Romania
Commercial Vehicle and Construction Equipment Market Report – 2007

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For further details, please contact:
Jackie Bojor, Director of Business Development
FRD Center, Bucharest, Romania – www.frdcenter.ro
tel: +4021 411 1460; fax: +4021 411 1461
e-mail: europa @ frdcenter.ro

1. Romanian market of commercial vehicles

1.1. Statistical data

According to the Automotive Manufacturers and Importers Association (APIA) the statistics regarding the production and assembly, export, import and sales of the commercial vehicles are presented below. APIA was established in 1994 and at the present has as members the most important companies operating in the motor vehicle area: the national manufacturers, the importers of motor vehicles as well as other reputed companies in the field of spare parts, accessories or lubricants. APIA is member of the International Organization of Motor Vehicle Manufacturers.

Production and assembly

Period	2006			2005	Variation
	November	Variation previous month	11 months	11 months	2006/2005
Commercial vehicles, of which:	1,288	20.3%	11,587	19,095	-39.3%
Under 3.5 t GVW	1,242	18.1%	11,111	18,918	-41.3%
3.5 – 6 t GVW	0	-	0	0	-
6 – 18 t GVW	1	-	9	101	-91.1%
Over 18 t GVW	45	136.8%	467	76	514.5%

Source: APIA

Export

Period	2006			2005	Variation
	November	Variation previous month	11 months	11 months	2006/2005
Commercial vehicles, of which:	5	-68.8%	401	75	434.7%
Under 3.5 t GVW	0	-	0	39	-
3.5 – 6 t GVW	0	-	0	0	-
6 – 18 t GVW	0	-	5	12	-58.3%
Over 18 t GVW	5	-64.3%	396	24	1550.0%

Source: APIA

Import

Period	2006			2005 11 months	Variation 2006/2005
	November	Variation previous month	11 months		
Commercial vehicles, of which:	2,846	4.1%	23,442	17,251	35.9%
Under 3.5 t GVW	1,896	-4.0%	16,419	11,616	41.3%
3.5 – 6 t GVW	102	34.2%	1,123	1,513	-25.8%
6 – 18 t GVW	198	-28.3%	2,187	1,836	19.1%
Over 18 t GVW	650	59.7%	3,713	2,286	62.4%

Source: APIA

Sales

Period	2006			2005 11 months	Variation 2006/2005
	November	Variation previous month	11 months		
Commercial vehicles, of which:	3,889	-0.3%	34,577	36,426	-5.1%
Under 3.5 t GVW	2,925	-6.9%	27,504	30,637	-10.2%
3.5 – 6 t GVW	102	34.2%	1,123	1,513	-25.8%
6 – 18 t GVW	199	-28.2%	2,192	1,939	13.0%
Over 18 t GVW	663	62.5%	3,758	2,337	60.8%

Source: APIA

1.2. Main players

1.2.1. Producers

Roman Brasov, controlled by the businessman Ioan Neculaie, managed to break even in the first half of 2006, amid a fourfold increase in turnover, to 37.7 million Euro. The company recorded in June 2006 a net income of about 34,000 Euro compared to a 2.3 million-Euro loss registered in the corresponding period of the last year. The turnover increased mainly due to a contract signed by the company during December 2005 with the US Defence Ministry. The contract is worth 130 million Euro, with the US Defence Ministry having pledged to buy around 1,000 trucks manufactured by Roman. In May 2006, Roman Brasov fulfilled its contractual obligations and delivered the first lot of trucks. To finance the production, the company contracted a loan worth 4.2 million Euro from Turkish-owned bank Finansbank. At the end of June 2006, Roman Brasov had debts standing at 29 million Euro, of which debts that had to be paid over a period of up to one year amounted to 25.4 million Euro.

Langendorf Medias was set up in October 2005 and is a producer of trailers, semi-trailers, tilting mega structures with steel bucket and chassis. Langendorf Germany owns 58% of the company's shares. The majority of the products are for the Romanian market, but also for the Bulgarian and Hungarian markets.

1.2.2. Importers

EVW Holding is the importer of DAF trucks on the Romanian market. According to the representatives of EVW Holding, in regards to the DAF trucks, the increase recorded in the first ten months of 2006 compared to the similar period of 2005 is of 5.6% % in the segment of 6 – 18 tonnes and of 62.7% in the segment of over 18 tonnes. According to EVW Holding, the total DAF sales in the first ten months of 2006 reached 756 units, the percentage of vehicles for constructions being of 45%. The DAF sales in the period January – October 2006 exceeded 177 million Euro compared to 112 million Euro in the similar period of 2005. The importer recorded in 2005 a turnover of over 192 million Euro, the estimations for 2006 being of over 320 million Euro, taking into account the fact that the company registered in the first ten months of 2006 a turnover of over 260 million Euro.

Volvo Romania, the Romanian branch of the Swedish company, in the first nine months of 2006 sold 507 new trucks, out of which 85 in September 2006. Volvo Romania sold 683 commercial vehicles of over 3.5 tonnes in 2005. The company's revenues in 2005 recorded around 100 million Euro, including both revenues from truck and spare part sales and revenues from car service operations. The company's turnover in 2005 went up by about 21%, to 16.9 million Euro, from 14 million Euro in 2004 and Volvo Romania's net income increased by about 19%, from 1.54 million Euro in 2004 to 1.84 million Euro in 2005. According to Volvo Trucks representatives, the volume of investments attracted by Romania will increase considerably after the EU integration. Volvo Trucks will step up its activities on the Romanian market amid construction market growth and the implicitly rising demand for specialised equipment. Romania will therefore become an important destination of the truck maker's investments. The Swedish group plans to be a long-term player on the Romanian market.

Iveco Romania, the importer of the Italian brand Iveco, recorded a sale increase of 20% in the first eight months of 2006 compared to the whole sales registered in 2005, reaching 5,427 sold units. The sale increase brought to the company in 2006 a growth of its market share with 1%, reaching about 20%. In 2006 the Iveco launched a new model of the utilitarian Iveco Daily, the company estimating sales of this model during 2007 on the Romanian market of 2,500 units. In Romania, Iveco has a distribution network that includes

7 authorised dealers and 20 service centres. The most important Iveco dealer in Romania is Cefin Romania that will launch in 2007 the biggest integrated Iveco centre in the CEE. About 90% of the Iveco sales in Romania are performed through leasing system. About 50% of the company's sales are represented by the commercial vehicles with total weight of 3.5 tonnes.

Loreto Exim is the exclusive authorised dealer of the Czech company Tatra. The company recorded sales of 40 units in the first ten months of 2006, of which 72% represented vehicles for the construction industry. According to Loreto Exim representatives, the company's sales in the first ten months of 2006 were of 4.7 million Euro, being sold especially auto tip-up trucks of 20 and 26 tonnes and chassis for installations of oil drilling. The company recorded a turnover of 5.1 million Euro in 2005. The estimations for the turnover in 2006 are of 6.5 million Euro.

Renault Trucks Romania, the importer of Renault brand in Romania, has nine concessionaires, located in Bucharest, Constanta, Calarasi, Craiova, Brasov, Timisoara, Cluj-Napoca, Bacau and Iasi. The Renault Trucks' main concessionaire in Romania is Ipso. For the construction field, the company offers Renault Premium Lander (for the supply to sites) and Renault Kerax (for public works, construction sites, transport on difficult lands). Renault Trucks offers also second-hand commercial vehicles.

DaimlerChrysler Automotive Romania performs starting with January 2007 the activities of import, marketing and sales of the Mercedes Benz brand on the Romanian market. The authorised Mercedes Benz centres, for sales and service, are located in Timisoara, Cluj, Iasi, Bucharest, Arad, Brasov, Constanta, Craiova, Galati, Sibiu, Suceava, Targu Mures and Pitesti. In the first 11 months of 2006, 2,191 Mercedes Benz commercial vehicles were sold, out of which 245 in November 2006. On the Romanian market the following models of Mercedes Benz trucks are sold: Actros, Axor, Atego and Econic.

CTE Trailers imports on the Romanian market commercial vehicles produced by the German company Langendorf GmbH. Starting with 2002 the Langendorf products recorded an increase on the Romanian market, which lead to a collaboration with Automecanica Medias, resulting the producer company Langendorf Medias.

BMC Truck&Bus is the importer of commercial vehicles produced by the Turkish company BMC Sanayi ve Ticaret A.S., part of the Çukurova Holding. The company imports on the Romanian market the following models of vehicles: PRO 625 (trucks, tip-up trucks, cabooses, loaders and waste collection vehicles), PRO 628 (trucks, cabooses, chassis and concrete mixers) and PRO 518 (chassis and waste collection vehicles), all equipped with engines EURO3. The company sold 145 commercial vehicles in the first 11 months of 2006, out of which 7 in November 2006.

1.3. Forecasts for the next period

The companies on the market are optimistic regarding the sales of commercial vehicles, including trucks, in the following five years, as a result of the developing of small and medium sized enterprises and the entering of the multinational companies on the Romanian market.

The estimations for 2007 depend on the major changes starting with 1st of January. One example is the introduction of the registering tax for all types of vehicles, new and second-hand, both for population and companies. The tax level will be calculated taking into account the pollution rate and the cylindrical capacity, the most used level for truck engines being of 12 litres. The tax value varies between 9,180 Euro for an up to six month old truck Euro IV and 34,344 Euro for an over six year old non-Euro truck. For a two – four year old truck Euro III, the tax is of 24,398 Euro and for a four – six year old truck Euro II the tax is of 29,070 Euro.

According to the Romanian Government, the introduction of the tax aims the preventing of the pollution increase, caused by the import of second-hand vehicles. APIA considers that the tax for the first registering of trucks should be eliminated due to the fact that the commercial vehicles are production means.

1.4. Second-hand vs. new products

The demand of new trucks in the construction industry is high, even if there are companies that, due to the financial reasons or the management mentality, still choose the acquisition of second-hand vehicles. But y/y, the sales of second-hand vehicles are more and more reduced. For example, in the total DAF sales in Romania recorded until October 2006, the sales of second-hand vehicles had a percentage of only 9%.

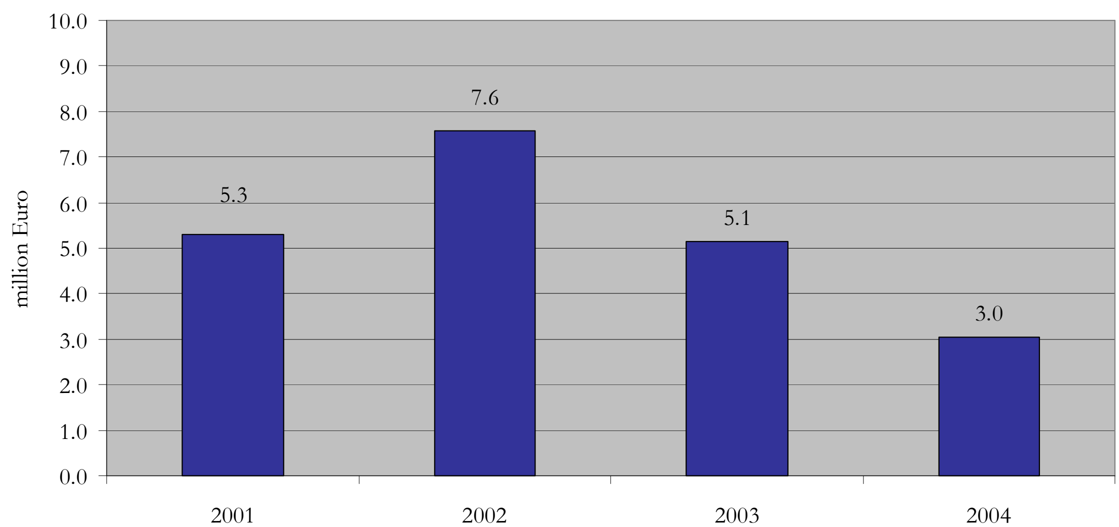
In the last 3 – 4 years, there was recorded a mentality change of the construction companies that acquired second-hand vehicles mainly from the German and Austrian markets. The main reasons for this change are: the high costs for the maintenance of second-hand construction vehicles (that due to the exploitation conditions require permanent maintenance expenditures), the financing facilities from the importers and financial companies, the desire to have a uniform park (of brand and models) and the opportunity to configure the truck according to the performed activity.

2. Romanian market of equipment for constructions

2.1. Production of equipment for constructions during the last years

The evolution of the production of the equipment for construction and road works in million Euro, during the period 2001 – 2004 is presented in the below chart.

Production of equipment for construction and road works, during the period 2001 - 2004

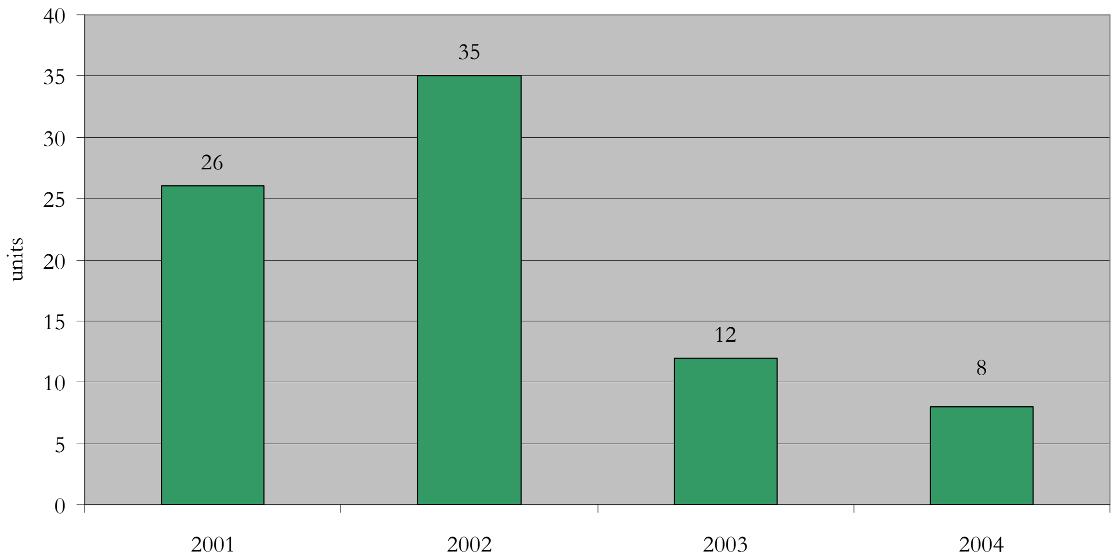


Source: National Institute of Statistics

The best year was 2002 when an increase by 43% of the production of the equipment for construction and road works compared to the previous year was recorded. In 2004 it was recorded a significant decrease of the production of the equipment for construction and road works of 41% compared to 2003.

The evolution of the local production of excavators in units, during the period 2001 – 2004 is presented in the chart below.

Production of excavators, during the period 2001 - 2004



Source: National Institute of Statistics

The production of excavators, in units, recorded the same trend as the production of equipment for construction and road works, in million Euro, 2002 being the best year with an increase of 35% compared to the previous year. The highest decrease in the excavators production was recorded in 2004, of 33% compared to 2003.

2.2. Current situation of the market

According to the Association of Distributors of Equipment for Constructions (ADUC), the sales recorded by the members of the association, in the first nine months of 2006, are similar to the sales recorded in the entire year 2005. The growth of the market of equipment for constructions was determined mainly by the development recorded in the sector of road and industrial constructions.

The economic evolutions lead also to the diversifying of the equipment range. At the present there is recorded a significant demand of the equipment for roads: loaders, graders, excavators, asphalt finishers etc. At the present the most significant orders are from the Southern and Western areas of the country.

The bulldoexcavators were the most sold equipment, recording 43% of the total sold units. The excavators sold in the first nine months of 2006 exceeded with 40% the units sold in the same period of 2005. An increase of 20% was also recorded in case of loaders. At the present, the excavators and the loaders represents 8% and respectively 9% of the total sold units.

ADUC forecasts for the medium term the increase of the interest to acquire specialised equipment.

2.3. Main players

2.3.1. Producers

Promex Braila, part of the industrial group Uzinsider, recorded in 2005 a turnover worth 16.5 million Euro, this representing a 10% increase compared to 2004. In 2004, Promex posted a turnover worth 15 million Euro, 50% more than in 2003, when the company's business stood at approximately 10 million Euros. The company's net profit increased from 2,500 Euro in 2004 to 29,600 Euro in 2005. In 2005, the company started to decrease expenses, especially the wage expenses, by reducing the number of employees. In 2005 Promex had 1,362 employees compared to 1,510 at the end of 2004. The company produces metallurgic equipment, refractory equipment (crushers, cement lines, brickworks, differential rolls), presses, excavators, scrap iron equipment, wheel-sets, naval equipment, loaders, compacting road rollers etc.

2.3.2. Importers

Protruck Echipamente Constructii is the exclusive importer in Romania of the equipment for constructions produced by New Holland Construction Machinery, member of CNH Group. O&K, Case, Kobelco, Fiat Kobelco and Fiat Allis are also members of the Group. Protruck sells only new products. The company offers bulldoexcavators, frontal loaders, excavators on caterpillars and wheels, mini-excavators, bulldozers, graders, telescopic loaders, multifunctional mini-loaders, excavators for specific works (demolish, industrial) etc. In February 2006, Protruck launched a new sale and service centre in Focsani city, with an investment of 1 million Euro. At the beginning of this year the company intends to open another sale and service centre in Bucharest. In 2005 Protruck recorded a turnover of 34 million Euro, this representing an increase by 60% compared to 2004. The estimated turnover for 2006 is of minimum 40 million Euro.

Autoconstruct is the general representative in Romania for four prestigious European brands: F.X. Meiller GmbH & Co KG Germany (mega-structures and tilting semitrailers), Faymonville AG Belgium (semitrailers for overweight and special transports), Emi TEcno Due Italy (sanitation mega-structures) and Stokota NV Belgium (mega-structures and semitrailers for the transport of chemicals products, food, cement and bitumen). From the total sales of the company, 90% represent new products and 10% second-hand products. According to the company's representatives, Autoconstruct has a market share of 30% in the field of transport in constructions and of 80% in the field of overweight transports. In the field of the transport of materials and liquids, the company has a market share of 25%. The product prices depend on the brand, the endowment and the clients' requirements regarding the product endowment. The product prices vary between 15,000 Euro for the tilting Meiller products and 150,000 Euro for Faymonville overweight and special semitrailers. Autoconstruct opened in 2006 a new centre in Otopeni, for office spaces, service and showroom with an investment of 0.8 million Euro. The company recorded in 2005 a turnover of 3 million Euro compared to about 1 million Euro in 2004. The company estimates a turnover in 2006 of 5 million Euro.

Terra Romania, the leader on the bulldoexcavator market (according to the domestic market data and the producers' reports) sells a wide range of equipment for civil and industrial constructions, roads and bridges, public utilities, forest exploitation and logistics. Terra Romania is part of the Industrie Holding in Austria. The company sells ten well-known brands split in three categories: equipment for constructions (JCB and JCB Vibromax, HBM Nobas, Allround), equipment for auto-trucks (Palfinger, Doll) and equipment for warehouses (Nissan, Crown, Ranger, Lancer). The company recorded in 2005 a turnover of about 16 million Euro, this representing a doubling compared to 2004. The majority of the company's clients prefer the leasing in order to buy the products. The company sells also second-hand products.

Inscut was set up in 1949. The company imports and distributes bulldoexcavators, loaders, excavators, bulldozers, multifunctional equipment, compactors etc of the following brands: Hidromek; Neuson Kramer; Hyundai; Dressta (HSW); Allu; Bronto Skylift; Avant Tecno and Junttan. Inscut estimates a 15% increase in turnover for 2006, to 6.7 million Euro. According to the company's representatives, the drive behind the growth of Inscut's business was the sales of equipment for constructions, which accounted about 40% of the company's revenues in 2006. The company recorded in 2005 a net profit of 27,700 Euros and a turnover of 5.8 million Euro. Inscut is 79.45% owned by Diekat, one of the biggest Greek construction companies, the remaining 20.55% being controlled by other shareholders.

Ircat recorded in 2005 a sale percentage of new products of 90% and for second-hand products of 10%. Ircat sells products with prices of 15,000 – 70,000 (Bobcat equipment), 100,000 – 300,000 Euro (ABG-Ingersoll compactors and asphalt finishers), 200,000 –

500,000 Euro (Hartl equipment). The second-hand products have prices smaller with 30 – 50% compared to the new ones.

Powertek Company, the Terex dealer in Romania**,** offers equipment for the construction activity, infrastructure, recycling and transport. The company recorded in 2005 sales of 5 million Euro and forecasts an increase of 20% in 2006. According to the company's representatives, in 2005 Powertek sold only new equipment. Powertek intends to invest in a new headquarter and a new service space and showroom.

Marcom is the authorised distributor in Romania of the following brands: Komatsu (complete range of construction equipment), Potain (complete range of the tower and auto-lifting cranes) and Atlas (complete range of motor compressors). In 2005, according to the company's representatives, 99% of the company's sales were represented by new equipment and 1% by second-hand equipment. Marcom launched in 2006 bulldoexcavators Komatsu WB93S-5 and WB97S-5 and excavators Komatsu range 8.

Edrich was set up in 1998 and sells on the Romanian market excavators, bulldoexcavators, bulldozers, concrete mixers, graders, frontal loaders. Edrich is a Romanian – Italian joint venture that offers the following brands: Benfra, JCB, Simesa, Gelco, Italmachine etc. The company sold the equipment for constructions with prices of 600 – 150,000 Euro. The prices of second-hand equipment are smaller with about 50 – 60%. The company has a permanent stock containing 50 units. The sales in 2005 were of 106 units, of which 10% were new products and 90% second-hand products. The company forecasts a doubling of sales in 2006.

Bergerat Monnoyeur sells on the Romanian market the Caterpillar equipment for constructions, manufactured in production units located on three continents: Europe, Asia and America. The company imports and sells bulldoexcavators, excavators, mini-loaders, loaders, bulldozers, compactors graders etc.

Tractor Proiect Comert imports and sells on the Romanian market loaders, bulldoexcavators etc, Terex/Fuchs, Terex/Schaeff andRAM brands. The company sells new and second-hand equipment/

Mem Impex sells on the Romanian market Ammann equipment of compacting, Atmos motor air compressors, Vistarini pneumatic hammer drills etc. The prices of the products are of 400 – 80,000 Euro, with discounts depending on the number of the acquired equipment, the clients' fidelity and the respecting of the contact terms.

2.4. Forecasts for the next period

According to Terra Romania, in the near future there will be more companies on the equipment market and more choosing alternatives for the clients. It is expected that the Romanian market will follow the trend in the Western Europe and will orientate toward the specialised equipment, compared to the present period when the multifunctional equipment is the most demanded.

According to market sources, through the EU accession the value of sales will increase due to the big number of projects and financing sources. New activities will also appear, such as equipment renting from the companies in the Western Europe, which can influence the clients' buying decision. The EU accession will have favourable effects for the commercial vehicle market based on the improvement of the financial conditions, the increase of the volume of projects for constructions and rehabilitations of the infrastructure and civil construction sector, the expanding the logistic parks and the effectiveness of the production and distribution activities. Also, the elimination of some custom formalities after the EU accession will bring a significant advantage. The following years will bring major investments in infrastructure and significant sales of modern equipment. The number of equipment on the market will increase significantly, after a period of time this being followed by a decrease of sales and a market stabilisation, the increases being of about 3 - 5% per year.

2.5. Equipment payment procedures

Some examples of payment procedures for the acquiring of the equipment for constructions are presented below.

Protruck works with all the leasing companies on the Romanian market, offering a leasing period of 1 – 5 years, depending on the client's requests. If the product is in the stock, the delivery is on the spot but if the client requests a special product the delivery is made in maximum 60 days from the contract signing. The company requests a down payment starting with 5% of the equipment value (for important clients the down payment is zero).

Autoconstruct delivers the equipment in the stock in maximum one week from the paid down payment and in case of special requested equipment the delivery period is of about 8 - 10 weeks. The clients have to pay a down payment of 10 – 15 % of the equipment value and the difference is paid at the delivery moment.

Edrich has a permanent stock of about 30 -50 units, but for a special equipment requirement the delivery is made in maximum 15 days. In case of a firm order and only for new products, the down payment is of 30% and the difference is paid at the delivery moment. The leasing period is of maximum three years. At the present, the company collaborates with Romleasing and Arad Leasing.

In collaboration with CAT Financial, Bergerat Monnoyeur offers a complete range of financing solutions for acquiring the Caterpillar equipment.

3. Construction trends in Romania 2007 – 2010

According to Deloitte Romania, the domestic construction market will amount to 10 billion euros by 2010, predominantly driven by infrastructure work and by private investments in retail.

Construction works on 1,000 kilometres of motorway and 500,000 square metres of shopping areas are scheduled for the following four years. Deloitte representatives valued the construction market at 7.3 billion euros in 2005.

The market has been increasing by 9.8% yearly, currently accounting for 9% of the gross domestic product (GDP). New constructions, which amounted to 4.5 billion euros in 2006, accounting for 62% of the total market value, were the main catalyst behind growth. By comparison, maintenance work stands at 23% of the total market value, while repairs account for 16%.

The small share held by new construction in the entire market over recent years has attracted foreign construction material manufacturers, which invested hundreds of million of euros in production capacities.

The lack of infrastructure work over the last year was offset by the numerous projects regarding the construction of malls, office spaces and housing units. The civil engineering sector will see significant growth over the following years and its growth pace will exceed the residential and non-residential sectors, thus playing a significant role in the overall growth of the construction market.