

## Romania – A Strategic Choice

# Romania – a strategic investment destination



Area:  
238,391  
km<sup>2</sup>



Capital:  
Bucharest



Currency: RON  
Inflation  
forecast 2017  
1.7%



Population:  
19.5 mn



Bridge  
between East  
and West

USD  
NOMINAL GDP

**200bn**

Forecast  
growth in  
2017

**5.0%**

GDP in  
2016 vs.  
2000

**5x**

FDI stock in  
Romania

**70bn**



NATO member since  
2004



EU member since 2007



Strategic US-Romanian  
partnership

# Why invest in Romania?

## Highly qualified workforce

Total number of university students enrolled	600,000
Global ranking in Math, Science, IT Olympiads	Top 10
Human Capital Index Rank among middle-income countries	3
Number of IT graduates by 2018	100,000
Participation of women in science and engineering compared to EU-27 avg.	53% vs 38% 30% vs 25%

*“Romania’s workforce improved alongside our business. We started manufacturing simple items, now we are designing them” – German automotives investor*

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

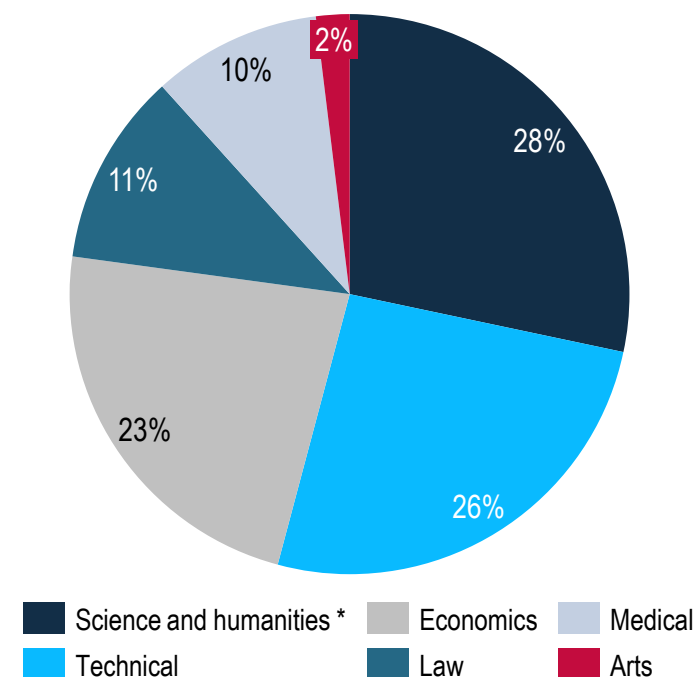
## Why invest in Romania?

There are over 100 universities in Romania, with approximately 100.000 graduates every year in a wide variety of subjects

University centers in Romania



Share of graduates by subject of degree [2015]



Number of students by subject of degree ['000, 2014]



\* Includes: mathematics, physics, biology, chemistry, geography, journalism, history, political and administrative science, philosophy

## Why invest in Romania?

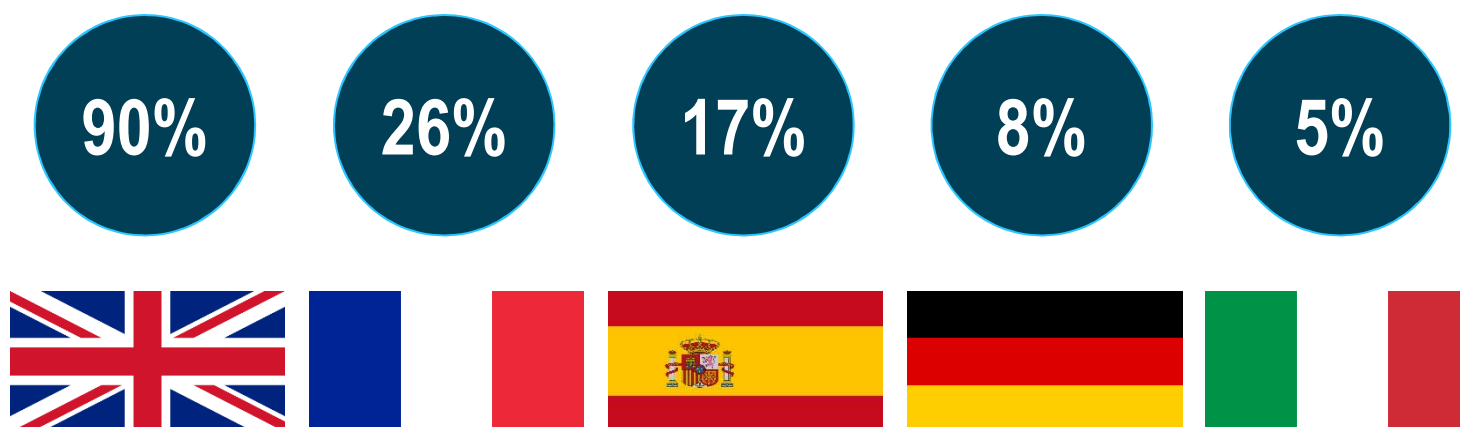
9 out of 10 university students are proficient in English, as a result of the fact that almost all students study 2 languages in high school

### 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

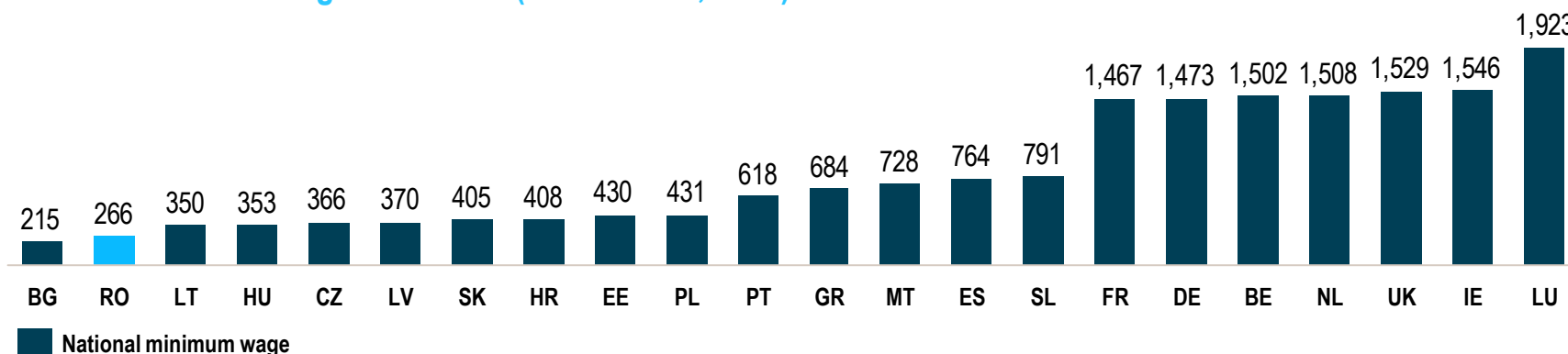
### University students in Romania are proficient in [% of total]:



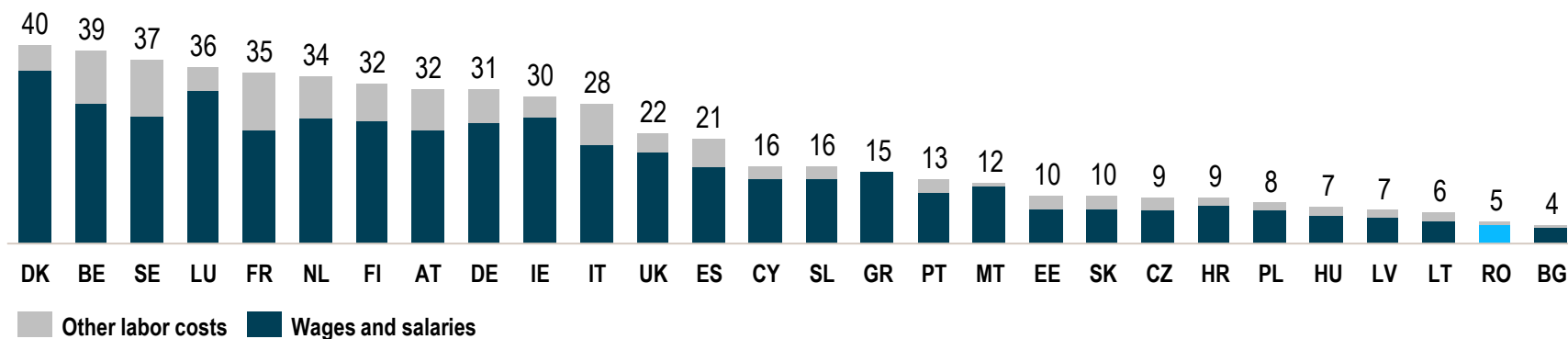
# Why invest in Romania?

## Highly competitive labor cost

National minimum wages in the EU (EUR/ month, 2016)\*



Estimated average hourly labor costs (EUR/ h, 2014)\*\*



\* Denmark, Italy, Cyprus, Austria and Finland have not implemented a national minimum wage; \*\* Enterprises with 10 or more employees

## Why invest in Romania?

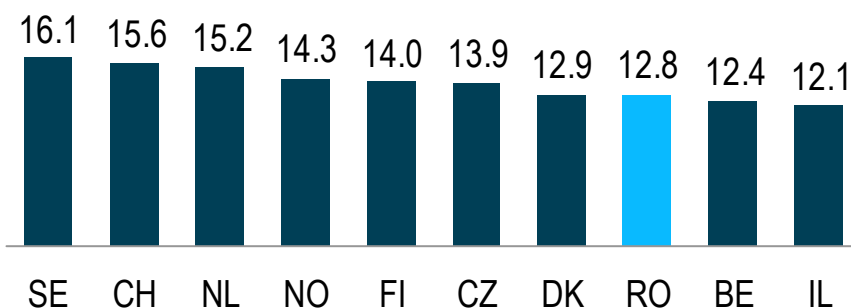
Employees in Romania can have the same standard of living as abroad for less than 1/3<sup>rd</sup> of the pay

	BUCHAREST vs. BERLIN	BUCHAREST vs. LONDON
Consumer Prices	• 41% lower in Bucharest	• 57% lower in Bucharest
Rent Prices	• 56% lower in Bucharest	• 86% lower in Bucharest
Restaurant Prices	• 38% lower in Bucharest	• 64% lower in Bucharest
Groceries Prices	• 44% lower in Bucharest	• 55% lower in Bucharest
Standard of living equivalency (EUR 1,700 net salary in Bucharest)	• EUR 3,100 net salary in Berlin ensures the same standard of living	• EUR 5,707 net salary in London ensures the same standard of living

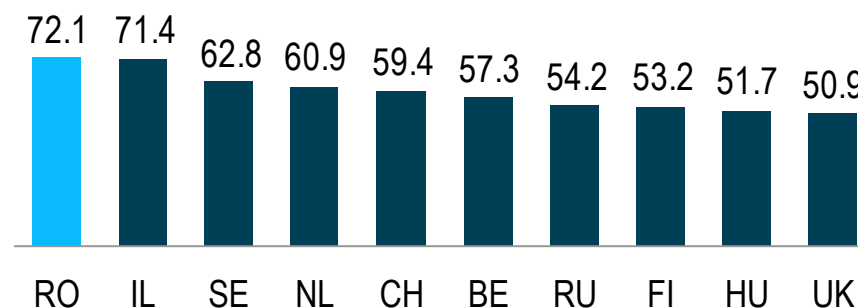
# Why invest in Romania?

## Highly competitive internet infrastructure

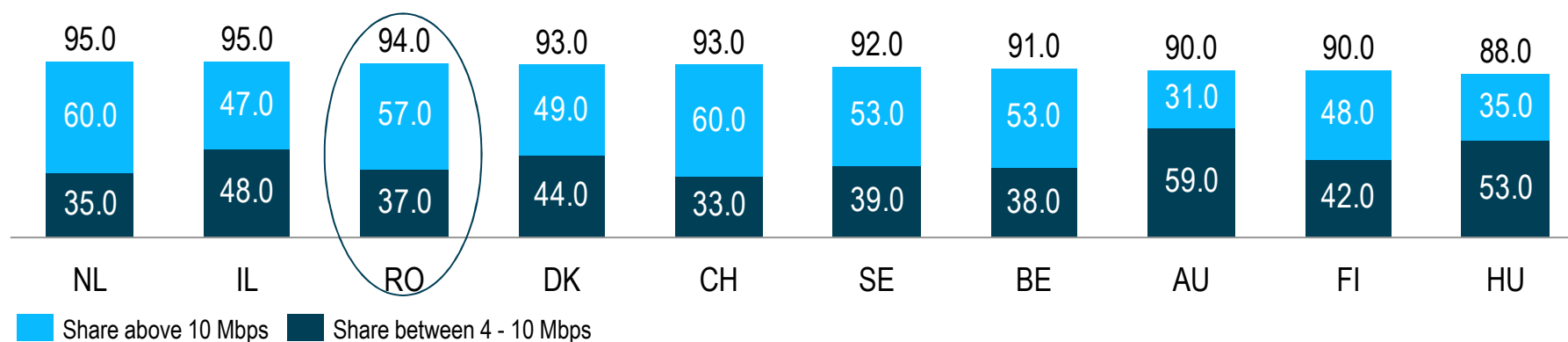
Top 10 EMEA countries by avg. speed (Q2 2015, Mbps)



Top 10 EMEA countries by top speed (Q2 2015, Mbps)



Top 10 EMEA countries by Mbps Broadband adoption (Q2 2015, % > 4 Mbps)



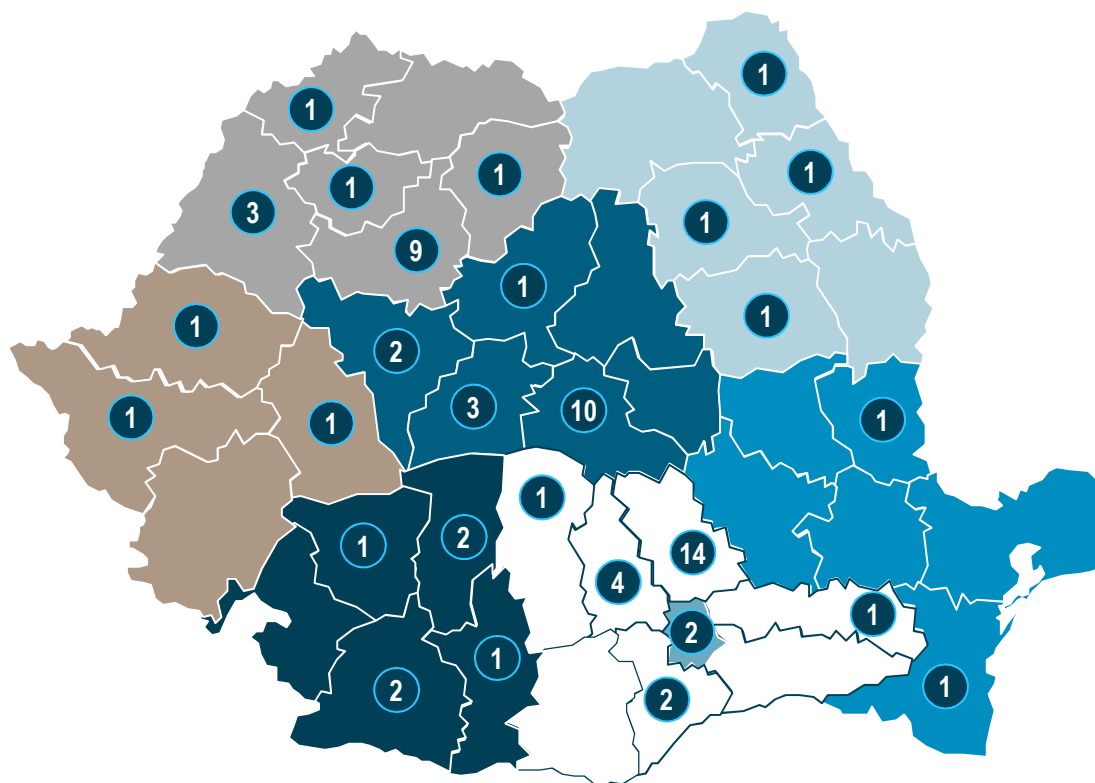
- The internet infrastructure has developed along with the developers, who are leveraging the network to offer high quality outsourcing services, although the focus is now shifting towards product design and, consequently, startups



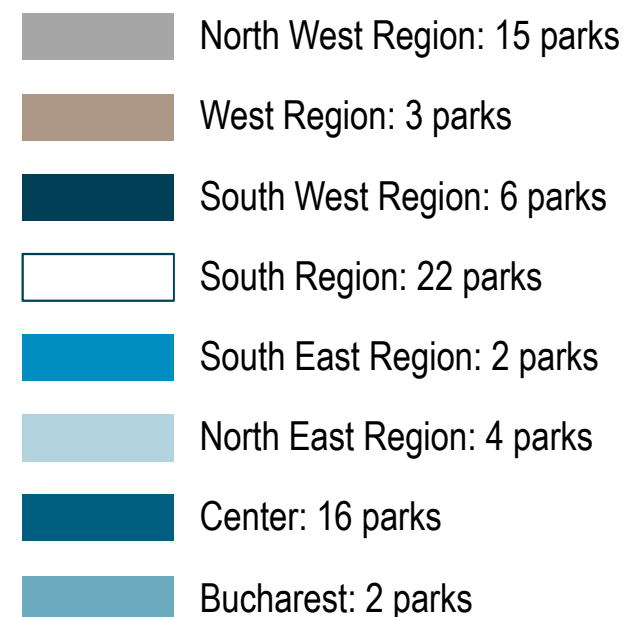
# Why invest in Romania?

## 70 industrial parks offer good infrastructure for growth industries

### Industrial parks in Romania



### Status at regional level



- There are 70 industrial parks spread across Romania, placed under both private and public ownership
- All offer access to utilities, particular benefits packages according to their focus and potential for synergies
- Also, investors are exempted from land, building and urban planning taxes as well as for land destination changing

# Why invest in Romania?

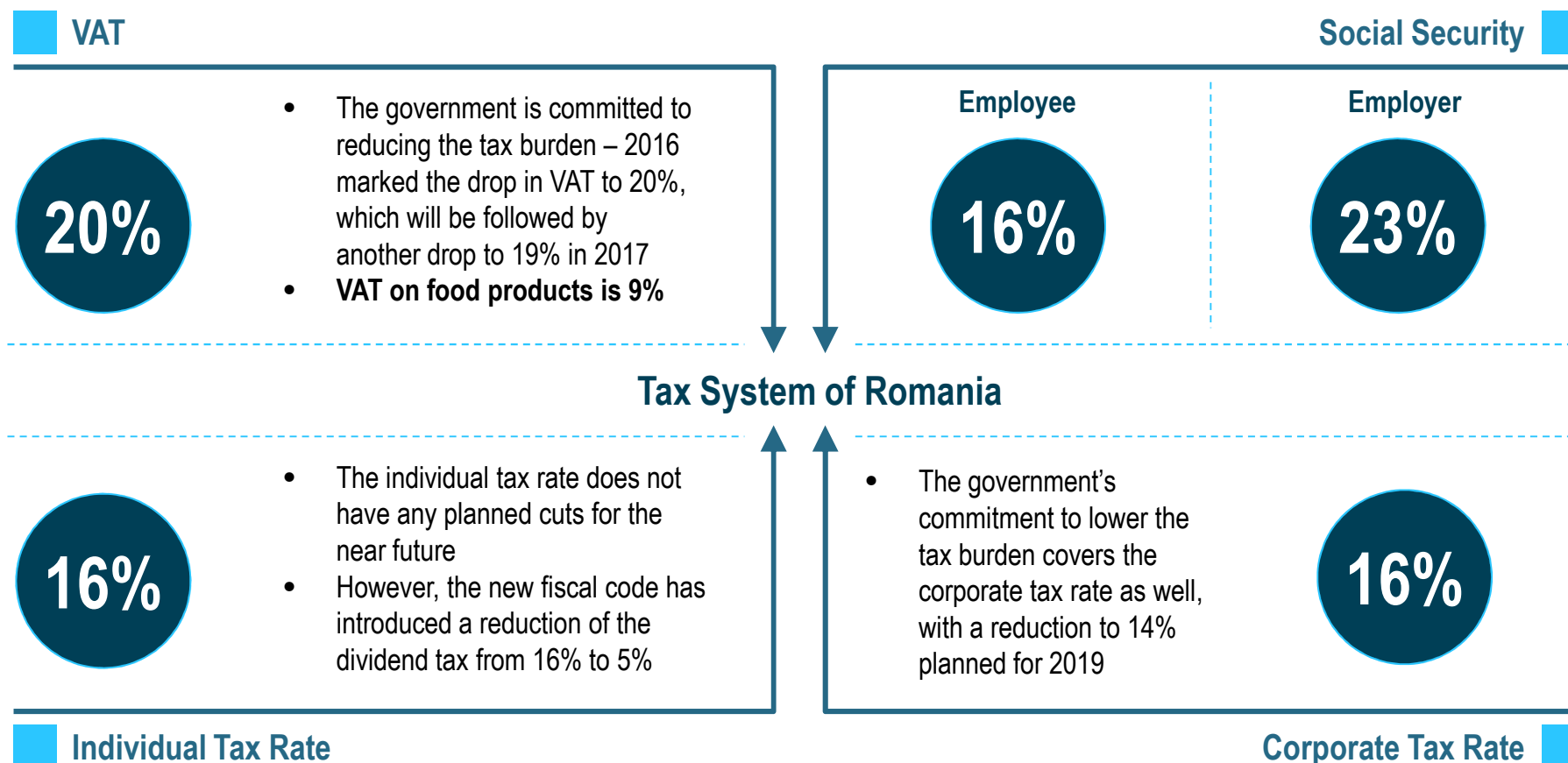
## We are well connected to Europe and beyond



# Why invest in Romania?

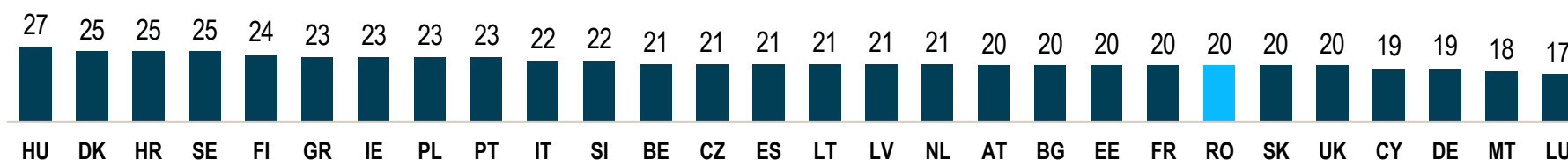
## Low taxation compared to European peers

### Overview of the Romanian tax system

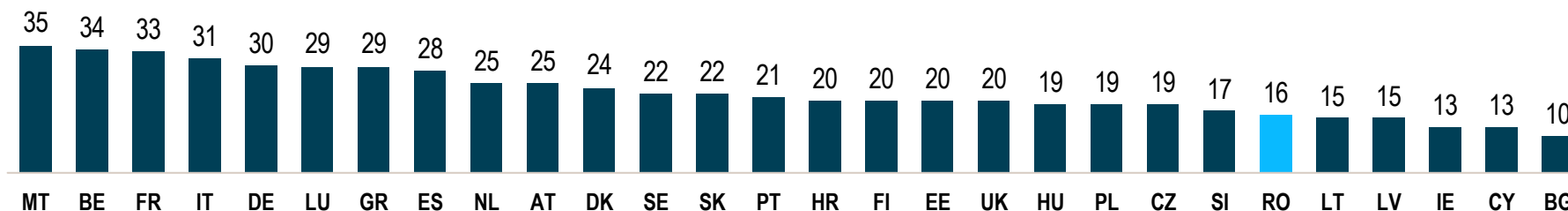


The taxes are some of the lowest in the EU, with planned policies aiming to reduce them even further in the favor of businesses (1)

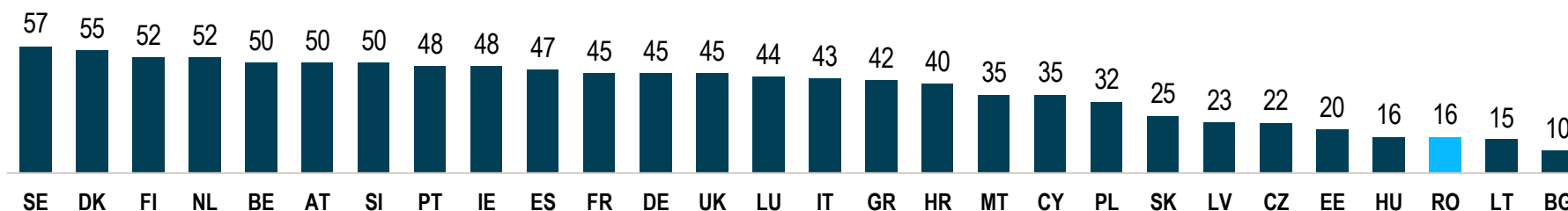
### VAT in the EU [2015, %]



### Corporate tax rate in the EU [2015, %]

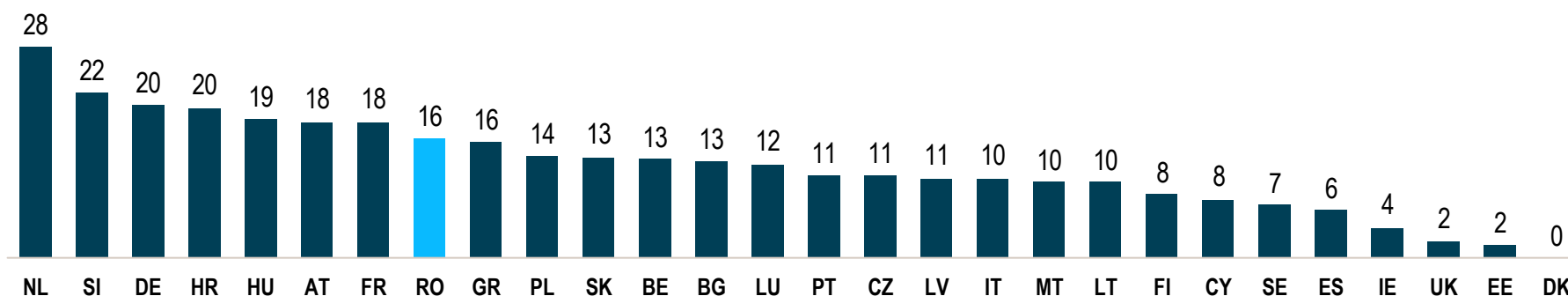


### Individual tax rate in the EU [2015, %]

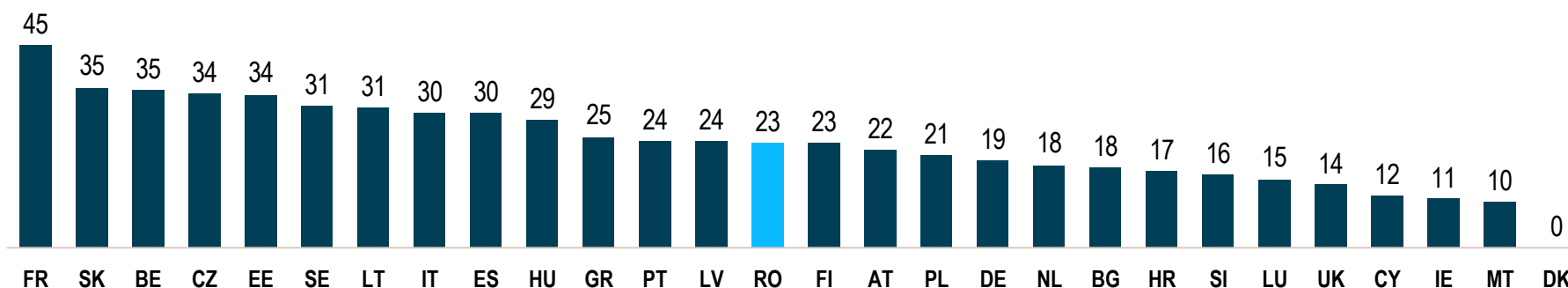


The taxes are some of the lowest in the EU, with planned policies aiming to reduce them even further in the favor of businesses (2)

Employee social security in the EU [2015, %]



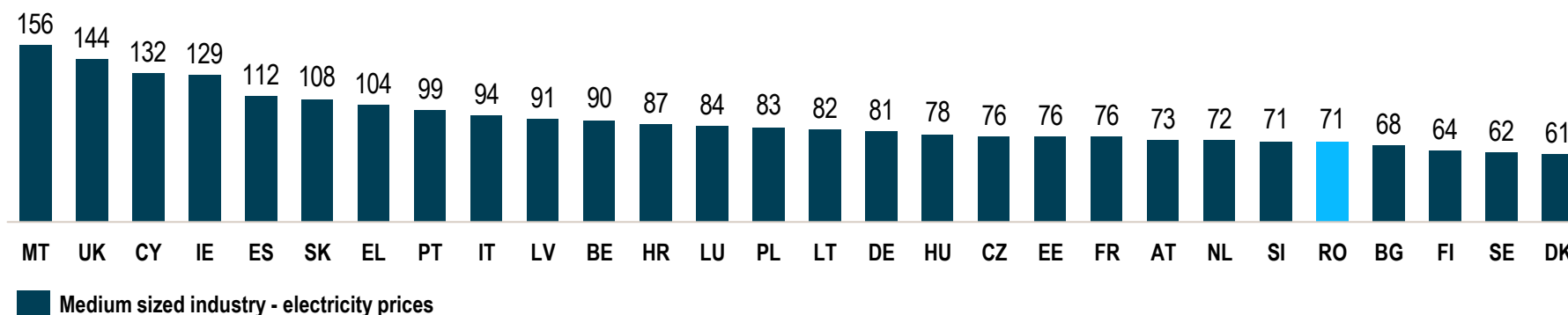
Employer social security in the EU [2015, %]



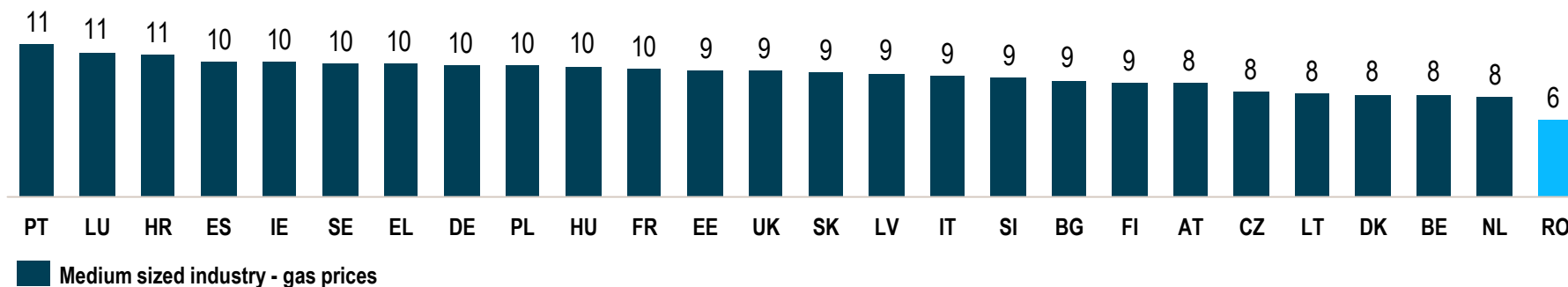
# Why invest in Romania?

## Romania has some of the lowest energy prices in the EU

Electricity prices in the EU [EUR / 1000 kWh, 2015]



Gas prices in the EU [EUR / gigajoule, 2015]



# Why invest in Romania?

## Government support through state aid (1/2)

### Fiscal incentive

### Short description

#### Exemption from profit tax

- 16% profit tax exemption for the reinvested profit in new technological equipment used for business purposes

#### Income tax exemption for IT&C employees

- An exemption on the 16% income tax is available in Romania for employees activating in IT, under conditions including:
  - Bachelor's degree 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

#### Deduction of R&D eligible expenses

- Eligible R&D expenses include: depreciation of R&D equipment, salaries for R&D personnel
- 50% of these expenses can be deducted from the taxable income

#### Accelerated depreciation of machinery, equipment and real estate used for R&D purposes

- A deduction of 50% from the fiscal value of the assets during the first year of use, while the remaining value may be depreciated linearly along the expected remaining lifespan
- Accelerated depreciation can be used also for equipment and/ or for research and development activities
- If a company benefits from exemption of the income tax for reinvestment it will not benefit from accelerated depreciation

# Why invest in Romania?

## Government support through state aid (2/2)

### Fiscal incentive

#### Foreign tax credit

### Short description

- International income derived by Romanian residents is tax exempted under the following conditions:
  - There is a valid tax treaty between Romania and the relevant jurisdiction (from where the income is derived by the Romanian resident)
  - The interested party (taxpayer) can demonstrate that income tax was paid abroad on the respective income
  - The tax credit cannot exceed the Romanian tax applicable for the respective income

#### Industrial parks incentives

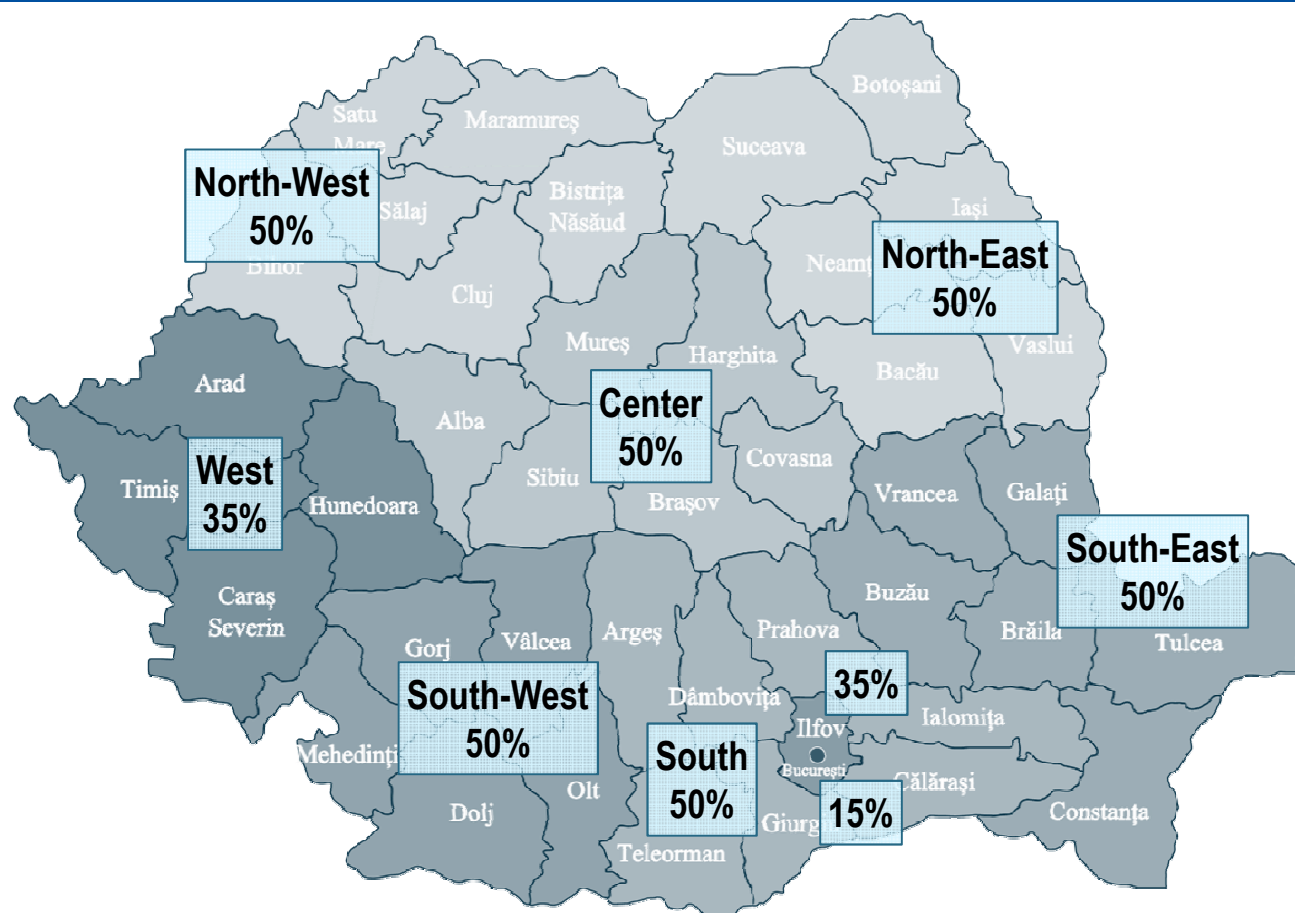
- Investors that set up manufacturing locations or offices in an industrial, scientific or technological park benefit from
  - Exemption on land, building and urban planning tax
  - Taxes charged for changing land destination

#### Facilities for people with serious disabilities

- Income received by people with serious disabilities can benefit from income tax exemption (e.g., for salary income, income from freelancing activities)



## Government support was raised this year to EUR 145 million from EUR 100 million



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%







- State aid intensity is established as per EU and national regulations and is subject to change according to EU law on the matter
- Development regions of Romania represent a split of counties into larger regions in order to technically better target development programs and policies

## Six priority sectors are expected to grow rapidly

- **IT** – *our enabler to Industry 4.0; the ‘feeder’ to all priority industries*
- **Car manufacturing** – *10% of GDP; 50% of exports; 600 factories*
- **Aerospace** – *tradition based; every new Airbus has a piece made in Romania*
- **Bio-industries** - *what IT is today, Bio-industries will be in 5 years; ingredients in place*
- **Creative Industries** – *where Romania excels internationally; supporting them, we support our identity*
- **Agriculture** – *immense potential for productivity gains; once a European giant*

# High tech companies have a significant footprint in Romania, working on helicopters, airplanes, cars or even on the Mars Rover

## 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"> <li>• Airbus Helicopters EUR 15m investment</li> <li>• Sonaca EUR 12m investment</li> <li>• Premium Aerotec EUR 50m investment</li> </ul>
<p>IT&amp;C</p> 	<p>EUR 3.6B</p>		<ul style="list-style-type: none"> <li>• Siemens software dev. worked on the Mars Rover</li> <li>• Deutsche Bank EUR 40m investment</li> <li>• LiveRail was acquired by Facebook for EUR 600m</li> </ul>
<p>AUTOMOTIVE</p> 	<p>EUR 18B</p>		<ul style="list-style-type: none"> <li>• Continental EUR 26m investment in R&amp;D center</li> <li>• Daimler EUR 300m investment for gear boxes</li> <li>• Ford EUR 200m investment for production of new model</li> </ul>

# Why invest in Romania?

## A home away from home

Select expats networks in Romania by home country and main originating cities



- Toronto
- Vancouver
- Montreal
- Ottawa



- London
- Birmingham
- Glasgow
- Liverpool



- Rome
- Milan
- Turin
- Genoa



- New Delhi
- Mumbai
- Kolkata
- Bangalore



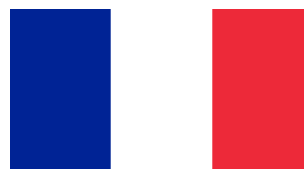
- Warsaw
- Katowice
- Krakow
- Lodz



- New York
- Chicago
- Houston
- Los Angeles



- Berlin
- Hamburg
- Munich
- Cologne



- Paris
- Marseille
- Lyon
- Lille



- Madrid
- Barcelona
- Valencia
- Seville



- Amsterdam
- Rotterdam
- The Hague

# Romania – a stable business climate, great investment opportunities, competitive workforce and outstanding lifestyle options

## Investing in Romania

Potential market of over 20 million consumers  
One of the most dynamic economies in Central and Eastern Europe

One single corporate tax level of 16%  
43 billion EUR European funds assigned before the end of 2020  
Tax exemption for reinvested profit

2016

More than 10 nationalities have developed expat communities  
High living standards and lifestyle  
Rich experiences for expats

Few cultural and linguistic barriers  
University graduates are flexible, innovative and future-oriented



**An important domestic market and stable/safe country**



**A competitive tax policy and state support for businesses**



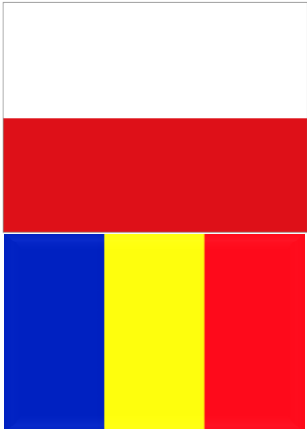
**Talented and skilled workforce**



**High life standards, great lifestyle and rich personal experience**

# Polish Investments in Romania

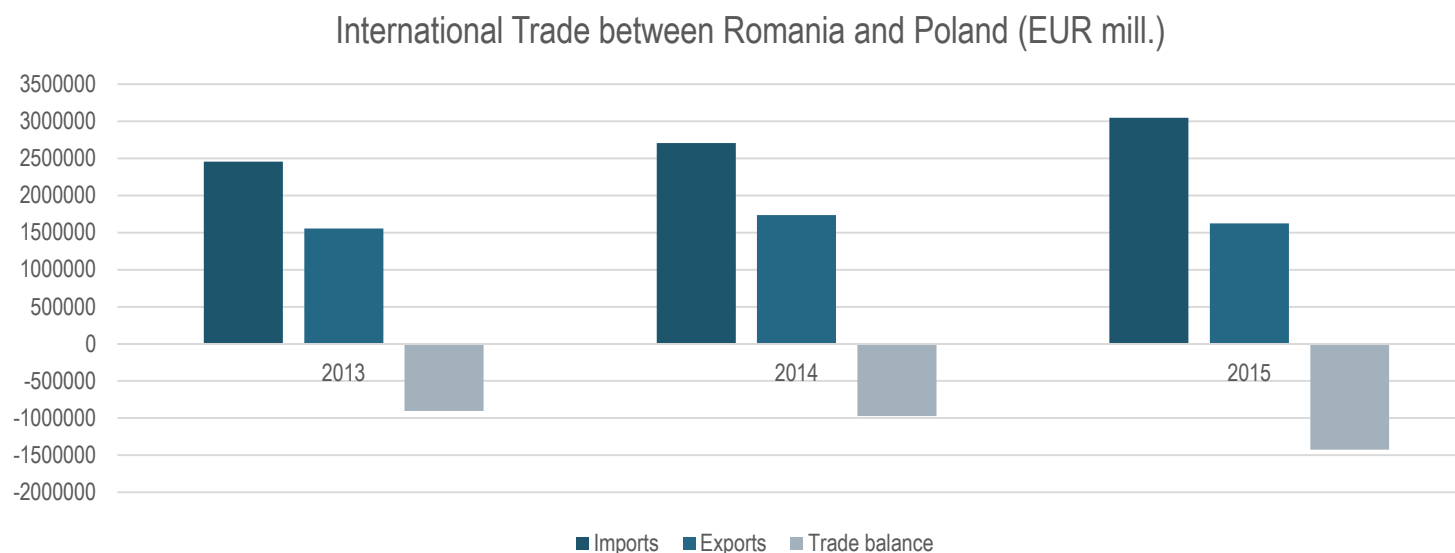
(December 1990 - August 2016)

	<b>No. of companies</b>	<b>894</b>
	<b>% of the total no. of companies</b>	<b>0.41</b>
	<b>Subscribed share capital in company with Czech Republic interest</b>	<b>USD 494 mill.</b>
	<b>% of the total value of capital</b>	<b>0.88</b>
	<b>Ranking</b>	<b>18<sup>th</sup></b>

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.*

# Bilateral relations between Romania and Poland



In 2015, trade Poland was EUR 4,51 billions, increasing with 14,6% compared to 2014. The Romanian FOB exports to Poland were EUR 1,46 billions, 11.17 % more than in 2014, while CIF imports from Poland were EUR 3,05 billions, increasing with 11.9% compared to 2014.

### Most important Polish investors in Romania

**CIECH SODA** – Manufacture of other inorganic basic chemicals Sector, established in 2006, over EUR 115 mill. capital subscription

**IDEA BANK** – Financial activities sector , established in 1998, over EUR 38 mill. capital subscription

**BARLINEK** – Manufacture of furniture sector , established in 1994, EUR 31 mill. capital subscription

**ECHO INVESTMENT PROJECT 1**– Real Estate Sector, established in 2009, over EUR 28 mill. capital subscription

**SOFIDEL** – Manufacture of paper and paper products, established in 1991, over EUR 19 mill. capital subscription

**PORTA KMI** – Manufacture of structural metal products sector, establish in 2003, over EUR 11 mill. capital subscription

According to the data available, between 1990-2016 the highest contribution of capital subscription of Polish companies is in Mining, Quarrying and Manufacturing sector (54.86%), second in Financial activities sector (16,49%) and third Construction Sector (13.43%)







# Thank you!

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[www.linkedin.com/company/investromania](https://www.linkedin.com/company/investromania)