budget deficit target.

Montenegro TOP 10

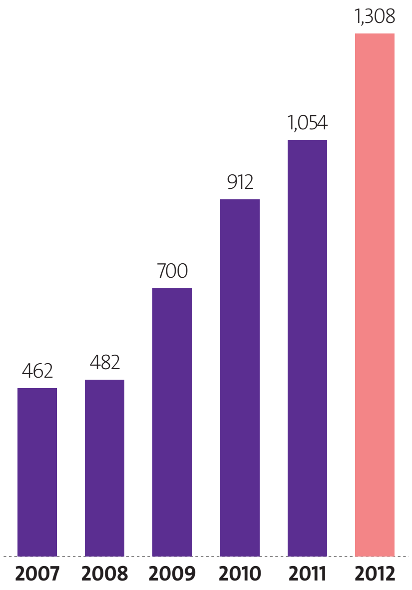
No	SEE TOP 100 No	Company name	Industry	Total revenue 2012	Y/Y change in revenue	Net profit/ loss 2012	Net profit/ loss 2011
							in millions of euro
1	199	Elektroprivreda Crne Gore A.D.	Electricity	280.4	-0.59%	-5.8	-66.5
2	309	Jugopetrol A.D.	Petroleum/Natural Gas	199.4	3.13%	2.2	7.9
3	411	Kombinat Aluminijuma Podgorica A.D.	Metals	150.6	-21.13%	-52.4	-87.2
4	505	Crnogorski Telekom A.D.	Telecommunications	117.2	-2.41%	19.9	16.5
5	643	Roksped D.O.O.	Transportation	83.2	-1.38%	0.083	1.2
6	658	Telenor D.O.O.*	Telecommunications	79.5	-1.72%	27.6	30.3
7	670	Montenegro Airlines A.D.	Transportation	74.9	-2.34%	-4.5	-6.5
8	723	Rudnik Uglja A.D.	Metals	50.0	-9.13%	-1.2	1.3
9	740	13 Jul – Plantaze A.D.	Agriculture	39.4	0.02%	3.2	3.2
10	749	Crnogorski Elektroprenosni Sistem A.D.	Electricity	31.7	16.33%	6.6	3.5

(*) denotes operating profit; Calculation of revenue and profit/loss is made using exchange rate 1 euro=7.3483 Norwegian crowns

Imports and exports

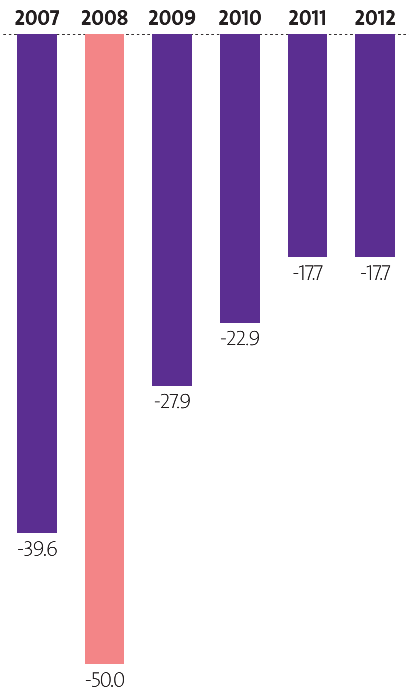
Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	94.8	Europe	77.4
Asia-Pacific	4.2	Asia Pacific	18.1
North America	0.8	Latin America	2.1
Africa and the Middle East	0.2	North America	1.5
Other countries	0.1	Africa and the Middle East	0.4
Australasia	0.0	Other countries	0.4

Foreign debt in millions of euro



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance as % of GDP



Euromonitor International from national statistics/OECD/ International Monetary Fund (IMF), World Economic Outlook (WEO)

Evaluation of market potential

The economy still faces a large degree of restructuring. There is a small, market-oriented sector which generates the most growth; a large, unreformed socialist system; and the hidden "black economy", estimated to generate 40% of GDP. Real growth of less than 2.0% per year is expected in medium term.

Agribusinesses have considerable potential. The elimination of waiting times at borders would make it possible for producers to shift from low-profit frozen exports to fresh exports. In addition, the growing season is unique and fits comfortably with the EU's needs.

Economic prospects should be reasonably bright once Western Europe's recovery gathers steam. So far, however, the benefits of recent progress have not reached the masses. Average salaries are just 250 euro per month. The large current account deficit limits efforts at export diversification.

Business environment

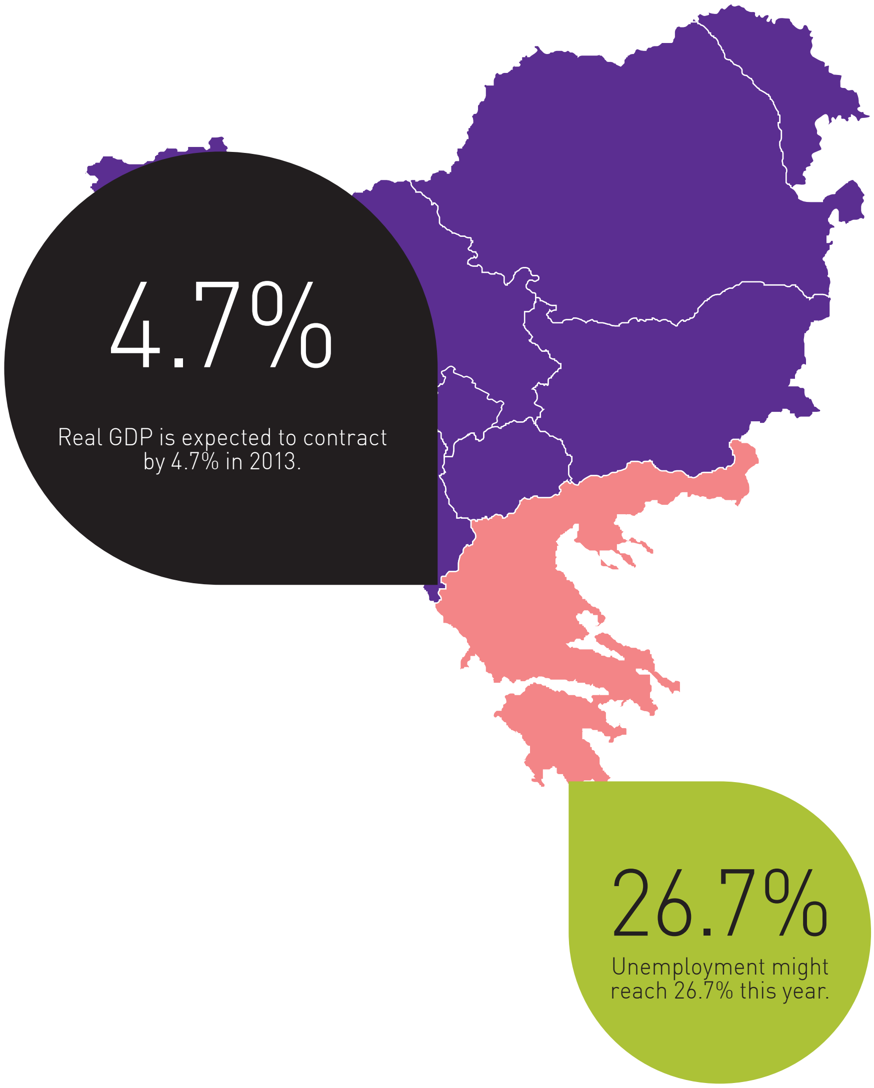
Montenegro has an ambitious programme of privatisation and plans to modernise labour legislation with the goal of improving labour flexibility. The country's large aluminium complex and most of its financial sector have recently been privatised.

The banking sector, telecommunications, and oil import and distribution in Montenegro are 100% privately owned. Some privatisations, however, have been dubious. The elite are believed to have profited excessively from privatisation. Nepotism is another problem which handicaps the judiciary. The country's business environment is lumbered by a maze of excessive regulations. Greater flexibility in wage setting and employee protection is needed. The ability to protect property rights is also limited.

The government has passed new legislation which will improve the environment for business development, investment and economic growth. The labour market remains rigid, limiting the ability of firms to restructure. The technical and administrative skills of the agencies providing business services are also extremely limited.

country profile

Greece



Real GDP will continue its decline in 2013, making this the sixth consecutive year of contraction. Greece's lenders have agreed to reduce the pace of fiscal consolidation and expect the country to return to growth in 2014.

The economy will be 25% smaller at the end of 2013 than it was in 2008. Unemployment is the highest in the eurozone. More than two-thirds of those between 16 and 24 years are out of work. Many recent reforms are still not being implemented.

Overview of the economy

After several years of less than impressive growth, Greece's economy began contracting in 2008. This was the country's first recession since 1993. Lax fiscal policies and weak controls over spending resulted in a fiscal deficit amounting to 12.9% of GDP.

The recession continued throughout 2012 when real GDP fell by 6.4% (the fifth straight year of decline). Although Greece is a small economy accounting for less than 3.0% of the total eurozone output, its heavy dependence on foreign borrowing created problems far beyond its borders. At home, both consumption and investment have been in a prolonged decline.

Economic prospects

Greece's lenders have agreed to reduce the pace of fiscal consolidation. This will limit the negative growth impacts in 2013–2014. Real GDP is expected to fall by 4.7% in 2013 making this the sixth consecutive year of contraction. By the end of 2013, the economy will be 25% smaller than it was in 2008. Greece's lenders expect the country to return to growth in 2014.

Between 2013 and 2016, Athens will have to implement a minimum of 18 billion euro in cuts and tax hikes. The sum amounts to the equivalent of roughly 10% of GDP and comes after three years of similar measures, which produced the biggest fiscal adjustment achieved by any OECD country for the last 30 years. Increased absorption of the EU structural funds should help sustain public investment, while new loans from the EIB to banks will support new lending to small and medium enterprises.

Almost two-thirds of Greek households can make ends meet only "with difficulty" or "with great difficulty", according to the state statistical agency. Nearly a third of all households are late in paying rent, mortgages and credit card payments. In terms of consumer confidence, Greek households are the most pessimistic in Europe. The real value of private final consumption fell by 9.6% in 2012 and a decline of 5.8% is expected in 2013.

Unemployment was 24.3% in 2012 and it is expected to reach 26.7% during 2013 – the highest jobless rate in the eurozone. In the second quarter of 2013, unemployment in the 16-24 age group reached 64.2%. Almost half of the unemployed in the country have been out of work for a year or more. Among the austerity measures introduced, the government has assumed the right to set the minimum wage. Businesses closed at an alarming rate in 2012 with about 1,000 jobs being lost every day.

Evaluation of market potential

The economy faces a prolonged struggle. Exporters have lost market share while financial markets are still uneasy about Greece's ability to put its finances in order without having to default. Labour reforms, however, are reducing the competitiveness gap which, the IMF estimates, was cut by nearly two-thirds in 2010-2013.

Age-related spending is one of the highest in the EU. The IMF calculates that spending on pensions will increase by more than 12 percentage points of GDP in 2010-2050 without fundamental reforms. Pension reforms announced in 2010 will go at least part of the way towards addressing these problems. The country's healthcare system is also highly fragmented.

Foreign trade

Exports represented only 12.5% of GDP in 2012, up from 7.7% in 2008. This was one of the lowest export ratios in the EU. IMF economists estimate that Greece needs a 30-40% decline in real wages to restore its competitiveness.

In 2012, exports (in dollars) grew by 0.7% and a rise of 3.8% is forecast for 2013. The improvement was driven by a decline in nominal wages which exceeded the fall in productivity. However, exports are expected to increase by 2.8% in 2013.

Greece's exports mainly go to other European countries which accounted for 66.8% of the total in 2012. Basic manufactureing exports made up 18.1% of all exports in 2012 while food and live animals accounted for 14.2% of the total.

Greece's current account deficit was 3.5% of GDP in 2012. It should narrow to 0.4% in 2013.

Business environment

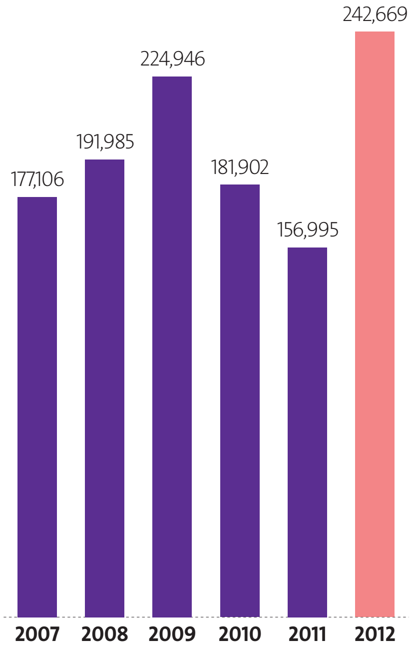
Rigidities in the domestic market undermine competitiveness and limit gains in productivity. Many industries are oligopolistic in character – a characteristic which keeps profits high and slows the growth of productivity. Poorly functioning institutions and extensive regulations discourage foreign investment while state enterprises are notoriously inefficient.

Regulations governing employee protection and mass dismissals have been relaxed. Approximately 4,500 public entities and agencies have been closed or merged since the austerity programme began. A number of restrictions on the retail sector have been removed, allowing a wider class of goods to be sold by retailers, and reducing retailers' operating costs.

Under pressure from Brussels, the government plans to privatise some state-owned concerns and to sell real estate and property that belongs to the state in an effort to boost government revenues. In May 2013, Athens agreed to sell its interests in the Greek gaming monopoly for 712 million euro. This is the country's largest privatisation deal to date.

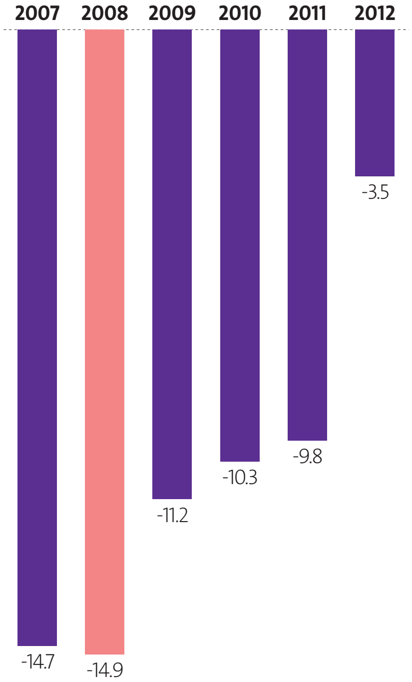
Greece's system of tax administration must be drastically overhauled to bolster tax collections and fight tax evasion. Greek economists estimate that between 30% and 40% of the activity in the Greek economy that is subject to income tax goes unrecorded. The country has an estimated 60 billion euro in unpaid taxes. The government hopes to raise almost 12 billion euro by restructuring tax operations and cracking down on tax evasion. Another 50 billion euro could be raised by selling state-owned enterprises such as ports, airports, motorways, a major power supply company and a telecommunications company.

Foreign debt
in millions of euro



Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), World Economic Outlook (WEO)

Current account balance
as % of GDP



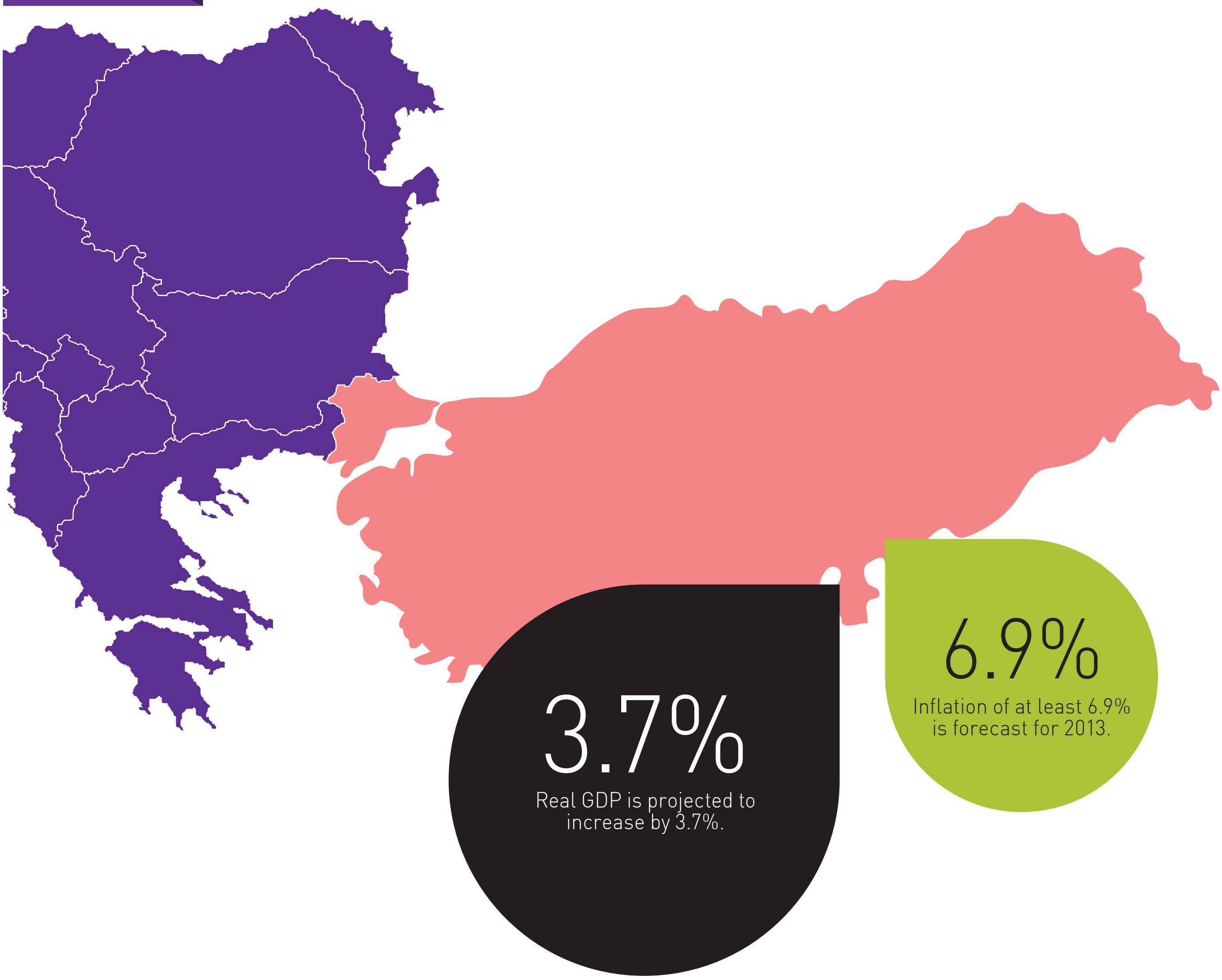
Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), World Economic Outlook (WEO)

Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	66.8	Europe	63.3
Africa and the Middle East	14.9	Africa and the Middle East	18.7
Other countries	7.4	Asia Pacific	14.6
Asia-Pacific	5.9	Latin America	1.6
North America	3.8	North America	1.2
Latin America	0.7	Other countries	0.5

country profile

Turkey



The pace of growth is expected to accelerate in 2013. However, the economy has slowed sharply since protests began to spread.

Turkey is still expected to become Europe's fifth largest economy and a key trading hub by 2030. Slow growth of employment and tighter credit limits limit gains in consumer spending. Turkey faces longstanding structural problems such as excessive dependence on imported energy and the high proportion of imports in manufacturing and domestic consumption.

Overview of the economy

Turkey has seen impressive growth in the past decade with per capita GDP tripling and the number of foreign firms growing from 6,700 in 2003 to nearly 30,000 in 2011. The boom was supported by strong job creation in both industry and services while labourers left the agricultural sector. The financial system was restructured and public finances were subjected to much more discipline.

A precipitous drop in exports (mainly to the EU) led to a slump in 2009-2010 but a strong recovery began in 2010. The momentum was sustained through 2011. However, the rate of growth slipped to just 2.2% in 2012. The euro-zone crisis, a doubling of interest rates during 2012 and the impact of civil war in Syria were all drags on the economy.

The government's inability to make more progress in reducing the huge informal economy weakens the efficacy of policy makers. An estimated 53% of the work force was unregistered in 2004 and the share in 2010 was still about 44%. Policy makers have also been slow to boost competition in order to cut energy and other costs.

Economic prospects

The pace of growth will pick up in 2013 when real GDP rises by 3.7%. Strong gains in exports should help to drive the economy. The economy grew speedily in the first few months of 2013 but the pace slowed following the government's heavy-handed response to street protests.

In 2011, Ankara began to limit the credit expansion that had underpinned the economy. However, prices rose by 8.9% in 2012 – well above the central bank's target rate of 5.0%. Inflation of 6.9% is forecast for 2013 but prices could rise by more owing to the sharp decline in the value of the lira in recent months.

With half of the population under 30 years of age, the appetite for consumption should be formidable. However, in real terms, private final consumption fell by 1.4% in 2012 although gains of 2.0% are expected in 2013. Slow growth of employment and tighter credit limits have cut into consumer spending.

Unemployment was 9.2% in 2012 and it will rise to 9.5% in 2013. The percentage of jobless

far exceeds the national average in rural areas and in the east where long-term unemployment is serious.
Turkey's work force is just 25 million – not much more than a third of the country's population. This is partly due to the youthfulness of the population but also structural factors, including a low participation rate among women. Unemployment among young adults is close to 25%. More than 40% of wage earners in the private sector report only the minimum wage – a situation that suggests a significant tax leakage.

Evaluation of market potential

For Turkey to grow at 6.0% or more, it will have to loosen the labour restrictions that inhibit employment in the formal sector and push ahead with educational reforms. Turkey is currently the world's 16th largest economy. The government's plan is for Turkey to become one of the world's ten largest economies by 2023, the centenary of the foundation of the Turkish Republic.
Rising energy costs are a drag on growth that must be addressed. Electricity consumption is growing by 8-10% per year and that trend is expected to continue for two decades or more. Support will come from the EBRD which is providing up to 6 billion euro in loans and grants for small business and communities to invest in energy efficiency and renewable energy technology.
Half a million new jobs need to be created every year just to keep the number of jobless from rising. In some Kurdish regions in the southeast, unemployment is as high as 70%. Turkey's relatively youthful population could eventually provide a powerful boost to the economy if a sufficient number of jobs can be created. The number of young Turks is larger than the total population of many European countries.

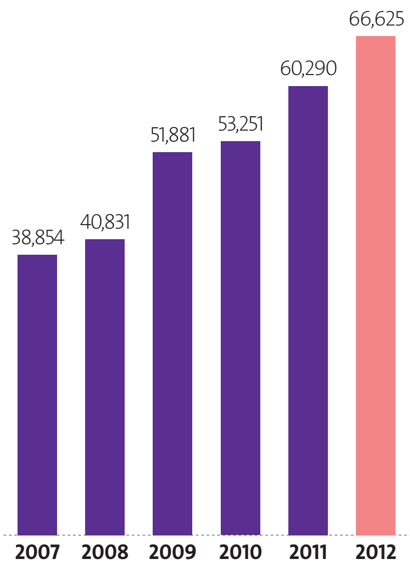
Foreign trade

Although their significance has increased over time, exports still represented just 19.4% of GDP in 2012. The export base is too narrowly focused, in terms of both its composition and destinations. In 2012, 38.8% of exports went to the EU. Basic manufactures and machinery and transport equipment made up 57.5% of exports in 2012.
The value of exports tripled in 2002-2010. Exports in U.S. dollars rose by 13% in 2012 and growth of 4.4% is expected in 2013. Export growth has proven to be resilient thanks to the successful diversification of trade towards the Middle East and North Africa.
The current account deficit was 6.0% of GDP in 2012 and it will widen to 6.4% in 2013. The deficit reflects longstanding structural problems such as excessive dependence on imported energy and the high proportion of imports in manufacturing and domestic consumption. Financing the deficit could become a greater problem for Ankara if instability worsens.
In March 2012, Turkey signed a free-trade agreement with South Korea.

Business environment

The business environment suffers from various weaknesses. These include the lack of a comprehensive legal and legislative system that protects the rights of foreign investors, an inflexible labour market, a low savings rate and a large informal economy. In an effort to improve the investment environment, the government is offering incentives to a number of industries including food, animal husbandry, greenhouse farming, leather, education, healthcare, drug-making, railways, sea transport and tourism.
The privatisation of various state-owned companies has attracted the interest of investors. Power distribution systems, a ferry network and more than 40 power-generating plants were sold in 2011. The government is also experimenting with new forms of public private-partnerships to build hospitals and ports.
In 2012, Turkey introduced a new commercial code to bring business standards into line with the rest of Europe. The code aims to improve corporate governance, accounting and auditing practices.
New laws are designed to extend the tax base to the unregistered economy. Personal income taxes have been simplified and extended. Social security has been reformed to better ensure fiscal performance. Excise taxes have been raised to meet the target for the budget deficit.

Foreign debt
in millions of euro



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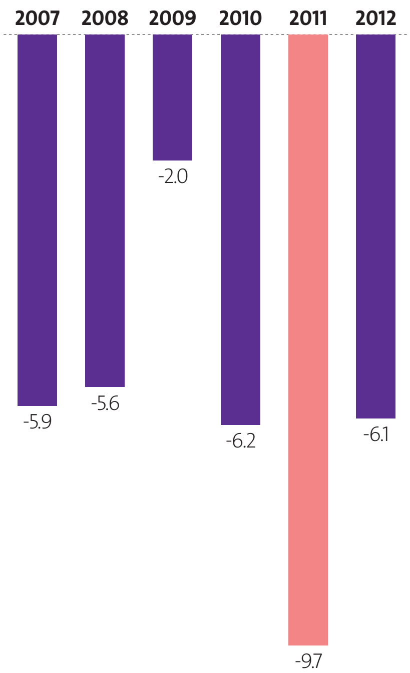
Current account balance
as % of GDP



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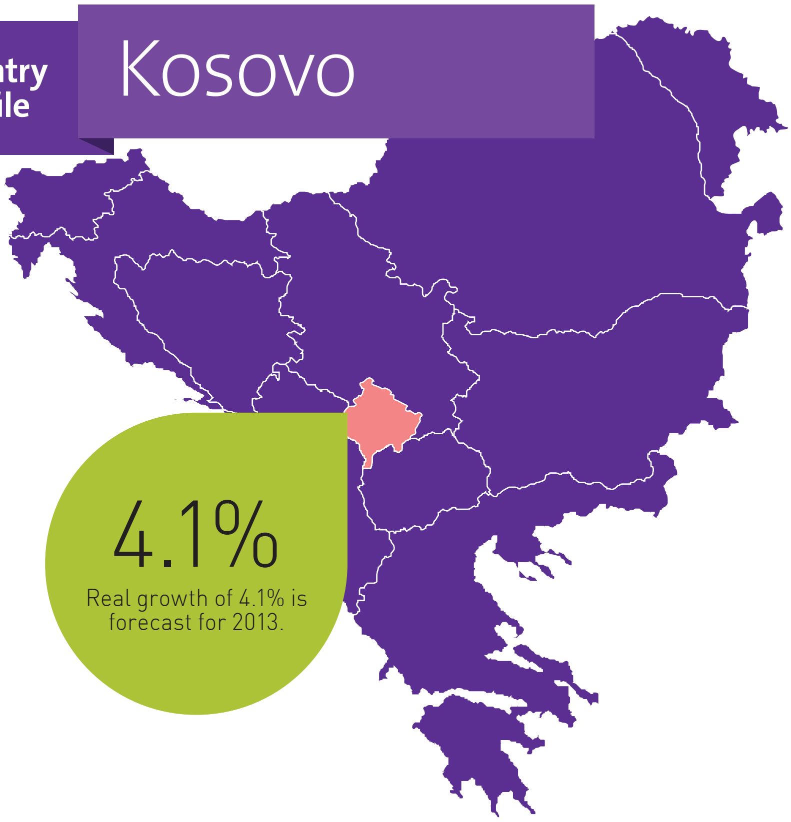
Imports and exports

Major export destinations	2012 Share (%)	Major import sources	2012 Share (%)
Europe	49.0	Europe	52.9
Africa and the Middle East	34.0	Asia Pacific	20.2
Asia-Pacific	8.6	Africa and the Middle East	11.3
North America	4.4	Other countries	6.6
Latin America	1.9	North America	6.4
Other countries	1.7	Latin America	2.2

country profile

Kosovo



Despite a host of problems, Kosovo's economy has performed moderately well in the past few years and moderate growth is expected through 2013.
Remittances, which account for an estimated 10-15% of GDP, support consumption.

Several publicly-owned firms are being prepared for privatisation. A thriving black economy depends on smuggled goods. Budget deficits have risen but a process of fiscal consolidation is now underway. Unemployment is exceptionally high.

Overview of the economy

Although Kosovo is one of the poorest countries in Europe, it has seen steady growth during the past decade. Despite a host of problems, the economy has performed moderately well in the past few years. Real GDP grew by 5.0% in 2011 and 2.1% in 2012, driven primarily by robust private consumption and investment. Real growth of 4.1% is forecast for 2013.

Remittances, which account for an estimated 10-15% of GDP, have boosted consumption. In addition, foreign assistance makes up as much as one-third of GDP. There is a thriving black economy in which smuggled petrol, cigarettes and cement are major commodities.

Unemployment was as high as 48.3% in 2012.

Exports are modest but should grow in the medium term. Their contribution to the overall economy is limited, however, owing to low levels of productivity. The current account deficit is expected to be 18.0% in 2013. The deficit will continue to be financed by non-debt inflows such as FDI and remittances.

Economic structure and major industries

Agriculture accounts for about 19% of GDP and employs about 15% of the workforce. Farmlands are fertile but most farms are very small and inefficient. The majority of agricultural land is privately owned. Wheat, corn and wine are the major products.

The industrial sector accounts for about one-fifth of GDP. The sector consists of small firms engaged in metal processing, production of simple types of machinery, leather processing and wood processing and furniture.

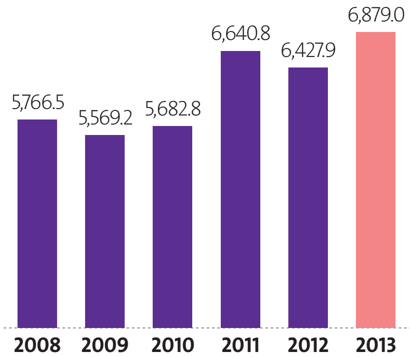
Infrastructure is woefully inadequate. Kosovo has only one major motorway (recently built) and energy supplies are extremely unreliable.

Banks are mostly foreign-owned and deposit-funded.

Officials are preparing to privatise the country's post and telecoms operator.

EUROMONITOR INTERNATIONAL

Total GDP in millions of U.S. dollars



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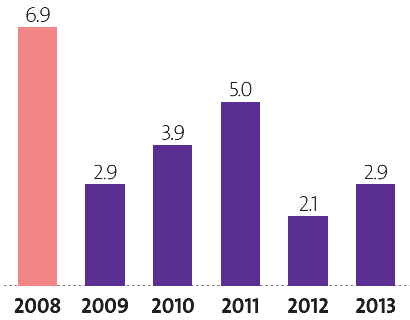
Real GDP growth (%)



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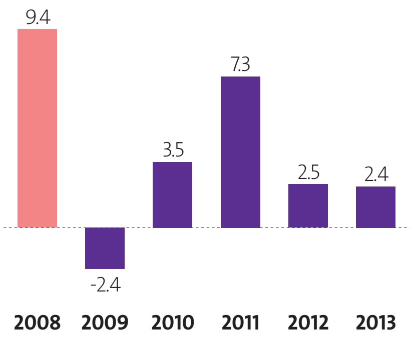
Inflation (%)



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Kosovo's TOP 10

No	Company name	Industry	Number of employees
1	Trepca Socially-Owned Company	Metals	9 822
2	Kosovo Energy Corporation JSC	Electricity	8 843
3	Holding Corporacy Emin Duraku Sh.a.	Diversified holdings	2 683
4	Kompania Kosovare per Distribuim dhe Furnizim me Energji Elektrike Sh.a.	Electricity	2 000
5	Newco Ferronikeli Complex LLC	Metals	1 000
6	Futura Plus D.O.O. Belgrade – a representative office in Mitovica	Wholesale/Retail	970
7	Post of Kosovo Sh.a.	Telecommunications	926
8	Ben-Af Sh.p.k.	Wholesale/Retail	922
9	Sharr Beteiligungs Gmbh Sh.p.k.	Building materials	719
10	Kulla – Exim Sh.p.k.	Wholesale/Retail	675


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