PRESS RELEASE

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MEAT PROCESSING INDUSTRY MANAGES TO DEFEAT THE ECONOMIC CRISIS, BUT STILL IT HAS TO WORK ON ITS PROFITABILITY

After four consecutive years where the companies within the meat processing industry sacrificed their productivity in favor of commercial development and maintaining the market shares, in 2013 the sector continued the favorable evolution in terms of sales volume (the third consecutive annual growth registered 7% of the total turnover), accompanied for the first time with a recovery of the profitability (net rate of 1.71% of the turnover). But this recovery is far from being able to restore the financial balance of the companies within the sector.

Coface continues the series of sectorial studies for the most important fields within the Romanian economy, with an analysis of the evolution of the companies in the meat processing industry. According to the data released by the Ministry of Finance, during 2013, 347 companies generated an aggregate turnover of 5.4 BEUR and 20,000 jobs, both indicators went up to 7 %, respectively 4%.

Only 50 companies represent 90% of the Meat processing industry's revenues

The recovery of the profitability, gained within the last financial year, doesn't necessarily restore the financial balance of the companies within the whole sector, which is reflecting in the balance sheets, the analysis and financial ratios.

Thus, only 50 companies in this sector registered an annual turnover of more than 5 MEUR and represent about 90% of the revenues registered within the entire sector. The rest of the companies either hadn't any relevant economic activity in 2013, or registered a turnover <100 K/ EUR/ year, which is not very relevant in terms of value.

About 40% of the companies operating in this sector registered **a decrease of the turnover** during 2013 compared to the previous year, although the entire sector registered an increase of the turnover of 7%.
Moreover, in the context of an improved performance by switching on profitability, 40% of the companies reported deterioration in net income. In these circumstances it can be said that the competitive environment of the sector can be classified more aggressively than the average.

During 2013, within the analyzed sector, we noticed a significant decrease of investments over the previous year, when there were allocated large amounts to extend the tangible assets.

Despite the significant decrease of the indebtedness on sector level (66% in 2013 vs. 93% in 2012), the share of the short-term debts in the total debts increased, thus decreasing the long-term debts to banks.

The current liquidity registered at the end of 2013 was below one, which highlights the massive exposure of the companies in this field at the risk of not fulfilling short-term debts. According to the study, only 25% of the analyzed companies had the opportunity to register financial autonomy over one quarter.

During 2013, the coverage of payments from the income is 90%. In other words, if all the suppliers would put pressure to cash in the invoices with the payment in advance, the companies operating in this sector could cover from the income only 90% of these invoices. Less than one third of these companies can cover the outcome with maturity in 2013 with the income from the same financial year.

Companies within the Meat processing industry through Coface's macrofying glass

From the entire portfolio, Coface Romania analyzed a relevant sample of 127 companies operating within the analyzed field (which are either buyers or companies for which a credit report has been ordered by a 3rd party - Coface business information customer), which generated about 85% of the total turnover registered within the entire sector. The conclusions are the following:

- 57% of the companies have a risk of insolvency above average, and one out of four registered a high risk;
- 35% of the companies make the payments very slowly, or do not respect their contracts.

Risk categories according to @rating score

Insolvency/ Preliminary/ Debt regulation proceedings	Very High Risk			Medium High Risk		Low Risk				
0	1	2	3	4	5	6	7	8	9	10

"*Unlike the other industries, the analyzed sector managed to quickly absorb the negative impact of the financial crisis, and this is reflected in the number of firms active at the end of 2013, which is only 2% lower than in 2008. It is also surprising that these companies were able to generate a consolidated turnover higher with 24% and also a higher profitability compared with the ones registered 5 years ago, given that they had an identical number of employees. Despite this, the liquidity of the companies remained precarious. Although receivables are collected faster, and inventories are valued, suppliers are paid 25 days later than the intrinsic capacity. This leads us to conclude that the firms of the sector are using the additional financial resources attracted from suppliers to pay their long-term debts and to optimize their outcome.*", declared Constantin Coman, Country Manager, Coface Romania.

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About Coface

The Coface Group, a worldwide leader in credit insurance, offers companies around the globe solutions to protect them against the risk of financial default of their clients, both on the domestic market and for export. In 2013, the Group, supported by its 4,440 staff, posted a consolidated turnover of €1.440 billion. Present directly or indirectly in 98 countries, it secures transactions of over 37,000 companies in more than 200 countries. Each quarter, Coface publishes its assessments of country risk for 160 countries, based on its unique knowledge of companies' payment behavior and on the expertise of its 350 underwriters located close to clients and their debtors.
In France, Coface manages export public guarantees on behalf of the French State.

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