



## Constructions Sector in Romania Newsletter – February 2008

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*Sources for this newsletter include: FRD Center research, Rompres, Business Standard, HotNews, Ziarul Financiar, Business Construct*

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## **Increasing TO for Lena Group due to construction projects in Romania**

The **Portuguese Group Lena**, with activities in constructions, real estate, energy, environment and auto sectors, estimates for 2008 a turnover of about 50 million EUR as a result of the infrastructure projects that will be in process during this year. Lena Constructii Romania constructs at the present the passage that links two important boulevards in Bucharest (Doamna Ghica and Chisinau), a passage over railway and the infrastructure work of the Baneasa real estate project. During 2008, the company will diversify its field of activity and will invest in residential projects in Bucharest and neighboured areas.

Lena Construcoes, the construction division of the Lena Group, constructed in 2006 two passages on the national road no. 1 (DN1), the contracts having the total value of 26 million EUR. So far, Lena Group invested 15 million EUR in the development of its construction company. Lena Construcoes is present on the Romanian market starting with 2004 when it took over the local company Eurometal.

The construction division of the Lena Group will participate during the next period at tenders for highways construction (i.e. Comarnic – Brasov section). Besides the road infrastructure projects, the Group will also start the construction of railways, hydra-electric power stations or ecological dumpsites.

## **Thermal-insulating trim market in Romania exceeded the value of 800 million EUR**

According to representatives of the Izotec Group in Piatra Neamt (NE Romania), the local market of thermal-insulating trim exceeded the value of 800 million EUR in 2007 with an increase rate of about 20 - 30% compared to the previous year. The significant investments in the construction of residential and administrative spaces together with an improved standard of living will lead to an increased demand for thermal-insulating trim in the next years.

Izotec Group is a company specialised in the production of thermal-insulating PVC trim. The company started the construction works of its second production facility, with investments worth around 1.7 million EUR. In February 2007, Izotec opened a production facility that covers around 3,000 sqm, with an investment of 2.5 million EUR. After the finalising of the construction works, the production capacity will double to around 700 units a day. Following the investments in 2007, the company became one of Gealan Romania's most important partners. After the finalising of the second production facility, Izotec intends to develop its distribution network.

According to the company's representatives, Izotec has a market share of 40% in Neamt county and about 25% in the neighboured counties. In the first nine months of 2007, the company recorded a turnover of 5.5 million EUR and estimates 7 million EUR for the entire year, this representing a double value compared to the previous year. For 2008, Izotec intends to record a turnover of 12 million EUR as a result of the production capacity doubling and the distribution network expansion.

## **The National Motorway Corporation reveals plans for 35 bypass routes in 2008**

Construction works are scheduled to begin this year for a number of bypass routes for cities around the country, including Brasov, Bacau, Constanta, Timisoara and Arad, according to data from the National Motorway Corporation.

For the construction of the over 35 routes, the Transport Ministry will use both funds from the State Budget, and foreign financing. Thus, procedures have been initiated for eight routes funded from the State Budget, including the Ploiesti Vest bypass and segments 5, 6 and 7 of the Bucharest North bypass. The other four routes, i.e. Cluj East, Oradea, Iasi North and Suceava are new projects.

Moreover, CNADNR intends to build another 15 by-pass roads, for which financing sources are yet to be identified.

As regards the projects financed from foreign programs, construction works will be initiated within the Transport Restructuring Project (financed by the International Bank for Reconstruction and Development) for bypass routes in Brasov, Bacau, Targu Mures and Reghin.

Apart from the IBRD loan, budgetary allocations will also be used in this respect. Also in 2008, a Road Rehabilitation Programme financed by the Japanese Bank for International Cooperation will facilitate the completion of works for the Timisoara by-pass. The Constanta by-pass is to be financed by the European Bank for Reconstruction and Development and the Government of Romania, while the contract for the Arad by-pass will be funded by the European Investment Bank and the State Budget.

## **Producer of bitumen membranes estimates 2007 TO some 30% higher**

Arcon, with headquarters in Sfantu Gheorghe, is a producer of bitumen membranes under Pluvitec brand and expanded polystyrene. The company estimates a turnover of 25 million EUR for 2007, up 30% against the previous year, due to the increase of the exports. In the first semester of 2007, Arcon recorded a turnover of 11 million EUR. Arcon was set up in 1994 and its shareholder is Mr. Ion Titeiu. The company has a distribution network in 17 counties and over 130 employees.

Arcon invested in 2007 around 3.5 million EUR in order to install a new production line of bitumen membranes and to increase the production capacities of expanded polystyrene under Penguin brand. Following the investments, the production capacity of the bitumen membranes reached around 20 million sqm per year and the production capacity of expanded polystyrene increased by 50% to around 6,500 tonnes per year. Also, Arcon intends to develop its export activities. At the present, the company exports about 10% of the bitumen membranes production in Bulgaria and Hungary and is looking for distributors for Austria, Moldova and Greece.

According to the company's representatives, the programme for the thermal rehabilitation of old buildings as well as the introduction, starting with the design phase, of the thermal insulation for foundations, flooring, walls and roofs will determine a significant increase in the use of the thermal insulating materials in Romania within the next years. On the domestic market, the company's representatives note an increasing demand for waterproofing systems used during winter, at temperatures between -5 and -25 degrees.

## **Ceramic construction materials company to increase market share in 2008**

Siceram, with headquarters in Sighisoara, is a producer of ceramic construction materials. The company estimates an increase of its market share to 7%, compared to 2% at the present, after the finalising of its new plant of ceramic roofing tiles in March 2008. In 2007, Siceram completed around 75% of the investment in the retooling of the ceramic roofing tiles plant, estimated at about 14 million EUR. After the investment finalising, Siceram will become the first producer in Romania that produce ceramic tile of big sizes (ten pieces on one sqm).

According to Siceram data, the percentage of exports in the turnover gradually declined over the last years, from around 15 - 18% in 1995 to around 7.5% at the present. The company's management estimates that the exports will continue to decrease to 3 - 5% due to the increased demand on the domestic market. The main foreign market where the company operates is Italy, with around 75 - 80% of the total exports. The products manufactured by the company are also exported in France, Germany, Hungary and UK.

Siceram products are sold through specialised warehouses and the company's representatives forecast a market share of about 5% for the masonry materials and of 2% for the roofing segment (tiles). The company's main competitors on the Romanian market are Wienenberger, Macon Deva, Elpreco Craiova, Bramac Sibiu, Tondach Sibiu and also products imported from Serbia.

## **Tenders for highway projects**

For 2008, the National Company of Motorways and National Road in Romania (CNADR) could call for proposals nine highways projects that total over 275 km and have the execution value of about 2.4 billion EUR. Out of the nine projects, three are ring-roads for Constanta, Arad and Sibiu cities while Cernavoda - Constanta highway was split in two sections: Cernavoda - Medgidia and Medgidia - Constanta. The execution value of the three ring-roads, which total 57.7 km, is of about 400 million EUR, the value including also the consulting and design costs. Other projects include the sections Arad - Timisoara (length of 32 km and costs of 181 million EUR), Timisoara - Lugoj (length of 43 km and costs of 300 million EUR), Deva - Orastie (length of 32.8 km and costs of 130 million EUR). For most projects the finalising period is of 24 months.

In 2007 only one section of highway was finalised, respectively Drajna - Fetesti sector, which is part of the Sun Highway Bucharest - Constanta, with the length of 36.8 km.

According to CNADR, the rehabilitation programme for about 600 km of national roads is in tender stage. At the end of 2006, the works at ring-road in the North area of Bucharest were started. This ring-road will link National Road Bucharest - Ploiesti, Highway Bucharest - Pitesti and Sun Highway (A2).

## **Vinci, Strabag, FCC, Astaldi, Mota Engil interested in taking Bucharest-Brasov highway on lease**

Large European construction companies are interested in taking the Comarnic - Brasov highway segment on lease: no less than 12 consortia filed pre-qualification bids for the leasing of the segment, the construction of which is due to start in 2009.

The group of 12 consortia includes some of the largest European contractors. Austria's Strabag heads a consortium interested in the construction of the segment and FCC Construction (Spain) - Alpine (Austria) - Astaldi (Italy) too filed a common bid for the Comarnic - Brasov segment.

French contractor Vinci Construction joined forces with Hellenic company Aktor to file a bid; another competing team is made up of Austria's Swietelsky, Spain's Diversa Construction and Romania's Euro Construct Trading.

Other consortia that filed pre-qualification bids are Mochlos (Greece) - Danya Cebus (Israel); Astrada Concesions; Stradacia Consortium headed by Portugal's Mota Engil; the consortium made up of the Greek companies J&P Avax and Athena; the French - Hungarian team Eiffage - Vegyepszer; Italy's Impregilo - Itinera; the consortium Bilfinger Berger (Germany) - Porr (Austria); and Ashtröm Group (Israel) - Shapir Structures 1991 (Israel).

The Comarnic - Brasov highway segment will be 58 km long and will include 57 bridges, passages and viaducts, as well as hard-shoulder service schemes; it is designed for traffic speeds of 80 – 120 km per hour. The winning consortium must design, finance, build and operate the highway for some 30 years.

## **Conarg invests 210 mln euros in residential projects**

Conarg Real Estate company from the southern city of Pitesti, which develops the Quadra Place project in Bucharest's Polytechnic Institute area, has announced investments worth 210 million euros in three residential projects to include some 3,500 apartments.

The three residential projects will be based in Bucharest. The construction works on the first one, called "Sunrise", began in late 2007 and it includes 988 flats in Titan neighbourhood. The investment amounts to 60 million euros, with the end market value of the project to stand at some 75 million euros, Conarg chairman Valentin Visoiu said. The investment will be 70-percent funded by Raiffeisen bank, with the remainder to be provided by the company. The works are planned to be completed in 2010. The Pitesti-based company will also invest 150 million euros in another two projects, to include 2,500 apartments. One of them will be Quadra Place 2, also located in the Polytechnic Institute area, and another one in Bucharest's District 5.

Conarg Pitesti construction company, the single shareholder of developer Conarg Real Estate, broke up from the former Pitesti-based Industrial Construction Trust in 1991 and was privatised in 1994. The company completed its first residential project in Bucharest last year, a 32 million euro investment offering 343 flats.

Conarg is also involved in the development of the Baneasa Project, in northern Bucharest, and it works with British investment fund Equest Partners on commercial and logistic projects based in Bucharest and Pitesti.

Conarg posted 80 million euros in 2007 turnover, with a net profit at 12 million euros. It eyes 100 million euros in turnover this year, i.e. a 25 percent rise.

## **Construction works, up 33.6% in 2007**

The volume of the construction works increased by 33.6% in 2007, with the most significant growth having been registered in the non-residential businesses sector, according to the National Institute of Statistics.

In 2007, there were registered increases in all the construction sectors: non-residential buildings (36.6%), engineering constructions (34.0%) and residential buildings (29.3%).

There were also recorded increases in all the sectors in terms of structure elements, as follows: the maintenance and current repairs works recorded an increase by 37.4%, the capital repair works hit an increase by 36.7% and the new construction works went up by 31.3%.

## **EFG to invest €1.9 bln in a real estate project in Bucharest**

British real estate developer European Future Group (EFG) will invest €1.9 billion in a 150 ha real estate project near Bucharest.

The complex, located in Buftea, will have 30,000 apartments and homes. The project's value is higher than that of Baneasa Investments, considered to be the largest real estate project in Romania.

The project is for medium-class families (monthly income of €2,000) and medium-plus-class families (monthly income of €5,000). The complex will be built by a joint-venture with Turkish construction company Ozer.

EFG collaborates with Austrian fund Immoeast on projects worth €430 million. The company is developing a real estate project worth €240 mln in the city of Brasov, and a project in Baneasa, in northern Bucharest.

## **Polystyrene to double Amvic business to 20 mln euros**

The Amvic group of companies, specialized in real estate projects and construction materials, estimates some 20 million euros in turnover in 2008, double compared to 2007.

Last year, the company invested 7 million euros in a production unit for expanded polystyrene, with an annual output of 500,000 cubic meters.

The company launched polystyrene production last September and had sales worth 3.2 million euros by the end of the year. For 2008, they expect an increase of this division up to 12 million euros.

Amvic is made up of nine companies involved in sectors related to the real estate segment - from design to double-glazed windows. In 2008, the group would invest roughly 2 million euros in a production line for double-glazed windows.

## **Holcim Romania's turnover up 28 percent in 2007**

Holcim Romania reported in 2007 a turnover of 290 million EUR, which accounts for a 28% rise as against the value reported in 2006 (220 million EUR).

In 2007 Holcim invested 123 million EUR in projects that are aimed at the upgrade of production technology, the protection of the environment, business development, health and labour security, as well as social projects and human resources.

Among the projects implemented one year ago are the continuation of the development of the Campulung-based cement plant, the personal and professional development programme for employees or the launching of the ecological cement station Bucharest-Pantelimon (3 million euros) and of the Gligoresti-based (Cluj county) aggregate station (3.5 million euros).

## **Baumit's third plant starts production in Romania**

Producer of building materials Baumit Romania announced that it would invest 15 million EUR in 2008 to build a third factory due to include a new administrative building. Following this investment the production capacity will increase by more than 50%. The factory will be built near Bucharest, in Popesti-Leordeni, on 60,000 square meters, and will produce an annual 250,000 tonnes of construction materials. The works the will start this spring are expected to be carried out within 12 months.

Other Romanian locations in which Baumit aims to build factories in the next two-four years are the regions of eastern and western Romania, Moldavia and Banat. At present, Baumit owns two factories in Bucharest and Teius, Alba county, with a total annual production capacity of 390,000 tonnes of material.

In 2007 Baumit posted 40 million EUR in turnover, up 25% as against the previous year and in 2008 the turnover is expected to reach 50 million EUR. Baumit Romania was established in 1995 and the overall value of investment made so far exceeds 25 million EUR.

## **The Romanian trim market 10-15% higher in 2008**

The Romanian trim market will increase in 2008 to 1.1 billion EUR, this representing a growth by 10 – 15% compared to the previous year, due to the growth of residential market and thermal rehabilitation.

At the present, a percentage of about 70 – 75% in the total trim sales in Romania is represented by the PVC trim market, about 20% by aluminium and the rest by wood.

It is estimated that in 2008 the PVC profiles will account about 300 million EUR.

## **Impact's gross profits soar 130 percent**

Real estate developer Impact Developer & Contractor posted some €96.2 million in gross profits in 2007, 30 percent higher year-on-year, while net profits amounted to €71.3 mln, Impact's income totaled €135.7 million in 2007, while expenditures amounted to €47.3 mln.

The company had several ongoing Real estate projects last year, of which three in Bucharest and another three in major Romanian cities. For this year, the company has announced investments worth €2.7 billion in two residential projects to be launched this year in Bucharest and Cluj-Napoca.

The company currently owns some 2.9 million square meters countrywide, which it plans to use for further projects.

Impact's main shareholder is businessman Dan Ioan Popp, with 27.95 percent of shares, while the company's Chief Financial Officer, Carmen Sandulescu, has a 11.25 percent stake.

The developer is listed on the Bucharest Stock Exchange's electronic Rasdaq market. Its capitalization amounts to €186 mln.

## **Road passages in Bucharest**

The Bucharest authorities will invest, in the next two – three years, 1.2 billion EUR for the construction of 14 over and belowground road passages. Significant projects are Grozavesti belowground passage, Nordului passage (in Baneasa area), passages in Sudului Square and Razoare. The Razoare passage is a complex investment and will be constructed on two levels: one will link Drumul Taberei and Eroilor and the other one will link Trafic Greu area and Basarab passage.



## Company profile: Dedeman

### 1. General data

Company name:	Dedeman SRL
Address (headquarters):	Str. Al. Tolstoi 4, Bacau, Bacau county
Phone:	+40234 513330
Fax:	+40234 581539
Web:	www.dedeman.ro
E-mail:	secretariat@dedeman.ro
Year of establishment:	1992
Ownership:	Mr. Dragos Paval and Adrian Paval

### 2. Financial data

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2006	112.2	965	14.8
2005	70.1	667	7.2
2004	43.1	464	2.8

Type of investment	already done	announced
Opening of three commercial centres and the Dedeman Camioane service.	20 million EUR (2007)	
Opening of four new commercial centres in Botosani, Constanta, Bucharest and Craiova and a new headquarters in Bacau.		45 million EUR (2008)

**Total assets (2006):** 65.4 million EUR

### 3. Brief profile

Dedeman, a significant distributor and retailer of construction materials, has at the present a network of ten commercial centres with a total sale surface of over 85,000 sqm. In 2007, Dedeman launched three commercial centres with surface of 6,000 – 10,000 sqm. During the next period the company intends to conduct an aggressive expansion campaign and signed loan contracts worth 45 million EUR with ABN Amro Bank and UniCredit Tiriac Bank.

Dedeman recorded a turnover of 184 million EUR in 2007 and estimates an increase to 200 million EUR in 2008. The increase of the company's turnover is a result of its network expansion and the growth in the demand for construction materials on the Romanian market. Dedeman SRL is part of Dedeman Group, together with Dedeman Automobile (Dacia – Renault and Nissan dealer) and Dedeman Camioane (Renault Trucks dealer).