



CCE-R Newsletter

(No. 02 / February 2005)

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Editorial of the month

Dear All,

Some of the CCE-R members are also members of the Foreign Investors Council (FIC). The FIC was established in 1997 and now has over 95 member companies whose combined equity investment in Romania exceeds EUR 8 billion. This investment represents more than two-thirds of Romania's total foreign direct investment since 1989. In addition, as a result of the FIC members' extraordinary relationships with the international banking community, they invested an almost equal amount from loans.

Every two years, the Foreign Investors Council (FIC) publishes its *White Book*, which provides an overview of Romania's investment climate. The *White Book* presents a balanced analysis by opening each chapter with an acknowledgement of recent progress. Thereafter, the FIC identifies current problems and makes specific recommendations for improving the business environment. It is important to note that, with the cooperation of policymakers, most of the FIC's suggestions are short term realizable goals.

The primary objective of the FIC is to foster dialogue between policymakers and investors. Although it lobbies for those issues specifically identified by its members, the FIC's concerns are common to all investors, both domestic and foreign.

Generally, the FIC's Members are strong multinational companies with the resources to meet the challenges confronting most companies in an advanced market economy. However, this strength is not present in all players in Romania. The FIC does not lobby for narrow self-interest, but instead makes an altruistic effort to support all businesses in the spirit of community. In fact, there is no issue in the *White Book* that favours foreign investors.

The *White Book* supports the reputation of the FIC as an influential lobbying organization whose observations are accurate and whose recommendations are reasoned and sound. The *White Book* enjoys a high profile both within Romania and internationally.

The *White Book* was launched during a press conference on Monday, 21 February 2005. It is comprised of seven chapters: (1) Rule of Law, (2) The Tax Regime, (3) Labour Market Flexibility, (4) Banking, (5) Corporate Governance and Capital Markets, (6) Environment, and (7) Corruption.

I hope you will find the *White Book* useful and assist to the extent of your possibilities in the implementation of its recommendations.

Yours sincerely,

Paul Nuber
President

The CCE-R Board informs

CCE-R Board Meeting – February 23, 2005

The Board meeting in February 2005 took place on the 23th, at Dominique Petter's residence. The meeting was chaired by Paul Nuber, CCE-R President.

The Board discussed the draft events schedule of the Chamber in 2005. The dates are presented at the end of this Newsletter.

Based on the offers received from the CCE-R members acting in the financial field, the Board elected the Chamber's accounting and auditing companies in 2005. The accountant is *Fine-Consulting* SRL and the auditor is *Audiconsult* SRL.

Also, starting March 1st, 2005, the Chamber will benefit from permanent IT maintenance through *Kylix Solutions Grup*, the company that made the best offer in this respect.

CowParade



The Chamber of Commerce Switzerland – Romania invited its members to take part in the reception organized by **CowParade** at JW Marriott Bucharest Grand Hotel, Timisoara Hall, on February 24, 2005, 19:00. Members of the AmCham were also present.

CowParade is the world's largest public art event highlighting local artists and charities. It visited until now Chicago, New York, Brussels and Prague.

This summer, **CowParade** (www.cowparade.com) will be organized for the first time in Eastern Europe, in Bucharest, launching on June 1st, 2005 and culminating with the celebrated cow auction for charity on September 12, 2005 during the George Enescu Music Festival.



During the reception, the **CowParade** team members presented to the companies the **CowParade Bucharest 2005**. The sponsorship opportunities of the event concern the funds necessary to purchase the cows, to provide a honorarium for the artists, and to cover operating costs for this event. It is a genuine advertising and image opportunity for the companies that will decide to join the **CowParade**.

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This month's member / News and Company Profile

This column gives our members the possibility to present themselves to the other companies and to highlight important aspects of their activity. Our initiative goes together with the invitation for subscribing to this facility: **if you want to present your company to the other members in one of the next issues of the Newsletter, please contact us at ccer@pcnet.ro.**

EXPUR S.A.

Expur S.A. with two production units in the county of Ialomița, is engaged primarily in the processing of soybeans and sunflower seeds and the production of soy meal, soy oil, sunflower meal and sunflower oil in bulk both for the domestic market as well as for export. In addition, it refines oil, conditions it and markets it on the domestic market through various distribution chains. *Expur* also purchases, conditions, stores and markets other bulk agriculture products such as rapeseed, corn and wheat. The company has 575 employees in six main locations in Romania, and is headed by Mr. Richard Randag, President.

The original *Expur* factory was commissioned in 1974 in Urziceni, Ialomița county, as a new facility to promote soybean utilization for both the population (soybean oil) and animal raising (soybean meal). The company's future changed dramatically in the summer of 1997, when the Swiss investor *Alisa Finance & Trade* S.A. acquired the State Ownership Fund's block of shares. Thereafter, the company was fully privatized.

Every year, successive modernization plans have been implemented. The company has invested heavily in new technology upgrades at the factory and silo operations (seed selectors, cleaners, dryers, etc.) on a regular basis to improve the quality and consistency of the final products it produces. Additionally, the Company has steadily grown by acquiring new storage facilities – a 54.000 tons silo in Urziceni (1998) and a 15.000 tons silo located in Dragalina (2001), respectively.

An important recent development occurred in the second half of 2004, when *Expur* acquired a second oilseeds (sunflower and soybeans) crushing facility and refinery, located in Slobozia, Ialomița county, along with a silo (44.000 tons storage capacity) in close proximity. The new acquisition has allowed *Expur* to enter the Romanian edible oil market (soy and sun oil) as an important player.

Operational plans for the future

Expur's plans for the future include continuous support to the Romanian agriculture community, on one hand, and production of high-quality products for the animal feed industry and crude/ refined edible oils market, on the other hand. Over the years, *Expur* has won the reputation of being a consistent and dependable company in all the markets in which it is involved. The company is a strong partner for local providers of raw agriculture materials, and users of animal feed and vegetable oils. *Expur* is already well known as a significant provider of crop pre-financing to a large number of Romanian farmers.

As the largest single company in Romania in the oilseed crushing business, *Expur* will continue to set high standards of performance and integrity in the future.

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Legal&Financial issues

All CCE-R members acting in the legal and financial fields are invited to contribute to this column.

Legal Focus

The Revaluation of the Romanian Currency

According to the Ordinance no. 5/2005 for the amendment of the act regarding the revaluation of the national currency no. 348/2004, the financial accounting will be kept, starting with the 1st of July 2005 and until the 31st of December 2005, only in the new currency and not parallel to the old one.

As you already know, the Act no. 348/2004 regarding the revaluation of the national currency (hereinafter "Revaluation Act") contains the following characteristics:

- Starting with the 1st of July 2005, the Romanian currency (ROL) Leu will be revalued by using an exchange rate of 1 new ROL = 10.000 old ROL;
- Starting with the 1st of July 2005, the National Bank of Romania will emit the new currency, whereas the old one will be used in parallel for payment transactions until the 31st of December 2006;
- Starting with the 1st of March 2005 and until the 30th of June, all the prices and the taxes will be displayed, respectively expressed both in the old and the new currency;
- Goods, property rights and debts resulted before the 1st of July 2005, which represent the object of an evaluation, payment or of another legal relationship, will be converted by applying the rate 10.000 to 1;
- Starting with the 1st of July 2005, the National Commercial Register Office will convert, according to the aforementioned rate, the share capital value and the value of the participations, respectively of the shares and will publish the corresponding modifications of the share capital values on its own web site. In this context, one should also point out the provisions of the Ordinance of the Ministry of Finance no. 1840/2004 regarding different measures, necessary for the application of the Revaluation Act;
- Starting with the 1st of January 2005 and until the 30th of June 2005, the accounting of legal persons will be kept in the old currency;
- The annual financial reports for 2005 will be drawn up in the new currency, without taking into account the ROL – subdivisions;
- Starting with the 1st of July 2005, the invoices, the documents in proof and the accounting documents will be expressed in the new currency;
- The companies, which are obliged to use electronic fiscal cash registers, have to issue for their clients fiscal receipts and, upon request, also fiscal invoices in the new currency, regardless of the fact, whether the payment was made in the old or the new currency.

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Tax Column

By Serge R. Gonvers, Senior Partner, Audiconsult Srl

The purpose of this "tax column" is not only to highlight major recent changes in the field of taxation but, as well, to give some updated trends and opinions prevailing in the business community.

The main published piece of legislation regarding taxes is the O.G. 84/ 2005 bringing amendments to the norms of implementation of the fiscal code.

The text is quite long and quite technical, although bringing some welcome clarifications and definitions. Changes are brought in profit tax (maximum deductible interest rate for foreign currency loans in 2005 is 7%, from 9% in 2004), withholding tax (Provisions of double taxation treaties are not applicable if the Romanian tax payer gross-up the amount paid to the foreign entity), personal income tax (contributions to the optional pension schemes are deductible, but not to private health insurance), VAT (introduction of simplification measures in a number of transactions like sales-purchases of land and buildings), excise duties (applicable to leased cars, alcohol, tax warehouses, etc.). All these are only examples and excerpts of a much longer list.

Within the next amendments to the fiscal code, not yet published, but announced as valid from April 1st, 2005 are the following tax rates increases:

- Excise duties on alcohol and cigarette producers;
- Profit on real estate transactions for companies (to 16%);
- Profit on real estate transactions for individuals is announced, but not yet enforced;
- Profit on stock exchange gains for everybody (from 1% to 10%);
- Earnings from interests (from 1% to 10%);
- No changes on VAT rates are forecasted.

The other financial measure expected now is the lifting from National Bank of Romania of the purchase ban of foreign currencies for companies.

The next large workshop opened is the much expected changes of the Labour Code, currently in discussions at various levels.

Any comments or questions are welcome at serge.gonvers@audiconsult.ro

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Business News

Raiffeisen asset value doubles

Raiffeisen Bank concluded 2004 with a doubling of its assets to more than two billion euros and a net income of 28.1 million euros, more than five times higher the figure for 2003. Three years ago the bank posted losses of over 10 million euros.

"We set out to achieve an asset growth of 60% but managed to keep on growing faster than the market average, which we estimate at 40%," said Steven van Groningen, the bank's chairman.

As a result, the bank has consolidated its position as the number three on the market in terms of asset value. By the end of November it had achieved a market share of 9.1%, compared with 7.2% in late 2003. In terms of lending, Raiffeisen had a 10.3% market share, while for deposits its share was 9.2%.

Development in the lending business is reflected in the bank's balance sheet, 60% of which is made up by loans, a visibly higher rate than the market average. The bank's credit balance rose by more than 77% in 2004, while deposits doubled.

Steven van Groningen says Raiffeisen Bank has improved its return on equity significantly from 7.5% to 27.4%. At the same time, the bank continued to invest extensively, allocating some 40 million euros to IT systems, equipment, development of the territorial network and personnel training.

"We plan on maintaining this investment pace through 2005 at at least 40 million euros," Van Groningen added. The bank's product and service portfolio is pretty much complete, according to the Raiffeisen president, and efforts will now focus on improving quality. Raiffeisen also intends to develop Internet banking services and to improve current mobile banking services.

"The general goal for this year is to consolidate our position, as well as to continue to grow faster than the rest of the market so as to achieve 15% of the total assets within a time frame of four or five years," the bank's chairman said.

Growing its market share will also depend on the outcome of Raiffeisen's bid to take over Casa de Economii si Consemnatiuni (CEC), the Romanian Savings Bank. (by Ziarul Financiar, February 18, 2005)

Cement market outruns economy

The cement market in Romania last year had the highest growth rate since the entry of the three international strategic investors - Lafarge (France), Holcim (Switzerland) and HeidelbergCement (Germany).

According to estimates by players on this market, it was the high demand for construction supplies that "pulled" the cement market up by about 10%, double compared with 2003 and the growth rate from 1996 onwards. The pace is even higher than the overall progress of the economy, considering that the Gross Domestic Product rose approximately 8% in 2004.

"Carpatcement Holding SA, the local branch of the German construction supplies group HeidelbergCement estimates 159 million euro turnover for 2004, 33% higher than in the previous year, according to the preliminary results. The performance is based on the increase in the demand for cement, fuelled by the high volume of construction works," Mihai Rohan, Carpatcement Holding general manager told Ziarul Financiar. The company is an integrated player on the construction supplies market in Romania, having put all the cement, concrete and aggregate divisions under the same umbrella last summer.

Holcim Romania, the local branch of Swiss Holcim Ltd in 2004 hit a record high in terms of turnover since its entry on this market in 1997, some 118 million euros. The growth on the previous year exceeds 10%, Holcim officials say.

The increase in demand made Carpatcement up its cement output from 1.7 to 2 million tonnes in 2004. The German operator has 3.1 million tonnes of installed capacity at its facilities.

French giant Lafarge, which owns domestic producer Lafarge Romcim announced a 29.7% increase in the value of its sales across Central and Eastern Europe, largely made possible by the demand on the constructions market in Romania. Lafarge Romcim has not released 2004 financials yet. The rising demand for cement did not benefit local cement makers only, as imports from Ukraine hit record highs and grew even faster.

If compared against the total market, imports account for 5-6% of an estimated 5.3 - 5.4 million tonne cement market in 2004. In terms of value, cement sales are thought to have reached 270-280 million euros.

Each of the three international players on the market owns three cement factories. Carpatcement facilities are Casial Deva, Moldocim Bicaz and Romcif Fieni, Holcim's are Campulung, Alesd and Turda, while Lafarge's are located in Medgidia, Targu Jiu and Hoghiz.

The only exporter of cement in Romania is Lafarge which benefits from the location of its Medgidia facility that is close to the Midia Harbour, while Lafarge Romcim has recently merged by absorption with Sicim Constanta harbour operator. (by Ziarul Financiar, February 21st, 2005)

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The CCE-R Events Calendar

Events to be organized by the Chamber of Commerce Switzerland – Romania in March - May 2005

Month	Day	Action	Place
March 2005	March 03 17:00	CCE-R Task Force on Visibility	CCE-R's office Bucharest
	March 10 17:00	CCE-R Task Force on Visibility	CCE-R's office Bucharest
	March 17 18:00	Board Meeting	CCE-R's office Bucharest
	March 17 17:00	CCE-R Task Force on Visibility	CCE-R office Bucharest
	March 24 18:00	General Assembly Reelection of Paul Nuber , General Manager of <i>Nestlé</i> <i>Romania</i> , as the CCE-R President	NESTLÉ ROMANIA's head- office Bucharest
April 2005	April 4-5	Participation at SEC's General Assembly	Zürich Switzerland
	April 26 17:00	Board Meeting	CCE-R's office Bucharest
	April 26 19:00	Business Club: SAUTER BUILDING CONTROL ROMANIA	Hilton Athénée Palace Bucharest
May 2005	May 25 17:30	Board Meeting	CCE-R's office Bucharest
	May 25 19:00	Business Club: GEBERIT	GEBERIT's head-office Bucharest

✚ Board Meetings are only for the Board Members.

This is a monthly Newsletter, released at the end of each month. Should you have any suggestions concerning it or should you want to contribute to its realization, please send us your proposals at:

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Become a CCE-R Member

If you want to help our Association grow, one of the best ways is to make it known and accessible. Invite interested companies to become members of CCE-R. They may fill in this form and return it to the head-office of the CCE-R.

MEMBERSHIP APPLICATION FORM

You are kindly requested to fill in the application form in block letters

COMPANY DATA		
Full Name		
Scope of Activity		
Registered Address		
Mailing Address (if different from above)		
Phones	#1	#2
Fax	#1	#2
E-mail	Website	
Reg. Com. No.	Fiscal Code	
Bank		
Account No.		
REPRESENTATIVE OF THE COMPANY		
Full Name	<input type="checkbox"/> Mr.	<input type="checkbox"/> Mrs.
Position		
Direct Phone	Direct Fax	
Mobile Phone (optional)	E-mail	
ADDITIONAL INFORMATION (optional)		
Links with Switzerland		
Specific interests within the CCER		
Any other relevant information		

Signature and stamp

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