

### **LNG terminal 30km from the shore**

The Eko Kvarner association believes that the decision of the Government of Croatia to establish a working group for the construction of LNG (liquid natural gas) is wise and sensible. According to Eko Kvarner, the establishment of the Working Group creates the necessary conditions for quality selection of location of the Terminal, provided that all activities of the LNG are fully transparent. Eko Kvarner greeted the proposal to build LNG Terminal on the Croatian coast from the very beginning, since it would provide solution to many, energy related and environmental problems, but has insisted that the forced decision to select the Petrochemical complex in Omisalj as location for the terminal is now well thought out, fully non-transparent and without an important consideration of the security aspects. For that reason, Eko Kvarner demanded that all information relevant to the process of adoption of the decision are made available to the public, via the internet, with the exceptions of parts that may be classified as business or security secrets. The association points out that two LNG terminals are being prepared simultaneously (in Omisalj and near Trieste), which would significantly increase the traffic of ships with hazardous cargo in the area. Eko Kvarner believes that the best solution would be a construction of a joint, off shore terminal (at least 30 km off the shore), if possible in the area that already has a high concentration of gas drilling platforms in the Adriatic. This would decrease the danger presented by the rising number of ships carrying dangerous cargo, both to the environment or the local population. If the decision is made, after all, to build the LNG terminal on-land, Eko Kvarner shall insist that it is removed at least 8 kilometres from the nearest bigger settlement of similar facility. According to the association, just like with the "Druzba Adria" project, the democratic principles of public participation, in force in the EU, have been neglected or violated. Therefore, Eko Kvarner again addressed the European Green Party for assistance and presentation of the case in front of the European Parliament.

### **Govt adopts healthcare laws**

Croatian Healthcare Insurance Bureau (HZZO) will be able to continue providing additional healthcare insurance, along with healthcare insurance companies, while healthcare workers will no longer be allowed to perform additional activities in a healthcare institution where they are employed. These are some of proposals

within the package of laws related to a healthcare reform, which were adopted on Wednesday by Croatian government. At its session on Wednesday, the Government adopted draft proposal for development of the national healthcare strategy between 2006 and 2011, sending to the Parliament a set of draft laws with incorporated changes to the Law on health protection, compulsory and voluntary health insurance and health protection at work. Croatian Prime Minister Ivo Sanader described these changes as a step forward towards better health protection, which would take into consideration financial situation of the population. Healthcare Minister Neven Ljubicic said that adopted drafts have a full support of all relevant participants in this reform, social partners, labour unions and employers, and associations of patients. Ljubicic also said that new laws would allow HZZO to continue providing additional health insurance, which would still cost Kn 80 and Kn 50 for pensioners.

### **Koncar D&ST revenues up 9,1%**

Koncar D&ST post-tax revenues in 2005 were increased by 9,1 percent compared to a previous year, and 9,6 percent compared to the company's business plan, says the statement issued by Koncar. Company's Management and Supervisory Board have distributed 50 percent of generated revenues after tax to other company's reserves aimed at financing of investments, proposing to the company's General Assembly distribution of remaining 50% of net revenues into dividends. This practically means that a total of Kn 4,226.177, out of generated revenues of Kn 8,452.787, was allotted for company's reserves, while suggested dividends amount to Kn 33,07 per single regular and privileged share. Sale revenues in 2005 amounted to Kn 238,7 million, out of which Kn 140,7 million came from exports, while these sums represent the highest ever revenues since the company was established. Compared to previous year, sale revenues increased by 3,8 percent, which is an increase of 15,3 percent compared to planned sales. The year 2005 was also a year of large investments into modern production equipment, overhaul and reorganisation of existing production facilities, in which a total of Kn 20,4 million was invested. The same amount of investments is also planned for 2006, during which already started construction of new production and storage facilities should be completed, while acquired new and modern production equipment should become operational. Financial audit of the

company's business results was conducted by two auditing companies, Deloitte and Audit.

### **Croat firms poor in using IT**

Leading Croatian companies lag behind their central and eastern European (CEE) transitional peers in using the Internet as a tool for attracting investors, Croatian economic researchers said on Wednesday. Research into online corporate habits in this European Union candidate was conducted in December and published this month. It provided comparison between Croatia and eight former communist countries that joined the EU in 2004, as well as Bulgaria and Romania, due to join next year. "Croatian firms are mostly two to three years behind transitional peers in using the Internet to boost their chances of attracting investors," said Mirna Korican of the Zagreb School of Economy and Management (ZSEM), which worked on the research. The survey included 48 Croatian firms that account for some 90 percent of turnover on the Zagreb Stock Exchange. It came at a time when the Zagreb government and businessmen hope EU accession talks which started in October will attract more foreign investments. However, the research showed that, while most Croatian firms do have their Web site, few cater for potential investors. Some 92 percent of surveyed companies have Web sites and 83 percent of them have also an English version available. A similar research on top firms in central and eastern Europe showed that 94 percent of them have English-language Web sites. Only 19 percent of Croatian firms have a separate link for investors, barely 15 percent display the share price and 42 percent provide details of their ownership structure. Management names can be found on 54 percent of pages, while in CEE countries they are provided by 81 percent of companies. "The results do not surprise me. Most Croatian companies have not learnt yet how to use advantages of modern technology in boosting their business," said Marko Kovac from a leading local public relations agency MeritorMedia.

### **Schövers leaving Karlovac Brewery**

After heading Karlovacka pivovara (Karlovac Brewery) for two years, Erik Jan Schövers is turning to other professional challenges, and he would be replaced at the helm of the brewery by Alle Ypma, stated company officials on Wednesday. Ypma is a long-time Heineken's manager and was also the first Management President of Karlovacka pivovara after Heineken entered this

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company. During that time, he maintained his presence in Karlovacka pivovara as a member of the Supervisory Board. As the statement says, while Schövers was heading the company, the brewery continuously improved various segments of business operations with the assistance of Heineken. The most important tasks he faced were related to investments and operational reorganisation. Results of his work were visible as productivity increased along with the efficiency of Karlovacka pivovara, together with an increase in market share and production results despite the strong competition on Croatian beer market.

## **Erste bank offers Erste Exclusive+**

Erste & Steiermärkische Bank d.d. offered this week to Croats the fifth tranche of the savings-investment product Erste Exclusive+, which will be on sale until April 8, 2006, or until this quota expires, while maturity of these investments falls on August 28, 2006. The stakes are guaranteed fixed income of 0,05 percent per year, while annual premium rates depend on the amount invested, so for stakes totalling between EUR 500 and EUR 5.000 premium rate amounts to 5,75 percent, between EUR 5.000 and EUR 10.000, 6,25 percent, between EUR 10.000 and EUR 25.000 – 6,75 percent, between EUR 25.000 and EUR 50.000 – 7,25 percent, and for amounts exceeding EUR 50.000 rates amount to 7,75 percent. Listed premium rates would be received by investors if on the day of maturity of the 5<sup>th</sup> tranche the medium EUR/HRK exchange rate of the Croatian National Bank ranges between 7,25 and 7,32. So far, during 2006, citizens of Croatia invested in Erste & Steiermärkische bank's savings products the amount exceeding Kn 25 million.

## **2<sup>nd</sup> Infosec in May in Cavtat**

The second International conference on IT security Infosec will be held between May 8 and 10 in Cavtat, while participants would have the opportunity to exchange experiences with about 20 leading international experts for information security, announced at the press conference on Wednesday head of the Department for information security within Croatia's Bureau For Quality Testing (ZIK) Stanko Cerin. Along with ZIK, organisers of the conference are UK magazine Information Security Bulletin and Association for Promotion of Information Security. Topics of the conference would be engineering and maintenance of security information systems, security technology of these systems, computer forensics, business reasons for investing into information security and security risk management. These topics, as Cerin said, would be

discussed in detail by world experts in the sphere of information security, including David Bianco, who acts as a consultant to numerous companies within the group of 1.000 wealthiest international companies, Wall Street companies and US military, Eugene Kaspersky, creator of one of the most famous anti-virus protection systems, and John Sherwood, leading international practitioner in the sphere of information risk management.

## **Grawe eyes Croatia insurance**

Grawe Group Director General Othmar Ederer told Croatian reporters in Graz that the company intends to expand its real estate operations and enter Croatian market. Ederer said that the company aims to focus on the sale of insurance policies through local banks, which would be contributed by a stronger cooperation with Hypo and Slavenska bank. Commenting announced privatisation of Croatia osiguranje (insurance), Ederer said Grawe was interested in this acquisition, failing to specify any further details. He added that the company was also interested in Hercegovina osiguranje. Member of the Management of Grawe Croatia Gernot Reiter said that Grawe last year reported profits of Kn 22 million in Croatia, which represents an increase of 10 percent compared to a year before. Unofficial information nevertheless say that 2005 total gross premiums amounted to about Kn 370 million. Gross premiums in life insurance sector amounts to about Kn 240 million, and in non-life insurance – Kn 130 million. Car insurance policies count for about 18 percent of all gross premiums (Kn 67 million), while Kn 30 million was generated in insurance against accidents. Grawe last year invested in Croatia Kn 1,4 billion, or 13,2 percent more than a year before, paying at the same time Kn 131,7 million in damage claims or 16,7 percent more than in 2004. During last year alone the company signed a total of 317.076 contracts, out of which 138.364 life insurance policies and 178.712 non-life insurance policies. Grawe Croatia currently holds a 5% market share of all insurances, which is the same amount held by Kvarner Wiener Staedtische insurance.

## **SocGen, KBC, PKO eye HVB SB**

Out of five suitors for the acquisition of HVB Splitska bank (HVB SB), three bidders stand out – France's Societe Generale, Belgian KBC and Polish PKO. In the coming days this trio would be given chance by UniCredit to improve their offers, while new owner of the largest Dalmacija-based bank would be known in April.

## **Business navigator presented**

Croatian Economy Minister Branko Vukelic presented on Thursday a project

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titled Business Navigator (infoweb portal), created as a support to foreign investors, small- and medium-size companies in Croatia. Business Navigator is a part of the project Business Croatia financed by the US Agency for International Development (USAID), while the goal is to create new jobs and strategic investments in the country. As USAID officials said, the project actually aims to assist 4.000 companies and create 20.000 new jobs. Business Navigator will provide information on credit offers in Croatia, leasing offers, incentives provided by Croatian ministries, local authorities and other institutions charged with economic development of regions of special interest to the country, etc. Business Navigator will be presented to business and officially opened during the forthcoming X. National Conference on Business and Entrepreneurship to be held between June 1 and 3 in the costal resort Sibenik.

## **Pliva to DB, not Merrill Lynch**

Deutsche bank, and the bank's advisors will be engaged in the defence of Pliva against the takeover by Actavis, if this producer of generic drugs soon comes up with a public offer for friendly takeover. According to reliable sources, Pliva has hired Deutsche bank, and not Merrill Lynch as media reported in the past few days. Pliva officials were not available for comment. However, it is interesting to mention that Pliva Supervisory Board President Massimo Armanini, who is also heading the company's Board for nominations, is currently employed as a director of Deutsche bank's advisory sector in Milan.

## **Realistic GDP rate 4,1 percent**

Realistic growth rate of Croatia's GDP for the year 2005, which will officially be published at the end of March, should reach 4,1 percent according to Croatian Chamber of Commerce's (HGK) analysts. GDP expressed in current prices should reach about Kn 222,7 billion or close to USD 37,5 billion, says the latest issue of HGK's bulletin "Economic Trends". Such GDP results also point to a fact that the GDP slowing was finally halted, as in 2004 GDP amounted to 3,8 percent. However, GDP per capita ratio (presented according to the buying power parity) compared to neighbouring countries shows that Croatia stands at the 46<sup>th</sup> place of EU25 average, which is why much higher growth rates are needed if the country wants to achieve EU development levels faster, claim HGK analysts.

## **TLM voids deal with Viator Vektor**

Assembly of Sibenik-based company TLM decided on Thursday to unilaterally cancel the contract signed with Slovenia's company Viator Vektor within the

privatisation of TLM's transport unit Promal. The contract was annulled for the sale of real estate, equipment and other Promal's assets, along with a contract on business cooperation and three-year exclusive rights for transport of goods for the needs of Sibenik-based factory, which were signed in August last year. TLM Management President Ivo Kostan told media on Thursday that Croatian Privatisation Fund, as majority owner of TLM, suggested the company to return Viator Vektor assets totalling Kn 1,6 million paid for the acquisition of Promal and bank guarantees issued for listed investments and salaries for employees. Kostan added that TLM would, if such request arrives, engage court exerts in order to determine possible damages to the company. Asked by reporters about continuation of the company's privatisation, Kostan said that Croatian Privatisation Fund reached last week a decision on the sale of 80,2 percent of shares of TLM at the nominal price, which is why cancellation of the contract signed with Slovenians would not influence continuation of the privatisation of Sibenik-based factory.

### Christof Group eyes Montaza

Heads of Austria's Christof Group and Djuro Djakovic Montaza-Consulting held a meeting in Slavonski Brod-based company Djuro Djakovic Montaza-Consulting d.o.o. on Thursday, presenting a vision of their strategic partnership. "By entering into Djakovic Montaza i Proizvodnja opreme (Djakovic Assembling and Equipment Production) company we aim to prove our intentions for investing in this region, as we aim to maintain present number of employees and invest in opening of new jobs and introduction of new technologies," said Christof Group Technical Director Wolfgang Koerner. He also said his company was interested in construction of the facility for production of bio-diesel in the vicinity of Slavonski Brod. "Our first goal is privatisation of Djuro Djakovic Montaza d.d. and strategic partnership in order to become even more competitive on foreign markets. We are ready to invest, but also to create new jobs. We extremely appreciate the expertise of existing staff in Djuro Djakovic Montaza d.d., along with the management style of the present management. We aim to acquire 25 percent of Djuro Djakovic Montaza d.d., but we also remain open for further development of these relations," stated representatives of the Christof Group.

### Auto Show opens in Zagreb

Croatian Minister of Tourism Bozidar Kalmeta opened on Thursday Zagreb Auto Show, an international exhibition of passenger vehicles, motorcycles and

accompanying equipment, which is held every two years in Zagreb Fairgrounds. This year's Auto Show, which is held between March 24 and April 2, spans over 70.000 square metres, and has gathered 600 exhibitors from 30 countries around the world. Visitors would be able to see 42 different car producers which have presented about 340 models and 30 manufacturers of motorcycles, which have presented about 200 models. As much as 19 new car models would also be presented for the first time in Croatia, but there would be no world or European premiers, as the Geneva Car Show recently closed, during which all the latest novelties were already presented. Along with Auto Show, visitors are also offered Car and Audio Tuning Show, international exhibition of car tuning equipment and car audio. Zagreb Auto Show is the leading car exhibition in the region and is also a member of the family of exhibitions OICA (International Organisation of Motor Vehicle Manufacturers) and International Fair Union UFI, and is the most visited event on Zagreb Fairgrounds.

### Medika triples 2005 revenues

In 2005, Zagreb-based pharmaceutical company Medika generated net revenues totalling Kn 10,6 million (Kn 3,3 million in 2004), while Medika Group reported revenues of Kn 12,5 million (Kn 3,2 million in 2004). Medika Group is consisted of, except the main company, companies Farmis, Farmacon and Zdravstvena ustanova Ljekarne Prima Pharme. Medika Supervisory Board at the session held on Thursday also confirmed revised report on the company's business results and consolidated report for the Group, stated Zagreb Stock Exchange, as reported by media.

### Carlsberg presents CC:business

Carlsberg Group published recently the first issue of the magazine intended for consumers and business partners dubbed CC:business. This will be a quarterly magazine and it would contain numerous news related to Carlsberg Croatia and company's brands, news from the beer industry and business results of the company and other news items. CC:business can be downloaded in PDF format from the Carlsberg's Internet site.

### Veneto Banca buys GKB

Italian Veneto Banca acquired 617.999 shares making 72,90 percent of consolidated capital of Zagreb-based Gospodarsko-kreditna bank (GKB) on the basis of the contract signed on March 13 this year. As said in a statement issued by GKB, Veneto Banca soc.coop. p.a. from Treviso acquired 560.880 of regular shares making for 76 percent of all regular shares, giving the right to the bank for the

same amount of votes at the General Assembly of GKB, along with 57.119 privileged shares making for 52,06 percent of all privileged shares without the voting rights. Veneto Banca also committed to acquire all remaining shares of GKB. According to the National Bank of Croatia, GKB currently holds 0,15 percent of domestic banking market.

### Croatia 3rd in freshwater resources

Croatia ranks third in Europe and 30th in the world in terms of renewable freshwater resources, and should preserve this natural wealth, Croatian Water Management company CEO Slavko Rajnovic said in Zagreb on the occasion of World Water Day. Croatia needs to invest about Kn 21 billion in the water supply system and preservation of freshwater resources in the next ten years. The company annually collects about Kn 600,000 in water contributions, which should increase to about a half billion kuna. According to Rajnovic, 75 percent of Croatian households are connected to the public water supply networks, and the country should raise this percentage to 90-95 percent in the next ten years. About 10 billion kuna should be ensured for this purpose. Rajnovic said that in the next ten years Croatia should invest about 12 billion kuna to ensure that sewerage systems have water purification installations. In Croatia, water losses are about 44 percent, while a threshold tolerance is below 20 percent. Water irrigation systems currently cover about 9,000 hectares of arable land, while the potential is to have 250,000 hectares irrigated. In Croatia, the average price of water is seven kuna per cubic metre, which is half the average European price.

### Official kuna exchange rates:

EUR: buy 7.352601, sell 7.373711  
USD: buy 6.072577, sell 6.109123  
GBP: buy 10.607238, sell 10.671072  
CHF: buy 4.654897, sell 4.682911

**Zagreb Weather:** Chances of rain. Temperatures 5 to 10 degrees C.

**News Sources:** JL – Jutarnji list, N – Nacional, SD – Slobodna Dalmacija, VL – Vecernji list, V – Vjesnik, HRT, HINA, BM – Banka magazine, HIC – Hrvatski radio, B – Business, NL – Novi list, CB – Croatia biz...

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