



MARKET AND INVESTMENT OPPORTUNITIES IN ROMANIA – Q4 2011

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Our services include:

- market research, investment opportunities assessment, sectorial studies, market briefs
- identification and qualification of B2B distributors, importers, suppliers etc.
- product presentation and assessment of interest from clients / partners
- pre-M&A business support and research
- identification of market opportunities: exports, sourcing, B2B sales etc.
- trade missions, business itineraries, inward buyer missions

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Sources consulted for this report: business mass media, the companies, official sources



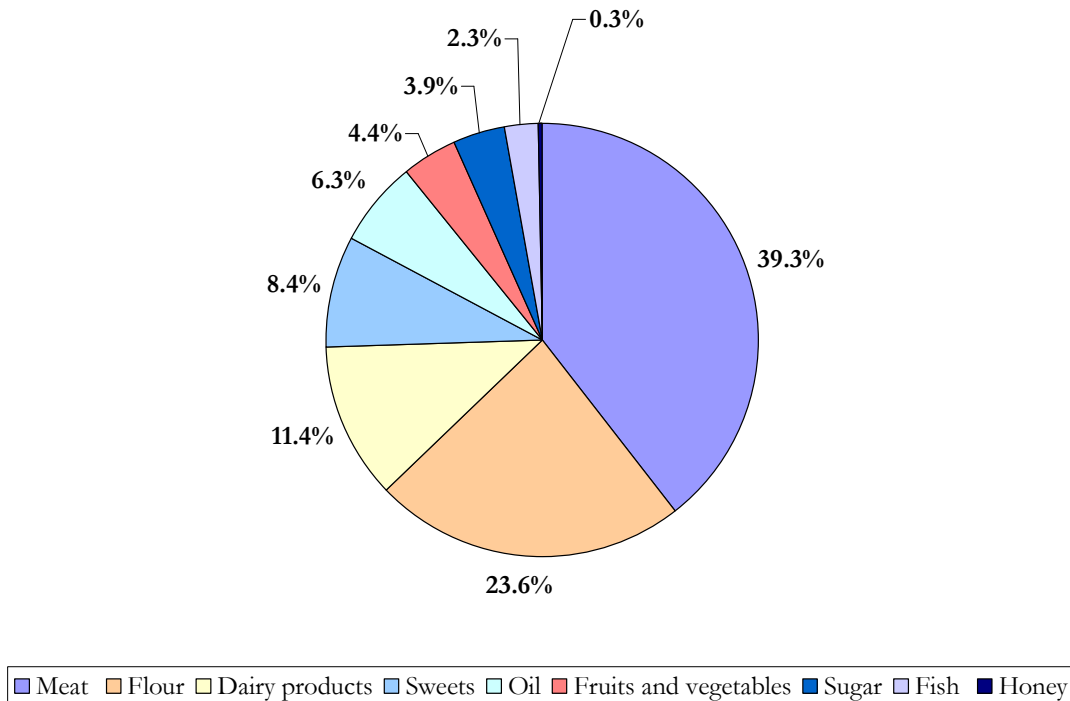
KEY SECTORS OF POTENTIAL OPPORTUNITY

- 1. FOOD AND BEVERAGES
- 2. RENEWABLE ENERGIES
- 3. FURNITURE
- 4. EU FUNDS

1. FOOD AND BEVERAGES

The Romanian total food market recorded some 4.5 billion EUR in 2010. The market size, by product types, is presented below.

Romanian food market size in 2010 in value, by products



Source: Romanian Center for Trade and Investment, National Institute of Statistics



1.1 PRODUCTION

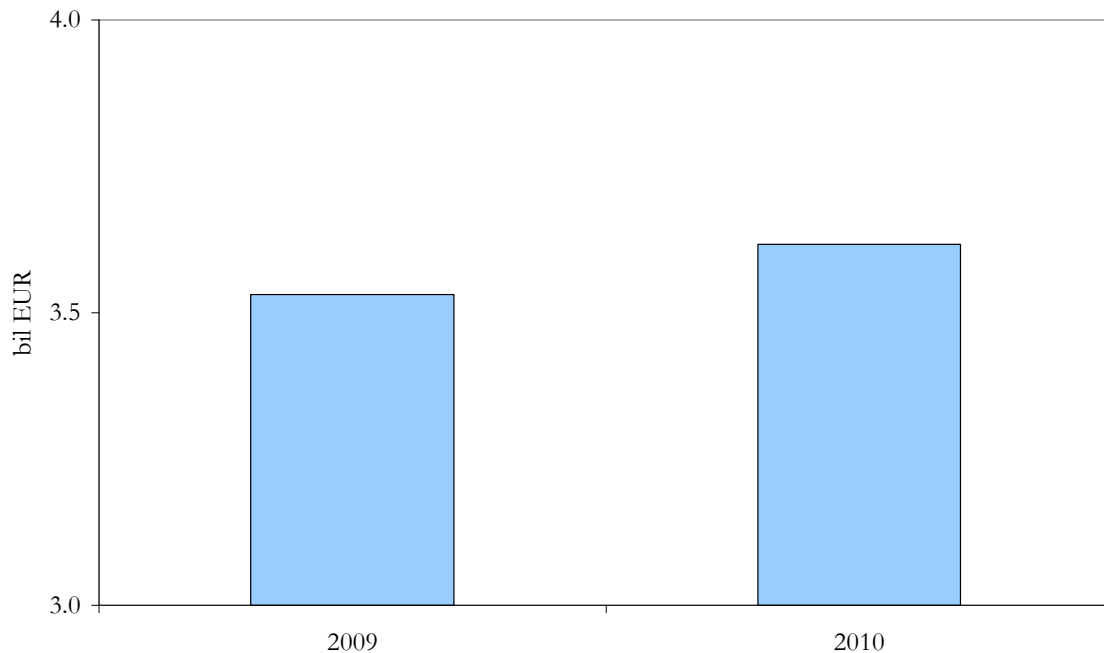
1.1.1 FOOD PRODUCTION

a) Sector brief

According to the National Institute of Statistics, the industrial output index (unadjusted series) for the manufacture of food products was of 124.1 in July 2011 (considering 2005 = 100).

The domestic food production recorded approx. 3.6 billion EUR in 2010, up by 2.4% compared to 2009.

Dynamics of food production in Romania - in value



Source: National Institute of Statistics

Romania continues to remain attractive for foreign food manufacturers. One example is the Greek producer Olympus that made an investment of over 55 million EUR for the construction of a new manufacturing plant near Brasov, launched in 2011 on a surface of 25,000 sqm.



According to the estimations of the Employers' Associations in the milling and baking industry in Romania, the total bread production in Romania registers some 2.16 million tonnes per year.

The industrial branch of food products manufacturing in Romania registered 149.4 thousand employees in July 2011, according to the National Institute of Statistics.

b) Opportunities: INGREDIENTS, RAW MATERIALS, BRANDS, EQUIPMENT, TOOLS, PACKAGING, QUALITY CONTROL, M&A

1.1.2 BEVERAGES PRODUCTION

a) Sector brief

According to the National Institute of Statistics, the industrial output index (unadjusted series) for the manufacture of beverages was of 137.9 in July 2011 (considering 2005 = 100).

Although the past months have proven challenging for both the soft and alcoholic drinks sectors, local producers continue investing in the bottled water segment in 2011, eyeing its longer term potential:

- Carpathian Springs, part of Valvis Holding, spent 12.5 million EUR on technologies for the production of the Aqua Carpatica brand, a new mineral water product.
- United Romanian Breweries Bereprod purchased two springs, which will be used to produce the Bilbor brand.
- Perla Covasnei announced at the beginning of 2010 an investment of five million EUR in a new factory of mineral water.

According to the Ministry of Agriculture and Rural Development, the wine production in Romania recorded 4.957.400 hectolitres in 2010.

The industrial branch of beverages manufacturing registered 19.1 thousand employees in July 2011, according to the National Institute of Statistics.

b) Opportunities: RAW MATERIALS, BRANDS, EQUIPMENT, TOOLS, QUALITY CONTROL, M&A



1.2 CONSUMPTION

1.2.1 FOOD CONSUMPTION

a) Sector brief

According to the Milling and Baking Industry Employers Association in Romania (Rompan), the annual bread consumption in Romania records 98 kg per capita. Romania has the biggest consumption of bread per capita in Europe.

The monthly consumption of pasta per capita in Romania records 2.5 kg.

According to Rompan, the consumption of pastry products recorded a continuous growing trend in the last period and the meat consumption doubled in the last ten years in Romania.

The meat consumption in Romania in 2010 is estimated at over one million tonnes, out of which 51% pork, 45% poultry and 4% beef.

Out of the total estimated consumption of dairy products in Romania, milk and cream represent 71%, cheese 27% and butter 2%.

According to data published by Business Monitor International, in the Food and Drink Business Environment Ratings (BER) table for Q4 2011, the forecasts (in local currency) are: 2011 per capita food consumption = +2.95%; forecast to 2015 = +25.77%.

b) Opportunities: INGREDIENTS, BRANDS, QUALITY CONTROL, RETAIL

1.2.1 BEVERAGES CONSUMPTION

a) Sector brief

According to the Wine Inter-Professional National Organisation, Romania targets an annual wine consumption of 37 litres per capita until 2014. The current wine consumption per year in Romania is of approx. 22 litres per capita.

According to Romanian Brewers' Association, the beer consumption in Romanian in the first six months of 2011 recorded eight million hectolitres, a similar level with the one registered the first half of 2010. The Romanian beer market is estimated at some two billion EUR per year.

b) Opportunities: BRANDS, QUALITY CONTROL, RETAIL



1.3 RETAIL

1.3.1 FOOD RETAIL

a) Sector brief

According to the National Institute of Statistics, the sale of food products in Romania registered an increase by approx. 3% in July 2011 compared to June 2011.

Big players on the retail market, such as Kaufland, Carrefour, Cora or Lidl, relied on the Romanian market in 2011, by investing in expansion:

- Lidl opened 11 stores in October 2011 and has in construction another 17 units. At present, the expansion strategy targets cities with over 30,000 inhabitants.
- Kaufland will open at least four new stores by the end of 2011, reaching almost 70 units at the national level.
- Carrefour opened in October 2011 its eighth supermarket in Bucharest. At national level, Carrefour has 39 supermarkets and 23 hypermarkets.
- Cora plans to open 20 - 25 stores by 2015 in Romania.

According to data published by BMI, in the Food and Drink Business Environment Ratings (BER) table for Q4 2011, Romania continued improving its matrix position, as a result of a more optimistic economic outlook for the country. The forecasts (in local currency) are: 2011 mass grocery retail = +7.29%; forecast to 2015 = +52.14%

A Romanian will spend almost 116 EUR per month on average for food in 2015, from less than 80 EUR in 2010, according to calculations based on data published by Euromonitor.

b) Opportunities: BRANDS, REFRIGERATION, LOGISTICS, DISTRIBUTION

1.3.2 BEVERAGES RETAIL

a) Sector brief

According to data published by Business Monitor International, the forecasts (in local currency) are:

- 2011 alcoholic drinks sales = +4.24%; forecast to 2015 = +23.05%
- 2011 soft drinks sales = +4.95%; forecast to 2015 = +27.31%

b) Opportunities: BRANDS, MERCHANDISING, QUALITY CONTROL, REFRIGERATION, LOGISTICS, DISTRIBUTION, M&A

1.4 IMPORTS & EXPORTS

1.4.1 FOOD IMPORTS & EXPORTS

a) Sector brief

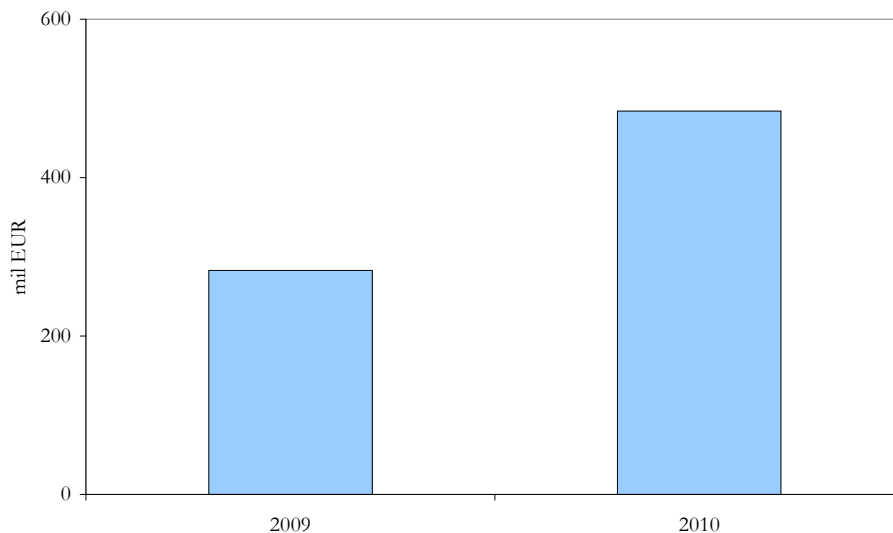
According to the National Institute of Statistics, during the period January – May 2011, the imports CIF of food products in Romania, according to classification of products by activities, recorded 1,094.3 million EUR and the exports FOB of food products registered 444.6 million EUR.

In 2010, the food imports had a share of 3.19% % in the total Romanian imports.

In the first five months of 2011 compared to the same period of 2010, the export value of the food products registered an increase of 60.8% in Romania, according to the National Institute of Statistics.

In 2010, the Romanian food exports recorded an increase in value by 71% compared to the previous year. The food exports had a share of 1.34% in the total Romanian exports.

Dynamics of Romanian food exports - in value



Source: Romanian Center for Trade and Investments

b) Opportunities: BRANDS, LOGISTICS, EQUIPMENT, QUALITY CONTROL



1.4.2 BEVERAGES IMPORTS & EXPORTS

a) Sector brief

According to the National Institute of Statistics, during the period January – May 2011, the imports CIF of beverages in Romania, according to classification of products by activities, recorded 75.3 million EUR, and the exports FOB of beverages registered 34.1 million EUR.

In May 2011, the import value of beverages in Romania recorded an increase of 49.6% compared to May 2010, according to the National Institute of Statistics.

b) Opportunities: BRANDS, LOGISTICS, EQUIPMENT, QUALITY CONTROL

1.5 STORAGE AND LOGISTICS

a) Sector brief

The trend in the food storage and logistics sectors in Romania is represented by new modern and efficient warehouses.

The logistics companies in Romania recovered from the crisis that affected the market in the past years and announce new investments in expanding for the next period.

One of the main warehouses in Romania is Europolis Logistics Park, owned by CA Immo. The park is located near Bucharest, on a surface of 215,000 smq. Some of the park's tenants are Macromex, Carrefour and FM Logistic. The logistics park's occupancy rate is of 82 – 86%.

b) Opportunities: EQUIPMENT, TOOLS, PACKAGING, REFRIGERATION, SECURITY, TECHNOLOGY

2. RENEWABLE ENERGIES

2.1 WIND POWER

a) Sector brief

Romania has the highest wind potential in South Eastern Europe. A study by Erste Bank places Romania and especially the Dobrogea Region with Constanta and Tulcea counties as the second best place in Europe to construct wind farms due to the large wind potential.



Romania is set to significantly expand its wind energy capacity over the coming years. According to Transelectrica, currently Romania has a wind power installed capacity of 582 MW. The European Wind Energy Association predicts that this level will rise to 3,500 MW onshore wind power.

The development of the wind farms is a fundamental element in the Romania's effort to reach its renewable energy commitment to the European Union. The wind power is expected to increase Romania's energy security and independence, to help expand and modernise the country's energy infrastructure leading to less pollution, new opportunities for green jobs and investment.

One significant player on the wind market in Romania is GE Energy that announced at the beginning of 2011 a collaboration with the developer of wind farms Monsson Alba for two new projects which will add 35 MW of wind energy to the national grid.

According to Transelectrica, 771,246 green certificates were issued for wind energy in the first nine months of 2011 in Romania.

b) Opportunities: CONSULTING, EXPERTISE, GREEN CERTIFICATES, TECHNOLOGY, EQUIPMENT, TOOLS, AUTOMATION, KNOW HOW

2.2 HYDROPOWER

a) Sector brief

Romania has an estimated total usable hydropower of 36,000 GWh per year. For Romania, the hydro potential represents a durable alternative for the development of the energy sector.

Although small hydropower is not so wide spread in Romania, it is hoped that this will change in the near future. About 5,000 possible locations for small and micro hydropower plants were identified in Romania.

Hidroelectrica has a key role on the Romanian energy market, with an average output of over 17 TWh in a hydrological year, generated in its subsidiaries strategically located all over the country. The Hidroelectrica's investments in order to upgrade its hydro-power capacity and to achieve new targets of national interest are estimated at approx. 397 million EUR in 2011.



According to Transelectrica, 142,185 green certificates were issued for hydro energy in the first nine months of 2011 in Romania.

b) Opportunities: CONSULTING, EXPERTISE, GREEN CERTIFICATES, TECHNOLOGY, EQUIPMENT, TOOLS, AUTOMATION, KNOW HOW

2.3 SOLAR & PHOTOVOLTAIC POWER

a) Sector brief

The most abundant solar resources in Romania are located in the southern part of the country and the Dobrogea area.

Renovatio Solar, part of the Renovatio Group, developed, built and is currently operating a 1 MW photovoltaic park in Romania, located in the Giurgiu county. The company develops photovoltaic projects, manufactured photovoltaic panels, offers EPC services and turn key photovoltaic solutions.

According to Transelectrica, 1,068 green certificates were issued for solar energy in the first nine months of 2011 in Romania.

b) Opportunities: CONSULTING, EXPERTISE, GREEN CERTIFICATES, TECHNOLOGY, EQUIPMENT, TOOLS, AUTOMATION, KNOW HOW

2.4 BIOENERGY

a) Sector brief

Romania has a huge potential for bioenergy, both from the forestry and the agriculture. The total area of forests in Romania is of some 6.4 million hectares, out of which 60% is in the mountains. The total volume of wood in the Romanian forests is of about 1.6 billion m³. Also, Romania has about 14.7 million hectares of agricultural land, out of which 9.4 million hectares of arable land. The residues from agricultural crops could be entirely utilised as fuel.

The opportunities for the biomass utilisation were developed in the last few years as Romania adopted the legislative framework for promoting renewable sources.

According to Transelectrica, 134,837 green certificates were issued for biomass energy in the first nine months of 2011 in Romania.



b) Opportunities: CONSULTING, EXPERTISE, GREEN CERTIFICATES, TECHNOLOGY, EQUIPMENT, TOOLS, AUTOMATION, KNOW HOW

2.5 COGENERATION

a) Sector brief

A significant project in the cogeneration sector in Romania is performed by Greenenvironment. The company installs a 200 kW Capstone micro-turbine for natural gas, including other additional components as part of a cogeneration system at the Medias hospital. The project is scheduled for completion at the end of 2011. The cogeneration system is planned to serve a dual purpose of supplying electricity and heat to the facility that has around 335 beds.

The chemical producer Chimcomplex invested 10 million EUR, out of which a credit of 2.5 EUR through the Energy Efficiency Finance Facility (EEFF), for the replacing of grid-based power and a conventional steam boiler with a cogeneration unit and a heat recovery boiler.

b) Opportunities: CONSULTING, EXPERTISE, GREEN CERTIFICATES, TECHNOLOGY, EQUIPMENT, TOOLS, AUTOMATION, KNOW HOW

3. FURNITURE

3.1 FURNITURE PRODUCTION

a) Sector brief

According to the Romanian Association of Furniture Manufacturers, the furniture production in Romania reached 789 million EUR in the first five months of 2011.

The wood processing and furniture manufacturing is a main sector of activity in the north-western, north-eastern and central regions of Romania.

The strong points of the Romanian furniture producers are:

- availability of resources
- low labor costs
- high level of technical qualifications



The main groups of furniture produced in Romania are: living room furniture, bedroom furniture, kitchen furniture, upholstered furniture, mattresses, sofas, small furniture, tables and chairs, bookcases, office furniture. The Romanian wood furniture production relies mainly on solid wood, plywood, wood panels, MDF and wood veneer.

b) Opportunities: RESOURCES, TECHNOLOGY, TOOLS, MATERIALS, BRANDS, QUALITY CONTROL

3.2 FURNITURE RETAIL

a) Sector brief

The furniture sales in Romania registered 347.9 million EUR in the first five months of 2011.

One significant furniture retailer on the domestic market is Ikea, which operates a store located in the northern area of Bucharest (Baneasa). The company plans to open a new store in Romania and targets cities with over 300,000 inhabitants, such as Timisoara, Iasi, Cluj, Constanta, but also Bucharest.

Retailers are optimistic about the trend of the local market demand for both imported and locally produced furniture, for the next period.

b) Opportunities: BRANDS, MATERIALS, QUALITY CONTROL, STORAGE

3.3. EXPORTS

a) Sector brief

According to the Romanian Association of Furniture Manufacturers (APMR), in 2010, the furniture exports reached an historic maximum of approx. 1.2 billion EUR. The yearly growth was of 13.6% and the main export markets have been Germany, France and Italy

In the first five months of 2011, the Romanian exports of furniture registered 572.5 million EUR, this representing an increase by 18% compared to the same period of 2010.

The Romanian products preferred on the foreign markets include: modern furniture, style-art furniture, hardwood furniture, upholstered chairs or small furniture. The main export markets are Germany, France and Italy.



According to the Romanian Center for Trade and Investment, the share of furniture exports in the total Romanian exports was of 3.45% in 2010

b) Opportunities: BRANDS, MATERIALS, QUALITY CONTROL, STORAGE

4. EU FUNDS

a) Sector brief

One example of EU Fund that can be accessed in Romania is the European Agricultural Fund for Rural Development (EAFRD). The fund is accessed through the National Rural Development Programme. The programme finances agriculture projects in Romania until 2013 and has the following priority axes:

- Axis 1: Improving the competitiveness of the agricultural and forestry sector
- Axis 2: Improving the environment and the countryside
- Axis 3: Quality of life in rural areas and diversification of the rural economy
- Axis 4: LEADER

By 16 September 2011, within the National Rural Development Programme in Romania, 95,254 projects with the public value of over 15 billion EUR have been submitted, out of which 47,697 projects with the public value of nearly 4.5 billion have been selected. The payments made by 16 September 2011, within the National Rural Development Programme in Romania, have registered over 2.5 billion EUR.

Examples of opened tenders in Q4 2011 in Romania:

- *Support for access to new markets and internationalisation* - Operational Programme Increase of Economic Competitiveness, Priority Axis 1, Key Area of Intervention 1.1, Operation 1.1.3; tender launching date: 26.08.2011; submission deadline: 26.11.2011; budget of the call: 85.5 million RON
- *Supporting the connection of schools to Internet through broadband connections* - Operational Programme Increase of Economic Competitiveness, Priority Axis 3, Key Area of Intervention 1, Operation 3.1.4; tender launching date: 21.09.2011; submission deadline: 15.11.2011
- *Organising events to promote operations within the Priority Axis 4, training the beneficiaries of the financing contracts and purchasing promotional products* - Operational Programme



- Technical Assistance; tender launching date: 19.09.2011; submission deadline: 12.11.2011.
- *Services to perform a media campaign to promote the Regional Operational Programme and its results in the printed press and internet* - Operational Programme Technical Assistance; tender launching date: 23.09.2011; submission deadline: 03.11.2011.
 - *Support for the Management Authority of the Sectoral Operational Programme Human Resources Development for performing management verifications of the operations financed through the Programme* - Sectoral Operational Programme Human Resources Development, Priority Axis 7, Key Area of Intervention 7.1; tender launching date: 09.09.2011; submission deadline: 27.10.2011; estimated budget of the call: 38,196,460.80 RON.
 - *Support for the Management Authority of the Sectoral Operational Programme Human Resources Development and Intermediary Bodies for implementing the informing and advertising activities* - Sectoral Operational Programme Human Resources Development, Priority Axis 7, Key Area of Intervention 7.2; tender launching date: 08.09.2011; submission deadline: 21.10.2011; estimated budget of the call: 10,816,400 RON
 - *Organising the second meeting of the Monitoring Committee of the Sectoral Operational Programme Transport for 2011* - Sectoral Operational Programme Transport; tender launching date: 17.10.2011; submission deadline: 24.10.2011; estimated budget of the call: 75,034 RON (without VAT)
 - *First session of calls for the Sub-measure 125c - Construction, rehabilitation and modernisation of infrastructure for flood prevention and protection* - National Rural Development Programme; tender launching date: 01.09.2011; submission deadline: 31.10.2011
 - *Third session of calls for the Measure 221 - First afforestation of agricultural land* - National Rural Development Programme; tender launching date: 01.09.2011; submission deadline: 30.09.2011

b) Opportunities: CONSULTING, EXPERTISE, INVESTMENT

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