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Nevena Krasteva
Editor-in-chief

At the time when SeeNews started publishing the SEE TOP 100 ranking seven years ago, Southeast Europe was a fast-growing market, luring investors with high yields, flexible labour policies and low production costs. The companies in the region were growing at a robust pace, and the difference in the net sales revenues of the first and the last ranked indicated ample room for growth and consolidation.

Back then, riding the wave of optimism, local businesses were confident the region was firmly set on a path to gradually unlock its potential.

What a difference seven years make. Or don't make in the case of pesky investor deterrents like poor infrastructure and inadequate government and regulatory policies. Corporate revenues are staying flattish, profits are declining, and the difference between the first and the last entrant in the ranking has faded. Room for growth is limited, and competition is getting fiercer. The effects of cost-cutting and more sustainable use of resources – hailed as a cure-all for corporate ills in the past few years – seem to have worn off. At the same time, investment in innovations, universally acknowledged as a key driver of competitiveness and profitability, is largely absent from the agenda of business executives in the region.

To help draw attention to the need to nurture innovation in the region, we have decided to include in this year's edition a special chapter featuring exclusive interviews with some of the global leaders in innovation – IBM and Cisco, as well as an article on LAUNCHub, a seed fund with an investment focus on digital technology.

Like previous editions, apart from the flagship ranking of the largest non-financial companies by total revenue, SEE TOP 100 features rankings of the biggest banks and insurers, complemented with interviews with the chart-toppers and key market players. The edition also includes sub-rankings of the most profitable companies and biggest loss-makers, as well as the companies with the biggest revenue per capita. The ranking of the most successful industries in the region comes together with an analysis of the energy sector, courtesy of the Institute of Energy for South East Europe, and an overview of the grocery market trends, contributed by our partner Euromonitor International.

We have made it a tradition in past years to also bring you the perspective on the region of the big international banks. In our seventh edition, we talk to Ihsan Ugur Delikanli, the president of the Black Sea Trade and Development Bank, about the bank's operations, and Jean-Marc Peterschmitt, the managing director for Central and Southeast Europe of the European Bank for Reconstruction and Development, about the challenges faced by the banking sector in the region.

To give you a fuller picture, we have decided to also include an analysis by SeeNews Competitive Intelligence on the region's small and medium-sized enterprises – the backbone of every economy, which usually remains invisible in the big rankings.

An underwater scene with a diver in the center, illuminated by a light source. The water is dark blue-green. A large yellow callout box is in the upper left, and a grey callout box is in the upper right. The EY logo is in the bottom right corner.

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TOP 100 companies

in millions of euro

2013	2012	Company name	Country	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012	Rank by net profit/loss
1	1	OMV Petrom SA	Romania	Petroleum/Natural Gas	4 270	-2.97%	1 079	869.5	1
2	7	Automobile-Dacia SA	Romania	Automobiles	4 155	43.93%	75.2	62.6	20
3	2	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	3 906	-7.15%	-123.3	-48.2	94
4	5	Petrol d.d.	Slovenia	Petroleum/Natural Gas	3 281	0.54%	30.2	34.5	31
5	4	OMV Petrom Marketing SRL	Romania	Petroleum/Natural Gas	3 259	-3.69%	65.7	57.3	22
6	3	INA d.d.	Croatia	Petroleum/Natural Gas	3 246	-8.92%	-213.8	175.3	98
7	6	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	2 637	-14.53%	-50.0	-67.2	88
8	8	Aurubis Bulgaria AD	Bulgaria	Metals	2 438	-10.56%	19.4	102.8	39
9	9	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	2 301	7.37%	457.8	436.2	2
10	77	Compania Nationala de Autostrazi si Drumuri Nationale din Romania SA	Romania	Construction	2 173	325.02%	56.5	39.3	24
11	11	Rompetrol Downstream SRL	Romania	Petroleum/Natural Gas	1 953	6.85%	-0.8	-33.9	71
12	13	Hrvatska Elektroprivreda d.d.	Croatia	Electricity	1 794	-0.26%	97.9	36.3	11
13	14	Konzum d.d.	Croatia	Wholesale/Retail	1 753	-0.82%	22.3	27.1	36
14	10	Holding Slovenske Elektrarne d.o.o.	Slovenia	Electricity	1 651	-15.55%	76.5	43.0	19
15	12	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	1 649	-9.91%	-27.7	-36.3	85
16	19	Kaufland Romania SCS	Romania	Wholesale/Retail	1 629	12.19%	73.8	62.0	21
17	88	FIAT Automobili Srbija DOO	Serbia	Automobiles	1 576	237.04%	9.9	-2.0	54
18	18	British American Tobacco (Romania) Trading SRL	Romania	Food/Drinks/Tobacco	1 553	4.59%	88.5	89.1	16
19	16	Natsionalna Elektricheska Kompania EAD	Bulgaria	Electricity	1 541	-3.54%	-70.2	-47.9	90
20	20	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	1 495	3.29%	-35.6	-74.7	86
21	24	JP Elektroprivreda Srbije (JP EPS)	Serbia	Electricity	1 411	17.87%	16.5	-16.2	43
22	15	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	1 289	-23.00%	-207.1	-62.0	97
23	17	GEN-I d.o.o.	Slovenia	Electricity	1 280	-15.02%	6.2	14.2	58
24	58	Ford Romania SA	Romania	Automobiles	1 159	79.53%	15.4	-108.5	44
25	26	Krka d.d.	Slovenia	Pharmaceuticals	1 125	6.10%	164.7	154.6	5
26	21	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	1 111	-17.54%	-11.3	-50.4	80
27	28	Electrica Furnizare SA	Romania	Electricity	1 069	5.94%	22.6	20.4	35
28	23	E.ON Energie Romania SA	Romania	Petroleum/Natural Gas	1 064	-11.31%	50.1	-7.4	26
29	27	GDF SUEZ Energy Romania SA	Romania	Petroleum/Natural Gas	1 018	0.16%	105.0	85.7	10
30	41	Complexul Energetic Oltenia SA	Romania	Electricity	1 018	26.55%	1.0	26.7	68
31	35	Orange Romania SA	Romania	Telecommunications	983.1	5.91%	111.7	116.9	9
32	34	MOL Romania Petroleum Products SRL	Romania	Petroleum/Natural Gas	974.0	3.83%	20.0	17.2	38
33	30	Carrefour Romania SA	Romania	Wholesale/Retail	969.7	-1.58%	32.2	23.6	29
34	29	Romgaz SA	Romania	Petroleum/Natural Gas	922.4	-8.04%	222.0	280.9	3
35	37	OMV Bulgaria OOD	Bulgaria	Petroleum/Natural Gas	917.1	3.11%	11.5	-3.7	52
36	25	Arcelormittal Galati SA	Romania	Metals	867.1	-26.79%	-165.4	-52.2	96
37	33	Hrvatski Telekom d.d.	Croatia	Telecommunications	864.9	-8.62%	187.5	222.7	4
38	39	Telekom Srbija AD	Serbia	Telecommunications	833.0	-2.79%	134.1	99.2	7
39	31	Prirodni Plin d.o.o.*	Croatia	Petroleum/Natural Gas	825.3	-16.33%	-105.1	-137.0	93
40	38	Selgros Cash & Carry SRL	Romania	Wholesale/Retail	787.4	-8.40%	12.0	15.5	50
41	40	Vodafone Romania SA	Romania	Telecommunications	782.3	-3.58%	96.1	113.4	13
42	32	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	781.5	-18.82%	31.8	-58.1	30
43	49	Lek d.d.	Slovenia	Pharmaceuticals	774.7	13.97%	88.8	75.9	15
44	46	Mediplus Exim SRL	Romania	Wholesale/Retail	741.0	2.71%	3.6	14.2	64
45	51	CEZ Elektro Bulgaria AD	Bulgaria	Electricity	726.9	5.35%	-8.4	0.303	78
46	66	Hidroelectrica SA	Romania	Electricity	726.8	27.23%	160.3	-114.7	6
47	New	EPS Snažbevanje DOO**	Serbia	Electricity	724.5		-13.9		81
48	42	OMV Slovenija d.o.o.	Slovenia	Petroleum/Natural Gas	709.0	-10.88%	14.0	16.0	47
49	44	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	696.6	-4.07%	26.8	54.1	34
50	61	Termoelektrane Nikola Tesla DOO	Serbia	Electricity	693.9	12.32%	29.9	-16.4	32
51	48	Gorenje d.d.	Slovenia	Electronics	692.9	-2.20%	2.7	-14.1	66

in millions of euro

2013	2012	Company name	Country	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012	Rank by net profit/loss
52	53	Telekom Slovenije d.d.	Slovenia	Telecommunications	688.2	-0.07%	51.1	51.8	25
53	47	JP Srbijagas	Serbia	Petroleum/Natural Gas	685.9	-2.28%	-434.9	-324.0	99
54	55	Delhaize Serbia DOO	Serbia	Wholesale/Retail	681.9	3.88%	35.8	-115.6	28
55	70	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	670.7	20.62%	77.1	56.4	18
56	36	Revoz d.d.	Slovenia	Automobiles	670.2	-27.11%	11.5	12.8	53
57	60	RCS & RDS SA	Romania	Telecommunications	659.6	4.76%	-3.1	19.9	73
58	54	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	Petroleum/Natural Gas	653.9	-1.68%	-74.5	-80.6	91
59	98	ADM Romania Trading SRL (formerly Alfred C. Toepfer International (Romania) SRL)	Romania	Agriculture	644.4	47.44%	4.5	-4.1	62
60	64	HEP-Proizvodnja d.o.o.	Croatia	Electricity	642.2	8.14%	78.2	-0.8	17
61	74	Samsung Electronics Romania SRL	Romania	Electronics	639.2	19.58%	12.9	14.3	48
62	83	Johnson Matthey DOOEL	Macedonia	Chemicals	631.1	28.61%	29.7	29.5	33
63	62	Electrocentrale Bucuresti SA	Romania	Electricity	613.9	0.74%	11.5	15.3	51
64	72	Dedeman SRL	Romania	Wholesale/Retail	608.6	10.98%	64.3	58.4	23
65	71	J.T. International (Romania) SRL	Romania	Food/Drinks/Tobacco	605.1	9.26%	8.5	1.8	55
66	78	Zagrebacki Holding d.o.o.	Croatia	Diversified Holdings	605.0	20.08%	0.266	-47.6	69
67	New	Petrol d.o.o. (formerly Euro - Petrol d.o.o.)	Croatia	Petroleum/Natural Gas	576.1	67.52%	1.7	0.948	67
68	73	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	573.1	6.15%	115.5	90.0	8
69	59	Transelectrica SA	Romania	Electricity	570.9	-10.51%	44.8	7.8	27
70	68	Mercator - S DOO	Serbia	Wholesale/Retail	564.8	0.15%	4.5	-3.4	61
71	82	Cargill Agricultura SRL	Romania	Agriculture	555.2	14.31%	-7.2	6.7	77
72	50	Naftex Petrol EOOD	Bulgaria	Petroleum/Natural Gas	550.5	-21.04%	-77.5	-42.8	92
73	New	Holdina d.o.o. Sarajevo	Bosnia and Herzegovina	Petroleum/Natural Gas	544.6	77.31%	-3.3	-2.3	74
74	80	Kaufland Bulgaria EOOD & Co KD ***	Bulgaria	Wholesale/Retail	536.9	6.71%	N/A	N/A	
75	67	Oscar Downstream SRL	Romania	Petroleum/Natural Gas	536.1	-4.79%	7.7	6.8	56
76	New	Mega Image SRL	Romania	Wholesale/Retail	524.5	32.32%	12.3	10.5	49
77	75	Impol d.o.o.	Slovenia	Metals	524.1	0.06%	4.9	2.8	60
78	96	Auchan Romania SA	Romania	Wholesale/Retail	517.7	17.20%	-20.2	0.7	83
79	87	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	Electricity	515.5	8.93%	18.9	3.6	40
80	New	Engrotus d.d.	Slovenia	Wholesale/Retail	514.5	-10.04%	-49.0	2.6	87
81	86	Enel Energie SA	Romania	Electricity	512.5	8.56%	-8.8	74.8	79
82	65	Alro SA	Romania	Metals	511.9	-11.03%	-26.9	-35.1	84
83	New	Continental Automotive Systems SRL	Romania	Automobiles	511.9	43.04%	-3.6	-28.1	75
84	45	CFR SA	Romania	Transportation	511.8	-29.20%	18.8	32.7	41
85	New	Nuclearelectrica SA	Romania	Electricity	510.0	20.25%	94.4	7.8	14
86	79	Cosmote Romanian Mobile Telecommunications SA	Romania	Telecommunications	509.9	2.20%	-5.4	9.9	76
87	57	real.- Hypermarket Romania SRL	Romania	Wholesale/Retail	508.5	-21.66%	-67.7	-16.6	89
88	90	Farmexpert D.C.I. SRL	Romania	Wholesale/Retail	507.6	9.65%	20.6	19.5	37
89	85	Enel Energie Muntenia SA	Romania	Electricity	500.1	5.52%	6.3	16.3	57
90	New	Holzindustrie Schweighofer SRL	Romania	Furniture/ Decoration	493.0	16.95%	96.2	76.9	12
91	New	REWE (Romania) SRL	Romania	Wholesale/Retail	492.5	13.90%	0.124	-1.5	70
92	New	Autoliv Romania SRL	Romania	Automobiles	490.9	13.22%	14.8	29.3	46
93	81	Michelin Romania SA	Romania	Rubber/Rubber Products	490.8	-1.00%	17.4	7.9	42
94	89	Idea DOO	Serbia	Wholesale/Retail	486.8	4.54%	-19.6	-34.8	82
95	New	Takata Romania SRL	Romania	Automobiles	484.5	35.56%	15.1	-1.6	45
96	New	Bankers Petroleum Albania Ltd.	Albania	Petroleum/Natural Gas	482.9	29.10%	-141.9	N/A	95
97	52	Interagro SA	Romania	Diversified Holdings	481.4	-28.66%	5.6	45.7	59
98	69	Crodux Derivati Dva d.o.o. (formerly OMV Hrvatska d.o.o.)	Croatia	Petroleum/Natural Gas	471.2	-15.04%	2.8	N/A	65
99	New	Saksa OOD	Bulgaria	Petroleum/Natural Gas	460.9	24.68%	4.3	5.5	63
100	76	Philip Morris Trading SRL	Romania	Food/Drinks/Tobacco	458.2	-10.41%	-1.9	4.1	72

(*) denotes gross profit/loss for 2013 and 2012

(**) figures for the period May - Dec 2013 after the company's establishment.

(***) denotes total revenue for 2013 and 2012 as per K100

Bottomlines under more pressure as competition intensifies

The slow recovery in the European Union, Southeast Europe's (SEE) main trading partner, the sluggish prospects facing nearly all economies in the region and shrunken domestic demand all left their mark on corporate bottomlines in 2013. At the same time, long overdue structural reforms, fiscal and regulatory volatility and poor infrastructure continued to be a drag on local businesses. Against this backdrop, the performance of the companies in the SEE TOP 100 ranking was expectedly lackluster - their combined revenues in 2013 were flattish, with nearly half of the entrants seeing a decline in their revenues.

With the European Union economies still struggling to rebound from the crisis, their SEE counterparts fared better in 2013 than they did a year earlier but economic growth in most countries in the region underwhelmed. Romania was among the few exceptions, as its economy expanded by a better-than-expected 3.5%. The other top performers - Moldova, Kosovo, Macedonia and Montenegro - are all economies with a lesser degree of integration with the EU and, consequently, have been weathering well the recent recession in the bloc.

Across the region, foreign direct investment and external demand remained low as did household consumption. Long overdue structural reforms, fiscal and regulatory volatility and poor infrastructure further compounded the business environment.

With the exception of Slovenia, where a banking crisis nearly triggered an international bailout, the banking system in the region was stable in 2013 but high non-performing loan (NPL) levels undermined the ability to lend more to the private sector to stimulate growth.

Persistently high unemployment rates, a

large pool of unskilled labour and untapped potential for innovations continued to curb the competitiveness of local businesses.

Tightly packed

The combined revenues of the Top 100 non-financial companies in SEE for 2013 were largely unchanged at 103.98 billion euro versus 103.6 billion euro reported by the entrants in the 2012 ranking. Their net profit, however, totalled 2.63 billion euro, compared to 2.85 billion euro posted by companies included in the 2012 SEE TOP 100 ranking.

At the same time, the threshold for entry into the SEE TOP 100 ranking rose to 458 million euro from 440 million euro a year earlier, whereas the difference between the first and the last company in the ranking came down to 3.8 billion euro from 4.29 billion euro in 2012. As another indicator of how tightly packed the entrants in the latest edition of the ranking are, the difference between the first and the second-placed company dwindled to 115 million euro from 526 million euro in 2012.

The number of companies in the ranking which saw their revenues go down has been rising steadily over the past few years - to 42 in 2013 from 33 a year earlier and 21 in 2011. Furthermore, whereas in 2012 these companies were predominantly clustered towards the bottom of the chart - indicating that the bigger your business, the more resilient it is proving amid the challenging economic environment, a year later they are scattered throughout the ranking, with no less than six Top 10 entrants falling into this category.

Oil and gas firms unchallenged, automakers rev up

There were no surprises at the top of the ranking with OMV Petrom holding on to its no.1 spot for the seventh year in a row. However, the Romanian oil and gas heavyweight posted a drop in revenues by nearly 3.0% to 4.27 billion euro in 2013. At the same time, its net profit rose to 1.08 billion euro - the highest among the top 100 companies in SEE, from a revised 869.5 million euro a year ear-

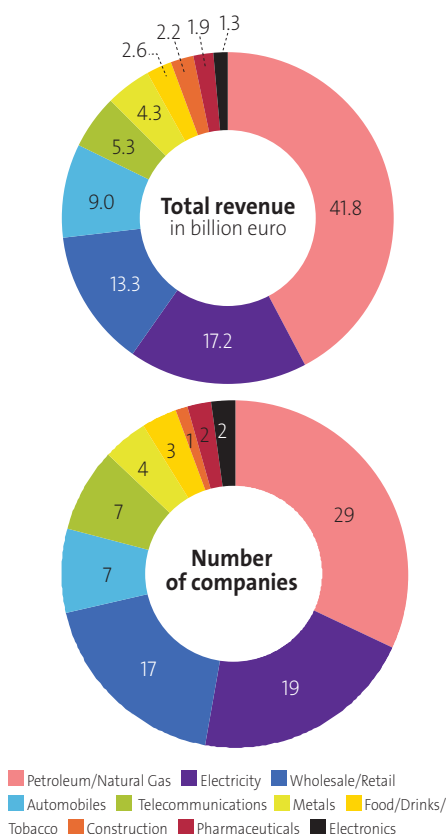
lier. With a 25.27% return on revenue, OMV Petrom was also the most profitable company in the ranking. The Romanian company has said it managed to offset the impact of depressed gas, power and fuel demand and an increased fiscal burden by large-scale investments over the past nine years. As the main challenges to its business, OMV Petrom has pointed to structural changes on the global gas and energy markets, the volatility of the fiscal and regulatory environment in Romania, and shrunken demand. These, to a large extent, hold true for all the representatives of the sector.

In the no.2 position, Romanian carmaker Dacia is the only non-oil or gas company among the top seven. Its revenues increased 44% to 4.2 billion euro in 2013 while its net profit rose to 75 million euro from 63 million euro. Dacia's turnover was positively influenced by the absorption of its 100%-owned unit Renault Industrie Roumanie as of January 1, 2013. In 2012 and 2013, Dacia renewed and expanded its entire range, planning to continue to invest heavily.

Oil and gas companies occupy the next five places in the ranking. It should be noted, though, that three of the top-placed oil and gas companies - Lukoil Neftochim, INA and Rompetrol Rafinare - are at the very low end of the table in terms of earnings. As many as eight of the ten biggest loss-makers in the ranking are oil and gas companies, with Serbian state-owned gas monopoly JP Srbijagas booking the heftiest loss. Even though oil and gas companies continue to dominate the rankings and generate the bulk of the total revenue, their total revenue dropped by 5.45% to 41.8 billion euro in 2013, whereas their total profit fell to 659 million euro from 1.09 billion euro. However, the three companies to post the biggest earnings in 2013 all hail from the oil and gas sector - OMV Petrom, Naftna Industrija Srbije, Romgaz. A total of 29 oil gas companies made it into the 2013 edition of the SEE TOP 100 ranking versus 28 a year earlier.

The company to book the sharpest rise in revenue was Romanian state-owned road construction and maintenance company,

SEE TOP 100 2013 industry breakdown



CNANDR. However, transfers from the state budget accounted for a large portion of its total revenues. It was followed by FIAT Automobili Srbija with a threefold increase in revenue to 1.6 billion euro, climbing up 71 spots - the highest jump in the ranking. The car maker made its debut in the ranking only a year earlier.

Construction and the automobile manufacturing were also the industries to see the sharpest increase in the combined revenue of their representatives in the ranking - by 320% and 48%, respectively. And while the construction industry had just one representative, which would make any conclusions about the overall state of this sector mostly irrelevant, the automotive industry has been steadily expanding its presence in the chart over the past few years. It should also be noted here that the SEE TOP 100 ranking includes two companies of the rubber industry - Romania's Continental Automotive Products and Michelin Romania, whose core business is car tire manufacturing.

The SEE TOP 100 companies ranking welcomed 13 new entrants in its 2013 edition versus 16 a year earlier. They included four oil and gas firms, three automotive companies, three wholesale and retail traders, two

Methodology

SEE TOP 100 ranks the biggest companies in Southeast Europe by total revenue for the fiscal year ended December 31, 2013.

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.

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 2013 and 2012. 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.

electricity companies, and one furniture and decoration company.

The new entrants included one Bosnian and one Albanian company - Holdina d.o.o. Sarjevo and Bankers Petroleum Albania.

Romania, with a population of around 20 million, expanded its domination of the ranking, placing 53 companies on the 2013 list versus 51 a year earlier. For the first time since SeeNews started compiling the ranking, an Albanian company, Bankers Petroleum, has made it into the ranking. Just like in the previous years, none of the biggest companies in Montenegro or Moldova made the cut.

The big I's

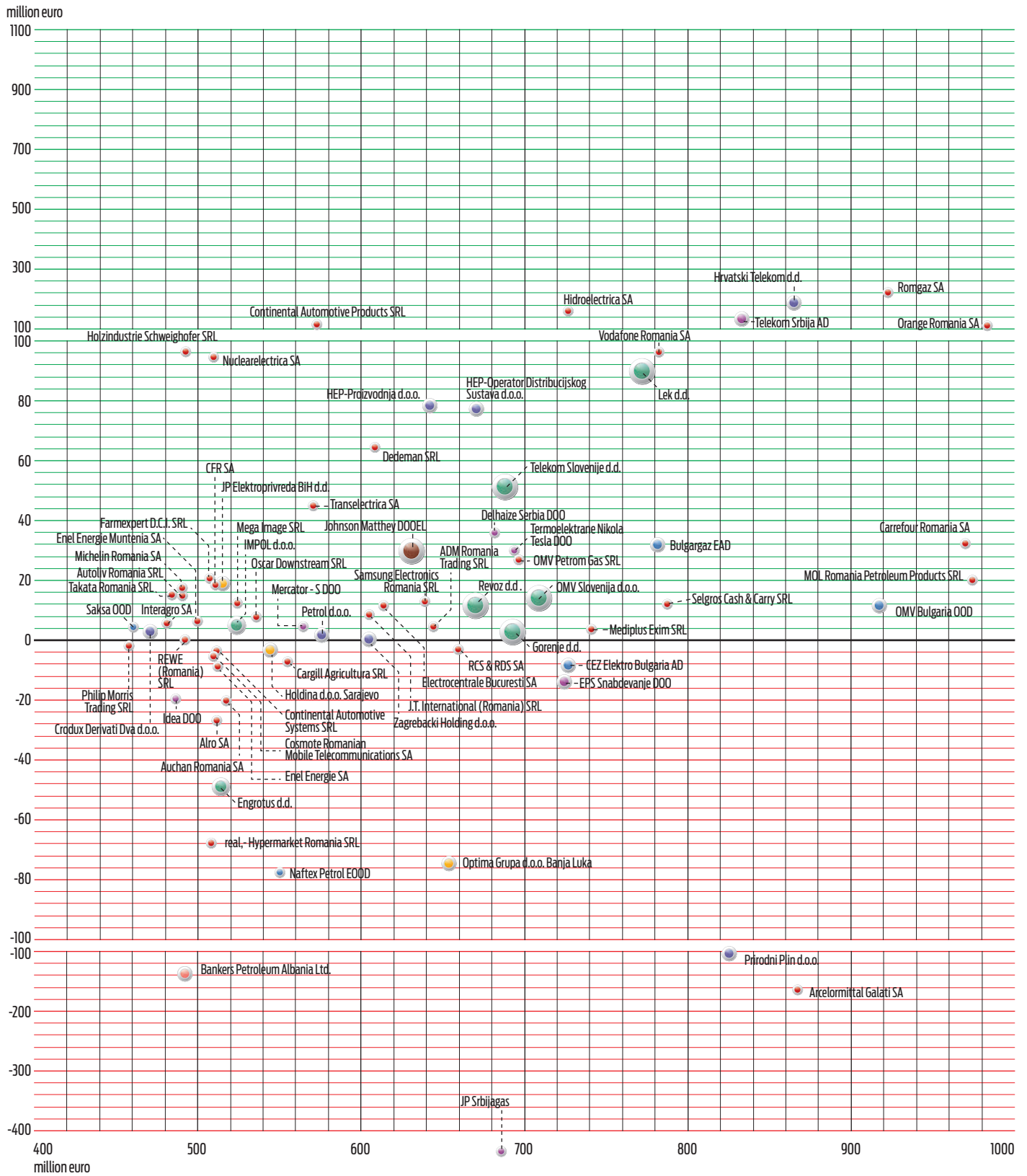
Growth in SEE in 2014 and 2015 is expected to be moderate, mostly on the back of improving external demand. However, domestic demand is expected to remain weak, further constrained by slow progress in sorting out NPL levels and persistent unemployment. A more prolonged delay in the full recovery in the euro area and renewed volatility on the financial markets are some of the major risks facing the region. A further escalation of the Russia-Ukraine crisis could have a significant negative impact

on the region, affecting virtually all sectors of the economy. Internally, the need to overhaul certain sectors of the economy - such as energy, weighs heavily on some of the countries' growth outlook. The business environment in the region is expected to remain largely unfavourable as political and regulatory uncertainties are expected to persist.

For SEE businesses, considering their rather limited capacity to influence the above-mentioned factors, this means they would need to invest heavily in their skills base and innovation potential to raise competitiveness.

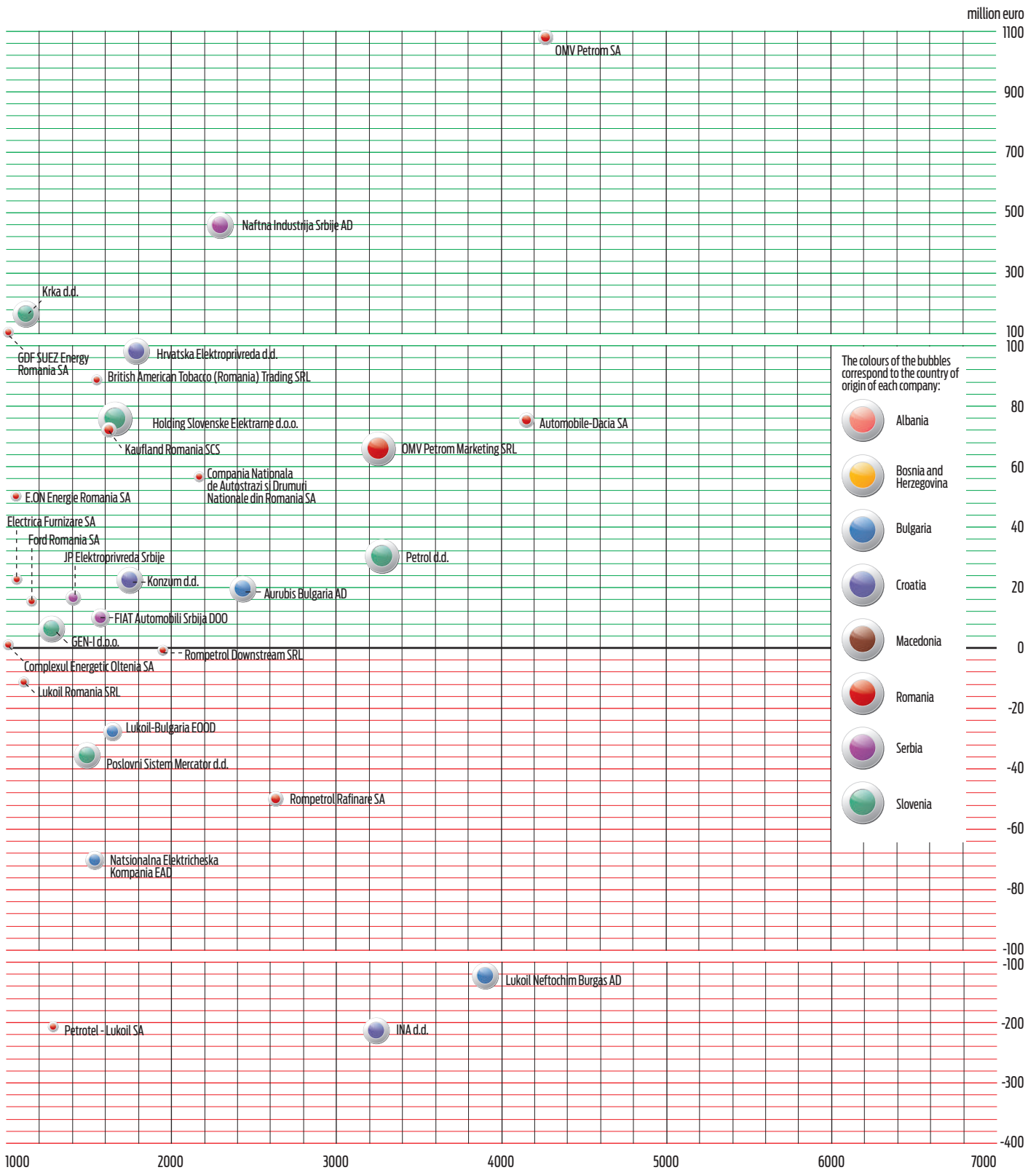
If the performance of the companies in the SEE TOP 100 is anything to go by, the biggest corporations in the region seem unlikely to see a sharp rise in revenues in the near future, even less so - easy profits. Rather, they should be bracing up for tighter competition amid continuing market pressure and an uncertain demand environment. With high-tech companies almost entirely missing from the ranking, it is sectors such as automotive manufacturing and pharmaceuticals - which are more apt to adopt innovations - that seem poised for stronger growth despite the seemingly undisputed hegemony of oil and gas companies.

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 2013. The X axis is a measure of 2013 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



OMV Petrom: Volatile tax environment, low demand affect business

By Doinita Dolapchieva



Mariana Gheorghe,
CEO

With activities in exploration and production, gas and power, and refining and marketing, the OMV Petrom Group has proven oil and gas reserves of approximately 775 million barrels of oil equivalent in Romania and Kazakhstan, a maximum annual refining capacity of 4.2 million tonnes, a network of around 800 filling stations in Romania, Moldova, Bulgaria and Serbia, a 860 megawatt (MW) gas fired power plant and a 45 MW wind park. OMV Petrom was acquired by Austria's OMV in 2004 in the largest privatisation deal Romania had seen up to that point. OMV owns 51% of the company.

What are the key factors that influenced your financial performance in 2013 and how do you think they will affect your operations in 2014?

In 2013, in spite of better-than-expected economic growth in Romania, fuel consumption remained weak, with depressed demand in the gas and power sectors and an increased fiscal burden. Under these circumstances, OMV Petrom managed to deliver another strong financial performance, mainly as a result of the massive investments performed in the past nine years – adding up to 10 billion euro – across all business divisions and departments, which helped us streamline

our business, reduce costs and position the company for future growth. The financial results were also supported by the international crude price environment, the main driver for the oil and gas industry, which remained above \$100 per barrel and allowed us to generate the cash flow needed for our investment programme.

For 2014, we estimate the oil price to remain broadly stable compared to last year. Market demand in the gas and power sectors is anticipated to remain under pressure while the fuel market will be challenged by high international prices and the fuel excise increases which Romania enforced in

January and April.

Another key factor that will affect our financial performance in 2014 is the taxation environment. Here we are talking about some measures introduced at the beginning of 2013 that are to be applied until the end of 2014 - a 0.5% tax on crude sales, 60% tax on additional revenues from gas price deregulation and - most importantly, the 1.5% tax applied to the gross value of constructions introduced on January 1, 2014. This tax has a direct negative impact on the operating costs in all segments as well as on the profitability of our investments, especially in exploration and production.

What are your investment plans for 2014?

For this year we have planned an ambitious investment programme of around 1.3 billion euro, and I can say that we are on track to deliver very good results on our strategy. In our exploration and production activity, where we will invest 85% of our investment budget, we made progress on four field redevelopment projects and further stabilised our oil and gas production with the help of new key onshore wells and the substantial investments performed in exploration and production over the past 10 years, adding up to some 7.0 billion euro. For offshore, our exploration efforts in the past few years paid off when we recently announced an oil discovery on Istria block, in the shallow water part of the Romanian Black Sea. We still think the shallow water part of the Black Sea has potential and this discovery confirms it. For the deep water sector of the Black Sea, on Neptun Block, together with our partners ExxonMobil, we resumed our activities in mid-July, with the drilling of the Domino-2. In the gas and power business, we anticipate further decrease of demand, which we will try to mitigate using our Brazi power plant's flexibility to consolidate its position on the balancing and ancillary services market. In refining and marketing we delivered on our most important objective, the successful completion of the modernisation programme at our Petrobrazi refinery. The main target of the 600 million euro modernisation programme was the adjustment of the refinery's capacity thus enabling it to efficiently process the entire crude production of OMV Petrom in Romania, which is 4.2 million tonnes per year.

What are your expectations regarding the drilling campaign at Neptun Deep offshore block?

In 2012, when we announced the Domino-1 discovery, we said that we need additional data and exploration drilling in order to assess the dimension and economic viability of the discovery. After the second 3D seismic on Neptun Deep block, performed in 2013, we were finally ready to resume drilling. In mid-July 2014, together with ExxonMobil, we announced the start of drilling at the Domino-2 well. We still have a long way to determine if the field is commercially developable, we need more data on the technical, commercial, regulatory and infrastructure aspects. We are, however, committed to significant in-

vestments for the exploration, development and production of offshore hydrocarbons.

What will be, in your opinion, the effect of the Russian-Ukrainian crisis on OMV Petrom's business and on the energy sector in the region in general? Does it in any way influence your drilling plans in the Black Sea?

We do not have any current activities in Ukraine or Russia, so there is no direct impact on our business. However, a possible gas crisis, like the ones in 2006 and 2009, might pose significant challenges to Eastern European countries. Fortunately, Romania covered with imports only around 15% of its natural gas needs in 2013 and has been further reducing this share in 2014. Still, it is in these situations that issues like energy security and energy in-



dependence become more and more important. We satisfy around 40% of Romania's oil, gas and fuels demand and we are constantly striving for new discoveries, like the offshore oil discovery we have just announced in the shallow offshore or the Domino gas discovery in deep offshore, in order to maintain our contribution to Romania's energy needs.

In the Black Sea, we have exploration and production activities only in the Romanian Black Sea, so there will be no impact on this sector. We are still interested in the Skifska exploration block offshore Crimea, but due to the circumstances in Ukraine, the project is currently on hold.

Petrom and Exxon have signed an agreement under which the natural gas produced from the Neptun block would be transported via the pipelines of Transgaz. How does

the agreement signed by OMV with Gazprom on the development of the South Stream pipeline affect Petrom's commitment?

We are not involved in the South Stream project. Together with ExxonMobil and Transgaz we have signed a cooperation agreement that provides the general framework for discussions on the expansion of the National Transportation System. The agreement relates to alignment on plans and schedules to achieve a timely and suitable connection between Neptun Deep and the National Transportation System. It is much too early to be talking about how the Neptun project could impact Romania in the longer-term – we do not know yet whether the project will prove to be commercially developable or not. Still, in case Neptun block's commerciality is confirmed, the main destination for the potential gas would be the Romanian market.

What are the main challenges OMV Petrom is facing in the medium term?

I would say that our challenges come from four directions. Firstly, the structural changes of the global gas and energy market which will impact all parts of our business. Secondly, the context in which we operate and I would mention here the volatility of the fiscal and regulatory environment in Romania. We will continue our discussions with the Romanian authorities to achieve a long-term, stable and investment-friendly taxation and regulatory framework. This is crucial for our industry because we have a very long investment cycle of three to five years for onshore projects and ten to fifteen years for offshore. Thirdly, there is the depressed market for gas, electricity and fuels in Romania, our main market. We will try to mitigate this by optimising the gas value chain, among other measures. Furthermore, our portfolio is composed of mainly mature fields that exceeded their production life, with a natural decline of production around 10-12% per year. However, the investments we made paid off and in 2013 we managed, for the first time since the privatisation, not only to stabilise production, but to even increase it slightly. Going forward, to further stabilise production, we will continue to implement field redevelopment initiatives, which aim to increase the oil and gas recovery by using the latest technologies and we will explore deeper for hydrocarbons, both onshore and offshore.

Romanian companies rule SEE 2013 most profitable ranking, OMV Petrom grabs gold

Romania had the highest number of entrants in the ranking of the most profitable companies in Southeast Europe (SEE) in 2013. The best represented industry in the ranking was energy, with nine companies.

Romanian companies firmed their positions in the ranking of the most profitable companies in SEE in 2013, taking four of the top five places with oil and gas group OMV Petrom at the helm. In the 2012 ranking, there was only one Romanian entrant, Romgaz, among the top five most profitable companies.

Romania had a total of 12 representatives in the ranking, one more compared to the previous year. This comes as little surprise considering that the country managed to record one of the highest economic growth rates in the region, of 3.5%, in 2013.

OMV Petrom, which also led the TOP 100 companies ranking in terms of revenue in 2013, unseated from the top Croatian ship builder Brodosplit-Brodogradiliste, recording a return on revenue of 25.27% versus 19.51% a year earlier. In 2012 OMV Petrom ranked sixth on the list.

The second, third and fifth place were taken by Romania's Romgaz, Hidroelectrica and Continental Automotive Products.

Croatia's Hrvatski Telekom was the only non-Romanian company that managed to squeeze in among the top five on the back of a 21.68% return on revenue in 2013, down from 23.24%.

Five telcos and as many electricity companies

Most profitable companies

No	SEE TOP 100 No	Company name	Country	Industry	Return on revenue 2013	Return on revenue 2012
1	1	OMV Petrom SA	Romania	Petroleum/Natural Gas	25.27%	19.51%
2	34	Romgaz SA	Romania	Petroleum/Natural Gas	24.07%	27.66%
3	46	Hidroelectrica SA	Romania	Electricity	22.05%	-19.83%
4	37	Hrvatski Telekom d.d.	Croatia	Telecommunications	21.68%	23.24%
5	68	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	20.16%	16.45%
6	9	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	19.89%	20.19%
7	90	Holzindustrie Schweighofer SRL	Romania	Furniture/ Decoration	19.51%	18.02%
8	85	Nuclearelectrica SA	Romania	Electricity	18.51%	1.81%
9	38	Telekom Srbija AD	Serbia	Telecommunications	16.10%	11.49%
10	25	Krka d.d.	Slovenia	Pharmaceuticals	14.64%	14.59%
11	41	Vodafone Romania SA	Romania	Telecommunications	12.28%	13.80%
12	60	HEP-Proizvodnja d.o.o.	Croatia	Electricity	12.17%	-0.14%
13	55	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	11.50%	10.02%
14	43	Lek d.d.	Slovenia	Pharmaceuticals	11.47%	11.17%
15	31	Orange Romania SA	Romania	Telecommunications	11.36%	12.44%
16	64	Dedeman SRL	Romania	Wholesale/Retail	10.56%	10.52%
17	29	GDF SUEZ Energy Romania SA	Romania	Petroleum/Natural Gas	10.31%	8.32%
18	69	Transelectrica SA	Romania	Electricity	7.85%	1.21%
19	52	Telekom Slovenije d.d.	Slovenia	Telecommunications	7.43%	7.52%
20	18	British American Tobacco (Romania) Trading SRL	Romania	Food/Drinks/Tobacco	5.70%	5.92%

made it into the ranking.

Oil and gas companies took four of the twenty spots in 2013 ranking. The oil and gas sector retained its lead in the ranking of the most profitable industries in SEE, despite a 5.45% drop in the total revenues of the top 100 oil and gas companies in the region and a decrease in their total net profit to 659 million euro from 1.09 billion euro a year earlier.

The pharmaceutical industry saw its participants in the ranking in 2013 drop to two from three. Slovenia's Krka occupied the 10th spot in the ranking, down by one place from the previous year. It recorded a return on revenue of 14.64%, slightly down from 14.59% in 2012. Its peer Lek ranked 14th with 11.47% return on revenue versus 11.17% a year earlier.

At the fifth spot, car tire maker Continental Automotive Products was the only representative of the rubber and rubber products industry in the ranking.

The furniture and decoration and the tobacco industries too had one representative each - the Romanian units of Austrian wood processing company Holzindustrie Schweighofer and of British American Tobacco.

Methodology

Most profitable companies 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 2013 and 2012, respectively.

Energy companies post heftiest losses in SEE, paced by Srbijagas

Biggest money losers

in millions of euro

No	SEE TOP 100 No	Company name	Country	Industry	Net loss 2013	Net profit/loss 2012
1	53	JP Srbijagas	Serbia	Petroleum/Natural Gas	-434.9	-324.0
2	6	INA d.d.	Croatia	Petroleum/Natural Gas	-213.8	175.3
3	22	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	-207.1	-61.9
4	36	Arcelormittal Galati SA	Romania	Metals	-165.4	-52.2
5	96	Bankers Petroleum Albania Ltd.	Albania	Petroleum/Natural Gas	-141.9	N/A
6	3	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	-123.3	-48.2
7	39	Prirodni Plin d.o.o.	Croatia	Petroleum/Natural Gas	-105.1	-137.0
8	72	Naftex Petrol EOOD	Bulgaria	Petroleum/Natural Gas	-77.5	-42.8
9	58	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	Petroleum/Natural Gas	-74.5	-80.6
10	19	Natsionalna Električeska Kompania EAD	Bulgaria	Electricity	-70.2	-47.9
11	87	real;- Hypermarket Romania SRL	Romania	Wholesale/Retail	-67.7	-16.6
12	7	Romp petrol Rafinare SA	Romania	Petroleum/Natural Gas	-49.9	-67.2
13	80	Engrotus d.d.	Slovenia	Wholesale/Retail	-48.9	2.6
14	20	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	-35.6	-74.7
15	15	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	-27.7	-36.3
16	82	Alro SA	Romania	Metals	-26.8	-35.1
17	78	Auchan Romania SA	Romania	Wholesale/Retail	-20.2	0.745
18	94	Idea DOO	Serbia	Wholesale/Retail	-19.6	-34.8
19	47	EPS Snabdevanje DOO	Serbia	Electricity	-13.9	N/A
20	26	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	-11.3	-50.4

Energy companies continued to dominate the 2013 SEE money losers ranking with 13 representatives, unchanged from a year earlier. Serbian state-owned gas monopoly Srbijagas remained the biggest money loser in the region, its loss widening to 434.9 million euro.

For a second year in a row Serbian state-owned gas monopoly Srbijagas topped the 2013 SEE money losers ranking, its net loss swelling to a staggering 434.9 million euro from 324 million euro a year earlier. The Serbian government's decision to keep gas prices low and its unwillingness to carry out a much-needed restructuring of the company are the main reasons for its dire state.

A total of 13 energy companies were included in the 2013 ranking, after booking a total of 1.55 billion euro in net loss.

Croatian oil and gas company INA which

turned to a net loss of 213.8 million euro in 2013 from a net profit of 175.3 million euro the previous year, was one of the new entrants in the ranking, landing straight at the second place. The company has said its 2013 results were heavily impacted by external and special factors. In view of the prolonged political and security risks in Syria, it adjusted the value of its Syrian assets, which cut its operating results.

The other Croatian entrant in the ranking, at number 7, was INA's gas trading arm Prirodni Plin, which cut its net loss to 105.1 million euro from 137 million euro.

Romania's Petrotel, a refinery owned by Lukoil Energy&Gas Romania, took the third place in the ranking. Its net loss widened to 207.1 million euro in 2013 from 61.9 million euro a year earlier.

Representatives of the oil and gas sector have said depressed demand and, in the case of Romania, an increased fiscal burden, have impacted negatively their performance.

Romanian steel mill Arcelormittal Galati ranked fourth as it booked a net loss of 165.4 million euro in 2013 versus a net loss of 52.2 million euro the previous year. The company was one of the two representatives of the metals industry, the other one being Romanian aluminium smelter Alro.

Romania, which had the highest number of representatives in the SEE 2013 most profitable companies ranking, dominated the biggest losers ranking, as well, with seven entrants. Bulgaria had four entrants in the ranking, all energy companies - Lukoil Neftochim Burgas, Naftex Petrol, Natsionalna Električeska Kompania and Lukoil-Bulgaria.

Croatia and Slovenia had two representatives each while Albania and Bosnia and Herzegovina had one company listed in the ranking.

A total of five companies operating in the retail and wholesale sector made it to the ranking.

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 2013 and 2012, respectively.

BSTDB to target multi-country projects, greater public sector engagement

By Nevena Krasteva



Ihsan Ugur Delikanli,
BSTDB president

The Black Sea Trade and Development Bank (BSTDB) is an international financial institution established by Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romania, Russia, Turkey, and Ukraine. Its headquarters are in Thessaloniki, in Greece. BSTDB supports economic development and regional cooperation by providing loans, credit lines, equity and guarantees for projects and trade financing in the public and private sectors in its member countries. The bank's authorised capital is 3.45 billion euro. BSTDB is rated long-term "A-" by Standard and Poor's and "A2" by Moody's.

What major challenges do you see facing the economies in Southeast Europe (SEE) and the private sector in particular? What steps can governments they take to improve the overall business climate and unlock the region's growth potential?

The Black Sea region is very diverse. The countries have different levels of economic development, they are often at different stages of the business cycle, have different degrees of openness to international exchanges, and have different economic structures. Varying levels of integration in the world economy, internal and external policy challenges often

result in increased vulnerability to external shocks.

On the positive side, countries in the region, with few exceptions, have consolidated economic performance through prudent fiscal management, macroeconomic and structural reforms. To some extent the countries' differences present cross-country complementarities with significant benefits from increased regional economic cooperation.

What is BSTDB's response to these challenges?

BSTDB is ready to support the economies

of its eleven member countries through focused provision of financial assistance to export-oriented corporate clients, small and medium enterprises, trade finance, and investment in the public sector.

What are the highlights of BSTDB's next four-year strategy? What main goals does it set? Does it envisage any major shift in focus?

The bank's strategy aims at achieving higher development impact and increased regional cooperation through the bank's operations and investment across the Black Sea region. The four-year strategy envisages increased

BSTDB will target an increased share of public and quasi-public sector operations.

sectoral diversification and introduction of innovative and more flexible financial products with increased focus on projects involving two or more countries. In the period ahead, the bank will make an effort to achieve an annual portfolio growth with an emphasis on quality.

The bank's other strategic objectives include further strengthening of the credit rating of the institution. Over the period 2010-2014, BSTDB was upgraded twice by Moody's, to A2 long-term. The bank will try to achieve a further improvement in the risk rating over the next four-year period.

Operationally, BSTDB will target an increased share of public and quasi-public sector operations, including municipal financing and PPP projects.

Importantly, BSTDB will continue emphasizing support for small shareholding countries – Albania, Armenia, Azerbaijan, Georgia, and Moldova. This dynamic group of countries has a combined share of 9.0% in the bank's capital, and a portfolio share at about 20%. In parallel, the bank will expand the use of technical assistance for project preparation in member countries through the established special funds and continue providing advisory support to partner institutions in member countries. Earlier this year, BSTDB provided advisory support to the Bulgarian Development Bank in launching trade finance operations.

What is the total volume of BSTDB's planned funding commitments in SEE for the next four-year period?

With the support of directors and guidance from the board of governors, the management of the bank is now engaged in a strategic planning effort to be followed by visits to member states for identification of government priorities and business opportunities. The bank's management will provide the governors with proposals for future operations, including ambitious lending volume targets.

Which are the key areas of BSTDB's operations? Do you plan to step up support for certain industries? In what sectors do you expect to see a pick-up of overall investment activity?

The bank focuses on providing financing in activities with high development impact, generating growth and employment across member countries. The BSTDB strategy puts an emphasis on operations promoting physical and social infrastructure, trade facilitation, municipal services and public utilities, environmental protection, power generation, and transport. Financial intermediation through the banking sector in the region will continue to be a significant BSTDB operational activity in the years to come.

Would BSTDB consider joining any of the big cross-border energy projects in the region?

Absolutely! BSTDB is keen to contribute to energy security in our member states and



gives priority to regional and cross-country development projects. Already, the bank is active in the energy sector through provision of financing for renewable energy and energy efficiency projects. Opportunities that may arise in the energy sector will be carefully assessed, and to the extent that they are in line with the bank's mandate, financial and environmental standards, will definitely be supported by BSTDB.

What are BSTDB's plans regarding cooperation with international financial institutions (IFIs), donors, and other external actors?

The BSTDB strategy focuses on promotion of infrastructure, trade facilitation, municipal services and public utilities, environmental protection, power generation, and transport.

Cooperation and partnership with IFIs and bilateral development institutions active in the Black Sea region is a BSTDB strategic priority and an integral part of the bank's strategy for increased resource mobilisation for the member countries.

One of the instruments that BSTDB is using to help establish closer business ties with multilateral and bilateral development institutions is "Observer Status with BSTDB". Ten multilateral and national development institutions are BSTDB Observers, including major IFIs, such as the European Investment Bank, the European Bank for Reconstruction and Development, and the International Finance Corporation, and leading national development assistance institutions, such as Germany's KfW, the Development Bank of Austria (OeEB), Proparco of France, and others. The observer mechanism envisages regular contacts at the level of senior management and experts to update each other on strategic priorities for common countries of operations, co-financing opportunities, funding options, technical assistance and other matters of common interest. Observer institutions also provide financing to BSTDB to on-lend to clients in the Black Sea region. Over the past three years, BSTDB has signed long-term loans of over 200 million euro with KfW, the Nordic Investment Bank, Proparco, and OeEB. These funds are used for financing projects in renewable energy, municipal infrastructure, small business development across the Black Sea region. Looking forward, BSTDB will further expand this cooperation with existing observers and other development partners for the benefit of the region.

A strategic concept is to leverage the bank's financing to act as a catalyst for attracting complementary sources of funding for our clients, promoting the region's investment potential. From this perspective, the bank's strategy is closely associated with enhanced partnerships with other IFIs and public and private co-financing partners.

TOP 100 banks

in millions of euro

2013	2012	Company name	Country	Total assets 2013	Y/Y change in assets	Net profit/loss 2013	Net profit/loss 2012
1	1	Banca Comerciala Romana SA	Romania	14 161	-9.95%	74.8	-274.3
2	2	Zagrebacka Banka d.d.	Croatia	13 945	2.82%	60.9	117.6
3	4	BRD – Groupe Societe Generale SA	Romania	10 498	-1.76%	-86.0	-74.8
4	3	Nova Ljubljanska Banka d.d.	Slovenia	9 507	-17.24%	-1 540	-304.9
5	5	Privredna Banka Zagreb d.d.	Croatia	8 591	-4.08%	80.5	112.1
6	6	Erste & Steiermarksische Bank d.d.	Croatia	7 872	2.74%	8.9	64.0
7	7	Banca Transilvania SA	Romania	7 150	8.43%	83.6	72.4
8	8	UniCredit Bulbank AD	Bulgaria	6 478	0.61%	73.4	109.6
9	10	UniCredit Tiriac Bank SA	Romania	6 123	9.56%	16.7	39.1
10	11	Raiffeisen Bank SA*	Romania	6 008	12.16%	107.7	89.5
11	9	CEC Bank SA	Romania	5 995	0.04%	9.7	8.3
12	14	DSK Bank EAD	Bulgaria	4 541	1.77%	99.1	98.1
13	12	Raiffeisenbank Austria d.d.	Croatia	4 321	-7.17%	36.1	48.2
14	New	ING Bank NV. Amsterdam Branch Bucharest	Romania	4 061	10.80%	41.2	39.0
15	13	Hypo Alpe-Adria-Bank d.d.	Croatia	3 927	-13.04%	-65.6	34.1
16	15	Nova Kreditna Banka Maribor d.d.	Slovenia	3 910	-9.88%	-656.5	-203.3
17	19	First Investment Bank AD - Fibank	Bulgaria	3 807	7.80%	13.2	14.8
18	16	SID – Slovenska Izvozna in Razvojna Banka d.d.	Slovenia	3 788	-7.36%	4.9	5.0
19	17	Banca Intesa AD	Serbia	3 738	3.37%	75.3	83.7
20	New	Alpha Bank Romania SA	Romania	3 624	-1.42%	7.8	-1.2
21	20	Societe Generale – Splitska Banka d.d.	Croatia	3 577	3.75%	4.5	12.7
22	24	Corporate Commercial Bank AD	Bulgaria	3 446	19.60%	36.4	28.9
23	21	United Bulgarian Bank AD	Bulgaria	3 433	5.81%	8.7	-20.8
24	25	Komercijalna Banka AD	Serbia	3 182	12.17%	40.9	36.4
25	New	Volksbank Romania SA	Romania	3 080	-16.08%	-102.1	-185.5
26	22	Raiffeisenbank (Bulgaria) EAD	Bulgaria	3 047	-3.44%	-22.4	2.4
27	18	Abanka Vipava d.d.	Slovenia	3 036	-15.61%	-308.9	-75.7
28	23	Eurobank Bulgaria AD	Bulgaria	2 911	1.00%	9.5	0.576
29	New	Bancpost SA	Romania	2 646	-2.61%	-30.0	-11.3
30	26	UniCredit Banka Slovenija d.d.	Slovenia	2 489	-11.61%	-39.2	1.1
31	27	SKB Banka d.d.	Slovenia	2 451	-5.53%	-31.5	3.7
32	31	Hrvatska Postanska Banka d.d.	Croatia	2 404	7.69%	5.6	12.5
33	28	Banka Koper d.d.	Slovenia	2 300	-0.72%	2.5	7.2
34	32	Unicredit Bank Srbija AD	Serbia	2 204	3.45%	33.5	38.8
35	29	Raiffeisen Bank Sh.a.	Albania	2 073	-8.43%	31.8	37.2
36	New	Piraeus Bank Romania SA	Romania	2 037	16.73%	2.9	-21.4
37	40	Banka Kombetare Tregtare Sh.a. (National Commercial Bank)	Albania	1 944	10.16%	28.6	23.4
38	39	Societe Generale Banka Srbija AD	Serbia	1 933	8.86%	-7.1	0.907
39	36	Raiffeisen Bank d.d. Sarajevo	Bosnia and Herzegovina	1 932	2.53%	21.7	18.7
40	43	Central Cooperative Bank AD	Bulgaria	1 915	11.82%	5.2	5.2
41	33	UniCredit Bank d.d. Mostar	Bosnia and Herzegovina	1 907	-0.39%	28.4	27.3
42	37	Societe Generale Expressbank AD	Bulgaria	1 871	2.11%	8.4	23.6
43	35	Alpha Bank - Bulgaria Branch	Bulgaria	1 869	-0.99%	0.083	-9.9
44	30	Banka Celje d.d.	Slovenia	1 815	-20.04%	-126.3	-25.0
45	42	Raiffeisen Banka AD	Serbia	1 798	2.96%	47.3	51.0
46	41	OTP Banka Hrvatska d.d.	Croatia	1 793	2.91%	8.5	13.3
47	44	Piraeus Bank Bulgaria AD	Bulgaria	1 716	8.31%	1.7	5.0
48	46	Garanti Bank SA	Romania	1 636	9.62%	19.6	-24.1
49	45	Banca Romaneasca SA	Romania	1 614	4.67%	-13.6	-37.7
50	38	Gorenjska Banka d.d.	Slovenia	1 561	-12.80%	-115.6	-62.2

TOP 100 banks

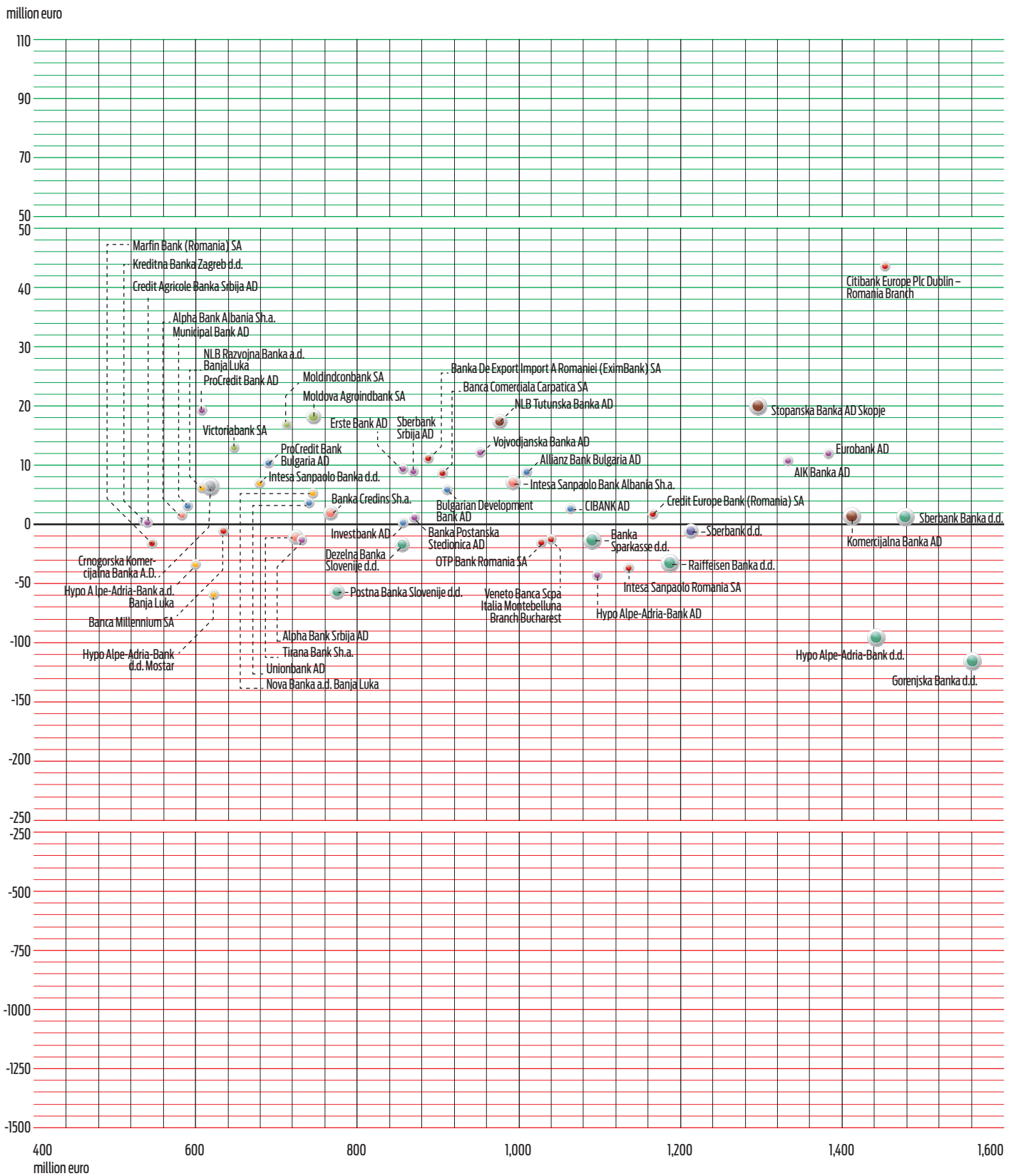
in millions of euro

2013	2012	Company name	Country	Total assets 2013	Y/Y change in assets	Net profit/loss 2013	Net profit/loss 2012
51		Sberbank Banka d.d.	Slovenia	1 478	10.50%	1.2	0.156
52	New	Citibank Europe Plc Dublin - Romania Branch	Romania	1 453	0.06%	43.5	26.3
53	34	Hypo Alpe-Adria-Bank d.d.	Slovenia	1 442	-24.16%	-95.7	-11.4
54	51	Komercijalna Banka AD	Macedonia	1 412	4.90%	1.3	9.1
55	47	Eurobank AD (former Eurobank EFG AD)	Serbia	1 383	-6.44%	11.9	14.8
56	50	AIK Banka AD	Serbia	1 333	-1.26%	10.8	32.1
57	53	Stopanska Banka AD Skopje	Macedonia	1 296	5.01%	19.9	16.4
58	56	Sberbank d.d.	Croatia	1 213	12.81%	-5.9	-18.6
59	49	Raiffeisen Banka d.d.	Slovenia	1 187	-16.44%	-32.9	-8.8
60	New	Credit Europe Bank (Romania) SA *	Romania	1 166	3.87%	1.7	-26.9
61	54	Intesa Sanpaolo Romania SA	Romania	1 136	0.53%	-36.9	-23.8
62	48	Hypo Alpe-Adria-Bank AD	Serbia	1 097	-25.56%	-43.0	13.9
63	55	Banka Sparkasse d.d.	Slovenia	1 091	-1.10%	-13.6	-9.1
64	58	CIBANK AD	Bulgaria	1 064	5.25%	2.6	0.501
65	New	Veneto Banca Scpa Italia Montebelluna Branch Bucharest (formerly Banca Italo-Romena S.p.A. Branch Bucharest)	Romania	1 040	4.21%	-12.7	-13.9
66	59	OTP Bank Romania SA	Romania	1 028	-0.62%	-15.6	-16.9
67	63	Allianz Bank Bulgaria AD	Bulgaria	1 010	5.82%	8.8	6.6
68	64	Intesa Sanpaolo Bank Albania Sh.a.	Albania	993.1	7.16%	7.0	5.7
69	62	NLB Tutunska Banka AD	Macedonia	976.7	0.77%	17.3	8.2
70	65	Vojvodjanska Banka AD	Serbia	952.4	4.61%	12.1	-16.7
71	68	Bulgarian Development Bank AD	Bulgaria	911.6	6.17%	5.8	3.8
72	57	Banca Comerciala Carpatica SA	Romania	905.9	-14.03%	8.6	4.9
73	New	Banca De Export Import A Romaniei (EximBank) SA	Romania	888.3	1.33%	11.1	2.9
74	80	Banka Postanska Stedionica AD	Serbia	871.1	31.90%	1.1	7.9
75	66	Sberbank Srbija AD	Serbia	869.9	-2.42%	8.9	10.8
76	76	Investbank AD	Bulgaria	857.1	22.32%	0.231	-0.371
77	75	Erste Bank AD	Serbia	856.9	21.38%	9.3	11.0
78	67	Dezelna Banka Slovenije d.d.	Slovenia	856.0	-1.25%	-17.3	-7.6
79	71	Postna Banka Slovenije d.d.	Slovenia	775.6	-2.99%	-57.2	0.332
80	81	Banka Credins Sh.a.	Albania	767.5	17.19%	1.9	4.6
81	73	Moldova Agroindbank SA	Moldova	746.5	17.20%	18.1	18.9
82	84	Nova Banka a.d. Banja Luka	Bosnia and Herzegovina	745.5	20.42%	5.2	5.1
83	69	Unionbank AD (formerly MKB Unionbank AD)**	Bulgaria	740.9	-11.28%	3.6	-5.2
84	70	Alpha Bank Srbija AD	Serbia	725.3	-9.14%	-13.4	-25.3
85	77	Tirana Bank Sh.a.	Albania	724.5	3.67%	-10.9	-1.5
86	90	Moldindconbank SA	Moldova	713.5	49.35%	16.8	10.8
87	78	ProCredit Bank Bulgaria EAD	Bulgaria	690.8	1.65%	10.3	9.7
88	79	Intesa Sanpaolo Banka d.d.	Bosnia and Herzegovina	679.7	0.29%	6.9	7.9
89	83	Victoriabank SA	Moldova	648.2	15.07%	12.9	13.8
90	New	Banca Millennium SA	Romania	635.0	10.65%	-5.8	-23.9
91	72	Hypo Alpe-Adria-Bank d.d. Mostar	Bosnia and Herzegovina	622.8	-13.43%	-59.4	-5.7
92	82	Crnogorska Komercijalna Banka A.D.	Montenegro	618.9	-7.72%	6.3	-18.9
93	87	NLB Razvojna Banka a.d. Banja Luka	Bosnia and Herzegovina	608.5	7.72%	6.1	5.8
94	85	ProCredit Bank AD	Serbia	608.3	2.51%	19.2	16.1
95	74	Hypo Alpe-Adria-Bank a.d. Banja Luka	Bosnia and Herzegovina	600.3	-16.09%	-33.9	4.0
96	91	Municipal Bank AD	Bulgaria	590.8	13.56%	3.1	3.1
97	86	Alpha Bank Albania Sh.a.	Albania	583.6	2.98%	1.5	0.282
98	New	Marfin Bank (Romania) SA	Romania	546.6	-5.18%	-16.2	1.2
99	88	Credit Agricole Banka Srbija AD	Serbia	541.0	1.73%	0.281	0.107
100	99	Kreditna Banka Zagreb d.d.	Croatia	536.4	27.92%	0.589	2.1

(*) denotes consolidated figures

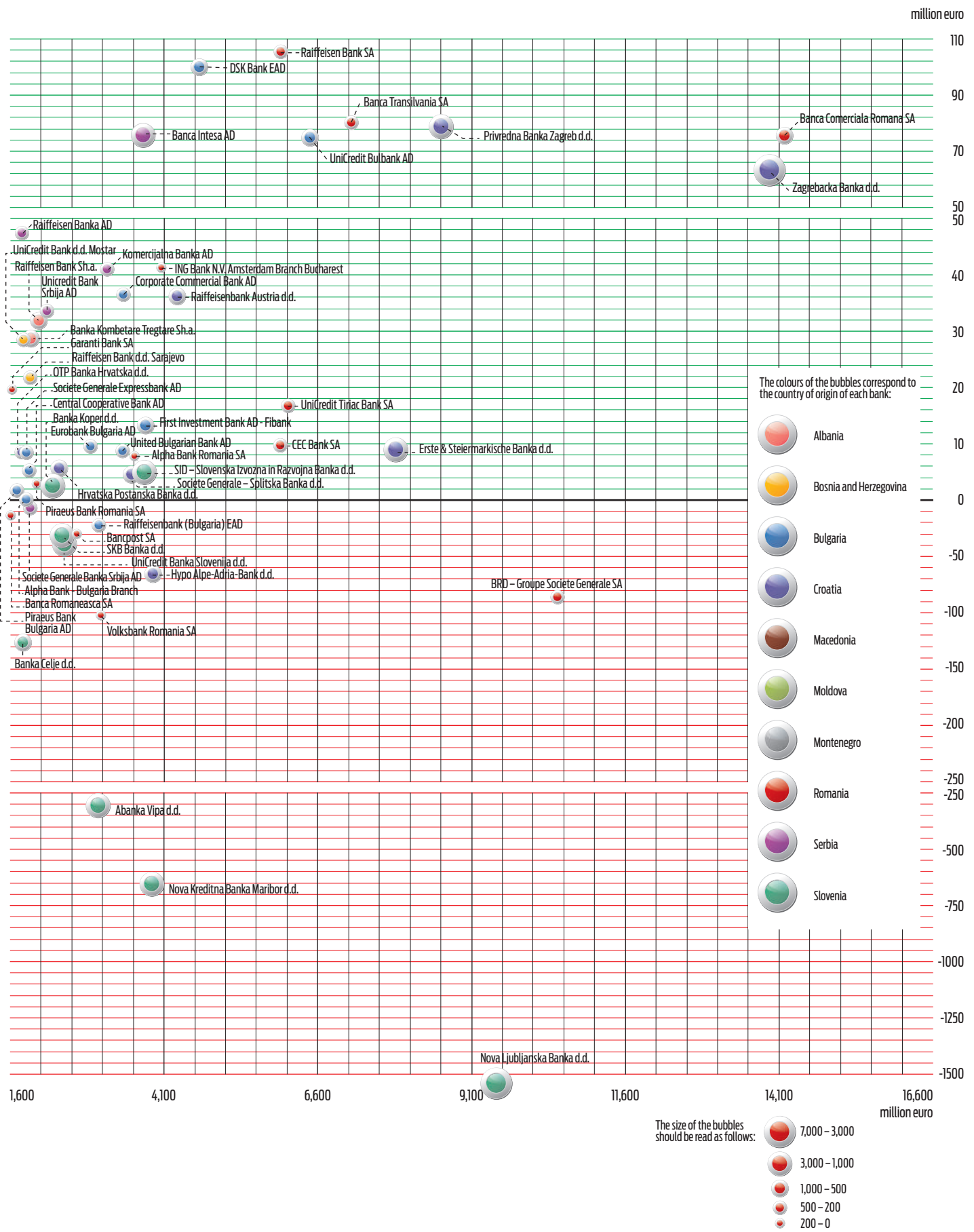
(**)The bank changed its name to Unionbank AD on Oct 17, 2013. After that it merges into First Investment Bank AD. Unionbank was written off the Trade Register on Mar 4, 2014.

TOP 100 banks



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 2013. The X axis is a measure of 2013 total assets, the Y axis represents net profit/loss and the size of the bubbles corresponds to the total assets per capita.

TOP 100 banks



BCR cleans up balance sheet, eyes better results in 2015

By Doinita Dolapchieva



Adriana Jankovicova,
CFO

Banca Comerciala Romana (BCR), a member of Erste Group since 2006, is Romania's largest financial group. Besides universal banking operations, including retail, corporate and investment banking, treasury and capital markets, the group also provides leasing and asset management services, among others. BCR's network includes more than 560 retail units, over 2,100 ATMs and 13,500 POS terminals.

What are the main factors that influenced BCR's financial results in 2013 and how do you think they will affect the bank's performance in 2014?

BCR achieved a challenging task in 2013, returning to breakeven after one-off items. More importantly, we had to deal with bold decisions regarding costs, organisation and strategy, aimed at consolidating the fundamentals of BCR as the leading bank in Romania.

The bank's operating income recorded a marginal decrease of about 1.0%, mainly driven by the still subdued credit demand and lower interest rate environment favoured by the monetary policy easing, with key rate cuts totalling 125bps in the second half of the year putting pressure on interest income and margins. On the other hand, the operating income was supported by a substantial increase in fee income of approximately 18%, as a result of continuous focus on growing transaction banking business.

Following comprehensive optimisation measures and strict cost discipline, in 2013 the bank achieved a reduction in operating expenses of more than 10%.

Furthermore, the risk charges significantly decreased by around 40% due to lower non-performing loan (NPL) inflows in both retail and corporate segments.

In the second half of last year, the first results of our turnaround efforts became visible,

with large scale business restructuring completed, NPL stock declining for the first time since 2008 and rebalancing of the loan book towards local currency well underway.

What are the main goals the bank is pursuing in 2014?

We entered into the second half of 2014 with the strong commitment to clean up our balance sheet and enhance future capacity to deliver strong performance of the healthy, solid core of the bank which is currently showing consistent signs of improvement, as BCR succeeds in capturing new lending market share along with reinforcing the overall deposit base.

We are taking decisive measures aimed to accelerate reduction of the NPL balance already in 2014 - it is down about 25% compared to year-end 2013 - through write-offs, sales and recoveries, while at the same time planning to further improve our competitive capacity in both the retail and corporate franchises of the bank. On top of this, BCR will deliver this year the full cost benefit of the 2013 restructuring programme.

What are your expectations regarding your financial performance in 2014?

As mentioned before, we are executing our strategy according to the main pillars defined. Given the magnitude and accelerated implementation of the clean-up measures, we cannot achieve overall profitability this year, however we are convinced that we are on the right path and the financial performance of the bank will improve substantially from next year onwards.

How will the central bank's recommendation to remove fully-provisioned NPLs from the balance sheet affect the bank's 2014 results?

Strictly referring to the write-off of an NPL which is already fully-provisioned, such operation does not produce any profit and loss impact. However, for those NPLs that we need to bring close to 100% provisioning level before being able to write them off, there are one-off additional risk charges to be booked this year that will obviously hit our bottomline result in 2014. Another important fact to be mentioned is that, by



moving an NPL off-balance sheet, we do not cease the claim against the respective client.

What NPLs ratio do you expect BCR to achieve at the end of the year?

As mentioned, given our current efforts to reduce the NPL volume in an accelerated manner, by end-2014 the bank's NPL ratio should decrease by about 5.0 percentage points as compared to the end of 2013; this is also a function of the commercial performance of the bank, i.e. our ability to maintain or somewhat grow the size of the healthy book.

What are the main challenges BCR is facing in the medium term?

Going forward, we clearly anticipate the bank's ability to deliver positive results based on achieving sustainable growth of healthy business, maintaining strict cost discipline and stabilised revenue stream. Such targeted performance is well-anchored in conservative assumptions and a very strong capital base. Benefitting the decisive measures undertaken this year, 2015 should already be a normalized year to this extent. Thus, the main challenges ahead reside in our capacity to resolve the NPL stock and to achieve sustainable profitability and considerable improvement in the overall quality of BCR's balance sheet, while facing significant headwinds coming



We entered the second half of 2014 with a strong commitment to clean up our balance sheet.



from still fragile business conditions in the context of a low interest rate environment, margin pressure and the country's economic growth still delaying to translate into more solid loan demand, and last but not least a tough regulatory framework.

What market share in terms of assets do you expect the bank to have at the end of the year?

BCR's market share by total assets stands at 17% as of June 2014, slightly down from 17.5% as of end-2013. We see the total assets of the Romanian banking sector continuing to decrease in 2014 in line with the general clean-up efforts in the market and still subdued overall loan growth, therefore we do not expect a dramatic change in our related market share going forward, BCR maintaining its comfortable leading position in the market.

What are your projections regarding the pace of lending growth in Romania in 2014?

Based on the developments so far in the year and the current NPL resolution initiatives throughout the sector, we expect a slight low-single digit contraction of the overall lending in Romania versus the end of 2013, as the good growth we see so far in terms of new lending in local currency, especially in retail, still does not produce enough volumes to offset the impact of the banks' balance sheets clean-up and natural repayments. According to our latest forecasts, mortgage lending is the segment showing good year-on-year growth in 2014 in terms of outstanding balances, somewhere in the range of mid-single digits.

What is your forecast for the Romanian banking sector's overall NPL ratio at the end of 2014?

Following the central bank's recommendations and based on the latest available data published by the regulator, as of the second half of 2014 the NPL ratio for the sector has already improved by three percentage points against end-2013, and the trend will obviously continue, however this depends on how the other players in the market will deal with their own NPL issues and at the same time on their ability to generate new business.

SEE banking sector's losses widen sharply on Slovenian woes

Most of the lenders in the SEE TOP 100 banks ranking closed 2013 in the black but the overall loss of the sector widened to 2.18 billion euro, due to the heavy losses booked by Slovenian banks. With the exception of Slovenia, the banking system in Southeast Europe (SEE), however, managed to stay stable, although continuing to struggle with high non-performing loan (NPL) ratios, weak lending growth and subdued economic growth. The ranking was dominated by Romanian lenders, which accounted for nearly a quarter of the total assets of the banks in the region.

As many as 70 of the entrants in the SEE TOP 100 banks ranking reported a profit in 2013 but the overall result of the biggest banks in the region was a negative 2.18 billion euro, due to the heavy losses reported by Slovenian banks. The banks in the 2013 edition reported a combined loss of 2.1 billion euro in 2012, according to revised data.

In late 2013 Slovenia recapitalised and fully nationalised three banks: Nova Ljubljanska Banka (NLB), Nova Kreditna Banka Maribor (NKBM) and Abanka, injecting a total of 3.012 billion euro in them as part of a 4.8 billion euro rescue plan for the country's banking sector. Slovenia's banks ended 2013 with a combined pre-tax loss of 3.2 billion euro. As part of the programme, NLB and NKBM transferred a large portion of their non-performing loans to a government-owned "bad bank".

A total of 38 banks included in the ranking

saw their assets decline in 2013, with Serbia's Hypo Alpe-Adria-Bank AD, a unit of nationalised Austrian banking group Hypo-Alpe Adria, recording the sharpest drop, by 26%. Not surprisingly, almost all Slovenian banks included in the TOP 100 banks saw their assets shrink last year and slid lower in the ranking.

Despite a 10% drop in assets to 14.16 billion euro, Romania's Banca Comerciala Romana (BCR), a unit of Austria's Erste, topped the ranking for the fourth year in a row. The bank posted a net profit of 74.8 million euro in 2013 after recording a hefty loss a year earlier, when its business was hit by the adverse economic environment, high provisioning requirements that prompted an increase in risk coverage costs and a rise in NPLs coverage ratio.

The runner-up, Croatia's Zagrebacka Banka, came breathing down BCR's neck after achieving a nearly 3.0% rise in assets. The difference between the top two banks' asset value was reduced considerably – to 216 million euro from 2.125 billion euro. Zagrebacka Banka, a unit of UniCredit Bank Austria, boosted its assets to 13.95 billion euro at end-2013 as its net profit halved to 60.9 million euro. Romania's BRD – Groupe Societe Generale ranked third, its assets edging down 1.8% while its net loss widened to 86 million euro. The bank consolidated its level of NPLs coverage with provisions to 68.9% from 51.9% at end-2012, an effort translating into a high cost of risk on SMEs portfolio.

The assets of the top 100 banks in the region totalled 246.9 billion euro at the end of 2013. The total assets of the entrants in the 2012 ranking was 235.8 billion euro.

Moldova's Moldindconbank posted the strongest growth in assets among the top 100 SEE banks, of nearly 50%, climbing to the 86th position.

The top ten banks had assets worth a combined 90.3 billion euro, or 37% of the total assets of the 100 lenders included in the ranking. Six of last year's top 10 banks retained their positions in the ranking, a few switched places and Romania's CEC Bank exited the top 10 after falling two spots to the 11th place. Another Romanian lender, Raiffeisen Bank, entered the top 10 by climbing up one spot from the 11th place.

Romania, the largest country in SEE with a population of some 20.1 million people, dominated the ranking, with 22 entries. Bulgaria, whose population is roughly one third that of Romania, had 18 banks in the chart, followed by Serbia and Slovenia with 15 lenders each. Ten Croatian, seven Bosnian and six Albanian banks made it into the ranking. Macedonia and Moldova had three representatives each, and Montenegro had just one.

Looking at the Bulgarian entrants in the ranking, the 2013 financial results of the country's fourth-biggest lender, Corporate Commercial Bank, still show little sign that in June 2014 it would be placed under special supervision over risk of insolvency after running out of liquidity. The lender recorded a 19.6% annual rise in assets to 3.45 billion euro at the end of 2013 and a hefty 26% increase in profit during the year.

The largest net profit among SEE banks in 2013, of 107.7 million euro, was again posted by a Romania-based bank, the local unit of Austria's Raiffeisen. Its assets rose by 12.2% to 6.0 billion euro. It comes as little surprise that the biggest loser was a Slovenian bank - NLB, whose net loss widened five times from a year earlier to 1.54 billion euro. Slovenia aside, the banking system in SEE was rather stable in 2013, although it continued to struggle with high NPL ratios, weak lend-

ing growth and subdued economic growth. For example, the share of NPLs in the credit portfolio of Romanian banks rose to 21.9% at the end of 2013 while in Bulgaria it climbed to 16.9% and in Croatia it grew to 15.4%.

The top three banks in terms of loans value at the end of 2013 were Zagrebacka Banka, BCR and BRD - Groupe Societe Generale, with loan portfolios of 9.5 billion euro, 8.4 billion euro and 6.2 billion euro, respectively. Among them, only Zagrebacka Banka experienced an increase in loans, by a meager 1.2%, while the other two lenders' credit portfolios shrank by 15.4% and 11.8%, respectively. The same three banks topped the deposit ranking, with BCR grabbing the top spot, with 10.8 billion euro in deposits at the end of 2013, down 12.4% on the year. Zagrebacka Banka and BRD followed, with 9.9 billion euro and 8.4 billion, respectively.

Methodology

SEE TOP 100 banks is a ranking of the largest banks in South-east Europe in terms of total assets from non-consolidated balance sheets as of December 31, 2013.

To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2013 and 2012, 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 data pool exceeds 250 banks registered in the region including branches and representative offices of foreign banks.

SEE TOP 100 biggest banks in terms of loans 2013

in millions of euro

2013	Company name	Country	Loans 2013	Loans 2012	Y/Y Change in 2013
1	Zagrebacka Banka d.d.	Croatia	9 471	9 472	1.21%
2	Banca Comerciala Romana SA	Romania	8 419	10 077	-15.40%
3	BRD – Groupe Societe Generale SA	Romania	6 191	7 108	-11.80%
4	Privredna Banka Zagreb d.d.	Croatia	6 038	6 372	-4.08%
5	Nova Ljubljanska Banka d.d.	Slovenia	5 803	8 109	-28.44%
6	Erste & Steiermärkische Bank d.d.	Croatia	5 391	5 262	3.70%
7	UniCredit Bulbank AD	Bulgaria	5 338	4 855	9.95%
8	Banca Transilvania SA	Romania	3 753	3 508	8.35%
9	UniCredit Tiriac Bank SA	Romania	3 599	3 603	1.17%
10	Raiffeisen Bank SA*	Romania	3 565	3 554	1.58%
11	SID – Slovenska Izvozna in Razvojna Banka d.d.	Slovenia	3 216	3 681	-12.63%
12	Raiffeisenbank Austria d.d.	Croatia	2 938	3 113	-4.47%
13	Hypo Alpe-Adria-Bank d.d.	Croatia	2 879	3 300	-11.69%
14	First Investment Bank AD - Fibank	Bulgaria	2 491	2 282	9.16%
15	Societe Generale – Splitska Banka d.d.	Croatia	2 466	2 612	-4.44%
16	CEC Bank SA	Romania	2 444	2 444	1.26%
17	Corporate Commercial Bank AD	Bulgaria	2 359	1 880	25.45%
18	Banca Intesa AD	Serbia	2 323	2 289	2.31%
19	United Bulgarian Bank AD	Bulgaria	2 162	2 327	-7.08%
20	Raiffeisenbank (Bulgaria) EAD	Bulgaria	2 141	2 329	-8.07%

(*) denotes consolidated figures

SEE TOP 100 biggest banks in terms of deposits 2013

in millions of euro

2013	Company name	Country	Deposits 2013	Deposits 2012	Y/Y Change in 2013
1	Banca Comerciala Romana SA	Romania	10 755	12 436	-12.42%
2	Zagrebacka Banka d.d.	Croatia	9 906	9 767	2.66%
3	BRD – Groupe Societe Generale SA	Romania	8 360	8 153	3.83%
4	Nova Ljubljanska Banka d.d.	Slovenia	7 085	8 139	-12.96%
5	Privredna Banka Zagreb d.d.	Croatia	6 246	6 372	-0.79%
6	Banca Transilvania SA	Romania	5 847	5 256	12.65%
7	CEC Bank SA	Romania	5 491	5 581	-0.38%
8	UniCredit Bulbank AD	Bulgaria	5 200	5 145	1.06%
9	Erste & Steiermärkische Bank d.d.	Croatia	4 508	4 218	8.18%
10	Raiffeisen Bank SA*	Romania	4 496	3 872	17.58%
11	UniCredit Tiriac Bank SA	Romania	4 203	3 715	14.58%
12	DSK Bank EAD	Bulgaria	3 665	3 493	4.91%
13	First Investment Bank AD - Fibank	Bulgaria	3 280	3 082	6.42%
14	Raiffeisenbank Austria d.d.	Croatia	2 940	3 110	-4.30%
15	Corporate Commercial Bank AD	Bulgaria	2 899	2 423	19.61%
16	Nova Kreditna Banka Maribor d.d.	Slovenia	2 838	3 388	-16.26%
17	United Bulgarian Bank AD	Bulgaria	2 704	2 459	9.96%
18	Hypo Alpe-Adria-Bank d.d.	Croatia	2 538	2 974	-13.63%
19	Banca Intesa AD	Serbia	2 395	2 307	4.66%
20	Abanka Vipava d.d.	Slovenia	2 361	2 679	-11.87%

(*) denotes consolidated figures

Fibank: More jolts in Bulgaria's banking system unlikely in near future

By Borislava Andreevska



Vasil Hristov,
CEO

First Investment Bank (Fibank) aspires to continue to be one of the best banks in Bulgaria, recognised as a rapidly growing, innovative, customer-oriented bank, offering outstanding products and services to its customers, ensuring excellent careers for its employees, and contributing to the community. The bank shall continue to develop high-technological solutions providing its customers with opportunities for banking from any place around the world at any time.

The Bulgarian banking system, Fibank included, faced serious challenges in mid-2014 as one bank was put under special supervision by the central bank, while Fibank suffered a run on deposits prompted by ill-

intentioned rumours. Do you think the measures that were taken to stabilise the banking system were adequate, and what else can be done? Is there a risk of similar shocks being repeated in the near future?

Bulgaria's banking system, Fibank included, went through a real stress test after one bank was placed under special supervision. Fibank was the target of a criminal attack and ill-intentioned rumours at a time of hyper-sensitivity to the operation of all of the country's

institutions. Fibank, and the banking sector in general, demonstrated unequivocally with its calm and mature behaviour that it is stable, well-capitalised and has strong liquidity, keeping the confidence of its depositors. Fibank, as a rule, maintains high cash liquidity and that allowed it to pass this stress test. The European Commission and the competent Bulgarian authorities have described the attack against Fibank, which was also an attack against the entire banking system, as a criminal act, caused by factors external to the bank.

Anyone can see that two months after the attack against the banks, customers' confidence in the banking system has been restored and both the banks and their clients are banking as usual. I thus believe that the measures that were taken were adequate. Our society now is better informed about the significance of the banking system for the functioning of a country's sovereignty, and that banks should be used by everyone for banking purposes only. For this reason I do not think that such a situation could happen again in the near future.

Does Fibank plan further steps to regain its customers' confidence?

Fibank has a very close relationship with its customers which it has been building over the years, and has consequently received a number of different awards. Of these, we value the most the Bank of the Client award, which we traditionally receive. The winner of this award is named by clients in a direct online secret vote. Our clients know why they have chosen to be with us and they trust us. At the beginning of the year, Fibank acquired the former Unionbank and as a result increased its customer base. The majority of Unionbank's clients have never before worked with Fibank and do not know

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The measures that were taken to stabilise the banking system were adequate.

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what it can offer them, nor what to expect of it. Now we are getting to know each other and heading towards building a strong professional bond.

During the recent crisis in the banking system some customers made early withdrawals on their deposits. They fell for the manipulation, which is only too natural as everyone is concerned about their savings. We consider them too to be part of Fibank and we will win back their trust. We have a lot to do in this direction.

The main ingredient in the formula for a successful bank is trust; this is why we are the second largest bank in terms of individual deposits in Bulgaria after DSK Bank.

What are your expectations regarding the bank's lending activity in 2014? What is the situation on the corporate credits segment?

It is almost the fourth quarter of 2014 now and as always this time of the year we are in the midst of an active retail lending campaign – for mortgage and consumer credits and credit cards. In addition to the challenges in the banking system, the year will also be remembered for the challenges to consumer confidence. People have been cutting down on their expenses for the purchase of a home,

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Crediting is the litmus of a country's economy.

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household appliances and goods. On the other hand, companies are also very cautious when it comes to taking decisions about investments and new expenditures. I believe next year will bring us more optimism.

What steps could be taken to boost lending? What are your expectations regarding the development of Bulgaria's credit market in 2014?

Crediting is the litmus of a country's economy. Predictability and calmness in Bulgaria's politics and economy will give an impetus to investments, including lending. A stable banking system helps a country's economic development. Banks and the economy are interdependent. Only if we have a stable banking system can we push the economy into growth, have local companies and local production develop, and open jobs.

What are the highlights of your development plan for 2015?

We are staying true to our principles, which have made us a preferred bank for people's savings. We will continue to invest in improving the quality of our products and our customer service. We will also continue to develop our customer service platform The Right of Choice, where customers can design themselves the characteristic features of the products and services they need. Small and mid-sized enterprises will once again be in the focus of our lending activity next year. In this regard, we continue to support the Best Bulgarian Company of the Year competition, which has grown into a tradition, with a growing number of Bulgarian companies, mainly from the small and mid-sized segment, gaining confidence to participate. We will also introduce a new electronic platform for mobile banking.

EBRD: Successful tackling of NPL levels will help boost lending in SEE

By Georgi Georgiev



Jean-Marc Peterschmitt,
*EBRD managing director, Central
and Southeast Europe*

The European Bank for Reconstruction and Development (EBRD) raised its investments in Southeast Europe, a region that has remained particularly vulnerable to the effects of problems in the eurozone, to around 1.65 billion euro in 2013 from 1.5 billion euro in 2012. In 2013, EBRD investments remained strong in Turkey, totalling around 920 million euro. In the Western Balkans and Croatia, the EBRD invested a record 1.2 billion euro in more than 80 projects in 2013. The countries in the region benefit from the joint action plan of the EBRD, the European Investment Bank and the World Bank which includes more than 30 billion euro of commitments for the period 2013-2014 in Central and Southeast Europe as a whole.

What trends marked the development of the banking sector in Southeast Europe (SEE) in 2013?

The banking sector in Southeast Europe (SEE) was stable in 2013, but serious challenges

remain: the level of non-performing loans (NPLs) is high, deleveraging continues and credit growth in the past few years has been very weak, in some cases even negative. On the positive side, there have not been any systemic bank failures in 2013.

The sector has benefited from an improvement of the overall economic performances, for instance growth picked up in Macedonia, Romania, Serbia and Montenegro in 2013. This was a better year from the economic point of view. However, it was mainly driven

by exports, industrial production and agriculture, not the financial sector.

Foreign banks continued to dominate in the region with their share in total banking sector ranging from 70% in Bulgaria to more than 90% in Macedonia and Montenegro.

Where in the region do you see weakness in terms of lending momentum and where are you witnessing pockets of recovery?

The vulnerable state of the economic recovery, in the region as well as in Europe at large, remains problematic and economic growth is volatile. Some of the economies that enjoyed growth last year, such as Romania or Macedonia, are likely to continue with similar rates this year. But some may see growth falling or possibly even turning negative this year. For instance, Serbia suffered severe damage by floods in May and is facing a tight fiscal situation. Bosnia and Herzegovina was also badly damaged by floods. And Albania has started implementing austerity measures under the new IMF programme.

So it is not surprising that lending is not picking up. Banks are much more reluctant to lend but they also find it difficult to identify good projects, especially in the vital small and medium-sized enterprise sector (SME). It is a vicious circle: banks are reluctant to lend, and businesses are reluctant to consider going to banks.

When do you expect to see a tangible pick-up in lending activity in the region?

It is impossible to give such a timeline and predict when lending will pick up as it depends on a combination of factors. But there are things that authorities can do to stimulate lending. Mainly it will depend on how quickly pressing problems in the financial sector will be addressed such as the high-level of NPLs, one of the main factors holding banks back from lending.

However, what is important for SEE is that, under the broader umbrella of the Vienna Initiative - a framework for safeguarding the financial stability of emerging Europe launched

at the height of the first wave of the global financial crisis in January 2009, foreign banks have remained engaged. Although the process of deleveraging continues, it is important that it does happen in a coordinated way and in steps rather than in leaps.

Once there is sustainable growth, and there are indications that we will see a pickup next year, we can expect to see an increase in lending, although not instantly. That said one should not expect a return to the growth rates of the early 2000s, when credit growth in some countries was 30% or 40% per year. So, the overall return to “normal” sustainable growth will be a lengthy process.

In particular, what is your view of the ease of access to credit financing that the corporates in the region enjoy?

Access to financing continues to be one of the biggest obstacles, particularly for entrepreneurs and small businesses in all countries of the SEE region. The EBRD is thus working at improving the access to finance through the provision of wholesale long-term funds to partner financial institutions for dedicated purposes such as on-lending to SMEs.

What role could multi-lateral lenders like the EBRD play in boosting lending activity in the region? Do you plan to step up your level of engagement in this area?

Work in the financial sector has always been a key goal and a core competency of the EBRD. The bank played an important role in the development of a modern banking sector in the region, able to serve the economy and private customers. From the start of the crisis, the EBRD has been working with other international financial institutions (IFIs), local authorities and international banking groups under the Vienna Initiative to safeguard the financial stability and prevent uncoordinated withdrawals from the region. Today, the focus is on reigniting the lending process.

One important step in this direction is boosting the confidence of borrowers and lenders. The deposit insurance funds, which we are supporting in Albania, Bosnia and Herzogovi-



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Coordinated approach among banks and regulators would increase the chances of a successful outcome in tackling NPL levels.
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na, Kosovo and Montenegro and planning to support in Serbia, are one important example.

Another example is the multitude of frameworks and funds we have set up to provide targeted support to, say, SMEs, local enterprises, agriculture, energy and resource efficiency, and innovation. By channelling our financing through local banks and other non-bank financial intermediaries such as leasing companies or micro finance institutions, we help them develop their capacity and knowledge in dealing with these specialised types of financing on a sustainable basis.

Within the Vienna Initiative we are working on the regulatory side in high-level policy dialogue with supervisors and authorities on legislation necessary to facilitate the resolution of such problems as the persistent high level of NPLs.

What is your view of the pace of consolidation in the SEE banking sector? What factors could speed up this process? How is the high fragmentation affecting the SEE banks' ability to lend to the corporate sector?

A consolidation of the banking sector in the region is necessary as the current number of banks in relation to the size of the economies and population may not be sustainable.

Consolidation has been gradual over the past few years. While we encourage the process we also want to see strong competition maintained, which is vital for a vibrant economy.

However, there is a level beyond which competition does not improve banking services, but instead leads to fragmentation, which adversely affects the banks' ability to extend lending. This is also a question of the right regulatory framework. At the moment, depleted valuation of banks and parent funding replacement can be obstacles to mergers and acquisitions.

What near- to mid-term challenges do you see for the development of the SEE banking sector?

The biggest obstacle for the development of the banking sector remains the high level

of NPLs, accounting for up to, or even above, 20% of total loan portfolio in some countries. The second biggest obstacle is the weak local currency capital markets, which need to be developed, with a high level of "euroisation" in the system.

Non-bank sources of finance - such as asset-based lending, leasing, factoring, etc - remain limited and need to be developed to increase the levels and efficiency of financial intermediation in the region.

As European banks repair their balance sheets and rethink their business models in a context of stricter regulatory requirements, financial fragmentation and deleveraging is a continuing problem in the SEE region. In addition, the need of banking consolidation is a general trend in the region.



Non-bank sources of finance - such as asset based lending, leasing, factoring, etc - remain limited and need to be developed.



The EBRD is working with other IFIs to support the strengthening of the financial sector by providing both capital and refinancing, and conducting high-level policy dialogue to help authorities deal with the policy framework to address the challenges the sector is facing.

What, in particular, is the risk that NPLs pose to the balance sheets of SEE lenders? Which SEE countries do you see as more exposed to this trend than others?

Addressing the level of NPLs is an urgent issue for SEE countries because dealing with bad-debt portfolios is time-consuming and discourages new lending to the economy. It is important that a coordinated approach among banks and regulators is adopted – this would increase the chances of a successful outcome. However, the NPL problem is multifaceted and there is no magic solution.

First of all, a proper diagnosis is needed to decide which companies with bad debts

would be viable once the debts are restructured and which ones are non-viable and should be allowed to fail and be liquidated. This is a complex task that requires expertise and an enabling legal framework. Authorities should focus on removing barriers to restructuring, while banks should work on isolating impaired loan portfolios so that they can be dealt with effectively and separately from the bank's core business.

While a sustainable NPL resolution is a complex and time consuming task, some of the countries, such as Slovenia, are already making substantial progress towards it. Others, like Montenegro and Romania for instance, are also making efforts in dealing with the problem and are steadily achieving progress. There has been quite an effort to push this forward but more needs to be done.

What could be done in terms of regulatory oversight and government policy to tackle the NPLs issue?

This differs from country to country. Some need to strengthen their laws on insolvency in order to ensure efficient court and out-of-court procedures. A lot is down to the banks which have to clean up their balance sheets, although some countries may consider the so-called 'bad bank' model, i.e. centralized bank asset management funds. Every solution costs time and money. There are different ways to tackle NPLs: write-offs, carve-outs or wind-downs - for which banks need strong capital reserves, which regulators forced them to build up in recent years. But the crucial thing is to act, because the cost of risk provisioning of existing NPLs is weighing heavily on banks' ability to lend.

Vienna 2.0 as successor to the Vienna Initiative has a working group on NPLs. They have issued a report with guidelines and are monitoring the situation. The forum is useful for bringing all parties together to exchange ideas and learn from each other.

The EBRD is also intensifying its engagement to work on NPL resolutions and offering technical assistance by its legal experts and also considering conducting market assessments in some countries.



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TOP 100 insurers

in millions of euro

2013	2012	Company name	Country	Gross written premium 2013	Y/Y change in GWP	Net profit/loss 2013	Net profit/loss 2012
1	1	Zavarovalnica Triglav d.d.	Slovenia	605.8	-6.46%	48.3	50.4
2	2	Croatia Osiguranje d.d.	Croatia	343.7	-3.05%	2.3	15.7
3	4	Adriatic Slovenica d.d.	Slovenia	306.4	13.84%	13.6	13.2
4	3	Vzajemna Zdravstvena Zavarovalnica d.v.z.	Slovenia	267.0	-1.44%	6.8	5.8
5	5	Zavarovalnica Maribor d.d.	Slovenia	252.0	-4.51%	4.8	7.7
6	6	Astra SA	Romania	205.5	-18.56%	-181.4	1.5
7	7	Allianz - Tiriac Asigurari SA	Romania	204.9	2.07%	19.8	-9.7
8	9	Omniasig Vienna Insurance Group SA (formerly BCR Asigurari VIG)	Romania	196.5	10.83%	-48.4	-51.5
9	8	Groupama Asigurari SA	Romania	160.0	-11.09%	-10.2	-19.8
10	11	Allianz Zagreb d.d.	Croatia	153.5	8.24%	12.8	12.0
11	10	Dunav Osiguranje AD	Serbia	153.4	-1.93%	0.139	-12.5
12	15	UNIQA Asigurari SA	Romania	127.1	12.92%	4.1	-4.3
13	13	Euroherc Osiguranje d.d.	Croatia	127.0	-0.64%	13.9	18.1
14	14	ING Asigurari De Viata SA	Romania	124.8	2.76%	2.2	5.7
15	12	Asirom Vienna Insurance Group SA	Romania	121.3	-8.78%	-52.5	3.4
16	17	Euroins Romania Asigurare Reasigurare SA	Romania	112.6	13.50%	-4.4	1.5
17	16	Delta Generali Osiguranje AD	Serbia	109.4	1.72%	11.2	6.9
18	30	Carpatia Asig SA	Romania	107.7	95.34%	-6.7	-1.6
19	18	Generali Romania SA	Romania	97.8	1.55%	4.5	-4.1
20	26	Lev Ins AD	Bulgaria	93.1	14.77%	7.0	0.468
21	20	Armeec AD	Bulgaria	90.7	3.82%	0.227	0.105
22	23	Bulstrad Vienna Insurance Group AD	Bulgaria	88.3	5.19%	0.827	0.352
23	22	Generali Zavarovalnica d.d.	Slovenia	84.5	0.38%	3.1	2.9
24	24	Jadransko Osiguranje d.d.	Croatia	81.9	-0.20%	7.8	10.7
25	21	DZI - General Insurance EAD	Bulgaria	73.1	-13.79%	3.8	6.5
26	27	DDOR Novi Sad AD	Serbia	72.6	0.96%	0.419	2.3
27	29	City Insurance SA	Romania	67.9	15.52%	5.4	7.6
28	28	Allianz Bulgaria AD	Bulgaria	65.6	-5.21%	6.8	5.1
29	31	Wiener Osiguranje Vienna Insurance Group d.d. (formerly Kvarner Vienna Insurance Group d.d.)	Croatia	62.0	16.01%	3.2	0.154
30	41	Euroins AD	Bulgaria	60.8	38.12%	3.2	0.268
31	37	Wiener Stadtische Osiguranje AD	Serbia	58.9	18.85%	1.8	1.9
32	32	Bul Ins AD	Bulgaria	54.5	2.53%	0.703	0.492
33	33	Basler Osiguranje Zagreb d.d.	Croatia	52.2	-0.33%	2.0	-6.8
34	35	Grawe Hrvatska d.d.	Croatia	51.5	0.49%	5.3	4.3
35	19	BCR Asigurari De Viata Vienna Insurance Group SA	Romania	47.6	-49.82%	-3.4	5.6
36	44	Generali Osiguranje d.d.	Croatia	47.3	7.33%	0.391	0.611
37	39	Triglav Osiguranje d.d.	Croatia	46.6	2.28%	1.0	-1.3
38	38	Merkur Zavarovalnica d.d.	Slovenia	46.4	-1.65%	1.6	6.1
39	42	UNIQA AD	Bulgaria	39.3	-2.36%	0.176	0.354
40	49	UNIQA Osiguranje d.d.	Croatia	36.4	23.26%	0.954	0.738
41	43	Merkur Osiguranje d.d.	Croatia	35.7	-4.52%	5.5	4.4
42	48	Victoria AD	Bulgaria	35.2	15.58%	3.0	2.7
43	46	Sarajevo-Osiguranje d.d.	Bosnia and Herzegovina	33.1	0.34%	N/A	0.777
44	45	Grawe Zavarovalnica d.d.	Slovenia	32.5	-3.45%	2.6	3.3
45	51	Allianz Bulgaria Life AD	Bulgaria	31.4	13.46%	4.2	6.8
46	77	Metropolitan Life Asigurari SA (formerly Aviva Asigurari De Viata SA)	Romania	31.3	113.26%	6.5	-3.5
47	47	UNIQA Nezivotno Osiguranje AD	Serbia	30.8	1.09%	0.096	0.006
48	52	Lovcen Osiguranje AD	Montenegro	28.3	3.76%	N/A	0.523
49	55	Generali Insurance AD	Bulgaria	28.3	12.58%	-1.9	0.664
50	40	Alico Asigurari Romania SA*	Romania	27.2	-38.46%	N/A	9.3

**TOP 100
insurers**

in millions of euro

2013	2012	Company name	Country	Gross written premium 2013	Y/Y change in GWP	Net profit/loss 2013	Net profit/loss 2012
51	53	Agram Life Osiguranje d.d.	Croatia	26.9	1.14%	3.5	5.3
52	54	OZK - Insurance AD	Bulgaria	26.9	6.19%	0.052	0.228
53	56	Hrvatska Osiguravajuca Kuca d.d.	Croatia	25.6	5.47%	2.4	2.5
54	50	Energia AD	Bulgaria	25.4	-13.87%	11.7	12.0
55	60	UNIQA Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	24.6	15.50%	0.521	0.316
56	67	Bulstrad Life Vienna Insurance Group AD	Bulgaria	23.6	23.98%	0.421	0.532
57	57	Bosna-Sunce Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	23.3	3.81%	0.234	1.1
58	59	Euroherc Osiguranje d.d.	Bosnia and Herzegovina	22.9	6.43%	2.6	1.4
59	68	Croatia Osiguranje d.d.	Bosnia and Herzegovina	20.7	11.00%	0.875	0.408
60	66	Grawe Osiguranje AD	Serbia	20.5	6.25%	3.0	3.1
61	61	Moldasig SA	Moldova	18.8	1.20%	1.9	1.1
62	70	Sigal UNIQA Group Austria sh.a.	Albania	18.5	6.45%	N/A	N/A
63	75	Erste Osiguranje Vienna Insurance Group d.d.	Croatia	18.2	20.37%	1.2	1.1
64	64	Triglav Osiguranje AD	Macedonia	17.6	-12.21%	1.1	0.450
65	65	Takovo Osiguranje AD - in liquidation	Serbia	17.4	-11.33%	0.023	-1.1
66	81	Croatia Zdravstveno Osiguranje d.d.	Croatia	17.0	31.56%	-1.6	0.396
67	73	Triglav Osiguranje AD	Serbia	17.0	7.13%	-5.9	-4.4
68	76	UNIQA Life Insurance AD	Bulgaria	16.7	11.76%	0.204	0.977
69	69	Modra Zavarovalnica d.d.	Slovenia	16.6	-5.77%	4.1	12.3
70	71	DZI - Life Insurance EAD	Bulgaria	16.5	-2.01%	-5.1	5.1
71	80	AMS Osiguranje AD	Serbia	16.4	22.97%	0.109	0.713
72	New	Lig Insurance SA	Romania	16.3	98.09%	1.1	0.412
73	72	Triglav Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	16.3	-2.21%	1.3	0.588
74	78	BRD Asigurari De Viata SA	Romania	15.5	12.25%	2.1	0.989
75	58	Sunce Osiguranje d.d.	Croatia	15.3	-30.59%	0.710	1.0
76	New	Gothaer Asigurari Reasurari SA	Romania	14.9	N/A	-7.5	-1.9
77	85	Milenijum Osiguranje AD	Serbia	13.6	13.74%	-4.5	0.182
78	New	UBB-Alico Life Insurance Company AD	Bulgaria	13.5	46.80%	3.1	-0.254
79	New	Pool-ul de Asigurare Impotriva Dezastrelor Naturale SA	Romania	13.4	148.97%	0.005	-0.644
80	88	Merkur BH Osiguranje d.d.	Bosnia and Herzegovina	13.4	16.11%	1.0	0.887
81	62	Garanta Asigurari SA	Romania	13.2	-34.46%	-0.420	0.474
82	86	HDI Zastrahovane AD	Bulgaria	13.2	11.71%	0.207	0.167
83	87	Grawe Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	13.1	12.02%	1.2	0.587
84	New	SIVZK	Bulgaria	13.0	179.47%	0.214	0.333
85	82	Eurolink Osiguranje AD	Macedonia	12.7	-1.04%	0.138	0.369
86	97	Certasig - Societate De Asigurare Si Reasigurare SA	Romania	12.0	22.45%	0.076	-0.598
87	74	Jahorina Osiguranje Vienna Insurance Group a.d.	Bosnia and Herzegovina	11.9	-24.41%	-5.5	-0.276
88	83	VGT d.d. Visoko	Bosnia and Herzegovina	11.8	-5.71%	N/A	0.022
89	84	Grawe Romania Asigurare SA	Romania	11.4	-5.99%	0.452	0.298
90	91	Makedonija Skopje AD - Vienna Insurance Group (formerly QBE Macedonia AD)	Macedonia	11.3	0.78%	1.4	-3.9
91	95	Winner Vienna Insurance Group AD	Macedonia	11.0	7.45%	0.556	0.518
92	92	Sava Montenegro AD	Montenegro	10.9	1.26%	1.0	0.753
93	93	Sava Osiguranje AD	Serbia	10.7	2.00%	0.128	0.109
94	90	Sava Osiguranje AD	Macedonia	10.7	-5.11%	0.006	0.010
95	New	UNIQA Zivotno Osiguranje AD	Serbia	10.4	19.67%	0.136	-0.511
96	New	UNIQA AD	Macedonia	10.4	31.16%	0.197	0.204
97	94	Asito SA	Moldova	10.3	10.98%	-1.2	-0.196
98	99	Delta Generali Osiguranje AD	Montenegro	10.3	8.15%	N/A	0.923
99	New	UNIQA Nezivotno Osiguranje AD	Montenegro	10.2	31.33%	-0.308	-0.299
100	New	Alico Bulgaria Life Insurance Company EAD	Bulgaria	10.2	64.97%	0.788	0.787

(*)Figures for the period between January and August 2013, before the company's writing-off the Trade registry.

Uneven recovery constrains insurance business in SEE

The patchy performance of the economies of the countries in South-east Europe (SEE) proved a drag on the region's insurance industry in 2013, leading to a drop of 2.0% to 6.2 billion euro in the combined gross written premiums (GWP) of the entrants in the 2013 edition of the SEE TOP 100 insurers ranking compared to the companies that made the 2012 cut.

The challenging market conditions also affected the profitability of the SEE insurers, pushing them to a combined net loss of 70 million euro last year from a combined net profit of 156.42 million euro in 2012. The count of profitable insurance companies in the region edged down to 77 in 2013 from 78 in the previous year*.

The total combined net profit of the region's top five insurers dropped 18.3% to 75.8 million euro in 2013, weighed down by the tough economic environment. Overall, 68 insurers in the 2013 edition of the ranking recorded higher GWP with 32 posting a drop.

Ljubljana-based Zavarovalnica Triglav kept the mantle of the region's biggest insurer in 2013, posting a total of 605.8 million euro GWP, retaining its sizeable lead ahead of second-ranked Croatia Osiguranje, which recorded GWP of 343.7 million euro. Zavarovalnica Triglav has enjoyed an uninterrupted run at the top ever since the inaugural edition of the ranking of the 100 biggest SEE insurers in 2010.

Zavarovalnica Triglav also led the rest of the field in terms of net profit earned in 2013 with 48.3 million euro. Romania's Allianz-Tiriac Asigurari ranked second while Croatia's Euroherc Osiguranje placed third, earning a net profit of 19.8 million euro and 13.9 million euro, respectively.

The top five spots in the 2013 edition of the SEE TOP 100 insurers ranking underwent only minor changes, with only two companies exchanging their positions compared to 2012 - Adriatic Slovenica advanced by one position, taking the third place in the ranking and pushing down to fourth Slovenian peer Vzajemna Zdravstvena Zavarovalnica. Croatia Osiguranje's runner-up spot prevented a Slovenian sweep of the Top 5 which was rounded off by Zavarovalnica Maribor.

Bulgarian insurer SiVZK, a newcomer to the ranking, recorded the highest GWP growth rate in 2013 of 179.47% to 13 million euro. This performance earned the company an entry into the SEE TOP 100 insurers list for 2013, placing it as the 84th largest SEE insurer in terms of GWP.

Romanian life insurer BCR Asigurari de Viata, a member of the Vienna Insurance Group, led the decliners with a GWP drop of 49.82% to 47.6 million euro. This decrease sent the company tumbling 16 places on the SEE TOP 100 insurers ranking to 35th position compared to its showing in the 2012 edition.

No less than six of the newcomers in the ranking's 2013 edition hail from Romania and Bulgaria – evenly split between the two, while the remaining three came from Montenegro, Macedonia and Serbia.

The Bulgarian newcomers are UBB-Alico Life Insurance Company, SiVZK and Alico Bulgaria Life Insurance Company. They ranked 78th, 84th and 100th, respectively. The newcomers from Romania were Lig Insurance, Gothaer Asigurari Reasurari and Pool-ul de Asigurare Impotriva Dezastrelor Naturale, taking 72nd, 76th and 79th positions in the ranking, respectively.

Serbia's UNIQA Life Insurance (95th), Macedonia's UNIQA (96th) and Montenegro's Uniqa Nezivotno Osiguranje (99th), all part of Austrian insurance group UNIQA, also made their debut in the regional ranking. The spike in the number of UNIQA subsidiaries that made the

Methodology

SEE TOP 100 insurers is a ranking of the largest insurers (excluding re-insurers) in South-east Europe in terms of gross written premium from non-consolidated income statements for 2013.

To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2013 and 2012, 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 data pool exceeds 260 insurers.

list was the result of a deal signed in October 2013 for the acquisition by the Austrian group of the business of Swiss-based Baloise Group in Croatia and Serbia as part of a push for a bigger SEE footprint.

Romania was the market with the biggest presence in the 2013 edition of the SEE TOP 100 insurers ranking, notching up 21 entrants, one less compared to the previous year. The Bulgarian entries rose by two to rank the market second – just one company short of the top-placer. The Croatian companies that made it into the 2013 ranking fell by one from the previous year to 16, ensuring the no.3 ranking for that market.

* full-year data was not available for six companies in 2013 and two in 2012

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Monica Ene-Pietroșanu, Country Manager,
Intel Romania Software Development Center



"I welcome the activity of Business Review over all these years and I congratulate the team for the substantial editorial content, presented with objectivity. I believe the Romanian business climate needs an English-language publication that should present to foreign investors active in Romania, as well as to their employees, the opportunities offered by our country. In its 15 years of existence on the market, Business Review has managed to adjust to the changes and integrate into the new media paradigm, bringing its readership quality content, interactivity and flexibility, both through the online and print editions."

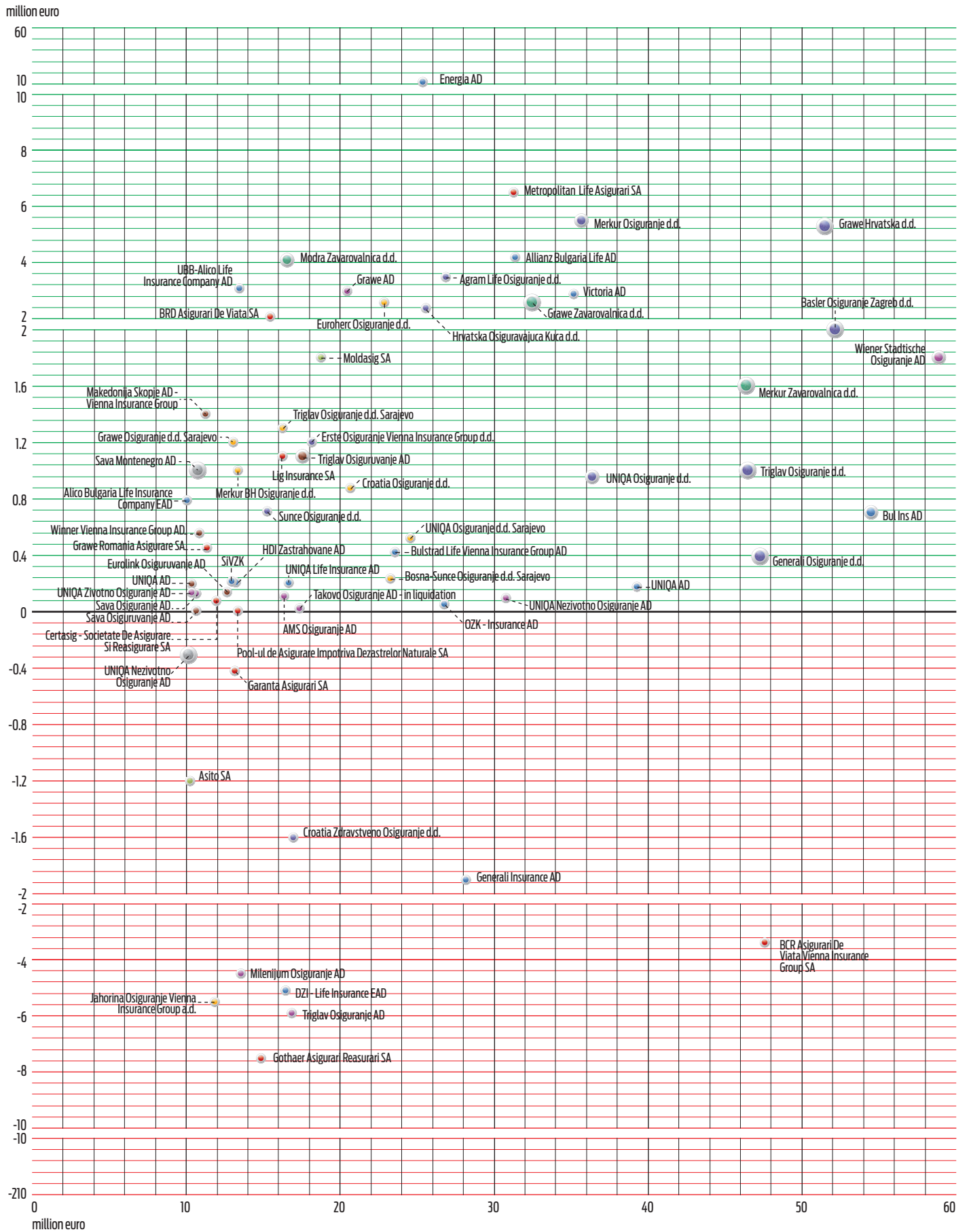
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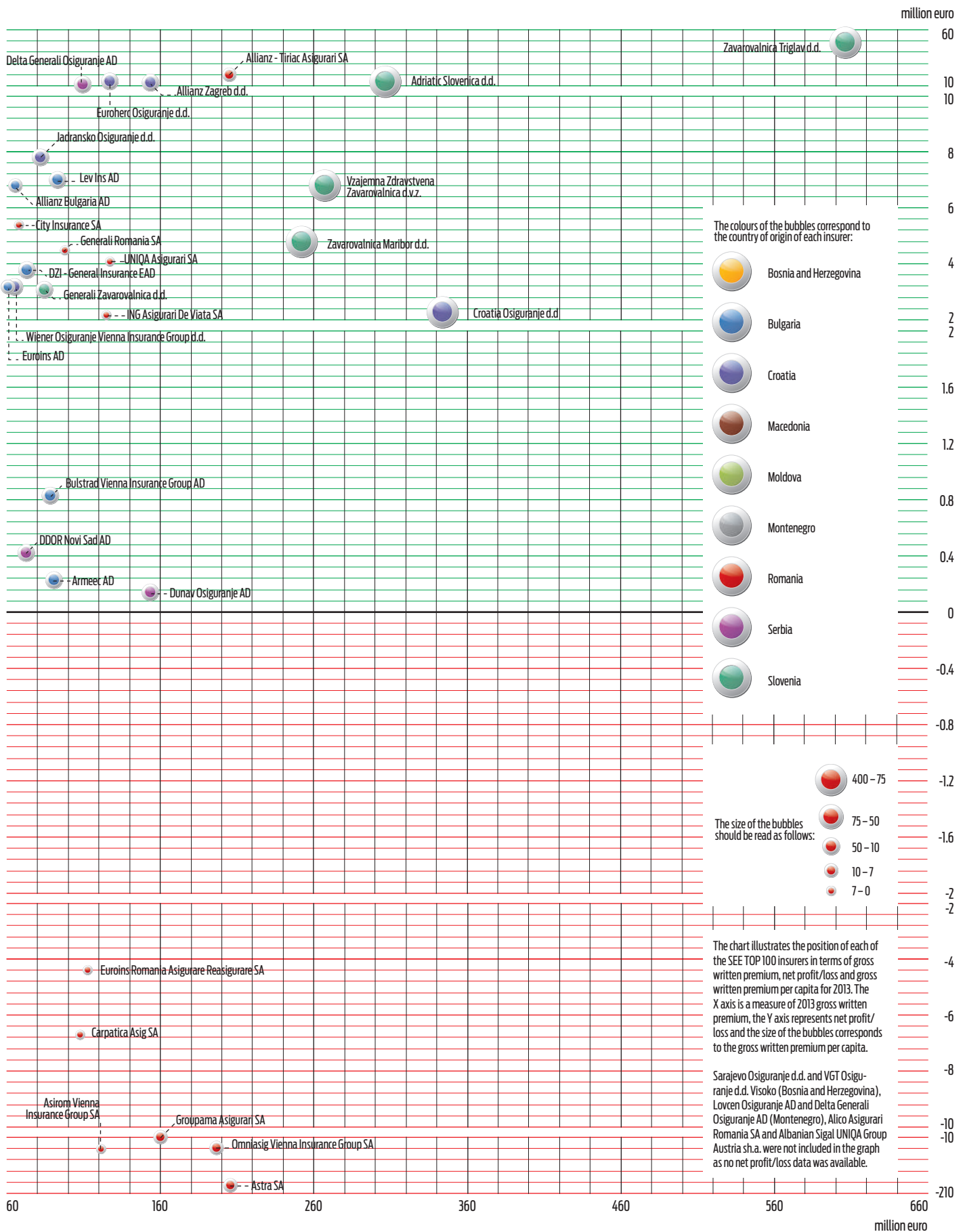
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TOP 100 insurers



TOP 100 insurers



Triglav betting on life insurance segment at home, non-life abroad



Benjamin Josar,
member of the
management board

Slovenian insurance company Zavarovalnica Triglav, set up in 1990, is the controlling company of Triglav Group. Triglav Group posted a consolidated net profit of 69.9 million euro in 2013, down 5.0% from a year earlier. The group's total written premiums dropped 4.0% to 900.9 million euro in 2013. The combined ratio of the Triglav Group was 91%. The group, listed on the Ljubljana Stock Exchange, is active in Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Macedonia and in the Czech Republic, employing a total of 5,350.

What were the underlying trends that shaped the development of the Slovenian insurance market in 2013?

The insurance business in Slovenia in 2013 was affected by difficult economic conditions. The economic instability, corporate bankruptcies, a rising unemployment rate, illiquidity and the deteriorating purchasing capacity of the local population dampened demand for insurance products.

On this backdrop, the insurance companies

operating in Slovenia in 2013 collected 3.7% less in insurance premiums than in 2012 and less than 2.0 billion euro for the first time since 2007. The main reason for this is the lower number of life insurance policies that were sold. Insurance premiums last year amounted to just 5.6% of the country's gross



Insurance business in Slovenia was affected by difficult economic conditions in 2013.



domestic product, the lowest in the last five years. On average, a Slovenian citizen spent 960 euro on insurance, which is 39 euro less than in 2012.

How did Triglav perform against the backdrop of this market environment in Slovenia last year?

In 2013, Triglav continued the implementation of its development strategy, focusing on its main insurance business, on its profitability and on ensuring safe business operations. In these tough economic and market condi-

tions, Triglav Group managed to achieve a net profit of 69.9 million euro. By prudently handling business and financial risks, we also managed to retain a high level of financial stability.

The ongoing economic crisis continued to be reflected in the decline in collected insurance premiums, which were 6.0% lower than in 2012 and failed to reach the planned goals. The diminishing purchasing capacity of the population resulted in a lower level of insurance and both trends were accompanied by a growing unemployment rate, a decrease in the activities of business entities and in the demand for certain products and an extremely intense competition.

What market conditions did Triglav face on its markets abroad in 2013?

The insurance business in the region of Southeast Europe (SEE) faced many challenges in 2013 such as a slowdown in economic activity, rising unemployment, a decrease in purchasing capacity and political instability in some areas. All this led to weaker demand for insurance products. In Slovenia and Croatia, the economic crisis continued and other countries in SEE experienced only minor spurts of economic growth. However, the business of our subsidiary companies is stabilising. The Croatian market was also affected by the complete liberalisation of the insurance market, which has a significant effect on the terms of business of all the insurance companies operating on this market.

Despite the challenging environment, Triglav Group performed well in this region and reinforced its main activity, which can be seen in the growth of the insurance premiums that were achieved in Montenegro, Croatia, the Czech Republic, Bosnia's Serb Republic and Serbia. The group posted a drop in insurance premiums in Bosnia's Muslim-Croat Federation and in Macedonia, which reflects our strategic policy of maximising value instead of the insurance premium.

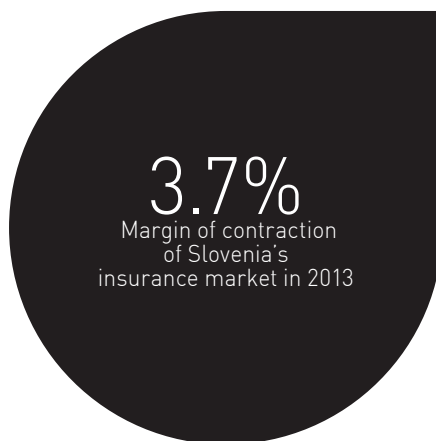
What is your view on the challenges facing the insurance industry in SEE over the medium term?

Each of the eight markets we are present on has its own characteristics. The biggest chal-

• • • • • • • • • •
SEE insurance markets were hit by economic slowdown, rising unemployment in 2013.

• • • • • • • • • •

lenges are the diversity of the markets, the different habits of the consumers, different legislative and regulatory frameworks and country-specific risks. We believe that the legislation and regulation on all markets will eventually be harmonised with the standards of the European Union, which will make business a lot easier for players active on more than one market. We believe that a stable and predictable legislative and regulatory environment is a key requirement in order to be able to count on conducting stable and profitable business operations on a particular market.



Equally challenging are changing consumer habits. The goal is for consumers to view the purchase of insurance coverage not as an unnecessary expense, but as a payment that guarantees the insured parties that their assets will retain their value and will enable a decent life in the event of accidents or other unforeseeable events.

• • • • • • • • • •
Triglav's development strategy focuses on profitability and safe business operations.

• • • • • • • • • •

Where do you see growth opportunities in the region over the medium term, both in terms of specific markets and in terms of product categories?

The Triglav Group's insurance markets in the region are relatively underdeveloped. In the structure of the insurance premium in the region, motor third party liability insurance still dominates premium income. In general, I can say that in the medium term the segment of life insurance in Slovenia has greater potential, whereas in the wider Adriatic region, there is more untapped potential on the nonlife segments. I believe that the markets where the Triglav Group operates are definitely among the more promising ones in terms of the future development of the insurance premiums. At the same time, the profitability of these markets is an important challenge, since market players expect a significant growth in the future and their business models are adapted to their expectations and not to the current conditions.

Do you see room for consolidation on the insurance market in SEE?

Of course, I see this part of Europe as an opportunity for the development of the insurance business and the economy in general. These markets are still fragmented, and furthermore, the growth of the insurance market and the new regulatory requirements will demand a scope of business that some insurance companies will not be able to achieve easily by themselves.

The Triglav Group will monitor the opportunities on individual insurance markets in the region and will, apart from the opportunity for organic growth, also consider growth through acquisitions and through the development of partnerships with relevant insurance firms and financial companies with complementary operations. In this region, we see the Croatian and Serbian insurance markets as having a lot of potential because of their sheer size and the two countries' potential for development. On both of these markets, the Triglav Group is already present and we intend to additionally strengthen our position in accordance with our strategy.

Slovenia's Petrol cements lead in SEE TOP 100 per capita

Slovenian companies continue to dominate the SEE TOP 100 per capita ranking but their lead is dwindling, with Croatia and Serbia slowly closing the gap. Almost half the entrants in the ranking are energy companies.

For a seventh consecutive year Slovenian energy company Petrol led the TOP 100 SEE companies per capita ranking, its revenue per capita rising to 1 646 euro in 2013, from 1 634 euro the previous year. Another proof that the company is strengthening its position is the fact that it moved one spot up, to the fourth position, in the SEE TOP 100 ranking in terms of total revenue in 2013.

Another Slovenian company, power conglomerate Holding Slovenske Elektrarne, followed with 828.8 euro revenue per capita, down from 979.4 euro it recorded in 2012. Slovenian retailer Mercator ranked third with 750.2 euro revenue per capita, an increase from 724.9 euro the previous year. In 2013 Croatian privately-held concern Agrokor signed a deal to take over 53.1% of Mercator in what was probably the biggest sale deal in the region that year. Prior to the arrangement, Mercator was struggling to get back to profitability, being forced to exit the Bulgarian and Albanian market and lay off a number of employees.

It comes as little surprise that companies from Slovenia, a country of around two million, continued to dominate the ranking. What seems to be more interesting is that their lead is shrinking. The number of Slovenian entrants in the ranking fell by eight within a year, to 32. The runner up - Croatia, a country with double Slovenia's population - had 19 entrants in the ranking, up from 18 a year earlier.

Croatian oil and gas company INA ranked fourth with 725.2 euro in revenue per capita versus 805.2 euro in 2012. INA fell one spot in the ranking after a very difficult year, marked by a dispute between the Croatian government and Hungary's MOL, its biggest shareholders, over the terms for the company's management.

Energy utility Hrvatska Elektroprivreda was Croatia's second-best performer, ranking ninth with 400.8 euro in revenue per capita, down from 406.4 in the previous year. The company jumped three positions from the twelfth spot in the 2012 ranking.

No.	SEE TOP 100 No.	Company name	Country	Per capita 2013	Per capita 2012
1	4	Petrol d.d.	Slovenia	1 646	1 634
2	14	Holding Slovenske Elektrarne d.o.o.	Slovenia	828.8	979.4
3	20	Poslovni Sistem Mercator d.d.	Slovenia	750.2	724.9
4	6	INA d.d.	Croatia	725.2	805.2
5	23	GEN-I d.o.o.	Slovenia	642.3	754.4
6	25	Krka d.d.	Slovenia	564.4	530.9
7	3	Lukoil Neftochim Burgas AD	Bulgaria	559.5	597.7
8	176	Elektroprivreda Crne Gore A.D.	Montenegro	449.9	426.6
9	12	Hrvatska Elektroprivreda d.d.	Croatia	400.8	406.4
10	13	Konzum d.d.	Croatia	391.8	399.4
11	43	Lek d.d.	Slovenia	388.8	340.5
12	48	OMV Slovenija d.o.o.	Slovenia	355.8	398.5
13	8	Aurubis Bulgaria AD	Bulgaria	349.2	387.3
14	51	Gorenje d.d.	Slovenia	347.7	354.8
15	52	Telekom Slovenije d.d.	Slovenia	345.4	344.9
16	56	Revoz d.d.	Slovenia	336.3	460.5
17	9	Naftna Industrija Srbije AD	Serbia	317.7	296.9
18	62	Johnson Matthey DOOEL	Macedonia	302.4	235.7
19	285	Jugopetrol AD	Montenegro	284.2	303.4
20	77	Impol d.o.o.	Slovenia	263.0	262.3
21	80	Engrotus d.d.	Slovenia	258.2	286.5
22	15	Lukoil-Bulgaria EOOD	Bulgaria	236.1	260.0
23	102	Elektro Energija d.o.o.	Slovenia	223.1	244.2
24	19	Natsionalna Elektricheska Kompania EAD	Bulgaria	220.8	227.0
25	17	FIAT Automobili Srbija DOO	Serbia	217.6	64.8
26	106	CIMOS d.d.	Slovenia	213.7	195.2
27	103	Okta AD	Macedonia	207.8	290.2
28	105	EVN Elektrostpanstvo na Makedonija AD	Macedonia	204.3	198.2
29	1	OMV Petrom SA	Romania	196.0	204.0
30	21	JP Elektroprivreda Srbije (JP EPS)	Serbia	194.8	165.8
31	37	Hrvatski Telekom d.d.	Croatia	193.3	213.9
32	2	Automobile-Dacia SA	Romania	190.7	133.8
33	39	Prirodni Plin d.o.o.	Croatia	184.4	222.9
34	133	Geoplina d.o.o.	Slovenia	182.7	232.8
35	138	BSH Hisni aparati d.o.o.	Slovenia	176.1	158.0
36	345	Crnogorski Telekom A.D.	Montenegro	170.6	178.3
37	58	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	168.7	171.4
38	143	Makpetrol AD	Macedonia	166.3	193.4
39	154	Druzba za Avtoceste v Republiki Sloveniji d.d.	Slovenia	164.4	158.9
40	96	Bankers Petroleum Albania Ltd.	Albania	160.4	125.1
41	158	Talum d.d.	Slovenia	160.2	145.2
42	101	Kastrati Sh.a.	Albania	151.4	113.2
43	55	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	149.8	125.6
44	5	OMV Petrom Marketing SRL	Romania	149.6	156.9
45	175	Merkur d.d.	Slovenia	147.7	129.7
46	60	HEP-Proizvodnja d.o.o.	Croatia	143.5	134.2
47	182	Eni Slovenija d.o.o. (formerly Agip Slovenija d.o.o.)	Slovenia	143.2	104.1
48	73	Holdina d.o.o. Sarajevo	Bosnia and Herzegovina	140.5	79.2
49	66	Zagrebacki Holding d.o.o.	Croatia	135.2	113.8
50	79	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	133.0	122.0
51	35	OMV Bulgaria OOD	Bulgaria	131.4	126.4

in euro

No.	SEE TOP 100 No.	Company name	Country	Per capita 2013	Per capita 2012
52	67	Petrol d.o.o. (formerly Euro - Petrol d.o.o.)	Croatia	128.7	77.7
53	209	Elektrani na Makedonija AD	Macedonia	121.8	127.4
54	7	Romp petrol Rafinare SA	Romania	121.0	143.0
55	38	Telekom Srbija AD	Serbia	115.0	118.7
56	42	Bulgargaz EAD	Bulgaria	111.9	136.8
57	98	Crodux Derivati Dva d.o.o. (formerly OMV Hrvatska d.o.o.)	Croatia	105.3	125.3
58	45	CEZ Elektro Bulgaria AD	Bulgaria	104.1	98.0
59	47	EPS Snaabdevanje DOO	Serbia	100.0	N/A
60	10	Compania Nationala de Autostrazi si Drumuri Nationale din Romania SA	Romania	99.7	23.7
61	277	SIMobil d.d.	Slovenia	99.6	97.8
62	364	Telenor D.O.O.	Montenegro	99.0	120.9
63	266	Feni Industry AD	Macedonia	98.6	107.2
64	281	Nuklearna Elektrarna Krsko d.o.o.	Slovenia	97.5	95.2
65	283	Letrika d.d. (formerly Iskra Avtoelektrika d.d.)	Slovenia	97.0	93.6
66	50	Termoelektrane Nikola Tesla DOO	Serbia	95.8	85.6
67	104	Plodine d.d.	Croatia	95.6	94.4
68	53	JP Srbijagas	Serbia	94.7	97.3
69	54	Delhaize Serbia DOO	Serbia	94.1	90.9
70	109	Pliva Hrvatska d.o.o.	Croatia	90.6	98.2
71	11	Romp petrol Downstream SRL	Romania	89.6	84.7
72	193	CEZ Shperndarje Sh.a.	Albania	89.3	90.1
73	113	Tisak d.d.	Croatia	88.1	97.8
74	115	Lidl Hrvatska d.o.o. k.d.	Croatia	87.9	78.0
75	147	Arcelormittal d.o.o. Zenica	Bosnia and Herzegovina	86.8	95.3
76	294	Interenergo d.o.o.	Slovenia	84.6	99.1
77	295	UNIOR Kovaska Industrija d.d.	Slovenia	84.3	83.1
78	297	Cinkarna d.d.	Slovenia	84.2	89.8
79	130	VIPNet d.o.o.	Croatia	82.0	88.9
80	163	Konzum DOO	Bosnia and Herzegovina	81.5	80.6
81	134	Vindija d.d.	Croatia	81.1	83.1
82	135	Kaufland Hrvatska k.d.	Croatia	79.6	75.0
83	72	Naftex Petrol EOOD	Bulgaria	78.8	99.1
84	168	BH Telecom d.d.	Bosnia and Herzegovina	78.3	80.6
85	70	Mercator - S DOO	Serbia	78.0	78.1
86	186	Moldovagaz SA	Moldova	77.5	97.5
87	74	Kaufland Bulgaria EOOD & Co KD	Bulgaria	76.9	71.5
88	148	Petrokemija d.d.	Croatia	75.1	89.6
89	16	Kaufland Romania SCS	Romania	74.7	67.3
90	315	Riko d.o.o.	Slovenia	74.7	51.9
91	316	Adria Airways d.d.	Slovenia	73.6	75.3
92	313	Makedonski Telekom AD	Macedonia	72.3	92.2
93	18	British American Tobacco (Romania) Trading SRL	Romania	71.3	68.8
94	160	Mercator - H d.o.o.	Croatia	71.2	70.4
95	320	Odelo Slovenija d.o.o.	Slovenia	71.1	62.2
96	321	Mena Koper Posrednistvo d.o.o.	Slovenia	70.8	62.2
97	323	Kolicevo Karton d.o.o.	Slovenia	70.7	62.1
98	324	Luka Koper d.d.	Slovenia	70.3	68.6
99	372	Rudnik Uglja A.D.	Montenegro	70.0	76.0
100	261	Korporata Elektroenergjitike Shqiptare Sh.a. (KESH)	Albania	69.5	66.8

With nine companies on the list each, Serbia and Bulgaria were tied for the third place. At number 17, oil and gas company NIS was the best Serbian performer in the ranking, with 317.7 euro revenue per capita, up from 296.9 euro. The company was ninth in terms of total revenue in the SEE TOP 100 companies ranking.

Car maker FIAT Automobili Srbija, perhaps the most notable newcomer in the ranking, was the second-best performer among Serbian companies, ranking 25th in terms of revenue per capita. Its revenue per capita jumped to 217.6 euro in 2013 from 64.8 euro in 2012. The company, a joint venture between the Italian car maker and the Serbian state, was Serbia's top exporter in 2013 with 1.53 billion euro worth of exports.

Lukoil Neftochim Burgas remained the best performer among the Bulgarian companies, ending seventh on the per capita ranking.

Romania's top performer, oil and gas group OMV Petrom, which is also the leader in the SEE TOP 100 companies ranking, ended 29th in terms of revenue per capita. Car maker Automobile-Dacia followed, making it to the 32nd spot.

Macedonia had seven representatives in the ranking, while Bosnia had six. Montenegro followed with five companies.

Oil refiner and trader Optima Grupa was the highest-ranked Bosnian company on the list. The Macedonian unit of UK-based specialty chemicals company Johnson Matthey was the top Macedonian performer with 302.4 euro in revenue per capita in 2013, up from 235.7 euro from the previous year.

Montenegrin state-owned energy utility Elektroprivreda Crne Gore made it to the eighth spot in the ranking with 449.9 euro in revenue per capita, up from 426.6 euro in 2012.

Albania had four representatives in the ranking, of which Bankers Petroleum Albania, at the 40th spot, was the top performer. Its revenue per capita stood at 160.4 euro, up from the previous year's 125.1 euro.

Gas utility Moldovagaz, the sole Moldovan company to make the cut, placed 86th with 77.5 euro in revenue per capita versus 97.5 euro in 2012.

In a breakdown by sector, energy companies dominate the TOP 100 per capita ranking in 2013, mirroring the situation in the SEE TOP 100 companies ranking. Wholesale and retail companies ranked second, followed by telecoms.

Methodology

SEE TOP 100 per capita is a ranking based on the same pool of 1,200 companies as in SEE TOP 100. 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.

GEN-I: Slow regulation weighs on SEE gas markets

By Djordje Daskalovic



Igor Koprivnikar,
member of the
management board

Gen-I Group's core activities include international electricity 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, Greece and Turkey.

What medium-term risks and challenges do you see for the electricity trading markets in Southeast Europe (SEE)?

The European wholesale electricity market has changed profoundly in recent years, with the increasing generation of electricity from renewables, with its volatile production pattern, multi-year low electricity prices on exchanges, and frequently negative short-term electricity prices as a consequence. Regulatory changes regarding subsidies for renewables, enormous growth in the latter in recent years and the stepwise introduction of capacity remunera-

tion mechanism schemes are disturbing market principles, price signals are being distorted and based less and less on actual electricity market fundamentals.

Markets in SEE are not isolated from the effects of these changes and are developing in a similar manner. There are still major challenges in the development of common rules and mechanisms, which are affecting and limiting market liquidity in some SEE countries.

What is your view of the state of development of the gas markets in SEE?

SEE is no stranger to changes, although they seem to be much slower than in Western Europe, lagging well behind developments on electricity markets. The main reasons for this slow progress is the dominant position of local incumbent gas suppliers trying to protect their existing market shares, together with sluggish regulatory changes and with, to a noticeable extent, a still-high percentage of long-term and oil indexed contracts.

Based on its many years of experience and expertise in electricity supply, GEN-I recognised the potential of supplying gas to end customers at quite an early stage, and entered the Slovenian market as the first independent market supplier in late 2012, achieving a 19% market share of the Slovenian household natural gas market already in the first year. Since then, we have been expanding our gas trading and supply activities.

What are the implications from the region's economic outlook for the growth pattern of the consumption of gas and electricity in SEE?

The SEE region's industry has suffered significantly from the economic crisis, resulting in a substantial decrease in industrial consumption and an increased proportion of household consumption in the national consumption mix. In the context of a slow economic recovery and the EU Energy Efficiency Directive from 2012, we do not see significant medium-term growth.

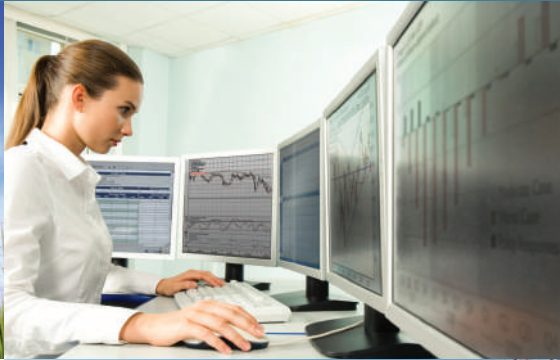
With operations on 18 electricity markets and five natural gas markets, GEN-I continues to reaffirm its position as one of the most advanced market players in Central Europe and SEE, and has proven itself as a flexible and customer-oriented partner. GEN-I offers portfolio management and various trading services to its partners and business customers, helping them to seize opportunities, create added value, and manage their energy costs and the price risks that arise from the market at any point of the day.

How is the planned launch of a power exchange in Serbia and Croatia expected to affect gas and electricity trading in the region?

Power and gas exchanges are a necessity for transparent pricing and a competitive market. The planned launch is therefore a welcome step. This shows that local energy regulators and governments are headed in right direction. However, the launch of an exchange is only one of the necessary steps for a liquid and efficient market. The fragmented markets are too small and the market concentration of typically preferred incumbent suppliers remains much too high.

How is GEN-I positioned to take advantage of growth opportunities on the gas and electricity trading markets in SEE?

GEN-I Group strives to maintain the right balance between global trading and local supply activities, complementing these with a fresh, flexible and innovative approach that represents the basis for a reliable partnership on wholesale and retail energy markets. Our presence on numerous wholesale energy markets enables us to generate synergies that are the result of our extensive market expertise, highly qualified trading personnel, efficient organization and business processes maintained at the highest standards. We also supply electricity and natural gas to small business and private households in Slovenia and Croatia, where we already have more than 120,000 consumers.



gen-i

ENERGY TRADING AND SUPPLY
www.gen-i.eu

TOP 100 listed companies

in millions of euro

2013	2012	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2013	Y/Y change
1	1	OMV Petrom SA	Romania	BVB	SNP	5 934	8.37%
2	2	INA d.d.	Croatia	ZSE	INA-R-A	4 648	-10.55%
3	New	S.N.G.N. Romgaz SA	Romania	BVB	SNG	2 938	N/A
4	5	Fondul Proprietatea SA	Romania	BVB	FP	2 561	49.79%
5	4	Krka d.d.	Slovenia	LSE	KRKG	2 126	20.00%
6	3	Hrvatski Telekom d.d.	Croatia	ZSE	HT-R-A	1 894	-11.50%
7	8	BRD - Groupe Societe Generale SA	Romania	BVB	BRD	1 399	9.59%
8	9	Naftna Industrija Srbije AD	Serbia	BELEX	NIIS	1 322	24.94%
9	6	Zagrebacka Banka d.d.	Croatia	ZSE	ZABA-R-A	1 216	-23.78%
10	7	Privredna Banka Zagreb d.d.	Croatia	ZSE	PBZ-R-A	1 086	-15.74%
11	15	Banca Transilvania SA	Romania	BVB	TLV	811.8	48.75%
12	12	Telekom Slovenije d.d.	Slovenia	LSE	TLSG	794.4	27.21%
13	11	Crnogorska Komercijalna Banka AD	Montenegro	MNSE	CKBP	792.3	0.00%
14	New	S.N. Nuclearelectrica SA	Romania	BVB	SNN	703.1	N/A
15	13	BH Telecom d.d.	Bosnia and Herzegovina	SASE	BHTSR	648.9	6.89%
16	10	Makedonski Telekom AD	Macedonia	MSE	TEL	607.9	-24.98%
17	14	S.N.T.G.N. Transgaz SA	Romania	BVB	TGN	486.3	-16.08%
18	16	Petrol d.d.	Slovenia	LSE	PETG	454.8	-7.78%
19	21	Zavarovalnica Triglav d.d.	Slovenia	LSE	ZVTG	432.0	15.15%
20	26	Rompetrol Rafinare SA	Romania	BVB	RRC	421.0	34.18%
21	19	Bulgarian Telecommunications Company AD	Bulgaria	BSE	5BT	414.3	5.89%
22	20	Telekomunikacije RS a.d. (Telekom Srpske a.d.)	Bosnia and Herzegovina	BLSE	TLKM-R-A	412.0	6.49%
23	28	Bulgartabac Holding AD	Bulgaria	BSE	57B	395.5	34.61%
24	22	Adris Grupa d.d.	Croatia	ZSE	ADRS-R-A	390.3	7.46%
25	17	Konzum d.d.	Croatia	ZSE	KNZM-R-A	386.4	-10.82%
26	36	Ledo d.d.	Croatia	ZSE	LEDO-R-A	338.3	52.54%
27	24	JP Elektroprivreda BIH d.d.	Bosnia and Herzegovina	SASE	JPESR	325.9	-7.06%
28	33	Atlantic Grupa d.d.	Croatia	ZSE	ATGR-R-A	313.4	32.34%
29	18	Poslovni Sistem Mercator d.d.	Slovenia	LSE	MELR	308.8	-28.07%
30	34	Jadranski Naftovod d.d.	Croatia	ZSE	JNAF-R-A	302.1	29.49%
31	30	Croatia Osiguranje d.d.	Croatia	ZSE	CROS-R-A	285.9	11.34%
32	29	Corporate Commercial Bank AD	Bulgaria	BSE	6C9	281.4	-1.26%
33	49	Sopharma AD	Bulgaria	BSE	3JR	264.2	86.43%
34	27	Elektroprivreda Crne Gore AD	Montenegro	MNSE	EPCG	263.2	-15.32%
35	38	C.N.T.E.E. Transelectrica SA	Romania	BVB	TEL	258.1	22.87%
36	39	SIF Oltenia SA	Romania	BVB	SIF5	256.7	39.65%
37	32	Ericsson Nikola Tesla d.d.	Croatia	ZSE	ERNT-R-A	256.3	4.86%
38	35	Adris Grupa d.d.*	Croatia	ZSE	ADRS-P-A	246.1	10.35%
39	25	Alro SA	Romania	BVB	ALR	230.3	-28.55%
40	37	Koncar - Elektroindustrija d.d.	Croatia	ZSE	KOEI-R-A	224.0	1.08%
41	31	Imlek AD	Serbia	BELEX	IMLK	210.0	-14.35%
42	46	Crnogorski Telekom AD	Montenegro	MNSE	TECG	197.9	30.29%
43	23	Petrol AD	Bulgaria	BSE	5PET	196.1	-46.00%
44	55	Jamnica d.d.	Croatia	ZSE	JMNC-R-A	182.5	49.98%
45	40	Riviera Adria d.d.	Croatia	ZSE	RIVP-R-A	181.4	1.29%
46	42	Podravka Prehrambena Industrija d.d.	Croatia	ZSE	PODR-R-A	180.6	4.78%
47	48	Plava Laguna d.d.	Croatia	ZSE	PLAG-R-A	176.0	24.13%
48	44	SIF Moldova SA	Romania	BVB	SIF2	170.1	0.11%
49	41	SIF Transilvania SA	Romania	BVB	SIF3	163.5	-6.80%
50	New	Lukoil Srbija AD	Serbia	BELEX	LOIL	160.7	N/A

Methodology

SEE TOP 100 listed companies ranks the biggest companies in Southeast Europe by market capitalisation as of December 31, 2013, 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).

The initial data pool includes more than 1,300 public companies, located in Southeast Europe with their

TOP 100 listed companies

in millions of euro

2013	2012	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2013	Y/Y change
51	51	SIF Muntenia SA	Romania	BVB	SIF4	158.7	13.12%
52	47	SIF Banat Crisana SA	Romania	BVB	SIF1	158.1	5.18%
53	45	CEZ Distribution Bulgaria AD	Bulgaria	BSE	3CZ	153.8	-3.10%
54	52	Aerodrom Nikola Tesla AD	Serbia	BELEX	AERO	146.7	8.27%
55	58	Valamar Adria Holding d.d.	Croatia	ZSE	KORF-R-A	144.2	33.69%
56	98	Pozavarovalnica Sava d.d.	Slovenia	LSE	POSR	140.2	110.24%
57	50	Helios Domzale d.d.	Slovenia	LSE	HDOG	138.9	-1.19%
58	86	First Investment Bank AD	Bulgaria	BSE	5F4	136.7	73.94%
59	72	Monbat AD	Bulgaria	BSE	5MB	134.5	43.97%
60	New	UniCredit Bank d.d.	Bosnia and Herzegovina	SASE	ZGBMR	133.9	-9.65%
61	57	Luka Koper d.d.	Slovenia	LSE	LKPG	131.6	18.24%
62	56	JP Elektroprivreda HZ HB Mostar d.d.	Bosnia and Herzegovina	SASE	JPEMR	131.2	8.93%
63	82	Albena AD	Bulgaria	BSE	6AB	130.4	54.10%
64	81	Maistra d.d.	Croatia	ZSE	MAIS-R-A	129.7	52.85%
65	43	Dukat Mlijecna Industrija d.d.	Croatia	ZSE	LURA-R-A	129.6	-24.18%
66	54	AIK Banka AD	Serbia	BELEX	AIKB	121.3	-0.88%
67	New	Chimimport AD	Bulgaria	BSE	6C4	119.6	85.85%
68	New	Cementarnica USJE AD	Macedonia	MSE	USJE	119.2	-21.23%
69	60	Komercijalna Banka AD	Serbia	BELEX	KMBN	114.8	6.85%
70	59	Energo-Pro Grid AD	Bulgaria	BSE	2EG	111.2	3.13%
71	67	Viro Tvoronica Secera d.d.	Croatia	ZSE	VIRO-R-A	109.8	12.78%
72	New	Drujba Glassworks AD	Bulgaria	BSE	4DR	109.5	33.33%
73	62	JP Hrvatske Telekomunikacije d.d.	Bosnia and Herzegovina	SASE	HTKMR	105.0	1.56%
74	69	Alkaloid AD	Macedonia	MSE	ALK	104.6	8.29%
75	83	Kaolin AD	Bulgaria	BSE	6K1	104.4	25.69%
76	73	Istraturist Umag d.d.	Croatia	ZSE	ISTT-R-A	104.1	11.97%
77	66	Advance Terrafund REIT	Bulgaria	BSE	6A6	103.6	5.78%
78	84	Velgraf Asset Management AD	Bulgaria	BSE	1VX	100.3	25.00%
79	New	Euroherc Osiguranje d.d.	Croatia	ZSE	EHOS-R-A	99.8	-44.50%
80	92	Zentiva SA	Romania	BVB	SCD	99.5	36.34%
81	79	Frikom AD**	Serbia	BELEX	FRKM	98.8	13.65%
82	65	Tvoronica Duhana Zagreb d.d.	Croatia	ZSE	TDZ-R-A	97.8	-1.20%
83	68	Petrokemija d.d.	Croatia	ZSE	PTKM-R-A	97.6	0.87%
84	71	Hrvatska Postanska Banka d.d.	Croatia	ZSE	HPB-R-A	93.5	-1.20%
85	New	Gorenje d.d.	Slovenia	LSE	GRVG	92.8	53.99%
86	61	Tvoronica Cementa Kakanj d.d.	Bosnia and Herzegovina	SASE	TCMKR	91.1	-13.08%
87	64	Hidroelektrane na Drini a.d. Visegrad	Bosnia and Herzegovina	BLSE	HEDR-R-A	90.4	-9.09%
88	New	Conpet SA	Romania	BVB	COTE	86.9	22.93%
89	89	Valamar Grupa d.d.	Croatia	ZSE	VLHO-R-A	86.5	16.53%
90	90	Concern Bambi AD	Serbia	BELEX	BMBI	86.3	17.13%
91	93	Liburnia Riviera Hoteli d.d.	Croatia	ZSE	LRH-R-A	85.6	19.94%
92	99	Chimimport AD*	Bulgaria	BSE	6C4P	84.0	27.59%
93	New	Antibiotice S.A.	Romania	BVB	ATB	83.5	73.03%
94	80	Hidroelektrane na Trebisnjici a.d.	Bosnia and Herzegovina	BLSE	HETR-R-A	83.1	-2.99%
95	New	HUP - Zagreb d.d.	Croatia	ZSE	HUPZ-R-A	82.5	27.33%
96	70	Sojaprotein AD	Serbia	BELEX	SJPT	81.5	-15.65%
97	85	Atlas Banka AD	Montenegro	MNSE	ATBA	78.8	0.00%
98	New	Turisthotel d.d.	Croatia	ZSE	TUHO-R-A	76.5	27.13%
99	New	Siemens d.d.	Croatia	ZSE	SMNS-R-A	76.2	55.79%
100	74	Luka Rijeka d.d.	Croatia	ZSE	LKRI-R-A	74.4	-19.02%

(*) Preferred shares

(**) Market capitalisation as of Aug 13, 2014, when the company is delisted.

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 2013 and 2012.

SEE region's top 100 listed companies boost capitalisation in 2013

The market capitalisation of the entrants in the 2013 edition of the SEE TOP 100 listed companies ranking totaled 44.7 billion euro, compared to 39 billion euro for the firms that made the 2012 list. Most entrants in the ranking – 65, saw their market capitalisation rise, with 30 posting a decline.

In 2013, the main blue-chip stock indices of the bourses in Southeast Europe (SEE) mostly built on the rally that had started in 2012 with all of them closing out the year in green. The runaway pace-setter was the BET, the blue-chip index of the Bucharest bourse, BVB, with the rest of its regional peers posting more modest gains.

On the market capitalisation side, the Bucharest bourse was again the front-runner in terms of growth in 2013 with the region's other two big hubs – Zagreb and Ljubljana, posting a mixed picture on the backdrop of balance sheet woes in the banking sector and subpar showing by one-time star performers.

The market capitalisation of the region's top 100 listed companies rose to 44.7 billion euro in 2013 from 39 billion euro a year earlier. Most entrants in the ranking – 65, saw their market capitalisation rise with 30 posting a decline compared to 2012.

All four of the Zagreb bourse's top 10 placers experienced double digit drops in their market capitalisation as competition in their respective sectors intensified while the recession continued to hurt banking sector portfolios.

The Bucharest bourse matches its counterpart in Zagreb in terms of top 10 entries, but the Romanian companies are clustered much closer to the top as well as claiming the no.1 spot itself courtesy of OMV Petrom.

Although the second largest in the region in terms of total market capitalisation behind

the hub in Bucharest, the Zagreb bourse boasts the largest presence in the top 100 ranking, accounting for a third of the entries. The BVB is represented by 18 companies in the ranking.

The 2013 edition of the top 100 ranking was somewhat more stable, featuring 14 newcomers versus 20 in the 2012 edition.

BULGARIA

Georgi Georgiev,
portfolio manager, Karoll Capital Management:

The last couple of years have definitely seen interesting developments on the Bulgarian Stock Exchange (BSE). The negative trend that started at the end of 2007 eventually played itself out and after the market formed a significant bottom during the summer of 2012, it entered a new positive cycle.

Although during the first half of 2013 the focus in Bulgaria was mainly on tensions building up on the local political scene that did not dampen the momentum of the stock market rally. After a minor consolidation it was back to full strength and in the autumn accelerated its pace, helping the SOFIX push beyond the important technical level of 515 points. As a result, the Bulgarian stock market was recognised as the region's top performer in 2013 while also placing among the front-runners worldwide with a growth of 42.28%. The traded volumes also increased considerably along with foreign interest in Bulgarian equities compared to the situation in the previous five years.

Just as Bulgaria nearly lost its billing as one of

the most stable countries in the region considering the political situation in the beginning of 2013, for a period of 3-4 months in the summer of 2014, the myth that its banking system was extremely stable was also debunked. That reflected negatively on investor sentiment and after the solid start to the year – the SOFIX had gained 26.5% in the preceding three months, it collapsed and lost a big chunk of its gains.

As it currently stands, the situation on the stock market does not support expectations for a decisive move either up or down until the end of 2014. The market has already absorbed a major portion of the bad news, including the implications from recent events on the political scene and in the banking sector. Still, it would be unrealistic to expect that investor confidence would recover fully very soon. The most probable scenario for the moment is a consolidation at the current levels until the end of the year and a likely resumption of the strong uptrend in 2015. An important support level for the SOFIX is the range around 460 points - a drop to this mark would still leave the gains from the current rally intact.

A positive signal for the market could be the long awaited sale of the operator of the Sofia stock exchange. However, what is most important for the moment is the political and macroeconomic stability of the country. Both of those are crucial factors for shaping sentiment among local and foreign investors. The lowering of deposit rates could also give the stock market a boost as investors could be more willing to take risks in order to receive higher yields for their money.

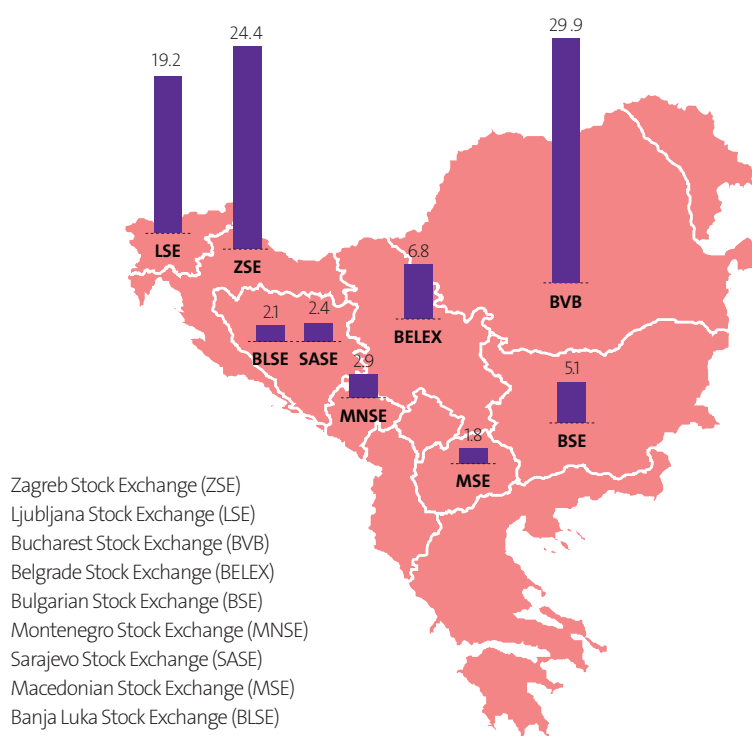
CROATIA

Anto Augustinovic, senior equity analyst,
Erste&Steiermaerkische Bank:

The beginning of 2013 on the Croatian equity market seemed very promising. Positive sentiment generated by Croatia's upcoming accession to the European Union drove equity bench-

SEE stock exchanges market capitalisation

as of 31.12.2013, in billions of euro



gence of private consumption. This has triggered positive sentiment towards Romania and - coupled with low inflation - has been reflected in historically low levels of yields for leu-denominated Treasury securities.

The local equity market continued to rise during the first seven months of 2014. The main local share index, the BET, has gone up by 6.0% year to date after an impressive 26% return in 2013, excluding dividends. The average daily liquidity for the first half of 2014 - excluding special transactions such as private placements and public offerings - climbed to 8.5 million euro compared to 7.3 million euro of average daily liquidity in 2013. For the rest of 2014 we do not see much activity on the primary market from state-owned companies as the much awaited Hidroelectrica IPO was postponed after the company reentered insolvency. But we expect to see other placements from closed-end investment fund Fondul Proprietatea and next year we could see new SPOs as the state apparently intends to float additional stakes of listed state-owned companies.

The positive trend in 2014 could be partially explained with the higher weight awarded to Romania in the MSCI Frontier Markets indices. Romania's weight in MSCI FM 100 index could go up to 3.4% by end-November 2014 - based on MSCI estimates - from 2.3% presently. Since funds managing around \$14.5 billion use frontier market indices as benchmark, we expect a positive impact on both liquidity and prices. Looking further ahead, we believe that there are real chances that MSCI could put Romania on the monitoring list to become an "emerging market" as soon as next year. This could lead to an overall rerating of the Romanian stock market.

SERBIA

Mladen Dodig, head of research, Erste Bank Serbia:

Global equity indices recorded an excellent performance in 2013. Thanks to the expansionary monetary policies of central banks and declining government bond yields, developed equity markets became attractive investment destinations. At the same time, the performance dynamics of emerging and frontier markets were weaker, a fact which can be attributed to certain specific characteristics of less developed markets.

In the case of the Belgrade Stock Exchange, a

marks higher and increased market liquidity. During a three-month rally from its lows in December 2012 until mid-March 2013, the benchmark CROBEX stock index surged around 20% to reach 2 000 points, a jump which was accompanied by significantly higher trading volumes. However, that optimism started to wane after corporate results in the first quarter of 2013 reminded the market that the Croatian economy was still not doing very well.

Indeed, prolonged weakness in the macroeconomic environment has been the biggest burden for equity market development for several years, and perhaps the main reason why Croatian equities missed the global rally that we have been seeing since the bottom that was hit in 2009. That was again the case in the latter part of 2013, when equity benchmarks erased most of their initial gains, pressured by deteriorating fundamentals in the economy and corporate earnings. The CROBEX ended the year with a 3.1% gain, while total turnover slightly declined compared to a year earlier.

Still, the performance of the various sectors traded on the bourse was not that homogeneous with several of them pacing the rest. This primarily refers to tourism companies, which were the undisputed winners in 2013, with the sector benchmark CROBEX_{turist} surging 40%. Tourism was only one of a few parts of the Croatian economy that performed well, a fact which was reflected in

the market prices of hotel operators, being additionally elevated by consolidation and M&A activity in the sector.

A completely different story played out for those companies and sectors mainly reliant on domestic demand, such as telecom service providers, non-exporting companies, or almost the entire construction sector. Weakening fundamentals drove many companies to pre-bankruptcy settlements, which included substantial balance sheet restructuring, write-offs, debt-for-equity swaps, and hence very volatile stock prices.

Mergers and acquisitions have been, and remained, one of the biggest market drivers, which brought additional activity and dynamics on the market. The story continues, with expected further consolidation and takeovers in the tourism sector and intensified privatisation efforts by the Croatian government, which now cover majority stakes in already listed companies, but also very valuable minority stakes in blue-chip companies such as Koncar Elektroindustrija or Hrvatski Telekom.

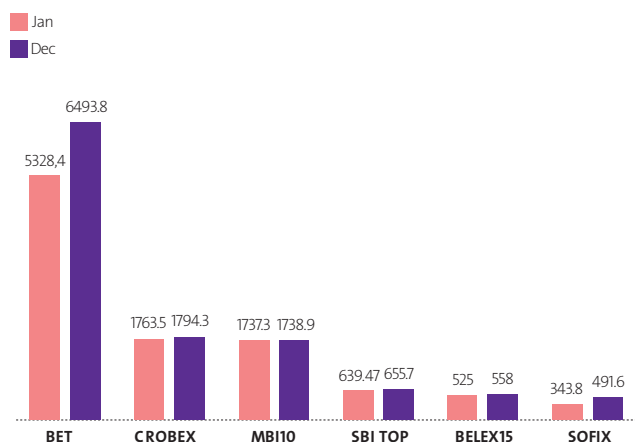
ROMANIA

Catalin Diaconu, Iuliana-Simona Mocanu, Alexandru Combei, analysts, Raiffeisen Research:

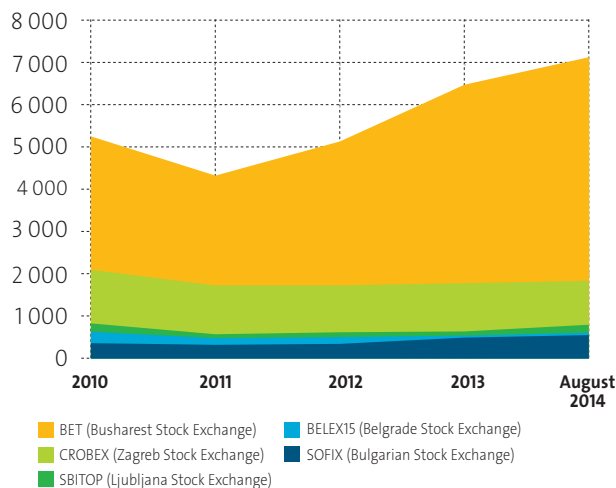
After Romania posted a GDP growth of 3.5% in 2013, Raiffeisen Research expects a similar performance in 2014, driven by the resur-

TOP 100 listed companies

Blue-chip indices of major SEE bourses in 2013
(in points)



Blue-chip indices in some SEE countries
(index value at period-end)



lack of 'blue chips' and low liquidity in equity trading are the main reasons why large institutional investors are still avoiding exposure to this interesting market. Despite the challenging macroeconomic environment, we expect that this will change, as Serbia is intensifying reforms and heading towards EU membership. The political arena is now characterised by a significant degree of stability. The domestic currency is stable, while interest rates fell in the last two years. The corporate governance situation, the transparency of listed companies and the general reporting requirements have substantially improved with the adoption of new regulations.

But low trading volumes remain the main obstacle for major players from the asset management industry. This could be instantly improved by the listing of those state-owned companies in which Serbian citizens already own shares through the government's free share distribution program.

It would be very difficult for any of these listings to occur in 2014, as the macro outlook became more blurry after both growth and fiscal prospects deteriorated recently. We have revised our 2014 growth forecast to minus 0.5% from 1.0%, after disastrous floods in May took a strong bite out of agricultural and energy production. Also, more reserved tones from the authorities indicate a milder consolidation and reform agenda than had been hoped for. However, the strategy for the capital market development is quite clear – bigger companies on the bourse, more reporting and transparency, more visibility of the market – and will be rewarded by investors.

SLOVENIA

Saso Stanovnik, head of research, Alta Invest:

At first glance, the Slovenian stock market had a relatively weak year in 2013. Namely, the main stock index, the SBI TOP, delivered only 3.2% growth in 2013 and was still roughly 20% down from the March 2009 levels when developed markets bottomed out. However a detailed view shows a big discrepancy between returns from companies on the government's privatisation list and companies still struggling with excessive financial gearing.

Namely, the stock price of airport operator Aerodrom Ljubljana surged by an astonishing 130% in 2013, the price of incumbent telecommunications company Telekom Slovenije jumped 27% and the stock prices of food producer Zito and titanium dioxide producer Cinkarna Celje increased by 14% each. All of them found themselves on the privatisation list in May 2013.

On the other hand, food retailer Mercator experienced a 28% decrease in its stock price in 2013 while brewer Lasko was down 43% despite holding on to a dominant domestic market share. The most liquid share was as always generic pharmaceutical company Krka with 20% stock price increase for the year. Therefore we can say that stock market returns in 2013 were mostly dictated by a privatisation process, however valuations also played a role. Namely, as 2013 started on a depressed investor sentiment level and excessive non-adjusted aggregate valuation, several companies with sound balance sheets and operations had a price to earnings

ratio of below 10. This in most cases started to positively adjust during 2013 as investors searched for value.

On aggregate level, earnings stagnated in 2013 versus 2012, burdened by adverse domestic and regional economic environment and impairments tied to bad investments. We should note that the long-awaited recapitalization of the local banks happened only towards the end of 2013, therefore the situation in the sector did not get a chance to begin to stabilize that year. However, we should also note dividend payout ratios mostly increased as not only the state but also private investors often demanded higher dividends than managements proposed. Again, the stock market witnessed a stark contrast between companies not being able to pay out even symbolic dividends as balance sheets were overstretched by debt and companies that had a sound balance sheet and stable cash flows and consequently paid dividend yields north of 5.0%.

In 2014, the main theme will remain the privatisation drive, namely whether the ongoing sell-off procedures would end successfully and if new names will be picked for government divestments. However, the political turmoil in the spring of 2014 that ended with a completely new party securing most parliament seats in a snap vote added to the complexity of making capital market and privatisation forecasts. Earnings should start to grow albeit at low pace while investors will need to put ever more efforts into stock picking to find value amid privatization speculations on a shallow market. All in all, high returns are still plausible due to this but, on the other hand, risks are building up.

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Automakers speed up the 2013 SEE industrial ranking

The oil and gas industry, the biggest in the region, posted a slight decline in total revenue and a sharp fall in profit. Pharmaceuticals remained the most profitable industry with a 13.35% return on revenue.

For the first time in five years the 2013 SEE industrial ranking saw a reshuffle among the top four, with the automotive industry climbing up to the fourth spot on a 48% increase in total revenue. Car makers in Southeast Europe (SEE) have seen a steady rise in their total revenues over the past years – from 4.6 billion euro in 2010 to 5.6 billion euro in 2011, 6.65 billion euro in 2012 and 9.05 billion euro in 2013, making their way up the ranking. They also managed to turn to a combined net profit of 138 million euro in 2013 from a net loss of 36 million euro a year earlier.

The automotive industry had seven representatives in the SEE TOP 100 companies, including FIAT Automobili Srbija, which booked a threefold increase in revenue to 1.576 billion euro. The Serbian company climbed up to the 17th place from the 88th - the highest jump in the SEE TOP 100 companies ranking. Romanian car maker Dacia too had a successful year - after slipping two spots to number 7 in the ranking of the biggest companies in the region in 2012, it climbed again to the second

position, its revenues increasing 44% within a year to 4.16 billion euro.

The oil and gas industry, however, remained the biggest industry in the region. Its total revenue, though, dropped 5.45% to 41.77 billion euro, whereas total net profit plummeted to 659 million euro from 1.09 billion euro a year earlier.

The three companies in the SEE TOP 100 ranking to post the biggest profit are representatives of the oil and gas sector - OMV Petrom, Naftna Industrija Srbije, and Romgaz. However, as many as eight of the ten biggest loss-makers among the biggest corporations in the region also come from the oil and gas sector, with JP Srbijagas as the worst performer. Industry officials have pointed to depressed demand and, in Romania in particular, an increased fiscal burden, as hurting their bottomline.

The wholesale and retail sector remained third for the fourth consecutive year, after registering a 2.08% rise in total revenues to 13.3 billion euro. It turned to a net profit of 89.4 million euro after a net loss of 12.4 million.

Like elsewhere in Europe, the telecommunications sector in SEE region is not showing signs of recovery – the telcos that made it into SEE TOP 100 recorded a decline in their combined net profit to 571.9 million euro in 2013 from 633.8 million euro a year earlier on a 1.74% drop in total revenues to 5.32 billion euro. Tel-

ecomunications, however, remained one of the most profitable industries in the region with a 10.75% return on revenue.

Construction led the ranking in terms of sharpest rise in revenue in 2013. The sector's combined revenues surged fourfold to 2.17 billion euro, and its total net profit rose 44% to 56.5 million euro. However, it would be premature to draw any conclusions about the state of the sector as these figures reflect the performance of just one company that made it into the SEE TOP 100 ranking - Romanian state-owned road construction and maintenance company CNADNR. Furthermore, transfers from the state budget accounted for a large part of the company's total revenues.

The biggest revenue drop, by 30%, was posted by the transportation sector, but here too no conclusions can be made as the figures reflect the performance of only one company, Romanian state-owned railway infrastructure operator CFR.

Pharmaceutical companies remained the most profitable in the SEE region for yet another year with a combined return on revenue at 13.35%, on the back of the performance of only two companies – Slovenia's Krka and Lek.

The rubber and rubber products industry took the second place in the ranking, with a 12.49% return on revenue, also based on the results of two companies, both car tire makers.

SEE industrial ranking 2013

SEE industrial ranking 2013							in millions of euro	
2013	2012	Industry	Total revenue 2013	Y/Y revenue change	Net profit/loss 2013	Net profit/loss 2012		
1	1	Petroleum/Natural Gas	41 773	-5.45%	659.0	1 086		
2	2	Electricity	17 172	6.65%	640.8	127.0		
3	3	Wholesale/Retail	13 319	2.08%	89.4	-12.4		
4	5	Automobiles	9 047	47.56%	138.3	-35.5		
5	4	Telecommunications	5 321	-1.74%	571.9	633.8		
6	6	Metals	4 341	-13.71%	-168.0	18.3		
7	7	Food/Drinks/Tobacco	2 616	1.32%	95.2	95.0		
8	14	Construction	2 173	319.66%	56.5	39.3		
9	8	Pharmaceuticals	1 899	9.14%	253.5	230.5		
10	10	Electronics	1 332	6.56%	15.6	0.170		
11	13	Agriculture	1 200	28.42%	-2.7	2.6		
12	11	Diversified Holdings	1 086	-8.97%	5.8	-1.9		
13	12	Rubber/Rubber Products	1 064	1.43%	132.9	97.9		
14	15	Chemicals	631.1	28.59%	29.7	29.5		
15	9	Transportation	511.8	-30.09%	18.8	32.7		

Most profitable industries 2013

	Industry	Return on revenue 2013
1	Pharmaceuticals	13.35%
2	Rubber/Rubber Products	12.49%
3	Telecommunications	10.75%
4	Chemicals	4.71%
5	Electricity	3.73%
6	Transportation	3.67%
7	Food/Drinks/Tobacco	3.64%
8	Construction	2.60%
9	Petroleum/Natural Gas	1.58%
10	Automobiles	1.53%
11	Electronics	1.17%
12	Wholesale/Retail	0.67%
13	Diversified Holdings	0.53%
14	Agriculture	-0.23%
15	Metals	-3.87%

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Max: 4G LTE to help speed up convergence of telco services

By Borislava Andreevska



Peter Covell,
CEO

Sofia-based operator Max, launched as a WiMax carrier in 2007, commissioned the first Bulgarian commercial 4G LTE mobile network in 2014. The company, acquired in 2013 by London-based private equity investor Daniel Kupsin, plans to raise the coverage of its 4G LTE service in terms of population to 55% in five years. The investment tag for the five-year 4G LTE rollout plan is seen at 75 million euro.

What is the state of play on Bulgaria's mobile services market? Where do you see growth opportunities over the medium term?

Bulgaria is in a unique situation. People here are addicted to their mobile phones more so than anywhere else – they want to be uploading, downloading and upsizing all the time - which leads to the need for exceptional data

speeds.

We have to have in mind that data has changed a lot. A new survey in the UK of under 15-year-olds showed that only 3.0% of them make voice calls. That's quite a departure from the business model of an existing mobile company and where their revenues are. The trend in Europe now is to do a lot of network sharing for two reasons – for cost,

obviously, as you don't have so much capital expenditures and you share the operating costs, but the impact on the environment is also an issue. That really hasn't come here as yet and really needs to happen.

Also what was seen in Europe as mobile data speeds increase is that the dependence on fixed networks decreases. Why would you have a fixed line at home when you come

Security of supply at the fore of SEE energy policies

By **Costis Stambolis**
Executive Director of the Institute of Energy for South East Europe

The latest Russian-Ukrainian crisis and its serious repercussions for energy trade between Russia and the European Union (EU) amply demonstrates the importance of energy security. Although part of a bloc, EU member states are far from being aligned to a common energy policy which only recently has begun to take shape, mainly through the imposition of internal market policies and directives and common goals for CO2 emission reductions and maximization of the use of renewable energy sources (RES).

What is apparently lacking from present EU energy policies is a “security of supply” dimension at both national and bloc-wide level. Until now most countries in the EU had a well developed local supply basis - on the strength of their extensive coal reserves - which covered the vast majority of their needs for power generation and relied on oil imports - to varying degrees, to mainly cover transportation needs and in some cases power generation. Diversification of energy supply, although necessary and accepted by many countries as a top national priority, was for the most not an easily attainable objective.

Over the last ten to fifteen years everything has changed on the energy supply front as a result of EU internal market energy rules, the growing imports of natural gas - mainly used for power generation, the emphasis on RES use and the introduction of disincentives for coal and lignite use for power generation. At the same time, neither the EU nor indi-

vidual states - with the exception of North Sea countries, have pursued strong and consistent policies for the development of indigenous hydrocarbon resources. As a result, oil and gas import dependency has risen to unacceptably high levels as is the case in South-east Europe (SEE).

For some countries such as Bulgaria, Slovakia, Hungary and the Baltic states, the dependence on Russian gas imports is total. Greece is also highly dependent on Russian gas imports. Turkey, too, relies for almost 50% of its imports on Russian gas. For ex-Soviet bloc countries that dependence is legacy of history. For others, like Greece and Turkey, it is the result of failed policies and wrong decisions which have prevented them from developing a well-balanced and diversified energy resource base. On this backdrop, the need to introduce and match energy security across the whole of the EU to the current political

realities emerges as a top priority in the current EU policy agenda.

Several key pan European projects will need to be implemented over the coming years in order to facilitate the flow of electricity and gas across national borders. These range from the expansion of the current electricity grid through the establishment of regional hubs and interconnections, the construction of major inter-regional gas pipelines and several country-to-country interconnectors and the introduction of new LNG terminals, both land-based and floating.

In the latest EU policy paper entitled “Commission Staff Working Document: In-depth study of European Energy Security”, there is no mention of the costs involved in improving energy security and the unavoidable impact on European competitiveness. Shale gas and tight oil is giving the U.S. a dramatic

Oil and gas production and consumption

COUNTRY	GAS PRODUCTION (bcm/year) [2012]	GAS CONSUMPTION (bcm/year) [2012]	OIL PRODUCTION (thousand b/d) [2013]	OIL CONSUMPTION (thousand b/d) [2013]
ALBANIA	0.05	0.03	18.20	31
BOSNIA & HERZEGOVINA	0	0.20	0	29
BULGARIA	0.20	2.70	3.50	105
CROATIA	1.61	2.82	20.0	93
CYPRUS	0	0	0	61
MACEDONIA	0	0.10	0	19
GREECE	0	4.20	2.70	350.70
MONTENEGRO	0	0	0	4
ROMANIA	10.90	13.50	102.10	220
TURKEY	0.80	46.30	44.76	655.40

Source: IENE

Installed renewable electricity capacity in SEE in 2013

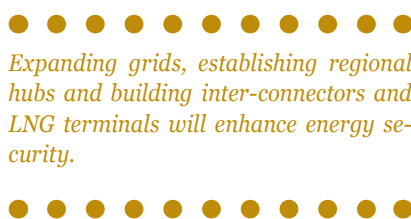
	Hydro (MW) ^[1]	Wind (MW)	PV (MW)	Total RES+Large Hydro (MW)	Total Electricity (MW)	RES (total %)
Albania	1 466	0	0	1 466	1 496	96%
Bosnia and Herzegovina	2 058	0	0	2 058	3 850	53%
Bulgaria	2 183	682	980	3 874	13 759	29%
Croatia	2 112	230	2.9	2 350	4 268	54%
Macedonia	580	0	1	581	1 600	36%
Greece	3 060+218	1 865	2 600	7 900 ^[2]	17 700	44%
Montenegro	660	0	0	660	870	73%
Romania	6 400	2 198	413	9 050 ^[3]	17 360	50%
Serbia and Kosovo	2 831	0 ^[4]	2	2 833	8 360	34%
Turkey	14 000	3 080	2	17 340 ^[5]	61 070	28%

Source: IENE

- [1] - Including both large and small hydro
- [2] - Including some 50 MW of biomass installation
- [3] - Including some 50 MW of biomass installation
- [4] - As wind farm of 120 MW is under construction
- [5] - Including 180 MW of geothermal power plants

competitive advantage, while Europe is losing market share and jobs in all the energy intensive industries. But as with the bloc's common agricultural policy, the fact that supplies could be imported more cheaply is not a key factor and therefore it is not even discussed. Of course, Europe could meet all its own electricity needs from renewables but the cost – as the Germans, the Greeks, the Bulgarians and the Italians are finding – is punishingly high. The message of the document which reflects current EU thinking and in fact was adopted by EU's June Summit Meeting, is that imports are bad, and should be reduced. Where they cannot be reduced, the sources of supply should be diversified. It seems that eurocrats assume that energy is solely a matter of public policy and consequently economics and the specific characteristics of certain countries are missing elements from that discussion (i.e. Greece's and Portugal's island environment). Also, there is nothing on science or the potential for technical change, which is regrettable, given Europe's strong, scientific base. The technology of energy supply and consumption is moving rapidly and it would be useful to see Europe doing more to match the efforts being made by the U.S. and China.

On the key issue of energy security on the one hand we have EU's almost academic approach to energy security and on the other we have the harsh daily reality that countries in SEE face, as they count oil and gas storage levels and try to match energy flows and needs through a delicate balancing act. To



Expanding grids, establishing regional hubs and building inter-connectors and LNG terminals will enhance energy security.

them, projects such as TAP-TANAP, planned liquefied natural gas (LNG) terminals such as the Krk LNG Terminal in Croatia and Greece's FSRU units in northern Aegean, and local vital gas links like the Greece-Bulgarian interconnector (IGB), the Bulgaria-Serbia interconnector (IBS) and the Bulgaria-Romania interconnectors (IBR) acquire a special significance.

Indicative of the anxiety which currently prevails in SEE over energy supplies is the Greek government's request to the EU of August 21 to set up a backup plan to ensure LNG is available for Balkan countries in the event of potential disruptions to Russian gas supplies stemming from the crisis in Ukraine. In a letter sent to European energy commissioner Guenther Oettinger, Greek energy minister Yannis Maniatis proposed an EU emergency mechanism to ensure that surplus amounts of lower-priced LNG are reserved for EU member states with gas shortages instead of being sent to other destinations.

RES which is in abundance in SEE is another issue of contention. The wider use of RES in only one of the responses to energy se-

curity alarms, which, in fact, presupposes a solid commitment to a long-term strategy for their development and penetration into the energy mix. The most effective policy response aims at a diversification of energy inputs, with RES only one of them and albeit a small one at present.

Energy efficiency improvements through demand side management and technological innovation can cost-effectively mitigate the large-scale impact of energy supply disruption in the electricity and heat sectors, and to a limited degree in the transport sector too. A combination of demand side management and energy efficiency measures can reduce the dependence on fuels for the production of electricity, heat and transport fuel.

As a general observation one could say that the increased participation of RES in the energy mix can play an important role in strengthening energy security at both country and regional level. However, a high RES percentage participation in the energy mix can be misleading because of the intermittent nature of RES. In that sense there is still considerable ground to be covered for increasing RES actual contribution in the energy mix of SEE countries. Large scale application of energy efficiency measures can also contribute greatly toward energy security by curtailing energy demand. However, their contribution is not easily quantifiable.

As far as the energy security implications of renewable energy technologies are con-

Mega energy projects in SEE and the East Mediterranean

Project	Capacity (bcm/y)	Distance (kms)	Estimated	Sponsors	Anticipated Start Up Date	Project Status
TAP	10 – 20	791	1.70	EGL, STATOIL, E.ON	2017	Selected by SDC on June 27,2013
TANAP	16 - 24	2000	8.0	SOCAR (80%), BOTAS (20%)	2018	Construction to start in 2014
South Stream	63	2950	26.0	Gazprom, ENI, Wintershall, EDF	2016	Construction commenced December 2012
NPP in Sinope, Turkey	4 – 5 GW	-	17.0	AREVA, Mitsubishi Heavy Industries (MHI)	2023	Intergovernmental agreements signed
NPP in Akkuyu	4.8 GW	-	20.0	ROSATOM, Akkuyu NGS Elektrik Uretim Corp	2023	Engineering and survey work started at the site. Construction of the first unit to begin in 2014
Aphrodite Block (Cyprus)	5 Trillion Cubic Feet	-	2.0	Noble Energy, Delek Group	2018	Second confirmatory drilling Completed
Liquefaction Plant (Cyprus)	8 – 12 Bcm/y	-	7.5	Noble Energy, Avner, Delek Drilling	2020	MoU between Cypriot government and companies
EurAsia Interconnector (Submarine Cable)	2.000 MW	1,000 Km	1.5	PPC-Quantum Energy joint venture	2019	Intergovernmental agreement, feasibilities studies completed
Tamar, Leviathan (Israel)	24 Trillion cubic feet	-	11.0	Noble Energy, Delek Group, Ratio, Woodside	2016	Tamar – On stream

cerned one can point out that although RES are typically indigenous resources and can help reduce dependence on energy imports, they have certain constraints: RES are intermittent in nature and therefore cannot be relied upon to provide alternative power generation supply in case of emergencies; RES are widely, but unevenly, distributed and their use for electricity generation can minimize both transmission losses and costs only when they are located close to the demand load of end-users: so called “distributed” generation; relatively high capital costs per unit of capacity installed remain for many RES’s – in spite of significant cost reductions as a result of advancements in technology and of the learning experience (this is offset to some extent by a zero fuel cost over the life of the system).

The extent to which RES can contribute in bolstering energy security depends on several facts such as the installed electricity capacity of RES and its relation to the overall power generation capacity of the country concerned. Secondly the grid development and its operational level which allows for maximum utilization of the electricity produced. Thirdly the availability of energy storage mechanisms (both dispersed and pumped storage).

Today we witness various levels and speeds of RES and energy efficiency development in the different countries of SEE both in terms of installations and participation in the energy balance. In fact there is considerable divergence between the various countries as it is shown in the data presented. The same applies for the state of the electricity grids of the various countries. Consequently, the role of RES in

the integration of regional energy markets (i.e. electricity and gas) is marginal at this stage since the focus is, and will remain at least until 2020, on grid upgrading and their further expansion.

However, the anticipated addition of sizeable energy storage capacity in conjunction with further RES development is likely to propel RES in the front line of power generation and participation in the national energy mix of the SEE countries. The addition of energy storage is thus expected to correct and improve the intermittent nature of RES power generation, thus improving predictability of RES availability in the context of daily electricity market operation.

In addressing the present impasse on energy supplies in SEE it seems that the implementation of a wide variety of interconnectors and gas storage projects is the only sure way at present to increase effectively and relatively quickly the security of supply in the region.

The region's experience to date shows that the only reliable way to meet the challenges stemming from major geopolitical rifts - not of the making of the countries in the region - such as the present Russian – Ukraine crisis, is for each country to pursue its own highly prioritised energy agenda in close coordination with its immediate neighbours with whom it shares energy interconnections. A common energy pool and a fully integrated and easily accessible electricity and gas flow system, which could serve the needs of various countries, whether this is electricity or gas, is still far from becoming a reality. We may have to face few more energy supply changes in order for such noble plans to become reality.

Coal in SEE in 2013:
Production, Imports (in millions of tonnes) and Reserves (billions of tonnes)

Hard Coal Production	Coal Imports	Coal Reserves
		(Lignite, Hard Coal) (Billion of Tonnes)
0.0	0.0	0.5
4.5	1.2	2.1
2.1	1.7	1.9
0.0	1.2	0.0
0.0	0.2	0.0
0.0	0.0	1.6
0.0	0.0	1.4
0.0	0.2	3.0
1.8	0.9	0.31
0.7	1.3	3.9
1.9	26.4	13.9

Source: Eurocoal

Consolidation, rise of discounters shaping outlook for grocery market in SEE

By **Milan Cakic**, contributing analyst at Euromonitor International

The lucrative industry of retailing services in Southeast Europe (SEE) is undergoing an important transition. The countries are lagging behind more developed West European markets in terms of general economic power as well as, more specifically, development of retailing industry. However, since there are some important differences between the SEE countries reviewed here - Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Macedonia, Romania and Bulgaria - it can be argued that they individually represent various stages in the development of the retailing landscape. Namely, even though there is no doubt that all of these markets are following the path of evolution set by more developed markets, it is also clear that not all SEE countries are currently in the same phase of the more or less linear development course they are on.

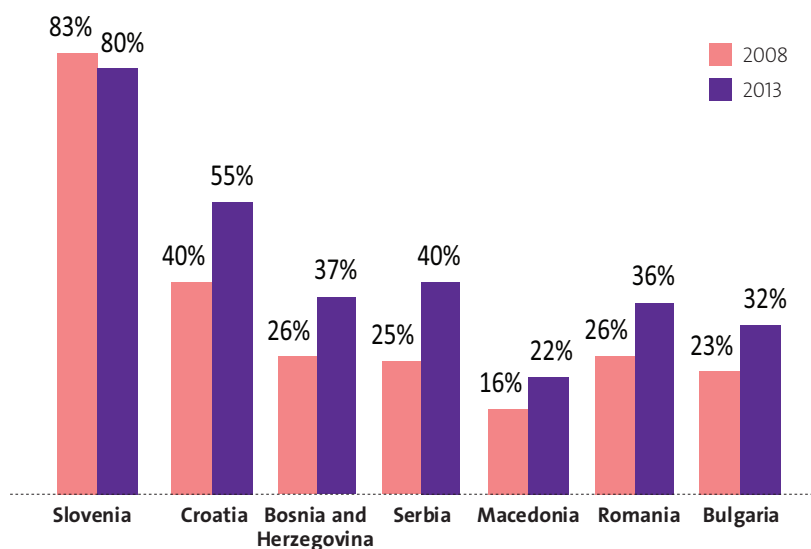
SEE nations have witnessed a drastic change in their grocery retailing industry since the beginning of the 1990s. Today there is a strong consensus among most stakeholders as well as observers and researchers engaged in this entrepreneurial domain that the SEE countries are not likely to divert from the road trodden by West European countries. All in all, it is obvious that the markets in question are seeing a modernisation of their grocery retailing landscape.

Driving forces behind changes in grocery retailing in SEE

There are three general and two rather specific trends which are decisively influencing the grocery retailing landscape in SEE countries. The most important general trends are: market consolidation, increasing share in overall sales of private label brands in virtually all fast-moving consumer goods (FMCG) categories and rising popularity of discounters as the grocer of choice for more and more consumers. A further two trends which should

Share of top 5 grocery retailers

(Retail value RSP excluding sales tax)



Source: Euromonitor International

not be overlooked are the growing popularity of convenience stores and the fast development of internet retailing in these markets.

According to Euromonitor International data, the combined share of the top five grocers did not exceed 55% in any of the SEE countries except Slovenia in 2013. Thus the leading five grocery retailers grabbed only 22% of the market in Macedonia in 2013, 32% in Bulgaria, 36% in Romania, 37% in Bosnia and Herzegovina, 40% in Serbia, and 55% in Croatia, with Slovenia as the only country with substantially higher share, of 80%. However, in 2008 these percentages were much lower still, more than ten percentage points lower in every single



Market consolidation, spread of private labels and discounters in focus.



country, again with the exception of Slovenia where the top five grocery retailers actually lost three percentage points in the 2008-2013 period. For example, the top five grocers in Bulgaria accounted for only 23% of the market in 2008 and as low as 16% in Macedonia.

The above-cited figures unambiguously show that market consolidation is a very important and certainly very strong trend on the grocery retailing sector in SEE with massive potential for transforming the markets in the region. This process is reshaping the grocery retailing landscape in the region and the strongest companies are acquiring smaller ones, hence growing in size as well as in strength. For example, in Serbia over the course of the last five years only, Delhaize Group took over Delta Maxi, second-ranked grocer Mercator-S – the Serbian arm of Slovenia's Mercator - purchased peer Familija and Croatia's Agrokor Group took over the Tus supermarkets.

SEE TOP industries

Certainly the most important development when it comes to market consolidation, which is influencing most of the SEE countries, is the acquisition of Mercator by Agrokor Group. The deal, which was in the centre of attention for quite a while, finally materialized in 2014. It will have more than visible effects on the markets in the western parts of the SEE region, primarily in terms of market shares but also in terms of, for example, the visual marketing and branding of the leading retailers and the shopping experience in general. This will face other large retailers in these countries with a super-strong competitor, as Mercator and Agrokor are already holding some of the leading five positions in these markets. It can be concluded that market consolidation is gaining momentum in the region thanks to the mere fact that most of the SEE markets simply have a notably underdeveloped retailing industry with a lot of room for big players to maneuver and take over smaller chains which are in great danger of losing ground and going bankrupt.

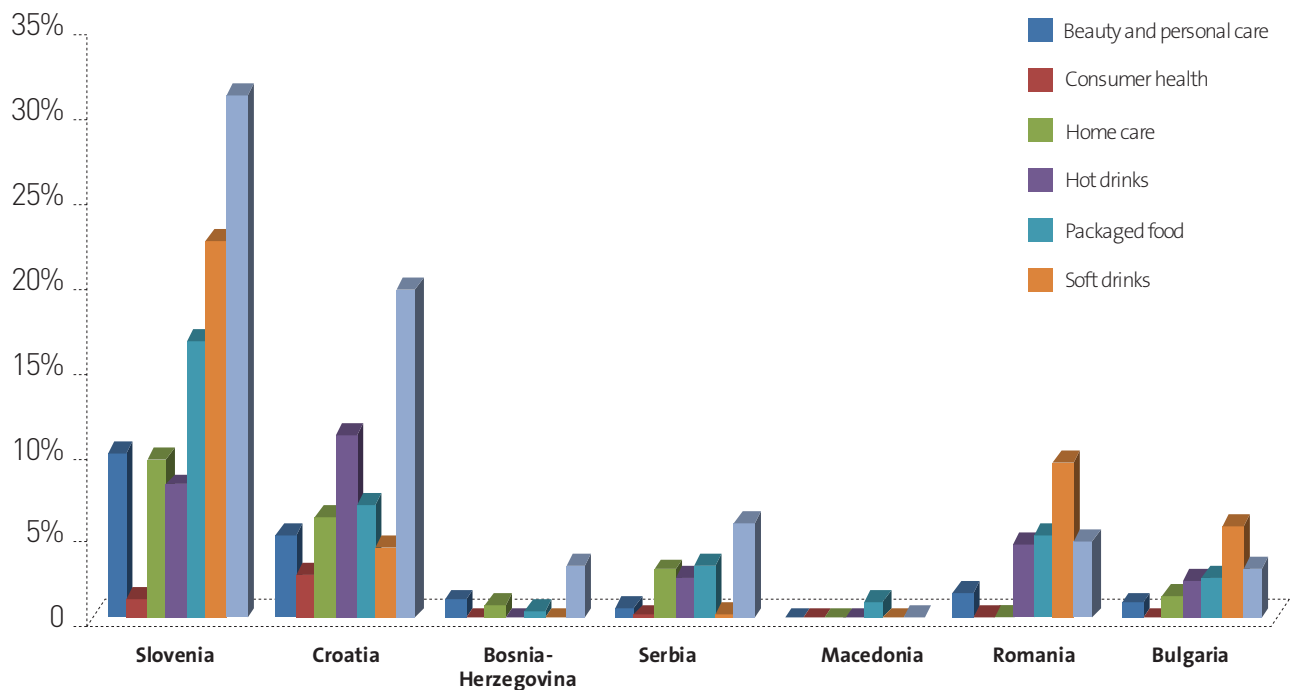
The next big trend in grocery retailing in SEE markets is the increasing share of private label brands in most FMCG categories. Some five or ten years ago - depending on the country, when private labels first started to appear, people were somewhat skeptical about product quality. Even though these products were sometimes offered at considerably lower prices than branded products, many consumers were reluctant to abandon branded products and to even consider trying private labels. However, this has changed with time due to two decisive factors. Firstly, consumers have become increasingly aware that private label brands are in many cases actually produced by well-known and renowned, usually domestic, companies. On the other hand, retailers gradually started to offer more and more private label products in virtually all FMCG categories and these two factors naturally led to the increase of their shares. However, even though the share in overall grocery sales of private label products is growing in all SEE countries, it is also quite obvious that these countries continue to exhibit considerable differences. Euromonitor International's research has shown that Slovenia is the absolute leader in terms of private labels' importance in this region, with as much as 31% share of private label products within paper tissues and hygiene industry and 22% share in soft drinks. At the other extreme, in Bosnia and Herzegovina the share of private labels in overall sales of tissue and hygiene products is only 3.0%, while in consumer health, hot drinks and

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Agrokor/Mercator deal to have strong impact on retail landscape.

soft drinks industries private labels are either non-existent or negligible in this country. Of all SEE countries besides Slovenia, only Croatia has significant shares of private label products. For example, the share of private label products in Croatia is as high as 20% in paper tissues and hygiene and 11% in hot drinks. As mentioned, the market share of private label products is growing across the SEE countries and in virtually all FMCG categories. For example, the share of private labels in Serbia within packaged food industry has increased from less than 1.0% in 2008 to 3.0% in 2013. Over the same period, the share of private labels jumped from close to zero to 2.0% on the hot drinks market in Bulgaria, from 2.0% to 9.0% on the soft drinks market in Romania and from 6.0% to 10% on the beauty and personal care market in Slovenia.

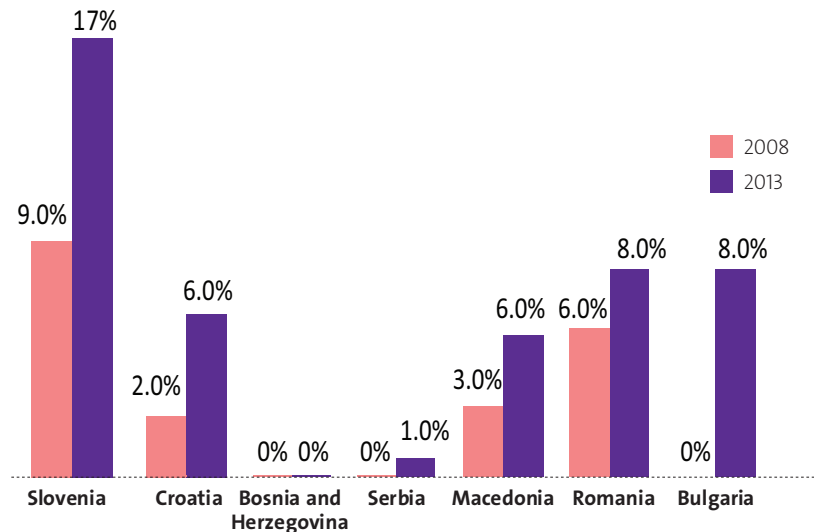
A third general trend demonstrating that SEE grocery retailing is starting to resemble more and more the grocery retailing landscape in West European is the increasing number and growing market share of discounters. This trend is, of course, closely connected to the afore-mentioned one as discounters offer relatively more private label products than any other retailing channel type. In Bosnia and Herzegovina there are no discounters and in Serbia and Bulgaria the share of this channel in overall grocery retailing went up from zero in 2008 to 1.0% and 8.0% in 2013, respectively.

Private label % shares in different FMCG categories



Source: Euromonitor International

Share of discounters in grocery retailing



Source: Euromonitor International

In Croatia discounters have gained four percentage points in the same period to reach 6.0%, and in Macedonia the channel increased its share by three percentage points to 6.0% in 2013. Slovenia is the most developed country in this sense as well with discounters there having increased their share in grocery retailing from 9.0% in 2008 to 17% in 2013.

When it comes to the expansion of discounters, especially interesting is the announced entry of Lidl on the Serbian market. Namely, Lidl's owner, Schwarz Beteiligungs GmbH, registered a company in Serbia in 2010 but is yet to launch operations. According to the latest official press release by the company issued in the beginning of 2014, it has already purchased land in several Serbian cities where it is planning to build supermarkets and is planning to open some fifteen stores simultaneously. This development, which will probably take place during 2015, is expected to have a rather notable impact on the Serbian retailing market. Furthermore, it will prove that the discounting channel is indeed growing in popularity in the SEE countries.

There are a further two interesting trends in grocery retailing in SEE which are somewhat specific to the region. The first one is the increasing popularity of convenience stores. This channel has increased its share within grocery retailing from 5.0% in 2008 to 10% in 2013 in Bosnia in Herzegovina, and from 6.0% to 8.0% in Serbia. The trend is particularly visible in these two countries due to the still very high share of independent small grocers there. As traditional retailers lose

market share, convenience stores are winning over consumers who are often reluctant to commute to the city outskirts where most large modern retail centers are located and choose convenience stores over independent small grocers because of their superiority in terms of product range and pricing.

Internet retailing in SEE countries is growing in lockstep with the increase in the overall number of internet users in the region. Thus the share of internet retailing within overall retailing has increased from 1.3% in 2008 to 2.3% in 2013 in Slovenia, from 1.2% to 1.8% in Romania, from 0.4% to 0.7% in Croatia and from 0.2% to 0.6% in Serbia, all in the same period. Most of this growth certainly comes from the on-line purchase of non-grocery products but in the last several years, a strong trend of grocers increasing their online offerings is also visible. The leading grocery retailers are quick to pick up on the latest trend of consumers starting to purchase groceries via the internet and a point can be made that SEE countries are not as far behind West European countries in this sense as is the case when it comes to other trends. In other words, internet retailing of grocery products in SEE will develop more or less simultaneously with the more developed countries.

Euromonitor International's data indicate



Most SEE grocery markets offer room for M&As.



that all of the trends outlined above are expected to continue influencing and transforming the grocery retailing landscape in SEE countries. The shares of the top five retailers and private label brands are certainly expected to keep rising over the next five years in almost all countries in the region. Furthermore, the importance of discounters is also forecast to grow. For instance, this channel is expected to account for 12% of grocery sales in Bulgaria by 2018, which is a four percentage points increase compared to 2013, while in the same period discounters will gain three percentage points in both Croatia and Slovenia to reach 9.0% and 20%, respectively.

The following five years are also bound to be very interesting in terms of large international companies entering new markets, but some significant withdrawals might also occur. Most SEE markets are fairly underdeveloped and there is a lot of room for new companies to enter several markets. It was already mentioned that Schwarz Beteiligungs GmbH is expected to enter Serbia but other big chains such as Billa, Carrefour, Aldi and maybe even Tesco may turn their attention to these countries as well. However, we witnessed a major withdrawal as well. Namely, Delhaize Group SA sold all of its outlets in Bosnia and Herzegovina and Bulgaria in the beginning of 2014, a year after the company exited Albania and Montenegro. For now, the company is adamant it has no plans to withdraw from Serbia where it currently holds the leading position. However, this should be taken with a grain of salt, especially considering that after the acquisition of Mercator, Agrokor will take over the top position in Serbia.

As has already been suggested, the SEE countries represent different stages in the modernization of grocery retailing. Slovenia is obviously in the final stages of this process and its grocery retailing landscape is closer to Central European or even West European markets than it is to SEE countries. Croatia is first in line after Slovenia, with many indicators which bring this country closer and closer to the more developed markets. On the other hand, Bosnia and Herzegovina, Macedonia and Serbia have a long way to go before they catch up. Finally, Romania and Bulgaria are somewhere in the middle. There is no doubt that the countries which are currently in the early stages of the modernization process will accelerate their development over the forthcoming years, and this will slowly diminish the existing differences between the grocery retailing markets in SEE.

Going green to help speed up recovery of SMEs in Southeast Europe

by Tsvetan Ivanov, SeeNews Competitive Intelligence

Under EU law, small and medium-sized enterprises (SMEs) fall into three groups defined in terms of number of employees and additional criteria, either turnover or total assets, as follows:

- **Micro:** less than 10 employees; less than 2.0 million euro turnover or 2.0 million euro in total assets
- **Small:** less than 50 employees; less than 10 million euro turnover or 10 million euro in total assets
- **Medium-sized:** less than 250 employees; less than 50 million euro turnover or 43 million euro in total assets

Small and medium-sized enterprises (SMEs), traditionally viewed as the backbone of every national economy, account for an average 99.5% of the total number of companies in the countries in Southeast Europe (SEE). They

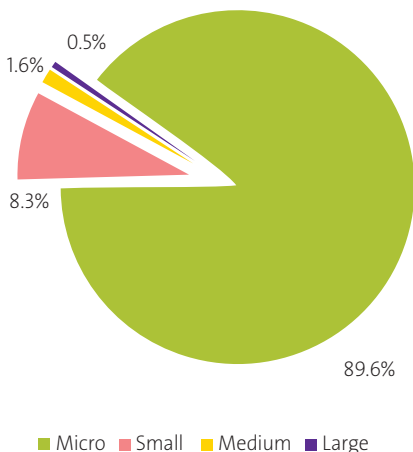
provide 70.2% of the total employment in the region and generate 58% of the gross value added in its economy.

The two most important determinants of

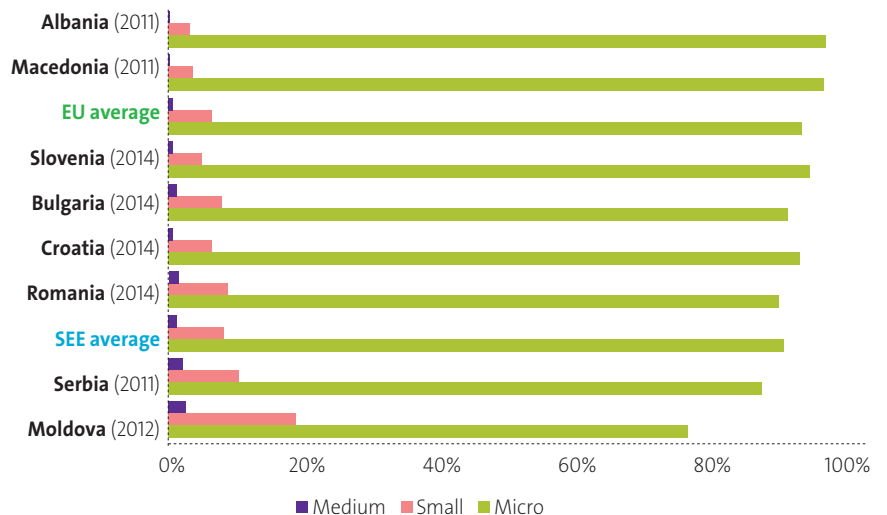
intraregional differences in the structure of the SMEs group are the relative weight of the industry in which they operate in the national economy and the public attitude to entrepreneurship and preferences for self-employment.

According to a European Commission survey, in 2012 the entrepreneurship rate (share of the adult population who have started a business or are taking steps to start one) and entrepreneurial intention (share of the adult population who intend to start a business within three years) in SEE were higher than the EU average. The highest percentage was registered in Bulgaria and Croatia, with Slovenia falling below the EU average. Preference for self-employment follows the same pattern - while an average of 37% of EU citizens prefer to be self-employed, in Croatia and Bulgaria their share stands at 54% and 49%,

Share of SMEs and large companies in total number of companies in SEE



Share of SME types in total number of companies in SEE countries



Sources: European Commission, National Bureau of Statistics of Moldova

Sources: European Commission, National Bureau of Statistics of Moldova

respectively. Soaring unemployment rates and stagnating wages are seen as the key drivers of the intense interest in starting an own business in the region. Even the largely negative public perception of entrepreneurs does not seem to undermine the attractiveness of running your own business. However, the survey results suggest that the majority of entrepreneurs in SEE go into business for lack of alternatives.

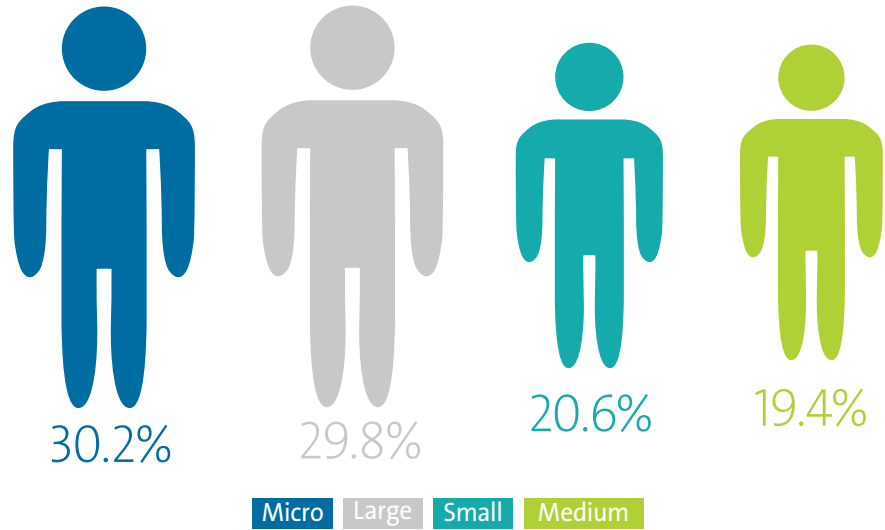
Although the **structure of the SMEs group** is similar in the countries in the region, some national specifics exist. Nine out of ten companies in SEE are micro enterprises, which is in line with the situation in the EU and globally. In Serbia and Romania, with their traditionally well-developed heavy industries, the share of micro companies is lower. In Moldova only 75.6% of the companies are micro, but the share of small enterprises is three to four times higher than in the rest of the region and the EU average. In Macedonia and Albania, on the opposite end of the spectrum, where the economies are dominated by agriculture, trade and services, the share of micro enterprises is above 95%. Small enterprises constitute 8.3% of the total number of enterprises in SEE. The countries with a small share of micro enterprises – Moldova and Serbia - have an above-average share of small companies. Medium-sized enterprises do not exceed 2.0% in any of the national economies in the region with the exception of Moldova.

In terms of **employment generated by SMEs**, the situation in the region is identical to that in the EU with 70% of all employed people working for SMEs. In Albania and Macedonia, SMEs provide with a job over 80% of the population, while in Moldova this share is 57%. Within the SMEs group, micro enterprises are the biggest employers (except in Moldova), accounting for 30% of employment in the region, followed by small companies with a 21% share and medium-sized companies with a 19% share.

Across the region, disparities in the employment structure match the differences in the structure of the SMEs group in terms of number of companies. While almost half of the working population in Albania and Macedonia is employed in micro enterprises, in Moldova this figure is only 17%.

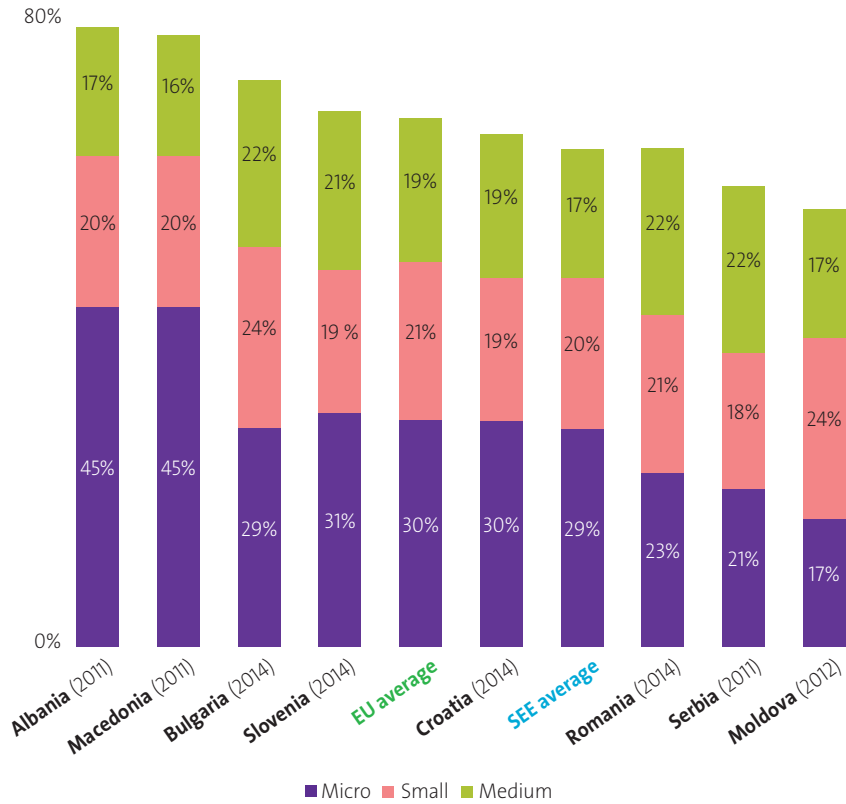
The **weight of SMEs in the total gross value**

Share of SMEs and large companies in total number of employees in SEE



Sources: European Commission, National Bureau of Statistics of Moldova

Share of SMEs in total number of employees in SEE Countries



Sources: European Commission, National Bureau of Statistics of Moldova

added generated by the national economies in the region - 58% - is comparable to that in the EU. In Albania, Macedonia and Montenegro, where the highest number of

businesses are SMEs, they account for more than two thirds of the total gross value added, while in Moldova this share is roughly one third.

SEE TOP industries

Micro enterprises account for 21% of the total gross value generated by the SME group, and small and medium-sized companies hold an 18% share each. In line with the national specifics in the group's structure, in Albania and Macedonia micro enterprises have the biggest share of total gross value added generated by the group, in Moldova small companies account for the bulk, and in the other SEE countries medium-sized companies create most of the gross value added.

Generally, SMEs show lower productivity levels compared to large enterprises for a number of reasons – lack of economies of scale, more difficult access to financing and limited opportunities to carry out research and development activities. Large enterprises dominate sectors with high gross value added, while SMEs constitute the majority of the companies in low value added sectors like agriculture and trade.

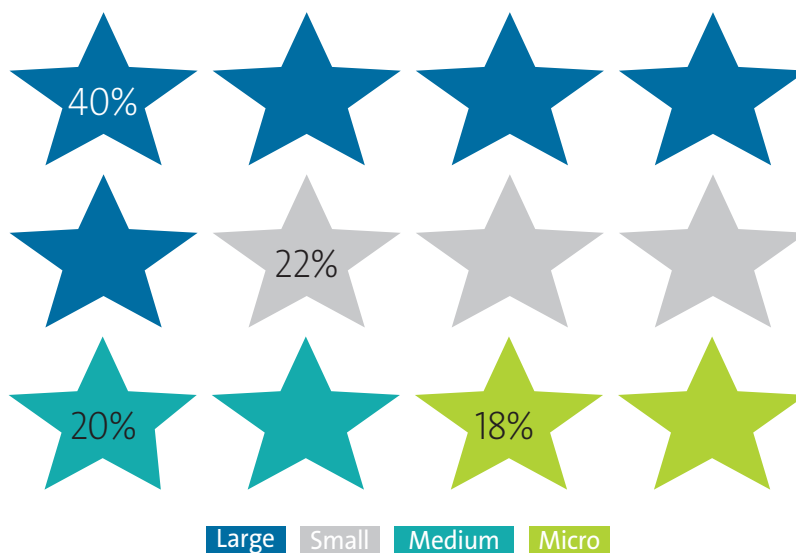
Using gross value added per employee as a measure of productivity, two trends can be distinguished - gross value added per employee of a large enterprise is almost twice as much as that per employee of an SME in both the EU and SEE, whereas in Slovenia the low average number of employees of SMEs and better developed knowledge-intensive industries and business services boost the country's productivity well above the EU average.

Domestic demand seen spurring growth

SMEs in EU weathered the 2009 downturn better than larger enterprises but recovered at a slower pace. This disparity is largely due to weak domestic demand in the region, which is a key market driver for SMEs, whereas large enterprises generally benefit from rapidly recovering exports. However, domestic demand is expected to strengthen in 2014, which should affect positively the development of SMEs. In SEE, like elsewhere in the EU, SMEs started hiring new staff again in 2012, much later than large enterprises. As of 2013, SMEs are trailing behind larger enterprises in terms of value added growth, as well.

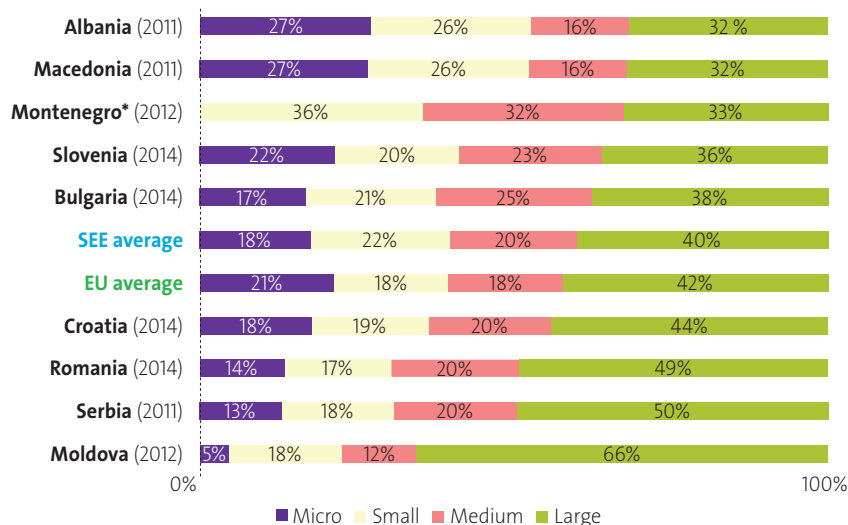
Between 2011 and 2013 the number of people employed in SMEs in the region dropped but the number of SMEs stayed stable. Micro, small and mid-sized companies strived to stay in business, be it at the

Share of SMEs and large companies in gross value added in SEE



Sources: European Commission, National Bureau of Statistics of Moldova, Statistical Office of Montenegro

Share of SME types in gross value added of SEE countries



* In Montenegro micro and small enterprises are presented together as one category. Sources: European Commission, National Bureau of Statistics of Moldova, Statistical Office of Montenegro

cost of downsizing their staff and operations.

The SMEs in the sector of services, characterised by lower entry barriers, performed better than SMEs in manufacturing, which suffered badly from a sharp decline of investments in capital formation and innovation caused by restrictive credit conditions and sluggish domestic demand.

Some of the essential ingredients of a recipe for SMEs' recovery and prosperity include na-

tional policies harmonised with the EU guidelines, improved access to finance, strong demand for the goods and services produced by SMEs, an appropriate amount of attention to labour market policies and simple regulatory and administrative requirements.

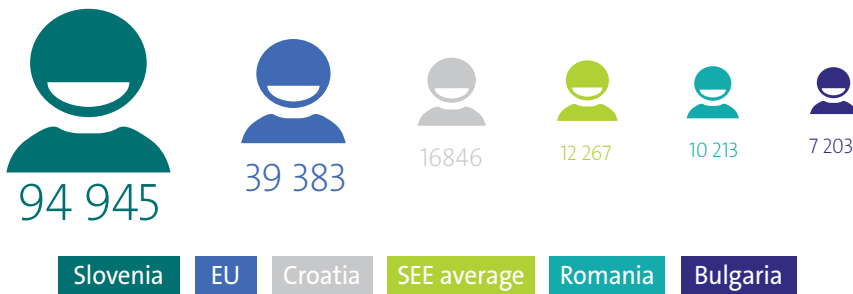
Value added generated by SMEs too is expected to grow in the 2013-2014 period although at a slower pace than with large enterprises. SMEs are also expected to start hiring more workers as lending picks up and domestic demand rises.

Gross value added per employee of large companies in SEE EU-members in 2013 (euro)



Source: European Commission

Gross value added per employee of SMEs in SEE EU-members in 2013 (euro)



Source: European Commission

Green window of opportunity

Given the very low level of innovations and small number of companies that have declared their intention to pursue green business plans compared to the EU average, the development of green products and services could provide a crucial opportunity for growth for SMEs in SEE. Furthermore, the dynamic growth of demand for such products worldwide opens up ample opportunities for expansion to new markets.

However, SMEs in the region seem slow to recognise the potential that green business holds for them. They tend to be much more reluctant than their peers in the rest of EU to embrace the idea of going green, and are considerably less likely to apply measures to improve their resource efficiency compared with the European average, partly due to inadequate public support for such measures than in the rest of Europe. Disparities are clear even within the region - countries with working SME strategies like Serbia and the EU members Slovenia, Croatia and Bulgaria almost match the European average of 93%, while Montenegro, Albania and Macedonia are still trailing far behind with only two

out of three SMEs using resource efficiency measures.

The proportion of SMEs in the region that offer green products or services (20.5%) is considerably below the EU average of 26%. Slovenia is again the only exception - more than a third of the Slovenian SMEs are engaged in green business, which ranks the country among the most advanced in Europe in terms of sustainable business. On the other extreme, only one in ten SMEs in Albania is active in green business. Similarly underdeveloped are environment-friendly products and services in Macedonia, Romania and Serbia.

To speed up the local SMEs' involvement in the green economy and make it more effective, several conditions should be in place: better access to information and financing, technical assistance, identification of the needs of "green skills" and their development – this is done with the support of industry and regional non-government organisations.

A major source of financing for such measures is the EU with its operating programmes and structural funds. The European Investment

Bank (EIB) provides financing opportunities to SMEs in EU member states and all other SEE countries for investment in energy efficiency through its Green Initiative. It finances projects involving improvement of the energy performance of buildings, equipment and infrastructure. The total value of an eligible project must not exceed 25 million euro, the EIB loan is extended for a maximum of three years and can cover up to 50% of the project's value.

Another factor to be considered is that the introduction of innovations by SMEs in the region remains below the EU standards owing to the insufficient local support for research and development and the still emerging culture of entrepreneurship in these countries. However, investment in innovation provides higher return in terms of sales revenue in SEE compared to the rest of Europe, which should be an additional impetus for SMEs to consider investments in research, skills and sustainable business.

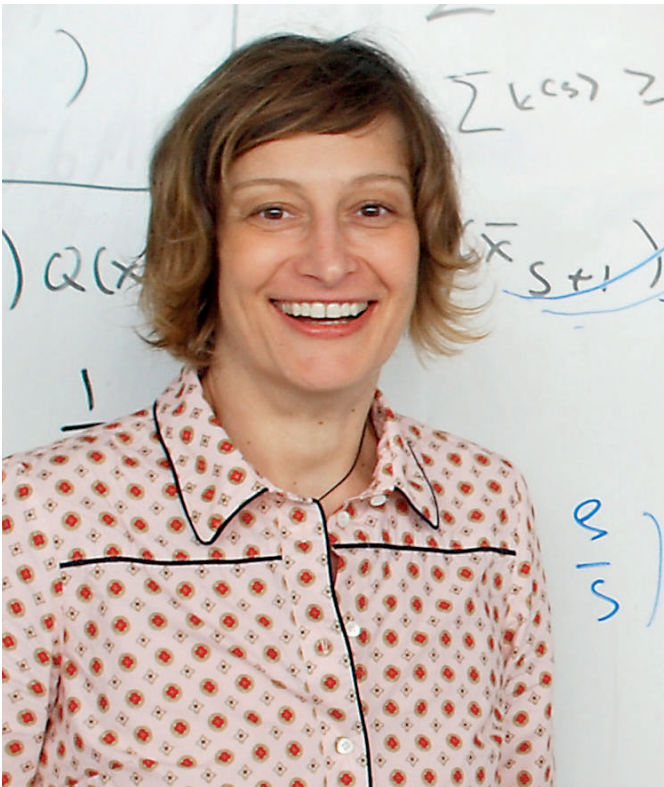
Untapped market potential in green business and knowledge-intensive services - largely underdeveloped in the region, where most SMEs operate in wholesale and retail – offer further opportunities for the local SMEs.

According to European Commission projections, SMEs operating in both manufacturing and the services in EU will post growth. The knowledge intensive services sector and businesses with an emphasis on sustainable development, composed largely of SMEs, will contribute actively to the shift in the manufacturing sector towards highly productive and more competitive operations.

SeeNews Competitive Intelligence calculations show that the Compound Annual Growth Rate (CAGR) for the SEE region, based on data for the period 2012-2014 for the economies of the four EU members - Romania, Bulgaria, Croatia, Slovenia - stands at 2.9% in terms of number of enterprises, 1.3% in terms of employment and 2.5% in terms of gross value added. In comparison, the average CAGRs for the same period in the EU amount to 1.5% for number of enterprises, 0.7% for employment and 1.4% for gross value added. The highest growth is projected in Romania, roughly double the average rate of the region, while the slowdown in Slovenia and Croatia will likely continue.

* Figures for 2014 in graphs are preliminary.

IBM: Steam, electricity and now Big Data revolution



Aleksandra Mojsilovic,
IBM fellow

The region of Southeast Europe with its rich history, culture and a lot of excitement, also gives the world some brilliant minds. Aleksandra (Saška) Mojsilović is a Serbian born scientist who manages the Data Science group in IBM T. J. Watson Research Center in New York. In April 2014 Saška joined the elite club of IBM Fellows, the highest honor a scientist or engineer can achieve in IBM. Since 1962 only 257 IBMers have earned the IBM Fellow distinction and about 80 of them are currently active IBM employees. Saska has authored over 100 scientific publications and holds 11 patents. Building mathematical models of the world around us is Saška's passion -- she is relentlessly driven by a need to discover the intelligence hidden in the mountains of data and apply analytics to solve practical problems.

IBM has already said that data is the new natural resource of today's world. How important is data nowadays?

Everything we do today creates data. Data means insight, it means better information and more knowledge. Data is exponentially increasing in volume, velocity and variety, and the opportunities to use data to improve all aspects of our lives are too growing exponentially. Data is the new natural resource. It promises to be for the 21st century what steam power was for the 18th, electricity for the 19th and hydrocarbons for the 20th. We are truly experiencing a new industrial revolution.

Technology experts are talking about Big Data a lot. Why?

The emergence of social networking, sensors, mobile devices, business data warehouses, scientific and government records creates an abundance of information. We like to call it

Big Data. It comes in all forms: sound, video, images, symbols, measurements and natural language. It is changing the way we live and work, the way businesses operate and the way governments are run. And it is fundamentally changing the Information Technology landscape, giving rise to a new generation of cognitive systems that sense, predict, infer, recommend, hypothesize, and in some ways, reason.

And this Big Data is set to change our lives?

Consider this - every day we generate billions of gigabytes of data. And at the same time 80% of the world's data is unstructured. Au-



Big Data changing the way we live, work, do businesses, run government.



dio, video, blogs, tweets, sensors... All represent new areas to mine for insights. Data and cognitive capability are the new basis of competitive advantage. This is where "speed of insight" and "speed of action" truly become core differentiators and change the game in just about every industry and/or profession.

IBM Watson is one example of a new form of computing: an advanced cognitive system built to analyze and extract knowledge from vast amounts of largely unstructured data with unparalleled speed and results.

So are we dealing with thinking computers and artificial intelligence?

The teams consisting of people and new generation of computers will be able to think in a way that neither people, nor computers have ever done before. This will amplify human abilities and lead to new breakthroughs, assist us in making better choices and help us



navigate our world in powerful new ways.

How will all this data and its analysis help the average citizen and improve his quality of life?

The opportunities to touch individual lives, whether it is in Southeast Europe or remote parts of Africa are numerous. From better diagnoses and management of illnesses, more effective water and energy management, weather prediction, improving traffic flows, improved security and food safety.

In order to help societies you probably address local governments first. Any takers in the SEE region?

Governing bodies and public authorities can use Big Data to make their jurisdictions more efficient, more sustainable and more pleasant to live in. The Croatian government is already using an IBM IT infrastructure to

provide e-government services to Croats in minutes and hours, rather than the days it traditionally required. The latest government project, e-citizens, saw the Croatian national population registry being integrated into the system along with the information systems of the ministry of finance, ministry of public administration, to name just a few. Many government processes will be optimized, such as taxes, birth, death and social security registration. This releases enormous amounts of government funds, which can in turn be directed towards other initiatives.

These Big Data predictions offer great insights into our lives and busi-



Data and cognitive capability are the new basis of competitive advantage.



ness then. How about nature – can they read its “plans”?

Sure they can. I was sad to see how the Adriatic region was affected by the recent floods. I remembered immediately that just last year IBM launched Digital Delta, an innovation program that harnesses insights from Big Data to transform flood control and the management of the entire Dutch water system. True, more than half of the Dutch population is located in areas prone to large-scale flooding, but such solutions could help just about any country with monitoring and managing its water systems.

Where do you want to make the most difference?

There are no limits. Our team of scientists is focused strongly on improving the fields of healthcare, energy, telecommunications, education, insurance. The possibilities are endless.

LAUNCHub: SEE boasts talent-rich startup ecosystem

LAUNCHub is a 9.0 million euro seed fund, based in Bulgaria, investing in the most promising startups in Southeast Europe (SEE). Since 2012, LAUNCHub has invested over 3.5 million euro in 47 portfolio companies. Over 140 founders have joined the big family and in less than two years have managed to attract a further 3.5 million euro-plus of follow-on funding. As of September 2014, LAUNCHub's portfolio includes companies from nine countries in SEE – Bulgaria, Romania, Slovenia, Croatia, Macedonia, Greece, Ukraine, Austria and Switzerland.

LAUNCHub's investment focus and team expertise fall within the digital technology sector and investments are mainly made in development tools, education technology, health technology, entertainment, cloud infrastructure and enterprise software. The team is now placing a special investment focus on Bitcoin projects and looking for the best of teams. LAUNCHub has signed a term sheet with Slovenian-based team Cashila - a Bitcoin payment processing service, address-

ing the issue that people can actually start using Bitcoin transactions in everyday life. The solution comes as a web widget for facilitating online payments, both for Bitcoin users on the one side and B2C businesses on the other (i.e. retailers, online stores). This is to be the first Bitcoin investment for LAUNCHub, marking the beginning of an ambitious strategy for stepping in firmly on the Bitcoin landscape. LAUNCHub is launching in September 2014 a new dedicated call for Bitcoin applications for seed funding.

Bulgaria

Two LAUNCHub companies - Flips and Storpool - have closed Series A Rounds since the beginning of 2014. Flips received \$2.4 million with Tim Draper and Early Bird participating, while Storpool was backed entirely by a Bulgarian investor.

In general, Bulgaria and the local startup ecosystem are said to stand out by venture capital representatives in comparison to other countries in Central and Eastern Europe like the Czech Republic and Hungary. Things are moving and achievements do seem to be quite promising for the country enjoying an abundance of tech talent.

Over the past eighteen months, the general perception on the Bulgarian startup ecosystem seems to have changed quite significantly for the better. There are now over 100

startup companies comprising the portfolios of the two early-stage investment funds LAUNCHub (seed up to 200,000 euro) and Eleven (acceleration and seed) - 47 startups are with LAUNCHub and Eleven has 60 plus (as of June 2014).

Both funds operate under the Entrepreneurship Acceleration and Seed financial instrument of the JEREMIE initiative of the European Investment Fund and the European Commission.

Rumen Iliev, partner at LAUNCHub:

"We focus on serious teams and intrinsically motivated founders. We avoid teams that are making a startup just because it is cool or trendy. We cherish people who have the skills to develop an innovative solution to a big problem and speak business, not buzzwords. The size of the opportunity and the current tractions are taken in consideration as well. Startups differ from normal business by solving a big problem in innovative and scalable manner. So it is normal for a venture capital fund to look at businesses that have the potential to grow fast and become big. Business that can generate 1.0-3.0 million euro in five years are not startups and for us the math does not work since the valuation for the ticket of 200,000 euro can go up to those numbers quite fast, especially if we have trenched the amount



and we are doing a follow on.”

Slovenia and Croatia

The Slovenian and Croatian ecosystems are also well-acknowledged to stand out in terms of tech talent and growth potential.

Currently, LAUNCHHub has three investees in Slovenia – Mediatly, Enolyse and Cashila. Slovenia is one of the countries from which it usually receives quite a number of applications and that from quite well-prepared early-stage tech companies. The company is currently considering applications from other Slovenian companies.

Todor Breshkov, *LAUNCHHub managing partner:*

“The Slovenian startups are amongst the most prepared that usually come and apply with LAUNCHHub. We have very good impressions in general and consider the Slovenian ecosystem to be well-developed. There are the local players - Hekovnik, RSG, the Startup Initiative, Zemanta, the Technological Park - all of which attest to a very good level of the ecosystem, as the people involved are re-investing time and attention to the younger players.

Our experience so far shows that it is very easy and pleasant to work with both startup companies, as well as with mentors

and partners from Slovenia we collaborate with at our events. LAUNCHHub even has two Slovenian Investment Committee members. Apart from access to early-stage capital, Sofia offers the Slovenian companies access to a wider startup community and opportunities for follow-on investments. Slovenian startups on the other hand also find Sofia attractive because they get to mingle here with like-minded people. As someone said recently – in order to go west, Slovenian startups need to go west first.”

Rumen Iliev, *partner at LAUNCHHub:*

“We have been organising Long Weekend selection events since 2012, with the purpose of spending time with the teams prior to making our investment decision. It is a fair process, since the invited teams have the opportunity to meet with us and yet decide for themselves if LAUNCHHub can be a valuable partner. We think that meeting a team for just a pitch at the office is quite an arrogant way of making decisions so we crafted this event and so far it has work well for us and the teams.

In July 2014 we organised our first selection Long weekend event in Zagreb. Zagreb has lots of advantages and is probably the best place to start at, since it has all the elements of a vibrant and growing startup ecosystem. We have three investees in

Croatia - Cinexio, GreenPie, and Habbits.”

Some of the challenges facing the SEE ecosystem include matching the existing engineer talent with good business skills on the one hand, and speed of execution on the other. The overall impression is that pitching skills are improving and investment interest is seen to be growing quite intensively, as Sofia forms the hub of a flourishing ecosystem.

Stanislav Sirakov, *partner at LAUNCHHub:*

“We are trying to help in many other ways than raising money. We do not come simply as an investor, but more as a team member and an engaged partner. We sit down with the founders and discuss all the important issues, sometimes questioning their strategy. Our whole network, consisting of tech vendors, successful entrepreneurs and investors is opened to all the founders. Sometimes we gather together experts in interesting areas like product and UX, business development or marketing, which are providing the companies with advice. We have just started to organize visits to bigger hubs like London where the founders do share experience with founders there. And of course we are a trusted adviser when it comes to raising follow-on money. All this could speed the development of the companies, but basically most of the time great founders are winning their way in and we are there just to facilitate the process.”

E-government initiatives can play key role in boosting absorption of new technologies

things, and the increased value that occurs as “everything” joins the network. Several technology transitions, including the Internet of Things, mobility, cloud computing and big data are combining to enable IoE. Lots of innovation is needed to make IoE a reality and this is an opportunity for innovative companies in SEE, be it start-ups or more established players.

How can the public and private sector work closer to boost the rate of absorption of next-generation technologies in the region?

Governments can play a key role here both through regulations as well as demand generation, such as new e-services. Examples could be remote and e-government services for citizens and businesses, e-education or e-health. At the same time, these services could help decrease bureaucracy and increase the efficiency of public organizations.

According to the World Economic Forum Global Information Technology Report, SEE countries are lagging behind because of insufficient development of Information and Communication Technology (ICT) infrastructure, low levels of ICT uptake as well as weaknesses in their innovation systems. These factors hinder us to fully enjoy the benefits that can come from ICT. I see it as a joint responsibility but also a joint opportunity for the public and private sector to come together and address these issues.

What level of interest do you see among local governments in SEE to learn from the experience of counterparts around the world that are mounting successful smart city initiatives?

I have met with several mayors from the region who clearly understand the role and potential of technology and are closely monitoring what some of their colleagues do in Europe and across the globe. Last year, for example, Ljubljana hosted a conference of chief information

officers and IT leaders of the Major Cities of Europe organization. According to a recent study from Cisco about the potential economic benefits of IoE, we found that cities will generate almost two-thirds of IoE’s overall civilian benefits globally. The potential value for cities is around \$1.9 trillion over the next decade and cities can capture much of this value by implementing “killer apps”, such as smart buildings, monitoring of utilities via smart metering, smart parking, waste collection, water management and others. However, when it comes to Smart City projects, there is no “one size fits all” solution. We need to look at each city and find out how technology can address their specific needs and challenges. In case of Hamburg, for example, the port is at the heart of the local economy. Hence, several of their Smart City initiatives are focusing on port operations and smart traffic pilots in and around the port area.

On the backdrop of the continuing squeeze on public spending across SEE, what opportunities do you see to engage governments in the region in promoting remote health care services?

Some experts argue that the next revolution in health care is not about medicine. It is about using information and technology to drive safe and efficient patient care. Remote health care services are a key part of this shift and can help address many of the issues our countries face today: bringing care to remote areas, aging population and the lack of doctors or specialists. As broadband connectivity is built out across SEE, it enables new models of services in health care, but also other citizen service areas, such as remote education. IoE has an important role to play here. Think of blood pressure monitors and other sensors sending data automatically to doctors who can easily and securely track patient records and pro-actively intervene if needed, even before a patient notices something is wrong.

What potential does the small- and medium-sized enterprise (SME) sector have to fuel the region’s long-term economic growth? In this context, how crucial is it for SMEs to keep abreast of technological advances?

The cloud opens up great opportunities for SMEs to access cutting-edge information technologies

In today’s economy, most SMEs are part of supply chains and one of the key success factors is how they can efficiently communicate and collaborate real-time with their suppliers, customers and partners. As consumption models in IT are shifting towards the cloud, this opens up great opportunities for SMEs to access cutting-edge information technologies, without having to make major investments. So my advice to SMEs is to think of IT and technology as a strategic part of their business, and not only some back office function. And if I may give another piece of advice: watch out for the IoE trend and what it can bring to your business. As mentioned before, lots of innovation is needed to make IoE a reality and this opens great opportunities to innovative SMEs in the region. At Cisco, we have initiated several new programs to foster innovation and support technology companies, including venture capital offerings, start-up competitions and our Cisco Networking Academy programme.

What momentum are you seeing behind the take-up rate for cloud services in the SEE region?

As mentioned before, small and medium-sized enterprises (SMEs) have emerged as a key driver of demand for cloud services in the SEE region as they seek to absorb cutting-edge technology and get integrated into the global supply chains

Which SEE industries are leading the cloud push?

Telecom service providers are realizing there is a big market in the region for selling cloud services to SMEs and are actively working on building up know-how and cloud capabilities.

In addition to SMEs, another area where we see rising demand for cloud services in SEE is the public sector. Quite a few countries have started initial analysis how these services could be deployed properly and we are trying to engage to see where we can work with them.

MasterCard: Contactless payments key trend in SEE



Artur Turemka,
General Manager, Balkans,
MasterCard

MasterCard operates the world's fastest payments processing network, connecting consumers, financial institutions, merchants, governments and businesses in more than 210 countries and territories. MasterCard's products and solutions make everyday commerce activities – such as shopping, traveling, running a business and managing finances – easier, more secure and more efficient for everyone.

What payment solutions does MasterCard offer for the different client segments?

We offer payment solutions that provide issuers, merchants and corporations with better choices and channels to grow their businesses. For more than 40 years, MasterCard has been advancing the way consumer and business cardholders around the world shop, dine, travel and manage their money, enabling transactions that drive global commerce and improve peoples' lives.

Our wide variety of customized payment card types include credit, debit, prepaid, commercial, chip and contactless, all of which feature state-of-the-art security and convenience. With innovative loyalty and reward solutions and comprehensive cardholder benefits and services, our card products provide financial institutions, merchants, and businesses with inventive ways to decrease costs and increase customer satisfaction.

Each market has different needs. For that matter, we regularly run research programs on the markets in which we operate to get insight into cardholders' needs, habits, attitudes, as well as perception of their own financial situation. At the same time, the feed-

back we receive from our partners in terms of the market demands and their specific client group needs is invaluable for offering them suitable products that best cater to their customers' needs.

How are innovative payment solutions changing the card industry and how is MasterCard positioned to pace these trends?

Payment card industry is shaped by changing consumer needs and lifestyle, and innovative payment solutions are designed to cater to those needs, and improve commercial activities.

As a leading technology company in the financial services industry, we are passionate about innovation and we are constantly seeking to develop and test new payment solutions that make everyday commerce activities easier, more secure and more efficient for everyone.

MasterCard was recently listed in the Forbes Most Innovative Companies list. At number 32, our company sits alongside the world's top 100 innovative companies based on a methodology that reflects firms which are innovative now, and are expected to be so in the

future. All of these global brands are working daily to evolve their business and continue to do new and exciting things in their respective fields.

What are the latest trends in the card payment industry?

The most prominent trend in the payment industry is making payments available anywhere, anytime. Consumers worldwide appreciate convenient and safe products that also save their time, and as their lives are becoming increasingly digital, they readily embrace contactless payments via cards, mobile phones or any other gadget that they have with them all the time.

With all of that in mind, we launched our digital payment platform called MasterPass to enable consumers to make payments which are protected by multi-layer security with just a click, tap or touch wherever they are – in-store or online. MasterPass is an open-wallet platform, which means that users are able to store cards from all card brands, as well as ID, health and loyalty cards and shipping information, all of which data is constantly available to them. With this digital payments solution, the checkout process is a safe and simple experience, customized to end users' needs.

How are the latest market trends affecting card payment patterns in SEE?

Contactless is one of the most prominent payment trends in Central and Eastern Europe (CEE), particularly in the Balkans.

MasterCard contactless technology, better known as *PayPass*, is already present on most of these markets. A single tap of a contactless card against a special reader at a Point of Sale (POS) terminal is all it takes to make a payment. In addition to being fast and convenient to use, it is safe, as it is based on the chip technology. Additionally, the card never leaves the cardholder's hands during the payment, providing a greater sense of control and security.

When in mass usage, which is our ultimate goal when it comes to this type of a product, merchants begin to note a huge difference, as contactless transactions speed up the payment process and help merchants prevent long lines and serve more customers, who at the same time enjoy fast, convenient and safe shopping.

Contactless products are multi-purpose and can come with bonus features based on the preferences of the issuing institution. The contactless payment infrastructure sets an excellent foundation for related technologies, such as mobile payments.

We are aware that acquiring new technologies is a step-by-step process and that wide implementation of contactless, mobile and online payments needs to precede the implementation of solutions such as *MasterPass*, as only then both merchants and consumers would be able to get the most out of the benefits this service offers. We are steadily moving in that direction.

What is the pace of penetration of contactless payments in SEE? What can be done to speed up the process?

We are very pleased with the gradual developments of our contactless payments in the Balkans and the way consumers embrace the solutions we offer. Out of six Balkan markets almost all have implemented MasterCard Contactless payment technology – Bulgaria, Macedonia, Montenegro, Serbia, and most recently, Bosnia and Herzegovina, as well as some other CEE countries, including Croatia,



Hungary and Romania, to name a few.

We are working on establishing MasterCard contactless acceptance as standard by 2020 for merchants accepting MasterCard and Maestro in Europe, ensuring that consumers will be able to pay with their contactless cards and NFC enabled devices at all POS terminals in Europe by 2020.

In view of the high level of readiness of the Bulgarian and Serbian markets, we have set shorter compliance dates for the countries – starting with July 1, 2015 all newly-introduced POS terminals in Bulgaria and Serbia will have to adhere to the new standard, and starting with July 1, 2018, it will be necessary for all existing POS terminals to support the contactless functionality.

This is a stimulus for us to continue working on enabling cardholders to pay with our innovative method, whenever and wherever they like.

Also, it is important to highlight that understanding the technology and the benefits it offers to the key participants in the payment process is what determines the speed of the implementation. For this



The most prominent trend in the payment industry is making payments available anywhere, anytime.



very reason, we have been working closely with our partners in the banking and retail sector, to help educate cardholders about the advantages contactless payments offer.

What are the implications for the industry from the latest EU regulations on interbank transactions?

The negative ruling by the European Court of Justice in relation to cross border interchange fees is disappointing. When MasterCard brought this action in 2007 we did so because we believed then, as we do now, that market-based solutions are the best way to ensure a fair and competitive payments landscape in Europe – one that makes consumers' lives easier, and brings increased business for merchants. The negative judgment will have little or no impact on how MasterCard operates; we will continue to comply with the decision as we have been doing for a number of years. This means we would maintain our European (intra-EAA) cross-border consumer interchange fees at a weighted average of 0.2% for debit and 0.3% for credit. Together with our partners, we are committed to constructive cooperation and dialogue with EU decision-makers to ensure that any future payments legislation allows us to provide the most innovative and affordable payment solutions to our customers, cardholders and retailers, and does not have the unintended consequence of shifting costs on to consumers.

ECA: Island-hopping in Croatia now just a flight booking away



Klaus Dieter Martin,
CEO

Dalmatia-based seaplane operator European Coastal Airlines (ECA), founded in 2000, started operations out of Split in the summer of 2014. The company's ultimate goal is to connect all 66 inhabited islands in Croatia's Adriatic Sea as well as at a later stage expand operations abroad. The project is a multi-million euro investment and will create around 400 new jobs in Croatia. ECA aims to simplify the life of Croatian islanders as well as revolutionize transportation in the country by offering safe, reliable and affordable seaplane connections.

Hydro planes and island-hopping in Croatia, it sounds perfect! How is the famous Croatian bureaucracy reacting to your plans?

Starting the first seaplane operation in Southeast Europe was not an easy task. The toughest part for us has been to figure out the persons and authorities who are actually in charge of the infrastructure development we had in mind.

Once we got to know the authorities in charge for one destination, we thought it might get easier for the next one - way off the mark! Every location has its own regulations and restrictions to which we needed to pay individual attention. Our biggest journey and challenge was to bring the people together who can move this project forward.

How will people book, and how would a transfer from, for example, the Split airport to Hvar Town work? Take us through the experience of the arriving traveller.

The arriving traveller has either booked his flight with us already online via ec-air.eu or will simply walk into our ticket office at Split airport - from there we are shuttling our passengers by bus 500 meters to our seaside terminal. A ten-minute flight and you are in Hvar. Counting getting a ticket, luggage handling, etc., the entire procedure from Split airport to Hvar will hardly take you more than 20-30 minutes. Basically by literally not spending a cent more than a combination of taxi and ferry fares from Split Airport to Hvar, you cut down your transfer time easily by 4-5 hours.

By 2015 we will connect our booking system to Amadeus, meaning customers will be able to book a Shanghai-Hvar flight in one go.

Croatian island-hopping is a popular plan for visitors to Dalmatia, but ferry schedules do not make this easy, even in season. What can you offer travellers who want to see Split, Dubrovnik, Hvar, Korcula and Vis in a one-week visit, for example?

First of all - we will make island-hopping as easy as it can get. One will find a short connection accessible quickly, not only from the main cities on the shore, but as well connections from island to island. Daily island-hopping will actually be made possible year-around - a definite no-go in the current state with the ferry schedule.

And we are giving the travellers back what they value the most during their vacation -

free time. No one can compete with our short flying times: Split-Korcula in 22 minutes, Split airport-Hvar in 10 minutes, etc.

You intend to fly in the winter months as well, in contrast to most airlines servicing Split. Tell us more about that.

Our idea is to introduce seaplane operations to Croatia for Croatians. Our main focus is on the people living on the islands and making it easier for them to move around. By doing so we are creating a network which can help in medical emergencies, rescue flights, postal services and so on.

Our entire project is developed to operate all year around, we are creating sustainable jobs on the islands, being part of responsible business programs and focusing on the environment too.

Do you see potential to add further points to your destination map, including in neighboring countries?

In the first phase of our project we are looking into developing Croatia and already in a couple of weeks the first international flight to Ancona airport will be launched. We will extensively grow and connect Italy next year and are already looking into possibilities in Montenegro. The future of seaplane operations in Europe is bright.

What has been the market response to the launch of your commercial services? Do you see room on the Croatian market for multiple seaplane operators?

We have been operating since August 27 and are connecting the Split airport - from a seaside location - with Jelsa on Hvar island four times daily. Currently we have a daily load factor of minimum 60%. Plenty of flights are fully booked already. Good ideas give room for competition, which is perfectly fine with us. It can only make us better - and moreover increase the quality of a passenger experience. I am looking forward to welcome competition on one of our seaports.

Perceptica

Media Analytics

Evaluates the media image of an entity such as an organisation, an industry, a product/ brand, a campaign, a country or a person

Measures the effectiveness of communications efforts and helps PR and marketing professionals plan and enhance their strategy

Serves as a powerful decision-making tool

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The online taste: Wine industry in SEE in social and traditional media

By Perceptica team

Perceptica (www.perceptica.com) 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.

Winemaking in Southeast Europe (SEE) goes back to the days of the Roman Empire. Century-old traditions in wine production combined with favourable geographic conditions and intriguing local varieties make the region a compelling object of analysis when it comes to winemaking. And yet, SEE countries are still trying to shake off their obscurity compared to world famous wine regions in France, Italy, Chile and the U.S.

With opinions no longer formed only by professional wine tasting elites, recommendation via word of mouth is increasingly being recognised as the number one reason for people to try and buy new types of wine. Consequently, the amount of conversation in the media and the specific attitudes towards certain brands and regions play a significant role in market positioning and brand recognition among consumers.

Perceptica Media Analytics used this emphasis on online recommendations as a starting point in a comparison of the media image of wine industries in nine SEE countries - Bulgaria, Romania, Serbia, Macedonia, Mon-

tenegro, Bosnia and Herzegovina, Moldova, Slovenia and Croatia. The monitored period encompassed one year - from June 2013 to June 2014 - covering traditional and social media sources in English. Our aim was to track down patterns in representation not only in user-generated conversations about wines in social media channels like Twitter, online forums and the blogosphere, as well as in news sources which reflect the way countries and private winemakers promote themselves through PR and affect international perceptions via conventional journalist coverage.

The SEE Region – a taste for tradition and desire for novelty

Traditional Media

Over the analyzed period traditional media sources emphasized the substantial historical background of winemaking in the region, especially to consumers who were largely unacquainted with it – in the U.S., Canada, and Asia - providing sound cultural background as means of brand imaging. The one-time Communist rule in the region was also cited as one reason for the relatively low level of international exposure of SEE winemaking before 1989.

Many articles put an emphasis on the novelty of wines from the region and its status as an emerging centre for wine production, offering new and intriguing local varieties unknown to mass audiences and appealing for wine enthusiasts and connoisseurs. News about tasting events and wine competitions, as well as reviews and recommendations of wines worthy of attention dominated most of the traditional media coverage.

Social Media

Blogs

Social media coverage was strongly dominated by two types of writers: 1. Specialized wine journalists/bloggers establishing their presence both in the blogosphere and Twitter, who wrote country wine industry profiles or reviewed particular brands in details; 2. and avid travelers in various categories: from tourists on luxury sea cruises to backpackers who shared personal stories and travel tips from the SEE region and mentioned wines and winemaking traditions they encountered during their journeys.

The history of the region and its millennia old winemaking traditions emerged in detailed social media posts by dedicated travelers, alongside descriptions of the most interesting wine regions and worthy wine brands. Wine experts and connoisseurs were a rarity compared to travel bloggers but their posts were much more detailed, featuring lengthy wine reviews and even brief winemaking country profiles.

The laid-back Balkan lifestyle and taste for good food and wine were the key drivers of conversation in the posts of more conventional travelers who did not display strong interest in wine and were content with cheaper brands as a supplement to their food as opposed to high-end treats.

People from outside Europe, especially from the U.S., Canada and Australia, mentioned not being aware of famous brands from this region - except Croatian and Romanian ones - while UK posters were more acquainted with SEE wines, especially with



Author: Udo Shroeter. Licence: Creative Commons

wines from Bulgaria, which was the second biggest wine exporter in Europe before 1989 and had made a name for itself on the UK market.

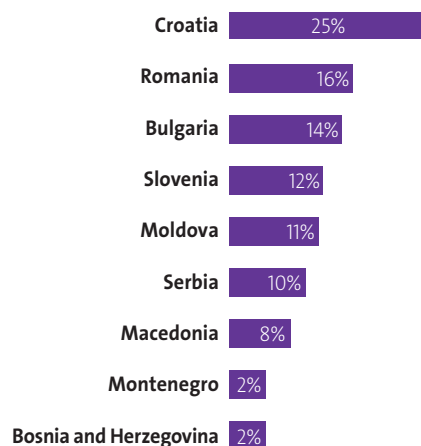
Twitter

Many wine companies and local tourist organisations generated substantial content, promoting a variety of wine brands and wine tasting events. Individual users (as opposed to official accounts/information outlets) either lifestreamed about drinking wine (sometimes hashtagging the type/brand) while travelling or made a brief mention of the wines which impressed them the most. Invitations to wine tasting events and links to more interesting wine reviews online were also a popular topic for sharing among Twitter users across the region.

Forums

Forum discussions were heavily dominated by personal tips on what is worth seeing and doing while visiting countries in the SEE region. Most of these comments contained passing mentions and general tips on wine venues and tapas, as well as which famous wine regions to visit. Forum goers within the analyzed body of online conversation seemed to be the least focused on in-depth information about wines. Specialized blogs on wine and gourmet cuisine remained the most vocal, detailed and specialized social media source on wines.

Share of voice



A total of 60,204 articles on wine and winemaking in SEE countries were detected during the analyzed period (June 2013 - June 2014). The qualitative media analysis is based on representative sample from the total coverage.

Individual Country Profiles

Bulgaria - Tradition and novelty

General image of the country's wine industry

Within Europe and the UK in particular, Bulgaria has established its reputation as a country of fine wines which offers both low-end varietals at an affordable price and refined high-end wines for connoisseurs. The country's ancient winemaking traditions,

which go back to Thracian times, are widely known and recognised abroad.

British bloggers, especially older ones with a longstanding interest in wine, often mention how easily available Bulgarian wines were in the UK during the 1980s and even cite some of the brands they used to drink. While many of them agree that the quality of Bulgarian wines deteriorated immediately after the fall of Communism in the country, they also acknowledge a major change for the better in recent years.

Positive wine reviews by wine journalists and news about awarded wines and wineries' expansion to new markets show that the Bulgarian wine industry is slowly gaining momentum and winning praise and recognition outside the borders of Europe: mostly the U.S., Canada and occasionally in South Africa.

Typical features

A combination of winemaking traditions and a newly established image as a popular contemporary producer of wine are the key features of the online media image of Bulgarian wines.

Articles in Korea, Thailand and China mentioned wine tasting events aiming at the promotion of fine Bulgarian wines, organised via industry bodies such as the Trakia Regional Vine and Wine Chamber or the Bulgarian embassies.

Famous wine regions

Melnik was arguably the most cited wine destination within the country. Travel blogs and forums unanimously recommended it for its wine cellars and variety of commercially produced brands and local home wineries.

Most frequently mentioned brands/types of wine

The involvement of Edoardo Miroglio in the production of Soli wines attracted a lot of international attention on both traditional and social media and the brand was extensively cited in foreign online media sources, especially after it was ranked in Decanter.com's list of "32 Great wines under 20 British pounds. It was also the most often cited Bulgarian brand among Twitter users, mostly in the UK.

British users recalled Domain Boyar as a popular and affordable brand they have been

acquainted with for a long time. Brits also praised Zagreus, Enira, Vinica, while bloggers from other countries and Twitter users were more interested in Cherga, Todoroff and Angelus Estate which has won a golden and two silver awards at the prestigious International Wine Challenge in London. American bloggers were interested in Kukeri Cabernet, after it received a highly positive review in The Examiner. Kukeri's producer Peter Kirilov attracted the attention of American winemakers and wine lovers due to his choice of grapes selected from Veeder, near the Napa Valley.

Croatia – Wine reaching the far side of the world

General image of the country's wine industry

Croatian wines gained substantial international media exposure outside the borders of Europe due to the country's popularity as a tourist destination and the long history of winemaking in Istria which were mentioned in news articles, blog posts, and syndicated content via Twitter in the U.S., Australia, New Zealand, Canada and South Africa.

Typical features

Croatian wines are fairly popular as far away as New Zealand and Australia largely thanks to the large Croatian diaspora and brands like Selaks - one of New Zealand's original wine brands, founded in 1934 by Croatian immigrant Marino Selak. Selak was one of 8,000 Croatians who emigrated to New Zealand in the early 20th century, "who could not fathom life without wine because it held

such huge importance as the social glue of celebrating food and family," as one blogger put it.

Wine origins were a key theme in online media coverage of Croatian wines, and not only because of people like Selak. Genetic tests have revealed that two grape types - the primitivo (currently gaining popularity in California), and zinfandel (famous worldwide) are in fact different clones of the same grape and evidence now points its origins to Croatia, to a grape called crljenak. Prosek, another popular Croatian wine, was contested by Italian winemakers who consider it as an imitation of the famous Italian Prosecco.

Famous wine regions

Travel bloggers and forum goers, as well as a small portion of Twitter users readily shared their experience in Croatia and especially the Dalmatian coast, especially Hvar. The history of Istrian winemaking in Ancient times was mentioned by more knowledgeable bloggers as an example of the centuries old winemaking traditions in the country.

Most frequently mentioned brands/types of wine

Malvasia, Prosek, Plavac Mali, Bibic, Maneghe-tti red, the cellars of Ivo Duboković

Romania: Wine red as blood

General image of the wine industry

The mysterious Transylvania with its misty, old castles and the most famous vampire in the world, Count Dracula, serve as a key

branding inspiration for many wine producers in the country. But apart from branding, high quality and original taste establish the country's image as an emerging wine destination for both laymen and wine experts interested in tasting tours in old cellars and picturesque country vineyards.

Typical features

Twitter users were highly interested in wine label designs, especially those hinting at Romania's famous Transylvanian legacy – Count Dracula. Instagram photos of original wine labels were extensively shared and helped popularize online the diverse winemaking industry in Romania.

Award winning wines and recognition for local wineries shares social media space with more affordable options, described by tourists as "great value wines" with appealing packaging and design.

Famous wine regions

For the traveler interested in the traditions of wine-making, a trip to Romania offers many opportunities to visit its famous wine regions and sample different regional wines like Murfatlar, Cotnari, Jidvei, Dealu Mare and Odobești.

Most frequently mentioned brands/types of wine: Francusa, Feteasca Alba, Tamaioasa, Feteasca Neagra, Babeasca. Twitter users make all sorts of recommendations: from popular standard wines like Pinot Grigio, to more exotically labelled Sangre de Taur, Vampire, and Sin of Dracula.

Slovenia – An emerging star on the wine stage

General image of the wine industry

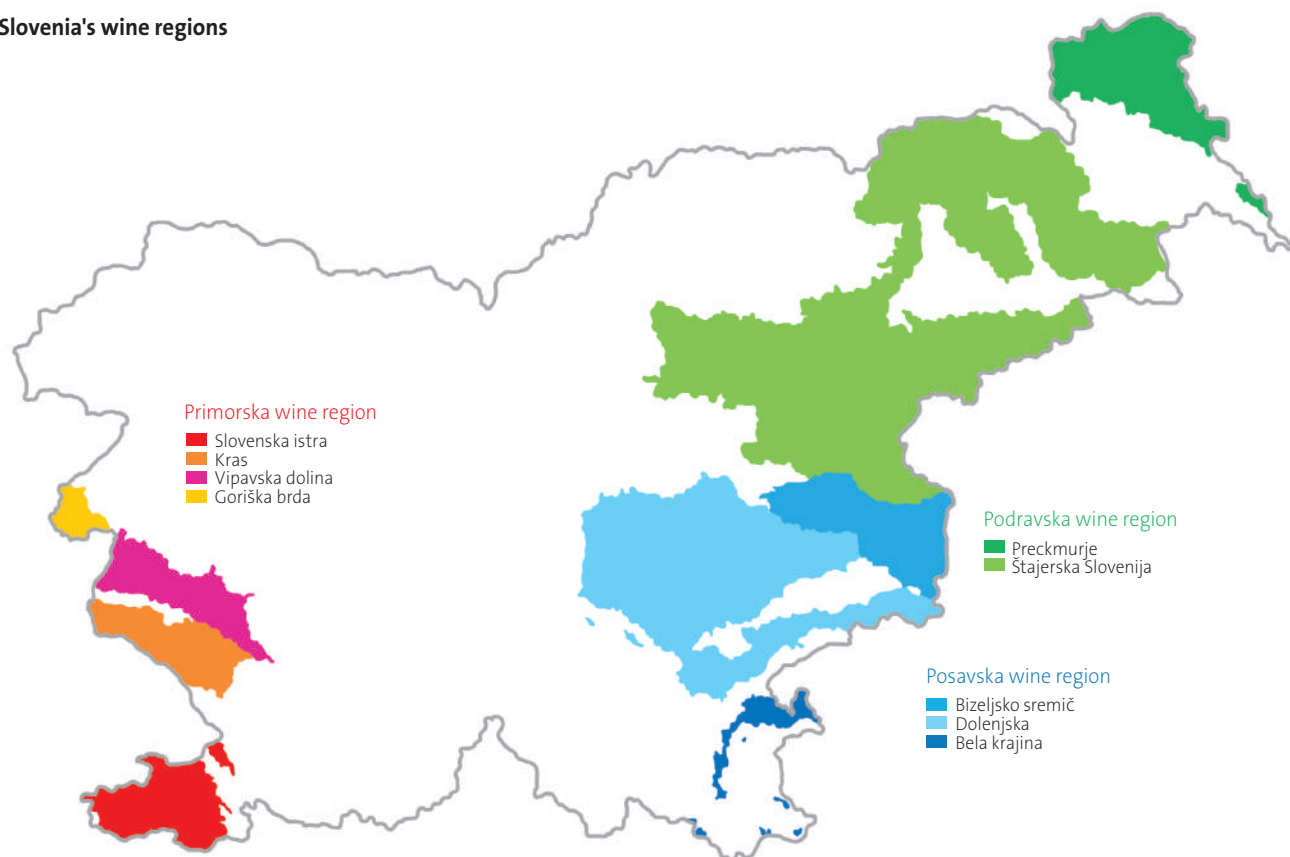
Slovenian wines were often described as a great "bargain" by travel bloggers who visited the country and enjoyed wine tastings, sightseeing tours and festivals. Price perks were combined with good quality and crisp taste and most of the online responses were quite positive.

Slovenia was frequently described as an emerging star on the European and international wine scene, not only by wine lovers but also experts and industry representatives in traditional media.



Author: Uncalno Tekno. Licence: Creative Commons

Slovenia's wine regions



Typical features

Tourists were impressed by Slovenian mulled wines, served at different local fests and Christmas markets.

There were often comparisons in social media between Italian and Slovenian wines as the countries offer similar conditions in terms of climate for wine growing and are geographically adjacent. Special attention was also paid to organic wines and the ones produced through the so called biodynamic method.

Slovenian orange wines - produced through longer grape skin maceration, traditionally in clay vessels, with a texture similar to that of a red wine, while the taste of fruit and minerals suggests a white one - were also quite popular online, especially after a favourable mention by Washington Post.

Famous wine regions

The areas Movia, in Goriska brda region, and Vipava Valley, or Vipavska dolina, emerged as the most famous wine regions in the country in social media. The village of Vipava and the region in which it is located are known to be

the home of 150 different producers, 23 grape varieties and a wine production university. Most frequently mentioned brands/types of wine: Gorice Rose, Eiswein (sweet wine made by freezing the grapes on the vine before they are picked), Fine Sauvignon Blanc Furmint, Quercus Pinto Bianco, Movia Ribolla Gialla, 2010 Movia Sauvignon Blanc Primorje, Skerk Vitovska, etc.

Moldova : An unusual but thriving wine destination

General image of the country's wine industry

Moldova is a small country situated between Romania and Ukraine, offering an authentic cultural experience and off-the-beaten-path charm in its purest form. With over 140 wineries, the country has established traditions in wine industry with beautiful vineyards and underground wine cellars, century old winemaking traditions and captivating landscapes.

Typical features

During the analyzed period European tra-

ditional media focused mostly on political/trade issues regarding Moldova in the context of the EU - Russia - Ukraine conflict. The Economist dedicated an article to the subject: "Why has Russia banned Moldovan wine?" describing the negative arm-twisting effects of the economic blow against Moldova's aspiring wine industry.

Moldovan wines received highly positive reviews and praise from wine bloggers and experts in the U.S., Italy and Germany and some users claimed that they can compete with top wine producers like France, Italy and Spain.

'The Winerist' UK, whose co-founders are from Moldova, helped spread the word about great local wines across Europe and blog posts from U.S. Peace Corps volunteers stationed in the country also helped popularize Moldovan wines outside the borders of the country.

Famous wine regions

Social media posts focus on many opportunities for wine tasting tours organised at Chateau Vartely, Cricova, Milestii Mici and Et



Author: Matt Biddulph. Licence: Creative Commons

Cetera and Chateau Cojusna wineries, located close to the capital of Moldova, Chisinau were the most commented, as well as Purcari winery.

Serbia: A land of pure wine

General image of the country's wine industry

There are nearly 70,000 ha of vineyards in Serbia, producing about 425,000 tonnes of grapes annually. According to traditional media sources, the history of viticulture in Serbia dates back hundreds of years but many bloggers and journalists with knowledge of the industry point that the main reason for Serbia to stay off the winemaking map was due to the country's economic and political unrest in the 1990s.

In the last 10 years winemaking has started to recover and has become widely known for its quality, affordable price and unique taste. More expensive and exquisite wines are now tightly associated with the rising interest in gourmet culture within the country

Typical features

Modern marketing savvy wineries are effectively using social media to promote their products. Samovino (meaning "only wine" or "pure wine") is quite popular among bloggers and Twitter users. It is described as a project focused on German and Austrian wine trade run by a few young and wine entrepreneurs. The Aleksandrovic winery was also actively using hashtags such as #serbianwine, #viticulture, #Balkans, #Šumadija, # Prokupac to popularize its activities.

Famous wine regions

Serbian wine routes include: Palic, Fruska Gora, Vrsac, Smederevo, Oplenac, Negotin, Knjazevac, Zupa. Among the most frequently mentioned Serbian vineyard areas are Subotica area, Sumadija (central Serbia) and Zupa as well as the Negotin region. Sumadija (central Serbia) gains popularity among bloggers as the perfect touristic destination for Sauvignon Blanc & Pinot Noir lovers.

Most frequently mentioned brands/types of wine

Prokupac was typically mentioned the most in online social media. Other famous wines

are Tamjanika (betterly known as Muscat), Zupljanka and Italian Riesling, Samovino, Bermet, Šumadinac (the very first sparkling wine produced in Serbia), Smederevka, etc.

Macedonia – The hidden gem

General image of the wine industry

Outside the region and especially outside Europe, online users share they are skeptical about trying Macedonian wine, because they do not recall hearing much of the country's winemaking traditions prior to visiting it. However, that skepticism quickly dissolves once they have tasted the wine and Macedonia, along with the other countries from the SEE region has seen somewhat of a "boom" in its wine industry since the fall of the iron curtain.

Typical features

Macedonian exporters are trying to reach markets outside the borders of former Yugoslavia and are strengthening exports to the EU (especially Germany, which accounts for 40% of the country's exports and US markets.

Stanushina (or Stanusina) - an indigenous Macedonian variety, also nicknamed "Macedonian Girl" is considered one of the oldest grape varieties in the world. Online social and traditional media sources highlight the fact that Popova Kula Winery is the only producer of Stanushina Red Wine and Rosé who successfully saved this type of grape from extinction and made it popular again.

Famous wine regions

There are about 80 wineries in Macedonia in three major wine regions - The Central (Povardarie), Western (Pelagonia-Polog), and Eastern Regions (Pchinya-Osogovo). One of the best known names in wine industry is Tikvesh (also Tikves).Chateau Kamnik and Popova Kula were the other two most popular producers, followed by Traikovsky Wines, Bovin Winery and Skovin Winery.

Most frequently mentioned brands/types of wine

Vranec (red) and Smederevka (white) are the two main varieties of grape grown in the country. Famous types of wine and brands include: Stanushina, Temjanika, Rkaciteli, Zilavka and Prokupec, Bela Voda and Vranec Classic by

Tikvesh Winery, Emperor by Bovin Winery, Vranec Veritas Reserve by Stobi Winery.

Montenegro : *The Mediterranean feel of the east*

General image of the country's wine industry

The balmy climate, relaxed cafe culture, and a love of good food and fine wine all give Montenegro a Mediterranean feel. Wine lovers were charmed by the beautiful walks, good food and excellent wine of that region. Blogs and Twitter were most active channels for conversation about Montenegro when it comes to tourism and wine.

Conversation on Twitter was mostly focused on the International Wine Tourism Conference, where Montenegro participated for the first time and where its wines received great response from the audience. Industry representatives also took the opportunity to share their positive experience from the event on Twitter and the Blogosphere.

Typical features

Bloggers and Twitter users were especially fond of the so called "cooked wine"- a local variety of mulled wine, locally called *kuhano vino/ kuvano vino* - made from red wine and various combinations of nutmeg, cloves, cinnamon, sugar and orange zest, often served with slices of orange or lemon.

In general, local wines were praised by people seeking refuge from mass wine production, one of the often repeated compliments was "they feel very 'homemade'."

Famous wine regions

The vineyards of Godinje region as well as Plantaze (the regional leader in the production of wine and brandy) were mentioned as one of the famous Montenegrin quality wine producers. Bloggers often mentioned the Milovic family home and cellars, where you can taste fine-quality Montenegrin wine and cuisine.

Bosnia and Herzegovina: *Have you tried Zilavka?*

General image of the country's wine industry

Bosnia and Herzegovina is renowned for

its nature, cultural heritage and diversity, cuisine, and lately for its wines. After its recovery from the tumultuous past in the 90s which severely affected its agricultural and wine production, the country is currently rediscovered by travel enthusiasts, new experience seekers, food and wine lovers and is generally viewed as a perfect destination not only for sightseeing but also for wine tasting.

Distinct features

Bosnia is not on the top list of expert wine critics at least when it comes to its media presence. Most of the authors who mention drinking local wines are usually average consumers and wine lovers rather than wine experts or industry representatives.

The information outlet @WinesofBosnia is one the most active in promoting Bosnian wines on Twitter, but it seems that private Bosnian wineries still have not focused their efforts on building engagement through this social media channel. It is worth mentioning that some foreign restaurants are increasingly recommending Bosnian wines to their clients.

Famous wine regions

The most frequently mentioned Bosnian area of vineyards is Mostar (in the southern part of Bosnia and Herzegovina) where travelers can visit local wineries and taste Mostarska Zilavka.

Most frequently mentioned brands/types of wine:

The leading varieties in Bosnia and Herzegovina are Zilavka (white) and Blatina (red). The most mentioned wine producers in social media are Brkić and Vinogradi Nuic.

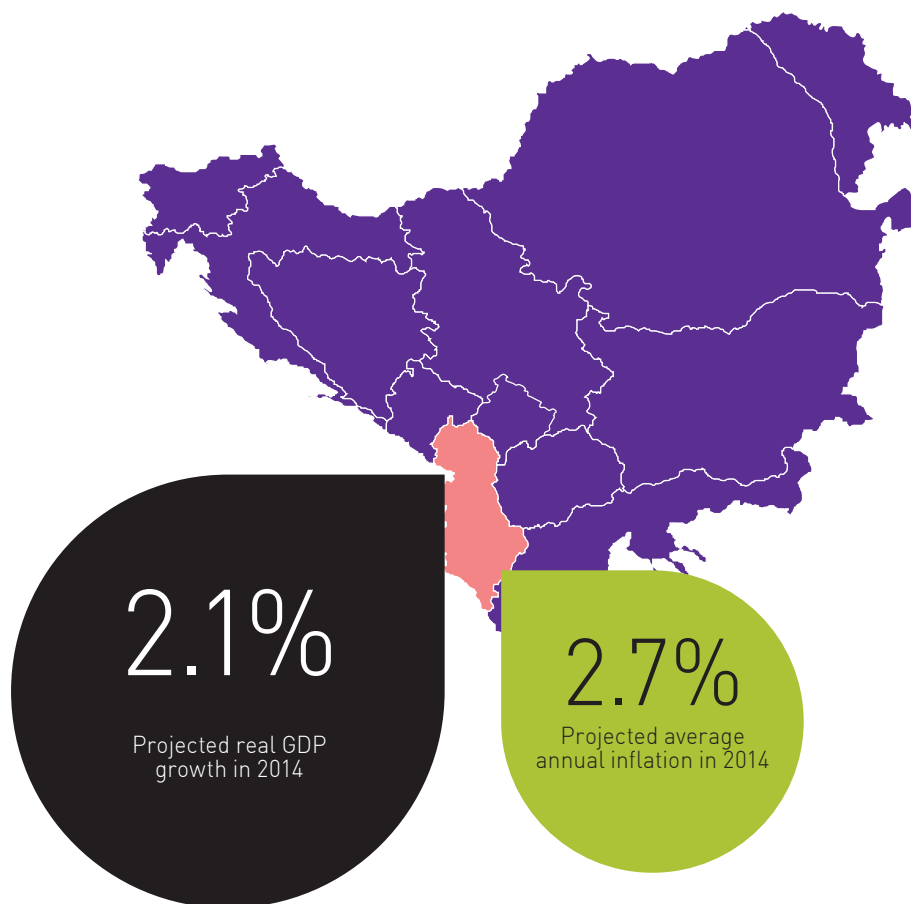
What opportunities lie ahead of SEE winemakers?

Social media presence, when it is adequately planned and engagingly sustained is a great opportunity to popularize your brand and reach new customers. Your brand's best ambassadors are within the network of people who have already tried a certain type of wine and are willing to discuss it with others. Influence through word of mouth is especially powerful in an industry which offers thousands of different brands worldwide and it is hard for a non-expert to make an informed pick.

Brand perceptions within a specific country's industry pile up and can affect customer perceptions significantly. If your country's overall media image has a far from recognizable reputation, it would take much more effort to stand out on the international market and win over new customers. SEE countries have differing degrees of international distinction and while some are virtually unknown outside Europe, others are gaining momentum and winning over the praise of wine experts overseas – in the U.S., Canada, and Australia - and trying to conquer new horizons in potentially huge markets for export like China and Malaysia.



Author: Derek Gavey. Licence: Creative Commons



Albania's economy is expected to strengthen modestly in 2014. Support comes from continued growth in exports and a modest recovery in domestic demand. However, stagnating credit, weakening external demand and declining remittances all limit the pace of economic progress. Output remains below potential. The informal economy accounts for nearly one-third of GDP. Current high levels of debt are a deterrent to investors.

Albania was Europe's poorest country for many years. 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 and grew by just 0.7% in 2013. Weaknesses in investor confidence, tight lending and incomplete reforms of the investment regime amplified the slowdown.

Economic prospects

The economy is expected to strengthen modestly in 2014 with real GDP rising by 2.1%. Support comes from continued growth in exports and a modest recovery in domestic demand. However, stagnating lending, weakening external demand and declining remittances all limit the pace of economic progress. Output remains below potential.

Inflation was 1.9% in 2013 and prices will rise by 2.7% in 2014. The target range of the central bank is 2.0-4.0%.

The real value of private final consumption fell by 0.2% in 2013 and gains of 1.6% are expected in 2014.

The current account deficit was 9.2% of GDP

in 2013. Inflows of FDI and remittances are the main sources of external finance. The large imbalance leaves the country vulnerable to external shocks.

Unemployment is still very high, at 12.8% in 2013, despite the large number of people working abroad. The problem is that much of the income earned abroad does not create sustainable jobs at home.

The country's budget deficit will exceed 5.0% in the medium term despite efforts at fiscal consolidation. Fiscal slippages and government arrears have also pushed up the public debt. The officials' goal is to cut the public debt to less than 60% of GDP in the medium term. This will require tax and expenditure policy measures in addition to those introduced in 2013 and planned for 2014. Current high levels of debt are a deterrent to investors. The electricity sector poses a large fiscal risk.

Evaluation of market potential

Public and private consumption is expected to fall as a share of GDP as the business sec-

Albania TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	96	Bankers Petroleum Albania Ltd.	Petroleum/Natural Gas	482.9	29.10%	-141.9	N/A
2	101	Kastrati Sh.a.	Petroleum/Natural Gas	455.9	34.73%	5.2	N/A
3	193	CEZ Shperndarje Sh.a.	Electricity	268.9	-0.19%	-185.5	N/A
4	261	Korporata Elektroenergjitike Shqiptare Sh.a. (KESH)	Electricity	209.4	4.76%	66.3	N/A
5	292	Kurum International Sh.a.	Metals	175.7	-4.97%	21.0	N/A
6	302	Europetrol Durres Albania Sh.a.	Petroleum/Natural Gas	161.0	1.01%	N/A	N/A
7	330	Vodafone Albania Sh.a.	Telecommunications	131.6	-20.69%	25.4	N/A
8	349	Marketing & Distribution Sh.p.k.	Wholesale/Retail	108.8	39.04%	2.5	N/A
9	352	Albanian Mobile Communication Sh.a.	Telecommunications	104.0	-2.39%	25.4	N/A
10	353	Alfa Sh.a.	Wholesale/Retail	99.5	48.09%	N/A	N/A

Source: National Registration Centre, Monitor magazine (www.monitor.al)

Foreign debt in millions of euro



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

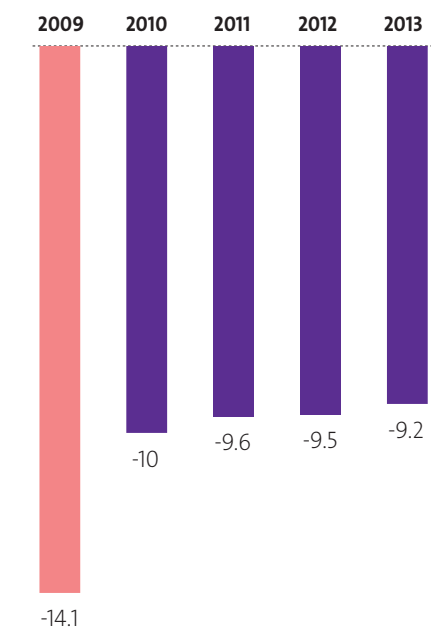
Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	80.6	Europe	82.9
Asia-Pacific	16.4	Asia Pacific	10.9
Africa and the Middle East	1.4	North America	2.5
North America	1.2	Latin America	1.9
Latin America	0.4	Africa and the Middle East	1.4
Other countries	0	Other countries	0.4

Source: International Monetary Fund (IMF), Direction of Trade Statistics

© Euromonitor International

Current account balance as % of GDP



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

tor assumes a larger role. More aggressive efforts at fiscal consolidation will be necessary as Albania's public debt and financing needs are some of the highest in the region. 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

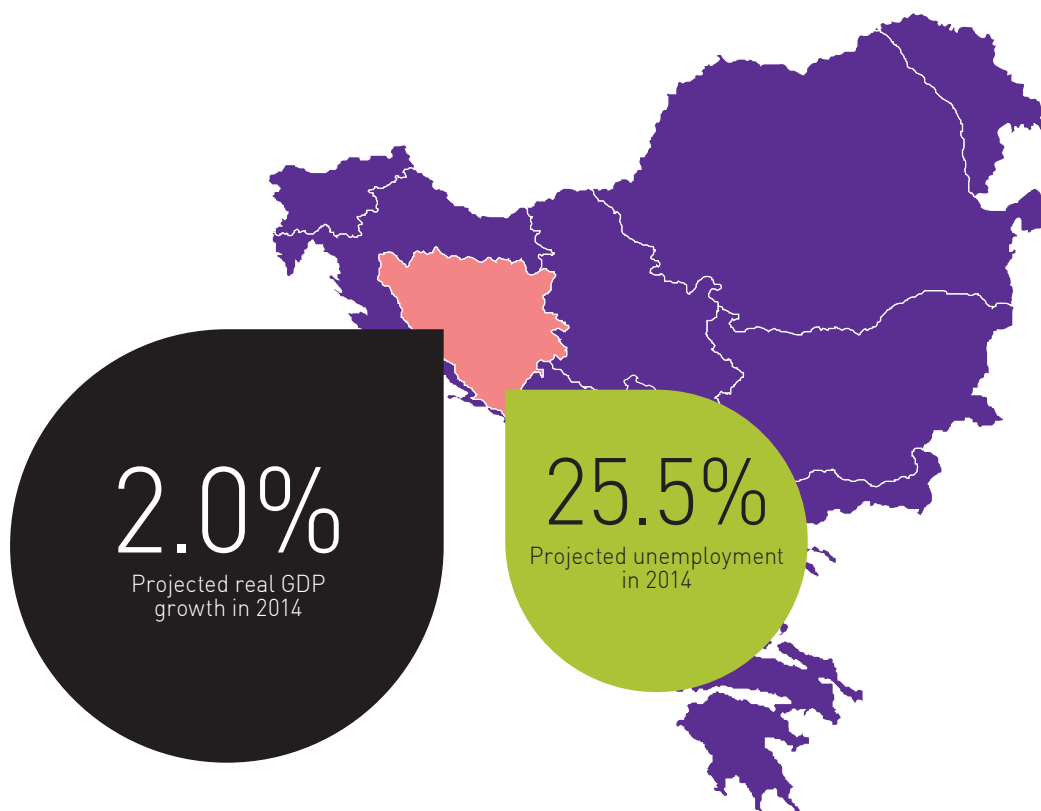
other fields, however, progress in improving the business climate has been limited.

The authorities plan to undertake comprehensive reforms over the medium term to make the electricity sector and pension system sustainable. Other reforms involving the energy sector and local government are also underway.

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 roadway 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 economy in GDP is falling as the administration of tax revenue is improved.

Weaknesses in the institutional framework mean that the rule of law is limited and corruption is widespread.



The economy of Bosnia and Herzegovina is expected to continue to grow at a moderate but steady pace in 2014 with stronger rates of growth expected in the medium term. An export recovery along with improvements in industry and construction are driving economic activity. An increase in foreign-funded infrastructure projects provides additional support. The jobless rate is falling but remains one of the highest in Europe. More than 75% of the unemployed have been out of work for over two years.

Bosnia enjoyed a remarkable period of growth in 2003-2008 when real GDP expansion averaged 6.0% per year. During that period, the

country's economy was driven by domestic demand. The private sector was fuelled by a credit boom financed from abroad. However, the country experienced a sharp recession in 2009 when exports fell and inflows of FDI disappeared. A feeble recovery began in 2010 and 2011 but prospects were subsequently undermined by the eurozone crisis. Since then, the economy has struggled mightily with real GDP contracting in 2012 and growing moderately in 2013. Weak domestic demand and tight fiscal policies slowed the pace of growth.

A large portion of all economic activity is 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.

Economic outlook

Real GDP is expected to grow by 2.0% in 2014. An export recovery along with improvements in industry and construction are driving the economy. An increase in foreign-funded infrastructure projects provides additional support.

Prices fell by 0.1% in 2013 and another decline of 1.2% is expected in 2014.

Countrywide unemployment was 27% in 2013 and is expected to fall to 25.5% in 2014. This is still one of the highest rates in all of Europe. Youth unemployment exceeds 60%. 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 mismatches and a poorly trained work force are major problems.

Domestic consumption remains subdued owing largely to austerity measures and lim-

Bosnia and Herzegovina TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	58	Optima Grupa d.o.o. Banja Luka	Petroleum/Natural Gas	653.9	-1.68%	-74.5	-80.6
2	73	Holdina d.o.o. Sarajevo	Petroleum/Natural Gas	544.6	77.31%	-3.3	-2.3
3	79	JP Elektroprivreda BiH d.d.	Electricity	515.5	8.93%	18.9	3.6
4	147	Arcelormittal d.o.o. Zenica	Metals	336.5	-9.00%	-0.812	-4.2
5	163	Konzum d.o.o.	Wholesale/Retail	315.9	0.98%	2.9	1.3
6	168	BH Telecom d.d.	Telecommunications	303.3	-3.05%	60.7	64.7
7	206	Bingo d.o.o. Tuzla	Wholesale/Retail	258.9	12.91%	17.3	18.7
8	211	Elektroprivreda Republike Srpske a.d.	Electricity	253.9	26.77%	15.7	2.9
9	220	Telekom Srpske a.d.	Telecommunications	244.5	-2.52%	51.3	56.2
10	238	Prevent BH d.o.o. Visoko	Diversified Holdings	224.7	-16.97%	8.5	N/A

ited gains in household income. The real value of private final consumption increased by 1.0% in 2013 and growth of 2.2% is expected in 2014.

Bosnia relies heavily on remittances from overseas workers. This is especially important since the country has failed to attract much foreign investment. As a share of GDP, the country's remittances are one of the highest in Europe.

Evaluation of market potential

Annual rates of growth should rise to around 4.0% in the medium term. Both exports and remittances are expected to strengthen but domestic demand should eventually take over as the main driver of the economy as incomes rise. The investment-to-GDP ratio has fallen to less than 20%, from 28% in 2008, but it, too, should gradually rise in the medium term. Private investment is expected to grow at a double-digit pace after 2015. Further reforms are still needed but the political divisions within the government are growing in the run-up to the next election, in late 2014, making such moves unlikely.

Employment should begin to grow in the next few years.

Foreign trade

Exports consist mainly of commodities and low value-added manufactures. Basic manufactures accounted for 23.7% of the total in 2013 while miscellaneous manufactured goods made up another 23.6%. The EU took 87.2% of all exports in 2013.

The ratio of exports to GDP is modest but has been slowly rising for several years. In 2013, exports represented 31.9% of GDP. There has been a gradual diversification of export markets as the country's industrial base has

broadened. The dollar value of exports rose by 10.2% in 2013 and gains of 10.3% are expected in 2014.

The current account deficit was 5.5% of GDP in 2013 and is expected to widen to 6.6% in 2014.

Business environment

The Serb Republic – one of the two autonomous entities forming Bosnia and Herzegovina along with the Muslim-Croat Federation - is pursuing several programmes for privatisation with sales conducted at the entity level by separate agencies. The Federation has 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. 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.

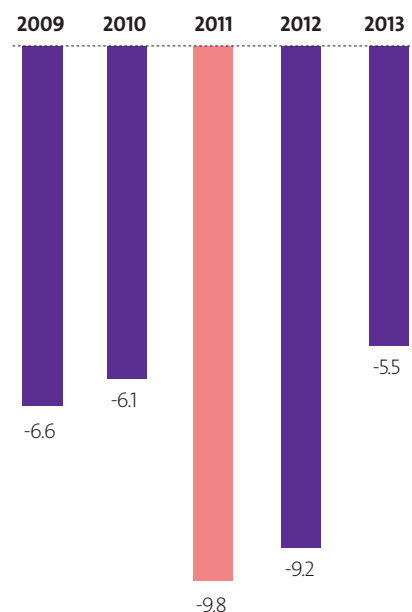
Large differences in the corporate income tax between the Serb Republic and the Federation make it difficult for businesses operating in both entities. In the Republic, corporate taxes are 10% while they are 30% in the Federation. A new corporate income tax law will be adopted in the Federation in 2014 to broaden the tax base. To improve enforcement and reduce VAT tax fraud, the country's four tax agencies have agreed to share taxpayer information.

Imports and exports

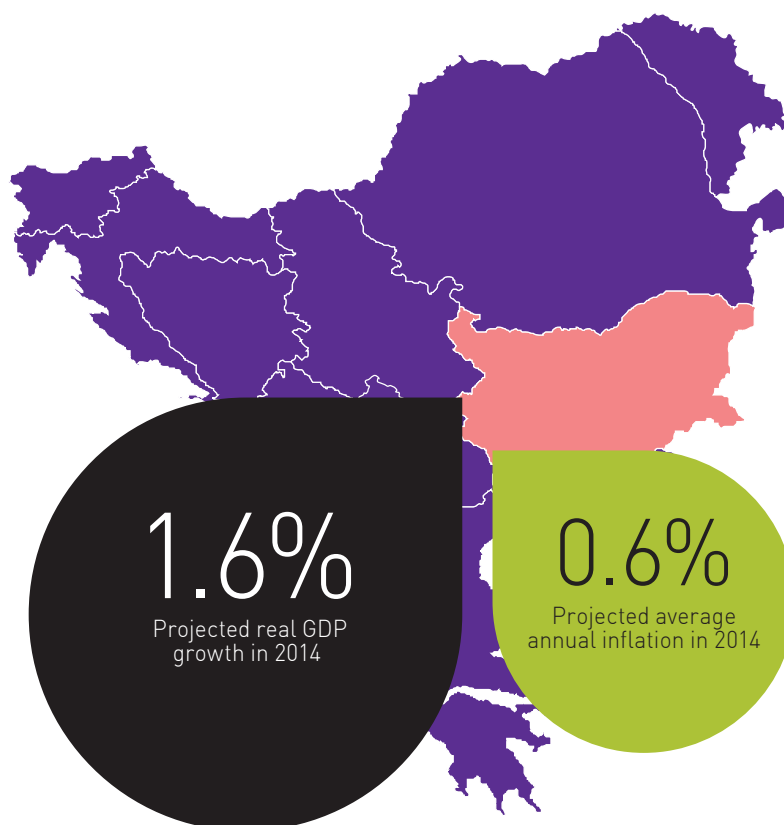
Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	95.3	Europe	98.3
North America	1.5	Asia Pacific	1.0
Africa and the Middle East	1.4	North America	0.2
Asia-Pacific	1.4	Latin America	0.2
Latin America	0.2	Africa and the Middle East	0.2
Australasia	0.1	Australasia	0

Source: International Monetary Fund (IMF), Direction of Trade Statistics

Current account balance as % of GDP



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Bulgaria's economy is expected to improve modestly in 2014. Inflows of FDI should provide some support as the recovery in Europe gathers momentum. A better agricultural performance and higher levels of public spending are seen as other growth drivers. The jobless rate, however, remains in double digits. Much of the unemployment has become structural in nature and is therefore harder to address. Officials aim to cut the budget deficit to 1.8% in 2015.

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 the country to achieve a per capita income that is two-thirds of the EU average. Growth has been feeble since

the global recession and output still remains below pre-crisis levels.

Bulgaria's economy has continued to struggle during the present decade. Real GDP grew by less than 1.0% in each of 2012 and 2013 – well below the economy's potential. Productivity gains have been limited, as a result of which Bulgarian firms have been losing ground at a time when EU membership has exposed them to greater competition. A drop-off in foreign investment has added to the country's problems.

Economic outlook

GDP is expected to grow by a real 1.6% in 2014, up from 0.9% in 2013. Inflows of FDI should provide some support as the recovery in Europe gathers momentum. A modest improvement in agricultural performance and higher levels of public spending are seen as other growth drivers. The economy grew by 1.1% in the first quarter of 2014 on an annual basis.

Average annual inflation was 0.9% in 2013

and is expected to fall to 0.6% in 2014.

The real value of private final consumption fell by 5.0% in 2013 and an increase of 1.9% is forecast for 2014. Steady gains in real wages, along with a rise in discretionary pensions, add to consumers' purchasing power. In addition, over one million Bulgarians work abroad and their remittances support consumer spending. In 2013, remittances totalled \$1.6 billion.

Unemployment was 13% in 2013 and that is not likely to change in 2014. Employment rose in 2013 but more people have also returned to the work force, preventing the jobless rate from falling. Low-skilled workers represent 70% of the unemployed. The jobless rate is the highest among young adults, ethnic minorities and rural residents. Much of the unemployment has become structural in nature and is therefore harder to address.

The government expects foreign investment to rise to 1.7 billion euro in 2014 and 1.8 billion euro in 2015. Officials also plan to increase the absorption of the EU structural funds significantly.

Bulgaria TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	3	Lukoil Neftochim Burgas AD	Petroleum/Natural Gas	3 906	-7.15%	-123.3	-48.2
2	8	Aurubis Bulgaria AD	Metals	2 438	-10.56%	19.4	102.8
3	15	Lukoil-Bulgaria EOOD	Petroleum/Natural Gas	1 649	-9.91%	-27.7	-36.3
4	19	Natsionalna Elektrieska Kompania EAD	Electricity	1 541	-3.54%	-70.2	-47.9
5	35	OMV Bulgaria OOD	Petroleum/Natural Gas	917.1	3.11%	11.5	-3.7
6	42	Bulgargaz EAD	Petroleum/Natural Gas	781.5	-18.82%	31.8	-58.1
7	45	CEZ Elektro Bulgaria AD	Electricity	726.9	5.35%	-8.4	0.303
8	72	Naftex Petrol EOOD	Petroleum/Natural Gas	550.5	-21.04%	-77.5	-42.8
9	74	Kaufland Bulgaria EOOD & Co KD	Wholesale/Retail	536.9	6.71%	N/A	N/A
10	99	Saksa OOD	Petroleum/Natural Gas	460.9	24.68%	4.3	5.5

Evaluation of market potential

Bulgaria's economy depends heavily on exports for its growth momentum, but improvements in domestic demand should help support the economy in the medium term. Annual rates of growth are expected to exceed 3.0% per annum over the next several years. To realise these rates of growth the government will still need to attract more investment by cutting bureaucracy and corruption.

In the longer term, growth prospects could be limited by significant population decline owing to emigration and ageing. Both these factors will likely reduce growth potential.

Given present demographic trends, 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 59.7% of the total in 2013. Basic manufactures made up 22.4% of the total. In dollar terms, Bulgarian exports grew by 10.7% in 2013 and a decline of 0.6% is expected in 2014.

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 55.7%

in 2013, up from 43.4% in 2008.

The current account surplus was 3.1% of GDP in 2013. A surplus equivalent to 0.5% of GDP is expected in 2014.

Business environment

The government intends to simplify company registration and licensing procedures, expand one-stop shops, and intensify efforts to combat corruption. Its goal is to reduce the administrative burden on companies by 20%. Plans to increase efficiency in the energy sector and health services will support growth and employment.

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 hold 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.

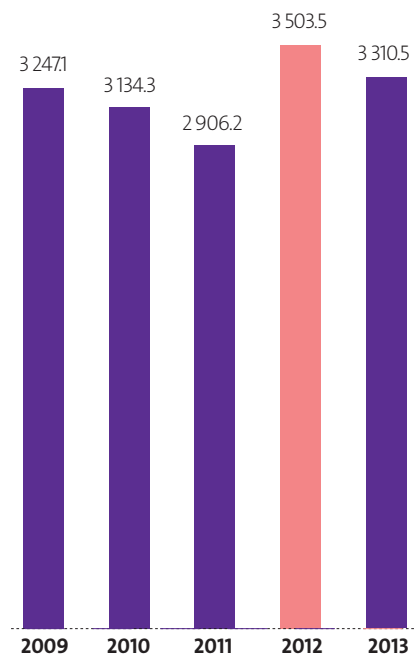
Bulgaria lacks an independent judiciary system. Increases in excise taxes and reforms to ensure better compliance should prevent a further drop in tax revenues. Further reforms are also needed to improve the business climate.

Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 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	1.4	North America	0.8
Latin America	0.5	Other countries	0.7

Source: International Monetary Fund (IMF), Direction of Trade Statistics

Foreign debt in millions of euro

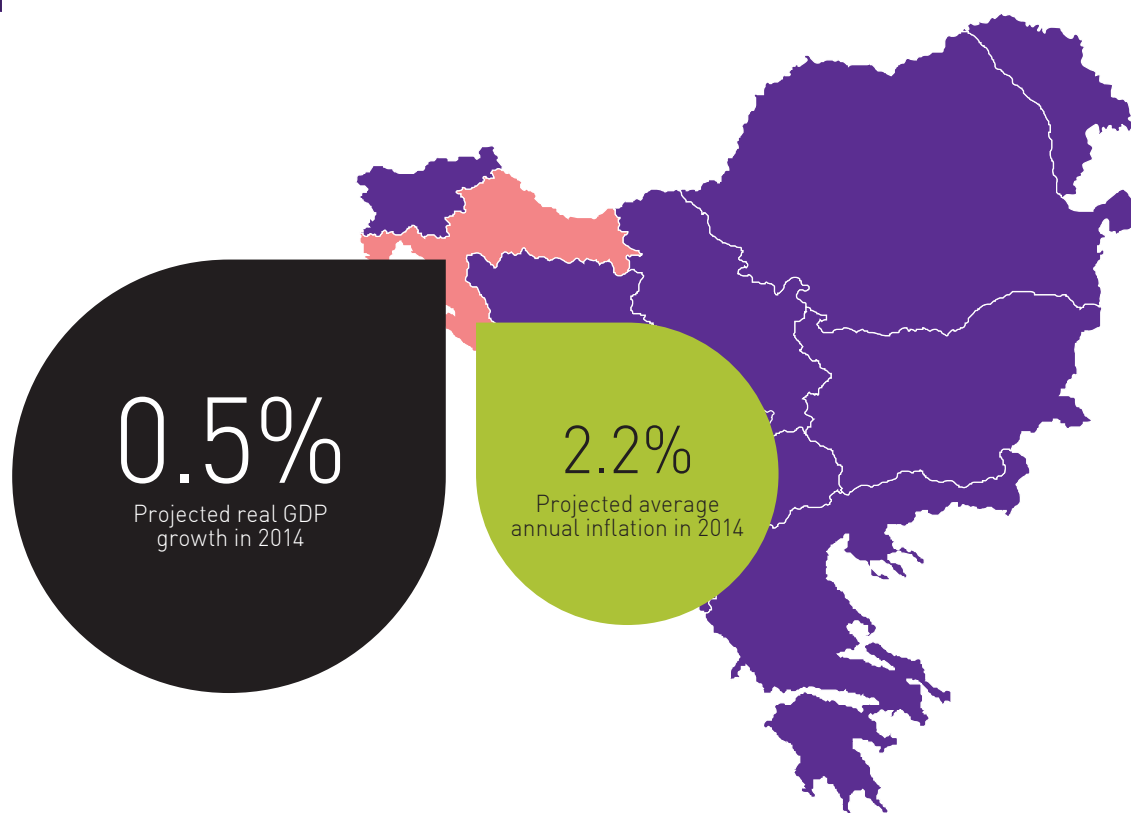


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Current account balance as % of GDP



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After several years of economic contraction, Croatia should see very feeble growth in 2014. With consumer spending constrained and public finances stretched, most of the growth impetus will have to come from exports and investment. A pickup in investment will be driven by the public sector thanks to greater access to EU funds. The recovery should gather momentum in 2015 as the impact of private sector deleveraging begins to recede. The potential growth is about 2.0% per year.

Croatia 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 un-

able to take full advantage of the economic rebound among its trading partners. In 2013, real GDP was approximately 12% below the level in 2008.

The economy has contracted over the past five years. Investment has weakened while the large public sector imposed an added drag on growth. Public agencies and enterprises were not subject to strict financial discipline and state aid in various forms has exceeded that from other financial sources. Domestic demand has remained depressed as corporations and households focus on reducing their excess debt levels.

Economic outlook

After five consecutive years of contraction, Croatia should see a feeble turnaround in 2014 when real GDP is expected to rise by 0.5%. With consumer spending constrained and public finances stretched, most of the growth impetus will have to come from exports and investment. A pickup in investment will be driven by the public sector thanks to greater access to EU funds.

Inflation is projected to be 2.2% in 2014 but a hike in the VAT rate could push up prices. Unemployment was 17.1% in 2013 and it will

fall to 15.5% in 2014. The jobless total will gradually fall in the medium term. Youth unemployment is still exceedingly high. Restrictions on hiring were eased in 2013.

Consumption is held back by household debt which, as a share of GDP, is one of the highest in the region. A weak labour market also depresses growth of disposable income. The real value of private final consumption contracted by 1.3% in 2013 and growth of 0.1% is expected in 2014. Domestic demand should improve in the medium term as private sector debt is scaled back.

Unlike most other recent EU entrants, Croatia has not experienced a boom due to accession. Progress is limited by structural challenges, political constraints to fiscal reforms and highly leveraged public and private sector balance sheets.

Evaluation of market potential

A gradual recovery is expected to gather momentum beginning in 2015 as the impact of private sector deleveraging begins to recede. However, private sector deleveraging could continue to depress demand for longer than projected. Croatia's Economic Recovery Programme is aimed at addressing deep-rooted

Croatia TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	6	INA d.d.	Petroleum/Natural Gas	3 246	-8.92%	-213.8	175.3
2	12	Hrvatska Elektroprivreda d.d.	Electricity	1 794	-0.26%	97.9	36.3
3	13	Konzum d.d.	Wholesale/Retail	1 753	-0.82%	22.3	271
4	37	Hrvatski Telekom d.d.	Telecommunications	864.9	-8.62%	187.5	222.7
5	39	Prirodni Plin d.o.o.	Petroleum/Natural Gas	825.3	-16.33%	-105.1	-137.0
6	55	HEP-Operator Distribucijskog Sustava d.o.o.	Electricity	670.7	20.62%	77.1	56.4
7	60	HEP-Proizvodnja d.o.o.	Electricity	642.2	8.14%	78.2	-0.825
8	66	Zagrebacki Holding d.o.o.	Diversified Holdings	605.0	20.08%	0.266	-47.6
9	67	Petrol d.o.o.	Petroleum/Natural Gas	576.1	67.52%	1.7	0.948
10	98	Crodex Derivati Dva d.o.o.	Petroleum/Natural Gas	471.2	-15.04%	2.8	-6.7

structural problems and weaknesses in competitiveness but critics call for a more decisive effort. The IMF estimates that the country's long-term potential growth is about 2.0% per year.

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 the near future. 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 2013, exports were the equivalent of 20.7% of GDP. In dollar terms, exports fell by 3.6% in 2013 and gains of 9.6% are expected in 2014. In addition to weak external demand, Croatia's export performance is limited to some extent by labour force rigidities and high wages.

In 2013, 58.4% 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 26.6% of total exports in 2013 followed by basic manufactures (14.2%).

The government is pursuing a strategy of trade liberalisation at the bilateral and regional levels, and negotiating free trade agreements with Turkey and the European Free Trade Association (EFTA). 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 surplus was 1.2% of GDP in 2013. A current account surplus equal to 1.1% of GDP is expected in 2014.

Business environment

Croatia lags behind its neighbours in creating an appealing business environment. Major barriers are a burdensome regulatory environment and a slow-moving judiciary. There are also significant "unofficial" restrictions on foreign investment which add to the overall cost of doing business. Subsidies to state-owned firms further distort the economy and monopolies dominate most markets. To attract more foreign investment, the government has introduced incentives such as 10-year tax holidays, subsidies and state asset sales.

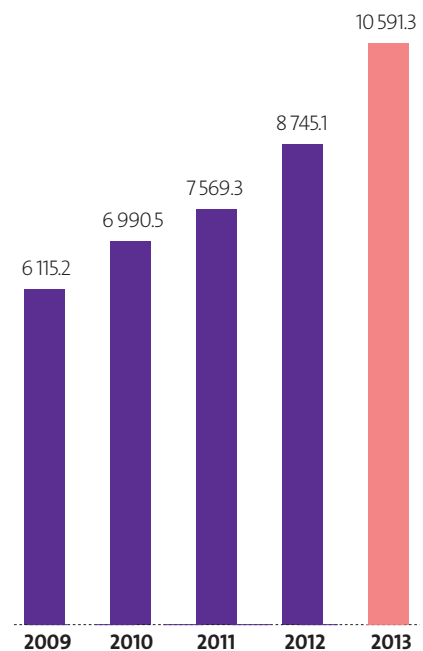
The government hiked the VAT from 23% to 25% in 2012 to boost revenues. In 2014, the intermediate VAT rate was raised from 10% to 13%. Tariffs on gas and tobacco were also hiked. Delinquent taxes owed by corporations and individuals total more than 6.0 billion euro. To boost productivity, the government passed new investment promotion laws and scaled back regulatory restrictions in 2013.

Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 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

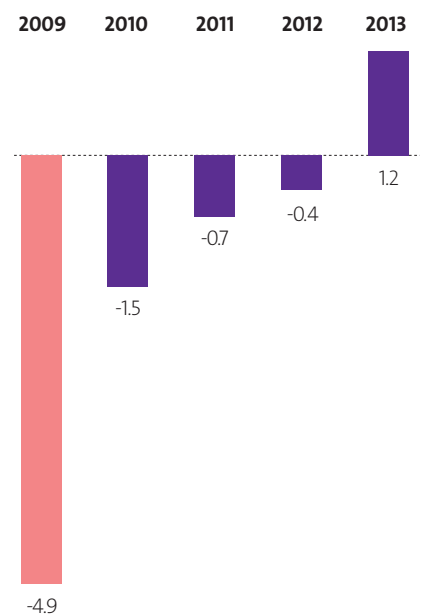
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Foreign debt in millions of euro

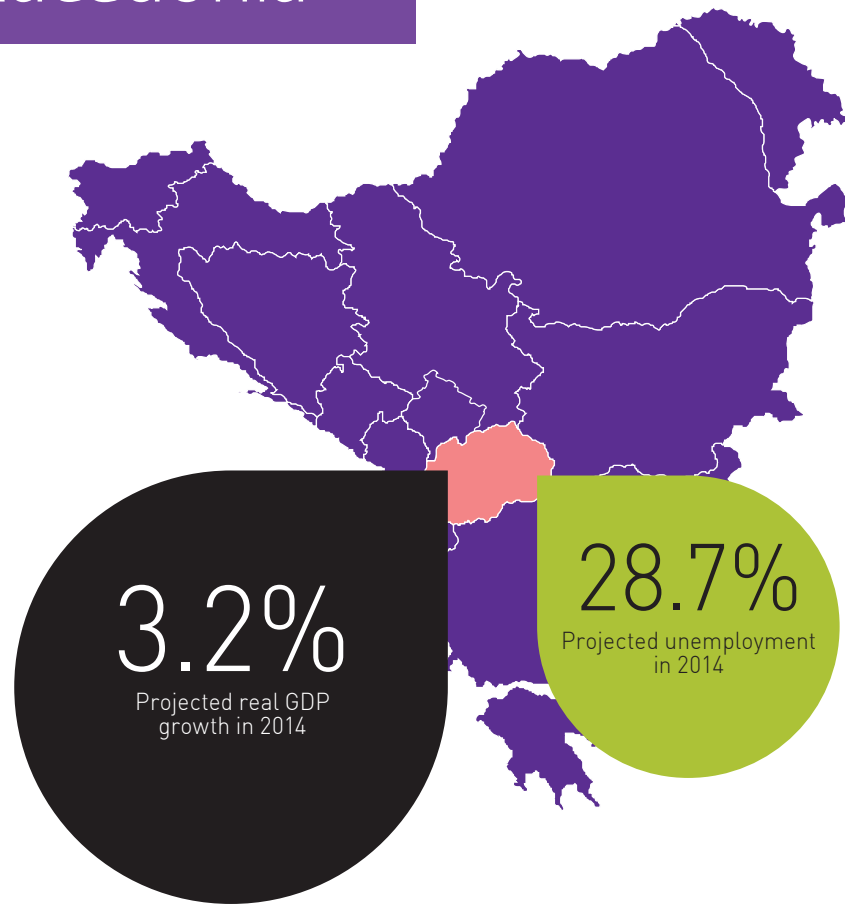


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Current account balance as % of GDP



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Macedonia's economic growth will accelerate in 2014 with support from an incipient recovery in exports, a rise in public investment in infrastructure and projects funded by foreign investment. The recovery is still narrowly based but the economy should strengthen further in the medium term, approaching 4.0% per year. However, the stock of FDI is lower than the regional average, and substantially less than in Bulgaria, Croatia and Romania. Macedonia has some of the lowest wage costs in Europe.

Macedonia experienced a mild recession in 2009. Weaker export demand and tighter conditions on foreign lending were the main culprits. The economy staged a modest rebound in subsequent years but contracted again 2012. Growth returned in 2013, however at a pace that 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 - are underway and could lay the basis for 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 improve in 2014 when real GDP growth is expected to accelerate to 3.2% from 2.2% in 2013. Support should come from an incipient recovery in exports, a rise in public investment in infrastructure and projects funded by foreign investment. The recovery, however, is still narrowly based. Growth is expected to accelerate in the medium term, approaching 4.0% per year.

Inflation was 2.8% in 2013 and prices are expected to rise by 2.5% in 2014. Inflation generally tracks the rate of price increase in the eurozone.

Officials intend to boost investment spending for roads, railroads, gasification, and other energy infrastructure. Incentives include a 10-year tax holiday for companies setting up in a special development zone, subsidies

for greenfield plants and some of the lowest wage costs in Europe. 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 rose by 1.6% in 2013 while gains of 1.9% are expected in 2014. Stronger rates of growth are forecast in the medium term.

Unemployment was 29.7% in 2013 and is expected to edge down to 28.7% in 2014. Youth unemployment is thought to be close to 50%. However, many of those reported officially as unemployed work in the informal sector. The informal market represents 20-45% of GDP. Education and labour skills are regarded as inadequate.

Evaluation of market potential

Real growth of GDP should accelerate in 2015 and 2016. The government's target is to achieve sustainable growth of at least 6.5% over the medium term. However, the stock of FDI is lower than the regional average, and substantially less than in Bulgaria, Croatia and Romania. A sustained improvement in investment is badly needed.

Macedonia TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	62	Johnson Matthey DOOEL	Chemicals	631.1	28.61%	29.7	29.5
2	103	Okta AD	Petroleum/Natural Gas	433.7	-28.21%	-2.4	-9.8
3	105	EVN Elektrostopanstvo na Makedonija AD	Electricity	426.4	3.35%	2.3	-4.3
4	143	Makpetrol AD	Petroleum/Natural Gas	347.0	-13.79%	-3.3	-0.953
5	209	Elektrani na Makedonija AD	Electricity	254.3	-4.10%	-2.2	0.777
6	266	Feni Industry AD	Metals	205.8	-7.82%	-23.4	3.5
7	313	Makedonski Telekom AD	Telecommunications	150.9	-21.35%	44.2	80.5
8	334	T-Mobile Makedonija AD	Telecommunications	122.6	-11.24%	37.6	40.0
9	337	Lukoil Makedonija DOOEL	Petroleum/Natural Gas	119.1	12.35%	6.0	3.9
10	354	Arcelormittal Skopje (CRM) AD	Metals	98.8	N/A	-8.8	N/A

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

Foreign trade

In 2013, exports were 40.0% of GDP compared to 39.9% in 2008. Exports (in dollars) rose by 4.6% in 2013. 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 a notable contribution from free trade zones. Presently, two-thirds of land-locked Macedonia's trade moves through the Thessaloniki port but the country is upgrading its roadway system to boost exports.

Tariffs on more than 100 imported products have been 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 are benefitting from Kosovo's embargo on Serbian goods.

Both the manufacturing sector and the agricultural sector are increasingly export-oriented. In 2013, basic manufactures – typically low-cost products with limited international competitiveness – were 26.1% of the total. In 2013, 59.8% of total exports went to the EU. The current account deficit was 3.9% of GDP in 2012 and it widened to 5.8% in 2013 as capital imports grew.

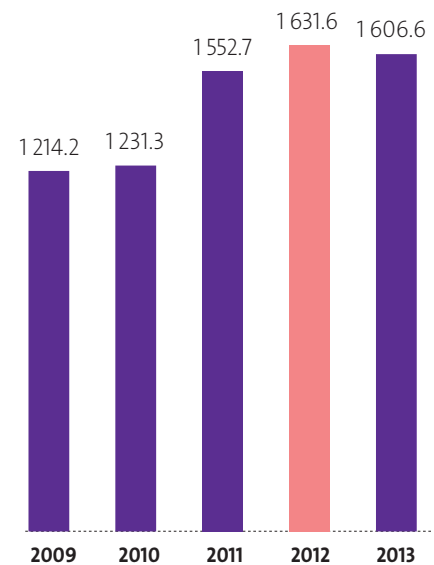
Business environment

The government has introduced a series of significant reforms but there are lingering constraints on the private sector. The clearance of payment arrears began in late 2012 and provides businesses much-needed liquidity. Property rights, however, are weakly enforced and corruption in the customs department adds to the cost of trading. The operating environment for smaller investors must also be improved.

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. The government 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.

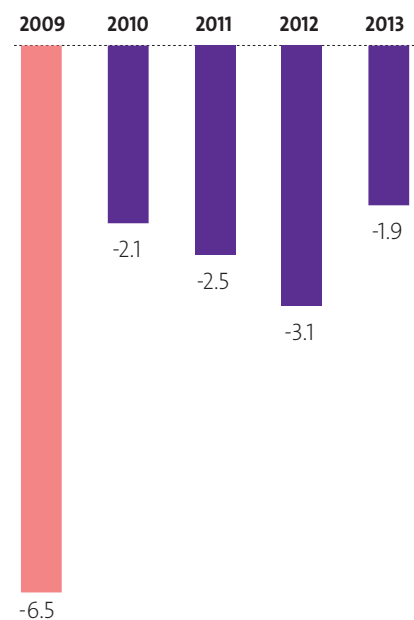
EU accession is the driving force behind most of the reforms. National legislation is being realigned to meet EU specifications. Officials have made specific progress in fields such as procurement, transport policy, customs union and taxation.

Foreign debt in millions of euro



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Current account balance as % of GDP



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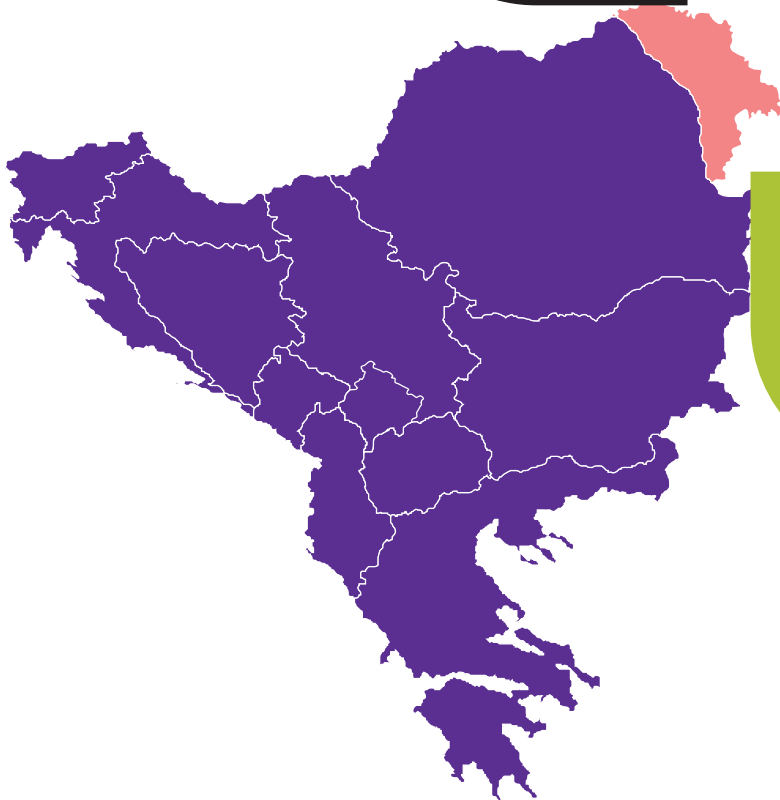
Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	91.1	Europe	95.2
Asia-Pacific	5.6	Asia Pacific	2.7
North America	2.3	Latin America	0.9
Africa and the Middle East	0.6	Africa and the Middle East	0.6
Latin America	0.2	North America	0.6
Australasia	0.2	Other countries	0

Source: International Monetary Fund (IMF), Direction of Trade Statistics

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3.5%

Projected real GDP
growth in 2014

5.5%

Projected average
annual inflation in 2014

After growing briskly in 2013, Moldova's economic growth is expected to decelerate in 2014. Weakness in exports and a moderation in farm production are the main reasons for the slowdown. Up to 50% of the working population has been employed abroad in recent years, many of them in Russia. A continued slowdown in the Russian economy and/or an escalation of trade tensions with Russia would have a significant negative impact on Moldova's economic growth prospects.

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 decreased.

The economy rebounded in 2010 and 2011 but performance deteriorated in 2012 when real GDP contracted by 0.7%. Foreign and domestic trade, industrial production, and remittances all decelerated markedly. Economic activity recovered in 2013, led by a strong performance in agri-

culture and other industries.

Moldavans 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.

Economic prospects

Growth is expected to slow down in 2014 to 3.5%, from 8.9% in 2013. Weakness in exports and a moderation in farm production are the main reasons for the slowdown.

Inflation was 4.6% in 2013. Prices are expect-

Moldova TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	186	Moldovagaz SA	Petroleum/Natural Gas	280.5	-11.62%	-34.9	-10.9
2	236	Red Union Fenosa SA	Electricity	226.3	3.42%	23.3	23.9
3	326	Orange Moldova SA	Telecommunications	137.3	-0.55%	N/A	N/A
4	335	Moldtelecom SA	Telecommunications	122.3	-5.60%	3.6	7.0
5	356	Tirex-Petrol SA	Petroleum/Natural Gas	96.3	1.42%	1.3	0.229
6	362	Energocom SA	Electricity	72.4	77.54%	-0.002	0.102
7	367	Retelele Electrice De Distributie Nord SA	Electricity	55.1	0.04%	2.4	4.6
8	368	Sudzucker Moldova SA	Food/Drinks/Tobacco	53.3	-6.92%	-0.275	4.7
9	369	Moldcell SA	Telecommunications	49.6	1.07%	N/A	N/A
10	371	JLC SA	Food/Drinks/Tobacco	46.8	14.48%	1.1	1.3

ed to rise by 5.5% in 2014. The target range of the central bank is 3.5-6.5%.

Moldova's budget deficit was 1.8% of GDP in 2013 but it is expected to rise to around 2.6% in 2014 and 4.6% in 2015.

Consumer spending depends heavily on remittances. The real value of private final consumption is expected to grow by 2.6% in 2014 after gains of 6.0% in 2013.

Up to 50% of the working population has been employed abroad in recent years, many of them in Russia. The value of remittances (in dollars) rose by 11.6% in 2013 but is expected to fall as the Russian economy weakens in 2014.

The current account deficit was 4.8% of GDP in 2013. The deficit should gradually 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 and enables special interest groups to exert considerable influence on policy decisions. The National Development Strategy aims at raising investment and increasing productivity and competitiveness.

A continued slowdown in the Russian economy and/or an escalation of trade tensions with Russia would have a significant negative impact on Moldova's economic growth prospects. Russia presently accounts for about a quarter of Moldova's exports while remittances represent another 15%. The Moldovan banking system is heavily reliant on funding from Russian banks.

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 is weak.

Moldova's public sector still dominates the economy and is much larger than in neighbouring countries. 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.

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.

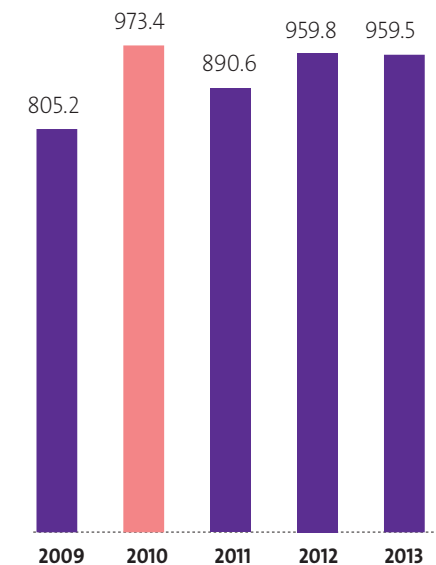
Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	90.1	Europe	92.3
Asia-Pacific	5.1	Asia Pacific	3.7
Africa and the Middle East	2.1	Africa and the Middle East	2.1
North America	1.6	North America	0.8
Other countries	0.9	Latin America	0.8
Latin America	0.2	Other countries	0.3

Source: International Monetary Fund (IMF), Direction of Trade Statistics

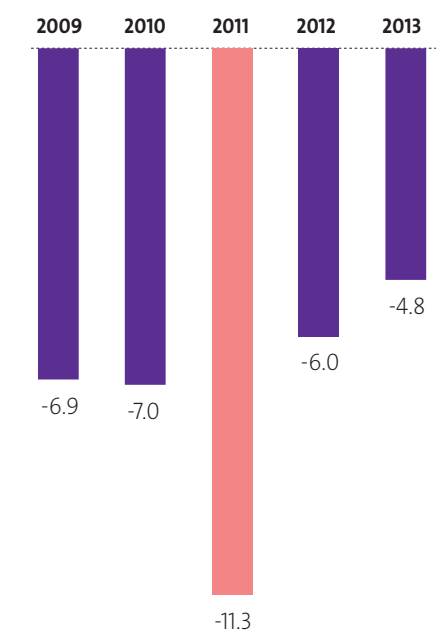
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Foreign debt in millions of euro

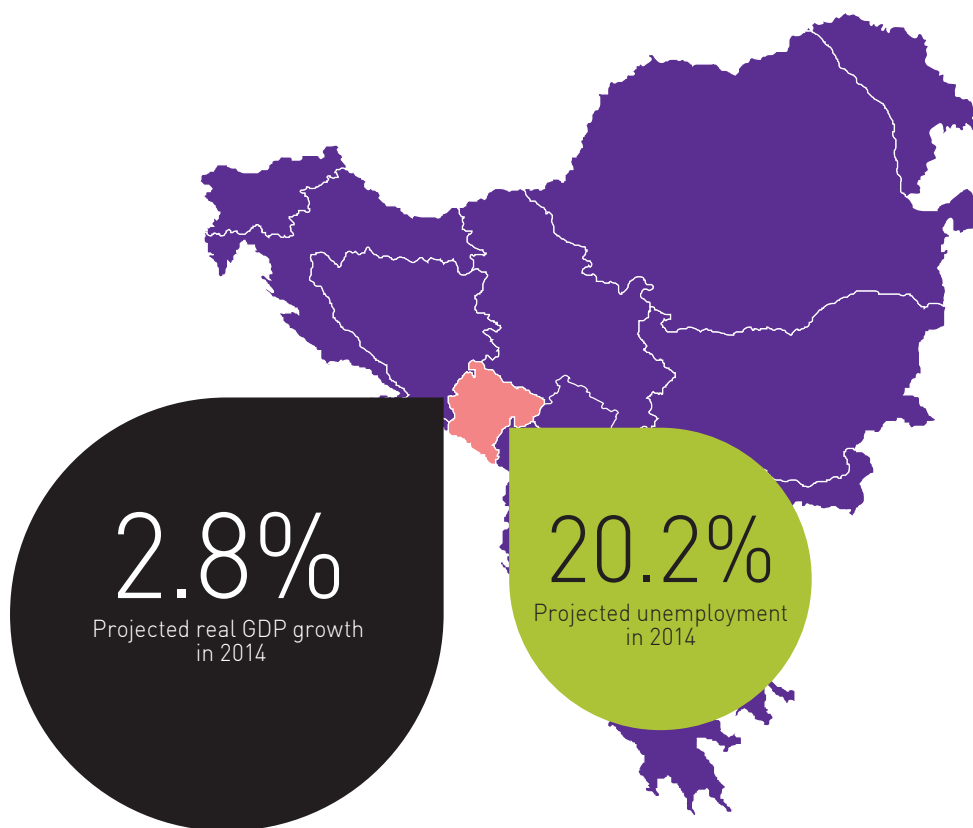


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Current account balance as % of GDP



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Montenegro's economy has finally reached pre-crisis levels of activity but the growth pace will slow in 2014. Tight credit and limitations on tourist capacity hold back the recovery. A huge current account deficit poses great risks for the economy. There has been some progress in reducing persistent fiscal imbalances but highway improvements will add substantially to budget deficits and public debt in coming years. Unemployment exceeds 20%.

Montenegro's economy grew steadily between 2003 and 2008 and inflation slowed after the country adopted 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 buy-

ing 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 recovery was slowed by a debt overhang in the private sector. The economy stalled in 2012 as a result of severe weather conditions and a sharp slowdown in aluminium production. The economy continued to struggle in 2013, plagued by problems in the metals sector and the high level of private sector debt. Shortages of domestic liquidity were another constraint.

Economic prospects

Modest growth is expected in 2014 with real GDP rising by 2.8%, down from 3.4% in 2013. Tight credit and limitations on tourist capacity slow the recovery.

Inflation was 2.8% in 2013 and prices are expected to rise by 0.2% in 2014.

Montenegro's huge current account deficit poses great risks for the economy. In 2013, the deficit was 15.0% of GDP. 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 rose by 1.5% in 2013 and gains of 0.4% are expected in 2014.

Unemployment was 20.4% in 2013 and it will dip to 20.2% in 2014. Participation in the labour force is at a very low level while the share of long-term unemployed continues to grow.

The economy has been subject to vulnerability from persistent fiscal imbalances and a rapid increase in public debt. Some progress was made in 2013, as revenue collection was improved and expenditures were contained. However, the construction of the Smokovac-Matesovo highway will add substantially to budget deficits and public debt in the coming years.

Evaluation of market potential

The economy still faces a large degree of re-

Montenegro TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	176	Elektroprivreda Crne Gore A.D.	Electricity	294.0	4.83%	25.2	-5.8
2	285	Jugopetrol AD	Petroleum/Natural Gas	185.7	-6.89%	4.5	2.2
3	345	Crnogorski Telekom A.D.	Telecommunications	111.5	-4.86%	18.8	19.9
4	364	Telenor D.O.O.	Telecommunications	64.7	-18.60%	21.3	27.6
5	372	Rudnik Uglja A.D.	Metals	45.7	-8.47%	1.2	-1.2
6	377	13 Jul - Plantaze A.D.	Agriculture	33.2	-15.63%	1.6	3.2
7	380	Crnogorski Elektroprenosni Sistem A.D.	Electricity	28.3	-10.75%	2.6	6.6
8	382	Budvanska Rivijera A.D.	Tourism	18.2	15.06%	0.575	0.246
9	383	Crnogoraput A.D.	Construction	17.3	5.39%	0.011	0.040
10	384	Jadransko Brodogradiliste A.D.	Construction	16.4	27.30%	-2.7	-2.8

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

structuring. 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 2.6-2.9% 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 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

Indicators of Business Environment: 2014

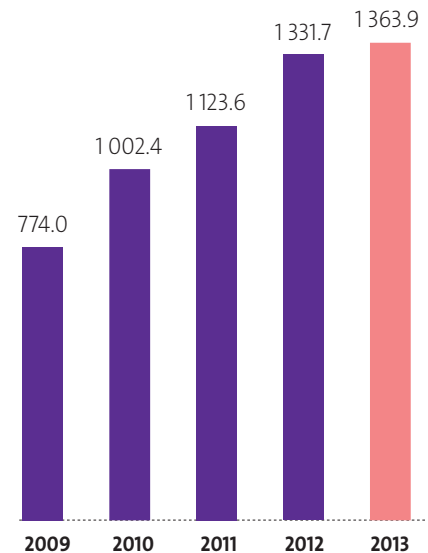
Ease of doing business rank (out of 189)	44
Starting a Business	
Time (days)	10
Procedures (number)	6
Dealing with construction permits	
Time (days)	158
Procedures (number)	9
Getting Electricity	
Time (days)	71
Procedures (number)	5
Registering Property	
Time (days)	70
Procedures (number)	6
Employing workers	
Standard workday in manufacturing (hours)	8
Paid annual leave for a worker with 1 year of tenure (in working days)	21
Tax rate	
Total tax rate (% profit)	20.9
Labour tax and contributions (% of commercial profits)	12.8
Time (hours per year)	320
Payments (number per year)	29
VAT (%)	17.0
Exporting	
Documents for export (number)	6
Time to export (days)	14
Cost to export (US\$ per container)	985
Importing	
Documents for import (number)	5
Time for import (days)	14
Cost to import (US\$ per container)	985
Protecting investors	
Strength of investor protection index (0-10)	6.3
Resolving Insolvency	
Time (years)	1.4
Cost (% of estate)	8

Source: Euromonitor International based on the World Bank

Note: Data is sourced from the World Bank's Doing Business 2014. Doing Business presents quantitative indicators on business regulations and the protection of property rights - and their effect on businesses, especially small and medium-size domestic firms. The data for all sets of indicators in Doing Business 2014 are from June 2012 until June 2013 (except for paying taxes data which refers to January-December 2012). Rankings are based on data sets across 189 countries.

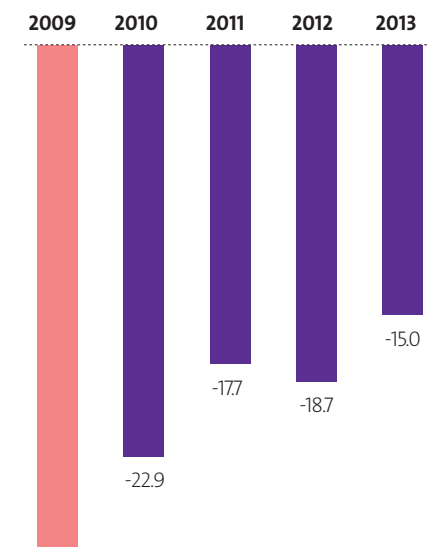
business development, investment and economic growth. The labour market remains rigid, limiting the ability of firms to restructure. The technical and administrative skills of the agencies providing business services are also extremely limited.

Foreign debt in millions of euro

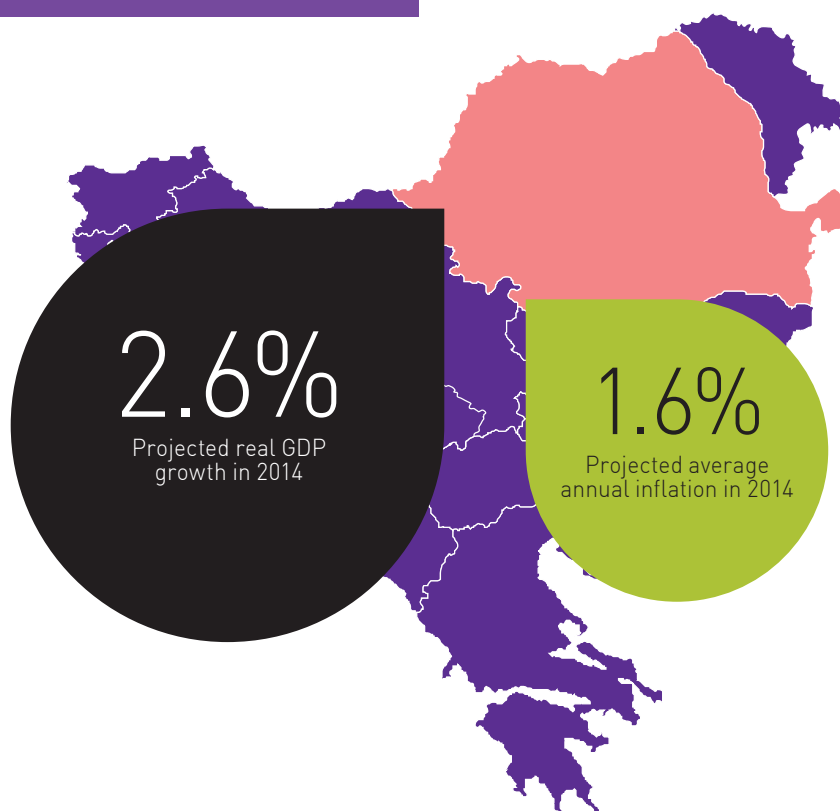


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Current account balance as % of GDP



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Romania's economic growth is expected to slow down in 2014. Exports should be the main growth driver. The prospects for domestic demand, however, are not bright. The economy's performance should improve in the medium term. The performance of the energy and transport sectors is a bottleneck that must be addressed by structural reforms. Labour costs have declined, helping to enhance the competitiveness. However, nearly 3 million young adults – many of them highly qualified – have emigrated in the past decade.

In 2004-2008, Romania's real GDP growth averaged more than 6.0% per year and investment surged following the country's entry in the EU. 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 when domestic demand contracted and capital inflows abruptly fell. The deterioration forced the government to turn to the IMF and the EU for loans. A rebound oc-

curred in 2011 but the economy stagnated in 2012 when domestic demand slumped and exports plummeted. Unemployment has remained high, but labour market reforms contributed to a recovery in employment. Growth improved in 2013 when external demand picked up although domestic demand remained weak.

Romania faces a host of problems. It has the lowest income per capita in central 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

Real GDP growth is expected to slow down from 3.5% to 2.6% in 2014. Exports should be the main growth driver. The prospects for domestic demand, however, are not bright. The economy grew by 5.2% year-on-year in the last quarter of 2013, the fastest growth in more than two years.

Prices rose by 4.0% in 2013. Average annual inflation is expected to be 1.6% in 2014, roughly in line with the central bank's target. In real terms, private final consumption rose by 5.9% in 2013 and gains of 5.0% are expected in 2014. 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 7.3% in 2013 and is expected to edge down to 7.2% in 2014. Labour costs have declined, helping to enhance the competitiveness of the economy. However, according to the National Institute of Statistics, nearly 3.0 million young adults – many of them highly qualified – have emigrated in the past decade. To tackle the problem Romania's government has introduced a series of measures to attract young émigrés home. These measures include grants worth up to 100,000 euro to set up a new business and subsidies to lower mortgage costs for first-time home buyers.

A significant portion of the FDI goes to low-skill industries such as textiles and leather goods. Another 15-20% of FDI has found its way 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

Economic growth rate should accelerate in the medium term with real GDP growing by

Romania TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	1	OMV Petrom SA	Petroleum/Natural Gas	4 270	-2,97%	1 079	869,5
2	2	Automobile-Dacia SA	Automobiles	4 155	43,93%	75,2	62,6
3	5	OMV Petrom Marketing SRL	Petroleum/Natural Gas	3 259	-3,69%	65,7	57,3
4	7	Rompetrol Rafinare SA	Petroleum/Natural Gas	2 637	-14,53%	-49,9	-67,2
5	10	Compania Nationala de Autostrazi si Drumuri Nationale din Romania SA	Construction	2 173	325,02%	56,5	39,3
6	11	Rompetrol Downstream SRL	Petroleum/Natural Gas	1 953	6,85%	-0,803	-33,9
7	16	Kaufland Romania SCS	Wholesale/Retail	1 629	12,19%	73,8	61,9
8	18	British American Tobacco (Romania) Trading SRL	Food/Drinks/Tobacco	1 553	4,59%	88,5	89,1
9	22	Petrotel - Lukoil SA	Petroleum/Natural Gas	1 289	-23,00%	-207,1	-61,9
10	24	Ford Romania SA	Automobiles	1 159	79,53%	15,4	-108,5

up to 3.7% per year. Domestic demand should gradually provide more support with employment and investment also expected to strengthen. Some help will come from the 30 billion euro fund the EU has set aside to modernise Romania. However, the country's ability to absorb EU funds is still questionable.

The country's monetary and fiscal constraints should ease as the economy improves. The domestic market is still immature and has considerable potential to grow. Convergence to the EU living standards will depend on increased investment and greater employment creation. More progress in structural reform is needed to prepare for eventual euro adoption.

In the longer term, the ability to achieve sustainable rates of growth will require the government to clear its arrears, improve the quality of spending and boost tax collections. Performance of the energy and transport sectors is a bottleneck that must be addressed by structural reforms. The energy sector is dominated by state-owned enterprises.

Foreign trade

Romanian exporters are heavily dependent on EU markets. The EU's share of Romanian exports amounted to 71.5% in 2013. Exports rose by 13.7% (in U.S. dollar terms) in 2013 and gains of 10.8% are expected in 2014.

Romania's external sector is also heavily dependent on manufacturing with machinery and transport equipment accounting for the highest share of the country's exports – 42.0% in 2013.

The share of exports in GDP has been rising for several years and amounted to 34.7% in 2013, up from 24.3% in 2008.

The current account deficit was 1.1% of GDP in 2013 and it will widen to 2.2% in 2014.

Business environment

The privatisation programme has fallen behind schedule but will accelerate in the future. Altogether, ten state-owned companies are scheduled for liquidation or privatisation. Romania has one of the largest informal economies in the EU – 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 also intended to draw much of the country's sizeable informal economy into the open.

At the beginning of 2014, Romania was obliged to open up its land market to foreign investors. This was one of the requirements of EU membership, but the country was given several years to prepare.

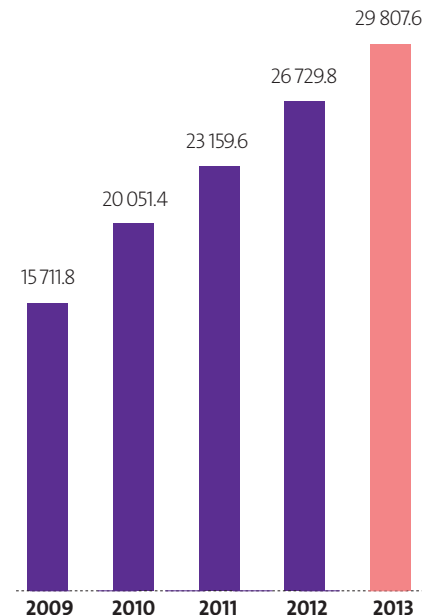
The full deregulation of prices for commercial users of electricity and gas was carried out in 2013. There has been progress in implementing structural reforms but more efforts are needed in the case of the energy and transport sectors. A comprehensive reform of the healthcare system is under preparation to make the system financially sustainable.

Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	86.4	Europe	85.2
Africa and the Middle East	7	Asia Pacific	10.7
Asia-Pacific	3.3	North America	1.6
North America	2.1	Africa and the Middle East	1.3
Latin America	1.1	Latin America	1
Other countries	0.1	Other countries	0.3

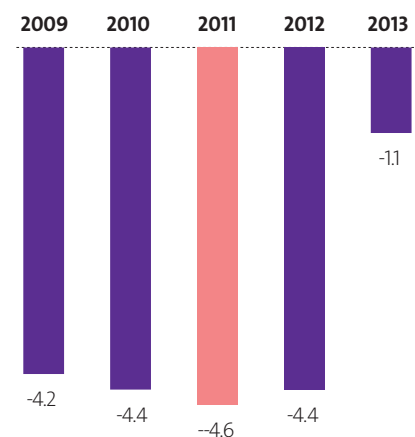
Source: International Monetary Fund (IMF), Direction of Trade Statistics

Foreign debt in millions of euro

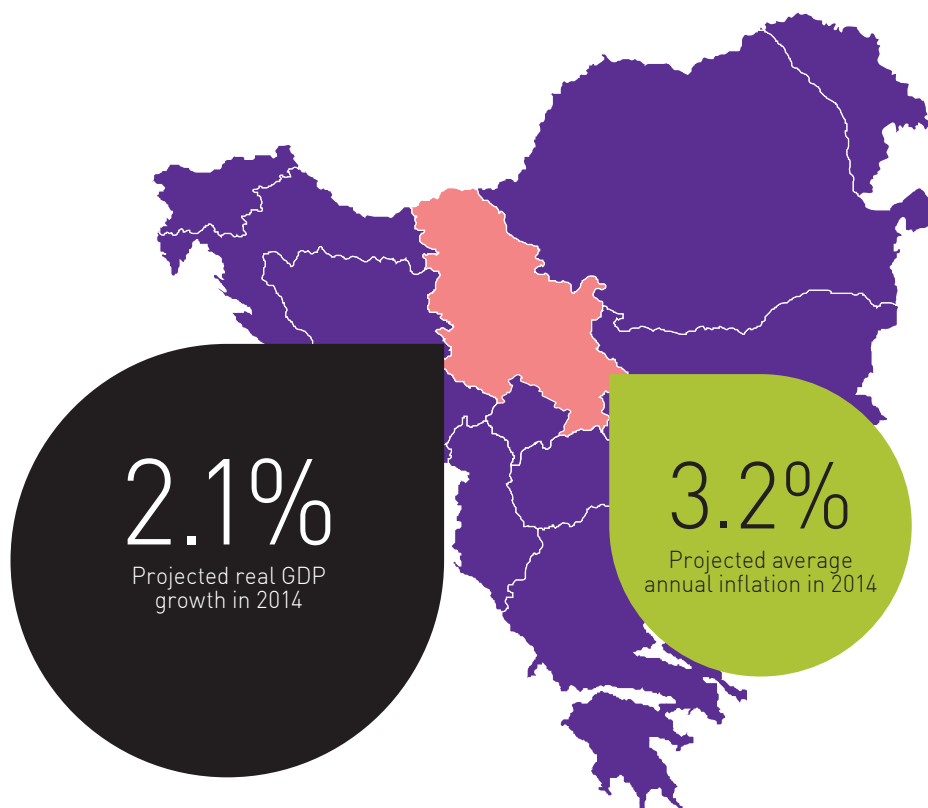


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Current account balance as % of GDP



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A Serbia's economy will slow down in 2014 in the aftermath of the spring 2013 floods as well as the government austerity measures. Domestic demand is constrained by the process of fiscal consolidation. Perennially high levels of unemployment along with a cutback in lending to consumers undermine demand. The private business sector is starved of bank credit while an inefficient state-owned sector is in urgent need of restructuring. The potential rate of growth is about 3.0%.

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. Moderate growth returned in 2010 and 2011 but Serbia returned to recession in 2012 owing to poor climatic conditions, clo-

sure of a major steel plant and weakness in the euro area. Another rebound was reported in 2013 when real GDP grew by 2.5%.

The transition from a pattern of consumption-led growth to an export-driven form of growth has proved 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. Many essential reforms have been delayed until 2014. The level of economic activity remains below the pre-crisis level owing to structural rigidities.

Economic outlook

Serbia's real GDP is forecast to grow by 2.1% in 2014 – down from 2.5% in 2013. Recent flooding, as well as austerity measures, slow down the economy. Domestic demand also remains subdued. The economy grew by a disappointing 0.4% in the first quarter of 2014 compared with a year earlier.

Prices rose by 7.9% in 2013 and inflation of 3.2% is expected in 2014. The central bank's target range for inflation is 2.5-5.5%. The central bank lowered borrowing costs in May

2014 in a bid to help the sluggish economy.

Domestic demand is constrained by the process of fiscal consolidation. Perennially high levels of unemployment along with a cutback in lending to consumers also undermine demand. The real value of private final consumption fell by 4.5% in 2013 and an increase of 1.9% is expected in 2014.

The launch of the EU accession negotiations and increased membership prospects should produce a rise in investment activity, albeit from a very low level.

Unemployment was 22.1% in 2013 and that will not change in 2014. 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. Amendments to the labour law make it easier to fire workers.

Evaluation of market potential

The transition from consumption-led growth to a greater reliance on exports is finally beginning to produce some results. The potential rate of growth is about 3.0%.

Serbia TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	9	Naftna Industrija Srbije AD	Petroleum/Natural Gas	2 301	7.37%	457.8	436.2
2	17	FIAT Automobili Srbija DOO	Automobiles	1 576	237.04%	9.9	-1.9
3	21	JP Elektroprivreda Srbije	Electricity	1 411	17.87%	16.5	-16.2
4	38	Telekom Srbija AD	Telecommunications	833.0	-2.79%	134.1	99.2
5	47	EPS Snabdevanje DOO	Electricity	724.5	N/A	-13.9	N/A
6	50	Termoelektrane Nikola Tesla DOO	Electricity	693.9	12.32%	29.9	-16.4
7	53	JP Srbijagas	Petroleum/Natural Gas	685.9	-2.28%	-434.9	-324.0
8	54	Delhaize Serbia DOO	Wholesale/Retail	681.9	3.88%	35.8	-115.6
9	70	Mercator - S DOO	Wholesale/Retail	564.8	0.15%	4.5	-3.4
10	94	Idea DOO	Wholesale/Retail	486.8	4.54%	-19.6	-34.8

In the medium term, rates of growth should approach this benchmark as investment picks up. Improving prospects for the EU accession and the hope of additional reforms should help to boost rates of growth over the next several years. Inflows of FDI are expected to rise gradually in the medium term while macroeconomic imbalances will be reduced.

Agribusinesses have considerable potential as recovery in the EU begins to take hold. 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 and amounted to 34.4% of GDP in 2013, up from 23% in 2008. Exports (in dollars) rose by 30.1% in 2013 and gains of 22.5% are expected in 2014. Growth is driven by expanding car and oil product exports.

The EU is Serbia's main trading partner. In 2013, it accounted for 61.7% 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. Together, machinery and transport equipment and basic manufactures made up 45.7% of total exports in 2013.

Serbia's current account deficit was 4.9% of GDP in 2013 and it will widen to 5.0% in 2014. Serbia is working to lure industrial investors to export industries to cut its reliance on imports and narrow the trade deficit. FDI inflows finance the external gap.

Business environment

In late 2013, the government adopted a set of austerity measures that included increasing the VAT on foodstuffs, cutting subsidies, reducing the informal economy, curbing new hiring in the public sector until 2016 and imposing a so-called "solidarity" tax on civil servants' earnings. In 2013, both the income tax and the VAT rate were raised. New legislation, which will be a by-product of Serbia's accession talks with the EU, should improve the regulatory environment governing foreign investment. It is estimated Serbia is currently losing more than \$210 million per year due to tax evasion.

The role of the state is being reduced and the private sector's share in total employment has risen. State ownership in banks is also being phased out. However, the remaining state-owned firms continue to experience significant losses. The government has stepped up its fight against corruption and organised crime as part of its effort to achieve the EU membership.

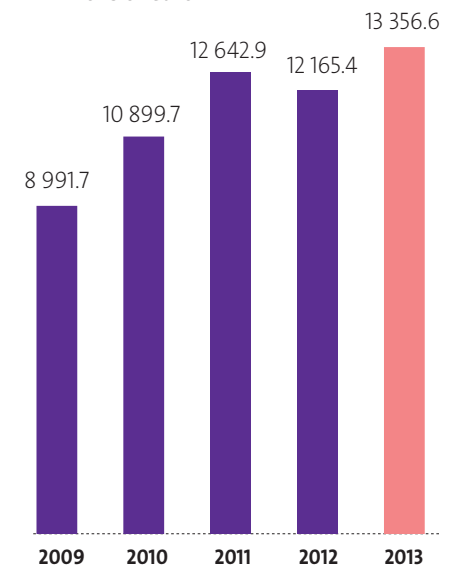
According to the USAID, the informal sector represents about 30% of GDP. Government officials believe the sector employs up to 600,000 unregistered workers and costs the government 1.5 billion euro per year. High taxes on labour and, complex tax procedures are some of the reasons for the large size of the informal sector.

Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	95.4	Europe	82.3
Africa and the Middle East	2.2	Asia Pacific	13.7
Asia-Pacific	1.2	North America	1.8
North America	0.9	Latin America	1
Latin America	0.2	Africa and the Middle East	0.8
Australasia	0.1	Other countries	0.3

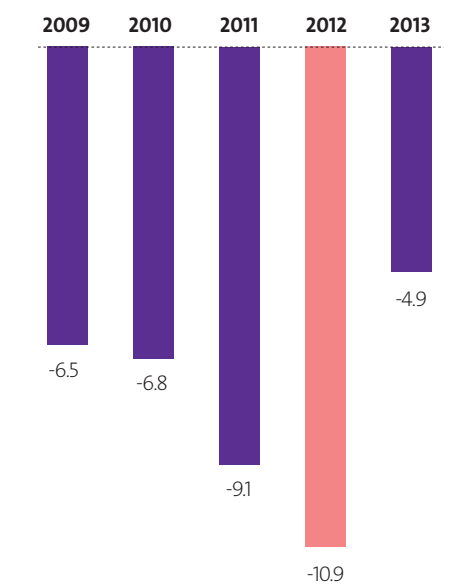
Source: International Monetary Fund (IMF), Direction of Trade Statistics

Foreign debt in millions of euro

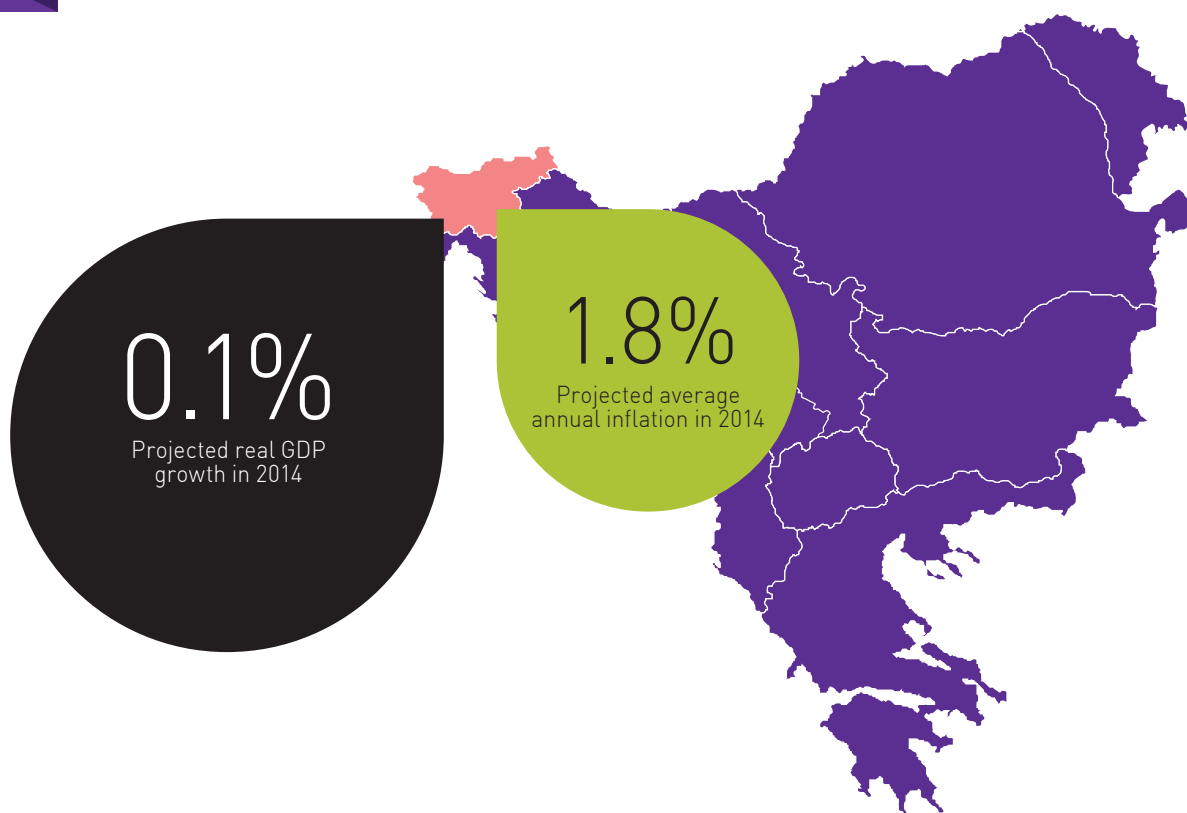


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Current account balance as % of GDP



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After two years of contraction, Slovenia is expected to see very feeble growth in 2014. Lending to the private sector will continue to be a severe constraint as financial institutions deleverage. Export growth should provide a much-needed boost to the economy. The pace of growth is expected to accelerate over the medium term with rates of growth reaching 2.0% per year by 2017. Population ageing poses a serious problem. A weak jobs market and a credit crunch undermine consumer spending.

Before its accession to the EU, Slovenia's per capita GDP (at purchasing power parities) was about 50% of the bloc's average. But in the 25-country group that includes so many poorer countries, the figure reached 91%. At this level, Slovenia is 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 euro area 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 and 2013. The effects of fiscal consolidation were compounded by a severe credit crunch.

Economic outlook

After two years of contraction, Slovenia is expected to see very feeble growth with real GDP rising by 0.1% in 2014. Lending to the private sector will continue to be a severe constraint as financial institutions deleverage. Export growth should provide a much-needed boost to the economy.

Inflation was 1.8% in 2013 and the same rate of increase is expected in 2014. Falling commodity prices, static nominal wages and depressed demand are partially offset by higher taxes.

The real value of private final consumption fell by 3.5% in 2013 and another decline of 0.5% is forecast for 2014. A weak jobs market and a credit crunch undermine consumer spending.

Household debt, at just 30% of GDP, is much lower than the euro area average. The corporate sector, however, is one of the most indebted in the euro area.

Employment growth has been negative since 2009. Unemployment was 10.1% in 2013 and it will be 10% in 2014. Long-term unemployment accounts for more than 50% of the total. The labour market is not flexible although an improvement is expected after recent reforms. A recent drop in labour costs should boost competitiveness.

Evaluation of market potential

The pace of growth is expected to accelerate over the medium term with rates of growth reaching 2.0% per year by 2017. Domestic demand should gradually strengthen. Improving conditions in world markets will stimulate exports. Bank restructuring could take much longer than expected. The potential rate of growth is estimated to be shrinking by 0.5-1.0% per year owing to slow growth in productivity and high levels of structural unemployment.

More than 40% of the economy remains in state hands, compared to 8.0% in Hungary. Nearly half of public spending goes to social transfers, with very little reaching those truly

Slovenia TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2013	Net profit/loss 2012
1	4	Petrol d.d.	Petroleum/Natural Gas	3 281	0.54%	30.2	34.5
2	14	Holding Slovenske Elektrarne d.o.o.	Electricity	1 651	-15.55%	76.5	42.9
3	20	Poslovni Sistem Mercator d.d.	Wholesale/Retail	1 495	3.29%	-35.6	-74.7
4	23	GEN-I d.o.o.	Electricity	1 280	-15.02%	6.2	14.2
5	25	Krka d.d.	Pharmaceuticals	1 125	6.10%	164.7	154.6
6	43	Lek d.d.	Pharmaceuticals	774.7	13.97%	88.8	75.9
7	48	OMV Slovenija d.o.o.	Petroleum/Natural Gas	709.0	-10.88%	14.0	16.0
8	51	Gorenje d.d.	Electronics	692.9	-2.20%	2.7	-14.1
9	52	Telekom Slovenije d.d.	Telecommunications	688.2	-0.07%	51.1	51.8
10	56	Revoz d.d.	Automobiles	670.2	-27.11%	11.5	12.8

in need. In the field of privatisation, steel and energy holdings could all attract serious international attention but none are likely to 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.

Foreign trade

Exports account for a significant portion of GDP but their share has fallen as demand in Western European markets faltered. In 2013, exports were 61.2% of GDP, up from 53.6% in 2008. Exports (in dollars) rose by 6.8% in 2013 and gains of 5.9% are forecast for 2014.

Slovenian exports are concentrated in relatively low value-added industries, which leave them vulnerable to mounting competition from Asian competitors.

In 2013, 75.1% 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 57.7% of the total in 2013.

The current account surplus was 6.3% of GDP in 2013 and it will narrow to 5.9% of GDP in

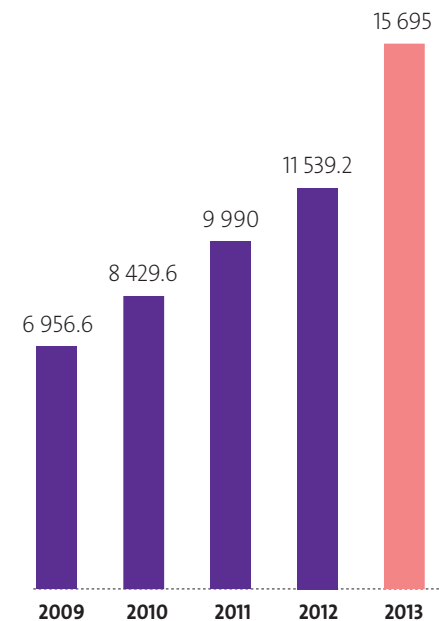
Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	91	Europe	82.1
Africa and the Middle East	3.5	Asia Pacific	9.3
Asia-Pacific	2.9	Latin America	2.8
North America	1.6	Africa and the Middle East	2.6
Latin America	0.6	North America	1.7
Australasia	0.3	Other countries	1.6

Source: International Monetary Fund (IMF), Direction of Trade Statistics

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Foreign debt in millions of euro



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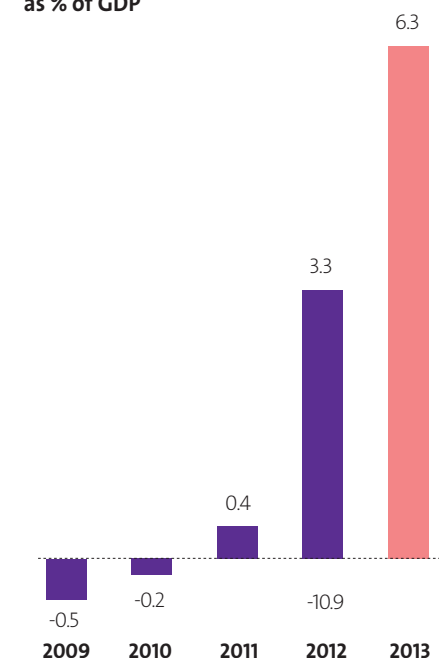
2014. The surplus is largely due to import compression though modest improvements in competitiveness are also underway.

Business environment

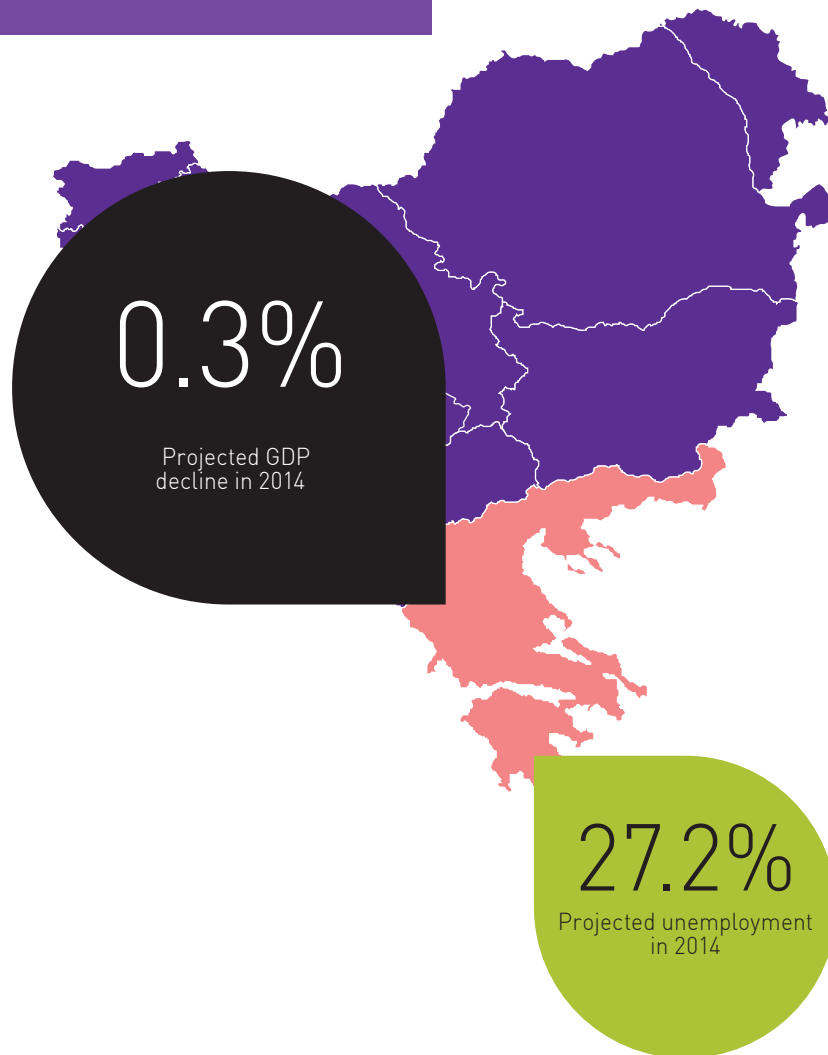
The government plays a major role in the economy with government spending accounting for about 50% of GDP. A belated process of privatisation was launched late in 2013. The government has announced plans to sell at least a dozen state-controlled companies, including a major lender, the national airline, Ljubljana international airport and Telekom Slovenia. A small number of “strategic” companies will not be privatised. 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.

Current account balance as % of GDP



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Greece's economy – although improving – is expected to see its seventh consecutive year of contraction in 2014. Support should come from a gradual stabilisation in consumer spending, strong growth in exports and a good performance in the tourist sector. Since 2009, GDP has declined by approximately 25%. After a series of reforms imposed by the international lenders, labour costs are estimated to have fallen by 25%. The budget deficit will be sharply cut in 2014 and 2015.

however, was vicious and prolonged. In the years since 2007, more than a quarter of the economic output has been wiped out. Greece now has both the highest jobless rate and the largest debt relative to GDP in the EU.

Although Greece is a small economy accounting for less than 3.0% of total eurozone output, its heavy dependence on foreign borrowing has created problems far beyond its borders. The government, however, has managed a huge fiscal adjustment. Improvements in cost competitiveness have been substantial but all the changes have come with a large dose of harsh austerity. Greece has had to slash wages, pensions, prune the public sector and raise taxes in order to make its economy competitive.

Economic prospects

Real GDP is expected to fall by 0.3% in 2014 after a contraction of 3.9% in 2013. Thus, Greece's economy – although improving – will see its seventh consecutive year of con-

traction. Support should come from a gradual stabilisation in consumer spending, strong growth in exports and a good performance in the tourist sector. Since 2009, GDP has declined by approximately 25%.

Prices fell by 0.9% in 2013, and are expected to slide by a further 1.0% in 2014.

Increased absorption of EU structural funds should help to sustain public investment. In late 2013, construction companies are expected to begin work on 6.0 billion euro of highway projects financed by the EU.

Average incomes have fallen by 35% in the past four years, signifying a huge drop in Greek living standards. The downward trend, coupled with a sharp drop in wages, puts great pressure on household spending. Not surprisingly, the real value of private final consumption fell by 6.6% in 2013 and a decline of 0.8% is expected in 2014.

Unemployment was 27.3% in 2013 and it is ex-

The Greek economy grew fast during the two decades that preceded the current crisis. Between 1990 and 2009, the average growth rate in Greece was 3.1%. Greece's recession,

pected to edged down to 27.2% in 2014. Unemployment among young adults stands at 56.9%. Almost half of the unemployed in the country have been without work for a year or more. After a series of reforms imposed by the international lenders, labour costs are estimated to have fallen by 25%.

Evaluation of market potential

The recovery should gather strength in 2015 as investment strengthens and growth should accelerate in later years. Additional support should come from tourism, exports and gradual improvements in domestic demand. Greece needs annual growth of 3.0% per year in 2015-2020 to make its debt affordable.

Domestic demand will continue to be weak owing to the austerity programme. This means growth prospects depend heavily on investment and exports. Labour reforms, are reducing the competitiveness gap, which the IMF estimates, was cut by nearly two-thirds in 2010-2013. The output gap will not be closed before 2020. In the long term, the IMF forecast annual growth of about 1.8% per year.

Foreign trade

Exports represented only 15.1% of GDP in 2013. This is the lowest export ratio in the EU. IMF economists estimate that Greece needs a 30-40% decline in real wages to restore its competitiveness.

In 2013, exports (in dollars) grew by 2.8% and growth of 10.1% is forecast for 2014. Wage-setting reforms have significantly contributed to gains in competitiveness.

Greece's exports mainly go to other European countries which accounted for 67.0% of the total in 2013. Exports of basic manufactures made up 13.8% of all exports in 2013 while food and live animals accounted for 13.0% of the total. Mineral fuels also make up a surprising share of the total (40.1% in 2013) but this has been attributed to a correction of previous statistical omissions according the statistical office.

Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	67.0	Europe	63.7
Africa and the Middle East	15.7	Africa and the Middle East	18.8
Other countries	6.4	Asia Pacific	14.0
Asia-Pacific	5.8	Latin America	1.5
North America	3.7	North America	1.1
Latin America	0.8	Other countries	0.8

Source: International Monetary Fund (IMF), Direction of Trade Statistics

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Greece's current account recorded a small surplus of 0.8% of GDP in 2013 as imports declined substantially. A deficit equal to 0.1% of GDP is expected in 2014.

Business environment

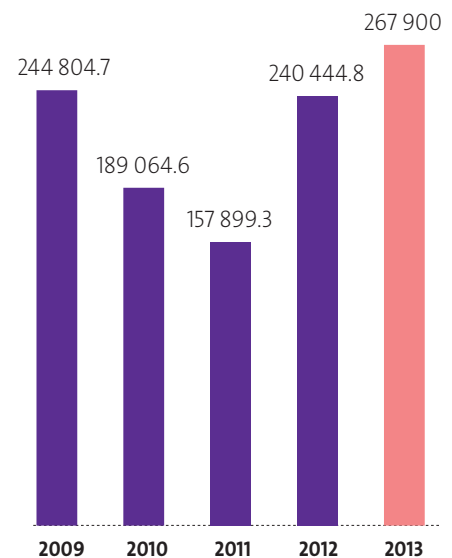
Rigidities in the domestic market undermine competitiveness and limit gains in productivity. Many industries are oligopolistic in character – a characteristic which keeps profits high and slows the growth of productivity. Poorly functioning institutions and extensive regulations discourage foreign investment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

Officials intend to streamline the privatisation process and to remove it from political interference. The government has planned 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 June 2013, Greece failed to attract any binding bids for its natural gas company, making it unlikely to meet privatisation targets for the year under the EU/IMF bailout.

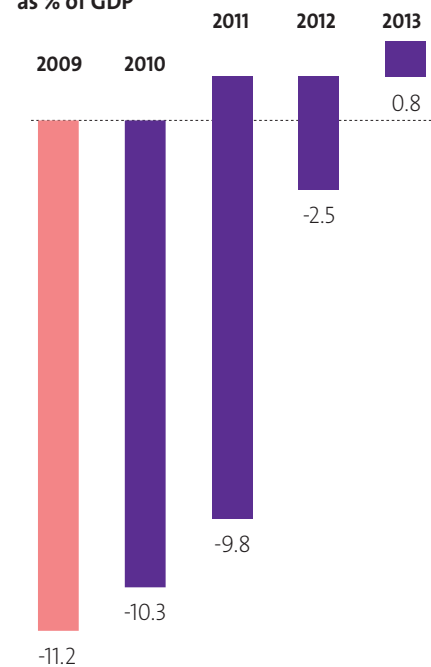
Economists estimate that between 30% and 40% of the activity in the Greek economy that is subject to the income tax goes unrecorded. The country has an estimated 60 billion euro in unpaid taxes. The government hopes to raise almost 12 billion euro by restructuring tax operations and cracking down on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

Foreign debt in millions of euro

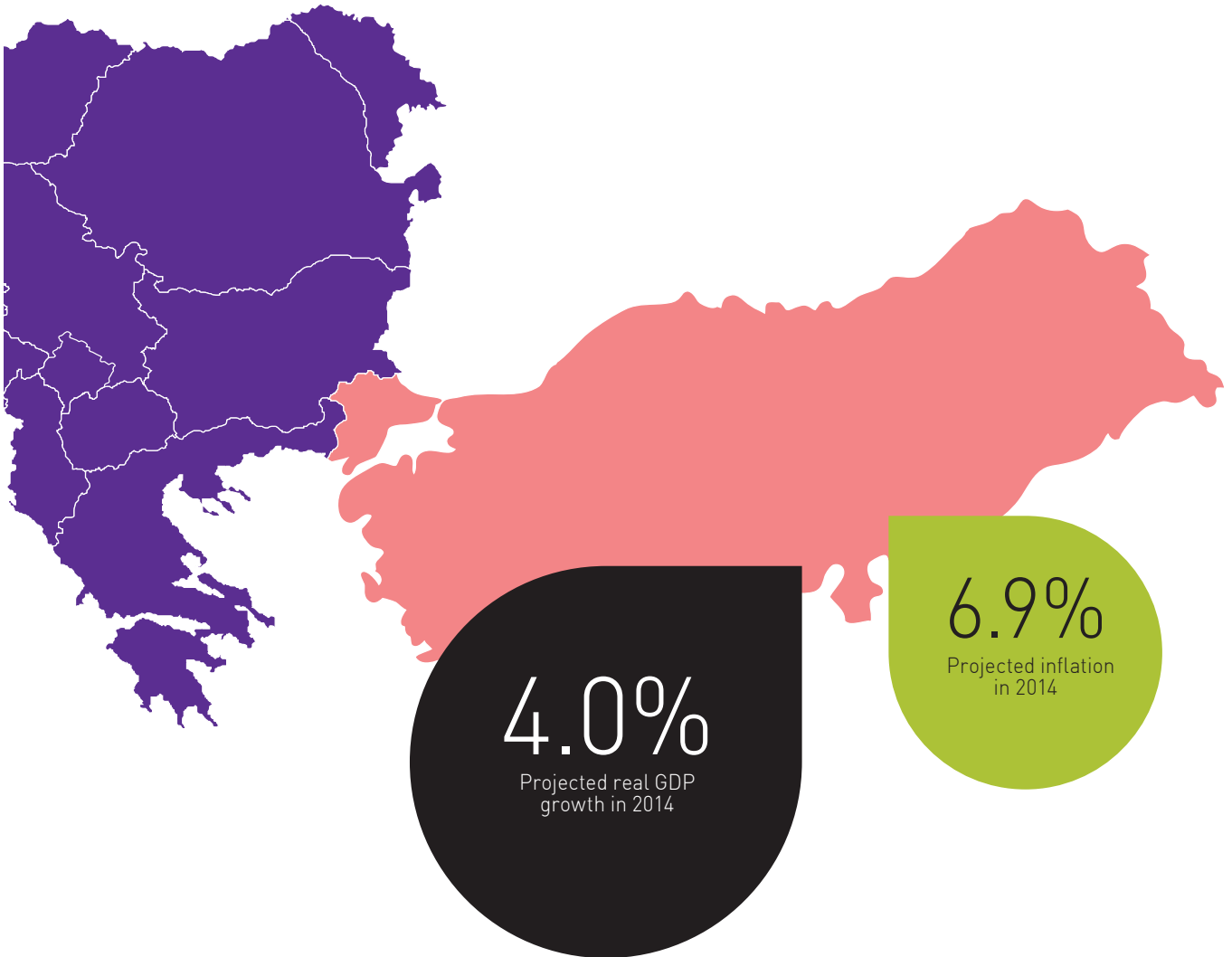


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Current account balance as % of GDP



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Turkey's economy is expected to grow at a steady pace in 2014. Domestic demand should be the main growth driver as the effects of the recent fiscal and monetary stimulus wane. With half of the population under 30 years of age, the appetite for consumption is formidable. Unemployment is high but falling. Increased inflows of FDI are needed to address external imbalances. The government's inability to reduce the huge informal economy limits policy efficacy.

Turkey has seen impressive growth in the past decade with per capita GDP tripling and the number of foreign firms increasing more than fivefold. The boom was driven by buoy-

ant consumption and rapid growth in construction. All this was supported by strong job creation in both industry and services while labourers left the agricultural sector. Turkey's economic boom, however, was mainly predicated on a combination of foreign capital inflows, ultra-low interest rates, rapid credit growth and soaring asset prices.

The eurozone crisis, a doubling of interest rates and the impact of civil war in Syria were all drags on the economy. Exports still performed well thanks to a successful diversification away from EU markets and towards the Middle East. The economy accelerated modestly in 2013 but the performance was below historical trends.

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

Real GDP is expected to grow by 4.0% in 2014, down from 4.1% in 2013. Domestic demand should be the main driver as the effects of the recent fiscal and monetary stimulus wane. The economy expanded by 4.4% in the fourth quarter in 2013, compared with the year-earlier period.

Prices rose by 7.5% in 2013 – well above the central bank's target rate of 5.0%. Inflation of 6.9% is forecast for 2014 but prices could rise further owing to a fall in the value of the lira. In January, the central bank announced a major interest rate hike from 4% to 10% to halt the currency's downward slide. The Turkish government has opposed the move.

With half of the population under 30 years of age, the appetite for consumption remains

healthy. In real terms, private final consumption rose by 3.6% in 2013. The same rate of growth is expected in 2014.

Unemployment was 9.7% in 2013 and it will dip to 9.4% in 2014. The percentage of jobless far exceeds the national average in rural areas and in the east where long-term unemployment is especially 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

Turkey is currently the world's 16th largest economy. The government's plan is for the country to become one of the world's ten largest economies by 2023, the centenary of the foundation of the Turkish Republic. However, the increasingly uncertain policy environment could weigh on the country's economic resilience and long-term growth potential.

Turkey must find ways to loosen the labour restrictions that inhibit employment in the formal sector and make more progress in educational reforms. Increased inflows of FDI are also needed to address external imbalances. More costly external finance will diminish economic prospects. If the current policy framework is maintained, the rate of growth will likely converge to historical trends, of about 4.5% per year.

Rising energy costs are another 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.

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 18.6% of GDP in 2013. The export base is too narrowly focused, in terms of both its composition and destinations. In 2013, 38.8% of exports went to the EU. Basic manufactures together with machinery and transport equipment made up 57.4% of exports in 2013.

The value of exports tripled in 2002-2010. Exports (in dollars) declined by 0.4% in 2013 and growth of 8.9% is expected in 2014.

The current account deficit was 7.9% of GDP in 2013 and it will narrow to 7.7% in 2014. The deficit requires about \$5.0 billion of foreign financing a month – overwhelmingly from short-term capital flows. This is mainly to pay for energy imports.

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 initially attracted a number of investors but many have lost interest as fears of an "economic bubble" have grown. The government is also experimenting with new forms of public private-partnerships to build hospitals and ports.

New laws are designed to expand 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.

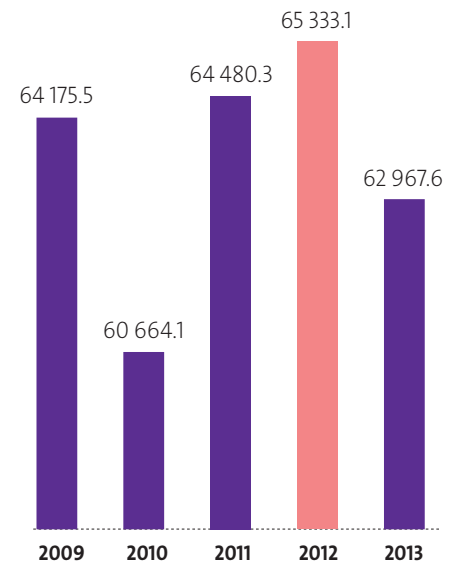
Imports and exports

Major export destinations	2013 Share (%)	Major import sources	2013 Share (%)
Europe	48.9	Europe	52.8
Africa and the Middle East	34.1	Asia Pacific	20.2
Asia-Pacific	8.6	Africa and the Middle East	11.3
North America	4.4	Other countries	6.8
Latin America	1.9	North America	6.4
Other countries	1.7	Latin America	2.2

Source: International Monetary Fund (IMF), Direction of Trade Statistics

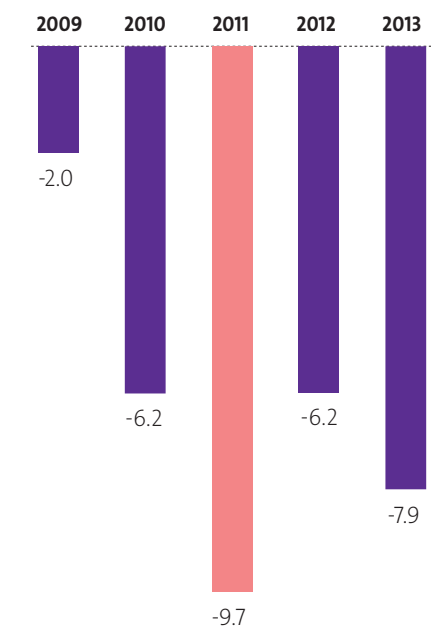
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Foreign debt in millions of euro

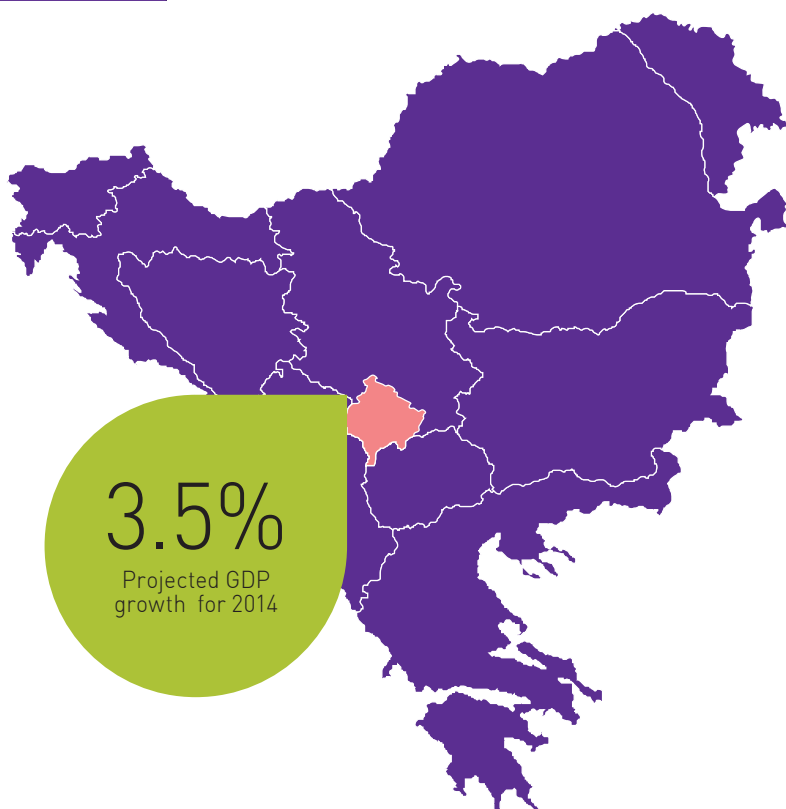
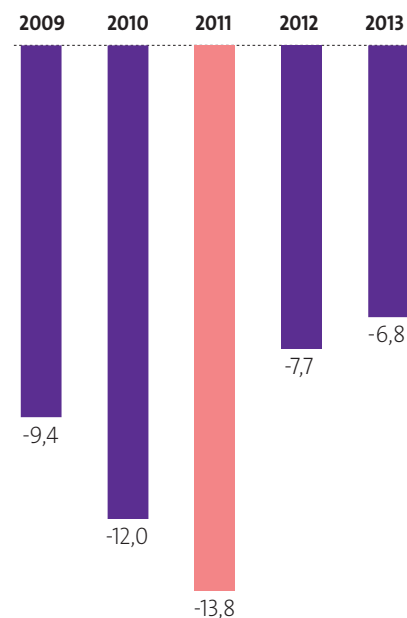


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Current account balance as % of GDP



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 Current account balance
as % of GDP


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Kosovo's economy has performed moderately well in the past few years despite a host of problems. Driven by private consumption and investment, which is supported by remittances, it is expected to grow further in the 2014-2016 period.

Kosovo's economy grew by 3.2% in 2013 to 5.155 billion euro, according to data of the country's economic development ministry. Gross domestic product (GDP) per capita in 2013 was 2 773 euro. The country's economic growth in the next three years is expected to be the highest in the region, reaching more than 4.6%, according to the country's finance ministry.

The World Bank expects Kosovo's economy to grow by 3.5% in 2014 and 2015 and even further by 4.0% in 2016.

Consumer price index (CPI) reached 1.8% in 2013, according to data of the country's economic development ministry. Public Debt reached 9.0% of GDP in 2013 while foreign direct investments (FDI) stood at 258.5 million euro.

The jobless rate in Kosovo fell to 30% in 2013 from 30.9% a year earlier, according to the country's statistics agency. The average number of unemployed was 144 829 in 2013. The average number of employed persons last year was 338 364, as 261 224 of them were men and 77 120 were women. Remittances, which account for an estimated 10-15% of GDP, amounted to 620.8 million euro in 2013, compared to 605.6 million in 2012.

Kosovo's 2014 budget bill projects revenues of 1.46 billion euro. Expenditures are set at 1.59 billion euro.

Economic structure and major industries

Kosovo has the world's fifth biggest lignite reserves, estimated at 14 700 million tonnes.

The country produced 8.1 million tonnes of coal in 2013, an increase by 0.6% from 2012.

As much as 53% of Kosovo's total area is arable land. Agriculture contributes 19% to the country's overall GDP and some 15% of the export value, according to data of Kosovo's foreign ministry.

Construction has emerged as one of the most important sectors in Kosovo's economy over the past years and is seen as hiding great potential, considering the country's housing and road infrastructure needs.

Firms in Kosovo identify informal sector practices, limited access to finance and corruption as the top three constraints of their business, a 2013 country profile survey by the World Bank and the International financial Corporation showed.

Kosovo's TOP 10

No	Company name	Industry	Number of employees
1	Trepca - socially-owned company under the administration of AKP	Metals	9 822
2	Korporata Energjetike e Kosoves - KEK	Electricity	8 843
3	Korporata Energjetike e Kosoves Sh.a.	Electricity	7 800
4	Holding Corporacy Emin Duraku Sh.a.	Diversified holdings	2 683
5	Kompania Kosovare per Distribuim dhe Furnizim me Energji Elektrike Sh.a.	Electricity	2 618
6	Posta dhe Telekom i Kosoves Sh.a.	Telecommunications	2 414
7	Newco Ferronikeli Complex LLC	Metals	1 000
8	Futura Plus D.O.O. Belgrade - a representative office in Mitovica	Wholesale/Retail	970
9	Posta e Kosoves Sh.a.	Telecommunications	926
10	Ben-Af Sh.p.k.	Wholesale/Retail	922

EXPECT MORE SUN, RAIN
AND WINDS TOMORROW.

BUT NOT ON THE WEATHER FORECAST

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