



# Romania

Part two

## Traveling without moving

IN THE WAKE of its accession to the European Union on January 1, 2007, Romania has become one of the most attractive markets for foreign investors in the SEE and CEE regions. Joining the union has underscored the country's economic stability and engineered increased development across several sectors. Romania has been cited as a top investment destination owing to its favorable corporate tax rates, low labor costs and heightened productivity.

Romania's economy registered a 6.6 percent increase in 2006, with a similar figure anticipated in 2007.

Meanwhile, more money is expected to flow into key areas such as agriculture, infrastructure and the environment, owing to the country's access to European structural funds.

Central Bank Governor Mugur Isarescu, one of the key players behind Romania's economic success, notes that: "One of the challenges will be to maintain high growth rates without creating too large an imbalance, such as

▶▶▶ ROMANIA'S E.U. ACCESSION EARLIER THIS YEAR HAS OPENED THE COUNTRY'S MARKETS AND IS ACCELERATING INTERNAL DEVELOPMENT. NOW, IT IS FAST BECOMING A TOP INVESTMENT DESTINATION

the current account deficit or inflation." Addressing the issue of the deficit, Minister of Economy and Commerce Varujan Vosgian explains: "The deficit can be managed if we continue to attract foreign direct investment, and if that FDI can cover around 60-80 percent of it. FDI in 2006 was €8 billion (\$10.8 billion). If we can keep the level of FDI at €6-8 billion the current account deficit should be sustainable in the long run."

Regarding inflation, Mr. Isarescu points out, "By the end of 2007, not only inflation, but also inflation expectations, will have decreased. Year-on-year inflation has almost halved to

less than 4 percent at present from 8.6 percent in 2005."

One of the main engines of economic growth has been the Romanian banking system. The first foreign bank to open in Romania after the 1989 revolution was Alpha Bank of Greece. The bank has been at the forefront of the local market's development since then, being one of the first to offer mortgages as well as other innovative products. The bank is now focusing on further expansion throughout the country. "We have set ourselves the goal of becoming one of the top five banks in Romania with a market share of 10 percent by 2010," explains Executive President of Alpha Bank, Sergiu Oprescu.

Alpha Bank's current share is about



MUGUR ISARESCU  
Governor of the National Bank



SERGIU OPRESCU  
Executive President of Alpha Bank

4.5 percent. Under its expansion plan, the bank is angling to increase its branch presence from 83 at present to 300 by the end of 2010, Mr. Oprescu asserts.

Headquartered in Athens, Alpha Bank

had initially set up its Romanian subsidiary as a corporate bank, tracking the big businesses that entered the market in the 1990s. In 2001, it stepped into the retail market and now its portfolio

is relatively balanced at 40 percent retail and 60 percent corporate.

"In the future, owing to the development of the banking market, we want to focus on the retail front, rather than corporate. Corporate has its limitations, while retail has quite a long way to go," Mr. Oprescu says.

Alpha Bank is also focused on niche segments, such as credit lines for small and medium-sized enterprises and municipalities seeking to finance badly needed infrastructure works.

Mr. Oprescu believes that owing to Romania's E.U. accession, many multinationals are looking to set up their regional headquarters here, citing Romania's potential role as a major hub for the international IT&C market, notably in software development.

For companies expanding in the region, he asserts that there are really only two choices for a regional headquarters: Bucharest and Sofia, Bulgaria. "Being that Romania is a much larger country and has a much larger potential consumer market, multinationals are left with only one option: Romania," Mr. Oprescu says.

LOUIS BERGER GROUP

## 'Infrastructure is indeed one of Romania's biggest challenges'

Louis Berger Group's contribution to the Romanian drive for infrastructure improvement is measured in much more than euros

ROMANIA plans to sink billions of euros into infrastructure development over the coming years with the aim to reach E.U. standards.

One of the main players currently involved in getting Romania's infrastructure on track is the French-U.S. engineering-gi-

ant Louis Berger, which has provided assistance in the planning, design, implementation and supervision of projects throughout the United States, France and some 140 countries.

"Infrastructure is indeed one of Romania's biggest challenges, as it has been in many other central and eastern European countries," says Chris Germanacos, Director for Europe and Senior Vice President of Louis Berger Group. "With the current economic growth and the increase in consumer buying power, voters' expectations and the needs on quality and quantity of infrastruc-

ture change. As an example, car ownership has increased so quickly that Bucharest is no longer able to cope. You only need to look at Bucharest and many other cities to see that a lot of work needs to be done on transport, water and wastewater, solid waste, buildings, public institutions etc."

The company's first project in Romania was in 1991. Upon the initiation of Louis Berger's third project in 1993, it decided to staff a permanent office and Romania is now the hub for ongoing work in 16 countries in the central and eastern European region, including Russia and Ukraine.

In the private sector, the group is working for several clients of international reputation in residential, office and major industrial developments in the country. As an example, Louis Berger's teams of experts have designed and supervised the construction of a steel processing plant and industrial warehouses for Arcelor Mittal. In addition, they have carried out due diligence for a variety of private infrastructure projects. Louis Berger is also involved in public-private partnerships and concessions for infrastructure projects.

One of Louis Berger Group's major deals in Romania came in 2004 when it was awarded a large contract to upgrade and modernize 106 primary and secondary schools throughout the Bucharest municipality. Other projects include helping the water companies and municipalities in over 15 cities in the country to upgrade their water and solid waste networks.

Louis Berger is also providing consultancy on highway and railway works, advising on studies, design and construction supervision. It is involved in planning, designing and supervising the last half of the Bucharest - Constanta highway including a bypass in Constanta, located on the Black Sea coast.



Clockwise from top-left: Madalina Randasu, PR Coordinator; Marius Stefanica, Administrative Dept. Coordinator; Chris Germanacos, Director for Europe and Senior V-P; Crina Nicolae, Contracts and Accounting Dept. Coordinator; Calina Nistor, Deputy Director; and Silvia Duica, Marketing Coordinator.



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# Romania

ENERGY HOLDING

## Energizing development: "In five years' time, we will have a turnover of \$1 billion"

Energy Holding is a key power in the Romanian energy market and focused on the championing of green energy sources

ROMANIA has joined the European Union with a fully liberalized electricity market and is readying itself to cope with competition within the free trade bloc by restructuring its energy sector, aligning legislation to E.U. standards and selling off state assets.

Energy Holding had already been a

vanguard player in Romania's energy business before E.U. accession and has made its presence felt as a leading private electricity supplier that has since spearheaded efforts to free up the market.

Since its establishment in 2000, the company has become the top elec-

tricity supplier for industrial consumers active in petrochemical, metallurgical and car manufacturing businesses and has held onto its leading position year after year. Its acquisition portfolio consists of a mix of sources: hydro, nuclear and thermo, both local and imported. Services include electricity

supply, consolidated billing, metering, electricity consumption audits, energy efficiency studies, turnkey electricity supply projects and assistance in understanding market mechanisms and regulations.

In a move that will undoubtedly bolster the company's development plans, Energy Holding was taken over in 2006 by Société Bancaire Privée, based in Geneva, Switzerland. The bank's core business is the management of both private and institutional assets, investment advisory, and trading on worldwide stock markets.

The company ended 2006 with \$15 million in profits on a turnover of \$370 million. "We have recorded a 25 percent rise in turnover in 2006 against 2005 and profit was 19 percent higher in 2006 against the previous year," Enrique Ferrer, President of Energy Holding, points out. "Assuming that every year we have a 25 percent increase in turnover, in five years' time we will have a turnover of \$1 billion."

Energy Holding's current strategy is to consolidate its leading spot on the Romanian energy market and to use the valuable experience gained in Romania to act as a platform for the extension of its operations into regional markets, buoyed by the spreading liberalization process. The company has already sealed a number of transactions with its partners in SEE (South East Europe) countries such as Bulgaria, Albania, Serbia, Montenegro and Macedonia. In Bulgaria, the company is present through Energy Partners AD and has carved out a slice of the market by supplying major local industrial consumers. Energy Holdings is also



Enrique Ferrer's Energy Holding was acquired by Société Bancaire Privée in 2006, opening the way for a significant expansion of exploratory activity to complement the company's contribution to the Romanian energy industry. Now, with the financial backing and expertise to do so, Energy Holding is in the process of bringing hydropower to the fore, and thus becoming the first green energy operator in Romania, and one of only a few in the region.



Since its inception in 2000, Energy Holding has become the top electricity supplier to the petrochemical, metallurgical and car manufacturing sectors in Romania.

A PROGRAM FOR MODERN ENERGY

## Environmental awareness spurs search for renewable energies

WHEN FORMER communist dictator Nicolae Ceausescu began to steer Romania down the road of heavy industry, environmental concerns receded into the background. Times, and mindsets, have now changed and the country has embarked on a concentrated program to shore up environmental protection measures in order to meet the guidelines laid down by the European Union. Romania is also expected to play a key role in the region owing to its vast potential for sources of renewable energy.

Local electricity supplier Energy Holding, which has recently been acquired by Geneva-based Société Bancaire Privée, has been at the forefront of a growing trend towards environmentally friendly projects. One of the company's investments in hydro-energy is expected to provide a springboard for the country's efforts to reduce pollution. In 2004, Energy Holding acquired five small hydropower plants along the Topolog River in Romania.

When the company initially assumed control of the plants they were in a decrepit condition. Enrique Ferrer, President of Energy Holding, recalls, "At that time, pipelines were broken everywhere. The turbines were in very poor condition and the generator control systems needed to be upgraded. We have invested quite a bit and today we are seeing the positive effects of our efforts. Furthermore, we have already exceeded all of our contractual obligations."

The company's modernization program has involved an extensive upgrade of the plants' equipment and a marked increase in their power generation capacity. Operational safety has also been significantly improved. The first stage of the program consists of investments estimated at more than €1 billion (\$1.35 billion).

"With regards to alternative sources of energy, we are very actively looking into the possibilities of building wind power and biomass plants in Romania," Mr. Ferrer says. He notes that building these types of

plants will require the implementation of certain aspects of legislation in addition to the necessity of obtaining the requisite permits.

"We are monitoring these developments and we will continue to pursue this process and hopefully, in the future, we will be able to commence work on a biomass power plant," says Mr. Ferrer.

Meanwhile, the government is pressing ahead with its promotion of green energy. Minister of Economy and Commerce Varujan Vosganian says a recently introduced initiative calls for an increase in hydro-energy production, and the development of unconventional energy sources. "We will start a program for cross-support from other sectors comprising wind, solar and biomass energy," he says. The goal is to see the country's energy production broken down into 32-33 percent renewable, 30 percent nuclear-based, with the remainder to be cleaned from hydrocarbon, coal, gas and other sources.

looking to open its own subsidiaries in Greece, Macedonia and Montenegro.

In the meantime, the supplier has already made strong inroads in the Romanian market. Energy Holding was the first private electricity supplier in Romania to create an Electricity Management Center, under a \$5 million investment program, with the aim of streamlining electricity supply and generation activities. The center, Mr. Ferrer explains, enables the company to provide useful information to its clients regarding their consumption patterns. "With the help of this center, Energy Holding can act as a domestic stock exchange, so that the eventual deviations in the customers' consumption forecasts can be offset against one another.

"Two years ago this service was provided, but not in real time. The reports for each customer were prepared and handed over to the client only after the end of each month," Mr. Ferrer says. Now the center ensures interaction with customers by on-line communication. Mr. Ferrer adds: "We also provide security for the supply. We have a portfolio where we buy energy from different sources and from different countries so we can provide customers with better security, which is essential to their plant operations. You cannot prevent every eventuality, but in general we are better equipped than others to handle unforeseeable problems."

Furthermore, in 2004 Energy Holdings bought five small hydropower plants on the Topolog River, becoming one of the first private green energy producers in Romania. The plants have an installed capacity of nearly 6MW, with an average energy generation of 8,000 MWh/year. The company has invested over €1 million (\$1.35 million) in



"You cannot prevent every eventuality, but we are better equipped than others to handle unforeseeable problems"

upgrading the plants' equipment in the project's first phase, as well as increasing power generation output and operational safety.

"Whenever the possibility arises to be involved in the privatization of a hydroelectric power plant, we will participate," Mr. Ferrer says. He adds that his company is also pursuing other alternative energy sources and is looking into the possibility of building wind power and biomass plants in Romania. Energy Holding also promotes the use of natural gas as fuel, as well as promoting ecological coal-burning technologies.

In addition to investing in economically viable and environmentally friendly projects, Energy Holding is also heavily involved in various community projects such as sporting, artistic and cultural events, and the sponsorship of athletes, singers and dancers. It has also lent a hand to hard-pressed communities. "Immediately after the catastrophic floods in July 2005, Energy Holding was among the companies to initiate an aid campaign for the affected communities," Mr. Ferrer states.

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# Romania

FILDAS GROUP OF COMPANIES

## 'As part of the E.U., we can only move forward and improve'

**With ambition and acuity, Anca Vlad planted her company's seeds and watched her empire grow**

A TALL, unassuming blonde lady enters the room, and you wouldn't even realize you're in the company of the wealthiest woman in Romania, but indeed you are. Anca Vlad is one of the nation's most successful entrepreneurs and the brain behind Fildas Group. Created in 1991, today it is one of the leading pharmaceutical distributors and health and beauty companies in the country.

Fildas is Romania's greatest success story since the beginning of the free market era. Built from scratch, it has gone on to become a national market leader under the direction of Mrs. Vlad's visionary leadership.

Mrs. Vlad began her career as a scientific interpreter for international symposia and exhibitions. Pharmaceuticals became her preferred domain and eventually she was recruited and appointed country manager for Romania by the British company Beecham Plc, one of the largest pharmaceutical firms worldwide, today known as GlaxoSmithKline Beecham. Under the company's sponsorship she began a series of scientific studies including anatomy and pharmacology, meanwhile sharpening her selling skills in the drug distribution industry.

Mrs. Vlad is not only a self-made woman, she is a true pioneer. After studying at the

Rosetti College of Bucharest's science faculty, she went on to take classes in economics at the Academy of Economic Studies, graduating from its international trade department in 1980. She secured a job immediately after university at a furniture company where she was responsible for exporting \$5 million worth of its goods. Four years later, at 27, she was planning \$240 million worth of Romanian furniture exports with the national state furniture coordinating body, working in tandem with international companies such as Sweden's Ikea, the U.K.'s Steinhoff and Germany's MVK. At the same time she was collaborating as an economist at the Romanian Chamber of Commerce and Industry.

So it made perfect sense that, in 1991, as the Berlin Wall no longer cast its shadow over the country, Ceausescu was gone, and the country shifted towards capitalism, Mrs. Vlad wasted no time in taking full advantage of every opportunity that came her way. She was one of the first entrepreneurs in Romania to enter the pharmaceutical distribution sector. With the know-how she had acquired and the contacts she had developed with producers, suppliers and importers, Mrs. Vlad put what she had learned into practice and began developing her own empire.

In line with Mrs. Vlad's belief that health and beauty related activities would grow parallel to national development, she di-

versified her 1,600-employee firm. One branch, Fildas Trading, for example, is a drug wholesale distributor, while Catena is its chain of pharmacies, of which there are more than 180 nationwide. It has its own line of natural cosmetics, Naturalis, and even produces some comestibles, such as organic mashed baby food, sold in Catena stores.

The firm has launched two health and beauty publications, a TV station and a cultural foundation called Fildas Art.

"All women are interested in health and beauty," says Mrs. Vlad, "so I thought of building on that concept. Catena is 'the pharmacy that helps', and Naturalis is 'the intelligence of nature'. Our publication is called Tonica (Health and Beauty Every Day). That was essentially my vision: to create a health and beauty company."

Today, Fildas Trading generates 75 percent of its annual consolidated turnover and ranks third in the Romanian market, behind Ad Pharma and Relad. Catena is the second largest chain in Romania by number of outlets, and a franchising project initiated in 2006 calls for an increase in the number of stores from five to 300 over the next three years.

Mrs. Vlad was named top female entrepreneur in 2004 and 2005, and in addition to being known as one of the most powerful women in the country, she has also developed a reputation for being the most transparent.

Among the top distributors, Fildas is unique in that it is devoid of scandals, controversies, rigged bids for state-subsidized drugs and corruption allegations. The company is thus in a great position to take advantage of the fairer practices that will be enforced now that, as of January 1, Romania is part of the European Union.

"I have especially tried to create a respectable, honest company, and I think that is why Fildas is a solid enterprise. Now that Romania is part of the European Union, practices can hopefully only improve.

"As part of the E.U., I see very positive things happening in the sector because Europe has so much experience in the health industry. We can only move forward and benefit from Europe's knowledge. We also expect consumption to grow at least 15 percent a year." Consumption is currently low, between \$1.3 and \$1.5 billion for a population of 20 million, due to low levels of disposable income and the scarcity of finance in healthcare.

Over the next few years, the Romanian pharmaceutical sector is expected to grow at a rate of 15 percent and E.U. integration should increase competition, allowing the national pharmaceutical market to reach €2.5 billion by 2010. As expected, the inherently dynamic sector saw a great deal of mergers and acquisitions in 2006. For example, Sindan, an oncology-specialized Romanian pharmaceutical manufacturer was acquired by Iceland-based Actavis, while the Czech company Zentiva acquired, through another enterprise, the



**ANCA VLAD**  
President and Founder of Fildas Group

Romanian drug firm Sicomed. Fildas, however, has just one shareholder: Anca Vlad.

But it took more than just expertise and contacts, it took a winning combination of intelligence, initiative, business acumen, intuition and creativity, which have allowed the company to evolve from earning \$2 million in 1992 to \$200 million in 2006.

Yet while the trend in Romanian firms being bought out may be going strong, Fildas has plans of its own. To finance and facilitate the company's investment proposals and development strategy, it recently secured an €80 million syndicated loan from Citibank Romania, and the European Bank for Reconstruction and Development has proposed a €12 million equity investment plan for the company as well as a syndicated A/B loan of up to €60 million specifically for Fildas Trading.

Mrs. Vlad says, "One of the world's leading financial institutions together with Citibank have given the green light for a unique loan syndication for Romania. Why is it unique? Because

Fildas is 100 percent privately owned by a Romanian entrepreneur and that entrepreneur is a woman."

But Mrs. Vlad is much more than a successful businesswoman who is only interested in the bottom line. She is extremely passionate about social aspects, culture, and the arts, and contributes to Romania's social and intellectual components.

"I strongly value creativity and freedom of expression," she says, and with that in mind, she launched a cultural foundation called Fildas Art, which sponsors more than 20 exhibitions each year featuring original Romanian artists. It also organizes group exhibitions of Romanian women artists abroad.

Contemporary art in eastern Europe is currently experiencing an incredible explosion, the result of the years of oppression suffered by the region. Mrs. Vlad is supporting the movement and the flow of imagination and inspiration through her Senso Art Gallery.

She has also gone on to buy an entertainment channel, named Senso TV, which targets the 20 to 45-year-old market. It specializes in lifestyle programming with talk shows dedicated to cultural events, health and beauty, travel, food, design, architecture and general wellbeing.

Furthermore, Mrs. Vlad is a staunch feminist and takes great pride in having accomplished what she has in a country where conditions have not always been receptive to women in business. She is a rare exception and for that reason many of her projects are aimed at women.

So what drives a woman like Anca Vlad? "I passed on money a long time ago," she says. "I wake up each morning to the pleasure of facing new challenges. That's what is most rewarding."

CRIS-TIM GROUP

## Cutting a reputable image in the market

**Starting from scratch, Cris-Tim group has now secured a large share of the market**

FAMILY-OWNED cold-cuts producer Cris-Tim is an example of what can happen when opportunities arise, and are seized. Established by Radu Timis and his wife Cristina in 1995, the company is now Romania's leading manufacturer of meat products. In what has been a crowded market, Cris-Tim has carved itself a hefty slice, becoming a household name across the country and securing a 23 percent market share.

After the revolution in 1989, Timis and his wife followed the path of thousands of other Romanians in setting up businesses in a new market economy. They initially worked out of a small corner-store selling salami manufactured elsewhere. After noticing the poor quality of the meat, Radu decided to start up his own production facility. "Within a year we had a small shop that processed two tons of meat per day," he says. Following the purchase of a second factory, Radu and his wife finally found the ideal spot of about 20,000 sqm and started producing 160 tons per day.

Output is expected to rise sharply within the next two to three years.

Mr. Timis has invested hundreds of thousands of euros in the factory and staff training. "Now our factory is the best in Romania, as it has very high standards and is equipped with the latest technology." He adds that the company is aiming to secure 30 percent of the market by 2010 and hopes to start exporting to other European Union countries within two years. The company is also angling for a 20-25 percent increase in sales—double the market rate.

In the meantime, the meat production sector has started to consolidate, with expected growth at 10 percent for 2007 against 2006.

**RADU TIMIS**  
President of Cris-Tim Group



registered in 2006, when it reached nearly €800 million (\$1.08 billion). This is in large part due to new E.U. regulations governing hygiene and safety regulations that will force many non-compliant firms to shut down. This will work to Cris-Tim's benefit as it was the first company within the country's meat processing industry to receive the ISO 9002 and 9001 quality certificates, meaning, in simpler terms, a stamp of approval that its entire production structure is up to par with E.U.-required food regulations.

But for Mr. Timis, the most important aspect of his business is the brand name. "Cris-Tim is a well-known brand in Romania after Dacia and Petrom. Primarily, Cris-Tim stands for quality. This is how the company is perceived: quality and tradition."

TECHNOLOGY AND MANUFACTURING

## High-tech expansion raises expectations

**Romania's E.U. accession has opened new markets and revived manufacturing**

WITH A NEW market suddenly opening up after Romania's E.U. accession, local producers of hi-tech goods have ramped up development plans and drastically raised profit expectations. As the opportunities increase, however, so too does the competition.

"We expect more than 60 percent of companies in the Romanian IT&C sector to disappear," says Gabriel Marin, Managing Director of Omnilogic, a leading company in system integration with a strong focus on the sale of high-end, value-added products. "This is normal, as the worldwide market is consolidating." But as less viable companies fall by the wayside, Omnilogic has gathered more steam, netting €250 million (\$338 million) in revenue. "This figure gives us enough strength to survive whatever happens on the domestic market as well as a strong basis for regional growth," Mr. Marin adds. With Romania's recent E.U. membership opening up new markets, the company is angling to raise its target to €1 billion by 2010-2012, he says. The company is considering launching an initial public offering to help achieve the €1 billion mark.

Mr. Marin started up the business in 1992 with \$5,000 and five people. One of the keys to the company's success is a lean workforce of 70 full-time employees and a policy of outsourcing much of the work to keep down payroll and overhead costs.

From the beginning the company focused



**GABRIEL MARIN**  
Managing Director of Omnilogic

on markets that promote high-end equipment convergence for networking, data and voice equipment, sealing partnerships with Cisco Systems, Nortel and RAD. The company has also partnered with leaders such as Ericsson and Harris.

Another good example of a successful Romanian producer of high-tech goods is the weapons manufacturer Mechanical Factory for Armament (MFA), which was founded in 1951 and privatized in 2003.

Romania had been a renowned producer of specialized military products for APCs, tanks and infantry vehicles, among others, but the industry has encountered difficulties. Romania's E.U. and NATO membership is, however, expected to revive the sector.

MFA is now upgrading a number of infantry vehicles for the Romanian army and the company plans to export these products, says Dr. Constantin Cazacu,



**CONSTANTIN CAZACU**  
General Manager of MFA

General Manager and President of the Board. The company has also set up joint ventures with several international companies to manufacture armored wheel-tracked vehicles.

"We are working with General Dynamics, an American company, for the general assembly of the APC Piranha III C and we are already partners with General Dynamics in Europe. We have also worked with Harris Corporation," Mr. Cazacu explains. MFA has also hooked up with Israeli company Rafael in a joint venture for manufacturing the OWS system, an automatic turret. He notes that the next stage of the company's development plan is to manufacture civilian products such as oil extraction parts, spare parts for trucks and electrical systems. All products are produced at its 30,000 square meter plant in Mizil, Romania. The company turned over \$15 million in 2005 and \$20 million in 2006.

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