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Coface CEE* Top 500: Top companies with increasing turnover but sharply declining profits

- **Poland again ranked first, Hungary and Romania catching up while Ukraine dropping out of the Top 3**
- **More turnover did not lead to a stable development in net profits**
- **Oil & gas, energy and automotive are among winning sectors**
- **Economic region CEE: more inhomogeneous than ever**
- **Insolvency rate in the region almost tripled**

The international credit insurance company Coface publishes its fifth annual study on the Top 500 companies in Central and Eastern Europe – the Coface CEE Top 500. It ranks the 500 biggest companies of the region by their turnover and additionally analyses further facts such as number of employees, the framework of the companies, sectors and markets.

Katarzyna Kompowska, Coface Central Europe Region Manager, commented: *“Even for the emerging part of Europe, 2012 and 2013 have been difficult years. But the analysis of the Top 500 companies illustrates that even in troubled economic times, potential for growth is there. The CEE flagships increased their turnover by 5% and demonstrated their importance not only within the region, but also for Europe and their main trading countries abroad.”*

Top-player: turnover increased by 5% while profit falls almost one-third

Despite the economic crisis, the Top 500 players in the region increased turnover by 5% to over 628 billion EUR in 2012. However, this performance did not lead to a stable development in net profits. Whereas in 2011 the top companies of CEE improved their profits, they declined by almost 32% from 30 billion EUR to 20 billion EUR in 2012.

The number of employees in the CEE Top 500 is developing positively, staff figures rose slightly by 1.5% compared to the last year. But the picture is quite heterogeneous, increasing unemployment rates mostly go hand in hand with high release rates in the Top companies, as the study shows.

Top 3 countries: Poland, Hungary and Romania

Most major players from the CEE-region come again from Poland, which counts for more than one third of the top companies in the field (171 companies, 34.2%). Thereby, the country could even extend its lead (2011: 31,8% of the top companies). The Polish top companies could generate a turnover of 234 billion EUR, which is an increase of 6% compared to the last year.

* CEE : Central and Eastern Europe



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Despite a loss of 30%, Polish companies also stay at the top in terms of net profit (2012: 8.460 million EUR; 2011: 12.014 million EUR). The country showed – after the strongest GDP growth in the EU in 2011 – a sharp slowdown in 2012 while insolvencies reached record levels.

Hungary is the country with the second highest number of companies (66; 13.2%) among the Top 500 of the CEE-region. Hungary was ranked third in 2011 – although the performance of the Hungarian economy (GDP) dropped by 1.7%, the turnover of the top companies rose slightly to 240 billion EUR (+2.2%). A close monitoring of the country is recommended as the net profits are declining year over year (-27.5%).

For the first time, Romania kicked Ukraine off the podium and catapulted from fifth to third place. This can be explained by an increase of 22.7% of companies and a total of 54 companies in the ranking. Despite the higher number of companies in the Top 500, turnover was weak, leaving Romania on the fifth place in the turnover ranking (48,559 million EUR, +10.8%). It is also ranked fifth in terms of net profit (+37.7%).

Ukraine, which was ranked second in 2011, lost its position, as the companies performed badly and 28 fell out of the Top 500.

Winners and losers by sector

The oil and gas sector contributes again most of the companies in the Coface CEE Top 500 ranking. 65 companies generated a turnover of in total 162 billion EUR (+6%). Especially in this sector, 2012 was a difficult year, the overall net profit shrunk by -34.6%.

Second – and far behind – ranks the sector of energy suppliers. 51 companies didn't even achieve a turnover half the size of the oil and gas sector (76 billion EUR). The average growth rate in the sector is quite promising (+11%), but the companies in this sector reacted to the reduced energy demand due to recession by releasing staff (-12.9%) and had to suffer a sharp decline in profit.

The automotive sector succeeded this year to get into the Top 3, when ranked by sector – 42 companies earned almost 63 billion EUR in turnover, with the biggest shares coming from Czech Republic and Slovakia (only mentioning Skoda Auto S.S., Volkswagen Slovakia, KIA Motors). Also some top performers of the study can be counted to this sector, so is Mercedes-Benz Manufacturing Hungary or Ford Romania. Although net profit declined by almost 33%, the companies in this sector employed an additional 6,500 people.

The biggest increases in turnover were reported by the car distribution businesses, food industry and wholesale. Within the Top 500 ranking, several sectors showed downward tendencies: construction, electronics, metal industry, mining and telecommunications. Construction is traditionally worst affected by economic downturn, the seven companies of this sector which are represented in this study had a decline in turnover (-9%) and employees (-8% in 2012), also the biggest insolvencies in CEE came mainly from the construction sector.



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CEE: Economy still struggling, region more heterogeneous than ever

All over the CEE-countries, a stuttering development can be observed, with an annual average growth of 1.2% compared to 5% in emerging markets. Since 2011 the insolvency rate has almost tripled, for 2013 a further increase is expected.

But looking closer, it is obvious that the CEE countries are more inhomogeneous than ever. Whereas some still struggle with recession and negative GDP growth rates, others report stable economic growth. GDP per capita ranges between just below 3,000 EUR in Ukraine to over 17,000 in Slovenia. Some countries – like the Czech Republic – were highly affected by the recession of the Eurozone, others like Estonia presented a considerable growth rate. Insolvency rates grew dramatically in Bulgaria and Croatia, while Estonia and Latvia show real positive developments.

Katarzyna Kompowska concluded: *“Especially in the current situation with all those different, inhomogeneous developments, it is very important to observe the various markets very closely. We will continue to monitor developments in Emerging Europe. As a strong and promising region for economic progress in Europe, it’s essential to keep an eye on the business opportunities available there.”*

About the methodology:

The "CEE Top 500 companies" ranking includes the following countries: **Bulgaria, Estonia, Croatia, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia, Slovenia, the Czech Republic, Ukraine and Hungary**. The largest companies in the CEE-region (turnover \geq EUR 120 million) were identified, whereby financial service providers such as banks, insurance companies, leasing firms and brokers were excluded. In addition to revenues, the ranking of the Coface CEE Top 500 companies includes other key corporate indicators, e.g. net profits and the number of employees. Turnover and profit were converted into EUR based on the exchange rate at the end of 2012. The data were taken from our databases and supplemented with external information as required. Companies invited to participate in the survey which refused to take part are not included in the final ranking.

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About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2012, the Group posted a consolidated turnover of €1.6 billion. 4,400 staff in 66 countries provide a local service worldwide. Each quarter, Coface publishes its assessments of country risk for 158 countries, based on its unique knowledge of companies' payment behaviour and on the expertise of its 350 underwriters located close to clients and their debtors.

In France, Coface manages export public guarantees on behalf of the French state.

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