CENTRAL EUROPE AUTOMOTIVE REPORT™

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The Source For Automotive Information On Central Europe™

September 1997

On The Web at http://www.cear.com™

Volume II, Issue 8 ISSN 1088-1123

Regional Market Highlights

Summary

- *Denso investing $100 Million in Hungarian diesel injection pump factory*
- *GM awards stampings contract for Polish factory to VAB Rapotin*
- *Nomura invests in Romanian tire maker and distributor Tofan Grup*
- *UT Automotive building wiring system factory in Poland*
- *Showa Aluminum building a/c condenser factory in Czech Republic*
- *Ford Targets Slovakia for components purchases*
- *VW Bratislava expanding production*

Romania

Nomura Takes Minority Stake in Tofan Grup

Nomura International plc snapped up a 49% stake in Tofan Grup for $60 million and will arrange debt facilities worth $40 million. The Tofan Grup owns tire manufacturing and distributing companies in Romania. Nomura's investment, made in July, is the second largest foreign investment ever made in the Romanian automotive industry.

"The tire industry may not be a very exciting industry, but it is nevertheless interesting," said a Nomura official. "You have 23 million people [in this] market, and then you have the markets in the neighboring countries. We did believe -- and still do -- it was a sound business opportunity." *[for more on the aggressively expanding Tofan Grup, see this month's Company Spotlight on page 10]*

Policolor Goes Private

A controlling stake in **Policolor**, Romania's largest paint and industrial coatings producer, was recently sold to two investment funds. The **State Ownership Fund's** 51% interest in Policolor was purchased on July 28 by the **Romanian-American Enterprise Fund** (25.5%) and by the **Romanian Investment Fund** (25.5%), a $65 million closed-end investment fund managed by **East Fund Management.**

Besides pumping $12 million into upgrading Policolor's technology, the two funds are committed to boosting exports, which stood in 1996 at a scant 4% of production. The company recently refurbished its facilities, including the installation of a 1,000 ton per year metalized dye production line designed to supply Romanian carmakers, and new machinery for acrylic and epoxy resins and metallic powder paint production. Policolor's 1996 sales amounted to $42 million.

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C E A R

Romania

PROFILE

Tough Year For Daewoo; Chairman Park Still Optimistic

It's been a difficult year for Dong-Kyu Park, Chairman of Daewoo Automobile Romania. Although the factory he oversees is functioning smoothly, pumping out Cielos, Esperos, and Ticos, there's been no shortage of crises to keep Mr. Park busy.

Dong-Kyu Park

The Romanian economy, with its spiraling inflation and interest rates and unstable currency has become Daewoo's nemesis, forcing the company to lower its production targets for 1997 due to poor domestic sales prospects. In February, the company's workers, suffering from the effects of high inflation, demanded a re-negotiation of the 5-year labor contract Mr. Park negotiated with them back in February 1996. And the Romanian mass media has been nipping at Daewoo's heels, charging that the company has failed to meet its promised parts localization plan.

The ***CEAR*** *first interviewed Mr. Park back in May of 1996, after he had been at his new post in Romania for only one month [CEAR Vol. I, Issue 3, July/August 1996]. In June of this year, the* ***CEAR*** *spoke with him again to get a progress report on Daewoo's Romanian operation.*

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CENTRAL EUROPE AUTOMOTIVE REPORT™

September 1997
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On The Web at
http://www.cear.com™

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CENTRAL EUROPE AUTOMOTIVE REPORT™, 4800 Baseline Rd., Suite E104-340, Boulder, CO 80303 USA, is published monthly, except August, by Central European Trade & Marketing, L.L.C. in Boulder, Colorado.

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Feature Country *Continued From page 1*

Daewoo to Start Nubira Production

By the end of 1997, **Daewoo Automobile Romania** will start production of a new model to succeed the Espero - the Nubira. Daewoo expects to produce 10,000 Nubiras in 1998 and 20,000 in 1999, the company's Chairman Dong-Kyu Park told the **CEAR**.

In late 1999, the Romania factory will begin production of the M100 model, which is to succeed the Tico. Mr. Park said that they expect annual production of the new model to reach 20,000-50,000 units after the year 2000.

Daewoo Subsidiary to Make Components in Romania

A Daewoo subsidiary based in Korea is planning to invest $83 million into a greenfield automotive components factory in Romania.

Fiat-IVECO in Talks With Roman?

Plagued by poor management, obsolete technology and products, and union unrest, the Brasov-based heavy truck manufacturer **Roman** has been seeking for years a joint venture with a powerful foreign manufacturer. The latest on a long list -- which includes companies such as **Navistar International** and **Renault** — is **Fiat-IVECO**. According to sources at Roman, "serious negotiations are being carried out."

Rocar Wins Bus Contract

The ailing Romanian bus and van maker **Rocar** received a needed boost when it recently won a tender to deliver 300 buses to the **Bucharest Public Transportation Authority** from July 1997 to December 1998. The company has lost several other past tenders, but this time managed to beat its main competitor, **DAF Bus**. Rocar's new bus model -- U412-260 -- boasts low fuel consumption and maintenance costs, is built with many foreign components (mainly German), and costs some $150,000.

New Starter Production at Electroprecizia

Electroprecizia recently started production of a new 0.8kW starter, claimed to be "one of the most competitive worldwide." The company has also started production of a larger 80A alternator, to fit Dacia's Nova range cars. Electroprecizia is the leader in the Romanian market for electromechanical automotive components and devices, including gauges, meters, starters, and relays.

Poland

GM Awards Stampings Supply Contract

In July, Czech company **VAB Rapotin** was awarded a stampings supply contract for **GM/Opel's** new plant in Gliwice. "After a technical evaluation, we decided that they are the right partner for us," GM's Central European Purchasing Director Achim Kuhne told the **CEAR**. To fulfill its contractual obligations, VAB has formed a new company, **VAB Tychy**, which will conduct operations from a new factory in Poland.

VAB Tychy will supply 93 different middle-sized stampings to GM from a factory under construction in a free economic zone in Tychy, a town about 35 km from Gliwice. The plant, which will employ 500 people, is expected to be finished by the end of 1997 and fully operational early in 1998. The company will take over two GM press lines that are being dismantled and transferred to Poland from GM's plant in Russlsheim, Germany.

UT Automotive to Build Wiring Systems in Mielec

United Technologies Corp.'s automotive unit — **UT Automotive** — is building a wiring systems plant in the Polish city of Mielec. Within three years, the company expects the new plant to generate sales of more than $100 million and employ 500 workers. UT Automotive currently operates a wiring systems assembly plant out of **Ford Motor Co.'s** facility in Plonsk, Poland.

Eaton Corp. Building Engine Valve Factory

Eaton Corp. is planning to build an engine valve factory in Bielsko Biala Poland. Valves produced at the plant will be supplied to **Fiat** and other European manufacturers. Eaton will invest $5 million in the facility and employ 150 workers.

Delphi Purchases Strut & Shock-maker F.A. Krosno

Delphi Automotive Systems signed a letter of agreement to purchase a majority interest in **Fabryka Amortyzatorow S.A. (F.A. Krosno)**, the Polish manufacturer of struts and shocks. Delphi plans to invest $90 million in the company.

Feature Country *Continued From page 2*

"This acquisition positions Delphi to immediately support developing suspension markets in Central and Eastern Europe," said Delphi Automotive Systems President J.T. Battenberg III.

Delphi will purchase the ownership interest from **National Investment Fund Magna Polonia**, the lead shareholder in F.A. Krosno, represented by **Chase Fund Management Polska**.

Current customers of F.A. Krosno include **Fiat** and **Daewoo**. The company also manufactures ball joint and steering components and supplies the aftermarket. Approximately 2,000 employees are employed at its facilities located 240 km south of Warsaw.

A/S Roulunds Fabriker Buys Clutch-maker Fomar

On June 11, 1997, the Danish company **A/S Roulunds Fabriker** acquired a controlling interest in Polish brake lining and clutch producer **Fomar S.A.** *[See CEAR Vol. II, Issue 7, July 1997 for more on Fomar]*. The purchase is a joint investment with the **Danish Investment Fund for Central and Eastern Europe**. Fomar's employees will own 15% of the new company's shares, and the Polish Ministry of Treasure will hold 5%. The new company is named **Fomar Roulunds S.A.** Fomar has about 500 employees.

The purchase of Fomar is part of Roulunds's strategy to establish a leading position in the Central and East European growth markets. Roulunds also has manufacturing companies in Denmark, the UK, France, and China, and is building a brake linings factory in India.

Hungary

Denso Building Diesel Injection Pump Factory in Hungary

The Japan-based **Denso Corporation** is pouring $100 million into a new diesel injection pump factory in Szekesfehervar. Construction of the facility, **Denso Manufacturing Hungary Ltd.**, will start in October, with production scheduled to begin in June, 1999. At full production in the year 2000, the company expects to manufacture 180,000 pumps annually, employing 400 workers.

Hungarian Police Force Will Use Opel Astras

Opel Southeast Europe Ltd. (successor to **Opel Hungary Distribution**) has won a tender for the supply of Opel Astras to the Hungarian police force. Opel will deliver 920 Astras by the end of March 1998, a deal valued at DEM 25 million ($14 million). Built and customized at the Opel Hungary plant in Szentgotthard, the cars will feature special lamps, horns, and communication equipment.

On August 1, 1997, **Ford Credit** started financing operations in Hungary. **Ford Bank Hungaria Rt.**, a subsidiary of **Ford Credit Europe**, is based in Budapest. Products and services offered in Hungary include wholesale financing for dealers. At a later date, retail financing for new and leased vehicles will be offered
.

Czech Republic

Ford Invests Another $50 Million in Autopal

Autopal, a Ford Automotive Products Operations plant, will receive a $50 million capital infusion from Ford to produce Escort-class vehicle lighting systems for export to **Ford** plants in Saarlous, Germany and Valencia, Spain.
The new capital will be used for a facilities upgrade and for new equipment, including advanced plastic injection molding presses capable of molding in multiple colors. The investment will bring Autopal's employment to nearly 3,200.

In addition to lighting systems, Autopal produces air conditioner hoses, stamping dies, injection molds, and production machinery.

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CEAR

Romania

DACIA: THE DARK SIDE OF THE ROMANIAN MARKET

DOMESTIC SALES CRASH ROCKS CARMAKER

At the end of 1996, **Dacia's** CEO, Constantin Stroe, warned: "In the long run, we cannot survive unless a powerful foreign investor steps in." Few, however, paid attention to this prophecy.

In 1996 the Pitesti-based carmaker broke previous production records with nearly 100,000 units made. Sales of the shovel-nosed, Renault 12 licensed Dacia 1310 and 1400 models were hot, with a three month long waiting list, and buyers paying in advance some 30-40% of the $3,000-3,500 price. And the company had cured the ills of its latest model, the Nova. Everything looked good and seemed to support forecasts of a 3.4% profit margin in 1997.

These bright prospects, however, proved to be short-lived. Today, the manufacturer faces a severe crisis, second only to that experienced in 1991-1992 when the company was on the verge of bankruptcy — although for different reasons. This time the problem lies in the domestic market, where Dacia enjoys an overwhelming 75 percent market share.

Storm Clouds Gather; Domestic Sales Plummet

Sales on the domestic market have crashed, primarily due to the austerity policy enacted by Romania's new government which took charge in November 1996. This policy has led to a severe decline in the purchasing power of Romanians. Some legislative measures — such as the steep fuel price hike and the introduction of a 5% tax on new cars to be used for road improvements — have only worsened the situation. "This tax was initially to be applied only on imported cars," said weary Dacia officials.

In the first few months of 1997, when other carmakers saw their sales plummet, Dacia's sales were stable since there were some 30,000 to 40,000 customers on their waiting list who had already paid money up-front. Dacia also benefited from a migration phenomenon whereby some of **Daewoo's** low-end customers gave up trying to buy the $10,000 Cielo/Nexia and returned to Dacia's more affordable models.

In April and May, however, the crisis hit full speed. Sales in the first five months of 1997 declined to 34,000 units. Demand shrunk by 28% and by mid-May Dacia had a stock of some 2,100 cars — a situation the company hadn't experienced in the last five years.

Crisis Management — Cut Production, Boost Exports, Squeeze Suppliers

Dacia's management — well-trained during the previous crisis — reacted quickly to the threat. The production pace was reduced from 420-430 units a day to 220 in June, and large scale maintenance and upgrading works, postponed in the last few years in order to take advantage of the market's feverish pace, were started. In June, workers were sent on a two week compulsory summer holiday.

Top management also started to focus more on developing traditional export markets, with noticeable results: 3,500 cars (1,000 Novas) will be exported to Egypt and Turkey, and China — Dacia's largest export market, where the company sold during the last decade some 80,000 cars — may turn out to be a key part of the management's plan to export 25% of this year's production.

Due to its high quality/price ratio, the Nova enjoys strong demand in several Latin American markets — Argentina, Peru, Columbia, and Venezuela. The car has been redesigned and at the current exchange rate of some Lei 7,100/USD it sells for less than $4,500.

In order to penetrate other export markets — Central and Eastern Europe included — the company is pushing hard to comply with the tough European environmental regulations. To improve Nova's fuel consumption and bring the car into compliance with Euro I & II pollution requirements, exported Novas will be powered by **Peugeot** XUD-9A engines, and tests are being made to introduce a **Bosch** central injection system and bi-component catalyser.

Dacia has put tremendous pressure on its Romanian suppliers to slash prices. As a result, the company was able by mid-May to offer a 7-8% price discount on its passenger cars — the first ever in the company's history.

Foreign Partner?

Yet the most sensitive issue for Dacia is finding a foreign partner. Discussions with **Hyundai** and **Renault** are underway, and it's rumored that **Citroen** is just around the corner, supported by the Minister of Trade and Industry, Calin Popescu Tariceanu, a former Citroen dealer.

Since outcome of these negotiations is still uncertain, Constantin Stroe (who in 1996 was "Romanian Manager of the Year") is a frustrated man. "I would ask the government people: what kind of foreign investment would they promote if they were in my position?" he said in June. "Strategic or portfolio investment? And if strategic, where should it come from? East or West? And if I'm not able to find any, what other conclusion could I draw, other that I am not qualified for this job?"

Catalin Dimofte (Bucharest) ■

1997 Production of Clios at the Revoz/Renault Plant in Slovenia

Month	Units	Exports	Domestic Sales* (local production)	Domestic Sales* (imported cars and LCVs)
1/97	6,841	6,466	375	684
2/97	6,644	6,295	349	1,290
3/97	7,639	7,212	427	953
4/97	9,996	9,418	578	1,009
5/97	9,638	8,824	814	1,436
6/97	9,848	9,004	844	1,161
Total	**50,606**	**47,219**	**3,387**	**6,533**

*Domestic Sales include sales in the states on the territory of the former Yugoslavia.

Source: Revoz d.d.

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New Car Sales in Bulgaria: January - June 1997

Producer	Units	Share
Aleko	0	0.00%
Alfa Romeo	0	0.00%
Audi	15	0.51%
Avia	7	0.24%
BMW	5	0.17%
Chrysler	11	0.37%
Citroen	167	5.69%
Dacia	6	0.20%
Daewoo	544	18.53%
Fiat	231	7.87%
Ford	403	13.73%
Honda	13	0.44%
Hyundai	160	5.45%
Iveco	1	0.03%
Jaguar	0	0.00%
Kia	69	2.35%
Lada	173	5.69%
Lancia	0	0.00%
Mazda	111	3.78%
Mercedes	54	1.84%
Mitsubishi	6	0.20%
Nissan	26	0.89%
Opel	163	5.55%
Peugeot	146	4.97%
Renault	83	2.83%
Rover	2	0.07%
Rov Maestro	0	0.00%
Seat	16	0.54%
Skoda	135	4.60%
Suzuki	18	0.61%
Tofash	0	0.00%
Toyota	70	2.38%
Volkswagen	273	9.30%
Volvo	28	0.95%
TOTAL	**2936**	**100.00%**

Source: Moto-Pfohe GmbH.

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TIPS FOR SUCCESS IN CENTRAL EUROPE

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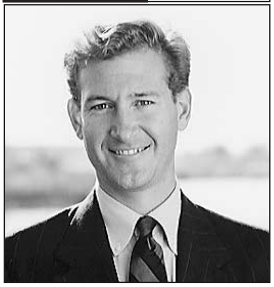

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Success in the Central European auto industry is by no means guaranteed. Opportunities abound but the business landscape is scattered with traps to snare the unwary. Compared to the West, projects move along slower in Central Europe, there's mind numbing bureaucracy to contend with, services are scarcer, language barriers inhibit communication, and there's the constant battle against habits and attitudes left over from decades of centralized planning. The market is far from efficient

I've spoken with scores of companies in the auto industry throughout Central Europe, from tiny third tier suppliers to big vehicle manufacturers. Two traits shared by the successful ones are flexibility and excellent problem solving skills. The smart Western companies operating in the region know that they can't force the square peg of their ways into the round hole of Central European reality. Failure to recognize this results in wasted time, frustration, and probable defeat. Here are few instructive examples of the correct way to overcome obstacles in Central Europe.

Central European borders are renowned for their congestion and dreadful delays. Trucks wait in line for hours, sometimes days, to get clearance from a dour customs official. A waste of time and money. Unavoidable, right? Think again. Other options exist, such as the one found by VW Bratislava. Last year, the company started shipping cars from its factory in the Slovak Republic to Regensburg, Germany by barge on the Danube. Some 20% of production is sent to Germany by water and, according to company officials, the strategy is working out quite well, even better than expected.

A small plastic components manufacturer from the US recently set up a wholly-owned subsidiary in Slovakia, just like the big guys are doing. How did a small company with limited resources pull this off? They teamed up with the local technical university and actually operate out of university facilities. The company is also helping the university develop a plastics curriculum, providing needed technical expertise and ensuring for itself a stream of qualified future employees. Everybody wins.

Early this year Daewoo Automobile Romania was faced with a crisis when its workers, stung by high inflation, demanded that their wage contract be re-negotiated. Daewoo resisted, the workers wouldn't back down. A dangerous stalemate. What to do? Stand your ground until the other side caves and risk a work stopping strike? Give in and pay what they want? Daewoo did neither. It created an in-house newspaper to send its message to the workers. According to Daewoo, this newspaper was instrumental in getting the workers to understand Daewoo's position and to pressure labor union leaders to accept management's offer. Unconventional, perhaps, but apparently effective.

Stay flexible. Think creatively. These are essential tools to have in your bag when operating in Central Europe. The problems will keep rolling in, but those companies that learn to parry those problems with creative solutions will be left with more time to take advantage of this marke's myriad opportunities.

Continued in Future Issues

ROMANIAN AUTO MARKET ANALYSIS

DESPITE OBSTACLES, PRODUCTION & SALES EXPANDING

At the end of 1989, the level of motorization in Romania was low — the passenger car park amounted to only 1.2 million units, for a density of 19.5 inhabitants per car. This put Romania last among the Eastern European countries (excluding the former USSR), compared with Bulgaria's index of 10 and the former Czechoslovakia's 5, not to mention figures of 2-2.5 in the EC.

Local Production Can't Keep Up, Used Cars Flood In. Following the political changes in December 1989, the Romanian automobile market exploded, fueled by the release of pent up consumer demand. The supply of locally made vehicles, however, failed to satisfy the increasing demand. Actually, output went <u>down</u> each year, bottoming out at 75,000 in 1992, mainly due to parts and equipment supplier problems.

After 1993, a recovery took place, with local production reaching 122,000 units in 1996 (98,000 passenger cars). But the vacuum left by insufficient local production was quickly filled by imports. Due to the low buying power of Romanians, used vehicles (especially from the EC) flooded the market, peaking at around 200,000 units in 1993. This influx of used vehicles resulted in a car park with an average age of around 11.4 years. New imports, therefore, remained low for many years.

This trend changed after 1993. Paralleling the increase in local manufacturing output, second-hand imports slowed, so that in 1996 the number of new vehicles (locally manufactured or imports) equaled the number of second-hand imports.

High Growth, But Low Quality. In the seven years following the opening of the Romanian market, the vehicle park practically doubled to 3.5 million, with passenger cars growing to 2.4 million units. Each year during this period, the car park has increased by about 10%, with a peak growth rate of 13.1% in 1994. Passenger car density has dropped to less than 10 inhabitants per car. Although a big change, a great amount of potential demand still exists.

One problem with this growth is that the quality of the growth hasn't been at the same level as the growth itself. A large part of the growth was due to the import of used, low value vehicles. To show the quality of the growth more clearly, we can make a comparison with another country in transition — Poland. In 1996, 7.6 new passenger cars per 1000 inhabitants were registered in Poland, while the figure in Romania was only 4.

> "A 25-28% increase in production is expected, primarily due to Daewoo's assembly line getting up to full speed. New vehicle registrations are expected to grow by 15-20%. Exports are expected to jump by over 250%."

Despite Difficulties, Market Expanding. Economic difficulties, associated with the anti-automobile policy of the former government, have limited the development of the Romanian automobile market. But the automobile sector seems to be flourishing against all odds. Even if the most optimistic expectations have failed to materialize, there are encouraging signs.

Vehicle production in 1996 jumped by 32.8% to over 122,000 pieces. The growth rate for passenger cars was 37.9%, following a significant increase in production at Dacia and the gearing up of Daewoo's assembly line.

Imports are showing an apparent significant decrease, but this drop has occurred since the most imported vehicle —Daewoo's Cielo/Nexia — is now assembled locally. The imports of all other makes have actually increased by 6.2% for passenger cars and by an even larger percentage for LCVs under 3.5 tons.

Sales of new vehicles in 1996 increased by 25%, with sales of new passenger cars increasing by 18.2% to 97,000 units. The leader in the market is Dacia, with a 71% share, followed by Daewoo with 23%, and ARO with 3.2%. No imported make has more than 1% of the market. Skoda, with 447 units sold in 1996, is the leading imported car. Passenger car imports amount to approximately 2,800 units.
The average price for a new car on the Romanian market is $5,970 (due to a large number of Dacia cars priced at around $4,000), while the average price of a new car on the Polish market is estimated at $10,000. In Romania, $29.30 per inhabitant is spent on the purchase of cars, while in Poland the figure is almost three times as much at $76 per inhabitant.

The Future. For 1997, we expect the Romanian market to continue evolving as it has in the past. Despite a bad start caused by high inflation and new road taxes, the market is already recovering and the figures for the first quarter confirm this. A 25-28% increase in production is expected, primarily due to Daewoo's assembly line getting up to full speed.

Another 8-10% increase in vehicle registrations is likely, with new vehicle registrations expected to grow by 15-20%.

Exports (low in 1996 at 11,500 units) are expected to jump by over 250% following new export contracts for Dacia and the start of export activity by Daewoo. Imports, however, are not expected to grow at such a prodigious rate, mainly due to the slow down in commercial vehicle sales. A 7-8% growth rate is most probable.

This analysis of the Romanian market was contributed by Marius Carp, Director of the Association of Automotive Manufacturers and Importers ■

C
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A
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Romania

COMPANY SPOTLIGHT

TIRE COMPANY AND SPARE PARTS PRODUCER

Company: **Tofan Grup**
Location: **Bucharest, Romania**
Contact: **Gelu Tofan, Owner**
Business: **Tire Manufacturing and Distributing**

"Putting Romania on the Right Track"

This ambitious mission statement belongs to an equally ambitious man, Gelu Tofan, owner of Tofan Grup, a tire manufacturing and distributing company. His is a classic success story, which began in 1991 when the 30-year-old Mr. Tofan was one of the 4,500 employees of the Romanian tire manufacturer, **Danubiana**. He bought a second-hand truck and started a tire distribution business — **Tofan Trans**.

The small business grew quickly and three years later he opened Romania's first modern tire re-treading facility — **Tofan Recap**. Today, Tofan Recap recycles lorry and truck tires, both on customers' demand and through its own network of dealers who have solid relationships with transport companies.

Cash Cows Fund Expansion. In 1993, Tofan Grup was established. The company focused on tire trading and production and established a countrywide distribution network. Both businesses — Tofan Trans and Tofan Recap — turned into profitable cash machines and soon Mr.Tofan started looking for other investment opportunities.

Such an opportunity came in the form of Danubiana, Tofan's former employer, which he took over in December 1995 by buying 51% of its stock from the State Ownership Fund ("SOF"). The Bucharest-based Danubiana is the largest of six Romanian tire producers. The company manufactures tires, tubes, flaps, and stripes for wheels and has an annual capacity of 2 million tires. Actual production in 1996 was about 1 million units.

Danubiana is the leader in several market segments, including tires and tubes for agricultural vehicles and machinery (60% market share), tires for lorries and buses (50% market share), and tires for trucks and off-road vehicles, supplying both OEMs and the spare parts market.

"Danubiana has been a worthy acquisition due to its significant export potential. Exports — mainly of tires for agricultural machinery — to very demanding markets such as the US, Germany, UK, France, Sweden, and Italy, have increased from $3 million in 1991 to over $20 million in 1996," said Tofan. Under Tofan Grup's leadership, Danubiana's turnover increased from $73 million in 1995 to $80 million in 1996, while gross profit doubled over the same period. According to the company's business plan, output should grow by 50%, with exports accounting for the bulk of this increase.

"The tire industry [has] high entry barriers and fierce competition," says Tofan. "If you don't make at least $300-$350 million turnover per year, you're [in serious trouble]." Consequently, in April 1997 Tofan Grup cut a new deal with the SOF, taking over two other Romanian tire manufacturers, **Victoria** and **Silvania**.

Victoria Soars. Victoria concentrates on the passenger car tire segment where it holds an overwhelming 80% market share. Its recently launched Montana brand will be used by Romanian OEM customers, including by **Daewoo** for its Cielo/Nexia and Espero models. The Montana brand will also be targeted at the important budget brand tire market.

The Tofan Grup paid some Lei 135 billion ($30 million) for 51% of Victoria's stock, but Mr. Tofan isn't complaining about the price. The company achieved a turnover of Lei 159 billion in 1995, Lei 259 billion last year, and forecasts 1997 turnover at Lei 557 billion.

As for Victoria's profits, they are going through the roof, totaling Lei 2.6 billion in 1995, Lei 3.7 billion in 1996, and Lei 45 billion this year. Victoria has successfully taken advantage of the Tofan Grup's extensive dealer network.

Silvania Struggles. Prospects are not as bright for Silvania, a manufacturer of radial tires for lorries and heavy trucks. Although it is Romania's newest tire producer (starting operations in 1981), the company has 1,400 employees, is highly indebted, and has been bleeding red ink for some years now. The SOF conditioned Victoria's takeover with the purchase of the money-losing Silvania.

"It's going to be tough — we launched a heavy investment program in those three companies — but we'll work it out, don't worry," said Tofan.

Today, Tofan Grup employs 12,000 workers and is the 26th largest tire manufacturer in the world. The company exported goods worth $50 million in 1996, and expects exports to total $75 million this year and $100 million in 1998. The key for this expansion will be focusing on sales of its niche products — farm machinery tires and budget brands — to the US, EU, and Middle East.

Fresh Foreign Capital. Yet the big news for the Tofan Grup came on July 1 of this year — **Nomura International plc** bought a 49% stake in Tofan Grup for $60 million and will arrange debt facilities worth $40 million. "Five years down the road I'm positively sure we'll be [among] the top 20 tire producers in the world," said Tofan.

Catalin Dimofte (Bucharest)

Company: **Prems**
Location: **Brasov, Romania**
Contact: **Ion Anghel, CEO**
Business: **Spare parts manufacturing and distribution**

Spare Parts Manufacturer Strives to Stay Number One

"Number one — that's what we've always been, and that's where we want to stay," said Ion Anghel, CEO of automotive spare parts manufacturer Prems. Founded back in March 1990, Prems was the first production-oriented private company in Romania.

From the very beginning the company entered a vacant market niche — spare parts for the auto industry — since state-owned companies at that time focused exclusively on manufacturing components for the country's OEMs.

Continued on page 20

C E A R

4th INTERNATIONAL CONFERENCE ON THE AUTOMOTIVE INDUSTRY IN CENTRAL & EASTERN EUROPE

LOCALIZATION, INVESTMENT STRATEGIES, AUTO FINANCING, RUSSIA, JUST A FEW OF THE TOPICS DISCUSSED IN VIENNA

Automotive industry leaders converged in Vienna for the 4th International Conference on the Automotive Industry in Central & Eastern Europe. The conference, organized by The Adam Smith Institute, attracted some 100 automotive manufacturers, suppliers, and consultants.

Representatives from companies such as General Motors, Renault, Scania, Daewoo, Bertrand Faure, Johnson Controls, and Delphi spoke on a wide range of topics, including the status of manufacturers' localization efforts, strategies for developing local suppliers (such as the EBRD's proposal for a supplier development fund), developments in car leasing and financing, investment strategies, and forecasts for the future.

Quotes and excerpts from some of the conference speeches appear below.

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"Sixty-percent of all purchased parts should be sourced locally by the year 2000. Today we are close. We are at 45% already. . .

Since we started [Central European Purchasing] in 1995, we've had dramatic improvements in performance from our suppliers. For the last 2-3 months, we are in general satisfied with what our suppliers in the region supply to us. . .

We put more focus on buying systems and modules. This requires an integrated supply base."

Achim Kuhne, Central European Purchasing Director, General Motors

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"It's absolutely essential that we look for lower cost components in order to meet the continuing pressure for reduced pricing from the OEM's. That may mean we have to close [more expensive] Western European plants. We expect to export significant amounts of components from places like Central Europe. . .

We've got to develop the Tier II supply network to be competitive. We've got to improve local industry quality. This is a key issue. . .

By the time the rules of the game are defined, the windows of opportunities are closed."

Graham Bell, Director, Marketing & Planning, Europe, Delphi Automotive Systems.

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"We're going to start sourcing in the CEFTA countries. Already this year, out of the 60 companies we've met in Poland and the Czech Republic, we hope to source from a few of them by the end of 1997 and beginning of 1998."

Erik Bergelin, Manager, International Sourcing, Renault.

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"We think in Poland and the Czech Republic there's a sufficient base of Western manufacturers already assembled to support [development of local suppliers]."

Paul Shapiro, Principal Banker, EBRD

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"It's an important part of strategy to use Central Europe as an experimental base, doing things you can't do in higher labor markets. . .

Local knowledge is critically important. If you go to Warsaw or Moscow, you'll miss out. Everything has been decentralized. You've got to talk to local authorities."

N.E. Gotbaum, Director, Automotive Group, Central Europe Trust

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"We have noted with concern that a growing number of countries resort to trade-related investment measures such as local content requirements and import/export balancing obligations. Such provisions restrict the commercial freedom of manufacturers that wish to trade and invest in these countries."

Maik Schmahl, Automotive Unit Representative, European Commission

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"The Czech Republic is famous for not providing incentives. Hopefully, our government will change this position in the near future."

David Fojtnik, ***CzechInvest***

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"In my opinion, Central and Eastern Europe is the most exciting market challenge that European manufacturers have had for decades. Right next to our traditional markets these new markets that used to be closed to us, open up at a rapid pace. . .

We believe in a doubling of the total market [for heavy trucks] in Central and Eastern Europe from today's range of 25,000 to 30,000 to between 50,000 and 60,000. Today, the new truck market is dominated by domestic brands. Western brands are sold second hand. But I am certain that imports will gradually take a larger part of the new truck market."

Urban Erdtman, Senior Vice President, Sales & Marketing Europe, Scania AB

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"Private leasing companies have played an unquestionable pioneering role in the development of the personal car financing market [in Hungary]. In product development and lobbying activity they are good allies of banks or bank-owned leasing companies. Mainly they cover a different segment of the market. . .

The bigger leasing companies try to establish a long-term relationship with one or more of the car importers or traders. Thereby giving the trader or importer the means of financing the goods without the client having to raise funds personally. This helps to a great degree the sale of the goods."

Laszlo Kovacs, Deputy General Manager, Daewoo Bank

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"The role of bank subsidiaries and a few captives is almost dominant. The five largest companies produced 60% of the whole volume of Czech leasing in 1996. The share of bank subsidiaries on the market has grown to two-thirds. Almost every domestic bank has established its leasing subsidiary. Also the role of leasing companies with a foreign participation is significant and almost dominant. Their number is growing year by year. They are introducing new leasing products to the Czech leasing market."

Jiri Kubicek, Managing Director, CAC Leasing

Continued on page 22

Profile *Continued From Page 1*

CEAR: Romania has undergone many changes since Daewoo started operations here in 1996, one of them being the election of a new government. What's been your biggest surprise during the past year?
Park: The macroeconomic situation in Romania. Big changes, beyond any forecasts. Especially after the government's announcement regarding the reform schemes, which included expedited privatization, and plans to reduce the government deficit by cutting off subsidies to big state-owned companies. This could bring enormous unemployment.

Due to all of this, prices have escalated. Gas prices have [risen] more than 200%. Then people started to feel like something was taken away, with everything fluctuating and changing. A wait and see psychology developed.

CEAR: And that doesn't bode well for car purchases.
Park: Not only that. All industrial sectors have the same [problem]. Bank interest rates have fluctuated beyond anyone's imagination or forecasts. For big scale investors who intend to make large import and export transactions, a stable economy is the most important thing. Exchange rates, bank interest rates, and inflation should be stable. There's so much loss and damage. This was a big surprise.

> "Bank interest rates have fluctuated beyond anyone's imagination. For big scale investors who intend to make large import and export transactions, a stable economy is the most important thing. Exchange rates, interest rates, and inflation should be stable."

CEAR: After the election, there was great optimism that Romania was going to finally turn itself around. Things seem to have gotten worse. Do you see improvement around the corner?
Park: This is a period of transition. A period of difficulties, but it will improve. People are expecting it to. People are waiting for economic improvement. Otherwise, they will not wait quietly. The government said it needed six months, but already six months have passed. But I think there's an indication of more stability.

CEAR: You first came to Romania in February 1996 to solve a labor dispute at the new Daewoo factory. A five-year settlement with the labor unions was concluded. This year, you've had more labor problems. What happened?
Park: In February, they changed their minds. They wanted to disregard and revise the 5-year peace agreement. At the beginning, we refused since a contract is a contract. The five-year agreement should be kept. They were so insistent and gave us such a hard time that we were obliged to discuss.

We asked them, `Let us know what is your problem. What do you want?' And they said that because the economic environment changed it lead to a sudden decrease in their actual income. Say last year the average [monthly] net income was $170, but this year all of a sudden due to the sharp devaluation of the local Lei, the average income dropped to $90. They demanded that we compensate them.

Our position was that we are not manipulating the economy or inflation rate. How can we take such an enormous responsibility? Everything must be fair and reasonable considering the other industrial sectors. We [told them], we have no objection to paying you a fair salary, but we cannot pay you double or triple what you now earn. So this kind of discussion continued for four months and then we reached an agreement. But the process was very difficult.

> "There was continuous pressure from political circles and the mass media that we were lagging in achieving our localization program. This was entirely due to a misunderstanding. We are meeting the original program."

CEAR: What kind of agreement did you reach with the unions?
Park: Almost the same agreement that we made last year. We tried to maintain the salary level at 20-25% more than the mean value for the whole industry through the year 2000.

CEAR: And how does this new level compare with the salary level that was agreed to in 1996?
Park: Maybe 5% more. So we will maintain this level throughout this year and the next year. But in 1999, we are considering a 6% increase above this amount.

CEAR: How did you achieve such a seemingly favorable result?
Park: We started to publish an in-house newspaper. Through this newspaper, we explained our position and the national economy. We compared how we were better off than competitors, [discussed] the difficult economy of 1997, stated that we didn't plan on [laying off] employees, and gave our promises for a better future. In that way, a certain pressure mounted and [the workers] tried to push their labor union leaders to accept the management's offer.

So even after the successful conclusion of this [labor] agreement, we continue to [publish the newspaper]. Now, in fact, we are distributing it not only to our employees, but to their families, local societies, and nationwide to university libraries, the government, and important politicians.

CEAR: The Craiova factory has been in operation for about 1 1/2 years. Have you seen an increase in the productivity of your workers?
Park: Yes. We provide monthly targets and incentives to improve the target. Targets for quality and productivity. For the months that [the workers] achieve the target, they receive a 5% salary increase. Last year, they achieved the target for six months. This year, they've achieved the target every month. Our targets are tough, but they achieved them.

We started the Vision 2000 innovation campaign and we've set up various programs, such as for cost reduction, quality improvement, and productivity improvement. These three major projects have various subgroups to support them.

CEAR: What have been your biggest challenges this year in Romania?
Park: The most difficult challenge was the lack of foreign currency. This is being resolved by our own export

Profile *Continued From Page 12*

efforts. And during the first half of this year, we encountered some labor and public relation [challenges]. These required creative approaches.

CEAR: The Romanian government has been pressuring you to localize more of your component purchases. What's the status of your localization efforts?
Park: There was continuous pressure from political circles and the mass media that we were lagging in achieving our localization program. This was entirely due to a misunderstanding. We are meeting the original program.

> "Our own success depends on exports and component localization. Those are key factors for our international competitiveness and survival. Our entire efforts are almost centered on these two factors."

CEAR: What percentage of components does Daewoo purchase locally?
Park: Currently, 35%. We will achieve 60% by the end of next year.

CEAR: What is Daewoo doing to improve the local supply base?
Park: We've brought here Korean suppliers, one company from Turkey, several companies from Germany, and one company from the US. They are very interested in cooperating with local suppliers, in the form of technical cooperation or capital participation.

In a couple of months, a Daewoo subsidiary company in Korea is going to invest in Romania to produce an important automotive component. A greenfield investment of more than $83 million.

And this year we invested $450 million for in-house production of engines and transaxles. We will complete the [project] by the end of this year and we'll start production early next year. We're using an existing shop - we took out all the obsolete machinery and are installing new machines.

CEAR: Any other new investment in the factory?
Park: It depends on the market requirements. If our production capacity will be increased from 100,000 to 200,000 units, then we need relatively small additional investments for easing any bottlenecks. This year, our goal was 80,000 [units], but due to the domestic market slowdown, we revised our target to 60,000. That change has been made already.

CEAR: Any new production plans?
Park: Yes. We'll start to produce the successor to the Espero model, the Nubira, by the end of this year.

CEAR: What are your production goals for the Nubira?
Park: It depends on the market environment. We expect the first year's production will be around 10,000 units and in 1999 we expect to produce about 20,000 units.

We're also going to produce a successor model to the Tico, which we call the M100 since production hasn't even started in Korea. We will start production in late 1999. This is a small car. We expect sales of 20,000 to 50,000 units per year beyond the year 2000.

CEAR: **What's essential for your company's success over the next five years?**
Park: Our own success depends on exports and component localization. Those are key factors for our international competitiveness and survival. Almost all of our efforts are focused on these two factors. Contractually, we are obligated to export 50% [of production].

CEAR: What export markets are you focused on?
Park: CEFTA countries, Russia, and the Balkan countries.

CEAR: What's your strategy for trying to take more market share from Dacia, especially with the possibility that a foreign partner may soon be found for Dacia?
Park: We don't have any special strategy. The people would like to buy the Cielo. The only problem is money. Now, the price gap is so big that the car is not affordable. When the time comes, sooner or later, Dacia's share will shrink. Everything depends on our customers' purchasing power. No special tactics or strategies.

CEAR: So what you'd like to see are more companies investing in Romania, creating more jobs, and helping raise Romanians' buying power.
Park: Yes. Romania is a country with huge potential due to its large population. So I believe, sooner or later, more foreign investors will come in. Then the people's purchasing power will increase. Our sales will also increase. I hope more foreign investors, especially those from the EU countries, come to Romania and don't miss the best timing. If they wait for all conditions to be favorable, then it's too late. ■

CENTRAL EUROPE AUTOMOTIVE REPORT™

Daewoo's Worldwide Car Production Goals

PLANT	1997	2000	2002
Pupyong, Korea	500,000	500,000	500,000
Kunsan, Korea	300,000	300,000	300,000
Changwon, Korea	240,000	240,000	240,000
Subtotal	**1,040,000**	**1,040,000**	**1,040,00**
Poland (FSO)	125,000	400,000	500,000
Romania	100,000	200,000	200,000
Uzbekistan	200,000	200,000	200,000
India	60,000	210,000	210,000
Philippines	10,000	10,000	15,000
Vietnam	10,000	50,000	50,000
Indonesia	10,000	10,000	10,000
Iran	50,000	50,000	50,000
China		150,000	150,000
Egypt	20,000	50,000	50,000
Subtotal	**585,000**	**1,330,00**	**1,435,000**
Grand Total	**1,625,000**	**2,370,000**	**2,475,000**

Source: Daewoo

C E A R

Romania

FOCUS ON INVESTMENT

INVESTORS WANTED: ROMANIA'S EMERGENCY FOREIGN INVESTMENT ORDINANCE

The long awaited Emergency Ordinance regarding Foreign Investment in Romania ("EO") was released on June 16, 1997. The ordinance contains incentives intended to entice foreign investment into Romania.

Damien Gray

However, while the introduction of the legislation is to be congratulated as a necessary and welcome step, there are a number of crucial issues contained within the legislation that require interpretation and clarification by the authorities.

Some of the key incentives provided under the EO are discussed briefly below.

Minimum Investments of $350,000. Where cash contributed to the capital of a Romanian registered company by a foreign investor constitutes at least 20% of the company's registered capital - but not less than $350,000 (expressed in any freely convertible currency or in Romanian Lei) - the following incentives are available:

- exemption from customs duties on plant and equipment or know-how imported into Romania;
- a 50% reduction of customs duties on imported materials, consumables, spare parts, or other similar items which are necessary to ensure the operation of the company for a two (2) year period from the date the company commences; and
- a reduction of the tax on profits to 15% (from 38%) for the first two (2) years of the company's operations.

"An investigation of a proposed investment would focus on the amount of the investment and market sector involved, the ability of the company to promote the export of at least 40% of its products, and the ability of the company to reinvest annually at least 50% of its net profit."

For Romanian companies dealing in industrial production and/or services, the above incentives are available if foreign investment constitutes at least 20% of the company's registered capital, but not less that $200,000.

Minimum Investments of $5 million. In addition to the above incentives, further incentives will be offered to Romanian registered companies where the cash effectively contributed to the relevant company's capital is equal to or greater than $5 million:

- the tax on profits from the company's "effective business" will be reduced to 15% for an additional five (5) years after the initial two (2) year period discussed above; and
- the 50% reduction of customs duties on imported materials, consumables, spare parts, or other similar items will be extended by an additional three (3) years from the initial two (2) year period outlined above.

These additional incentives will, however, be subject to criteria and conditions set forth in standard rules issued by the Ministry of Finance and the Romanian Development Agency.

These rules have yet to be issued in their final form. The EO outlines, however, that the granting of these additional incentives would likely be subject to an investigation concerning the nature of the investment being made, including, it appears from the EO, an examination of operations of the company seeking the incentives.

The investigation would focus on such matters as the amount of the investment and the market sector involved, the ability of the company to promote the export of at least 40% of its products, and the ability of the company to reinvest annually at least 50% of its net profit.

At this stage, it is unclear as to how all the criteria will be examined and measured. Consequently, unless the standard rules are clear, the measurement of the majority of the criteria will be subjective and will therefore be subject to differing interpretation. Of perhaps greater concern, however, is the reference to reinvestment of 50% of net profits and the promotion of the export of at least 40% of product. Clearly, these requirements may greatly reduce the overall economic benefit of the additional incentives.

Acquisitions from the State Ownership Fund in excess of $1 million. Incentives will also be available for certain foreign investments associated with the Romanian privatization process where the relevant consideration paid for the share purchase is equivalent to a minimum amount of $1 million.

The six incentives available include a reduction of the profit tax to 15% for a period of five (5) years from the execution date of the share purchase agreement.

Again, these additional incentives will be subject to the criteria and conditions set forth in standard rules issued by the Ministry of Finance and the Romanian Development Agency ("RDA").

Withdrawal and Repayment of Incentives. There is also provision in certain circumstances for the cancellation of FICs and repayment of cash savings obtained under the incentives provided under the EO. In addition, the EO also provides for the return of incentives where either the relevant Romanian company is liquidated within a certain time period, or the foreign capital in the relevant company falls below the required minimum limits.

Advertising/Promotion Expenditure. One major concession made in the EO is that Romanian companies with foreign investment may now claim as a deduction the costs of all expenses incurred in respect of advertising, publicity, or promotion of their products or services.

The wording of the EO, however, is extremely unclear with respect to whether this concession only applies to newly formed foreign investments (i.e. formed after the application date of the EO), or whether this concession may indeed be adopted by all companies which have a level of foreign investment in Romania, regardless of when they were formed. In addition, the legislation is also unclear as to whether the relevant advertising must be related to products which are manufactured in Romania. With hope, a clarification will soon follow.

This month's Focus on Investment columnist is Damien Gray, Tax Manager at Deloitte & Touche's Bucharest, Romania office. ■

C E A R

Romania

MULTIPLE INVESTORS & CREATIVE FINANCING SEAL DEAL IN ROMANIA

5 QUESTIONS

On April 18, 1997, the ***Romanian-American Enterprise Fund*** *(RAEF) announced that the Fund's* ***Major Transaction Program, S.A., Muller Machines, Petrotrans S.A.****, and* ***Connecticut Manufacturing Company International Inc.*** *had jointly invested in a new Romanian joint-stock company named the* ***Connecticut Manufacturing Company S.A.*** *(CMC) based in Bacau, Romania. CMC is targeting the "3-micron precision" segment of the hydraulic parts and assemblies market for vehicles.*

Dr. Horia Manda is an investment officer with the RAEF who led this investment project to its successful conclusion.. He spoke with the ***CEAR*** *about the details of the transaction.*

Question 1: How did this deal get started and when did the RAEF get involved?
Answer: In September '96, our office in Washington was approached by Mr. Val Luca and Mr. Florin Vornicelu who had a plan to set up a manufacturing company in Romania. The company was designed to produce high precision components for hydraulics.

Even though RAEF is very cautious with startups, the project was well received from the beginning as it [was clear] that CMC's principals had localized a growing market and they succeeded in putting together all the elements to create a competitive company.

Mr. Luca, through his Connecticut Trade Co. (CTC), undertook to source high precision parts manufactured by competent Romanian companies for global hydraulics suppliers. His experience pointed out not only the market potential and the skills of the Romanian work force, but also major weaknesses in the state-owned companies.

Analyses demonstrated that a private enterprise, combining a skilled work-force with up-to-date equipment and modern management, can be not only profitable but also has tremendous growth potential. We thus signed an agreement in principle in December 1996. In August 1997, CMC will start manufacturing the first parts.

Question 2: What problems did you encounter while setting up this deal and how did you solve the problems?
Answer: The main problem in setting up the deal was that the share in the company which could be obtained through management's financial resources was rather small so that no investor could be comfortable with the deal. However, the project was still very attractive, even with this weakness, so solutions came quite quickly:

RAEF proposed a share appreciation bonus for the managers/principals (basically, a performance based, share compensation plan).

We also advised them to attract other potential investors. They brought in a Romanian company that contributed the land and the building and, immediately after that, a Swiss machine tools company decided to invest in CMC. The Swiss company is also contributing its valuable expertise in the field and, even more, they decided to help management by backing them with a loan. These arrangements improved considerably the structure of the deal and gave comfort to every party.

Question 3: What was the key to bringing all the joint investors together and getting them to agree on how the company should be set up?
Answer: One key was the excellent quality of the project proposed by the principals. Another key was a creative and equitable financing structure. It is interesting to note that the investors' decisions to participate were only enhanced by the deal structure, not dependent upon it. They simply liked the project and decided to join the team with the firm belief that a balanced solution would be worked out. For instance, one of the consulted experts in hydraulics, after studying CMC's plans, asked if it would be possible for him to invest in CMC.

By being backed by the US Government and having a strong presence in Romania, RAEF became the natural arbitrator of the entire deal and this gave also a degree of comfort to all investors, lowering the deal's international risk.

Question 4: What unique financing techniques were used to set up this deal?
Answer: Our need for protecting the investment and the scarcity of financial instruments in Romania forced us to find innovative ways and I'll give you just one example. There's no preferred stock defined under Romanian law, which is the instrument we preferred for financing a startup.

Finally, RAEF decided that the most important part of its contribution would be a convertible lease. This type of investment is secured by the equipment itself and its value can be converted into equity (at a premium) in a given period of time. This structure came up naturally, when we tried to give an adequate answer to the risk-reward challenge raised by the deal.

Question 5: What's CMC's strategy for marketing its products?
Answer: First of all, CMC intends to export most of its production. The company is built around CTC's already existing market which includes global hydraulics OEMs. This approach makes CMC safe from the fluctuations of the Eastern European market and also keeps the company under constant pressure to keep its technology and management at the highest standards. CMC's management did a good job of convincing all investors about the need to equip the plant with the latest equipment. ■

Bucharest Motor Show Gets Respect

Some 100-120 auto industry companies are expected to take part in the October 3-12 Bucharest International Motor Show, including **BMW**, **Mitsubishi**, **Ford**, **Toyota**, **Mercedes**, **Nissan**, **Fiat**, and **Hyundai.** For the first time in its 5-year history the show has gained international recognition with its inclusion on OICA's 1997 event list.

"Provided everything goes well, the Romanian show will preserve this international status every odd year, alternatively with Athens, Greece," said Paul Schiaucu, the Chairman of the **Romanian Carmakers and Car Importers Association**. The show will be opened in Bucharest on October 2-3 with the General Meeting of OICA.

Top 10 Car Sellers in Poland (YTD June 1997)

	Make	Volume	Market Share
1	Fiat	90,522	34.52%
2	Daewoo	65,679	25.04%
3	GM-Opel	22,848	8.72%
4	Renault	13,872	5.29%
5	Skoda	11,453	4.37%
6	Ford	10,126	3.87%
7	Seat	8,106	3.09%
8	Volkswagen	7,770	2.96%
9	Peugeot	6,198	2.35%
10	Citroen	5,960	2.27%

Source: SAMAR s.c.

New Commercial Vehicle Sales in Poland: YTD June 1997 Compared to YTD June 1996

	Sales (units)	Change (%)		Market Share (%)	
Producer	**1997**	**1996**	**1997**	**1996**	
LOCAL PRODUCTION & ASSEMBLY					
Citroen	1,825	928	97.08%	7.04	4.17
Daewoo	8,415	8,159	-21.38%	24.74	36.74
Fiat	2,616	2,853	-8.31%	10.09	12.85
Ford	1,191	731	52.93%	4.59	3.29
Daewoo Motor Pl.	6,493	5,376	20.78%	25.04	24.21
LDV	77	77	0.00%	0.30	0.35
Mercedes	941	444	111.94%	3.63	2.00
Skoda	812	0	100.00%	3.13	0.00
VW	552	463	19.22%	2.13	2.08
Total L.P.	**20,922**	**19,029**	**9.95%**	**80.68**	**85.68**
IMPORT					
Citroen	622	278	123.74%	2.40	1.25
Daewoo	0	0	0.00%	0.00	0.00
Fiat	103	416	-75.24%	0.40	1.87
Ford	343	142	141.55%	1.32	0.64
GM-Opel	552	423	30.50%	2.13	1.90
Hyundai	158	52	203.85%	0.61	0.23
Iveco	384	719	-46.59%	1.48	3.24
Kia	242	298	-18.79%	0.93	1.34
LDV	0	0	0.00%	0.00	0.00
Mazda	0	0	0.00%	0.00	0.00
Mercedes	271	4	6675.00%	1.05	0.02
Mitsubishi	1	2	-50.00%	0.00	0.01
Nissan	54	18	237.50%	0.21	0.07
Peugeot	958	53	1,709.43%	3.70	0.24
Piaggio	18	0	100.00%	0.07	0.00
Renault	651	352	84.94%	2.51	1.58
Seat	83	1	8,200.00%	0.32	0.00
Skoda	0	0	0.00%	0.00	0.00
Suzuki	0	0	0.00%	0.00	0.00
Toyota	314	201	56.22%	1.21	0.91
VW	256	223	14.80%	0.99	1.00
Total Import	**5,011**	**3,180**	**57.58%**	**19.32**	**14.32**
TOTAL	**25,933**	**22,209**	**16.77%**	**100.00**	**100.00**

Source: SAMAR s.c.

New Car Sales in Poland: YTD June 1997 Compared to YTD June 1996

	Sales (units)	Change (%)		Market Share (%)	
Producer	**1997**	**1996**	**1997**	**1996**	
LOCAL PRODUCTION & ASSEMBLY					
Audi	29	0	100.00%	0.01	0.00
Daewoo	61,395	40,201	52.72%	23.41	20.00
Fiat	87,179	69,155	26.06%	33.25	34.40
Ford	4,788	3,208	49.25%	1.83	1.60
GM-Opel	5,836	2,328	150.69%	2.23	1.16
Peugeot	13	153	-91.50%	0.00	0.08
Seat	2,462	0	100.00%	0.94	0.00
Skoda	11,453	7,180	59.51%	4.37	3.57
Tavrija	0	875	-100.00%	0.00	0.44
VW	1,006	0	100.00%	0.38	0.00
Total L.P.	**174,161**	**123,100**	**41.48%**	**66.42**	**61.24**
IMPORT					
Alfa Romeo	693	132	425.00%	0.26	0.07
Audi	159	153	3.52%	0.06	0.08
BMW	217	183	18.58%	0.08	0.09
Chrysler	353	338	4.44%	0.13	0.17
Citroen	5,960	3,123	90.84%	2.27	1.55
Daewoo	4,284	2,124	101.69%	1.63	1.06
Fiat	3,343	15,120	-77.89%	1.27	7.52
Ford	5,338	2,732	95.39%	2.04	1.36
GM-Opel	17,012	12,235	39.04%	6.49	6.09
Honda	4,911	2,901	69.29%	1.87	1.44
Hyundai	692	784	-11.73%	0.26	0.39
Jaguar	20	14	42.86%	0.01	0.01
Kia	71	177	59.89%	0.03	0.09
Lada	299	669	-55.31%	0.11	0.33
Lancia	123	83	48.19%	0.05	0.04
Mazda	235	0	100.00%	0.09	0.00
Mercedes	153	75	104.00%	0.06	0.04
Mitsubishi	299	88	239.77%	0.11	0.04
Nissan	4,697	2,040	130.25%	1.79	1.01
Porsche	3	1	200.00%	0.00	0.00
Peugeot	6,185	4,214	46.30%	2.35	2.10
Renault	13,872	14,418	-3.79%	5.29	7.17
Rover	901	857	5.13%	0.34	0.43
Saab	28	49	-42.86%	0.01	0.02
Seat	5,644	5,410	4.33%	2.15	2.69
Skoda	0	0	0.00%	0.00	0.00
Ssangyong	43	58	-25.86%	0.02	0.03
Subaru	0	0	0.00%	0.00	0.00
Suzuki	909	756	20.24%	0.35	0.38
Tavrija	0	0	0.00%	0.00	0.00
Toyota	4,455	3,044	46.35%	1.70	1.51
Volvo	415	337	23.15%	0.16	0.17
VW	6,764	5,803	16.56%	2.58	2.89
Total Import	**88,058**	**77,918**	**13.01%**	**33.58**	**38.76**
TOTAL	**262,219**	**201,018**	**30.45%**	**100.00**	**100.00**

Source: SAMAR s.c.

ROMANIA OFFERS CUSTOMS, VAT & EXCISE TAX EXEMPTIONS FOR CARS

1997 Customs Duties on Vehicles. The Romanian Customs Tariff provides the 1997 customs duty rates on the importation of various types of vehicles. Different rates apply depending engine capacity, vehicle age, other technical characteristics, and country of origin.

Reduced customs duty rates or exemptions have been introduced pursuant to Association Agreements signed by Romania with the EU and the EFTA (ratified by the Romanian Parliament on 6 April 1993) and pursuant to Romania's obligations under the Central European Free Trade Act (ratified on 12 April 1997).

> "Vehicles or transportation equipment imported by a Romanian legal person and/or its subsidiaries are exempt from VAT if they are contributed in kind by a foreign investor to the share capital of the company."

The basic 1997 customs duty rate for imported cars is 30%. Reduced rates of 21% or 24% and exemptions apply to imported cars with engines larger than 3,000 cc originating from the EU, EFTA member states, the Czech and Slovak Republics, Poland, and Slovenia.

The customs duty is calculated based on the customs value established in accordance with the GATT Agreement, to which Romania has been a contracting party since 1971.

Incentives available under the recently issued Foreign Investment Ordinance apply to foreign cash investments of $350,000 (and representing at least 20% of the capital). These incentives include, among other things, a customs exemption for assets imported and contributed in kind or purchased from a finance facility opened or guaranteed by the foreign investor.

Customs commission. A customs commission of 0.5% from the customs value is applied to all imported and exported products. The commission is reduced to 0.25% for products imported from or exported to EU, EFTA, and CEFTA members.

The commission is payable to the Customs Offices for clearance formalities performed for import and export companies. This fund will be used to modernize the Romanian customs infrastructure.

Value Added Tax. Goods imported into Romania are generally subject to VAT at the Customs Office. The general rate of 18% is applied to imported cars. The 18% is applied to the sum of customs value, customs duty, commission, and excise, if any.

Vehicles or transportation equipment imported by a Romanian legal person and/or its subsidiaries are exempt from VAT if they are contributed in kind by a foreign investor to the share capital of the company or purchased from a financing facility opened and guaranteed by the foreign investor in favor of the company.

Excise Tax

A 50% excise tax is levied on imported town cars (including imported used town cars) with engine capacities over 1,800 cc. The excise tax is payable to the Customs Office at the same time customs duties, VAT, and commission are paid.

Different excise tax rates apply to the importation of fuels and diesel fuels. For certain types of gas, the rate is 15%, 13.5% for unleaded gas, and 6% for diesel gas.

New and used town cars with engine capacities over 2,000 cc imported by foreign investors in Romania that are contributed in kind to the capital of the company, or acquired out of the cash contribution to the social capital or to any increase thereof are exempt from the excise tax.

Road Tax. A Road Tax was introduced on 1 January 1997 to create a special public road fund, earmarked for Romanian road repairs. The current rate for imported vehicles is 5%, applied to the customs value and payable at the time of import. The road tax for imported fuels is 25%.

This month's Tax, Customs, & Finance Review columnist is Gabriela Radu, a Customs Consultant in the Tax Department of Price Waterhouse in Bucharest, Romania. ■

1997 Romanian Customs Rates for Imported Cars

CN Code	Description	EU	Poland
Spark-ignition internal combustion piston engines			
8703.21	Less than 1,000 cc:		
8703.21.10	New	30	21
8703.21.90	Used	30	24
8703.22	1,000 cc to 1,500 cc:		
8703.22.19	New	30	24
8703.22.90	Used	30	24
8703.23	1,500 cc to 3,000 cc:		
8703.23.19	New	30	21
8703.23.90	Used	30	24
8703.24	Greater than 3,000 cc:		
8703.24.10	New	30	ex
8703.24.90	Used	30	ex
Compression-ignition internal combustion piston engine (diesel or semi-diesel)			
8703.31	Less than 1,500 cc:		
8703.31.10	New	30	21
8703.31.90	Used	30	24
8703.32	1,500 cc to 2,500 cc:		
8703.32.19	New	30	24
8703.32.90	Used	30	24
8703.33	Greater than 2,500 cc:		
8703.33.19	New	30	21
8703.33.90	Used	30	24

ex = exempt

Feature Country *Continued From page 3*

Sales for 1997 are expected to be $109 million, and are expected to grow to $285 million by the year 2000.

Aluminum Producer Showa to Build Factory in Czech Republic

Showa Aluminum Corporation (SAC) announced plans to invest $22 million into an automotive components manufacturing facility in the Czech Republic. "Showa chose the Czech Republic among other European countries for its global investment climate and strategic position," said Ichiro Anzai, President of SAC.

The new company, **Showa Aluminum Czech s.r.o.**, 100% owned by SAC Japan, will be built on a 7.4 hectare site in Kladno. The plant's first phase will involve monthly production of 40,000 condensers for automotive air conditioners. Full production will begin in January 1999 with 150 employees.

The plant will be SAC's first European manufacturing facility dedicated to automotive parts. The company currently has plants in Japan, the US, and Thailand.

Slovakia

Ford Focusing on Slovakia for Components Purchasing

Ford is scouring the Slovak auto components market for new suppliers. "We believe that the potential of the local industry is outstanding and represents the initiation of a long lasting partnership with the Ford Motor Company which will improve Slovak exports," said Ford Purchasing Manager Stefan Tyrpak.

As of mid July, Ford has made contacts with 30 Slovak suppliers, including **Kinex**, **Sachs Trnava**, **VAP Presov**, **Vegum Contitech**, and **Metalsint**.

VW Bratislava Investing in New Plant & Equipment

Volkswagen Bratislava announced in July that it will invest DEM 124 million this year into new buildings and equipment for production of Passats and a new Golf model. The company recently started production of the Passats since production capacity at VW's Europe factories cannot satisfy current demand for the popular car. VW Bratislava also plans to increase its workforce by 1,000 in 1997.

A total of 34,600 Golfs and Passats will be produced at the Bratislava factory this year. Production levels for 1998 are not yet known. "We don't know yet about production for next year," VW Bratislava's PR Manager Dusan Marusak told the **CEAR** in July. "It changes every day."

Sachs Trnava Invests in New Machinery for Torque Converters

Sachs Trnava is investing DEM 10 million ($5.7 million) in new machinery to produce torque converters for bus and truck applications. When production starts next year, the company expects a yearly output of 25,000 converters, General Manager Peter Doll told the **CEAR**.

The Slovakia factory currently produces passenger car and truck manual clutches; yearly production is 600,000 units and 50,000 units respectively. About 300,000 passenger car clutches are supplied to **Skoda, automobilova** in the Czech Republic, representing 100% of the carmaker's needs. Sachs Trnava has received a quality certification from Skoda for the last three years, is ISO 9000 certified, and expects to be QS 9000 certified by February, 1998, said Doll.

The company, operating in Slovakia since December 1993, currently has 290 employees, and expects to expand to 400 employees by the end of next year.

Slovenia

Filtrauto Buys Donit Filter

Slovenian filter-maker **Donit Filter** has been purchased by the French company **Filtrauto**. Filtrauto purchased the company from the Slovenian privatization agency for an undisclosed sum. The French company plans to invest $11 million in Donit over the next three years to upgrade existing technology and to further develop filter production, especially car filters. Donit's main customers are **BMW**, **Audi**, and **Skoda**. Turnover in 1996 was almost $10.5 million. *[for more on Donit, see CEAR Vol. I, Issue 4, September 1996]*

Dacia Prepares for the Third Milennium

By the end of 1997 Dacia will start production of a newly designed model in its Nova range. By October the company will start preparations to launch its newest car, code named D33. The project has been classified as top secret, but the management claims the D33 is going to be “the Romanian car of the next millenium.”■

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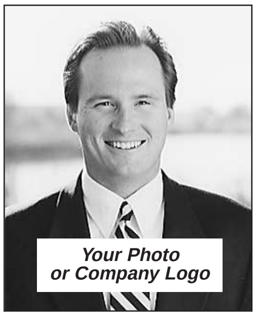

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Co. Spotlight Continued From page 10

Quick Growth. Prems started with only 8 employees, manufacturing mechanical spare parts for **Dacia** cars and working on re-conditioned machine tools. The company enjoyed tremendous growth and by the end of 1996 its ranks swelled to over 950 employees.

Turnover has also significantly increased from Lei 23 million in 1990 to over Lei 65 billion (DEM 18.2 million) in 1996. The company has managed to achieve profit margins of about 10%, with most of the profits being re-invested. Automotive spare parts manufacturing and distribution account for over 80% of its turnover.

An extensive range of spare parts produced for Dacia account for the bulk of Prems's business. These parts include crankshafts, bearings, ball joints, engine sets, camshafts, body parts, carriages, suspension and direction elements, and cold extrusion parts. Prems has improved some of these parts from their original license, giving the company a small price premium over the competition.

Expanding Markets & Focused on Quality. Prems, however, has also expanded into the spare parts market for other cars, such as the Fiat-licensed, Russian-made **Lada**, **Skoda**, **Citroen**-licensed **Oltcit**, as well as for lorries (**Roman**, **Saviem**), trucks (**ARO**), and buses. Prems has also entered some export markets with Russia ranking first (**Svarz Dizel**), France a close second (**Simel Group** and **Finhal Group**), and the US third (**PCI** and **Jobbers**). As part of its cautious diversification strategy, the company also exports upon order electrical engineering components and mechanical parts to Austria (**STG Stich GmbH** and **Ferdinand Blaho GmbH**) and Germany (**Sebold Maschinen**, **Bode Panzer,** and **Siemens**). In 1996 exports accounted for 11% of turnover.

"High quality is a must for penetrating export markets," said Mr. Anghel. "We've heavily invested in order to keep quality as high as possible, thus we can offer very good guarantees for our products and reach a 1/1,000 fault rate." The company recently invested into an aluminum foundry and a sophisticated ultrasound quality control system. By the end of 1997 Prems hopes to attain ISO 9001 certification.

Although the company is not an OEM supplier, "we were deeply satisfied when one of Dacia's large export customers asked that the spare parts stock should bear our trademark," said Mr. Anghel.

Marketing & Distribution: Help Wanted. Due to its strong production orientation, the company's biggest weak point is in the so-called "soft management" area — especially marketing. Although Prems has entered into some alliances with local distributors in Romania, it has been rather slow to develop its own distribution network. The management is looking for foreign partners who could take advantage of Prems's state-of-the-art production capabilities and either market the company's products abroad or outsource their own products from Romania.

Catalin Dimofte (Bucharest) ■

Exhibitions, Conferences, and Shows in 1997 & 1998

1997

Sept. 1	**Milan, Italy** Autopromotec
Sept. 1	**Lyon, France** Salon Int'l de l'Auto
Sept. 3-7	**Nitra, Slovakia** Int'l Exhib. of Passenger Cars, Trucks, Utility Cars, & Accessories
Sept. 11-21	**Frankfurt, Germany** Autotechnica
Sept. 23-27	**Sarajevo, Bosnia** Auto Show
Oct. 1	**Katowice, Poland** Autosalon
Oct. 1-5	**Budapest, Hungary** Budapest Motor Show
Oct. 2	**Bucharest, Romania** OICA General Assembly
Oct. 2-3	**Waraw, Poland** IBC Automotive Components Industry in Eastern Europe & Russia
Oct. 3	**Bucharest, Romania** Romanian Automotive Development Forum
Oct. 2-12	**Bucharest, Romania** 5th Int'l Bucharest Motor Show
Oct. 14-19	**Bucharest, Romania** Int'l Technical Fair (incl. automotive companies)
Oct. 15-20	**Paris, France** Equip Auto '97
Oct. 17-22	**Kortrijk, Belgium** Car & Bus Show
Oct. 24-	**Tokyo, Japan** Tokyo Motor Show
Nov. 4-6	**Birmingham, UK** Autotech '97 exhibition (tel: 44-121-767-3817)
Nov. 5	
Oct. 29-30	**Bucharest, Romania** Herald Tribune Romanian Investment Summit
Nov. 11-12	**Moscow, Russia** EuroForum Automotive Conference
Nov. 1	**Valencia, Spain** Salon del Automovil
Nov. 15-23	**Athens, Greece** Auto Show
Nov. 18-22	**Sofia, Bulgaria** Auto Expo
Nov. 26-30	**Madrid, Spain** Industrial Vehicle Trade Fair
Dec. 4-5	**Brussels, Belgium** 5th Global Automotive Conference: Globalization and Competitiveness (tel: 32-2543-2332, fax: 32-2543-2415, Ruth Jones Clements)
Dec. 6-14	**Bologna, Italy** Motorshow

1998

Jan.	**Brussels, Belgium** Int'l Commercial Vehicles Show
Jan. 10-19	**Detroit, MI** North American Int'l Auto Show
Feb. 23-26	**Detroit, MI** SAE Int'l Congress & Exhibition
Mar.	**Katowice, Poland** Automotive Equipment Exhib.
Mar. 5-15	**Geneva, Switzerland** International Motor Show
April 24-May 3	**Turin, Italy** International Auto Show
Sept. 15-20	**Frankfurt, Germany** Automechanika
Oct. 1-11	**Paris, France** Int'l Paris Motor Show

For more information, please contact the Central Europe Automotive Report.

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Opportunity	Investment Sought	Contact	Phone/Fax
Manufacturer of driving shafts, steering shafts, steering gears, and spare parts seeks foreign investor	n/a	Wieslaw Kosieradzki	tel: 48-22-827-8700 fax: 48-22-826-7341 Poland
Manufacturer of centrifugal oil separators, heaters, water and oil coolers for cars & trucks, water pumps for vans, trucks, and ships seeks foreign investor	n/a	Wieslaw Kosieradzki	tel: 48-22-827-8700 fax: 48-22-826-7341 Poland
Manufacturer of fuel supply systems for car & van engines, compressors for pneumatic braking systems for cars, buses, & farm tractors, compressor units & pneumatic fittings, & spare parts for compressors seeks foreign investor	n/a	Wieslaw Kosieradzki	tel: 48-22-827-8700 fax: 48-22-826-7341 Poland
Manufacturer of hydraulic cylinders, up to 32 bars pressure, 25-160 piston diameter, up to 4,000 mm length, seeks Slovak Republic commercial cooperation, offers production to order	n/a	Viktor Tegelhof re: STR 1258	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
Manufacturer of exhaust flanges, light welded steel constructions, agricultural machines, and hydraulic components under Sauer Co. license seeks joint venture partner	n/a	Viktor Tegelhof re: STR 0224	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
Manufacturer of car & truck air and oil filters seeks joint venture partner for production, financial, and distribution cooperation. Monthly air filter capacity for cars of 60,000, and 6,000 for trucks	n/a	Viktor Tegelhof re: Sandrik a.s.	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
Manufacturer of pressed parts for cars, press units, electric carriages, and machine tools seeks commercial or production cooperation	n/a	Viktor Tegelhof re: STR1263	tel: 421-7-5335-175 fax: 421-7-5335-022 Slovak Republic
U.S. partner sought for Czech producer of crankshafts (various sizes up to 2500 mm lengths) for purpose of contract manufacturing. Company is supplier to producers of engines for trucks, tractors, ships, & stationary aggregates. 1996 turnover expected to be $20 million.	n/a	Jan Vesely IESC	tel: 420-2-2499-3170 fax: 420-2-2499-3176 Czech Republic
Partner sought for producer of diesel injection equipment ford development, production, & sale of single and multi-cylinder in-line injection pumps for all types of diesel engines, as well as for injection systems, testing, measuring, & adjustment equipment. 1995 turnover was $40 million.	n/a	Jan Vesely IESC	tel: 420-2-2499-3170 fax: 420-2-2499-3176 Czech Republic
Producer of shock absorbers under Showa license seeks foreign partner to co-finance expansion program involving increase of annual capacity from 180,000 units to 400,000 units by 1999.	$.5 million	Csaba Kilian re: Berva	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary
Manufacturer of plastic parts for Opel, Mercedes, VW, & Suzuki seeks equity partner who is engaged in plastic processing business	$5 million	Csaba Kilian re: Pemu	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary
Supplier of seats for Suzuki cars & spare parts for Ikarus seeks joint venture partner, technology transfer, joint manufacturing	$1.5 million	Csaba Kilian re: 02/Aut/96	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary
Battery manufacturer seeks joint venture partner for processing used vehicle starter batteries	$2.1 million	Csaba Kilian re: Perion	tel: 36-1-118-0051 fax: 36-1-118-3732 Hungary

4th Conference… *Continued From Page 11*

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"Car financing in Poland is not a booming market for everyone, especially for the car manufacturers' financing affiliates. With restrictive regulations hindering the development of new credit offers, confusing fiscal rules to operate leasing activities, and sharp competition damaging the sector's gross margin, the benefits usually expected from an emerging market situation are significantly off-set."

Jean-Louis Labauge, Representative in Poland, Renault Credit International

***

"The Russian Federation is presently developing a government strategy for promoting the automotive industry. . . . There is a plan to organize several corporations in Russia to produce key spare parts — engines, transmissions, gearboxes, etc. These entities will operate not only in a competitive but also a cooperative environment. . .
We also plan to expand cooperation with leading world companies to produce motor vehicles, keeping in mind that the priority for such cooperation should be placed on renewing bulk production by Russian enterprises."

Vadim Lomtev, Head of Department for Machinery Building, Russian Ministry of Economy ■

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FUTURE ISSUES

Interview with GM's CE Purchasing Director Achim Kuhne

Transportation & Logistics Special Report

Poland Sales and Production Statistics

Amended Czech & Slovak Customs Rules

Car Distribution Development in Central & Eastern Europe

Interview with Tamas Borai, MMG Automatika

Slovenian Market Dodges Ecological & Special Tax on Cars

Auto Interiors Review

Romanian Automotive Parts & Components Suppliers

COMPANY	PRODUCT	CONTACT PERSON	PHONE/FAX
AUTORO PITESTI	Automotive components	Vasile Rapea Gen. Manager	40-48-636-400 40-48-633-441
CESAR PITESTI	Car engineering center	Doru Radu Coman Gen. Manager	40-48-221-201 40-48-221-154
CHIMICA ORASTIE	Plastic items	David Florin Remus Gen. Manager	40-54-641-336 40-54-642-252
COMEFIN COSTESTI	Automotive components	Gheorghe Ciungu Gen. Manager	40-48-670-251 40-48-670-277
COMPONENTE AUTO TOPOLOVENI	Pistons, valves	Victor Popescu Gen. Manager	40-48-668-580 40-48-626-259
ECMA PITESTI	Gearboxes	Constantin Ivan Gen. Manager	40-48-634-894 40-48-634-688
ELECTROPRECI-ZIA SACELE	Electricalequipment	Ioan Biraescu Gen. Manager	40-68-119-304 40-68-153-996
FARTEC BRASOV	Rubber items	Gheorghe Seghete Gen. Manager	40-68-164-373
FAT PITESTI	Cast iron foundry	Petre Lascu Gen. Manager	40-48-635-743 40-48-635-743
FERMIT RAMNICU SARAT	Friction materials	Traian Pandaru Gen. Manager	40-38-561-465 40-38-563-812
GEAMURI BUZAU	Window glass	Gernut Ion Gen. Manager	40-38-435-269 40-38-432-098
GEROMED MEDIAS	Window glass	Fickl Eduard Gen. Manager	40-69-813-131 40-69-217-091
IMFDZ BUCURESTI	Fluid mechanics center	Cornel Oprisiu Gen. Manager	40-1-745-7314 40-1-312-5341
IPEE CURTEA DE ARGES	Electrical equipment	Gheorghe Grama Gen. Manager	40-48-711-700
ISECO TARGU MURES	Components	Pavel Iuhasz Gen. Manager	40-65-133-927 40-65-124-589
METALOPLAST BRASOV	Rims, wheels	Ionel Fierbinteanu Gen. Manager	40-68-166-630 40-68-151-058
METALUL MESA	Parts	Alexandru Zoltan Porcsalmy Gen. Manager	40-59-370-320 40-59-371-774
ORGANE ASAMBLARE BRASOV	Assembly items	Ion Dragan Gen. Manager	40-68-131-336 40-68-131-078
SEGMOT PITESTI	Pistons rings	Lucian Banu Gen. Manager	40-48-634-800 40-48-652-736
SINTEROM CLUJ	Engine parts	Gheorghe Muresa Gen. Manager	40-64-415-080 40-64-415-076
SUBANSAMBLE AUTO PITESTI	Injected plastic parts	Gheorghe Badea Gen. Manager	40-48-211-79 40-48-211-749
TEHNOMETAL TIMISOARA	Parts	S. Popovici Gen. Manager	40-56-84-854 40-56-163-490

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