

MARKET OPPORTUNITIES IN ROMANIA - 2010

Romania is located in South-Eastern Europe, bordering Hungary, Ukraine, Moldova, Bulgaria and Serbia. In 2010 the population is estimated at 21.4 million, making it one of the largest countries in the region.

It has direct access to the Black Sea and to other large emerging markets and LCCs in the region: Russia, Turkey, Ukraine, Poland.

Romania is a EU member state since 2007.

Some of Romania's key economic advantages are:

- solid banking system
- well trained workforce with unemployment in 2010 under 9%
- good IT&C infrastructure



According to the National Statistics Office, in the first quarter of 2010 compared to the same period of the last year, the gross industrial production (GIP) index in Romania was by 4.1% higher. This increase was supported by the electricity, gas, steam and air conditioning sector (+13.5%) and by the manufacturing sector (+4.0%).

In the Romanian manufacturing sector, the highest production increases were registered in Q1 2010 by the manufacturing of:

- motor vehicles, trailers and semi-trailers (+62.0%)
- electrical equipment (+42.4%)
- basic metals (+27.7%).

In the first quarter of 2010, the labor productivity in the Romanian industry increased by 22.1% compared to the corresponding period of the previous year.

Imports increases (Jan 2010 vs. Jan 2009):

- +11.2% - machinery and mechanical appliances, electrical equipment, sound and image recorders and reproducers
- +52.6% - mineral products
- +5.4% - chemical products
- +0.6% - base metals and articles of base metals
- +8.2% - machinery and transport equipment

KEY SECTORS OF POTENTIAL OPPORTUNITY

1 - PHARMA PRODUCTION

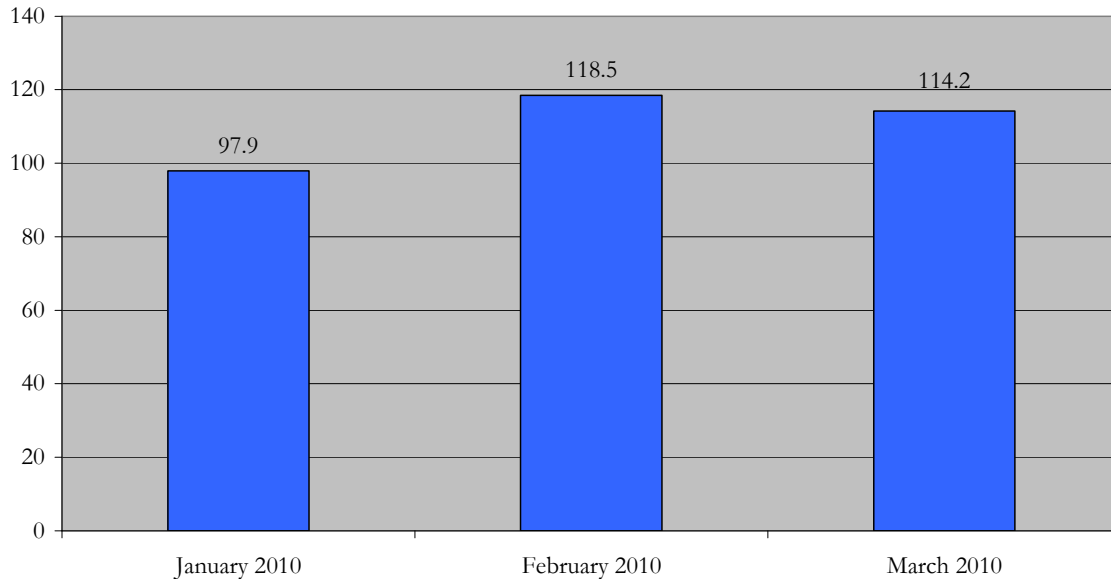
a) Sector brief

The pharma market is the region's most dynamic, according to regional players. The pharma spending per capita between 2002 and 2006 witnessed a 36% increase in Romania compared to Ukraine's 28% or the Czech Republic's 11%.

Main 20 pharma producers in Romania - Europharm, Actavis, Gedeon Richter, Sandoz, Terapia, Zentiva, Antibiotice, Labormed Pharma, Santa, Fabiol, Biofarm, Bio Eel, AC Helcor, Hofigal, Laboratoarele Medica, Laropharm, Magistra C&C, Sintofarm, Fiterman Pharma, Vim Spectrum – totaled a turnover of 522.3 million EUR in 2008.

The quality of drug production has risen since the enforcement of GMP on 1st January 2004. However, the number of local drug producers fell from 71 to 31 as a result. Top local producers are: Terapia Ranbaxy, Zentiva, Antibiotice, Actavis, Gedeon Richter Romania SA, LaborMed, Biofarm. Romania became a full member of the European Pharmacopoeia Convention in September 2003, and all medicinal products marketed in the country must be measured against the organisation's standards.

Manufacturing of basic pharma products & pharma preparations (%)



Note: Compared to manufacturing of basic pharma products & pharma preparations in 2005

A number of acquisitions have taken place in the market, including that of Sicomed in September 2005, whereby Zentiva of the Czech Republic obtained a 51% stake in the company, later increasing its share to 74.9%. In March 2006, Actavis, the Icelandic generics manufacturer, acquired Sindan, a Romanian generics company specialising in oncology products, for US\$17 million. In the same month, Ranbaxy Laboratories Limited, India’s largest generics manufacturer, acquired Terapia S.A. for US\$324 million, purchasing 96.7% of the company’s shares.

b) Opportunities: PACKAGING, TOOLS, EQUIPMENT,

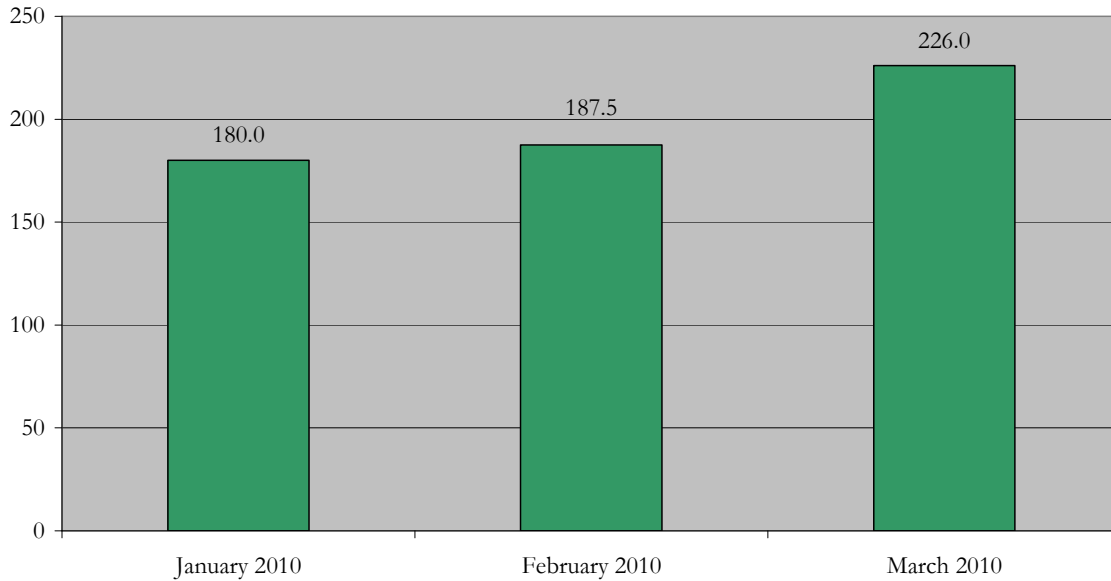
2 - AUTOMOTIVE PRODUCTION

a) Sector brief

After 60 years of automotive tradition, Romania, with an optimal positioning in Central and Eastern Europe for increasing demand and automotive production, has a strong automotive industry with a modern and diversified supplier network.

In the first three months of 2010, the production of auto vehicles in Romania increased by 62.6% compared to the similar period of the previous year. A new opportunity to develop further has arisen after Ford’s takeover of the Daewoo Craiova plant.

Manufacturing of motor vehicles, trailers and semi-trailers (%)



Note: Compared to manufacturing of motor vehicles, trailers and semi-trailers in 2005

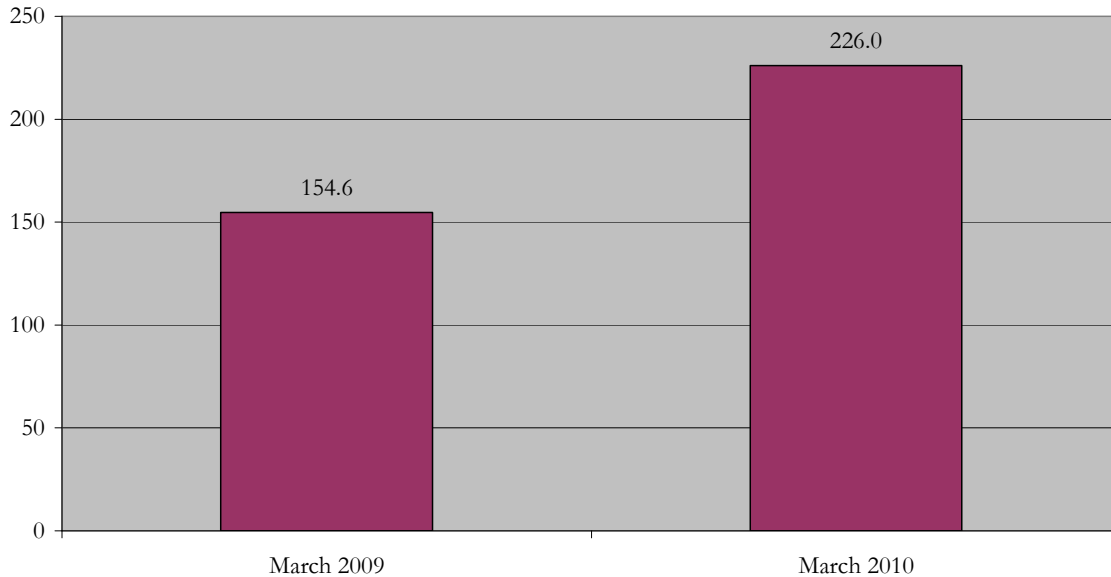
The Romanian automotive sector has known an important development during 2001-2007, mainly due to Renault’s involvement at Dacia and its suppliers’ investments. Following on their footsteps, more and more significant automotive suppliers decided to create production facilities in Romania.

The Romanian automotive industry employs approximately 120,000 people (direct employment only).

In March 2008 Ford took over the ancient Daewoo plant in Craiova, and plans to invest € 650 million for upgrading and increasing the plant’s production capacity up to 300,000 vehicles per year.

The number of suppliers for the automotive industry exceeds 500, with a total turnover of around € 6.5 billion. Besides the Romanian suppliers, brands like Johnson Controls, Valeo, Trelleborg, Delphi, ACI, Siemens, Continental, Pirelli, Hella, TRW, Faurecia and many others, are producing in Romania for western OEMs.

Manufacturing of motor vehicles, trailers and semi-trailers (%)



Note: Compared to manufacturing of motor vehicles, trailers and semi-trailers in 2005

Forecast of local specialists shows that for the horizon of 2010-2011, there will be an increase of the total turnover for automotive component business (increase of current activities, new production facilities of the traditional suppliers of Ford), which added to the turnover of the two manufacturers DACIA and Ford, will lead to a total of approximately 10% of the total GDP of Romania.

b) Opportunities: TOOLS, EQUIPMENT, SPECIAL MATERIALS, PACKAGING, LOGISTICS

3 - FOODS AND BEVERAGES – CONSUMPTION, RETAIL

a) Sector brief

Food represents a 55% share of total consumer expenditure in Romania - as a percentage of GDP, food consumption is estimated at 12.35% in 2009 and it is expected to rise by 8.23% in local currency terms between 2009 and 2014.

According to BMI, in 2014, the value of food consumption will reach some US\$20.61bn, up from an estimated US\$20.12bn in 2009, while the retail sales in Romania will reach 69.5 billion USD in 2014, up by 67% compared to 2009.

The modern retail format increased over time. All the forecasts show that the modern format will continue to expand, while the other retail formats will continue to decrease. Due to these facts all companies involved in modern retail announced large investments in expanding the network and new companies are considering entering the Romanian market. Most of these retailers sell domestic products. However, due to the significant consumer demand, the domestic supply for certain food product categories can no longer keep pace with the demand and this is covered by imports.

Imports of food products and live animals reached 199.6 mil EUR, while imports of fresh, refrigerated or frozen pork reached over 20 mil EUR in January 2010.

In 2009, the Rewe Group invested some nine million EUR in the expansion of the Billa chain on the Romanian market. Carrefour Romania recorded sales of 269 million EUR in the first trimester of 2010, up by 7.3% compared to the similar period of the previous year. In April 2010, Real opened in Bucharest its biggest hypermarket in Romania, following investments of 22.8 million EUR. Billa, Mega Image and Carrefour plans to open an overall 46 stores in 2010, compared to 26 in 2009.

b) Opportunities: FOODS & BEVERAGES, INGREDIENTS, EQUIPMENT

4 - SECURITY SYSTEMS AND EQUIPMENTS

a) Sector brief

The Romanian market of security technology and services registered a boom in the past years. Usually, the clients that acquire burglar alarms, CCTV 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 - 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 amortize 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.

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

b) Opportunities: EQUIPMENT, SOFTWARE, SERVICES

5 - DENTAL AND MEDICAL SERVICES, EQUIPMENT

a) Sector brief

At present, the Romanian market of dental practices is very fragmented, consisting of over 11,600 individual practices throughout the country. According to the National Institute of Statistics, the private dental practices represented some 70% in the total dental centres in Romania in 2008.

According to the same source, there were 3,584 public dental centres and 8,071 private dental centres in Romania in 2008.

The number of the private dental offices in Romania recorded a continue y/y growth during the period 2003 – 2009 and it is expected to continue the ascending trend, due to a number of factors which include: corporations include dental insurance in their employee packages, individual clients prefer private vs. public services, increase in the purchasing power of the middle class.

b) Opportunities: EQUIPMENT, MATERIALS, CONSUMABLES

6 - INDUSTRIAL MANUFACTURING

a) Sector brief

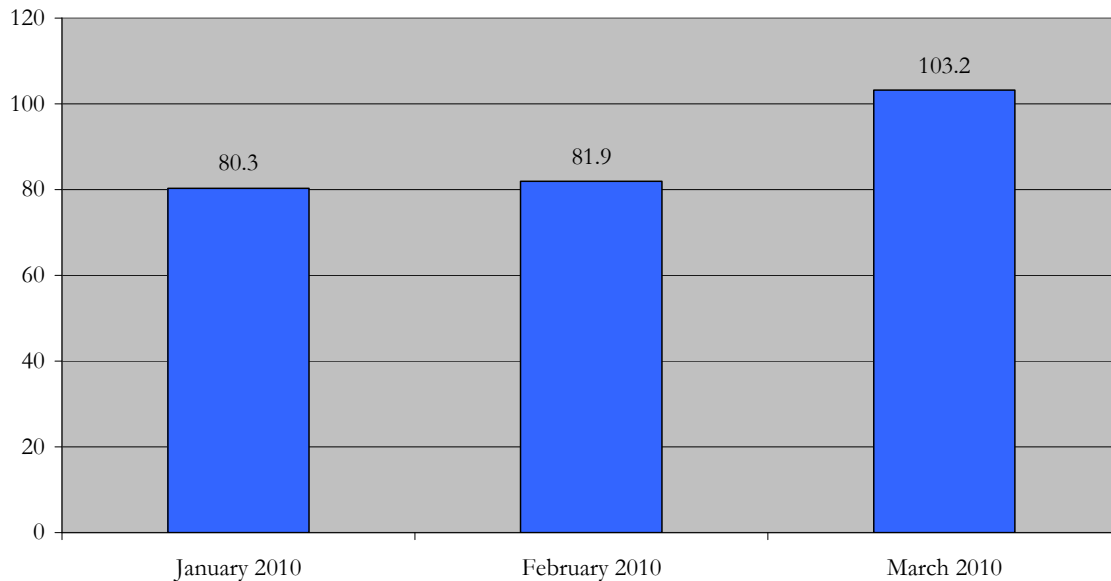
In the first quarter of 2010 compared to the same period of the previous year, the turnover value index in industry per total increased by 5.9%, that increase being registered due to the manufacturing industry (+6.8%).

In the Romanian manufacturing industry the highest increases of the total turnover value index were recorded in the following industrial sectors:

- the production of motor vehicles, trailers and semi-trailers (+44.5%)
- the production of coke and refined petroleum products (+36.0%)

- the production of computer, electronic and optical products (+26.9%)
- the production of electrical equipment (+20.2%)
- the production of basic pharmaceutical products and pharmaceutical preparations (+20.0%)

Manufacturing of machinery and equipment (%)

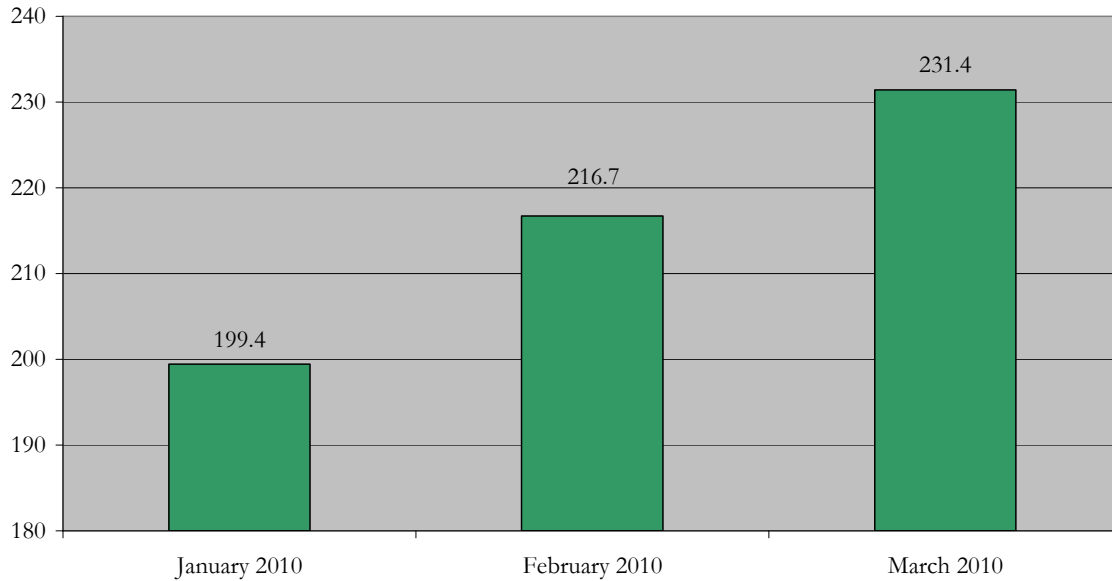


Note: Compared to manufacturing of machinery and equipment in 2005

Main industrial manufacturing sectors in Romania include:

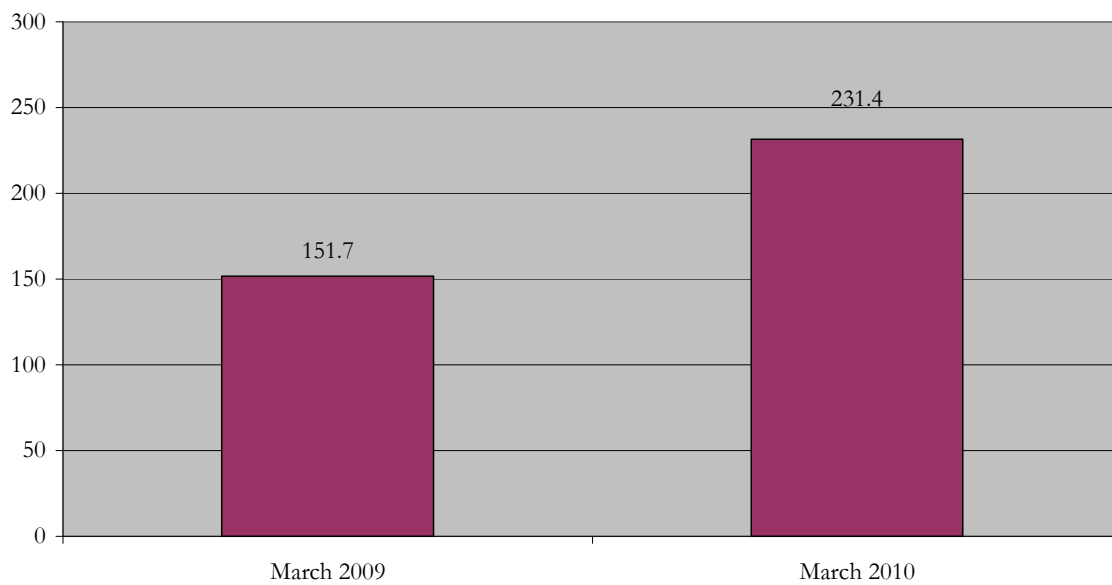
- metal forming
- machinery, components
- chemical and petrochemical
- plastics
- furniture
- garments, footwear, leather objects
- agricultural

Manufacturing of electrical equipment (%)



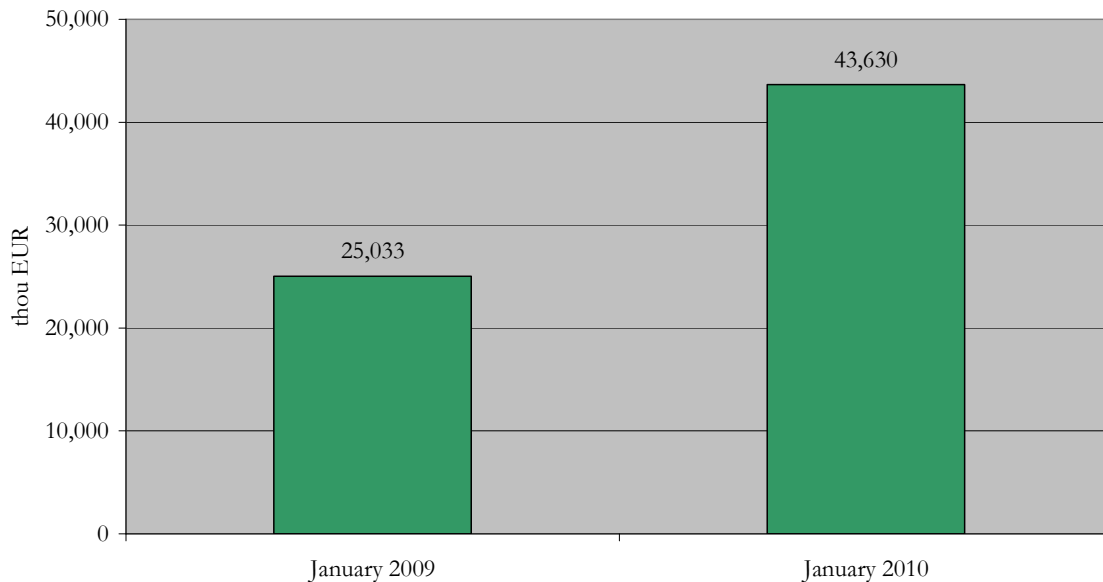
Note: Compared to manufacturing of electrical equipment in 2005

Manufacturing of electrical equipment (%)



Note: Compared to manufacturing of electrical equipment in 2005

Imports CIF of electronic integrated circuits and microassemblies



b) Opportunities: EQUIPMENT, TOOLS, SPECIAL MATERIALS, QUALITY CONTROL

7 - INFRASTRUCTURE DEVELOPMENT – ROAD, RAIL

a) Sector brief

Romania has a network of 303 km of highways. The country’s road infrastructure includes 16,062 km of national roads, 34,668 km of county roads, 27,781 km of communal roads, 22,328 km of streets in towns and 97,660 km of streets in rural localities.

New investments in the road infrastructure are forecasted for the next period. These investments will be a major driver in order to attract significant projects in regions of the country which lack foreign direct investments, to bring inflows of capital, technology and know-how.

A Romanian highway network inter-connected in the next period to the European transport corridors is forecasted to increase the efficiency of the local freight road transporters by up to 20%. Also, the Transilvania highway, that will link the Centre and the Western regions of the country, is expected to lead to an expenditure decrease by 10 - 12% for the local freight transporters that perform international expeditions.

Romania has a railway network of some 17,000 km, but only some 10,700 km are currently in use. Also, only some 4,000 km of railway are electrified and, according to the Statistics National Office, only 4% of the rail bridges and 60% of the railways are safe in terms of technical requirements. CFR Infrastructure, the state-owned rail maintenance company, allocated some 208 million USD for repair and maintenance of the rail network in 2009.

The railway network in Romania needs new investments, at a consistent rate, in the next period, in order to reach a level similar to the European average and to develop adequate links with the European transport corridors.

b) Opportunities: CONSULTING, EQUIPMENT, EXPERTISE, ENGINEERING

8 - SOLID WASTE MANAGEMENT, WASTE WATER MANAGEMENT

a) Sector brief

In 2008, only 1% from the total municipal waste was recycled in Romania, the rest being stored in landfills. Also, Romania generated 382 kg of waste per person, one of the lowest quantities in the EU.

Romania lacks technology and know-how in collecting, storing and processing the solid waste and means of raising the awareness at the local level of the importance of the selective waste collection.

Romania will receive from the EU, through the Environment Operational Programme, 1.17 billion EUR during 2007 - 2013 for projects in the field of the waste integrated management. The programme finances investments in the waste management, including the zoning of the ecological landfills, the elimination of the non-ecological landfills and selective collection operations. So far, within this operational program, four projects have been approved in the Giurgiu, Bistrita Nasaud, Arad and Vrancea counties. 33 projects are under evaluation and will be submitted to the EU for approval.

In respect to the water system, Romania is characterized by:

- a low percentage of population connected to the sewerage and waste water treatment systems
- non-functioning of the all existent treatment stations
- non-conform waste management
- the insufficient protection of the water resources.

In Romania there are currently 371 treatment stations, out of which only 29 stations are in conformity with the requirements. The percentage of the population connected to the treatment stations is of 42.78% at the national level.

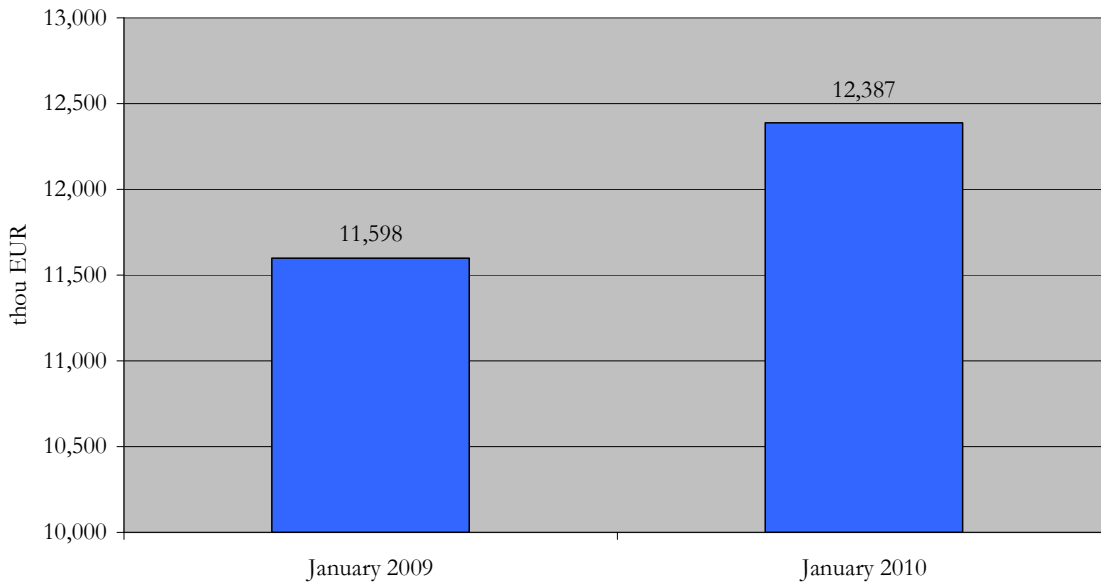
The total investments in order to comply with the EU requirements regarding the water and waste water, in the period 2004 – 2018, are estimated at 15.1 billion EUR. During 2004 – 2009, the amount of 3.1 billion EUR was invested in works of waste water infrastructure, out of which 2.1 billion EUR represented European funds.

b) Opportunities: CONSULTING, TECHNOLOGY, EQUIPMENT, EXPERTISE, QUALITY CONTROL

OTHER SECTORS OF POTENTIAL INTEREST:

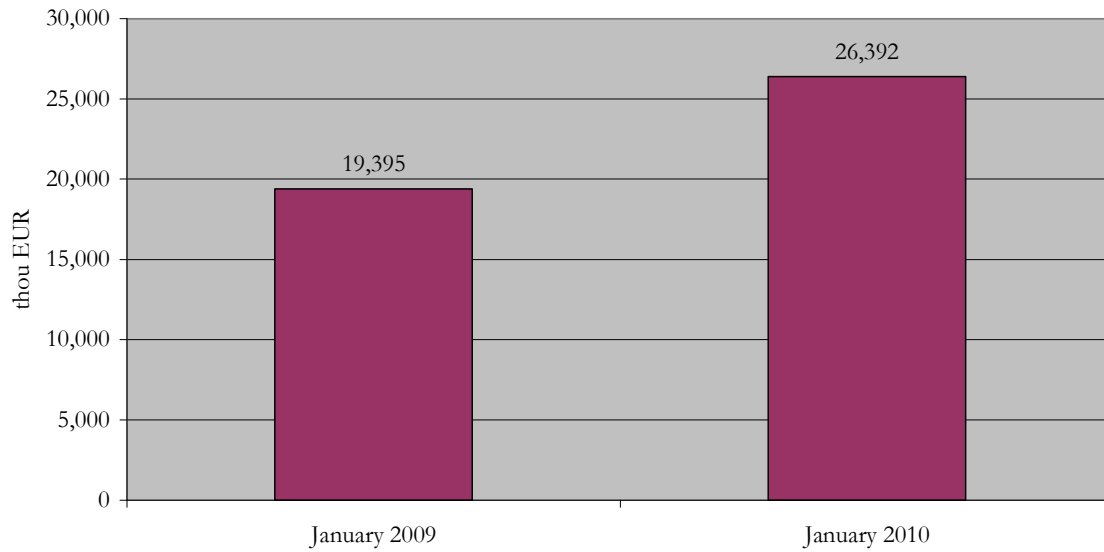
PRINTING

Imports CIF of machinery used for printing



ENERGY EFFICIENCY, HVAC

Imports CIF of pumps for air or vacuum pumps
compressors and fans, ventilating or recycling hoods



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