

## Central Europe Top 500

An era of digital transformation

2006-2016

# TOP 500

We thank Rzeczpospolita daily  
for their contribution  
to the 2016 CE Top 500 ranking.



# Driven by digitalization



Welcome to the Deloitte Central Europe Top 500 ranking and report for 2016 – the 10th edition of this key annual publication, which provides a unique source of insight into the performance of our region's largest and most important companies.

Rather than focus only on the economic trends of the past 12 months, in light of the report's anniversary, I would like to also look back at some of the significant events that have impacted Central Europe over the past ten years.

Deloitte analysis illustrates the economic swings the region has undergone through five distinct periods. At their simplest, these were the continuation of the economic boom that lasted in total from 2002 to 2008, the global economic and financial crisis of 2009, followed in 2010 by a short-lived recovery in our region's northern Visegrad countries (Poland, the Czech Republic, Slovakia and Hungary). Then, in 2011 and 2012, we saw further weakening among northern countries, while those to the south of the region started a mild recovery. And lastly, we saw the start of a considerably stronger economic period in 2013. This continues today, with the countries of South

Eastern Europe lagging some six to nine months behind their northern neighbors.

The overriding message from the analysis is that throughout this entire period, GDP growth in countries across our region has consistently outpaced Western Europe. This continues today, with 2016 GDP predictions for Central Europe behind only the Asia Pacific region.

The positive forces contributing to this healthy picture include the availability of EU funds, inbound investment and slackening austerity programs. I also believe that the onward march of digitalization – a key focus of this report – is playing a very important role by enabling many of our largest companies to become more efficient, more customer-focused and ultimately more successful.

As one interviewee featured in this report told us, "The digital revolution has the potential to completely transform market conditions in different sectors of the economy faster than any other development in the history of business."

I couldn't agree more. Of all the "megatrends" affecting how companies compete and perform in the regional and

global economies, digitalization is the most powerful enabler with the greatest potential for driving positive change.

None of us can ignore the extent to which the continued success of Central Europe's economy is interlinked with the digital strategies of its leading companies. So it is highly informative to read in this report about the passionate intensity with which our region's business leaders are helping to shape their companies' digital futures.

**Alastair Teare**

Chief Executive Officer  
Deloitte Central Europe



“The majority of countries in CE saw an increase in the rate of their economic growth. The only country whose economy declined in 2015 was Ukraine.”

The results of the 2015 ranking of the 500 largest companies demonstrate that the majority of countries in CE saw an increase in the rate of their economic growth. The only country whose economy declined in 2015 was Ukraine (down by 9.9 per cent), where enduring geopolitical tension continues to influence the country's economy.

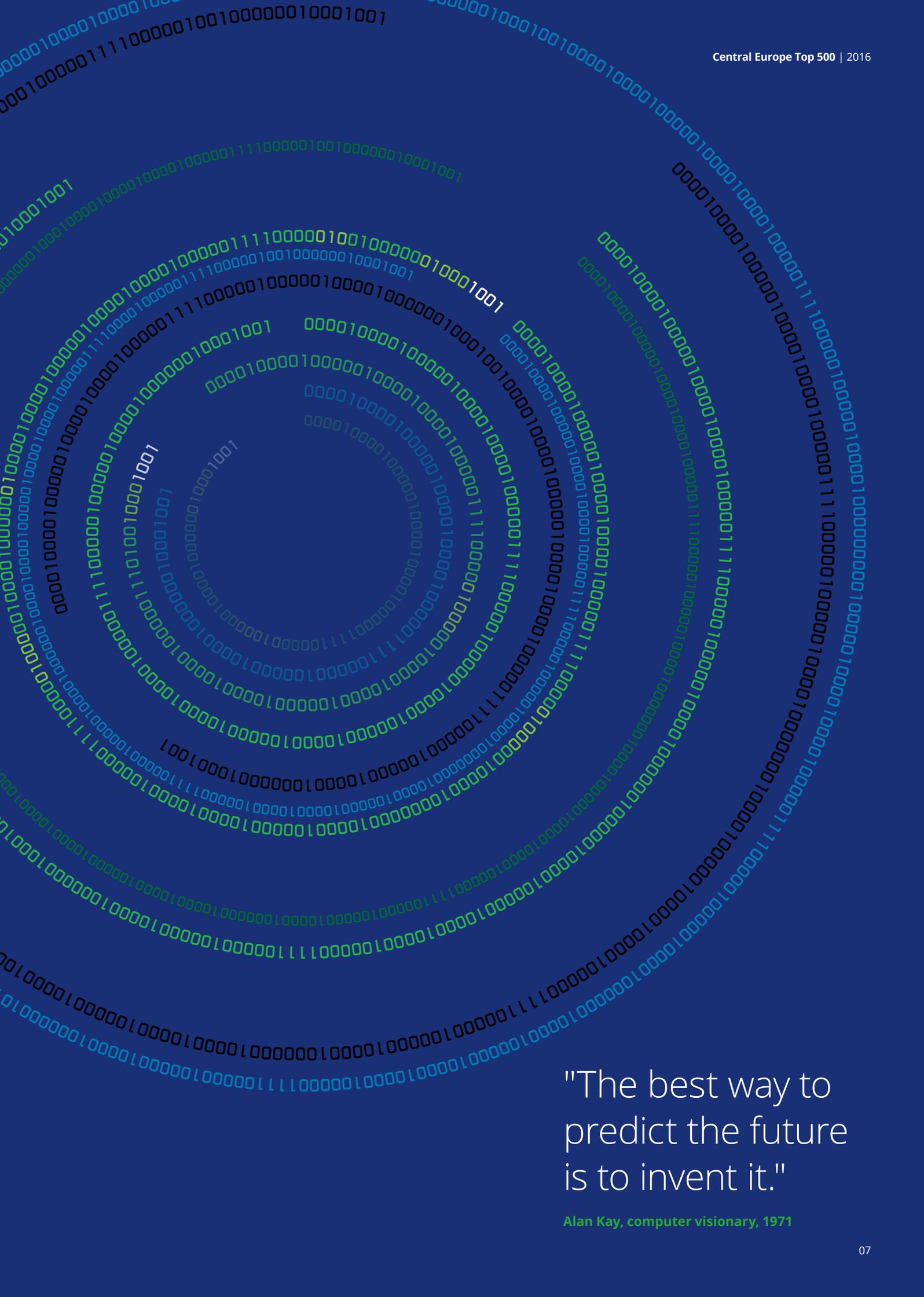
The median revenue of top 500 companies in 2015 increased by 3.5 per cent (versus 0.3 per cent in 2014 and 0.0 per cent in 2013). This increase has been driven by all industries of the economy, except for energy and resources, where the revenue stagnated due to low resource prices.

In the CE Top 500 ranking approximately 67 per cent companies recorded revenue growth while only 52 per cent showed growth in the previous year. The aggregate revenue reported by top 500 companies in the Central European region grew by 1.7 per cent year-on-year. The key three industries represented by the largest companies in the region (energy and resources, consumer business and transportation, and manufacturing) continue to account for over 90 per cent of the revenue generated.

Financial results from the first quarter of 2016 are less optimistic when compared with last year. Even though the enthusiasm is slightly tempered by the macroeconomic forecasts and data released by the International Monetary Fund, which predict a lower GDP growth in seven countries represented in the ranking, it should be emphasized that the first quarter does not necessarily have to be an accurate predictor for the entire 2016 year.

A handwritten signature in black ink that reads "Tomasz Ochymowicz". The signature is written in a cursive, slightly slanted style.

**Tomasz Ochymowicz**  
Partner, Financial Advisory  
Deloitte Central Europe



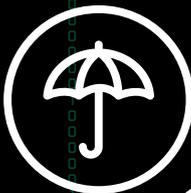
"The best way to predict the future is to invent it."

Alan Kay, computer visionary, 1971

# Key figures

< Median increase in the gross written premiums (GWP) for the region's top 50 insurance companies />

**4.5%**



< Top country by revenue generated: Poland />

**38%**



< Top country by number of companies: Poland />

**182**

**3.5%**

< Median revenue growth />



**333**

< Companies moving up />



**137**

< Companies moving down />



< The minimum revenue for a company to qualify for the CE Top 500 ranking />

**EUR 473 million**



< Top industry by revenue generated: **Energy and Resources** />

**EUR 251 billion**



< Top industry by number of companies: **Consumer Business and Transportation** />

**183**



< Industry with the most significant increase in revenues: **Manufacturing** />

**7.4%**



< Median ROE for the region's **top 50 insurance companies** />

**12.4%**  
(15.1% in 2014)



< Median asset growth for the region's **top 50 banks** />

**5.9%**  
(4.2% in 2014)

< Consolidated revenue />

**EUR 685 billion**

< Median ROE for the region's **top 50 banks** />

**8.5%**  
(8.9% in 2014)



# Ranking overview

## CE businesses driven by economic growth

In 2015 the majority of CE countries saw an increase in the rate of their economic growth, which also translated into higher average revenue of the region's 500 largest businesses. The CE TOP 500 ranking indicates that in 2015 median revenues of analyzed companies (denominated in euros) grew by 3.5 per cent, i.e. faster than in the preceding year (2014), when the increase stood at only 0.3 per cent. The growth rate accelerated in the manufacturing as well as consumer business and transportation industries, while the decline in revenue observed in the energy and resources businesses in 2014 had decelerated. The increase in revenues generated by telecommunication companies reversed the negative trend previously registered in the TMT industry.

In 2015, the countries excelling in the region in terms of their GDP growth were the Czech Republic (up by 4.6 per cent), Romania (3.8 per cent), Poland (3.6 per cent) and Hungary (2.9 per cent). They have exerted a significant and positive impact on the CE TOP 500 2016 ranking and constitute a considerable (74 per cent) share in the total number of businesses included in the ranking.

On the other hand, the economic growth in Lithuania and Croatia was slower (1.6 per cent each). The only country whose economy declined in 2015 was Ukraine, which reported a 9.9 per cent decrease resulting from enduring geopolitical tensions.

The GDP growth was, to a large extent, a result of higher private consumption observed in the largest economies (up by ca. 3 per cent in Poland, Hungary and the Czech Republic and by 5.9 per cent in Romania) and of expanding exports (up by 5.4 to 8.4 per cent for these four economies), supported by a gradual improvement of the economic conditions in the eurozone (where 80 per cent of CE exports are delivered).

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## Stable currencies – but not everywhere

After last year's decline, CE currencies remained stable in 2015. The only exception was the Ukrainian hryvna, which considerably depreciated against the euro, hence a noticeable discrepancy was observed between the growth in revenues denominated in the local currency (up by 25.9 per cent) and the decrease in revenue in euros (down by 17.4 per cent). In the first quarter of 2016, other local currencies (for instance in Poland, Hungary and Romania) also depreciated against the euro, which increased the gap between the ranked companies' average revenue growth in the euro (down by 3.3 per cent) and in local currencies (up by 0.9 per cent).

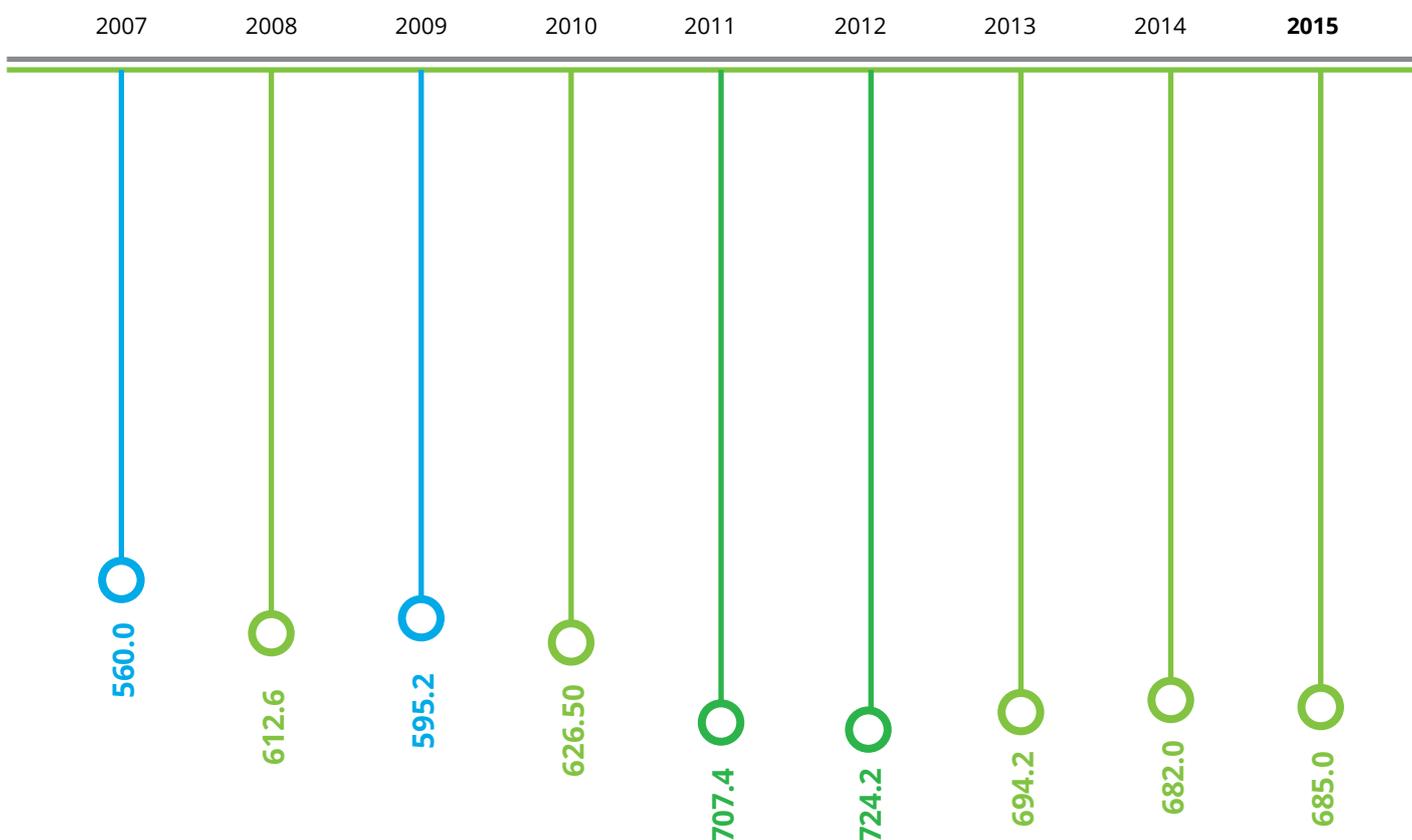
## Mixed economic outlooks in the region

Despite improved revenue reported by the largest businesses in 2015, the current business outlook for the region may slowdown in several economies. The Deloitte Central Europe CFO Survey (conducted in May 2016) reveals that CFOs were moderately optimistic about the economic developments in the region – the proportion of CE companies expecting a rise in their revenue was 63 per cent. However, the risk appetite was

still limited, while geopolitical factors and foreign demand were seen as the major sources of uncertainty.

The outlooks for 2016 predict that the economic situation in a number of countries in the region may deteriorate compared to 2015. Forecasts for 2016 issued by the International Monetary Fund predict a lower GDP growth in seven countries represented in the ranking, e.g. in the Czech Republic (forecasted growth 2.1 p.p. lower than that reported in 2015) and in Hungary (lower by 0.6 p.p.). For Poland, the GDP growth projected by the Ministry of Finance stood at 3.4 per cent, which implies a moderate decline versus the 2015 level. However, the projections for GDP growth are more optimistic for Romania (up by 0.4 p.p.).

## Sum of revenue (in EUR bn)



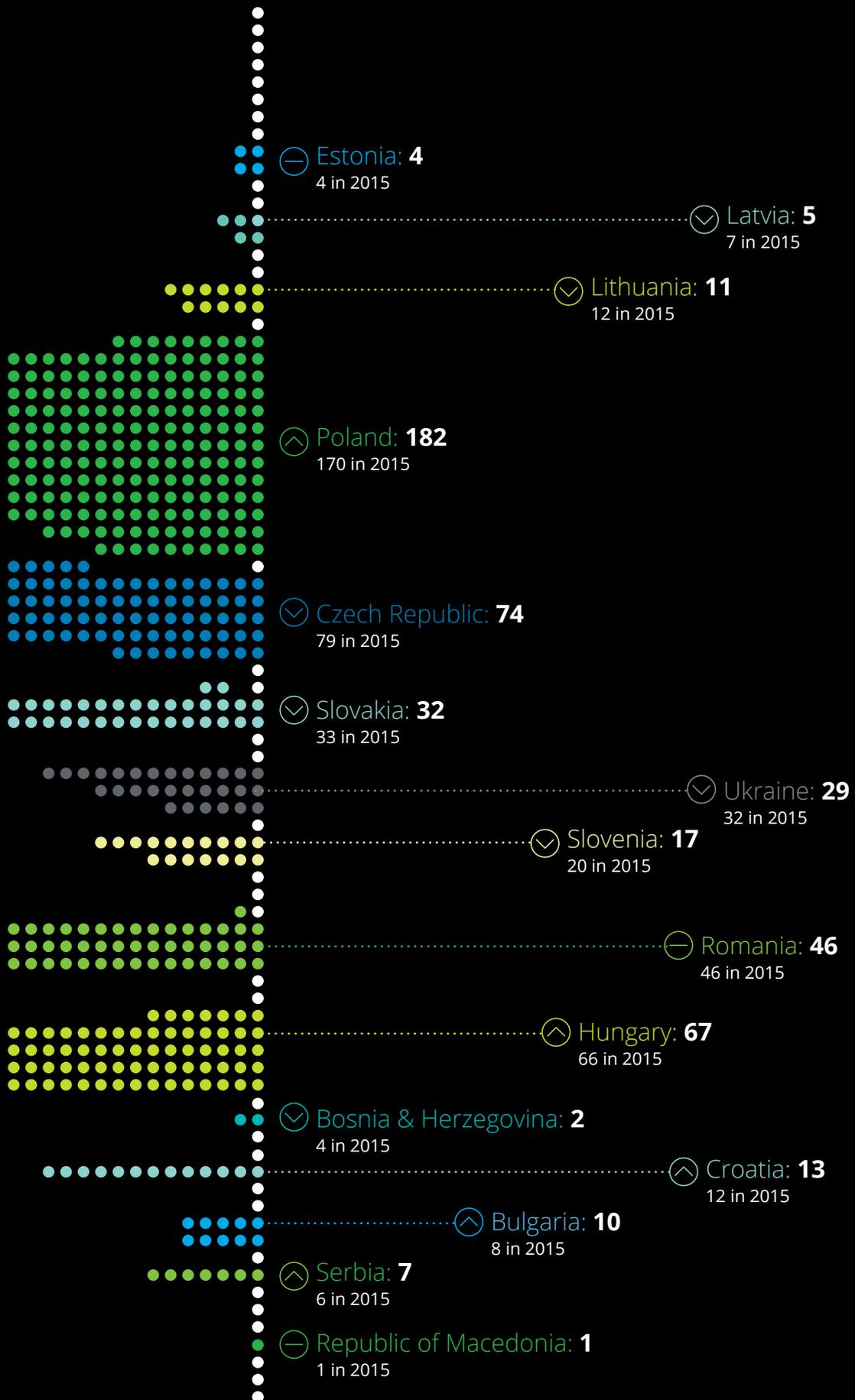
versus 2015) and for Ukraine, which is expected to report a positive growth rate of ca. 1.5 per cent.

Changes in the outlook for Germany, the key trade partner of CE countries, have been demonstrated in the German ZEW Indicator (revealing the sentiments of analysts and institutional investors), which has remained below 20 points since September 2015 and decreased to -6.8 points in July 2016. Poland's manufacturing PMI fluctuated in 2015. After the rebound reported at the beginning of the year, the index dropped to 50.3. Having been deteriorating for several months, in July the index for the Czech Republic decreased below the threshold of 50 points. In Hungary the PMI for the manufacturing industry amounted to 54 points in July.

Considering the overall view emerging from an analysis of this year's ranking one may conclude that 2015 was a good year for the largest Central European companies. The enthusiasm is slightly tempered, though, by the quarterly performance and macroeconomic data. However, it should be emphasized that the first quarter does not necessarily have to be an accurate predictor for the entire year.

Considering the overall view emerging from an analysis of this year's ranking one may conclude that 2015 was a good year for the largest Central European companies.

# Geographical structure of companies



### A good year for most industries

The revenue increase reported in 2015 by the 500 largest businesses analysed in the ranking is a clear sign of the economic revival in Central Europe. The median revenue growth in euros amounted to 3.5 per cent in 2015 (5.2 per cent in local currencies) as compared to the modest growth of 0.3 per cent in the previous year. After the first quarter of 2016 the results were not so optimistic, indicating a 3.3 per cent decrease denominated in the euro (a 0.9 per cent growth in local currencies).

This year's increase in the median revenue for all companies has been driven by all industries of the economy, except for energy and resources, where the revenue stagnated due to low oil prices. The chief contributors to the positive performance were the manufacturing as well as consumer business and transportation industries, which, along with energy companies, were the most numerous group in the ranking. Further analysis of the ranking also indicates the following:

- 66.6 per cent of businesses reported revenue growth in 2015, versus 52 per cent in 2014;
- The data for the first quarter of 2016, however, indicate that the trend has reversed and that most companies reported a decline (61.2 per cent versus 44.8 in 2015);
- The manufacturing industry reported the highest, 7.4 per cent increase in revenue in the euro (9.8 per cent in local currencies), which was driven mainly by the good performance of automotive companies, which saw an average rise in revenue of 12.9 per cent;
- Revenue in the euro in the consumer business and transportation industry went up by 4.1 per cent versus 5.9 per cent in local currencies;
- Five new representatives of the consumer business and transportation industry joined the ranking (at 183 this is the largest group in the ranking);
- After further decreases in oil prices, it was yet another year of declines in revenue for oil and gas companies, which reached -8.1 per cent (and -5.3 per

cent in local currencies). The declines were slightly compensated by improved performance in the energy sector, hence the average revenue in the energy and resources industry remained stable;

- Assets of the 50 largest banks grew on average by 5.9 per cent compared to 2014. Asset growth was reported by 76 per cent of banks in the ranking, while the median return on equity (ROE) decreased slightly from 8.9 per cent in 2014 to 8.5 per cent in 2015;
- The 50 largest insurers in the region recorded an increase in their gross written premiums (GWP), on average by 4.5 per cent, which implies a reversal of the negative trend observed in the previous years. The median return on equity in the insurance industry decreased from 15.1 per cent in 2014 to 12.4 per cent in 2015.

determining the good performance of Hungary. The overall performance of Polish companies was considerably influenced by the automotive sector (a rise by 8.5 per cent) and the consumer goods sector (4.3 per cent). In Romania, a higher revenue generated by retail sector entities (up by 17.8 per cent), which represent 20 per cent of all ranked Romanian companies, was a crucial factor.

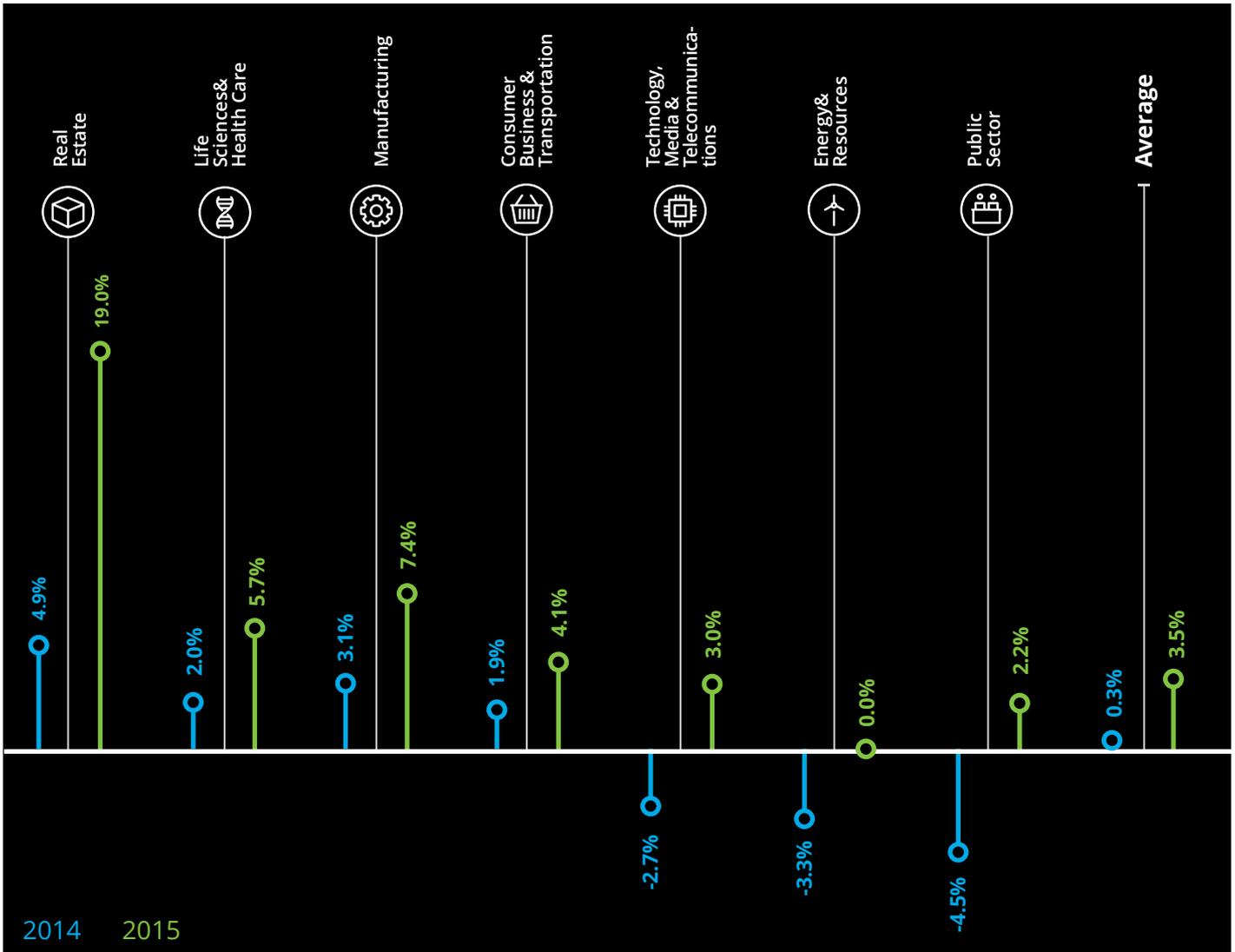
The aggregate revenue reported by top 500 companies in the Central European region totalled EUR 685 billion, i.e. grew by 1.7 per cent year-on-year. The minimum revenue of the company to qualify for the CE TOP 500 (EUR 473 million) was 3 per cent higher than in the previous ranking (EUR 459 million).

**This year's increase in the median revenue for all companies has been driven by all industries of the economy, except for energy and resources, where the revenue stagnated due to low oil prices. The chief contributors to the positive performance were the manufacturing as well as consumer business and transportation industries, which, along with energy companies, were the most numerous group in the ranking.**

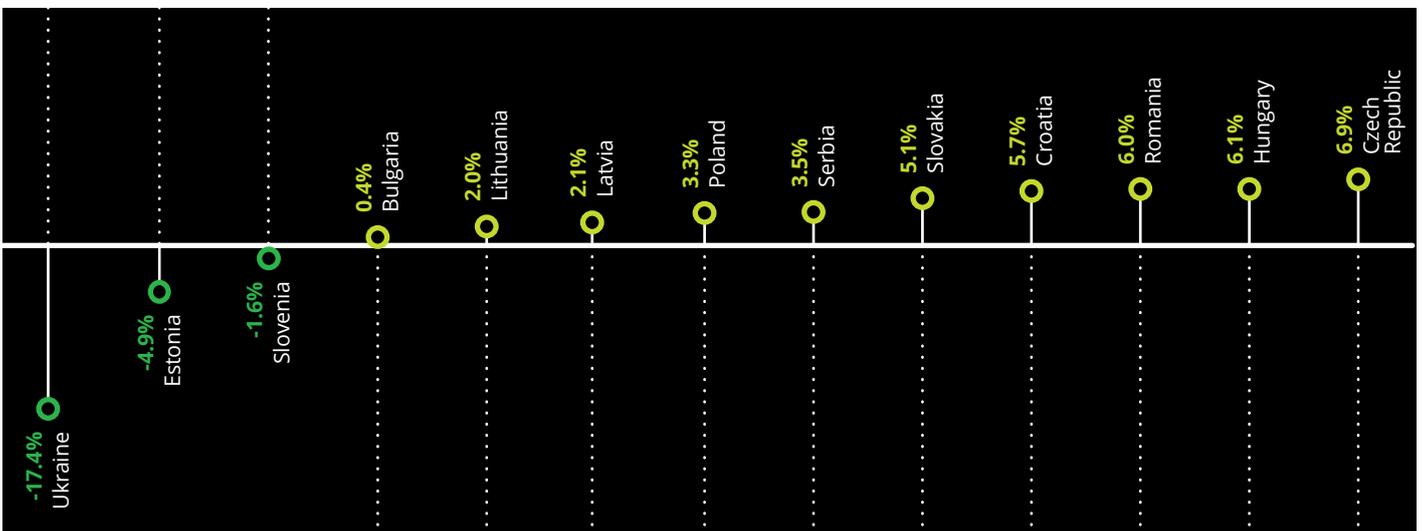
Increases in the four countries of the region most numerous represented in the ranking were largely attributable to two industries, namely the manufacturing as well as the consumer business and transportation industry.

In the Czech Republic, the automotive sector, representing 18 per cent of the country's companies in the ranking, played a key role with a rise in revenue of 19.2 per cent. Hungary also managed to take advantage of the good automotive market conditions. The revenue generated by companies operating on that market experienced a 13.3 per cent growth. A 12.3 per cent rise in the industrial products sector was another factor

Median revenue change by industry



Median revenue change by country



### Revenue growth

In 2015, the revenue measured in euros grew considerably – the median revenue of the largest CE companies improved by 3.5 per cent. In local currencies the change was even more substantial, reaching 5.2 per cent. The data for the first quarter of 2016, however, indicate that the positive trend has reversed. The revenue in local currencies grew moderately, on average by 0.9 per cent, while in euros – it deteriorated by 3.3 per cent on average. This results from local currencies’ depreciation against the euro, visible in particular in Poland, Hungary and Ukraine.

The key three industries represented by the largest companies in the region (energy and resources, consumer business and transportation, and manufacturing) continue to account for over 90 per cent of the revenue generated.

While other major industries experienced growth, the revenue in the energy and resources industry remained constant, which was mainly the result of declining oil prices on the global markets with the average price of USD 51 per barrel\*, i.e. 47.5 per cent less than a year before. Consequently, the median revenue in the oil and gas sector further decreased from -3.7 per cent in 2014 to -8.1 per cent in 2015.

With the largest representation in the ranking (183 companies), the consumer business and transportation industry reported an average revenue growth in euros of 4.1 per cent, thus recovering from a temporary slowdown observed in 2013 and 2014, when the growth was at the level of 1.0 per cent and 1.9 per cent, respectively. The key growth drivers were companies from Romania and Hungary, whose revenue increased on average by 13.8 and 6.2 per cent, respectively. A stable increase in revenue of the largest Polish companies in the industry (3.2 per cent) reflects growing private consumption in

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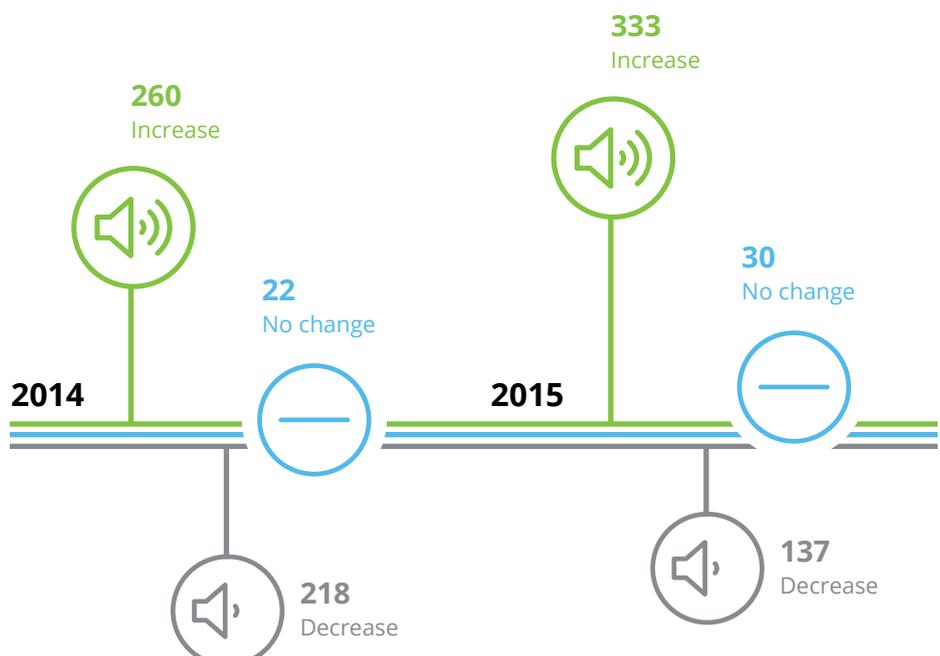
Poland (up by 3.0 per cent year-on-year). To a large extent, the improvement stemmed from good performance of the consumer goods (4.6 per cent) and retail sector (4.9 per cent), which account for 70 per cent of industry companies. Jeronimo Martins remains the undisputed leader in the retail sector. The company further increased its revenue by 9.5 per cent to PLN 9.38 billion and its retail chain has expanded by 80 new discounts.

Considering that the growth in 2013 and 2014 was relatively high (5.8 per cent and 6.5 per cent, respectively), the automotive sector performed even better – compared to last year the median revenue increased by 12.9 per cent, which drove the overall performance of the manufacturing industry (average growth of 7.4 per cent). Significantly, three car manufacturers qualified for the top ten of this year’s

ranking. Škoda Auto maintained third place, while Audi Hungarian Motor and Volkswagen Slovakia advanced to sixth and eight position, respectively.

The highest growth (up by 19 per cent) was reported in the construction industry represented by 8 Polish and Czech companies. It should be emphasized that the industry reported two-digit declines in 2012 and 2013. Life sciences and healthcare likewise experienced an increase in revenue, with a 5.7 per cent median growth in 2015 after three years of growth ranging from 0 to 2.6 per cent.

### Number of companies - revenue increase vs. decrease in 2014 and 2015



\* Source: U.S. Energy Information Administration, average oil price of Brent and WTI

**No changes at the top**

The top five places in the ranking remained unchanged from last year. Despite a considerable decline in revenue (down by 17.2 per cent), PKN Orlen has retained its position of leader, followed by MOL from Hungary (despite a drop in revenue by 15.6 per cent) and Škoda Auto from the Czech Republic (a rise by 6.3 per cent). The fourth and the fifth place went to Jeronimo Martins Poland and Polskie Górnictwo Naftowe i Gazownictwo, respectively. The next two consecutive places were taken by Audi Hungaria Motor, which has moved up by one position in the ranking (a 12.4 per cent revenue growth in euro) and Czech ČEZ (a 6.8 per cent increase). Slovak Volkswagen jumped three places to eighth, thanks to its 17.1 per cent revenue growth. Hungarian GE Infrastructure CEE, soared in the ranking (from sixteenth to ninth place) following its revenue growth of 33.5 per cent, adjusted by the effects of one-off reorganization in the GE Group after the acquisition of Alstom. As in 2014, the tenth place in the ranking of CE largest companies went to Polska Grupa Energetyczna, while Ukrainian Metinvest and Polish Lotos no longer qualified for the top ten.

The Croatian Agrokor is just behind the Top 10, after it moved up from the twenty-second place owing to its acquisition of the Mercator Group.

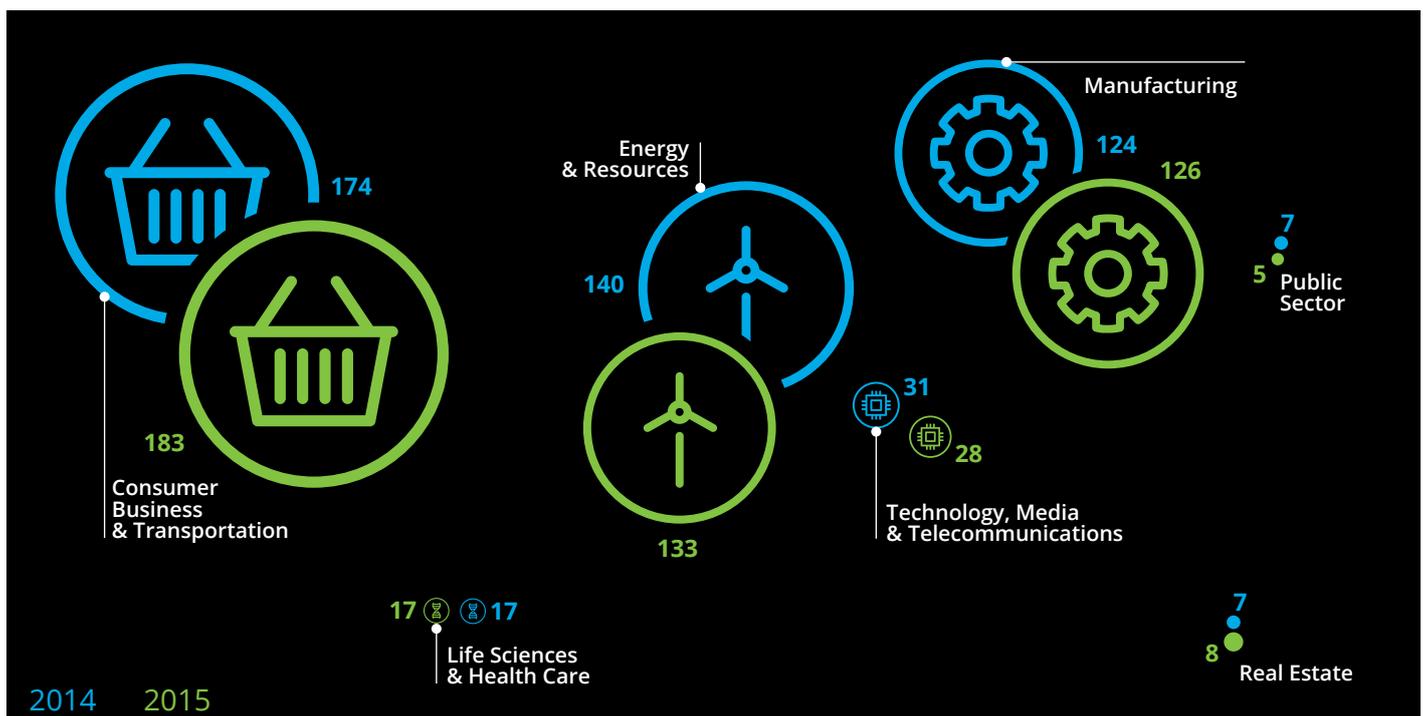
**Stable position of financial industry leaders**

In 2015 the total assets of top CE banks grew to EUR 734 billion, an increase of 5.8 per cent compared to 2.3 per cent in 2014. The median asset growth for analyzed banks improved compared to last year and amounted to 5.9 per cent, with 76 per cent of banks reporting an increase in the asset value.

The largest bank representation in the ranking were Polish institutions (15 banks), followed by Czech banks (8) and Hungarian and Romanian enterprises (6 banks each).

As in the previous year, the top two places were taken by Polish banks: PKO Bank Polski and Bank Pekao, with the former increasing its distance from the runner up having reported a 7.4 per cent asset growth. Czech banks, i.e. Česká Spořitelna and ČSOB came third and fourth, respectively, with the former climbing

**Sector structures of companies**



from the fifth place in 2014 and the latter – from the seventh place. In both cases the asset growth (by 9.1 and 13.3 per cent, respectively) was possible due to record low interest rates, which, along with the economic upturn, fuelled the demand for mortgage and consumer loans. Hungary's OTP Bank came fifth, as its stable asset value did not allow it to secure the third position.

BGŻ BNP Paribas, established after a merger of BGŻ and BNP Paribas, climbed ten spots and came in fourteenth. A significant advance was achieved by Romanian Banca Transilvania after the acquisition of Volksbank Romania (from thirty-second position in 2014 up to twenty-third).

In 2015 median ROE decreased slightly from 8.9 to 8.5 per cent. The downturn is clearly illustrated in the Polish banking industry, where the average ROE dropped from 11.8 per cent to 6.4 per cent due to the adverse impact of bankruptcies in the cooperative banking market, record low interest rates and regulatory changes. An upturn is observed in Hungary, however, where after challenging times, banks' ROE has become positive (5.9 per cent). The condition of Czech banks remained stable with ROE of ca. 11 per cent.

After last years' median decline in the gross written premiums (down by 1.7 per cent), in 2015 insurance companies experienced an increase of 4.5 per cent. The improvement is also visible in the total GWP of the top 50 insurance companies, which grew by 4 per cent versus 1.2 per cent in 2014.

Polish (16) and Czech (10) companies still dominate the insurers' ranking, accounting for 52 per cent of the entire group. Insurers from Poland were clear leaders of this year's ranking. PZU secured its position of leader (a rise in the gross written premiums by 8.8 per cent), ERGO Hestia remained the runner-up (its premium increased by 8.0 per cent), while Warta came in third, having outpaced Czech Česká pojišťovna, which came in fifth and gave way to Kooperativa pojišťovna.

### Summary

The analysis of the CE Top 500 ranking indicates a considerable improvement in 2015 in the condition of the largest companies in the region. It reflects the economic recovery, stemming from growing private consumption and exports, which translate into high GDP growth in the largest economies in the region. The median revenue of top 500 companies increased by 3.5 per cent (versus the sluggish growth of 0.3 per cent in 2014). The chief growth drivers were the manufacturing as well as consumer business and transportation industries, which, along with energy and resources companies, were the most numerous group in the ranking. This year's performance was adversely affected by the energy and resources industry, where the revenue stagnated due to low oil prices.

The analysis of the CE Top 500 ranking indicates a considerable improvement in 2015 in the condition of the largest companies in the region. It reflects the economic recovery, stemming from growing private consumption and exports, which translate into high GDP growth in the largest economies in the region.

Further growth in the number of companies reporting increased revenues (from 260 in 2014 to 333) marks a positive development. The situation in Ukraine, struggling with high inflation and the weak hryvna, stood in contrast to the average revenue growth observed in the majority of countries.

The data for the first quarter of 2016, however, are less optimistic than last year's accomplishments of companies. Nevertheless, it should be emphasized that the first quarter does not necessarily have to be an accurate predictor for the entire year. The enthusiasm is slightly tempered, though, by the macroeconomic forecasts and data. The International Monetary Fund forecasts a lower GDP growth in certain countries, such as the Czech Republic or Hungary. The uncertainty is also visible in the leading economic indices. The German ZEW has remained low since the autumn

of 2015. PMIs for the Polish, Hungarian and Czech manufacturing industries also suggest market uncertainty. The regional growth is continuously slowed by Ukraine, which is still struggling with geopolitical tensions.

## Top companies by market capitalization in 2015 (in EUR million)

Rank	Company	Country	2014-12-31	2015-12-31	2016-07-31	2015-12-31 / 2014-12-31 [EUR]	2016-07-31 / 2015-12-31 [EUR]	2016-07-31 / 2014-12-31 [EUR]
1	ČEZ	Czech Republic	11 385.5	8 781.0	9 033.0	-22.9%	2.9%	-20.7%
2	Bank Pekao	Poland	11 004.2	8 838.3	7 439.4	-19.7%	-15.8%	-32.4%
3	PGNiG	Poland	6 159.8	7 116.3	7 334.5	15.5%	3.1%	19.1%
4	PKO Bank Polski	Poland	10 487.3	8 016.5	6 836.1	-23.6%	-14.7%	-34.8%
5	Komerční banka	Czech Republic	6 457.5	6 918.3	6 650.8	7.1%	-3.9%	3.0%
6	BZ WBK	Poland	8 730.7	6 613.3	6 384.7	-24.3%	-3.5%	-26.9%
7	PKN Orlen	Poland	4 909.0	6 809.8	6 137.6	38.7%	-9.9%	25.0%
8	OTP Bank	Hungary	3 343.9	5 293.4	6 029.1	58.3%	13.9%	80.3%
9	PZU	Poland	9 846.1	6 893.9	5 595.6	-30.0%	-18.8%	-43.2%
10	PGE	Poland	8 286.6	5 611.7	5 499.4	-32.3%	-2.0%	-33.6%
11	MOL	Hungary	2 904.8	3 607.5	4 333.4	24.2%	20.1%	49.2%
12	INA	Croatia	4 764.1	3 865.6	4 013.6	-18.9%	3.8%	-15.8%
13	ING Bank Śląski	Poland	4 270.2	3 576.5	3 961.1	-16.2%	10.8%	-7.2%
14	KGHM	Poland	5 107.6	2 979.7	3 609.9	-41.7%	21.2%	-29.3%
15	Richter Gedeon	Hungary	2 088.1	3 247.2	3 514.3	55.5%	8.2%	68.3%
16	Cyfrowy Polsat	Poland	3 526.1	3 133.6	3 463.8	-11.1%	10.5%	-1.8%
17	OMV Petrom	Romania	5 156.2	3 630.6	3 247.2	-29.6%	-10.6%	-37.0%
18	mbank	Poland	4 933.8	3 113.6	2 948.6	-36.9%	-5.3%	-40.2%
19	O2 Czech Republic	Czech Republic	2 607.1	2 881.2	2 708.8	10.5%	-6.0%	3.9%
20	Citi Handlowy	Poland	3 278.5	2 204.5	2 064.7	-32.8%	-6.3%	-37.0%

### Value by capitalization

The list of ten largest companies by market capitalization this year was once again dominated by financial institutions. Similarly to last year, ČEZ had the highest market capitalization as of the end of July 2016. We noticed a significant drop in position of PZU (from third to ninth position). Once again seven out of the ten largest companies were from Poland and they were listed on the Warsaw Stock Exchange, as well as ČEZ. The capitalization of most companies in the top 10 decreased from January to July 2016, with PZU, Bank Pekao and PKO Bank Polski experiencing largest downturns.

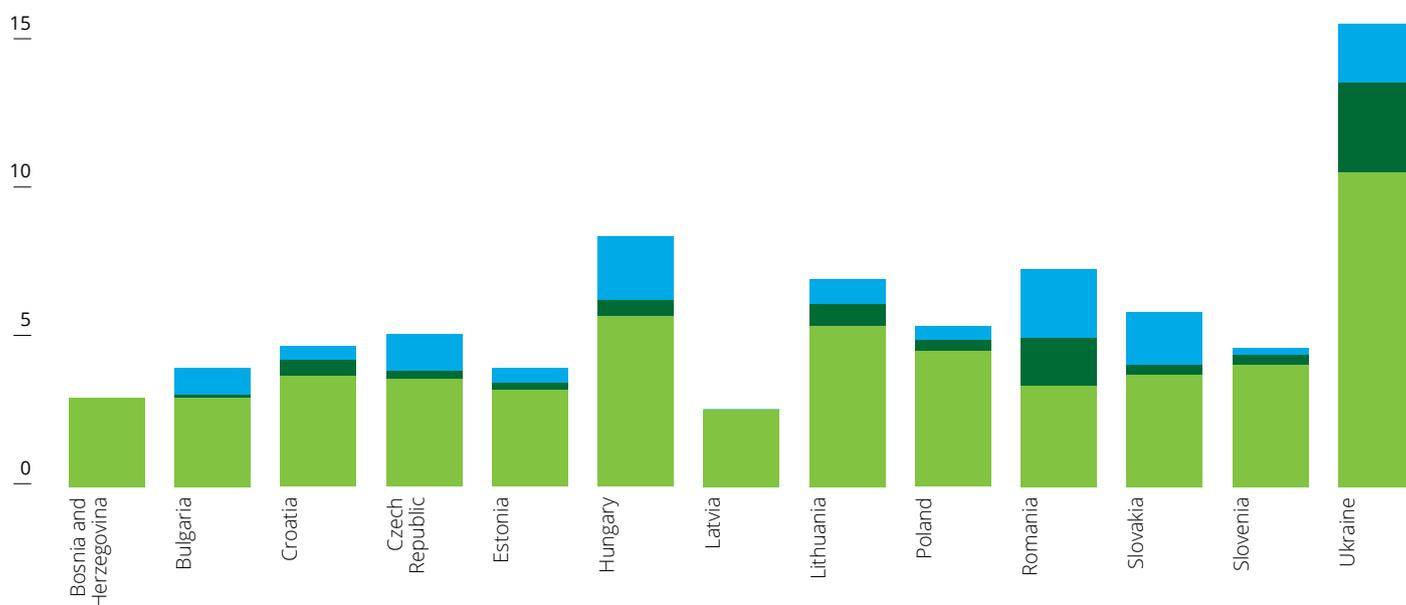
### Company ownership

The number of state controlled companies declined another year in a row. Also those controlled by external parties diminished, mainly driven by the Energy and Resources sector, with a decline by 6 companies.

At the same time, the number of companies under capital control of CE entities expanded by 4, to reach 135. The increase originated mainly from the Consumer Business and Transportation sector, which gained 4 companies.

The increase in CE-owned companies was most noticeable in Poland, where 11 companies were added. Bulgaria and Slovenia, next in rank, recorded an increase by 3 companies in this category. Increase in these countries was offset by decline in Hungarian and Romanian CE-owned companies by 6 and 4 respectively.

## Average of Management Board members by country in 2015



**Average of number of** (end of period) 2015:

● Management Board members ● Woman on the Management Board ● Foreigners on the Management Board

### Management and supervisory boards

This is the fourth time that we have examined the composition of management and supervisory boards in companies in Central Europe, analyzing the number of women and foreigners represented.

In CE's 500 largest enterprises, the average number of Management Board members is 4.41, of which 10.8 per cent are women (down from 14.1 per cent in 2014) and 25.3 per cent are foreigners (compared to 28.7 per cent a year before). There are more members of the supervisory board on average (5.11 people), but they are characterized by a slightly higher proportion of women than on management boards – 13.4 per cent are female (down from 14.8 per cent in 2014). At the same time, the share of foreigners in the supervisory boards was close to that observed for the management boards (25 per cent compared to 29.9 per cent in 2014).

The highest proportion of women on management boards in Central European countries was among Ukrainian companies (28.3 per cent), while in Latvia there were no women recorded and in Bulgaria the share was only 3.3 per cent.

## Breakdown of ownership by country

Status 2015	CE company	External individual	Local company	Local individual	Multinational company (External)	State owned	CE Individual	Total
Albania	-	-	-	-	-	-	-	-
Bosnia and Herzegovina	-	-	-	1	-	1	-	2
Bulgaria	2	-	2	1	3	2	-	10
Croatia	2	-	1	4	2	4	-	13
Czech Republic	3	-	4	12	45	9	1	74
Estonia	-	-	1	-	2	1	-	4
Hungary	3	-	-	2	53	9	-	67
Kosovo	-	-	-	-	-	-	-	-
Latvia	1	-	-	-	3	1	-	5
Lithuania	-	-	-	6	3	2	-	11
Moldova	-	-	-	-	-	-	-	-
Montenegro	-	-	-	-	-	-	-	-
Poland	-	3	21	32	92	34	-	182
Republic of Macedonia	-	-	-	-	1	-	-	1
Romania	2	-	-	2	37	5	-	46
Serbia	1	-	-	-	3	3	-	7
Slovakia	2	-	-	-	25	5	-	32
Slovenia	2	-	7	2	4	2	-	17
Ukraine	-	1	3	15	3	7	-	29
<b>Total</b>	<b>18</b>	<b>4</b>	<b>39</b>	<b>77</b>	<b>276</b>	<b>85</b>	<b>1</b>	<b>500</b>

## Breakdown of ownership by industry

Status 2015	CE company	External individual	Local company	Local individual	Multinational company (External)	State owned	CE Individual	Total
Consumer Business and Transportation	6	4	18	41	99	15	-	183
Energy and Resources	9	-	10	12	43	59	-	133
Life Sciences and Health Care	2	-	2	3	10	-	-	17
Manufacturing	-	-	7	18	96	4	1	126
Public Sector	-	-	-	-	-	5	-	5
Real Estate	1	-	1	-	6	-	-	8
Technology, Media and Telecommunications	-	-	1	3	22	2	-	28
<b>Total</b>	<b>18</b>	<b>4</b>	<b>39</b>	<b>77</b>	<b>276</b>	<b>85</b>	<b>1</b>	<b>500</b>



## Banking

By **András Fülöp**, Deloitte Partner,  
CE Financial Services Leader

### General – balancing the past with the future

Despite some one-off measures, 2015 was probably the best year for the CEE banking sector since the global financial crisis of 2009. Taking a sector-wide perspective, this was the first year in which the differences between the north and south of the region started to decrease, with most of the top 50 banks returning to profitable operation. Although there are still balance-sheet legacies at most banks, management teams are clearly turning away from crisis mode to resume normal operations. They are intensively working to prepare and execute mid-term strategies that reflect the numerous changes underway in the banking industry.

However, “normal” operation in 2016 is very different from what bankers were used to before the crisis, meaning they need to find new directions. The regulatory landscape has changed significantly, with regulators and regulations having a far more important and proactive role to play. In addition, banks are facing an exponentially growing digital challenge. All of this is surrounded by a challenging macro environment, with very low interest margins and the wide availability of funding from non-banking sources.

Banks in the top 50 mostly have sufficient scale to give them a profitability cushion. However, this scale also makes them more vulnerable to rapid technological change and development. Management needs to find the right balance between legacy operating models and systems and new technological developments.

Although smaller banks might have the agility to adapt more quickly to new developments, they are also facing increasing pressure on profitability. In addition, they are under growing pressure to find a new strategy that delivers double-digit returns. Otherwise, the long-awaited sectoral consolidation will finally kick off across the region.

### Continuing deleveraging

Despite the further cleansing of balance sheets that has continued in the southern countries of the CEE region (with the exception of Bulgaria), loan growth remained negative in both the household and corporate segments. The only exceptions are Slovenia (due to the low lending base after the transfer of assets to BAMC in 2014) and Romania. In these countries, lending in the retail segment grew in 2015 by 1.2 per cent and 5.7 per cent respectively.

Among the northern countries, some portfolio-cleaning measures have taken place in Poland, but deleveraging has not been widespread in any of these markets. This is because non-performing loan (NPL) ratios were historically low in the Czech Republic and Slovakia. In addition, these healthier northern CE markets posted stable improvements in lending activity, both in the corporate (averaging 7.7 per cent) and the retail (averaging 8.9 per cent) segments in 2015.

The volume of completed NPL deals exceeded EUR 2.2 billion in 2015. At the time of writing, it has already reached a level of around EUR 3.3 billion during 2016. This has been heavily supported by the markedly improving gap between buyers’ and sellers’ pricing expectations.

### Profitability – digitization as a major operational driver

The difference between the profitability of the northern and southern banking sectors continued to shrink in 2015. Although the costs of risk fell in the Czech Republic and Slovakia, regulatory costs rose in Poland due to the provision of funds to mortgage borrowers and the bankruptcy of SK Bank. These were a primary driver behind a falling average return on equity (ROE) across the northern countries (to 9.4 per cent from 10.7 per cent in 2014). By contrast, there was a significant

## Top 50 Banks in Central Europe in 2015

Based on 2015 assets. All figures are in EUR million

#	Company short name	Country	Assets 2015	Assets change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
1	PKO Bank Polski	Poland	62 639.9	7.4%	633.1	-22.0%	1
2	Bank Pekao	Poland	39 607.1	0.7%	486.3	-36.6%	2
3	⬆️ Česká spořitelna	Czech Republic	35 507.3	9.1%	524.2	-4.2%	5
4	⬆️ ČSOB	Czech Republic	35 386.7	13.3%	513.0	3.8%	7
5	⬇️ OTP Bank	Hungary	34 232.4	-1.7%	204.2	161.9%	3
6	⬇️ Komerční banka	Czech Republic	32 990.0	-4.1%	481.6	-0.5%	4
7	⬇️ BZ WBK	Poland	32 783.9	3.9%	565.2	3.3%	6
8	mbank	Poland	28 985.8	4.7%	283.7	-21.8%	8
9	ING Bank Śląski	Poland	25 552.8	9.1%	177.6	-69.0%	9
10	UniCredit Bank Czech Republic and Slovakia	Czech Republic	21 102.1	15.0%	206.8	16.0%	10
11	⬆️ ZABA	Croatia	16 765.4	6.9%	-10.2	-106.7%	12
12	⬇️ Getin Noble Bank	Poland	16 603.7	2.9%	23.4	-70.5%	11
13	Bank Millennium	Poland	15 542.7	9.1%	161.9	1.4%	13
14	⬆️ BGŻ BNP Paribas	Poland	15 340.2	61.5%	-10.9	-115.1%	24
15	⬇️ Raiffeisen Polbank	Poland	14 526.6	5.6%	44.5	-44.7%	14
16	Slovenská sporiteľňa	Slovakia	13 951.1	7.8%	185.1	1.6%	16
17	⬇️ BCR	Romania	13 782.7	0.2%	207.7	133.0%	15
18	⬆️ VÚB	Slovakia	12 625.5	7.9%	159.3	19.8%	20
19	⬇️ NLB Group	Slovenia	11 821.6	-0.7%	82.5	-16.2%	18
20	⬆️ Citi Handlowy	Poland	11 617.2	-0.7%	98.2	-60.4%	21
21	⬆️ Tatra banka	Slovakia	11 215.1	15.8%	137.2	19.2%	23
22	BRD	Romania	11 091.8	7.9%	105.2		22
23	⬆️ Banca Transilvania	Romania	10 515.9	31.7%	551.3		32
24	⬇️ PrivatBank	Ukraine	10 484.4	-12.0%	11.3	-26.9%	19
25	PBZ	Croatia	10 271.5	0.5%	60.8	-54.4%	25
26	⬇️ BGK	Poland	10 188.7	-15.2%	86.7	-16.5%	17
27	⬇️ Swedbank Estonia	Estonia	9 690.0	4.0%	86.7	-53.9%	26
28	⬆️ Unicredit Bulbank	Bulgaria	9 652.6	18.1%	173.9	19.3%	30
29	⬆️ Alior Bank	Poland	9 387.1	32.6%	72.4	-15.9%	37
30	⬇️ Raiffeisenbank	Czech Republic	9 250.5	10.8%	103.2	40.3%	29
31	⬇️ Erste Croatia	Croatia	8 936.6	-1.9%	-97.8		27
32	⬇️ DB Polska	Poland	8 913.4	4.7%	37.8	-42.9%	28
33	⬇️ Hypoteční banka	Czech Republic	8 739.9	9.0%	109.6	-1.9%	31
34	⬆️ UniCredit Hungary	Hungary	8 653.2	21.9%	125.1	141.7%	36
35	⬇️ K&H Bank	Hungary	8 249.1	6.3%	122.4		33
36	⬆️ ČSOB Slovakia	Slovakia	7 765.7	14.2%	80.8	9.2%	38
37	⬇️ Unicredit Romania	Romania	7 640.1	5.8%	60.7	87.4%	35
38	⬇️ Bank BPH	Poland	7 354.2	-0.8%	-237.4		34
39	⬆️ Raiffeisen Bank Romania	Romania	6 959.2	8.3%	95.9	-16.8%	42
40	⬇️ SEB bankas	Lithuania	6 865.0	1.7%	58.8	-18.8%	39
41	⬆️ Swedbank Lithuania	Lithuania	6 667.6	6.0%	85.3	-21.0%	44
42	⬆️ CA Bank Polska	Poland	6 521.9	9.8%	44.2	-30.1%	49
43	⬇️ Raiffeisen Bank	Hungary	6 278.1	-5.3%	33.2	108.7%	40
44	⬆️ MKB	Hungary	6 240.7	1.1%	-247.0	48.4%	46
45	⬆️ Erste Bank Hungary	Hungary	6 145.1	2.5%	-71.2	78.3%	47
46	⬇️ CEC Bank	Romania	6 079.7	-2.6%	2.5	42.2%	45
47	⬇️ Oschadbank	Ukraine	6 067.0	-6.1%	-502.6	19.6%	41
48	DSK bank	Bulgaria	5 759.3	11.5%	166.1	33.1%	N/A
49	J & T Banka	Czech Republic	5 733.6	18.8%	68.8	41.2%	N/A
50	⬇️ Českomoravská stavební spořitelna	Czech Republic	5 669.4	-4.7%	40.5	-3.8%	48

⬆️ Up ⬇️ Down

● Formed as a result of the merger between BGŻ and BNP Paribas

improvement in average ROE in the southern markets (which rose to 3.1 per cent from -6.2 per cent in 2014). This was mainly driven by the recovery in Hungary following one-off losses caused by the FX loan-conversion scheme and a one-off gain in Romania resulting from the M&A-related revaluation of Banca Transilvania.

When defending their profitability, banks are faced with several market drivers that are putting pressure on their bottom-line results. These include low interest rates, regulatory limitations and obstacles including bank taxes and FX debt reliefs. While most banks have already undertaken traditional cost-cutting measures, very few have actually touched their business models or even their internal processes. Further steps toward reducing the cost base will cause them to do so.

Digitalization and the corresponding automation are key levers of further cost-base reductions, even by as much as 30-40 per cent over the long term. However, banks needing to face up to the challenges of reshaping their business models also need to fund these major digital transformation projects accordingly. As a part of their digitalization and automation programs, banks can also direct customers to digital channels, so reducing HR resources and automating some key processes. In addition, these channels are backed by new IT systems that eradicate the need for the costly support of existing infrastructures.

Rapidly advancing technologies, evolving customer expectations and a changing regulatory landscape are opening doors to disruptive innovation in financial services. Although the level of disruption is still low in key areas such as investments, payments and lending, disruptive new entrants have already captured sizeable market share in areas like payments and online FX exchange.

In the future, competition will consolidate even more tightly around the traditional banking sector, while it will continue to be dispersed for those tech companies that provide financial services. It is highly probable that banks will in future choose "coopetition" (collaboration between business competitors) strategies to integrate the value chain for end customers who will be looking for an omnichannel experience built on mobile devices with a modified role for traditional branches.

#### **M&A**

Following the crisis, there was a strong expectation that bank consolidation would speed up in CEE and create a healthier banking structure. This is happening much more slowly than expected, the first wave has seen when larger global financial groups revisited their geographical footprints and decided to leave CEE.

Due to very low pricing, mainly arising from legacy balance-sheet issues, this first wave started only with smaller operations. It was only in 2015 that the first larger transactions was launched, with Citi Group and GE Money beginning the divestment of their larger and more profitable franchises.

The next wave is expected to be driven by Western European banking groups, with the likes of Unicredit and RBI showing some intention to increase their group capital buffer by disposing of one of their Central European subsidiaries. This is the result of very recent Europe-wide stress tests and the requisite follow-up actions.

Balance sheet uncertainty (the major obstacle preventing an M&A transaction from taking place) is decreasing, and the pressure to grow revenues is fueling an increasing appetite to buy from current players. However, pricing has not yet reached the level which would trigger sellers to sell, particularly because there is an expectation that values will increase.

The only potential exception is Poland, where current pricing is expected to have less upside than in any other market. This is motivating UniCredit and RBI to seek to improve their capital positions by selling their Polish operations.

Our expectation is that the third wave of transactions will be driven by second-tier banks that might be seeking to exit less profitable areas and markets. This is because their lack of scale is making it hard to survive the current low-margin, high-cost environment. Also, they are short of the resources needed to fund the major digital transformation projects that could reduce their operating costs.



## Consumer Goods

By **Magdalena Jończak**, Deloitte Partner, Strategy & Operations

Cooperation: **Mariusz Chmurzyński**, Director, Deloitte Poland

**Marcin Łapiński**, Manager, Deloitte Poland

The Consumer Business sector in Central Europe is facing the beginning of digital transition and is seeking to meet consumers' growing expectations regarding the quality of experience. Concerns are no longer only about decreasing categories and squeezed margins. We often hear about "the new digital divide" – the gap between consumers' digital behaviors and a company's ability to deliver against their expectations. Consumer businesses that manage to close this gap in a sustainable way will succeed.

### Company performance

In this year's ranking, retailers and distributors continue to play the key role in the sector, accounting for 14 of the top 20 companies. All of these improved or maintained their position compared to the previous year, except for Carrefour Poland. Carrefour faced significant reorganization in 2015, including store modernization, an improved trade offer and the launch of new CSR projects.

Retailers also started to explore the digital world. Moving beyond simple leaflet communication, Lidl's mobile app allows shoppers to choose a recipe and then go to the store to get all the ingredients. Kaufland's app finds the closest store immediately after opening, while Biedronka has further enhanced the recipe option by creating a shopping list and ticking off products that have already been purchased. Even traditional distributors like Eurocash have their own apps enabling store owners to log in and check current offers and availability.

But this is clearly just the beginning. Compared to global best practice, there is still much to be done. Take the example of the UK's John Lewis, which enables customers to make a 3D print of the furniture they want, uses beacons to help navigation and reduces waiting time at the counter by triggering a pre-ordered product to be prepared for collection when the customer enters the store.

### Preparing for the digital era

Looking at the above examples from a manufacturer's and retailer's perspective, it is clear that the latter were somehow "forced" to start the race earlier as the first point of contact for consumers seeking products via digital channels. But manufacturers have also taken up the gauntlet and started to explore digital – or at least they are aware they have to start thinking about it. And it is only a matter of time before they start placing pressure on retailers through their own digital platforms enabling direct customer communication and sales.

The trend is clearly reflected in recent surveys showing that 70 per cent to 90 per cent of industry players are expecting to spend significantly more on digital in years to come. Nevertheless, prior to inviting digital to your company's party, it is worth checking first that the party is properly organized. Digital itself is not designed to bring structure to chaos. On the contrary, it will most likely make things even worse by adding new dimensions of complexity. Companies without embedded Revenue Management and Shopper Marketing processes (from strategy to post-evaluation) will face great turbulence when trying to assess effectiveness and plan proper investments across all touchpoints – turbulence that will lead to financial losses.

Leading businesses have already started to invest in Revenue Management and have embraced the key role of shopper insight. But, using the example of Promotional Management, there are still many companies that are not optimally leveraging the potential of the data they possess or could possess. There is still much money being left on the table due to the low adoption of advanced data analytics focusing on more granular changes in shopper behavior in reaction to a promotional event.

## Top 50 in Consumer Business &amp; Transportation within Central Europe 2015

All revenue and net income figures are in EUR million

#	TOP 500	LY	Company short name	Country	Revenues from sales 2015	Revenues change % 2015-2014	Revenues from sales Q1'2016	Revenues change % Q1'16-Q1'15	Net income 2015	Net Income 2015-2014
1	4	4	Jeronimo Martins Polska	Poland	9 380.2	9.5%	2 322.6	4.3%		
2	11	22	Agrokor	Croatia	6 434.5	40.5%	1 392.5	0.1%	130.8	
3	18	27	Eurocash	Poland	4 855.3	19.9%	1 093.7	-1.5%	55.9	34.8%
4	36	42	VP	Lithuania	3 171.0	3.8%			102.0	22.9%
5	40	48	Lidl Polska	Poland	2 987.0	8.8%				
6	43	43	Samsung Electronics Slovakia	Slovakia	2 770.7	-9.1%			86.8	-15.1%
7	44	54	PKP	Poland	2 732.4	9.0%			-24.6	-122.4%
8	45	NM	Metro Group	Poland	2 690.7	-5.2%				
9	46	49	Tesco Polska	Poland	2 676.4	0.1%				
10	48	50	Mercator Group	Slovenia	2 612.4	-1.6%	604.9	-3.8%	12.8	113.8%
11	54	NM	Ukrzaliznytsia	Ukraine	2 462.7	-20.2%			-687.4	28.7%
12	55	61	Samsung Electronics Hungary	Hungary	2 452.4	7.8%			77.2	-0.1%
13	62	78	Auchan Polska	Poland	2 310.0	25.7%				
14	64	74	Kaufland Polska	Poland	2 147.3	8.5%			28.5	147.7%
15	66	65	Carrefour Polska	Poland	2 125.6	0.2%				
16	70	81	Kaufland Romania	Romania	2 066.1	14.6%			146.1	58.3%
17	72	75	Kaufland Česká republika	Czech Republic	2 025.2	8.5%			78.0	34.8%
18	74	86	PPHU Specjał	Poland	2 018.7	16.0%			2.7	27.9%
19	76	76	TESCO-GLOBAL Áruházak	Hungary	1 971.1	1.6%			-219.9	-58.0%
20	78	89	Kernel	Ukraine	1 949.1	13.3%	343.5	-20.5%	79.9	
21	88	119	Ahold Czech Republic	Czech Republic	1 739.0	14.3%				
22	91	98	Konzum	Croatia	1 711.4	7.0%			18.1	13.8%
23	92	90	Makro Cash and Carry Polska	Poland	1 697.2	-0.7%			-31.8	-131.9%
24	95	73	Fozzy Group	Ukraine	1 661.9	-16.7%	369.7	-3.3%	-83.3	-2.8%
25	98	103	BAT (Romania)	Romania	1 655.6	6.3%			98.2	22.2%
26	99	123	AB	Poland	1 623.3	18.1%	391.8	-3.9%	16.1	55.5%
27	101	68	ATB Market	Ukraine	1 581.2	-21.9%	365.6	9.1%	96.7	
28	102	72	Tedis Ukraine	Ukraine	1 545.1	-22.7%	279.5	-7.5%		
29	109	94	Tesco Stores ČR	Czech Republic	1 531.5	2.2%			-143.8	-0.1%
30	111	108	Maxima LT	Lithuania	1 524.4	2.0%				
31	112	139	Rossmann	Poland	1 486.2	14.7%				
32	117	122	Samsung Electronics Polska	Poland	1 429.0	3.0%				
33	122	114	PS Mercator	Slovenia	1 403.5	-3.6%	328.4	-4.5%	-8.2	94.1%
34	123	138	Grupa Muszkieterów	Poland	1 400.3	8.0%				
35	126	144	Żabka Polska	Poland	1 374.0	15.1%				
36	129	134	Castorama Polska	Poland	1 350.1	3.2%				
37	131	140	SPAR Magyarország	Hungary	1 338.2	3.4%			23.4	139.2%
38	132	126	Tesco Stores SR	Slovakia	1 338.1	-2.4%			-44.3	
39	136	143	WIZZ Air Hungary	Hungary	1 306.7	28.4%			196.6	85.1%
40	141	136	Action	Poland	1 269.4	-2.3%	250.1	-26.0%	6.2	-59.1%
41	143	195	Roglić Group	Croatia	1 253.5	25.2%			16.6	87.8%
42	147	165	LPP	Poland	1 226.0	7.7%	269.7	11.6%	73.3	1.9%
43	148	146	Gorenje Group	Slovenia	1 225.0	-2.3%	285.5	6.5%	-10.9	-8.4%
44	152	151	České dráhy	Czech Republic	1 213.2	1.2%			-50.4	
45	154	160	LG Electronics Mława	Poland	1 209.6	5.7%			56.6	
46	161	150	PKP PLK	Poland	1 169.0	-2.7%			-66.0	-140.3%
47	163	159	LG Electronics Wrocław	Poland	1 162.6	1.5%				
48	164	131	ABC Data	Poland	1 160.5	-12.8%	237.9	-26.7%	12.3	87.5%
49	165	183	Carrefour Romania	Romania	1 159.8	12.8%			28.8	7.0%
50	166	185	BSH Poland	Poland	1 147.0	12.1%				

Some retailers run promotions on irrelevant or inelastic assortment groups, while many manufacturers invest disproportionately to get promotional shelf-space, and then do not invest sufficient time and resources on post-evaluation to understand the scale and nature of any uplift. Both parties are then subsequently tempted to repeat these sub-optimal solutions simply to stabilize the level of “business” that is generated. As a result, consumers can “crack the system” and adapt their shopping patterns, actively seeking promotions and refusing to buy outside offer periods.

Undertaking a thorough analysis of consumer/shopper-facing promotional activities to exactly understand their effectiveness and ROI will be crucial to gain the full benefit of digital, as a similar approach is needed to most effectively use the tools and enablers of the digital era. Genuine incremental gains can only be achieved by increasing the effectiveness of specific promotional periods without increasing the number or duration of these periods. Market players seeking such effectiveness will be motivated to innovate the way they conduct promotions, including through the use of digital solutions as they open up new opportunities to create tailor-made offers. Consumers already expect this. But before companies are ready to take that step, they first need to carefully check the fundamentals and find out how embedded this knowledge is in the organization. Only then we can expect implementation of the full potential of digital to boost already fine-tuned mechanisms.

The same conclusions are relevant for all other key business areas, such as innovation, assortment optimization and pricing strategy. Marketing and Revenue Management solutions based on active shopper insight are delivering the edge for today's leaders in growth and profitability. Deploying cutting-edge digital solutions to analyze behaviors and generate insights into today's omni-channel shoppers will position them to further outperform their less sophisticated peers.

Moreover, having created synergy between digital and their Revenue Management processes, these companies will be able to create incremental effectiveness and build partner relationships with each other, using these assets as a communications “bridge” that replaces interminable trade terms negotiations. And this kind of synergy will surely be a driver of the position achieved by consumer businesses in future rankings (and much more).



## Energy and Resources

By **Farrukh Khan**, Deloitte Partner,  
CE Energy & Resources Leader

Energy companies represent a significant proportion of the top 500 this year, with 134 making it into the ranking (2014: 140). Highlighting the challenges Energy and Resources (E&R) companies are facing in terms of flat or reduced demand and still pressurized commodity prices, 53 per cent of the companies experienced a downward revision of their ranking in the CE 500 compared with 2014. Oil & Gas companies faced the most significant revenue decrease because of a significant hit on commodity prices and the absence of a major change in demand.

In recent years, energy companies have faced numerous challenges such as:

- falling commodity prices,
- the need to meet EU Third Package energy targets,
- the impact of new technologies,
- driving digitalization,
- unprecedented international mobilization to implement policies preventing global warming.

The United Nations COP 21 meeting on climate change in December 2015 was one of the most important events of the year for the E&R sector. The Paris Agreement, signed by the participating countries, stressed the importance for the future of mankind of holding the increase in the global average temperature to well below 2° Celsius more than pre-industrial levels (and even to pursue efforts to limit this restriction to 1.5° Celsius).

### Overview of the E&R industry in Romania

Romania is in the throes of defining its energy strategy, which is expected to be finalized toward the last quarter of 2016. Overall, Romania benefits from a good energy mix and is one of the region's largest producers of oil and gas. In light of the challenging economics within the upstream Oil & Gas sector, the continued Black Sea exploration is providing a positive outlook. The European Commission's

approval of funding for the Bulgaria, Romania, Hungary and Austria gas pipeline project (also known as BRUA), which will be undertaken by the national gas transmission company Transgaz S.A., is one of the key investments that will help bring Romania into a larger gas market as well as an important step in building the European gas market.

Energy efficiency could be a solution for the multiple problems facing the Energy sector, including:

- energy security (considering Romania as part of the larger pool of central European countries),
- decarbonization,
- pollution reduction,
- protection of vulnerable consumers,
- increases in energy demand etc.

Accordingly, energy efficiency is one of the key elements of the EU's energy policy and one of Romania's declared fundamental strategic objectives. It is expected to have significant impact on the business and investment strategies of the E&R companies in Central European countries including Romania. The energy efficiency measures that Romania has implemented to date, supported by decreased consumption following the post-crisis economic downturn and some natural and structural adjustments of the Romanian economy, will help Romania to meet its energy efficiency targets by 2020. We also note the current drive around smart metering and renovating buildings, where Romania has taken more positive steps than other EU member states; this has the potential for Romania to exceed its targets, as long as the focus continues and adequate measures are taken.

The dynamics of Romania's overall consumption and production of gas and electricity, as reported by the national energy regulatory body, were in line with the following trends:

- a slight increase (0.7 per cent) in gas production and overall decrease in consumption of 4 per cent,
- an increase in electricity production of 1.6 per cent and in consumption of 2.8 per cent.

The key event expected within the electricity generation sector is the proposed listing of Hidroelectrica S.A., the country's leading producer of hydroelectric power.

The company maintained its position at the head of the power-generation market, accounting for 24.6 per cent of the power generated in Romania in 2015.

Romgaz S.A. and OMV Petrom S.A. both experienced declining revenues due to the fall in commodity prices. The economy experienced reduced demand and overall imports remained below 5 per cent in 2015.

Electrica S.A. and GDF Suez Energy Romania both reported an increase in their distribution and supply businesses. However, both companies have experienced challenges in their bottom line results.

### Overview of the E&R industry in Poland

There were several changes in the Polish energy sector during 2015, including the creation of the new Ministry of Energy and the restructuring of the mining sector which involved:

- the setting up of the Polish Mining Group,
- a 10,000 decrease in the number of people employed in the sector,
- two major acquisitions (of LW Bogdanka by the ENEA Group and of Brzeszcz by Tauron Group).

Power demand increased by 3 per cent over 2014. Power generation capacity increased by around 0.5 TWh as Orlen launched its own gas heat and power plant. In the first half of 2016, hard bituminous coal power plants produced 5 per cent more electricity than in the prior period (a trend which is likely to continue). Due to the closure of several power blocks over recent years, the production of electricity from lignite decreased by 10 per cent year-on-year. However, the modernization in 2015 of blocks 9 and 10 of 40 MW of the Bełchatów Power Plant could drive an increase in lignite-based power generation in the near future.

The total generation capacity of wind farms increased by 40 per cent compared with the previous year. However, new legal requirements adopted in 2016 impose restrictions on the location of new wind farms, which might cause slower growth in wind-farm capacity in the foreseeable future.

Poland continued to be a net importer of gas and crude oil in 2015, taking advantage of low market prices. The LNG terminal in Świnoujście was opened in 2015, which could provide an opportunity for the diversification of Poland's gas supply by enabling the regasification each year of up to 5 billion m<sup>3</sup> of natural gas. This is almost equivalent to the current annual gas production of Poland. There are plans to expand Świnoujście's LNG terminal by 2.5 billion m<sup>3</sup> and to gain access to gas deposits in the North Sea via the planned Baltic Pipe (with its estimated throughput of about 1-5 million m<sup>3</sup> of gas a year). In addition, Gaz-System and TGE signed a letter of intent in 2015 to create a gas hub in Poland.

### Overview of the E&R industry in the Czech Republic

The Czech energy sector is currently facing intensive debate around various topics. The coal-mining limits for lignite are a complex issue, the hard coal industry is facing economic difficulties and possible additional nuclear power plant capacities are still under discussion. The renewables sector has also experienced turbulent times as the government tries to complete the notification of support with the European Commission, which has been economically misused in the past.

The consumption of electricity and gas in 2015 increased by 2 per cent and 5 per cent respectively compared to the prior year. The Czech Republic is dependent on gas imports, and power generation decreased by 2 per cent in 2015.

Energy efficiency is slowly becoming a very important issue in the Czech energy landscape. However, the Czech Republic is far from meeting its interim efficiency targets under Article 7 of the Energy Efficiency Directive, and it is very likely that the 2020 targets will not be met. Government has increased its efforts to remedy the situation, but the deficiencies are systemic and complex improvements to efficiency policy are required. Implementation of 2030 targets should also enter the debate soon, but for now this seems like a distant policy choice. Quick fixes seem more likely than a strategic approach.

The Dukovany nuclear power plant has been facing issues, with the outsourced inspection of welds inside the plant being required for its long-term permit to operate. As a result, ČEZ had to considerably prolong the shutdown duration of two blocks, meaning an estimated reduction in electricity production of 1.5 TWh. ČEZ will have to carry out corrective measures on all four units and has decided to fully overhaul

## Top 50 in Energy &amp; Resources within Central Europe 2015

All revenue and net income figures are in EUR million

#	TOP 500	LY	Company short name	Country	Revenues from sales 2015	Revenues change % 2015-2014	Revenues from sales Q1'2016	Revenues change % Q1'16-Q1'15	Net income 2015	Net Income 2015-2014
1	1	1	PKN Orlen	Poland	21 108.9	-17.2%	3 722.0	-22.8%	1 090.4	170.3%
2	2	2	MOL	Hungary	13 263.1	-15.6%	2 238.5	-26.1%	-1 050.5	
3	5	5	PGNiG	Poland	8 713.5	6.4%	2 520.7	-16.3%	422.7	-31.9%
4	↑ 7	8	ČEZ	Czech Republic	7 579.2	6.8%	1 918.5	-0.2%	753.5	-7.5%
5	10	10	PGE	Poland	6 820.5	1.5%	1 637.5	-10.1%	-713.3	-191.3%
6	↓ 14	9	Lotos	Poland	5 426.7	-20.2%	903.6	-26.9%	-130.2	71.3%
7	↑ 15	17	Naftogaz of Ukraine	Ukraine	5 375.8	6.7%				
8	↓ 16	15	RWE Supply & Trading CZ	Czech Republic	5 207.7	-1.8%			-170.0	
9	↓ 19	18	KGHM	Poland	4 781.2	-2.3%	898.1	-21.2%	-1 033.0	
10	↑ 22	34	Energetický a průmyslový holding	Czech Republic	4 573.8	24.9%			838.7	69.8%
11	↓ 23	14	Energorynok	Ukraine	4 481.1	-20.7%	1 058.8	-2.9%	68.5	
12	24	24	Tauron	Poland	4 391.0	-1.0%	1 066.8	-7.6%	-402.0	
13	↑ 26	32	MVM	Hungary	4 094.4	6.1%			47.6	
14	↓ 27	19	OMV Petrom	Romania	4 086.6	-15.8%			-153.8	-133.6%
15	↓ 28	23	Unipetrol	Czech Republic	3 993.8	-11.4%	653.9	-24.8%	258.0	
16	↓ 29	13	DTEK	Ukraine	3 906.5	-32.9%			-1 715.8	-39.8%
17	↓ 30	28	Petrol Group	Slovenia	3 816.9	-4.9%	827.0	-6.4%	66.3	12.1%
18	↓ 31	20	Orlen Lietuva	Lithuania	3 728.1	-19.9%	602.0	-22.4%	212.6	129.3%
19	↓ 32	29	Slovnaft	Slovakia	3 558.0	-11.3%			213.8	
20	↓ 33	30	Lotos Paliwa	Poland	3 544.2	-10.7%			18.0	77.2%
21	37	37	Alpiq Energy	Czech Republic	3 116.5	-4.2%			2.8	-58.8%
22	↑ 38	40	PGE GiEK	Poland	3 080.8	0.0%				
23	↑ 41	44	Orlen Paliwa	Poland	2 837.0	-17.9%	521.4	-36.8%	12.7	4.0%
24	47	N/A	ČEZ Prodej	Czech Republic	2 649.2	1.3%			177.7	104.1%
25	↑ 49	53	Energa	Poland	2 581.7	2.1%	601.7	-14.3%	204.8	-6.4%
26	↑ 50	51	BP Poland	Poland	2 572.2	-8.1%	524.8	-10.1%	42.1	175.3%
27	↓ 51	36	Lukoil Neftochim	Bulgaria	2 565.9	-22.2%			-62.4	77.1%
28	↓ 52	35	Rompetrol Rafinare	Romania	2 545.3	-29.6%			62.4	23.4%
29	↓ 53	39	INA	Croatia	2 476.1	-20.4%	342.4	-30.8%	-122.0	23.4%
30	↓ 58	55	Slovenské elektrárne	Slovakia	2 361.7	-4.5%			26.1	-84.6%
31	↓ 59	58	Enea	Poland	2 353.4	0.0%	674.2	14.3%	-102.7	-152.4%
32	↑ 63	62	Kompania Węglowa	Poland	2 270.1	2.3%				
33	↑ 65	66	Aurubis	Bulgaria	2 144.4	1.5%			112.0	82.5%
34	↑ 77	91	Magyar Földgázkereskedő	Hungary	1 966.1	15.1%			-17.5	47.7%
35	80	NM	EP Energy	Czech Republic	1 917.4	8.3%			81.7	22.8%
36	81	N/A	ČEZ Distribuce	Czech Republic	1 907.2	4.5%	450.1	-3.3%	242.5	-1.3%
37	↑ 83	88	JP EPS	Serbia	1 863.7	3.5%			57.9	169.6%
38	↑ 84	92	PSE	Poland	1 821.7	7.5%			180.5	22.7%
39	↓ 85	52	Čepro	Czech Republic	1 798.4	-30.4%			36.0	49.7%
40	↓ 87	63	NIS	Serbia	1 744.6	-20.5%			121.0	-48.8%
41	↑ 90	129	GEN-I Group	Slovenia	1 731.2	32.8%			7.3	18.9%
42	↑ 93	97	HEP	Croatia	1 694.1	5.1%			260.1	-21.2%
43	↓ 97	95	Jastrzębska Spółka Węglowa	Poland	1 657.2	1.9%	321.9	-26.2%	-788.8	
44	↓ 104	87	MVM Partner	Hungary	1 542.0	-10.6%			3.1	120.4%
45	↑ 105	117	Tauron Dystrybucja	Poland	1 541.4	6.3%			327.8	13.5%
46	↓ 106	93	E.ON Hungária	Hungary	1 540.4	-5.7%				
47	108	N/A	Lukoil Bulgaria	Bulgaria	1 532.5	-4.8%			-3.1	81.6%
48	↓ 110	107	NEK	Bulgaria	1 531.1	0.8%			-100.6	66.5%
49	↑ 113	157	Shell Polska	Poland	1 474.2	24.4%				
50	↑ 116	181	PKP Energetyka	Poland	1 448.7	40.6%			-5.7	-148.9%

↑ Up ↓ Down

all related processes. The issue will have a significant reputational and financial impact on ČEZ over the next couple of years.

Lignite has always had a significant role to play in the Czech energy sector, and the country's significant lignite reserves represent an easily available and cheap energy source. The "environmental coal mining limits" are becoming an issue affecting two of the country's biggest open-cast mines. This is causing potential future fuel-supply problems for some lignite-fired units (Bílina and ČSA) and it will be necessary to make final decisions about the continuation of operations as soon as possible.

The last hard coal mining company in the country, OKD, is currently in a state of insolvency following accumulated losses of EUR 600 million. The future of the company's operations is not clear as yet, putting the jobs of more than 12 000 employees at risk. The company's last mine is expected to be sealed in 2023, which will also impact the related industries in the Silesian and North Moravian regions.

ČEZ has set up a venture capital fund, INVEN CAPITAL, to fund innovative clean-tech companies in Europe. ČEZ has invested in companies called Sonnen, Sunfire and tado° and the ETF LP. Its aim is to support the development of innovative energy businesses, widen their business perspectives, explore the potential of the clean-tech sphere of operations and integrate these areas into ČEZ's energy business.

EPH acquired six natural gas power plants in Italy and one thermal power plant from E.On. EPH has also acquired majority shareholdings in the thermal power plants of Budapesti Erömü.

Turning to the petrochemical industry, the fire at the Unipetrol petrochemical plant in Litvinov completely destroyed its ethylene unit, generating a loss of around EUR 250 million.

The local gas transportation operator is considering two new pipelines to interconnect with Poland and Austria. These two projects are still at the discussion stage, however.

#### **Overview of the E&R industry in Hungary**

In 2015, the main challenges facing the Hungarian Oil & Gas sector were related to the low prices of crude oil and lower petrochemical and refinery margins. The power sector faced lower electricity prices, increased competition and a challenging regulatory environment.

In this context, Mol Group recorded a 16 per cent fall in revenues from the prior year. However, EBITDA increased by 60 per cent due to its very profitable downstream operations. In 2015 the Group acquired the ENI network in Hungary and Slovenia as well as upstream assets in the North Sea and started the construction of new petrochemical units in Bratislava (LDPE4) and Tiszaújváros, which are both set for completion in 2016. The Group's exploration focus for 2016 will be on Central and Eastern Europe and Pakistan.

MVM Group recorded increased revenues and EBITDA (by 6 per cent and 4 per cent respectively), due to the production of nuclear electricity in Paks and the regional expansion of its natural gas and electricity trading activities. The Group acquired a hydroelectric power plant in Romania as part of its current focus on:

- becoming a regional power industry player,
- being a leader in energy innovation in Hungary,
- increasing its production of renewable energy production,
- optimising the value chain.



## Insurance

By **Krzysztof Stroiński**, Deloitte Partner,  
CE Insurance Services Leader

Since 2012, we have observed the stagnation of insurer income and profit, but glimpses of recovery have emerged in the first quarter of 2015. After the 2014 decline in the median gross written premiums (GWP) (down by 1.7 per cent), 2015 saw the first group of insurance companies in Central Europe experience an increase of 4.5 per cent. The improvement was also visible in the total GWP of the top 50 insurance companies in the region, which saw a growth of 4 per cent in 2015 versus only 1.2 per cent in 2014.

This, unfortunately, did not result in a technical profit increase as claims and regulatory costs took a bite out of the growth in premiums.

Total gross written premiums (Life, Health, Motor, Property, General liability, Accident and other) - recorded by any insurance company operating in a given country of the CE region, remained the same or decreased slightly (e.g. Poland – decrease of 1.5 per cent from EUR 12.7 billion in 2014 to EUR 12.5 billion in 2015; Czech Republic – decrease of 1.9 per cent from EUR 5.3 billion in 2014 to EUR 5.2 billion in 2015; Hungary, Slovakia and Slovenia recorded no change with respectively: EUR 2.7 billion; EUR 2.2 billion and EUR 1.9 billion in both 2014 and 2015. Romania however recorded an increase of 5.6 per cent: from EUR 1.8 billion in 2014 to EUR 1.9 billion in 2015 and Bulgaria had an increase of 11 per cent: from EUR 0.9 billion in 2014 to EUR 1 billion in 2015).<sup>\*</sup> This proves that the increase in the total GWP of those insurance companies in Central Europe who experienced growth can primarily be attributed to the decline in the GWP recorded by the smaller insurers.

New sets of European acts and local rules – those already implemented and others yet to be in force – will continue to influence the CE insurance sector. For example, how

the effect of the new asset tax regulation lowered profits in Poland. The higher expenses of insurance companies have resulted from the introduction of regulatory acts such as Solvency II Act in January 2016, and the expected introduction of The Packaged Retail and Insurance-based Investment Products (PRIIPs) applicable in January 2017. IFRS 9, valid for insurers' investment portfolios, will be introduced in January 2018, though some insurance companies may choose to defer the implementation of IFRS 9 until 2021, waiting for the introduction of the new insurance standard - IFRS 4, phase II in a bid to avoid duplication of costs associated with the transition in reporting standards. In addition, on some of the CE markets, local authorities (such as Financial Supervision Authority and Office of Competition and Consumer Protection in Poland) introduced acts that impact operations of local insurance companies as well as the whole sector. The introduction of some of these measures could have a retrospective effect which would be damaging to the industry.

The development of these new and revised set of rules for Europe's insurers aim to ensure that policyholders throughout the European Union enjoy the same level of protection – regardless of the place where they buy insurance. They are to provide not only higher levels of consumer protection, but also promote competitive equality. On the other hand, they increase the cost of making long-term investments which reduces insurers' ability to make such investments. Investments of this kind are very important to providing good returns for policyholders. The introduction of PRIIPs is already having an impact on all the financial service industries across the CE region. Further requirements on the level of transparency, new calculation methodologies or cost disclosures will all impose additional pressures on the fund industry, who may find it difficult to meet these new requirements while being able to effectively support the insurance industry.

\* <http://www.insuranceeurope.eu/>

The insurance sector remains a very important institutional investor in Europe and one of the key sources of the investment needed to support the growth of many markets. Investments are also an integral part of the insurance business model, in which the premiums insurers receive are invested until claims or benefits become due.

Continuing low interest rates, in particular across the Eurozone, bring a number of challenges, especially on the life side. Additionally, areas of risk such as cyber bring new threats as claims continue to grow in size and frequency and the reputational impacts associated with these attacks become more damaging.

### The ranking

Similarly to last year, the insurers' ranking was dominated by Polish (16) and Czech (10) insurance companies. In 2014 insurance companies saw their profitability declined slightly, and the median return on equity in the insurance industry decrease from 15.1 per cent to 12.4 per cent in 2015, however, insurance companies saw their gross written premiums rise. In fact, the index of the top 50 insurance companies rose by 4.5 per cent (compared to decline of 1.7 per cent in the previous year). 64 per cent of insurers in the region (32 entities) recorded an increase of the gross written premium (GWP) (12 more than last year). More than half of the insurers in the ranking operate in Poland and the Czech Republic – they account for approximately 70 per cent of the value of the GWP recorded by all companies in the ranking.

The podium continues to be dominated by insurers from Poland. The Polish PZU Group retained the position of leader in the top 50 CE insurance ranking (a rise in the gross premiums written by 8.8 per cent), ERGO Hestia remained the runner-up (its premium increased by 8.0 percent), while Warta Group came in third, having outperformed formerly state owned Czech insurance company (now member of the Generali Group) - Česká pojišťovna, which came in fifth and giving way to Kooperativa pojišťovna (member of the Vienna Insurance Group).

18 of the region's 50 biggest insurers saw a decline in GWP (last year 30). The biggest percentage increase in GWP was recorded by Euroins Romania Asigurare (51.4 per cent; ranked forty-eighth). The biggest fall down the ranking was recorded by the Czech insurance company Komerční pojišťovna, which fell from 21st to 35th position and saw its GWP decrease by -34.8 per cent. That was also the biggest percentage decrease in GWP recorded by any company in the ranking.

### Trends that will impact the insurance industry

There are two trends which will significantly impact the insurance industry in the coming years: a new generation of consumers and digitalization. It is no wonder that digital customers are becoming more demanding given the current marketplace. This new breed of consumer will not be satisfied with standard technologies provided by insurance companies, and instead demand bespoke services that are reliable and intuitive to their needs.

Digital transformation needs to be moved to the top of the insurers' agenda to prepare them to cater for a customer who has grown accustomed to business being performed on a smartphone. We can already see that the insurance industry is lagging behind banks in digitalization. Insurers are called to develop their own approach, particularly in sales support, customer service and online

propositions in order to stay competitive. Customers expect a fluent and easy buying experience and excellent service, which can be accommodated by the digital processes they are comfortable with. A broad range of digital initiatives have already been rolled out across insurance companies in CE, ranging from brand building on social media websites to mobile applications that help agents create scenarios for prospective customers.

However, the insurance industry in CE still needs to intensify its efforts when it comes to the planning and implementation of their digital strategies. All of the respondents to the Deloitte survey - conducted as part of this year's CE TOP 500 project - representing the insurance sector, perceive digitalization as an opportunity to further develop their businesses. Of these respondents, 82 per cent say they have a digital strategy but only 59 per cent have developed target business models as a result of Digital Transformation. It's becoming obvious that insurers who will learn how to take advantage of technological developments and use them to drive business innovations will be rewarded with a significant competitive advantage.

## Top 50 in Insurance within Central Europe 2015

Based on 2015 gross written premium. All figures are in EUR million

#	Company short name	Country	Gross Written Premium 2015	Gross Written Pr. change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
1	PZU	Poland	4 387.1	8.8%	561.1	-21.3%	1
2	Ergo Hestia	Poland	1 281.8	8.0%	-4.8	-114.9%	2
3	⬆️ WARTA	Poland	1 251.2	7.1%	62.8	-10.1%	4
4	⬆️ Kooperativa pojišťovna	Czech Republic	1 153.2	0.1%	103.3	6.8%	5
5	⬇️ Česká pojišťovna	Czech Republic	1 050.7	-2.4%	158.3	17.2%	3
6	Triglav Group	Slovenia	919.1	3.5%	70.1	-48.8%	6
7	⬆️ Aviva Polska	Poland	628.9	10.4%	198.6	27.0%	9
8	Allianz Polska	Poland	628.8	3.6%	18.6	-60.7%	8
9	⬆️ Allianz - Slovenská poisťovňa	Slovakia	544.1	2.9%	40.9	-64.3%	10
10	⬆️ Generali Polska	Poland	542.1	25.1%			16
11	Open Life	Poland	523.1	-5.7%	6.0	-7.1%	n/a
12	⬆️ Grupa Europa	Poland	519.7	11.8%	31.8	0.1%	14
13	Sava RE	Slovenia	486.3	3.9%	27.6	-32.5%	13
14	⬇️ MetLife Polska	Poland	457.4	-9.3%	49.2	-17.5%	11
15	⬇️ Kooperativa	Slovakia	455.8	-4.5%	26.0	-57.6%	12
16	⬆️ AXA	Poland	452.3	8.4%	4.1		23
17	⬇️ Allianz pojišťovna	Czech Republic	441.2	-0.8%	29.7	-21.5%	15
18	⬆️ Compensa	Poland	425.9	-33.1%	17.6	29.4%	7
19	⬆️ ČSOB Pojišťovna	Czech Republic	422.6	28.5%	26.3	-3.2%	24
20	Generali Hungary	Hungary	388.7	4.8%	20.9	-15.5%	20
21	⬇️ Croatia osiguranje	Croatia	388.5	5.5%	11.0	119.2%	19
22	⬇️ Allianz Hungária	Hungary	386.5	-2.9%	39.6	32.7%	18
23	⬆️ Generali Pojišťovna	Czech Republic	343.0	10.4%	19.1	102.5%	26
24	⬇️ Nationale-Nederlanden	Poland	336.3	-9.0%			22
25	⬇️ Pojišťovna České spořitelny	Czech Republic	326.1	-24.6%	29.0	-6.7%	17
26	⬆️ Groupama Garancia Biztosító	Hungary	302.0	-2.5%	16.7	3.1%	27
27	⬆️ Česká podnikatelská pojišťovna	Czech Republic	300.1	7.3%	14.8	-20.7%	29
28	Adriatic Slovenica	Slovenia	298.2	-1.3%	10.8	-59.7%	28
29	⬆️ AEGON Magyarország	Hungary	293.9	5.4%	42.4	190.2%	30
30	⬆️ Vzajemna	Slovenia	275.3	6.7%	3.3	-41.9%	31
31	⬇️ UNIQA Polska	Poland	265.6	-14.8%	13.0	130.9%	25
32	⬆️ NN Biztosító	Hungary	257.4	6.7%	2.5	-8.8%	33
33	⬆️ PKO TU	Poland	255.6	25.8%			37
34	⬇️ Zavarovalnica Maribor	Slovenia	249.2	-0.3%	20.2	-6.5%	32
35	⬇️ Komerční pojišťovna	Czech Republic	241.2	-34.8%	13.7	33.0%	21
36	Allianz-Tiriac	Romania	239.2	8.0%	13.1	20.1%	36
37	⬆️ Omniasig	Romania	220.0	13.5%	1.1	-88.1%	39
38	Uniqa pojišťovna	Czech Republic	213.0	5.8%	8.3	-1.0%	38
39	⬇️ InterRisk	Poland	195.3	-18.9%	14.6	-13.0%	34
40	⬆️ Generali Poistovňa	Slovakia	191.6	11.1%	10.7	-23.0%	45
41	UNIQA Biztosító	Hungary	189.2	4.1%	-0.3	92.6%	41
42	⬇️ Aegon Polska	Poland	187.0	-22.1%	-14.6	26.2%	35
43	⬆️ Groupama	Romania	181.3	13.2%	3.7		46
44	⬇️ Komunálna Poistovňa	Slovakia	179.4	2.3%	7.3	-45.2%	43
45	⬆️ Dunav Osiguranje	Serbia	177.7	19.3%	3.1	126.3%	49
46	⬇️ NN Životní pojišťovna	Czech Republic	175.3	-4.5%	17.3	10.5%	40
47	Asirom	Romania	166.8	28.7%	-11.4	-71.4%	N/A
48	Euroins	Romania	161.8	51.4%	-67.5		N/A
49	⬇️ Allianz Zagreb	Croatia	155.8	-2.1%	10.3	-60.1%	47
50	Generali Osiguranje	Serbia	154.3	20.9%	21.1	76.8%	N/A

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## Manufacturing

By **Marek Turczyński**, Deloitte Partner responsible for Automotive sector in Poland

The number of companies from the Manufacturing sector in this year's ranking has increased slightly from 124 to 126 entities (25.2 per cent of all the companies included in the ranking). Median income increased over 7.4 per cent. We have therefore seen not only consistent growth in the Manufacturing industry, but also a rise in company revenues – 95 manufacturing companies recorded a revenue increase in 2015.

The driver of these changes was the Automotive sector, which accounts for over 48 per cent of a total number of Manufacturing companies in the ranking. Automotive companies saw a median growth in revenue of 12.9 per cent year-on-year, and generated more than half of the Manufacturing industry's revenue.

In addition, individual entities operating in the automotive sector consolidated their standing in the ranking: the first three in the Top10 are automotive companies - Skoda Auto, Audi Hungarian Motor and VW Slovakia. As many as five of the seven largest automotive companies have seen double-digit revenue increases (10 per cent or more), which shows how fast they are growing. What's more, only seven automotive companies in the ranking have recorded decreases in their revenues, (and these were small). Skoda Auto and Agrofert from the Czech Republic have retained their high positions in the ranking. Czech Hyundai has made a big leap, up from thirty-first to twenty-first place in the ranking.

The unrest in Ukraine has contributed to Metinvest sliding down seven places in the ranking. The company was the only entrant in the top 10 to return a revenue decrease of more than 20 per cent in 2015. In Hungary, GE Infrastructure CEE posted a substantial 33 per cent increase in revenue; AUDI Hungaria Motor rose from seventh to sixth place.

Most featured Slovak companies, like their Hungarian counterparts, have grown their revenues. The leaders in this respect are the automotive companies Volkswagen Slovakia (rising from 11th to eighth place) and Kia Motors Slovakia, which rose from 21st to 17th.

Poland's PESA Bydgoszcz S.A. also impressed, with revenue growth in excess of 96 per cent. General Motors Manufacturing Poland likewise did well in this year's ranking, with a 41 per cent revenue increase driving it from one hundred twenty-fifth to seventy-ninth place.

In Romania, four of the nine companies included in the ranking reported double-digit revenue increases.

The overall conclusion is positive: Central Europe's Manufacturing sector, and the Automotive industry in particular, is doing very well.

This is confirmed by a steady growth in car manufacturing output. In 2015, the number of cars manufactured in Central Europe was around 3.7 million, almost 23 per cent of total EU output. The medium and long-term outlook for the automotive industry is also very good. Planned foreign investment and a focus on product development are having a positive effect on company positions. Favourable conditions for business in this region of Europe, such as low labor costs, qualified personnel, EU funding and a strategic location, are making growth possible despite the challenges that result from a non-transparent tax and legal system, which is not making life easier for business leaders.

Automotive companies operating in this part of Europe are definitely not considering transfer of the production out of the CE region.

### Top 10 in Manufacturing within Central Europe 2015

All revenue and net income figures are in EUR million

#	TOP 500	LY	Company short name	Country	Revenues from sales 2015	Revenues change % 2015-2014	Revenues from sales Q1'2016	Revenues change % Q1'16 - Q1'15	Net income 2015	Net Income 2015-2014
1	⬆️ 3	3	Škoda Auto	Czech Republic	11 547.9	6.3%			1 145.4	105.2%
2	⬆️ 6	7	AUDI Hungaria Motor	Hungary	8 337.6	12.4%			441.7	38.5%
3	⬆️ 8	11	Volkswagen Slovakia	Slovakia	7 227.5	17.1%			127.5	2.6%
4	⬆️ 9	16	GE Infrastructure CEE	Hungary	6 925.9	33.5%			4 184.7	
5		12	Agrofert	Czech Republic	6 129.1	1.3%			315.9	41.7%
6	⬇️ 13	6	Metinvest	Ukraine	6 108.4	-22.1%	1 139.8	-25.7%	-896.8	
7	⬆️ 17	21	Kia Motors Slovakia	Slovakia	5 073.4	10.6%			210.1	-25.6%
8	⬆️ 21	31	Hyundai Motor Manufacturing Czech	Czech Republic	4 607.6	19.4%			201.7	-38.1%
9	⬆️ 25	26	Automobile Dacia	Romania	4 316.2	1.7%			100.9	20.5%
10	⬆️ 34	47	Mercedes-Benz Manufacturing Hungary	Hungary	3 400.8	21.1%			65.8	3.1%

⬆️ Up ⬇️ Down

This is confirmed by the figures. The Czech Republic is the leading manufacturing location, achieving growth of 2 per cent to a total production output of around 1.2 million passenger cars up to 3.5 tonnes. Nearly half (46 per cent) of Czech companies use EU subsidies and investments. They also have the advantage of low employment costs and qualified specialists.

Slovakia with 1 million cars manufactured remains the runner-up in this part of Europe. Furthermore, Jaguar Land Rover has announced the construction of a new manufacturing plant in 2018, which shows what a competitive location Slovakia is. Another positive factor is the country's ever-improving infrastructure. Despite a low uptake of EU support and the high operating costs of Slovakia's manufacturing plants, the industry has retained its strategic position in the country's economy.

Production output rose by 8 per cent in Poland, mainly due to the availability of qualified personnel and low costs of employment. The industry's growth might have been even more impressive had it not been for shortages in its infrastructure and drawbacks of the tax system. However,

Poland's car production is only half of that of the Czech Republic. In Hungary, car production grew by 30 per cent in 2015. As much as 60 per cent of investments made in the Hungarian Automotive sector are the result of EU funding, and growth is also expedited by the good quality of the country's infrastructure.

The automotive industry in Central and Eastern Europe is very slowly turning towards the production of autonomous (self-driving) cars. Many companies are testing and building prototypes of such vehicles, including Delphi in partnership with the laboratory of the Warsaw School of Economics. Even though such activities are part of a long-term, they are already affecting those manufacturers that are opening R&D centres in Central Europe. These will be the likely winners in the race for the customer of the future.

As well as the growing output in car manufacturing, the industry is equally (more so in some countries) driven by increases in the production of engines and spare parts. New investment projects have been announced in this part of Europe (including Mercedes' 2016 decision to

construct another car manufacturing plant in Hungary). Provided the EU economy does not run out of breath, it seems it will derive great value from Central and Eastern Europe's automotive industry.



## Real Estate & Construction

By **Diana Radl Rogerova**, Deloitte Partner,  
CE Real Estate Leader

### CEE in general

The volume of investments into real estate in CEE reached almost EUR 9 billion in 2015, which represents increase of 13 per cent compared to 2014. Like the previous year, most investment flowed into Poland and the Czech Republic. These two leading markets attracted 76 per cent of regional investment volume.

The CEE region attracts more capital as core Western European markets become tighter. Re-pricing of real estate investments within CEE region is one of the consequences of this process. Prime yields have decreased and almost reached their levels before crisis. Further yields compression is still expected, but the pace will be slower than in the last two years. Looking forward, a sizable pipeline across all sectors within CEE region complimented by a supportive financial environment suggests that 2016 will continue the pattern of robust transactional volumes from a variety of capital sources.

### Poland

The 2015 resulted in a transaction volume of EUR 4.1 billion, which is the highest figure since the record year 2006 (EUR 5 billion) and increase of 28 per cent compared to 2014. Polish market saw several transactions exceeding EUR 100 million, for example Stry Browar centre comprising of retail, art gallery and cultural space in Poznań, sold to Deutsche Asset & Wealth Management, Riviera centre, the largest shopping destination in the so-called "tri-city" of Gdańsk, Gdynia, and Sopot acquired by Union Investment, Sfera Shopping Centre in Bielsko-Biala in the Silesia Region purchased by CBRE Global Investors. One of the key trend is strengthening of the position of regional cities where more office transactions were closed than in the capital Warsaw.

Prime yields in Poland are at 5.75 per cent for office, 5.00 per cent for retail and 7.00 per cent for industrial.

### Volume of investment into commercial real estate (in EUR billion)

Country	2015	2014	2013
Poland	4.10	3.20	2.36
Czech Republic	2.65	2.00	0.97
Hungary	0.78	0.58	0.02
Romania	0.65	1.30	0.20
Slovakia	0.41	0.61	0.20
Other (SEE)	0.36	0.20	0.37
<b>Total</b>	<b>8.95</b>	<b>7.89</b>	<b>4.12</b>

### Czech Republic

The Czech Republic took the second place within CEE region with EUR 2.65 billion, which represent increase of 35 per cent comparing to 2014. Year 2015 saw two large transactions within Czech real estate market: the sale of RPG apartment portfolio to Roundhill Capital form EUR 700 million in Moravian-Silesian Region and sale of shopping centre Palladium in Prague from Hannover Leasing to Union Investment for EUR 570 million. Third largest transaction was sale of 75 per cent share in shopping center Arkady Pankrac in Prague which was purchased by Atrium European Real Estate from Unibail Rodamco. The most sought after asset class was retail with 43 per cent share of all transactions. One key trend is strengthening the position of domestic capital and interest in regional asset. Prime yields in the Czech Republic are at 5.75 per cent for office, 5.00 per cent for retail and 6.50 per cent for industrial.

## Hungary

The increasing weight of capital targeting CEE markets was also reflected in Hungarian real estate market where total transaction volume in 2015 reached ca. EUR 780 million, 34 per cent increase comparing to previous year. The most sought after segment was office with 50 per cent share followed by retail segment with 25 per cent. One of the largest transaction was disposal of the AEW Europe portfolio consisting of MOM Park shopping centre and office, West End Business Centre and EMKE office building located in the capital Budapest. The buyer was joint venture between Morgan Stanley (MSREF VIII), local developer Wing and Austrian retail developer CC Real.

The increasing interest of investors for large platforms was confirmed by almost 60 per cent of the transaction volume in 2015 was generated by portfolio sales. Prime yields in Hungary are at 7.00 per cent for office, 7.00 per cent for retail and 8.75 per cent for industrial.

## Romania

Romanian real estate market saw transaction volume of EUR 650 million in 2015. This is 45 per cent decline comparing to very strong 2014 with almost EUR 1.2 billion in transaction volume. The most active segment was industrial with almost 267 million EUR (41 per cent) which was all time record for this segment in Romania. Office segment represents 38 per cent share of transactions. The largest investment in 2015 was the sale of Europolis Park from CA purchased by P3 Immo and the acquisition of Bucharest West by CTP from Portland Trust, both transactions in industrial segment.

The Czech industrial developer and investor CTP was the most active buyer on the market in 2015 with 6 industrial properties across Romania acquired for EUR 130 million. The vast majority of transactions (80 per cent) took place in the capital of Bucharest. Prime yields in Romania are at 7.50 per cent for office, 7.50 per cent for retail and 9.00 per cent for industrial.

## Slovakia

The total investment volume in 2015 reached ca 412 million which is a decrease of more than 30 per cent compared to 2014.

The most sought after asset class was industrial with almost 36 per cent share followed by office segment with 23 per cent share. Prime yields in Slovakia are at 7.00 per cent for office, 6.50 per cent for retail and 8.00 per cent for industrial.

## Top 7 in Real Estate and Construction within Central Europe 2015

All revenue and net income figures are in EUR million

#	TOP 500	LY	Company short name	Country	Revenues from sales 2015	Revenues change % 2015-2014	Revenues from sales Q1'2016	Revenues change % Q1'16-Q1'15	Net income 2015	Net Income 2015-2014
1	⬆️ 135	148	Skanska Polska	Poland	1 316.5	8.5%			99.7	
2	⬆️ 146	154	Budimex	Poland	1 226.8	3.8%	226.7	11.1%	56.4	22.4%
3	⬆️ 168	174	Metrostav	Czech Republic	1 140.2	4.7%			20.6	15.9%
4		250	Grupa Strabag w Polsce	Poland	851.9	16.8%			48.5	43.1%
5	⬆️ 331	394	Eurovia CS	Czech Republic	679.5	21.2%	45.5	-19.1%	22.3	73.7%
6	⬆️ 376	449	Polimex Mostostal	Poland	609.0	21.4%	147.4	19.6%	26.1	157.9%
7	⬆️ 380	492	OHL Central Europe	Czech Republic	604.4	30.8%			-11.2	-9.7%

⬆️ Up ⬇️ Down

"I think there is a world market for maybe five computers."

Thomas Watson, President of IBM, 1943

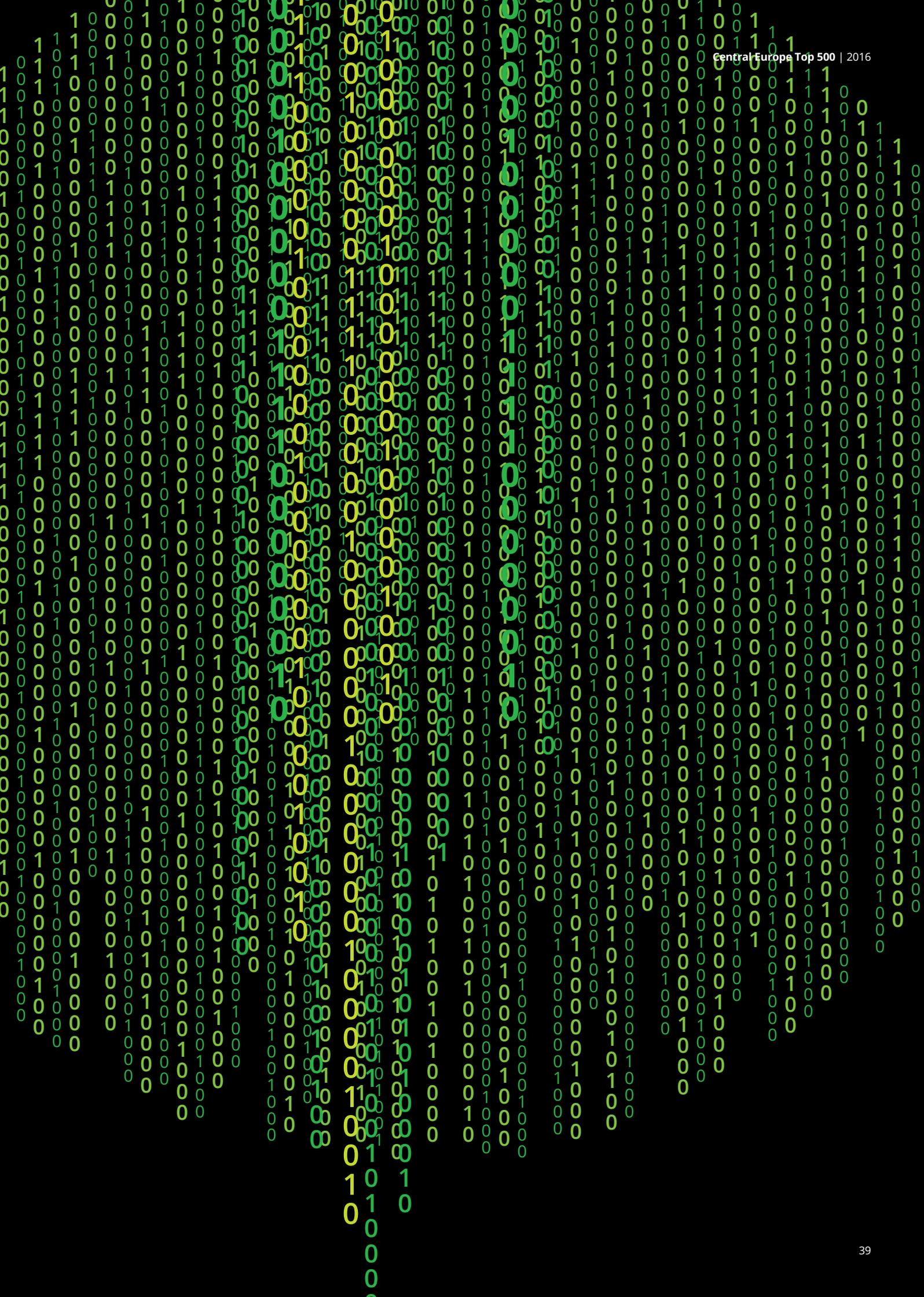
"There is no reason anyone would want a computer in their home."

Ken Olsen, Founder of Digital Equipment Corporation, 1977

"Almost all of the many predictions now being made about 1996 hinge on the Internet's continuing exponential growth. But I predict the Internet will soon go spectacularly supernova and in 1996 catastrophically collapse."

Robert Metcalfe, Founder of 3Com, 1995





# The Index of Success

This is the seventh consecutive year that the Deloitte Index of Success Award has been presented to the CE Top 500 company or companies that the scheme's independent jury rewards for having delivered the region's best overall performance during the previous year.\*

The selection is about more than financial criteria alone, although growth, profitability (measured by return on equity), liquidity and capital strength are all important considerations for the judging panel. Non-financial factors such as their acquisition record, investment activities and CSR also have important roles to play in the award criteria.

Deloitte is delighted to announce the twin winners for 2015-16. We have chosen the Poland-based CCC, Central Europe's leading footwear retailer, in recognition of its excellent financial performance and outstanding revenue growth. And, in recognition of its successful international expansion and outstanding achievements over the past 10 years, we have also selected LPP, one of the fastest-developing Polish clothing companies and owner of six clothing brands.

## Methodology

Each year, Deloitte places 25 companies from CE's "real" economy, three banks and two insurance companies on the Index of Success shortlist. The criteria are as follows:

- all 30 companies must be in the CE Top 500 ranking for 2015 (i.e., they are among the region's 500 largest businesses by revenue);
- they must also have met the following financial requirements in 2015:
  - "real" sector companies had revenues over EUR 500 million,
  - banks had assets over EUR 10 billion,
  - insurers had gross written premiums (GWP) over EUR 250 million;
- their operational headquarters are in the CE region;
- they are open and transparent, with a publicly known ownership structure and available financial statements;
- they have subsidiary operations based in at least three different countries (merely exporting to other countries does not meet this criterion);
- their last three sets of financial results, including EBIT and revenues, must demonstrate long-term stability.



\* The winners from the three previous years were excluded from the jury's vote in July 2016.

### Meet the Jury

The Index of Success jury, which met in July to select the Award winners, included several of Poland's leading public figures, businesspeople and academics:



#### **Jerzy Buzek**

Former President of the European Parliament, Prime Minister of Poland (1997 – 2001) and twice Poland's "Person of the Year"



#### **Professor Michał Kleiber**

A leading CE scientist and mathematician and former Chairman of the Polish Academy of Sciences



#### **Jadwiga Emilewicz**

Undersecretary of State in the Ministry of Economic Development



#### **Patrycja Klarecka**

President of the Polish Agency for Enterprise Development



#### **Jacek Chwedoruk**

President of the Management Board of Rothschild Poland and one of the founders of the Polish Institute of Directors



#### **Paweł Jabłoński**

Deputy Editor in Chief of Rzeczpospolita



#### **Alastair Teare**

Chief Executive Officer, Deloitte Central Europe

“Receiving the CE TOP 500 Index of Success award is a distinction for the CCC Group as a whole, rewarding our hard work, perseverance, stamina and determination. It is also an incentive to work even harder to create greater value for our shareholders.

On the one hand, it shows that we have been successful. On the other, we see it as a driving force and a stimulus to take up new challenges.

The award shows that the image conveyed by the CCC brand is positive, not only in Poland but also abroad where we are increasingly successful. It is a source of pride and recognition for our sustained efforts but also a sign that CCC is a brand that is consciously chosen by clients who trust it. It is an honour to be recognised that helps us feel we’re among the best.

We promise that we’ll do whatever it takes to make CCC grow, constantly improve its performance and be a source of pride for all of us.”

**Piotr Nowjalis**  
Vice President of the Management Board, CCC SA

#### **CCC - a company profile**

CCC SA is the largest shoe retail chain in Central Europe and the largest shoe manufacturer in Europe. The CCC Capital Group has over 800 shops in 16 countries with a total floor area that exceeds 400 000 square metres. The shops, which carry an orange logo, are located in Poland, the Czech Republic, Hungary, Germany, Slovakia, Austria, Croatia, Slovenia, Turkey, Bulgaria, the Baltic States, Russia, Ukraine, Romania and Kazakhstan.

The CCC Capital Group has been listed on the Warsaw Stock Exchange since 2004. Since that time, its shares have increased 16 times in value. CCC is one of few companies that have consistently delivered a return on equity (ROE) of over 20 per cent. In December 2015, the company's shares were floated on WIG-20.

**LPP - a company profile**

LPP SA, a company that has been listed on the Warsaw Stock Exchange since 2001, is one of the fastest-growing textile companies in Central and Eastern Europe, with 2015 revenues surpassing PLN 5 billion. The company has operated in Poland and other countries for over 20 years and has been successful in the demanding fashion market.

LPP SA manages five well-known brands: Reserved, Cropp, House, Mohito and Sinsay; in 2016, it launched its first premium brand – Tallinder. At the end of the first quarter of 2016, the company's distribution network consisted of over 1 640 stores across 18 countries. LPP employs more than 23 000 people in its offices and sales organization in Poland, Europe, Asia and Africa.

LPP is floated on the WIG20, which generates a significant proportion of the Warsaw Stock Exchange's turnover, and is listed on the prestigious MSCI Poland index.

“The award is a great honour for us, and also confirms LPP’s strong position in the Central European market. Today, the clothes shops selling our brands are present in 11 of the 18 countries covered by the CE Top 500, accounting for around 80 per cent of all our outlets.

We have competed successfully with global players in Poland and the countries to its east and south.

Our brands are becoming more and more recognized and popular. Our ambitions extend far beyond this region, and we have recently started our expansion into the German and Middle Eastern markets.

However, Central Europe is still the most important region in terms of LPP’s revenues.”

**Przemysław Lutkiewicz,**  
Deputy Chairman

# 10 years of sustainability in Central Europe

Over the past decade we have been monitoring how sustainability and social responsibility has grown in importance among businesses in Central Europe. Today, sustainability is an important consideration for many business leaders in the region, and the digital revolution is adding further impetus as increasingly empowered consumers make their voices heard.

Sustainability is now at the heart of many Central European businesses, with the policies of companies such as PKN Orlen, MOL, ČEZ, Orange, Bank Zachodni WBK or Plzensky Prazdroj (the winner of the **2015 Deloitte Central European Sustainability Report Award contest**) rivalling their western European counterparts. Such businesses see non-financial reporting as an invaluable tool for communicating their commitment towards sustainability and operational transparency in order to secure the support and respect of clients, investors, employees, authorities, local societies and other key stakeholders. This marks a dramatic turnaround in corporate attitudes, as non-financial reporting was practically non-existent in Central Europe ten years ago.

In 2016, 117 companies from the Deloitte CE Top 500 ranking have declared they already have some form of non-financial reporting in place or at least will report non-financial data for 2016 - an increase of 8 per cent on 2015. No fewer than 50 are drafting their reports according to internationally recognised GRI guidelines and, significantly, 31 businesses have committed to integrated reporting

"Continuing digital advances, the new EU directive and a growing recognition that sustainability not only promotes social progress but also drives commercial growth and development is proving to be an increasingly persuasive proposition for business leaders across Central Europe."

- the most advanced form of reporting financial and non-financial data. All in all, we can observe an increase as compared to 2015, when 109 companies reported non-financial data, out of which 42 according to GRI guidelines and 28 issued integrated reports. The growth in the number of companies adopting non-financial reporting will rise further in 2017 as the EU directive requiring the largest organizations to disclose non-financial and diversity-related information comes into force.

But sustainability is not just a case of non-financial reporting. It is primarily about encouraging businesses to be more responsible and supportive in finding solutions to a wide range of deep-rooted social and environmental challenges.

The **Deloitte CSR Managers Survey 2015 in Central Europe** analyzed how sustainability has developed and changed the social and economic landscape of Central Europe over the past 15 years. We found that 84 per cent of CSR managers believed that the businesses had helped to find positive solutions for social problems within their countries - from tackling environmental problems to supporting education and fighting unemployment.

Significantly, the Central European respondents in this survey believed that the impact of the business community would determine the social and economic progress of their respective countries – not just in terms of competitiveness, but also the effect of enterprise on the local labour market, the knowledge-based economy and intellectual capital growth.

The knowledge derived from measuring their impact on the economy, society and the environment has enabled such progressive companies within our 2016 CE Top 500 Survey to manage their activities so as to drive positive societal change. Indeed, some businesses such as Orange, 3M and Grupa Żywiec are doing this pretty well.

According to Central European CSR managers, business models are likely to change in the coming years. To a large extent, this change will be driven by consumer pressure for greater operational transparency, responsibility and social awareness. The digital transformation - and the increasingly empowered consumer – has had a profound impact on the way companies interact and engage with their customers. There is no doubt this has created major challenges when it comes to fostering reputation, trust and brand loyalty; and there is tangible pressure on companies to conduct their commercial interests in a more conscious and responsible manner. That said, digital tools such as websites, microsites, videos, animations, interactive quizzes have facilitated a much more sophisticated, immediate and detailed form of communication with customers (and all other key stakeholders). Businesses recognise, therefore, they are in a much stronger position to address and respond effectively to the evolving needs and expectations of customers, investors, local societies and so on.

Sustainability and social responsibility are certainly gaining ground within the CE business community. The region still has a long way to go to be on par with more developed countries like the UK, where all FTSE100 companies are transparent about their sustainability policies and activities. However, continuing digital advances, the new EU directive and a growing recognition that sustainability not only promotes social progress but also drives commercial growth and development is proving to be an increasingly persuasive proposition for business leaders across Central Europe.



**Irena Pichola**

Partner, Leader of Sustainability Consulting Central Europe

# Digital transformation - the inescapable opportunity

Digital transformation is an increasingly important feature of the business plans prepared by enterprises wishing to gain competitive advantage over their rivals.

Even though most of the top-ranked companies in this report are long established and have been included in our rankings many times before, they clearly have a strong grasp on the changing reality and are fully aware of the influx of many new digital competitors. Today, organizations are considering how best to fine-tune their operations and business models to the new reality, so as to maximise profits, protect their market share and stay competitive. The financial questionnaire on which we base our ranking of the 500 largest Central European companies and 100 financial institutions once again included additional questions, this year focusing on digital transformation issues.

Having in mind the results of our previous survey conducted by Deloitte Digital in May 2016 ("Digital Transformation – strategy for the future or the pursuit of reality?"\*), we asked the largest companies in the Region a series of questions around this topic with the aim of gaining a better understanding of the role and dynamics of digital transformation. We received responses from 21 per cent (106) of the companies in the CE Top 500 and from 38 per cent (19) of the banks and 34 per cent (17) insurance companies

With a closer look at the results, a steady trend can be identified, which shows that the largest companies in the Region are planning to further develop and operationalise their digital strategies.

in our rankings of the 50 largest banking institutions and 50 largest insurers in Central Europe and Ukraine.

Among other questions, we asked our respondents whether the digital revolution will affect their industry and their performance. More than three-quarters (79 per cent) responded affirmatively. Polish participants seemed even more convinced, with 83 per cent in agreement.

With a closer look at the results, a steady trend can be identified, which shows that the largest companies in the Region are planning to further develop and operationalise their digital strategies. Over two-thirds (73 per cent) of business organizations operating in Central Europe have already developed their digital strategies and 61 per cent know how they will go about implementing them. Based on our study, 18 per cent of companies in

In general, the largest Central European companies that feature year after year in the Deloitte rankings fully recognise the significance and inevitable advancement of the digital revolution.

the survey are still developing their approach to transformation and quantifying their business objectives for the years to come.

It can hardly be disputed that digitalization will have a significant impact on business activities during the next few years, lifting barriers and changing operational models and ways of interacting with clients and customers. What looks today like an optional add-on or a "nice-to-have" may well prove to be necessary tomorrow for survival. Many companies in our survey realize this and have already devoted significant funds to digital transformation. Close to one in 10 (9 per cent) of the entities in the survey, who agreed to provide their input, have to date spent EUR 10 million or more on digital transformation related projects. When considering non-financial entities, energy companies and utilities form the largest group (36 per cent). However, the highest percentage of those that have spent more than EUR 10 million on digital transformation purposes are from the banking sector (57 per cent). By way of contrast, only 5 per cent of insurers have spent as much. Even though 82 per cent of survey participants from the insurance sector confirm that digital transformation will

impact their business, only 59 per cent have developed a target model for digital transformation.

This implies that over 20 per cent of them will need to address it over the next few years. In general, the largest Central European companies that feature year after year in the Deloitte rankings fully recognize the significance and inevitable advancement of the digital revolution. They are also aware that digital transformation - understood to be a transition to new methods of interacting with clients and customers and new models of work that use digital tools such as social media, mobile technologies and advanced analytics - will enable them to change internally and respond to customer needs in a faster and more comprehensive manner.

To quote one CEO who took part in our in-depth interview: "From our perspective, digitalization is not an end in itself but a means of bringing the customer into focus."

\* "Digital Transformation – strategy for the future or the pursuit of reality?", a survey conducted by Deloitte Digital CE in Poland, May 2016



**Zbigniew Szczerbetka**  
Consulting Leader  
Deloitte Central Europe



# CE Top 500 ranking

Central Europe Top 500 | 2016

#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
1	PKN Orlen	Poland	E&R	21 108.9	-17.2%	1 090.4	170.3%	1
2	MOL	Hungary	E&R	13 263.1	-15.6%	-1 050.5		2
3	Škoda Auto	Czech Republic	Mfg	11 547.9	6.3%	1 145.4	105.2%	3
4	Jeronimo Martins Polska	Poland	CB&T	9 380.2	9.5%			4
5	PGNiG	Poland	E&R	8 713.5	6.4%	422.7	-31.9%	5
6	⬆️ AUDI Hungaria Motor	Hungary	Mfg	8 337.6	12.4%	441.7	38.5%	7
7	⬆️ ČEZ	Czech Republic	E&R	7 579.2	6.8%	753.5	-7.5%	8
8	⬇️ Volkswagen Slovakia	Slovakia	Mfg	7 227.5	17.1%	127.5	2.6%	11
9	⬆️ GE Infrastructure CEE	Hungary	Mfg	6 925.9	33.5%	4 184.7		16
10	PGE	Poland	E&R	6 820.5	1.5%	-713.3	-191.3%	10
11	⬆️ Agrokor	Croatia	CB&T	6 434.5	40.5%	130.8		22
12	Agrofert	Czech Republic	Mfg	6 129.1	1.3%	315.9	41.7%	12
13	⬇️ Metinvest	Ukraine	Mfg	6 108.4	-22.1%	-896.8		6
14	⬇️ Lotos	Poland	E&R	5 426.7	-20.2%	-130.2	71.3%	9
15	⬆️ Naftogaz of Ukraine	Ukraine	E&R	5 375.8	6.7%			17
16	⬇️ RWE Supply & Trading CZ	Czech Republic	E&R	5 207.7	-1.8%	-170.0		15
17	⬆️ Kia Motors Slovakia	Slovakia	Mfg	5 073.4	10.6%	210.1	-25.6%	21
18	⬆️ Eurocash	Poland	CB&T	4 855.3	19.9%	55.9	34.8%	27
19	⬇️ KGHM	Poland	E&R	4 781.2	-2.3%	-1 033.0		18
20	⬆️ Foxconn CZ	Czech Republic	TM&T	4 630.2	6.9%	37.8	-26.5%	25
21	⬆️ Hyundai Motor Mfg Czech	Czech Republic	Mfg	4 607.6	19.4%	201.7	-38.1%	31
22	⬆️ Energetický a průmyslový holding	Czech Republic	E&R	4 573.8	24.9%	838.7	69.8%	34
23	⬇️ Energorynok	Ukraine	E&R	4 481.1	-20.7%	68.5		14
24	Tauron	Poland	E&R	4 391.0	-1.0%	-402.0		24
25	⬆️ Automobile Dacia	Romania	Mfg	4 316.2	1.7%	100.9	20.5%	26
26	⬆️ MVM	Hungary	E&R	4 094.4	6.1%	47.6		32
27	⬇️ OMV Petrom	Romania	E&R	4 086.6	-15.8%	-153.8	-133.6%	19
28	⬆️ Unipetrol	Czech Republic	E&R	3 993.8	-11.4%	258.0		23
29	⬇️ DTEK	Ukraine	E&R	3 906.5	-32.9%	-1 715.8	-39.8%	13
30	⬇️ Petrol Group	Slovenia	E&R	3 816.9	-4.9%	66.3	12.1%	28
31	⬇️ Orlen Lietuva	Lithuania	E&R	3 728.1	-19.9%	212.6	129.3%	20
32	⬇️ Slovnaft	Slovakia	E&R	3 558.0	-11.3%	213.8		29
33	⬇️ Lotos Paliwa	Poland	E&R	3 544.2	-10.7%	18.0	77.2%	30
34	⬆️ Mercedes-Benz Mfg Hungary	Hungary	Mfg	3 400.8	21.1%	65.8	3.1%	47
35	⬆️ FCA Poland	Poland	Mfg	3 276.6	3.3%	73.8	23.2%	38
36	⬆️ VP	Lithuania	CB&T	3 171.0	3.8%	102.0	22.9%	42
37	Alpiq Energy	Czech Republic	E&R	3 116.5	-4.2%	2.8	-58.8%	37
38	⬆️ PGE Górnictwo i Energetyka Konwencjonalna	Poland	E&R	3 080.8	0.0%			40
39	⬆️ ArcelorMittal Poland	Poland	Mfg	2 988.2	-2.6%			41
40	⬆️ Lidl Polska	Poland	CB&T	2 987.0	8.8%			48
41	⬆️ Orlen Paliwa	Poland	E&R	2 837.0	-17.9%	12.7	4.0%	44
42	⬆️ Orange Polska	Poland	TM&T	2 829.3	-2.9%	66.9	-33.7%	46
43	Samsung Electronics Slovakia	Slovakia	CB&T	2 770.7	-9.1%	86.8	-15.1%	43
44	⬆️ PKP	Poland	CB&T	2 732.4	9.0%	-24.6	-122.4%	54
45	Metro Group	Poland	CB&T	2 690.7	-5.2%			NM
46	⬆️ Tesco Polska	Poland	CB&T	2 676.4	0.1%			49
47	ČEZ Prodej	Czech Republic	E&R	2 649.2	1.3%	177.7	104.1%	N/A
48	⬆️ Mercator Group	Slovenia	CB&T	2 612.4	-1.6%	12.8	113.8%	50
49	⬆️ Energa	Poland	E&R	2 581.7	2.1%	204.8	-6.4%	53
50	⬆️ BP Poland	Poland	E&R	2 572.2	-8.1%	42.1	175.3%	51

⬆️ Up ⬇️ Down **CB&T** - Consumer Business & Transportation. **E&R** - Energy & Resources. **LS&HC** - Life Science & Health Care. **Mfg** - Manufacturing. **TM&T** - Technology, Media & Telecommunications. **PS** - Public Sector. **RE** - Real Estate.

50 **N/A** - new entrant in the Ranking. **NM** - not meaningful

#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
51	⬇️ Lukoil Neftochim	Bulgaria	E&R	2 565.9	-22.2%	-62.4	77.1%	36
52	⬇️ Rompetrol Rafinare	Romania	E&R	2 545.3	-29.6%	62.4	23.4%	35
53	⬇️ INA	Croatia	E&R	2 476.1	-20.4%	-122.0	23.4%	39
54	Ukrzaliznytsia	Ukraine	CB&T	2 462.7	-20.2%	-687.4	28.7%	NM
55	⬆️ Samsung Electronics Hungary	Hungary	CB&T	2 452.4	7.8%	77.2	-0.1%	61
56	⬆️ PCA Slovakia	Slovakia	Mfg	2 447.1	17.0%	26.9	-9.1%	67
57	Grupa Azoty	Poland	Mfg	2 395.5	1.4%	163.9	173.1%	57
58	⬇️ Slovenské elektrárne	Slovakia	E&R	2 361.7	-4.5%	26.1	-84.6%	55
59	⬇️ Enea	Poland	E&R	2 353.4	0.0%	-102.7	-152.4%	58
60	Volkswagen Poznań	Poland	Mfg	2 351.1	2.8%	31.6	-58.7%	60
61	⬆️ Cyfrowy Polsat	Poland	TM&T	2 347.3	32.7%	280.0		83
62	⬆️ Auchan Polska	Poland	CB&T	2 310.0	25.7%			78
63	⬇️ Kompania Węglowa	Poland	E&R	2 270.1	2.3%			62
64	⬆️ Kaufland Polska	Poland	CB&T	2 147.3	8.5%	28.5	147.7%	74
65	⬆️ Aurubis	Bulgaria	E&R	2 144.4	1.5%	112.0	82.5%	66
66	⬇️ Carrefour Polska	Poland	CB&T	2 125.6	0.2%			65
67	⬆️ Magyar Telekom	Hungary	TM&T	2 121.9	4.9%	102.0	-1.4%	70
68	⬆️ Lasy Państwowe	Poland	PS	2 103.3	5.0%	90.6	-11.1%	71
69	⬇️ U.S. Steel Košice	Slovakia	Mfg	2 079.9	-5.2%	43.2	154.3%	64
70	⬆️ Kaufland Romania	Romania	CB&T	2 066.1	14.6%	146.1	58.3%	81
71	⬆️ VWGP	Poland	Mfg	2 055.9	12.9%	20.7	11.7%	80
72	⬆️ Kaufland Česká republika	Czech Republic	CB&T	2 025.2	8.5%	78.0	34.8%	75
73	⬆️ Pelion	Poland	LS&HC	2 021.1	10.1%	21.2	33.1%	79
74	⬆️ PPHU Specjal	Poland	CB&T	2 018.7	16.0%	2.7	27.9%	86
75	⬆️ Magyar Suzuki	Hungary	Mfg	1 975.5	28.3%	57.8		106
76	TESCO-GLOBAL Áruházak	Hungary	CB&T	1 971.1	1.6%	-219.9	-58.0%	76
77	⬆️ Magyar Földgázkereskedő	Hungary	E&R	1 966.1	15.1%	-17.5	47.7%	91
78	⬆️ Kernel	Ukraine	CB&T	1 949.1	13.3%	79.9		89
79	⬆️ General Motors Mfg Poland	Poland	Mfg	1 938.9	41.1%			125
80	EP Energy	Czech Republic	E&R	1 917.4	8.3%	81.7	22.8%	NM
81	ČEZ Distribuce	Czech Republic	E&R	1 907.2	4.5%	242.5	-1.3%	N/A
82	⬇️ ArcelorMittal Kryvyi Rih	Ukraine	Mfg	1 894.8	-17.4%	46.7	163.3%	59
83	⬆️ JP EPS	Serbia	E&R	1 863.7	3.5%	57.9	169.6%	88
84	⬆️ PSE	Poland	E&R	1 821.7	7.5%	180.5	22.7%	92
85	⬇️ Čepro	Czech Republic	E&R	1 798.4	-30.4%	36.0	49.7%	52
86	⬇️ Moravia Steel	Czech Republic	Mfg	1 786.2	0.2%	165.8	-2.4%	82
87	⬇️ NIS	Serbia	E&R	1 744.6	-20.5%	121.0	-48.8%	63
88	⬆️ Ahold Czech Republic	Czech Republic	CB&T	1 739.0	14.3%			119
89	⬆️ Asseco	Poland	TM&T	1 734.0	16.6%	197.2	32.3%	110
90	⬆️ GEN-I Group	Slovenia	E&R	1 731.2	32.8%	7.3	18.9%	129
91	⬆️ Konzum	Croatia	CB&T	1 711.4	7.0%	18.1	13.8%	98
92	⬇️ Makro Cash and Carry Polska	Poland	CB&T	1 697.2	-0.7%	-31.8	-131.9%	90
93	⬆️ HEP	Croatia	E&R	1 694.1	5.1%	260.1	-21.2%	97
94	⬆️ Flextronics International	Hungary	TM&T	1 682.2	14.9%	18.3	45.1%	111
95	⬇️ Fozzy Group	Ukraine	CB&T	1 661.9	-16.7%	-83.3	-2.8%	73
96	⬆️ Neuca	Poland	LS&HC	1 659.8	5.9%	24.5	15.1%	101
97	⬇️ Jastrzębska Spółka Węglowa	Poland	E&R	1 657.2	1.9%	-788.8		95
98	⬆️ BAT (Romania)	Romania	CB&T	1 655.6	6.3%	98.2	22.2%	103
99	⬆️ AB	Poland	CB&T	1 623.3	18.1%	16.1	55.5%	123
100	Polkomtel	Poland	TM&T	1 587.0	1.2%			100

● Revenues for 2015 assumed at the 2014 value due to lack of data  
● Data not comparable with last year Ranking  
● Due to significant FX rates changes and a financial year different than the calendar year, for the two Ukrainian companies Kernel and Nibulon we have applied average FX rates calculated based on the monthly rates for the given financial year

● Annualized revenues  
● Estimated revenues net of excise tax  
● Revenues adjusted by the effects of one-off reorganization in the GE Group after the acquisition of Alstom

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#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
101	⬇️ ATB Market	Ukraine	CB&T	1 581.2	-21.9%	96.7		68
102	⬇️ Tedis Ukraine	Ukraine	CB&T	1 545.1	-22.7%			72
103	⬆️ T-Mobile Polska	Poland	TM&T	1 543.5	3.5%			109
104	⬇️ MVM Partner	Hungary	E&R	1 542.0	-10.6%	3.1	120.4%	87
105	⬆️ Tauron Dystrybucja	Poland	E&R	1 541.4	6.3%	327.8	13.5%	117
106	⬇️ E.ON Hungária	Hungary	E&R	1 540.4	-5.7%			93
107	⬆️ Toyota Peugeot Citroën Automobile Czech	Czech Republic	Mfg	1 538.7	7.9%	9.8	-27.0%	118
108	Lukoil Bulgaria	Bulgaria	E&R	1 532.5	-4.8%	-3.1	81.6%	N/A
109	⬇️ Tesco Stores ČR	Czech Republic	CB&T	1 531.5	2.2%	-143.8	-0.1%	94
110	⬇️ NEK	Bulgaria	E&R	1 531.1	0.8%	-100.6	66.5%	107
111	⬇️ Maxima LT	Lithuania	CB&T	1 524.4	2.0%			108
112	⬆️ Rossmann	Poland	CB&T	1 486.2	14.7%			139
113	⬆️ Shell Polska	Poland	E&R	1 474.2	24.4%			157
114	⬆️ Volkswagen Motor Polska	Poland	Mfg	1 473.4	9.1%	35.8	-12.2%	130
115	⬆️ Robert Bosch Elektronika	Hungary	Mfg	1 466.0	12.4%	41.4	56.2%	135
116	⬆️ PKP Energetyka	Poland	E&R	1 448.7	40.6%	-5.7	-148.9%	181
117	⬆️ Samsung Electronics Polska	Poland	CB&T	1 429.0	3.0%			122
118	Ezpada	Czech Republic	E&R	1 427.4	46.6%	9.5	37.5%	N/A
119	⬇️ SPP	Slovakia	E&R	1 418.0	-7.6%	210.0	-67.6%	105
120	⬆️ Farmacol	Poland	LS&HC	1 412.1	10.3%	22.0	-11.4%	142
121	⬇️ RWE Energie	Czech Republic	E&R	1 410.3	-0.4%	95.4	4.0%	115
122	⬇️ PS Mercator	Slovenia	CB&T	1 403.5	-3.6%	-8.2	94.1%	114
123	⬆️ Grupa Muszkieterów	Poland	CB&T	1 400.3	8.0%			138
124	⬇️ WOG	Ukraine	E&R	1 399.9	-9.9%			104
125	⬇️ BorsodChem	Hungary	Mfg	1 398.3	-4.3%	43.3		112
126	⬆️ Żabka Polska	Poland	CB&T	1 374.0	15.1%			144
127	⬇️ O2 Czech Republic	Czech Republic	TM&T	1 371.0	1.1%	249.3	71.8%	96
128	⬆️ Boryszew	Poland	Mfg	1 356.8	12.4%	13.1	-64.1%	149
129	⬆️ Castorama Polska	Poland	CB&T	1 350.1	3.2%			134
130	⬇️ Energoatom	Ukraine	E&R	1 347.7	-7.1%	-167.9		116
131	⬆️ SPAR Magyarország	Hungary	CB&T	1 338.2	3.4%	23.4	139.2%	140
132	⬇️ Tesco Stores SR	Slovakia	CB&T	1 338.1	-2.4%	-44.3		126
133	⬆️ MOL Petrolkémia	Hungary	Mfg	1 338.0	3.0%	390.2		137
134	⬆️ Can-Pack	Poland	Mfg	1 321.7	12.2%	141.7	27.2%	155
135	⬆️ Skanska Polska	Poland	RE	1 316.5	8.5%	99.7		148
136	⬆️ WIZZ Air Hungary	Hungary	CB&T	1 306.7	28.4%	196.6	85.1%	143
137	⬇️ Poczta Polska	Poland	PS	1 302.4	-3.7%			128
138	⬇️ Zaporizhstal	Ukraine	Mfg	1 292.7	-6.9%	85.6	23.4%	120
139	⬆️ P4 (Play)	Poland	TM&T	1 281.5	22.2%			179
140	⬇️ ArcelorMittal Ostrava	Czech Republic	Mfg	1 280.4	-7.7%	29.4	-67.0%	121
141	⬇️ Action	Poland	CB&T	1 269.4	-2.3%	6.2	-59.1%	136
142	⬆️ Mobis Slovakia	Slovakia	Mfg	1 260.7	11.0%	36.6	11.8%	169
143	⬆️ Roglić Group	Croatia	CB&T	1 253.5	25.2%	16.6	87.8%	195
144	⬆️ Electrica	Romania	E&R	1 239.4	9.0%	108.8	16.9%	166
145	Lumileds	Poland	Mfg	1 228.6	0.0%			N/A
146	⬇️ Budimex	Poland	RE	1 226.8	3.8%	56.4	22.4%	154
147	⬆️ LPP	Poland	CB&T	1 226.0	7.7%	73.3	1.9%	165
148	⬇️ Gorenje Group	Slovenia	CB&T	1 225.0	-2.3%	-10.9	-8.4%	146
149	⬆️ Koncernas Achemos grupė	Lithuania	Mfg	1 225.0	7.1%			161
150	⬇️ Lukoil Romania	Romania	E&R	1 224.6	-7.3%	7.9		133

⬆️ Up ⬇️ Down **CB&T** - Consumer Business & Transportation. **E&R** - Energy & Resources. **LS&HC** - Life Science & Health Care. **Mfg** - Manufacturing. **TM&T** - Technology, Media & Telecommunications. **PS** - Public Sector. **RE** - Real Estate.

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151	HSE Group	Slovenia	E&R	1 224.0	-2.7%	-479.8		NM
152	↓ České dráhy	Czech Republic	CB&T	1 213.2	1.2%	-50.4		151
153	↓ PANRUSGÁZ	Hungary	E&R	1 211.3	-3.6%	-0.4	77.5%	145
154	↑ LG Electronics Mława	Poland	CB&T	1 209.6	5.7%	56.6		160
155	↓ Ericsson Eesti	Estonia	TM&T	1 196.0	-12.3%	-1.5	-106.0%	127
156	↑ Michelin Polska	Poland	Mfg	1 194.8	5.9%			171
157	↑ Johnson Matthey	Rep. of Macedonia	Mfg	1 189.2	28.2%	91.3	63.1%	214
158	↑ Richter Gedeon	Hungary	LS&HC	1 180.7	3.4%	176.3	118.1%	162
159	↓ Ukrnafta	Ukraine	E&R	1 178.1	-32.3%	-222.8		85
160	↑ Foxconn Slovakia	Slovakia	TM&T	1 170.2	2.5%	13.8		163
161	↓ PKP PLK	Poland	CB&T	1 169.0	-2.7%	-66.0	-140.3%	150
162	↓ Krka Group	Slovenia	LS&HC	1 164.6	-2.3%	144.9	40.3%	153
163	↓ LG Electronics Wrocław	Poland	CB&T	1 162.6	1.5%			159
164	↓ ABC Data	Poland	CB&T	1 160.5	-12.8%	12.3	87.5%	131
165	↑ Carrefour Romania	Romania	CB&T	1 159.8	12.8%	28.8	7.0%	183
166	↑ BSH Poland	Poland	CB&T	1 147.0	12.1%			185
167	↑ Inter Cars	Poland	Mfg	1 146.0	21.3%	35.1	-16.1%	212
168	↑ Metrostav	Czech Republic	RE	1 140.2	4.7%	20.6	15.9%	174
169	↑ Elko LV	Latvia	CB&T	1 139.3	17.1%	19.7		207
170	↑ Szerencsejáték	Hungary	CB&T	1 136.3	12.6%	61.4	1.6%	192
171	↓ Uralchem LV	Latvia	CB&T	1 132.0	-0.3%	23.6	7.1%	170
172	↑ EDF Polska	Poland	E&R	1 120.7	6.2%			178
173	↑ Grupa Valeo	Poland	Mfg	1 117.9	18.8%			201
174	↑ Mobis Automotive Czech	Czech Republic	Mfg	1 112.4	27.3%	2.9	180.5%	227
175	↑ Cargill Poland	Poland	CB&T	1 101.1	11.5%			200
176	↑ Geco	Czech Republic	CB&T	1 099.3	18.2%	13.5	50.1%	213
177	↑ Media-Saturn	Poland	CB&T	1 099.2	12.8%			204
178	↑ Lietuvos Energija	Lithuania	E&R	1 095.8	12.7%	55.3	119.8%	206
179	↓ E.ON Energie Romania	Romania	E&R	1 090.0	2.4%	25.2	18.9%	177
180	↑ PKP Cargo	Poland	CB&T	1 088.3	6.7%	26.0	142.6%	194
181	↓ IKEA Industry Poland	Poland	Mfg	1 077.8	0.6%	26.3	-55.3%	176
182	↓ Polska Grupa Zbrojeniowa	Poland	Mfg	1 075.3	0.1%			158
183	↑ EURO-net	Poland	CB&T	1 075.3	0.0%			250
184	↑ Makro Cash & Carry ČR	Czech Republic	CB&T	1 073.5	-0.9%			187
185	↑ Lidl Romania	Romania	CB&T	1 063.9	34.9%	38.7	186.1%	264
186	Polska Grupa Farmaceutyczna	Poland	LS&HC	1 062.9	-6.5%	9.1	-31.1%	n/a
187	↓ Lek Group	Slovenia	LS&HC	1 059.3	4.0%	86.0	27.1%	186
188	↑ GlaxoSmithKline Pharmaceuticals	Poland	LS&HC	1 058.5	5.1%	33.7	-34.0%	193
189	↑ MHP	Ukraine	CB&T	1 058.0	3.2%	-112.4	63.3%	184
190	↓ Ukratnafta	Ukraine	E&R	1 050.3	-18.5%	-17.1	-178.4%	141
191	↓ Circle K Polska (formerly: Statoil)	Poland	E&R	1 043.5	-12.9%			152
192	↑ Totalizator Sportowy	Poland	CB&T	1 037.7	23.8%	68.0	30.6%	241
193	Polska Spółka Gazownictwa	Poland	E&R	1 036.2	0.0%			N/A
194	↑ Animex	Poland	CB&T	1 035.7	4.5%			199
195	↑ Orange Romania	Romania	TM&T	1 032.8	6.1%	59.0	-35.1%	205
196	↑ Revoz	Slovenia	CB&T	1 027.3	21.1%	11.6	-5.3%	238
197	↓ Faurecia Polska	Poland	Mfg	1 025.3	-0.7%	45.0	-36.6%	180
198	Veolia Česká Republika	Czech Republic	E&R	1 024.1	31.9%	48.8	7.4%	NM
199	Electrolux Poland	Poland	CB&T	1 019.7	21.4%	23.1	78.6%	NM
200	Chimimport	Bulgaria	CB&T	1 017.2	5.5%	29.9	-9.3%	NM

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201	⬇️ Telekom Srbija	Serbia	TM&T	1 013.9	1.0%	121.5	-19.6%	197
202	⬇️ Metro Cash & Carry Romania	Romania	CB&T	1 012.2	0.1%	8.0		190
203	⬆️ PCE Paragon Solutions	Hungary	Mfg	1 011.3	3.2%	-15.4		224
204	⬇️ Západoslovenská energetika	Slovakia	E&R	1 009.0	-0.4%	88.0	4.6%	188
205	⬆️ Inventec (Czech)	Czech Republic	TM&T	1 007.3	24.0%	0.3	-20.2%	252
206	⬇️ Philips Lighting Poland	Poland	Mfg	1 005.6	-18.3%	148.4	104.5%	147
207	⬆️ Auchan Romania	Romania	CB&T	1 000.9	17.8%	11.9	185.6%	237
208	⬆️ Chinoin	Hungary	LS&HC	1 000.4	4.3%	123.0	21.4%	210
209	⬇️ MOL Romania	Romania	E&R	995.9	1.6%	16.2	-23.4%	202
210	⬇️ GDF Suez	Romania	E&R	994.7	2.9%	85.7	-13.5%	203
211	⬆️ T-Mobile Czech Republic	Czech Republic	TM&T	992.9	13.6%	175.6	-9.1%	226
212	⬆️ Dedeman	Romania	CB&T	982.3	27.7%	126.8	35.3%	272
213	⬇️ SEPS	Slovakia	E&R	978.0	0.6%	73.2	8.3%	208
214	⬇️ Petrotel-Lukoil	Romania	E&R	977.9	-32.8%	3.4	104.9%	113
215	JTI Polska	Poland	CB&T	976.8	0.0%			N/A
216	⬇️ Synthos	Poland	Mfg	969.7	-12.1%	95.8	12.8%	173
217	⬇️ European Data Project	Czech Republic	CB&T	967.4	0.0%			209
218	⬆️ OTE	Czech Republic	E&R	957.7	26.9%	4.1	15.6%	283
219	Media Expert	Poland	CB&T	955.8	0.0%			N/A
220	⬇️ Tallink	Estonia	CB&T	945.2	2.0%	59.0	118.5%	215
221	⬆️ Grupa Basell Orlen Polyolefins	Poland	Mfg	930.8	12.2%			247
222	Mercator-S	Serbia	CB&T	929.3	50.9%	3.2		NM
223	Latvenergo	Latvia	E&R	929.1	-8.1%	85.0	185.5%	NM
224	⬆️ Mlekovita	Poland	CB&T	927.9	0.2%	12.4	-25.6%	216
225	⬇️ Concern Galnaftogaz	Ukraine	E&R	927.4	-18.6%	-12.7	77.9%	164
226	⬆️ Stredoslovenská energetika	Slovakia	E&R	923.1	5.9%	110.7	25.5%	230
227	⬆️ TEVA Gyógyszergyár	Hungary	LS&HC	919.5	7.3%	335.0	26.9%	234
228	⬇️ PCA Logistika CZ	Czech Republic	Mfg	913.5	-1.4%	1.4	-3.8%	217
229	⬇️ RomGaz	Romania	E&R	912.7	-9.9%	269.0	-15.3%	189
230	⬇️ Auchan Magyarország	Hungary	CB&T	911.7	1.8%	7.1	117.6%	222
231	⬆️ Zakłady Azotowe Puławy	Poland	Mfg	911.4	5.5%	106.5	161.3%	243
232	⬇️ T-HT Group	Croatia	TM&T	908.3	0.4%	123.8	-17.2%	220
233	GDF Suez Földgázkereskedelmi Kft.	Hungary	E&R	902.2	117.1%	-0.1	-111.8%	N/A
234	Mercedes-Benz Polska Sp. z o.o.	Poland	Mfg	894.7	18.2%			N/A
235	⬆️ Continental Matador Rubber	Slovakia	Mfg	894.5	12.9%	170.4	30.3%	263
236	⬆️ Lidl Slovakia	Slovakia	CB&T	890.3	12.0%	75.7	15.8%	261
237	⬇️ Electrolux Lehel	Hungary	CB&T	889.7	3.0%	4.1	195.2%	232
238	⬆️ Flextronics International Poland	Poland	TM&T	889.7	19.0%	35.1	182.9%	284
239	⬇️ Grupa Saint-Gobain w Polsce	Poland	Mfg	883.2	3.8%			233
240	⬆️ Robert Bosch Energy and Body Systems	Hungary	Mfg	882.9	14.2%	12.8	2.0%	280
241	⬆️ Bunge Ukraine	Ukraine	CB&T	882.3	22.5%	12.8	-6.9%	300
242	⬇️ OMV Hungária	Hungary	E&R	875.0	-3.3%	13.6		221
243	⬆️ Glencore Polska	Poland	CB&T	870.6	4.7%	8.1	-2.7%	244
244	⬇️ HEP - Operator	Croatia	E&R	865.8	-0.6%	95.2	17.2%	231
245	⬇️ Jabil Circuit Magyarország	Hungary	Mfg	862.4	-0.6%	-1.6	-103.1%	219
246	⬆️ Maspex	Poland	CB&T	860.1	14.1%			269
247	⬇️ Ferrexpo Group	Ukraine	Mfg	859.2	-16.6%	-354.9	49.2%	182
248	⬆️ ArcelorMittal Galati	Romania	Mfg	856.6	5.8%	-67.0	38.3%	254
249	⬇️ Phoenix Lékárenský veľkoobchod	Czech Republic	CB&T	854.1	2.9%	6.8	-15.1%	239
250	Grupa Strabag w Polsce	Poland	RE	851.9	16.8%	48.5	43.1%	NM

⬆️ Up ⬇️ Down **CB&T** - Consumer Business & Transportation. **E&R** - Energy & Resources. **LS&HC** - Life Science & Health Care. **Mfg** - Manufacturing. **TM&T** - Technology, Media & Telecommunications. **PS** - Public Sector. **RE** - Real Estate.

#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
251	⬇️ ISD Dunaferr	Hungary	Mfg	847.0	0.0%			191
252	⬇️ Ford Romania	Romania	Mfg	846.0	-7.4%	-18.4		218
253	⬆️ Lidl Magyarország	Hungary	CB&T	845.5	15.0%	26.5		294
254	⬆️ Harman Becker	Hungary	TM&T	844.8	59.6%	16.4	29.3%	405
255	Leroy Merlin Polska	Poland	CB&T	841.5	0.0%			N/A
256	⬇️ Globus ČR	Czech Republic	CB&T	840.9	1.2%	12.8	69.5%	245
257	⬇️ Ukrlandfarming	Ukraine	CB&T	838.2	-27.6%			156
258	⬆️ Unilever Polska	Poland	CB&T	836.4	4.6%			259
259	⬇️ Enea Wytwarzanie	Poland	E&R	813.4	-0.3%	-228.2		249
260	⬆️ Kaufland Slovakia	Slovakia	CB&T	813.0	9.4%	34.4	15.9%	287
261	⬆️ KITE	Hungary	CB&T	810.6	6.4%	9.8	-31.0%	279
262	⬆️ Anwil	Poland	Mfg	809.0	3.0%	97.5		268
263	⬇️ FCA Powertrain Poland	Poland	Mfg	808.1	-3.2%	47.4	-18.7%	242
264	⬇️ Hungaropharma	Hungary	LS&HC	805.3	10.5%	14.7	25.2%	262
265	⬆️ Admiral Global Betting	Czech Republic	CB&T	803.2	30.3%	26.1	48.6%	355
266	⬆️ Mega Image	Romania	CB&T	802.4	26.5%	23.2	84.5%	340
267	⬆️ AmRest	Poland	CB&T	797.8	13.2%	32.4		305
268	⬆️ TRW Polska	Poland	Mfg	797.3	8.0%	22.0	18.4%	291
269	⬆️ Sokółów	Poland	CB&T	795.7	4.1%			277
270	⬇️ Tele-Fonika Kable	Poland	Mfg	788.0	-2.9%			253
271	Petrom Gas	Romania	E&R	787.2	-5.3%	6.2	-76.4%	N/A
272	⬆️ Porsche Hungaria	Hungary	Mfg	786.8	16.1%	4.5	3.2%	318
273	⬆️ Rimi Latvia	Latvia	CB&T	785.3	6.0%	27.4	16.0%	289
274	⬆️ Slovak Telekom	Slovakia	TM&T	782.9	2.0%	71.7	64.4%	275
275	⬇️ Ciech	Poland	Mfg	782.1	1.0%	84.9	103.0%	270
276	⬇️ Eesti Energia	Estonia	E&R	776.7	-11.7%	40.5	-74.6%	225
277	⬆️ eustream	Slovakia	E&R	776.4	23.2%	418.3	25.2%	346
278	Sev.en EC	Czech Republic	E&R	775.7	129.9%	13.1	-11.4%	N/A
279	Węglokoks	Poland	CB&T	775.4	6.1%	24.4	-31.0%	297
280	⬇️ Epicentr K	Ukraine	CB&T	775.0	-43.6%			124
281	⬆️ BASF Polska	Poland	Mfg	773.9	0.6%			299
282	⬇️ Indesit Polska	Poland	CB&T	773.5	0.0%			271
283	⬇️ Michelin Hungária	Hungary	Mfg	769.6	-3.6%	38.2	95.7%	260
284	PESA Bydgoszcz	Poland	Mfg	764.7	96.9%			n/a
285	⬇️ E.ON Energiakereskedelmi	Hungary	E&R	758.5	-13.1%	7.3	-6.4%	228
286	⬆️ Mediplus	Romania	LS&HC	756.7	6.1%	19.8	100.6%	302
287	Faurecia	Czech Republic	Mfg	755.2	63.8%	-10.8		N/A
288	⬆️ Impexmetal	Poland	Mfg	753.7	12.0%	28.4	-6.8%	322
289	⬇️ Kompania Piwowarska	Poland	CB&T	751.4	2.0%			236
290	⬇️ KHW	Poland	E&R	750.3	-6.5%	-86.3	23.8%	258
291	⬇️ Eurocash Serwis	Poland	CB&T	750.1	0.0%			267
292	Vodafone Romania	Romania	TM&T	750.1	5.7%	40.7	13.8%	NM
293	Grupa Żywiec	Poland	CB&T	748.4	1.4%	71.2	87.3%	293
294	⬆️ Stalprodukt	Poland	Mfg	748.4	9.7%	24.2	-55.3%	314
295	Lear Corporation Hungary	Hungary	Mfg	747.9	0.5%	36.6	127.5%	286
296	⬆️ Samsung Electronics Romania	Romania	CB&T	745.1	19.3%	13.5	1.4%	350
297	⬆️ LuK Savaria	Hungary	Mfg	738.5	16.7%	46.0	30.8%	343
298	⬇️ Tauron Wytwarzanie	Poland	E&R	738.5	0.0%			292
299	⬆️ Arel	Poland	CB&T	738.2	0.0%			N/A
300	⬆️ Phoenix Pharma Hungary	Hungary	LS&HC	735.3	6.1%	16.9	16.9%	309

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● Annualized revenues  
● Estimated revenues net of excise tax  
● Revenues adjusted by the effects of one-off reorganization in the GE Group after the acquisition of Alstom

Central Europe Top 500 | 2016

#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
301	↓ Nibulon	Ukraine	CB&T	732.8	-14.2%	34.8	-30.7%	235
302	↑ Nestle Polska	Poland	CB&T	731.6	8.6%	43.5	19.1%	321
303	Grupa Magneti Marelli w Polsce	Poland	Mfg	730.5	10.6%			n/a
304	↓ Telekom Slovenije Group	Slovenia	TM&T	729.5	-3.6%	68.9		281
305	BaDM	Ukraine	CB&T	728.9	-22.0%	18.9		N/A
306	↑ JTI	Romania	CB&T	725.1	9.0%	16.2	21.1%	328
307	↓ MLEKPOL	Poland	CB&T	724.3	-7.7%	2.9	-24.9%	229
308	↑ Tinmar	Romania	E&R	720.2	31.8%	2.2	-76.4%	400
309	↓ Hidroelectrica	Romania	E&R	716.9	-6.6%	202.6	-4.5%	276
310	↓ PLL LOT	Poland	CB&T	716.9	-13.7%			246
311	↑ Continental Automotive Hungary	Hungary	Mfg	715.7	5.3%	17.9		317
312	↑ Atlantic Grupa	Croatia	CB&T	715.6	5.7%	30.4	11.0%	323
313	↓ Transgourmet (formerly: Selgros)	Poland	CB&T	715.6	-7.4%			273
314	↓ Cez Electro Bulgaria	Bulgaria	E&R	712.8	0.1%	4.4	-65.6%	295
315	↑ Hankook Tire Magyarország	Hungary	Mfg	711.7	32.2%	172.7	54.1%	409
316	↓ Metalimex	Czech Republic	CB&T	711.4	-1.8%	3.0	-54.8%	298
317	MOL Česká republika	Czech Republic	E&R	708.8	4.0%	3.3	1.0%	N/A
318	↑ Adris Grupa	Croatia	CB&T	707.9	18.0%	177.5		379
319	↓ Česká pošta	Czech Republic	PS	707.4	3.2%	8.5	30.4%	311
320	↑ EP Energy Trading	Czech Republic	E&R	706.7	13.9%	7.6		353
321	↑ ZE PAK	Poland	E&R	704.4	10.1%	-447.7		337
322	↓ Spar Slovenija	Slovenia	CB&T	699.4	0.0%			306
323	↑ MND	Czech Republic	E&R	697.3	28.3%	19.0	-64.2%	403
324	↓ Netto	Poland	CB&T	694.1	1.9%	21.6	17.9%	315
325	↓ Bulgargaz	Bulgaria	E&R	693.6	-11.4%	10.2		265
326	↓ Arctic Paper	Poland	Mfg	693.1	1.3%	5.2	-59.5%	290
327	↓ Volvo Polska	Poland	Mfg	691.7	2.4%	4.4	-21.9%	319
328	↓ Maxima Latvia	Latvia	CB&T	688.8	2.1%	19.2	37.9%	320
329	↓ Pražská energetika	Czech Republic	E&R	688.4	1.4%	92.5	5.4%	310
330	↑ Autoliv Romania	Romania	Mfg	687.3	25.0%	21.2	80.8%	397
331	↑ Eurovia CS	Czech Republic	RE	679.5	21.2%	22.3	73.7%	394
332	↑ Alcoa-Kőfém	Hungary	Mfg	679.5	13.7%	80.5	10.1%	366
333	↓ Mondi Świecie	Poland	Mfg	672.9	2.1%	131.4	-1.9%	331
334	↑ Transelectrica	Romania	E&R	672.5	5.7%	91.0	18.0%	339
335	↑ Johnson Controls International	Slovakia	Mfg	671.0	5.3%	35.5	107.9%	342
336	↑ Robert Bosch	Czech Republic	Mfg	670.6	27.5%	13.8	67.2%	425
337	↑ Nemzeti Útdíjfizetési Szolgáltató	Hungary	CB&T	669.7	14.5%	8.2		387
338	↑ Philip Morris Polska	Poland	CB&T	665.4	11.4%			369
339	MAN Trucks	Poland	Mfg	665.2	24.1%	13.2	9.9%	N/A
340	↓ SIJ	Slovenia	E&R	664.8	-6.1%	10.4	-58.5%	304
341	Polenergia	Poland	E&R	662.5	197.0%	15.3	92.3%	N/A
342	↓ Selgros	Romania	CB&T	660.9	3.5%	9.7	184.0%	338
343	↑ Zakłady Chemiczne Police	Poland	Mfg	655.2	13.8%	38.9	153.0%	375
344	↑ Škoda Transportation	Czech Republic	Mfg	653.6	11.2%	21.6	-73.9%	376
345	↓ E. Leclerc	Poland	CB&T	651.6	-0.6%			333
346	↑ Východoslovenská energetika	Slovakia	E&R	648.9	18.6%	70.7	26.7%	399
347	JP Srbijagas	Serbia	E&R	648.5	8.7%	24.5	106.6%	NM
348	↓ E.ON Energiaszolgáltató	Hungary	E&R	647.5	1.1%	-41.5	-87.3%	336
349	↑ DPP	Czech Republic	CB&T	647.5	7.8%	46.0		363
350	↓ Magyar Posta	Hungary	PS	646.1	2.2%	9.8	9.6%	345

↑ Up ↓ Down **CB&T** - Consumer Business & Transportation. **E&R** - Energy & Resources. **LS&HC** - Life Science & Health Care. **Mfg** - Manufacturing. **TM&T** - Technology, Media & Telecommunications. **PS** - Public Sector. **RE** - Real Estate.

#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
351	⬇️ Lama Energy Group	Czech Republic	E&R	645.0	-35.5%	4.8	-22.6%	196
352	⬆️ RWE Polska	Poland	E&R	643.8	8.6%			372
353	⬆️ Ikea Retail	Poland	CB&T	642.8	13.2%	13.3		389
354	⬆️ Continental Automotive Products	Romania	Mfg	641.6	6.6%	159.9	17.9%	361
355	⬇️ PT Dystrybucja	Poland	CB&T	633.7	0.0%			341
356	Kares Świętochowsky	Poland	CB&T	632.7	123.2%	4.0	30.8%	N/A
357	⬆️ Farmexpert	Romania	LS&HC	632.5	5.7%	16.9	-27.6%	365
358	⬇️ Petrol Croatia	Croatia	E&R	632.2	-5.1%	9.4	102.5%	326
359	⬆️ Iveco Czech Republic	Czech Republic	Mfg	630.0	19.2%	60.8	35.7%	419
360	⬇️ Panasonic AVC Networks Czech	Czech Republic	CB&T	629.5	-22.5%			251
361	⬆️ Delphi Hungary	Hungary	Mfg	629.3	8.1%	8.3	-83.6%	380
362	⬆️ Metraco	Poland	CB&T	627.5	-15.2%	-4.6	-22.5%	452
363	GE Power	Poland	Mfg	626.5	43.2%	21.6	-19.8%	N/A
364	⬆️ Renault Polska	Poland	Mfg	626.3	10.3%	4.7	-7.4%	390
365	⬆️ Engie Energia Polska	Poland	E&R	625.9	8.8%	7.9		386
366	⬇️ OMV Slovensko	Slovakia	E&R	624.2	-10.7%	13.0	52.6%	312
367	⬇️ OKD	Czech Republic	E&R	623.8	-6.9%	-250.4	31.7%	324
368	⬆️ Remontowa Holding	Poland	Mfg	622.6	15.3%	32.8	-54.2%	408
369	⬇️ Delphi Poland	Poland	Mfg	620.2	-9.6%	3.5	145.5%	313
370	Eberspächer	Czech Republic	Mfg	615.9	41.1%	0.9	-91.2%	N/A
371	⬆️ Opel Southeast Europe	Hungary	Mfg	614.6	12.7%	3.9		401
372	⬆️ Faurecia Slovakia	Slovakia	Mfg	612.0	26.6%	22.5	-5.9%	420
373	⬆️ SAS Automotive	Slovakia	Mfg	611.5	23.4%	8.5	43.9%	459
374	ABB Poland	Poland	Mfg	610.3	3.5%	15.8	-11.9%	374
375	⬆️ Avon	Poland	CB&T	610.1	6.6%	5.8		388
376	⬆️ Polimex Mostostal	Poland	RE	609.0	21.4%	26.1	157.9%	449
377	⬆️ Oltenia	Romania	E&R	608.0	5.2%	-216.4	-38.4%	384
378	⬆️ RCS & RDS	Romania	TM&T	607.7	16.6%	-5.2	67.8%	429
379	⬇️ TZMO	Poland	CB&T	605.6	0.3%	74.2	32.7%	360
380	⬆️ OHL Central Europe	Czech Republic	RE	604.4	30.8%	-11.2	-9.7%	492
381	⬇️ Tuš Holding	Slovenia	CB&T	604.3	0.0%			332
382	⬆️ MET Magyarország	Hungary	E&R	602.3	17.6%	1.7	47.5%	435
383	⬇️ Vítkovice Holding	Czech Republic	Mfg	600.8	0.0%			362
384	⬇️ ELMŰ	Hungary	E&R	600.7	8.3%	45.6	1.6%	303
385	⬇️ OMV Slovenia	Slovenia	E&R	598.9	-12.0%	18.0	41.3%	316
386	⬆️ Neonet	Poland	CB&T	597.4	-7.7%			334
387	⬆️ Brose CZ	Czech Republic	Mfg	592.8	19.2%	16.7	44.3%	441
388	⬇️ Lesto	Lithuania	E&R	588.3	-11.6%	75.4	146.1%	329
389	⬇️ Palink	Lithuania	CB&T	588.2	0.0%			367
390	Armex Group	Czech Republic	CB&T	587.9	0.0%			N/a
391	⬆️ Automotive Lighting	Czech Republic	Mfg	582.7	18.8%	56.0	55.4%	461
392	⬆️ FŐGÁZ	Hungary	E&R	581.5	7.2%	8.6	120.0%	411
393	Pini Polonia	Poland	CB&T	581.3	0.0%			N/A
394	⬇️ Telekom Fix	Romania	TM&T	580.8	-4.8%	-27.7	62.9%	356
395	⬇️ Unipetrol Slovensko	Slovakia	E&R	580.5	-6.6%	1.4	23.8%	352
396	⬇️ Anwim	Poland	E&R	577.3	-1.6%	1.7	40.1%	377
397	⬆️ Travel Service	Czech Republic	CB&T	576.4	7.3%	7.1		407
398	⬆️ Penny Market Hungary	Hungary	CB&T	576.0	6.0%	6.7	35.9%	402
399	Profi Rom Food	Romania	CB&T	573.8	38.1%	11.8	92.2%	N/A
400	⬇️ Linas Agro	Lithuania	CB&T	573.8	-1.8%	9.2	-61.1%	378

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Central Europe Top 500 | 2016

#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
401	⬆️ Pražská plynárenská	Czech Republic	E&R	570.3	14.3%	31.2	17.9%	454
402	POLOmarket	Poland	CB&T	569.4	-37.9%			NM
403	⬇️ Motor Sich	Ukraine	Mfg	566.5	-15.4%	143.1	44.3%	325
404	⬆️ Achema	Lithuania	Mfg	562.6	6.0%			417
405	Kolporter	Poland	CB&T	562.3	-47.6%	7.2	-16.6%	NM
406	⬇️ Kruszwica	Poland	CB&T	561.3	-5.5%	22.8	-16.9%	371
407	Shell Hungary	Hungary	E&R	561.2	-3.1%	10.9		NM
408	⬇️ Orange Slovensko	Slovakia	TM&T	560.6	-3.4%	88.2	-14.4%	381
409	⬇️ Interpipe	Ukraine	Mfg	560.4	-27.3%	-191.7	70.0%	274
410	⬇️ SE-CEE Schneider Electric	Hungary	E&R	559.8	-8.2%	16.6	-77.3%	358
411	⬇️ MVM Paksi Atomerőmű	Hungary	E&R	556.2	-0.4%	22.2	-16.4%	395
412	⬆️ Tallinna Kaubamaja Grupp	Estonia	CB&T	555.0	3.7%	22.0	8.9%	413
413	⬇️ Lukoil	Poland	E&R	553.2	0.0%			347
414	⬆️ PHOENIX Zdravotnícke zásobovanie	Slovakia	LS&HC	552.0	4.9%	4.7	11.0%	422
415	⬇️ Kyivstar	Ukraine	TM&T	551.9	-27.7%	25.7	105.2%	278
416	⬆️ CCC	Poland	CB&T	551.3	15.0%	62.1	-38.1%	474
417	⬆️ Ferrero Polska	Poland	CB&T	549.6	8.0%			439
418	⬇️ TIGÁZ	Hungary	E&R	549.6	-5.1%	0.5	101.2%	383
419	⬇️ International Paper - Kwidzyn	Poland	Mfg	549.1	1.2%	87.9	-5.1%	404
420	⬇️ Sanofi-Aventis Hungary	Hungary	LS&HC	548.0	-5.5%	17.6		382
421	⬆️ Impol	Slovenia	E&R	546.1	12.3%	22.4	97.4%	463
422	⬆️ Alro	Romania	Mfg	545.7	14.8%	-4.2	76.8%	481
423	⬇️ ASA Prevent Group	Bosnia and Herzegovina	CB&T	545.0	3.0%			418
424	⬆️ Alliance Healthcare	Czech Republic	LS&HC	542.9	8.4%	6.2	-15.6%	453
425	Sanitex	Lithuania	CB&T	542.9	19.6%			N/A
426	⬇️ MG Baltic	Lithuania	CB&T	539.0	-6.7%	35.4	77.0%	385
427	Ukraine International Airlines	Ukraine	CB&T	537.9	25.4%	-20.7	80.2%	N/A
428	⬇️ Continental Automotive Systems	Romania	Mfg	537.6	0.0%			410
429	⬆️ ADM Romania Trading	Romania	CB&T	537.1	3.4%	-2.7	-123.0%	430
430	⬆️ NI Hungary	Hungary	Mfg	535.5	12.1%	46.2	-11.3%	477
431	⬆️ Ameropa	Romania	CB&T	535.1	7.7%	3.2	-12.4%	456
432	⬇️ Rewe	Romania	CB&T	534.8	13.8%	8.6	64.0%	423
433	⬇️ CMC Poland	Poland	Mfg	534.6	-10.7%			364
434	⬇️ Optima Pharm	Ukraine	CB&T	533.3	-17.3%	4.1	-88.4%	335
435	Alza.cz	Czech Republic	CB&T	531.7	31.7%			N/A
436	⬇️ ThyssenKrupp Energostal	Poland	Mfg	528.4	0.3%	12.2	-3.1%	424
437	⬇️ EDF Paliwa	Poland	E&R	527.4	0.0%			421
438	⬆️ Morpol	Poland	CB&T	527.3	8.8%	29.5		468
439	⬇️ Henkel Polska	Poland	CB&T	525.7	1.7%			432
440	⬆️ Polenergia Obrót	Poland	E&R	524.5	10.3%	1.1	1.4%	480
441	⬆️ WABERER'S International	Hungary	CB&T	522.5	5.3%	12.4	12.1%	457
442	⬇️ Continental Matador Truck Tires	Slovakia	Mfg	521.4	-7.0%	89.3	-9.3%	393
443	MAVIR	Hungary	E&R	520.9	20.3%	51.2	41.2%	N/A
444	TRW Steering Systems	Poland	Mfg	519.3	0.0%	-55.5		N/A
445	⬇️ OMV Bulgaria	Bulgaria	E&R	518.9	-27.4%	17.1	20.9%	301
446	Stalmag	Poland	Mfg	518.8	0.0%			N/A
447	Grupa Polskie Składy Budowlane	Poland	CB&T	517.4	2.7%	3.8	-19.9%	NM
448	⬆️ Mondi SCP	Slovakia	Mfg	516.9	7.8%	71.8	55.6%	482
449	⬆️ ABB	Czech Republic	Mfg	515.4	2.7%	39.2	-17.3%	462
450	⬇️ Tate & Lyle Slovakia	Slovakia	CB&T	514.3	-8.3%	-2.4		442

⬆️ Up ⬇️ Down **CB&T** - Consumer Business & Transportation. **E&R** - Energy & Resources. **LS&HC** - Life Science & Health Care. **Mfg** - Manufacturing. **TM&T** - Technology, Media & Telecommunications. **PS** - Public Sector. **RE** - Real Estate.

#	Company short name	Country	Industry	Revenues from sales 2015	Revenues change % 2015-2014	Net income 2015	Net income change % 2015-2014	LY
451	Zagrebački holding	Croatia	PS	513.4	1.6%	27.5		NM
452	INA Kysuce	Slovakia	Mfg	512.4	14.4%	11.9	-13.3%	N/A
453	⬇️ ZRP Farmutil HS	Poland	CB&T	511.4	0.0%			436
454	Takata	Romania	Mfg	511.2	14.7%	-0.0	-100.1%	n/a
455	⬆️ Plzeňský Prazdroj	Czech Republic	CB&T	511.1	3.7%	105.0	-2.3%	472
456	Work Service	Poland	CB&T	510.6	22.9%	12.1	88.6%	N/A
457	Hill's Pet Nutrition Mfg	Czech Republic	CB&T	510.5	1.4%	89.5	-1.4%	NM
458	⬇️ Telenor Magyarország	Hungary	TM&T	510.3	0.6%	73.1	-5.7%	440
459	Bayer	Poland	Mfg	508.7	16.9%	13.3	21.5%	N/A
460	Denso Gyártó	Hungary	Mfg	508.6	13.3%	0.1	111.4%	N/A
461	State Food and Grain Corporation of Ukraine	Ukraine	CB&T	508.0	15.5%	-155.4	29.6%	N/A
462	Nelt Co.	Serbia	CB&T	507.0	66.2%	6.1	-41.0%	N/A
463	⬇️ Tarkett Bačka Palanka	Serbia	CB&T	506.7	-27.5%	9.5	-82.5%	308
464	ELD	Bulgaria	CB&T	506.4	94.5%	-0.3	93.9%	N/A
465	⬆️ Philip Morris Romania	Romania	CB&T	506.0	5.7%	5.7		476
466	OHL ŽS	Czech Republic	RE	505.6	25.2%	-20.9	-72.3%	N/A
467	⬇️ Komputronik	Poland	CB&T	504.2	-6.0%	2.9	-40.7%	412
468	⬇️ Celsa Huta Ostrowiec	Poland	Mfg	504.0	-10.8%			392
469	Renault Ro	Romania	Mfg	502.8	18.9%	7.7	58.5%	N/A
470	⬇️ Toyota Motor Poland Company Limited Sp. z o. o.	Poland	Mfg	502.2	0.0%			447
471	⬆️ Samsung Electronics Czech and Slovak	Czech Republic	CB&T	501.9	9.1%	6.9	4.2%	497
472	⬆️ Emperia	Poland	CB&T	500.5	6.0%	11.5	59.2%	484
473	Videoton Holding	Hungary	Mfg	500.3	16.3%	38.7	10.8%	N/A
474	⬆️ Amica Wronki	Poland	CB&T	499.2	3.1%	23.2	24.5%	479
475	⬆️ AGC Flat Glass Czech	Czech Republic	Mfg	498.4	6.2%	6.7	-11.9%	487
476	Lego Production	Czech Republic	CB&T	497.1	34.9%	8.6	39.4%	N/A
477	Podravka	Croatia	CB&T	495.9	8.1%	53.1		N/A
478	IKEA Components	Slovakia	CB&T	495.8	29.6%	-3.2	-172.6%	N/A
479	⬇️ Stokrotka	Poland	CB&T	489.2	6.1%			478
480	⬇️ JP Elektroprivreda BiH	Bosnia and Herzegovina	E&R	488.0	0.2%	1.9	-39.1%	470
481	Hella Autotechnik Nova	Czech Republic	Mfg	486.5	37.9%	36.4	21.9%	n/a
482	⬇️ Grupa Raben Polska	Poland	CB&T	486.2	0.9%			469
483	Feron	Czech Republic	CB&T	485.6	-4.3%	4.8	-12.9%	NM
484	Lidl Croatia	Croatia	CB&T	485.3	13.1%	24.3	79.1%	N/A
485	⬇️ Engrotuš	Slovenia	CB&T	484.4	0.0%			438
486	Grupa Kęty	Poland	Mfg	484.4	11.5%	48.5	25.1%	N/A
487	⬇️ Vodafone Czech Republic	Czech Republic	TM&T	484.4	-2.1%	10.1	34.1%	475
488	Krajowa Spółka Cukrowa	Poland	CB&T	484.2	12.5%			N/A
489	⬇️ Kolektor	Slovenia	Mfg	481.8	0.0%			471
490	⬆️ Saksa	Bulgaria	E&R	481.8	1.0%	8.3	62.2%	495
491	Johnson Controls Automobilové součástky	Czech Republic	Mfg	480.8	11.8%	0.0	-12.1%	N/A
492	⬇️ Premium Distributors	Poland	CB&T	480.7	3.3%			455
493	Gaz System	Poland	E&R	480.7	8.9%	115.7	35.1%	N/A
494	Magyar Áramszolgáltató	Hungary	E&R	479.6	5.5%	-1.0	-125.9%	N/A
495	⬇️ ČEPS	Czech Republic	E&R	479.5	-1.3%	44.3	18.3%	464
496	⬇️ Metro-Kereskedelmi	Hungary	CB&T	477.4	2.2%	0.4	103.8%	489
497	Siemens	Poland	Mfg	477.0	11.9%	32.3	38.6%	N/A
498	Coca-Cola Romania	Romania	CB&T	475.9	15.3%	54.7	137.0%	N/A
499	Glencore Grain Hungary	Hungary	CB&T	474.5	20.4%	-2.4	70.0%	N/A
500	Whirlpool Polska	Poland	CB&T	473.0	0.0%			N/A

● Revenues for 2015 assumed at the 2014 value due to lack of data  
● Data not comparable with last year Ranking  
● Due to significant FX rates changes and a financial year different than the calendar year, for the two Ukrainian companies Kernel and Nibulon we have applied average FX rates calculated based on the monthly rates for the given financial year

● Annualized revenues  
● Estimated revenues net of excise tax  
● Revenues adjusted by the effects of one-off reorganization in the GE Group after the acquisition of Alstom

# Methodology

The Central Europe Top 500 ranking is compiled based on consolidated company revenues for the fiscal year ending 2015.

The ranking is based on revenues reported by a particular legal entity operating in Central Europe. The ranking groups companies by industry and country. We also display the ranking of the 20 largest Central European companies by market capitalization as of July 2016.

Deloitte has sourced the information by individually approaching the companies themselves, from publicly available sources and estimates based on a comparison with last years' results and our research.

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 separate legal entities.

The list of major foreign investors in the region is made up of aggregated revenues of those Top 500 companies controlled by investors. These figures are only approximate, as they do not include, inter alia, intra-group sales and it is possible that they also do not contain the revenues of all subsidiaries in the region.

## Missing data

In cases where revenue for the fiscal year 2015 was not available, we used the reported 2014 revenue in euros as a proxy for 2015. In case of companies reporting according to IFRS, depending on data availability, we treated comprehensive income as net income. For selected companies reporting under IFRS we present net income as the comprehensive income was distorted by extraordinary items. The list does not include companies that were invited to participate in the ranking, but who informed us in writing or verbally that they would not be taking part this year, unless the data was publicly available.

## Revenue calculation

Revenue has been calculated in euros at the average exchange rates calculated based on the end of month rates for all countries in the region for 2014, 2015, and the first quarters of 2015 and 2016. The revenue for subsidiaries of large groups has been shown separately for those subsidiaries which operate in different industries, subsidiaries or countries from the consolidating entity and are large enough to enter the list on their own.

In our research, we also examined companies from Albania, Kosovo, Moldova and Montenegro. However, they have not entered the Top 500 list due to their relatively low revenues.

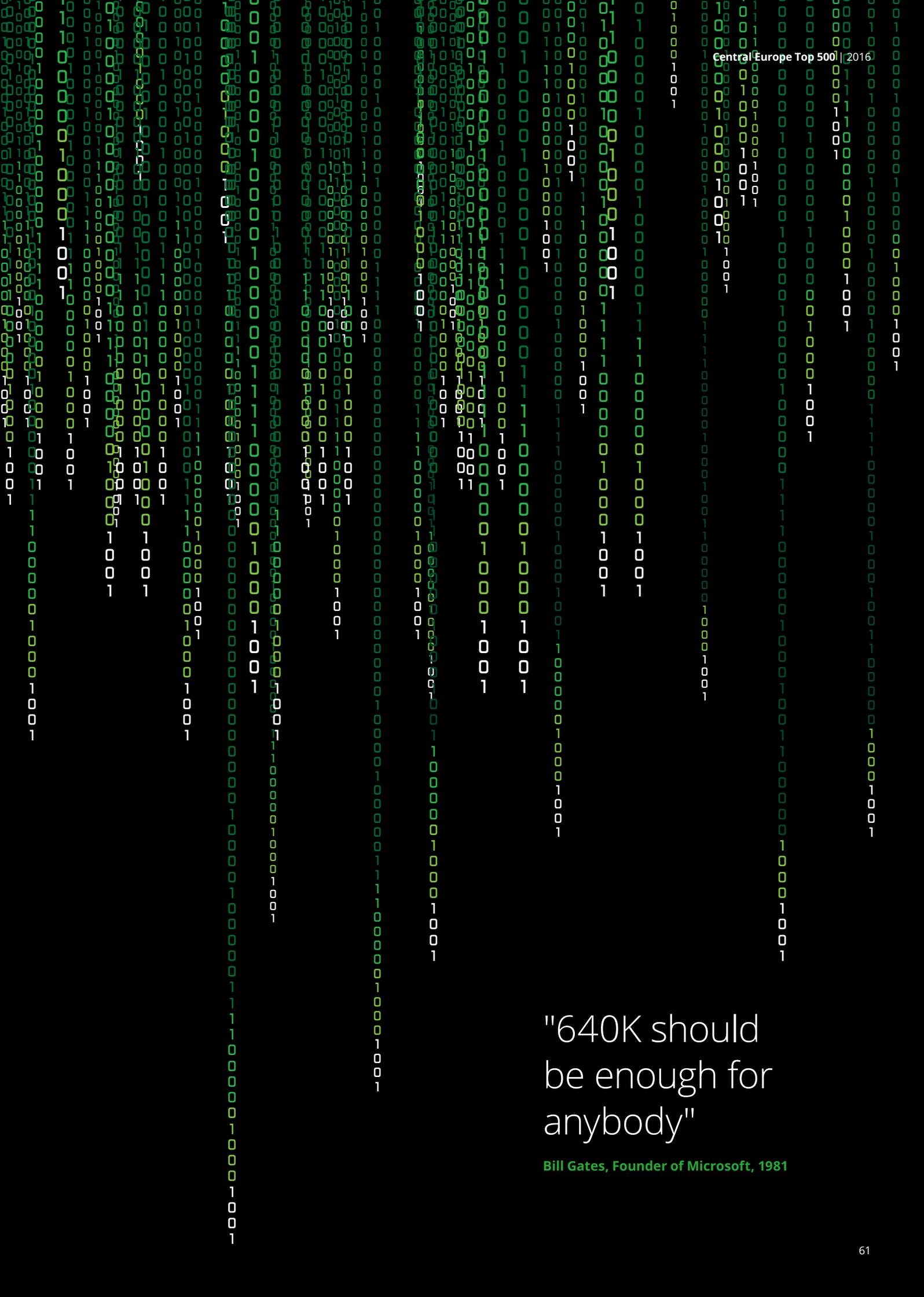
Data gathered from public sources has not been confirmed by representatives of the companies themselves. Deloitte is not responsible for the accuracy or correction of third party data gathered from public sources or provided by the company.

Deloitte ranking does not include holding structures or other types of business conglomerates with subsidiaries operating in various industries and different markets, trade strategies and separate management and whose consolidation on holding (conglomerate level) is rather a total sum of sales of the subsidiaries acting in the relevant industries and markets.

We do not present companies with several business units, out of which none can be treated as the main one, investment funds, leasing companies or other financial services companies, which are not banks or insurance companies.

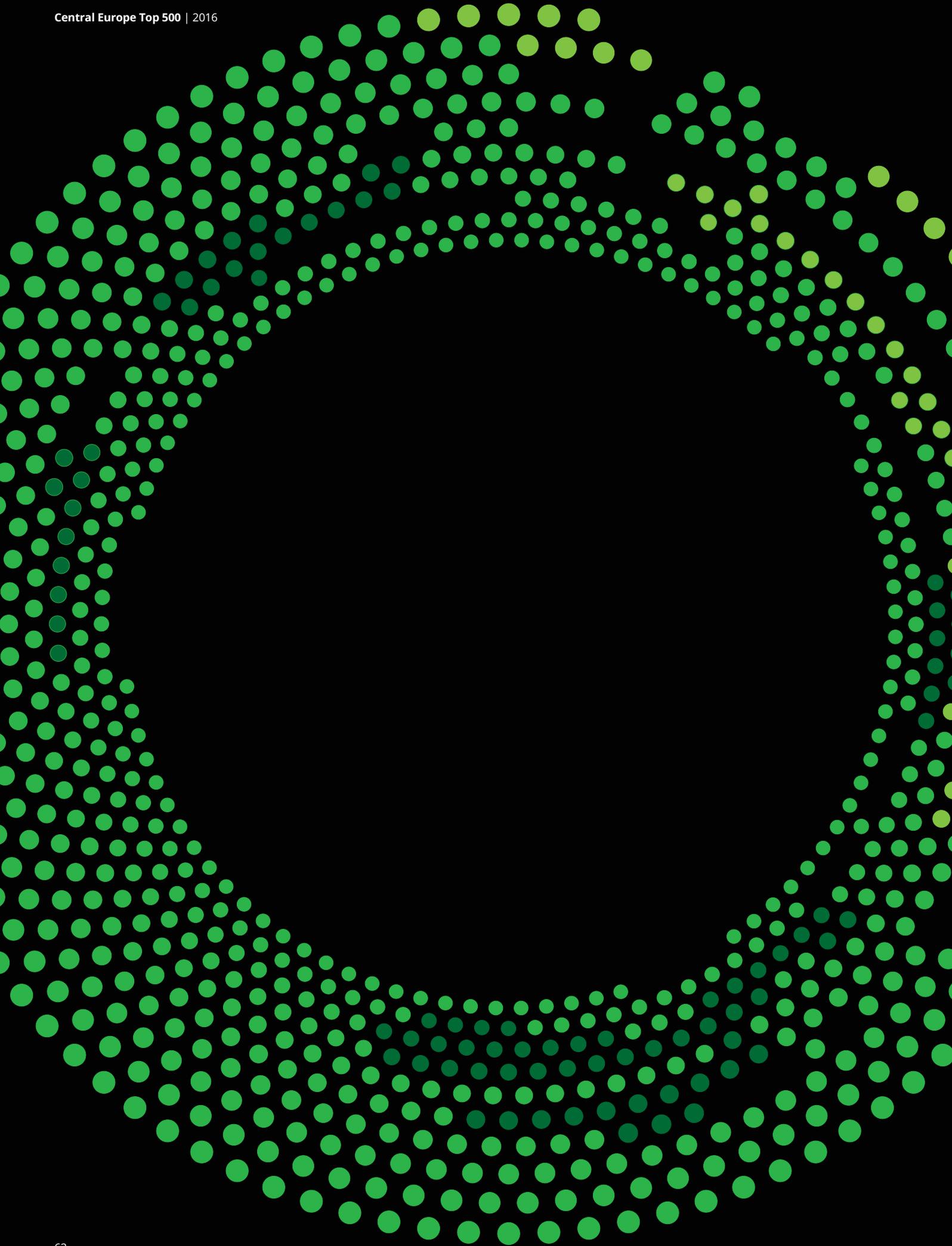
## Russia/Belarus

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 were unable to find reliable data that could be used in the rankings. The size of the Russian economy and some of its major companies also makes industry and country comparisons difficult.



"640K should be enough for anybody"

Bill Gates, Founder of Microsoft, 1981



# Leaders on impact of digitalization



**Allianz Poland**

By **Veit Stutz**, Chief Executive Officer  
Poland

- Consumer Business 
- Energy & Resources 
- Financial Services 
- Insurance 
- Life Science & Health 
- Manufacturing 
- Public Sector 
- Real Estate 
- Transportation 
- Technology, Media & Telecommunications 

**The impact of digitalization**

Technology is transforming economies and polarising winners and losers, while offering leaders opportunities for strong value creation. At Allianz, we see digitalization as a necessity. As an agile market player, we have to combine our traditional strengths with new digital opportunities to provide a superior customer experience. Digitalization is not a purpose in itself, it is the differentiator.

**Responding to the latest technologies**

We have already built substantial, powerful digital assets. Complementing them with our digitalization initiatives (such as Social Customer Care, where we take up any customer’s complaint via our Facebook page, digital sales tools and end-to-end paperless processing), opens up every opportunity for transforming Allianz into a digital insurer.

We are obviously not starting from zero. We have accomplished many successful programs and projects in recent years, and we will continue to merge the best solutions from the Polish market with assets emerging from the global “Digital Factories” that Allianz is building up. One key partner for us is Allianz X, an Allianz subsidiary specialising in identifying, building and globally scaling new business models in the insurance technology (InsurTech) space.

**Key digital goals**

Our mission in today’s global digital revolution is to create a different Allianz DNA that enables us to be superior in customer-centric digitalization. We are in constant communication with our customers to understand their needs and how we can improve their experience with us. For example, we know that a human touch is needed in claims handling to help in stressful situations. Here, we need to use technology to help our customer faster; we have done this and are working on new solutions to be launched soon.

Such improvements have made us a leader in loyalty among our peers for four years in a row. Our customer satisfaction in motor claims, for example, measured on the NPS scale (Net Promoter Score – the main index of the diagnostic of Allianz Group which is

showing the degree of customer satisfaction), stands at 8.7 (on a scale of 0 to 10). Our precise analysis shows that only customers who rate insurers at a minimum of 8 remain loyal. Any drop below that level shows that we are not doing well enough – all the new solutions we implement take this into consid

**Rising to the transformation challenge**

We aim to deliver simple, fast, convenient and reliable solutions for our customers. In order to keep up with the speed of external change in our customers’ world and technology, we need to drive innovation and digitalization from within Allianz.

Our ambitions are very high for the next two years. We aim to:

- increase our paperless/digital communication to > 50 per cent,
- extend our digital offering of retail products to close to 100p per cent,
- reinvest what we save through working smarter into our digital customer transformation.

The greatest task that we will have to achieve for a successful digital transformation, however, is a shift of mindset. We must turn to thinking and acting digitally and redesign processes, also internally. “Simplify everything we do” and “ban any kind of paper” are ongoing challenges that I give to my people.

**Increased functionality or improved UX?**

Obviously increased functionality, an improved customer experience and better efficiency all contribute to higher customer satisfaction. But if you ask me to prioritise, then I will always go for an improved customer experience. In the past, I have seen an example where the greatest focus was on internal efficiency, leaving behind customer experience. While claims processes were handled significantly faster, the NPS score dropped dramatically. And the reasons given were two-fold: increased digital efficiency reduced personal interaction; and customers saw “too fast” claims handling as a job not properly done. Coming back to my earlier statement, we need to start with expectations.





### Allianz Tiriac Asigurari

By **Rémi Vrignaud**, Chief Executive Officer  
(until 31th of August 2016)  
Romania

#### Defining the way ahead

We have a clearly defined vision and strategy for being digital. Digitalization is one of the five key topics of the strategy not only for Allianz in Poland but also for the whole Allianz Group. Our emphasis is therefore on the adjustment of the current business model as well as a constant hunt for new opportunities. For example, Allianz has made a strategic investment in a fin-tech company called Simplesurance. Their solutions enable a sale to be made with just three data inputs and an email address. It also integrates into the checkout process of online shops and offers customers a one-click experience. In Poland, this solution works through the website [www.klikochron.pl](http://www.klikochron.pl), where Allianz is visible as a digital partner. There you can buy an extended warranty for any electronic product you buy like a smartphone, laptop etc. We have defined our digital initiatives with a full focus on the customer and along the customer journey; Digital by Default aims to be game-changing, from new ways of claims handling and becoming truly paperless to embracing new business models like the sharing economy. With the focus now shifting to rigorous execution, we are creating support networks across the Group to move initiatives forward quickly. At the moment, we are working on the implementation of 10 large and smaller-scale digital projects which should deliver rapid changes in the near future

#### Choosing and measuring the success factors

We have defined a whole set of KPIs that measure if we are on the right track. These range from our share of digital products, reduction in paper processes and response times across all customer channels (including social media), to our impact on customer satisfaction. Before we decide on any new initiative, we clearly calculate the business case, which also needs to generate a positive return for us. The NPS score is important here. We have analysed and can clearly see that only customers that are truly satisfied with us are staying loyal. There you can see the bridge between customer engagement and ROI.

For us, digitalization is not an end in itself but a means of achieving true customer-centricity. The evolution of technology has permanently changed consumer behaviour and customer demands. To keep up with our customers, we need to adapt our business model and provide relevant products and services. Among other things, this means we cannot afford to neglect new technologies. To best serve our customers, it is imperative that we tackle the opportunities of digitalization and that we undergo a digital transformation.

However, digital transformation does not mean that we replace human-to-human interaction. Instead, we see it as an opportunity for multi-channel access. Our customers should have the opportunity to choose their favourite means of interaction with Allianz-Tiriac, and we need to make sure we provide all necessary options. It also means that we need to invest in modern tools to help our employees and sales force in their daily activities.



### Banca Comerciala Romana

By **Marian Ignat**, Executive Director Digital Banking Division  
Romania

#### The impact of digitalization

It is impossible to imagine ourselves without the internet or mobile phones. Digital is already part of our lives and is dramatically changing customers' behaviour and preferences. We see these changes as a huge opportunity to get closer to our customers, to provide tailor-made products and services that they actually need, and to improve the quality of the services we provide them with.

Our digital strategy is to be present in the financial life of our customers, with both relevance and frequency. It is based on two main pillars: achieving leadership in digital-banking innovation; and making sustainable investments in educating our staff and our customers about digital developments and advances.

#### Responding to the latest technologies

In this respect, we could be justified in mentioning only our recent launches. These include developments that are unique within our local banking market, such as fingerprint authentication for our online and mobile banking services, video teller terminals and Experience BCR, our digital branch concept.

But when it comes to digital banking, it's our strategic view that there is more to say about it than just technology. We all know that the human touch is what matters most: trust is the key word in any relationship, but especially in banking.

Therefore, even more than on quality high-tech solutions, we count on the involvement of more than 1 000 BCR "digital eXperts". This is a fresh community of tech-savvy BCR employees who are passionate about all digital matters both inside and outside the bank. They have voluntarily assumed the role of being our customer-facing "digital ambassadors", first educating and then spreading the "digital virus" to all our colleagues and customers.



## Aviva Poland

By **Adam Uszpolewicz**, Chief Executive Officer  
Poland

### The impact of digitalization

Digitalization is a way for organizations to improve both their customer experience and operational efficiency. Customers get solutions they can use easily and intuitively, which improves service quality and make a real difference. Insurers can simplify sales and service processes, which translates into lower costs.

Digital transformation is a must for insurers as customers have constant access to their smartphones and are using them increasingly. Our industry is lagging behind banks in digitalization, but we cannot just copy their strategy. We must develop our own approach, particularly in sales support, customer service and online propositions. A few question marks remain like the Internet of Things (IoT) and telematics, which so far have not impacted the market in a significant way. Harnessing the power of Big Data to provide product and service recommendations based on previous contacts with clients is another challenge for our industry.

### Responding to the latest technologies

Digital customers are certainly becoming more aware and demanding. They will not be satisfied with just any technology that insurance companies provide them with, but expect service to be reliable, simple and intuitive. Aviva's ambition is to lead the digital change in the industry. We see many opportunities in areas such as websites and apps, wearables, IoT and aggregators, to mention just a few. Some of these are not very advanced as yet, and it will probably take a few years to develop their value propositions. Insurers are already experimentally collaborating with the producers of solutions such as telemedicine platforms.

Intermediaries – tied agents, agencies and brokers – are a very important part of the insurance business, so it is also crucial to digitalise them, particularly in the use of social media and website applications.

### Key digital goals

Aviva began its digital transformation a few years ago. Our major goal is customer-centric: to provide clients with an innovative online platform that supports do-it-yourself functionalities such as policy self-service and online claims processing and allows access to full policy history and all policies with a single login and password. The MyAviva account has been designed to be a source of knowledge and a contact point. We also strive to analyse all available client data to improve the sales process and target customers with relevant offers at the right time.

We are also developing a sales platform which will provide our agents with a single view of their portfolio, including an e-proposal for the swift closure of sales and improved leads management.

### Rising to the transformation challenge

We need to challenge ourselves to ensure that the direction of our digital transformation is as good as it can be and that the solutions we develop provide the best fit with our customers' needs. The digital world changes very quickly, but openness towards change has not always been a natural property of the insurance industry. So we need to learn flexibility and develop an agile way of doing business. A new challenge is the competitive pressure from entities with no previous experience or interest in insurance. Simple digital solutions might enable start-ups or non-finance businesses to compete with well-established insurance brands.

### Increased functionality or improved UX?

The customer experience always has to be our first priority. We want our customers to be truly satisfied with the level of service we provide, while usability is just a tool. We might be convinced that a particular functionality is really good, but in the end this is for customers to decide. We must therefore provide them with user-friendly tools enabling them to do whatever they want: research, buy, use and self-service our propositions in whatever ways they prefer.

### Defining the way ahead

Digital First, Aviva's strategic anchor, is deeply embedded in our strategy and everything we do. The critical core of our digital strategy is to enhance customer experience via simple solutions that we provide for our clients and agents alike. This is a truly global strategy. As Aviva's Chief Digital Officer Andrew Brem has said:

"In a nutshell, the strategy is: My Aviva – anytime – any need – anywhere".

As for planning, we have a clear strategy, measurable KPIs and business cases with roadmaps on how we are going to deliver.

### Choosing and measuring the success factors

There is no doubt that financial results are crucial. However, customer experience is also a key goal and metric. We believe that strong customer engagement with Aviva, including digital engagement, translates into a better retention ratio and sales results. All of which eventually lead to a satisfying return on investment.



## Bank Zachodni WBK

By **Feliks Szyszkowiak**, Member of Bank Zachodni WBK Management Board in charge of the Digital Transformation Division Poland

### The impact of digitalization

With the advance of digitalization, our lives have become much simpler and more convenient. And this applies in both a private and a business context. It would hardly be possible now to continue the development of an organization without resorting to digital technologies and the benefits they offer.

The Polish banking sector is one of the most advanced industries worldwide in terms of technologies and organizational concepts. Every day, banks compete for customers by implementing cutting-edge solutions. Bank Zachodni WBK has always tried to set new trends in the development of banking in Poland and to be the leader in the digital transformation of banks. Therefore, it's been one of the key elements of our strategy for a number of years to implement advanced solutions that respond to the needs and expectations of our customers and improve the overall performance of our organization.

Companies that do not go digital will soon be left behind. Already, modern online or mobile banking systems or multi-channel services are not perceived as an extra advantage but as a standard which is expected by customers.

BZ WBK has therefore launched the Digital Transformation program. Together with our Business Model transformation module, this will help in developing a fit-for-purpose modern organization that can optimise opportunities in this new environment.

### Responding to the latest technologies

Consumers are now much more aware and knowledgeable about the offers that are available on the market. Most have clearly defined needs and a good understanding of the opportunities afforded by the latest digital solutions. One of the big challenges ahead of us will certainly be to meet their growing expectations and to keep modifying our offer in such a way that it's more attractive to customers than our competitors' offer. And all the while we must ensure a good return on investment for our shareholders. At Bank Zachodni WBK, we perceive this challenge as an opportunity

for further growth and for the continuous improvement of the quality of our services.

In order to succeed, we have been regularly measuring customer satisfaction since 2014. As a result, we know our customers' opinions and the extent to which they are satisfied with the services we provide them with. We use these surveys as the basis for developing new solutions and we keep improving our services in line with changing customer expectations.

We want our customers to make the best use of the services we offer. In order to encourage them to do so, we provide opportunities for high-quality interaction through all kinds of remote channels. Bank Zachodni WBK has developed a virtual contact centre through which customers can choose from as many as nine different channels to contact us, including telephone, email, online chat, audio and video solutions and social media. We also offer customer service in the Polish Sign Language via video chat. Our login process has been simplified thanks to the use of voice biometrics, significantly reducing the time taken to connect with a consultant and cutting the customer-authentication process.

The primary goal of all our efforts is to make it as simple as possible to use our services. At the same time, our organization is improving its efficiency, becoming more competitive and – despite the challenging market and regulatory environment – is reporting an excellent financial performance.

According to recent studies, over 14 million Poles actively use internet banking and nearly 5 million have a banking application installed on a smartphone. But banks are not able to exploit the full potential of digital channels. That said, what matters for the customer is not the number of digital opportunities offered, but easy and intuitive operation.

We see new technologies and our customers' digital behavior as an opportunity to grow in the market. This is why we have launched the Digital Transformation program, which will allow us to co-ordinate all company-wide projects

that include elements of the digitalization process. As a result, we will be able to face challenges in a holistic way, meeting the needs of customers and employees alike.

### Key digital goals

Bank Zachodni WBK has not only been implementing the process of digital transformation across its structures. It also aspires to become the leader of digitalization among all banking institutions in Poland. By launching safe new electronic and mobile banking solutions, we are encouraging more and more customers to make use of proposed service enhancements.

We are focused on deepening our customer relationships and providing an excellent customer experience through the omnichannel model at the core of our strategy. In practical terms, this means running several projects to improve our CRM tool and constantly improving UX in our e-channels and m-banking service. The basic aim of CRM-related projects is to provide our staff, both in branches and in the contact centre, with accurate tools that improve their customer-centricity and enhance their selling ability. We also focus strongly on growing our sales in remote channels. Currently, as much as 30 per cent of our sales are executed in e-channels and 90 per cent of customer interactions take place outside branches.

We aspire to deliver not only financial services, but also knowledge and inspiration to help small and medium-sized enterprises, larger companies and corporations develop and improve their businesses.

In 2015 we initiated our Export Development Program, dedicated to Polish companies that are considering the international expansion of their operations.

The program is run by the bank and partners who contribute their knowledge on matters including export finance and hedging, demand from foreign markets, the verification of foreign business partners, tax and logistics arrangements and EU funding to finance internationalisation. In 2015, more than 1 000 Polish companies participated in the program.



According to industry analyses, in the near future the growth of mobile banking will be driven most strongly by self-service options. Our strategy focuses on the dynamic development of sales opportunities in applications and on the transfer into the mobile sphere of financial analysis tools that are currently available in our online platforms.

We want to be the bank of first choice for individuals and companies, the bank that cares about the loyalty of its employees, shareholders and local communities. We intend to achieve these goals through the ongoing transformation of the business in accordance with the multi-channel approach based on digitalization. Our goal is to create a modern institution that meets customer expectations in providing them with a quick and simple service with clear and comprehensive product offering in the spirit of "simple, fair, personal".

We are now at a stage where we have defined a solid plan for accomplishing our goals with regard to the transformation of two operating models: digital and business. We see our digital transformation as a customer and business-oriented process supported by technology. Our ambitions for digital transformation pose a number of challenges to the IT area in terms of resources, competences and the pace of deployment. This is why it is of crucial importance that we fully integrate the IT function into the transformation efforts.

### **Rising to the transformation challenge**

The key to success in digital transformation is to have a consistent vision and to make sure that the services that are developed are complementary to the access channels. In view of technological progress and the multitude of different offers on the market, customers are more and more demanding and raising the bar ever higher. It is important to avoid the trap of conventional thinking, and to focus on creating innovative solutions that are both functional and relevant to users. We need to keep in mind that people and their needs are at the heart of every digital transformation. New technologies have to meet such needs

and not become goals in themselves. It is also crucial to maintain a balance between automated solutions and personal relationships with customers.

It is equally important to keep improving existing functionalities and make sure they are absolutely secure. It is quite natural that at the beginning people are afraid of new solutions. Therefore, it is our role to offer comprehensive solutions and to take care of the safety of our customers, their data and, last but not least, the funds they entrust to us. Education and communication are also significant components of the process of digital transformation.

### **Increased functionality or improved UX?**

More and more customers are choosing remote channels to communicate with their bank. Everyday operations, such as checking an account balance or history, executing transactions or making payments, are done mainly via the internet.

Our customers choose most often to use the online channel. The solutions offered must therefore be functional, easy to use and offer tangible benefits and a quality advantage to their users.

One of the greatest advantages of new technologies is that the solutions we implement generate value for our customers while simultaneously improving the effectiveness and efficiency of our systems. I believe that thanks to digitalization we can achieve quality enhancement in both areas. Therefore the initiatives undertaken under the digitalization program are aimed at upgrading the way in which we provide our services. We want these initiatives to fulfil several goals. We want them to make the customer experience increasingly positive, improve our productivity and to simplify our way of work. Additionally, such initiatives help us simplify processes within the organization and avoid any duplication of activities.

### **Defining the way ahead**

Omnichannel processes are at the core of our strategy. We regularly introduce new features and functionalities in our mobile

application, focusing on usability and UX. However, enhancing client experience goes beyond new features.

At the beginning of 2016, we launched a new multichannel Contact Centre in Poznań which is responsible for the comprehensive support of our retail and SME clients, taking advantage of new technologies.

By the end of 2016, this virtual contact centre will have hired about 700 consultants, including Polish Sign Language-speakers and consultants who speak English and Spanish. Based on past usage, about 400 000 clients contact our consultants every quarter. We have also strengthened our position in electronic and mobile banking. Forrester Research recognised our BZWBK24 mobile application as the second best application in Europe and the best in Poland in the 2015 European Mobile Benchmark. It has also received many other awards from Polish institutions in the mobile banking rankings. Throughout the year, we have regularly introduced new features and functionalities in the application. These included the HCE virtual debit card, which has been enthusiastically welcomed – on its very first day, the card was activated by 1 500 customers and used by 18 000 people during the next three months. The total number of active users of the BZWBK24 mobile application is now close to 700 000.

According to Bank Zachodni WBK data, in 2013 the number of customers using mobile banking solutions was 239 000, soaring to 666 000 in 2015. Although most customers still use traditional sales channels in the bank's branches, remote banking solutions are growing rapidly. Last year, nearly half of all deposits, 19 per cent of loans and 11 per cent of accounts were opened or processed using digital channels. In 2018, sales made via remote channels are expected to account for 50 per cent of the bank's total sales.

Digital transformation will continue to be a priority for the bank and is an integral part of the business plans outlined in our strategy



for 2016-2018. It includes four strategic programs: the digitalization of processes; the development of multi-channel banking (telephone, online and mobile) for retail and business customers; and a new CRM front-end for the network, with two supporting initiatives (the New Branch Model and the New Product Offer).

Our digital transformation is focused on marketing (CRM), delivery and processes (process digitalization). The process digitalization program covers processes related to customer and product sales, services and internal operating processes. We will implement the process digitalization program in a number of waves with work continuing simultaneously on all identified modules.

### Choosing and measuring the success factors

The statistics we collect and track will help us see how the digital solutions we implement influence our customers' preferences. The number of mobile transactions has been growing all the time (from 580 000 in 2013 to more than 6.5 million last year). Customers are also choosing more and more often to contact the bank via remote channels.

Our data shows that online banking is the most popular channel among customers who interact with the bank remotely, regularly used by 61 per cent of customers. But the rapid uptake of mobile banking has also been continuing all the time. Nearly 34 per cent of customers use both channels to access their accounts, with 4 per cent declaring that they use mobile banking exclusively. I have no doubts that the number of mobile banking users will grow in years to come. Currently, each user logs on to the mobile banking platform 13 times a month. By way of comparison, the average number of user logons to our online banking platform is 11 times per month.

Last year saw the particularly rapid development of mobile banking in Bank Zachodni WBK. We launched a number of innovative solutions responding to

the growing expectations and requirements of people using the BZWBK24 mobile app. The most significant of these included proximity mobile payments using HCE technology, the BLIK payment system, the process of opening a bank account using the mobile application, and the eFX platform. These enhancements helped our mobile banking platform to become number one in Poland according to Forrester Research.

The bank always measures its success through its market position and the satisfaction of its customers, employees and shareholders. We are convinced that thanks to digital transformation it will be possible to significantly increase the productivity of our operations and processes, to shorten the time of product sale and to gain a stable base of engaged and loyal clients. This is all thanks to simple user-friendly services, a transparent product offer and enabling multichannel access to products and services in line with customer expectations. Digital transformation is not only about implementing cutting-edge systems and technologies. It is also about changing the organization's business model to make it as effective as possible.

"A clearly defined digital vision is an integral part of MKB Bank's strategy and the driving force behind establishing the Digital unit within the bank, encompassing all of the company's innovative endeavors. Ideas combining easy user experience, novelty and sound financials are a high priority and we are aiming to implement these within record time. We believe that within a short timeframe, MKB will be well suited culturally and from a technical perspective to become the premier digital and fintech partner bank in the local region."

**MKB Bank**  
**By Márk Hetényi, Chief Digital**  
**and Retail Officer**  
**Hungary**



## ČEZ Group

By **Martin Novák**, Vice-Chairman of the Board of Directors, Chief Financial and Operations Officer  
Czech Republic

### The impact of digitalization

Continual digitalization is changing all our lives. We are used to communicating and being connected all the time. This affects our society and our industry as well as our company. IT and information services in all their forms have become an integral part of our everyday lives, something we take for granted. Permanent access to information has become a standard, and digital technologies are used as a regular means of facilitating access to information. The ČEZ group has been using digital technologies for a long time. For us, the key milestone was the period between 2005 and 2010, when the paper agenda was computerised.

### Responding to the latest technologies

We see new technologies as an opportunity. I would say a threat is the inability to react to substantial changes in the environment. For this reason, we monitor new technologies and business trends, reviewing and testing them on a continual basis. If they prove to be good, we adopt and use them. However, we are very careful about employing new technologies. It is always necessary to make a painstaking assessment of the benefits. If no benefits are found, or they are only comparable to the existing systems, then the relevant new technology is not implemented.

### Key digital goals

We have not introduced digital transformation as a separate activity. Rather, its principles permeate all areas of our activities and all the changes we introduce. Basically, there are two requirements that we believe digital technology should meet – increasing the efficiency of our activities and achieving the potential of realising a wider scale of activities. However, we do not treat improvements in the area of digital transformation separately from other changes.

### Rising to the transformation challenge

The key is being ready. Readiness may take many forms, such as the willingness of employees, customers and business partners to work with digital technologies,

the readiness of process and administration processes and the preparedness of application and technological support. There is one extremely important issue – namely ensuring security, as all activities in the digital area are doomed to failure if security is not provided. Security must be ensured at all levels and in all areas of the solution.

### Increased functionality or improved UX?

With respect to the current situation in the energy sector, our priority is to reduce costs and increase efficiency. We obviously try to make use of new opportunities and create new services, but we consider improving the performance of our current activities to be a key issue. We attempt to ensure benefits and to diversify them in all areas.

### Defining the way ahead

As I have already said, digitalization is not a new phenomenon for us, and its principles penetrate all our activities and all the changes we have introduced. In our environment it does not make much sense to talk about a target operational model as we already operate within an operational model that is digitalised to a certain extent. By implementing process changes or new competencies and responsibilities, we have already reacted to digitalization. We keep improving the process of our operation in terms of validation and of increasing its efficiency.

### Choosing and measuring the success factors

We will only be successful if we manage to react to new challenges and changes in the business environment. We see digital technologies as one of the principal means of achieving our goals. If we wish to transform to a fully information-driven business, we need to invest in these technologies. Being an information-driven business has a positive impact on the operation of the whole company as well as its customers. And this is what we believe is meaningful.



## Nidera Romania

By **Gaston Figarota**, Country Manager  
Romania

### The impact of digitalization

In our industry, trading, a key success factor is to have access to real-time market information on matters like prospects for crops, macro and micro developments, currency, the weather and much more. To achieve this on a global scale, it is fundamental that we are supported with digital information platforms.

### Responding to the latest technologies

We are currently implementing digital information solutions at a country level, including crop-monitoring systems, online stock and quality systems, automatic quality analysis and more. Such investments are enabling us to be among the top players in our industry.

### Key digital goals

We are already undergoing digital transformation. Our main goal is to implement a digital information platform so that we can track the development of our business online in order to make decisions based on accurate and timely information.

### Rising to the transformation challenge

The key challenge we face is the change in mindset that transformation requires in our team as we make the move from stand-alone Excel sheets to a unique organization-wide transactional system.

### Increased functionality or improved UX?

Improving the usability of data is our key goal. Historically, we have tended to see transactional systems as a bureaucratic aid for paying invoices. We aim to do much more than that with our new platforms.

### Defining the way ahead

We have a clearly defined digital strategy and vision. We want to build a strong transactional platform to support all our business activities and provide valuable information on which to base decision making.

### Choosing and measuring the success factors

It is equally important in my view to measure return on investment and the depth of customer engagement. The only way to guarantee long-term returns is to increase customer engagement.



## Compensa TU S.A. Vienna

### Insurance Group

By **Rafał Mosionek**, Vicepresident of the Management Board  
Poland

#### The impact of digitalization

Being digital means being open to re-examining our entire way of doing business and to fully understand where the new frontiers of value are and how we can implement them. Unlocking value from those rapidly growing sectors requires a commitment to understanding the implications of marketplace developments in Poland, then evaluating them individually to see whether they constitute an opportunity or a threat.

I have been charged with the task of preparing a strategy for Compensa to help turn it into a company that's open to the full range of mobile and digital trends currently present in the financial services sector, the insurance industry in particular. This means a great deal to us, because we want to stay as up-to-the-minute as we can. Much is going on in the world in this area right now, and we will definitely keep abreast of it. Responding to the latest technologies We at Compensa wish to be prepared both for this technological revolution, and for a parallel revolution in how we understand what insurance should look like from the point of view of the customer, the agent and the employee. Most new trends are certainly major opportunities for the insurance industry, because the spectrum of advantages they offer is genuinely vast, from more frequent engagements with policy holders to new tools and better segmentation of risk. Fintech is the biggest threat to the industry, particularly due to the loss of market turnover that it can cause.

#### Key digital goals

The development of technology is disrupting business models in many industries, and the same is true of insurers in Poland. Although we have already started a number of different digital initiatives, our complex digital transformation program is now under development. We will finalise our strategy for addressing worldwide trends in the near future.

#### Rising to the transformation challenge

The main challenges we face are related to compliance and security concerns. I also believe that we will struggle with issues such as lack of resources, technical integration with our current system architecture, and finding the right technology partners. We will need to focus on initiatives that guarantee us the return on investment we expect. In the current market environment, this approach can be seen as an argument for a short and medium-term trend towards the more selective adoption of digital solutions.

#### Increased functionality, efficiency or improved UX?

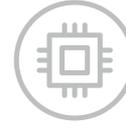
For me, the two biggest drivers of digital strategies are the needs to enrich the customer experience and regain more direct control of internal efficiency. The first of these results from the latter – the better the communication within the organization and the smarter solutions that are implemented, the more satisfaction customers will have.

#### Defining the way ahead

We are currently in the process of planning, researching and sketching our implementation strategy over the years to come. It is a huge project, with many innovative concepts being considered. It is all too easy for a digital strategy to get caught in the hype and excitement of trending technologies. A good digital strategy doesn't focus on the buzz and fashion that can all too easily fade; it focuses on the interaction of audiences and their experience, as well as on the goals of the organization as a whole.

#### Choosing and measuring the success factors

I believe it is definitely possible to deepen customer engagement while maximising ROI. As we strive to deliver the best customer experience, we will also definitely focus on investing in those technologies that will drive the greatest revenues for us.



## Samsung Electronics

By **Joseph Kim**, President  
Romania

#### The impact of digitalization

As a global leader in technology our commitment is the same today as it was 34 years ago when we first came to Europe. To deliver leading edge technology and meaningful innovation to as many people as possible.

As new technologies such as VR, AR and 5G transform the world and every aspect of our lives, including the home, business, industry and wider society, our purpose at Samsung is to empower people to get more out of life, and we do that by pushing boundaries and defying barriers of technology.

#### Key digital goals

At Samsung we are passionate about creating a better future for people and inspiring progress for individuals and communities. Through global initiatives like Smart School, Tech Institute, as well as local initiatives like Trends of Tomorrow, we strive to make a positive impact in the fields of education and employment by providing the young generation with necessary digital skills and opportunities to unlock their potential.

#### People always ask us "what is the Samsung way?"

We call it people inspired innovation. Understanding what people need and want; pushing the limits of what technology can do; and finally, adding design that makes our products appealing and aspirational. It's this kind of innovation which is at the heart of Samsung and helped us deliver numerous 'World Firsts' e.g. the first phablet, the first camera-phone and the first curved TV.

#### Rising to the transformation challenge

We have dedicated global teams that are in permanent search for the latest digital trends and R&D teams that set new standards with every new launched product. We are constantly innovating and expanding our product portfolio while building and developing a strong ecosystem of devices that embeds digital transformation benefits and offers the best experiences. At Samsung we support the journey to make the Central European economy more dynamic and sustainable by championing economic growth through digital technology and consumer.



## MOL Romania

By **Kinga Daradics**, CEO & Country  
Chairman  
Romania

### The impact of digitalization

For our organization, digitalization means we have new potential for converting established analogue business processes into new, optimised and technology-driven means of creating and delivering exciting new products and services for our customers. These are products that respond to new customer needs that have been shaped and enabled by the digitalization of our business environment: factors like online shopping, mobile applications and other elements of the on-demand, sharing economy are continuing to gradually transform the habits of our customers.

The continuous transformation to new trends in the world, in the region or in specific customer needs will be increasingly important in the future as digitalization, together with the electrification, is likely to have an effect on the wider transportation and related industries..

### Responding to the latest technologies

We carefully evaluate any available technologies to see if they fit within our business strategy and how they can help to optimize our business processes and advance our market performance. We follow the latest trends and analyze how to implement the most attractive options. We generally see new technologies as an opportunity to improve our productivity and customer experience, particularly by developing superior products and services.

### Key digital goals

Our goals with respect to digitalization are twofold. On the one hand, we work to increase the value proposition for those customers who are seeking new products and services. On the other, we aim to improve the efficiency of our operations. As far as the latter is concerned, we are already digitalizing our workspace by using new technology-driven methods and processes to support internal communication channels that partially replace emails and flexible working hours and workplaces. This approach is allowing us to run our business processes more efficiently and flexibly.

At the same time, we are exploring new and exciting market opportunities and new ventures that provide more value to our customers. Among other examples, this includes virtual sales channels complementing our physical ones, better customer analytics and more personalized offers.

### Rising to the transformation challenge

Even if one might think that in MOL or MOL Romania the transformation could be slower due to the strong legacy, opportunities in the transportation sector for disruption driven by technological advancement are greater than ever before. We therefore face challenges resulting from resistance to change and the friction that occurs when new technologies meet existing ones. To address these, we are working hard to develop a more customer and service-oriented approach in our operations, to operate alongside the traditional product-oriented model that we have perfected over the years.

Another factor that makes digital transformation challenging is the absence of any established path to follow in the fuel retail sector. Industry players are currently experimenting with various solutions and applications, and they all must be accountable for the fact that some of these applications will not prove to be successful.

### Increased functionality or improved UX?

Increased functionality and a better user experience are both important. Increased functionality must lead to improved usability and to a superior customer experience. A good example is the digitalization of the advertising screens at our service stations. As well as delivering more functionality by enabling customer interaction, these are also delivering a better customer experience through personalized, individually relevant messages. The ability to make advanced mobile-based payments is another example.

As already stated, digitalization is also an opportunity to reduce our operating costs in some processes.

### Defining the way ahead

Our organization has a clearly defined vision for where digitalization has a major role to play.

Due to the diversity and size of our company, we can have no single new operating model or business case. We are instead developing these across our product and service portfolio.

### Choosing and measuring the success factors

Our success in adopting digital is primarily measured by the growth in numbers of loyal customers who see value and benefit in the diverse products and services provided by MOL Group's different companies. Customer engagement is therefore our ultimate aim, which in a digital world will actually be easier to measure than before. However, as MOL Romania is member of MOL Group, a publicly traded company, we are fully aware of our responsibilities to our shareholders. We endeavor to realize these by ensuring an appropriate return on the capital we invest. In summary, we do not think these two aims are in any way mutually exclusive.



## MetLife TUnŻiR S.A.

By **Łukasz Kalinowski**, Chief Executive Officer  
Poland

### The impact of digitalization

For MetLife, digital is about customers. It is a new market force that is driving a huge change in companies' operating models and in customer behaviours and expectations. New digital technologies are reshaping the way customers buy products and services and how they interact with companies across all industries, including insurance. Digitalization has already had a huge impact on MetLife and our industry. Customers expect a fluent and easy buying experience and excellent service, which can be accommodated by digital processes. A broad range of digital initiatives have already been rolled out across insurance companies in Poland, ranging from brand building on social media websites to mobile applications that help agents create scenarios for prospective customers. Companies that can take advantage of technological developments and use them to drive business innovations will gain a significant advantage.

### Responding to the latest technologies

We definitely see the latest technologies as opportunities and as drivers of growth and efficiency. They will affect every area of our business – from product design and marketing to underwriting, claims management and customer service. Enhanced data analysis, digitised end-to-end processes, accelerated digital innovation and developing our digital distribution capabilities will redefine our products and customer experience, providing customers with the solutions they expect from us and in the way that is most convenient for them.

### Key digital goals

One of the main goals of the digital transformation we are undergoing is to digitise our processes so we can service our customers far more effectively than we do today, facilitating the ways our customers communicate and interact with us. New technologies offer opportunities to develop greater customer engagement and insight to meet customer needs more effectively. We aim to develop longer-lasting relationships with our customers, first by using digital solutions to gain better customer knowledge and then by leveraging that information

to profile customers more effectively and deliver tailored value propositions. This approach will, in effect, help to create opportunities to reach new customer segments and optimise our competitiveness.

### Rising to the transformation challenge

One of the biggest challenges that we and other insurers face as we digitalise is our tendency to have very complex products and processes. Although customer interactions in insurance are less frequent than in banking, for example, where digital services have been provided for decades, our customers expect the same level of service they receive from more digitally advanced sectors. We therefore need to make some serious investments in a relatively short time if we do not want to lag behind other industries. We are in a good position here in Poland – MetLife globally is making a significant investment in technology to operate as efficiently and effectively as possible, so we can leverage solutions which have already been implemented by other MetLife operations.

### Increased functionality, greater efficiency or improved UX?

The most important aspect of digitalization is enriching the customer experience. We want our customers to stay with MetLife and be our promoters – that's why it is crucial we make their experiences with MetLife as positive as possible. It is possible to provide convenient services and customise experiences, and customers are demanding that we do so. This overlaps with efficiency – by increasing the efficiency of processes like claims or policy administration, we can also achieve other measurable benefits such as cost reduction and daily workflow improvement.

### Defining the way ahead

MetLife has a global enterprise-wide digital strategy, which is implemented with some country-specific alterations in local markets. There are many examples of easy-to-replicate digital pilots which MetLife has tested in different markets before a broader roll-out. Examples include selling products through social media in Turkey, a digital engagement platform in the Gulf

and enhancing our digital lead-generation capabilities in Poland.

In Poland a significant part of our 2016-2017 technology budget has been assigned to digitalization. We have been reviewing and updating our business and operating models to take full advantage of as many opportunities as possible. Some digital projects, have already been implemented and others will be launched in the months to come or continued throughout 2017 and onwards.

### Choosing and measuring the success factors

Measuring customer satisfaction and using that feedback to make tangible improvements is critical to delivering on our digital strategy. To do so, MetLife uses the NPS and TNPS surveys. We measure, for example, how many customers use our mobile applications and ask them what in their opinion should be improved. Analysing the data gathered in these surveys has led to improvements that have positively influenced the customer experience and MetLife's NPS scores. Having these metrics in place also advances MetLife's efforts to be more customer-centric.

The rate of return, on the other hand, should also be measured because digitalization is an investment. As such, it requires a thorough analysis. Digitalization simplifies our processes and operations, improves services and increases customer engagement, but it should also have a positive impact on our revenues.



## DTEK Energy

By **Dmitriy Sakharuk**, Chief Operating Officer  
Ukraine

### The impact of digitalization

In the near future, every business will become digital. They will be forced either to undergo digital transformation or to fade away and exist only in search engine archives. DTEK is certainly on the road to digital transformation.

For us, this means changing the organizational culture and introducing new information technologies that extend the company's capabilities and boundaries, allowing it to create its own so-called "ecosystem" in collaboration with other industry players. Inevitably, change is on the way for other companies across the industry – power enterprises have always worked in a single energy space; the process of continuous production and consumption of the end product (electricity) is dictating the need to use digital technology and ensure it is continuously upgraded.

For DTEK, the process of changing our IT started in 2008 and continues today. According to our estimates, by 2016 we have achieved and maintained a reasonably mature level of digital transformation as a Digital Transformer. This means we have integrated our IT capabilities into all our business processes. The business is ahead of its competitors in terms of the level of adoption and usage of IT innovation. IT is deeply integrated within the management process.

In 2008, DTEK – together with Deloitte – developed a digital transformation program that is unique for a large industrial company. We successfully implemented this program within DTEK between 2008 and 2012. During the first stage, we:

- implemented a set of single unifying programs for use across different enterprises within the company. For example, we launched a unified IT support system for users – that is a helpdesk with uniform service standards and a single IT infrastructure
- standardised operational processes in the corporate centre and production facilities

- implemented pilots of individual digital control technologies such as SAP ERP.

The Platforma program in 2013 was the next stage in DTEK's digital transformation, when we reconstructed all organizational processes across all DTEK enterprises. We have more than 60 large enterprises, including mines, thermal power plants and regional power distribution companies, and around 120,000 employees. Having a fast, unified, secure and comfortable general information exchange system is therefore extremely important to us. Only a system of this sort can help us become competitive and flexible.

Key areas of the Platforma program include the:

- technological automation of enterprises,
- automation of business processes,
- in-depth development of the IT infrastructure.

As part of the automation process, we implement technological process-monitoring and control across our industrial enterprises – assessing the quality of coal, monitoring the operation of our electrical power units and operating automated process-control systems at our electrical power units and an automated fiscal metering system for electric power. We implemented the automation of our business processes through the introduction of SAP ERP, a budgeting system and a single electronic document flow. To implement these processes technically in a large company, all DTEK enterprises and offices have been provided with modern IT tools and mechanisms – new communication channels, networks, data processing centres and servers.

The transition to cloud server space has been a key project. Since March 2016, DTEK has transferred critical business systems and data to Hewlett Packard Enterprise (HPE) cloud storage. Storing information on a remote server (in the "cloud") is one of the world's major IT trends. The solution created by DTEK and HPE is unique on the Ukrainian market. It allows us to both securely store and efficiently manage corporate data and, when necessary, to quickly increase data storage capacity.

We plan in future to continue the flexible management and development of own "terrestrial" and rented "cloud" resources.

### Responding to the latest technologies

For us, new information technologies open up new possibilities. At DTEK, they impact the production processes at our mines, thermal power plants and distribution companies. Innovative digital technologies provide the basis of our management processes – financial, budgetary, HR and accounting. Today we need to receive real-time information about all the processes and emerging issues in the company, so we can make predictions based on the most accurate and reliable data. We are gradually eliminating time-consuming manual work, entrusting it instead to modern digital equipment and systems. There are clearly many limitations and risks involved in making full use of advanced technology in our business, given its strategic importance to the country and particularly in light of recent events and frequent hacker attacks. However, we nonetheless see new technologies as new opportunities to drive the development of our business.

### Key digital goals

For DTEK, the main objective of the digital transformation is to implement the company's long-term business strategy by 2030 and to become a successful player in the European energy market. Achieving this target is impossible without the full automation of processes. For this reason, we came up with the idea of the Platforma Program, which consolidates 30 projects. Each of these in effect is a mini-revolution involving the transition of familiar operational processes to a completely new level. The economic crisis in 2014 forced us to consider whether we should continue with implementing the program. However, given its key role in the development of DTEK, it was decided to keep the majority of projects. We reconsidered some aspects relating to the scope and pace of the implementation process, but automation continues.



In 2014, almost 1,500 DTEK employees were actively engaged in the Platform projects. Several thousand employees were using solutions proposed within the program framework. This year, most of the projects will

be transferred from the pilot to go-live phase. Since we moved into 2016, these projects have become an integral part of the work of the entire DTEK workforce.

### Choosing and measuring the success factors

There are far more complex connections between IT investments and financial results than first-order ones like ROI or customer satisfaction. IT projects are very diverse and differ greatly from each other. Our objective is to create a single information field within DTEK, where data is entered once without the need to recheck it, significantly reducing labour hours. The SAP ERP system is the most successful example of such synergy, accumulating information on finance, production processes, repairs and procurement. We plan to synchronise it with other systems in future – budgeting, payroll and coal-quality assessment. The latter is a perfect example of how a single database helps to save time and money. Data on coal quality is entered into the program, allowing the elimination of additional control steps and reducing wagon down-time while the coal is being analysed.

We cannot use the same terms of reference to assess the success of projects introducing the automated system, developing a single infrastructure or implementing a single CRM-system.

In the first instance, it is possible to calculate the resulting economic benefits and ROI. In the second, we do not receive direct economic benefits; instead, it provides support for business growth and delivers a single information space and communications platform. For this project, the unification is important, leading to improved quality and less costly basic IT services.

However, in the third instance, some of the most important success criteria will be the increased loyalty of our customers, increased customer satisfaction, the ability to attract new and retain current customers etc. These criteria cannot be directly calculated by using cash flows. Their implementation and the according achievement of such goals can only be assessed using a multidimensional index that includes a range of components.

"Digital transformation is driving us to realign our technology and business models to engage more effectively with our digital customers at every touchpoint. This is not just another project or one-off exercise. It's the new norm, and it's changing our infrastructure, our mindset and our processes to digitally serve the customer. It's a long journey, both for our customers and for our organization as a whole."

**Raiffeisen Bank**  
**By Vladimir Kalinov**  
**Vice-President Retail Division**  
**Romania**



## Energijos Skirstymo Operatorius AB (ESO)

By **Liudas Liutkevičius**, CEO and Chairman  
of the Board  
Lithuania

### The impact of digitalization

The digitalization of various processes is enabling Energijos Skirstymo Operatorius (ESO) to offer our customers more opportunities and benefits. Our customers are the entire population of Lithuania, and we therefore feel a great responsibility to ensure that energy reaches them reliably and easily. We aim to become a reliable partner in the world of smart energy technologies by providing reliable and easy-to-use services, increasing the efficiency of our networks, creating a single organizational culture and constantly improving our activities.

For ESO, digitalization is related to the need to process fast-growing quantities of data. In addition, the ability to process large-scale data and turn it into information opens up new opportunities for us to provide attractive services that meet the needs of our customers, to install modern network management solutions and to develop the activities of the company. This also brings tangible benefits for interested parties. These include new personalised services and more favourable energy prices for our customers, the increasingly effective operation of the company for our shareholders, and pre-set automatic processes and smart technologies for our employees.

In June of this year, digitalization was among the three most discussed topics at the conference of the Union of the Electricity Industry EURELECTRIC, which was held in Lithuania for the first time. It was agreed that digitalization will inevitably contribute to essential changes in the energy sector. The availability of data will make it possible for us to estimate and forecast customers' energy consumption. It will also help us to determine the status of the technological equipment needed to distribute electricity and gas, and will enable us to manage it remotely.

### Responding to the latest technologies

ESO is currently implementing several very important information system projects. These will ensure the implementation of the company's strategic objectives over the long term.

One of these is the Distribution Management System (DMS) project, which has the objective of increasing the efficiency of managing the electricity distribution network by automating and optimising the processes of network management. The new system is a modern and efficient tool for our network management teams that will make it possible to monitor and manage the whole network online. This will make it possible for ESO to establish the location of any failure, localise it and renew the energy supply much faster and more efficiently.

Another equally important future project is the IT System Modernisation Program (SMP). Its implementation will allow us to meet the increasing demands of our customers in data exchange. This will eventually contribute to future developments in the Internet of Things (IoT) as well as enabling us to achieve better synergy between our gas and electricity distribution activities, which will increase our operational efficiency.

Our general strategic direction is around the implementation of new network-related technological solutions that will enable us to increase the efficiency of our power and gas distribution networks. They will also help us to increase the efficiency of our technological property management as well as creating a good basis for introducing new services and improving existing ones for our customers.

### Key digital goals

The management board of ESO has approved the direction of the company's strategic development. The focus is on increasing the operational reliability of our networks, making our services more accessible and convenient, increasing the efficiency of our client-related responses and implementing advanced technological solutions to accommodate existing and future customer needs. In addition, we are concentrating on continuous operational

improvement and establishing a common organizational culture. The implementation of DMA and SMP projects is closely related to our strategic direction.

### Rising to the transformation challenge

Responding to the requirements of EU directives, ESO will have to ensure smart metering devices for consumers are installed. We will also have to prepare our internal IT systems for the final round of electricity deregulation, which involves household consumers, as well as undertaking all preparatory works to accommodate the implementation of the EU Energy Efficiency Directive. Fulfilling these objectives depends on our ability to process large amounts of data and to provide customers conveniently with the information they need about their consumption habits, potentially more energy-efficient solutions, customised pricing offers and more. We are currently implementing a pilot project of smart meters, during which we have installed close to 3 000 domestic smart meters. We believe that the additional information we receive on consumption patterns will create conditions for our customers to reduce their electricity costs. With smart meters, we will create the ability to collect automated consumption data, which will free our customers from having to tell us their metering data. On top of that, the installation of smart meters will enable us to see more technical measures such as variations in voltage at the point of delivery. ESO will therefore be able to solve power-supply problems faster and cause less inconvenience to our customers.

### Increased functionality or improved UX?

Processing large-scale data and turning it into meaningful information will be useful to our customers, as they will be able to make rational decisions regarding their energy consumption and choose the service pricing that best meets their needs. Customers will gain practical benefits and will gain experience by arranging their personal budget.





### **Fildas-Catena Group**

By **Anca Vlad**, President  
Romania

#### **Defining the way ahead**

ESO's vision is to be a reliable partner in the world of smart energy technologies. In other words, we are working to ensure that energy reaches our customers in a reliable yet simple way, while taking important steps to accommodate the future needs of a more digitalised world. There is no magic pill to change the whole company in an instant, but we do have a number of projects underway which in one or other way are contributing to the whole digitalization concept. ESO is part of the Lietuvos Energija Group, and digitalization matters are taken very seriously throughout the whole Group. The co-ordination of projects and activities in this particular field is closely monitored, and in some cases, initiated by Lietuvos Energija.

#### **Choosing and measuring the success factors**

There are number of KPIs that monitor different aspects of ESO's activities. One of our most important strategic objectives is to continuously seek to improve the customer experience, which we measure using the international Global Customer Satisfaction Index (GCSI) methodology. We will offer more added-value services with the help of advanced technologies. With more efficient operations meeting the demands of existing and future customers, we believe we can achieve a positive impact for our customers and shareholders as well as our stakeholders.

#### **The impact of digitalization**

Going digital means gaining access to the latest technologies for the benefit both of the company and our clients. For us, digitalization has already had a positive impact through the advantages it brings. First, we gain quick access to information. And second, we gain significant efficiency benefits through heightened processing speeds.

#### **Responding to the latest technologies**

We see newly available technologies as opportunities, so are seeking to integrate them as much as possible into our digital systems to improve our performance and streamline communications between customers, suppliers and our company.

#### **Key digital goals**

We have already been through a digital transformation. Due to constantly changing technology, this will not end anytime soon. Our digital goals are to improve efficiency and the quality of the services we deliver.

#### **Rising to the transformation challenge**

The main challenges we are facing at the current stage in the evolution of digital technologies – of 4G, Cloud computing, smart mobile devices and the large volumes of data that can be processed – revolve around how to make full use of them to ensure our competitiveness over the medium and longer terms.

#### **Increased functionality or improved UX?**

Digitalization needs both to increase functionality and improve communication with clients. Digital technologies offer ease of access to information via the internet, meaning that customers can easily compare prices and product performance, switching between online retailers and brands with just a single click or touch of a finger.

#### **Defining the way ahead**

Day after day, we adopt the newest available technologies. And because change is rapid, our plans are revised quarterly.

#### **Choosing and measuring the success factors**

Through the digital technologies we have implemented, we can offer our employees the opportunity to constantly develop their skills to generate better results. Using digital technology, we can also create flexible working environments by empowering our workforce to meet the dynamic demands of digital.

At the same time, we measure return on investment not just through increased efficiency, but also through anticipating our customers' needs more accurately.



## ING Bank Śląski

By **Brunon Bartkiewicz**, President of the Management Board  
Poland

### The impact of digitalization

Digitalization is directly connected to technological advancement, which in turn results in different customer behaviours and needs. This then leads to global changes, impacting banking business models and the economic environment in which we operate both now and in the future.

On the one hand, banks actively respond to these changes – to new tools and how customers use them. On the other, banks themselves are also the drivers of change. A good example is how they responded to the growing popularity of smartphones – they simply introduced mobile banking apps. Banks also came up with mobile payment initiatives, BLIK being the best illustration here.

### Responding to the latest technologies

Our business is based on providing services to customers. We therefore need to take customer behaviour into account. This makes it crucially important to be able to accept and process signals and information coming from outside as quickly as possible. This is what innovation means to us – delivering value to customers. Every change is both a challenge and an opportunity. Whether the organization takes advantage of it depends on the organization itself. That is why we are geared to constant change at the bank, in line with the Agile methodology. It is the only way we can keep up with customers' new expectations and remain competitive with other banks and the many new players entering the market.

### Key digital goals

We have been building our customer-centric strategy for many years. We listen to our customers and analyse their remarks, comments and opinions on a regular basis. It is the customer who decides what type of banking to choose; as a bank we are here to understand and satisfy their banking needs. We regularly carry out customer satisfaction surveys, use the Net Promoter Score, and follow complaints and social media posts. We also encourage our customers to help us develop new products and services, allowing them to address their

needs through engaging with us. This is an advanced approach which involves being entirely open about our customers' needs.

Our organization is exceptionally well-equipped in terms of IT architecture. As a user of complex software, it is fully fit to acquire, store, process and utilise information.

The way in which our bank is organised facilitates rapid reaction and change. Many of our teams are already working in the Agile methodology, performing with targets in mind and thinking about end-to-end processes.

### Rising to the transformation challenge

The main transformation challenge that we faced was definitely the redevelopment of our infrastructure and the creation of an open and friendly corporate culture in which we all are one team. It is worth noting that these processes have been ongoing for many years. We continue to speak about the high speed of adjustment and digitalization, which is now accelerating. We can only assume that it will get even faster with every year that passes.

We continue to study the market situation very closely. The banking business model is changing as we speak, and banks are no longer perceived just as providers of financial products but also as technology companies. Customers expect us to provide services with the same level of quality as hi-tech companies like Google and Amazon. That is why we place so much emphasis on enhancing our new Moje ING (My ING) online banking system for individual customers and developing an entirely new system for businesses.

### Increased functionality or improved UX?

The competitive landscape will be particularly beneficial to players who are open and have the ability to acquire information from the market and build infrastructure fast enough to keep up with the new wave of changes. We are inclined to think that we will be among them.

All of these elements are extremely important in the development of a modern and competitive bank. But in the end, it's the customers who count and for whom these changes are made. That is why we pay so much attention to enhancing the quality of our services and increasing customer satisfaction.

### Defining the way ahead

We are a customer-centred bank, whose goal is to satisfy their needs in ways they find convenient and accessible. Digitalization is therefore one of the key elements of our strategy. However, it is only an implementation tool, not an objective in itself. New technologies enable us to respond to our customers' needs in the best possible way, but we do not want to put them ahead of other channels or processes. Our objective is not to become a digital bank, as we have already been one for quite some time.

### Choosing and measuring the success factors

Growing customer numbers, increasing satisfaction levels and a high market share prove that we are moving in the right direction. We will continue to keep track of all these indicators in the future.



## Kernel

By **Andrii Peshyi**, IT Director  
Ukraine

### The impact of digitalization

Digital transformation affects all business areas, not just the agricultural sector.

It involves more than just the application of new technologies and automation processes. Nowadays, technology changes business processes and offers opportunities for new business models. We are all familiar with the example of Uber, which owns neither vehicles, nor has a taxi service license, but whose impact is clear nonetheless. Technologies that have emerged over the last decade help businesses find sources of increased efficiency and opportunities for additional monetisation.

A striking example of the global digital transformation of business is our #DigitalAgriBusiness project, which involves a profound change in our approach to business operations and the development of an intelligent IT platform for managing farming processes. The system can integrate and analyse huge arrays of information and accurately provide recommendations for effective decision making in farming processes like planning, implementation and monitoring of field works and change management. The objective of the new system is to ensure the company delivers stable growth and high performance, decreasing risk of human factor in decision making.

Now, we are at the stage of developing the planning module. The next phases include the implementation and monitoring modules. We have ourselves set the ambitious goal of having three functional blocks of the platform during this marketing year. We are going to use first module of the system modules in test mode when we plan spring sowing.

### Key digital goals

Our key objectives are to improve the efficiency of our business and find additional sources of revenue growth. We can achieve increased exports and higher crop yields by using digital technology, improving the efficiency of our business processes and changing the operating standards of our employees. For example, if an agronomist previously worked with a huge reference book, now he or she can work with mobile

devices that provide all the necessary information.

### Vision, strategy and plan

We can see the strategic advantage offered by technology and have a defined plan for implementing our technology projects, of which the #DigitalAgriBusiness project is just one and we can say that that Digital Agri Business is not one our project it is portfolio of projects towards Digital Transformation of AgriCompany. We also have projects to introduce electronic document flow, which will enable to efficiently establish new processes within the company and interexchange with other companies documents using digital document platform. We are also working on a project to introduce a logistics management system, optimised through the use of mobile and digital technologies. All these projects are part of our the road-map we are currently working on, with the ultimate objective to achieve Kernel Company strategic goals.

We have a clear plan and we have already passed its first milestones. We have been using drones and unmanned aerial vehicles in our operations for several seasons now. We use tractors, sewer and other machines, fitted with innovative technologies, and machines equipped with sensors and transmitters that provide us with functions including a completely new way of controlling farming processes and the consumption of materials, monitoring vehicle locations, optimising logistics processes and so on. We have also implemented the interesting projects on the use of energy-saving technologies, grain accounting, mobile agronomy and more.

### Choosing and measuring the success factors

Selecting appropriate success factors is an important question as there are many IT technologies, and without due care, the process of investing in them could be infinite. When planning a launch, we estimate the benefits that the business will receive. Then we use a project approach to introducing technology.

The provision of large IT solutions for agribusiness is a new that is in need of greater

expertise and experience. It requires the right approach to project implementation, and a detailed assessment of how attractive an investment the chosen technology represents. The world is rapidly evolving, and technology is changing with it. Sometimes it is difficult to assess whether or not this or that technology will be in demand in the future, so we always plan pilot phases as part of every project.

### Increased functionality or improved UX?

In my opinion, additional functionality and customer experience are interconnected, meaning there is no need to choose between them. Over time, the level of customer satisfaction will affect the company's revenues. If you conduct a proper and in-depth assessment of investment attractiveness, this factor may and should be digitised. Then there will be no need to choose between these two aspects.



## Millenium Bank

By **Joao Bras Jorge**, Chairman of the Management Board  
Poland

### The impact of digitalization

For Bank Millennium, digital means changes in three main areas. First, how our business model is changing from a physical platform to a digital platform with digital transactions, digital products and digital interactions with our customers. Second, how the bank is digitising its processes, digitising its customer knowledge and its capacity to respond in real-time through digital channels and via digital enhancements to our employees' workplaces. And third, how our customers are changing the ways they interact with us through digital devices, and how the bank is developing its digital touch-points to enhance the customer experience.

In summary, digital transformation means converting data to knowledge, knowledge to actions, and actions to outcomes (in the form of new processes, new value propositions and new business models). For several years, the financial industry, and our company in particular, have embraced new technologies and changed to respond to the rapid growth of increasing customer expectations. This transformation has impacted our company and the industry as a whole, not only at a structural or strategic level but at all levels of activities, tasks and processes.

We have all seen how digital technology has disrupted several industries in the past decade. I believe the financial industry has been very fast to adapt to this new digital paradigm, and Millennium has been one of the leading banks in this transformation.

### Responding to the latest technologies

We respond to and take advantage of technological changes by supporting a culture of innovation within the organization that promotes the adoption of new technologies in two main areas: the development of the bank's capabilities to better understand customer needs; and in our ability to respond to those fast-changing needs.

For several years, new technologies in analytics have positively transformed our business models. Paired with big data,

advanced analytics enables us better to understand our customers and therefore to serve them in ways that were impossible just a few years ago.

Through analytics we are able to detect patterns and predict future events, allowing us for example to personalise offers, propose services and deploy advanced fraud-detection techniques.

By deriving insight, we are able to take faster and better informed decisions.

The capacity to better understand our customers goes hand-in-hand with the development of interactive digital touch-points. This allows us to innovate and enhance the quality of user experience that customers are increasingly demanding, and to deliver the right response at the right time.

As such, the bank has been at the forefront of testing and adopting new technologies such as smart-watches, cloud-based solutions and biometrics for login and 3D card transactions to name a few.

We also use technology and innovation to support our most needed customers. For example, the bank is a partner of the Association for the Visually Impaired, to help build a better experience for such customers when accessing our digital channels. Most of the innovations are happening in the mobile channel where the biggest growth in customer interaction is taking place. We see all these technological changes as opportunities as our teams embrace them to build innovative new solutions for our customers and, in the process, create new business models.

### Key digital goals

The bank has been undergoing a digital transformation for many years. It dates back to 2000, when we started to get rid of all our legacy systems. We started a journey of building a modular infrastructure in which all channels are connected and developed in a middleware layer which enables us to roll out multi-channel products and services very fast and allows data and processes to be shared in real-time across all channels. During this digital transformation, it has been very important not to lose sight of our goals. The main goal of the digital

transformation goes beyond digitalising processes or deploying improved digital channels with new technologies. In fact, its main goal is to act as a catalyst to change the entire organization, its structures, processes and working habits so that it can respond to the new paradigm-shift caused by the development and connection of digital technologies like high-availability internet access, mobile smart phones, cloud-computing and social platforms. We are therefore systematically transforming the whole organization so we can be increasingly efficient in delivering a value proposition to our customers through all different touch-points amid a constantly changing and competitive environment.

### Rising to the transformation challenge

As with any journey, digital transformation has several challenges. What is interesting is that the process of overcoming them is part of the process of transforming into a much more customer-centric organization. For example, organizations face a challenge in adapting their product offer, originally built for branches, to be shown in the digital environment. Presenting lists of products with their characteristics becomes even more difficult for customers in the digital environment, as they have to read it on their own with no support from branch staff. Changing this process with an increased capability to personalise and better understand customers' needs through the use of analytics involves moving away from a list of products to showing a relevant product for a particular need at a particular moment.

Overcoming this challenge has impacts in the way teams are organised and how we develop offers. Culturally, the organization moves from a product-oriented base to a service-oriented base (for example, as it understands that the customer does not want to buy a mortgage but wants to buy a house).

Another example is the challenge involved in adapting existing sales process to the digital environment. The organization is hard-wired to start the sales process with the products



it has to sell, and then to focus on how best to explain products to the customer. In the digital environment, we gain the capacity to fine-tune and personalise an offer in real time, adapting it to the needs of the customer as we gain deeper insight into who they are, what they need and why they need it. This radically transforms the way the organization sells and communicates with its customers: during the process, we move from being a know-how organization to a know-who organization.

In conclusion, there is something more important than which challenges an organization will face during digital transformation (and these will be different from organization to organization). That is the way in which the organization overcomes those challenges and uses that learning process to transform its culture – which in itself is one of the most important goals of the digital transformation.

### Increased functionality, greater efficiency or improved UX?

Increasing functionality, improving the customer experience and gaining greater efficiency are equally important. There is no success in increasing functionality without improving the user experience. Moreover, there is no success in increasing functionality if internal efficiency does not match it, resulting in bad service for the customer.

Digital transformation is a transformation of the whole organization that results in a different organizational culture. For that to be achieved, all elements are equally important.

There is another outcome of digital transformation, which is not often mentioned but is no less important: gaining the capacity to adapt to an increasingly volatile environment. Becoming a digital organization provides the flexibility to adapt and respond much more quickly to external and internal challenges, and this capacity can be a competitive advantage.

### Defining the way ahead

We have a clear vision on how we are transforming the company digitally, and our digital strategy is described in a single line: “Digitalise every process, touch-point, operation, product and interaction”. In other words, this means digitalise the whole bank, and in completing that process transform the business in order to win, serve and retain customers.

Our vision is that this organization will become a digital bank, and this underlines our understanding that the world has gone digital. Our channels, our branches, our products, our employees, our operations, our competitors, have all gone digital. This means a completely new paradigm for the banking business model.

As the whole ecosystem has gone digital, the organization is required to think digitally in everything it does. Our strategy is therefore to incrementally and systematically digitally transform the organization and in the process create a new business model and a new organizational culture.

In all projects, in all improvements, in all developments, in all training, in all discussions, there are opportunities to digitally transform the organization. With such a holistic approach to digital, it is not desirable to have a well-defined implementation plan. The plan has to adapt constantly to changes in this digital ecosystem.

Most importantly, the main objective of our strategic plan is to drive actions in any area that help the organization’s digital transformation, and priorities are set based on the impact of digital transformation.

### Choosing and measuring the success factors

We think it is important to measure and keep track of all digital initiatives. However, channel-siloed performance metrics such as ROI fail to inform us about the impact across multiple touch-points, and this may result in wrong digital investment decisions. We tend to choose metrics that cross touch-points metrics like NPS, as they give a bank-wide perspective to the business. But Depth of Customer Engagement is also a good metric in this category, and it may have the advantage of giving a financial perspective to the investment.

Transformative projects such as the digital transformation of the bank require the mandate of the Board. As they are mostly cost-intensive, Depth of Customer Engagement would be a much better KPI than ROI.

Only investments in emerging technologies with a higher risk of success should use ROI as a metric. However, it is important to evaluate ROI at the right moment, because if measured too early in the project it could kill a good idea. If measured too late, it could mean a sunken investment.

If the investment is successful and creates value for the customer, which in turn increases engagement with the bank, it is fair to conclude that it will have a positive impact on ROI. In this way, it should be possible and desirable to achieve both.



## PKO Bank Polski

By **Zbigniew Jagiełło**, President of the Management Board  
Poland

### The impact of digitalization

The digital revolution has the potential to completely transform market conditions in different sectors of the economy faster than any other development in the history of business. The financial industry, home to PKO Bank Polski, is in the mainstream of technological change.

Customers' preferences change, as do their banking behaviours. Remote channels are becoming increasingly important, and customers are now more self-sufficient. In the period 2011-2015, customer interactions at our branches decreased by 21% while online interactions increased by 63%. No fewer than 8 million of our customers have access to our electronic banking service, iPKO. Changing customer preferences are forcing banks to align their business strategies as banks face the challenge of how to generate value for customers far beyond the mere supply of products: after all, customers of the future will not need to contact banks to do that alone.

### Responding to the latest technologies

Technological change is both a challenge and an opportunity. The challenge for banks includes growing competition from FinTechs, which may intensify further the moment that the EU Payment Services Directive (PSD2) takes effect. However, banks can leverage the ability of FinTechs to roll out innovative digital solutions by entering into strategic alliances with them or by implementing their tested solutions. The opportunity for banks includes the ability to use Big Data better to fine-tune their tailored customer offering. PKO Bank Polski is working on this. However, banks are only at an early stage of the work that's necessary to develop systems to aggregate client information from many sources, and they are having to compete with much more skilled and experienced technology companies. Yet the banks' efforts are well advanced, and their knowledge of customer needs can be expected to expand, ensuring a better match of products and sales channels with customer expectations.

### Key digital goals

PKO Bank Polski is constantly working to bring the organization up to speed with the new digital reality and to spur Poland's digital transformation. Several years ago, we provided 6 million touchless payment cards, allowing Poland to develop the necessary infrastructure and making it a European leader in contactless payments. The Bank's mobile application, IKO, gave rise to the uniform mobile payment standard BLIK, meaning Poles have learned to pay with their smartphones. Today, no fewer than 24% of Poles use mobile banking. IKO now has close to 700,000 users, and 64,000 customers have activated HCE contactless payment functionalities.

Today, PKO Bank Polski is engaged in the Digital Poland Program. We are therefore a partner in the day-to-day affairs of customers, strengthening the relationship between the Bank and its own customers. Up to the end of May 2016, our customers had used our online service to file more than 157 000 applications in the 500+ Program; in fact, one in three of all the applications filed electronically in the 500+ Program came via our systems.

PKO Bank Polski was also the first institution to enable its customers to open a profile on the Electronic Service Platform of ZUS, the Polish social security institution, via electronic banking systems. A key priority of the Bank in the coming years is to further increase the proportion of customers who use digital channels and to reduce the flow of paper. In addition, we are working to become a cybersecurity leader in the Polish banking industry.

### Rising to the transformation challenge

While digitalization offers many potential benefits, it is also generating serious challenges for banks, including security. Customers expect ever faster and easier access to their bank accounts. However, this could pose a number of security threats. Today's challenge is how to find a reasonable balance between functionality and security, ensuring that the solutions we offer are both attractive and fully secure. The Bank has

undertaken multiple initiatives to improve IT security, including customer education and the development of biometric solutions. PKO Bank Polski is the first bank in Europe to initiate a partnership with Microsoft under the Enterprise Customers Cyber Threat Intelligence Program, which aims to improve cybersecurity.

Another key challenge is to develop an offer that addresses the needs of several generations of customers: both those young people who readily embrace new digital solutions and older customers who tend to prefer traditional banking channels.

### Increased functionality or improved UX?

The main current challenge of digitalization is to make sure that the digital revolution serves people and not the other way around. In pursuit of increased functionality and better efficiency, we must never forget about customer satisfaction, which at the end of the day should be the key measure of any achievement made under digitalization.

In this context, banks can best address customers' needs by way of real time and right place marketing – ie by offering the right product at the right time and in the right place. This requires an effective omnichannel strategy, as well as access to a complete picture of the customer so the bank can precisely tailor both the offer and its distribution channels.

### Defining the way ahead

Our digital transformation is a key part of PKO Bank Polski's growth strategy, and digitalization will become even more prominent in many parts of our business in years to come. The products and services we offer will be personalised as we learn to use customer information better. State-of-the-art bank branches will underpin our omnichannel model as we continue to develop intuitive digital channels. To improve customer satisfaction, we will make our best efforts to develop innovative products and services. PKO Bank Polski will remain engaged in the digitalization of Poland and its people, while focusing more than ever before on cybersecurity.





## Vodafone Romania

By **Ravinder Takkar**, President & CEO  
Romania

### Choosing and measuring the success factors

Return on Investment is an important measure. However, an organization's long-term outlook, including its earnings over the longer term, is largely driven by a stable competitive advantage including customers' loyalty to the brand. This is particularly relevant in the digital era, when loyalty is more difficult to maintain. Customer satisfaction therefore becomes crucial, and its measures will be among the key success factors of digitalization at PKO Bank Polski.

### The impact of digitalization

Digitalization connects multiple organizations and industries together to form ecosystems. It has fundamentally changed the way people and companies interact with each other, do business and communicate. Vodafone is a digital company by definition, touching every aspect from the design of our headquarters and its functionalities to how we create our offer for companies and individuals, how we provide customer service and customer care (via eShop on vodafone.ro and the MyVodafone application for example) and, of course, to how we communicate with our customers.

Digital is not a mere trend that we are following. Rather, it is a field in which we strive to innovate constantly, whether in the first (computer-based) or the second (smartphone-based) waves of digitalization. We continue to invest significantly in our Supernet 4G network, certified in tests as the best in Romania for voice and data, to facilitate people's access to digitalization through mobile internet and smartphones. Our campaign, "A smartphone for every Romanian", expresses our commitment to this statement.

In addition, we were the first company in the country to use its own and external forums to communicate online with customers, and to offer a free-of-charge digital library to Romanians. We were also the first telecom provider to have a call centre or to implement an automatic speech-recognition solution.

### Responding to the latest technologies

Technology is clearly an opportunity for companies and people alike, as it improves businesses' efficiency and people's lives. The telemedicine solutions provided by the Vodafone Romania Foundation, the first in the country, are an example of this.

Vodafone Romania is a leader and innovator in this field, as we were the first operator to launch 3G, 4G and Voice over LTE (VoLTE) technologies.

Technology supports business transformation globally, not just for us but for our customers as well. For instance, enterprises worldwide are now making the Internet of Things (IoT) a priority and placing it at the heart of their IT strategies. According to the Vodafone IoT Barometer 2016, an annual global survey conducted by the Vodafone Group, 76 per cent of businesses say the IoT will be critical to their future success, while 63 per cent of adopters are seeing a significant return on investment.

### Increased functionality or improved UX?

Improved usability and a higher-quality customer experience come with increased functionality, making them of equal importance. At Vodafone Romania, we use digital in the best ways we can to give customers easier and faster access to help them manage their relationships with us.

### Choosing and measuring the success factors

Customer adoption is crucial as we progress in our digitalization journey. When a customer migrates towards digital, this confirms to us that the new interaction and transaction methods we have created suit their needs better. Customer engagement is among the first KPIs we measure, but the return on investment is also very important in assessing the success of such initiatives.



### **Tarkett d.o.o. Bačka Palanka**

By **Milena Pavičić Vitošević**, Director of Finance, IT and Legal Affairs  
Serbia

#### **The impact of digitalization**

For Tarkett, digitalization means a process of integrating systems and key business processes into a uniform whole, so achieving better connections between business functions and providing space for further growth and development. This is, therefore, a very important process for our organization; in addition, it is also certain to define the development of our industry as a whole.

#### **Responding to the latest technologies**

The implementation of new digital technologies is underway in different business areas, both internal and external. This project is initiated and implemented at the Group level, with the Serbian organization as an integral part of the overall project. New technologies are primarily recognized as providing an extremely important opportunity for further growth, with an effort to identify and control potential threats in good time.

#### **Key digital goals**

Our most important goals are integration, automation and better process management, both system-wide and in our business units in different markets. This way, we can grasp additional opportunities to increase efficiency, reduce costs, make better use of our capacity, strengthen our market orientation and improve the customer experience.

#### **Rising to the transformation challenge**

We have faced various challenges since the beginning of the project. It started with the need to set the necessary budget and other resources, then the need to comply with legislation in different countries and finally training and developing our employees so they can accept new requests and more.

#### **Increased functionality or improved UX?**

There is a close relationship between additional functionality and an improved user experience. The company's digitalization strategy recognizes both objectives with the aim of improving the user experience by improving functionality.



### **Raiffeisenbank a.s.**

By **Petra Kopecká**, Spokeswoman and External Communication Manager,  
Czech Republic

#### **Responding to the latest technologies**

We definitely see the latest technologies as an opportunity to shift traditional banking services to a higher level. Mobile banking, to which our customers are now logging on more frequently than to our traditional internet banking system, clearly demonstrates that modern technologies are giving customers the opportunity for more intensive and immediate contact with the bank. While new threats naturally appear with new technologies, (particularly in the area of security), we nevertheless believe that these are clearly outweighed by the advantages that modern technologies bring.

#### **Increased functionality or improved UX?**

We consider both factors to be important. Increased functionality enables us to target our customers and sell banking products online more efficiently. However, we believe user experience is just as important. Thanks to new technologies, this area has improved significantly.



## **TUiR i TUŃ Warta S.A.**

By **Grzegorz Bielec**, Vice President of the Management Board  
Poland

### **The impact of digitalization**

Digitalization is not a new phenomenon in the insurance industry. For several decades, insurance companies have been taking advantage of innovative solutions or infrastructure to reduce the costs of their operations and improve their processes. This trend is therefore of major importance for insurance business. Currently, it is at its strongest in the area of customer communications, ranging from sales systems up to claims and servicing.

At Warta, we have recently focused much attention on reinforcing our sales systems, pricing and communication with customers and agents. We plan next to implement new projects enabled by new technologies to improve the company's efficiency in several specific fields of operation.

### **Responding to the latest technologies**

Digitalization constitutes both an opportunity and a threat. Customers and agents demand online and mobile access in the areas of both sales and servicing. It is likely that first movers will benefit from this trend. At Warta, we are leveraging new technologies across the whole company (although all aspects of this are not clearly visible to the outside world). We are digitalising our pricing processes, internal processes, agent servicing and sales support, sales processes and claims handling.

However, digitalization requires strong managerial attention and organizational flexibility, openness and agility. Not all companies have these attributes. And this poses a threat: potential failure in implementation and back the wrong technologies will cause companies to fall behind their competitors

### **Key digital goals**

Specific activities are designed to increase profitability. The situation is no different with regard to investments in the company's digitalization, which have the desired result of improving business effectiveness. However, improving customer and agent satisfaction is a parallel objective.

### **Rising to the transformation challenge**

Like any other industry, insurance is facing many challenges. In the case of investments in market digitalization, we must consider the nature both of insurance products and customer behaviour. For instance, a majority of Poles still buy insurance cover via traditional distribution channels, despite being continuously encouraged to use sales apps. When implementing new digital solutions, we therefore analyse their usability and customer expectations. Warta Mobile serves as a perfect example. It is an application that enables loss adjustments to be handled using smartphones, and this has been very well received by the people we insure.

### **Increased functionality or improved UX?**

There is no single objective that could be achieved by the digitalization of the company and the insurance market as a whole. On the one hand, we want to improve general customer satisfaction, but on the other we cannot forget about improving the effectiveness of our economic activities and business purposes. They all affect how we assess our potential to implement specific solutions.

### **Defining the way ahead**

Digitalization is part of our strategy. Or to be more precise, it is one of the means for us to achieve our economic goals and objectives.

### **Choosing and measuring the success factors**

There is no single universal tool for measuring the effects of digitalization. Every project and implemented solution has its own individually developed system to assess its effects.

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