

Romania

Construction Materials Market Report – July 2007

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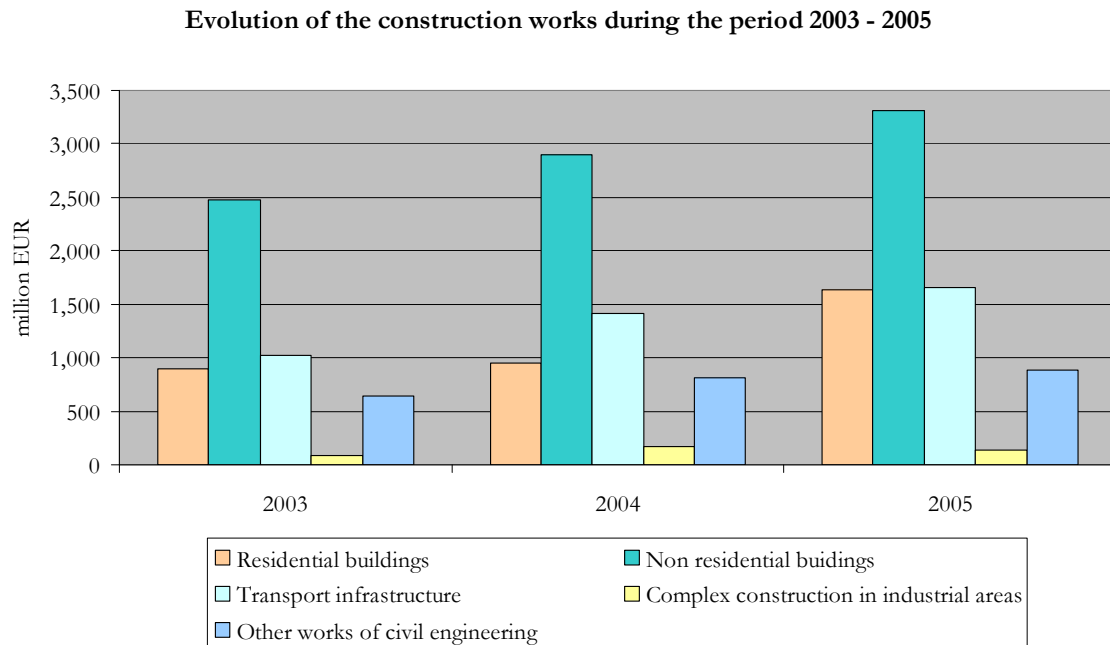
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A. The Construction Market in Romania – General considerations

The construction and building sector in one of the most dynamic economic sectors in Romania. In Q4 2006, it became the economic sector with the most rapid growth, some 3 times than the general economy.

According to the National Statistics Institute, the value registered in the construction sector in 2006 increased by 19.3% compared to 2005, the most important growth being reported in current maintenance and works (+26.7%).



Source: National Institute of Statistics

Compared with the GDP growth of 7.7% in Q4 2006 compared to Q4 2005, the construction sector registered a growth of 21.6%. Thus the construction sector increased its contribution to the GDP from 6.3% in 2005 to a little over 7% in 2006.

In 2007, the construction field in Romania is set to further develop, specialists estimating a growing pace of 25-27%, according to President of the Romanian Builders and Contractors Association (ARACO), reaching an estimated value of 8.75 billion EUR.

The major driving force behind the construction market this year will be the public works, big infrastructure projects such as motorways, as well as local infrastructure projects, road upgrading, rehabilitation of water networks and bridge repair works.

Representatives of the profile associations maintain that Romania is going to follow an upward trend from this point of view, at least until 2009.

The value of the new construction works in 2006 rose by 18%, and capital repair works by 13.5%. The most important raise was registered for value of the engineering constructions (+21.8%), non-residential buildings (+16.5%) and residential buildings (+16.2%).

Construction works by category (million EUR)			
Indicator / Year	2003	2004	2005
Residential buildings	899.1	951.9	1,631.5
Non residential buidings	2,480.9	2,900.7	3,315.4
Transport infrastructure, of which:	1,024.9	1,409.3	1,656.7
highways, streets, roads	707.2	1,094.8	1,330.7
railways	98.7	57.8	109.1
airport runways	2.6	2.3	1.9
bridges, suspended highways, tunnels and undergrounds	52.8	63.9	75.3
navigable channels, harbour construction and other hydrotechnical construction	163.6	190.6	139.6
Complex construction in industrial areas	81.6	164.7	138.0
Other works of civil engineering	648.1	809.6	882.2

Source: National Institute of Statistics

The residential construction market was by far the most dynamic sector in 2006. Industry experts believe the demand of new dwellings is roughly 800 thousand at national level. In Bucharest only the demand is estimated at around 100 thousand dwellings.

In 2006, the number of completed dwellings in Romania was of 38,178, with 5,310 more than in 2005. In Q4 2006 a number of 17,448 have been completed nation-wide, with 2,766 more than in Q4 of 2005.

City	No of inhabitants	Region	Value of announced investments (minimum)
Brasov	284,653	Center	279.5 million EUR
Sibiu	154,821	Center	39 million EUR
Tg Mures	147,886	Center	38.5 million EUR
Iasi	317,812	North East	314 million EUR
Suceava	107,513	North East	6 million EUR
Cluj-Napoca	298,006	North West	669 million EUR
Oradea	206,235	North West	121.5 million EUR
Buzau	137,161	South East	9 million EUR
Constanta	307,447	South East	244 million EUR
Ploiesti	234,707	South Muntenia	52.5 million EUR
Arad	169,574	West	563.5 million EUR
Timisoara	307,265	West	133 million EUR

Source: Money Express

According to the National Statistics Institute, in the first two months of 2007 as many as 5,821 constructions permits were issued for residential buildings, a surge of 59.8% as against the similar period of previous year.

According to specialists in the field, the house construction will be the most dynamic sector in Romania over the next four-five years, with investment estimated at over 6 billion euros. Thus, it is estimated that some 35,000 houses will be built in the next five years.

The number of dwellings commissioned in Romania is constantly growing, in an attempt to catch up with the high demand. Rehabilitation of existing constructions is imposed following new construction standards and an ecological attitude towards the urban environment. A large share of the existing buildings, houses and industrial constructions present a major risk in case of earthquakes or other natural disasters.

The Romanian Government is concerned about the increasing subsidies allowed for population to cover the cost of heating in the winter, and issued procedures and norms regarding rehabilitation on thermal insulation of existing buildings, in order to reduce heating costs. Additional measures required consolidation works for buildings identified with first risk in case of earthquakes.

B. The Construction Materials Market in Romania – General considerations

The unprecedented development of the construction market in Romania determines a huge consumption of construction materials. Thus, the producers of construction materials cover with difficulty the growing market demand and consider that the domestic production is insufficient. According to a published analysis of the consulting company InterBiz, the internal consumption of construction materials was of 5.7 billion EUR in 2006.

The increasing interest into the Romanian market for wall building materials and finishing materials of both foreign and local investors is completely justified due to the high potential of the constructions and building materials sectors in Romania. Furthermore, the construction segments that drive consumption of such materials – residential buildings, commercial/retail buildings, office buildings – are the most dynamic in the entire construction sector.

Besides companies already acting on the Romanian market, new entrants are expected to join soon considering the attractiveness of a market of almost 22 million inhabitants, member of the EU.

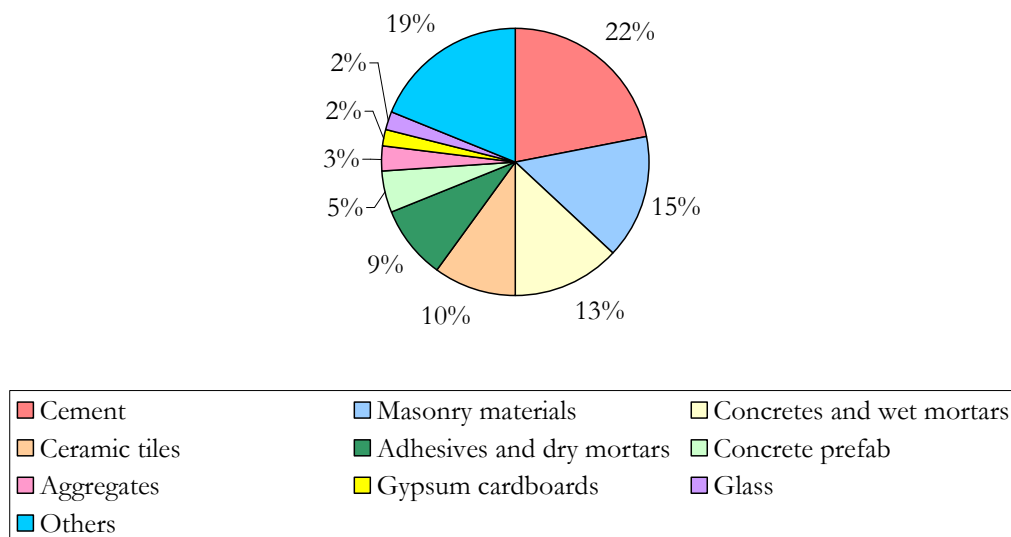
On their turn, producers of construction materials already present on the market are boosting their production capacities, announcing their plans to open new units. In 2006, the majority of producers and importers of such materials reported bigger sales of more than 30% as against 2005 and on certain segments growth even reached a level of 60%.

According to InterBiz, in year 2006, the mineral construction materials represented the highest percentage in the total market of the construction materials, with a value of 3.2 billion EUR, this representing an increase by 23% compared to 2005.

Related to the material origin, the study shows that the percentage of imports increased from 22.5% in 2001 to 30.2% in 2006. Also, the domestic production of the mineral construction materials reached the value of 2.5 billion EUR in 2006, out of which the cement represented 470 million EUR (about 20% of the construction materials production).

According to the same source, the segment of mineral construction materials include cement, with a percentage of 23%, masonry materials – 16%, concretes and wet mortars – 13%, ceramic tiles – 10%, adhesives and dry mortars – 9%, concrete prefab – 5%, aggregates – 3%, gypsum cardboards – 2%, glass - 2% and others – 19%.

The segment of mineral construction materials



Source: InterBiz

C. The Thermal Insulation Products and EIFS Market in Romania

According to market sources, the market of heat-insulating construction materials is very dynamic, reaching sales worth 1.2 billion EUR in 2006.

According to the National Program for Thermal Rehabilitation launched in 2005, a number of specific operations are encouraged for older apartment blocks and office buildings, including the thermal insulation of the exterior walls. For the time being, the number of buildings included in this program is limited, but it is envisaged that it will increase in the next 2-3 years, once more funding is ensured.

According to the National Statistics Institute, over 8 million dwelling units in Romania will be heat-insulated in the upcoming years.

It is estimated that the implementation on a general scale of this program will generate serious demand of EIF systems and the components like expanded polystyrene, mineral wool, glass fiber nettings, plaster etc. Manufacturers of heat-insulating materials estimate that in this respect the market is expected to go up by 7% for polystyrene and 30% for heat-insulating materials.

Plasterboard, extruded polystyrene, professional heat-insulating materials and polyurethane foams bring producing companies or importers about 180-200 million EUR a year.

The market of construction materials in Romania has lately directed to materials that speed up the working time and reduce costs, such as polystyrene for exterior walls with a rising share of 50%. According to market players, in 2006, some 33,000 tones of polystyrene were used for heat-insulating materials and for 2007 the need is estimated to some 50,000 tones.

According to the law, the new buildings which are built in Romania have to reach a certain standard of thermal efficiency. Therefore the new buildings regularly use the modern systems of thermal and hydro-insulation. Depending on the builder, these can be one of the complete EIF systems available on the market or they can be made by the builder from components from different providers / brands.

The most popular complete systems are: Ceresit Ceretherm from Henkel Romania and EPS Baunit from Baunit Romania.

The External Thermal Insulation Composite Systems (ETICS) - EIFS systems by Henkel offer the right solution for saving energy and improving the climate inside buildings. They consist of an insulating core, like polystyrene or mineral wool, and the necessary components for fixing and decoration. EIFS systems are able to substantially reduce heating or air conditioning costs, renovate facades and give them a "new look".

The Henkel Ceresit Ceretherm system is made of:

- Ceresit CT85 adhesive for polystyrene
- Ceresit expanded polystyrene
- Ceresit CT85 spatula bed
- Ceresit glass fiber net
- Ceresit CT 16 grout-type paint
- Ceresit decorative plaster – different types

The Baunit system is made of:

- Baunit adhesive for polystyrene
- Baunit expanded polystyrene
- Baunit CT85 spatula bed
- Baunit glass fiber net
- Baunit CT 16 grout-type paint
- Baunit decorative plaster – different types

Other available EIF systems on the Romanian market are DRYVIT by Dryvit, WABIETERM by Adolf Wagner GmbH, CAPATECT by Caparol, ISOSISTEM by Isopor, CERESIT VWS by Henkel, LASSELSBERGER-KNAUF, AUSTROTHERM EPS-AF etc.

The prices for Exterior Insulation and Finish Systems sold on the domestic market vary between 4.8 and 7.4 EUR per sqm. Most of the supply channels are direct B2B sales, but also DIY and professional stores for construction materials.

In the Baneasa Residence, the houses are built using the thermo insulating EIF system, with two kinds of facades: decorative plaster or exterior bricks. The thermo insulating layer is made of expanded polystyrene for the facade and from extruded polystyrene for the area of the foundation, where the mechanical and humidity strain is stronger.

In the Rubin residential complex, the houses are built using elastic plaster on Baunit thermal insulating structure of 8 cm, for the exterior concrete and ACC walls.

Currently, a growing trend in the popularity of houses made on wooden structure has been observed in Romania. Usually, the following system is used for their exterior finish: expanded polystyrene of 5cm, adhesive, fiber net, plastering and exterior paint. In some cases, depending on the specific requirements, also other components are added: mineral wool, wooden boards, membranes etc.

In regards to the market of expanded polystyrene, it is estimated to some 32 million EUR in 2006 with an expected increasing rate of approx. 40% in 2007, driven by the necessary rehabilitation works on existing buildings. The main producers of expanded polystyrene are Austrotherm, Swisspor, Isopor and Thermopor.

Main Players

Henkel Romania – producer of complete EIFS

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	27.1	154	5.7
2004	17.6	121	2.7
2003	11.4	86	1.4

In the year 2000, Henkel established its first production facility in Romania. Henkel has at the present three plants located in Pantelimon, near Bucharest, where the company produces adhesives for sandstone and faience, systems of hydro and thermo insulations, glet, joint putties, coatings, technical mortars and flooring products. The company holds 45% of sales of ceramic plate adhesives and 20% of the sealants market in Romania. Henkel produced over 170,000 tonnes of construction materials in 2005, this representing an increase by 40% compared to 2004. The company's production of materials and adhesives for constructions under Ceresit brand accounted for over 90% of the total turnover in 2005. In January 2007, the company recorded an increase by 50% of the adhesive sales, compared to the same period of 2006, due to favourable weather at the beginning of this year.

The domestic business with construction adhesives of Henkel group could reach about 80 million EUR until 2010, according to the group representatives. The division of construction adhesives in Romania estimates for 2006 a turnover growth of about 40%, reaching 38 million EUR. The total investments made by the producer during the period 2000 - 2006 exceed 10 million EUR. The company's representatives consider that the annual growth will be of over 20% until 2010. The factors that will lead to this growth are the stable economic climate in Romania, the continuous investments in the production capacities and the fact that the company has a significant market share. The company's shareholder is Henkel Austria GmbH (99.9%).

Baumit Romania Com - producer of complete EIFS

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	24.3	125	2.5
2004	17.1	101	2.2
2003	13.8	76	1.8

Baumit, owned by Schmid Industrieholding, has two production units in Bucharest (one for dry mortars and the other for wet mortars) and one unit located in Teius, Alba county (for

dry mortars). The investment in Teius plant stands at more than 10 million EUR. The maximum production level plant in Alba county is of 120,000 tonnes of dry mortars per year. The company intends to open three more production units in Bucharest, Banat and Moldova over the following years. According to Baumit data, the company is the domestic market leader in the production of thermo insulation systems (with a level of 500,000 sqm in 2003), façade coatings (with about 2.5 million sqm in 2002) and adhesives for ceramic tiles and stone (over 9 million sqm). The mortars production represents 65 - 75% of the company's turnover.

Austrotherm Com - producer of expanded polystyrene

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	10.1	39	1.4
2004	8.1	34	1.1
2003	5.6	28	0.9

Austrotherm Com is the local division of the Austrian producer Austrotherm, which is member of Schmid Industrieholding. Schmid Industrieholding is present in Romania also through the company Baumit Com. Austrotherm entered the Romanian market in 1998 through the opening of a plant that produces expanded polystyrene in Bucharest. In 2006 the company opened another plant of expanded polystyrene in Horia, Neamt county, following an investment of 5 million EUR. The plant located in Horia has the annual production capacity of 400,000 m³ of expanded polystyrene and the surface of 6,000 m². According to the company's estimations, Austrotherm has a market share of 30% on the Romanian market of the expanded polystyrene.

Austrotherm will invest during 2007 the amount of 4 million EUR in a plant that produces extruded polystyrene in Horia, judetul Neamt. The new production line of extruded polystyrene will help the company to export to Ukraine, Russia, Turkey, Bulgaria, Moldova, Hungary, Slovakia and Poland. The new production capacity will be of 180,000 m³ per year.

Swisspor - producer of expanded polystyrene

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	18.5	51	-0.01
2004	13.3	43	0.5
2003	6.3	30	0.5

Swisspor Romania is member of the Swiss Group Swisspor. The Group entered the Romanian market in 1997 through the acquisition of the majority shares of the producer Matizol Ploiesti. In 1998, the Swiss Group set up in Ploiesti the company Swisspor Romania and built the first plant of expanded polystyrene. The company invested so far about 16 million EUR in the building of the plant in Ploiesti and in the increasing of the production capacities. Swisspor announced in 2005 an investment of about 8 million EUR in an expanded polystyrene plant located in Turda. The plant production capacity is of approx. 350,000 m³ per year.

On the Romanian market of expanded polystyrene, Swisspor has a market share of 31%. The company reached in 2006 total sales of about one million m³ of expanded polystyrene. Swisspor Romania estimates for 2006 a turnover of 21 million EUR, this representing an increase by 13.5% compared to the previous year.

Isopor - producer of expanded polystyrene

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	7.8	78	0.2
2004	5.3	62	0.3
2003	3.2	47	-0.1

The producer of expanded polystyrene estimates for 2007 a turnover increase by 30% compared to the level of 12 million EUR registered in 2006. This growth will be recorded due to the finalising of an investment in a new technological line that will lead to the increase of the annual production capacity of the plant in Cluj-Napoca from 200,000 m³ to approx. 600,000 m³. Isopor will invest about 8 million EUR in the building of a polystyrene plant in Bucharest and the works will start in the beginning of the year 2008. About 30% of the company's turnover is derived from the sale of the products in Transylvania. The company's officials estimate that Isopor has a market share of approx. 30%, with the products being sold mainly through direct distribution.

Thermopor - producer of expanded polystyrene

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	1.051	11	0.123
2004	0.087	5	-0.018
2003	0.095	n/a	0.001

Thermopor is part of Benta Group. The company has a plant of expanded polystyrene located in Mures county.

Hirsch Porozell - producer of expanded polystyrene

Hirsch Porozell is part of the Hirsch Servo AG Austrian group. The Austrian group started the production in Romania in September 2006, following an investment that exceeded 4 million EUR. The company ended the year 2006 with a turnover of 850,000 EUR. The company has budgeted investments of about 1.2 million EUR for 2007, in the developing of the production capacities of the expanded polystyrene plant located in Rascruci, Cluj county. The production facility has an annual capacity of 360,000 m³ and in the wake of investments planned for this year, Hirsch Porozell will ultimately utilise around 80% of this capacity. The company management estimates that the turnover in 2007 will exceed 3.4 million EUR.

Atlas Distribution - producer of expanded polystyrene

The producer and construction supplies distributor, Atlas Distribution, a Greek-held company, estimates a 45% increase in turnover for year 2007, to 47 million EUR. According to the company's representatives, the development of the construction market together with the launch of new products will be the main factors that will lead to this increase. According to the company's sources, the sales of construction supplies amounted to 20 million EUR in 2006. The commercial segment accounted for the largest share of the total sales, with around 70%. The company completed an investment of 5.5 million EUR in order to build a factory of expanded polystyrene in Tunari, north of Bucharest. The facility will have an annual production capacity of 150,000 m³ and will begin the production during this year. The company estimates that it will account for 30% of the Romanian expanded polystyrene market during 2007.

D. The Plastic and PVC Piping Market in Romania

The rehabilitation and modernisation of Bucharest streets and the start of major road infrastructure projects have boosted the piping market by around 20% y-t-y in 2006, to some 50-60 million EUR. The piping market is also influenced by the investment projects related to water supply or gas networks, worth hundreds of million euros, which are underway or about to start in several cities of the country and in rural areas, with a large part of the project financing being secured through EU funds.

Romania is an attractive market in terms of the new plastic piping systems, which have lately come to replace the classical steel-concrete or asbestos-cement systems.

It is estimated that the market will grow with at least 30% y-t-y in 2007 due to increasing works of sewage and water supply rehabilitation in main cities, due to the tram lines and over-ground Basarab passage works in Bucharest, as well as due to the optic fiber metropolitan network which will start to be built in Bucharest this year.

The estimated recent evolution of the PVC and polyethylene piping market is:

2005: 40-45 million EUR

2006: 50-60 million EUR

2007e: 70-80 million EUR

Due to the market specifics, main sales are made directly, main players participating in public tenders for provision of materials for public works.

Market players include:

Producers:

Rehau Polymer

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	37.0	130	3.6
2004	25.6	132	1.1
2003	16.2	111	0.8

Rehau Polymer is the local branch of the German construction supplies group. Rehau entered the Romanian market in 1996. The company opened a PVC and polyethylene piping factory in Sibiu in 2003, following an investment of 5.5 million EUR. The factory in Sibiu

supplies products for both domestic market and foreign countries, such as Hungary, Slovakia, Ukraine and Greece.

Rehau estimates a turnover increase by at least 15% in 2007 compared to the level of 49 million EUR recorded in 2006, as a result of the sales for infrastructure projects and the growth of the construction market. In the first three months of 2007, the company's sales increased by 50% compared to the similar period of the previous year. The main project that used Rehau products in 2006 were: the residential complex Baneasa Rezidential, Central Residential Park, North Point Residence Corbeanca or the Brancusi district developed by the National Dwelling Agency. Also, the company sold products for the sewerage of Braila and Sighisoara cities, rehabilitation of the highway Bucharest – Pitesti, sections on the railway Bucharest – Constanta and the ecologic hole for dangerous waste at Lukoil Refinery in Ploiesti.

Valrom Industrie

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	38.8	364	3.2
2004	31.5	313	3.6
2003	25.5	234	3.2

The plastic tubes and fittings producer Valrom Industrie recorded increases of its revenues due to the demand growth for the construction materials, the expansion in the construction of residential and office buildings, but also due to the development of the territorial distribution network. The company invested more than one million EUR in a water container production line. In 2004, Valrom launched on the market the Aquapur product, which is a product for storing fluids for human consumption.

Pipelife Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	n/a	n/a	n/a
2004	6.0	58	-0.4
2003	3.3	56	-0.9

Pipelife, the manufacturer of plastic pipes for the construction supplies industry, has increased its stake in its Romanian branch to 100%, under an agreement reached with Hungary's Pannonplast in 2005. The value of the deal was not disclosed. In 2004, Pipelife Romania had a market share of 10 - 12%. The company's turnover recorded significant

increases mainly due to the major infrastructure projects funded by the EU and the sustained growth in the civil engineering sector.

Teraplast Bistrita

Teraplast posted a turnover worth 16 million EUR in the first half of 2006, this representing an increase by 20% compared to the similar period in 2005. At the beginning of year 2006, the company's representatives estimated a turnover of 42 million EUR, up 35% against 2005. The company's policy to retool and to adapt to the market's needs, by reinvesting part of its profit to establish other smaller companies, which would in turn develop various manufacturing sectors, has been behind this growth. Teraplast has orders to produce PVC profiles, PVC interior doors, aluminum windows and doors, for countries like Hungary, Rep. of Moldova, Italy and Slovenia. The exports account for some 10% of the company's total turnover. The investments made in 2005 were of about 2.7 million EUR, and went into retooling, with a view to expand the range of the products.

Palplast

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	5.3	96	-0.75
2004	5.2	93	-0.03
2003	3.7	72	0.19

Palplast is part of the private petroleum group Rompetrol. The company invested 392,000 EUR in the modernizing and replacing of a technological line in 2006. The company estimates a turnover of 12 million EUR for year 2006.

Distributors:

Autentic Trade Serv

Autentic Trade Serv was set up in 2005. The company imports and distributes products of the Swiss company Georg Fischer Piping Systems.

Multisistem Grup

Multisistem Grup was set up in 2003 and is an authorized distributor of the Swiss company Georg Fischer Piping Systems. The company imports and distributes on the Romanian

market piping systems for the distribution networks in the chemical, petrochemical, food and pharmaceuticals sectors. Among the company's clients there are: Coca-Cola, Marriott Hotels, Procter&Gamble, Chimopar, Puro-lite, Energomontaj, Apa Nova, Manz Galvano Tec, Cord Buzau, Politehnica Institute etc.

E. The Plasterboard Market in Romania

According to market sources, the Romanian plasterboard market was estimated at 25 million sqm in 2005 and at 30 million sqm - 110 million EUR - in 2006. In the latest 3 years, the progression of the plasterboard market has been spectacular, with an average increase by 15-20% per year. The trend market is expected to continue in 2007, even reaching some 25% increase y-t-y amid investments in production capacities conducted over the last two years and amid the high consumption of construction materials on the local market.

Main Players

Lafarge Arcom Gips

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	15.4	183	-0.4
2004	13.9	85	0.8
2003	8.9	87	0.5

Lafarge Arcom Gips is the local subsidiary of the gypsum division of the Lafarge group. Lafarge Arcom Gips conducted investments worth 35 million EUR on the local plasterboard market, after tripling its production capacities at the plant in Popesti-Leordeni, near Bucharest. The plant's investment, standing at 17 million EUR, will boost the annual capacity to 15 million m². It will also entail the opening of a stone quarry in Prahova county and the modernising of the calcination equipment used in the plasterboard manufacturing. The new facility is expected to reach its maximum capacity in the second half of next year boosting the company's business by around 20%.

During the period 2005 - 2007, the investments carried out by the company in Romania will amount to around 15 million EUR. These investments are mainly for the increase in production capacities, the environmental protection, the rehabilitation of exploited areas, as well as for the development of a range of products and services.

Rigips Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	35	n/a	n/a
2004	25.8	170	2.4
2003	21.1	157	1.8

Rigips Romania is member of the French Group Saint-Gobain. The company recorded in 2006 a turnover of 42 million EUR, this representing an increase by 20% compared to the pervious year. Rigips Romania has one plaster plant and one plasterboard plant, both located in Turda, and a unit for crushing and processing of the plaster rock located in Cheia. In 2006 Rigips Romania finalised the construction of the plasterboard plant in Turda, following an investment of 31 million EUR. The plant has the annual production capacity of 12.5 - 15 million m².

Knauf Gips

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	13.8	40	0.194
2004	1.8	26	0.013
2003	0.9	24	-0.002

Knauf Gips is controlled by the German company Knauf Westdeutsche Gipswerke. The company recorded in 2006 the turnover of 27 million EUR.

Norgips

The Knauf Group is present in Romania through Knauf Gips and Norgips, which is a company acquired by Knauf two years ago. The Norgips products are distributed on the Romanian market by the company Arabesque.

F. The PVC and thermo-insulating carpentry market in Romania

According to a study conducted by the Neomar Consulting company, the thermo insulating carpentry market, and implicitly acquisitions of PVC and aluminum products, will rise on average by 24.2% in 2007.

Main market growth factors are:

- thermal rehabilitation of the buildings – a market with a potential value of 1 billion EUR in Bucharest alone
- increase of the number of residential construction, hotels etc.

According to the estimations made by the Association of Thermo Isolating Carpentry Producers, the demand on the local market reached some 600 - 700 million EUR in 2006, some 30% more than in 2005.

According to Neomar, the value of the thermo isolating carpentry market actually reached some 800 million EUR in 2006 and is estimated to reach one billion EUR in 2007.

According to sources in the market, the increasing trend of minimum 15 - 20% y-t-y will continue for the following 10 years.

According to the Association of Thermo Isolating Carpentry Producers more than 90% of the products available on the market are imported. In regards to local production, the market is quite fragmented, with some 3,000 players, and we cannot talk about a major manufacturer in Romania. Some 50 companies are important players and some 200 are middle-sized ones. There are currently over 40 PVC product brands and more than 20 aluminum product brands on the Romanian market.

The top eight PVC brands together have a 76% of the market share on the PVC carpentry market, while the top two suppliers on the aluminum carpentry market together enjoy an estimated 55% market share.

According to the data provided by Neomar Consulting, the PVC market accounts for 73% of the thermo-insulating carpentry market, followed by the aluminum market, with 26.2%. The market is dominated by small-sized producers with a total 24.4% market share, whose monthly production capacities are approx. 250 sqm.

A further 22% of producers have a monthly production capacity of some 250-500 sqm, and 30% of the producers can manufacture more than 750 sqm every month. Greatest demand

on the thermo-insulating systems market is for tri-cameral systems (45%), although their ratio dropped by 11% in 2006 y-t-y.

The prices of the PVC carpentry vary between 100 and 250 EUR per sqm, while those for the wood carpentry are of 120 to 400 EUR per sqm. The prices are expected to continue growing.

Market players include:

Producers:

Gealan Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	35.9	108	5.4
2004	24.4	85	3.8
2003	16.9	64	2.6

Gealan Romania is the local subsidiary of the German Group Gealan Fenster Systeme GmbH. The company was set up in 1997 and has a production capacity of 15,000 tonnes of PVC profiles per year, which are distributed to about 400 producers of thermo insulating carpentry. Gealan has a market share of about 30% and invests 7 million EUR in the increase of its production capacities and in the technological modernisation. The company recorded in 2006 a turnover of 60 million EUR and estimates for 2007 a 30% increase compared to the previous year.

Rehau Polymer

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	37.0	130	3.6
2004	25.6	132	1.1
2003	16.2	111	0.8

Rehau Polymer is the local branch of the German construction supplies group. Rehau entered the Romanian market in 1996. Rehau estimates a turnover increase by at least 15% in 2007 compared to the level of 49 million EUR recorded in 2006, as a result of the sales for infrastructure projects and the growth of the construction market. In the first three months of 2007, the company's sales increased by 50% compared to the similar period of the previous year. The main projects that used Rehau products in 2006 were: the residential

complex Baneasa Rezidential, Central Residential Park, North Point Residence Corbeanca and the Brancusi district developed by the National Dwelling Agency. Also, the company sold products for the sewerage of Braila and Sighisoara cities, rehabilitation of the highway Bucharest – Pitesti, sections on the railway Bucharest – Constanta and the ecologic pit for dangerous waste at Lukoil Refinery in Ploiesti.

Amvic Ferestre

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	6.4	127	1.4
2004	6.1	101	1.2
2003	5.7	94	1.1

Amvic Ferestre is part of the Amvic group. The Group includes nine companies, the most important ones being specialised in the production of PVC windows (the former Corina Gealan) and in the production of polystyrene forms. According to the Group's representatives, the expansion of the polystyrene materials production capacity and the introduction of new lines of business will generate a 60% increase in turnover, to 12 - 13 million EUR in 2007. The production of PVC windows has the biggest share in the company's turnover, being followed by the production of polystyrene materials. In 2006, the company started the construction of a production facility for polystyrene and polystyrene forms, with an estimated investment of about 5 million EUR.

Schonline Grup

The company is the local subsidiary of the Austrian producer Schonline and entered the Romanian market in 2005, as importer and distributor of profiles, equipment and accessories for the production of the PVC carpentry. The company estimates sales of over 20 million EUR in 2007, this representing a double level compared to 2006.

Teraplast Bistrita

Teraplast posted a turnover worth 16 million EUR in the first half of 2006, this representing an increase by 20% compared to the similar period in 2005. At the beginning of year 2006, the company's representatives estimated a turnover of 42 million EUR, up 35% against 2005. The company's policy to retool and to adapt to the market's needs, by reinvesting part

of its profit to establish other smaller companies, which would in turn develop various manufacturing sectors, has been behind this growth. Teraplast has orders to produce PVC profiles, PVC interior doors, AL windows and doors, for countries like Hungary, Republic of Moldova, Italy and Slovenia. The exports account for some 10% of the company's total turnover. The investments made in 2005 were of about 2.7 million EUR, and went into retooling, with a view to expand the range of the products.

Lipoplast

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	4.0	107	0.2
2004	4.6	137	0.2
2003	4.8	135	0.3

Lipoplast was set up in 1994 and its main object of the activity is the production of PVC carpentry and glass. The company's unique shareholder is Mr. Valeriu Cirpanu. The company's representatives estimate for 2007 a turnover of over 6.7 million EUR, this representing an increase by 23% compared to 2006. The export represents 30% in the company's total activity. The company's foreign partners are from Belgium, Netherlands, Germany and Austria. In 2007 the company intends to invest 2 million EUR in order to buy a new carpentry processing line and to modernise the production unit. In 2006 Lipoplast invested 3.5 million EUR in order to develop the technological system of the thermo insulating glass processing.

Suki Group

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	4.6	179	0.10
2004	4.1	146	0.06
2003	3.5	143	0.05

Suki has a production unit with the surface of 13,000 sqm, located in Moara Vlasiei. The company recorded in 2006 a turnover increase by 37% compared to the previous year.

Far-Est

Far Est was set up in 1991 with Romanian private capital, as a network of electronics and appliances shops, in partnership with companies such as Whirlpool, Bosch, Siemens, Panasonic etc. The company's activity is structured at the present in three main divisions: PVC, furniture and doors. Since 2004, the company is ISO 9001 certified. The company offers consultancy to its clients, designs, manufactures and installs a wide range of PVC products such as: windows, doors, glass cases, balcony attics and interior compartments. With a significant experience on PVC carpentry market, Far Est uses exclusively TROCAL German profiles, manufacturing over 30,000 windows and doors per year.

Distributors:

Veka Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	8.9	24	0.5
2004	6.8	20	0.4
2003	4.9	17	0.1

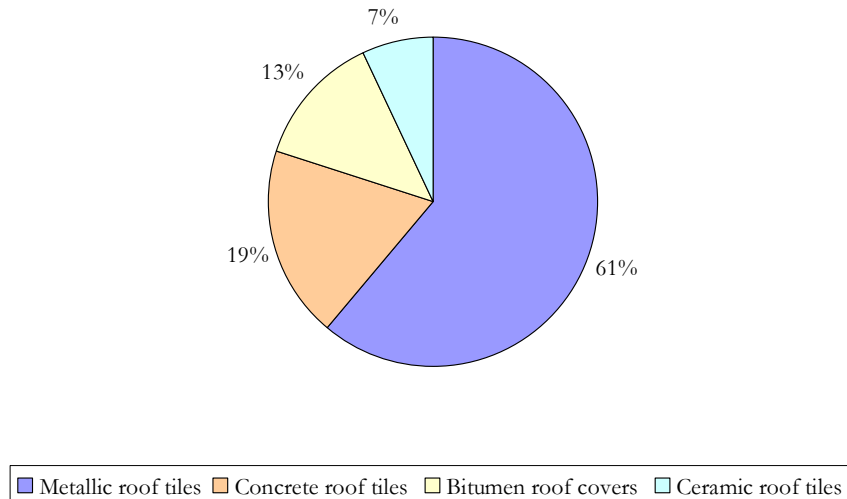
Veka Romania is the local subsidiary of the German producer Veka and entered the Romanian market in 2000. The company is a significant distributor of thermo insulating carpentry on the local market. Veka launched in October 2005 a logistic centre with a surface of 10,000 sqm, located in Ciorogarla, Ilfov county, following an investment of 1.5 million EUR.

G. The Romanian market of roof covers

The market of roof covers is expected to exceed 130 million EUR in 2007, this representing an increase by 40% compared to the previous year. But not all the companies record the same growing rate, taking into account the fact that the preferences are concentrated on the segment of metallic roof tiles.

According to a published study performed by Neomar Consulting, in 2006 the metallic roof tiles represented about 61% of the sales on the Romanian market of roof covers. The concrete roof tiles had a percentage of 19%, the bitumen roof covers represented 13% and the ceramic roof tiles only 7%.

Romanian market of roof covers



Source: Neomar Consulting

According to market players, the total demand of the roof covers will increase in 2007 - the market of the ceramic roof covers will decrease while the demand of concrete and metallic roof covers will increase. The reason for the decrease on the market of ceramic roof covers is the lack of competitive technologies, this leading to products with low quality and high prices.

As a result of the increasing trend on the market of roof covers, the companies on the Romanian market are continuously improving their offer in order to face the competition.

The highest sales of roof covers are recorded in Central Region of Romania (19%), Bucharest (16%) and North-Western area (16%). Each type of covers targets certain regions, depending on the construction specifics and the environment conditions.

The market for roofing materials has been conquered by international players. Bramac, Tegola, Onduline or Lindab are only few of the suppliers which brought to Romania various roofing solutions (steel roof tiles, ceramic roof tiles, bitumen membranes, etc.).

Market players include:

Producers:

Lindab

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	29.5	133	3.2
2004	23.0	109	2.1
2003	15.6	90	0.8

Lindab Romania, one of the most important producers of metallic roof covers and ventilation systems, recorded in 2006 a turnover of 38 million EUR. Lindab registered in Romania its highest financial indicators in the CE Europe, exceeding the results recorded in Hungary, Poland and the Czech Republic. The metallic profiles had the highest percentage in the company's turnover, with 36 million EUR, the difference of two million EUR being represented by the ventilation systems. The exports represented about 10% of the company's turnover.

The company has recently opened a new production line of roof covers, following an investment of 500,000 EUR. This line was relocated from Hungary. The total investments made by Lindab in Romania amount approx. 9 million EUR. Lindab Romania opened in Floresti, Cluj county the first centre in Romania that sells exclusively ventilation products, following an investment of about 100,000 EUR. The new centre, Lindab Ventilation, is part of a network that will include another three similar centres in Constanta, Timisoara and Bacau. During this year, the company intends to bring to Cluj a production line for circular ventilation systems.

Elpreco

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	22.9	643	2.1
2004	14.7	605	1.4
2003	12.0	564	1.2

Elpreco, controlled by the American investment fund Broadhurst, estimates a turnover of about 48 million EUR in 2007, this representing an increase by 25% compared to 2006. The company invested over 30 million EUR in the last ten years. These investments included funds for new production facilities and the modernisation of existing ones, as well as for the diversification of the company's product range. The product with the biggest share in the

company's turnover is autoclaved aerated concrete (AAC), with sales of 18.3 million EUR in 2006, this representing an increase by 25% compared to 2005. According to the company's representatives, Elpreco has the market share of 20% on the Romanian market of concrete roof covers.

Siceram

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	11.7	550	3.3
2004	8.2	553	1.9
2003	5.9	532	1.1

Siceram is one of the main producers of ceramic roof tiles. The company intends to invest in a new production line of ceramic roof tiles and targets to become the main player on this market in 2008. At the beginning of 2008, following an investment of 10 million EUR in the new production line, the company will launch on the market three new models of ceramic roof tiles. As the result of this investment, Siceram will have the most modern production plant of ceramic roof tiles, in terms of technology, in SE Europe. The company estimates a market share of 2% on the Romanian market of roof covers in 2007 and of 6 - 7% for the next years.

Bramac Sisteme de Invelitori

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	7.9	70	1.1
2004	6.1	53	0.2
2003	5.5	29	0.3

Bramac Sisteme de Invelitori, the local branch of the Austrian Group Bramac, intends to reach a market share of 20% on the roof tile market in the next two years. The company currently holds a 15% share on the market. The company produces concrete roof tiles. Bramac entered the Romanian market in 1995 when it opened a sales representative in Brasov. The company started the production in Romania in 2004, following a greenfield investment of 5.8 million EUR in Sibiu. The plant has a surface of four hectares and a production capacity of 13 million of roof tiles per year. Bramac recorded a sale increase of 80% in 2006, reaching 14 million EUR.

Tondach Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	2.9	260	-0.8
2004	1.8	269	-0.7
2003	0.4	3	-0.2

The Austrian company Tondach entered the Romanian market in 2004 when it bought a stake of 85% within the plant of ceramic roof tiles Cema Sibiu. Then, the Austrian company announced it would invest approximately 25 million EUR to expand and modernise the plant. Since 2004, the amount of about 6 million EUR has been targeted at the Sibiu plant for the modernisation of the production lines. The company's production capacity is of 12 million units per year. Tondach Romania exports around 10% of the production from Sibiu plant to Bulgaria and the Republic of Moldova.

Ruukki Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	6.8	37	-0.5
2004	4.4	22	0.1
2003	1.5	24	-0.3

The Finnish producer Rautaruukki is investing 35 million EUR in a plant located in Joita, Giurgiu county. The project will consist of three different segments: an area for the construction of soundproofing boards, which will become operational as of the spring of 2008, an area for building metal structures for roofs and an area for building structural cases, with these two set to become operational at the end of 2007. This project will also include a warehouse with Rautaruukki products.

Ruukki Romania, the producer's local branch, recorded in 2006 the increase by 75% on the segment of metallic roof covers systems and forecasts a positive trend during the next period. The estimated turnover in 2006 is of 14 - 15 million EUR. The corporate sector are the main clients of Ruukki with a percentage of 85%. The metallic roof covers ensure 45% of the company's turnover.

Distributors:

Maco Sistem

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	1.3	3	0.017
2004	0.3	1	0.002
2003	not the case	not the case	not the case

Maco Sistem was set up in 2004. The company distributes ceramic products (Porotherm ceramic blocks, Tondach and Bramac roof covers and special products such as expanded clay), metallurgical products, natural stone, ceramic panels, thermo-insulation systems etc. Among the company's clients there are Bricostore Romania, Marcora Constructii Romania, Romcom International, Intex Agency, Top Design International and General Construct.

Bel Profile

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	1.6	7	0.063
2004	0.9	5	0.002
2003	n/a	n/a	n/a

Bel Profile was set up in 2003 and is a supplier of complete systems of metallic roof covers. The company's activity is integrated to the Romanian-Belgium Group, Bravo International Holding, specialized in import, distribution and production of the construction materials. Bel Profile has a distribution network at national level. The company's products are distributed in warehouses of construction materials, specialised stores etc.

H. The Construction Materials Retail Network

German and French investors are competing for the Romanian DIY market, a young one but with impressive potential of development, thinking of the prospects of increase in the constructions sector.

The overall retail market includes international networks such as Praktiker, Bricostore and Mr. Bricolage, as well as store chains owned by local investors such as Galati-based Arabesque, Bacau-based Dedeman and Sibiu-based Ambient.

According to preliminary data, each of the Romanian players registered a net profit of between 60-100% in the recent years.

Main Players

Arabesque

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	202.7	2,182	11.9
2004	126.7	1,682	9.2
2003	85.0	1,134	7.2

Arabesque is the leading distributor of construction materials and similar products on the domestic market. The company is the only domestic distributor of construction materials that extended its activities abroad. Arabesque is present in the Republic of Moldova and Ukraine and plans to launch operations in Serbia and Bulgaria. Last year, Arabesque acquired Budmax, one of the top three players on the Ukrainian market of the construction materials, with an estimated turnover of 50 million EUR for this year. Arabesque intends to acquire a credit of 56 million EUR from International Financial Corporation in order to expand its activities in Romania and abroad.

The housing boom recorded in the last 3 - 4 years has encouraged the company's business. As a result, the company's turnover has increased in the last five years, from 60 million EUR in 2002 to 333 million EUR in 2006. Also Arabesque recorded a net profit of 19 million EUR in 2006, this representing an increase by 60% compared to the previous year. The company estimated a turnover of 450 million EUR for 2007. Currently, Arabesque has 3,200 employees.

Dedeman

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	70.1	667	7.2
2004	43.1	464	2.8
2003	32.2	361	2.4

Dedeman recorded in 2006 a turnover of 112 million EUR, this representing an increase by 60% compared to the previous year. In 2006, the company's net profit margin was of about 13%. The company estimates a turnover of 156 million EUR in 2007.

Ambient

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	77.0	686	2.2
2004	48.2	515	0.7
2003	33.8	420	0.3

Ambient is the biggest retailer of construction materials in Transylvania. The company recorded in 2006 the net profit of 6.7 million EUR and the turnover of 170 million EUR, according to the preliminary data. The company's representatives estimate a turnover increase by 45 - 50% in 2007. The company's growth was mainly determined by the opening of its commercial centres in Cluj-Napoca, Alba-Iulia and Targu-Mures, by the developing of the services offered by the companies in the Group and by the increase of the construction materials demand due to the development of the real estate market. In 2007, Ambient intends to invest in the opening of six more commercial centres, out of which two centres with surfaces of over 20,000 m², in the development of its auto fleet, in the acquiring of new equipment and in the development of the IT system for the business management. Ambient has at present 11 commercial centres, with trade surfaces of 14,000 – 26,000 m². Also, the company has a network of 34 stores. The Ambient Group, controlled by the businessman Ioan Ciolan, includes 27 companies, with trade, production and services activities.

Hornbach intends to invest over 200 million EUR in Romania until 2015 when the retailer will have 10 units. Also, the company intends to have over 1,000 employees until 2015. The first store of the German retailer was opened in Berceni district in Bucharest, in June 2007. This store includes 9,000 m² for construction materials, 5,000 m² for gardening items and a drive in for construction materials with the surface of approx. 10,000 m².

Praktiker Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	104.9	1,037	4.3
2004	61.6	679	-0.8
2003	18.8	248	-2.2

Praktiker Romania is part of the Metro Group. Praktiker had 16 stores opened in Romania by the end of 2006, in Bucharest and the other major cities. Praktiker recorded a turnover of 153.6 million EUR in 2006. At the beginning of 2007, Praktiker invested 0.8 million EUR in order to increase the sale surface of its store in Cluj-Napoca, to reach approx. 8,000 m².

Bricostore Romania

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	84.1	585	10.0
2004	41.0	358	1.6
2003	21.6	208	-0.04

Bricostore, owned by the French Group Bresson, entered the Romanian market in 2002. Bricostore recorded in 2006 a turnover of 142 million EUR, this representing an increase by approx. 70% compared to 2005. The French chain has seven stores on the Romanian market and intends to open new units in Targoviste and Pitesti during 2007 with total investments of 20 million EUR. Bricostore invested 14 million EUR in the opening of the store located in the commercial centre Baneasa Shopping City in 2006, this representing the biggest investment of the French retailer on the local market. Also, this is the biggest store of the French chain in Romania, with the surface of 14,500 m². The company intends to exceed the number of 30 stores by 2011.

Baumax

The do-it-yourself Austrian store chain BauMax opened in 2007 two stores in Cluj-Napoca and Targu-Mures, the average investment for a unit being of 10 million EUR. The Austrian chain opened last year its first stores, in Brasov and Sibiu, and intends to invest in 2007 about 50 million EUR in order to expand on the Romanian market and to open new units. The network intends to open several stores also in Bucharest, during the next five years. The

first store in Bucharest will be located in the Sun Plaza shopping centre, in the southern part of the city. BauMax expects to reach a 25-store network in Romania by 2012 and to exceed the number of 40 stores on the long term. BauMax stores have a sales area of 10,000 m², with around 30,000 articles for sale. The biggest store in the network is the one located in Targu-Mures, with an additional 2,000 m² for a drive-in area.

Mr. Bricolage

The French store chain Mr. Bricolage estimates sales of 14 million EUR for its first unit opened on the Romanian market. The Mr. Bricolage store was opened in November 2006, following an investment of 7 million EUR and has a sale surface of 6,000 m². The company Bricoexpert, which has the licence for the Mr. Bricolage stores in Romania, announced the launching of two new stores until the end of 2007, located in Bucharest and Pitesti, with total investments of 24 million EUR. The company intends to have a chain of 30 stores on the Romanian market, in cities with over 150,000 inhabitants, with total investments of 220 million EUR. The Mr. Bricolage stores will have surfaces of 6,000 – 10,000 m², depending on the location and the population density. The company intends to open stores located also in commercial centres.

Brithouse

The do-it-yourself Brithouse store network, developed by British-owned Customline Construct, has entered the provincial market during 2007.

Tekzen

The first store of the Turkish network Tekzen is scheduled to open in July 2007.

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