2019

Published by SeeNews

TOP 100 SEE

12th Annual Edition

Southeast Europe's **TOP 100 Companies**

Editor-in-chief:
Nevena Krasteva

Editors: **Branimir Kondov, Valentina Gerasimova**

Analysts:
Deyan Matov, Nina Ivanova

Authors:
Alexia Petrova, Mario Tanev, Mariyana Yaneva, Nicoleta Banila, Petar Galev, Radomir Ralev, Viktor Laskov

Marketing & sales:
Alexander Gramatikov, Dimitar Rahtaliev, Misho Hristov, Plamena Todorova, Yordanka Pencheva, Nadezhda Gesheva

Cover: **COG Graphics OOD**

Design & prepress:
Madlen Nacheva, Krustyo Burski

Print: **Bulvest Print AD**

Contact us:
64 Kiril i Metodii Str, 1202 Sofia, Bulgaria
tel: +359 2 8012 645/682
email: top100@seenews.com

@SeeNewsCompany

SeeNews

SeeNews

Letter from the editor

Investment in capacity expansion and efficiency improvement, a shift to green technologies and a focus on innovation were the key elements of the strategies of the biggest companies in Southeast Europe (SEE) in 2018 as they tried to make the best of the region's economic upswing and catch up with their West European peers.

Another run completed, the largest companies in the region saw both their combined revenue and profit hit new record highs. Profit growth continued to outpace the rise in sales.

While the entrants in this year's edition of SEE TOP 100 are predominantly familiar faces and their performance offers little surprise, they are the ones that largely determine the corporate profile of the region and set the direction and pace of its development.

Looking for clues what to expect, we talk to the frontrunners.

Christophe Dridi, managing director of Automobile Dacia and Groupe Renault Romania, comments on the company's readiness to launch an electric or hybrid Dacia.

Christina Verchere, CEO of OMV Petrom, tells us about the potential of the Black Sea to secure Romania's energy supply and boost the company's revenues.

Igor Stebernak, member of the management board of Slovenia's Petrol, reveals which new business lines will be generating highest EBITDA.

Elisabeth Stadler, CEO of Vienna Insurance Group, identifies the market segments in the region that hold untapped growth potential.

Is there something wrong with the hefty Chinese investment in Serbia? Will OTP Bank, the most active player on the region's M&A scene, continue its shopping spree? Is SEE catching up with the global rise in corporate renewable energy procurement? These are among the questions we try to answer as we go.

And of course, Brexit. If it does take place, will it matter? And if it matters, will it be beneficial for SEE? We give you the answers of law firms and the less serious take of local media.

Small business scale, poor infrastructure, shortage of talent, inefficient judiciary and unpredictable regulations are the well-known pitfalls on the local track. Economic slowdown, further exacerbation of the U.S.-Chinese trade frictions, or extreme climate events are some of the new hurdles the companies in SEE may have to overcome in the coming years. Hopefully, the latest run has put them in good shape.

Nevena Krasteva
Editor-in-chief

Aurubis

in millions of euro

Rank 2018	Rank 2017	Company name	Country	Industry	Total revenue 2018	Total revenue 2017	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017	Rank by net profit/ loss
1	1	Automobile-Dacia SA	Romania	Automobiles	5 348	5 025	6.54%	161.3	115.7	11
2	2	Petrol d.d.	Slovenia	Petroleum/Natural Gas	4 365	3 791	15.15%	100.6	64.3	16
3	3	OMV Petrom SA	Romania	Petroleum/Natural Gas	4 121	3 411	20.92%	831.8	515.0	1
4	4	OMV Petrom Marketing SRL	Romania	Petroleum/Natural Gas	3 864	3 264	18.50%	89.8	68.8	19
5	7	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	3 043	2 481	22.77%	-49.4	89.8	97
6	5	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	3 008	2 962	1.55%	-130.0	155.4	99
7	9	INA d.d.	Croatia	Petroleum/Natural Gas	2 956	2 447	19.25%	179.8	189.8	8
8	6	Aurubis Bulgaria AD	Bulgaria	Metals	2 576	2 638	-2.37%	103.5	201.2	15
9	8	GEN-I d.o.o.	Slovenia	Electricity	2 396	2 456	-2.45%	13.0	13.5	69
10	10	JP Elektroprivreda Srbije	Serbia	Electricity	2 376	2 316	2.34%	13.5	28.8	66
11	13	Rompetrol Downstream SRL	Romania	Petroleum/Natural Gas	2 362	1 942	21.71%	16.3	36.2	57
12	11	Kaufland Romania SCS	Romania	Wholesale/Retail	2 349	2 177	8.00%	169.1	143.9	9
13	33	Ford Romania SA	Romania	Automobiles	2 286	1 080	111.82%	37.8	20.5	37
14	12	Naftna Industrija Srbije AD	Serbia	Petroleum/Natural Gas	2 250	1 953	14.90%	221.2	235.3	6
15	14	British American Tobacco (Romania) Trading SRL	Romania	Automobiles	2 078	1 920	8.30%	33.3	65.6	42
16	18	Revoz d.d.	Slovenia	Automobiles	1 777	1 594	11.46%	33.6	34.8	41
17	19	Johnson Matthey DOOEL	North Macedonia	Chemicals	1 752	1 485	18.05%	97.8	96.8	17
18	23	Lukoil-Bulgaria EOOD	Bulgaria	Petroleum/Natural Gas	1 704	1 375	23.91%	0.530	-3.1	84
19	21	Lidl Discount SRL	Romania	Wholesale/Retail	1 698	1 415	20.12%	88.4	75.7	20
20	17	Natsionalna Elektricheska Kompania EAD	Bulgaria	Electricity	1 650	1 605	2.76%	-37.7	3.5	95
21	24	Lukoil Romania SRL	Romania	Petroleum/Natural Gas	1 615	1 283	26.03%	14.0	18.4	64
22	16	Star Assembly SRL	Romania	Automobiles	1 614	1 620	-0.27%	56.7	52.8	23
23	20	Carrefour Romania SA	Romania	Wholesale/Retail	1 596	1 477	8.16%	56.1	45.0	24
24	22	Dedeman SRL	Romania	Wholesale/Retail	1 582	1 384	14.41%	217.2	190.8	7
25	15	Holding Slovenske Elektrarne d.o.o.	Slovenia	Electricity	1 519	1 658	-8.35%	9.5	19.7	72
26	28	MOL Romania Petroleum Products SRL	Romania	Petroleum/Natural Gas	1 446	1 184	22.30%	54.6	39.3	25
27	37	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	1 409	1 049	34.45%	1.1	48.3	82
28	31	Engie Romania SA	Romania	Petroleum/Natural Gas	1 357	1 131	20.11%	97.8	72.4	18
29	New	Serbia Zijin Bor Copper DOO (former RTB Bor DOO)	Serbia	Metals	1 316	332.1	295.40%	764.2	8.3	2
30	38	Profi Rom Food SRL	Romania	Wholesale/Retail	1 316	1 046	25.96%	-19.4	28.1	93
31	29	Hrvatska Elektroprivreda d.d.	Croatia	Electricity	1 269	1 174	6.69%	47.7	48.4	29
32	30	Orange Romania SA	Romania	Telecommunications	1 256	1 174	7.08%	41.2	68.5	30
33	26	Konzum d.d.	Croatia	Wholesale/Retail	1 245	1 235	-0.51%	-38.3	-525.2	96
34	25	Krka d.d.	Slovenia	Pharmaceuticals	1 236	1 203	2.74%	163.3	153.7	10
35	36	Mega Image SRL	Romania	Wholesale/Retail	1 234	1 058	16.77%	54.5	43.3	26
36	39	Arcelormittal Galati SA	Romania	Metals	1 219	1 041	17.24%	40.7	-32.9	33
37	27	Poslovni Sistem Mercator d.d.	Slovenia	Wholesale/Retail	1 191	1 199	-0.71%	-10.9	-203.7	90
38	32	Auchan Romania SA	Romania	Wholesale/Retail	1 160	1 123	3.41%	7.5	16.1	75
39	41	Metro Cash & Carry Romania SRL	Romania	Wholesale/Retail	1 147	1 023	12.18%	19.0	24.9	53
40	34	Romgaz SA	Romania	Petroleum/Natural Gas	1 120	1 074	4.35%	291.7	398.0	5
41	40	Prvo Plinarsko Drustvo d.o.o.	Croatia	Petroleum/Natural Gas	1 101	1 028	5.74%	15.1	33.7	62
42	43	Lek d.d.	Slovenia	Pharmaceuticals	1 090	965.2	12.96%	116.7	83.2	14
43	45	Samsung Electronics Romania SRL	Romania	Electronics	990.6	911.6	8.76%	19.2	13.5	52
44	64	Hidroelectrica SA	Romania	Electricity	939.6	712.9	31.92%	415.8	291.8	4
45	62	Dante International SA	Romania	Wholesale/Retail	914.1	717.8	27.45%	-9.6	-23.9	89
46	66	HBIS Group Serbia Iron & Steel DOO	Serbia	Metals	907.1	695.3	30.16%	0.209	0.021	85
47	53	Electrica Furnizare SA	Romania	Electricity	905.1	844.0	7.33%	30.2	0.336	45
48	49	Autoliv Romania SRL	Romania	Automobiles	895.3	862.2	3.92%	34.4	24.3	39
49	48	Selgros Cash & Carry SRL	Romania	Wholesale/Retail	893.4	871.5	2.61%	15.7	10.5	60
50	56	Delhaize Serbia DOO	Serbia	Wholesale/Retail	881.5	819.8	7.28%	22.6	36.1	49

in millions of euro

Rank 2018	Rank 2017	Company name	Country	Industry	Total revenue 2018	Total revenue 2017	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017	Rank by net profit/ loss
51	50	RCS & RDS SA	Romania	Telecommunications	880.5	858.0	2.71%	32.8	63.2	44
52	70	Renault Commercial Roumanie SRL	Romania	Automobiles	879.7	661.0	33.22%	16.1	10.4	58
53	95	Saksa OOD	Bulgaria	Petroleum/Natural Gas	869.2	553.3	57.09%	8.1	5.7	73
54	54	Mediplus Exim SRL	Romania	Wholesale/Retail	854.4	839.4	1.88%	13.0	10.2	68
55	35	E.ON Energie Romania SA	Romania	Petroleum/Natural Gas	852.7	1 070	-20.22%	14.2	15.5	63
56	93	Cofco International Romania SRL	Romania	Agriculture	850.9	565.1	50.72%	0.855	2.4	83
57	51	Vodafone Romania SA	Romania	Telecommunications	847.8	845.3	0.39%	38.1	12.7	35
58	52	Gorenje d.d.	Slovenia	Electricity	839.1	823.0	1.96%	-126.8	0.473	98
59	55	Hrvatski Telekom d.d.	Croatia	Telecommunications	835.0	833.8	-1.13%	133.6	111.9	12
60	47	Kaufland Bulgaria EOOD & Co KD	Bulgaria	Wholesale/Retail	803.1	763.3	5.22%	36.2	39.0	38
61	80	OMV Slovenija d.o.o.	Slovenia	Petroleum/Natural Gas	802.5	621.9	29.05%	24.0	21.8	47
62	60	IMPOL d.o.o.	Slovenia	Metals	800.7	751.6	6.54%	18.8	19.6	54
63	75	Ameropa Grains SA	Romania	Agriculture	790.8	640.3	23.62%	7.1	6.0	76
64	74	ADM Romania Trading SRL	Romania	Agriculture	788.5	641.2	23.09%	-4.5	3.4	88
65	57	Telekom Srbija AD	Serbia	Telecommunications	784.1	794.2	-1.51%	86.3	123.2	21
66	90	Fildas Trading SRL	Romania	Wholesale/Retail	783.0	579.8	35.16%	23.4	22.2	48
67	42	FCA Srbija DOO	Serbia	Automobiles	777.2	992.8	-21.91%	12.9	18.0	70
68	65	Altex Romania SRL	Romania	Wholesale/Retail	772.9	710.3	8.92%	13.6	10.4	65
69	59	JP Srbijagas	Serbia	Petroleum/Natural Gas	744.9	758.1	-1.98%	49.3	141.6	27
70	73	REWE (Romania) SRL	Romania	Wholesale/Retail	744.0	647.5	15.00%	7.7	4.1	74
71	58	Mercator-S DOO	Serbia	Wholesale/Retail	735.4	787.9	-6.89%	-14.1	-58.0	91
72	79	Petrol d.o.o.	Croatia	Petroleum/Natural Gas	734.3	625.9	15.82%	12.0	8.1	71
73	61	EPS Distribucija DOO	Serbia	Electricity	723.3	733.5	-1.61%	-21.1	19.7	94
74	99	Crodux Derivati Dva d.o.o.	Croatia	Petroleum/Natural Gas	721.6	521.2	36.68%	15.5	11.9	61
75	82	CFR SA	Romania	Transportation	715.7	618.4	15.84%	2.2	33.1	79
76	63	OMV Petrom Gas SRL	Romania	Petroleum/Natural Gas	713.8	714.7	-0.04%	13.4	11.8	67
77	76	Farmexpert D.C.I. SRL	Romania	Wholesale/Retail	703.4	636.4	10.62%	18.1	19.3	55
78	84	Lidl Hrvatska d.o.o. k.d.	Croatia	Wholesale/Retail	697.6	617.9	11.47%	37.9	35.6	36
79	86	Tigar Tyres DOO	Serbia	Rubber/Rubber Products	694.9	611.2	13.44%	41.0	87.3	32
80	83	Hella Romania SRL	Romania	Automobiles	691.6	618.0	12.01%	41.0	30.4	31
81	78	Porsche Romania SRL	Romania	Automobiles	687.6	634.2	8.51%	33.0	23.1	43
82	69	Telekom Slovenije d.d.	Slovenia	Telecommunications	681.2	662.6	2.81%	34.0	1.7	40
83	46	Interenergo d.o.o.	Slovenia	Electricity	671.9	893.8	-24.83%	-4.2	2.9	87
84	68	Nelt Co DOO	Serbia	Transportation	671.3	669.0	0.11%	4.6	11.3	78
85	91	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	666.7	576.2	15.70%	-16.4	4.8	92
86	89	Michelin Romania SA	Romania	Rubber/Rubber Products	664.1	584.7	13.69%	21.2	11.0	50
87	67	Continental Automotive Products SRL	Romania	Automobiles	663.2	687.0	-3.37%	124.7	149.7	13
88	New	Robert Bosch SRL	Romania	Automobiles	661.1	503.7	31.38%	26.5	17.9	46
89	44	Complexul Energetic Oltenia SA	Romania	Electricity	641.2	937.5	-31.54%	-243.0	38.8	100
90	87	Alro SA	Romania	Metals	638.8	592.8	7.86%	48.4	68.2	28
91	96	Express Logistic and Distribution EOOD	Bulgaria	Wholesale/Retail	626.7	546.6	14.66%	1.4	-5.2	80
92	New	Cargill Agricultura SRL	Romania	Agriculture	620.1	503.1	23.36%	-3.8	2.2	86
93	97	Astra Bioplant EOOD	Bulgaria	Petroleum/Natural Gas	611.1	543.2	12.50%	6.6	1.0	77
94	New	Holdina d.o.o. Sarajevo	Bosnia and Herzegovina	Petroleum/Natural Gas	603.0	436.8	38.04%	1.2	1.7	81
95	New	Aerodrom Nikola Tesla AD	Serbia	Transportation	592.7	81.5	625.83%	451.1	27.6	3
96	71	Transelectrica SA	Romania	Electricity	589.1	660.9	-10.78%	17.4	6.1	56
97	New	AETs Kozloduy EAD	Bulgaria	Electricity	574.1	477.2	20.31%	83.6	60.3	22
98	New	Pirelli Tyres Romania SRL	Romania	Rubber/Rubber Products	571.0	515.1	10.96%	19.5	16.8	51
99	New	Regia Nationala a Padurilor Romsilva RA	Romania	Electricity	570.9	485.5	17.71%	38.2	53.4	34
100	94	Plodine d.d.	Croatia	Wholesale/Retail	569.0	564.3	-0.46%	16.0	14.7	59

2018: Rising personal incomes propel sales of SEE TOP 100 to new highs, profits grow faster than revenues

By Nevena Krasteva

Steady, consumption-led economic growth and increasing wages brought record-high sales to the top companies in Southeast Europe (SEE) in 2018, giving them room to continue to expand their operations. An abundant flow of foreign direct investment (FDI) complemented by EU funds, easily available bank funding at low rates, and a solid performance of the economies of Western Europe, the region's main trading partner, further contributed to growth. Chinese investments continued to pour into the region, as Serbia absorbed the bulk.
The volume of M&A deals in the region surged to an all-time high and consolidation continued at a brisk pace. The governments in Belgrade, Zagreb and Ljubljana completed successfully several large privatisations and prepared the ground for a couple more. Despite ongoing political volatility and regulatory setbacks, with some particularly bad examples from Romania, the overall investment climate in SEE continued to improve. The biggest companies in the region invested heavily in capacity, green technologies and innovation, and continued to seek ways for economies of scale.
The negative effect of the collapse of Croatia's largest conglomerate Agrokor faded and the retail/wholesale sector – traditionally a top performer – returned among the top three in terms of profit. As global oil prices recovered, the oil and gas sector reaffirmed its foothold in the ranking, with its representatives accounting for 34% of the total revenue of SEE TOP 100. Their combined profit however shrank, forcing them to eagerly look to develop alternative business lines. Car makers too maintained their good performance, making the best of the economic upturn and rising consumption. Even though still only a few, agriculture companies in the ranking did remarkably well.

A Automobile Dacia, a unit of France's Renault, is the biggest company in SEE for a fifth year running as its revenue rose by 6.54% to 5.35 billion euro in 2018. Furthermore, the company booked an outstanding profit growth of 39%, to 161.3 million euro, though in terms of profit it ranked 11th among the SEE TOP 100 entrants. Dacia's good financial indicators come on the back of a 7.0% increase in sales volume to 700,798 vehicles. The Dacia brand posted 10% higher sales in Europe and held a market share of 2.9%, largely thanks to the performance of the New Duster launched at the beginning of the year and Sandero. In December, the company received 115.8 million lei in state aid to increase production in order to meet higher demand.

Six representatives of the oil and gas sector, two electricity companies and a metals producer keep Dacia company in the top 10.

The ten biggest companies account for 27% of the combined revenue of SEE TOP 100. There are no new entrants among them.

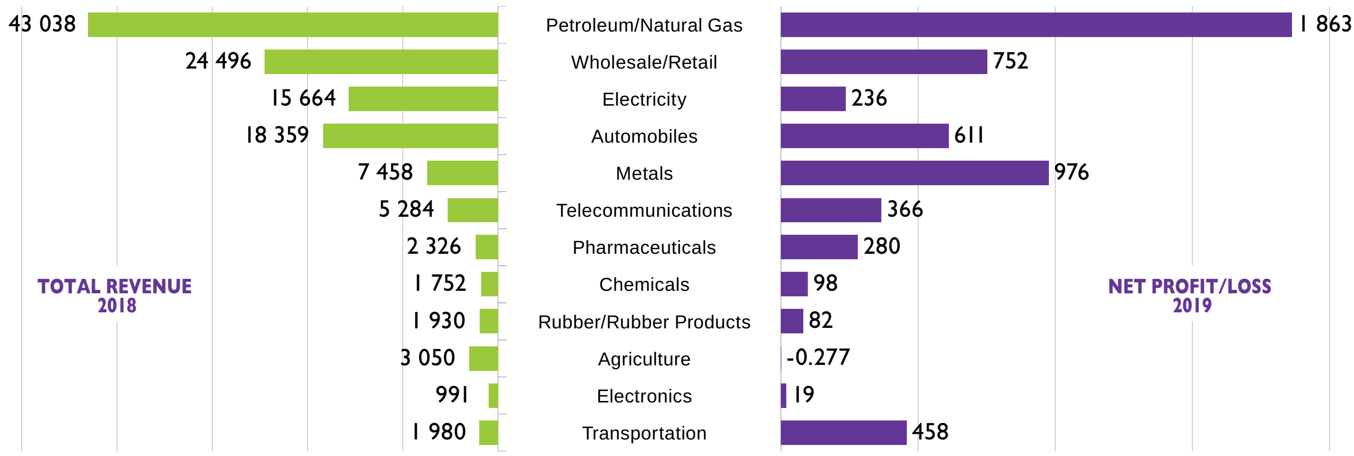
Sales, profits grow in double digits

As the companies in SEE continue to streamline operations and boost efficiency, aiming to close the gap with their West European peers, their financial reports showed double-digit growth in both profit and revenues, with profit growth outpacing the rise in revenues for a second year in a row. The revenue of the SEE TOP 100 companies expanded by 11% to a record-high 126.3 billion euro, whereas their profit amounted to 5.7 billion euro, up by 17%. Both profits and revenues, however, grew at a slower pace than a year earlier when they recorded increases of 13% and 22%, respectively.

In second position, Slovenia's Petrol posted a 15% increase in revenue to 4.4 billion euro. In 2018, Petrol Group had an EBITDA of 171.5 million euro, with sales

BREAKDOWN BY INDUSTRY

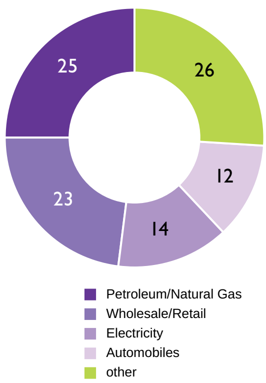
(in millions of euro)



of refined petroleum products contributing only 60%. The company plans to invest 520 million euro in the 2018-2022 period with highest growth expected in new business lines such as generation of electricity from renewable sources and mobility. Lowest growth, on the other hand, is expected in the oldest core business line – the sale of refined petroleum products. "Globally and locally, we are facing social and technological changes that can be captured concisely by the notion of "digital globalisation". The energy sector is moving towards energy efficiency, novel use of existing energy products and development of new ones. In addition, a considerable shift can be observed in the behaviour of end customers, who are becoming increasingly engaged," Igor Stebernak, member of Petrol's management board, comments. (see p.10)

Another oil and gas company, Romania's OMV Petrom, ranked third with 4.1 billion euro in revenue, up 21%. Its revenue increase was driven by higher commodity prices and electricity sales volumes, partially offset by lower volumes of gas and petroleum products sold. Over the last few years, the company has been stepping up investments and plans to drill around 100 new wells in 2019, as compared to just 40 in 2016. "The Black Sea opportunities create a much-needed resource for Romania to secure its energy supply and to increase revenues, the more so that Romania's national gas production is declining, imports and gas prices are higher, while interconnectivity with European markets remains limited," CEO Christina Verchere says. (see p.12)

NUMBER OF COMPANIES



OMV Petrom is also number 1 in terms of profit – up by an impressive 62% to 831.8 million euro, as the company bucked the general trend toward profit decline in the sector. Oil and gas companies, however, made up a quarter of all entrants in the ranking and generated 34% of the total revenue of the SEE TOP 100 members.

In late 2018 Romanian oil and gas companies were hit by an unexpected emergency decree enforcing additional taxes for the sector, which the government later modified. Apart from increasing the fiscal burden on the companies, the new legislation introduced a fixed natural gas price, forcing market players, including OMV Petrom, to reconsider their investment programme.

In terms of profit, OMV Petrom is followed by two Serbian entrants - copper mining and smelting company Serbia Zijin Bor Copper (former RTB Bor) and Aerodrom Nikola Tesla which saw their bottom lines benefit from capital injections by foreign companies.

The financial performance of majority state-owned Aerodrom Nikola Tesla was boosted by 59.3 billion dinars paid by the concessionaire of Belgrade Nikola Tesla Airport. In 2018, France's Vinci Airports signed a 25-year concession contract covering the Belgrade airport's financing, operation, maintenance, expansion and upgrade. Under the terms of the deal, Vinci Airports committed to pay 417 million euro to the Serbian government and 84 million euro to the small shareholders of Aerodrom Nikola Tesla for the concession plus an annual concession fee of between 4.4 million euro and 15.1 million euro.

In December, China's Zijin Mining Group injected $350 million in the capital of RTB Bor, acquiring a majority stake, and renamed it to Serbia Zijin Bor Copper. The Chinese group intends to invest $1.26 billion to improve the production operations of RTB Bor, open new mines and increase efficiency. In 2019, Zijin plans to invest up to $200 million in the overhaul of RTB Bor. The company is expected to increase ore production by 10% and of copper concentrate by 30% in 2019, thus making Serbia Europe's third largest copper producer. The share of mining industry in Serbia's GDP will grow to 5% from 1%, according to Serbia's energy minister Aleksandar Antic.

The deal for RTB Bor adds to a long

list of Chinese investments in SEE, in Serbian infrastructure in particular, made over the past years as part of the Chinese government's Belt and Road Initiative. The massive investment flow has raised concerns about unsustainable debt burdens for some countries and Beijing's growing political influence.

In another landmark acquisition, a unit of China's Hisense Group became owner of Slovenian household goods manufacturer Gorenje, which ranks 59th in SEE TOP 100.

The 46th place in the ranking is occupied by HBIS Group Serbia Iron & Steel, a unit of China's HBIS. HBIS took over the management and ownership of Zelezara Smederevo in July 2016, three months after the government agreed to sell the steel mill to the Chinese group for 46 million euro. HBIS Group Serbia Iron & Steel plans to invest $300 million in its steel mill Zelezara Smederevo in Serbia by the end of 2021.

Back to the TOP 10 group, at number 8 Aurubis Bulgaria is the biggest metals producer in the region, even though the company's revenue dropped slightly in 2018, while its profit nearly halved.

"The net results are influenced by the market conditions for our throughput materials, the metal prices, the so called treatment and refining charges. The [2019] volumes are planned to be lower compared to last year also due to the maintenance shutdown in May-June that will have its one-off effect on the figures. Unlike the temporary ups and downs, the energy prices may impact expenditures over a long period of time. That is why we are working hard on efficiency through modernisation," CEO Tim Kurth explains. (see p.44)

126.3 bln euro

SEE TOP 100 revenue in 2018

Two electricity companies – Slovenia's GEN-I and Serbia's JP Elektroprivreda Srbije – round off the top ten.

Retailers make comeback, agricompanies gain momentum

Recovering from the collapse of Agrokor which sent shockwaves across the Western Balkans in 2017, the region's wholesale and retail sector showed a spectacular turnaround in 2018 and swung to a profit of 752 million euro from a combined loss of 75 million euro a year earlier. Combined revenues also increased – to 24.5 billion euro from 22.2 billion euro – on the back of rising consumption across the region. The sector has the second biggest number of representatives in the ranking, 23, including Agrokor's Croatian unit Konzum, its Slovenian subsidiary Poslovni sistem Mercator and Serbian unit Mercator-S.

It comes as little surprise that the automotive sector recorded yet another good year, with total revenues rising 13% to 18.4 billion euro. Over the past decade, the sector has been a regional frontrunner in terms of contribution to GDP, production capacity increase, volume of investments and job creation. To give just two examples: in Romania, it contributes 14% to the national output and 26% to the national exports, while in Serbia automotive companies have generated 10% of the inflow of foreign direct investment since 2001, the country's trade minister Rasim Ljajic has said.

More interestingly, agriculture emerged as the sector with the second biggest increase of revenue, by 29%. Considering its potential, the sector is still underrepresented in SEE TOP 100, as only three companies – all Romanian – made it into the ranking.

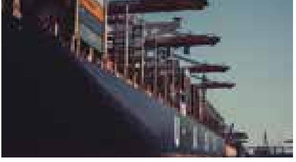
Yet, entering SEE TOP 100 has become increasingly difficult. Six new entrants found a place among the region's biggest companies this year versus 12 last year. The newcomers operate in the oil and gas, electricity, transportation, and rubber and rubber products sectors. The threshold for entry among the top 100 rose sharply to 569 million euro from 515.5 million euro a year earlier. Romania has 54 companies in the ranking, while Albania and Moldova still have no representatives.

METHODOLOGY

SEE TOP 100 ranks the biggest companies in Southeast Europe by total revenue for the fiscal year ended December 31, 2018. Both 2018 figures and 2017 comparative counterparts are sourced from 2018 annual non-consolidated reports.
The SEE TOP 100 ranking covers non-financial companies registered in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia and Slovenia. Banks, investment intermediaries, insurers and real estate investment trusts (REITs) are excluded from the ranking as total revenue is not an accurate indicator of their performance.

We have compiled separate rankings of the largest 100 banks and insurers. Holding companies, on the other hand, are represented in the ranking by their subsidiaries.
All data is sourced from national commercial registers, stock exchanges, government and corporate websites, industry regulators, local business information providers and companies themselves.
The initial pool of companies exceeds 2,900. 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 2018 and 2017. 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.



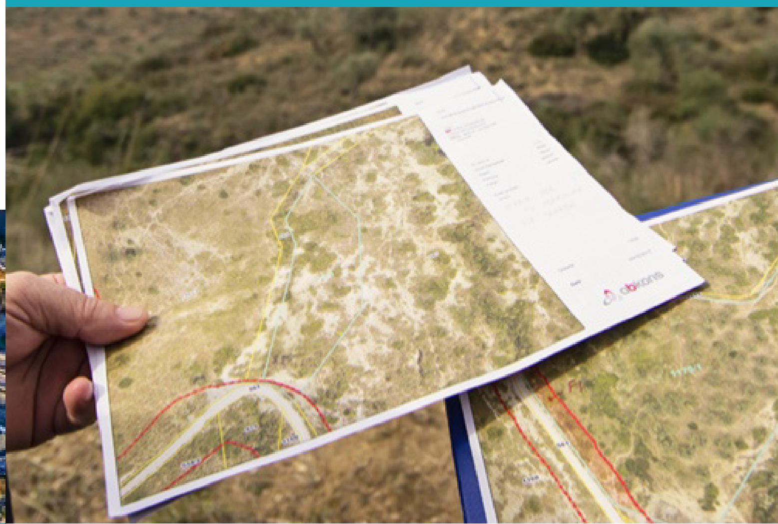
abkons
LOCAL Knowledge, GLOBAL Standards

We work to global standards combined with the expertise of local knowledge.

We provide a different outlook and a different way of working.

With over 30 in-house services, our work has helped to ensure that the region's leading projects have come to fruition.

Our work has been integral to the implementation of multiple development projects in the Western Balkans



Our experts all work under one roof: giving you an integrated, in-house team

We work in partnership with multinationals, financial institutions and the public sector.

Much of what we do is not just about an efficient and transparent process, but also an attitude to getting to know and understand the local community: how they vary from village to village.

Be that understanding the bee keepers or the vet responsible for the local livestock – these are people who can impact on the success of projects."

Besnik Leskaj
CEO and Founder

abkons.com

- Abkons
- abkons_company
- Abkons Company

Our production capacity will increase to 406,000 vehicles annually

By Nicoleta Banila

Automobile Dacia, a unit of France's Renault, leads the SEE TOP 100 ranking for a fifth year running. In 2018, its revenue rose by 6.54% to 5.35 billion euro.

Christophe Dridi,
Managing Director
of Automobile Dacia
and Groupe Renault
Romania

What are the key factors that have helped Dacia remain the top company in Southeastern Europe (SEE) in terms of total revenue over the past five years?

The automotive industry is very important for Romania, it represents 14% of the GDP and 26% of the exports. It is a big part of the Romanian economy, a treasure.

Groupe Renault Romania employs more than 18,800 colleagues and integrates all the activities specific for a car manufacturer - market studies, design, engineering, technical center, manufacturing and supply chain, sales and aftersales, business services and financing - and our teams is at the heart of our company, our most important value.

The Global Access range, which includes Dacia models manufactured in Mioveni, is a worldwide success. We offer attractive quality cars at the best price, thanks to a unique business model - "smart buy". Dacia has conquered customers from 44 countries and will continue its development and community engagement.

We operate in a competitive industry which evolves extremely rapidly. This context and these challenges motivate us to prepare every day our future.

What are your expectations about Dacia's net profit and turnover in 2019 and what do you base them on?

We have the willingness to keep our competitiveness for all Groupe Renault Romania activities, underlining long term competitiveness.

Can you please elaborate on your short- and medium-term investment plans in Romania? Has Dacia started the production capacity expansion project announced at the end of 2018, which is to be supported by 115.8 million lei in state aid?

Since 2000, the investment made by Groupe Renault Romania amounts to 3 billion euro. This includes new products development - cars, engines, gearboxes, etc., as well as manufacturing process optimisation - working conditions, automation, quality, cost reduction and integration of new technologies.

In order to satisfy our customers, our production capacity will increase from 350,000 vehicles per year to 406,000 units. It is very important for us to remain the gravity centre of Dacia cars.

Is Dacia considering to introduce a hybrid SUV as a step toward lowering the average emission levels of its vehicles and in order to help Renault meet the European Union's toughening antipollution standards?

The question is not about if we will have an electric or hybrid Dacia or not, the question is when. We already have the technology because we are part of the Alliance. Our future projects will have the capability to add this technology, but we will launch it when the market is ready. Infrastructure is also an important factor, as well as regulation.

Do you plan to launch new models of the Dacia brand in the next couple of years? Can you please elaborate?

It is too early to give details but be sure that we will continue to surprise our customers with attractive and quality cars at the best price, "the smart buy".

What are your expectations about the overall development of the car market in SEE in the next few years? What about Dacia's performance in SEE and on a global scale?

The Romanian automotive industry has four main priorities: infrastructure, used cars, local integration and education.

In terms of infrastructure, roads and especially Pitesti-Sibiu highway and access to the West are very important for the development of the Romanian economy but we have also to develop rail roads and maritime infrastructure.

Regarding used cars, it is our duty to fight against the invasion of used cars coming with a high level of pollution, a low level of safety and providing no income for the country.

In order to have a competitive automotive industry, it is essential to have suppliers nearby to develop synchronisation and transversal skills.

In education, we are supporting traditional technologies such as stamping, welding, and toolmakers, as well as the new ones - software, automatisation, digitalisation, electric and connectivity.

3 bln euro

Investment by Groupe Renault Romania since 2000

The question is not about if we will have an electric or hybrid Dacia or not, the question is when

The Romanian automotive industry has four main priorities: infrastructure, used cars, local integration and education

New business lines to generate highest EBITDA growth

By Mario Tanev

Slovenia-based oil and gas distributor Petrol d.d. posted a turnover of 4.4 billion euro in 2018, ranking second in SEE TOP 100.

Igor Stebernak,
Member of the Management Board, responsible for Business Support, Petrol d.d.

Considering its solid liquidity, will the Petrol Group be looking to expand its operations in the future through acquisitions, or it will mostly seek organic growth?

The Petrol strategy is built on development and expansion. In the strategic period 2018–2022 we plan to invest over 520 million euro, 50% in sales of petroleum and merchandise, 16% in sales of energy and environmental systems, 19% in electricity generation from renewable sources and 15% in mobility. Whether this growth is achieved through acquisitions or organic growth depends on various factors, including market conditions, specifics of the business line, the region and so on. We take all these factors into consideration and choose the option that promises the best results in terms of achieving our strategic goals. Petrol's strong financial position is a good base for either organic growth or acquisitions.

In which of Petrol Group's countries of operations do you face the biggest challenges related to fuel pricing policy?

Oil product prices are still partially state regulated in Slovenia, our biggest market. Gasoline and diesel fuel prices at filling stations on highways are freely set based on market conditions, whereas the prices are still regulated at other filling stations. Prices for 98-octane and higher petrol and extra light heating oil have been freely set based on market conditions since April 2016. Refined petroleum product prices in Croatia, Serbia, Bosnia and Herzegovina and Kosovo are freely set according to market conditions, and in Montenegro according to the Regulation on the Method of Setting Maximum Retail Prices of Petroleum Products.

Which of the company's market segments seem poised for the highest growth in the long term?

In line with Petrol Group's strategy, we will have higher growth of earnings before interest, tax, depreciation and amortisation (EBITDA) in our new business lines: comprehensive energy supply, generation of electricity from renewable sources, ESCO projects and mobility. Sales of merchandise goods and services will also grow, and will maintain thier share in the total EBITDA. The lowest growth we forecast for our oldest core business line – sales of refined petroleum product.

In 2018, Petrol Group achieved 171.5 million euro of EBITDA. It achieved 60% of its EBITDA by selling refined petroleum products, 22% by selling merchandise and related services, 12% by selling energy and environmental solutions, 4% by selling other energy products (LPG, natural gas and electricity) and 2% by generating electricity from renewable sources.

Petrol is planning EBITDA of 233 million euro in 2022, 41% of which from selling refined petroleum products, 20% from selling merchandise and related services, 13% from selling other energy products (LPG, natural gas and electricity), 12% from selling energy and environmental solutions, 8% from generating electricity from renewable sources and 6% from mobility solutions.

After launching several renewable energy projects in the past two years, does Petrol plan further investments in renewables?

We have recognised generating electricity from renewable sources as an important part of our strategy. Demand for electricity is growing, which is why we decided we want to have sustainable generation of this important energy product in our portfolio and we want to use renewable sources: water, wind and solar power. Our final goal is to provide our customers with a sustainable portfolio for electricity at the lowest price possible. The Glunca wind power plant, Jelec small hydroelectric power plant and several solar power plants are certainly a step in the right direction. Growth in generating electricity from renewable sources is one of our most important strategic goals, and we will keep investing in this area in the future.

Looking forward, what are the major risks to the company's operations and how does the group intend to tackle them?

The Petrol Group operates in two important and also challenging sectors: energy and trade. Both sectors are facing significant changes that demand adopting a new view on the core concepts of our business models. Globally and locally, we are facing social and technological changes that can be captured concisely by the notion of "digital globalisation".

The energy sector is moving towards energy efficiency, novel use of existing energy products and development of new ons. In addition, a considerable shift can be observed in the behaviour of end customers, who are becoming increasingly engaged. The changes described increase business risks while at the same time providing new opportunities. We address these shifts in business sectors in our strategy. Our business model across all lines of operation is built on innovativeness and cost effectiveness, and our customers are offered simple, comprehensive, modern and reliable solutions.

In addition to the business risk described above, financial risks (price, credit and FX risks) are considered major risks, and the Petrol system addresses them accordingly with appropriate processes and strict mitigation rules. Overall, Petrol's risk management is integrated into all aspects of our business, making it possible to create additional value for shareholders and maintain our investment-grade credit rating.

520 mln euro

Planned investments in 2018–2022

233 mln euro

Planned EBITDA in 2022

Sales of refined petroleum products to generate lowest EBITDA growth

Growth in generating electricity from renewable sources top strategic goal

Black Sea holds much-needed resource for Romania to secure its energy supply, increase revenues

By Nicoleta Banila

OMV Petrom is an integrated company, with activities in oil and gas production, refining, power generation, fuels distribution and gas and power supply, active in five countries - Romania, Serbia, Bulgaria, Moldova and Kazakhstan. With 4.1 billion euro revenue in 2018 OMV Petrom ranks third in the SEE TOP 100 ranking.

Christina Verchere,
CEO of OMV Petrom

What are your expectations regarding profit and consolidated revenue growth in Romania for this year and what do you base your estimations on?

OMV Petrom's results for the first half of 2019 showed strong delivery, despite difficult market conditions, with our net income amounting to almost 2 billion lei*, 53% higher compared to the same period of the previous year. We achieved these good results despite unfavourable market conditions, with the average Brent price decreasing 7% and refining margins down 44%. For the full year, we expect demand for oil products to be above the 2018 level, while demand for gas and power is expected to be broadly similar to 2018. We are forecasting $65/bbl for 2019, 4% lower than in 2018, and refining margins about 20% lower than in the previous year. We are closely monitoring developments of the fiscal and regulatory framework and how the market reacts to these changes.

What are your plans for the Upstream segment for this year in terms of new drilling campaigns and acquisitions or bids for exploration licences in Romania?

We are the largest oil and gas producer in SEE, with most of our Upstream activities being performed in Romania. In 2018, our oil and gas production amounted to over 58 million barrels oil equivalent. Our gas production covers approximately 40% of Romania's demand, while our crude production, when refined, can ensure the supply for over 60 million car refuels. Over the last years, we have been ramping up our investments and projects. This year, we plan to drill around 100 new wells and sidetracks and to continue our workover activities at a high pace, of around 1,000 wells per year. This is considerably higher than 2016 for example, when we had less than 40 new wells drilled following the crude price crisis. We are committed to continue exploration in Romania and we expect exploration expenditures for 2019 to be around 0.4 billion lei. We recently obtained a five-year extension of the exploration period for our concession agreements in Romania. We welcome the new licensing round recently announced the by Romanian authorities. Through our efforts and investments, we actively contribute to the security of energy supply for Romania and other countries in the region.

How do you plan to further develop the Downstream sector in terms of new investment in refineries and retail chain?

OMV Petrom operates the Petrobrazi refinery-one of the most important refineries in Romania, with a capacity to process 4.5 million tons of crude per year. The Petrobrazi refinery benefited from 1.6 billion euro in modernisation investments starting 2005. Following the 2018 turnaround, we are moving from two-year cycle between turnarounds to four-year cycles, which will enable higher utilisation rates. In the first half of 2019, we completed another important investment project in Petrobrazi. We started operating the new Polyfuels unit. This unit is based on an innovative technology allowing for the conversion of LPG into gasoline and diesel. It is the third of its kind in the world. The Polyfuels unit is a good example of our strategy to look into innovation. We also aim to improve customer experience. This year, we signed a memorandum of understanding with Auchan to extend our partnership through which we plan to open MyAuchan convenience stores in Petrom filling stations after a successful pilot phase in which 15 stores were opened.

How was OMV Petrom impacted by the emergency decree enforcing additional taxes for oil and energy companies issued by the government in late 2018 and then modified at the beginning of this year?

The emergency ordinance had two key impacts on energy - additional fiscal burdens, as well as the introduction of a fixed gas price after just two years of liberalised gas market in Romania. These sudden and unexpected regulatory changes caused us to slow down our planned ramp-up of investments to understand this new context. The regulation was amended this year, liberalising 60% of the market, which was an important step forward towards returning to a liberalised market. Under these regulations, the current market is struggling to function and they continue to inhibit investment, thus threatening domestic production and security of supplies. We believe that there is a need to protect the vulnerable customers and this can coexist with a liberalised market. We look forward to returning to a fully liberalised market.

400 mln lei

OMV Petrom's expected exploration expenditures for 2019

40%

Share of Romania's gas demand covered by OMV Petrom production

Move to four-year cycles between turnarounds will enable higher utilisation rates

How does the current legal framework in Romania affect OMV Petrom's investment decisions? What can the authorities do to unlock a large-scale investment in Black Sea offshore, Neptun Deep included, to offset the impact of decline in production from maturing deposits?

The Black Sea opportunities create a much-needed resource for Romania to secure its energy supply and increase revenues, the more so that Romania's national gas production is declining, imports and gas prices are higher while interconnectivity with European markets remains limited. The fundamental prerequisites for the scale of investment required for Neptun Deep – competitive terms, a predictable and stable investment climate and a liberalised gas market – still need to be put in place. We remain keen to see the Black Sea developed, as it is an opportunity for OMV Petrom, and also for Romania.

**I euro equalled 4.66 Romanian leu as at December 31, 2018, according to the Romanian central bank's official exchange rate.*

Improving competitiveness, connectivity, quality of life in SEE key to growth

By Nevena Krasteva

The European Bank for Reconstruction and Development (EBRD) is a major international investor in Southeast Europe. In 2019 it plans to invest around 1.1 billion euro in the Western Balkans alone.

Charlotte Ruhe,
Managing Director,
Central and
Southeast Europe,
EBRD

What do you see as the main constraints to growth in Southeast Europe (SEE)?

With respect to the economic outlook, I always say that these countries face a few key challenges – competitiveness, their connectivity and infrastructure and the quality of life of the citizens, and there are things that the bank is doing together with the governments for each of these questions.

Increasing the variety of financing sources is really important in these markets. They are heavily bank dependent. The stock exchanges, where they do exist, are small, although we do have the SEE Link whereby Bulgaria, North Macedonia and other countries of the region are linking their stock exchanges to give investors the opportunity to invest across borders. Capital markets development is an important thing to make the region more competitive in the longer term.

In the shorter term, we do a lot of work with the small and medium-sized enterprises (SMEs) to help them be more efficient. We are doing a lot on the green economy, for example, to help companies identify where they are using more energy than they need to and to buy the equipment that would make them more energy efficient, to have lower carbon emissions and effectively lower their cost and make themselves more competitive.

With small enterprises, we offer advice how to improve their management capacity, help them to adapt to innovation, adopt online marketing and other things that are really necessary as digitalisation becomes a bigger thing in the region. And then of course, it is also about the stricter management and understanding what it means to run a company properly, so we help with training CFOs, we are doing a lot to help companies to manage the generational change and to professionalise management. In a family-owned company you need to change the structure and to hire professionals to do some jobs. As the company grows it is no longer possible for two brothers, or a father and a daughter, to manage every job themselves, they need to bring in expertise and we assist them with that.

Of course, we have a range of interesting financing products which we offer companies, especially through commercial banks, to help with competitiveness in the European Union as they adapt to EU standards. We have those small business programmes in Bulgaria and Romania, and not just in the Western Balkans.

In many of these countries, less so Romania and Bulgaria where our portfolio is largely private, the portfolio is tilted to the public sector. And that brings me to connectivity because these countries, the six countries in the Western Balkans in particular, are not well enough connected into the European economy and their connectivity will really make a difference. The faster they can get their goods across borders and to European and global markets, the better. The more individuals have the opportunity to move around freely and easily in the region, the better. You may have heard the prime ministers [of the Western Balkans] talking about wanting to create a Schengen within the Western Balkans Six. Getting rid of the roaming charges and taking this further to make the movement of people and labour free, to give people the opportunity to have their job qualifications recognised across borders - all these things I think will help to increase connectivity and create a larger market to attract investors and a larger market for companies to expand. Because if you are in Montenegro, the domestic market is small but if you can sell cross border in your neighbours, then it gives you a lot more opportunities.

Connectivity on the hard side, we build roads and railways and ports, but we also work to help companies to extend their business across borders, in the Western Balkans particularly, through the regional chamber of commerce and a regional investment portal.

The regional trade registry still does not cover all the markets in the region, what are the plans for its development?

The plan is to cover all of the markets. It is just taking time to expand but definitely it will be there.

Western Balkans' connectivity will really make a difference

The countries are on solid ground vis-à-vis their government debt

The banking sectors are well capitalised

If you do not create the quality of life that makes people want to stay, you will be left with an empty country

Still room for a lot of reforms to be advanced

In macroeconomic terms, what are the risks that the region faces?

Aside from Montenegro, the countries are on pretty solid ground vis-à-vis their government debt, and their banking sectors are well capitalised. I think that if there is a lot of pressure on the emerging markets generally they will be well positioned. Many of the governments – and Serbia stands out on this because it had a very difficult situation a few years ago - have undergone real fiscal consolidation, and I think that in that respect they may face a bit of a slowdown in growth if the European economy slows. That may not be avoidable but I think that they are not in a real vulnerable position like some markets that are highly indebted.

That being said, these are countries that have a demographic issue. They have had a lot of youth leave and aside from Kosovo and Albania, they are ageing rapidly, and that is why I mentioned the quality of life. Because what they need to do is make sure that the youth of the country have a reason to stay in the country and for that addressing the need for skills, making sure that people feel they can get the training and education that they need, earn a good living and then have the opportunity to earn that living where they are is really important.

Quality of life is not about just education, which is one fundamental element, but it is also about things like air pollution, and one of the things we are doing a lot to help with is to make the cities greener. We have the Green Cities programme with which we tackle the key elements to improve the quality of life in the city, and we do it in a way that engages the public. That enables the mayors to make sure that the citizens make their voice heard, but it also enables us to tackle things like air pollution by bringing in cleaner buses, electric buses or modern buses, even if they are not electric. In the case of Kosovo, it was a bit expensive to go straight to an electric bus fleet, they took an intermediary step. There are also things like water treatment, waste water, to change the nature of district heating. We did a great project in Zenica [in Bosnia]. It was a joint venture with a Finnish partner and Zenica Steel, with ArcelorMittal, to have a new heat and power plant. It is doing district heating and providing the power for the steel plant all in a much cleaner way than the previous plant that existed.

I think that things like this are really important because if you do not create the quality of life that makes people want to stay in their country, they will leave and you will be left with an empty country. And political leaders are aware of this. They talk to us about it. We want to help. And we focus on these kinds of things to facilitate. This is not unique. You hear about it in France and Germany. That is also about the digital network. Broadband is now like electricity seventy years ago. It is a necessary utility in today's world. And that's another thing we are working on in the region.

Talking of Green Cities and clean air, the EBRD adopted in late 2018 a decarbonisation strategy which puts an end to investments in coal. Yet this region, the Western Balkans in particular, is heavily dependent on coal. Does this mean that you will be investing more in renewables?

Absolutely. We are really excited and we are pushing very hard in some countries because in some places you have regulatory barriers, you need to have the right agreements in place to make it practical and viable for private commercial investors coming to this sector. And yet it offers so much opportunity to have clean power, but also it is private investment coming in and it reduces the reliance on fossil fuels. We think that this is a great region for renewable energy. The countries that do not have a lot of water have a lot of sun.

Apart from renewable energy, what are the other priority sectors that you will be supporting in SEE?

Infrastructure because of connectivity. Coming back to competitiveness, the SMEs, the larger corporates, to help them really be in a position to compete globally and to be part of global supply chain systems, etc. I would say those are really the key three.

Inclusion is also important, inclusion in a few different ways. We have had a programme for women in business for a number of years and while in Bulgaria or even in North Macedonia it is not such an issue, in a place like Kosovo and Bosnia the percentage of women in the workforce is very small, particularly in professional roles, and so we work with women entrepreneurs to give them confidence to grow their companies. We have networking and mentoring support for them, advice for small businesses and we work with the banks to provide a risk-sharing element so that they will finance them in their business if they do not have an adequate collateral. This is a really successful programme, it is doing very well. We are looking at doing something similar for young entrepreneurs. We have already started something in North Africa where the youth unemployment is also quite severe. We will learn our lessons there and bring it here.

Also, what we are doing here is working with business accelerators and incubators where you have a lot of youth looking for ways to take their engineering, education and then create their own company, or be part of the IT scene. We had a great programme in Bosnia where we worked with the Bosnian IT alliance which is a technology industry group to train young engineers to make them work-ready for their industry. This is an industry to which you can see young people really are attracted. And of course Bulgaria is a hub. And Bulgaria is not far. They can go to Bulgaria, build their company, get financing, they can keep their team working in Bosnia, or in Serbia, while they develop their contacts and their business. We want to be part of this action and you will see more from EBRD in this space.

Do you plan to support more private bonds like you did in Serbia?

We will, absolutely. We have done so much in capital markets in more advanced countries. It is the first that we are doing in Serbia and we are really excited about it and we want to do a lot more. We did the BEH bond in Bulgaria last year. In Bulgaria we have already done some bonds but for the Western Balkans it is a new thing that we want to do more of.

What would you like to say in conclusion?

What I would like say for the region is there is still room for a lot of reforms to be advanced, whether it is developing the capital market, or making it easier for foreign investors to come into the country and invest, or having a better functioning judiciary – these things they [the governments] should be doing for the local population. They will invest, but also foreigners will come and invest as well. So I would say, keep up the good reforms because it pays off.

New entrant leads money makers ranking

By Alexia Petrova

Two Serbian representatives lead the SEE TOP 100 ranking of the most profitable companies in 2018 following massive financial injections by foreign investors.

At the same time, the three biggest money losers in 2017, all units of Croatia's failed concern Agrokor, improved their financial performance remarkably as a result of the concern's restructuring, and one even dropped from this list.

Serbian majority-state owned Aerodrom Nikola Tesla, whose main asset is the international airport in Belgrade, topped the ranking of most profitable companies with a return on revenue of 76% in 2018, mostly due to the payment of 500.1 million euro by the concessionaire of Belgrade Nikola Tesla Airport, France's Vinci Airports.

MOST PROFITABLE COMPANIES

No	SEE TOP 100 No	Company name	Country	Industry	Return on revenue 2018	Return on revenue 2017
1	95	Aerodrom Nikola Tesla AD	Serbia	Air Transport	76.11%	33.94%
2	29	Serbia Zijin Bor Copper DOO (former RTB Bor DOO)	Serbia	Metals	58.06%	2.49%
3	44	Hidroelectrica SA	Romania	Electricity	44.26%	40.93%
4	40	Romgaz SA	Romania	Petroleum/Natural Gas	26.05%	37.06%
5	3	OMV Petrom SA	Romania	Petroleum/Natural Gas	20.19%	15.10%
6	87	Continental Automotive Products SRL	Romania	Automobiles	18.80%	21.79%
7	59	Hrvatski Telekom d.d.	Croatia	Telecommunications	16.00%	13.42%
8	97	AETs Kozloduy EAD	Bulgaria	Electricity	14.57%	12.63%
9	24	Dedeman SRL	Romania	Wholesale/Retail	13.73%	13.79%
10	34	Krka d.d.	Slovenia	Pharmaceuticals	13.22%	12.78%

MONEY LOSERS

No	SEE TOP 100 No	Company name	Country	Industry	Net loss 2018	Net profit/loss 2017
1	89	Complexul Energetic Oltenia SA	Romania	Electricity	-243.0	38.8
2	6	Lukoil Neftochim Burgas AD	Bulgaria	Petroleum/Natural Gas	-130.0	155.4
3	58	Gorenje d.d.	Slovenia	Electricity	-126.8	0.473
4	5	Rompetrol Rafinare SA	Romania	Petroleum/Natural Gas	-49.4	89.8
5	33	Konzum d.d.	Croatia	Wholesale/Retail	-38.3	-525.2
6	20	Natsionalna Elektricheska Kompania EAD	Bulgaria	Electricity	-37.7	3.5
7	73	EPS Distribucija DOO	Serbia	Electricity	-21.1	19.7
8	30	Profi Rom Food SRL	Romania	Wholesale/Retail	-19.4	28.1
9	85	Bulgargaz EAD	Bulgaria	Petroleum/Natural Gas	-16.4	4.8
10	71	Mercator-S DOO	Serbia	Wholesale/Retail	-14.1	-58.0

Second-ranked Serbia Zijin Bor Copper, formerly RTB Bor, saw its net profit surge to 766.6 million euro in 2018 after China's Zijin Mining Group injected $350 million in its capital, acquiring a majority stake. Serbia Zijin Bor Copper posted a return on revenue of 58% in 2018, up from just 2.49% in the prior year. Serbia Zijin Bor Copper was also the most profitable company in Serbia in 2018, as it generated 12% of the total net profit of the Serbian economy during the year, according to data from the country's Business Registers Agency.

Romania's state-run hydro power producer Hidroelectrica descended one position to third place in the money makers ranking, even though its return on revenue improved to 44% from 41%. Yet again in 2018, the profitability chart remained dominated by Romanian companies which represent half of all entrants.

At the other end of the chart, the electricity sector dominated the money losers ranking, with four members out of ten.

Romanian state-controlled energy holding company Complexul Energetic Oltenia posted the highest net loss among money losers in 2018, of 243 million euro, after booking a net profit of 38.8 million euro in 2017. The company, which nosedived to 89th position in the TOP 100 ranking from 44th place in the previous edition, owed some 169 million euro to the Romanian state budget at the end of 2018. It closed the year in negative territory even though it expected 14.8 million euro in net profit.

Bulgarian oil refiner Lukoil Neftochim Burgas and Slovenian household appliances manufacturer Gorenje ranked second and third, respectively, among money losers.

Lukoil Neftochim Burgas, part of Russia's Lukoil, turned to a net loss of 130 million euro in 2018 from an impressive net profit of 155.4 million euro in the prior year, following a rise in expenses.

Gorenje's financial performance was affected by its integration into its new owner, China's Hisense Group, which has decided to divest non-core businesses. Thus, the Slovenian company turned to a 126.8 million euro net loss in 2018 from a slim net profit of 473,000 euro in 2017.

Fifth-ranked Croatian retailer Konzum and its Serbian peer Mercator-S, both units of Agrokor, remained on the list of money losers, even though they were the only companies to improve their financial performance after being ranked among the top three in last year's edition.

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 2018 and 2017, respectively.

in millions of euro

2018	2017	Bank Name	Country	Total assets 2018	Y/Y change in assets	Net profit/loss 2018	Net profit/ loss 2017
1	3	Banca Transilvania SA	Romania	15 892	24.99%	261.5	254.5
2	2	Zagrebacka Banka d.d.	Croatia	15 267	10.82%	250.4	111.7
3	1	Banca Comerciala Romana SA	Romania	14 561	0.26%	208.1	122.4
4	4	BRD – Groupe Societe Generale SA	Romania	11 597	1.12%	331.5	296.2
5	5	Privredna Banka Zagreb d.d.	Croatia	11 175	9.80%	186.0	192.1
6	6	UniCredit Bulbank AD	Bulgaria	9 926	1.66%	219.9	152.2
7	8	UniCredit Bank SA	Romania	8 908	10.68%	118.1	69.8
8	7	Nova Ljubljanska Banka d.d.	Slovenia	8 811	1.13%	165.3	189.1
9	9	Raiffeisen Bank SA	Romania	8 587	10.99%	188.9	105.4
10	10	Erste&Steiermarkische Bank d.d.	Croatia	8 282	7.39%	111.9	86.4
11	11	ING Bank N.V. Amsterdam Branch Bucharest**	Romania	8 227	14.01%	144.6	104.7
12	13	DSK Bank EAD	Bulgaria	7 389	18.99%	111.0	134.0
13	12	CEC Bank SA**	Romania	6 293	-7.39%	76.0	36.8
14	19	United Bulgarian Bank AD	Bulgaria	5 760	53.11%	89.9	-26.1
15	34	OTP Banka Hrvatska d.d.	Croatia	5 667	114.46%	22.4	6.9
16	14	Nova KBM d.d.	Slovenia	4 978	1.30%	75.5	45.8
17	15	Banca Intesa AD	Serbia	4 846	1.10%	107.0	100.3
18	16	First Investment Bank AD	Bulgaria	4 723	6.89%	83.9	43.7
19	17	Raiffeisenbank Austria d.d.	Croatia	4 399	3.98%	29.5	52.7
20	18	Eurobank Bulgaria AD	Bulgaria	4 196	10.60%	85.4	69.7
21	21	Raiffeisenbank (Bulgaria) EAD	Bulgaria	3 977	11.12%	67.3	68.8
22	20	Abanka d.d.	Slovenia	3 729	1.99%	66.7	42.6
23	26	Unicredit Bank Srbija AD	Serbia	3 712	20.58%	78.3	56.2
24	23	Alpha Bank Romania SA	Romania	3 635	8.43%	4.5	46.1
25	27	Banka Kombetare Tregtare Sh.a. (National Commercial Bank)	Albania	3 464	6.14%	60.2	52.8
26	25	Komercijalna Banka AD	Serbia	3 404	8.66%	69.1	68.7
27	24	Societe Generale Expressbank AD*	Bulgaria	3 288	-0.24%	56.2	54.6
28	28	SKB Banka d.d.	Slovenia	3 089	3.27%	53.7	40.6
29	32	UniCredit Bank d.d. Mostar	Bosnia and Herzegovina	3 043	13.75%	49.7	45.8
30	30	Central Cooperative Bank AD	Bulgaria	2 872	3.80%	17.3	18.8
31	33	Hrvatska Postanska Banka d.d.	Croatia	2 863	7.36%	20.5	1.1
32	36	Societe Generale Bank Srbija AD	Serbia	2 682	9.76%	69.2	51.1
33	31	UniCredit Banka Slovenija d.d.	Slovenia	2 656	-1.86%	20.6	38.3
34	37	Banka Intesa Sanpaolo d.d.	Slovenia	2 596	8.27%	10.7	4.2
35	29	Addiko Bank d.d.	Croatia	2 478	-13.30%	23.0	30.6
36	39	Raiffeisen Banka AD	Serbia	2 477	10.32%	56.2	56.1
37	42	OTP Bank Romania SA	Romania	2 370	20.86%	5.6	18.1
38	35	SID – Slovenska Izvozna in Razvojna Banka d.d.	Slovenia	2 319	-5.42%	14.3	14.0
39	41	Raiffeisen Bank d.d. Sarajevo	Bosnia and Herzegovina	2 248	6.27%	43.2	37.1
40	40	Garanti Bank SA	Romania	2 199	2.70%	24.0	27.8
41	63	Banka Postanska Stedionica AD	Serbia	1 867	56.48%	18.9	32.8
42	48	Komercijalna Banka AD	North Macedonia	1 860	9.09%	29.0	13.3
43	44	Gorenjska Banka d.d.	Slovenia	1 832	-2.16%	17.1	6.5
44	43	Raiffeisen Bank Sh.a.	Albania	1 806	-10.86%	27.4	33.5
45	46	AIK Banka AD	Serbia	1 753	-1.34%	47.9	102.3
46	47	Sberbank Banka d.d.	Slovenia	1 748	0.40%	8.2	3.0
47	54	Erste Bank AD	Serbia	1 722	25.33%	24.8	22.3
48	51	Citibank Europe Plc Dublin - Romania Branch**	Romania	1 721	19.48%	46.6	35.5
49	50	Addiko Bank d.d.	Slovenia	1 618	5.23%	37.2	19.0
50	55	Credins Bank Sh.a.	Albania	1 588	8.39%	9.7	7.8

(*) Since Jan 28, 2019 the bank has been operating as Expressbank AD.
(**) Net assets

in millions of euro

2018	2017	Bank Name	Country	Total assets 2018	Y/Y change in assets	Net profit/loss 2018	Net profit/ loss 2017
51	59	Bulgarian Development Bank AD	Bulgaria	1 546	22.31%	19.8	10.3
52	62	Banca de Export-Import a Romaniei – Eximbank SA	Romania	1 544	29.64%	24.3	3.2
53	49	Piraeus Bank Bulgaria AD	Bulgaria	1 489	-3.40%	4.2	3.9
54	52	Stopanska Banka AD - Skopje	North Macedonia	1 472	4.85%	44.7	33.2
55	56	Banca Romaneasca SA	Romania	1 451	8.20%	8.0	4.2
56	53	First Bank SA (formerly Piraeus Bank Romania SA)	Romania	1 445	4.65%	-7.6	2.3
57	57	Eurobank AD	Serbia	1 439	7.49%	19.1	12.6
58	58	Allianz Bank Bulgaria AD	Bulgaria	1 408	7.61%	15.1	14.2
59	65	Intesa Sanpaolo Bank Albania Sh.a.	Albania	1 388	-4.77%	6.8	11.4
60	60	NLB Banka AD Skopje	North Macedonia	1 331	8.01%	34.5	34.6
61	64	Sberbank d.d.	Croatia	1 300	8.39%	9.2	-18.1
62	61	Banka Sparkasse d.d.	Slovenia	1 223	0.72%	8.5	9.2
63	74	Intesa Sanpaolo Romania SA	Romania	1 216	26.79%	5.0	6.0
64	67	Moldova Agroindbank SA	Moldova	1 211	6.49%	27.2	22.3
65	72	Libra Internet Bank SA	Romania	1 170	18.39%	20.5	12.8
66	68	Vojvodjanska Banka AD	Serbia	1 134	8.89%	5.1	-17.8
67	70	ProCredit Bank Bulgaria AD	Bulgaria	1 106	10.21%	19.4	16.4
68	71	Investbank AD	Bulgaria	1 085	8.59%	11.6	-15.0
69	75	Intesa Sanpaolo Banka d.d.	Bosnia and Herzegovina	1 054	10.38%	18.6	12.7
70	73	Sberbank Srbija AD	Serbia	1 032	4.85%	11.1	6.8
71	66	Nova Banka a.d. Banja Luka	Bosnia and Herzegovina	998.0	3.83%	5.5	5.0
72	76	Dezelna Banka Slovenije d.d.	Slovenia	990.8	6.42%	5.4	3.8
73	81	Municipal Bank AD	Bulgaria	967.8	25.58%	3.5	0.016
74	78	ProCredit Bank AD	Serbia	942.4	14.87%	8.5	10.1
75	69	Credit Europe Bank (Romania) SA**	Romania	929.4	-7.48%	11.0	8.6
76	New	Raiffeisen Bank Kosovo Sh.a.	Kosovo	888.9	-1.33%	20.5	17.6
77	82	UniCredit Banka a.d. Banja Luka	Bosnia and Herzegovina	849.9	12.26%	14.2	13.2
78	79	Addiko Bank AD Beograd	Serbia	849.6	6.38%	11.0	10.3
79	83	Moldindconbank SA	Moldova	844.4	8.78%	25.6	17.8
80	84	Credit Agricole Banka Srbija AD	Serbia	840.0	13.86%	6.4	2.9
81	88	Halk Banka AD Skopje	North Macedonia	766.6	11.74%	10.7	8.8
82	New	ProCredit Bank Sh.a.	Kosovo	754.0	-5.15%	17.4	18.5
83	87	Sparkasse Bank d.d. Sarajevo	Bosnia and Herzegovina	750.0	8.84%	10.0	10.1
84	94	OTP Banka Srbija AD	Serbia	743.4	19.58%	2.4	-3.9
85	80	Patria Bank SA	Romania	740.5	-5.26%	-0.057	-9.1
86	86	International Asset Bank AD	Bulgaria	735.7	4.87%	5.3	3.1
87	89	Sberbank BH d.d.	Bosnia and Herzegovina	733.1	7.20%	3.8	3.0
88	85	Victoriabank SA	Moldova	727.9	-1.95%	2.2	13.8
89	91	Bulgarian-American Credit Bank AD	Bulgaria	726.2	14.53%	6.2	4.0
90	90	NLB Banka a.d. Banja Luka	Bosnia and Herzegovina	722.1	7.58%	16.5	23.1
91	93	Crnogorska Komercijalna Banka A.D.	Montenegro	694.6	11.45%	7.4	4.2
92	New	NLB Banka Sh.a. Prishtina	Kosovo	668.1	14.39%	14.8	14.2
93	95	Banka Societe Generale Albania Sh.a.	Albania	666.1	0.97%	-4.5	3.0
94	98	Ohridska Banka AD	North Macedonia	643.3	12.35%	9.4	5.7
95	97	Alpha Bank Albania Sh.a.	Albania	624.8	0.48%	-7.9	-10.5
96	New	American Bank of Investments Sh.a.	Albania	608.6	82.30%	4.3	4.4
97	92	BCR Banca Pentru Locuinte SA	Romania	600.5	-4.14%	-1.2	-4.2
98	96	Tirana Bank Sh.a.	Albania	591.2	-5.72%	-13.2	0.522
99	99	NLB Banka d.d. Sarajevo	Bosnia and Herzegovina	588.7	10.78%	7.9	7.8
100	New	BC Mobiasbanca - Groupe Societe Generale SA	Moldova	562.7	8.61%	15.1	13.6

SEE banks post robust profit growth, Banca Transilvania emerges as leader

By Radomir Ralev

Well capitalised and generally highly liquid, Southeast Europe's banking sector recorded hefty profits last year, backed by the relatively stable and strong economic growth in the region, as well as lower impairment costs. Despite the accommodative monetary policy of central banks across SEE, the regional lenders expanded their loan portfolios, while at the same time keeping balance positions stable. However, organic growth remained marginal and despite the steady decline in NPL ratios, they remained relatively high, particularly in the Western Balkans.

Romania's Banca Transilvania replaced Banca Comerciala Romana as the largest bank by assets in SEE in a ranking which otherwise saw little changes at the top. The podium remained reserved for Banca Transilvania, Croatia's Zagrebacka Banka in second place, and Banca Comerciala Romana in third, with the two Romanian banks swapping their positions. Banca Transilvania increased its total assets by about 25% as a result of the acquisition of Bancpost, a unit of Greece's Eurobank, whereas Zagrebacka Banka posted a 11% rise. Banca Comerciala Romana's assets remained almost unchanged.

The combined net profit of the Top 100 SEE banks reached a record-high 4.467 billion euro, well above the 3.524 billion euro in profit of the top 100 lenders in 2017.

Remarkably, only six of the 100 biggest lenders recorded losses last year, compared to 10 in 2017 and 12 in 2016.

BRD – Groupe Societe Generale shined with a profit of 331.5 million euro, up 11.9%. Albania's Tirana Bank was the biggest loser, ending up 13.2 million euro in the red. Five lenders swung to profit last year, while only three turned to loss. A total of 72 banks improved their bottom line year-on-year, while 28 saw it worsen. In the 2018 ranking, six banks booked losses worth 34.6 million euro, while 94 made a profit of 4.5 billion euro.

The total assets of SEE's 100 biggest banks went up 7.2% in 2018 to 294.9 billion euro, with the top five lenders accounting for a quarter of that sum amid ongoing consolidation in the sector. With an impressive 114% asset growth backed by the successful integration of Splitska Banka into its structure, OTP Banka Hrvatska leapt 19 positions to the 15th spot. At the same time United Bulgarian Bank went up to the 14th place from the 19th on the back of a 53% rise in assets after absorbing CIBANK. On the other hand, Addiko Bank d.d. lost six positions to the 35th place as its assets fell 13%.

Romania, the region's most populated country, was best represented in the Top 100 ranking with 19 banks, down from 20 last year, as a result of the consolidation of its banking system. Romania was a leader in terms of assets with a 93.1 billion euro aggregate balance sheet of its banks, equal to 31.6% of the region's total.

There were five new entrants in the ranking, including three from Kosovoand one from Albania and Moldova each. Among the new entrants, the Kosovo subsidiary of Raiffeisen Bank joined the ranking at the highest position, 76th, whereas Albania's American Bank of Investments posted the largest asset-growth, of 82.3%.

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, 2018.
To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2018 and 2017, 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 260 banks registered in the region including branches and representative offices of foreign banks.


GREY
Foto: Ciril Jazbec
NLB d.d., Trg republike 2, SI-1520 Ljubljana

Fragmented SEE banking sector leaves room for further consolidation

By Radomir Ralev

Hungary's OTP Bank has been the most active player on the region's M&A scene in the past years after buying Croatia's Spitska Banka from Societe Generale in 2017 and then six more of the French group's units in the region - in Albania, Bulgaria, Montenegro, Moldova, Slovakia and Serbia - in 2018.

Gabor Kolics,
managing director of M&A Coordination Department,
OTP Bank

Why did OTP Group choose to expand via acquisitions in Southeast Europe (SEE) at a time when competitors prefer to focus investment in digitalisation of services?

Although OTP Group indeed has been very active in terms of acquisitions in recent years, this was definitely not at the cost of cutting back investment in digitalisation.

OTP has always been a frontrunner in innovation in Hungary. OTP is the market leader in Hungary in terms of digital developments and utilisation of alternative channels and digital services by the clients. Just to mention a few examples: online-available products now include cash loans, overdrafts and building society accounts. In 2018 21% of cash loan applications were initiated online. OTP was a pioneer on the Hungarian market in setting up a mobile application called Simple, integrating non-banking services (like movie ticket purchase or parking) and catering for about 750,000 customers, and it was also OTP that made available Apple Pay on the Hungarian market. The introduction of Apple pay was a huge success, the number of registered users was 10,000 in one hour, and 30,000 in two days after the launch of the service. Our efforts in innovation are also recognised by the market, OTP Group was named the "Best Digital Bank" for the third time in 2019 by Global Finance, and OTP Lab – the innovation hub of OTP – was chosen among the TOP 25 financial innovation labs in the world also by Global Finance.

There was a time when we thought that online banking would completely take the market away from traditional banks, but now we see the most successful banking model in the world is when a financial institution has traditional banking channels, branches, and it also has advanced digital channels. For the time being, a significant number of customers still require non-digital care. According to surveys, a significant proportion of customers have greater confidence in banks that have traditional accounts and know that if they have a problem they can go to a banking associate. Of course, I can't predict for sure what will happen in the future, digitisation will obviously continue to grow, but over the next ten years, truly successful banks I think will be strong, advanced and active on both channels.

Our customers are satisfied with our digital services and are very happy to use them and OTP is committed to leverage its know-how in digital innovation in the countries where we operate.

Referring back to our recent acquisition track, besides the strong organic growth of our loan book since 2016, we had almost a 60% growth through acquisitions, which is outstanding in the European banking universe.

Do you have plans for new acquisitions? According to media reports, OTP is interested in the privatisation of Serbia's Komercijalna Banka.

In general, our acquisition strategy is determined by seeking acquisition opportunities that will allow us to achieve the optimal size. We do not name specific targets in any markets, the most we usually say is that the primary focus is the Central and Eastern European region.

In Serbia, at present, following the merger process of Vojvodjanska banka with OTP banka Srbija, which we closed in April this year, OTP Bank is primarily focused on the smooth and successful operation of Vojvodjanska banka. Looking further ahead, with the upcoming completion of the SG Srbija deal, which is expected in a short time, OTP Bank's market share will be even higher in the country, most probably meeting our targets for optimal size and market share in Serbia.

In May, Sandor Csanyi, CEO of OTP Bank Group, said that OTP is interested in entering North Macedonia and Kosovo. Which banks attract your attention? Are you avoiding the Bosnian market for the time being?

Growth through acquisitions is not a completed process: acquisition options in the CEE region are continuously being evaluated. Our excellent capital and liquidity positions make this possible.

With such a rapid expansion, what is the chance of OTP becoming a takeover target itself?

The shareholder structure of OTP Group has always been diverse, with only a few investors exceeding 5% shareholding, and the majority of investors being institutional investors owning less than 5% share. We do not expect any change in that. Moreover, recent expansion resulted in an all-time high share price and market capitalisation (10.7 billion euro on August 14, 2019), making a takeover much more difficult.

Will the expansion of OTP serve as a conduit for increased Hungarian investment in SEE?

OTP Bank has been one of the most active financial institutions in the European acquisition market. Following the crisis, new transactions started in 2014 and since then OTP Bank, has announced the purchase of 11 financial institutions and banking portfolios in nine countries – out of which only two transactions have not been closed financially - and entered new countries such as Albania, Moldova and Slovenia. With this unique acquisition performance, OTP Group has become the most active banking market consolidator in the CEE region, substantially improving its market position and strengthening the profit contribution of foreign group members.

Our current and future clients also benefit from our investments, as they receive more and more discounted services, such as cheaper cash withdrawals or discounted transfers between banks in different countries.

The strategic goal of OTP Group is to become the most successful universal banking group in Central and Eastern Europe. We believe in the future of the region and will actively contribute to its development. As part of our strategy, we strive to increase our share through organic growth and acquisitions in all our markets where we are already present. In all cases, our goal is to achieve optimum operational size and to leverage OTP expertise in regional markets with the interests of our shareholders in mind. Moreover, we are constantly examining new opportunities, in addition to the member countries in new markets, further strengthening our position in the region.

What are the advantages and shortcomings of the SEE banking sector? Do you expect the consolidation process in the region's banking sector to continue?

OTP Group has always believed in the region as economic growth in the SEE often exceeds growth of Western European economies as we saw both before the crisis and in recent years. OTP has gained comprehensive market knowledge during the almost two decades since our first acquisition in the region. We believe that we have learned how to operate a sustainable business model to deliver profit and growth while maintaining stability in terms of portfolio quality, capital and liquidity position.

We expect the consolidation process to continue further. The main driver of consolidation will continue to be the strive for economies of scale as the SEE banking sector is still fragmented with many small-size universal players in the market.

What will be the effect of a potentially continuing lax monetary policies of the Fed and the ECB on the banking sector in SEE? Do you expect ECB to tighten once Christine Lagarde takes over at ECB president?

The already lax and very likely soon further loosened monetary policy of the FED and the ECB helps not only the US and the Eurozone, but also Southeast Europe's economies through several channels. First, the ECB's support of economic activity in the Eurozone results in stronger demand for SEE exports and tourism services. Lower interest rates in the Eurozone help to keep the euro weak, which also benefits SEE economies. Looser monetary conditions in major economies also mean lower debt service on FX debt, which is also a positive factor, taking into consideration that the SEE countries are usually strongly euroised.

Finally, local currency interest rates could be kept at low levels, which also supports these economies. As domestic inflation pressure would not call for rate hikes in most of these economies, negative effects are negligible.

We definitely do not expect the ECB to tighten soon. On the contrary, due to persistently weak economic activity and low inflation pressure in the Eurozone, we expect further monetary loosening in line with the consensus and the communication of the ECB. Rate cut(s) could be round the corner and a new asset purchasing programme is likely to be launched before the end of October.

10.7 bln euro

OTP Bank Group's market capitalisation on August 14, 2019

MAIB shares likely to be listed on regional stock exchange

Serghei Cebotari, CEO of Moldova Agroindbank (MAIB)

Moldova Agroindbank (MAIB), the leading bank in Moldova, plans to list its shares on a regional stock exchange following a steady and continuous improvement in its portfolio, assets, capital and profit over the years, its CEO Serghei Cebotari says.

The bank is even more optimistic about that now that it has welcomed fit-and-proper international investors, which have expressed confidence that the bank, who currently holds a share market of about 30%, will step up its position even more.

In late 2018, the Moldova Agroindbank (MAIB) welcomed new shareholders, as a consortium of international investors acquired 41.09% of its shares.

Back then, both the bank's leadership and the consortium made up of the European Bank for Reconstruction and Development (EBRD), US equity fund Horizon Capital and Latvian equity fund Invalda INVL saw the move as "a new development stage" in the bank's history.

The EBRD is proud to be part of the biggest bank in Moldova, the head of the EBRD office in Moldova, Angela Sax, said, adding that the consortium and MAIB "will join forces so that the bank becomes even better and even more successful".

Horizon Capital Partner Vasile Tofan shared the same position: "MAIB is the heart of Moldova's banking system and I want to assure you that we will do our best to be the partner that will help the bank to become even stronger".

Several months later MAIB and the EBRD signed several financial agreements, thus enhancing the competitiveness of its loan portfolio and extending access of the bank's clients running small and medium-sized enterprises and those dealing with export/import operations to more advantageous loans.

Concurrently, the bank pressed ahead with its structural transformation. Moreover, with digitalisation being among its top priorities, MAIB has upgraded its mobile banking service which got more client-friendly, launched online person-to-person, transfer-to-card, account-to-account, cash-by-code transfers, and kept on extending its self-service centres.

With the bank witnessing upward dynamic and registering increasingly better results, by late July its shares reached a record-high price, going up by 17% compared to early 2019 to reach 2,501 Moldovan lei (over 128 euro) per share with face value of 200 lei (over 10 euro).

MAIB key financial indicators as of June 30, 2019

Assets	24,748,000 lei
Loans	13,466,000 lei
Deposits	19,666,000 lei
Profit	397,600,000 lei

"These are the only shares on the controlled market which display a stable increase in price," a representative of the National Commission for Financial Market commented. "The increasing quotation of shares is the result of the dynamic development of Moldova Agroindbank. In 2019, the bank registered good financial results, increasing its profit, assets, capital, loans and deposits portfolios, and the most important, preserving the biggest market share - over 30%."

For his part, MAIB CEO Serghei Cebotari described the price dynamic as "a natural and expected outcome."

"I am very glad that the value of the bank's shares has been recognised. We have been working hard to reach this result over the past five years, streamlining our efforts in five directions at a time: quality corporate management, aggressive and quality lending, transparency of shareholders, digitalization of banking processes and fight against money laundering," Cebotari said. "The fact that the objectives set were met brought about the current results, when, for instance, the widest loan portfolio in the banking system, the one of MAIB, has the lowest NPL index. As of June 30, it stood at 5.6%."

He added that the high quality of MAIB's portfolio is not the only achievement, specifying that over the past years, the bank practically doubled its assets, capital and profit.

"I have to say that the current price of 2,500 lei per share does not reflect their real value, if we take into account the balance-sheet value of 3,922 lei and the huge potential of MAIB. Therefore, the next important step that will reveal the potential of the bank will reside in listing MAIB shares on a regional stock exchange. It is an objective we are working on," Cebotari commented.

MAIB
Moldova Agroindbank

MAIB - a reliable partner for your business in Moldova

Call Center +373 22 268 999 www.maib.md

in millions of euro

2018	2017	Company Name	Country	Gross written premium 2018	Y/Y Change in GWP 2018 (%)	Net profit/loss 2018	Net profit/ loss 2017
1	1	Zavarovalnica Triglav d.d.	Slovenia	660.2	6.15%	65.5	62.5
2	2	Zavarovalnica Sava d.d.	Slovenia	392.3	7.83%	29.5	25.1
3	3	Croatia Osiguranje d.d.	Croatia	376.5	13.30%	36.5	20.1
4	6	City Insurance SA	Romania	318.4	18.30%	10.6	5.2
5	5	Vzajemna Zdravstvena Zavarovalnica d.v.z.	Slovenia	304.3	6.95%	0.678	-0.749
6	4	Adriatic Slovenica d.d.	Slovenia	300.4	-1.10%	8.9	11.4
7	7	Allianz - Tiriac Asigurari SA	Romania	280.8	7.60%	31.4	32.7
8	9	Omniasig Vienna Insurance Group SA	Romania	251.4	10.72%	1.2	7.4
9	10	Dunav Osiguranje AD	Serbia	233.9	10.59%	13.4	9.7
10	8	Euroins Romania Asigurare Reasigurare SA	Romania	216.1	-7.31%	6.8	21.5
11	11	Groupama Asigurari SA	Romania	215.2	8.76%	-1.4	7.7
12	12	Asirom Vienna Insurance Group SA	Romania	185.9	-10.35%	-41.0	1.6
13	13	Generali Osiguranje Srbija AD	Serbia	181.8	8.31%	32.7	24.5
14	15	NN Asigurari de Viata SA	Romania	165.3	4.63%	10.5	6.3
15	14	Allianz Zagreb d.d.	Croatia	157.2	1.39%	16.7	15.0
16	17	Euroherc Osiguranje d.d.	Croatia	150.8	22.26%	19.2	12.4
17	16	Triglav Zdravstvena Zavarovalnica d.d.	Slovenia	144.7	11.38%	1.3	1.3
18	19	Lev Ins AD	Bulgaria	143.3	36.91%	0.913	0.185
19	18	Bulstrad Vienna Insurance Group AD	Bulgaria	120.5	14.37%	6.8	3.1
20	23	DZI - General Insurance EAD	Bulgaria	120.1	24.29%	7.1	3.3
21	21	Armeec AD	Bulgaria	106.3	6.76%	2.7	3.8
22	28	Wiener Osiguranje Vienna Insurance Group d.d.	Croatia	103.4	29.11%	5.7	3.7
23	22	Generali Zavarovalnica d.d.	Slovenia	102.3	3.06%	4.7	2.7
24	24	DDOR Novi Sad AD	Serbia	101.3	9.02%	5.4	4.1
25	25	Wiener Stadtische Osiguranje AD	Serbia	98.7	6.75%	5.7	3.1
26	36	Bul Ins AD	Bulgaria	97.8	52.89%	2.8	0.018
27	20	Generali Romania SA	Romania	96.6	-6.46%	9.2	12.1
28	32	Generali Osiguranje d.d.	Croatia	96.2	26.22%	1.9	1.8
29	29	Adriatic Osiguranje d.d.	Croatia	89.3	11.71%	8.3	5.7
30	34	Euroins AD	Bulgaria	88.4	20.11%	1.1	0.020
31	30	Generali Insurance AD	Bulgaria	86.7	12.44%	3.3	3.5
32	26	Allianz Bulgaria AD	Bulgaria	84.7	-3.00%	7.7	4.2
33	33	UNIQA Osiguranje d.d.	Croatia	78.5	3.80%	3.2	3.5
34	31	BCR Asigurari de Viata Vienna Insurance Group SA	Romania	78.3	3.43%	-6.5	3.5
35	35	NLB Vita d.d.	Slovenia	76.9	8.60%	8.3	6.9
36	27	UNIQA Asigurari SA	Romania	75.5	-9.25%	-3.9	0.318
37	39	OZK - Insurance AD	Bulgaria	74.3	40.01%	0.316	0.305
38	37	Grawe Hrvatska d.d.	Croatia	58.2	4.49%	4.2	6.9
39	38	Triglav Osiguranje d.d.	Croatia	57.9	7.16%	0.810	0.107
40	43	Bulstrad Life Vienna Insurance Group AD	Bulgaria	55.5	27.84%	1.9	1.1
41	41	Triglav Osiguranje AD	Serbia	49.2	9.20%	1.8	0.544
42	42	Agram Life Osiguranje d.d.	Croatia	47.4	6.53%	1.7	0.664
43	40	Merkur Zavarovalnica d.d.	Slovenia	47.1	1.95%	3.2	2.8
44	44	Grawe Zavarovalnica d.d.	Slovenia	43.3	1.67%	0.696	1.6
45	57	Modra Zavarovalnica d.d.	Slovenia	43.2	47.72%	6.3	7.8
46	50	Dall Bogg Zhivot i Zdrave EAD	Bulgaria	41.9	32.80%	0.151	0.061
47	60	BRD Asigurari de Viata SA	Romania	39.2	41.08%	3.1	3.8
48	46	Merkur Osiguranje d.d.	Croatia	37.6	-0.34%	3.0	3.7
49	45	UNIQA Life Insurance AD	Bulgaria	37.5	-1.38%	0.596	0.433
50	54	UNIQA AD	Bulgaria	35.6	19.15%	0.006	-1.2

in millions of euro

2018	2017	Company Name	Country	Gross written premium 2018	Y/Y Change in GWP 2018 (%)	Net profit/loss 2018	Net profit/ loss 2017
51	65	Adriatic Osiguranje d.d.	Bosnia and Herzegovina	33.7	31.75%	0.266	2.3
52	51	UNIQA Nezivotno Osiguranje AD	Serbia	33.5	6.83%	1.5	1.1
53	52	Sigal UNIQA Group Austria Sh.a.	Albania	33.3	2.74%	1.5	1.9
54	66	Gothaer Asigurari Reasigurari SA	Romania	33.1	29.70%	-8.9	-4.6
55	48	Grawe Osiguranje AD	Serbia	33.1	1.49%	5.3	4.0
56	49	Pool-ul de Asigurare Impotriva Dezastrelor Naturale SA	Romania	32.9	2.84%	8.3	8.5
57	55	UNIQA Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	31.6	6.62%	0.946	0.851
58	53	Lovcen Osiguranje AD	Montenegro	30.7	2.78%	0.412	0.124
59	58	Sarajevo Osiguranje d.d.	Bosnia and Herzegovina	30.6	6.36%	0.244	0.132
60	56	Wiener Stadtische Versicherung AG - Branch Ljubljana	Slovenia	30.6	3.69%	4.5	3.9
61	59	Euroherc Osiguranje d.d.	Bosnia and Herzegovina	30.5	6.04%	3.6	3.5
62	64	Milenijum Osiguranje AD	Serbia	29.3	11.95%	1.3	3.3
63	67	Sigma Interalbanian Vienna Insurance Group Sh.a.	Albania	28.5	4.33%	0.925	0.637
64	63	Hrvatska Osiguravajuca Kuca d.d.	Croatia	28.2	4.04%	1.4	1.1
65	68	AMS Osiguranje AD	Serbia	27.8	11.74%	1.0	2.1
66	47	ERGO Asigurari de Viata SA	Romania	26.7	-18.52%	1.3	0.812
67	73	Grawe Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	26.7	21.70%	1.0	0.667
68	69	Croatia Osiguranje d.d.	Bosnia and Herzegovina	25.1	2.14%	0.069	0.818
69	62	Allianz Bulgaria Life AD	Bulgaria	25.0	-7.97%	0.500	3.4
70	77	Triglav Insurance AD	North Macedonia	23.2	8.60%	0.512	1.4
71	75	Triglav Osiguranje d.d. Sarajevo	Bosnia and Herzegovina	22.4	2.93%	0.926	0.919
72	76	DZI - Life Insurance AD	Bulgaria	21.2	-2.31%	4.6	3.7
73	71	Energia AD	Bulgaria	20.4	-12.79%	4.8	7.8
74	New	Central Osiguranje d.d.	Bosnia and Herzegovina	19.6	44.19%	1.7	2.0
75	80	Sava Nezivotno Osiguranje AD	Serbia	19.5	14.13%	1.1	0.448
76	72	UBB-Life Insurance EAD	Bulgaria	19.4	-13.14%	3.3	2.1
77	87	Albsig sh.a.	Albania	18.9	19.71%	0.940	0.642
78	79	Eurosig Sh.a.	Albania	18.2	-1.03%	N/A	N/A
79	81	GRAWE Bulgaria Life Insurance EAD	Bulgaria	17.8	11.41%	1.5	1.8
80	98	UNIQA Asigurari de Viata SA	Romania	17.7	44.97%	2.1	0.679
81	82	Signal Iduna Asigurari de Viata SA	Romania	17.7	11.22%	-0.098	-0.898
82	86	Eurolink Osiguruvanje AD	North Macedonia	17.4	18.08%	0.695	0.115
83	New	Grawe Romania Asigurare SA	Romania	16.9	46.76%	-0.822	-0.561
84	New	Zavarovalnica Sava d.d. - Branch Croatia	Croatia	16.7	15.69%	-0.705	-1.2
85	85	UNIQA Zivotno Osiguranje AD	Serbia	16.6	10.66%	1.1	0.491
86	78	Wiener Osiguranje Vienna Insurance Group a.d. Banja Luka	Bosnia and Herzegovina	15.7	-12.93%	-0.206	-1.2
87	90	Prva Osebna Zavarovalnica d.d.	Slovenia	15.5	13.21%	2.8	3.1
88	83	Vienna Osiguranje d.d.(former Merkur BH Osiguranje d.d.)	Bosnia and Herzegovina	15.5	-0.39%	0.860	1.0
89	91	Makedonija Skopje - Vienna Insurance Group AD	North Macedonia	14.8	8.89%	N/A	1.6
90	84	SID – Prva Kreditna Zavarovalnica d.d.	Slovenia	14.3	-5.19%	1.0	1.2
91	95	ERGO Osiguranje d.d.	Croatia	14.1	9.71%	-0.340	-1.7
92	New	ASA Osiguranje d.d.	Bosnia and Herzegovina	13.8	20.78%	0.853	0.484
93	96	Intersig Vienna Insurance Group Sh.a.	Albania	13.6	0.74%	0.609	0.504
94	93	ERGO Versicherung AG - Branch Slovenia	Slovenia	13.1	-0.72%	-1.4	-0.265
95	94	Sava Osiguruvanje AD	North Macedonia	13.1	2.51%	0.392	0.358
96	New	UNIQA AD	North Macedonia	13.1	15.06%	0.258	0.344
97	New	Asset Insurance AD	Bulgaria	12.9	22.15%	0.268	-0.863
98	92	ERGO Asigurari SA	Romania	12.8	-4.53%	-0.729	0.010
99	97	Sava Montenegro AD	Montenegro	12.8	3.64%	1.9	1.2
100	New	Croatia Osiguruvanje - Life AD	North Macedonia	12.5	23.95%	0.573	0.479

Slovenian insurance giants fend off growing competition to top SEE GWP ranking

By Mario Tanev

Southeast Europe's biggest insurers boasted another year of record-high gross written premiums (GWP), as the region bucked the global economic slowdown in 2018. The countries' robust macroeconomic performance and increased consumption offset pressure stemming from tougher competition, stricter regulatory requirements and low interest rates. Each of the countries in the ranking saw the combined GWP of its representatives grow in 2018, with the two heavyweights – Slovenia and Romania, leading the way once again.

The top three insurers kept their places for a third straight year, improving both their GWP and net profit. In terms of GWP growth, Slovenia's Zavarovalnica Sava outpaced its local rival Zavarovalnica Triglav for a third year running, but the difference in GWP volume between the two remained significant.

Zavarovalnica Triglav's GWP grew by 6.15% to 660.2 million euro, equal to over 8% of the combined GWP of the top 100 insurers in the region.

Croatia Osiguranje remained in third place, bagging a hefty 13.3% rise in GWP in 2018.

The Top 100 SEE insurers boasted combined GWP of over 8.1 billion euro in 2018, beating the previous high of 7.5 billion euro set by the members of last year's edition.

The Slovenian members of this year's ranking outshined their regional peers by booking combined GWP of some 2.2 billion euro, and were yet again closely trailed by their Romanian peers, which generated GWP of 2.1 billion euro. The Slovenian insurers present in this year's edition of the ranking posted a 6% rise in 2018 GWP compared to their results in 2017, while Romanian members saw a 4.1% increase.

The other two countries in the ranking that crossed the 1 billion euro threshold were Croatia and Bulgaria, with GWP of 1.3 billion euro and 1.2 billion euro, respectively.

However, in terms of the number of members in the ranking, Bulgaria ranked first with 19 companies, demonstrating the strong competition on the local market. Romania posted 18 members in this year's ranking, followed by Croatia and Slovenia with 14 each.

Bosnia and Herzegovina and North Macedonia had with the highest number of new entrants in this year's ranking – two each. The ranking also saw one new entrant from each of Bulgaria, Croatia and Romania. The highest ranked new entrant was Bosnia and Herzegovina's Central Osiguranje, which occupied 74th place after posting the fifth sharpest growth of GWP among the members of this year's ranking – of 44.19%. Seven new insurers made it into the ranking this year, as compared to five a year earlier. No insurer from Kosovo or Moldova managed to cross the entry threshold.

A total of 41 members of this year's ranking saw a double-digit percentage rise in their GWP. Bulgaria's Bul Ins led the way with a 52.89% increase to 97.8 million euro, propelling the company ten places higher to 26th spot. Slovenia's Modra Zavarovalnica followed with a 47.72% rise to 43.2 million euro, while another new entrant - Grawe Romania Asigurare - came in third with a 46.76% increase.

Despite the robust growth in premiums across the region, the members of this year's ranking saw their combined net profit decline, much like their peers in the 2018 edition of the ranking. The top 100 insurers in the region generated a combined profit of just over 398 million euro in 2018, after the same 100 companies pocketed 418 million euro the year before.

However, it must be noted that the lower profit does not pertain to the larger part of the SEE region. The overall profit decrease mainly stems from Romanian members of the ranking, which erased some 82 million euro of their profits in 2018, as compared to 2017. The only other countries to see the combined net profit of their members in the ranking fall were Bosnia and Herzegovina and North Macedonia, which posted slim decreases of 1.3 million euro and 1.8 million euro, respectively.

The profit decrease in Romania can largely be attributed to the government's decision to cap premiums on motor insurance. In addition, Romania's National Union of Insurance and Reinsurance Companies decided in December to slap fines exceeding 50 million euro in total on nine insurers for price fixing.

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 2018. To allow comparison, all local currencies have been converted into euro, using the central banks' official exchange rates on the last working day of 2018 and 2017, 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 240 insurers.

ALBANIA
SIGMA INTERALBANIAN – VIENNA INSURANCE GROUP
INTERSIG – VIENNA INSURANCE GROUP

AUSTRIA
WIENER STÄDTISCHE – VIENNA INSURANCE GROUP
Donau – VIENNA INSURANCE GROUP

BELARUS
КУПАЛА – VIENNA INSURANCE GROUP

BOSNIA-HERZEGOVINA
WIENER OSIGURANJE – VIENNA INSURANCE GROUP
vienna osiguranje – VIENNA INSURANCE GROUP

BULGARIA
BULSTRAD – VIENNA INSURANCE GROUP
BULSTRAD Life – VIENNA INSURANCE GROUP
novains – VIENNA INSURANCE GROUP
PENSION ASSURANCE COMPANY DOVERIE – VIENNA INSURANCE GROUP

CROATIA
WIENER OSIGURANJE – VIENNA INSURANCE GROUP

CZECH REPUBLIC
Kooperativa – VIENNA INSURANCE GROUP
ČPP – VIENNA INSURANCE GROUP
VIG Re
CZECH REPUBLIC (Headquarter)
GERMANY (Branch)
FRANCE (Branch)

ESTONIA
bta – VIENNA INSURANCE GROUP
COMPENSA – VIENNA INSURANCE GROUP
Seesam – VIENNA INSURANCE GROUP

GEORGIA
GPI – VIENNA INSURANCE GROUP
IRAO – VIENNA INSURANCE GROUP

GERMANY
InterRisk – VIENNA INSURANCE GROUP

HUNGARY
UNION – VIENNA INSURANCE GROUP

ITALY
WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

LATVIA
bta – VIENNA INSURANCE GROUP
COMPENSA – VIENNA INSURANCE GROUP
Seesam – VIENNA INSURANCE GROUP

LIECHTENSTEIN
VIENNA-LIFE – VIENNA INSURANCE GROUP

LITHUANIA
bta – VIENNA INSURANCE GROUP
COMPENSA – VIENNA INSURANCE GROUP
Seesam – VIENNA INSURANCE GROUP

MOLDOVA
DONARIS – VIENNA INSURANCE GROUP

MONTENEGRO
Život WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

NORTH MACEDONIA
WINNER – VIENNA INSURANCE GROUP
WINNER Life – VIENNA INSURANCE GROUP
ОСИГУРУВАЊЕ МАКЕДОНИЈА – VIENNA INSURANCE GROUP

POLAND
COMPENSA – VIENNA INSURANCE GROUP
InterRisk – VIENNA INSURANCE GROUP
Vienna Life – VIENNA INSURANCE GROUP
wiener – VIENNA INSURANCE GROUP

ROMANIA
OMNIASIG – VIENNA INSURANCE GROUP
Asirom – VIENNA INSURANCE GROUP
BCR ASIGURARI DE VIATA – VIENNA INSURANCE GROUP

SERBIA
WIENER STÄDTISCHE – VIENNA INSURANCE GROUP
WIENER RE Beograd – VIENNA INSURANCE GROUP

SLOVAKIA
Kooperativa – VIENNA INSURANCE GROUP
KOMUNÁLNA POISŤOVŇA – VIENNA INSURANCE GROUP

SLOVENIA
WIENER STÄDTISCHE – VIENNA INSURANCE GROUP

TURKEY
RAY SİGORTA – VIENNA INSURANCE GROUP

UKRAINE
КНЯЖА – VIENNA INSURANCE GROUP
life КНЯЖА – VIENNA INSURANCE GROUP
ГЛОБУС – VIENNA INSURANCE GROUP
УКРАЇНСЬКА СТРАХОВА ГРУПА – VIENNA INSURANCE GROUP

Status: September 2019

WE ARE **NUMBER 1**
IN AUSTRIA, CENTRAL-
AND EASTERN EUROPE.

VIG
VIENNA INSURANCE GROUP
Protecting what matters.

Health, SMEs insurance hold untapped growth potential

Elisabeth Stadler has been chairwoman and CEO of Vienna Insurance Group since January 2016. She has been working in the insurance industry for more than 35 years now. She was member of the managing board of various companies of UNIQA Group, CEO of ERGO Austria International AG, CEO of Donau Versicherung, a member of Vienna Insurance Group. Stadler holds several positions on the supervisory board of companies of VIG Group and Austrian groups OMV and voestalpine.

Elisabeth Stadler,
CEO Vienna Insurance Group

We look at several potential acquisitions every year

We follow the strategy of multibrand and local entrepreneurship

The merger and acquisition scene in Southeast Europe (SEE) remained quite active last year and in the first months of 2019. How does this dynamics affect your operations and do you see room for expansion?

Last year, we made an acquisition in Bosnia and Herzegovina and significantly strengthened our position there. As the market leader in Central and Eastern Europe we have been represented in 25 markets, so nearly in every market, even in Southeast Europe. While the fundamental focus is on this region, we are always looking to exploit any opportunities that those markets present. We are following the clear goal to maintain our leading position and to improve our performance in the countries where we have not yet achieved our targeted market position. That is why we look at several options for potential acquisitions every year. In all our reflections we are always keeping a close eye on profitable growth.

Which market segments do you see as top-performing in SEE and where do you see untapped potential for growth?

Currently the main business comes from non-life products, especially from the motor insurance business. Even though there has been improvement in the last years, life insurance is still far below Western European countries in terms of penetration and share in total market. We see also room for improvement in private property insurance. This type of insurance in the SEE region is perceived as an expensive service, while that is really not the case. This puts a great responsibility on all the players on the insurance market to educate people and raise the awareness of the importance of insurance. Another segment with potential is the insurance for small and medium sized enterprises. If SMEs are considered as a leading force of the local economies in the forthcoming years, they need adequate insurance coverage and support. We have to be prepared to educate them on this need and to provide them with such type of coverage. Last but not least, we believe that health insurance also has a great growth potential in view of demographic developments.

What are your expectations about your financial performance in SEE?

As much as 56% of the premiums and 53% of our profit are earned in CEE. Our results clearly show the benefit of maintaining our investments in this region. Also, in nearly all parts of SEE we see stable growth and falling unemployment. The markets where we operate are growing, on average, twice as fast as the eurozone countries. We intend to continue investing in this region and our more than solid solvency ratio of 238% provides the necessary financial resources. In general, the forecast for VIG's premium volume is 10.2 billion euro and profit is expected to range between 530 and 550 million euro in 2020.

What are the key factors for the successful development of VIG and what makes you different compared to other insurance groups?

We have about 50 companies with different brands in 25 countries. I think our diversity is one of our main competitive advantages. We follow the strategy of multibrand and local entrepreneurship. This strategy makes VIG totally different from international competitors. We believe that it is an advantage to have a wide diversification in markets, products, sales channels and brands. This makes us less dependent on the changes occurring in individual markets. We also follow a sustainable and long-term strategy in our markets. We have not come here for a short term. That is why we want to be seen as a stable and reliable partner in times of dynamic change.

Is climate change affecting your operations?

Yes, of course, because the ability to fulfill all commitments we make to our customers today and to take responsibility for future generations is core to our business. Accepting responsibility is an important part of VIG's business orientation and forms the basis of its sustainability strategy. The environment is also a key element of this strategy, with particular importance given to adjusting the business model to climate change. As a part of this effort, VIG has decided to implement a dedicated investment and underwriting strategy to support green investments and a low-carbon future. In particular, VIG clearly reduces investment and underwriting policies in the coal sector.

50 mln euro

VIG annual investment in digitalisation

Insurers are traditionally among the early adopters of new technology. How would you comment on the penetration of new technologies in insurance services in SEE and what are your plans in this area?

I think that after global warming, the digital transformation is the trend with the greatest effect on society and the economy. The whole insurance industry and also VIG have to work on the digital agility as a necessity in order to be prepared for the changed requirements of the future. More than 150 digitalisation projects are currently underway in a variety of areas within the VIG Group, most of which are scheduled to be completed within the next two years. We are investing on average 50 million euro per annum in digitalisation. We see two stages of digitalisation. We are currently in the first stage, which is concerned with digitalising today's business models. To achieve this, we apply technologies intelligently to improve the products and services offered at customer contact points. The second stage concerns the use of new business models, including those with new products and services that are not typical for the insurance industry, such as assistance services. We have already performed some activities very successfully for example in Romania and Bulgaria and we are now planning to set up our next assistance company in Serbia.

EUROHOLD

1998:
+ Eurohold - start

2006:
+ Euro-Finance

2007:
+ Euroins Romania
+ EIG - start
+ Listed in the BSE

2008-2009:
+ Euroins N. Macedonia
+ Avto Union
+ Eurolease - start

2011:
+ Listed on the WSE

2013:
+ Interamerican - acquired from Achmea;
+ QBE BG & RO - acquired portfolios

2014:
+ Euroins Greece - start

2015:
+ HDI BG & UA - acquired from Talanx Int

2016:
+ EMTN programme on the Irish Stock Exchange

2017:
+ ATE RO portfolio - acquired from Piraeus GR
+ Stake in Euroins Russia
+ Rating by Fitch
+ EUR 70 mln of EMTN notes

2018:
+ ERV UKR - acquired from ERGO Int
+ JSC Insurance Georgia

2019:
+ 4 ERGO subsidiaries in CZ; RO; BLR - acquired

H2 2019
+ Coming soon

Eurohold aims to add energy group

Vasil Stefanov, Head of M&A, Eurohold Bulgaria

Sofia-based Eurohold Bulgaria is a leading independent business group, operating in the CEE/SEE/CIS region and the largest publicly-listed holding company by revenues in the country. Eurohold's subsidiaries operate in the areas of insurance, leasing, car sales, asset management and investment services in ten European countries. The company is listed on the stock exchanges in Sofia and Warsaw. On June 20, 2019, Eurohold signed a deal to acquire the Bulgarian business of Czech energy group CEZ for for 335 million euro. The transaction is subject to approval from Bulgaria's competition and energy regulator.

Regarding the CEZ deal, how will you build the capacity to handle the electricity distribution and supply business and compensate for the lack of management experience in power utilities?

For the last 50-70 years leading corporations worldwide have transformed and continue to transform their business models in order to grow and strengthen their market positions. The key to their successful transformation is to have built the right expert and management teams. And Eurohold has done it too. Firstly, we made sure that the current CEZ Bulgaria management stays and sees to it that operations and transition run smoothly. Secondly, we set up an advisory board of leading energy experts that is supporting the acquisition process and will oversee the integration of CEZ Bulgaria's business into the structure of Eurohold after the completion of the transaction.

For the time being, the board consists of three experts with solid international experience in the energy business and the distribon of electricity - Garry Levesley, the former director for Europe and Central Asia of London-listed ContourGlobal; Dan Catalin Stancu, the former group CEO and chairman of the board of the three power distribution subsidiaries of Romania-based Energetica Electrica, and Georgi Mikov, previously CEO of Bulgarian state-owned National Electricity Company. The energy board will also elaborate a strategy for the development of the energy company we will set up within Eurohold. This new energy subholding company will consolidate the operations of the CEZ subsidiaries in Bulgaria.

Let us not forget that our group has gained solid experience in acquiring, developing and growing businesses, particularly heavily regulated businesses such as insurance. With more than 16 acquisitions behind our back, we have a successful M&A track record and we have proved that we are able to identify promising transactions, negotiate reasonable prices and terms and generate superior value. Furthermore, the rapid growth of our group over the last five or six years shows that we are able to develop and grow the companies we have bought. We believe that the deal for the CEZ assets in Bulgaria will suit perfectly our business model and goals.

Does this deal threaten Eurohold's financial stability?

Electricity distribution and supply is a heavily regulated business but it generates stable cash flows. So if this deal brings in stable cash flows and financial predictability, how can it threaten our financial stability? Just the reverse. The deal could impact positively our group's credit profile, as Fitch Ratings has noted. Also, it would be neutral to Eurohold's insurance-related financial leverage ratio and capitalisation.

EIG, our insurance group, maintains high capital buffer and liquid position. Its SCR ratio is 180%, well above the regulatory requirement of 100%, and we plan to keep this level of coverage in the next years.

Do you plan other acquisitions in the energy and insurance sectors in SEE?

The successful acquisition of CEZ's business in Bulgaria gives us a solid foundation for growth in the power distribution business in CEE/SEE. We plan to set up an energy group following the EIG model. We are also monitoring closely all opportunities in the region, including the Czech group's plans to sell its assets in other SEE countries.

Eurohold is considering divesting its operations in the automotive and car leasing sectors with the aim to increase its focus on the segments that would generate the highest value - insurance, asset management and energy.

EIG, our insurance sub-holding company, will continue to explore new expansion opportunities in CEE and SEE. The energy and insurance businesses can complement each other very well and generate intragroup synergies.

**This interview was made in August 2019.*

Sigal Uniqa Group Austria sees unused growth opportunities in voluntary insurance and online sales

Sigal Uniqa Group Austria, part of Vienna-based Uniqa Insurance Group, consists of seven insurance companies and a private pension fund operating in Albania, Kosovo and North Macedonia.

Avni Ponari,
Sigal Uniqa Group Austria (Albania, Kosovo, North Macedonia) CEO

Sigal Uniqa booked an increase in gross written premiums in the three markets where it operates in 2018. On which market segments do you see highest growth and where do see untapped potential?

2018 has been a positive and successful year for Sigal Uniqa Group Austria thanks to the company's strategy to meet customer requirements and its adoption of digital technologies. Sigal Uniqa Group Austria is a regional insurance group, consisting of seven insurance companies (life, non-life and reinsurance) and a private pension fund, which operate successfully in Albania, Kosovo and North Macedonia. Sigal Uniqa has been a leader in the Albanian insurance market since 2002, with an average market share of 30%. Since 2007 Sigal Uniqa is part of the financial giant Uniqa Insurance Group, which is one of the leading groups in the markets of Austria and Central and Eastern Europe, with approximately 19,000 employees and exclusive sales partners serving over 10.1 million customers in 16 countries.

In 2018, Sigal Uniqa saw its highest growth in the non-life insurance segment, where it generated approximately 56 million euro in gross premiums, which translates into a rise of about 10% as compared to 2017. This increase is the result of the clear vision of the top management and dedication of the employees to deliver high-quality customer service and products that meet market demand.

If we compare the per capita insurance densities of Albania (35 euro), Kosovo (43 euro) and North Macedonia (65 euro) with other Southeast European countries, we see a very large difference that shows untapped potential. In the three countries where Sigal Uniqa operates, approximately 50% of the insurance policies that are being purchased are compulsory, mainly motor insurance. This shows that we have the potential to increase sales in the voluntary life, health and property insurance segments. Given that Albania is part of a seismic zone and that it has had uncontrolled construction over the years, as well as the fact that the public healthcare system is overloaded and outdated, the potential of property and private health insurance is encouraging.

Furthermore, Sigal Uniqa is strongly promoting the online purchase of insurance products to reach untapped potential. This provides the client with simplified procedures and 24/7 availability from any location.

I also see long-term untapped potential with regard to private pensions in Albania.

The problems that the state pension system faces, especially the increasing financial deficits of the state-run schemes resulting from the rates at which the elderly population is growing, and the expectations for an increase in life expectancy and a drop in birth rates require the urgent development of the private pension market in Albania. Such development would require focusing on finding the appropriate ways and the right financing model through which the individual and the state would share the responsibility for covering the needs of the elderly people. With the development of this market and the inclusion of private pensions as a mandatory financial support option for the Albanian people, security for the future of the elderly people would increase.

What major regulatory or other challenges do you face on the markets where you operate?

Insurance companies with their taxes and well-organised financial system constitute one of the main pillars of the financial system as they are major contributors to the Treasury. However, the Albanian state policies could be more supportive of insurance companies, as seen in a comparison with the other European countries. The successful operation of Albania's private pension schemes requires, among other things, to put in place at this early stage the driving factors for their creation and proper functioning. In this context, the role of the state, as the main regulator in the economic field, is to make the development of private pension schemes more attractive through the application of fiscal facilities not only for the entities involved in this type of financial activities, but also for the beneficiaries of these schemes. All over the world, where alternate systems are applied, fiscal incentives exist. Adoption of European laws on private pension contributions would help develop private pension funds and ease the state budget obligations for future pension payments.

Clients in the insurance markets where we operate (Albania, Kosovo & North Macedonia) have emerged from a communist system and are not used to taking financial responsibility in the event of a disaster as it was the state that used to pay off or offer free services when disasters occurred. This mentality is fading with time, but it will continue to have an impact until the old generation is replaced by a new one which realises that a secure future can be achieved only with the help of private insurance.

Thus, the biggest challenge facing insurance companies is to reinforce their credibility and to inform people of the potential benefits that they can have in the event of a disaster by serving them with dedication and being a good example in how to deal with insured clients in cases of accident.

What are your expectations regarding Sigal Uniqa's financial performance in 2019?

Being a market leader since 2002 has its advantages and disadvantages, as our strong and positive image puts us in a favourable position when it comes to customers' choice, yet we have the responsibility to meet innovative and dynamic market demands. We are happy to have held the leading position all these years and we assure you that we are ready and well-prepared to successfully advance further in 2019 as well.

Sigal Uniqa is always focused on meeting customer needs, developing services and diversifying online sales channels through its website and mobile application, and expanding its sales network across the group's markets. Our company is investing every day to educate the younger generation about our digital platforms. Online insurance sales platforms are an investment for the younger generation.

What are your main short and medium-term goals on the markets where you operate?

Our short-term goal is to maintain a leading position in Albania's insurance market and to advance in the insurance markets of Kosovo and North Macedonia. We are committed to train our staff in the most modern practices within the Uniqa Insurance Group and to deliver high-quality European products and services.

In the short term, we aim to increase voluntary insurance sales, as mentioned above, as they would provide security for the future of the individual and will have a positive impact on the development of the country's economy.

Our medium-term goal is to inform the next generation about insurance products and the benefits they provide in guaranteeing a less stressful, better-quality, life.

30%

Sigal Uniqa's average market share in Albania

56 mln euro

Sigal Uniqa's gross premiums in non-life insurance in 2018

For this reason, we have organised several meetings at the Insurance Association of Albania with all insurance companies in the country to find methods to test the information that young people have on insurance products and to discuss how we can equip them with the right information for a safer future. We often publish information raising awareness of insurance on social media, news portals, newspapers and television. We have organised competitions in universities to select the best student ideas for innovative insurance products or services. We are also offering students opportunities for internships at our company.

Another medium-term goal that we have is to help develop the insurance market in the region, improve insurance culture, raise awareness of the need for insurance, add new insurance products tailored to customer requirements, and increase private pension contributions, hoping that the Albanian government will truly understand the importance of liberalising the pension contribution system and continue to adopt the pension legislation that is in force in developed countries.

Our goal is to help develop the insurance market in the region, raise awareness of the need for insurance, add new products, and increase private pension contributions

SIGAL UNIQA GROUP AUSTRIA

Our Success Story

1999
SIGAL sh.a "The Albanian Insurance" was founded, one of the first private insurance companies in Albania, with the idea and initiative of Mr. Avni Ponari.

Foundation

2002
Only 3 years after its foundation, SIGAL has become the leader of the Albanian insurance market.

Market Leader

2003
The Albanian-American Enterprise Fund, established on the initiative of the US State Department, bought 13.3% of SIGAL's shares, becoming the first foreign investor to invest in the insurance industry in Albania.

First Foreign Investor

2004
The geography of SIGAL's operations was expanded to 3 countries: Albania, Kosovo, North Macedonia, becoming a Regional Insurance Group.

Operates in 3 countries

2007
UNIQA Insurance Group, one of the most powerful insurance groups in Europe, buys 45.64% of SIGAL shares and becomes the largest shareholder of the company. UNIQA also represents the first European strategic investor to invest in the insurance market in Albania and the region through SIGAL sh.a.

Part of UNIQA

2015
UNIQA Insurance Group owns 86.9% of SIGAL shares.

2011
SIGAL UNIQA Group Austria counts 7 insurance companies (Life, Non-Life & Re-Insurance) and 1 Private Pension Fund company in the region.

8 Companies

2019
In its 20 years of operation, SIGAL UNIQA has known how to lead the market, to be a leader and how to develop the insurance market.
For 20 years, SIGAL UNIQA has been the supporter of hundreds of social, cultural, sports, educational activities and never ended promoting Albania and contributing in the economy of the country.
In appreciation for the clients, partners, staff and all those who have trusted and continue to trust SIGAL for over 20 years, the largest and most trusted insurance company in Albania, perform the "Gratitude and Thanksgiving" work at the center of Tirana.

SIGAL UNIQA 20 years

We are SIGAL UNIQA Group Austria

SIGAL UNIQA GROUP AUSTRIA

We are SIGAL UNIQA Group Austria

We are the leading insurance company in the Albania since 2002, where SIGAL owns 30% of the market.

SIGAL UNIQA is a large group with over 1500 employees and agents serving 1 million customers in three countries: Albania, Kosovo and North Macedonia.

SIGAL UNIQA is one of the largest financial groups in the region, consisting of 7 insurance companies and 1 private pension fund and owns 121.2 million euro of assets, counts over 65 million euro written premiums for 2018 and about 300 million euro paid claims among years.

Part of UNIQA Insurance Group

UNIQA Group is one of the leading insurance groups in its two core markets: Austria and Central and Eastern Europe (CEE). Around 19,000 employees and exclusive sales partners serve 10.1 million customers across 16 countries.

Commanding a market share of around 22 per cent, UNIQA is the second largest insurance group in Austria. In the CEE growth region, UNIQA is present in 15 markets.

Scan the code to learn more about the Group SIGAL UNIQA

OZK Insurance expects to be among Bulgaria's top five general insurers

Aleksander Lichev
CEO and chairman of the board of directors, OZK Insurance

OZK Insurance was established in 1996 and was majority-owned by the Sofia municipality until 2008 when the municipal stake was privatised. Currently, Bulgaria-registered LM Impex holds 65.73% of the company. With a network of 70 branches across the country, OZK Insurance offers 12 types of insurance policies.

Where do you see opportunities for growth and where do you see bottlenecks on the Bulgarian market?

The Bulgarian market has been extremely competitive in the past years and this has resulted in more favourable terms for clients. Unfortunately, demand is dominated by compulsory insurance, car insurance in particular. The last few years saw a number of significant changes in the regulation of our activities, leading to a general upgrade of services in the sector. However, two big gaps remain in our regulatory framework – we still lack a standardised methodology for determining the size of indemnification payable for material and non-material damage resulting from bodily harm, and the bonus-malus system for third-party liability Insurance is yet to be introduced.

Bulgaria's insurance market is relatively young, and this is precisely why it offers opportunities for growth even amid limited economic growth. The first prerequisite for grasping these opportunities is to change our way of thinking. We will see growth to the benefit of our whole society when our society acknowledges that we are all in the same boat and can have a better life only through well-intentioned joint efforts, that insurance is the smartest and most virtuous solidarity model that mankind has designed, and that insurers are not a profiteering enemy but a mediator in this model. The state, the financial regulator in particular, should accept that its role is one of a caring parent who has to educate, control and make sure that the market is in a healthy state and should put aside their formal thinking. They should stop shirking responsibility and should ditch the role of a punishing supervisor with the stick who imposes sanctions post factum, acting from a position of strength. I hope that there is enough common sense left and that cheap populism servicing ill-meaning interests will not always have the upper hand, as this is where all the problems come from, to the distress of all of us.

Do you expect changes on the market as a result of merger and acquisition deals?

According to a recent report on M&A deals by Clyde & Co, a total of 222 M&A deals were registered in the insurance industry the first half of 2019, including 88 deals completed in Europe, as the authors stress that the growth trend continues for a fourth consecutive quarter. In Bulgaria, major changes will take place if the health reform is carried out as outlined in the latest draft made public by the health minister and his team. In that case I believe that we will be seeing a number of M&A deals involving the former health funds which were relicensed as insurance companies in 2013 following regulatory changes. Some of these companies, even though relicensed as insurers, kept their profile unchanged and focused on their main product – health insurance. Now, with the new model and its concept that health insurance should be offered by funds that are licensed specially for this purpose and have at least 500,000 contributors, only a small number of these companies will able to remain on the market.

What are your expectations regarding your company's development?

Our philosophy is to set realistic goals, define short and long-term measures for their achievement and do our best as far as the environment allows it. We have grounds to believe that we will keep up the sustainable growth pace that we had in the past years and we will be among the top five general insurance companies, as our focus is shifting to diversity and accessibility of the products that we offer, high quality of services and customer care.

SEE companies' revenue per capita rises, Slovenian companies dominate ranking

by Radomir Ralev

Slovenian companies continued to dominate the SEE TOP 100 per capita ranking in 2018. Slovenia, an EU–member state of some two million, and the only eurozone member state in SEE, had seven entrants in the top 10 of the ranking, as many as in the previous year. Companies based in Slovenia took four of the top five spots, including the no. 1 seat.

The average revenue per capita of the top 20 companies in the ranking grew to 623.3 euro in 2018 from 585.7 euro.

Slovenian energy company Petrol led the ranking for the twelfth consecutive year with per capita revenue of 2,111 euro, up 15% year-on-year, followed by electricity and gas trader GEN-I, which saw a 2.6% drop to 1,158 euro. Slovenian car maker Revoz, a unit of France's Renault, ranked third with 859.2 euro revenue per capita, a significant increase from 771.6 euro the previous year when it ranked fourth. The top 10 list features a single entrant from Croatia, North Macedonia and Montenegro each.

North Macedonia's entry, the local subsidiary of UK chemicals specialist Johnson Matthey, gained one position to the fourth place, as its per capita revenue increased 18% to 843.7 euro from 715.1 euro. OMV Slovenija, the Slovenian unit of Austria's OMV, leapt by six spots to take the 14th position as its revenue per capita grew 28.9% to 388.1 euro.

Montenegro, a country of about 600,000 people, had the second-biggest number of entrants in the per capita ranking - three, as many as a year earlier. Power utility Elektroprivreda Crne Gore (EPCG) ranked tenth with 522.9 euro in revenue per capita in 2018, versus 443.4 euro in the previous year. EPCG gained one spot in the ranking. China Road & Bridge Corporation (CRBC) D.O.O. was Montenegro's second best performer, ranking 11th with 471.9 euro, edging up from 463.4 euro in 2017. The company lost two positions from the ninth spot in last year's ranking. Wholesaler and retailer Voli Trade gained one position to the 16th spot.

TOP 20 PER CAPITA

in euro

No.	SEE TOP 100 No.	Company name	Country	Per capita 2018	Per capita 2017
1	2	Petrol d.d.	Slovenia	2 111	1,835
2	9	GEN-I d.o.o.	Slovenia	1 158	1,189
3	16	Revoz d.d.	Slovenia	859.20	771.63
4	17	Johnson Matthey DOOEL	North Macedonia	843.74	715.11
5	25	Holding Slovenske Elektrarne d.o.o.	Slovenia	734.61	802.32
6	7	INA d.d.	Croatia	721.60	589.75
7	34	Krka d.d.	Slovenia	597.47	582.11
8	37	Poslovni Sistem Mercator d.d.	Slovenia	575.90	580.59
9	42	Lek d.d.	Slovenia	527.22	467.18
10	191	Elektroprivreda Crne Gore A.D.	Montenegro	522.94	443.38
11	200	China Road & Bridge Corporation D.O.O.	Montenegro	471.90	463.38
12	6	Lukoil Neftochim Burgas AD	Bulgaria	429.03	419.44
13	58	Gorenje d.d.	Slovenia	405.75	398.34
14	61	OMV Slovenija d.o.o.	Slovenia	388.07	301.00
15	62	IMPOL d.o.o.	Slovenia	387.21	363.78
16	263	Voli Trade D.O.O.	Montenegro	369.68	335.54
17	8	Aurubis Bulgaria AD	Bulgaria	367.42	373.63
18	10	JP Elektroprivreda Srbije	Serbia	339.76	329.46
19	82	Telekom Slovenije d.d.	Slovenia	329.39	320.70
20	83	Interenergo d.o.o.	Slovenia	324.91	432.63

With two companies on the list, Bulgaria occupied the third place. At number 12, Lukoil Neftochim was the best Bulgarian performer in the ranking, with 429 euro revenue per capita, up from 419.4 euro. The company was sixth in terms of total revenue in the SEE TOP 100 companies ranking. Aurubis Bulgaria ranked 17th, with revenue per capita of 367.4 euro, down from 373.6 euro.

Croatia and Serbia had one participant in the top 20 ranking each. Oil and gas company INA was the Croatian representative in the top 20 ranking with 721.6 euro in revenue per capita in 2018, up from 589.8 euro from the previous year. Power utility Elektroprivreda Srbije (EPS), the Serbian representative in the ranking, occupied the 18th place, the same as in 2017, although its revenue per capita went up slightly to 339.8 euro from 329.5 euro.

In a breakdown by sectors, energy companies dominate the SEE TOP 100 per capita ranking in 2018, mirroring the situation in the SEE TOP 100 companies ranking.

Notably, Romania, the region's biggest economy and most populated country with 20 million people, had no entries in the top 20 per capita ranking.

METHODOLOGY

SEE TOP 100 per capita is a ranking based on the same pool of 2,900 companies as in SEE TOP 100. The ranking is compiled by dividing the total revenue in euro of each company by the population estimate in the country of registration. This benchmark indicates the importance of individual companies for the local economies.

Aerodrom Nikola Tesla leads revenue gainers after pocketing hefty concession fee

By Mario Tanev

Serbia's Aerodrom Nikola Tesla joined this year's edition of the SEE TOP 100 ranking following a sevenfold increase of revenue. The majority state-owned company whose main asset is Belgrade Airport, took the 95th spot in the SEE TOP 100 ranking with revenue of 592.7 million euro in 2018. Aerodrom Nikola Tesla also posted the third biggest profit among all of the 100 companies – 451.1 million euro, and the best return on revenue - 76.11%.This stellar financial performance can be attributed mainly to the 25-year concession contract to run Belgrade Airport, which France's Vinci Airports landed in March 2018. As part of the deal, Vinci Airports agreed to pay 501 million euro for the concession and pledged to subsequently invest 732 million euro over its term.

Another major revenue gainer in this year's ranking is Serbia Zijin Bor Copper, previously RTB Bor. The copper mining and smelting company bagged a 295.4% annual rise in revenue to 1.32 billion euro in 2018, climbing 13 places in the SEE TOP 100 ranking.

Serbia Zijin Bor Copper also booked the second highest profit and return on revenue among the top 100 companies, of 764.2 million euro and 58.06%, respectively.

The company benefited from a capital injection of $350 million by Chinese heavyweight Zijin Mining Group, which took control of a 63% stake and pledged to invest a further $1.26 billion in its Serbian subsidiary.

Car and car parts manufacturer Ford Romania claimed the third place in the ranking of revenue gainers with a hefty rise of 111.82% to 2.29 billion euro in 2018.

MOST DYNAMIC COMPANIES

No	SEE TOP 100 No	Company name	Country	Industry	Y/Y Change in revenue 2018
1	95	Aerodrom Nikola Tesla AD	Serbia	Transportation	625.83%
2	29	Serbia Zijin Bor Copper DOO (former RTB Bor DOO)	Serbia	Metals	295.40%
3	13	Ford Romania SA	Romania	Automobiles	111.82%
4	53	Saksa OOD	Bulgaria	Petroleum/Natural Gas	57.09%
5	56	Cofco International Romania SRL	Romania	Agriculture	50.72%
6	94	Holdina d.o.o. Sarajevo	Bosnia and Herzegovina	Petroleum/Natural Gas	38.04%
7	74	Crodux Derivati Dva d.o.o.	Croatia	Petroleum/Natural Gas	36.68%
8	66	Fildas Trading SRL	Romania	Wholesale/Retail	35.16%
9	27	Petrotel - Lukoil SA	Romania	Petroleum/Natural Gas	34.45%
10	52	Renault Commercial Roumanie SRL	Romania	Automobiles	33.22%

The company's solid financial performance hardly comes as a surprise, as its U.S.-based parent Ford Motor Company has invested over 1.5 billion euro since taking over the Romanian factory in 2008. And it seems the investment is paying off - Ford Romania calebrated the production of the 1 millionth Ford 1.0 EcoBoost engine at its factory in Craiova since it started their production in 2012.

A big boost to the company's performance in 2018 was the production of the EcoSport SUV model. The Craiova plant launched production of the model in the last quarter of 2017 following investment of some 200 million euro.

The company looks poised for further growth after Ford announced that it will start production of the Puma model at the Craiova plant by the end of 2019 following investment of a further 200 million euro.

A notable trend in this year's edition of the revenue gainers list is the strong presence of companies from the oil and gas industry – four out of the top ten. Bulgarian fuel trader Saksa ranks highest among its industrial peers, taking the fourth place with a revenue rise of 57.09%, to 869.2 million euro.

Only one of the members of last year's edition of the revenue gainers ranking has retained its place among the region's ten most dynamic companies – Cofco International Romania. The company now ranks fifth, same as in the previous edition, after posting a 50.72% rise in revenue to 850.9 million euro in 2018. In 2017, the company achieved a massive 103.59% rise in revenue.

Five out of the top ten revenue gainers in this year's edition of the ranking come from Romania. Serbia follows with two members, while Bulgaria, Croatia and Bosnia and Herzegovina have one each.

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.

Serbian companies lift transport, metals to top of most profitable industries ranking

By Mario Tanev

The transport sector soared seven places to the top of this year's edition of the profitability ranking of Southeast Europe's industries, mainly backed by a new entrant to the SEE TOP 100 list – Serbia's Aerodrom Nikola Tesla.

The majority state-owned company whose main asset is Belgrade Airport, joined this year's SEE TOP 100 ranking at 95th place with revenue of 592.7 million euro. Despite ranking low in terms of revenue, Aerodrom Nikola Tesla posted the third biggest profit among the 100 companies –451.1 million euro. This translated into an impressive return on revenue of 76.11% - the best among all members of the SEE TOP 100 ranking.

The company's financial performance benefited heavily from a large upfront payment by France's Vinci Airports, which won a 25-year concession contract to run Belgrade Airport in March 2018. As part of the deal, Vinci Airports agreed to pay 501 million euro for the concession.

The metals sector claimed the second place in terms of return on revenue, backed by another Serbian company.

Serbia Zijin Bor Copper booked the second highest return on revenue among all companies in the ranking, of 58.06%. The company also posted the second highest profit among the top companies in the region in 2018, of 764.2 million euro.

The copper mining and smelting company, previously named RTB Bor, was taken over by Chinese giant Zijin Mining Group in 2018, which subsequently injected $350 million in the company's capital. The Chinese owner pledged to invest $1.26 billion to improve the production operations of RTB Bor, open new mines and increase efficiency.

SEE INDUSTRIAL RANKING 2018

	Industry	Return on revenue 2018
1	Transportation	23.13%
2	Metals	13.09%
3	Pharmaceuticals	12.04%
4	Telecommunications	6.93%
5	Chemicals	5.58%
6	Petroleum/Natural Gas	4.33%
7	Rubber/Rubber Products	4.23%
8	Automobiles	3.33%
9	Wholesale/Retail	3.07%
10	Electronics	1.94%

The top three group was wrapped up by the pharmaceutical sector, which retained its place from the last year's edition of the ranking. The sector was represented by two Slovenian members of the SEE TOP 100 – Krka and Lek. The larger of the two – Krka, also posted a better return on revenue – 13.22%, compared to 10.70% recorded by Lek. The telecommunications sector also kept its place, ranking fourth. The average profitability of telecommunications companies in the SEE TOP 100 ranking was positively affected by Croatian heavyweight Hrvatski Telekom and Telekom Srbija, which posted return on revenue of 16.0% and 11.0%, respectively.

At the other end of the ranking were Romanian telecommunications companies, which recorded below-average profitability. Orange Romania posted the lower return-on-revenue among the telecommunications companies in the ranking, of 3.28%. Two more Romanian companies – RCS & RDS and Vodafone Romania, followed with ratios of 3.72% and 4.49%.

The chemicals sector, which led last year's edition of the ranking, sunk to fifth place, largely hurt by the dropping of Serbian state-run petrochemicals producer HIP Petrohemija. The sector's return on revenue fell to 5.58% from 20.72% in the previous edition of the ranking.

The chemicals sector has a single representative in this year's edition of the SEE TOP 100 ranking – North Macedonia's Johnson Matthey. The sector's performance in the 2018 edition of the ranking was heavily backed by HIP Petrohemija, which posted the highest return on revenue, 53.83%.

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 2017 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.

ICAP
BULGARIA

ICAP TRADE exchange

ICAP and Dun & Bradstreet Commercial Payments Registry

ICAP Bulgaria presents the **only credit information exchange network in Bulgaria – the Trade Exchange Programme**. It combines ICAP's credibility and expertise in Database Management and Credit Risk Assessment with the long-standing knowledge and experience of Dun & Bradstreet (D&B), which as the worldwide leader in the field of Business Information has already established similar networks in 55 countries. ICAP Trade Exchange is based on D&B's worldwide practice but has been implemented exclusively by ICAP, taking into consideration the specific conditions of the markets in Southeastern Europe.

The Registry is an information exchange network **designed to build reliable and updated assessment on the transactional payment behaviour of companies**. It is based on the monthly analysis of the timeliness of payments of a Partner's invoices. In that manner, the Partners can understand the transactional behaviour of companies towards other Partners, as well as towards themselves, transforming an isolated image into a full transactional profile that **helps better measure commercial risk and improve credit policy structure**.

The Registry functions as a local and global online platform providing Partners with a live view on their portfolio's and the entire market's corporate payment behaviour trends.

Participation in the Registry is not paid for by the Partners. The identity of the Partners and all the data they supply to ICAP are strictly confidential.

More information about the Programme and how to become a member can be found on **www.icap.bg**. We would be pleased to answer your questions at pdekova@icap.bg.

dun & bradstreet
WORLDWIDE NETWORK

Aurubis Bulgaria carrying out new 132 mln euro investment programme

Tim Kurth is Chief Executive Officer of Aurubis Bulgaria and President of the German-Bulgarian Chamber of Industry and Commerce. Kurth started his career in Unilever and later continued in Numico as Division Manager Logistics and Supply Chain Director. He joined Norddeutsche Affinerie (present Aurubis AG) in 2006 where he held various managing positions, including Group Innovation Manager and Vice President Corporate Logistics, before taking his present position in Bulgaria in 2014.

Aurubis Bulgaria is a copper producer, part of the German Aurubis Group. The company is the largest taxpayer and major Bulgarian exporter contributing to the GDP growth. The production facilities are located in the region of Srednogorie, where the company is also the main employer and runs active social policy. Last year the copper plant near Pirdop and Zlatitsa marked 60 years since its establishment.

Tim Kurth, CEO of Aurubis Bulgaria

In late 2018 Aurubis announced plans to invest 132 million euro in the Pirdop plant. How is this project progressing?

We named it "Aurubis Bulgaria 2022" since the investment is mid-term, planned for four years. We launched the programme and it is going as planned. This investment will secure our long-term operations. We have started modernising the entire plant infrastructure: road and railroad networks, pipelines, drainage system, communications, some of the buildings will be completely renovated. Our production facilities are spread over an area of four sq. km. and the programme is fairly ambitious. The activities for modernisation of the internal energy infrastructure are currently underway. We aim for efficiency, cost optimisation and easier maintenance. The effect of the four-year programme, when accomplished, will be for decades ahead. It is not an exception, our investments are with a long time horizon. We are here to stay.

In what other areas are you planning investments in Bulgaria in the long term?

For us investing is a continuous process and part of the profit is regularly redirected for capital expenditures. Last year we started extension of the iron silicate depot. We have also launched a new process for slag cooling, the project is continuing. In the spring this year we went through a planned repair for three weeks, a routine upgrade that is carried out between two main shutdowns. We spent 25 million euro, mainly for improvements in our smelter and acid plant, including modification of a blend air lift system aimed at additional dust emission reduction. As you know, Aurubis Bulgaria is among the Top 5 most environment-friendly copper smelters in the world and continuous investment in that field is a permanent priority. About 30 companies from the Srednogorie, the country and abroad were involved in the repair.

The company booked lower results compared to the last fiscal year according to the Group's interim reports. What is your projection?

We are in a period when a variety of factors act together. The net results are influenced by the market conditions for our throughput materials, the metal prices, the so called treatment and refining charges. The volumes are planned to be lower compared to last year also due to the maintenance shutdown in May-June that will have its one-off effect over the figures. Unlike the temporary ups and downs, the energy prices may impact expenditures over a long period of time. That is why we are working hard on efficiency through modernisation. We built a solid ground in Bulgaria throughout the years and keep on investing. It makes us optimists for the future.

In what ways are you cooperating with other units of the Aurubis Group in order to boost growth?

Aurubis is becoming an integrated network of smelters and other production facilities, this process is a pillar in the long-term strategy. We are jointly developing our source and customer markets, plan investments for the different sites. The Bulgarian plant supplies our entities within the Group, mainly in Italy and Belgium, so Aurubis AG itself is an important market for us. A key part of this process of acting as one body is the know-how exchange and closer cooperation between our R&D units. Development and implementation of technologies for processing of complex materials, for generating less waste through more efficient extraction will boost our competitiveness for the future.

What are your projections for the developments of the global metals market and how will Aurubis respond?

This year's weaker demands from the automotive industry or the cable sector are due to an economic cycle, not to a trend. Our end products, the non-ferrous metals, are source materials for e-mobility and digitalisation. Moving to renewable energy is also an irreversible trend. Low carbon economy requires metals and the demand will be increasing for wind turbines and solar panels, energy storage facilities, energy networks. As I already mentioned, we are investing in technologies enabling the circular economy in our sector. The share of recycling will be getting higher. That way we will simultaneously contribute to the carbon-neutral economy and help its development through our products.

We are investing in technologies enabling the circular economy in our sector

Our investments are with a long time horizon. We are here to stay

Becoming an integrated network of smelters and other production facilities is a pillar in the Aurubis group strategy

Electric vehicles to make up to 10% of Speedy fleet by 2025

Bulgarian logistics company Rapido Express and Logistics was established in 2001. In 2017 it became a partner for Bulgaria of Germany's DHL Parcel, part of Deutsche Post and in 2018 it signed a strategic partnership deal with local peer D&D Express. At the end of 2018 local peer Speedy completed the acquisition of 100% in the company.

Radoslav Krumov,
Rapido Express and Logistics CEO

Did the acquisition of Rapido Express and Logistics by local peer Speedy create the expected synergies and help improve the company's efficiency?

Yes, the goals in this direction were met to a high extent. Regarding the merger of operations, it can be considered entirely completed. The operations departments of the two companies are de facto one department now. The same can be said about the information systems' integration. There are different functionalities and features for which we could not find an option for 100% replication in both systems.

It should be noted that a significant synergy was achieved between the operational capabilities of Speedy and the experience of Rapido in innovations in the field of customer service and cross-border deliveries.

Can you tell us more about Rapido and Speedy's new platform – Market Connect?

This platform is an example of the innovation approaches applied in Rapido and how they can be included into the operational capabilities of Speedy.

The idea of the platform emerged after we noticed the serious interest of Bulgarian e-commerce companies towards cross-border sales, for us deliveries, respectively. Unfortunately, sales abroad are an exercise demanding serious organizational and marketing resources, as well as human potential. This definitely makes them unviable for smaller traders.

So, we decided we have to support and facilitate them by creating the MarketConnect platform. It can be accessed at www.sellin.eu and www.marketconnect.bg

The platform provides a solution for the following tasks:

- It eliminates the problem related to the necessary marketing resources by listing the products of the traders at any marketplace in Europe connected to the platform. Thus, the trader pays a commission to the marketplace only when the sale is completed.

- It standardizes and automates the process of synchronizing the information on Internet sites with each marketplace. Meaning, that clients' products are visible in every marketplace through one access point, with a single integration. I want to emphasize that this is done automatically for the clients, without them having the IT resources needed for integration.

- It converts into a variety of currencies, taking into account the day-to-day movements of exchange rates, and this process is also fully automated.

- It translates product titles and descriptions into the respective language. The process is free of charge for up to 1,000 products for the client, and translations are made by native speakers through another platform that we have created ourselves.

- It automates the delivery process. The platform is fully integrated with the courier company and the generation, tracking and payment of cash on delivery is fully automated.

- The process of paying marketplace commissions and invoicing is also fully automated.

All of the above, together with the logistical capabilities of Speedy for deliveries to Central and Eastern Europe with 24-hour transit time is a service that, in our opinion, has no analogue not only in Bulgaria, but in Europe as a whole.

In brief, the platform is a free and automated way for traders to offer their products outside Bulgaria.

Which marketplace operators have already joined the platform, and which ones are you currently in talks with?

We launched the platform a month ago and currently the only fully integrated trader is eMag for the four markets it operates on – Bulgaria, Romania, Hungary and Poland. Currently, we are in the process of completing the integration of Allegro in Poland and we have started the integration of eBay Germany. Next are Vida XL, Spartoo and, hopefully, within a year we will have all major marketplaces in Europe integrated.

It would be interesting for the clients to know that we have tax registration in Germany, where traders will be able under certain conditions to use our registration to sell their products.

In the long term, how much of the two companies' revenue is expected to be formed by the Market Connect platform?

It's hard to come up with a prediction for this. The main reason is that, as I said, we are talking about not just a new product but one that has no precedent, which makes it relatively hard to communicate to traders. From my experience I can say that some of them cannot even understand the concept behind the platform and many of them are reluctant after hearing that the use of a product is totally free. And it really is. The only "catch" is that using the platforms is related to deliveries being made by Speedy/Rapido.

In the longer term, I hope we see a large increase of traders, including through reversing the direction of the process, i.e. providing foreign traders with the opportunity to sell in marketplaces in Bulgaria or third countries.

> We are working on urban deliveries by electric tricycles, electric cars.

Which are the main markets of Rapido and Speedy and where do you see the biggest growth potential?

Currently, the largest market for the companies is Bulgaria with the traditional business of parcel delivery. In terms of largest growth potential, this undeniably is the cross-border trade and its servicing. It should be taken into account that even without MarketConnect, the cross-border deliveries of Speedy and Rapido exceed 200,000 per month.

What green initiatives are Rapido and Speedy pursuing as they increase investment in their car fleets?

This is another very important subject for Speedy. We have as a strategic partner the DPD company, part of La Poste – the French Post Office. The subject of corporate social responsibility towards nature is becoming increasingly important to all big companies, and our two companies are cooperating for different initiatives, possibilities and projects.

Environment protection in cities has always been a priority for Speedy. For more than 10 years the company has embraced the green ideas as its mission and is making efforts to find new ways to promote it. That is why we are striving towards solutions for synchronisation between the nature and its inhabitants, and not just cost optimisation.

Currently, the company is working on two projects – use of electric tricycles specially designed for deliveries in the central parts of large cities, and pilot introduction of specialized electric cars for urban deliveries made in Norway.

We already have our first tricycle on the streets of Sofia, and as part of the pilot project we will have a total of five electric cars operating in the capital, in Varna and Plovdiv.

Speedy will also invest incrementally in diversifying its fleet, as electric vehicles will account for up to 10% of it by 2025.

Is Southeast Europe catching up with the global rise of corporate renewable energy procurement

By Mariyana Yaneva, Managing Editor, Renewables Now

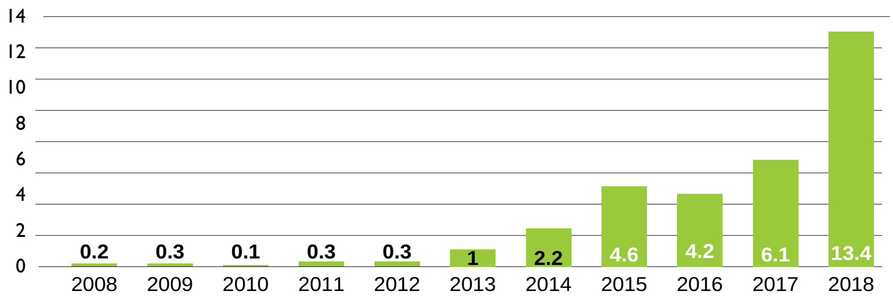
Ten years ago, investing in renewable energy was economical only when backed by some kind of subsidies, as in the case of Southeast Europe (SEE) they were either in the form of feed-in tariffs or green bonuses and long-term power purchase agreements (PPAs).

Today, things look different. In just a decade, the cost of wind power fell by 69% while that of photovoltaics (PV) plunged by 88%.[1] Lazard's latest Levelized Cost of Energy ("LCOE") analysis (dated November 2018) shows that unsubsidized utility-scale wind and photovoltaic projects are already the cheapest source of electrical energy out there. In other words, subsidies provided the boost the industry needed to get the market going but now the rapid reduction in the price of renewables is shifting the economics of renewable uptake towards business models that do not rely on state subsidies.

There are two main challenges that unsubsidised wind and solar PV projects need to overcome. The first is volume risk - the inherent variability of wind and solar irradiance, and the other is price risk. Corporate PPAs, if properly structured, can be the answer to both of these challenges.

As social pressure on companies to respond to climate change concerns grows and the price of green energy has become more than affordable, many firms are ready and willing to switch to clean power sources rather than rely on electricity generated by fossil-fuel-fired power stations. As a result, the global corporate PPA market grew from a mere 200 MW of deals signed in 2008 to over 13.4 GW contracted in 2018, according to data from BloombergNEF's (BNEF).

Last year saw corporate PPAs truly take off, more than doubling the capacity signed in 2017



Source: Bloomberg New Energy Finance

The U.S. is still by far the largest corporate PPA market accounting for 69% of the 8.6 GW deals that were signed globally from January to July 2019. Europe, the Middle East and Africa (EMEA) collectively form the second largest market for renewable corporate PPAs, with companies in these regions settling 950 MW of clean energy purchase agreements over the same period, according to BNEF's recently published, 2H 2019 Corporate Energy Market Outlook.

In Europe, the Nordics historically lead the corporate PPA market due to a favourable regulatory backdrop, integrated regional wholesale power market, a concentration of creditworthy industrials, as well as a cool climate and abundant power supply that makes the area perfect for data centres. Since last year, however, the European corporate PPA market has started to diversify geographically with the first such contracts being signed in the south of the continent. Portugal, Spain and Italy lead the way and the unexpected first mover in Central Europe was Poland. So where does SEE stand in this trend?

How ready is SEE?

Major players in the industry share their views on the imminent market development

The region is yet to announce its first corporate PPA deal but conditions seem to improve for such deals to appear in the very near future. This summer, Renewables Now surveyed leading project developers, finance and legal consultants, energy traders, as well as potential industrial buyers in the region for their take on the market development.
Not surprisingly, many of them have

[1] Source: Lazard's Levelized Cost of Energy ("LCOE") analysis – Version 12.0, November 2018

been looking with interest into the corporate renewable energy procurement market but most (68% of those surveyed, to be exact) believe that countries in SEE currently lack the political will, proper regulatory framework and the level of power market liberalisation and regional energy trade integration needed for such contracts to become common in the next three to five years. Single, flagship deals, however, may be announced sooner than expected. Bulgaria and Romania, closely followed by Croatia and Slovenia, are viewed as the countries in SEE where corporate PPAs are most likely to be signed in the next couple of years.

Over 90% of the survey respondents believe that solar PV will be the underlying technology for corporate PPAs in SEE for new projects.

For legacy projects that were built under previous incentive schemes, wind energy producers are the ones more likely to be on the look for corporate deals since their long-term power purchase contracts are generally shorter than those for PV. In Bulgaria, for example, wind power producers signed feed-in tariff contracts for 12 years, compared to 20 years for PV power plants and the majority of the wind farms were built between 2010 and 2012, meaning most of these assets will have to sell at market prices in three to five years.

All survey respondents unanimously point at the price stability (hedging against market fluctuations) as the driving force behind corporate renewable power deals in the region, although about 20% also think that climate change concerns and corporate sustainability goals will also play a role in energy procurement choices.

The right price for buyers seems to fall in the 40-60/MWh euro range for both wind and solar PV power.

Producers generally have slightly higher expectations in the 60-80/MWh euro range though a few solar project developers said a price under 40/MWh euro could also be possible in some cases.

Roadblocks on the way

In the context of rising electricity prices throughout the region, corporate PPAs provide a nice business opportunity for renewable energy producers and electricity consumers alike. So, what stands in the way?

Our survey respondents identified the various administrative and regulatory barriers across the different jurisdictions as the single most important roadblock standing in the way of corporate PPA proliferation in SEE.

For example, in Romania it is mandatory that all power from renewable sources is sold only via the Romanian Power Exchange (OPCOM). Neighbouring Bulgaria has the same rule.

“In Bulgaria, for example, the requirement to sell renewable power on the exchange, although manageable, does create some needless constraints. But the main obstacle is really lack of a well-developed forward market - there is no hedge available for buyers beyond 1-2 years,” Ken Lefkowitz, managing partner, New Europe Corporate Advisory, commented.

That brings us to the second major challenge – lack of experience and capacity among the commercial and industrial (C&I) buyers to negotiate such deals. With the global market still relatively immature, each PPA is different and there is little standartisation in contracts. This more or less limits the pool of eligible buyers to big, energy-hungry corporations with very strong credit ratings and large energy procurement departments, capable of managing volume and price risks of power purchases. Smaller buyers generally need to aggregate their consumption in order to benefit from the same price levels as the big players.

“Most of the C&I sector in Europe, SEE included, do not have in-house energy risk management capabilities or experience with renewable energy procurement. This makes it hard for them to enter the long term PPA market (10-15 years), due to lack of competence and also no underlying need for hedging. In the Nordic region, for example, the C&I sector generally hedges more short term (1-3 years). Companies like Axpo can close this gap in both competence and hedging need.” Domenico Franceschino, Head of Origination Eastern & Western Europe at Switzerland-based energy trading company Axpo, told Renewables Now.

Who gets to sign the first SEE deal?

If we are to make a forecast how the corporate PPA market in SEE will develop, we at Renewables Now bet on the pattern already observed in Spain and Italy where energy traders and utilities were the first to enter into renewable energy PPAs and then re-sell the contracted volumes to C&I clients.

There were some good omens in that direction.

Similarly to most of the European markets, wholesale electricity prices in SEE remain on an increasing trajectory. The latest quarterly report of the DG Energy notes the baseload contract in SEE for the first quarter of 2019 reached 67/MWh euro on average, up 35% compared to the same quarter a year earlier.

At the same time, the European Federation of Energy Traders (EFET) launched a standard corporate power purchase agreement (CPPA) in June this year. The contract allows for physical and financial PPAs with an election sheet approach allowing for tailoring of the agreement. It is supported by legal opinions in key jurisdictions, and is translated from English into other EU languages to encourage uptake across Europe, EFET said.

Also in June, the European Energy Exchange (EEX) announced it is expanding its financial futures products in SEE, starting with new power futures for Bulgaria, Serbia and Slovenia. Poland, Romania, the Czech Republic, Slovakia and Hungary are covered since 2017. Since then, EEX trading volumes for these markets have increased more than three-fold, the exchange said.

Fingers crossed, we are likely to see the first corporate renewable energy power purchase agreement in SEE as early as next year.

Renewables Now is an independent one-stop shop for business news and market intelligence for the global renewable energy industry.
Keep up with the latest in the industry on renewablesnow.com or contact us for bespoke research at sales@renewablesnow.com or +359 (2) 80 12 622

The more companies go regional, the greater chance for W. Balkans' integration

Besnik Leskaj
CEO

Abkons is a multinational management consulting firm, committed to helping institutions make lasting improvements. Partnering with prominent international firms and organisations like TAP, Mott MacDonald, Deloitte, Ramboll and the World Bank, Abkons is active throughout the entire Western Balkans region.

Why do you think it is worth investing in the Western Balkans?

I believe there has never been a better time to invest in the Western Balkans than now. If you look at the region, it has never been more stable and there has never been more cooperation and willingness to build bridges and relationships between the different countries. Of course, there are still some tensions, but the agreement over the name of North Macedonia, its eventual accession to NATO, the progress of the EU integration process, these have all given a newfound impetus to the desire of Western Balkan countries and societies to work together.

Look at Abkons for instance. We started as an Albanian company in 2006, but now we are a regional group. We have offices in Pristina, we are active in Montenegro, North Macedonia, Bosnia and Herzegovina, and Serbia. Just a decade ago that would have been unthinkable.

This means that investors interested in the Western Balkans can think in regional terms too. Individually our countries are small, but if, instead of Albania or Kosovo or Montenegro, your business plan extends to the region as a whole, suddenly the potential is far greater.

The Western Balkans has a lot of untapped opportunities in tourism, agriculture, energy and mining sectors, as well as the services. Compared to the EU, this region has a young and highly qualified population, while labour costs and fiscal burden are but a fraction of those in any EU country.

What role can private companies play?

Private actors can be a leading and positive driving force. Regional, central and local governments could benefit from the experience of the private sector and should involve them in discussions on designing legal framework for doing cross-border business as early as possible.

One of the main problems in our region was that politicians approached cross-border relations with a zero-sum game attitude. But in business, we tend to take a win-win approach and look for positive outcomes for ourselves, our counterparts and communities whose lives we might impact. That has allowed businesses in the Western Balkans to cooperate with each other even in those cases when the governments could not.

The good news is that politicians across the region are starting to acknowledge our way of thinking. Recent reforms in various countries of the region, in particular in the area of rule of law, are some of the examples that will definitely help to improve the business climate in the Western Balkans. The hope is that the more our economies integrate, the more companies go regional, the greater the chances of creating an unstoppable momentum for the integration of the region.

What do companies like Abkons offer to investors?

Abkons is one of the leading companies in the region. We helped to implement some of the biggest regional infrastructure projects like the Trans Adriatic Pipeline and Devolli Hydropower. We are currently working with Shell.

We also actively support public administrations in implementing reforms and building capacities and share our knowledge and know-how.

What makes us successful is our ability to combine local knowledge and global standards. Sometimes foreign investors can find the Western Balkans a rather difficult place to navigate. But to build local projects you need to understand the local context. And you can't understand the local context without understanding local people.

Unlike many large foreign contractors, we have no pre-fabricated roadmap or thinking. We look at the risks and mitigation strategies for each project. We are agile, multi-functional and deeply embedded in local communities, and our growth has been exponential.

Now we have embarked on a new venture to expand to the entire region. We are replicating our model in Serbia, Kosovo, North Macedonia, Montenegro and Bosnia and Herzegovina.

Of course, it is a big bet and it won't be easy. But I believe in our success and hope we will make our own contribution to the regional integration.

abkons
LOCAL Knowledge, GLOBAL Standarts

We deliver projects with the support of local people

Redi Basha,
Abkons partner

A Abkons sees itself as more than a group of consultants: we feel a sense of responsibility towards the region in which we operate and have developed an approach to drive forward project effectiveness while, at every step, bringing local people on board.

Land goes to the heart of the identity and welfare of any community, not least in an agricultural context. Projects affecting use or ownership of land must tread with caution to mitigate the inevitable social, political and legal obstacles that emerge when land interests are threatened. A preferable approach encompasses goodwill, sensitivity to local needs and avoidance/minimising of involuntary resettlement. EBRD performance requirements and IFC performance standards provide useful guides of how this might be done, envisaging that an optimal project would:

1. Mitigate adverse social and economic impacts from land acquisition or restrictions on affected persons' use of and access to assets and land by: (i) providing compensation for loss of assets at replacement cost; and (ii) ensuring that resettlement activities are implemented with appropriate disclosure of information, consultation and the informed participation of those affected;
2. Restore or, where possible, improve the livelihoods and standards of living of displaced persons to pre-displacement levels; and
3. Improve living conditions among physically displaced persons through the provision of adequate housing, including security of tenure at resettlement sites.

Land acquisition is a complex exercise involving developers, landowners and their dependents, local communities, local government and national government. A multi-faceted approach has to be taken to ensure this potentially volatile web of relationships remains stable and productive. Developers should establish long-term, positive relationships with communities by minimising land impacts, consulting and involving local people, and harnessing local expertise to increase project effectiveness. Local government is the likely target of complaints in development contexts, and so developers should liaise closely with municipal authorities to ease tension and address concerns. Clear channels of communication must exist with national government, which is typically responsible for the expropriation process, to ensure a well-planned land acquisition process.

Abkons has sought to put these principles into practice, most recently in the Albanian section of the Trans Adriatic Pipeline (TAP). The pipeline risked creating obvious and numerous conflicts given its scale. Advised by Abkons since the start of the project's implementation in 2008, TAP has adopted an effective stakeholder engagement process, founded on trust and local community involvement at every step. TAP held a thorough consultation process, holding around 500 community meetings and mapping out land ownership through systematic procuring of legal documents. Sensitive local land uses, including beekeeping and fishing, were addressed as priorities. Abkons involved hundreds of experienced and young professionals to complete the Land Acquisition for Albania section in time and with excellent quality. No hotspots emerged in the section, with over 80% of interest-holders signing contracts with TAP.

> We feel responsibility towards the region
>
> Land goes to the heart of the identity and welfare of a community
>
> Developers should establish long-term relationships with communities

The approach Abkons infused in TAP has been received warmly by the Government of Albania, which is now seeking to replicate this model in development projects across the country. Abkons has been a pioneer of a sensitive, progressive doctrine of regional development – and one that has proved highly effective. Abkons continues to work across the region with similar clients to implement this approach.

On paper, the formula seems simple: trust, meaningful engagement and integrity at every step. In practice, this approach often seems the hardest. Abkons has the intellectual commitment and operational capacity to successfully implement this approach, no matter how volatile the context.

Chinese investment in SEE – roads, coal and debt

By Radomir Ralev

Though located in a strategically important part of Europe where trade routes from Asia and Africa meet, Southeast Europe (SEE) still has an underdeveloped transport infrastructure that restricts the region's economic growth potential. A study by the European Investment Bank (EIB) suggests that infrastructure investment has a positive correlation with the economic growth of the countries of the Western Balkans as well as the wider SEE region.[1] Infrastructure projects in the region attract foreign investment from both the EU and China (fig. 1). However, the value of infrastructure investments in SEE countries still stands at around 1% of GDP, probably due to the long time needed for the planning of large projects.[2]

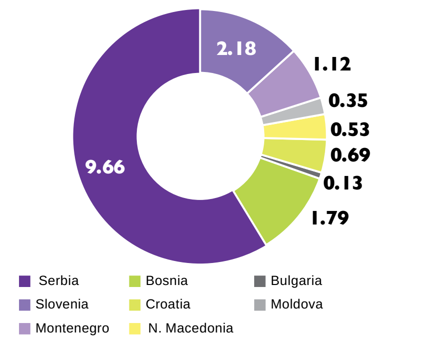
SEE countries score poorly in the infrastructure segment of the World Economic Forum's Global Competitiveness Index, dragged down by the low quality of roads, limited efficiency of train and seaport services and poor airport connectivity.[3] With an average infrastructure score of 68.9 versus an EU average of 80.9, the region's underdevelopment seems obvious (fig. 2). SEE countries also lag behind the Central European states in terms of infrastructure competitiveness. The average index of the Visegrad Group states is 79.7, while Albania's score of 57.3 is the lowest in Europe, followed by Bosnia's 60.7 and Montenegro's 62.2. EU member Bulgaria stands at the bottom of the bloc's ranking with a score of 69.9.

EBRD, one of the largest institutional investors in the region, is active in the field of urban sustainability, supports the inclusion of women in business, develops accelerators and incubators, but also finances large infrastructure projects like Corridor Vc in Bosnia, the managing director of the EBRD for Central and Southeast Europe, Charlotte Ruhe, said at a discussion panel in the framework of the bank's Annual Meeting and Business Forum in Sarajevo in May.

"In the region, connectivity is very important and there is certainly a need for investment capital," Ruhe stressed. The improvement of the quality of traditional infrastructure such as energy and transport is in the focus of two important regional investment initiatives -- the European Western Balkans Investment Framework (WBIF) and China's Belt and Road Initiative (BRI), envisaging 8 billion euro of loans each.[2]

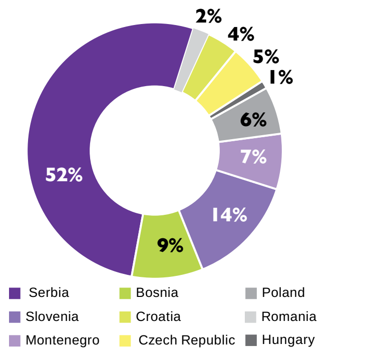
However, BRI projects draw criticism over concerns about the risks of unsustainable debt burdens for some countries, as well as fears of growing dependence on China and Beijing's political influence. Moreover, according to Austria's Central Bank, the execution of construction works by Chinese contractors, suppliers and workers and the use

Chinese investment in SEE 2013-2019 in bln euro



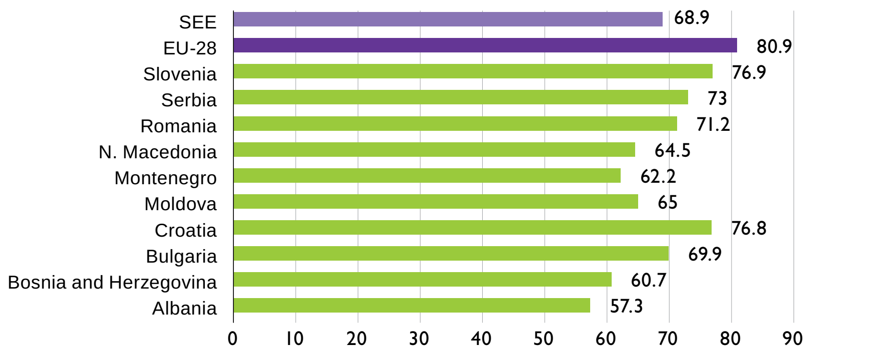
Source: China Global Investment Tracker

Chinese construction investment in CESEE



Source: CGIT, Raiffeisen Research

Global Competitiveness Index - infrastructure segment



Source: World Economic Forum Global Competitiveness Report 2018

Project Mihajlovic and CRBC president Du Fei signing the MoU for the Pozega-Boljare motorway project; Source: Serbia's Infrastructure Ministry

of Chinese materials may significantly reduce the economic benefits for the region. A study by The Vienna Institute for International Economic Studies (WIIW) shows that the most important contractor in the transport sector under BRI is China Communications Construction Company (CCCC). In the energy sector, the leading contractor is state-owned China National Machinery Industry Corporation known as Sinomach.[2]

ENVIRONMENT

SEE is lagging behind Central and Western Europe in the energy sector as well, though at a much lesser extent than in the transport sector. In terms of electricity production per head the region's countries are in the middle and lower range of the distribution, as only Serbia is close to the lead group of CESEE countries. China is involved in energy investments in the region, but most projects are related to the construction of coal-fired power plants, thereby counteracting energy-related EU projects that are aiming to support the shift towards a low-carbon economy, the WIIW said in a report in November 2018.[2]

According to Ruhe, the construction of China-funded coal-fired power plants in SEE, like the one in Bosnia's Tuzla, is not the best way to support the region, as it has serious problems with air quality. In March, the Energy Community Secretariat sent an open letter to Bosnia expressing its concerns about the compliance with state-aid rules of a public guarantee granted to China's Ex-Im Bank on a loan for the Tuzla TPP project. In August 2018, the government of Bosnia's Federation entity decided to provide a guarantee for a 614 million euro loan from the Chinese bank to Bosnian power utility EPBiH, to be used to finance the construction of a 450 MW unit at the existing Tuzla TPP. The loan will finance 85% of the total cost of the project.

"This region has air quality issues, it has some of the worst pollution in cities on the planet in North Macedonia and Kosovo. When we talk about climate change and the need to move away from fossil fuels, renewables are a life-saving alternative and not just a nice thing to have. We are working a lot on renewables, but we also need private investors and the government's support to realise the projects. But we see the news that there will be a coal-fired power plant in Tuzla and we ask if this is the best way to power that part of Bosnia," Ruhe said.

DEBT BURDEN

In September 2018, Moody's changed the outlook on Montenegro's B1 long-term issuer and senior unsecured debt ratings to positive from stable, but warned against the costs of the priority section of the Bar-Boljare highway in the country being built by China Road and Bridge Corporation (CRBC). The risks include possible delays with cost overruns as well as foreign currency risks associated with the dollar-denominated loan from the Export-Import Bank of China in 2014. The loan caused an increase of Montenegro's foreign debt and forced the government to raise taxes, partially freeze public sector wages and end a benefit for mothers. The overall costs of those sections are roughly estimated at around 1.2 billion euro, or 25% of GDP.

The currency risks associated with Chinese projects were among the concerns expressed also by Guenter Deuber, Head of Economics, Fixed Income and

[1] Infrastructure Investment in the Western Balkans A First Analysis - https://www.eib.org/attachments/efs/infrastructure_investment_in_the_western_balkans_en.pdf

[2] Investment in the Western Balkans: New Directions and Financial Constraints in Infrastructure Investment - https://wiiw.ac.at/investment-in-the-western-balkans-dlp-4705.pdf

[3] The Global Competitiveness Report 2018 - http://www3.weforum.org/docs/GCR2018/05FullReport/TheGlobalCompetitivenessReport2018.pdf

Bar-Boljare motorway

Source: CRBC

FX Research at Raiffeisen Bank International.

"China's investments in the region are concentrated in construction and in some countries the numbers are close to what the EU has on the table. We, as a bank, would be definitely happy to help Chinese companies to access the local markets. In the parts of the world where China is successful, there is a heavy reliance on US dollar financing. Here in the region we have a much larger dependence on euro financing, so possibly here we need a different way of interaction," Deuber said at the Sarajevo meeting.

Serbia absorbs 56% of Chinese investment in the construction sector in CESEE, chiefly due to the $1.8 billion project for modernisation of the Budapest-Belgrade railway which should be completed by 2023 (see Fig. 2). The investment in the Serbian section of the project amounts to about $1.1 billion. Slovenia ranks second in terms of BRI investments with a 14% share, followed by Bosnia, Croatia and Romania with 9%, 5% and 2%, respectively. The vast majority of the projects are either in energy or transport.[4, 5]

TRADE AND FINANCIAL RISKS

According to Deuber, Beijing is gaining more importance on the SEE markets through BRI but the same does not apply to the SEE countries when it comes to their exports to China.

"China is getting a decent share of the local import market. This is not the same as exports. SEE countries do not

$1.1 bln

Chinese investment in Serbian section of Budapest-Belgrade railway

get much more weight on the Chinese market. Most of the SEE countries are running high trade deficits with China and this puts the question to what extent it makes sense to have too much further engagement of China in the region as this may deteriorate trade balances further," Deuber noted.

While Chinese projects have tended to come with concessional financing, they have also tended to be treated outside of the normal project selection processes or procurement procedures, and (as in Montenegro) without full attention to debt sustainability considerations, the International Monetary Fund (IMF) said in a report on public infrastructure in the Western Balkans.[6] High reliance on Chinese contractors can also limit projects' impact on the home economy during the construction phase, the IMF said.

The participation of Chinese contractors in BRI poses significant risks in SEE which were initially underestimated, the managing director for Economics, Policy & Governance of the EBRD, Mattia Romani, said in Sarajevo. In his opinion, the perceptions about BRI have changed since the introduction of the project by Xi Jinping in 2013, as the investments have not been channelled through the private sector, but through Chinese state-owned enterprises and banks. In this way, the principles of openness, environmental sustainability, support for cooperating countries have been undermined.

"There are risks linked to the social acceptability of the investment, job creation, environmental and social standards. But also simply the fact that most of the investments are in the construction sector. Chinese companies have mostly experience on the domestic market, in a culture of learning by doing without efficient cost control and project preparation," Romani said. A stronger risk management is needed across the value chain for investors and companies, but also better project preparation, complying with investment standards, community engagement, openness of data and transparency, he added.

According to Ruhe, the preparation of projects under BRI poses a major risk, while the capacity of SEE countries to maintain large infrastructure projects needs to be reinforced. "Building the best road in the world is not the best investment if you do not maintain it properly. We, at the EBRD and the World Bank, are using our resources to help develop that capacity, to prepare the projects and employ local people in the construction. We are working to ensure that those projects are meeting certain transparency and social standards. If you are going to work in Europe, you have to follow European rules. This is what we offer and would encourage when possible for the Chinese policymakers to work with us on projects that they want to do, so that we can ensure that those European standards are met," Ruhe said in Sarajevo.

[4] World Development Indicators - https://databank.worldbank.org/source/world-development-indicators

[5] China Global Investment Tracker - https://www.aei.org/china-global-investment-tracker/

[6] Public Infrastructure in the Western Balkans: A Highway to Higher Income - https://www.imf.org/en/News/Articles/2018/02/01/na020818-public-infrastructure-in-the-western-balkans-a-highway-to-higher-income

Why showcasing success is key to attracting investment

By Andrew Wrobel,
Founding Partner, Content and Strategy, Emerging Europe

It's all about profit, isn't it? Companies, all of those included in this TOP 100 report in particular, are looking to make profit and expand. For governments and investment promotion agencies (IPAs) — public bodies whose main role is to attract and facilitate investment in a specific country — that profit is measured by an increase in GDP or the number of jobs created.

Michael Keroullé, CEO of GE Steam Power, says that IPAs should focus on success stories. "There is a lot of talk about how good the given country is, but they should offer a value story," he says. "They must offer value to the investor."

In its annual Investment Promotion Report, Emerging Europe looks at how governmental agencies embrace the needs of investors to increase profits by communicating the value proposition their countries offer and handling enquiries from potential foreign investors. From an emerging Europe perspective - with 23 countries taken into account - Lithuania, Estonia and the Czech Republic are the top performers, achieving a score of 62-73 points (out of 100).

Out of 11 Southheast European countries (the former Yugoslavia, Albania, Bulgaria, Romania and Moldova), Romania and Slovenia ranked the highest with scores around 50 points. Invest Romania and Spirit Slovenia were also the only investment promotion agencies whose performance in 2019 was better than the previous year.

"The quality has improved from last year and it's great to see that the promotion of our market is improving," says Olga Grygier-Siddons, former CEO of PwC CEE. "However, the [investment promotion] agencies don't appear to have addressed all the challenges. Digital capabilities, for example, are not used everywhere. Investors look for skills, especially digital skills, so the role of websites is crucial as they symbolise digital competencies. More needs to be done here."

Enterprise Estonia, which represents one of the most advanced digital societies in the world, has led the way in making use of automation in its enquiry handling process. "There are a lot of enquiries which need to be taken care of, and automation helps us with that," says Viljar Lubi, Estonia's vice minister of economic affairs and communications. "Around 85% of the enquiries we receive are now dealt with automatically."

Peter Stracar, former CEO of GE Europe also welcomes the progress that has been made but called on the region to do more to promote its know-how. "There was a time when labour costs were the only thing that mattered," he says. "Now things are different. Now is perhaps the time for the IPAs to start cooperating with research and development centres and universities to showcase know-how. This is very important in the region, this is what the region wants."

Cooperating across the emerging Europe region could also help those IPAs whose performance needs to improve. Haldun Firat Kokturk, global head of Limak Airports, suggests that more support could be offered to IPAs with limited experience, "especially in the Balkans, and most of all in Kosovo."

Interestingly, a large number of emerging European cities have begun to take the initiative and do things for themselves in recent years, often in spite of the wishes of central governments. The reason is simple: these cities and the regions in which they are found no longer want to be held back by long, cumbersome decision-making processes which stifle initiative, innovation and hinder foreign direct investment.

Alongside the Investment Promotion Report 2019, Emerging Europe surveyed a panel of 25 global location advisers and foreign direct investment experts who weighed up the various merits of the 75 cities of emerging Europe which are either capitals or have a population of more than 200,000 inhabitants. Sofia was among the top 10 cities in the brand subcategory, and together with Ljubljana in the top best cities with an excellent business climate. Zagreb, Tirana and Prishtina offered a great pool of talent. Ljubljana, together with Prague, has the best quality of life across emerging Europe. Local authorities in both Ljubljana and Skopje offer the best support in SEE.

* * *

Emerging Europe is a London-based news, intelligence and community platform with a focus on 23 countries of Central, Eastern and Southeastern Europe that translates the region to the world and the world to the region. Access to our unrivalled intelligence and global network of key individuals and organisations enable all those with a stake in the region to participate in shaping the prosperous future of the region. Each year, Emerging Europe releases an Investment Promotion Report, which examines how investment promotion agencies communicate their value proposition and handle enquiries from potential investors. The publication of the report is followed by a roundtable discussion attended by heads of IPAs and business leaders who share best practices and create a road map of investment promotion standards for the emerging Europe region.

Regulatory trends in EU banking sector affecting SEE:

Compliance, innovation, costs and consolidation

By Rebeka Kleytman, Attorney-at-law, Ernst & Young Law Partnership

2018 and 2019 have been marked by major compliance changes on EU level such as the entry into force of the EU General Data Protection Regulation (GDPR) in May 2018 and the continuing implementation into national laws of the Fourth Anti-Money Laundering Directive (AML). The second payment services directive (PSD2) is another important milestone leading to the need for all EU member states to introduce legislative changes to address the new requirements including the new strong customer authentication (SCA) rules. Each of the above regulations has increased the banks' costs for compliance considerably. In short, the new regulations aim at secure, easy, innovative, open and efficient environment which also prevents the risks of personal data breaches, money laundering and terrorist financing but at the same time fosters innovation and ensures safe and sound banking system – a task which is very challenging and even more costly. A number of additional challenges were placed on banks under the new IFRS 9 and are yet to come with the anticipated implementation of the Basel III framework - both affecting bank capital. Consolidation remained a solution to most of the above issues with a lot of acquisitions and exits taking place and more expected to take place in the future. The sale of old NPLs will unblock capital that is highly likely to be needed for compliance with the new capital requirements. Thus, further NPL sales are expected to take place.

GDPR after its first anniversary

GDPR which entered into force in 2018 required a complete review of the policies of all companies controlling personal data. Banks control a large amount of personal data concerning their employees, but also all retail clients and individuals representing corporate clients. They had to introduce promptly new data processing procedures and tools. In order to comply with the general principles laid down by the GDPR such as data minimisation, data accuracy and storage limitation, banks had to introduce the rules but also the means for compliance with principles. In general, the new regulation requires constant review of the personal data, timely deletion, and capacity to amend, delete or provide copies of the information upon request by the data subjects. Considering the huge amount of information to be handled by banks, the optimal solution for them is to implement automated processes – developed on their own or licensed for use by the banks. Additional to the cost of compliance, GDPR introduced fines of up to 20 million euro (or 4% of the global turnover - whichever is higher) and some of the supervising authorities started imposing fines accounting for millions. Thus, being compliant will be an expensive, but still a much cheaper option than being fined.

AML – fighting money-laundering and terrorist financing but also slowing down business

The AML derective put additional requirements on banks and prevented them from starting work with new clients before having completed successfully all identification procedures prescribed by the AML. In order to keep clients happy, banks should also have constant access to up-to-date reliable data bases. Additional trainings of personnel and introduction of multiple internal procedures had to be put in place, leading to additional costs and slowing down considerably client onboarding procedures. The identification of the ultimate beneficial owners of large corporations has turned out to be a huge practical problem. Many corporations opted for the possibility under the directive to disclose senior managing officials as beneficial owners. It remains to be seen whether this really serves the purpose of the directive.

PSD2 – promotion of FinTech and request for additional safety measures

FinTech has been booming in the past years, usually under the title of enhanced customer experience. This boom led to the necessity for a detailed regulation. Customers nowadays expect fast, user friendly, secure, offering full-scope service, accessible from anywhere, fancy payment solutions. One of the main purposes of PSD2 was to regulate all the innovations and new services. On the other hand, the directive was intended to promote innovative solutions in the payment industry and to regulate access to the providers of such solutions to the market. FinTech companies started entering the payment sector and becoming major competitors of banks, thus endangering the banks' revenues from standard payment services.

Amongst other issues regulated by the PSD2, the strong customer authentication (SCA) seems to be one of the hottest topics. The European Banking Authority (EBA) published recently its opinion with respect to the strong customer authentication rules under the PSD2 and, in particular, regulatory technical standards which will apply as of September 14, 2019.[1] Under the SCA rules any payment service will be accessible by the users based on at least two elements categorised as knowledge (something only the user knows - PIN), possession (something only the user possesses – e.g. mobile phone) and inherence (something the user is – biometric data). The EBA has put a stress on the necessity for the market players to introduce customers to the new changes so that customers can continue making online payments. The implementation of the new SCA rules, as well as the time and expertise investment to educate consumers how to use the updated services would naturally also be related to additional costs for banks.

Aiming to remain competitive and retain the payment services business, banks have reacted differently. Some of them opted for internal development of FinTech. However, the majority decided to acquire or partner with FinTech companies and to support FinTech start-ups.

On the other hand, unlike AML and GDPR which primarily increase the costs for banks, FinTech enables them to develop smart solutions, optimize and automate processes and eventually reduce their day-to-day operational costs. A benefit that is extremely valuable in the current banking environment.

Further capital requirements expected

On August 5, 2019 the EBA released its report to the European Commission on the implementation of the final Basel III framework. As per the press release of EBA, under conservative assumptions, the full implementation of the Basel III framework will increase the minimum capital requirement by 24.4% on average. This increase in capital requirements implies an aggregate shortfall in total capital of about 135.1 billion euro (91.1 billion euro in terms of common equity tier 1, CET1).[2]

More NPL portfolios to be sold

The non-performing loan (NPL) levels are still high and take a considerable part of the banks' resources for provisions. Banks have been working to actively fight NPLs and as a general trend – the NPL levels are indeed falling. Aiming to avoid old mistakes and having learned from them, banks are now much more cautious and risk averse when granting loans compared to 12 years ago. In order to continue the low NPL trend, banks need to implement sound procedures for credit risk rating when originating, granting and monitoring loans. Aiming to address these issues, the EBA has released draft guidelines on loan origination and monitoring which are still under review.[3] However, since the sector was not emerging at a fast pace, banks were not pressed to get rid of the NPLs. Therefore, in a number of countries transfers of NPLs started slowly and are still to take place. Purchasers of NPLs have reported they face similar difficulties when preparing for acquisition of NPL portfolios. Reports indicate certain reluctance by banks to invest additionally in NPLs by preparing them for sale as they would do for an operating asset, which makes the due diligence and valuations very difficult. Selling the NPL portfolios may become more urgent in the light of the new capital requirements and the general expectation is that the banking sector will become more and more active as the NPL sales would free some additional capital.

> The identification of the ultimate beneficial owners of large corporations has turned out to be a huge practical problem

> NPL portfolios sale may become more urgent in the light of the new capital requirements

[1] https://eba.europa.eu/-/eba-publishes-an-opinion-on-the-elements-of-strong-customer-authentication-under-psd2
[2] https://eba.europa.eu/-/eba-advises-the-european-commission-on-the-implementation-of-the-final-basel-iii-framework
[3] https://eba.europa.eu/-/eba-consults-on-draft-guidelines-on-loan-origination-and-monitoring

M&A activity. Consolidation.

The low interest rates, the increased costs for compliance, the new capital requirements and the new competition are major drivers for M&A in the banking sector. Consolidation is a tool to fight the increased cost and reduced revenue issues but it also contributes to stability and better resilience to crisis.

Greek banks are still selling their foreign subsidiaries. Societe Generale is selling some of its foreign subsidiaries and is apparently refocusing on its home market. In Bulgaria in recent years KBC acquired United Bulgarian Bank, Eurobank acquired the local business of Piraeus. A number of countries in the region are dominated by the presence of large European banking groups including Croatia, the Czech Republic and Slovakia, however, additional M&A is still expected in the whole region.

UniCredit, Erste Bank and Raiffeisen are ranked among the biggest players on the regional market. KBC and OTP are expanding. The presence of Austrian banks on the CEE market is considered to be a risk increasing factor for them, thus contributing for higher NPL rates. At the end of 2018 Erste Group was ranked among the ten worst performers in the banking sector in a Europe-wide stress test, meaning that it had to improve its capital adequacy.

Political landscape

Another major factor to impact the banking market is the political situation. Political uncertainty, naturally, has an adverse impact on investments.

Low interest rates, higher costs for compliance -major drivers of M&A. Presence of Austrian banks in CEE seen as risk increasing factor for them

As a general trend in the banking sector, reported for Austria, Bulgaria, the Czech Republic, Hungary, Poland, Serbia, Slovakia and Slovenia,[4] the growing household and consumer lending stands out. In this respect, M&A activity in the banking sector represents an actual purchase of consumers who would otherwise be hesitant or even reluctant to change their bank. Reportedly, many European countries are still resolving issues related to foreign currency loans granted to consumers (e.g. Swiss franc loans, whereby the issues related to them partially date back from 2009) and floor rate clauses. To achieve lower default levels when dealing with consumers, banks should further improve their procedures in order to educate consumers financially and be able to support them in assessing their own capacities and limitations.

Vanilla financing is still the main source of revenue for banks and of financing for companies. Capital markets are staying behind despite some regulatory and legislative efforts such as the introduction of simplified stock exchange access rules for small and medium sized enterprises in countries such as Austria and Bulgaria.

It is also worth mentioning that Chinese presence in the region is still growing. However, the implications of the China – US trade war are still to be reviewed and assessed. BREXIT is also expected to cause additional changes in the banking sector as UK banks would most probably seek entries back to the EU. This would naturally depend on the exact arrangements between the UK and the EU with respect to BREXIT which have become even more uncertain recently.

* * *

Rebeka Kleytman is a manager in Ernst & Young Law Partnership with over 14 years of experience and focus on the banking and finance industry. Repeatedly noted by the Legal 500, she has assisted a number of clients in respect of financing agreements, structuring of the security package, non-banking financial institutions, consumer credits, banking regulatory and capital markets issues. She has also worked extensively on M&A and employment engagements.

[4] The information is based on the FitchSolutions Q3 2019 Banking & Financial Services Reports country by country.

ИЗЛОЖЕНИЯ
Exhibitions
2019
СЕПТЕМВРИ – ДЕКЕМВРИ
SEPTEMBER – DECEMBER

INTER EXPO CENTER
SOFIA, BULGARIA

Септември / September

EUROPEAN UNION CONTEST FOR YOUNG SCIENTISTS 13 – 18

TMT EXPO 25 – 27
Текстил, машини, технологии *Textile, Machinery, Technologies*

ARENA OF BEAUTY 27 – 29
Форум за здраве, красота и естетика *Aesthetics, Cosmetics, SPA, Health, Hair, Nail, Makeup*

CAREER HIVE 2019 4
Най-голямото кариерно събитие за българи с опит в чужбина *The largest career fair for Bulgarians with international experience*

ANIVENTURE COMIC CON 14 – 15
Събитие за фенове на косплей, гейминг, комикси и тв сериали *Festival for Cosplay, Gaming, Comic Books and TV Series*

COPIS 25 – 27
Печатни и рекламни комуникации *Printing and Advertising Communications*

Октомври / October

SOFIA MOTOR SHOW 11 – 20
Автомобилен салон София *Sofia Motor Show*

BULPEK
Хлебопроизводство и сладкарство *Bakery and Confectionery*

Ноември / November

BEGE EXPO 20 – 21
Игрална и развлекателна индустрия *Balkan Entertainment and Gaming Expo*

6 – 9

THE WORLD OF MILK
Млекопреработвателна промишленост *Dairy Industry*

MEATMANIA
Месна промишленост *Meat Industry*

SALON DU VIN
Вино и спиртни напитки *Wine and Spirits*

INTERFOOD & DRINK
Хранително-вкусова промишленост *Food Industry*

#RETAIL SHOW
Ритейл индустрия *Retail Industry*

Декември / December

IWC ANNUAL CHARITY BAZAAR 1
Коледен благотворителен базар *Christmas Charity Bazaar*

ИЗЛОЖЕНИЯ
Exhibitions
2020
ЯНУАРИ – МАЙ
JANUARY – MAY

Януари / January

SIHRE 28–31
Хотелско, ресторантско, кетъринг и СПА оборудване *Hotel, restaurant, catering and SPA equipment*

Февруари / February

ARCHITECTURAL BUILDING WEEK 25 – 28
Енергоефективно, екологично и функционално строителство *Energy efficient, ecological and functional construction*

Март / March

WORLD OF FURNITURE 18– 21
Обзавеждане, интериорен текстил, аксесоари за дома *Furniture, interior textile and home accessories*

Април / April

MACHTECH & INNOTECH EXPO 6–9
Индустриални машини и технологии *industrial machinery and technologies*

TECHNOMEBEL 27– 30
Дървообработваща и мебелна промишленост *Woodworking and furniture industry*

Май / May

13 – 15

BULMEDICA
Медицина *Medicine*

BULDENTAL
Дентална техника, консумативи, оборудване *Dental equipment, technics, materials, consumables*

DERMA & AESTHETICS
Дерматологична и естетична медицина *Dermatological and aesthetic medicine*

www.iec.bg

SEE poised for slowdown in M&A activity after record-high 2018

By Julian Gikov, Konstantin Ivanov, Richard Golden, Helena Simicevic and Simona Ciubotariu

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

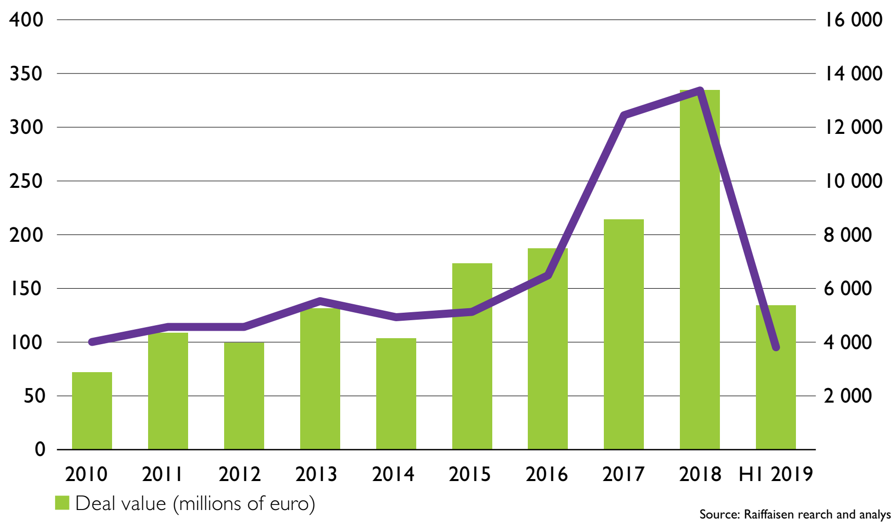
Mergers and acquisitions (M&A) activity in Southeast Europe (SEE) accelerated in 2018 for the fourth consecutive year, as total transactions value exceeded 13 billion euro, but the first half of 2019 showed signs of a slowdown. Robust GDP growth and privatisation initiatives put Serbia and Slovenia in a steady growth mode and they are catching up with the market leaders Bulgaria and Romania, contributing to a far more balanced regional M&A market. In Croatia, the negative impact of political volatility and the ongoing restructuring of the Agrokor conglomerate declines and overall investment climate is improving.

In terms of industries, the fast-moving consumer goods (FMCG), the technology, media and telecom (TMT), the financial sector, infrastructure and real estate attracted highest investor interest and will remain on the investors' radar in 2019. M&A activity in most SEE countries over the last year and a half reflects positive sentiment on the part of global and regional investors, their excessive cash positions, and easy financing availability.

Going forward, strategic international investors with solid cash positions are screening the SEE market for consolidation opportunities, as their interest is primarily directed to national sector champions or high value-added niche product companies. At the same time improving consumer confidence is making domestic players increasingly active.

In addition, with around 10.5 billion euro allocated for investments in Central and Southeast Europe (CSEE) by private equity firms, bolstered by strong Chinese interest, the region is set to benefit from increasing fund raising. Furthermore, increased demand has resulted in financial sponsors facing a shortage of investment targets. The key deal drivers for the SEE region will remain regional and national consolidation processes, privatisation, and restructurings.

M&A DEALS IN SEE (2010-2019 YTD)



Source: Raiffeisen rearch and analys

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	-	-	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
2018	5	3	30	53	4	3	4	150	38	44	334
YTD 2019	1	-	18	9	1	2	2-	45	7	10	95

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	510	65	-	124	4,000	886	589	8,567
2018	118	-	1,739	952	105	91	310	4,832	2,894	2,330	13,371
YTD 2019	50	-	656	263	53	141-	47	1,966	1,171	1,022	5,369

BULGARIA

After M&A activity in Bulgaria peaked in 2017, the following year and a half saw a drop in the number of deals. Their average value, however, was higher, supported by accelerating GDP growth (expected to reach 3.3% in 2019) and shrinking unemployment (4.8% in 2018). The average transaction value in 2018 and the first half of 2019 was close to 60 million euro. The upward trend is expected to continue, as a number of major transactions are due to close by the end of the year.

The list of big M&A deals in Bulgaria during the past 18 months includes the purchase of Telenor Bulgaria, the country's third largest telecom operator, by Czech fund PPF and the sale of Nova Broadcasting Group to Advance Properties for a reported 176 million euro. The most interesting developments expected later in 2019 are the long-delayed concession of Sofia Airport and the rumoured sale of telecom operator Vivacom. The financial sector, energy, TMT and real estate attracted the highest investor interest.

However, following Societe Generale's sale of its local business to Hungary's OTP for a reported 500 million euro in 2018, we have not seen much activity in the financial sector so far in 2019. Other noteworthy deals in 2018 were the sale of Piraeus Bank Bulgaria to Eurobank Bulgaria, and the sale of Municipal Bank to local private investors.

Investors' strong sentiment for real estate materialised in several deals for commercial real estate over the past 18 months, including the acquisition of Mall Sofia by Europa Capital and Megapark Offices by a consortium led by Universale International Realitaten and CA Immo for 100 million euro. Compared to 2017, the last 18 months saw a drop in transactions in the sector.

The TMT sector continues to be perceived as highly attractive by foreign investors in Bulgaria. The acquisition of Telenor by PPF Group set the tone in 2018, as opportunities for consolidation and convergence continue to drive the market. Later in the year Nova Broadcasting Group was acquired by Advance Properties for a reported 176 million euro. The last 18 months also saw a series of small transactions, as the most notable one was the acquisition of Imperia Online by Stillfront Group, a global group of gaming studios. The list of major deals rumoured to happen by the end of 2019 includes the sale of Vivacom, the largest integrated telecom in Bulgaria, and the potential change in the ownership of BTV as part of CME's package sale of assets in CEE. A number of small to mid-sized transactions are expected to be wrapped up in the software and fintech solutions segments.

The potential acquisition of Czech group CEZ's assets in Bulgaria by Eurohold, one of the largest regional financial groups, promises to be one of the most interesting developments on the energy and industrial segments, alongside the Belene nuclear power plant project, which the government recently decided to restart. The renewables sector continues to attract interest on the secondary market as 2018 saw the largest brownfield transaction in Bulgaria todate, advised by Raiffeisen Bank - Samsung's disposal of its 43 MW PV portfolio to a consortium of German fund KGAL and Czech developer and operator Micronix. The reforms in the sector are expected to further boost investment activity.

CROATIA

After a slowdown in 2017 due to the Agrokor crisis, 2018 saw a significant increase in M&A activity in the country, as 53 deals with a total value close to 1 billion euro were concluded. Political stability and the government's positive intervention in Agrokor's restructuring impacted favourably the market.

M&A activity in the Adriatic country is historically driven by the private sector and regional investors who remained wary until the Agrokor situation showed signs of being resolved. On the positive side, the country recorded stable GDP growth of 2.6% in 2018, albeit lower than the 3% - 4% posted by its regional peers.

The real estate sector dominated the country's M&A market in 2018. The list of recent deals includes the acquisition of hotel chain HUP by Adris Group for 223 million euro, and Hyprop Investments' 129 million euro deal for City Center One trade centres in Zagreb. In addition, Immofinanz bought two retails parks in Croatia for a total of 18 million euro, and Jadran Plc. was acquired by Croatian pension funds PBZ Croatia Osiguranje and Erste Plavi.

13 bln euro

Total value of M&A deals in SEE in 2018

5 bln euro

Total value of M&A deals in Romania in 2018

Strategic international investors eye national sector champions, high value-added niche product companies

The retail segment has also been active in terms of M&A, although the deals' price tags tend to be lower. One of the largest Polish private equity funds, Enterprise Investors, acquired Studenac, the second largest retail chain in Dalmatia and eighth largest domestic player. The fund also bought sport gear chain Intersport and the Pan Pek bakeries. In 2019 Enterprise Investors continued its expansion and bought the Istarske supermarkets to further consolidate the position of Studenac on the Croatian coast.

Electric car company Rimac Automobili too continues to attract investor interest, as Germany's Porsche acquired a 10% stake in the company in 2018. In 2019, Hyundai Motor Group invested additional 80 million euro in the company.

Even though the majority of deals involve foreign investors, Croatian companies too are expanding their business through acquisitions. FMCG distributor Orbico Group, which is active in Poland and Belarus, bought Romanian Interbrands and became one of the top FMCG distributors in Europe, and AD Plastik, the largest Croatian manufacturer of plastic components for the automotive industry, acquired Hungary-based Tisza Automotive.

At the same time in line with its privatisation strategy, the government disposed of a stake in Petrokemija, selling it to local group Prvo Plinarsko Drustvo (PPD) and state-owned INA. For a number of other state-owned companies the government is exploring privatisation options, as this should further boost M&A activity in 2019. The list includes troubled Croatia Airlines, which is highly dependent on government support, food producer Podravka, electrical equipment producer Koncar, port operator ACI, and Croatia Banka.

ROMANIA

Although GDP growth eased in 2018, Romania remains one of the fastest growing economies in the EU, as its economy expanded by 4.1% in 2018, driven by private consumption. Investment and net exports, however, had a negative impact on growth, which is forecast to slow down to 3.5% in 2019 and further to 3.0% in 2020.

In 2018 Romania continued to be an attractive market for private equity and strategic investors alike with landmark transactions taking place in TMT, real estate, the financial sector, healthcare and agriculture. M&A deal value amounted to around 5 billion euro last year, generated in around 150 transactions.

Liberty Global Group's divestment strategy in the region generated one of the largest transactions in the country - the sale of cable operator UPC Romania to Vodafone estimated at around 2.9 billion euro.

In the IT sector, a major deal was the acquisition of Softvision, a digital engineering and consulting company, by U.S.-based Cognizant Technology Solutions in a deal worth almost 500 million euro. Meanwhile, UiPath, a provider of enterprise robotic process automation, became the first Romanian unicorn with an enterprise value exceeding 1 billion euro. In 2018 the second round of venture financing raised 234 million euro for a 9% stake, bringing the company's valuation in excess of 2 billion euro.

One of the biggest transactions in 2018 was the acquisition of Agricost Braila, the largest agricultural producer in Romania, by UAE-based investment fund Al Dahra Holding in a deal worth 200-225 million euro.

Two large transactions took place in the banking sector. Erste Group bought a 6.3% stake in Banca Comerciala Romana (BCR) from SIF Oltenia for 140.5 million euro, while UK-based Agro Group acquired Bank Leumi for around 100 million euro.

In the pharmaceutical sector, the largest transaction was the acquisition of Farmexim and Help Net by German group Phoenix for an estimated 100 million euro. Another landmark transaction was the sale of Sanofi's European generics business Zentiva, including its Romanian operations, to private equity firm Advent International as part of its restructuring strategy.

In real estate, the owners of DIY retailer Dedeman acquired The Bridge office project from local real estate developers Forte Partners for an estimated 150-200 million euro. Other major real estate transactions were the takeover of the Oregon Park project by Lion's Head Investment from Portland for around 140 million euro, and the sale of 100% of Militari Shopping Center to South-African fund MAS Real Estate for 95 million euro.

Other high profile transactions driven by private equity funds were the sale of brick producer Brikstone by CEECAT Capital to Austria's Leier Group, and the sale of courier company Urgent Cargus by Abris Capital Partners to Mid Europa Partners.

In the first half of 2019, the combined value of M&A deals in the country amounted to almost 2 billion euro, while transactions numbered 45, close to the levels achieved in the like period a year earlier. The list includes the acquisition of Banca Romaneasca by Eximbank from the National Bank of Greece; the acquisition of Interbrands Marketing & Distribution by Orbico Group; the acquisition by Blackstone of a minority stake worth 175 million euro in Superbet, the largest omni-channel sports betting and gaming operator in Romania; the acquisition of a portfolio of nine shopping centres across the country by MAS Real Estate in a deal worth 113 million euro; and the 50 million euro investment by Chinese private equity fund CEE Equity Partners in Brise Group, a Romanian grain trader.

SERBIA

Although a record-high number of deals were concluded in 2018, the country's M&A profile was largely defined by only a few large transactions privatisations and market exits. The launch of EU accession talks and arrangements with IMF, as well as the structural reforms initiated in 2015, have given a boost to the M&A process in the country. The increased economic activity, with GDP growth accelerating to 4% in 2018, is also supportive of the market.

The successful privatisation of copper mining and smelting complex RTB Bor and the tender for the Belgrade Airport concession were among the M&A highlights last year.

China's Zijin Mining Group, the new owner of RTB Bor, is obliged to invest 1.23 billion dollars in the Serbian company and increase production three-four times within the next five years while maintaining the number of employees. Following the RTB deal, the Chinese group extended its presence on the Serbian market with the acquisition of the Timok copper and gold mine in 2019.

The Belgrade Airport concession was awarded to France's Vinci Airports, which will manage the airport for the next 25 years. The deal included an up-front concession fee of 501 million euro along with investment commitments of 732 million euro.

Meanwhile, the financial sector is expecting the privatisation of the largest Serbian bank - Komercijalna Banka - which should become by the end of 2019.

The most notable deal in the private sector was Telenor's exit from CSEE, which involved the sale of its assets in Serbia, Hungary, Bulgaria and Montenegro to the Czech PPF Group. The total price consideration of 2.8 billion euro makes this the largest telecom transaction in the region for the past few years. The TMT sector also saw Telekom Serbia's acquisition of Kopernikus Technology for 200 million euro, and software developer Nutanix's purchase of Frame, a Serbian-American startup, for 142 million euro.

In the industrial sector, Ireland-based corrugated packaging company Smurfit Kappa bought packaging producers Fabrika Hartija and Avala Ada for a total of 133 million euro. The consumers' goods sector saw Mid Europa sell biscuits producer Bambi to Coca Cola HBC for a reported 260 million euro, and a joint venture between Karlovarske Mineralni Vody and PepsiCo buy Knjaz Milos, a major producer of mineral water and non-alcoholic beverages.

Some smaller state-owned companies were finally privatised after the first sale attempts failed in 2017. Pharmaceutical company Galenika was sold to Brazilian pharmaceutical group EMS for 25 million euro, while bus producer Ikarbus is in a sale talks with China's Yinlong and the deal expected to close in 2019.

SLOVENIA

The Slovenian market experienced a sharp rise in both deal volume and value in 2018, backed by strong economic activity.

The TMT sector saw a couple of landmark transactions in 2018. BC Partners bought the largest Pay TV provider, United Group, for a consideration of 661 million euro, while NXMH, a Belgium-based investment company, acquired one of the oldest cryptocurrency exchange desks in the world - Bitstamp - for 347 million euro.

In October 2018, China's Hisense Group acquired Gorenje Group, the major European household appliance producer for close to 280 million euro. Shortly after, Hisense Group sold Gorenje's waste processing subsidiary to its local peer Eko Surovina. As Hisense focuses on the core operations of Gorenje, i.e. household appliances production, more disposals of non-core assets are expected.

Slovenia's financial industry consolidation, which began in 2016, slowed down in 2018, as M&A activity took place mostly in the insurance sector. Save Re bought KBM Infond from NKBM, one of the largest banks in Slovenia, for 25 million euro; Triglav Group acquired Alta Skladi for 21 million euro, and insurance provider Assicurazioni Generali bought insurance and asset management company Adriatic Slovenica for 245 million euro in early 2019.

In November 2018, Slovenia sold 59.1% of lender NLB's issued share capital in an IPO on the Ljubljana Stock Exchange in line with its commitments to the European Commission taken in 2013 when the bank was recapitalised.
In the real estate sector, Austria-based Supernova and Immofinanz acquired Mercator shopping centres for 117 million euro and bought three retail parks for 29 million euro.

Brexit could be good news for M&A scene in SEE

By Marin Drinov,
Attorney-at-law, CMS Sofia

For more than three years Brexit has remained a hot topic not only from a political perspective, but also from a business one. The decision of the United Kingdom to leave the European Union breeds insecurity with respect to many issues, including trade flows, travel, working permits, state boarders, etc. A hard Brexit scenario fuels fears of a recession, which in the environment of a globalised economy may not only spread over the European continent but produce a ripple effect on an even bigger scale. It seems that no one can predict the exact impact Brexit will have on the business but the data accumulated since the referendum show that there could be surprisingly positive turnarounds, especially for certain regions in Europe.

The general rule is that political uncertainty is bad for the business, yet when speaking about merger and acquisition activity, this may not necessarily be the case. Actually, contrary to expectations, the widespread political tension did not deter the acquisitions in SEE countries during the past years.

Surprisingly, 2018 showed growth in M&A deals in Europe and in the SEE region in particular. Worries that Brexit vote will affect in a negative way the investors' appetite for risk with new acquisitions proved unfounded in the 2016-2018 period, both on a local and on a global scale. The SEE market witnessed an increase in overall deal value of more than 10% in 2018 as compared to 2017 whereas the deal volume remained flat with an insignificant decrease around 1%. As regards the SEE countries, the last three years were characterised by stable market indicators with little fluctuation in deal volume. Both M&A deals and greenfield investments have continued to spur economic growth across the region.

But by getting closer to the 'final exit' date there are some signs that the continuous increase will be paused, at least for a while. First-quarter data for 2019 show a decrease by 23% in global deal value and a 33% drop in volume. The downward trend is not limited only to specific regions such as SEE, but is common for the whole of Europe. Deal values and volumes declined across most regions and sectors, where cross-border deals reached their lowest annual level since 2009. The question now is whether the beginning of this year marks a significant turning point or just a temporary dip before the next rise of activity.

Of course, Brexit is not the only reason why the M&A market is losing momentum. At a time of political turbulence, economic slowdown, global protectionist policies and trade tensions, it is normal to expect disturbance in M&A activity. As the acquisition market is governed by people, it is understandable that at some points in time it may be highly volatile. In the current situation executives in charge of acquisitions may become too cautious. However, a lot of tension has accumulated, particularly because of the leave vote and the current positions of both the UK and the EU, and with the appointment of the new PM it seems that a mutually acceptable exit deal is less probable.

If a balanced deal is reached, we could witness quick growth in M&A activity in all regions of Europe. However, following the election of Boris Johnson as prime minister, the Brexit puzzle could take an even more hazardous turn as he is without doubt the most vigorous defender of the leave vote. Considering his political profile and rather unconventional behaviour, Johnson could easily become the catalyst for a no-deal exit on October 31. The fact that he is threatening not to honour the payments due to the EU under the withdrawal agreement and that no-deal hardliners are being promoted at his office will most probably lead to further deterioration of relations between the UK and the European Union, making the no-deal leave the more likely scenario.

In a worst-case scenario, the effect on

the acquisition market in the UK will be extremely negative, according to all but a handful of members of the Conservative party in London. However, that could be a golden opportunity for the SEE region. Any negative effects with respect to the British economy have the potential to shift the focus of M&A activity towards countries in the Union. British companies planning their post-Brexit strategy could start acquisitions in regions with relatively stable indicators such as SEE in order to better withstand the possible downturn.

For UK companies considering moving to continental Europe, the SEE region is a logical choice. A number of British companies have already been operating in the region and are considering expanding their presence in Southeast European countries. In case of a no-deal Brexit, SEE countries could be a reassuring option for investors with the stability and easy access to the European market that they offer. According to a recent study by the London School of Economics, British companies have already diverted more than 10 billion dollars of investment to EU countries due to Brexit (12% increase in new foreign direct investment projects in EU countries by UK companies).

In a number of regulated industries, the acquisition of strategic targets in EU member countries would facilitate business operations across the entire bloc, which would be crucial for British companies trying to preserve their footprint on the European market. Furthermore, US, Asian and Western European investments could be diverted from the UK to SEE countries. So far, foreign direct investment from EU to the UK have decreased by 11% and after Brexit the total amount of foreign direct investments to the UK is estimated to decline by 22%.

All of the incentives mentioned above, combined with additional benefits such as cheap real estate and low-cost labour market, as well as well-developed transport links offered by SEE countries make the region a promising choice for investors. During the past decade a major part of the foreign investments was distributed among Central European countries, but as living standards rose, the price of investing in that region also went up. SEE countries may now grasp this opportunity to attract some of the investments by providing similar quality, yet at a better price.

On the downside, a hard Brexit is expected to have a negative effect on the GDP of SEE countries estimated at around 1%, as this could also impact M&A activity in the region. However, cheap financing due to low interest rates, the increased presence of private equity capital and the never-lasting desire of big investors to search for new opportunities will most likely offset any drop in GDP.

Worries that Brexit vote will dampen investors' risk appetite proved unfounded in 2016-2018

A no-deal hard Brexit could be a golden opportunity for SEE

SEE could offer investors stability, easy access to the European market

Cheap real estate, low-cost labour market, well-developed transport links make SEE a good choice for investors

Brexit should not be underestimated as a threat for the smooth economic development of the SEE region. The downturn trend in M&A transactions could continue due to accumulation of concussions following the UK exit and negative effects of other international conflicts. However, considering the substantial amounts of free capital currently available and the willingness of investors to get involved in other parts of capital structure, such negative trend will probably result only in a temporary setback. Free capital with private equity and pension funds will not remain idle for long and as problems often create opportunities for quick and adaptive investors, mergers should be getting in motion.

Brexit in SEE media:

Moldovan outlets muse over Dacia car sales in UK, Bosnian worry about EUFOR's future

By Petar Galev, Viktor Laskov, Perceptica

This analysis looks into the most popular words and phrases in Brexit-related articles in Southeast European media in March-August of 2019, which reflect the dominant attitudes in the respective countries and the region as a whole. The period covers some of the most turbulent chapters of the Brexit saga, including the multiple votes on Theresa May's withdrawal bill, her resignation and the appointment of Boris Johnson as prime minister.

Balkan media were mostly curious rather than worried about Brexit and its consequences for their countries' economies or the rights of their citizens. News about every key development made the rounds in all major media outlets across the region. The vast majority, however, treated the issue more as a spectacle, each act proving to be more amusing than the previous.

Unsurprisingly, media in the EU member states in SEE covered more extensively than non-members the expected impact of Brexit on the future of their citizens residing in the UK, as well as the overall influence of the UK's departure on their economies. While Brexit media coverage in different countries shared many common features, the degree of attention was different and some country specifics emerged. For Bosnian media, a possible withdrawal of the UK from EUFOR, the EU's peacekeeping force in the country, was a major concern. Media in Moldova, a country with close historical and cultural ties to Romania, paid attention to the expected impact of Brexit on sales of Romanian car maker Dacia in the UK.

BULGARIA

Given the amount of media coverage received, Brexit seemed more important than a lot of prominent national issues that unfolded during the six months under review. Although Theresa May and Boris Johnson were undoubtedly in the spotlight, Bulgarian media also turned a lot of attention to what other European leaders and institutions said on the matter.

Media repeatedly published articles detailing the effects for Bulgarians working in the UK. With a hard Brexit looming, media outlets focused on projections that such an outcome would cost Bulgaria 18,000 jobs and a 0.38% drop in GDP. Statements that a no-deal Brexit would spell an end to the free movement of people were hardly mitigated by news that telecoms planned no price hikes for calls to the UK or that Bulgarian consumers might gain access to cheaper British goods.

CROATIA

Croatian media focused on Brexit developments unfolding within the UK. Media paid special attention to statements Boris Johnson made as prime minister, while their coverage of Theresa May was slightly less extensive.

Key topics were the prospect of a no-deal Brexit, the calls for a new referendum and the heated debates in the UK Parliament. Media also focused on the potential impact of a no-deal Brexit on non-EU countries such as Russia and China. They emphasized that unlike the EU, which stands to lose from Brexit, Russia and China, as well as the U.S., may gain from it.

ROMANIA

Romanian media generated a substantial amount of coverage with a no- deal Brexit portrayed as an unfavourable solution given the uncertainty about the personal and professional future of Romanian expats in the UK. Local journalists paid special attention not only to stakeholders in the UK, but also in the EU, closely following statements made my Angela Merkel, Jean-Claude Juncker and representatives of the European Commission. The most popular topics included news of UK-based companies relocating to other EU member states where the focus was on the opportunities for Romania to attract such companies and benefit from the Brexit. Surveys among UK citizens claiming that they want a Brexit "by any means necessary" also received substantial coverage.

ALBANIA

Media coverage in Albania, a non-EU country, appeared to be impartial when it came to the Brexit process both in the UK and in the EU as a whole. With no-deal Brexit fast approaching, media reported that the EU is losing hope for a favourable outcome of the negotiations. Albanian media paid attention to the opinion of state leaders such as Emmanuel Macron and Angela Merkel, focusing on Macron's tough stance on further amendments to the Brexit deal and Merkel's optimism that a solution can be found no matter that renegotiation of the deal is no longer on the table.

SLOVENIA

Slovenian media were particularly active during Theresa May's days as prime minister. The potential delay of Brexit was an important topic that attracted great attention. Coverage included political proceedings, as well as articles on the Brexit implications for both the UK and the EU citizens. Slovenian media have also reported that Britons are stockpiling food and other goods with the October 31 Brexit deadline approaching.

In contrast to the stubborn Britons, EU officials were portrayed as a pro-active party in tackling the Brexit impasse in a flexible manner. In particular, the President of the European Council Donald Tusk received high media attention with his proposal for a 12-month delay to Brexit. Local media also emphasized that regardless of Brexit happening with or without a deal the UK will have certain obligations to fulfil. This referred to an estimated 39 - 43 billion British pounds of liabilities to the EU.

MOLDOVA

Media coverage was dominated by Moldovan-language outlets, with Russian-language ones producing just a handful of articles during the period. Due to a large number of locals holding dual citizenships with Romania, local media were particularly interested in what Brexit would entail for Romanian citizens. Statistics on the number of EU nationals submitting documents for UK residency status were quoted, stressing that Romanians account for a sizeable part of all applications – 90,000 out of a total of 750,000.
Besides EU and UK stakeholders, Moldovan media often quoted Romanian political figures, as President Klaus Iohannis was in the spotlight in reports about an EU summit to set a new Brexit deadline. Curiously, Moldovan media also focused on sales of Romanian car producer Dacia in the UK, reporting an 85% spike in sales volume before Brexit.

NORTH MACEDONIA

As an EU candidate country, North Macedonia was not much worried about the potential implications of Brexit on its citizens. The topic did not make headlines over the past six months, nor was it heavily discussed by local politicians. The parliament in Skopje did look into the possible effects of Brexit on the national economy, but once again no big headlines or serious media discussion followed.
Media seemed fascinated with the way British politicians swerved from a deal to a hard Brexit' or second referendum and a no-deal situation. Some outlets went as far as describing the whole process as "Faux Brexit" and "telenovela" in their articles in mid-March when the British Parliament was gearing up for a third vote on May's deal.

SERBIA

Serbian media were not as active in following Brexit as outlets in other countries from the region. The fact that they rarely bothered to mention the exact day of a major event, reporting that it would take place in a certain month, showcases the general lack of interest in the topic. A possible explanation is that Serbia seems to have little stake in Brexit, as evidenced by the lack of any news mentioning a possible impact on the country or its citizens.
Although Serbian businesses were barely mentioned in the media coverage, local media perceived as newsworthy plans by Russia's Sberbank to avoid no-deal risks by opening branches of its Cypriot business in London . As a whole, Serbian media presented Brexit as a more or less chaotic and disorderly process. Some of them also criticized the British authorities for having sent military helicopters to the Estonian border with Russia at a time when they had a much more urgent issue at home.

BOSNIA AND HERZEGOVINA

Understandably, Bosnian media were a lot more involved with Brexit than Serbian ones because of the potential impact of a UK withdrawal from the EU's peacekeeping operation in Bosnia and Herzegovina, which could have significant ramifications for it. This made local outlets particularly wary of the growing prospects of a 'chaotic' no-deal exit. This is the only implication Brexit would have on Bosnia and Herzegovina, according to local media.
Bosnian outlets also tended to focus on what European leaders and EU institutions said about Brexit. Merkel, in particular, was mentioned more often than May and almost as often as Johnson.

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

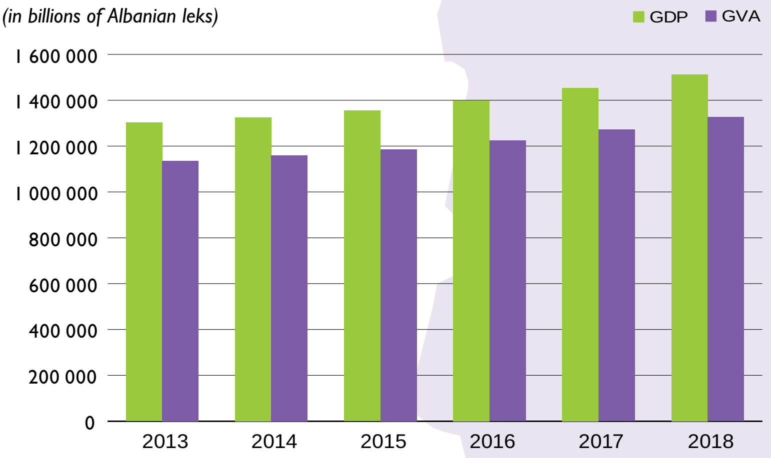
in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	120	Kastrati Sh.a.	Petroleum/Natural Gas	500.4	41.73%	9.950	7.481
2	134	Operatori i Shperndarjes se Energjise Elektrike (OSHEE) Sh.a.	Electricity	459.0	-7.87%	14.829	14.647
3	212	SPIECAPAG - Albania Branch	Construction	279.5	17.46%	9.405	15.065
4	269	Bankers Petroleum Albania Ltd.	Petroleum/Natural Gas	228.5	10.24%	N/A	4.412
5	288	Kurum International Sh.a.	Metals	211.4	30.19%	4.445	2.744
6	299	Korporata Elektroenergjitike Shqiptare Sh.a. (KESH)	Electricity	195.8	115.52%	135.300	N/A
7	314	Genklaudis Sh.a.	Petroleum/Natural Gas	185.6	10.50%	1.015	0.840
8	383	Europetrol Durres Albania Sh.a.	Petroleum/Natural Gas	140.5	-20.27%	N/A	0.783
9	401	Vodafone Albania Sh.a.	Telecommunications	132.7	7.46%	10.178	7.859
10	410	Kastrati Sh.p.k.	Petroleum/Natural Gas	130.7	11.71%	4.593	5.364

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

GDP and GVA

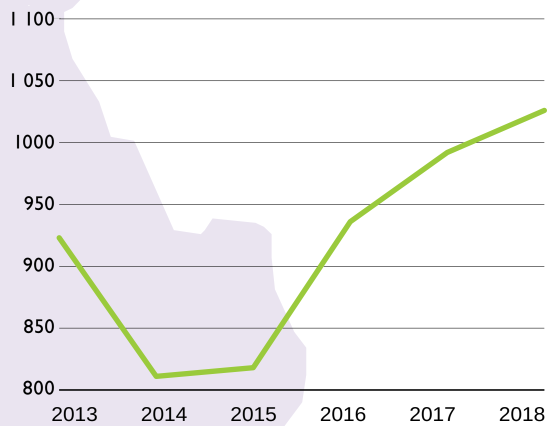
(in billions of Albanian leks)



Source: Institute of Statistics

FDI

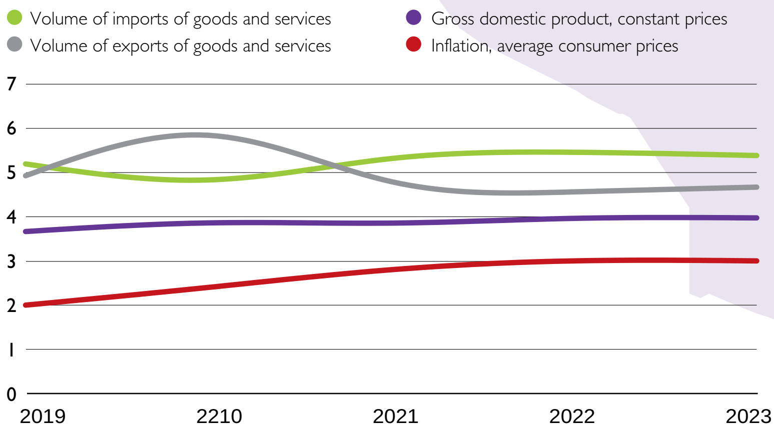
(in millions of euro)



Source: Bank of Albania

ALBANIA ECONOMY FORECAST

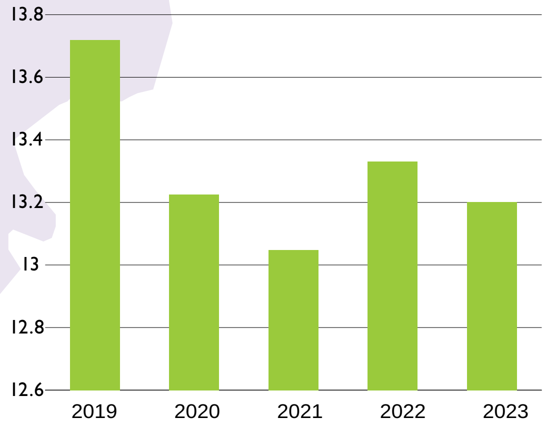
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

Bosnia and Herzegovina

TOP 10

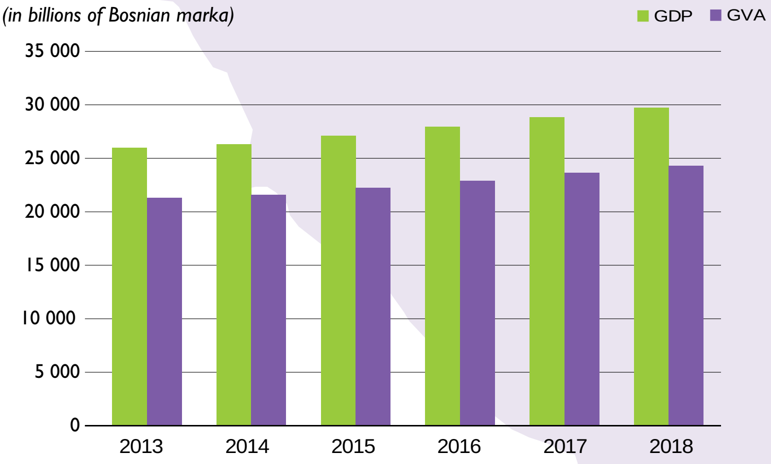
in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	94	Holdina d.o.o. Sarajevo	Petroleum/Natural Gas	603.0	38.04%	1.185	1.680
2	101	Bingo d.o.o. Tuzla	Wholesale/Retail	568.7	6.94%	39.067	37.040
3	108	JP Elektroprivreda BiH d.d.	Electricity	542.3	-8.17%	26.783	0.317
4	132	Optima Grupa d.o.o. Banja Luka	Petroleum/Natural Gas	469.8	7.34%	-44.734	-30.543
5	162	ArcelorMittal Zenica d.o.o.	Metals	384.4	22.34%	-1.693	-6.024
6	218	Aluminij d.d.	Metals	276.1	10.40%	-36.008	-10.766
7	225	Hifa-Oil d.o.o.	Petroleum/ Natural Gas	267.0	50.60%	4.928	3.531
8	227	Petrol BH Oil Company d.o.o. Sarajevo	Petroleum/Natural Gas	264.9	17.96%	2.971	2.917
9	234	BH Telecom d.d.	Telecommunications	255.9	-3.23%	28.735	32.269
10	239	Boreas d.o.o. Kresevo	Wholesale/Retail	250.1	6.49%	0.687	1.672

Source: LRC Engineering Ltd, Sarajevo

GDP and GVA

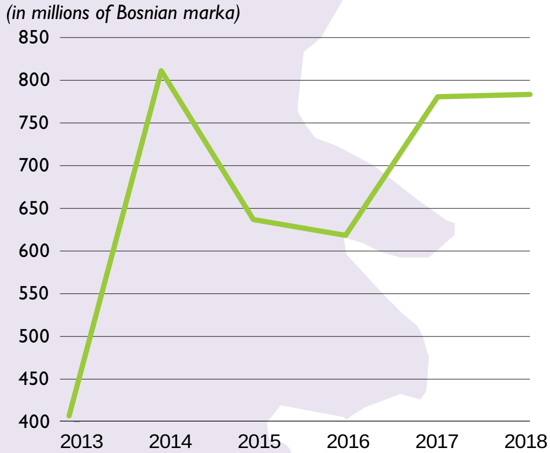
(in billions of Bosnian marka)



Source: Agency for Statistics of Bosnia and Herzegovina

FDI

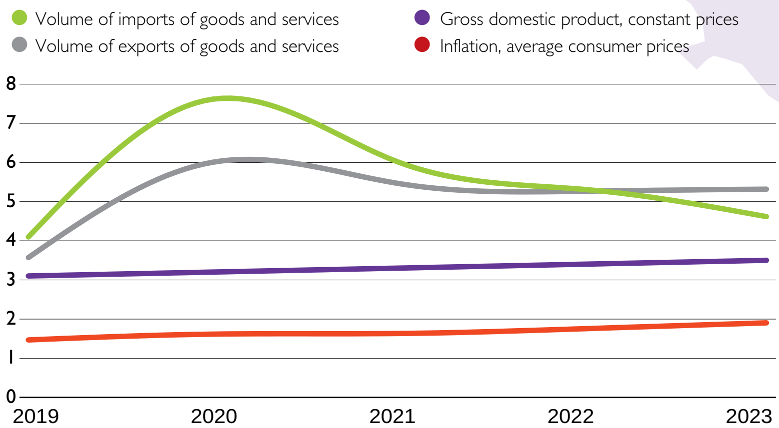
(in millions of Bosnian marka)



Source: Central Bank of Bosnia and Herzegovina

BOSNIA AND HERZEGOVINA ECONOMY FORECAST

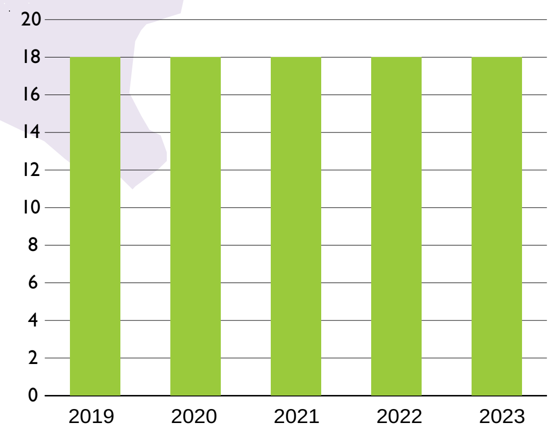
(y/y change in %)



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 2019

Bulgaria

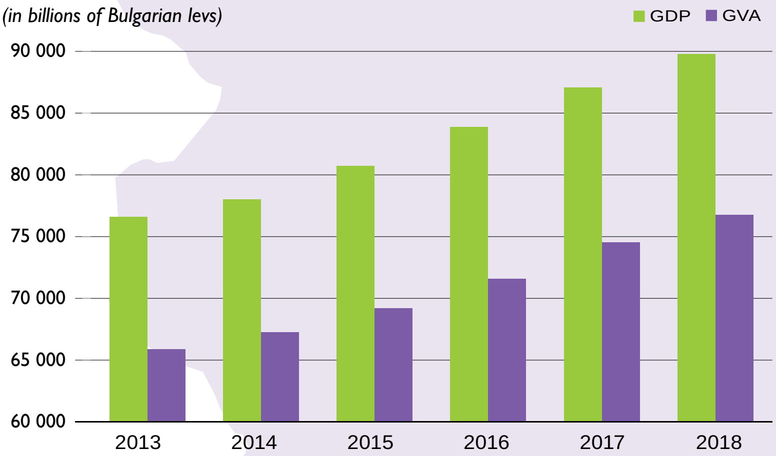
TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	6	Lukoil Neftochim Burgas AD	Petroleum/Natural Gas	3 008	1.55%	-130.0	155.4
2	8	Aurubis Bulgaria AD	Metals	2 576	-2.37%	103.5	201.2
3	18	Lukoil-Bulgaria EOOD	Petroleum/Natural Gas	1 704	23.91%	0.530	-3.1
4	20	Natsionalna Elektricheska Kompania EAD	Electricity	1 650	2.76%	-37.7	3.5
5	53	Saksa OOD	Petroleum/Natural Gas	869.2	57.09%	8.1	5.7
6	60	Kaufland Bulgaria EOOD & Co KD	Wholesale/Retail	803.1	5.22%	36.2	39.0
7	85	Bulgargaz EAD	Petroleum/Natural Gas	666.7	15.70%	-16.4	4.8
8	91	Express Logistic and Distribution EOOD	Wholesale/Retail	626.7	14.66%	1.4	-5.2
9	93	Astra Bioplant EOOD	Petroleum/Natural Gas	611.1	12.50%	6.6	1.0
10	97	AETs Kozloduy EAD	Electricity	574.1	20.31%	83.6	60.3

GDP and GVA

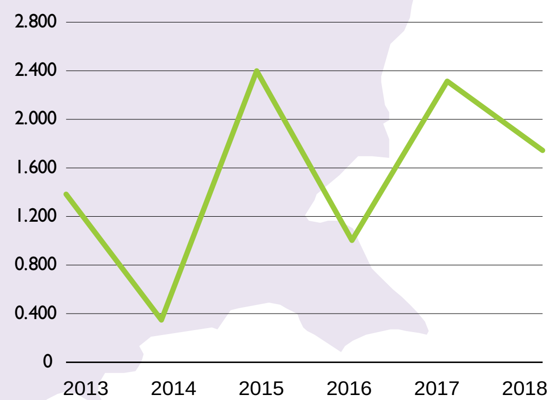
(in billions of Bulgarian levs)



Source: National Statistical Institute

FDI

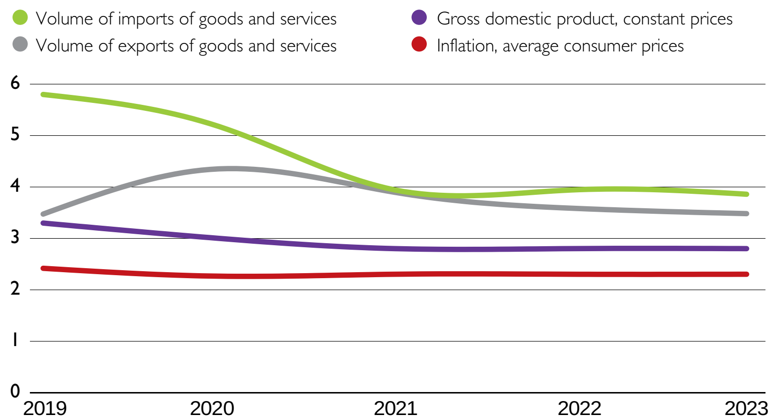
(in billions of Bulgarian levs)



Source: Bulgarian National Bank

BULGARIA ECONOMY FORECAST

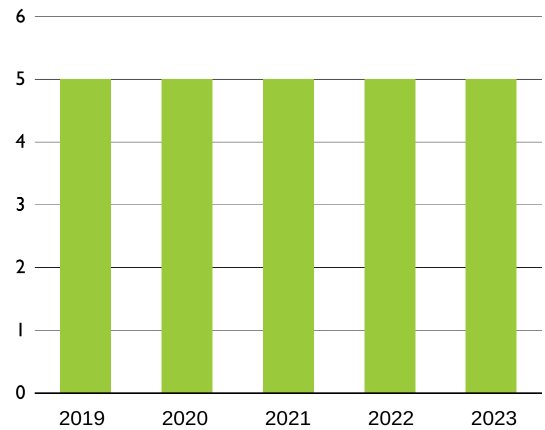
(y/y change in %)



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 2019

Croatia

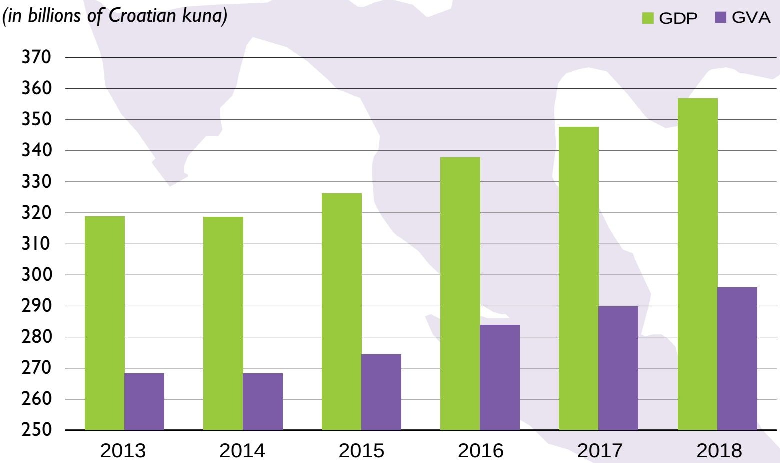
TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	7	INA d.d.	Petroleum/Natural Gas	2 956	19.25%	179.8	189.8
2	31	Hrvatska Elektroprivreda d.d.	Electricity	1 269	6.69%	47.7	48.4
3	33	Konzum d.d.	Wholesale/Retail	1 245	-0.51%	-38.3	-525.2
4	41	Prvo Plinarsko Drustvo d.o.o.	Petroleum/Natural Gas	1 101	5.74%	15.1	33.7
5	59	Hrvatski Telekom d.d.	Telecommunications	835.0	-1.13%	133.6	111.9
6	72	Petrol d.o.o.	Petroleum/Natural Gas	734.3	15.82%	12.0	8.1
7	74	Crodux Derivati Dva d.o.o.	Petroleum/Natural Gas	721.6	36.68%	15.5	11.9
8	78	Lidl Hrvatska d.o.o. k.d.	Wholesale/Retail	697.6	11.47%	37.9	35.6
9	100	Plodine d.d.	Wholesale/Retail	569.0	-0.46%	16.0	14.7
10	104	Spar Hrvatska d.o.o.	Wholesale/Retail	565.3	23.30%	-5.5	-13.8

GDP and GVA

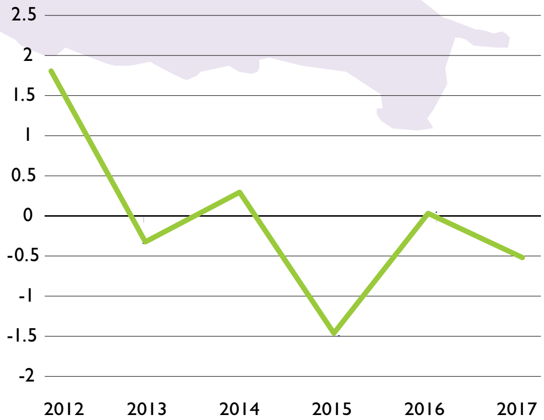
(in billions of Croatian kuna)



Source: Croatian Bureau of Statistics

FDI

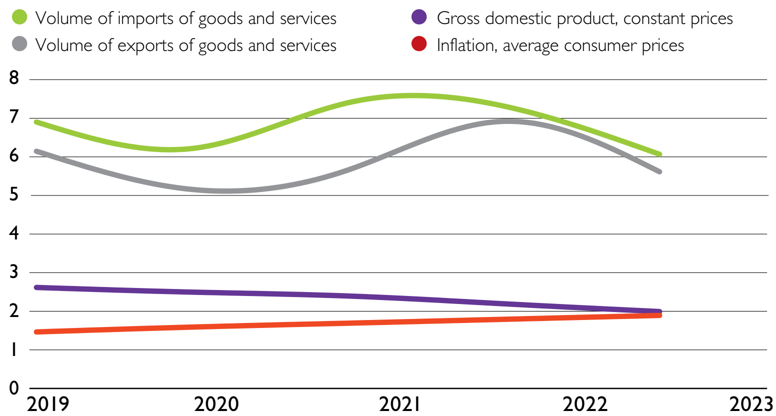
(in billions of Croatian kuna)



Source: Croatian Bureau of Statistics

CROATIA ECONOMY FORECAST

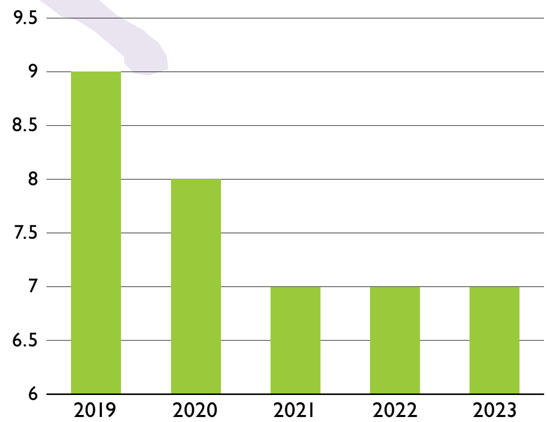
(y/y change in %)



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 2019

North Macedonia

TOP 10

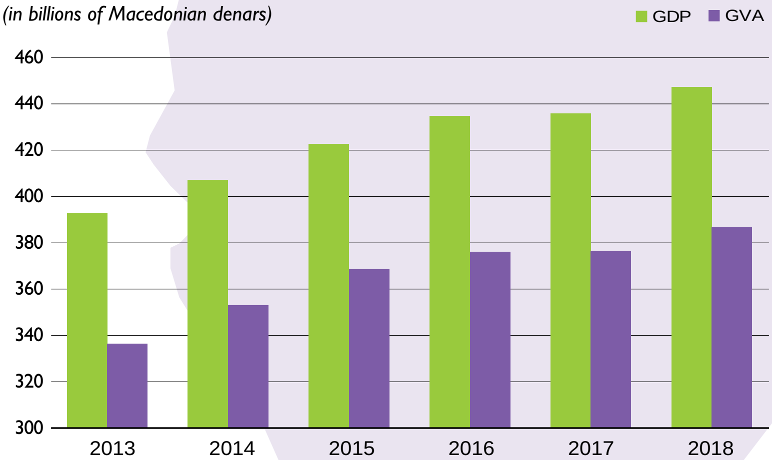
in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	17	Johnson Matthey DOOEL	Chemicals	1 752	18.05%	97.8	96.8
2	137	Okta AD	Petroleum/Natural Gas	448.2	18.97%	-1.6	3.3
3	173	EVN Macedonija AD	Electricity	370.0	-7.16%	17.2	27.6
4	179	Makpetrol AD	Petroleum/Natural Gas	357.8	16.96%	12.7	4.9
5	273	Elektrani Makedonija AD	Electricity	223.4	2.02%	27.2	8.6
6	275	Kromberg & Schubert Macedonia DOOEL	Wholesale/Retail	223.1	47.30%	3.9	2.7
7	325	Van Hool Makedonija DOOEL	Automobiles	179.2	32.16%	12.4	9.3
8	337	Makedonski Telekom AD	Telecommunications	172.9	2.10%	23.1	22.5
9	376	GEN-I DOOEL	Electricity	147.3	20.44%	0.347	0.302
10	387	EVN Elektrodistribucija DOOEL	Electricity	139.5	-5.03%	-7.6	4.7

Source: Company annual reports, SeeNews database

GDP and GVA

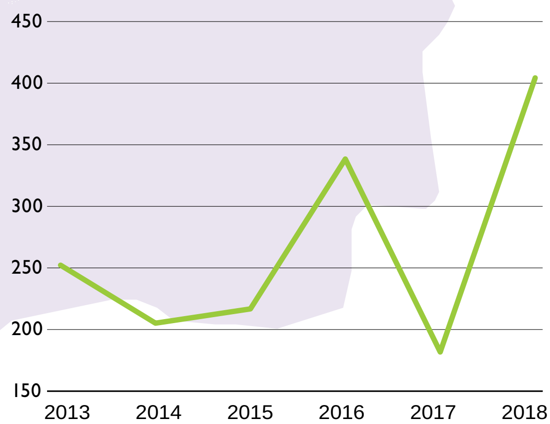
(in billions of Macedonian denars)



Source: State Statistical Office of the Republic of North Macedonia

FDI

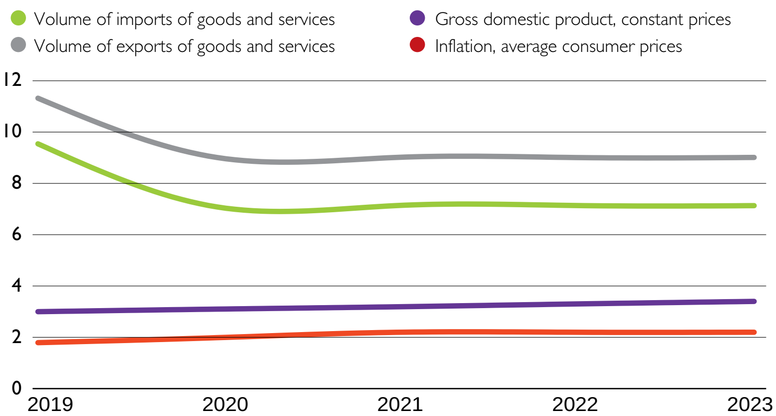
(in millions of euro)



National Bank of the Republic of North Macedonia

NORTH MACEDONIA ECONOMY FORECAST

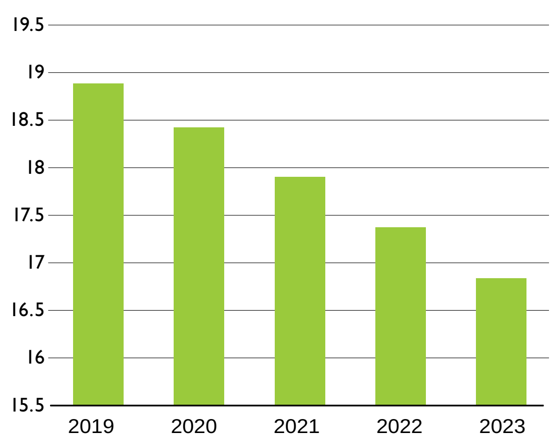
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

Moldova

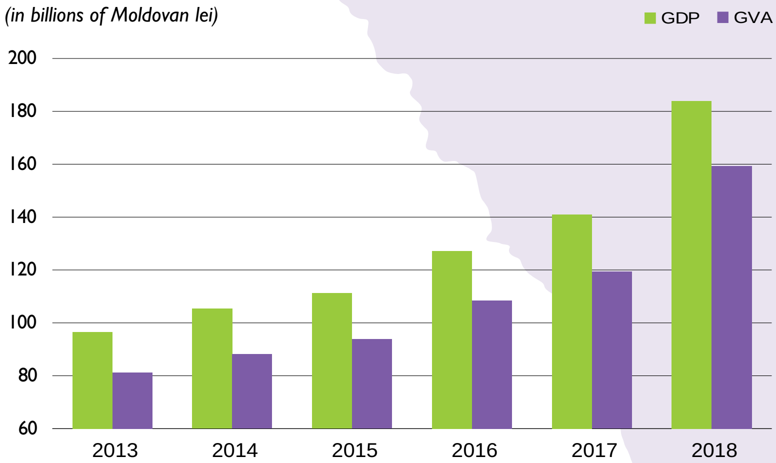
TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	189	Moldovagaz SA	Petroleum/Natural Gas	332.8	-18.42%	9.8	94.4
2	308	Energocom SA	Electricity	189.3	22.90%	1.1	0.289
3	392	Termoelectrica SA	Electricity	137.0	7.41%	9.5	1.9
4	459	Orange Moldova SA	Telecommunications	115.2	-22.46%	N/A	21.3
5	528	Floarea Soarelui SA	Food/Drinks/Tobacco	92.0	73.00%	0.102	1.7
6	531	Moldtelecom SA	Telecommunications	91.7	-5.36%	3.0	3.0
7	604	Metalferos SA	Waste management	74.2	12.20%	2.4	2.1
8	700	Supraten SA	Building materials	56.8	-4.96%	1.9	2.8
9	729	Tirex-Petrol SA	Petroleum/Natural Gas	53.4	5.04%	1.8	0.533
10	737	Moldcell SA	Telecommunications	52.1	-25.10%	N/A	-13.8

GDP and GVA

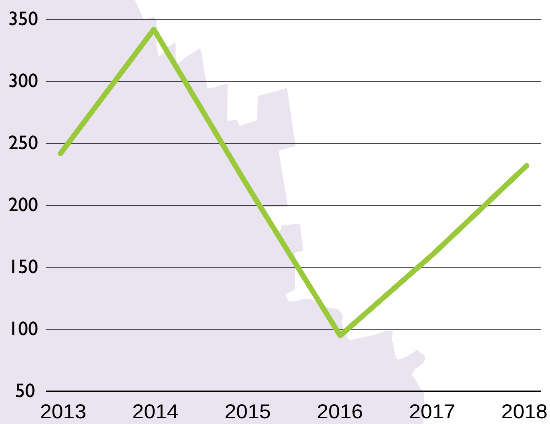
(in billions of Moldovan lei)



National Bureau of Statistics of the Republic of Moldova

FDI

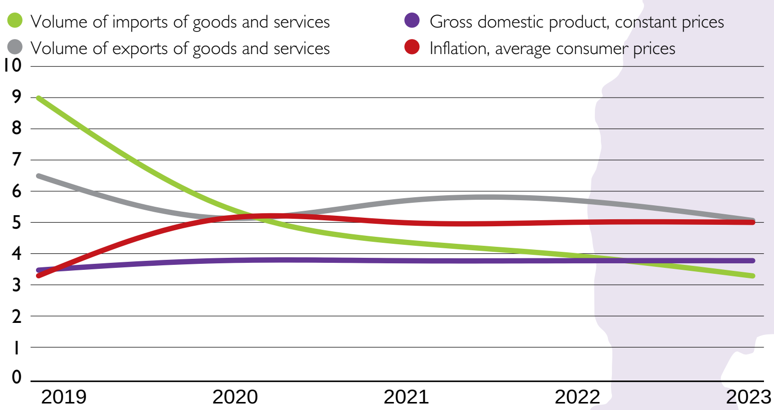
(in millions of US dollars)



Source: National Bank of Moldova

MOLDOVA ECONOMY FORECAST

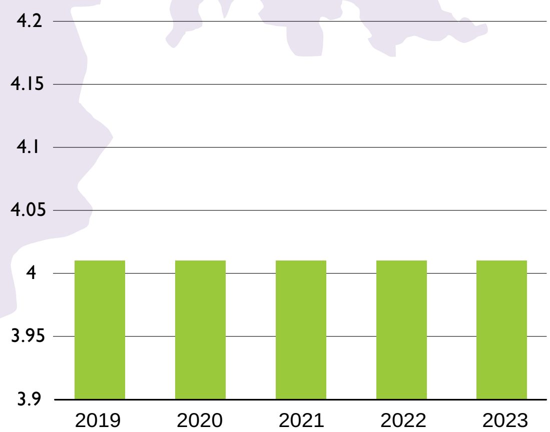
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2019

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



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

Montenegro

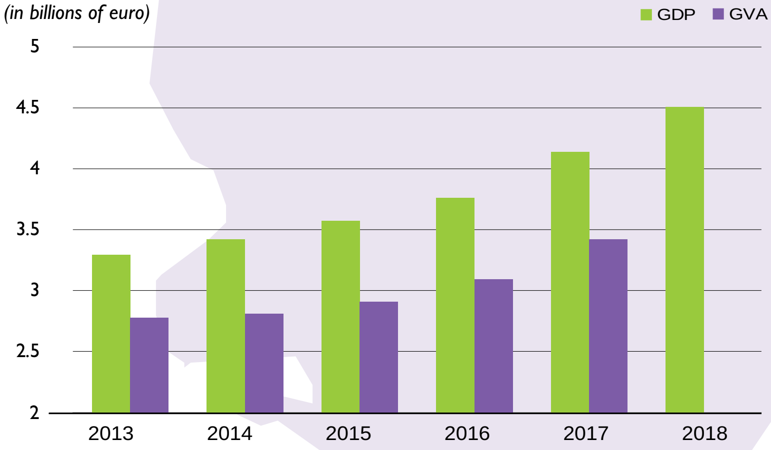
TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	192	Elektroprivreda Crne Gore A.D.	Electricity	326.3	18.13%	44.1	-0.948
2	201	China Road & Bridge Corporation D.O.O.	Civil Engineering	294.5	2.00%	-142.9	-127.1
3	264	Voli Trade D.O.O.	Wholesale/Retail	230.7	10.35%	4.5	4.3
4	348	Jugopetrol A.D.	Petroleum/Natural Gas	164.8	20.98%	6.8	7.6
5	371	Hard Discount Lakovic D.O.O.	Wholesale/Retail	150.6	13.91%	3.7	3.0
6	439	Mercator-CG D.O.O.	Wholesale/Retail	120.7	-3.60%	0.455	0.332
7	460	Bemax D.O.O.	Metals	115.0	32.16%	13.3	20.7
8	543	Uniprom D.O.O.	Transportation	88.1	-14.70%	0.910	0.154
9	557	Crnogorski Telekom A.D.	Telecommunications	85.8	-0.70%	7.3	5.1
10	578	Montenegro Airlines A.D	Transportation	80.2	13.91%	-2.0	-15.9

GDP and GVA

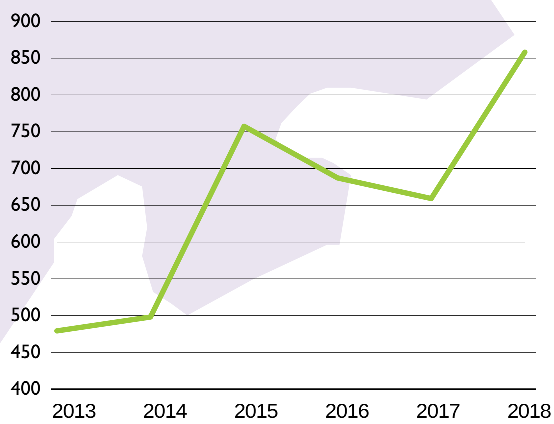
(in billions of euro)



Source: Statistical Office of Montenegro

FDI

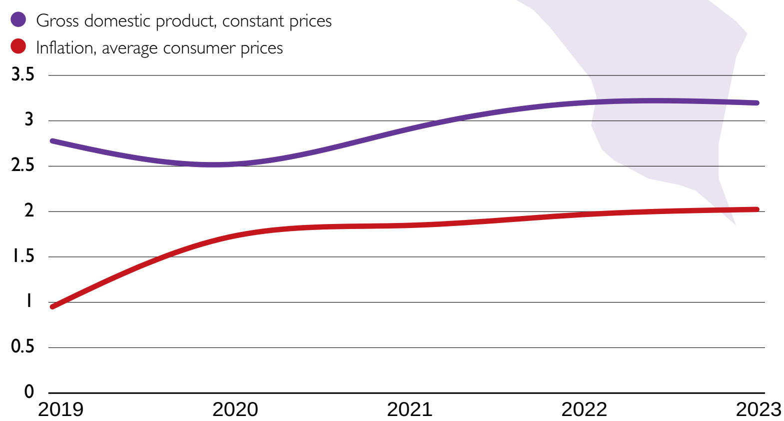
(in millions of euro)



Source: Central Bank of Montenegro

MONTENEGRO ECONOMY FORECAST

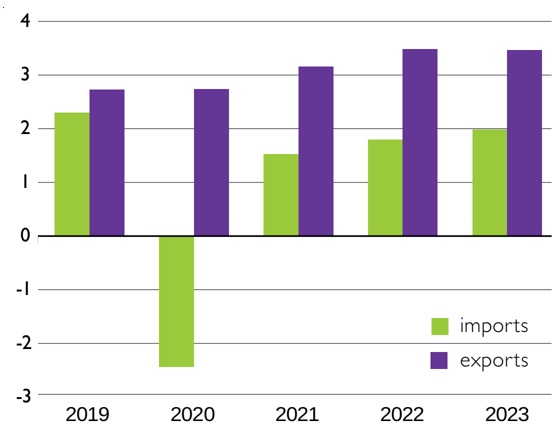
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

IMPORTS, EXPORTS FORECAST

(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database – April 2019

Romania

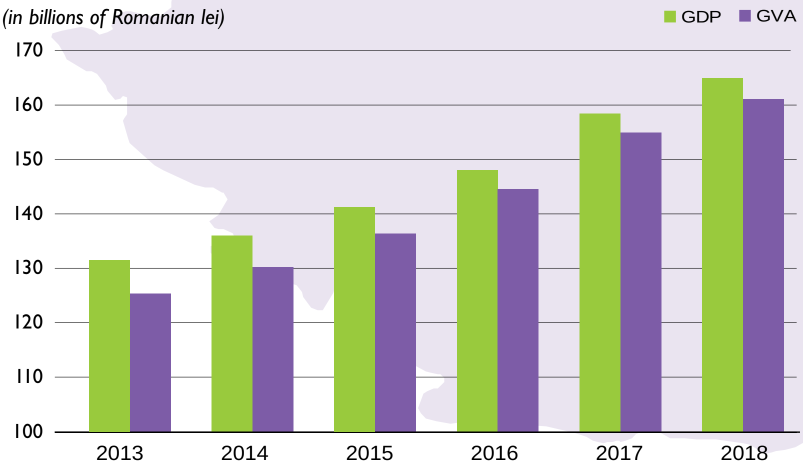
TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	1	Automobile-Dacia SA	Automobiles	5 348	6.54%	161.3	115.7
2	3	OMV Petrom SA	Petroleum/Natural Gas	4 121	20.92%	831.8	515.0
3	4	OMV Petrom Marketing SRL	Petroleum/Natural Gas	3 864	18.50%	89.8	68.8
4	5	Rompetrol Rafinare SA	Petroleum/Natural Gas	3 043	22.77%	-49.4	89.8
5	11	Rompetrol Downstream SRL	Petroleum/Natural Gas	2 362	21.71%	16.3	36.2
6	12	Kaufland Romania SCS	Wholesale/Retail	2 349	8.00%	169.1	143.9
7	13	Ford Romania SA	Automobiles	2 286	111.82%	37.8	20.5
8	15	British American Tobacco (Romania) Trading SRL	Automobiles	2 078	8.30%	33.3	65.6
9	19	Lidl Discount SRL	Wholesale/Retail	1 698	20.12%	88.4	75.7
10	21	Lukoil Romania SRL	Petroleum/Natural Gas	1 615	26.03%	14.0	18.4

GDP and GVA

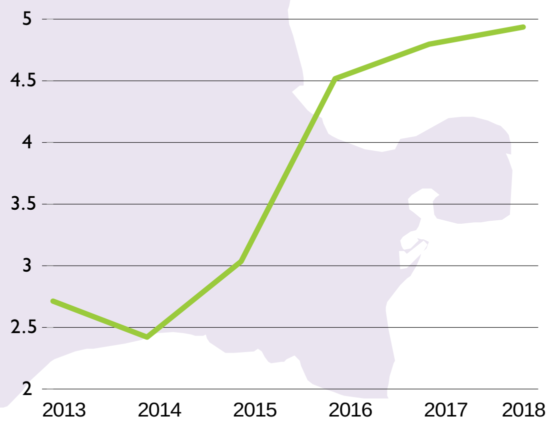
(in billions of Romanian lei)



Source: National Institute of Statistics

FDI

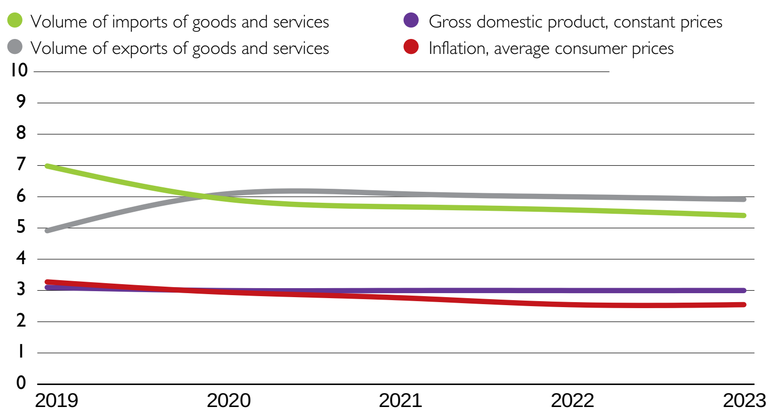
(in billions of euro)



Source: National Bank of Romania

ROMANIA ECONOMY FORECAST

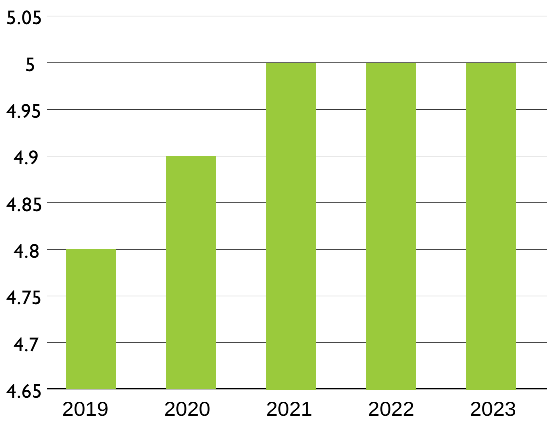
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2019

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2019

Serbia

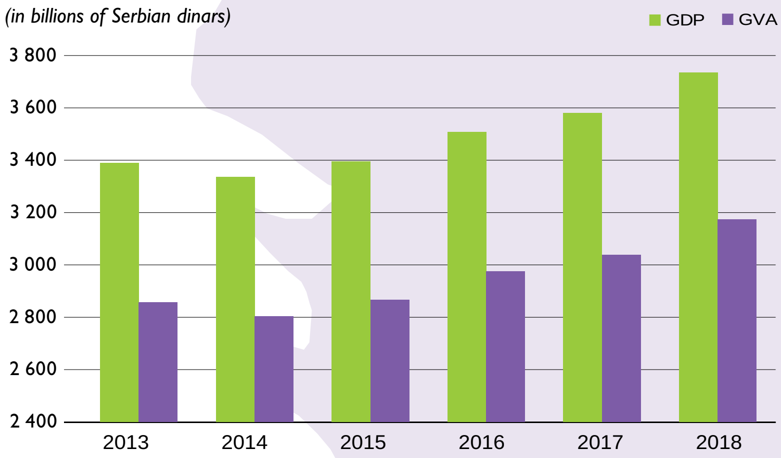
TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	10	JP Elektroprivreda Srbije	Electricity	2 376	2.34%	13.5	28.8
2	14	Naftna Industrija Srbije AD	Petroleum/Natural Gas	2 250	14.90%	221.2	235.3
3	29	Serbia Zijin Bor Copper DOO (former RTB Bor DOO)	Metals	1 316	295.40%	764.2	8.3
4	46	HBIS Group Serbia Iron & Steel DOO	Metals	907.1	30.16%	0.209	0.021
5	50	Delhaize Serbia DOO	Wholesale/Retail	881.5	7.28%	22.6	36.1
6	65	Telekom Srbija AD	Telecommunications	784.1	-1.51%	86.3	123.2
7	67	FCA Srbija DOO	Automobiles	777.2	-21.91%	12.9	18.0
8	69	JP Srbijagas	Petroleum/Natural Gas	744.9	-1.98%	49.3	141.6
9	71	Mercator-S DOO	Wholesale/Retail	735.4	-6.89%	-14.1	-58.0
10	73	EPS Distribucija DOO	Electricity	723.3	-1.61%	-21.1	19.7

GDP and GVA

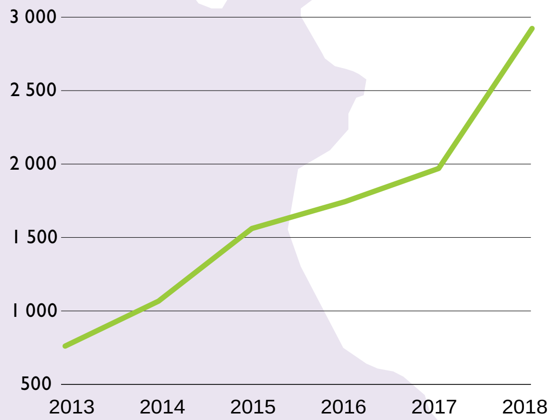
(in billions of Serbian dinars)



Source: Statistical Office of the Republic of Serbia

FDI

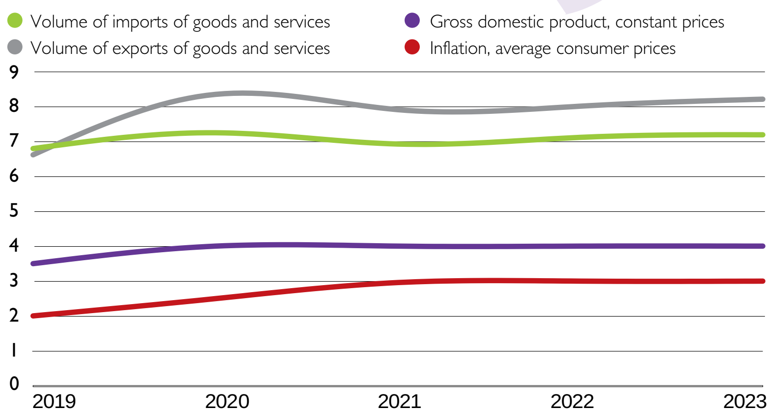
(in millions of euro)



Source: National Bank of Serbia

SERBIA ECONOMY FORECAST

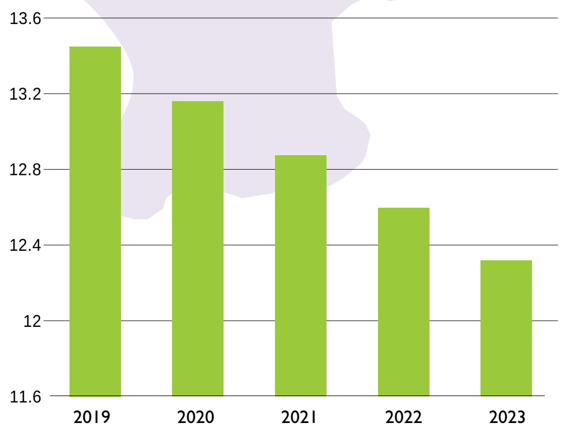
(y/y change in %)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2019

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2019

Slovenia

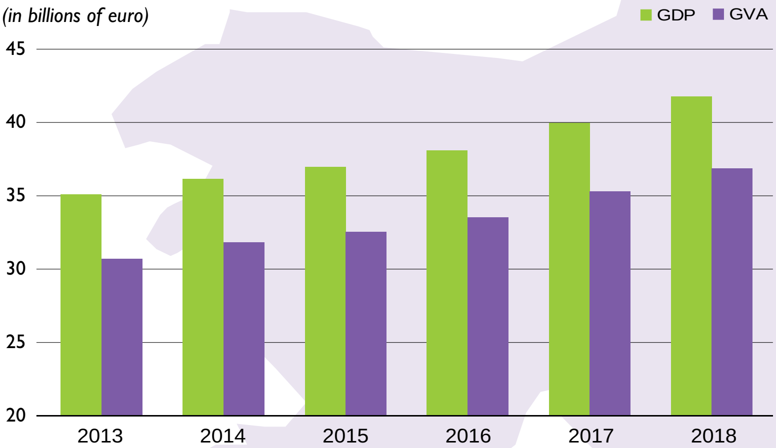
TOP 10

in millions of euro

No	SEE TOP 100 No	Company name	Industry	Total revenue 2018	Y/Y change in revenue	Net profit/ loss 2018	Net profit/ loss 2017
1	2	Petrol d.d.	Petroleum/Natural Gas	4 365	15.15%	100.6	64.3
2	9	GEN-I d.o.o.	Electricity	2 396	-2.45%	13.0	13.5
3	16	Revoz d.d.	Automobiles	1 777	11.46%	33.6	34.8
4	25	Holding Slovenske Elektrarne d.o.o.	Electricity	1 519	-8.35%	9.5	19.7
5	34	Krka d.d.	Pharmaceuticals	1 236	2.74%	163.3	153.7
6	37	Poslovni Sistem Mercator d.d.	Wholesale/Retail	1 191	-0.71%	-10.9	-203.7
7	42	Lek d.d.	Pharmaceuticals	1 090	12.96%	116.7	83.2
8	58	Gorenje d.d.	Electricity	839.1	1.96%	-126.8	0.473
9	61	OMV Slovenija d.o.o.	Petroleum/Natural Gas	802.5	29.05%	24.0	21.8
10	62	IMPOL d.o.o.	Metals	800.7	6.54%	18.8	19.6

GDP and GVA

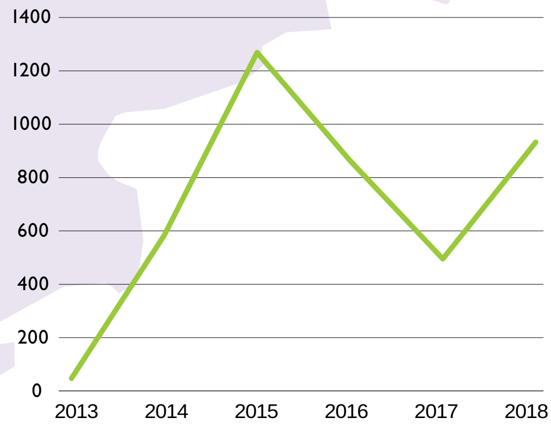
(in billions of euro)



Source: Statistical Office of the Republic of Slovenia

FDI

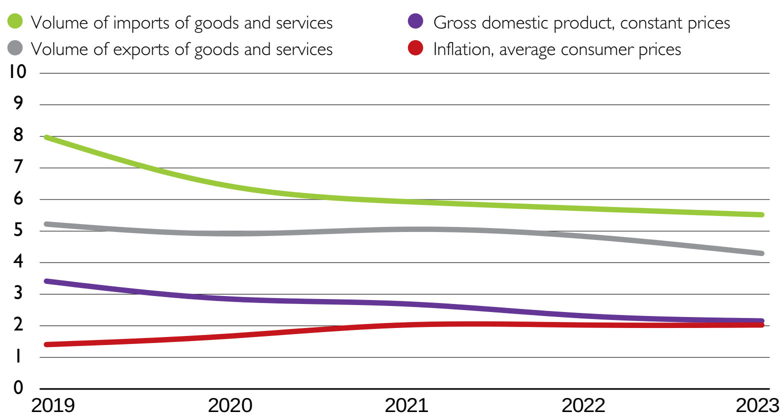
(in millions of euro)



Source: Bank of Slovenia

SLOVENIA ECONOMY FORECAST

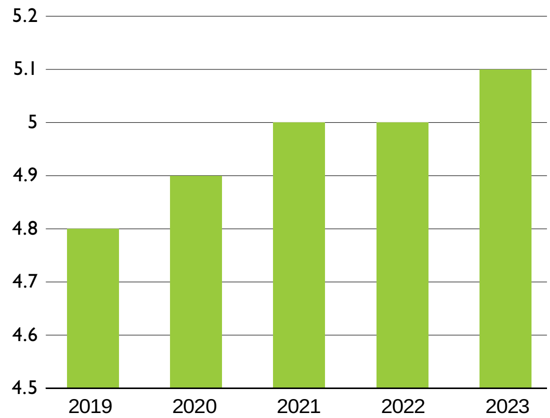
(y/y change in %)



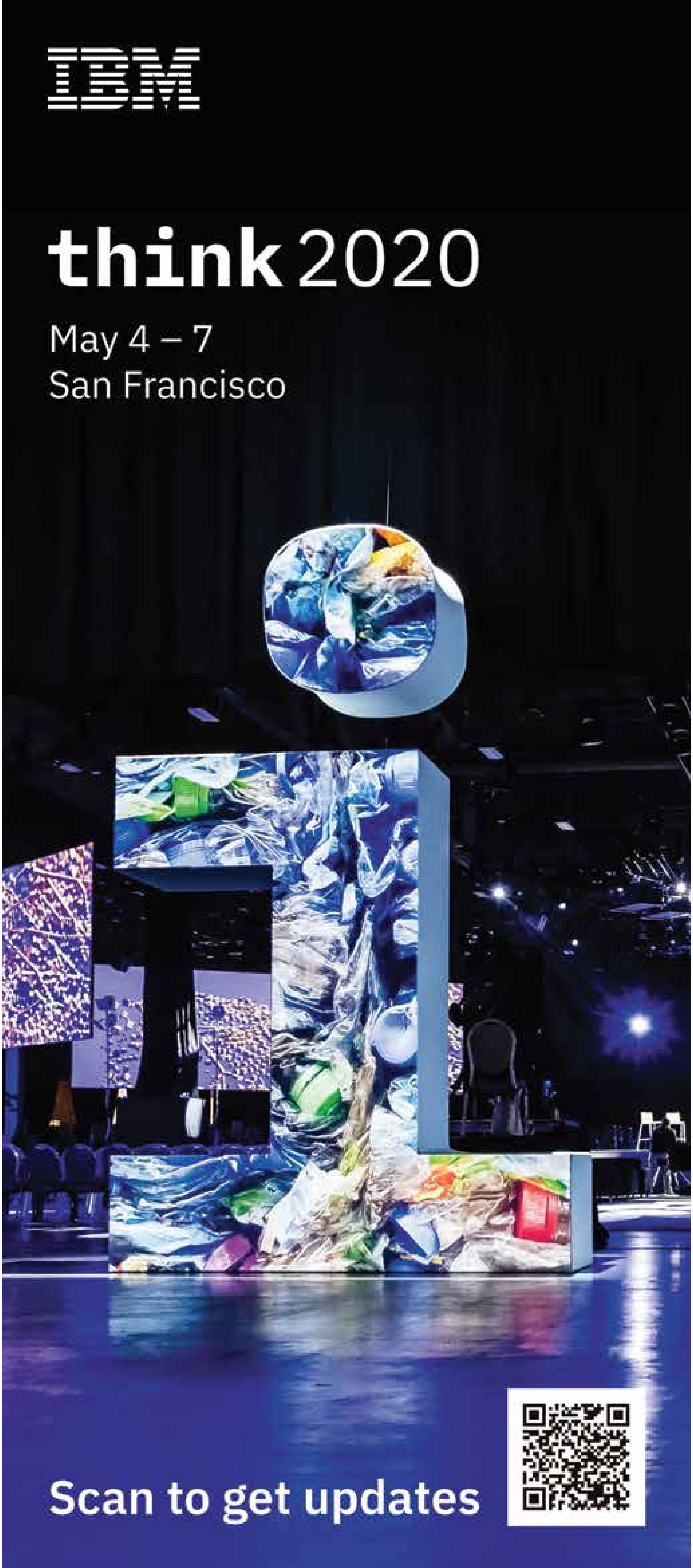
Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2019

UNEMPLOYMENT RATE FORECAST

(% of total labour force)



Source: International Monetary Fund (IMF) World Economic Outlook Database - April 2019


IBM
think 2020
May 4 – 7
San Francisco
Scan to get updates