



Automotive Sector in Romania Newsletter - October 2007

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This newsletter is produced by FRD Center Market Entry Services – www.frdcenter.ro - a privately owned market entry consulting firm based in Romania.

FRD Center offers business intelligence and market support for foreign companies interested to enter the Romanian and Bulgarian market as exporters, consultants, investors or joint-ventures, to relocate their manufacturing or to source in SE Europe.

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Our services include:

- market reports, investment opportunities assessment, sectorial studies, market briefs*
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- commercial due diligence, pre-M&A business support and research*
- identification of market opportunities: sourcing, sales etc.*
- trade missions, business itineraries, inward buyer missions*

FRD Center is the Global Intelligence Alliance Research Partner for Romania and a member of the Global Consulting Network-GCN.

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Hybrid engines boost Raal Bistrita's turnover by 68%

Raal Bistrita, an equipment and cooling systems producer for the automotive industry, posted an approximately 18.5 million-euro turnover in the first half of this year, up 68% against the same period in 2006, while the company's net profit increased 6 times, to 1.12 million euros.

According to company representatives, the rise in the number of vehicles using hybrid engines and the new regulations on environmental protection brought the company's business to around 18 million euros. Although the cooling systems market is seeing an unprecedented rise, the results would have been much better, especially in terms of profit, had the foreign exchange rate stayed at the value registered in January 2007.

The company produces cooling systems and cooling system components, with the newest products launched on the market being cooling systems for hybrid engine cars. The latest products manufactured by the company are radiators used by the buses with a hybrid engine, launched this summer by the Belgian group Van Hool, with the buses planned for passenger transportation in Washington, Hamburg, London, Amsterdam and California.

Sibiu-based Caucho Metal: 16m-euro business

Representatives of the Romanian branch of the Spanish automotive components producer Caucho Metal Productos (CMP) estimate a 15.5 million-euro turnover this year, which pushes the initial target up by over 3 million euros.

The Sibiu-based plant is witnessing a rapid development, thus they have contracted 50% more projects this year than were planned for the first year of production. Under the circumstances, the transfer of technology from the plants in Spain has taken place more rapidly.

According to company representatives, the expansion of its production capacities has led the company to increase this year's investment budget by another million euros, as compared with the 3 million euros estimated at the beginning of this year.

The number of employees has also increased by 100 people since the beginning of the year. The Spanish company has structured its investments into three stages and expects to reach full capacity in 2008, with 250 employees.

Car market: imports up 53% in 8 months

The growth pace of car imports slowed down slightly in the first 8 months of 2007, to 53.2% versus the 7-month results, when the growth rate reached 53.3%, indicate the data of the Romanian Car Makers and Importers' Association.

At the same time, the sales of new cars rose in the first 8 months to almost 26% versus 23.3% in the January - July period. The number of locally made cars sold slowed down the growth pace, to 5% in the first 8 months versus 7.1% in the first 7 months.

Dacia continues to rank 1st in terms of sales after 8 months, but it continues to decline in the preferences of Romanian buyers, while the imports are going up. Dacia, the biggest local carmaker, lost 1.3% of the market share in the first 8 months to 29%. Dacia had held a market share of 36.3% of total number of cars sold locally.

Automobile Dacia unable to meet high demand for Logan MCV

The waiting period for a Logan MCV, which is designed for emerging markets, now stands at more than three months for Western European countries and could be as long as five months, which is similar to the waiting period for a customised premium vehicle.

Whereas in Eastern Europe the highest demand is for the sedan model, most orders in the West are for the MCV model (station wagon), which was launched at the beginning of this year. Sales of the model in the first eight months of the year accounted for 62% of the over 50,000 units sold on these markets.

The high demand for the station wagon, which is produced in Mioveni, culminated this summer in a failure to meet orders and has generated delays of around five months for deliveries.

Mioveni-based plant delivers 500,000th Logan unit

The 500,000th Logan car, a red sedan for the local market, rolled off the line at the Mioveni-based Dacia production plant. Since the Logan model hit the market in 2004, the car was manufactured in three body styles (sedan, MCV and VAN) and five engine variants, of which three on gas and two on diesel.

The Mioveni platform (south of Romania) produces 930 Logans a day and the daily rate will reach 1,000 cars before year-end.

Alongside the Mioveni platform, another six industrial sites all over the world are involved in the production of Logan cars.

Plant in Craiova to continue to manufacture Matiz car

According to Romanian officials in the Privatization Commission, the automotive plant in Craiova, formerly owned by Daewoo, will continue to manufacture the Matiz car.

According to conditions for the pre-finalization of the sale contract with Ford, the US company has to conclude an agreement stipulating that the plant in Craiova goes on supplying spare parts and components for Daewoo cars for ten years, and also specifying the date when it stops producing the Matiz car.

Post-sale services catch up with car market

The rise in the number of vehicles registered in Romania has led to a spectacular rise in the number of authorised servicing centres, which has now reached over 3,500 nationally, according to statistics of Romanian authorities.

The most significant development was related to captive servicing centres, which belong to both importers and Romanian vehicle producers. They were the first to notice the market's potential, which is now seeing an above average increase in both the number of cars and post-sales support demand, as in the entire Eastern Europe.

The European market of post-sale services has been evaluated the market research company Datamonitor at over 180 million euros, with an annual growth potential of 3.9 million euros until 2010. Growth, which is primarily fuelled by the constant rise in the number of vehicles, is slowing down both due to the increased life span of automotive parts, which has led to fewer replacements, as well as more competitive prices.

Wiring systems producer ACE Romania hires over 1,100 new employees

ACE Romania, a producer of wiring systems for the auto industry, is set to hire more than 1,100 individuals by the end of the year for its domestically owned plants.

The Spanish company currently has around 3,000 employees in Romania, while the group has a total of 6,000 employees.

According to company officials, lately a few problems have started to emerge on the workforce market and this is why they are trying to open new production locations in the areas where personnel can be recruited more easily.

The company this year opened two new locations, in Campeni, Alba county, and in Turda, Cluj county, and at present is preparing to open a new plant in Jibou, Salaj county. All the three plants are in rented locations.

This year, the group's management expects to derive turnover worth 150m euros, up 25% year-on-year. According to company information, Romanian activities will generate approximately 80 million euros of turnover estimated for the entire group. ACE Automotive entered the domestic market in 2001 and has so far invested over 60m euros in the development of production capacities.

Financing for acquisitions of transport vehicles dominate Romanian leasing market

Approximately 71% of the total finances (1,473 billion euros) granted in the first half of the year to the Romanian leasing companies targeted the transportation field. The transport vehicles held a 54% market share, with the heavy utility vehicles holding a 24% market share and the light transport vehicles a 19% market share.

Ford to make environment investment worth two million euros at plant in Craiova

US Ford Co. will make environment investment worth two million euros in Automobile plant in Craiova (southern Romania) in the first two years after it took over 72.4 percent of the company, reads the privatization contract released late last week by Privatization Authority (AVAS).

Ford paid 57 million euros for the Romanian plant, or 4.15 euros per share. President Ford Europe John Fleming said Ford decided to take over Automobile Craiova because it needs an increase in the production capacity. The signing of the contract comes at a good moment for Ford, when its profit has increased for four years in a row.

According to company sources, they will manufacture 300,000 cars yearly and 300,000 engines in Craiova. They will invest 675 million euros, will post 2.8 million in turnover and the number of their employees in Craiova will stand at almost 9,000.

Romania still waits for EU answer on auto tax

The Romanian Economy and Finances Ministry continues to wait for the European Commission's answer on the auto tax. The Romanian Economy Ministry officials in early September resumed the talks with the European executive on the tax proposed by Bucharest on the first registration of vehicles. At present, the first registration tax ranges between 160 euros and 8,600 euros, depending on the car age, the pollution degree and the cylindrical capacity. A similar tax is enforced in 16 other EU member states.

SIAB 2007: over 50 new models and 4 concepts

This year's edition of the Bucharest International Auto Show (SIAB) will bring together carmakers that will present their new models ready for launch onto the domestic market, as well as a series of concepts already displayed at previous Paris and Geneva auto shows.

This year's edition of SIAB will see almost 40 carmakers present more than 50 models for the first time, as well as four concepts and design studies. Tiriac Auto will also participate after a six-year absence. Previously, Tiriac Auto organised a similar event independently. It is the Romanian importer of Ford, Hyundai, Jaguar, Jeep, Land Rover and Mitsubishi.

The only carmaker present domestically that will not take part in this year's show is Peugeot. Its representatives confirmed the French company would not have a stand at SIAB, as the company's management did not agree with the organisation conditions.

US carmakers Cadillac and Hummer, as well as the Chevrolet Corvette supersport model, will also be present at SIAB, with the models being sold on the domestic market through Radacini Motors. As in previous years, the car brands present at the old location of Baneasa airport will also exhibit.

For the first time, Lexus (Toyota's premium brand) will have its own stand to exhibit the new LS600h limo, an electrical-petrol-powered car.

Also, for the first time, Brabus (German maker of supersport cars that uses the Mercedes-Benz platform) will be present at SIAB through Colina Motors, its official importer in Romania.

This year's edition of SIAB is of particular importance both for Bucharest and the domestic car industry.

In 2007, Dacia will display the fifth engine in its range, Renault will present internationally the Sandero five-door model, which is built on the same platform as the Logan and could also be assembled in Pitesti, and last but not least, Dacia will launch a new pick-up body for its Logan model.

This year, SIAB will take place at a new location - the former Metro Otopeni. However, the new location has come at a higher cost for participants, and a lower profit for organisers compared with last year.

The event's profitability is expected to be 10% lower compared with the previous edition amid higher expenses, according to previous statements made by the SIAB organisers.

UAMT Oradea borrows up to 3.5m euros for investments

UAMT Oradea, a producer of car parts and accessories, plans to contract loans worth as much as 3.5 million euros for investments, the company announced.

The loans will be guaranteed with assets of the company. The contract for the loan will be analyzed by shareholders on November 14. Another issue on the shareholders' agenda refers to the company's possible participation in the capital of other road transportation companies, car dealerships or other domains, with at least 20% of capital.

In the first quarter, the firm posted net turnover worth 5.7m euros, down 26% against the same time last year amid a drop in domestic sales of Dacia Logan cars.

The company expects to generate overall revenues worth 76.5m RON in 2007, down 27.2%, and total expenses worth 76m RON, 20% lower on last year's level.

New Company Directories from FRD Center

FRD Center Market Entry Services recently released the **Directory of Paints and Varnishes Producers in Romania** which contains detailed profiles of the following companies:

1. Alchim 96
2. Ana Weiss Prodart
3. Atlas Corporation
4. Astek
5. Azur
6. Bursa Moldovei
7. Casa Lebada
8. Chimoprod DIV
9. Cibicolor
10. Dakolor Grup
11. Dyo Balkan
12. Daw Benta Romania
13. Dufa Deutek
14. Europlastic
15. Fabryo Corporation
16. Helios Trading Co
17. Kober
18. Marchim Prod
19. Modeco Chemicals
20. Novacolor
21. Paintstar
22. Pichem
23. Policolor
24. Poly Delta Chemicals
25. Romtehnachim
26. San Siro Impex
27. Sayegh Conex Paints
28. Sedachim
29. Swarco Vicas

Demo directories are available from the www.frdcenter.ro website at:
<http://www.frdcenter.ro/English/directories.htm>

A sample profile in the **Directory of Paints and Varnishes Producers in Romania** is that of

Fabryo Corporation

1. General data

Company name:	Fabryo Corporation SRL (formerly known as Guzu Chim)
Address:	Sos. Oltenitei 202B, Popesti Leordeni, Ilfov county
Phone:	+4021 4055025
Fax:	+4021 4055026
Web:	www.guzuchim.ro
E-mail:	office@fabryo.com
Year of establishment:	2006 (Guzu Chim was set up in 1994)
Ownership:	Mr. Daniel Guzu (51%) and Oresa Ventures investment fund (49%)

2. Financial data

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2006	32.3	423	4.0
2005	25.2	326	2.2
2004	17.7	255	1.3

Type of investment	already done	announced
Building production facility of powder paints	3 million EUR	
Building new production centre in Popesti Leordeni		15 million EUR

Total assets (2006): 21.3 million EUR

3. Key persons

Name	Position	Phone	Email
Mr. Daniel Guzu	General Director	+4021 4055025	office@fabryo.com
Ms. Marga Alexe	Marketing Director	+4021 4055025	marga.alex@fabryo.com
Ms. Mihaela Simion	Sales Director	+4021 4055025	mihaela.simion@fabryo.com
Ms. Cornelia Tufaru	Operations Director	+4021 4055025	cornelia.tufaru@fabryo.com

4. Brief profile

In June 2006, Guzu Chim changed its name to Fabryo Corporation, as part of the long-term development strategy. The representatives of Guzu Chim resorted to the re-branding,

considering that the company's image was no longer appropriate to the development registered by the company's business during the previous years.

The paint and varnish producer Fabryo Corporation has recently finalised an investment in a powder paint production facility. At the present, Kober is its only competitor on this market, in addition to companies that import powder paints, such as Neochem (Canada) or Akzo Nobel (the Netherlands). The powder paint facility includes two production lines, each with a production capacity of over 1,000 tones per year and with employees working in one eight-hour shift per day. The company estimates sales of about 3 million EUR per year on the powder paint market.

During the next years, Fabryo intends to invest in the research and launching of new products in partnership with DuPont, the world's biggest producer of white pigment for paints, paper and plastic. In 2006 Fabryo Corporation signed a five-year partnership with DuPont.

For 2007, Fabryo targets a turnover of 42 million EUR, this representing an increase by about 30% compared to the previous year. In 2006, the washable paints represented 36% of the total sales while the enamel paints accounted for 26%. Over 70% of the turnover in 2006 was generated by the sales of paints, varnishes and related products, while the percentage of about 30% derived from products such as adhesives, solvents and products for car care.

According to company representatives, Fabryo has a market share of 18% of the Romanian decorative paint market.

