

Romania – A Strategic Choice

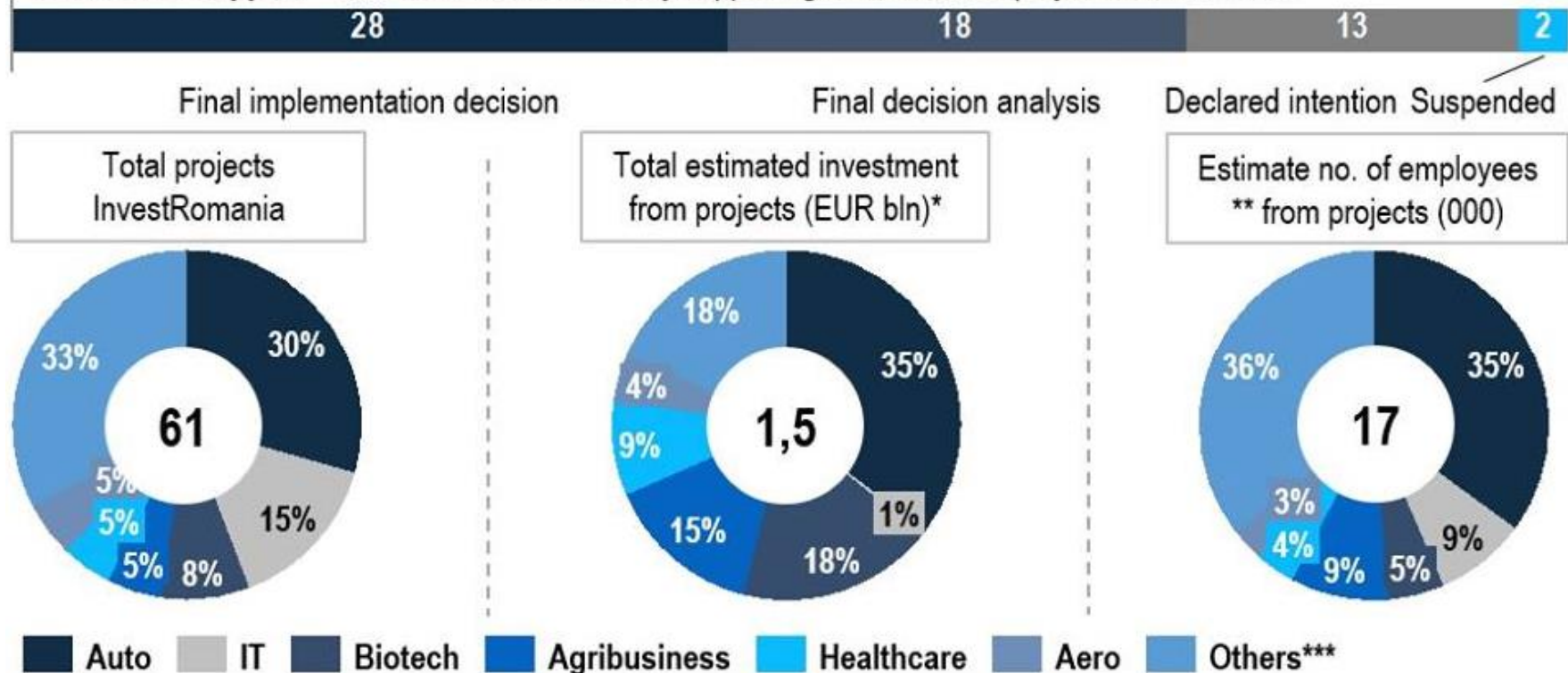
George Pruteanu – Advisor to the Secretary of State, InvestRomania

InvestRomania 2016 strategy follows 6 guiding principles supporting the improvement of investment value proposition



Results so far: 61 projects, EUR 1.5 billion value, 17 000 jobs (and counting)

Investment support – InvestRomania is currently supporting 61 investment projects, out of which:



* The value shown is a minimum estimate given that 12 projects have not declared the investment value

** This is also a minimum estimate, 4 projects not reporting an estimate on new workplaces

*** Others include: chemical industry, metallurgy, infrastructure, electronics, textile, logistics

A central pillar for InvestRomania is also the promotion of the 6 key industries for the economy as part of “Industry of the month”

6 key industries

IT & C

Automotive

Agribusiness

Bio – economy

Aerospace

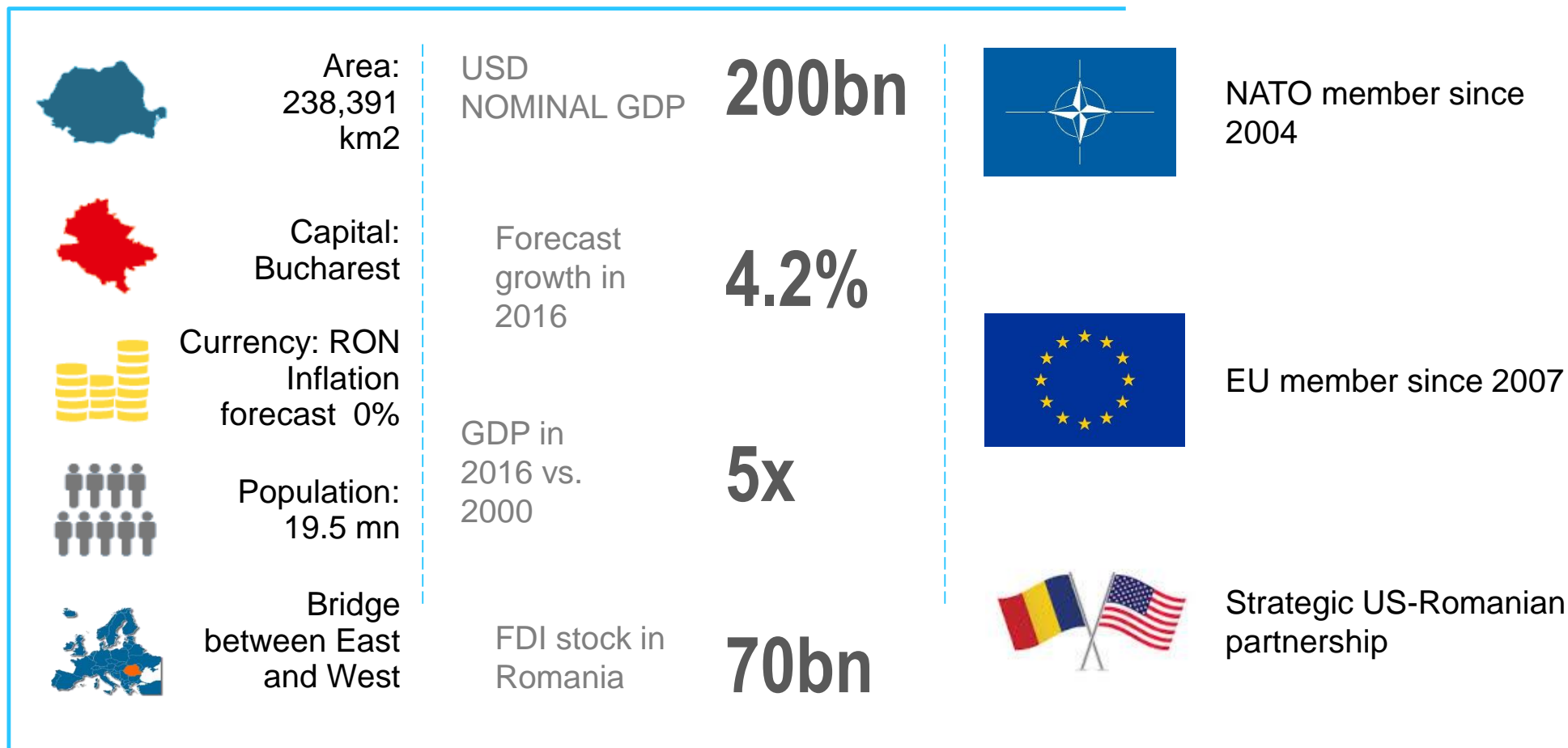
Creative industries

Overview

- Every month, starting with May, InvestRomania promotes each of the most relevant industries for our economy
- The aim of the project is to foster communication and facilitate investment, import of know-how and technology, ultimately leading to sustainable growth
- Follow-up of the project implies maintaining contact with stakeholders and continue to foster communication between industry players and potential new investors
- The first promoted industry was IT&C, in the month of May
- Currently, the industry for June is Bio-economy

Why invest in Romania?

A strategic investment destination



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%

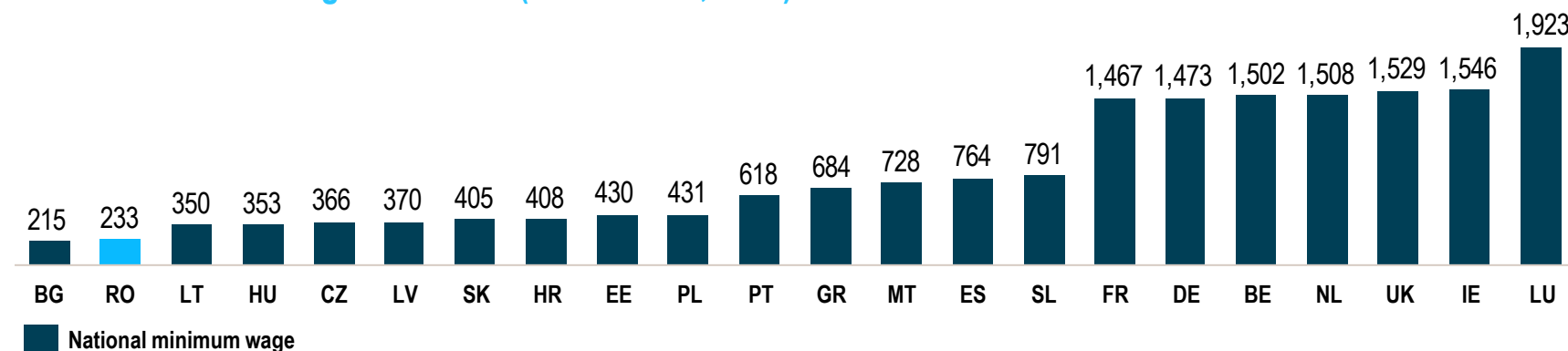
“Romania’s workforce improved alongside our business. We started with manufacturing components, now we are designing them” – German automotive investor

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

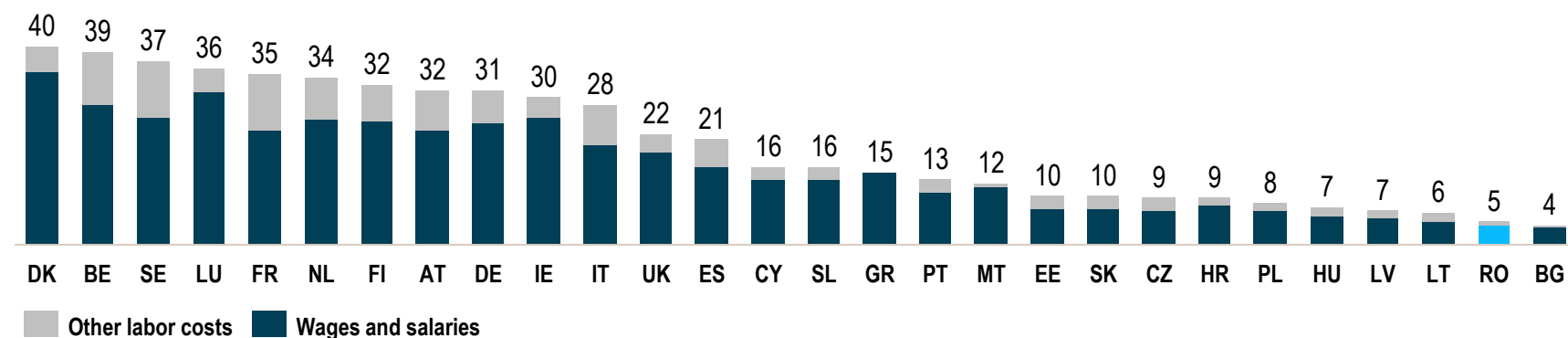
Why invest in Romania?

High qualifications do not generally come with competitive costs

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



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

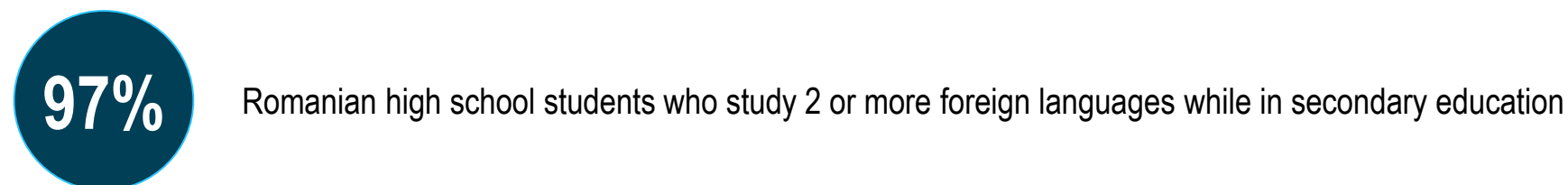


* Denmark, Italy, Cyprus, Austria and Finland have not implemented a national minimum wage; ** Enterprises with 10 or more employees

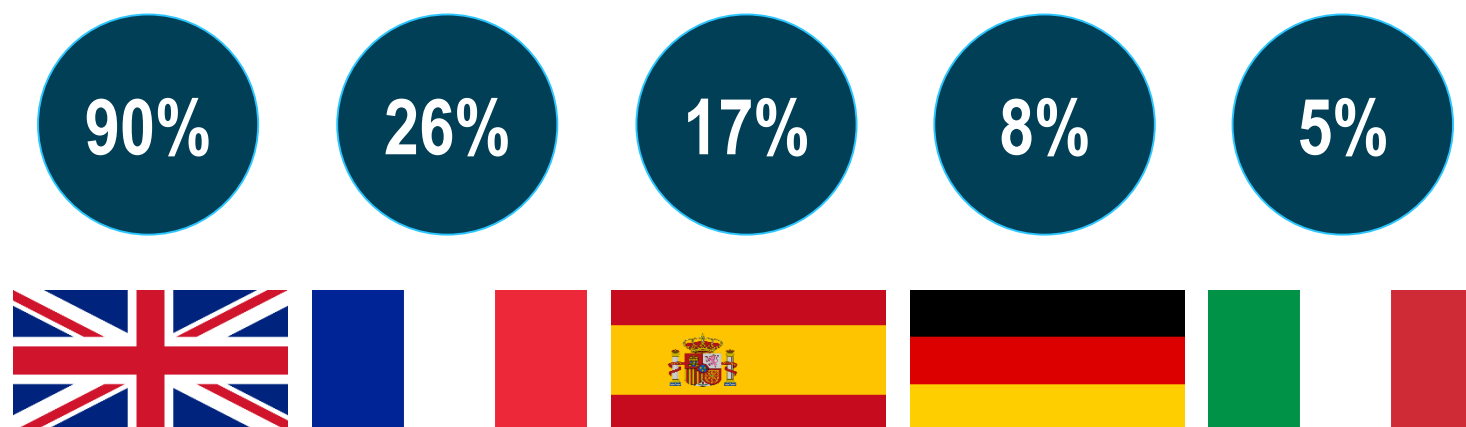
Why invest in Romania?

Romanians also speak many languages

Languages studied by Romanian students (2014)



University students in Romania are proficient in (% of total):



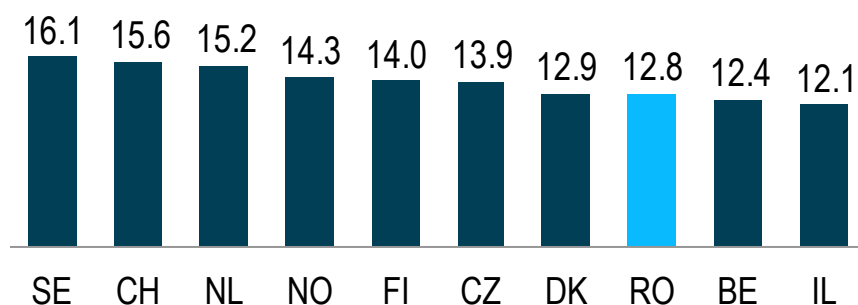
Employees in Romania can have the same standard of living as abroad for less than 1/3rd of the pay

	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

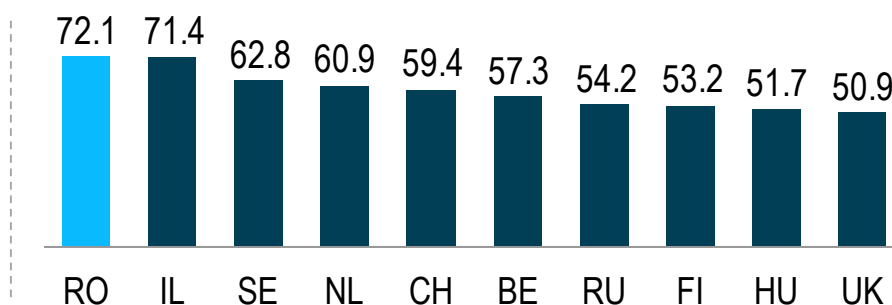
Why invest in Romania?

Competitive technical and logistical infrastructure

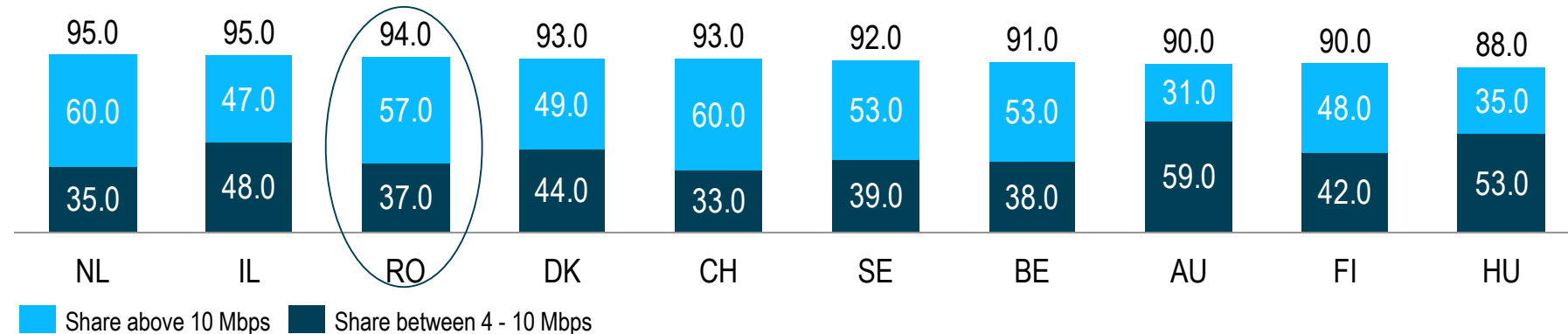
Top 10 EMEA countries by avg. speed (Q2 2015, Mbps)



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



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

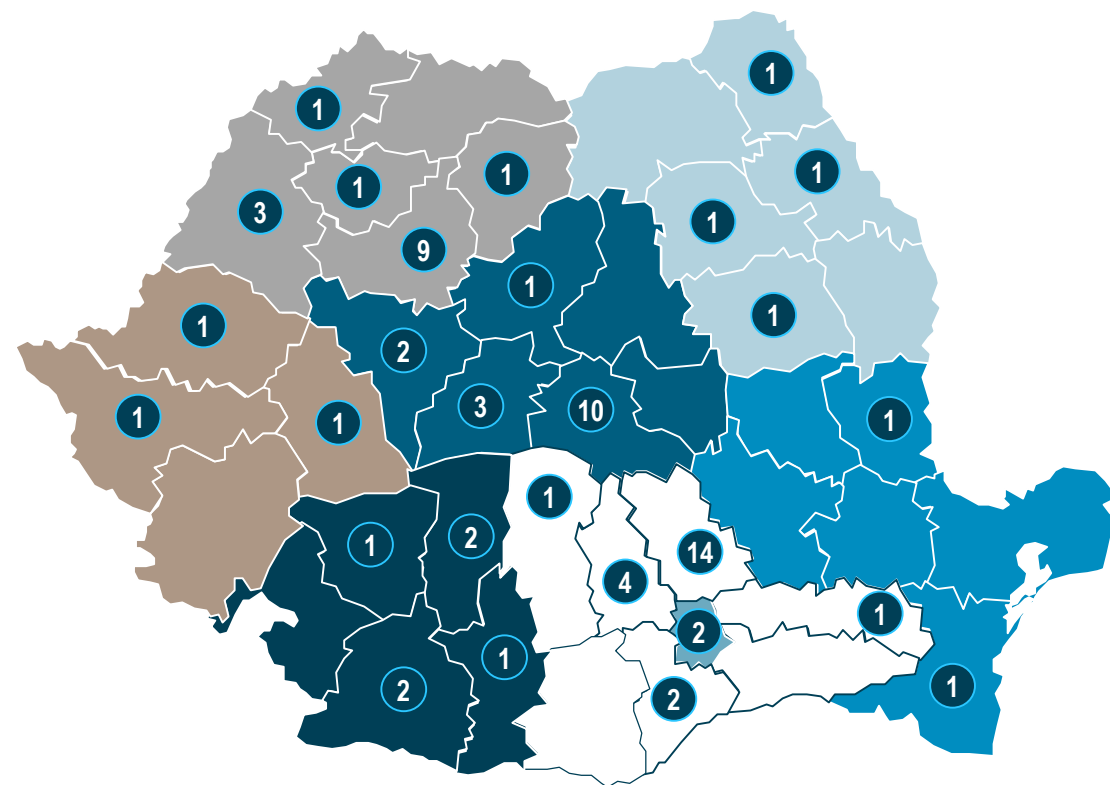


- The internet infrastructure has developed along with the developers, who are leveraging the network to offer high quality outsourcing services, although the focus is now shifting towards product design and, consequently, startups

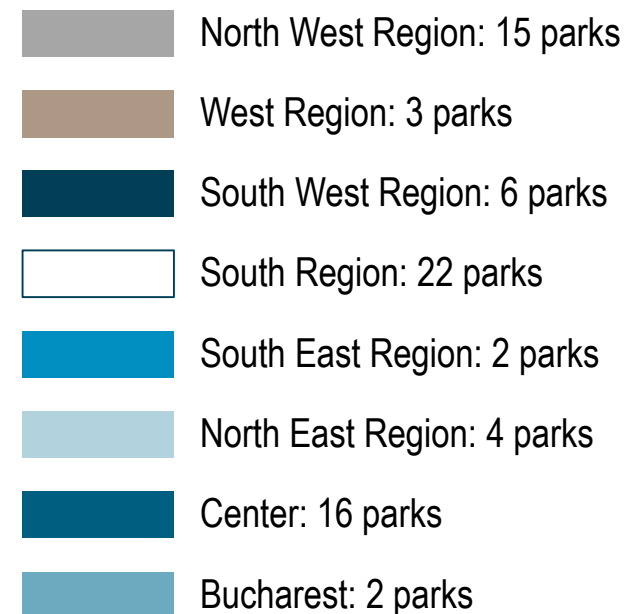
Why invest in Romania?

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?

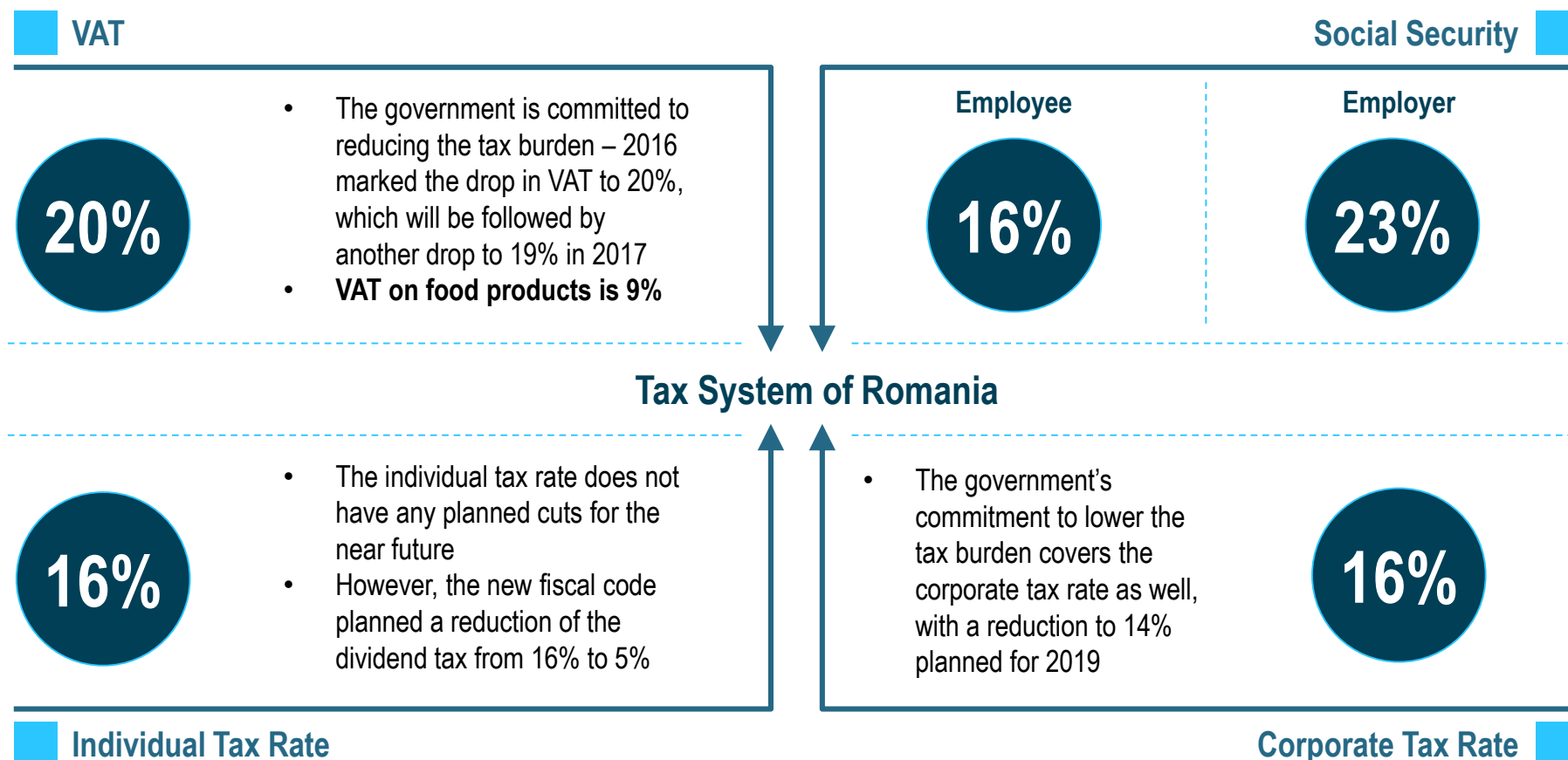
We are well connected to Europe and beyond



Why invest in Romania?

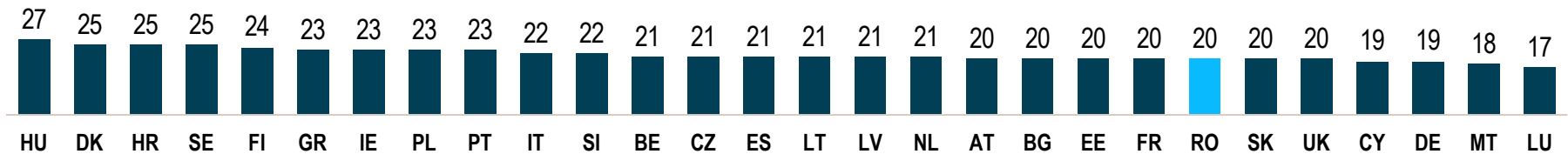
Low taxation compared to European peers

Overview of the Romanian tax system

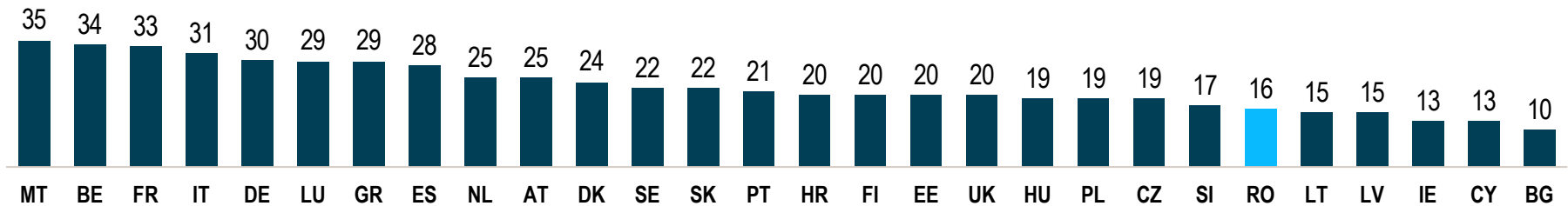


The taxes are some of the lowest in the EU, with planned policies aiming to reduce them even further in the favor of businesses (1)

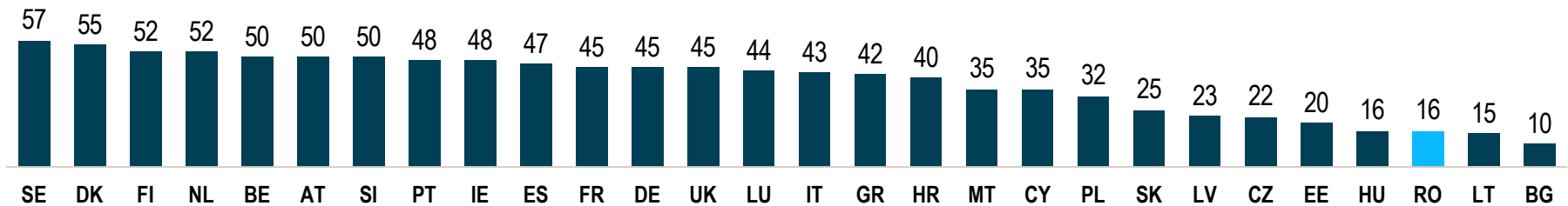
VAT in the EU [2015, %]



Corporate tax rate in the EU [2015, %]

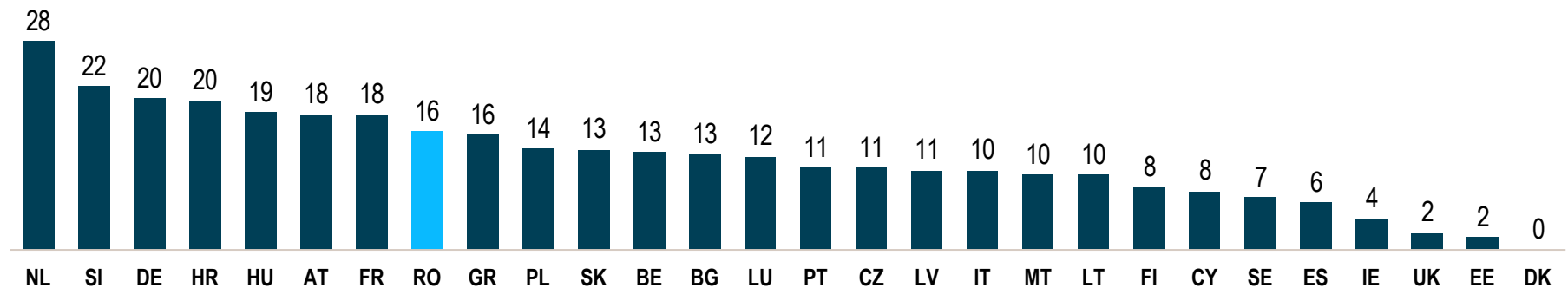


Individual tax rate in the EU [2015, %]

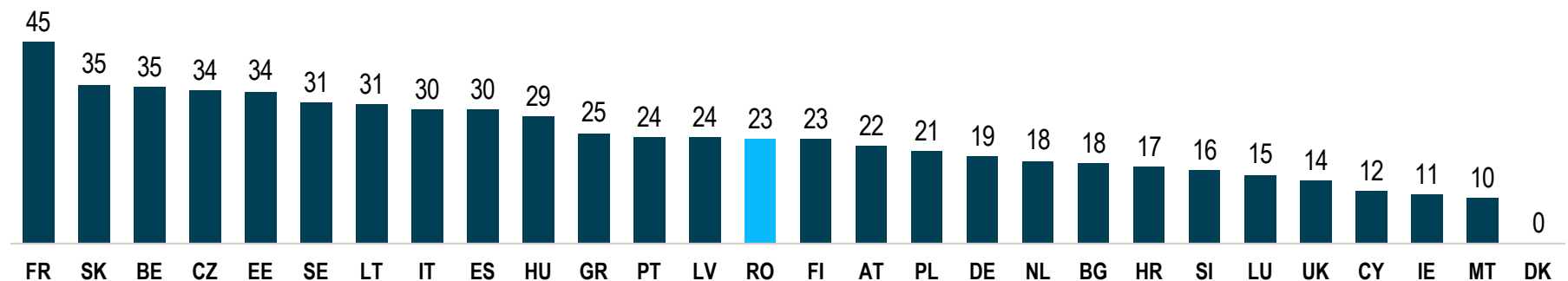


The taxes are some of the lowest in the EU, with planned policies aiming to reduce them even further in the favor of businesses (2)

Employee social security in the EU [2015, %]



Employer social security in the EU [2015, %]



Why invest in Romania?

Government support through a pro-growth policy (1/2)

Fiscal incentive

Exemption from profit tax

Short description

- 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 a pro-growth policy (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

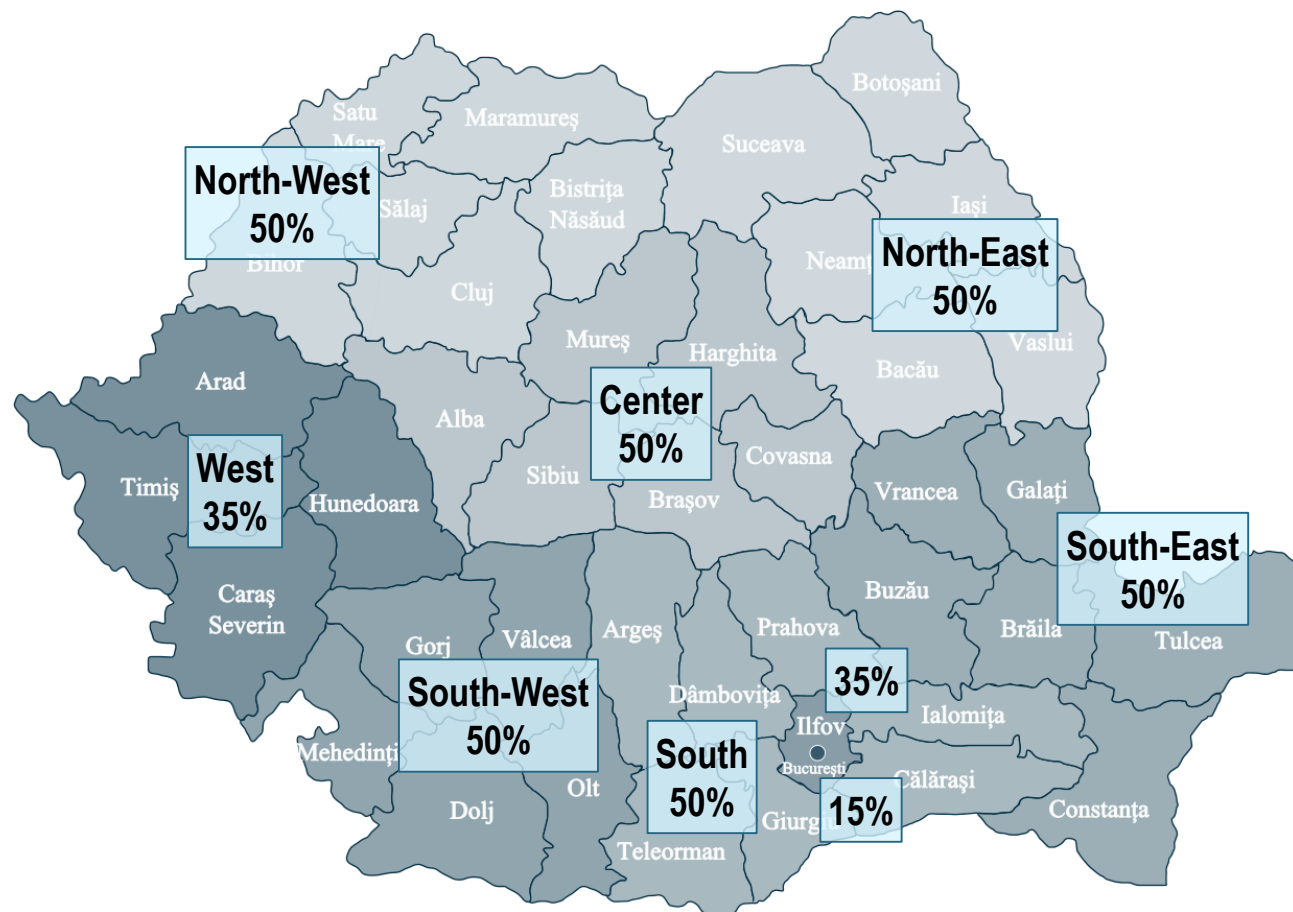
Industrial parks incentives

- 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)

The CAPEX state aid budget (for projects >EUR 10m) was raised this year to EUR 100m to EUR 145m



State aid intensity, according to development region:

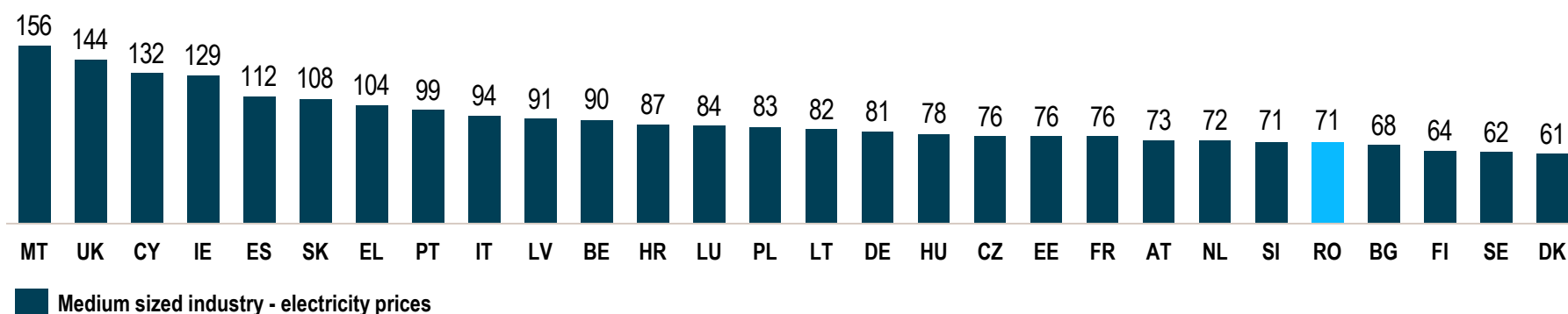
- North West – 50%
- North East – 50%
- South East – 50%
- South – 50%
- South West – 50%
- West – 35%
- Ilfov County – 35%
- Bucharest – 15%

- 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

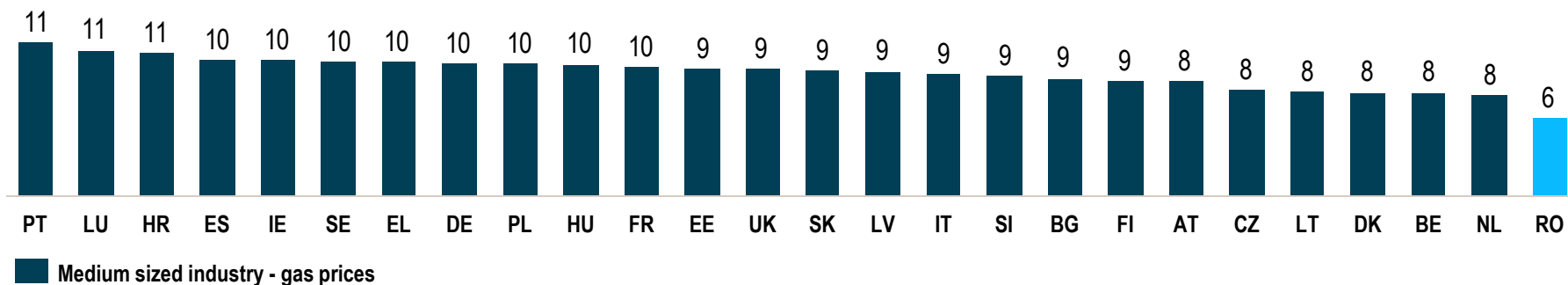
Why invest in Romania?

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?

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



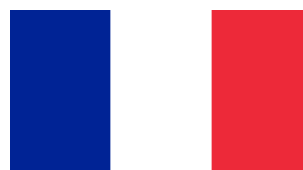
- Warsaw
- Katowice
- Krakow
- Lodz



- New York
- Chicago
- Houston
- Los Angeles



- Berlin
- Hamburg
- Munich
- Cologne



- Paris
- Marseille
- Lyon
- Lille



- Madrid
- Barcelona
- Valencia
- Seville



- Amsterdam
- Rotterdam
- The Hague

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*

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

Thank you!

We are looking forward to hearing from you!

George Pruteanu, Advisor to the Secretary of State, InvestRomania

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