

Romania – A Strategic Choice

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

Website as a dedicated investor tool

- Relevant database for independent search
- Key links to state aid and local incentive schemes
- · Map of the industrial parks in Romania
- Yearly Investors' Survey
- Investors Guide for Romania
- Why is Romania different "The Romanian bug"

"Industry of the month"

- Monthly proactive promotion on key industries:
 - ICT & BPO
 - Auto and auto parts
 - Aerospace
 - Agriculture
 - Bio-economy
 - Creative industries

Local assets - key investment driver

 Regular working visits in different areas of Romania to understand the potential but also to build a network of local people that facilitate investors actions in the area InvestRomania 2016

strategy

Connectivity

- Investor meetings: Agenda alignment with key administration officials
- Strategic priorities: Alignment with existing economic development and key partnerships
- Investment events: align with other Government entities, embassies, investor councils

Client focus and prioritization

- · Client centric approach
- Prioritize existing investors they can be engines of growth, ambassadors, and valuable partners
- Clear direction for reactive and proactive outreach strategy

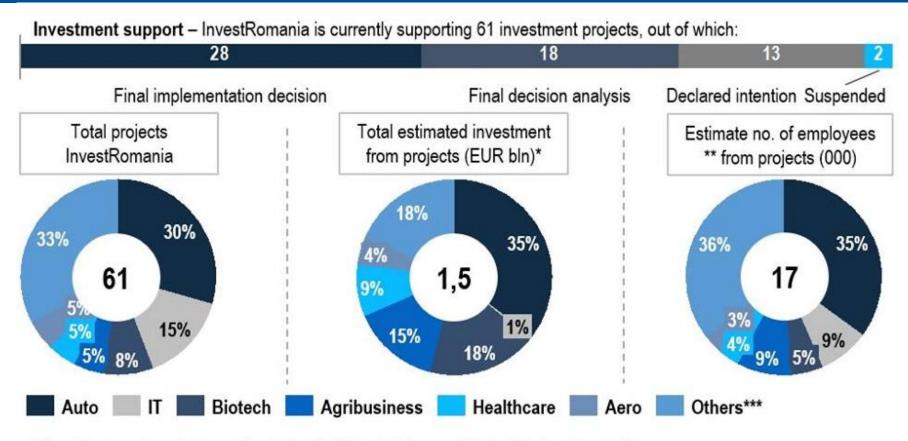
Alignment of the message / story

 InvestRomania will function as a unifier of the investment narrative across various channels (e.g., MFP, PM cabinet, other ministries, selectively, other venues)

Source: Invest Romania



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



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

Source: Invest Romania 2016 The Government of Romania

^{**} 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

Source: Invest Romania



Why invest in Romania? A strategic investment destination



Area: 238,391 km2

USD NOMINAL GDP

200bn



NATO member since 2004



Capital: Bucharest



Currency: RON Inflation forecast 0%



Population: 19.5 mn



Bridge between East and West

Forecast growth in 2016

4.2%

GDP in 2016 vs. 2000

FDI stock in

Romania

5X





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%

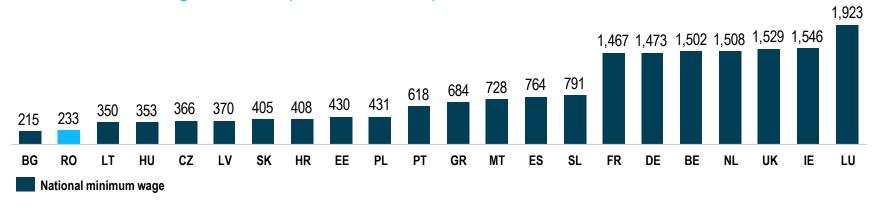
"Romania's workforce improved alongside our business. We started with manufacturing components, now we are designing them" – German automotive investor

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

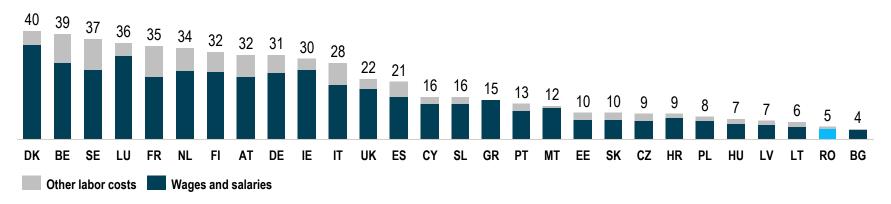


Why invest in Romania? High qualifications do not generally come with competitive costs

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

2016 The Government of Romania Source: Eurostat



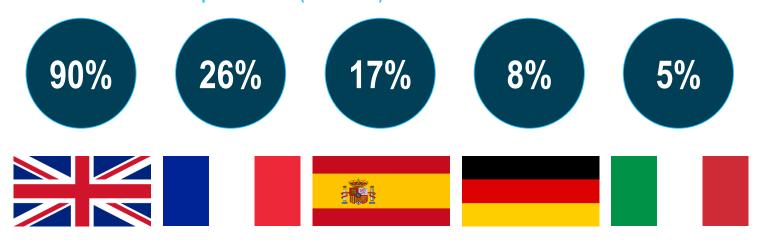
Why invest in Romania? Romanians also speak many languages

Languages studied by Romanian students (2014)



Romanian high school students who study 2 or more foreign languages while in secondary education

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



FI

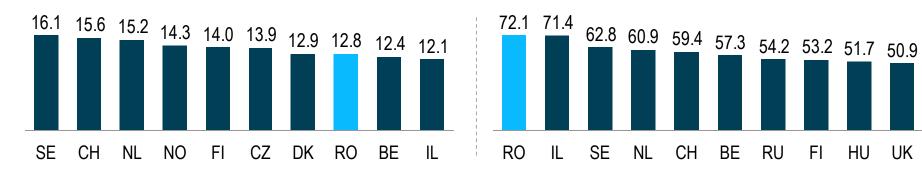
HU

UK

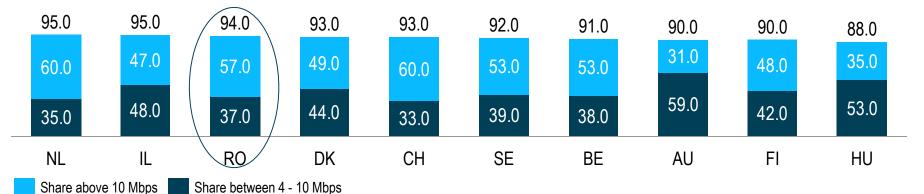
Why invest in Romania? Competitive technical and logistical infrastructure

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

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



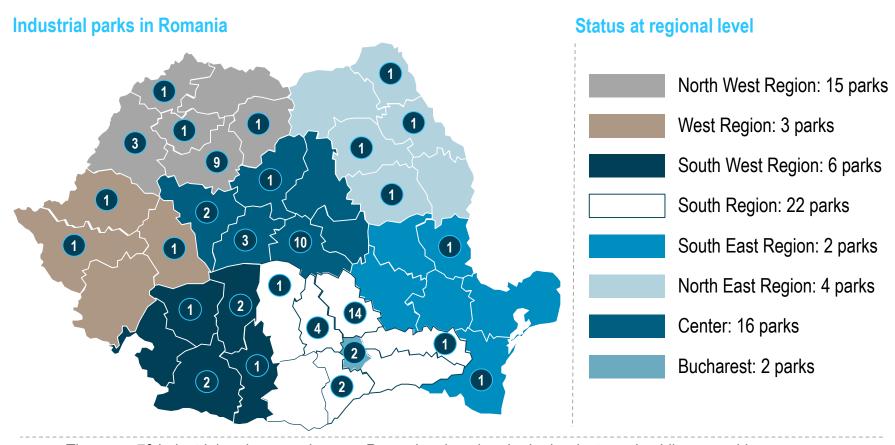
Top 10 EMEA countries by Mbps Broadband adoption (Q2 2015, % > 4 Mbps)



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



- 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



VAT

20%

The government is committed to reducing the tax burden - 2016 marked the drop in VAT to 20%, which will be followed by another drop to 19% in 2017

VAT on food products is 9%

Social Security



Employer



Tax System of Romania



- The individual tax rate does not have any planned cuts for the near future
- However, the new fiscal code planned a reduction of the dividend tax from 16% to 5%

The government's commitment to lower the tax burden covers the corporate tax rate as well, with a reduction to 14% planned for 2019



Individual Tax Rate

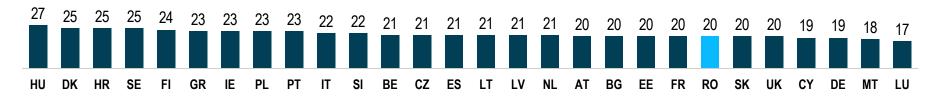
Corporate Tax Rate

Source: InvestRomania

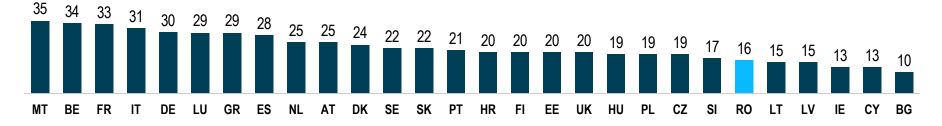


The taxes are some of the lowest in the EU, with planned policies aiming to reduce them even further in the favor of businesses (1)

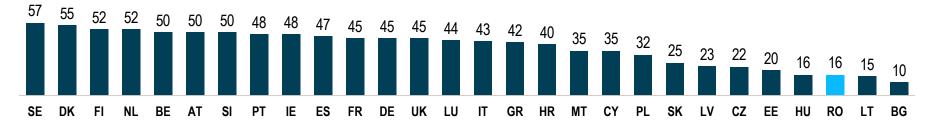
VAT in the EU [2015, %]



Corporate tax rate in the EU [2015, %]



Individual tax rate in the EU [2015, %]



2016 The Government of Romania Source: KPMG

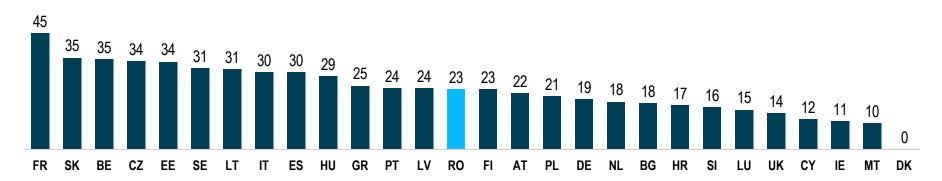


The taxes are some of the lowest in the EU, with planned policies aiming to reduce them even further in the favor of businesses (2)

Employee social security in the EU [2015, %]



Employer social security in the EU [2015, %]



2016 The Government of Romania Source: KPMG



Why invest in Romania? Government support through a pro-growth policy (1/2)

Fiscal incentive

Exemption from profit tax

Income tax exemption for IT&C employees

Deduction of R&D eligible expenses

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

Short description

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

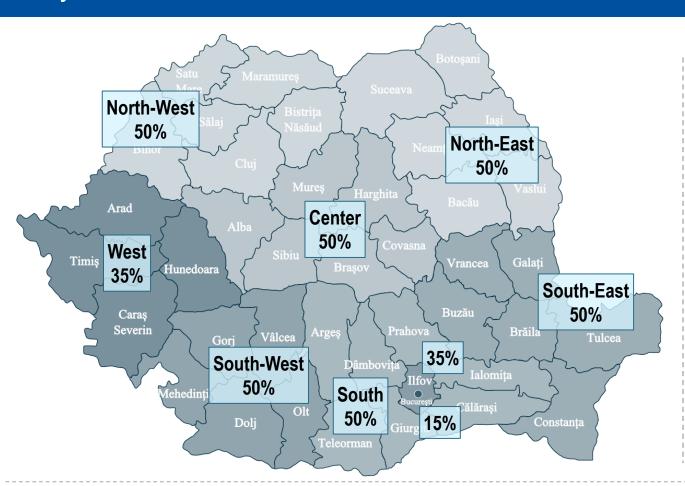
- Investors that set up manufacturing locations or offices in an industrial, scientific or technological park benefit from
 - Exemption on land, building and urban planning tax
 - Taxes charged for changing land destination

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



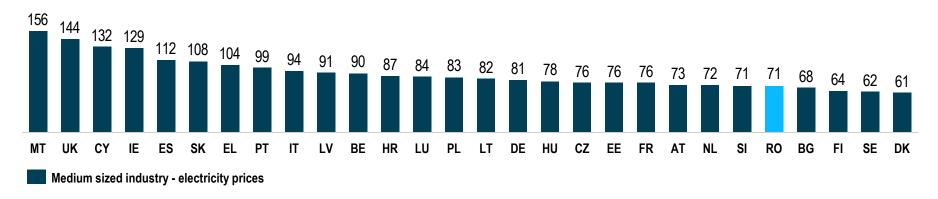
State aid intensity, according to development region:

- 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

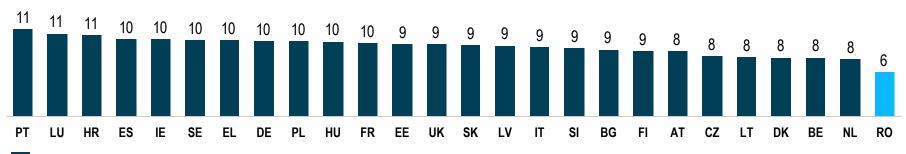


Why invest in Romania? Romania has some of the lowest energy prices in the EU

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



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



Medium sized industry - gas prices

2016 The Government of Romania Source: Eurostat | 19



Why invest in Romania? A home away from home

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





- 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 An important domestic market and One single corporate tax level of stable/safe country 16% Potential market of over 20 million 43 billion EUR European funds consumers assigned before the end of 2020 One of the most dynamic Tax exemption for reinvested profit A competitive tax policy and state economies in Central and Eastern support for businesses Europe 2016 Talented and skilled workforce More than 10 nationalities have Few cultural and linguistic developed expat communities barriers High living standards and lifestyle University graduates are flexible, High life standards, great lifestyle Rich experiences for expats innovative and future-oriented and rich personal experience



Thank you!

We are looking forward to hearing from you!

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