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Small Enterprise Assistance Funds

Quarterly Report to USAID
(October to December 2001)

for Grant # PER-G-00-00-00017-0

SEAF/TBF

Investing Growth Capital in Transbalkan Enterprises

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TBF Summary

In the 4th Quarter of 2001, SEAF has continued working with Marker, Teletek Electronics, and US Meds in Bulgaria. Moreover, in December the Transbalkan Bulgaria Fund approved investment in Eastern Gas Company (Gasco). The company is involved in transportation, storage, and retail distribution of liquefied petroleum gas (LPG). In Croatia, revenues have increased for the companies in which the Transbalkan Croatia Fund has invested. In addition, Croatia staff is following several interesting leads, such as an up-scale bakery and a company engaged in research and development for pharmaceutical products. In Romania two new deals were closed in the 4th Quarter of 2001. The companies invested in include:

- ILS Group, a distributor and retailer of GSM prepaid and post-paid services, as well as a single importer of Polaroid consumables for Romania and an importer for a large range of photo-related products and consumables, and
- Telezimex, which is one of the largest distributors of electronic parts in Romania for the repair shops and is an exclusive importer for Maxell (media products) and Kinzo (DIY tools).

SEAF has continued to provide beneficial assistance to its portfolio companies, such as experts in marketing, human resources, distribution, and IT. The following sections contain more details of SEAF's activities with its investees and descriptions of our most interesting leads to date.

Bulgaria Fund

Description of Current Investments

Marker (Notebook Production, Sofia)

Marker received additional \$100,000 in Q4 for acquisition of new equipment and the land for the new production facility. The company is in the process of completing the deal for acquisition of land. Marker identified a good construction company that will deal with the construction works.

Despite the problems with the new production facility project, with the new financing the company succeeded to increase its capacity for the strongest quarter of the year. The sales in Q4 have grown by 27% compared to Q4 2000 and are \$91,559. The sales for 2001 are \$593,856.

For Q4/2001 (compared with Q4/2000), Marker improved labor productivity by 20%, increasing sales per worker from BGN 20,241 to BGN 24,562.

Marker is member of Bulgarian Chamber of Commerce and Industry.

Teletek Electronics (Electronics Manufacturing, Sofia)

TBBF has already disbursed \$400,000 of its \$500,000 investment in Teletek Electronics. In Q4 the company SMD assembly line from Philips is operating. The new line helped the company improve the quality of its own products as well as provided typical electronic manufacturing services to third parties. An opening ceremony for the new machine at the end of October was held and was announced in the media.

Teletek Electronics has been growing successfully since the beginning of the year. The sales for the fourth quarter are \$ 398,641. The sales for 2001 are \$1.641 million, which is more than double from last year. The Company has been able to increase significantly its export sales, which currently account for 45% of total sales are up from 31% for last year. During this year the company has hired 11 people and currently has 40 employees. Annualized sales per employee have increased by 33% from \$30,000 to \$40,000.

The company is member of:

BASA – Bulgarian Alarm Systems Association

BIA – Bulgarian Industrial Association

BTC – Bulgarian Trade Chamber

US Meds (Rapid Diagnostic Testing, Sofia)

SEAF Trans-Balkan Bulgaria Fund has disbursed all of its \$150,000 equity investment and \$190,000 (of a \$250,000 credit line) in US Meds. The Company produces and distributes pregnancy tests and other rapid diagnostic tests in Bulgaria and has recently started its first shipments to other Balkan and Eastern European countries, such as Romania and Ukraine.

The results in Quarter 4 are below expectations as the Company struggled to find new markets for its products (US Meds currently has approximately 70% of a mature Bulgarian market). The sales in Q4 are \$99,762. The sales for 2001 are \$464,133, which is below the projected ones. Thus, SEAF is trying to help the company in finding new market opportunities and is in process of providing external TA.

Mix Express

Since November 2001 Mix Express started to face serious cash-flow problems, and both SEAF and Mix's creditors began to have serious reservations about the credibility of Mix's management. The company's major creditors tried to work out the situation but the company's financial position was already too difficult. Therefore, creditors started collecting proceeds. In January TBBF initiated insolvency procedures in order to protect its rights. Unfortunately TBBF is facing significant losses on this investment.

Gasco

In December 2001 TBBF approved investment in Eastern Gas Company (Gasco). The company is involved in transportation, storage, and retail distribution of liquefied petroleum gas (LPG). Incorporated on March 26, 1995 in Varna, Bulgaria. At the beginning of the year 2001 the Company held 65% of the bottled gas business in Varna, 16% of the auto-gas market, and has a strong presence in the LPG wholesale transportation market in Northeastern Bulgaria.

The Company seeks to duplicate its success in Varna into the cities of Dobrich and Bourgas, as well as to achieve a higher level of vertical integration through the construction of a railway-unloading terminal near the city of Devnia. Upon successful completion of the financing, the Company will achieve a leadership position in the LPG market in Eastern Bulgaria, and will achieve a lowest-cost distributor position through its vertical integration and access to low-cost LPG railway imports from the former Soviet Union. At that point, the Company will be in a position, with additional rounds of financing, to participate in the consolidation of the LPG industry.

In order to expand its retail and wholesale operations, the Company seeks \$500,000 to \$700,000 from TBBF for the purchase of land, LPG trucks, LPG cylinders, pumps, dispensers, tanks, and for construction work. In addition, Gasco has received a \$250,000 long-term loan from Expressbank for its expansion.

Attributes of the company are that it:

- Operates in a growing industry (LPG - cheap and environmentally-friendly substitute for gasoline and diesel)
- Is liquid, in excellent financial shape and enjoys growing revenues and profits
- Has developed its logo, trademark and brand name and has begun building brand awareness on the market.
- Its management team has a successful track record of over three years of operations. The management team has been further enhanced by the addition of Mr. Svetoslav Gramenov as a Managing Director of the Company. Mr. Gramenov has experience as a management consultant and an MBA from The Wharton School.

Description of Most Interesting Leads to Date

Mercurius

The company was established in 1991 and is the second largest distributor of stationery in Bulgaria. The main target of the company over the years has been to sign a distribution agreement with leading European and international stationery producers. Mercurius is an importer of a number of well-known international brands including Schneider, Senator, Parker, Elba, Durable, Uhu, Donau, Novis, Casio, and others. Since May 2001, the company is a license of Corporate Express, a world leader in the production and trade of stationery with a \$5 billion turnover. Under this agreement Mercurius has developed catalogue trade and an e-commerce site under the brand name "1 Classic". The company has sales of \$3 million for 2001. Following the market trends in recent years, Mercurius has started to refocus its efforts from import/wholesale to direct work with end corporate customers. In this respect it has created a strategic alliance with Corporate Express and has developed its own catalogue and B2C site. Furthermore, the company plans to organize its work more efficiently through establishing a modern logistics center for its activities. The expected investment size is about \$500,000.

AVA Sport

AVA Sport is designing, producing, and testing paragliding commodities – seats, spare parachutes and other accessories. The company is situated in the town of Montana in a new facility, which adheres to all European standards. In 2001, the company applied and was approved for development and implementation of ISO 9001 under Phare program for 80,000 Euros. The company employs over 50 workers and administrative staff. The products of the company can generally be divided into two groups.

- Products designed and produced for several big international companies. These products go on the market under the brand name of the ordering company and the producer -AVA. The "AVA Sport" brand name has recently been registered and is protected in Europe.
- Products with AVA's own design - the series "Tangra." The products in the "Tangra" series are certified with Deutscher Haengegleiter Verband (DHV), which is one of the most important factors for entering European markets. DHV is a certificate for safety, which is valid in almost all of Europe.

The company also has official distributors of the "Tangra" series in Czech Republic, Slovenia, Japan, Finland, Italy, Norway, Argentina, Spain, USA, New Zealand, Macedonia, and Serbia.

This year the company expects to increase its distribution network into: Turkey, Greece, Iran, Lebanon, South Africa, Romania, Poland, and Russia.

In Bulgaria the company sells through its own distribution network. The sales in Bulgaria are about 1-2% of total company's sales.

ConsulTeam

ConsulTeam was established in 2000 and for one year it became the market leader in Bulgaria for recruitment services. The services include:

Type of Service	% of Net Sales
Human resource consulting	40%
Training and development	30%
Recruitment and selection	25%
Payroll service	5%

The shareholders of the company are:

George Parvanov - owner of 51% and Managing Director, **Global Advisory Service Inc.** (GAS) - 49% Capital Investor

Currently the company operates only in Bulgaria and has some cross-boarder activities in Macedonia. It has 12 full-time employees and a total of about 15 staff members including the free-lance consultants and trainers.

The manager and 51% owner of the company would like to create a regional market leader in the area of human resources management, which would be the only company of its kind in Southeast Europe. According to the plans, in five years ConsulTeam would have offices in: Sofia, Varna, Belgrade, Istanbul, and Bucharest.

His ambitions are based on the fact that in the beginning of 1990's a similar project was developed in Central Europe—Prague, Budapest, Bucharest and Krakow—and in the late 1990's the company was very successfully sold to a strategic investor.

Tashev

The company produces high quality tourist rucksacks, accessories, and waterproof raincoats. The company was created as a small family business in 1995 with financial micro-credit by BAEF. Soon the business succeeded and Georgi Tashev was able to return the credit on time. As a result, in 1996 BAEF recommended ET Tashev to CARESBAC. The team of Caresbac was impressed by the quality of the rucksacks. However Caresbac did not invest in the company because at the time Tashev was too small to assimilate the minimal investment amount of \$50,000.

These days ET Tashev produces different types of rucksacks, the majority of which are designed for tourist purposes. Other products include: every day rucksacks, students' rucksacks, tourist accessories, and raincoats. The brand name is well known among the young students and tourists and is preferred by middle-income buyers.

Tashev's products are sold in "METRO Cash and Carry" and most of the famous sports shops in nine different towns around Bulgaria.

Miss Kapriz

Miss Kapriz started its activity in 1996 by opening a pizza restaurant. By year 2001 Miss Kapriz grew into 10-restaurant pizza chain. Additionally Miss Kapriz increased the range of its activities and services. At the moment, its activities include: pizza restaurant chain, pizza home delivery, catering services and production of frozen pasta. Miss Kapriz employs more than 250 workers

and makes annual sales of 1,500,000 USD (year 2000). It is considered to be the pizza market leader among the domestic producers.

Interpharma

Interpharma was established in 1991 as a family business of two brothers. One of them is a doctor, the other is pharmacist, and both have backgrounds in medicine. The company specializes in production and wholesale and retail sale of pharmaceutical products. It owns three warehouses and 15 pharmacies. The sales for 2001 are \$7.5 million, which puts the company in 10-12th place of the entire market share. The company seeks financing in order to expand its production and to comply with the GMP standards.

Portfolio Development Data

See table below.

Company	Bank Activity	Technical Assistance Provided	SEAF Ideas Implemented	Other Activities
Marker	<p>\$150,000 to United Bulgarian Bank</p> <p>110,000 Euro from Interlease</p>	<p>Consultants applications from SES (Germany), BESO (UK) and NMCP (Netherlands) were sent. The consultants will assist the company with layout of production lines, acquisition of a new equipment and improvement of operations' efficiencies.</p>	<p>Management Reporting System targeting improvements in operations, accounting and financial planning is in process.</p> <p>Completed the selection of a construction company.</p> <p>Completed the process for recruitment of a new accountant/financial analyst.</p>	<p>SEAF will work on financial planning, HR, organizational structure of the company. Legal assistance in brand name registration.</p>
Teletek	None	<p>A marketing expert from BESO is expected to come in the beginning of March to help the company with attracting western European key accounts as well as implementing an overall marketing plan and strategy.</p>	<p>Research on US export markets.</p>	<p>SEAF together with Stichting SEAF, Netherlands are researching export assistance programs to help the company to enter new western European markets.</p>
US Meds	<p>Finished repaying first loan (\$150,000) to First Investment Bank. Current on principal repayments for second loan (\$50,000) to FIB.</p>	<p>Consultant applications from SES (Germany), BESO (UK) and NMCP (Netherlands) were sent. The consultants will assist the company with quality assessment of their products and improvement of operations' efficiencies.</p>	<p>Review of the personnel and organizational structure together with the company's management. As a result US Meds will hire new sales and marketing people and will restructure their departments.</p>	<p>TBBF assists the company to make contacts with leading pharmaceutical distributors in Bulgaria, Romania, Croatia and Poland with an active participation of SEAF local offices.</p>
Mix Express	<p>\$1 million to United Bulgarian Bank</p>	<p>A SPAR representative visited the company in September. He gave an outside opinion and advice on the future development of the company's wholesale and retail operations.</p>	<p>IAS Audit by Arthur Andersen</p> <p>Selection of new CFO and improvement of cash flow management</p> <p>Application for SPAR license for Bulgaria</p>	<p>SEAF is assisting the company to negotiate better payment terms with its suppliers and will help the company to get distribution rights for Bulgaria for more key western accounts.</p>

Employment and Revenue Analysis

Employment and Revenue Analysis as of December 31, 2001

Name of Investment	Initial Employment	Employment Q4 2001	% Change	Initial Annual Revenue in US\$	As of ...	Actual Revenue US\$ (2001 Annual)	% Change
Marker	30	34	13%	499,759.00	2000	594,000.00	19%
Teletek	29	42	45%	836,000.00	2000	1,641,452.00	96%
US Meds	18	34	89%	499,627.00	2000	464,133.00	-7%
TOTAL	77	110	43%	1,835,386.00		2,699,585.00	47%

Croatia Fund

Description of Current Investments

Medifarm Velebit d.d.

The total investment of US\$ 750,000, which was disbursed in Q2 2001, was spent on working capital. Due to the acquisition of Velebit, the company found itself in financial difficulties. With the investment they were able to cover current liabilities as well as debt, which they have taken for this acquisition.

At this moment SEAF is assisting the company by closely monitoring A/R and in strategic planning to increase revenues (short-term). SEAF is also assisting the company in looking for potential merger/acquisition opportunities in the pharmaceutical industry.

The revenues have increased by 25% from Q3 to Q4 primarily because the sales of pharmaceutical products increase in Q4 as well as in Q1 due to the season of flu, colds, etc.

Digital City Media d.o.o.

With the investment from the SEAF Growth Fund and Southeast Europe Equity Fund, the company is planning to acquire 4 cable companies: one in Split, two in Zagreb and one in Rijeka. The investment was used to buy some equipment to install and upgrade configuration. DCM is currently in the process of upgrading its network from a tree and branch system to a star configuration.

SEAF is assisting the company in creating a feasibility and market study, which is sponsored by the Trade and Development Agency.

The company has increased the revenues by 60% in 2001 compared to year 2000. The number of subscribers has increased from 9,000 to 40,000.

Description of Most Interesting Leads to Date

Prima d.o.o.

The company has won a concession for water exploitation in the mountainous region in Croatia near the town of Plaski. The quality of water and the supply have been tested and given the green light for exploitation. The supplies have been estimated at 869.000 liters per day. Investment of EUR 2 million in equipment and working capital is sought after. Ownership structure: 2 owners.

Dormiko d.o.o.

The company is an up-scale bakery. It has supply contracts with some of the biggest supermarket stores and hospitals in Croatia. The current revenues are around US\$ 235,295. Dormiko owns retail space in several locations throughout Zagreb including a prime spot on the main farmer's market. It needs an investment of US\$500,000 in the new production facility and working capital. Ownership structure: two owners.

Dolomit d.o.o.

The company is in production of stone powder used in pharmaceutical, paint, glue, construction business etc. It has won a concession for stone exploitation in the town of Sv. Ivan Zelina. The supplies have been estimated at 7 million tons. The investment of US\$1.5 million is needed for equipment.

Ekomineral d.o.o.

Ekomineral is a company that is engaged in the research and development of unique and novel pharmaceutical products. Croatia is home to a number of highly regarded scientific researchers across a number of areas of medicine. Over the course of several years, the general manager of Ekomineral has developed a network of Croatian scientists who have entered into contractual agreements with Ekomineral regarding the assignment of intellectual property rights and the protection of the confidentiality of new developments. The general manager plans for his company to license internationally patented IP to pharmaceutical companies to achieve worldwide distribution of its products. At the current time, the company has several different developments at various stages of pre-clinical and clinical testing. The company seeks an equity investment in order to finance late-stage clinical trials on specific, high potential applications, to finalize the application for 9-12 new patents, to purchase specialized equipment, and to serve as working capital. Large pharmaceutical companies will frequently license unique developments prior to the finalization of clinical trials; this provides a viable source of significant revenues in the immediate term. SEAF-Croatia is actively engaged in its due diligence of the company, and is seeking to enlist the services of a technical advisor to analyze and evaluate the intellectual property at hand.

In the beginning of 1990s, a team of people launched original TV program Z3. At that time only the state TV existed (Yugoslavian Radio Television – JRT). TV Z3 was broadcasting on the 3rd channel of the JRT member – TV Zagreb and covered the city Zagreb. Their commercial program was covering expenses after only two months of broadcasting. The first commercial local television was OTV – covering the area of Zagreb. Nova TV was the first commercial TV with national coverage and started broadcasting two years ago.

Two months ago the Council for Radio and TV announced that they would assign TV concession for the city of Zagreb, but they did not. None of four bidders (Programi Pinta, Vel-Media, Gizmo promidžba i K2 media) obtained enough votes (which was five). By secret vote Programi Pinta got 3 votes, K2 media 2 votes, and Gizmo promidžba and Vel-Media each by one vote. The council will repeat bidding for concession (of Zagreb) and all four above-mentioned bidders have announced their presence. The investment size in Programi Pinta is US\$ 1 million for equipment and working capital.

HLAD d.o.o.

Hlad is a company that grows fruits, apples, and pears, purchases fruits and vegetables from individual producers, and stores produce before final distribution. In the past few years the company has focused on transferring as much as possible to its own fruit production. Revenue in 2001 was around US\$ 700,000. HLAD purchased land to build its own facility for fruit storekeeping in controlled atmosphere conditions. Investment of approx. US\$ 759,000 needed for construction of facility, equipment and land purchases.

KORA d.o.o.

KORA is a company that distributes various meat and other food products. Over the past two years, the company was developing its own recipes for production of different "healthy" products, both for industrial use and individual consumers. A new company was established by KORA, "Vrelo", which is a producer. KORA will be distributing VRELO products through its established logistics. KORA had revenue of around US\$ 2,4 million in 2001.

So far few large food producers have tested VRELO products (primarily additives for meat products) and have agreed to purchase them for their industrial production. The company needs around US\$ 150,000 to develop recipes and brands, and will need more money if they decide to produce raw material for growing vegetables.

Portfolio Development Data

See table below.

Company	Bank Activity	Technical Assistance Provided	SEAF Ideas Implemented	Impact on War Affected Areas
Digital Point d.o.o.	None.	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> Negotiating exit price. 	<ul style="list-style-type: none"> Minimal
ExPress d.o.o.*	\$90,000 Loan Outstanding - Riadria Banka.	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> Negotiating exit price. 	<ul style="list-style-type: none"> Minimal
Gljiva d.o.o.	\$64,000 Loan – Kvarner Banka.	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> Not operating. 	
DOK-Ing d.o.o.*	\$107,000 Loan - Zagrebačka Banka. \$370,000 Loan – Šted Banka	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> Assistance in financial planning. Cost accounting. Assistance in developing international contacts. 	<ul style="list-style-type: none"> SEAF will try to establish connection with other countries in need for de-mining services (e.g. Bosnia, Kosovo)
Katunar Vinarija d.o.o.	\$761,600 Loan – Hypo Banka. \$100,000 Loan – Zagrebačka Banka	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> Assistance in implementing cost accounting. Assistance in increasing tourism sector. 	<ul style="list-style-type: none"> Minimal
Slavonija Milk d.o.o.	\$250,000 HBOR Loan – Slavonska Banka \$80,000 Loan - Bank Borovje \$31,056 Loan - Slavonska Banka.	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> The only strategy is to keep track on the loan payments that have been transferred 	<ul style="list-style-type: none"> Operated in war affected area.
D. Papa d.o.o.	\$ 2.796 outstanding lease for delivery vehicle	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> Providing assistance in accounting and financial control. Assistance with suppliers relations and management of the salespeople. 	<ul style="list-style-type: none"> Supplying 13 bakeries in Former Sectors East, North and West.
Vimi d.o.o.	None.	<ul style="list-style-type: none"> NMCP Consultant brought in for distribution and marketing assistance. 	<ul style="list-style-type: none"> Assistance in marketing campaign and organizing prize contest. Assistance in introducing new products into assortment. Looking at the potential exit. 	<ul style="list-style-type: none"> Vimi is currently selling to 65 retail outlets in Former Sector East. He sells to these outlets at a 4% discount.
Uzgoj d.o.o.*	None.	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> Exiting the company. 	<ul style="list-style-type: none"> Largest private pig farm in Vukovarska County with 3 employees. Production of approx. 75% of internal feed needs.
Stipanović d.o.o.	\$91,280 Loan - Pliberk Bank, Austria;	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> Looking for exit. 	<ul style="list-style-type: none"> Stipanović is employing 3 people in Former Sector East.

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	\$36,700 Loan – ŠKZ Imetak			
Perpetuum Mobile d.o.o.	None.	▪ NMCP Consultant brought in for human resource assistance.	▪ Assistance in entering foreign markets with the existing product, i-Site.	▪ Minimal.
SPOIN d.o.o.	None.	▪ None at this moment.	▪ Assistance in developing new business strategies.	▪ Sales channels provided to small and medium sized companies all over the country.
Klik Multimedia d.o.o.*	None.	▪ None.	▪ Sold the company to Iskon Internet.	▪ Providing news and entertainment to entire country through the Internet.
MIT Software	None.	NMCP Consultant brought in for human resource assistance.	▪ Assistance in establishing international distribution network.	▪ Minimal.
Digital City Media d.o.o.	None.	Trade and Development Agency will assist in evaluation and technical planning for the development of an integrated provider of a full range of broadband communications services.	▪ Assistance in employing management team.	▪ Operating in war affected area.
Medifarm Velebit d.d.	\$1,500,000 Loan - Raiffeisenbank Austria \$705,000 Loan – Varaždinska Banka	None.	▪ Assistance in strategic planning to increase revenues. ▪ Looking at the potential merger with Farmacija d.d.	▪ Minimal.

* = Start-up Companies

Employment and Revenue Analysis

Employment and Revenue Analysis as of December 31, 2001

	Name of Investment	Initial Employment	Employment QIV 2001	% Change	Initial Annual Revenue in US\$	As of ...	Projected Revenue US\$ (2001 Annual)	% Change
1	Digital Point	25	15	-40%	586,870	1997	485,000	-17%
2	Express*	0	4	N/A	-	-	450,000	N/A
3	DOK-Ing*	0	63	N/A	-	-	3,595,000	N/A
4	Gljiva**	8	2	-75%	45,894	1996	0	-100%
5	Katunar Vinarija	2	5	150%	231,294	1997	229,000	-1%
6	Slavonija Milk**	9	0	-100%	144,789	1997	0	N/A
7	D. Papa	9	3	-66%	921,325	1997	160,710	-83%
8	Vimi	5	12	140%	218,573	1997	322,454	48%
9	Uzgoj*	0	3	N/A	-	-	61,150	N/A
10	Stipanović**	5	3	-40%	170,732	1998	0	N/A
11	Perpetuum Mobile	12	19	58%	1,180,556	1999	2,220,516	88%
12	Spoin	4	3	-25%	-	1999	23,500	N/A
13	Klik Multimedia*	0	4	N/A	-	-	0	N/A
14	MIT Software	10	14	40%	424,000	1999	564,382	33%
15	Digital City Media	6	54	800%	118,048	1999	335,057	183%
16	Medifarm Velebit	95	101	6%	33,397,916	2000	47,918,824	16%
	TOTAL	190	305	60%	37,439,997		56,365,593	51%

*Start - up Companies

**Companies not operating.

Pipeline Report

See Appendix 1.

Romania Fund

Description of Current Investments

TotalSoft (software development and implementation, Bucharest)

The focus of our investment in the company is the creation of integrated software (an Enterprise Resource Planning software-- ERP). The ERP is to be completed in February 2002, one year after the full steam start of the work. The official launching of the product is also planned for February 2002.

Preliminary data for 2001 indicate sales worth USD 1.7 million, i.e. some 9% above the planned budget. Sales for the existing products of the company were 22% over the target while sales of packaged software exceeded the target by 27%. The company sold 28% more hardware than planned, in the framework of the implementation projects and more training and other services. On the other side, software development was 30% below target, mainly due to lower than expected domestic orders. The software and hardware consulting and support services were well above the target, resulting, overall in a better-than-expected year 2001.

ILS Distribution and Romphoto&GSM (ILS Group)

ILS Group is a distributor and retailer of GSM prepaid and post-paid services, as well as a single importer of Polaroid consumables for Romania and an importer for a large range of photo-related products and consumables. Their consolidated turnover in 2001 reached an estimated USD 5.43 million. The company has successfully launched a network of GSM and photo shops under the brand Turbo Photo&GSM – four locations were opened by the end of 2001. It also has four franchises for “Dialog shop,” which is a network of premium locations launched by Mobilrom (one of the two GSM operators) and is focused on post-paid GSM services.

Their plan for 2001 is to open nine new shops using the money from our investment. The deal was closed in November 2001.

Telezimex (Cluj)

Telezimex is one of the largest distributors of electronic parts in Romania for the repair shops and is an exclusive importer for Maxell (media products) and Kinzo (DIY tools). The company plans to build a new warehouse in the outskirts of Cluj in order to have the proper layout for the distribution activity and for saving on existing rental costs, which exceed \$80,000 per annum. Their strategic focus is to take advantage of the wave of investment in large retail capacities mainly done by large international retailers. The deal was closed in December 2001.

The estimated sales for 2001 were Euro 2.4 million (approximately USD 2.15 million). The company targets a 30% increase in sales in 2002, based on the working capital we supplied and on the fast expansion of the large retailers in Romania.

Description of Most Interesting Leads to Date

RomRAL SRL (Focsani)

RAL Supermarket is the dominant retailer in Focsani, a 120,000 people city 200 km NE from Bucharest. Focsani is a very dynamic city, with growth fuelled by apparel industry and food processing, mainly wine production and bottling.

RomRAL is a company active in the printing business. It launched the supermarket in December 2000. Sales grew very fast, thanks to the inexistence of competition in the city. Sales reached USD 4.2 million in 2001. The operating profit is approximately USD 200,000.

The supermarket was operated within the printing company, which had accumulated a loss, in order to take advantage of the tax shield and have quick access to loans. The company is highly leveraged, since it had to borrow most of the money for working capital and the acquisition of the equipment.

EcoKapa (Oradea)

EcoKapa is a metal coating company that focuses on outdoor metal items. It has a turnover of USD 2 million in 2001 with an estimated net profit of USD 300,000. The company has already received a capital injection of USD 300,000 from the Romanian American Enterprise Fund (RAEF). In order to expand its activity, the company needs an additional USD 800,000 capital injection. The deal has to be first negotiated with RAEF in order to have them accept the sale of their participation.

Sutton Group-ICEPRONAV (Galati)

ICEPROVAN is one of the largest naval design institutes in Eastern Europe and the single one in Romania. It has extensive expertise in projecting all types of vessels, both civilian and military. There is a huge difference between the cost of design in Romania and Western Europe, at the same quality: cost per man-hour in Romania is Euro 2.8-3.4 chargeable at Euro 28-34 while in Western Europe man-hour cost is Euro 28-34, chargeable at Euro 51-68.

The institute was bought by a small British design company, which needs capital to pay back its debts and invest in developing the facility in Galati and increase working capital. Our capital involvement should be USD 800-1,000,000.

Portfolio Development Data

Company	Bank Activity	Technical Assistance Provided	SEAF Ideas Implemented	Other Activities
Total Soft	none	Provided support for the development of a costing system. Also support in implementing a US representative office within an incubator, a project sponsored by USAID. Analysis of progress in the development of the ERP.	An accountant in process of hiring and a financial director to be hired by the end of Q4 2001.	
ILS Distribution	none	Provide support for the development of the budgeting, IT and marketing functions.	n.a. – investment too recent	
Telezimex	none	Provide assistance for the development of budgeting procedures, for the implementation of an ERP and for the development of the marketing division.	n.a. – investment too recent	

Employment and Revenue Analysis

	Name of Investment	Initial Employment	Employment Q4 2001	% Change	Initial Annual Revenue in US\$	As of ...	Projected Revenue US\$ (2001 Annual)	% Change
1	Total Soft	70	75	7%	1,346,000	2000	1,700,000	26%
2	ILS Distribution		80		5,430,000	2001		
3	Telezimex		100		2,400,000	2001		
	TOTAL	70	75	7%	1,346,000.00		1,800,000.00	34%

Pipeline Report

See Appendix 1.

Appendix 1

TBF Bulgaria
Weekly Pipeline Report, 21/01/2002

Number of Projects
10

\$ 7,510,000	\$ 21,650,000	142.9%	\$ 4,000,000	1.5%
Average				
\$ 834,444	\$ 2,405,556	20.4%	\$ 4,000,000	1.5%

Status	Industry	Who	To Do List	Notes and Concerns/ done last week	Investment	Last Year Sales	Last Year Net Profit in %	Projected Annual Sales	Projected Net Profit in %	Initial Contact Date	Referred by
Approvals Gasco	Fuels/ Distribution: LPG	DVD MK	Finalize legals		\$ 700,000	\$ 1,500,000	6.1%	\$ 3,450,000	6.2%	Feb-01	ECM (unofficially)
Candidates											
Prospects											
* Agraria 2000/Interfama	pharmaceutical	DVD EK	Check legal environment	need to focus more,	\$ 2,800,000	\$ 6,300,000	10.0%			01-Oct	SEAF publication
Eramian - newspaper group	media	DVD	organize meeting		\$ 600,000					01-Dec	personal
Krivtcki & Co	outdoor adv.	DVD IPS	call Gari in Baltics	very promising	\$ 500,000	\$ 2,800,000	n.a.	n.a.	n.a.	30-Nov	personal
* Mercurius	distribution/ stationary	DVD EK	get T/A scheduled for Prestige	looks promising, good strategy is a key issue	\$ 250,000	\$ 450,000	2.0%	n.a.	n.a.	20-Nov	Evgeni from Bulborg
* AVA Sport & sie	sport equipment	EK GZ	additional due diligence questions sent on 18.01.02	site visit done, preffer MBO	\$ 500,000	\$ 1,000,000	n.a.	\$ 1,750,000	10.0%	08-Jan	walk in
* Consul Team	HR consultant company	DVD EK	organize meeting, move forward	application received							
Potentials											
Lada Air	business trips, chartered flights	DVD GZ	organize meeting	start up	\$ 250,000						
* Media 2000	dry cleaning	DVD GZ	first meeting, send initial questionnaire	looks interesting, get more info	n.a.						
* Miss Kapris	pizza chain	EK DVD	make contact with Macedonia office	phone call made on 08.01.02, site visit on 17.01.200	n.a.	\$ 1,000,000	1.5%	n.a.	n.a.	08-Jan	Personal contact GZ Personal contact GZ we approached it
Companies to look											
Art Media	media	DVD	make contact								personal
* City Express	couiner services	EK	make contact	letter sent							personal
Union Media - "Egoist"	media	DVD	make contact								personal
* Ikarov	cosmetics/ess. Oil	EK	contact to confirm moving forward	letter sent							
Jimmy's	ice cream chain	EK	make contact								
Kenar	salad, fast food chain	EK	make contact								
Atlantic	sweet shops chain	EK	make contact								
Nedelia	sweetshops chain	IPS	make contact								
Ugo	pizza chain	EK	make contact								
Paizantzi	children entertainment park	IPS	make contact								
* Tashev	RuckSacks	IPS EK	contact to confirm moving forward		n.a.	n.a.	n.a.	n.a.	n.a.	12-Oct	event
Freezer											
Technology Center-Institute of Micro	microelectronics	IS EK	new meeting	Filip's lead, privatization, Teletek-conflict of interest	\$ 1,500,000	\$ 2,000,000	10.0%		n.a.	26-Nov	Soros
Recently rejected or disactivated											
Tenis Bel	furniture producer	EK GZ	Rejected	looks disfocused	n.a.	\$ 40,000				10-Jan	Personal contact GZ
Gabro	apparel producer	EK	Rejected	looks disfocused	\$ 350,000	\$ 1,200,000	2.0%	n.a.	n.a.	15-Jan	walk in
WineZ	winery	MK IS	expecting business plan	company registered in UK	\$ 1,000,000	\$ 2,000,000	n.a.	n.a.	n.a.	08-Oct	peer
BPS Ltd	restaurant equipment	MK EK	contact to confirm moving forward	2 separate activities in 1 company	n.a.	2,000,000	1.2	n.a.	n.a.	01-Oct	event
Radio chain/Vitoshka, Atlantik	media	MK DVD	call again							08-Oct	broker

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Company	Location	Current No. of Employees	Projected No. of Employees	Current Revenues HRK	Projected Revenues HRK	Activity	Investment Size (USD)	Purpose of Investment	Status	Who?	1. CROATIA		1. BOSNIA		Total	808	259,123,000	436,500,000	22,855,000	Start-up Companies: Current employment and revenues are zero.			
											185	170	11	4									
Kariko Voće	Zagreb	170	185	160,000,000	200,000,000	Food processing, branded product	5,000,000	Production Equipment	Waiting for info.	JC/SB	185	170	11	4	Tuzla	450,000	3,200,000	2,400,000	Equipment, Debt repayment	Researching	EH/JO		
Auto Camps	Coast/Štita			-	-																		
Vending Companies	Zagreb			-	-																		
AVAC (Superconductivity)	Zagreb			-	-																		
Cesar	Dugo Selo	12	24	-	-	Production of chamomile	750,000	Drying facility	Waiting for info.	VH/EH	24	3	20	20	Pharmaceutical R&D and production								
Ekomineral	Zagreb	3	10	-	-	On-line information service	300,000	Software, marketing	Researching	VH/EH	10	1	10	10									
Judge's Web	Zagreb	1	25	-	-	Sales of wild fruits and other products	5,500,000	Equipment and Working Capital	Waiting for info.	VH/EH	25	15	23	23	TV program (local or national concession)								
Pina Programi	Zagreb	2	2	-	-	TV program (local or national concession)	1,000,000	Equipment and Working Capital	Waiting for info.	JC/SB	2	2	23	23									
Gideon	Split	5	8	53,000	2,300,000	Distribution of digital multimedia postcards	155,000	Working Capital	Waiting for info.	JC/SB	8	5	8	5									
Domtko	Zagreb	5	10	2,000,000	4,500,000	Production of energy saving electronic circuits	300,000	Working Capital	Waiting for info.	DB/JO	10	5	10	10	Up-scale product bakery								
Dolomit	Zagreb	0	0	-	-	Stone powder producer	2,000,000	Equipment	Waiting for info.	DB/JO	0	0	0	0									
Pima	Plaski	0	0	-	-	Water production and bottling	3,000,000	Equipment	Waiting for info.	DB/JO	0	0	0	0	Orthopedic treatment equipment								
Dr. Franović	Zagreb	0	0	-	-	Orthopedic treatment equipment	-	Equipment and Working Capital	Waiting for info.	DB/JO	0	0	0	0	Hotel accommodation and tourist services								
Hotel Rotonda	Novigrad	-	-	-	-	Hotel accommodation and tourist services	3,000,000	Real estates purchases	Waiting for info.	KM/JC	-	-	-	-									
Matenica & Co.	Osijek	8	15	6,000,000	10,000,000	Bakery and grocery shop	200,000	Working Capital, Equipment	On hold	KM/VT	15	8	15	15									
Europrod	Slavonski Brod	39	57	3,200,000	6,000,000	Production of metal basis for escalators	300,000	Working Capital, Equipment	On hold	KM/VT	57	39	57	39	Production of electrical equipment								
Slavonski Brod	Slavonski Brod	10	15	4,000,000	8,000,000	Horticulture equipment	150,000	Equipment purchase	Waiting for info.	KM/VT	10	10	15	10									
Tvornica Elektroopreme d.o.o.	Belišće	34	40	4,000,000	7,000,000	Production of Electrical Equipment	300,000	Share purchase/to be privatized	Analyzing	KM/VT	40	34	40	34									
Kromopak d.o.o.	Valpovo	28	32	8,000,000	15,000,000	Production of Cardboard Toys, Packing	350,000	Equipment for cutting/packaging	Waiting for info.	KM/VT	32	28	32	28									
Beljska mličkara	Darda	170	220	30,000,000	80,000,000	Dairy Industry, Cheese Production	1,500,000	Share purchase/to be privatized	Waiting for info.	KM/VT	220	170	220	220									
Eter d.o.o.	Osijek	22	20	3,620,000	9,000,000	Radio station/marketing agency	150,000	Transmitter, equipment, concession	Analyzing	KM/VT	20	22	20	20									
Ensis d.o.o.	Vukovar	13	16	6,000,000	12,000,000	Storing/cooling/sales of fruits&vegetables	500,000	Equipment employment	Analyzing	KM/VT	16	13	16	13									
Hiad d.o.o.	Slavonski Brod	10	16	6,000,000	12,000,000	Fruit production, storing and distribution	750,000	Facility, land and equipment purchase	Analyzing	KM/VT	16	10	16	10									
Kora d.o.o./Vrelo d.o.o.	Osijek	20	32	20,000,000	25,000,000	Meat & other food products distribution	150,000	Production of own brand of additives	Waiting for info.	KM/VT	32	20	32	20									

HRK/USD= 8,64

HRK/USD= 8,72

Company	Location	Current No. of Employees	Projected No. of Employees Year 1 After Invest.	Current Revenues USD	Projected Revenues USD Year 1 After Invest	Activity	Investment Size (USD)	Purpose of Investment	Status	Who?
RomRAL	Focsani	90		4,200,000		summermarket operation	500,000	replacement of expensive loans, deve	preliminary negoti	MJ, LC
EcoKapa	Oradea	100		2,000,000		metal coating	800,000	working capital, new equipment	MOU signed	MJ, CC
ICEPRONAV-Sutton Group	Galati	300		6,500,000		naval design	1,000,000	new equipment, working capital	preliminary negoti	MJ, CB
Triton	Curtea de Arges	30	50	705,000	1,421,000	Electronics assembling	235,000	Equipment	TS proposed	MJ, CB
Total		520	50	13,405,000	1,421,000		2,535,000			

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