

Romania A Strategic Choice

2017, Milano



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 S1-2017 **5.8%**
Best performance in EU

FDI stock **70bn**



Bridge between East and
West for 500 mill consumers
market



2004 - NATO membership



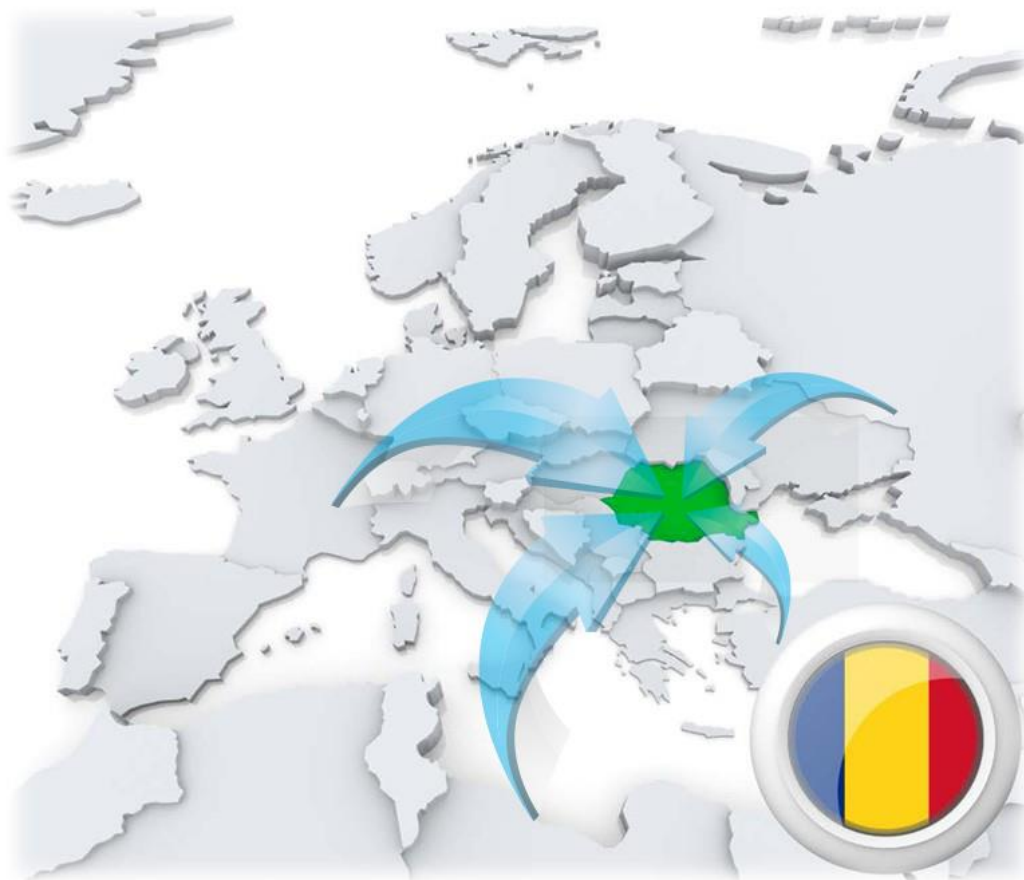
2007 - EU membership

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)

GDP growth (%)

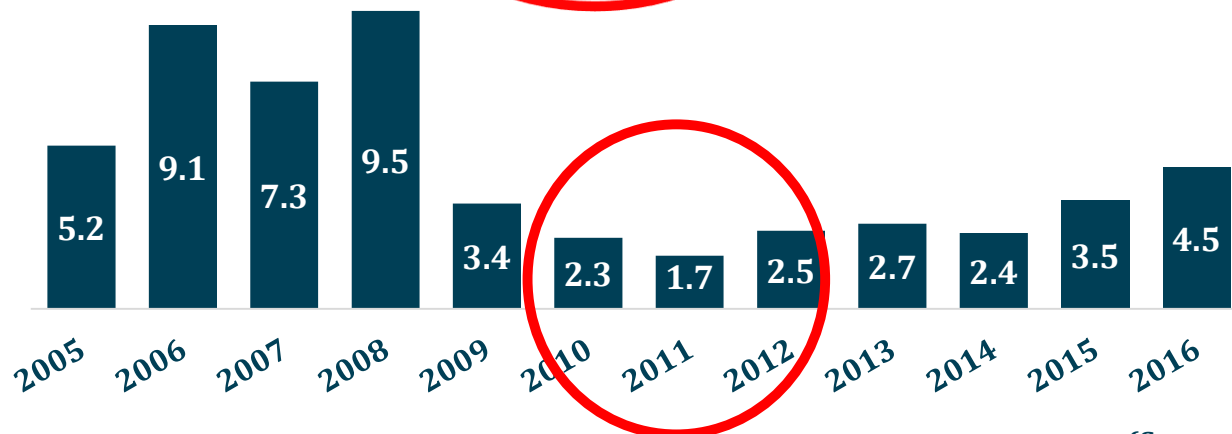
Q3-2017: 8.6%

Forecast

2017: 6.1%

2018: 5.5%

(Source: National Commission of Prognosis)



(Source: National Bank of Romania)

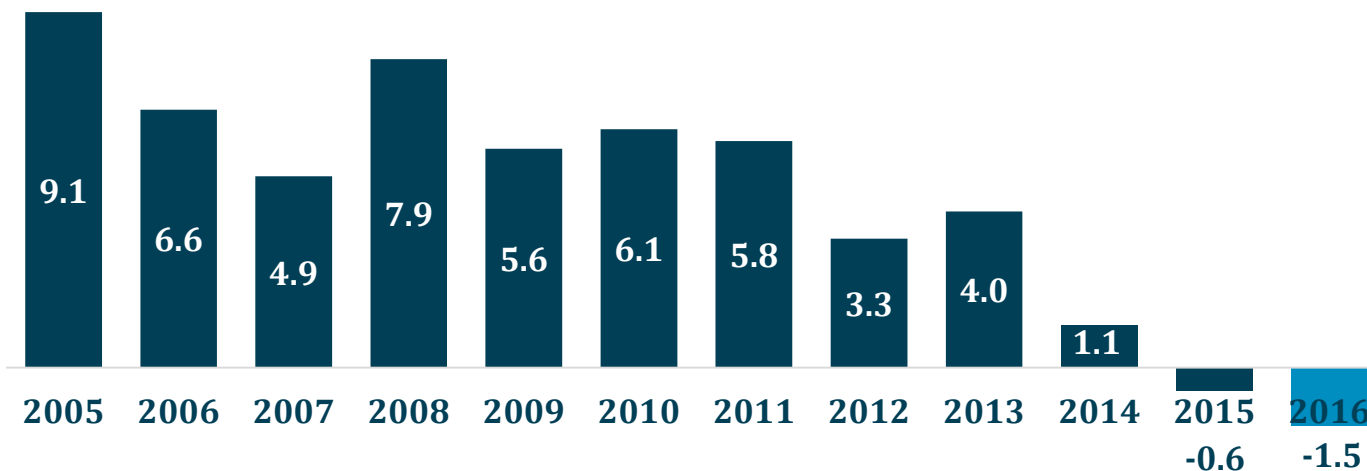
FDI Inflows

(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.

Minimum Wage in EU

Minimum Monthly Gross Wage in EU
January 2017 (EUR)

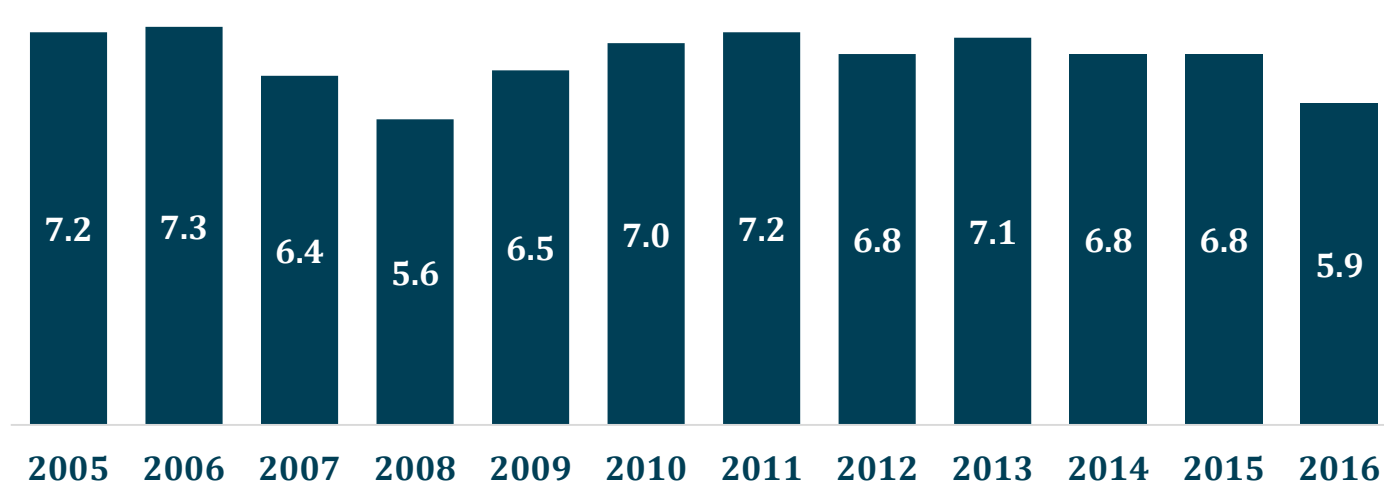


Source: EUROSTAT

*Starting February 1st 2017

Government program target 2020: 450 EUR/month

Unemployment



Unemployment rate (%)

(Source: National Institute of Statistics)

Forecast 2017: 5.0%

(Source: National Commission for Prognosis)

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

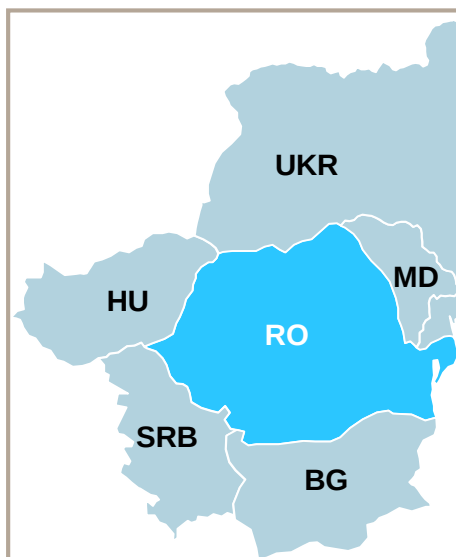
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Second in EU for
average peak
connection speeds

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

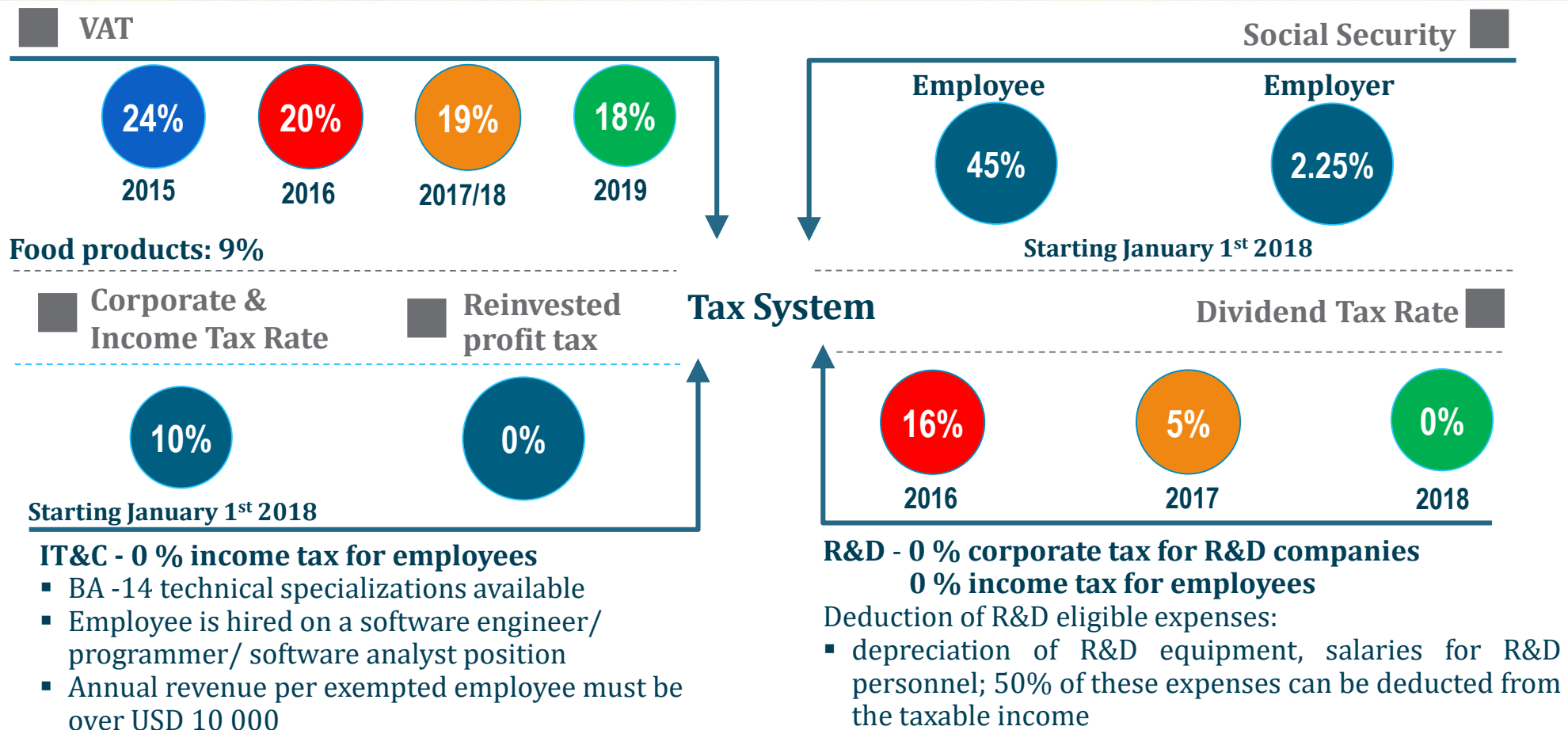
Source: World Bank, Doing Business Report 2016; Akamai Q1 2017 Report; Eurostat 2017

VALUE FOR MONEY

	BUCHAREST	BERLIN	BUDAPEST	PRAGUE	LONDON	WARSAW
Consumer Prices	€100	€169	€115	€121	€209	€109
Rent Prices	€100	€229	€124	€173	€543	€156
Restaurant Prices	€100	€153	€95	€95	€244	€102
Groceries Prices	€100	€169	€112	€129	€189	€106
Standard of living equivalency net salary	€1,767	€3,228	€2,080	€2,345	€5,058	€2,118

Source: Numbeo, October, 2017

Overview of the Romanian tax system



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

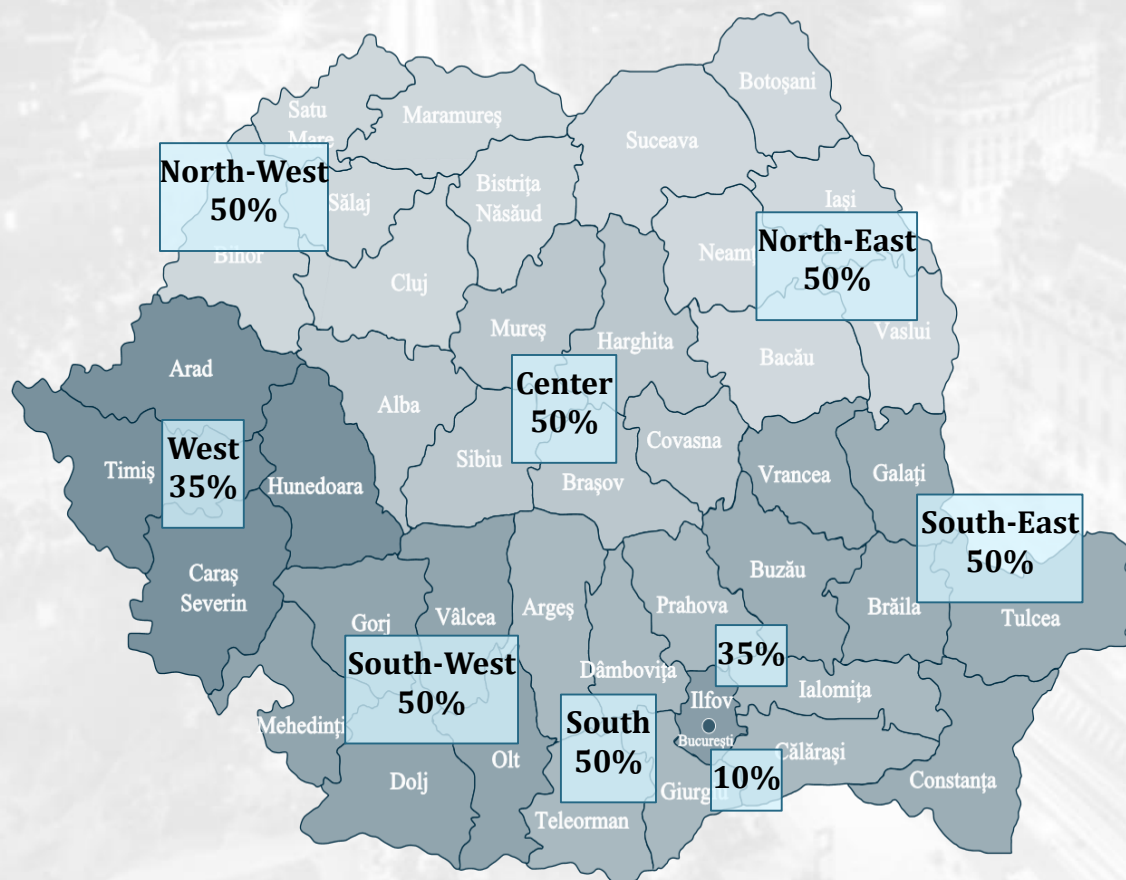
- Salary costs registered for a 2 consecutive year period resulted as a direct consequence of the investment
- Salary costs are comprised of gross average annual salary plus benefits

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:**

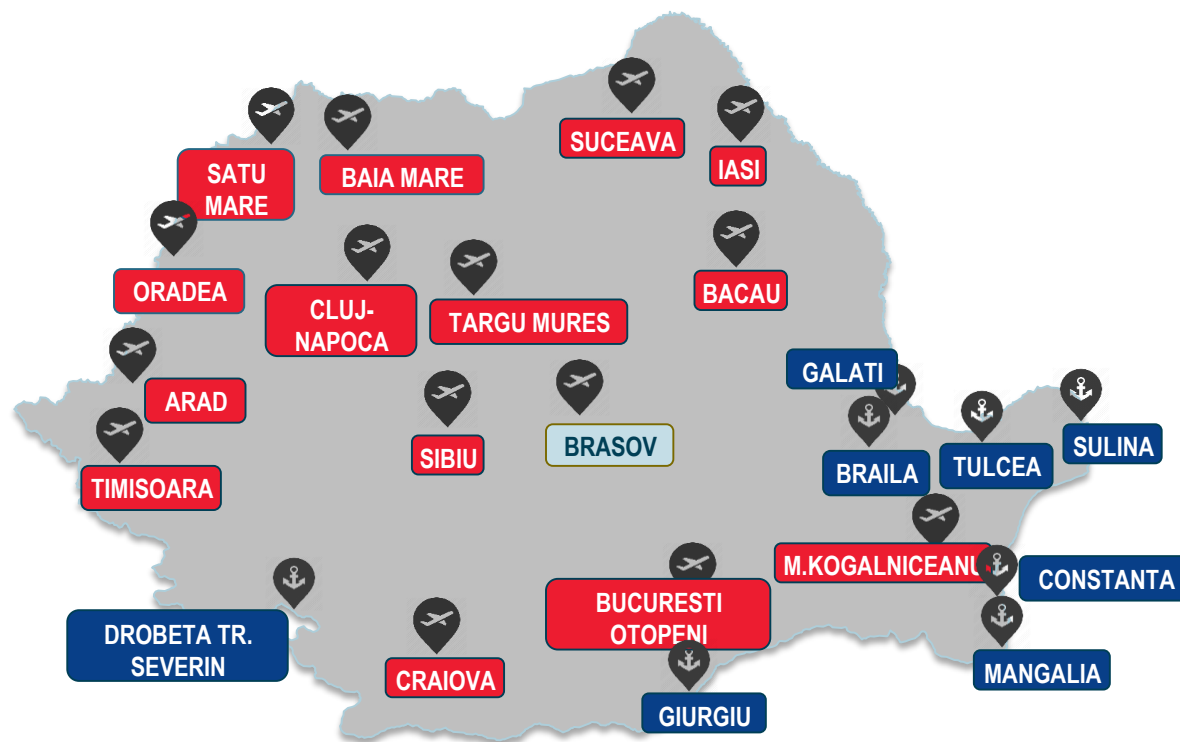
- North West – 50%
- North East – 50%
- South East – 50%
- South – 50%
- South West – 50%
- West – 35%
- Ilfov County – 35%
- Bucharest – 10%

Sources: Ministry of Public Finance

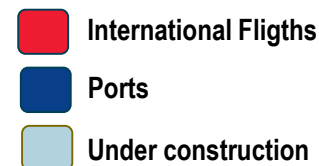
Investment Support



Ports and Airports

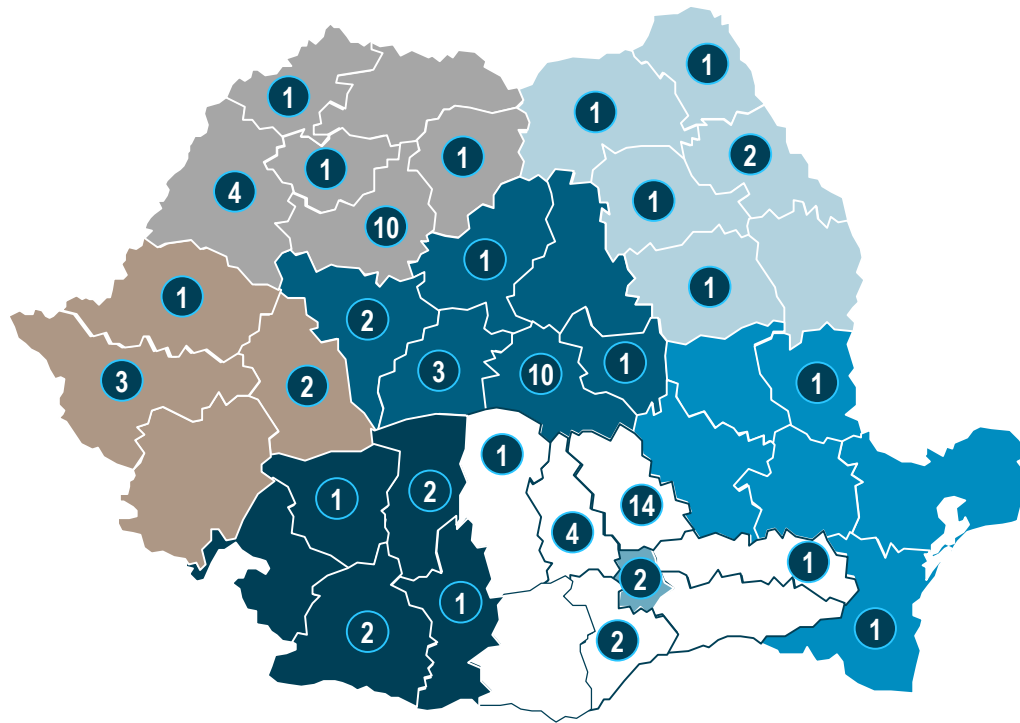


- 130 direct flights leading to 76 destinations in 31 countries worldwide
- 14 international airports and 8 major ports
- Constanta Port - the deepest and largest port at the Black Sea.

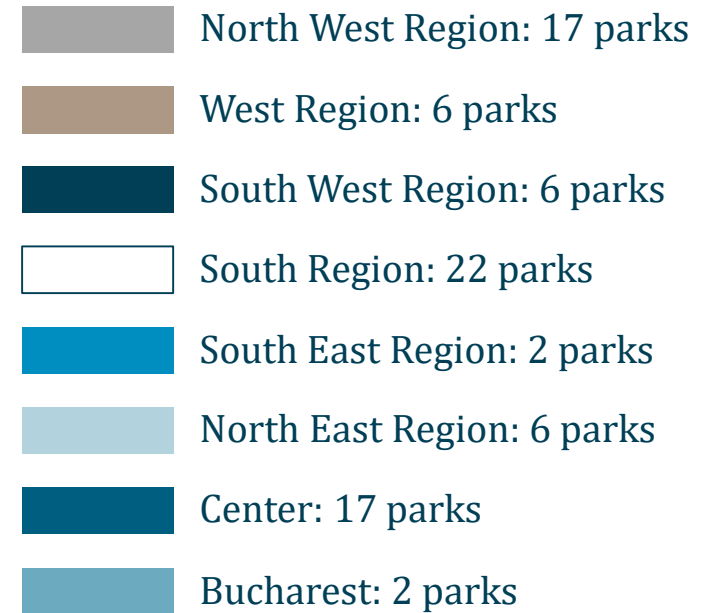


Aircraft traffic reached 16 mill. passengers in 2016, up by 20% compared to 2015

Industrial Parks



Status at regional level (September , 2017)



- 78 industrial parks spread across Romania - both private and public ownership
- Access to utilities & benefits packages according to their focus
- Exemption from 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

- **Manufacturing, financial services and trade account for approx. 57% of FDI stock existing in Romania, followed by real estate and utilities**
- **The real estate sector as well as professional, scientific and technical activities registered the highest FDI growth rates**
- **IT&C sector recorded a slight decrease with 0.5 percent.**

Source: National Bank of Romania

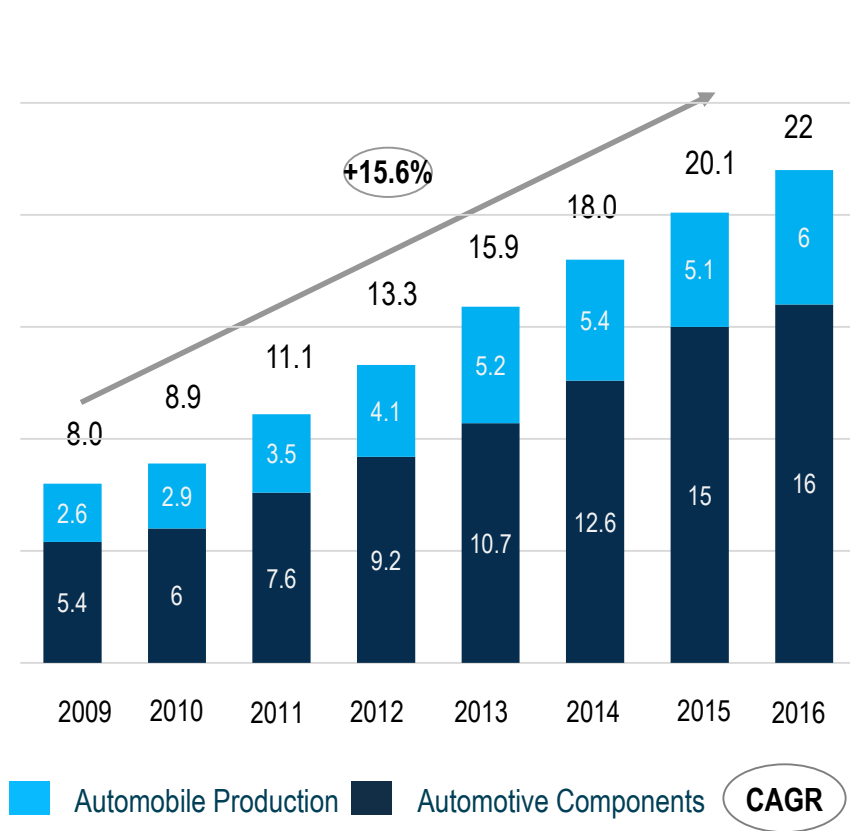
Key facts for top tech oriented industries in Romania

	INDUSTRY SIZE	KEY PLAYERS	KEY PROJECTS
AEROSPACE 	EUR 400M		- Premium Aerotec EUR 50m investment - Sonaca EUR 12m investment - Airbus Helicopters EUR 15m investment
IT&C 	EUR 3.6B 4.0B estimated for 2017		- Siemens software dev. worked on the Mars Rover - Deutsche Bank EUR 40m investment - LiveRail was acquired by Facebook for EUR 600m
AUTOMOTIVE 	EUR 22B		- Continental EUR 26m investment in R&D center - Daimler EUR 300m investment for gear boxes - Ford EUR 200m investment for production of new model

Automotive production

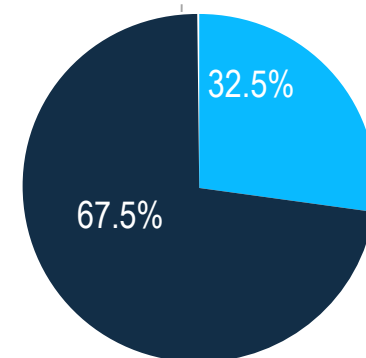
The local automotive industry has risen at an average of 15% per year since 2009, reaching EUR 22 bn in 2016 backed by exports

Market evolution [EUR billion]



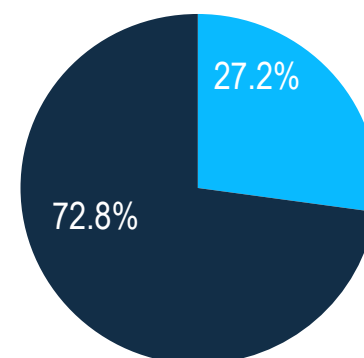
- The industry has grown strongly since 2009, more than doubling since 2009 (175% growth)
- The evolution of the main automobile producers generated growth within the automotive components sector, although the shares have remained constant

Industry split by products [%]



2009 total: EUR 8 bn

Automobiles (light blue), Components (dark blue)



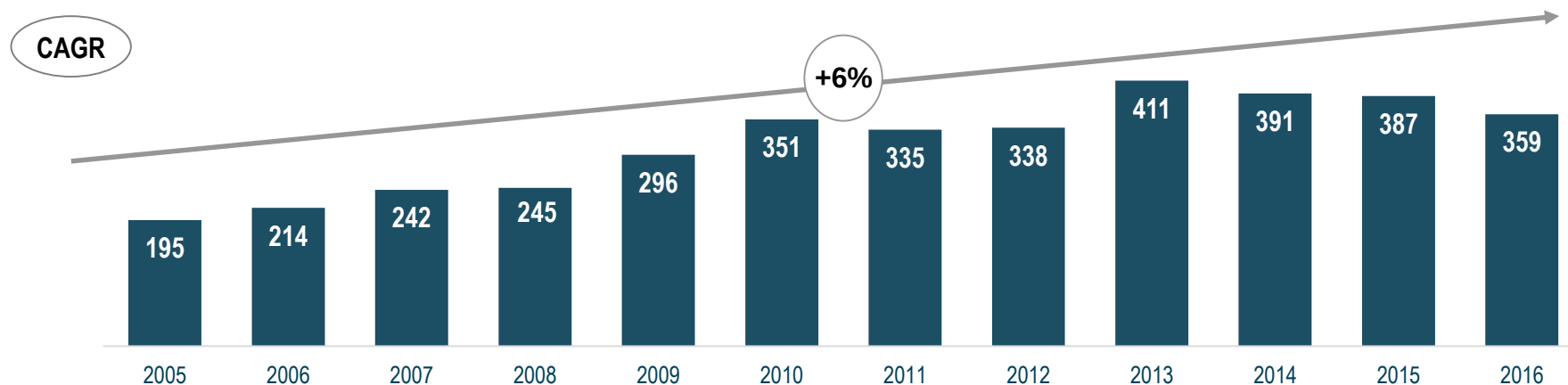
2016 total: EUR 22 bn

Source: ACAROM; Ministry of Finance

Automotive production

The number of cars produced in Romania almost doubled in the past 10 years, reaching 359 000 in 2016 through two top producers

Automobile production – evolution ['000 units]



- The economic crisis in 2009-2012 did not negatively influence automobile production, registering growth after 2008
- Two major passenger car manufacturers - Dacia and Ford - operate in Romania
- Following an EUR 2.2 billion investment program and an intensive transfer of know-how, Dacia became one of Renault's most outstanding achievements and is one of the top technologically developed companies in Southeastern Europe

Source: APIA, ACAROM

Automotive components

Dacia and Ford are the backbone of the local industry, hiring over 16000 people and accumulating over EUR 6 billion/ yr in revenue

Producer profiles



Mioveni, Arges



2016 Turnover
[EUR bln]

5.1

2016 Employees
['000]

13.8



Craiova, Dolj



0.84

2.7

Source: APIA

Automotive components

Local industry catalyzed the development of horizontal sectors, ranging from production of tires to electronics and optical devices

Mapping of horizontal sectors developed as a result of the evolution of automobile production



Source: ACAROM

Automotive projects announced/opened in 2016/2017



- Announced a new investment for 200 million Euro in Craiova to start producing a new model, the EcoSport small SUV model in Romania



- Opened a new investment for 300 million Euro in Sebes, in producing automatic 9G-Tronic gearbox



- Announced a new investment project for 60 million Euro in Zalău, for producing metallic cord



- Opened new investment in the Cluj&Blaj factories, totalling 40 million euro.



- Opened a new investment project in one of Continental's plants in Timisoara for producing electric components
- New investment for R&D Center in Brasov



- Opened a new facility in Oradea for producing aluminum die casting for automotive and telecom

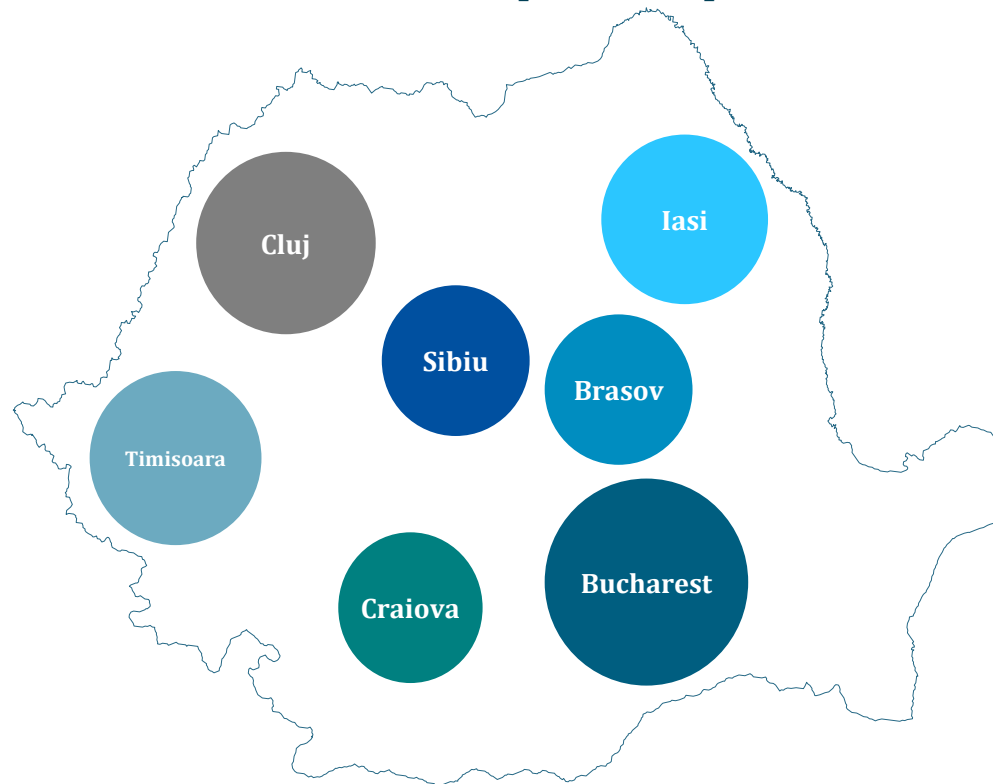


- Opened a new investment in Ploiesti for wipers production, alongside the brake pads factory.

Software development in Romania

7,000+ annual IT&C grads

Romania's software development map



Size of bubble is directly proportional to cluster size

Source: Brainspotting; Invest Romania

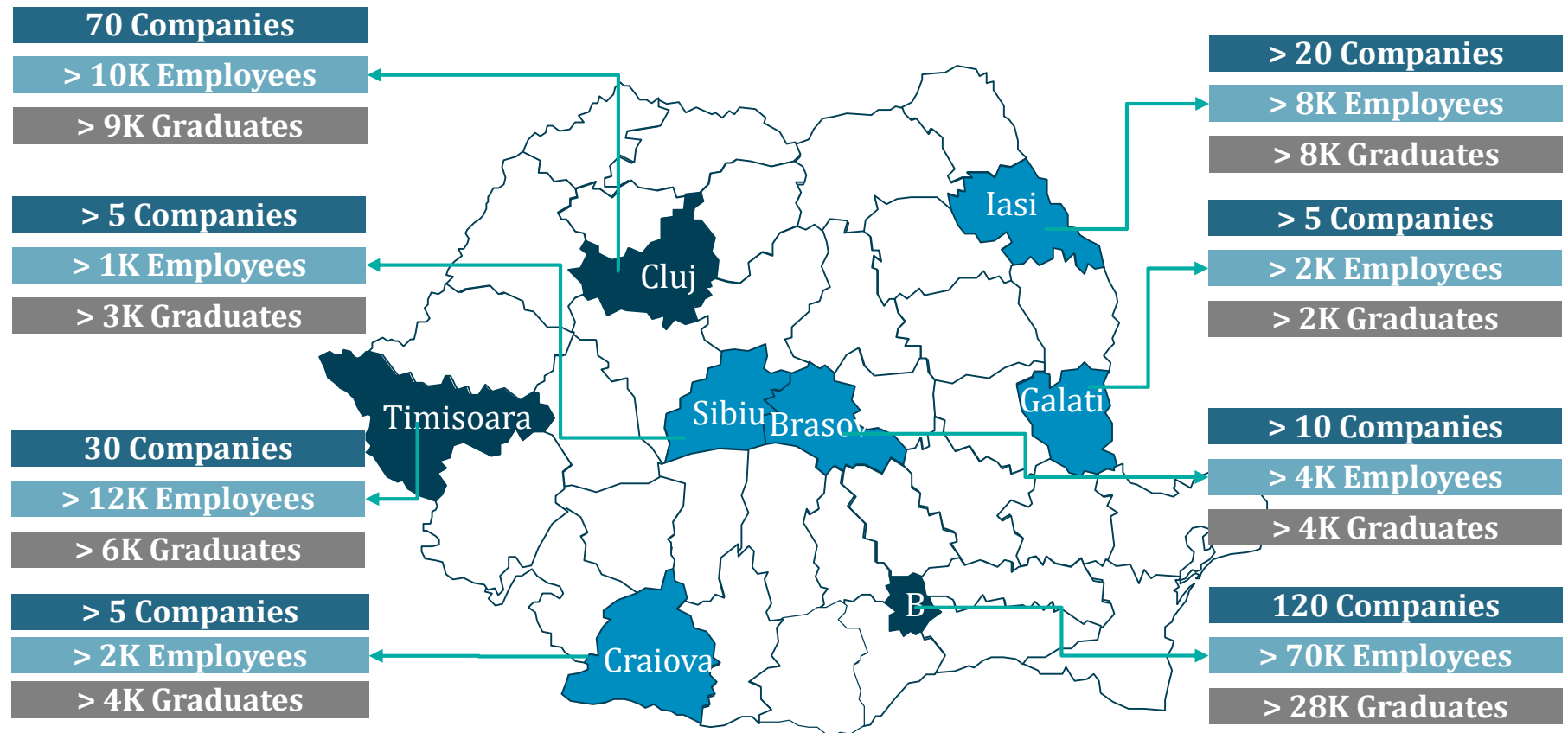
Grads/ year Focus

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 developers)
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 emerging as hubs for another 45 companies

Shared service centers in Romania



SSC & BPO Zoom in

Bucharest is Romania's largest outsourcing hub, hosting over 50% of local companies specializing either in BPO, SSC, ITO and R&D

Top players – Bucharest



Key figures

- Bucharest holds over 50% of the total volume of the outsourcing Romanian market
- Focus areas include BPO, SSC, ITO, and R&D
- 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

Source: Association of Business Service Leaders

SSC & BPO Zoom in

Timisoara and Cluj are the main hubs in Western Romania, with a vibrant technology environment and good value for money

Top players – Timisoara



Top players – Cluj



Key figures

- In recent years, the Timisoara registered a significant economic boom, mainly due to foreing investment, especially in hi-tech. Average net wage is 428 Euro
- Numerous production companies are established in the area, which is considered one of the best developed in Romania
- Languages spoken: German, Hungarian, Serbian, English, French, Italian, Spanish and others

- The area has been attracting large investments from production companies, too
- The talent pool is skilled in many languages, especially English, German, French and Italian, and suited to providing multi-lingual services
- The average net wage is 418 Euro
- It is the second largest office market after Bucharest, with a vacancy rate of 7%

Source: Association of Business Service Leaders

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)**

Governance Program 2017-2020

- **A visionary new Economic Code, encompassing all economic provisions currently into force in a sole package starting January 2018 (2022)**
- **0% taxes - for property purchasing under EUR 100 000**
- **3% taxes - for the difference between EUR 100 000 and the overall value**
- **The number of due taxes in Romania: maximum 50**
- **Sovereign Investment and Development Fund with aprox. EUR 10 Bn state shareholdings - EUR 3 Bn in building highways and another EUR 3 Bn in building 8 national hospitals**

Governance Program 2017-2020

- **Romania Start Up Nation” - RON 200 000/start-up for 10 000 companies annually - 0 cost for setting up a new company for 10 000 start-ups**
- **A better relationship between public authorities and companies**
- **Cutting red tape / debureaucratisation**
- **Tax reduction and simplification**
- **Developing alternative financial instruments**
- **Fostering the entrepreneurial initiative**

Governance Program 2017-2020

1. A better relationship between public authorities and companies

- The prevention law
- The Lobby Law

2. Cutting red tape / debureaucratisation

- Cutting 102 taxes in January 2017
- Offering the possibility to pay online any tax by the end of December 1st 2018

Governance Program 2017-2020

3. Tax reduction and simplification

- **Corporate tax exemption for the companies specialized in innovative and R&D activities.**
- **Eliminating the tax on dividends beginning with January 1st 2018.**
- **VAT reduction from 20% to 19%, and to 18% beginning with January 1st 2019.**
- **Social contributions reduction from 39,25% to 35%, beginning with January 1st 2018.**

Governance Program 2017-2020

4. Developing alternative financial instruments

- The Public – Private Partnership, that is in an advanced stage
- Transforming CEC Bank into a Bank for SMEs and agriculture

5. Fostering the entrepreneurial initiative

- Creating the Entrepreneurial Ecosystem
- Internationalization program.
- A national program for developing Business Incubators.
- Creating Entrepreneurship High Schools.
- Other multiannual programs that the Ministry is implementing: micro-industrialization, commerce and market services, craftsmanship.



Single point of contact for foreign investors

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