

## Get a broader view CE Top 500



### Navigating a year of financial crisis

The Central European (CE) region was the darling of global economies for more than a decade with solid macroeconomic indicators and strong corporate results for companies doing business and investing in the region. As the ripples of the financial crisis spread across the globe in 2008, the immense scale of the challenges facing the CE region increasingly emerged.

With some countries already in the Eurozone, others preparing for entry and yet others still in the relatively early stages of economic transition, the crisis has had varying degrees of impact across the region.

The response of governments and businesses, banks and international organisations such as the EU and the International Monetary Fund (IMF) has been rapid and robust. Sweeping budget revisions, reductions in expenditure, injections of liquidity and stabilisation strategies have been almost commonplace, while observers across the region still wait to gauge their effectiveness.

### Giving you a broader view

It is in this unprecedented environment that Deloitte is launching its third annual CE Top 500 ranking of the largest companies across the Central European region.

But this is far more than just a ranking of businesses across 18 countries. It draws on the combined knowledge and perspective of Deloitte's professionals along with leading economists and academics to provide valuable insight into the recovery and growth strategies of the region's business leaders.

With a special focus on the trends affecting each country and seven industry sectors across the region, it provides an in-depth and wide-ranging analysis of Central Europe's economic development.

CE Top 500		A preview of the Top 25 ranked companies	
1	PKN Orlen	14	Nokia
2	MOL	15	Lotos
3	MetInvest Holding	16	Petrom
4	Škoda Auto	17	Energorynok
5	ČEZ	18	Ukrainian railway state company
6	Naftogaz of Ukraine	19	RWE Transgas
7	Grupa Metro w Polsce	20	Fiat
8	Audi Hungária	21	Agrofert Holding
9	PGE	22	Unipetrol
10	PGNiG	23	Slovnaft
11	Volkswagen Slovakia	24	ArcelorMittal Poland
12	TPSA	25	Agrokor
13	Mažeikių nafta		

Note: The full CE Top 500 list is available within the Deloitte Central Europe CE Top 500 report 2009.

Visit: [www.deloitte.com/cetop500](http://www.deloitte.com/cetop500)

## CE Top 500 highlights: The big picture

2008 was a year of contrasts: continuing growth in the first half followed by the first signs of decline in the second.

### The years' highlights

- In 2008, 388 companies (78% of the top 500) increased their revenues on average by 20%. By way of comparison, in 2007, 398 enterprises (80%) increased their revenues by 18%.
- In the first quarter of 2009, 112 (76%) of 148 companies for which we obtained financial information, recorded a revenue decrease. On average, revenue decreased by 24% compared to the first quarter of 2008.
- In 2008, all industries performed well, but data available for the first quarter of 2009 indicate a drop in revenues across all industries. The most dramatic decreases were observed in the manufacturing sector (-33%), real estate (-22%) and energy and resources (-17%).
- The life sciences and health care sector, where revenues declined by just 1% year on year in the first quarter of 2009, is in a relatively good position.
- Energy and resources companies still dominates the regional rankings (30%) while manufacturers have declined in significance (23% compared to 27% in 2007).

### The biggest companies grew the most

The largest companies gained most from the still good economic climate in 2008. The average revenue increase among the 100 largest companies was 17.5%, compared with 12% among the 100 smallest.

Polish oil company PKN Orlen again leads the ranking, supported by petroleum prices that rose through most of 2008, with MOL coming in second. While the share of manufacturing companies has declined overall, Ukraine's MetInvest Holding and the Czech Republic's Škoda Auto both also reached the top five of the ranking. The Czech energy giant ČEZ ranked fifth and is the region's largest power industry firm.

The companies best prepared for the downturn are those from sectors that are traditionally most resilient to financial crisis – those providing energy and resources and those with the flexibility to respond to new customer needs.

## A region under the “Macroscope”: A Country-by-Country report

The 18 countries of the Central European region differ widely in terms of size, population, integration with the West, stage of economic development, sophistication and outlook. The Country-by-Country reports provide a succinct analysis and collection of indicators which help to highlight the challenges and opportunities facing each country.

### Key findings

- CE average GDP growth reached 7.2% in 2005-2007, and even grew by 2% in 2008 when the full force of the global financial crisis began to emerge.
- The CE region is characterised by low average indebtedness of the public sector, with total general governmental debt below 34% of GDP in 2008, of which only half is represented by foreign debt.
- Foreign exchange reserves reached almost 18% of GDP (EUR 196 billion) in 2008, enough to cover the general governmental exposure to foreign debt.
- Driven by high inflation, central bank and market interest rates remain relatively high in the CE region, raising the cost of domestic capital and tempting households and companies alike to borrow abroad and in foreign currencies. This is resulting in growing foreign debt of the private sector and weakening of the balance of payments.
- Data for the first two quarters of 2009 reveal different economic developments in CE countries from deep recessions through mild stagnation to quick recovery.

### Deloitte's view

Based on five macroeconomic indicators (see CE Top 500 full report: [www.deloitte.com/cetop500](http://www.deloitte.com/cetop500)) we have judged the likely performance of all 18 countries.

- The first group comprises those countries that face particular challenges in combating recession, namely Croatia, Estonia, Lithuania, Latvia, Macedonia, Serbia, Ukraine and Hungary.
- The second group consists of those countries that are experiencing recession in relatively good shape: Albania, Bosnia-Herzegovina, Bulgaria, Montenegro, Czech Republic, Moldova, Romania, Slovenia and Slovakia.
- The third group is a group of one – the special case of Poland, which did not experience a recession and has shown year-on-year GDP growth for the first and second quarters of 2009 (0.8% and 1.1% respectively).

An immense array of activity is underway across the region, from sweeping political and social reform to major infrastructure projects, implementing EU, World Bank and IMF support. It is still yet to be known if the CE region will emerge as a winner from the global financial crisis.

## Inside the industries

While the strongest influence of the global financial crisis appears to have been felt in the automotive, banking and insurance industries, there were also other important factors that affected various industries. For example, the gas crisis of January 2009 revealed serious weaknesses and a high degree of risk in the pan-European natural gas supply system.

### Banking and Insurance

Central European banks should regard 2008 as a successful year despite the crisis. The beginning of 2009 proved to be very different. Banking valuations reached all-time lows in relative terms during the period. The focus of management shifted from profitability and growth to managing existing portfolios, work-out and collection. We are now seeing unchanged or decreasing asset values, growing non-performing loan portfolios, improving loan-to-deposit ratios and higher interest margins and fee income. The Insurance sector is expected to reshape over the next decade as insurers seek new efficiencies and M&A opportunities arise.

### Automotive

In the automotive sector, depressed demand and price pressures are expected to be with us for the medium term, forcing companies to change their business models in search of new ways of motivating the consumer. Organisational improvement and increased pressure on the supply chain are already enabling manufacturers to cut costs.

### Energy and Resources

In the energy and resources (E&R) sector, strong decreases in demand from industry have driven future prices for electricity down by some 40% year on year, while low oil prices have driven substantial decreases in revenue and net income for companies in the oil industry.

### Construction

Across the region, there was an 86% year-on-year decrease in investments in commercial real estate during the first half of 2009. Following a 15.5% sales increase in 2008, the 10 largest CE construction companies saw an 18.4% reduction in the first half of 2009. Recovery is expected during 2011-2012, led by the transportation construction sector.

### Consumer Business

Even though there have been several exits by large retail players from local markets, the top 10 ranking did not register any significant changes compared to 2007. In the short term, consumer business companies will be focused on cost and price-related factors driven by increasingly value-oriented consumers.



### Technology, Media and Telecommunications

On the surface, 2008 appeared to have been a quiet year for the technology, media and telecommunications (TMT) sector, but this disguised an ongoing battle for customers where price competition, service innovation and faster speeds were the drivers of growth in telecommunications. Falling advertising sales depressed margins for traditional media, while the Internet enjoyed double-digit growth. Business software sales and services grew in 2008 but may be restricted in 2009.

# Contacts

## Office Managing Partners

**Maksim Caslli**  
*Balkans*  
+40 21 2075 217  
mcaslli@deloittece.com

**Miloš Macura**  
*PannonAdria*  
+381 11 3812 111  
mmacura@deloittece.com

**Marek Metrycki**  
*Poland & Baltics*  
+48 22 511 0707  
mmetrycki@deloittece.com

**Michal Petrman**  
*Czech Republic & Slovakia*  
+420 246 042 520  
mpetrman@deloittece.com

## Function Leaders

**Gavin Flook**  
*Audit*  
+48 22 511 0896  
gflook@deloittece.com

**Jaroslav Škvrna**  
*Tax*  
+420 246 042 636  
jskvrna@deloittece.com

**Petr Kymlička**  
*Consulting*  
+420 246 042 480  
pkymlicka@deloittece.com

**Béla Seres**  
*Financial Advisory*  
+36 1 428 6936  
bseres@deloittece.com

**Zbigniew Szczerbetka**  
*Enterprise Risk Services*  
+48 22 511 0799  
zszczerbetka@deloittece.com

## Industry Leaders

**Mike Jennings**  
*Financial Services*  
+420 246 042 576  
mijennings@deloittece.com

**Vladimír Vaněk**  
*Energy & Resources*  
+420 246 042 361  
vvanek@deloittece.com

**Dariusz Nachyła**  
*Technology, Media & Telecommunications*  
+48 22 511 0631  
dnachyla@deloittece.com

**Diana Rádl Rogerová**  
*Real Estate*  
+420 246 042 572  
drogerova@deloittece.com

**Martin Buranský**  
*Public Sector*  
+420 246 042 351  
mburansky@deloittece.com

## CE Top 500 Project Team

**Béla Seres**  
+36 1 428 6936  
bseres@deloittece.com

**Tomasz Ochrymowicz**  
+48 22 511 0456  
tochrymowicz@deloittece.com

**Rafał Antczak**  
+48 22 511 0043  
rantczak@deloittece.com

## Ranking Analysts

**Patryk Darowski**  
+48 22 5110411  
pdarowski@deloittece.com

**Artur Galbarczyk**  
+48 22 5110526  
agalbarczyk@deloittece.com

## Clients and Markets

**Matthew Howell**  
+420 234 078 558  
mathowell@deloittece.com

**Anne Charlesworth**  
+420 246 042 195  
acharlesworth@deloittece.com

"Deloitte" is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, and tax services to selected clients. These firms are members of Deloitte Touche Tohmatsu, a Swiss Verein ("DTT"). Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTT helps coordinate the activities of the member firms but does not itself provide services to clients. DTT and the member firms are separate and distinct legal entities, which cannot obligate the other entities. DTT and each DTT member firm are only liable for their own acts or omissions, and not those of each other. Each DTT member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in their territories through subsidiaries, affiliates, and/or other entities. Deloitte Central Europe is a regional organization of entities organized under the umbrella of Deloitte Central Europe Holdings Limited, the member firm in Central Europe of Deloitte Touche Tohmatsu. Services are provided by the subsidiaries and affiliates of Deloitte Central Europe Holdings Limited, which are separate and independent legal entities. The subsidiaries and affiliates of Deloitte Central Europe Holdings Limited are among the region's leading professional services firms, providing services through more than 3800 people in more than 30 offices in 17 countries.

For regional projects and projects requiring regional resources, the services are provided by Deloitte Central Europe Limited, which is an affiliate of Deloitte Central Europe Holdings Limited. Deloitte Central Europe Limited is one of the leading professional services organizations in the country providing services in tax, consulting, risk management and financial advisory services.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in 140 countries, Deloitte brings world-class capabilities and deep local expertise to help clients succeed wherever they operate. Deloitte's 165,000 professionals are committed to becoming the standard of excellence.

Deloitte's professionals are unified by a collaborative culture that fosters integrity, outstanding value to markets and clients, commitment to each other, and strength from cultural diversity. They enjoy an environment of continuous learning, challenging experiences, and enriching career opportunities. Deloitte's professionals are dedicated to strengthening corporate responsibility, building public trust, and making a positive impact in their communities.

This publication contains general information only, and none of Deloitte Touche Tohmatsu, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.