



Romania A Strategic Choice

January 2018, Louxemburg



MINISTRY FOR BUSINESS ENVIRONMENT,
COMMERCE AND ENTREPRENEURSHIP

Romania - Country overview



Area:
238,391 km²



Capital:
Bucharest



Currency: RON

EUR/ RON: 4.5



Population:
apox: 20 mill

Bucharest
Metropolitan Area: 3mill

S & P

BBB-
Stable

Moody's

Baa3-
Stable

Fitch

BBB-
Stable

GDP Growth
Jan - Sep 2017 **7%**
Best performance in EU

FDI stock 70bn



Bridge between East and
West for 500 mill consumers
market



2004 - NATO membership



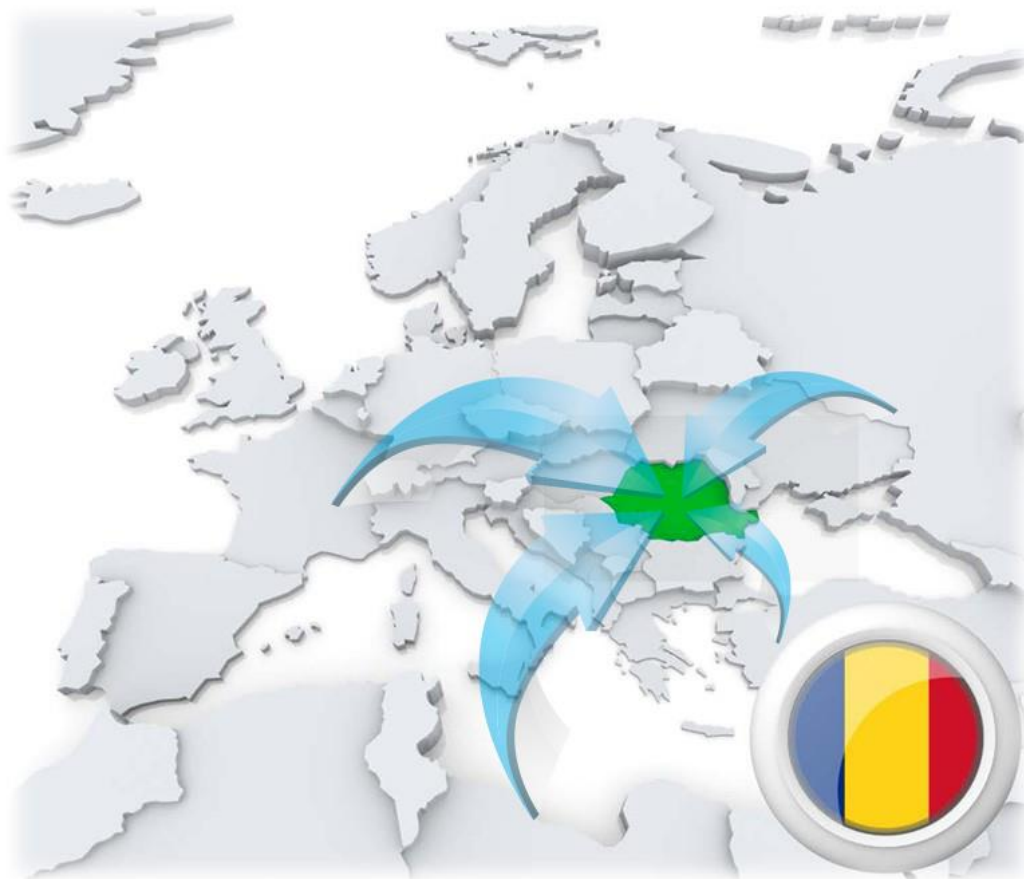
2007 - EU membership

2019 - EU Presidency



Strategic US-Romanian
partnership

At a glance



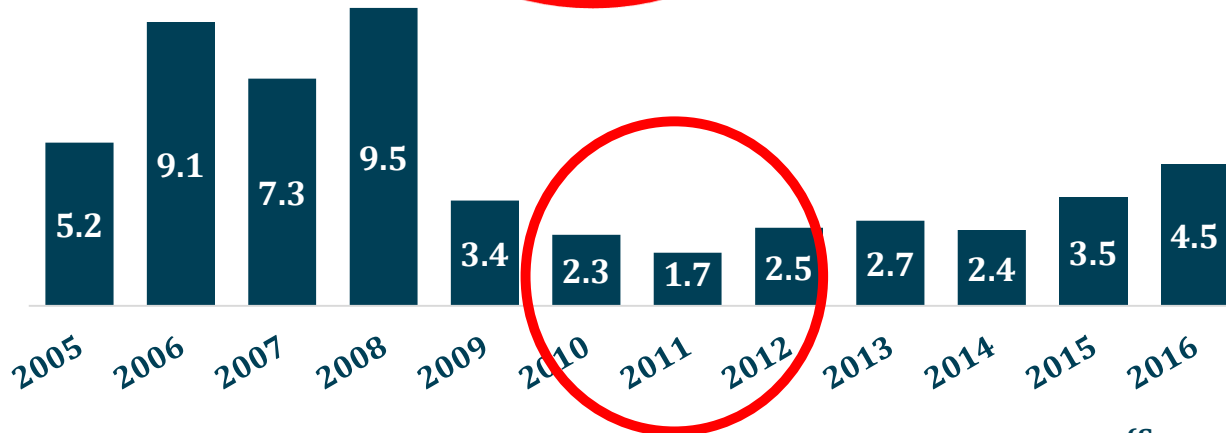
- **2nd largest country in CEE and the largest in SEE in terms of size (the 9th in EU28) and population (the 7th in EU28)**
- **At the crossroads of 3 great markets: the European Union, the CIS (Commonwealth of Independent States) and the Middle East**
- **2nd in EU for average peak connection speeds and 6th for 4 Mbps broadband adoption in Q1 2017***

Source: *Akamai Q1 2017 State of the internet report

Potential for Growth



(Source: Eurostat)



(Source: National Bank of Romania)

GDP growth (%)

Q3-2017: 8.8%

Jan - Sep 2017: 7.0 %

(Source: National Institute of Statistics)

Forecast

2017: 6.1%

2018: 5.5%

(Source: National Commission of Prognosis)

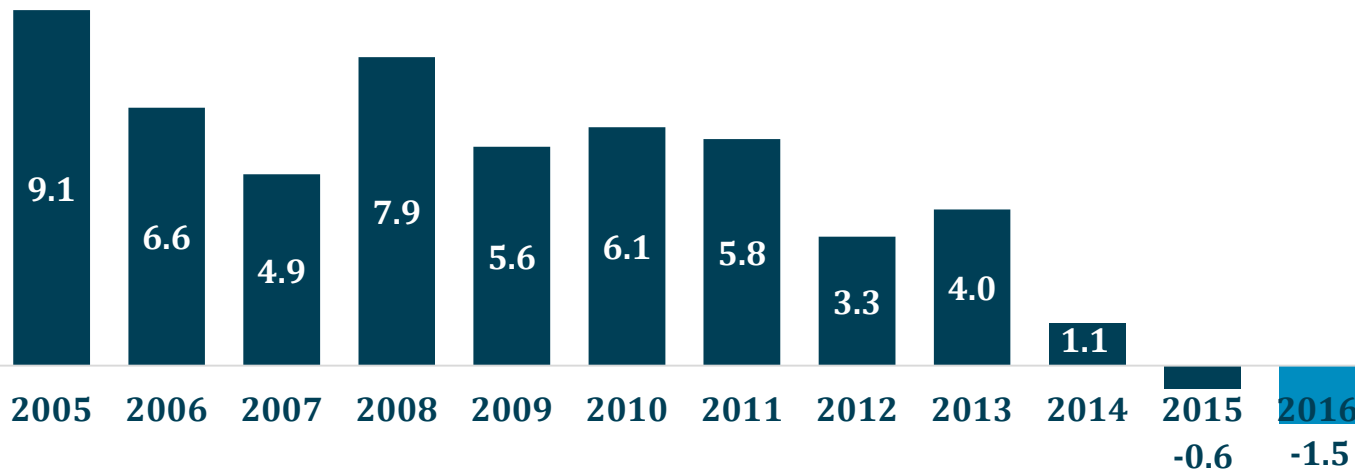
FDI Inflows

(bn EUR)

FDI 2017 (9 months)

bn 3.4 EUR

Inflation



Inflation rate (%)
(Source: National Institute of Statistics)

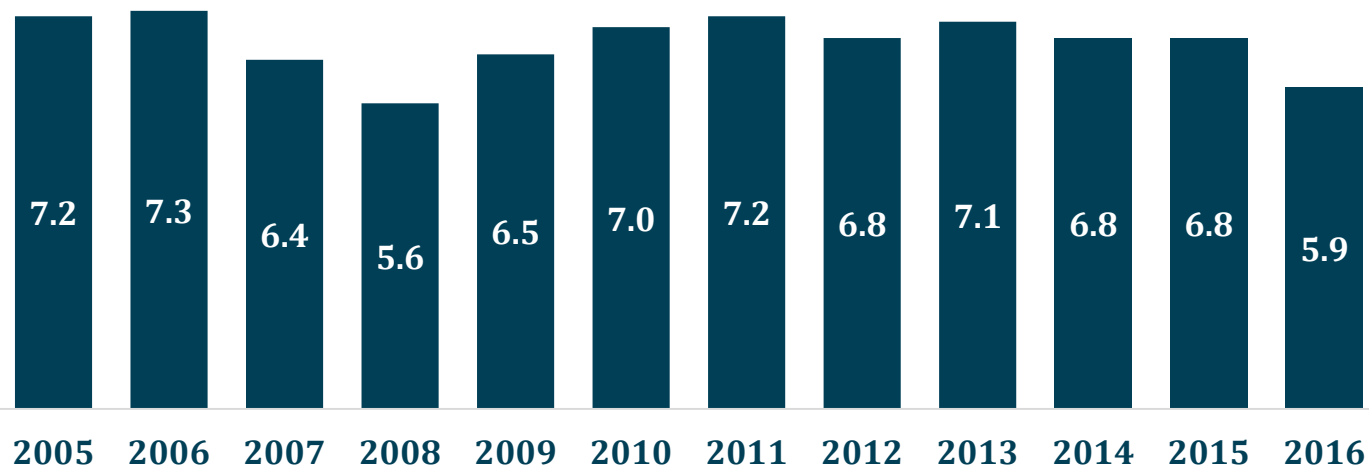
Target
December 2017: 2.7%
December 2018: 3.2%
(Source: National Bank of Romania)

Deflation due to:

- reducing the standard VAT rate from 24% to 20%;
- the disinflationary influence exerted by the external environment;
- the dynamics of commodity prices on international markets (eg: oil, agri-food products).

Inflation started to be on a positive trend at the beginning of 2017 due to the persistence of the internal inflationary pressures associated with the increase of aggregate demand and the rise in wage costs.

Unemployment



Unemployment rate (%)

(Source: National Institute of Statistics)

Forecast 2017: 5.0%

(Source: National Commission for Prognosis)

Minimum Wage in EU

Minimum Monthly Gross Wage in EU January 2017 (EUR)



Source: EUROSTAT

*Starting February 1st 2017

Government program target 2020: 450 EUR/month

Skilled labor force

Languages studied by Romanian students

97%

- 97% of Romanian high school students study 2 or more foreign languages
- The predominant languages are English, French, German and Spanish, yet initiatives for teaching Japanese, Nordic languages or the entire Latin language family (Spanish, Italian, French) exist

University students in Romania are proficient in [% of total]:

90%



26%



17%



8%



5%



Source: ABSL, NIS, Eurostat

Skilled labor force

Renault Technologie Roumanie (RTR), Technical Center Titu



Romania

Largest Market in the SEE

Maximum broadband speed

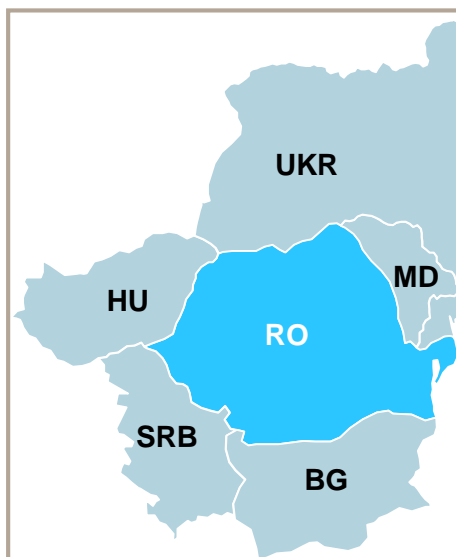
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Second in EU for average peak connection speeds

Gas prices ranking

4

4th lowest gas prices
4th lowest electricity price in Europe



Hourly labor costs 2016

2

One of the most competitive labor force in the CEE

World Bank ease of doing business

36

Ahead of Bulgaria, Croatia, Hungary, Italy, Turkey, Serbia or Greece

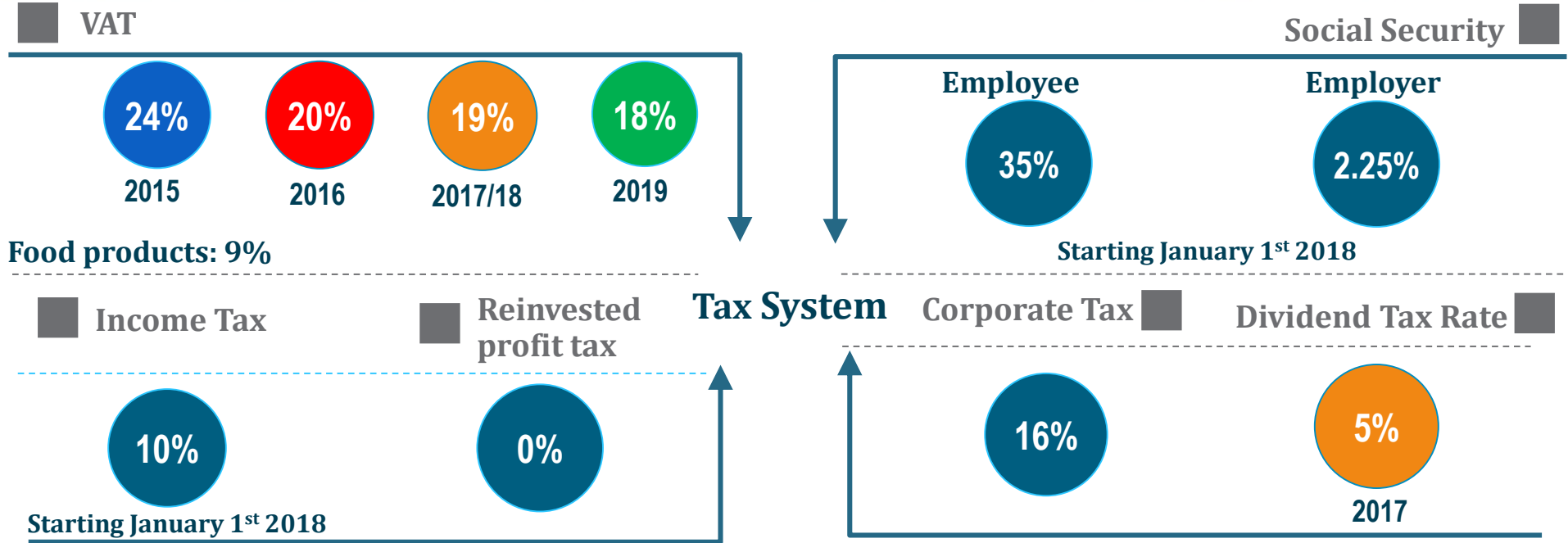
Source: World Bank, Doing Business Report 2016; Akamai Q1 2017 Report; Eurostat 2017

VALUE FOR MONEY

	BUCHAREST	BERLIN	LONDON
Consumer Prices	€100	€168	€205
Rent Prices	€100	€239	€549
Restaurant Prices	€100	€161	€238
Groceries Prices	€100	€167	€184
Standard of living equivalency net salary	€1,806	€3,325	€5,109

Source: Numbeo, January, 2018

Overview of the Romanian tax system



- IT&C - 0 % income tax for employees**
- BA -14 technical specializations available
 - Employee is hired on a software engineer/ programmer/ software analyst position
 - Annual revenue per exempted employee must be over USD 10 000

- R&D - 0 % income tax for employees**
- Deduction of R&D eligible expenses:
- depreciation of R&D equipment, salaries for R&D personnel; 50% of these expenses can be deducted from the taxable income

Investment Support

STATE AID 2014-2020 Total Budget EUR 1.5 billion

STATE AID - GD 807/ 2014

Minimum EUR 10 mil. investment

- Construction of new buildings
- Renting costs for existing buildings
- CAPEX aimed at technical installations and tools
- Acquisition of intellectual property

STATE AID - GD 332 / 2014

Minimum 10 new jobs/ per location

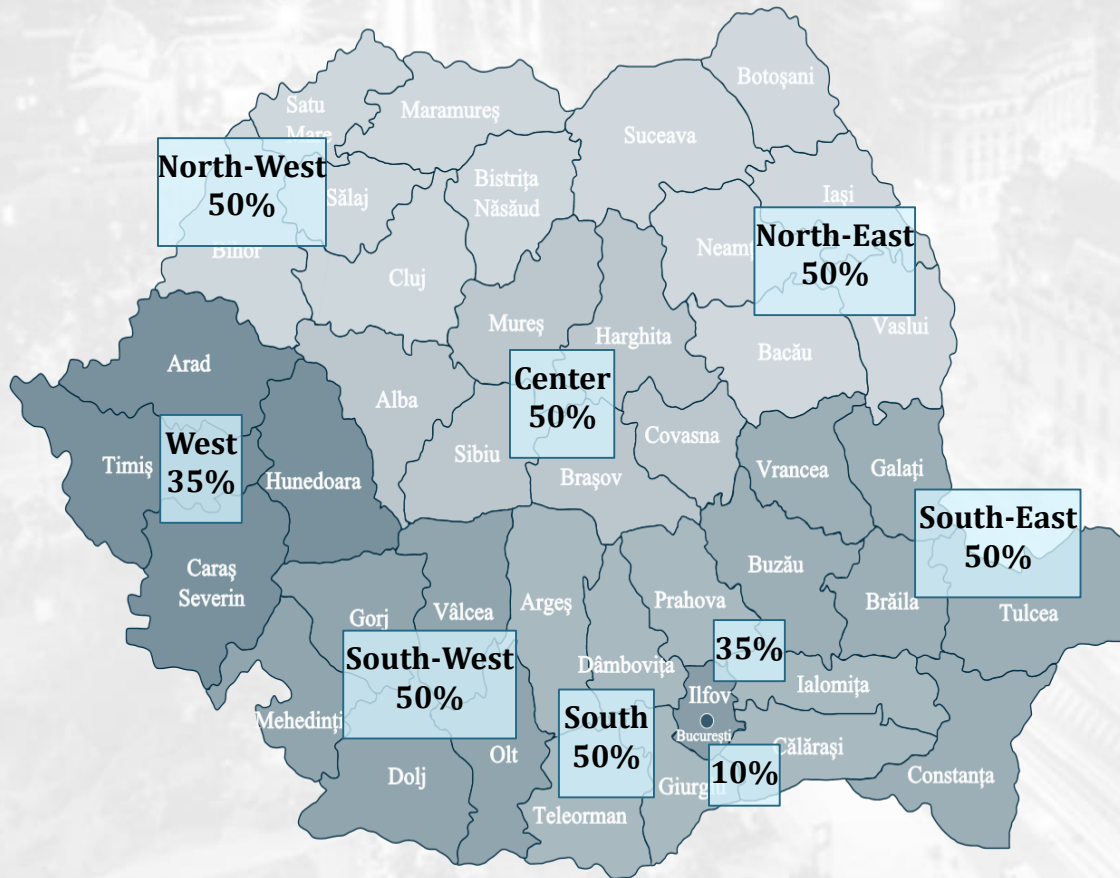
- Salary costs registered for a 2 consecutive year period resulted as a direct consequence of the investment
- Salary costs are comprised of gross average annual salary plus benefits

FISCAL INCENTIVES

Investors that set up manufacturing locations or offices in an industrial, scientific or technological park benefit from :

- Exemption on land, building and urban planning tax
 - Taxes charged for changing land destination

Intensity State Aid



State aid intensity, according to development region:

- North West – 50%
- North East – 50%
- South East – 50%
- South – 50%
- South West – 50%
- West – 35%
- Ilfov County – 35%
- Bucharest – 10%

Source: Ministry of Public Finance

Investment Support



LUFKIN
28 mill Eur
Ploiesti West Park



Daimler
37.4 mill Eur
Industrial Park Sebes



BOSCH
Invented for life
16 mill Eur
Tetarom Jucu Park/
Cluj-Napoca

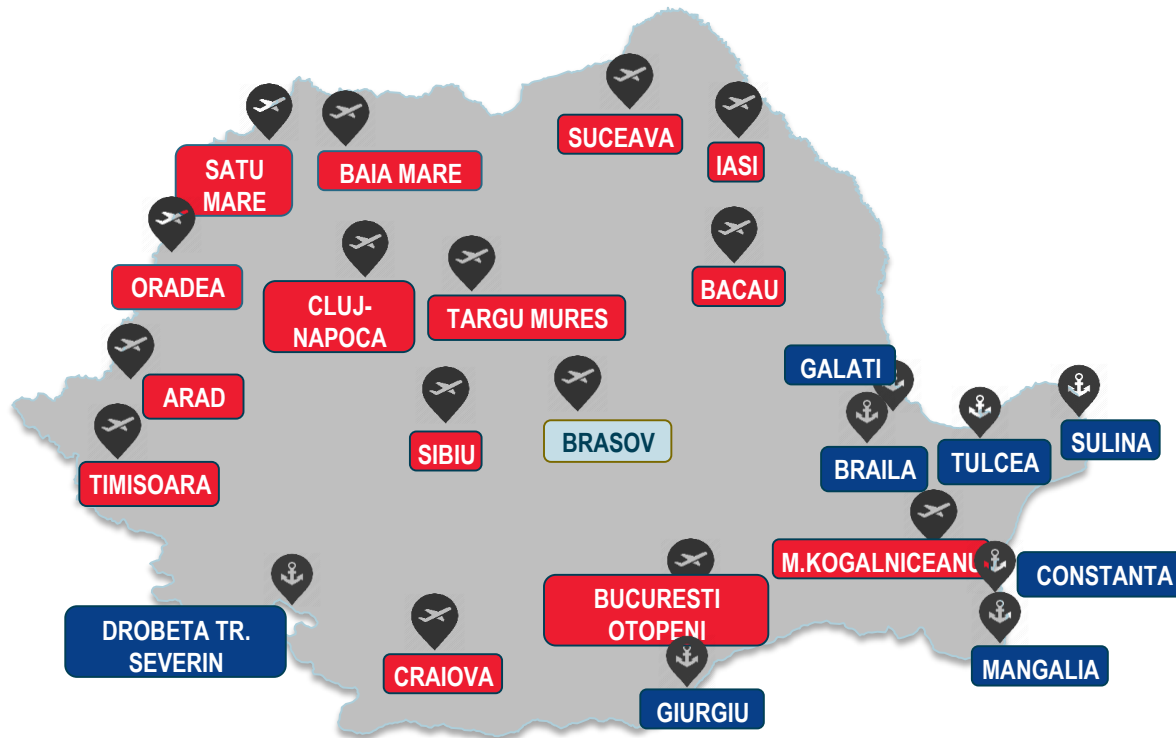


DeLonghi
11 mill Eur
Tetarom Jucu Park/
Cluj-Napoca

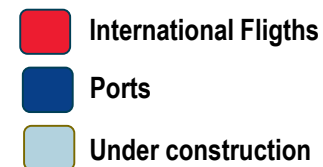


TIMKEN
15 mill Eur
Ploiesti West Park

Ports and Airports

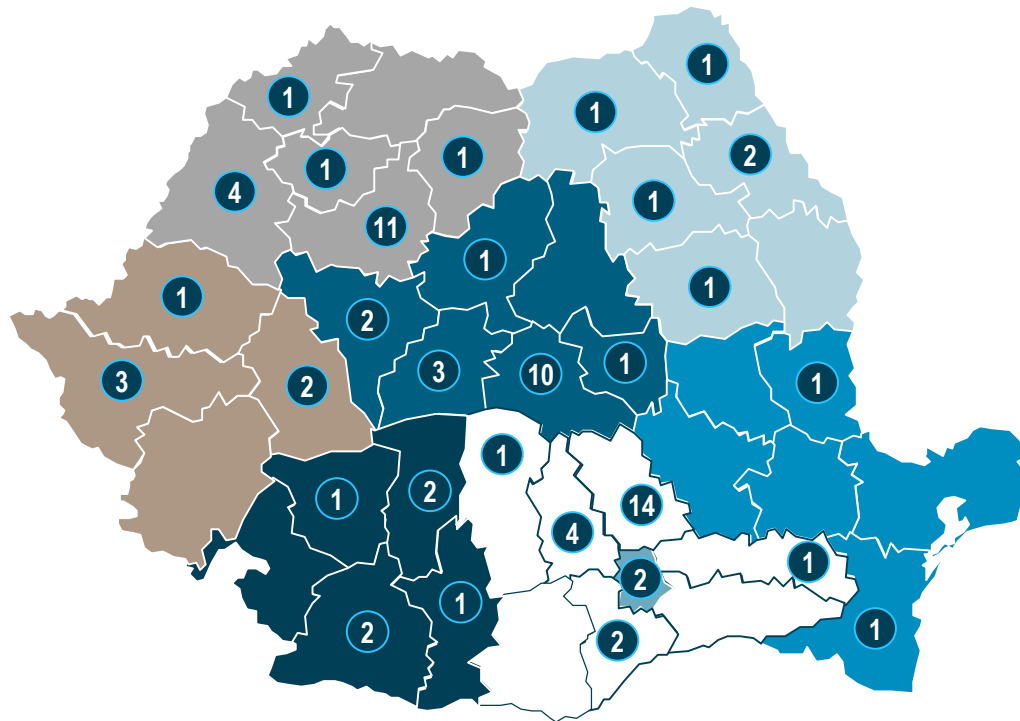


- 130 direct flights leading to 76 destinations in 31 countries worldwide
- 14 international airports and 8 major ports
- Constanta Port - the deepest and largest port at the Black Sea.

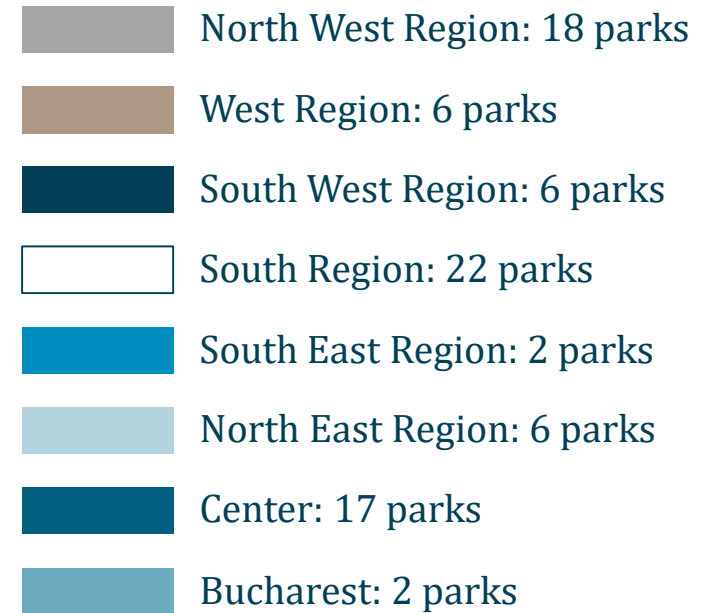


Aircraft traffic reached 16 mill. passengers in 2016, up by 20% compared to 2015

Industrial Parks



Status at regional level (November, 2017)



- 79 industrial parks spread across Romania - both private and public ownership
- Access to utilities & benefits packages according to their focus
- Exemption on land, building and urban planning taxes

Source: Ministry of Regional Development and Public Administration

Industrial Parks



FDI Stock by Field of Activity

at 31 December 2016

Sectors	EUR million	% of total FDI
TOTAL	70,113	100.0
Manufacturing	22,435	32.0
Construction and real estate transactions	9,794	14.0
Trade	8,994	12.8
Financial intermediation and insurance	8,844	12.6
Electricity, gas and water supply	6,713	9.6
Professional, scientific, technical and administrative activities and support services	3,908	5.6
IT&C	3,628	5.2
Mining	1,831	2.6
Agriculture, forestry and fishing	1,836	2.6
Other	2,130	3.0

By economic activity, FDI stock was channeled primarily to manufacturing, with the following largest recipients:

- transport equipment
- oil processing
- chemical
- rubber and plastic products
- metallurgy
- food
- beverages and tobacco
- manufacture of computer
- electronic
- optical and electrical products

Source: National Bank of Romania

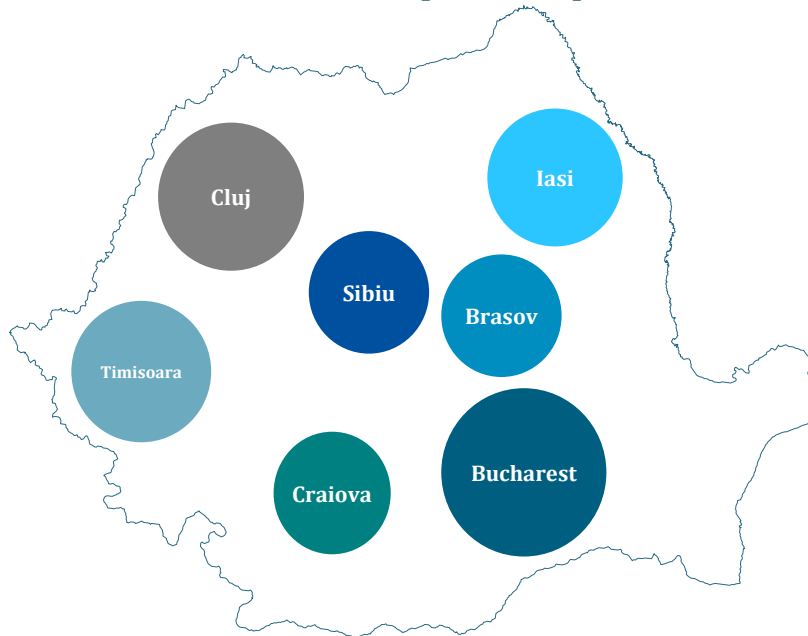
Key facts for top tech oriented industries in Romania

	INDUSTRY SIZE	KEY PLAYERS	KEY PROJECTS
<p>AEROSPACE</p> 	<p>EUR 400M</p>		<ul style="list-style-type: none"> • Premium Aerotec EUR 50m investment • Sonaca EUR 12m investment • Airbus Helicopters EUR 15m investment
<p>IT&C</p> 	<p>EUR 3.6B</p> <p>4.0B estimated for 2017</p>		<ul style="list-style-type: none"> • Siemens software dev. worked on the Mars Rover • Deutsche Bank EUR 40m investment • LiveRail was acquired by Facebook for EUR 600m
<p>AUTOMOTIVE</p> 	<p>EUR 22B</p>		<ul style="list-style-type: none"> • Continental EUR 26m investment in R&D center • Daimler EUR 300m investment for gear boxes • Ford EUR 200m investment for production of new model

Software development in Romania

7,000+ annual IT&C grads

Romania's software development map



Source: Brainspotting; Invest Romania

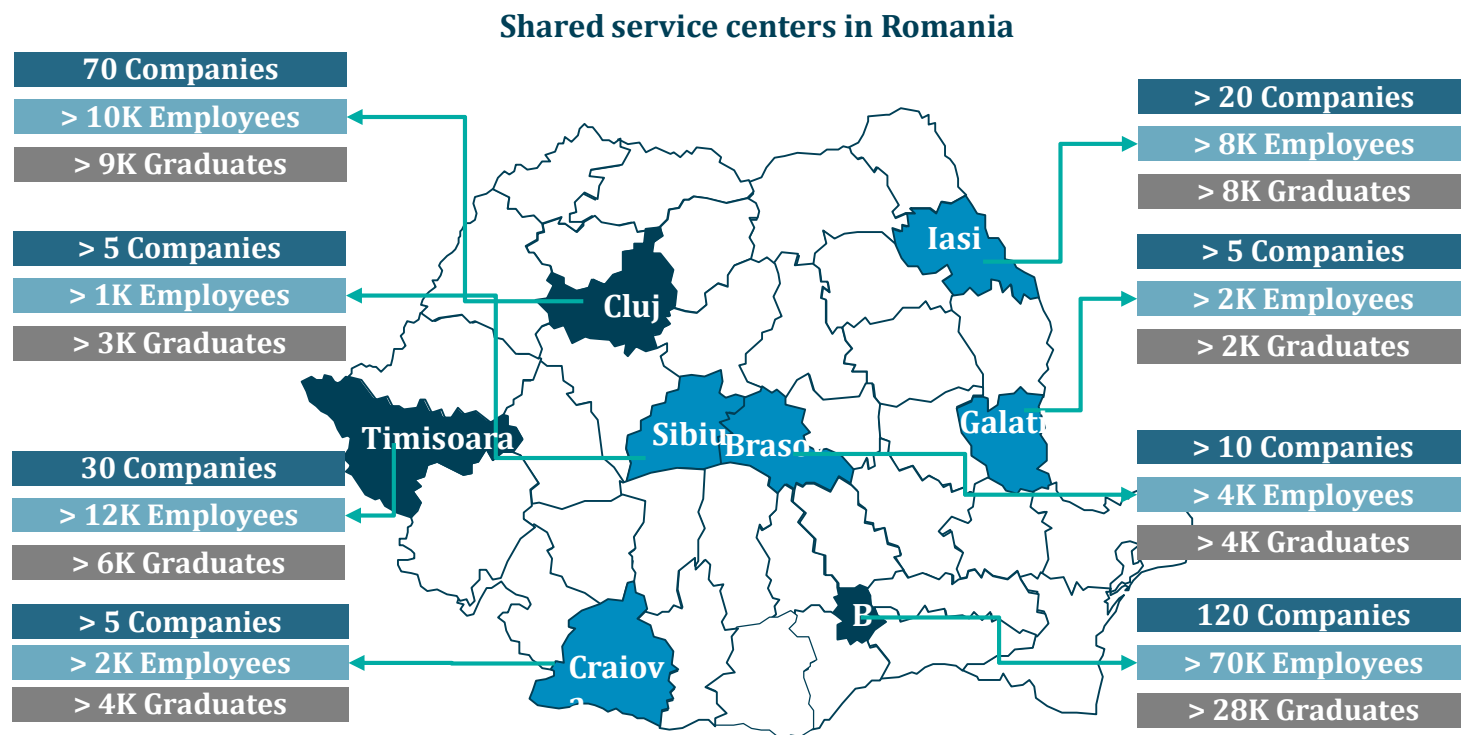
Size of bubble is directly proportional to cluster size

Grads/ year Focus

2,000	Mostly specialized developers, rare mix of technologies
1,700	Largest pool of full stack developers; Java, C#, .NET, PHP, Web
1,100	Java, .NET, C/ C++ (embedded)
1,100	Large pool of front-end and web developers, telecom engineers
500	Pool for C++ and helpdesk engineers
500	Pool for cloud and virtualization experts
230	Automotive software and gaming engineers pool

SSC & BPO Zoom in

3 cities in Romania host over 220 service centers, with 5 others



Well established service centers

Emerging service centers

Source: Association of Business Service Leaders

SSC & BPO Zoom in

Top players - Bucharest, Cluj and Timisoara





Key figures

- Bucharest holds over 50% of the total volume of the outsourcing Romanian market
- ITO & BPO segments hold the largest part of the company volume (65%), followed by the SSC sector
- Compared to other cities, it has the largest variety of skills and number of experienced candidates, but also the highest salaries
- Average net wage is EUR 571
- Market growth is expected at 10-15% by end of year
- In recent years, the Timisoara registred a significant economic boom, mainly due to foreing investment, especially in hi-tech. Average net wage is 428 Euro
- The average net wage in Cluj is 418 Euro
- Cluj is the second largest office market after Bucharest, with a vacancy rate of 7%

Source: Association of Business Service Leaders

Luxembourg Investment in Romania

(September 1990 – November 2017)

	No. of companies	931
	% of the total no. of companies	0.43
	Subscribed share capital in companies with Luxembourg interest	USD 2.200 mill
	% of the total value of capital	3.71
	Ranking	9th

Source: National Office of the Trade Register (ONRC)

The subscribed share capital accounts for only a part of the total FDI. According to ONRC, the country of origin of the investment is the country where the capital comes from and not the country of origin of the transnational company.

InvestRomania In a nutshell

- **“Single point of contact” for foreign investors, assisting and advising international companies for project implementation in the country**
- **Promoting and facilitating foreign investment in Romania**
- **Main interface between foreign companies and central/local authorities**
- **Assisting worldwide entrepreneurs in project implementation, including those financed through PPP**
- **Tailored and individually custom-made solutions for developing new or current units**
- **Consultancy and guidance during all stages of the decisional process (state aid & fiscal incentives)**



Single point of contact for foreign investors

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