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TOP 100 SEE

**SOUTHEAST
EUROPE'S
BIGGEST
COMPANIES**

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Letter from the editor

Ever since SeeNews started publishing its SEE TOP 100 ranking of the biggest companies in the region eight years ago, the winner has been an oil and gas company. Not so any longer.

Romanian car maker Dacia, a unit of France's Renault, overtook OMV Petrom as the top company in the region, and this breakthrough is symptomatic of the changes taking place in the industrial landscape of Southeast Europe. The traditional heavyweights – the oil and gas and electricity companies – are slowly but steadily losing ground, though they still dominate the ranking and in all likelihood will continue to do so for quite some time. Their bottomlines are negatively impacted by low oil prices on global markets – a welcome factor for most other sectors – regulatory volatility, and, increasingly often, unfavourable weather conditions.

The manufacturers of cars and car parts in the meantime have been speeding up the SEE TOP 100 track, their growth fuelled by the quick recovery of their large export markets. They have been making the best of the region's competitive advantages - cheap labour costs, low taxes, strategic location, and improving infrastructure, often drawing on past expertise in the local industry. The prospects before them seem upbeat as economic growth in the region accelerates, consumer spending increases and personal incomes rise.

Another industry poised for growth as it is tied to consumer spending more closely than any other is wholesale and retail. IT and agriculture, largely absent from the list of the top companies in the region, have been attracting increasing foreign investor interest lately, which is bound sooner or later to place them among the ranks of the big businesses.

Foreign ownership remains a crucial factor for the performance of the companies in Southeast Europe, helping them avoid many of the pitfalls on the local scene such as limited lending or political meddling, while giving them access to big markets. However, to unlock the region's potential for growth the governments should address the long overdue structural reforms, tackle corruption and grey economy and try to make the overall business environment more predictable. The local businesses for their part should finally acknowledge the importance of innovation for competitiveness.

This, in a nutshell, is the essence of this year's edition of SEE TOP 100. To get the details, apart from the flagship ranking of the largest non-financial companies by total revenue and the rankings of the biggest banks and insurers, read the interviews with the chart-toppers and key market players, as well as the analyses of some of the most vibrant sectors contributed by industry experts.

We are also bringing to you the perspective on Southeast Europe of the big international lenders in an interview with Tomasz Telma, IFC regional director for Europe and Central Asia, on the challenges facing the region. We take this topic further with Tom Rogers, senior advisor to the EY Eurozone Economic Forecast, and our partners from Euromonitor. To get a broader perspective, we offer you a survey by media analytics company Perceptica monitoring sentiment across the region towards developments in Greece and a possible Grexit. An analysis by Raiffeisen Investment on the M&A market outlines the main trends and identifies the hottest sectors for investors.

We have again included a special chapter on innovations in this year's edition of SEE TOP 100, featuring, among others, interviews with Siemens Bulgaria CEO Boryana Manolova on the Industry 4.0 concept, and Michael Paier, IBM general manager Southeast Europe on the risks to IT security for the business.

Nevena Krasteva
Editor-in-chief

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in millions of euro

2014	2013	Company name	Country	Industry	Total revenue 2014	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013	Rank by net profit/loss
1	2	Automobile-Dacia SA	Romania	Automobiles	4 247	4 155	2.16%	82.9	75.2	17
2	1	OMV Petrom SA	Romania	Petroleum/Natural Gas	4 144	4 270	-3.01%	409.9	1079	1
3	3	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	3 331	3 906	-14.72%	-272.1	-123.3	96
4	4	Petrol d.d.	Slovenia	Petroleum/Natural Gas	3 327	3 281	1.41%	41.1	30.2	29
5	6	INA d.d.	Croatia	Petroleum/Natural Gas	3 321	3 479	-4.25%	82.4	-213.9	18
6	5	OMV Petrom Marketing SRL	Romania	Petroleum/Natural Gas	3 234	3 259	-0.83%	68.0	65.7	23
7	7	Romp petrol Rafinare SA	Romania	Petroleum/Natural Gas	3 000	2 637	13.71%	-239.8	-50.0	95
8	8	Aurubis Bulgaria AD	Bulgaria	Metals	2 372	2 437	-2.69%	61.1	19.4	26
9	9	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	2 169	2 376	-3.67%	253.4	457.8	3
10	11	Romp petrol Downstream SRL	Romania	Petroleum/Natural Gas	2 126	1 953	8.75%	9.5	-0.803	63
11	16	Kaufland Romania SCS	Romania	Wholesale/Retail	1 795	1 629	10.13%	91.4	73.8	14
12	13	Konzum d.d.	Croatia	Wholesale/Retail	1 756	1 753	0.47%	14.2	22.3	50
13	15	Lukoil-Bulgaria FOOD	Bulgaria	Petroleum/Natural Gas	1 613	1 649	-2.18%	-17.1	-277	86
14	18	British American Tobacco (Romania) Trading SRL	Romania	Food/Drinks/Tobacco	1 553	1 553	-0.05%	79.5	88.5	20
15	19	Natsionalna Elektrieska Kompania EAD	Bulgaria	Electricity	1 552	1 551	0.07%	-299.9	-111.4	97
16	12	Hrvatska Elektroprivreda d.d.	Croatia	Electricity	1 493	1 794	-16.52%	159.1	97.9	5
17	20	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	1 471	1 495	-1.57%	-95.1	-35.6	91
18	22	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	1 462	1 289	13.33%	-68.7	-207.1	90
19	14	HSE d.o.o.	Slovenia	Electricity	1 378	1 651	-16.55%	140.8	16.1	8
20	21	JP Elektroprivreda Srbije (JP EPS)	Serbia	Electricity	1 376	1 412	2.79%	22.2	17.1	43
21	23	GEN-I d.o.o.	Slovenia	Electricity	1 325	1 280	3.54%	8.6	6.2	65
22	26	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	1 308	1 111	17.70%	-0.037	-11.3	79
23	25	Krka d.d.	Slovenia	Pharmaceuticals	1 208	1 125	7.41%	144.4	164.7	7
24	34	Romgaz SA	Romania	Petroleum/Natural Gas	1 113	868.3	28.10%	314.6	222.0	2
25	28	E.ON Energie Romania SA	Romania	Petroleum/Natural Gas	1 088	1 064	2.19%	21.0	50.1	46
26	29	GDF SUEZ Energy Romania SA	Romania	Petroleum/Natural Gas	1 051	1 018	3.13%	87.2	105.0	16
27	33	Carrefour Romania SA	Romania	Wholesale/Retail	1 033	969.7	6.51%	26.6	32.2	37
28	New	Metro Cash & Carry Romania SRL	Romania	Wholesale/Retail	1 006	1 061	-5.25%	-0.281	9.7	80
29	32	MOL Romania Petroleum Products SRL	Romania	Petroleum/Natural Gas	976.3	974.0	0.18%	21.0	20.0	45
30	31	Orange Romania SA	Romania	Telecommunications	976.1	983.1	-0.77%	90.1	111.7	15
31	30	Complexul Energetic Oltenia SA	Romania	Electricity	940.0	1 018	-7.67%	-154.8	1.0	94
32	62	Johnson Matthey DOOEL	Macedonia	Chemicals	936.6	631.1	48.34%	56.1	29.7	27
33	55	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	921.9	670.7	37.88%	80.9	77.1	19
34	10	Compania Nationala de Autostrazi si Drumuri Nationale din Romania SA	Romania	Construction	917.0	2 173	-57.83%	95.6	56.5	12
35	27	Electrica Furnizare SA	Romania	Electricity	904.8	1 069	-15.43%	45.7	22.6	28
36	56	Revoz d.d.	Slovenia	Automobiles	862.2	670.5	28.60%	12.2	11.5	58
37	78	Auchan Romania SA	Romania	Wholesale/Retail	844.7	517.7	63.08%	-13.8	-20.2	84
38	49	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	838.4	696.6	20.28%	26.2	26.8	38
39	36	Arcelormittal Galati SA	Romania	Metals	818.9	867.1	-5.61%	-107.6	-165.4	92
40	37	Hrvatski Telekom d.d.	Croatia	Telecommunications	813.0	864.9	-5.72%	147.6	187.4	6
41	42	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	796.6	779.2	2.23%	3.7	29.5	74
42	38	Telekom Srbija AD	Serbia	Telecommunications	790.4	832.5	0.17%	139.9	134.1	9
43	46	Hidroelectrica SA	Romania	Electricity	780.2	726.8	7.28%	210.1	160.3	4
44	43	Lek d.d.	Slovenia	Pharmaceuticals	775.7	774.7	0.12%	69.3	88.8	22
45	64	Dedeman SRL	Romania	Wholesale/Retail	772.8	608.6	26.91%	92.8	64.3	13
46	41	Vodafone Romania SA	Romania	Telecommunications	772.8	782.3	-1.28%	35.4	96.1	31
47	45	CEZ Elektro Bulgaria AD	Bulgaria	Electricity	734.6	726.9	1.06%	12.7	-8.4	56
48	40	Selgros Cash & Carry SRL	Romania	Wholesale/Retail	729.3	787.4	-7.43%	3.4	12.0	75
49	35	OMV Bulgaria OOD	Bulgaria	Petroleum/Natural Gas	720.5	916.3	-21.36%	14.2	11.5	51
50	51	Gorenje d.d.	Slovenia	Electronics	713.9	692.9	3.04%	6.3	2.7	66
51	44	Mediplus Exim SRL	Romania	Wholesale/Retail	712.7	741.0	-3.87%	9.8	3.6	62

in millions of euro

2014	2013	Company name	Country	Industry	Total revenue 2014	Total revenue 2013	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013	Rank by net profit/loss
52	52	Telekom Slovenije d.d.	Slovenia	Telecommunications	687.6	688.2	-0.09%	17.9	51.2	47
53	48	OMV Slovenija d.o.o.	Slovenia	Petroleum/Natural Gas	683.0	709.0	-3.67%	12.7	14.0	55
54	53	JP Srbijagas	Serbia	Petroleum/Natural Gas	674.7	685.1	3.91%	-373.5	-434.9	98
55	67	Petrol d.o.o.	Croatia	Petroleum/Natural Gas	672.3	576.1	17.08%	4.9	1.8	72
56	50	Termoelektrane Nikola Tesla DOO	Serbia	Electricity	666.6	693.9	1.36%	27.4	34.4	36
57	65	J.T. International (Romania) SRL	Romania	Food/Drinks/Tobacco	659.8	605.1	8.97%	13.2	8.5	53
58	57	RCS & RDS SA	Romania	Telecommunications	642.5	659.6	-2.64%	-15.9	-3.1	85
59	76	Mega Image SRL	Romania	Wholesale/Retail	631.1	524.5	20.25%	12.4	12.3	57
60	54	Delhaize Serbia DOO	Serbia	Wholesale/Retail	630.7	680.9	-2.26%	24.8	35.8	40
61	74	Kaufland Bulgaria EOOD & Co KD	Bulgaria	Wholesale/Retail	626.2	566.2	10.59%	34.1	32.7	32
62	68	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	625.1	573.1	9.01%	134.3	115.5	10
63	61	Samsung Electronics Romania SRL	Romania	Electronics	622.6	639.2	-2.66%	13.2	12.9	54
64	88	Farmexpert D.C.I. SRL	Romania	Wholesale/Retail	599.9	507.6	18.13%	23.1	20.6	41
65	92	Autoliv Romania SRL	Romania	Automobiles	557.7	490.9	13.53%	11.6	14.8	59
66	83	Continental Automotive Systems SRL	Romania	Automobiles	548.4	511.9	7.09%	10.7	-3.6	61
67	58	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	Petroleum/Natural Gas	548.3	653.9	-16.16%	-153.3	-74.5	93
68	71	Cargill Agricultura SRL	Romania	Agriculture	533.8	555.2	-3.92%	-19.9	-7.2	87
69	77	IMPOL d.o.o.	Slovenia	Metals	533.1	524.1	1.72%	5.7	4.9	68
70	59	ADM Romania Trading SRL	Romania	Agriculture	531.0	644.4	-17.65%	11.6	4.5	60
71	73	Holdina d.o.o. Sarajevo	Bosnia and Herzegovina	Petroleum/Natural Gas	524.6	544.6	-3.67%	3.1	-3.3	76
72	91	REWE (Romania) SRL	Romania	Wholesale/Retail	524.5	492.5	6.43%	2.5	0.124	77
73	60	HEP-Proizvodnja d.o.o.	Croatia	Electricity	518.0	642.2	-19.09%	119.4	77.8	11
74	79	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	Electricity	501.5	515.5	-2.72%	1.7	18.9	78
75	New	CFR - Calatori SA	Romania	Transportation	497.7	418.3	18.93%	15.6	-91.1	49
76	93	Michelin Romania SA	Romania	Rubber/Rubber Products	496.4	490.8	1.08%	25.0	17.4	39
77	New	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	495.8	405.6	22.63%	76.5	57.1	21
78	New	Silcotub SA	Romania	Metals	489.0	377.5	29.46%	62.2	35.2	25
79	82	Alro SA	Romania	Metals	487.4	511.9	-4.83%	-24.2	-26.9	88
80	New	Elektro Energija d.o.o.	Slovenia	Electricity	485.6	444.7	9.21%	-6.9	1.6	82
81	New	Kastrati Sh.a.	Albania	Petroleum/Natural Gas	478.4	455.4	5.00%	N/A	N/A	99
82	99	Saksa OOD	Bulgaria	Petroleum/Natural Gas	478.2	461.0	3.73%	5.1	4.3	71
83	New	Profi Rom Food SRL	Romania	Wholesale/Retail	476.4	378.7	25.73%	6.1	6.0	67
84	100	Philip Morris Trading SRL	Romania	Food/Drinks/Tobacco	475.3	458.2	3.66%	-1.0	-1.9	81
85	90	Holzindustrie Schweighofer SRL	Romania	Furniture/ Decoration	474.4	493.0	-3.82%	65.6	96.2	24
86	96	Bankers Petroleum Albania Ltd.	Albania	Petroleum/Natural Gas	467.1	413.5	-3.92%	N/A	N/A	100
87	New	Continental Automotive Romania SRL	Romania	Automobiles	466.4	391.9	18.94%	-9.3	-12.9	83
88	New	CIMOS d.d.	Slovenia	Automobiles	454.0	425.8	6.63%	-49.8	-137.6	89
89	95	Takata Romania SRL	Romania	Automobiles	448.8	484.5	-7.41%	21.8	15.1	44
90	New	Plodine d.d.	Croatia	Wholesale/Retail	445.9	427.8	4.54%	5.4	4.8	69
91	63	Electrocentrale Bucuresti SA	Romania	Electricity	439.2	613.9	-28.49%	30.0	11.5	33
92	New	AETs Kozloduy EAD	Bulgaria	Electricity	436.0	382.0	14.15%	40.1	21.5	30
93	81	Enel Energie SA	Romania	Electricity	433.7	512.5	-15.43%	29.0	-8.8	35
94	75	Oscar Downstream SRL	Romania	Petroleum/Natural Gas	432.4	536.1	-19.40%	9.0	7.7	64
95	New	Bulgarian Telecommunications Company AD	Bulgaria	Telecommunications	431.5	414.1	4.21%	17.3	13.8	48
96	New	Lidl Hrvatska d.o.o. k.d.	Croatia	Wholesale/Retail	427.5	393.3	9.02%	14.2	1.0	52
97	85	Nuclearelectrica SA	Romania	Electricity	426.0	510.0	-16.51%	29.7	94.4	34
98	New	Renault Commercial Roumanie SRL	Romania	Automobiles	420.8	343.8	22.32%	4.8	7.0	73
99	New	Coca-Cola HBC Romania SRL	Romania	Food/Drinks/Tobacco	420.8	410.9	2.35%	22.8	18.6	42
100	66	ZGH d.o.o.	Croatia	Utilities	420.0	605.0	-30.37%	5.3	0.266	70

2014: Tepid recovery in SEE stops short of recharging corporate batteries

By Nevena Krasteva

Subdued domestic demand and low exports, limited credit growth due to high non-performing loan ratios, market volatility and political uncertainty continued to curb the financial performance of the companies in Southeast Europe (SEE) in 2014. Overdue structural reforms weigh on the economies in the region, which failed to benefit fully from cheaper oil and the recovery of the euro area to offset the downward pressure of the Russia-Ukraine crisis. The total revenue of the companies in the SEE TOP 100 ranking dropped, and so did their combined net profit. Most of the negative score was posted on the balance sheet of the heavyweights - the energy companies. At the same time car and car parts makers firmed their positions as the new pace setters. Economic growth, however, is accelerating. Domestic consumption and exports are picking up as activity in the euro area gains momentum, investment flow is strengthening and the M&A market is warming up. The companies are investing heavily as confidence is returning. New players from diverse sectors are entering the ranking.

Economic growth in Southeast Europe (SEE) in 2014 remained muted amid sluggish consumer spending, downsized company investments, limited lending, long-delayed structural reforms and political instability. Despite the stronger-than-expected recovery of the European Union, exports stayed low and foreign direct investments dried up. Falling oil prices managed to only partially offset the negative balance. Geopolitical problems continued to exert pressure on the economies in the region as they remained heavily exposed to Russia and strongly depended on Russian gas. Devastating floods in the Western Balkans hit hard the energy and agriculture sectors.

Regulatory volatility and a large grey economy continued to eat away at the companies' financial results, as the shortage of skilled workers and reluctance to embrace innovations further limited their competitiveness.

Romania stands out as an exception from the general trend and an undisputed market leader. The country's gross domestic product (GDP) expanded by a real 2.8%, mainly driven by a strong performance of the industrial sector, by 3.6%, and a 4.6% rise in consumption. After years of tolerating high corruption lev-

els, the country embarked on aggressive anti-corruption reforms, which markedly improved the investment climate and helped attract 2.4 billion euro in foreign direct investment (FDI). The country also sets the pace of the M&A market in the region, accounting for more than one third of the number of deals, according to Raiffeisen Investment figures.

Falling revenues, lower profits

This largely gloomy picture is mirrored in the results of the companies in the SEE TOP 100 ranking. Their total revenue dropped to 100.6 billion euro, compared to 104.0 billion euro reported by the entrants in last year's ranking. Furthermore, the combined net profit of the region's biggest 100 companies fell to 2.3 billion euro against 2.6 billion euro recorded by the entrants in last year's ranking.

Almost half of the companies in the ranking, 42, saw their revenues go down. The threshold for entry into the SEE TOP 100 ranking fell to 420 million euro from 458 million euro a year earlier. The revenues of both the first and the last one in the ranking were lower than they were a year earlier, suggesting that small and big companies alike have been af-

ected by the general downtrend.

However, a closer look at the companies' bottomlines reveals that the negative burden is rather unevenly distributed, with companies operating in the oil and gas industry and electricity taking a harder hit, and automobile and car parts manufacturers faring better than the rest.

Automobiles, car parts makers speed up SEE TOP 100 track, Dacia first to the finish line

Over the past years the automotive industry has been steadily expanding its presence in the SEE TOP 100 ranking. After a breakthrough in 2013, when it ended up as the fourth biggest industry in the region, it is firming its positions with the car makers in this year's edition posting 8.0 billion euro in combined revenues. The combination of low production costs, skilled workforce and a suitable location that enables access to strategic markets has spurred its growth.

Five automobile makers, three manufacturers of car parts and two rubber and rubber products makers, whose core business is manufacturing of car tires, made it into this year's edition of the SEE TOP 100 ranking. One of the two car tire makers, Romania's Continental Automotive Products, is also among the most profitable companies in the region with a 21% return on revenue.

It should be noted here that one of the big car makers in the region, FCA Srbija, formerly FIAT Automobili Srbija, had not published its financial results for 2014 by the time this publication went to print, which is why it was not included in the rankings, distorting the overall picture.

The industry's top performer is Romanian car maker Automobile Dacia, a unit of France's Renault, which has overtaken OMV Petrom as the biggest company in SEE. In 2014 its

net profit rose 10% to 82.9 million euro, as its turnover edged up 2.2% to 4.25 billion euro. Worldwide sales of Renault under its Dacia brand rose 19% to 511,465 vehicles in 2014. As of the end of June 2015 Dacia's sales in Romania totaled 18,369 units, up by more than 25% year-on-year, giving the company grounds to expect a record-high full-year sales result.

Energy companies lose ground, maintain dominance

With combined revenues of 40.6 billion euro, the oil and gas companies continued to dominate the SEE TOP 100 ranking, as this is particularly noticeable in the upper end of the table. However, their revenue remained flattish, whereas their combined net profit dropped to 263 million euro from 979 million euro.

In tune with this trend, the biggest oil and gas company in the region, OMV Petrom, ceded the no. 1. position it had been holding for six years to Dacia. The company saw its revenues fall only slightly but its profit more than halved.

Oil and gas companies occupy eight of the top ten positions in the ranking. However, they also dominate the list of the biggest loss-makers, with Serbia's gas monopoly Srbijagas posting the heftiest loss in SEE. A notable exception here is Romgaz, which stands out as the most profitable company in the SEE TOP 100 ranking with a 28% return on revenue. The number of oil and gas companies that made it into the SEE TOP 100 ranking dropped to 27 from 29 a year earlier.

Second in terms of number of representatives in the ranking was the electricity sector, with 18 representatives and combined earnings of 15.3 billion euro, down by 5.6%. For a large number of the electricity companies in the region, the decline in earnings was due to unfavourable regulatory environment and poor weather conditions.

Wholesale and retail had 17 representatives in the ranking, and their combined earnings stood at 14.5 billion euro, up by 7% as compared to a year earlier. Two companies should be singled out - the Romanian unit of French retailer Auchan, which posted the sharpest revenue growth among the companies in the SEE TOP 100 ranking, by 63%, and Metro Cash&Carry Romania, a new entrant which made it straight to the 28th spot in the ranking.

Another industry to put up a good performance was pharmaceuticals, with combined

Methodology

SEE TOP 100 ranks the biggest companies in Southeast Europe by total revenue for the fiscal year ended December 31, 2014. Both 2014 figures and 2013 comparative counterparts are sourced from 2014 annual non-consolidated reports.

The initial pool of companies exceeds 1,200 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.

All data is sourced from national commercial registers, stock exchanges, government and corporate websites, industry regulators, local business information providers and companies themselves.

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 2014 and 2013. 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.

revenues of 2.5 billion euro, up by 7.6% and an 11.7% return on revenue, making it the third most profitable industry in the region.

A total of 15 new companies made it into the ranking. The newcomers were a motley band featuring representatives of ten different sectors.

Romania, with a population of around 20 million and robust economic performance, stands out as the undisputed market leader in the region, placing 53 companies in the ranking. Slovenia, with 13 representatives, outranked Croatia and Bulgaria which had 11 each. Just like in the previous years, none of the biggest companies in Montenegro, Moldova, or Kosovo made the cut.

In solid recovery mode

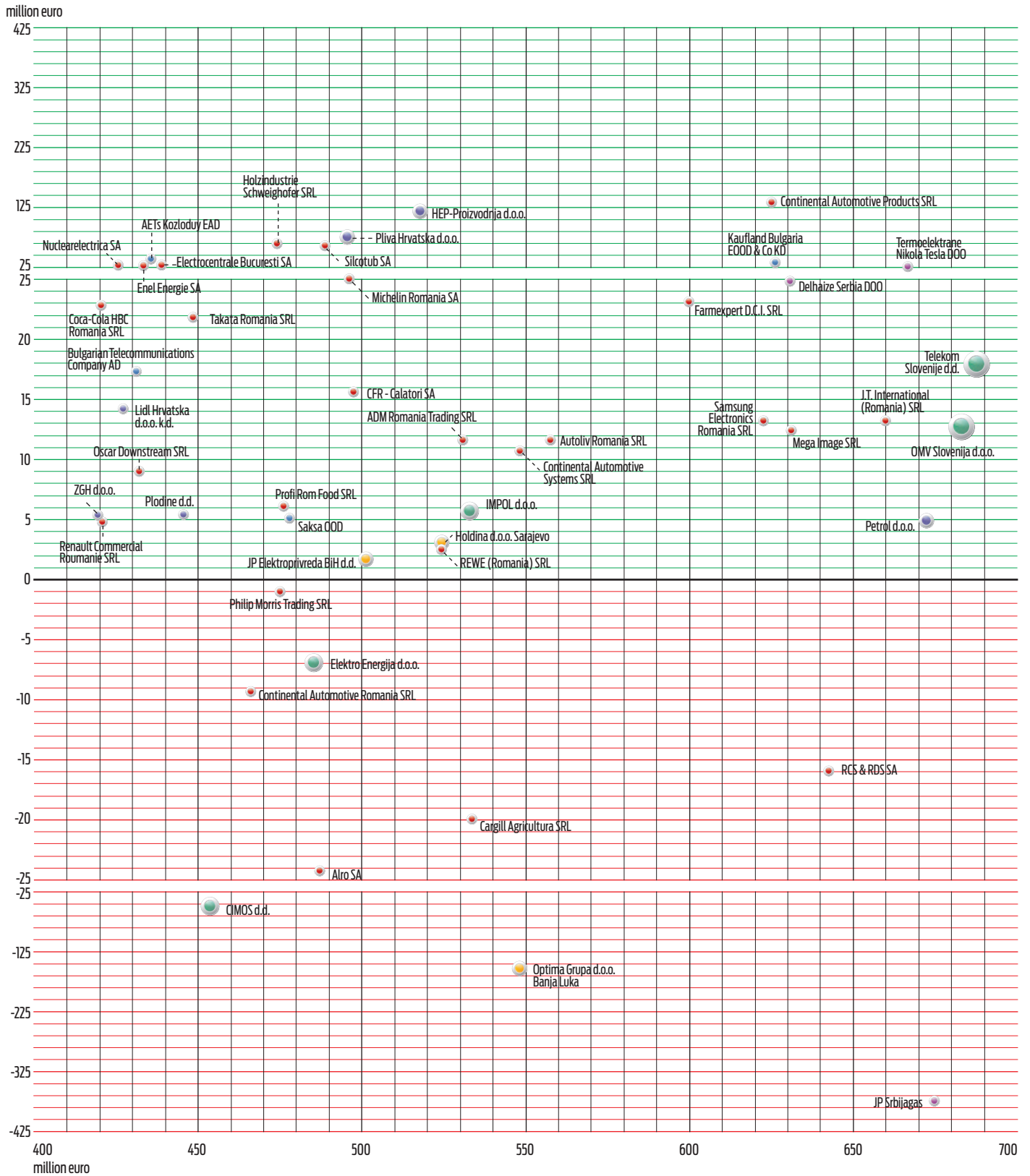
Economic growth in SEE is expected to quicken as consumer spending, exports and investment continue to recover, real disposable incomes rise and general business sentiment improves. Romania, where planned tax cuts will further improve the business environment, will remain the frontrunner with GDP growth seen at close to 4%. The economies in

the region are also expected to benefit significantly from lower oil prices and substantial support from EU structural funds.

Indications that the prospects before the region are improving are also visible on the M&A market, based on the deals announced since the beginning of 2015. ICT is emerging as one of the most attractive sectors for foreign investors, alongside manufacturing, retail and financial services. Notably, it is still missing from the SEE TOP 100 ranking, which is bound to change at some point. Agriculture companies too are likely to boost their presence in the ranking. Growing domestic consumption and personal income are likely to benefit first sectors such as retail and wholesale. More good news is expected for the automotive industry, as well, considering the still low car ownership rate in the region and new car sales data for the first half of 2015 for both the EU and SEE.

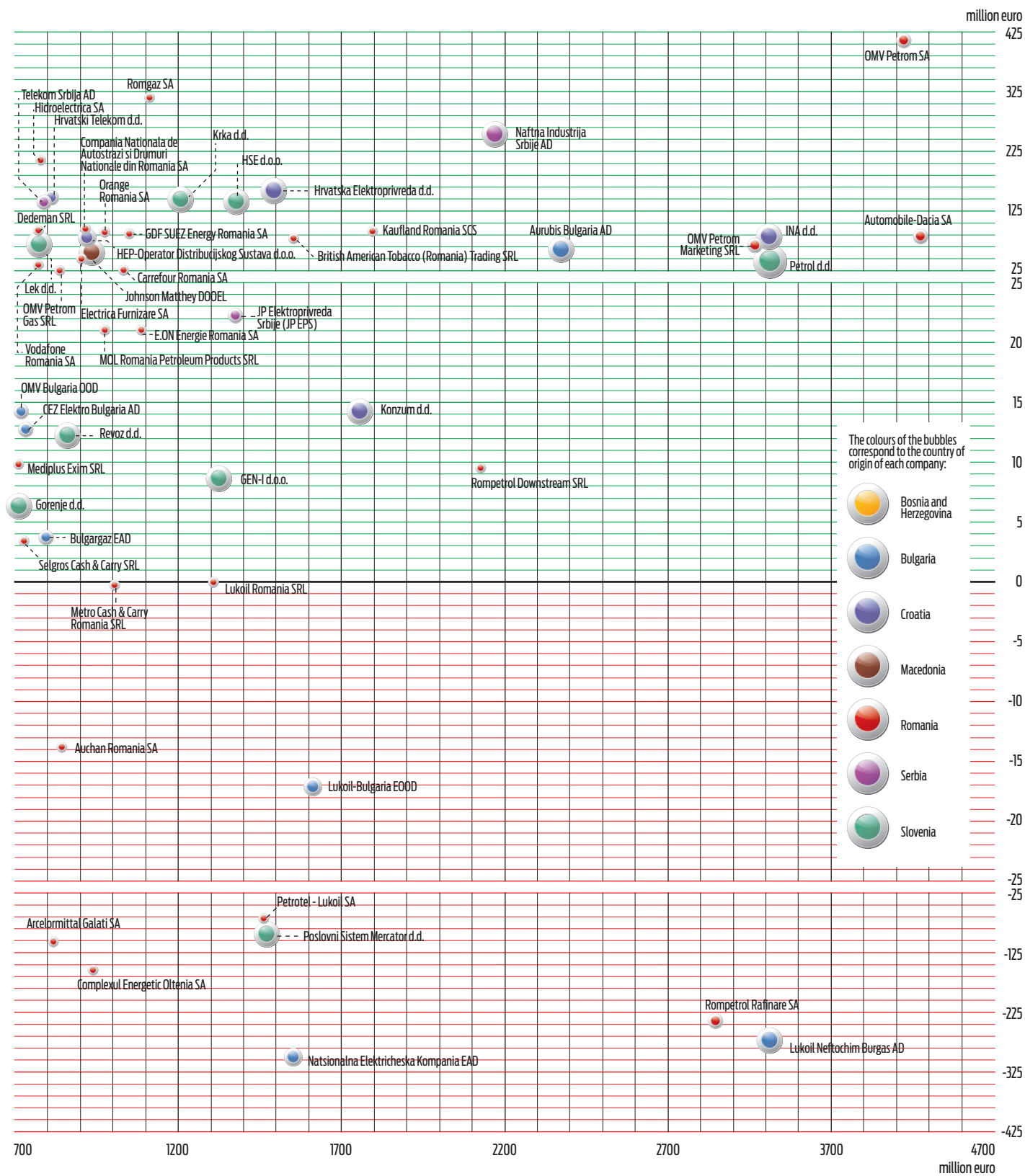
On the losers' side, judging by their first-half results, most energy companies are likely to see their financial results deteriorate, as they remain particularly vulnerable to external factors beyond their control. A number of electricity companies too are likely to suffer further losses.

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 2014. The X axis is a measure of 2014 total revenue, the Y axis represents net profit/loss and the size of the bubbles corresponds to the total revenue per capita. Albanian companies Kastri Sh.a. and Bankers Petroleum Albania Ltd. are not included in the graph as no net profit/loss data was available.

TOP 100 companies



Romanian car maker Dacia targets record-high output in 2015

By Doinita Dolapchieva



Nicolas Maure,
Director General

Romanian car maker Dacia, a unit of France's Renault since 1999, surpassed oil and gas group OMV Petrom as SEE's largest company in terms of total revenues in 2014. The company's revenues rose 2.2% to over 4.2 billion euro while net profit climbed 10.2% to 83 million euro on the back of increased demand for its no-frills, reliable models. Worldwide sales of Renault under its Dacia brand rose 19% to 511,465 vehicles last year, mainly due to the popularity of the Duster SUV and of the updated Logan and Sandero models. In Romania alone, Dacia sold 29,625 cars last year, accounting for a 32% market share. In 2014 Dacia produced 339,000 vehicles at its plant in Mioveni, in southern Romania, close to its 350,000 annual capacity.

How do you explain the fact that Automobile Dacia's net profit increased faster than its turnover last year?

The net profit was affected in 2013 by the financial integration of another Renault group subsidiary within Automobile Dacia. The op-

erating result in 2014, more relevant to assess business trends regarding Dacia's profitability, is similar to 2013 in percentage terms.

Do you plan to launch new models in the next 2-3 years? Can you elaborate?

Yes, there will be novelties in our range of models over the next few years, but we prefer not to elaborate on that for the moment.

In the short-term, we are revealing many new features at the Frankfurt motorshow like the Easy-R automated transmission for Logan

and Sandero, as well as the Duster Edition 2016, including the new Sce 115 petrol engine and connected Media-Nav Evolution navigation system.

What are, in your opinion, the main factors influencing the company's operations in a positive way this year? What about the main obstacles?

The market in Romania in 2015 was invigorated by the RABLA governmental programme for national car fleet renewal, which remained key for the automotive producers and importers. It is a governmental scheme which refreshes the national car fleet, one of the oldest in Europe, to the benefit of all participants in traffic, to the benefit of road safety and of the environment. It is a useful programme for the Romanian industry and for the jobs in Romania, including dealerships. Trading new cars is a business that brings income to the budget and a business that ensures jobs.

There are a few things that need to be improved in order to facilitate any company's operations in Romania. The first one is the infrastructure. Every week, more than 2,100 trucks - of Dacia and our suppliers - drive between Nadlac and Pitesti, which takes them up to 10 hours. We estimated that this leads to an additional cost of 30 euro for each Dacia vehicle. We appreciate it that the Pitesti-Sibiu project is a priority for the Romanian authorities. It is now essential to speed up the construction of this highway, aiming at completion by 2020 at the latest.

Then, talking about legislation, mainly the Labour and Tax Codes, any changes can affect our operations. We communicated our positions on these important issues to the Romanian government, stressing the need to reinforce our competitiveness on the market.

What are the company's main investment projects in mid-term perspective?

The company continues to invest in industrial projects which enabled Dacia to increase the production capacities of the Vehicle and Powertrain plants, such as aluminum high pressure diecasting, 6 speed manual transmission capacity increase, mechanical parts,

progressive introduction of robots, etc.

In 2015 we will invest around 100 million euro in the Mioveni plants in order to support the introduction of new models and variants, as well as continue the modernization of the industrial platform, with a focus on working conditions, safety and automation.

Do you plan to increase the plant's output capacity and staff?

Today, the output capacity of the Mioveni plant is 350,000 vehicles per year. There are no plans to increase it in the foreseeable future. Nevertheless, we may increase the production of powertrain units - engines, transmission - based on market demand.

How many vehicles does Dacia plan to manufacture this year, how does this compare to 2014?

Production in 2015 will increase compared to the last year. We will most probably enjoy a record production level this year. In addition to complete vehicles production, we also started significant shipments of painted bodies and components to the new Renault plant in Oran, in Algeria, for SKD assembly of Logan there.

What sales volume and market share do you target in Romania this year?

As of end of June 2015, Dacia's sales in Romania totaled 18,369 units, up by more than 25% compared to the first half of 2014, while our market share reached 35.3%, showing a 3 percentage points progress over the same period of last year.

How do you see the overall car market in Southeastern Europe (SEE) developing in the next few years? What about Dacia's performance in SEE?

The figures advanced so far by the Belgium-based Association of European Car Manufacturers at the end of the first half of 2015 show a small increase of car sales in this region. We cannot make an estimation for the whole year. Still, we are confident that 2015 will end with a new sales record for the Dacia brand.



We do not plan to increase the vehicle production capacity of the Mioveni plant but we may increase the production of powertrain units

Romania's Romgaz tops SEE most profitable companies ranking

by Djordje Daskalovich

Romanian natural gas producer Romgaz has overtaken peer OMV Petrom as the winner of this year's edition of the SEE Most Profitable companies ranking with a 28.26% return on revenue after a two-year stay at the no. 2 spot. The company booked a net profit of 314.6 million euro, the second biggest among the entrants in the SEE TOP 100 ranking, on 1.1 billion euro revenue. The positive results were accompanied by 249 million euro investment programme, mostly in 2D and 3D seismic surveys, as well as drilling of 22 exploration wells.

For its part, the former winner OMV Petrom does not even make it into this year's edition of the ranking after its net profit fell 62% to 409.9 million euro, while revenues edged down 3% to 4.1 billion euro. Still, it ranked as the biggest company in Southeast Europe in terms of net profit in 2014.

The next positions in the ranking were taken by two electricity producers – Romania's Hidroelectrica and Croatia's HEP-Proizvodnja, a car tires maker, Romania's Continental Automotive Products, and a telecommunications company, Croatia's Hrvatski Telekom. Continental rose by one spot from the previous year, in tune with the general uptrend in the automotive industry.

Hrvatski Telekom dropped one place from last year, whereas its Serbian peer Telekom Srbija climbed to the no. 6 spot from the ninth position in last year's ranking. Telekom Srbija's return on revenue rose to 17.71% from 16.11%. The two companies were the only representatives of the telecommunications sector in the ranking this year.

The Romanian companies' domination spreads over the ranking of the most profitable companies, as well. They occupy six out of the 10 spots, unchanged from last year. Croatia comes next with three entries, while

Most profitable companies

No	SEE TOP 100 No	Company name	Country	Industry	Return on revenue 2014	Return on revenue 2013
1	24	Romgaz SA	Romania	Petroleum/Natural Gas	28.26%	25.56%
2	43	Hidroelectrica SA	Romania	Electricity	26.92%	22.05%
3	73	HEP-Proizvodnja d.o.o.	Croatia	Electricity	23.06%	12.11%
4	62	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	21.48%	20.16%
5	40	Hrvatski Telekom d.d.	Croatia	Telecommunications	18.15%	21.67%
6	42	Telekom Srbija AD	Serbia	Telecommunications	17.71%	16.11%
7	77	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	15.43%	14.07%
8	85	Holzindustrie Schweighofer SRL	Romania	Furniture/ Decoration	13.84%	19.51%
9	78	Silcotub SA	Romania	Metals	12.72%	9.32%
10	45	Dedeman SRL	Romania	Wholesale/Retail	12.00%	10.56%

Serbia was represented by only one company. In the previous ranking, Croatia and Serbia had two entries each.

This year's ranking is rather diverse as it comprises representatives of eight different industries.

Croatian drug maker Pliva came in seventh as its return on revenue rose to 15.43% from 14.07%. Pliva, part of Israel-based Teva Group, opened in late 2013 a new plant near Zagreb. The new plant was supposed to significantly improve Pliva's capacity for production of tablets and capsules and boost its exports, since most of these products are intended for international markets, it said at the time. Obviously the plan worked as Pliva was propelled to the SEE TOP 100 companies ranking, landing at no. 77.

The eighth position was taken by the Romanian unit of Austrian wood processing company Holzindustrie Schweighofer, which fell by one place from last year as its return on revenue dropped by close to six percentage points to 13.84%.

Romanian metals company Silcotub, a newcomer to the ranking, placed ninth with a return on revenue of 12.72%. A year earlier, its return on revenue stood at 9.32%.

Another Romanian company, do-it-yourself retailer Dedeman, took the last place in this year's ranking after its return on revenue rose to 12% from 10.56%. The retailer has been busy expanding its network - in mid-2014 it said it plans to increase the number of its outlets to 50 by the end of 2015.

The threshold for making it in this year's ranking dropped, as companies needed to achieve a return on revenue of above 12% to find themselves on the list versus 14.86% a year earlier, indicating that the general profitability of the companies in the region has dropped.

Methodology

Most profitable companies is a ranking of the top 10 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 2014 and 2013, respectively.

Money losers sink deeper into red paced by Srbijagas

by Djordje Daskalovich

On the money losers side, the general downtrend in the financial performance of the top 100 companies in Southeast Europe (SEE) is even more evident than in the other rankings. The combined loss of the ten biggest loss-makers among the entrants in SEE TOP 100 widened to 1.8 billion euro from 1.3 billion euro they posted a year earlier. In comparison, the top ten entrants in last year's edition of the ranking posted a combined loss of 1.6 billion euro. As energy companies continue to dominate the ranking, the negative result can largely be attributed to the sharp fall in oil prices on the global markets, which added to the other factors curbing the performance of the companies in the region.

Serbian state-owned gas monopoly, Srbijagas, remains the biggest loss-maker for the third year in a row, even though it managed to cut its net loss to 373.5 million euro from 434.9 million euro a year earlier. The company's restructuring is one of the most important issues on the agenda of the Serbian government, as it should provide the basis for rectifying a breach of the Energy Community law while also creating conditions for Serbia to start accession talks with the EU on energy policy. The Serbian energy minister has said that a financial adviser for Srbijagas will be picked by the end of the third quarter of 2015.

Romania may have the biggest presence in the most profitable companies ranking, but it also dominates the not so glamorous money losers ranking with four entries. Most of the Romanian money losers again come from the energy industry, leaving only one spot for the metal industry. Slovenia and Bulgaria were tied for the second spot with two entries each. Bosnia and Herzegovina had one representative. Bulgarian state-owned electricity util-

Biggest money losers

in millions of euro

No	SEE TOP 100 No	Company name	Country	Industry	Net loss 2014	Net profit/loss 2013
1	54	JP Srbijagas	Serbia	Petroleum/Natural Gas	-373.5	-434.9
2	15	Natsionalna Elektrieska Kompania EAD	Bulgaria	Electricity	-299.9	-111.4
3	3	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	-272.1	-123.3
4	7	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	-239.8	-50.0
5	31	Complexul Energetic Oltenia SA	Romania	Electricity	-154.8	1.0
6	67	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	Petroleum/Natural Gas	-153.3	-74.5
7	39	Arcelormittal Galati SA	Romania	Metals	-107.6	-165.4
8	17	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	-95.1	-35.6
9	18	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	-68.7	-207.1
10	88	CIMOS d.d.	Slovenia	Automobiles	-49.8	-137.6

ity Natsionalna Elektrieska Kompania (NEK) jumped to the second spot this year from no. 10 in the previous edition, after its net loss more than doubled to 299.9 million euro from 111.4 million euro a year earlier. NEK's catastrophic performance last year was largely the result of its obligation under long-term contracts with US companies AES and ContourGlobal to buy at a fixed price electricity generated by their thermal power plants in the country. Another factor that impacted its performance was that it was not calculating into the price for end-suppliers the full amount of costs it had sustained due to its obligation regarding the purchase of power generated from renewable sources.

Oil refinery Lukoil Neftochim Burgas, another Bulgarian company, took the third place after its net loss widened to 272.1 million euro from 123.3 million euro a year earlier.

Two Romanian companies coming from the petroleum and gas sector - Rompetrol Rafinare and Complexul Energetic Oltenia, were ranked at no. 4 and no. 5, respectively after their performance deteriorated sharply last year. Rompetrol Rafinare saw its net loss widen to 239.8 million euro from 50 million euro while Complexul En-

ergetic Oltenia's turned to a net loss of 154.8 million euro in 2014 from a net profit of 1 million euro a year earlier. Through its two refineries, Rompetrol Rafinare accounts for over 40% of Romania's refining capacity and is the only producer of polymers in the country. In 2015, the Romanian government announced layoff plans for the state-controlled energy holding company Complexul Energetic Oltenia and restructuring measures aimed at boosting its efficiency.

The last entrant in the top money losers ranking – Slovenian car parts maker CIMOS, recorded a net loss of 49.8 million euro.

Methodology

Money losers is a ranking of 10 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 2014 and 2013, respectively.

IFC: SEE governments should step up structural reforms to help spur growth

By Georgi Georgiev



Tomasz Telma,
*IFC regional director for
Europe and Central Asia*

IFC, a member of the World Bank Group, is the largest global development institution focused on the private sector in emerging markets. Working with more than 2,000 businesses worldwide, IFC uses its capital, expertise, and influence, to create opportunity where it's needed most.

The background of the advertisement features three individuals standing in a blurred indoor setting. On the left is a chef with a grey beard and a white toque. In the center is a woman with long brown hair, wearing a dark purple pinstriped suit jacket over a white blouse. On the right is a man in a grey vest, white shirt, and a patterned bow tie. The overall tone is professional and diverse.

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TOP 100 banks

in millions of euro

2014	2013	Company name	Country	Total assets 2014	Y/Y change in assets	Net profit/ loss 2014	Net profit/ loss 2013
1	2	Zagrebacka Banka d.d.	Croatia	13 370	-3.83%	152.2	60.9
2	1	Banca Comerciala Romana SA	Romania	13 172	-7.04%	-586.7	74.8
3	3	BRD – Groupe Societe Generale SA	Romania	10 080	-4.03%	9.6	-86.0
4	5	Privredna Banka Zagreb d.d.	Croatia	8 991	4.97%	83.9	80.5
5	4	Nova Ljubljanska Banka d.d.	Slovenia	8 886	-6.54%	81.5	-1540
6	7	Banca Transilvania SA	Romania	7 947	11.08%	96.9	83.6
7	6	Erste&Steiermarkische Bank d.d.	Croatia	7 855	0.09%	30.3	8.9
8	8	UniCredit Bulbank AD	Bulgaria	7 590	17.24%	123.6	73.4
9	10	Raiffeisen bank SA	Romania	6 411	8.54%	111.9	102.2
10	9	UniCredit Tiriac Bank SA	Romania	6 403	4.52%	17.9	16.7
11	11	CEC Bank SA	Romania	6 243	4.08%	1.7	9.7
12	12	DSK Bank EAD	Bulgaria	5 100	12.33%	115.6	99.1
13	17	First Investment Bank AD	Bulgaria	4 421	16.11%	15.6	13.2
14	14	ING Bank N.V. Amsterdam Branch Bucharest	Romania	4 181	2.88%	62.5	41.2
15	13	Raiffeisenbank Austria d.d.	Croatia	4 101	-4.81%	38.4	36.1
16	19	Banca Intesa AD	Serbia	3 922	10.95%	56.5	75.3
17	20	Alpha Bank Romania SA	Romania	3 785	4.25%	-31.2	7.8
18	21	Societe Generale – Splitska Banka d.d.	Croatia	3 752	5.22%	24.8	4.5
19	15	Hypo Alpe-Adria-Bank d.d.	Croatia	3 675	-6.11%	-17.8	-65.6
20	16	Nova KBM d.d.	Slovenia	3 608	-7.72%	35.9	-656.5
21	18	SID – Slovenska Izvozna in Razvojna Banka d.d.	Slovenia	3 577	-5.56%	4.5	4.9
22	24	Komercijalna Banka AD	Serbia	3 369	11.98%	39.7	40.9
23	23	United Bulgarian Bank AD	Bulgaria	3 359	-2.16%	39.0	8.7
24	28	Eurobank Bulgaria AD	Bulgaria	3 138	7.82%	0.346	9.5
25	26	Raiffeisenbank (Bulgaria) EAD	Bulgaria	3 058	0.36%	23.8	-22.4
26	25	Volksbank Romania SA	Romania	2 758	-10.52%	-423.8	-102.1
27	27	Abanka Vipa d.d.	Slovenia	2 602	-14.32%	-194.6	-308.9
28	30	UniCredit Banka Slovenija d.d.	Slovenia	2 579	3.62%	0.599	-39.2
29	29	Bancpost SA	Romania	2 574	-2.80%	-60.0	-30.0
30	31	SKB Banka d.d.	Slovenia	2 550	4.03%	34.6	-31.5
31	42	Societe Generale Expressbank AD	Bulgaria	2 338	24.87%	25.2	8.4
32	33	Banka Koper d.d.	Slovenia	2 289	-0.49%	6.6	2.5
33	32	Hrvatska Postanska Banka d.d.	Croatia	2 265	-5.48%	-82.9	5.6
34	37	Banka Kombetare Tregtare Sh.a. (National Commercial Bank)	Albania	2 263	16.38%	36.1	28.6
35	34	Unicredit Bank Srbija AD	Serbia	2 200	5.56%	45.3	33.5
36	40	Central Cooperative Bank AD	Bulgaria	2 138	11.63%	3.7	5.2
37	46	OTP Banka Hrvatska d.d.	Croatia	2 065	15.56%	20.3	8.5
38	41	UniCredit Bank d.d. Mostar	Bosnia and Herzegovina	2 026	6.23%	31.4	28.4
39	36	Piraeus Bank Romania SA	Romania	2 008	-1.50%	3.7	2.9
40	35	Raiffeisen Bank Sh.a.	Albania	1 964	-5.26%	33.7	31.8
41	52	Citibank Europe Plc Dublin - Romania Branch	Romania	1 942	33.56%	62.7	43.5
42	39	Raiffeisen Bank d.d. Sarajevo	Bosnia and Herzegovina	1 883	-2.52%	27.5	21.7
43	43	Alpha Bank - Bulgaria Branch	Bulgaria	1 873	0.22%	-0.699	0.083
44	45	Raiffeisen Banka AD	Serbia	1 859	9.25%	43.3	47.3
45	38	Societe Generale Bank Srbija AD	Serbia	1 843	1.02%	3.1	-7.1
46	48	Garanti Bank SA	Romania	1 835	4.75%	0.273	20.2
47	51	Sberbank Banka d.d.	Slovenia	1 779	20.35%	5.7	1.2
48	44	Banka Celje d.d.	Slovenia	1 712	-5.69%	-21.1	-126.3
49	47	Piraeus Bank Bulgaria AD	Bulgaria	1 656	-3.53%	-22.9	1.7
50	54	Komercijalna Banka AD	Macedonia	1 512	7.06%	4.4	1.3

TOP 100 banks

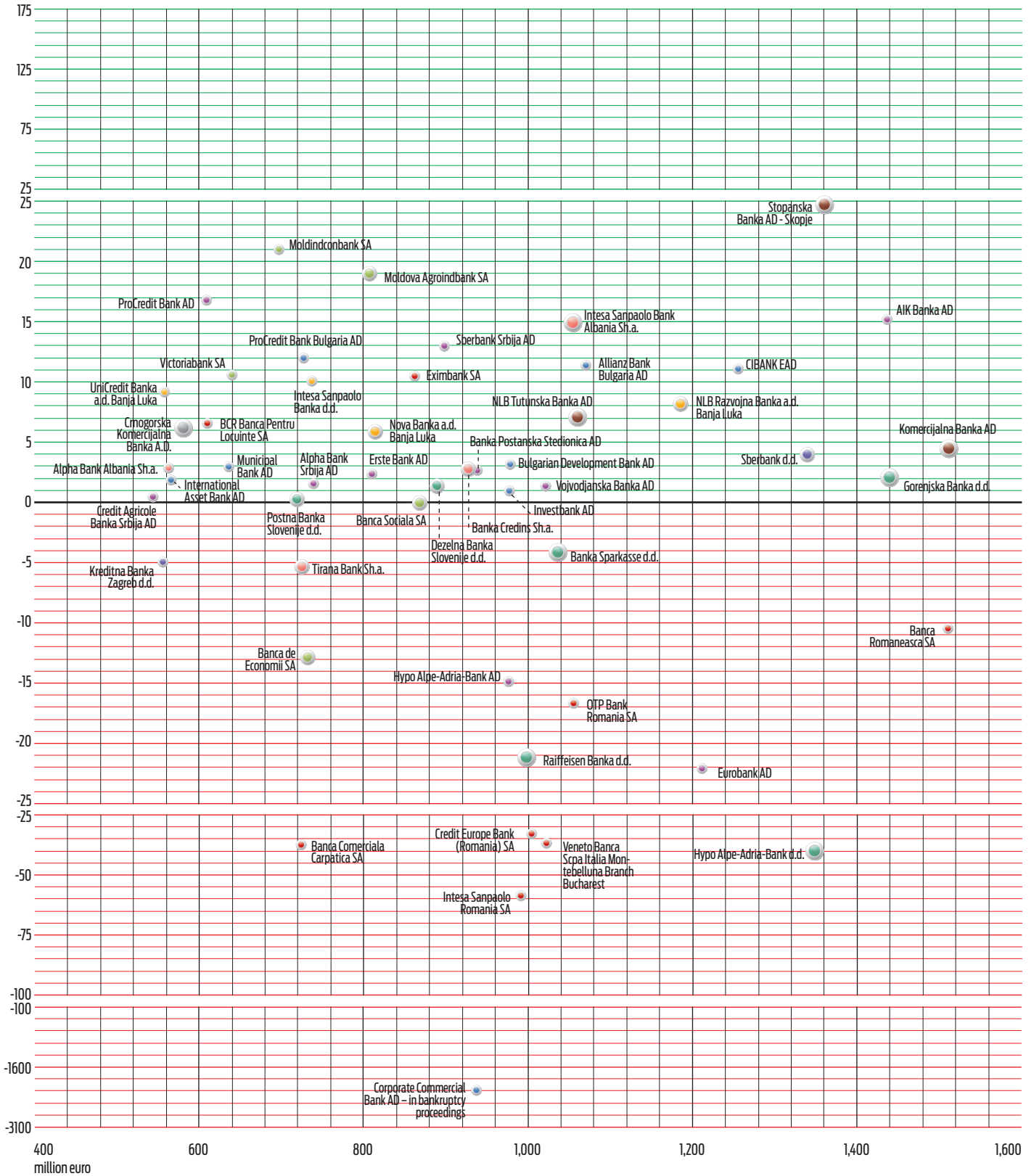
in millions of euro

2014	2013	Company name	Country	Total assets 2014	Y/Y change in assets	Net profit/loss 2014	Net profit/loss 2013
51	49	Banca Romaneasca SA	Romania	1 511	-6.41%	-10.5	-13.6
52	50	Gorenjska Banka d.d.	Slovenia	1 440	-7.71%	2.0	-115.6
53	56	AIK Banka AD	Serbia	1 437	14.02%	15.1	8.7
54	57	Stopanska Banka AD - Skopje	Macedonia	1 361	6.09%	24.6	16.1
55	53	Hypo Alpe-Adria-Bank d.d.	Slovenia	1 349	-6.39%	-40.4	-95.7
56	58	Sberbank d.d.	Croatia	1 340	10.82%	3.9	-6.0
57	64	CIBANK EAD	Bulgaria	1 256	18.06%	11.0	2.6
58	55	Eurobank AD	Serbia	1 212	-7.07%	-22.1	12.0
59	93	NLB Razvojna Banka a.d. Banja Luka	Bosnia and Herzegovina	1 186	94.83%	8.1	6.1
60	67	Allianz Bank Bulgaria AD	Bulgaria	1 071	6.06%	11.3	8.8
61	69	NLB Tutunska Banka AD	Macedonia	1 061	8.61%	7.0	17.3
62	68	Intesa Sanpaolo Bank Albania Sh.a.	Albania	1 056	6.32%	14.7	7.0
63	66	OTP Bank Romania SA	Romania	1 056	2.68%	-16.7	-15.6
64	63	Banka Sparkasse d.d.	Slovenia	1 037	-4.93%	-4.2	-13.6
65	65	Veneto Banca Scpa Italia Montebelluna Branch Bucharest	Romania	1 023	-1.68%	-37.1	-12.7
66	70	Vojvodjanska Banka AD	Serbia	1 022	13.14%	1.3	12.2
67	60	Credit Europe Bank (Romania) SA	Romania	1 005	-13.90%	-33.2	1.7
68	59	Raiffeisen Banka d.d.	Slovenia	998.5	-15.87%	-21.2	-32.9
69	61	Intesa Sanpaolo Romania SA	Romania	992.3	-12.67%	-58.9	-36.9
70	71	Bulgarian Development Bank AD	Bulgaria	979.4	7.43%	3.1	5.8
71	76	Investbank AD	Bulgaria	978.5	14.16%	0.925	0.231
72	62	Hypo Alpe-Adria-Bank AD	Serbia	976.8	-5.48%	-14.9	-43.0
73	74	Banka Postanska Stedionica AD	Serbia	939.4	14.01%	2.6	1.1
74	22	Corporate Commercial Bank AD - in bankruptcy proceedings*	Bulgaria	938.0	-72.78%	-2 183	36.4
75	80	Banka Credins Sh.a.	Albania	927.7	20.97%	2.7	1.9
76	75	Sberbank Srbija AD	Serbia	899.1	9.28%	12.9	8.9
77	78	Dezelna Banka Slovenije d.d.	Slovenia	890.1	3.98%	1.3	-17.3
78	New	Banca Sociala SA	Moldova	869.3	271.62%	-0.112	2.7
79	73	Banca de Export-Import a Romaniei – Eximbank SA	Romania	863.3	-2.87%	10.4	11.1
80	82	Nova Banka a.d. Banja Luka	Bosnia and Herzegovina	815.4	9.37%	5.8	5.2
81	77	Erste Bank AD	Serbia	810.6	0.17%	2.3	9.3
82	81	Moldova Agroindbank SA	Moldova	807.6	14.37%	18.9	18.1
83	84	Alpha Bank Srbija AD	Serbia	740.0	7.91%	1.5	-13.4
84	88	Intesa Sanpaolo Banka d.d.	Bosnia and Herzegovina	737.8	8.24%	10.0	6.9
85	New	Banca de Economii SA	Moldova	733.3	63.89%	-12.9	5.6
86	87	ProCredit Bank Bulgaria AD	Bulgaria	727.8	5.37%	11.9	10.4
87	85	Tirana Bank Sh.a.	Albania	725.8	0.32%	-5.4	-9.3
88	72	Banca Comerciala Carpatica SA	Romania	725.2	-20.00%	-37.8	8.6
89	79	Postna Banka Slovenije d.d.	Slovenia	720.1	-7.09%	0.246	-57.2
90	86	Moldindconbank SA	Moldova	698.2	3.46%	20.9	16.8
91	89	Victoriabank SA	Moldova	641.2	4.57%	10.5	12.9
92	96	Municipal Bank AD	Bulgaria	637.4	7.88%	2.9	3.1
93	New	BCR Banca Pentru Locuinte SA	Romania	611.2	272.00%	6.5	8.4
94	94	ProCredit Bank AD	Serbia	609.7	6.63%	16.7	19.2
95	92	Crnogorska Komercijalna Banka A.D.	Montenegro	581.8	-6.96%	6.1	9.1
96	New	International Asset Bank AD	Bulgaria	567.3	14.19%	1.8	0.544
97	97	Alpha Bank Albania Sh.a.	Albania	563.7	-3.44%	2.8	-0.103
98	New	UniCredit Banka a.d. Banja Luka	Bosnia and Herzegovina	559.2	15.86%	9.1	8.6
99	100	Kreditna Banka Zagreb d.d.	Croatia	556.8	4.13%	-5.0	0.590
100	99	Credit Agricole Banka Srbija AD	Serbia	544.7	6.71%	0.382	0.281

(*) denotes unaudited figures

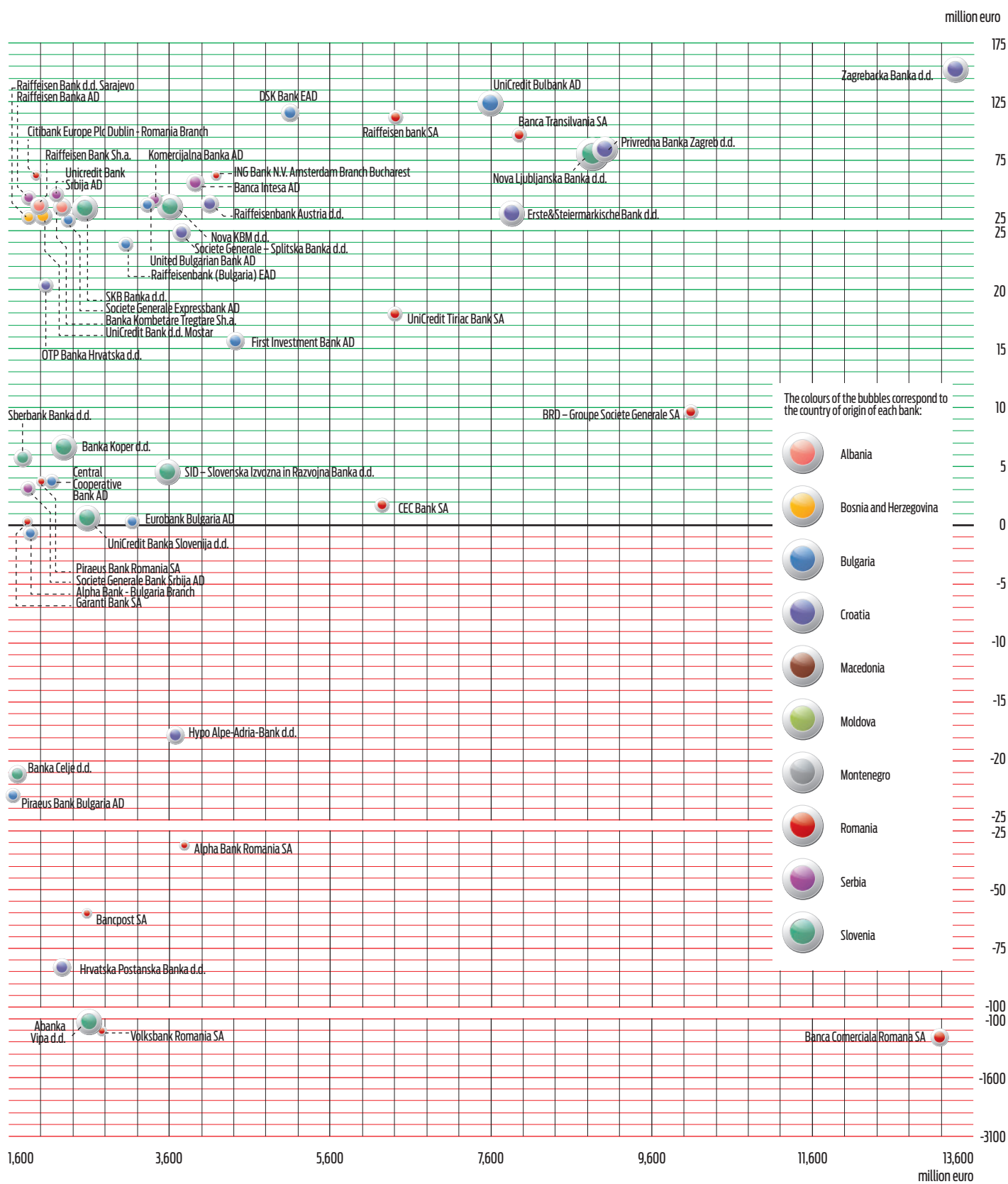
TOP 100 banks

million euro



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 2014. The X axis is a measure of 2014 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



Corpbank blip aside, SEE banking sector remains stable

By Doinita Dolapchieva

Most of the lenders in the SEE TOP 100 banks ranking closed 2014 in the black and the overall result of the sector would have been slightly positive if it hadn't been for bankrupt Bulgarian lender Corporate Commercial Bank, Corpbank, which booked a staggering loss of 2.18 billion euro. The combined loss of the region's largest 100 banks thus widened to 2.13 billion euro. The same banks reported a combined loss of 2.05 billion euro in 2013. Croatia's Zagrebacka Banka climbed to the top spot in the ranking after being the runner-up the previous year. Banca Commerciale Romana (BCR) fell to the second spot, as its assets declined faster than Zagrebacka Banka's.

With the exception of Corpbank, the banking system in Southeast Europe (SEE) managed to stay stable, but struggled to tackle high non-performing loan (NPL) ratios, weak lending activity and subdued economic growth. The ranking was again dominated by Romanian lenders, which accounted for nearly a third of the total assets of the largest 100 banks in the region.

As many as 74 of the entrants in the SEE TOP 100 banks ranking ended 2014 in the black, reporting a combined net profit of 1.8 billion euro. A total of 35 banks included in the ranking saw their assets decline in 2014, with Corpbank recording the sharpest drop, by 72.8%, followed by Romania's Banca Comerciala Carpatica with a 20% fall.

Corpbank fell to the 74th spot from the 22nd after its assets sank to less than one third. In June 2014, the Bulgarian National Bank placed the bank under special supervision over risk of

insolvency and appointed two conservators after Corpbank notified the central bank it had run out of liquidity. Payments and all types of banking operations were suspended. In November, the central bank revoked Corpbank's licence. In April Corpbank was declared insolvent.

Romania had 21 entries in the ranking with assets worth 77.1 billion euro at the end of 2014. Bulgaria, whose population is roughly one third that of Romania, had 18 banks in the chart with total assets of 41.8 billion euro. Serbia and Slovenia followed with 15 lenders each. Ten Croatian, six Bosnian and six Albanian banks made it into the ranking. Moldova and Macedonia had five and three representatives, respectively, and Montenegro had just one.

Zagrebacka Banka, a unit of UniCredit Group, topped the ranking despite a slight fall in assets. It saw its assets shrink by 3.8% to 13.4 billion euro while net profit more than doubled to 152.2 million euro mainly as a result of lower impairment and operating costs and stable income.

The Croatian bank was also the top SEE lender in terms of net profit, followed by Bulgaria's UniCredit Bulbank which booked 123.6 million euro in net earnings.

BCR, a unit of Austria's Erste, slid to second place in the ranking after posting a 7% drop in assets to 13.2 billion euro. The bank switched to a net loss of 586.7 million euro last year. The loss came mainly on the back of a surge in risk provisions, which doubled to 4.4 billion lei, or about 1 billion euro, driven by efforts to reduce NPLs, including portfolio sales and write-offs. Following these measures, its NPL ratio decreased to 25.7% at end-2014.

The assets of the top 100 banks in the region totalled 248.3 billion euro at the end of 2014.

Moldova's Banca Sociala posted the strong-

est growth in assets among the top 100 SEE banks, nearly fourfold, entering the ranking directly at number 78. However, Banca Sociala together with two other Moldovan banks - Banca de Economii and Unibank - have been placed under special supervision after about 1 billion U.S. dollars went missing from them in November 2014. Moldova plans to liquidate the banks by October 9.

The top 10 featured the same banks as in the previous year, albeit not all kept the same positions. The 10 largest banks had assets worth a combined 90.7 billion euro, or 37% of the total assets of the 100 lenders included in the ranking.

Methodology

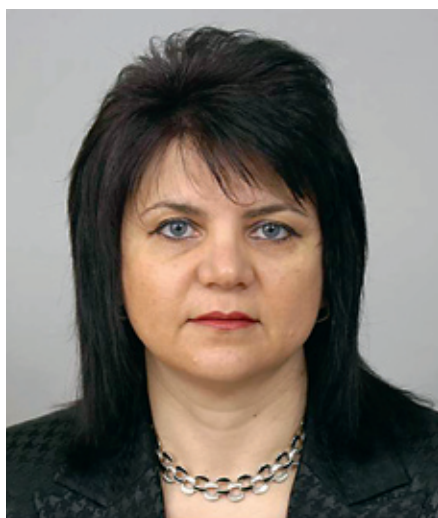
SEE TOP 100 banks is a ranking of the largest banks in Southeast Europe in terms of total assets from non-consolidated balance sheets as of December 31, 2014.

To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2014 and 2013, respectively. Local currency figures have been used when calculating year-on-year changes.

All data is sourced from central banks, national commercial registers, financial supervision commissions, bank associations, government and corporate websites, and companies themselves.

The initial pool of companies exceeds 250 banks registered in the region including branches and representative offices of foreign banks.

Visa Europe sees stable growth of its operations in Bulgaria



Krassimira Raycheva,
Country Lead of Visa Europe
in Bulgaria

Visa Europe is a payments technology business owned and operated by member banks and other payment service providers from 37 countries. Krassimira Raycheva heads Visa Europe in Bulgaria operations in the last 11 years.

Would you outline the main trends on the card payments market in Bulgaria? Do you see these trends as common for the whole region of Southeast Europe (SEE)?

The electronic payments market in Bulgaria has been marked by a steady growth over the last few years. The basic trends, which Visa is observing in Bulgaria, showcase that Bulgarian citizens are becoming more and

more prone to using their bank cards both for big shopping activities and small everyday purchases. A solid proof for this is the total consumer POS spend on Visa cards, issued by Bulgarian banks and financial institutions, which rose by 24% on an annual basis, according to Visa Europe 2014 annual results for Bulgaria. POS payments at retail sites for 2014 recorded a 25% increase compared to 2013.

This tendency in consumers' behavior has been brought about by the rollout of the new Visa service, which makes payments faster, more convenient and just as secure – the contactless technology. Another advantageous trend typical for the Bulgarian market is its openness to innovation, which makes the penetration of Visa payment solutions easier and flawless. Such tendencies can be observed in the other East European countries as well. As a whole the region has grown in terms of card acceptance, especially in the SME segment, which is key to reducing the shadow economy sector as its largest share is concentrated there.

How many Visa cards are issued in Bulgaria? Does the cards usage grow?

The total number of Visa cards issued in Bulgaria exceeds 3.5 million and their use by consumers marks a significant increase. The 2014 financial results of Visa Bulgaria showed 26% growth in the number of POS transactions per card, while the debit POS transactions increased by 31%. Furthermore, 1 in every 20 euro in Bulgaria is spent on a Visa card with the average transaction value equaling 37.9 euro. The results indicate an increased use of Visa cards with the debit segment being the largest and fastest growing on the local market. Consumer credit cards also show steady growth after POS spend in 2014 increased by 16% on annual basis.

On which market segments do you

see the biggest growth potential?

The segment with the highest growth potential is by all means the Visa commercial cards sector as the Bulgarian market is still underpenetrated even though it is going through a period of vigorous development. In 2014 POS spend by Visa commercial cards grew by 37% year-on-year while the gross spend surged by close to 50%.

Another sector where we witness significant growth is e-commerce. Online spending on Visa cards accepted reached almost 70% growth compared to the previous year. The stable increase in e-commerce is among the most significant ones in Europe for the aforementioned period and is due to the mass adoption of electronic payments among Bulgarian consumers and online merchants.

How do you see the development of the digital payments market in Bulgaria?

We live in a digital world. More and more consumer activities nowadays take place in the digital space, which imposes the need for new and improved payment solutions. All necessary prerequisites for the digital payments to thrive are already there – technology, big players, consumer demand, partnerships and investments. Various innovative Visa payment solutions are making their way in Europe with leading mobile brands being at the forefront.

The Bulgarian market follows all main aspects of Visa Europe innovations. Visa in Bulgaria and its member banks work hard to achieve the needed market maturity to build digital ecosystem and offer innovative services. After introducing contactless technology the cutting-edge services Visa Direct and mobile payments are on their way in the foreseeable future.

Postbank: Banks will be offering more custom-made innovative solutions



Petia Dimitrova,
CEO and Chairperson
of the Management Board

Postbank has a 24 year history on the Bulgarian market. In July, Postbank and Alpha Bank signed a Memorandum of Understanding for the acquisition of the Bulgarian branch of Alpha Bank. Following the completion of the acquisition, Postbank will become the fourth largest bank in Bulgaria in terms of loan and deposit portfolio.

What was the business rationale behind the acquisition of Alpha Bank Bulgaria and how will it affect Postbank's positioning?

The deal, which we expect to be finalized by the end of 2015, will strengthen our position as one of the most stable financial institu-

tions in the country with over 6.3 billion levs in assets. We expect to become the fourth largest bank in terms of loan and deposit portfolio, to expand our client base in the retail banking and corporate banking segments, to increase our market share and to continue to implement successfully the long-term development strategy approved by our international shareholders.

What are the highlights in your development strategy for 2016?

The focus of our growth strategy for 2016 is our ambition to be a bank of first choice for individual and corporate clients when they need financial solutions and products, to create sustainable benefits for our clients and be their strategic partners. Efforts to develop innovative products and individual solutions for each client will remain at the core of our business.

The main contribution to our success so far has come from innovative solutions in various areas of our business. We introduced new products in home purchase loans, sought out ways to help customers in managing their family budget through programmes such as My Family, and last but not least, we created the first on the market innovation application for credit cards MyCard which further facilitated their use.

Having in mind the words of Jack Welch about the role of the leader, we at Postbank will be a mirror for our customers, helping everyone see in his reflection what he really needs. We will focus a big part of our investment efforts on innovation and employee training. We will continue to open new specialised centres for clients in different segments. We will also develop and offer our customers new bundled programmes for complex banking service which will allow freedom of choice as opposed to the standard banking products offered by our competitors.

Do you expect the consolidation in the Bulgarian banking sector to continue?

The main thing that the business and banks need is security and that is why the Bulgarian National Bank is supporting consolidation in the banking sector. In my opinion, the consolidation process will continue. Regulatory requirements, the need for investments and strong competition in a moderately growing market which limits profit margins, are among the consolidation drivers. Smaller banks lack the economies of scale and have no capacity to invest in the upgrade of their services and products, and this may push some banking institutions to merge. This would make the market more efficient and would bring down prices of services, which in turn would be good for the entire banking system.

Has the Bulgarian banking system recovered from the impact of Corpbank's collapse, and more recently, the crisis in Greece?

The banks in Bulgaria managed to deal with the recent challenges and the level of capital adequacy and liquidity in the banking system is very high. Bulgarians retained their confidence in the banks. We all learned a lesson from Corpbank's collapse, and it ultimately led to higher efficiency of each financial institution and the supervisory authorities.

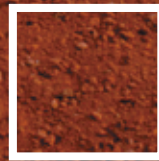
Regarding the crisis in Greece, its impact on the Bulgarian business is much greater than the effect it has on the banking system. Our financial institutions are well-capitalised and have no exposure to Greek credit institutions. On the other hand, Greece is one of our main trade partners, many Greek companies have subsidiaries in Bulgaria and the Greek crisis had a negative impact on their results. The sooner the situation returns to normal, the better for everyone who wants to do business in Greece. Every crisis opens up new opportunities for people who can adapt quickly.



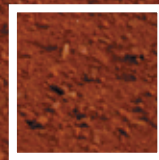
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Transfer pricing consultancy services to top demand in SEE region



***Panayiotis Diallinas,
Director Regional
Operations, involved in the
development of the Group's
business in the wide
Balkan Region***



***Anastasia Sagianni,
head of the Eurofast
Transfer Pricing division,
now leading
Eurofast TP team in SEE***

Which of the countries that you cover in South-east Europe (SEE) have advanced the most in terms of tax legislation and which ones are lagging behind, and why?

The EU member states in the region have progressed in modernising their tax legislation, and so have some non-EU countries that are implementing some basic EU directives with the aim to comply with the European legislation. In this respect, countries like Cyprus, Bulgaria, Greece, Romania, and Croatia have an advantage and that is why they are a target for foreign investors. Serbia and Montenegro are also business-friendly countries, while Albania is making tremendous progress compared to the past in this respect.

How is Eurofast positioned to compete with other major companies providing the same services in the region?

Eurofast is a regional business advisory organisation employing over 200 people in SEE and the East Mediterranean through fully fledged subsidiaries in Lefkosia, Athens, Thessaloniki, Sofia, Bucharest, Belgrade, Podgorica, Tirana, Skopje, Zagreb, Pristina, Banja Luka, Sarajevo, Cairo, Alexandria, Tbilisi, Kiev, Moscow, Northern Iraq, Lebanon and Beijing.

Our extensive portfolio of service lines gives us the advantage to act as a "one stop shop" for international companies. Eurofast works selectively with independently owned associate companies to offer clients comprehensive and well-rounded solutions for any additional service they require.

What is the outlook for transfer pricing services in SEE?

Good question! Due to the tax Base Erosion and Profit Shifting (BEPS) initiative of the Organisation for Economic Cooperation and Development (OECD), we will have changes to domestic transfer pricing law and regulation throughout the globe, and it is anticipated that transfer pricing services will again be on top of demand in SEE. Let's not forget that in most countries across the region, transfer pricing is a new development. New regulations will increase complexity and will lead to the need for extra services.

Are there any risk indicators for the Bulgarian tax authorities? Are there any differences with other tax authorities in SEE?

High transfer pricing risk areas are usually similar from country to country across the region mainly because the motivation remains the same - "how an entity can minimize its tax liability". However, in Bulgaria due to low tax rate of 10%, the motivation is not intense. Nevertheless, demand on public services continues to grow in the region as more and more countries strengthen efforts to eliminate such cases. Indicators of high risk areas usually can be found in transactions with tax heavens, transactions with companies that have tax losses for utilization in a multinational organization and material service transactions without substance.

How do you help companies manage their transfer pricing issues and what services do you provide?

In light of the changes in the international tax landscape and due to the reason that one of the key challenges in international taxation is transfer pricing, taxpayers should manage their transfer pricing risks by being aware of key risks. Our solutions include preparation of the transfer pricing documentation, transfer pricing model design, review and localization of the group master file and compliance with each country's law.



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WORLDWIDE RECOGNITION

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| 2015
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Firm of the Year
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<small>ITR European Awards</small> | 2014
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Top Tax
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<small>INTERNATIONAL TAX REVIEW</small> | 2013
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<small>INTERNATIONAL TAX REVIEW</small> | 2012
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<small>INTERNATIONAL TAX REVIEW</small> | 2012
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Tax & Accountancy Awards</small> | 2010
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TOP 100 insurers

in millions of euro

2014	2013	Company name	Country	Gross written premium 2014	Y/Y change in GWP	Net profit/loss 2014	Net profit/loss 2013
1	1	Zavarovalnica Triglav d.d.	Slovenia	592.6	-2.17%	45.6	48.3
2	3	Adriatic Slovenica d.d.	Slovenia	297.9	-2.78%	18.8	13.6
3	2	Croatia Osiguranje d.d.	Croatia	291.0	-13.51%	-53.9	-30.3
4	4	Vzajemna Zdravstvena Zavarovalnica d.v.z.	Slovenia	258.1	-3.34%	4.8	6.8
5	5	Zavarovalnica Maribor d.d.	Slovenia	250.0	-0.80%	16.4	4.8
6	7	Allianz - Tiriac Asigurari SA	Romania	219.8	7.21%	16.4	-1.8
7	8	Omniasig Vienna Insurance Group SA	Romania	192.0	-2.35%	-8.5	-48.4
8	6	Astra SA	Romania	171.8	-16.43%	6.9	-181.4
9	10	Allianz Zagreb d.d.	Croatia	158.6	3.65%	11.4	12.8
10	9	Groupama Asigurari SA	Romania	158.5	-0.98%	0.867	-10.2
11	11	Dunav Osiguranje AD	Serbia	145.5	0.13%	-11.4	-34.6
12	14	NN Asigurari De Viata SA (formerly ING Asigurari De Viata SA)	Romania	137.0	9.71%	5.9	2.2
13	15	Asirom Vienna Insurance Group SA	Romania	128.3	5.73%	-6.6	-52.5
14	17	Generali Osiguranje Srbija AD (formerly Delta Generali Osiguranje AD)	Serbia	124.6	20.20%	11.8	11.2
15	18	Carpatica Asig SA	Romania	123.5	14.61%	-10.2	-6.7
16	13	Euroherc Osiguranje d.d.	Croatia	113.7	-10.20%	11.6	13.9
17	New	Triglav Zdravstvena Zavarovalnica d.d.	Slovenia	107.4	3.19%	8.3	5.0
18	16	Euroins Romania Asigurare Reasigurare SA	Romania	105.8	-6.02%	-14.4	-4.4
19	19	Generali Romania SA	Romania	103.2	5.46%	8.7	4.5
20	21	Armec AD	Bulgaria	100.7	10.98%	-5.6	0.227
21	12	UNIQA Asigurari SA	Romania	93.5	-26.48%	-10.7	4.1
22	23	Generali Zavarovalnica d.d.	Slovenia	87.7	3.71%	2.9	3.1
23	22	Bulstrad Vienna Insurance Group AD	Bulgaria	87.5	-0.92%	-2.8	0.827
24	20	Lev Ins AD	Bulgaria	87.0	-6.55%	0.035	7.0
25	New	Zavarovalnica Tilia d.d.	Slovenia	84.4	-2.58%	4.1	3.8
26	27	City Insurance SA	Romania	80.7	18.63%	-2.9	5.4
27	26	DDOR Novi Sad AD	Serbia	78.8	14.65%	1.3	0.310
28	25	DZI - General Insurance EAD	Bulgaria	75.1	2.71%	3.5	3.8
29	24	Jadransko Osiguranje d.d.	Croatia	72.9	-10.79%	5.7	7.8
30	29	Wiener Osiguranje Vienna Insurance Group d.d.	Croatia	72.8	17.70%	3.2	3.2
31	28	Allianz Bulgaria AD	Bulgaria	72.4	10.48%	-2.9	6.8
32	32	Bul Ins AD	Bulgaria	61.3	12.33%	1.2	0.703
33	46	Metropolitan Life Asigurari SA	Romania	58.5	86.56%	11.3	6.5
34	31	Wiener Stadtische Osiguranje AD	Serbia	58.4	4.60%	2.3	1.8
35	New	NLB Vita d.d.	Slovenia	55.1	25.00%	5.6	5.4
36	34	Grawe Hrvatska d.d.	Croatia	52.0	1.16%	5.5	5.3
37	40	UNIQA Osiguranje d.d.	Croatia	51.9	43.01%	3.8	1.0
38	36	Generali Osiguranje d.d.	Croatia	49.2	4.30%	1.8	0.391
39	38	Merkur Zavarovalnica d.d.	Slovenia	45.2	-2.54%	4.6	1.6
40	30	Euroins AD	Bulgaria	42.4	-30.30%	0.106	3.2
41	37	Triglav Osiguranje d.d.	Croatia	41.8	-9.98%	0.155	1.0
42	42	Victoria AD	Bulgaria	36.5	3.88%	3.9	3.0
43	52	OZK - Insurance AD	Bulgaria	36.0	33.82%	0.251	0.052
44	45	Allianz Bulgaria Life AD	Bulgaria	35.2	12.33%	4.4	4.2
45	41	Merkur Osiguranje d.d.	Croatia	34.9	-1.73%	4.2	5.5
46	43	Sarajevo Osiguranje d.d.	Bosnia and Herzegovina	33.0	-0.36%	0.217	0.591
47	47	UNIQA Nezivotno Osiguranje AD	Serbia	33.0	12.88%	N/A	0.096
48	39	UNIQA AD	Bulgaria	32.5	-17.40%	-3.2	0.176
49	44	Grawe Zavarovalnica d.d.	Slovenia	32.5	-0.26%	2.7	2.6
50	33	Basler Osiguranje Zagreb d.d.	Croatia	32.4	-37.72%	-9.9	2.0
51	35	BCR Asigurari De Viata Vienna Insurance Group SA	Romania	32.1	-32.58%	6.9	-3.4

in millions of euro

2014	2013	Company name	Country	Gross written premium 2014	Y/Y change in GWP	Net profit/loss 2014	Net profit/loss 2013
52	49	Generali Insurance AD	Bulgaria	30.2	6.83%	-1.0	-1.9
53	54	Energia AD	Bulgaria	29.9	17.78%	11.6	11.7
54	79	Pool-ul de Asigurare Impotriva Dezastrelor Naturale SA	Romania	28.3	110.16%	4.3	0.005
55	56	Bulstrad Life Vienna Insurance Group AD	Bulgaria	27.8	17.72%	-0.391	0.421
56	51	Agram Life Osiguranje d.d.	Croatia	27.2	1.35%	1.4	2.5
57	48	Lovcen Osiguranje AD	Montenegro	26.5	-6.51%	0.036	0.157
58	72	Lig Insurance SA	Romania	26.4	61.58%	1.0	1.1
59	55	UNIQA Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	25.4	2.96%	0.452	0.281
60	58	Euroherc Osiguranje d.d.	Bosnia and Herzegovina	24.9	8.98%	1.9	1.4
61	60	Grawe Osiguranje AD	Serbia	24.4	25.36%	4.1	3.0
62	53	Hrvatska Osiguravajuca Kuca d.d.	Croatia	23.5	-7.99%	2.6	2.4
63	57	Bosna-Sunce Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	23.2	-0.76%	0.711	0.127
64	66	Croatia Zdravstveno Osiguranje d.d.	Croatia	22.6	33.55%	1.1	-1.5
65	59	Croatia Osiguranje d.d.	Bosnia and Herzegovina	22.3	7.70%	0.078	0.472
66	67	Triglav Osiguranje AD	Serbia	22.1	37.48%	N/A	-5.9
67	62	Sigal UNIQA Group Austria sh.a.	Albania	21.8	17.44%	N/A	N/A
68	68	UNIQA Life Insurance AD	Bulgaria	21.4	27.62%	0.476	0.204
69	69	Modra Zavarovalnica d.d.	Slovenia	20.7	24.91%	17.4	4.1
70	63	Erste Osiguranje Vienna Insurance Group d.d.	Croatia	19.8	8.67%	1.6	1.2
71	76	Gothaer Asigurari Reasurari SA	Romania	18.8	26.35%	-10.4	-7.5
72	64	Triglav Osiguruvanje AD	Macedonia	18.6	5.79%	0.893	1.1
73	71	AMS Osiguranje AD	Serbia	18.1	16.52%	0.024	0.109
74	74	BRD Asigurari De Viata SA	Romania	17.3	11.76%	3.3	2.1
75	70	DZI - Life Insurance AD	Bulgaria	17.3	4.85%	4.8	-5.1
76	New	SID – Prva Kreditna Zavarovalnica d.d.	Slovenia	16.7	-13.87%	0.757	2.7
77	73	Triglav Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	16.7	5.59%	0.196	0.705
78	New	Eurolife ERB Asigurari De Viata SA	Romania	16.5	67.82%	0.899	0.829
79	77	Milenijum Osiguranje AD	Serbia	16.5	27.82%	-2.7	-4.5
80	82	HDI Zastrahovane AD	Bulgaria	15.3	16.52%	-1.0	0.207
81	61	Moldasig SA	Moldova	14.8	-16.70%	1.4	1.9
82	80	Merkur BH Osiguranje d.d.	Bosnia and Herzegovina	14.7	16.36%	1.2	1.0
83	83	Grawe Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	14.5	10.49%	0.908	0.634
84	90	Makedonija Skopje AD - Vienna Insurance Group	Macedonia	14.1	24.88%	1.4	1.4
85	87	Wiener Osiguranje Vienna Insurance Group a.d. Banja Luka (formerly Jahorina Osiguranje Vienna Insurance Group a.d.)	Bosnia and Herzegovina	13.9	16.81%	-2.4	-3.0
86	86	Certasig - Societate De Asigurare Si Reasigurare SA	Romania	13.0	7.97%	0.167	0.076
87	95	UNIQA Zivotno Osiguranje AD	Serbia	12.4	25.81%	N/A	0.136
88	93	Sava Osiguranje AD	Serbia	12.1	18.57%	0.187	0.128
89	New	Prva Osebna Zavarovalnica d.d.	Slovenia	12.0	31.51%	2.6	0.528
90	78	UBB-Alico Life Insurance Company AD	Bulgaria	11.6	14.17%	3.4	3.1
91	92	Sava Montenegro AD	Montenegro	11.5	2.80%	1.5	1.0
92	91	Winner Vienna Insurance Group AD	Macedonia	11.4	4.00%	0.364	0.556
93	85	Eurolink Osiguruvanje AD	Macedonia	11.3	-11.01%	0.587	0.138
94	88	VGT Osiguranje d.d. Visoko	Bosnia and Herzegovina	11.3	-4.26%	0.020	0.025
95	New	GRAWE Bulgaria Life Insurance EAD	Bulgaria	11.2	17.45%	0.545	1.0
96	94	Sava Osiguruvanje AD	Macedonia	10.6	-1.52%	0.333	0.006
97	89	Grawe Romania Asigurare SA	Romania	10.5	-8.17%	0.208	0.452
98	100	Alico Bulgaria Life Insurance Company EAD	Bulgaria	10.4	2.62%	1.1	0.788
99	96	UNIQA AD	Macedonia	10.2	-1.42%	0.402	0.197
100	98	Generali Osiguranje Montenegro AD (formerly Delta Generali Osiguranje AD)	Montenegro	10.1	-1.88%	1.3	1.4

Lack of economic momentum key challenge for SEE insurers

By Georgi Georgiev

The insurance companies operating in Southeast Europe (SEE) had to cope with a restrained economic momentum in the region in 2014 when the effects of the financial crisis continued to dampen the recovery of consumer spending and overall business activity. Natural disasters hit several key Balkan markets, but fallout for the insurance industry was limited due to the low insurance rate.

Conditions in the SEE insurance sector did not improve last year – the combined gross written premiums (GWP) of the region's top 100 insurers stayed nearly flat at around 6.4 billion euro in 2014 - with major players noting a certain slippage in the quality and rate of retail and corporate insurance coverage even in some of the region's relatively well-developed markets.

The outlook for the SEE insurance market in 2015 is cautiously optimistic with no long-term recessions expected in any markets. The industry still views SEE as a growth region with high potential, though increasingly competitive.

On the backdrop of the structural problems still dogging most of the SEE economies and the different speeds of growth from country to country, the companies that made the cut for the TOP 100 Insurers ranking for 2014 posted a combined net profit of 163.3 million euro compared to a revised loss of 137.5 million euro booked collectively by the entrants in the 2013 rankings*.

The total combined net profit of the region's top five insurers dropped 26.6% to 31.8 million euro in 2014, mainly due to a widening of the loss booked by Croatia Osiguranje.

The top honors again went to Ljubljana-based Zavarovalnica Triglav which remained the region's biggest insurer in 2014, booking a total of 592.6 million euro GWP and keeping its nearest competitor, up-and-comer Adriatic Slovenica, at a reasonable distance.

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.

The runner-up in the 2014 edition of the rankings, Croatia Osiguranje, was pushed down to the third position by Slovenia's Adriatic Slovenica which recorded GWP of 297.9 million euro versus 291 million euro for its Zagreb-based peer.

Zavarovalnica Triglav was also ahead of the pack in terms of net profit earned in 2014 with 45.6 million euro. The top three in terms of this performance indicator was an all-Slovenian affair with Adriatic Slovenica ranking second and Modra Zavarovalnica placing third, earning a net profit of 18.8 million euro and 17.4 million euro, respectively.

The only change in the top five spots in the 2015 edition of the TOP 100 insurers ranking was the switch-up between Adriatic Slovenica and Croatia Osiguranje. By clinging on to a position among the region's big five, the Croatian insurer once again prevented a Slovenian sweep at the top.

Romania's Pool-ul de Asigurare Impotriva Dezastrelor Naturale SA recorded the highest GWP growth rate in 2014, of just over 110% to 28.3 million euro.

Croatia's Basler Osiguranje Zagreb d.d. paced the decliners with a GWP drop of 37.7% to 32.4 million euro. The company slumped by 17 places on the TOP 100 insurers ranking to the 50 position compared to its showing in the 2013 edition.

Five of the eight newcomers in the ranking's

Methodology

SEE TOP 100 insurers is a ranking of the largest insurers (excluding re-insurers) in Southeast Europe in terms of gross written premium from non-consolidated income statements for 2014.

To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2014 and 2013, respectively. Local currency figures have been used when calculating year-on-year changes.

All data is sourced from central banks, national commercial registers, financial supervision commissions, insurance associations, government and corporate websites, and companies themselves.

The initial pool of companies exceeds 760 insurers.

2014 edition hail from Slovenia with Bulgaria, Romania and Serbia accounting for one new entry each.

Romania and Bulgaria were the markets with the biggest presence in the 2015 edition of the TOP 100 insurers ranking, notching up 20 entrants each. The Romanian count is down by one from the last edition of the rankings while that for Bulgaria is flat.

The number of Croatian companies featured in the 2015 ranking fell by one from the previous year to 15, ensuring the no.2 ranking for that market.

**full data was not available by publication time for four companies for 2014 and for one for 2013*

$$\begin{array}{r} 50 \\ + 25 \\ \hline = 1 \end{array}$$

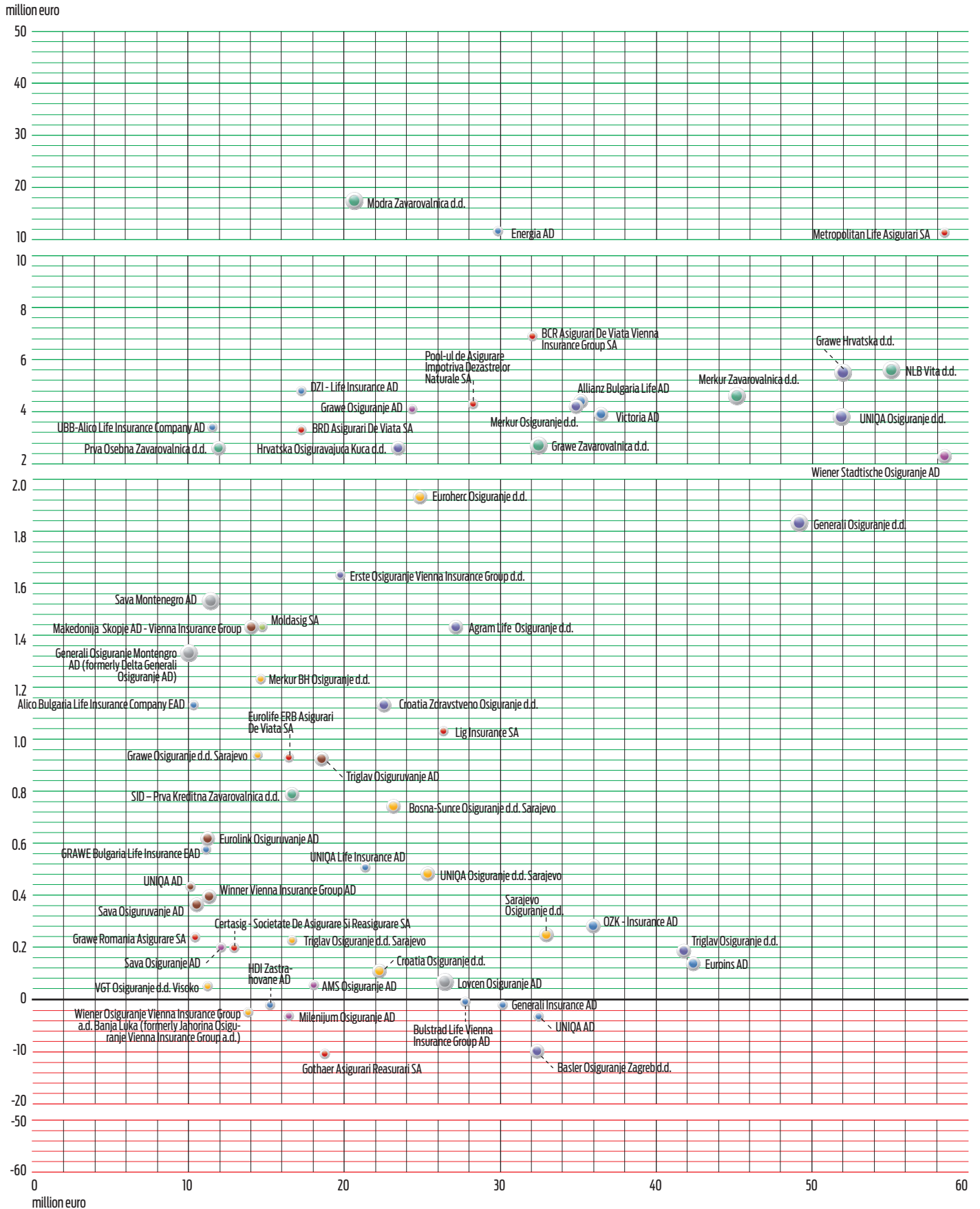
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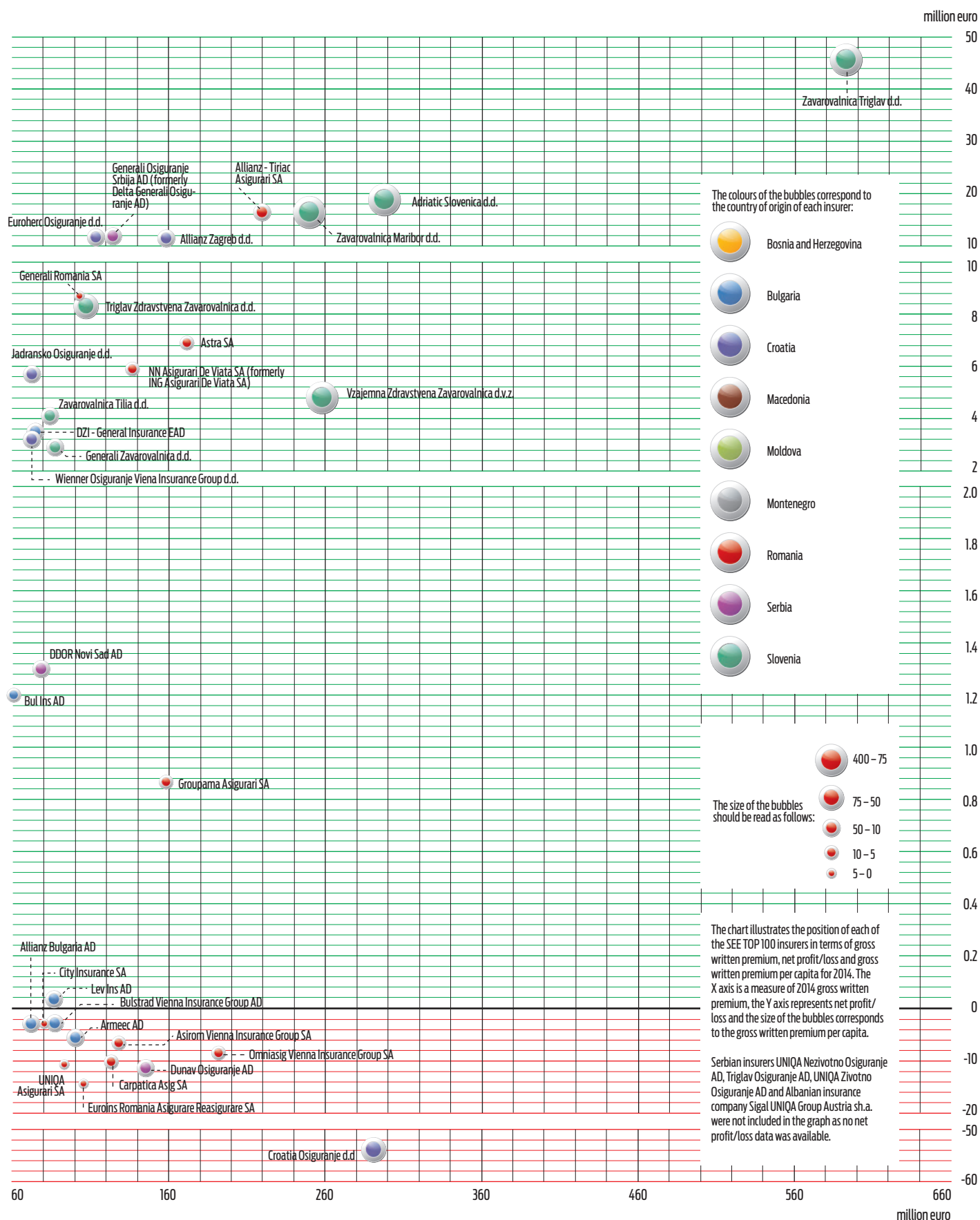
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TOP 100 insurers



TOP 100 insurers



Wholesalers, retailers shine in SEE most dynamic companies ranking, Auchan Romania takes lead

By Djordje Daskalovich

The Romanian unit of French retailer Auchan took the crown in the ranking of the most dynamic companies among the entrants in the SEE TOP 100 chart, after it recorded a surge in revenue of 63.08%. The company's growth in revenue comes on the back of expansion of its network - in 2014 Auchan concluded an agreement to acquire 12 hypermarkets and shopping centres in Romania for some 280 million euro. The previous year, Auchan bought 20 out of the 24 Real hypermarkets in Romania from German retailer Metro.

The company's growth is also indicative of the general uptrend in the performance of the wholesale and retail industry reflecting the increasing consumption in Southeast Europe as economic growth in the region gains momentum. More than a fifth of the entrants in the SEE Most Dynamic ranking came from this very industry, as most settled in comfortably in the upper part of the ranking.

Apart from Auchan Romania, two other retailers, also registered in Romania, ranked among the top 10. These were Dedeman which recorded a 26.91% rise in revenue and placed seventh in the ranking, and Profi Rom Food, which landed at the eighth spot on a 25.73% rise in revenue. Dedeman has announced plans to expand its network to 50 outlets by the end of 2015. Profi, owned by Polish Enterprise Fund VI, a private equity fund managed by Enterprise Investors, has been very actively growing its network in the past couple of years, with plans to double the number of its stores to 600 by the end of 2016.

Another industry that can be viewed as a marker for the region's accelerating economic

recovery is the automotive industry. A total of eight companies involved in car or car parts manufacturing made it into the ranking. The highest ranked representative of this industry is Slovenia's Revoz, which came in fifth, with a 28.6% jump in revenue. Another one that landed within the top 10 was Romania's Renault Commercial Roumanie, having recorded a rise in revenue of 22.32%, which earned it the no.10 spot. Six of the eight entrants came from the biggest economy in SEE, Romania, while the remainder are based in Slovenia.

Romania's Silcotub, part of Steel group Tenaris took the fourth position, recording a 29.46% rise in revenue. The company produces small diameter seamless steel pipes used in a range of industries, including the automotive industry, and the overall growth in that sector may have given it a bit of a nudge.

Macedonian specialty chemicals company Johnson Matthey also had a good year, landing second with a revenue rise of 48.34%. Croatian distribution system operator HEP-Operator Distribucijskog Sustava came in third with an increase in revenue of 37.88%. In late 2013, Johnson Matthey officially opened a 60 million euro emission control catalyst plant in Macedonia, its second in the Southeast European country. The company said at the time that the new plant was expected to increase the company's sales outside Macedonia. It most certainly did a good job.

The top 10 places were rounded off by Croatian drug maker Pliva, which increased its revenue by 22.63% last year and ranked ninth. Pliva, part of Israel's Teva Group, opened a new plant near Zagreb in 2013 for production

of solid oral drug forms that was supposed to significantly improve the company's capacity for production of tablets and capsules and boost its exports.

Petroleum and natural gas producers were dominant in the ranking, having 14 entrants, dispersed from the no. 6 spot to the last place. The highest ranked company from this industry is Romania's Romgaz, with an increase in revenue of 28.1%. It should be noted here that the oil and gas industry, which dominates the SEE TOP 100 ranking and has eight representatives among the ten biggest companies in the region, had only one representative in the top 10 most dynamic companies.

Energy sector had the biggest number of entrants in the ranking, 20. Wholesale and retail followed with 11 representatives while cars and car parts makers came in third, taking 8 spots.

As many as 28 out of the total 50 entrants came from Romania. Slovenia followed with 8 representatives while Croatia and Bulgaria shared the third spot with five entrants each.

Methodology

Most dynamic companies is a ranking of the top 50 companies with the highest change in revenue in SEE TOP 100. Change in revenue is calculated as a year-on-year change of total revenue, calculated in local currencies.

Most dynamic companies

No	SEE TOP 100 No	Company name	Country	Industry	Y/Y Change in revenue 2014
1	37	Auchan Romania SA	Romania	Wholesale/Retail	63.08%
2	32	Johnson Matthey DOOEL	Macedonia	Chemicals	48.34%
3	33	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	37.88%
4	78	Silcotub SA	Romania	Metals	29.46%
5	36	Revoz d.d.	Slovenia	Automobiles	28.60%
6	24	Romgaz SA	Romania	Petroleum/Natural Gas	28.10%
7	45	Dedeman SRL	Romania	Wholesale/Retail	26.91%
8	83	Profi Rom Food SRL	Romania	Wholesale/Retail	25.73%
9	77	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	22.63%
10	98	Renault Commercial Roumanie SRL	Romania	Automobiles	22.32%
11	38	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	20.28%
12	59	Mega Image SRL	Romania	Wholesale/Retail	20.25%
13	87	Continental Automotive Romania SRL	Romania	Automobiles	18.94%
14	75	CFR - Calatori SA	Romania	Transportation	18.93%
15	64	Farmexpert D.C.I. SRL	Romania	Wholesale/Retail	18.13%
16	22	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	17.70%
17	55	Petrol d.o.o.	Croatia	Petroleum/Natural Gas	17.08%
18	92	AETS Kozloduy EAD	Bulgaria	Electricity	14.15%
19	7	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	13.71%
20	65	Autoliv Romania SRL	Romania	Automobiles	13.53%
21	18	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	13.33%
22	61	Kaufland Bulgaria EOOD & Co KD	Bulgaria	Wholesale/Retail	10.59%
23	11	Kaufland Romania SCS	Romania	Wholesale/Retail	10.13%
24	80	Elektro Energija d.o.o.	Slovenia	Electricity	9.21%
25	96	Lidl Hrvatska d.o.o. k.d.	Croatia	Wholesale/Retail	9.02%
26	62	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	9.01%
27	57	J.T. International (Romania) SRL	Romania	Food/Drinks/Tobacco	8.97%
28	10	Rompetrol Downstream SRL	Romania	Petroleum/Natural Gas	8.75%
29	23	Krka d.d.	Slovenia	Pharmaceuticals	7.41%
30	43	Hidroelectric SA	Romania	Electricity	7.28%
31	66	Continental Automotive Systems SRL	Romania	Autoobiles	7.09%
32	88	CIMOS d.d.	Slovenia	Automobiles	6.63%
33	27	Carrefour Romania SA	Romania	Wholesale/Retail	6.51%
34	72	REWE (Romania) SRL	Romania	Wholesale/Retail	6.43%
35	81	Kastrati Sh.a.	Albania	Petroleum/Natural Gas	5.00%
36	90	Plodine d.d.	Croatia	Wholesale/Retail	4.54%
37	95	Bulgarian Telecommunications Company AD	Bulgaria	Telecommunications	4.21%
38	54	JP Srbijagas	Serbia	Petroleum/Natural Gas	3.91%
39	82	Saksa OOD	Bulgaria	Petroleum/Natural Gas	3.73%
40	84	Philip Morris Trading SRL	Romania	Food/Drinks/Tobacco	3.66%
41	21	GEN-I d.o.o.	Slovenia	Electricity	3.54%
42	26	GDF SUEZ Energy Romania SA	Romania	Petroleum/Natural Gas	3.13%
43	50	Gorenje d.d.	Slovenia	Electronics	3.04%
44	20	JP Elektroprivreda Srbije (JP EPS)	Serbia	Electricity	2.79%
45	99	Coca-Cola HBC Romania SRL	Romania	Food/Drinks/Tobacco	2.35%
46	41	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	2.23%
47	25	E.ON Energie Romania SA	Romania	Petroleum/Natural Gas	2.19%
48	1	Automobile-Dacia SA	Romania	Automobiles	2.16%
49	69	IMPOL d.o.o.	Slovenia	Metals	1.72%
50	4	Petrol d.d.	Slovenia	Petroleum/Natural Gas	1.41%

Slovenia still rules SEE TOP 100 per capita rankings

By Ivaylo Mihaylov

Slovenia's lead in SEE TOP 100 per capita ranking is slowly shrinking as Croatian companies are gradually catching up. Once again, almost half the entrants in the ranking are energy companies.

Companies from Slovenia, an EU-member state of some two million, performed best in this year's edition of the SEE TOP 100 per capita ranking. However, Slovenia was left with just 28 companies in the ranking, down from 32 in last year's edition, while second-placed Croatia added two entrants to its numbers, closing the gap between two countries' performances in the SEE TOP 100 per capita rankings.

Slovenian energy company Petrol led the SEE TOP 100 companies per capita ranking, for the eighth consecutive year, with a revenue per capita rising to 1,673 euro in 2014 from 1,646 euro the previous year. Slovenia landed a total of six companies in the ranking's top 10. Slovenian retailer Mercator ranked third with 740.1 euro revenue per capita, a slight decrease from 750.2 euro the previous year. In 2014 Croatian privately-held concern Agrokor completed the takeover of 53.12% of Mercator in what was probably the biggest sale deal in the region. In 2013, Mercator was struggling to get back to profitability, being forced to exit the Bulgarian and Albanian market and lay off a number of employees. A proof that the company is already strengthening its position in 2014 is the fact that it moved up three spots to the 17th position in the SEE TOP 100 ranking in terms of total revenue. Another Slovenian company, power conglomerate HSE d.o.o., followed in 4th place with 693.2 euro revenue per capita, a sharp decrease from the 828.8 euro it recorded in 2013. The company decided to launch liquidation proceedings for its thermal power plant Trbovlje due to negative projections for electricity and coal prices. Slovenske Elektrarne lost five spots, ranking 19th in the SEE TOP 100 ranking in terms of total revenue.

Companies from Croatia, a country of over four million people, were the second most widely represented with 21 entrants in the list, up from 19 in 2013. Croatian oil and gas company INA ranked second with 742.8 euro in revenue per capita versus 777.4 euro in 2013. Still, INA gained one spot in the ranking. Retailer Konzum was Croatia's second-best performer, ranking 11th with 392.8 euro in revenue per capita, edging up from 391.8 in the previous year. The company lost one position from the tenth spot in last year's ranking.

No.	SEE TOP 100 No.	Company name	Country	Per capita 2014	Per capita 2013
1	4	Petrol d.d.	Slovenia	1 673	1 646
2	5	INA d.d.	Croatia	742.8	777.4
3	17	Poslovni Sistem Mercator d.d.	Slovenia	740.1	750.2
4	19	HSE d.o.o.	Slovenia	693.2	828.8
5	21	GEN-I d.o.o.	Slovenia	666.5	642.3
6	23	Krka d.d.	Slovenia	607.5	564.4
7	3	Lukoil Neftochim Burgas AD	Bulgaria	481.0	559.5
8	32	Johnson Matthey DOOEL	Macedonia	447.8	302.4
9	36	Revoz d.d.	Slovenia	433.7	336.5
10	180	Elektroprivreda Crne Gore A.D.	Montenegro	410.3	449.9
11	12	Konzum d.d.	Croatia	392.8	391.8
12	44	Lek d.d.	Slovenia	390.1	388.8
13	50	Gorenje d.d.	Slovenia	359.1	347.7
14	52	Telekom Slovenije d.d.	Slovenia	345.8	345.4
15	53	OMV Slovenija d.o.o.	Slovenia	343.5	355.8
16	8	Aurubis Bulgaria AD	Bulgaria	342.5	349.1
17	16	Hrvatska Elektroprivreda d.d.	Croatia	334.0	400.8
18	9	Naftna Industrija Srbije AD	Serbia	300.8	328.0
19	271	Voli Trade D.O.O.	Montenegro	280.4	269.3
20	281	Jugopetrol A.D.	Montenegro	270.4	284.2
21	69	IMPOL d.o.o.	Slovenia	268.1	263.0
22	80	Elektro Energija d.o.o.	Slovenia	244.2	223.1
23	13	Lukoil-Bulgaria EOOD	Bulgaria	232.9	236.1
24	88	CIMOS d.d.	Slovenia	228.3	213.7
25	15	Natsionalna Elektricheska Kompania EAD	Bulgaria	224.2	222.2
26	33	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	206.2	149.8
27	1	Automobile-Dacia SA	Romania	195.4	190.7
28	20	JP Elektroprivreda Srbije (JP EPS)	Serbia	190.8	194.9
29	2	OMV Petrom SA	Romania	190.7	196.0
30	108	EVN Elektrostpanstvo na Macedonija AD	Macedonia	188.8	204.3
31	120	Geoplin d.o.o.	Slovenia	186.2	182.7
32	122	Druzba za Avtoceste v Republiki Sloveniji d.d. (DARS)	Slovenia	183.8	164.4
33	40	Hrvatski Telekom d.d.	Croatia	181.8	193.3
34	133	Porsche Slovenija d.o.o.	Slovenia	172.7	147.4
35	124	Okta AD	Macedonia	172.1	207.8
36	410	Mercator-CG D.O.O.	Montenegro	171.8	165.4
37	429	Crnogorski Telekom A.D.	Montenegro	163.4	170.6
38	142	Makpetrol AD	Macedonia	159.5	166.3
39	81	Kastrati Sh.a.	Albania	158.4	151.2
40	152	Talum d.d.	Slovenia	157.7	160.2
41	153	Renault Nissan Slovenija d.o.o.	Slovenia	157.1	137.8
42	86	Bankers Petroleum Albania Ltd.	Albania	154.7	137.3
43	55	Petrol d.o.o.	Croatia	150.4	128.7
44	6	OMV Petrom Marketing SRL	Romania	148.8	149.6
45	67	Optima Grupa d.o.o. Banja Luka	Bosnia and Herzegovina	141.6	168.7
46	168	Eni Slovenija d.o.o.	Slovenia	141.1	143.2
47	7	Rompelrol Rafinare SA	Romania	138.1	121.0
48	175	BSH Hisini Aparati d.o.o.	Slovenia	137.9	176.1
49	71	Holdina d.o.o. Sarajevo	Bosnia and Herzegovina	135.5	140.5
50	184	Tobacna Grosist d.o.o.	Slovenia	132.0	137.5
51	74	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	129.5	133.0

in euro

No.	SEE TOP 100 No.	Company name	Country	Per capita 2014	Per capita 2013
52	190	Kemofarmacija d.d.	Slovenia	128.8	122.5
53	491	Mesopromet D.O.O.	Montenegro	125.8	96.1
54	73	HEP-Proizvodnja d.o.o.	Croatia	115.9	143.5
55	204	Elektrani na Makedonija AD	Macedonia	115.2	121.8
56	41	Bulgargaz EAD	Bulgaria	115.0	111.6
57	514	Roksped D.O.O.	Montenegro	112.7	122.5
58	138	Operatori i Shperndarjes se Energjise Elektrike (OSHEE) Sh.a.	Albania	111.6	94.0
59	77	Pliva Hrvatska d.o.o.	Croatia	110.9	90.6
60	42	Telekom Srbija AD	Serbia	109.6	114.9
61	225	Posta Slovenije d.o.o.	Slovenia	109.2	108.5
62	521	Telenor D.O.O.	Montenegro	108.3	111.7
63	237	Goodyear Dunlop Sava Tires d.o.o.	Slovenia	106.6	103.5
64	238	MOL Slovenija d.o.o.	Slovenia	106.4	105.9
65	47	CEZ Elektro Bulgaria AD	Bulgaria	106.1	104.1
66	241	Slovenske Zeleznice d.o.o.	Slovenia	104.8	91.8
67	243	Helios d.o.o.	Slovenia	104.4	108.2
68	526	Montenegro Airlines A.D.	Montenegro	104.4	112.3
69	49	OMV Bulgaria OOD	Bulgaria	104.1	131.2
70	228	Feni Industry AD	Macedonia	103.2	98.6
71	253	SIMobil d.d.	Slovenia	100.7	99.6
72	90	Plodine d.d.	Croatia	99.7	95.6
73	10	Romp petrol Downstream SRL	Romania	97.8	89.6
74	96	Lidl Hrvatska d.o.o. k.d.	Croatia	95.6	87.9
75	100	ZGH d.o.o.	Croatia	93.9	135.2
76	54	JP Srbijagas	Serbia	93.6	94.6
77	56	Termoelektrane Nikola Tesla DOO	Serbia	92.5	95.8
78	127	Konzum DOO	Bosnia and Herzegovina	92.3	81.5
79	61	Kaufland Bulgaria EOOD & Co KD	Bulgaria	90.4	81.1
80	109	VIPNet d.o.o.	Croatia	88.1	82.0
81	111	Kaufland Hrvatska k.d.	Croatia	87.6	79.6
82	60	Delhaize Serbia DOO	Serbia	87.5	94.0
83	136	Arcelormittal d.o.o. Zenica	Bosnia and Herzegovina	87.5	86.8
84	117	Prvo Plinarsko Društvo d.o.o.	Croatia	84.2	26.6
85	118	Crodex Derivati Dva d.o.o.	Croatia	84.2	107.8
86	156	Moldovagaz SA	Moldova	83.8	86.1
87	11	Kaufland Romania SCS	Romania	82.6	74.7
88	121	Prirodni Plin d.o.o.	Croatia	82.0	182.5
89	125	Agrokor d.d.	Croatia	80.3	37.6
90	126	Tisak d.d.	Croatia	80.2	88.1
91	159	BH Telecom d.d.	Bosnia and Herzegovina	76.2	80.7
92	137	Boxmark Leather d.o.o.	Croatia	75.7	58.8
93	139	Vindija d.d.	Croatia	75.2	81.1
94	162	Bingo d.o.o. Tuzla	Bosnia and Herzegovina	74.8	66.8
95	146	Orbico d.o.o.	Croatia	72.9	67.8
96	14	British American Tobacco (Romania) Trading SRL	Romania	71.5	71.3
97	597	Rudnik Uglja A.D.	Montenegro	69.5	70.0
98	82	Saksa OOD	Bulgaria	69.1	66.0
99	18	Petrotel - Lukoil SA	Romania	67.3	59.2
100	191	Telekomunikacije Republike Srpske a.d.	Bosnia and Herzegovina	65.2	63.1

With respectively ten and nine companies on the list, Montenegro and Bulgaria took the third and fourth place. Oil refinery Lukoil Neftochim Burgas remained the top performer among the Bulgarian companies, ending seventh on the per capita rankings while Bulgaria's second best performer - copper producer Aurubis, took 16th place. At number 10, power utility Elektroprivreda Crne Gore was the best Montenegrin performer. Wholesaler and retailer Voli Trade was among the most notable newcomers in the rankings and is Montenegro's runner up at 19th place in the SEE TOP 100 per capita rankings. It should be noted that Montenegro doubled the number of its companies in the rankings to 10 this year.

The number of firms from Bosnia and Herzegovina was also up, rising to eight from six in the previous year. The country's top entrant, oil trader and manufacturer Optima Grupa, fell to 45th while its second best performer remained at 49th place.

Romania's best performer - car maker Automobile-Dacia, which dislodged another Romanian company, OMV Petrom, to top the 2014 edition of the SEE TOP 100 companies ranking, ended 27th in terms of revenue per capita. Dacia's revenue rose 2.2% to 4.2 billion euro in 2014 as its net profit increased 10%, pushing the company up five spots in the rankings. Romania's second best performer, oil and gas group OMV Petrom, remained 29th. Romania had eight representatives in the rankings, same as last year.

Macedonia had six representatives in the ranking, same as Serbia. The Macedonian unit of UK-based specialty chemicals company Johnson Matthey was the top Macedonian performer with 447.8 euro in revenue per capita in 2014, up from 302.4 euro from the previous year. The number of Serbian companies in the rankings fell to six from last year's nine.

Entries from Albania and Moldova round off the rankings. Albania has three companies, of which oil and gas distributor Kastrati at the 39th spot, was the top performer. Its revenue per capita stood at 158.4 euro, up from the previous year's 151.2 euro. Gas utility Moldovagaz was the only Moldovan company to make the cut, placing 86th with 83.8 euro in revenue per capita versus 86.1 euro in 2013.

In a breakdown by sector, energy companies dominate the SEE TOP 100 per capita ranking in 2014, 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.

TOP 100 listed companies

in millions of euro

2014	2013	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2014	Y/Y change
1	1	OMV Petrom SA	Romania	BVB	SNP	5 156	-13.10%
2	2	Ina-Industrija Nafta d.d.	Croatia	ZSE	INA-R-A	4 764	2.50%
3	3	S.N.G.N. Romgaz SA	Romania	BVB	SNG	3 041	3.48%
4	4	Fondul Proprietatea SA	Romania	BVB	FP	2 486	-2.91%
5	5	Krka d.d.	Slovenia	LJSE	KRKG	1 954	-8.05%
6	6	Hrvatski Telekom d.d.	Croatia	ZSE	HT-R-A	1 609	-15.07%
7	9	Zagrebacka Banka d.d.	Croatia	ZSE	ZABA-R-A	1 400	15.16%
8	10	Privredna Banka Zagreb d.d.	Croatia	ZSE	PBZ-R-A	1 367	25.81%
9	7	BRD - Groupe Societe Generale SA	Romania	BVB	BRD	1 360	-2.72%
10	11	Banca Transilvania SA	Romania	BVB	TLV	1 110	36.79%
11	8	Naftna Industrija Srbije A.D.	Serbia	BELEX	NIIS	1 048	-20.76%
12	12	Telekom Slovenije d.d.	Slovenia	LJSE	TLSG	947.6	19.29%
13	New	Electrica S.A.	Romania	BVB	EL	877.6	N/A
14	17	S.N.T.G.N. Transgaz SA	Romania	BVB	TGN	690.6	42.00%
15	15	BH Telecom d.d.	Bosnia and Herzegovina	SASE	BHTSR	655.4	1.00%
16	18	Petrol d.d.	Slovenia	LJSE	PETG	592.5	30.28%
17	19	Zavarovalnica Triglav d.d.	Slovenia	LJSE	ZVTG	536.5	24.21%
18	14	S.N. Nuclearelectrica SA	Romania	BVB	SNN	486.6	-30.79%
19	16	C.N.T.E.E. Transelectrica SA	Romania	BVB	TEL	478.7	85.48%
20	24	Adris Grupa d.d.	Croatia	ZSE	ADRS-R-A	464.4	18.99%
21	30	Jadranski Naftovod d.d.	Croatia	ZSE	JNAF-R-A	460.2	52.32%
22	16	Makedonski Telekom AD	Macedonia	MSE	TEL	455.0	-25.15%
23	29	Poslovni Sistem Mercator d.d.	Slovenia	LJSE	MELR	438.5	42.04%
24	28	Atlanticki Grupa d.d.	Croatia	ZSE	ATGR-R-A	409.1	30.51%
25	31	Croatia Osiguranje d.d.	Croatia	ZSE	CROS-R-A	406.6	42.21%
26	20	Rompetrol Rafinare SA	Romania	BVB	RRC	403.5	-4.15%
27	22	Telekom Srpske a.d. Banja Luka	Bosnia and Herzegovina	BLSE	TLKM-R-A	399.5	-3.05%
28	34	Elektorprivreda Crne Gore A.D.	Montenegro	MNSE	EPCG	393.7	49.56%
29	26	Ledo d.d.	Croatia	ZSE	LEDO-R-A	334.8	-1.04%
30	45	Riviera Adria d.d.	Croatia	ZSE	RIVP-R-A	326.9	80.23%
31	41	Imlek A.D.	Serbia	BELEX	IMLK	326.1	55.18%
32	61	Luka Koper d.d.	Slovenia	LJSE	LKPG	315.0	139.36%
33	27	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	SASE	JPESR	309.5	-5.05%
34	69	Komercijalna Banka A.D.	Serbia	BELEX	KMBN	306.9	161.32%
35	38	Adris Grupa d.d.*	Croatia	ZSE	ADRS-P-A	301.1	22.36%
36	47	Plava Laguna d.d.	Croatia	ZSE	PLAG-R-A	292.4	66.15%
37	56	Pozavarovalnica Sava d.d.	Slovenia	LJSE	POSR	275.2	96.34%
38	55	Valamar Adria Holding d.d.**	Croatia	ZSE	KORF-R-A	269.0	86.54%
39	54	Aerodrom Nikola Tesla A.D.	Serbia	BELEX	AERO	267.8	82.58%
40	33	Sopharma AD	Bulgaria	BSE	3JR	261.9	-0.89%
41	44	Jamnica d.d.	Croatia	ZSE	JMNC-R-A	254.1	39.25%
42	40	Koncar - Elektroindustrija d.d.	Croatia	ZSE	KOEI-R-A	231.3	3.28%
43	37	Ericsson Nikola Tesla d.d.	Croatia	ZSE	ERN-T-R-A	225.8	-11.91%
44	89	Valamar Grupa d.d. **	Croatia	ZSE	VLHO-R-A	222.6	157.20%
45	36	SIF Oltenia SA	Romania	BVB	SIF5	216.2	-15.78%
46	68	Cementarnica USJE AD	Macedonia	MSE	USJE	209.5	75.85%
47	46	Podravka Prehrambena Industrija d.d.	Croatia	ZSE	PODR-R-A	207.6	14.93%
48	New	Pivovarna Lasko d.d.	Slovenia	LJSE	PILR	202.4	486.03%
49	43	Petrol AD	Bulgaria	BSE	SPET	200.1	2.05%
50	42	Crnogorski Telekom A.D.	Montenegro	MNSE	TECG	193.8	-2.07%
51	64	Maistra d.d.	Croatia	ZSE	MAIS-R-A	192.8	48.70%

Methodology

SEE TOP 100 listed companies ranks the biggest companies in South East Europe by market capitalisation as of December 31, 2014, sourced by Banja Luka Stock Exchange (BLSE), Belgrade Stock Exchange (BELEX), Bucharest Stock Exchange (BVB), Bulgarian Stock Exchange (BSE), Ljubljana

Stock Exchange (LJSE), Macedonian Stock Exchange (MSE), Montenegro Stock Exchange (MNSE), Sarajevo Stock Exchange (SASE) and Zagreb Stock Exchange (ZSE). Our pool of listed companies monitored in 2014 includes more than 1,100 public companies

TOP 100 listed companies

in millions of euro

2014	2013	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2014	Y/Y change
52	39	Alro SA	Romania	BVB	ALR	184.7	-19.79%
53	48	SIF Moldova SA	Romania	BVB	SIF2	184.3	8.29%
54	23	Bulgartabac Holding AD	Bulgaria	BSE	57B	172.9	-56.29%
55	59	Monbat AD	Bulgaria	BSE	5MB	170.5	26.76%
56	52	SIF Banat Crisana SA	Romania	BVB	SIF1	159.6	0.91%
57	51	SIF Muntenia SA	Romania	BVB	SIF4	158.6	-0.06%
58	58	CB First Investment Bank AD	Bulgaria	BSE	5F4	157.5	15.23%
59	80	Zentiva SA	Romania	BVB	SCD	147.2	47.94%
60	New	Cinkarna Celje d.d.	Slovenia	LJSE	CICG	144.2	96.67%
61	53	CEZ Distribution Bulgaria AD	Bulgaria	BSE	3CZ	140.0	-8.98%
62	66	AIK Banka A.D.	Serbia	BELEX	AIKB	138.4	5.80%
63	85	Gorenje d.d.	Slovenia	LJSE	GRVG	137.3	47.85%
64	91	Liburnia Riviera Hoteli d.d.	Croatia	ZSE	LRH-R-A	134.1	56.62%
65	67	Chimimport AD	Bulgaria	BSE	6C4	133.2	11.42%
66	New	Croatia Airlines d.d.	Croatia	ZSE	CRAL-R-A	129.2	74.28%
67	98	Turisthotel d.d.	Croatia	ZSE	TUHO-R-A	127.8	67.06%
68	90	Bambi A.D. Pozarevac	Serbia	BELEX	BMBI	127.2	47.43%
69	63	Albena AD	Bulgaria	BSE	6AB	125.2	-4.02%
70	62	JP Elektroprivreda HZHB Mostar	Bosnia and Herzegovina	SASE	JPEMR	123.5	-5.94%
71	49	SIF Transilvania SA	Romania	BVB	SIF3	120.0	-26.63%
72	74	Alkaloid AD	Macedonia	MSE	ALK	118.4	13.20%
73	65	Dukat Mlijecna Industrija d.d.	Croatia	ZSE	LURA-R-A	117.5	-9.37%
74	New	Aerodrom Ljubljana d.o.o.	Slovenia	LJSE	AELG	114.3	113.91%
75	86	Tvornica Cementa Kakanj d.d.	Bosnia and Herzegovina	SASE	TCMKR	111.4	22.34%
76	New	Stopanska Banka AD Skopje	Macedonia	MSE	STB	108.2	117.40%
77	60	UniCredit Bank d.d.	Bosnia and Herzegovina	SASE	ZGBMR	107.1	-20.00%
78	88	Conpet SA	Romania	BVB	COTE	106.3	22.40%
79	77	Advance Terrafund REIT	Bulgaria	BSE	6A6	106.2	2.52%
80	New	M+S Hydraulic AD	Bulgaria	BSE	5MH	104.0	559.49%
81	95	HUP - Zagreb d.d.	Croatia	ZSE	HUPZ-R-A	102.6	24.37%
82	78	Velgraf Asset Management AD	Bulgaria	BSE	IVX	101.6	1.33%
83	New	Letrika d.d. (formerly Iskra Avtoelektrika d.d.)	Slovenia	LJSE	IALG	101.4	117.41%
84	New	Crnogorski Elektroprenosni Sistem A.D.	Montenegro	MNSE	PREN	101.3	40.67%
85	70	Energo-Pro Grid AD	Bulgaria	BSE	2EG	101.1	-9.09%
86	92	Chimimport AD*	Bulgaria	BSE	6C4P	99.7	18.76%
87	82	Tvornica Duhana Zagreb d.d.***	Croatia	ZSE	TDZ-R-A	97.5	-0.32%
88	73	JP Hrvatske Telekomunikacije d.d.	Bosnia and Herzegovina	SASE	HTKMR	96.9	-7.69%
89	New	SN Holding d.d.	Croatia	ZSE	SNHO-R-A	95.8	78.50%
90	New	Sopharma Trading AD	Bulgaria	BSE	SOS	93.4	73.17%
91	New	Impact Developer & Contractor SA.	Romania	BVB	IMP	92.1	283.57%
92	New	Arenaturist d.d.	Croatia	ZSE	ARNT-R-A	91.2	75.31%
93	93	Antibiotice S.A.	Romania	BVB	ATB	87.6	4.90%
94	50	Lukoil Srbija A.D.	Serbia	BELEX	LOIL	87.5	-45.55%
95	87	Hidroelektrane na Drini a.d. Visegrad	Bosnia and Herzegovina	BLSE	HEDR-R-A	83.6	-7.50%
96	New	Energoprojekt Holding A.D.	Serbia	BELEX	ENHL	82.5	19.79%
97	94	Hidroelektrane na Trebisnjici a.d.	Bosnia and Herzegovina	BLSE	HETR-R-A	81.7	-1.66%
98	New	Aluminij d.d.	Bosnia and Herzegovina	SASE	ALUMR	81.6	N/A
99	New	Speedy EAD	Bulgaria	BSE	OSP	81.3	62.50%
100	96	Soja Protein A.D.	Serbia	BELEX	SIPT	79.7	-2.19%

(*) Preferred shares

(**) Delisted on Oct 1, 2014

(***) Delisted on Feb 23, 2015

registered in Southeast Europe with their regular shares. We excluded from the ranking two 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 2014 and 2013.

Romania's OMV Petrom keeps lead in SEE TOP 100 listed companies ranking despite drop in market capitalisation

By Djordje Daskalovich

The market capitalisation of the SEE TOP 100 listed companies in 2014 rose to 46.08 billion euro, as compared to 44.7 billion euro of the entrants in the ranking a year earlier. Two-thirds of the companies that made it into the ranking saw their market capitalisation increase in 2014.

The ranking of the biggest listed companies in Southeast Europe (SEE), despite its inherent openness to new entrants, traditionally sees little change at the top. In 2014 Romanian and Croatian heavyweights again dominated the upper end of the table, as the top six spots remained unchanged, with oil and gas group OMV Petrom as the leader for a third year in a row despite a 13.1% drop in its market capitalisation to 5.16 billion euro.

In 2014 the Romanian company, majority-owned by Austria's OMV, posted a net profit of 409.9 million euro, down by 62%, on slightly lower revenue. For 2015, OMV Petrom has said it will reduce its investments by 20% "in light of the volatile and potentially prolonged weaker market fundamentals". In August 2015, the company said it plans a secondary listing of its shares on the London Stock Exchange via global depository receipts.

Several other Romanian companies, including state-controlled natural gas producer Romgaz, the third biggest listed company in the region, investment fund Fondul Proprietatea, at no. 4 in the SEE TOP 100 listed companies ranking, and power distributor and supplier Electrica, a newcomer at no. 13, are also listed on the London Stock Exchange.

Romanian companies occupied five of the top ten places in the ranking, followed by Croatia with four entrants but with the biggest number of representatives, 27, in the overall ranking. This is hardly a surprise, given that the Bucharest bourse remained the biggest market in the region despite a 2.86% decline in its capitalisation, followed by the Zagreb Stock Exchange (ZSE) and the Ljubljana Stock Exchange (LJSE). This situation, however, seems likely to change if the Croatian and the Slovenian bourses keep up their growth pace of 8.34% and 23.98%, respectively, in 2014. Furthermore, in July 2015 ZSE signed a deal with CEE Stock Exchange Group to take over 100% of LJSE, with the transaction expected to be completed in the last quarter of 2015.

Over the past years, as a rule, the lower half of the ranking is the scene for more dynamic developments as it is where most newcomers land.

The 2015 edition of the ranking had 16 newcomers versus 14 in last year's edition. Most of them, four, came from Slovenia, led by brewer Pivovarna Lasko, recently acquired by Heineken. Bulgaria and Croatia were tied for the second place with three new entrants each.

Whereas the Bulgarian companies that made it to the ranking operate in different sectors of the economy, their Croatian peers – Croatia Airlines, SN Holding and Arenaturist – are all involved in tourism and travel, or industries closely interlinked with them. Tourism and travel are estimated to have generated 12.5% of Croatia's gross domestic product in 2014.

The company to record the biggest jump in this year's ranking – of 45 spots to land at no. 44 – is also Croatian and a hotel operator – Valamar Riviera.

The market capitalisation of the SEE TOP 100 listed companies rose to 46.08 billion euro in 2014 from 44.7 billion euro of the companies that made it into the ranking a year earlier, pushing up the threshold for entry into the ranking to 79.67 million euro from 65.5 million euro a year earlier.

Stock picking in the Balkans

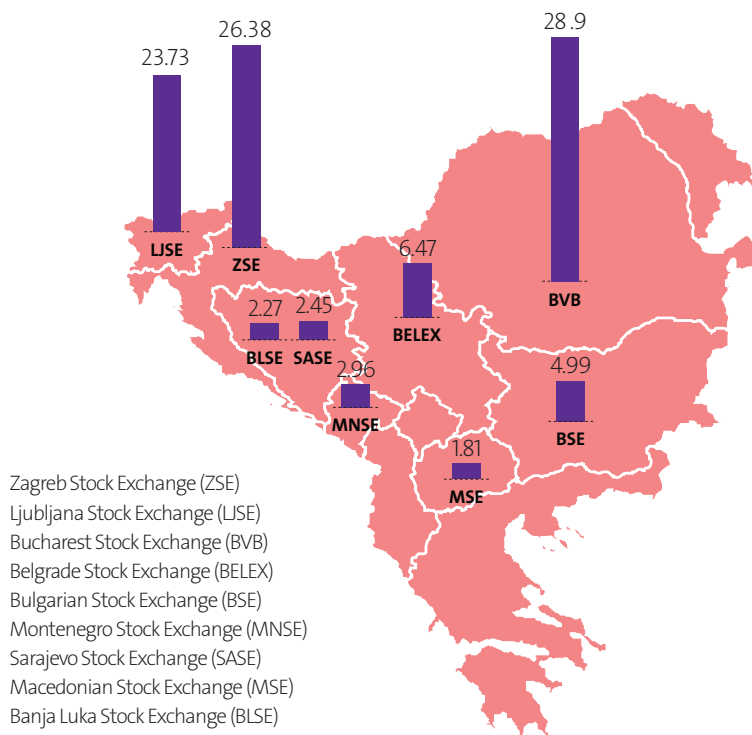
by Tatyana Puncheva-Vasileva,
Senior Analyst, Elana Trading

Diversity. This word describes best the region of Southeast Europe (SEE) with its small and illiquid capital markets – the Bucharest stock exchange being one notable exception – but a range of investment opportunities they offer investors.

New listings will be the key long-term market driver as investors are already well familiar with the existing entities in the regional investment universe. Stock picking will remain the best investment strategy in 2016 and im-

SEE stock exchanges market capitalisation

as of 31.12.2014, in billions of euro



Zagreb Stock Exchange (ZSE)
Ljubljana Stock Exchange (LJSE)
Bucharest Stock Exchange (BVB)
Belgrade Stock Exchange (BELEX)
Bulgarian Stock Exchange (BSE)
Montenegro Stock Exchange (MNSE)
Sarajevo Stock Exchange (SASE)
Macedonian Stock Exchange (MSE)
Banja Luka Stock Exchange (BLSE)

proving economic environment will add fuel to the engine. Unless of course the global economic picture changes drastically due to slow growth in China or any geopolitical escalation.

The numbers in the past

Over the last three years the major capital markets in SEE were moving pretty much in a pack. The main indexes in Romania, Bulgaria, Slovenia and Serbia all advanced between 45% and 50% over that period. Croatia was the only laggard with slightly over 5% growth.

The overriding theme over this past three-year horizon was the recovery from the crisis. The conflict in Russia and Ukraine, however, added significant pressure on the fundamentals at the end of 2014 and the beginning of 2015, as the two countries are an important export markets for many SEE companies. Consequently, this was reflected in the market valuations. Year-to-date (data as of August 19, 2015), the blue-chip SOFIX index of the bourse in Sofia was losing 10% of its value, followed by the SBITOP of the Ljubljana stock exchange with 6% decline. The BELEX15 of the Belgrade bourse was slightly below zero, while the CROBEX of the Zagreb bourse and the BET of the Bucharest stock exchange were offering gains of 3.1% and 6%, respectively. All markets

were basically in a consolidation mode over the past year, with Russia and Ukraine as one of the reasons behind the lack of a strong upward or downward trend.

Romania - the flagship of state listings

The Romanian market has been the outperformer and "the market of first choice" for most global frontier investors over the past few years, largely thanks to the Romanian government's efforts to that end. The government raised millions of euro via the privatisation of state companies through the stock exchange, in line with its agreement with the International Monetary Fund. It also attracted a global emerging markets expert, Franklin Templeton, to run one of its most undervalued assets - Fondul Proprietatea. Big names attract more big names. Thus, Fondul Proprietatea has been on investors' radars during the last couple of years. Surely, part of the upside there has already been consumed. Nevertheless, it is a door opener for more investors to come in Romania and in the region and for more companies to raise funding for growth.

Fondul Proprietatea, alongside other big Romanian companies, has debuted on the London Stock Exchange to get additional visibility.

A few more big listings in Bucharest and some further work on the stock market infrastructure, and Romania may end up being upgraded from an MSCI Frontier to an MSCI Emerging market ranking, which would increase significantly its visibility. This upgrade, projected to happen in 2016, has been on the local institutions' agenda for a year now and investors have started pricing it in. Nevertheless, if it becomes a fact, it will be a huge step forth not only for Romania, but for the whole region.

Bulgaria - the private listings flagship

Expected new state listings in Bucharest will keep the market hot for both global and regional investors. However, once state support for the Romanian stock market diminishes, which is bound to happen at some point, it will have to start generating interest on its own - something the Bulgarian capital market has been struggling to do for years now.

The end of 2015 and the beginning of 2016, however, may bring in a game changer as one of the biggest software developing groups in the country - Sirma group holding - will be debuting on the Bulgarian stock exchange in the autumn of 2015. Sirma's IPO has been one of the most anticipated events on the market in 2015 both as an investment opportunity in one of the fastest growing industries and as an incentive for other IT, fast growing and good corporate governance companies to list. It is also a fairly large IPO, with an expected 26.4 million leva to be raised, tapping the markets' ability to fund well-run and growing businesses - indications of which have been visible in other smaller listings on the Sofia bourse over the last two years.

In 2013, a start-up leasing company - Elana Agrocredit - debuted on the market. Initially, it raised some 5 million leva from local pension funds and sophisticated investors and in the spring of 2015 it tripled its capital by raising a further 14 million leva. In 2014, the biggest courier company in Bulgaria - Speedy - raised fresh 20 million leva via both the market and a strategic investor, proving that investors' appetite is strong for companies with good corporate governance, lean expansion strategy and transparent and well seasoned management.

The examples mentioned above are the first seeds of returning investor confidence in the regional markets. Bringing big names in to help develop the Sofia bourse like the Bucharest one, or getting well-run private companies to list is bound to boost confidence sooner or later, hopefully at the end of 2015 and the beginning of 2016. Such investment opportunities will attract additional investor attention as everyone is on the lookout for returns as interest rates are to remain on the zero to negative side for some time yet. Economic uncertainty is also pressing investors to be picky.

The macro drive

Economic data as of the second quarter of 2015 has been a nice surprise for countries like Slovenia and Bulgaria, neutral for Romania and disappointing for Croatia. This will drive macro-focused investors to the markets that show positive performance if good news persists for some time. Though valuations have gone up considerably over the past few years, they still lag behind recovering fundamentals in the region. Moreover, they remain below frontier market averages, with the Bulgarian market currently being the cheapest from a price-to-earnings perspective and the Croatian being the most expensive.

Contrarian investors are also offered a good choice in the SEE as stock picking in such consolidating markets will add value in the mid- to long term. Long awaited listings will be one option. Oversold industries will be another. The pharma sector is one example. At the end of 2014 and early 2015 Ukraine-Russia woes were major sell drivers for the stock of SEE pharmaceutical companies, bringing valuations well below the decline in fundamentals. With Russia showing signs of stabilization and Ukraine already shrinking substantially to a very low base, good buying opportunities in the pharma sector may have already arrived. Any positive signs in both countries shall be a buying signal for the oversold sector's stocks in Slovenia and Bulgaria, for example. Banks, on the other hand, will still have to undergo assets and efficiency improvement before the sector is lucrative again. Thus, bank stocks are unlikely to attract much attention, the more so that the fate of Greek banks is still unclear. Improving economic conditions will surely

whet private companies' appetite for expansion, new investments and listings. This adds diversity. The rest is a matter of valuation.

Disclaimer: Ms Vasileva's comments, opinions and analyses are personal views and are intended to be for informational purposes only. They should not be construed as an individual investment advice or recommendation, nor should they be a solicitation for any investment decisions or for the adoption of any investment strategies.

Big institutional investors still looking for liquidity, large capitalisations on Belgrade Stock Exchange

by **Mladen Dodig**
Head of Research, Erste Bank Serbia

The Belgrade Stock Exchange indices look like smoothed averages of the global emerging (or frontier, if you wish) markets, indicating that Serbian equities did not have the huge swings caused by developments in Greece, the China economic slowdown, the collapse in commodity prices, the anticipation of Federal Reserve lift-off cycle, etc. Over the last twelve months, the BELEX15 and BELEXline recorded gains of 2% and 5%, respectively. However, the problem remains the same – liquidity.

Turnover on the Belgrade Stock Exchange in the January-August 2015 period totalled 124.3 million euro, down 7% year-on-year, while trading volume in regular trading (excluding block trades, one-off trades and bonds) plunged 17% year-on-year in the review period. Liquidity is scarce on a vast majority of markets, but the Belgrade bourse is further disadvantaged by the lack of blue chips, as big institutional investors have access to only two or three companies with bigger capitalisation.

The macroeconomic environment is favourable, as official data points largely to a success-



The privatisation of Telekom Srbija could be a jumpstart for the Serbian bourse



ful fiscal policy. The central bank has cut the key reference rate by 250bp in 2015 to 5.5%. The yields on treasury securities have also shrunk significantly over the last 12 months. The local currency – the dinar - has entered a rather stable period, appreciating 0.6% versus the euro so far in 2015. The country's economic growth outlook has been recently reversed from negative to a range from 0.2% to 1.2%, depending on the source. As far as Serbia's EU prospects are concerned, a major breakthrough has been achieved this summer and the path is now clearly open for membership negotiations.

In terms of corporate governance, much could be desired but the listed companies' transparency and general reporting requirements have substantially improved with the adoption of new regulations.

What might become a jumpstart for the Serbian equity market is the upcoming privatisation of Telekom Srbija, the state owned telecom provider. The sale is back on the table after an unsuccessful tender in May 2011. The government is yet to come up with a decision about the exact privatisation model but a potential listing would seriously improve the visibility of the Serbian market on the radar of big European and global players in the asset management industry. Furthermore, listings of other state-owned companies, such as the electric utility company, or many of the socially-owned enterprises that could emerge as a result of restructuring processes, would give an additional boost to the Serbian market. One way or another, the market weighted valuation of 5.2 times 2014 earnings and 0.6 book value for the BELEX15 components looks very attractive.

Above-average dividend yield, ongoing privatisation main storylines on Ljubljana bourse

by **Saso Stanovnik**,
Head of Research and Chief Economist, ALTA Invest

After a generous 2013 from individual stock return perspective, 2014 followed up with a hefty 19.6% return of the main index SBI TOP. It came against the backdrop of an

ongoing privatisation process, namely the divestment of several blue-chip companies by state entities. The highest individual returns were recorded by companies acting as targets in merger and acquisition (M&A) processes, such as Pivovarna Lasko, whose share price surged by 486%, airport operator Aerodrom Ljubljana, which jumped 114% and titanium dioxide producer Cinkarna Celje, which appreciated 97%. Telekom Slovenije shares, spearheading the privatisation process, also increased by 19%. These developments lifted other shares, as well, by improving overall investor sentiment, domestic and foreign. Hefty dividends and dividend yields of several companies also helped raise investors' demand for Slovenian companies. The shares of port operator Luka Koper, whose price rose by 139% in 2014, were another positive surprise which came on the back of economic improvement, throughput growth and valuation adjustment. The share price of Sava RE Group also surged as conditions in the insurance industry were beneficial from investments point of view. The consolidation and synergy effects from Zavarovalnica Maribor's acquisition did not go unnoticed by them, either.

The biggest disappointment in terms of stock price return came from Krka, which has the highest weight in the SBI TOP index. The generic pharmaceutical company delivered a negative return of 0.7%, possibly due to its exposure to Russia and the Russian ruble and East Europe and investors' close focus on privatisation-bound companies, which clearly do not include Krka. Furthermore, investors were getting nervous by the long privatisation processes and occasional political bumps. We should note that even though the early elections had little effect on returns, the SBI TOP's full-year return was generated in first six months of 2014, before the political turmoil. Therefore, we could say the second half of 2014 was a disappointment regarding returns and news flow.

2015 should again be viewed in light of the main storylines: above-average dividend yield and continuing privatisation process. Dividend yields were expected to be generous and above-average in 2015 as well, but as most ex-dates are expected in the second quarter of the year, this story can drive positive return only in the first half of the year. As for privatisation, the expectations

From a valuation and growth potential perspective the top picks remain Luka Koper and Sava RE

about the finalisation of several deals, the most prominent one being Telekom Slovenije, were high at the end of 2014. Therefore, a possible disappointment, which seems increasingly likely, will inevitably lead to stock price corrections. The shallow market is of little help in this respect, but it does pose interesting investment opportunities. The mid-year unsuccessful privatisation of Telekom Slovenije put a significant dent in the second story and while the rest of the market surprisingly avoided a severe correction, it does limit potential return.

From a valuation and growth potential perspective the top picks remain Luka Koper and Sava RE, while Petrol, Krka and Zavarovalnica Triglav remain interesting in terms of valuation and dividend potential.

Disclaimer: The author of this article is owner of Krka, Gorenje and Petrol shares.

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Tourism sector, companies' successful restructuring to continue to drive Zagreb bourse

by **Nada Harambasic Nereau**,
Raiffeisen Croatia analyst

The Zagreb stock exchange put up a mixed performance in 2014 – the CROBEX fell 2.7% while CROBEX10 went up by 1.2%. However, the majority of the liquid shares saw a dramatic move during the year, which was closely related - in a positive way - to

the performance of companies operating in the tourism sector. The CROBEXtourist index surged as much as 79% in 2014 while the shares of construction companies fell by 37%. The driver behind the positive figures was in many cases an operational or financial restructuring that led to improved results, as well as speculation on the market. However, as the tourism season is likely to be an all-time best, shares of tourism companies continued to rise in 2015. Construction and industrial shares in 2014 were on the downside due to shrinking volume of orders and balance sheet restructuring via administrative settlement procedure (a pre-bankruptcy settlement). Since most of these processes are completed, we expect the companies to continue to operate in a more stable fashion.

In the last few months of 2015 we expect a more positive development than what we saw in the past couple of weeks as companies are expected to improve their performance and the economy is showing signs of recovery. In the second quarter of 2015 the country's GDP climbed by 1.2% year-on-year supported by export and household consumption; industrial production recorded 3.9% year-on-year growth in July, and retail increased by an annual 4.5% in July. In our view, companies that have completed their restructuring, as well as ones which are focused on expansion outside the region and reporting on new contracts could be in the spotlight of investors. Also, takeover activities in tourism could continue to stir up the sector. Regarding the IPO potential, there are no pending issues currently and the announced listing of some state companies will probably be postponed as 2015 is an election year.

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Privatisations to help BVB weather global instability

By Doinita Dolapchieva



Ludwik Sobolewski,
CEO

The Bucharest Stock Exchange (BVB), with a market capitalisation of some 31.1 billion euro by August 2015 and an average daily turnover of nearly 7.7 million euro, is the biggest bourse in Southeast Europe. Currently classified as a frontier bourse, it is undergoing upgrades with the view to receiving an emerging market status.

It's been two years since you were appointed CEO of BVB. Looking back, what goals did you succeed in accomplishing and what did not go according to plan?

It would be difficult to indicate a single area which was left untouched. Every domain which is important for the efficiency of the infrastructure, and for the solidity of the capital market in the long run, has been addressed. I am speaking about regulations, trading systems, market data dissemination, education of individual investors, infrastructural mechanisms for liquidity creation, marketing

towards international investors, and many others. Another aspect relates to the positive impact of our efforts on the liquidity and size of the market. I would like to underline that we have now in Romania several "acting agents": the local regulator and supervisor (FSA - ASF), the Central Securities Depository, and a number of brokerage houses, keen to enhance their business.

What are your expectations regarding the planned sale of big state-controlled companies via the bourse?

Only if we privatise through the public market, we attract new investors and new funds, which are allocated not only to a company passing through a privatisation process, but also to other listed companies, because the market as a whole becomes safer and more attractive. The strategy of the BVB is to ease the access to the market for local individual investors, local institutional money and for global investors. All these three categories showed interest towards IPOs resulting from the privatisation process. We do not complain of not having enough clients. What we urgently need, are investment targets for them.

What are your expectations regarding IPOs of private companies by the end of 2016?

We expected a kind of turnaround in that area this year, but the market conditions have not been favourable. Despite this adverse situation we managed to open a new market for small companies, which has so far attracted four private companies, and some of them conducted limited private placements of shares. Now is a good time to strengthen our ties with potential entrepreneurs that are considering going public. We need to have better turnover in the secondary trading because there is always a strict correlation between the primary market and its ability to finance the issuers, and the effectiveness of the market for already listed companies. That is why the whole integrated reform is so important.

What are the main factors that affected the bourse's development

this year? What are your expectations for 2016?

2015 has been shaped by many negative factors. Against that backdrop even the intensive quantitative easing by the European Central Bank did not cause the expected results, in my opinion. The reasons reside in high instability. Greece, the Ukrainian crisis, the situation in the Middle East, prices on the markets of oil and gas, to name a few. Ultimately, when something like the crash on the Chinese exchanges happens - it was somehow too much for the equity investors. We will face a period of increased volatility and risk aversion on the part of investors. I have no idea how long it may last. Hopefully it will end soon. For the Romanian market it would be best if we return to more of the optimism which we benefited from in 2014, keeping however some of the current higher volatility.

What should BVB do to be included in the watchlist for the upgrade by MSCI and the FTSE Group?

The main, if not the sole problem, is the number of companies that must meet fairly demanding criteria imposed by the MSCI, concerning the market cap, the free float value and the daily liquidity in trading of those companies. Practically we can accomplish that only if the privatisation of the blue chips is resumed and, as a necessary complement, if the free float in some of the already listed blue chips is increased.

Do you think the Zagreb Stock Exchange could dethrone BVB as a regional leader following the recent acquisition of the Ljubljana bourse?

I hope that our colleagues from Zagreb will run very well the merged platforms because it will only motivate us for new achievements.

Will the launch of the SEE Link, scheduled for the beginning of 2016, influence the Bucharest bourse in any way?

I think it will be completely neutral for the BVB and our markets.

Pharma loses grip on most profitable industries ranking

By Djordje Daskalovich

The rubber and rubber product makers in Southeast Europe, represented by two car tire makers in the SEE TOP 100 ranking, have dislodged the pharmaceutical firms from the top spot in the most profitable industries ranking for 2014, recording a return on revenue of 14.19%. The pharmaceutical sector, which had taken the top honours for four consecutive years, was dethroned even through in this year's rankings it is represented by one more company compared to the 2014 edition and has three entrants – Slovenia's Krka and Lek and Croatia's Pliva.

Furniture, a newcomer in the rankings, took the no.2 place with 13.83% return on revenue, leaving last year's leader in the third spot with 11.71%. Furniture, however, had only one representative this year, Romaina's Holzindustrie Schweighofer, making it impossible to make any sweeping conclusions about the state of the sector in the region as a whole. The same, although to a slightly lesser degree, applies to the rubber industry, as it only had two entrants, both coming from Romania - Continental Automotive Products and Michelin Romania.

Little has changed in the top five spots on the 2015 SEE industrial ranking since its

previous edition. The petroleum/natural gas industry kept its comfortable lead with total revenues rising 0.04% to 40.58 billion euro. Despite the growth in revenue, the sector recorded the biggest drop in net profit - of 716.5 million euro to 262.5 million euro.

It should come as little surprise that we are seeing such a comfortable lead of the petroleum and natural gas industry having in mind that the companies from this industry had the biggest presence in the most dynamic companies ranking as well with 14 entries. This ranking, which makes its debut this year, comprises the companies with the biggest change in revenue compared to the previous year. The oil and gas sector has a similarly impressive footprint in the SEE TOP 100 companies ranking, where nearly one third of the companies hail from the sector, while at the same time holding spots from no.2 through to no.7.

Electricity ranked second in the SEE industrial ranking, staying way below the total revenue of the leading industry at 15.3 billion euro. The sector's revenue fell 5.56% from the previous year while its total net profit dropped to 495.8 million euro from 529.8 million euro.

Wholesale/retail again took the third position, recording a 7.02% year-on-year rise in revenue to 14.48 billion euro and a slightly lower net profit of 251.7 million euro versus 275.4 million euro in the previous year.

The automobiles sector recorded a jump in total revenue of 7.1% to 8 billion euro, managing to extend the steady rise in revenue over the past couple of years. The companies coming from this industry also returned to profitability in the 2014 rankings, recording a net profit of 84.9 million euro after posting a combined net loss of 30.5 million euro the previous year. The sector had eight entrants this year, one more than in the previous ranking. It should be noted that FCA Srbija was not included in this year's ranking as the company's financial data was not available by print time.

The ascendancy of the automobiles industry in SEE is no news if we have in mind that last year marked a turning point in the EU when it comes to the registration of new passenger cars. 2014 was the first in the last seven years to see growth of registrations in the EU.

Telecommunication companies are still losing ground in terms of revenue. The combined revenue of the seven representatives of this sector in the SEE industrial ranking fell 2.12% to 5.1 billion euro in 2014, while their combined net profit plummeted 26.9% to 432.3 million euro with the sector continuing to face market saturation and new EU regulations. Still, telecommunications remained in the fifth spot of the most profitable industries with 8.45% return on revenue while also maintaining the same spot in the 2014 SEE industrial ranking.

SEE industrial ranking

in millions of euro

2014	2013	Industry	Total revenue 2014	Y/Y revenue change	Net profit/loss 2014	Net profit/loss 2013
1	1	Petroleum/Natural Gas	40 577	0.04%	262.5	979
2	2	Electricity	15 312	-5.56%	495.8	529.8
3	3	Wholesale/Retail	14 484	7.02%	251.7	275.4
4	4	Automobiles	8 005	7.10%	84.9	-30.5
5	5	Telecommunications	5 114	-2.12%	432.3	591.2
6	6	Metals	4 700	-0.38%	-2.7	-132.8
7	7	Food/Drinks/Tobacco	3 109	2.71%	114.5	113.8
8	9	Pharmaceuticals	2 479	7.55%	290.2	310.6
9	10	Electronics	1 337	0.38%	19.6	15.6
10	13	Rubber/Rubber Products	1 122	5.45%	159.2	132.9
11	11	Agriculture	1 065	-11.25%	-8.4	-2.7
12	14	Chemicals	936.3	48.36%	56.1	29.7
13	8	Construction	917.0	-57.80%	95.6	56.5
14	15	Transportation	497.7	18.98%	15.6	-91.1
15	16	Furniture	474.4	-3.77%	65.6	96.2

Most profitable industries

	Industry	Return on revenue 2014
1	Rubber/Rubber Products	14.19%
2	Furniture	13.83%
3	Pharmaceuticals	11.71%
4	Construction	10.43%
5	Telecommunications	8.45%
6	Chemicals	5.99%
7	Food/Drinks/Tobacco	3.68%
8	Electricity	3.24%
9	Transportation	3.13%
10	Wholesale/Retail	1.74%
11	Electronics	1.47%
12	Utilities	1.26%
13	Automobiles	1.06%
14	Petroleum/Natural Gas	0.65%
15	Metals	-0.06%

SEE – Europe’s emerging logistics hotspot

By **Tsvetan Ivanov**, business consultant, SeeNews
Miroslava Rakovska, University of National and World Economy - Department of Logistics, Bulgarian Logistics Association

The logistics sector in Southeast Europe (SEE) is relatively underdeveloped as compared to the rest of Europe. However, the region’s location determines its strategic role in trade within the continent, as well as between Europe, the Middle East and Asia. In addition, it is unmatched in Europe in terms of labour costs and real estate rents, and benefits from favourable government policies.

The region is also among the best-rated as far as goods distribution is concerned, though its benefits remain of local or sub-regional nature. Strategically located hubs in SEE, such as Istanbul, are increasingly integrated in the global supply chain and will gain further importance as trade links with the Far East and the Middle East strengthen.

Ongoing infrastructure development and increasing consumer demand in SEE have led to a shift in distribution patterns in Europe and the development of new freight traffic routes. This in turn is impacting the European logistics markets and has brought about new distribution hubs, some of which are competing with established centres in Western Europe as alternative locations for pan-European distribution activities.

The risk factors for logistics in SEE, according to a 2015 research conducted by the German Logistics Union BVL, are above all related to demographic and workforce trends, whose impact on the sector is estimated as strong. The state of the infrastructure and the development of specialised software are seen as having a moderate impact, while geopolitical events are considered by logistic providers to have a limited impact, but consumers of logistic services, i.e. industrial and trade enterprises, estimate their impact as moderate to strong.

Location factors

The factors that determine the strength of a logistic hub generally fall into one of the following groups:

- Infrastructure and Accessibility
- Market Access
- Operational Base Costs
- Labour Market Capacity
- Logistics Competence
- Business Environment

The best combination of these is the ultimate criterion that determines the location of a strong logistics hub. As far as intercontinental trade is concerned, locations in SEE fall into four groups:

- Existing distribution hubs – Istanbul, Athens
- Emerging distribution hubs – Izmir
- Potential distribution hubs – Bucharest, Belgrade
- Other auxiliary distribution centres – Sofia, Thessaloniki, Skopje, Nis, Constanta, Zagreb, Sarajevo

According to a survey conducted by Prologis, a company operating in industrial logistics, which aimed to determine the most attractive locations for logistic centres in Europe in 2013 and in 2018, nine of the top ten locations were in Western Europe and one was in SEE – the region of Western Romania was ranked eighth

in 2013 and fifth for 2018, and seen as playing a vital role in pan-European logistic flows. Its comparative strengths were considered to be the state of the real estate and the labour markets and favourable government regulations, while its main weak point was the absence of first-class logistics facilities. The survey was conducted among companies operating in different sectors of the economy across Europe.

One clearly visible difference between the rankings for 2013 and 2018 is the expected improvement of SEE locations, including Western Romania, Bucharest and Istanbul which report the highest growth among all European locations in the five-year period.

Locations in SEE place among the top European logistics hubs in a survey conducted by consultancy company Colliers International, as well. The survey ranks 40 European cities according to their suitability as logistics hubs.

The criteria used for evaluation of the logistics hubs by Colliers are divided into five major groups, each consisting of two to four indicators:

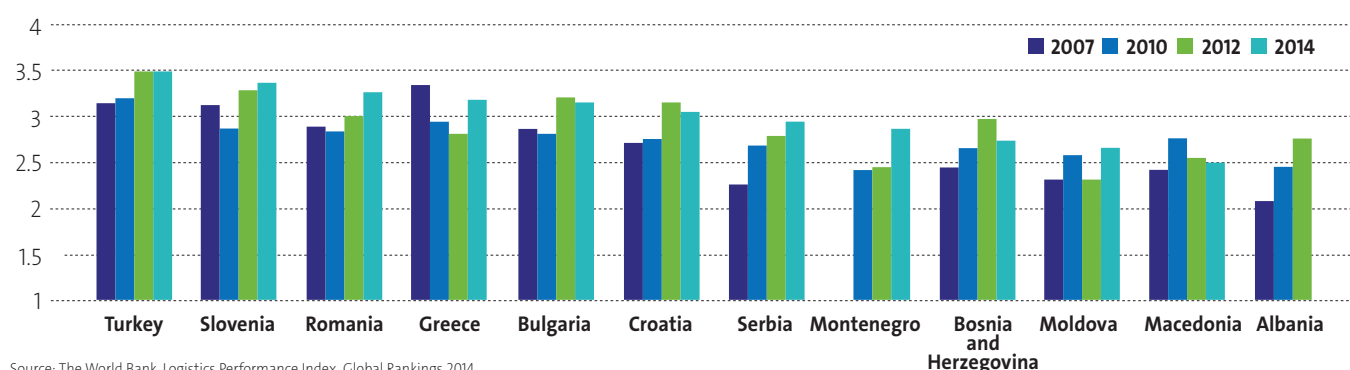
- Infrastructure & Accessibility - Quality of infrastructure; Air freight capacity of airports within 1-hour; Container capacity of seaports within 1-hour; Rail accessibility
- Market Access - Current GDP; Population; GDP in 2017

Colliers Top European Logistics Hubs - rankings of SEE cities among 40 European locations

	Infrastructure & Accessibility	Market Access	Operational Costs	Labour Market Capacity	Logistics Competence
Istanbul (Turkey)	5	37	18	2	5
Rijeka/Koper (Croatia/Slovenia)	17	19	13	40	34
Izmir (Turkey)	21	38	14	15	6
Athens (Greece)	24	40	24	22	38
Sofia (Bulgaria)	30	35	1	39	24
Belgrade (Serbia)	38	36	10	26	18
Bucharest (Romania)	40	34	7	30	33

SOURCE: COLLIERS INTERNATIONAL

Logistics Performance Index total scores



Source: The World Bank, Logistics Performance Index, Global Rankings 2014

- Operational Costs - Rental cost; Land cost; Labour cost
- Labour Market Capacity – Workforce; Unemployment
- Logistics Competence - Labour market specialisation; Logistics competence

Seven SEE cities in Bulgaria, Romania, Serbia, Slovenia, Croatia, Greece and Turkey are included in the pool. In each of the five groups different SEE locations are placed among the top European logistics hubs – Sofia, Bucharest and Belgrade are among the top ten in terms of operational costs, the Turkish cities excel in the labour force and logistics competence group, and the busy ports of Istanbul and Rijeka/Koper are evaluated highly in terms of infrastructure and accessibility. Only in terms of market access the region's main hubs lag far behind in the European ranking due to their location far from the large consumer centres in Western Europe.

Country comparison based on the Logistics Performance Index

An extremely valuable source for international comparisons in the field of logistics is the Logistics Performance Index (LPI), published by the World Bank once every two years. It has six components - efficiency of customs and border management clearance, quality of trade and transport infrastructure, ease of arranging competitively priced shipments, competence and quality of logistics services, ability to track and trace consignments and delivery timeliness and reliability.

Most SEE countries have shown volatile performance since the creation of the index in 2007. Turkey and Slovenia maintain their top positions in the region and are among the leading 40 countries in the world. Greece, Bulgaria and Croatia are also invariably in the first

half of the ranking, although each of them had its ups and downs over the years. Bulgaria and Croatia climbed sharply in 2012 but fell again in 2014. The only three countries in SEE to show a sustainable trend of improving logistic performance are Romania, Serbia and Montenegro. Albania also improved significantly in the 2007-2012 period before being omitted from the index in the 2014 edition. The other three countries in the region rank among the less impressive performers worldwide. Bosnia and Herzegovina and Moldova are generally ranked between positions 80 and 100, except for 2012, when Bosnia reached the 55th place, while Moldova slipped to the bottom of the table. Macedonia is the only country in the region whose standings in the ranking deteriorate every year.

In a breakdown by indicators, SEE sees sharpest improvement in terms of timeliness and ease of arranging shipments. The accession of three Balkan countries to the EU after 2007 and their tighter integration with the other countries in the region has led to wider access to European markets for the whole region. To survive in these markets, SEE companies had to adjust to the requirements of their European partners for timely and reliable shipments. The ease of arranging shipments has also improved throughout the region.

On the other hand, the weak points of the SEE countries lie in the quality of infrastructure and efficiency of customs clearance procedures. In these two areas the performance of the SEE countries is most volatile, triggering sharp changes in the overall index. The deterioration of infrastructure and customs clearance procedures, along with competence and quality of logistics services, tracking and tracing of consignments, led to a decline in the ranking for Turkey, Slovenia, Bulgaria, Croatia, Macedonia and Bosnia and Herzegovina in 2014.

The key LPI indicators affecting logistics in developed countries are competence, quality of logistic services and investment in state-of-the-art technologies. By contrast, logistics in lower income countries, including most SEE states, are greatly impacted by infrastructure and customs clearance procedures – issues resolved long ago in Western Europe.

It should be noted that the countries with steadiest growth in the region - Turkey, Serbia and Montenegro - are all non-EU members, which indicates favourable prospects for the future development of logistics in the SEE region and acceleration of international trade with other regions.

Development potential in some SEE countries

Bulgaria

Much of the existing stock in Bulgaria is old and outdated. Development is slow and large companies prefer to build warehouses themselves. New industrial zones are forming throughout the country. Bulgaria's major advantage over the other countries in the region is its location on the crossroads of major routes in SEE.

Greece

Logistics property is almost entirely located in and around Athens, reflecting the strong dominance of the region. Outside of Athens, Thessaloniki in northern Greece has the potential to develop into a major distribution hub for the Balkans. But this will require an increase in modern stock. Transport infrastructure is better in Greece compared to its neighbours, but political instability is rapidly driving international logistics companies that have established their SEE logistics hubs in Greece away.

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Georgi Peev,
BULATSA Director General

The Bulgarian Air Traffic Services Authority, BULATSA, established in 1969, provides air traffic management and air navigation services to enable the safe, efficient and expeditious flow of traffic in the country's airspace. BULATSA (www.bulatsa.com) is also in charge of the provision, maintenance and operation of the relevant systems and equipment to ensure the communications, navigation, surveillance, meteorological and aeronautical aspects of air traffic management and its supporting infrastructure.

What is BULATSA's role in the wider air traffic picture and what are the main priorities in its work?

Our job is very specific – we are responsible for the safe and regular flights in Bulgaria's airspace and over parts of the Black Sea. Our

air traffic controllers maintain constant contact with the pilots, giving them instructions about a flight's direction, altitude or speed, so that each aircraft remains at a safe distance from the other and from the ground. This is a complex activity, we work in changeable weather conditions, high traffic density, military exercises, etc.

At first glance, the sky is limitless but in fact analyses show that flights in Europe will face increasing difficulties as the capacity of the airspace and the major airports is being filled up. That's why one of our priorities is to create capacity to service a greater number of flights. We are responsible for the so called airspace design which determines the route network, the compliance with the standards for a safe distance between civil and military aircraft, as well as for a safe overflight of ground obstacles. The most important asset in the system are the highly qualified air traffic controllers who ensure the functioning of this orderly structure, certainly with the support of modern technology. All these elements are key to capacity and our main efforts are directed at providing conditions for future growth.

Did the global economic crisis cool down your expectations for growth in aviation or are we going to witness a stable uptrend nevertheless?

Air transport is becoming more accessible and a necessary way of life in the modern world. The number of people who opt for air travel as a means of transport is constantly on the rise. The economic crisis brought a brief decline in the number of operated flights but that has long been in the past. Over the last few years, we have been witnessing a steady growth trend as a result of an increase in passengers to and from Turkey, the Middle East and Asia. The flights that connect these regions with Western Europe pass through Bulgaria's airspace. Another important factor are the military operations in Ukraine, which led to a large number of flights being rerouted to fly via Bulgarian airspace. Special measures are required to organize the people and the airspace in such a manner so as to safely handle

the current levels of air traffic.

How do you cope with these challenges?

We strive to continuously improve the corporate environment and working conditions. I really see having the best people as key here. And we are constantly sending the message that we are expecting bright young individuals to come and work for BULATSA.

Furthermore, we are implementing a large-scale programme to introduce the most advanced technologies available on the global market. In 2015 we will complete the latest update of the automated air traffic management system that will allow sending text messages to aircraft via data link and receiving real-time flight data such as altitude, speed, etc from the airborne systems. In 2012, a new traffic control tower was put into operation and in 2015 we are introducing an advanced surface movement guidance and control system for aircraft at Sofia airport. We are also in the process of commissioning state-of-the-art air traffic control radars and upgrading the air communication and navigation equipment.

What are your medium-term goals?

Today, BULATSA is one of the most efficient air navigation service providers in Europe with a clear vision for development. Partnership with our Romanian colleagues within the DANUBE FAB functional airspace block is of key value for us. We appreciate the importance of our participation in the SESAR programme of the EU for the introduction of future standards for technological equipment. We are a leader in the aviation sector in Bulgaria and an employer providing career development opportunities to the best young professionals on the country's labour market. We invest exceptional resources and attention in training new air traffic controllers. The processes of selection and training are very demanding and a good deal of effort is required to meet the criteria for obtaining an air traffic controller licence. By all means, the subsequent success is extremely motivating.

20
years



20
years we grow
to become as big as
you

The supply potential in the retail real estate market lies in restructuring of underperforming shopping centers

Hot spots

For the Sofia market, 2014 was the last year of strong development activity with the delivery of two schemes – Sofia Ring Mall (GLA 69,000 sqm) and Mega Mall (GLA 25,250 sqm). As new projects came on the market, the pressure piled on the existing ones to retain their footfall and turnover. This competitive environment is likely to put off developers but in the meantime will offer cherry-picking opportunities for institutional investors as dominating centers within certain catchment areas cement their market positions.

What is true for Sofia is also true for second- and third-tier city markets. Throughout most of them competition has produced leading projects which have managed to capture the new demand from international and vibrant national retail brands.

The most active occupiers remain big international retailers such as H&M, LC Waikiki, the brands of Inditex and LPP etc. However, some of them are already operating in the big cities and now are looking for locations in regional centers with over 100,000 residents. The newcomers such as the polish shoe brand CCC are still focused in the major cities.

After the change of the ownership of Praktiker and bauMax in the last year, now the DIY sector is in process of restructuring. The bauMax stores have been rebranded to HomeMax and are being repositioned in the home improvement segment.

Over the last few months there were a number of new openings in the sector. In Sofia the first Mr. Bricolage store (4,500 sq m) in a shopping center started operations in Sofia Ring Mall. A new Praktiker is already under construction in Varna while the former store of the DIY chain in Retail Park Varna has been occupied by IKEA for its first order and collection point on 2,500 sq m.

The fast moving consumer goods (FMCG) sector is dominated by discount chains as Lidl and Kaufland, both part of the biggest European retail group Schwartz. The other fast expanding brand is Billa, part of the retail group REWE.

Rental levels

The strong increase of the supply and the cautious expansion of most retailers over

The retail market, in particular in Sofia and other big cities, is relatively saturated

the last few years have put rental levels under pressure. However, since the end of 2014 the levels have stabilized around 20 euro per sq m/month for prime space in the shopping malls in Sofia. The prime locations on main streets such as Vitosha Blvd. in Sofia also registered no price changes over the last few quarters and remained around 44 euro per sq m/month.

Investment activity

There were several significant acquisitions of shopping centers in 2014, as investors chased down distressed assets. The deal for City Center Sofia was followed by that for Galleria Plovdiv and, in the beginning of 2015, by that for another shopping center with construction on hold in Plovdiv - Markovo Tepe Mall.

INDUSTRIAL

Overview

The industrial real estate market in Bulgaria offers a large field for new project development while the opportunities for investment remain limited. The total industrial stock in the region of the capital city Sofia amounts to 835,000 sq m but the most part of this space is old, in a poor condition or of small size.

On the other hand, the limited availability of modern space combined with Bulgaria's improving economic performance provides an opportunity for new projects in the industrial segment. Before the crisis, a number of projects for new industrial and logistic parks were on the drawing boards and most of them are still there. Now that there is evidence of occupier demand for modern space and potential for rental growth, the appetite for new speculative developments is also on the increase.

Hot spots

Sofia and the developing industrial areas around it remain the key target for most of the investors in logistic space. The area is at

Prime rents and yields (Sofia area)

	Rents (€/sqm/month)	Yields
2011	27	9
2012	27	9
2013	22	9,25
2014	20	9,25
2015 (f)	22	9,25

Source: Forton/Cushman&Wakefield

Shopping Centers per cities (sqm)

Burgas	65.231
Varna	85.000
Veliko Tarnovo	15.981
Gabrovo	18.000
Pleven	23.866
Plovdiv	67.000
Ruse	35.500
Sofia	395.255
Stara Zagora	57.222
Total	763.055

Source: Forton/Cushman&Wakefield

Prolonged gas cuts during 2015/2016 winter unlikely amidst ward off effects from Ukraine crisis

By Djordje Daskalovich



Tom Rogers,
*Senior Advisor to the EY *
Eurozone Economic Forecast*

Tom Rogers is currently Senior Advisor to the EY Eurozone Economic Forecast, and Associate Director of Macro Consulting, Oxford Economics. Previously Economic Advisor at HM Treasury and the Foreign and Commonwealth Office.

Do you see the effects of the Russia-Ukraine crisis wearing off in the short-term?

Despite serious concerns at the beginning of

the crisis, most of Western and Eastern Europe have weathered the impact of the Russia-Ukraine crisis relatively well so far, as the growth momentum in the Eurozone turned out stronger than the downward pressures

from the crisis, caused by recessions in Russia and Ukraine and the sanctions/counter-sanctions. The gas crisis has been avoided and prolonged gas cutoffs are unlikely in the 2015-2016 winter period.

EuroBillions, or how the EU supports the SEE economies

By **Valentin Stamov**, senior business analyst, SeeNews

“EU funds” is a sacred phrase in Southeast Europe (SEE). Overall, it means “hope for higher living standards”, which is actually the ultimate goal of the EU’s Cohesion Policy. To tackle issues that sometimes lead to the misappropriation of funds the European Commission reformed the schemes for the 2014-2020 period. However, it remains to be seen whether the overhauled Cohesion Policy will indeed lead to an economic and social fairy tale.

EU funds in a nutshell

To make the long story short, the goal of the EU funds is to reduce the gap between the rich and poor countries and regions across Europe. The total budget of the EU funds for the 2007-2013 period was more than 340 billion euro, and for the 2014-2020 period over 351 billion euro will be allocated to boost the European economy. There are two main groups of funds under which the SEE countries can obtain financing. The EU member states in SEE – Bulgaria, Croatia, Romania, and Slovenia, receive funding from the five European Structural and Investment Funds (ESIF), while the

non-EU members are included in the Instrument for Pre-accession Assistance (IPA).

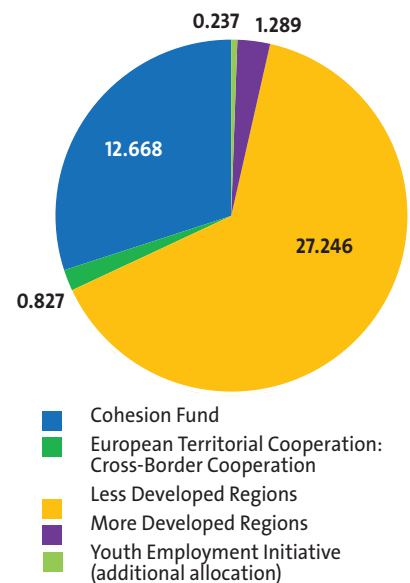
How much EU members in SEE got...

In the 2007-2013 period Bulgaria, Croatia, Romania, and Slovenia received a total of 21.2 billion euro under ESIF funds. The leader in terms of absorption of EU funding was Slovenia, which managed to absorb 84% of the total funds allocated to the country.

...and will get

The EU’s reformed cohesion policy will make available up to 351.8 billion euro to be invested in Europe’s regions, cities and the real economy. It will be the EU’s principal investment tool for delivering on the Europe 2020 goals: creating growth and jobs, tackling climate change and energy dependence, and reducing poverty and social exclusion. The goals will be achieved by focusing the European Regional Development Fund on support for small and medium-sized enterprises with 140 billion euro, or double the 2007-2013 sum.

EU Cohesion Funding for 2014-2020 in Bulgaria, Croatia, Romania and Slovenia by Spending Category (in billions of euro)



Source: European Commission

What the funds were used for

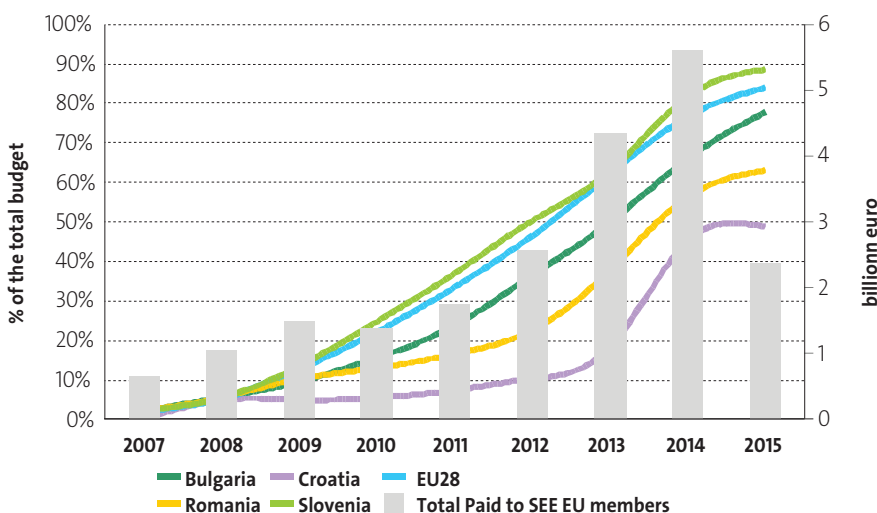
ESIF boosted the infrastructure development and employment in the SEE EU member states in the 2007-2013 period.

EU investments in Bulgaria were predominantly focused on road and railway infrastructure. The EU and the local authorities failed to allocate investments in job creation and start-ups, although the country had the highest number of European Social Fund participants.

Romania also used a large amount of EU funds to improve its road networks but also managed to raise the employment levels and support startups as well.

Slovenia absorbed the EU funding to improve the water supply and waste water management sectors, as well as expand the broadband coverage of its population.

EU Funds* Absorption Rate in SEE EU-members and Payments under EU Cohesion Policy 2007-2013



*Absorption rate and payments under European Regional Development Fund (ERDF), European Social Fund (ESF) and Cohesion Fund (CF)
Source: European Commission

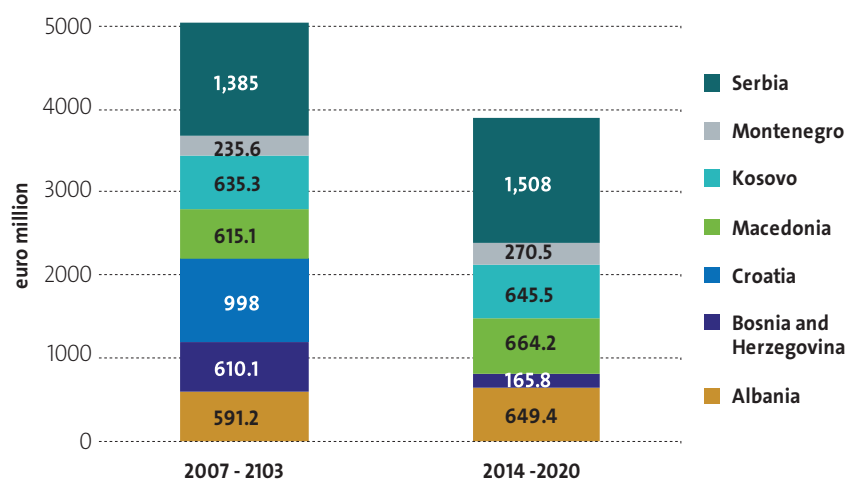
Outputs of EU Cohesion Policy Operational Programmes in SEE EU-members

Country	Water Projects additional population served by water projects	Broadband Access number of additional population covered by broadband access	Waste Water Projects additional population served by waste water projects	Jobs Created number	Start-Ups Supported number of start-ups	Reconstructed Roads km	New Roads km	Reconstructed Railroads km	New Railroads km	ESF Participation annual participations
Bulgaria	-	-	-	4,514	-	730	223	164	17	791,147
Croatia	-	-	-	-	-	-	-	-	-	693
Romania	-	-	-	25,193	106	1436	162	-	-	244,207
Slovenia	193,128	73,316	114,936	5,307	17	4	3	73	-	132,727

Source: European Commission

IPA support for SEE enlargement countries

(excluding Turkey)



Source: European Commission

Money for SEE EU candidates

IPA is the programme used by the EU to support reforms aimed at meeting EU membership criteria for the EU-aspiring countries - Albania, Bosnia and Herzegovina, Macedonia, Kosovo, Montenegro, Serbia, and Turkey. IPA's 2007-2013 budget stood at 11.5 billion euro and its successor, IPA II, will provide a total of 11.7 billion euro for the 2014-2020 period. IPA II will focus on better governance, with projects aiming at reforming public administration, using EU assistance more efficiently, adopting and enforcing EU standards, as well as implementing more reforms in the judiciary and fundamental rights and further supporting the fight against organised crime and corruption.

EU funding pitfalls

Despite the seemingly positive impact of the EU funding, it hides some risks such as occasionally feeding corruption practices, causing environmental damage, and suffering from inadequate distribution of funds.

Other weaknesses of the EU funding schemes, according to a report by UK think-tank Open Europe, include:

- Conflicting aims – sometimes the structural funds are channeled to areas where the

absolute return of capital is the greatest rather than in areas where they can foster the greatest convergence between poorer and richer regions;

- Opportunity costs – in some cases, the local authorities divert spending from more productive economic projects to unnecessary projects, for example costly and ecologically harmful infrastructure projects, in order not to miss money from EU's structural funds;
- Pro-cyclical and unresponsive to changing needs – financing under the EU programmes is negotiated on a seven-year basis, and comes with fixed spending criteria with some discretion to alter spending on a yearly basis. This pushes governments and local authorities to spend the money on co-financing the projects, even if this means running up massive debts,

in order not to forgo the potential opportunities presented by taking up structural funding;

- No link between performance and spending - the absence of strong conditionality and performance criteria in the allocation of funds meant that some projects continue to receive funding despite the absence of results from the billions in funding that it has received. This also means that the focus is on getting money out of the door rather than spending the cash wisely.

According to the annual report of the European Anti-Fraud Office (OLAF), corruption in EU funding absorption was most widely spread in Romania. The country topped the ranking in terms of investigations into the use of EU funds in 2014. A total of 36 investigations were carried out in Romania, followed by Hungary with 13 and Bulgaria with 11. OLAF received 73 signals from private sources and six signals from public institutions in Romania, while 54 private sources and five public sent signals to OLAF in Bulgaria. In Albania, Bosnia and Herzegovina, Croatia, Kosovo, Macedonia, and Slovenia OLAF investigated only one case in 2014.

Brighter future?

The weaknesses of the EU's Cohesion policy for 2007-2013 prompted the European Commission to reform the funding programmes in order to further boost the economies of the less developed EU member states and cut corruption practices. The reforms in all ESIF envisage stronger result-orientation, clear and measurable milestones and targets in order to stimulate good projects.

Actions taken by national judicial authorities following OLAF's recommendations issued in 2007-2014

Country	Number of judicial recommendations	Number of decisions taken		Decisions taken			Rate of Indictment	Planned completion date
		Reporting period (*)	Ongoing criminal investigation	Total	Dismissal	Indictment		
Bulgaria	30	3	5	22	10	12	55%	2020
Croatia	0	-	-	-	-	-	-	-
Romania	89	25	11	53	37	16	30%	2020
Slovenia	4	3	-	1	-	1	100%	-

* When OLAF sends a judicial recommendation to a Member State, the competent authority has to report on the actions taken following the recommendation within 12 months. Reporting period means these cases are still in this 12 months' period. Source: OLAF

M&A activity in SEE – improving outlook

By Stela Ivancheva, Raiffeisenbank (Bulgaria) EAD, Julian Gikov, Raiffeisen Bank International AG

2014 was a limited success year for mergers and acquisitions (M&A) in Southeast Europe (SEE), but an analysis of deals already announced in 2015 indicates an improving outlook. In the past couple of years, the M&A activity in most SEE countries suffered to differing degrees from slower economic growth, the small size of the national consumer markets and political instability. Nevertheless, local specifics rather than common features tended to determine the main drivers of M&A in each country. Romania stands out as the undisputed M&A leader in the region based on sound economic performance and sector maturity which enable it to attract more interest from international investors. Following a year of instability, Bulgaria firmly returns on the radar of both strategic and financial foreign players. Intra-SEE M&A carried out by local and regional players increased in significance and was a factor especially in the Western Balkans. With around 7 billion euro allocated for investments in the Central and Southeast Europe (CSEE) by private equity firms, the region is set to benefit from increasing fund raising.

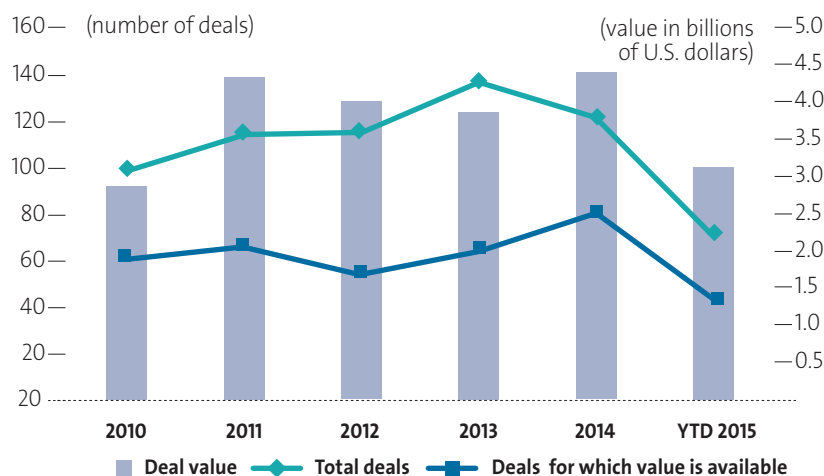
BULGARIA

Despite the healthy level of M&A activity, there was a decline in deals in Bulgaria in 2014 compared to 2012 and 2013. The total value of M&A has been generally limited in the past several years except for single deals accounting for most of the value in each year. The inferior performance in 2014 could at least partly be attributed to the political uncertainty as early general elections were held in two consecutive years, as well as to the undermined confidence in the country's financial and banking system following the close-down of Corporate Commercial Bank (Corpbank). These factors exacerbated the effects of slow economic recovery and unreformed sectors of the economy, such as energy, causing structural tension.

The list of major M&A deals in Bulgaria prior to 2015 included the 290 million euro acquisition of cigarette producer Bulgartabac by Livero Establishments (in 2014), the sale by Rohatyn of a minority stake sale in Huvepharma for 255 million euro (in 2014), the 207 million euro acquisition of software developer Telerik by Progress Software Corporation (in 2014), the sale of Credit Agricole Bulgaria to Corpbank (in 2014), Austrian Post's acquisition of M&BM Express (in 2014), the deal under which Euroins Insurance Group bought the Bulgarian operations of Germany's Talanx International (in 2014), and the acquisition of 20.3% in Neochim by Austrian chemicals group Borealis and Bahrain based First Energy Bank (in 2014).

A key M&A trend in in Bulgaria over the past several years has been the exit of international strategic investors, as their place has been taken up by local players. Examples here include food retailer Delhaize, do-it-yourself (DIY) retailers bauMax and Praktiker,

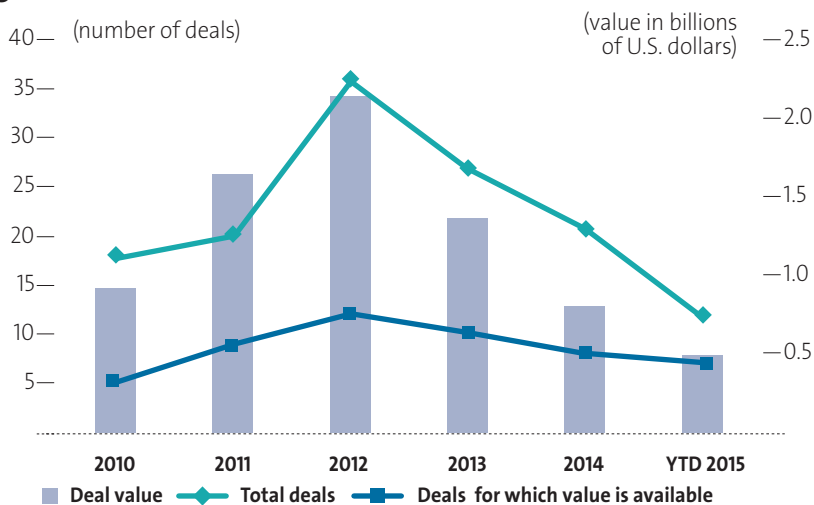
M&A deals in SEE



Source: Raiffeisen research and analysis

SEE TOP industries

Bulgaria



Source: Raiffeisen research and analysis

Group were both announced in May 2015. In the pharmaceutical subsegment, local generics leader Sopharma group acquired control through the stock exchange of producers Rosa-Sevtopolis (2014) and Medica (May 2015) and is rumoured to be seeking acquisitions in pharmaceutical retail. The owner of another large local player, veterinary pharmaceuticals producer Huvepharma, bought back the stake held by its financial partner in 2014 while the company itself has been active as acquirer abroad. Given the present fragmentation in the segment, these few deals could be just the onset of a series of M&As.

M&A activity in the agricultural segment increased in the past couple of years due to landstock accumulation. It is driven by the anticipated appreciation of agricultural land as a result of the EU-sponsored growth of Bulgarian agriculture and farming. The activity is dominated by local players. At the same time, there have been no significant M&As involving farming enterprises. Except for wheat growing, agricultural producers in Bulgaria are still extremely fragmented indicating potential for M&As in the future.

Further to the sectors discussed above, expected drivers of M&A activity in the short term include the disintegration of the business groups affiliated to Corpbank, the restructuring of Greek banks, and to some extent privatisation. It is expected that the Bulgarian operations of Greek banks will be sold as part of the restructuring of their parents. The first step in this process is the announced merger of Alpha Bank in Bulgaria into Postbank, Eurobank EFG's Bulgarian subsidiary. At the same time, the government has indicated intention to privatise certain state-

owned assets, including freight railway transport company BDZ Cargo, following restructuring, the Bulgarian Stock Exchange and the Central Depository, and some 30 smaller enterprises. These public sector opportunities are complemented by certain pending concessions. It should be noted, however, that attracting investor interest for many of the enterprises on the sale list may prove a challenge given their current performance or, in some cases, the chosen privatisation method.

Recent developments on the Bulgarian M&A market seem to indicate two general trends: a cautious return of international investors, and an increasing significance of local players. Despite the slow economic growth in the past several years, certain sectors of the economy have done well and investors are already appreciating it. The acceleration of GDP growth in 2015 could be expected to have a further positive impact on the M&A activity, although the small scale of the Bulgarian market limits the attractiveness of local business.

CROATIA

M&A activity in Croatia declined in 2012-2014 but there are indications of recovery in 2015 as the number of deals announced in the first seven months of the year approaches the total number for each of the previous three years. M&As in the country are primarily driven by the private sector, with local investors playing a significant role.

Key sectors driving private sector M&A are traditionally tourism and hospitality, food

and consumer goods, and financial services. The list of recent deals includes several acquisitions of tourism and hotel operators, including Istraturist Umag, Adriatica.net and Hilton Imperial Hotel, mainly by local players, as well as the acquisition of cement producer Cemex's operations in Croatia (with assets also in Bosnia, Montenegro and Serbia) by the Hungarian subsidiary of Heidelberg Cement Duna-Drava Cement, the acquisition of pharmaceutical producer Genera by Dechra Pharmaceuticals, the acquisition of UniCredit Leasing Croatia and Locat Croatia by Zagreb banka, and, notably, the 550 million euro acquisition by British-American Tobacco of TDR, and its vertically aligned affiliates along with retail chains iNovine and Opresa, from Adris Grupa. Local players have a significant impact on the M&A market in Croatia, in particular the diversified business groups Agrokor and Adris Grupa which are active as both buyers and sellers.

Emerging M&A growth observed so far in 2015 will be supported by the resumed GDP growth

Although the government enacted legislative changes in 2013 to facilitate privatisation, so far it has had limited success. The attempted privatizations of Hrvatska Postanska Banka, Croatia Airlines, rail freight carrier HZ Cargo, shipping company Jadroplov and certain state owned hotels and resorts failed to attract investor interest due to their financial condition and the aggressive terms sought by the Croatian government, while the outcome of the sale process for fertiliser producer Petrokemija is still uncertain. Furthermore, no progress was made in relation to the announced privatisation of a number of other companies including sea and river ports and Hrvatska Lutrija. Recent successful deals include the privatisation of insurer Croatia Osiguranje and the concession deal for the Zagreb Airport. The planned IPO of 25% interest in the national electricity company Hrvatska elektroprivreda (HEP) too is expected to attract significant interest. State-owned equity in food producer Podravka, electrical equipment producer Koncar, marina operator Adriatic Croatia International Club (ACI) and postal carrier Hrvatska Posta could raise significant interest among international in-

SEE TOP industries

tries by ASO Siderurgica in 2014. In addition, a number of smaller deals were announced in various sectors involving both international and local acquirers. Private equity firms retain their interest in Romania, with Mid Europa Partners, Carlyle Group, Montagu, PPF Investments, Abris Capital and Axxess Capital making new investments in the country in the past few years.

In addition to the mature economic sectors which account for the major part of M&As in Romania, new sectors with the potential to generate M&A growth are emerging. One such sector is technology. A high profile, large ticket deal which took place in 2014 was the \$500 million acquisition by Facebook of monetization platform LiveRail, a company co-founded by two Romanian and one British individuals and having a development office in the town of Cluj-Napoca in Romania. The deal signifies the success of the technology sector in the country in general – one of the fastest growing sectors as the country is now considered among the most attractive global destinations for IT and business process outsourcing. Although greenfield investment by large international players tends to be the preferred method of tapping the favourable conditions for technology business in Romania, several local software developers and e-commerce companies have reached a scale that could attract the interest of international investors. Such companies include Bitdefender, Siveco, TotalSoft, Gersim, Mobile Distribution, F64 Studio and PC Garage. Another sector which holds promise for M&A growth in the future is agriculture. The sector has become increasingly attractive due to low costs and good quality of agricultural land. Large international players have

already entered land ownership and farming in Romania, including financial giants Assicurazioni Generali and Rabobank, German investment funds Germanagrar and Agrarius, Danish Ingelby and FirstFarms, Dutch DN Agrar, and Lebanese Maria Group. The investment fund Insights Investments through its vehicle Alisa Farming, the investment fund Spearhead International, as well as the multinational group Martifer, are in the top 10 of landowners in Romania with landstock of 14,000 to 25,000 ha. Nevertheless, there are also large local agricultural players such as Interagro, Grup Racova, Comcereal Dolj and Agricost. Furthermore, although it is still dominated by small and medium players, the animal farming subsegment of the agricultural sector already has some local players of its own which have reached an attractive size, including Transavia, Agricola and Kosarom. Apparently there are both interest and room for further consolidation in the sector which set the stage for future M&A.

Privatisation will not be a significant contributor to M&A activity in Romania in the near future. Excluding the privatisation of minority interests through the stock exchange, the main pending privatisations are limited to the sale of postal operator Posta Romania where a deal is being negotiated with the single bidder, Belgian Bpost, and that of the national freight railway transport company CFR Marfa, for which the government decided to change the strategy to listing on the stock exchange in 2016 after a failed deal with Grup Feroviar Roman in 2013. Except for chemical producer Olchim which will potentially be up for sale in three years after carrying out a restructuring plan, at present there are no other significant privatisation targets.

The excellent economic performance of Romania in the recent years, with real GDP growth of around 3% in each of 2013 and 2014 and expectations for around 4% GDP growth in 2015, and the larger scale of its market compared to the relatively fragmented markets of its neighbours, seem to make it a good place for M&A in the foreseeable future. Sustained interest on the part of financial sponsors conveys confidence that doing business in the country can generate good returns for investors. The strength of Romania's M&A market is underpinned by the fact that deals are generated by many sectors across the economy, with new sectors emerging as further M&A drivers. Non-reliance on privatisation which is an unsustainable and problem-ridden source of M&A renders a further advantage. Overall, there are sound reasons to expect that Romania will continue to be the M&A leader in SEE in the short to medium term.

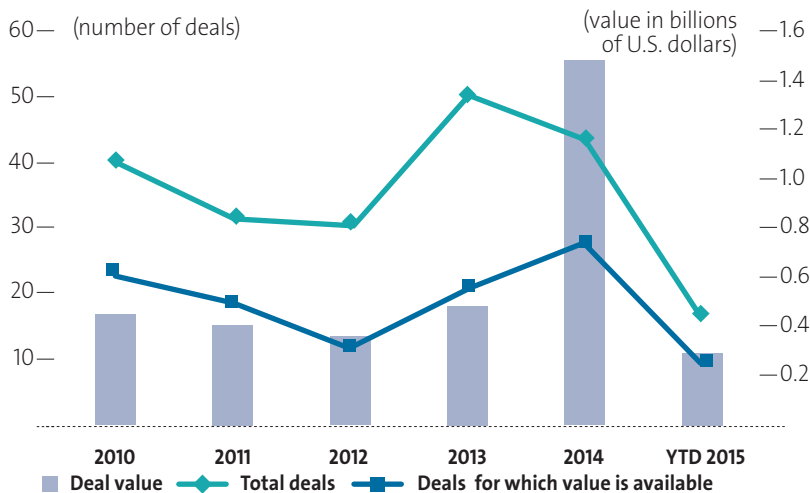
SERBIA

M&A activity in Serbia was at relatively low levels during the past five years compared to its neighbours, except for certain large deals which dominated the M&A landscape – the 575 million euro acquisition of Danube Foods Group by Mid Europa Partners in February 2015, the 1 billion euro acquisition of Serbia Broadband by KKR from Mid Europa Partners in 2013, and the 950 million euro acquisition of retailer Delta Maxi by Delhaize Group in 2011.

In addition to these landmark deals in the food and beverage and telecommunication sectors, smaller deals, including certain add-on acquisitions by Serbia Broadband, took place. Another sector which contributed to M&A activity in the country was financial services, with acquisition of the Serbian operations of Italian Findomestic Bank by OTP (in 2015), the acquisition of the SEE network of Hypo Group Alpe Adria by Advent International and the European Bank for Reconstruction and Development (EBRD) (in 2015), the acquisition of minority interests in insurance group Delta Generali Osiguranje by Generali (in 2014), the acquisition of AIK Banka by local MK Group (in 2014), and the acquisition of KBC Banka by Telenor (in 2013).

Privatisation has so far had little impact on M&A activity in Serbia. The list of successful recent privatisations is limited to the sale of Cacanska Banka to Turkey's Halkbank in January 2015, the sale of 49% of the shares in flag carrier JAT Airways to UAE-based Etihad Airways in August 2013, and the sale of winery

Romania



Source: Raiffeisen research and analysis

Walltopia: We see big potential for amusement products in SEE



Ivaylo Penchev,
CEO

Founded in 1998, Bulgaria-based Walltopia is one of the world's leading manufacturers of artificial climbing structures, operating on six continents through offices in the U.S. UK, Canada, Germany, Russia and Asia Pacific and exporting to 50 countries around the globe. Walltopia has a team of more than 300 professionals and has the largest production capacity within the industry. In late 2014 Walltopia broke ground for a 6.1 million euro research centre.

in Bulgaria, so we have more educated professionals to choose from in the future.

A focus on innovation and technology – this seems to be a key marker of the most rapidly growing local companies, yet innovation is largely missing from the agenda of the local entrepreneurs. How would you comment on this?

A company that does not innovate is doomed to eventually fail. And by innovation I mean true innovation, not simply copying ideas from abroad and applying them here.

Following the launch of the Auxionize platform and the launch of works on the Collider Activity Center, do you have any other big projects in the pipeline?

While Walltopia became famous and successful with our climbing walls, we have been developing other products and concepts as well. One of them is our franchising business, through which we plan to expand our family entertainment center concept Funtopia globally. The other one is the expansion of a new product vertical: Walltopia Active Amusement, which consists of a variety of amusement products.

The most innovative one is a product called The Rollglider. It is essentially a hybrid between a zip line and a roller coaster. This product is incredibly versatile as it can be used both outdoors and indoors by people of all ages and abilities and it is quickly becoming popular among multiple client segments.

Do you see interesting business opportunities elsewhere in Southeast Europe?

I see a lot of potential for our amusement products everywhere, but in Southeast Europe in particular I believe we will be even more successful with amusement products than we were with the climbing walls.

Does a Bulgarian company need to be export-oriented to be successful?

It depends on the industry, but generally speaking export-oriented companies tend to be more successful because they are able to tap into much bigger and richer markets. For example, a company like Walltopia could not have survived in Bulgaria only. The same could be said about Chaos Group, a software company, Drag Bicycles, a bicycle manufacturer, and many more. In big and developed markets, for example in North America, a company can really test how good their product offering is. I am happy to see more and more new firms, especially technology firms, being set up in Southeast Europe. I believe being based in a country like Bulgaria, while selling abroad, can offer significant advantages.

What are the major problems facing the local business?

The two biggest problems are lack of transparency and open competition and lack of human resources.

The first one is something that we encounter a lot with our e-procurement platform Auxionize. Companies are very hesitant to experiment with new suppliers even though they might have better prices and quality. Generally, they are afraid they might damage the relationship with the old supplier. Often suppliers that have worked with a client for many years end up charging him higher than the current market price for the goods/service - all because of the client's unwillingness to promote transparency and open competition.

The human resource problem is something that most companies in the region are encountering. At Walltopia we are investing in ways of attracting Bulgarians from abroad, but also in ways to improve the educational system here



A company that does not innovate is doomed to eventually fail



IBM helps organisations across SEE to stay on the right side of IT security



Michael Paier,
General Manager
Southeast Europe

By 2020 the number of things connected to Internet in Southeast Europe (SEE) will exceed its population more than four times. Over 7 million smart meters will be deployed across the region. Security has never been more important...

When it comes to cybercrime, rather than being popular targets, countries from the Southeast Europe (SEE) region are more known as a hot bed of highly-skilled hackers. However, IBM researchers have recently discovered newly reconfigured malwares specifically targeting more than 20 new banks in Bulgaria and Romania. What has changed in the world of cyber security?

Cyber attacks are spiraling and today the world of cyber security is expanding into a world of cyber insecurity with fraud and cybercrime on the rise with threats that are more diverse than ever, and attacks becoming more personal and much more sophisticated. Explosion of data is complicating the threat landscape - 90% of the world's data has been created in the last years, yet less than 1% of that data is being analysed. IT Infrastructure is immature - according to IDC, organisations across SEE still use less-effective and obsolete IT infrastructures which makes them vulnerable to cyber attacks. At the same time spending on mobile devices is growing, and reaching almost a third from the total IT market in SEE in 2014. With the spread of mobile apps that may not have security by design, the BYOD (Bring your own

device) trend more often may mean BYOV (Bring your own virus) at work or at home. Furthermore, the regulatory framework is under-developed.

How does the market react?

In order to cope with the emerging threats and mitigate risks, SEE organizations are increasing their investments in IT security. According to IDC, overall spending on security solutions is expected to increase by 47% between 2014 and 2019, which is more than the worldwide average of 31%.

Clearly we can see this on the market: different organisations – from governments and financial institutions to small businesses or individuals - are heavily investing into securing their networks, yet the number of attacks is rising and so is their scale and the damage they cause.

One of the key reasons for that is that the majority of security investments in SEE are expected to be directed toward basic security solutions only.

What does this mean for organisations and governments in SEE?

It means that we have all reached a tipping point and we need to take a different approach to IT security.

Given today's threat landscape, the question for almost every organization is not whether a security breach will happen, but when. Even worse – companies are not always aware that they have been attacked and it may take time until they detect the hack. So, existing perception that 90% network security is “OK” is no longer sufficient.

How should SEE organisations deal with the new realities of cyber insecurity?

Today fighting cyber attacks should begin with an obsessive vigilance and far before the attack can happen. Proactive defense strategies should cover the entire organisation: its IT platform, including infrastructure, applications, cloud environments, mobile devices; employees and their constant training; and the physical assets of the organisation.

What is the best protection today?

Our best defense today is to revamp our approach to security, and move towards a unified analytics and intelligence-driven collaborative fight against cybercrime.

Developing and executing a comprehensive long term cyber-security strategy has to be at the top of any CxO agenda now. This is a must.

How can IBM help?

Over the past few years, IBM has reaffirmed its position as a security solutions provider through a series of acquisitions that have broadened our security portfolio. Now we offer comprehensive, integrated, multilayer solutions consolidated under a single business unit focusing on security and threat intelligence. Our security portfolio is based on a framework comprising hardware, software, and services designed to help organizations detect, prioritize, respond to, and prevent security breaches.

Can you point to some best practices from the region, i.e. how organisations can benefit from this approach.

Organisations across SEE use IBM Security solutions to proactively protect their networks and their clients data from cyber crime.

For example, United Bulgarian Bank, Zagrebacka Banka and Splitska Banka in Croatia. BRD-Groupe Societe Generale in Romania, Societe Generale Banka Serbia are all focusing on fraud prevention by using IBM Security Trusteer to protect web applications, computers, and mobile devices against advanced malware and phishing attacks. Slovenian Zavod za zdravstveno zavarovanje Slovenije — the Health Insurance Institute of Slovenia, for example is using IBM QRadar to improve the speed of solving network problems and to deal with firewall issues by closing the gap between network and security operations.

Stay on the RIGHT SIDE of Security

Cyber criminals are everywhere, creating new threats every day, every hour, around the world...

The 'Internet Of Everything' will generate **\$14.4 trillion** of value over the next decade

Companies are attacked an average of **2 million** times per week.¹

IBM's comprehensive portfolio of security solutions can help protect your enterprise as you grow your business with new technology.

Once every 1.5 seconds, enterprises are attacked globally.²

Build a more secure enterprise to stop advance threats and protect critical assets

68% of CISOs see cloud security as a critical business concern³

CLOUD

Gain access control and visibility

66% of data breaches took months to discover⁴

ANALYTICS

Lower risk, detect fraud fast

80% of BYOD activity is going unmanaged⁵

MOBILE

Protect the device, applications and data transfers

63% said social media puts their organization at risk and is a serious security threat⁶

SOCIAL

Be secure in all social interactions

IBM

On your side, protecting your assets

Learn more at: [IBM.com/Security](https://www.ibm.com/Security)

Source:
1. IBM X Force Threat and Risk Report
2. FinalEye Advanced Threat Report for 2013
3. From the PPT Report: Security and Compliance, 2014, 10-13, 14
4. BMC, Security 2014 and Beyond: An Evolving Threat Environment in a Mobile, Cloud, and Virtual World
5. From: Securify.com
6. Ponemon Institute survey

CEE can both benefit and contribute to Industry 4.0



**Dr. Ing. Boryana
Manolova,**
CEO, Siemens Bulgaria

Siemens Bulgaria is part of Siemens AG – a world leader in the manufacturing of innovative products, technologies and solutions in the fields of electrification, automation and digitalization. The company is a leading supplier of combined cycle turbines for power generation, a major provider of power transmission solutions and a pioneer in infrastructure solutions as well as automation, drive and software solutions for industry. Siemens is also a leading provider of medical imaging equipment and a leader in laboratory diagnostics as well as clinical IT.

In Bulgaria the company has been present for more than 135 years. Today Siemens Bulgaria has nearly 500 employees. The company's aim is to improve the quality of life and provide products and services that move the world forward.

In recent years Industry 4.0 is on everybody's lips. What exactly does it mean?

The term Industry 4.0 was presented to the public for the first time in 2011 at the Hanover Messe, the largest industrial fair in Germany. It summarizes the vision of the German government for the future of manufacturing, when the pervasive networking of people, products, and machines will create a completely new production environment, reaping huge benefits in the form of improved quality, lower costs, increased efficiency and customizability.

The idea of Industry 4.0 is focused on smart products, smart procedures and smart production. In this vision, the worlds of real and virtual manufacturing merge in order to ensure a long-term defendable competitive position.

In intelligent factories of the future, machines, raw materials, and products are connected through the "Internet of Things". Factories are largely able to control and optimize production, while their products communicate with one another and with produc-

tion systems with the ultimate goal to run production processes as smoothly and efficiently as possible and detect any potential failures. Independently operating computer programs monitor every single step, creating a networked, flexible, and dynamically self-organizing manufacturing process for highly customizable products. That is the vision for the Fourth Industrial Revolution shared by Siemens AG as part of its mission to trailblaze the future of industry.

What determines the current speed of penetration of digitalization in production processes, which forms the basis of Industry 4.0?

Industry 4.0 concept merges classic industrial processes with the evolutionary changes brought by the modern information technologies in order to answer the customers' needs of improved flexibility and decreased time to market along with reduced energy and resource consumption.

Even now, the industries are more and more impacted by the software solutions and the penetration of Internet, changing the whole value creation process. The components,

tools, machines, and conveyor systems in today's advanced, automated factories are already equipped with sensors and communication systems that share and analyze a huge amount of data every single second in order to manufacture mass-produced products quickly, flexibly and efficiently. Over the next 15 to 20 years, this process is expected to further expand and gain speed all over the world, driven by the increased need of digitalization and automatization of production. The result will significantly change the paradigm of manufacturing as we know it.

How is Siemens pioneering these developments?

Long before the term of Industry 4.0 was presented to the public, Siemens had laid the groundwork for the digitalization of industries. The introduction of Totally Integrated Automation (TIA) in the mid-90s enabled companies to coordinate the components of their production processes and closely integrate their software and hardware. In 2007 Siemens introduced a comprehensive portfolio of PLM (product lifecycle management) software products, aimed to optimize the whole process of product development. The



The Amberg factory is a harbinger of the Fourth Industrial Revolution

design, prototype development, and simulation take place in the virtual world so that development times as well as potential costs can be greatly reduced.

Siemens PLM software was successfully used by NASA throughout the complete design, testing and development of the latest Mars Rover – "Curiosity". PLM software NASA engineers engineers to virtually test and assemble all of the rover's components and simulate how "Curiosity" would operate on the Red Planet in the most realistic way.

Similarly, the Formula 1 car of the world champion Sebastian Vettel was also modified using Siemens software in order to meet new racing requirements of the automotive association FIA. The advanced features of PLM portfolio enabled engineers of the Infiniti Red Bull racing team to design and virtually test new components in record time, just at the click of a mouse.

The Mars rover and the race car were manufactured only once -- a batch size of one. They are nonetheless indicators of a global trend toward making products increasingly specific and in line with the customer's individual wishes by

simulating real-life production environments. Siemens makes a point by using these cutting-edge technologies in its own factories. A harbinger of the Fourth Industrial Revolution is already humming away in the small Bavarian city of Amberg. The Amberg Electronics Plant is a trend-setting example of Siemens' Digital Enterprise Platform — a production environment that could become standard ten years from now. Here, products already communicate with production machines, and IT systems control and optimize all processes to ensure the lowest possible defect rate. Their product codes tell production machines what requirements they have and which production steps must be taken next. This networked production environment marks the first leap toward the emergence of Industry 4.0.

How can Central and Eastern Europe fit into this vision?

Unfortunately, we have to admit that our region is often lagging behind in terms of technological innovation. But although at the moment the prospect seems quite remote, Central and Eastern Europe can not remain outside the global processes of digitalization

and networking of technologies.

At the global level there are still challenges to overcome before the vision of Industry 4.0 becomes a reality. The currently emerging requirements for cyber-physical systems (CPS) and the Internet of Things are very difficult to be realized with today's technical data infrastructures. Many barriers must be eliminated in terms of the inconsistent data silos, significant differences between various industries and the reflection of their characteristics in the software platforms, missing standards and openness. Tools and communication structures need to be availed that permit the digital company to fuse with the real one or at least to interact as fully as possible.

Despite years of investments and research by Siemens and other leading IT companies in this direction, the necessary technological preconditions for Industry 4.0 cannot be created ad-hoc or with the efforts of a single company or even a country. It could only become a reality step-by-step, with the consistent contributions of the manufacturers, researchers and users. And the technology companies in CEE can both benefit and contribute to the future of manufacturing.

Engineering, IT companies, telcos show growing interest in MBA programmes



Lynne Montgomery,
COTRUGLI Business School
Vice President

Lynne Montgomery, PhD, has a Master of Arts in Anthropology, a MSc in Applied Psychology and a Doctorate in Philosophy. She is an international professor of academics holding 15+ years of teaching experience at the graduate and undergraduate level. Dr. Montgomery's expertise also includes nine years of business development, consulting, and PR experience. Dr. Montgomery has held multiple teaching posts and management positions at Universities throughout Eastern Europe. She is an award winning humanitarian. She has authored multiple books and publications, receiving international accolades and attention.

Can we say that the economic recovery in Southeast Europe (SEE) is affecting investments of local companies in employee education programmes?

Yes, I think that is true. Clearly the recession and post-recession periods have made companies look very carefully at how they spend resources on employee training and educa-

tion. However, we have seen that individuals find a way into our programmes by many routes and combinations of tactics! By that I mean they personally fund the programme, share the funding or get their companies to fully pay for them. The best and most innovative companies have NOT stopped funding, they realize that this is, in fact, the time to invest in people. People are the number one resource in any company.

Shortage of skilled staff at all levels of company structures is a pressing issue for the local business. Does it result in increased interest in MBA programmes?

I think that many companies do recognise very clearly that they have skill gaps. This not always a shortage at executive or managerial levels. It can be a companywide problem at



forced “to feed the Greek vultures”.

Slovenia was also mentioned in a notable amount of comments in connection with its unique situation as an euro area member state that has already subsidized Greece with some 1.6 billion euro, as most commenters expressed doubt about Croatia’s own potential euro area accession.

Many Croatians also noted that their country was in pretty much the same situation as Greece and should carefully consider its next move. A small minority of comments suggested that the Greek crisis would, in fact, be beneficial for Croatians as tourists would now opt for the Adriatic resorts.

Republic of Macedonia



As could be expected, given the long-standing conflict with Greece over the name of their country, Macedonians were rather negatively disposed to their southern neighbours in their online comments - Macedonia is the only country among those included in the survey where commenters expressed a predominantly negative sentiment towards Greece. Furthermore, the negative comments outweighed not only the positive ones, but the neutral ones as well. They often implied that

Greeks were, in fact, digging their own grave, while trying to “destroy Macedonia”.

Nevertheless, voices in support of Greek people could be heard even in Macedonia. Some Macedonians said they wished their compatriots were as active on political issues as the Greeks, drawing a clear distinction in the perception of Greek people, on the one hand, and the Greek state and political elite on the other. Commenters often made fun of the hypocrisy of Macedonians who love to bad-mouth Greeks but when it comes to summer holidays Greece remains the top destination for Macedonian tourists by a clear margin.

Macedonians’ negative sentiment towards Greece projected itself onto the EU and its leaders, as well. Commenters claimed that the bloc had failed to do enough to humble the Greeks and teach them to respect the rules. The view that Europe would do well “to get rid” of Greece was also rather popular.

Comments on the effects of a possible GrEXIT on Macedonia were relatively few but rather polarized. About 8% of commenters saw a GrEXIT as a great opportunity to finally get around the Greek blockade on Macedonia’s EU and NATO accession. Another 6%, however, warned of a possible negative impact given their country’s dependency on the Greek economy.

Serbia

The opinion of Serb internet users had its specifics stemming from a multitude of factors, including the historic Serbo-Greek friendship. Thus, Serbia was among the few countries in the region where attitude towards Greece’s actions was pronouncedly positive, with commenters speaking about the “heroic” Greek people.

Negative sentiment towards Greece was mainly prompted by articles about the extent of corruption in the country, a major factor contributing to the debt crisis. In this context, Greeks were described as “typical Balkan people”, and “same as the Serbs” – a rather negative notion, according to commenters themselves.

While Greece’s creditors failed to attract much attention, the EU and its leaders were often depicted as the villains in the story. Less than one fourth of comments showed a positive sentiment towards the bloc. About

half of all comments, on the other hand, spoke negatively of the EU, with a substantial portion of them calling for a referendum on Serbia’s future EU accession. Commenters said they wanted the Serb people’s voice to be heard the same way that of the “brotherly” people of Greece was heard.



Russia’s involvement in the Greek crisis was another issue that triggered polarized opinions. Negative sentiment towards Russia slightly outweighed the positive one, by 35% to 31%. Many of the positive comments called for Christian Eastern Orthodox countries like Serbia, Greece and Russia to group up against the West. On the other end of the spectrum, many commenters noted the “inadequacy” of Russophilia in Serbia.

Moldova

Moldova, with its large Russian-speaking minority, is a special case among SEE states. In fact, much of the debate regarding the Greek referendum took place in Russian.

Naturally, Russian speakers were rather supportive of Greece and its people, congratulating them on what they saw as a “bold decision.” Anti-EU, anti-IMF, anti-US sentiment dominated, with many commenters expressing their joy at seeing Greece distance itself from the West. Many pointed to the fact that Prime Minister Alexis Tsipras was the only leader of his country in recent history to have graduated from a Greek university and not a U.S. one. Moldova was the only country



included in the survey where the U.S. was mentioned almost as frequently as the EU in connection with the Greek crisis.

A large number of comments in Russian touched upon relations with Russia, slamming Russophobic politicians in Moldova. Commenting on articles covering the problems of the 20,000 Moldovans residing in Greece, they shared the view that Russia was a much better destination for Moldovan migrant workers than Greece could ever be.

Opinions voiced in Romanian were rather less nuanced than those in Russian, with a much larger portion of neutral comments. Negative sentiment towards Greece and its people prevailed slightly over positive. Commenters emphasized the fact that Greeks were to blame for their country's uncompetitive economy. They further argued that Greeks had long enough lived as parasites on the back of the EU. There were voices in support of the Greek people, saying they were "hard-working" and "did not deserve such a fate". Far fewer voices



were raised in support of Tsipras, who was nevertheless seen as a better option than Moldovan politicians "who want to sell their country to the Russians".

Slovenia

Only 26% of posts in the Slovenian social media covered by this research were neutral in tone. A large portion cited the statement of the Eurogroup president Jeroen Dijsselbloem, who warned that there would be no negotiations if Greece votes "No" in the referendum.

The predominant sentiment was negative towards all the parties involved, as most remarked that Greece had nothing except its glorious history and seaside but thanks to the loans it had received, it had managed to keep its economy in good shape over the years. If these were taken out of the equation, Greece would be very much the same as Bulgaria, they asserted.



Some of the most widely discussed topics were Greece's uncompetitive economy and corruption at all levels. The EU's solidarity with Greece was another point of discussion, as commenters were adamant that it was high time Greeks started working and repaying their massive debt. Users compared Greece to a "bottomless bag", while others worried about the establishment of a military dictatorship in the country.

Commenters were also rather critical of Greece's lenders and the EU. According to some, the accumulation of huge loans by some countries was part of a plan by the EU and the creditors aimed at enslaving their people. There were also accusations against the banks based in France and Germany, which were perceived to be pocketing the money of the other member states.

Some commenters, however, hailed Tsipras for "actually standing up against Brussels' dictatorial ways". Others praised the Greeks

for being the only people with courage to stand up to the "foreign exploiters". Thus, once again the word solidarity was used in calls to stand up for the people of Greece.

Romania



The opinion of social media users in Romania on Greece's financial issues was predominantly negative. The majority of the negative comments were directed at the Greek government and the Greek political elite in particular.

According to the Romanian commenters, Greeks had themselves to blame for their situation because they "lied when they entered the Eurozone and fabricated the data required for accession". According to most, the political elite in the country is "hypocritical" and all politicians "lie and blame others for the country's poor financial management".

Some were extreme in their comments, suggesting that the EU did not need Greece at all, and that no country could wait forever to get back the money it had given the Greeks.

The creditors and the EU were also under attack. Many Romanians were baffled by the EU's insistence that Greece remained in the Eurozone. They also expressed their dissatisfaction in regards to the financial management of the EU.

Others described the situation in Greece as "the initial battle with the capitalist beast", and expressed their compassion with the Greek people in their struggle with the corrupt political elite that was responsible for the financial difficulties in the country.

Overall, the Romanian social media users expressed a negative opinion regarding the decisions taken by Greek politicians and the corruption in the country, though some voiced support for the Greeks and commended them for what they saw as "courage to challenge the capitalist oligarchs".

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Growth prospects have improved but negative effects of 2008 financial crisis will remain

By Daniel Solomon, economist at Euromonitor International

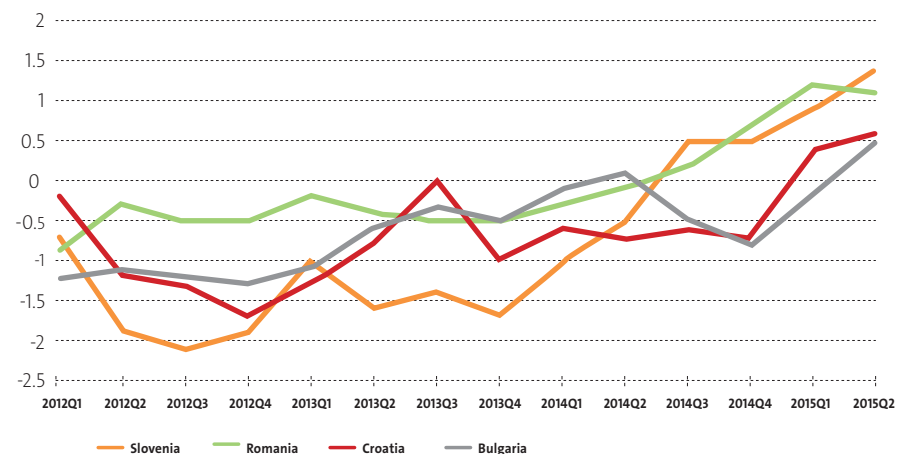
Economies in Southeast Europe (SEE) now appear to be solidly in recovery mode, after having one of the weakest performances in the last 5 years. The outlook has generally improved in the first half of 2015 and gross domestic product (GDP) growth forecasts for the full year 2015 have been revised upwards by around 0.3-0.5 percentage points since the beginning of the year. Economic growth should continue to improve in 2016-2020 but it should remain below the long-term potential output growth with the exception of Romania.

The combination of higher private sector confidence, lower interest rates and improved labour market conditions have boosted consumer spending and investment. Consumer confidence has increased significantly during 2015 in SEE, and it is now above the long-term averages in most SEE countries, especially in Romania and Slovenia. Business confidence has also increased, though it is still barely above the long-term trends in Bulgaria and Romania. Interest rates in the region have mostly followed eurozone interest rates. They reached record lows in early 2015, but have increased recently along as investors seem to have re-evaluated the impact of the European Central Bank's quantitative easing programme on bond yields.

External factors affecting the outlook

According to Euromonitor scenario, SEE coun-

Consumer confidence in EU-member states in SEE



Notes: The indices are standardised by subtracting the long term average and dividing by the standard deviation. Numbers above zero represent above average confidence. Numbers above 1 or below -1 represent significantly above or below average levels.

Source: Euromonitor International from National Statistical Offices and European Commission

tries should benefit significantly from lower oil prices. A forecast assuming long term stabilisation of oil prices at around \$60 would still raise GDP levels in the region by 1-2% relative to \$100 oil price scenario.

A worsening in Russia's recession could hurt the outlook moderately. Based on our macro model, a 3% GDP drop in Russia in 2016 (relative to our current forecast of -0.8% growth) would reduce GDP by around 0.4% in Bulgaria and Serbia and by 0.1% in Romania.

Greece's exit from the eurozone (Grexit) re-

mains a high probability scenario in 2016, despite the recent 3rd bailout agreement. The spill-over effects of a Grexit on Europe should be quite limited, due to the low exposure of the European financial system to Greek debt and the improved capital buffers of banks.

However, the effects would be more significant in SEE due to stronger trade links and the importance of Greek owned banks in the financial systems of Bulgaria, Romania and Serbia. We estimate that a Grexit in 2016, could reduce output in 2016-2017 by 1% in Bulgaria and by 0.3% in Romania.

GDP growth in select states in SEE (in %)

	2014	2015	2016	2017	2018-2022
Bulgaria	1.5	2.1	2.4	2.8	3.0
Romania	2.8	3.3	3.3	3.2	3.0
Croatia	-0.4	0.4	1.5	2.0	2.2
Serbia	-1.8	0.1	1.3	2.0	3.5
Slovenia	2.5	2.0	1.7	2.1	2.0

Note: Forecasts start in 2015
Source: Euromonitor International Macro Model

Consumer Price Inflation in select states in SEE (in %)

	2014	2015	2016	2017	2018-2022
Bulgaria	-1.4	0.4	1.7	2.0	2.9
Romania	1.1	0.3	1.3	2.0	2.7
Croatia	-0.2	-0.5	1.1	2.0	2.5
Serbia	2.1	1.6	3.6	4.0	4.0
Slovenia	0.2	-0.3	1.3	1.9	2.0

Note: Forecasts start in 2015
Source: Euromonitor International Macro Model

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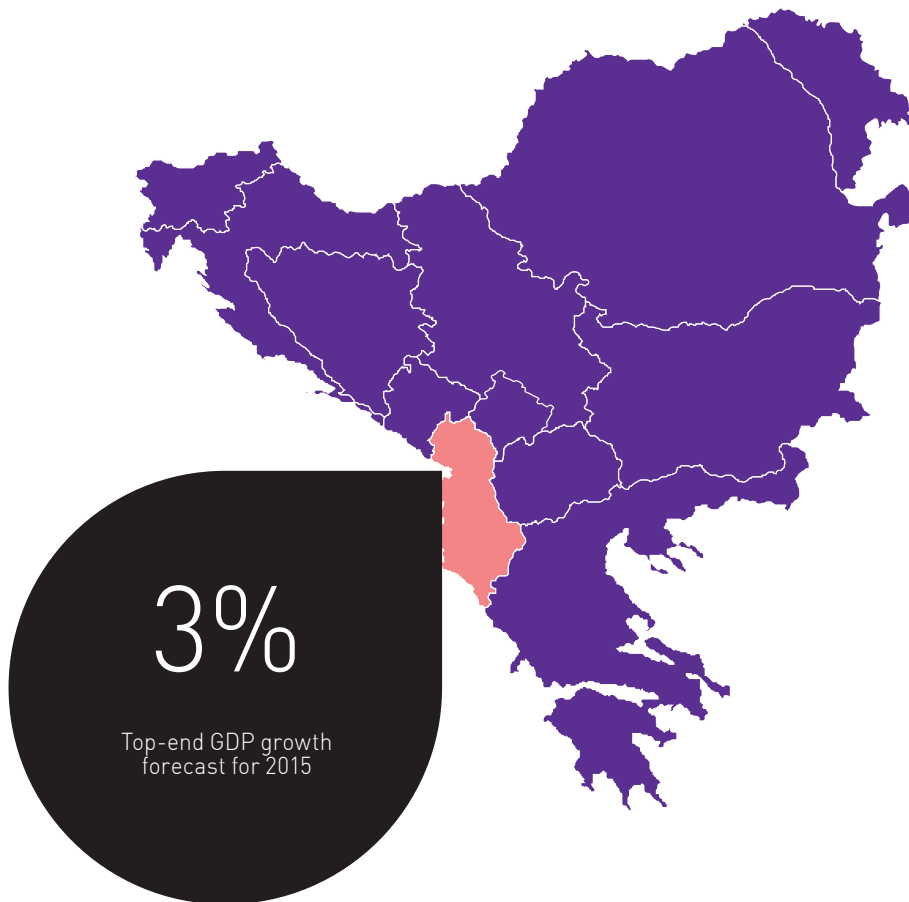
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In 2015, Albania's gross domestic product (GDP) is expected to rise by between 2.5% and 3.0%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. The factors which will support the country's economic growth include the start of the construction of the Trans-Adriatic Pipeline (TAP), part of which goes through Albania, growing domestic demand and reduction of the high levels of non-performing loans (NPLs). The economic recovery of the eurozone countries, Albania's main trading partner, will also support growth. The economic downturn in Greece, which accounted for a large share of the remittances to Albania, is among the key risk factors for the country's economic development.

Albania's economy managed to achieve its targeted growth rate of 2.1% in 2014 on the back of a recovery of domestic demand and increase in exports. However, the country's economic development was far below the pre-crisis levels when it was one of the fastest in Europe. The significant share of in-

formal economy, the wide current account deficit and high unemployment continued to weigh on the country's economic growth.

A key development for Albania came in June 2014 when the European Commission granted it an EU candidate status. The decision

reflected the progress the country has made in European integration and in implementing the necessary reforms.

Another important event was the approval by the International Monetary Fund (IMF) of 330 million euro in special drawing rights (SDR) arrangement under the Extended-Fund Facility in support of the Albanian governments' reform programme.

Remittances, on which the Albanian economy is highly dependent, grew by 8.6% to 592 million euro in 2014, according to the Bank of Albania. The increase was due to the improvement of the economic situation in the Western European countries, where most Albanian emigrants live.

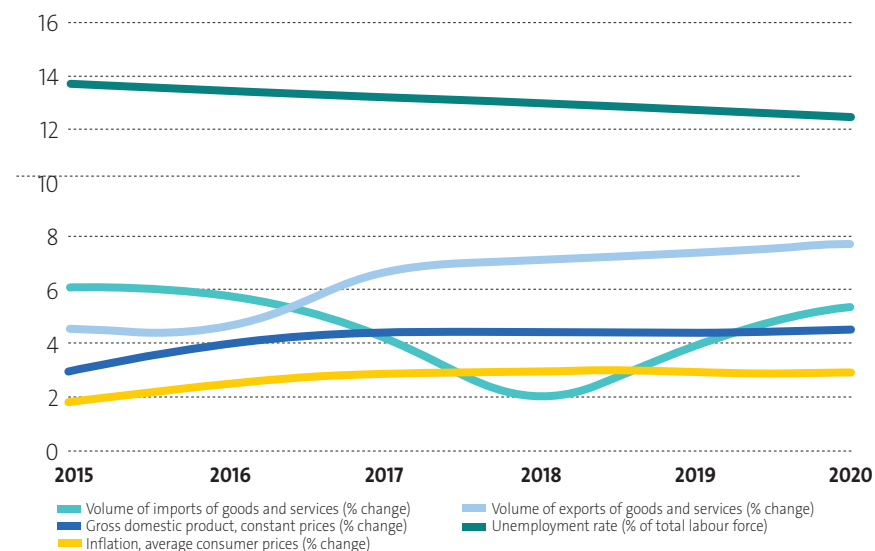
Albania managed to climb to the 68th place in the World Bank's Doing Business 2015 report from the 108th place in the 2014 report. The country improved the regulatory framework in the area of starting a business, deal-

Albania TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	81	Kastrati Sh.a.	Petroleum/Natural Gas	478.4	5.00%	N/A	N/A
2	86	Bankers Petroleum Albania Ltd.	Petroleum/Natural Gas	467.1	-3.92%	N/A	N/A
3	138	Operatori i Shperndarjes se Energjise Elektrike (OSHEE) Sh.a.	Electricity	337.2	19.03%	N/A	N/A
4	250	Kurum International Sh.a.	Metals	201.6	16.17%	N/A	N/A
5	337	Europetrol Durres Albania Sh.a.	Petroleum/Natural Gas	139.9	-13.17%	N/A	N/A
6	347	Everest Oil Sh.a.	Petroleum/Natural Gas	134.8	15.69%	N/A	N/A
7	358	Genklaudis Sh.a.	Petroleum/Natural Gas	131.7	45.58%	N/A	N/A
8	382	ALFA SH.A.	Wholesale/Retail	121.7	21.90%	N/A	N/A
9	391	TPD-Trading Petrol & Drilling Sh.a.	Petroleum/Natural Gas	118.0	440.33%	N/A	N/A
10	401	Vodafone Albania Sh.a.	Telecommunications	115.3	-33.63%	N/A	N/A

Source: Tax Administration, Monitor magazine (www.monitor.al)

Albania economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

ing with construction permits, and registering property.

However, the country fell two places in the Global Competitiveness Report 2014-2015 published by the World Economic Forum and at the 97th spot among 144 countries was the poorest performer in Southeast Europe. The key factors which put pressure on the country's competitiveness were corruption, insufficient access to financing, and bureaucracy. In the 2013-2014 report Albania ranked 95th out of 148 countries.

The country's seasonally-adjusted GDP increased by 2.1% in 2014 and totalled 1,330 billion leks, according to data of the country's Institute of Statistics (INSTAT). Final consumption, which contributed 89.1% to the GDP, increased by 4.0% in value in 2014. Gross capital formation went down by 2.2%, contributing 24.8% to the GDP.

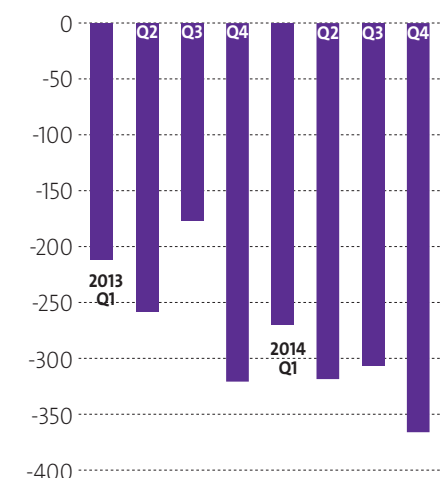
The country's seasonally-adjusted GVA in-

creased by 2.2% and totalled 1,156 billion leks in 2014. The industrial sector grew by 0.6% in terms of value but its share in the GVA structure decreased to 14.4% from 14.7%. The services sector recorded a 4.1% annual increase, getting a 52.4% share in the GVA, up from 51.5% in the previous year. The agricultural sector registered an annual growth of 2.0%, but its share in the GVA inched down to 21.8% from 21.9%.

Industrial output ended 2014 with an annual growth of 5.2% with almost all sectors experiencing a rise – construction output jumped by 21.1%, the electricity and gas supply expanded by 19.0%, and the manufacturing industry went up by 10.3%. The output of the mining sector, however, dropped by 22.0%.

The average annual inflation slowed down to 0.7% in 2014, compared to 1.9% a year earlier. In 2014 the highest annual increase in consumer prices, of 10.5%, was registered by tobacco products. On the opposite end of the table, hospital services registered the

Current account balance in millions of euro



Source: Bank of Albania

sharpest deflation – of 8.7%.

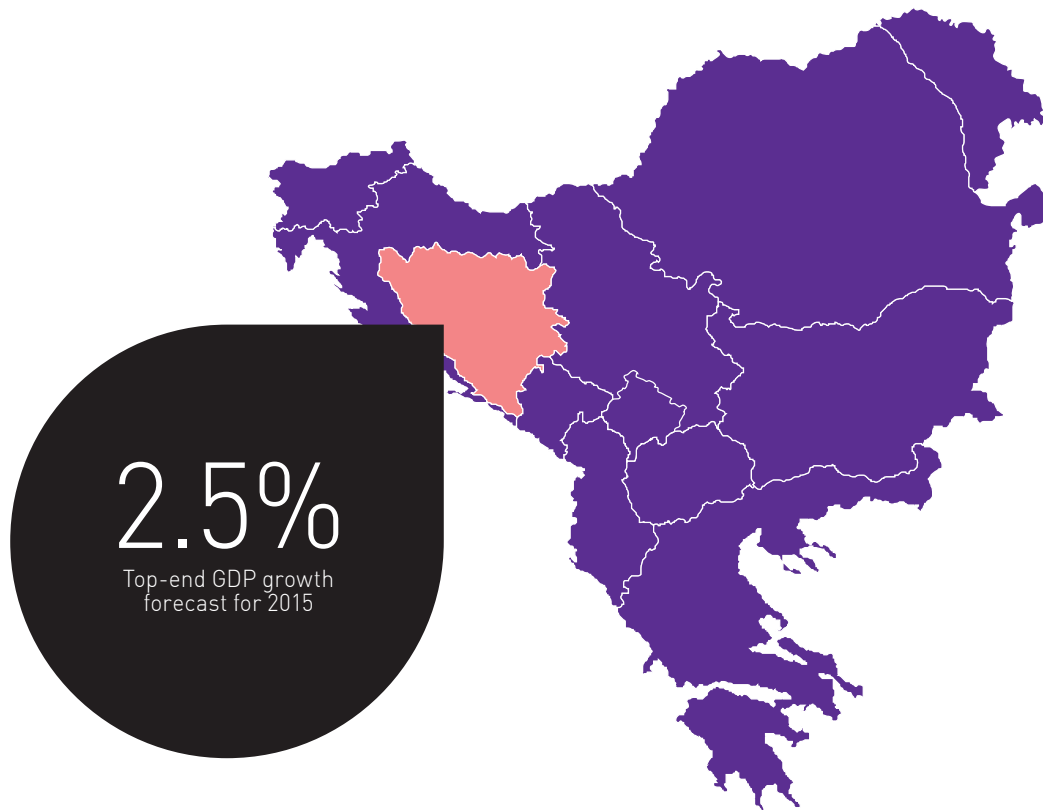
Unemployment in Albania increased to 17.6% of the total labour force in the fourth quarter of 2014 from 16.8% a year earlier, according to INSTAT data. The employed population aged 15 years and older was 1.067 million in the last quarter of 2014, up by 8.5% year-on-year. The unemployment rate among people aged between 15 and 24 went up to 33.9%.

Broad money (money aggregate M3) increased by an annual 4.0% and reached 1,195.1 billion leks in December 2014, according to data provided by Bank of Albania. The M2 money supply decreased by 4.2% to 722.4 billion leks. Money aggregate M1, or narrow money, jumped by 19.4% to 353.3 billion leks in December 2014.

Loans to the non-government sector totalled 549.1 billion leks in December 2014, up by 2.2% year-on-year, according to data of the country's central bank. Loans to non-financial corporations grew by an annual 2.5% to 404.5 billion leks in December, while household loans rose by 1.3% to 144.6 billion leks. Home purchase loans inched down by 0.1% to 102.5 billion leks.

Albania's gross external debt increased to 6.665 billion euro at the end of December 2014, up by 7.9% on the year. As of end-December 2014 long-term liabilities amounted to 5.454 billion euro, or 81.8% of the total debt, and short-term liabilities totalled 1.211 billion euro, equal to 18.7% of the total debt.

The current account deficit widened to 378 million euro in the fourth quarter of 2014 from 337 million euro in the like period a year earlier, according to central bank statistics data.



2.5%

Top-end GDP growth
forecast for 2015

In 2015, Bosnia and Herzegovina's gross domestic product (GDP) is expected to grow by between 2.0% and 2.5%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development (EBRD), and the International Monetary Fund (IMF). The factors, which will support the economic growth, include exports and industrial production, which will benefit from cheaper oil prices, as well as investments in infrastructure in areas damaged by the record floods of May 2014.

1.64 billion euro or 12.5% of the country's projected full-year GDP, according to data from the World Bank.

The country fell to the 107th place in the World Bank's Doing Business 2015 report from the 104th position in the 2014 edition. It did, however, improve its position in the report's Getting Credit and Registering Property but dropped in the ranking in all other categories.

Bosnia managed to achieve economic growth in 2014 despite the torrential rainfall that triggered wide-spread floods in May and caused damages estimated at 2.0 billion euro or 15% of the country's GDP. Retail sales and exports helped back economic activity, along with an increase in industrial output. The unemployment rate, including youth unemployment, continued to be one of the highest in Europe due to lack of economic and regulatory reforms.

According to the European Commission's

Progress Report on Bosnia and Herzegovina, the country's government made very limited progress on political and economic issues and on moving towards European standards in 2014. Concerning the economic criteria, Bosnia and Herzegovina achieved insufficient progress towards becoming a functioning market economy.

Bosnia, similar to other countries in South-east Europe, relies on remittances from emigrants. In 2014, remittances grew by 3.3% to

The country's GDP increased by a real 0.8% to 25.623 billion Bosnian marka in 2014, according to provisional data of Bosnia and Herzegovina's Agency of Statistics (BHAS).

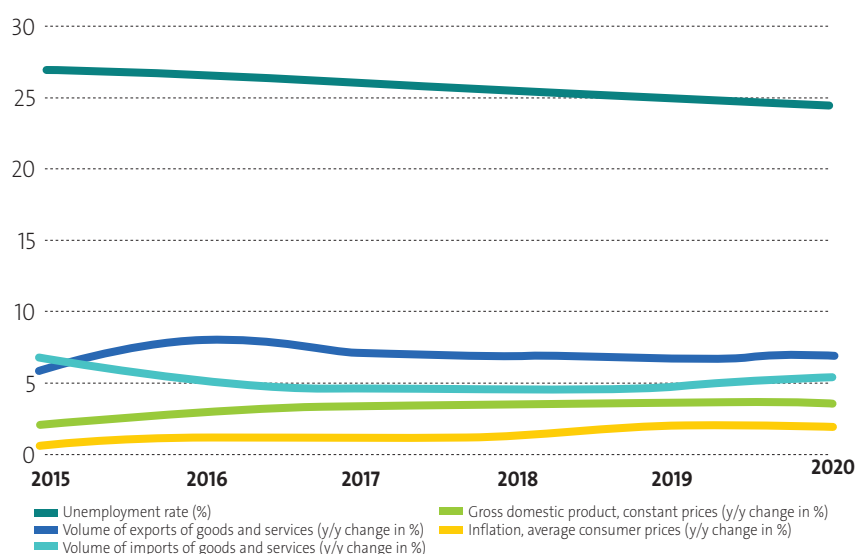
The gross value added (GVA) generated by the national economy increased by 0.7% in value in 2014 and totalled 20.93 billion Bosnian marka. The industrial sector shrank by 3.3% and its share in the GVA structure declined to 21.4% from 22.3%. The services sector recorded a 3.1% annual increase, equal to

Bosnia and Herzegovina TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	67	Optima Grupa d.o.o. Banja Luka	Petroleum/Natural Gas	548.3	-16.16%	-153.3	-74.5
2	71	Holdina d.o.o. Sarajevo	Petroleum/Natural Gas	524.6	-3.67%	3.1	-3.3
3	74	JP Elektroprivreda BiH d.d.	Electricity	501.5	-2.72%	1.7	18.9
4	127	Konzum DOO	Wholesale/Retail	357.2	13.07%	2.2	2.9
5	136	Arcelormittal d.o.o. Zenica	Metals	338.7	0.65%	11.5	-0.812
6	159	BH Telecom d.d.	Telecommunications	294.9	-5.73%	40.2	64.7
7	162	Bingo d.o.o. Tuzla	Wholesale/Retail	289.6	11.86%	20.5	17.3
8	193	Telekomunikacije Republike Srpske a.d.	Telecommunications	252.2	3.17%	54.4	51.3
9	212	Petrol BH Oil Company d.o.o. Sarajevo	Petroleum/Natural Gas	231.2	15.22%	2.7	0.191
10	214	Elektroprivreda Republike Srpske a.d.	Electricity	226.2	-10.90%	12.2	15.7

Source: Agencija TEC d.o.o (www.bon.ba)

Bosnia and Herzegovina economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

a 69.6% share in the GVA, compared to 67.9% in the previous year. The agricultural sector registered a drop of 9.6%, thus decreasing its share in the GVA to 7.6% from 8.5%. The construction sector grew by 6.5% and its share inched up by 0.3 percentage points to 5.2%.

Industrial output was up by 0.1% on the year in 2014. The manufacturing sector grew by 3.8%, while the electricity and gas supply, and mining sectors declined by 9.6% and 2.1%, respectively.

The segments which registered the highest annual declines in 2014 were manufacture of computer, electronic and optical products with a 49.7% drop, followed by manufacture of tobacco products with a fall of 14.1%, and manufacture of other transport equipment which reported a decrease of 11.8%, according to BHAS data.

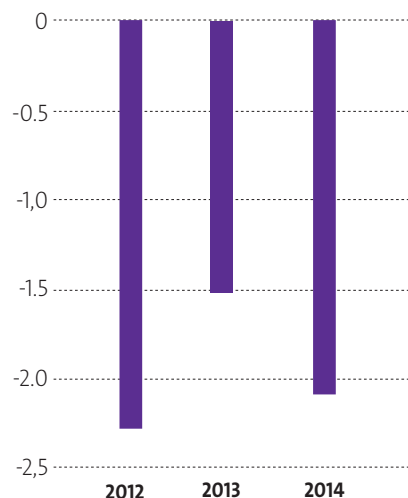
Retail sales grew by 11.6% y/y in the fourth quarter of 2014, while wholesale trade decreased by 1.0%, according to BHAS data.

Wholesale trade with other machinery, equipment and supplies marked the highest increase, of 17.3%, while sale, maintenance and repair of motorcycles and related parts and accessories declined the most by 21.1%.

Bosnia and Herzegovina registered an average annual deflation of 0.9% in 2014, compared to a 0.1% deflation a year ago. In 2014 the highest annual decrease in consumer prices was registered in telephone and telefax equipment, of 5.5%, followed by clothing, and footwear, which got cheaper by 5.3% and 4.7% respectively. The consumer groups that recorded inflation were led by travel services, which got more expensive by 12.6%, followed by tobacco with 9.2%, and postal services with 3.5%.

Unemployment in Bosnia and Herzegovina fell to 43.6% of the total labour force in the last month of 2014 from 44.6% a year earlier, according to data of BHAS. The employed population aged 15 years and older was 708,000 in December 2014, up by 2.7% y/y.

Current account balance in billions of Bosnian marka



Source: CBBH

Broad money in Bosnia and Herzegovina (money aggregate M2) increased by 7.8% y/y and reached 17.4 billion marka in December 2014, according to data of the Central Bank of Bosnia and Herzegovina (CBBH).

Quasi-money, which includes other deposits in domestic and foreign currency, as well as transferrable deposits in foreign currency, increased by 6.0% to 9.96 billion marka. Money aggregate M1, or narrow money, jumped by 9.4% to 7.32 billion marka.

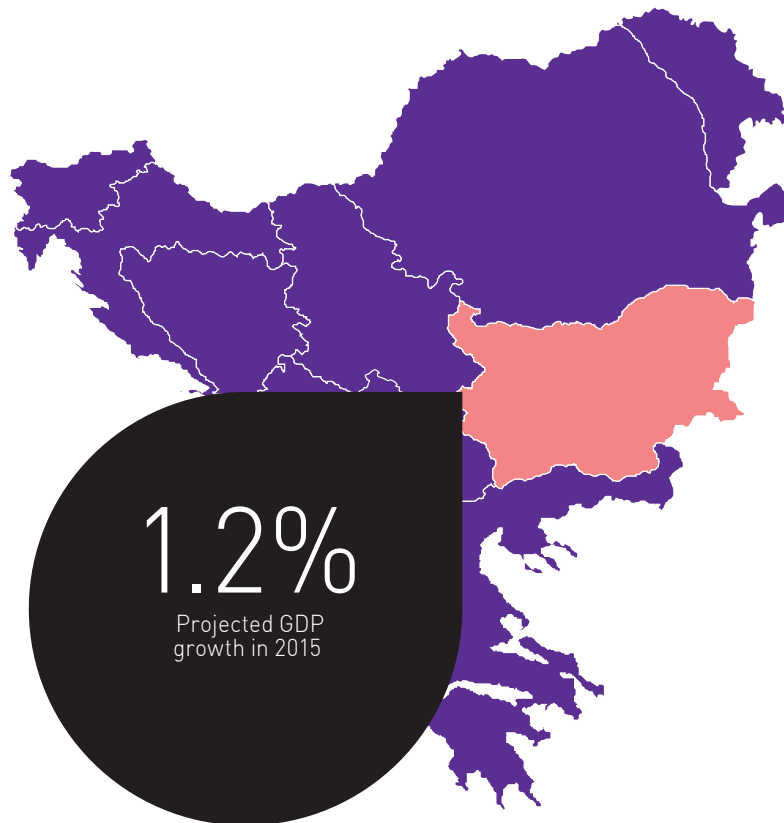
Loans to the non-government sector totalled 15.7 billion marka in December 2014, up by 1.8% y/y, according to CBBH.

Loans to non-financial corporations fell by 1.5% to 8.2 billion marka in December, while household loans rose by 5.7% to 7.466 billion marka. House purchasing loans were down by 2.5% to 605 million marka.

The total external government debt amounted to 8.2 billion marka in the fourth quarter of 2014, up by 10.4% on the year. In comparison to the third quarter of 2014, the government external debt grew by 62 million marka, according to CBBH.

Bosnia and Herzegovina's main foreign creditor as of the fourth quarter of 2014 were the World Bank's International Development Association, which accounted for 22.1% of the total government external debt.

The current account gap widened to 2.08 billion marka in 2014 from 1.5 billion marka in 2013, according to central bank statistics data.



In 2015, Bulgaria's economic growth is expected to remain subdued at 1.2%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. The country's government should carry out structural reforms and improve the business environment in order to step up growth. Bulgaria's fiscal policy is expected to tighten, and the contribution of exports is expected to increase on the back of better growth prospects in the Eurozone, the country's main trading partner.

loan to the Bank Deposit Guarantee Fund in order to secure the stability of the local banking system.

In 2014, Bulgaria's economy benefited from more than 1.4 billion euro of remittances from Bulgarian emigrants, according to data from the World Bank. Remittances to Bulgaria were growing steadily in the 2010-2014 period after a slump in 2009 due to the global economic downturn.

In the World Bank's Doing Business 2015 report Bulgaria ranked 38th, two places below its position in the previous year's report. The country improved its rankings only in two of the 10 categories – Trading Across Borders and Registering Property. However, the government made starting a business easier by lowering registration fees, the report noted.

The country improved its ranking in the Global Competitiveness Report 2014-2015 published by the World Economic Forum. Bulgaria ranked 54th among 144 countries, thus being one of the best performers among the countries in Southeast Europe. The key factors which put pressure on the country's

Bulgaria's gross domestic product (GDP) grew by 1.7% in 2014 thanks to external factors such as the economic recovery of the other EU-member states, rather than an improvement of the local economic environment. Declining unemployment and increasing consumption were among the factors which backed economic growth, while the expanding trade deficit and gross external debt placed macroeconomic stability at risk.

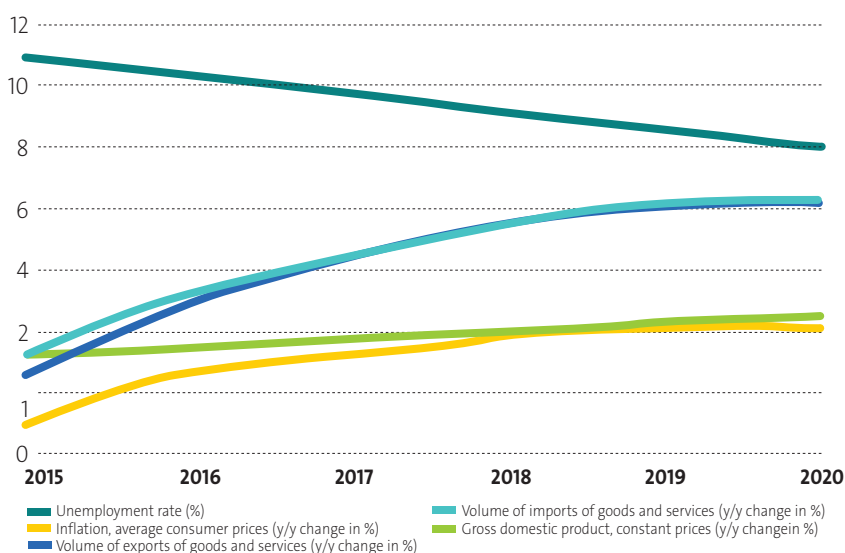
Another factor that put pressure on the country's economy in 2014 was the collapse of

Corporate Commercial Bank (Corpbank), the country's fourth largest lender. In June 2014, the Bulgarian National Bank placed Corpbank under special supervision over risk of insolvency and appointed two conservators after it notified the central bank it had run out of liquidity. Payments and all types of banking operations were suspended. In November, the Bulgarian National Bank revoked the license of Corpbank and the Bulgarian parliament mandated the government to start negotiations with foreign banks on a debt of up to 3.0 billion leva to be issued in a temporary

Bulgaria TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	3	Lukoil Neftochim Burgas AD	Petroleum/Natural Gas	3 331	-14.72%	-272.1	-123.3
2	8	Aurubis Bulgaria AD	Metals	2 372	-2.69%	61.1	19.4
3	13	Lukoil-Bulgaria EOOD	Petroleum/Natural Gas	1 613	-2.18%	-17.1	-27.7
4	15	Natsionalna Elektricheska Kompania EAD	Electricity	1 552	0.07%	-299.9	-111.4
5	41	Bulgargaz EAD	Petroleum/Natural Gas	796.6	2.23%	3.7	29.5
6	47	CEZ Elektro Bulgaria AD	Electricity	734.6	1.06%	12.7	-8.4
7	49	OMV Bulgaria OOD	Petroleum/Natural Gas	720.5	-21.36%	14.2	11.5
8	61	Kaufland Bulgaria EOOD & Co KD	Wholesale/Retail	626.2	10.59%	34.1	32.7
9	82	Saksa OOD	Petroleum/Natural Gas	478.2	3.73%	5.1	4.3
10	92	AETs Kozloduy EAD	Electricity	436.0	14.15%	40.1	21.5

Bulgaria economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

competitiveness, were corruption, bureaucracy and insufficient access to financing. In the 2013-2014 report Bulgaria ranked 57th out of 148 countries.

The country's GDP totalled 75.745 billion leva in 2014, according to data of the National Statistical Institute (NSI). Final consumption, which contributed 80.0% to the GDP, increased by 2.4% in value in 2014. Gross capital formation went up by 2.8%, contributing 21.7% to the GDP. Both imports and exports grew - by 3.8% and 2.2%, respectively.

The gross value added (GVA) generated by the national economy increased by nominal 1.6% y/y in 2014 and totalled 65.030 billion leva. The industrial sector grew by 2.1% in terms of value and its share in the GVA structure inched up to 22.7% from 22.6%. The services recorded a 1.2% annual increase, getting a 66.0% share in the GVA, down from 66.3% in the previous year. The agricultural sector registered an annual rise of 5.2%, increasing its share in the GVA to 4.8%, from

4.7%. The construction industry also marked a growth, of 1.4%, but its share in the GVA remained unchanged at 6.4%.

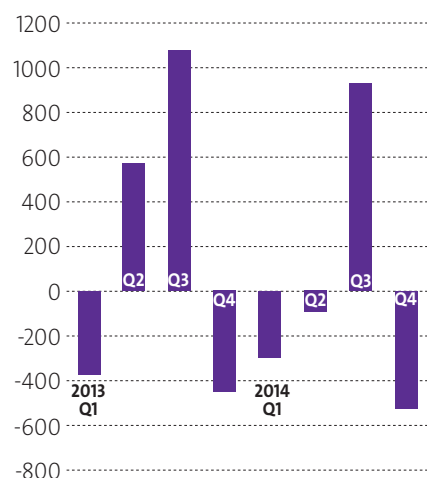
Bulgaria turned to an annual average deflation of 1.4% in 2014 from an inflation of 0.9% a year ago.

Unemployment in Bulgaria narrowed to 11.4% of the total labour force in 2014 from 12.9% a year earlier, according to NSI data. The employed population aged 15 years and older was 2.981 million in 2014, up by 1.6%. Unemployment rate among people aged between 15 and 24 went down to 23.8%, from 28.4% in 2013.

Broad money (money aggregate M3) increased by 1.1% to 68.006 billion leva by December 2014, according to data provided by Bulgarian National Bank (BNB). The M2 money supply grew by 1.2% to 67.937 billion leva. Money aggregate M1, or narrow money, jumped by 15.1% to 31.111 billion leva.

Loans to the non-government sector totalled

Current account balance in millions of euro



Source: BNB

49.390 billion leva by December 2014, down by 8.2% as compared to a year earlier. Loans to non-financial corporations went down by 11.6% to 31.011 billion leva, while household loans and loans by non-profit institutions serving households inched down by 1.6% to 18.379 billion leva.

The country's gross external debt increased by 6.0% to 39.558 billion euro at the end of December 2014, equivalent to 94.3% of the projected full-year GDP, according to BNB.

The current account surplus narrowed to 18.8 million euro in 2014 from 848.2 million euro in 2013, according to central bank data.

Foreign direct investment (FDI) fell by 7.3% to 1.182 billion euro in 2014, and accounted for 3.1% of the projected full-year GDP, according to BNB data. In 2014, the Netherlands was the biggest foreign investor in Bulgaria contributing 746.6 million euro in FDI, Austria came second with 290.6 million euro and the U.K. was third with 179 million euro.

A breakdown by industries shows that real estate was the leader in terms of attracted FDI - 478.3 million euro, followed by financial intermediation with 163.8 million euro, and electricity, gas and water supply with 102.5 million euro.

Tourism and the travel industry contributed 3.1 billion leva directly to the country's economy in 2014, equivalent to 3.7% of its GDP, according to the World Travel & Tourism Council (WTTC). The direct GDP contribution of the country's tourism and travel industry is projected to rise by 2.0% in 2015.

0.5%

Projected GDP
growth in 2015

In 2015, Croatia is expected to see an end of recession and post a 0.5% annual GDP growth, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. The growth will be underpinned by exports, fuelled by demand from the eurozone countries, reduced oil prices, and investments under EU programmes. Despite the growth forecast, Standard&Poor's Ratings Services has revised the outlook on Croatia to negative on lagging reforms.

Croatia saw no economic growth for a sixth consecutive year in 2014. The country's EU membership could not boost its economy with domestic demand remaining limited because of high unemployment and insignificant growth in wages. Croatia is highly dependent on the tourism industry, which accounted for more than 12% of the country's GDP in 2014, one of the highest levels among the countries in Southeast Europe.

Other macroeconomic indicators, which shaped the national economy in 2014, were the annual deflation caused by the weak domestic demand, the growing external debt, in particular the government external debt,

and the shrinking current account surplus. Some positive developments included a rise in exports thanks to the country's EU membership, which helped reduce the external trade gap, the increase in new building permits, and an uptrend in industrial output.

Except tourism, Croatia's economy benefits from remittances of Croatian emigrants. In 2014, the remittances rose by 1.8% to more than 1.3 billion euro, according to data from the World Bank.

In the Doing Business 2015 report of the World Bank, Croatia ranked 65th, two places above its position in the 2014 report. According to

the report, Croatia made easier: starting a business by reducing notary fees; dealing with construction permits by reducing the requirements and fees for building permits and carrying out the final building inspection more promptly; and trading across borders by implementing a new electronic customs system. The country made paying taxes more complicated for companies by raising the health insurance contribution rate, increasing the Croatian Chamber of Economy fees and introducing more detailed filing requirements for Value Added Tax.

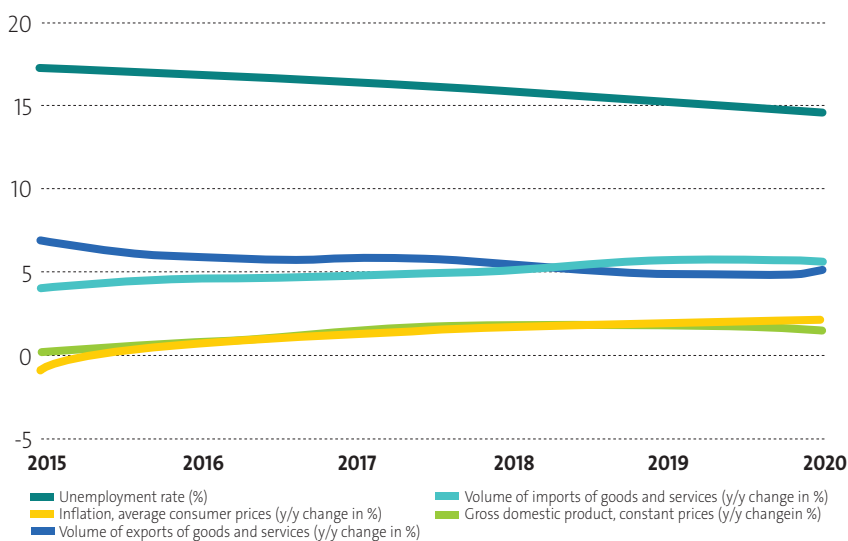
The country also dropped by two places in the Global Competitiveness Report 2014-2015, published by the World Economic Forum. Croatia ranked 77th out of 144 countries thus being one of the worst performers among the countries in Southeast Europe. The key factors, which weakened the country's competitiveness, were bureaucracy, policy instability, and corruption. In the 2013-2014 report Croatia ranked 75th out of 148 countries.

The country's GDP decreased by a real 0.4% and totalled 328.9 billion kuna in 2014, ac-

Croatia TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	5	INA d.d.	Petroleum/Natural Gas	3 321	-4.25%	82.4	-213.9
2	12	Konzum d.d.	Wholesale/Retail	1 756	0.47%	14.2	22.3
3	16	Hrvatska Elektroprivreda d.d.	Electricity	1 493	-16.52%	159.1	97.9
4	33	HEP-Operator Distribucijskog Sustava d.o.o.	Electricity	921.9	37.88%	80.9	77.1
5	40	Hrvatski Telekom d.d.	Telecommunications	813.0	-5.72%	147.6	187.4
6	55	Petrol d.o.o.	Petroleum/Natural Gas	672.3	17.08%	4.9	1.8
7	73	HEP-Proizvodnja d.o.o.	Electricity	518.0	-19.09%	119.4	77.8
8	77	Pliva Hrvatska d.o.o.	Pharmaceuticals	495.8	22.63%	76.5	57.1
9	90	Plodine d.d.	Wholesale/Retail	445.9	4.54%	5.4	4.8
10	96	Lidl Hrvatska d.o.o. k.d.	Wholesale/Retail	427.5	9.02%	14.2	1.0

Croatia economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

cording to preliminary data of the Croatian Bureau of Statistics (DZS).

Final consumption, which contributed 80.0% to the GDP, fell by nominal 1.2%. Gross capital formation was down by 4.1%, contributing 18.6% to the GDP. Both imports and exports grew - by 2.3% and 6.1%, respectively.

The gross value added (GVA) generated by the national economy decreased by 0.5% in value in 2014 and totalled 278.3 billion kuna. The industrial sector fell by 0.7% and its share in the GVA structure inched down to 21.06% from 21.11% a year earlier. The construction sector was down by 6.1% y/y and had a share of 5.0% in the GVA against 5.3% in 2013. The services sector recorded a 0.2% annual increase, getting a 69.8% share in the GVA, up from 69.3% in the previous year. The agricultural sector registered an annual drop of 3.0%, thus narrowing its share in the GVA to 4.1%, from 4.3%.

Industrial output was up by 1.3% in 2014, according to DZS data. The manufacturing

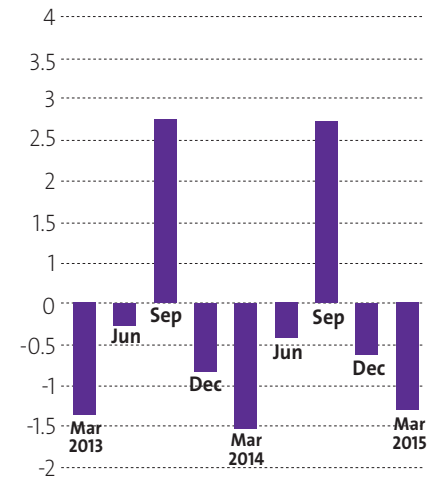
sector grew by 3.1%, while the mining sector went down by 6.4%, followed by electricity and gas supply with a 5.2% annual decline.

Manufacture of rubber and plastic products was the segment to report the highest annual production growth of 24.4% while manufacture of tobacco products dropped the most by 14.7%. Retail sales were down by 1.2% in 2014 after a 2.7% annual growth in 2013, according to DZS data. In 2012, retail sales inched down by 0.3% on the year.

The wholesale sector was down by 2.8% in 2014, after a 0.6% decline in 2013 and a 3.2% drop in 2012.

Consumer prices in Croatia turned to an annual average deflation of 0.2% in 2014 from a 2.2% annual average inflation in 2013. In 2014 the highest annual decrease in consumer prices was registered in oils and fats, vegetables, and liquid fuels of 12.1%, 6.4% and 5.6%, respectively. The consumer groups with highest inflation were postal services with 13.8%, holiday services with

Current account balance in billions of euro



Source: HNB

10.6%, and hospital services with 8.7%.

Unemployment in Croatia narrowed to 19.6% of the total labour force at end-2014 from 21.6% a year earlier, according to data of DZS.

The employed population aged 15 years and older was 1.303 million in December 2014, down by 1.3% y/y.

Broad money (money aggregate M4) increased by 2.8% y/y and reached 287.6 billion kuna in December 2014, according to data provided by the Croatian National Bank (HNB).

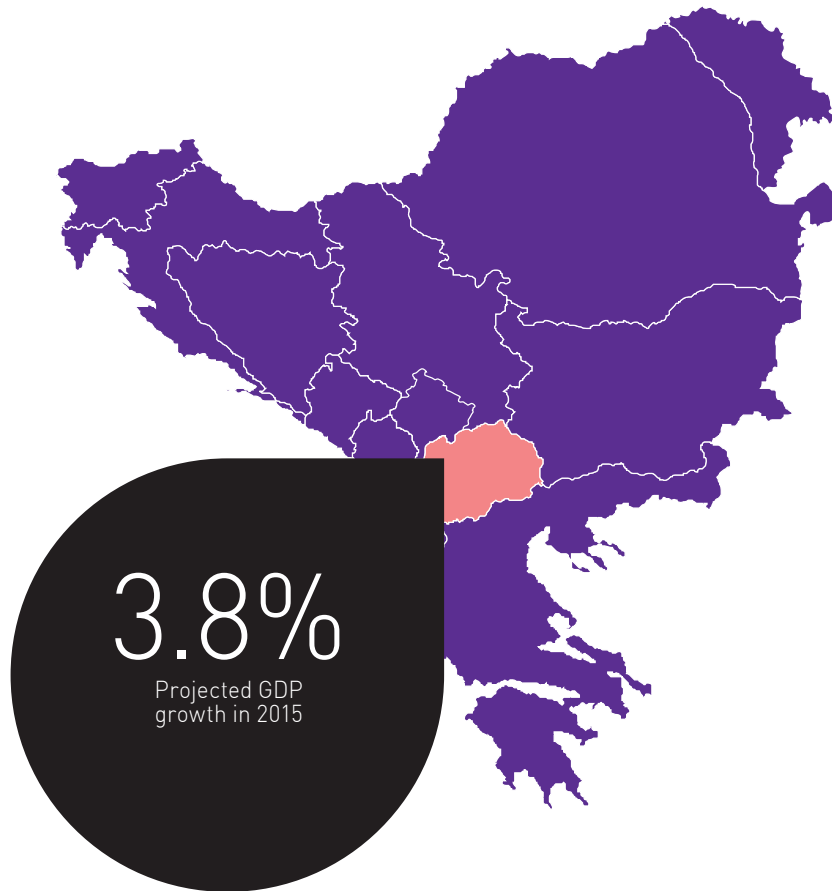
The M1a money jumped by 9.4% to 65.8 billion kuna and money aggregate M1, or narrow money, also went up, by 9.2%, to 63.5 billion kuna.

The gross external debt totalled 46.7 billion euro at the end of December 2014. It widened by 1.6%, or 752 million euro compared to December 2013. In comparison to September 2014 the gross external debt grew by 198 million euro.

The current account surplus rose to 286.4 million euro in 2014 from 358.9 million euro in 2013, according to central bank statistics data.

FDI nearly tripled in 2014 to 2.88 billion euro, compared to 735 million euro in 2013, according to HNB data.

In 2014, the Netherlands was the biggest foreign investor in Croatia with FDI of 2.4 billion euro. Switzerland came second with 0.522 billion euro and Austria was third with 401 million euro.



In 2015, Macedonia's economy is expected to keep up its robust growth pace of 3.8%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. Growth will be driven by government investments in civil engineering projects, as well as foreign investments in the manufacturing industry, rising exports and higher domestic demand.

Macedonia's gross domestic product (GDP) increased by 3.8% in 2014, above the average for Southeast Europe (SEE), backed by growing private consumption, strong industrial output, large-scale infrastructure investments, higher lending activity, expanding exports and bigger foreign direct investments (FDI). However, the country's economy continues to suffer from high unemployment, especially youth unemployment, deflation and large informal economy.

In terms of business-enhancing regulations, Macedonia managed to keep its leading position among the countries in the SEE region,

according to the World Bank's Doing Business 2015 report. Macedonia occupied the 30th place out of 189 countries in the 2015 report, going up one place in comparison to the previous year's edition. Starting a business became easier after the government made online registration free of charge, strengthened minority investor protections, and made resolving insolvency easier, according to the report.

Macedonia also performed well in the Global Competitiveness Report 2014-2015 published by the World Economic Forum. The country ranked 63rd among 144 economies, while in

the previous year's report it ended up 73rd out of 148 countries. The leading issues limiting Macedonia's competitiveness are access to financing, poor work ethic in national labour force, and inadequately educated workforce, the report showed.

Macedonian emigrants contributed 302.3 million euro in remittances to the country in 2014, down by 2.5%, according to the World Bank. Remittances accounted for more than 3.0% of Macedonia's GDP in 2014. Remittances by Macedonians living in the U.S., Germany, and Turkey made up 46.2% of the total.

Final consumption, which contributed 86.4% to the GDP, increased in value by 1.6% in 2014. Gross capital formation went up by 13.0%, contributing 26.8% to the GDP. Both imports and exports jumped - by 14.5% and 17.0%, respectively. The country's GDP totalled 407.049 billion denars in 2014.

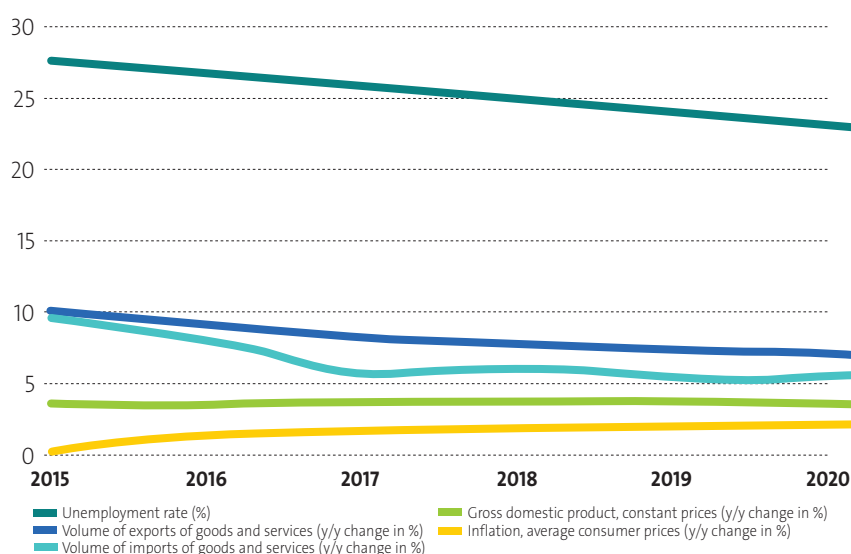
The gross value added (GVA) generated by the national economy increased by nominal 3.4% in 2014 and totalled 348.069 billion denars. The agricultural sector registered an annual

Macedonia TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	32	Johnson Matthey DOOEL	Chemicals	936.6	48.34%	56.1	29.7
2	108	EVN Elektrostapanstvo na Makedonija AD	Electricity	394.8	-7.45%	5.4	2.3
3	124	Okta AD	Petroleum/Natural Gas	359.9	-17.05%	-8.1	-2.4
4	142	Makpetrol AD	Petroleum/Natural Gas	333.7	-3.89%	-1.7	-3.3
5	204	Elektrani na Makedonija AD	Electricity	241.0	-5.27%	-14.2	-2.2
6	228	Feni Industry AD	Metals	215.8	4.78%	-8.2	-23.4
7	353	Makedonski Telekom AD	Telecommunications	133.0	-11.89%	36.8	44.2
8	417	Lukoil Makedonija DOOEL	Petroleum/Natural Gas	110.4	-7.33%	4.0	6.0
9	434	T-Mobile Makedonija AD	Telecommunications	105.1	-14.34%	20.2	37.6
10	457	Alkaloid AD	Pharmaceuticals	96.5	1.89%	10.2	10.1

Source: Central register of the Republic of Macedonia

Macedonia economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

rise of 2.0%, but cut its share in the GVA to 9.1%, from 9.2%. The industrial sector grew by 4.3% in terms of value and its share in the GVA structure increased to 14.9% from 14.7%. Construction expanded by 6.1%, thus slicing an 11.6% share in the country's GVA. The services sector recorded a 3.0% annual increase, adding up with a 64.5% share in the GVA.

Industrial output went up by 4.8% in 2014, according to the country's statistics institute. The manufacturing sector rose by 9.0%, while the electricity and gas supply, and the mining sectors fell by 14.2% and 1.9%, respectively. Manufacture of electrical equipment was the segment to report the highest annual production growth, of 30.1%, in 2014.

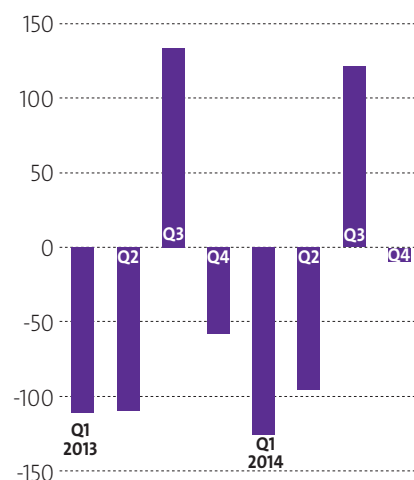
Macedonia registered an annual average deflation of 0.7% in 2014, compared to an inflation of 2.8% a year earlier. In 2014, the highest annual decrease in consumer prices, of 3.9%, was posted in recreation and culture, while the highest inflation, of 7.9%, was recorded by healthcare.

Unemployment in Macedonia narrowed to 27.6% of the total labour force in the fourth quarter of 2014 from 28.7% a year earlier, according to official statistics. The unemployment rate among people aged 15 to 24 stood at 50.4% in the October-December 2014 period.

Broad money (money aggregate M4) increased by 10.5% year-on-year and reached 309.878 billion denars by December 2014, according to data provided by National Bank of the Republic of Macedonia (NBRM). The M2 money supply also grew, by 7.2% y/y, to 233.678 billion denars. Money aggregate M1, or narrow money, jumped by 22.2% y/y to 85.548 billion denars.

Loans to the non-government sector totalled 255.516 billion denars in the fourth quarter of 2014, up by an annual 9.8%, as household loans increased by 11.5% to 108.156 billion denars and loans to non-financial corporations rose by 8.6% to 147.360 billion denars.

Current account balance in millions of euro



Source: NBRM

The country's gross external debt widened to 5.954 billion euro by the end of December, up by 14.1%, or 734 million euro, as compared to a year earlier. Long-term liabilities amounted to 4.660 billion euro or 78.3% of the total debt, and short-term liabilities added up to 1.294 billion euro, or 21.7% of the total.

The country's current account deficit narrowed to 9.715 million euro by the end of December from 58.069 million euro a year earlier, according to central bank data.

Foreign direct investment (FDI) increased by 4.0% to 262.335 million euro in 2014, according to NBRM. In 2014, Switzerland was the biggest foreign investor in Macedonia, contributing 126.637 million euro in FDI, followed by Saint Vincent and the Grenadines with 53.018 million euro and the U.K. with 44.254 million euro.

In a breakdown by industries, financial intermediation, excluding insurance and pension funding, was attracted the largest amount of FDI, 49.177 million euro, followed by food products, beverages and tobacco products with 36.277 million euro, and motor vehicles, trailers and semitrailers with 26.742 million euro.

The trade deficit stood totalled 407.049 billion denars or 2.343 billion dollars in 2014, compared to 2.333 billion U.S. dollars in 2013, according to NBRM. Macedonia's most exported goods in 2014 were chemical products, which accounted for 17.6% of the total. In terms of imports, non-ferrous metals had the highest share, of 12.5%, of the total imports value.

-2%

Top-end GDP growth
forecast for 2015

In 2015, Moldova's economy is expected to turn to recession of between 1.0% and 2.0%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. Diminishing remittances and exports are among the key negative factors that will weigh on Moldova's economic development in 2015. The downtrend in remittances and exports is reflecting the economic restrictions imposed by Russia and the slow recovery of the other CIS countries, which are among Moldova's leading export markets.

In 2014 Moldova's economy managed to overcome the negative external and internal factors and registered a growth, although slower than in the previous year. The economy suffered from the Russian trade embargo, the worsening business climate in one of its main trading partners - Ukraine, the continuing emigration and persisting corruption practices. The Moldovan economy continues to rely on remittances from emigrants and natural gas deliveries from Russia, while the economic programme of the new government seeks economic upswing through closer integration with the European Union.

Moldova is the SEE country that mostly relies

on remittances from emigrants. In 2014, the remittances exceeded 1.6 billion euro, thus accounting for more than 24% of the country's GDP, according to the World Bank. Remittances from Russia accounted for 33.1% of the total, followed by inflows from Italy with a 19.3% share, and Ukraine with 15.4%. The drop in the Russian rouble may significantly cut the remittances value in 2015 and will put pressure on the overall economic performance of Moldova.

In terms of doing business regulations, Moldova managed to jump to the 63th place in World Bank's Doing Business 2015 report from the 82nd position in the previous year's

ranking. The country improved significantly its position in the Getting Credit, Paying Taxes, and Starting a Business categories. According to the report, Moldova made starting a business easier by abolishing the minimum capital requirement, and facilitated company taxes payments by introducing an electronic system for filing and paying social security contributions.

Moldova also improved its position in the Global Competitiveness Report 2014-2015 published by the World Economic Forum. The country was placed 82nd out of 144 economies, while in the previous year's report it was 89th out of 148 countries. The leading issues limiting Moldova's competitiveness are corruption, policy instability, and inefficient government bureaucracy.

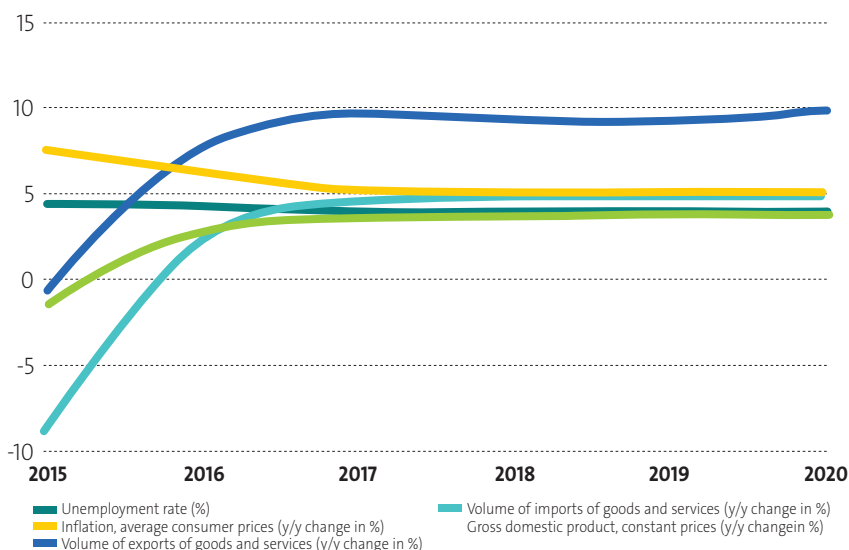
The country's GDP increased by a real 4.6% year-on-year and totalled 111.5 billion lei in 2014, according to preliminary data of the National Bureau of Statistics of the Republic of Moldova (NBS).

Final consumption increased by an annual 9.3% in nominal terms to 123.66 billion lei

Moldova TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	156	Moldovagaz SA	Petroleum/Natural Gas	300.2	1.78%	-123.1	-34.9
2	350	Orange Moldova SA	Telecommunications	134.0	-2.59%	N/A	N/A
3	403	Moldtelecom SA	Telecommunications	114.9	-2.00%	3.3	3.6
4	464	Centrala Electrica Cu Termoficare 2 SA	Electricity	93.7	12.74%	-0.512	-1.1
5	483	Tirex-Petrol SA	Petroleum/Natural Gas	88.8	-3.17%	-0.353	1.3
6	541	Sudzucker Moldova SA	Food/Drinks/Tobacco	63.0	20.76%	-1.0	-0.275
7	549	Energocom SA	Electricity	58.4	-14.77%	-0.312	-0.002
8	552	Retelele Electrice De Distributie Nord SA	Electricity	57.0	4.47%	2.2	-1.0
9	559	Moldcell SA	Telecommunications	54.5	5.45%	N/A	N/A
10	578	JLC SA	Food/Drinks/Tobacco	49.5	11.52%	2.0	1.1

Moldova economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

in 2014. Gross capital formation went up by 16.5%, contributing 25.9% to the GDP. Both imports and exports grew - by 8.6% and 7.8%, respectively.

The gross value added (GVA) generated by the national economy increased by a nominal 12.2% on the year in 2014 and totalled 93.97 billion lei. The industrial sector grew by an annual 9.5% in terms of value, but its share in the GVA structure diminished to 16.7% from 17.1%. The services sector recorded an 11.8% annual increase, slicing a 63.8% share in the GVA, down from 64.1% in the previous year. The agricultural sector registered an annual rise of 15.6%, thus increasing its share in the GVA to 15.2%, from 14.8% in 2013. The construction industry marked the highest nominal growth, of 18.5% and its share in the GVA notched up to 4.3% from 4.0% in 2013.

Industrial output went up by 7.3% on the year in 2014. The manufacturing sector grew by 8.5%, followed by the electricity, water and

gas supply and mining sectors, which went up by 4.4% and 0.2%, respectively.

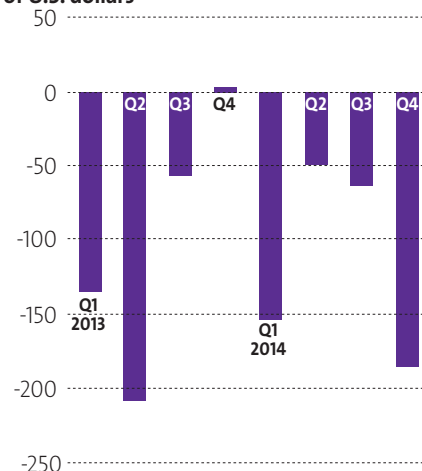
The output of the manufacture of vegetable and animal oils and fats more than doubled, while the sharpest decline, of 39.6%, was posted by manufacture of tobacco products.

Moldova registered average annual inflation of 5.1% in 2014, compared to 4.6% inflation a year earlier. In 2014, the highest annual increase in consumer prices, of 16.8%, was registered in the tourism sector, while the highest deflation, of 8.4%, was recorded by vegetable oil.

Unemployment in Moldova narrowed to 3.5% of the total labour force in the fourth quarter of 2014 from 4.1% a year earlier, according to data of NBS.

The employed population aged 15 years and older was 1.1 million in the last quarter of 2014, down by 3.8% y/y.

Current account balance in millions of U.S. dollars



Source: National Bank of Moldova

Loans to the non-government sector totalled 40.8 billion lei as of end-2014, down by an annual 3.2%, according to BNM.

Loans to non-financial corporations sank by an annual 6.4% to 34.9 billion lei, while household loans went up by 21.2% year-on-year, reaching 5.9 billion lei.

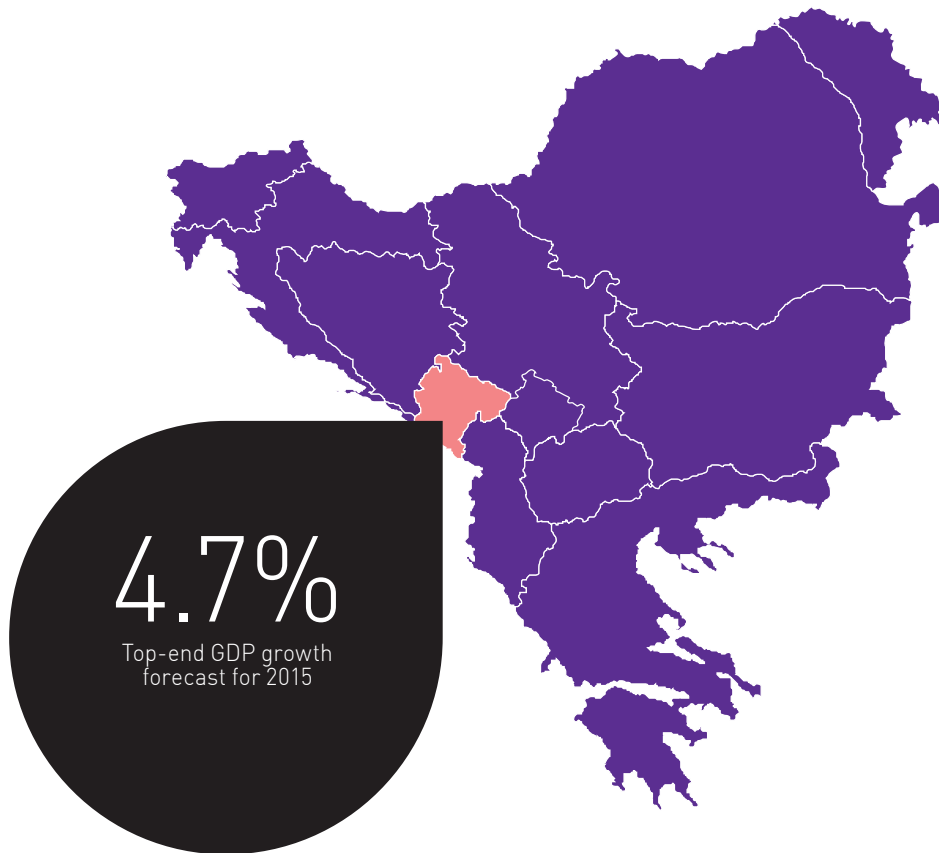
The country's gross external debt decreased, totalling 6.495 billion U.S. dollars at the end of December 2014. It narrowed by 2.7%, or 178 million U.S. dollars compared to December 2013. In comparison to September 2014, the gross external debt fell by 333 million U.S. dollars.

As of end-December 2014 long-term liabilities amounted to 4.3 billion U.S. dollars, or 65.6% of the total debt, and short-term liabilities totalled 2.2 billion U.S. dollars, equal to 34.4% of the total debt.

The current account deficit widened to 451.1 million U.S. dollars in 2014 from 398.6 million U.S. dollars in 2013, according to central bank statistics data.

The trade deficit stood at 2.977 billion U.S. dollars in 2014, compared to 3.064 billion U.S. dollars in 2013, according to BNM.

In 2014 Moldova exported most of its products and services to Romania, with exports totalled 434.04 million U.S. dollars or 18.6% of the total exports, followed by Russia, with 18.1% or 423.7 million U.S. dollars, and Italy with 10.4% or 243.4 million U.S. dollars. Most of Moldova's imports came from Romania – 803.08 million U.S. dollars, Russia followed with 717.2 million U.S. dollars, and Ukraine was third with 546.37 million U.S. dollars.



In 2015, Montenegro's economy is expected to grow by between 3.0% and 4.7%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. The economic growth will be fuelled by investments in infrastructure projects, especially the Bar-Boljare motorway, for which the Montenegrin government signed a 687 million euro loan deal with China's Ex-Im Bank. Among the risk factors for the Montenegrin economic growth is the lower number of Russian tourists, who account for more than 20% of the total tourist arrivals.

Montenegro's economy experienced subdued growth in 2014 due to weak domestic demand, insufficient access to financing and drop in exports. Industrial production also fell and the privatisation of a number of large state-owned enterprises continued to lag behind. The tourism sector continued to be key for the country's economy, accounting for about 20% of the gross domestic product (GDP) and of the total employment. Mon-

tenegro managed to lower the unemployment levels but the limited company lending activity stalled earnings and weakened private consumption.

In March, Azmont Investments, controlled by Azeri state-owned oil company SOCAR, launched the construction of a luxury tourist resort on Montenegro's Adriatic coast, worth more than 500 million euro. The resort should be completed by 2016 and will open

6,500 jobs during the construction period and 1,200 afterwards.

In February, the Montenegrin government signed an 809.6 million euro deal with China Road and Bridge Corporation which together with China Communications Construction Company will build the Bar-Boljare motorway, part of Pan European Transport Corridor X.

In terms of business regulations, Montenegro was among the leaders in Southeast Europe (SEE) by ranking 36th in World Bank's Doing Business 2015 report. Montenegro was second among the SEE countries with the leader being Macedonia, which occupied the 30th position. Montenegro made dealing with construction permits substantially less costly by reducing the fee for the provision of utilities on construction land and eliminating the fee for obtaining urban development and technical requirements from the municipality, according to the report.

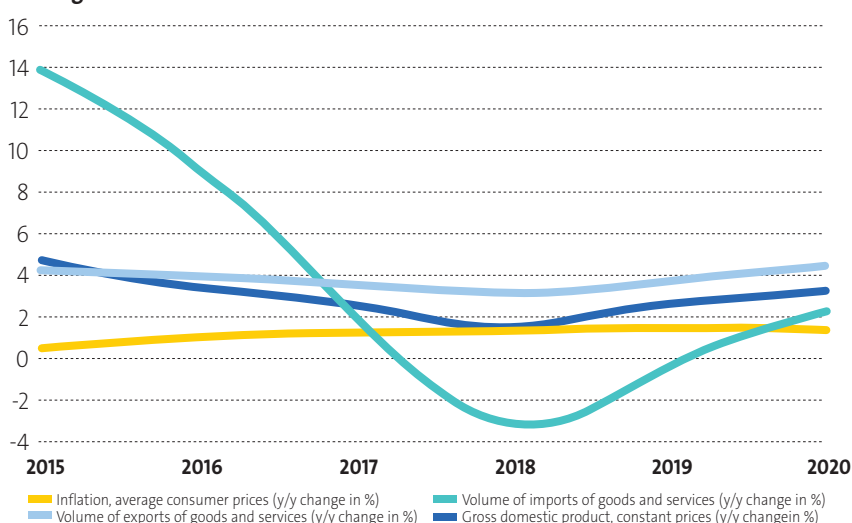
Montenegro's position in the Global Com-

Montenegro TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	180	Elektroprivreda Crne Gore A.D.	Electricity	266.7	-9.27%	34.8	25.2
2	271	Voli Trade D.O.O.	Wholesale/Retail	182.3	3.58%	2.2	1.8
3	281	Jugopetrol A.D.	Petroleum/Natural Gas	175.8	-5.36%	4.7	4.5
4	410	Mercator-CG D.O.O.	Wholesale/Retail	111.7	3.30%	0.022	0.017
5	429	Crnogorski Telekom A.D.	Telecommunications	106.2	-4.72%	21.6	18.8
6	473	Hard Discount Lakovic D.O.O.	Wholesale/Retail	90.8	10.84%	1.6	2.3
7	491	Mesopromet D.O.O.	Wholesale/Retail	81.8	30.27%	2.8	1.3
8	514	Roksped D.O.O.	Transportation	73.3	-8.46%	0.010	0.050
9	521	Telenor D.O.O.	Telecommunications	70.4	-3.56%	20.7	23.7
10	526	Montenegro Airlines A.D.	Transportation	67.9	-7.53%	-9.5	-5.2

Source: Agencija boniteta BON Podgorica, Montenegro

Montenegro economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

petitiveness Report 2014-2015 published by the World Economic Forum remained unchanged at 67th out of 144 countries. The factors weakening Montenegro's competitiveness are insufficient access to financing, corruption and poor work ethic in the national labor force.

Remittances from emigrants are an important factor for Montenegro's economy, according to data of the World Bank. In 2014, they totaled 363.2 million euro, accounting for more than 10% of the country's GDP. The remittances grew by 4.2% in comparison to 2013 and by 32.6% in comparison to 2012. Large share of remittances to Montenegro come from Serbia. In 2014 their share was 22.9% of the total, followed by remittances from Turkey, accounting for 18.8% of the total sum.

The country's GDP totalled 3.38 billion euro, growing by a real 1.5% on the year in 2014, according to preliminary data of the Statistical Office of Montenegro (MONSTAT).

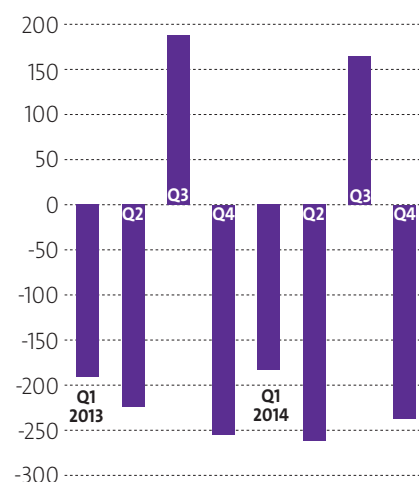
Final consumption increased by 1.3% in value in 2014. Gross capital formation was up by 5.5%, contributing 20.0% to the GDP.

Industrial output was down by 11.4% in 2014, according to MONSTAT. The output of the electricity and gas supply sector fell the sharpest by 19.6% and the manufacturing sector declined by 6.7%. The mining sector expanded by 14.4%.

Industrial sales decreased by 7.6% in 2014, according to MONSTAT. Similar to the industrial output, the mining industry experienced a growth of 14.4% while the manufacturing, and the electricity and gas supply industries recorded drops of 10.5% and 9.0%, respectively.

Consumer prices in Montenegro turned to an annual average deflation of 0.7% in 2014 from 2.2% inflation a year earlier. In 2014, the highest annual decrease in consumer prices of 3.8% was registered in the communications sector, followed by recreation and cul-

Current account balance in millions of euro



Source: CBM

ture with 2.6%, and food and non-alcoholic beverages with 1.4%. The highest increase in consumer prices was registered in alcoholic beverages and tobacco, health, and restaurants and hotels, of 3.8%, 2.3% and 0.6%, respectively.

Unemployment in Montenegro narrowed to 17.8% of the total labour force in 2014 from 19.5% a year earlier, according to data of MONSTAT.

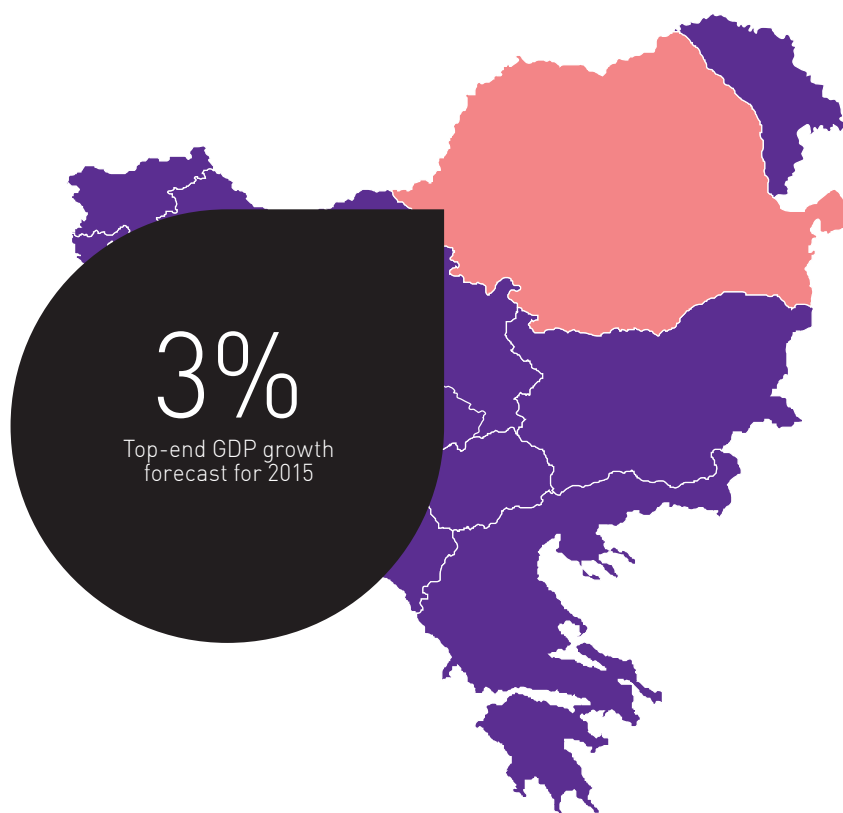
The employed population aged 15 years and older was 216,300 people in 2014, up by 7.1%. The youth (population aged 15-24) unemployment rate was down to 35.9%, compared to 41.8% in the previous year.

Loans to the non-government sector totalled 1.84 billion euro as of end-2014, down by 1.1% y/y, according to Central bank of Montenegro (CBCG). Household loans grew by 1.5% to 894 million euro, while loans to non-financial corporations fell by 3.9% to 976 million euro.

The gross external debt increased, totalling 1.56 billion euro at the end of December 2014, which was 46.0% of the projected full-year GDP, according to CBCG. It widened by 9.0%, or 129 million euro compared to December 2013.

The current account turned to a deficit of 238.3 million euro in the fourth quarter of 2014 from a surplus of 165.0 million euro in the third quarter of 2014, according to central bank statistics data.

The trade deficit stood at 1.45 billion euro in 2014, compared to 1.398 billion euro in 2013, according to MONSTAT.



In 2015, Romania's economy is expected to expand by around 3.0%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. Strong private consumption, backed by rising wages and low inflation, growing exports to the EU countries and a recovery in foreign investments will support the country's economic expansion.

edition of the report, Romania ranked 50th with a score of 68.48 points. The country improved notably its standings in the Paying Taxes category, largely thanks to the launch of an electronic system for filing and paying taxes.

Romania made very good progress in terms of competitiveness, according to the Global Competitiveness Report 2014-2015 published by the World Economic Forum. The country ranked 59th out of 144 countries, after ending up 76th among 148 economies a year earlier. According to the report, the key factors limiting Romania's competitiveness are access to financing, tax rates, and inadequate supply of infrastructure.

Romanian emigrants supported the Romanian economy with 2.8 billion euro in remittances in 2014, according to data provided by the World Bank. Emigrants in Italy contributed the most, accounting for 29.3% of the total sum. Other major contributors were the Romanians living in Spain and Germany,

Romania's economic growth slowed down to 2.8% in 2014 but remained one of the sharpest in Southeast Europe (SEE). It came on the back of solid domestic consumption, increasing exports, mainly to the EU, and an uptrend in the industrial and services sectors. The key challenges facing the Romanian government are to maintain a steady growth pace without, however, jeopardizing the fiscal stability. The country should make further progress with structural reforms and cutting red tape, as well.

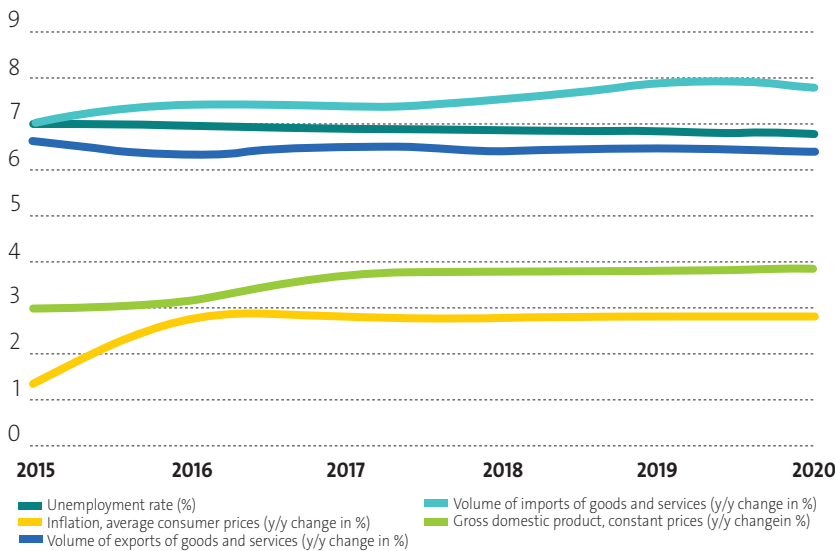
Romania was also active on the debt market in 2014, selling some 40.6 billion lei (9.1 billion euro) and 928.7 million euro in government debt paper on the domestic market, and raising 2.0 billion U.S. dollars in 10-year and 30-year bonds on the U.S. market and 2.75 billion euro in ten-year bonds on international markets.

In terms of business environment, Romania climbed up to the 48th place out of 189 countries with a score of 70.22 points in the World Bank's Doing Business 2015 report. In the 2014

Romania TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	1	Automobile-Dacia SA	Automobiles	4 247	2.16%	82.9	75.2
2	2	OMV Petrom SA	Petroleum/Natural Gas	4 144	-3.01%	409.9	1 079
3	6	OMV Petrom Marketing SRL	Petroleum/Natural Gas	3 234	-0.83%	68.0	65.7
4	7	Romp petrol Rafinare SA	Petroleum/Natural Gas	2 999	13.71%	-239.8	-49.9
5	10	Romp petrol Downstream SRL	Petroleum/Natural Gas	2 126	8.75%	9.5	-0.803
6	11	Kaufland Romania SCS	Wholesale/Retail	1 795	10.13%	91.4	73.8
7	14	British American Tobacco (Romania) Trading SRL	Food/Drinks/Tobacco	1 553	-0.05%	79.5	88.5
8	18	Petrotel - Lukoil SA	Petroleum/Natural Gas	1 462	13.33%	-68.7	-207.1
9	22	Lukoil Romania SRL	Petroleum/Natural Gas	1 308	17.70%	-0.037	-11.3
10	24	Romgaz SA	Petroleum/Natural Gas	1 113	28.10%	314.6	221.9

Romania economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

whose remittances accounted for 23.2% and 13.2% of the total, respectively.

The country's nominal gross domestic product (GDP) totalled 666.637 billion lei in current prices, growing by a real 2.8% in 2014, according to the National Institute of Statistics, INS.

Final consumption, which contributed 76.9% to GDP, increased by 4.6% in 2014. Gross capital formation went down by 3.6%, contributing 23.2% to the GDP. Exports increased by 8.1%, while imports rose slower, by 7.7%.

The gross value added (GVA) generated by the national economy increased by 2.6% in 2014 and totalled 589.029 billion lei. The industrial sector grew by 3.6% in terms of volume and its share in the GVA structure increased to 27.3% from 27.0% in 2013. The information and communication sector experienced the sharpest annual rise, of 8.2%. The agricultural sector was hit by floods but registered

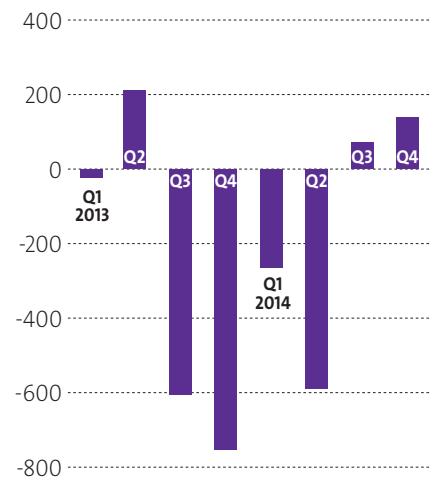
an annual increase of 1.5%, while narrowing its share in the GVA to 5.4% from 6.2%. Construction inched up by 0.3% and accounted for 7.1% of the GVA.

Industrial output went up by 6.1% in 2014. The manufacturing and the mining sectors grew by 7.5% and 1.0%, respectively, while the electricity, water and gas supply sector fell by 4.7%. Manufacturing of computer, electronic and optical products was the segment to report the highest annual production growth, of 53.9%, while the output of mining other than coal and lignite declined the most, by 5.8%.

Annual inflation slowed down to 0.8% in December 2014, from 1.6% a year earlier. Average annual inflation was 1.1%, while the EU-harmonized Consumer Price Index was up 1.4% on the year.

Unemployment in the country dropped to 6.8% of the total labour force in 2014 from

Current account balance in millions of euro



Source: NBR

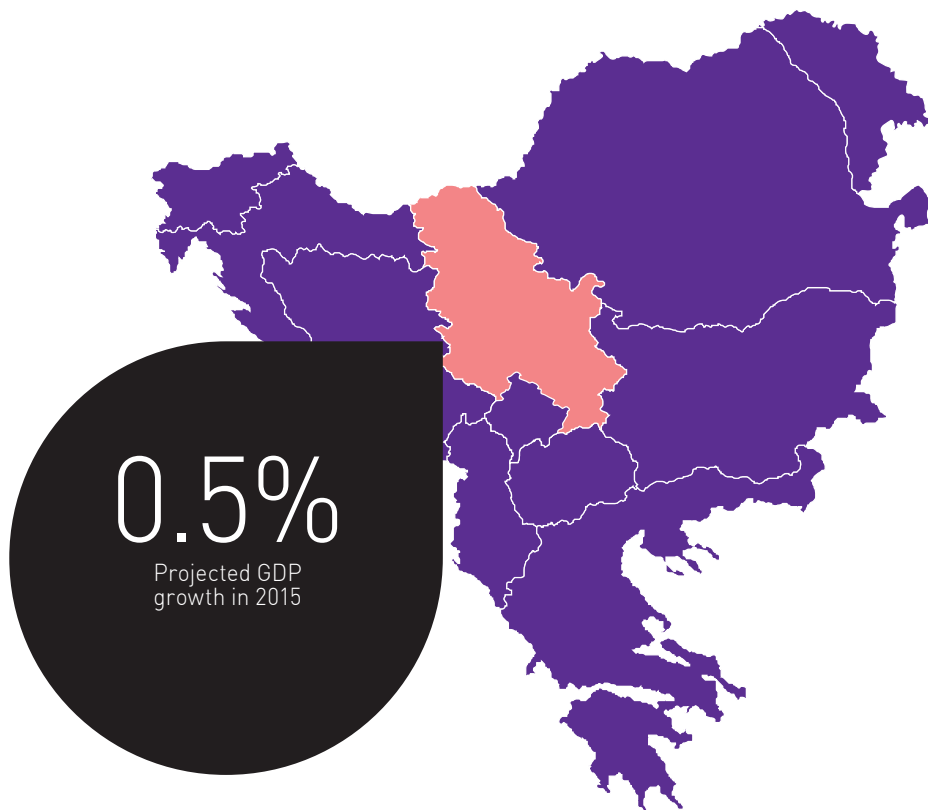
7.2% a year earlier, according to INS data. The employed population aged 15 years and above was 8.6 million in 2014, down by 6.8%. The unemployment rate among people aged between 15 and 24 went up to 24%, from 23.6% a year earlier.

Broad money (money aggregate M3) decreased by 8.2% and reached 261.4 billion lei in 2014, according to data provided by National Bank of Romania. The M2 money supply also grew, by 8.2%, to 261.1 billion lei. Money aggregate M1, or narrow money, jumped by 17.8% to 118.1 billion lei in 2014.

Loans to the non-government sector totalled 208 billion lei in December 2014, down by 3.5% year-on-year. Loans to non-financial corporations fell by 6.3% to 105.3 billion lei, household loans inched down 0.4% to 102.8 billion lei and home purchase loans climbed up by 14.6% to 46.8 billion lei, while consumer loans went down by 10.5%.

The country's gross external debt decreased to 94.3 billion euro in 2014, shrinking by 3.8%, or 3.77 billion euro, as compared to 2013. Long-term liabilities amounted to 63.5 billion euro, or 67.3% of the total debt, and short-term liabilities totalled 9.9 billion euro, equal to 10.5% of the total debt.

Foreign direct investment (FDI) dropped by 10.6% to 2.4 billion euro in 2014, according to data from the country's central bank. Of the total, equity stakes, including estimated net loss, amounted to 2.6 billion euro and intercompany lending stood at 155 million euro.



In 2015, Serbia is expected to achieve a slight gross domestic product (GDP) growth of 0.5%, according to the forecast of the International Monetary Fund (IMF). Fiscal adjustments under an ongoing IMF programme will limit domestic demand and high non-performing loan (NPL) levels will continue to impede access to financing. The lower oil prices, the economic recovery of the EU, Serbia's main trade partner, and the low base from 2014 are the factors to determine a growth in 2015.

In terms of business regulations, Serbia was SEE's second worst performer in World Bank's Doing Business 2015 report. The country was placed 91st, dropping from the 77th position in the previous year's edition. Serbia made transferring property more difficult by eliminating the expedited procedure for registering a property transfer, according to the report.

Serbia managed to improve its competitiveness, according to the Global Competitiveness Report 2014-2015 published by the World Economic Forum. Serbia ranked 94th out of 144 countries or seven places higher than its position in the 2013-2014 report. According to the latest report, inefficient government bureaucracy, access to financing, and corruption are the main factors, which impede the country's competitiveness.

Serbia benefited from more than 3 billion euro in remittances from Serbian emigrants in 2014, according to the World Bank data. The remittances account for more than 8.0% of the country's GDP, thus making Serbia one

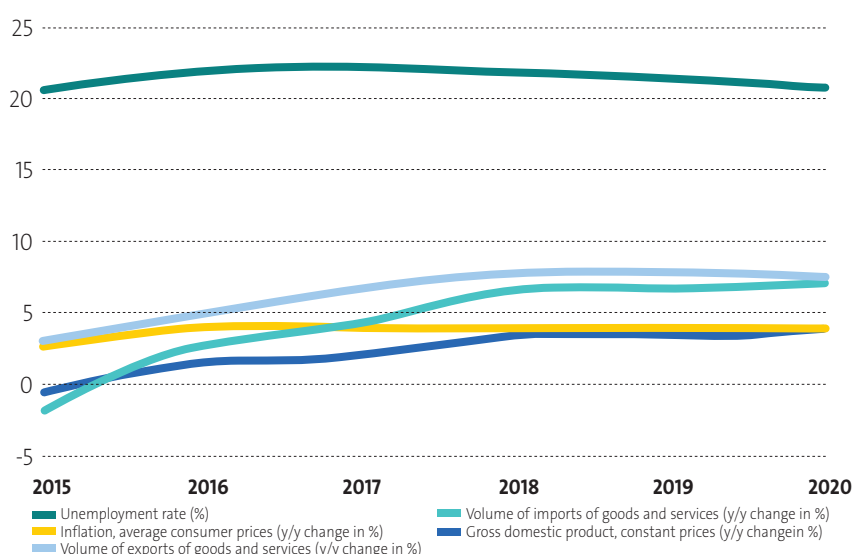
Serbia's economy experienced a tough 2014. The country's GDP was falling on annual basis through all of the year's quarters and posted a 1.8% overall drop in 2014. Heavy rainfalls in May caused devastating floods which hit the country's agriculture and energy sectors, and caused damages estimated at more than 1.5 billion euro. Industrial production dropped in all sectors, most notably in the mining, and electricity, water and gas supply. Domestic consumption was weak with lending activity going down due to the high level of NPLs.

In August 2014, Serbia's Privatization Agency issued a public call for expressions of interest from potential investors for the privatization of 502 loss-making state-owned enterprises in order to curb government debt, as well as to boost the private sector, and foreign direct investments (FDI) inflow. The pool of companies under privatisation includes drug maker Galenika, RTB Bor, one of Europe's largest copper mines, chemical producers maker Petrohemija and HIP Azotara, carmaker Zastava, and agricultural conglomerate PKB Korporacija.

Serbia TOP 10

No	SEE TOP 100 No	Company name	Industry	in millions of euro			
				Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	9	Naftna Industrija Srbije AD	Petroleum/Natural Gas	2 169	-3.67%	253.4	457.8
2	20	JP Elektroprivreda Srbije (JP EPS)	Electricity	1 376	2.79%	22.2	17.1
3	42	Telekom Srbija AD	Telecommunications	790.4	0.17%	139.9	134.1
4	54	JP Srbijagas	Petroleum/Natural Gas	674.7	3.91%	-373.5	-434.9
5	56	Termoelektrane Nikola Tesla DOO	Electricity	666.6	1.36%	27.4	34.4
6	60	Delhaize Serbia DOO	Wholesale/Retail	630.7	-2.26%	24.8	35.8
7	103	Rudarski Basen Kolubara DOO	Metals	415.8	4.00%	7.2	23.3
8	199	Lukoil Srbija AD	Petroleum/Natural Gas	246.1	-718%	-112.1	-28.0
9	217	Zeleznice Srbije AD	Transport	223.8	0.94%	-97.9	-67.7
10	255	Elektrovojvodina DOO	Electricity	198.3	-32.67%	19.3	18.6

Serbia economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

of the SEE countries that are highly dependent on such inflows. In 2014, remittances from Germany occupied the leading position with a 17.3% share of the total remittances value, followed by inflows from Switzerland, and Austria, each with a 10.6% share.

The country's GDP, including changes in inventories and net acquisition of valuables, decreased by a real 1.8% and totalled 1,042.5 billion dinars in the fourth quarter of 2014, according to preliminary data of the Statistical Office of the Republic of Serbia (SORS).

Final consumption, which contributed 92.0% to the GDP (excluding changes in inventories and net acquisition of valuables), decreased in value by 0.7% y/y in the fourth quarter of 2014. Gross capital formation remained flat on the year. Exports and imports grew by 0.9% and 1.6% y/y, respectively.

The gross value added (GVA) generated by the national economy decreased by nominal 2.0% y/y in the fourth quarter of 2014 and totalled 685.2 billion dinars. The industrial

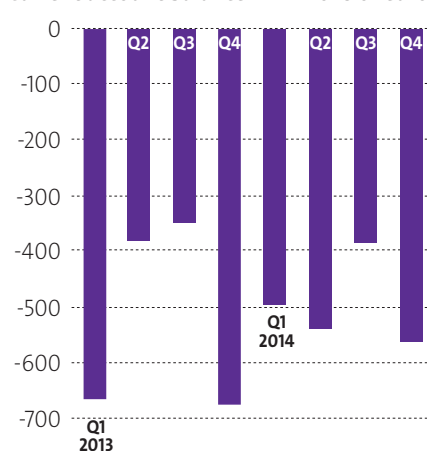
sector fell in value by 9.0% and its share in the GVA structure decreased to 23.4% from 25.2%. The services sector recorded a 0.3% annual decrease, slicing a 59.8% share in the GVA, up from 58.8% in the corresponding quarter of the previous year. The agricultural sector registered an annual rise of 0.9%, thus increasing its share in the GVA to 10.7%, from 10.4%.

Industrial output was down by 6.5% in 2014. The electricity, water and gas supply sector reported the highest decline of 20.1%. The mining sector and the manufacturing sector fell by 16.7% and 1.4%, respectively.

The manufacture of machinery and equipment n.e.c. was the segment with the highest annual production growth of 29.0%. On the other end was mining of coal and lignite, which reported an annual drop of 25.8%.

The average annual inflation slowed down to 2.9% in 2014 from 7.8% a year ago, according to SORS data. The highest inflation of 9.5% was registered in alcoholic beverages and to-

Current account balance in millions of euro



Source: NBS

acco products, while clothing and footwear was the only product group that got cheaper by 1.8%.

Unemployment in Serbia narrowed to 18.9% of the total labour force in 2014 from 22.1% in the previous year, according to data of SORS.

The employed population aged 15 years and older was 2.42 million in 2014, up 4.8% y/y. The youth (population aged 15-24) unemployment rate remained high, at 47.1%.

Money aggregate M1, or narrow money, jumped by 11.0% y/y to 430.9 billion dinars.

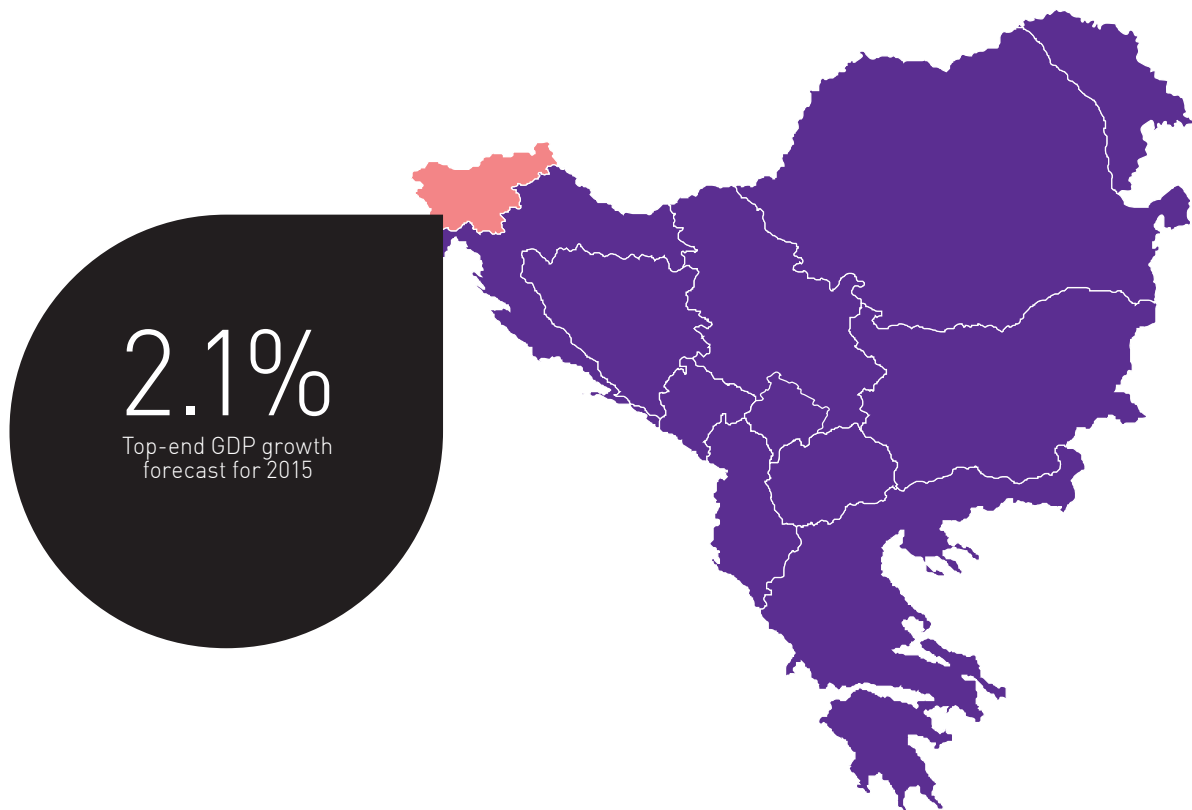
Loans to the non-government sector totalled 1,863.3 billion dinars in December 2014, up by 4.5% y/y.

Loans to non-financial corporations grew by 2.6% y/y to 1,138.7 billion dinars, while household loans rose by 7.6% y/y to 724.6 billion dinars. House purchasing loans climbed by 6.9% to 336.9 billion dinars.

The gross external debt increased, totalling 26 billion euro at the end of December 2014. It widened by 0.7% compared to December 2013. In comparison to end-2012 the gross external debt grew by 1.2%, or 309 million euro.

In 2014, the current account gap narrowed to 1.985 billion euro from 2.098 billion euro in 2013, according to NBS data. Net direct investments were negative at 1.24 billion euro, compared to a deficit of 1.298 billion euro in the previous year.

The trade deficit stood at 4.4 billion euro in 2014, down by 2.3% compared to the previous year, according to SORS.



In 2015, the Slovenian economy is expected to continue its recovery and grow by between 1.7% and 2.1%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. Exports will continue to be a key driver for the country's economic growth, supported by the cheaper euro and the economic revival of the Eurozone countries, Slovenia's main export markets. Stronger private consumption, backed by low inflation, will be another economic anchor.

Slovenia's economy bounced back after a two-year recession in 2014. The country's annual gross domestic product (GDP) growth reached 2.6% thanks to rising exports, and state and EU-funded investments. The 2014 economic performance is seen as the first sign of recovery after the country was hit by the global economic downturn in 2009. Despite the brighter economic development, Slovenia should ease the state control of the economy by speeding up privatisation, rein in the public debt, and further strengthen bank governance in order to keep the economic growth momentum.

In September 2014, the Slovenian parlia-

ment endorsed the cabinet line-up of prime minister-designate Miro Cerar. The cabinet stated that its key priorities are continuing a restrictive fiscal policy through lowering expenditure and more effective collection of taxes. The competitiveness of the Slovenian economy is also to be improved through corporate restructuring and continuing the privatisation process.

In terms of ease of doing business regulations, Slovenia stepped down by five positions to the 51st place in World Bank's Doing Business 2015 report. In the previous year's edition the country ranked 46th. Slovenia facilitated resolving of insolvency

for companies, according to the report.

Slovenia also retreated in terms of business environment competitiveness by ranking 70th out of 144 countries in the Global Competitiveness Report 2014-2015 published by the World Economic Forum. The country's Global Competitiveness Index score was 4.2 points, while in the 2013-2014 edition it was 4.3 points, ranking the country 62nd among 148 economies. According to the latest report, inefficient government bureaucracy, access to financing, and high tax rates are the main factors, which weaken the country's competitiveness.

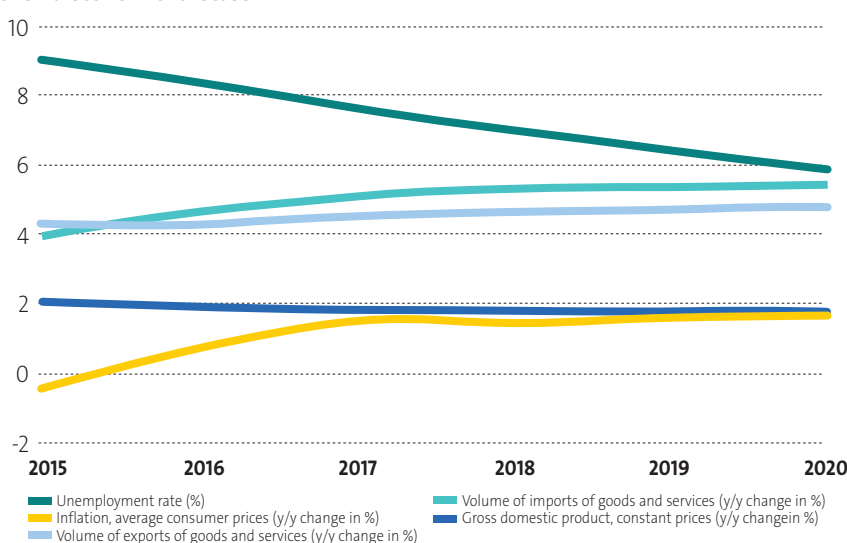
Slovenia is the least dependant on remittances country in Southeast Europe, according data of the World Bank. In 2014, the remittances sum totalled 591 million euro and accounted for 1.6% of the country's GDP, lower than in the other SEE countries. However, after the world economic crisis, the importance of remittances for the Slovenian economy has grown.

The country's GDP increased by a real 2.6% and totalled 24.5 billion euro in 2014, according to data of the Statistical Office of the Republic of Slovenia (SURStat).

Slovenia TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2014	Y/Y change in revenue	Net profit/loss 2014	Net profit/loss 2013
1	4	Petrol d.d.	Petroleum/Natural Gas	3 327	1.41%	41.1	30.2
2	17	Poslovni Sistem Mercator d.d.	Wholesale/Retail	1 471	-1.57%	-95.1	-35.6
3	19	HSE d.o.o.	Electricity	1 378	-16.55%	140.8	16.1
4	21	GEN-I d.o.o.	Electricity	1 325	3.54%	8.6	6.2
5	23	Krka d.d.	Pharmaceuticals	1 208	7.41%	144.4	164.7
6	36	Revoz d.d.	Automobiles	862.2	28.60%	12.2	11.5
7	44	Lek d.d.	Pharmaceuticals	775.7	0.12%	69.3	88.8
8	50	Gorenje d.d.	Electronics	713.9	3.04%	6.3	2.7
9	52	Telekom Slovenije d.d.	Telecommunications	687.6	-0.09%	17.9	51.2
10	53	OMV Slovenija d.o.o.	Petroleum/Natural Gas	683.0	-3.67%	12.7	14.0

Slovenia economic forecast



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2015

Final consumption, which contributed 70.3% to the GDP, amounted to 17.2 billion euro, up 0.1% in value terms. Gross capital formation was up by 3.6%, contributing 20.1% to the GDP. Both exports and imports increased, by 6.3% and 4.1%, respectively.

Industrial output was up by 1.6% in 2014, according to SURS. The growth was fuelled mainly by the 3.6% uptrend in the manufacturing industry, while the mining, and gas, steam and air conditioning supply sectors dropped by 4.2% and 13.8%, respectively.

Slovenia registered average annual inflation of 0.2% in 2014, compared to 1.8% inflation a year ago, SURS data showed. In 2014 the highest average annual increase in consumer prices, of 3.6%, was registered in alcoholic beverages and tobacco, followed by miscellaneous goods and services, and restaurants and hotel services, where prices increased by 1.6% and 1.1% respectively. The consumer groups that recorded the highest deflation, of 1.9%, were communications, followed by

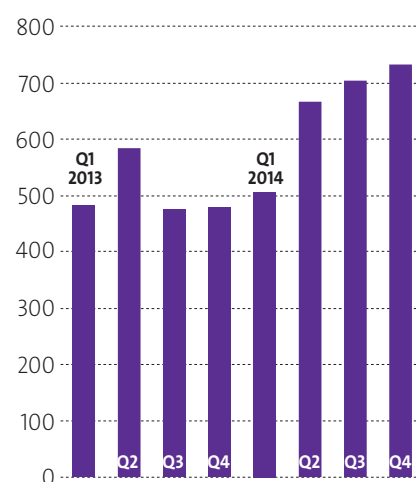
Furnishing, household equipment and maintenance with a 1.2% decline in prices, and clothing and footwear prices inched down by 0.9%.

Unemployment in Slovenia narrowed to 13.0% of the total labour force in December 2014 from 13.5% a year earlier, according to data of SURS.

The employed population aged 15 years and older was 799,958 in December 2014, up by 1.1% y/y. The self-employed persons accounted for 10.4% of the total employment in the country. The youth (population aged 15-24) unemployment rate went down to 30.5%, compared to 33.8% in the corresponding month of the previous year.

Loans to non-financial corporations fell by 20.8% y/y to 11.2 billion euro in December 2014, according to central bank data. Household loans were down by 1.7% to 8.76 billion euro. House purchasing loans climbed by 0.8% to 5.35 billion euro. Consumer loans marked a 4.9% decrease to 2.1 billion euro.

Current account balance in millions of euro



Source: The Bank of Slovenia

The bad loans in Slovenia's banking system, which required a government bail-out in late 2013, totalled 4.45 billion euro at the end of December 2014, according to the country's central bank. A year ago, the bad loan portfolio of the local banks was higher at 5.52 billion euro. The share of loans whose repayment has been delayed by 90 days or more ticked down to 11.9% at the end of December 2014 from 13.4% a year earlier.

The gross external debt increased, totalling 44.4 billion euro at the end of December 2014, Bank of Slovenia reported. It widened by 11.2%, or 4.5 billion euro compared to December 2013.

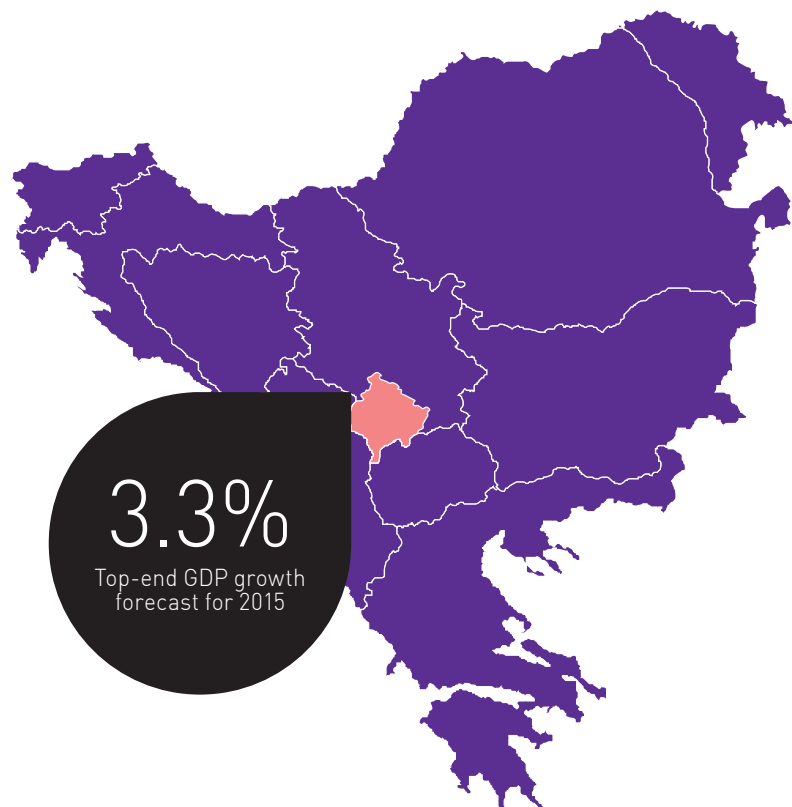
As of end-December 2014 long-term liabilities amounted to 39.5 billion, or 88.9% of the total debt, and short-term liabilities totalled 4.9 billion euro equal to 11.1% of the total debt.

The government debt stood at 22.1 billion euro, or 49.9% of the total debt, up by 43.5% y/y.

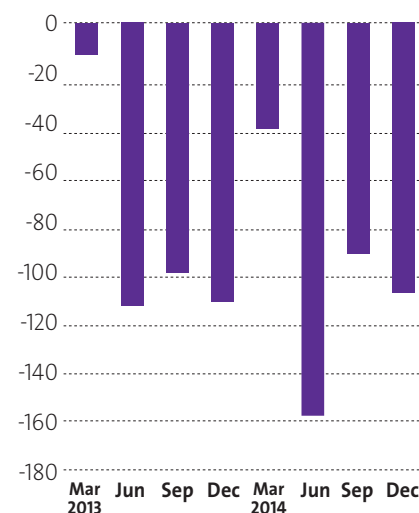
In 2014 the current account balance was a positive 2.6 billion euro, compared with a surplus of 2 billion euro in 2013, according to the central bank.

The trade balance turned to a surplus of 355 million euro in 2014 from a deficit of 565 million euro in 2013, according to SURS.

Machinery and transport equipment was the leading product group in Slovenia's external trade, accounting for 36.3% of the total exports and 29.7% of the total value of imports.



Current account balance in millions of euro



Source: Central Bank of the Republic of Kosovo

quarter of 2014, according to latest available data from the Kosovo Agency of Statistics. Final consumption increased in value terms by an annual 5.1% in the October-December 2014 period. Gross capital formation inched up by 0.1% to 379.3 million euro. Both exports and imports grew -by 29.2% and 7.3%, respectively.

Industrial sales in the manufacturing sector jumped by 29.1% year-on-year in the fourth quarter of 2014, official statistics indicated. Average annual inflation slowed down to 0.4% in 2014, compared to 1.8% a year earlier, according to the Kosovo Agency of Statistics.

Unemployment in Kosovo grew to 35.5% of the total labour force at end-2014 from 30.9% a year earlier, according to official statistics. Kosovo's current account deficit widened to 441.0 million euro in 2014 from 339.4 million euro in 2013, central bank data indicated.

FDI in Kosovo nearly halved to 151.2 million euro in 2014, according to central bank data. As much as 94.0% of the total FDI, or 142.1 million euro, was concentrated in the real estate sector. Switzerland was the biggest foreign investor in Kosovo in 2014, contributing 38.2 million euro in FDI.

In 2015, Kosovo's economy is expected to grow by between 2.5% and 3.3%, according to forecasts of the World Bank, the European Bank for Reconstruction and Development, and the International Monetary Fund. Investor confidence and activity will remain subdued but the political stability following the 2014 general elections, as well as strong remittance inflows are expected to back Kosovo's economic development.

Kosovo's gross domestic product (GDP) growth slowed down in 2014 to an estimated 2.5%, according to World Bank figures, due to lack of significant economic reforms. The country's economy continues to be characterized by high unemployment, especially youth unemployment, dependence on remittances from emigrants and large informal economy. The underdeveloped regulatory framework and unstable business climate, including high corruption levels are limiting the capacity of the local economy to attract steady foreign direct investment (FDI) inflows.

In October 2014 the European Commission said that Kosovo has made limited progress on its path to become a functioning market

economy and substantial efforts are needed to tackle structural weaknesses to cope with competitive pressures and market forces over the long term. Strengthening fiscal predictability needs to be a priority while decisions on large infrastructure projects, such as in the transport sector, need to be based on proper cost-benefit evaluations to maximize economic benefits, the European Commission noted.

Remittances inflow to Kosovo is estimated to account for more than 15% of the country's GDP, according to the World Bank. In 2014 remittances grew by 9.3% to over 1.0 billion euro. The bulk, or 65.8% of the total, came from EU-member states led by Germany with a 35.0% share. Most of the remittances, 34.2% of the total, came from emigrants living in Switzerland, the U.S., and Norway.

Kosovo's GDP increased by a real 3.3% year-on-year and totalled 1.441 euro billion in the fourth

Kosovo 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	Telekomi i Kosoves Sh.a.	Telecommunications	2 414
6	Kompania Kosovare per Distribuum dhe Furnizim me Energji Elektrike Sh.a.	Electricity	2 000
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.

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