

THE SECURITY SERVICES AND EQUIPMENT MARKET IN ROMANIA

DEMO REPORT

by

**FRD CENTER MARKET ENTRY SERVICES
ROMANIA**

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1. The Romanian market of security equipment

1.1 Current situation on the Romanian market of security equipment

The Romanian market of security technology and services registered a boom in the past years. Usually, the clients that acquire burglar alarms and other security equipment in Romania are banks, exchange offices, hotels, casinos, shops etc. Also, owners of smaller businesses, such as pizzerias or small shops, started to use video monitoring systems.

Even during this period of economic crisis, the demand for the security systems in Romania is on the rise, due to the fact that both individuals and legal entities feel the need to be better protected. One example is represented by the increasing activity of specialised companies such as Shelter Security, which has at present five to six clients per week for the installing of security systems compared to five to six clients per month before the financial crisis.

Approximatively half of the company's clients require alarm and video surveillance systems and some 10% require sophisticated systems with thermal and motion sensors.

Also, in order to reduce their costs during the economic crisis, the companies lay off a part of their guard employees and buy security equipment, with the possibility to amortise the investment.

Till April 2009, the Romanian Police issued 810 licenses for companies that sell alarms and security systems. Out of these companies, over 50% are active on the market for more than five years.

According to Siemens, the security technology market in Romania is quite diverse and rich in products made mainly in Asia. But, during the last years, especially after the Romania's accession to the European Union, the requirements and the needs of the customers were directed towards higher quality products, which are recognised at international level.

According to Expert Solutions company, the prices for access control and video monitoring equipment dropped significantly in Romania and, at present, even regular citizens can afford such a system. The products on the security market are developing extremely fast and the price of a product that is at the top in one moment can drop to half, during a period of six months.

The insurance companies in Romania are only just starting to focus on the monitoring equipment.

The security market in Romania is expected to increase in the next years.

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1.2 Main importer - distributors of security equipment in Romania

1.2.1 Avitech Co

Avitech provides integrated solutions for security, audio-video, electrical installations, intelligent houses, based on up-to-date professional equipment and technology. The company has the headquarters in Bucharest and technical support and service centres in Iasi, Cluj Napoca and Timisoara.

Avitech provides security equipment: video surveillance and monitoring, video-interphone, anti-theft systems, perimeter watch, access control and time keeping, fire detection systems, integrated security systems.

Some of the company's clients are: the Romanian Government, Romanian General Police Inspectorate, Chamber of Commerce and Industry of Romania, Romanian Aviation Academy, Timis Local Council, National Audio-Visual Council, Nuclear Power Station in Cernavoda, University of Bucharest, University of Agronomical Sciences and Veterinary Medicine, Polytechnic University of Bucharest, Academy of Economic Studies in Bucharest, Babes-Bolyai University in Cluj-Napoca, Vodafone, Orange, Petrom, Rompetrol, Hidroelectrica, Distrigaz, National Bank of Romania, Alpha Bank, Bancpost, Raiffeisen Bank, AIG, Alliantz-Tiriac, Intercontinental Hotel, Howard-Johnson Hotel Bucharest, Abbot Laboratories, Coca Cola, Colgate-Palmolive, Draxlmeier Automotive, Kraft Foods, McDonald's, Metro, Michelin Romania, Philip Morris, Renault, Siveco, Unilever, Heineken, Mobexpert, Unirea Shopping Center.

The financial data of Avitech Co for 2008:

- Turnover: 17.8 million EUR
- Net profit: 0.6 million EUR
- No of employees: 162

1.2.2 Secpral Com

Secpral Com distributes burglar alarm systems, fire alarm systems, access control systems, CCTV systems, car alarm systems, intercom systems, video-com systems, locking systems, perimeter detection systems, gate and door automation systems. The company is an authorised dealer of the DSC Group.

The financial data of Secpral Com for 2008:

- Turnover: 15.0 million EUR
- Net profit: 3.8 million EUR
- No of employees: 38

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1.2.3 General Security

General Security provides security systems for industrial, governmental or residential buildings. Some of the brands distributed by the company are: Teletek, Siemens, MTX, PCSC, Soyal, NUUO, Videomatix, Zavio, AVTECH, Wizmart etc.

The company has the headquarters in Cluj Napoca and offices in Brasov, Timisoara, Iasi and Bucharest.

The financial data of General Security for 2008:

- Turnover: 5.6 million EUR
- Net profit: 1.0 million EUR
- No of employees: 20

1.2.4 Comandor International

Comandor International imports and distributes security equipment, produced by Bentel, Kantech, Commax, Rosslare, Atsumi, AVS Electronics, DEA Systems, Fender Cables etc. The company has the headquarters in Timisoara and subsidiaries in Bucharest and Arad.

The company is part of the Comandor Group, together with the Comandor company, which designs, installs and monitors the security systems.

The financial data of Comandor International for 2008:

- Turnover: 3.2 million EUR
- Net profit: 0.4 million EUR
- No of employees: 24

1.2.5 Mac Douglas Grup

Mac Douglas Grup imports and distributes security equipment, mostly professional CCTV equipment: cameras, lenses, monitors, PTZ controllers, digital video recorders, storage equipment, visualization-control and network management software, video processors, power supplies, cables, accessories.

Some of the company's suppliers are: Pelco, Rainbow, CBC, Computar, Watec, GE, D-max, Kodicom, Kocom, Nadatel, Samyang, Ever-focus, AV-Tech, Yoko, TVS, Sunell, Beyonds, Evetar, Vido etc.

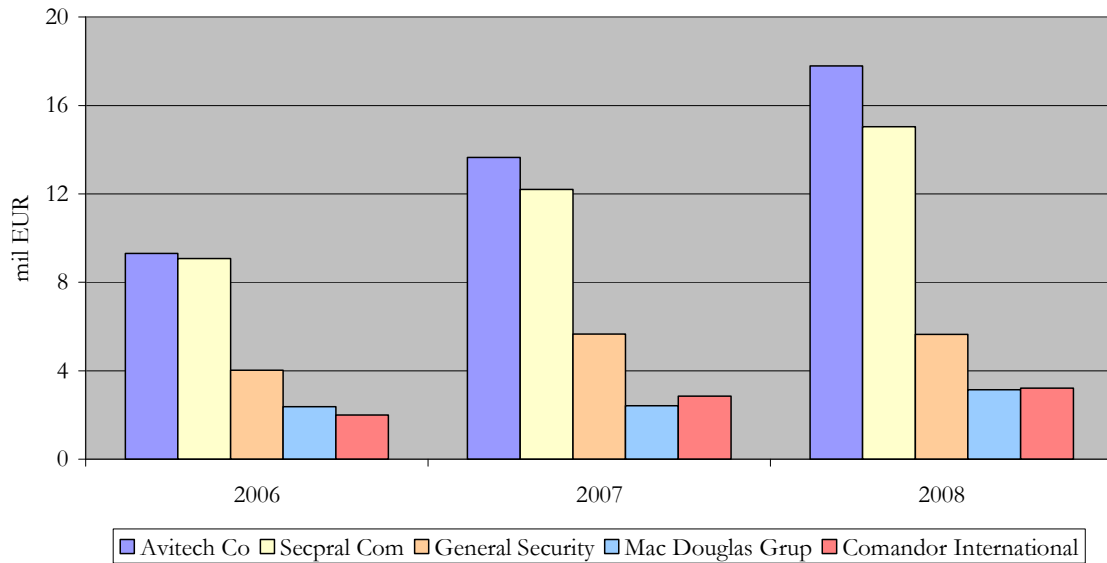
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The financial data of Mac Douglas Grup for 2008:

- Turnover: 3.1 million EUR
- Net profit: 0.7 million EUR
- No of employees: 9

The turnover dynamics of these five main distributors of security equipment in Romania, during the period 2006 - 2008, is presented below.

The turnover dynamics of five main distributors of security equipment in Romania



Source: Ministry of Public Finances

2. The Romanian market of CCTV equipment

2.1 Current situation of the Romanian market of CCTV equipment

The Romanian market of CCTV increased during the past years due to the need of increased security and fraud prevention in public spaces, commercial centres, banks, health centers or other locations. The impact of using the CCTV equipment has proved positive both for individuals and juridical entities in Romania.

The domestic market is characterised by a wide range of CCTV systems, their complexity depending on the component elements used.

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The majority of the importers and distributors of security systems on the domestic market have in their portfolio the entire range of security equipment (CCTV, video-interphone, anti-theft systems, fire detection systems, perimeter detection systems etc). Usually, the players that are specialised only in the import and distribution of CCTV equipment in Romania record lower yearly turnovers, of under one million EUR. Some examples of importer - distributors specialised on CCTV equipment are profiled in Chapter 2.3 below.

The domestic market of CCTV equipment is estimated to follow a growing trend in the short / medium term.

2.2 Main CCTV brands available in Romania

Some of the main brands of CCTV equipment, which are imported and distributed on the Romanian market are Avtech, JVC, Euro Video, Picaso, VIDO, Sharp, Sony etc.

2.3 Main importer - distributors specialised in CCTV equipment

2.3.1 Andatech Electrocom

Starting with 2004, Andatech Electrocom imports and distributes CCTV equipment - video surveillance cameras, DVR Stand Alone, accessories etc. The company covers the entire country.

The financial data of Andatech Electrocom for 2008:

- Turnover: 738 thousand EUR
- Net profit: 180 thousand EUR
- No of employees: n/a

2.3.2 Elsi Multimedia

The company was established through the merger of two companies: Digital Grup IDH and Cam Service. The company imports, distributes and installs CMOS video surveillance cameras, CCD video surveillance cameras, IP video surveillance cameras, speed domes, DVR stand alone, accessories and lens etc.

Some of the company's clients are: Agmus, Tess Conex, Vel Pitar, Iasitex, Marub, Teba Industries, Master Food Industries etc.

The financial data of Elsi Multimedia for 2008:

- Turnover: 190 thousand EUR

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- Net profit: 10 thousand EUR
- No of employees: 3

2.3.3 Accent GIP

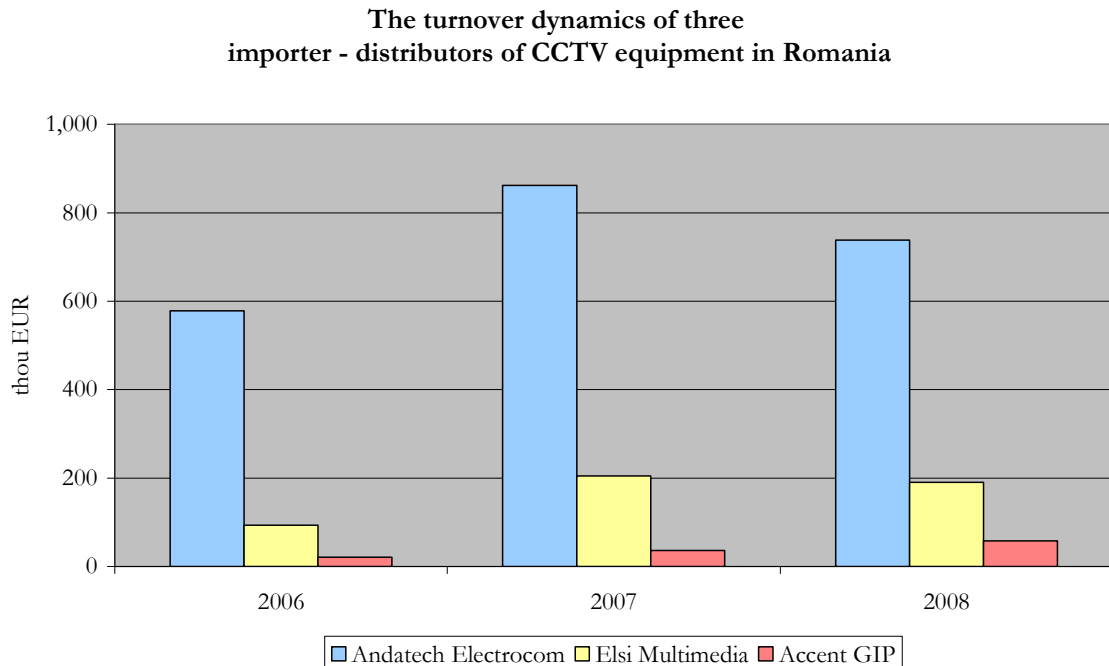
Accent GIP imports and distributes color CCD cameras, mini cameras, C/CS mount cameras, day and night cameras, waterproof cameras with IR LED, zoom cameras, varifocal lenses with manual iris and auto-iris, motorized zoom lenses, DVR boards, DVR Stand Alone etc.

The company imports CCTV equipment produced in Taiwan, China and Korea.

The financial data of Accent GIP for 2008:

- Turnover: 59 thousand EUR
- Net profit: 8 thousand EUR
- No of employees: 1

The turnover dynamics of these three importer - distributors of CCTV equipment, during the period 2006 - 2008, is presented below.



Source: Ministry of Public Finances

3. The Romanian market of the security services

3.1 Current situation of the Romanian market of the security services

According to the legislation in force, the specialised guard and protection companies in Romania operate on the basis of licenses issued by the General Inspectorate of the Romanian Police, for the following fields of activity: guard services for objectives, goods and valuables and consultancy services in the field; guard services for the transport of important goods and valuables and consultancy services in the field; specialised personal protection services, called bodyguard, and consultancy services in the field..

By April 2009, the Romanian Police had issued 850 licenses for companies providing security services.

According to the Romanian Police, there are over 3,800 specialists working in the field of security in Romania and over 30,000 customers with subscriptions at some 280 dispatchers operating in the country.

At present, there is a strong competition among the security companies in Romania.

3.2 Main providers of security services in Romania

3.2.1 G4S Security Services

G4S Security Services provides a full range of security services: security consulting, guarding of goods and values, dispatcher monitoring and intervention, specialised courses, evaluation of maritime and port security, drawing up security plans for port facilities, implementing the maritime and port security measures, GPS Tracking units used for vehicles and persons monitoring etc. The company is ISO 9001:2000 certified and performs its activity in over 160 localities in Romania.

G4S Security Services is part of a Group that also includes G4S Security Systems (provides design, installation and service of the security electronics systems, security consultancy, selling of security equipment) and G4S Cash Services (provides money transport and administration services, etc).

Financial data of G4S Security Services for 2008:

- Turnover: 31.4 million EUR
- Net profit: 2.0 million EUR
- No of employees: 4,710

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3.2.2 Securitas

The Swedish Group Securitas entered the Romanian market in 2007, through the acquisition of 55% stake in the Romanian company CPI Security Group.

The company provides specialised guarding, intervention and patrol, monitoring, design, installation, service of security systems, security consulting or escort services.

Securitas has offices in Bacau, Brasov, Bucharest, Cluj, Constanta, Craiova, Galati, Iasi, Oradea, Pitesti, Ploiesti, Timisoara.

Financial data of Securitas for 2008:

- Turnover: 19.1 million EUR
- Net profit: 1.2 million EUR
- No of employees: 2,924

3.2.3 Rosegur

Starting with September 2006, the company changed its name from Dragon Star to Rosegur. The company provides the following services: guarding of values, goods and individuals, monitoring and fast intervention, design, installation and service for electronic alarm systems, transport of cash or other valuable goods.

The company's monitoring service covers 110 localities in Romania, with 40 local dispatcher centres, 480 intervention agents and over 120 dispatchers. The services of design, installation and service of the alarm systems are performed by some 70 technicians and engineers organized into teams that cover the entire country.

Some of the company's clients are: BCR, Sensiblu, Generali Asigurari, Orange, Stanleybet.

Financial data of Rosegur for 2008:

- Turnover: 18.3 million EUR
- Net profit: 0.2 million EUR
- No of employees: 3,511

3.2.4 BGS Divizia de Securitate

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BGS Divizia de Securitate (BGS Security Division) is part of the BGS Group, together with BGS Divizia Medicala (BGS Medical Division) and BGS Divizia Dezastre si Calamitati (BGS Disasters and Calamities Division).

The company provides complex security services: guard, monitoring, intervention, design and installing of alarm systems, transport of goods and values, consulting.

Some of the company's clients are: KFC, Pizza Hut, Plaza Romania Mall, Mega Image, Cellini, Sephora, Orange, Oracle, Bog'art, Millenium Bank, Libra Bank, Citibank, Ardaf, Residential Park Baneasa, Coca-Cola, British American Tobacco, Antena 3, Medsana, Unirea Medical Center, Polisano Clinic, Marshal Turism, various schools and kindergartens in Bucharest.

Financial data of BGS Divizia de Securitate for 2008:

- Turnover: 18.1 million EUR
- Net profit: 5.4 million EUR
- No of employees: 2,606

3.2.5 Bidepa - Paza si Protectie

The company provides integrated and complex surveillance services: guard and protection, radio monitoring, monitored intervention, technical consultancy, design, installation and maintenance of surveillance systems, transport and protection of values, VIP protection.

Bidepa has a special training centre for guard agents. The company covers the country.

Some of the company's clients are: Banc Post, Butan Gas, Danone, Petrom, Agip, Orange.

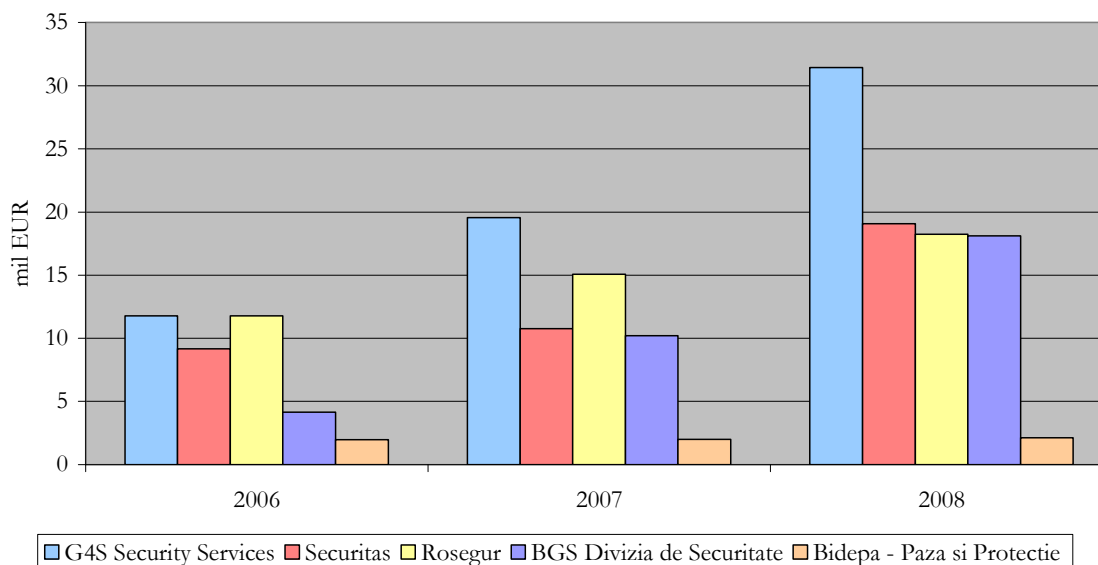
Financial data of Bidepa - Paza si Protectie for 2008:

- Turnover: 2.1 million EUR
- Net profit: 0.004 million EUR
- No of employees: 457

The turnover dynamics of these five main providers of security services in Romania, during the period 2006 - 2008, is presented below.

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The turnover dynamics of five main providers of security services in Romania



Source: Ministry of Public Finances

4. Legislation related to security in Romania

Law 333 / 2003 regarding the security of objectives, goods, valuables and the protection of individuals regulates the security activities in Romania.

This law stipulates: the types of security (guard with troops of gendarmes, guard with public guardians, guard and protection with specialised companies, bodyguard services); guard over the transport of important goods and valuables; alerting and protection technical systems to prevent burglary; selection, attestation, employment and equipping of guard personnel and bodyguards; attributions of guard personnel and bodyguards etc.

According to this law, the ministries and other specialised bodies of the central and local public administration, the autonomous state-owned companies, the national companies, the national research and development institutes, the private companies and other organisations that hold goods or valuables of any type, are obliged to ensure proper security. The individuals can do that by employing specialised guard and protection companies.

With the approval of the Police, the public or private entities can organise the watch in collaboration with the public guards, the personal guard or through the private security companies. In case organising a security system is not possible, the heads of the units are obliged to install enclosures, rails, shutters, secure locks, security lighting, alert systems or any other similar methods in order to provide watch and to secure the integrity of goods.

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The guard plan, elaborated by the unit whose goods or valuables are protected, with the approval of the Police, regulates: the characteristics of the objective under watch in the respective area, the number of the observation posts and their location, the personnel necessary for watch, the arrangements, the equipment and the technical resources for security and alert, the instruction for the observation posts, the communications and cooperation with other bodies involved in securing objectives, goods, valuables and the protection of individuals, the course of action in different circumstances.

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- product presentation and assessment of interest from clients / partners
- market opportunity assessment
- pre-M&A business support and research
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Sources for this report: business mass media, the companies, official sources

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