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Introduction

When I first came to Central Europe in May 1990, it was an article of faith that market reforms would be successful, but it was difficult to imagine the region in twenty years' time. Deloitte's Top 500 ranking of the region's largest companies shows just how far the area has come, and this progress justifies the faith in the changes we had at Deloitte from the beginning.

We believe that this CE Top 500 ranking is an essential map of the challenges which face enterprises and managers in the region. We want to share with you this superb tool for understanding regional trends.

The ranking is accompanied by a series of conversations with CEOs from leading organisations in the region, who rarely have the opportunity to air their views as a group. The interviews showed a surprising consensus on the main problems they face. The one we have chosen to highlight is the quality and the innovative abilities of the workforce in Central Europe, which is becoming more expensive as it grows more scarce.

This is also an issue of young people entering the workforce, many of whom cannot even remember the communist times, and older people, who are increasingly needed in the workplace. It seems clear that CEOs are right when they pinpoint the quality of educational systems, whether organised by the state or the private sector, as the key issue which must be addressed if Central Europe's impressive growth rates are to be maintained.

In May 1990, we did not know how long it would take for the region to catch up with western Europe. Now, almost twenty years on, we know that there is a chance of closing the gap within the lifetime of our children. We are almost half way there, and Deloitte Central Europe is determined to help its clients make the journey, all of the way.

Mike Barrington
CEO, Deloitte Central Europe

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Executive summary

Central Europe has made enormous progress since the early 1990s, when the transition to democracy began, along with market reforms. Almost two decades later, it is one of the world's fastest-growing regions. A new generation with little memory of the communist past has grown to maturity. Many of the states in the region are in the European Union, and others are waiting to join. High growth rates are helping to counter the effects of the economic slowdown in the euro zone. Foreign investors, fund managers and local entrepreneurs face exciting challenges as old ways are replaced by new methods, management becomes increasingly international and the region's companies begin to expand abroad in the race for growth.

The CE Top 500 ranking of the region's largest companies demonstrates the trends of 2007, while our industry analyses take the story forward to this year's developments and beyond. At the same time, a series of conversations with CEOs from the region identify the issues which come at the top of their agenda, and describe how they hope to fulfil their expectations and ambitions.

Growth stays strong in the region

The market overview which accompanies the CE Top 500 ranking shows that Central Europe has, for now, managed to avoid many of the after-effects of the sub-prime crisis. Gross domestic product (GDP) in the region grew 6 per cent in 2007, and is expected to reach 5 per cent this year. Strong inflationary pressures are beginning to appear in the wake of rising food and oil prices, but unemployment has fallen, and the scarcity of workers is in fact becoming a serious problem. Indeed, it threatens to undercut one of the region's former attractions for investors, which was the relatively low cost of its workforce.

The CE Top 500 table shows little change, year on year, with the energy sector continuing to dominate the ranking. Revenue growth among the giants at the head of the list is relatively sluggish, and comes mainly from foreign expansion or acquisitions at home. Meanwhile, the companies from the lower reaches of the ranking are reporting higher revenue growth, suggesting that it is the smaller companies which are moving faster to exploit the opportunities the region offers. This means that the coming years could see changes in the CE Top 500 ranking as many of these dynamically growing companies move up the list. The table also shows that the region's private companies are coping better than state-owned enterprises. However, despite the fact that privatisation programmes are being pursued in many countries, the share of state-controlled companies in the CE Top 500 remains the same. In 2007 there were 120 state controlled companies in the ranking, and their revenues made up a fifth of those generated by all the companies on the list. Governments in the region, it seems, are especially wary of losing control of energy and infrastructure companies.

EU drives reforms

These changes have taken place as many of the countries have joined the EU, some in 2004 and others in 2007; as Croatia is waiting to conclude accession talks; as others are waiting to start them; and a final group are still at the stage of Stabilisation and Accession Agreements (SAA), which are designed to open the way to accession talks. In each case, the accession drive has involved reforms that help integrate the countries into the EU and encourage foreign direct investment, which has helped to spur growth. The countries which joined first are already reaping the benefits of this process, while those further down the line can see the benefits of pro-EU policies as growth in the region soars.

Governments have little option but to follow pro-reform policies if they want to become EU members and enter the euro zone. This is best demonstrated by the case of Slovakia, where a populist administration was elected in 2006 that has, nevertheless, not reversed the reformist policies of its predecessors. Now it is set to join the euro zone at the beginning of 2009, and this year is expected to receive the highest per capita inflow of FDI in the region.

Banks to be restructured

Meanwhile, industry analyses tell some exciting stories, with banking heading for a new wave of mergers and acquisitions as parent banks rethink their regional strategies in the wake of the sub-prime crisis. Some loss-burdened global banks may exit the region as a result of the review, and put their local units up for sale. Locally owned banks are also finding it harder to raise funds and may have to sell too. The winners could be medium-sized western European banks with no exposure to the sub-prime crisis, which will be able to step in and purchase lenders in Central Europe at a reasonable price. The cost of money is set to rise as banks in the region, once generously funded by their parent companies, begin to turn their attention, for the first time, to raising deposits locally. The insurance sector, on the other hand, is stable, and is reporting good growth prospects in a market that is becoming rich in diverse financial products.

Energy dominates the list

The energy sector is the king of the list, but the CE Top 500 shows that private companies are operating more efficiently than those owned by the state sector. However, governments are suffering from a bout of 'economic patriotism', which threatens to delay the privatisation of this sector. Another destabilising factor is an increasingly assertive Russia, which is using its energy companies to bolster national foreign policy. At the same time, the sector is set to develop nuclear energy plants in the region, even though western European countries have yet to make their position clear on the future of this form of power generation.

Manufacturing set for consolidation

Manufacturing is on the verge of a generational change, as local owners of private start-ups from the early 1990s think of retirement and spending their hard-earned profits. These changes will speed the introduction of much needed technology, as former owners ensure their equipment is up to date in order to raise the value of their companies, and new owners bring in new technology so as to raise productivity in the face of growing labour costs. Private equity is playing an important role in this sector, providing much-needed expansion capital and management expertise to help many of the successful single-country based companies move towards regional consolidation.

Construction still attractive

Meanwhile, the construction sector could be hit by a fall in demand for domestic housing, but infrastructure projects financed by EU funds are set to take up the slack, leaving the region a worthwhile target for both foreign building companies and local contractors.

Pharma develops

Pharmaceuticals are poorly represented on the CE Top 500 list, but are nevertheless a large, if diverse, sector. Spending levels on healthcare are lower than in western Europe. This can be explained by smaller government budgets for healthcare and the lower cost of generic medicines, which are common in the region. Multinationals are coming into the region and the growing health awareness of the general public means that the sector will become more comparable, in financial terms, to healthcare markets in western Europe.

Indeed, Zeljko Covic, CEO, Pliva, Croatia, says that "consumption of medicines per capita will grow significantly, first as a reflection of the higher standard of living, but also thanks to the overall economic growth, which enables better healthcare systems."

Smaller telecoms companies race ahead

Finally, technological and telecommunications companies belong to a fast-changing sector which is nevertheless dominated by the large former national state-owned telecoms operators that were earlier sold to large foreign companies. These operators dominate the list by their sheer size, although their revenues are coming under pressure from mobile providers. Smaller private companies are also setting their sights on the upper reaches of the list. Funding for expansion is available, and growth should come if they pursue aggressive strategies. Changes will come to the Top 500 in this sector – but the question is, why is it taking so long in such a dynamic industry?

Managing talent

Many of these issues emerged in Deloitte's conversations with CEOs. They saw the main challenge as how to generate, recruit and retain genuinely talented people at a time when rising labour costs mean that the quality and innovative ability of the workforce will determine the region's future fortunes. This is a point made by Ludwik Sobolewski, the head of the Warsaw Stock Exchange. "If Central Europe is to be competitive, it cannot offer low labour costs, which are growing in any case." The region must also offer intellectual capital, he adds. CEOs repeat that the cost of labour is growing. Wojciech Heydel, the head of Poland's PKN Orlen, says "Poland is no longer a low-cost country: the strength of the currency and the rising cost of labour has decided that. As a result, capital will flow east. That is natural, but it is our duty to absorb foreign investments and stay competitive."

Changes in education needed

CEOs agree that major changes are needed in the education system, both state-managed and in the private sector. Jan Krzysztof Bielecki, the CEO of Poland's Bank Pekao S.A., notes that his country's universities are producing too many economics and marketing graduates and not enough of the mathematicians his bank needs. Bielecki also warns that while people may be entrepreneurial, they are not innovative, and it is the latter capacity of an economy that makes it competitive. CEOs say that business should be more involved in programming courses, and should enter into a dialogue with the universities to ensure that the economy gets the graduates with the most needed special skills. Chief executives are also very much aware of generational issues, as more and more young people join the workforce and sometimes clash with their elders, many of whom still carry the habits and attitudes shaped by the former command economy. For example, in Romania, Mariana Gheorghe, the CEO of Petrom, notes that few companies "have really converted from a state-ownership culture to a market-based culture." However, there is a growing awareness that given the present labour shortage, everyone is needed, both the new generation and experienced older people.

Governments have a role

CEOs also see that Central Europe, with its 160 million inhabitants and its high growth rate, is an attractive FDI location. The impressive amount of inward investment and cross-border acquisitions show that the region, which is simultaneously diverse and similar, is easier to do business in than larger but more distant markets. The role of government in creating an environment for business is another common theme. Here, top managers have few illusions that governments are capable of intervening fruitfully. They would prefer government to let market mechanisms operate freely, without any tinkering from the politicians. Wherever countries are still preparing to join the EU and adapting national legislation to European law, there should be no gaps between the two systems. Mariana Gheorghe warns in this regard that if there are inconsistencies, "companies could be caught between two provisions of law which are as powerful and mandatory as each other, but if you implement one you will breach the other." CEOs do want government to help them to penetrate foreign markets, to complete economic reforms and, above all, to continue with privatisation. They also want the construction of a more modern and safer transport infrastructure, as much of the FDI that was attracted into the region in the recent past will be more and more dependent on effective logistics. Many, however, doubt whether even such a relatively unambitious programme can be adapted to meet their own time restrictions.

Reform effort needs to be sustained

The success the region has seen over the last twenty years is something to be celebrated, and the growth rates, which are so strong in comparison to western Europe, will ensure that the region remains an attractive place to do business. The formula of past success is clearly not enough to support a sustainable competitive advantage or shield the region from the new global realities that are shaping the business world. However, after the socio-economic upheavals that Central Europeans have successfully navigated in their recent history, it can be said that change and adaptation to new realities is a challenge to which Central Europe will surely rise.

The Central European market

Central Europe is a land of contrasts. It is historically and culturally diverse, but it has emerged from a centralised economic system, which gave all its countries similar experiences in post war years. It is a region where a new generation, born in the 1980s, has come of age in a market oriented system. These young people coexist with older generations, still partly wedded to attitudes dating back to the command economy. All the countries in the region are on the same reform path mapped out by the European Union, but they are at different stages. Some are already in the EU, others are still waiting to start EU accession talks. Some have yet to take decisions on when to join the euro zone, others like Slovenia have joined or, like, Slovakia, are about to join. What is clear, though, is that Central Europe, as a whole, is one of the world's fastest growing regions.

Catching up

Indeed, as gross domestic product (GDP) growth in western Europe slows, average growth in Central Europe is expected to reach 5 per cent this year compared to 6 per cent in 2007. This high growth trend started in 1989. Since then, all of Central Europe has developed markedly and is now chasing the economic levels of the EU's mature economies. GDP in the Central European region is already over 50 per cent higher than it was in 1989, even taking into account the fall in GDP at the beginning of the 1990s, which followed the transition to a market economy. The last decade, between 1998 and 2007, has seen annual average Central European GDP growth reaching 4 per cent or around 2 per cent higher than in the EU-15 countries. Assuming these trends continue, Central European real GDP will double within two decades. If population growth dynamics remain the same, regional GDP per capita, will, in the space of less than two generations, or around 35 years, have closed the gap with even the most developed countries of western Europe.

Reforms must be completed

This is an exciting prospect which poses challenges for corporate management and requires governments to focus on creating the conditions which will allow present high growth trends to continue. Wojciech Heydel, the head of Poland's PKN Orlen makes the point that, "governments should strive to complete the transformation of the political and economic system towards democracy and free market. Completing privatisation is of paramount importance. This process is conducted at a different pace and efficiency by respective governments and countries." Martin Roman, the head of CEZ in the Czech Republic, speaks for many CEOs when he calls on governments to provide a stable legislative and fiscal framework for doing business. But he also assumes that "all governments in the region have two strategic objectives – to keep social expenditures under control at a time when the population is ageing and to maintain the competitiveness of the economies even after their standard of living reaches the level usual in advanced western European countries."

Current economic results in the region belie the urgency with which CEOs make these points and could lull politicians into a false sense of security. The global financial crisis which started in August 2007, means that the world economy faces the risk of a major slowdown. In 2007, the world GDP growth figure still stood at a relatively high 3.7 per cent. Estimates for 2008 are far less optimistic, with GDP growth set to drop to 2.7 per cent. But governments in Central Europe are looking at their own figures which are expected to reach an average of 5 per cent growth this year, even in spite of the sub prime crisis.

Predictions for Poland, the region's largest economy, are good. Polish GDP growth should surpass 5 per cent in 2008 and slow slightly in 2009. Of course, the various countries in the region tell differing stories. In 2007, the Baltic States were the leaders, with average economic growth reaching almost 9 per cent. However, this record is unlikely to be sustained in the face of a dramatic slow down, now expected to reach an average level of 3 to 4 per cent with further downside risk. Slovakia has replaced the Baltics as the fastest growing economy, with GDP growth exceeding 10 per cent in 2007. The figure is expected to slow slightly to 7.5 per cent in 2008. Slovakia will enter the euro zone on January 1st 2009 which is a considerable achievement for the incumbent populist government. However, should the administration not continue with reforms of public finances and fail to accelerate structural reforms, its star could fall as quickly as it has risen.

Labour costs grow

Unemployment has been a serious problem in transition economies. Poland, where the jobless rate reached almost 20 per cent in 2002, has seen this indicator fall to below 10 per cent in 2008. Some experts point out that a regional economic slowdown could halt this positive trend. So could the rapid repatriation of people who have been working in Britain, Ireland and elsewhere in the old EU in recent years. However, over the longer term, the region faces a labour deficit similar to the one in western Europe, particularly among the youngest section of the workforce, resulting from the dip in the birth rates seen during the early 1990s caused by economic and political transition. As a result Central European companies will have to become more skilled at hiring, training and retaining employees.

The growing cost of labour is a constant theme which CEOs are well aware could undercut the competitive edge the region currently enjoys. "When talking about competitiveness we should look at the cost of doing business and productivity. Staff costs are still low, but they keep growing, I see the cost of staff increasing by between 10-15 per cent per year. At the same time the top management salaries are already comparable to western Europe," says Bernard Jean Luc Mocheni, CEO of the Bulgarian Telecommunication Company. Others echo the warning with Andrzej Klesyk, the head of PZU, the Polish insurer, noting that job applicants are apt to inflate their own value to employers. But Wojciech Heydel admits that "as a result of economic and demographic changes and migrations, the struggle for talent is becoming a major challenge for companies."

This focus on talent is drawing attention to the quality of education systems which managers in the regions would like to see reformed to provide a better quality workforce with the skills which are needed to face global competition. It is recognised that many people are naturally entrepreneurial but they are not innovative enough for economies which can no longer merely offer a low cost workforce as an incentive for FDI.

Inflation creeps up

Some countries, like Poland, are seeing productivity failing to match wage growth and this is one of the factors which is boosting inflation which has not been a major issue for many years. Now, much of the region is experiencing a strong increase in inflationary pressures. In some countries such as Latvia or Bulgaria inflation has climbed to double digits. Although such results are still rare, it is a consequence of rapid growth in addition to global developments. Food and oil price increases are worldwide trends which affect price levels across the region. However, manufactured product prices remain stable, which suggests that companies are either accepting the rising costs and cutting profit margins or introducing major cost cutting programmes. The appreciation of local currencies in the first half of 2008 may also have helped keep inflation rates down.

Current account woes

Several Central European countries, such as the Baltic States, Bulgaria or Romania as well as Hungary are recording large current account imbalances. These deficits are largely financed by FDI inflows and if these are sustained, they should not be seen as major cause for concern. One of the most important reasons for the short-term deterioration of the current account balance in many Central European countries is the foreign trade deficit, a result of the growing oil price, among other drivers. On the other hand, much of the recent FDI has been aimed at manufacturing facilities focused on export which is vulnerable to the strengthening of local currencies. So far the Central European exporting companies have been able to cope, nevertheless as domestic currencies appreciate, exporters are being forced to compete with western companies not only on production costs, but also on quality and innovation. This frequently represents a challenge for smaller companies not on the CE Top 500 list. This could hit lower value added industries such as textile and footwear. At the same time, rising fuel and other transport expenses are creating additional costs for Asian manufacturers exporting to western European markets.

Foreign investment

After joining the EU, most of the countries in the region reported a substantial increase in foreign direct investments, due to a lowering of the perceived risk factor and potential for greater economic integration with the larger western European market.

The region contains strong and stable economies and a market of more than 160 million people. Poland attracts the most FDI, but lags behind certain countries in per capita terms. The Czech Republic, Hungary and Slovakia are set to remain top per capita FDI destinations in Central Europe, with more then 500 USD per capita annually in the case of the Czech Republic and Hungary and more then 400 USD in the case of Slovakia. It should be noted that the pattern of FDI inflows in many of the Central European countries is changing. Low costs, especially low labour costs are still an important factor in attracting foreign capital but other factors are becoming increasingly important. The region's substantive number of well educated, multi-lingual graduates, positions Central Europe as an outsourcing hot spot. Foreign investors are interested not only in simple Business Process Outsourcing (BPO) investments, but also in opening far more advanced research and development operations.

Euro drive sees budget deficits fall

As a result of higher than expected economic growth and reforms, most of the countries in the region are noting a fall in their budget deficits. In the case of Poland and the Czech Republic, the public finance deficit fell to below 3 per cent of GDP and thus fulfilled the Maastricht convergence criteria. In Hungary the situation stabilized after the budget deficit in 2007 came in substantially below target. Slovakia easily meets all of the Maastricht criteria and is set to be the second Central European country (after Slovenia, which joined the euro zone in 2007) to join the euro in January 2009. However given the benign economic environment, the existence of deficits is unsettling: public finances are not sufficiently strong enough to handle major economic shocks. Public support for speedily replacing national currencies with the euro in many countries has fallen, as experts stress the dangers of a tighter European Central Bank monetary policy reducing economic growth during a possible recession. The failure of governments to control budget deficits and inflation combined with waning support for the common currency means that many countries are not likely to join the euro zone sooner than 2012.

Capital markets

Central European capital markets have grown in the last few years, prompted by bull runs on the main markets. 2008 has seen a reversal that will affect sentiment. The Warsaw Stock Exchange (WSE) is the region's largest and most liquid market, listing nearly 400 companies including 25 foreign entities. In terms of capitalisation, the WSE is three times bigger than the Prague Stock Exchange and more than four times bigger than the stock exchange in Budapest and is now also larger than the Vienna Stock exchange. Both Warsaw and Vienna are targeting such countries as Romania (the WSE has invested in a derivative exchange Sibeks), Ukraine (the WSE has bought a 25 per cent stake in Innex, a regional exchange), or Slovenia (where the Wiener Boerse is trying to buy the Ljubljana exchange).

Consolidation crucial

Private equity and venture capital are becoming important in Central Europe. Existing funds are focusing on Central Europe as never before while more funds are being raised to invest exclusively in the region. Given overall economic growth, consolidation among corporates and integration with the rest of the EU, private equity managers are finding the region full of potential.

From an industry perspective, consumer business and the manufacturing sectors are responsible for the biggest number of regional M&A deals, followed by technology, media and telecommunications and financial services. The energy and resources sector is seeing a M&A boom driven by Central European players, with acquisitions both within and across borders. In contrast to Western Europe, M&A deals in Central Europe's consumer business sector are being driven by the increasing consumer purchasing power. This applies also to the retail industry, as it is still relatively fragmented compared to western Europe, and thus invites consolidation.

The low quality of state institutions and economic regulation is one of the critical barriers to growth in the region. So is corruption, even if it is gradually falling in most of the new EU member states. The infrastructure in these countries is improving, although in some, like Poland and Romania, the relatively poor road system is still a significant hurdle in future economic development.

Central Europe rises to the challenge

Although there is still a long way to go, all the countries in the region have made tremendous changes and experienced a lot of hardship since the end of socialism. Governments in the region need to go further in adopting policies conducive to economic growth to narrow the gap with western Europe. Assuming that major economic reforms (such as in infrastructure, healthcare, public finance and taxation) will be introduced, as well as anti-corruption reforms increasing transparency and reducing bureaucracy, maintaining a 5 to 6 per cent GDP annual long term growth rate is possible, with the added support of financial transfers from the EU.

Central Europe's Top 500

Methodology for developing the ranking

Our ranking is based on company revenues. As much as possible, we have used consolidated reported revenue for the fiscal year ending in 2007. The information has been sourced from publicly available databases, data from the companies themselves and estimates based on our research. In a few instances where information about the revenue for fiscal year 2007 was not available we have used the reported 2006 revenue as a proxy for 2007. In the case of Ukrainian companies we have used revenue data provided by "Delo".

The revenue of subsidiaries of large groups has been reported as part of the consolidated revenue and shown separately for those subsidiaries. The ranking is based on revenues reported by a particular legal entity operating in Central and Eastern Europe. We have not presented the al revenues of various companies owned by one investor (e.g. Volkswagen, Mittal, Lukoil etc.) as they do not represent single legal entity based in the region and due to lack of data. However, because of the importance of these organisations in the regional economy, we have provided an analysis of the estimated pro forma consolidated revenue of these groups in a separate ranking of top foreign investors.

Revenue has been calculated in euro at the relevant average exchange rates for 2005, 2006 and 2007. Companies from Albania, Bosnia & Herzegovina, Moldova and Kosovo, which are relatively small, have not been included in the list.
For the purposes of this analysis, our ranking includes companies in Central and Eastern European countries with the exception of Russia and Belarus. In both cases we have not been able to find reliable data, which could be used in the ranking. In addition, the size of the Russian economy and some of its major companies, means that the industry and country comparison are difficult.

The ranking groups companies by industry and country. We also display the ranking of the largest Central European companies by market capitalisation as of 31st December 2007 and a list of the major foreign investors in the region. The latter list is made up of the revenues of those of the Top 500 companies which are controlled by particular investors.
We have ranked banks and insurance companies by total assets and gross written premium, respectively. The gross written premium of insurance companies includes both premiums from life and non-life operations, despite the fact that in certain areas, these companies operate as a separate legal entities.

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
1	PKN Orlen	Poland	Energy and Resources	Oil and Gas	16,857.22	24.2	655.45	24.0
2	MOL	Hungary	Energy and Resources	Oil and Gas	10,321.67	-5.7	1,044.14	-18.2
3	Škoda Auto	Czech Republic	Manufacturing	Automotive	7,997.83	11.3	575.86	47.5
4	PGE	Poland	Energy and Resources	Power and Utilities	7,487.03	82.9	534.38	34.4
5	ČEZ	Czech Republic	Energy and Resources	Power and Utilities	6,289.78	19.5	1,540.86	51.8
6	Audi Hungária	Hungary	Manufacturing	Automotive	5,908.26	24.3	560.74	39.3
7	Volkswagen Slovakia	Slovakia	Manufacturing	Automotive	5,725.11	9.1	225.16	2.4
8	Ukrgaz-Energo	Ukraine	Energy and Resources	Oil and Gas	5,043.03	97.4	132.67	0.5
9	Telekomunikacja Polska	Poland	Technology, Media and Telecommunications	Telecommunications	4,820.95	0.8	601.17	11.7
10	PGNiG	Poland	Energy and Resources	Oil and Gas	4,400.31	12.8	242.07	-29.0
11	Energorynok	Ukraine	Energy and Resources	Power and Utilities	4,370.16	15.9	129.22	747.9

	Company name	Country	Industry: Industry	Industry: Subindustry	Revenue from sales (mln Euro) 2007	Revenue change %	Net income (mln Euro) 2007	Net income change %
12	Metro Group Polska	Poland	Consumer Business and Transportation	Retail	4,332.89	24.1	N/A	N/A
13	Nokia	Hungary	Technology, Media and Telecommunications	Technology	N/A	N/A	N/A	N/A
14	ArcelorMittal	Poland	Manufacturing	Process Industries	3,868.34	18.9	741.58	41.8
15	KGHM	Poland	Energy and Resources	Mining	3,565.81	8.0	1,039.96	16.4
16	Petrom	Romania	Energy and Resources	Oil and Gas	3,537.91	-7.6	503.85	-24.7
17	INA Group	Croatia	Energy and Resources	Oil and Gas	3,523.44	10.1	118.73	-1.6
18	Lotos	Poland	Energy and Resources	Oil and Gas	3,468.30	5.6	215.14	14.1
19	Slovnaft	Slovakia	Energy and Resources	Oil and Gas	3,392.79	5.3	224.45	31.5
20	NIS	Serbia	Energy and Resources	Oil and Gas	3,357.03	10.2	79.78	7.7
21	Samsung Electronics Slovakia	Slovakia	Manufacturing	Industrial Products and Services	3,286.82	42.7	106.75	175.5
22	Unipetrol	Czech Republic	Energy and Resources	Oil and Gas	3,198.83	-3.3	46.03	-23.0
23	E.ON Földgázkereskedö	Hungary	Energy and Resources	Power and Utilities	3,119.69	-0.1	201.85	215.0
24	U.S. Steel Košice	Slovakia	Manufacturing	Process Industries	3,072.96	6.3	405.91	-16.4
25	Fiat	Poland	Manufacturing	Automotive	3,061.09	29.3	92.31	43.4
26	Foxconn	Czech Republic	Technology, Media and Telecommunications	Technology	3,043.77	19.4	1.63	-92.9
27	Agrofert Holding	Czech Republic	Consumer Business and Transportation	Consumer Product Companies	3,004.49	19.3	133.76	-0.2
28	Philips Magyarország	Hungary	Manufacturing	Industrial Products and Services	2,975.41	31.1	N/A	N/A
29	Lukoil Neftochim	Bulgaria	Energy and Resources	Oil and Gas	2,877.15	2.7	52.93	527.1
30	MetInvest Holding	Ukraine	Energy and Resources	Mining	2,871.84	68.5	86.93	96.7
31	RWE Transgas	Czech Republic	Energy and Resources	Oil and Gas	2,830.72	-5.7	461.24	59.6
32	Agrokor	Croatia	Consumer Business and Transportation	Consumer Product Companies	2,821.51	37.1	61.92	144.1
33	Magyar Telekom	Hungary	Technology, Media and Telecommunications	Telecommunications	2,692.52	6.0	290.70	-12.2
34	ArcelorMittal Kryvyj Rih	Ukraine	Manufacturing	Process Industries	2,652.24	20.8	535.59	19.9
35	GE Hungary	Hungary	Manufacturing	Industrial Products and Services	2,557.49	6.8	N/A	N/A
36	Mažeikių Nafta	Lithuania	Energy and Resources	Oil and Gas	2,552.68	-25.7	28.79	-49.7
37	Čez Prodej	Czech Republic	Energy and Resources	Power and Utilities	2,524.15	4.3	73.70	123.3
38	Ilyich Steel & Iron Works	Ukraine	Manufacturing	Process Industries	2,523.05	15.0	199.83	44.0
39	MVM	Hungary	Energy and Resources	Power and Utilities	2,498.10	31.4	144.54	1,994.2
40	Skupina Mercator	Slovenia	Consumer Business and Transportation	Retail	2,445.00	18.4	35.00	45.8
41	NJSC Naftogaz	Ukraine	Energy and Resources	Oil and Gas	2,436.20	-28.0	440.51	41.6
42	Slovenský Plynárenský Priemysel	Slovakia	Energy and Resources	Oil and Gas	2,381.34	-10.2	563.84	-16.3
43	Tauron	Poland	Energy and Resources	Power and Utilities	2,378.24	N/A	N/A	N/A
44	Jeronimo Martins Dystrybucja	Poland	Consumer Business and Transportation	Retail	2,378.24	39.5	N/A	N/A
45	PKP	Poland	Consumer Business and Transportation	Transportation	2,363.57	3.5	-10.54	-113.4
46	BP	Poland	Energy and Resources	Oil and Gas	2,324.81	20.5	65.71	137.7
47	Azovstal	Ukraine	Manufacturing	Process Industries	2,309.22	21.0	299.31	78.0
48	E.On Hungária	Hungary	Energy and Resources	Power and Uti lities	2,291.99	22.7	101.86	33.3
49	Telefónica O2	Czech Republic	Technology, Media and Telecommunications	Telecommunications	2,277.05	5.3	374.22	32.2
50	Rompetrol	Romania	Energy and Resources	Oil and Gas	2,267.73	4.0	-60.31	-243.0
51	Lotos Paliwa	Poland	Energy and Resources	Oil and Gas	2,228.19	18.8	-3.14	-131.1
52	Suzuki	Hungary	Manufacturing	Automotive	2,219.13	41.2	42.02	94.0
53	Kompania Węglowa	Poland	Energy and Resources	Mining	2,206.27	3.0	0.46	101.2

Central Europe's Top 500

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
54	Centertel	Poland	Technology, Media and Telecommunications	Telecommunications	2,131.00	10.2	398.47	30.8
55	Makro Cash and Carry	Poland	Consumer Business and Transportation	Retail	2,127.67	10.0	N/A	N/A
56	Tesco-Global	Hungary	Consumer Business and Transportation	Retail	2,116.21	16.2	39.19	-14.2
57	Skupina Petrol	Slovenia	Energy and Resources	Oil and Gas	2,109.40	8.7	53.30	7.0
58	Volkswagen	Poland	Manufacturing	Automotive	2,100.64	-5.6	97.50	-28.0
59	Tesco	Poland	Consumer Business and Transportation	Retail	2,087.57	12.1	N/A	N/A
60	Polkomtel	Poland	Technology, Media and Telecommunications	Telecommunications	2,060.88	9.1	358.57	24.5
61	Samsung Electronics Magyar	Hungary	Technology, Media and Telecommunications	Technology	2,036.48	41.9	54.14	-29.1
62	Maxima	Lithuania	Consumer Business and Transportation	Retail	2,007.07	31.4	N/A	N/A
63	ArcelorMittal	Romania	Manufacturing	Industrial Products and Services	1,969.43	10.5	92.03	88.1
64	Dacia Group	Romania	Manufacturing	Automotive	1,965.48	20.8	125.35	13.4
65	PTC	Poland	Technology, Media and Telecommunications	Telecommunications	1,962.31	7.2	N/A	N/A
66	Lisichansk Petroleum Investment Company (LiNIK)	Ukraine	Energy and Resources	Oil and Gas	1,956.70	6.8	17.84	235.5
67	Carrefour	Poland	Consumer Business and Transportation	Retail	1,929.02	42.3	N/A	N/A
68	UkrTatNafta	Ukraine	Energy and Resources	Oil and Gas	1,913.93	-8.6	0.07	-97.9
69	Energa	Poland	Energy and Resources	Power and Utilities	1,908.93	14.2	67.12	N/A
70	Panrusgáz	Hungary	Energy and Resources	Power and Utilities	1,864.90	-14.9	2.98	-47.8
71	Lukoil Bulgaria	Bulgaria	Energy and Resources	Oil and Gas	1,861.07	10.3	16.55	-50.7
72	TPCA	Czech Republic	Manufacturing	Automotive	1,847.89	6.0	36.00	-25.5
73	PSE Operator	Poland	Energy and Resources	Power and Utilities	1,845.74	-8.8	44.08	-17.6
74	Zaporizhzhia Automobile Building Plant (ZAZ)	Ukraine	Manufacturing	Automotive	1,826.09	72.3	79.55	427.2
75	TNK-BP Commerce	Ukraine	Energy and Resources	Oil and Gas	1,797.63	1.9	30.89	1,270.5
76	Industrial Union of Donbass (ISD)	Ukraine	Manufacturing	Process Industries	1,690.56	26.3	158.53	54.6
77	ArcelorMittal	Czech Republic	Manufacturing	Process Industries	1,660.97	-2.6	340.06	116.2
78	Lasy Pa∫stwowe	Poland	Public Sector	National Government	1,650.03	35.0	123.19	158.8
79	EPS	Serbia	Energy and Resources	Power and Utilities	1,644.41	34.3	-1,245.49	-746.7
80	Moravia Steel	Czech Republic	Manufacturing	Process Industries	1,627.21	14.5	223.05	44.1
81	Barum Continental	Czech Republic	Manufacturing	Automotive	1,609.10	14.1	69.00	26.7
82	Kia Motors Slovakia	Slovakia	Manufacturing	Automotive	1,606.32	5,261.3	26.30	415.2
83	JSW	Poland	Energy and Resources	Mining	1,599.54	N/A	N/A	N/A
84	Philip Morris	Poland	Consumer Business and Transportation	Consumer Product Companies	1,586.17	N/A	N/A	N/A
85	DK GazUkraine	Ukraine	Energy and Resources	Oil and Gas	1,569.55	-8.2	-149.81	5.9
86	Čepro	Czech Republic	Energy and Resources	Oil and Gas	1,564.87	31.3	12.24	485.7
87	Kyivstar	Ukraine	Technology, Media and Telecommunications	Telecommunications	1,555.04	16.1	567.60	39.1
88	Panasonic Czech	Czech Republic	Technology, Media and Telecommunications	Technology	1,552.41	N/A	N/A	N/A
89	PCA Slovakia	Slovakia	Manufacturing	Automotive	1,544.14	248.5	N/A	N/A
90	Poczta Polska	Poland	Public Sector	National Government	1,531.71	-5.1	16.72	-47.3
91	Metro	Romania	Consumer Business and Transportation	Wholesale and Distribution	1,503.67	-5.0	67.72	-1.0
92	PKP Cargo	Poland	Consumer Business and Transportation	Transportation	1,494.11	6.0	3.19	-75.4
93	Třinecké Železárny	Czech Republic	Manufacturing	Process Industries	1,419.56	14.6	149.57	51.6

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
94	Makro Cash & Carry	Czech Republic	Consumer Business and Transportation	Wholesale and Distribution	1,416.04	13.6	N/A	N/A
95	Ahold Czech Republic	Czech Republic	Consumer Business and Transportation	Retail	1,415.78	11.4	-15.63	62.9
96	OKD	Czech Republic	Energy and Resources	Mining	1,396.62	13.6	216.98	72.2
97	Tele-Fonika Kable	Poland	Manufacturing	Industrial Products and Services	1,395.35	18.8	N/A	N/A
98	České dráhy	Czech Republic	Consumer Business and Transportation	Transportation	1,382.31	3.6	-22.05	-40.4
99	Slovenské elektrárne	Slovakia	Energy and Resources	Power and Utilities	1,380.84	-3.0	106.75	175.5
100	Zaporizhstal Integrated Iron & Steel Works	Ukraine	Manufacturing	Process Industries	1,374.28	14.3	78.08	-30.0
101	Real	Poland	Consumer Business and Transportation	Retail	1,374.09	37.5	N/A	N/A
102	Donetskstal	Ukraine	Manufacturing	Process Industries	1,358.55	41.7	88.82	56.9
103	Konzum	Croatia	Consumer Business and Transportation	Retail	1,354.58	10.2	30.65	69.8
104	Tiszai Vegyi Kombinát	Hungary	Manufacturing	Process Industries	1,346.75	15.3	94.24	44.2
105	J&S Energy	Poland	Energy and Resources	Oil and Gas	1,340.47	-1.4	7.11	-33.8
106	Delta M	Serbia	Consumer Business and Transportation	Retail	1,340.19	62.8	57.38	N/A
107	Enea	Poland	Energy and Resources	Power and Utilities	1,320.58	5.1	178.30	260.4
108	Sanmina-SCI Magyarország Elektronikai Gyártó	Hungary	Manufacturing	Industrial Products and Services	1,317.50	-0.6	-1.76	-114.9
109	Kaufland	Czech Republic	Consumer Business and Transportation	Retail	1,308.98	42.8	-0.81	N/A
110	DK UkrTransGaz	Ukraine	Energy and Resources	Oil and Gas	1,298.46	30.9	99.92	9,276.3
111	Skupina Gorenje	Slovenia	Manufacturing	Industrial Products and Services	1,293.00	16.4	24.00	9.1
112	PTT Srbija	Serbia	Technology, Media and Telecommunications	Telecommunications	1,291.90	39.8	159.46	3.9
113	HEP Group	Croatia	Energy and Resources	Power and Utilities	1,284.85	-0.4	3.54	-89.3
114	Skanska CS	Czech Republic	Real Estate	Construction Companies	1,274.80	-0.9	46.05	61.3
115	Boryszew	Poland	Manufacturing	Process Industries	1,273.48	-7.7	6.79	-80.4
116	Auchan	Poland	Consumer Business and Transportation	Retail	1,268.39	14.9	N/A	N/A
117	DTEK	Ukraine	Manufacturing	Process Industries	1,264.61	64.3	168.28	123.9
118	Alchevsk Iron and Steel Works	Ukraine	Manufacturing	Process Industries	1,264.03	34.2	45.82	22.6
119	LG Electronics Mława	Poland	Consumer Business and Transportation	Consumer Product Companies	1,252.96	-18.4	N/A	N/A
120	Tesco Stores	Czech Republic	Consumer Business and Transportation	Retail	1,251.23	39.8	-5.62	-271.8
121	Eurocash	Poland	Consumer Business and Transportation	Retail	1,249.86	50.4	15.56	45.8
122	Revoz	Slovenia	Manufacturing	Automotive	1,247.67	24.3	28.56	7.2
123	"Bogdan" (public-transport)	Ukraine	Manufacturing	Automotive	1,244.79	48.4	68.01	269.4
124	NEK	Bulgaria	Energy and Resources	Power and Utilities	1,236.91	11.4	20.14	-20.9
125	OMV Česká republika	Czech Republic	Energy and Resources	Oil and Gas	1,227.97	-1.1	6.26	700.6
126	Volkswagen Motor Polska	Poland	Manufacturing	Automotive	1,221.57	10.7	28.35	7.1
127	Shell Czech Republic	Czech Republic	Energy and Resources	Oil and Gas	1,219.49	7.8	30.59	39.6
128	Emperia Holding	Poland	Consumer Business and Transportation	Wholesale and Distribution	1,214.63	18.3	23.71	295.2
129	HT	Croatia	Technology, Media and Telecommunications	Telecommunications	1,204.74	2.2	336.83	11.4
130	Shell	Poland	Energy and Resources	Oil and Gas	1,183.39	-15.9	N/A	N/A

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	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
131	Fiat-GM Powertrain	Poland	Manufacturing	Industrial Products and Services	1,178.35	1.6	46.21	-27.3
132	Polski Koks	Poland	Energy and Resources	Mining	1,172.47	10.9	0.34	-76.8
133	NNEGC "Energoatom"	Ukraine	Energy and Resources	Power and Utilities	1,170.74	12.4	48.67	-89.2
134	PCA Logistika	Czech Republic	Manufacturing	Automotive	1,170.17	N/A	N/A	N/A
135	PGF	Poland	Life Sciences and Health Care	Life Sciences	1,165.48	13.3	19.48	20.5
136	Lukoil	Romania	Energy and Resources	Oil and Gas	1,158.43	12.2	15.05	-64.5
137	Alcoa-Köfém	Hungary	Manufacturing	Process Industries	1,154.37	1.6	34.75	1,700.7
138	Rompetrol Downstream	Romania	Energy and Resources	Oil and Gas	1,154.13	82.7	-4.02	-12.6
139	Orange	Romania	Technology, Media and Telecommunications	Telecommunications	1,144.55	3.9	345.38	-16.6
140	T-Mobile Czech Republic	Czech Republic	Technology, Media and Telecommunications	Telecommunications	1,141.70	11.2	281.86	40.1
141	MTS Ukraine (former UMC)	Ukraine	Technology, Media and Telecommunications	Telecommunications	1,135.92	2.5	243.17	-17.6
142	Cumerio Med	Bulgaria	Manufacturing	Process Industries	1,133.27	-12.4	N/A	N/A
143	Spar	Hungary	Consumer Business and Transportation	Retail	1,131.94	32.0	N/A	N/A
144	Čez Distribuce	Czech Republic	Energy and Resources	Power and Utilities	1,129.28	9.6	96.71	569.2
145	Chemopetrol	Czech Republic	Manufacturing	Process Industries	1,120.54	N/A	N/A	N/A
146	Dneprovsky Metallurgical Works	Ukraine	Manufacturing	Process Industries	1,114.27	27.0	75.93	10.9
147	Dunaferr-Csoport	Hungary	Manufacturing	Process Industries	1,109.71	0.1	132.11	1.9
148	Budapesti Elektromos Művek	Hungary	Energy and Resources	Power and Utilities	1,103.63	35.6	91.98	67.2
149	Ruch	Poland	Consumer Business and Transportation	Wholesale and Distribution	1,094.03	5.2	3.56	-29.5
150	Vodafone	Romania	Technology, Media and Telecommunications	Telecommunications	1,088.16	3.6	249.81	-25.3
151	Orlen Petrocentrum	Poland	Energy and Resources	Oil and Gas	1,080.21	41.8	1.44	21.7
152	Jabil Circuit Magyarország	Hungary	Manufacturing	Automotive	1,076.84	-9.1	-8.57	-118.6
153	Interpipe Ukraine	Ukraine	Manufacturing	Process Industries	1,062.36	22.8	88.42	5.8
154	Vattenfall Poland	Poland	Energy and Resources	Power and Utilities	1,057.51	3.6	130.57	14.5
155	Telekom Srbija	Serbia	Technology, Media and Telecommunications	Telecommunications	1,056.78	30.4	152.42	-18.7
156	Northern Mining & Benefication Works (Nothern GOK)	Ukraine	Energy and Resources	Mining	1,044.46	67.4	259.17	115.6
157	OMV Hungária Ásványolaj	Hungary	Energy and Resources	Oil and Gas	1,041.04	6.1	0.78	-83.8
158	BorsodChem	Hungary	Manufacturing	Process Industries	1,033.28	12.5	21.07	-60.8
159	Grupa Saint-Gobain	Poland	Manufacturing	Process Industries	1,030.57	26.3	N/A	N/A
160	Agip Česká republika	Czech Republic	Energy and Resources	Oil and Gas	1,022.83	15.4	11.49	-27.2
161	Interbrands	Romania	Consumer Business and Transportation	Consumer Product Companies	1,013.53	28.0	-0.77	-144.1
162	Petrotel Lukoil	Romania	Energy and Resources	Oil and Gas	1,010.80	-22.4	-26.52	-198.8
163	Media-Saturn	Poland	Consumer Business and Transportation	Retail	1,004.15	39.9	N/A	N/A
164	Metrostav	Czech Republic	Real Estate	Construction Companies	1,002.13	10.8	25.28	-47.5
165	Dniproblenergo	Ukraine	Energy and Resources	Power and Utilities	996.70	10.2	4.00	31.2
166	Tigáz Tiszántúli Gázszolgáltató	Hungary	Energy and Resources	Power and Utilities	995.29	15.2	-2.66	2.0
167	Impexmetal	Poland	Manufacturing	Process Industries	990.13	0.3	21.69	-55.5
168	Enion	Poland	Energy and Resources	Power and Utilities	983.78	-20.7	4.94	-84.4
169	Polimex-Mostostal	Poland	Real Estate	Construction Companies	983.13	54.2	30.83	62.2

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
170	US Steel Srbija	Serbia	Manufacturing	Process Industries	980.86	20.3	37.93	N/A
171	Michelin Közép-Európa Kereskedelmi	Hungary	Consumer Business and Transportation	Wholesale and Distribution	975.45	25.7	0.41	124.3
172	Farmacol	Poland	Life Sciences and Health Care	Life Sciences	972.97	12.8	19.12	16.3
173	Philips Lighting	Poland	Consumer Business and Transportation	Consumer Product Companies	969.97	19.5	75.19	48.6
174	BOT Elektrownia Bełchatów	Poland	Energy and Resources	Power and Utilities	967.91	2.0	N/A	N/A
175	E.ON Energie	Czech Republic	Energy and Resources	Power and Utilities	964.94	N/A	N/A	N/A
176	Chinoin + Sanofi-aventis	Hungary	Life Sciences and Health Care	Life Sciences	962.70	36.9	N/A	N/A
177	Flextronics	Hungary	Technology, Media and Telecommunications	Technology	960.89	-29.9	-15.87	-320.0
178	Ukrtelecom	Ukraine	Technology, Media and Telecommunications	Telecommunications	960.07	-6.0	37.67	-47.2
179	Porsche	Romania	Manufacturing	Automotive	946.57	22.3	86.89	34.5
180	Statoil	Poland	Energy and Resources	Oil and Gas	929.48	28.5	N/A	N/A
181	Żywiec	Poland	Consumer Business and Transportation	Consumer Product Companies	928.52	14.4	110.63	30.3
182	Romgaz	Romania	Energy and Resources	Oil and Gas	927.11	3.7	144.39	4.6
183	HSE	Slovenia	Energy and Resources	Power and Utilities	921.18	9.4	12.41	-84.0
184	Skupina Merkur	Slovenia	Consumer Business and Transportation	Retail	913.65	14.4	30.61	139.9
185	Distrigaz Sud	Romania	Energy and Resources	Oil and Gas	911.09	-3.0	51.67	11.8
186	Slovak Telekom	Slovakia	Technology, Media and Telecommunications	Telecommunications	910.04	14.3	182.50	205.8
187	Ciech	Poland	Manufacturing	Process Industries	902.40	61.7	63.91	47.1
188	Electrolux Lehel Hűtőgépgyár	Hungary	Consumer Business and Transportation	Consumer Product Companies	893.90	16.2	N/A	N/A
189	Richter Nyrt.	Hungary	Life Sciences and Health Care	Life Sciences	889.83	12.7	135.17	-30.5
190	Złomrex	Poland	Consumer Business and Transportation	Wholesale and Distribution	889.46	78.4	N/A	N/A
191	Coal of Ukraine	Ukraine	Energy and Resources	Mining	889.18	-5.6	-6.77	-268.5
192	BOT Górnictwo i Energetyka	Poland	Energy and Resources	Power and Utilities	880.18	-55.1	N/A	N/A
193	Metro Cash&Carry	Ukraine	Consumer Business and Transportation	Wholesale and Distribution	876.13	36.4	9.44	94.1
194	CEDC	Poland	Consumer Business and Transportation	Consumer Product Companies	870.65	15.7	56.42	27.7
195	Torfarm	Poland	Life Sciences and Health Care	Life Sciences	869.06	105.2	4.03	53.1
196	České aerolinie	Czech Republic	Consumer Business and Transportation	Transportation	865.18	2.2	7.44	153.1
197	Shell Hungary Kereskedelmi	Hungary	Energy and Resources	Oil and Gas	864.08	10.1	23.58	360.3
198	Unilever	Poland	Consumer Business and Transportation	Consumer Product Companies	858.59	18.4	N/A	N/A
199	Západoslovenská energetika	Slovakia	Energy and Resources	Power and Utilities	857.52	18.9	641.54	606.4
200	Skanska	Poland	Real Estate	Construction Companies	852.76	24.0	37.47	81.5
201	Metro	Hungary	Consumer Business and Transportation	Retail	852.67	5.6	N/A	N/A
202	PKE	Poland	Energy and Resources	Power and Utilities	849.79	-22.7	36.37	-47.4
203	General Motors Southeast Europe	Hungary	Manufacturing	Automotive	N/A	N/A	N/A	N/A
204	Ferona	Czech Republic	Consumer Business and Transportation	Wholesale and Distribution	836.90	13.8	19.21	-33.8

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			Industry	Subindustry	2007		2007	
205	Robert Bosch Elektronika Gyártó	Hungary	Technology, Media and Telecommunications	Technology	835.03	27.1	88.32	98.0
206	Phoenix Lékárenský Velkoobchod	Czech Republic	Life Sciences and Health Care	Life Sciences	834.90	4.9	4.71	-5.0
207	Auchan Magyarország	Hungary	Consumer Business and Transportation	Retail	830.77	5.1	-5.69	65.0
208	Bosch Diesel	Czech Republic	Manufacturing	Automotive	826.82	7.8	111.44	55.9
209	Budimex	Poland	Real Estate	Construction Companies	812.81	4.1	3.73	265.8
210	Castorama	Poland	Consumer Business and Transportation	Retail	810.97	32.6	N/A	N/A
211	Basell Orlen	Poland	Manufacturing	Process Industries	810.36	18.5	64.50	181.0
212	Kolporter	Poland	Consumer Business and Transportation	Wholesale and Distribution	809.33	22.0	1.88	-33.5
213	Romtelecom	Romania	Technology, Media and Telecommunications	Telecommunications	803.97	-10.5	21.90	-82.5
214	PLL LOT	Poland	Consumer Business and Transportation	Transportation	788.27	-2.9	41.86	-60.5
215	Skupina Krka	Slovenia	Life Sciences and Health Care	Life Sciences	781.00	16.9	133.00	18.8
216	Skupina Telekom Slovenije	Slovenia	Technology, Media and Telecommunications	Telecommunications	780.08	4.7	88.37	-14.5
217	British American Tobacco	Romania	Consumer Business and Transportation	Consumer Product Companies	778.58	34.5	65.48	112.3
218	Slovnaft Česká republika	Czech Republic	Energy and Resources	Oil and Gas	778.00	-1.0	2.53	374.0
219	Selgros	Romania	Consumer Business and Transportation	Retail	776.84	23.0	34.36	16.2
220	Hungaropharma	Hungary	Life Sciences and Health Care	Life Sciences	773.94	-0.4	8.96	-5.4
221	PKP PLK	Poland	Consumer Business and Transportation	Transportation	772.09	10.7	-16.52	69.8
222	Totalizator Sportowy	Poland	Consumer Business and Transportation	Tourism, Hospitality and Leisure	771.61	30.1	68.75	44.6
223	KHW	Poland	Energy and Resources	Mining	771.61	-9.1	4.36	-85.7
224	Swedwood	Poland	Manufacturing	Process Industries	768.80	43.6	13.12	-21.6
225	Bumar	Poland	Manufacturing	Industrial Products and Services	766.70	-5.2	4.48	23.3
226	Pannon GSM	Hungary	Technology, Media and Telecommunications	Telecommunications	766.60	4.2	186.20	27.8
227	Kaufland Polska Markety	Poland	Consumer Business and Transportation	Retail	766.32	71.4	N/A	N/A
228	Tallink	Estonia	Consumer Business and Transportation	Transportation	760.76	88.0	67.06	-29.4
229	Fővárosi Gázművek	Hungary	Energy and Resources	Power and Utilities	758.00	10.1	31.89	51.7
230	Azovobschemash	Ukraine	Manufacturing	automotive	752.39	4.0	0.44	-25.4
231	Eustream	Slovakia	Energy and Resources	Oil and Gas	749.74	110.6	91.03	-10.3
232	EnergiaPro	Poland	Energy and Resources	Power and Utilities	749.43	-16.1	26.98	7.5
233	Carrefour	Romania	Consumer Business and Transportation	Retail	748.37	29.2	23.35	2,653.7
234	Elko	Latvia	Technology, Media and Telecommunications	Technology	747.05	47.2	23.35	14.3
235	Anwil	Poland	Manufacturing	Process Industries	746.41	46.9	55.10	8.4
236	Phoenix Pharma	Hungary	Life Sciences and Health Care	Life Sciences	744.13	5.8	12.40	24.3
237	Ukraine RailWay Delivery	Ukraine	Consumer Business and Transportation	Transportation	743.55	7.3	0.05	9.0
238	Orange Slovensko	Slovakia	Technology, Media and Telecommunications	Telecommunications	743.33	15.7	172.81	7.7
239	Magyar Posta	Hungary	Public Sector	National Government	740.26	9.7	20.69	4.7

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
240	Tesco Stores	Slovakia	Consumer Business and Transportation	Retail	739.17	21.2	N/A	N/A
241	PSE-Electra	Poland	Energy and Resources	Power and Utilities	739.11	3.4	N/A	N/A
242	Lek	Slovenia	Life Sciences and Health Care	Life Sciences	738.41	2.5	79.79	-30.6
243	ISD Huta Częstochowa	Poland	Manufacturing	Process Industries	733.75	32.1	50.74	20.2
244	Stredoslovenská energetika	Slovakia	Energy and Resources	Power and Utilities	731.75	32.6	80.33	23.5
245	MÁV	Hungary	Consumer Business and Transportation	Transportation	731.50	-26.8	-49.07	84.3
246	Węglokoks	Poland	Energy and Resources	Mining	730.40	-24.5	26.67	-44.9
247	Selgros	Poland	Consumer Business and Transportation	Wholesale and Distribution	725.30	17.2	31.99	34.2
248	Enakievo Iron and Steel Plant	Ukraine	Manufacturing	Process Industries	722.77	33.8	21.27	-10.9
249	IBM	Hungary	Technology, Media and Telecommunications	Technology	717.89	-5.6	48.21	-40.2
250	South-West Railway	Ukraine	Consumer Business and Transportation	Transportation	715.74	10.9	29.55	539.9
251	Emfesz	Hungary	Energy and Resources	Oil and Gas	714.16	30.5	13.44	166.5
252	BSH	Poland	Consumer Business and Transportation	Consumer Product Companies	714.15	8.6	78.69	-10.3
253	Srbijagas	Serbia	Energy and Resources	Oil and Gas	714.02	32.3	23.16	680.0
254	Globus	Czech Republic	Consumer Business and Transportation	Retail	713.91	16.9	12.60	28.6
255	Kompania Piwowarska	Poland	Consumer Business and Transportation	Consumer Product Companies	710.59	18.5	177.15	22.5
256	GSK	Poland	Life Sciences and Health Care	Life Sciences	709.61	23.6	N/A	N/A
257	TEVA Gyógyszergyár	Hungary	Life Sciences and Health Care	Life Sciences	708.89	49.0	N/A	N/A
258	Petrol	Bulgaria	Energy and Resources	Oil and Gas	707.52	2.6	-16.82	-428.9
259	Strabag	Czech Republic	Real Estate	Construction Companies	706.96	-10.4	5.97	-77.5
260	Pliva	Croatia	Life Sciences and Health Care	Life Sciences	699.87	-9.9	95.82	459.9
261	Porsche Hungária	Hungary	Manufacturing	Automotive	696.08	0.5	11.50	-16.4
262	UkrNafta	Ukraine	Energy and Resources	Oil and Gas	695.02	-45.6	174.55	-52.5
263	Animex	Poland	Consumer Business and Transportation	Consumer Product Companies	690.62	35.1	N/A	N/A
264	Vodafone Czech Republic	Czech Republic	Technology, Media and Telecommunications	Telecommunications	690.02	-7.5	41.92	234.3
265	Avdeev Coke Chemical Plant	Ukraine	Manufacturing	Process Industries	686.38	37.6	-29.20	-465.0
266	Transelectrica	Romania	Energy and Resources	Power and Utilities	675.69	-6.0	14.75	-82.9
267	Slovnaft Petrochemicals	Slovakia	Manufacturing	Process Industries	672.56	128.8	29.64	1,345.5
268	SCA PR	Poland	Consumer Business and Transportation	Wholesale and Distribution	670.40	150.8	N/A	N/A
269	Grupa Muszkieterów	Poland	Consumer Business and Transportation	Retail	670.40	17.1	N/A	N/A
270	ABC Data	Poland	Consumer Business and Transportation	Consumer Product Companies	670.10	26.5	N/A	N/A
271	Vattenfall Distribution Poland	Poland	Energy and Resources	Power and Utilities	668.36	N/A	N/A	N/A
272	Lekkerland	Poland	Consumer Business and Transportation	Wholesale and Distribution	668.00	18.3	N/A	N/A
273	Prydniprovska Railway	Ukraine	Consumer Business and Transportation	Transportation	667.34	10.5	9.27	76.4
274	Donetsk Railway	Ukraine	Consumer Business and Transportation	Transportation	664.83	9.0	3.21	-76.9

Central Europe's Top 500

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
275	Samsung Electronics	Poland	Consumer Business and Transportation	Consumer Product Companies	663.36	57.2	13.50	349.8
276	Interpipe Nizhnedneprovsky	Ukraine	Manufacturing	Process Industries	661.15	13.9	61.07	-29.0
277	UkrGaz Delivery	Ukraine	Energy and Resources	Oil and Gas	659.71	14.6	68.11	-1.7
278	Mercedes-Benz	Poland	Manufacturing	Automotive	655.60	42.2	N/A	N/A
279	Égáz-Dégáz	Hungary	Energy and Resources	Power and Utilities	655.29	101.8	15.93	342.2
280	Kyivenergo	Ukraine	Energy and Resources	Power and Utilities	652.00	30.2	0.87	-69.6
281	Johnson Controls	Czech Republic	Manufacturing	Automotive	647.46	-0.1	0.02	N/A
282	Michelin	Poland	Manufacturing	Automotive	646.62	N/A	33.50	0.0
283	Evraz Vítkovice Steel	Czech Republic	Manufacturing	Process Industries	645.39	20.7	141.96	71.4
284	Nikopol Ferroalloys Plant	Ukraine	Manufacturing	Industrial Products and Services	645.09	59.6	0.69	290.9
285	Mobiltel	Bulgaria	Technology, Media and Telecommunications	Telecommunications	642.67	10.1	N/A	N/A
286	Metalen	Ukraine	Manufacturing	Process Industries	641.88	-3.3	6.02	-78.9
287	Electrocentrale	Romania	Energy and Resources	Power and Utilities	639.52	0.8	-26.98	-456.7
288	TRW Poland	Poland	Manufacturing	Automotive	637.01	13.8	39.53	-7.2
289	Vostokenergo	Ukraine	Energy and Resources	Power and Utilities	634.88	17.5	89.96	-13.2
290	Euro-Net	Poland	Consumer Business and Transportation	Retail	634.20	106.9	N/A	N/A
291	Celsa Huta Ostrowiec	Poland	Manufacturing	Process Industries	632.12	11.0	N/A	N/A
292	Procter & Gamble	Poland	Consumer Business and Transportation	Consumer Product Companies	N/A	N/A	N/A	N/A
293	Volvo Polska	Poland	Manufacturing	Automotive	631.19	42.0	9.89	-18.4
294	LG Electronics Wroclaw	Poland	Technology, Media and Telecommunications	Technology	631.03	N/A	N/A	N/A
295	FSO	Poland	Manufacturing	Automotive	629.70	105.3	N/A	N/A
296	Česká pošta	Czech Republic	Public Sector	National Government	627.36	3.4	23.51	169.1
297	Strabag	Hungary	Real Estate	Construction Companies	626.15	-20.8	43.65	2.6
298	Concern "NIKO"	Ukraine	Manufacturing	Automotive	621.56	81.5	11.30	162.9
299	Magneti Marelli	Poland	Manufacturing	Automotive	620.80	30.2	14.34	-37.1
300	Makeevsky metallurgical plant	Ukraine	Manufacturing	Process Industries	616.59	39.2	-18.72	51.6
301	Valeo Autosystemy	Poland	Manufacturing	Automotive	615.94	73.1	31.84	14.1
302	Electrolux	Poland	Consumer Business and Transportation	Consumer Product Companies	613.63	53.5	4.50	25.9
303	Maspex	Poland	Consumer Business and Transportation	Consumer Product Companies	613.47	19.3	N/A	N/A
304	Nokia	Poland	Technology, Media and Telecommunications	Technology	611.72	N/A	N/A	N/A
305	Avans International	Poland	Consumer Business and Transportation	Retail	607.51	12.2	N/A	N/A
306	Kaufland Romania	Romania	Consumer Business and Transportation	Retail	606.79	153.3	14.90	233.7
307	Puławy	Poland	Manufacturing	Process Industries	605.22	17.1	58.48	82.1
308	Engrotuš	Slovenia	Consumer Business and Transportation	Retail	603.20	15.5	18.34	102.7
309	Zentiva	Czech Republic	Life Sciences and Health Care	Life Sciences	600.66	21.6	52.47	-35.1
310	Donietsk Industrial UNION	Ukraine	Manufacturing	Process Industries	599.47	59.4	3.67	372.8
311	KDWT	Poland	Consumer Business and Transportation	Wholesale and Distribution	598.97	35.0	N/A	N/A
312	Zaklady Koksownicze Zdzieszowice	Poland	Manufacturing	Process Industries	598.74	N/A	N/A	N/A
313	Pražská energetika	Czech Republic	Energy and Resources	Power and Utilities	595.71	21.0	88.53	48.2
314	Démász Nyrt.	Hungary	Energy and Resources	Power and Utilities	593.72	51.2	31.98	44.6

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
315	Lukoil Baltija	Lithuania	Energy and Resources	Oil and Gas	593.31	22.8	N/A	N/A
316	Odessa Railway	Ukraine	Consumer Business and Transportation	Transportation	593.17	9.7	21.72	24.6
317	Szerencsejáték	Hungary	Consumer Business and Transportation	Tourism, Hospitality and Leisure	590.77	7.8	7.23	-0.9
318	T-mobile	Croatia	Technology, Media and Telecommunications	Telecommunications	588.69	5.7	144.08	8.5
319	Alro	Romania	Manufacturing	Process Industries	586.39	-8.9	107.24	-3.9
320	Galychyna Oil Refinery	Ukraine	Energy and Resources	Oil and Gas	586.02	363.9	2.20	507.9
321	Philips Polska	Poland	Consumer Business and Transportation	Consumer Product Companies	584.78	1.0	19.86	-39.9
322	Hidroelectrica	Romania	Energy and Resources	Power and Utilities	583.96	-15.7	14.90	-9.2
323	CMC Zawiercie	Poland	Manufacturing	Process Industries	581.51	25.6	N/A	N/A
324	Hyundai Motor	Poland	Manufacturing	Automotive	578.75	368.3	6.12	274.0
325	Car Plant "Bogdan"	Ukraine	Manufacturing	Automotive	578.38	81.6	52.70	243.1
326	Eesti Energia	Estonia	Energy and Resources	Power and Utilities	574.45	19.3	39.28	-76.7
327	Sony Slovakia	Slovakia	Manufacturing	Industrial Products and Services	573.49	237.5	N/A	N/A
328	OMV	Bulgaria	Energy and Resources	Oil and Gas	572.70	21.4	8.10	-7.2
329	Penny Market	Czech Republic	Consumer Business and Transportation	Retail	571.62	N/A	N/A	N/A
330	Leman-Ukraine	Ukraine	Real Estate	Construction Companies	569.68	67.4	11.22	320.5
331	Lviv Railway	Ukraine	Consumer Business and Transportation	Transportation	568.84	6.6	1.68	-92.9
332	British American Tobacco	Hungary	Consumer Business and Transportation	Consumer Product Companies	568.25	17.9	-15.91	-202.6
333	Skanska DS	Czech Republic	Real Estate	Construction Companies	565.35	13.6	32.49	138.2
334	Rimi	Latvia	Consumer Business and Transportation	Wholesale and Distribution	565.21	28.5	5.02	327.5
335	SF Holding	Poland	Consumer Business and Transportation	Investment Management	561.80	N/A	N/A	N/A
336	Grupa Can Pack	Poland	Manufacturing	Industrial Products and Services	560.19	52.6	41.38	32.1
337	Benzina	Czech Republic	Energy and Resources	Oil and Gas	559.52	60.0	4.61	-21.2
338	Skanska CZ	Czech Republic	Real Estate	Construction Companies	558.49	-13.1	N/A	N/A
339	SIJ	Slovenia	Manufacturing	Process Industries	558.00	17.5	N/A	N/A
340	Toyota Motor Manufacturing	Poland	Manufacturing	Automotive	554.34	16.6	28.89	101.7
341	Jihomoravská plynárenská	Czech Republic	Energy and Resources	Power and Utilities	554.13	-13.1	41.98	23.3
342	Esppol	Poland	Consumer Business and Transportation	Transportation	551.24	17.0	1.67	-49.2
343	BOT Elektrownia Turów	Poland	Energy and Resources	Power and Utilities	550.27	4.5	N/A	N/A
344	Palink	Lithuania	Consumer Business and Transportation	Retail	544.77	31.3	N/A	N/A
345	Stavby silnic a železnic	Czech Republic	Real Estate	Construction Companies	544.51	-1.6	30.49	-0.2
346	PKP Energetyka	Poland	Energy and Resources	Power and Utilities	544.44	34.4	11.21	78.5
347	Osinek	Czech Republic	Manufacturing	Process Industries	542.79	-6.8	61.56	-29.8
348	South Railway	Ukraine	Consumer Business and Transportation	Transportation	542.71	8.8	14.71	36.1
349	Dniproenergo	Ukraine	Energy and Resources	Power and Utilities	539.77	27.2	17.19	793.7
350	Malév	Hungary	Consumer Business and Transportation	Transportation	534.85	9.2	-0.66	98.5
351	Vodafone	Hungary	Technology, Media and Telecommunications	Telecommunications	533.97	4.5	37.73	3.2
352	Elektrownia Kozienice	Poland	Energy and Resources	Power and Utilities	533.46	N/A	N/A	N/A

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	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
353	Paksi Atomerőmű	Hungary	Energy and Resources	Power and Utilities	531.17	24.9	30.85	191.7
354	Metalimex	Czech Republic	Manufacturing	Process Industries	529.36	-35.1	3.67	-71.2
355	Slovnaft Polska	Poland	Energy and Resources	Oil and Gas	528.33	14.1	0.28	-76.4
356	Celestica Czech Republic	Czech Republic	Technology, Media and Telecommunications	Technology	527.95	N/A	N/A	N/A
357	IMPOL	Slovenia	Manufacturing	Process Industries	527.84	26.9	4.49	9.4
358	Dniprospecstal	Ukraine	Manufacturing	Process Industries	527.47	36.1	48.60	62.7
359	Denso Gyártó Magyarország	Hungary	Manufacturing	Automotive	525.90	118.4	29.47	351.0
360	Hrvatske Zeljeznice	Croatia	Consumer Business and Transportation	Transportation	523.40	-0.7	N/A	N/A
361	Kite	Hungary	Consumer Business and Transportation	Consumer Product Companies	522.57	43.3	11.11	65.0
362	ACP Pharma	Poland	Life Sciences and Health Care	Life Sciences	522.01	-10.8	N/A	N/A
363	BTC	Bulgaria	Technology, Media and Telecommunications	Telecommunications	521.78	1.2	59.35	-12.3
364	Penny-Market Kereskedelmi	Hungary	Consumer Business and Transportation	Retail	520.63	12.4	14.64	32.0
365	Kulczyk Tradex	Poland	Manufacturing	Automotive	520.32	N/A	N/A	N/A
366	CFR Marfa	Romania	Consumer Business and Transportation	Transportation	520.07	-0.3	1.34	-84.2
367	Plzeňský Prazdroj	Czech Republic	Consumer Business and Transportation	Consumer Product Companies	519.53	8.7	124.83	4.8
368	Kronopol	Poland	Manufacturing	Process Industries	518.24	-5.7	53.75	25.6
369	Čeps	Czech Republic	Energy and Resources	Power and Utilities	516.54	-7.4	68.72	-26.7
370	Latvenergo	Latvia	Energy and Resources	Power and Utilities	514.55	23.8	13.42	-60.8
371	Cargill	Poland	Consumer Business and Transportation	Consumer Product Companies	513.54	32.4	11.94	-15.4
372	ELES	Slovenia	Energy and Resources	Power and Utilities	513.10	-1.9	23.10	-46.5
373	Zakhidenergo	Ukraine	Energy and Resources	Power and Utilities	509.68	7.3	7.04	105.1
374	T-Mobile Slovensko	Slovakia	Technology, Media and Telecommunications	Telecommunications	509.24	18.8	91.65	40.7
375	Telewizja Polska	Poland	Technology, Media and Telecommunications	Media	508.62	5.2	24.94	69.6
376	International Paper-Kwidzyn	Poland	Manufacturing	Process Industries	508.17	10.4	106.72	101.1
377	Polomarket	Poland	Consumer Business and Transportation	Retail	507.89	88.3	N/A	N/A
378	Agropol Group	Czech Republic	Consumer Business and Transportation	Consumer Product Companies	507.87	14.9	14.62	160.1
379	Lidl Česká republika	Czech Republic	Consumer Business and Transportation	Retail	506.98	12.9	N/A	N/A
380	Philip Morris	Romania	Consumer Business and Transportation	Consumer Product Companies	506.71	0.2	22.72	86.4
381	Kremikovtsi	Bulgaria	Manufacturing	Process Industries	506.37	10.5	-23.34	83.9
382	VP Group	Latvia	Consumer Business and Transportation	Wholesale and Distribution	504.19	21.9	20.40	157.2
383	Strabag	Poland	Real Estate	Construction Companies	504.02	N/A	N/A	N/A
384	Prosper	Poland	Life Sciences and Health Care	Life Sciences	503.49	7.9	0.14	-94.4
385	Ferrero	Poland	Consumer Business and Transportation	Consumer Product Companies	501.15	32.7	19.40	122.8
386	OMV Slovenija	Slovenia	Energy and Resources	Oil and Gas	500.53	-22.4	49.45	137.0
387	Toyota Motor	Poland	Manufacturing	Automotive	500.51	21.9	5.02	39.3
388	Oil Logistic	Latvia	Energy and Resources	Oil and Gas	498.57	138.7	0.87	-3.8
389	MOL România	Romania	Energy and Resources	Oil and Gas	498.50	-7.7	17.15	192.2
390	Stoen	Poland	Energy and Resources	Power and Utilities	496.87	6.7	N/A	N/A

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			Industry	Subindustry	2007		2007	
391	VIPnet	Croatia	Technology, Media and Telecommunications	Telecommunications	495.75	4.4	109.85	16.5
392	Koksownia Przyjaźń	Poland	Energy and Resources	Oil and Gas	494.80	38.5	42.94	1,254.2
393	Metro Cash & Carry Slovakia	Slovakia	Consumer Business and Transportation	Wholesale and Distribution	492.17	21.3	N/A	N/A
394	AGC Flat Glass Czech	Czech Republic	Manufacturing	Industrial Products and Services	490.42	4.1	125.84	118.8
395	Okta	Republic of Macedonia	Energy and Resources	Oil and Gas	490.33	0.0	16.15	13.5
396	Nord Group	Ukraine	Manufacturing	Industrial Products and Services	489.12	16.8	4.52	3,268.5
397	Import Volkswagen Group	Czech Republic	Manufacturing	Automotive	488.47	10.1	5.94	-22.2
398	Coca Cola	Romania	Consumer Business and Transportation	Consumer Product Companies	487.79	29.0	58.15	8.4
399	Krajowa Spółka Cukrowa Polski Cukier	Poland	Consumer Business and Transportation	Consumer Product Companies	487.58	-15.0	0.34	-98.2
400	Visteon - Autopal	Czech Republic	Manufacturing	Automotive	487.41	22.3	5.70	-58.9
401	Phillip Morris Ukraine	Ukraine	Consumer Business and Transportation	Consumer Product Companies	486.80	12.2	89.97	24.3
402	Synthos	Poland	Manufacturing	Process Industries	486.48	61.7	128.62	661.3
403	Oltchim	Romania	Manufacturing	Process Industries	485.50	-2.5	-27.17	-1,156.7
404	Anwim	Poland	Energy and Resources	Oil and Gas	484.80	6.5	1.15	-51.3
405	Geco Tabak	Czech Republic	Consumer Business and Transportation	Consumer Product Companies	483.87	24.2	10.81	23.5
406	Nestle	Poland	Consumer Business and Transportation	Consumer Product Companies	483.42	14.2	32.98	4.9
407	Centrenergo	Ukraine	Energy and Resources	Power and Utilities	483.15	19.6	8.94	-33.0
408	Police	Poland	Manufacturing	Process Industries	482.05	12.0	54.04	169.1
409	Lear Corporation	Hungary	Manufacturing	Automotive	480.96	30.7	N/A	N/A
410	AT Cargill	Ukraine	Consumer Business and Transportation	Consumer Product Companies	480.35	24.1	28.18	518.2
411	Kruszwica	Poland	Consumer Business and Transportation	Consumer Product Companies	477.78	160.5	8.76	-9.3
412	AB	Poland	Consumer Business and Transportation	Wholesale and Distribution	476.44	50.9	3.73	50.8
413	BOT Elektrownia Opole	Poland	Energy and Resources	Power and Utilities	476.40	4.9	N/A	N/A
414	Jabil Circuit	Poland	Manufacturing	Industrial Products and Services	475.43	51.6	N/A	N/A
415	Železiarne Podbrezová	Slovakia	Manufacturing	Industrial Products and Services	474.53	14.0	41.37	15.6
416	Mlekpol	Poland	Consumer Business and Transportation	Consumer Product Companies	474.50	22.0	12.78	1,334.9
417	Gdanska Stocznia Remontowa	Poland	Manufacturing	Industrial Products and Services	474.31	50.0	14.25	27.4
418	HEP-proizvodnja	Croatia	Energy and Resources	Power and Utilities	474.12	9.5	-15.20	-207.1
419	OMV România	Romania	Energy and Resources	Oil and Gas	473.38	5.9	15.49	122.3
420	Lukoil	Ukraine	Energy and Resources	Oil and Gas	470.80	0.7	1.88	130.4
421	ZE Warszawa-Teren	Poland	Energy and Resources	Power and Utilities	470.74	7.1	N/A	N/A
422	Podravka Group	Croatia	Consumer Business and Transportation	Consumer Product Companies	467.80	-1.2	2.50	-69.7
423	Action	Poland	Consumer Business and Transportation	Wholesale and Distribution	466.32	25.1	5.75	32.5
424	Železničná spoločnosť Cargo Slovakia	Slovakia	Consumer Business and Transportation	Transportation	466.00	-3.5	-7.00	87.9
425	Cez Electro	Bulgaria	Energy and Resources	Power and Utilities	465.51	1,200.7	N/A	N/A
426	Holding AVentures Group	Ukraine	Consumer Business and Transportation	Retail	465.10	884.4	8.88	120.2
427	Egis	Hungary	Life Sciences and Health Care	Life Sciences	462.68	9.5	30.10	-53.3

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			Industry	Subindustry	2007		2007	
428	Indesit	Poland	Consumer Business and Transportation	Consumer Product Companies	462.47	36.5	14.01	37.5
429	PKP PR	Poland	Consumer Business and Transportation	Transportation	460.41	8.6	14.17	138.7
430	Alchevsk Coke-Chemical Plant	Ukraine	Manufacturing	Process Industries	458.92	40.9	32.39	62.9
431	Concern Galnaftogaz	Ukraine	Energy and Resources	Oil and Gas	458.76	16.0	3.96	-26.0
432	Grupa ITI	Poland	Technology, Media and Telecommunications	Media	458.60	42.4	-19.05	-126.4
433	Epicentr K	Ukraine	Consumer Business and Transportation	Consumer Services	458.20	111.8	17.61	154.4
434	ŽPSV	Czech Republic	Real Estate	Construction Companies	457.38	19.3	17.06	-17.7
435	ThyssenKrupp Energostal	Poland	Manufacturing	Process Industries	457.12	19.6	N/A	N/A
436	Renault	Poland	Manufacturing	Automotive	456.72	21.2	10.35	228.4
437	Acroni	Slovenia	Manufacturing	Industrial Products and Services	456.12	25.6	32.43	140.8
438	BASF	Poland	Manufacturing	Process Industries	454.87	14.4	N/A	N/A
439	EnergiaPro Gigawat	Poland	Energy and Resources	Power and Utilities	453.01	N/A	N/A	N/A
440	Senukai	Lithuania	Consumer Business and Transportation	Retail	452.05	26.9	42.15	72.9
441	Dniepropetrovsk Iron and Stel Works named after Petrovsky	Ukraine	Manufacturing	Process Industries	451.02	27.1	-1.98	-144.0
442	BOT KWB Bełchatów	Poland	Energy and Resources	Mining	450.96	15.5	N/A	N/A
443	Avon	Poland	Consumer Business and Transportation	Consumer Product Companies	450.80	25.8	5.39	-81.4
444	Hídépítő	Hungary	Real Estate	Construction Companies	448.45	45.5	15.71	98.0
445	Stomana Industry	Bulgaria	Manufacturing	Process Industries	446.32	28.0	46.88	30.1
446	Émász Nyrt.	Hungary	Energy and Resources	Power and Utilities	445.21	32.6	28.42	71.2
447	Michelin Hungária	Hungary	Manufacturing	Industrial Products and Services	444.12	22.7	13.23	321.1
448	Mobis Slovakia	Slovakia	Manufacturing	Automotive	443.44	N/A	N/A	N/A
449	Sokołów	Poland	Consumer Business and Transportation	Consumer Product Companies	441.56	8.5	N/A	N/A
450	Motor Corporation "Atlant"	Ukraine	Manufacturing	Automotive	440.24	70.4	6.49	57.9
451	Myronivsky Hliboproduct	Ukraine	Consumer Business and Transportation	Consumer Product Companies	439.81	43.0	1.20	31.3
452	Tehnika Obnova	Slovenia	Real Estate	Construction Companies	439.68	46.1	1.72	5.9
453	Mondi SCP	Slovakia	Manufacturing	Process Industries	439.44	9.6	N/A	N/A
454	Synthos Kralupy	Czech Republic	Manufacturing	Process Industries	439.40	9.9	29.34	23.7
455	Zakłady Azotowe Kędzierzyn	Poland	Manufacturing	Process Industries	438.64	15.6	34.04	127.1
456	Dalkia	Poland	Energy and Resources	Power and Utilities	438.33	6.5	58.09	73.4
457	Faurecia Wałbrzych	Poland	Manufacturing	Automotive	437.37	9.8	13.84	-71.1
458	Východoslovenská energetika	Slovakia	Energy and Resources	Power and Utilities	437.35	6.0	68.65	23.1
459	Khartsyzk tube and pipe works	Ukraine	Energy and Resources	Oil and Gas	436.45	-9.2	45.57	-24.0
460	Żegluga Polska	Poland	Consumer Business and Transportation	Transportation	435.88	N/A	12.60	-86.8
461	E.ON	Romania	Energy and Resources	Oil and Gas	433.93	-40.4	18.41	-27.5
462	Mobitel d.d.	Slovenia	Technology, Media and Telecommunications	Telecommunications	433.08	9.8	50.60	14.2
463	Polski Tyton	Poland	Consumer Business and Transportation	Wholesale and Distribution	432.50	17.0	0.24	-55.0
464	Stalprodukt	Poland	Manufacturing	Process Industries	430.82	28.0	92.54	31.5

	Company name	Country	Industry		Revenue from sales (mln Euro)	Revenue change %	Net income (mln Euro)	Net income change %
			Industry	Subindustry	2007		2007	
465	Warbud	Poland	Real Estate	Construction Companies	430.61	65.2	13.15	370.4
466	Slov. elektrizačná prenosová sústava	Slovakia	Energy and Resources	Power and Utilities	429.19	7.5	41.67	41.0
467	PAK	Poland	Energy and Resources	Power and Utilities	428.35	16.0	11.43	107.6
468	Isuzu Motors	Poland	Manufacturing	Automotive	427.82	10.8	N/A	N/A
469	E.ON Distribuce	Czech Republic	Energy and Resources	Power and Utilities	427.76	7.1	105.93	45.1
470	ZG holding	Croatia	Public Sector	Local or Municipal Government	426.88	-10.7	3.23	-71.3
471	NIKO (House Commercial)	Ukraine	Consumer Business and Transportation	Consumer Services	426.54	81.9	4.12	173.6
472	ATB-Market	Ukraine	Consumer Business and Transportation	Consumer Services	426.00	35.7	2.00	126.0
473	UkrTransNafta	Ukraine	Energy and Resources	Oil and Gas	424.30	185.1	30.13	208.6
474	Żabka	Poland	Consumer Business and Transportation	Retail	423.98	25.5	N/A	N/A
475	Flextronics	Poland	Technology, Media and Telecommunications	Technology	423.07	3.2	1.75	-79.9
476	Inguleck GOK	Ukraine	Manufacturing	Industrial Products and Services	422.74	33.0	102.05	256.8
477	Continental výroba pneumatik	Czech Republic	Manufacturing	Automotive	422.25	3.0	55.92	2.9
478	Mlekovita	Poland	Consumer Business and Transportation	Consumer Product Companies	421.64	21.7	14.63	83.4
479	Pharmos	Czech Republic	Life Sciences and Health Care	Life Sciences	421.17	15.8	0.50	-27.8
480	Grupa Empik	Poland	Consumer Business and Transportation	Retail	418.84	44.3	21.96	3.2
481	Achema	Lithuania	Manufacturing	Process Industries	418.21	65.8	25.90	58.9
482	Tech Data	Poland	Technology, Media and Telecommunications	Technology	414.21	31.1	2.49	58.4
483	Plus - Discount	Czech Republic	Consumer Business and Transportation	Retail	413.68	1.4	-1.70	-158.3
484	Iveco Czech Republic	Czech Republic	Manufacturing	Automotive	413.18	37.8	56.17	101.6
485	Karpacki OSD	Poland	Energy and Resources	Oil and Gas	412.62	-26.5	-4.39	-117.4
486	Cosmo Bulgaria Mobile	Bulgaria	Technology, Media and Telecommunications	Telecommunications	412.10	20.4	53.15	63.9
487	Rossmann	Poland	Consumer Business and Transportation	Retail	411.91	42.2	N/A	N/A
488	Hutmen	Poland	Manufacturing	Process Industries	410.93	-8.6	-24.10	-359.1
489	Luk Savaria	Hungary	Manufacturing	Automotive	410.90	N/A	N/A	N/A
490	TVN	Poland	Technology, Media and Telecommunications	Media	410.84	37.4	64.29	-3.2
491	Sokolovská uhelná	Czech Republic	Energy and Resources	Mining	410.45	8.8	57.14	40.2
492	Slovenske Železnice	Slovenia	Consumer Business and Transportation	Transportation	410.20	15.6	24.60	485.7
493	Dębica	Poland	Manufacturing	Automotive	408.67	4.4	15.07	-3.7
494	Severomoravská plynárenská	Czech Republic	Energy and Resources	Power and Utilities	407.88	-17.9	30.45	20.5
495	Lietuvos geležinkeliai	Lithuania	Consumer Business and Transportation	Transportation	407.48	16.6	38.69	19.6
496	Yuzhny Ore Mining and Processing Works	Ukraine	Energy and Resources	Mining	406.61	72.9	85.15	9,945.6
497	Zaporizhyaoblenergo	Ukraine	Energy and Resources	Power and Utilities	405.18	13.9	2.75	399.6
498	Roshen confectionery corporation	Ukraine	Consumer Business and Transportation	Consumer Product Companies	405.02	18.1	34.32	19.2
499	Metro Cash & Carry Bulgaria	Bulgaria	Consumer Business and Transportation	Retail	404.88	N/A	N/A	N/A
500	Skoda Auto	Poland	Manufacturing	Automotive	404.07	16.4	3.16	2,992.8

- data from 2006 - estimated data - consolidated pro forma - company is not willing to reveal data

Growth continues but some turbulence ahead

Commentary on the ranking

The changes continue

It has been four years since Central Europe's largest economies joined the European Union. Two more Central European countries became members in 2007 and the remaining states are in the queue. The economies of the 'New Europe', which were once behind the 'Iron Curtain', are integrating dynamically with the 'Old Europe' and gradually preparing to convert their currencies to the euro. What is even more noteworthy, they have become motors of growth in the EU, especially during the recent crisis in financial markets and the slow down in the euro zone.

How are these countries coping with the new political and economic realities, how are the various industries in the region developing and what are the challenges facing investors and managers of the leading Central European companies, banks and insurers? A comparison of the financial situation of the 500 largest companies and financial institutions in Central Europe is one of the tools for assessing trends in the region and the state of its economy. This year, we are focusing on the growth strategies the biggest companies in the region are following, how they are coping with the rising input costs, the appreciation of local currencies and the ever more scarce and costly labour force, which, not so long ago, was a resource significantly cheaper and more accessible than in Western Europe.

Solid Growth

As in 2006, most Central European companies reported dynamic growth. Average revenue in local currency grew by 12 per cent and in euros by 15 per cent. This was a high rate compared to Western Europe. It seems that the region has been only minimally affected by the economic slowdown, despite the fact that the average revenue growth of the CE Top 500 companies remained at the same level for the last two years and their average ROE and ROA fell imperceptibly. The main companies increased their revenues mainly through acquisitions (PKN, CEZ) or through reorganisations and consolidations (PGE, Tauron). However, those companies, which did not increase the scale of their activities through M&A, also reported double digit revenue increases.

The total dynamic growth of the 500 largest companies in the region comes only partly from the firms at the top of the list. Despite the fact that the revenues of the ten largest firms grew by nearly 15 per cent in 2007 and 25 per cent in 2006 – similarly to the combined GDP growth for the region, a large part of this increase should be attributed to foreign expansion or consolidation. However, if we look at the first 100 companies on the list, we see that they reported an average 12 per cent revenue growth while the last 100 enterprises grew by nearly 20 per cent.

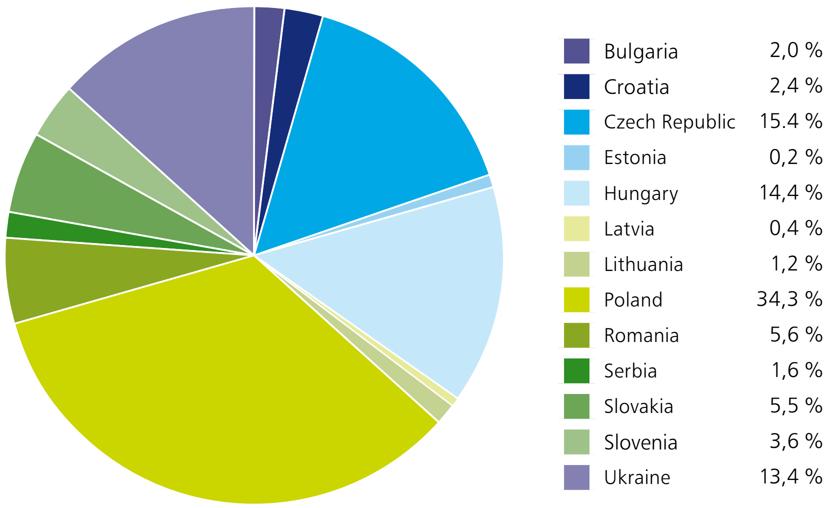
The largest percentage growth of revenues in 2007 came from companies in the Baltic countries and Serbia. Enterprises from countries which were the first to join the EU - Poland, the Czech Republic, Hungary and Slovakia - saw revenue growth of 17 per cent, 10 per cent, 13 per cent and 15 per cent respectively. These increases are to a great extent linked to the sectoral structure in each country. Both consumer products and industrial products sectors reported high growth rates of 18 per cent and 20 per cent. The revenues from the enterprises in the remaining sectors grew by little more than a half of these rates.

Consolidation and new investments

This significant presence of the Polish companies on the CE Top 500 list results from a combination of several factors including: regional acquisitions (PKN, Ciech), consolidation of the energy companies (PKE, Tauron, Enea) and the dynamic growth (18 per cent compared to 2006) of locally based consumer product and distribution companies (Metro, Jeronimo Martins, Carrefour, Tesco) and manufacturers such as FIAT, Saint – Gobain, Mittal Steel. Similarly to Polish companies, the largest Slovak and Ukrainian enterprises have increased their share in the total revenue of the largest Central European firms.

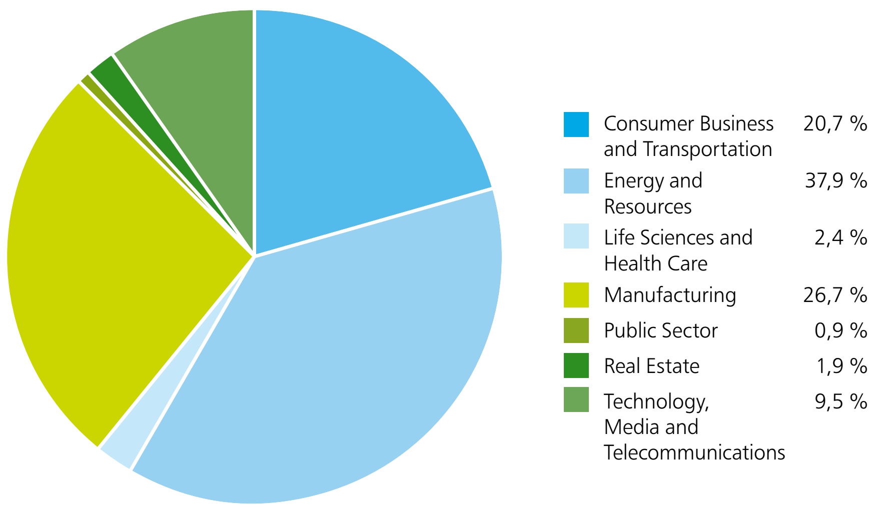
Polish companies dominate the ranking with 176 companies in the list. The combined revenue of these companies accounted for 34.3 per cent of the total 500 companies, which is not surprising given the size of the Polish economy in comparison to other economies of the region.

Top CE 500 companies by country (based on revenue)



The positive impact and significance of greenfield investments, especially in the automotive sector, have been particularly noticeable in Slovakia. Slovakia's largest companies increased their share in the total revenue of the largest Central European companies by almost 100 basis points from 5 per cent to 6 per cent as a result of the opening of KIA Motors and Peugeot Citroen plants.

Top CE 500 companies by industry (based on revenue)



CE Top 500 - breakdown by sector and country

	Consumer Business and Transportation	Energy and Resources	Life Sciences and Health Care	Manufacturing	Public Sector	Real Estate	Technology, Media and Telecommunications	Total
Bulgaria	1	6	-	3	-	-	3	13
Croatia	4	3	1	-	1	-	3	12
Czech Republic	15	19	3	19	1	7	6	70
Estonia	1	1	-	-	-	-	-	2
Hungary	12	15	6	16	1	2	8	60
Latvia	2	2	-	-	-	-	1	5
Lithuania	4	2	-	1	-	-	-	7
Macedonia	-	1	-	-	-	-	-	1
Poland	63	42	6	47	2	5	11	176
Romania	9	13	-	5	-	-	3	30
Serbia	1	3	-	1	-	-	2	7
Slovakia	3	8	-	10	-	-	3	24
Slovenia	4	4	2	5	-	1	2	18
Ukraine	16	27	-	28	-	1	3	75
Total	**135**	**145**	**18**	**136**	**5**	**16**	**45**	**500**

While most of the new EU members have benefited from the foreign direct investments, Ukraine-based companies have grown primarily as a result of mounting demand for heavy metals and energy. Ukraine's largest companies operate, above all, in heavy manufacturing and energy sectors.

The combined revenue of Czech and Hungarian companies accounted for 15 per cent and 14.5 per cent of total revenue of the CE`Top 500 companies. The revenue of the largest companies from these two countries is higher than the GDP share of the Czech Republic and Hungary. This confirms the strong position of these entities in the Central European market place. Despite high growth achieved by single companies (CEZ, Skoda, Audi Hungaria) and new greenfield investments (Toyota Peugeot in the Czech Republic, Philips Hungary, Suzuki Hungary), their share decreased slightly compared to companies ranked in 2006. The Czech Republic and Hungary have only to a limited extent benefited either from the consolidation in the energy and raw materials sectors or the increases in oil prices. On the other hand, Hungary stands out in terms of the number of large TMT companies including Nokia, Hungarian Telekom Samsung and Flextronics. The latter recorded a fall in revenue in the fiscal year ending on 31 March 2007, however, based on the information from the company, the decreasing revenue trend was halted in the fiscal year ending on 31 March 2008.

PKN Orlen strengthens its position – Skoda drives East

Following the consolidation of the Lithuanian Mazeikiu oil combine purchased in 2006, PKN has strengthened its position at the head of the CE Top 500 ranking. The group has been the largest company by reported consolidated revenue for years and with its financial results consolidated with Mazeikiu, its revenues are more than 60 per cent higher than those of MOL, which follows PKN Orlen in the ranking. By comparison, the difference in revenues between these two companies in 2006 and 2005 was only 24 per cent and 3 per cent respectively.

Skoda Auto has been expanding its production capacity for several years. In 2007 the revenue of this manufacturer of popular cars selling to the east and west of Mlada Boleslav rose by 11 per cent. The company's factories are located not only in Central Europe (Slovakia, Bosnia and Herzegovina and also Ukraine) but also in China, India, Kazakhstan and Russia. Skoda is owned by Volkswagen, the largest foreign investor in CE and is the enterprise whose subsidiaries in

Central Europe have the highest total revenue (i.e., estimated revenue of Volkswagen controlled entities) in the region. Like Skoda, another Czech firm - CEZ - is implementing a foreign expansion strategy, although this is not always based on building new plants but also through takeovers of power generators in other countries of the region (Poland, Bosnia and Herzegovina and Serbia).

The car industry changes gears

The automotive sector is well represented in the CE Top 500 ranking with 50 firms on the list. Total revenues of these companies reached EUR 38 billion in 2005 and around EUR 60 billion in 2007. This is primarily the effect of major modernisation and expansion of existing plants and moving production from Western to Central Europe and especially to the Czech Republic and Slovakia. The group of 50 automotive companies contains five leading car manufacturers, which have moved production to these two countries. The CE Top 500 list shows the effect of these moves. For example the fact that two companies, Kia Motors and PCA Slovakia, came on stream in 2007, increased the revenues of this sector by nearly EUR 2.7 billion and employment by 5,700 people. The growth rate recorded by car producers in Hungary, Ukraine, Romania or Poland (where FIAT is present), exceeded 20 per cent, however, as mentioned above, Volkswagen leads the way, well ahead of other manufacturers.

Steel industry

Steel is another significant sector in the region, which has been confirmed by the results of the CE Top 500 ranking. Production of steel and ferrous and non-ferrous metals has for several years generated over 8 per cent of the total revenues of the CE Top 500 list. In 2007 alone, this sector’s revenues rose by over 14 per cent as a result of acquisitions made by Mittal Steel, US Steel and others.

Consumer goods

The consumer goods sector, which is relatively well represented in the CE Top 500 list (in total 133 out of 500 companies, with almost half of them based in Poland), saw its joint revenues grow by 22 per cent in 2007, although its share of the total revenue of the CE Top 500 stayed at the same level as in the previous year. Also, food and beverages sub-sector was the source of an almost 70 per cent increase in revenues.

Banking

PKO BP has lost its number one position as the largest Polish bank by assets to Pekao S.A. (the second largest on the list of Central European banks), which has finalised its merger with BPH S.A. It is worth noting that PKO BP is one of the few banks on the list which are still state-owned. Indeed, there are a mere five state-owned banks in the top fifty banks. In contrast to the majority of banks on the list, the two largest Czech banks – CSOB and Ceska Sporitelna (first and fourth place, respectively) are not listed on the stock exchange. Also, the ranking shows that the largest Polish banks are less efficient than, say, Czech banks. In the case of PKO BP the amount of assets per employee is as low as EUR 0,99 million and EUR 1.5 million in the case of Pekao S.A., while for CSOB and Ceska Sporitelna these numbers are EUR 4.2 million and EUR 3 million, respectively.

CE Top 500 – breakdown by ownership

	Foreign controlled	Regional	Local	State controlled	Total
Bulgaria	10	1	1	1	13
Croatia	4	-	3	5	12
Czech Republic	47	6	7	10	70
Estonia	1	-	-	1	2
Hungary	47	1	4	8	60
Latvia	-	3	1	1	5
Lithuania	2	1	3	1	7
Macedonia	1	-	-	-	1
Poland	91	4	33	48	176
Romania	24	-	-	6	30
Serbia	1	-	1	5	7
Slovakia	15	2	1	6	24
Slovenia	3	-	8	7	18
Ukraine	8	-	46	21	75
Total	**254**	**18**	**108**	**120**	**500**

CE Top 500 - largest foreign investors (by revenue)

	Group name	Revenue from sales (mln Euro)	% change to 2006
1	Volkswagen	23,845.9	11.9%
2	ArcelorMittal	10,749.7	12.7%
3	Metro	9,878.4	15.1%
4	Lukoil	7,971.6	2.5%
5	E.ON	6,804.4	7.1%
6	Deutsche Telekom	6,769.6	6.7%
7	France Telecom	6,708.8	2.8%
8	OMV	6,307.5	-5.8%
9	Samsung Electronics	5,986.7	43.9%
10	Tesco	4,942.9	15.2%
11	Nokia	4,708.5	n/a
12	PCA	4,562.2	35.9%
13	Philips	4,530.2	23.8%
14	RWE	4,431.2	3.5%
15	Fiat	4,239.4	20.2%
16	BP	4,122.4	11.6%
17	U.S. Steel	4,053.8	9.4%
18	Shell	3,267.0	-1.7%
19	Carrefour	2,677.4	38.4%
20	REWE	2,618.5	17.1%
21	Renault	2,422.2	20.9%
22	Vodafone	2,312.1	0.2%
23	Skanska	2,127.6	7.8%
24	Auchan	2,099.2	10.8%
25	Philips Morris	2,092.9	0.1%

Note: This ranking has been created by summing up the revenue of Top 500 companies controlled by an entity from outside Central Europe. The revenue data is, of necessity, only an estimate and does not account for intercompany sales. Also it may not include revenue data for all subsidiaries in the region.

The number of state owned companies is not getting any smaller

There are 120 companies on the CE Top 500, in which the state holds a controlling share with 48 from Poland. The revenues of state-owned companies amounted to nearly 20 per cent of total revenues of the companies on the list and despite the fact that privatisation policies are being actively pursued, this share is not falling. This can be primarily attributed to the failed privatisation of energy and infrastructure companies, which are granted special status in many former socialist bloc countries. This can be seen very clearly in Poland, where the state treasury has been trying to either privatise its 'crown jewels' through public offers, which enable it to retain control or simply leave certain companies on the privatisation 'shelf'.

However, foreign investors are widely present in the region and FDI continues to flow to Central Europe. The operations of some of those investors are so significant that they dominate the Top 500 list. Volkswagen, Arcelor Mittal, retail chains and telecom giants are well represented in the region, not to mention financial institutions such as Erste or Unicredit Bank. Not only the revenues generated in Central Europe make them the leaders of the ranking, but more importantly, those revenues continues to grow at double digit rates with only a few companies recording flat or slightly decreasing growth. Foreign companies have mostly invested in automotive and metal processing industries, followed by telecommunications and the consumer goods sector, where the presence of large western distribution networks is clearly visible.

CE Top 500 companies by market capitalisation

Only 71 out of the top 500 companies are public. Most of them are based in Poland, although the biggest company in terms of market capitalisation is the formally Czech but now rather Central European electric utility, CEZ. We expect the number of publicly listed companies to increase along the continued privatisation and continued growth of the private companies, especially in Poland and Ukraine.

The recent financial crisis has also affected the regional stock exchanges – the median decrease of market capitalisation between 31 December 2007 and 31 July 2008 was approximately 20 per cent, however, the appreciation of local currencies reduced that loss to 14 per cent.

The top places in our ranking are taken generally by large enterprises from the energy and resources sectors. It is similar to what we observe in other, global rankings (FT Global 500 2008), however, while the energy companies dominate the revenue ranking, the largest publicly quoted companies by market capitalization are mostly financial institutions or from the TMT sector.

Not much technology

Only 45 out of the CE Top 500 companies come from the technology, media and telecommunications sector. Telekomunikacja Polska (TP SA), the largest company in the sector, takes the ninth place on the list. TP SA was unable to report revenue growth in 2007. Instead, the group recorded a 2 per cent decline (measured in the local currency). TP SA is struggling with the same problem as all the incumbent operators. They see a drop in fixed line revenues at the expense of income from mobile telephones and alternative operators. This is not a new phenomenon. The shrinking of the fixed line market (a drop of 11 per cent in Poland for example) has had and will continue to impact the industry. The former national operators in the other countries in the region are further down the list: Magyar Telekom is at the 33th position and Telefonica O2 C.R. (the old Cesky Telecom) is at 49th place.

Mobile operators are even further down. As befits companies in the country with the biggest population, Polish companies are larger than the others, but they are still outside the top 50 largest enterprises in the region.

Top companies by market capitalisation

	Name	Country	Market capitalisation at 31/12/2007 (mln Euro)	Market capitalisation at 31/07/2008 (mln Euro)	Change in Euro %	Change in local currency %
1	ČEZ	Czech Republic	30,322.4	31,683.7	4.5	-6.5
2	Pekao	Poland	16,595.1	15,477.3	-6.7	-16.3
3	PKO BP	Poland	14,684.5	16,339.9	11.3	-0.2
4	MOL	Hungary	10,570.6	9,830.0	-7.0	-15.2
5	OTP	Hungary	9,754.5	8,553.9	-12.3	-12.3
6	Telekomunikacja Polska	Poland	8,601.6	9,789.7	13.8	2.1
7	PGNiG	Poland	8,400.3	7,179.9	-14.5	-23.3
8	ArcelorMittal Kryvyj Rih	Ukraine	8,134.1	6,949.2	-14.6	-16.0
9	Petrom	Romania	7,797.9	7,338.8	-5.9	-7.4
10	Telefónica O2	Czech Republic	6,594.3	7,020.0	6.5	-4.8
11	Komerční banka	Czech Republic	6,228.4	6,281.0	0.8	-9.8
12	PKN Orlen	Poland	6,197.1	4,898.8	-21.0	-29.1
13	Northern Mining & Benefication Works (Nothern GOK)	Ukraine	5,944.0	2,950.0	-50.4	-51.2
14	KGHM	Poland	5,907.3	5,281.7	-10.6	-19.8
15	Zagrebacka Banka	Croatia	5,298.7	3,383.1	-36.2	-36.9
16	BZWBK	Poland	5,112.5	3,694.6	-27.7	-35.2
17	PBZ	Croatia	4,589.5	2,533.8	-44.8	-45.5
18	Skupina Krka	Slovenia	4,403.5	3,329.0	-24.4	-24.4
19	BRE	Poland	4,175.2	3,584.6	-14.1	-23.0
20	HT	Croatia	3,958.8	3,197.4	-19.2	-20.3

Profitability fails to match revenue growth

The profitability of the Central European giants fell slightly last year. The consumer goods production sector reported the worst hit - especially cars and pharmaceuticals. The reason lies mostly in the growing cost of labour as well as the appreciation of the local currencies, which has raised production costs. Problems with boosting sales only worsened the situation. Companies were unable to pass the additional costs onto their clients or neutralise the increase by improving productivity.

EVA struggle

Decreasing profitability combined with high market valuation and growing cost of capital (increasing interest rates) have adversely affected the economic value added by the Central European giants. Our calculation is, of necessity, a simplified one, and is based on several assumptions, such as a hypothetical rather than the actual market value of the companies. We have observed that the vast majority of the regional companies have failed to generate sufficient profits to cover their cost of capital. It appears that profit growth expectations have not materialised to the extent expected by investors. This is particularly visible in the case of the region's state-controlled companies, where economic and human capital is not optimised and profitability suffers.

The region and its key companies have come a long way over the last few years. Economic forecasts for the Central European economies are good and it remains to be seen how each of those countries, industries and particular companies take advantage of the growth opportunities and face the challenge of growing competition, increasing costs and ever more scarce resources.

CE Top 500 : companies ranked by EVA (EUR million)

Top 50	# Top 500	Company name	Country	EVA	ROE	ROA	Revenue change (EUR)	Revenue change (local currency)	ROIC	EBIT / Revenues
1	199	Západoslovenská energetika	Slovakia	400.5	103.13%	84.14%	18.90%	7.84%	70.72%	76.92%
2	333	Skanska DS	Czech Republic	293.1	27.73%	7.80%	13.60%	11.25%	25.43%	77.26%
3	77	ArcelorMittal	Czech Republic	200.8	27.95%	17.86%	-2.58%	-6.79%	24.48%	25.97%
4	14	Mittal Steel	Poland	91.7	24.49%	16.38%	18.89%	15.48%	21.04%	21.53%
5	39	MVM	Hungary	86.6	8.76%	5.24%	31.42%	24.98%	7.17%	4.57%
6	260	Pliva	Croatia	86.4	11.32%	7.61%	-9.86%	-9.70%	9.05%	16.21%
7	4	PGE	Poland	58.1	14.80%	7.68%	82.93%	77.68%	9.73%	9.75%
8	228	Tallink	Estonia	45.4	10.92%	4.00%	88.02%	88.02%	3.95%	20.90%
9	392	Koksownia Przyjaźń	Poland	33.8	10.32%	8.99%	38.51%	34.54%	9.56%	10.99%
10	376	International Paper-Kwidzyn	Poland	33.5	26.38%	23.33%	10.44%	7.30%	27.09%	22.77%
11	336	Grupa Can Pack	Poland	33.5	17.00%	7.85%	52.56%	50.44%	15.90%	18.64%
12	148	Budapesti Elektromos Művek	Hungary	32.8	25.89%	13.86%	35.56%	28.91%	20.20%	16.13%
13	80	Moravia Steel	Czech Republic	28.8	37.81%	17.84%	14.47%	12.11%	28.57%	17.79%
14	267	Slovnaft Petrochemicals	Slovakia	24.2	11.86%	8.82%	128.85%	107.55%	11.05%	5.46%
15	128	Emperia Holding	Poland	19.4	16.63%	8.17%	18.31%	14.91%	12.35%	2.92%
16	253	Srbijagas	Serbia	16.2	19.70%	4.39%	32.32%	25.01%	7.07%	6.45%
17	484	Iveco Czech Republic	Czech Republic	15.5	25.02%	17.48%	37.84%	35.00%	21.88%	16.37%
18	187	Ciech	Poland	15.2	18.36%	6.63%	61.69%	57.06%	8.70%	9.18%

Top 50	# Top 500	Company name	Country	EVA	ROE	ROA	Revenue change (EUR)	Revenue change (local currency)	ROIC	EBIT / Revenues
19	93	Třinecké Železárny	Czech Republic	15.1	21.95%	15.28%	14.63%	12.27%	18.64%	13.20%
20	104	Tiszai Vegyi Kombinát	Hungary	13.9	16.34%	10.25%	15.28%	9.63%	13.34%	9.74%
21	440	Senukai	Lithuania	13.8	62.39%	27.98%	26.86%	26.86%	52.67%	11.27%
22	464	Stalprodukt	Poland	13.7	48.55%	34.50%	27.95%	24.29%	38.65%	26.17%
23	211	Basell Orlen	Poland	12.3	21.65%	9.03%	18.46%	15.50%	12.84%	10.11%
24	447	Michelin Hungária	Hungary	11.9	23.77%	5.33%	22.65%	16.64%	8.33%	5.03%
25	37	Čez Prodej	Czech Republic	11.6	27.78%	5.39%	4.34%	2.18%	24.99%	3.39%
26	382	VP Group	Latvia	9.4	62.30%	12.72%	21.89%	21.89%	18.77%	5.29%
27	445	Stomana Industry	Bulgaria	9.3	24.60%	13.17%	28.03%	28.03%	14.59%	12.19%
28	446	Émász Nyrt.	Hungary	8.3	17.35%	9.47%	32.58%	26.08%	13.49%	11.39%
29	416	Mlekpol	Poland	7.9	11.25%	6.77%	21.96%	18.46%	9.74%	3.49%
30	436	Renault	Poland	7.8	66.46%	12.79%	21.19%	17.71%	48.36%	2.87%
31	481	Achema	Lithuania	7.4	24.56%	15.23%	65.77%	65.77%	21.16%	8.35%
32	465	Warbud	Poland	7.2	70.55%	7.85%	65.21%	60.47%	N/A	3.43%
33	283	Evraz Vítkovice Steel	Czech Republic	7.2	41.77%	28.11%	20.68%	18.19%	36.61%	22.79%
34	455	Zakłady Azotowe Kędzierzyn	Poland	6.9	29.90%	16.25%	15.55%	12.24%	20.95%	8.07%
35	251	Emfesz	Hungary	6.7	33.21%	2.73%	30.50%	24.10%	4.28%	1.29%
36	279	Égáz-Dégáz	Hungary	6.2	11.52%	5.60%	101.83%	91.93%	7.61%	2.99%
37	307	Puławy	Poland	6.0	18.08%	13.44%	17.11%	15.48%	16.40%	10.50%
38	197	Shell Hungary Kereskedelmi	Hungary	6.0	46.94%	11.87%	10.08%	4.68%	16.70%	3.83%
39	103	Konzum	Croatia	4.9	28.68%	4.61%	10.18%	10.38%	24.79%	3.97%
40	334	Rimi	Latvia	4.4	71.91%	4.26%	28.49%	28.49%	14.67%	1.60%
41	132	Polski Koks	Poland	3.4	4.37%	0.19%	10.91%	7.73%	4.16%	0.83%
42	500	Skoda Auto	Poland	2.7	40.32%	4.95%	16.41%	13.07%	32.53%	1.29%
43	467	PAK	Poland	2.3	3.79%	2.00%	16.03%	12.71%	3.60%	3.30%
44	412	AB	Poland	2.0	10.04%	2.41%	50.89%	46.56%	6.85%	1.48%
45	121	Eurocash	Poland	1.8	26.57%	7.32%	50.43%	46.12%	17.40%	1.83%
46	492	Slovenske Železnice	Slovenia	1.6	44.24%	3.47%	15.58%	15.58%	7.49%	5.07%
47	157	OMV Hungária Ásványolaj	Hungary	1.0	1.09%	0.31%	6.12%	0.91%	0.51%	0.16%
48	115	Boryszew	Poland	0.5	2.37%	1.83%	-7.75%	-10.39%	1.08%	4.88%
49	243	ISD Huta Częstochowa	Poland	0.4	13.72%	10.49%	32.12%	28.33%	11.82%	8.79%
50	423	Action	Poland	0.4	16.37%	6.00%	25.11%	25.11%	10.25%	1.69%

The Industries

Banking

Looking at the figures of the major banks in Central Europe for 2007 shows another record year. All the top 25 banks increased their total assets, and profits surged. Only a few names and figures need to be changed from 2006. But a different picture emerges from conversations with key clients, the media or top bank managers themselves.

The talk in banking board rooms is more of 'strategic reviews', 'setting priorities' and 'core markets' rather than of satisfied presentations of last year's results. Top bankers recognise that this is a time when past results hold no clues to what will happen in coming months. The iconic words of the last period of growth have been dropped and the phrase 'liquidity is king' has returned to the jargon of banking.

Although none of these banks had any exposure to the US sub-prime market, there is no doubt that this radical change is the direct result of the US crisis, whose effects are ricocheting around the world and hitting the Central European banks on the way. There are at least three different dimensions of the impact.

The most direct of these is the sudden disappearance of the unlimited and cheap funding which has fuelled the aggressive lending boom in Central Europe over the last couple of years. Even a year ago, local subsidiaries of foreign multinational banks had unlimited access to funding at very low costs. Today, the parent banks are facing increasing difficulties with raising financing, as the global financial turmoil results in growing costs. These increased costs are being passed on to local subsidiaries, who have to try to pass them on, in turn, to clients, in order to maintain profit margins. The higher financing costs, will, however, probably slow down the growth of lending.

The higher cost of money has affected the deposit side as well. In the past, local banks did not have to worry too much about attracting deposits. They concentrated on lending, which grew at a much faster pace. This produced unhealthy balance sheets at some banks. Owing to the scarcity and increased cost of external funding, banks are having to attract customers' savings, as they are forced to focus on the deposit side. The consequence has been significantly higher interest rates on deposits which, coupled with the under-performance of stock markets, should result in increased deposit growth.

Secondly, local economies are beginning to slow down as a result of the credit squeeze. This will definitely affect the growth of the banking industry.

The third dimension is much less immediate, but it could have the biggest effect on the region's banks in the medium term. Most Central European lenders are owned by large international banking groups, some of which were directly affected by the recent financial crisis, and are now being forced to rethink their global and regional strategy. Some global banks that were significantly hit by the sub-prime crisis might even exit the region as a result of this strategic review. As a consequence, whole networks of Central European banks could be changing hands in the coming years. Furthermore, the owners of the still locally owned smaller banks in some countries are already finding it harder to raise additional financing and are being forced to sell out. These two phenomena will accelerate the consolidation of the banking sector, which was a sellers' market as little as a year ago. Foreign banks' appetite for acquisitions increased the pricing of banking assets to an unsustainable level of four to six times equity values. However, the last twelve months has seen a change in this situation, and a sellers' market has turned into a buyers' market, creating an opportunity for new entrants. These newcomers are mainly medium-size western European banks with limited or even no exposure to the sub-prime crisis and with a strong deposit base. This year's figures will be affected by these developments, as growth levels slow and profit margins become all the harder to maintain. But only the initial results of the coming changes will be included, such as the disposal of their insurance operations by OTP Bank and Erste Bank. Some time has to pass before the process works its way through to the national and regional level, and these changes will only be reflected in the 2009 figures. We predict slower growth in Central European markets, especially on the lending side, healthier loan to deposit ratios, higher financing costs, as well as further decreasing margins and growing pressure on operating costs through efficiency gains. This is likely to result in slower growth in profits throughout the banking sector.

The overall composition of the top 20 banks in Central Europe has hardly changed from last year. Polish banks still dominate. Although their number has decreased from seven to six, this is due to the merger between Bank Pekao and BPH. There are still four Czech and four Hungarian banks in the top 20, owing to the larger relative size of these markets. In the top three, however, there have been some significant changes. OTP lost its number one slot in 2006 and dropped to number three as CSOB, the top Czech bank, reported higher growth in 2007 and Bank Pekao completed its merger with Bank BPH in Poland.

In terms of asset growth, BRE Bank was the fastest growing lender in euro terms out of the top 20 (excluding Bank Pekao, whose data is affected by its merger with Bank BPH). The growth of Polish banks has also partially been affected by the significant appreciation of the zloty against the euro during the year. In local currency terms, Romania's BRD and BCR were the fastest movers, as a result of which these two banks are gradually climbing up the list. Hansapank in Estonia had an extremely good year as well, with over 30 per cent growth in assets.

In terms of profits, OTP still leads the list, though the gap between OTP and the number two, PKO BP, has shrunk markedly. In terms of return on assets, OTP lost its number one position this year as it was overtaken by two Polish banks, PKO BP and BZ-WBK.

Top Central European banks by assets

	Bank name	Country	Assets (mln Euro) 2007	Assets change %	Net income (mln Euro) 2007	Net income change %	ROA %	Number of employees 2007
1	ČSOB	Czech Republic	34,764.2	25.4	390.5	16.0	1.1	8,252
2	Pekao	Poland	34,644.4	96.0	571.4	24.4	1.6	22,926
3	OTP	Hungary	33,399.9	18.7	828.5	17.1	2.5	33,000
4	Česká spořitelna	Czech Republic	30,583.2	15.4	437.7	19.4	1.4	10,200
5	PKO BP	Poland	30,309.5	13.8	777.3	37.2	2.6	30,659
6	Hansapank	Estonia	25,826.4	33.2	483.5	49.5	1.9	9,574
7	Komerční banka	Czech Republic	24,861.7	14.3	403.1	24.0	1.6	8,534
8	NLB Group	Slovenia	18,308.1	27.1	139.8	17.2	0.8	N/A
9	BCR	Romania	17,549.9	25.1	262.1	18.3	1.5	9,697
10	BRE	Poland	15,629.0	41.5	197.6	72.4	1.3	5,785
11	ING	Poland	14,520.1	14.8	168.3	9.6	1.2	8,074
12	BZWBK	Poland	11,538.8	34.0	293.5	35.4	2.5	9,206
13	UniCredit Bank	Czech Republic	11,287.5	24.0	95.6	-12.7	0.8	N/A
14	Zagrebacka Banka	Croatia	10,906.8	13.9	151.2	29.1	1.4	4,517
15	Handlowy	Poland	10,862.1	15.6	217.8	29.1	2.0	5,722
16	BRD	Romania	10,793.2	30.2	259.9	35.3	2.4	8,534
17	MKB	Hungary	9,716.9	23.0	64.1	-7.7	0.7	N/A
18	K&H	Hungary	9,558.5	12.0	145.4	188.4	1.5	3,962
19	Slovenská sporiteľňa	Slovakia	9,044.2	5.0	123.4	18.9	1.4	4,812
20	CIB	Hungary	8,982.2	21.9	113.9	18.7	1.3	3,070

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Insurance

Central Europe's insurance sector had a good year, with strong growth in the life segment and stable results in the general insurance sector, which were helped by a strengthening of local currencies against the euro. Gross written premium of the top 10 insurance companies increased by about 12 per cent and return on equity is now about 20 per cent (median, estimations without Triglav), which is a healthy figure by western European standards.

Central European insurance markets are diverse. Insurance premium penetration per capita varies from about EUR 800 (2006) per capita in Slovenia to about EUR 10 (2006) in Albania, while the size of local markets also varies from around EUR 30 million (2006) in Albania to around EUR 9 billion (2006) of annual written premiums in Poland. The different maturity and size of the markets explain why the top 10 insurance companies are located in only four countries of the region: five in Poland, two each in the Czech Republic and Hungary, and one in Slovenia, where the insurance market is the most developed. Countries like Romania and Ukraine have a very strong growth potential; however, it is unlikely that any insurance company from those countries will appear on the list in the next two to three years.

The list of top 10 insurance companies did not change much in 2007 from the previous year. The biggest company on the list is still Poland's PZU (Life and Non-Life insurance companies), which accounts for about 35 per cent of gross written premium in the top 10 list. PZU, controlled by the Polish Treasury, is one of two locally controlled companies on the list. The Polish insurer is growing at 3 per cent, and losing market share to smaller, more dynamic companies.

The second-biggest insurance company on the list is Ceska Pojistovna (CP) in the Czech Republic. In the most important shift in ownership structure in the region over the previous year, Generali and Ceska Pojistovna, which leads the Czech market, established a joint venture. It is growing at 2 per cent, and like PZU, lost market share on the domestic market.

Kooperativa Pojistovna, the Vienna Insurance Group's Czech subsidiary, was in third place, with growth of about 8 per cent in 2007.

The next three companies on the list are Polish subsidiaries of international insurance groups. All of them achieved double digit growth CU (Aviva) by 31 per cent, Allianz by 21 per cent and AEGON by about 56 per cent. AEGON is the fastest-growing company on the top 10 list.

The success of these life insurance companies points to key trends on the life insurance market in the region. The main growth factor was the rapid development of product mix, together with the opening up of new sales channels. These companies offered unit-linked and structured products that have proved to be a market success. They have also started to use bancassurance in addition to traditional sales channels. The first bancassurance operations started in 2003 and 2004. However, the biggest market players did not effectively turn to this channel until 2006.

Banks and insurance companies are still trying various operational and marketing models to accelerate growth. CU (Aviva) will launch separate entities for bancassurance operations as part of its European sales strategy. However, there will be a delay before they achieve profit levels acceptable to bancassurance operations.

The pattern of growth achieved in Poland regarding life insurance premiums may not be automatically followed elsewhere in Central Europe. Examples from Western Europe reveal that some countries have a significant share of bancassurance in the sales channel mix (Spain, France, Italy and the Netherlands), while some have a smaller bancassurance share (UK, Germany). There are more complex regulatory and socio-economical factors underlying bancassurance successes. Potential new market entrants will look at them closely, as well as they will monitor successful companies which have taken this path. It is expected that the Polish bancassurance market will grow faster than the insurance market as a whole over the next two to three years. The market for more sophisticated investment-risk products is also likely to increase across Central Europe. Products such as structured life insurance and variable annuities will become more popular.

The Central European insurance companies are also testing geographical expansion as a way of achieving their growth ambitions. Locally controlled companies like PZU, CP and

Triglav in Slovenia have already entered new markets. At the same time, western European insurance groups are trying to benefit from their Central European experience by transferring successful business models from one country to another within the region. A good example is Aviva Lithuania, which was established directly by CU (Aviva). There is also the example in the non-life insurance market of Link4 in Poland. The company started a very successful direct insurance operation and is now trying to leverage that Polish experience in the Czech Republic.

However, while we expect the companies in the top 10 list to change over the next couple of years, it will not be purely as a result of geographical expansion.

In the non-life insurance market, the picture is more stable. A gradual shift towards direct sales channels (phone, internet) can be seen in the more developed Central European non-life markets of Poland and the Czech Republic, a prime example being Link4, mentioned above. Over the last few years, there have been a number of new market entrants in Poland (Liberty Mutual, Allianz, AXA), with several others planning to start operations soon (Aviva, PZU). The direct market is developing very fast, but it is still small. In Poland, phone sales account for about 1.4 per cent (2007) and internet sales for 0.1 per cent (2007) of the non-life market sales. Double-digit growth can be expected in these areas over the next two to three years.

The main advantage of direct insurers is price and convenience, and this price competition is in turn symptomatic of an increasingly mature market. Whilst this is the case in some Central European markets, where insurance is increasingly a commodity, in other countries, insurers are still struggling to encourage clients to buy cover. We expect that the direct channel will remain underdeveloped in the majority of Central European markets over the next two to three years. We also expect that alternative sales channels (e.g. via retail chains) will become more and more popular, but that their impact on the big insurers will nevertheless remain insignificant.

Note: The list shows life and non-life insurance companies using similar brands as one unit, as in some countries the split into life and non-life insurance is imposed by law. For Triglav, we only take Slovenian operations into account when calculating GWP. This is different from the previous year.

Top Central European insurers by gross written premium

	Insurer name	Country	Gross Written Premium (mln Euro) 2007	Gross Written Premium change %	Net income (mln Euro) 2007	Net income change %	Number of employees 2007
1	PZU	Poland	4,085.8	3.0	953.2	-28.8	16,822
2	Ceska pojistovna	Czech Republic	1,374.1	1.6	240.5	-17.8	5,299
3	Kooperativa pojišťovna	Czech Republic	1,048.8	8.4	39.2	15.1	3,566
4	Commercial Union Polska	Poland	859.5	31.0	118.0	6.2	464
5	Allianz	Poland	797.5	21.0	22.7	-7.9	301
6	Aegon Life	Poland	736.7	55.6	18.0	418.5	153
7	Allianz	Hungary	728.7	7.5	51.3	-14.5	N/A
8	Triglav	Slovenia	707.7	18.1	N/A	N/A	N/A
9	Warta	Poland	679.1	14.6	45.5	30.8	4,166
10	Generali-Providencia	Hungary	550.2	17.9	18.8	-36.9	N/A
11	Amplico Life	Poland	499.0	21.3	76.5	17.0	438
12	Allianz - Slovenská poisťovňa	Slovakia	465.4	10.0	92.4	84.1	2,375
13	Croosig	Croatia	464.6	5.4	17.2	10.1	3,137
14	Ergo Hestia	Poland	450.4	31.3	27.9	6.2	N/A
15	Europa	Poland	375.0	155.6	21.2	82.2	86
16	Kooperativa	Slovakia	374.5	24.0	28.4	59.9	1,163
17	ING Life	Poland	365.1	7.3	43.0	5.9	N/A
18	OTP Garancia	Hungary	358.3	17.4	29.1	24.7	N/A
19	Allianz-Tiriac Asigurari	Romania	349.8	7.0	9.0	-0.8	1,992
20	Allianz pojišťovna	Czech Republic	345.8	4.6	29.7	-17.7	702

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- Life and non-life combined

Construction

Despite the recession in western Europe's construction markets, especially in Germany, Spain and the United Kingdom, the largest pan-European construction firms such as Vinci, Bouygues, Hochtief and Skanska, are benefiting from very strong demand in Central Europe.

This can be seen in each of the countries in the region, and in market segments such as civil engineering as well as residential and commercial real estate. Central European construction growth rates are predicted to remain high when compared to the 'old' European Union member states.

Hungary, which is going through painful fiscal adjustment, is an exception, however, and there has also been a certain slowing of demand recently in the Czech Republic, which is currently the second-largest construction market in Central Europe, after Poland. Indeed, rising input costs due to skilled labour force shortages and more expensive materials are threatening the previously rapid development in the entire region.

Two new EU member states, Romania and Bulgaria, had impressive construction growth rates of 34 per cent and 17 per cent respectively in 2007 compared to the previous year, the strongest in the region. With growing economies and access to EU development funds, Romania and Bulgaria's building sectors will continue to expand at the fastest rate in the EU.

Nevertheless, the sub prime crisis in the United States and the resulting credit crunch is being felt in Central Europe. Together with slower economic growth, rising interest rates, inflationary concerns, falling consumer confidence and the overall negative sentiment to real estate globally, there is much talk of the real estate bubble bursting.

Looking at traded Central European real estate stocks, the trend has been sharply down since early 2007, with the majority trading at 40-80 per cent discounts to Net Asset Value. Asset sales appear to be the order of the day, as highly leveraged developers seek to raise cash to complete their current pipelines and service interest/debt. In some places, the pain is being severely felt: the Baltics, Romania and Bulgaria appear to be heading for a harder landing, whilst the Czech Republic and Poland have shown more resilience and the scars are likely to be less visible. The Central European real estate investment market has also been affected by investors turning further east to emerging markets such as Russia, Ukraine and Turkey, where higher yields can be achieved.

It is clear that rapid yield compression has ended in Central Europe, which means that the rise of rental levels will be the major driving force for investor profits and sound asset management will be the key to sustainable success in the region. Latest investment volume statistics reflect the difficult environment, with volumes down 20 per cent on average in the first quarter of 2008 across the region. The difficult real estate sector market conditions are likely to spill over to the building materials and construction sector, the growth in these sectors having been driven by the spectacular real estate development over the last three-four years.

Civil engineering is expected to see the most dynamic growth in coming years. The large inflow of EU funds and past lack of investment in the construction and modernisation of motorways, roads, bridges, railroads and urban utilities point to high growth potential in the sector. For example, Poland plans to spend EUR 110 billion in the 2008-2013 period on its infrastructure programme (including upgrading its transport system), with more than half of the cost to be covered by EU funds. Moreover, Public Private Partnerships are creating opportunities for large scale civil engineering projects, even though they are still at an early stage of development throughout the entire region.

The residential property market has seen continuous growth, reflecting big shortages of modern, quality housing, especially in Poland, Romania and Bulgaria. Demand for residential real estate has also been fuelled by rising disposable incomes and improving mortgage markets. However, predictions for housing demand suggest that the recent results seen in most of the countries will not be repeated in this segment.

In commercial real estate, a continuing inflow of foreign investments, fast growth in tourism and trade, and a rapid expansion of local companies have all created a strong demand for office, retail, hotel, industrial and logistics space.

The ranking of leading construction companies in Central Europe is dominated by a Swedish-owned general contractor, developer and related services provider, Skanska CS, which recorded combined revenues in the Czech Republic and Slovakia of almost EUR 1.3 billion, but slipped from 98th to 114th position in the CE Top 500 this year. The top three in the construction league table ranking also contains Metrostav, a privately owned Czech construction company which retained its second-place position from last year, at 164th, and Poland's listed Polimex-Mostostal, which moved to 169th place thanks to a 54 per cent increase in sales revenue. Both have so far grown organically, but are also looking at opportunities to expand in the region through acquisitions.

Skanska S.A., a Polish construction firm, moved up the list, with a 24 per cent increase in revenue to 200th position. There were four new entrants: ZPSV, a Spanish-owned subsidiary of OHL, based in the Czech Republic, Hidepito (Hungary) and Warbud (Poland), both owned by Vinci and SCT, the largest Slovenian construction company.

Mergers and acquisitions activities in Central Europe remained at record levels, as 41 deals were announced in the construction sector in 2007. A number of construction product manufacturers operating in fragmented markets became targets for private equity backed leveraged management buyouts or mergers which aimed for corporate growth and investment returns. For example, Advent International, a private equity fund, acquired a 70 per cent stake in the KAI Group, a Bulgarian tiles manufacturer, and the merger of two large tiles producers, Opoczno and Cersanit, strengthened the group's position in Poland.

The building sector has seen the acquisition of middle-market rivals by European construction companies with large turnovers that are aiming at market consolidation and geographical expansion. The listed Austrian giant Strabag has been the most active of these in acquiring companies in the region, and has already purchased NCC Roads in Poland and several other smaller companies.

Deloitte's experience and a number of small and medium-sized transactions in the sector suggest that there has been a decline in the number of parties interested in tenders, which has resulted in either uncompleted deals or lower valuations. This trend is in line with gradually falling trading multiples of European construction companies since mid-2007, when a historic maximum of a 12.5 multiple of Enterprise Value to EBITDA was achieved.

	# Top 500	Company name	Country	Revenue from sales (mln Euro) 2007	Revenue change %	Net income (mln Euro) 2007	Net income change %	Number of employees 2007
1	114	Skanska CS	Czech Republic	1,274.8	-0.9	46.0	61.3	N/A
2	164	Metrostav	Czech Republic	1,002.1	10.8	25.3	-47.5	3,633
3	169	Polimex-Mostostal	Poland	983.1	54.2	30.8	62.2	11,587
4	200	Skanska	Poland	852.8	24.0	37.5	81.5	6,413
5	209	Budimex	Poland	812.8	4.1	3.7	265.8	5,053
6	259	Strabag	Czech Republic	707.0	-10.4	6.0	-77.5	2,126
7	297	Strabag	Hungary	626.1	-20.8	43.7	2.6	2,181
8	330	Leman-Ukraine	Ukraine	569.7	67.4	11.2	320.5	N/A
9	333	Skanska DS	Czech Republic	565.3	13.6	32.5	138.2	2,967
10	338	Skanska CZ	Czech Republic	558.5	-13.0	N/A	N/A	2,405

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Energy and Resources

This year’s CE Top 500 confirms, as in previous years, the clear dominance of the list by one sector: energy and resources. Irrespective of whether we talk about the top five, 20 or 50 in the top 500, in each case the industry represents a clear majority of respectively four out of five, 13 out of 20, and 27 out of the 50 largest companies of the CE Top 500.

What are the most important external and internal factors in the industry which influence its current status and could shape the standing of its main players in the future?

The external factors include high oil prices, which have risen up to 140 USD per barrel over the past year, exceeding the forecasts of most industry gurus. Or the stalled privatisation of the remaining state-owned assets, which is being underpinned by an increased regard for ‘economic patriotism’ across the region. Also, there is the lasting impact of the CO_2 cap-and-trade system, which is rapidly re-ordering the competitive landscape. The impact of the sub-prime crisis is being felt far beyond the banking world. Last but not least, there is the long shadow of an ever more assertive Russia, which is using its state-controlled (or just government related) energy champions and infrastructure investments to pursue national political goals.

On the other hand, the internal forces transforming the sector have included focused and well targeted M&A activities by industry leaders, an appetite for vertical integration (into both distribution assets on the electricity side and upstream on the oil side), determined attempts to achieve diversification of supplies and increased concern over energy security, and intense project development activity complementing traditional M&A as a path to corporate growth. These factors have widened the distance between the regional leaders and laggards in the energy sector: the former are usually fully or partially privatised and in most cases publicly listed, whereas the latter are asset heavy and barely profitable, inefficient, un-restructured, lack a strategic purpose and are vulnerable to takeover.

The group of leaders in Central Europe’s energy and resources sector is easily predictable. These are CEZ, the Czech energy giant, MOL, the Hungarian oil company, and PKN Orlen, the Polish oil and petrochemical corporation.

Over the past year, CEZ, a partially state-owned electricity generation and distribution giant, headquartered in Prague and listed both in Prague and Warsaw, enjoyed by far the largest market capitalisation of the Central European companies, reaching at its peak to more than EUR 36 billion. CEZ has successfully concluded a EUR 1.7 billion joint venture aimed at developing electricity co-generation assets with MOL. CEZ has also entered new territory by acquiring Sakarya, the Turkish electricity distribution company, for EUR 600 million, jointly with its Turkish partner Ak-Enerji. CEZ has also become actively involved in a few large projects in the Balkans, not to mention Russia and Poland, where it is actively looking into possible investment opportunities.

In 2007-2008 MOL fought off an attempted takeover by OMV, its Austrian counterpart, and completed its acquisition of the Mantova refinery in Italy, which represents an interesting move outside familiar Central European territory. MOL also took forward its bid for control of INA, its Croatian, 25 per cent owned, subsidiary.

The partially government-controlled PKN Orlen strengthened its position in Lithuania by implementing a complex integration programme for the Mazeikiu refinery, which it purchased in late 2006. This acquisition solidified PKN Orlen's position as Central Europe's largest company by revenue. The company has recently been focusing on improving operational excellence, integrating its international operations, optimising its capital expenditure programme and evaluating potential upstream ventures, where, unlike its major competitors, it has, as yet, to take a position. A lack of upstream operations has effected PKN Orlen’s profitability in times of high crude oil prices.

Romania's vibrant oil industry is represented in the ranking by both Petrom, owned by Austria's OMV, and Rompetrol, recently acquired by a subsidiary of Kazakhstan's KazmunaiGas.

This shows that foreign investors are integral to the Central European energy sector. The Austrians, are complemented by players from western Europe, Russia and Central Asia, with a complete absence of US investors.

It is to be expected that consolidation of the sector will continue in the medium term. This speed of this process will depend, however, on the readiness of governments and regulators to privatise the region's remaining state assets.

Interestingly, on the oil and gas side, Serbia's NIS remains the only large non-privatised asset in the region, whereas there are still quite a few significant state-owned energy companies and utilities in Poland as well as in Bulgaria, Romania and the Western Balkans. The upcoming IPOs of PGE, the largest Polish electricity utility, and ENEA, the third-largest, should be closely observed, among other developments.

The need to diversify crude oil supplies may push key players in the region to continue their quest for upstream acquisitions. Both PKN Orlen and MOL may want to complete transactions this year, with PGNiG and, possibly, Lotos following suit.

The rapid development of Central Europe's new nuclear electricity generation capacities is a new trend that visibly contrasts with the silence on the subject in neighbouring Germany, Austria and Italy. Besides the ongoing projects in the region, led by NEK in Bulgaria and Nuclearelectrica in Romania, we could see preparations for the start of nuclear projects by Slovenske Elektrarne in Slovakia, CEZ in the Czech Republic and, last but not least, by a number of players including power utilities from Lithuania, Estonia, Latvia and Poland, to develop a new nuclear power plant in Lithuania. Only the future will tell how likely nuclear development plans in places such as the Russian enclave of Kaliningrad, Belarus or Croatia/Slovenia are.

Last but not least, there are the competing pipeline projects – the Nabucco and Baltic Pipe gas transportation line versus the Russian-backed North and South Stream, as well as the Odessa-Brody-Plock oil pipeline (whose chances of being built have decreased after the August hostilities in Georgia) versus Burgas-Alexandropolis. All of these could transform the sector in Central Europe, showing that the struggle for leadership in the energy industry is unlikely to wane in intensity.

	# Top 500	Company name	Country	Revenue from sales (mln Euro) 2007	Revenue change %	Net income (mln Euro) 2007	Net income change %	Number of employees 2007
1	1	PKN Orlen	Poland	16,857.2	24.2	655.4	24.0	23,223
2	2	MOL	Hungary	10,321.7	-5.7	1,044.1	-18.2	14,500
3	4	PGE	Poland	7,487.0	82.9	534.4	34.4	38,839
4	5	ČEZ	Czech Republic	6,289.8	19.5	1,540.9	51.8	6,472
5	8	Ukrgaz-Energo	Ukraine	5,043.0	97.4	132.7	0.5	N/A
6	10	PGNiG	Poland	4,400.3	12.8	242.1	-29.0	30,325
7	11	Energorynok	Ukraine	4,370.2	15.9	129.2	747.9	N/A
8	15	KGHM	Poland	3,565.8	8.0	1,040.0	16.4	27,692
9	16	Petrom	Romania	3,537.9	-7.6	503.9	-24.7	40,067
10	17	INA Group	Croatia	3,523.4	10.1	118.7	-1.6	25,978

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Manufacturing

A wave of acquisitions is consolidating Central Europe's manufacturing sectors, as foreign investors are targeting this fast-growing region to take advantage of a skilled but low-cost labour force. At the same time, more opportunities for inward investment are being provided by locally owned start-ups dating back to the early 1990s, which are looking for a profitable exit. In addition, a number of successful local and multinational companies are expanding not only through organic growth, but also by purchasing other companies in their sector located in strategically attractive parts of the region.

The local owners of significant numbers of Central European manufacturing companies are now ready to sell out, which makes the purchasing negotiations easier and increases the chances of a successful and speedy completion. This is because production companies in the region were largely established after market liberalisation in the 1990s, either by privatising a former state-owned enterprise or by creating a brand new company as a family business or a business with a small number of owners. In many cases, the companies were usually owned by people who already had several years of experience under their belts and utilised this by successfully starting manufacturing businesses. These companies developed well, but their activities were limited to one or only a few countries in Central Europe. Now many of these early owner-entrepreneurs have achieved the long-term aims they set themselves when starting their business at the beginning of the 1990s. More and more, as their retirement age approaches, they are thinking of changing their lifestyles and reaping the benefits of their endeavours. Yet they frequently lack a successor to whom they could pass on the business, or someone who would be willing and competent enough to take responsibility for it. Hence the sales.

When considering whether to sell their businesses, the owners often seek and undertake activities to improve the company's value within a short-term horizon (two-three years) so as to make the business and its market value more attractive for investors. The increase of company's value can be achieved primarily by exerting a focused effort in increasing EBIT, boosting market share, reducing costs and focusing on core activities, accompanied by the outsourcing of activities that are not linked directly to the company's core business. Most of the first 10 companies included in the CE Top 500 operating in the manufacturing sector saw an increase in EBIT. For example, in 2006-2007, Skoda Auto and ArcelorMittal reported an increase in EBIT of 38 per cent and 35 per cent respectively. Another possible path towards increasing a company's value involves acquiring other enterprises operating in the relevant industry that provide complementary products and/or services.

At the same time such sales tend to enhance the technological level of the businesses concerned as modern equipment is installed which raises the company's market value. Secondly, when these acquisitions are successfully completed, they see the new owners installing more modern machinery and improving the companies' technological level still further. Thus these investors are giving both small and large companies the opportunity to access advanced technologies.

Also, Central European markets are continuously raising technological levels. This is driven, mainly, by the large automotive sector, which emphasises cost cutting while using modern and reliable systems and procedures, production technologies, and efficiently designed supply chains. Such end producers invariably emphasise savings, thus forcing all the participants in the supply chain to cut costs and to think innovatively. Given that 80 per cent of producers' operating expenses are generated by purchases of raw materials, half finished products and services, they have to optimise their supply chains, cut purchase prices and manage their suppliers efficiently. Evidently improvements are best made in those procurement categories where the financial volumes are the largest.

In addition, the cost of logistics, which is currently growing incessantly, is among the most expense-intensive categories in the manufacturing sector. Escalating energy and fuel prices adversely affect each and every area of logistics, including the transport of materials and finished products. Companies are responding to this challenge by studying the cost of their logistics, with managers reconsidering decisions already taken such as the transport distances between the source of materials, the point of production, and the end customer. Logistics strategies, attitudes, and the overall cost structure of supply chains are being analysed anew. Indeed, logistics expenditure has become one of the key factors in decisions on acquisitions and group-wide reorganisations, particularly with respect to markets where goods produced in Central Europe are to be sold.

Central European companies also pay a great deal to comply with environmental rules and regulations and to obtain production technology certificates, as well as production processes and waste disposal certificates. In addition, many companies have begun to investigate the origins of the materials they buy to check whether they are environmentally friendly. Meanwhile, there now exist environmental groups and non-profit organisations in Central Europe which monitor the behaviour of companies in individual manufacturing sectors. This further encourages companies to comply with new environmental legislation and regulations.

	# Top 500	Company name	Country	Revenue from sales (mln Euro) 2007	Revenue change %	Net income (mln Euro) 2007	Net income change %	Number of employees 2007
1	3	Škoda Auto	Czech Republic	7,997.8	11.3	575.9	47.5	29,141
2	6	Audi Hungária	Hungary	5,908.3	24.3	560.7	39.3	5,563
3	7	Volkswagen Slovakia	Slovakia	5,725.1	9.1	225.2	2.4	8,495
4	14	ArcelorMittal	Poland	3,868.3	18.9	741.6	41.8	23,581
5	21	Samsung Electronics Slovakia	Slovakia	3,286.8	42.7	106.7	175.5	4,445
6	24	U.S. Steel Košice	Slovakia	3,073.0	6.3	405.9	-16.4	15,738
7	25	Fiat	Poland	3,061.1	29.3	92.3	43.4	4,173
8	28	Philips Magyarország	Hungary	2,975.4	31.1	N/A	N/A	1,565
9	34	ArcelorMittal Kryvyj Rih	Ukraine	2,652.2	20.8	535.6	19.9	N/A
10	35	GE Hungary	Hungary	2,557.5	6.8	N/A	N/A	13,835

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Pharmaceuticals

The striking fact about the pharmaceutical manufacturing and distribution business is the relatively small number of companies from the sector that have qualified for the Top 500 list, and their low position compared to their peers in sectors such as energy, telecommunications, banking or manufacturing.

PGF, a large private company established in post-communist Poland which focuses on the distribution of drug and medical products and has revenues of over EUR 1 billion, ranks 135th, while major independent generic companies from Slovenia and Hungary, such as Richter and Krka, are even further down the list, at 189st and 215th place, respectively. Does this mean this sector is under-represented in the Central European economies?

On the one hand, this sector appears in the top 500's lower reaches as the region still spends around 35 per cent to 50 per cent less than western Europe on pharmaceutical products (measured by spending to gross domestic product (GDP) as well as by spending per capita). This low expenditure is the result of the historically low purchasing power and health awareness of the population and the budgetary constraints of national governments, which still cover over 80 per cent of the cost of total healthcare spending in Central Europe. Moreover, these are mainly generic/branded and generic markets, compared to some western European pharmaceutical markets such as France and Spain. After all, generic pharmaceutical products are less expensive than innovative peer products and thus represent less of a burden on state budgets.

There are many market participants in the sector who are active in manufacturing and distributing quality pharmaceutical products, not only to the population in Central Europe but also to export markets. This middle-market segment comprises another 50 companies or so that are not in the Top 500 list (pharmaceutical manufacturers and distributors), with an annual turnover of between EUR 20 million and 300 million. These middle-market players are not only significant contributors to local economies, but also present interesting opportunities in the consolidation process in Central European pharmaceutical markets.

This brings us to one of the key features of Central Europe which pharmaceutical players in the region need to face: in the first half of the 1990s, this was a traditional, national, fragmented competitive map with a few national champions dominating each market, both in the manufacturing as well as in the distribution of pharmaceuticals. This picture is changing as local firms are replaced by multinationals, both global and regional, and which are consolidating the Central European market. The influence of these multinationals goes beyond mere ownership structures with products, services and the manufacturing practices of local participants all being increasingly measured by international quality and regulatory standards.

Producing and delivering quality drugs to an increasingly health- and cost-aware patient from Central Europe is a challenging and capital-intensive task, both in terms of funds and human resources. Global and regional multinationals are deploying significant resources to penetrate the Central European pharmaceutical markets, which are growing at an annual rate of 8-10 per cent, compared to the 4-5 per cent average in western Europe. These transnational players are also intent on benefiting from the still low labour costs, as well as from the availability of an excellent pharmaceutical know-how base in the region.

Corporate activity in recent years has been and is likely to continue to be very active. The privatisation process in the region is not yet complete, and state-owned companies will go on providing a reservoir for acquisitions. There are a significant number of pharmaceutical and distribution companies, both within the top 500 and in the middle-market segment, that are owned either by individuals, private equity groups or by institutional investors in the case of publicly-listed companies. These face a competitive challenge from an increasingly globalised sector. Both large global and western European multinationals such as Actavis, Anzag, Barr, Novartis, Phoenix, Ranbaxy, Stada, OPG and Teva and Central European independent, listed champions such as Gedeon Richter, Krka, PGF and Zentiva are actively looking at growth opportunities in these markets. In addition, sector focused private equity groups such as Advent and Warburg Pincus have also contributed significantly to M&A activity in this sector.

An ageing and increasingly health-aware population, the continuous convergence towards western European pharmaceutical spending levels, the recent introduction of private health insurance, and private care provision all support the sector's high growth environment, where global as well as regional champions will consolidate the market and work their way up the CE Top 500 list in coming years.

	# Top 500	Company name	Country	Revenue from sales (mln Euro) 2007	Revenue change %	Net income (mln Euro) 2007	Net income change %	Number of employees 2007
1	135	PGF	Poland	1,165.5	13.3	19.5	20.5	6,397
2	172	Farmacol	Poland	973.0	12.8	19.1	16.3	938
3	176	Chinoin + Sanofi-aventis	Hungary	962.7	36.9	N/A	N/A	2,491
4	189	Richter Nyrt.	Hungary	889.8	12.7	135.2	-30.5	9,528
5	195	Torfarm	Poland	869.1	105.2	4.0	53.1	N/A
6	206	Phoenix Lékárenský Velkoobchod	Czech Republic	834.9	4.9	4.7	-5.0	937
7	215	Skupina Krka	Slovenia	781.0	16.9	133.0	18.8	6,777
8	220	Hungaropharma	Hungary	773.9	-0.4	9.0	-5.4	921
9	236	Phoenix Pharma	Hungary	744.1	5.8	12.4	24.3	688
10	242	Lek	Slovenia	738.4	2.5	79.8	-30.6	N/A

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Technology
Media
Telecommunications

Technology, Media, Telecommunications (TMT) is a fast-moving industry characterised by an ever shortening product life cycle, rapid technological changes and a fierce competitive environment. Why, then, does the ranking of companies in the sector in Central Europe change so little over the years? In 2007, the order was almost the same as in the previous year, and the leaders did not change.

Part of the reason is that the list's upper reaches are dominated by the large, well-established telecoms companies. Virtually all of them grew moderately and at a similar rate to each other. They are from the largest economies of the region, measured by total gross domestic product (GDP), such as Poland, the Czech Republic, Hungary and Romania. In addition, there was no consolidation amongst the major telecoms players in 2007. After all, they are owned by strategic investors from outside Central Europe, and therefore their cross-border expansion strategies are very much determined by their parent companies. These pursue their own acquisition strategies, leaving limited room for Central European subsidiaries to expand abroad. Magyar Telekom is a good example. It was the first company in Central Europe to be acquired by Deutsche Telekom (DT), which went on to buy major telecoms companies in Slovakia, Croatia, the Czech Republic and, most recently, in Poland. This leaves Magyar Telekom with a limited number of target countries. Its room for manoeuvre, though, will be squeezed further as DT is buying a share in OTE, the leading Greek telecoms operator, which has a strong foothold in South Eastern Europe.

A closer look at the growth prospects of the telecoms sector shows the northern part of the region developing in line with western Europe, with little increase in overall communication revenues, as increasing usage and penetration is largely counterbalanced by price cuts in the mobile business and broadband supply. However, there is growth in the telecoms sector in the less developed parts of the region, where fixed-line usage was always lower than in the more developed areas of Europe. Here, growth in mobile and broadband usage has brought significant new revenues into the market. Indeed, telecoms companies such as Telecom Serbia, BTC in Bulgaria and Bosnia's BH Telecom are seen as future fast climbers up the ranking.

There are only a few locally owned private companies on the list, and these are from the media and technology sub-sectors. However, they are also among the fastest growing companies on the TMT list. They operate in a dynamic environment, as both advertising and IT spending is outrunning GDP growth rates in the region. They also usually have active growth strategies, as pressure from their shareholders to grow compels them to seek acquisitions targets. One good example of the drive for consolidation is the merger between two leading Polish IT companies, Asseco and Prokom, in 2007, where two major Polish IT services providers joined forces. The largest local media groups in Poland such as ITI, Polsat and Agora are also keen to find new growth areas within and outside their home market. Another common feature of the largest locally owned companies is that they are often listed on one of the regional exchanges. Financing through public capital markets is helping to accelerate their expansion, putting these enterprises into the Central Europe's premier corporate league.

The emergence of a world-class manufacturing sector, driven by the relocation of multinationals' production facilities to Central Europe, has been one of the most important success stories for the region over the last couple of years. The

trend is reflected on the list, with the appearance of several multinational telecom and IT equipment producers such as Nokia, Siemens and HP.
In the future, it can be expected that the big national telecoms companies will continue to dominate the list for some time. However, the picture is beginning to change, thanks to the gradual development of locally owned, private companies. Our experience suggests that there are an increasing number of these dynamic, medium-sized companies that have a chance of making it to the higher reaches of the list in a couple of years by pursuing an aggressive regional growth strategy. They are often going into markets outside the region, while funding for expansion can be raised on private equity and public markets. Private equity activity is seen as especially promising for these types of business. This kind of financing has become widely available for businesses in the region that have attractive growth prospects and strong management. Also, the number of active private equity players is increasing, and the market is becoming more sophisticated. Financing from public markets poses no constraint on growth. The market size of initial public offerings is limited, above all, by the number of new attractive offers rather than by the availability of capital. As a result, fast-growing regional companies have less and less difficulty in accessing capital compared to their peers in the developed world. However, some time will pass before they will dislodge the players currently at the top of the list. This is the irony of what is probably the fastest-changing industry in the region.

	# Top 500	Company name	Country	Revenue from sales (mln Euro) 2007	Revenue change %	Net income (mln Euro) 2007	Net income change %	Number of employees 2007
1	9	Telekomunikacja Polska	Poland	4,821.0	0.8	601.2	11.7	31,789
2	13	Nokia	Hungary	N/A	N/A	N/A	N/A	N/A
3	26	Foxconn	Czech Republic	3,043.8	19.4	1.6	-92.9	3,000
4	33	Magyar Telekom	Hungary	2,692.5	6.0	290.7	-12.2	11,723
5	49	Telefónica O2	Czech Republic	2,277.1	5.3	374.2	32.2	8,609
6	54	Centertel	Poland	2,131.0	10.2	398.5	30.8	3,504
7	60	Polkomtel	Poland	2,060.9	9.1	358.6	24.5	N/A
8	61	Samsung Electronics Magyar	Hungary	2,036.5	41.9	54.1	-29.1	1,921
9	65	PTC	Poland	1,962.3	7.2	N/A	N/A	4,804
10	87	Kyivstar	Ukraine	1,555.0	16.1	567.6	39.1	N/A

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The view from the heart of business

- conversations with senior executives

Managing talent - the key to corporate growth in Central Europe

In the early 1990s, at the beginning of the transition to a market economy, there were shortages of everything: capital, technology and know how. Now, as the region has developed, the queues have become a dim memory. But a lack of employees has begun to appear. Particularly noticeable is the demand for well-educated and skilled talent. The issue has become all the more urgent as borders were opened following accession to the EU. Workers have been able to move to western European countries like the UK and Ireland, where demand for personnel has been high.

The interviews with CEOs uniformly demonstrated that for them, recruiting, managing and retaining employees, and education, are crucial factors that can determine their companies' prospects. Most important in this regard is the ability to contain costs, establish a company culture that delivers results, and manage growth.

The legacy of the past and the younger generation

Each of these factors depends on people, and CEOs recognise that this is one of the most fascinating management challenges in Central Europe, where a new generation is coming of age that has scant memory of the old communist regime and its command economy. Each year, a new wave of young people, whose attitudes were shaped after 1989, joins the workforce. This younger generation earns plaudits from CEOs. "I think that there are plenty of jewels in the region. There is a young generation and an old generation but the new generation has never been influenced by the communist system," says Jeroen de Groot, CEO, CE Regional Operating Officer, Makro Cash and Carry, Poland.

"I think that there are plenty of jewels in the region. There is a young generation and an old generation but the new generation has never been influenced by the communist system" says Jeroen de Groot, CEO, CE Regional Operating Officer, Makro Cash and Carry, Poland.

Even as the transition process reaches its conclusion and free market principles have become more or less firmly entrenched, the labour market still contains generations shaped by a centrally run economy. It was always a major challenge for political and business leaders of the free market to make use of people whose attitudes and habits had been formed by the previous system. Now, though, older workers are coming to be seen as a valuable labour reserve that managers are reaching for, not only to fill vacancies left by a shortage of younger recruits but also to take advantage of their experience and skills. Attitudes to the generational divide are changing across the region. The relative scarcity of labour means that there is a greater awareness of the benefits that more mature employees can bring to the workplace. In countries like Poland, which experienced high unemployment in the first years of the decade, early retirement schemes intimated to older workers that they were no longer needed and that their places could and should be taken by younger people. However, labour scarcity has now given decision makers cause to regret that initiative. Older people are finding themselves more appreciated and plans have been set in motion to bring the over-55s back into the labour market.

But problems remain. A number of large companies (especially those formerly owned by the state) employ many people who are wedded to old ways of thinking and have difficulty in adapting to the new business environment. This is especially true among middle-level and low-skilled workers. However, these workers do form an in-house labour reserve that it is more cost effective to utilise than going outside the company in search of expensive new talent. Moreover, companies in Central Europe are still learning how to balance the various age groups' influence on decision making and, indeed, how to ensure that they enjoy comparable levels of job satisfaction.

CEOs recognise that the business mentality in the region has until recently been focused inward, and on control and compliance, rather than outwards towards the customer and the market. "We need to be more customer oriented and less internally oriented," says Bernard Jean Luc Mocheni, CEO, Bulgarian Telecommunication Company, Bulgaria. Indeed, many chief executives have to struggle to build an externally focused management culture and nurture the ability of their employees to follow what is happening outside the company, in order to understand and implement winning strategies. Managers often face a reluctance on the part of employees to take responsibility for their own decisions. These attitudes can be developed, though, and it is the role of management to encourage employees to show initiative. At the same time, many people in Central Europe do embrace change willingly, and show a high degree of entrepreneurship. This is especially true of the younger generation.

Education - the key to improving the quality of the workforce

Education is regarded by CEOs as vital if the competitiveness of the region compared with other dynamically growing parts of the world is to be maintained. They recognise that the region can no longer play on its labour cost advantage. "If Central Europe is to be competitive it cannot only offer low labour costs, which are growing in any case. It must differentiate itself through something else – its intellectual capital, for example", says Ludwik Sobolewski, CEO, Warsaw Stock Exchange, Poland. Developing innovative capacity and the commercialization of academic research could give Central Europe a competitive edge. Some CEOs admit that the companies themselves have a greater role to play here. "Companies can actually do a lot more in areas like research and development and put greater efforts into developing staff, training, career development and talent management", says Chris Mattheisen, CEO, Magyar Telekom, Hungary. But others believe change is necessary in the schools and universities. "Investments in the education system should be increased, as well as the knowledge and skills of the teaching staff", says Zeljko Covic, the head of Croatia's Pliva. But in spite of the availability of EU funds, the educational sector is not yet fulfilling its potential.

"Companies can actually do a lot more in areas like research and development and put greater efforts into developing staff, training, career development and talent management", says Chris Mattheisen, CEO, MagyarTelekom, Hungary.

CEOs want educational systems which follow global knowledge trends put in place. Dragan Filipovic, CEO, Delta Maxi, Serbia says that "governments should also help to encourage an entrepreneurial spirit among people not only by making it easier to start up companies, but also through the development of business courses at schools and universities." CEOs also believe that more money should be spent on education, and that higher education establishments should have strong links with the business community. This is both a challenge for governments, which must develop the necessary legal framework, and for academics, who have to develop the right balance between the commercial and educational aspects of these links. Many of the CEOs think that governments should earmark EU funding for reforms to the educational system. They note that tax incentives could be used to encourage business to invest more in knowledge development and innovation. Interestingly, one CEO notes that greater attention should be paid to science education. "Currently we are producing too many economists specialising in management and marketing and we don't have enough scientists. The financial sector needs mathematicians, above all", says Jan Krzysztof Bielecki, CEO, Bank Pekao S.A., Poland. Further and more customised education should be provided to people once they are out of university and in employment.

At the same time, budding young professionals are getting jobs while still at university. Private colleges and the increasing numbers of young people travelling and working abroad are also playing an important role in expanding the workforce's horizons.

Managing employee expectations

The urgent need for talented workers has led some potential recruits to overestimate their worth. Many young people still expect to find the fast and highly paid career opportunities that were to be had in the region some years ago. "Young people applying for jobs have three to five years' work experience in a couple of firms and so they think they can demand astronomic salaries and senior positions straight away. When they are told this is not the case they refuse to accept the fact", says Andrzej Klesyk, CEO, Grupa PZU, Poland. Career paths are lengthening, but people are only gradually beginning to realise this.

"Cultural proximity is one of the factors which gives us a competitive edge in Central Europe", says Wojciech Heydel, CEO, PKN Orlen, Poland.

Nonetheless, chief executives recognise that recruiting and retaining good people requires flexible and employee-friendly structures. Too little attention is often paid to the quality of people hired. Consequently, the new employees either don't perform well, or work themselves into the ground and risk burnout. Knowing that people can't be retained forever, large Central European companies are also increasingly looking at succession planning as an important tool of ensuring continuity and building trust among their key stakeholders.

The employees of former large state-owned companies are themselves interested in improving their performance, to enable them to compete with nimbler private sector start-ups and foreign-owned competitors. This is not easy, but white collar workers in such companies are increasingly developing a pride in their work, leading to a more professional culture in the workplace. Even so, at many big companies bureaucracy, inefficiency and a lack of a consistent vision – still need to be eliminated.

An ever more international environment in an exciting growth region

Management teams are becoming increasingly international, as they recruit people from across the region and beyond. In the first instance, cultural similarities and geographical proximity are of great help. "Cultural proximity is one of the factors which gives us a competitive edge in Central Europe. It is easier for us to develop our business in Lithuania or the Czech Republic than across the Atlantic", says Wojciech Heydel, CEO, PKN Orlen, Poland.

At the same time, chief executives note that the increasing diversity of employees' social and national backgrounds is a positive development. Gernot Mittendorfer, CEO, Ceska Sporitelna, Czech Republic is clear that gaps can be plugged more easily as cross-border movement increases. "We have a shortage of skills and workers in some areas, and this is balanced to a certain extent by foreigners working in the country or locals coming back from international assignments." However, he does warn that "the situation is still okay, but the absorption capacity of the market is limited", indicating that it is crucial that the skills of local employees are improved.

The internationalisation of the workforce is also driven by the improving quality of life in Central Europe. This is making it easier to bring expatriates into transnational teams and to entice émigrés back to their home countries. In many countries of Central Europe, both expatriates and returning émigrés have access to services and products similar to those they were accustomed to in their former countries of residence. This was not the case even a few years ago.

Cross-border expansion is driving demand for a mobile workforce to staff M&A transactions and expansion. This requires a willingness to move around, sometimes frequently. However, despite their ability to adapt, many Central Europeans still remain wedded to their home towns, and the more nomadic lifestyle customary in western business circles has yet to become established as the norm in the region.

"Previously, a manager who had work experience in a foreign company was always considered far better than a local. That is no longer the case," says Jacek Siwicki, CEO, Enterprise Investors, Poland.

As management teams become more and more international, local managers are holding their own in competition with expatriates. "Previously, a manager who had work experience in a foreign company was always considered far better than a local. That is no longer the case," says Jacek Siwicki, CEO, Enterprise Investors, Poland. This sentiment reflects a growing self-confidence throughout Central Europe, where locally based CEOs and their companies see the potential for growth. This confidence pervades a region that is gearing up – with the younger generation to the fore – to compete with other parts of the world in product quality, marketing concepts and innovative skills.

Can Central Europe compete for investors with other regions?

Fast growth, 160 million consumers, and the likelihood of further EU expansion into the region continue to focus investors' attention on the area. "East Asia, China or India appear to be more attractive as far as the sheer size of the potential market goes, but our region can be seen as more attractive when you take into account factors like relatively high profit growth, the depth of the financial sector and the income it generates", says Laszlo Urban, CFO, OTP Bank, Hungary. However, senior managers in Central Europe are aware that competing successfully with other dynamic regions in the world has become harder.

"If you look back at the last few years, Central Europe has shown, on average, higher growth rates than western Europe and I am convinced that this will continue for the next couple of years" says Gernot Mittendorfer, CEO, Ceska Sporitelna, Czech Republic.

They warn that the first phase of economic development, when the prospect of EU membership automatically delivered growth, is coming to an end. As retail sector, consumer goods, real estate and service businesses boomed on growing disposable incomes and the increasingly easy availability of consumer credit, revenue and profit growth was easy to achieve. That period shaped the management attitudes of many local entrepreneurs. Now, tougher challenges lie ahead.

Labour costs

"I think the labour force in Central Europe is well educated and still less expensive than in the old EU countries, so probably this is currently the biggest advantage of Central Europe", says Igor Stebernak, Director of Strategic Planning and Controlling, Triglav Insurance Company, Slovenia. At the same time, CEOs note that growth in the region is pushing up labour costs and affecting their competitive position relative to Western and Asian competitors.

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The Central European countries that went through economic transformation in the early 1990s, such as Poland, are also being squeezed by emerging markets like Romania with its low cost base and qualified workforce or Ukraine with its large and fast-growing consumer market. Some CEOs see this shift of capital south-eastward as inevitable, making it another challenge to the recently found prosperity of the more affluent Central European countries.

Technology

Managers recognise that Central European players may be less proficient in using new technologies than their western counterparts. However, they note that this handicap can be partly offset by local knowledge – especially when it comes to competing on local markets. FDI flows can also help fill technology and capital gaps. At the same time, the former backwardness of the region can be turned to an advantage. In some areas, modern technology has allowed the region to leapfrog stages which more advanced countries are still going through. Banking is one example: while the sector is largely electronic in Central Europe, some Western countries are still using paper cheques in their finance systems. Fixed-line telecoms were underdeveloped in the region, but Central European countries have made huge savings in infrastructure costs by largely moving directly to mobile phone technology.
Also, even though it is crucial to adopt new technologies in some industries, there are other sectors where entrepreneurial spirit and the natural talent can make up for the technology gap. This is where the region can still be very competitive.

High yields

Sound private equity investments, generally, continue to yield higher returns in Central Europe than in western Europe, CEOs say. While Central Europe may still be considered a short-term risk by some, strong growth means that in the long term, the region is seen as a good investment.

The belief that this will continue to be the case is reinforced by some large late- comer investors, like university funds from the United States, entering the region. That should be seen as a vote of confidence, underpinning the view that the growth seen so far was just the beginning, and that significant returns will continue to be seen.

The tax system

Overall, the region's image as a safe place for investments continues to improve, in spite of some concerns about the stability of the legal system. CEOs say that improvements are needed that would boost inward investment from asset managers and other foreign investors. They point to the need to introduce simple and stable tax frameworks. "The most important factor for Western firms is not the tax rate they have to pay, but that they should know that they will be paying such and such a rate in twelve months' time and such a such a rate in five years' time", says Andrzej Klesyk, CEO, Grupa PZU, Poland. In some countries, these frameworks have already been simplified, but in most, they remain complex and unstable. The risk of tax rule changes means that reserves have to be set aside for such a contingency, Klesyk warns.

Growing confidence

For CEOs, a key factor strengthening the attractiveness of the region is the growing confidence of business in Central Europe. An increasing number of local mid-market companies with plans to grow nationally and regionally are emerging, even setting their sights on markets in the old EU member states. Some have already established a unique position across Europe by entering niche markets. "There are few companies in the region which have a global strategy, but there are more and more companies which have a European strategy, and a great many companies which have a Central European strategy", says Jacek Siwicki, CEO, Enterprise Investors, Poland.

Appetite for growth

The early post-communist years were abundant in opportunities, and bred an appetite among entrepreneurs for high-risk growth, but competition soon appeared and many of the most aggressive or ill-prepared ventures ended miserably. Local state-owned companies had to change merely to survive, and were often forced to shed assets and jobs. Now, both private entrepreneurs and managers of former state-owned companies are looking for new ways to grow. Even some of the enormous former monopolies, which are naturally more resistant to change, have reviewed their approaches and are successfully using their size to make cross-border acquisitions, challenging local companies and global players alike as they begin to pursue the same targets. This is a telling sign that things have indeed changed.

The role of government

Top managers have a guarded approach to government. They feel that politicians can do little to improve conditions for business and when government does get involved, it is likely to make things worse.

A minimum of intervention

Indeed, a belief in the inability of governments to create the conditions that drive economic growth is a recurring theme among top managers. They believe it best to trust market mechanisms and say they want to see as little government intervention as possible. The bottom line is that if a government is incapable of producing sound regulations, then it is preferable for it to do nothing. CEOs want the state to provide a stable and predictable environment for business – which is a tall order for most governments, some of them say. The region is most commonly associated with fast growth and dynamic change, but not with the stable and mature legislative and political frameworks that businesses needs.

A role for government in fostering investment abroad

CEOs do look to governments to take a more active role in driving cross-border expansion. They want governments to support those local companies that want to expand across the region and enter western European markets. "If we look around the region, we can clearly see that in some countries, the government has been very successful in promoting business," says Iain Child, Leader of Financial Advisory Services, Deloitte Central Europe.

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However, western European governments are regarded as far more active and effective in this field, as political leaders regularly take large business delegations on foreign trips and often personally promote business agendas.

Convergence with EU

Business leaders also want the state to speed up convergence with the EU in many areas, including environmental legislation and the adoption of more long-term planning (i.e. multi-year budgets). Governments should be better at identifying and eliminating inconsistencies between EU and national regulations. At the same time, countries which are not yet EU members must shape legislation with EU membership in mind, including passing laws which bring the aspirant country's laws into line with those of the EU.

Looking out for the euro

The new EU members are looking forward to the introduction of the euro as a step that will help manage exchange-rate fluctuation, which may appear favourable to some and harmful to others, but is a risk to all. "The speedy introduction of the euro and the resulting drop in foreign exchange risk would cut costs. This will be a crucial event, which will help business throughout Central Europe", says Krzysztof Pawiński, CEO, Grupa Maspex, Poland. Indeed, CEOs expect the introduction of the euro to lead to an overall decrease in business costs, by reducing risk, making transactions easier and increasing transparency and competition in supply chains.

Reforms must be completed

CEOs are impatient for the completion of the transition process in the region. Many countries still have large and inefficient state-owned industries, they say. Wojciech Heydel, CEO, PKN Orlen, Poland, emphasises that "it is important to complete privatization. This process has been managed by various Central European governments with varying degrees of success." Progress in selling state-owned assets would open the way to fresh streams of capital and management skills, both badly needed by companies that often need to reinvent themselves to remain economically viable.

Top managers would also like to see markets becoming more transparent and governments do more to combat corruption. This would benefit all stakeholders, reduce the costs of doing business, and improve the region's reputation among global investors.

Infrastructure upgrades essential

Finally, infrastructure remains a huge problem in Central Europe. It still lags far behind the old EU member states, especially in the field of transportation. "One of the areas in which there could be improvement is infrastructure. If this area improves, then business prospects in Central Europe will be much better," says Augustine Kochuparampil, CEO, ArcelorMittal, Romania. The state is often blamed for the situation, with some doubting that governments are capable of getting highways built. They also point to fast progress in telecommunications and connectivity which are, however, the domain of private business. However, Slovenia and the Czech Republic's road-building record shows that if government officials put their minds to it, tangible progress is possible.

Cross-border expansion

Central Europe's stellar growth performance means that top managers are increasingly considering cross-border expansion as a way of developing their companies. The CE Top 500 ranking and sector analysis also shows that companies are moving into foreign markets across the region to take advantage of cost differences and market opportunities.

At the same time, according to CEOs, Central European companies are often unable to take advantage of expansion opportunities. One of the problems is a lack of capital and difficulty in finding a strong local partner. Fortunately, funds for medium-sized companies are becoming increasingly available, but acceptable terms are still hard to come by. State-owned companies also have problems with raising funds, but for a different reason. Many cannot finance expansion plans because the state lacks funds but is unwilling to raise capital by letting new investors into the company, as this would dilute its stake.

Another factor, keenly felt by CEOs, is that expansion abroad pits local companies directly against established Western competitors who are usually larger, better prepared and have more experience in cross-border operations. While expanding abroad, local companies can also find themselves becoming takeover targets. Zsolt Hernadi, the Chairman-CEO of MOL, Hungary is well aware of the danger: "Large companies in the region need to identify methods for successfully competing with major international enterprises in Europe and around the world and/or establish how and when they can compete or co-operate with them in Central Europe."

Diverse and similar at the same time

Consumers and companies in Central Europe have lived through fairly similar economic development cycles, even if at different times. They share a common history (to a degree) and ways of thinking, and even many of their languages are similar. Trends and market patterns are repeated in various countries across the region. This is regarded as the advantage of operating within Central Europe rather than across the entire EU.

However, given all the similarities, there is still a modicum of diversity, which is a challenge in every cross-border transaction. There are still large differences when it comes to the availability or shortage of local skilled resources, as one expanding services firm has found. International companies that invest early act as pioneers in demonstrating modern ways of doing business and training their employees professionally (often to see them snapped up by competitors).

"Our growth possibilities on the domestic market are limited. We see foreign expansion as an opportunity to provide stable growth in value to our investors" says Martin Roman, CEO, CEZ, Czech Republic.

Size of markets pushes expansion abroad

Most Central European markets are relatively small. This encourages expansion early in the life-cycle of a local company. "Our growth possibilities on the domestic market are limited. We see foreign expansion as an opportunity to provide stable growth in value to our investors" says Martin Roman, CEO, CEZ, Czech Republic. Despite all the challenges, it is simply less complicated to move into another Central European country, than into Asia, western Europe or the United States. This relative advantage informs key investment decisions, as well as making it easier to raise funds for expansion into a neighbouring country. After all, can you ignore 160 million consumers living just across the border?

Executive Committee

Mike Barrington
CEO Deloitte Central Europe
+48 22 511 0932
mbarrington@deloittece.com

Iain Child
+421 258 249 112
ichild@deloittece.com

Rick Olcott
+385 (1) 23 51945
eolcott@deloittece.com

Alastair Teare
+36 1 428 6843
ateare@deloittece.com

Office Managing Partners

Maksim Caslli
Balkans
+40 (21) 207 5217
mcaslli@deloittece.com

Milos Macura
PannonAdria
+381 11 3812 110
mmacura@deloittece.com

Marek Metrycki
Baltics & Poland
+ 48 22 511 07 07
mmetrycki@deloitteCE.com

Michal Petrman
Czech & Slovak Republics
+420 246 042 520
mpetrman@deloittece.com

Functions

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

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

Consulting
Dariusz Kraszewski
+48 22 511 0633
dkraszewski@deloittece.com

Financial Advisory
Iain Child
+421 258 249 112
ichild@deloittece.com

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

Industries

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

Energy & Resources
Vladimir Vanek
+420 246 042 361
vvanek@deloittece.com

Technology Media & Telecommunications
Dariusz Nachyla
+48 22 511 0631
dnachyla@deloittece.com

Real Estate
Diana Rogerova
+420 246 042 572
drogerova@deloittece.com

Aviation & Transport
Igor Rodin
+371 67 074 100
irodin@deloittece.com

Additional contacts

For information on the ranking

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

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