

SeeNews

Business Intelligence
for Southeast Europe

11th
annual
edition

TOP 100

COMPANIES
SOUTHEAST
EUROPE

2018

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Letter from the editor

A good year it was, 2017. Economies in Southeast Europe (SEE) shifted to a higher gear, incomes grew and people spent more, and companies booked record sales and profits. The upswing swept across all sectors of the economy, with the automotive having the biggest reason for cheer. The oil industry recovered, and the metals companies directly benefited from the rise in auto production and other sectors as economic expansion gained speed and global metal prices increased.

The global economic environment remained favourable and nature was benevolent. In the thankful absence of cataclysms, the region's endemic problems of weak rule of law, unpredictable changes in regulations and obsolete infrastructure remained just annoying detriments to growth but were no showstoppers.

The economic tailwinds offer the businesses in SEE an opportunity to close the competitiveness gap with their peers on the more developed Western markets. To harness their potential, however, it is crucial that they allocate more money to research. The good health of the region's basic industries provides solid foundations for a sharper focus on innovations.

The governments in the region can lend a helping hand, too. "Innovation and entrepreneurship is a series of typically many failures and one giant success. The question is: Is there an environment that allows people to fail and companies to fail and then recover and try again," Arup Banerji, Regional Director for the European Union countries for the World Bank Group, says in the opening interview for this publication. "You need to have innovative companies with higher tolerance for risk, a regulatory structure that allows them to take risk and a financing structure that shares the risk with other investors."

Reading between the lines of balance sheets and the success stories, we have tried to identify the undercurrents that will shape the SEE markets in the coming years, the market players who will top the charts, the industries that will pace economic growth, and the snags that jeopardise it. We pick the brains of the CEOs of some of the top companies and stock exchanges in the region. The leading banks in the region offer their projections on lending growth and the likelihood of new consolidation deals, and the top insurers explain how climate change will impact their operations. To add detail to the broad-brush picture of the biggest businesses, we draw your attention to small companies managing to be inventive, innovative and successful against the odds.

As countries in SEE move to liberalise their power markets, we talk to Janez Kopac, Director of the Energy Community Secretariat and former Slovenian finance minister.

We also give you the perspective of the tech companies with an opinion piece by Michael Paier, general manager of IBM South East Europe, on how mastering the latest digital technologies will be a key component of economic development and competitiveness for all countries, and an article by Gregor Potocar, managing director of SAP SEE, stating that increased connectivity will be a key driver of progress in the region.

We take a turn away from the big names with a story on some of the exciting, yet little known innovations for a low-carbon economy born in SEE, including an electric hypercar and a blockchain-fuelled, peer-to-peer energy transfer platform. "We never thought locally, only globally," says the owner of the electric hypercar manufacturer, who started off his business in a garage in a little town in 2009. Perseverance in making a good idea work paid off - earlier this year auto giant Porsche bought a stake in his company.

Nevena Krasteva
Editor-in-chief

Медното сърце на България 60 години по-късно

Аурубис е водеща международна група за производство на мед и други цветни метали и световен лидер в рециклирането на медни отпадъци. Заводът ни в България е разположен в Средногорието и е структуроопределящ за икономиката на страната. Ние сме най-големият производител на мед в Югоизточна Европа и втората по големина компания в България като размер на годишните приходи. Реализираме значителна част от износа на страната с принос в растежа на брутния вътрешен продукт. Инвестициите ни в модернизация на производството и опазване на околната среда надхвърлят 1.2 милиарда лева. Продуктите ни намират широко приложение в електрониката, енергетиката, автомобилостроенето, химическата индустрия и строителството.

Натрупаният опит, задълбочената експертиза, приемствеността и уважението към традициите ни помагат винаги да мислим в перспектива. Грижата към околната среда, социалната отговорност и дългогодишното партньорство с общностите са част от общия ни стремеж за просперитета и добруването на България.

През 2018 година отбелязваме 60 години от създаването на медодобивния завод в Средногорието.

Водим се от принципите за отговорност, уважение и перспектива. Отговорност, защото като водеща компания сме длъжни да задаваме стандарти не само в металургичния сектор, а в индустрията като цяло. Не сме затворена система и вярваме, че високото ниво на фирмена култура дава своето отражение навън. Уважение, защото хората, които работят при нас, са най-големият ни капитал. Перспектива, защото сме стратегически инвеститор и по отношение на служителите си.



The Copper Heart of Bulgaria 60 Years Later

Aurubis Group is a leading international producer of copper and other non-ferrous metals and a world leader in copper recycling. Our plant in Bulgaria is located in Srednogorie and is of structural importance to country's economy. We are the largest copper producer in Southeastern Europe and the second largest company in Bulgaria in terms of revenue. Our operations contribute to the GDP growth by realizing significant part of country's export. Our investments in modernization of production and environmental protection exceed 1.2 billion leva so far. Our products are widely used in electronics, energy, automotive, chemical industry and construction.

Accumulated experience, in-depth expertise, continuity and respect to traditions help us to always think in perspective. Environmental care, social responsibility and long-standing partnership with communities are part of our common drive for the prosperity and well-being of Bulgaria.

In 2018 we mark 60 years since the establishment of the copper plant in the Srednogorie region. We are guided by the principles of responsibility, respect and prospect. Responsibility because as a leading company, we are obliged to set standards not only in the metallurgical sector but in the industry as a whole. We are not a closed system and we believe that the high level of corporate culture reflects its outward appearance. Respect, because the people who work with us are our greatest capital. Perspective because we strategically invest in our employees as well.

60
ГОДИНИ
ПО-КЪСНО

 **Aurubis**



in millions of euro

Rank 2017	Rank 2016	Company name	Country	Industry	Total revenue 2017	Total revenue 2016	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016	Rank by net profit/loss
1	1	Automobile-Dacia SA	Romania	Automobiles	5 025	4 619	11.62%	115.7	100.5	15
2	2	Petrol d.d.	Slovenia	Petroleum/Natural Gas	3 791	3 214	17.94%	64.3	43.7	29
3	4	OMV Petrom SA	Romania	Petroleum/Natural Gas	3 531	3 100	16.89%	515.0	199.9	1
4	3	OMV Petrom Marketing SRL	Romania	Petroleum/Natural Gas	3 264	3 211	4.28%	68.8	84.9	25
5	5	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	2 962	2 300	28.79%	155.4	60.9	9
6	12	Aurubis Bulgaria AD	Bulgaria	Metals	2 638	1 682	56.83%	201.2	100.6	6
7	9	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	2 487	1 985	28.59%	89.8	15.4	19
8	13	GEN-I d.o.o.	Slovenia	Electricity	2 456	1 656	48.28%	13.5	8.6	65
9	8	INA d.d.	Croatia	Petroleum/Natural Gas	2 440	1 993	21.77%	189.8	21.2	8
10	7	JP Elektroprivreda Srbije	Serbia	Electricity	2 316	2 089	6.38%	28.8	71.2	47
11	6	Kaufland Romania SCS	Romania	Wholesale/Retail	2 177	2 143	4.24%	143.9	143.9	12
12	15	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	1 953	1 546	21.20%	235.3	130.6	5
13	10	Rompetrol Downstream SRL	Romania	Petroleum/Natural Gas	1 942	1 820	9.49%	36.2	13.7	40
14	11	British American Tobacco (Romania) Trading SRL	Romania	Food/Drinks/Tobacco	1 920	1 811	8.80%	65.6	148.1	28
15	19	Holding Slovenske Elektrarne d.o.o.	Slovenia	Electricity	1 659	1 294	28.21%	19.7	44.4	56
16	New	Star Assembly SRL	Romania	Automobiles	1 620	366.7	353.42%	52.8	11.6	31
17	14	Natsionalna Elektrieska Kompania EAD	Bulgaria	Electricity	1 605	1 576	1.90%	3.5	-65.8	84
18	29	Revoz d.d.	Slovenia	Automobiles	1 594	1,086	46.79%	34.8	15.9	43
19	17	Johnson Matthey DOOEL	Macedonia	Chemicals	1 485	1 346	10.34%	96.8	121.3	17
20	20	Carrefour Romania SA	Romania	Wholesale/Retail	1 477	1 277	18.61%	45.0	36.1	34
21	21	Lidl Discount SRL	Romania	Wholesale/Retail	1 415	1 243	16.85%	75.7	47.9	22
22	23	Dedeman SRL	Romania	Wholesale/Retail	1 384	1 172	21.15%	190.8	157.0	7
23	16	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	1 375	1 404	-2.07%	-3.1	-2.0	94
24	22	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	1 283	1 182	11.31%	18.4	-3.6	60
25	25	Krka d.d.	Slovenia	Pharmaceuticals	1 228	1 153	6.44%	153.7	102.9	10
26	New	Konzum d.d.	Croatia	Wholesale/Retail	1 217	1 398	-13.42%	-525.2	-246.0	100
27	18	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	1 199	1 342	-10.62%	-203.7	-77.4	99
28	32	MOL Romania Petroleum Products SRL	Romania	Petroleum/Natural Gas	1 184	1 054	15.27%	39.3	33.7	37
29	24	Hrvatska Elektroprivreda d.d.	Croatia	Electricity	1 174	1 170	-0.21%	48.4	175.2	32
30	27	Orange Romania SA	Romania	Telecommunications	1 174	1 106	8.85%	68.5	84.5	26
31	31	Engie Romania SA	Romania	Petroleum/Natural Gas	1 131	1 075	7.95%	72.4	81.4	23
32	30	Auchan Romania SA	Romania	Wholesale/Retail	1 123	1 082	6.51%	16.1	-5.3	62
33	43	Ford Romania SA	Romania	Automobiles	1 080	867.2	27.81%	20.5	6.4	54
34	41	Romgaz SA	Romania	Petroleum/Natural Gas	1 074	880.3	25.19%	398.0	225.6	2
35	28	E.ON Energie Romania SA	Romania	Petroleum/Natural Gas	1 070	1 103	-0.49%	15.5	38.2	63
36	36	Mega Image SRL	Romania	Wholesale/Retail	1 058	955.7	13.59%	43.3	29.7	35
37	34	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	1 049	996.3	8.03%	48.3	65.9	33
38	44	Profi Rom Food SRL	Romania	Wholesale/Retail	1 046	861.2	24.61%	28.1	27.9	48
39	55	ArcelorMittal Galati SA	Romania	Metals	1 041	767.0	39.27%	-32.9	-59.8	97
40	New	Prvo Plinarsko Drustvo d.o.o.	Croatia	Petroleum/Natural Gas	1 028	436.5	134.11%	33.7	23.8	44
41	35	Metro Cash & Carry Romania SRL	Romania	Wholesale/Retail	1 023	967.3	8.55%	24.9	22.8	49
42	26	FCA Srbija DOO	Serbia	Automobiles	992.8	1 107	-13.92%	18.0	17.2	61
43	38	Lek d.d.	Slovenia	Pharmaceuticals	964.6	901.1	7.05%	83.2	74.8	21
44	50	Complexul Energetic Oltenia SA	Romania	Electricity	937.5	810.0	18.76%	38.8	-30.8	38
45	52	Samsung Electronics Romania SRL	Romania	Electronics	911.6	805.9	16.07%	13.5	12.0	66
46	New	Interenergo d.o.o.	Slovenia	Electricity	893.8	372.6	139.87%	2.9	-9.7	86
47	45	Kaufland Bulgaria EOOD & Co KD	Bulgaria	Wholesale/Retail	887.0	850.7	4.27%	39.8	45.0	36
48	47	Selgros Cash & Carry SRL	Romania	Wholesale/Retail	871.5	829.1	7.86%	10.5	5.6	73
49	54	Autoliv Romania SRL	Romania	Automobiles	862.2	793.3	11.53%	24.3	25.1	50
50	46	RCS & RDS SA	Romania	Telecommunications	858.0	841.1	4.67%	63.2	-13.1	30

in millions of euro

Rank 2017	Rank 2016	Company name	Country	Industry	Total revenue 2017	Total revenue 2016	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016	Rank by net profit/loss
51	48	Vodafone Romania SA	Romania	Telecommunications	845.3	821.9	5.53%	12.7	41.7	67
52	60	Gorenje d.d.	Slovenia	Electronics	844.3	732.4	15.28%	0.473	3.7	90
53	37	Electrica Furnizare SA	Romania	Electricity	844.0	927.0	-6.58%	0.336	38.7	91
54	40	Mediplus Exim SRL	Romania	Wholesale/Retail	839.4	884.0	-2.56%	10.2	22.6	77
55	49	Hrvatski Telekom d.d.	Croatia	Telecommunications	833.8	812.1	2.07%	111.9	120.3	16
56	63	Delhaize Serbia DOO	Serbia	Wholesale/Retail	819.8	698.8	12.55%	36.1	10.3	41
57	57	Telekom Srbija AD	Serbia	Telecommunications	794.2	760.9	0.16%	123.2	123.2	14
58	39	Mercator-S DOO	Serbia	Wholesale/Retail	787.9	839.3	-9.93%	-58.0	-14.6	98
59	71	JP Srbijagas	Serbia	Petroleum/Natural Gas	759.7	613.3	18.85%	141.6	17.6	13
60	73	IMPOL d.o.o.	Slovenia	Metals	751.6	589.2	27.57%	19.6	15.4	57
61	59	EPS Distribucija DOO	Serbia	Electricity	733.5	742.1	-5.16%	20.3	-3.0	55
62	80	Dante International SA	Romania	Wholesale/Retail	717.8	551.4	33.57%	-23.9	-18.8	96
63	61	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	714.7	703.5	4.25%	11.8	16.3	69
64	58	Hidroelectrica SA	Romania	Electricity	712.9	747.9	-2.20%	291.8	270.3	4
65	70	Altex Romania SRL	Romania	Wholesale/Retail	710.3	614.5	18.61%	10.4	8.8	74
66	New	HBIS Group Serbia Iron & Steel DOO	Serbia	Metals	695.3	330.9	101.58%	0.021	10.7	93
67	65	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	687.0	658.1	7.11%	149.7	166.4	11
68	69	Nelt Co DOO	Serbia	Transportation	669.0	622.5	3.12%	11.3	7.9	71
69	64	Telekom Slovenije d.d.	Slovenia	Telecommunications	662.6	677.1	-2.15%	1.7	40.5	88
70	76	Renault Commercial Roumanie SRL	Romania	Automobiles	661.0	565.0	20.05%	10.4	6.7	75
71	72	Transelectrica SA	Romania	Electricity	660.9	606.1	11.88%	6.1	60.0	79
72	66	CEZ Elektro Bulgaria AD	Bulgaria	Electricity	649.7	650.4	-0.12%	18.6	0.342	59
73	68	REWE (Romania) SRL	Romania	Wholesale/Retail	647.5	634.7	4.68%	4.1	5.2	83
74	56	ADM Romania Trading SRL	Romania	Agriculture	641.2	762.5	-13.71%	3.4	-7.1	85
75	74	Ameropa Grains SA	Romania	Agriculture	640.3	587.0	11.94%	6.0	3.2	80
76	67	Farmexpert D.C.I. SRL	Romania	Wholesale/Retail	636.4	637.7	2.41%	19.3	19.9	58
77	New	Hip - Petrohemija AD	Serbia	Chemicals	636.3	299.8	103.67%	342.5	-42.7	3
78	79	Porsche Romania SRL	Romania	Automobiles	634.2	551.8	17.93%	23.1	23.2	51
79	77	Petrol d.o.o.	Croatia	Petroleum/Natural Gas	625.9	564.9	10.15%	8.1	13.1	78
80	84	OMV Slovenija d.o.o.	Slovenia	Petroleum/Natural Gas	621.8	543.0	14.52%	21.8	21.0	53
81	78	Pliva Hrvatska d.o.o.	Croatia	Pharmaceuticals	619.3	600.1	2.61%	68.9	73.4	24
82	62	CFR SA	Romania	Transportation	618.4	701.1	-9.49%	33.1	110.4	45
83	89	Hella Romania SRL	Romania	Automobiles	618.0	518.7	22.26%	30.4	34.7	46
84	87	Lidl Hrvatska d.o.o. k.d.	Croatia	Wholesale/Retail	617.9	529.3	16.05%	35.6	32.1	42
85	75	Takata Romania SRL	Romania	Automobiles	616.2	577.7	9.45%	10.3	24.8	76
86	New	Tigar Tyres DOO	Serbia	Rubber/Rubber Products	611.2	364.7	60.81%	87.3	53.2	20
87	86	Alro SA	Romania	Metals	592.8	532.1	14.31%	68.2	14.8	27
88	88	JP Elektroprivreda BiH d.d.	Bosnia and Herzegovina	Electricity	590.6	528.8	11.68%	0.317	6.6	92
89	93	Michelin Romania SA	Romania	Rubber/Rubber Products	584.7	502.2	19.46%	11.0	22.8	72
90	85	Fildas Trading SRL	Romania	Wholesale/Retail	579.8	539.6	10.27%	22.2	20.7	52
91	90	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	576.2	518.2	11.19%	4.8	18.8	82
92	42	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	575.7	875.8	-34.65%	90.5	88.3	18
93	New	Cofco International Romania SRL	Romania	Agriculture	565.1	284.8	103.59%	2.4	3.4	87
94	91	Plodine d.d.	Croatia	Wholesale/Retail	564.3	511.9	9.59%	14.7	10.1	64
95	New	Saksa OOD	Bulgaria	Petroleum/Natural Gas	553.3	430.6	28.50%	5.7	5.9	81
96	82	Express Logistic and Distribution EOOD	Bulgaria	Wholesale/Retail	546.6	546.7	-0.02%	-5.2	1.9	95
97	New	Astra Bioplant EOOD	Bulgaria	Petroleum/Natural Gas	543.2	388.3	39.89%	1.0	5.8	89
98	99	Bingo d.o.o. Tuzla	Bosnia and Herzegovina	Wholesale/Retail	531.8	468.2	13.57%	37.0	34.5	39
99	New	Crodux Derivati Dva d.o.o.	Croatia	Petroleum/Natural Gas	522.5	374.0	38.91%	11.9	7.7	68
100	New	Porsche Slovenija d.o.o.	Slovenia	Automobiles	515.5	453.7	13.61%	11.7	11.0	70

2017: Growing purchasing power brings in record-high sales to SEE companies

By Nevena Krasteva

Robust domestic demand backed by growing disposable incomes, a steady investment flow and a benign international environment put the economies in Southeast Europe (SEE) on a faster-growth track in 2017. Companies in the region cashed in on the positive consumer sentiment on both domestic and global markets, as investments made in capacity raised their productivity, while expenditures remained low. The aggregate revenues of the SEE TOP 100 entrants and their profits both hit record highs. The economic upsurge reached companies across all sectors, giving the strongest impetus to export-oriented majors in the metals industry and manufacturers of cars and car parts. Oil and gas companies, which traditionally dominate the SEE TOP 100 ranking, regained ground, too, after going through a rough patch in the past years due to the slump in global prices. Vibrant sectors such as agriculture, however, are still underrepresented in the ranking, while others, such as IT, are conspicuously absent.

E Expanding private consumption underpinned by growing disposable incomes pushed economic growth in SEE to 4.0% in 2017 from 3.5% a year earlier, outpacing the European Union (EU) average. A favourable external environment, including healthy performance of the economies in the EU, the region's main trade partner, and a global pickup in commodity prices provided a further boost to the economies in the region. Banks remained solid and the financial markets, with the exception of Romania, stayed calm. Unemployment was on a downward trajectory as managers remained upbeat in their hiring plans.

Improved business confidence and widely available cheap financing fuelled a rise in corporate investments, while EU funds continued to support public investment. Foreign direct investments increased in most countries in SEE, too, as evidenced by growing activity on the M&A market.

China emerged as a key investor, and continues to pour billions of euro in the region. Most of the money goes into key infrastructure projects in Serbia but the corporate sector also attracted a serious chunk of the total. In 2018, the government in Belgrade picked Zijin Mining Group as buyer of a 65% stake in state-run copper miner and smelter

RTB Bor for \$350 million. Earlier this year, Hisense Group became the owner of 95.42% of household goods manufacturer Gorenje, one of the top ten companies in Slovenia. Another Chinese company, CEFC China Energy Company Limited, was about to sign a deal for a majority stake in KazMunayGas International, the owner of Romania's Rompetrol Rafinare - the seventh biggest company in the region, according to our ranking. The deal, however, fell apart. In Bulgaria, the China National Nuclear Corporation declared its interest in the potential construction of a second nuclear power plant in the country.

With a population of 19.6 million and impressive gross domestic product (GDP) growth of 7% in 2017, Romania stands out as the showcase market in the region and home to most of its biggest companies, including the SEE TOP 100 ranking leader, car manufacturer Dacia. It serves as a test ground for most major foreign investors scanning the region for expansion opportunities, and leads the way on the M&A scene.

Romania's economy, however, also displays most of the weaknesses that annoy investors across the region – inefficient institutions, unpredictable policy-making and wavering progress in the fight against corruption. Political turmoil at times spills on to the stock market and hits the local currency,

frequent amendments to the tax code force businesses to revise their long-term plans, and attempts by the government to meddle with the judiciary raise concerns about the independence of the institutions.

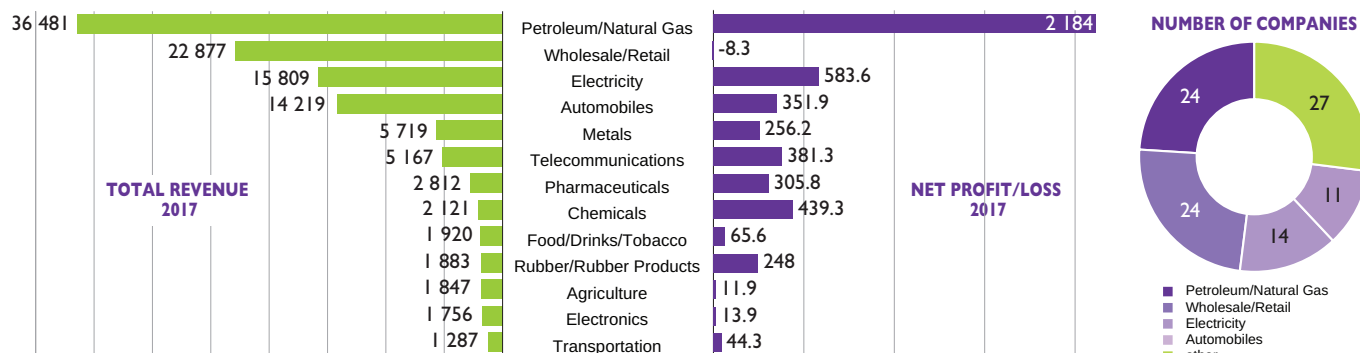
Furthermore, quick economic expansion has fuelled concerns about overheating, prompting the IMF to repeatedly urge for fiscal moderation and increased central bank vigilance. According to IMF projections, Romania's fiscal gap will widen to 3.6% in 2018 from 2.8% in 2017, whereas consumer price inflation is seen accelerating to 4.7% from 1.3%.

Despite its strong growth, Romania's GDP per capita was equal to just 63% of the EU average in 2017. Other countries in the region, Slovenia excluded, have even lower wealth levels, as they do not enjoy Romania's advantage of scale. At the same time they feel just as acutely the same problems stemming from the weak rule of law, corruption and unpredictable regulations. Infrastructure across the region is obsolete and declining unemployment is accompanied by shortages of skilled labour.

Add to these a bunch of large state-owned companies in urgent need of restructuring in Serbia, a thriving grey sector in Albania and Macedonia, the collapse of the biggest privately-owned concern in Croatia, and unresolved

BREAKDOWN BY INDUSTRY

(in millions of euro)



problems with neighbouring countries in Serbia, Kosovo and Macedonia. Against this backdrop, the strong performance of the companies in SEE TOP 100 is even more notable.

Putting the pedal to the metal

2017 will go down as the year companies in SEE boosted their earnings to all-time highs. As the region settled into a steady growth mode, the total revenue of the entrants of the SEE TOP 100 ranking reached 113.9 billion euro, up by 12.5% as compared to the turnover recorded by the companies in the previous year's ranking. Their total profit grew even more steeply, by 22%, to 4.9 billion euro. The threshold for entry into the ranking soared as well – to 515.5 million euro from 464.7 million euro a year earlier.

The upturn is largely due to a recovery of the oil and gas sector and strong performance by the metal companies, following a rise in global commodity prices.

Oil and gas companies account for about a quarter of all entrants in the ranking. At the same time their combined revenue makes up almost a third of the total – 36.5 billion euro, as compared to 30.3 billion euro booked by the entrants in the ranking a year earlier. Furthermore, their combined profit nearly doubled to 2.2 billion euro.

At number 2 in the ranking on 3.8 billion euro turnover, Slovenia's Petrol is the sector's top performer in SEE TOP 100. It is followed by Romania's OMV Petrom which reported the highest profit among all SEE TOP 100 entrants, of 515 million euro.

Six of the top ten companies in the ranking come from the oil and gas sector.

However, the sector to post the sharpest year-on-year increase in aggregate turnover, of 46% to 5.7 billion euro, is metal processing. Metal companies also saw their profits leap to a combined 256 million euro, from 71.0 million euro posted by the entrants in the ranking a year earlier. Apart from rising global prices, the sector's expansion is directly fuelled by increased demand by other industries as economic growth gains momentum. "Manufacturing a conventional automobile takes some 20-25 kg of copper, while for hybrid and electric vehicles this amount exceeds 100 kg. A wind generator and its infrastructure need over 20 t of copper," Tim Kurth, CEO of Aurubis Bulgaria, a unit of Hamburg-based copper producer Aurubis, says. (Read the full text of the interview with Kurth on p. 31.)

Aurubis Bulgaria is the biggest metals producer in the ranking and a newcomer among the top ten. The company's 2017 financial results reflect a sharp increase in output after a major shutdown of its plant for capacity upgrades a year earlier.

Car makers continue good run

Automobile Dacia, a unit of France's Renault, is the biggest company in SEE for a fourth year running as its revenue rose by 11.62% to 5.0 billion euro. Dacia's profit increased, too – to 115.7 million from 100.5 million euro – but by this indicator the company ranks a distant 15th in the region. "Sales of cars and parts grew as compared to 2016, because of the excellent mix of models and versions. To this result contributed also the completely knock down international sales," the company told SeeNews. The higher operating profit shows the profitability of current operations and that the company's resources have been used efficiently, it added.

METHODOLOGY

SEE TOP 100 ranks the biggest companies in Southeast Europe by total revenue for the fiscal year ended December 31, 2017. Both 2017 and 2016 comparative figures are sourced from 2017 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. 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 2,900. 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 2017 and 2016. 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.

Car manufacturing remained the fourth biggest industry in the region, generating a combined revenue of 14.2 billion euro and a net profit of 351.9 million euro. When taking into consideration the results of the tire makers, which in our ranking fall under the rubber and rubber products industrial category, the figures show an industry that is the third biggest in terms of turnover and generates the second biggest aggregate profit in the region.

The automotive sector's strong financial performance comes on the back of a remarkable rise in production. Vehicle production in SEE in 2017 showed a 14% annual growth rate against a European average of 3.7% and 1.9% globally, while passenger car sales increased by 9.7%, as compared to Europe's 3.1% and global 2.4% annual growth rates, according to data by the International Organization of Motor Vehicle Manufacturers. This upward trend is observed in all SEE markets except Macedonia.

Since 2007, when SeeNews started compiling its SEE TOP 100 ranking, the combined annual revenues of all car and car parts makers entering the ranking have increased 140%, a result unmatched by any other industry in the region. The automotive sector is among the most rapidly expanding industries in all countries in the region in terms of contribution to the GDP, production capacity increase, volume of investments and job creation. The sector, which benefits directly from growing demand both on domestic and global markets, attracts investors with low cost of construction, land and services, significant state subsidies and the region's proximity to key markets. Last but not least, SEE, in particular the countries with traditions in car manufacturing such as Romania, Serbia and Slovenia, boast a wide base of high-qualified workers. In Romania, for example, 15 universities offer automotive-related curricula.

Retailers take back seat as Agrokor crisis hits bottom lines

Another sector that enjoys the tailwinds of rising consumption is wholesale and retail. Yet, it is the only industry to report a combined loss, of 8.3 million euro, as five of all seven loss-makers in SEE TOP 100 come from its ranks. The sector's lacklustre performance is due to the collapse of Croatia's largest

The automotive sector's strong financial performance comes on the back of a remarkable rise in production.

privately-held concern Agrokor, represented in the ranking with three of its units – Croatian retailer Konzum, Slovenia's Poslovni Sistem Mercator and Serbia's Mercator-S. The three companies reported a combined loss of 786.9 million euro. Excluding their results, the sector's combined profit would have been the second biggest in the region.

Despite the poor performance of the three Agrokor members, the sector's combined turnover increased to 22.9 billion euro in 2017 from 20.7 billion euro posted by the entrants in the ranking a year earlier, pointing to the healthy state of the other wholesalers and retailers.

It comes as little surprise that Romania has the biggest number of representatives of this sector on the SEE TOP 100 list.

Or, for that matter, that it is the country with the biggest number of entrants, 51, among the region's top 100. Next comes Slovenia with 13 representatives, followed by Serbia with 12, Croatia with 11, Bulgaria with 10, Bosnia and Herzegovina with two and Macedonia with one. The other countries in the region did not manage to get in an entrant.

In terms of sectors, oil and gas, and wholesale and retail have 24 each, electricity has 14 and the automotive sector has 11, plus three tire makers which fall into the rubber and rubber products industry group. The metals sector is represented by five companies, while pharmaceuticals and agriculture have three entrants each. The sectors, whose number of representatives is slightly lower compared to the previous year, are drinks and tobacco, telecommunications, and transport. One industry that is conspicuously absent from the ranking is IT, even though it has emerged as a major driver of many economies in the region, creating thousands of jobs and generating some major M&A deals over the past years.

Export-oriented, integrated, investing heavily

Half of all entrants in this year's edition of SEE TOP 100 are foreign-owned. Foreign ownership helps local companies avoid many of their domestic problems, while giving them access to international markets and supporting their investment plans. The capacity for exports is crucial for domestically owned companies, as well, in order to offset the limitations of the small local markets.

Sales of motor vehicles and car components outside Romania accounted for 93% of Dacia's total sales in 2017. The other manufacturers of cars and car parts also sell the bulk of their output on foreign markets. Sales abroad are key for the operations of companies from the sectors of metals, chemicals and pharmaceuticals. Aurubis Bulgaria, the country's biggest exporter, contributes 9% of Bulgaria's exports, and Serbia's HIP-Petrohemija, the most profitable company among the entrants in this year's edition of SEE TOP 100, generates more than 80% of its revenue from exports.

Most of the top companies enjoy the economies of scale provided by the full integration of activities within their line of operation. Here again we do not need to look further than the top of the ranking for evidence to support this conclusion. Groupe Renault Romania, Dacia's parent company employing more than 17,700 people, integrates all activities specific for a car manufacturer. This has generated a steady economic performance and a wide range of job offers in different fields: market studies, design, engineering, technical research, manufacturing and supply chain, sales and aftersales, business services and financing.

Large-scale investments are another common feature of the operations of the top companies in the region - OMV Petrom's investments, for example, exceeded 640 million euro in 2017. Apart from investing in capacity expansion, a growing number of companies are acknowledging the importance of spending on circular business models, as well as on research and development. To deal with the shortage of skilled labour, businesses are also investing in training programmes and dual education classes.

We asked some of the biggest companies in the region what are the main factors impacting their operations and how they see their business developing in the short term. Following are their answers:

“Since 2000, the investment made by Groupe Renault Romania amounts to 2.8 billion euro. This include new products development (cars, engines, gearboxes, etc.), as well as manufacturing process optimization (working conditions, automation, quality, cost reduction and integration of new technologies). [...] Groupe Renault Romania has proved its high capacity to generate performance, having an essential contribution to the Romanian economy: 3% to the GDP, 7% to the national exports, 1,500 suppliers. We want to continue this success. And, let’s not forget that we operate in a competitive industry which evolves extremely rapidly and that we are challenged both externally and internally.”

Groupe Renault Romania

“Oil and gas has been and will continue to be a backbone of global energy supply also in 2019. OMV is investing in modern technologies for higher efficiency, process sustainability and product value. At the same time OMV is also shaping tomorrows mobility and preparing the alternative fuels needed for it. Being in a close contact with the automotive industry, research organisations and universities we are promoting future mobility technologies with the development of innovative fuels and building of required infrastructure. By doing this we are striving to accomplish EU environmental and energy efficiency targets. In Slovene environment OMV will be focusing on new Government’s opinion on fuel price deregulation and excise duty policy as well as on new Slovene Energy Sector Strategy.”

Vanja Lombar, Managing Director, OMV Slovenija

“Business environment is improving in most our markets. This is reflected in the economic growth and increased consumption and, consequently, in the increased consumption of medicines. We at Krka know our company will also thrive in the future if we keep developing in order to provide new products, and by maintaining effective and flexible production and efficient marketing-and-sales network. Our strategic objectives until 2022 include the attainment of at least 5% average sales growth in terms of volume and value. In addition to maintaining the existing product portfolio [...], we will enter new therapeutic areas and maintain the largest possible share of new products in total sales. We intend to introduce new innovative products, such as fixed-dose combinations of two or three active substances, new strengths, dosage forms, and delivery systems.

Our growth depends especially on continuous increase in the range of products based on vertically integrated business model. We use it to control the entire development-and-production process, from raw ingredients to finished products. Currently, 700 experts are developing more than 170 new products. Our innovations result in modern pharmaceutical dosage forms that match products of the

best pharmaceutical companies in the world. We intend to increase production capacities intended for the synthesis of active pharmaceutical ingredients and finished product manufacture, and laboratory capacities for quality assurance and control. Simultaneously with the organic growth of production capacities, we also plan to grow with acquisitions and long-term partnerships which will, in addition to new products, also allow us to enter new markets. Besides the development and production, marketing and sales are of key importance for achieving business objectives.

The competition in international markets is harsh, and regulatory requirements are getting stricter. We respond to these challenges by strengthening our own marketing-and-sales network in all key markets, which enables us to get prompt feedback from individual markets and to effectively adapt to new circumstances in these markets.”

Krka, d. d.

“HEP Group’s business performance on the domestic market in 2019 will primarily be reflected in the quality of service provision and the overall relationship with our energy customers as well as in the delivery of investments in renewable energy sources and other business activities, both regulated and market-based. With that in mind, the key factors which might impact HEP’s business domestically in 2019 include the adoption of the Croatia’s energy strategy, the implementation of new regulations and the implementation of energy efficiency projects as well as the adoption of other regulatory regulations, most of which regard the implementation of the so-called EU Clean Energy Package. Other key external factors include international fuel price trends for electricity generation i.e. the price of electricity on Power Exchanges as well as the CO2 emission price trends. In view of HEP’s business development in the region i.e. the strengthening of HEP Group’s market-based business activities in the neighbouring countries, they will primarily depend on the market liberalization rate and the improvement of business and market-focused processes in those countries, in particular in Bosnia and Herzegovina and Serbia.”

Hrvatska Elektroprivreda d.d.

“Daimler AG is committed to support its investments in Romania on a long-term basis, concerning both production units as well as developing the team and the communities. The constant engagement shown by public authorities towards conducting their business as well as the support of the community have also contributed greatly to create a success story of Star Assembly. [...] We are well focused on our people, as they are the strongest link of the business. Based on the requirements of each job, our employees benefit from specific on-site trainings, as well as trainings provided by our Mercedes-Benz colleagues in Germany. Thanks to a close partnership with the authorities of Alba County, since 2013 we are proud partners and supporters of the German Dual Professional School located in Alba Iulia.”

Star Assembly SRL

SEE countries must incentivise companies to invest in R&D to close competitiveness gap

by Nevena Krasteva

According to the World Bank's Growing United report, the share of workers in EU member states in Southeast Europe (SEE), particularly in their lagging regions, who lack the skills needed to position themselves well on the labour market, is increasing. At the same time, in some countries and regions companies do not enjoy a supportive innovation environment, which cuts further into their productivity and competitiveness. SeeNews talks to Arup Banerji, Regional Director for the European Union countries for the World Bank Group, about the actions that the countries in SEE should take to address these disparities.

Arup Banerji,
Regional Director for
the European Union
countries for the
World Bank Group



Q: What particular challenges within the framework of the EU convergence strategy are EU member states in South-east Europe (SEE) facing and what steps should they take to close the inequality gap?

The Convergence Strategy as a whole, at the level of countries, has worked extremely well. Countries such as Croatia, Romania and Bulgaria have actually converged quite rapidly to the EU average in terms of per capita GDP, for example. So in that sense the convergence machine is working and working well.

What we do, though, is to look below the surface at what is happening, below the national level, at the regions within a country - are they also converging equally? And at individuals within a country - are they also improving their standards of living equally? The answer to both questions is no, unfortunately.

Across the European Union, what has been happening over the past five to seven years is that there is a growing divide among regions and sub-regions of countries. The capitals – Bucharest, Sofia, Zagreb, Athens - are doing much better than the rest of the respective countries, and the so called lagging regions, which are the poorest parts of a country, are falling further and further behind. A similar thing is happening to populations. Some of the people in these countries are among the very best skilled in the world – think of the flourishing tech sector here in Bulgaria, or the really equivalently flourishing tech sector in Romania. In Romania and Bulgaria there is a long history of students winning math Olympiads. At the same time the poorest part of the population - we look at the poorest 20% of the population – has seen their incomes actually stagnate and in some cases fall over the last decades. That is the challenge for these countries.

So where are the potential solutions?

There are no immediate fixes. This is a trend that has been going on for a long time but what we find is that it has been accelerated by the advent of new disruptive technology. New disruptive technology is actually making the best

in the countries and the best among the companies able to become much more productive, be much more competitive. The example that I often give is the smartphone. The smartphone has made all of us who use it more productive – perhaps we look at Facebook too much though - but at the same time it has made life easier. We do not have to have a separate thing for communicating and for taking photographs and doing mathematical calculations or writing emails, it is all there in one.

At the same time there are whole groups for which technology - not just smartphones but industrial technology, commercial processes, the advent of communications technology that takes over the old functions that we used to do - is wiping out old categories of jobs and in the future will be even more disruptive as technology gets better.

The challenge for every one of the countries in Europe, including SEE, is how to make sure that the poorest people and the smallest firms are able to compete better in the new economy and with the available technologies. The biggest challenges are going to be in learning for the poorest countries and the poorest populations.

The last PISA scores show that countries in SEE are really falling behind on this score. It is not about whether students are completing their education and going to university, it is about whether they are able to not just read a paragraph but understand fully what it means. Are they able to not just do the calculations but apply that in a complex situation. In Bulgaria, the last PISA tests found that 42% of the population are not functionally capable of operating in mathematics and with difficult text. That means that four out of ten Bulgarian fifteen-year olds are actually not fully equipped to deal with this new economy.

With firms we find that in Southern Europe, and including parts of SEE, such as Greece, they are remaining small rather than grow and take advantage of technological innovation and invest in R&D. And that is partly because of the business environment that does not allow them or incentivise them to grow. These are the challenges that these countries have to take very, very squarely.

Across the EU there is a growing divide among regions and sub-regions of countries.

Innovation and entrepreneurship is a series of typically many failures and one giant success. The question is: Is there an environment that allows people to fail and companies to fail and then recover and try again?

These challenges are not unique for SEE. The challenges are being faced by every country in Europe, and frankly, every country in the world. But for policy makers the question is whether this is in the forefront of policy conversations, as it is for example in countries like China, as it is in countries of Northern Europe. Estonia in our study comes out as a country that has really seen these problems coming and is acting aggressively to empower the bottom parts of the population and to make technology the centre

of all the work they do. And the advice I give to policy makers across Europe is that other countries have to follow that example and make this a priority.

Q: Fundamentally, is there a difference in how these issues should be tackled on a national level and on a higher, EU level?

There are different problems that have different solutions. Firstly, these problems cannot be solved in Brussels because education policy or industrial policy is subordinated to the national level under the European framework, so these are governed by national policies. In some ways the challenges are to be solved at national levels and different countries have different ways to do that because they have different problems. The particularities of the stories of Romania are not the same as those of Bulgaria, or Croatia, or Greece, and that has to be tackled on the national level. The broad part is that the problems are similar, but the solutions may be particular to the countries themselves.

Q: What concrete advice could you give to the governments in SEE to make local companies more competitive by supporting innovations?

Innovation is one of the toughest things. The least important thing that the academic literature, which has studied what makes firms innovative, talks about is money. Throwing money at innovations maybe necessary but it is by far not suf-

You need to have innovative companies that have higher tolerance for risk, a regulatory structure that allows them to take risk and a financing structure that shares the risk with other investors.

ficient. When you look at successful innovation clusters, there are a few things that actually matter. What matters is that there is a supply of people, of workers, who have the sort of skills that allow them to be creative and to have ideas and those ideas are supported by the overall infrastructure. That is one of the reasons why innovative clusters often grow around universities. Good universities, especially universities with students specialised in science and technology and mathematics, are centres of innovation. Silicon Valley in the U.S. is centred on Stanford University, there is a big innovation cluster around Cambridge in England. Similar smaller innovation clusters are there all around Europe and those are using the particular skills of talented students. So that is one of the necessary conditions.

A second condition though, and that is where Europe as a whole probably does not do as well as other parts of the world, is allowing the commercialisation of discoveries and inventions made in universities.

Q: Does the problem lie more in the link between companies and the academia, or rather in the governments and the regulations?

There are regulatory aspects, too. Let me give you one particular regulatory challenge that is very, very important to think through, and many countries are thinking through. There is one truth about innovation and that is that you will fail. Innovation and entrepreneurship is a series of typically many failures and one giant success. The question is: Is there an environment that allows people to fail and companies to fail and then recover and try again? This is an appetite for risk question. For example, one of the main features that help innovation in the U.S. is a bankruptcy law called Chapter 11 that allows companies to actually fail but not lose their entire assets, so it is more friendly to the debtor rather than the creditor.

Q: A sort of a safety net?

Yes, exactly. And a second factor which is important for innovators is whether you are actually funding the innovations through debt capital, i.e. borrowing from banks, or venture capital, which

When you look at successful innovation clusters, what matters is that there is a supply of people who have the sort of skills that allow them to be creative and their ideas are supported by the overall infrastructure.

is having other people who are richer share the risk.

These are actually factors that many countries are looking at and understanding that you need to have innovative companies that have a higher tolerance for risk, a regulatory structure that allows them to take risk and also have a funding structure, a financing structure that shares the risk with other investors, rather than just with banks. Innovation is a complex situation, where there are actually regulatory factors, as well as some traditional factors like the link between university professors and new start-up companies that are important.

Q: What would you like to say in conclusion?

The last thing that I want to talk about is that there are large parts of society and large parts of countries that are really being left out of this prosperous future that we have because of technology. Our report is a call for governments to spend their energy and attention not to just look at the average, or at the richest parts of society but look after the least fortunate, whether it be people or firms.

HIP Petrohemija outshines Hidroelectrica in profitability chart

by Mario Tanev

Two new entrants in this edition of SEE TOP 100 lead the rankings of the most profitable companies and the biggest money losers in 2017, a year marked by the financial woes of ailing Croatian concern Agrokor.

State-owned entities occupy the top three spots in the most profitable company ranking, which is heavily dominated by Romania and Serbia, posting five and four members, respectively.

Serbian state-run petrochemicals producer HIP Petrohemija outpaced money makers with a return on revenue of 53.83% in 2017, on the back of a massive debt-to-equity swap, which resulted in a nearly fivefold increase in its registered capital.

HIP Petrohemija took the 77th place in the overall TOP 100 ranking after it more than doubled its revenue to 636.3 million euro in 2017, turning to a net profit of 342.5 million euro from a net loss of 42.7 million euro in 2016. It outmatched the previous edition's top money maker – Romania's Hidroelectrica, despite the hydro power producer's improved profitability.

For its part, Hidroelectrica showed remarkable cost-efficiency, boosting its net profit by 8% despite a 2% drop in revenue. Hidroelectrica posted a return on revenue of 40.93% in 2017, up from 36.15% the year before, following a large-scale restructuring process.

Romanian natural gas producer Romgaz rounded up the top three, after boosting its net profit by 76% on the back of a 25% rise in revenue. The achieved revenue return of 37.06% would have been enough to give Romgaz the first place among the money makers in 2016, which serves to emphasize the overall

MOST PROFITABLE COMPANIES

No	SEE TOP 100 No	Company name	Country	Industry	Return on revenue 2017	Return on revenue 2016
1	77	Hip - Petrohemija AD	Serbia	Chemicals	53.83%	-14.26%
2	64	Hidroelectrica SA	Romania	Electricity	40.93%	36.15%
3	34	Romgaz SA	Romania	Petroleum/Natural Gas	37.06%	25.63%
4	67	Continental Automotive Products SRL	Romania	Rubber/Rubber Products	21.79%	25.28%
5	59	JP Srbijagas	Serbia	Petroleum/Natural Gas	18.64%	2.87%
6	92	HEP-Operator Distribucijskog Sustava d.o.o.	Croatia	Electricity	15.71%	10.08%
7	57	Telekom Srbija AD	Serbia	Telecommunications	15.51%	16.19%
8	3	OMV Petrom SA	Romania	Petroleum/Natural Gas	14.59%	6.45%
9	86	Tigar Tyres DOO	Serbia	Rubber Products	14.28%	14.59%
10	22	Dedeman SRL	Romania	Wholesale/Retail	13.79%	13.40%

MONEY LOSERS

in millions of euro

No	SEE TOP 100 No	Company name	Country	Industry	Net loss 2017	Net profit/loss 2016
1	26	Konzum d.d.	Croatia	Wholesale/Retail	-525.2	-246.0
2	27	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	-203.7	-77.4
3	58	Mercator-S DOO	Serbia	Wholesale/Retail	-58.0	-14.6
4	39	ArcelorMittal Galati SA	Romania	Metals	-32.9	-59.8
5	62	Dante International SA	Romania	Wholesale/Retail	-23.9	-18.8
6	96	Express Logistic and Distribution EOOD	Bulgaria	Wholesale/Retail	-5.2	1.9
7	23	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	-3.1	-2.0

increased profitability of SEE TOP 100 ranking members in 2017. At the other end of the scale, units of troubled Croatian giant Agrokor took the first three places in the money losers ranking.

The wholesale/retail sector dominates the 2017 edition of the money losers ranking, with five members. Interestingly enough, there were only seven SEE TOP 100 companies, which recorded a net loss in 2017.

Croatian retailer Konzum posted the highest net loss among all, of 525.2 million euro, or nearly twice as much as in 2016. The retailer, which made its debut in this edition of the SEE TOP 100, closed dozens of stores in 2017, saying they were unprofitable for a long time and likely to continue being so.

Slovenia's Poslovni Sistem Mercator and Serbia's Mercator-S ranked second and third, respectively.

Poslovni Sistem Mercator expanded its net loss to 203.7 million euro in 2017

from 77.4 million euro the year before, while Mercator-S quadrupled its losses to 58 million euro. However, it must be noted, a significant part of the two companies' net loss in 2017 came from revaluation of property, rather than from regular operations.

Fourth-ranked ArcelorMittal Galati was the only member of the money losers ranking which improved its financial performance.

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 2017 and 2016, respectively.

in millions of euro

2017	2016	Bank Name	Country	Total assets 2017	Y/Y change in assets	Net profit/loss 2017	Net profit/loss 2016
1	1	Banca Comerciala Romana SA	Romania	14 536	5.72%	122.4	195.1
2	2	Zagrebacka Banka d.d.	Croatia	13 600	-2.80%	111.7	226.1
3	3	Banca Transilvania SA	Romania	12 727	14.55%	254.5	270.5
4	4	BRD – Groupe Societe Generale SA	Romania	11 479	5.59%	296.2	160.4
5	5	Privredna Banka Zagreb d.d.	Croatia	10 048	4.78%	192.1	212.4
6	6	UniCredit Bulbank AD	Bulgaria	9 764	2.52%	152.2	149.0
7	7	Nova Ljubljanska Banka d.d.	Slovenia	8 713	-0.74%	189.1	63.8
8	10	UniCredit Bank SA	Romania	8 056	14.84%	69.8	58.7
9	9	Raiffeisen Bank SA	Romania	7 744	7.97%	105.4	99.5
10	8	Erste&Steiermarkische Bank d.d.	Croatia	7 614	1.94%	86.4	82.9
11	12	ING Bank N.V.Amsterdam Branch Bucharest*	Romania	7 223	20.77%	104.7	96.5
12	11	CEC Bank SA*	Romania	6 801	12.40%	36.8	2.1
13	13	DSK Bank EAD	Bulgaria	6 210	4.31%	133.9	144.3
14	14	Nova KBM d.d.	Slovenia	4 914	1.70%	45.8	33.0
15	16	Banca Intesa AD	Serbia	4 782	2.44%	100.3	80.6
16	15	First Investment Bank AD	Bulgaria	4 419	-2.37%	43.7	46.1
17	17	Raiffeisenbank Austria d.d.	Croatia	4 176	-0.12%	52.7	60.9
18	21	Eurobank Bulgaria AD	Bulgaria	3 794	8.84%	69.7	61.1
19	20	United Bulgarian Bank AD	Bulgaria	3 762	7.71%	-26.1	56.9
20	18	Abanka d.d.	Slovenia	3 656	1.21%	42.6	76.7
21	24	Raiffeisenbank (Bulgaria) EAD	Bulgaria	3 578	10.67%	68.8	67.8
22	19	Splitska Banka d.d.	Croatia	3 577	-0.59%	-11.3	48.3
23	23	Alpha Bank Romania SA	Romania	3 356	6.13%	46.1	25.2
24	25	Societe Generale Expressbank AD	Bulgaria	3 296	8.58%	54.6	46.2
25	22	Komercijalna Banka AD	Serbia	3 126	-7.71%	68.7	-65.5
26	29	Unicredit Bank Srbija AD	Serbia	3 071	9.19%	56.2	50.6
27	26	Banka Kombetare Tregtare Sh.a. (National Commercial Bank)	Albania	3 058	5.08%	49.2	55.4
28	27	SKB Banka d.d.	Slovenia	2 991	6.72%	40.6	61.4
29	28	Addiko Bank d.d.	Croatia	2 812	0.70%	30.6	7.8
30	34	Central Cooperative Bank AD	Bulgaria	2 767	8.89%	18.8	13.6
31	30	UniCredit Banka Slovenija d.d.	Slovenia	2 706	5.24%	38.3	13.9
32	35	UniCredit Bank d.d. Mostar	Bosnia and Herzegovina	2 676	11.01%	45.8	41.7
33	32	Hrvatska Postanska Banka d.d.	Croatia	2 632	2.55%	1.1	23.9
34	37	OTP Banka Hrvatska d.d.	Croatia	2 608	24.45%	6.9	16.3
35	33	SID – Slovenska Izvozna in Razvojna Banka d.d.	Slovenia	2 452	-3.81%	13.9	21.4
36	42	Societe Generale Bank Srbija AD	Serbia	2 438	22.14%	51.1	29.9
37	36	Banca Intesa Sanpaolo d.d.	Slovenia	2 398	3.12%	4.2	20.2
38	31	Bancpost SA*	Romania	2 344	-6.29%	14.2	5.7
39	38	Raiffeisen Banka AD	Serbia	2 240	4.17%	56.1	43.9
40	41	Garanti Bank SA	Romania	2 143	11.45%	27.8	-8.5
41	39	Raiffeisen Bank d.d. Sarajevo	Bosnia and Herzegovina	2 124	5.91%	37.1	26.9
42	44	OTP Bank Romania SA	Romania	1 963	11.40%	18.1	18.6
43	40	Raiffeisen Bank Sh.a.	Albania	1 880	-7.42%	33.5	-32.9
44	47	Gorenjska Banka d.d.	Slovenia	1 872	23.75%	6.5	6.3
45	46	CIBANK EAD	Bulgaria	1 851	16.68%	16.1	16.8
46	49	AIK Banka AD	Serbia	1 772	13.95%	102.3	35.2
47	43	Sberbank Banka d.d.	Slovenia	1 741	-5.70%	3.0	1.1
48	45	Komercijalna Banka AD	Macedonia	1 715	4.54%	19.9	12.6
49	50	Piraeus Bank Bulgaria AD	Bulgaria	1 541	4.28%	3.9	-33.5
50	53	Addiko Bank d.d.	Slovenia	1 538	8.78%	18.9	12.9

(*) Net assets

in millions of euro

2017	2016	Bank Name	Country	Total assets 2017	Y/Y change in assets	Net profit/loss 2017	Net profit/loss 2016
51	48	Citibank Europe Plc Dublin - Romania Branch*	Romania	1 442	-1.44%	35.5	50.5
52	52	Stopanska Banka AD - Skopje	Macedonia	1 404	0.23%	33.2	36.4
53	51	Piraeus Bank Romania SA	Romania	1 382	-1.89%	2.3	-6.9
54	61	Erste Bank AD	Serbia	1 371	13.30%	22.3	16.8
55	56	Credins Bank Sh.a.	Albania	1 351	7.60%	8.2	2.5
56	54	Banca Romaneasca SA	Romania	1 342	-1.90%	4.2	5.3
57	58	Eurobank AD	Serbia	1 341	5.17%	18.5	16.7
58	55	Allianz Bank Bulgaria AD	Bulgaria	1 309	4.04%	14.2	15.5
59	67	Bulgarian Development Bank AD	Bulgaria	1 264	29.30%	10.3	21.9
60	60	NLB Banka AD Skopje	Macedonia	1 238	5.90%	36.4	25.9
61	59	Banka Sparkasse d.d.	Slovenia	1 214	4.08%	9.2	9.3
62	71	Banca de Export-Import a Romaniei – Eximbank SA	Romania	1 192	30.03%	3.2	1.2
63	63	Banka Postanska Stedionica AD	Serbia	1 189	5.55%	32.8	-51.4
64	57	Sberbank d.d.	Croatia	1 184	-3.99%	-18.1	5.7
65	62	Intesa Sanpaolo Bank Albania Sh.a.	Albania	1 160	3.16%	12.5	16.9
66	64	Nova Banka a.d. Banja Luka	Bosnia and Herzegovina	1 108	7.29%	5.0	6.7
67	69	Moldova Agroindbank SA	Moldova	1 088	12.44%	22.3	19.5
68	65	Vojvodjanska Banka AD	Serbia	1 039	-2.52%	-17.8	2.4
69	70	Credit Europe Bank (Romania) SA*	Romania	1 005	9.14%	8.6	6.8
70	68	ProCredit Bank Bulgaria AD	Bulgaria	1 004	6.13%	16.4	19.2
71	66	Investbank AD	Bulgaria	999.1	1.98%	-14.9	0.531
72	78	Libra Internet Bank SA	Romania	988.7	35.81%	12.8	7.2
73	75	Sberbank Srbija AD	Serbia	982.4	7.28%	6.8	3.5
74	74	Intesa Sanpaolo Romania SA	Romania	960.3	9.44%	6.0	3.3
75	72	Intesa Sanpaolo Banka d.d.	Bosnia and Herzegovina	954.6	4.74%	12.7	13.9
76	76	Dezelna Banka Slovenije d.d.	Slovenia	931.0	10.07%	3.8	2.5
77	New	Intesa Sanpaolo S.p.A. Torino Bucharest Branch*	Romania	870.0	-1.39%	-6.1	-68.4
78	79	ProCredit Bank AD	Serbia	818.5	8.23%	10.1	13.0
79	77	Addiko Bank AD Beograd	Serbia	796.8	-3.33%	10.3	-10.4
80	96	Patris Bank SA	Romania	782.3	0.73%	-9.1	-8.4
81	83	Municipal Bank AD	Bulgaria	770.7	14.15%	0.016	1.2
82	80	UniCredit Banka a.d. Banja Luka	Bosnia and Herzegovina	757.1	5.76%	13.2	11.4
83	81	Moldindconbank SA	Moldova	742.4	5.45%	17.8	7.7
84	86	Credit Agricole Banka Srbija AD	Serbia	736.0	12.13%	2.9	1.6
85	90	Victoriabank SA	Moldova	710.0	14.89%	13.8	10.6
86	84	International Asset Bank AD	Bulgaria	701.5	5.35%	3.1	5.3
87	87	Sparkasse Bank d.d. Sarajevo	Bosnia and Herzegovina	689.1	13.68%	10.1	9.6
88	95	Halk Banka AD Skopje	Macedonia	686.2	17.91%	8.8	7.7
89	93	Sberbank BH d.d.	Bosnia and Herzegovina	683.8	15.13%	2.9	4.2
90	85	NLB Banka a.d. Banja Luka	Bosnia and Herzegovina	671.2	5.57%	23.1	14.7
91	97	Bulgarian-American Credit Bank AD	Bulgaria	634.1	15.58%	4.0	3.0
92	82	BCR Banca Pentru Locuinte SA*	Romania	627.0	-6.05%	-4.2	-2.0
93	88	Crnogorska Komercijalna Banka A.D.	Montenegro	621.1	2.50%	4.2	6.0
94	New	OTP Banka Srbija AD	Serbia	620.2	53.07%	-3.9	1.7
95	92	Banka Societe Generale Albania Sh.a.	Albania	612.4	0.24%	3.0	2.2
96	91	Tirana Bank Sh.a.	Albania	585.1	-4.40%	0.521	-3.8
97	98	Alpha Bank Albania Sh.a.	Albania	577.2	3.97%	-6.2	-10.3
98	94	Ohridska Banka AD	Macedonia	572.6	-1.71%	5.7	7.1
99	99	NLB Banka d.d. Sarajevo	Bosnia and Herzegovina	531.4	6.59%	7.8	5.4
100	New	ZiraatBank BH d.d.	Bosnia and Herzegovina	519.8	19.97%	1.3	0.100

SEE banking sector keeps growing, Romania's BCR cements leadership

by Radomir Ralev

As the broad restructuring of the banking sector in Southeastern Europe (SEE) nears completion, local lenders continue to enjoy rising profitability, robust lending growth and a decline in non-performing loan (NPL) ratios. The SEE banking sector remains attractive to foreign lenders amid an overall improvement of the macroeconomic situation, supported by low interest rates and optimism among businesses.

The exit of Greek-owned banks from some SEE countries was handled in an orderly manner in both 2017 and 2018, without causing shocks. As a result, the exposure of Greek banks to the SEE countries was significantly diminished, leading to strengthening of the lenders' capital and liquidity. Despite the ownership changes, however, the presence of foreign banks in SEE remained substantial.

Bad loans declined in all SEE countries in 2017, with Romania and Slovenia posting the lowest NPL ratios as of the end of December - of 6.4% and 6%, respectively. Romania dominated the NPL market in SEE with estimated sales of 6.4 billion euro in 2015-2017, according to data by global consultancy Deloitte. A substantial reduction of NPL ratios was also recorded in Albania, where it was cut by 5.1 percentage points in 2017 to 13.2%, and in Serbia, where it was reduced by about 6 percentage points to 11.1% at the end of November. In Bulgaria, the NPL ratio remains relatively high, 10.2% at the end of 2017, but the solid capital ratios mitigate the systemic risk.

The combined net profit of the Top 100 SEE banks rose to 3.524 billion euro in 2017 from 3.03 billion euro in the previ-

ous year, reaching its highest value since 2008. Only ten out of the 100 biggest lenders in terms of assets in SEE posted a loss in 2017, versus 12 in 2016.

The combined profit of the Romanian banks that entered the top 100 ranking rose to 1.15 billion euro in 2017 from 912 million euro. Remarkably, the Serbian banks tripled their total profit in 2017 to 516.6 million euro.

The total assets of SEE's 100 biggest banks went up 5.5% in 2017 to 275 billion euro, with 80 lenders reporting growth. The top three banks, accounting for 15% of the total assets, remained the same as in 2016, as Croatia's Zagrebacka Banka managed to keep its second position, although its assets declined by 2.8%. Banca Transilvania saw its assets increase by 14.55% in 2017 and reduced the distance to Zagrebacka Banka. The leader, Banca Comerciala Romana, posted an asset growth of 5.7%.

OTP Banka Srbija registered the sharpest improvement in assets among the 100 largest banks in SEE, as the purchase from National Bank of Greece of a 100% shareholding in Serbia's Vojvodjanska Banka and NBG Leasing increased its assets by 53.1% to 620 million euro. It was

also among the three new entrants in this year's SEE Top 100 ranking edition, together with the Bucharest branch of Intesa Sanpaolo and ZiraatBank BH.

Romania's Libra Internet Bank, owned by closed-end American investment fund New Century Holdings, also had a remarkable asset growth - of 35.8%.

Among the new entrants, the Bucharest branch of Intesa Sanpaolo joined the ranking at the highest position, 77th, as it completed the transfer of certain assets and liabilities from the former Romanian branch of bankrupt Italian bank Veneto Banca, including its 19-agencies network.

Foreign ownership remains predominant in the banking market in SEE, with Italy's UniCredit units in Croatia, Bulgaria and Romania holding nearly one-third of the assets of the top 10 lenders. France's Societe Generale and Austria's Erste Group had two representatives in the top 10 banks in SEE each. The units of Societe Generale in Croatia and Romania controlled about 25% of the assets of the top 10 banks in SEE, while Erste Group is the owner of the leader in the ranking, Banca Comerciala Romana.

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, 2017. To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2017 and 2016, 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.

We asked the leading banks in the region what are their expectations regarding lending growth on the local markets, and if they see room for further consolidation. Following are their answers:

Basically, we expect a decent pick-up of lending activity on nearly all SEE markets – with the possible exception of Croatia. The lending pick-up shall be supported by the balance sheet clean-up seen in nearly all SEE banking sectors in terms of non-performing loans (NPLs), with Romania being in the lead. Also, statistically the NPL clean-up means that net new lending dynamics are increasingly shaping the nominal loan growth rates. On average we would expect loan growth rates in the range of 6-7% yoy in the coming 1-2 years. Among the SEE markets Romania and Serbia shall exhibit the strongest loan growth dynamics at around 8-9% yoy. Overall healthy loan-to-deposit ratios shall support the expected decent loan growth trajectory in the SEE markets. Moreover, we see that the SEE markets also gained in appeal for foreign-owned lenders. Overall the core profitability in most SEE banking markets is somewhat more favourable than in a lot of Central European (CE) banking markets, where interest rates are still at more depressed levels than in the SEE region. We would expect a pick-up in corporate lending in particular, as retail lending has developed more strongly in the SEE region anyways in recent years. Nevertheless, the lenders will remain focused on retail lending as we see more juicy margins there.

* * *

Room for consolidation remains given that the overall bank size in nominal terms is still moderate in the SEE region, while in some countries still too many banks are operating with smallish market shares. Moreover, the small nominal size of the banking markets implies that an acquisition could be also feasible for Western banks that were still more cautious with regards to their M&A activity in recent years. On an interesting note we see OTP having a clear determination to become a leader in the SEE banking markets. Compared to Western Europe or the CE markets we still not see too much challengers from the international Fintech scene in the SEE markets as their focus remains on Western Europe and more mature CE banking markets up to now. However, this may change over the next 2-3 years as we also have a vibrant Fintech scene in some regional markets like Romania, Bulgaria, Serbia etc.

**Gunter Deuber, Head of Economics/
Fixed Income/FX Research Raiffeisen Bank International**

We expect bank lending in Romania to perform well and reach a post crisis peak in 2018. [...] We expect household loans growth rate to lose some steam by year-end, as the National Bank of Romania has expressed concerns regarding high levels of debt-service-to-income for new loans and may look to curb household loan production by implementing a DTI cap. However, the impact of such a macro-prudential measure should be limited for 2018 loan growth. In terms of loans to companies, we expect a slight acceleration in dynamics in the second half of 2018 (vs. +2.1% y/y growth for the loan stock in May 2018), supported by a pick-up in economic activity and limited NPL write-off activity in the market (write-offs weighed down on loan stock growth in the past years as the NPL clean-up process intensified).

* * *

As of 2017, there were 35 credit institutions in Romania (vs. 37 in 2016). The top 10 banks had a market share by assets of 83%, while the bottom 10%'s market share totaled 1.6%. We consider that the consolidation process will continue in the Romanian banking market in the following years. An acquisition deal was struck between two top 10 banks in 2017 (and will be finalized in 2018), while another bank's sale did not get the final approval from the regulator and

will probably be up for sale once more. Also, ongoing trends such as bank digitalization and a reduction in the number of bank branches, as well as an expected intensifying of competition for customers (especially on the corporate segment) should create additional cost and profitability pressures for smaller players, which could make more room for sector consolidation in the future.

Vlad Chezan, analyst, BCR Research

We believe that lending in SEE markets (Bulgaria, Bosnia-Herzegovina, Croatia, Romania and Serbia) is set to remain sustained despite the fact that economic activity in SEE is expected to gradually see a cyclical slowdown. The level of growth in loans is yet to approach the growth rate of deposits in 2018, providing some optimism for shifting the economic attitude from savings to investments. Corporate lending growth remains subdued especially in Serbia and Croatia, while we see increased interest in retail banking: on average we see retail lending (consumer lending and mortgage lending) grow more than corporate lending, especially in Croatia, Bulgaria, Romania and Serbia. The overall lending volumes are affected by the relevant NPL sales that took place in the last few years. The main international banks (UniCredit, Erste, Raiffeisen, OTP, Intesa SanPaolo) present in the SEE markets sold NPL volumes of around 1.1 billion euro in Romania in 2016, while Croatia was a leader in 2017 in SEE with 0.9 billion euro of NPL sales. Going forward, we expect NPL sales to be significantly lower than in 2015-17 but still remain relevant. [...] At the end of 2018 the loans/deposit ratio is expected to stay at below 100% for all markets (they were all higher than 100% in 2012).

* * *

In general looking at the sector, we see more possibilities for acquisitions of client portfolios rather than for fully fledged M&A activities involving the top banks. During the last years, and also very recently, we have seen relevant M&A activity, only partly originated by the orderly exit of Greek banks from some SEE markets. The above mentioned opportunities in terms of banking business, together with the good health of SEE economies and their long term potential, are definitely creating additional occasions for some players to expand their presence in SEE markets.

UniCredit

Our group-wide guidance foresees a loan portfolio growth rate of 12-15% this year, a forecast which we see confirmed, especially in light of the strong group-wide loan portfolio growth of 8.9% recorded for H1 2018. In this context, it is vital to stress that we are not after "growth at any cost", but instead aim to achieve economic growth underpinned by social, environmental and ethical considerations. Our prudent risk management ensures that we also grow healthily, demonstrating remarkable portfolio quality throughout the group. [...] Moreover, given the favourable overall macroeconomic development in SEE, we have solid reason to expect the positive growth trend to continue in line with our group-wide guidance for our banks in this region in 2018 - especially with a view towards our key customer target group of SMEs. This client group in particular tends to profit from a positive economic climate and appreciates responsible access to finance to fund their investments.

* * *

The countries in SEE in which we operate do not represent one homogenous region in terms of banking facilities. However, as a general rule it is safe to say that there is always room for players whose aim it is to provide responsible, transparent financing facilities to the Mittelstand, which we consider to be the backbone of any well-functioning and sound economy as well as society at large. [...] On balance, we see a consolidation as the more likely scenario.

**Borislav Kostadinov, member of the Management Team of
ProCredit Holding AG & Co. KGaA**

Moldova Agroindbank plans entry on foreign markets, seeks strategic investor



Serghei Cebotari,
Chairman of the
Management Board,
Moldova Agroindbank

Moldova Agroindbank, also known as MAIB, is the leading systemic bank in Moldova, an Eastern European country sandwiched between

Romania and Ukraine. The bank holds a market share of over 30% and maintains a nationwide network of almost 70 branches and over 100 agencies.

The deep financial crisis that the country faced over the past years helped MAIB emerge as a stronger institution, step up its market positions, and carry out a deep internal reorganisation process.

Throughout this period, MAIB optimised its regulations, put in practice all legal amendments and worked closely with clients to help them adjust to the new conditions of the banking market. It improved the quality of its loan portfolio, and ensured a continued growth of its assets, which topped 1 billion euro by the end of 2017.

The bank was the first in the country to provide Internet Banking service to its customers. It is also the exclusive issuer in Moldova of AMEX cards, in addition to Visa and MasterCard, and is known for having one of the safest AML multi-level IT solutions. Laying the emphasis on innovation, MAIB is keeping pace with developments in the fintech industry.

As Moldova's central bank conducted a systemic reform, the bank has been constantly improving its corporate governance principles in line with legal changes and best international practices in order to ensure responsible, efficient and transparent activities in the best interests of its stakeholders.

Being highly aware that a partnership between business and society is the key

to sustainable development, Moldova Agroindbank is committed to a number of large-scale social responsibility projects, which it has been backing for years, thus contributing to the development of Moldova's education, culture and healthcare.

Currently, MAIB is expecting a fit and proper investor for over 41% of its shares. This development, which is expected to take place soon, will put an end to shareholding transparency issues and will help MAIB finally regain access to foreign financing. The main task of the management team, however, will remain the same: to ensure the good management and sustainable development of MAIB.

The long-term strategy of the bank is expected to open up new development prospects and strengthen the potential of the bank. It is no longer a secret that the bank has been planning, and is working to enter, other markets to ensure its further growth. "We would like to test our capabilities on other markets, given that the Moldovan market is very small and its development potential is limited. Therefore, the development strategy of our bank provides a solution to a specific issue: entering other foreign markets," MAIB CEO Serghei Cebotari says.

In line with its strategy, MAIB has announced plans to turn into a regional financial group.

Cebotari is hopeful that the new shareholders will share the same views on the bank's development strategy and will back its expansion plans. Moreover, he is hopeful that a change in the ownership structure will make it possible for the bank to get listed on European stock exchanges, noting that the bank's strongest point is its quality in all aspects.

1 bln euro

MAIB's assets at end-2017

MAIB - MOLDOVA'S LEADING BANK A POWERFUL PARTNER FOR A POWERFUL FUTURE



in millions of euro

2017	2016	Company Name	Country	Gross written premium 2017	Y/Y Change in GWP 2017 (%)	Net profit/loss 2017	Net profit/loss 2016
1	1	Zavarovalnica Triglav d.d.	Slovenia	621.9	4.86%	62.5	75.3
2	2	Zavarovalnica Sava d.d.	Slovenia	363.8	5.45%	25.1	23.4
3	3	Croatia Osiguranje d.d.	Croatia	328.0	8.34%	20.1	6.8
4	4	Adriatic Slovenica d.d.	Slovenia	303.8	1.66%	11.4	11.9
5	5	Vzajemna Zdravstvena Zavarovalnica d.v.z.	Slovenia	284.5	3.21%	-0.749	1.6
6	12	City Insurance SA	Romania	269.4	59.00%	5.2	-8.8
7	6	Allianz - Tiriac Asigurari SA	Romania	261.2	-0.73%	32.7	19.8
8	10	Euroins Romania Asigurare Reasigurare SA	Romania	233.3	24.89%	21.5	6.4
9	8	Omniasig Vienna Insurance Group SA	Romania	227.2	-2.24%	7.4	8.5
10	11	Dunav Osiguranje AD	Serbia	211.0	8.88%	9.7	7.3
11	9	Groupama Asigurari SA	Romania	198.1	-0.91%	7.7	7.1
12	7	Asirom Vienna Insurance Group SA	Romania	194.9	-17.21%	1.8	7.3
13	13	Generali Osiguranje Srbija AD	Serbia	167.4	-0.27%	24.5	21.9
14	14	Allianz Zagreb d.d.	Croatia	153.0	3.04%	15.0	10.4
15	15	NN Asigurari de Viata SA	Romania	148.4	8.68%	6.3	7.4
16	17	Triglav Zdravstvena Zavarovalnica d.d.	Slovenia	129.9	13.18%	1.3	1.2
17	18	Euroherc Osiguranje d.d.	Croatia	121.8	8.62%	12.4	14.1
18	22	Bulstrad Vienna Insurance Group AD	Bulgaria	105.3	7.97%	3.1	3.2
19	20	Lev Ins AD	Bulgaria	104.7	4.71%	0.185	0.223
20	16	Generali Romania SA	Romania	103.3	-25.10%	12.1	14.9
21	23	Armeec AD	Bulgaria	99.6	6.82%	3.8	4.3
22	24	Generali Zavarovalnica d.d.	Slovenia	99.2	7.55%	2.7	4.0
23	25	DZI - General Insurance EAD	Bulgaria	96.7	9.75%	3.3	4.4
24	26	DDOR Novi Sad AD	Serbia	92.7	5.99%	4.1	2.7
25	29	Wiener Stadtische Osiguranje AD	Serbia	92.3	14.61%	3.1	2.2
26	27	Allianz Bulgaria AD	Bulgaria	87.9	5.41%	4.2	4.2
27	19	UNIQA Asigurari SA	Romania	83.3	-18.58%	0.318	-1.2
28	28	Wiener Osiguranje Vienna Insurance Group d.d.	Croatia	79.1	0.40%	3.7	3.5
29	31	Jadransko Osiguranje d.d.	Croatia	78.9	8.25%	5.7	6.8
30	33	Generali Insurance AD	Bulgaria	77.1	8.18%	3.5	0.619
31	38	BCR Asigurari de Viata Vienna Insurance Group SA	Romania	75.8	41.76%	2.5	4.6
32	34	Generali Osiguranje d.d.	Croatia	75.2	13.23%	1.8	1.4
33	30	UNIQA Osiguranje d.d.	Croatia	74.7	-2.41%	3.5	3.4
34	37	Euroins AD	Bulgaria	73.6	22.89%	0.062	0.473
35	35	NLB Vita d.d.	Slovenia	70.8	10.95%	6.9	7.4
36	32	Bul Ins AD	Bulgaria	63.9	-11.55%	0.018	0.034
37	39	Grawe Hrvatska d.d.	Croatia	54.9	7.64%	6.9	6.0
38	40	Triglav Osiguranje d.d.	Croatia	53.4	8.73%	0.107	0.028
39	44	OZK - Insurance AD	Bulgaria	53.1	33.11%	0.305	1.2
40	41	Merkur Zavarovalnica d.d.	Slovenia	46.2	-1.46%	2.8	2.6
41	49	Triglav Osiguranje AD	Serbia	44.9	25.52%	0.544	0.470
42	43	Agram Life Osiguranje d.d.	Croatia	43.9	7.76%	0.664	3.5
43	46	Bulstrad Life Vienna Insurance Group AD	Bulgaria	43.5	17.60%	1.1	1.2
44	42	Grawe Zavarovalnica d.d.	Slovenia	42.5	2.35%	1.6	1.3
45	51	UNIQA Life Insurance AD	Bulgaria	37.9	20.38%	0.433	0.334
46	47	Merkur Osiguranje d.d.	Croatia	37.3	3.47%	3.7	3.1
47	New	ERGO Asigurari de Viata SA	Romania	32.8	66.63%	0.812	-0.323
48	55	Grawe Osiguranje AD	Serbia	32.5	5.92%	4.0	5.4
49	50	Pool-ul de Asigurare Impotriva Dezastrelor Naturale SA	Romania	32.0	1.56%	8.5	7.9
50	48	Dall Bogg Zivot i Zdrave EAD	Bulgaria	31.6	-9.86%	0.061	-0.406

in millions of euro

2017	2016	Company Name	Country	Gross written premium 2017	Y/Y Change in GWP 2017 (%)	Net profit/loss 2017	Net profit/loss 2016
51	56	UNIQA Nezivotno Osiguranje AD	Serbia	31.3	3.60%	1.1	0.539
52	54	Sigal UNIQA Group Austria Sh.a.	Albania	30.1	-0.59%	1.9	2.7
53	52	Lovcen Osiguranje AD	Montenegro	29.9	-0.02%	0.124	0.108
54	57	UNIQA AD	Bulgaria	29.9	4.35%	-1.2	-1.3
55	53	UNIQA Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	29.6	-0.84%	0.851	1.0
56	58	Wiener Stadtische Versicherung AG - Branch Ljubljana	Slovenia	29.5	3.91%	3.8	5.2
57	78	Modra Zavarovalnica d.d.	Slovenia	29.2	76.65%	7.8	6.6
58	59	Sarajevo Osiguranje d.d.	Bosnia and Herzegovina	28.7	1.76%	0.132	0.028
59	61	Euroherc Osiguranje d.d.	Bosnia and Herzegovina	28.7	4.59%	3.5	3.1
60	65	BRD Asigurari de Viata SA	Romania	28.5	12.06%	4.1	3.5
61	75	Olympic Insurance Company - Bulgaria Branch Office	Bulgaria	27.5	36.23%	-23.4	-11.1
62	60	Allianz Bulgaria Life AD	Bulgaria	27.2	-3.66%	3.4	3.2
63	62	Hrvatska Osiguravajuca Kuca d.d.	Croatia	26.7	7.50%	1.1	1.5
64	68	Milenijum Osiguranje AD	Serbia	26.1	10.88%	3.3	-0.522
65	67	Adriatic Osiguranje d.d. (formerly Bosna-Sunce Osiguranje d.d.)	Bosnia and Herzegovina	25.6	2.57%	2.3	1.2
66	72	Gothaer Asigurari Reasigurari SA	Romania	25.6	21.67%	-4.6	-7.3
67	81	Sigma Interbanian Vienna Insurance Group Sh.a.	Albania	25.4	-0.98%	0.637	0.127
68	66	AMS Osiguranje AD	Serbia	24.9	3.82%	2.1	0.710
69	63	Croatia Osiguranje d.d.	Bosnia and Herzegovina	24.6	2.70%	0.818	1.2
70	64	Erste Osiguranje Vienna Insurance Group d.d.	Croatia	24.3	4.17%	2.1	1.7
71	70	Energia AD	Bulgaria	23.4	4.00%	7.8	8.9
72	69	UBB-Life Insurance EAD (formerly UBB-Metlife Life Insurance Company AD)	Bulgaria	22.4	-0.81%	2.1	3.2
73	77	Grawe Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	21.9	32.19%	0.667	0.961
74	95	Eurolife ERB Asigurari de Viata SA	Romania	21.8	71.51%	0.570	0.438
75	73	Triglav Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	21.7	6.77%	0.919	0.591
76	89	DZI - Life Insurance AD	Bulgaria	21.7	61.34%	3.7	6.1
77	71	Triglav Insurance AD	Macedonia	21.3	-1.17%	1.4	0.887
78	79	Wiener Osiguranje Vienna Insurance Group a.d. Banja Luka	Bosnia and Herzegovina	17.9	11.78%	-1.2	-2.9
79	76	Eurosig Sh.a.	Albania	17.1	1.02%	N/A	-0.499
80	85	Sava Nezivotno Osiguranje AD	Serbia	17.0	11.15%	0.448	-0.014
81	86	GRAWE Bulgaria Life Insurance EAD	Bulgaria	16.0	9.07%	1.8	1.1
82	91	Signal Iduna Asigurari de Viata SA	Romania	15.9	23.34%	-0.898	-1.4
83	84	Merkur BH Osiguranje d.d.	Bosnia and Herzegovina	15.6	5.57%	1.0	1.1
84	87	SID - Prva Kreditna Zavarovalnica d.d.	Slovenia	15.1	4.34%	1.2	1.7
85	83	UNIQA Zivotno Osiguranje AD	Serbia	14.9	-3.65%	0.491	0.778
86	88	Eurolink Osiguruvanje AD	Macedonia	14.7	6.96%	0.115	0.774
87	94	Albsig sh.a.	Albania	14.7	12.55%	0.642	0.688
88	98	Societe Generale Osiguranje AD	Serbia	14.3	12.26%	0.505	0.519
89	90	Certasis - Societate de Asigurare si Reasigurare SA	Romania	14.0	7.63%	-1.9	0.434
90	97	Prva Osebna Zavarovalnica d.d.	Slovenia	13.7	10.66%	3.1	3.3
91	82	Makedonija Skopje - Vienna Insurance Group AD	Macedonia	13.6	-10.68%	1.6	2.2
92	74	ERGO Asigurari SA	Romania	13.5	28.48%	0.010	-0.454
93	New	ERGO Versicherung AG - Branch Slovenia	Slovenia	13.2	20.14%	-0.265	-2.9
94	99	Sava Osiguruvanje AD	Macedonia	12.7	6.16%	0.358	0.466
95	New	ERGO Osiguranje d.d. (formerly Victoria Osiguranje d.d.)	Croatia	12.7	42.05%	-1.7	-2.6
96	100	Intersig Vienna Insurance Group Sh.a.	Albania	12.5	4.08%	0.504	0.316
97	New	Sava Montenegro AD	Montenegro	12.4	5.99%	1.2	1.2
98	New	UNIQA Asigurari de Viata SA	Romania	12.2	13.76%	0.679	0.081
99	96	Drina Osiguranje a.d.	Bosnia and Herzegovina	12.0	3.31%	2.6	2.3
100	92	Winner Vienna Insurance Group AD	Macedonia	11.9	-8.50%	0.786	0.686

Top SEE insurers mark another year of records, units of Germany's ERGO storm ranking

by Mario Tanev

Against the backdrop of political and regulatory uncertainty, consistently low interest rates and increased competition, the top insurers in Southeast Europe (SEE) booked record high gross written premiums (GWPs) and net profit for a second straight year in 2017.

The top 100 insurers generated 7.5 billion euro in GWP in 2017, as 79 of them saw an increase in their GWP, including 31 that posted double-digit growth. The major insurers in the region also managed to grow their combined profit by an annual 10.2% to a record-high 397.9 million euro.

There are five new entrants in this year's edition of the ranking, three of which are units of Germany's ERGO, part of Munich Re insurance group - ERGO Asigurari de Viata in Romania, ERGO Osiguranje in Croatia and ERGO Versicherung AG - Branch Slovenia.

ERGO's units ranked highest among new members, with ERGO Asigurari de Viata taking the 47th place on the back of a 66.6% rise in GWP to 32.8 million euro in 2017.

Once again, Slovenian giant Zavarovalnica Triglav topped the ranking, following a 4.86% growth in GWP to 621.9 million euro - nearly as much as the next two insurers in the ranking combined. In 2017, the company operated in a more favourable macroeconomic environment in Slovenia but faced fierce competition on the local market.

Despite the growth in GWP, Zavarovalnica Triglav posted a 17% drop in net profit, which totaled 62.5 million euro in 2017. The insurer's gross claims paid

rose 5% on the year to 411.3 million euro, following a significant increase in natural disaster-related claims.

Slovenian peer Zavarovalnica Sava kept its second place with 363.8 million euro of GWP in 2017, up 5.45% year-on-year. Croatia Osiguranje outpaced both Zavarovalnica Triglav and Zavarovalnica Sava in terms of GWP growth, but remained in third place with 328 million euro of GWP, 8.34% higher than in 2016.

Slovenian members of the ranking came first both in terms of GWP and net profit in 2017. Insurers in the country grew their GWP by an annual 2.8% to 2.06 billion euro in 2017, equal to 27.6% of the combined GWP of all 100 members.

Despite the rise in GWP, insurers in the country cut their combined net profit by 9.4% to 129.1 million euro, following a year marked by a number of extreme weather events.

Slovenian insurer Modra Zavarovalnica posted the highest rise in GWP last year, booking a 76.65% increase to 29.2 million euro and climbing to 57th place from 78th in 2016.

The Romanian market kept its second place in the 2017 ranking, despite a 0.65% drop in GWP of local insurers. Romanian members generated 1.99 billion euro of GWP in 2017, equal to 26.6% of the combined figure for the top 100.

Romanian insurers grew their combined net profit by a massive 51.8% in 2017, largely due to a significant improvement of the country's three highest ranked members - City Insurance, Allianz - Tiri-ac Asigurari and Euroins Romania Asigurare Reasigurare.

Romania's Eurolife ERB Asigurari de Viata is the top mover in this edition of the ranking, gaining 21 spots to 74th place.

In terms of M&A activity, 2017 saw a number of insurers consolidate their holdings in SEE subsidiaries. Austrian insurers Vienna Insurance Group and UNIQA completed buyout bids for their units in Bulgaria and Bosnia and Herzegovina, respectively, while Triglav INT Group launched a buyout bid for Triglav Osiguruvanje Skopje. Bulgaria's Euroins Insurance Group (EIG) was particularly active on the M&A front. The company consolidated its holdings in Sofia-based Euroins via a buyout bid and subsequently reached a deal to acquire a 49% stake in Russia's RSO Euroins. At the same time, EIG's unit Euroins Romania Asigurare Reasigurare acquired the non-life insurance portfolio of ATE Insurance Romania, a subsidiary of Greece's Piraeus Bank.

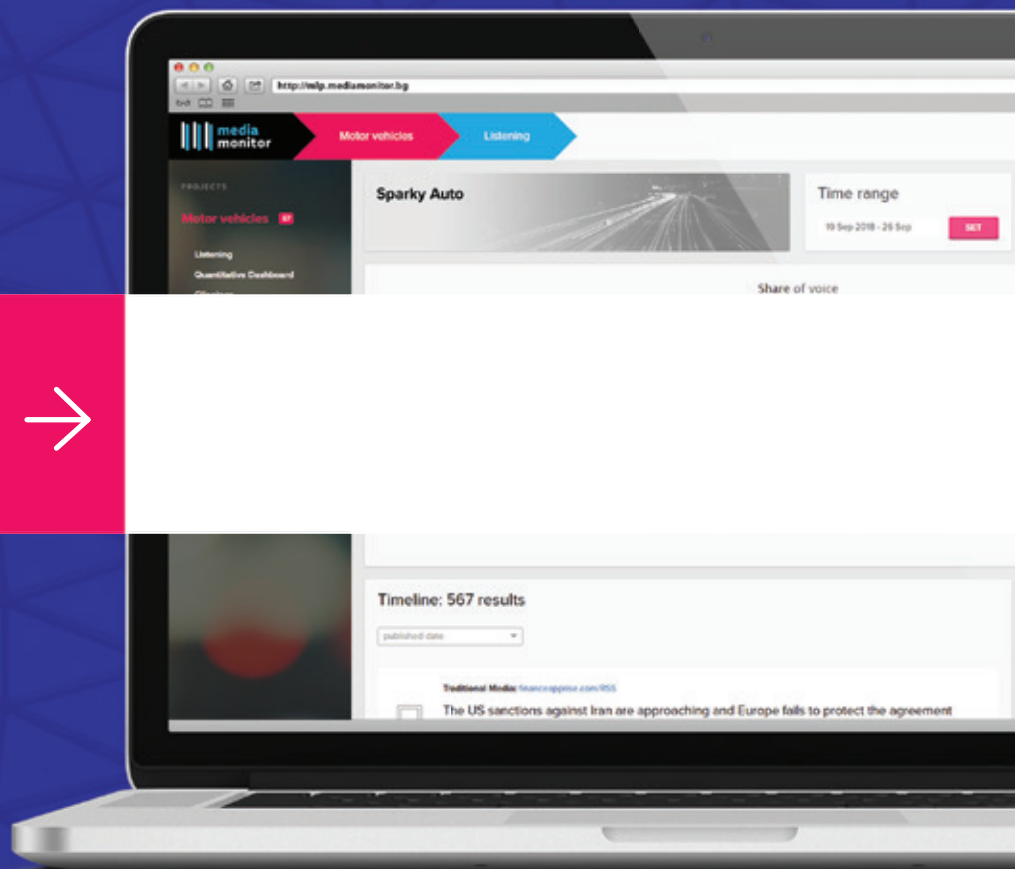
METHODOLOGY

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 2017. To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2017 and 2016, 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 200 insurers.



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Triglav Group sees steady rise in premium share on SEE markets outside Slovenia, adopts omni-channel sales approach

By Mario Tanev

Triglav Group posted consolidated pre-tax profit of 84.4 million euro in 2017. The Group employs over 5,100 people in six countries.



Uroš Ivanc,
Member of the Management Board of Zavarovalnica Triglav

Triglav Group continues to maintain high capital adequacy in line with its strategy for responsible long-term development. How far has the group come in fulfilling the other goals outlined in its 2017-2020 strategy?

The Triglav Group is developing into a modern, innovative and dynamic insurance/financial group, which will firmly remain the leader both in Slovenia and the wider region, while maintaining profitable and safe operations and financial stability, as also confirmed by the high "A" credit ratings assigned by the credit

rating agencies S&P Global Ratings and A.M.Best.

Strategic activities aimed at achieving growth and development are going well. At the group level, the premium share on the markets outside of Slovenia has been steadily increasing, in addition to strengthening our market share in the region. The volume of business has increased in all segments, with greater emphasis placed on investments in life, pension and health insurance, where the highest growth levels are expected. Last year, the Triglav Group entered the Macedonian life insurance market, while in Bosnia and Herzegovina it was

the first to offer voluntary pension insurance. With the aim of increasing the visibility of the Group as the leading asset manager on the markets in the region, last year together with a partner we established a regional platform for alternative investments (Trigal) and this year we have entered the pension insurance market in Croatia by acquiring the majority stake in a Croatian pension insurance company. Apart from that, we are developing new ways of doing business and new business models and partnerships, which allow us to enter the markets where the Group is not present with traditional business models.

The Triglav Group has adopted an omni-channel sales approach; in addition to our well-branched sales network, we are strengthening alternative sales channels such as banks, leasing companies and travel agencies, online and mobile sales. We aim to provide comprehensive solutions for our clients, therefore our insurance services are upgraded with assistance services. The group already provides roadside assistance on all of its markets, the focus now is on offering other services, and we are particularly active in the health insurance segment.

One of our strategic guidelines is the digital transformation of the Triglav Group. We carry out a wide range of activities, some of which are visible to our clients and business partners, while others concern our internal processes as support for insurance underwriting and processing, claim settlement, information security, etc.

What are the key factors likely to influence your operations by 2020 on the Slovenian and the other markets in South-east Europe (SEE) where you operate?

Both our activities, insurance and asset management, are directly linked to the macroeconomic situation in the countries where the group operates and the situation on the global financial markets. We are pleased that the economic situation in the region is improving, which is reflected in the growth of our insurance markets. In the health, pension and life insurance segments, structural changes and reforms in individual countries of the region are expected to have an additional impact. We see a number of opportunities. Our business is exposed to fierce competition, which is, in general, beneficial for our clients and for the further development of our activities. We estimate that this will continue in the future. We expect that the level of risk-free interest rates will begin to slowly rise, which will have a positive impact on interest income from the group's financial investments. However, we do not expect that interest rates will reach the levels from ten years ago in the medium term.

The consolidated net profit of Zavarovalnica Triglav declined in 2017, despite a rise in gross written premiums. What

We are strategically expanding our operations on the existing markets through organic growth

were the main reasons for the drop and what actions has the company taken to increase its profitability?

We are satisfied with the performance and the results in 2017, which even surpassed the planned level. Consolidated profit before tax of the Group in 2017 was 84.4 million euro, which was planned at 70–80 million euro. Our performance was affected by unfavourable claims experience (claims from major CAT events were 22% above the 10-year average), which was effectively compensated with high premium growth and good cost control. Returns on investment further fell in 2017, but less than expected; however, they were positively affected particularly by specific one-off events. Although the claims ratio increased, the combined ratio of the group remained strong at 93.9%. We believe that we set good strategic guidelines, which are being successfully realised.

Triglav Group recently entered Croatia's pension insurance market. Is the company actively pursuing expansion of its operations on this or other segments in SEE markets?

Yes, we are strategically expanding our operations on the existing markets through organic growth, however, we do not rule out takeovers should an appropriate opportunity present itself.

Is climate change affecting your business?

The impact of climate change will very likely be seen in the long term as higher expenses for reinsurance cover, or even a narrower range of insurance products for certain types of risks as the most extreme consequence. Climate change would mostly result in more frequent major CAT events, which are in our

markets mainly the consequence of hailstorms with strong winds, floods and frost. This risk is managed by ensuring adequate reinsurance protection, appropriate insurance technical provisions and high capital adequacy. However, the claim frequency has to be observed through a longer period of time and not merely on the basis of last few years in accordance with the professional insurance standards. Although most people believe that the frequency of major CAT events in the environment has been increasing in recent years, our data on claims paid for the last ten years do not support this. The higher claim frequency could only be observed on the basis of long-term data. Such a long-term trend would most likely mean more expensive insurance for our clients because the higher the claim frequency, the higher the reinsurance cover expenses for insurers.

In an interview for last year's edition of SEE TOP 100 you said you expect that digitisation will be one of the most important future elements of operational efficiency. In what areas is Triglav Group employing advanced technologies?

We are employing advanced technologies in managing relationships with our clients and business partners as well as in our internal processes, with the aim of implementing paperless, mobile and simplified operations. This year the i.triglav web office is being upgraded for our clients in the Slovenian market. We are expanding the range of claims settled exclusively electronically; furthermore, our mobile applications enable the clients to report a claim and request assistance services. Our processes are being automated and optimised, a fully electronic loss file and the possibility of cloud-based digital signatures were implemented in some insurance segments, the electronic document archiving system was upgraded, etc. With the launch of mobile platforms, we aim to increase the effectiveness of cooperation with our business partners, assistance service providers and outsourcers for making repairs. Apart from that, we developed a mass claims monitoring solution and adjusted our organisation of work to the settlement of mass claims. In short, Triglav systematically carries out a number of activities and projects with the goal of increasing the level of digitisation and following the trends in this area.

We are well positioned for growth and expansion

TOP 100 INSURERS/interview



Georgi Markov
Deputy CEO
of Euroins Insurance Group

EIG continues to expand its market share across CEE/SEE. What opportunities do you see in these markets?

EIG has followed a firm strategic path towards regional expansion which was initially and predominantly targeted at the Balkan countries. However, in the past years we saw our competencies and capacity grow, and that allowed us to look beyond – at Central Europe, the CIS countries and the Mediterranean. We learned to be successful in turbulent times and in a changing, evolving and sometimes insecure environment. More than 80% of the markets where we operate or where we plan to launch operations are characterized by low insurance density and penetration, much below the EU average. Bulgaria, Romania and Ukraine have a lot of catching up to do in order to reach even Poland and the Czech Republic where the insurance density and penetration is several times lower than in Austria, Germany or France. Naturally, we are dependent on the economic environment on the markets in which we do business and also

on the level of the financial education of the population and the businesses. Economic growth has been around in the past few years and it had a positive influence on the overall levels of insurance premiums in the Balkans and CEE, but financial knowledge and digitalization have lagged behind. And it is in these areas precisely that we see potential for growth, through active promotion of the benefits of insurance, through the introduction of new, tailored and attractive products and through improvement of the reputation of the insurance companies.

What are your key competitive advantages?

We have been around for more than a decade and we know how to do business in SEE. I believe that we know our customers, but we are also trying to find unexplored niches and areas. We are a growing group of companies which requires a lot of corporate governance and organizational efforts. However, we have always tried to be an agile organization where decisions are taken rapidly and in interaction with our partners and customers. Certainly, like all insurers, we are risk adverse and compliant with the Solvency II directive that requires us to measure carefully the risks we are taking, both when we sell and invest, but we are not burdened with the rigidity of some other multinational insurers and I believe that our customers can see this. And what is most important, we try to constantly evolve and improve our services and the way we handle both our organization and our partners and clients.

How do you assess EIG's performance in the last year and what goals has the group set for the near future?

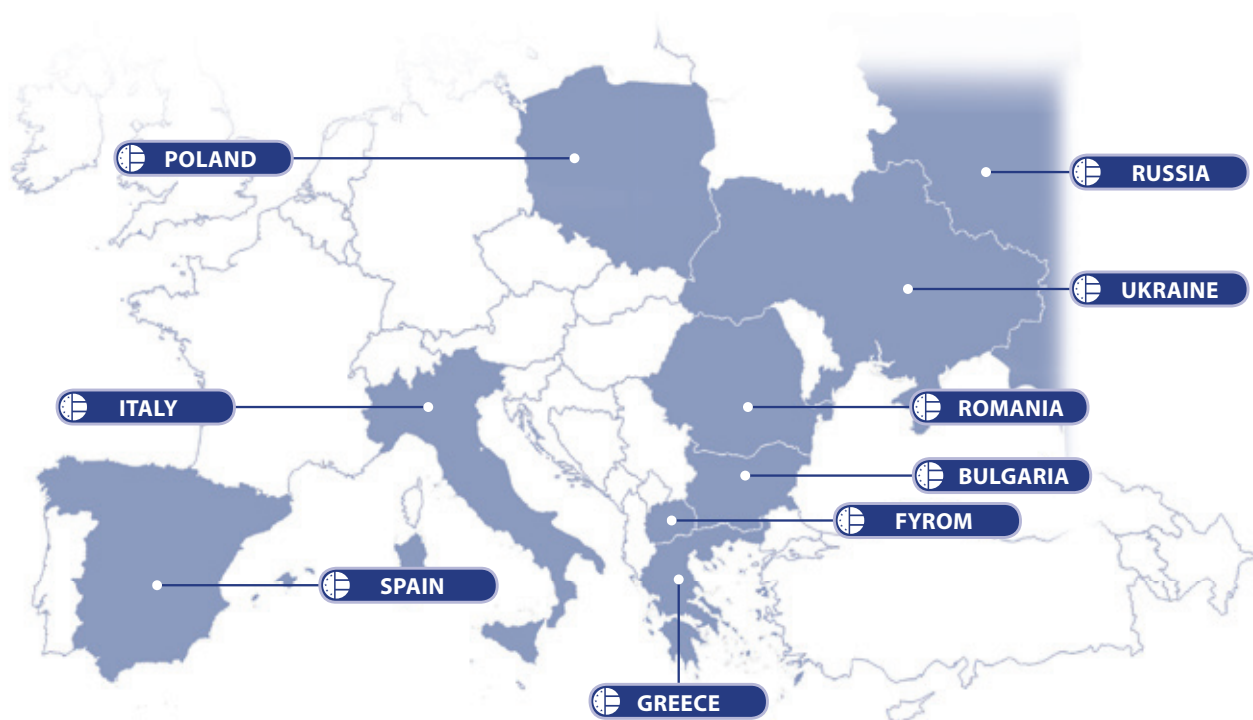
Our performance was remarkable. We registered record-high premiums exceeding 330 million euro in total and record-high net profits. At the same time, we and our teams are not blinded by that success. We know that this growth can

be easily replaced by quicksand if we fail to be realistic, innovative and compliant, and all our efforts are concentrated in that direction. We want to continue our growth, both organically and through acquisitions, however, this should not be done at the expense of our bottom-line figures or a dramatic shift of our risk profile.

How is the insurance industry responding to the growing role of FinTech/InsurTech and how exactly will new technologies change the sector?

All incumbents and traditional insurers are exploring more and more the technology perspective and are increasing their R&D efforts. Digital transformation is here to stay and will reshape the way insurance works – Artificial Intelligence (AI), Internet of Things (IoT), blockchain, big data.... At the end of the day, technology is reflected in the way cars are built and being driven, in the way homes are built, protected, equipped – there should be an inevitable change in the way we insure things, especially that they begin to function or respond differently. The generations to come, the digital natives, already have different approaches to the financial services such as banking and insurance. This change will not happen overnight, though. Eighty percent of the consumers in the region, are not prepared for the digital transformation, and all insurers will not suddenly turn into tech companies (this will inevitably happen, but at a gradual pace). Insurance should remain our core competency, and we should leave the tech work to the tech people. I wouldn't mind, of course, to see the tech company valuations being applied also to the insurance businesses, but unfortunately, we are still quite far from that. One thing is certain – we have to be aligned with the new trends, we have to learn from the InsurTech examples and leverage on their successes or failures, but we have to embrace the new realities without shifting our focus too far from the things which we know how to do best.

Euroins Insurance Group (EIG) is one of the largest independent groups operating in the Central and SEE insurance markets. The company is focused in providing a full range of insurance products in the areas of general, health and life insurance. Sofia-based group operates in seven European countries, has more than 7% market share in Bulgaria, Romania and FYROM. In 2014 EIG initiated operations in Greece under the freedom of services regime and in 2016 is already operating on Ukrainian market after acquiring HDI Strakhuvannya from Hannover based TALANX International. At the end of 2017 EIG acquired a stake in the Russian insurer OOO RSO Euroins and with this operation entered on the Russian market. This acquisition is in line with EIG's strategy to expand in the CIS region where the markets have an enormous potential for growth. The EIG also has niche operations in Italy, Spain and Poland. The group has over 2,5 million clients, 2100 employees and annual revenues of over EUR 330 million.



Euroins Insurance Group (EIG) is a subsidiary of Eurohold Bulgaria - leading Bulgarian company, listed on BSE-Sofia and WSE. Eurohold Bulgaria operates across the CEE and SEE, focused on non-banking financial services and asset management. The headquarters is located in Sofia.

Slovenia reinforces leadership in SEE TOP 20 per capita ranking

by Radomir Ralev

Slovenia remained the indisputable leader in the Top 20 SEE per capita ranking, highlighting the importance of individual companies for local economies. Slovenia, an EU-member state of some two million, and the only Eurozone member state in SEE, had 12 entrants in the ranking, up from 11 last year. Four of the top five companies in the ranking are based in Slovenia, while in the top 10, only three companies are not from the country.

Slovenian energy company Petrol led the SEE TOP 20 companies per capita ranking for the eleventh consecutive year with a revenue per capita rising 18% to 1,835 euro in 2017 from 1,557 euro the previous year. Slovenian electricity and gas trading group GEN-I ranked second with 1,189 euro revenue per capita, a sharp increase from 802.4 euro the previous year. State-owned power utility Holding Slovenske Elektrarne (HSE) occupied the third position, with a revenue per capita of 802.8 euro in 2017, up from 626.8 euro in 2016.

Macedonia's only entry, the local subsidiary of UK chemicals specialist Johnson Matthey, lost one position to the fifth place, although its per capita revenue increased 10% to 715.1 euro from 649.1 euro.

Companies from Montenegro, a country of about 600,000 people, were the second most widely represented with three entrants on the list, up from two in 2016. China Road & Bridge Corporation (CRBC) D.O.O. ranked ninth with 475.6 euro in revenue per capita versus 161.4 euro in 2016. CRBC is constructing the Bar-Boljare motorway in Montenegro, part of pan-European Corridor XI. Power utility Elektroprivreda Crne Gore (EPCG) was Montenegro's second best performer, ranking 11th with 443.4 euro in revenue per capita, edging

TOP 20 PER CAPITA

No.	SEE TOP 100 No.	Company name	Country	Per capita 2017	Per capita 2016
1	2	Petrol d.d.	Slovenia	1 835	1,557
2	8	GEN-I d.o.o.	Slovenia	1 189	802.4
3	15	Holding Slovenske Elektrarne d.o.o.	Slovenia	802.8	626.8
4	18	Revoz d.d.	Slovenia	771.6	526.2
5	19	Johnson Matthey DOOEL	Macedonia	715.1	649.1
6	25	Krka d.d.	Slovenia	594.2	558.7
7	9	INA d.d.	Croatia	588.2	477.8
8	27	Poslovni Sistem Mercator d.d.	Slovenia	580.6	650.2
9	203	China Road & Bridge Corporation D.O.O. Beijing, China	Montenegro	475.6	161.4
10	43	Lek d.d.	Slovenia	466.9	436.6
11	212	Elektroprivreda Crne Gore A.D.	Montenegro	443.4	430.5
12	46	Interenergo d.o.o.	Slovenia	432.6	180.5
13	5	Lukoil Neftochim Burgas AD	Bulgaria	419.5	323.3
14	52	Gorenje d.d.	Slovenia	408.7	354.9
15	6	Aurubis Bulgaria AD	Bulgaria	373.6	236.5
16	60	IMPOL d.o.o.	Slovenia	363.8	285.5
17	313	Voli Trade D.O.O.	Montenegro	335.5	323.4
18	10	JP Elektroprivreda Srbije	Serbia	329.5	297.5
19	69	Telekom Slovenije d.d.	Slovenia	320.7	328.1
20	80	OMV Slovenija d.o.o.	Slovenia	301.0	263.1

up from 430.5 euro in the previous year. The company lost one position from the tenth spot in last year's ranking.

With two companies on the list, Bulgaria took the third place. Oil refinery Lukoil Neftochim Burgas remained the top performer among the Bulgarian companies, ending 13th on the per capita rankings while Aurubis Bulgaria occupied the 15th position. Croatia and Serbia had one representative on the list each, namely oil and gas company INA on the seventh place and state-owned power utility Elektroprivreda Srbije (EPS) on the 18th position, respectively.

Slovenian energy company Interenergo entered the top 20 ranking for the first time this year and occupied the 12th place with an impressive jump of revenue per capita to 432.6 euro from 180.5 euro. On the other hand, Romanian carmaker Automobile Dacia did not make it to the Top 20 SEE per capita ranking this year, although its sales increased 11.45% in 2017 to 23.1 billion lei (5 billion euro). In this way, Romania, the re-

gion's largest country with a population of about 20 million, lost its only entrant in the ranking.

Slovenia-based Poslovni Sistem Mercator, the bronze medalist in 2016, fell to the eighth position this year, as its revenue per capita declined to 580.6 euro from 650.2 euro. Croatian group Agrokor took over Mercator in 2014, in a transaction that is said to have destabilised the concern financially. The concern's financial problems boiled over and became apparent in 2017 when Moody's Investor Services changed its rating on Agrokor several times.

METHODOLOGY

SEE TOP 20 per capita is a ranking based on the same pool of 2,900 companies as in SEE TOP 20. 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.

When investment pays off:

Star Assembly unreachable in revenue gainers chart

by Mario Tanev

Romanian car parts maker Star Assembly, a unit of Germany's Daimler, posted an incredible 353.42% rise in revenue in 2017, following the start of production of nine-speed automatic transmission for Mercedes-Benz in the middle of 2016.

Daimler invested more than 300 million euro in expanding the capacity of Star Assembly's plant in Sabes, creating over 1,000 jobs, in order to meet increased demand for Mercedes-Benz parts.

"Together with her sister company Star Transmission in Cugir, Star Assembly is an important pillar of the worldwide Powertrain production operations for Mercedes-Benz Cars, as it covers production of 5, 7 and 9-speed gearboxes. The largest project of this kind in Romania, inaugurated in 2016, is the 9G-Tronic automatic transmission, which supports the worldwide gearbox production as the second production facility apart from Germany," Tobias Brandstetter, International Business Communications Mercedes-Benz Cars at Daimler, explained. Starting in 2017, Star Assembly introduced a three-shift production schedule to satisfy the increasing market demands of Mercedes-Benz cars globally, Brandstetter added. The investment seems to have paid off more than handsomely, as Star Assembly rushed into the SEE TOP 100 ranking, placing 16-th in its debut appearance with revenue of 1.62 billion euro.

Seven new entrants to the 2017 edition of the SEE TOP 100 occupied the top of the most dynamic company ranking.

Slovenia's Interenergo bagged the second place in the chart, as its revenue grew 139.87% to 893.8 million euro in 2017. Interenergo joined the Independent Bulgarian Energy Exchange in 2017, after

MOST DYNAMIC COMPANIES

No	SEE TOP 100 No	Company name	Country	Industry	Y/Y Change in revenue 2017
1	16	Star Assembly SRL	Romania	Automobiles	353.42%
2	46	Interenergo d.o.o.	Slovenia	Electricity	139.87%
3	40	Prvo Plinarsko Društvo d.o.o.	Croatia	Petroleum/Natural Gas	134.11%
4	77	Hip - Petrohemija AD	Serbia	Chemicals	103.67%
5	93	Cofoo International Romania SRL	Romania	Agriculture	103.59%
6	66	HBIS Group Serbia Iron & Steel DOO	Serbia	Metals	101.58%
7	86	Tigar Tyres DOO	Serbia	Rubber/Rubber Products	60.81%
8	6	Aurubis Bulgaria AD	Bulgaria	Metals	56.83%
9	8	GEN-I d.o.o.	Slovenia	Electricity	48.28%
10	18	Revoz d.d.	Slovenia	Automobiles	46.79%

joining the power exchanges in Croatia, the Czech Republic, Serbia and Slovakia throughout 2016, boosting its volume of electricity trading over two times to 21.8 TWh in 2017. The company also launched energy services activities and concluded its first deal for energy contracting in 2017.

Croatian natural gas company Prvo Plinarsko Društvo came just behind Interenergo, posting a 134.11% rise in revenue to 1.03 billion euro in 2017. The company gained nearly 55 million euro from its new client – Malta-registered Energy Commodities Trading, in 2017.

Serbian state-run petrochemicals producer HIP Petrohemija, which topped this edition's most profitable company ranking, also grabbed the fourth place in terms of revenue gains in 2017. The company boosted its revenue 103.67% to 636.3 million euro. HIP Petrohemija, which is expected to soon be privatised, improved its financials significantly, following a giant debt-to-equity swap, which resulted in a nearly fivefold increase in its registered capital.

Cofoo International Romania, a unit of China's COFCO International, ranked fifth, while Serbia's HBIS Group Serbia Iron & Steel, part of China's HBIS Group, took the sixth place, with a rise in revenue of 101.58% to 695.3 million euro. However, data for the company is skewed, as it was established in June

2016, when it took control of the steel plant in Smederevo, and thus its results in 2016 are based on a half-year report.

Serbia's Tigar Tyres came seventh, following a 60.81% rise in revenue to 611.2 million euro.

Copper producer Aurubis Bulgaria took the eighth place, ranking highest among companies present in the previous SEE TOP 100 edition, following a 56.83% rise in revenue backed by an increase in global copper prices. The company also posted record output following upgrade of its facilities, resulting in some 2.6 billion euro in revenue in the company's fiscal year 2016/2017, ended September 30, 2017.

Two Slovenian companies wrapped up the ranking, with electricity and gas trading group GEN-I grabbing ninth place on a 48.28% rise in revenue to 2.5 billion euro, and car maker Revoz ending tenth with a 46.79% increase to 1.6 billion euro, following the introduction of a new model and staff increase in 2017.

METHODOLOGY

Most dynamic companies is a ranking of the top 10 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.

New entrant propels chemical sector back to top of most profitable industries ranking

By Mario Tanev

Chemicals producers in Southeast Europe (SEE) took back the first place in the most profitable industries ranking, ousting the rubber and rubber products manufacturers, which ended second.

Serbian state-run petrochemicals producer HIP Petrohemija marked its entrance into the Top 100 ranking by posting the highest return on revenue among all SEE TOP 100 members, of 53.83%. The company turned to a net profit of 342.5 million euro in 2017 from a net loss of 42.7 million euro the year before as revenue doubled.

On average, chemicals makers included in this year's SEE TOP 100 ranking posted a return on revenue of 20.72% in 2017, up from 4.78% in 2016, leaving all other industries trailing far behind. Members of the sector boosted their revenue by 29%, calculated in local currency, and ended 2017 with nearly five-fold rise in net profit.

Rubber and rubber products producers slid to second place, as their combined return on revenue declined to 13.17% in 2017 from 15.90% the year before. All three represented rubber industry companies grew their revenue in 2017, however two of them, both from Romania, saw their net profit contract.

Continental Automotive Products cut its 2017 net profit by 10%, despite a 7% rise in revenue, calculated in local currency, while Michelin Romania more than halved its net profit regardless of a 19% increase in revenue in local currency.

However, another new entrant from Serbia - Tigar Tyres, claimed the ninth place in terms of return on revenue

SEE INDUSTRIAL RANKING 2017

	Industry	Return on revenue 2017
1	Chemicals	20.72%
2	Rubber/Rubber Products	13.17%
3	Pharmaceuticals	10.88%
4	Telecommunications	7.38%
5	Petroleum/Natural Gas	5.99%
6	Metals	4.48%
7	Electricity	3.69%
8	Transportation	3.44%
9	Food/Drinks/Tobacco	3.41%
10	Automobiles	2.47%

among all 100 members of the ranking, with a ratio of 14.28%.

The pharmaceutical sector also lost one place, ranking third, with a return on revenue of 10.88%, compared to 9.46% in 2016. Slovenian drug maker Krka and Lek accounted for the improved profitability, posting double-digit rises in net profit of 49% and 11%, respectively. Krka posted return on revenue of 12.51% in 2017, while Lek's revenue return stood at 8.62%.

Telcos grabbed the fourth place with a 7.38% return on revenue in 2017, which compared to 7.91% a year earlier. The sector managed to increase its net profit in 2017 by a slim 2.95%, however, the profit growth rate was outpaced by the rise in revenue.

Oil and gas companies wrapped up the

top five, posting a 5.99% return on revenue in 2017, notably higher than the 3.63% achieved in 2016. Romgaz posted the highest revenue return, of 37.06%, making it the third most profitable company in this year's edition of the SEE TOP 100 ranking.

JP Srbijagas and Croatia's INA were the major contributors to the sector's increased profitability in comparison to 2016, as their net profit skyrocketed following rises in revenue of around 20%.

JP Srbijagas expanded its net profit to 141.6 million euro, over seven times higher than in 2016, and posted a return on revenue of 18.64% - the second highest among industry members in this edition of the ranking, up from 2.87% in 2016. Ina boosted its net profit nine times, pumping up its return on revenue to 7.78% in 2017, which compares to 1.06% in 2016.

Wholesale and retail was the only sector to book a loss - of a net 8.3 million euro - following the financial crisis at Croatian concern Agrokor.

Two Agrokor units - Croatia's Konzum and Slovenia's Poslovni Sistem Mercator, posted massive net losses of 525.2 million euro and 203.7 million euro, respectively, dragging the whole sector in the red.

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 2016 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, and sellers as Automobiles.

Complex metallurgy, circular economy are the future

By Mario Tanev



Tim Kurth,
Aurubis Bulgaria CEO
and Vice President

Tim Kurth was appointed CEO and vice president of Aurubis Bulgaria in 2014. As of 2015 he is also president of the German-Bulgarian Chamber of Industry and Commerce. He joined Norddeutsche Affinerie (nowadays Aurubis) in 2006 and occupied various managing positions, including group innovation manager and vice president in charge of corporate logistics before taking his present position in Bulgaria.

What are Aurubis Bulgaria's short and mid-term expectations regarding the markets of concentrates and your production?

Prices are stable and we expect this trend to continue. Favourable condi-

tions on global markets impact not only our direct operations, but also our partners along the supply chain, as they too get an additional incentive to invest in projects. We are constantly looking for long-term relations with our partners along this chain, as this gives us security.

We cannot influence external factors such as foreign currency exchange rates, the prices of metals, changes to major trade agreements or international politics. However, we need to be prepared for different scenarios, and that is what we are doing. The plant in Pirdop has good foundations which we constantly build on, and we are optimistic about the future. This year we are marking the 60th anniversary of the plant. We look at the past with respect and we are thinking about the future. Since 1997, over 1.2 billion levs have been invested in upgrades and environment protection. In November we will announce a new investment programme. We invest a lot in programmes for training and higher qualification. We have launched dual education classes in the region together with partners to prepare our future employees.

We always think long-term. Some of our projects have a timeframe of 2040 and further on.

What challenges do you face on the regional market and where do you see untapped opportunities?

We are closely following the markets in the EU and Turkey, as well as Asia, where we too have exports. We have some key advantages. Firstly, our plant in Bulgaria is part of the Aurubis integrated group of production units. Thus, part of our output goes to the markets within the group, mainly to Belgium and Italy. Secondly, there is Bulgaria's attractive geographic location and the conditions in the country. We are close to Turkey and to our clients in Europe and the Black Sea basin. Bulgaria is a

member of the EU, with stable growth and reasonable fiscal policy. Thirdly, we work in Srednogorie region in Bulgaria where the infrastructure and the demographic situation are good.

In the long-term we will count on our non-core products, as well. We are investing in research and development. Our R&D units in Hamburg and Pirdop are exploring together the opportunities for more efficient extraction of metal from concentrate. We are searching for possible uses of slag such as iron silicate. We want to expand our positions on the recycling market. The Aurubis plant in Luenen is the world's biggest recycler of copper scrap and this gives us a competitive advantage. Complex metallurgy and circular economy are the future.

Demand for metals will continue to grow. The ratio between the end-industry users is changing, with new technologies taking an increasing share. Manufacturing a conventional automobile takes some 20-25 kg of copper, while for hybrid and electric vehicles this amount exceeds 100 kg. A wind generator and its infrastructure need over 20 t of copper. Demand for non-ferrous metals in the ICT sector too will continue to increase. There are no high technologies without basic industries.

How do you expect the power market to affect your performance in a short and mid-term perspective?

Our plant in Bulgaria is one of the biggest power consumers in the country. At the same time the bulk of our output is exported. We generate 9% of Bulgaria's exports, which is a significant contribution to the country's GDP growth. That is why we are not impartial to the development of the power sector. Having predictable legislation and stable prices affects not only us directly, but Bulgaria's economy as well through our production.

Bulgaria's E-Mobility Dream

By Radomir Ralev

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With a total of 12,280 deaths attributable to poor air quality annually, Bulgaria's environmental problems seem obvious. When it comes to the ratio of deaths relative to population, Bulgaria's situation is even more desperate, as the country is the indisputable leader in the European Union (EU), with a population-weighted concentration ratio of 24. Bulgaria's annual mean is the third largest in Europe, after Macedonia with 27.4 and Kosovo with 26.4, according to data of the European Environment Agency.

Bulgaria ranks eighth in Europe in terms of premature deaths attributable to PM2.5, a pollutant stemming from fuel combustion, heating, transportation, waste incineration, agriculture, and other anthropogenic sources, the data shows.

The poor air quality in Bulgaria was noticed by the Court of Justice of the European Union, which in April 2017 ruled that the country has failed to fulfil its obligations under EU law to cap dust particles at a certain limit.

Poor air quality sparked protests in the country's capital Sofia. The environment ministry came up with an analysis showing that the biggest air pollutants in the country are home heating on wood and coal, with a 40% share, and car traffic, with 60%.

One of the measures contemplated by Bulgaria's environment minister, Neno Dimov, is the elimination of the so-called ecological fee paid at the initial registration of electric vehicles. The owners of old polluting cars will have to pay a much higher ecological fee than they do now, the fee for hybrids will be much lower, while no fee will be imposed on electric vehicles, Dimov said in April.

The development of electric mobility in Bulgaria is still in a very early phase. According to data of the European Automobile Manufacturers' Association (ACEA) just 64 new electric cars were registered in Bulgaria in the first half of 2018, including 16 in the second quarter. In terms of plug-in hybrid registrations, Bulgaria occupies one of the last places in the EU with only 15 cars in the first half of 2018. The statistics for non-loadable hybrids show a slightly better picture, with 708 units in the first half, up 20.4%. At present, there are about 110 charging stations in Bulgaria and some 600 registered electric cars. "The cars are not the only factor, but they are part of the entire problem," Stefan Spasov, CEO at electric car rental service provider Spark Bulgaria and charging station infrastructure operator eMobility International, said during a recent conference on the development of electric mobility in Bulgaria. "But the obstacles we face are not so small. Including the fact that there are no tools provided by the state to support what we do," Spasov said.

To date, eMobility International's network of charging stations built in partnership with ABB Bulgaria, operates in nine Bulgarian cities and along the roads connecting the capital Sofia with the checkpoints on the borders with Greece and Turkey. eMobility International, which operates under the Eldrive brand, manages charging station infrastructure and offers flexible solutions for short and long-term rental services of electric vehicles.

INCENTIVES

According to Aleksandar Kostadinov, director of sales and marketing of Moto Pfohe Bulgaria, the electric mobility development depends on the existence of an accessible network of charging stations, but what matters most is tax relief. "The development of electric mobility is a job of the lawmakers. Sure, infrastructure is needed, but the incen-

tive is the most important," Kostadinov told SeeNews. The lack of government subsidies for individuals buying electric vehicles is one of the main barriers to the wider use of green cars, he added.

Under the existing regulations, electric vehicles can park free of charge in the designated zones for hourly paid parking in Sofia. However, this advantage is being lost to drivers using electric vehicles for their own travel. Free parking is a plus but the price of the electric car makes it pointless if the car is not registered to a company for business purposes, Kostadinov explained.

Moto-Pfohe is the official dealer and distributor of Ford, Volvo, Jaguar and Land Rover in Bulgaria. "In our mix, the annual sales of the plug-in hybrid versions of the Volvo XC60 and XC90 models stands at between 20% and 30%. This means that the goal of achieving a 20% share of hybrid vehicles in Europe in 2025 is not impossible for Bulgaria," Kostadinov estimated. However, the government should stimulate this type of mobility, as there is no country in the world where electric mobility is developing well without stimuli, he added.

In May 2017, neighbouring Romania doubled the incentives on offer for buyers of plug-in electric vehicles in a bid to help reduce air pollution. The government created the Rabla Plus programme, an update of the earlier Rabla, and is now offering up to 11,000 euro of grants for the purchase of electric vehicles. Rabla Plus also offers buyers of non-plug in hybrids a grant of up to 1,450 euro. The positive results of the programme are visible. New passenger hybrid electric car registrations in Romania more than doubled to 1,469 in the first nine months of 2017, from 684 in the prior-year period, according to data by ACEA. There were 97 electric battery-powered vehicles registered in Romania in the first nine months of 2017, end-September 2016. Total registrations of alternative

fuel vehicles in Romania surged to 1,566 in the nine months through September 2017 from 107 in the year-ago period.

Iliya Levkov, chairman of Bulgaria's Electric Vehicles Industrial Cluster, considers that a similar systematic and sustainable effort should also be applied by Bulgaria's institutions in order to encourage the development of electric mobility. "Our neighbouring countries are still timidly advancing on this topic, but Romania last year outpaced us," Levkov said.

CHARGING STATIONS

However, according to Martin Zaimov, deputy chairman of the Bulgarian Electric Vehicles Association (BAEPS), it is not the economic stimulus that would encourage the growth of the electric vehicle market in Bulgaria but setting limits on the circulation of old vehicles running on petrol and diesel. The provision of grants means taking money from the state, which translates into taking money from all taxpayers and this is not fair to poor people, Zaimov said. "The best stimulus is the launch of more charging stations."

The lack of sufficient infrastructure was also highlighted by the European Commission which asked Bulgaria and Romania to fully transpose the directive on the deployment of alternative fuels infrastructure EU legislation sets out minimum requirements for the building-up of alternative fuels infrastructure, including recharging points for electric vehicles and refuelling points for natural gas and hydrogen.

Sofia is making efforts to boost the appeal of e-mobility to the private sector by drafting a plan for the construction of over 60 electric vehicle charging stations in the city, Sofia mayor Yordanka Fandakova said in March. According to data from Bulgarian website Vsichkotok, a total of 116 chargers are currently active in the country, including about 50 in Sofia.

Moreover, Stolichen Avtotransport, Sofia's public bus transport company, signed in April 2018 a 22.2 million leva deal with local leasing company Eurolease Auto for the supply of 20 electric buses. Fandakova said in a Facebook post that the 20 electric buses will be



delivered by the end of October 2018. According to her post, the buses can run 300 km on a single charge.

GOVERNMENT ACTIONS

But Bulgaria does not stand completely idle when it comes to stimulating electric mobility. In 2015, the National Trust EcoFund (NTEF) launched a scheme to encourage the acquisition of electric vehicles by the public administration. The fund provides fixed grants for different types of vehicles ranging from 10,000 leva to 40,000 leva depending on the vehicle category.

The Fund applies the scheme to the state administration bodies and their territorial divisions, Irena Pencheva, director of NTEF, said. However, the results are disparaging. For a total of five calls so far, financing has been provided for the acquisition of only 21 vehicles, 17 of them electric and four hybrids, according to NTEF data. Bulgarians conservatively look at the initial price and do not realise that the savings generated by these electric cars result in about four to five years of redemption of the vehicle. Another problem is the incapability of municipal structures and their experts to maintain the vehicles," Pencheva said.

In 2018, the European Parliament re-

vised a directive on the energy performance of buildings including measures to ensure that the buildings' car parks are increasingly prepared to have charging stations installed so owners can charge their electric vehicles easily. The directive will also require the EU member states to enact regulations on the installation of a minimum number of charging points for all non-residential buildings with more than 20 parking spaces by January 1, 2025. Bulgaria has already transposed the directive into its legislation, obliging the companies designing new office buildings to envisage charging points at 10% of the parking places.

SHARING ECONOMY

As the insufficient charging infrastructure nationwide and the too timid government stimulus are keeping the sales of electric vehicles at low levels, what may fill the void is the sharing economy, according to eMobility International's CEO Stefan Spasov.

"Sharing economy is what we believe in and what can give the electric mobility asset a very affordable price," Spasov said. That is why the company decided to launch an electric car rental service in Sofia in November 2017, together with its Lithuanian peer UAB Ride share, which operates under the Spark brand.



eMobility International is aiming to offer a total of 250 electric vehicles and have 40,000 active users by the end of 2019. By the end of 2018, Spark Bulgaria will likely have 100 electric vehicles and 10,000 users, a company official said in a video file posted on Spark's official Facebook page. The service initially started with 25 electric vehicles.

"At the moment we have about 20,000 users, the cars will soon be over 100. The sessions are over 300 a day. People have the opportunity to drive an electric car across Sofia. So far I have not heard of a user who does not say that he or she is extremely pleasantly surprised by driving an electric car. You know the problems in Sofia related to the air pol-

lution. Car sharing is an adequate solution, including to congestion in Sofia," Spasov said.

It seems that the business model deficiencies in the fossil fuel car industry in the past century are becoming more and more obvious. According to Eurostat data, there were 443 registered cars per 1,000 citizens in Bulgaria in 2016, roughly one car per two residents.

Zaimov believes that rather than buy their own car in the future people are more likely to share and rent them. "It is not reasonable to invest in buying an electric vehicle, but to 'hire' it under some form of operational leasing or other form of financing is," Zaimov said.

In Zaimov's opinion, the future of urban transport in Sofia includes a smaller number of own cars, but more sharing of vehicles. "In a situation in which the ownership of cars is very small, there would be no parking problems," Zaimov says and goes even further. "A situation in which, after 10 years, 70% of the people in Sofia do not have their own car is absolutely possible."

Therefore, according to Spasov, the development of charging stations network and support for the purchase of electric cars should go hand in hand. "The chicken-egg dilemma is not relevant and has never been. If both things do not go together, then nothing will ever happen."

SEE countries timidly entering e-mobility era

Southeastern Europe (SEE) is in the initial phase of electric mobility adoption, with sales constantly rising but still remaining well below 1% of all motor vehicle sales. According to data of the European Automobile Manufacturers' Association (ACEA), the market share of electrically chargeable vehicles (ECVs) is practically 0% in countries with annual GDP per capita below 18,000 euro, including the new EU member states in SEE.

Romania had the lowest electric vehicle (EV) market penetration among the EU member states in 2017, with 188 EVs sold or just 0.18% of the total. In Bulgaria, the electric vehicles had a share of 0.3% last year, ACEA said.

However, steps are being taken to expand the market. Croatia's state-owned energy utility HEP now operates some 50 charging stations and plans to expand the network and establish a system for their remote control and supervision in the next few years. With co-financing from EU funds, HEP is also preparing to open fast-charging stations along the TEN-T motorway corridor. Croatia will co-finance EV purchases by individuals with grants equal to up to 40% of the purchase price and has allocated 12 million kuna (1.6 million euro) for the purpose, in order to encourage buyers to seriously consider buying environment-friendly cars. The purchase of electric scooters, motorcycles and quadricycles will be co-financed with grants of up to 20,000 kuna, while incentives of up to 5,000 kuna will be offered for the purchase of electric bikes.

Fuel retailer Jugopetrol aims to be a pioneer in supporting the expansion of the use of electrically powered vehicles in Montenegro by building the country's first electric vehicle charging station in 2018. The company plans to install an EV charger at one of its filling stations this year and a further two in 2019.

In Serbia, the government has installed two EV charging stations on pan-European Corridor X route in the country, at the Presevo and Bubanj Potok toll stations of the motorway linking Belgrade to southern Serbia.

The Romanian arms of German utility E.ON and Hungarian

oil and gas group MOL plan to build 40 charging stations for electric vehicles in Romania by 2020 with the support of European funds.

Slovenian postal operator Posta Slovenije signed a deal with local electricity and gas trading group GEN-I to cooperate in e-mobility and green next-generation delivery services, which will see it entirely electrify its fleet. The aim of the partnership is to transform freight delivery services by offering environmentally-friendly and efficient green parcel delivery via electric vehicles powered by solar energy or other non-carbon sources of electricity.

With the car parts industry in SEE expanding rapidly, the electric mobility segment also attracts investments and several projects for production of e-vehicles in the region have been launched. Chinese manufacturer Cenntro Automotive Corporation and its partner, Luxembourg-based SEVIC eMobility, intend to invest 10 million euro in the next three years to produce a small electric utility vehicle in Bulgaria.

At the same time, Germany's ZF Friedrichshafen is expanding its manufacturing capacity for electric mobility products by building a new facility in the Serbian city of Pancevo. ZF Friedrichshafen intends to invest 40 million euro in the project in 2019, 25 million euro in 2020 and 20 million euro in 2021.

Chinese investor Karl Soong and Croatian entrepreneur Mladen Nincevic, owners of Zadar-based Green Tech Group, are planning to build a factory for electric cars and scooters in the Croatian town of Kula Norinska over the next 10 years.

Bulgarian supercar manufacturer SIN Cars has unveiled in Sofia a concept of a multifunctional electric car, named L-city, which is planned to be manufactured in Bulgaria and sold abroad. SIN Cars was founded by Bulgarian engineer and racing driver Rosen Daskalov in the UK in 2012. In 2015, the company started production of road electric vehicle Sin R1 and moved its headquarters to Munich, Germany, and Ruse, Bulgaria.

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Same rules on cross-border electricity trade should apply in EU and other countries within wider European market

By Tsvetan Ivanov



Janez Kopac,
Energy Community Director

As countries in Southeast Europe (SEE) make steps towards the liberalisation of their power markets, SeeNews talks to Janez Kopac, Director of the Energy Community Secretariat and former general director for energy at the Slovenian economy ministry. Kopac acted as finance minister and environment minister. The Energy Community is an international organisation aiming to extend the EU internal energy market to SEE and beyond.

How does the difference between the regulated price and the market price at the moment of liberalisation affect the future prices for end-customers?

In all post-Socialist countries, distortion of the electricity price through regulation continued as in the past: small and me-

dium enterprises cross-subsidised households. Liberalisation of the electricity market always brings a drop in the price for so-called “commercial consumers” and an increase for households. The million dollar question is by how much. Every assessment is also based on several presumptions: will VAT and network charges remain the same? Which sub-group of households are we observing, etc.

During the time I served as Slovenia’s minister responsible for energy, we were liberalising the electricity market. The household electricity price increased by 18% in one year but later fell slightly again.

What incentives can make individual customers change their default supplier after the liberalisation, especially in countries where end prices are heavily subsidised?

Experience shows that in the first years after liberalisation very few customers change their supplier because of lack of trust in the new energy companies. But this can change significantly over time. In my view, the most important tools to promote switching are public campaigns by consumers associations, energy regulators and energy suppliers, which compete against each other on the market. However, the basic precondition – cost-reflective prices – must be in place. Low, regulated prices fail to activate energy consumers.

Could you say what investments in network capacity are needed to prepare SEE power systems for a rise in consumption once the market is liberalised?

No, but power consumption doesn’t

usually increase because of liberalisation. What we do need is to ensure that the grid connections between two countries allow for sufficient interconnector capacity to match the needs of a liberalised market and sufficient cross-border power flows. And what is equally important is to ensure that the same rules governing electricity trade across borders apply in EU countries as well as those that are part of a wider European market.

Does the goal of a single European power market justify the costs incurred by low-income countries to join this market?

First of all, I would like to point out that the non-EU SEE countries are already part of the European energy market through their membership in the Energy Community. The key objective of the Energy Community is to support their transition to an EU energy governance model, develop an adequate regulatory framework and liberalise their energy market. This includes ensuring that any reform happens step-by-step, backed up by sufficient consumer protection measures.

While it is true that liberalisation usually does entail a price increase for household customers in SEE, it is not always evident that consumers in non-EU SEE countries often pay even higher prices for gas and electricity than their EU counterparts due to hidden costs, which are a direct result of markets not being fully liberalised yet. The higher prices stem from enormous subsidies to the coal sector through different fiscal measures that are not visible on the electricity bill. Other inefficiencies of the regulated market include higher prices for electricity balancing services as reserve capacities are provided only nationally and not from the cheapest source; imports are more expensive because market coupling is not in place, etc.

SEE power markets can achieve liquidity, competition only via regional integration



Ivanka Dilovska,
Member of the
Management Board,
Energy Management Institute

The Energy Management Institute (EMI) is a public institute for energy policy founded in 2010 with the aim to promote the interest of the Bulgarian energy sector and the EU and global energy policies and best practices, to enhance the dialogue between stakeholders, to facilitate decision-makers in energy policy development and implementation. Since March 2014 EMI is a fully-fledged Bulgarian member of the biggest association on electricity industry in Europe - EURELECTRIC.

Are Bulgaria and the other countries in Southeast Europe (SEE) ready for a full liberalisation of the market?

The electricity market in Bulgaria is still highly concentrated and competition is poor. Liberalisation efforts are directed towards increasing the number of participants in the free electricity market, and, at the same, integration of the national power market with those of neighbouring countries. Since countries in SEE are generally small in size, their national power markets are also small and true liquidity and competition can only be achieved via regional integration.

What stimuli can be applied to incentivise consumers to join the free market?

The best stimulus is the price. The second best are associated value-added services like energy audits or other flexible services like weekend-price offers or hourly tariffs. Easy and simple procedure for changing suppliers is of utmost importance, as well. Last, but not least, consumers are more active when they are better informed.

What is the best way to support vulnerable consumers and should this be done at any cost?

Social electricity tariffs, e.g. lower prices for vulnerable households, can be applied as a temporary measure in the transitioning of the retail market to full liberalisation, but in general, vulnerable consumers should be supported via social policy mechanisms, not through the price of electricity for all users.

Do you expect electricity prices to go up once the market is

liberalised, and if yes, by what margin?

The question has two aspects – national and regional. If we assume that all necessary conditions for the power market liberalisation in Bulgaria were already in place and full liberalisation was achieved on September 1, prices would largely remain the same as prices on the power exchange are currently more or less equal to or even lower than the regulated price, so significant price spikes are not to be expected.

On a regional level, market coupling generally leads to price convergence towards lower prices. However, in Bulgaria, the price of energy is only about 40% of the price for the end consumer. Various taxes and supplement components increase electricity bills for end consumers, so not much room for price movements there, either.

Are power transmission and distribution systems in SEE ready to take on the expected increase in electricity consumption?

Grid modernisation to account for digitalisation, decentralised generation, energy storage and e-mobility infrastructure, is, of course, necessary for integrating renewable energy, for liberalisation and market integration. These investments will be passed on to consumers and will increase the price of electricity for consumers irrespective of movements in the wholesale electricity price.

On the other hand, the current transmission capacity in Europe is underused and according to ENTSO-E's 10-year transmission development plans, there are no technical bottlenecks for cross-border transmission of electricity in SEE.

Electricity market liberalisation – slow and costly, but beneficial for SEE

By Tsvetan Ivanov, Business Analyst, SeeNews

The European Union defines the ultimate goal of electricity market liberalisation as achieving a secure, competitive and sustainable energy supply to all EU citizens and the economy.

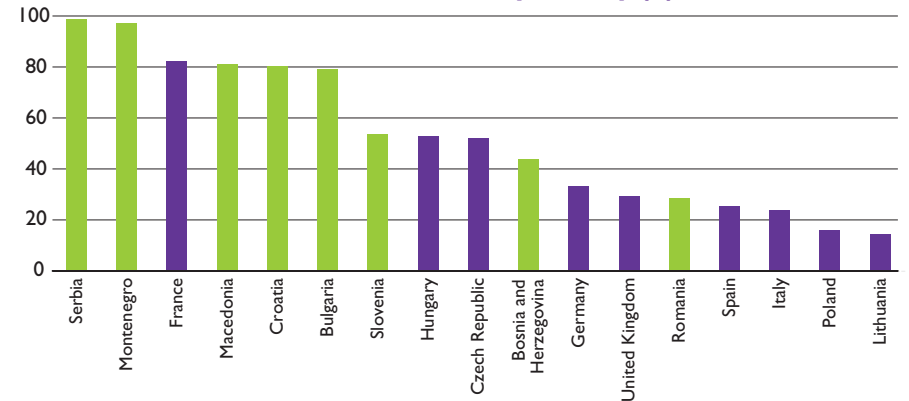
The measures for reaching this goal are simultaneously stimulating investments in electricity infrastructure, cross-border connectivity, and greater use renewable energy sources, while also enforcing competition on the integrated internal European power market. However, the quest for full liberalisation and integration is far from over yet. National electricity markets are still pretty fragmented in structure and regulatory framework. A number of actions have been taken to implement the directives but the results have not been achieved within the set deadlines and individual countries have reached a different stage of liberalisation.

Power market liberalisation follows similar patterns in most European countries, regardless of the period when it happens, the structure of the sector and the economic development of the countries. Prior to the liberalisation, electricity in all European countries was supplied to end customers by vertically integrated production and distribution monopolies, most often owned by the state or regional governments. In most cases industrial customers were the first to benefit from market deregulation and could access the free market, while households received the right to choose their suppliers on average five years later.

Free market development in SEE follows the EU example at a slower rate

In terms of achieving the goals of interconnected free European power market,

POWER MARKET CONCENTRATION* by country (%)



* The EUROSTAT statistic measures market concentration based on the market share of the largest generator in the electricity market.

Sources: EUROSTAR, DKER

Number of electricity suppliers on the power exchanges in Bulgaria, Serbia and Croatia in 2018



Sources: IBEX, SEEPEX, CROPEX

the SEE countries can be classified into several groups. Slovenia and Romania practically have deregulated power markets integrated into the European market. Bulgaria, Croatia and Serbia have liberalised their markets for industrial customers, but full and effective liberalisation for households is still to happen. All of them launched national power exchanges in the last two years and are working on coupling them with each other or with other neighbouring countries. Albania, Macedonia, Montenegro, Kosovo and Bosnia and Herzegovina still struggle with the harmonization of their legislation with European regulations and are yet to begin establishing power ex-

changes and liberalising their markets. A common feature of all SEE power markets is their high extent of concentration, much above the European average. In all countries except Romania the largest electricity supplier holds more than 50% of the market and in Serbia and Montenegro the share of the incumbent suppliers is close to 100%.

Bulgaria is still far from open competitive electricity market

Bulgaria's electricity market is open for wholesalers and liberalised for compa-

nies, but the country is one of the last EU members to liberalise the market for households. The process is still at an initial stage and full liberalisation is planned for 2022 following the model proposed by the World Bank.

One of the main reasons for the slow liberalisation is the monopoly position of the incumbent supplier, which is the only regulated market supplier and is obliged to buy the energy of almost all large producers under long-term power purchase contracts. Another reason is the financing of large electricity infrastructure projects in the past, which caused financial difficulties.

According to the Association of Traders with Electricity in Bulgaria (ATEB), a negative trend is observed since 2017 – customers who have decided to go to the free market change back to the regulated market, especially in the case of small businesses due to the price difference between climbing market prices and the fixed prices offered by the incumbent supplier.

Social concerns bring price deregulation in Serbia to a halt

The electricity system of Serbia is characterised by complete liberalisation for industrial customers and lagging deregulation of the market for households. Prices for end users are subsidised by the state and kept at levels often insufficient to cover costs for generation and transmission.

Serbia's government considers the country not ready for liberalisation of retail power trade due to the large share of vulnerable customers, estimated at 400,000, and the high social risks that price deregulation would bring. Therefore, as of end-2017 there were no conditions for removal of subsidized prices, which will continue to slow down the process and turn potential investors in the electricity system away.

Croatia outpaces its SEE counterparts on the road to liberalised power market

Croatia is among the first SEE coun-

tries to put its legislation in line with the European directives and ensure a fully liberalised electricity market for both industrial and household customers. In Croatia, liberalisation is underway since 2004, when the market was open for customers with consumption above 20 GWh. Four further stages of liberalisation were implemented by 2009, when all industrial and household customers gained access to the deregulated electricity market.

Romania leads the way to market deregulation in SEE

Romania was the first SEE country to completely liberalise its electricity market for all types of end users. The government abolished price regulations for household consumers in the beginning of 2018. A distinguished feature of the Romanian electricity retail market immediately after the deregulation is the significant price difference between electricity suppliers of end customers.

A growing number of regional interconnection projects are underway in SEE

The complete integration of the European power market is seen as the only way to achieve the long-term goals of the European Union in the electricity and related sectors. The EU regulations aiming to create an integrated competitive electricity market imply that in order to survive small regional power exchanges have to consolidate. National markets are inefficient due to limited size and fragmentation, which prevent sufficient liquidity.

In March 2018, SEEPEX signed a memorandum of understanding with HUPX (Hungarian Power Exchange) and EPEX Spot (European Power Exchange) for the creation of a single power exchange for Central and Southeast Europe, and defined market coupling with the electricity markets of Hungary, Romania, Slovakia and the Czech Republic as a strategic priority.

Bulgaria's IBEX was created in the be-

ginning of 2016 and as of 2018 has no agreements with neighbouring stock exchanges. Talks with Romania are at a standstill, but an agreement is expected in the end of 2019, when the 4MMC group will integrate into the Multi-Regional Coupling (MRC) project. Further market coupling partnerships are planned with Greece, Serbia and Macedonia.

The Western Balkan 6 initiative kicked off in 2015 as the major project for improvement of energy connectivity in SEE. Its measures include power interconnections Serbia-Montenegro and Albania-Macedonia, as well as establishment of regional energy market. Each of the six participating countries has to integrate its day-ahead market with at least one WB 6 or EU member.

SWOT analysis of the electricity sector in the process of liberalisation in SEE

Strengths

- Diversity of energy sources - all SEE countries have the potential to rely on solar, wind and hydro sources in addition and as an alternative to nuclear and coal-fired power plants.

- SEE countries are among the top performers within the EU in terms of implementation of the 2020 renewable energy goals. Bulgaria, Romania and Croatia have already met their respective targets.

- The network capacity in the region is currently adequate for the proper electricity flow between most countries with very few exceptions.

Weaknesses

- Lack of favourable legislation and delays with the deregulation process in SEE discourage potential investors.

- Lack of competition is caused by the strong concentration in the electricity supply sector.

- The share of vulnerable customers and the amount of state aid in the electricity sector is much higher than the EU-average.



Photo: blickpixel/Pixabay.com

Opportunities

- The integrated European power market means pooling and efficient usage of all assets and will guarantee access of SEE producers to customers across the continent, while local consumers will be free to choose electricity from any European supplier.
- As retail prices are expected to rise continually, many customers will turn to energy-efficient technologies, which will stimulate innovation in SEE.
- The upcoming full liberalisation of retail markets will push new suppliers in competitive environment to provide customers with better solutions in order to attract them.

Threats

- When all borders are opened for free trade of electricity, prices will tend to reach equilibrium, which will affect negatively consumers in countries with previously lower prices, such as all SEE countries.
- Excessive dependence on a single country influencing the single European market can arise, as is the case with wholesale electricity prices dragged down throughout Europe by the reduction of prices in Germany, caused by the

subsidizing of renewable energy producers by end customers.

- Traditional incumbent power suppliers in the region may fail to survive in a completely competitive environment and turn into a burden for taxpayers through state aid.

Power market liberalisation in SEE – slower than the rest of Europe, but equally beneficial if done right

When talking about liberalisation of the electricity market in SEE, the question is not whether it should happen. It is obligatory under EU legislation. The question is rather when it will happen and at what cost.

Based on the experience of EU countries with fully liberalised markets, the proposed market model has benefits for customers, suppliers and power generators. If it is applied correctly and mistakes previously made in some countries are avoided, it is very likely that the power market liberalisation will succeed in SEE as well, and the integrated European market will be achieved.

The power market liberalisation process in SEE will take more time than in the rest of Europe, until the final goal of com-

petitive and interconnected market is achieved. In all countries, even in the EU members, European regulations are implemented partially and with significant delays. Since the market does not follow market principles before deregulation, when it is enforced usually problems occur. Therefore, at least in the short run, some form of state intervention in price formation is inevitable in SEE countries, in order to ensure social stability.

As far as retail prices are concerned, liberalisation will most likely lead to a considerably higher overall price level in the region than it currently is in a state-regulated environment. This is the major difference between SEE and EU countries where market deregulation is already successfully implemented. In the UK, Germany and other countries in western and northern Europe prices before liberalisation were close to the market prices and deregulation immediately resulted in a decrease of the price levels due to intense competition. In SEE however, there is little enthusiasm, because the beneficial effects and price reduction caused by free competition will be fully offset in the short run by upward movements towards equilibrium market price once the subsidized tariffs are removed. Thus, the positive effects of power market liberalisation will be delayed in time for end users in SEE and will also come at a high social cost.

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Born smart in SEE, growing up rich globally

By Mariyana Yaneva, Managing Editor, Renewables Now

When you think of business innovations for a low-carbon economy, Southeast Europe (SEE) may not be the first thing that comes to mind but the region sure has some jewels to show to green business seekers.

Croatia, for one, is home to electric sports car maker Rimac Automobili, which this summer attracted the attention (in the form of a 10% shareholding) of German sports car manufacturer Porsche.

Mate Rimac, the founder and CEO of Rimac, who started off his business in a garage in the town of Sveta Nedelja in 2009, acknowledged very early on that the company needs to focus on the global market. "We never thought locally, only globally. It was always clear that Croatia is not a market for our products," Rimac told SeeNews in an interview. "Going international from day one was the only way to success."

In 2013, Rimac pocketed his first \$1 million from the sale of an electric supercar prototype. A year later the company raised a total of 10 million euro from three investors. In March 2018, Rimac unveiled the latest version of his electric hypercar, the C Two, at the Geneva Motor Show. The two-seater now boasts around 2,000 hp and reaches a top speed of 412 kilometres per hour.

In July, the company's autonomous driving team launched a fleet of research vehicles to accelerate the development of its autonomous driving system and C Two's signature feature – the driving coach. The fleet consists of several types of vehicles for different applications and scenarios with higher performance. The research vehicles can be controlled by the company's on-board AI system and will be used for data collection and testing of the Rimac algorithms. Each vehicle collects 6 TB of data for every hour of

driving. All that data is used to develop our deep learning and AI models for perception, localisation, motion planning and driver monitoring.

Rimac's main focus is now on high-voltage battery technology, electric powertrains and the development of digital interfaces between man and machine (HMI Development). The Zagreb-based company also develops and produces e-bikes under its subsidiary Greyp Bikes, which was founded in 2013. It currently employs around 400.

In **Romania**, electricity and gas supply company Restart Energy is also thinking globally and plans to launch a blockchain-fuelled, peer-to-peer, fully decentralized energy transfer platform by the end of 2018.

In February, the company raised \$30 million in a Token Generation Event (TGE) to finance its Restart Energy Democracy (RED) platform which uses blockchain protocol, energy tokenization and smart contracts to connect renewable energy producers/prosumers to consumers anywhere in the world.

"The idea for the RED platform was born from my dream of creating a transparent energy ecosystem that allows and encourages free and direct energy transfers between people, who have the possibility of choosing renewable energy without limitations, from sources they can trust," Armand Domuta, CEO of Restart Energy, told SeeNews in an interview. The RED ecosystem is comprised of the RED-Platform, RED-Franchise and RED-MWAT Tokens.

The MegaWatt (MWAT) token is at the core of RED's functionality. Each MWAT gives access to trade up to 1 MWh of energy per month on the RED Platform software. The tokenized energy traded on the RED Platform can be physically delivered at local rates in countries with deregulated energy markets where Restart Energy will be present directly or

through franchises.

Domuta set up Restart Energy as a private energy supply company in 2015. In just two years after its launch, the company has reached 37,000 clients in Romania. According to the CEO, Restart Energy will bring in \$100 million in revenue in 2018 - a five-fold increase over last year. "We're planning on entering over 40 countries in the next five years," the CEO said.

In neighbouring **Bulgaria**, power supply systems manufacturer IPS has a different solution for the distributed energy generation market.

The company has developed a plug & play modular system called Exeron that enables off-grid electrification of single or multiple objects (mini grid) in remote or rural areas. PV, wind and diesel generation sets can be used as input power sources and a battery can be used for energy storage. Starting from 2 kW per hot plug power module, the systems can reach 65 MW in 2 or 4 kW power steps.

Initially developed for military applications, the Exeron systems are currently operating in 58 countries. In 2017, IPS said it had struck a frame agreement with one of the largest oil & gas companies in the world for a significant number of Exeron units to provide autonomous power for the cathodic protection of oil pipelines in a completely isolated, off-grid locations. This year, a new IPS factory with an annual production capacity of about 120 million euro will be launched in Bulgaria. It will be the first 100% self-sufficient, zero emission manufacturing facility of its kind in Europe.

Renewables Now is an independent one-stop shop for business news and market intelligence for the global renewable energy industry.

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Turmoil on global radiators market opens up new opportunities for Korado

TOP INDUSTRIES/interview

KORADO Group is the world's fifth largest supplier of steel panel radiators with more than 30 million customers worldwide during its 50 year history. The company offers a wide range of steel panel radiators, tower rail radiators and unique design radiators. The brand name is associated with a full range of heating and ventilation solutions employing state-of-the-art technologies with high efficiency and competitive prices. The business strategy for 2018 envisages expansion and product development. KORADO Group consists of the parent company KORADO, a.s., Ceska Trebova, four trading companies in Germany, Austria, Poland, and UK, and three production subsidiaries –KORADO Bulgaria, LICON HEAT and Therm Wet. The group employs 650 people.



Vojtech Chamek,
KORADO Group CEO

Photo: Aneliya Nikolova

What are the highlights of KORADO Group's short and mid-term development plans in Bulgaria? Which are the areas on which you will focus and the segments where you see growth opportunities?

We have already emphasised to our shareholders that 2018 is a year of stabilisation and consolidation. We are focusing our energy on the full integration of the newly acquired land and production premises into our production facilities and finalising the paint shop project.

We see the biggest opportunity in the dramatic turmoil on the radiators market. Soaring steel prices have significantly hit the bottom lines of some of our mainly Western-based competitors which led to considerable changes in the whole industry. We would like to be among the best prepared once this period is over.

What is the volume of your planned investments in Bulgaria in 2018 and 2019 and what are the main areas to which they will be allocated?

This year we are about to invest slightly over 1 million levs in the newly acquired production hall to have it ready for our production purposes and in the thermal insulation of the main administrative building.

The paint shop project, which will most probably be realised in 2019, will be definitely more demanding financially. We have already received several offers and are trying to negotiate more favourable terms.

What are your expectations regarding KORADO Bulgaria's sales abroad? Which are your key export markets and your expectations regarding your performance there? Do you plan to start exports to new markets? What are the key challenges you face on foreign markets?

You know that almost 98% of the production of KORADO Bulgaria is exported practically to all European countries, from where the highest volume goes to Hungary, Romania, the Ukraine. We also

plan to start sales to Russia and Germany. The key challenges remain very much the same, i.e. competitive price policy, short lead time, good logistics and effective communication and service.

How do you see the Bulgarian market's short and mid-term development?

Like all European countries, the Bulgarian heating market has been going through a long run of changes over the past years. From the post-Communist era of consumption of mainly cast-iron heating units, we moved to sales of aluminium and steel panel radiators, towel warmers and we started to develop low-temperature systems and low energy products.

Since 2015 we have been witnessing growth in the heating market following the post-2008 crisis. We should expect gradual increase of steel panel and towel radiator sales on the Bulgarian market in the short-term perspective in the new housing and replacement segment by an average of 2% per year, triggered by the stability in construction and rising household consumption.

In particular, our mid-term development will be influenced by the steps to ensure the energy efficiency of buildings, their certification and the respective requirements for the heating units. The passive buildings and zero energy consuming homes too are part of our mid-term prospects and future reality, as we are contemplating low-temperature units like convectors, ventilation and heat recovery units, all of them controlled by a click on our phone or weekly scheduled.

What are the key factors impacting the local market?

In general, the local market is a small-size market for the capacity of our production. The trend since 2015 of improving economic situation, increasing household consumption, decreasing unemployment and recovery in construction are the factors that will drive the local heating market.

On the other hand, there is one significant negative impact which comes from the steel prices policy changes knocking on our door, and the trade wars that will come as a result. We are not immune and our market and our

1 mln levs

KORADO Bulgaria's planned investment in new production hall and thermal insulation of offices

2%

Expected annual rise in steel panel and towel radiators sales in Bulgaria

Strong growth potential in bathroom and towel radiators segment

The Premium market gives us prestige, attracts more investors and puts more pressure on us to be transparent

We see the Western Balkans countries and their future plans for EU entry as a new opportunity.

business will be influenced as well.

Our market, and the majority of South-east European markets, will remain under the impact of our southern neighbours in the field of heating units production.

For which products and services do you see highest demand and where do you see untapped potential?

Unless there is a major project for the refurbishment of the old panel houses that could trigger large-scale replacement of old cast-iron radiators, we see this market segment increasing slowly. However, there is strong growth potential in the segment of bathroom and towel radiators, where we plan to expand production capabilities.

We see the untapped potential in broadening our portfolio with products which meet EU requirements planned for 2020. Czech producer of centralised ventilation units Therm Wet, which we acquired recently, is our answer to these EU measures. We are about to incorporate this company into our structure and focus on its further development.

What are your short and mid-term expectations regarding KORADO Bulgaria's performance on the Bulgarian stock exchange following its move to the Premium Segment?

From the very beginning we presented KORADO Bulgaria's shares as stable shares. In our understanding, this means shares with gradually increasing prices and regular dividend income. You can see that we are about to start paying dividends twice a year, subject to approval by the Assembly general meeting scheduled for 31st of October, following the changes in the Bulgarian legislation.

The Premium market gives us prestige, attracts more retail and institutional investors and also puts more pressure on us to be transparent enough for our shareholders and to follow all legal requirements linked to it.

In general, we would like to see Korado Bulgaria's share price a bit higher, we do believe that the current development on all stock exchanges is negatively influ-

enced by the beginning trade wars and, in Bulgaria specifically, by the big IPO process which draws the investors' attention away from other shares.

What is your take on the short and mid-term development of the Southeast European markets?

In general, the goal is to keep and further develop our strong customer base and enlarge the group product portfolio. We see the Western Balkans countries and their future plans for entry in the EU as a new opportunity and expect significant construction projects which should have the same influence in the heating area.

Romania will continue to be the fastest growing economy and the largest market with steady construction and increasing consumption.

The region favours the technology prone education and skilled workers, as it will contribute to the development of international companies.

How do you see other markets in Europe where KORADO Group is operating developing in the short and mid-term?

In the short term, we expect even tougher competition due the further consolidation of our industry. In mid-term perspective, this process is a huge opportunity for KORADO Group, including KORADO Bulgaria, to get new customers and projects, especially in Germany, Benelux and other parts of western and central Europe.

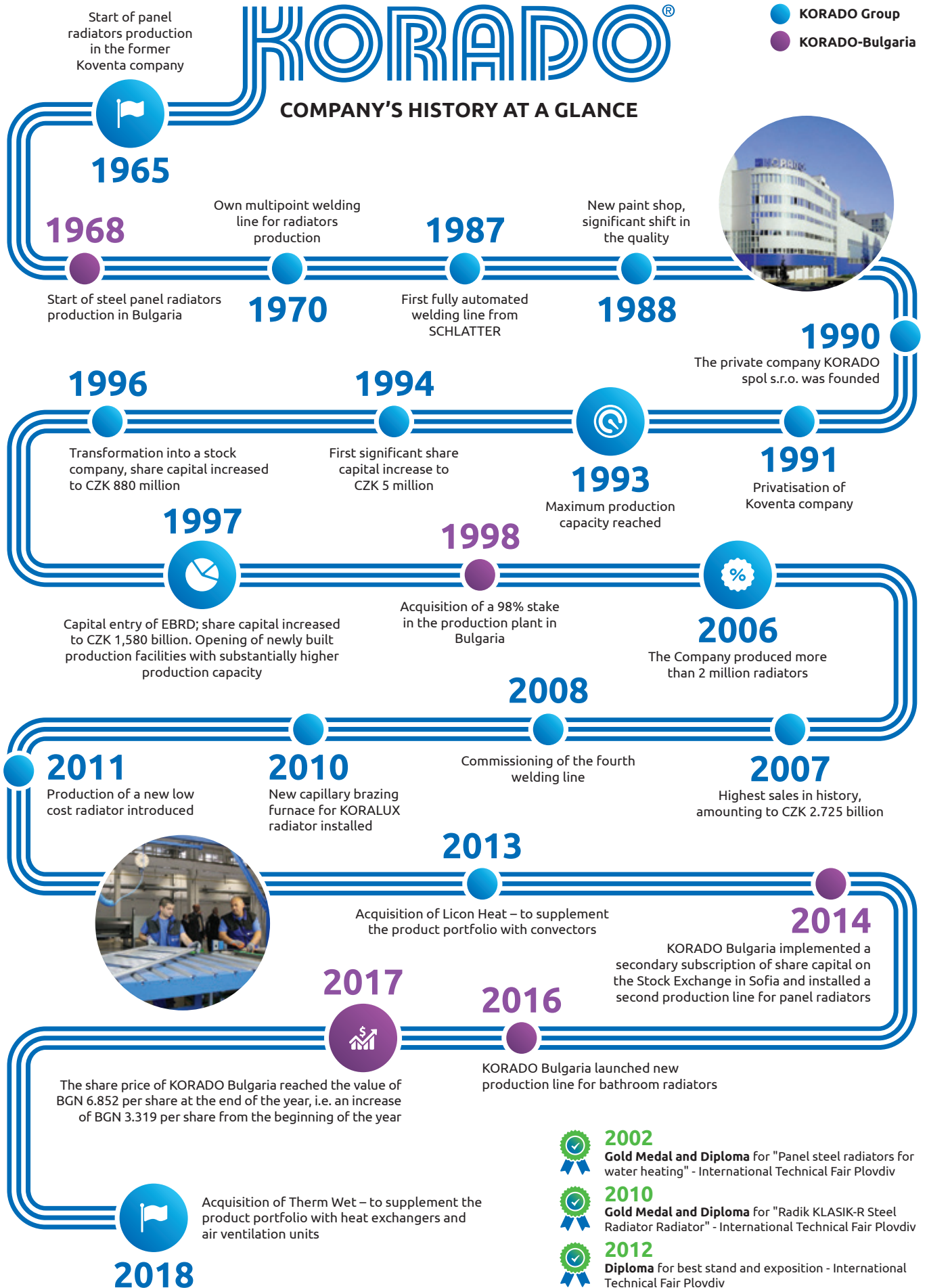
What are KORADO Group's short and mid-term development plans in this context?




As noted, we would like to come out as one of the winners of the consolidation of this industry. The overall industry, which was not in the best condition before, was recently hit heavily by the EU's technocratic measures towards Russian and Chinese export of steel. A further adverse effect on steel prices came from Mr. Trump's steps against steel and aluminum deliveries to the US. We strongly believe that thanks to KORADO Bulgaria, we are ready to withstand this tough competition.

KORADO®

 **KORADO Group**
 **KORADO-Bulgaria**

COMPANY'S HISTORY AT A GLANCE



-  **2002** **Gold Medal and Diploma** for "Panel steel radiators for water heating" - International Technical Fair Plovdiv
-  **2010** **Gold Medal and Diploma** for "Radik KLASIK-R Steel Radiator Radiator" - International Technical Fair Plovdiv
-  **2012** **Diploma** for best stand and exposition - International Technical Fair Plovdiv



Our ambition is by 2025 at least 30% of our adult consumers to switch to smoke-free alternatives

TOP INDUSTRIES/interview

Philip Morris International is a leading international tobacco company, which owns six of the world's top international 15 brands, spanning more than 180 markets. The company operates and owns 46 production facilities and employs around 81,000 people. Christos Harpantidis is Chairman and Managing Director of Papastratos S.A., an affiliate of Philip Morris International, since August 2015.



Christos
Harpantidis,
Managing Director
for the EU South East
Cluster at PMI



The main message on your website is “Designing a smoke-free future”. What does this mean for one of the biggest cigarette companies in the world?

Our industry is going through the most significant transformation in its entire history entering a new post-cigarettes era. We are glad that Philip Morris International is leading this drastic change towards a future, where smokers who do not wish to quit can have a better alternative than to continue smoking cigarettes. It's known that, by burning the tobacco, thousands of harmful chemicals are released in the smoke and at least a hundred of them have been identified as carcinogenic. The developments of modern technology have helped us develop after more than 10 years of research a fundamentally different product that heats the tobacco instead of burning it. Thus, no smoke and ash are formed and the level of harmful and potentially harmful substances is significantly reduced compared to cigarette smoking. This does not mean that using smokeless tobacco products is risk-free, but that it is likely to present less risk than continued smoking in the long run. We believe in the potential of our smoke-free alternatives to reduce individual and population harm and that is why in the last 10 years we have invested 4,5 billion dollars in their Research and Development capacity and production. More than 430 scientific experts with various profiles, are working in our R&D center in Neuchatel, Switzerland, called the Cube, conducting scientific research and assessment of our smoke-free products. All this proves our serious commitment towards our vision – to design a smoke-free world.

To fulfill this mission, we needed to disrupt our successful business and go for a dramatic change. Usually businesses are disrupted and forced to change from outside. It happens rarely that an industry leader would disrupt from inside its successful business and would decide to stop selling its most profitable product. But we have decided to go into this completely new direction and we believe this is the right thing to do not only for our consumers, but also for the whole society.

We are glad to observe that more and more industries and governmental bodies embrace the harm reduction approach and welcome the idea of de-

4.5 bln dollars

PMI investment in R&D capacity and production over the past ten years

signing a smoke-free future together. Recently, the creative, media and communications communities supported our commitment to creating a smoke-free world at the International fest for creativity Cannes Lions, while the Thessaloniki International Fair which took place in the beginning of September declared itself as the first-ever Smoke-Free fair.

What are the highlights of your short and mid-term development plans?

Our ambition is that, by 2025, at least 30% of our adult consumers, who would otherwise continue smoking, switch to our better smoke-free alternatives. This is already happening, as to date already 5.6 million adult smokers worldwide have switched to our most developed heating tobacco system IQOS, which is available in more than 40 markets worldwide. This means that 10,000 adult smokers per day decide to stop smoking and choose our heated tobacco products. This gives us the confidence that we are moving in the right direction towards a smoke-free world and that there is huge potential to reduce the harm from tobacco. However, in order to reduce individual and population harm, we need not only to convince consumers to quit or switch to better alternatives, but also to involve the whole industry, society and regulators in this change.

We are proud to be the leader in this major transformation, while innovations, science and technology are driving our company. To date, PMI has more than 3,400 patents granted and over 5,000 pending applications worldwide relating to these innovative technologies. We are proud to be the 5th largest

5.6 mln

Smokers globally have switched to IQOS

fast moving consumer good patent filer at the European Patent Office, and the only tobacco company in the top-100 of EU Patent filers.

So far, these revolutionary smoke-free products represent approximately 4.4 percent of PMI's shipment volume and around 13% of our net revenues, excluding excise taxes. At the same time, our resources continue to shift with approximately 40% of our global commercial spending and more than 70% of our R&D expenditure being oriented towards the risk reduced products.

At the same time, we are investing in new production facilities for the tobacco sticks used in IQOS. Such a major investment in our region, of 300 million dollars, was announced last year in Greece and is about to be completed converting the existing factory of Papastratos to a state-of-the-art heat sticks production facility.

Such major investments in innovation and science towards the new direction require also a new way of thinking and of working within the company. Moving into a completely new digital world, we are also hiring different profiles of people with marketing, digital and customer care expertise. At the same time, we continue to develop our smoke-free product portfolio and to improve our customer service based on consumers' preferences and feedback.

Our smoke-free product portfolio includes four platforms in various stages of development and commercialization: two products that use different innovations to heat rather than burn tobacco, and two e-vapor products that do not contain tobacco but deliver nicotine based on different technologies. We are glad that the the first and most developed of these products, the tobacco heating system IQOS, is very well perceived by the adult consumers in our region in South East Europe and the EU as a whole.

What are your expectations regarding the development of Bulgaria's cigarette market? What are the key factors and what are main challenges? Where do you see untapped potential and how would you describe the regulatory environment?

Bulgaria has a positive regulatory envi-



ronment for investments and innovations in smoke-free products. The country is a leader in the regulatory framework, as it has transposed entirely the EU Tobacco products Directive in the national legislation. Bulgarian authorities have also created a separate legislative and fiscal category for the heated tobacco products. A good regulatory environment was also created for providing robust scientific information towards the consumers.

In this sense, Bulgaria created a positive environment that allows fostering of innovations and science in the smoke-free area. This is very important as the countries in our region have been criticized for their highest smoking prevalence in the EU. Now, thanks to the developments of highest innovations and modern technology together with the good regulatory environment, it is possible to offer a category of fundamentally different smoke-free products that have the potential to reduce the harm of tobacco. With this, Bulgaria, together with the other countries in South East Europe and the EU as a whole, is taking serious steps towards the improvement of public health.

In terms of challenges, undoubtedly, one of the major ones in the last period for us was the regulatory debate in Bulgaria on equalizing the tax on heated tobacco

Smoke-free products represent around 13% of PMI's net revenues, excluding excise taxes and 40% of its global commercial spending

PMI has more than 3,400 patents granted worldwide relating to innovative technologies

products and that on conventional cigarettes. We are glad that the public debate and dialogue with legislators in the end have led to a more balanced outcome to maintain the differentiated tax approach to the new product category that supports investments and innovations in the industry with the aim to reduce the harm of smoking.

In terms of potential, we believe that there is a large opportunity for countries in South East Europe to leverage on science and innovations for all the adult smokers and those around them. Our vision for the world and for the region of South East Europe is that one day all adult smokers who would otherwise continue smoking switch to potentially less harmful smoke-free alternatives. But we can't fulfil this mission alone, we can only make it happen if we join efforts with the scientific community, regulators and the whole industry.

What are your research and development plans?

In order to demonstrate that heated tobacco is a better alternative to continued cigarette smoking, we have developed a state of the art stepwise scientific approach that is similar to the pharmaceutical industry and in line with international guidelines and best practices. For more than 10 years, PMI is conducting scientific research and development, evaluating the data to build up the totality of evidence for the tobacco heating system IQOS. Our conclusions about IQOS so far are supported by findings from a range of scientific studies, not just a single laboratory test or a single clinical study.

Our approach is designed to provide 5 levels of evidence. First, we verify that the product's design does not pose any additional risks compared to those already known for cigarettes. Then, we conduct further laboratory, pre-clinical and clinical studies to assess exposure and toxicity vs. cigarettes. We also conduct perception and behavioural studies. Finally, we monitor the long-term impact of IQOS usage once in the marketplace. Until now at each step of our program, the results very encouraging in supporting our messages towards the reduced risk of heat-not-burn products in comparison with conventional cigarettes. Until now, we have conducted numerous studies, including 8 clinical trials in

Japan, adult smokers US and Europe, looking at the results in smokers who continue to smoke cigarettes, who have switched to IQOS and who have stopped smoking. All our scientific data is transparent and publicly available and can be found at www.pmisceience.com and www.clinicaltrials.gov.

What are your sustainability efforts?

We at PMI have taken serious efforts to fundamentally transform our business model by putting smoke-free products at the core of our sustainability efforts to address wider societal challenges, drive operational excellence and manage our social impact. We have set ambitious sustainability targets and we are proud to be ranked among the top fast-moving consumer good companies in terms of progress in reducing our environmental footprint. We have also gained recognition from our stakeholders for the tangible progress in tackling complex socio-economic challenges in the tobacco growing regions.

Through our programs supporting the empowerment of local tobacco-growing communities, we believe that we can make a global impact. The programs we support are based on local needs and include access to quality education, income-generation initiatives, and the promotion of women's leadership roles in society. We also help address natural or man-made disasters and other emergencies. At the global level, we're working with strategic partners to fight human trafficking, protect migrant workers, and generate economic opportunity for women. Additionally, we invest huge resources in the fight against illicit trade and related crimes such as corruption, money laundering and organized crime.

We are proud that one of the best examples for a sustainable social responsibility program is realized in our region, in the Bulgarian tobacco-growing municipalities with the support of Philip Morris Bulgaria. Implemented for a 4th consecutive year, the program "Summer for Joy, Autumn for Care" is a best example of how business and the non-governmental sector can work together for the economic and social development of the local communities.

This interview is supported by Philip Morris Bulgaria.

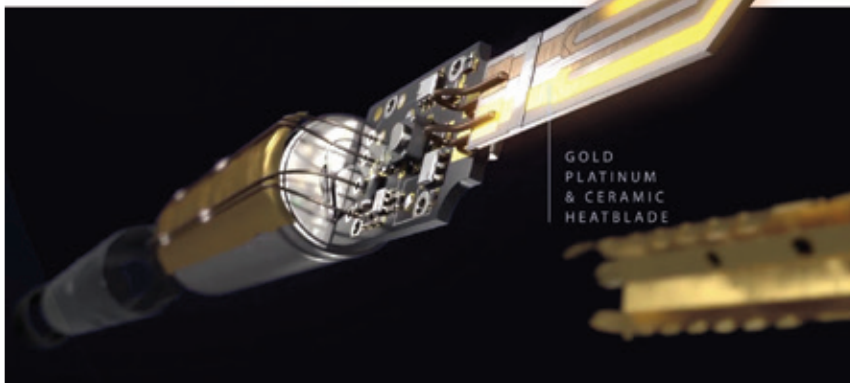


PHILIP MORRIS BULGARIA EOOD



Philip Morris Bulgaria EOOD is an affiliate of Philip Morris International (PMI) – the leading international tobacco company with more than 150 years of history and with 6 of the world's top 15 international brands, including Marlboro the number one cigarette brand worldwide, as well as with more than 150 million people consuming its products globally. Ever since it first came on the Bulgarian market in 2006 the efforts of the company and its team of innovators transcended the mere trade in tobacco products.

For a second consecutive year Philip Morris International was recognized as a **Global Top Employer**. At national level, Philip Morris Bulgaria received a Top Employer certificate for 2018



from the Top Employer Institute, as well as “Best employer” for 2017 from AON organization

based on a survey of the satisfaction, attitudes and engagement of the employees.

Philip Morris Bulgaria is also committed to contributing to the attainment of the UN Sustainable Development Goals. Since 2015 the company has been implementing an annual charity program “Summer for Joy, Autumn for Care” supporting children, elderly people and entrepreneurs from remote tobacco-growing regions in Bulgaria. In 2017 the program received two prestigious awards for “Best Social Policy by a Small or Medium-Sized Enterprise” of the Bulgarian Business Leaders Forum and for “Best Products (“RRPs”) – smoke-free products

that have the potential to reduce Donor Program by a Small or Medium-Sized Enterprise” of the Bulgarian Donors Forum.

Today PMI is dedicated to doing the biggest shift in its 150 years of history towards a smoke-free future. PMI is engaged in the development and commercialization of Reduced-Risk

individual risk and population harm in comparison to smoking cigarettes.

ZAGORKA then and now



Zagorka's sustainability strategy covers whole value chain "from barley to bar"

Zagorka, a leading Bulgarian brewer and part of the Heineken group, is implementing a long-term sustainability platform "Brewing a better world" which aims to focus in six key areas – protection of water resources, reducing carbon emissions, growing with communities, sourcing sustainably, advocating responsible consumption, and promoting health and safety.

With targeted actions in these areas Zagorka covers the whole value chain "from barley to bar". They all fall into the scope of the Global Goals for Sustainable Development by the United Nations Global Compact - a voluntary initiative based on CEO commitments to implement universal sustainability principles and to take steps to support UN goals.

Zagorka is currently able to recycle 99.6% of all generated waste and aspires to increase this share in the future and to minimise the amount sent to landfill. A significant decrease is also recognised in the total amount of waste generated at first place – 67% in brewery production area covered. By reducing the amount of materials that cannot be reused and replacing with reusable whenever possible, the non-recycled waste is reduced by 40% as well. The numbers speak for themselves – 61,000 pieces of wood, 17,280 kg cans and 5,900,000 pieces of glass bottles have been recycled last year. Sometimes the efforts cover even on brand level: for example with the "green" marketing decision to remove the upper paper label from the PET bottle of Ariana brand, and to organise a planting initiative for 2,230 new trees, in order to raise awareness and contribute in practice for the reduction of paper usage.

In terms of packaging, Zagorka's response of the current and upcoming necessities regarding paper and plastic usage reduction would be to set whole new specific targets on their packaging types, which are expected to lead to permanent reduction of the amounts of waste through gradual decrease of all bottles weight and new labeling policies. Though the consumption in PET bottles is high for Bulgaria, mainly because of the consumers' convenience, Zagorka is willing to provide other solution for them to choose from. Informational campaigns and educational sessions dedicated to sorting and packaging have been supported by Zagorka together with Ecopack Bulgaria. Waste collection and returning activities take place during all recent events organised by Zagorka, such as Ariana Football park during Mondial 2018 and the Beerfest in Stara Zagora.

Regarding CO₂ reduction, 100% of the Zagorka fridges distributed in the market are "green", which leads to less CO₂ emissions. A green fridge 37% less energy compared to the regular ones iduring the cooling process. Brewing heat is being used to provide hot water for the administrative offices and in the packaging facilities. In general, the whole amount of carbon emissions in distribution is 19% less since 2010.

Zagorka's Green Warehouse, located in the city of Stara Zagora, is the first green industrial building in Bulgaria operating since 2013.

99.6%

Share of all generated waste which Zagorka recycles.

What does this mean in practice? The warehouse for beers and ciders has been designed and certified in accordance with BREEAM - a globally recognized evaluation method for environmental indicators of such buildings. The facility is equipped with computer-based building management system (BMS), which controls and maintains the lighting, ventilation, fire extinguishing system and other systems in the building with minimum energy consumption and provides optimum working conditions.

Innovative green solutions have also been implemented in the construction process. The required storage temperature for finished goods is reached without any cooling or heating system thanks to better wall insulation with 15 cm wide thermo panels, non-typical for such conventional spaces floor insulation, fast doors with thermo insulation and movement velocity of 2 m/s. The building is also equipped with heat curtains that, along with the doors, prevent the storerooms from cooling or heating during all seasons. At night the premises are being cooled via special garret windows, opened automatically by BMS, so the warm air could naturally leave the building and be replaced by the heavier cold air from outside. Specially shaped north-oriented windows prevent the sunlight from affecting the stored goods.

A computer-based system controls the energy in the office spaces via solar panels for hot water, located on the building rooftop, window sensors that turn off the air conditioning when the windows are open, as well as customized temperature control per each room in the range of $\pm 3^{\circ}\text{C}$ compared to the regular level of 22°C . For maximum consumption of natural daylight, the green warehouse is built in a manner, so that the inner spaces without



windows could be lightened by the innovative Solar Tube system, which transfers daylight to them.

Lighting switches cannot be found in any part of the building, because the lighting is powered automatically by movement and light intensity sensors. The artificial light sources in the Green Warehouse premises are based on LED technology. The warehouse is surrounded by green walls from Ligustrum, a plant known for absorbing dust. The construction process of the warehouse base began in the end of 2011 and has been completed a year later. The surface of the new green production warehouse covers around 3000 m², and the cumulative investment equals more than 2 million Bulgarian lev.

Besides these green innovations, there is also an integrated system that gathers and utilizes rainwater, used in service spaces and office rooms as well as for hygienisation of the storage space. Thank to these and such innovative decisions, the water consumption reduction targets until year 2020 have already been accomplished. 3.3 hl/hl is the average water resources usage achieved currently in the brewery, which means 6% less in comparison with 2015.

Sustainable sourcing is also a major part of the Zagorka sustainability targets. Being one of the top contributors to Bulgarian economy, the company is also supporting Bulgarian farmers following strict requirements and policies.

On corporate level, the company supports various green initiatives that fall into the scope of the “Brewing a better world” platform, with Zagorka Green Fund: an annual competition for ecological projects and ideas on local level. The company has already granted funding for initiatives like – building an Eco Class room in Kazanlak, making better isolation for energy saving at a school in Radnevo, and Green Bus Station which is about to be built in Stara Zagora.

Zagorka implements responsible consumption values organising information campaigns on a corporate brand level. As part of the global Heineken commitment to advocate responsible con-

sumption, Zagorka spreads the “When you drive, never drink” message every year, focusing on driving and consuming behavior, and on a company level the “Game over – alcohol is not a game” targeting NGOs, parents and teachers in order to provoke a discussion regarding underage alcohol consumption and the best ways to prevent it. In order to provide the consumers the opportunity to choose responsible drinking, Zagorka offers a strong portfolio of non-alcoholic brands for different tastes and preferences, suitable for non-conventional consumption occasions also during the day coming as a response to consumers’ needs and demands, driven by the global and local cultural trend of living a balanced lifestyle.

Heineken 0.0 gives consumers the choice to go non-alcoholic without compromising on a quality beer experience.

For a third consecutive year Zagorka has also been distinguished as a “greenest company in the FMCG sector” by the Spontaneous perception survey, conducted by TNS based on the opinion of consumers aged between 18 – 55 years, residents of big cities and Sofia, as well as by an independent Bulgarian annual competition, organized by B2Bmedia”.

Zagorka has been distinguished as greenest company in the FMCG sector in Bulgaria.



BUSINESS LIVE

www.iec.bg

BVB in talks with peer bourses on regional ETF

By Nicoleta Banila



Adrian Tanase
CEO the Bucharest
Stock Exchange, BVB

In the beginning of 2018 Romania's financial regulator ASF approved Adrian Tanase's appointment as CEO of the Bucharest Stock Exchange, BVB, for a four-year term. BVB is the biggest stock exchange in Southeast Europe (SEE) with a market capitalisation of over 36.3 billion euro.

It has been a few months since you took over as CEO of the BVB. What are your main short and mid-term goals?

Bucharest Stock Exchange (BVB) managed to perform positively in a diverse and complex environment in the first half of the year. First, as far as the equities segment is concerned, two listings occurred: a technical one by the furniture producer Elvila and an IPO by Purcari Wineries, the first company from the Republic of Moldova to be listed on BVB. [...]

In an ever more complex international and national environment, the local market has also experienced some tur-

bulence as we witnessed a market re-adjustment towards the end of the first half. Nevertheless, the index including the dividends went up by 11%, this two-digit growth rate placing Romania among the best-performing markets within EU.

The capital market is not only about numbers and cents despite popular belief evangelising it as such. To me, one of the best news from the first half was when global index provider MSCI announced it had improved several criteria regarding the local capital market, such as market regulation, information flow, and trading, proving our projects are on the right track and that investors' perception towards the local market has improved.

For the second half of the year, the main objective of BVB is to bring forward to its shareholders a proposition to implement a central counterparty clearing house (CCP), which is the key financial institution that will help us re-launch the derivative market. We closely collaborate with the supervision authorities to have a solid business plan presented by year-end, as we aim to have the CCP launched by the end of 2020. As short term goals, we will keep on developing the market to the best of our abilities so that investors can soon take advantage to the fullest of lending operations, short-selling trading or a more flexible framework for OTC transactions.

Do you think the BVB will fulfill the eligibility criteria for an emerging market in 2018?

The upgrade to the Emerging Market status is a consequence of our strategy, and should not be seen as a goal by itself. By improving the market liquidity, increasing the number of investors, and bringing more companies to the Main Market, all the criteria needed to see Romania promoted to the next level will be fulfilled and, as a consequence, the global index providers will include Romania in the category of Emerging Markets. Whether it happens this year

or in the following years comes second in importance. [...]

What are your expectations regarding IPOs of private and public companies by the end of 2018?

We have ongoing negotiations with the finance ministry to issue a bill allowing the state to subsidise half of the listing costs for the new companies planning to get listed. Of course, the number of new listings matter, surely the size of the deals counts too, but what really matters at the end of the day is that the local capital market gains robustness, for we do not operate only with money but also with trust. Needless to say, more listings, both IPOs and SPOs, and more bonds issues will start taking place once companies and investors solidify the level of trust in the local economy and have a positive outlook for the future. We are in talks with other stock exchanges from Bulgaria, Hungary, the Czech Republic, also Poland, in order to create a regional ETF, which could be listed on international markets. We want to widen the possibilities offered to those investors who do not have a trading account opened in this region or who do not want to buy solely what Romania has to offer.

How does the political and fiscal uncertainty in Romania affect investors and BVB's development?

Agility seems to be the key to performing under enormous stress load and complex, rapidly changing situations as we are experiencing nowadays in both domestic and foreign markets. At BVB, we are constantly adjusting to different market conditions to not only meet but also exceed investors' expectations.

Obviously, political stability, both domestic and foreign, would help any stock exchange advance at a faster rate for uncertainty has killed more trades than any other fear investors may have.

Financial companies eye first private bourse in SEE

By Klaudio Jonuzaj



Artan Gjergji
Albanian Securities Exchange
CEO

The private Albanian Securities Exchange (ALSE) was founded by Tirana-headquartered Credins Bank and American Bank of Investment (ABI Bank) with 42.5% shareholding interest each and AK Invest, one of the biggest non-banking financial institutions in Albania, with 15%. Credins Bank and ABI Bank hold 0.13% and 2.85% of the total assets of Albania's banking system, respectively. Since the start of operations in February 2018 only government securities have been traded on the exchange. However, ALSE has a full operating licence and once the full institutional infrastructure is in place, it can operate as an exchange for the full range of securities, including government bonds, corporate bonds and company shares.

What has ALSE achieved since it started operation in the beginning of 2018 and what new challenges have emerged?

ALSE got a licence in July 2017 and concluded the procedure of interfacing the

system with the central bank within some months. So, we officially started operation on February 22, 2018. The results of the first months were better than we expected. The trading volume is more than 10 million euro in five months with a total of 53 transitions and trading securities volume of 72,648. ALSE has four members - Tirana-headquartered Credins Bank, American Bank of Investment (ABI Bank), International Commercial Bank, and Tirana Bank. As you know, the Albanian Financial Supervision Authority (AFSA) has set a condition on ALSE to trade only government securities during the first year of operation. Therefore, it's easier for banks to trade government securities because they are custodians at the same time. On the other hand, it's harder for brokerage firms because in order for them to trade in ALSE, they need to have a contract with a custodian. This is a technical issue that we managed to solve lately. Now, I guess soon we will have a few brokerage firms on board. This will increase the competition in the market, the trading volume and the number of transactions.[...]

Of course, our policy is to have intermediaries as much as possible in order to cut costs, meaning that the public and the investors will have lower costs in trading securities. This will also increase the effectiveness and efficiency of the market. [...] In order to trade in ALSE, interested financial institutions should have a licence from AFSA, comply with the legal framework, and then apply and comply with ALSE regulatory framework too. [...]

When do you plan to start trading in corporate bonds and shares in addition to government securities on ALSE?

ALSE aims to expand the market with corporate bonds and shares. But, we should not forget the architecture of Albanian financial market is missing an important part, which is the central depository. [...] So, this is a complex situa-

tion. It's not only an issue related to the companies. Once that missing piece of the puzzle is in place, we will have the opportunity to have companies listed in our system. [...] Of course, this is a new development for them. Albania never had an experience before with capital markets. [...]

What is ALSE doing to encourage companies to start raising capital through the stock exchange and promote its platform as a marketplace?

When we started trading, we kept a low PR strategy profile in order to build trust step-by-step without rush. [...] We are also trying to become part of the financial education. We signed a memorandum of understanding (MoU) with other eight associations dealing with the financial market including the Albanian Association of Banks (AAB), insurance companies, and investment funds, aiming to get involved in the financial education process. On the other side, ALSE have organised different conferences and lectures in universities trying to reach young people who study economy because we see this as an investment for the future. [...] ALSE is also working with the central bank and the AFSA in order to improve the legislation, the regulatory framework, and also help match the priorities of the payment system with the needs for development in the capital market. [...]

In your opinion, companies of which sectors of the Albanian economy could be the first potential candidates to raise capital through ALSE?

The businesses that need capital in large amounts are producers, big investors or financial institutions. From our contacts and meetings, service companies, construction companies and those of financial sectors are the main businesses showing interest in raising capital through the stock exchange in Albania.

M&A in SEE – Pick-up in investment activity continues

by Julian Gikov, Konstantin Ivanov, Octavian Goga, Helena Simicevic,
Raiffeisen Bank International



Julian Gikov,
M&A Director -
SEE Region, RBI

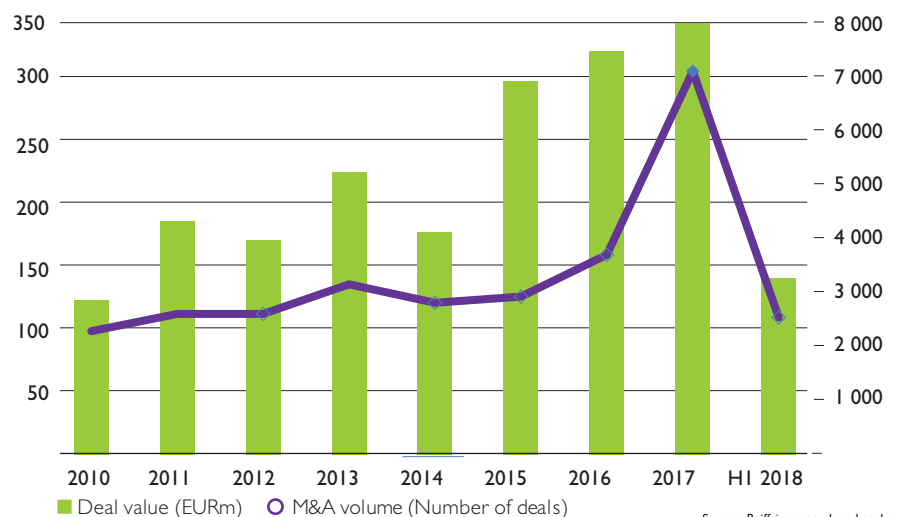
Growth on the mergers and acquisitions (M&A) market in Southeast Europe (SEE) continued to accelerate in 2017 and 2018. M&A activity in most SEE countries was influenced by political headwinds, global economic investment sentiment, as well as excessive funding availability. Nevertheless, local specifics rather than common features tended to shape the market in each country. Romania kept its lead as the hands down market leader in the region, supported by sound economic performance and sector maturity. M&A activity in Bulgaria is set to outperform on the basis of robust GDP growth and political stability, whereas in Croatia political volatility and Agrokor's restructuring affected the deal flow. Despite the slow recovery of the Serbian economy, starting from a low, the M&A landscape largely improved in the last twelve months with privatisation playing a key role. Following a multi-year climb on the back of improving economic outlook, Slovenia saw a slow-down in M&A activity as some major manufacturing and financial deals failed to materialise. From sector perspective, SEE sees a surge in interest in fast-moving consumer goods (FMCG), the technology, media and telecom (TMT), the financial sector and infrastructure. Interest remains dominantly limited to sector national champions or high value-add niche product companies, but improving consumer confidence already serves to bring purely domestic players into focus. In addition, with around 10.5 billion euro allocated for investments in Central and Southeast Europe (CSEE) by private equity firms, complemented by strong Chinese interest, the region is set to benefit from increasing fund raising. 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 the SEE region will remain regional and national consolidation processes, privatisation, and restructurings.

BULGARIA

The stable growth in M&A activity in Bulgaria gained significant momentum, to reach a five-year high in 2017 and further outperformed in the first half of 2018. The average transaction value in 2017 significantly increased to levels of around 49 million euro with an upward trend in 2018.

Noteworthy M&A deals in Bulgaria in the last 18 months included the sale of NBG's local subsidiary bank UBB to the KBC Group, the Belgium financial group, for a consideration of 610 million euro and the purchase of Telenor Bulgaria, the third largest telecom operator by PPF. The most scalable pending transac-

M&A DEALS IN SEE (2010-2018)



Source: Raiffeisen research and analysis

VOLUME OF M&A TRANSACTIONS

	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	-	2	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
2016	7	3	28	23	1	-	2	62	13	23	162
2017	11	3	46	35	4	2	2	151	23	34	311
YTD 2018	3	-	20	13	1	1	-	52	7	14	111

M&A TRANSACTIONS TOTAL VALUE

in millions of euro

	Albania	Bosnia	Bulgaria	Croatia	Macedonia	Moldova	Montenegro	Romania	Serbia	Slovenia	TOTAL
2010	57	11	920	592	-	12	18	455	145	659	2,869
2011	-	-	1,650	290	78	7	20	410	1,506	375	4,336
2012	850	20	2,080	160	19	13	-	365	149	319	3,975
2013	4	-	1,360	285	-	-	20	490	1,160	1,927	5,246
2014	100	79	820	584	4	-	65	1,480	224	770	4,126
2015	-	45	1,003	1,004	-	-	47	3,074	715	1,038	6,926
2016	585	7	1,382	796	8	-	8	3,442	185	1,076	7,489
2017	112	46	2,235	370	65	-	124	4,071	886	589	8,498
YTD 2018	-	-	1,000	166	-	-	-	1,483	506	118	3,272

tion for 2018 is the long-anticipated concession of Sofia Airport. Key sectors for M&A continued to be the financial services, commercial real estate, consumer goods, TMT, as well as energy and industrials.

The financial services sector in 2018 is to be further impacted by the exit of Societe Generale from the region and the acquisition of its Bulgarian bank by OTP for 500 million euro. This is the second major acquisition over the past two years which closes at P/B ratio of above 1.0x, testifying to the improved macroeconomic and political standing of the country.

Strong investor sentiment for real estate materialised in a number of deals for commercial real estate over the past 18 months. The most significant of those were the acquisitions of Mall Serdika and Paradise Mall by the South-African fund NEPI for 207 million euro and 253 million euro, respectively. Another of the trademark real estate commercial spaces in the capital city, The Mall, was acquired by Hyprop Investments, another South-African fund, for a reported 156 million euro. Other commercial real estate assets changed ownership as Galleria Varna mall was acquired by Delta Holding for 60 million euro, while Galleria Stara Zagora and Burgas were acquired by Prime Capital and MAS Real Estate for 62 million euro. Low interest rate environment and the improved consumer sentiment remain the key growth drivers.

Another indication of strengthening

foreign investors' confidence are the acquisitions of the largest bottled water producer Devin by Belgium's Spadel from Advent International for 120 million euro, as well as the purchase of the exclusive Pepsi beverages and Prisun juices producer and distributor by the leading CEE water and beverage player KMV. In addition, British American Tobacco (BAT) acquired the most popular cigarettes brands from Bulgartabak for a price of 105 million euro.

TMT remained a hot sector for foreign investors in Bulgaria. The acquisition of Telenor by PPF Group set the tone in a sector where opportunities for consolidation and convergence continue to drive the deal landscape. The Czech group is also looking to close on the acquisition of Nova Broadcasting Group from MTG, a deal in the vicinity of 185 million euro. A number of small transactions mark the software and technology scene, where the local pool of talent continues to attract investors while in addition to the now standard interest from international venture capital funds, we see strong strategic interest from the likes of SEGA, LINK Mobility Group, and Thunder Software Technology indicating a certain comfort with the market that was not as evident previously.

Energy and industrial segments were marked by the acquisition of Energoremont Holding by Dietsmann for 50 million euro, as well as the acquisition of TPP Varna from CEZ by local investors for 50 million euro. The renewable energy sector continues to attract interest

on the secondary market from local as well as international infrastructure and energy focused groups.

Healthcare is another strong segment where deals in 2017 were predominantly done in the retail and wholesale pharmaceuticals. The sector is set to attract further interest due to demographic factors impacting local demand in conjunction with the excellent position for expanding on healthcare tourism.

The most notable public sector investment opportunities are select pending concessions with key highlight being the tender process for Sofia Airport launched in July 2018, which is expected to attract major international strategic players, whilst the concession for Plovdiv Airport seems less certain after acquisition talks with China's HNA Group were discontinued.

CROATIA

Following a year of high transaction volumes Croatia's M&A activity slowed down in 2017. It was a difficult year for the Croatian economy mostly due to the negative effects experienced as a result of the massive restructuring of the country's biggest concern Agrokor. The structural importance of this company to the country's economy translated further into political instability. Nevertheless, despite the economic slowdown, the Croatian GDP growth remained stable at 2.9%. Tourism sector assets showed exceptional resilience to the overall trend and dominated the M&A

market in 2017. The list of recent deals in the industry includes: Hotel Kempinski acquisition by the Serbia's MK Group, the TUI Blu Jadran hotel acquisition by TUI AG for 31.5 million euro, the Hotel Marijan acquisition by Adris Group.

KKR's regional consolidation strategy generated the country's largest transaction - the acquisition of CME's broadcast operations for a consideration of 135 million euro.

The investment activity in the energy sector is slowing down due to adverse regulatory changes. During 2016, these changes resulted in a number of distressed asset sales and significantly halted the development of renewable energy projects. 2017 saw limited number of energy deals such as the Chinese Norinco International 76% stake purchase of Energija Projekt wind park for 32 million euro.

The industrial sector highlighted the Chinese batteries producer Camel Group's investment in the electric supercar companies Rimac Automobili and Greyp Bicycles.

In line with its privatisation strategy, the government continues to explore options for companies such as Petrokemija, Croatia Airlines, as well as for a number of tourism related highly depreciated real estate assets. The announced intentions for the repurchase of MOL's stake in the oil and gas company INA by the Croatian government as well as the potential sale of a 25% stake in HEP are currently on hold. The announced potential sale of the so called "non-strategic" companies is expected to attract investor interest for targets such as the food producer Podravka, electrical equipment producer Koncar and the port operator ACI and Croatia Banka.

Going forward, the M&A activity observed in 2017 is expected to rebound, stepping on the stable GDP development. Furthermore, Croatia's accession to the EU had a positive overall impact by increasing investor confidence and providing access to long-term EU funding. Whilst the ongoing sector consolidation and the privatisation in the tourism and hospitality sector will be a key driver of M&A activity, Agrokor's restructuring may bring a number of attractive assets to the market in the course of 2019.

ROMANIA

The country remained the leader in M&A activity in the SEE achieving deals value increase of 15%. The country's market size naturally draws significant inbound foreign strategic and private equity interest representing 67% of the total transaction value. Whilst domestic transactions constitute a 30% share, the outbound transactions remain low at 3%, which indicates the early-stage of local capital development. Out of close to 150 transactions for 2017, over 15 were more sizable, with value in excess of 100 million euro evenly distributed among the key sectors.

Two of the top ten transactions were in the energy and utilities sector, both constituting large minority buyouts. Enel paid 401 million euro to the Romanian state for 13.6% stakes in E-Distributie Muntenia and Enel Energie Muntenia. The deal materialised after a long period of negotiations and legal disputes. On the other hand, Electrica SA concluded a deal with Fondul Proprietatea fund to purchase its 21.9% stakes in its subsidiaries SDEE Muntenia Nord, SDEE Transilvania Nord, SDEE Transilvania Sud and Electrica Furnizare for a price of around 165 million euro.

Penta Investments-backed international pharmacy chain Dr. Max took over A&D Pharma wholesale and retail pharmacy businesses in a deal valued at around 350 million euro. This consolidation has turned Dr. Max into the largest player the pharmaceutical market.

The banking sector consolidation has produced the third largest deal - Banca Transilvania's takeover of the local structures of Greece's Eurobank in a transaction estimated at 240 million euro. Eurobank's exit from Romania has been driven by an EC-approved restructuring programme.

Another high profile transaction with a value in excess of 200 million euro was the acquisition of integrated con-

tainerboard and corrugated packaging manufacturers EcoPack and EcoPaper by DS Smith, a global leader in corrugated packaging for the FCMG sector. The transaction followed the buyer's regional expansion strategy.

More than 25 deals were in the real estate sector, with Radisson Blue Hotel change of ownership from Elbit to the UK-based private equity fund Revetas Capital for 170 million euro being the most notable deal. Looking at the top ten transactions, it is worth noting the entry of the two private-equity funds Vitruvian Partners (UK) and Polaris Private Equity (Denmark) which acquired stakes in two local businesses developed by both local (BitDefender - IT) and foreign investors (Premium Porc Group - Agribusiness), respectively. In addition, Key Safety Systems backed by the Chinese company Ningbo Joyson EC purchased Takata Corp operations in a transaction valued at some 150 million euro.

In 2018 Romania continues to be an attractive market for both private equity and strategic investors. In the first half of the year, more than 50 transactions have been reported amounting to some 2 billion euro..

The two largest transactions occurred in the banking sector. Erste Group bought a 6.3% stake from SIF Oltenia in Banca Comerciala for 140.5 million euro, whilst the UK-based Agro Group announced plans to acquire Bank Leumi.

With an estimated value of 100 million euro, the acquisition of Farmexim and Help Net by the German group Phoenix was the largest transaction in the pharmaceutical sector, while the forestry sector witnessed the transaction for Cascade Empire forest assets between Schweighofer group to the Swedish GreenGold valued at 90 million euro.

Also, the real estate sector delivered numerous transactions, the most relevant ones being the takeover of the Oregon Park project by Lion's Head Investment from Portland for around 140 million euro, the sale of 100% of Militari Shopping Center to the South-African fund MAS Real Estate for 95 million euro 100% of Campus 6.1 to the Austrian CA Immo for 53 million euro and Sibiu Shopping Mall to the South-African fund NEPI Rockcastle for 21million euro.

15%

rise in M&A deals value in Romania.

SERBIA

M&A activity in Serbia has seen a sharp increase compared to previous years where it traditionally lacked the volumes and depths of neighboring countries. In 2017 and the first half of 2018 we have seen a number of large-scaled deals.

A landmark deal for the past year was for the Belgrade Airport where the French Vinci Airports won the tender for the 25-year concession with an up-front concession fee of 501 million euro along with investment programme commitment for above 732 million euro. The exit of Telenor from the CSEE region was the most notable deal of the first half of 2018 where PPF Group purchased the local subsidiary as part of the package deal for the south-east business of the Norwegian telecom group.

The financial industry dynamics also shaped the M&A sector in 2017 – mainly international players exits satisfying consolidation drives of existing local competitors. Examples include the sale of the Piraeus Bank to Direktna Banka, the take-over of Jubanka by the local MK Group, and the acquisition of the Vojvodjanska banka by OTP. The trend continued in 2018 with the acquisition of Telenor Banka by PPF Group and the takeover of VTB Group by Andrej Sljahov, a Russia-based private investor.

Last year's transactional activity highlights the increase to a majority ownership of Napred razvoj in the country's largest construction company Energoprojekt Holding. In addition, GTC acquired Belgrade Business Center, whilst the Serbian food concern Swisslion acquired the winemaker Vrsacki Vinogradi. The data storage and imaging services company Data Outsourcing Centre d.o.o. was taken over by the leading US NYSE-listed data management player Iron Mountain – despite the relatively small size the transaction highlights IT sector attractiveness in the inbound M&A radar.

Bor - the copper mining and smelting complex is expected to be another marquee deal for the metals and mining sector following the sale of the Zeleza Smederovo steel mill company.

Other state-owned enterprises for which privatization procedures are in preparation include the insurer Dunav

Food, retail, IT to drive M&A activity in Serbia.

Osiguranje and Serbia's largest bank Komercijalna banka.

In addition, after a process of restructuring and debt-for-equity swaps, several other large state-owned companies now have good prospects to be more attractive to investors and may soon be on the privatization agenda – e.g. the pharmaceutical producer Galenika, agricultural company PKB the bus producer Ikarbus, the rubber manufacturer Tigar, the furniture producer Simpo and the bus company Lasta.

Among the reasons for the increased M&A activity in Serbia has been the initiation of the EU accession process. The structural reforms initiated in 2015 have also raised the government's credibility. 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.

SLOVENIA

M&A activity in Slovenia experienced a considerable decrease in 2017 in both number and total value of transactions.

Key M&A drivers in Slovenia remain industrial sector, banking restructuring, private equity in-bound investment and privatisation, while the private sector is generating an increasing number of smaller deals. Partially due 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.

Private equity investors and privatisation remained key deal drivers in the past 18 months. The top transactions on the Slovenian market have been backed by private equities across all industries - from banking to retail/wholesale and manufacturing. These include CME's broadcast operations acquired by KKR for 95 million euro, the Merkur Group retail business acquired by the US-based fund HPS Investment Partners for a price of 77.6 million euro; Paloma's paper hygiene products production acquired by the Slovakian PE Eco Invest.

In addition to this, 2016 and 2017 were active with respect to transactions in financial industry with private equity capital driving the bulk of transactions. The American PE, Apollo global Management jointly with EBRD acquired the oldest and the largest Slovenian bank NKBM in 2015. Subsequent to this acquisition further consolidation of the market was driven through acquisition of KBS banka and Raiffiesien unit in Slovenia making NKBM a second largest bank in Slovenia. Further consolidation of the market has continued in 2017 through Apollo Global acquisition of Summit Leasing from Sumitomo Corporation and acquisition of a stake in Gorenjska banka by Serbian AIK Banka.

Another PE-backed transaction was the Chinese AGIC Capital acquisition of Fotona - a medical lasers producer, for 80 million euro.

Despite the successful recent privatisation of, among others, the second largest Slovenian bank NKBM, Aerodrom Ljubljana, coatings producer Helios Domzale, automotive parts producer Letrika, medical lasers producer Fotona, ski equipment manufacturer Elan and household appliances maker Gorenje, state-owned sector still represents a significant area of interest and will generate significant activity in the short to midterm period. The government follows the announces in 2015 privatisation plan for 80 enterprises. However, it plans to retain significant influence (25% + 1 of the shares) in 23 of these which are deemed as "strategic". This category includes energy company Petrol, gas supplier Geoplin, holding company Sava, Steel group SIJ, gaming company Hit, national lottery company Loterija Slovenije, petrochemical company Nafta Lendava and reinsurer Pozavarovalnica Sava. Above 55 state-owned entities for which the strategy envisages complete disposal include the Central Securities Clearing Corporation (KDD), poultry producer Perutnina Ptuj, footwear manufacturer Peko, dairy Pomurske mlekarne.

A number of companies on the market, controlled by banks due to high levels of debt are also deemed for sale.

Positive macroeconomic outlook will further boost M&A activity which is already at high levels, if not booming, across many sectors.

How GDPR affects business in SEE

by Maya Aleksandrova,
Attorney-at-law/Senior Associate
CMS Reich-Rohrwig Hainz

The General Data Protection Regulation (GDPR) was approved in 2016 but went into effect as of May 25, 2018, as it repealed and replaced the previously existing EU legal data protection framework. The main prerogative of the new data regime is the establishment of more rights for private individuals, the demonstration of transparency and the levy of more robust rules for enforcement in case of non-compliance with the legislation.

The most important obligations that the GDPR establishes and develops for all businesses in the EU include the following: update of privacy policies and notices; update of the relevant declarations of consent; maintain records of data processing activities; review and amendment of the relevant website content and policies; adapting the provisions of commercial and employment agreements; improvement of the legal grounds for data transfers; establishment of stricter procedures for notification of the individuals and the competent authorities in case of security breach. In certain cases, the companies are required to carry out a data protection impact assessment for particular data processing operations and to appoint a data protection officer/representative in the EU.

The abovementioned obligations lead to considerable administrative and organisational efforts and changes for the companies, including spending a substantial budget for adopting policies, performing of staff training and concluding the necessary agreements; undertaking the appropriate technical and organisational measures; creating new jobs and extending security/data protection staff; coordinating the internal efforts with

external legal and IT consultants; undertaking actions to secure cross-border data transfers within and outside the corporate group, etc.

In practice, the first mass awareness wave about the new data regime came for the SEE companies in the autumn of 2017. By this time, only the major players such as some of the banks, insurers, telcoms, etc., had commenced preparing for the new data rules. The businesses needed time to be acquainted with the changes that GDPR requires, determine a budget and appoint team members to handle the GDPR implementation. In many cases, companies are still undergoing the exercise of becoming fully compliant with the new data protection rules.

Although under the GDPR there are some requirements that are carved-out for small companies, most obligations apply to all enterprises irrespective of their size and activities. Since it entered into force, the GDPR has affected the different-sized businesses in the SEE region in an exceptionally ambiguous way, as the economic segmentation of the companies in this part of Europe encompasses a variety of entities (i.e. large international corporations, institutional investors, local SME's, as well as one-man companies), and there is a vast financial and organisational gap between them.

Another significant issue comes from

One-third of local companies in EU member states in SEE tried to show GDPR compliance by May 2018.

the fact that some countries in the SEE region are EU members, while others are not. In this regard, there are specifics in the way that the GDPR affects the business in the SEE region.

For the businesses domiciled in EU member states the situation is straightforward – they fall under the GDPR's terms and are obliged to follow the requirements of the new regulation. These businesses have to modify the way they collect, process and store personal data. However, and more importantly, the GDPR applies extraterritorially – not just to organisations within the EU, but also to businesses who offer goods or services to individuals in the EU, or monitor the behavior of individuals in the EU. For the companies in countries outside the EU, this means that they are required to apply one set of rules when they process data of individuals outside the EU and another set of rules when they process data of individuals located in the EU. Moving forward, these differences in the data processing regime and requirements in the various SEE countries in and outside the EU should be taken into consideration by the foreign investors outside the European bloc, which plan to do business from another part of the world into countries in the SEE region.

In addition, there is a special requirement for the businesses outside the EU (which fall under the GDPR regime) to appoint a representative in one of the member states, where are the data subjects, whose data is being processed (i) in relation to the offering of good or services, or (ii) for the monitoring of their behavior. The purpose of such representative is to act as a point of contact with the data protection authority in the respective country, where the data subjects are located. Affected companies would be exempt from this obligation only to the

extent that the data processing happens occasionally and does not include large scale processing of the so-called “sensitive data”, and is therefore unlikely to result in a risk for the rights and freedoms of the respective individuals.

Currently, there is no official information on the percentage of the SEE companies that are aware of the new rules. In reality, most of the companies, which began implementing the new data rules, commenced their preparation one or two months before the GDPR’s application, in the spring of 2018. We had a bunch of clients’ requests in the first half of May, asking for immediate assistance before May 25, 2018. As the GDPR implementation process is a complex procedure, which requires coordinated legal, administrative and IT efforts from the business, very small number of companies in the SEE region succeeded in reviewing and redrafting their policies, and concluding the necessary data processing agreements and supporting GDPR documentation by May 25, 2018. Based on information from unofficial public sources, about one third of the SEE companies located in the EU have tried to show compliance by the GDPR’s implementation date. The percentage is even smaller for the non-EU member SEE countries.

Some companies are still working on the implementation of the new rules and have taken the approach to cover first the “visual” issues such as privacy policies, notices and agreements, and to complete the entire process at a later stage. At one end of the spectrum there are companies which are aware of the new regulation, but do not understand that it concerns them, and there are even companies that have not heard of it at all. Based on our experience, the percentage of companies in the latter group is significantly higher in the SEE countries outside the EU than those in the EU.

In line with the trend in the rest of the EU, the new data regime impacts most significantly business sectors in the SEE like banking, insurance, telecommunication, media, marketing, healthcare, etc., which process personal data on a large scale and/or special categories personal data, the so-called “sensitive” data. Most of these companies have undertaken substantial efforts and ensured a consid-



erable budget to prepare for the GDPR. In particular, the multinational companies are more aware of their responsibilities, and therefore have taken structured measures for their subsidiaries in both the EU and non-EU SEE countries. Consequently, the multinational companies often prefer to appoint a data protection officer at a group level, whereas this person is responsible for keeping in line the privacy of the entire corporate group.

As expected, larger companies in the region are more proactive and diligent in terms of GDPR and have taken more efforts to challenge the GDPR implementation than the small and medium-sized SEE companies. One of the reasons for this are the large-scale fines, which may reach up to 20 million euro or 4% of a company’s worldwide turnover for the last financial year (whichever number is higher). On the contrary, the approach of many of the small and medium sized companies is to wait for clear-cut instructions from the local regulators and standard forms of documents to complete. There is a general lack of understanding among the latter of the exact meaning of the “personal data” definition and still there are companies claiming that they do not process any personal data, whilst having employees and contracting other parties.

Even though the GDPR has a general application, in practice the local data protection authorities are required to amend and adopt the local acts on the

GDPR and to develop the general rules of the regulation. The adjustment of the local laws in the different countries in the region raises a lot of questions and concerns for the companies in the SEE region. Some countries like Croatia succeeded in adopting their legal acts for implementing the GDPR provisions by May 2018. Others like Romania adopted their local legislation soon thereafter. There are others as Bulgaria, who are still working on their local acts and the changes in the legislation are still anticipated. Although the local authorities in the most of the countries issued extensive materials giving interpretations of the GDPR before the time of its application, and there are ongoing training sessions, there is still a large number of companies, which have not established their role and obligations under the GDPR. The prolonged legislative processes, which are still running in most SEE countries, is also another reason for postponing the completion or for some companies even the start of the implementation process.

In conclusion, if your business has not prepared for the new data protection regulations yet, you should reconsider your strategy and develop a plan for compliance with the GDPR.

The present article is not intended to be a comprehensive guidance on the GDPR and the respective data protection rules, but rather an informative piece showing the authors’ comments on the impact of the new data regime over the companies in the SEE region.



Project Debater

Photo: IBM

Reading between the data

by Michael Paier,
General Manager, IBM South East Europe

Have you checked latest news and trends?

- *In July the International Space Station, located more than 200 miles above Earth welcomed its first AI space assistant – CIMON (short for Crew Interactive Mobile Companion), designed to work with Alexander Gerst, the European Space Agency astronaut commanding the Horizons mission. Built as a partnership between IBM, Airbus, and the German Aerospace Agency (DLR), this free-flying, zero-g-ready AI is being used in various scientific experiments and, in rare moments of leisure, engages in a friendly conversation with Gerst. CIMON joins a long list of space achievements for IBM, which has helped NASA and other organizations from the early space missions to the present. [photo]*

- *The average person makes 35,000 decisions today, many unconsciously, but especially important are willful ones that require deep thought and important facts, like should I refinance my house? Or who should I vote for in the next election? Very soon such questions could be answered with the support of AI such as IBM's Project Debater, which can ingest billions of sentences to provide unbiased facts to help us all make the right choice.*

T There are many indications that we are approaching the cusp of a transformative industrial and technological revolution.

Against the backdrop of radical disruption, no one knows how South East Europe will develop over the next decade. But one thing is clear – today's leaders in industry, academia and government must actively navigate the journey to digital

excellence in order to prepare the region for the next decade and avoid marginalisation.

South East Europe is not alone, however. Mastering the latest digital technologies

and their applications is and will continue to be a key component of economic development and competitiveness for all countries. We are only at the beginning of the digitalization process – a process sure to touch every aspect of the economy and society, every facet of our professional and personal lives. The success of a nation will depend on how well it understands and accepts that the competition is global with geographical distances as well as national borders largely disappearing due to increasingly more efficient communication networks and globally available platforms and applications.

Indeed, increased connectivity will ignite an explosive upsurge in the amount of accessible data. It is expected that by 2030, around 200 billion devices, sensors, and people will become interconnected, expanding from the 11 billion connections today. Such an influx of data and data sources will no doubt create numerous opportunities in all areas of industry and society and effectively become the engine of growth and differentiation. Technological advancement in fields such as data acquisition and sensor quality will aim to enable high-precision data collection from all areas of life.

Over the coming 10 to 15 years, the digital identity of an individual will become more important than ever. Combining collected information from various sources could provide new and timely insights into society and serve as a basis for accurate predictions in various areas of application, including healthcare, education and finance. Essentially, our digital imprints and the analysis thereof could become a key source for automatic decision-making processes and for solving a large number of problems. The potential is huge, but not without major challenges. Issues around cybersecurity, data integrity, privacy and data ownership in the digital world are growing and must be addressed in a sustainable manner before the full potential of digitisation can be exploited for the benefit of the general public.

Progress in information technology is accelerating to the extent that it will prompt innovation in most industries and perhaps pave the way for the standardization of today's budding technologies such as Artificial Intelligence, Blockchain, Virtual Reality and IOT as major

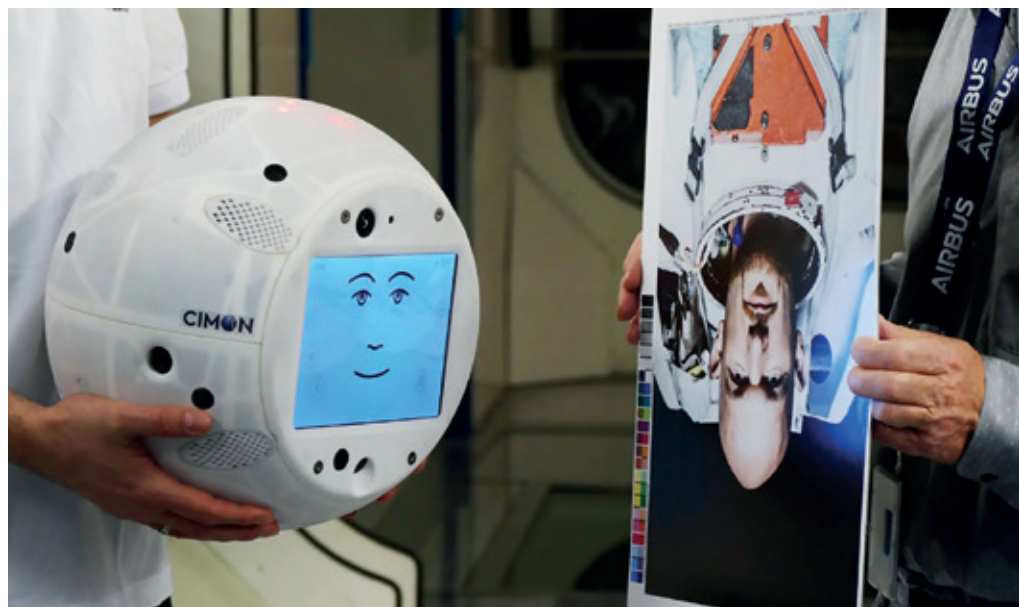
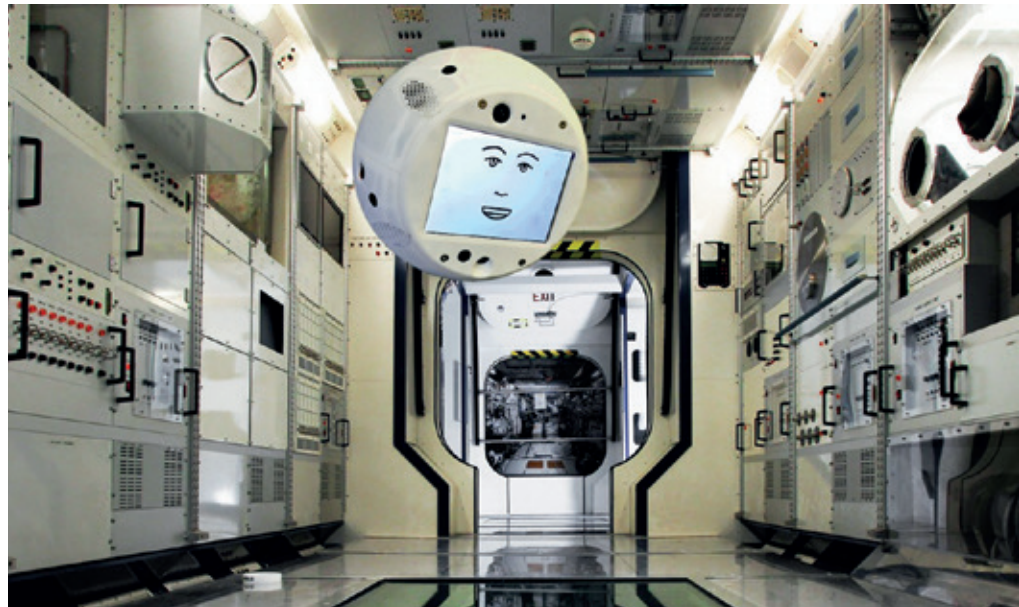
data provider. Such promising technologies as well as the availability of accurate real-time data sources will enable the transition to highly personalized and fine-grained service provisioning and consumption in major areas of society as finance, mobility, working environment, retail, insurance, healthcare, to name a few. As the digitalization process continues to progress, new technological possibilities will create new social needs and demands. The transition from education to work will become more fluent and we need to prepare that it will become a repeating cycle in growing number of professions.

Those cities, industries and countries in which infrastructure and social structure

respond the fastest to these demands and dynamics will establish themselves as global innovation hubs. In this respect, South East Europe has got preconditions to leapfrog and profit in the new era. Key enablers, including economic stability, vibrant start-up community as well as investments into advanced infrastructure and education, put the region in a very favorable position.

Later this year at Think South East Europe, 400+ business leaders and opinion makers from across South East Europe will gather to discuss what's next for businesses and industries across the region and the whole world. If you feel like joining the discussion, follow this link: <https://www-05.ibm.com/sitthink-see/>

Photo: Airbus





Southeast Europe: connectivity is the key

by Gregor Potocar, Managing Director of SAP SEE

Southeast Europe (SEE) is a highly important region for SAP - the business software company employs more than 1600 people in this region alone, most of them in development and engineering positions. There are many experts in other European countries who came from this region, with broad knowledge and relevant experience. We are continuously hiring and investing here.

While the countries of SEE are different in many respects, at the same time many things connect them. One is technology. Businesses in numerous sectors have realised the value of digital transformation, and they are taking the first steps

towards using the very same technology as pioneers within Western European or American companies. For instance, chatbots are being developed for better customer care, Internet of Things technology is being implemented to make better-run cities, and consumer-grade technology is spreading among the business community. Who would have believed four or five years ago that companies from Bulgaria, Romania, Serbia or Croatia would show a similar attitude towards cloud technology as their

Cloud technology is SAP's fastest growing segment in the SEE region.

overseas peers? Now, cloud technology is SAP's fastest growing segment in the SEE region.

As I see it, the biggest technological investments in SEE are taking place in the manufacturing sector where there is growing competition with Asian companies. Businesses here have begun to not compete on price, so they are about to employ advanced production scenarios, offer products with more added value, and further guarantee the quality that conforms with the criteria of, for example, the German automotive industry. They can justify prices with the high level of innovation they put into their production.

The firms in the financial services sector are also acting fast, and understandably

so, as their markets are also changing at a very fast pace as new risks and opportunities arise. Many banks and insurance companies address these with new solutions. They realise that solving new problems with old solutions is a nearly impossible task. These companies are working in a heavily regulated industry, but can enjoy the advantages of faster processes, and give more positive experiences to their customers - for example simpler processes or tailor-made offerings - on the fly. These are of course the areas where modern technology can be of assistance. These factors and “newly” opened regulations are among the main reasons for the rise of fintech companies. Together with “traditional” startups, there is no lack of will to transform industries within SEE. As I meet with executives of organisations across these countries, many are dedicated to winning the industry 4.0 paradigm (according to my own impression, eight out of ten SEE executives are willing to innovate) and set to change the business model with leveraging technology of, for example, machine learning, big data, and mobility.

In many of the countries of SEE there is also a significant movement in the public sector. Governments are seeking ways to provide better life conditions for their citizens, to simplify the management of public affairs, education, and infrastructure. I see the greatest potential for development in the healthcare sector. All SEE countries operate a public healthcare system which in many cases is exposed to multiple challenges. Funding is not a problem – the challenge is how the funding should be spent, backed by connected and transparent data. This is also a sector where the management of human capital is of great importance.

Many experts say that small countries are appropriate “test beds” for new solutions, strategies, technologies, and ways of work. We should be exploiting this more to our advantage. Consider the example of Estonia. Thanks to its bold initiative this small Baltic state has become one of the most advanced digital states in the world. This success story is reproducible in the SEE region, where we can see an opening to bring the macro and micro environment to the next level.

The countries in the region have many

opportunities. For instance, SEE could better exploit its geographical position, making logistics a huge industry not necessarily owned by global players. Tourism also offers a lot of opportunities - there are already many new projects which aim to bring a superb travel experience.

One of the main drivers of progress in SEE countries is that they will be more and more connected. The new generations of workers and experts are more mobile than their parents were: many build their careers – at least in part – in other countries, and in numerous cases in another SEE country. The transfer of knowledge and culture can be strengthened by the growing infrastructure: new roads and railways are being built, new flights (should) connect the capital cities. This connectivity extends to the economy in the region overall. SEE countries’ population approaches that of Germany - their biggest commercial partner - it only takes smart decisions for the economy to follow suit.

* * *

SAP is the world’s largest provider of enterprise application software. It has 11 offices in Southeast Europe (SEE) and more than 1,600 employees in the region. Its customers include both the largest enterprises and small businesses.

Eight out of ten SEE executives are willing to innovate.

One of the main drivers of progress in SEE countries is that they will be more and more connected.



The countries in the region have many

Mergers and acquisitions with profound effect upon Bulgarian banks' online reputation

by Petar Galev, Media Analyst, Perceptica

The aim of this study is to seek a correlation between a bank's portfolio (in terms of consumer finances, such as consumer loans and mortgages) and the way its products were perceived on social media. The study features the ten biggest Bulgarian banks (in terms of the combined total of consumer loans and mortgages extended as of March 31, 2018) with significant social media presence.

All social media mentions of the consumer lending products (including credit cards) offered by those banks were subsequently analysed in terms of user sentiment. The final Social Media Perception Index (with values ranging from 1 to 10) is a combination between the overall volume of mentions (how popular the bank was on social media) and users' predominant sentiment of their products. The study analysed a total of 2,633 comments made in the first half of 2018 on Twitter, forums, blogs, and public Facebook pages and groups.

O

One bank managed to distinguish itself as a leader not only in terms of extended loans, but also within the social media conversation. In fact, DSK Bank is far ahead of all of its

competitors, with only Central Cooperative Bank (CCB) attaining a similar Social Media Perception Index. DSK mainly achieved this thanks to the fact that it featured in pretty much every conversation about consumer lending.

Both CCB and DSK profited from their credit cards aimed at frequent flyers. The discounts coming alongside those plastics were the subject of numerous online conversations, helping those banks score higher in terms of social media perception.

Mergers and acquisitions had a profound impact upon banks' online reputation. United Bulgarian Bank (UBB), for exam-


ple, suffered from its recent acquisition of CIBank. Former CIBank customers were highly vocal in decrying the chaos at the merged bank's offices and the overall uncertainty they faced. Societe Generale, on the other hand, is about to become a part of DSK Bank, prompting its long-time clients to remember the good things their bank had to offer.

Fibank's performance showed that the sheer volume of mentions was not always a good thing. It received a lot of hate and users evidently refuse to use its products because of the negative associations they make with its major shareholder Tseko Minev.

RANKING

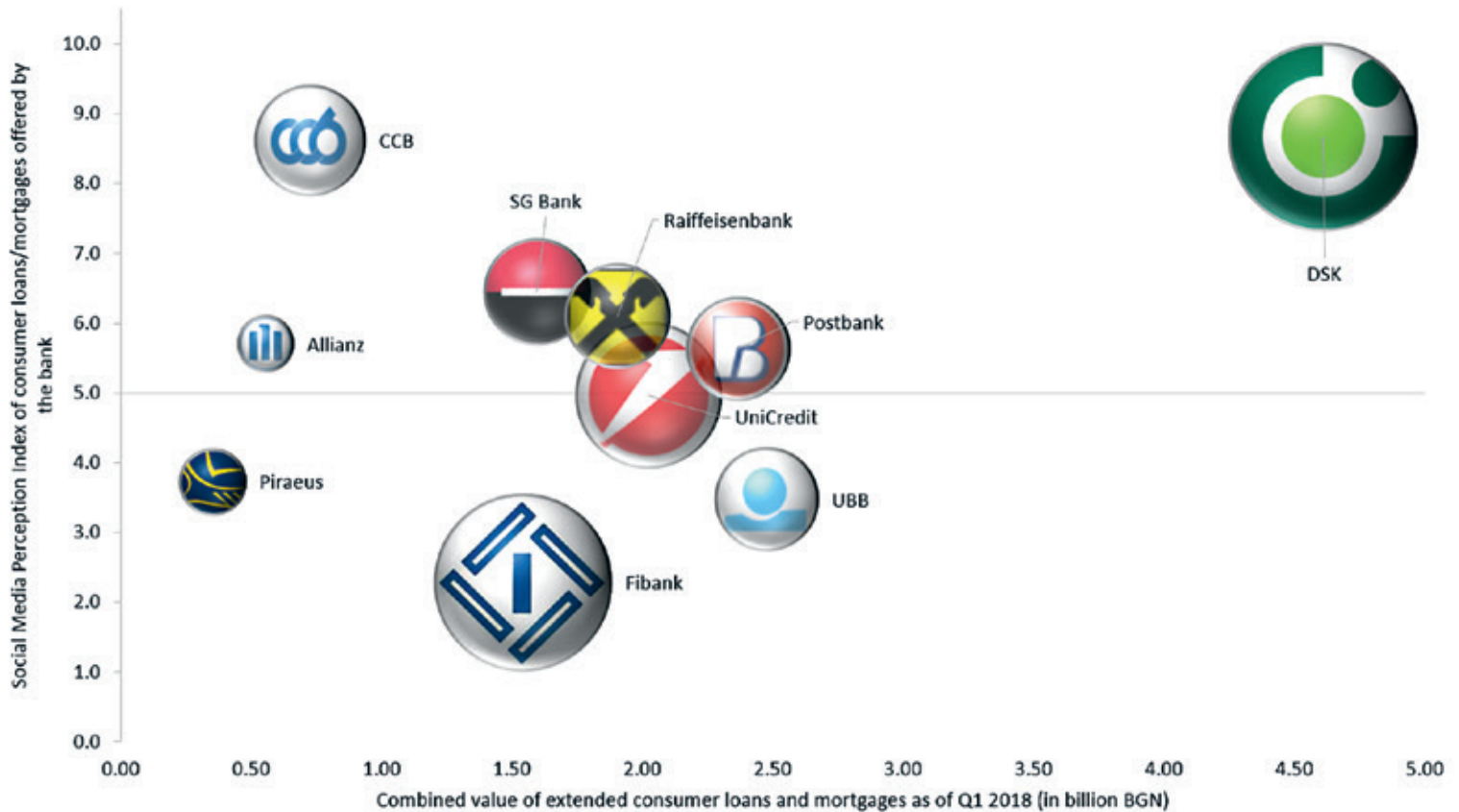
DSK Bank

DSK Bank was part of pretty much every notable social media discussion of Bulgarian banks. Its clients were willing to offer advice and share their positive experience in connection with every topic

	
Social Media Perception Index	8.7
Rank	1 st

that had anything to do with consumer lending, be it credit cards, consumer loans, or mortgages. DSK Bank mainly won their hearts thanks to its e-banking, described as fast, easy to use, and a rare example of a system that is readily accessible to the visually impaired. Adding the Wizz Air credit card to their portfolio made the bank especially popular amongst people who love to travel and take advantage of the ever so popular low-cost flights.


Still, DSK could not escape the negativity of social media users, especially that directed at banks making major acquisitions. While DSK's acquisition of Societe



Positioning of the top ten banks according to the combined total of consumer loans and mortgages they have extended as of March 2018 (x axis) and their Social Media Perception Index (y axis). The bubble size denotes the size of the conversation on the respective bank's consumer loan and mortgage products.

Generale Expressbank is yet to be finalised, clients of the latter have already gone to social networks (and Facebook in particular) to share their worries that DSK would not be able to provide the same high level of service.

Central Cooperative Bank

	
Social Media Perception Index	8.6
Rank	2 nd

(CCB)

CCB was the stand-out example for an otherwise smaller bank that was perceived extremely positively on social media, to no less extend thanks to their partnership with airline Bulgaria Air. Users praised their great service and superb mortgage offers. A number of consumers had opted to refinance

their mortgages with other banks via CCB, while others pointed out to the great conditions they offered to state employees in particular. Many were also happy to find out that, unlike most other banks, CCB was not trying to force life insurance on them alongside mortgages. The main concerns about CCB came in connection with phishing attacks targeted at their clients. The bank evidently failed to communicate its stance quickly enough, leaving some customers wondering if the e-mails they were receiving were legit or not. Another minor concern had to do with users worried that the bank is Bulgarian and has no mother bank to help in case it ran into trouble.

Societe Generale Expressbank


With news emerging that Societe Generale Expressbank was about to be acquired by DSK, clients flocked to profess their love for SG on Facebook and forums. Client service was a particular highlight in their praise. Users were es-

	
Social Media Perception Index	6.4
Rank	3 rd

pecially happy with the way the bank dealt with theft from credit cards in a swift and satisfying manner. Many saw Societe Generale's exodus from the country as a worrying sign for the Bulgarian banking system as a whole. The rare negative comments mainly concerned a technical issue that denied clients access to their e-banking for a couple of days in May. Some clients also alleged that the bank had stopped offering adequate interest rates on mortgages, immediately after news of its upcoming acquisition broke out.


Raiffeisenbank

Raiffeisenbank Bulgaria received favourable reviews for its e-banking

	
Social Media Perception Index	6.1
Rank	4 th


services which recently went through a complete redesign. The new version is seen as slick and easy to navigate. Additionally, users liked the cashback and limits of credit cards offered by the bank. Service was the single most negative aspect of Raiffeisenbank's online image. Users decried the incompetence of bank employees as well as the way they tried to convince clients they were required to get life insurance with their mortgage.

Allianz Bank

	
Social Media Perception Index	5.7
Rank	5 th


Allianz Bank was one of the rare examples of a bank that users viewed mostly in a neutral manner, lacking extreme criticism or praise. As a whole, the bank was rarely involved in online discussions. Its clients described it as a good place to secure a consumer loan, provided one had a high official income. The negativity was even rarer and mostly resulting from a story involving leaked data of Allianz Bank clients which was subsequently used to secure quick loans.

Postbank/Eurobank

	
Social Media Perception Index	5.6
Rank	6 th


Postbank offers one more example of the way mergers and acquisitions between banks have negative effect upon clients. Although Postbank acquired Alpha Bank back in 2016, clients of the latter still

remember the experience and warn customers of banks facing acquisition of what is to come. Elsewhere, existing Postbank customers were also unhappy with the way the bank had changed the reference rate on mortgages from SOFI-BOR to Prime, without providing any information on the methodology behind Prime. On a positive note, social media users talked up the substantial discounts on purchases in IKEA stores made with Postbank credit cards.

	
Social Media Perception Index	5.0
Rank	7 th


UniCredit Bulbank

Bulgaria's biggest bank, UniCredit Bulbank, attracted a significant amount of user attention comparable only to that around DSK Bank and Fibank. Negative and positive comments were evenly split, with consumers finding it especially hard to reach a consensus on whether UniCredit's e-banking was actually good or not. Users acknowledged the positive attitude of UniCredit employees, especially in comparison with that offered by other banks. However, Bulbank should also be wary of losing mortgages to other banks which are more flexible when negotiating a reduction to interest rates.

	
Social Media Perception Index	3.7
Rank	8 th


Piraeus Bank

Piraeus Bank was not particularly popular with social media users. What is more, the rare comments on its consumer lending portfolio were predominantly negative, especially when it came to the fees they levied upon credit card transactions. Some users did like the bank's TV ads for consumer credits featuring actor Leonid Yovchev.

	
Social Media Perception Index	3.5
Rank	9 th

United Bulgarian Bank (UBB)

UBB was the biggest casualty of social media's hatred for bank acquisitions. Thus, in spite of holding the second largest combined portfolio of consumer credits and mortgages, UBB also had the second-lowest Social Media Perception Index. The chaos emerging from the acquisition of CIBank, led to a wave of users announcing their intention of switching from UBB to another bank. According to the predominant view, UBB's best employees had left, post-acquisition, and the ones that remained were incompetent and blatantly unfamiliar with the bank's products.

	
Social Media Perception Index	2.3
Rank	10 th

Fibank

Social media perception of Fibank was heavily influenced by the controversial reputation of its major shareholder Tseko Minev. Even when noting that the bank offered adequate services or products, many users concluded they would choose another bank, citing political or other concerns around Fibank's ownership.

Some users are further worried by what they describe as a substantial portfolio of nonperforming loans, giving them pause when considering a credit with Fibank.

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.

Albania

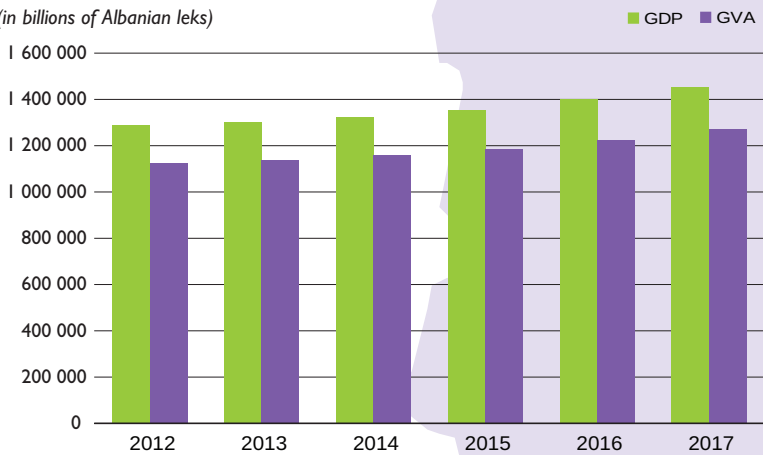
TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	137	Operatori i Shpermdarjes se Energjise Elektrike (OSHEE) Sh.a.	Electricity	462.5	-1.49%	13.8	18.7
2	179	Kastrati Sh.a.	Petroleum/Natural Gas	327.7	-1.95%	7.5	8.2
3	312	SPIECAPAG - Albania Branch	Construction	209.6	85.37%	N/A	11.5
4	350	Bankers Petroleum Albania Ltd.	Petroleum/Natural Gas	192.4	24.85%	4.4	-42.5
5	426	Europetrol Durres Albania Sh.a.	Petroleum/Natural Gas	163.5	44.32%	0.783	0.484
6	445	Genklaudis Sh.a.	Petroleum/Natural Gas	155.9	29.83%	0.840	-1.5
7	458	Kurum International Sh.a.	Metals	149.3	44.16%	N/A	-3.7
8	492	EROIL Sh.a.	Petroleum/Natural Gas	138.7	175.19%	0.015	0.009
9	515	Vodafone Albania Sh.a.	Telecommunications	129.3	-0.10%	N/A	-3.6
10	556	Info-Telecom Sh.p.k.	Telecommunications	112.1	9.32%	3.0	1.7

Source: National Registration Center Albania, Monitor magazine (www.monitoral), Company annual reports

GDP and GVA

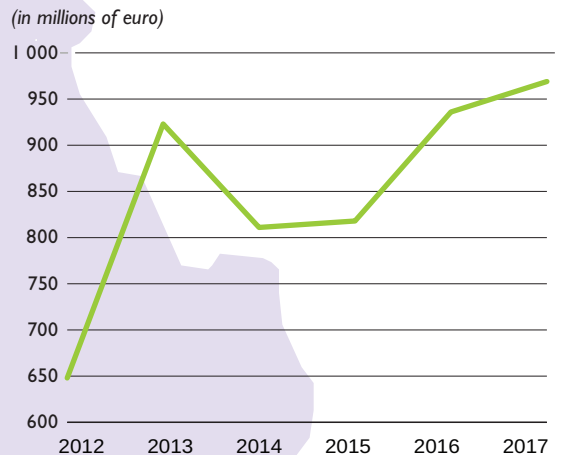
(in billions of Albanian leks)



Source: Institute of Statistics

FDI

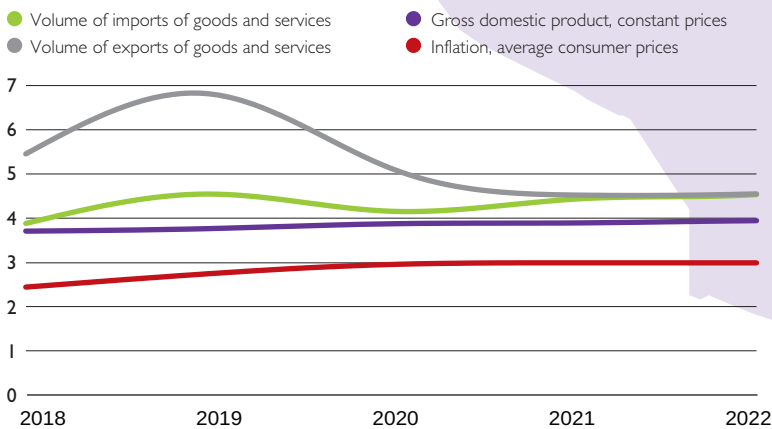
(in millions of euro)



Source: Bank of Albania

ALBANIA ECONOMY FORECAST

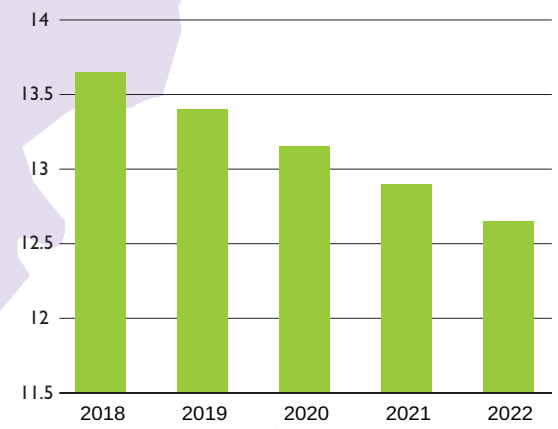
(yly change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

Bosnia and Herzegovina

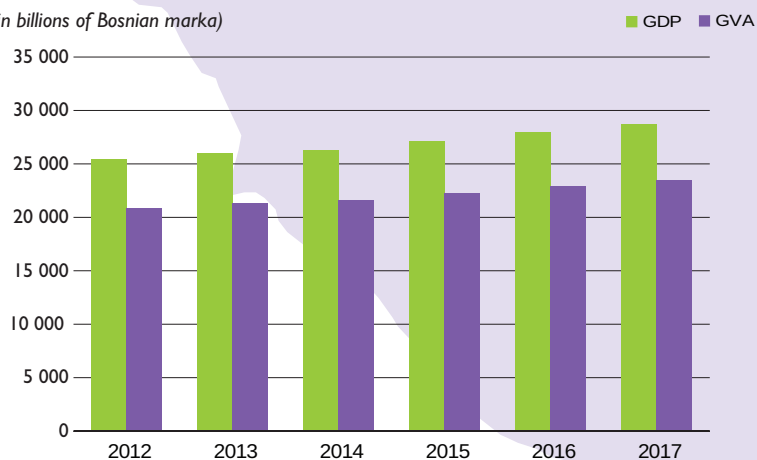
TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	88	JP Elektroprivreda BiH d.d.	Electricity	590.6	11.68%	0.317	6.6
2	98	Bingo d.o.o. Tuzla	Wholesale/Retail	531.8	13.57%	37.0	34.5
3	123	Optima Grupa d.o.o. Banja Luka	Petroleum/Natural Gas	437.7	36.75%	-30.5	-116.8
4	124	Holdina d.o.o. Sarajevo	Petroleum/Natural Gas	436.8	12.60%	1.7	4.3
5	188	ArcelorMittal Zenica d.o.o.	Metals	314.2	13.20%	-6.0	-0.394
6	220	Konzum DOO	Wholesale/Retail	269.7	-29.85%	-32.4	-21.5
7	229	BH Telecom d.d.	Telecommunications	264.4	-5.27%	32.3	47.4
8	242	Aluminij d.d.	Metals	250.1	41.08%	-10.8	-21.9
9	270	Boreas d.o.o. Kresevo	Wholesale/Retail	234.9	13.20%	1.7	3.6
10	282	Petrol BH Oil Company d.o.o. Sarajevo	Petroleum/Natural Gas	224.6	5.19%	2.9	4.2

Source: LRC Engineering Ltd, Sarajevo

GDP and GVA

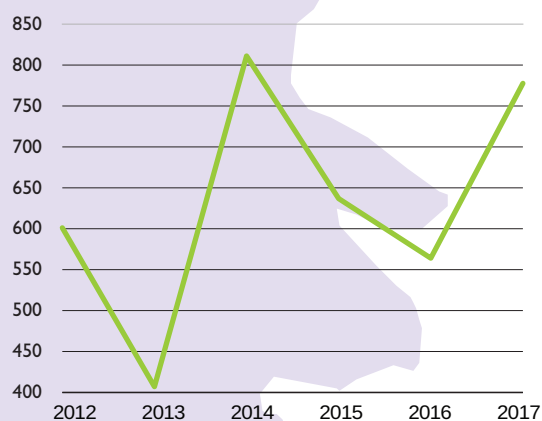
(in billions of Bosnian marka)



Source: Agency for Statistics of Bosnia and Herzegovina

FDI

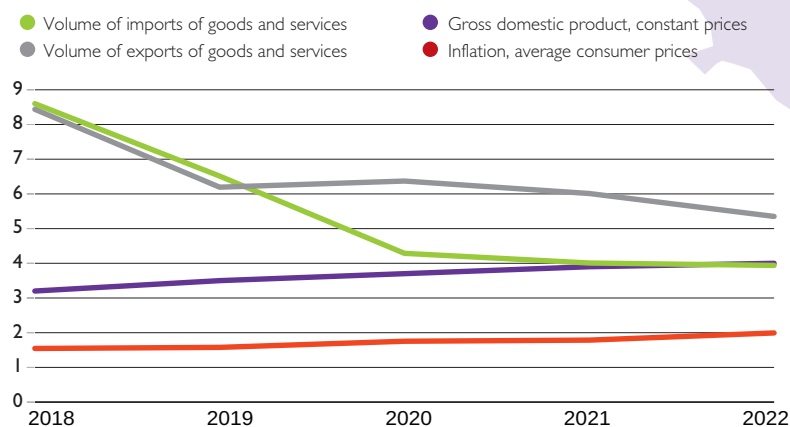
(in millions of Bosnian marka)



Source: Central Bank of Bosnia and Herzegovina

BOSNIA AND HERZEGOVINA ECONOMY FORECAST

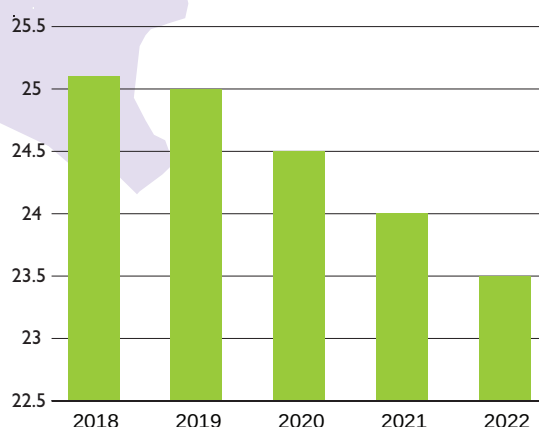
(yly change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

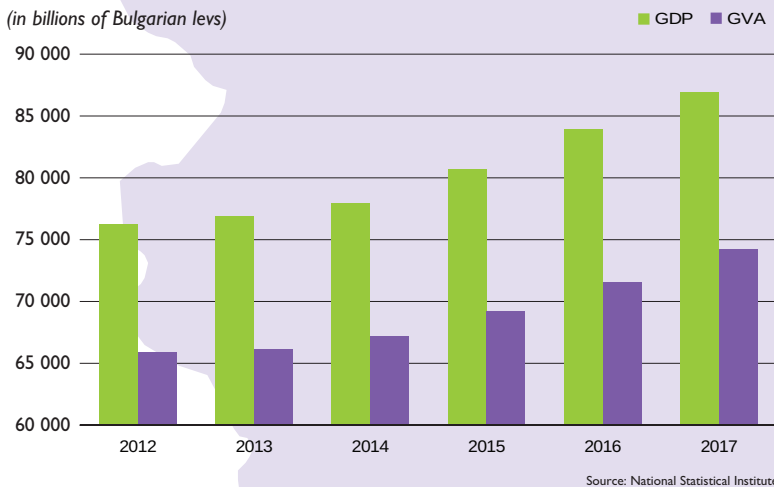
Bulgaria

TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	5	Lukoil Neftochim Burgas AD	Petroleum/Natural Gas	2,962	28.79%	155.4	60.9
2	6	Aurubis Bulgaria AD	Metals	2,638	56.83%	201.2	100.6
3	17	Natsionalna Elektricheska Kompania EAD	Electricity	1,605	1.90%	3.5	-65.8
4	23	Lukoil-Bulgaria EOOD	Petroleum/Natural Gas	1,375	-2.07%	-3.1	-2.0
5	47	Kaufland Bulgaria EOOD & Co KD	Wholesale/Retail	887.0	4.27%	39.8	45.0
6	72	CEZ Elektro Bulgaria AD	Electricity	649.7	-0.12%	18.6	0.342
7	91	Bulgargaz EAD	Petroleum/Natural Gas	576.2	11.19%	4.8	18.8
8	95	Saksa OOD	Petroleum/Natural Gas	553.3	28.50%	5.7	5.9
9	96	Express Logistic and Distribution EOOD	Wholesale/Retail	546.6	-0.02%	-5.2	1.9
10	97	Astra Bioplant EOOD	Petroleum/Natural Gas	543.2	39.89%	1.0	5.8

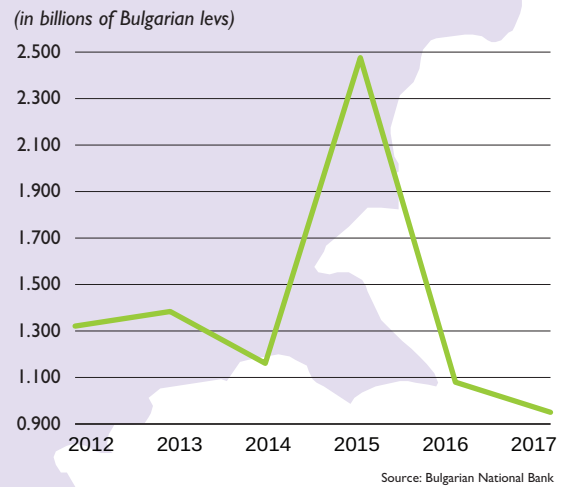
GDP and GVA

(in billions of Bulgarian levs)



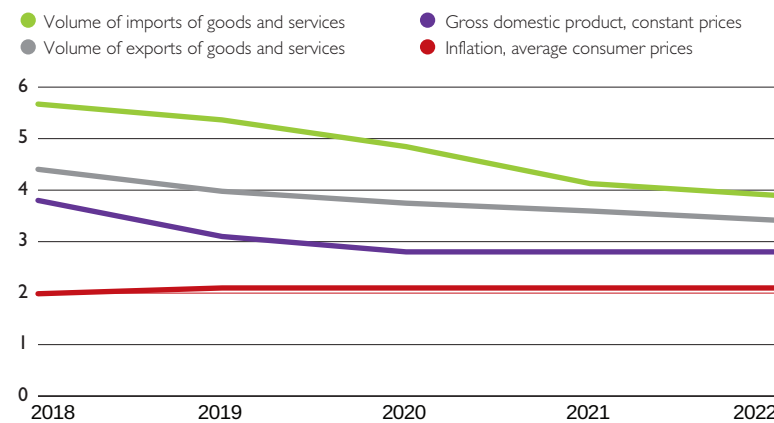
FDI

(in billions of Bulgarian levs)



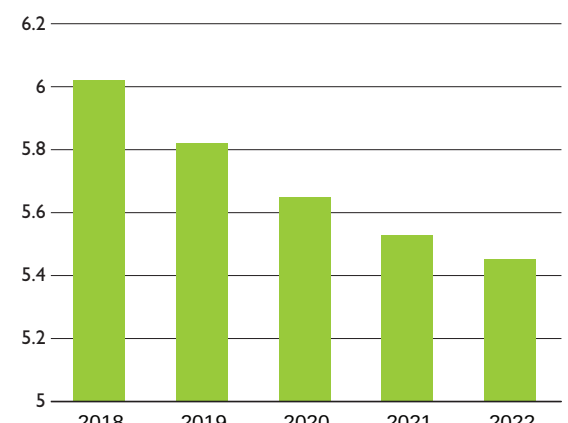
BULGARIA ECONOMY FORECAST

(y/y change in %)



UNEMPLOYMENT RATE FORECAST

(% of total labour force)



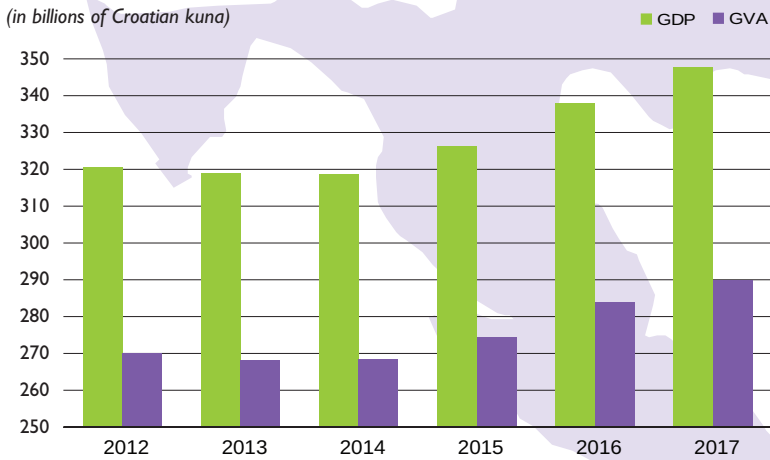
Croatia

TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	9	INA d.d.	Petroleum/Natural Gas	2,440	21.77%	189.8	21.2
2	26	Konsum d.d.	Wholesale/Retail	1,217	-13.42%	-525.2	-246.0
3	29	Hrvatska Elektroprivreda d.d.	Electricity	1,174	-0.21%	48.4	175.2
4	40	Prvo Plinarsko Društvo d.o.o.	Petroleum/Natural Gas	1,028	134.11%	33.7	23.8
5	55	Hrvatski Telekom d.d.	Telecommunications	833.8	2.07%	111.9	120.3
6	79	Petrol d.o.o.	Petroleum/Natural Gas	625.9	10.15%	8.1	13.1
7	81	Pliva Hrvatska d.o.o.	Pharmaceuticals	619.3	2.61%	68.9	73.4
8	84	Lidl Hrvatska d.o.o. k.d.	Wholesale/Retail	617.9	16.05%	35.6	32.1
9	92	HEP-Operator Distribucijskog Sustava d.o.o.	Electricity	575.7	-34.65%	90.5	88.3
10	94	Plodine d.d.	Wholesale/Retail	564.3	9.59%	14.7	10.1

GDP and GVA

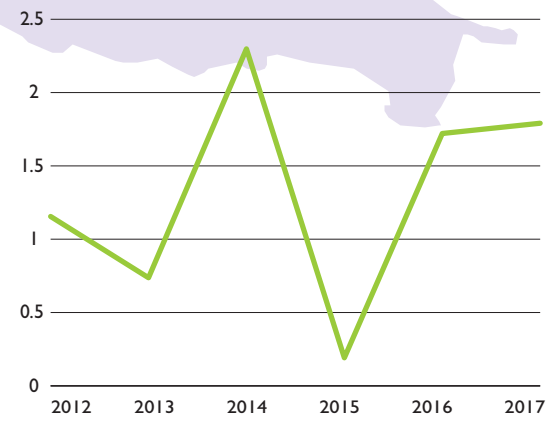
(in billions of Croatian kuna)



Source: Croatian Bureau of Statistics

FDI

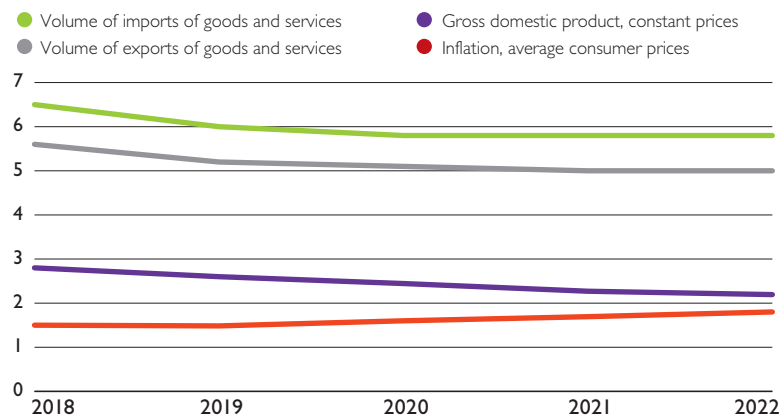
(in billions of Croatian kuna)



Source: Croatian Bureau of Statistics

CROATIA ECONOMY FORECAST

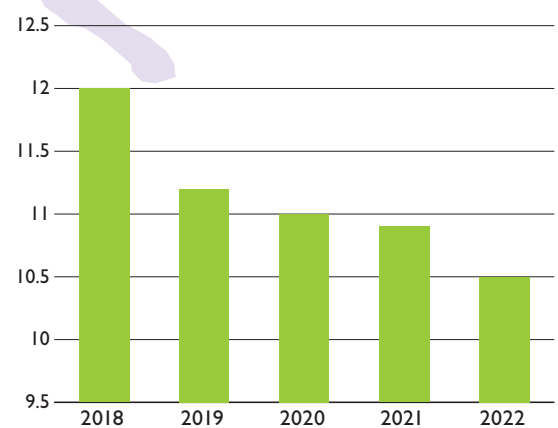
(yly change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

Macedonia

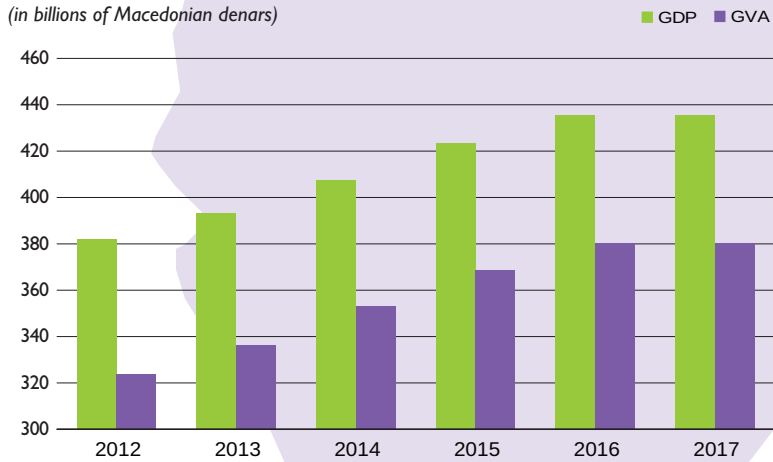
TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	19	Johnson Matthey DOOEL	Chemicals	1,485	10.34%	96.8	121.3
2	139	EVN Macedonija AD	Electricity	398.5	3.28%	27.6	28.1
3	151	Okta AD	Petroleum/Natural Gas	376.6	21.46%	3.3	5.4
4	196	Makpetrol AD	Petroleum/Natural Gas	305.9	12.38%	4.9	6.3
5	297	Elektrani Makedonija AD	Electricity	219.0	-3.39%	8.6	13.7
6	415	Makedonski Telekom AD	Telecommunications	169.4	-2.11%	22.5	16.8
7	454	Kromberg & Schubert Macedonia DOOEL	Wholesale/Retail	151.4	41.89%	2.7	1.9
8	464	EVN Elektrodistribucija DOOEL	Electricity	146.9	N/A	4.7	N/A
9	467	Public Enterprise for State Roads of Republic of Macedonia	Civil Engineering	146.3	41.64%	84.2	33.6
10	500	Van Hool Makedonija DOOEL	Automobiles	135.6	5.11%	9.3	8.9

Source: Central register of the Republic of Macedonia, Company annual reports

GDP and GVA

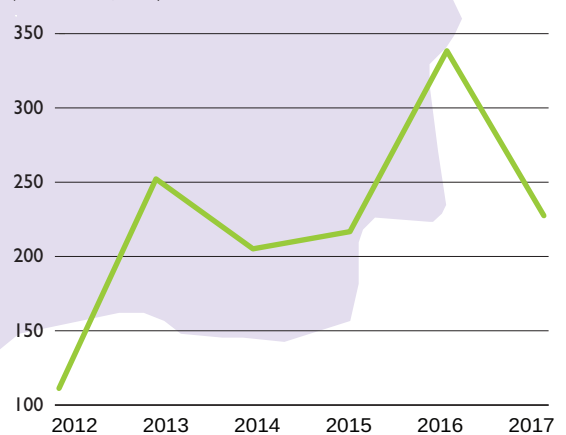
(in billions of Macedonian denars)



Source: State Statistical Office of the Republic of Macedonia

FDI

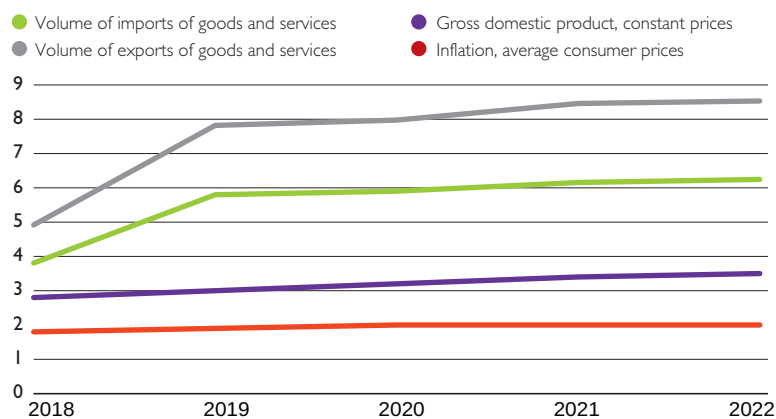
(in millions of euro)



Source: National Bank of the Republic of Macedonia

MACEDONIA ECONOMY FORECAST

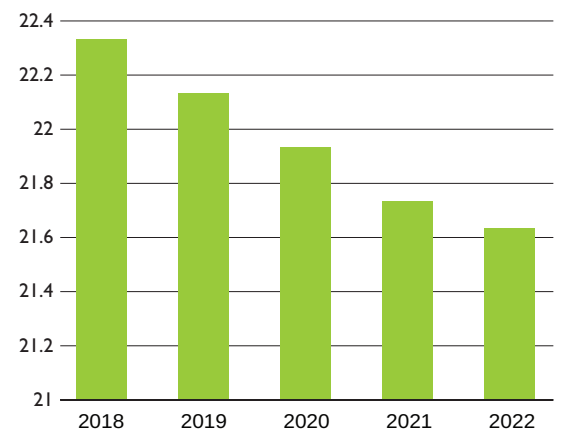
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

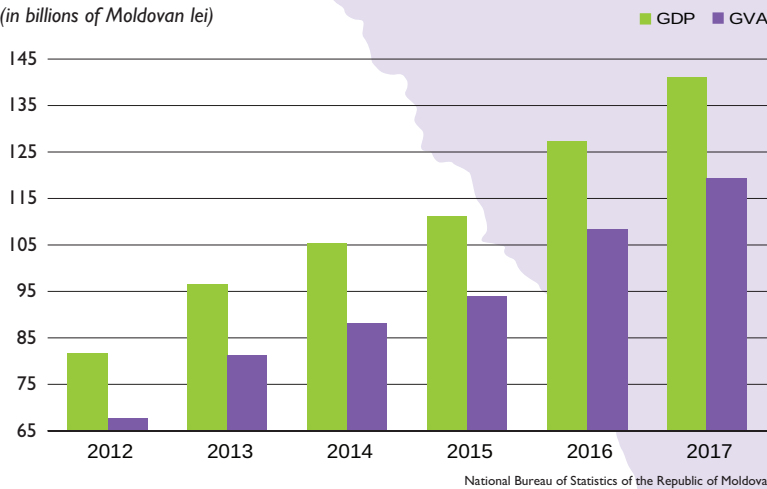
Moldova

TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	147	Moldovagaz SA	Petroleum/Natural Gas	382.2	35.07%	94.4	12.6
2	462	Energocom SA	Electricity	147.3	-13.87%	0.289	0.961
3	485	Orange Moldova SA	Telecommunications	142.1	1.54%	21.3	21.2
4	530	Termoelectrica SA	Electricity	122.3	0.56%	1.9	-3.4
5	619	Moldtelecom SA	Telecommunications	92.7	-17.41%	3.0	3.5
6	729	Moldcell SA	Telecommunications	66.6	15.29%	-13.8	2.8
7	773	Supraten SA	Building materials	58.0	7.37%	2.8	0.666
8	829	Tirex-Petrol SA	Petroleum/Natural Gas	48.6	-3.00%	0.533	0.584
9	870	Floarea Soarelui SA	Food/Drinks/Tobacco	43.1	-28.23%	1.7	0.098
10	967	Retelele Electrice de Distributie Nord SA	Electricity	33.1	76.02%	4.9	2.9

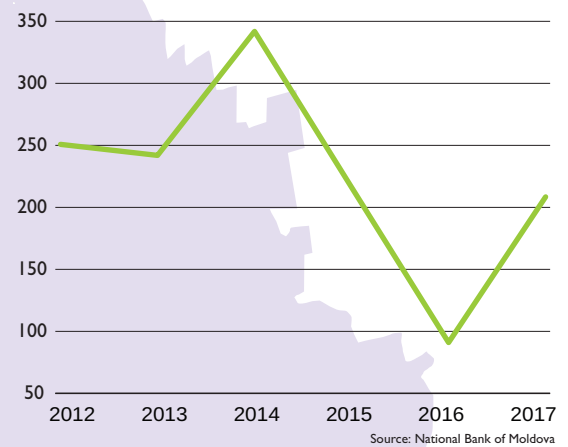
GDP and GVA

(in billions of Moldovan lei)



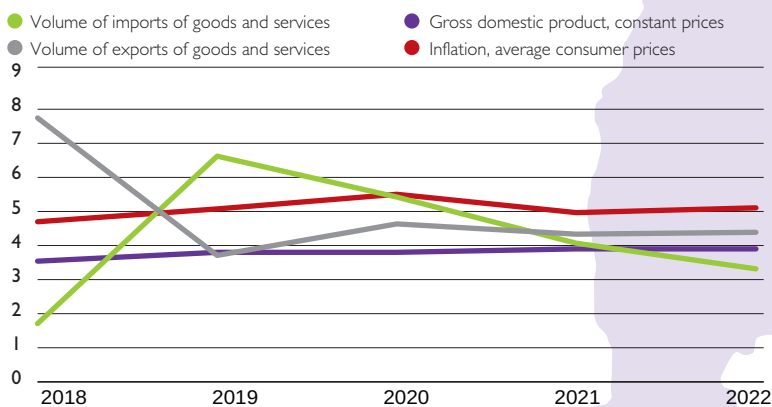
FDI

(in millions of US dollars)



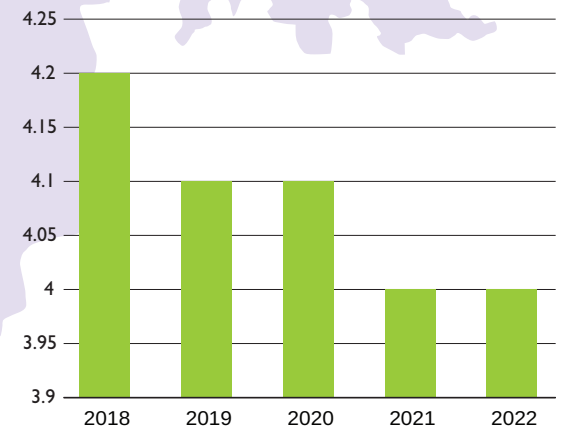
MOLDOVA ECONOMY FORECAST

(y/y change in %)



UNEMPLOYMENT RATE FORECAST

(% of total labour force)



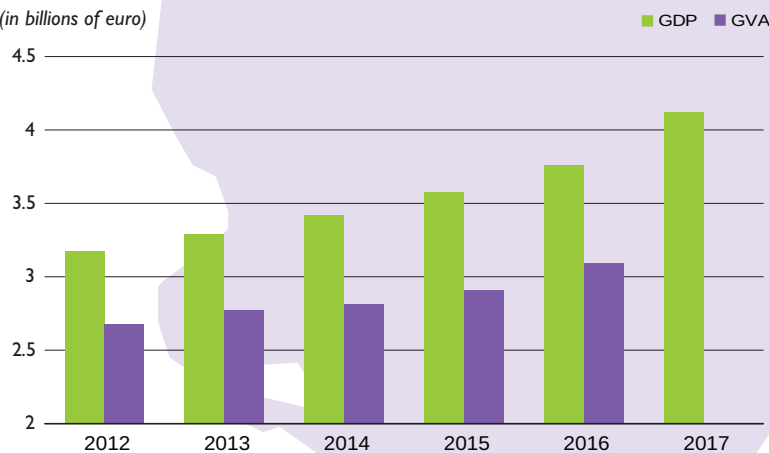
Montenegro

TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	203	China Road & Bridge Corporation D.O.O. Beijing, China	Civil Engineering	296.3	194.59%	-53.1	-10.0
2	212	Elektroprivreda Crne Gore A.D.	Electricity	276.2	3.00%	-0.948	18.3
3	313	VoliTrade D.O.O.	Wholesale/Retail	209.0	3.77%	4.3	3.4
4	497	Jugopetrol A.D.	Petroleum/Natural Gas	136.3	16.04%	7.6	5.0
5	504	Hard Discount Lakovic D.O.O.	Wholesale/Retail	132.2	10.19%	3.0	4.1
6	523	Mercator-CG D.O.O.	Wholesale/Retail	125.2	5.91%	0.332	1.9
7	578	Uniprom D.O.O.	Transportation	105.6	55.59%	0.782	0.494
8	635	Bemax D.O.O.	Metals	87.9	37.41%	20.9	17.0
9	639	Crnogorski Telekom A.D.	Telecommunications	86.4	-7.37%	5.1	9.4
10	704	Domaca Trgovina D.O.O.	Wholesale/Retail	71.0	8.03%	1.9	4.1

GDP and GVA

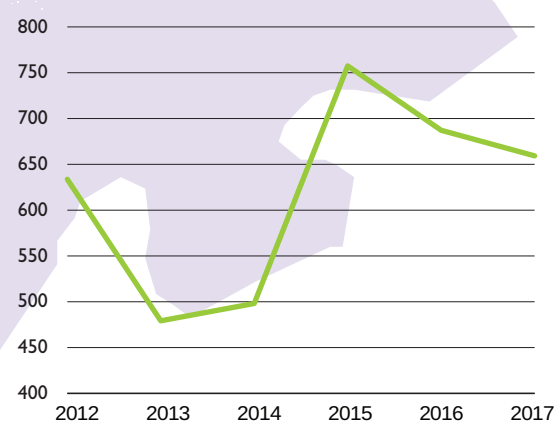
(in billions of euro)



Source: Statistical Office of Montenegro

FDI

(in millions of euro)

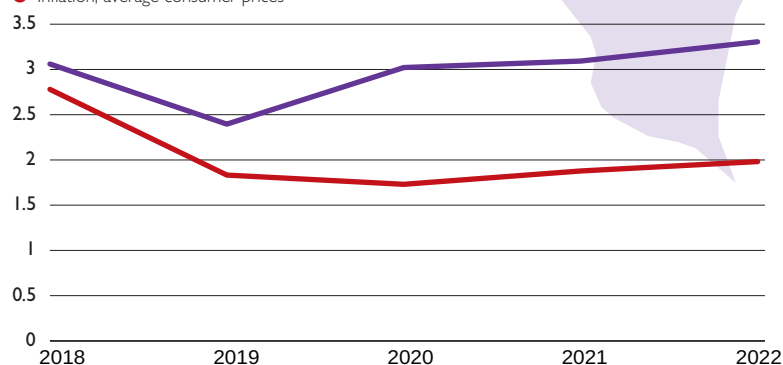


Source: Central Bank of Montenegro

MONTENEGRO ECONOMY FORECAST

(y/y change in %)

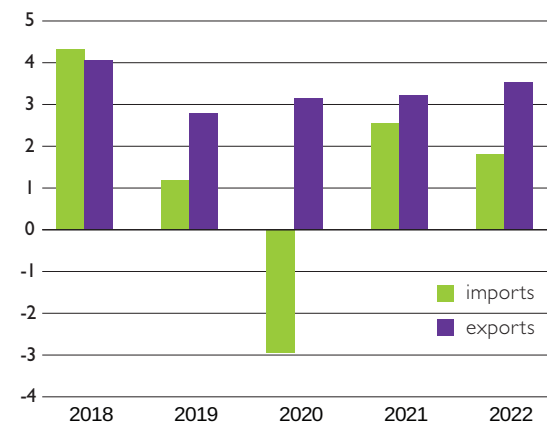
- Gross domestic product, constant prices
- Inflation, average consumer prices



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

IMPORTS, EXPORTS FORECAST

(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

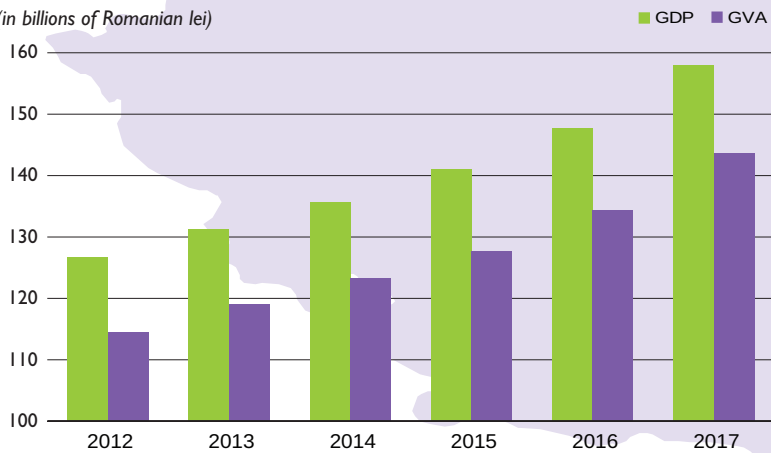
Romania

TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	1	Automobile-Dacia SA	Automobiles	5,025	11.62%	115.7	100.5
2	3	OMV Petrom SA	Petroleum/Natural Gas	3,531	16.89%	515.0	199.9
3	4	OMV Petrom Marketing SRL	Petroleum/Natural Gas	3,264	4.28%	68.8	84.9
4	7	Romp petrol Rafinare SA	Petroleum/Natural Gas	2,487	28.59%	89.8	15.4
5	11	Kaufland Romania SCS	Wholesale/Retail	2,177	4.24%	143.9	143.9
6	13	Romp petrol Downstream SRL	Petroleum/Natural Gas	1,942	9.49%	36.2	13.7
7	14	British American Tobacco (Romania) Trading SRL	Food/Drinks/Tobacco	1,920	8.80%	65.6	148.1
8	16	Star Assembly SRL	Automobiles	1,620	353.42%	52.8	11.6
9	20	Carrefour Romania SA	Wholesale/Retail	1,477	18.61%	45.0	36.1
10	21	Lidl Discount SRL	Wholesale/Retail	1,415	16.85%	75.7	47.9

GDP and GVA

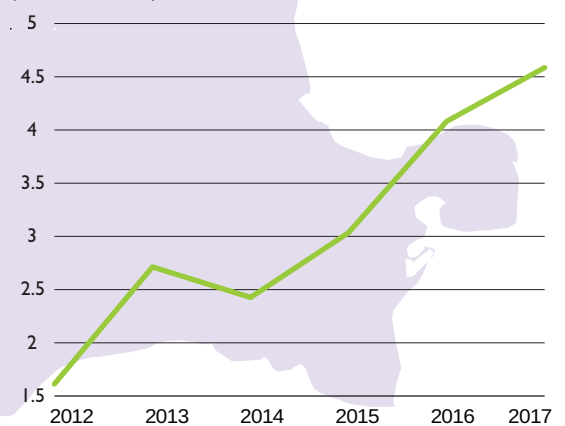
(in billions of Romanian lei)



Source: National Institute of Statistics

FDI

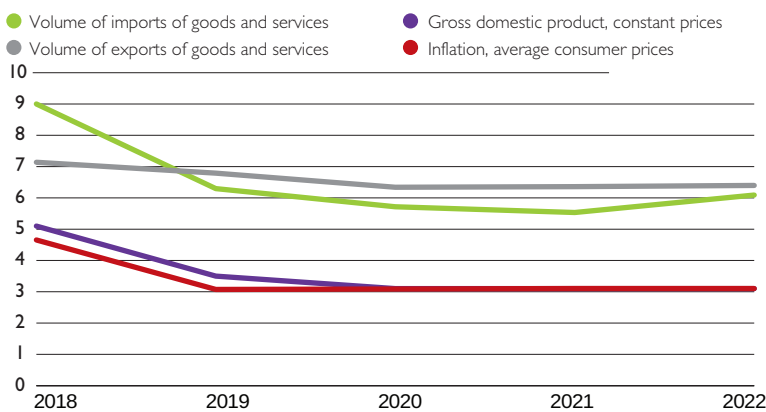
(in billions of euro)



Source: National Bank of Romania

ROMANIA ECONOMY FORECAST

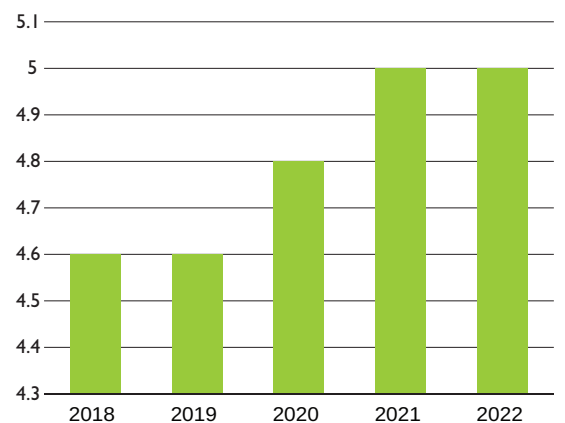
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

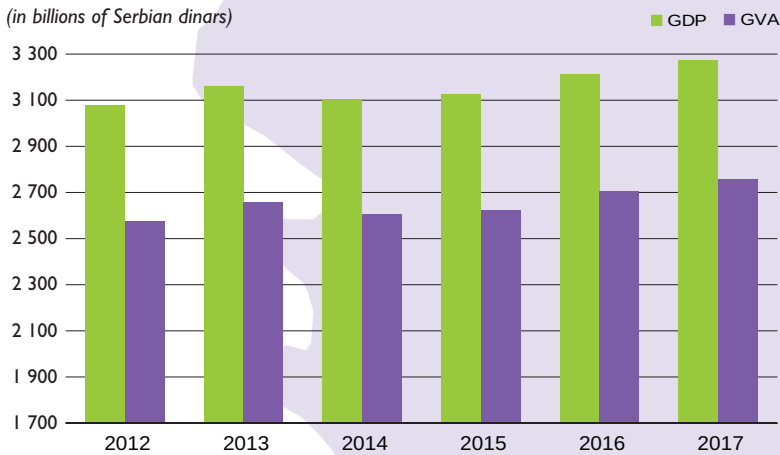
Serbia

TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	10	JP Elektroprivreda Srbije	Electricity	2,316	6.38%	28.8	71.2
2	12	Naftna Industrija Srbije AD	Petroleum/Natural Gas	1,953	21.20%	235.3	130.6
3	42	FCA Srbija DOO	Automobiles	992.8	-13.92%	18.0	17.2
4	56	Delhaize Serbia DOO	Wholesale/Retail	819.8	12.55%	36.1	10.3
5	57	Telekom Srbija AD	Telecommunications	794.2	0.16%	123.2	123.2
6	58	Mercator-S DOO	Wholesale/Retail	787.9	-9.93%	-58.0	-14.6
7	59	JP Srbijagas	Petroleum/Natural Gas	759.7	18.85%	141.6	17.6
8	61	EPS Distribucija DOO	Electricity	733.5	-5.16%	20.3	-3.0
9	66	HBIS Group Serbia Iron & Steel DOO	Metals	695.3	101.58%	0.021	10.7
10	68	Nelt Co DOO	Transport	669.0	3.12%	11.3	7.9

GDP and GVA

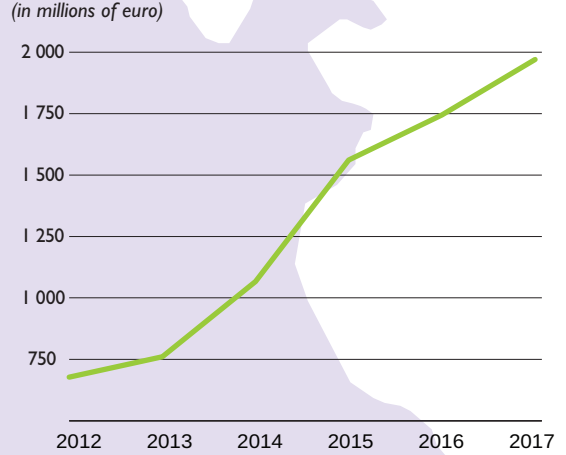
(in billions of Serbian dinars)



Source: Statistical Office of the Republic of Serbia

FDI

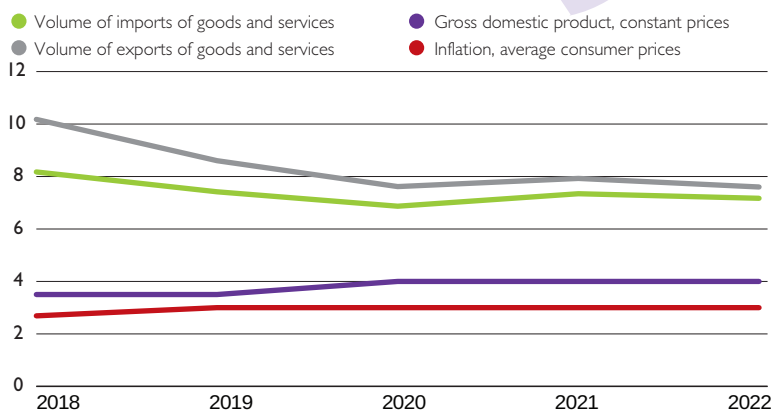
(in millions of euro)



Source: National Bank of Serbia

SERBIA ECONOMY FORECAST

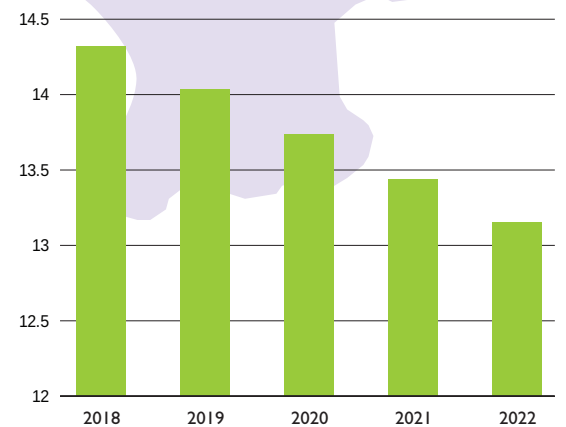
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2018

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2018

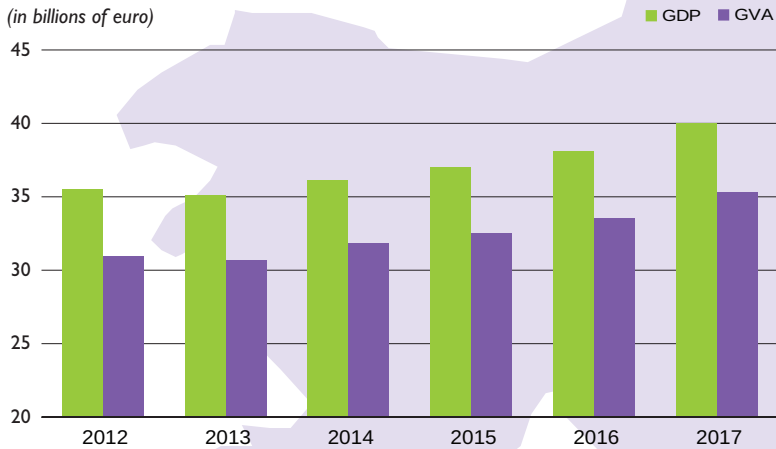
Slovenia

TOP 10

in millions of euro							
No	SEE TOP 100 No	Company name	Industry	Total revenue 2017	Y/Y change in revenue	Net profit/loss 2017	Net profit/loss 2016
1	2	Petrol d.d.	Petroleum/Natural Gas	3,791	17.94%	64.3	43.7
2	8	GEN-I d.o.o.	Electricity	2,456	48.28%	13.5	8.6
3	15	Holding Slovenske Elektrarne d.o.o.	Electricity	1,659	28.21%	19.7	44.4
4	18	Revoz d.d.	Automobiles	1,594	46.79%	34.8	15.9
5	25	Krka d.d.	Pharmaceuticals	1,228	6.44%	153.7	102.9
6	27	Poslovni Sistem Mercator d.d.	Wholesale/Retail	1,199	-10.62%	-203.7	-77.4
7	43	Lek d.d.	Pharmaceuticals	964.6	7.05%	83.2	74.8
8	46	Interenergo d.o.o.	Electricity Generation	893.8	139.87%	2.9	-9.7
9	52	Gorenje d.d.	Electronics	844.3	15.28%	0.473	3.7
10	60	IMPOL d.o.o.	Metals	751.6	27.57%	19.6	15.4

GDP and GVA

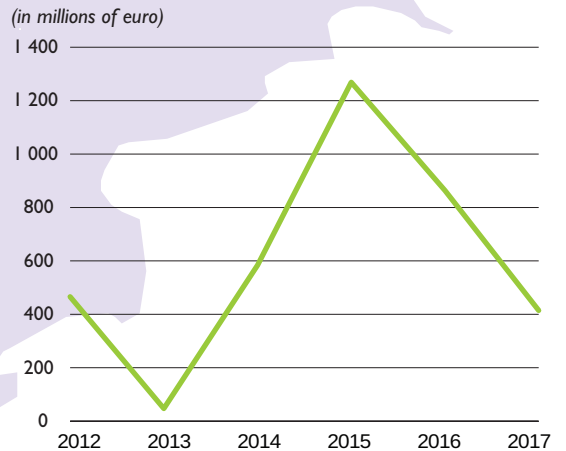
(in billions of euro)



Source: Statistical Office of the Republic of Slovenia

FDI

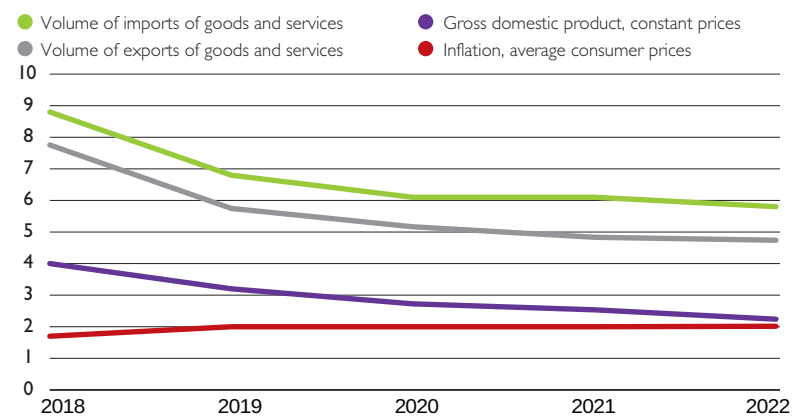
(in millions of euro)



Source: Banka Slovenije

SLOVENIA ECONOMY FORECAST

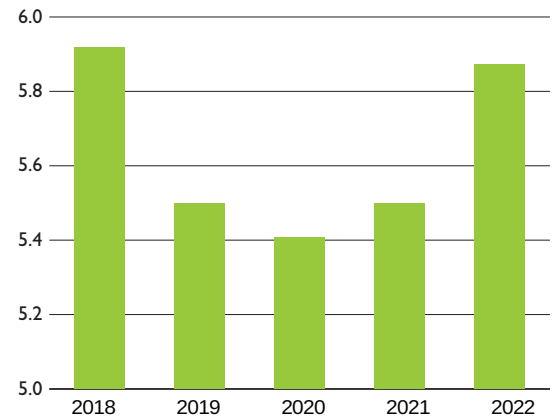
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2018

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2018



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