

2009

**Belgrade Stock
Exchange j.s.c**

ANNUAL REPORT 2009

INTRODUCTION

As in the previous years, the BSE business operation in 2009 was conditioned by the existing business environment within the current economic and political situation in Serbia. This Annual report should also be viewed in light of the global financial crisis.

Under the said circumstances, the BSE strove to realize the tasks projected in the regulatory and technical and technological domains in an attempt to remain a reputable regional institution.

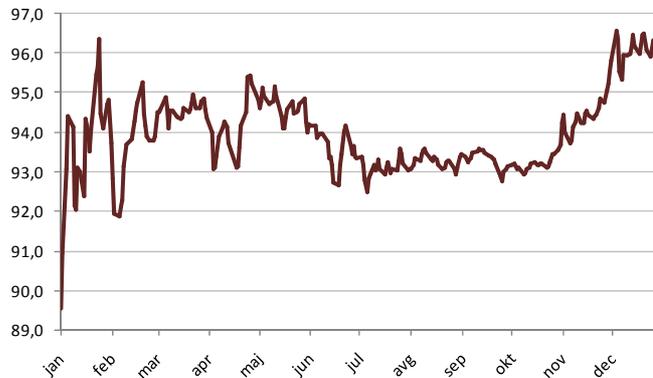
The activities were focused on modernisation and establishment of up-to-date, standard and safe working conditions and improvements in the areas of investor protection, corporate governance, transparency in price formation and disclosure. These activities constituted the basis of the BSE's projected and realized plans. Thus, the BELEXFIX was successfully completed, function of market makers was improved, BSE procedures and rules were modified accordingly, BSE and companies listed at its market were successfully promoted and the final financial results were good.

The year of 2009 was marked by a dynamic international activity of the Republic of Serbia, mostly focused on fulfilling conditions for accessing the EU and on the diplomatic activity with respect to the status of the Serbian southern province. The most significant political events on the domestic and international scene in 2009 are the following:

- The global financial crisis and economic recession continued, causing a further drop in GDP, an increase in the budget deficit, a rise in unemployment rate, serious and expensive debts, a fall in investment activities and estimations that the crisis and its consequences will continue in the period to come;
- The famous world companies experienced difficulties in their business operations, there was a further fall in economic activities in a number of sectors, caused by a general consumption decline, and states intervened in the private sector;
- Sale of 51% of NIS capital to the Russian company Gasprom by a direct deal and further postponement of privatization of public companies through IPO;
- Introduction of visa free regime for Serbian citizens, Serbian candidacy for EU and full implementation of the Stabilization and Association Agreement between EU and Serbia;
- Distribution of 15 % of NIS shares to Serbian citizens free of charge, before change of organization of this company into a public company;
- Significant changes in the domestic currency exchange rate in the last quarter of 2009.

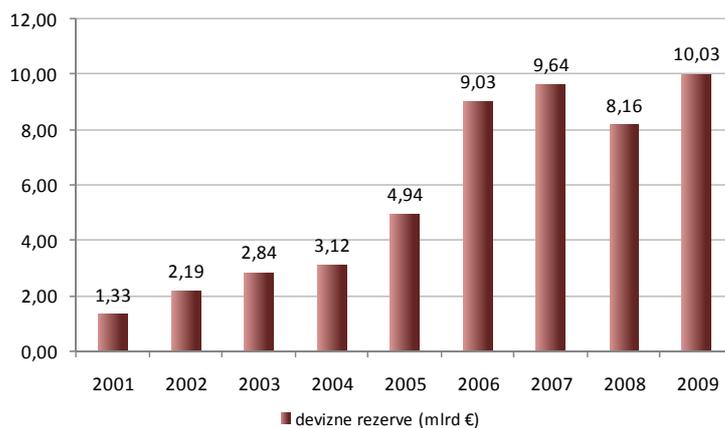
Macroeconomic data:

Middle exchange rate of RSD in 2009



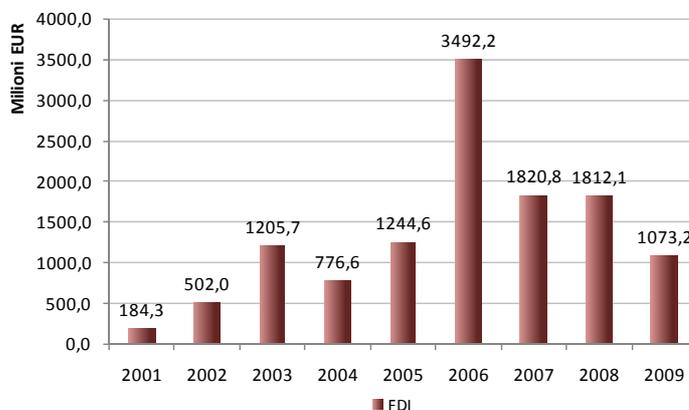
Source:NBS

Foreian currency reserves



Source:MFIN

Direct foreian investments



Source:MFIN

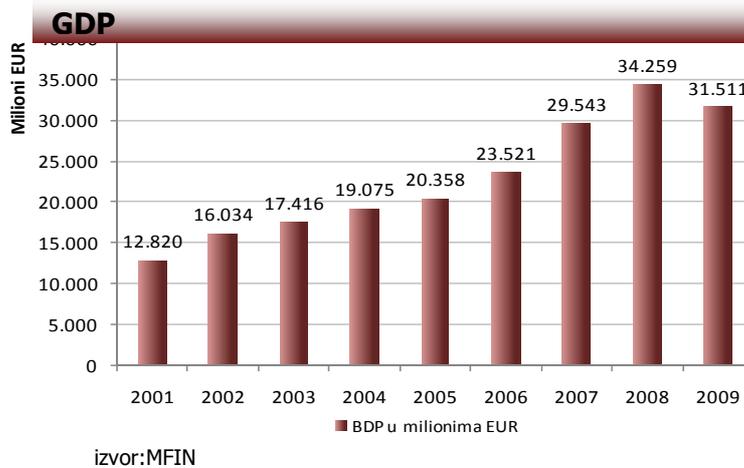
The world economic crisis, which started in the fourth quarter of 2008, was in full swing in Serbia during the previous twelve months.

After a GDP growth rate of just above 5% in 2008, all business segments recorded a significant fall in 2009. The GDP fall estimates range between 3,5% and 4%.

The industrial production in the first quarter of the previous year went down by 18% relative to the same period in 2008, with foreign trade recording a substantial fall of almost 40% in the same period. Imports also dropped due to a decline in domestic demand, which led to a decrease in the trading deficit in the absolute amount.

The recession eased the inflatory pressures during the year, reducing inflation to the projected level: however the prices controlled by the state are by 50% higher than those formed freely on the market.

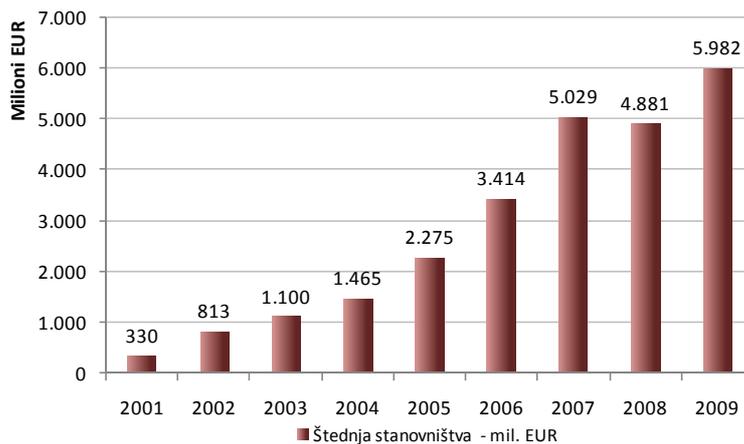
The total employment rate dropped by about 100.000, pushing down the unemployment rate by further 2% - from 14.4% to 16.4%.



Exports were lower by 25% (in EUR) in the first three quarters of 2009, while imports continued to fall, by even 31% compared to the same period of 2008.

The risks were somewhat alleviated by large participation of liquid means of the banking sector (24.8% in September 2009) and high level of capital (capital adequacy ratio was in September 21.3%).

Foreign currency savings



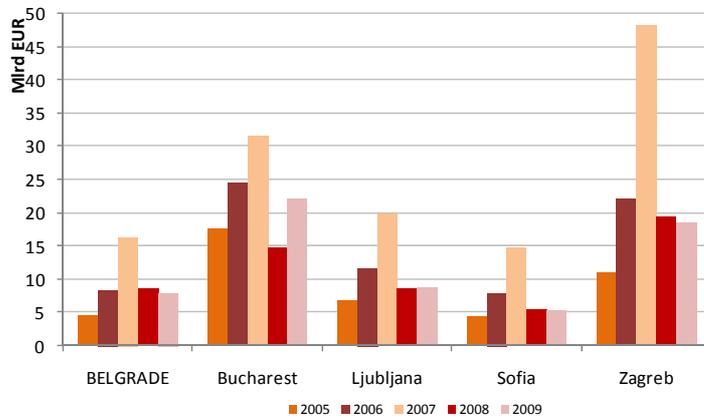
Source: MFIN

Retail foreign exchange deposits also recovered and by mid-November returned to the level before the crisis.

A large amount of loans linked to the foreign currency in Serbian banks' portfolios raise concerns (about 75% of all loans), while non-performing loans rose from 4.7% at year beginning to 7.6% of the total amount of loans granted by end September.

BSE regional position

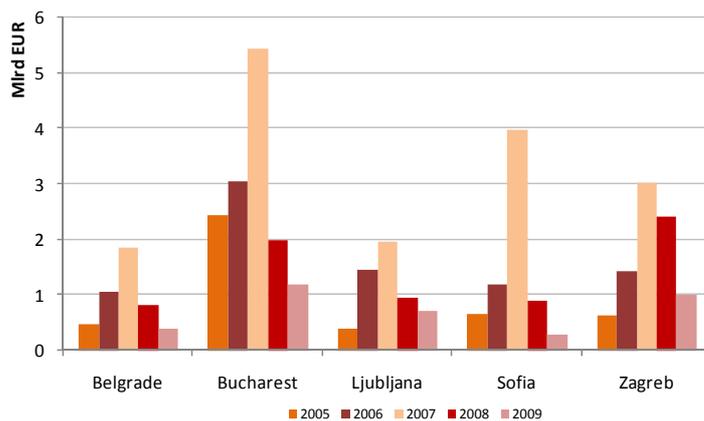
Market capitalization



In the Balkan economic environment, 2009 was marked by indices fluctuation and their increase at the annual level.

SEE indices, in spite of high growth rates compared to the levels in 2008, remained below the levels recorded in the previous years. In spite of price rises and good index performances, the regional stock exchanges recorded a sharp fall in share turnover.

Share turnover by years



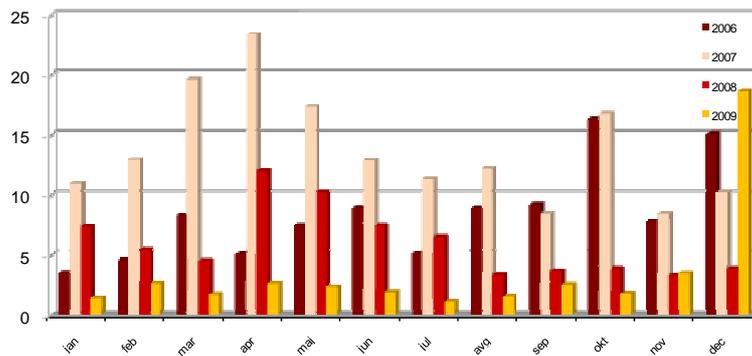
SEE indices



1. Business operation

1.1. Turnover:

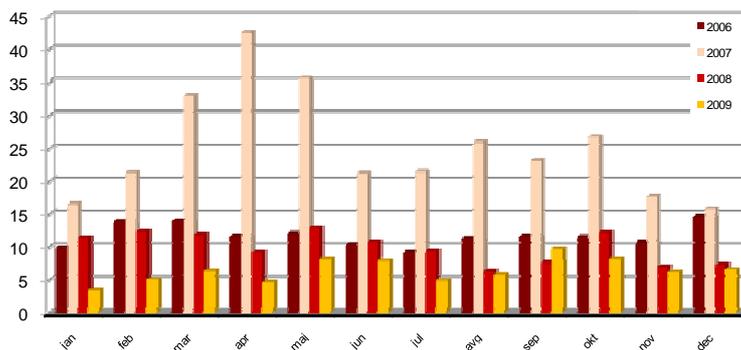
Total turnover by months



The total turnover at the BSE in 2009 amounted to RSD 41.8b, i.e., about EUR 442 million, down by 41.9% compared to 2008. As in the previous years, the traded material included company shares and RS bonds, and was dominated by share trades.

A fall in liquidity in trading can be seen from the total number of realized transactions amounting to 77,215, a fall of over 35% or almost 42 thousand transactions less than in 2008.

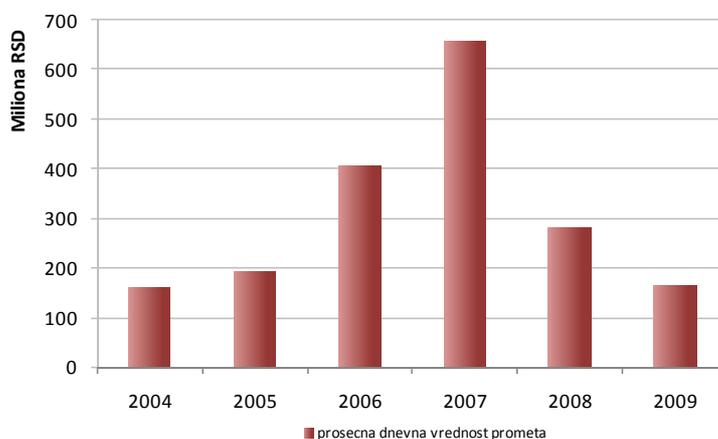
Total number of transactions by months



A decline in foreign and domestic demand, which started in the second half of 2008, reached its maximum in 2009.

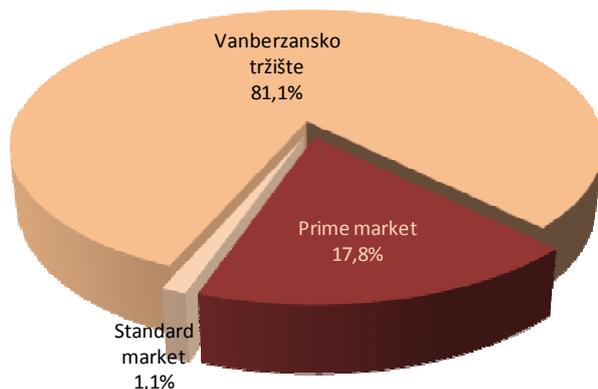
The lowest total monthly turnover, amounting to RSD 1.17b, was recorded in July, while the total number of transactions was the lowest in January (3,454). The total monthly turnover reached its peak in December, amounting to RSD 18.7b.

Average daily value of turnover



In 2009, the average daily turnover amounted to just above RSD 167 million, down by 42% as against 2008, with an average daily transaction value of RSD 541,067.

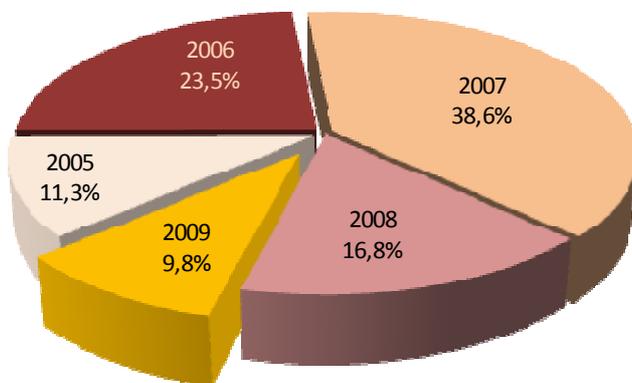
Turnover structure by markets



The total turnover structure in 2009 indicates a somewhat higher risk aversion and investors looking for safer investments.

After a two-year downward trend, 2009 saw a higher participation of RS bonds in total trading. RS bonds accounted in total trading for 12.17%, up by 4.7% compared to the previous year. Consequently, participation of share trades in total turnover decreased as against the previous year accounting for 87.83%.

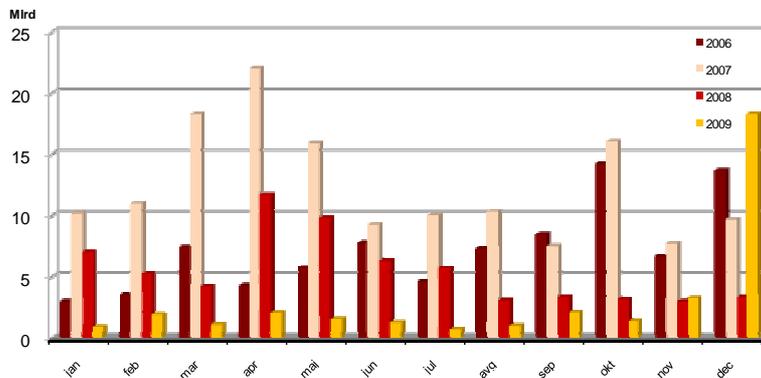
Turnover structure over the last 5 years



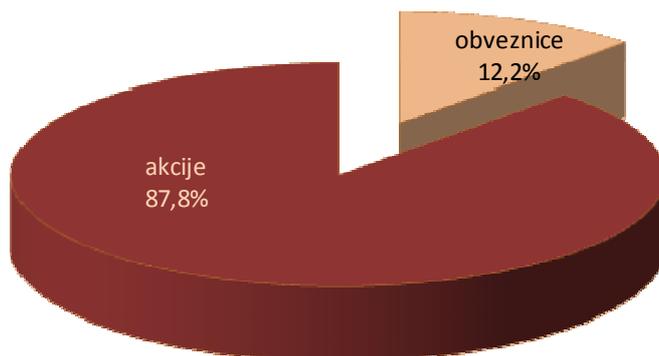
The biggest part of turnover, even 81%, was realized at the unregulated market, while the regulated market accounted for 18.9% of the trading value, with 17.8% at the Prime Market and 1.1% at the Standard Market.

1.2. Share turnover:

Total share turnover by months



Turnover structure by types of securities



Share trades accounted for 87.83%, down by 4.7% compared to the previous year.

Share turnover in 2009 amounted to RSD 36.7b, i.e. EUR 387.9 million, a decrease of 44,83% compared to 2008. Share transactions accounted for 88.72% of the total turnover, a fall of 4.38% as against the previous year. The number of share transactions amounted to 68,503.

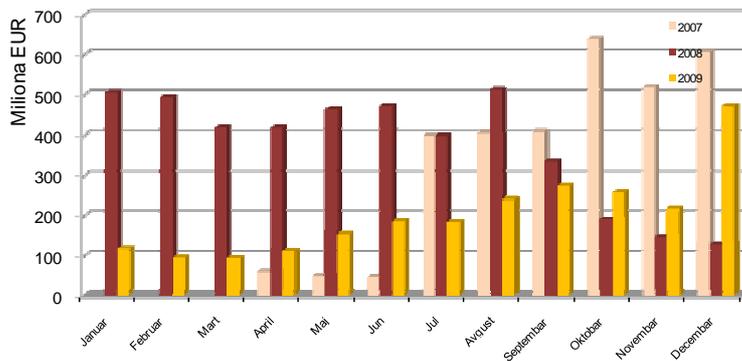
The average daily share turnover in 2009 reached RSD 144.5 million, i.e. EUR 1.5 million, with an average daily number of 270 transactions.

In 2009, 92.3% of the total share trading was realized at the unregulated market, the remaining 7.7% being realized at the regulated market. 83% and 17% of share trades were realized at the Prime and Standard market, as segments of the regulated market, respectively.

1.3. Regular market

Prime Market:

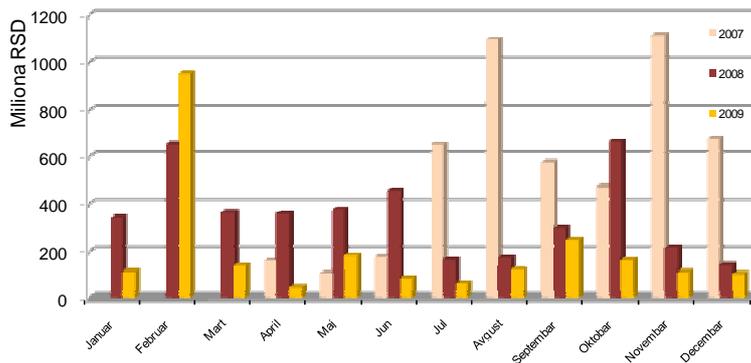
Market capitalization of Regular market



At the end of 2009, at the BSE regulated market there were 6 company shares.

The most quality segment of the BSE at the year end – Prime Market consisted of shares of companies Tigar a.d. Pirot (TIGR), Energoprojekt holding a.d. Beograd (ENHL) and Sojaprotein a.d. Bečej (SJPT). Except in February, which saw intensive trading in Sojaprotein shares, the turnover value ranged between RSD 100 and 200 million, thus the turnover at year end amounted over RSD 2.3b, accounting for 6.4% of the total share turnover.

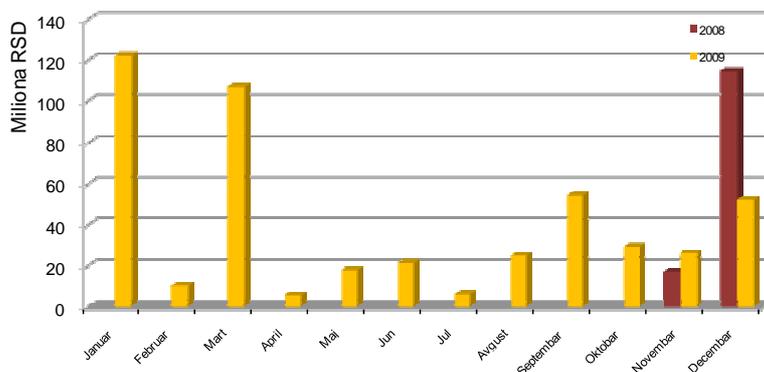
Turnover



The shares of the company Metalac a.d. from Gornji Milanovac (MTLC) were included in the Standard Market in May 2009, while the shares of the bank with the largest capitalization at the BSE – Komercijalna banka a.d. Beograd (KMBN) were included in the end of the year. Together with shares of Alfa Plama a.d. Vranje (ALFA), this segment realized a turnover of relatively modest RSD 480 million.

Standard Market:

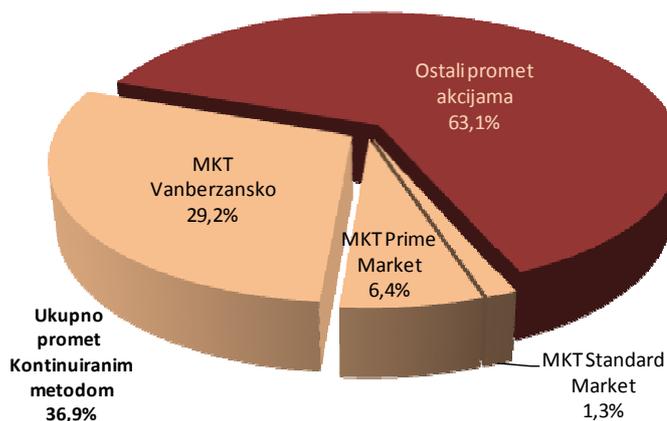
Turnover



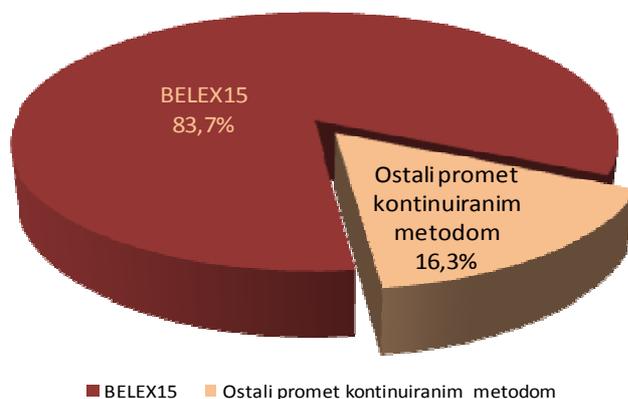
1.4. Unregulated market:

Continuous trading method

CTM turnover vs other share turnover



BELEX15 turnover vs CTM turnover



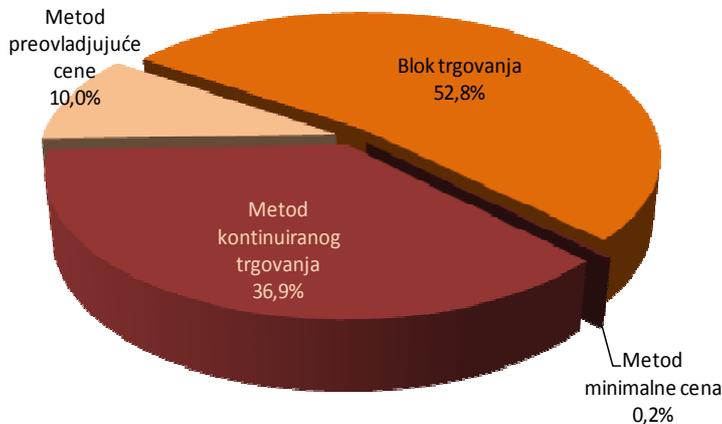
The biggest number of shares – over 1750 – participated in trading at the BSE unregulated market. Depending on the liquidity level, the methods used were continuous trading and single price auction. Most of the shares in the single price method were highly or totally unliquid, while a more liquid segment, continuous trading, accounted for a larger share in the BSE total turnover.

On the last day of 2009, 34 securities were traded in the continuous trading method at the unregulated market. The total turnover amounted to RSD 10.7b, which accounts for about 29% of the total share turnover. Together with shares at the regulated market, the continuous trading method accounts for almost 37% of the total share turnover, down by 16% compared to 2008. The decrease was mainly due to a high value of block trading.

The turnover of shares contained in BELEX15, out of which 6 are at the regulated and 9 at the unregulated market, accounted for 83.7% of the turnover in the continuous trading method, up by 0.5% relative to the previous year, indicating that the selected shares within the basket are dominant over other more liquid securities.

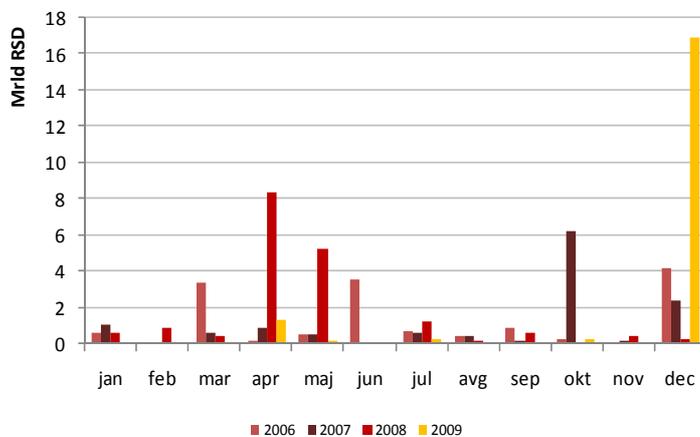
Single price auction method

Share turnover by trades



The Single price auction method, although the most dominant by the number of traded shares, accounted in 2009 for only one tenth of the total BSE turnover. It went down by 8% compared to the previous year, while in the absolute values, a fall in the turnover reached 69% and was worth about RSD 3.7b.

Block trades by months

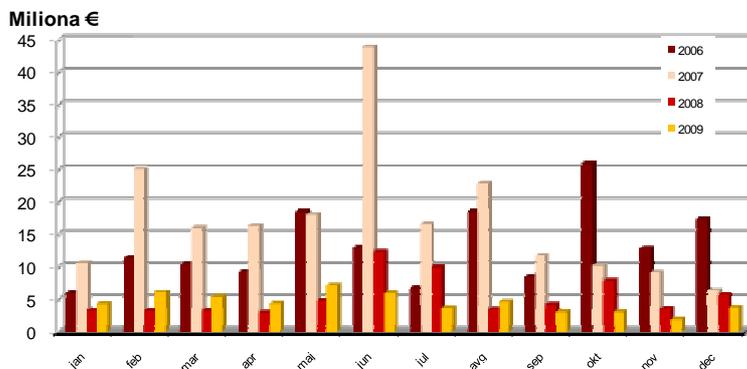


2009 was marked by an unusual distribution of turnover, with block trading accounting for over one half of the total BSE turnover. This data however does not indicate that market participants turned to this method. It was rather a consequence of the sale of Apatinska Pivara a.d. Apatin (APTP). The transaction was worth RSD 16.4b or just above EUR 172 million – a historic peak of the block method. However, with respect to the number of transactions by this method, after 3 years of approximate values of over 100 transactions per year, in 2009 this number fell to only 63 transactions.

The minimum price method, as in the previous years, had the least participation in the total turnover, with RSD 87 million.

1.5. Bonds:

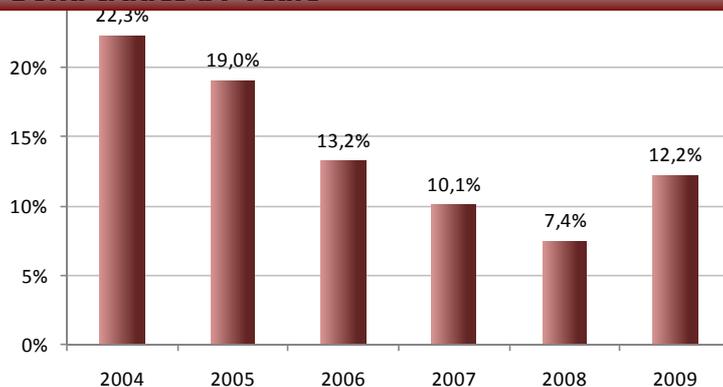
Bond turnover by months



In 2009, the debt market followed the share market and the signals coming from the real economy sector. The total turnover of EUR 54.1 million represents a drop of 17.4% as against the previous year. In spite of a fall in turnover, the number of transactions rose by 6.1%, to 8,712 transactions.

The biggest monthly turnover of EUR 7.3 million was realized in May.

Bond trades by years

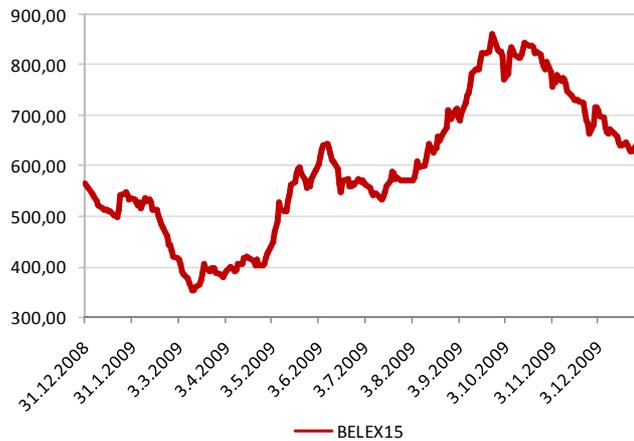


The most traded bond in 2009 was series A2016, with a turnover amounting to EUR 16.3 million, which accounts for about one third of the total turnover realized in this segment.

In 2009, the downward trend of bonds participation in the total turnover was stopped and relative participation rose to 12.2%.

2. BSE indices:

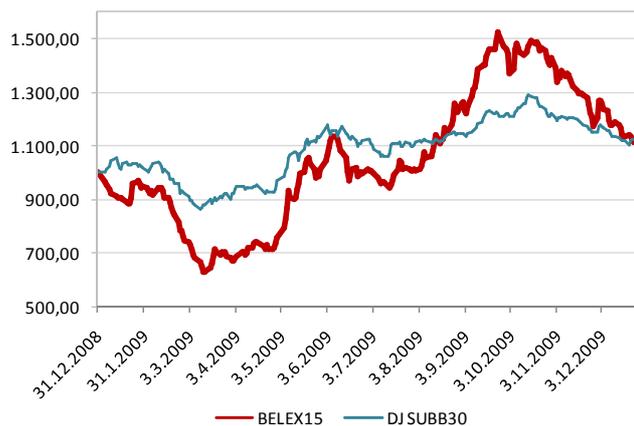
BELEX15 movement in 2009



The indices continued their downward trend in 2009.

The first quarter was marked by a strong fall, over 37% until its historic minimum, measured by index BELEX15. The historic low was reached on March 11, when BELEX15 recorded 347.46 points. Indeks BELEXline reached its historic low on the first day of April, dropping to 841.99 points.

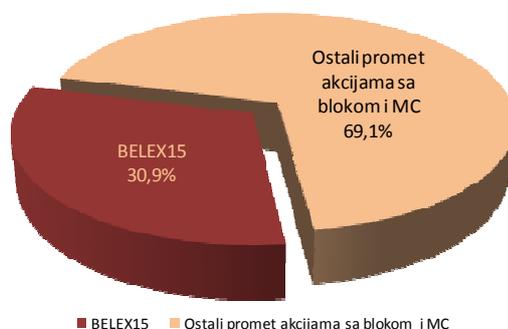
2009 - BELEX15 vs. STOXX Sub Balkan 30



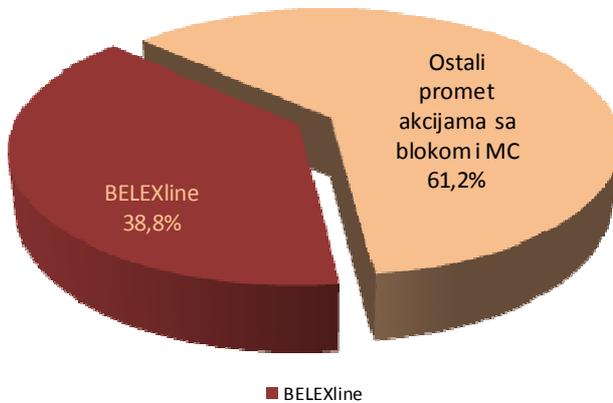
The second quarter saw a substantial rise with the yield of almost 48%, and with respect to the maximum even 60%, measured by the index BELEX15.

The upward trend continued until the end of the third quarter, i.e. until 24.9.2009, when BELEX15 peaked at the annual level reaching 870.20 points; however, it continued to record negative values afterwards.

Total BELEX15 share turnover vs total share turnover



BELEXline participation in total turnover

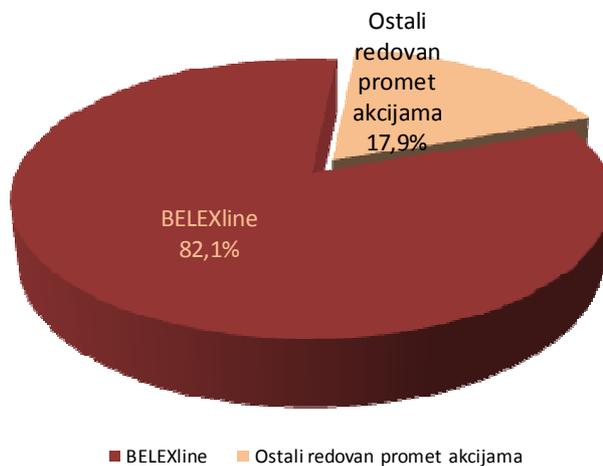


In the third quarter both indices recorded considerable increases of 45% (BELEX15) and 32% (BELEXline).

BELEX15 lost in the last quarter over 19%, and BELEXline 15%.

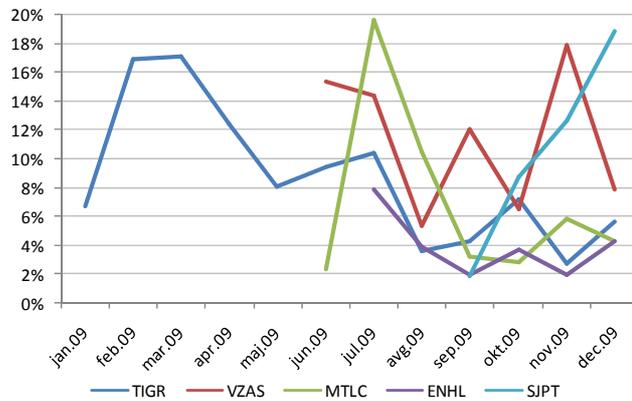
At the annual level, both indices ended at higher levels compared to end 2008, up by 17.44% (BELEX15) and 9.47% (BELEXline).

BELEXline participation in regular turnover



3. Market mejkeri:

Market makers turnover participation by securities



Član - Market Mejker	hartija	početak obavljanja posla MM
InterCapital Securities a.d. Beograd	TIGR	8.12.2008
Sinteza Invest Group a.d. Beograd	VZAS	15.6.2009
M&V Investments a.d. , Novi Sad	MTLC	22.6.2009
Synergy Capital a.d. Beograd	ENHL	6.7.2009
Sinteza Invest Group a.d. Beograd	SJPT	14.9.2009

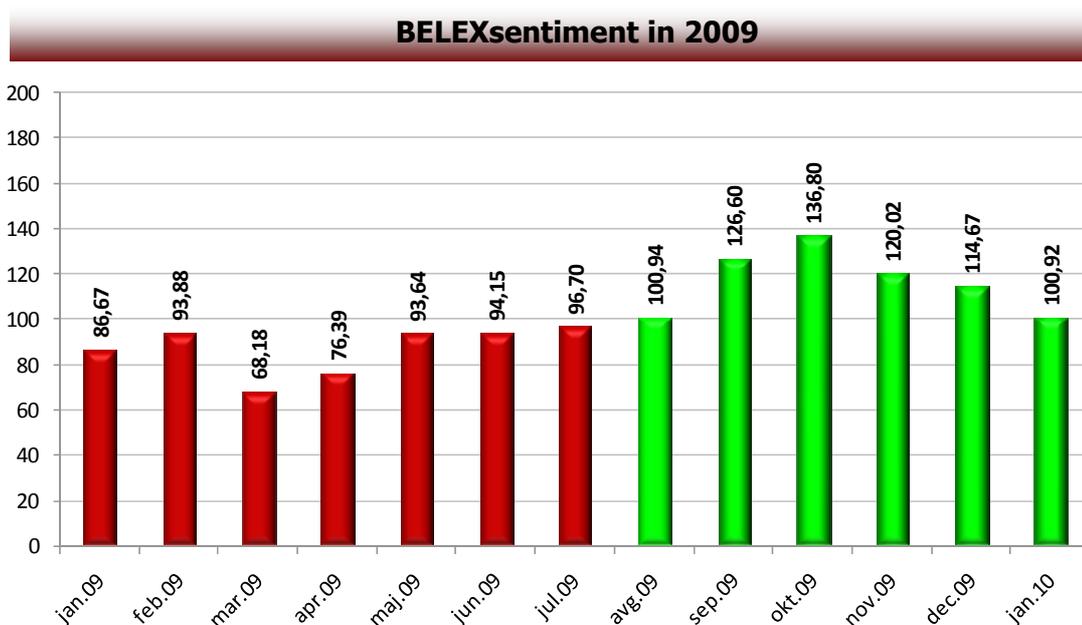
Probably the greatest development at the domestic capital market is the introduction of new market participants at the BSE – market makers.

The year ended with four BSE members performing market maker operations on five different shares.

Market makers' participation in the turnover ranged between 5% and 13% on average, reaching even up to 20% at the monthly level. Participation in the number of transactions on some securities was even higher, mostly in periods of lower market activity.

4. BSE indicators:

BELEXsentiment

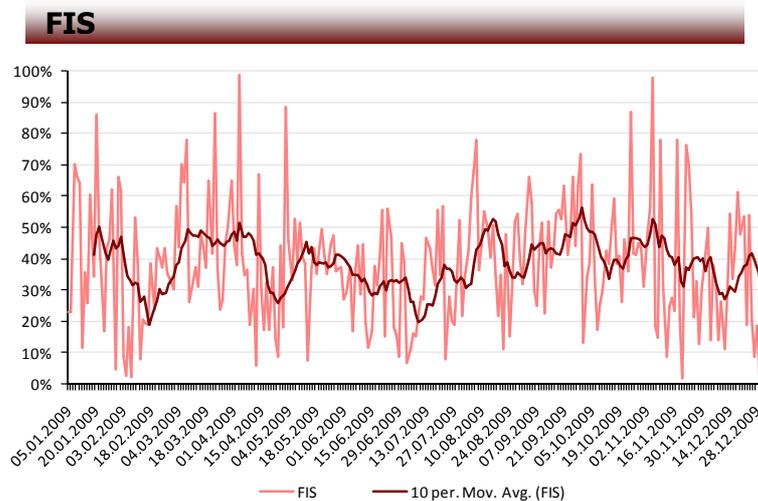


BELEXsentiment, as a monthly indicator of market participants' expectations of the direction and intensity of market movements, had a somewhat more stable and consistent trend in comparison to the previous years. With a change in the methodology of calculation in 2009, in addition to BSE members and the general public, whose votes are collected via the internet, voting includes portfolio managers of pension and investment funds.

BELEXsentiment showed its sensitiveness to global economic events by remaining in the red since September 2008, and this trend continued in the first seven months of 2009, in the longest consecutive series of negative expectations since the beginning of its publishing. Although the BELEXsentiment values in the first half of the year had a slight upward trend within the red zone, a positive turning point did not come until August, when this indicator, leaving the zone of negative expectations, timidly moved to the zone of positive expectations, remaining there until the year end. This event, which coincided with announcements that advanced economies were slowly recovering from recession, was accompanied by a significant increase in turnover and both BSE indices, both in August and September. Continuing its upward trend, BELEXsentiment recorded in October its annual peak of 136.8 points, followed by consolidation and less optimistic expectations of market participants, who realized that a longer time horizon is needed for negative effects of the economic crisis on the domestic market to be overcome.

5. Trading structure:

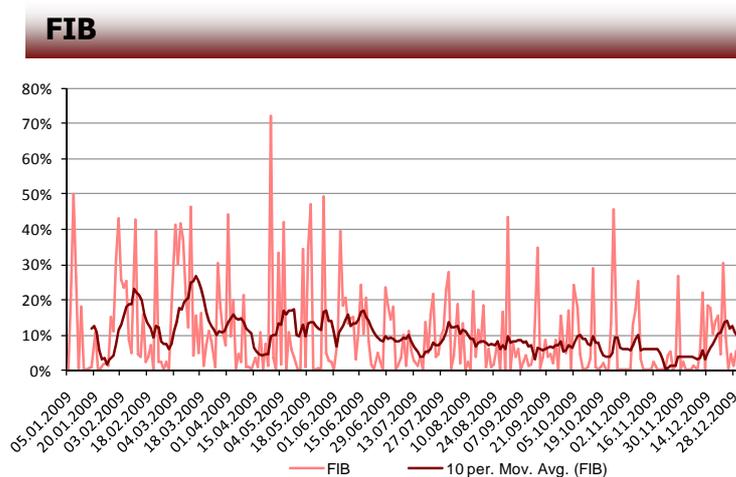
FIT, FIS, FIB



At the BSE in 2009, foreign investors' participation fell compared to 2008 in both share and bond trading.

Foreign investors' participation in total trading (FIT) dropped relative to the previous year by 10.5% accounting for 42.3% of total BSE trading.

The average daily foreign investors' participation in share trading (FIS) accounted for 46.9%, down by 6.4% as against last year.

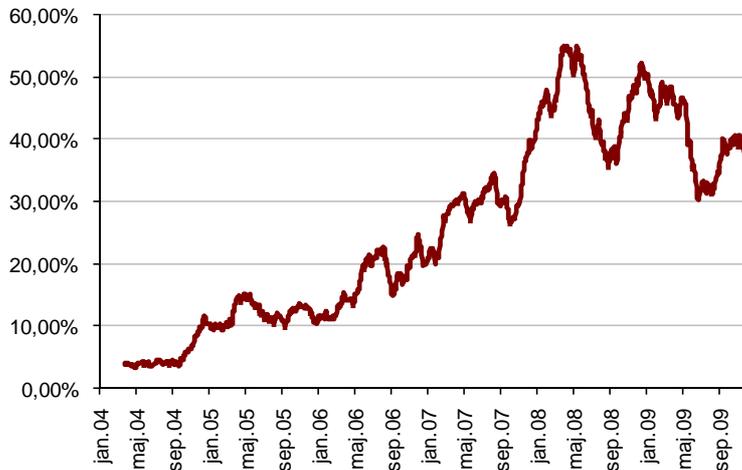


mesec	FIS	b-FIS	s-FIS	FIB	FIT
Januar 2009	37,57%	34,85%	40,29%	3,70%	27,89%
Februar 2009	18,27%	14,75%	21,79%	4,94%	15,29%
Mart 2009	54,52%	39,14%	69,90%	13,96%	42,53%
April 2009	79,26%	81,44%	77,08%	5,90%	67,49%
Maj 2009	37,10%	38,00%	36,21%	25,91%	33,83%
Jun 2009	33,14%	41,03%	25,25%	5,28%	25,05%
Jul 2009	27,64%	22,78%	32,49%	5,14%	20,91%
Avgust 2009	42,84%	48,76%	36,93%	4,36%	32,10%
Septembar 2009	48,25%	52,01%	44,48%	4,37%	43,02%
Oktobar 2009	48,60%	52,32%	44,87%	16,46%	43,31%
Novembar 2009	56,80%	61,04%	52,56%	4,08%	53,84%
Decembar 2009	47,15%	2,74%	91,56%	7,16%	46,37%
2009	46,90%	25,20%	68,60%	9,41%	42,34%

mesec	FIS	b-FIS	s-FIS	FIB	FIT
Decembar 2009	28,49%	27,61%	29,38%	7,16%	24,10%
2009	41,59%	43,32%	39,85%	9,41%	34,29%

- Participation of foreign investors without block transactions

Foreign investors participation – sell-side



In December, an exceptionally big block transaction of Apatinska pivara significantly boosted FIS in the last quarter, causing a strong disparity between b-FIS and s-FIS at the annual level. Thus foreigners' activities prevailed on the sell-side over the previously dominant buy-side. Foreign participation on the buy-side (b-FIS) at the end of the year amounted to 25.2%, while s-FIS accounted for 8.6%. Without this block transaction, the values of b-FIS and s-FIS were 43.32% and 39.86%, respectively.

Foreign investors participation – buy-side



In the observed period, there was a decrease in relative participation of foreign investors on the sell side, which had been on a constant rise over the previous years, with simultaneous increase in relative foreign participation on the buy-side, which over the previous years had constantly declined.

5. BSE information services – Data Feed

A new system for distribution of trading data - FIX Feed is based on the FIX communication protocol, providing to data vendors a fast and safe access to trading data in real time.

The BSE has 6 data vendors, domestic and international, who distribute trading data to a large number of professional users and individual investors.

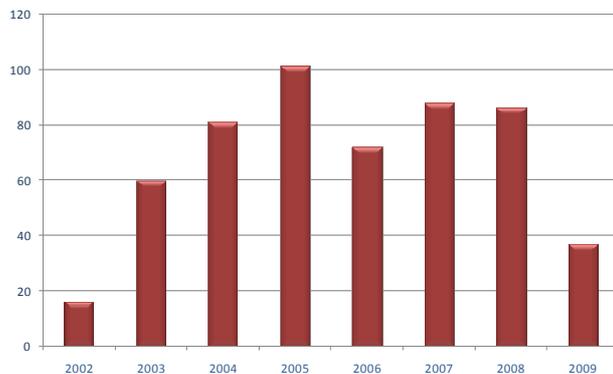
By using the Data Feed basic package and Package plus, the BSE members can also use the advantages of the system, form their own data basis and through data redistribution enable their clients access to real time trading data.

In addition, individual investors can access data and follow trading in real time via the BELEX.info internet application. This service can also be accessed via the mobile phone. There is also an SMS service, which distributes real time data via SMS messages.

In the second half of 2009, the distribution of corporate news of issuers contained in the index BELEX15 basket started via Data Feed.

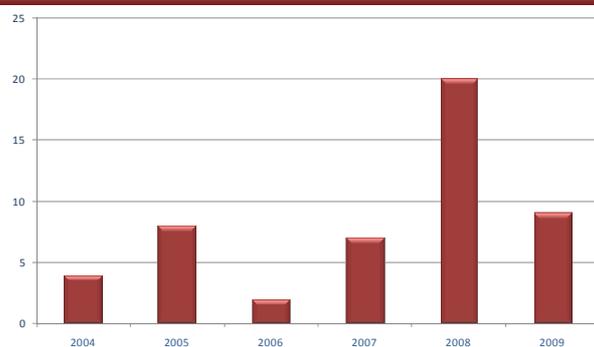
6. Supervision and control

Number of controls by years



In 2009 there were 37 controls of documentation and financial records of 25 BSE members with respect to share trading of 21 issuers.

Special reports



In the observed period, nine Special reports were produced, 8 reprimands by the Exchange Controllor were issued and proceedings were initiated against nine members before the Exchange Violation Committee.

7. Listing

7.1. Regulated market

7.1.1. Shares

In 2009, activities at the Regulated market were focused on admission of new issuers and monitoring and evaluating the fulfillment of requirements and criteria for listing of securities admitted to the regulated market in the previous period.

In 2009, the shares of the following issuers were admitted to the regulated market:

- ✓ Metalac a.d. Gornji Milanovac – Standard Market;
- ✓ Komercijalna banka a.d. Beograd – Standard Market.

By decisions of the Listing and Quotation Committee, in 2009 previously passed decisions on admission to the Prime Market of the following issuers were changed:

- ✓ Sojaprotein a.d. Bečej – number of shares admitted to the Prime Market was increased due to recapitalisation of the issuer (VIII issue of ordinary shares).
- ✓ Energoprojekt Holding a.d. Beograd – number of shares admitted to the Prime Market was increased and the nominal value of shares changed due to changing of the issuer's retained earning to equity.

A list of issuers whose ordinary shares are traded at the Regulated market on 31.12.2009 is given in the following table:

R E G U L A T E D M A R K E T	
Prime Market	Standard Market
Tigar a.d. Pirot Energoprojekt Holding a.d. Beograd Sojaprotein a.d. Bečej	Alfaplam a.d. Vranje Metalac a.d. Gornji Milanovac Komercijalna Banka a.d. Beograd

Within additional BSE activities intended to provide a full service to the listed companies, in 2009 there were two road shows organized in cooperation with partner exchanges in the region. The main organizer was the Belgrade Stock Exchange. Since 2008 there have been four road shows, one in Zagreb and Belgrade and two in Vienna. 37 different companies/issuers from the region participated at these events, out of which nine companies from Serbia. On the part of investors, the events were attended by 400 representatives from the countries whose exchanges signed the Memorandum on Partnership (Belgrade Stock Exchange, Macedonian Stock Exchange, Zagreb Stock Exchange, Ljubljana Stock Exchange, Sarajevo Stock Exchange, Banja Luka Stock Exchange, NEX and Montenegro Stock Exchange), as well as from the countries from Central and Western Europe: Austria, Estonia, Belgium, Switzerland, Sweden and Germany.

With respect to Serbian companies, two companies attended all road shows: Energoprojekt holding from Belgrade and Tigar from Pirot. All companies listed at the Prime and Standard Market have participated at some of these events. The inclusions of shares of Metalac from Gornji Milanovac and Komercijalna banka from Belgrade to the Regulated market ensued immediately after the road show attended by these companies.

The participation of Serbian companies in the total number of one-to-one talks at all four events accounted for 27.9%, while in the total number of companies Serbian companies accounted for 23.3%.

Government securities – RS bonds

In May 2009, delisting was performed of the RS bonds issued by the Decision on the issue of bonds for the settlement of obligations arising from the citizens' foreign currency savings - series A2009, traded at the regulated market from 9.9.2002 to 18.5.2009 (which is the date of the last trading at the Exchange).

7.2. Development of corporate governance – Project »Scorecard«

In 2009, the BSE continued activities on the development of corporate governance and cooperation with the International Financial Corporation – IFC within the Program of corporate governance, realized by IFC, financially aided by SECO, in SEE. Cooperation involved joint work on the project of development and implementation of the Scorecard.

The Project, designed in three stages, includes the development of the Scorecard, testing of the applied companies and organization of educational programs for participants in the testing program.

Within the first stage of the Project, the Scorecard of corporate governance for public companies in Serbia was created. It is a questionnaire divided in chapters reflecting the basic principles of good corporate governance, each consisting of ten questions about the recommended practice for the principle to which the chapter is devoted. The chapters are also defined by a percentually expressed weight relative to the total of 100%. The document is created according to the scorecard used in the German capital market, and the questions are based on Serbian laws and by-laws and recommendations of the BSE corporate governance code and Serbian Chamber of Commerce. The Scorecard was presented at the BSE Conference held on 19. and 20. November 2009.

In 2009, the second stage of the Project started, involving the testing of the Scorecard in companies which expressed interest in participation in this process. At this stage, cooperation was established with IFC and Serbian Chamber of Commerce, resulting in an increase in the initial number of companies covered by the testing. The first results of the tests performed in 2009 show that the document enables real assessment of corporate governance practice. At the same time, the testing shows that the quality of the implementation of the scorecard depends on the quality of the analysis of all circumstances affecting the choice and estimation of an individual answer, and that estimation of corporate governance practice through implementation of the Scorecard should be realized with active participation of individuals who have appropriate knowledge and experience. The Project is planned to be completed (end of testing and organization of educational programs) in the first half of 2010.

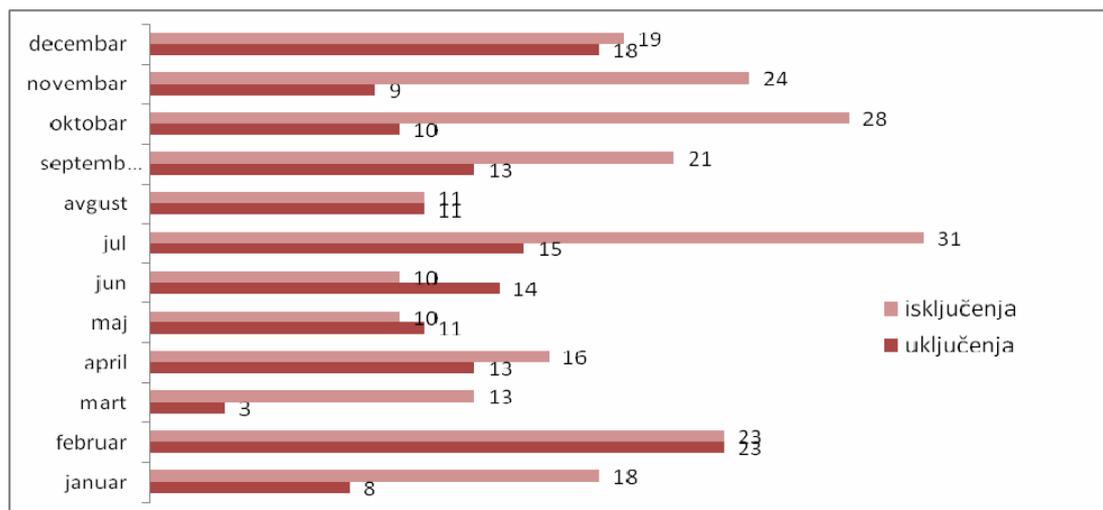
7.3. Unregulated market

Trading on the unregulated market in 2009 was characterized by excluded issuers (228) outnumbering those included (148). The most common reason for exclusion is change in the legal status and form of organization of issuers (to limited liability company and joint stock company), accounting for 62% of excluded issuers.

Due to the announced changes in balance sheets and for the purpose of regular innovation of prospectuses with balance sheet data for 2008, the Application for the creation of prospectuses and module listing in BELEXFIX was adjusted.

The legal requirement and responsibility of issuers to accurately and timely inform the investment public, closely defined by the contract on inclusion of shares into the unregulated market, was not fulfilled by about 25% of issuers whose shares were traded on 31.12.2009. Namely, 434 issuers did not deliver prospectuses innovated by balance sheet data for 2008. The obligation to innovate the prospectus within the prescribed deadline was met by over 700 issuers or over 40% of the then included issuers.

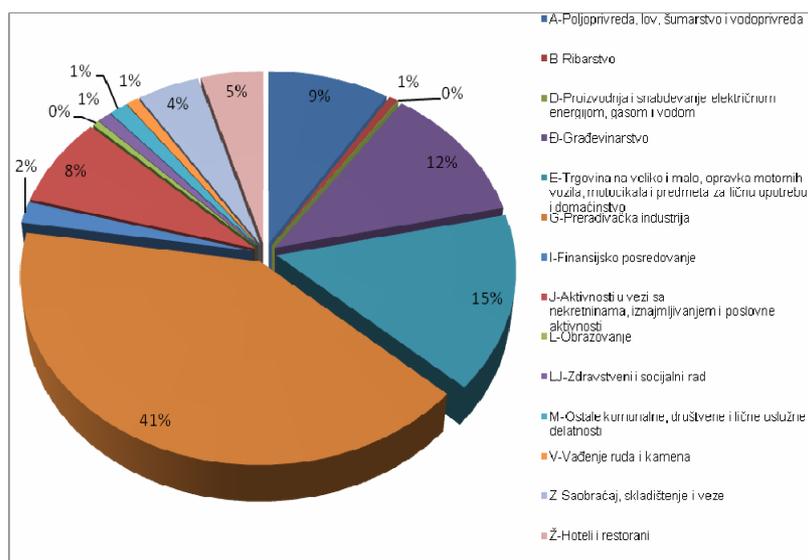
In 2009, shares of 148 issuers were included into the unregulated market, while the total number of decisions on exclusion was 228, out of which 16 securities were again included into the unregulated market in the same period. The reasons for exclusions include change in the legal status and form of organization; change of shares; bankruptcy and liquidation of the company.



Considering the above said, on 31.12.2009, 1,780 shares, i.e., shares of 1,754 issuers were quoted on the unregulated market.

7.3.1. Sector classification

Sector classification of issuers whose shares are traded at the BSE unregulated market was done by sectors and sub-sectors, according to the Law regulating classification of business activities, which came into force on 02.01.2000. As for the unregulated market, the largest share belongs to issuers classified under the Processing industry - 716 issuers, accounting for 40.82% of the total number of issuers. The next largest sector by the number of included issuers is sector E – Retail and wholesale trade, comprising 266 issuers, i.e. 15.16% of the total number of included issuers. The third sector by the said criterion is sector D – Construction. This sector comprises 209 issuers, i.e. 11.91% of the total number of issuers.



8. BSE members

8.1. BSE membership

As of 31.12.2009 the Exchange has 77 members:

- 59 broker-dealer companies
- 18 authorized banks

In 2009, one broker-dealer company and one authorized bank obtained the status of the Exchange member: Jubmes banka a.d. Beograd within the Broker-dealer department and Tradeville a.d. Beograd (previous business name: Vanguard a.d. Beograd).

In 2009, for 13 Exchange members the membership status was terminated, out of which 12 were voluntary terminations and one status was withdrawn due to failure to comply to the provisions of the BSE Articles of Association, Rules of Business Operation and other BSE rules and regulations, as well as due to a failure to fulfill the criterion of required qualification.

In 2009. godine, registered data on BSE members were changed on account of: change of the BSE member's business name – 5 members), narrowing of the member's registered activities - 6 members; termination of registered activities in a branch office – 6 members.

8.2. BSE market makers

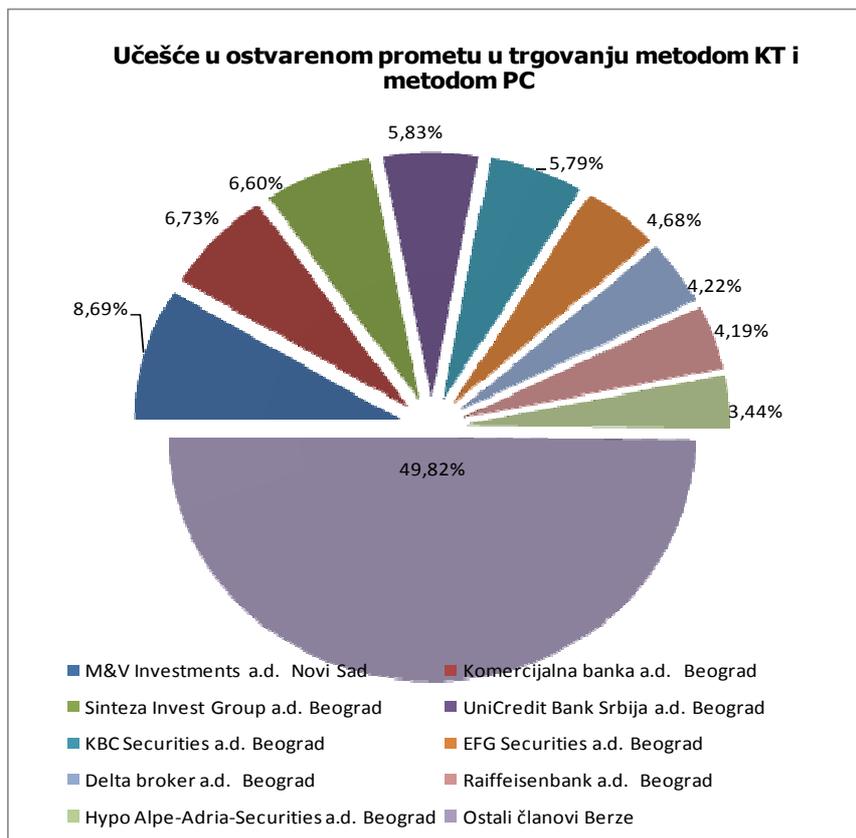
In addition to the first market maker InterCapital Securities a.d. Beograd for shares of the issuer Tigar a.d. Pirot, three more BSE members accepted the role of a market maker in 2009:

1. Sinteza Invest Group a.d. Beograd - market maker for shares of the issuer Sojaprotein a.d. Bečej and issuer Veterinarski zavod a.d. Subotica;
2. M&V Investments a.d. Novi Sad - market maker for shares of the issuer Metalac a.d. Gornji Milanovac;
3. Synergy Capital a.d. Beograd - market maker for shares of the issuer Energoprojektholding a.d. Beograd.

8.3. BSE members' activities

Although there are 77 members trading at the BSE, 10% of the members account for almost one half of the total turnover. As a result of only one block transaction realized with shares of Apatinska pivara a.d. Apatin, accounting for 39.23% of the total turnover, a BSE member M&V Investments a.d. Novi Sad, the mediator in the said transaction, accounted for 44.85% in the total turnover. However, considering the BSE members' activities in trading without block transactions and transactions concluded by the minimum price method, nine BSE members jointly accounted for over 50% of the BSE total turnover.

With respect to RS bonds trading, over 50% of the total turnover was realized by four BSE members: Komercijalna banka a.d. Beograd – 17.45%; Raiffeisen banka a.d. Beograd – 13.38%; Unicredit banka Srbije – 10.48% and Delta broker a.d. Beograd – 9.02%.



9. Information and technical operations and technical and technological development

With respect to information operations and technical and technological development, BSE activities in 2009 were focused on: maintenance and daily activities; modification of the trading system BELEXFIX; creation of a new WEB site; modification of communication and power infrastructure; improvement of system's general safety; construction of a back-up site; exact time measuring; implementation of the system BELEXFIX on other exchanges and auxiliary applications.

Time lines of the projected and met deadlines of individual activities:

Time lines of activities				
Activity	Planned		Realized	
	Beginning	End	Beginning	End
Maintenance of infrastructure and daily activities	01.01.2009	31.12.2009	01.01.2009	31.12.2009
Modification of system BELEXFIX	01.01.2009	31.12.2009	01.01.2009	31.12.2009
BSE WEB site creation	01.01.2009	01.08.2009	01.01.2009	01.08.2009
Modification of communication and power infrastructure	01.03.2009	30.06.2009	01.03.2009	31.12.2009
Improvement of system's general safety	01.03.2009	31.08.2009	01.03.2009	31.08.2009
Construction of back-up site (DRS)	01.01.2009	31.12.2009	01.01.2009	31.12.2009
Exact time measuring	01.07.2009	31.07.2009	01.07.2009	31.07.2009
Implementation of system BELEXFIX on other exchanges	01.03.2009	31.12.2009	01.03.2009	31.12.2009 ¹
Auxiliary applications	01.03.2009	30.09.2009	01.03.2009	30.11.2009

9.1. Infrastructure maintenance and daily activities

The BSE infrastructure comprises all equipment (computers, telecommunication, air-conditioning, UPS, etc.), as well as computer network (telecommunication and power lines), which in the beginning of 2009 included:

- Computer network with appropriate equipment - servers; communication and network equipment; work stations at the Exchange and in the premises of members, etc;
- Telecommunication lines – optical lines to Telekom used by 28 ISDN PRI users; 61 Frame relay users; optical line with provider; telephone lines in the Centrale, independent telephone lines;
- Power supply system with equipment for uninterruptible power supply (UPS) controlled by GPRS modems (UPSs of 10KVA; UPSs of 5KVA; UPSs of 1.5 KVA and UPSs of 0.5KVA – 0.8KVA;
- System for providing temperature conditions – air-conditioning cabinets of 10KVA; air-conditioning units of 24BTU and several office air-conditioning of 12BTU;
- Entrance checking device
- Video surveillance

¹ Shaded fields denote activities not fully realized in 2009

The Exchange equipment is situated in the Exchange premises, while the back-up site is situated at the location of the provider and is managed by remote control. A correct functioning of the information system is the basic precondition for the Exchange regular functioning, therefore its maintenance and work control are performed throughout the year, and the employees are engaged in regular and extraordinary situations, with external experts hired in special circumstances.

In 2009, within the project of development of a new back-up site, a complete change was performed of the production servers on the main site, work stations of the Exchange controllers and work stations in the Training room, in line with the virtual concept of organization of the BSE information system.

Maintenance of the information system is carried out according to the schedule determined by the Book of daily activities for regular and extraordinary activities, both automatically and manually. Daily activities include the following:

- System administration – daily definition of system parameters, start-up and stopping of all applications, making copies of data, etc;
- System monitoring – supervision and recording the flow of data on all lines, recording computer load, functioning of client work stations and servers, etc;
- Data exchange with the Central Registry and BSE members – receipt of data from CR, distribution of trading data to CR and BSE members;
- Creation of regular and extraordinary reports;
- Providing technical support for users – training for using new programs, various types of explanation and instructions, etc.

9.2. Modification of BELEXFIX trading system

With respect to modification and maintenance of BELEXFIX trading system, in 2009 the following activities were carried out:

- Introduction of functionalities defined as phase 2b (table 2) and
- Certification of FIXAPI functionalities of user application of BSE members for electronic connection to BELEXFIX via BelexFIXAPI module

Plan and realization of modification of BELEXFIX - phase 2b

	Plan	Realization
New types of orders (Iceberg, Stop, FoK and IoC)	31.03.2009	Delayed
Modification of Trading engine: Intraday auction	31.03.2009	31.08.2009
Automatization of market-maker function	31.03.2009	31.08.2009
Real time calculations: PAP, VWAP	31.03.2009	31.08.2009
Offline reporting: Market Impact	31.03.2009	31.08.2009
Calculation of indices in foreign currency	31.03.2009	31.08.2009
Modification of client application for BSE members and controllers	31.03.2009	31.08.2009
Testing in test environment (Internal)	30.04.2009	30.10.2009
Testing in production environment (Internal)	15.05.2009	31.12.2009
Mock Trading	20.05.2009	2010
Launching	30.05.2009	2010

Realized requirements of individual functionalities were tested in the internal environment, a list of requests for corrections according to the test results was made, activities on corrected solutions are in progress, while activities of the second round of testing with BSE members, as well as trial trading, were carried out in the beginning of 2010, with coming into force of modified BSE Rules of Business Operation, after which the new functionality of the new information trading system was launched.

For the purpose of connecting user applications of the BSE members (backoffice) with BELEXFIX system, the Exchange developed a communication module FIXAPI and defined procedures for its implementation. The project FIXAPI was carried out through the following phases:

- ✓ Development of FIXAPI module for BELEXFIX and BSE members' user application;
- ✓ Distribution of FIXAPI module to BSE members;
- ✓ Funkcional testing of FIXAPI module with BSE members, in BSE premises;
- ✓ First trial trading from the location of BSE members;
- ✓ Establishment of normative basis for the launch of FIXAPI module – Change in BSE Rules of Business Operation and adoption of Instructions for electronic connection of BSE member's user application with BelexFIX via BelexFIX module;
- ✓ Second trial trading from the location of BSE members (January 2010) and
- ✓ Launching (January 2010).

During the fourth quarter of 2009, in addition to the planned activities, certain modifications to the system BELEXFIX were made, for the purpose of improving performances in view of the announced possibility of inclusion of company shares with almost 5.0 million shareholders into the BSE.

9.3. New BSE web site

The creation of a new web site was carried out in two phases:

- ✓ Completion of modification of the existing site (improvement of technical and functional performances);
- ✓ Redesign, i.e, creation of a new site, realized through the following sub-phases:
 - Defining requests and analysis of requests with specifications;
 - Realization (with design solution);
 - Verification and internal testing;
 - External testing and
 - Launching and creation of documentation.

The site was completed within the projected deadline, while the creation of a complete version of the site in Russian was postponed due to the engagement of external translators for the first version and continuous updating of daily changes.

9.4. Modification of communication and power infrastructure

For the purpose of improving general functionality and safety of the system, reserve optical links are provided between:

- ✓ Main and back-up site (via other physical channels), the back-up site being activated in case of interruptions on the main line;
- ✓ System users (BSE members) and back-up site at the location of the provider (changed in the procedure of testing the work of the new back-up site and launching)

With respect to the renovation of electrical installation and installation of a new power unit, a new power unit was acquired and the concept design approved. The main project for connection and installation of the diesel power unit in BSE business premises was created, and the procedure for obtaining the consent of the competent bodies for building the foundation and installation of the power unit is in progress.

9.5. Improvement of general safety of the system

The information system safety in 2009 was improved through the following activities:

- Introduction of a new generation of softwares for virus protection;
- Defining a new internate usage policy;
- Defining a global strategy for providing continuity of business operations.

The basic set of documents for providing general safety of the system was created within the construction of the back-up site.

9.6. Development of BSE back-up site

Within the Project of developing a new back-up site, defined in cooperation with the Luxembourg Stock Exchange, according to the EU standards and financed by donations of the Grand Duchy of Luxembourg, the entire equipment at both sites was replaced and necessary business and technical documentation defined.

The project was realized through the following activities:

- ✓ Procurement, receipt and installation of equipment;
- ✓ Installation of a reserve optical line between main and back-up site;
- ✓ Testing of the back-up site without moving the minimum number of employees;
- ✓ Testing of the back-up site with moving the minimum number of employees;
- ✓ Creation of documentation: Project realization plan; Business operation continuity plan; Analysis of influence on work progress; Risk analysis; Crisis management and Test plan.

Technically, the back-up site was launched in June 2009. During the second half of the year, necessary testing was performed, and the Project was formally completed and launched in December 2009. The implementation of the back-up site is a multidisciplinary project, comprising all segments of BSE business operation. Within this project, a comprehensive analysis of BSE business operation was carried out for the purpose of defining all functions and levels at which they must be maintained in regular and extraordinary circumstances. In view of this, a sub-project of the project is Document Management, as a precondition for efficient work of the employees in extraordinary circumstances and transfer of the functions to the back-up site.

By replacement of the entire equipment at the main and back-up sites, the sites are made identical in both technical and functional terms. Within the project, new equipment was acquired according to the specification done in cooperation with the team from the Luxembourg Stock Exchange, which selected the suppliers.

9.7. Exact time measuring

Measurement of the exact time is vital to proper functioning of BELEXFIX, therefore the Exchange defined the criterion according to which all participants in trading take over the exact time from one of the Exchange servers. With respect to that, in 2009 a new software on the server and client sides was procured and installed. The BSE server takes over the exact time from the internet via special sites distributing the exact time from the satellite.

9.8. Implementation of BELEXFIX on other exchanges

Based on the Cooperation protocol signed between the Belgrade and Montenegro Stock Exchanges, expressing the need of the Montenegro Stock Exchange for the system BELEXFIX, the Belgrade Stock Exchange and Montenegro Stock Exchange sent a request to the Grand Duchy of Luxembourg for providing them with financial means for the project. After the donator expressed the intention to secure financial means and cooperate in the project, preparations began concerning the project scope, competence between the parties and the project value. The Luxembourg Stock Exchange proposed that the project of customization and implementation of the system BELEXFIX on the Montenegro Stock Exchange should include the entire modules : «Trading » and « Supervision », and the minimum functioning of the modules : « Listing », « Information » and « Invoicing », for the purpose of providing necessary internal functioning of all parts of the system and defining the interface between the Montenegro Stock Exchange and Central Registry of Montenegro.

During the year, the following activities were realized within the said project :

- ✓ Analysis of the situation on the Montenegro capital market for the purpose of properly defining the project;
- ✓ A version of the Initial project plan was sent for consideration to the Luxembourg Stock Exchange;
- ✓ Documents required by the Luxembourg Government were produced and sent;
- ✓ BSE and LSE jointly visited Podgorica;
- ✓ The final version of the financial framework of the project between LSE and BSE was defined.

9.9. Auxiliary application

In 2009, the following auxiliary applications were produced:

- ✓ Recording and filing of documentation (Document Management);
- ✓ Application for addresses of partners;
- ✓ Application for BSE conference;
- ✓ Application for searching the data base of the competent registry of business companies (APR);
- ✓ Applications for BSE electronic daily bulletin and
- ✓ Applications for keeping records on courses.

10. BSE regulation

Within continuous development activities related to the improvement of business organization in 2009, the BSE made intensive efforts on creating additional functionalities of the trading system BELEXFIX, which, among other things, can greatly contribute to the prevention of market manipulation and increase the market liquidity. Therefore, the most comprehensive activities concerning the establishment of a necessary normative and regulatory framework – including the change of the concept of fluctuation zone; market segmentation, automatization of market making orders and application of the model of electronic order routing into the trading system BELEXFIX – were realized by changing the provisions of the BSE Rules of Business Operation.

The normative activity of BSE in 2009 was primarily conditioned by a need to adjust the BSE general rules and regulations to practical needs and more closely define certain provisions, as well as to improve the trading system; therefore, the activity involved modifications and amendments to the BSE basic general rules and regulations, as well as general rules more closely defining certain matters regulated by the BSE basic general rules.

11. Marketing and public relations

The public relations and marketing in 2009 were improved through several aspects.

The BSE continuously communicated with the general public through educational and informative texts published on the BSE web site and in domestic media, as well as through daily direct, telephone and e-mail contacts. Special attention was paid to informing the citizens on distribution of shares of public enterprises free of charge and future exchange activities in respect to that.

The BSE courses intended for the general and professional public (broker-dealer companies, issuers, analysts, media, etc.) were held monthly. Cooperation was realized with several institutions interested in improvement of exchange and securities operations.

Students and secondary school pupils regularly visited the BSE in 2009.

In August 2009, a new BSE internet presentation was produced and launched. It is adjusted to the current level of the development of the capital market and expected needs of the general and professional public. Within the same period, the BSE started publishing its daily bulletin – BELEX.daily, which is delivered free of charge to numerous addresses of domestic and foreign physical persons, businessmen and experts in the field of finances. The regular BSE publication – Bulletin was improved through new topics and trading analysis. In 2009 it was distributed electronically.

Cooperation with representatives of professional public, investors and issuers was significantly improved through organization of two road shows, which, in addition to directly connecting investors and issuers, contributed to the perception of new forms of cooperation between the BSE and its clients, which will be the basis for further activities in this field in the future.

The Eight International Conference of the Belgrade Stock Exchange was held on 19-20 November 2009, and during the year the BSE organized talks with the topic: » Positioning of the capital market in the conditions of crisis«, which gathered representatives of broker-dealer companies, investment funds and banks. The BSE representatives participated in the work of the Business Forum 2009, with presentation: »Belgrade Stock Exchange in the light of the international crisis of financial markets and economic recession«.

11.1. BSE web site

A redesign of the BSE internet presentation started in 2009, and the updated presentation was launched mid-August. The update was intended to facilitate access to more information, increase functionality of the internet presentation, improve design, facilitate browsing through the presentation and use of new and up-to-date tools, etc.

The new concept focuses on presentation of data on companies prospectuses, financial indicators, sector classification and the like. New graph presentations of price movements and trading volume were made, comparison of performances of individual securities with other securities and BSE indices was enabled, and daily news coming from issuers were highlighted. A novelty on the home page of the internet presentation are fast links.

11.2. Public relations

During the year, the BSE paid special attention to its cooperation with representatives of domestic and foreign media.

In addition to continuous cooperation with representatives of new agencies, the BSE organized press conferences, at which it presented business results and future plans, news in business operation and information on the BSE international activities.

Cooperation with the media was carried out through regular distribution of standardized daily and weekly reports on trading and professional and educational texts.

The BSE conducted an interesting survey related to distribution of news on listed companies. According to the survey, from the moment some information is announced by a listed company on the BSE internet page, it is electronically transferred to the media web sites, and taken over by printed media. Thus, each piece of information coming from a listed company is published in five domestic media on average.

With respect to educational texts, analyses show that they are published twice a week on average, which suggests that it is necessary to consider the public's need for texts which in a simple way explain various aspects of exchange operations.

Radio programs also take over daily reports on trading and broadcast them several times during the day.

During the year, media representatives attended courses and educational programs organized by the BSE, specially designed for journalists.

Good cooperation of the BSE with media representatives was also confirmed during the organization of the international conference, when eighteen domestic and regional media agencies supported the conference as media friends, while the event itself was followed by 30 accredited domestic and foreign journalists.

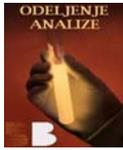
11.3. BSE Conference »UPGRADE IN BELGRADE«

The Eight International Conference of the Belgrade Stock Exchange, UPGRADE IN BELGRADE, was held on 19. and 20. November 2009 at the Hotel Continental, with over 200 domestic and foreign experts coming from the fields of exchange and broker operations, fund managers, analysts, university professors and other experts. The conference was aimed at encouraging talks between participants of the currently interesting topics in the industry of advanced exchange operations and at exchange markets in SEE.

The Conference was organized in five panels, each preceded by presentations of eminent, mainly international, experts.

The Conference topics were the following: Macroeconomic Prospects for 2010, Corporate IR – Investor Relations, Manipulation – Market Abuse, Climate Change and Markets, Energy markets - Possibilities and Experiences, Some Liquidity Improvement Techniques.

During the conference, a special lecture was held entitled: Climate change and markets, followed by the presentation »Scorecard – improvement of corporate governance practice« and the workshop »Practical insight in structured derivatives trading«. The Conference conclusions were published on the BSE internet presentation and in the BSE Bulletin.



During the Conference, the exhibition of the archive material of the BSE and its associates was held, organized on the occasion of 115. years since the foundation and 20 years since the re-foundation of the Belgrade Stock Exchange.

11.4. Education of professional and general public

In respect to education, 2009 was marked by new kinds of cooperation with distinguished institutions. We single out USAID project of economic support to Serbia, which joined the BSE in the program of citizens' education, through seminars held in several Serbian towns for various categories of population.

In addition to regular and special courses, the BSE representatives held several lectures at the Economic Faculty in Belgrade on request of AIESEC, international platform dealing with discovery and development of potentials in young people, as well as the members of the Club of Adizes center for SEE.

The education for acquiring the status of a broker in the organization of the Securities Commission includes a two-day attendance of practical training at the BSE.

An important segment of education are regular visits of students to the BSE. Since the beginning of 2009, the BSE was visited by students from 15 economic schools and faculties.

The Project entitled »Virtual classroom« was designed to include faculties in education in exchange operations through practical examples and exercises. In that respect, the Project offered to all interested faculties a modern platform »Virtual classroom – Belgrade Stock Exchange«, providing a simulation of trading in securities, which was updated in the end of 2009.

11.5. 2009 Highlights

- 20. January – Improvement of methodology of calculation of BELEXsentiment and introduction of new groups of participants in voting;
- 21. May – Third international road show of regional companies held in Belgrade;
- 25. May – Second company included into the Standard Market – Metalac a.d. Gornji Milanovac;
- 05. June – Serbian shares included into new indices Dow Jones Indexes and FEAS;
- June- Market makers introduced for three companies from the BSE markets;
- 02. September – Deputy Prime Minister and Minister for Foreign Affairs of Luxembourg Jean Asselborn with associates visited the BSE;
- 17. August – Launch of the updated internet presentation; publishing of a daily Bulletin – BELEX.daily;
- 09. September – Approval of market maker for shares of company Soja protein a.d., Bečej; establishment of new BSE Board of Directors;
- 05. November – Fourth international road show of regional companies held in Vienna;
- 19-20. November – Eight International Conference of the Belgrade Stock Exchange.

12. Organization and personnel

Efficiency and productivity, with maximization of work performances, as well as the requirements for establishing technical-technological and organizational connections in the BSE operations, conditioned a change in the BSE organization and work technology.

In view of that, a new Rulebook on internal organization and Rulebook on systematization of work assignments were adopted, in compliance with the general international standards and experiences of other European exchanges, which enable a continuous business operation in line with the law and by-laws and establish protection of confidential information and classified data. Thus the BSE organizational structure has significantly been improved.

In the last quarter of 2009, after the warning of the World Health Organization and Ministry of Health of the Republic of Serbia about the expected flu pandemic and an increase in the number of infected people, for the purpose of ensuring continuous business operation and taking preventive measures aimed at minimizing possible effects on the life and health of the employees, clients and business partners, an Action plan in case of pandemic was developed. The Plan can also be applied in case of other extraordinary events that can seriously affect the BSE business operation. The aim and activities within the Plan are grouped in the following categories: planning and coordination; monitoring of situation and assessment; prevention and suppression; communication.

The basic postulates in the creation and management of human resources at the BSE in 2009 were based on the maintenance of the optimum and efficient personnel and educational structure, along with an efficient system of remuneration and promotion, continuation of professional education of the employees and possibilities for further personal and professional development.

The qualification structure of the BSE employees is conditioned by a complex and highly specialized working process and big participation of highly qualified staff, specialist qualifications and experience in exchange and financial operations.

The average age of the BSE employees in 2009 was 39.3.

The BSE employees qualification structure is as follows:

- University degree – 75,56%;
- Coleage degree 4,44%;
- Secondary education – 20%.

In 2009, there were some quantitative changes in terms of the reduction in the number of employees within the existing BSE organizational structure. The following table shows changes in the number of employees and BSE qualification structure over the previous three years (on 31.12.2009).

	University degree	Coleague degree	Secondary education	Highly skilled	TOTAL
2007	28	4	8	-	40
2008	36	2	9	-	47
2009	34	2	9	-	45

In 2009, in view of the specific work process and the fact that the minimum personnel qualification is stipulated by law on the market operator, 15 employees had a **broker's licence** of the Securities Commission.

In 2009, in addition to regular obligations, the BSE employees had a chance for personal and professional development through various trainings, participation at conferences and gatherings and other kinds of professional education. In 2009, the BSE employees presented papers at the: Congress of Economists on Kopaonik; Conferences of the Ekonomist media-group; Yu Info Forum – Kopaonik; Congresses of UBS e-trading and BankInfo at Palić; Congress of Actuaries on Zlatibor; they also participated at the Macedonian Stock Exchange Conference; Annual Assembly of FEAS; they attended seminars for Vmware administrator, as a requirement for acquiring the international VSV certificate, and use and implementation of the Document Management application.

13. Financial operations

The BSE financial result for the period January - December 2009 (in RSD):

Financial statement with comparable data						
	Financial result		index	for 2009		index
	2008	2009		financial plan	Financial result	
INCOME	295.425.429,29	229.470.284,64	77,68	198.200.000,00	229.470.284,64	115,78
Income from fees	189.450.288,53	125.755.431,71	66,38	101.400.000,00	125.755.431,71	124,02
Gains on price spread	187.866,63	609.970,98	324,69	0,00	609.970,98	0,00
Financial income	51.702.689,79	46.280.031,88	89,52	22.000.000,00	46.280.031,88	210,37
Other operational income	13.505.948,01	11.505.009,24	85,19	9.000.000,00	11.505.009,24	127,84
Other income	40.578.636,33	45.319.840,83	111,69	65.800.000,00	45.319.840,83	68,88
EXPENSES	279.988.445,94	222.250.853,50	79,38	213.200.000,00	222.250.853,50	104,25
Fees expenses	131.445,45	210.604,89	160,23	150.000,00	210.604,89	140,41
Financial expenses	14.935.651,11	8.038.729,29	53,83	0,00	8.038.729,29	0,00
Salary, salary compens. expenses and other personal expenses	120.794.534,08	102.828.456,25	85,13	104.300.000,00	102.828.456,25	98,59
Amortization expenses	42.211.137,15	39.263.678,02	93,02	40.000.000,00	39.263.678,02	98,16
Other operational expenses	34.349.395,14	32.983.629,66	96,03	32.600.000,00	32.983.629,66	101,18
Non-material expenses	35.689.435,26	16.924.321,86	47,43	16.150.000,00	16.924.321,86	104,80
Other expenses	40.711,10	261.719,37	642,87	0,00	261.719,37	0,00
Impairment expenses	31.836.136,65	21.739.714,16	68,29	20.000.000,00	21.739.714,16	108,70
PROFIT BEFORE TAX	15.436.983,35	7.219.431,14	46,77		7.219.431,14	
LOSS				15.000.000,00		
TAX EXPENSES OF THE PERIOD (-)	3.189.720,00				2.220.280,00	
DEFERRED TAX INCOME OF THE PERIOD (+)	1.998.737,19					
DEFERRED TAX EXPENSE OF THE PERIOD (-)					1.204.297,17	
NET PROFIT	14.246.000,54				3.794.853,97	