

panorama

July 2014



ADRIATIC/BALKAN TOP 50 2014



CONTENTS

- / 02 Coface Adriatic/Balkan Top 50:
Ranking and methodology
- / 03 Country analysis and
country ranking
- / 09 Sector analysis and
sector ranking
- / 11 Coface contacts

For the third time, Coface is publishing the Adriatic/Balkan Top 50. The companies are ranked based on their turnover in 2013. The economic problems of the region in the last few years have also taken their toll on the top players: Total turnover declined by 1.2% to EUR 39 billion, and profits decreased dramatically by almost 16% to EUR 702 million.

Top 3 largest companies in the Adriatic/Balkan region

The Top 3, oil and gas giants who are well known from previous listings, maintained their positions from last year: INA from Croatia ranks first and is followed by Slovenian Petrol in second place. Number 3, Serbian Naftna, was the only company at the top that could again increase both turnover and net profit.

Country Analysis

Although the 15 top Slovenian companies generated the highest turnover in 2013 (EUR 14 billion), Croatia again holds the top position when ranked by the number of companies in the list (17). Due to the weak performance of leading Slovenian companies, many Croatian competitors moved up the ranking. Although less Serbian companies were represented, they showed exceptionally good performance for the region in question.

Industry Review

In 2013, as in 2012, the oil and gas sector reported the highest turnover in the region, followed by energy supply and retail. In most sectors turnover decreased compared to 2012, except for slight increases in retail, wholesale, pharmaceuticals and in the sector "Others" (including holding companies).

DISCLAIMER

This document reflects the opinion of Coface Central Europe on the date of publication and subject to the available information, and may be modified at any time. The information, analyses and opinions presented are drawn from multiple sources that were judged reliable and credible. However, Coface does not guarantee the accuracy, completeness or representativeness of the data contained in this document. The information, analyses and opinions are provided for information only and should be used in conjunction with other information the reader might already possess. Coface is not bound by an obligation of results but by an obligation of means and shall not be held responsible for any losses incurred by the reader arising from the use of the information, analyses and opinions contained in this document. This document, and likewise, the analyses and opinions which are expressed are the sole property of Coface. The reader may consult or reproduce them for internal use only and subject to mentioning Coface as the source; the data may not be altered or modified in any way. The information may not be used, extracted or reproduced for public or commercial purposes without prior permission from Coface. The reader is asked to refer to the legal notices on the Coface website.

COFACE ADRIATIC/BALKAN TOP 50 COMPANIES

The Coface Adriatic/Balkan Top 50 panorama is a joint project between the Coface branch offices in Central Europe. This ranking covers the largest companies in the region – based on their turnover for the calendar year of 2013. The study includes the following countries: Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia.

Methodology

The largest companies in each of the above countries (turnover ≥ EUR 120 million) were identified, whereby

financial service providers such as banks, insurance companies, leasing firms and brokers were excluded. In addition to revenues, the ranking of the Coface Adriatic/Balkan Top 50 companies includes other key corporate indicators, e.g. net profits and the number of employees.

Turnover and profit were converted into EUR based on the exchange rate at the end of 2013. The data were taken from our databases and supplemented with external information as required.

Companies which were invited to participate in the survey but refused to take part are not included in the final ranking.

TABLE 1:
Coface Adriatic/Balkan Top 50 companies

Position 2013	Change in Position	Position 2012	Country	Company Name	Main Sector	Turnover in EUR millions 2012	Turnover in EUR millions 2013	Change in Turnover	Net Profit in EUR millions 2012	Net Profit in EUR millions 2013	Change in Net Profit	Employment 2012	Employment 2013	Change in Employment
1	-	1	HR	INA-INDUSTRIJA nafte D.D.	Oil & Gas	3,558.3	3,357.4	-5.6%	90.1	-197.7	-319.5%	8,795	8,638	-1.8%
2	-	2	SI	PETROL, SLOVENSKA ENERGETSKA DRUŽBA, D.D., LJUBLJANA	Oil & Gas	3,263.1	3,236.6	-0.8%	34.5	30.2	-12.4%	627	744	18.7%
3	-	3	RS	NAFTNA INDUSTRIJA SRBIJE AD	Oil & Gas	1,972.7	2,200.0	11.5%	431.4	456.4	5.8%	7,577	5,043	-33.4%
4	▲	5	HR	KONZUM D.D.	Retail	1,759.7	1,750.7	-0.5%	35.4	29.0	-18.1%	12,342	12,127	-1.7%
5	▲	6	HR	HRVATSKA ELEKTROPRIVREDA D.D.	Energy supply	1,722.7	1,656.6	-3.8%	38.4	101.7	165.0%	430	449	4.4%
6	▼	4	SI	HOLDING SLOVENSKE ELEKTRARNE D.O.O.	Energy supply	1,955.6	1,637.4	-16.3%	43.0	86.8	102.0%	132	126	-4.5%
7	▲	8	SI	POSLOVNI SISTEM MERCATOR D.D.	Retail	1,447.3	1,464.3	1.2%	-77.6	-35.6	54.1%	8,922	9,645	8.1%
8	▲	9	RS	ELEKTROPRIVREDA SRBIJE	Energy supply	1,111.6	1,315.6	18.4%	-20.9	16.4	178.5%	477	511	7.1%
9	▼	7	SI	GEN-I, TRGOVANJE IN PRODAJA ELEKTRIČNE ENERGIJE, D.O.O.	Energy supply	1,510.4	1,272.6	-15.7%	14.2	6.2	-56.8%	119	149	25.2%
10	-	10	SI	KRKA, TOVARNA ZDRAVIL, D.D., NOVO MESTO	Pharmaceutical	1,058.4	1,119.3	5.8%	154.6	164.7	6.5%	4,323	4,607	6.6%
11	▲	12	HR	HRVATSKI TELEKOM D.D.	Telecommunications	934.3	856.8	-8.3%	271.7	212.5	-21.8%	5,561	5,341	-4.0%
12	▼	11	HR	PRIRODNI PLIN D.O.O.	Oil & Gas	986.4	825.8	-16.3%	-135.6	-105.3	22.4%	27	30	11.1%
13	▲	15	RS	TELEKOM SRBIJA	Telecommunications	768.1	749.8	-2.4%	98.1	133.7	36.2%	9,061	9,073	0.1%
14	-	14	SI	OMV SLOVENIJA, TRGOVINA Z NAFTO IN NAFTNIMI DERIVATI, D.O.O.	Oil & Gas	795.6	707.1	-11.1%	16.0	14.0	-12.0%	77	71	-7.8%
15	▲	23	RS	TENT DOO	Energy supply	581.8	675.6	16.1%	-16.2	29.8	284.0%	2,532	2,476	-2.2%
16	-	16	SI	GORENJE GOSPODINJSKI APARATI, D.D.	Electronics	708.5	674.6	-4.8%	-14.1	2.7	119.2%	4,417	4,186	-5.2%
17	▲	26	HR	HEP-OPERATOR DISTRIBUCIJSKOG SUSTAVA D.O.O.	Energy supply	556.7	671.5	20.6%	55.8	87.7	57.2%	9,128	8,007	-12.3%
18	-	18	SI	TELEKOM SLOVENIJE, D.D.	Telecommunications	683.8	669.9	-2.0%	48.9	51.1	4.5%	2,648	2,272	-14.2%
19	-	19	RS	DELHAIZE SERBIA DOO	Retail	634.6	662.4	4.4%	16.2	35.7	120.2%	6,356	7,413	16.6%
20	▼	13	SI	REVOZ PODJETJE ZA PROIZVODNJO IN KOMERCIALIZACIJO AVTOMOBILOV D.D.	Automotive	919.4	654.4	-28.8%	12.8	11.5	-10.2%	2,129	1,970	-7.5%
21	▲	30	MK	DRUSTVO ZA PROIZVODSTVO, TRGOVIJA I USLUGI DJONSON METI DOEL SKOPJE	Automotive	490.3	630.6	28.6%	29.4	29.7	0.9%	358	424	18.4%
22	NEW	HR	PETROL D.O.O.	Oil & Gas	341.5	572.5	67.6%	0.9	1.8	92.4%	570	731	28.2%	
23	▼	22	RS	JAVNO PREDUZEĆE SRBIJAGAS NOVI SAD	Oil & Gas	594.8	571.8	-3.9%	-306.3	-433.6	-41.5%	1,170	1,181	0.9%
24	▲	28	RS	MERCATOR-S DOO	Retail	509.4	544.2	6.8%	-3.3	4.5	235.7%	4,456	4,701	5.5%
25	NEW	BA	HOLDING D.O.O. ZA POSREDNIŠTVO, VANJSKU I UNUTRAŠNJU TRGOVINU KRUTIM, TEKUCIM I PLINOVITIM GORIVIMA SARAJEVO	Oil & Gas	544.1	77.4%	-2.3	-3.3	-43.5%	409	398	-2.7%		
26	▲	29	HR	ZAGREBAČKI HOLDING D.O.O.	Others	494.6	531.6	7.5%	-47.8	4.1	108.6%	11,766	11,630	-1.2%
27	-	27	SI	IMPOL, INDUSTRIJA METALNIH POLIZDELKOV, D.O.O.	Metal Industry	523.7	517.7	-1.1%	2.8	4.9	77.8%	12	11	-8.3%
28	▼	24	SI	ENGROTUŠ PODJETJE ZA TRGOVINO, D.D.	Retail	572.0	509.7	-10.9%	2.6	-49.0	-2,018.7%	3,009	2,925	-2.8%
29	▲	32	BA	JP ELEKTROPRIVREDA BIH D.D. - SARAJEVO	Energy supply	458.5	501.6	9.4%	4.8	20.2	322.6%	5,037	4,990	-0.9%
30	▲	34	RS	IDEA DOO	Wholesale	457.5	480.4	5.0%	-34.4	-19.5	43.3%	4,262	3,949	-7.3%
31	-	31	SI	ELEKTRO ENERGIJA, PODJETJE ZA PRODAJO ELEKTRIKE IN DRUGIH ENERGENTOV, SVETOVANJE IN STORITVE, D.O.O.	Energy supply	488.4	443.8	-9.1%	3.2	1.6	-51.7%	70	85	21.4%
32	▼	20	MK	OKTA RAFINERIJA NA NAFTA AKCIONERSKO DRUSHTVO-SKOPJE	Oil & Gas	603.7	433.4	-28.2%	-9.8	-2.4	75.2%	666	650	-2.4%
33	▲	37	HR	PLODINE D.D.	Retail	418.4	428.2	2.4%	5.6	5.2	-8.3%	3,130	3,258	4.1%
34	▲	38	MK	EVN ELEKTROSTOPANSTVO NA MAKEDONIJA, AKCIONERSKO ZA DISTRIBUCIJA NA ELEKTRICNA ENERGIJA, SKOPJE	Energy supply	417.9	426.1	2.0%	-4.3	2.3	154.0%	2,233	2,257	1.1%
35	▲	44	SI	CIMOS D.D. AVTOMOBILSKA INDUSTRIJA	Automotive	386.1	425.7	10.3%	-74.2	-137.6	-85.3%	936	936	0.0%
36	▲	39	HR	PLIVA HRVATSKA D.O.O.	Pharmaceutical	410.5	403.3	-1.7%	73.6	44.1	-40.1%	1,783	1,897	6.4%
37	▼	35	HR	TISAK D.D.	Retail	432.2	394.0	-8.8%	3.0	2.3	-23.0%	3,795	3,980	4.9%
38	NEW	HR	LIDL HRVATSKA D.O.O. K.D.	Retail	342.9	392.3	14.4%	-5.4	1.0	119.2%	1,569	1,674	6.7%	
39	▲	49	RS	TELENOR DOO BEOGRAD	Telecommunications	356.8	366.3	2.7%	92.3	96.9	5.0%	1,131	1,095	-3.2%
40	▲	45	HR	VIPNET D.O.O.	Telecommunications	373.9	362.1	-3.2%	49.0	22.9	-53.3%	990	1,072	8.3%
41	▲	47	HR	VINDIJA D.D.	Food industry	366.3	361.6	-1.3%	3.3	2.1	-37.3%	1,116	1,077	-3.5%
42	NEW	HR	KAUFLAND HRVATSKA K.D.	Wholesale	331.0	355.9	7.5%	-3.2	-3.5	-9.3%	2,438	2,782	14.1%	
43	NEW	RS	YUGOROSGAS AD BEOGRAD	Oil & Gas	277.4	353.1	27.3%	8.7	6.9	-21.0%	27	26	-3.7%	
44	▼	41	MK	MAKPETROL AKCIONERSKO DRUSHTVO ZA PROMET SO NAFTA I NAFTENI DERIVATI SKOPJE	Oil & Gas	402.2	346.8	-13.8%	-1.0	-3.3	-246.8%	1,759	1,754	-0.3%
45	NEW	SI	BSH HIŠNI APARATI D.O.O. NAZARJE	Electronics	315.5	344.0	9.0%	30.2	32.2	6.8%	1,174	1,279	8.9%	
46	NEW	HR	MERCATOR - H D.O.O.	Retail	332.2	337.4	1.6%	-61.0	-26.3	56.9%	3,210	3,421	6.6%	
47	▼	42	HR	PETROKEMIJA D.D.	Production general	394.0	334.2	-15.2%	-24.5	-43.2	-76.0%	2,298	2,275	-1.0%
48	▼	46	BA	ARCELORMITTAL D.O.O. ZENICA	Automotive	366.7	333.3	-9.1%	-4.2	-0.8	80.8%	2,878	2,565	-10.9%
49	NEW	RS	KNEZ PETROL DOO ZEMUN	Oil & Gas	352.1	328.0	-6.9%	2.5	1.9	-23.0%	364	520	42.9%	
50	▼	33	SI	GEOLIN D.O.O. LJUBLJANA, DRUŽBA ZA TRGOVANJE IN TRANSPORT ZEMELJSKEGA PLINA	Oil & Gas	464.7	321.1	-30.9%	7.1	8.2	16.2%	31	35	12.9%

The Adriatic/Balkan region is very diversified. It consists of six small economies which are supporters of the idea of the European Union community. But so far they are at different stages of integration: from the Eurozone country Slovenia through the one year-old EU member Croatia to other countries with their own integration process.

In general, the countries of the former Yugoslavia are open to external trade and as such are dependent on the global economic situation. The recovery of the eurozone is improving the outlook for the Balkans. However, they are still suffering from their internal economic difficulties.

The countries in the Adriatic/Balkan region look back at some very difficult years – starting with the economic crisis in 2009. Recession and increasing unemployment had taken hold of the otherwise quite inhomogeneous region. In 2013 the ongoing economic troubles put the Top 50 companies in greater distress. The total revenue of the 50 largest companies in the region decreased by 1.2% year-on-year from EUR 39.5 billion to approximately EUR 39 billion in 2013. Net profits declined – for the second year in a row – by 15.8% to EUR 702 million. Although top companies still employ about 2.7% of the total workforce, they reacted to the difficult economic situation with further reductions in staff (-1.3%).

The highest turnover was again reported by Slovenian Top 50 companies (EUR 14 billion, -7.3%), followed

by Croatia (EUR 13.6 billion, -1.2%) and Serbia (EUR 8.2 billion, +8.3%). Croatia is home to most of the top companies (17), followed by Slovenia (15) and Serbia (11). Only four companies out of the 50 are Macedonian (EUR 1.8 billion, -4%) and only three are from Bosnia-Herzegovina (EUR 1.4 billion, +21.8%). Although this study covers the countries of Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Slovenia and Serbia, no companies from Montenegro succeeded in getting into the final Top 50 ranking.

Ranking Top 10 companies

The Top 10 positions remain firmly in the hand of last year's top companies. The three positions on the podium are again occupied by the three oil and gas "giants" INA (No. 1), Petrol (No. 2) and Naftna Industrija Srbije (NIS, No. 3). The turnover of both Croatian INA and Slovenian Petrol decreased slightly (-5.7% and -0.8% respectively). Serbian NIS again generated a growth in both turnover (+11.5%) and net profit (+5.8%), but laid off another 2,500 people (-33.4%). In the past, NIS has paid out for one the largest social redundancy programs in the Balkans. Every worker who left voluntarily was paid on average about 22,000 EUR severance. NIS explained the downsizing with its goal to increase operating efficiency.

Slovenian energy suppliers in the Top 10 lost ground. HSE (rank 6) and GEN-I (rank 9) moved down two ranks and faced a significant slump in turnover, -16.3% and -15.8% respectively. Croatian companies clearly benefited from



TABLE 2:

Coface Adriatic/Balkan Top 50 – Country comparison 2013

	Top 50 Turnover (EUR millions)	Top 50 Net profit (EUR millions)	Top 50 Employment	Country Risk Assessment	Population (millions)	GDP/Capita (EUR)	GDP growth (%)	Inflation (%)	Unemploy- ment rate (%)	Labour force (millions)
Slovenia	13,998	192.9	29,041	A4	2.1	17,128	-1.1	1.8	13.5	0.8
Croatia	13,592	138.5	68,389	B	4.3	10,295	-1.0	2.2	18.9	1.4
Serbia	8,247	329.2	35,988	C	7.2	4,663	2.5	7.8	21.0	1.7
Macedonia	1,837	26.3	5,085	C	2.1	3,604	2.5	2.8	28.1	0.9
Bosnia- Herzegovina	1,379	16.1	7,953	D	2.0	2,952	1.2	-0.1	29.4	0.7
Montenegro	-	-	-	C	0.7	5,200	2.0	2.2	19.6	0.2

Sources: National Statistical Offices of the respective country, Coface.

this development: Konzum (rank 4), a retailer, and HEP (rank 5), an energy supplier, improved their position despite a decline in turnover. Slovenian retailer Mercator increased its turnover by 1.2% and halved its net loss compared to 2012.

The only Slovenian company which could show improvements in all figures is Krka, a producer of pharmaceuticals (+5.8% in turnover, +6.5% in net profit). Serbian energy supplier Elektroprivreda Srbije (EPS) (rank 9) was the best performer within the Top 10 with a plus of 18.4% in terms of turnover.

The biggest jumpers and top performers

The highest new entry this year was Croatian Petrol, which is part of the Slovenian Petrol group, an oil and gas company. The Petrol group reorganised and consolidated its Croatian business activities in 2013 by merging with Petrol D.D. from Ljubljana, Petrol Hrvatska D.O.O. and former Euro-Petrol D.O.O. If forecasts hold, Croatian Petrol could achieve an even higher rank in 2014.

Holdina from Bosnia-Herzegovina is also new in the ranking (rank 25). It achieved the highest increase in turnover of all Top 50 companies (+77.4%). Another Bosnian company reported the highest increase in net profit (rank 29, +322,6%): JP Elektroprivreda.

The biggest mover up the table was Telenor in Serbia (rank 39, +10). Last year, the company increased its revenues from sales considerably. The highest profit was again reported by our number 3, Serbian Naftna (EUR 456 million).

1. CROATIA

Economy

The Croatian economy contracted by 1% in 2013 and shrank by a further 0.4% year-on-year in the first quarter of 2014. This translates into five consecutive years of recession, which according to the Coface GDP growth rate forecast of -0.6% will be continued this year. Domestic demand remains constrained by a high unemployment rate which reached almost 18% in the last few months of 2013, as well as by poor wage growth.

Facing sluggish demand, Croatian companies are reluctant to make fixed asset investments and tend to focus on deleveraging. The government has implemented socially unpopular measures in the form of VAT and excise tax increases due to a significant deterioration of public finances. This also triggered the European Commission's decision to initiate the Excessive Deficit Procedure in late 2013 (which, however, was suspended in June 2014). The lowest consumer confidence index in the entire European Union is not helped by the recent political turbulence, with corruption allegations against the ruling party leading to the dismissal of the Finance Minister.

The improvement of the global economic situation, including Croatia's main export markets, will undoubtedly be beneficial for the country. The fact that it has been a member of the EU for one year now sets it apart from most of its neighbours. It creates great opportunities, including attracting greater inflow of FDIs, which supports an important pillar of the country's economy

- tourism and related services, which account for nearly 20% of GDP - as well as cohesion policy funds of nearly 9 billion EUR in the multi-annual financial framework of 2014-2020, i.e. approximately 20% of the current yearly GDP.

Croatia in the ranking

Unsurprisingly, top Croatian companies are also encountering increasing difficulty in dealing with the ongoing recession. In 2013, 3,186 companies became insolvent, which represents an increase of 5% compared to the previous year. However, the situation in 2012 was even worse, with an increase of 174% in insolvencies. The companies which survived were able to adapt to the deteriorated economic environment during 2013.

This situation is also reflected in the results of this year's Top 50 ranking. Although Croatia is again home to most of the Top 50 companies in the Balkan region (17, +1), turnover remained quite stable (-1.2%, EUR 13.6 billion) while net profit more than halved (-60.4%).

Almost every sector in Croatia faced a decrease in net profit. The largest sectors (according to turnover) are the oil and gas sector (EUR 4.8 billion, -2.7%), retailing (EUR 3.3 billion, +0.5%) and energy supply (EUR 2.3 billion, +2.1%). The highest average profits were reported by telecommunications companies and (mainly public) energy suppliers. Whereas the latter sector doubled its net profits, telcos felt the tougher economic environment (-26.6% in net profits).

Due to the rather weak performance of top Slovenian companies, Croatian businesses pushed them down the ranking. Most of the upward movers (9) and also most of the newcomers (4) in 2013 came from Croatia.

Although unemployment rates reached record levels in 2013 (20%), top companies in Croatia rather preserved jobs. Staff figures decreased by only -0.8%. Altogether, over 68,000 people were employed by the 17 Croatian top companies. That is 4% of the total national workforce. Over 24,000 are employed by Croatian retailers. This corresponds to 16.7% of the total Top 50 staff. Croatia is also home to the biggest employers of the Balkan region: Konzum (12,127) and Zagrebacki Holding (11,630).

2. SLOVENIA

Economy

The Slovenian economy has been contracting since early 2012, with its previous main driver of growth - investment - showing a decreasing trend since 2009 due to limited public investment and the deterioration of the construction sector due to the bursting of the real estate bubble. The number of Slovenian companies has been reduced by the recession and worsening business conditions. Many had to file for insolvency in 2013 (1.4% more than in 2012).

Fiscal consolidation remains a constraint and it is almost impossible for the country to reach the EDP objective of 3.2%, despite plans for the privatisation of 15 companies.

Domestic demand is subdued due to high unemployment, decreasing wages, a new property tax and public sector wage cuts. The internal situation will remain constrained with the private sector deleveraging and socially unpopular measures aimed at fiscal consolidation.

Net exports, which were weak but nonetheless contribute to the country's economic performance, will increase in line with the recovery of European demand, although



Grzegorz Siewiczyk
Chief Economist Central Europe

Coface anticipates that Balkan economies will rebound gradually from their slowdown period, especially thanks to the better prospects of their external trading partners. Companies will suffer from a low propensity to spend due to the difficult situation in the labour market.

Moreover, recent floods will impact businesses and the entire real GDP growth rate of 2014, especially in case of Bosnia-Herzegovina and Serbia. In general, Coface forecasts that the pace of growth in the Balkans in 2014 will be similar to 2013 - ranging from -0.6% in Croatia to 3.2% in Macedonia.

it will not result in a substantial improvement in the economic situation. Coface forecasts that real GDP growth will be flat in Slovenia this year.

Slovenia in the ranking

As explained in the economic outlook above, leading Slovenian companies faced a challenging 2013: Although the country is still well represented in the Coface Adriatic/Balkan Top 50 ranking with 15 companies, the largest companies suffered a slump in turnover (-7.3%). Only three reported an increase. Net profits also declined by 5.8%. Nevertheless, Slovenian companies hired more people in 2013 (+1.5%). This constitutes the highest rate of increase in staff in the region.

When analysed by sectors, the biggest losers come from the automotive (-17.3% in turnover) and energy supply sectors (-15.2%). Whereas Slovenian energy suppliers were able to raise their net profit by 56.4%, top companies in the automotive sector recorded increases in their net losses.

Although Cimos - a producer of automotive parts for the world's leading carmakers - increased its turnover in 2013 and thus moved nine positions up the ranking, it also doubled its net loss. High levels of debt are putting the company under further distress. In spring 2014, its creditor banks refused to convert their receivables into shares, and the future development of the group is therefore in doubt.

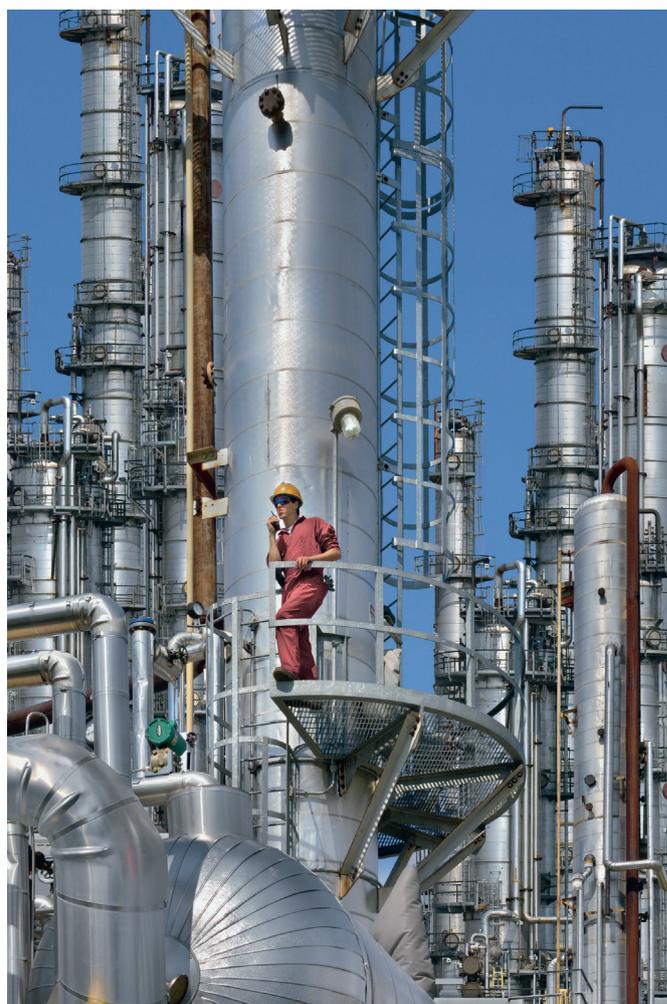
Petrol d.d. is again the largest Slovenian company and maintained its second position from 2012. Petrol Group is primarily engaged in the sale of petroleum products. In the past years the group has also become involved in the electricity market. The second largest Slovenian company held its position: HSE Group is the largest Slovenian organization in the field of power generation and the largest producer and trader of electricity on the wholesale market in Slovenia.

3. SERBIA

Economy

Serbian GDP growth rates are strongly affected by the weather conditions, as agriculture accounts for 10% of the country's GDP. Therefore, the unfavourable weather had a significant impact on the performance of the Serbian economy in 2012, when real GDP contracted by 1.5%. By contrast, supply-side growth in 2013 was driven by a very good harvest, with agriculture growing by 20% year-on-year supporting and contributing towards an increase of 2.5% in real GDP.

The demand side is constrained by the high unemployment rate of 25% of the economically active population, as well as the low indexation of public sector pensions and wages and the planned 10% cut in public-sector salaries. Moreover, the support provided by the IMF



has imposed conditions related to the consolidation of public accounts and spending cuts, which also impact household spending, mainly in the form of VAT hikes.

Although the EU accession process has been opened in 2014, it is a long procedure with concluding negotiations planned for 2018, which would make it possible for Serbia to join the EU in 2020 at the earliest. Because of massive floods in May 2014, international support - coming mainly from the European Union thanks to its candidate status for EU accession - will also contribute to the reconstruction of infrastructure which has been damaged or destroyed. The overall cost is estimated to amount to EUR 1.5-2 billion and the floods will definitely affect the level of Serbian real GDP growth (the revised Coface forecast is 0.5% in 2014).

Serbia in the ranking

The negative trend from previous years continued for Serbian companies: once again, fewer of them made it into the Top 50 ranking. In 2013, Serbia was represented by eleven companies (2012: 13, 2011: 15). Nevertheless, the remaining top Serbian companies performed very well compared to their competitors from the neighbouring countries. Turnover rose by 8.3% and, net profit jumped to EUR 329 million (+22.8%). The highest rise in turnover

was reported by Serbian energy suppliers (+17.6%). They also succeeded in turning their net loss from 2012 into a net profit of EUR 46 million. Only the telecommunications sector reported an overall decline in turnover (-0.8%).

Although Serbia still faces a very high unemployment rate, leading companies laid off even more staff in 2013 (-3.8%). Only the retail sector hired people in 2013 (+12.0%). Most of the redundancies in the oil and gas sector were due to the massive downsizing by Naftna (-25.9%).

4. MACEDONIA

Economy

Compared to its regional peers the Macedonian economy survived the global financial crisis relatively well. The country is strongly reliant on external trade, and recently benefited from dynamic exports, mainly to Germany, which account for one third of exports of Macedonian goods. Real GDP growth amounted to 3.1% in 2013, which was one of the best results in the whole of Europe. The acceleration of eurozone growth is expected to support exports in 2014.

Domestic consumption rebounded in 2013, and it is anticipated that this positive trend will continue. Although the unemployment rate remains high (28.4% in Q1 2014) it has reached its lowest level since 1994.

The informal pegging of the dinar to the euro enables inflationary pressures to be contained. The Macedonian government strongly focuses on increasing the country's attractiveness for private investors, which results in a business-friendly environment and the 25th rank in the World Bank's Doing Business rankings for 2014.

Macedonia in the ranking

Only four companies from Macedonia got into the Top 50. Their turnover of EUR 1.8 billion corresponds to only 4.7% of the total turnover of all companies in the list. Despite the low presence of Macedonian companies, the country was home to top performers in 2013. Net profits almost doubled (+83.7%).

EVN, a subsidiary of an Austrian electricity distributor, is one of the best performers in the region. The investments and measures taken to improve the organizational structure of the company have yielded good results and contributed to a more reliable supply, reduction of losses and increased customer satisfaction. The company moved up four places.

Macedonian automotive supplier Drustvo moved up nine places to 21st position by increasing its turnover by over 28%.

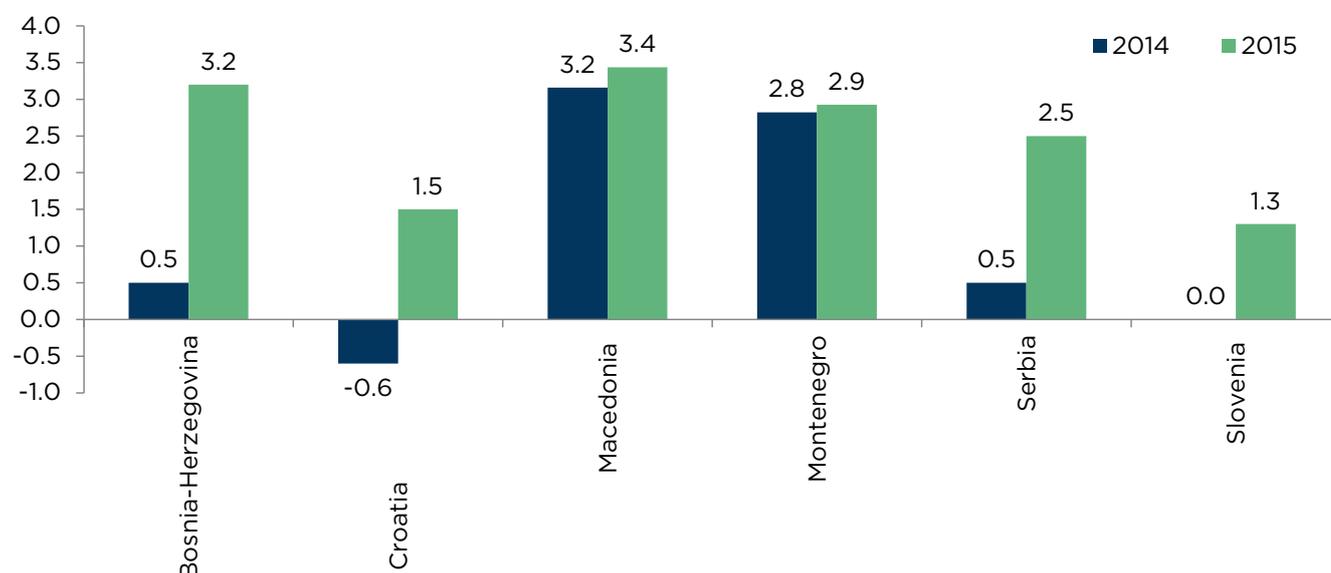
Both oil and gas companies (Okta and Makpetrol) can look back at a poor year. Although Okta, a major refinery in the Balkan area and the best ranked Macedonian company in 2012, succeeded in decreasing net losses, it dropped twelve places due to a decline in turnover by almost 30%. Makpetrol's turnover fell to EUR 346.8 million (-13.8%) and its net loss tripled.

5. BOSNIA-HERZEGOVINA

Economy

The recovery in the European Union which started in the second half of 2013 was beneficial for Bosnia-Herzegovina, which sends 55% of its goods exports there. As such the economy emerged from a double-dip recession and recorded real GDP growth of 1.2%.

GRAPH 1:
Coface Adriatic/Balkan Top 50 – GDP growth forecasts



Sources: Coface.

However, the domestic recovery remains sluggish. Public sector workers received wage increases in 2013, and pensions rose, but overall household spending is constrained by the high unemployment rate (estimated at between 25% and 45% of the labour force).

The economy of Bosnia-Herzegovina is supported by financial assistance from the IMF, which is also prepared to extend its support due to the massive floods experienced in May 2014. Most of the damage affected the agricultural sector (6.6% of GDP), with many crops destroyed. However, there was also a major impact on infrastructure, with almost a hundred companies from all sectors damaged by floods, thus affecting the whole production chain. International support has been promised, but the consequences of the floods will still constrain the economy, also because Bosnia-Herzegovina does not have access to the European Union Solidarity Fund, in contrast to neighbouring Serbia as an EU candidate country.

Bosnia-Herzegovina in the ranking

Bosnia-Herzegovina is represented by three companies (+1) this year. The more favourable economic situation improved their results considerably. Turnover rose by 21.8% (EUR 1.4 billion). Thanks to the outstanding performance of JP Elektroprivreda Bosne i Hercegovine, a public electricity generator and supplier, the net loss from 2012 was turned into a net profit in 2013 (EUR 16.1 million). JP moved up three places.

The turnover of Arcelormittal Zenica, a subsidiary of the global steel company Arcelormittal and newcomer

in 2012, decreased by 9% and net profit remained negative. The second highest new entrant to this ranking is Bosnian Holdina d.o.o. which is part of the Croatian INA Group. The oil and gas company increased turnover by over 70%, but their net loss rose to EUR 3.3 million.

6. Montenegro

Economy

Problems in the metal industry which is a strategic sector for the economy of Montenegro, as well as a challenging external trade situation, put a constraint on the country's economy outcome. The real GDP growth rate surprised positively, reaching 3.5% in 2013 mainly thanks to industrial production rising above 10% and an increasing number of tourists coming to Montenegro.

The state-owned enterprise KAP (aluminium smelting factory) is the country's major employer and exporter, accounting for 40% of the country's goods exports. However, the company's situation deteriorated and it launched bankruptcy proceedings in July 2013, so production will remain limited in 2014. On the demand side, weak household consumption will be affected by continued high unemployment, decreasing real wages and relatively high household indebtedness with a large stock of non-performing loans. According to Coface's forecast, real GDP growth in Montenegro will amount to 2.8% in 2014.

No company from Montenegro succeeded in entering the ranking.



ADRIATIC/BALKAN TOP 50 - SECTOR ANALYSIS

Table 3 shows which sectors contribute most of the Coface Top 50 companies in the Adriatic/Balkan region. Ranked by turnover and number of companies, the oil and gas sector is largest, followed by the energy supply and retail sectors.

Most newcomers are oil and gas companies (four out of eight), whereas energy suppliers benefited from the weakness of the top oil & gas companies. Many energy suppliers moved up in the ranking. Market players from the retail and telecommunications sectors also improved their positions.

THE TOP 3 SECTORS

Oil and gas

13 oil and gas companies generated a turnover of EUR 13.8 billion (-0.9%) in 2013. This corresponds to almost the total turnover generated by all top Slovenian companies and it is therefore the largest sector ranked by turnover and number of companies represented in this study.

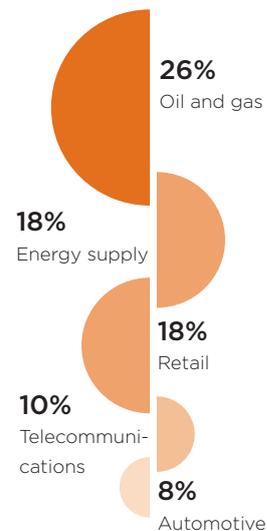
When it comes to net profit and employment, the picture looks different. Whereas oil and gas companies earned a net profit of almost 140 million in 2012, 2013 led to an overall net loss (EUR 226 million). Leading companies also laid off staff in 2013 (-10.3%). 2013 has been a difficult year for all of them.

TABLE 3:
Coface Adriatic/Balkan Top 50 - Top 10 sectors

	Turnover (EUR millions)	Number of companies
Oil and Gas	13,798	13
Energy supply	8,601	9
Retail	6,483	9
Telecommunications	3,005	5
Automotive	2,044	4
Pharmaceutical industry	1,523	2
Electronics	1,019	2
Wholesale	836	2
Others	532	1
Metal industry	518	1

Sources: Coface, financial reports.

GRAPH 2:
Coface Adriatic/Balkan Top 50 - Top 5 sectors



Energy supply

The energy supply sector earned EUR 8.6 billion in 2013 and is represented by nine companies. Turnover declined slightly by 2.3%, but net profit rose sharply from EUR 118 million to EUR 353 million (+198.9%). Employment fell to 19,050 (-5.5%).

Similarly to the oil and gas sector, energy suppliers are represented at the very top of the list in all countries of the region. Except for Slovenian players (-15.2% turnover) which are amongst the largest, suppliers from the other countries performed very well in terms of turnover: it increased between 2% in Bosnia and 17.6% in Serbia. Net profit rocketed in all countries. Especially worth mentioning is the increase of the public Bosnian energy supplier JP Elektroprivreda BH (+322.6%).

Retail

The sector with the third highest turnover (EUR 6.5 billion) is retailing. It shares second position with energy supply when ranked by the number of companies (9). Whereas net profit is still negative (EUR -33 million), turnover rose slightly by 0.5% and employment increased by 5.0%. Five out of the nine retailers presented in this ranking come from Croatia. Their slight increase in turnover (+0.5%) was accompanied by a noticeable change: the net loss of EUR 22.4 million in 2012 was turned into a net profit of EUR 11.3 million in 2013.

It was once again the top Slovenian companies in this sector that had the most challenging year in 2013: turnover declined (-2.3%) while their net loss increased.

Sources

Coface Central Europe, national statistical offices, national central banks, and the financial reports of the respective companies.



COFACE - OUR SERVICES IN CENTRAL EUROPE

The Coface Group

Coface is a trade risk expert and a worldwide leader in credit insurance. It assists companies – regardless of their business sector, size or country – as they grow within their own country and those to which they export. The Group’s strength is based on close to 70 years of experience, highly-experienced employees and a powerful international network which is able to market its services wherever our customers are.

Each quarter, Coface publishes its country risk assessments for 157 countries.

Coface - a pioneer in CEE

Coface covers seven regions worldwide. The headquarters for the Central European region are based in Vienna. With its twelve branches, Coface employs over 700 people in the region to cover the increasing demand of these fast growing markets. Its mix of local management and market knowledge and its network of expertise in risk management are unique in Central Europe. This allows a broad-based range of service covering credit insurance, business information and collection services that makes Coface the risk management partner with the most extensive know-how in the region.

Our offer

Credit Insurance: to control your risk

Whether SMEs or major corporate groups, Coface is there by their side the world over. In which role? That of an adviser and guide - supporting them and securing their transactions by protecting them against the risk of their clients defaulting. For our clients, choosing Coface means lining up the odds on their side for taking the right decisions and optimising their chances of success by protecting against the financial risks inherent in their business as early as possible.

Business Information: take acceptable risks

Non-payment risk prevention begins with gathering relevant and up-to-date information on buyers and their environment. The analysis of this information helps with decision-making. Our business information services offer a wide range of products.

Debt Collection: limit your losses

Debt collection is an essential facet of the risk management that Coface offers its clients. This activity requires a high level of legal expertise and a global talent network, which Coface possesses both through its own resources as well as those of its “Coface Partner” network.

Our clients have access to our debt collection services for both their insured and uninsured invoices.

Coface Austria & Coface Central Europe

Stubenring 24 - 1010 Vienna
T. +43 (1) 515 54-0 - F. +43 (1) 512 44 15
www.coface.at

Coface Albania

serviced by Coface Croatia

Avenija Dubrovnik 46/III - 10 000 Zagreb
T. +385 (1) 469 75 00 - F. +385 (1) 469 75 35
www.coface.hr

Coface Belarus

serviced by Coface Russia

1st Tverskaya-Yamskaya str., 23, bld. 1 - 125047 Moscow
T. +7 (495) 785 57 10 - F. +7 (495) 785 76 24
www.coface.ru

Coface Bosnia & Herzegovina

serviced by Coface Croatia

Avenija Dubrovnik 46/III - 10 000 Zagreb
T. +385 (1) 469 75 00 - F. +385 (1) 469 75 35
www.coface.hr

Coface Bulgaria

42 Petar Parchevich str. - 1000 Sofia
T. +359 (2) 920 7125 - F. +359 (2) 9207150
www.coface.bg

Coface Croatia

Avenija Dubrovnik 46/III - 10 000 Zagreb
T. +385 (1) 469 75 00 - F. +385 (1) 469 75 35
www.coface.hr

Coface Czech

I.P. Pavlova 5 - 120 00 Prague
T. +420 246 85 411 - F. +420 246 085 429
www.coface.cz

Coface Estonia

serviced by Coface Latvia

Berzaunes 11a - 1039 Riga
T. +371 (6) 732 34 60 - F. +371 (6) 782 03 80
www.coface.lv

Coface Hungary

Tüzoltó utca 57 - 1094 Budapest
T. +36 (1) 299 20 70 - F. +36 (1) 887 03 25
www.coface.hu

Coface Latvia

Berzaunes 11a - 1039 Riga
T. +371 (6) 732 34 60 - F. +371 (6) 782 03 80
www.coface.lv

Coface Lithuania

Vilniaus str. 23 - 01402 Vilnius
T. +370 (5) 279 17 27 - F. +370 (5) 279 17 54
www.coface.lt

Coface Macedonia

serviced by Coface Croatia

Avenija Dubrovnik 46/III - 10 000 Zagreb
T. +385 (1) 469 75 00 - F. +385 (1) 469 75 35
www.coface.hr

Coface Moldova

serviced by Coface Romania

Calea Floreasca 39 - Et. 2-4 - Sector 1 - 014453 Bucharest
T. +40 (21) 231 60 20 - F. +40 (21) 231 60 22
www.coface.ro

Coface Montenegro

serviced by Coface Serbia

Bulevar Oslobođenja 111 - 11000 Belgrade
T. +381 (11) 397 60 51 - F. +381 (11) 397 09 75
www.coface.rs

Coface Poland

Al. Jerozolimskie 136 - 02 305 Warsaw
T. +48 (22) 465 00 00 - F. +48 (22) 465 00 55
www.coface.pl

Coface Romania

Calea Floreasca 39 - Et. 2-3 - Sector 1 - 014453 Bucharest
T. +40 (21) 231 60 20 - F. +40 (21) 231 60 22
www.coface.ro

Coface Serbia

Bulevar Oslobođenja 111 - 11000 Belgrade
T. +381 (11) 397 60 51 - F. +381 (11) 397 09 75
www.coface.rs

Coface Slovakia

Soltésovej 14 - 81108 Bratislava
T. +421 (2) 6720 1611 - F. +421 (2) 6241 0359
www.coface.sk

Coface Slovenia

Slovenčeva 22 - 1000 Ljubljana
T. +386 (1) 425 90 65 - F. +386 (1) 425 91 30
www.coface.si

Coface Ukraine

Borisa Gmiri str., 4, of. 10 - 02140 Kiev
T. +380 (44) 585 31 60 - F. +380 (44) 585 31 60
www.coface.ua

COFACE CENTRAL EUROPE
STUBENRING 24 - 1010 VIENNA - AUSTRIA
T. +43/1/515 54 - F. +43/1/512 44 15
office@cofacecentraleurope.com - www.cofacecentraleurope.com

coface