

B

1972



XI - 1, lub.

WIDOKSOLSKA I W STOLISKA KNIŻNICA
M. A. R. I. B. O. R.

dt 16238-II

**BUSINESS REPORT
FOR THE YEAR 1972**

TOVARNA AVTOMOBILOV IN MOTORJEV MARIBOR





ORGANIZATION CHART OF ENTERPRISE

JOINT VENTURE
 PLANT STUDENCI — TZV »BORIS KIDRIČ«
 REMOUNT AND WORKSHOP TAM NOVI SAD
 HOUSING OFFICE
 CANTEEN TAM
 HOLIDAY-HOMES

ORGANIZATION OF JOINT VENTURE

INTERNATIONAL FINANCE
 CORPORATION, Washington

TOVARNA AVTOMOBILOV
 IN MOTORJEV MARIBOR

KLÖCKNER HUMBOLDT DEUTZ
 AG, Köln

Production department
 Product and tool eng. department
 Quality control department
 Sector of staff department
 Personnel department
 Finance department
 Purchasing department
 Sales department of Plant I.
 Sales organizations:
 Beograd, Maribor, Novi Sad,
 Sarajevo, Zagreb

MANAGEMENT OF JOINT VENTURE

Perhavić Stojan, dipl. ing.,
 repr. Ferlinc Adolf, dipl. iur.

Kramer Zvonko, dipl. ing.,
 repr. Mohor Erih, dipl. ing.

Dornenberg Klaus, dipl. kfm.,
 repr. Usinger Fred, dipl. ing.

Kancler Bojan, dipl. ing.,
 repr. Šmid Milan, dipl. ing.

Zlender Mirko, dipl. iur.,
 repr. Čiglenečki Jože, dipl. ing.

Golob Rado, dipl. oec.,
 repr. Jevšnikar Rudi, oec.

Jurejevčič Tone, dipl. oec.,
 repr. Kokol Boris, dipl. oec.



INTRODUCTION

GENERAL ECONOMIC SITUATION

The general economic development influenced also the business results of our enterprise. When making plan of business policy for the year 1972, a more rapid development and the realization of stabilization measures was planned. These measures for the stabilization of the Yugoslav economy have already begun to be carried out, but so far they have not essentially influenced the business.

Therefore, an excessive nominal economic growth was characteristic also of 1972 and it even exceeded the normal conjuncture conditions. The prices began to go up rapidly and in accordance with the prices also all forms of consumption, from investment to personal consumption. The average of wages and salaries increased by 17 %, therefore also the retail prices increased by 16 %.

Such economic movements led to inflation and to a greater and greater insolvency of numerous working organizations. A series of measures and prescriptions has been adopted against these economic deformations. These measures have not yet effectively influenced the economic courses in 1972.

The business life of our enterprise could not quite isolate itself from this general economic situation, as it is linked with more than 120 co-operative firms all over the country and as it produces investment goods.

SALES PRICES

The sales prices of our products in 1972 did not change. The prescription about the social control of prices made it impossible to increase the prices, though many suppliers increased the prices already during the year. Not before the end of the year the Federal Institute for Prices granted us a 10.6 % increase in sales prices which could be brought forward on 1st January, 1973.

IRREGULAR SUPPLIES

In 1972, 7625 vehicles were produced, or about 1000 vehicles less than planned by the development project. This is not due to small capacities or bottlenecks, but to the delay in deliveries from our co-operative firms. The majority of the suppliers and co-operative firms keep step with us, whereas a certain monopoly minority builds its business policy on temporary effects and tends only towards the increase in prices.

The irregular supplies caused a nonuniform movement of production, especially in the assembly and finalization of the vehicles. Such a production was a great handicap to our effort to achieve greater productivity.

DEVELOPMENT OF NEW PRODUCTS

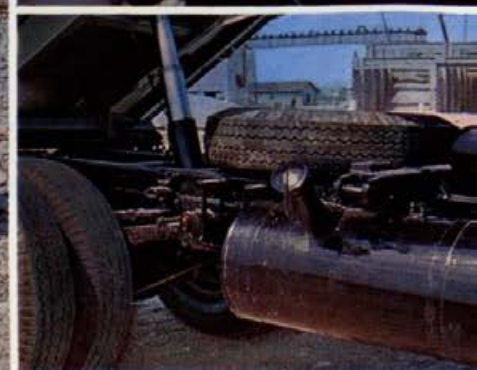
In 1972, the preparations for the series production of the 4- and 5-cylinder engines 413 were finished. The next task of the technical sector of the enterprise was to prepare the series production of the vehicle TAM 110 T 10. This vehicle is an improved version of the present TAM 5000, with the new engine 413 and several other technical improvements.

BUSINESS RESULTS

The Joint Venture increased the total income in 1972 by 7 %. Be-

cause of blocked sales prices and increase in prices of purchased parts, the total production costs increased faster than the total income. This caused the fall of profit rate. The gross profit increased by 4.6 %, compared to 1971, the profit rate on the total income amounting thus to 9.3 % (1971 = 9.5 %).

The participation of capital partners amounts to 13.62 % and/or 8.9 % after taxation which amounts to 35 % at the normal rate. Besides, the capital partners have the right to participate in the reserve fund which amounts to further 0.6 % of the basic capital investment.



SALE

The function of selling is handled by the sales department in the parent company and our sales organizations and warehouses in Beograd, Novi Sad, Maribor, Sarajevo, and Zagreb. The firms »Mašinopromet« Titograd and »Automakedonija« Skopje represent our enterprise in Montenegro and Macedonia.

the customers, are gaining advantage in the market. Our enterprise succeeded in acquiring the Slovene banks to give us credit, yet to a limited extent. The total credit resources, granted by the banks, amounted to 136 million dinars, for medium-term credit and 15 million dinars more for short-term credit.

INFLUENCE OF ECONOMIC MEASURES ON SALE

At the end of the year, the stabilization measures and a steadiness of investment consumption could be felt and the sale of vehicles was therefore partly stagnant. So 440 vehicles were in stock which is the highest stock so far.

SPARE PARTS

The supply of spare parts in 1972 was considerably better, but some parts of the gearbox, electric equipment, brake system and others which are purchased from the co-operative firms were still critical.

SALE OF ENGINES

The sale of stationary engines has not yet fully started. We sold in total 200 engines, mainly to the already known market and/or to the manufacturers of various machines who have been buying our engines for many years.

CREDIT SALES

The buyers of the vehicles are making more and more claims and they are trying to find new possibilities of getting credit. The manufacturers, capable of allowing credit to

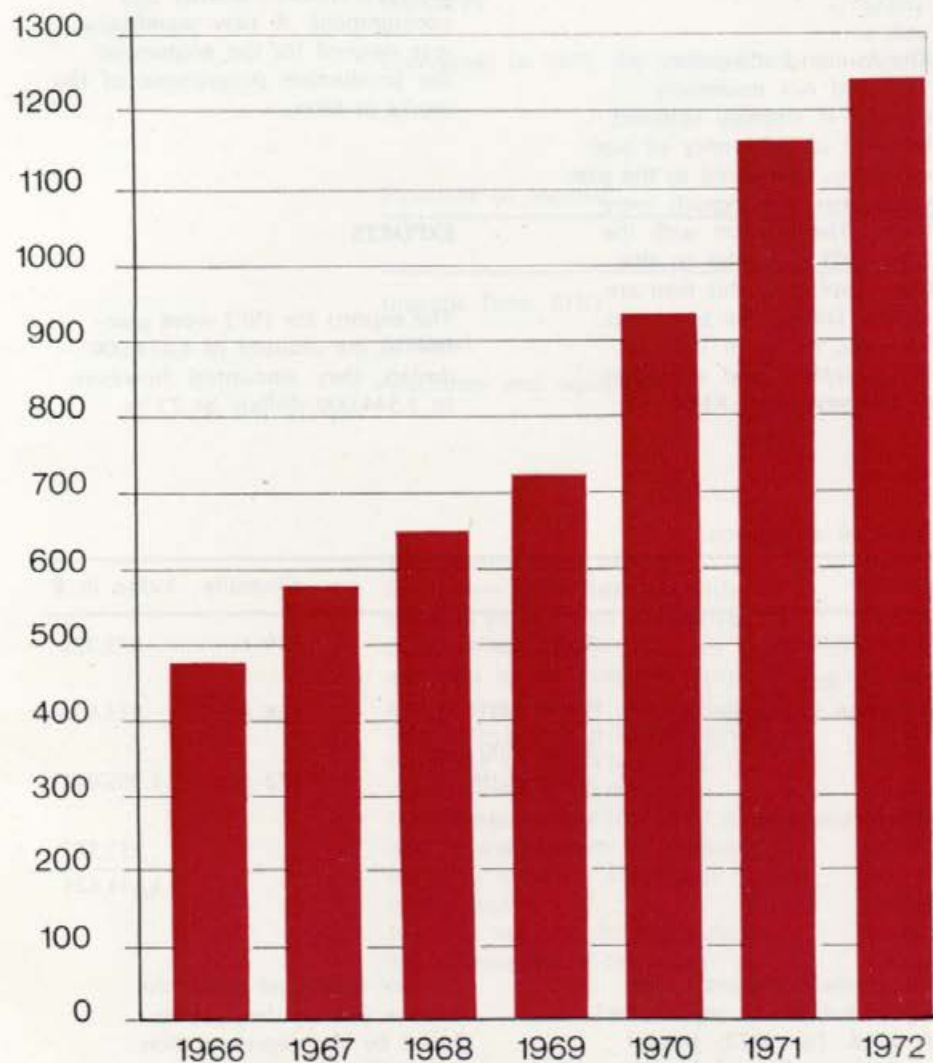
SALE OF MAIN PRODUCTS

(in 000 dinars)

Product	In 1971		In 1972		Index	
	Quantity	Value	Quantity	Value	Quantity	Value
Truck TAM 2001	2,444	153,425	3,202	213,829	131	139
Truck TAM 5000	2,555	243,817	1,656	167,301	65	69
Truck TAM 5500	804	93,798	1,148	135,224	143	144
Truck TAM 6500	466	65,176	418	62,751	90	96
Truck TAM 7600	—	—	2	749	—	—
Bus A 3000	74	9,269	79	11,104	107	120
Bus AS 3500	816	211,607	846	244,999	104	116
Vehicles total	7,159	777,092	7,351	835,957	103	108
Spare Parts		111,515		123,792		111
Engines		21,468		4,872		23
External services		56,548		61,096		108
Internal services		13,882		18,975		137
Commercial goods in sales organizations		117,273		135,271		115
Commercial goods and sale of mat. TAM		54,337		45,295		83
Sales from KHD stock		11,838		19,100		161
Total		386,861		408,401		106
TOTAL SALE TAM — JOINT VENTURE	7,159	1,163,953	7,351	1,244,358	103	107
TAM — Plant Studenci		205,935		227,345		110
TAM — Workshop Novi Sad		38,817		39,130		101
Other units		12,449		13,555		109
TAM TOTAL		1,421,154		1,524,388		107



Mio din



SALE OF TAM -
JOINT VENTURE
1966 - 1972

FOREIGN TRADE

The foreign-trade policy in 1972 did not essentially change. It strongly suffered because of insolvency of our economy. Compared to the previous year, the exports were lower. The relation with the firm KHD is similar to this. Our supplies to this firm are rapidly falling, the purchases, however, rising. In 1972, a reorganization and extension of business with KHD was

carried out, namely in the field of representation activity and consignment. A new warehouse was opened for the engines of the production programme of the works at Köln.

EXPORTS

The exports for 1972 were planned to the amount of 4,874,000 dollars, they amounted, however, to 3,544,000 dollars or 73 %.

Structure of Exports:

Country	Product	Quantity	Value in \$
West Germany	Spare parts	649 t	675,172
Sale for foreign exchange in Yugoslavia	TAM 2001	184 pcs	833,810
UAR	TAM 5500 and spare parts	172 pcs	1,300,065
Other customers	vehicles and spare parts		735,377
			3,544,424

The greatest amount in the export balance is represented by UAR. For 1972, greater export was planned, but they were not realized due to the import restriction. The analysis of decrease in exports showed that this is due to our production programme, as we manufacture vehicles which have not been in the programme of our licence partner for many years. We also produce engines which are not manufactured by our licence partner any more and we can therefore not export them. The vehicles TAM 2001

are not produced under the licence and so they are refused by the representation net KHD. Greater interest is taken in the cross — country vehicle TAM 1500 which is not in production yet. The co-operation with the firm KHD offers no special prospects, as our production programme covers the abandoned production. The situation will considerably improve when we start to produce the new in-line engines. Acc. to the contract, 3500 engines ought to be exported every year.

IMPORTS

Compared to 1971, the imports

nearly doubled. This increase is due mainly to the imports of machines and equipment.

Structure of imports:	Value in \$	
	1971	1972
Imports from KHD	2,522,000	3,853,000
Material	2,919,000	3,332,000
Machines and equipment	711,000	3,627,000
	6,152,000	10,812,000

The balance sheet of the foreign — trade business with the firm KHD shows a negative balance. Namely, in 1972 we exported to this firm the parts and engines in the value of DM 2,506,000, and imported in the value of DM 12,472,000. A considerable increase in supplies from the firm KHD is due to the imports of engines F 6 L 413 V which are fitted in the buses. In 1972, we sold 31 trucks from the programme of the heavy-

duty vehicles of the firm KHD. We extended the representation activity also on the production programme of the engines from Köln, except for marine propulsion engines. The sale of spare parts from the consignment stock KHD is constantly increasing. The sale in 1972 increased to DM 2,700,000 already. The customers, however, are still dissatisfied with the consignment, as they are often waiting for the parts which are critical also at KHD.

INVESTMENTS

The total value of investments in the development project to reach a production of 13,000 vehicles has been planned to the amount of 561 million dinars and 61 million dinars for price

escalation.

The tranche for the years 1972 amounted to 170 million dinars. The investments plan and plan of the investment maintenance were carried out as follows:

	(in 000 Dinars)		
	Planned	Realized	Index
Investments plan	160,900	125,312	78
Plan of investment maintenance	16,235	15,702	97
	177,135	141,014	80

The investments move within the foreseen limits of the development project. In 1972, the new engine hall with an area of 20,400 sq. m. was built. Therein the production of the new engines 413 under the licence KHD will start already this year.

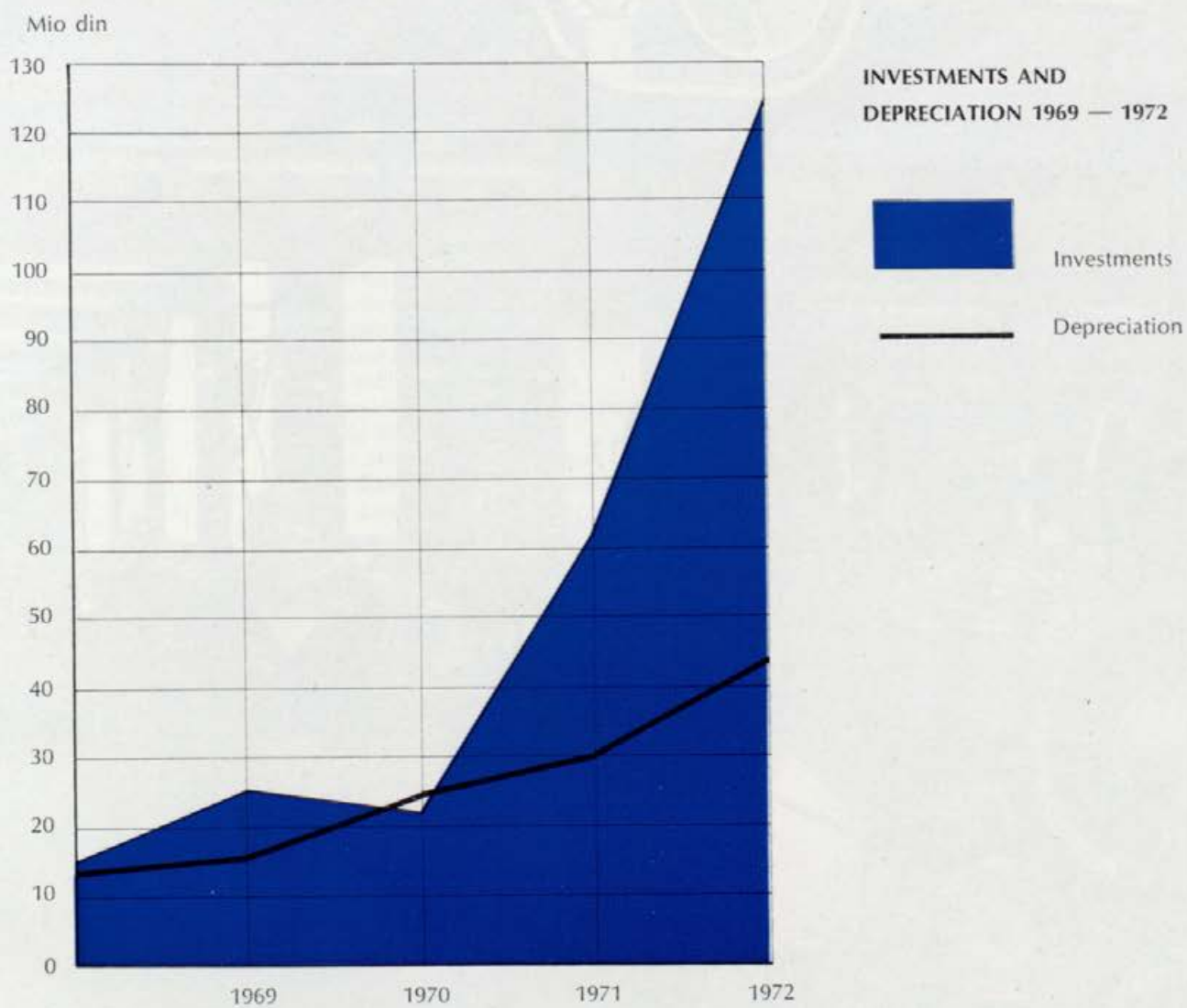
We also began to build the new foundry in which mainly the cylinder castings for new engines will be cast.

The structure of the carried out investments to the value of 125.3 million dinars is as follows:

— Buildings	24.9 million dinars
— Home equipment (94 machines)	7.8 million dinars
— Imported equipment (101 machines)	71.8 million dinars
— Equipment manufactured in own works	2.8 million dinars
— Duty and taxes	11.7 million dinars
— Other (premiums, projects, contributions)	6.3 million dinars
Total	125.3 million dinars

Payment of investments from own resources 53.5 million dinars. Payment of investments

from credit resources 71.8 million dinars.





WORKING CAPITAL

According to the development project TAM, the sources of working capital in 1972 should be increased by 27 million dinars for covering the increase in stock, and by 22 million dinars for the increase in debts of customers, total 49 million dinars. For allowing credit to the customers the sources should be increased by 67 million dinars. The obligation of the increase in working capital to the amount of 49 million dinars was fulfilled at the end of 1971 by increasing the

business fund. The banks, however, did not fulfill their obligations.

They increased the loan by only 38 million dinars to enable us to give credit. All resources from the profit realized during the year were spent for the increase in stock and debts of the customers. Comparing the state at the beginning and at the end of the year, this increase amounts to 135 million dinars. To enable us to give credit, the following loans were arranged:

	(in 000 dinars)
Kreditna banka Maribor	43,631
Ljubljanska banka Maribor	42,023
Credit total	85,654
Credit from suppliers:	
»Autokaroserija« Novi Sad	10,751
»Avtomontaža« Ljubljana	37,254
Credit total	133,659

All loans have been arranged for a period of 3 years at a rate of interest of 11 %. To speed up the sale,

15 million dinars more short-term loans were arranged for a period of six months at a rate of interest of 14 to 18 %.

The structure of working capital and sources as per 31st December, 1972:

	(in million dinars)	
Structure of resources:	1971	1972
— Stock of material	123.1	147.8
— Stock of unfinished production	64.7	108.5
— Stock of finished products	23.1	51.9
— Stock of commercial goods without consignment	16.7	29.8
— Customers and debts	437.1	461.3
	664.7	799.3
Sources:		
— Business fund for working capital before distribution of profit	267.3	308.1
— Bank credit after deduction of deposits	120.0	165.9
— Suppliers	168.9	248.5
	556.2	722.5
— Using the reserve fund	41.8	24.4
— Business fund after final balance — sheet and deduction of loans	67.1	73.2
	665.1	820.1
Surplus of business fund for investments		20.8

The increase in value of stock is due to higher prices and increase in stock. The stock of material with regard to physical volume has not materially changed, but the prices have gone up and, consequently, the value of stock. The unfinished production and products have actually increased. At the end of the year, 417 vehicles remained unfinished at the body-makers. The stock of finished vehicles

has also increased to 440 vehicles, compared to 31st December, 1971, when there were only 107 vehicles in stock. This is due to the record output in December 1972 (index 130) and a certain stagnation in sale which is characteristic of the winter period. This stagnation is also due to stabilization measures and decrease in investment consumption.

PERSONNEL AND SOCIAL POLICY

MOVEMENT OF THE EMPLOYED

We were in want of all kinds of workers: graduated engineers, engineers, graduated economists, administrative

personnel with administrative school. We had great difficulties also with the employment of women. There is still the demand to employ mainly male workers who will be able to work in three shifts.

Movement of the employed:

Employed workers as per 31st December, 1971	6,085
— received workers during the year	981
— dismissed workers during the year	934
State as per 31st December, 1972	6,132

The fluctuation of workers was not a special problem of our enterprise in the last year. In 1972, it began to rise again and was by 2% higher than in 1971.

EDUCATION

The activity of the training centre in 1972 included, training of new workers, professional training for certain jobs, training of motor mechanics in service workshop, and train-

ing of workers at regular schools, seminars and traineeships outside the enterprise. The training centre is also responsible for the organization of the scholarships, holiday traineeships, and other facilities in training. At the training workshop there were 9 courses with 141 pupils. By these courses they gained the qualifications of semi-skilled labour. There were also courses for arc welding, gas welding for hardeners and for welding under protective atmosphere CO₂. Besides, there were 28 various seminars and lectures.

Over the training centre 150 workers attended various courses, seminars and traineeships outside the enterprise. The centre also organized 22 courses for motor mechanics of the service workshop and larger customers of our vehicles. 318 participants attended these courses. 6 courses with 132 participants were organized for the electricians. The enterprise enables also training in foreign languages. The German course was organized in the

enterprise, the English course at the Institute for Foreign Languages.

The Centre supported training at technical and other schools, particularly the irregular studies at colleges and universities. The enterprise contributes 50 % of school — fees for training at elementary and high schools, and 75 % of school-fees for training at colleges and universities. It also grants the students special paid holiday.



HEALTH SERVICE AND SAFETY AT WORK

The duty of the preventive health service was to prevent the increase in illnesses of our workers and therefore sent the workers to our ambulance

station and to the Health Institute. For the plant Tezno, 558 new employed workers were examined. At periodical medical examinations 885 workers were examined. Nearly all workers were vaccinated against influenza, examined for the contents of sugar in urine etc.

State of health and number of accidents:	1971	1972
Number of sick-leave days per worker	17.0	15.8
Number of accidents per 100 workers	8.3	7.8

The department for safety at work has planned extensive ecological measurements for the needs of analytical mark and selfgoverning tariff agreement. Besides, the ecological measurements are compulsory acc. to

the prescriptions on periodical measurements of chemical and physical noxiousness. We shall have to carry out this task as soon as we get at our disposal enough capacities of outer institutes.

WAGES AND SALARIES

The wages and salaries have increased by 13 % on an average. This was carried out in a degressive manner, so that the wages and salaries are 10 % higher for the highest categories and 17 % higher for the lowest categories.

The net wages and salaries for 182 hours of work amounted to 1,884.00 dinars, plus the allowance for the holiday, breakfast and fare to the amount of 91.00 dinars monthly. The total monthly wages and salaries amounted

thus to 1,974.00 dinars net. The wages and salaries have been brought in accordance with the tariff agreement of metal and electric industry in Slovenia.

NORMS, OVERTIME

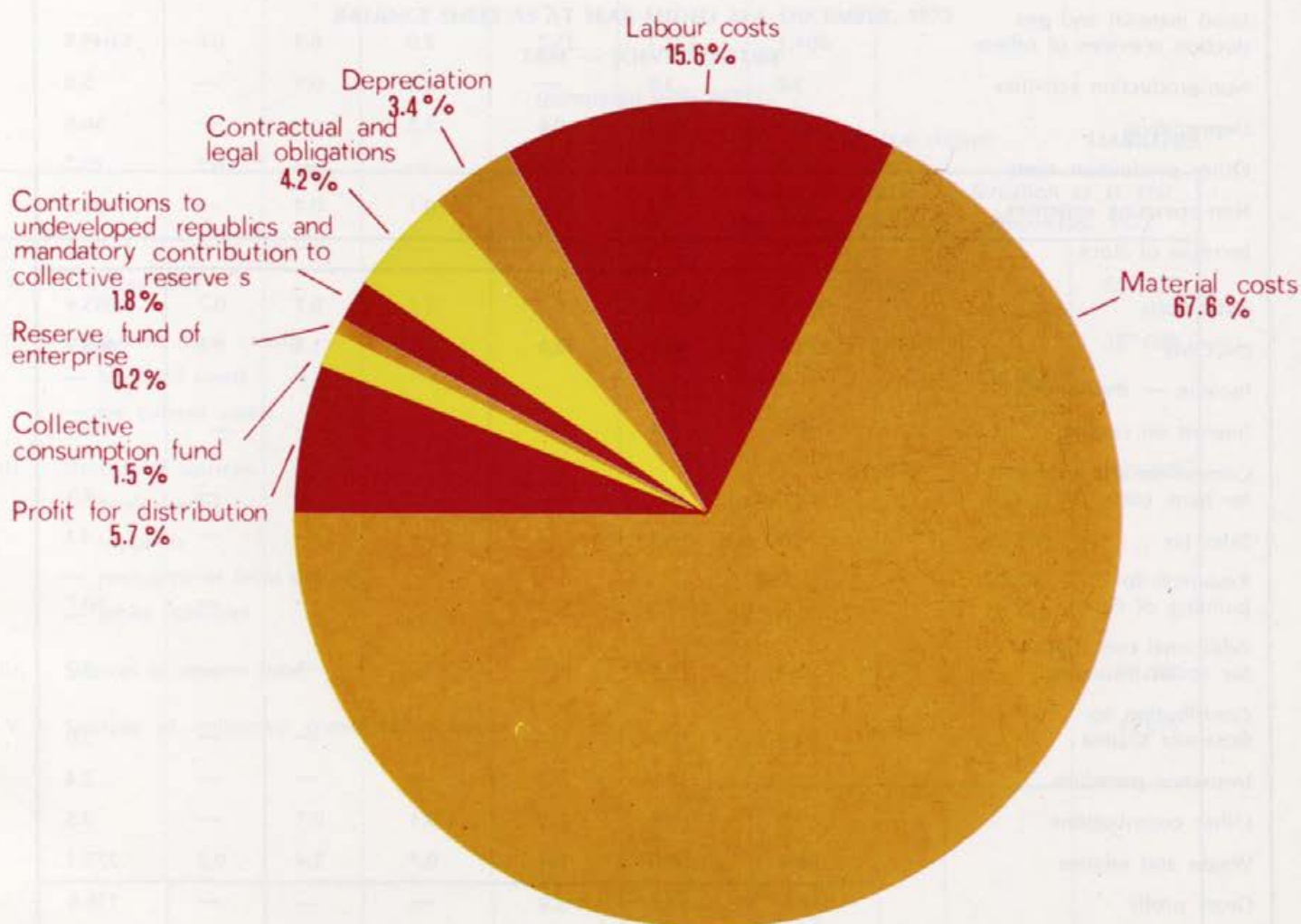
The working norms were exceeded by 23 % on an average. The extrapayment for overtime amounts to 50 % on workdays, and 80 % on Saturdays and Sundays. The total overtime amounts to 207,000 hours which is 1.6 % of the total hours.

PROFIT AND LOSS ACCOUNT FOR TAM — JOINT VENTURE

(in 000 dinars)

	1971	1972	Index
Sales — revenue	1,163,954	1,244,358	107
Extra income	28,204	34,000	121
Total income	1,192,158	1,278,358	107
Operating costs	822,637	863,590	105
Depreciation	30,135	43,495	144
Contractual obligations	28,959	37,538	130
Legal obligations	14,033	16,328	116
Labour costs	183,062	198,858	109
Gross profit	113,332	118,549	105
Contribution to undeveloped republics	13,689	17,292	126
Mandatory contribution to collective reserves	5,666	5,927	105
Reserve fund of the enterprise	11,359	3,143	28
Collective consumption fund	15,146	18,968	125
Profit for distribution	67,472	73,219	109
in DM (1 DM = 5.25 dinars)		13,946,427	
Nominal Capital Account TAM per 1st Jan. 1972 dinars 524,609,704 (1 DM = 5.225)		DM 100,403,771	
Nominal Capital Account KHD per 1st Jan., 1972		DM 2,000,000	
		DM 102,403,771	
Profit for Distribution in %		13.6191	
Profit TAM	DM	13,674,045	
Profit KHD	DM	272,382	
Tax 35 %	DM	95,334	
Net profit KHD	DM	177,048	

STRUCTURE OF TOTAL INCOME
FOR TAM — JOINT VENTURE
1972

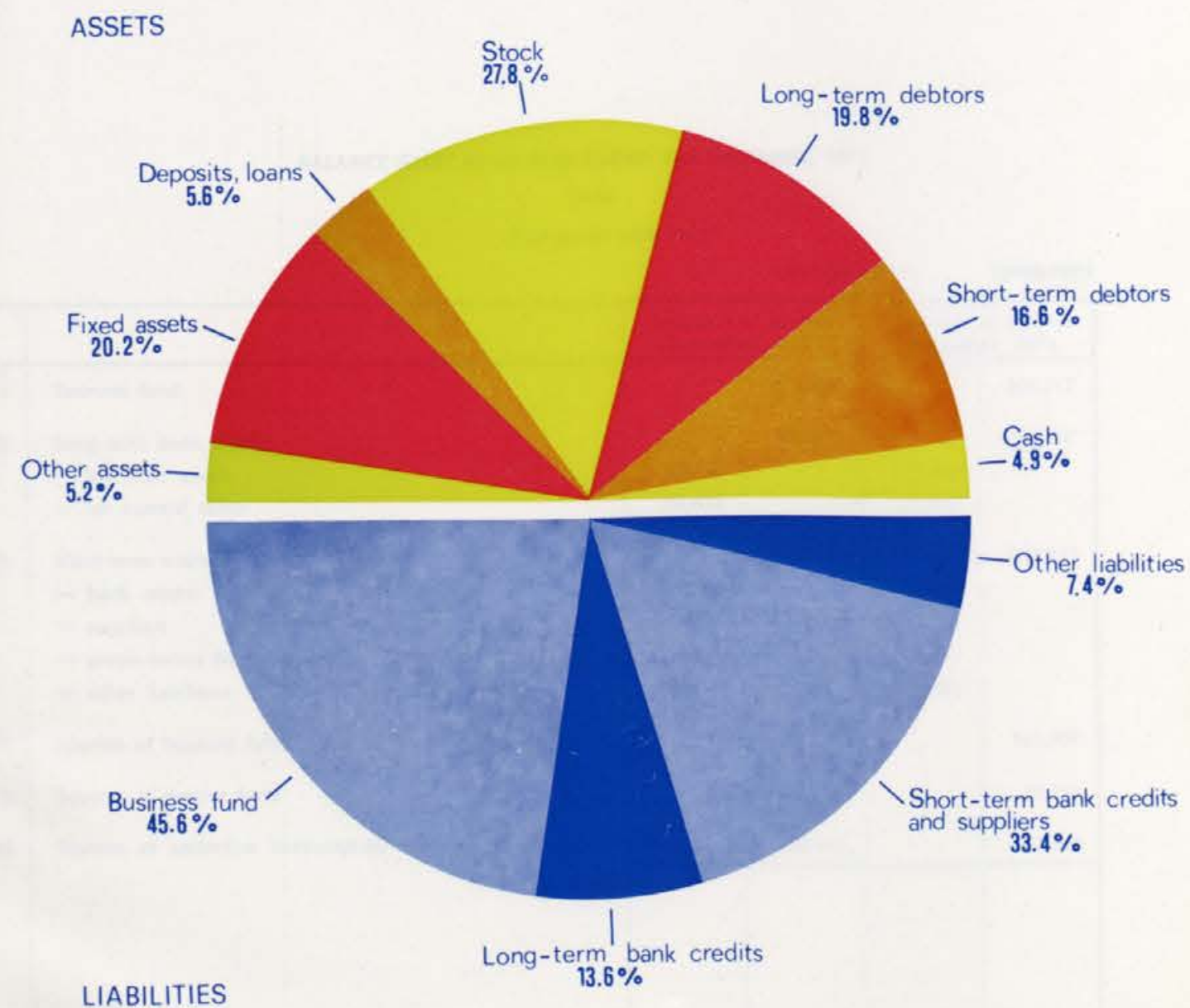


PROFIT AND LOSS ACCOUNT FOR TAM WITH ALL PLANTS 1972

(in million dinars)

Elements of distribution	TAM	Plant Studenci	Workshop N. Sad	Housing off.	Canteen TAM	Holiday-homes	Total
Realized products and services	1,244.4	227.3	39.1	4.5	8.1	0.8	1,524.2
Non-operating earnings	34.0	8.0	0.4	—	0.1	0.1	42.6
TOTAL INCOME	1,278.4	235.3	39.5	4.5	8.2	0.9	1,566.8
Used material and production activities of others	894.1	121.1	25.2	2.0	6.5	0.6	1,049.5
Non-production activities	3.0	1.8	—	0.1	0.1	—	5.0
Depreciation	43.5	11.2	0.6	1.5	—	—	56.8
Other production costs	21.3	4.1	0.2	—	—	0.1	25.7
Non-operating expenses	17.8	5.2	0.7	0.1	0.1	—	23.9
Increase of stock	—72.6	—2.4	—	—	—	—	—75.0
Total costs	907.1	141.0	26.7	3.7	6.7	0.7	1,085.9
INCOME	371.3	94.3	12.8	0.8	1.5	0.2	480.9
Income — distribution:							
Interest on credits	30.2	7.9	—	—	—	—	38.1
Commission and payments for bank costs	4.0	0.5	—	—	—	—	4.5
Sales tax	3.7	0.4	—	—	—	—	4.1
Resources for building of flats	7.8	2.6	0.3	—	—	—	10.7
Additional contribution for social insurance	2.7	0.9	0.1	—	—	—	3.7
Contribution to Bosanska Krajina	1.4	0.5	0.1	—	—	—	2.0
Insurance premium	1.3	0.9	0.2	—	—	—	2.4
Other contributions	2.8	0.4	0.1	0.1	0.1	—	3.5
Wages and salaries	198.9	66.0	8.1	0.7	1.4	0.2	275.3
Gross profit	118.5	14.2	3.9	—	—	—	136.6
Reserve fund of enterprise	3.1	2.0	0.1	—	—	—	5.2
Collective consumption fund	19.0	4.4	0.9	—	—	—	24.3
Contribution to undeveloped republics	17.3	4.4	0.5	—	—	—	22.2
Mandatory contributions to collective reserves	5.9	0.7	0.1	—	—	—	6.7
PROFIT FOR DISTRIBUTION	73.2	2.7	2.3	—	—	—	78.2

BALANCE SHEET STRUCTURE FOR TAM — JOINT VENTURE FOR 1972



BALANCE SHEET AS AT YEAR ENDED 31st DECEMBER, 1972

TAM — JOINT VENTURE

(compared with 1971)

(in 000 dinars)

LIABILITIES

ASSETS

		Situation as at 31st December, 1971	Situation as at 31st December, 1972
I.	Current assets	796,127	958,514
	Cash	60,699	65,396
	Short-term debtors	213,700	214,580
	Long-term debtors	235,459	273,219
	Prepayments to suppliers	23,739	14,403
	Stock of:		
	— material and small inventory	142,819	192,072
	— unfinished production and semi-finished products	64,732	108,505
	— finished products	23,116	51,945
	— commercial goods	22,543	29,751
	Other assets	9,320	8,643
II.	Deposits, loans	53,016	77,056
III.	Fixed assets	189,559	278,681
	— land	4,411	4,736
	— buildings	177,927	225,479
	— machinery and equipment	305,416	376,674
	— other fixed assets	1,942	12,392
	Depreciation of fixed assets	—331,194	—365,851
	Investments under preparation	31,057	25,251
IV.	Reserve fund resources	5,220	31,345
V.	Resources of collective consumption fund	24,645	31,485
		1,068,567	1,377,081

		Situation as at 31st December, 1971	Situation as at 31st December, 1972
I.	Business fund	519,961	628,327
II.	Long-term bank credits	133,310	187,098
	— for fixed assets	72,641	130,067
	— for current assets	60,669	57,031
III.	Short-term sources	331,999	459,265
	— bank credits	91,701	134,792
	— suppliers	194,722	276,591
	— prepayments from debtors	11,642	20,336
	— other liabilities	33,934	27,546
IV.	Sources of reserve fund	49,771	58,880
V.	Sources of collective consumption fund	33,526	43,511
		1,068,567	1,377,081

BALANCE SHEET AS AT YEAR ENDED 31st DECEMBER, 1972

TAM

(Compared with 1971)

(in 000 dinars)

LIABILITIES

ASSETS

		Situation as at 31st December, 1971		Situation as at 31st December, 1972				Situation as at 31st December, 1971		Situation as at 31st December, 1972	
I.	Current assets		1,030,265		1,282,639	I.	Business fund		679,932		801,217
	Cash	65,358		77,730		II.	Long-term bank credits		180,572		237,807
	Short-term debtors	261,921		279,979			— for fixed assets	90,738		151,390	
	Long-term debtors	314,742		381,264			— for current assets	89,834		86,417	
	Prepayment to suppliers	29,095		22,856		III.	Short-term sources		457,745		609,932
	Stock of:						— bank credits	162,006		190,445	
	— material and small inventory	181,889		261,426			— suppliers	221,421		322,392	
	— unfinished production and semi-finished products	93,924		139,944			— prepayments from debtors	15,291		39,213	
	— finished products	23,558		53,523			— other liabilities	59,027		57,882	
	— commercial goods	22,589		29,778		IV.	Sources of housing fund		138,605		143,997
	Other assets	37,189		36,139		V.	Sources of reserve fund		58,983		70,191
II.	Deposits, loans		82,232		61,869	VI.	Sources of collective consumption fund		53,992		63,582
III.	Fixed assets		273,262		360,043						
	— land	6,883		7,086							
	— buildings	290,379		337,814							
	— machinery and equipment	380,731		459,345							
	— other fixed assets	1,942		12,392							
	Depreciation of fixed assets	—444,218		—491,944							
	Investment under preparation	37,545		35,350							
IV.	Resources of housing fund		138,441		143,860						
V.	Reserve fund resources		6,351		33,124						
VI.	Resources of collective consumption fund		39,278		45,191						
			1,569,829		1,926,726				1,569,829		1,926,726

