

Top Stories

IMF RECOMMENDS VAT HIKE AFTER ELECTIONS

IMF ADVISES SERBIA TO RAISE VAT, RETIREMENT AGE FOLLOWING ELECTIONS. In order to resume



a EUR 1.1 billion precautionary stand-by arrangement with the International Monetary Fund (IMF), Serbia's next government will have to revise the 2012 budget so as to eliminate the additional spending and debt issuance and, if need be, adjust spending to lower revenues, as well as to adopt a medium-term fiscal program and speed up structural reforms, Blic has reported, citing an aide memoire posted on the website of the IMF's Belgrade office. The IMF mission that recently visited Belgrade proposes bringing public debt level back to below the legal 45% of GDP ceiling, reducing subsidies and transfers, cutting the public sector wage bill, expanding the corporate profit, personal income and property tax base, and increasing value-added tax (VAT) once Serbia gets the new government. A tax

reform that the next government should undertake should also involve slashing social security contributions to stimulate employment, according to the aide memoire. *(continued in Business & Economy)*

North Kosovo Serbs reject Pristina's rule in referendum last week, as Belgrade readies to resume EU-mediated dialogue. Serbs in four municipalities in northern Kosovo rejected the authority of Pristina-based institutions in a referendum last week, local media reported. In the referendum, held on Tuesday and Wednesday in Zubin Potok, Zvecan, Kosovska Mitrovica, and Leposavic, over 99% of the votes were against accepting Pristina's rule, according to preliminary results, RTS reported. Turnout was over 75%, with about 26,500 people taking part in the vote. However, the referendum, which came ahead of the fourth anniversary of Kosovo's declaration of independence, is not binding, and it has been dismissed by both Belgrade and Pristina, as well as the EU. President Boris Tadic had warned that the holding of the referendum would harm Serbia's interests, while Borislav Stefanovic, Belgrade's chief negotiator in the EU-mediated dialogue with Pristina, called it "unconstitutional and meaningless." *(continued in Politics)*

State Health Insurance Fund's ex-director, former top managers of drug merchants indicted in swine flu vaccine case. The organized crime prosecutor's office has issued an indictment against the state Health Insurance Fund's former director, Svetlana Vukajlovic, and three other people, charging them with defrauding the state budget of some EUR 1.25 million in the procurement of swine flu vaccine in late 2009, Tanjug has reported. The three other people indicted are Smiljka Mileusnic-Adzic, former general manager of drug merchant Jugohemija, Vladimir Gravara, ex-general manager of drug merchant Jugohemija-Farmacija, and Ljubomir Pavicevic, ex-top man of drug merchant DE-TA-P, according to organized crime prosecutor Miljko Radisavljevic. The court has extended detention for the four accused. The indictment claims that Jugohemija-Farmacija was selected to supply Serbia with swine flu vaccine even though it did not have a letter of authorization from Switzerland-based drug maker Novartis and was not its authorized distributor for Serbia, Radisavljevic said. In this way, Jugohemija-Farmacija and DE-TA-P were introduced as intermediaries, gaining about RSD 132 million, according to him. Serbia declared a swine flu epidemic in November 2009 and signed a contract with Novartis to buy three million vaccine doses. However, it bought only 850,000. Novartis was represented by Jugohemija, the parent company of Jugohemija-Farmacija, which filed the sole complete bid.

Government may call off emergency situation in most municipalities on Wednesday as Serbia braces for flash flooding. The government may call off the emergency situation in most municipalities in Serbia on Wednesday, and across the entire country by the weekend, Interior Minister Ivica Dacic said, local media reported. Meanwhile, Serbia's emergency response committee has formed a team to deal with flash flooding that may hit 26 municipalities if the snow starts to melt suddenly. Since February 3, when Serbia was hit with a cold weather spell, the country hit record daily electricity consumption highs seven times. State power utility Elektroprivreda Srbije (EPS) General Manager Dragomir Markovic said that some 20 million kWh of electricity were imported daily, with costs totaling nearly EUR 3 million per day. He added that EPS' recent decision not to charge the poorest households their February electricity bills will cost the power utility RSD 20 million. The cold snap death toll in Serbia has reached 22. The government declared an emergency situation as of earlier this month due to the freezing weather and heavy snowfall.

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Politics

(continued from Top Stories) Stefanovic also said that the referendum will not jeopardize the dialogue with Pristina, but will make Serbia's international position more difficult. The referendum comes at a time when Serbia is seeking to meet requirements for gaining EU candidate status late this month or in early March. They include carrying out agreements already reached in the Belgrade-Pristina dialogue as well finding a solution for Kosovo's representation at regional forums, which Belgrade insists should be based on UN Security Council Resolution 1244, a solution that has been opposed by Pristina. The next round of the talks, which have been suspended since late November, is scheduled for tomorrow, and Stefanovic yesterday confirmed that the Serbian team will travel to Brussels. The Kosovo media recently reported that Pristina would accept mentioning Resolution 1244 in a footnote of Kosovo's nameplate at regional forums, but on condition that it also mentions Kosovo's declaration of independence. However, Stefanovic said that such a solution is unacceptable. Kosovo declared independence on February 17, 2008 and has so far been recognized by over 80 countries, including the US and most EU nations. However, Belgrade, backed by Russia, still considers it part of Serbia. On December 9, the EU leaders postponed a decision on whether Serbia should gain candidate status, seeking further progress in the Belgrade-Pristina dialogue. They are expected to revisit the issue later this month.

UN war crimes tribunal to open Mladic's genocide trial on May 14. The UN war crimes tribunal in The Hague has scheduled the start of a trial of Ratko Mladic, the wartime commander of Bosnian Serb forces, for May 14, local media has reported. Prosecutors at the tribunal said that 158 of a total of 410 witnesses will testify in the courtroom, with the rest submitting their statements in a written form. The first witness is scheduled to give evidence in court on May 29. Judges at the tribunal have decided that Mladic, who has been suffering from health problems, is fit to stand the trial, based on recommendations from doctors. Last July, a judge at the UN war crimes tribunal entered a not guilty plea on behalf of Mladic after removing him from the courtroom over disruptive behavior, according to earlier reports. Mladic, who stands accused of genocide, crimes against humanity, and war crimes during the 1992-95 Bosnian war, was arrested by Serbian authorities in a village in Vojvodina last May. The charges against him include his role in the 1995 massacre of more than 7,000 Bosnian Muslims in Srebrenica and the siege of Sarajevo.

Business & Economy

(continued from Top Stories) The next government and parliament should also raise retirement age, according to the IMF, which further calls for completing the state's "regulatory guillotine" project in order to provide a boost to the private sector, slashing central and local administration levies and charges, and modernizing the tax and customs administration to encourage voluntary observance of regulations. The IMF also calls on the next Serbian government to change the labor law in order to introduce the calculation of severance payments based on the years of service spent with the last employer and extend the maximum length of a temporary employment contract from one to three years. According to the aide memoire, the IMF also recommends changing the state's program of financial support to banks by introducing auditing standards that a bank must apply before



seeking to take part in the bailout program, approving recapitalization only for sustainable banks, requiring private shareholders to take part in private banks' recapitalization, envisaging majority state ownership or a golden share for the state following recapitalization or the purchase of bad loans, and cutting the length of the program to six months to minimize the possibility of abuses by banks. The IMF also urges the authorities to tackle the rising level of non-performing loans in the banking sector and enable banks to clean up their balance sheets, including through the adoption of a factoring law.

Slovenian white goods maker Gorenje to build new plant in Valjevo in EUR 20 million investment. Slovenian household appliance and white goods producer Gorenje will build a new factory in Valjevo in an investment worth EUR 20 million, local media reported last week. Gorenje's second plant in the western Serbian town will manufacture fridges and freezers, and it will create 400 jobs. Speaking after the signature of a related memorandum of understanding, Deputy Prime Minister Verica Kalanovic said that Serbia will support the project with incentives equaling 20% of Gorenje's overall investment. For his part, Branko Apat, a member of Gorenje's managing board, said this investment will make Valjevo Gorenje's hub in Europe for the production of fridges and freezers. The construction of the factory, which will span between 15,000 and 20,000 square meters, is slated for completion in year and a half, with the beginning of works depending on the speed the company will obtain all the necessary permits, Apat said, adding that Gorenje has already secured the land for the new plant. Gorenje's

existing factory in Valjevo produces between 400,000 and 500,000 freezers a year, he said, noting that the new plant will double the output of freezers. Once the new factory is up and running, Gorenje will have hired a total of 1,500 workers at its four plants in Serbia, and its investments in the country will have exceeded EUR 70 million, according to Apat. The company's plant in Zajecar, which opened in October and currently employs 100 workers, will be completely finished in 2013, he added. In December, the local administration in Valjevo said that Gorenje had abandoned earlier plans to start building its second factory in this town by the end of 2011, blaming the current global economic crisis, according to earlier reports. Besides the facilities in Valjevo and Zajecar, Gorenje also has a water heater plant in Stara Pazova.

State Audit Institution files 124 more charges based on audits of 2010 financial statements of government ministries, local governments, state institutions, public companies. The State Audit Institution (DRI) has filed 124 more charges, on top of the previously filed 25, based on its audits of the 2010 financial statements of government ministries, local governments, state institutions, and public companies, Tanjug has reported. Of the 124 new charges, 101 are misdemeanor complaints and 23 charges over violations by legal entities. The charges have been filed against government ministers and other ministry officials, mayors and other local government officials, and top people and other officials at state institutions, the DRI said, without identifying those charged, according to Tanjug.

Daily: US aviation authority poised to give Serbia Category 1 safety rating in 2012, with first domestic direct flights to US possible "within two years." The US Federation Aviation Authority (FAA) is poised to give Serbia a Category 1 safety rating this year, which will pave the way for direct flights between the two countries, Vecernje Novosti wrote, without citing any sources. The rating will enable the Serbian flag carrier, Jat Airways, and any other possible domestic airlines, to start operating direct flights to the US. However, it is not realistic to expect Jat to introduce transatlantic flights straight away given that flying the route requires serious preparations and adequate aircraft, which the Serbian national carrier currently does not have, Novosti wrote, adding that Jat would need at least two wide-bodied planes to operate such routes. Jat could be ready to operate regular flights to New York, Chicago, and Canada's Toronto within the next two years, according to the daily. Serbia earlier submitted a request to be upgraded to Category 1 rating, head of the Serbian Civil Aviation Directorate (CAD) Nebojsa Starcevic told the daily, adding that US aviation officials are expected to come to Serbia and look into how the related standards are observed here in the first half of this year. Direct flights between Serbia and the US have been suspended since 1992, Novosti recalled, noting that Serbia enjoyed the Category 1 rating until 2002. Jat attempted to re-launch the transatlantic flights in 2004 and 2006, according to Novosti. Serbia currently meets all criteria for regaining the rating, and "there is no doubt" that the US aviation officials will confirm this, according to the daily. According to earlier reports, the US-based charter carriers Swift Air and Ryan International Airlines both wanted to launch flights between Serbia and the US, but later abandoned such plans. Swift Air's first planned flight between Belgrade and Chicago was cancelled by the FAA over "concerns regarding the airline's training manuals," according to earlier reports. Ryan International Airlines previously abandoned plans to start operating flights between Belgrade and Chicago with technical landing in Ireland.

US industrial giant General Electric to discuss construction of gas-fired power plants in Serbia, Srbijagas GM says. US industrial giant General Electric (GE) will send a delegation to Serbia by the end of February to discuss the possibility of building "large" natural gas-fired power plants in the country, state gas company Srbijagas General Manager Dusan Bajatovic has said, according to local media. The first such plant could be built in Belgrade, "in cooperation with" Russian energy giant Gazprom, Novi Sad-based oil and gas company NIS, which is majority owned by Gazprom, Srbijagas, and the City of Belgrade, Bajatovic was quoted as saying. In December, Srbijagas said that its delegation presented the company's "potentials" to the management of the Export-Import Bank of the United States (Ex-Im Bank), the official export credit agency of the US federal government, as well as to the management of General Electric, the largest US industrial group, at a meeting in Washington. Srbijagas did not provide any further details from the meeting at the time. Gas-fired cogeneration power plants in Belgrade, Novi Sad, and Pancevo, which Serbia hopes to build in cooperation with Gazprom, could be completed in 2015, Bajatovic said in November, Politika reported at the time.

US miner Freeport-McMoRan to shortly make proposal of strategic partnership with Serbia's RTB, official says. US mining company Freeport-McMoRan Copper & Gold will shortly submit a proposal of strategic partnership it would forge with Serbian state copper and gold miner Rudarsko-Topionickarski Basen (RTB) in Bor if it conducts geological exploration of RTB's deposits and obtains satisfactory results, Vecernje Novosti has reported, quoting Zlatko Dragosavljevic, a state secretary at the Environment, Mining and Spatial Planning Ministry. Dragosavljevic, who recently visited Freeport-McMoRan's mines in Arizona and Colorado, together with RTB General Manager Blagoje Spaskovski, said that the US company seeks to invest in geological exploration of RTB's underground deposits. If the exploration yields the expected results, Freeport-McMoRan, formerly Phelps Dodge Exploration Corporation, would forge strategic partnership with RTB in order to mine the deposits, according to Dragosavljevic. The US company's strategic partnership proposal would need to be approved by the Serbian government, he noted. The daily has "learned" that Freeport-McMoRan is particularly

interested in RTB's Borska Reka deposit, which exploration carried out so far has established to contain 620 million tons of copper and gold ore. However, the deposit is estimated to contain twice as much ore, the daily noted. Freeport-McMoRan is the fourth foreign company to have expressed interest in cooperation with RTB. The other three are Switzerland-based commodities trader and miner Glencore, the Netherlands-based oil and non-ferrous concentrate trader Trafigura, and Reservoir Minerals, a spin-off of Canada's renewable energy company Reservoir Capital, according to earlier reports.

Economy minister discusses investment in Serbia with four Italian firms, as infrastructure minister says Serbia-Italy summit to be held on March 8. Economy and Regional Development Minister Nebojsa Ciric met last week with representatives of four Italian companies and spoke with them about investing in Serbia, local media reported. Ciric, who was on a visit to Rome on Thursday, said that the companies in question are from the wood-processing, railway, automotive and furniture manufacturing sectors. During the visit, Ciric also met with Italian Economic Development, Infrastructure and Transportation Minister Corrado Passera to discuss bilateral cooperation agreements that should be signed and ways to boost economic and political ties between Serbia and Italy. Ciric also attended a meeting of the Serbia-Italy business council, where he presented Serbia as an investment destination. In related news, following a meeting with Italian Ambassador in Belgrade Armando Varricchio, Infrastructure and Energy Minister Milutin Mrkonjic said that a Serbia-Italy summit will be held in Belgrade on March 8. He added that the two sides are set to ink a letter of intent on "developing the pan-European multimodal transportation axis" including a "significant section between Bucharest, Belgrade, Bar, and Bari." The summit of the two governments has been postponed several times, according to earlier reports. Mrkonjic also said that over the next couple of days, a date will be set for inking an EUR 800,000 deal with Italferr, the engineering arm of Italian state railway operator Ferrovie dello Stato, on a feasibility study for the development of Serbia's railway master plan.

Competition watchdog adopts decision on fines for 11 pharmaceutical firms "about a month too late," daily learns. The competition protection commission adopted a decision on fines for 11 drug producers and wholesalers some 15 days ago, but "about a month too late" for it to be legally valid, Blic has "learned." The statute of limitations in the case expired at the end of 2011, according to Branislav Bjelica, a lawyer who will represent drug makers Hemofarm and Galenika in a lawsuit against the competition commission they reportedly plan to file to the Administrative Court by early March. If the competition watchdog had adopted the decision in time, Hemofarm alone would have had to pay a EUR 4 million fine, according to the daily. The commission set the fines at 2% of the 2007 turnover for the drug makers and 1.8% for the wholesalers it had found guilty of breaching competition rules through contracts signed in 2008, the daily recalled. The other companies in the group are Vefarm, Zdravlje Actavis, Jugohemija-Farmacija, Slaviamed, Velefarm, Farmalogist, PharmaSwiss, Pharmanova Veleprodaja and Unihemkom, Blic recalled.

Report: South Stream to have one line instead of four if Gazprom strikes deal to get stake in Ukraine's gas transit system. The South Stream gas pipeline, which Russian energy giant Gazprom is due to route through Serbia, will have only one line instead of the envisaged four if the company reaches an agreement to get a stake in a gas transit system in the Ukraine, Tanjug has reported, citing Russian daily Izvestia. The line would have the capacity to transport 15.8 billion cubic meters of gas annually, down from the 63 billion that could be carried by all four lines, according to Izvestia. For his part, Gazprom CEO Alexey Miller said the South Stream project will certainly be carried out, even if Gazprom gets a stake in the Ukrainian gas transit system, with the only question being whether one or four lines will be built, according to Tanjug. Miller also said that the final South Stream investment decision will be made in November this year. In Belgrade, state gas company Srbijagas General Manager Dusan Bajatovic said that the construction of South Stream in Serbia is expected to begin in November, following a tendering process. Design plans for the Serbian section should be completed by mid-June, according to Bajatovic. In Moscow, Gazprom communications representative Denis Ignatiev told Tanjug that the construction of South Stream in Serbia would mean 2,200 jobs and about EUR 500 million in investments, as well as "hundreds of millions of euros" in revenues from pipeline exploitation and transit fees. From Serbia, the South Stream would branch to Bosnian Serb entity Republika Srpska, he said, noting that Montenegro and Macedonia have also expressed interest in getting connections to the pipeline. The governments of Serbia, Bulgaria, Hungary, Greece, Slovenia, Croatia and Austria have signed agreements to take part in the South Stream project, the news agency recalled. Apart from Gazprom, which has a 50% stake in the project, partners include Italy's Eni, with 20%, and Germany's Wintershall Holding and France's EDF, with 15% each.

Dutch biofuel, fertilizer maker Fertilizer4you sends letter to Tadic to warn him about "difficulties" in talks on planned EUR 20 million investment in Nis, daily "learns." Dutch biofuel and fertilizer producer Fertilizer4you has sent a letter to President Boris Tadic, warning him that its talks with the City of Nis on a planned EUR 20 million investment, which were launched two years ago, are proceeding with "difficulties," Danas has "learned." In a statement to the daily, Fertilizer4you confirmed that it has sent a letter to Tadic, informing him about its goals and plans, but it would not provide any further details. Fertilizer4you plans to build a plant in the south Serbian city's Donje Medjurovo industrial zone to produce biogas, biodiesel, organic

fertilizers, organic food and flowers, according to spokeswoman Ana Kolarevic. According to her, the company has been expecting the local authorities for several months now to organize a meeting with potential suppliers that would cooperate with the plant, which would be called Bio World. For the investment to be carried out, Fertilizer4you needs to secure all the necessary construction, import and export permits, as well as a price arrangement concerning the gas and electricity it would feed into the local grids, according to the statement. Furthermore, possible job creation subsidies and tax breaks need to be defined, the statement notes, adding that the potential investor also seeks a deal on the transport of fresh fruit and vegetables through the Konstantin Veliki airport in Nis, as well as deals on the transport of corn and soybeans from Vojvodina to Nis and the transport of finished products from Nis to Montenegro's port of Bar with Serbian state railway company Zeleznice Srbije. Officials in Nis previously told the daily that talks with Fertilizer4you are under way. According to Milan Randjelovic, head of the local economic development office in Nis, the city has not yet received a letter of intent or any other official confirmation from Fertilizer4you concerning the start of the project.

Dinar slips 0.1% against euro on Friday after rising 0.2% on Tuesday. The dinar slid 0.1% against the euro in Friday's trading, after gaining 0.2% on Tuesday, the previous trading day, according to local media. The National Bank of Serbia's (NBS) median exchange rate for today is RSD 108.4522 to the euro, compared to Friday's RSD 108.3777. The central bank did not intervene on the foreign exchange market last week. So far in 2012, the NBS has pumped a total of EUR 78.5 million into the forex market to bolster the dinar. The two interventions took place on February 8 and 9. In January, the dinar lost 1.3% against the euro in nominal terms, the NBS said in a statement. Serbia's currency was at its all-time low against the euro on February 10, when the NBS median rate was RSD 109.1794 to a euro. The dinar was at its 2012 high on January 11, when the NBS rate was RSD 103.6922 for a euro. In an interview with B92, NBS Governor Dejan Soskic has said that the dinar is among the most stable currencies in Europe, noting that one euro was worth RSD 107 some 15 months ago. The domestic currency's recent weakening is primarily due to increased energy imports amid a cold snap in Serbia earlier in February, but also "some legal entities' purchase of foreign currencies over a short period of time," he said. Soskic also said he is certain that the dinar will remain stable over the coming period, noting that forecasts according to which one euro will be worth between RSD 117 and RSD 130 by the end of the year are "not based on facts." Soskic also said that the NBS intervenes on the forex market when there is excessive demand for, or supply of, foreign currencies, rather than to keep the dinar-to-euro exchange rate at a certain level.

Bankrupt Apatin shipyard draws RSD 230 million bid from top creditor, Vojvodjanska Banka, as MK Commerce offers RSD 130 million. Vojvodjanska Banka, the single largest creditor of the Apatin shipyard, has filed a RSD 230 million offer to buy the bankrupt shipyard, outbidding MK Commerce, part of agribusiness-to-tourism company MK Group, which offered RSD 130 million, according to local media. The bank's bid now needs to be approved by the board of creditors, since it is below 50% of the shipyard's estimated value, of RSD 584.3 million, according to Apatin's bankruptcy manager, Predrag Ljubovic. In summer 2011, MK Commerce filed a sole, RSD 150 million bid for Apatin, but Vojvodjanska Banka objected to the sale, taking the issue to a commercial court. Earlier this month, MK Commerce said it would submit a fresh bid even though it had filed a complaint to the Supreme Court of Cassation over the repeat attempt to sell the shipyard, Tanjug reported at the time. Creditors claim a total of RSD 1.18 billion from the shipyard, which was placed in bankruptcy in September 2010, after its accounts had been frozen for over three years, according to earlier reports.

Daily: First contracts on state-subsidized home loans in 2012 to be signed on Wednesday. The first contracts under the state-subsidized home lending program for 2012 are due to be signed this Wednesday, Vecernje Novosti reported last week, citing unnamed sources from the Environment, Mining and Spatial Planning Ministry and the National Housing Loan Insurance Corporation (NKOSK). So far, ten banks have joined the program, and agreements with the remaining commercial banks are expected to be inked soon, according to Novosti. According to earlier reports, the government has set aside RSD 1.2 billion from this year's budget for state-subsidized home loans. The government also recently eased the rules under which state-subsidized home loans are approved, with borrowers now required to provide a down payment of 5%, down from 10% previously. The maximum annual interest rate on state-subsidized home loans will now be equal to the six-month Euribor plus 4.5%, a decrease of 0.4 percentage points compared to the interest rate under the previous lending scheme.

Labor unions, employers' association ink new collective bargaining agreement for construction industry. The Samostalni Sindikat (SSSS) and Nezavisnost labor unions have inked a new collective bargaining agreement for the construction and construction materials industry with the Employers' Association of Serbia (UPS), local media reported. The deal will go into effect following adoption by the social-economic council in mid-March and will be valid for two years. The new agreement is largely unchanged compared to the existing one. Under the new agreement, meal subsidies have been set at 20% of minimum wage, or between RSD 3,500 and RSD 3,600 per month, while vacation subsidies have been set at 70% of minimum wage, or RSD 1,000 on a monthly basis. According to head of the construction sector at the UPS, Zoran Miseljic, 3,026 out of 7,626 construction companies in Serbia ended last year in the red. The average monthly salary in the sector stands at RSD 32,971, which is some 15% to 20% below the national average, he added.

Italian low cost carrier Air One to launch Belgrade-Milan flights on September 18 as Turkish Airlines readies to beef up Belgrade-Istanbul route from March. Italian budget carrier Air One will introduce flights between Belgrade and Italy's Milan on September 18, local media reported, citing a press release from Belgrade's international airport, Nikola Tesla. The carrier will fly the route three times a week. Air One, which has its main base in Milan, operates a fleet consisting entirely of Airbus A320 aircraft, according to the Belgrade airport. In separate news, Vecernje Novosti wrote, without citing any sources, that Turkish Airlines will gradually increase the number of its flights between the Serbian capital and Istanbul starting from March 25, when it will begin to operate 10 flights a week instead of seven currently. From May 27, the Turkish national carrier will start flying the route twice a day, according to Novosti. Serbian national airline Jat Airways is also planning on increasing the number of its flights on the Belgrade-Istanbul route, from four to seven, the daily wrote.

Zeleznice Srbije to start shipping Fiat's new car to Montenegrin port in June, railway company GM confirms. Zeleznice Srbije will start transporting Fiat Automobili Srbija's (FAS) new Fiat 500L car to the Montenegrin port of Bar in June, the state railway company's general manager, Milovan Markovic, has told Tanjug. According to Friday's report by Vecernje Novosti, Zeleznice is set to ink a related deal by March 8 at the latest. According to preliminary agreements, Zeleznice will ship 26,400 cars to the Bar port by the end of 2012, boosting the number to 160,000 next year, Markovic said. According to FAS managing board member Aleksandar Ljubic, 80% of the 500L's parts will be manufactured in Serbia. He also said that in 2014, auto component plants in Serbia will produce 5% of all parts used by Fiat's plants worldwide. According to earlier reports, FAS, a 67%-33% joint venture between Fiat and Serbia, is scheduled to officially unveil the new model at the 82nd the Geneva International Motor Show in March. FAS is expected to ceremonially open its reconstructed facilities "a month after" the Geneva show, after which it is set to launch serial production of the new model.

Swedish apparel retailer Lindex plans to open franchise store in Serbia by end-2012. Swedish women and children fashion chain Lindex plans to open its first franchise store in Serbia by the end of this year, Johan Isacson, head of Business Area Franchise at Lindex, has told Blic, adding that the outlet will most likely be located in Belgrade. Lindex expects to decide on the Serbian distributor for its brand by April, Isacson said, adding that all companies interested in acquiring exclusive distribution rights should seek information from the Swedish embassy. The company plans to open a number of other stores across Serbia in the next five years, Isacson said. Apart from Sweden, Lindex has 430 stores in 14 countries in Europe and the Middle East, employing 5,000 people. Lindex, part of Stockmann Group, generated over EUR 2 billion in revenues in 2011 and posted EUR 75 million in pre-tax profit, Blic wrote, citing information from the company's website.

NBS forex' reserves decrease to EUR 11.6 billion in January. The National Bank of Serbia's (NBS) foreign exchange reserves stood at over EUR 11.6 billion at the end of January, down from nearly EUR 12.06 billion at the end of December, according to the central bank's website. In January, the biggest inflow was from loans and donations, while outflows were mainly due to lower reserve requirements for commercial banks and the servicing of obligations to external creditors, according to a statement from the NBS. The NBS' net forex reserves, a figure representing the central bank's reserves minus commercial banks' required reserves and money borrowed from the International Monetary Fund (IMF), stood at EUR 6.7 billion at the end of January. Trading on the forex market decreased by EUR 281 million compared to the previous month, to nearly EUR 1.82 billion in January, according to the NBS.

Banca Intesa boosts pre-tax profit 21.3% to RSD 10.25 billion in 2011. Belgrade-based Banca Intesa, part of Intesa Sanpaolo Group, made a RSD 10.25 billion pre-tax profit in 2011, a 21.3% jump against the previous year, Tanjug has reported, citing the bank's financial statement. Last year, Banca Intesa's net interest income stood at RSD 19.4 billion, up from RSD 17.3 billion in 2010, while its net fee and commission income surged 20% to RSD 5.4 billion, according to Tanjug. Banca Intesa's total assets stood at RSD 392.7 billion at the end of 2011, a 9.3% increase year-on-year. At the end of September 2011, the bank held 14.6% of the total assets of the Serbian banking sector.

S&T Serbia posts EUR 9 million in revenues in 2011, targets over EUR 10 million in 2012. IT and business solutions provider S&T Serbia generated EUR 9 million in revenues in 2011, an increase of 5% compared with the year before, according to a press release from the company. S&T Serbia's profit margin stood at over 5%, remaining at the same level as in 2010, the statement reads. In 2012, S&T Serbia expects to increase its revenues to more than EUR 10 million, general manager Predrag Vranes said, pointing out that the company generates its revenues mostly through services and solutions, rather than by selling hardware. The S&T group operates in 17 countries, according to the press release.

Serbian, Russian chamber of commerce presidents meet at PRODEXPO food fair in Moscow, agree to organize presentation of Serbian investment opportunities. Serbian Chamber of Commerce (PKS) President Milos Bugarin met with his Russian counterpart, Chamber of Commerce and Industry (CCI) President Sergei Katyrin, during the country's biggest for food and beverages fair, PRODEXPO, held last Monday through Friday

in Moscow, local media reported. The two officials agreed to organize an event in Moscow to present projects for attracting Russian investments to Serbia. Speaking at PRODEXPO, Bugarin said that trade between Serbia and Russia grew 22% year-on-year and reached USD 3.3 billion in 2011. Serbian exports rose 49% compared to 2010 and stood at USD 795.7 million, while imports increased 16% to USD 2.5 billion, he added. Twelve firms from Serbia took part in this year's PRODEXPO, according to earlier reports.

Digital Day conference to be held on April 25 in Belgrade. The second edition of the Digital Day conference will be held on April 25 at the Dom Omladine cultural center in Belgrade, according to a press release from Interactive Advertising Bureau (IAB) Serbia, the organizer of the event. The conference will cover digital marketing and changes in the industry. Speakers will include Matevz Klanjsek, Co-Founder and Chief Product Officer at the US-based online advertising firm Celtra, Steffen Ehrhardt, EMEA Display Product Specialist at Google, Marta Klepka, International Sales and Marketing Director at online research firm Gemius, and Gergely Toth, Group Brand Manager and Media Expert at brewer Heineken in Hungary.

IT conference Cisco Expo to take place on March 20-21. The 11th edition of IT conference Cisco Expo will be held at Belgrade's Hyatt Regency hotel on March 20 and 21, according to a press release from Cisco. The conference will focus on the Intelligent Networks (IN), cloud computing, and mobile computing. The event will bring together IT experts from domestic and foreign companies, the government, and Cisco's partners. Cisco Systems, a US-based supplier of networking equipment and network management for the internet, opened a subsidiary in Serbia in 2007, four years after unveiling a rep office in Belgrade, according to earlier reports.

Belgrade stocks lose ground last Tuesday. The Belgrade Stock Exchange's (BSE) blue-chip index BELEX15 ended lower 0.29% at 539.79 points on Tuesday, which was the last trading day of the week, as composite index BELEXline declined 0.30% to 1,029.62. Stock trading increased to RSD 55.7 million, from Monday's RSD 49.7 million. Advancers beat decliners 10-8, with 14 stocks unchanged. Philip Morris Operations topped the winners' board, jumping 10.4% to RSD 1,124. Simpo gained 6.52% to RSD 245, and Messer Tehnogas advanced 2.63% to RSD 4,300. Agrobanka lost the most, falling 9.28% to RSD 1,749, followed by Energoprojekt Holding, which shed 5.3% to RSD 482, and Progres, which went down 4.17% to RSD 46. NIS logged the top trade value, of RSD 34.2 million, ahead of Imlek, with RSD 9.48 million, and Komercijalna Banka, with RSD 2.89 million.

PRODEX remains steady at 217.04 points last week. The Novi Sad Commodity Exchange's (NSCE) PRODEX index, which tracks wheat, corn, barley, sunflower and soy, remained unchanged last week, at 217.04, according to the NSCE website. Last week had only two working days, and this, in addition to completely paralyzed river and partially disrupted road traffic, has made week-on-week analysis of trade on the NSCE futile, according to the statement. Corn changed hands at an average price of RSD 20.4 per kilogram, a 2.74% increase against the previous week. The price of wheat reached RSD 21.5 per kilogram. The only other commodity traded last week was soybean meal with 44% protein. Its price rose 1.24%, to RSD 41.6 per kilogram.

Currency Exchange Rates

Country	Currency	Median Exchange rate (RSD)
EU	1 Euro	108.3777
Australia	1 Dollar	88.8560
Canada	1 Dollar	82.8639
Denmark	1 Crown	14.5794
Japan	100 Yen	104.3598
Norway	1 Crown	14.4100
Sweden	1 Crown	12.2764
Switzerland	1 Franc	89.7538
Great Britain	1 Pound	130.4498
USA	1 Dollar	82.5483

Source: NBS (February 17, 2012 - latest update on www.bizinfo.co.rs)

Belgrade Overnight Index Average – February 17, 2012

BEONIA	RATE	TOTAL VOLUME
	9.68	1050

Source: Association of Serbian Banks

Belgrade Interbank Offered Rates – February 13, 2012

BELIBOR	RATE
T/N	9.50
S/N	9.54
1W	9.67
2W	9.84
1M	10.30
2M	10.57
3M	10.80
6M	11.07

Source: Association of Serbian Banks

Stock Trading on BSE – February 14, 2012

Top 10 Stocks: Single Price Auction

Stocks	Closing Price (RSD)	Change (%)	Bid (volume)	Ask (volume)	Traded Volume	Traded Value (RSD)
FPM Agromehanika, Boljevac	121	0.00	19,589	19,589	19,589	2,370,269
Ratar, Jasa Tomic	460	0.00	400	2,894	399	183,540
Elan, Izbiste	1,800	0.00	100	100	100	180,000
Autoprevoz, Cacak	800	0.00	185	2,681	185	148,000
Morava Prom, Lapovo	250	0.00	492	492	492	123,000
Excelsior, Belgrade	1,000	+11.11	110	110	110	110,000
Veterinarski Zavod Zemun, Zemun	2,410	0.00	35	1,543	35	84,350
Telefonkabl, Belgrade	6,600	0.00	11	280	11	72,600
Agro, Dobanovci	600	-5.36	110	443	110	66,000
Yugoslavia Commerce, Belgrade	600	0.00	69	296	69	41,400

Source: BSE

Top 10 Stocks: Continuous Trading

Stocks	Closing Price (RSD)	Change (%)	High (RSD)	Low (RSD)	Traded Volume	Traded Value (RSD)
Imlek, Belgrade	2,997	+0,37	3,000	2,910	3,164	9,482,800
Agrobanka, Belgrade	1,749	-9,28	1,900	1,699	1,534	2,685,368
AIK Banka, Nis	1,811	+0,22	1,820	1,800	79	143,070
Messer Tehnogas, Belgrade	4,300	+2,63	4,300	4,299	32	137,592
Jubmes Banka, Belgrade	12,839	-0,04	12,839	12,839	10	128,390
Razvojna Banka Vojvodine, Novi Sad	1,070	-0,93	1,070	1,070	100	107,000
Privredna Banka, Belgrade	260	0,00	260	250	287	72,820
Komercijalna Banka, Belgrade	920	0,00	920	920	60	55,200
Lasta, Belgrade	300	0,00	300	300	150	45,000
Vino Zupa, Aleksandrovac	6,100	+1,58	6,100	6,100	5	30,500

Source: BSE

Bond Trading on BSE – February 14, 2012

Series	Closing Price (% of face value)	Annual Yield (%)	Price Change	Low - High	Traded Value (EUR)
A 2012	98.10	6.76	+0.04%	98.10 – 98.10	2,623
A 2013	92.21	6.47	-0.53%	92.20 – 92.50	9,344
A 2014	87.50	6.00	-0.53%	87.50 – 88.45	4,044
A 2015	83.00	5.82	-	82.20 – 83.00	52,342
A 2016	77.70	6.05	-0.35%	77.70 – 77.70	2,974
TOTAL					71,327

Source: BSE

Weather Forecast

Monday, February 20

Chance of rain. Low 3° C. High 8° C.

Tuesday, February 21

Mostly cloudy. Low 0° C. High 4° C.

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