



Construction Materials in Romania Newsletter - September 2007

In this issue:

- Market of construction materials up 30% over last five months
- Delta Distribution recorded a turnover increase by 60% in S1 2007
- Simcor Oradea invests in new production capacities
- Coilprofil Romania increases investment budget
- Romania's washable paint and varnish market to double in next 4 years
- Saint-Gobain Glass Romania has started the construction of a new factory
- Rigips Romania estimates minimum 20% turnover increase in 2007
- Carpatcement Holding recorded 40% higher cement sales in S1 2007
- Prefabricate Vest will invest about six million EUR in ACC production
- Arabesque opened a commercial centre in Baia Mare
- Den Braven Romania recorded in S1 2007, a 50% higher turnover
- Romano-Tub will produce pipes of polyester with glass fibre
- Proges distribution expects to double turnover in 2007
- Henkel Romania is set to open a new adhesives 10 million EUR plant
- Lafarge Ciment recorded in S1 2007 an 83.8% increase of its cement sales
- düfa DEUTEK expects net sales of 30.2 million EUR in 2007
- Romstal has budgeted 50 million EUR for new plastic pipe production
- New company directories by FRD Center are released

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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.

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Market of construction materials up 30% over last five months

According to market players, the Romanian market of construction materials grew 30% in the last five months as against the same period one year ago and will maintain the same growth pace by 2010.

The construction materials market increases especially in the segment of premium products. One reason is that the residential buildings account for 60% of the constructions market. For the construction of these buildings good quality materials are required.

Same sources estimate that the production of autoclaved cellular concrete (ACC) stands at 1.8 million cubic metres a year. This market will go up 10% in the upcoming years

The distributor of auxiliary construction materials, **Den Braven Romania**, the local subsidiary of the Dutch Group Den Braven, recorded in the first semester of 2007 a turnover of 9.7 million EUR, this representing an increase by 50% compared to the similar period of the previous year. 1,000 new clients were added in the company's portfolio in the first semester of 2007.

Also, the company increased its sales team and launched promotional offers for polyurethane foams that represent about 40 - 50% in the company's total sales. The company's most important clients are Praktiker Romania, Dedeman and Artsani on the retail market and Aedificia Carpati and Atelierele CFR Grivita Bucharest on the industrial segment, with a percentage of 50 - 55% in the company's total sales.

Romania's washable paint and varnish market to double in next 4 years

Romania's washable paint and varnish market exceeded 250 million euros in 2006 and it is to double by 2011, according to InterbizGroup, as a result of intense activity in the construction sector.

A study conducted by InterbizGroup consultancy company indicates that decorative paints continued to have the highest growth rate of the past four years, with average annual increase in terms of consumption having stood at 10.4% in volume and 13.8% in terms of value. The study estimates a surge by 70% in volume in the next four years, and a doubling of the market value.

In this context, Romanian producers of varnishes and paints are more interested in selling directly to the construction companies and less in retail trading.

The distributor of construction materials, **Delta Distribution Bucharest**, recorded a turnover increase by 60% in the first semester of 2007, reaching 21.6 million EUR, due to the high temperatures that lead to the increase of the demand in the construction field. According to the company's representatives, the main factors that determined the results in the first semester of the year were the sales increase on the residential and commercial segments and also the growth recorded at national level in the construction sector.

The highest sales were recorded on the segment of ceramic tiles and mounting materials that recorded a percentage of 70% in the total turnover.

Arabesque, the largest distributor of construction materials and rendering products in Romania, opened a commercial centre in Baia Mare, with a surface of 18,800 sqm, following an investment of some millions EUR. This is the 13th commercial centre opened by Arabesque in Romania and it will open soon another commercial centre in Otopeni, near Bucharest. The company is specialised in the distribution of the construction materials and rendering products to professionals – architects, construction companies, only a percentage of 5% of the clients being represented by individual clients.

Coilprofil Romania, the local division of the Belgian group Coilprofil, has announced that it will increase the investment budget allocated for expanding production capacities at its plant in Ceptura, Prahova county.

Following the production increase, Romanian investments in Coilprofil are expected to reach 13 million euros by the end of 2009.

According to company sources, they decided to boost the investments in Romania as the consumption of construction materials has seen a significant increase over the last few years and due to the fact that the local team generated a rapid increase in sales.

The 2008-2009 period will see the fourth stage of the investments conducted by the group in Romania. The programme includes the acquisition of equipment in order to diversify the product range. Coilprofil estimates a 12 million-euro turnover this year, up 70% on last year. The company has recently completed a 4 million-euro investment in a production facility in Ceptura, which produces insulating panels, called sandwich panels containing mineral wool and polystyrene.

Simcor Oradea invests in new production capacities

The Oradea-based group Simcor, which operates on the market of construction materials, estimates an over 75 million-euro turnover for 2007 predicting a 25% increase on 2006.

Last year, the Oradea-based group posted an over 60 million-euro turnover. Initial estimates of Simcor Grup representatives for 2006 included a sales target of 52 million-euros. "The factors behind this positive trend of financial indicators are the expansion of the company's operations by a further two companies, which distribute ceramic tiles, as well as the full use of the existing production capacities.

For 2007, the company representatives estimate an increase in the constructions market by 25% on 2006, and by 45% against 2005.

Simcor runs investments worth 6 million EUR in 2006 and 2007, of which two million EUR were directed to a new installation of cutting the ACC and 1.5 million EUR represent the investments in the company's car fleet. In the ACC segment, the company has a market share of 45% in Transylvania. Nationwide, the market share is of 15%.

Simcor has for plants in Oradea, Targu Jiu, Medgidia and Suceava.

The Oradea-based plant dealing with the production of autoclaved cellular concrete has a capacity of 265,000 cubic metres and the plant in Suceava has a capacity of over 50,000 cubic metres.

Rigips Romania estimates minimum 20% turnover increase

Plasterboard producer Rigips Romania estimates a minimum 20% turnover increase, to 52 million EUR for this year, compared with last year's 40 million EUR.

According to market players the Romanian market of plasterboard panels is enjoying continuous growth and by far exceeds the increases of the constructions industry, with the plaster market also witnessing a similar growth rate.

According to Rigips Romania reps, they hope to maintain a minimum 20% growth rate until the end of 2007.

In the first half of this year, the company posted a 40% sales increase against the same time last year. Plasterboard systems account for 80% of the company's total sales, while plaster products account for the remainder. In the first half of this year, Rigips Romania managed to deliver 85% of its total orders from its own production, while imports accounted for 15%. Last year, the company also completed the construction of a plasterboard factory in Turda.

Proges, a company specialised in the distribution of materials for interior design, estimates a turnover of 80 million EUR in 2007, this representing a double level compared to the last year. The laminated parquet and the flooring accessories have the highest percentage in the company's sales (about 50%).

The local market of materials distribution for interior design records a moderate increase.

The producer of construction materials **Prefabricate Vest Bucharest**, controlled by the businessman Liviu Tudor, will invest about six million EUR in order to expand the ACC production capacities by about 30% and to reach the level of 420,000 m³ per year. The company decided to invest in the production increase due to the fact that its present capacity is insufficient compared to the ACC demand on the market and the sales cover the existent stock every month. According to the company's representatives, the ACC products have the highest percentage in the total sales. As a result of the investment, the company estimates that its turnover will increase by about 30%.

Romano-Tub, a company with Romanian capital, will open during September 2007 a plant that will produce pipes of polyester with glass fibre, located in Buftea, near Bucharest with a total investment of 9 million EUR.

The company estimates a turnover of 1.5 million EUR for 2007 and of 15 – 18 million EUR during the next year. Romano-Tub is owned by Romanoexport (about 75%), Finas Consulting, E-com Marketing, Porutiu Consulting and Mr. Ovidiu Lucian Vacla. On long term, Romano-Tub intends to start the production of pipes that works in special conditions of chemical and mechanical aggressiveness and pressure and the production of tanks and septic tanks. Taking into account the fast development in the construction field and the urban expansion, the new plant can cover the necessary of pipes for the adduction works of drinkable water and the sewerage works of waster water. The company intends to gain a significant segment on the Romanian market of polyester pipes.

Henkel Romania, the domestic unit of Germany's Henkel group, is set to open a new adhesives plant in September in Campia Turzii, with the total value of investments to revolve around 10 million EUR.

The German group is thus operating the first investment outside Bucharest after having pumped some other 10 million EUR in a plant in the locality of Pantelimon near Bucharest, where it produces adhesives for ceramic tiles, hydro-insulation and thermal insulation systems, sealants and flooring products.

In Campia Turzii, Henkel will manufacture adhesives for the Ceresit range and, according to estimates made by specialists, approximately 20,000 tonnes of adhesives per month will be produced.

Henkel has invested approximately 7m EUR exclusively in the construction of the hall, which will cover an area of 29,800 square metres. Investments in equipment related to the production process are in addition to the 7m EUR, taking total costs to around 10m EUR.

Henkel has acquired a 40,000-sqm land plot in the industrial area of Campia Turzii and is considering an expansion of the production activity in the area. Henkel Romania officials have specified that they plan to open the unit by mid-September 2007.

Opus Project & Development, a Turkish-based firm, has started construction works on a residential complex in Stefanestii de Jos, a project that will entail investments worth 600-700 million euros. The Cosmopolis project, developed in Stefanestii de Jos, north of Bucharest, will include 4,600 to 6,000 homes and is the first foreign investment for the Turkish-held company.

Saint-Gobain Glass Romania has started the construction of a factory that applies thermal treatment to glass used for production of window panes and glass in Calarasi, with the level of investments put at 25 million EUR.

According to company sources, the plant will start operations in April 2008. The new production line will be involved in thermal glass treatment, by covering the glass with a thin layer of heavy metal coating, which will diminish the thermal transfer.

The plant is set to be built near Saint-Gobain's flat glass factory, and its built area will stand at 13,000 square metres. The factory would treat around ten million tonnes of glass each year, but this level could change in the future.

The French Group Lafarge, through its local division **Lafarge Ciment**, recorded in the first semester of 2007 an increase of its cement sales on the Romanian market by 83.8% compared to the similar period of the last year, due to the increase in volume of the sold products.

In the first semester of 2007, Lafarge recorded in Romania its most dynamic evolution of the sales - in Poland the sales increase was of 61.8% and in Russia of 63.9%.

The increase of the sold volumes in Romania determined the sales growth by 63.9% in value and the difference of 19.9% was determined by the variation of prices and the line of products. Lafarge estimates for 2007 a turnover of about 350 - 360 million EUR for all the three divisions - cement, aggregates and concretes and cardboard gypsum.

The German Group HeidelbergCement, through its local division **Carpatcement Holding**, recorded in the first semester of 2007 an increase of the cement sales by 40% compared to the similar period of the last year. This growth was registered due to the favourable weather at the beginning of the year (temperatures of 10 – 15 degrees), the significant increase in the construction field, the real estate projects in Bucharest and in the country and the road infrastructure works.

HeidelbergCement recorded in the first semester businesses of 164 million EUR on the Romanian market, this representing an increase by about 40 - 50%, on all the three divisions: cement, aggregates and concretes. If the ascendant trend will be recorded also in the last semester of the year, the group estimates that in 2007 the turnover will increase by about 20% compared to 2006, on all the three divisions.

The German Group announced for this year investments of about 56 million EUR, out of which over 50% have been already done. The most important investments finalised in the first semester of 2007 were the installing of the coal mills in the Deva and Bicaz plants, for the using of coal as primary combustible for the clinker burning.

Romstal, major player on the **Romanian plastic pipe market**, has budgeted 50 million EUR worth of investments in production in the coming four years, of which 30% are earmarked for a factory in southern Bucharest. Romstal intends to double the number of factories to six in four years. Of the plastic pipe production, 70% is sold on the domestic market. Large investments in infrastructure, especially in the sewerage system, are necessary. The market will continue to grow in the coming 10-15 years.

The rapid development of the domestic construction market could bring paint and varnish producer **düfa DEUTEK** net sales of 30.2 million EUR.

According to company sources, this year's first quarter sales exceeded 5 million EUR, 40% more than in Q1 2006. The main reasons for this boost are an improvement in the distribution system, the development of the varnish market and the optimization of the product and brand portfolio.

Sales through specialty stores claim the largest percentage of total sales, of 70%. According to company reps, exports represent a small percentage of turnover as **düfa DEUTEK** has just begun developing this segment of its business.

As concerns investments, approximately 4 million EUR will be spent this year, some 30% more than in 2006. Investments will include the finalizing of projects to expand storage and production facilities, promote the portfolio, and reorganize the commercial department. The main competitors on the domestic market are Policolor, Fabryo and Köber, Baumit, Caparol and Henkel.

According to company sources, düfa DEUTEK's market share last year was about 17% of the paints, varnishes and plaster market, putting the company in first place.

The value of this market is estimated at 120 million EUR, calculated according to producers' net sales. **düfa DEUTEK** was established in 1997, initially as düfa Romania. Following the takeover by the Advent International investment fund in 2005, düfa Romania rebranded to düfa - DEUTEK.

New Company Directories from FRD Center

FRD Center Market Entry Services recently launched the **Directory of Mortar Producers** in Romania, the **Directory of Construction Equipment Importers** in Romania and the **Directory of Construction Materials Retailers** in Romania.

The directories offer up-to-date product information, contact details of most relevant managers in the company, history of financial information, brief commercial profile, investments etc. They aim to be exhaustive, however FRD Center is not liable for any omission.

Demo directories are available from the www.frdcenter.ro website at:

<http://www.frdcenter.ro/English/directories.htm>

A sample profile is that of **Anticorosiv**

1. General data

Company name: Anticorosiv SA
Address: Bd. Theodor Pallady 57, sector 3, Bucharest
Phone: +4021 5690500
Fax: +4021 5690508
Web: www.anticorosiv.ro
E-mail: office@anticorosiv.ro
Year of establishment: 1955
Ownership: Brudhurst Investment Fund (majority shareholder)

2. Financial data

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	4.7	256	0.4
2004	4.0	252	0.5
2003	3.4	259	0.5

Type of investment	already done	announced
Acquisition of a production installation	Approx. 2 million EUR (2006)	

Total assets (2005): 4.9 million EUR

3. Key persons

Name	Position	Phone	Email
Mr. Doru Ohota	General Director	+4021 5690507	doru.ohota@anticorosiv.ro
Ms. Simona Sofonea	Sales Director	+4021 5690502	simona.sofonea@anticorosiv.ro
Mr. Radu Ionita	Production Director	+4021 5690504	radu.ionita@anticorosiv.ro
Mr. Traian Costache	Acquisitions Department	+4021 5690550	traian.costache@anticorosiv.ro

4. Main brands: *Anticorosiv*

5. Brief profile

Anticorosiv is a significant player in the field of the research and the production of anticorrosive protection materials in Romania. Anticorosiv was set up in 1955 with the purpose to solve the corrosion problems in the Romanian industry, especially in the chemical and petrochemical industry and to create new anticorrosive protection materials. In 1990, Anticorosiv SA became a joint-stock company taking over the entire patrimony of the former IPAUS Bucharest.

Anticorosiv produces tile adhesives, epoxy adhesives, structural putties, anti-corrosive paints and primers, repair mortars, self levelling floors, membranes, hot melt adhesives, industrial casing, dilation compensators, ejectors, sealants, rubber sheet and protection, centrifugal pumps etc. The company offers protection through rubber coating under field conditions (by cold soldering or vulcanization), isolation and special protection, consulting and technical support, technical specifications and complete usage technologies, works under field conditions, post-sale services. Anticorosiv is SR EN ISO 9001:2001, OHSAS 18001:2004 and SR EN ISO 14001:2005 certified.

