

Romania A Strategic Choice

2017, Bucharest



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
Buc-Ilfov : 2.3 mill



Bridge between
East and West

**Forecasted growth
2017**

National Commission for
Prognosis

5.2%

GDP

2016 vs. 2000

5x

FDI stock

70bn

S & P

**BBB-
Stable**

Moody's

**Baa3-
Positive**

Fitch

**BBB-
Stable**



2004 - NATO membership



2007 - EU membership

2019 - EU Presidency



Strategic US-Romanian
partnership

Source: *NSI 2016

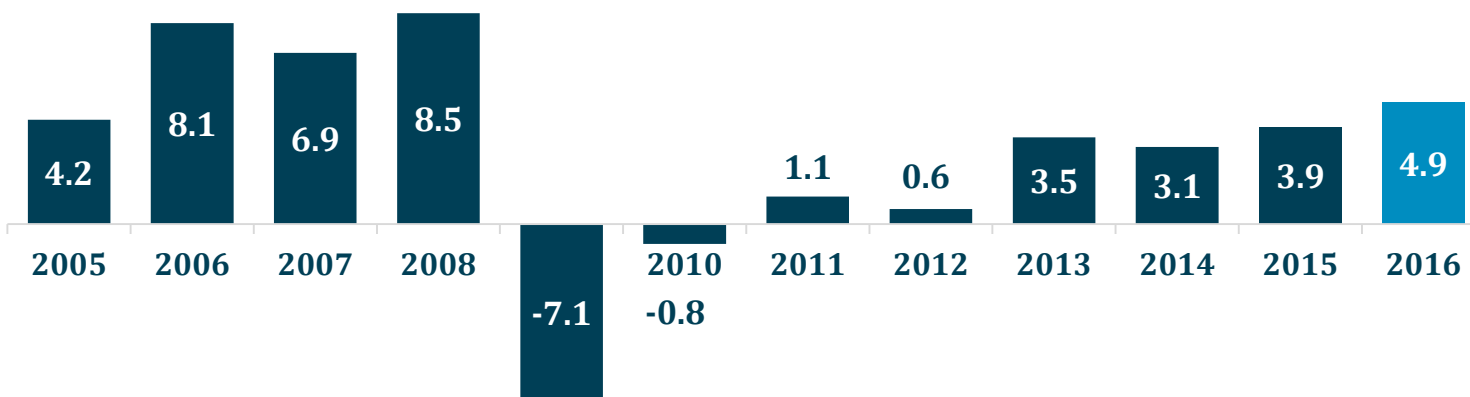
At a glance



- **Economic & political stability**
- **Gateway to a 500 million consumers market**
- **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 states and the Middle East**
- **1st in EU for average peak connection speeds and 6th for 4 Mbps broadband adoption in Q3 2016***

Source: *Akamai 2016 Q3 2016 State of the internet

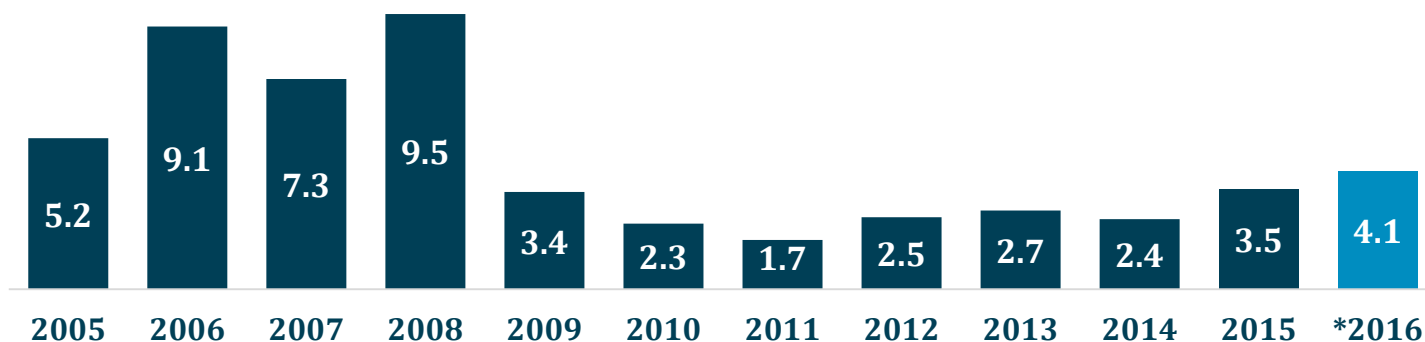
Potential for Growth



Source: European Commission

GDP growth [%]
Forecast 2017: 5.2%

(Source: National Commission for Prognosis)



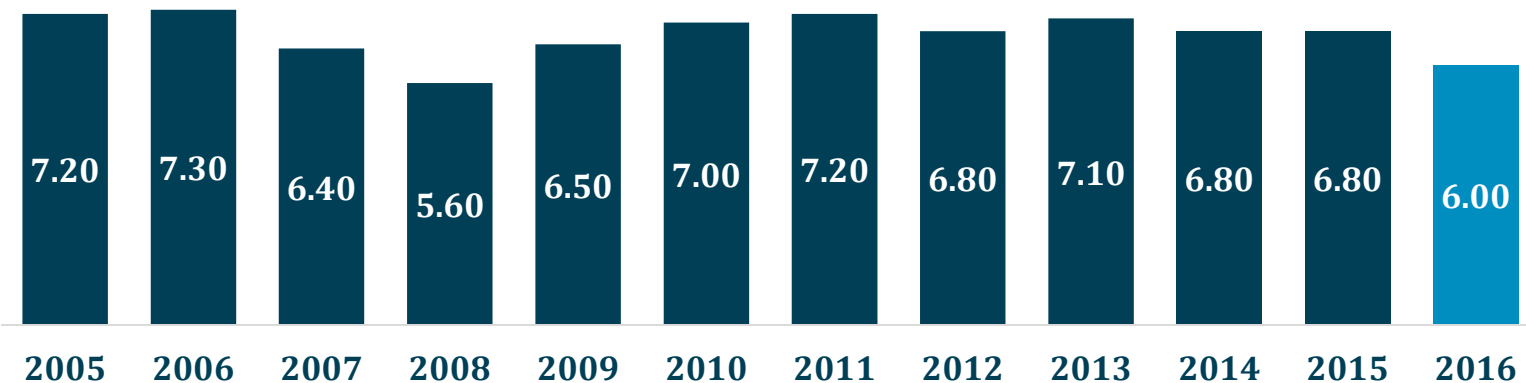
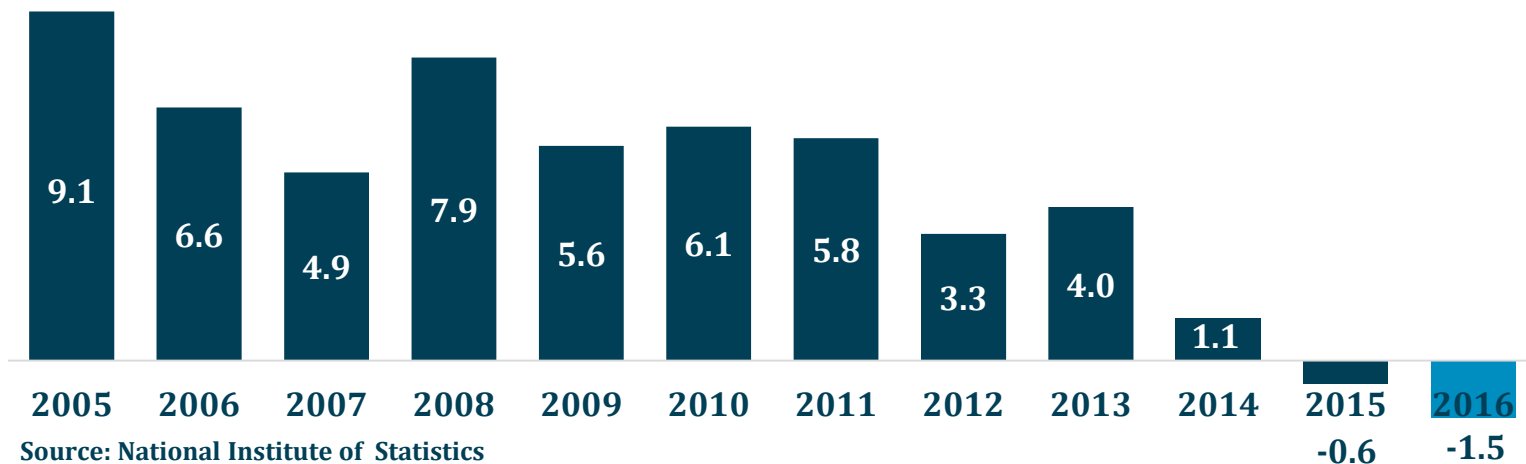
Source: National Bank of Romania

FDI Inflows
(EUR mld.)

(Source: National Bank of Romania)

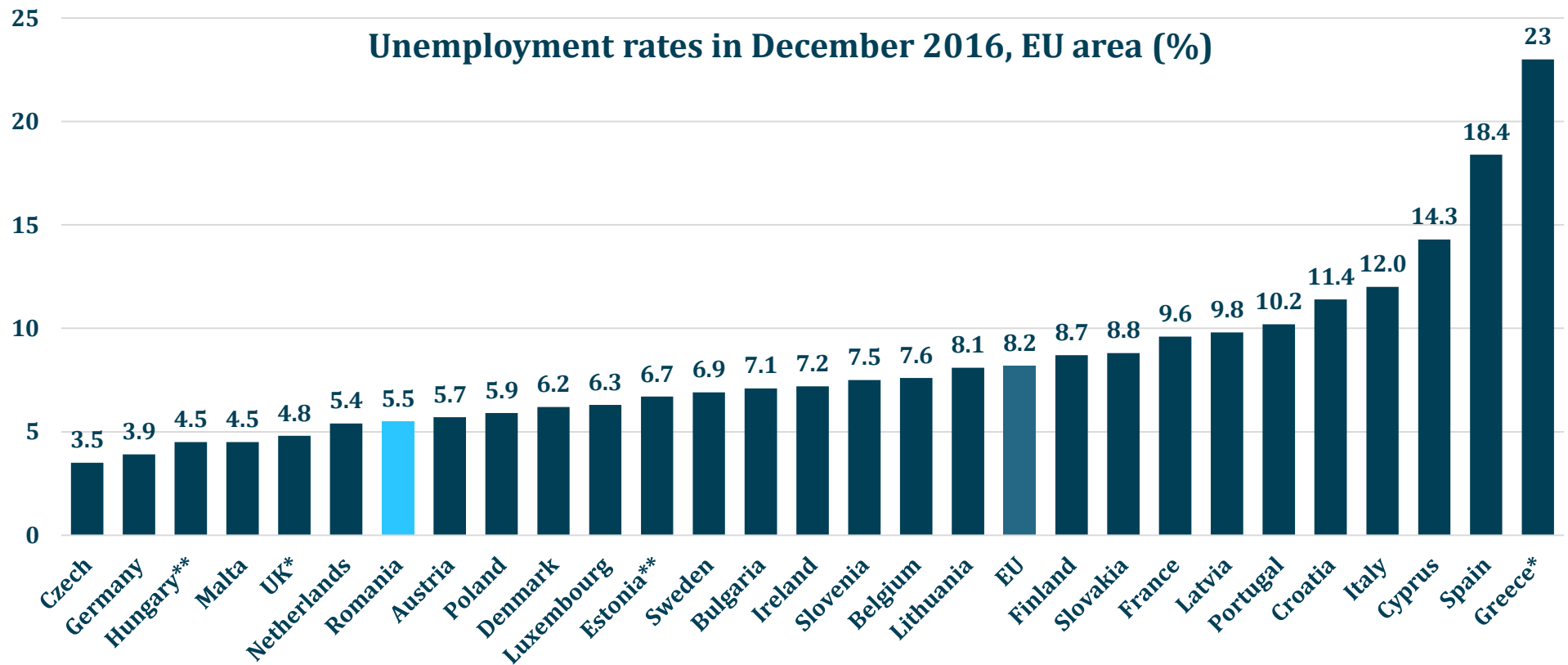
**January - December 2016*

Inflation and unemployment



Unemployment in EU

Unemployment rates in December 2016, EU area (%)

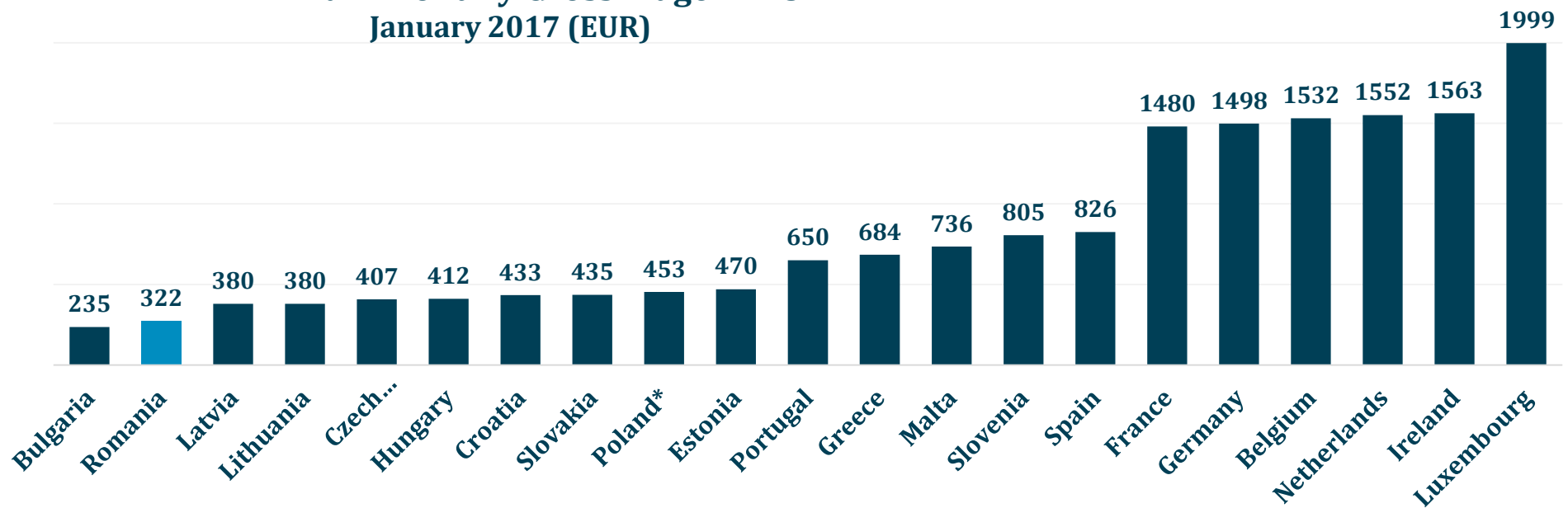


* October 2016 ** November 2016

Source: Eurostat

Minimum Wage

Minimum Monthly Gross Wage in EU
January 2017 (EUR)

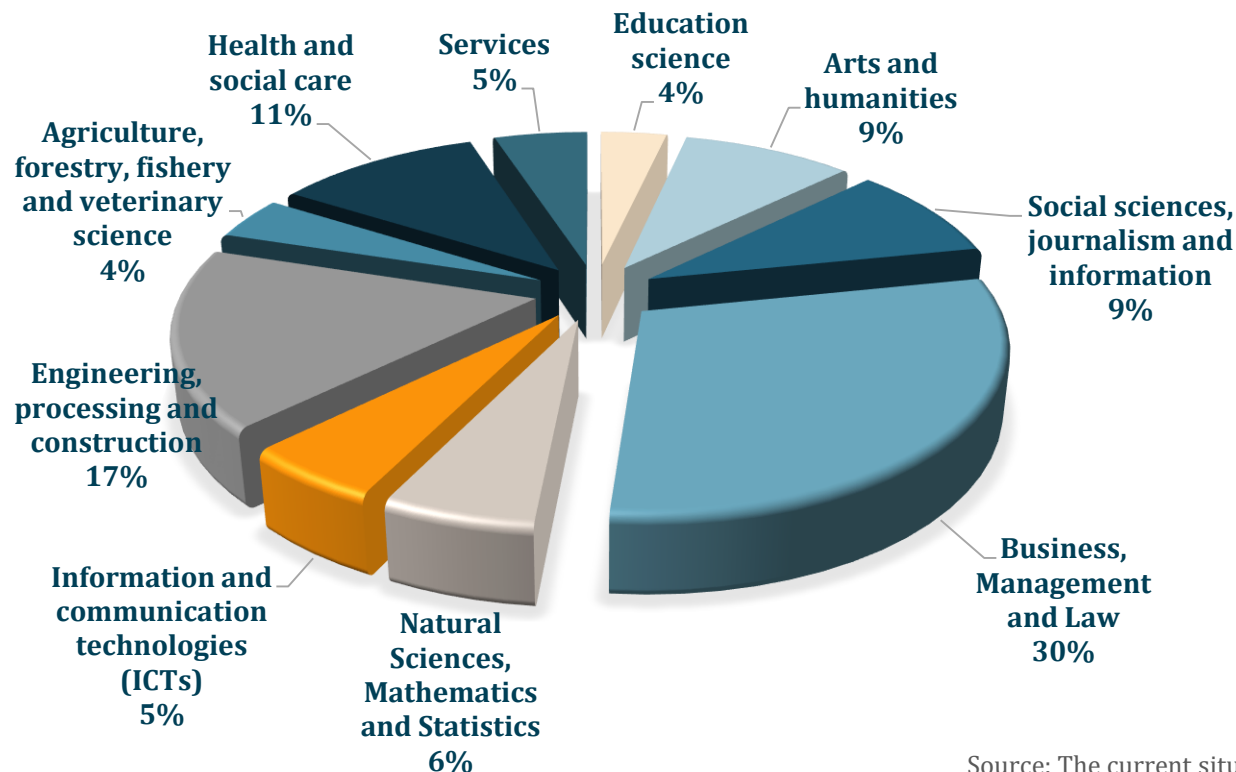


Romania has the second lowest minimum wage in UE after Bulgaria.
Starting February 1st 2017, the minimum monthly gross wage in Romania is EUR 322/month.

Source: Eurostat

Talent Pool

University graduates by subject of degree [2015]



University students 535,000

**Women in science & engineering
vs EU-28 avg.**

**53% vs 38%
30% vs 25%**

Source: The current situation of gender equality in Romania – Country Profile 2012; NIS

Skilled labor force

Languages studied by Romanian students [2014]

97%

- 97% of Romanian high school students study 2 or more foreign languages while in secondary education
- 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

Key Figures

Labor costs ranking

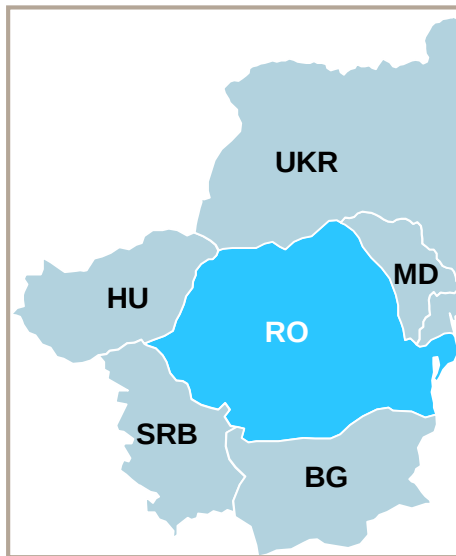
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One of the most competitive labor force in the EU

Maximum broadband speed

1

First in EU for average peak connection speeds



Gas prices ranking

1

Lowest gas prices
5th lowest electricity in Europe

World Bank ease of doing business

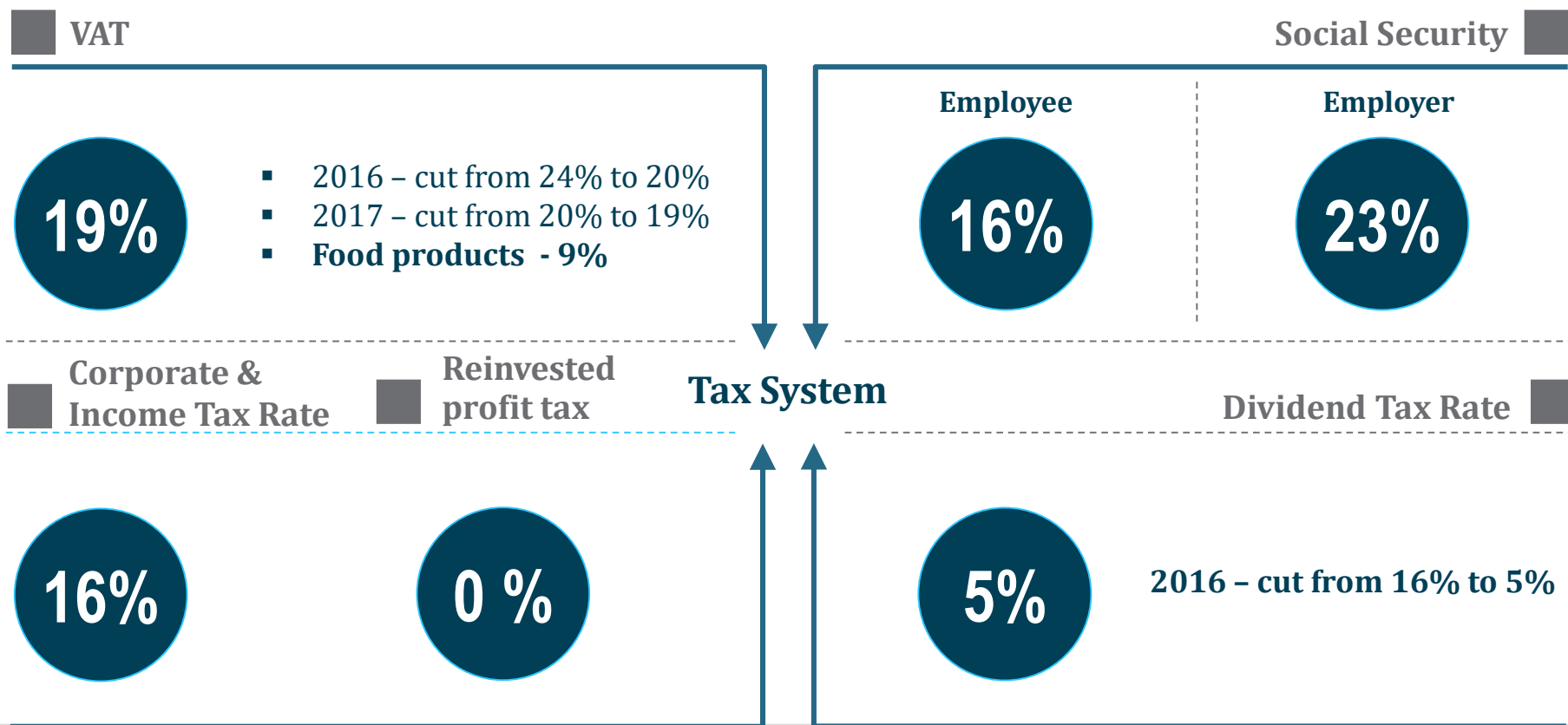
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Ahead of Bulgaria, Croatia, Hungary, Italy, Turkey, Serbia or Greece

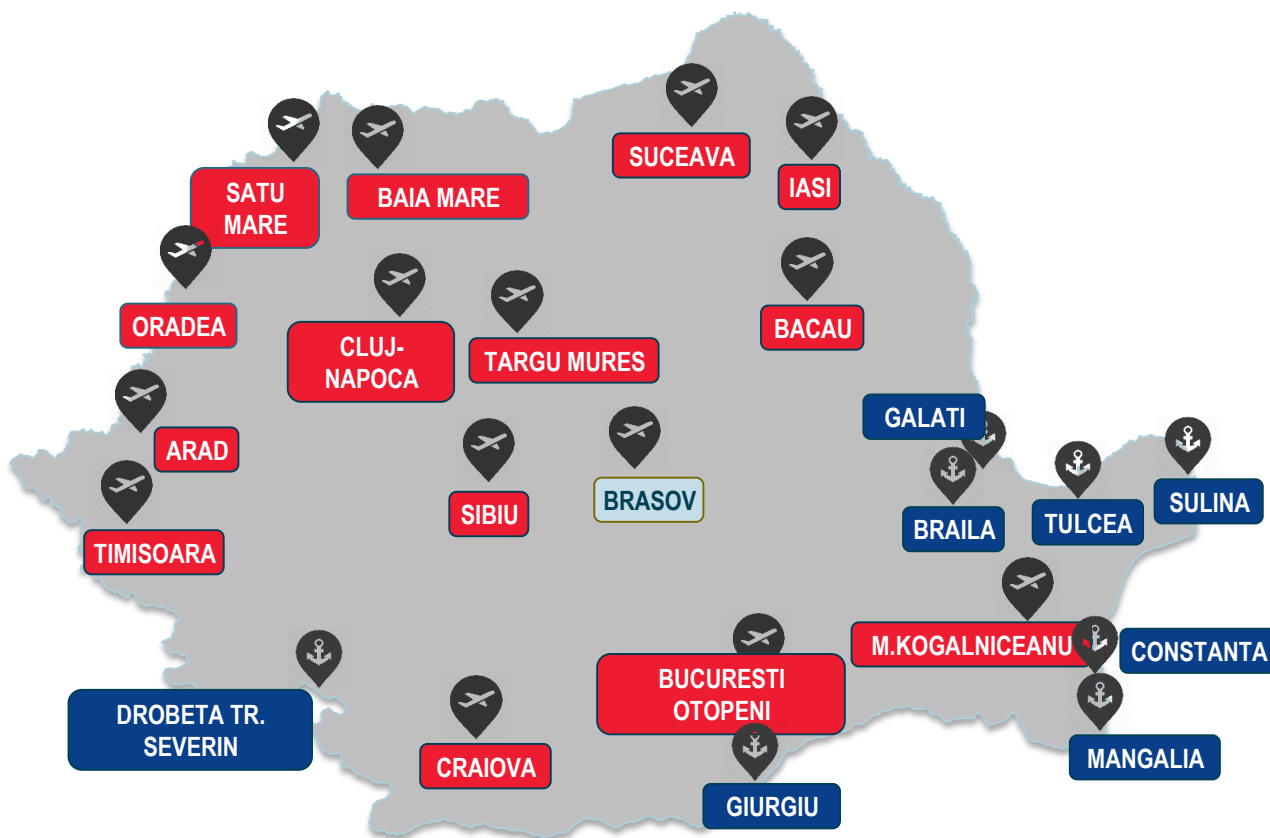
Source: World Banks, Doing Business Report 2016; Akamai Q32016

Competitive Taxation

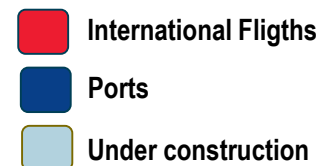
Overview of the Romanian tax system



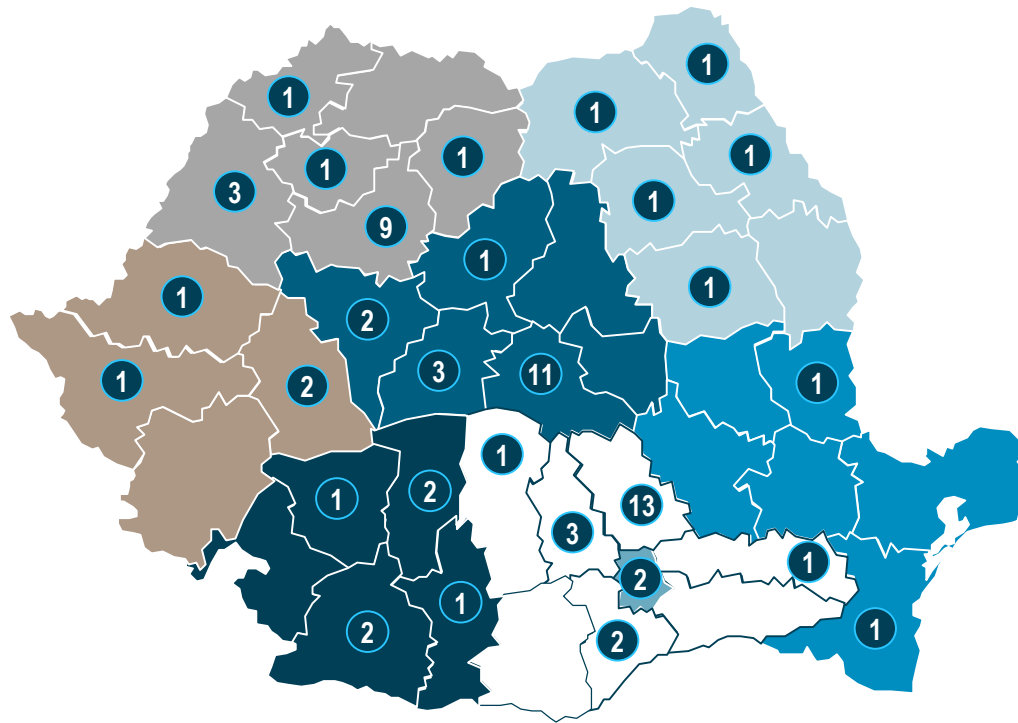
Ports and Airports



- 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.**



Industrial Parks

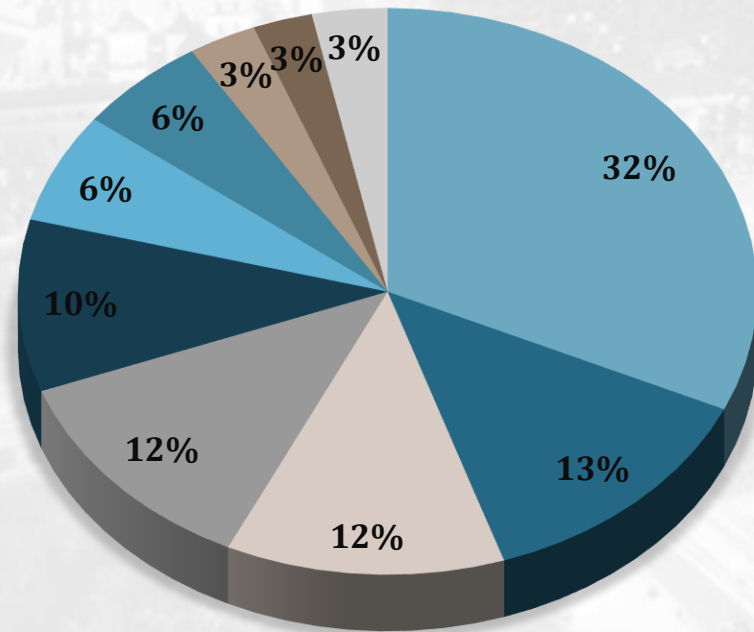


Status at regional level

	North West Region: 15 parks
	West Region: 4 parks
	South West Region: 6 parks
	South Region: 21 parks
	South East Region: 2 parks
	North East Region: 5 parks
	Center: 17 parks
	Bucharest: 2 parks

- 72 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

FDI Stock by Field of Activity 2015



- **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, while not growing at the same pace, is becoming a focus sector with strong connections to the international markets**

Source: National Bank of Romania

Key facts for top tech oriented industries in Romania

	INDUSTRY SIZE	KEY PLAYERS	KEY PROJECTS
AEROSPACE 	EUR 400M		• Airbus Helicopters EUR 15m investment • Sonaca EUR 12m investment • Premium Aerotec EUR 50m investment
IT&C 	EUR 3.6B		• Siemens software dev. worked on the Mars Rover • Deutsche Bank EUR 40m investment • LiveRail was acquired by Facebook for EUR 600m
AUTOMOTIVE 	EUR 18B		• Continental EUR 26m investment in R&D center • Daimler EUR 300m investment for gear boxes • Ford EUR 200m investment for production of new model

Investment Support

STATE AID 2014-2020 Total budget EUR 1.5 billion

STATE AID - GD 807/ 2014

Minimum EUR 10 mil. investment

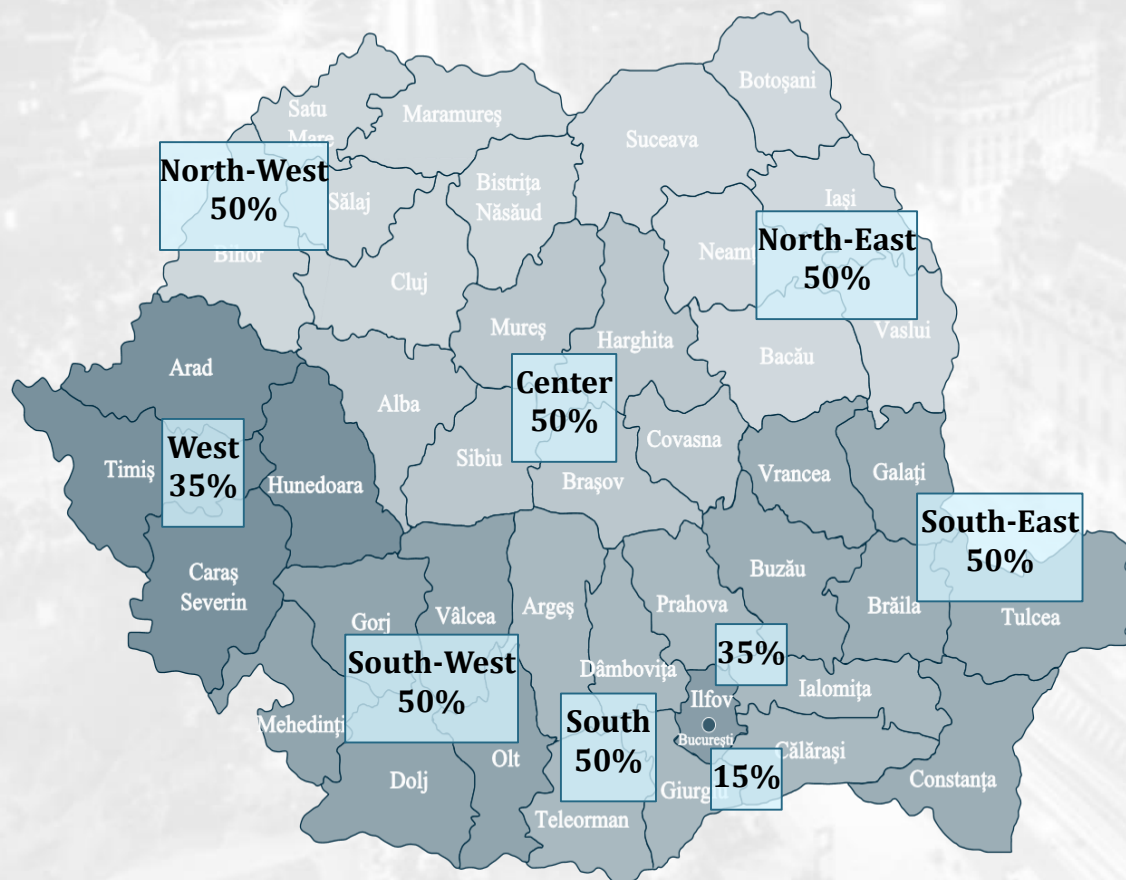
- Construction of new buildings
- Renting costs for existing buildings
- CAPEX aimed at technical installations and tools
- Acquisition of intellectual property

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

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 – 15%

Sources: Ministry of Public Finance

Investment Support

Fiscal incentives

IT&C

0 % income tax for employees

Eligibility criteria:

- BA in one of the 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

0 % income tax for R&D companies for the next 10 years

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

Industrial parks

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

Other

0% profit tax for the reinvested profit in new technological equipment used for business purposes

If a company benefits from exemption on the income tax for reinvestment it will not benefit from accelerated depreciation



Living in Romania

BERLIN vs. BUCHAREST

LONDON vs. BUCHAREST

Consumer Prices

- 68 % higher in Berlin
- 118 % higher in London

Rent Prices

- 122 % higher in Berlin
- 485 % higher in London

Restaurant Prices

- 56% higher in Berlin
- 161 % higher in London

Groceries Prices

- 66% higher in Berlin
- 97 % higher in London

Standard of living equivalency (EUR 1,750 net salary in Bucharest)

- EUR 3,160 net salary in Berlin for the same standard of living in Bucharest
- GBP 4,500 net salary in London for the same standard of living in Bucharest

Sources: Numbeo 2017

InvestRomania In a nutshell

- “One-stop-shop” 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
- Contributing to Romania’s economic resilience and steady growth
- Bringing investment projects in Greenfield and expansions in value - added sectors
- Reducing economic discrepancies between regions for a more balanced country development
- Boosting regional development by creating new jobs and generating spillover effects in the economy

Our Services

- **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)**
- **Assisting with site selection and identifying local suppliers**
- **Advocating and negotiating with public authorities(central/local) in project relevant area**
- **Main liaison between local / central authorities, Embassies/Foreign Missions, Bilateral Chambers of Commerce**
- **Match-making company needs with the local resources and opportunities**
- **High quality “after-care” services**

Governance Program 2017-2020

- A visionary new Economic Code, encompassing all economic provisions currently into force in a sole package starting January 2018 (2022)
- VAT cut down to 18% starting 1st of January 2018, hence having the second lowest rate in EU 28
- Dropping the Income tax from 16% to 10% and social contributions from 39.25% to 35% starting 1st of January 2018, thus reducing the labor costs for EUR 100 net wage from EUR 175 to EUR 161.
- Tax exemption on VAT for apartment selling, advertising and agriculture input starting 1st of March 2017
- 0% taxes - for property purchasing under EUR 100 000
- 3% taxes - for the difference between EUR 100 000 and the overall value

Governance Program 2017-2020

- **Cutting income tax down to 10% for wages up to 2 000 RON starting January 2018**
- **Tax exemption on income in IT sector extended to all categories of graduates: university and secondary education**
- **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**
- **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 significant domestic market and stable/safe country**
- ✓ **A competitive tax policy and state support for businesses**
- ✓ **Talented and skilled workforce**
- ✓ **Best quality price ratio for labor in EU**
- ✓ **High life standards, great lifestyle and rich personal experience**

