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Business Intelligence  
for Southeast Europe

# TOP 100 SEE

SOUTHEAST EUROPE'S BIGGEST COMPANIES

# 2016

NINTH ANNUAL EDITION

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## Letter from the editor

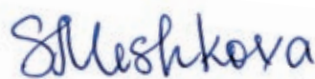
For nearly a decade SeeNews has been following the corporate sector of Southeast Europe (SEE) as it zigzags through the rough local economic terrain. Weak institutions, poor infrastructure and excessive dependence on foreign markets have remained constant elements of the picture. To these, the past year added political instability and election-related macroeconomic weaknesses in some countries, alongside new geopolitical pressures – an intensifying refugee flow, Britain's decision to exit the EU, and strained relations between the bloc and Russia, a traditionally major investor and trading partner for the region. To help the SEE countries tackle these challenges – both external and domestic – international financial institutions such as the IMF and the EBRD, as well as the EU itself, have been pouring cash into the region, while at the same exerting pressure for reforms and improvement of the business climate. All in all, economic activity in SEE picked up and this is eventually starting to show in the companies' bottom lines.

The combined revenues and earnings of the entrants in the TOP 100 SEE companies ranking edged up in 2015, following a decline a year earlier. The increase, however, remained below the region's average GDP growth, suggesting that corporate majors have been slow to adapt to the changing environment. From a positive perspective, however, it points to an untapped potential for growth.

Expectations that the corporate sector is headed for better times are further underpinned by projections that economic growth will strengthen in the coming years. Combined with the ongoing EU integration and inflow of EU funds, more efficient judiciary and improved business environment, this will provide a solid base for higher revenues and profitability.

The economic pick-up has been a tailwind for one industry in particular and that is retail and wholesale, which comes as little surprise given that household consumption was the main driver of economic growth in the region.

The winner of the TOP 100 SEE ranking also is only too logical – a company based in the region's biggest and fastest growing economy, in a sector that has been making the best of Southeast Europe's cheap skilled labour and proximity to global markets. And an illustrative example of what Tomasz Telma, IFC regional director Europe and Central Asia, says in an exclusive interview for this publication: “Some countries can be a little bit more deliberate and persistent in going through the mapping of their economy and trying to figure out how to make themselves attractive to those foreign investors who are making choices.”



**Siana Mishkova**  
Editor-in-chief



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# TOP 100 companies

in millions of euro

2015	2014	Company name	Country	Industry	Total revenue 2015	Total revenue 2014	Y/Y change in revenue	Net profit/ Loss 2015	Net profit/ Loss 2014	Rank by net profit/loss
1	1	Automobile-Dacia SA	Romania	Automobiles	4 290	4 247	1.98%	99.0	82.9	14
2	2	OMV Petrom SA	Romania	Petroleum/Natural Gas	3 554	4 144	-13.43%	-139.4	409.9	97
3	6	OMV Petrom Marketing SRL	Romania	Petroleum/Natural Gas	3 322	3 234	3.68%	73.2	68.0	22
4	4	Petrol d.d.	Slovenia	Petroleum/Natural Gas	3 114	3 327	-6.39%	30.1	41.1	33
5	3	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	2 614	3 335	-21.61%	-62.4	-272.1	93
6	5	INA d.d.	Croatia	Petroleum/Natural Gas	2 328	2 900	-19.97%	-157.5	82.4	98
7	8	Aurubis Bulgaria AD	Bulgaria	Metals	2 221	2 172	2.22%	112.0	61.1	13
8	7	Rompetro Rafinare SA	Romania	Petroleum/Natural Gas	2 167	3 000	-27.09%	18.6	-239.8	47
9	11	Kaufland Romania SCS	Romania	Wholesale/Retail	2 038	1 795	14.63%	143.4	91.4	7
10	12	Konzum d.d.	Croatia	Wholesale/Retail	1 957	1 756	11.05%	30.7	14.2	32
11	10	Rompetro Downstream SRL	Romania	Petroleum/Natural Gas	1 845	2 126	-12.40%	-30.7	9.5	90
12	21	GEN-I d.o.o.	Slovenia	Electricity	1 791	1 277	40.29%	8.1	8.6	64
13	9	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	1 763	2 169	-18.28%	132.8	253.4	9
14	15	Natsionalna Elektrieska Kompania EAD	Bulgaria	Electricity	1 660	1 553	6.89%	-100.6	-299.9	95
15	14	British American Tobacco (Romania) Trading SRL	Romania	Food/Drinks/Tobacco	1 632	1 553	6.07%	96.3	79.5	15
16	New	EPS Snabdevanje DOO	Serbia	Electricity	1 584	1 517	5.02%	-58.5	-75.8	92
17	13	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	1 536	1 613	-4.75%	-3.2	-17.1	83
18	17	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	1 444	1 471	-1.84%	-3.8	-95.1	84
19	20	JP Elektroprivreda Srbije (JP EPS)	Serbia	Electricity	1 380	1 374	0.94%	90.7	22.8	18
20	19	Holding Slovenske Elektrarne d.o.o.	Slovenia	Electricity	1 325	1 378	-3.88%	-323.1	140.8	100
21	16	Hrvatska Elektroprivreda d.d.	Croatia	Electricity	1 246	1 492	-16.75%	212.7	157.8	3
22	New	FCA Srbija DOO	Serbia	Automobiles	1 220	1 340	-8.43%	19.7	20.4	45
23	22	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	1 206	1 308	-6.98%	7.7	-0.037	66
24	32	Johnson Matthey DOOEL	Macedonia	Chemicals	1 200	936.6	28.33%	91.3	56.1	17
25	27	Carrefour Romania SA	Romania	Wholesale/Retail	1 155	1 033	12.84%	28.2	26.6	35
26	23	Krka d.d.	Slovenia	Pharmaceuticals	1 147	1 208	-5.07%	146.3	144.4	6
27	25	E.ON Energie Romania SA	Romania	Petroleum/Natural Gas	1 107	1 088	2.68%	24.7	21.0	37
28	New	Lidl Discount SRL (formerly Pludi Market SRL)	Romania	Wholesale/Retail	1 061	881.3	21.55%	38.0	13.4	31
29	26	Engie Romania SA (formerly GDF SUEZ Energy Romania SA)	Romania	Petroleum/Natural Gas	1 054	1 051	1.26%	82.2	87.2	19
30	36	Revoz d.d.	Slovenia	Automobiles	1 035	862.6	20.02%	11.6	12.2	58
31	30	Orange Romania SA	Romania	Telecommunications	1 034	976.1	6.97%	57.9	90.1	23
32	24	Romgaz SA	Romania	Petroleum/Natural Gas	1 001	1 113	-9.19%	264.0	314.6	2
33	28	Metro Cash & Carry Romania SRL	Romania	Wholesale/Retail	1 000	1 006	0.34%	7.8	-0.281	65
34	37	Auchan Romania SA	Romania	Wholesale/Retail	986.6	844.7	17.90%	11.7	-13.8	56
35	29	MOL Romania Petroleum Products SRL	Romania	Petroleum/Natural Gas	983.6	976.3	1.70%	15.9	21.0	53
36	45	Dedeman SRL	Romania	Wholesale/Retail	975.6	772.8	27.43%	124.4	92.8	10
37	31	Complexul Energetic Oltenia SA	Romania	Electricity	966.5	940.0	3.79%	-212.4	-154.8	99
38	18	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	955.0	1 462	-34.07%	3.3	-68.7	74
39	New	Mercator - S DOO	Serbia	Wholesale/Retail	945.1	619.9	53.31%	3.1	0.836	75
40	35	Electrica Furnizare SA	Romania	Electricity	929.5	904.8	3.71%	29.0	45.7	34
41	33	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	919.2	921.2	-0.56%	95.0	80.9	16
42	34	Compania Nationala de Autostrazi si Drumuri Nationale din Romania SA	Romania	Construction	897.1	917.0	-1.24%	81.5	95.6	20
43	44	Lek d.d.	Slovenia	Pharmaceuticals	894.7	775.7	15.35%	115.9	69.3	12
44	New	Ford Romania SA	Romania	Automobiles	881.0	1 009	-11.83%	-18.0	5.7	88
45	New	CFR SA	Romania	Transportation	876.6	354.6	149.54%	24.3	1.9	40
46	39	Arcelormittal Galati SA	Romania	Metals	849.4	818.9	4.71%	-65.8	-107.6	94
47	54	JP Srbijagas	Serbia	Petroleum/Natural Gas	830.3	674.7	23.73%	24.4	-373.5	38
48	42	Telekom Srbija AD	Serbia	Telecommunications	820.5	790.4	4.38%	134.6	139.9	8
49	46	Vodafone Romania SA	Romania	Telecommunications	812.9	772.8	6.18%	39.9	35.4	30
50	59	Mega Image SRL	Romania	Wholesale/Retail	790.5	631.1	26.43%	22.7	12.4	42
51	40	Hrvatski Telekom d.d.	Croatia	Telecommunications	787.8	813.0	-3.43%	117.0	147.6	11
52	38	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	786.5	838.4	-5.30%	6.1	26.2	70
53	61	Kaufland Bulgaria EOOD & Co KD	Bulgaria	Wholesale/Retail	762.6	680.0	12.15%	41.8	34.1	29
54	51	Mediplus Exim SRL	Romania	Wholesale/Retail	752.4	712.7	6.57%	19.5	9.8	46
55	48	Selgros Cash & Carry SRL	Romania	Wholesale/Retail	746.5	729.3	3.33%	9.6	3.4	60
56	58	RCS & RDS SA	Romania	Telecommunications	739.6	642.5	16.19%	-5.1	-15.9	86
57	63	Samsung Electronics Romania SRL	Romania	Electronics	736.2	622.6	19.37%	13.3	13.2	55
58	43	Hidroelectrica SA	Romania	Electricity	735.9	780.2	-4.80%	198.8	210.1	4
59	41	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	721.1	795.5	-9.35%	10.4	2.6	59
60	50	Gorenje d.d.	Slovenia	Electronics	719.4	714.0	0.74%	-4.0	6.3	85
61	47	CEZ Elektro Bulgaria AD	Bulgaria	Electricity	716.7	734.6	-2.44%	4.4	12.7	73
62	57	J.T. International (Romania) SRL	Romania	Food/Drinks/Tobacco	712.9	659.8	9.07%	15.9	13.2	54
63	New	Oltchim SA	Romania	Chemicals	696.9	146.1	381.67%	507.0	-102.5	1
64	65	Autoliv Romania SRL	Romania	Automobiles	694.6	557.7	25.73%	20.8	11.6	44



in millions of euro

2015	2014	Company name	Country	Industry	Total revenue 2015	Total revenue 2014	Y/V change in revenue	Net profit/ Loss 2015	Net profit/ Loss 2014	Rank by net profit/loss
65	52	Telekom Slovenije d.d.	Slovenia	Telecommunications	685.1	687.6	-0.36%	45.9	17.8	26
66	New	Tinmar - Ind SA	Romania	Electricity	680.1	552.4	24.29%	3.1	9.1	76
67	New	Transelectrica SA	Romania	Electricity	670.6	641.4	5.55%	79.6	79.8	21
68	60	Delhaize Serbia DOO	Serbia	Wholesale/Retail	660.1	630.7	5.23%	23.9	24.8	41
69	83	Profi Rom Food SRL	Romania	Wholesale/Retail	654.3	476.4	38.65%	11.6	6.1	57
70	62	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	638.8	625.1	3.15%	156.9	134.3	5
71	55	Petrol d.o.o.	Croatia	Petroleum/Natural Gas	638.2	672.3	-5.40%	9.1	5.0	62
72	64	Farmexpert D.C.I. SRL	Romania	Wholesale/Retail	627.5	599.9	5.58%	16.6	23.1	51
73	79	Alro SA	Romania	Metals	602.5	487.4	24.77%	-5.3	-24.2	87
74	53	OMV Slovenija d.o.o.	Slovenia	Petroleum/Natural Gas	600.6	683.0	-12.07%	18.0	12.7	49
75	69	IMPOL d.o.o.	Slovenia	Metals	596.2	533.1	11.84%	6.4	5.7	69
76	72	REWE (Romania) SRL	Romania	Wholesale/Retail	589.8	524.5	13.50%	2.8	2.5	78
77	New	Daewoo-Mangalia Heavy Industries SA	Romania	Transportation	581.8	276.6	112.32%	-113.9	-157.5	96
78	70	ADM Romania Trading SRL	Romania	Agriculture	547.8	531.0	4.14%	-2.6	11.6	82
79	New	Ameropa Grains SA	Romania	Agriculture	538.6	501.8	8.34%	3.1	3.6	77
80	49	OMV Bulgaria OOD	Bulgaria	Petroleum/Natural Gas	524.0	720.5	-27.28%	17.1	14.2	50
81	89	Takata Romania SRL	Romania	Automobiles	520.3	448.8	17.01%	-0.021	21.8	80
82	77	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	520.2	495.8	4.55%	22.3	76.5	43
83	90	Plodine d.d.	Croatia	Wholesale/Retail	508.1	445.9	13.56%	4.6	5.4	72
84	New	Express Logistic And Distribution EOOD	Bulgaria	Wholesale/Retail	507.1	260.4	94.73%	-0.260	-4.3	81
85	74	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	Electricity	503.1	503.3	-0.04%	1.9	1.7	79
86	84	Philip Morris Trading SRL	Romania	Food/Drinks/Tobacco	498.4	475.3	5.86%	5.6	-1.0	71
87	98	Renault Commercial Roumanie SRL	Romania	Automobiles	495.1	420.8	18.77%	7.6	4.8	67
88	New	Prvo Plinarsko Drustvo d.o.o.	Croatia	Petroleum/Natural Gas	491.4	376.3	30.14%	27.0	16.8	36
89	96	Lidl Hrvatska d.o.o. k.d.	Croatia	Wholesale/Retail	486.3	427.5	13.36%	24.3	14.2	39
90	82	Saksa OOD	Bulgaria	Petroleum/Natural Gas	484.6	478.2	1.33%	8.4	5.1	63
91	99	Coca-Cola HBC Romania SRL	Romania	Food/Drinks/Tobacco	482.7	420.8	15.82%	53.6	22.8	24
92	68	Cargill Agricultura SRL	Romania	Agriculture	481.0	533.8	-9.04%	-18.3	-19.9	89
93	76	Michelin Romania SA	Romania	Rubber/Rubber Products	478.8	496.4	-2.63%	16.4	25.0	52
94	75	CFR - Calatori SA	Romania	Transportation	473.5	497.7	-3.97%	7.0	15.6	68
95	85	Holzindustrie Schweighofer SRL	Romania	Furniture/ Decoration	462.2	474.4	-1.65%	45.6	65.6	27
96	New	EPS Distribucija DOO (formerly Elektrodistribucija-Beograd DOO)	Serbia	Electricity	458.0	163.1	182.38%	47.2	-31.1	25
97	New	Porsche Romania SRL	Romania	Automobiles	454.8	402.7	13.99%	18.1	18.4	48
98	New	YugoRosGaz AD	Serbia	Petroleum/Natural Gas	448.3	446.8	0.88%	9.3	7.4	61
99	92	AETs Kozloduy EAD	Bulgaria	Electricity	441.3	436.0	1.21%	42.1	39.7	28
100	New	Telekom Romania Mobile Communications SA	Romania	Telecommunications	440.1	455.9	-2.54%	-52.5	-29.8	91

## Methodology

SEE TOP 100 ranks the biggest companies in Southeast Europe by total revenue for the fiscal year ended December 31, 2015. Both 2015 figures and 2014 comparative counterparts are sourced from 2015 annual non-consolidated reports.

The SEE TOP 100 ranking covers non-financial companies registered in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia and Slovenia. Banks, investment intermediaries, insurers and real estate investment trusts (REITs) are excluded from the ranking as total revenue is not an accurate indicator of their performance. We have compiled separate rankings of the largest 100 banks and insurers. Holding companies, on the other hand, are represented in the ranking by their subsidiaries.

All data is sourced from national commercial registers, stock exchanges, government and corporate websites, industry regulators, local

business information providers and companies themselves.

The initial pool of companies exceeds 2,500. 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 2015 and 2014. 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.

# 2015: SEE corporate sector makes shy steps to growth, retailers lead the way

by Siana Mishkova

*After several tough years, economic activity in Southeast Europe (SEE) picked up in 2015 and continued to strengthen in 2016, supporting an improving performance of the region's corporate sector. The 100 biggest companies saw their combined revenues\* increase some 2% in 2015 as compared to the revenues of the entrants in last year's ranking, slightly below the region's 2.5% average economic growth, while their aggregate earnings\* rose at a slower rate of 1.3%, suggesting that corporate ma-jors still have room to adjust to the complex geopolitical situation, erratic investor behaviour, volatile capital flows and unsettled financial and commodity markets.*

*Notably, the wholesale and retail sector stood out with all but one of its 20 Top 100 entrants recording revenue growth amid rising consumption that has been a key driver for the region's economy. The segment achieved a more than double increase in earnings on the back of a 14% rise in revenue.*

*Regionally, senior executives continue to face hurdles like widespread corruption and red tape, relatively weak institutions, cumbersome regulations, underdeveloped infrastructure, restrained access to funding in the illiq-uid local financial markets and bad loan-burdened banking sector, as well as political instability and election-related macroeconomic weaknesses in some countries. Geopolitical tensions also weigh on investor sentiment, given the region's geographical proximity to Turkey and the war-torn Middle East, and its historically strong ties with Russia. However, SEE remains attractive for investments thanks to relatively cheap and well-educat-ed labour force, low taxes and special incentives for big investors, ongoing EU integration, which presupposes further trade liberalisation, stronger rule of law, and continuing inflow of EU funds, as well as its strategic geographic position as a link between Europe and Asia. Last but not least, SEE offers robust growth potential with GDP per capita standing at just 43% of the EU average and forecasts for strengthening economic expan-sion in the coming years.*

The general environment for SEE businesses has been improving since 2015. This trend is expected to continue with the average GDP growth in the region seen rising from 2.5% in 2015 to 2.8% in 2016 and gradually accelerating to 3.4% by 2021, according to the IMF's April World Economic Outlook. Hence, the region's growth is bound to outpace that of Western Europe, with the rates of GDP expansion in the EU and the Eurozone seen largely stable at around 1.8% and 1.5%, respectively, over the same period, bolstering up its economic convergence. Still, SEE has a lot to catch up. Its average GDP per capita, based on purchasing power parity (PPP), was equal to just 43% of the EU average in 2015, and is seen rising gradually to only 47% by 2021, a fact that suggests untapped growth potential for many industries. By country, Eurozone member Slovenia stands well ahead

of its regional peers with GDP per capita equal to 82% of the EU average, followed by EU members Croatia, Romania, and Bulgaria with 57%, 55% and 51%, respectively. At the bottom of the table, the former Soviet republic of Moldova accounted for only 13% of the average EU GDP per capita, well below its nearest ranked Bosnia with 28% and Albania with 30%. Data for Kosovo was not available.

To gain a better understanding of the Top 100 SEE companies ranking, we should note that highest populated Romania has also the biggest economy, with GDP equal to 43% of the region's total of \$408.5 billion in 2015, according to IMF data. Next came Bulgaria and Croatia, each accounting for 12% of the total, followed by Slovenia with 10.5% share, Serbia with 8.9%, Bosnia and Herzegovina with

3.9%, Albania with 2.8%, Macedonia with 2.4%, Kosovo and Moldova with 1.6% each, and Montenegro with 1%.

## Romania holds firm grip on revenue, earnings rankings, Dacia stays on top

Hence, it is not surprising that the region's five biggest economies occupied almost all seats of the Top 100 SEE 2016 companies ranking, letting in only one Macedonian and one Bosnian firm, Romania enjoyed a clear dominance with 56 entrants (53 in 2015) with a combined revenue of 55.2 billion euro, more than half of the 102.5 billion euro made by all companies in the list\*. Compared to the relative economy size, the data suggests that Romania's corporate sector is better devel-oped than the average

\* These figures exclude insolvent Romanian chemicals producer Oltchim, a newcomer at 63rd place in the ranking with outstanding improvements in both revenue and profitability related to normal business operations.

vergence is also evidenced by company earnings – Romania's Top 100 entrants recorded a profit of 1.3 billion euro, 54% of the ranking's total of 2.4 billion euro. Moreover, Romanian companies occupied half of the top 10 spots in this year's ranking, including the top 3, with French-owned car maker Dacia keeping the gold medal for the second year, followed by two subsidiaries of Austria's OMV.

In analysing the trends in corporate performance, we take out Oltchim, which topped the profitability and revenue growth rankings thanks to a controversial half a billion euro state debt write-off, which is being analysed by the European Commission for possible illegal state aid. The move, aimed at making the plant attractive to private investors, turned the company's debts into revenues, helping it record 507 million euro profit for 2015, a 73% return on revenue, and a nearly fivefold jump in revenue to 697 million euro.

So, the biggest profit, of 264 million euro, was reported by Romania's largest gas producer Romgaz, while second came Croatia's state-owned power utility HEP with 213 million euro, followed by Romania's hydropower producer Hidroelectrica, which is exiting insolvency after four years, with 199 million euro.

Slovenia and Bulgaria had 11 entrants each in the 2016 Top 100 SEE list. Although Bulgaria is bigger than Slovenia both in terms of GDP and population, Slovenia's representatives achieved a bigger revenue of 13.4 billion euro in 2015, compared to Bulgarian companies' 12.2 billion euro, showcasing the more advanced development of Slovenia's corporate sector. However, Bulgarian firms made a profit of 70 million euro, as compared to Slovenian companies' combined earnings of 51 million euro.

Close behind, Serbia and Croatia had 10 entrants in the ranking each, with 10.1 billion euro and 9.9 billion euro of revenues, respectively. These countries fared much better in terms of money making, with combined corporate earnings of 427 million euro and 385 million euro, respectively.

In addition to the five Romanian representatives in the top 10 list, one Slovenian, two Croatian, and two Bulgarian companies also came in. Ljubljana-listed energy group Petrol, which runs 464 fuel stations in the region, retained its fourth position in the ranking despite a 6.4% drop in revenue, while fifth-ranked Lukoil Neftochim Burgas, a Bulgarian

refinery owned by Russia's Lukoil, lost two places due to a 22% plunge in revenue. With a slightly smaller revenue drop, oil and gas group INA, jointly controlled by the Croatian government and Hungary's MOL, lost one position to no. 6, while the Bulgarian unit of Hamburg-based international copper group Aurubis climbed one spot higher to no. 7 with a modest 2% rise in revenue. At no. 9 and 10 came two retailers – Kaufland Romania, part of Germany's Schwarz Gruppe, and Croatia's Konzum, part of the country's biggest privately-owned group Agrokor - both gaining two positions from last year, with 15% and 11% jumps in revenue, respectively, underlining the rising consumption trend, which has been one of the main drivers of the region's accelerating economic growth. Thus compiled, the top 10 companies list clearly shows the dominance of foreign ownership, with all but two of the entrants controlled by big foreign majors.

### Upbeat sentiment returns as revenue, profits resume growth

Looking at the development of the corporate sector in SEE, as characterised by the region's 100 biggest companies, we can say that optimism is returning in line with economic recovery. Although the top 100 companies' cumulative revenue could not reach its 2013 level of 104 billion euro, it returned to growth, rising to 102.5 billion euro in 2015 from 100.6 billion euro in 2014. The progress is more remarkable on the profitability side – the combined net profit of the region's biggest companies increased 1.3% last year to 2.37 billion euro following an 11% drop in the earnings of the 2015 ranking entrants.

Serbia had the strongest contribution to the rise in total revenues, closely followed by Romania. The revenues of Serbia's 10 representatives in the 2016 ranking hit 10.1 billion euro, well above the 6.3 billion euro recorded by the six entrants in last year's ranking. Romania, with two representatives more this year, saw a 2.7 billion euro rise in total revenues.

On the negative side, Croatia recorded the biggest decline, by 1.4 billion euro, as it lost one entrant, while Slovenia, with two representatives less, posted a 552 million euro fall, and Bulgaria, with the same number of entrants, recorded a 903 million euro drop.

At the same time, Bulgarian companies had the most meaningful contribution to earnings growth, as they swung to a combined profit of 70 million euro from a loss of 401

million euro a year ago. Next, Serbian entrants gained 333 million euro more to a cumulative profit of 427 million euro. On the opposite end of the table, Romania recorded a 378 million euro drop in aggregate earnings to 1.3 billion euro, and Croatia and Slovenia saw declines of 325 million and 256 million euro to 385 million euro and 51 million euro, respectively.

Individually, Romania's oil and gas major OMV Petrom, which posted its first negative result in 12 years, badly hit by the global oil price slump, was the top underperformer, with a bottom line by 550 million euro worse than in 2014, while its Serbian state-owned peer Srbijagas turned into profit with an improvement by nearly 400 million euro. Romania's state-owned railway infrastructure operator CFR was the biggest revenue gainer with a 522 million euro rise, while Kazakh-owned refinery Rompetrol was the most prominent revenue loser with an 833 million euro drop.

The number of newcomers to the 2016 Top 100 companies ranking was 17, up from 15 last year, whereas the entry threshold rose to 440 million euro from 420 million euro.

### Oil and gas firms cede ground, retailers pocket good profits

The oil and gas sector retained its dominant position in the SEE Top 100 2016 ranking, accounting for one third of the biggest companies' total revenue despite a 12% drop, amid tough global conditions last year. Wholesalers and retailers came in second with an 18% share, but shined with a 14.4% growth in revenue, more than double from 7% a year ago.

While oil and gas companies in this year's list decreased by three to 24, that of retailers and wholesalers increased by the same number to 20, underscoring the growing significance of the sector for the local economies that have been fuelled by robust domestic consumption.

The profitability of the retail and wholesale segment also improved significantly, with average return on revenue jumping to 3% from 1.7% for 2014, as total earnings more than doubled to 561 million euro. The only company that saw a decline in revenues - of 4% - was Slovenian retailer Mercator, which has explained that its results were not entirely comparable to the preceding year due to structural changes such as the transfer of some of its foreign retail units to sister companies.

# Structural issues hold back SEE's growth potential, governments should not let up on reforms

by Nevena Krasteva



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

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*IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector. Working with private enterprises in more than a hundred countries, IFC uses its capital, expertise, and influence to help eliminate extreme poverty and promote shared prosperity.*

**Southeast Europe (SEE) has benefitted from low oil prices and the gradual recovery in the Eurozone but, with the notable exception of Romania, economic activity remains subdued. Where do you see the biggest constraints to growth?**

The general energy price environment is an opportunity for countries to do better than

in previous years but the growth prospects, except for Romania, have not been overwhelming. From our perspective, what is really important and what is missing lies in the category of structural issues. Basically, for many years structural challenges in many of these countries are holding back their growth potential. The labour markets are relatively weak, the unemployment rates are relatively high, in many countries labour force partici-

pation rates are relatively low, and in a sense it is really hard to see how the external factors such as energy prices can make a greater impact on GDP growth rates.

I see most of the constraints as being in the space of the investment climate and the low efficiency of the public sector, to the extent that the countries are not finding ways to bring in capital and improved efficiency into

the public sectors. We often talk about infrastructure because without a strong and efficient infrastructure it is really hard to build a basis for other sectors of the economy. There are also one or two more specific aspects that vary across the different countries in the region. We can also talk about the need for improved connectivity, for physical and institutional linkages among the countries themselves and to the European Union and the rest of the world. Some of the countries could also make a little bit more effort to focus on their competitive advantages, on how they make themselves more attractive to investors. Those four categories of issues are probably the biggest constraints from my perspective in improving the growth prospects in the region.

However, I would say that it is not all doom and gloom in the region. There is growth and there are opportunities. Some countries have set particularly interesting examples of being able to attract foreign investors. Romania is one such case but some countries of former Yugoslavia too have done it. I think the message that is important to keep in mind, and it is sometimes not an easy message for the governments, is: Don't let up, don't think that a temporary relief because of the lower energy prices gives you an opportunity to delay some of the difficult decisions. The countries that embark on a structural reform path begin to see the benefits of it after a while. Those difficult decisions usually pay off because you create a better environment for businesses and attract investment.

### **What areas of support does the IFC prioritise?**

For international financial institutions the focus is certainly on private sector development. This is a fairly general term, almost anything can go into it, but we try to focus on transactions, on investment that would support increasing competition and the competitiveness of the various companies. We also help increase exports and the connectivity and linkages between companies. The policy advice generally tends to be reserved for big players like the International Monetary Fund and our colleagues at the World Bank, we take the view that our strengths and experiences are in working with the companies on a micro-level and ideally through transactions, although we too have advisory activities in helping the companies improve their corporate governance or their environmental and

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*Inefficient public sector, poor infrastructure, need for improved connectivity curb growth in SEE.*

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social standards.

In SEE one priority area for us is the development of the capital market. The eurozone crisis has taught us that extensive dependence on the eurozone can be quite dangerous to the economies in terms of the ability of the domestic banks to fund projects, unless over the medium term these countries develop their capital markets. Together with our World Bank colleagues we work through our joint advisory practices, which engage the countries' regulators, in designing standards and clarifying the rules of the game. In those kinds of engagements our World Bank colleagues can use examples from many different countries around the world, both developed and developing ones, and by showing the standards they explain to the governments and regulators what can be done. What IFC does is talk about what works and what doesn't. We take it beyond the books of regulations, to focus on the practicalities and what investors want in order to participate more actively on the capital markets. We also participate in bond issues by companies, both eurobond and domestic issuances, in Romania and elsewhere in the region.

Agribusiness is another priority area, where we are working across the entire supply chain, from farm to fork, including farmers, traders, agri-processors and logistics companies.

The third category is infrastructure, which is the basis for growth. We try to improve the access to basic services by financing infrastructure projects but also by helping the governments create public private partnerships and concessions as ways to attract investment into the infrastructure sector.

There is one other area which is cross-cutting  
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*Difficult decisions pay off because they create a better environment for business.*

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for us, addressing issues across many different sectors, and that is climate change and finding ways to improve the energy efficiency of different sectors of the economy through financing, through creating access to renewable energy, through cleaner production which generally means lower and more efficient use of resources.

### **What are the main hindrances to private investment in the region and how can the countries boost their competitiveness?**

The governments should know that they are competing for capital, for the interest of investors, with many other places around the world. Each one of those international investors has a choice where to invest. It is the job of the governments to create as attractive opportunities as possible for investors, both domestic and foreign, to work out private sector development policies that make the regulations transparent and improve the business environment and the opportunities for companies to make investments and to compete from a domestic basis. What is most important is how to make a structural change, how to implement structural reforms in a way that creates the most attractive investment environment and opportunities to increase the competitiveness of the economy.

We have examples of certain countries in the region doing this in particular sectors, such as Macedonia in the automotive sector. Macedonia has really made a special effort to attract global companies, to create incentives for them to make investments and to use this fairly small country as a basis for exporting and supporting supply digits in other countries.

Some countries can be a little bit more deliberate and persistent in going through the mapping of their economy and trying to figure out how to make themselves attractive to those foreign investors who are making choices. Serbia too has been doing this, at least for a while in the auto industry by attracting Fiat. There are other examples too from the region where the governments are actually opening opportunities. It is about competition among the governments themselves, as well.

### **Non-performing loan (NPL) ratios in the region have been declining but**

**remain high. What other steps can the governments and the lenders take to address the issue and how can the IFC assist them?**

In SEE following 2008 there has been quite a bit of a buildup of NPLs in the banking sector. Yet in order for the economies to grow, you need active banks and if the banks are burdened with a lot of NPLs, their ability to make new loans is more limited both in terms of their capital capacity but also in terms of the time that does not have to go into managing the bad portfolios.

Our role goes in two or three different areas. One is related to individual transactions, just like we do in all our work, and that is basically us working with individual commercial banks or companies that specialise in purchasing and working up those portfolios, on efforts to move the NPL portfolios off the balance sheets of banks and treat them separately as a different asset pool. We have done this quite a lot around the world in different emerging markets, we are also doing it in SEE.

In Romania for example, which has been a little bit more active than other countries in the region in how they are dealing with NPLs, we have made two investments worth almost 100 million dollars in total to finance the acquisition and servicing of portfolios of NPLs, to improve the distress assets secondary market, to promote liquidity and to allow the banks to spend more time on new transactions as opposed to managing their NPLs.

One direction of our work is clearly to focus on transactions, both to work with banks and to work with platforms as we call them, i.e. companies that build portfolios of NPLs from banks and then work them out in a systematic and transparent way. However, we also engage with the regulators, either together with the IMF and the World Bank, or sometimes more directly ourselves, to explain to them how various countries around the world have dealt with the NPL regulations. This tends to be a fairly complex area in terms of tax treatment, calculating of the capitalization of the banks, and the evaluation of those portfolios.

Through our Western Balkans Debt Resolution Programme - a joint effort with the World Bank, which is being implemented in Serbia, Albania, and Bosnia and Herzegovi-

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*More efficient insolvency regulations will allow regional platforms to pick up NPL portfolios from multiple countries.*

na, with other countries expected to join in later, we are working on improving the insolvency framework in order to improve the prospects for the recovery of the loans and increasing the returns to lenders. The programme works with businesses to return assets back to productive use, rather than closing the companies and recovering the collateral, and that involves also the regulators, as well as the judicial system. It is a fairly wide-ranging programme, more on the advisory side than on investment. We hope that investments in these countries will come over time, and they do not even have to be our investments. If the infrastructure in place is satisfactory, there will be other investors, not necessarily just international financial institutions.

Our expectations are generally positive but because the countries of former Yugoslavia are relatively small and the pools of loans that might be available for distress asset transactions are relatively small, they do not enter the radar of specialised investors who tend to be big international hedge funds and distress assets funds. Even on that scale Romania is much more attractive with the larger size of portfolios.

However, if the regulatory and insolvency framework in these countries becomes more transparent and more efficient, transactions will begin to happen, companies will be able to build regional platforms and pick up portfolios from multiple countries. Working just on Montenegro for example is not enough for an international group, the portfolios are not large enough, the overall size of the mar-

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*As long as the rules of the game are clear for everybody, the investors will come.*

ket is not large enough. But if you combine three or four smaller countries you can actually come up with a size of a business that is worth the attention of a specialised group. We strongly believe that it is not efficient for banks to be dealing with this, it is better to pass it on to specialised investors. As long as the rules of the game are clear for everybody and the scale is large enough, the investors will come.

**Going forward, what are the biggest risks to the economic development of the countries in the region?**

In order to implement the structural reforms the governments sometimes have to make difficult decisions - to privatise companies, to undertake efforts at fiscal consolidation, to cut costs - and in the short term the public may view those structural reforms with a lot of anxiety and discomfort. It takes quite a bit of persistence and commitment on the part of the governments and a lot of ability to convince your electorate that what you are doing is in the medium or long-term benefit of the country. Obviously, those are often very difficult decisions and we cannot underestimate the fragility of some of the political establishments in the different countries, and that is certainly one of the risks.

I think the other risk that most people would agree on is the fact that being relatively small, these economies are quite vulnerable to what is going on in the eurozone, in Russia, in Turkey, or in Central Europe. Even the best internal policies on designing competitive business environment or investment framework are not going to be enough to restart or stimulate growth if the immediate neighbourhood is in a difficulty. Basically, the external factors are quite relevant and the ability of these countries to export or attract financing depends very much on the regional context and not just on the effort of the individual governments.

Some of the countries in the region have also been affected by the migration flow through the region. The movement of refugees has not created a huge cost so far on most of these economies but is a bit of a risk area as the countries try to manage their fiscal space more carefully and are under a lot of pressure to cut costs in different parts of the economies to support the structural change. That is why it is a very sensitive issue.

# Oltchim tops SEE money makers, HSE paces losers

by Marina Mikhaylova

Romanian chemicals producer Oltchim, which was declared insolvent in January 2013, emerged as a surprising winner of this year's edition of the SEE Most Profitable companies ranking after swinging into profit for the first time in seven years thanks to debt write-offs. The plant, which has been undergoing a reorganisation process, posted a net profit of 507 million euro for 2015, reversing a loss of 102.5 million euro a year earlier, while its revenue jumped nearly fivefold to 697 million euro. Hence, its main profitability indicator, return on revenue, switched to 73% in 2015 from a negative 70% in 2014. Majority state-owned Oltchim, the only producer in Central Europe of liquid caustic soda and the only producer in Romania of chlorine and polyether polyols, launched in August an asset sale auction process, hoping to choose investors by the end of 2016. At the same time, the European Commission has been investigating whether the financial aid the company got from the state in the form of debt write-offs and continued supplies by state-owned enterprises was in line with EU regulations.

Romania accounted for half of the top 10 profit makers in SEE, including the first four. State-owned hydropower producer Hidroelectrica and Continental Automotive Products, part of the German tyre manufacturer, retained their second and fourth positions, respectively, while last year's top earner, gas producer Romgaz, slipped to third place.

Croatia had two entrants in the ranking - power utility Hrvatska Elektroprivreda (HEP), a newcomer at no. 5 thanks to an improvement in return on revenue by 6.5 pps, and Hrvatski Telekom at no. 7. The telco booked a drop in return on revenue by 3.3 pps, which allowed its Serbian peer Telekom Srbija to overtake it with a smaller, 1.31 pps, decline.

Slovenia also had two representatives, both of them drug makers as well as newcomers - Lek at no. 8 and Krka at no. 9 with improvement in return on revenue by 4 pps and 0.8 pps, respectively.

Looking at the ownership structure, half of the top 10 money makers are state-controlled, whereas three are units of major inter-

## Most profitable companies

No	SEE TOP 100 No	Company name	Country	Industry	Return on revenue 2015	Return on revenue 2014
1	63	Oltchim SA	Romania	Chemicals	72.75%	-70.16%
2	58	Hidroelectrica SA	Romania	Electricity	27.01%	26.92%
3	32	Romgaz SA	Romania	Petroleum/Natural Gas	26.36%	28.26%
4	70	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	24.57%	21.48%
5	21	Hrvatska Elektroprivreda d.d.	Croatia	Electricity	17.07%	10.58%
6	48	Telekom Srbija AD	Serbia	Telecommunications	16.40%	17.71%
7	51	Hrvatski Telekom d.d.	Croatia	Telecommunications	14.86%	18.15%
8	43	Lek d.d.	Slovenia	Pharmaceuticals	12.96%	8.93%
9	26	Krka d.d.	Slovenia	Pharmaceuticals	12.76%	11.95%
10	36	Dedeman SRL	Romania	Wholesale/Retail	12.76%	12.00%

## Biggest money losers

in millions of euro

No	SEE TOP 100 No	Company name	Country	Industry	Net loss 2015	Net profit/loss 2014
1	20	Holding Slovenske Elektrarne d.o.o.	Slovenia	Electricity	-323.1	140.8
2	37	Complexul Energetic Oltenia SA	Romania	Electricity	-212.4	-154.8
3	6	INA d.d.	Croatia	Petroleum/Natural Gas	-157.5	82.4
4	2	OMV Petrom SA	Romania	Petroleum/Natural Gas	-139.4	409.9
5	77	Daewoo-Mangalia Heavy Industries SA	Romania	Transportation	-113.9	-157.5
6	14	Natsionalna Elektricheska Kompania EAD	Bulgaria	Electricity	-100.6	-299.9
7	46	Arcelormittal Galati SA	Romania	Metals	-65.8	-107.6
8	5	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	-62.4	-272.1
9	16	EPS Snabdevanje DOO	Serbia	Electricity	-58.5	-75.8
10	100	Telekom Romania Mobile Communications SA	Romania	Telecommunications	-52.5	-29.8

## 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. 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 2015 and 2014, respectively.*

national players.

Among the 10 biggest money losers, we have four electricity companies, all of them state-owned, and three privately-owned oil and gas firms, underlining the devastating effect of the global drop in resource prices on SEE and the urgent need of restructuring in those sectors.

The most prominent money loser was Slovenia's top power producer Holding Slovenske Elektrarne (HSE), which turned to a 323 million euro loss in 2015 due to impairments, unfavourable hydrologic factors and lower elec-

tricity prices. It was followed by Romanian peer Complexul Energetic Oltenia, which saw its loss widen 37% last year, and the region's major oil and gas groups - Croatia's INA and Romania's OMV Petrom, which were badly hurt by the oil price slump.

Romania had three other entrants in the losers' ranking, bringing its total number to five, followed by Bulgaria, which was represented by its heavily-indebted power utility NEK and Lukoil's local refinery. Serbia also made it to the disreputable ranking with power supplier EPS Snabdevanje.

# TOP 100 banks

in millions of euro

2015	2014	Company name	Country	Total assets 2015	Y/Y change in assets	Net profit/loss 2015	Net profit/loss 2014
1	1	Zagrebacka Banka d.d.	Croatia	13 882	3.48%	-67.9	152.2
2	2	Banca Comerciala Romana SA	Romania	13 142	0.72%	212.9	-586.7
3	3	BRD – Groupe Societe Generale SA	Romania	10 873	8.88%	98.4	9.6
4	6	Banca Transilvania SA	Romania	10 464	32.91%	534.3	96.9
5	4	Privredna Banka Zagreb d.d.	Croatia	9 065	0.49%	25.3	83.9
6	8	UniCredit Bulbank AD	Bulgaria	8 880	17.01%	148.3	123.6
7	5	Nova Ljubljanska Banka d.d.	Slovenia	8 707	-2.01%	43.9	81.5
8	7	Erste&Steiermarkische Bank d.d.	Croatia	7 727	-1.97%	-132.5	30.3
9	9	Raiffeisen Bank SA	Romania	6 950	9.43%	96.7	111.9
10	10	UniCredit Bank SA (formerly UniCredit Tiriac Bank SA)	Romania	6 766	6.67%	49.1	17.9
11	11	CEC Bank SA	Romania	6 080	-1.69%	2.4	1.7
12	12	DSK Bank EAD	Bulgaria	5 681	11.39%	156.4	115.6
13	14	ING Bank N.V. Amsterdam Branch Bucharest	Romania	5 165	24.72%	59.6	62.5
14	13	First Investment Bank AD	Bulgaria	4 439	0.41%	6.4	15.6
15	15	Raiffeisenbank Austria d.d.	Croatia	4 084	-0.76%	-31.6	38.4
16	16	Banca Intesa AD	Serbia	4 023	3.14%	70.8	56.5
17	27	Abanka d.d. (formerly Abanka Vipava d.d.)	Slovenia	3 828	-11.25%	42.8	-215.7
18	20	Nova KBM d.d.	Slovenia	3 563	-1.24%	34.4	35.9
19	18	Societe Generale – Splitska Banka d.d.	Croatia	3 543	-5.83%	15.8	25.3
20	23	United Bulgarian Bank AD	Bulgaria	3 346	-0.40%	25.0	39.0
21	19	Hypo Alpe-Adria-Bank d.d.	Croatia	3 338	-9.48%	-332.6	-17.8
22	17	Alpha Bank Romania SA	Romania	3 318	-11.49%	-5.9	-31.2
23	25	Raiffeisenbank (Bulgaria) EAD	Bulgaria	3 303	7.99%	31.5	23.8
24	22	Komercijalna Banka AD	Serbia	3 232	-3.55%	-52.0	39.7
25	21	SID – Slovenska Izvozna in Razvojna Banka d.d.	Slovenia	3 199	-10.57%	10.5	4.5
26	24	Eurobank Bulgaria AD	Bulgaria	2 941	-6.28%	43.0	0.346
27	31	Societe Generale Expressbank AD	Bulgaria	2 699	15.98%	37.5	26.1
28	30	SKB Banka d.d.	Slovenia	2 561	0.44%	34.2	34.6
29	28	UniCredit Banka Slovenija d.d.	Slovenia	2 545	-1.31%	9.7	0.599
30	35	Unicredit Bank Srbija AD	Serbia	2 542	16.21%	52.5	45.3
31	29	Bancpost SA	Romania	2 517	-1.29%	7.8	-60.0
32	34	Banka Kombetare Tregtare Sh.a. (National Commercial Bank)	Albania	2 501	8.26%	45.7	36.1
33	36	Central Cooperative Bank AD	Bulgaria	2 374	11.07%	3.4	3.7
34	33	Hrvatska Postanska Banka d.d.	Croatia	2 317	1.96%	16.1	-82.9
35	32	Banka Koper d.d.	Slovenia	2 272	-0.71%	11.8	6.6
36	38	UniCredit Bank d.d. Mostar	Bosnia and Herzegovina	2 237	10.45%	40.7	31.4
37	46	Garanti Bank SA	Romania	2 118	16.49%	12.6	0.273
38	40	Raiffeisen Bank Sh.a.	Albania	2 111	5.26%	12.9	33.7
39	37	OTP Banka Hrvatska d.d.	Croatia	2 074	0.08%	-10.4	20.3
40	41	Citibank Europe Plc Dublin - Romania Branch	Romania	1 952	1.46%	44.4	62.7
41	44	Raiffeisen Banka AD	Serbia	1 933	4.59%	35.8	43.3
42	47	Sberbank Banka d.d.	Slovenia	1 902	6.88%	-3.5	5.7
43	45	Societe Generale Bank Srbija AD	Serbia	1 901	3.70%	17.0	3.1
44	42	Raiffeisen Bank d.d. Sarajevo	Bosnia and Herzegovina	1 894	0.54%	34.3	27.5
45	63	OTP Bank Romania SA	Romania	1 891	80.54%	-24.3	-16.7
46	50	Komercijalna Banka AD	Macedonia	1 580	4.69%	8.2	4.4
47	39	Piraeus Bank Romania SA	Romania	1 568	-21.17%	-55.8	3.7
48	53	AIK Banka AD	Serbia	1 477	3.33%	28.1	15.1
49	51	Banca Romaneasca SA	Romania	1 464	-2.18%	-1.0	-10.5
50	49	Piraeus Bank Bulgaria AD	Bulgaria	1 456	-12.02%	-78.4	-22.9
51	52	Gorenjska Banka d.d.	Slovenia	1 451	0.74%	3.2	2.0
52	54	Stopanska Banka AD - Skopje	Macedonia	1 403	1.77%	36.4	30.6
53	57	CIBANK EAD	Bulgaria	1 374	9.42%	13.8	11.0
54	55	Hypo Alpe-Adria-Bank d.d.	Slovenia	1 344	-0.38%	-52.2	-40.4
55	56	Sberbank d.d.	Croatia	1 275	-5.16%	-26.0	3.9
56	60	Allianz Bank Bulgaria AD	Bulgaria	1 186	10.73%	5.2	11.3
57	58	Eurobank AD	Serbia	1 159	-3.83%	24.0	-22.1



in millions of euro

2015	2014	Company name	Country	Total assets 2015	Y/Y change in assets	Net profit/loss 2015	Net profit/loss 2014
58	61	NLB Tutunska Banka AD	Macedonia	1 125	6.77%	13.5	10.9
59	64	Banka Sparkasse d.d.	Slovenia	1 089	5.01%	6.5	-4.2
60	73	Banka Postanska Stedionica AD	Serbia	1 071	14.63%	3.2	2.6
61	65	Veneto Banca Scpa Italia Montebelluna Branch Bucharest	Romania	1 066	5.20%	-0.079	-0.185
62	75	Banka Credins Sh.a.	Albania	1 043	10.18%	1.0	2.7
63	62	Intesa Sanpaolo Bank Albania Sh.a.	Albania	1 030	-4.46%	16.1	14.7
64	67	Credit Europe Bank (Romania) SA	Romania	1 004	0.89%	11.2	-33.2
65	71	Investbank AD	Bulgaria	1 000	1.67%	0.835	0.821
66	66	Vojvodjanska Banka AD	Serbia	992.3	-2.33%	0.284	1.3
67	81	Erste Bank AD	Serbia	968.9	20.19%	9.8	2.3
68	69	Intesa Sanpaolo Romania SA	Romania	940.7	-4.30%	2.4	-58.9
69	77	Dezelna Banka Slovenije d.d.	Slovenia	892.4	0.26%	2.0	1.3
70	76	Sberbank Srbija AD	Serbia	881.0	-1.47%	-4.1	12.9
71	82	Moldova Agroindbank SA	Moldova	848.8	18.60%	17.6	18.9
72	79	Banca de Export-Import a Romaniei – Eximbank SA	Romania	845.8	-1.10%	9.2	10.4
73	72	Hypo Alpe-Adria-Bank AD	Serbia	837.2	-13.82%	-65.4	-14.9
74	80	Nova Banka a.d. Banja Luka	Bosnia and Herzegovina	832.6	2.11%	6.2	5.8
75	70	Bulgarian Development Bank AD	Bulgaria	825.5	-15.71%	19.3	3.1
76	84	Intesa Sanpaolo Banka d.d.	Bosnia and Herzegovina	790.1	7.44%	13.3	10.0
77	86	ProCredit Bank Bulgaria AD	Bulgaria	779.4	7.09%	14.6	11.9
78	90	Moldindconbank SA	Moldova	720.7	16.98%	6.7	20.9
79	93	BCR Banca Pentru Locuinte SA	Romania	677.8	11.95%	3.3	6.5
80	94	ProCredit Bank AD	Serbia	676.9	11.47%	15.1	16.7
81	88	Banca Comerciala Carpatica SA	Romania	675.4	-5.00%	-16.7	-45.3
82	89	Postna Banka Slovenije d.d.	Slovenia	673.4	-6.49%	-3.1	0.246
83	83	Alpha Bank Srbija AD	Serbia	669.4	-9.03%	-7.9	1.5
84	68	Raiffeisen Banka d.d.	Slovenia	662.7	-33.63%	-14.9	-21.2
85	98	UniCredit Banka a.d. Banja Luka	Bosnia and Herzegovina	641.7	14.75%	10.9	9.1
86	59	NLB Banka a.d. Banja Luka (formerly NLB Razvojna Banka a.d.)	Bosnia and Herzegovina	615.9	1.13%	9.7	7.8
87	92	Municipal Bank AD	Bulgaria	614.1	-3.65%	2.9	2.9
88	96	International Asset Bank AD	Bulgaria	612.7	8.01%	2.2	1.8
89	New	Sparkasse Bank d.d. Sarajevo	Bosnia and Herzegovina	595.3	12.57%	7.4	5.5
90	95	Crnogorska Komercijalna Banka A.D.	Montenegro	594.8	2.24%	6.8	6.1
91	87	Tirana Bank Sh.a.	Albania	593.4	-19.91%	-24.2	-5.4
92	100	Credit Agricole Banka Srbija AD	Serbia	590.0	8.91%	1.1	0.382
93	New	Sberbank BH d.d.	Bosnia and Herzegovina	562.8	9.42%	3.2	2.4
94	91	Victoriabank SA	Moldova	562.7	-0.78%	5.2	10.5
95	43	Alpha Bank - Bulgaria Branch	Bulgaria	544.0	-70.95%	-6.4	-0.699
96	New	Libra Internet Bank SA	Romania	539.4	44.71%	5.3	-1.0
97	New	Ohridska Banka AD	Macedonia	534.4	3.59%	6.5	3.8
98	New	Banka Societe Generale Albania Sh.a. (formerly Banka Popullore Sh.a.)	Albania	533.8	2.45%	1.8	3.4
99	New	Bulgarian-American Credit Bank AD	Bulgaria	520.3	24.84%	0.416	-4.7
100	97	Alpha Bank Albania Sh.a.	Albania	504.3	-12.37%	-12.0	2.8

(\*) denotes unaudited figures

## 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, 2015. To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2015 and 2014, 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.

# SEE banking sector sees robust profit growth, top lender Zagrebacka turns to loss

by Siana Mishkova

*Southeast Europe's banking sector remained largely stable in 2015 and 2016 amid stricter capital requirements and low interest rate environment. Although asset quality remained a challenge for the industry with high non-performing loan (NPL) levels hindering stronger credit growth, better operating conditions in a revitalised economic environment helped the region's biggest banks improve their overall earnings performance and boost assets.*

The combined net profit of the Top 100 SEE banks for 2015 reached 1.45 billion euro, well above the tiny 53.6 million euro profit realised by last year's top 100 lenders in 2014 (excluding the huge 2.2 billion euro loss of Bulgaria's collapsed Corpbank). If we take the same 100 banks that made it into the 2016 rankings, their combined profit was again much higher, rising from 545 million euro a year earlier.

The total assets of SEE's 100 biggest banks edged up 1.3% in 2015 to 251.4 billion euro, with 62 lenders reporting growth. The top three banks, accounting for 15% of the total assets, remained the same as last year, as no. 1 and 3 - Zagrebacka Banka and BRD - outpaced the pack, while BCR managed to keep its second position despite its slower growth. With an impressive 33% asset growth impacted by a merger with Volksbank Romania (VBRO), Banca Transilvania climbed by two spots to no. 4, while UniCredit Bulbank went up to no. 6 from 8 on the back of a 17% organic expansion. On the other hand, NLB lost two places to no. 7 as its assets fell 2%.

Looking at the wider top 100 ranking, OTP Bank Romania was the best performer, advancing by 18 spots to number 45 with an 81% asset expansion affected by the consolidation of Millennium Bank, which it bought for 39 million euro in January 2015. On the negative side, the assets of Alpha Bank's Branch in Bulgaria

shrank 71%, dragging it 52 positions down to the bottom of the table. In July 2015, Greece's Alpha Bank agreed to sell its Bulgarian unit to the local subsidiary of Greece's Eurobank EFG. The deal was completed in March 2016.

Romania's largest privately-owned lender, Banca Transilvania, shined with a record high profit of 534 million euro, up 5.5 times from 2014. Croatia's Hypo Alpe-Adria-Bank was the biggest loser, ending up 333 million euro in the red. Out of the total Top 100, 24 banks made losses, amounting to a combined 1.0 billion euro in 2015, while 76 made profits of an aggregate 2.5 billion euro. Nine lenders swung to profit last year, while 12 turned to loss, including leader Zagrebacka Banka. As a whole, the bottom line of 57 banks improved year-on-year, while that of 43 worsened. In the 2015 ranking (excluding Corpbank), 26 banks booked losses, worth a combined 1.76 billion euro, while 75 made profits of 1.82 billion euro, with Zagrebacka having the biggest profit and BCR - the largest loss.

By country, Romania was best represented in the ranking with 21 banks, followed by Bulgaria with 18, and Serbia with 15, the same as last year. The number of Slovenian and Croatian lenders fell by one each, to 14 and 9, respectively, while that of Bosnian and Albanian ones rose to 8 from 6 and to 7 from 6, respectively. Romania was also a leader in terms

of assets with an 80 billion euro aggregate balance sheet of its Top 100 SEE representatives, or almost a third of the region's total, followed by Croatia with 47.3 billion euro, Bulgaria with 42.6 billion euro, Slovenia with 34.7 billion euro, and Serbia with 23 billion euro. The data suggests that Serbia offers the most favourable opportunities for mergers and acquisitions with many smaller banks, while the banking activity in Croatia is concentrated in several big lenders, with its lowest ranking bank at 55th spot. The top 10 of the ranking was again dominated by Romania with five banks, Croatia had three representatives, and Bulgaria and Slovenia had one each.

Having in mind that the SEE banking sector is dominated by western European banks, holding roughly two thirds of assets, Italy stands out in our Top 10 ranking, accounting for 40% of the assets of the 10 biggest lenders, with UniCredit's units in Croatia, Bulgaria and Romania holding a total of 29.5 billion euro in assets and Intesa Sanpaolo's Croatian subsidiary holding 9.1 billion euro. Next comes Austria with a 29% share, as Erste's units in Romania and Croatia have a combined 20.9 billion euro of assets and Raiffeisen's Romanian arm holds another 7 billion euro. France also made it to the Top 10 with Societe Generale's Romanian unit accounting for an 11% share, joined by Banca Transilvania, in which the EBRD is the largest shareholder with a 15% stake, and Slovenia's state-owned NLB, which was rescued by the government in 2013 and is now set to be privatised via the stock exchange in the coming months.

The number of newcomers to the 2016 Top 100 Banks ranking was six, with Sparkasse Bank Sarajevo entering highest, at 89th position. A year earlier newcomers were five, as Banca Sociala was the top performer at 78th spot. At the same time, the entry threshold fell to 504 million euro from 545 million euro.

# Top insurers in SEE pocket hefty profits, premium growth lags

by Nevena Krasteva

*Southeast Europe's return to steady growth, though slow to affect the insurers in the region, is eventually showing in their balance sheets. In the merciful absence of natural disasters or major external shocks and amid rising consumption and a favourable fiscal environment, the positive trends that had emerged already in 2014 resulted in a 6% increase of the combined gross written premiums (GWP) of the 100 biggest insurers, and, more notably, a 43% growth of their combined net profit.*

*Croatian insurers in particular put up a remarkable performance and overtook the ranking, as Croatia Osiguranje, the region's second biggest insurer, saw an impressive turnaround to profit.*

*The prospects before the SEE insurance industry remain even more optimistic as the positive business environment and conditions for convergence towards the markets of other EU countries are expected to persist. Furthermore, the region is largely seen as relatively underdeveloped and therefore holding untapped potential.*

In 2015, the combined GWP of the region's top 100 insurers rose to 6.8 billion euro from 6.4 billion euro of the entrants in the previous year's ranking. Still, about a quarter reported a decline in their GWP versus just 11 a year earlier.

The combined net profit of the region's top insurers, however, leapt to 234 million euro from 163 million euro a year earlier and a revised loss of 137.5 million euro booked collectively by the entrants in the 2013 ranking.

Ljubljana-based Zavarovalnica Triglav, the top insurer for yet another year, posted 586.3 million euro in GWP, as compared to 592.6 million euro a year earlier. It was also the top performer in terms of net profit earned in 2015 with 58.5 million euro versus 45.6 million euro and way ahead of the rest.

In 2015, Triglav Group acquired Skupna pokojninska druzba, the second largest provider of supplemental pension insurance on the

Slovenian market, which is one of the factors that significantly boosted its financial results along with a premium growth in markets outside Slovenia and the absence of mass loss events. At the end of 2015, Triglav held a market share of 44% in non-life insurance, 35% in life insurance and 23% in health insurance. Going forward, in the six countries in SEE where it operates, Triglav Group's focus will be on health and life insurance, with special attention to innovative telematics solutions. (You can read an interview with Benjamin Josar, member of the management board, on the next pages).

The only changes in the top 10 spots in the 2015 edition of the TOP 100 insurers ranking were a switch of places between Croatia Osiguranje and Adriatic Slovenica, as well as the entry of Serbia's Dunav Osiguranje at no. 8 and of Euroins Romania Asigurare Reasigurare at no. 10. They replaced Croatia's Allianz Zagreb and Romania's Astra.

At no. 2, Croatia Osiguranje saw its GWP edge up 3.2% to 301.4 million, whereas the third-placed Adriatic Slovenica recorded GWP of 296.6 million euro, down from 297.9 million euro a year earlier.

Furthermore, the Croatian insurer swung to a net profit of 6.1 million euro from a loss of 53.9 million euro after completing the first stage of a restructuring process. The company has said that its continued transformation towards long-term sustainability and the preservation and strengthening of its market position will be focused on further development of products, services and its availability to existing and future customers and on improving business efficiency and reducing costs.

Croatia Osiguranje's strong performance came on a very active domestic market which returned to growth, albeit slight, after a decline a year earlier. This positive development, however, was not reflected in the number of Croatian entrants in the ranking, which dropped by one from a year earlier, to 14.

Interestingly, the second place in the ranking in terms of profit was taken by Romania's Metropolitan Life Asigurari, otherwise 39th in terms of GWP, with a net result of 39.4 million euro. It was followed by Slovenia's Zavarovalnica Maribor with a net profit of 24 million euro.

A total of eight new entrants made it into the ranking as one – Bulgaria's Dall Bogg Zhitov I Zdrave - booked a startling 848% jump in GWP to 438,000 euro.

On the opposite end of the table, Romania's Astra, which is in bankruptcy, posted the biggest decline in GWP, by 43% to 97.4 million euro.

# TOP 100 insurers

in millions of euro

2015	2014	Company name	Country	Gross written premium 2015	Y/Y change in GWP	Net profit/loss 2015	Net profit/loss 2014
1	1	Zavarovalnica Triglav d.d.	Slovenia	586.3	-1.07%	58.5	45.6
2	3	Croatia Osiguranje d.d.	Croatia	301.4	3.24%	6.1	-53.9
3	2	Adriatic Slovenica d.d.	Slovenia	296.6	-0.41%	14.3	19.3
4	4	Vzajemna Zdravstvena Zavarovalnica d.v.z.	Slovenia	275.3	6.68%	4.1	4.8
5	5	Zavarovalnica Maribor d.d.	Slovenia	249.2	-0.29%	24.0	16.4
6	6	Allianz - Tiriac Asigurari SA	Romania	232.4	6.98%	15.4	10.8
7	7	Omniasig Vienna Insurance Group SA	Romania	215.9	13.52%	2.9	7.7
8	11	Dunav Osiguranje AD	Serbia	177.0	22.27%	3.1	-11.4
9	10	Groupama Asigurari SA	Romania	167.7	13.71%	3.7	0.867
10	18	Euroins Romania Asigurare Reasigurare SA	Romania	158.8	51.44%	-66.3	-14.4
11	9	Allianz Zagreb d.d.	Croatia	155.4	-2.36%	13.5	11.4
12	14	Generali Osiguranje Srbija AD	Serbia	153.7	24.00%	21.0	11.7
13	12	NN Asigurari de Viata SA	Romania	139.0	2.41%	4.1	5.9
14	13	Asigurarea Romaneasca - Asirom Vienna Insurance Group SA	Romania	137.9	11.45%	-8.4	-9.1
15	15	Carpatica Asig SA	Romania	129.0	5.43%	-45.2	-10.2
16	26	City Insurance SA	Romania	115.6	44.65%	-1.1	-2.9
17	17	Triglav Zdravstvena Zavarovalnica d.d.	Slovenia	108.9	1.43%	3.1	8.3
18	16	Euroherc Osiguranje d.d.	Croatia	107.3	-5.95%	14.3	11.6
19	19	Generali Romania SA	Romania	107.1	4.84%	13.2	9.8
20	20	Armeec AD	Bulgaria	106.2	5.53%	5.1	-5.6
21	8	Astra SA - in bankruptcy proceedings*	Romania	97.4	-42.75%	N/A	6.9
22	23	Bulstrad Vienna Insurance Group AD	Bulgaria	94.8	8.08%	-7.5	-2.8
23	22	Generali Zavarovalnica d.d.	Slovenia	89.8	2.46%	5.6	2.9
24	37	UNIQA Osiguranje d.d.	Croatia	87.3	67.72%	7.2	3.8
25	24	Lev Ins AD	Bulgaria	83.3	-4.27%	5.4	0.036
26	28	DZI - General Insurance EAD	Bulgaria	83.1	10.39%	4.8	3.5
27	25	Zavarovalnica Tilia d.d.	Slovenia	80.5	-4.65%	4.3	4.1
28	21	UNIQA Asigurari SA	Romania	80.4	-11.59%	1.0	-10.7
29	31	Allianz Bulgaria AD	Bulgaria	80.3	10.86%	5.3	-2.9
30	27	DDOR Novi Sad AD	Serbia	77.6	-1.04%	1.8	-1.9
31	30	Wiener Osiguranje Vienna Insurance Group d.d.	Croatia	71.4	-2.27%	3.4	3.2
32	29	Jadransko Osiguranje d.d.	Croatia	68.4	-6.47%	6.8	5.7
33	34	Wiener Stadtische Osiguranje AD	Serbia	64.9	11.86%	2.9	2.3
34	38	Generali Osiguranje d.d.	Croatia	62.6	26.69%	1.5	1.8
35	35	NLB Vita d.d.	Slovenia	62.5	13.37%	7.1	5.6
36	40	Euroins AD	Bulgaria	60.5	42.83%	0.104	0.152
37	32	Bul Ins AD	Bulgaria	58.4	-4.68%	0.097	1.2
38	51	BCR Asigurari De Viata Vienna Insurance Group SA	Romania	58.2	62.75%	6.1	5.6
39	33	Metropolitan Life Asigurari SA	Romania	52.0	-10.26%	39.4	11.3
40	36	Grawe Hrvatska d.d.	Croatia	51.8	-0.65%	5.8	5.5
41	39	Merkur Zavarovalnica d.d.	Slovenia	46.0	1.78%	2.9	4.6
42	41	Triglav Osiguranje d.d.	Croatia	45.0	7.37%	-4.5	0.155
43	44	Allianz Bulgaria Life AD	Bulgaria	41.9	19.29%	4.5	4.4
44	43	OZK - Insurance AD	Bulgaria	39.8	10.52%	0.726	0.251
45	52	Generali Insurance AD	Bulgaria	38.3	26.91%	-6.9	-1.0
46	45	Merkur Osiguranje d.d.	Croatia	36.5	4.13%	3.1	4.2
47	49	Grawe Zavarovalnica d.d.	Slovenia	35.8	10.34%	1.9	2.7
48	47	UNIQA Nezivotno Osiguranje AD	Serbia	34.6	8.31%	-1.9	0.250
49	53	Energia AD	Bulgaria	34.2	14.33%	8.9	11.6
50	42	Victoria AD**	Bulgaria	34.1	-6.71%	4.3	3.9
51	55	Bulstrad Life Vienna Insurance Group AD	Bulgaria	34.1	22.53%	1.0	-0.391
52	48	UNIQA AD	Bulgaria	32.0	-1.44%	0.062	-3.2
53	46	Sarajevo Osiguranje d.d.	Bosnia and Herzegovina	30.8	-6.50%	0.231	0.217
54	54	Pool-ul de Asigurare Impotriva Dezastrelor Naturale SA	Romania	29.8	6.50%	4.7	4.3
55	64	Croatia Zdravstveno Osiguranje d.d.	Croatia	29.5	29.84%	1.1	1.1
56	57	Lovcen Osiguranje AD	Montenegro	29.3	10.38%	-6.6	0.036
57	66	Triglav Osiguranje AD	Serbia	28.1	27.51%	0.060	0.097
58	56	Agram Life Oiguranje d.d.	Croatia	27.6	1.04%	3.6	1.4

in millions of euro

2015	2014	Company name	Country	Gross written premium 2015	Y/Y change in GWP	Net profit/loss 2015	Net profit/loss 2014
59	68	UNIQA Life Insurance AD	Bulgaria	27.4	28.77%	0.638	0.476
60	67	Sigal UNIQA Group Austria sh.a.	Albania	27.4	22.15%	2.2	2.1
61	60	Euroherc Osiguranje d.d.	Bosnia and Herzegovina	27.3	9.57%	2.6	1.9
62	59	UNIQA Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	27.2	7.38%	0.902	0.452
63	61	Grawe Osiguranje AD	Serbia	27.1	11.78%	2.6	4.1
64	New	Sigma Interbanian Vienna Insurance Group sh.a.	Albania	26.6	32.05%	-0.654	0.673
65	75	DZI - Life Insurance AD	Bulgaria	25.1	43.90%	4.2	4.8
66	69	Modra Zavarovalnica d.d.	Slovenia	24.6	18.46%	4.7	17.4
67	63	Bosna-Sunce Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	24.0	3.76%	1.1	0.711
68	62	Hrvatska Osiguravajuca Kuca d.d.	Croatia	23.4	-0.72%	2.2	2.6
69	70	Erste Osiguranje Vienna Insurance Group d.d.	Croatia	22.5	13.24%	1.6	1.6
70	65	Croatia Osiguranje d.d.	Bosnia and Herzegovina	22.1	-0.61%	0.335	0.078
71	79	Milenijum Osiguranje AD	Serbia	21.0	28.44%	0.198	-2.0
72	72	Triglav Osiguruvanje AD	Macedonia	21.0	13.06%	0.303	0.893
73	73	AMS Osiguranje AD	Serbia	20.5	13.66%	0.133	0.024
74	74	BRD Asigurari de Viata SA	Romania	19.7	15.77%	3.1	3.8
75	90	UBB-Metlife Life Insurance Company AD (formerly UBB-Alico Life Insurance Company AD)	Bulgaria	18.9	12.26%	3.6	3.4
76	77	Triglav Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	18.7	9.40%	0.555	0.196
77	71	Gothaer Asigurari Reasigurari SA	Romania	18.1	-2.79%	-5.6	-7.8
78	58	Lig Insurance SA	Romania	17.9	-31.53%	0.894	-9.8
79	85	Wiener Osiguranje Vienna Insurance Group a.d. Banja Luka	Bosnia and Herzegovina	16.2	16.55%	-1.6	-2.4
80	New	Olympic Insurance Company - Bulgaria Branch Office	Bulgaria	16.2	46.91%	-7.1	1.0
81	78	Eurolife ERB Asigurari de Viata SA	Romania	16.2	-1.12%	0.536	0.899
82	76	SjD – Prva Kreditna Zavarovalnica d.d.	Slovenia	15.5	-7.40%	0.932	0.757
83	83	Grawe Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	15.4	6.53%	1.0	0.908
84	82	Merkur BH Osiguranje d.d.	Bosnia and Herzegovina	15.2	-1.27%	1.3	1.2
85	87	UNIQA Zivotno Osiguranje AD	Serbia	15.0	27.03%	1.0	1.1
86	84	Osiguruvanje Makedonija Vienna Insurance Group AD	Macedonia	15.0	6.18%	3.9	1.4
87	New	Eurosig sh.a.	Albania	14.5	47.24%	-0.620	0.088
88	88	Sava Osiguranje AD	Serbia	14.4	19.67%	-0.578	-0.400
89	93	Eurolink Osiguruvanje AD	Macedonia	14.3	26.46%	0.800	0.587
90	86	Certasig - Societate De Asigurare Si Reasigurare SA	Romania	14.3	11.19%	0.392	0.754
91	95	GRAWE Bulgaria Life Insurance EAD	Bulgaria	13.4	19.97%	0.360	0.545
92	New	Dall Bogg Zhivot i Zdrave EAD	Bulgaria	13.1	848.12%	0.438	-1.0
93	89	Prva Osebna Zavarovalnica d.d.	Slovenia	12.9	7.48%	3.7	2.6
94	New	NN Insurance Co. Ltd - Sofia Branch	Bulgaria	12.2	28.03%	-1.3	-1.8
95	New	Drina Osiguranje a.d.	Bosnia and Herzegovina	11.9	22.12%	2.1	1.7
96	94	VGT Osiguranje d.d. Visoko	Bosnia and Herzegovina	11.9	5.25%	0.031	0.020
97	New	Intersig Vienna Insurance Group sh.a.	Albania	11.4	16.30%	0.436	-0.297
98	New	MetLife Europe Limited - Bulgaria Branch	Bulgaria	11.3	N/A	-3.5	N/A
99	96	Sava Osiguruvanje AD	Macedonia	11.2	5.98%	0.453	0.333
100	91	Sava Montenegro AD	Montenegro	11.2	-2.47%	2.0	1.4

(\*) Data up to June 30, 2015

(\*\*) Merged with Generali Insurance AD and written off on Dec 18, 2015.

### 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 2015.*

*To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2015 and 2014, 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 270 insurers.*

# Triglav eyes further growth with health, life insurance in focus, to advance telematics solutions

by Nevena Krasteva



***Benjamin Josar,  
member of the  
management board***

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*Slovenian insurance company Zavarovalnica Triglav, set up in 1990, is the controlling company of Triglav Group. Triglav Group posted a consolidated net profit of 88.9 million euro in 2015, up 4% from a year earlier. Gross written premiums from insurance and co-insurance grew 3% to 919.1 million euro in 2015. The group, listed on the Ljubljana Stock Exchange, is active in Slovenia, Croatia, Bosnia and Herzegovina, Serbia, Montenegro, and Macedonia.*

**In 2015 Triglav Group posted an increase in premiums. What were the main drivers behind this positive performance? How do you plan to sustain growth in the long term?**

In its strategy, the Triglav Group defined that the main emphasis will be on the core insurance business, paying special attention to pension and health insurance. Bearing this in mind, the sales activities of all insurance companies of the group are even more focused on clients as well as on developing and increasing the efficiency and development of sales channels. This

is our competitive advantage in Slovenia, and we are transferring this practice also to our markets outside Slovenia. We effectively achieve the set strategic objectives, which reflects in the business results and – as you mentioned – in premium growth. Moreover, we have made progress in the pension insurance segment, which is im-

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***Digitalisation will be one of  
the most important future  
elements of success***  
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portant in terms of future growth, by taking over Skupna pokojninska družba, the second largest provider of voluntary pension insurance in Slovenia. Apart from that, we effectively implement the health insurance strategy in both the domestic and foreign markets.

Satisfied clients will continue to be our main concern and focus of activities. We will put emphasis on the development of our services, the availability and diversity of sales channels, which are increasingly supported through online operations, and the strengthening of the sales network on all markets of the group. I expect that digitalisation will be


one of the most important future elements of success. Such an environment allows us not only to continuously improve our product range tailored to client needs but also to introduce modern technology so as to optimise business processes and promote their transparency and simplicity, all of which keeps changing our relationship with the clients and our business operations. We will continue to develop innovative solutions, which have been recently introduced. Particularly in cooperation with start-up and other innovative companies, we have been developing advanced solutions in telematics and transferring them into practice, in addition to promoting traffic safety, designing applications that send weather alerts and other.

**Economic and financial conditions in Slovenia have improved and risks for Slovenian insurers have diminished but low interest rates pile pressure on bottom lines. How do you expect Slovenia's insurance sector to perform in this environment?**

Like most insurance companies worldwide, we have been facing very challenging conditions on debt markets for quite some time now. Extremely low interest rates and increased volatility in financial markets are the reality. Returns on financial instruments, debt instruments in particular, in our portfolios have dropped on average, which is expected to last for some time. We anticipated such a situation and adapted our business plans accordingly. We are aware of the responsibility and the fact that we manage the assets used to cover the liabilities of insurance operations, which is why investment security will remain our primary goal. We will maintain the existing relatively conservative investment structure of the Triglav Group with the emphasis on fixed-rate investments, and we will continue to invest on the financial markets which ensure adequate liquidity, diversification and the expected return.

**Elsewhere in Southeast Europe, what were the underlying trends that shaped the development of the insurance market and how will they affect Triglav's performance in 2016-2017?**

The macroeconomic conditions on the insurance markets in Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Macedonia,



Triglav Group is present  
in 6 countries and 7 markets

where the group operates, are improving, however their recovery is gradual and affects the insurance business with a certain delay. Last year, positive trends and premium growth were seen on all the insurance markets in which the group operates. The results show that in total written premium non-life insurance is by far the largest segment, the bulk of which is accounted for by motor vehicle insurance – life and non-life insurance are sold in most countries, while only non-life insurance is sold in Macedonia and, as of recently, health insurance. The life insurance market has continued to increase gradually and consistently.

The countries in which the group operates have major development potential as they are in part relatively undeveloped. We are aware that we are operating in a highly competitive and demanding environment, in which specificities of individual insurance markets play an important role. We continuously strive to transfer the good practice from Slovenia to our subsidiaries abroad, which are managed by the holding company TINT (Triglav INT). In the markets where the group holds a high market share and a leading position, the consolidation strategy has been and will continue to be pursued, whilst on the remaining markets, where the group's presence is still being built, focus has been and will be on strengthening the group's market position. In all markets, we will strive to take full advantage of both the strength of the Triglav brand and the comparative advantages of the Triglav Group, to ensure long-term return on invested assets and to increase productivity through synergistic effects, while complying with the local legislation and taking into account the risks.

**In which segments and product categories do you see growth opportuni-**

**ties – both in Slovenia and in Southeast Europe?**

Each of the six countries in the Adria region where the Triglav Group operates has some specificities, which individual insurance subsidiaries of the group take into account to define their strategic guidelines and business plans. In the long run, I see growth potential on the health, life and pension insurance markets both in Slovenia and in the region. We are very pleased that by acquiring the second largest Slovenian provider of voluntary pension insurance the group consolidated its presence on the Slovenian market, where around 83% of the group's total written premium is booked. This enables us to be even more active on the pension insurance market. Due to the relatively underdeveloped pension system in Slovenia and the increasingly unfavourable age structure of the population, I believe that we can expect further pressures on the Slovenian public pension system and consequently the need to strengthen the second pension pillar. The growth rate of the said market will depend on the dynamics of changes to the existing pension system, while the increased presence on the Slovenian pension market will affect future consolidation of the group's position in the life insurance segment (pension annuities). The markets of Southeast Europe represent foremost potential growth in the non-life insurance segment, excluding motor vehicle insurance, and various life and health insurance classes.

**Last year and the beginning of 2016 saw some major acquisitions on the insurance markets in Southeast Europe, including Triglav's deal for Skupna pokojninska družba. Do you see further room for consolidation?**

The insurance markets in this region, from Croatia to Macedonia, have potential for growth. In line with our strategic guideline, the Triglav Group will continue to consolidate its position in the region and to develop as the insurance hub of Southeast Europe. Our goal is to further grow on these markets, primarily through organic growth, however we do not rule out potential takeovers should an appropriate opportunity arise. Therefore, we will continue to strengthen and consolidate the group's position outside Slovenia, while the activities aimed at achieving growth and development will be prudent and focused on increasing the group's value in the long term.

# Euroins will expand further in SEE



**Kiril Boshov,**  
CEO, Euroins Insurance Group

*Bulgaria-based Euroins Insurance Group (EIG) is one of the largest independent groups operating on the insurance markets in Central, East and Southeast Europe. EIG has more than 7% market share in the region, over 2 million clients, 1,600 employees and annual revenues of 300 million euro. It is focused on providing a full range of products in the areas of general, health and life insurance. EIG operates in 7 European countries, with subsidiaries in 4 of them – Bulgaria, Romania, Macedonia and Ukraine. It is a subsidiary of Eurohold Bulgaria – a leading company, listed in Sofia and Warsaw, which operates across CEE and SEE, focused on non-banking financial services and asset management.*

**EIG operates on several markets in Southeast Europe (SEE). What is the development potential of those markets? What are the market opportunities and challenges faced by EIG on the SEE insurance markets?**

We see very good opportunities for growth. The SEE countries are still with low penetration on almost all insurance segments. The demand for our services has been growing, driven by the pick-up in the regional economy. EIG registered a double-digit growth in premium income for 2015 and is excellently positioned to take advantage of the long-term growth opportunities in a region with over 100 million people. Certainly, the SEE insurance markets are at their early stage of development and are still extremely price-driven. The dominating lines of business in the region are the motor segments and especially the obligatory motor third party liability insurance (MTPL). This brings some risks to the outlook of the market. Nevertheless, we expect customers to become more demanding on their choice of insurers and predict sustainable growth in Euroins' premium income in the coming years.

**EIG has been expanding aggressively in SEE over the past few years. What are the results of this expansion strategy so far and how do you plan to develop it in the near to medium term?**

Our main goal is to make Euroins the leading independent insurance player in its core markets in SEE. In the last three years, the company purchased the business of Germany-based TALANX Group in Bulgaria and Ukraine (HDI Zastrahovane and HDI Strakhuvannya), the businesses of QBE in Bulgaria and Romania and Interamerican in Bulgaria. EIG is currently reaping the benefits of these acquisitions through portfolio diversification and shared best practices. We cover now all insurance segments - general, life and health. Our market share in Romania is

almost 15%, in Bulgaria – about 7%, and in Macedonia – 9%. We are looking to make more acquisitions, which are part of our way of life. Along with strengthening the group's position on the insurance market in SEE via acquisitions, we have also been growing at a fast pace organically.

**What are the competitive advantages of EIG's strategy for expansion in SEE?**

While large financial groups have been withdrawing from SEE for the last couple of years, Euroins has been going against the stream and has been broadening its network. We are an example for an expanding business that grows much more rapidly than the average GDP growth of the region and this growth is being derived from immense managerial and organizational efforts. The expansion helped us diversify and improve the quality of our insurance portfolio in order to increase the share of the non-motor segments and achieve a more precise and detailed segmentation. Last but not least, the company is headquartered in Sofia, Bulgaria. With its stable economy, transparent administrative procedures, business-friendly environment, low cost for doing business, low tax base and talented employees, Bulgaria is a perfect hub for a regional expansion.

**How does EIG adapt to the Solvency II rules? What is the impact of the new regulations on EIG's business model?**

The complex Solvency II system was successfully embedded in EIG. We took steps to comply with the new rules in advance in 2014-2015 when we raised around 120 million euro. We used the funds to support EIG's subsidiaries and finance the regional expansion of the group. The present capital level of EIG is adequately above the risk level assumed by the group and thereby provides for strong financial and solvency positions of our business.



# Slovenia keeps strong lead in SEE TOP 50 per capita rankings

by Ivaylo Mihaylov

Slovenia again performed best in the Top 50 SEE per capita ranking, which tracks the importance of individual companies for local economies, well ahead of regional peers. However, the number of Slovenian entrants in the list fell to 17 from 21 in the 2015 edition, while second-placed Montenegro with seven companies added two entrants.

Slovenia landed a total of seven companies in the ranking's top 10, including the medal winners. Energy group Petrol topped the list for the ninth consecutive year, with a huge margin, despite a 10% drop in per capita revenue to 1,510 euro. Second came electricity and gas trader GEN-I with an impressive 35% growth to 868 euro that pushed it three places higher. Retailer Mercator took the bronze again with 700 euro per capita revenue, down 5.4% from 2014.

Montenegro's best performer was power utility Elektroprivreda Crne Gore, ranking one spot down at 11th place despite a 0.6% rise in per capita revenue. Wholesaler and retailer Voli Trade, which was among the most remarkable newcomers in last year's rankings, advanced three places to 16th with a 9.3% revenue growth.

Croatian firms in the rankings remained six, as the top entrant, oil and gas group INA, posted a 15% drop in per capita revenue, which brought it down to 7th place from 2nd last year.

Macedonia and Serbia had five companies on the list each. The Macedonian unit of UK specialty chemicals company Johnson Matthey was the country's top performer, climbing three positions to 5th thanks to a 29% revenue growth. The most important company for Serbia's economy, oil and gas group NIS, ranked 20th, down from 22nd in 2015 due to an 18% drop in per capita revenue.

Bulgaria and Romania followed with four and three firms in the list, respectively. Oil refiner Lukoil Neftochim Burgas remained the top Bulgarian performer, but lost five places to 12th with a 24% drop in revenue. Romania's highest entry, car maker Dacia, was 25th, gaining two places from 2015 with a 10% rise in revenue.

Albania and Bosnia round off the rankings with two and one representatives, respectively. Bosnia's entrant, utility Elektroprivreda, moved up four places to 47th, while Albania's top performer, fuel retailer Kastrati, lost nine positions to 48th.

In a breakdown by sector, energy companies dominated the ranking, trailed by wholesalers and retailers, and telecoms.

No.	SEE TOP 100 No	Company name	Country	Per capita 2015	Per capita 2014
1	4	Petrol d.d.	Slovenia	1510	1673
2	12	GEN-I d.o.o.	Slovenia	868.2	642.1
3	18	Poslovni Sistem Mercator d.d.	Slovenia	700.2	740.1
4	20	Holding Slovenske Elektrarne d.o.o.	Slovenia	642.2	693.2
5	24	Johnson Matthey DOOEL	Macedonia	578.8	447.8
6	26	Krka d.d.	Slovenia	555.8	607.5
7	6	INA d.d.	Croatia	551.6	648.6
8	30	Revoz d.d.	Slovenia	501.9	433.8
9	10	Konzum d.d.	Croatia	463.6	392.8
10	43	Lek d.d.	Slovenia	433.7	390.1
11	218	Elektroprivreda Crne Gore A.D.	Montenegro	412.9	410.3
12	5	Lukoil Neftochim Burgas AD	Bulgaria	364.8	481.6
13	60	Gorenje d.d.	Slovenia	348.7	359.1
14	65	Telekom Slovenije d.d.	Slovenia	332.1	345.8
15	7	Aurubis Bulgaria AD	Bulgaria	309.9	313.7
16	290	Voli Trade D.O.O.	Montenegro	306.4	280.4
17	21	Hrvatska Elektroprivreda d.d.	Croatia	295.3	333.8
18	74	OMV Slovenija d.o.o.	Slovenia	291.1	343.5
19	75	IMPOL d.o.o.	Slovenia	289.0	268.1
20	13	Naftna Industrija Srbije AD	Serbia	247.1	300.8
21	14	Natsionalna Elektrieska Kompania EAD	Bulgaria	231.6	224.2
22	376	Jugopetrol A.D.	Montenegro	222.3	270.4
23	16	EPS Snabdevanje DOO	Serbia	222.1	210.4
24	41	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	217.8	206.1
25	1	Automobile-Dacia SA	Romania	215.5	195.4
26	17	Lukoil-Bulgaria EOOD	Bulgaria	214.3	232.9
27	116	EVN Elektrostpanstvo na Macedonia AD	Macedonia	197.6	188.8
28	117	Geoplina d.o.o.	Slovenia	195.9	186.2
29	19	JP Elektroprivreda Srbije (JP EPS)	Serbia	193.4	190.6
30	125	Porsche Slovenija d.o.o.	Slovenia	190.8	172.7
31	416	Mercator-CG D.O.O.	Montenegro	188.4	171.0
32	51	Hrvatski Telekom d.d.	Croatia	186.6	181.8
33	139	Druzba za Avtoceste v Republiki Sloveniji d.d. (DARS)	Slovenia	180.8	183.8
34	2	OMV Petrom SA	Romania	178.5	190.7
35	146	Elektro Energija d.o.o.	Slovenia	175.2	244.2
36	22	FCA Srbija DOO	Serbia	171.1	185.8
37	3	OMV Petrom Marketing SRL	Romania	166.8	148.8
38	463	Hard Discount Lakovic D.O.O.	Montenegro	165.0	139.6
39	159	Talum d.d.	Slovenia	163.4	157.7
40	469	Crnogorski Telekom A.D.	Montenegro	162.0	163.4
41	477	Telenor D.O.O.	Montenegro	160.0	108.3
42	167	Okta AD	Macedonia	158.7	172.1
43	71	Petrol d.o.o.	Croatia	151.2	150.4
44	185	Makpetrol AD	Macedonia	145.4	159.5
45	199	BSH Hisni Aparati d.o.o.	Slovenia	135.2	137.9
46	39	Mercator - S DOO	Serbia	132.5	86.0
47	85	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	130.2	130.0
48	138	Kastrati Sh.a.	Albania	129.7	158.4
49	141	Operatori i Shperndarjes se Energijise Elektrike (OSHEE) Sh.a.	Albania	128.7	111.9
50	215	Elektrani na Macedonia AD	Macedonia	125.9	115.2

## Methodology

SEE TOP 50 per capita is a ranking based on the same pool of 2,500 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.

# SEE top racers rev up, retailers continue to dominate track

by Nevena Krasteva

A majority state-owned company, which is undergoing reorganisation following the launch of insolvency proceedings surprisingly topped the ranking of the most dynamic companies among the entrants in the SEE TOP 100 chart. After ending six years in a row in the red, Romanian chemicals producer Oltchim posted a fourfold increase in revenue to 697 million euro in 2015 thanks to debt write-offs, which however are subject to a European Commission investigation.

The company's impressive 382% increase in revenue compares to a rise by just 63% in the revenues of the previous year's winner, the Romanian unit of French retailer Auchan. And while Oltchim's performance could be seen as distorting the overall picture, conclusions that the race among the most dynamic companies is picking up are further supported by the fact that the top five positions went to companies that posted sharper rises in revenues than Auchan's performance a year earlier. The threshold for entry into the ranking too has risen.

However, wholesalers and retailers expanded their dominance of the ranking, pushing in 17 entrants versus 11 a year earlier. This is hardly surprising, given that rising consumption is one of the main drivers of the region's accelerating economic growth. Even less surprising is the fact that more than half of all wholesalers and retailers in this ranking operate in Romania – the region's biggest market and top economic performer, which posted a 3.7% GDP growth last year mainly on the back of household consumption.

Romania's economic strength is also evidenced by the fact that the country had 31 representatives in the ranking, up from 28 a year earlier and way ahead of the runner up Serbia with six and Croatia with four entrants.

Serbia's electricity distributor EPS Distribucija, a

fully-owned unit of the country's state-owned power utility EPS, ranked second thanks to a 182% increase in revenues. Another EPS unit, electricity supplier EPS Snabdevanje, too made it into the ranking. Earlier in 2016, EPS Snabdevanje merged into EPS as part of the latter's restructuring process aimed at improving the efficiency and profitability of its operations. Key state enterprises in Serbia's energy and transport sectors have been undergoing much needed operational and structural shake-ups under a reform plan agreed with the International Monetary Fund (IMF).

Electricity remains well-represented in the ranking with six entrants, as many as a year earlier. Apart from the two Serbian companies, the ranking saw the entry of Slovenia's GEN-I, Romania's Tinmar – Ind, Bulgaria's public power supplier NEK and Romania's Transelectrica.

Romanian state-owned railway infrastructure operator CFR, took the third place, staging an impressive turnaround after five years of financial losses. CFR, which enjoyed 150% growth of revenues in 2015, plans to invest some 550 million euro in its infrastructure in 2016, after signing with the European Commission four financing agreements for modernisation projects worth 689 million euro in total. The bulk of the funding, 677 million euro, will go for a project for the modernisation of the railway line between Brasov and Sighisoara, aiming to promote sustainable mobility along the Rhine-Danube corridor, increase the speed of trains and reduce travel time for passengers and freight.

Another industry to retain its grip on the ranking is automobile and car parts manufacturing with five entrants. The industry has been growing steadily over the past years as global companies recognised the region's potential, reflecting a combination of low production costs, skilled workforce and strategic

location giving access to strategic markets. Manufacturers of food, drinks and tobacco products too are well represented in the ranking as four companies made the cut. Unsurprisingly, they are all Romanian. The best performer among them – Coca-Cola HBC Romania – reported an 11% rise in sales volumes in 2015 with good performances across all categories, following a decline in the prior year.

The other three are units of international cigarette makers - Japan Tobacco International (JTI), British American Tobacco Trading and Philip Morris Trading. The tobacco industry is the second biggest contributor to Romania's budget, generating 3 billion euro, or 2% of the country's GDP and 12.5% of all budget revenues in 2015, according to industry officials. The industry also generates 4,000 direct jobs and 45,000 indirect jobs in Romania.

At the beginning of 2016, the three companies called for an extension of the deadline by which they have to implement a new EU directive on the packaging and production of tobacco products, as JTI Romania warned that it may halt production at its Bucharest factory.

One sector, whose presence has shrunk drastically in the SEE Most Dynamic ranking is oil and gas. Only two petroleum and natural gas companies made it into the chart, as compared to 14 a year earlier – in yet another strong evidence of the troubles that the industry is experiencing.

## 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 2015
1	63	Oltchim SA	Romania	Chemicals	381.67%
2	96	EPS Distribucija DOO (formerly Elektrodistribucija-Beograd DOO)	Serbia	Electricity	182.38%
3	45	CFR SA	Romania	Transportation	149.54%
4	77	Daewoo-Mangalia Heavy Industries SA	Romania	Transportation	112.32%
5	84	Express Logistic And Distribution EOOD	Bulgaria	Wholesale/Retail	94.73%
6	39	Mercator - S DOO	Serbia	Wholesale/Retail	53.31%
7	12	GEN-I d.o.o.	Slovenia	Electricity	40.29%
8	69	Profi Rom Food SRL	Romania	Wholesale/Retail	38.65%
9	88	Prvo Plinarsko Drustvo d.o.o.	Croatia	Petroleum/Natural Gas	30.14%
10	24	Johnson Matthey DOOEL	Macedonia	Chemicals	28.33%
11	36	Dedeman SRL	Romania	Wholesale/Retail	27.43%
12	50	Mega Image SRL	Romania	Wholesale/Retail	26.43%
13	64	Autoliv Romania SRL	Romania	Automobiles	25.73%
14	73	Alro SA	Romania	Metals	24.77%
15	66	Tinmar - Ind SA	Romania	Electricity	24.29%
16	47	JP Srbijagas	Serbia	Petroleum/Natural Gas	23.73%
17	28	Lidl Discount SRL	Romania	Wholesale/Retail	21.55%
18	30	Revoz d.d.	Slovenia	Automobiles	20.02%
19	57	Samsung Electronics Romania SRL	Romania	Electronics	19.37%
20	87	Renault Commercial Roumanie SRL	Romania	Automobiles	18.77%
21	34	Auchan Romania SA	Romania	Wholesale/Retail	17.90%
22	81	Takata Romania SRL	Romania	Automobiles	17.01%
23	56	RCS & RDS SA	Romania	Telecommunications	16.19%
24	91	Coca-Cola HBC Romania SRL	Romania	Food/Drinks/Tobacco	15.82%
25	43	Lek d.d.	Slovenia	Pharmaceuticals	15.35%
26	9	Kaufland Romania SCS	Romania	Wholesale/Retail	14.63%
27	97	Porsche Romania SRL	Romania	Automobiles	13.99%
28	83	Plodine d.d.	Croatia	Wholesale/Retail	13.56%
29	76	REWE (Romania) SRL	Romania	Wholesale/Retail	13.50%
30	89	Lidl Hrvatska d.o.o. k.d.	Croatia	Wholesale/Retail	13.36%
31	25	Carrefour Romania SA	Romania	Wholesale/Retail	12.84%
32	53	Kaufland Bulgaria EOOD & Co KD	Bulgaria	Wholesale/Retail	12.15%
33	75	IMPOL d.o.o.	Slovenia	Metals	11.84%
34	10	Konzum d.d.	Croatia	Wholesale/Retail	11.05%
35	62	J.T. International (Romania) SRL	Romania	Food/Drinks/Tobacco	9.07%
36	79	Ameropa Grains SA	Romania	Agriculture	8.34%
37	31	Orange Romania SA	Romania	Telecommunications	6.97%
38	14	Natsionalna Elektricheska Kompania EAD	Bulgaria	Electricity	6.89%
39	54	Mediplus Exim SRL	Romania	Wholesale/Retail	6.57%
40	49	Vodafone Romania SA	Romania	Telecommunications	6.18%
41	15	British American Tobacco (Romania) Trading SRL	Romania	Food/Drinks/Tobacco	6.07%
42	86	Philip Morris Trading SRL	Romania	Food/Drinks/Tobacco	5.86%
43	72	Farmexpert D.C.I. SRL	Romania	Wholesale/Retail	5.58%
44	67	Transelectrica SA	Romania	Electricity	5.55%
45	68	Delhaize Serbia DOO	Serbia	Wholesale/Retail	5.23%
46	16	EPS Snabdevanje DOO	Serbia	Electricity	5.02%
47	46	Arcelormittal Galati SA	Romania	Metals	4.71%
48	82	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	4.55%
49	48	Telekom Srbija AD	Serbia	Telecommunications	4.38%
50	78	ADM Romania Trading SRL	Romania	Agriculture	4.14%

# In the Idea Economy era, combining applications and data creates dramatically new experiences, new markets



**Martin Kubala,**  
**Managing Director and**  
**Enterprise Group Lead, Hewlett**  
**Packard Enterprise South East**  
**Europe (SEE)**

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*In November 2015, Hewlett-Packard finalised its historic division into two companies, with the launch of Hewlett Packard Enterprise (HPE) on the New York Stock Exchange. Following the split, HP Incorporated (HP Inc.) continued selling PCs and printers, while HPE focused on servers, storage, networking, security and corporate services, aiming to drive a technology roadmap designed to accelerate its customers' digital transformation and transition to the data centre of the future. It has focused on four key areas, namely helping clients transform to a hybrid infrastructure; empowering a data-driven organization; protecting the digital enterprise; and enabling workplace productivity.*

## **The last year has been a year of huge change for HP – now Hewlett Packard Enterprise – why so much change?**

We live and work in a world, which is undergoing major transformation, and with technology changing more rapidly than ever

before, it's imperative that we adapt to this new environment and that's precisely why we split and launched Hewlett Packard Enterprise (HPE) in November 2015. To help our customers get faster, we had to go faster ourselves. Since the separation, we have been driving a technology roadmap designed to accelerate our customers' digital transforma-

tion and transition to the data centre of the future. We are seeing the benefits of being a more focused, more agile company following the separation of Hewlett-Packard Company. For example, in the second quarter of this financial year, all HPE businesses increased revenue on an "as reported" basis for the first time since 2011.



SEE  
most dynamic



that 70% of executives see the rapid development of new products and services is a competitive necessity but 69% find it difficult to develop an idea into a product or service quickly because of their current technology infrastructure. This is why we are investing so much in innovating and building secure, next-generation software-defined infrastructures for our clients. Hewlett Packard Enterprise can enable organizations to act rapidly on ideas by creating, consuming and re-configuring new solutions, experiences and business models. And we will deliver infrastructure that is built from components that can be composed and re-composed easily and quickly.

Our customers typically ask us to help them around these four main areas:

- Transforming to a hybrid infrastructure: The emphasis here is in helping customers seamlessly manage information across traditional IT and private, managed and public cloud environments;
- Empowering a data-driven organization: Here we work with customers in turning information into insight and insight into action;
- Protecting the digital enterprise: Critical to our customers is managing risk, monitoring operations, protecting information and applications and sustaining operational integrity;
- Enabling workplace productivity: Driving innovation and creating best-in-class experiences for employees, customers and partners through mobility and networking solutions.

**Over the last few months since the separation from HP Inc., what have been the questions from your regional customers and partners?**

On the day we separated and launched as a new company, we immediately started in a strong position, being number 1 or 2 in most of our key markets, and in delivering one of the broadest go-to-market capabilities in the industry with our channel partners and sales teams.

Hewlett Packard Enterprise is a different company. It is a stronger, more agile, more innovative company that is better positioned to help our customers transform their IT infrastructures. Our own experience having gone through

70% of executives see rapid development of new products and services as competitive necessity, but 69% find it difficult to develop an idea into a product or service quickly because of inadequate technology infrastructure



the separation is invaluable for our clients. Hewlett Packard Enterprise has the vision, financial resources and flexibility to help our customers succeed.

As a new and distinct organization, HPE benefits from strong leadership, employee experience and knowledge, coupled with the agility and responsiveness typically found in leaner companies. Our focus on the channel now is more tuned in than ever with major enhancements being made to channel processes, operations, enablement, support, resources and tools.

All these factors combined make us stand out from our competitors and provide added value to our partners. And the positive reactions from our customers and partners in Southern and Eastern Europe (SEE) are confirming that we are on the right way to further strengthen our already strong market position.

Very often we get asked how the key customers in SEE are absorbing the new technology. The truth is that in the SEE region we have traditionally had a highly technologically-skilled workforce. We are running a significant number of highly innovative projects with our customers in the region, which are ground-breaking in Europe or even globally. This "early adopter" mentality that we have in SEE helps the customers leverage the very best of the very newest portfolio. HPE has benefited from having a highly skilled team of people available in the market by building

Every partner will have their own transformation journey and we will support each one achieve their goals.



global delivery centers in this region and employing several thousands of IT experts, who are here to support customers and projects around the world.

**Has it been challenging to make the transition to HPE from a regional channel point of view?**

The feedback from our partners since the separation has been extremely positive. Partners benefit from having one "Partner Ready" program across the board for HPE, making it easier and more seamless to operate and manage their rebates, programs, bonuses and more. Now more than ever, partners can expect HPE to be more agile and more focused from an R&D perspective and go-to-market strategy.

Our key strategic partners are assigned an HPE Channel Manager who works to develop joint business plans. We know their mix of hardware versus software versus services, we know their strategic plan of where they are headed and we know what investments they are making.

This joint planning also helps us to better allocate our Market Development Funds (MDF) and if the partner is aligned with a transformation area, the plan is approved for creating more market demand.

Over the last year, there have been significant enhancements made to the new "Partner Ready Program" of HPE. We have reduced the amount of sales certification from nine to one and certifications will be focused on our four transformation areas.

Additionally, our Partners can access Software Support Online (SSO) through the Partner Ready Portal. SSO provides all the information and support needed for a successful customer engagement. The self-solve knowledge base contains demos and downloads, discussion forums, tools for servers and developers, enhancement requests, full manuals and general support.

We have also added a new partner locator on the portal, which makes it easier to find partners from a customer perspective.

**With Internet of Things (IoT), Big Data and cloud technologies gaining more importance, what is HPE's response?**



Internet of Things (IoT), big data, and cloud, amongst other innovative technologies, play an integral role in HPE's four transformation areas and we've significantly invested in these technologies.

For example, in Big Data, we recently announced the immediate commercial availability of HPE Haven On Demand, an innovative cloud platform that provides advanced machine learning APIs and services that enable developers, startups and enterprises to build data-rich mobile and enterprise applications. We also launched a new HPE Investigative Analytics software solution, designed to enable financial institutions and other highly regulated organizations to identify and analyse risk events and take action to prevent them.

In the Cloud or Hybrid IT space, we've established a strong relationship with Microsoft Azure, appointing them as a preferred public cloud partner for our customers, while HPE will serve as a preferred partner in providing infrastructure and services for Microsoft's hybrid cloud offerings. We also recently launched HPE Synergy, our composable infrastructure solution, which brings together compute, storage, and networking. It's essentially a new category of infrastructure designed to run both traditional and cloud native applications for organizations running a hybrid infrastructure.

Beyond the data centre, HPE is redefining IT at the edge with its next generation of Aruba and computing products for campus, branch, and IoT applications. IoT Edgeline systems and Aruba networking sensors

were specifically designed to help customers more efficiently collect, process and analyse IoT data. The new solutions are key elements of our strategy of delivering more connectivity and computing power at the network edge.

**What is your channel strategy going forward? In which technology areas will we see more partners coming on board?**

We will continue to evolve and enhance our channel offerings and build tools, processes and other initiatives to extend market share in the Enterprise market.

There is also strong focus on the SMB segment, which has been highly profitable for HPE and our channel. Our transaction business remains strong as we continue to enable and move partners towards the transformation areas. As such, Cloud, Big Data, Mobility and Security will continue to be the pillars for innovation and channel recruitment.

**How can partners accelerate their business considering the current market situation?**

Everyone knows that we're facing a challenging macroeconomic environment. Soft consumer spending, continued weakness across Europe, and stock market volatility continue to drive uncertainty.

Despite this, the recent launch of HPE will enable us to remain focused on our ability to execute consistently and profitably and we are well positioned to deliver on our plan to grow

in 2016 and beyond.

By affiliating with us, our channel is assured of a vendor, who is uniquely positioned to be the most trusted technology partner across infrastructure, software, hybrid IT and more. We are focused on continual innovation, delivering value for our customers, and creating better business outcomes for our shareholders, partners and employees.

**What is the business focus for Southern and Eastern Europe in the coming year?**

We started our journey as a new company on November 1, 2015, and over the next five years our aim is to generate growth and long-term value for our customers and partners.

From where we are today, we will be able to continue to grow by maintaining our focus on the four transformation areas already highlighted. We're purposefully concentrating our strategy around these areas as we believe they are the four most important components customers and partners need to focus on in order to successfully navigate their way through the huge technological changes they are witnessing in their industries and enable them to create real benefits for their businesses.

The plan remains to work more through channels in future. They will be instrumental in delivering upon our vision. We recognize that every partner will have their own transformation journey and we will support each one achieve their goals.

# TOP 100 listed companies

in millions of euro

2015	2014	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2015	V/Y change
1	2	Ina-Industrija Nafta d.d.	Croatia	ZSE	INA-R-A	3 866	-18.86%
2	1	OMV Petrom SA	Romania	BVB	SNP	3 631	-29.59%
3	3	S.N.G.N. Romgaz SA	Romania	BVB	SNG	2 317	-23.80%
4	5	Krka d.d.	Slovenia	LJSE	KRKG	2 138	9.40%
5	4	Fondul Proprietatea SA	Romania	BVB	FP	2 004	-19.40%
6	9	BRD - Groupe Societe Generale SA	Romania	BVB	BRD	1 864	36.99%
7	10	Banca Transilvania SA	Romania	BVB	TLV	1 625	46.35%
8	7	Zagrebacka Banka d.d.	Croatia	ZSE	ZABA-R-A	1 551	10.77%
9	6	Hrvatski Telekom d.d.	Croatia	ZSE	HT-R-A	1 549	-3.72%
10	8	Privredna Banka Zagreb d.d.	Croatia	ZSE	PBZ-R-A	1 496	9.49%
11	13	Electrica SA.	Romania	BVB	EL	932.8	6.29%
12	11	Naftna Industrija Srbije A.D.	Serbia	BELEX	NIIS	806.8	-23.01%
13	New	Crnogorska Komercijalna Banka A.D.	Montenegro	MNSE	CKBP	792.3	N/A
14	14	S.N.T.G.N. Transgaz SA	Romania	BVB	TGN	720.8	4.38%
15	20	Adris Grupa d.d.	Croatia	ZSE	ADRS-R-A	692.7	49.16%
16	21	Jadranski Naftovod d.d.	Croatia	ZSE	JNAF-R-A	593.9	29.05%
17	15	BH Telecom d.d.	Bosnia and Herzegovina	SASE	BHTSR	593.7	-9.41%
18	17	Zavarovalnica Triglav d.d.	Slovenia	LJSE	ZVTG	534.3	-0.42%
19	16	Petrol d.d.	Slovenia	LJSE	PETG	533.7	-9.93%
20	23	Poslovni Sistem Mercator d.d.	Slovenia	LJSE	MELR	499.5	13.89%
21	26	Rompetrol Rafinare SA	Romania	BVB	RRC	479.6	18.88%
22	12	Telekom Slovenije d.d.	Slovenia	LJSE	TLSG	477.2	-49.65%
23	19	C.N.T.E.E. Transelectrica SA	Romania	BVB	TEL	472.3	-1.34%
24	77	UniCredit Bank d.d.	Bosnia and Herzegovina	SASE	ZGBMR	467.2	336.23%
25	28	Elektorprivreda Crne Gore A.D.	Montenegro	MNSE	EPCG	455.9	15.80%
26	22	Makedonski Telekom AD	Macedonia	MSE	TEL	451.0	-0.88%
27	18	S.N. Nuclearelectrica SA	Romania	BVB	SNN	427.8	-12.08%
28	27	Telekom Srpske a.d. Banja Luka	Bosnia and Herzegovina	BLIJE	TLKM-R-A	404.5	1.26%
29	30	Valamar Riviera d.d. (formerly Riviera Adria d.d.)	Croatia	ZSE	RIVP-R-A	397.3	21.56%
30	29	Ledo d.d.	Croatia	ZSE	LEDO-R-A	371.4	10.96%
31	24	Atlantic Grupa d.d.	Croatia	ZSE	ATGR-R-A	363.7	-11.09%
32	41	Jamnica d.d.	Croatia	ZSE	JMNC-R-A	333.0	31.02%
33	51	Maistra d.d.	Croatia	ZSE	MAIS-R-A	329.5	70.88%
34	39	Aerodrom Nikola Tesla A.D.	Serbia	BELEX	AERO	326.0	21.73%
35	35	Adris Grupa d.d.*	Croatia	ZSE	ADRS-P-A	324.3	7.72%
36	32	Luka Koper d.d.	Slovenia	LJSE	LKPG	322.0	2.22%
37	31	Imlek A.D.	Serbia	BELEX	IMLK	321.1	-1.54%
38	25	Croatia Osiguranje d.d.	Croatia	ZSE	CROS-R-A	320.9	-21.09%
39	36	Plava Laguna d.d.	Croatia	ZSE	PLAG-R-A	317.5	8.61%
40	47	Podravka Prehrambena Industrija d.d.	Croatia	ZSE	PODR-R-A	311.5	50.03%
41	33	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	SASE	JPESR	283.7	-8.33%
42	54	Bulgartabac Holding AD	Bulgaria	BSE	57B	244.3	41.29%
43	40	Sopharma AD	Bulgaria	BSE	3JR	230.1	-12.14%
44	34	Komercijalna Banka A.D.	Serbia	BELEX	KMBN	225.2	-26.62%
45	42	Koncar - Elektroindustrija d.d.	Croatia	ZSE	KOEI-R-A	225.0	-2.72%
46	37	Pozavarovalnica Sava d.d.	Slovenia	LJSE	POSR	223.0	-18.96%
47	48	Pivovarna Lasko d.d.**	Slovenia	LJSE	PILR	221.3	9.36%
48	45	SIF Oltenia SA	Romania	BVB	SIF5	216.7	0.25%
49	52	Alro SA	Romania	BVB	ALR	208.2	12.73%
50	56	SIF Banat Crisana SA	Romania	BVB	SIF1	204.8	28.33%
51	59	Zentiva SA	Romania	BVB	SCD	188.0	27.74%
52	50	Crnogorski Telekom A.D.	Montenegro	MNSE	TECG	184.4	-4.88%
53	46	Cementarnica USJE AD	Macedonia	MSE	USJE	184.0	-12.19%
54	43	Ericsson Nikola Tesla d.d.	Croatia	ZSE	ERNT-R-A	182.3	-19.27%
55	53	SIF Moldova SA	Romania	BVB	SIF2	180.4	-2.12%
56	New	Hrvatska Postanska Banka d.d.	Croatia	ZSE	HPB-R-A	169.7	226.21%
57	55	Monbat AD	Bulgaria	BSE	SMB	167.5	-1.75%
58	58	CB First Investment Bank AD	Bulgaria	BSE	SF4	164.2	4.29%
59	64	Liburnia Riviera Hoteli d.d.	Croatia	ZSE	LRH-R-A	156.6	16.74%



## TOP 100 listed companies

in millions of euro

2015	2014	Company name	Country	Stock exchange	Stock symbol	Market capitalisation 2015	V/Y change
60	78	Conpet SA	Romania	BVB	COTE	147.3	38.56%
61	84	Crnogorski Elektroprenosni Sistem A.D.	Montenegro	MNSE	PREN	138.9	37.07%
62	New	Tchaikapharma High Quality Medicines AD	Bulgaria	BSE	7TH	138.2	N/A
63	73	Dukat Mlijecna Industrija d.d.	Croatia	ZSE	LURA-R-A	137.5	17.07%
64	61	CEZ Distribution Bulgaria AD	Bulgaria	BSE	3CZ	135.6	-3.13%
65	70	JP Elektroprivreda HZHB Mostar	Bosnia and Herzegovina	SASE	JPEMR	135.5	9.76%
66	57	SIF Muntenia SA	Romania	BVB	SIF4	132.7	-16.34%
67	71	SIF Transilvania SA	Romania	BVB	SIF3	132.0	10.05%
68	68	Bambi A.D. Pozarevac (formerly Bambi Banat A.D.)	Serbia	BELEX	BMBI	130.6	2.63%
69	72	Alkaloid AD	Macedonia	MSE	ALK	126.5	6.82%
70	62	AIK Banka A.D.	Serbia	BELEX	AIKB	125.6	-9.25%
71	67	Turisthotel d.d.	Croatia	ZSE	TUHO-R-A	124.9	-2.26%
72	66	Croatia Airlines d.d.	Croatia	ZSE	CRAL-R-A	123.2	-4.67%
73	76	Stopanska Banka AD Skopje	Macedonia	MSE	STB	120.5	11.39%
74	74	Aerodrom Ljubljana d.d.**	Slovenia	LJSE	AELG	118.2	3.39%
75	79	Advance Terrafund REIT	Bulgaria	BSE	6A6	114.4	7.79%
76	69	Albena AD	Bulgaria	BSE	6AB	113.9	-9.06%
77	88	JP Hrvatske Telekomunikacije d.d.	Bosnia and Herzegovina	SASE	HTKMR	113.0	16.67%
78	63	Gorenje d.d.	Slovenia	LJSE	GRVG	112.4	-18.15%
79	85	Energo-Pro Grid AD****	Bulgaria	BSE	2EG	110.8	9.61%
80	80	M+S Hydraulic AD	Bulgaria	BSE	5MH	109.8	5.57%
81	100	Sojaprotein A.D.	Serbia	BELEX	SIPT	109.0	36.76%
82	81	HUP - Zagreb d.d.	Croatia	ZSE	HUPZ-R-A	108.6	5.87%
83	75	Tvornica Cementa Kakanj d.d.	Bosnia and Herzegovina	SASE	TCMKR	106.6	-4.30%
84	99	Speedy EAD	Bulgaria	BSE	OSP	106.4	30.90%
85	65	Chimimport AD	Bulgaria	BSE	6C4	105.7	-20.67%
86	New	Nexe Grupa d.d.	Croatia	ZSE	NEXE-R-A	105.4	0.35%
87	New	NLB Banka AD (formerly NLB Tutunska Banka AD)	Macedonia	MSE	TNB	104.1	41.40%
88	83	Letrika d.d.*****	Slovenia	LJSE	IALG	102.6	1.20%
89	86	Chimimport AD*	Bulgaria	BSE	6C4P	100.7	1.00%
90	New	Intesa Sanpaolo Banka d.d. Sarajevo	Bosnia and Herzegovina	SASE	UPIBR	99.3	3672.09%
91	82	Velgraf Asset Management AD	Bulgaria	BSE	TVX	97.6	-3.95%
92	92	Arenaturist d.d.	Croatia	ZSE	ARNT-R-A	97.2	6.60%
93	90	Sopharma Trading AD	Bulgaria	BSE	SOS	93.5	0.18%
94	96	Energoprojekt Holding A.D.	Serbia	BELEX	ENHL	93.5	13.33%
95	49	Petrol AD	Bulgaria	BSE	SPET	92.2	-53.94%
96	New	Trace Group Hold AD	Bulgaria	BSE	TS7	91.6	18.70%
97	New	Aerostar S.A.	Romania	BVB	ARS	91.5	45.65%
98	New	T.M.K. - Artrom S.A.	Romania	BVB	ART	89.9	35.97%
99	New	Kras Prehrambena Industrija d.d.	Croatia	ZSE	KRAS-R-A	89.0	35.34%
100	New	Tankerska Next Generation d.d.	Croatia	ZSE	TPNG-R-A	85.8	N/A

(\* Preferred shares, (\*\* Delisted on Apr 21, 2016, (\*\*\*) Delisted on Jul 20, 2015, (\*\*\*\*) Delisted on Jul 27, 2015, (\*\*\*\*\* Delisted on Apr 13, 2015

### Methodology

SEE TOP 100 listed companies ranks the biggest companies in South East Europe by market capitalisation as of December 31, 2015, 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 2015

includes more than 700 public companies, located in South East Europe with their regular shares. We excluded from the ranking both companies, listed on the Bucharest Stock Exchange, but not headquartered in SEE countries - Erste Group Bank AG (stock symbol EBS) and New Europe Property Investments Plc. (stock symbol NEP). To allow comparison, all local currencies in the ranking have been converted into euro, using the respective central bank's official exchange rate on the last working day of 2015 and 2014.

# Croatia's INA ousts Romania's OMV Petrom as SEE top blue chip

*The total capitalisation of the nine SEE bourses rose 3.6% in 2015 to 103.6 billion euro, slowing from a 6.1% growth in 2014. Three-fifths of the companies that made it into the ranking saw their market capitalisation increase in 2015, with the banking sector shining as a major gainer, while most oil and gas firms and telecom operators lost ground.*

Once again, the ranking of the biggest listed companies in Southeast Europe saw little change at the top, as the 10 largest regional blue chips for 2015 remained the same as in 2014, although with some reshuffling. The top three spots remained reserved for the oil and gas sector, but after three consecutive years on the top, Romania's OMV Petrom ceded its leading position to Croatian peer INA, which weathered better the global oil price slump. While the Romanian company, majority-owned by Austria's OMV, recorded a nearly 30% drop in market capitalisation, INA, controlled by Hungary's MOL and Croatia's government, posted a much smaller 19% decline. Romanian natural gas producer Romgaz kept its third spot despite a fall of 24%, closely followed by Slovenian drug maker Krka, which boosted its market capitalisation by 9.4% and thus climbed one spot higher.

The sharp drop in oil prices and heightened market volatility resulted in a net loss of 690 million lei (155 million euro) for OMV, its first negative result in 12 years, while INA reported a consolidated loss for the third year in a row, but managed to cut it by 25% from 2014 to 1.42 billion kuna (189 million euro) on the back of improved operating results. Both majors have promised to keep on reducing costs amid the continuing volatile low price environment, with INA focusing on internal optimisation, productivity increase, and retail restructur-

ing, and OMV Petrom scaling back investments alongside strict cost discipline and cash management. The Croatian company slashed its staff numbers by 10% in 2015 to 11,256, while its bigger Romanian rival cut its workforce by 5.4% to 16,038. At the same time, the total hydrocarbon production of INA rose 6% last year to 40,900 barrels of oil equivalent (boe) per day, while that of OMV Petrom fell 1% to 178,600 boe.

The remaining Top 10 positions were taken up by three Romanian and as many Croatian entrants, including four banks. In the wider top 100 ranking, Croatia had a clear dominance with 27 companies, as many as in 2014, trailed by Romania with 20 (20 in 2014), Bulgaria with 17 (15 in 2014), Slovenia with 11 (20 in 2012), Bosnia with eight (10 in 2014), Macedonia with five (four in 2014), and Montenegro with four (three in 2014). At the same time, the biggest bourse in the region remained the Romanian one, BVB, with a market capitalisation of 32.3 billion euro at

end-2015, followed by the Zagreb Stock Exchange (ZSE) with 27.4 billion euro and the Ljubljana bourse (LJSE) with 24.2 billion euro. The other six stock markets in SEE remained well behind the leaders, with Belgrade at the fourth spot with a capitalisation of only 5.6 billion euro, equal to less than a fifth that of BVB, trailed by Sofia with 4.4 billion euro.

Among the best individual performers in the rankings, Crnogorska Komercijalna Banka, a subsidiary of Hungary's OTP, shines as the most successful newcomer at the 13th spot. It is also the best placed Montenegrin entrant, accounting for more than a quarter of the local bourse's market capitalisation. Also, Bosnia's UniCredit Bank outperformed the pack with a jump to the 24th position from 77th, following a more than fourfold rise in market capitalisation. On the opposite side, Bulgarian fuel trader Petrol recorded the biggest loss - of 46 places to 95th position with a 54% drop in capitalisation.

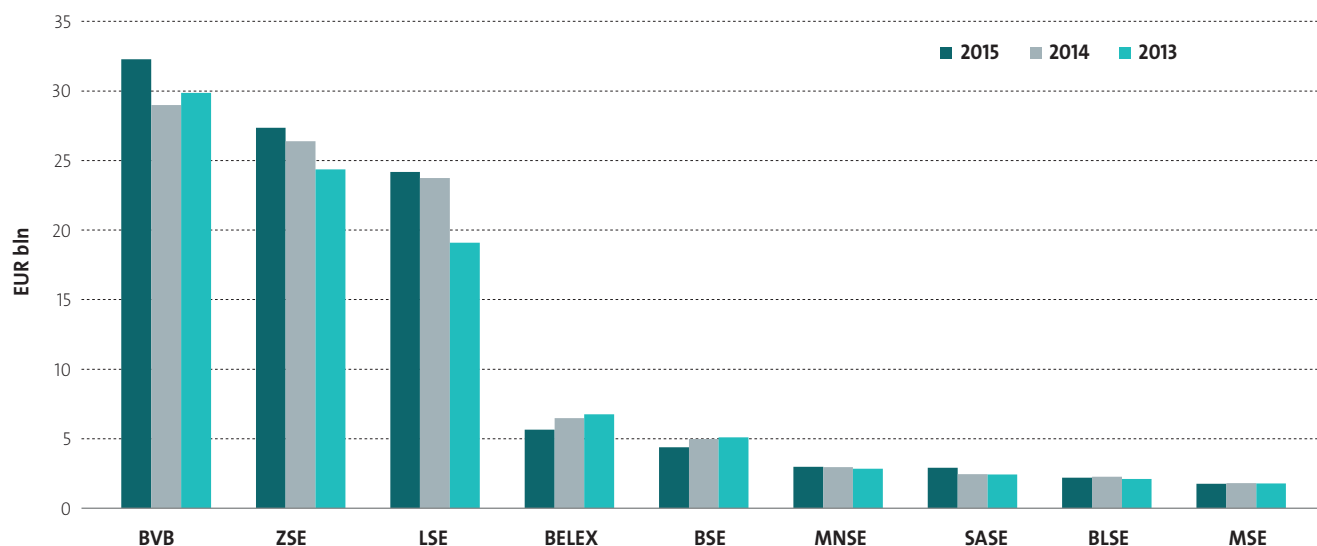
The total number of newcomers to the 2015 ranking was 11, down from 16 a year earlier, as the entry threshold climbed 8% to 86 million euro.

**SEE Link securities trading platform to provide more efficient access for investors, brokers, more visibility for regional bourses**

Low liquidity and fragmented stock markets have long been a major hurdle to attracting bigger capital inflows to the region, but there is light at the end of the tunnel. At end-March 2016, SEE Link, a regional platform for trading of securities listed on equity markets in SEE, was launched. It was initiated in 2014 by Bulgaria, Macedonia and Croatia, with the help of the European Bank for Reconstruction and

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**Bucharest stock exchange remains biggest bourse in SEE, accounting for nearly one third of the region's total market capitalisation.**  
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## SEE Stock Exchanges Capitalisation in 2013-2015



Development (EBRD), aiming to improve accessibility and visibility of securities and thus boost liquidity.

Presently, only Bulgarian, Macedonian and Croatian listed companies trade via the platform, but the bourses of Belgrade, Ljubljana, and Banja Luka are expected to join it soon, following the completion of certain technicalities. The Montenegro Stock Exchange (MNSE) and the Athens Stock Exchange - the biggest one in the region - have also agreed to join the project.

As of April 1, 2016, SEE Link started calculating two 10-share blue chip indices - SEELinX and SEELinX EWI – with a base level of 100 points. SEE LinX is a market capitalisation weighted index adjusted for the free-float of each constituent, while SEE LinX EWI is an equally weighted index with the same constituents. By September 15, SEELinX gained 10.4% to 110.01 points, while SEELinX EWI added 7.7% to 107.55.

Despite a slow start, SEE Link is expected to gather momentum and draw investment funds' interest in the coming months. However, it should be supported by the listing of more liquid, higher quality companies on the regional bourses, as well as by better regulations, many analysts believe.

### Political crises-hit Croatia and Macedonia lead stock market gainers in 2016

Looking at the regional stock market per-

formance, measured by the major bourses' blue chip indices, we see an overall declining trend in 2015, which was most obvious in Bulgaria and Slovenia, with the SOFIX and SBI TOP losing 11.7% and 11.2%, respectively during the year. Macedonia's MBI10 was the best performer, losing only 0.6%, despite the protracted deep political crisis in the country.

In the first nine months of 2016, however, most major indices gained ground, with Croatia's CROBEX leading the pack with an 11.3% rise by September 15. It was backed by tourism and industry companies and weathered heightened domestic political instability as the country called an early general election less than a year after the previous one. According to local analysts, the outcome of the snap vote on September 11, in which conservative HDZ party fell short of an outright majority, will likely have no dramatic impact on the financial market. Yet, the formation of a stable government is seen as a prerequisite for the good performance of the domestic economy and hence local companies and the stock market.

The second best performer this year has been the MBI10 with a 6.5% gain till mid-September, confirming the tendency that political turmoil has little impact on stock market performance in SEE. Macedonia, which has been mired in an almost two-year political deadlock, missed two scheduled election dates in 2016 - in April and in June – and scheduled another one for December 11.

At no. 3 and 4 in the list of growing stock

markets came Slovenia and Bulgaria, which erased partly their 2015 losses, climbing 5.8% and 2.9%, respectively. On the opposite end of the table, Serbia and Romania extended their declines, with Belgrade's BELEX shedding 1.4% by mid-September on top of a 3.4% fall in 2015, and BVB's PET edging down 0.4%, following a 1.6% decline last year.

### In election year, Romania's stock market stays lacklustre despite strong economic growth

by **Catalin Chivu**,  
CEO of online broker TeleTrade Romania

Romania's stock market started 2016 with a large decline in line with the rest of the international equity markets, which were heavily drawn down by fears regarding China's economy slowing that put investors' nerves to test. Then, in the next two months, the local market recovered some of the losses, especially due to some companies surprising investors with dividends.

In January, the Bucharest Stock Exchange (BVB) lost more than 10% in value, marking the weakest debut year from 2011, but investor mood improved afterwards and in February and March the markets returned to growth, helping the bourse post a loss of about 4 % for the first quarter. This development placed Romania as one of the biggest losers in the region, while the Budapest and Warsaw stock exchanges had yields of 7.5%. Developments on the BVB were related more to those on the stock markets in Western

Europe, mainly Germany, and the U.S., rather than to the evolution of exchanges in Central and Eastern Europe. However, most Western stock markets have already recovered the losses caused by the 2008 financial crisis with major stock indices reaching values above the 2007 highs, while BVB's benchmark index BET should rise by about a third to reach the 10,000 points threshold, where it was in 2007.

In the second quarter, BVB indices fluctuated, but in general continued to fall. BET, which tracks the 10 most liquid listed companies, closed the first half at 6,487 points, down 7.4% compared to the beginning of the year, marking the third first-half stock market decline over the last 20 years. But in 2016, there is one key difference - Romania has a better economic growth than most other European Union countries and the decline did not come after a rally.

Among the factors that pushed down the BVB are pessimism related to China's economic slowdown, the drop in oil prices, which hit record lows in February, fears that the U.S. Federal Reserve would embark on a more aggressive rate hike policy, and most recently, the UK referendum result that put Britain on a path to exit the EU.

However, in the past two months, BET managed to recover strongly, reaching levels from the start of the year, but still far from the 2007 highs. I have no great expectations for the rest of the year on new listings or liquidity, since it is an election year and the politicians, who should contribute to promoting the Romanian capital market in the category of more developed markets globally, towards the Emerging market status\*, will have other concerns.

\*editor's note: In March, FTSE Russell, one of the most important international institutions, which analyses global capital markets, supported by the opinions of international experts and investors, certified that Romania's stock market meets all but one of the nine criteria required to be classified as Emerging market, with the exception being the liquidity criterion.

### Tourism remains key driver of Croatia's stock market growth, players hope for big IPOs to boost liquidity

by Alen Kovač,  
Chief Economist, Erste Bank Croatia

Trading on the Zagreb Stock Exchange (ZSE) this year was marked by the general recovery of stock indices, with a continued negative

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*Despite a slow start, SEE Link is expected to gather momentum and draw investment funds' interest in the coming months, but needs new listings - of more liquid, higher quality companies, and improved regulations.*

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trend of liquidity. ZSE's wider blue chip index, CROBEX, rose 5% in the first seven months, while the CROBEXtr market capitalisation weighted total return index gained some 7%. It seems that positive macroeconomic developments, with Croatia emerging from a six-year recession in 2015, transferred part of the optimism onto the capital market.

Tourism remained in the focus of investors. In the past few years, despite the prolonged recession, tourism recorded growth in arrivals and overnight stays, as well as a rapid rise in stock prices. Once again, this year's geopolitical events and the difficulties encountered by Croatia's main competitors in the Mediterranean shifted investor focus to that sector. The tourism sector index has gained almost 14% this year, after a cumulative jump of more than three times in the last three years. One of the major winners, Valamar Riviera, was the only of the 10 most liquid stocks that recorded an increase in turnover.

This year, tourism was joined by the industry sector, which, underpinned by exporters, posted a growth of 11.5% year-to-date.

In tourism, mergers and acquisitions continued this year, with PPHE Hotel Group fully acquiring Arenaturist and a number of privatisations, including the tenders for state shares in hotel operators Imperial, Suncani Hvar, Korcula and HTP Hotel Maestral, of which the first three were successfully completed, while the last attracted no bidders. Although Croatia took eight companies out of its 'strategic list' in May with the intention of privatising them, the collapse of the government in June resulted in the sale only of a 20.5% stake in Koncar Elektroindustrija through a block transaction on the ZSE. Those transactions, valued at some 50 million euro, slightly improved ZSE's liquid-

ity, while at the same time regular stock turnover entered its ninth consecutive year of decline.

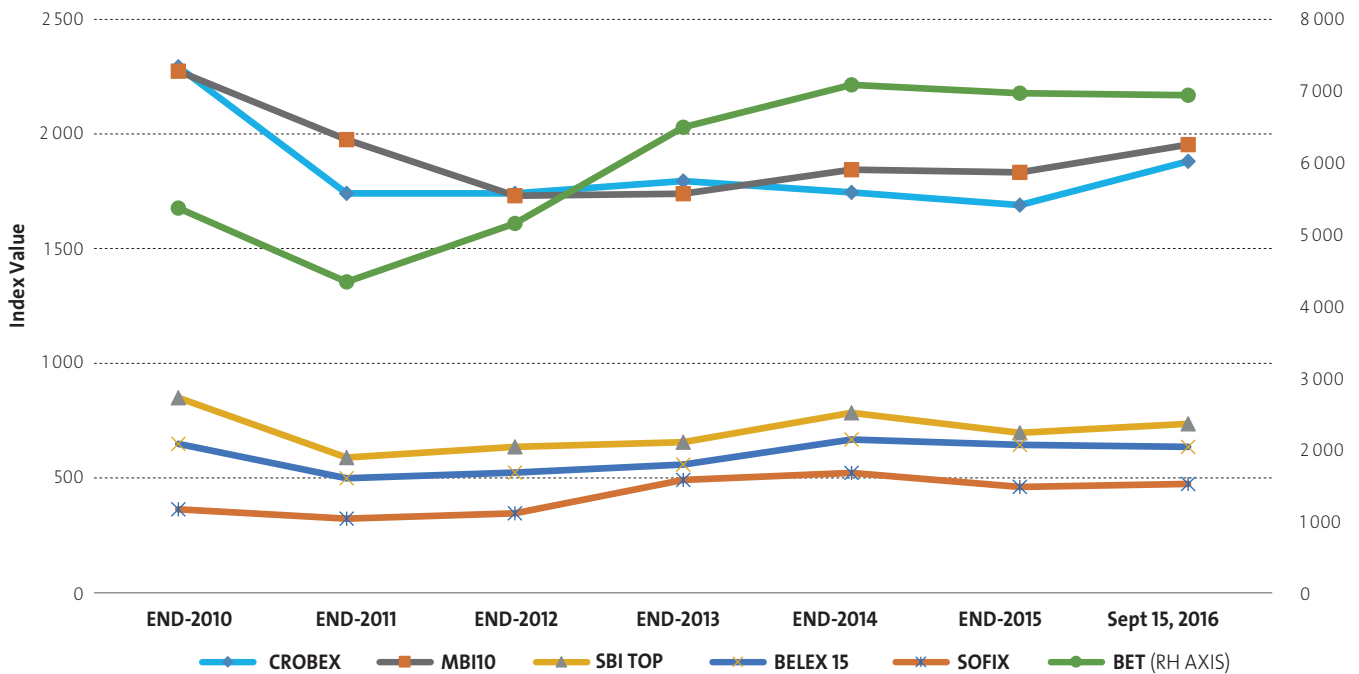
Bourse turnover was dominated by the food, travel, and telecom sectors, which together with holding company Adris make up nearly 70% of the turnover. Regular stock turnover on the bourse in the first seven months of 2016 was about 30% lower year-on-year, while at the same time there was an increase in block transactions and on the OTC market. Block turnover was only 15% lower than regular turnover this year, a result of poor regular turnover and a growth in block transactions, primarily in Koncar, Ledo and Hrvatski Telekom, which were quite active in block trading.

The lack of new issues on the stock market is one of the reasons for the low liquidity in regular trading, while on the demand side, the number and structure of investors is to blame. An increasingly smaller number of major players have a growing importance on the market. Among them are the main domestic pension funds, which have longer investment horizon and shareholding period. From 2009 to 2016, their domestic equity investments rose 3%, reaching 7.5% of the total stock market capitalisation. However, if we look at the free shares in circulation, this proportion is as high as 30%.

On the supply side, after a seven-year pause in initial public offerings (IPOs), agricultural company Granolio made a successful placement of new shares and listed on the bourse in late 2014, followed by shipping company Tankerska Next Generation in early 2015. However, bigger listings, like for example HEP, Agrokor or Hrvatske Autoceste (HAC), are still absent. These trends led to a concentration of trading in the most liquid stocks, so the 10 most traded issues this year made up almost 70% of total turnover, compared to 60% last year.

Further developments on the stock market will largely depend on the sustainability of macroeconomic growth, while the revival of stock turnover requires new issues, public offerings and privatisations to boost the number of shares in circulation. Also, if the pace of mergers and acquisitions intensifies, it might push individual stocks to the forefront, and thereby contribute to the boost of the overall stock market liquidity.

**Blue-chip Indices of Major SEE Bourses in 2010-2016**



**Takeover speculations, privatisations to keep driving Slovenia's bourse**

by Sašo Stanovnik, Head of Research and Chief Economist, ALTA Invest

So far, till mid-August 2016, the main Ljubljana Stock Exchange (LJSE) index SBITOP hasn't moved much as it is up by a meagre 2.8%. However, it should be noted that most companies included in the index paid out a very generous dividend yield, on average standing at roughly 4.7% gross for the index. Therefore, the total return should be quite satisfactory for investors in Slovenia. Hefty dividends were also one of the key catalysts that moved the market in spring months, only to be adjusted after ex-dividend dates.

Another catalyst was the rumour, regarding Gorenje acquisition by Panasonic. Consequently, Gorenje is so far a star of LJSE with its price up by more than 55% year-to-date. Note that Panasonic owns 10.7% of Gorenje and that Gorenje announced Panasonic will perform a due diligence of Gorenje Group till end-September with no decision yet made regarding any transaction. Any pending decision from Panasonic will therefore influence Gorenje share price severely in the autumn and consequently also influence the mood

on LJSE in the following months. Presently, Gorenje trades at 6.7 times EBITDA with trailing earnings still being negative, while management strategic goals remain ambitious.

Otherwise the biggest year-to-date increase in LJSE prime market was recorded by logistic provider Intereuropa, with its share price up 75%. While divestment of majority stake by a bank consortium faltered, better results probably contributed to an improved sentiment.

Significantly trailing Gorenje's second place was insurance group Sava Re, where again sentiment is slightly driven by takeover speculations. Namely, Adris Group has been raising its stake in the insurer, while a regulatory approval for boosting stake to 30% is still awaited.

**Elections in Romania, scheduled for December, weigh on stock market performance despite robust economic growth.**

On the other side of the spectrum, port operator Luka Koper recorded a stagnation of its share price year-to-date while pharmaceutical company Krka experienced a 10% drop. Luka Koper reported excellent results and throughput growth, so the main culprit could be a small free float or corporate governance issues that were quite evident in June, when a labour strike hampered operations for several days. Krka, on the other hand, reported results mostly in line with analyst expectations; however these were burdened by currency weaknesses in Russia and price erosions in Western Europe. Note Krka now trades at 6x EBITDA while Luka Koper at 5x.

We believe the rest of 2016 will depend much on how the above mentioned takeover speculations materialise. Also any change in state asset strategy, which would move a company more toward portfolio classification, could be beneficial to the overall market sentiment. In the absence of this, a continuation of stagnation is envisioned, as earnings growth projections are positive but far from spectacular. It's true however that spring 2017 should again bring a more positive dynamics, as the 2016 dividend levels are likely to repeat in 2017 as well, delivering a very generous dividend yield. A major story could be a listing and privatisation of the biggest Slovenian

## TOP 100 listed companies

bank, NLB, albeit news about this process are still vague.

*Disclaimer: The author of this article is owner of Petrol and Krka shares. ALTA Invest and related entities can be owners of mentioned shares.*

### Serbia sees difficult year with old pain from lack of blue chips, but attractive valuations

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

2016 will prove particularly difficult for the Belgrade Stock Exchange (BSE). Not only has liquidity not improved, but some of the previously most traded stocks will be delisted after takeovers and squeeze-outs. The regular trading value (excluding arranged block transactions) halved in January-September as compared to the same period of 2015 and the liquidity weakness has even caused the main benchmark BELEX15 to shed two more components in 2016, with one more expected to leave the index by the end of the year. Consequently, the muted trading has smoothed the index's movements, bringing its performance slightly above the major regional benchmarks, but far below emerging markets. So, historical events such as Brexit are barely visible on the BELEX15 12-month chart. However, the valuations for many listed companies remain very inviting.

Let us look at the positive developments. The new general manager of the BSE has managed to include the state-issued fixed income securities in the Prime Listing, bringing some fresh volume to the market. This move was also significant as investors have been given an indicator of the yield curve, with maturities ranging from two to 10 years, both in dinars and in euro. In today's world of positive yield scarcity, Serbian bills and bonds are very attractive to both institutional and individual investors. Furthermore, the BSE management has initiated education of attractive big local companies that are in private ownership, informing them about all the benefits of IPO launching and (dual) listing(s). Some of these companies have expressed interest in raising capital this way, so it is fair to say that 2017 might bring the first IPO on the Serbian market. If that happens, many others would follow, and that would be a significant boost to the BSE.

Favorable winds are also coming from the macroeconomic side, as plenty of the

indicators point to restored real growth of over 2%, excellent fiscal performance, revived domestic consumption and solid export performance. Serbia remains on the EU path and some major milestones in membership negotiations were reached. The credit rating of the country is stable and with the current dynamics a positive revision might be expected in the foreseeable future. However, the main challenges remain in the form of necessary reforms, particularly in the domains of SOE, legal framework and public administration rightsizing.

The most recent reviews of Serbia's economic performance under the ongoing standby arrangement with the IMF reveal many details on reforms and the restructuring of the SOEs, as well as potential models of privatisation for banks and major companies. Bringing those companies to the bourse after their transformation would erase the BSE's major disadvantage – its lack of blue chips with large capitalisations (and free floats). Telecoms provider Telekom Srbija, power utility EPS, postal and railway operators, etc., would attract even the biggest players from the asset management industry, bringing new life to the BSE.

### Low liquidity continues to weigh on Bulgaria's stock market, big new listings needed to boost attractiveness

by **Nadia Nedelcheva**,  
Portfolio Manager, Karoll Capital Management

The Bulgarian stock market has been among the worst performers in the past

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*The outcome of Croatia's second vote in less than a year, in which HDZ fell short of outright majority, is seen having no dramatic impact on the financial market, although the formation of a stable government is considered essential for the good performance of local companies and the stock market.*

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years, with the blue chip SOFIX index still standing around 75% below its pre-crisis peak. From this perspective it offers solid catch-up potential as at the same time other markets performed far better. Generally, the local market has almost no correlation with the developed ones. In the past weeks we have seen some positive signs as it finally managed to erase year-to-date losses.

Compared even to the regional markets, the Bulgarian one is among the smallest ones and low liquidity is one of the most serious issues. While low liquidity may accelerate a negative movement, the market can also rise quickly as a consequence of poor – so, fast movements can be observed on markets like the Bulgarian one. Still, liquidity is an issue when it comes to allocation by foreign investors in the region as few companies from the local stock exchange can pass the liquidity filters of foreign institutional investors.

From a fundamental perspective, the outlook for the Bulgarian market is relatively promising – the macroeconomic status of the economy is pretty solid – just like most of the regional economies, the Bulgarian one is faring quite well as domestic consumption is compensating the fairly milder external conditions – GDP was up by 3% year-on-year in the second quarter, which was much higher than the EU average – the same is actually valid for other economies in the region. Thus, many companies posted strong results for the first half of 2016, with valuation ratios suggesting significant upside. The average P/E for the market is below 8x (on a ttm basis) which is among the lowest not only in the region but also globally. Of course, liquidity is a strong impediment and that is the major reason why such levels of valuation ratios do not look too compelling for the big investors. Still, we believe that SOFIX will finish the year higher.

In the next months we expect another IT company to debut on the local stock exchange – the size of the issue however is too small to attract serious interest from abroad, but it is expected to serve as a test for the capital market. If successful, the IPO may convince other companies to go public. However, the market needs really many more and bigger companies to become more attractive.

# Chemical firms book biggest profits on state debt writeoff

by Marina Mikhaylova

The chemicals industry took the gold in the ranking of the most profitable industries in Southeast Europe (SEE) with an impressive 31.5% return on revenue thanks to a large state debt write-off at Romania's insolvent Oltchim. The move, which turned Oltchim's debts into income, helping it achieve a 72.8% revenue return, is being probed by the European Commission for possible illegal state aid. Moreover, the sector is represented by only two of the Top 100 SEE companies, the second one being the Macedonian unit of UK-based Johnson Matthey, making any conclusions somewhat tentative. In 2015, chemicals was the sixth most profitable industry with a 6% return.

Last year's winner, the rubber industry, represented by two Romanian tyre makers, ranked second with an increase in return on revenue to 15.5% from 14.2%. German-owned Continental Automotive Products boosted its return to 24.6% from 21.5%, while that of French-owned Michelin fell to 3.4% from 5%.

The pharma sector retained its bronze medal despite a decline in return on revenue to 11.1% from 11.7% a year earlier. The slight decrease was caused by Croatia's Pliva plunge in revenue return to 4.3% from 15.4%, which was not offset by the good results of Slovenia's Lek and Krka. Furniture industry with a single entrant – the Romanian unit of Austria's Holzindustrie Schweighofer - came in fourth in this year's edition, as the company's profitability declined for the third straight year. Construc-

tion ranked fifth with a 1.34 pps fall in return, reflecting the deteriorating performance of its only representative - Romanian public roads authority, CNADNR. The 2.1 pps drop in the profitability of the telecoms sector, represented by seven operators, was caused by the worse results of Telekom Romania Mobile - a unit of Greece's OTE, the Romanian unit of French-owned Orange, Telekom Srbija and Hrvatski Telekom – a unit of Deutsche Telekom.

At the bottom of the table, the all-Romanian agriculture and transportation sectors recorded negative return on revenue. Agriculture, represented by the units of U.S. conglomerates ADM and Cargill, and of Swiss-based Ameropa, booked a combined net loss of 17.8 million euro in 2015, nearly four times bigger than in 2014. The transportation sector, represented by state railway carrier CFR, its passenger transport division CFR Calatori, and Daewoo-Mangalia Heavy Industries, cut its loss by 41% to 82.6 million euro.

Oil and gas companies continue to dominate the Top 100 SEE 2016 ranking but their number fell to 24 from 27 a year earlier. The global oil price slump resulted in an 11.6% drop in their combined revenue and an 8.8% decline in their net profit.

The second biggest industry by revenue in SEE is wholesale and retail, trailed by electricity. The ranking comprised 20 retail chains, 12 of them in Romania. Their combined revenue increased

by 14%, whereas net profit more than doubled. Revenue generated by the 16 electricity companies in the 2016 list rose 5.5% last year but their combined net profit more than halved.

## Methodology

*The SEE industrial ranking pools together the revenue generated by all companies in SEE TOP 100 and ranks sectors by cumulative revenue. Year-on-year changes in the sectors' total revenue have been calculated using the figures in euro. The comparative figures for 2014 are revised to allow a fair comparison. The sub-ranking of the industries with the highest return on revenue was calculated by dividing the cumulative net profit/loss within each industry by the cumulative revenue. We have based our rankings on an industry classification, which treats filling station operators and gas trading/distribution companies as Petroleum/Natural Gas companies, pharmacies and pharmaceutical distributors as Wholesale/Retail, and automotive and car parts manufacturers as Automobiles.*

## SEE industrial ranking 2015

in millions of euro

2015	2014	Industry	Total revenue 2015	Y/Y revenue change	Net profit/loss 2015	Net profit/loss 2014
1	1	Petroleum/Natural Gas	34 074	-11.57%	389.3	426.9
2	3	Wholesale/Retail	18 648	14.41%	560.8	261.7
3	2	Electricity	16 007	5.53%	118.0	248.1
4	4	Automobiles	9 591	3.27%	158.7	177.9
5	5	Telecommunications	5 320	3.54%	337.8	385.2
6	6	Metals	4 269	6.40%	47.3	-65.0
7	7	Food/Drinks/Tobacco	3 326	6.98%	171.5	114.5
8	8	Pharmaceuticals	2 562	3.31%	284.5	290.2
9	14	Transportation	1 932	71.13%	-82.6	-140.0
10	12	Chemicals	1 897	75.18%	598.3	-46.4
11	11	Agriculture	1 567	0.05%	-17.8	-4.8
12	9	Electronics	1 456	8.90%	9.3	19.6
13	10	Rubber/Rubber Products	1 118	-0.35%	173.4	159.2
14	13	Construction	897.1	-2.17%	81.5	95.6
15	15	Furniture	462.2	-2.57%	45.6	65.6

## Most profitable industries 2015

	Industry	Return on revenue 2015
1	Chemicals	31.54%
2	Rubber/Rubber Products	15.51%
3	Pharmaceuticals	11.10%
4	Furniture	9.86%
5	Construction	9.09%
6	Telecommunications	6.35%
7	Food/Drinks/Tobacco	5.16%
8	Wholesale/Retail	3.01%
9	Automobiles	1.65%
10	Petroleum/Natural Gas	1.14%
11	Metals	1.11%
12	Electricity	0.74%
13	Electronics	0.64%
14	Agriculture	-1.14%
15	Transportation	-4.27%

# M&A in SEE – strong 2015 followed by activity slowdown



**Julian Gikov,**  
RBI

*Julian Gikov is Director at Raiffeisen Bank International (RBI), covering Southeast European M&A operations, where he has been involved in deals advisory for the last nine years. He has extensive investment banking experience in the energy, TMT, heavy industry, FMCG, and real estate sectors in the region, and was previously CEO of RBI's investment banking unit in Bulgaria. In 2011, Gikov received the "Best M&A Deal in CEE" prize by the EMEA Finance magazine (UK) for consulting on a 545 million euro energy deal in Bulgaria. Prior to that, Gikov worked at KPMG - Financial Services, UBS (London) Investment Banking and Fixed Income, and Ernst & Young (Stuttgart) - Corporate Finance Advisory.*

## How has been M&A activity in Southeast Europe (SEE) developing this year?

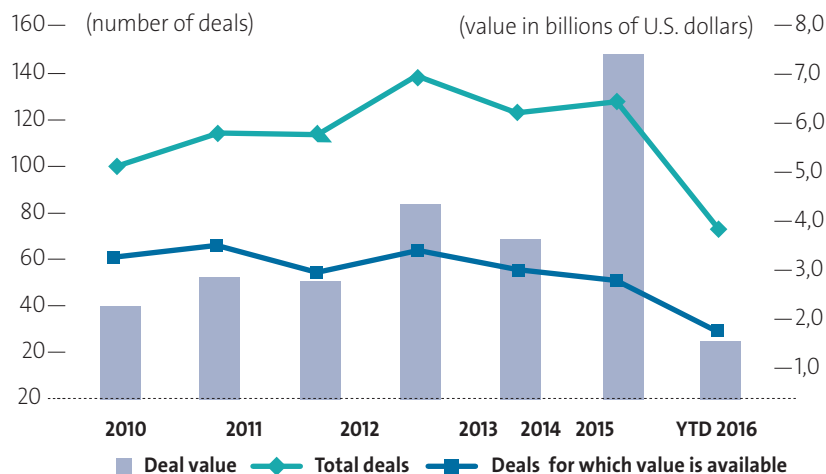
After a promising year 2015 for mergers and acquisitions in Southeast Europe (SEE), M&A activity is slowing its pace as seen from the analysis of deals already announced in 2016. Last year, Raiffeisen advised on the largest deals in both Serbia and Bulgaria – the sale of Danube Food and Knjaz Milos to MEP and Advent's sale of Kai Group to Mohawk – while in 2016 the entire SEE market hardly saw transactions of that scale. In the past couple of years, 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 kept its lead as the hands down market leader in the region, supported by sound economic performance and sector maturity attracting more interest from international investors. Following a successful 2015, Bulgaria's M&A activity this year leaves much to be de-

sired, whereas Croatia's political instability sharply affected deal flow. The year-end deal closings pipeline in Serbia and Slovenia would not compensate for the current slowdown.

## How do you expect the M&A market in SEE to develop in the short to medium term?

Strategic international investors with solid cash position will be screening the SEE market for consolidation opportunities going forward, whilst interest would be dominantly limited to sector national champions or high value-added niche product companies. In addition, with around 7 billion euro allocated for investments in Central and Southeast Europe (CSEE) by private equity firms, the region is set to benefit from increasing fundraising. At the same time, having sufficient funding, financial sponsors seem to be facing a shortage of robust targets to invest in. Key deal drivers for SEE will remain regional and national consolidation process, privatisation, restructurings, whereas M&A activity level for 2017 will reflect individual countries' political stability and economic growth.

## M&A deals in SEE



Source: Raiffeisen research and analysis



**M&A deals in SEE**

	Albania	Bosnia	Bulgaria	Croatia	Macedonia	Moldova	Montenegro	Romania	Serbia	Slovenia	TOTAL
2010	6	2	18	12	-	1	2	40	10	9	100
2011	1	3	20	20	3	2	1	32	18	14	114
2012	2	4	34	14	3	1	-	31	9	16	114
2013	3	2	27	16	-	-	3	51	13	23	138
2014	1	5	21	18	2	1	2	44	9	20	123
2015	1	2	26	17	2	-	2	39	12	27	128
YTD 2016	1	3	14	10	-	-	2	25	7	11	73

**Number of M&A transactions for which value is available**

	Albania	Bosnia	Bulgaria	Croatia	Macedonia	Moldova	Montenegro	Romania	Serbia	Slovenia	TOTAL
2010	5	1	5	10	-	1	2	23	7	8	62
2011	-	-	9	13	2	1	1	19	13	9	67
2012	1	2	12	9	1	1	-	12	7	10	55
2013	1	-	10	9	-	-	3	21	5	15	65
2014	1	4	8	8	1	-	2	19	3	10	81
2015	-	2	9	8	-	-	2	16	4	11	44
YTD 2016	-	1	6	7	-	-	1	8	4	4	

**M&A transactions total volume (in millions of U.S. dollars)**

	Albania	Bosnia	Bulgaria	Croatia	Macedonia	Moldova	Montenegro	Romania	Serbia	Slovenia	TOTAL
2010	56.9	11.2	505.7	491.6	-	12.1	17.5	455.0	44.1	559.5	2,153.6
2011	-	-	354.4	215.5	77.7	7.4	20.0	410.0	1,406.4	275.5	2,766.9
2012	850.0	19.7	1,024.6	92.1	19.2	13.2	-	365.0	49.1	212.6	2,645.5
2013	3.7	-	815.6	202.8	-	-	20.2	490.0	1,005.2	1,827.7	4,365.2
2014	100.0	78.7	656.3	489.0	4.3	-	64.8	1,480.0	88.7	610.8	3,572.6
2015	-	45.0	1,371	1,004.0	-	-	47.0	3,074.0	715.0	1,038.0	7,294.0
YTD 2016	-	7.0	448.0	272.0	-	-	8.0	294.0	106.0	132.0	1,267.0

Source: Raiffeisen research and analysis

**BULGARIA**

Stable M&A activity in Bulgaria since 2013 continued throughout subsequent years followed by a slight slowdown in 2016. 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 average transaction value in 2015 remained at levels of around 20 million euro with declining trend in 2016.

Some of the major M&A deals in Bulgaria last year included the sale of KAI Group by Advent International to Mohawk Industries for 195 million euro, the acquisition of Blizoo Media and Broadband by M-tel from EQT for 120 million euro, the restructuring driven acquisition of NURTS by BTC for an undisclosed sum. The total value of disclosed deals in the period showed an improvement from 2014, whereas the overall number of deals in the same period showed a stable trend – 26 deals, slightly higher than in 2014.

The number and value of deals already announced in 2016 demonstrate the flagging state of M&A in the country – 10 top deals with a total value of disclosed transactions

north of 450 million euro. So far, the largest deals announced this year were the significantly delayed closing of Vivacom (BTC) acquisition by Viva Telecom for a consideration of 330 million euro in August 2016, and the sale of Japanese-owned hospital operator Tokuda Group to Turkish hospital operator Acibadem for 65 million euro, whereas the presumed undisclosed value of the 50% stake in Technomarket sold by Edoardo Miroglio would have positioned it among the top deals.

In the small deals segment, Bulgaria registered the busiest M&A season within SEE - EU funded private equities such as Black Peak Capital, Empower and Neveq have completed over 15 investments in the past 12 months, aiming to capitalise on early-staged companies' growth.

A key M&A trend in Bulgaria over the past several years until 2015 has been the exit of international strategic investors, with their place taken up by local players. Examples here include food retailer Delhaize, do-it-yourself (DIY) retailer bauMax and Praktiker, Bayerische Landesbank, hotels Kempinski and Hilton in Sofia, metal trader Kloeckner,

media group Sanoma, and renewable energy companies Bosch and Verbund. In addition to successful disposals, a number of desired exits did not take place due to a wide valuation gap or lack of sufficient buy-side interest.

A positive turn-around in the above tendency was observed in 2015, when acquisitions by international strategic investors of organically grown companies offering higher value-added products highlighted the year, where in addition to the above mentioned US acquisition of KAI Group, Fadata attracted UK Charles Taylor and River Side, German sector leader Wiesenhof acquired stake in poultry producer Ameta, furniture retailer Aiko and Mobbo attracted an Austrian strategic investor.

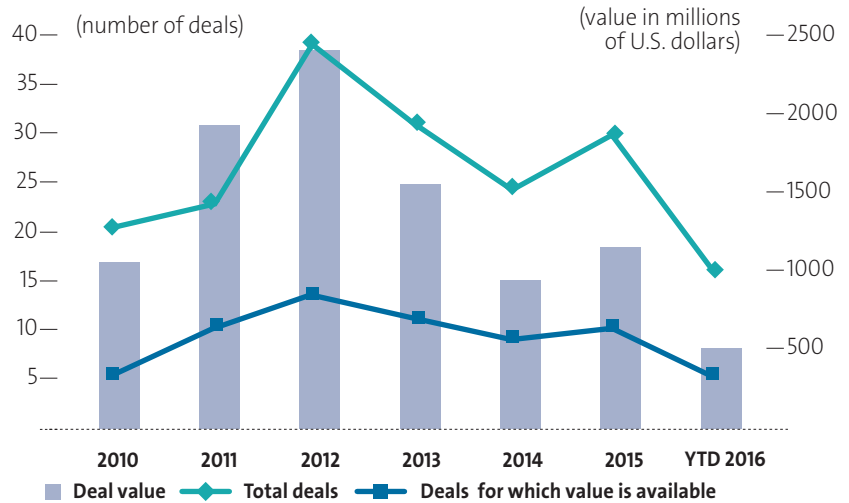
The electricity sector, and the renewable energy sector in particular, was very affected as political pressure resulted in attempted regulatory changes aiming to revoke preferential terms and hence sharply increased the perception of regulatory risk. These events resulted in significant M&A activity on the secondary market towards desired exits but only a few deals were wrapped up – the disposal of the Chinese Renesola of their RES

assets to Solar World Invest Fund in H1 2016, Kelag's buyout from Raiffeisen Energy, and LukErg Renew's purchase of Vesta's wind assets in the earlier years. The significant current assets devaluation in the entire power market value chain seems to be the only potential deal trigger in the sector in the short to medium term.

Another encouraging sign is that the scope of industries traditionally driving M&A in Bulgaria, such as financial services, telecommunications and consumer goods, is increasing. New sectors gaining pace for M&A activity are in the first place technology, followed by healthcare and agriculture. Technology, particularly IT and business process outsourcing, has grown exceptionally well in Bulgaria during the past several years and has attracted significant levels of greenfield investment from many international players. Now, the sector seems to have reached the point at which it also becomes a driver for M&A. The IT subsegment already generated the largest deal in Bulgaria for 2014, the 207 million euro acquisition of software developer Telerik by Progress Software Corporation, and a second large deal in less than one year – the acquisition of software developer Fadata by a consortium between Riverside and UK-based Charles Taylor. At the same time, significant deals took place even earlier in the business process outsourcing subsegment, namely the acquisition of CallPoint New Europe by Telus International in 2012 and of Sofica Group by TeleTech at the beginning of 2014. Activity in the technology sector continues with the 2015 acquisition of Reward Gateways local operations by US-based Great Hill Partners for 55 million euro, the purchase of local digital marketing agency Ilyan.com by Opera Group, the acquisition of UK-based e-commerce platform eCommera with significant operations in Bulgaria by marketing and communications group Dentsu Aegis Network in June 2015, the acquisition of TelicityGroup Sofia by U.S.-based Equinox in June 2015, the acquisition of web portal Dir.bg by local Logo-Company in December 2014, the acquisition of 50% of price comparison website kabelna.com by French Selectra also in December 2014.

The large number of small- to mid-sized independent players populating a diversified range of niches in the technology sector in Bulgaria on the one hand, and the continuing strong growth of the sector and interest in it from international players on the other, give

## Bulgaria



Source: Raiffeisen research and analysis

grounds for confidence that it will increasingly be a significant factor for M&A in Bulgaria going forward.

Another new member of the Bulgarian M&A club is healthcare, where 2015 saw the beginning of consolidation by local players that continued this year. In the patient care subsegment, acquisitions of Burgasmed hospital and clinic by the group affiliated to Sofamed hospital and of Cardio Center Pontica by City Hospitals and Clinics Group were both announced in May 2015, the aforementioned acquisition of Tokuda Group by Turkish and Macedonian hospital operators, Acibadem Saglik Hizmetleri ve Ticaret AS and Acibadem Sistina Hospital respectively, and the acquisition of Bulgarian City Clinic Group by the same buyers, both announced in April 2016. 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

**Recent developments on the Bulgarian M&A market show two general trends: a cautious return of international investors and an increasing significance of local players.**

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 further consolidation of the telecom market, the food processing sector, 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 recently finalised merger of Alpha Bank in Bulgaria into Postbank, Eurobank EFG's Bulgarian subsidiary. At the same time, following the failed attempt to privatise freight railway transport company BDZ Cargo due to limited investor interest, the government has indicated intention to privatise some 30 smaller enterprises. These public sector opportunities are complemented by certain pending concessions with key highlight being the announced tender process for Sofia Airport, which is expected to attract major international strategic players. 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 lowered M&A activity in the country, certain sectors of the Bulgarian economy have done particularly well and investors are already appreciating it. Although the small scale of the Bulgarian market limits the attractiveness of local business, the robust GDP growth in 2016 could be expected to have a further positive impact on M&A activity.

## Croatia

2015 was a success in M&A activity in Croatia with the deal value twice as high as in 2014. This turned out to be an outlier as it was preceded by a declining M&A activity in 2012-2014, whereas the number and value of deals YTD 2016 are on par with the aforementioned period. The overwhelming political instability in 2016 has contributed to the limited investment in the private sector and has practically blocked the initiated privatisation attempts in the absence of ultimate decision-making authorities.

M&As in the country are primarily driven by the private sector, with local investors playing a significant role. Key sectors driving pri-

vate 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, Hilton Imperial Hotel, Arenaturist and Imperial, 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 Zagrebacka 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 going forward, in particular the diversified business groups Agrokor and Adris Grupa, which are active as both buyers and sellers. The recently announced merger plan of broadband operators Optima Telecom and its competitor ISP H1 is expected to materialise in 2017.

Although the government enacted legislative changes in 2013 to facilitate privatisation, so far it has had limited success. The attempted privatisations 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 out-

**Overwhelming political instability in Croatia in 2016 has contributed to limited investment in the private sector and has practically blocked privatisation attempts in the absence of ultimate decision-making authorities.**

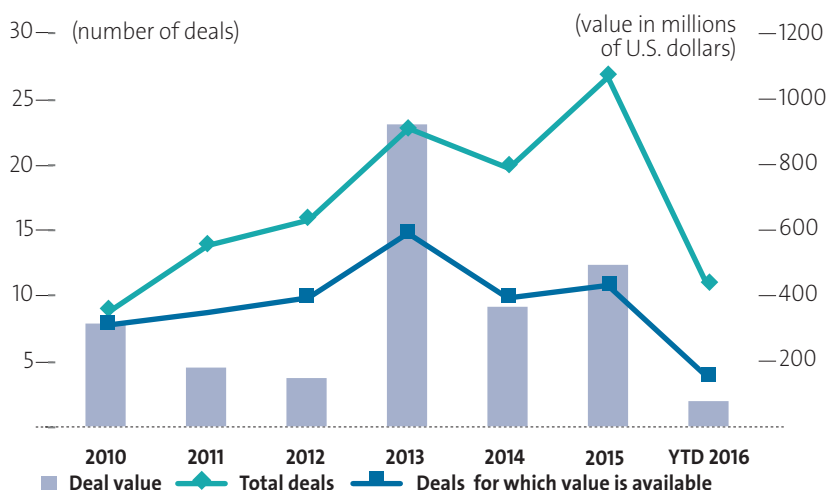
come of the sale process for fertiliser producer Petrokemija is still uncertain. Furthermore, no progress was made in relation to the announced privatisation of a number of other companies including sea and river ports and Hrvatska Lutrija. Recent successful deals include the privatisation of insurer Croatia Osiguranje and the concession deal for the Zagreb Airport. The planned IPO of a 25% stake in the national electricity company Hrvatska elektroprivreda (HEP) is expected to attract significant interest. In May 2016, as part of public debt reduction initiatives, the interim government removed from the "strategic list" 8 state-owned entities, which are now set for potential privatisation. Some are with good chances of raising significant interest among international investors – food producer Podravka, electrical equipment producer Koncar, marina operator ACI, Croatia Banka.

Going forward, it could be expected that the M&A activity observed so far in 2016 will be supported by continued GDP growth after the economy reached a turning point in 2014. Croatia's accession to the EU is expected to have a positive impact by increasing investor confidence and providing access to EU funding in the longer run, expected to benefit in particular sectors such as construction. The ongoing consolidation and privatisation in the tourism and hospitality sector are another driver of M&A activity. At the same time, privatisation in other sectors does not seem likely to play a significant role for M&As in the near term.

## ROMANIA

Romania is by far the leader in M&A activity in SEE, accounting for more than a quarter of the number of deals in the region. M&A levels in 2013 and 2014 marked a significant increase compared to the preceding years.

## Croatia



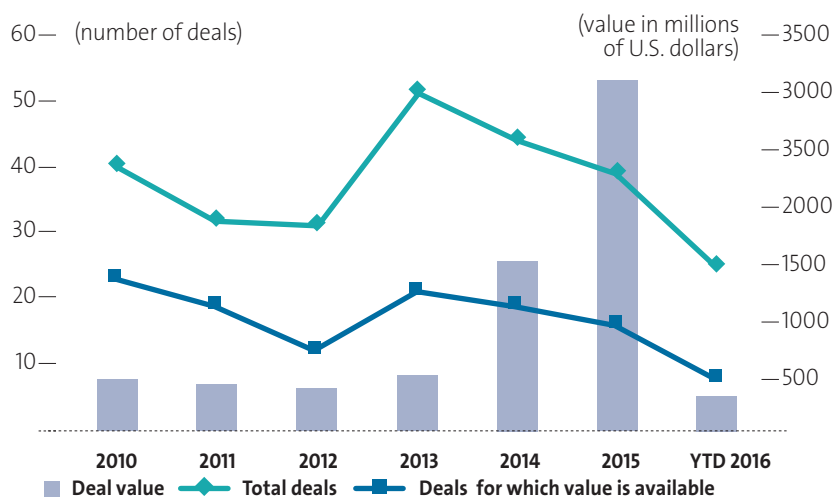
Source: Raiffeisen research and analysis

Year 2015 was marked by lower number of deals, but doubled value of disclosed transactions, whereas analysis of deals already announced this year suggests M&A activity slowing down on par with the rest of SEE region. M&As are taking place in many sectors of the economy – financial services, real estate, transportation and consumer goods being among the main drivers. IT and agriculture too saw some landmark deals indicating the potential of these segments for the future.

Deals in the banking and insurance sectors represent the major part of recent M&A activity, including the acquisition of Volksbank Romania by Banca Transilvania (in 2014), the acquisition of Millennium Bank Romania by OTP Bank Romania (in 2014), the acquisition of both the retail and the corporate business divisions of RBS by UniCredit Tiriac Bank (in 2013-14), the acquisition of the retail division of Citibank Romania by Raiffeisen Bank (in 2013), the acquisition of MKB Nextebank by Axxess Capital (in 2013), the acquisition of EURECO's life and pension operations by Aegon (in 2013), and the acquisition of a 55% stake in Banca Comerciala Carpatica by Nextebank announced in January 2016. Furthermore, according to public announcements, the deal involving Cyprus Popular Bank owned Marfin Bank is expected to take place shortly. The sector is likely to continue to generate M&As, driven by disposals of the local operations of, on the one hand, Greek banks in the context of the restructuring of the Greek banking system, and on the other hand, certain international banks such as Credit Agricole and Intesa Saopaulo as part of their strategy to exit markets where they have been unable to achieve a certain scale. However, deals involving Greek banks may be delayed by reorganisation and mergers that need to take place beforehand.

Another sector which accounted for a significant part of the recent M&A activity in Romania is transportation and related services, with the acquisition of United Shipping Agency by Chinese-owned Nidera in 2014, and the acquisition of North Star Shipping and Minmetal by U.S.-based ADM announced in May 2015. The sector is likely to attract further deals; intermodal transport in particular has been named as one of the areas of interest of Chinese investors, and infrastructure is one of the priorities of the Chinese CEE Investment Corporation, which has set aside \$500 million for investment in 16 countries

## Romania



Source: Raiffeisen research and analysis

in CEE, including Romania, in the next two-three years and is in the process of increasing the committed funds.

The real estate sector saw two of the largest recent deals in Romania: the 148 million euro acquisition of Floreasca City Center, owner of Promenada Mall in Bucharest, by New Europe Property Investments (NEPI), and the 95 million euro acquisition of a 35% stake in hotel operator Societatea Companiilor Hoteliere Grand by Strabag, both in 2014. M&As in the sector continue in 2015, dominated by several investors, the most important being the South-African investment fund NEPI, Globalworth, controlled by Greek businessman Ioannis Papalekas, Cyprus-registered Secure Property Investment & Development (CPDI), and Czech real estate developer CTP. Recent transactions represent consolidation in the sector by these players challenging the position of the incumbent main players CA Immo and Immofinanz. The ongoing disposal by banks of large portfolios of non-performing loans, many of which used to finance real estate projects, is a factor further supporting M&As in real estate as it brings opportunities for bargain deals in the sector. A major anticipated deal is Immofinanz's intended sale of

**Romania's M&A market strength is underpinned by the fact that deals are generated by many sectors across the economy, with new sectors emerging as further M&A drivers.**

European logistics sites, three of which are located in Romania.

Other recent big deals in Romania include the announced in January 2016 acquisition of dairy products producer Albalact by the French Groupe Lactalis for 90 million euro, the 100 million euro acquisition of the second largest medical services operator in Romania, Regina Maria (August 2015) and consequently Pondera Hospital (June 2016), by Mid Europa Partners as a result of the pursued market consolidation strategy by the fund, the acquisition of suppliers of goods and services for agriculture Comfert and Redoxim by Irish Origin Enterprises in July 2015, the acquisition of tissue paper producer Pehart Tec by Abris Capital Partners in May 2015, the acquisition of mineral water bottler Rio Bucovina by Polish soft drinks company Maspex Wadowice in August 2015, the acquisition of 42 fuel stations by MOL from ENI in February 2015, the acquisition of gas distribution company Congaz by GDF Suez Energy Romania in 2014, the acquisition of the Romanian operations of DIY chain bauMax by Leroy Merlin in 2014, and the acquisition of metal products manufacturer Cromsteel Industries by ASO Siderurgica in 2014. In the electricity sector, following Electrica's successful IPO, other power distribution companies are expected to attempt full or partial exit in 2017. 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 monetisation platform LiveRail, a company co-founded by two Romanian and one British individuals and having a development office in the town of Cluj-Napoca. 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. Another more recent deal announced in March 2016 was the acquisition of an 87% stake in Realmedia Network, which owns imobiliare.ro, an online platform for real estate intermediary services, by Swiss bidder Ringier AG. 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 Germanagr and Agrarius, Danish Ingelby and FirstFarms, Dutch DN Agrar, and Lebanese Maria Group. Investment fund Insights Investments through its vehicle Alisa Farming, investment fund Spearhead International, as well as 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 Agricos. 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 Oltchim, 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 3.5% on average over 2013-2015 and expectations of around 4% expansion in 2016, 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 privatization, 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 2015, the 1 billion euro acquisition of Serbia Broadband by KKR from Mid Europa Partners in 2013, and the 950 million euro ac-

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*In the Serbian private sector, food and retail are expected to continue to drive M&A, joined by technology and software development, which are increasingly attractive.*

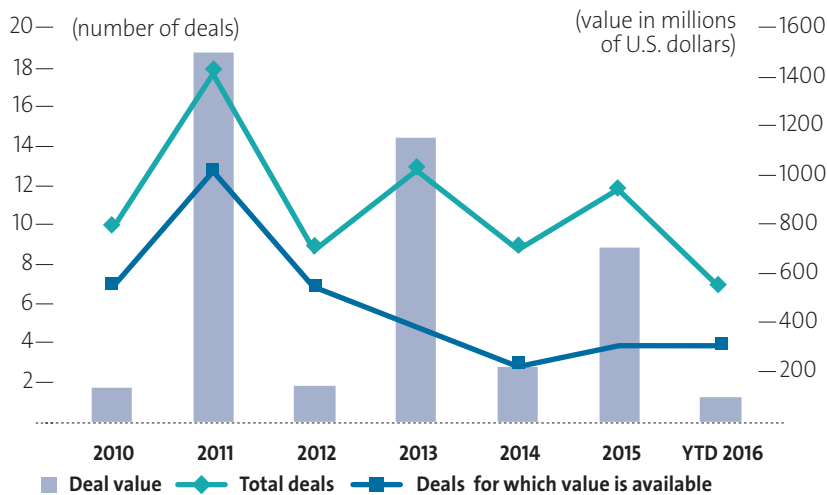
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 quisation of retailer Delta Maxi by Delhaize Group in 2011.

In addition to these landmark deals in the food and beverage and telecommunication sectors, smaller deals, including certain addition acquisitions by Serbia Broadband, took place. Another sector which contributed to M&A activity in the country was financial services, with acquisition of the insurer AXA Zivotno Osiguranje by Vienna Insurance Group announced in July 2016, the acquisition of the Serbian operations of Italian Findomestic Banka 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). (заглавие на графика) Serbia

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 flag carrier JAT Airways to UAE-based Etihad Airways in August 2013, and the sale of winery Vrsacki Vinogradi to a Chinese consortium in July 2013. In addition, the sale of steel products producer Zelezara Smederevo is expected to be completed this year, as the government accepted the 46 million euro offer of China's Hebei Iron & Steel Co in April 2016.

The privatisation of Serbia's large state-owned sector is recognised as a strategic priority for the country. As part of broad economic reforms, the government has adopted an ambitious privatisation programme encompassing more than 500 enterprises and employing a variety of privatisation methods. Special protection from debt enforcement has been granted

## Serbia



Source: Raiffeisen research and analysis

to 17 enterprises to ensure their successful restructuring in view of privatisation, including pharmaceutical producer Galenika, publisher Politika, trucks producer FAP, agricultural company Poljoprivredna Korporacija Beograd, refinery HIP Petrohemija, non-ferrous metals producer RTB Bor, textiles producer Yumco, tires producer Trayal, bus producer Ikarbus, lubricants producer FAM, coal mine Resavica, cable producer Kablovi Jagodina, and industrial equipment producer Prva Petoletka. To support the reform of state controlled business, the World Bank provided a 100 million euro loan to Serbia in March 2015.

One of the largest possible deals, the privatisation of Telekom Srbija has not taken place as the highest price offer, submitted by an unnamed US investment fund, was lower than expected by the government. Subsequently, the government announced in December 2015 it would abandon its sale plan and would be seeking professional management for the company, intending to establish a more favourable market position for it. This was the second attempt at the privatisation of Telekom Srbija after the government turned down the sole binding bid received from Telekom Austria as part of a tender process in 2011 to which financial investors were not admitted.

Other state-owned enterprises for which privatisation procedures are in preparation include the Belgrade Airport, which following the recent selection of a financial adviser has good chances to be launched in H1 2017, insurer Dunav Osiguranje, and Serbia's

largest bank Komercijalna banka, considered a very attractive asset, for the sale of which the government already appointed a financial advisor.

In addition, the state plans to put up for sale a minority stake in the national electricity company Elektroprivreda Srbije (EPS). As part of a standby agreement with the IMF, the government has committed to reorganise EPS, with the spin-off of the power supply and power distribution operations as the first step already completed in July.

In the private sector, a major transaction for H2 2016 is expected to be Austria's Agrana purchase of a majority stake in the Serbian top sugar producer Sunoco from local MK Group.

One of the reasons for the low level of M&As in Serbia so far was that the country had been slow to emerge from the long recession while growth continued to be depressed due to public spending cuts. The situation is expected to improve with an economic recovery that started last year with the country's GDP returning to growth of 0.5% in 2015, backed by forecasts ranging between 2.5% and 3.0% for this and next year. At the same time, the signing of the 1.2 billion euro standby agreement with the IMF in February 2015 and the government's accompanying commitment to reforms have sent a strong signal that the country is on the right track and can become attractive for investors in the near future. In the private sector, food and retail are expected to continue to drive M&A, joined by technology and software

development which are increasingly attractive. Several privatisation targets hold significant promise and are expected to further boost M&As; however, the sale of the majority of state-owned enterprises included in the government's privatisation plan present considerable challenge as their financial turnaround may prove unfeasible.

## SLOVENIA

Slovenia had fairly stable levels of M&A activity during 2011-2015 with a growing number of deals each year, however 2016 seems to be less promising as the number of deals that have been announced so far in the first 8 months of the year are 2.5 times lower than the full-year number in 2015.

Privatisation and banking sector restructuring are the key drivers of M&A in Slovenia at present, while the private sector is generating an increasing number of smaller deals.

Slovenia still has a relatively large state-owned sector, despite the successful recent privatisation of, among others, the second largest Slovenian bank NKBM, airport Aerodrom Ljubljana, coatings producer Helios Domzale, automotive parts producer Letrika, medical lasers producer Fotona and ski equipment manufacturer Elan. In April 2015, the government proposed a strategy envisaging the privatisation of a further 80 enterprises. However, it plans to retain significant influence (25% + 1 share) in 23 of these, which are deemed as "important", including energy company Petrol, gas supplier Geoplin, household appliances maker Gorenje, holding company Sava, steel group SIJ, gaming company Hit, national lottery Loterija Slovenije, petrochemical company Nafta Lendava and reinsurer Pozavarovalnica Sava. The remaining 57 state-owned interests for which the strategy envisages complete disposal include the Central Securities Clearing Corporation (KDD), poultry Perutnina Ptuj, footwear manufacturer Peko, and dairy Pomurske mlekarne. At the same time, the state will retain its interest in certain enterprises defined as "strategic" by the privatisation strategy, including the main electricity players and operators of transports and logistics infrastructure, as well as postal operator Posta Slovenije, Pension Fund Management (KAD), insurers Zavarovalnica Triglav and Modra Zavarovalnica, Export and Development Bank (SID), aluminium producer Talum, and pharmaceutical producer Krka.

As part of the privatisation programme in progress, the Slovenian state has sold the provider of airline maintenance services Adria Airways Tehnika in November 2015, hygiene and tissue paper producer Paloma in June 2016, national air carrier Adria Airways in January 2016, brewery Pivovarna Lasko to Heineken in two stakes in 2015 and 2016, food producer Zito to Podravka in 2015. In addition, the binding offer for automotive parts producer Cimos submitted by Palladio Finanziara has been accepted in July 2016, with the deal expected to be finalised in September this year.

The upcoming planned privatisations include Nova Ljubljanska Banka (in 2017), and the bank resulting from the merger of Abanka Vipava and Banka Celje (in 2019). Notwithstanding the success track record in privatisation so far, the largest potential deal in Slovenia for 2015, the privatisation of Telekom Slovenje, recently failed. Following a formal tender process, in April 2016, the government received a single binding bid from UK-based private equity fund Cinven. However, after the offer was unfavourably modified in May, the government assessed the bid as unacceptable, while the bidder recently announced that it was no longer interested in the deal. Suggested reasons for the limited interest in the tender include legal and regulatory risks faced by the incumbent telco, as well as a valuation gap given other present opportunities for international strategic players. The privatisation authority, Slovenian state asset holding company SDH, announced it will refocus on effective management of Telekom Slovenje's assets and operations in the near term. It could be expected that a new privatisation attempt will be made in due course after the government reconsiders the terms.

In addition to privatisation, a number of companies controlled by one or more banks too are for sale as a result of debt restructuring in the past few years. The fast credit expansion in Slovenia prior to the onset of the global financial crisis in 2008 left many enterprises overleveraged during the ensuing economic recession. The resulting defaults necessitated debt restructuring across the economy whereby lender banks accepted debt to equity swaps and became major equity holders in the Slovenian economy. At present, the banking system is taking measures to restore its stability, which

Given the significant equity investments of Slovenian banks in local enterprises, disposals by the banking sector are expected to be the main driver of M&A activity; pending privatisations likely to contribute key deals in terms of size.

include disposal of equity participations. The landmark deal in this category was the sale of 80.75% of food retailer Mercator to Croatian group Agrokor for 261 million euro in 2014. However, the sale of companies controlled by banks is often hindered by their significant indebtedness and the unwillingness of the shareholders to book losses as a result of the disposal, where most recent example was the freezing of sales process of the country's leading logistics company Intereuropa.

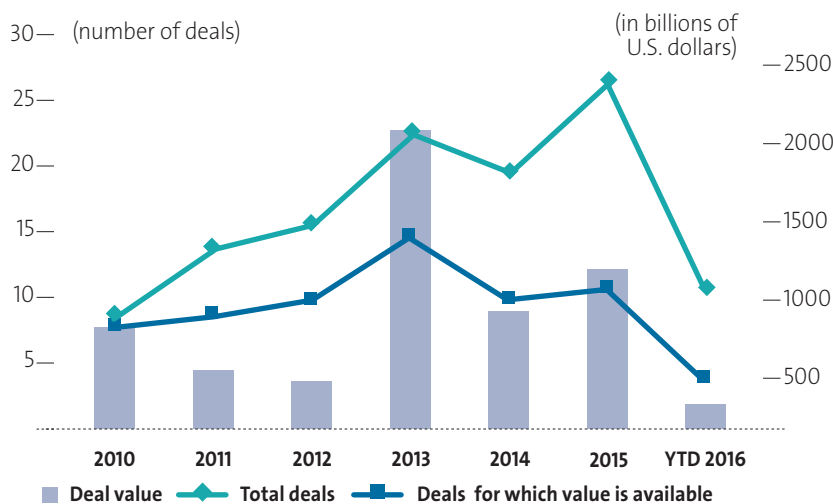
A further effect of the difficulties faced by banks in Slovenia at present are the announced plans of owners to sell Gorenjska Banka and Sberbank Banka. These intended disposals add to the M&A pipeline in the country, although the deals have not yet progressed due to apparent lack of investor interest. However one transaction in the banking sector that actually took place this year was the sale of Raiffeisen Banka to US-based private equity house Apollo Global Manage-

ment, closed in June 2016.

Although the large deals in Slovenia were mainly due to privatisation, the private sector consistently generated the majority of the deals, albeit of smaller size. Recent private deals include the acquisition of telco Amis by Telekom Austria, acquisition of mobile and fixed services operator Debitel telekomunikacije by Telekom Slovenje, acquisition of mobile operator Tasmobil by Telemach, acquisition of wood panel producer LIP Bohinj by Hasslacher, and acquisition of metals and plastics processor Iskra ISD by KJK Capital Oy. Key sectors for private deals have been telecommunications and manufacturing. Due in part to the very limited ability of local banks to offer acquisition finance at present, private M&A activity in Slovenia is primarily driven by international and regional investors.

Given the significant equity investments of Slovenian banks in local enterprises, disposals by the private banking sector are expected to be the main driver of M&A activity in the country in the short term. The strengthening of the country's financial infrastructure following the restructuring of the banking sector is hoped to improve the investment climate in general and boost the interest of international investors. The resumed economic growth in 2014 and 2015 of around 3.0% is expected to continue at about 2.2% this and next year. The positive macroeconomic outlook will benefit private M&A activity which is already providing a solid baseline level of deals across many sectors. At the same time, pending privatisations are likely to contribute key deals in terms of size.

## Slovenia



Source: Raiffeisen research and analysis

# Economic, institutional reforms draw steadily more foreign investors to SEE



**Panos Diallinas,**  
Regional Director, Eurofast

*Eurofast is a business advisory employing over 200 advisors at 21 offices in Southeast Europe (SEE) and the Middle East. With over 28-year experience, having worked with many global brands and leading institutions, operating in the manufacturing, retail, airline, and professional services sectors, Eurofast is uniquely positioned as a one-stop shop for investors looking to enter the region. Its professionals have vast experience in helping investors select the market that meets their requirements in the region, implement the right entry strategy and mitigate risks. Eurofast was named Leading Corporate Adviser in SEE at the 2016 Acquisition International Awards.*

## Is the SEE region attractive for investors? Why?

As a pool of emerging markets with strong growth potential, the SEE countries have firmly positioned themselves on the map of attractive investment locations. We see steadily growing numbers of foreign investors in Albania, Bosnia and Herzegovina, Croatia, Kosovo, FYR Macedonia, Montenegro and Serbia, drawn primarily by the region's institutional and economic reforms. Competitive advantages such as low labour costs, cheaper raw materials, significant growth potential, prospects for privatisations, low domestic competition, and favourable tax incentives have in recent years helped the region draw investor interest. Doing business in SEE has become much easier.

## Which industry sectors are the most attractive for investments in SEE?

Some of the main industries, where significant growth and development has already been acknowledged, include banking, energy and telecommunications. With tax systems that offer a plethora of advantages to foreign investors, like for example corporate income tax rates from 9% to 20%, certain industry sectors provide additional incentives. Tourism and energy are of particular interest in Albania and Montenegro, natural resources in Serbia, agriculture in Bosnia, IT in Croatia and Kosovo, and clothing and auto parts in FYR Macedonia. Most of the SEE countries also have an extensive network of free zones, where further tax incentives and exemptions apply, like a 10-year corporate tax break in FYR Macedonia's free zones and VAT exemption in one of Serbia's 12 free zones. It is worth noting also the machinery and equipment VAT payment deferral of up to 12 months in Albania, as well as Montenegro's flat 9% corporate income tax rate, one of the lowest in Europe.

## What are the advantages and disadvantages of SEE for future investors?

A major advantage is the continuous alignment of legislation to EU norms, with more work to be done. While the region is facing certain challenges - in terms of bilateral cooperation and infrastructure networks - the common vision of EU membership keeps it firmly on the path of perpetual growth.

In the past, politically driven rationale and the underdeveloped infrastructure often made doing business in SEE difficult. Also, trade between the SEE countries was limited and each country would individually look out for its own interests by focusing on doing business with partners across the globe.

But this is changing! The region, sharing similar regulatory frameworks and a common vision of EU integration, had no need to reinvent the wheel in institutional and economic reforms, but just to institute practices that have already been successfully implemented in other parts of the world. Once it was understood that competitive economies cannot survive in isolation and building interdependency with neighbours is essential, the countries in the region started encouraging investment and trading links across borders.

## What are your expectations for the development of SEE in the near to medium term?

Doing business in Southeast Europe has become much easier and appealing to investors. Eurofast has grown along with the region, which gave us the invaluable competitive advantage of in-depth knowledge and firsthand experience of the region. This is the reason why we encourage businessmen to seriously consider expanding abroad and exporting their products and services. Being a reliable regional partner, who has itself developed and grown organically throughout the years, we are in a perfect position to guide our clients and associates in the markets we are present in.





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# Cotrugli's MBA programme enables all-inclusive approach to managerial education, paves the way for successful career



**Katarina Vladić,**  
*COTRUGLI Business School*  
**Executive Director**

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*Katarina Vladić Lazić has been part of the COTRUGLI Business School team for the past six years. From E/MBA Program Coordinator to Program Manager, Katarina today holds the position of an Executive Director for COTRUGLI Serbia. Katarina has contributed to the School's expansion to the Montenegrin market and further expansion into the Bulgarian and Romanian markets. Before joining COTRUGLI, she worked in the Ministry of Labour and Social Policy as Counselor for victims of family violence and human trafficking. She holds a degree in Education for Adults, University of Belgrade (Faculty of Philosophy).*

## What is MBA?

MBA programme (Master of Business Administration) is a leading standard of business education around the world. The core value of the programme is the applicability of acquired knowledge on different challenges and opportunities in the business world. The programme is designed to take

into consideration the most important business aspects and to enable the development of "hard skills" (finance, economics, accounting) and "soft skills" (personal development, leadership). COTRUGLI's MBA programme enables a systematic and all-inclusive approach to managerial education and, as such, it paves the way for a successful career.

## Why is MBA good for someone?

Given the current market situation, more attention is paid to the quality and practicality of the MBA programme, with the biggest accent on a fast return on investment. Investing in yourself and in your knowledge gives you a competitive advantage in the labour market and puts you in a better negotiating position

Investing in yourself and your knowledge gives you a strong competitive advantage in the labour market.

in terms of salary and general conditions.

### Why is MBA good for someone's company?

By sending employees to study the MBA programme, companies are encouraging corporate entrepreneurship and receiving maximum from their employees. In such way, they are securing market competitiveness. Besides, the MBA programme is a proof that an employee has gained competences in all important management roles that exist in modern corporations.

Experience from previous executive MBA (EMBA) students show that the most usual motive to enrol the EMBA is to ensure better competitiveness in the labour market and career advancement. Besides that, candidates who want to start their own or develop an existing business, point out that the main benefit of the EMBA programme is the opportunity to strengthen the entrepreneurship capacity and meet top-notch experts with whom they can share their knowledge and experience. Also, a number of candidates highlight the AMBA accreditation (Association of MBAs) as one of the main motives for enrolling.

### What are the most efficient learning methods?

I believe experience exchange is one of them. The core value of the EMBA programme is the applicability of everything you learn on challenges and opportunities in the business world. The case study method allows participants to work on real business cases from around the world, with an accent on comparisons with local markets. Moreover, students are required to work in teams where members come from different business branches. The teamwork method is applied to encourage the experience exchange between participants and provides the most efficient way of learning. After lectures, your workplace becomes a laboratory in which you test everything that you have learned in class.

## Why COTRUGLI MBA?

### To fully understand the core of the business

*Maja Pešić, Junior HR Business Partner for Supply Chain, Coca Cola Hellenic talks about her personal experience with the COTRUGLI MBA programme. Maja has rich experience in the field of HR, which she further enriched in Coca Cola Hellenic and after a few years of practical work experience she felt like she needed more understanding of business in general. She states that in order to understand, no matter what industry you're in, you need knowledge of the whole business.*

*At the moment, she has a totally different view of formal education, thanks to MBA studies at COTRUGLI Business School, and warmly recommends it to future students.*

### What was the main reason for choosing an MBA programme?

The main reason was the need for a better understanding of the business world, after a few years of practical work experience. At the moment, I have a completely different view of formal education. I think that the effect of MBA studies is much higher when you can connect all things that you learn during lectures with the practice and everyday challenges that you face at your workplace. I chose COTRUGLI MBA programme based on recommendations from Alumni members I know, who are very satisfied with the knowledge and experience they have received.

### Did you have certain expectations of the MBA programme? Taking into consideration that the programme is still in progress, have some of your expectations been fulfilled?

Of course I had expectations. Given that only a third of the programme has been completed, it is early for me to talk about the fulfillment or non-fulfillment of expectations. What I can certainly say is that the expectations concerning networking and cooperation with different people are completely satisfied, and that the school is very supportive.

### What topic would you single out as the most interesting and useful?

Each case is interesting in its own way; it brings energy, knowledge and linkages to the entire programme. Of all the cases that we

have been through, I personally like financial and management accounting the most (the area that I am the least familiar with).

### What are the possibilities for networking with other students in the school?

Opportunities for networking are great. As mentioned above, networking is something that the school focuses on the most. This is evident by the way they organize lectures and exams, as well as through informal activities that are taking place very often.

### Whether and how the MBA proved to be useful in the work you do?

When you work in the FMCG industry, and take into account the rate of change in the market, it is easy to conclude that in this type of business all employees are expected to be quick and flexible to changes. Also, they should be able to understand the actions undertaken, to lead these actions and to understand the impact of any decision. They fully need to understand the core of the business, regardless of whether you work in sales, HR, finance, logistics or other sectors. To be able to do this, in addition to your current experience, it is necessary to have comprehensive knowledge that MBA provides, as well as a desire to learn.

### What would you advise your colleagues who will enroll the MBA programme this year?

Just relax and enjoy the ride!

COTRUGLI Business School offers business education for all levels of management through 3 types of MBA programmes (international, Executive and Chief Executive). With two educational centres in Zagreb and Belgrade, and offices in Bulgaria, Romania, Slovenia, China, Montenegro and the UAE, COTRUGLI is creating vast Alumni networks and reaching cultures and business environments worldwide.

# Zagorka: A successful business is a sustainable business



**Nikos Zois,**  
Managing Director, Zagorka

*Zagorka brewery, established in 1902 in the central Bulgarian town of Stara Zagora, joined the Heineken group in 1994. Since then, Heineken has invested more than 133 million euro in modernisation and capacity increase at its Bulgarian unit. Zagorka has been focusing on sustainable development, including protecting water resources, reducing CO2 emissions, advocating responsible consumption and supporting local communities. Nikos Zois took the post of managing director of Zagorka in June 2016.*

**Sustainable development has long been a top priority for both Heineken and Zagorka. What initiatives in this area do you have underway and what others do you plan?**

We at Zagorka believe that a successful business is a sustainable business. As a company

with a 110-year history that is part of global brewer Heineken and has a portfolio of brands that Bulgarians love, we believe in the long-term approach to creating sustainable value for our business and our stakeholders. Sustainability is among the core priorities and of strategic focus not only to Zagorka, but also to Heineken. Thus, our corporate social responsibility is incorporated within the Brewing a Better World platform, which is a business imperative for Heineken, and Zagorka applies it in Bulgaria.

Our sustainable development efforts focus on protecting water resources, reducing CO2 emissions, sustainability of resources, promoting health and safety, advocating responsible consumption and supporting the local communities. A major goal is to have influence in the spheres in which Zagorka operates and to which it can bring positive changes. A key long-term project is Zagorka Green Fund, launched in 2011 and realised in the form of a national public competition for green ideas that could help achieve more efficient water and energy use in urban areas.

We also undertake initiatives regarding responsible consumption. We have a campaign that focuses on the harm of underage alcohol consumption. Together with our partners - Sofia Municipality, Innovation Starter and little thanks - we strive to prevent alcohol abuse among minors.

**In 2016 Zagorka once again announced a public call for projects for more efficient energy and water use in cities. What are the main criteria that a winning project should meet? What would you ultimately like to achieve with this initiative?**

The evaluation criteria aim at choosing a project that can be actually realised and allows more people to benefit from its implementation. The idea should be economically justified and should not require scientific resources and developing new technology in order to be realised.

Zagorka Green Fund proceeds in four stages: recruitment of projects; evaluation of

proposals; public online voting to choose a location for the realisation of the winning project; implementation by Zagorka of the winning idea in the Stara Zagora region. Our main goal is to make urban areas a greener place and show that a lot can be achieved with simple steps.

**Responsible alcohol consumption is another issue to which Zagorka devotes significant resources. Could you elaborate on your activities in this area?**

As I mentioned before, we are doing an underage campaign, and we believe that a discussion on this topic in the public area is much needed. Alcohol is not a game – actually, this is also the slogan of our campaign, which aims at pointing this out in an understandable way for teenagers, with helpful tips for parents and teachers, and special communication to outlets for responsible selling of alcoholic beverages.

The official launch of the campaign was on September 16, the Enjoy Responsibly Day, which marks responsible alcohol consumption worldwide. We arranged design thinking workshops, one for teenagers, and another one for teachers and media, with the goal of finding the right ways to reach our target group and start an efficient public discussion on the harm of alcohol consumption by minors.

**What are the highlights of the company's development plans for 2016 and 2017?**

We will keep our focus on offering a wide portfolio of high quality brands that Bulgarians love. We plan additional investments in our brewery in Stara Zagora – installing new box depalletizer, renovation of the cans line and completion of the treatment station. Within our main focus remain responsible energy and water use, applying of state of the art practices within the working process, the health and safety of our employees, care for the local community and last, but by no means least – responsible consumption. No business plan will work without people, so our priority will be continuous investment in people development.

# Revealing the four personas of digital consumers in Bulgaria and Romania

By **Alexandra Kalcheva**,  
Business Development Manager, TNS BBSS

*TNS is a global market research consultancy which advises clients on specific growth strategies around new market entry, innovation, brand switching and stakeholder management, based on long-established expertise and market-leading solutions.*

*TNS BBSS is the Bulgaria-based regional hub of a group of TNS companies in SEE, including Bulgaria, Romania, Serbia, Montenegro, Bosnia and Herzegovina, Kosovo, Albania, Macedonia and Moldova with partners in Slovenia and Croatia.*

In 2016 it is common knowledge that the media and digital landscape is fragmented as never before with increasing multi device behaviour, complicated path to purchase and new social networks disrupting the status quo, while IM platforms swiftly shift to social media outlets among the continuing prophecies for the imminent death of traditional media. Such diversity poses a lot of challenges to brands in defining their customer segments efficiently, especially when they operate a big portfolio of products on different markets.

In fact, such complexity offers the opportunity of targeted approach towards consumers in the era of increased digital personalisation, while the assumption that traditional digital platforms are ousted from daily media routine once digital comes into play is far from

being the absolute truth. It is true, however, that there is a great degree of complexity in targeting the new type of connected consumer in a meaningful and effective way.

Over the past five years, TNS has undertaken extensive research on media habits, device usage and online behaviour in just about every market and category on earth. We have revealed that attitudes towards digital activity and device usage are as important as the access to them. **True understanding of the potential of the digital scene comes at the crossing point between access, usage and attitudes** and gives marketers a powerful tool for understanding digital users' behavior and digital markets potential. We were thus able to come up with a robust and globally comparable framework under the Connected Life methodology. We discovered **two dimensions that differentiate connected consumers, and each of them has its own implications for how marketers reach them.**

The first dimension which we call **"Digital influence" is the degree to which a consumer is connected throughout the day across multiple devices**; usually it increases with improving internet access. Typically a higher degree of connectedness would result in higher consumption of online video, a greater engagement with eCommerce, more multi-screening and the use of multiple online touchpoints in the path to purchase. At the extreme, this also means a reduced consumption of traditional media. In short, this dimension measures the degree to which digital is influencing a connected consumer's life.

The second dimension – **"Social Influence" - is the degree to which social (media) connec-**

**tion and content is important to a connected consumer.** Do they feel the urge to check their Facebook status all day? Are they vocal online, or more voyeuristic? Are they likely to respond to branded content in social channels? And in mature economies, does social play a role in the purchase journey? Fundamentally, are they the type of person who embraces social media, warts and all? By knowing the answer to this question, you can determine whether a strategy led by social content is right for your target audience, or not.

When we look at the two dimensions together, we end up with four different personas with core behavioural characteristics that are remarkably similar no matter which part of the world we are talking about.

When it comes to digital lifestyle in Europe, the differentiating line goes from North-West to South-East. Users in NWE have a higher level of digital access but are less enthusiastic about it, while those **in SEE are still catching up on the digital influence but maintain and aspire more active digital lives** (chart 1).

## The four personas of Connected Consumers

In order to reveal the specifics of digital markets in Bulgaria and Romania, we first need to define the four personas of connected consumers.

**Leaders** are always set apart by their constant, energetic participation in the virtual world, their curiosity about technology and their heavy dependence on it. Leaders typically form 30% of the online population across

Chart 1: Connected Life global segmentation



markets. In some Central European countries their share reaches 40%.

At the other end of the spectrum are **Functionals**, who typically form another 30% of the digital population in most markets. Functionals are slower, more cautious adopters of technology, often being nudged along either by the need to keep up with the world or a conscious awareness of tangible practical benefits. A measure of skepticism continues to flavour their interactions with the online world, and they are relatively reluctant online shoppers.

**Observers** are highly curious about and enthused by technology, and take pride in knowing about the latest innovations. They are extremely comfortable around technology and enjoy being able to figure things out for themselves. They differ from Leaders by their lack of a similar enthusiasm for social media, so they are a niche group, whose adoption of digital media and devices has been driven by their interest in the functionality of technology rather than social engagement. Typically, Observers form around

10% to 20% of the online population.

**Connectors** are the opposite of Observers, as their interaction with the online world is driven primarily by social media. They tend to form 15-20% of the online population in most markets. They are not especially interested in having the latest devices, provided the ones they have are good enough for accessing social media and connecting with friends and family. In SEE, Connectors form a lower portion of the digital population compared to the world average.

### Connected consumer personas in Bulgaria and Romania

In 2016 TNS BBSS revealed the segmenta-



*SEE still catching up on the digital influence, but users aspire for more active digital lives*



tion of digital personas in Bulgaria and Romania by conducting quantitative surveys representative for the internet population in both countries, following the global TNS Connected Life methodology. The two countries showed interesting differences, compared to SEE markets and to each other.

The prevailing digital persona in **Bulgaria** is Leaders who form almost half of the digital population - 47%, higher than what we see in most SEE markets. Connectors form the smallest segment with only 3%, below the global and SEE average. Observers form 26% of the digital population, higher than in most SEE markets. The size of the Functional segment is 25%. (chart 2)

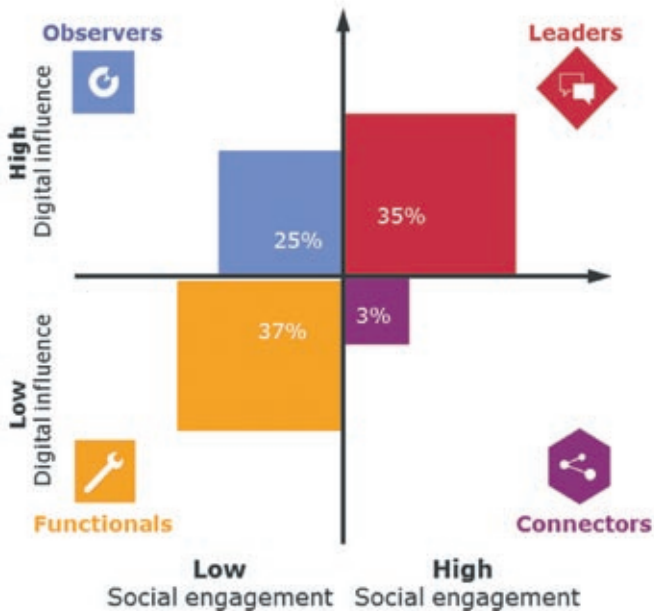
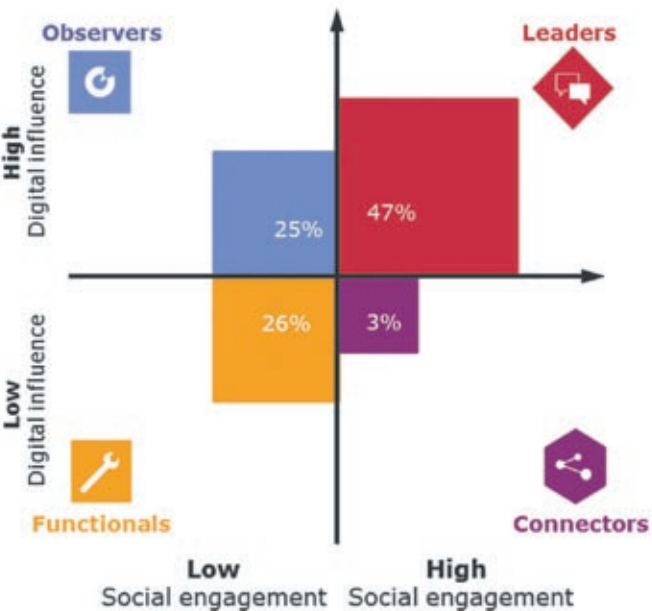
We might be tempted to assume that those digital consumers who belong to the Leaders segment are predominantly the youngest digital users. While this is the case for some markets, nuances exist. The demographic profile of the Leaders in Bulgaria suggests that the highest percentage of youngest consumers (18-24) indeed belongs to this segment, compared to the other three. However, their share of the segment is 24%, the same as the share of the 35-44 year olds, while one third of Leaders are in the 25-34 age bracket. Given the passion for the newest digital, which describes this segment, the relatively higher age group comes as no surprise as it also goes hand in hand with a certain level of affluence, also confirmed by the fact that Leaders have above average income and are predominantly urban residents (60%). The majority live in the capital city and a third in the big cities.

The digital behavior of this segment is flavoured by intense usage of internet and social media. It is typical for Leaders to look for information online, to research brands and products, to browse forums for product reviews. They also consider social media as a reliable source of information. When it comes to brands, however, only a third of them are connected to a brand profile in social media. Still, this is the highest level of engagement compared to the other groups.

As far as e-commerce is concerned, this is the segment most open to this way of purchasing. Close to a third of Bulgarian internet users claim to make online purchases often (26%), while among the Leaders, this percent-

Chart 2: Connected Life segmentation Bulgaria

Chart 3: Connected Life segmentation Romania



age is 37%. However, even among the most digitally advanced there are 18% who are reluctant to purchase online. The main drawbacks are not too different from the concerns of the rest of the digital users: safety and quality concerns, need to see and touch the product before buying.

Observers also have a very distinctive demographic profile. Unlike Leaders, who have an equal gender split, males have a slight prevalence in this segment. Most of Observers are 25-44 years old. This segment has a strictly urban profile with most of its representatives living in the big cities and falling into the average income ranges. As with Leaders, Internet plays an important role in their lives and they are actively researching products, reviews and posting comments but to a considerably lesser extent than Leaders. Observers are open to making online purchases, although less frequently than Leaders. While they share the same concerns regarding e-commerce, they exhibit an interesting characteristic more than any other segment – impatience – they do not want to wait for product delivery.

Functionals on the other hand, are predominantly elder female (45-54) living in small towns and villages, with low income. They access the internet rather rarely and do not

rely on it as a primary source of information. Although 60% of them have a Facebook profile, social media don't play a significant role in their everyday lives.

In **Romania**, the leading segment is Observers with 37%, followed by Leaders with 36%, Functionals with 25%, and Connectors with only 3%. (chart 3)

While the demographic profile of the segments corresponds to that of Bulgarian digital users, their digital behavior, even among the most digitally advanced, has a slightly different dynamics. Overall, Bulgarian online users maintain a more dynamic digital lifestyle compared to their Romanian counterparts. They access the Internet through more devices, spend more time online and in social media and see them as reliable source of information and entertainment. Bulgarians are also more active in online purchases: half of Romanian digital users have never purchased anything online, compared to 33% of Bulgar-

ian ones.

Romanian Leaders maintain a slightly lower level of overall digital and social enthusiasm as compared to their Bulgarian counterparts: 74% of Romanians in this segment claim to spend a lot of time online, compared to 83% of Bulgarians; 44% share opinions online, compared to 36% in Bulgaria, and only 35% believe they can trust information on social media versus 65% in Bulgaria. These specifics of attitudes and behavior will command a tailored approach to the Leader segment in each country despite the similarities in their overall characteristics.

Digital and social behavior in the rest of the segments in both countries does not reveal significant differences.

The segmentation of digital users in Bulgaria and Romania reveals markets with very diverse online population, resulting in online behavior patterns which vary by the mix of traditional and digital media, level of engagement with brands and social platforms and spread of digital activity across devices. Moreover, this mix varies across categories. Hence, these markets require tiered marketing approach tailored to the different personas and the mix of personas within each product and service category.

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*Bulgarian online users maintain more dynamic digital lifestyle compared to Romanians*  
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# We leave the grunt work to machines, give companies more room to be creative

by Nevena Krasteva



**Vladimir Petkov,**  
*CEO, Identric*

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*Identric is an innovative technology provider of automated journalism, data mining and semantic web solutions, whose dedicated team builds and trains technology models based on a client's own data set and fitting his needs.*

## **What is it you actually do and what difference do you make for a business organisation?**

Identric operates in the area of text mining through artificial intelligence. We develop

technologies by which machines can start to understand the natural language of people so as to be able to categorise various documents. We work with natural languages, and machines do not have a clue how natural languages work and they need to be trained in

order to be able to find their way around. Another thing we do is named entities recognition - we train a machine to identify a very specific set of named entities determined by a client out of a database of hundreds of thousands of documents. This is actually



one of our major competitive advantages to other companies that offer “ready-made” entity recognition and cannot meet a client’s needs to single out a specific legal or physical person.

Today, a number of people employed in the IT industry are trudging through vast amounts of uninspiring work on a daily basis. This process could be automated, which would make it quicker and much cheaper, allowing people to do more important things which are still off limits for machines, such as data analysis. Our mission is to give people more room to be creative and to tap the real potential of creative and associative thinking, thereby restructuring the cost of an information product and making more funds available for creative work.

### What practical application do your solutions have?

Our technologies could be of use to anyone who is doing data research involving an extensive body of information. For example, if a recruitment agency whose main asset is its pool of CVs has a client seeking to hire someone for a very specific position, we can relatively quickly allow the company to find a suitable candidate. To match some very specific job requirements to a large pool of CVs, we only need to write the ideal candidate’s CV, to index it and then compare it to the body of info that we have.

Another practical application of our solutions would be with companies which have hundreds of thousands of customers and often need customer support centres to answer their questions, i.e. they often have a relatively high cost for customer support services. However, customers often ask identical or similar questions, and we could develop an algorithm with the help of which as soon as a customer starts typing a question, it would be matched to the body of already answered questions and a possible answer offered.

### How can you help media organisations in particular?

Over the past decade media in the region have been investing a lot in developing attractive multimedia platforms that can be accessible on various types of device, and



***Automated processes are quicker and cheaper, unblocking companies' creative potential.***



now these media have state-of-the art digital platforms via which they can disseminate information and serve ads. However, the media were slow to acknowledge that the information which they create is unintelligible to machines and that some basic tasks such as the classification of this information and the creation of linked data can be done very quickly and without human involvement. If an article mentions a politician, this article can automatically lead to a profile of this politician, or to other articles with similar content, as the whole process of selection of this linked data can be done by a machine. If a media plans to create a website that brings together content from already existing websites, this too can be done fairly easy and quickly.

We offer the media access to technologies which they would find it very hard to develop on their own. These technologies would relatively quickly improve major parameters of the behavior of a media’s audience such as the duration of readers’ stay and their engagement. This is particularly important for the media in the post-crisis context in which they operate - where the entry of heavyweights such as Google and Facebook has changed fundamentally the ad market, leaving the media with a very limited financial resource which they can invest in innovations related to artificial intelligence. If a media wants to diversify its business model and sell not only ads but some sort of research or analyses, it needs higher audience engagement.

### What type of clients do you target?

Our clients are companies based in the US



***Our technologies increase readers' engagement, allowing media to diversify their business models.***



and the UK that have specialised in data intelligence and media. However, we would like to specialise in the region of Southeast Europe, which means being able to work with the languages of the countries in the region. In fact, language itself is one of the biggest challenges in computational linguistics.

Making sense of a language requires a huge investment which is not within the capacities of a single company, you need to work with the established scientific institutions that have been doing it for years, and this is precisely what we would like to do.

### **What is the rate of penetration of machine learning in Southeast Europe and how does our region compare to the rest of the world in this department? What reception do these technologies see on the part of the business organisations and the state institutions?**

The region of Southeast Europe (SEE), and Bulgaria in particular, is quite well positioned in machine learning. The Bulgarian Academy of Sciences and the other regional scientific organisations are investing in computational linguistics, it is being taught as an academic subject, various events are being organised and the scientific community itself is investing in this type of technologies.

There are also some startups that operate in the area of computational linguistics and artificial intelligence - some from a more scientific perspective and other not, some using ready-made solutions and others developing their own ones. In SEE, the IT and outsourcing sectors in general are very well developed, as is the development of websites, however, there is still untapped potential in the area of artificial intelligence development.

Regrettably, a large part of these solutions are being perceived as science fiction and that is why our clients are mostly western companies, usually media companies or companies involved in data processing and intelligence. For the time being, the regional business, apart from the startups, relies mainly on conventional technologies. However, as the skills and technologies develop, this is bound to change.

# Frothy market for craft brewers in SEE, still room for newcomers to hop on board

by Petar Galev, Perceptica

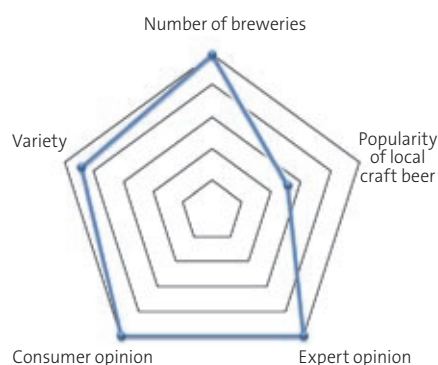
*Perceptica (www.perceptica.com) is a team of professionals specialised in creating innovative in-depth reports based on online media analytics. Mapping brand perceptions among customers provides valuable insights for helping brands, individuals and organisations thrive.*

*The report looks into the online image of SEE craft beers – in terms of both sheer popularity and users' and experts' opinion of their quality. Each market has been examined on its own, while beers were assessed using a single methodology (thus, the best performers from the region have the highest score). Each brewery was represented by one product only (usually their most popular one). The only exception to the rule was made for countries that simply do not have that many brewers that are at least known online.*

*The scoring system goes on a scale from 1 to 100 (with 100 accounting for the perfect beer). 20% of the score takes into account the beer's popularity online – the number of comments and online mentions. The opinion of users and experts (whether they liked the beer or certain aspects of it) accounts for 40% of the score each. Thus, each country is represented by the five beers (if that many were available) with the highest score.*

Craft brewing has been gaining popularity in Southeast Europe over the last couple of years. Demand for locally-brewed, high-quality ale led to the emergence of a number of microbreweries around the region, inspired by Western brewers and sometimes even founded by Westerners. Although not particularly famous for its beers, the region turns out to be home to a surprising variety of craft beers, some of them even competing with the very best in terms of taste and creativity.

## Slovenia



Slovenia has by far the best developed craft beer market in the region. In fact, with its huge number of breweries and impressive beer quality, the country seems more Western than Southeast European. Over 55 local breweries have received online comments – a number far greater than that of any other country included in the report.

The local market seems to have reached a mature state where the quality of products satisfies the criteria of both connoisseurs and regular consumers. Local craft beers lack the online popularity they have in other countries (most notably Croatia) where craft brewing is just beginning to boom. There are very few local crafts of sub-par quality contributing to Slovenia's impressive performance in terms of consumer and expert opinion. Nevertheless, the country does lack a brewery that has the sheer amount of variety offered by Serbia's Kabinet.



A number of top quality craft beers vied for the top spot in Slovenia. Although the Pelicon 3rd Pill has been described as a world-beater and also seems to be the more popular local brand, Reservoir Dogs Starvation gathered the highest total number of points, entirely thanks to its superior quality.

The beer received praise from Belgian, Dutch, German, British, Italian, Bulgarian, Scandinavian, and even the ever so critical Russian online connoisseurs. Reservoir Dogs Starvation is a Black IPA (standing for Indian-style pale ale) and one of the world's top 50 representatives of this particular beer style. It is dark brown in colour and it is described as having a characteristic somewhat bitter taste. Users describe it as tasting like roasted malts, chocolate, resin, wood, smoke, peppers, nesquik, coffee, citrus, caramel, and even pine.

Slovenia also showcases the creativity of mi-

### Top 5

Beer	Score
Reservoir Dogs Starvation	94
Pelicon The 3rd Pill IPA	91
HumanFish Combat Wombat	87
Tektonik Nelson India Black Ale	83
Hopsbrew Pale Ale	80

crobrewers – both in terms of the brewing process and of the naming of their products. While HumanFish Combat Wombat is a good example of that naming convention, Reservoir Dogs have taken an even more unorthodox approach. They name their beers after the Four Horsemen of the Apocalypse, such as the Grim Reaper (Death) and Starvation (Famine), or demons – Incubo (incubus) and Sucubo (succubus).

## Croatia



### Top 5

Beer	Score
Zmajska Pivovara Pale Ale	94
Nova Runda APA	91
San Servolo Tamno Pivo	87
Velebitsko Tamno	86
Varionica Pale Ale	86

In recent years, Croatia has experienced a self-proclaimed Beerevolution, with rapid growth of demand for local craft beers and a corresponding increase in the number of breweries. The popularity of locally-brewed varieties has never been higher and it promises to remain this way for the foreseeable future. Both the number of breweries and the variety of products they offer should continue to grow in the coming years. What is more, consumers seem more than happy with the quality of the beer at offer. Experts are also content, although, judging by their opinion, there is even more to be desired from the local craft scene as a whole.

Zagreb-based Zmajska Pivovara is not only the first craft brewery in Croatia, but also the most popular one (and by some margin). Its beers are a great commercial success and could be seen in a variety of restaurants, pubs, and even supermarkets in Croatia, Slovenia, Serbia, Bosnia, and even

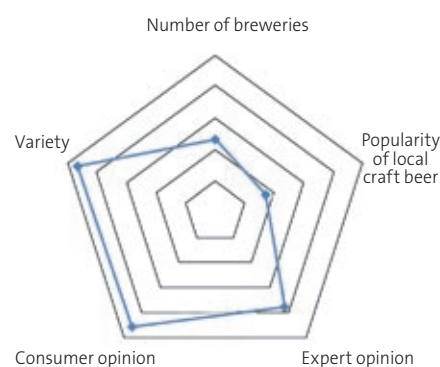


Slovakia. Quite predictably, Croatia's top craft beer is part of Zmajska's portfolio and its Pale Ale in particular.

As its name suggests, the beer is a Pale Ale – an American-style pale ale (or APA). A combination of four distinct U.S. hop varieties are used in the brewing process, giving it a unique citrusy taste. Experts also have a good word for what they describe as a proper bitter aftertaste. The Zmajska pale ale also receives praises for its looks. Users describe it as clear, albeit slightly hazy, and orange amber in colour.

With Croatia being a popular tourist destination, many foreigners have also had their say on the beer. Finding such high-quality ale in Croatia has surprised many foreigners. A proper pale ale is not easy to make, a fact often mentioned by online users signing their praise for the Zmajsko.

## Serbia



### Top 5

Beer	Score
Kabinet SuperNova	94
Kaš Ryezen IPA	91
Dogma Hoptopod IPA	87
Salto Pale Ale	86
Varionica Pale Ale	86

Serbia is another SEE country where the craft beer mania is starting to secure a firm grip. Local microbreweries are increasing in number, as is the variety of beers they produce. Serbia is, in fact, the country that offers the best variety of craft beers in the region. This is mainly thanks to the Kabinet brewery which offers over 20 different types of beer. Interest in craft brewing is yet to reach its peak, as it already did in Croatia. Given that consumers hold local craft beers in really high regard, the number of breweries could be expected to increase, alongside the popularity of beers. Experts' opinion puts Serbian crafts just behind Croatian ones in terms of quality. Given its dominance on the local market, it

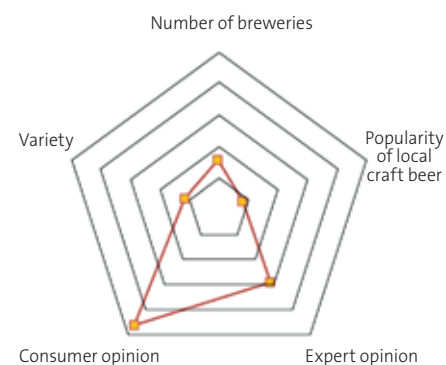
is hardly a surprise that Serbia's top craft beer comes from the Kabinet brewery. Kabinet SuperNova is yet another pale ale - IPA. The style seems to be a sort of specialty for Balkan brewers. Once again its taste is described as citrusy, with some users referring to a taste of grass, spices, grapes, and even cat piss. The aftertaste is bitter as befits the style.

Kabinet is also noted for its collaboration with breweries from neighbouring countries. The joint effort with Bulgaria's White Stork led to a very interesting result in the Kabinet/White Stork Pop My Višnja sour-cherry-flavored ale.



While it could be argued that Kabinet SuperNova made the top spot its own thanks to its sheer popularity, the beer also receives a lot of praise from experts and consumers. However, this is nothing compared to the ratings of the Dogma Hoptopod IPA. In terms of consumer sentiment alone, this is the best beer in the region. It is another IPA described by its brewers as a "real hoppy monster".

## Romania



### Top 5

Beer	Score
Ground Zero Morning Glory	84
Hop Hooligans / Ground Zero Six Years o'Clock	76
Sikaru Stout	76
Bereta 'Ai Pi lei	76
Perfektum Black IPA 6.0	75

Romania is the largest country included in the report. Nevertheless, its craft beer market lags behind smaller countries, such as Croatia and Slovenia. That said, the local market has a huge potential and has an additional advantage in local German brewers

## SEE colours

who have already kickstarted their brewing business. There is still lots of space for new players who face an additional challenge in diversifying the market.

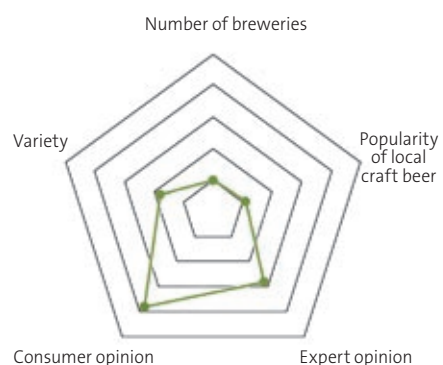
As was the case with other countries in the region, consumers really enjoy local craft varieties. However, their opinion seriously differs to that of experts who see the average beer as mediocre. Still, Romania is home to at least one brand popular throughout the entire region.

Ground Zero's Morning Glory is far ahead of the competition in terms of both quality and popularity. Not only that, but Ground Zero has also occupied the second spot with its collaboration with the Hop Hooligans brewery. Just like Kabinet, Ground Zero has already made a couple of very successful collaborations, including one with Bulgaria's White Stork brewery. Yet another collaboration with Bulgaria resulted in the KANAAL Session IPA – the beer with which a Bulgarian pub celebrated its fourth anniversary.

The Morning Glory itself is also an IPA – again one with a citrusy, but also floral, taste, and a bitter aftertaste. While it is mostly offered in Bucharest, it also receives plenty of positive words from Bulgarian users.

Leaving quality and taste aside, users seem really impressed with the ale's label. The text and visual of the label perfectly sum up the brewer's idea of "breaking all rules and burning all boundaries in crafting beer".

### Bulgaria



#### Top 5

Beer	Score
Ailyak Mosaic Xмел IPA	88
Blek Pine Stout	82
White Stork Original	80
Divo Pivo	79
Ah! Mursalski Red Ale №7	76

Bulgaria is another country with an emerging craft beer market. It resembles the Romanian one to a large extent. The differences between the two come in consumer opinion, which is rather higher when Romanian ales are discussed, and variety – Bulgarian breweries offer a more diverse choice of ales, albeit still mediocre when compared to Slovenia and Serbia.

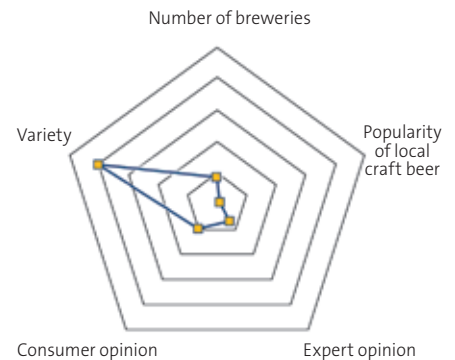
Bulgaria still has about 10 microbreweries, a number that includes ales brewed and offered only by pubs. Nevertheless, the country already hosts events dedicated to craft beers and has notable bars that offer ales from around the world.

Bulgaria is a curious case where smaller brewers like Ailyak and Blek Pine received better scores than the more commercially successful White Stork, Divo Pivo, and Ah! Ale. The latter three have found a place in supermarkets and regular stores, while still remaining true to the craft beer spirit. Nevertheless, the most popular Bulgarian craft beer – Glarus – failed to make it into the top 5 due to its low rating among experts.

Ailyak is yet another IPA with a rather curious name. The word "Ailyak" stands for a chilled and laid-back person and attitude to life that the beer aims to replicate. It is associated with the second-largest Bulgarian city of Plovdiv, which fools online consumers into thinking it is brewed there. In fact, it comes from the capital Sofia. While remaining largely underground, Ailyak attained its high score (sixth highest amongst all beers included in the report) thanks to its quality and extremely good user ratings (78% of comments were positive).

### Bosnia and Herzegovina

Most people think of Bosnia and Herzegovina as a war-torn, predominantly Muslim country



#### Top 5

Beer	Score
Oldbridž Pale Ale	70
Semizburg Karandoloz	70
Castrum Gruit	69
Cooltura APA	67
The Brew Pub Sarajevo hAPA	66

whose people hardly have time to pursue any hobbies that have anything to do with alcohol. Few could imagine that Bosnia, too, has a small, but vibrant craft beer market. While local microbrewers are not amongst experts' favorites, they still offer a variety of craft ales far greater than that in Bulgaria, for example.

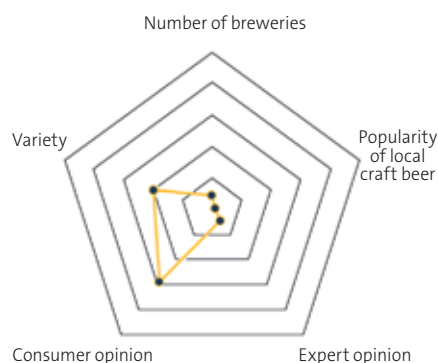
Similar to Serbia's Kabinet, Oldbridž is Bosnia's leading craft brewery by some margin. The name of the brewery refers to the famous historical landmark in the town of Mostar. Most often than not mentions of the beer are accompanied by a picture including a pint and the Ottoman-era bridge.

The Oldbridž brewery offers no less than 13 different ales, the most popular of which is the Pale Ale - a cloudy, colorful ale with the traditional citrusy taste. It has been criticized, however, for its sourness and high carbonation. Online users were more positive towards the likes of the Semizburg Karandoloz and the Castrum Gruit. Despite their good reviews those beers remain largely unnoticed online.



### Moldova

Moldova's market is one of the smallest in the region. While the country has a distinct lack of local craft breweries, users' enthusiasm for locally-brewed ales suggests that



### Top 5

Beer	Score
Litra Pale Ale	76
Elvis Black IPA	68
BH Bruna Nefiltratá	68
Airbeer IPA	64
Albeer 12°	31

a boom could be expected in the near future. While experts do not think much of Moldovan crafts, it could be argued that the country offers a great variety for its size.

Once again, a pale ale makes it to the top of a country list. And this despite the fact that the Chisinau-based Litra brewery has tried its hands on a number of different beer styles, including Bohemian Pils, Chocolate Porter, Hefeweissbier, Vienna Lager etc.

The Litra Pale Ale is described as having a pleasant flowery aroma. It has a moderately bitter aftertaste and a fruity taste ranging from lemon all the way to pineapple. The biggest factor for the ale's popularity is the Budapest Hopaholic Bar where users from around the world got their hands on the Moldavian craft beer.

## Montenegro

Montenegro is the country with the smallest population amongst those included in the report. This fact is reflected in the general lack of breweries and the limited variety of local crafts. Nevertheless, the positive reviews, coming mostly from tourists visiting the country, leave some hope that the Montenegrin market could follow the lead of the likes of Croatia and Slovenia.

The Red Cat Brewery Wheat IPA represents an interesting case of a craft beer made by

a so-called contract brewer. It is, in fact, made in Slovenia at Pivovarna Vizir, but sold under the label of the Montenegro based beer firm Red Cat Brewery. Online users mention a Russian influence in the beer's creation which could explain the fact that the majority of comments come from Russian tourists in Montenegro. It is described as citric and very fruity with a floral (sometimes even too floral) aroma.

The second-placed FIT Svetlo is one of the rare lagers that get into the top 5 craft beers of a given country. Perhaps even more curiously, it is brewed in a Chinese restaurant located in Podgorica.

## Albania

Albania is another small, under-developed craft beer market. The bulk of breweries are, in fact, local pubs that also make their own beer. Nevertheless, there is some variety in the ales at offer as well as a quality that did not escape the eyes of experts.

It is hardly a surprise that 3 of the top 4 craft beers in Albania are brewed by pubs. The only actual local microbrewery - Shoqeria Picana – is responsible for number two on the list – the Birra King Pils.

The Brauhaus German restaurant at Tirana makes arguably the best craft beer in Albania. The Dark Brau (as its name in German suggests) is a dark brown ale with a bittersweet taste of chocolate or toast. While sharing their Dark Brau-drinking experience did spark jealousy in some users' friends, most comments described it as simply okay or good for an Albanian ale.

## Macedonia

Macedonia has a single craft brewer and this is the Temov Old Town Pub. Nevertheless, the pub/brewery does come up with no less than 10 different craft ales which do receive some nods from experts in the field. This is the first

craft brewery in the country and has already secured the interest of some locals.

There was not much separating the top three beers offered by the Temov pub. What is interesting is that the brewer has decided to name a beer not only after Gotse Delchev (a revolutionary considered a national hero in Macedonia), but also after the legendary Albanian leader Skanderbeg.

The top beer itself – Temov Kaldrma – is a representative of the Smoked Helles style. It is made from part smoked and part caramelised barley. The Kaldrma is described as light and suitable for the hot summer days.



## Kosovo

Just as it was with Bosnia and Herzegovina, many people are surprised to find out that Kosovo has any (no matter how small) craft beer scene. It turns out that while the craft beer market is the least developed out of all countries in the region, Kosovo does have one more brewery than its neighbouring Macedonia.

Furthermore, Kosovo boasts with a beer that has a rating higher than the best that the likes of Moldova and Bosnia and Herzegovina have to offer. The Sabaja IPA is the first of its kind for the country and is received warmly by no less than 70% of online users. The fact that it is available in a number of locations in the capital Pristina and the city of Prizren also helped it gain popularity. Experts have also signed their praises for its sparkling appearance and mildly bitter aftertaste. Negative reviews mention the lack of sufficient fruitiness.

The Sabaja brewery is so far ahead of the competition that even its second-best – the Smoked Porter – is far better than the products of its only competitor. As was the case with other breweries in the region, Sabaja was founded by a U.S. entrepreneur and his local friends.

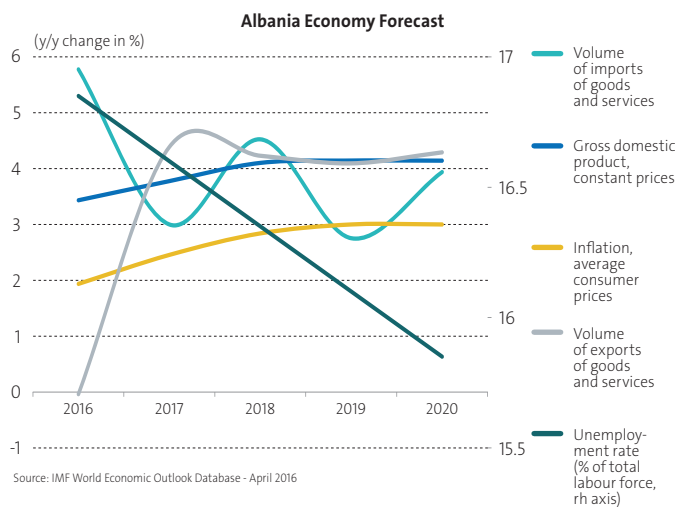
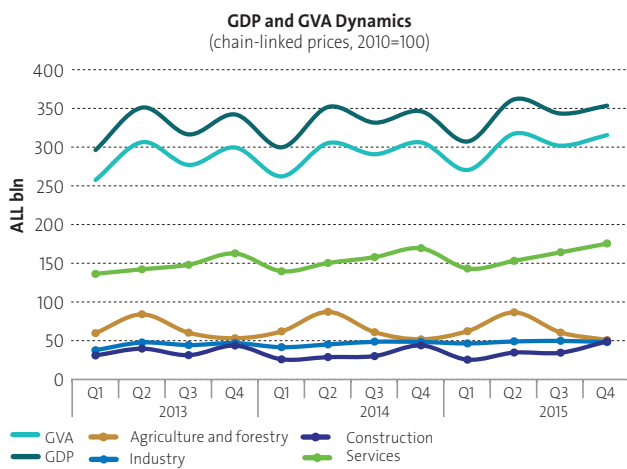


# SEE landscape

## Albania TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	138	Kastrati Sh.a.	Petroleum/Natural Gas	374.7	-23.28%	9.1	10.3
2	141	Operatori i Shperndarjes se Energjise Elektrike (OSHEE) Sh.a. (formerly known as CEZ Shperndarje Sh.a.)	Electricity	371.8	7.78%	108.7	-32.2
3	172	Bankers Petroleum Albania Ltd.	Petroleum/Natural Gas	262.4	-42.57%	-14.5	-78.2
4	349	Kurum International Sh.a.	Metals	156.8	-23.79%	-33.2	1.7
5	364	Korporata Elektroenergjitike Shqiptare Sh.a. (KESH)	Electricity	146.7	25.12%	10.5	-158.0
6	381	Europetrol Durres Albania Sh.a.*	Petroleum/Natural Gas	135.5	-5.08%	1.0	1.3
7	393	Genklaudis Sh.a.	Petroleum/Natural Gas	130.6	-2.90%	0.701	1.1
8	396	Info-Telecom Sh.p.k.	Telecommunications	127.7	10.68%	1.6	1.4
9	426	Vodafone Albania Sh.a.	Telecommunications	115.6	-2.15%	4.3	13.1
10	489	Telekom Albania	Telecommunications	98.1	3.88%	5.7	20.9

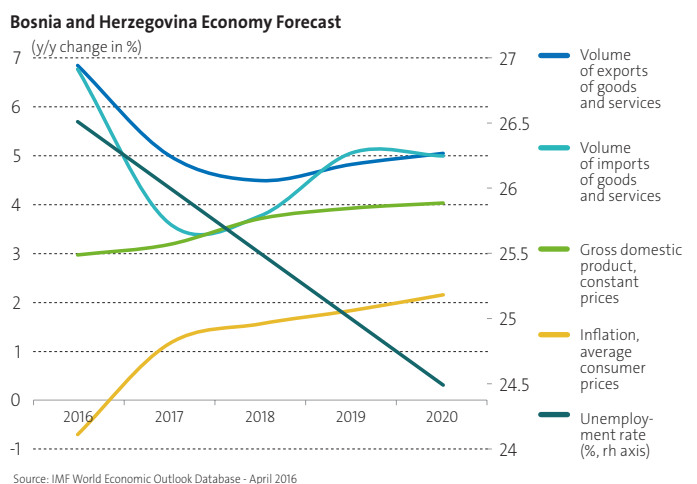
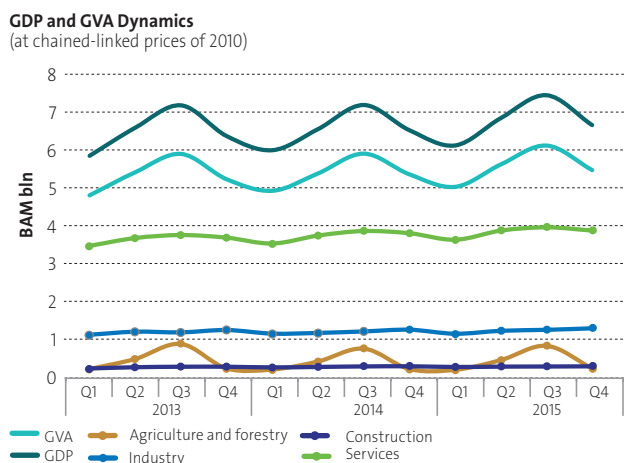
Source: Media Union Group, Monitor magazine-Albania estimations based on the data provided by the tax office. (\*) Gross profit/loss



## Bosnia and Herzegovina TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	85	JP Elektroprivreda BiH d.d.	Electricity	503.1	-0.04%	1.9	1.7
2	104	Holdina d.o.o. Sarajevo*	Petroleum/Natural Gas	436.1	-16.87%	2.1	3.1
3	105	Konzum DOO*	Wholesale/Retail	435.9	22.04%	1.0	2.2
4	115	Bingo d.o.o. Tuzla*	Wholesale/Retail	412.3	42.36%	28.7	20.5
5	132	Optima Grupa d.o.o. Banja Luka	Petroleum/Natural Gas	386.0	-29.60%	-70.4	-151.6
6	171	Arcelormittal d.o.o. Zenica*	Metals	323.9	-4.38%	-9.8	11.5
7	198	BH Telecom d.d.	Telecommunications	279.5	-5.24%	41.0	40.2
8	229	Petrol BH Oil Company d.o.o. Sarajevo*	Petroleum/Natural Gas	242.1	4.75%	1.2	2.7
9	233	Telekomunikacije Republike Srpske a.d.	Telecommunications	237.3	-4.92%	41.7	54.5
10	239	Aluminij d.d.*	Metals	228.9	2.15%	-22.8	-25.1

(\*) Source for Net profit/loss 2015: LRC Engineering Ltd, Sarajevo

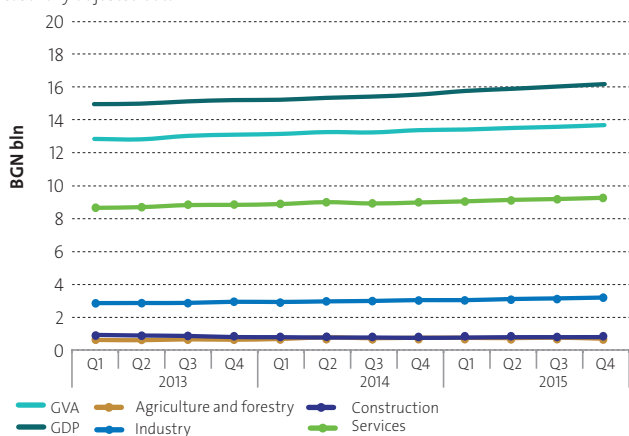


## Bulgaria TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	5	Lukoil Neftochim Burgas AD	Petroleum/Natural Gas	2 614	-21.61%	-62.4	-272.1
2	7	Aurubis Bulgaria AD	Metals	2 221	2.22%	112.0	61.1
3	14	Natsionalna Elektrieska Kompania EAD	Electricity	1 660	6.89%	-100.6	-299.9
4	17	Lukoil-Bulgaria EOOD	Petroleum/Natural Gas	1 536	-4.75%	-3.2	-17.1
5	53	Kaufland Bulgaria EOOD & Co KD	Wholesale/Retail	762.6	12.15%	41.8	34.1
6	59	Bulgargaz EAD	Petroleum/Natural Gas	721.1	-9.35%	10.4	2.6
7	61	CEZ Elektro Bulgaria AD	Electricity	716.7	-2.44%	4.4	12.7
8	80	OMV Bulgaria OOD	Petroleum/Natural Gas	524.0	-27.28%	17.1	14.2
9	84	Express Logistic And Distribution EOOD	Wholesale/Retail	507.1	94.73%	-0.260	-4.3
10	90	Saksa OOD	Petroleum/Natural Gas	484.6	1.33%	8.4	5.1

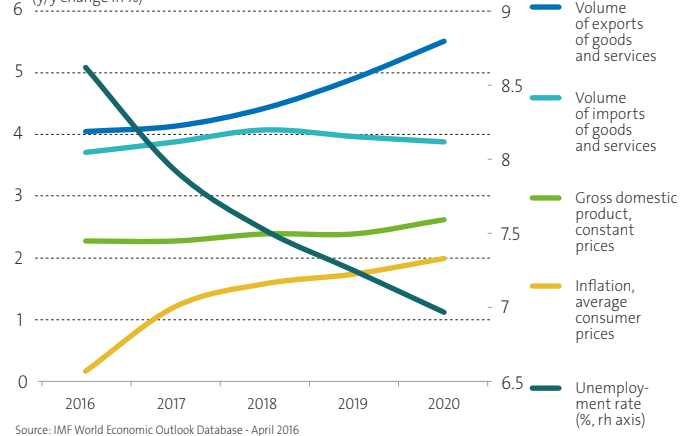
## GDP and GVA Dynamics

seasonally-adjusted data



## Bulgaria Economy Forecast

(y/y change in %)

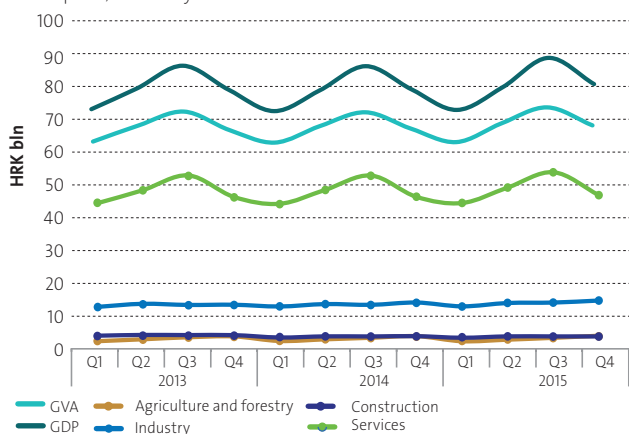


## Croatia TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	6	INA d.d.	Petroleum/Natural Gas	2 328	-19.97%	-157.5	82.4
2	10	Konzum d.d.	Wholesale/Retail	1 957	11.05%	30.7	14.2
3	21	Hrvatska Elektroprivreda d.d.	Electricity	1 246	-16.75%	212.7	157.8
4	41	HEP-Operator Distribucijskog Sustava d.o.o.	Electricity	919.2	-0.56%	95.0	80.9
5	51	Hrvatski Telekom d.d.	Telecommunications	787.8	-3.43%	117.0	147.6
6	71	Petrol d.o.o.	Petroleum/Natural Gas	638.2	-5.40%	9.1	5.0
7	82	Pliva Hrvatska d.o.o.	Pharmaceuticals	520.2	4.55%	22.3	76.5
8	83	Plodine d.d.	Wholesale/Retail	508.1	13.56%	4.6	5.4
9	88	Prvo Plinarsko Drustvo d.o.o.	Petroleum/Natural Gas	491.4	30.14%	27.0	16.8
10	89	Lidl Hrvatska d.o.o. k.d.	Wholesale/Retail	486.3	13.36%	24.3	14.2

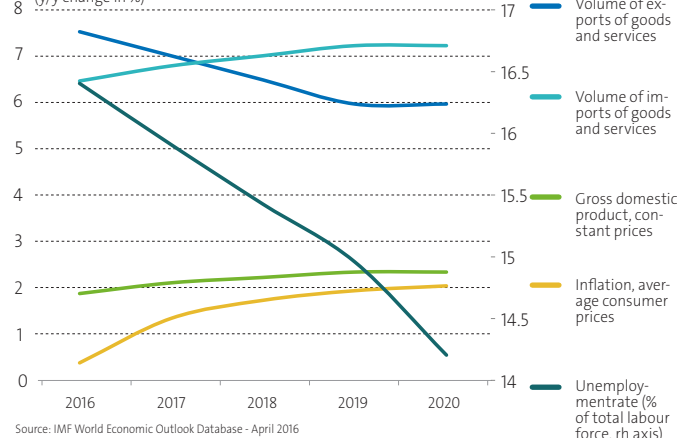
## GDP and GVA Dynamics

constant prices, reference year 2010



## Croatia Economy Forecast

(y/y change in %)



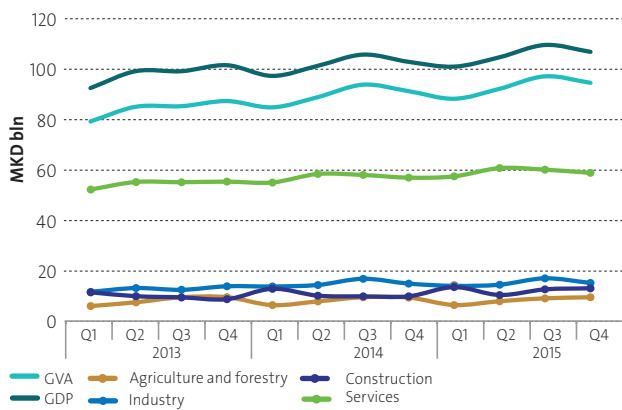
## Macedonia TOP 10

							in millions of euro	
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014	
1	24	Johnson Matthey DOOEL	Chemicals	1200	28.33%	91.3	56.1	
2	116	EVN Elektrostopanstvo na Makedonija AD	Electricity	409.7	3.95%	28.4	5.4	
3	167	Okta AD	Petroleum/Natural Gas	328.9	-8.44%	1.3	-8.1	
4	185	Makpetrol AD	Petroleum/Natural Gas	301.4	-9.52%	0.212	-1.7	
5	215	Elektrani na Makedonija AD	Electricity	261.0	8.49%	6.7	-14.2	
6	288	Feni Industry AD	Metals	191.9	-10.92%	-7.3	-8.2	
7	316	Makedonski Telekom AD	Telecommunications	174.5	31.44%	23.9	36.8	
8	462	Alkaloid AD	Pharmaceuticals	103.1	6.99%	10.5	10.2	
9	483	Arcelormittal Skopje (CRM) AD	Metals	98.8	18.84%	-10.1	-10.6	
10	496	Lukoil Makedonija DOOEL	Petroleum/Natural Gas	96.3	-12.61%	2.3	4.0	

Source: Central register of the Republic of Macedonia

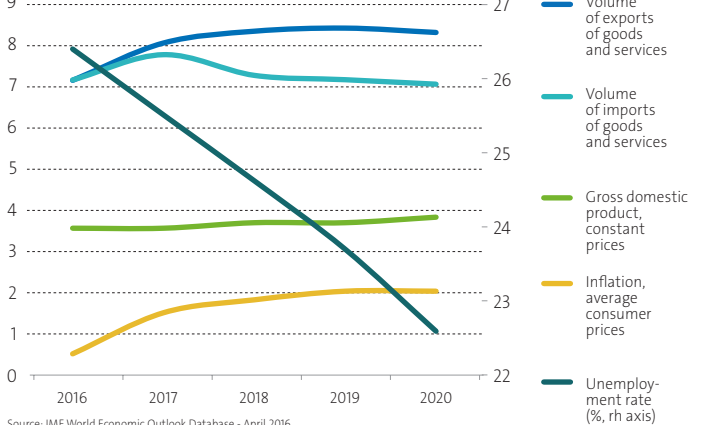
### GDP and GVA Dynamics

constant prices



### Macedonia Economy Forecast

(y/y change in %)



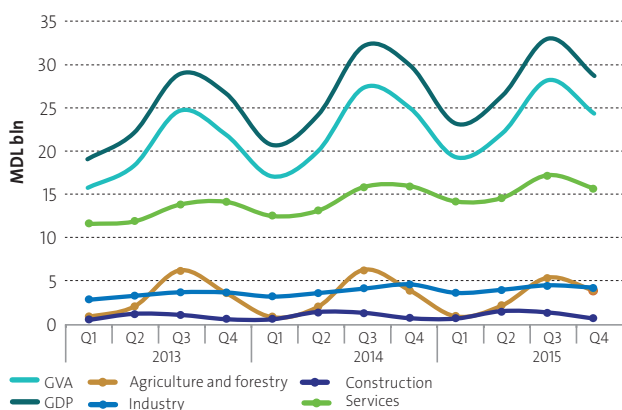
Source: IMF World Economic Outlook Database - April 2016

## Moldova TOP 10

							in millions of euro	
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014	
1	270	Energocom SA	Electricity	199.6	286.18%	0.114	-0.312	
2	414	Orange Moldova SA	Telecommunications	118.3	-0.12%	N/A	N/A	
3	439	Termoelectrica SA (formerly known as CET 2 SA)	Electricity	109.9	32.63%	-16.8	-0.512	
4	449	Moldtelecom SA	Telecommunications	107.8	6.09%	4.4	3.3	
5	620	Red Union Fenosa SA	Electricity	69.6	-66.15%	24.2	25.7	
6	629	Tirex-Petrol SA	Petroleum/Natural Gas	68.6	-12.65%	1.1	-0.353	
7	705	Moldcell SA	Telecommunications	52.9	9.68%	N/A	N/A	
8	710	Supraten SA	Building materials	51.2	12.39%	0.652	0.463	
9	723	Sudzucker Moldova SA	Food/Drinks/Tobacco	48.5	-13.04%	-1.05	-1.0	
10	798	Lafarge Ciment SA	Building materials	38.0	7.96%	8.8	7.0	

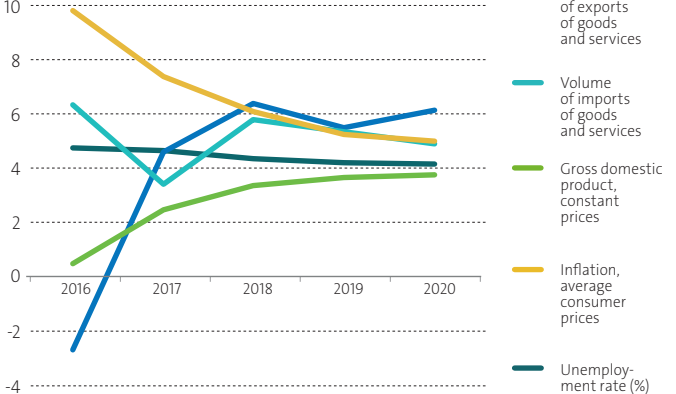
### GDP and GVA Dynamics

at average previous year prices



### Moldova Economy Forecast

(y/y change in %)



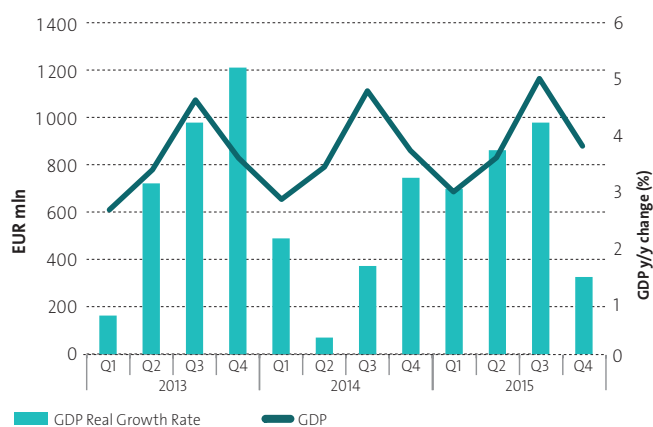
Source: IMF World Economic Outlook Database - April 2016



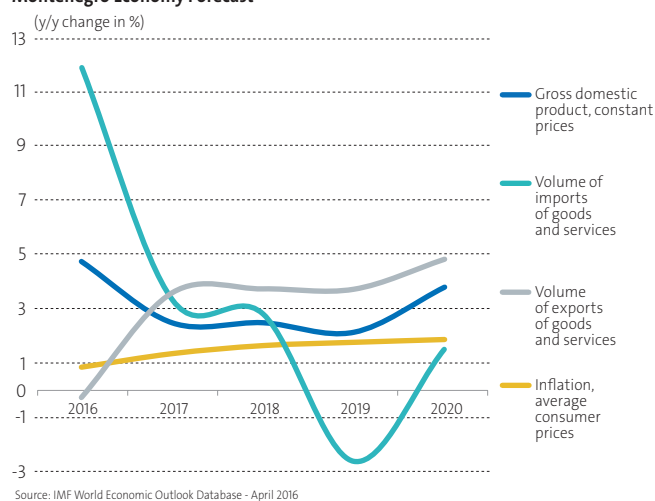
## Montenegro TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	218	Elektroprivreda Crne Gore A.D.	Electricity	256.8	-3.71%	10.8	34.8
2	290	Voli Trade D.O.O.	Wholesale/Retail	190.6	4.55%	2.8	2.2
3	376	Jugopetrol A.D.	Petroleum/Natural Gas	138.2	-21.34%	4.9	4.7
4	416	Mercator-CG D.O.O.	Wholesale/Retail	117.2	5.46%	2.0	0.022
5	463	Hard Discount Lakovic D.O.O.	Wholesale/Retail	102.6	13.06%	4.0	1.6
6	469	Crnogorski Telekom A.D.	Telecommunications	100.8	-5.12%	15.9	21.6
7	477	Telenor D.O.O.	Telecommunications	99.5	41.33%	46.9	20.7
8	628	Montenegro Airlines A.D.	Transportation	68.6	1.14%	-10.4	-9.5
9	671	Roksped D.O.O.	Transportation	60.1	-18.05%	-12.7	0.010
10	673	Franca Marketi D.O.O.	Wholesale/Retail	59.8	279.22%	0.840	1.0

### GDP and GVA Dynamics constant prices



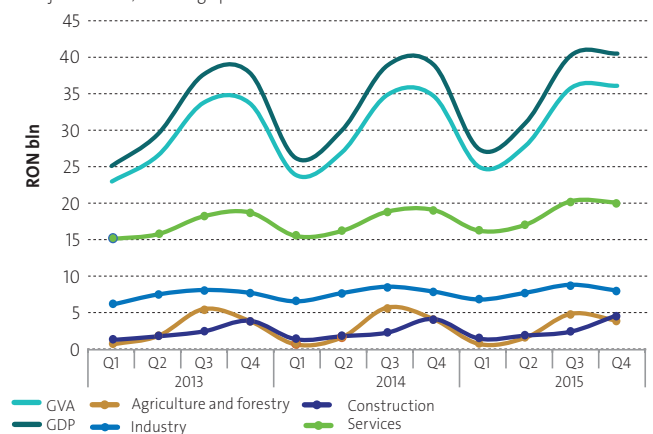
### Montenegro Economy Forecast



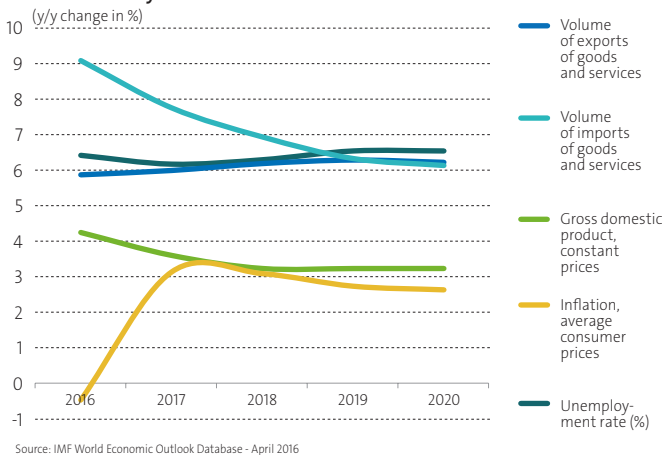
## Romania TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	1	Automobile-Dacia SA	Automobiles	4 290	1.98%	99.0	82.9
2	2	OMV Petrom SA	Petroleum/Natural Gas	3 554	-13.43%	-139.4	409.9
3	3	OMV Petrom Marketing SRL	Petroleum/Natural Gas	3 322	3.68%	73.2	68.0
4	8	Romp petrol Rafinare SA	Petroleum/Natural Gas	2 167	-27.09%	18.6	-239.8
5	9	Kaufland Romania SCS	Wholesale/Retail	2 038	14.63%	143.4	91.4
6	11	Romp petrol Downstream SRL	Petroleum/Natural Gas	1 845	-12.40%	-30.7	9.5
7	15	British American Tobacco (Romania) Trading SRL	Food/Drinks/Tobacco	1 632	6.07%	96.3	79.5
8	23	Lukoil Romania SRL	Petroleum/Natural Gas	1 206	-6.98%	7.7	-0.037
9	25	Carrefour Romania SA	Wholesale/Retail	1 155	12.84%	28.2	26.6
10	27	E.ON Energie Romania SA	Petroleum/Natural Gas	1 107	2.68%	24.7	21.0

### GDP and GVA Dynamics unadjusted data; at average prices of 2000



### Romania Economy Forecast

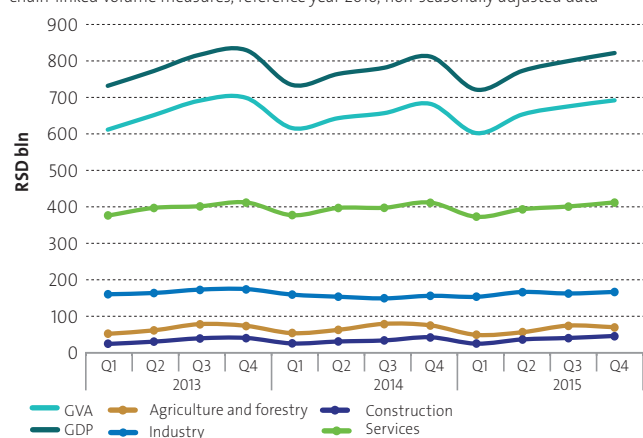


## Serbia TOP 10

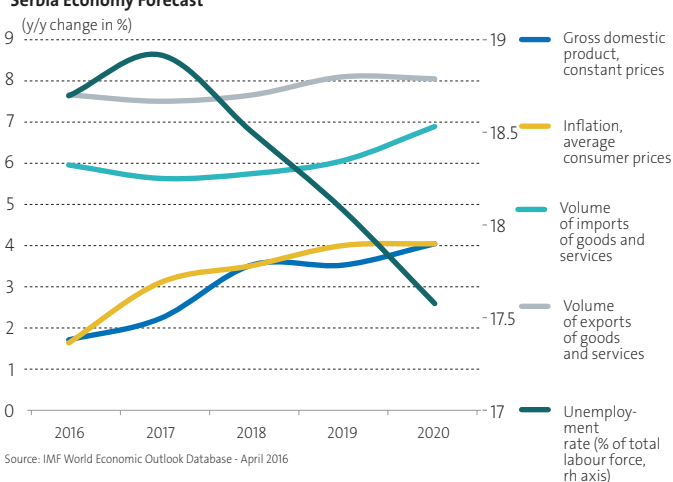
in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	13	Naftna Industrija Srbije AD	Petroleum/Natural Gas	1 763	-18.28%	132.8	253.4
2	16	EPS Snabdevanje DOO	Electricity	1 584	5.02%	-58.5	-75.8
3	19	JP Elektroprivreda Srbije (JP EPS)	Electricity	1 380	0.94%	90.7	22.8
4	22	FCA Srbija DOO	Automobiles	1 220	-8.43%	19.7	20.4
5	39	Mercator - S DOO	Wholesale/Retail	945.1	53.31%	3.1	0.836
6	47	JP Srbijagas	Petroleum/Natural Gas	830.3	23.73%	24.4	-373.5
7	48	Telekom Srbija AD	Telecommunications	820.5	4.38%	134.6	139.9
8	68	Delhaize Serbia DOO	Wholesale/Retail	660.1	5.23%	23.9	24.8
9	96	EPS Distribucija DOO (formerly Elektrodistribucija-Beograd DOO)	Electricity	458.0	182.38%	47.2	-31.1
10	98	YugoRosGaz AD	Petroleum/Natural Gas	448.3	0.88%	9.3	7.4

### GDP and GVA Dynamics

chain-linked volume measures, reference year 2010, non-seasonally adjusted data



### Serbia Economy Forecast

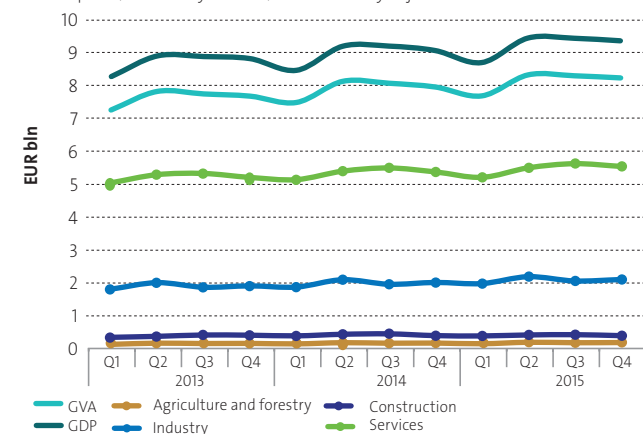


## Slovenia TOP 10

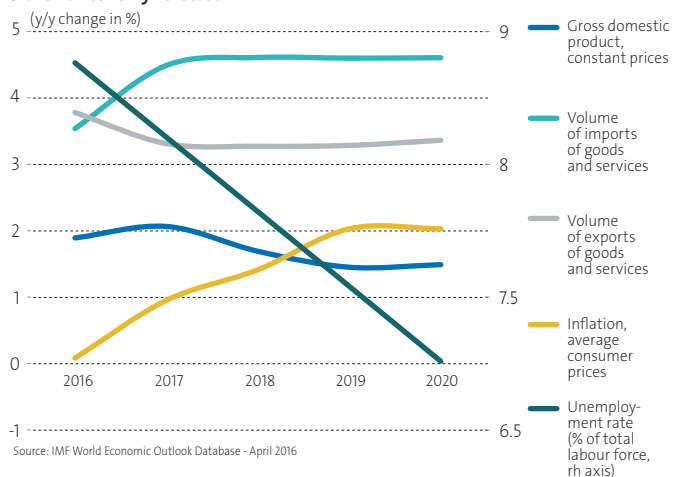
in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2015	y/y change in revenue	Net profit/loss 2015	Net profit/loss 2014
1	4	Petrol d.d.	Petroleum/Natural Gas	3 114	-6.39%	30.1	41.1
2	12	GEN-I d.o.o.	Electricity	1 791	40.29%	8.1	8.6
3	18	Poslovni Sistem Mercator d.d.	Wholesale/Retail	1 444	-1.84%	-3.8	-95.1
4	20	Holding Slovenske Elektrarne d.o.o.	Electricity	1 325	-3.88%	-323.1	140.8
5	26	Krka d.d.	Pharmaceuticals	1 147	-5.07%	146.3	144.4
6	30	Revvoz d.d.	Automobiles	1 035	20.02%	11.6	12.2
7	43	Lek d.d.	Pharmaceuticals	894.7	15.35%	115.9	69.3
8	60	Gorenje d.d.	Electronics	719.4	0.74%	-4.0	6.3
9	65	Telekom Slovenije d.d.	Telecommunications	685.1	-0.36%	45.9	17.8
10	74	OMV Slovenija d.o.o.	Petroleum/Natural Gas	600.6	-12.07%	18.0	12.7

### GDP and GVA Dynamics

constant prices, reference year 2010; non-seasonally adjusted data



### Slovenia Economy Forecast



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