Romania the largest market in South Eastern Europe

<table>
<thead>
<tr>
<th>Area:</th>
<th>238,391 km² (9th largest in EU)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population:</td>
<td>21.6 million (7th largest in EU)</td>
</tr>
<tr>
<td>Capital city:</td>
<td>Bucharest 2.1 million</td>
</tr>
<tr>
<td>European Union status</td>
<td>Member since January 1st, 2007</td>
</tr>
<tr>
<td>Affiliation:</td>
<td>NATO, WTO, WB, IMF.</td>
</tr>
<tr>
<td>Domestic currency:</td>
<td>LEU (RON) 1EUR=4.25 RON 1USD=3.20 RON (beginning of 2011)</td>
</tr>
<tr>
<td>Administ. division:</td>
<td>41 counties and Bucharest</td>
</tr>
</tbody>
</table>
Romania: Country overview

- Romania is member of EU since 2007 and NATO member since 2004
- 7th EU country in terms of population (21.7 million, as of 2002)
- Strategic geo-political positioning, EU-27 Eastern border
- Corporate tax: 16% flat, VAT level: now 24%, 19% before 2010
- Main cities: Bucharest, Cluj Napoca, Timisoara, Iasi, Constanta, Craiova
THE ROMANIAN ECONOMY IN BRIEF

- The Romanian economy has performed impressively well over the last years.
- Economic growth has been strong, foreign direct investment levels have increased, inflation has decreased and the unemployment level has gone down significantly.
- Today the economy is driven by high levels of domestic consumption and foreign investments.
- EU membership has increased the general attractiveness of Romania as a country to trade with and invest in. The availability of EU funds is expected to further increase demand in the country over the next years.
- Romania offers a unique combination of a sizeable marketplace and favorable production/procurement conditions. This is expected to make Romania an interesting business location for many years to come.

www.romanialIT.com
ROMANIAN SOFTWARE INDUSTRY & SERVICES

- There are +17,000 active companies, triple the figure from 2000 (source: ANIS)
- The Software and services sector is the most dynamic entrepreneurial initiative in Romania
- Since 2005, there have been many major mergers & acquisitions and investment fund takeovers
- In 2008 as well, the Pricewaterhouse Coopers ranking for the most attractive emerging economies to foreign investors lists Romania on the 7th position ahead of Bulgaria, Slovakia, Serbia and even India or China.
- In 2009, Romania has ramped up in the latest A. T. Kearney Global Services Location Index landing 3rd place in Europe and 19th in the world ranking
Industry specifics: 2002 - 2007

- Annual growth rate for the sector +20%
- Balanced development of both local market and exports, mutually supporting creation of abilities and expertise in new technologies
- Local market major buyer sectors: public sector, utilities, telecom, financial sector, education, retail
- 2007 (software & services) ~700 M Eur (ANIS estimates)
- Exports are dominated by services (+90%) — in 2007 ~450 M Eur (ANIS estimates)
Industry specifics: 2008 - 2010

- Global economic downturn generated non-typical evolution of markets, niches and companies
- On local market, public sector projects slowed down financing or even stopped
- Outsourcing projects maintained or even grew steadily, for both applications and services, mostly for export
- Industry turnover in 2009 is estimated at the level of 2007 ~1.3 Billion Eur
- IT industry still counts for +1.1% of GDP
romanialT

- Public-private initiative set up in 2006

romanialT — Core values:

- Excellence
- Innovation
- Competitiveness
Creative Talent

- Software and services sector employs approx. 65.000 people.
- Since 2003, more than 10.000 new jobs have been created annually, with nearly 100% absorption rate, indicating high retention.
- Technical education includes 5 top polytechnic universities, 59 domain-specific universities, 174 private colleges.
- “Romanian universities have been Top 3 in the IEEE Design Competition every year since 2001” (source: IEEE).
- Romania has more Informatics and Math Olympiad medals than any other European nation, and is 3rd globally after Russia (URSS) and China.
Technical Excellence

Industry clusters are concentrated in major university cities:
Bucharest, Cluj Napoca, Iasi, Timisoara, Craiova, Brasov

International presence include: Accenture, Alcatel-Lucent, Amazon, Apple, Dell Perot Systems, EA Sports, Ericsson, Freescale, Genpact, Google, HP, IBM, Infineon, Intel, IXIA, Microsoft, Oracle, Siemens, TechTeam, Wipro, WindRiver

Operations include:

- R&D and technology centers: network operations centers, embedded systems, semiconductor industry, security applications, business tools, etc
- BPO centers - financial, HR and administrative services, supply chain
- RIM, Support centers, Call centers
LABOR & EDUCATION ANALYSIS
Human Capital

Demographics

- Young population (more than 50% under 40 years old)
- Almost 21.6 million people

Talent pool

- 106 universities, 631 faculties
- 125,000 university graduates/yr
- Availability of technical engineers
- High industrial experience
- Flexibility
- Foreign language skills

Source: National Institute of Statistics
ROMANIA LABOR FORCE SUMMARY

LANGUAGE / EDUCATION

• 2nd most multilingual country in Europe with an English fluency rate is >80%
• The number of engineers per capita is greater than the US, India, China, or Russia
• ICT graduates increased exponential (e.g. from 3,000 (1986) to >29,000 (2004) Bucharest Polytechnic University alone)
• 6th globally in the number of certified IT specialists

LABOR / WAGES

• Advanced degrees increasing each year
• Competitive compensation feasible in the overall marketplace
• Regionally competitive cost for educated labor
• Low attrition rate - one of the lowest in EU
Competitive Analysis
<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>India/Asia</th>
<th>EU</th>
</tr>
</thead>
</table>
| **Pro** (+) | • IP Protection  
• Corporate Fit  
• Established Resources | • Cultural & Language Connection with US  
• Time zone  
• Cost | • Cultural & Language Connection with EU  
• Time zone  
• Distance  
• Meets vision |
| **Con** (-) | • Time Zone  
• Does meet improve long-term vision  
• Cost | • IP Protection  
• Distance - outsource not own  
• Specialty limited to commodity based programming | • Cost?  
• IP Protection?  
• ?  
• ? |

It all depends on WHERE ...
Romania: Outsourcing vs China, India, etc

Romania

- Highest Number Of IT Professionals in Europe, Ahead Of Britain, Germany, Italy, and France
- NATO and EU Country
- 7 Hours From US Headquarters
- 1 Hour From Remainder Europe
- Lowest Prices (Western Border Of Poverty, Eastern Border Of Civilization)
- Similar Culture, No Language Barriers
- Young, motivated and flexible workforce with strong language skills
- Close cultural fit and similar mentality to US/Western Europe
- High level of commitment to projects and the overall relationship with the client

Russia
- Language/Culture
- Politically Hostile Countries
- Intellectual Property Risk

China

India
- High Security Risk
- Poor Infrastructure
- Language/Culture
- Diluted Quality
- Deep Corruption
- Physical Distance

Asia

RomaniaIT
CREATIVE TALENT, TECHNICAL EXCELLENCE.
www.romanait.com
Romanian competitiveness on the IT Services market

Romania’s **location** is an advantage in itself - major multinational IT companies are present in Romania.

Romania has a **long history of education and research** in all fields of engineering and software: **116 universities**, 36 have a computer science related faculty.

Romanian graduates are **multi-lingual** (1st place in the Certificate of Proficiency in English exam at Cambridge University) and world class concerning their competencies.

Romania’s **legal system and culture** - similar to those in Europe and US.

Romania’s **density of software graduates** per thousand inhabitants is significantly higher than in USA, five times higher than in Russia and nearly seven times bigger than in India.

The **cost of IT-skilled professionals** = 1/3 in US and Europe.

Source: Romanian Ministry of Communication and Information Technology
Gartner Analysis of Romania as Offshore Services Location

• Romania continues to transform its entire economic and political systems in line with European standards.

• Key strengths of Romania are its availability of skilled IT services labor at competitive low costs and its "nearshore" European proximity.

• Romania’s government is committed to fight corruption, but several issues remain, and data and intellectual property infringements pose further challenges to sourcing managers.
Gartner Names 30 Leading Countries for Offshore Services

**Americas:**
- Argentina
- Brazil
- Canada
- Chile
- Costa Rica
- Mexico
- Panama

**Europe, the Middle East and Africa:**
- Czech Republic
- Egypt
- Hungary
- Ireland
- Israel
- Morocco
- Poland
- **Romania**
- Russia
- Slovakia
- South Africa
- Spain
- Ukraine

**Asia/Pacific:**
- Australia
- China
- India
- Malaysia
- New Zealand
- Pakistan
- Philippines
- Singapore
- Thailand
- Vietnam

*Updated March 2009*
Romania: Location and Time-Zone Differences

Source: Gartner (October 2008)
Common Key Findings regarding romanianIT
Customer Experience in Outsourcing Provider Selection

• Romania is not the lowest cost location for outsourcing, but when performance is added to the equation it can be highly Competitive

• Romanian service providers often combine high levels of technical proficiency in leading-edge technologies with soft skills — communication, languages, flexibility — that can be superior to what is typically found in other outsourcing Locations

• Romanian IT services and software companies can offer best practice levels of quality in specialist and niche areas
Customer Criteria
- Service providers win business on the strength of their proposals, successful pilot projects, rather than strictly on location
- Location is important, but only to a macro-regional level and combined with other criteria.

Selection Methods
- Methods vary from personal decision to formal RFP processes or new providers, selection process might include a project pilot
- Clients assess provider’s level of commitment, ability to understand or even anticipate needs, and/or degree of competency in specialized areas

Technical and Sector-specific Skills
Romanian companies can excel in terms of new technologies and offer strong software development methodologies and processes.

Creative Approach
Key strength of Romanian providers is ability to understand and satisfy client needs beyond basic technical requirements
Romanian Providers Differentiators

- Attractive Price vs. Performance balance
- Technical and sector specific skills at best practice
- Ability to understand and satisfy client needs beyond basic technical requirements
- Cultural Fit, Language Skills and Similar Mentality to US/Western Europe