

THE MINERAL BOTTLED WATER SECTOR IN ROMANIA - 2016

a DEMO sector brief by
FRD Center





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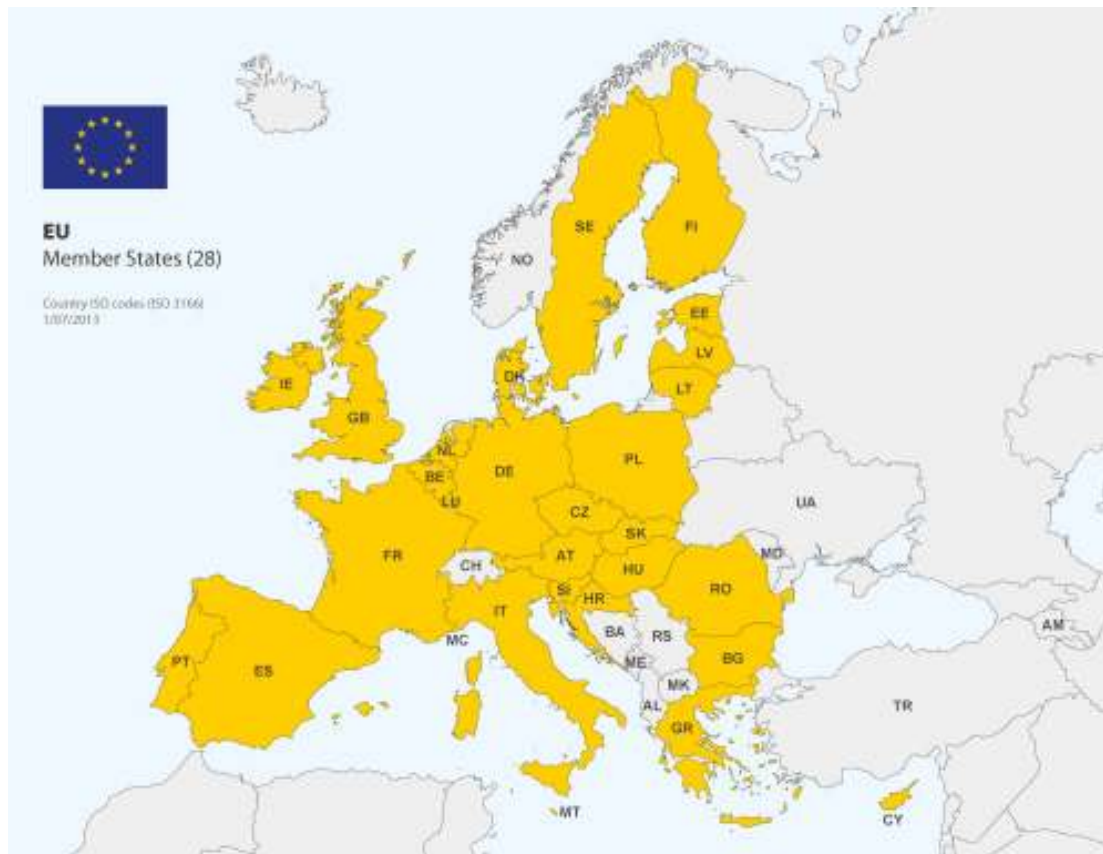
Sources consulted for this report: business mass media, the companies, official sources

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1. General presentation of Romania

A EU member since 2007, Romania is one of the most dynamic markets in Eastern Europe.



In 2015 compared to 2014, the GDP in Romania has registered an increase of 3.7%. For 2016, the Romanian GDP is forecast to grow by 4 - 4.2%.

According to the official provisional and revised data from the National Bank of Romania, the foreign direct investment (FDI) in Romania in 2015 was up by 25% compared to 2014, reaching 3,035 million EUR.

In regards to sales of food, beverages and tobacco, the market demand increased by over 19% in Romania in 2015 compared to 2014.

In 2016, the Romanian purchasing power continues to grow and it is expected to drive higher volume sales of food and beverages. In December 2015, the net nominal average salary has increased by 13.3% compared to December 2014. Starting with 1 May 2016, the minimum gross salary at the national level will increase from 1,050 RON to 1,250 RON (+19%); 1 EUR = approx. 4.5 RON.

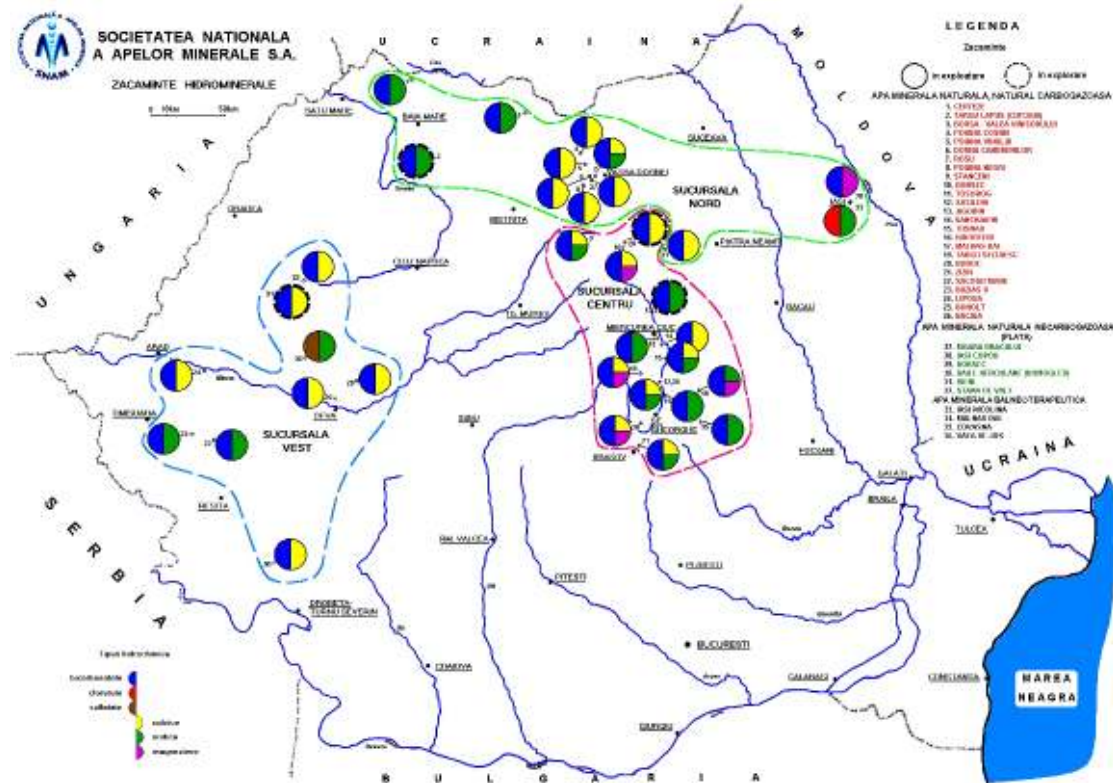
2. Mineral water resources in Romania

According to market players, Romania holds approximately 60% of the mineral water resources in Europe. However, the mineral water resource in Romania is insufficiently exploited at present.

According to representatives of the National Company of Mineral Waters, Romania is able to provide the necessary amount of mineral water to European countries uninterruptedly for a period of 25 years, in terms of the mineral water potential existing in the country's soil and good quality water.

Due to its geologic soil structure, Romania has huge resources of mineral water, gathered in approximately 2,000 springs, some of them in exploitation and other still being explored. The springs are geographically distributed mainly in the Northern, Centre and Western regions of the county.

The hydro-mineral resources in Romania are shown in the map below:



Source: The National Company of Mineral Waters

The National Company of Mineral Waters exploits, based on concession licenses, 32 perimeters for the extraction of the natural mineral water and the extraction of the natural carbon dioxide used for balneary and liquefaction. Furthermore, the National Company has 10 concession licenses for exploration.

The specifics of springs in Romania are as follows:

- Northern region: sodium bicarbonated mineral waters, calcium bicarbonated mineral waters, magnesium non-carbonated mineral waters and chloride-sodium mineral waters
- Western region: calcium bicarbonated and non-carbonated mineral waters, sodium bicarbonated mineral waters and sulfate-sodium mineral waters
- Central region: calcium-magnesium bicarbonated mineral waters, calcium-sodium bicarbonated mineral waters, sodium bicarbonated mineral waters

Each mineral water spring in Romania has a distinct and consistent mineral content, varying from 50 mg/litre to over 1,500 mg/litre.

The development strategy of the National Company of Mineral Waters and the Law for the valorisation and protection of the natural mineral water for consumption and balneotherapy will create the legislative framework to ensure the safety of exploitation, valorisation and protection of the hydro-mineral reserves, to promote the durable development and to ensure the conditions for a proper cooperation between the owner of the reserves (Romanian State) and the bottlers and distributors of the natural mineral waters for consumption and balneotherapy.

Out of the reserves of the natural mineral waters for consumption and balneotherapy in the areas under concession by the National Company of Mineral Waters, on average, only some 40% are valorised.

One of the strategic goals of the National Company of Mineral Waters is the development and modernisation of the exploitation and valorisation technologies of the natural mineral waters for consumption and balneotherapy.

According to the Strategy of the National Company of Mineral Waters 2016 - 2020, the production dynamics of the natural mineral water in Romania, bottled from sources managed by the National Company of Mineral Waters (SNAM) is shown below.

Production of natural mineral water bottled from sources managed by SNAM	2010	2011	2012	2013	2014	2015	2016e	2017e	2018e	2019e	2020e
million litres	1,006	897	883	898	960	998	1,050	1,095	1,100	1,150	1,250

Source: Strategy of National Company of Mineral Waters 2016 - 2020



The National Agency for Mineral Resources is the competent body managing, on behalf of the Romanian State, the mineral resources of the country. The Agency organises tenders for obtaining licenses to prospect water springs and issues water sources drilling and exploiting permits.

3. The bottled water sector in Romania

The National Company of Mineral Waters, controlled by the Ministry of Economy, exploits approximately 75% of the total exploiting springs in Romania. The National Company exploits mineral water and sells it to approximately 20 domestic bottling companies. So far, the National Company of Mineral Waters has not bottled mineral water as it does not have own bottling facilities.

The National Company of Mineral Waters pays royalty of 4 EUR / 1,000 litres to the National Agency for Mineral Resources.

The National Mineral Water Company sells water to 20 bottling companies for nearly one eurocent per litre, and consumers buy mineral water at around 33 eurocents per litre. The price for which water is sold to bottling companies includes the expenses incurred with research, testing, salaries, the maintenance of water sources, royalties, protection of sources. An average 12.3% profit margin adds to all this.

3.1. Main local producers

Major bottlers of mineral water in Romania are: Romaqua Group, Rio Bucovina, Coca-Cola HBC Romania, European Drinks, Carpathian Springs, Perla Harghitei, Azuga Waters, Apemin Zizin, Perla Covasnei, Apemin Tusnad etc. Five of them are briefly profiled below.



Romaqua Group

Company name:	Romaqua Group SA
Address:	Str. Carpati 46, Borsec, Harghita county
Phone:	+40266 337004
Web:	www.romaqua-group.ro



Email: office@romaqua-group.ro
Year of establishment: 1999
Ownership: Romanian private capital

Romaqua Group produces the following brands of bottled water: Borsec, Stanceni and Aquatique. Borsec is a Romanian brand known throughout the world - it is the company's best known brand of bottled water and accounts for most of its sales. Furthermore, Romaqua Group produces soft drinks, beer and coffee.

According to Euromonitor, Romaqua Group is the leader of the water sales in Romania, with a 33% off-trade value share in 2015. In off-trade volume terms, Romaqua Group has held a share of 25% with a total of 308 million litres sold in 2015.

Romaqua Group has a distribution network and an extensive chain of partnerships, covering the entire territory of Romania.

Romaqua Group has recorded a net turnover of approximately 126 million EUR in 2014. The company has approximately 1,900 employees.



Rio Bucovina

Company name: Rio Bucovina SRL
Address: Sos. Chitilei 3, Bucharest
Phone: +4021 6674216
Web: www.rio-bucovina.ro
Email: office@rio-bucovina.ro
Year of establishment: 2006
Ownership: Maspex Wadowice Poland

Rio Bucovina is the second largest producer of bottled water in terms of volume sales in Romania. The company produces the following brands of bottled water: Bucovina, La Vitta and Malibu. Furthermore, it produces soft drinks and tonic drinks and imports and distributes food products.

According to AC Nielsen, based on data for the period April - March 2015, Rio Bucovina has a market share of almost 10% of the Romanian bottled water.

Rio Bucovina distributes its products in the entire country. Some of its main clients are: Cora, Kaufland, Lidl, Carrefour, Mega Image, Profi, Billa, Auchan, REWE, Metro or Selgros.

Rio Bucovina has reached a net turnover of approximately 34 million EUR in 2014. It has over 600 employees. Rio Bucovina has been acquired by the Polish Group Maspex Wadowice in 2015.



Coca-Cola HBC Romania

Company name:	Coca-Cola HBC Romania SRL
Address:	Sos. Bucuresti Nord 10, Voluntari, Ilfov county
Phone:	+40800 080880
Web:	www.coca-colahellenic.ro
Email:	relatiiclienti@cchellenic.com
Year of establishment:	1991
Ownership:	Coca-Cola Group

Coca-Cola is the leader of the soft drinks market in Romania. It produces in Romania soft drinks, bottled water (the brands Dorna, Dorna Izvorul Alb and Poiana Negri), tea and coffee. Coca-Cola has three bottling plants in Romania, located in Ploiesti, Timisoara and Poiana Negri. The Poiana Negri plant has the capacity to produce 100,000 bottles of water per hour (the Dorna, Izvorul Alb and Poiana Negri brands).

Coca-Cola has 14 warehouses and distribution centres in Romania and covers the entire country.

Coca-Cola HBC Romania has registered a net turnover of approximately 412 million EUR in 2014. The company has approximately 1,700 employees.



EUROPEAN DRINKS

European Drinks

Company name:	European Drinks SA
Address:	Str. Libertatii 14-16, Oradea, Bihor county
Phone:	+40259 402404
Web:	www.europeandrinks.ro
Email:	marketing@europeandrinks.ro
Year of establishment:	1993
Ownership:	Mr. Ioan Micula and Mr. Viorel Micula

European Drinks produces the brands of bottled water Izvorul Minunilor and Hera. Furthermore, it produces soft drinks and tonic drinks.

European Drinks has a distribution network that covers the entire Romanian territory. Also, the company exports its products to Poland, the Czech Republic, Slovakia, Hungary and Republic of Moldova.

European Drinks has recorded a net turnover of approximately 66 million EUR in 2014. The company has over 700 employees.



Perla Harghitei

Company name:	Perla Harghitei SA
Address:	Str. Garii 600, Sanraieni, Harghita county
Phone:	+40372 772222
Web:	www.perlaharghitei.ro



Email: office@perlaharghitei.ro
Year of establishment: 1990
Ownership: Romanian private capital (employees)

Perla Harghitei produces the following brands of bottled water: Perla Harghitei, Tiva Harghita and Cristalina. Furthermore, it produces soft drinks.

The source of Perla Harghitei mineral water is in Sanraieni (Harghita county). The region, called Lower Ciuc, is rich in mineral water sources, with over 80 springs and wells only around the Sanraieni village.

Perla Harghitei has registered a net turnover of approximately 15 million EUR in 2014. It has a team of over 300 employees.

3.2. Recent investments

One of the biggest events on the Romanian bottled water in 2015 has been the acquisition of the domestic producer Rio Bucovina by the Polish Group Maspex Wadowice. The transaction includes the acquisition of three manufacturing facilities located in Vatra Dornei, Timisoara and Giurgiu. Maspex Wadowice is one of the largest Polish investors in Romania – it has a strong position in the segment of instant products with La Festa and Ekland brands, on the market of juices, nectars and drinks with Tedi and Tymbark brands and in the category of crackers and pretzels with Salatini brand.

In the recent years, the domestic producer of bottled water Romaqua Group has invested over 200 million EUR in new technologies and equipment.

The National Company of Mineral Waters has announced its intention to acquire itself mineral water bottling factories and as a result, besides exploiting mineral water, to perform also bottling activities in order to export the water to the Middle Eastern countries.

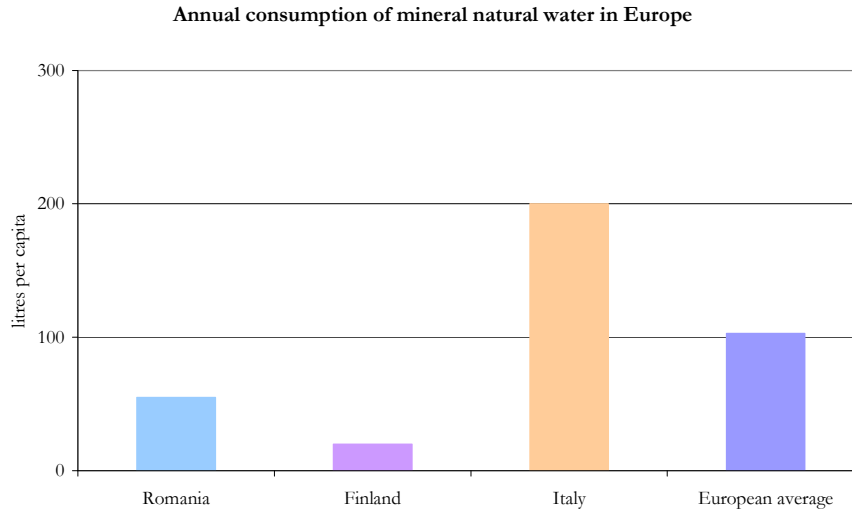
3.3. Local demand: quantities, value, trends

Romania is a market with growing potential for bottled mineral water consumption.

According to representatives of the National Company of Mineral Waters, the annual consumption of mineral natural water in Romania is estimated at 50 - 60 litres per capita, compared to the European average of around 100 - 105 litres per capita.



As shown below, the annual consumption of mineral natural water in Romania is higher compared to Finland but lower compared to Italy.



Source: National Company of Mineral Waters - press reports

The demand of bottled water in Romania is forecasted to grow in the next years. The consumer base is not expected to change but the change in consumer habits is forecast to contribute to higher volume sales. Furthermore, the perception of the products as being healthier for the consumers is expected to increase the annual growth rates in the next years.

Starting with June 2015, the VAT for food and non-alcoholic beverages in Romania has been reduced from 24% to 9%. This Government measure has a positive impact on the volume consumption of the bottled water on the domestic market.

The bottled water in Romania is mainly consumed in the urban areas, where the population has a tendency to rely less on the tap water. In the rural regions, the mineral or spring bottled water records a lower demand due to the low available budgets and the fact that the population drinks fresh tap and well water.

Main brands of mineral bottled water in Romania are: Borsec (produced by Romaqua Group), Dorna (produced by Coca-Cola), Bucovina (produced by Rio Bucovina), Perla Harghitei (produced by Perla Harghitei), Izvorul Minunilor (produced by European Drinks), Aqua Carpatica (produced by Carpathian Springs), Tusnad (produced by Apemin Tusnad) etc.



The Romanian consumers prefer the domestic brands of natural mineral water, due to their reputation and competitive price compared to the imported brands. In regards, to the bottled water packaging, the most popular format in Romania is the 2-litres PET.

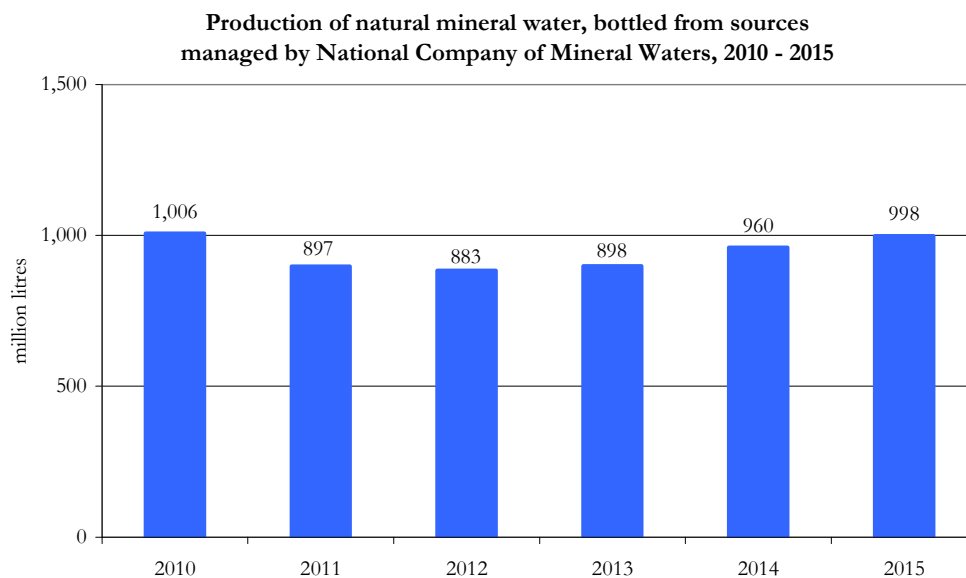
The Romanians select the type of water based on various criteria: price, taste, brand, chemical composition, doctor's advice etc.

The retail channels selling bottled water in Romania are dominated by supermarkets and hypermarkets, some of which have private label bottled water. The international retail chains operating in Romania are: Auchan, Billa, Carrefour, Cora, Kaufland, Lidl, Mega Image, Metro Cash & Carry, Penny, Profi, Real, Selgros Cash & Carry and XXL Mega Discount.

3.4. Local output: quantities, value, trends

According to press reports based on declarations from representatives of the National Company of Mineral Waters in March 2016, the natural mineral water production of the National Company of Mineral Waters has registered 920 million litres in 2015.

According to the Strategy of the National Company of Mineral Waters 2016 - 2020, the production of natural mineral water in Romania, bottled from sources managed by the National Company of Mineral Waters was expected to record 998 million litres in 2015, which would have been 4% higher than 2014. The production dynamics during the period 2010 - 2015 is shown below.

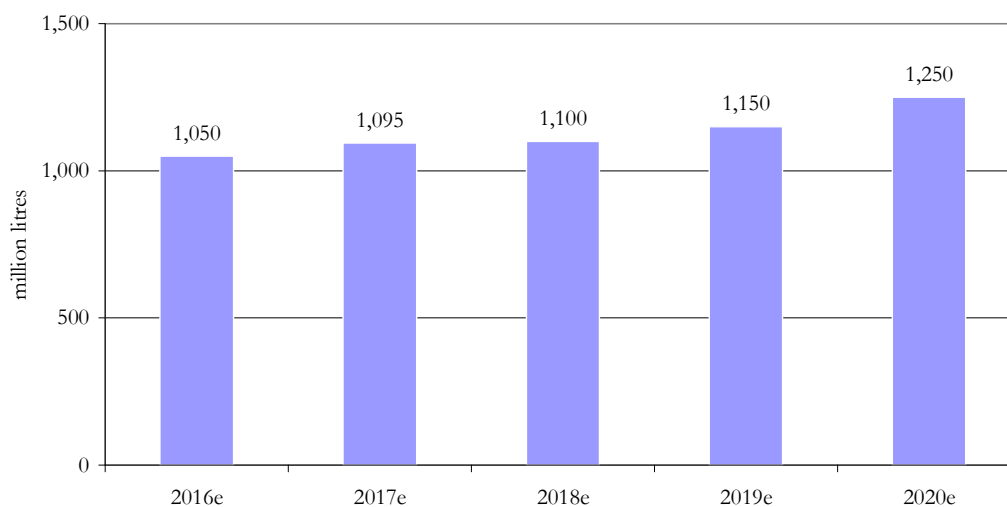


Source: Strategy of National Company of Mineral Waters 2016 - 2020

The National Company of Mineral Waters has recorded a net turnover of approximately 6.4 million EUR in 2014.

According to the Strategy of the National Company of Mineral Waters 2016 - 2020, the production of natural mineral water in Romania, bottled from sources managed by the National Company of Mineral Waters, is forecast to record y/y increases in the next years and to reach approximately 1,250 million litres in 2020.

**Forecasted production of natural mineral water,
bottled from sources managed by National Company of Mineral Waters**



Source: Strategy of National Company of Mineral Waters 2016 - 2020

4. Exports of bottled water from Romania

4.1. Quantities and value

According to representatives of the National Company of Mineral Waters, Romania currently exports a low volume of bottled water, well below its potential.

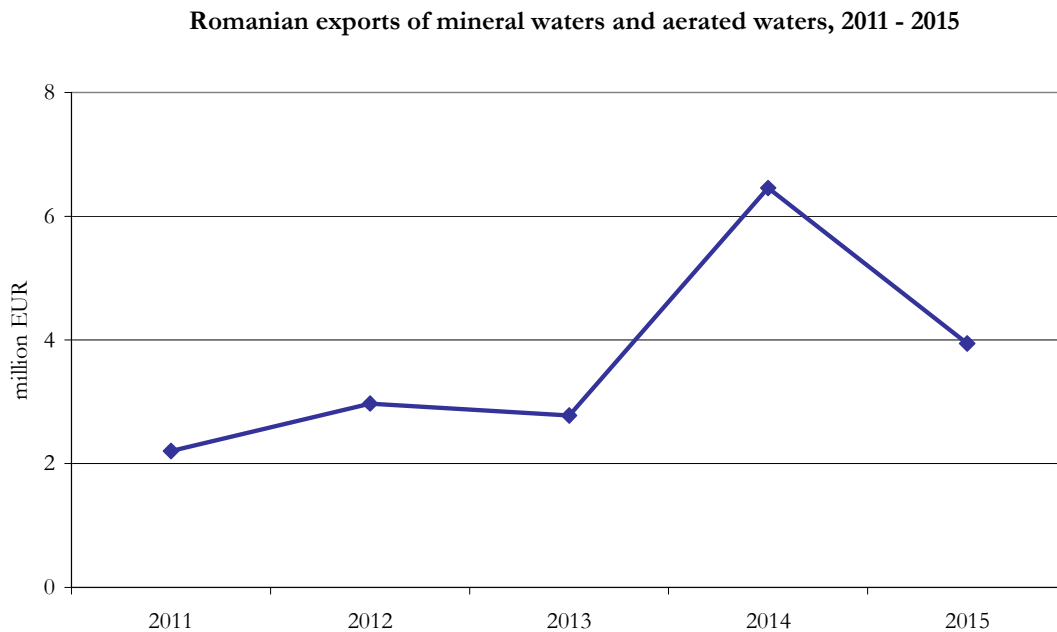
According to Eurostat, Romania has exported 19,250 thousand litres of bottled mineral and aerated waters in 2015, with the value of 3.9 million EUR.

4.2. Export dynamics 2011 - 2015

The Romanian exports of bottled mineral and aerated waters have recorded around 2.8 million EUR in 2013. In 2014 compared to 2013, the exports have increased by some 132% reaching almost 6.5 million EUR (approx. 19,460 thousand litres).

However, in 2015 only 19,250 thousand litres of bottled mineral and aerated waters worth 3.9 million EUR have been exported from Romania, this representing a value decrease of 39% compared to 2014.

The Romanian export dynamics of bottled mineral and aerated waters during the period 2011 – 2015 is shown below.



Source: Eurostat, Comtrade

4.3. Expected evolution 2016 - 2020

Romania is an important source of mineral springs, with an expanding domestic sector oriented to export potential assessment.

The country has huge potential for rising export in the next years.

Opportunities:

- international recognition of Romanian mineral water quality (some brands have multi-secular notoriety)
- support from local communities, especially in those communities which are dependent on this activity
- attractiveness for investors
- continuous increasing demand for high-quality mineral water compared to mass and spring water
- continuous growing demand for mineral water at export

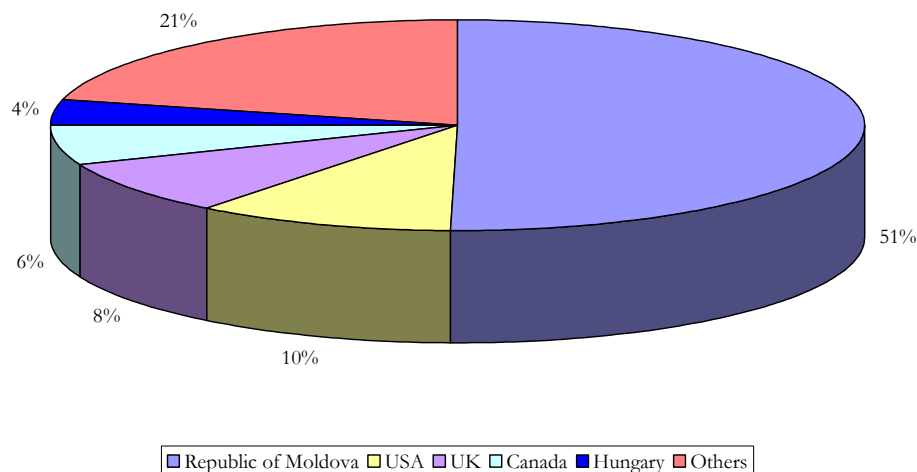
4.4. Main destinations

The five main destination countries of the Romanian exports of bottled mineral and aerated waters in 2015 have been:

- Republic of Moldova: approx. 2 million EUR
- USA: approx. 405 thousand EUR
- UK: approx. 325 thousand EUR
- Canada: approx. 245 thousand EUR
- Hungary: approx. 155 thousand EUR

These five countries have cumulated 79% of the Romanian exports of bottled mineral waters in 2015.

Romanian exports of mineral waters and aerated waters in 2015, by destination countries



Source: Eurostat

It is considered that the Middle Eastern markets would be a very good target for Romanian bottled water exports.

4.5. Main producers and exporters

Main producers and exporters of bottled mineral water in Romania are:

- Romaqua Group – the company exports mainly Borsec water (its best known brand of bottled water)
- Rio Bucovina
- Coca-Cola HBC Romania
- European Drinks
- Perla Harghitei etc



5. Conclusions

The Romanian mineral water is forecast to go global. Based on its vast resources from the Carpathian mountains, the country has a huge potential for rising domestic consumption and export.

Romania is a growing market for mineral water and a great source for natural springs. The local business in the mineral water sector is expanding and exploiting its export potential.

For tailored market research, investment support and B2B matchmaking in Romania and the region, please feel free to contact us directly.

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