

Small Enterprise Assistance Funds

Quarterly Report to USAID **(July to September 2001)**

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

SEAF/TBF

Investing Growth Capital in Transbalkan Enterprises

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TBF Summary

During the 3rd Quarter of 2001, follow-on investments were made in four Bulgarian companies, Marker, Teletek Electronics, US Meds, and Mix Express. The Trans-Balkan Croatia Fund and the Trans-Balkan Romania Fund have numerous interesting leads, which are described in the following pages. SEAF has provided beneficial assistance to its portfolio companies in the region, such as marketing experts, technical specialists, and strategy consultants. We have included details on the assistance rendered and the ideas implemented under "Portfolio Development Data" herein.

SEAF has also continued investigating potential investments in Albania, Bosnia, and Serbia. SEAF Balkan staff members are monitoring the current investment climate in these countries both through visits and communications with established contacts.

Bulgaria Fund

Description of Current Investments

Marker (Notebook Production, Sofia)

Marker received additional \$60,000 in Q3 for acquisition of new equipment. The company was supposed to sign contract for acquisition of land for the new production facility, but the contract was postponed again. Trying to solve the problem with the land acquisition Marker identified 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 succeed to increase its capacity for the strongest quarter of the year. The sales in Q3 have grown with 34% compared to Q3 2000. The export for the period was 14% of total sales (mainly for Hungary). The domestic market grew with 15% and the accumulated sales growth - 9m 2001 to 9m 2000 is 36%.

For Q3/2001 compared to Q3/2000 Marker improved labor productivity with 20% increasing sales per worker from BGN 20,241 to BGN 24,562.

For the 9m of 2001 the export reach 25.4% compared to 3% for year 2000.

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 Q3 the company purchased with our investment an SMD assembly line from Philips. The equipment was installed and is already operational. The new line will help the company improve the quality of its own products as well as provide typical electronic manufacturing services to third parties. There will be an opening ceremony for the new machine at the end of October.

Teletek Electronics has been growing successfully since the beginning of the year. Sales for the first half of the year are \$1.2 million. The sales for 2001 are expected to be \$1.6 million, which is double from last year. The Company has been able to increase significantly its export sales, which currently account for 40% of total sales, up from 29% for last year. During this year the company has hired 11 people and currently has 40 employees. Annualized sales per employee have increased with 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)

As of September 2001, the 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.

One of the main components of the SEAF investment was a new focus on export markets, with Turkey being top priority. Given the economic crisis in Turkey, however, US Meds spent the majority of its efforts in Quarter 3 targeting other countries in the region, such as Romania, Ukraine, and Russia. In addition, US Meds has reached preliminary terms with BalkanPharma to sell large quantities of its products into Russia and other CIS countries.

The results in Quarter 3 were below expectations as the Company struggled to find new markets for its products (US Meds currently has approximately 70% of a mature Bulgarian market). However, early indicators for Quarter 4, such as new contracts, initial orders, and improved domestic distribution channels, are showing signs of overall Company performance improvements. US Meds should be able to increase by 20% its sales compared to last year and reach \$600,000 by the end of the year.

Export sales have more than tripled from last year. Export sales for year 2000 were \$55,000 (11% from total) and are expected to reach \$170,000 by the end of the year (already \$115,000 by now or 28% from total). The company has hired seven new people since the TBBF investment. Sales per employee are relatively stable at about \$25,000 per annum. The company is a member of the American Chamber of Commerce in Bulgaria.

Mix Express

The SEAF Trans-Balkan Bulgaria Fund has disbursed a \$300,000 bridge loan to the company. A follow-on investment of up to \$1 million is conditional upon some targets for the company including winning a tender with Shell, completing an audit under IAS, and stabilizing the cash flow management of the company.

Mix Express is one of the leading Bulgarian distributors of fast moving consumer goods (FMCG), as well as a provider of additional logistical services. In addition, the Company owns and operates four western style convenience stores under the "Familia" name. The expected investment would be primarily for working capital, equipment investment, and computerization.

Description of Most Interesting Leads to Date

Gasco

In Quarter 4, the SEAF Trans-Balkan Bulgaria Fund plans to present a proposal for investment in Gasco (Eastern Gas Company), which provides the transportation, storage, and retail distribution of liquefied petroleum gas (LPG). The company is a leader in Eastern Bulgaria and plans to further expand its retail and wholesale operations. The expected investment is approximately \$700,000.

AbCRO

AbCRO is a niche contract research organization (CRO) providing clinical study services based in Bulgaria to global pharmaceutical, contract research and biotechnology companies. The company was co-founded by Dana Leff (CEO) and Christa Hunter (COO) and has been operational since August 2000. AbCRO is looking to expand in other Eastern European countries, namely Romania and Croatia, eventually Serbia and possibly Ukraine. The company will require about \$1 million to quickly establish itself as the leading CRO in the region. The financial attractiveness of the company stems from the higher margins it can extract from clinical research projects in Eastern Europe, mainly due to the differential in labor costs and the easier patient recruitment.

Babylon

Babylon is one of the top ten leading distributors of pharmaceuticals products in Bulgaria. The Company would like to install computerized systems in their leading customers to facilitate easier inventory control and reordering. Last year the EBRD invested \$1,000,000 in equity to improve overall operation through the purchase of new assets (warehouses, cars, etc.) The company has recently done market research among pharmacies and is currently updating its business plan according to the results.

Prestige Business

The company was created in 1991 as an office supply distributor. In 1996 it issued the first catalogue. In 1999 it created its own brand name - "PrOffice". In 2000 it issued the first e-catalogue and created its own e-shop. Prestige Business is a direct importer of Xerox, and 3M. It uses approximately 10 international suppliers and about 30 Bulgarian ones. The goals of the company for the next several years are to become market leader in the catalogue and e-trade of office supplies and to reach maximum number of potential clients all over the country. It plans to invest in a distribution center and improve its logistics operations.

BPS

BPS has been founded in 1992 as a 100% private owned supplier of the full range of professional kitchen equipment, devices and accessories for restaurants, confectioneries and catering imported from leading European manufacturers. The services offered to the would-be Customers include consultations, project and technological design, delivery, installation, personnel qualification and maintenance. The company plans to expand in order to meet the growing demand for professional kitchen equipment in the country.

Mildex

Mildex was established in 1992 and specializes in the production of cosmetics. The production facility is in Ihtiman (very close to Sofia). The company's trade and administrative office is in Sofia. Mildex Ltd. has several awards for its products from on international fairs in Plovdiv, Pittsburgh, and Casablanca. The company exports to Russia, Hungary and Greece. Mildex is also ISO 9001 certified. Mrs. Mila Zlatkova is the executive director of the company and owner of 70% of the capital. The company wants to start an aggressive mass advertising campaign in Bulgaria, to develop and expand its distribution network, to introduce GMP and to expand its exports to other European markets.

Portfolio Development Data

See Table Below

Company	Bank Activity	Technical Assistance Provided	SEAF Ideas Implemented	Other Activities
Marker	\$150,000 to United Bulgarian Bank.	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>Management Reporting System targeting improvements in operations, accounting and financial planning.</p> <p>Selection of a reputable construction company that will work on the construction of the new production facility.</p> <p>Recruitment of new accountant/financial analyst.</p>	SEAF will work on research on new export markets and new market niches. Stichting SEAF in the Netherlands will assist the company with establishing direct trade contacts for the import or raw materials (mainly paper).
Teletek	None	A marketing expert is expected to come by the end of the year to help the company with attracting western European key accounts as well as implementing an overall marketing plan and strategy.	<p>Research on export markets.</p> <p>Organization of an opening/PR party for the new machine.</p>	SEAF is researching export assistance programs to help the company to enter new western European markets.
US Meds	Finished repaying first loan (\$150,000) to First Investment Bank. Current on principal repayments for second loan (\$50,000) to FIB.	None	<p>Review of the personnel and organizational structure together with the company's management. As a result US Meds has hired new sales and marketing people and has restructured their departments.</p> <p>Market review and research for Bulgaria. As a result a new sales strategy is being developed.</p>	TBBF assisted the company to make contacts with leading pharmaceutical distributors in Bulgaria, Romania and soon Croatia with an active participation of SEAF local offices.
Mix Express	\$1 million to United Bulgarian Bank	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>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>	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.

Employment and Revenue Analysis

	Name of Investment	Initial Employment	Employment Q3 2001	% Change	Initial Annual Revenue in US\$	As of ...	Projected Revenue US\$ (2001 Annual)	% Change
1	Marker	30	32	7%	499,759.00	2000	1,169,500.00	134%
2	Teletek	29	40	38%	836,000.00	2000	1,286,000.00	54%
3	US Meds	18	25	39%	499,627.00	2000	1,279,000.00	156%
4	Mix Express	150	150	0%	7,300,000.00	2000	6,000,000.00	-18%
	TOTAL	227	247	9%	9,135,386.00		9,734,500.00	7%

Pipeline Report

See Appendix 1.

Croatia Fund

Description of Most Interesting Leads to Date

Bioaromatica d.o.o.

Bioaromatica is a company that is involved in the production and distribution of herbal products. The climate and terrain of the Balkans region is naturally tailored for the production of a variety of flowers and herbs that serve as key ingredients across a wide range of uses, including medicinal products (pharmaceutical and "nutriceuticals"), dietary supplements, herbal teas, aromatherapy oils, and hygiene products. The owner of Bioaromatica has developed an extensive network of small producers throughout the region from whom he purchases raw materials. Using this local supply, Bioaromatica produces a wide array of consumer products, including essential oils, teas, soaps, and shampoos. The company also owns over 30 retail kiosks operated throughout the country, and recently launched a retail store in Zagreb. The owner of the company seeks to expand this retail store concept into regional markets, and, after establishing a successful base of company-owned stores, to pursue an international franchising strategy. SEAF-Croatia has entered into initial discussions with Bioaromatica in an effort to establish a basis for investment and partnership.

Genera d.o.o.

Genera d.o.o. is involved in tissue generation and related medical services. The company has been established by one of the leading professionals in this emerging field of science, along with a group of doctors and managers who have previously been involved in the creation of a private hospital for cardiological services in Croatia. Genera will initially provide cartilage replacement procedures for sufferers of cartilage damage (e.g., knee injuries). Under traditional treatment, a surgeon will remove cartilage from one part of the patient's body to implant in the affected area. Genera has developed tissue generation processes which enables them produce "new" cartilage from a cell biopsy taken from each individual patient. Lab-generated tissue is subsequently implanted via a surgical procedure. Costs of such procedures are significantly diminished vis-à-vis traditional surgery. Also, patients forego the traditional requirement of cartilage removal, which typically results in a great deal of physical discomfort. Genera plans to launch an initial lab and treatment facility in Krapinske Toplice, and, subsequently open additional facilities in cities throughout Croatia. SEAF-Croatia has entered into initial discussions with Genera in an effort to establish a basis for investment and partnership.

Finzi Ri d.o.o.

The owner of Finzi Ri has been importing paper products into Croatia for several years. He believes that it will be profitable to produce certain products locally, including toilet paper and napkins. While there are a number of large scale producers of such products situated in foreign markets (e.g., Italy), the entrepreneur asserts that there are significant costs that can be avoided or reduced by a local supplier. Specifically, he explains that duties levied upon imported finished products and heightened transportation costs can amount to a 15% cost differential between foreign and locally-supplied paper products. This differential would offset cost disadvantages due to production scale. Through Finzi Ri, he plans to begin operations with limited production

capacity, and to expand scale as the company's development of sales channels expands over time. SEAF-Croatia is engaged in the process of analyzing the business plan and reviewing the company's business relationships.

GIDEON d.o.o.

In Quarter 4, SEAF Croatia plans to present a proposal for investment in Gideon d.o.o., which distributes digital multimedia postcards, as well as related services and products. These activities will take place in Croatia and other locations worldwide. The investment plan is: 1. Equity investment \$65,000 (45% of the Gideon's shares); 2. Loan (\$50,000) – 1 year grace period, 12% annual interest; 3. Loan (\$50,000) – 1 year grace period, 12% annual interest; 4. Equity investment \$90,000 (60% of Gideon's shares). Every second step in the investment plan will depend on reaching the performance target. If everything goes according to the investment plan, the first investment will happen in Q4 2001, and the last one in Q2 2002.

R.V. d.o.o.

RV is a limited liability company from Zagreb, Croatia, involved in the production of energy-saving electronic circuits, designed with standard fluorescent tubes, without impedance coil, starter and capacitor for the compensation of reactive energy. In comparison to conventional circuits used worldwide, it has a more effective and longer life, saves electric energy by more than 50%, lowers costs of maintenance, etc. The expected investment of approximately \$300,000 is to be used mainly for working capital and sales and marketing purposes.

Učka kamen d.o.o.

The company Učka Kamen was founded in 1997 in Labin and is continuing a 30-year long tradition of quality stone exploitation. The reserves and quality of the raw material, along with the concession for the exploitation of the mineral rough that expires in 2023, make this a potentially attractive investment size. The company produces different stone fractions and stone powder and is competing in the Labin-Lovran-Rijeka market. It exports increasing amounts to Italy. The expected investment size of approximately \$1,500,000 is to be used for capital expenditures (equipment) and financial restructuring.

Klariko Voće

Klariko Voće succeeded the company Voce, which had more than 50 years of experience in the food production business. The company, majority-owned by the Klaric family, focuses on the production of high quality fruits and vegetables for domestic and worldwide markets. The company plans an investment in buildings, farms, plant, and equipment of \$10 to \$15 million for modernization and expansion.

Kromopak d.o.o.

Kromopak, located in Valpovo is manufacturer of cardboard packing and cardboard toys and provides printing services. The company is generating annual revenues of approximately \$1 million. Currently, there are 28 employees. The company has a strong market position both in the region and nationwide; it has contracts with large manufacturing companies to supply them with

cardboard packing, labels, promotion materials, etc. The company is also a supplier of the biggest toy dealer in the country. Management has a plan to introduce the production of playing cards, since there is no competition in wide area and the price will be very competitive for Piatnik. Another management plan underway is to produce carton toys with popular cartoon characters. The company is in process of obtaining required licenses. Needed investment size is \$350,000. Estimated revenues the year after investment are \$1,400,000.

Cijevomont d.o.o.

Cijevomont, located in Slavonski Brod, is manufacturer of metal basis for excavators. Project is export oriented towards the German customer, Sennebogen. The owner and manager is one of former directors of Djuro Djakovic, the largest producer of metal products of the former Yugoslavia. The company is generating annual revenues of approximately \$700,000. Currently there are 39 employees. The company is seeking investment of about \$300,000 for the purchase of the production facility, additional equipment; additional employment. Revenues should rise to \$1,000,000 in the year after investment and number of employees needed would go up to 50.

Portfolio Development Data

See table below.

Small Enterprise Assistance Funds Quarterly Report for SEAF/TBF (April - June 2001)

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.	<ul style="list-style-type: none"> None at this moment. 	<ul style="list-style-type: none"> Assistance in financial planning. Assistance in securing bank debt. Cost accounting. Relationship management with the US Embassy. 	<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"> Wine expert brought from the US to assist with strategy for exporting to the US and marketing (Phil Stafford - through personal connections). 	<ul style="list-style-type: none"> Assistance in implementing cost accounting. Assistance in looking for distributor who would cover Zagreb area. Assistance in contacting distributors in U.S. 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"> Independent consultant brought from US to assist with herd management (Lyndell Whitelock - 3 visits). IESC volunteer to assist with barn design (Walter Wright). IESC volunteer to assist with herd management/feed mix (Bruce Brockett). 	<ul style="list-style-type: none"> Currently SEAF - Croatia is in the process of liquidation and collecting loan money through court process. 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"> Opportunity International/NOA small loan client. IESC consultant brought in for marketing assistance (Paul Gauthier). 	<ul style="list-style-type: none"> Assistance in legal issues during the re-registration. 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"> Applied for NMCP consultant for developing new company strategy. 	<ul style="list-style-type: none"> Assistance in introducing new products into assortment. Assistance in working on wholesale concept through new sales people and expanding the distribution 	<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.

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Small Enterprise Assistance Funds Quarterly Report for SEAF/TBF (April - June 2001)

			<ul style="list-style-type: none"> network. Assistance in increasing of sales through new retail outlets. 	
Uzgoj d.o.o.*	None.	<ul style="list-style-type: none"> FLAG consultant worked with breeder stock selection, building design of new barn. (Dave Gerber). 	<ul style="list-style-type: none"> Assistance with legal issues that come up with new arrangement but due to forthcoming exit from the company and breakup of management agreement in which case SEAF will no longer provide assistance to 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; \$36,700 Loan – ŠKZ Imetak	<ul style="list-style-type: none"> IESC volunteer assisted with design of new slaughter house (Dave Gerber). 	<ul style="list-style-type: none"> Enforcing transparent business performance. Looking for exit. 	<ul style="list-style-type: none"> Stipanović is employing 3 people in Former Sector East.
Perpetuum Mobile d.o.o.	None.	<ul style="list-style-type: none"> Applied for NMCP volunteer to help in Human Resources segment. 	<ul style="list-style-type: none"> Assistance in implementing incentive plan for whole company. 	<ul style="list-style-type: none"> Minimal.
SPOIN d.o.o.	None.	<ul style="list-style-type: none"> Independent volunteer from US to help with strategy development (Kery Brock). 	<ul style="list-style-type: none"> Assistance in looking for new business opportunities especially with larger companies which are selling specialized goods. 	<ul style="list-style-type: none"> Sales channels provided to small and medium sized companies all over the country.
Klik Multimedia d.o.o.*	None.	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> Sold the company to Iskon Internet. 	<ul style="list-style-type: none"> Providing news and entertainment to entire country through the Internet.
MIT Software	None.	Applied for NMCP volunteer to help in Human Resources segment.	<ul style="list-style-type: none"> Assistance in establishing international distribution network. 	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> Assistance in raising more capital for the company. 	<ul style="list-style-type: none"> Operating in war affected area.
Medifarm Velebit d.d.	\$1,500,000 Loan - Raiffeisenbank Austria \$705,000 Loan – Varaždinska Banka	None.	<ul style="list-style-type: none"> Monitoring closely accounts receivable. Assistance in strategic planning to increase revenues. 	<ul style="list-style-type: none"> Minimal.

* = Start-up Companies

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Employment and Revenue Analysis

Employment and Revenue Analysis as of September 30, 2001

	Name of Investment	Initial Employment	Employment QIII 2001	% Change	Initial Annual Revenue in US\$	As of ...	Projected Revenue US\$ (2001 Annual)	% Change
1	Digital Point	25	15	-40%	415,092	1997	405,000	-17%
2	Express*	0	4	N/A	-	-	210,000	N/A
3	DOK-Ing*	2	63	3,050%	104,655	1997	2,750,000	2,528%
4	Gljiva	8	2	-75%	45,894	1996	0	-100%
5	Katunar Vinarija	2	5	150%	227,622	1997	290,000	28%
6	Slavonija Milk**	9	0	-100%	144,789	1997	0	N/A
7	D. Papa	9	5	-44%	903,857	1997	185,000	-80%
8	Vimi	5	12	140%	218,573	1997	345,000	58%
9	Uzgoj*	0	3	N/A	-	-	70,000	N/A
10	Stipanović**	5	3	-40%	231,927	1998	40,000	-83%
11	Perpetuum Mobile	12	19	58%	1,049,810	1999	2,500,000	138%
12	Spoin	4	3	-25%	13,163	1999	24,500	82%
13	Klik Multimedia*/Iskon Internet	0	130	N/A	0		2,200,000	N/A
14	MIT Software	12	14	17%	494,061	1999	660,000	34%
15	Digital City Media	6	29	383%	209,023	2000	425,000	103%
16	Medifarm Velebit	95	101	6%	33,283,091	2000	45,000,000	35%
	TOTAL	194	408	110%	37,341,557		55,104,500	48%

*Start - up Companies

**Companies not operating.

Pipeline Report

See Appendix I.

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). Work for the ERP started in February but the team was not complete until June. The work is now progressing steadily. Because the programming specifications were fully developed and as of July 1, a technical coordinator was added to the team.

Sales were comparable to the first quarter 2001 and to the second quarter 2000, showing that the existing products of the company reached a certain saturation or that a significant marketing effort is needed for a sizeable increase in sales. The company does not want to make such a marketing effort before the ERP is ready. The cash accumulated is being maintained in order to cushion any cost overrun in the ERP development process and for the launching of the ERP, which is expected to be very costly. However, the number of contracts signed and under implementation as of the end of Q2 suggests that sales in semester 2 2001 shall be 20-30% higher than in the first semester 2001. We believe the company is capable of exceeding the sales targets for 2001 (\$1.6 million) as set up in the approved budget.

Description of Most Interesting Leads to Date

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 turnover in 2000 reached \$5.3 million and about \$2.5 million for the first semester 2001. The company has successfully launched a network of GSM and photo shops under the brand Turbo Proto&GSM. It also has two 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 is to rapidly expand the retail network via locations in high-traffic areas such as malls, a commercial concept that is emerging very rapidly in Romania presently. The first such concepts (in Bucharest and Iasi) reaped much success.

Our investment will be structured as \$500,000 in equity in exchange for 33.3% ownership. The key elements in the deal structure have already been signed. The only issue pending is the subordination of the debt guaranteed with personal assets of the entrepreneur, in order to arrive at a reasonable debt-equity ratio. The expected investment would be primarily for opening new locations (working capital, equipment investment, and some initial fixed costs).

Telezimex (Cluj)

Telezimex is one of the largest distributors of electronic parts in Romania for the repair shops. It has a stable market of about \$1 million per annum for the electronic components plus \$900,000 (in 2000) for Maxell (media products) and Kinzo (DIY tools) ranges, for which the company is

an exclusive importer in Romania. 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 terms of the investment are to be negotiated. In principle the agreed upon scheme is a buy-back. The expected investment is approximately \$300,000.

Pellin SRL (Constanta)

Eco Energy is a company established in 2000 for the privatization of a Hydro Power Plant (HPP) Leshnitsa (2.6 MW). The company successfully acquired HPP Leshnitsa from the Privatization Agency in July 2000 for \$45,000. Eco Energy also maintains 16 HPPs from hydro-group Rila (owned by National Electric Company) and has built one new private HPP.

Eco Energy has a project for construction of three new HPPs, with each one below 5 MW (a HPP with power above 5 MW has to be licensed by State Energy Regulation Commission). SEAF brought in a technical assistant from Germany for two weeks to review the Company and the proposed projects. The official report is expected in Quarter 3. In addition, the Company already ordered some of the equipment and started the construction works.

Trion (Curtea de Arges)

Babylon is one of the top ten leading distributors of pharmaceuticals products, with the majority being imported from the west. The Company would like to install computerized systems in their leading customers to facilitate easier inventory control and reordering. The EBRD has recently invested \$1,000,000 in equity to improve overall operation through the purchase of new assets (warehouses, cars, etc.) The recently submitted Business Plan to SEAF estimates an additional \$300,000 to \$500,000 will be needed to complete the computerized system.

Intersat (Constanta)

Medico operates a health insurance fund and possesses two medical centers, one in Bourgas and one in Sofia. The health insurance is based on a subscription for one year medical servicing of companies' staff, families and/or individuals. The subscription has three levels, Preventive Examinations, Pre-hospital Treatment, and Comprehensive Service. Through its medical centers, Medico offers direct health services, such as treatment of subscribers, service for private persons seeking medical aid or individual contracts, and servicing on the contracted patients of the National Health Institute.

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.	

Employment and Revenue Analysis

Name of Investment	Initial Employment	Employment Q3 2001	% Change	Initial Annual Revenue in US\$	As of ...	Projected Revenue US\$ (2001 Annual)	% Change
1 Total Soft	70	75	7%	1,346,000.00	2000	1,800,000.00	34%
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, 17/10/2001

Total				
\$ 4,960,000	\$ 14,950,000	47.7%	\$ 31,150,000	69.4%
Average				
\$ 620,000	\$ 2,491,667	8.0%	\$ 7,787,500	17.4%

Number of Projects
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Status	Who	Industry	To Do List	Investment	Last Year Sales	Last Year Net Profit In %	Projected Annual Sales	Projected Net Profit In %	Initial Contact	Date of Last contact
Approvals Mix Express / Familia	MK	IS FMCG/ Distribution	Collect the loan	\$ 1,000,000	\$ 7,100,000	0.7%	\$ 21,000,000	3.0%	April, 2001	
Candidates Gasco	IS	DVD Fuels/ Distribution: LPG	finalize by the end of October	\$ 500,000	\$ 1,500,000	6.1%	\$ 3,450,000	9.0%	February 28, 2001	
Prospects ABC R.O. Babyfon	IS DVD	MK Pharmaceuticals/ Clinical Research Pharmaceuticals/ Distributor	wait for asked info Meet next week Rumun Beremski	\$ 800,000 \$ 500,000	n.a. \$ 3,500,000	n.a. 0.63%	\$ 2,700,000 n.a.	55.8% n.a.	September 25, 2001 March 1, 2001	
Potentials Midex Iskar Tur Ltd Swiss Bulgarian Woodindustry Prestige Business	EK EK DVD DVD	IS Cosmetics/ Production and Distribution Entertainment Aqua Park wood processing MK Office Supply Distribution	wait one week and call them again, org. meeting wait them to decide, and send Business plan wait more info for future plans and projections inviting TA before take decision	\$ - \$ 800,000 \$ 1,000,000 \$ 360,000	\$ 600,000 \$ 250,000 n.a. \$ 2,000,000	0.11% 40.0% n.a. 0.20%	n.a. n.a. n.a. \$ 4,000,000	n.a. n.a. n.a. 1.5%	June 12, 2001 27/08/2001 September 14, 2001	
Companies to look Tashev Izamet BPS Ltd Robusta BAB Engineering IBI Trading Mercurius Radio chain WineZ	MK MK MK MK MK DVD MK MK	Production of RuckSacks Production of elevators Production/distribution of restaurant equipment distribution and service of restaurant equipment distribution and service of restaurant equipment stationery company media winery and vineyard	contacted on 12/10/2001 contacted on 12/10/2001; meet on 22.10 contacted on 16/10/2001 contacted on 16/10/2001; call again on 22.10 contacted on 16/10/2001; call again on 24.10 make contact wait for contact from Ulpia Investment Management Rumun Beremski contacted, IS is looking at the deal	n.a. n.a. n.a. n.a. n.a. n.a. n.a. n.a.	n.a. 700,000 n.a. n.a. n.a. n.a. n.a. n.a.	n.a. n.a. n.a. n.a. n.a. n.a. n.a. n.a.	n.a. n.a. n.a. n.a. n.a. n.a. n.a. n.a.	n.a. n.a. n.a. n.a. n.a. n.a. n.a. n.a.	October 12, 2001 October 12, 2001 October 16, 2001 October 16, 2001 October 16, 2001 October 16, 2001 October 8, 2001 October 8, 2001	

Industries of Interest	Who	Industry	To Do list
Pharmaceuticals	DVD	EK available list with top 30	choose 3 companies to call and 3 to write letters
Media	DVD	MK available list with top Media subsidiaries, news papers	choose 3 to call them and 3 letters, MK meets Ph's friend
Distribution of frozen food	EK	IS available list with top 30 food wholesale distributors	wait for more info from bia info service
Distribution of stationery	IS	EK available list with top 10	
Multimedia	DVD	IS available list	
Wine Industry	IS	look at	
Telecommunications			

Peer Organizations to meet	Who	Industry	To Do list
USB	GZ	bank	organize meeting
DSK	GZ	bank	organize meeting
First Investment	GZ	bank	organize meeting
Post Bank	GZ	bank	organize meeting
Euro Bank	GZ	bank	organize meeting
SG Express Bank	GZ	bank	organize meeting
Hebros Bank	GZ	bank	organize meeting
Bulbank	GZ	bank	initiate contact
Raifeisen	GZ	bank	initiate contact
Central Cooperative Bank	GZ	bank	organize meeting
Commercial Bank Bulgaria Invest	GZ	bank	organize meeting
List of events	EK, ER	GP events	make a List of events such as conferences....
Bulventures	IS	hi-tech incubator	organize a meeting
Capital Market	DVD	Broker	sign a contract
Beta Corp	DVD	Broker	present the contract
Ulpia	DVD	Broker	sign a contract
Bulbrokers	DVD	Broker	present the contract
BBG SIMEX	DVD	Broker	sign a contract
Capman Gelsor	DVD	Broker	organize a meeting
Eiana	DVD	Broker	organize a meeting
First Financial Brokerage House	DVD	Broker	organize a meeting

Miscellaneous Ideas for Lead Generation
Go shopping and Look around interesting companies

Notes:
Approvals - Candidates whose Investment Proposals have been approved by IRC
Candidates - Prospects for whom an investment proposal is being prepared for presentation to IRC
Prospects - Potentials whose underlying business assumptions and project preconditions are being analyzed and whose principals are being further vetted for commitment
Potentials - Leads, referrals, and other contacts who are being vetted for closeness to fit with SEAF

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Company	Location	Current	Projected	Current	Projected	Activity	Investment	Purpose of Investment	Status	Who?
		No. of Employees	No. of Employees Year 1 After Invest.	Revenues HRK	Revenues HRK Year 1 After Invest		Size (USD)			
Digera d.o.o.	Zagreb	6	10	1,700,000	2,500,000	Application Service Provider	200,000	Working Capital	Waiting for Info.	VH/EH
Klariko Voće	Zagreb	170	185	160,000,000	200,000,000	Food processing, branded product	5,000,000	Production Equipment	Waiting for Info.	JC/SB
Ne-Tra d.o.o.	Zagreb	8	15	5,000,000	6,500,000	PC importer of parts & manufacturer	300,000	Equipment/Working Capital	Waiting for Info.	DB/JO
Montana Sandwiches	Zagreb	12	20	10,000,000	17,500,000	Food production	750,000	Production Equipment	Analyzing	JC/SB
ExTrade	Rijeka	4	7	2,500,000	3,750,000	Publication	200,000	Working capital, licensing copyrights	Waiting for Info.	VH/EH
BioAromatica	Zagreb	10	17	-	-	Production and distribution of herbal products	-	Working Capital	Waiting for Info.	VH/EH
Genera d.o.o.*	Zagreb	4	10	-	-	Tissue generation and related medical services	350,000	Working Capital	Waiting for Info.	VH/EH
Finzi	Rtjeka	3	8	4,665,000	6,000,000	Distribution of toilette paper and napkins	250,000	Production Equipment	Waiting for Info.	VH/EH
Gideon	Split	5	8	53,000	2,300,000	Distribution of digital multimedia postcards	155,000	Working Capital	Waiting for Info.	JC/SB
Hotel Koralj	Krk	35	25	12,000,000	15,500,000	Hotel	2,500,000	Renovation / Acquisition	Waiting for Info.	JC/SB
Učka Kamen	Labin	16	26	10,000,000	14,000,000	Stone processing / quarry	750,000	Equipment, Working Capital	Waiting for Info.	DB/JO
RV d.o.o	Zagreb	5	10	2,000,000	4,500,000	Production of energy saving electronic circuits	300,000	Working Capital	Waiting for Info.	DB/JO
Kristal Tuk	Samobor	11	25	2,700,000	4,000,000	Crystal production	300,000	Equipment, Working Capital	Waiting for Info.	DB/JO
Bello d.o.o.	Osijek	6	10	1,200,000	2,000,000	Hardware sales; sms & internet projects	100,000	Purchase of server; equipment; emplo	On hold	KM/VT
Malenica & Co.	Osijek	8	15	6,000,000	10,000,000	Bakery and grocery shop	200,000	Working Capital, Equipment	On hold	KM/VT
Cijevomont d.o.o.	Slavonski Brod	39	57	3,200,000	6,000,000	Production of metal basis for excavators	300,000	Working Capital, Equipment	On hold	KM/VT
Feroline d.o.o.	Slavonski Brod	25	30	7,000,000	13,000,000	Laser (precise) cutting of tin metal plate	300,000	Purchase of colouring equipment	Waiting for Info.	KM/VT
Eurobrod	Slavonski Brod	10	15	4,000,000	8,000,000	Horticulture equipment	150,000	Equipment purchase	Waiting for Info.	KM/VT
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
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
Beljska mljekara	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
LIMEX d.o.o.	Osijek	350	375	85,000,000	114,000,000	Production of metal products	10,000,000	Working Capital	Analyzing	KM/VT
Tersa d.o.o.	Osijek	17	22	4,000,000	5,500,000	Parquet producer	250,000	Working Capital	Waiting for Info.	KM/VT
Eter d.o.o.	Osijek	22	20	3,620,000	9,000,000	Radio station/marketing agency	150,000	Transmitter, equipment, concessio	Analyzing	KM/VT
Ensis d.o.o.	Vukovar	13	20	6,000,000	12,000,000	Storing/cooling/sales of fruits&vegetables	500,000	Equipment; employment	Analyzing Info.	KM/VT

*Start-up Companies: Current employment and revenues are zero.

Company	Location	Current	Projected	Current	Projected	Activity	Investment	Purpose of Investment	Status	Who?
		No. of Employees	No. of Employees Year 1 After Invest.	Revenues USD	Revenues USD Year 1 After Invest		Size (USD)			
ILS Distribution	Bucharest	120	150	5,300,000	6,250,000	Distribution and retail GSM and photo	500,000	Working Capital and New Shops	TS agreed	MJ, LC
Lynx	Iasi	200	230	1,500,000	3,000,000	Knitwear manufacturing	500,000	Working Capital and Minor Equipment	Exclusivity	MJ, LC
Telezimex	Cluj	120	130	2,090,000	2,541,000	Distribution of electronic components and	150,000	Warehouse, implementation new ERF	Internal clearance	MJ, LC
Trion	Curtea de Arges	30	50	705,000	1,421,000	Electronics assembling	235,000	Equipment	TS proposed	MJ, CB
Alveus Romania	Bucharest	15	100	500,000	1,000,000	Production of stainless steel sinks	500,000	Equipment	TS proposed	MJ, LC
Pellin	Constanta	55	60	1,300,000	1,600,000	Cable TV and data communication	800,000	Equipment	Exclusivity	MJ, CB
Intersat	Constanta	8	15	122,000	400,000	local retail telecom services	200,000	Equipment	MOU signed	MJ, CB
Pangram	Resita	150	180	3,000,000	3,500,000	pasta and snacks	500,000	equipment spaghetti production	Waiting for Info.	MJ, LC
Agrovet	Sibiu	50	70	1,000,000	1,500,000	cardboard-made packaging	200,000	Equipment	Preliminary contact	MJ, LC
Total		748	985	15,517,000	21,212,000		3,585,000			

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