



Automotive Sector in Romania Newsletter – February 2008

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Logan, the brand with the highest rise sales in Europe

Dacia was last year the brand with the highest rise in sales in the entire Europe, with an advance of 85.9%, as an outcome of the high demand for the Logan model, according to a survey conducted by British car market research company, Jato Dynamics.

Europeans were attracted by the good price of Logan and even without the contribution of the markets from Romania and Bulgaria increased the sales of the Pitesti-based (southern Romania).

The best-selling car brand at European level was Volkswagen with 1.6 million units, followed by Opel with 1.3 units and Ford, with 1.2 million traded cars. Last year represented the completion of a positive trend for Logan. Therefore, ever since Q3 of 2007, Dacia Logan was the best-sold car of Central and Eastern Europe, registering over 24,000 buyers on a market with over 325,000 sold cars.

According to researchers at Jato Dynamics, through the sales it made last year, Dacia Logan held on the market of Central and Eastern Europe a share of 7.43%

Kirchhoff comes to Craiova, following Ford

German car part producer Kirchhoff, one of Ford's suppliers, intends to build a factory in Craiova with an initial investment of at least €20 million, €10 mln for a 20,000 square meter production unit and a further €10 mln for equipment.

The administrator of the Craiova industrial park, confirmed that the German company filed a letter of intent to the park's administration to lease five hectares.

EC to green-light Ford buying Automobile Craiova

The European Commission is expected to approve the privatisation of Automobile Craiova and submit its official response on February 27, according to officials of the State Assets Realisation Authority (AVAS) and Ford Motor Company.

The response of the Commission will come at the end of February and this will be a favourable one that will allow the US company to continue its business at Automobile Craiova, said Ford officials.

The same news was brought in by AVAS Chairman Teodor Atanasiu on February 15 in Cluj –Napoca, Atanasiu also said the law on the privatisation of Automobile Craiova will reach Parliament soon so that it may pass by half-March.

The European Commission is looking into whether the privatisation of Automobile Craiova entailed two possible instances of state-granted aid – regional state aid as a result of the Romanian Government's commitment to pay from public money for the development of higher education schools to train people in machine building, or national state aid.

Ford Europe, the European division of the world's third largest automobile maker, has bought over from AVAS, representing the Romanian Government, a 72.4% stake in Automobile Craiova for 57 million EUR.

The privatisation board of Automobile opened the sealed technical bid of Ford Motor Company on July 12, 2007. In its bid, Ford committed to double the number of the workers at the Craiova-based factory from a current 3,900 to 7,000-9,000 and invest 1 billion euro in Romania throughout 2011. Officials of the US company announced that 90% of the automobiles to be manufactured at the factory will be bound for export

Automobile Craiova has a share capital valued at 12.5 million euros.

Altur Slatina reports revenues worth 31 million EUR in 2007

Altur Slatina car parts manufacturer posted a turnover worth 29.22 million EUR, last year, by 0.15% higher than a year before, while its revenues grew by 6.85% attaining 31.53 million EUR, according to company data.

Altur Slatina started making profit, namely about 157,000 million EUR. It reported losses of about 1.16 million EUR, in 2007.

Among its significant shareholders it is worth mentioning Mecanica Rotes SA, holding 28.15 % of the stocks, Celule Electric SA, with a 14.84 % package, and Revan Com SA, which holds 10.25% of the shares.

In early February, SIF Oltenia owned 8.66% of Altur Slatina car parts maker.

BMW doubles sales in Romania in 2007

German carmaker BMW doubled sales in Romania in 2007, for the brands BMW and Mini with 2,922 sold units.

In Romania, year 2007 ended for BMW with 2,727 sold units, an increase of about 65%.

Also last year there were sold 195 Mini cars, which means doubling of sales.

A new center was opened on January 25 with Auto Transilvania Cluj (center, north-east) and on February 2-3 MHS Motors will be opened in Bucharest's Militari district. According to company representatives, the development of the network of dealers is essential with a view to ensuring high quality standards for ever rising number of customers.

All the centers, built following investments worth 4 million-euros and will meet corporate norms.

Alcoa Nadab estimates turnover of over 30m euros in 2008

Electric cable producer for car industry Alcoa Nadab Arad (western Romania) estimates this year a turnover of over 30.8 million euros up 11.6% as against last year.

According to the company's officials, the positive evolution of the turnover is prompted by production facilities, as an outcome the opening of a new production facility at Beius, Bihor county (western Romania), but also the development of two projects for Skoda.

The new Beius-based plant has an overall area of 3,600 square metres and the production started in 2006 in an existing production facility. At present, the Alcoa plant at Beius is the third production unit in Romania, it employs over 500 staff, up 200 people than in the first half of last year.

Alcoa Fujikura reported 27.6 million euros last year after an estimate at the beginning of last year of some 19.9 million EUR.

At Nadab, the production of electric cables for cars started in January 2002 and the next year started the construction of two plants at Buchin in Caras-Severin County (south-western Romania).

The company has so far invested in the two plants as many as 35 million EUR and the total number of employees exceeds 3,500 people.

SIF Transilvania becomes the majority shareholder of Romradiatoare

Romradiatoare Brasov is a producer of auto radiators. SIF Transilvania became the majority shareholder of Romradiatoare with the total share of 55.06%, after it bought at the end of January 2008, with 2.1 million EUR, 26% of the producer's shares from the company Organe de Asamblare. Another Romradiatoare's shareholder is STIMA Engeenerung Italy, with 21.8% shares.

Daimler considers Romania for further East European expansion

The German carmaker Daimler is considering plans to start producing Mercedes cars in eastern Europe at an assembly plant that would employ thousands in either Poland or Romania.

If the prestige German car company goes ahead, it will give fresh impetus to eastern Europe's efforts to expand its motor industry and it will show sceptics that despite rising labour costs, the European Union new members still offer big investment opportunities.

News of a possible Mercedes plant is generating great interest in Poland and Romania, which have emerged as favourite locations for carmakers, which previously concentrated on the Czech Republic, Slovakia and western Hungary.

Romanian economists argue the country has a labour cost advantage over Poland, with local hourly wages of around €4 (\$5.90, £2.97), compared with €7.50. But Polish investment specialists say that with German labour costs at around €30, the gap is not decisive and add that western Poland lies closer to German vehicle and component plants.

Trelleborg Automotive, member of the Swedish Group Trelleborg AVS, estimates for 2007 a turnover of over 25 million EUR, this representing an increase by 150% compared to the previous year. The producer of auto components invested in its production facility, located in the Industrial Park Dej, over 10 million EUR. The company's main client is Dacia Renault.

ArvinMeritor starts production of LVS in Romania

ArvinMeritor, Inc. started the production at a new Light Vehicle Systems (LVS) facility in Salonta, Romania. This new plant, which occupies approximately 5,400 square meters of manufacturing space, will supply window regulators, cables, latches and actuators directly to Dacia, the largest vehicle manufacturer in Romania and part of the Renault Nissan group.

According to company sources, this new facility in Salonta represents a significant further investment by ArvinMeritor in Central Europe, and is in line with their targets on driving manufacturing in leading cost competitive countries wherever viable. By locating their production directly in Romania ArvinMeritor can minimize their operating costs, be exceptionally responsive to our local customer and create over 100 new jobs in the area.

General Motors sales in Romania up 40% last month

The sales in Romania of General Motors (GM), a group represented locally by the brands Opel and Chevrolet, increased in January by 41.8% against the same month of the past year, to 1,820 units, according company data.

Of the 1,820 cars traded by GM in January, 1,259 cars were Opel and the remaining 561 units were Chevrolet.

The best sold model imported by GM on the Romanian market was Opel Astra Classic.

General Motors Romania estimates to trade this year around 38,000 Opel and Chevrolet cars, 16 per cent more than the 32,775 units sold last year.

It takes less than a minute to make a Dacia car

Dacia-Renault carmaker based in Mioveni (south-west of Bucharest) has come to make a car every minute.

Starting with the second half of January, 2008, the plant in Mioveni came to reach a production rate of 61.3 cars per hour, which is a record in the history of the unit.

According to company sources, a car is completed on the assembling lines every 52 seconds.

The current increase in the production rhythm is to allow the company reach a total production standing at 310,000 units in 2008, according to estimates by the car producer, as against 222,914 units last year.

Out of the 1,300 cars made on a daily basis, 690 are sedan Logans, 560 are MCV Logans and 50 are VAN Logans.

According to the representatives of the company, the current series of cars is to improve this year by two new models: the Logan Pick-Up and by a two-body model, derived from the Renault Sandero model.

Foreign investment in the automotive subassembly industry in Romania to go up in 2008

According to the Romanian Association of Automotive Manufacturers, this year's foreign investments in the auto industry will be some 10% higher than in 2007, and €400 million thereof will come from car producers.

Over one third of investments in this sector will be from Automobile Dacia, while Ford will allocate some €80 mln to upgrade the Craiova factory.

TRW seeks locations for two more auto component plants

TRW Automotive Safety Systems, a producer of steering wheels and safety systems for Volkswagen, BMW and Mercedes, will expand its production capacities in Romania this year, following investments worth around 4.6 million EUR.

The company, a subsidiary of the American group TRW Automotive, opened its first production facility outside the Timis County last year, in Oravita, the Caras-Severin County (southwestern Romania).

According to company representatives, currently, the plant in Oravita has a 1,000 square-metre surface area, and employs 155 people.

Their intention is to open another two facilities this year, so they are examining several potential locations in the Western part of Romania.

According to the company management, the expansion of the production facilities is part of the Romanian subsidiary's development strategy, with the new production facilities to act as satellites to the plant in Timis county.

The new facilities will be developed in rented locations, with representatives of TRW Automotive Safety Systems budgeting investments worth over 4.6 million EUR (6 million dollars) for expansion purposes.

Dacia cars in increasing demand in Romania

For the first time in recent years, Dacia, the most important domestic carmaker, boasted a strong sales increase, by over 30% in the case of passenger cars to 5,862 units, and an overall 40% advance, if sales figures for the Logan Van are taken into account.

Dacia exports increased by 27% in January to 12,782 units, with France still the main destination.

In Romania, sales were inclusively boosted by the population's rising incomes. In 2008, Dacia sales are expected to increase by around 5%

Car market continues to grow

According to the Association of Automotive Manufacturers and Importers (APIA), in January, sales of new cars soared by almost 43% against the same period in 2007, and overturned the expectations of most players on the market, after a 5% growth rate was announced.

Imports maintained the above 50% growth rate posted in 2007 and reached 16,429 units, while overall sales went beyond 23,350 units, up 43% on last year.

In comparison, in January 2007 sales of cars manufactured in Romania fell by 5.5%, primarily due to the effect of the first registration tax, while imports jumped by 21%, way below the 50% growth rate registered for the entire of 2007.

Delphi Co. plans to open factory in Iasi

US Delphi automotive parts manufacturer plans to open a subsidiary in Miroslava village, Iasi county (northeastern Romania), an investment amounting to 112 million EUR.

The factory will cover 40,000 sqm. Iasi County Council leased the Americans 16 hectares of land for 49 years. Delphi offered royalties worth 80,000 euros a year for the leased land in Miroslava.

The investment will provide 1,200 new jobs as Delphi Company vies the Nokia factory placed in Jucu village of Cluj county (central).

The Iasi-based Delphi subsidiary will manufacture diesel fuel injection equipment and the electric system of Renault Twingo 2, on sale in Europe since last summer.

The new factory will also make halogen lighting systems, wiring and cables systems, connection systems and power closure systems.

Delphi is one of the world's largest automotive parts manufacturers and has two more factories in Romania, namely at Ineu and Sanicolau Mare, both in western Romania.

Skoda, the most popular imported car in January

Skoda, part of Porsche Romania's portfolio, proved the most popular import in January, after it overshot the sales of Renault, last year's leader on the imported car market, with over 32,000 units.

The highest increase among the top 15 import brands was registered by the Kia-600% to 550 units, primarily the result of its c'eed compact model, which accounted for 95% in the brand's January sales.

Rombat turnover increases by 57 percent in 2007

The Rombat company, the biggest producer of motorcar batteries in Romania, in 2007 saw a 57% increase in the turnover as against 2006, when they posted 30.9 million EUR.

The representatives of the company estimate that the turnover will amount to about 87 million EUR by 2010.

The increase in the turnover last year is the result of the investment programme that was carried out in 2006 when they invested about two million EUR.

Last year a much larger budget, about 6.5 million EUR, was allocated to investments thanks to the ever higher demand for batteries both in Romania and abroad. This investment will finally lead to the growth of the output by 50%.

If in Romania the position of the company is quite clear (it accounts for over 55 % of the domestic market of motorcar batteries), the company increasingly takes up exports.

In 2007 the sales for exports increased by 129%. Some of the countries to which Rombat products were exported are France, Portugal, Belgium, Bulgaria, Italy, Germany, Austria, Moldova, and Greece, France holding the first place.

Rombat is the sole supplier of batteries for Dacia motorcars and a regional supplier for the motorcar producer Renault.

Rombat SA is part of Rombat Grup. It has been a leader on the Romanian market of motorcar batteries since 1997 and has a 55% market share.

Romania is 10th in Europe in number of motorcar registrations

The number of new motorcar registrations in Romania increased in January by 34.5% and amounted to 29.495 cars, according to the data supplied by the European Automobile Manufacturers' Association (ACEA), which thus makes Romania rank tenth in Europe depending on the number of new motorcars that were registered.

The first three places are taken by Italy, Germany and France.

The number of Dacia motorcars registered in Europe also grew in the first month of this year by 73.8% to 15,178 motorcars as against 8,735 cars in the similar span of time last year. The market share increased in the above-mentioned span of time and came to 1.2%, up by 0.7%.

In Western Europe the number of Dacia motorcars that were registered increased by 133.5% to 8,637 cars from 3,699. The market share in the region also increased to 0.7% from 0.3%.

Dacia to launch 4x4 SUV by the end of 2009

Local carmaker Dacia, owned by French Renault group, is to make a 4x4 SUV on its Logan model platform. The new car is to be launched by the end of 2009, according to Automobile Dacia's President Francois Fourmont.

The price of the new 4x4 vehicle will be at least 13,000 EUR, market sources say. So far, Dacia has launched four versions of the Logan model - saloon, MCV (estate), VAN and Pick-Up. The company also plans to develop a 5-door hatchback, based on the Renault model, currently being built in Brazil. The hatchback will be introduced this summer to Romanian clients and launched for sale by the end of the year.