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Top Stories

GAZPROM MULLS NIS, SOUTH STREAM AS ONE PROJECT

GAZPROM TO CONSIDER NIS PRIVATIZATION, SOUTH STREAM GAS PIPELINE, GAS STORAGE FACILITIES IN SERBIA AS SINGLE PROJECT. Alexey Miller (pictured left),



deputy board chairman of Russian energy giant Gazprom, met with President Boris Tadic and Prime Minister Vojislav Kostunica yesterday to discuss the possibilities of building the South Stream gas pipeline through Serbia, taking part in the privatization of state oil company Naftna Industrija Srbije (NIS), and constructing gas storage facilities in Serbia, local media reported. Following the meetings, the world's largest gas producer said in a statement it will consider the three issues as a single, complex project. The meeting with Tadic focused on the South Stream pipeline connecting Russia with Southern Europe, according to a press release from the president's office. In talks with Kostunica, which were also attended by Russian Ambassador in

Belgrade Alexander Alekseev, the two sides agreed to hold regular meetings with the aim of expanding cooperation in the energy sector, the government's press office said in a press release. In December 2006, the Serbian government and Gazprom signed a memorandum of understanding on building a 400-kilometer pipeline through Serbia, a project valued at some USD 1 billion. Serbia has yet to adopt a plan for the privatization of NIS, which the previous government wanted to sell in stages, giving a strategic partner 25% of the company in the first stage of privatization and eventually 49% and management control. Bids were to be invited in October 2006, but the sale was postponed until after the January parliamentary elections.

Lithuanian-Swedish consortium pays EUR 21.4 million for 51.9% of brewery BIP. A consortium of Lithuanian drinks firm Alita and Sweden-based investment company United Nordic Beverages has paid EUR 21.4 million to take over the state's 51.9% stake in brewery Beogradska Industrija Piva (BIP) in Belgrade, RTS reported yesterday. Alita now controls 41.5% and United Nordic Beverages 10.4% of BIP. The consortium was named the top bidder for BIP in early June, after it outbid Slovenian brewer Pivovarna Lasko, which offered EUR 11.8 million for the stake and EUR 9 million in investment. It pledged a EUR 5.1 million investment plan and a social welfare program. BIP, Serbia's sole producer of brewer's yeast, operates brewery Mostar and juice plant Dunavgrad in Belgrade and malt factory Fabrika Slada in Cacak. According to earlier reports, BIP posted a RSD 1.27 billion loss in 2006, after ending the previous year RSD 680.5 million in the red.

Energoprojekt inks Prokop railway terminal preliminary deal. Serbia's largest construction company, Energoprojekt Holding, said in a press release yesterday it has signed a general contract with public railway company Zeleznice Srbije on building commercial space around and above the Prokop railway terminal in Belgrade. The contract defines "basic terms" for the project's implementation, the Belgrade-based company said, adding that it expects to sign a "joint construction contract" by the end of the year. Zeleznice Srbije launched talks with Energoprojekt, the second-ranked bidder for the Prokop project, in September, nearly one year after the winning bidder, Cyprus-based TriGranit Development Corporation, missed a deadline to sign a binding contract, according to earlier reports. TriGranit signed a EUR 170 million preliminary agreement with Zeleznice in June 2006, but failed to ink a binding contract by the September 2006 deadline. The Prokop project is part of a wider plan to remove the existing railway terminal from downtown Belgrade and free up some 80 hectares of prime development land.

Del Ponte to present crucial cooperation report to EU on Monday. Chief UN war crimes prosecutor Carla Del Ponte will submit a report on Serbia's cooperation with the Hague tribunal to the EU on Monday, news agencies reported yesterday. The report, which Del Ponte will present at a meeting of EU foreign ministers, will be crucial for the timing of the EU's signature on its Stabilization and Association Agreement (SAA) with Serbia, EU Enlargement Commissioner Olli Rehn earlier said. Following a visit to Belgrade in late September, Del Ponte said that Serbia's progress in cooperation has been "rather slow," adding that she is "increasingly worried that the slow progress may not lead to a positive outcome." Del Ponte urged the EU yesterday not to grant candidate status to Serbia and Bosnia-Herzegovina as long as Bosnian Serb wartime commander Ratko Mladic, former leader Radovan Karadzic, and other fugitives remain at large.

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Politics

Djelic presents Serbia's European agenda priorities to EU ambassadors. Deputy Prime Minister Bozidar Djelic met with EU countries' ambassadors in Belgrade yesterday to present the priorities of Serbia's "European agenda" and seek their active support in achieving the goals, Tanjug reported. The country's priorities are to initial and sign the Stabilization and Association Agreement (SAA) with the EU, efficiently implement its visa facilitation agreement with the union, which should be ratified in the parliament by the end of October, launch negotiations on full visa liberalization with the EU, and gain access to its Instrument for Pre-Accession Assistance (IPA), according to Djelic. Serbia is committed to completing its cooperation with the UN war crimes tribunal in The Hague by the end of the year, he said. The EU, which completed SAA talks with Serbia in September, will decide when to sign the agreement after chief UN war crimes prosecutor Carla Del Ponte submits a new report on Belgrade's cooperation with The Hague, EU Enlargement Commissioner Olli Rehn earlier said.



Business & Economy

Telekom Srbija could be first public company to float on BSE, Djelic says. The adoption of laws on public companies' ownership transformation and the distribution of shares free of charge to citizens, and changes to the securities law are prerequisites for public companies to sell their shares in initial offerings on the Belgrade Stock Exchange (BSE), Deputy Prime Minister Bozidar Djelic said yesterday, local media reported. While he failed to specify when the legislation would be put in place, Djelic said that telecom provider Telekom Srbija could be Serbia's first public company to float on the BSE. According to brokers, institutional investors are more interested in public companies such as oil company Naftna Industrija Srbije (NIS), Telekom Srbija, power utility Elektroprivreda Srbije (EPS), and Belgrade's airport, Nikola Tesla, than in any other stocks, and the companies' failure to float will help shift investor interest from the Belgrade bourse to other markets. Trading in the public companies' stock on the BSE would have a huge impact on the development of new financial institutions and professions in Serbia, according to brokers. Top market officials, including BSE Director Gordana Dostanic and Securities Commission Chairman Milko Stimac, have repeatedly said that the landscape of Serbia's capital market would greatly change if large public companies



floated on the BSE.

EI blames cartels, wage growth for rising food prices; says NBS is not responsible for dinar's strengthening. Experts from Belgrade's Economics Institute (EI) forecast that annual inflation in 2007 will be around 9.5% due to growing wages and "cartels that used hikes in prices of agriculture products to raise their own prices," Tanjug reported yesterday. Food prices in Serbia between 2003 and 2006 grew over 22%, the fastest growth pace in the region in the period, the EI's Ivan Nikolic said at a presentation of the latest issue of the think-tank's bulletin, Macroeconomic Analyses and Trends. If the trend continues, food prices will reach the levels of those in Slovenia next year, even though average wages in Serbia are 2.5 times lower than those in the neighboring country, he noted. The main reason for such a big increase is "cartel behavior," Nikolic said. At the same presentation, the EI's Bosko Zivkovic said that the National Bank of Serbia (NBS) is not to be blamed for the strengthening of the dinar against the euro, explaining that Europe's single currency dropped against the dinar because "somebody sold a large sum of euros and caused disturbance" in the foreign exchange market.

UBS calls on banks to cut maximum repayment schedules for credit card debt, consumer, car loans, daily says. The Association of Serbian Banks (UBS) has recommended that banks charge their clients at least 5% including interest a month of revolving credit card debt and reduce credit card limits, Blic has learned. Banks in Serbia are also expected to cut repayment periods for current account overdraft and credit card debt to two years, while maximum repayment term for consumer loans should go down to five years and car loans to seven years.



Earlier this month, National Bank of Serbia (NBS) Governor Radovan Jelasic called on UBS members to reach an agreement and reduce the repayment terms, noting that Serbia's retail loan debt stood at a worrying RSD 280.3 billion, or over EUR 3.5 billion, at the end of August. Jelasic also said that "it will be clear by the end of October" whether the NBS will be forced to take additional restrictive measures. In August, the NBS cut the maximum cash loan repayment schedule to two years in an effort to stem the tide of rising retail debt.

Dinkic discusses investment in Serbia with Siemens senior official. Economy and Regional Development Minister Mladjan Dinkic met with Siemens managing board member Heinrich Hiesinger in Munich yesterday to discuss investments in the Serbian health and railways sectors and the modernization of facilities of state power utility Elektroprivreda Srbije (EPS), RTS reported. The meeting also covered possibilities to expand cooperation between Serbia and Germany in the chemicals, telecommunications, high technology, energy, and food sectors, according to the national broadcaster. Dinkic is visiting Munich to take part in the promotion of Serbia's investment opportunities at Munich's commercial property fair, Expo Real 2007.

Austria's OeKB, Serbia's SMECA set up credit rating firm. Austria-based Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) and Serbia's export credit and insurance agency (SMECA) have founded a firm that will assess companies' creditworthiness and mediate in the collection of debts, Ekonomist has reported. The firm, OKB, will provide services for domestic and foreign credit insurance companies, banks, leasing and factoring firms, and all creditors of Serbian companies, according to OKB Managing Board Chairwoman Lidija Vasic. The Austrian bank has a 51% stake in Belgrade-based OKB, which has an initial capital of EUR 500,000. OeKB is Austria's main financial services and information provider for the export industry and the capital market.

General Motors team visits Zastava to discuss Opel assembly in Kragujevac. A technical team of General Motors (GM), the world's largest auto maker, met with representatives of Zastava AGEM yesterday in the fourth visit to Kragujevac in two months aimed at preparing the unit of car producer Zastava to assemble Opel cars, Tanjug reported yesterday. Under a deal signed in July this year, Zastava is expected to begin the assembly of Opel Astra Classic II cars in 2008, with up to 10,000 units expected to roll off the assembly line a year by 2012. The model will be replaced by another Opel model at a later stage, Zastava AGEM said in a statement. Zastava has received orders for 1,500 Opel Astra Classic cars and delivered 700 units to buyers since it started importing the vehicles free of import duty two months ago, it added. The government allowed GM to ship a total of 8,300 Astra Opel Classic II cars to Serbia free of import duty this year and in 2008, according to earlier reports.

Deposit Insurance Agency invites small stockholders to join in upcoming sale of insurer DDOR. The Deposit Insurance Agency has invited small shareholders to join in the upcoming sale of Novi Sad-based insurance company DDOR's capital, according to an announcement on the Central Securities Depository and Clearing House website. All stockholders that register by October 26 will be able to sell at the same per-share price that the future buyer offers for a majority stake comprising 6.25% owned by the Development Fund and some 43.9% of socially owned capital. DDOR has a total of 2,114,424 shares, each with a nominal value of RSD 1,220. The privatization of DDOR, which ended 2006 with a RSD 732.2 million profit, was suspended last year ahead of the January parliamentary elections. According to earlier reports, Belgium's KBC, Germany's Allianz and VHV Gruppe, France's AXA and Groupama, Switzerland's La Baloise, Czech Ceska Pojistovna, Greece's Ethniki, Dutch Eureko, Italy's Generali and Fondiaria SAI, Slovenia's Zavarovalnica Triglav, and Austria's Wiener Staetische are interested in buying the company.

Beograd Film invites bids for 10 movie theaters, gets permission to sell four. Beograd Film, a company that operates 14 movie theaters in Belgrade, has invited prospective bidders to buy or rent 10 theaters with the aim of divesting some of the assets and establishing the market price of the buildings that remain unsold, local media reported yesterday. Another aim of the tender is to establish which of the company's facilities deserve further investments that will transform them into modern theaters fit for a European capital, spokesperson Milena Rajic said. The company, which was itself auctioned off for about EUR 9.2 million in February 2007, has received the Privatization Agency's approval to sell four theaters, Zvezda, Central, Drina, and Jedinstvo, which account for 7.2% of its assets, according to the agency's communications director, Dusan Belanovic. The indicative prices posted on Beograd Film's website are EUR 6 million for Kozara, EUR 5 million for Odeon, EUR 3 million for Vozdovac, EUR 3.2 million for Zvezda, EUR 2 million for Partizan, EUR 1.2 million for Slavica, and EUR 600,000 for Sloboda. The company has also invited bids for the Jadran, Balkan, and 20 Oktobar movie theaters in downtown Belgrade.

East Point Holdings boosts stake in baker Klas to 95.8%. Cyprus-based East Point Holdings has bought a further 37.9% of baking firm Klas in Belgrade at RSD 6,521 apiece, down from the 42.1% it sought to buy in a takeover bid that closed on October 3, Ekonomist has reported. The move has increased its stake in Klas to 95.8%. The baker has two production facilities in Belgrade and one in Backa Palanka as well as a network of retail outlets. It also has stakes in baking companies Zitoprodukt from Backa Palanka and Zitozajednica from Belgrade.

Klas, which posted a net profit of RSD 15.5 million last year, traded at RSD 6,500 on the Belgrade Stock Exchange (BSE) this week.

Carlsberg launches Serbia's strongest beer. Brewery Carlsberg Srbija has launched Lav 7, the first beer in the domestic market with 7.2% alcohol content, Danas reported yesterday. The new product was introduced after thorough market research, according to Carlsberg South East Europe CEO Isaac Sheps. The portfolio of Carlsberg Srbija, owned by Denmark-based international brewer Carlsberg, comprises Lav, Tuborg, Carlsberg, and Holsten beers.

Water faucet, valve maker Valman starts building EUR 2.5 million plant in Smederevo. Belgrade-based water faucet and valve manufacturer Valman has started building a production plant in Smederevo, in a EUR 2.5 million project financed by Austrian-German fittings producer Hawle, a co-owner of Valman, Tanjug reported yesterday. Aside from supplying a number of water systems in Serbia, Valman exports to Slovenia, Austria, and Germany. The plant in Smederevo is expected to create at least 100 jobs, according to mayor Sasa Radosavljevic.

Slovenian transformer maker Elma TT invests EUR 500,000 in Serbian plant upgrades. Slovenian transformer manufacturer Elma TT has invested EUR 500,000 to renovate a plant and build a warehouse for its Serbian subsidiary in Backa Topola, Tanjug reported yesterday, quoting general manager Anton Pucar. Elma TT in Backa Topola is expected to boost its current annual output of 700 transformers by a factor of four over the next two years and double its workforce, from 40 employees currently, Pucar said. The Backa Topola firm's transformers, which are used in the production of welding equipment, medical devices, and home appliances, are exported to the former Yugoslav republics, Bulgaria, Romania, and Greece, he added.

VIPs, lawyers to get discount on General Motors cars in Kragujevac sales center. US-based automobile giant General Motors (GM) has offered discounts to "lawyers, priests, physicians, and VIPs" on Opel and Chevrolet cars at its newly opened sales center in Kragujevac, Tanjug reported yesterday. The discounts range between 6% and 14% depending on the model, said Aleksandar Vasiljevic, director of the center, adding that the rebates are not a temporary offer but rather GM's policy. GM, which has agreed to assemble Opel Astra Classic II automobiles at the Kragujevac car plant Zastava as of next year, opened the sales and maintenance center in the central Serbian city earlier this month.

Austrian low-cost carrier SkyEurope plans to add Vienna-Belgrade flights. Low-cost carrier SkyEurope plans to start flying to Belgrade and other capitals in Central and Eastern Europe (CEE) from Vienna as part of efforts to compete with the country's flag carrier, Austrian Airlines, for the profitable business segment of the region's travel market, news agencies reported yesterday. If introduced, the fares will start at EUR 89 plus taxes, SkyEurope Holding Chief Commercial Officer Karim Makhoulouf told reporters.

Retailer C Market to float on BSE next week. Belgrade-based retail chain C Market will float on the Belgrade Stock Exchange (BSE) on October 16, according to a press release on the BSE website. C Market will offer 200,798 shares at an initial price of RSD 25,800 apiece. The nominal value of the retailer's share is RSD 13,353.

Geodetic Office launches campaign to encourage real estate registration. The Geodetic Office has launched a campaign to raise awareness of the importance of registering real estate and helping complete Serbia's immovable property cadastre, local media reported yesterday. The campaign, which will include promotional video clips to be aired on national broadcaster RTS' channels over the next two months, is part of project worth some USD 40 million, financed by the World Bank with USD 30 million and the government with over USD 9.5 million, according to B92. The Geodetic Office expects to complete Serbia's immovable property cadastre by April 2010, according to earlier reports. So far, over 40% of property in Belgrade has been covered by the cadastre, while the national average is at about 85%.

Serbia to sow 650,000 hectares of wheat this fall. Serbian farmers will sow 650,000 hectares of wheat, 200,000 hectares of ray, barley, and oats, 30,000 hectares of industrial crops, 80,000 hectares of fodder crops, 80,000 hectares of vegetables, and 60,000 hectares of other crops this season, RTS has reported. The costs of the sowing, together with the purchase of this fall's harvest yield, are expected to reach RSD 40 billion, according to estimates of the Serbian Chamber of Commerce's (PKS) agriculture, food, and tobacco association.

BSE trading hits 2007 low in September. Trading on the Belgrade Stock Exchange (BSE) in September stood at some RSD 8.51 billion, its lowest monthly value in 2007, with the number of transactions dropping from 25,971 in August to 23,121 last month. Stocks accounted for about RSD 7.58 billion and government bonds for around RSD 933.9 million of the month's trading. Expressed in euros, the BSE market capitalization rose from EUR 19.3 billion in August to EUR 19.5 billion in September. BSE blue-chip index BELEX15 lost 1.7% to 2,814.24, and composite index BELEXline declined 2.4% to 4,430.94 points at the end of September, according to Tanjug. Foreign investors accounted for 40.4% of stock trading, 7.89% of bond trading, and 36.8% of overall trading last month. BELEXsentiment for October stands at 130.71 points, down from 151.25 points a month ago.

BSE stock trading falls to RSD 415.9 million on Tuesday. The Belgrade Stock Exchange (BSE) reported RSD 415.9 million in stock trading yesterday, down from RSD 437.7 million on Monday, with the number of transactions declining from 1,276 to 1,268. BSE blue-chip index BELEX15 ended the session 0.46% higher at 2,855.30, and composite index BELEXline closed up 0.28% at 4,481.58 points. Advancers outnumbered decliners by 55 to 40, with 78 stocks unchanged. Belgrade-based Univerzal-Holding topped the leader board, adding 5% to RSD 6,300. Also on the upside, Subotica's Veterinarski Zavod Subotica rose 4.44% to RSD 2,799, and Bambi Banat from Belgrade gained 4.33% to RSD 23,995. Zrenjanin's Dijamant was the session's biggest loser, sliding 3.92% to RSD 60,000. Also trading in negative territory, Sunce from Sombor lost 2.59% to RSD 28,249, and Belgrade's Velefarm declined 2.05% to RSD 7,150. Belgrade-based Energomontaza posted the largest trade value, of about RSD 51.4 million, ahead of Medela from Vrbas, with around RSD 51.2 million and Nis-based AIK Banka, with some RSD 40.2 million. Foreign investors bought 51% and sold 15.5% of all shares, accounting for 33.2% of the day's stock trading.

Stock Trading on BSE – October 9, 2007

Top 10 Stocks: Single Price Auction

Stocks	Closing Price (RSD)	Change (%)	Bid (volume)	Ask (volume)	Traded Volume	Traded Value (RSD)
Medela, Vrbas	30,240	+20.00	24,993	1,692	1,692	51,166,080
Informatika, Belgrade	11,000	0.00	2,536	3,028	1,973	21,703,000
Montinvest, Belgrade	28,000	0.00	764	660	421	11,788,000
Zavarivac, Vranje	6,700	+1.28	1,699	1,871	1,175	7,872,500
Projektomontaza, Belgrade	5,100	+2.00	2,987	1,532	1,191	6,074,100
Backa, Sivac	2,800	+12.00	4,692	4,258	2,052	5,745,600
Mlinoservis, Novi Sad	1,022	0.00	5,300	13,351	5,300	5,416,600
Optika, Belgrade	9,500	+5.56	555	886	359	3,410,500
Granit Pescar, Ljig	9,600	+1.05	373	1,494	317	3,043,200
Duvan, Ljubovija	12,000	0.00	231	198	168	2,016,000

Top 10 Stocks: Continuous Trading Method

Stocks	Closing Price (RSD)	Change (%)	High (volume)	Close (volume)	Traded Volume	Traded Value (RSD)
Energomontaza, Belgrade	22,000	+2.33	22,000	21,500	2,363	51,419,429
AIK Banka, Nis	11,466	+0.16	11,490	11,405	3,510	40,208,418
Soja Protein, Becej	22,728	-0.53	22,851	22,500	965	21,955,418
Agrobanka, Belgrade	32,989	-0.74	33,100	32,710	561	18,504,686
Globos Osiguranje, Belgrade	6,525	+0.38	6,550	6,500	1,808	11,758,913
Komercijalna Banka, Belgrade	130,000	+1.96	132,349	128,001	88	11,423,597
Telefonija, Belgrade	13,000	0.00	13,330	12,999	675	8,808,945
Messer Tehnogas, Belgrade	24,242	+0.92	24,250	23,998	357	8,617,039
Privredna Banka, Belgrade	5,299	-0.19	5,350	5,201	1,467	7,719,386
Univerzal Banka, Belgrade	43,000	0.00	43,489	43,000	133	5,734,441

Source: BSE

Bond Trading on BSE – October 9, 2007

Series	Closing Price (% of face value)	Annual Yield (%)	Price Change	Low - High	Traded Volume (in EUR)
A 2008	96.60	5.52	+0.04	96.50 – 96.60	7,859
A 2009	91.45	5.59	+0.03	91.37 – 91.46	7,376
A 2010	86.70	5.55	-	86.70 – 86.70	4,449
A 2011	82.30	5.49	-	-	0
A 2012	78.00	5.49	-	-	0
A 2013	73.70	5.55	-	73.70 – 73.70	6,222
A 2014	70.00	5.51	-	70.00 – 70.00	12,392
A 2015	66.50	5.48	-	-	0
A 2016	63.90	5.31	-	63.90 – 63.90	3,570
TOTAL					41,868

Source: BSE

Currency Exchange Rates

Country	Currency	Median Exchange rate (RSD)
EU	1 Euro	77.9314
Australia	1 Dollar	49.5526
Canada	1 Dollar	56.2519
Denmark	1 Crown	10.4560
Japan	100 Yen	47.4295
Norway	1 Crown	10.1492
Sweden	1 Crown	8.4943
Switzerland	1 Franc	46.7888
Great Britain	1 Pound	112.9932
USA	1 Dollar	55.5740

Source: NBS (09.10.07 - latest update on www.bizinfo.co.yu)

Belgrade Interbank Offered Rates – October 9, 2007

BELIBOR	RATE
T/N	9.78
S/N	9.68
1W	9.92
2W	10.08
1M	10.13
2M	10.22
3M	10.32
6M	10.37

Source: Association of Serbian Banks

Belgrade Overnight Index Average – October 9, 2007

BEONIA	RATE	TOTAL VOLUME
	9.15	2350

Source: Association of Serbian Banks

Weather Forecast

Wednesday, October 10

Rain. Low 11° C. High 14° C.

Thursday, October 11

Rain. Low 11° C. High 16° C.

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