

ARCHIVED REPORT

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Tatra

Outlook

- Terex Corporation sold its stake in Tatra to a management-led investment team
- Failure of American Truck Company to win two key contracts a likely catalyst for the divestiture
- Because Tatra has such a limited product line of low financial value, this report will be dropped next cycle

Sales & Net Income Trends

Information Unavailable

Headquarters

Tatra a.s.
Štefánikova 1163,
742 21 Kopřivnice, Czech Republic
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Fax: +420 556 49 44 81
Web site: <http://www.tatra.cz>

Tatra has been the Czech and Slovak Republics' primary heavy off-road tactical vehicle manufacturer (for both military and civilian missions) since before World War II. During the German occupation of the country (then known as Czechoslovakia), the national armament industry was put to work fulfilling Wehrmacht requirements, including the provision of heavy and medium transport vehicles.

Tatra was the sole manufacturer of a 6.5-ton vehicle, part of Germany's Schnell Program aimed at standardizing vehicle production on a smaller number of chassis. The vehicle was a 6x6 V-12 diesel-powered model that entered production in 1943. Relatively few were built in this late stage of the war, although a

similar 8-ton version (Model 8000A) was in production when the former Soviet Red Army occupied much of Czechoslovakia in 1945.

After the war, the revitalized Czechoslovak automotive industry began to manufacture vehicles for the soon-to-be Warsaw Pact countries. The Tatra 805 was introduced in 1953, and by the early 1970s, this company's vehicles were in use throughout the world. Prior to the dissolution of the country, Tatra was Czechoslovakia's largest truck manufacturer, producing 15,000 vehicles in 1990 and supplying these transports to the government in the former Soviet Union, East Germany, and the developing world.

In October 2006, the U.S.-based Terex Corporation divested its 80.51 percent controlling stake in Tatra to Blue River s.r.o., an investment team led by members of Tatra's supervisory board.

Tatra a.s. employs an estimated 2,000, and the entire Tatra holding employs about 3,800.

Structure and Personnel

Supervisory Board

William J. Cabanis
Chairman
Ravinder Kumar Rishi
Vice Chairman

William Louis Shroeger
Floris Marie Cyriel S. Vansina
Jiri Krutilek
Pavel Baron

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TATRA a.s. Board
Ronald A. Adams

Chairman

Product Area

Besides small-scale production of luxury cars, Tatra manufactures off-road vehicles (with payloads over 12 tons) for military and civilian uses.

Tatra also provides the platform chassis for certain self-propelled ordnance systems, such as the DANA (see **Program Activity** section).

Facilities

Tatra a.s., Štefánikova 1163,742 21 Kopřivnice, Czech Republic. This is the headquarters and main truck-manufacturing location.

This is an equally owned joint venture of Tatra, Terex, and STV.

American Truck Company, 7727 Freedom Way, Fort Wayne, IN 46818. Telephone: + 1 (888) 282-4685.

Web site: <http://www.americantruckco.com>

Corporate Overview

Truck manufacturer Tatra a.s. is one of the largest engineering firms in the Czech Republic. While truck manufacturing remains the company's forte, it also has interests in aftermarket truck support, energy production, metal castings, metal plating, construction, tooling, printing, and even catering.

Tatra manufactures a number of vehicles that range in duties from military transport to luxury cars. The company has built an international name for itself by offering quality at a competitive price.

U.S. Foreign Military Sales program. The initial value of this order is approximately \$54 million before options. The Israeli MoD also had options to purchase an additional 243 trucks for value in excess of \$40 million. The procurement includes a combination of cargo carriers (some with material-handling cranes) incorporating ATC's high-mobility, 12.5-metric-ton-payload 6x6 tactical vehicles. Additionally, ATC will provide extensive driver and maintenance training, in-country service, and spare parts. According to Terex financial statements in early 2006, the Israeli MoD did not exercise its option to purchase additional trucks from ATC.

New Products and Services

Logistic Vehicle System Replacement. In March 2004, the American Truck Company joint venture, in which Tatra has a two-thirds interest, was awarded a contract with the U.S. Marine Corps to supply three prototype Logistic Vehicle System Replacement (LVSr) trucks. This contract, valued at \$5.6 million, represented the first phase in a two-part process to determine the vehicle that ultimately would be selected by the U.S. Marine Corps for an order of up to 1,022 trucks. ATC and Oshkosh of the U.S. were the only two suppliers chosen to advance to the next phase of the proposal and evaluation process.

Plant Expansion/Organization Update

No plant expansions or organizational changes have been reported in the past two years.

However, in June 2006 Oshkosh was ultimately selected to fulfill the needs of the LVSr program.

Mergers/Acquisitions/Divestitures

ATC Trucks for Israel. In January 2004, the American Truck Company joint venture was awarded a contract with the U.S. Army Tank-Armaments and Automotive Command (TACOM) to supply the Ministry of Defense of Israel with 302 medium tactical trucks and associated logistics support. The trucks are being supplied to Israel by the United States under the

Terex Divests Interest in Tatra. In October 2006, Terex Corporation concluded the sale of its entire direct and indirect ownership interest of 80.5 percent in Tatra a.s. to Blue River s.r.o. for approximately \$26.2 million in cash plus the repayment of all inter-company debt owed to Terex by Tatra of approximately \$31.6 million. Additionally, Blue River s.r.o. will assume all third-party indebtedness of Tatra, which totals approximately \$22 million. Terex had previously identified Tatra as non-core to Terex's future operations. The buyer, Blue River s.r.o., is a Czech-based consortium of four international private investors, led by a member of Tatra's Supervisory Board.

Tatra

Terex Gains Majority Stake in Tatra. In September 2003, the U.S.-based Terex Corporation acquired an additional 51 percent of the outstanding common shares of Tatra a.s., bringing Terex's total ownership in Tatra to approximately 71 percent. Terex purchased the additional shares from SDC International Inc.

Teaming/Competition/Joint Ventures

American Truck Corporation (ATC). Founded in 2001, this is a joint venture equally owned by Tatra, Terex, and Special Task Vehicles. ATC trucks are based on the proprietary design and technology of Tatra, and incorporate leading U.S. components, including major items such as engines and transmissions. They are assembled by Terex at its U.S. facility in Fort Wayne, Indiana.

Web site: <http://www.americantruckco.com>

Financial Results/Corporate Statistics

According to a report on the company's Web site, Tatra's sales in 2007 were CZK5.9 billion, compared with 2006 sales of CZK4.46 billion (2005 sales: CZK3.65 billion). The company reported a profit of CZK859 million for 2007 compared with a profit of CZK261 million in 2006 (2005: CZK5 million). During 2007, Tatra reportedly sold 2,453 trucks, vs. 1,607 trucks the year prior. No new reports were issued for 2008.

Strategic Outlook

With the loss of several key military truck programs, Terex has sold its stake in Tatra to a management-led investment team. The program losses occurred at the American Truck Company joint venture. The first was the loss of the LVSR program to competitor Oshkosh. This was followed by the Israeli Ministry of Defense decision not to exercise its option to purchase additional trucks from ATC.

Despite the difficulties in the military market abroad, Tatra appears to be doing well in the commercial market. With competition for military contracts fierce around the world, Tatra's military trucks will likely only be finding buyers close to home.

Prime Award Summary

Unavailable

Program Activity

Some important aerospace and government programs currently under way at Tatra are listed below. The briefs are intended to provide a listing of programs that are of major importance to the company. For detailed information on or analysis of specific aerospace and defense programs or equipment, please refer to the appropriate Forecast International binder (for example, *Civil Aircraft*, *Military Aircraft*, *Military Vehicles*, *Warships*, *Missile*, *Electronic Systems*, and *Aviation Gas Turbine*). The following are the company's business interests:

- Tactical Vehicles and Support Equipment
- Civil and Military Off-Road Transport Vehicles
- Transport Platforms for Military Armament Systems
- Luxury Sedans

Military Vehicle Programs

Tatra manufactures a variety of military tactical transport vehicles and chassis for weapons systems. The following is a brief listing of some of the major products the company has manufactured over the years.

Tatra 138

Production of this truck series commenced in 1963 to replace the older Tatra 111 6x6 vehicles. The Tatra 138 fulfilled various platform requirements, serving as crane, tanker, tractor, dump, and airfield lighting trucks. This 8,000-kilogram truck was replaced by the Tatra 148. Production has been completed.

Tatra 148

This truck series was introduced in 1972 as a replacement for the older Tatra 138 series. The

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Tatra 148 is available in 4x4 and 6x6 models, and can be configured as a dump truck, fire truck, or tractor. A further development of the Tatra 148, the Tatra 157, was also manufactured. Production has been completed.

Tatra 813 Kolos Series

The T813 series was developed by the former Czechoslovakia in the 1960s and is also known as the Kolos series. The first production units rolled off the line in 1968. This Tatra vehicle is available in 4x4, 6x6, and 8x8 models, and provided the chassis for various multiple rocket launchers used by the Warsaw Pact forces. The vehicle is used for towed heavy artillery pieces and engineering equipment trailers, and to carry pontoon and scissors bridges. Production has been completed. These vehicles are in the Czech and Slovak armed forces and those of India and the former East Germany. Production is believed to be complete.

Tatra T815-2 ARMAX

This series of trucks was developed as the replacement for the earlier T813 family. Derived from its civilian

counterpart, this modern military truck is available in both 4x4 and 6x6 versions. The 4x4 variant has a load capacity of 8,250 kilograms and the 6x6, 11,300 kilograms. These trucks are currently in production.

Tatra T816 Force

This is a family of specialized 6x6 and 8x8 military tactical vehicles. These vehicles are available in three basic variants: cargo truck, frame chassis, and semi-trailer (for 8x8 vehicles). Civil variants of this vehicle are also produced. Total payload capacity for the 6x6 variant is 11,500 kilograms and for the 8x8 variant, 16,300 kilograms. These trucks are currently in production.

Vzor 77 DANA

This is an indigenously manufactured, self-propelled 152mm artillery system. Tatra provided the wheeled vehicle chassis. Production has been completed. This is one of the few Tatra vehicles that is used within an actual weapon system program.

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