

SECTOR OVERVIEW

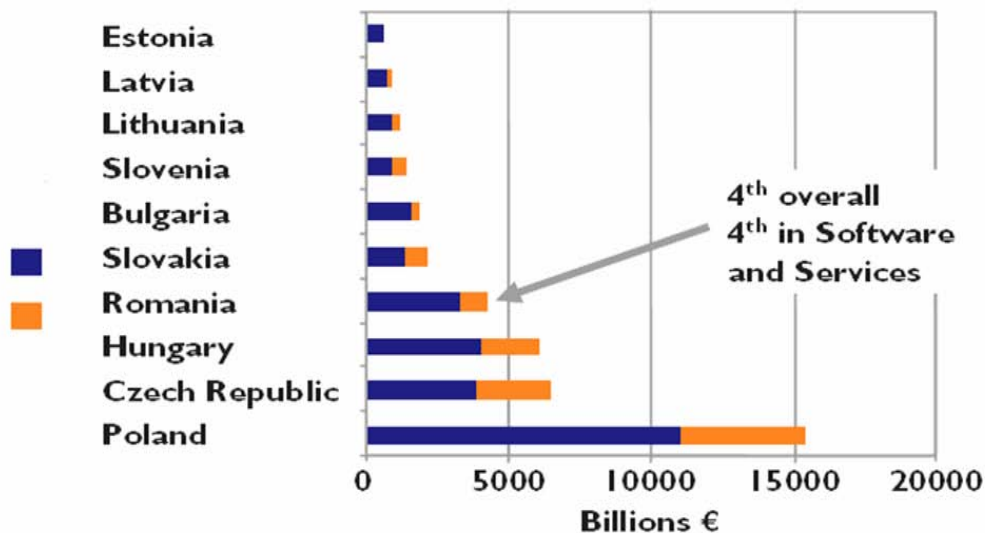
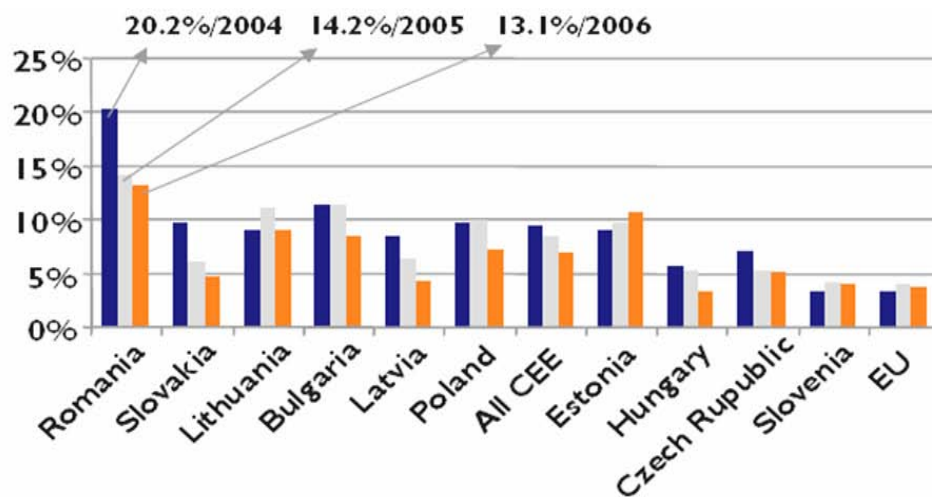
- IT -

The IT sector is of strategic importance for the Romanian economy as it can function as an engine for the development of every other industry.

Romania is one of the strongest markets in Europe for technology investment and trade, with a highly skilled technology workforce, competitive costs, top-tier investors and a friendly business environment.

As the fastest growing and top IT market in Europe, Romanian companies serve the world's most demanding offshore customers in IT outsourcing, business process outsourcing, call center support, and product development.

The Romanian IT market is, following Poland's, the second largest market in Central and Eastern Europe.



Source: EITO (European Information Technology Observatory), 2007

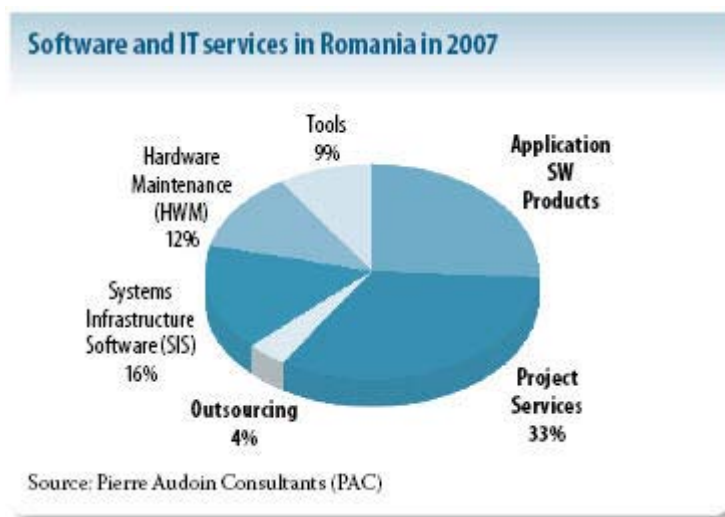
In 2008 Romania is expected by BMI to continue as one of the fastest growing IT markets in Eastern Europe.

For 2008, PAC expects the Romanian IT expenditure (IT-related personnel, hardware, software, IT services and miscellaneous) to go up to EUR 2.3 billion, which is 20% more than the level of 2007.

Software and IT services will represent the main area of growth, but hardware will still have a good evolution; altogether, the two classes stood for more than 70% of the IT expenditure in Romania, with hardware still bigger than SITS. Both segments will be driven by some large projects for the upgrade and extension of IT systems in large Romanian companies, in banking, telecom, utilities or manufacturing, areas where the privatization process or fierce competition play key roles in IT adoption.

For 2008, the PAC researches indicate that 51% of total SITS revenues came from software products (including system infrastructure software, tools and application software products), while, by comparison, software represented 27% in Western Europe and around 36% in Hungary or the Czech Republic.

It is worth mentioning that the large IT investments carried out lately have included a great part of infrastructure that has boosted the system infrastructure software - operating systems and system management software, mainly.



Application software products stood for half of the software market, while SIS and tools are expected to secure 31% and 18%, respectively.

According to the latest estimations, there are over 13.000 IT companies in Romania. The IT sector in Romania boasts more than 3,000 technology companies throughout the country, and €400 million in software and IT services revenue each year.

The community of the IT exporters is estimated at 9000 companies. It will benefit from a better and distinctive image on the external markets, which shall translate into a significant growth potential for the IT exports that will reach over one billion Euros within the next 2-3 years.

Romania has 5 elite polytechnic universities, 59 other universities, 174 private colleges with technical degree programs.

Our country is the European leader and 6th in the world, in the number of certified IT specialists it produces.

230 IT specialists per million people graduate every year, one of the highest rates in the world and greater than that of the US and Russia. Romanian graduates are multilingual.

Advantages for attracting investments in IT:

- national treatment
- free access to domestic markets
- the possibility to participate in the management and administration of the investment
- equal fiscal regime with Romanian investors
- low-risk emerging country: joined EU in 2007
- simplified procedure in business administration when exporting to other EU member states
- second largest country in CEE - a market with high potential
- a dynamic IT/Internet sector
- good and productive education system
- tradition in IT - one of the first European countries producing computers
- Good level of IT infrastructure
- Wide availability of language skills
- High level of education
- Competitive costs
- Near-shore location: easy to reach from Western Europe
- Abundant and skilled workforce
- Competitive Costs Specific incentives (100% income tax exemption for IT specialists – in force since the summer of 2001: stimulates specialists to work in their own country)
- 16% unique taxation rate on profit
- a competitive 19% VAT rate, translated into a sound fiscal policy, managing to reduce the fiscal burden on companies
- the possibility to access EU funds
- possibility of using the accelerate depreciation for the equipments (50% in the first year);
- carry forward the fiscal losses for a period of up to 5 years;
- subsidies for hiring and training fresh new school/high school/university graduates.

Qualified Human Resources

- Romania is number 1 in Europe and .number 6 globally considering the IT specialists number.
- Average of 230 IT graduates annually at every 1 million population, one of the highest rate globally, ahead of USA and China
- 5 top polytechnics universities, 59 sector universities, 174 private colleges with technical profile
- Exceptional results in sector international Olympics – presence in top 4 with China, USA and Russian Federation (3 medals – gold, silvers and bronze at the XX-a edition 2008 of the International Informatics Olympiad and 4 medals – 2 gold, 1 silver, 1 bronze - at the XVI edition 2008 of the Balcanic Informatics Olympiad, Romania being the first in the region).
- Reduced cost of the labor force comparing with other EU member states.

Romania – Top Destination for IT - Success Stories

	2500+ engineers developing embedded automotive systems and network operator equipment all over Romania
	1200 engineers developing network operator equipment in Western Romania
	Intel Capital invested \$12M in Romanian IT services and outsourcing company, Siveco, in Bucharest
	250 R&D engineers working on semiconductor design in conjunction with Bucharest Polytechnic
	100 engineers developing compilers and development tools in Bucharest
	In 2006 Microsoft decided to set up a Global Technical Support Center – 700 employees
	The global outsourcing firm, owned by GE and Oak Hill Partners, employs 170 and plans to expand to 1500 for IT outsourcing, financial services and supply chain BPO
	HP set up a BPO in Bucharest for financial and administrative services, dedicated to EMEA region - up to 1200 employees in few years
	In 2006 WIPRO decided to set up a BPO center in Bucharest for IT services covering the East European market - 700 employees
	Operates five global IT & Technology Centers including development and a 15-language call center
	Center for Business Process Outsourcing - in finance – accountability, human resources and logistics.
	Global Service Delivery Center

Sources:

1. Ministry for Communication and Information Technology
2. The Software and IT Services Market in Romania by PAC (PIERRE AUDOIN CONSULTANTS)
3. Business Monitor International, The Romania IT Report 2008