



Retail and FMCGs in Romania Newsletter - August 2007

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Record hiring in the retail sector expected

According to recruiters in the field, major retail chains in Romania intend to hire over 10,000 people by the end of this year, as part of the largest network expansion campaign since the first modern commercial network entered the Romanian market in 1996.

This rapid expansion, by which companies intend to cover as many cities as possible, brings a 30% increase to the existing sales force in only five months.

Most jobs are outside Bucharest, in Romania's major cities, and the most popular position (with a 65% share) is salesperson in one of the stores to open in 2007.

The fluctuation of personnel is very high in this field, almost 50%. Each employee has at least three employment offers at any given time.

Soft drinks market to grow some 25% in this summer

According to players in the field, the soft drinks market in Romania is expected to grow by approximately 25% in the 2007 summer.

The carbonated soft drinks represented in 2006 almost half of the total non-alcoholic drinks market in Romania, with this segment having recorded a 9% growth in 2006 compared to 2005, according to a report of Canadean.

Breakfast cereals market estimated at 60 million EUR

The breakfast cereals market reached in 2006 as many as 50.4 million EUR and for this year sales are expected to exceed 60 million EUR, which would represent a 20% rise, according to a Nielsen Romania study.

The breakfast cereals market has been growing constantly in terms of value over the last years, from almost 100 million lei in 2004 to 160 million lei at the end of last year. The year-on-year growth is significant and relatively constant, of about 30%.

According to Nestle Romania, one of the biggest producers of breakfast cereals in Romania, the growth of the market is mainly prompted by the association of these products to a healthy product, and secondly by the fact that the life rhythm is ever more alert and the lack of time prompts Romanians to find practical and fast solutions for food preparation.

Another reason for which the relevant market is on the rise is the strong promotion which companies make for mixed cereals with sugar that entice especially children.

The main cereals producer is Sano Vita and its direct competitors are European Food group, Nestle Romania, Loulis Group and Rommac Olteni.

As regards potential consumers, the main targets of this type of food products are women. However, effectively those who eat most cereals are children.

Romanian beer market increases by 20% in first six months of the year

The Romanian beer market increased by 20% in the first six months of the year as against the similar period in 2006 and amounted to almost 9.4 million hls, according to the data supplied by the Berarii Romaniei Association, which accounts for over 70% of the market.

Four big beer producers, Heineken Romania, InBev Romania, United Romanian Breweries Bereprod and Ursus Breweries, sold more than 7.29 million hls of beer in the first quarter, by 30% more than in the similar period in 2006, when they sold 5.6 million hls of beer.

The increase in the consumption is also partly due to the good weather conditions in the first half of 2007.

Romania's economic development as well as the growing purchasing power of the population have also contributed to the increase in the beer consumption.

Clothing market in Romania is attracting an increasing number of retailers

Romania's clothing market is dynamic and attracts an increasing number of European retailers.

Until 2010, the respective commercial spaces are to cover 2 million sqm, four times as many as at present.

Gerald Zimmermann, managing director of Humanic (multi-brand store concept, introduced on the market by Leder & Schuh), says that the market in Romania "is modern, inspired by the Italian style".

Nor the domestic retailers lag behind, targeting both the expansion on the local market and the entrance on the markets in this region.

For instance, Leonardo Co. targets the opening of footwear stores in the Republic of Moldova, Ukraine and Turkey.

New entries in the Romanian footwear retail market

Deichmann - the biggest footwear retailer in Europe - is to open this year six-seven stores in Romania, for the start in the cities of Pitesti (south), Roman (east) and Arad (west). The company held, at last year-end, 2,185 stores on 13 European markets.

In its turn, Leder & Schuh - the biggest Austrian footwear retailer and one of the top six in Europe- announced the opening of a store in Romania in the spring, next year.

Top employers in the Romanian retail sector

Ranking first among top retail employers, the German Real Hypermarket network, member of Metro Group, will supply more than 2,700 jobs in the coming five months.

The company is followed by the French Auchan store, which will attract some 1,300 employees through a further three hypermarkets to be opened this year.

Carrefour will employ an additional 1,200 people for its three stores announced for the coming months.

Kaufland, Plus Discount, Trident, Billa, Penny Market, Spar, Profi, Mega Image, and La Fourmi will together offer 2,800 jobs in the near future.

The main do-it-yourself retailers, Praktiker, Bricostore, bauMax, and Mr. Bricolage, will provide over 1,000 jobs by December.

Electronics, household appliances and IT&C retailers, such as Altex, Flamingo, and Teknosa, will hire more than 1,000 people for their new projects.

Electrolux Romania reports 73.6m EUR in H1 sales

Electrolux Romania reported 73.6 million EUR in sales in the first half year of 2007 as against 66.5 million EUR in the same period of last year, reporting a 12% rise.

Electrolux Romania headquartered in Satu-Mare (northern Romania) produces cookers under the licence of Electrolux Sweden.

Turnover up 35% in H1 for Apemin Tusnad

Apemin Tusnad mineral water producer recorded some 6.4 million EUR turnover in H1 of the year, up 35% as against the similar period of the last year.

The company's gross profit advanced 150% as against the similar period of the past year, reaching 0.95 million EUR.

Apemin Tusnad invested in 2006 some 6.5 million EUR the development of production capacities and increase of distribution networks.

The company launched a new product, the Izvorul Zanelor spring water. Currently the total output is 42,000 litres per hour.

Apemin Tusnad ended year 2006 with some 10 million EUR, up 28% more than the previous year. The profit was 119% up in 2006.

Sales of air conditioners doubles on heat wave

Sales of air conditioners by Romanian chain shops have doubled in the 2007 summer season, compared with the summer season 2006, and some shops reported surges of up to 20 times, according to information with officials of specialist shops.

Sales of air conditioners over the past months have been boosted by both the very high temperatures and a drop by 20% in the price for the devices from the year before year.

Albalact to open new production unit and start making cheese

Albalact Co., one of the main players on the dairy products market in Romania, is to open a new production unit and invested 10 million EUR in its construction.

The company is to extend its processing capacity to 200,000 litres per day, compared to 140,000 litres currently, as well as its products' portfolio. The current production space is not to be shut down and it will be used for a new project.

Albalact is the sole company in the dairy products field in Romania that posted, last year, an increase of 65% in its turnover, twice as much as the market's growth pace (30%), drawing close to some 30 million euros.

In the first half of the year, company's sales advanced by 115%, compared to the similar period in 2006, from 5.3 million EUR to 11.5 million EUR.

Albalact management plan to produce cheeses, as well, and it is going to launch a few traditional products.

Romania's market for air conditioners is currently standing at over 120 million EUR, fully provided from imports, 80% of which come from Asian countries.

According to specialists, the market for air conditioners has a strong growth potential for the future, given that, at 35-40%, ownership of air conditioners by families in city areas is still small.

Carrefour opens first hypermarket in downtown Bucharest

Carrefour Romania opened its fifth hypermarket in Bucharest and its eighth in the country on August 1. This is the first store in the capital's center, as the other four are located in Bucharest's peripheries.

The location has a total area of 3,600 sqm and Carrefour has invested more than 5 million EUR in its renovation. Company officials said that prices in the new hypermarket will be similar to those in the network's other stores.

The new store will offer the same amount of foodstuffs as other stores, but will have less non-food products, due to lesser space. Carrefour stores usually have an 8,000 sqm selling area.

Besides Carrefour Unirea, the company is to open a further three stores in the country this year, two in Iasi and one in Cluj-Napoca, for a total investment of some 60 million EUR.

In 2008, Carrefour will open a new store in Bucharest and four more hypermarkets throughout the country. In the medium and long-term, the company is targeting cities with more than 150,000 inhabitants, planning to have at least one store in each of such cities.

The company are later going to analyze other expansion opportunities, in accordance with Romanian purchasing power and market evolution.

Carrefour has invested more than 220 million EUR so far in Romania. Last year, the company posted 608.9 million EUR in sales, 39% higher year-on-year. The company representatives estimate a further 10% increase in turnover in 2007, as a result of the chain's expansion.

The company's direct competitors are Cora (three stores), the Real Hypermarket (nine stores) and Auchan (one store).

Bakery producer Farinsan sees 70% higher turnover

Milling and bakery producer Farinsan posted a 7 million EUR turnover in the first six months of the year, up 70% higher against the same time last year.

Farinsan posted an approximately 11 million EUR turnover last year, up by around 48% against the previous year; therefore exceeding initial estimates, which stood at 9 million EUR.

If the growth rate announced by the company is met, Farinsan could see a business worth approximately 18 million EUR this year.

According to the company sources, the fact that they exceeded the estimates was related to the over one million-euro investments required to modernise the bread plant including the introduction of new production lines, the setting up of a lab and an increase in the milling capacity, by around 10-12%, to 200 tonnes a day.

This year, the company launched a type of biscuit flour and intends to launch two other types of pastry flour under the Unopan brand.

The biggest sales were generated by flour used by bakeries and pizza flour, which is retailed in one kilo-bags and has seen an over 50% increase in its sales volume since the beginning of the year.

As a result of an increase in the price of wheat, company representatives increased the price of flour from 0.77 lei per kilo to 0.85 lei per kilo.

According to players in the milling and bakery industry, this year the price per kilo of wheat ranges from 0.55 to 0.58 lei, double last year's level of approximately 0.33-0.34 lei, and could reach around 0.75-0.8 lei per kilo by the last quarter of the year.

Laptop sales push Scop business up to 40 million EUR

Distributor of equipment and IT&C solutions Scop Computers reported 30% higher sales in the first half of the year, recording a turnover in excess of 40 million EUR.

According to company's officials, notebook sales of all traded brands advanced very strongly: Toshiba, HP, Acer and Fujitsu Siemens Computer.

Sales increases were up 50%, according to the brand and Toshiba, HP, Acer and Fujitsu Siemens Computers, together with Microsoft cumulated sales account for more than 50% higher turnover.

Last year, the local market advanced by 100% and this year it is estimated a growth pace of 70%.

For the end of 2007, company's representatives estimate to attain a turnover of 90 million EUR, meaning an increase of more than 30% compared to 2006, when Scop reported sales of some 70 million EUR.

Alongside mobile IT equipment, Scop Computers plans to concentrate on the networking and safety equipment zone. Currently, this component accounts for below 10% in Scop business, according to the company's officials.

Scop group of companies is involved in IT distribution activities, software business and document management solutions.

Cheese-based desserts conquer the Romanian market

Covalact, one of the leading dairy producers on the domestic market, which posted a 10 million EUR turnover in the first six months of the year, up 18% on the same time in 2006, intends to expand its product portfolio in the second half of the year with a range of fresh cheese-based desserts.

The company decided to invest in buying a new production line for cheese-based desserts, which will become operational in September.

According to the company officials, there is plenty of room on the market for these products, with demand rising lately.

Covalact is not the only dairy producer to have decided to begin manufacturing fresh cheese-based desserts on the domestic market. The other players in the same segment include Friesland and LaDorna.

According to Covalact representatives, the production capacity of the factory currently stands at 200,000 litres of milk per day. The company will invest 3 million EUR throughout 2007. Most of the money will go towards increasing production capacities by buying new equipment. Covalact will invest around 200,000 EUR in order to promote the products within its portfolio.

Covalact, which accounts for 2% of the market and boasts a portfolio with 16 types of products, posted 10 million EUR in turnover in the first half, an increase of 18% on the same time in 2006 and a net profit up 50%.

Romaqua Group invests 9m EUR to cope with heat wave

Romaqua Group, producer of Borsec mineral water, invested 9 million EUR to release Aquatique mineral water, bottled in the plant of soft beverages held by the company in Busteni in order to cope with the heat wave.

As a consequence, the company increased the bottling capacity by 10%.

Last year, Romaqua Group invested some 10 million EUR in the water bottling plants held in Borsec and Stanceneni for the extension of capacity. In Stanceneni, where the second water source exploited by the company is located, Romaqua finalized in 2006 the construction of a new production unit.

According to the figures supplied by the National Company for Mineral Water (SNAM), Romaqua bottled last year as many as 230 million litres of mineral water, being the biggest bottler of the domestic market.

Romaqua estimates a 30 % rise in sales this year compared to 2006, up to 90 million EUR. The group reported some 67.7 million EUR in turnover last year, up 36% on 2005.

Romaqua's main competitors are Pepsi Americas, Coca-Cola HBC, European Drinks on the market of soft drinks, but also Perla Harghitei, Biborteni or Apemin Tusnad in the segment of mineral water.

Sales of LCD TV sets surge 20 times on falling prices

According to officials of large retail trade shops, the sales of LCD television sets increased by over 20 times in H1 2007 compared with H1 2006.

The surge was mainly boosted by fall in prices, particularly in imports from other EU countries, on which customs charges have been cancelled, and imports from Asia, on which customs tariffs have been reduced by an average of 20%.

Some shops recorded surges of even 70 times in the sales of LCD TV sets from H1 2006.

According to market sources, the sales of LCD television sets have boomed this year also because many new models were released. Where in 2006 they would sell 100 such sets, so far this year they have sold 7,000 units, which is 70 times more.

Sales of LCD television sets have increased, as well as their weight in total sales, compared with sales of CRT TV sets. Manufacturers are increasingly more focused on producing LCD TV sets. The weight of the sales of LCD TV sets increased by 20% in quantity terms and by 60% in value terms against CRT TV sets.

Milk and milk-based desserts were some of the most dynamic categories on the consumer goods market last year, posting 60% higher sales compared with the previous year, according to data provided by the research company MEMRB Retail Tracking Services.

According to market players, production of most fresh products increased in the first half of the year. Cream production rose by 25%, to 3 tonnes per day, while the production of fresh milk went up by 9%, due to an increase in demand from these segments. Butter was the only product that did not witness any growth.

Photo camera sales increase by 29%

According to a report by the International Data Corporation (IDC), Romania was the sixth market in Central and Eastern Europe in point of volume and the third in point of dynamics, last year, as regards photo camera sales, with a 28.5 % increase in point of the units sold as compared with 2005. The photo camera market increased over four times after the excises were removed on January 1, 2005.

According to IDC Romania, about 201,000 units were sold last year. In exchange, revenues dropped to 43.6 million USD, by almost 2% less than in 2005, a fact that was caused by the continuous decrease of prices and by the massive sales of the models in the entry-level range.

Last year the Romanian market of digital photo cameras exceeded the similar sales in Poland, the Czech Republic and Hungary.

The IDC analysts expect the number of digital camera users to increase by an over 40% rate and estimate that the penetration level of the digital cameras is 5-6%

Market analysts expect Romania to supersede Hungary this year and become the fifth market in the region as regards its size.

New Directory of FMCGs Distributors in Romania is launched

FRD Center Market Entry Services launches the Directory of FMCGs Distributors in Romania – 2007.

The Directory profiles companies such as: Agroalim Distribution, C&S Distribution, Elgeka - Ferfelis Romania, First Logistics & Distribution, Interbrands Marketing & Distribution, Macromex etc. and is available from FRD Center's Research Department.

A sample profile is that of **C&S Distribution**

1. General data

Company name: C&S Distribution SRL
Address 1: Str. Traian Vuia 214, Cluj-Napoca, Cluj county
Phone: +40364 401286
Fax: +40264 591855
Web: www.csdistribution.ro
E-mail: office@csdistribution.ro
Year of establishment: 1996
Ownership: private - Mr. Calin Simpalean

2. Financial data

Year/Category	Turnover (mil. EUR)	Employees	Net profit (mil. EUR)
2005	12.6	150	0.19
2004	8.6	146	0.23
2003	5.8	98	0.05

Total assets (2005): 3.6 million EUR

3. Key persons

Name	Position	Phone	Email
Mr. Calin Simpalean	General Director	+40364 401286	calin.simpalean@csdistribution.ro
Mr. Adrian Buf	Executive Director	+40364 401286	adrian.buf@csdistribution.ro
Mr. Stelian Trifa	Sales Director	+40364 401286	stelian.trifa@csdistribution.ro
Mr. Cristian Diviricean	Logistics Director	+40364 401286	cristian.diviricean@csdistribution.ro

4. *Main distributed brands:* Nestle, Kandia-Excelent, Rostar, Johnson Wax, Aqua Fresh (GSK), Gerocossen, Poxipol (Rupeco), Pernod Ricard, Londa (Wella), L'Oreal

5. Brief profile

C&S Distribution has regional distribution in Cluj, Salj, Alba, Bihor, Tg. Mures, Maramures, Satu Mare and Bistrita. C&S Distribution has six warehouses, with a total surface of 5,064 sqm, located in Cluj-Napoca, Bistrita, Oradea, Baia Mare, Satu Mare and Tg. Mures. The company distributes about 4,000 products – food and non food products, alcoholic drinks. The system of distribution is presale.

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

FRD Center offers business intelligence and market support for foreign companies interested to enter the Romanian and Bulgarian market as exporters, consultants, investors or joint-ventures.

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