STRATULAT ALBULESCU
ATTORNEYS AT LAW

BUSINESS OPPORTUNITIES IN ROMANIA

Market Overview

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INTRODUCTION

Welcome to our new edition of *Business Opportunities in Romania: Market Overview!*

Our country has enjoyed considerable growth over the past few years and investors, both at home and abroad, are discovering that Romania is one of Europe's most attractive places to do business.

Romania is a market with vast potential, and excellent strategic location, with a challenging business climate with many opportunities. Its economy is among the EU's fastest growing. While this growth is primarily driven by consumption, the business is growing in nearly every sector. From our thriving and globally important IT sector to the boom in real estate, the opportunities are many for those seeking the best returns.

The risk of writing an annual update about economic conditions in Romania— or in any market for that matter — is that conditions may not vary much from year-to-year, and that might have been the case with Romania. However, this is a risk that we will gladly take, for as you will learn when reviewing our report, conditions in Romania continue on the track from very good to even better.

While, in 2018, Romania had a GDP increase of 4.1%, in 2019, Romania is forecast to have a GDP increase of 4%. This means that in the sectors that we discuss below, Romania will remain an attractive investment locale because of its growing domestic market as well as its ability to provide goods and services competitive in the global economy.

Of course, as a law firm dedicated to serving businesses and investors in Romania, these prospects excite us. While all of us are too experienced to buy into any claim of a "sure thing" or "can't miss" investment, with prudent investment strategies and sound local guidance (that's where we can help), investors can act with a level of confidence will help them to sleep soundly at night.

Please give our Market Overview, Romania, and our firm a careful look. We believe that our nation and our firm have a lot to offer for those who want to share in our enterprises. Please contact me or my very capable colleagues about any questions you have about investing and operating in Romania. We are here to help, and we look forward to hearing from you.

Silviu Stratulat

MANAGING PARTNER

Head of Corporate and M&A

The LEGAL 500 EMEA LEADING FIRM 2019

The LEGAL 500 EMEA LEADING FIRM 2018

The LEGAL 500 EMEA LEADING FIRM 2017

The LEGAL 500 EMEA LEADING FIRM 2016

I. INVESTMENT AND BUSINESS OPPORTUNITIES IN ROMANIA

Romania has shown robust GDP growth rates over the last couple of years, mainly driven by surging domestic demand. In 2017 economic growth increased almost 7%, mainly due to robust 10% growth in private consumption, helped by low interest rates, rising wages and decreasing unemployment.

The European Commission expects Romania's growth to decelerate below 4% per year in 2019-2020 as the fiscal stimulus fades away and amid broader slowdown in Europe.

While the budget deficit increased in 2016 and 2017 due to a VAT, in 2019 as well as 2018 the deficit is expected to increase further due to the continuation of expansive fiscal policies. Although there is still an urgent need for improving tax administration, the government budget is more dependent on a positive economic outlook.

The political uncertainty remains an issue, with corruption and graft as main concerns in Romanian politics and economics and popular dissatisfaction and distrust with the political system run deep.

The powerful party leader of PSD, Liviu Dragnea was sentenced to more than three years of prison, while the government has repeatedly attempted to pass decrees that would decriminalise certain categories of abuse of power and corruption cases and to bring the judiciary under political control.

However, Romania is a popular nearshoring location due to an appropriate working mindset and attitude of employees, strong IT, finance and accounting skills, as well as a wide range of foreign languages spoken, good labour arbitrage and lower costs compared to Western Europe. – the Association of Business Service Leaders (ABSL) report states.

The ABSL report reveals that the outsourcing market in Romania has matured in terms of range of services provided, measured processes, calculated and analysed KPIs, focusing on continuous improvement.

As already mentioned, although the business environment is frequently changing in terms of public policies, Romania is still very attractive compared to other Western European countries, given the highly qualified workforce, lower costs compared to other countries and a high language proficiency.

The quality of human capital, mainly referring to financial, technical and linguistic skills demonstrated by Romanians, flexibility and adaptation to new attracts more and more investors.

Inflation – stabilizing, despite significant risks

Romania's consumer price inflation entered the inflation targeting band and the monetary authority envisages it to remain in the upper half over the two-year forecast period. But the supplementary taxes on one hand and the energy price capping on the other (both provisioned in the emergency order passed by the government on December 21st) might require thorough revision of the inflationary outlook -- with upward risks generated by supplementary taxes passing through to end-user prices. Separately, the exchange rate corrections (required by the rising external deficits) might generate supplementary inflationary pressures in excess to those already incorporated by the central bank in its November forecast.

Banking system's performance - simply bright

The Romanian banking system's aggregate net profit soared by 57% y/y in Q3 to RON 2.15 billion (EUR 461 million), which was the second-best performance in the past decade after the EUR 498 million performance in Q4 2015. In January-September this year, the aggregate profit rose by 41.3% y/y to RON 5.73 billion.

The profit in the first three quarters of the year already surpassed that accumulated in the whole of 2017. The six (out of a total of 35) largest banks accounted for 80% of the total aggregated profit. The profitability ratios improved in Q2 close to the levels those seen in Q3 2008 before the credit crunch in October and the economic recession that followed in 2009. The return on assets (ROA) ratio hit 1.76% in Q3 versus 1.77% in Q3 of 2008 while return on equity (ROE) still lagged behind pre-crisis record, at 16.35% versus 19.41%. Although decreasing from the record 20.1% level hit in Q2, the average capital adequacy ratio remained close to 20% in Q3, versus only 11.8% in Q3 2018.

Credit – bank loans exceed pre-crisis peak in 2018

The stock of non-government loans increased by 6% y/y to EUR 53.85 billion at the end of October, 2018. The stock of bank loans has increased constantly through 2018, after more moderate advance through 2017 (+3.0% y/y) and eventually surpassed the pre-crisis level. In addition to this, the share of non-performing loans is believed to be lower at this moment compared to the quality of the bank loans at the end of 2008 that proved to be quite weak (with the non-performing loans ratio hitting 25% in 2015). Nonetheless, the bank lending still concentrates on the retail segment at the expense of corporate lending, the central bank notes in its latest Financial Stability Report. However, out of the RON 78.6 billion (EUR 16.9 billion) loans extended by banks in the rolling 12 months ending October, RON 43.08 billion (+6.6% y/y) was extended to companies and only RON 35.52 billion (+11.1% y/y) was extended to households. The volume of new consumer loans generated over the past 12 months surged by 14% y/y to RON 21.54 billion, highlighting the banks' focus on retail lending. The new mortgage loans accounted for more than one quarter of the new loans generated over the past 12 months.

Public Debt – still low

Romania has added EUR 2 bil. to its public debt in the past 12 months, bringing it to EUR 66.9 bil. (34.7% of GDP) as of the end of August, according to the Finance Ministry. But the country will add more debt in the coming years, which, amid the expected slowdown, might put the country's robust indebtedness metrics under pressure. The debt-to-GDP ratio dropped by 2.5pp to 34.7% at the end of August, but the figure partly reflects the inertia in the methodology used for calculating it.

All Member States' economies expand at a more moderate pace

According to the European Commission's report, the economic activity in the EU slowed in the second half of 2018 as growth in the global economy and trade weakened amid tightened global financing conditions, unresolved trade tensions, high uncertainty, and as a result of exceptional weakness in the manufacturing sector that extended into the start of 2019.

The slowdown was even more pronounced in the euro area as the region is not only highly dependent on external demand, but has also been hit by a number of sector- and country-specific factors, mainly in its largest economy, that have weighed on sentiment as well as on trade between euro area partners. These include disruptions in the car manufacturing sector, social tensions, policy uncertainty, as well as uncertainty related to Brexit.

As a general tendency within all the EU member states, the domestic demand remains a sector with consistent growth. The workforce demand remained resilient and is expected to continue in the euro area. Combined with rising wages, muted inflation and supportive fiscal measures in some Member States, job creation should continue to underpin household spending this year and next. At the same time, low financing costs should help to at least partly offset the negative impact of lower sales expectations on investment.

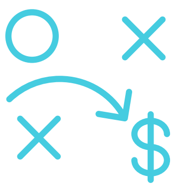
Overview - the spring 2019 forecast

	Real GDP			Inflation			Unenployment Rate			Current Account			Budget Balance		
	2018	**2019**	**2020**	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Belgium	1.4	1.2	1.2	2.3	1.8	1.6	6.0	5.6	5.3	0.2	0.2	0.0	-0.7	-1.3	-1.5
Germany	1.4	0.5	1.5	1.9	1.5	1.5	3.4	3.1	2.7	7.6	6.8	6.5	1.7	1	0.8
Estonia	3.9	2.8	2.4	3.4	2.4	2.2	5.7	5.7	5.7	1.5	1.4	1.4	-0.6	-0.3	-0.5
Ireland	6.7	3.8	3.4	0.7	1	1.3	5.8	5.4	5.0	9.1	8.5	7.9	0	0	0.3
Greece	1.9	2.2	2.2	0.8	0.8	0.8	19.3	18.2	16.8	-1.4	-1	-0.8	1.1	0.5	-0.1
Spain	2.6	2.1	1.9	1.7	1.1	1.4	15.3	13.5	12.2	0.9	0.9	0.9	-2.5	-2.3	-2
France	1.6	1.3	1.5	2.1	1.3	1.4	9.1	8.8	8.5	-0.6	-0.6	-0.6	-2.5	-3.1	-2.2
Italy	0.9	0.1	0.7	1.2	0.9	1.1	10.6	10.9	11.0	2.4	.25.	2.5	-2.1	-2.5	-3.5
Cyprus	3.9	3.1	2.7	0.8	0.9	1.1	8.4	6.7	5.9	-6.5	-8.0	-9.4	-4.8	3.0	2.8
Latvia	4.8	3.1	2.8	2.6	2.8	2.4	7.4	6.9	6.7	-0.5	-0.2	-0.2	-1	-0.6	-0.6
Lithuania	3.4	2.7	2.4	2.5	2.1	2.1	6.2	6.2	6	0	-0.1	-0.4	0.7	0.3	0
Luxembourg	2.6	2.5	2.6	2.0	1.8	1.7	5.4	5.2	5.2	4.8	4.6	4.7	2.4	1.4	1.1
Malta	6.6	5.5	4.8	1.7	1.8	1.9	3.7	3.8	3.9	11.2	9.8	9.5	2	1.1	0.9
Netherlands	2.7	1.6	1.6	1.6	2.5	1.5	3.8	3.5	3.6	11	10.1	9.5	1.5	1.4	0.8
Austria	2.7	1.5	1.6	2.1	1.8	1.9	4.9	4.7	4.7	2.5	2.4	2.6	0.1	0.3	0.2
Portugal	2.1	1.7	1.7	1.2	1.1	1.6	7.0	6.2	5.7	-0.9	-1	-1.1	-0.5	-0.4	-0.1
Slovenia	4.5	3.1	2.8	1.9	1.8	2.1	5.1	4.8	4.6	7.3	6.7	6.1	0.7	0.7	0.9
Slovakia	4.1	3.8	3.4	2.5	2.4	2.3	6.5	5.9	5.6	-1.1	-0.5	-0.1	-0.7	-0.5	-0.6
Finland	2.3	1.6	1.2	1.2	1.4	1.6	7.4	6.7	6.2	-1.9	-1.5	-1.4	-0.7	-0.4	-0.2
Euro Area	**1.9**	**1.2**	**1.5**	**1.8**	**1.4**	**1.4**	**8.2**	**7.7**	**7.3**	**3.6**	**3.3**	**3.2**	**-0.5**	**-0.9**	**-0.9**
Bulgaria	3.1	3.3	3.4	2.6	2	1.8	5.2	5	4.8	2.5	1.6	1.5	2	0.8	1
Czech Rep.	2.9	2.6	2.4	2.0	2.4	2.0	2.2	2.2	2.3	0.1	-0.5	-0.6	0.9	0.2	-0.2
Denmark	1.4	1.7	1.6	0.7	1.3	1.5	5	4.8	4.7	6.1	6.3	6.3	0.5	0.6	-0.1
Croatia	2.6	2.6	2.5	1.6	1.0	1.2	8.5	7.8	6.9	2.9	2.6	1.9	0.2	0.1	0.5
Hungary	4.9	3.7	2.8	2.9	3.2	3.2	3.7	3.5	3.5	0.5	-1.2	-1.4	-2.2	-1.8	-1.6
Poland	5.1	4.2	3.6	1.2	1.8	2.5	3.9	3.8	3.5	-0.5	-1.0	-1.4	-0.4	-1.6	-1.4
Romania	4.1	3.3	3.1	4.1	3.6	3.0	4.2	4.1	4.0	-4.7	-5.2	-5.3	-3.0	-3.5	-4.7
Sweden	2.3	1.4	1.6	2.0	1.5	1.6	6.3	6.4	6.4	3.4	4.1	4.6	0.9	0.4	0.4
EU27	**2.1**	**1.4**	**1.7**	**1.8**	**1.5**	**1.6**	**7.3**	**6.9**	**6.6**	**3.3**	**3**	**2.9**	**-0.5**	**-0.9**	**-0.9**
UK	1.4	1.3	1.3	2.5	2	2.1	4	4.1	4.2	-3.9	-3.7	-3.4	-1.5	-1.5	-1.2
EU28	**2.0**	**1.4**	**1.6**	**1.9**	**1.6**	**1.7**	**6.8**	**6.5**	**6.2**	**2.2**	**2**	**1.9**	**-0.6**	**-1**	**-1**
China	6.6	6.2	6	2.4	2	2	:	:	:	0.4	0.3	0.3	:	:	:
Japan	0.8	0.8	0.6	1	0.7	0.9	2.4	2.3	2.2	3.5	3.6	3.6	-2.9	-2.8	-2.5
US	2.9	2.4	1.9	2.4	2	2	3.9	3.8	3.7	-2.4	-2.5	-2.6	-6.4	-6.5	-6.4
World	3.6	3.2	3.5	:	:	:	:	:	:	:	:	:	:	:	:

From 1.9% in 2018, euro area GDP growth is forecast to moderate to 1.2% in 2019 and to pick up to 1.5% in 2020, when the growth rate will be flattered by a higher number of working days. GDP in all Member States is expected to grow over the forecast horizon. However, given the weakness in late 2018, these projections are markedly lower than the autumn of 2017 and slightly below the winter interim forecast.

Looking at the global economic situation, the economic situation is expected to bottom out in 2019, as the recent move towards a slower pace of monetary tightening in the US is set to benefit distressed emerging market economies. Activity should also be supported by expansionary fiscal policies in several major emerging economies, primarily China, where significant monetary and fiscal policy stimulus is expected to stabilise economic growth. Furthermore, the forecast no longer assumes that the US will further increase tariff rates on imports from China. However, as the US-China truce has been extended without a new deadline, uncertainty continues to loom large.

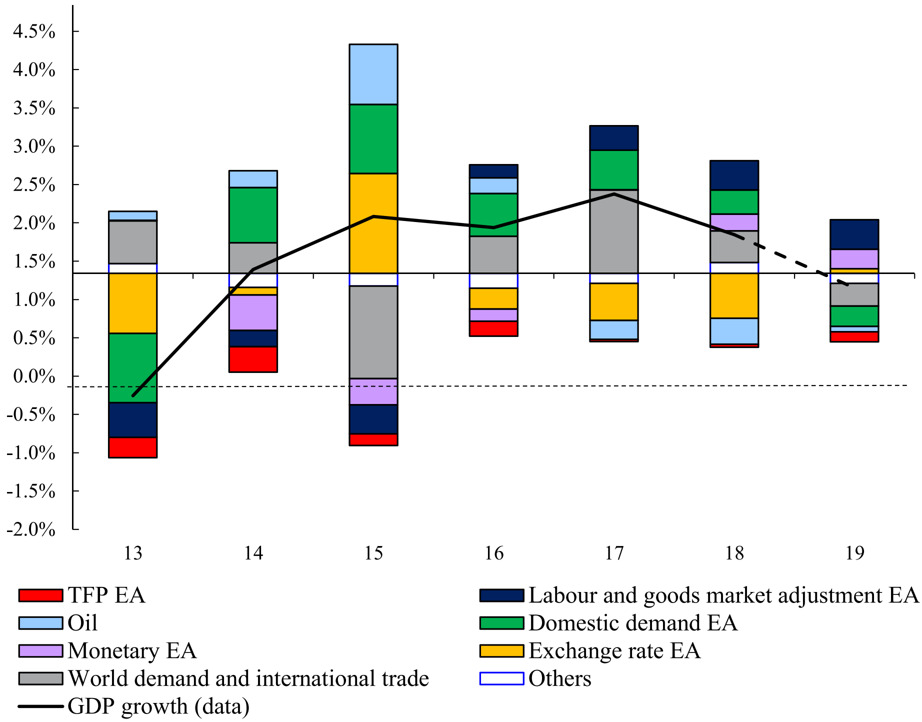
Overall, the European Commission forecasted that the global GDP growth outside the EU to decrease from 3.9% in 2018 to 3.6% in 2019, partly as a result of the lower carryover due to the slowdown in late 2018. In 2020, the global economy (excluding the EU) is forecast to return to a somewhat higher growth path, with annual GDP growth of 3.8%, in line with previous forecasts. This uptick should come from a slight rebound in emerging markets, whereas economic growth in major advanced economies, including the US and Japan, is expected to moderate towards potential amid waning policy support.



Mirroring the slowdown in global manufacturing and investment and exacerbated by lingering trade tensions and a cyclical downturn in the IT and communication sector in Asia, global trade flows fell abruptly in the last quarter of 2018 when they were dragged down by a plunge in China's imports. This weakness has extended into 2019. Global GDP growth is expected to bottom out during this year and global trade growth should stabilise. Overall, non-EU world import growth is forecast to fall sharply from 4.7% in 2018 to 3.0% this year (about 1 percentage point below what was expected in the autumn) and to recover only partially to 3.6% in 2020, largely driven by strengthening economic activity in emerging markets.

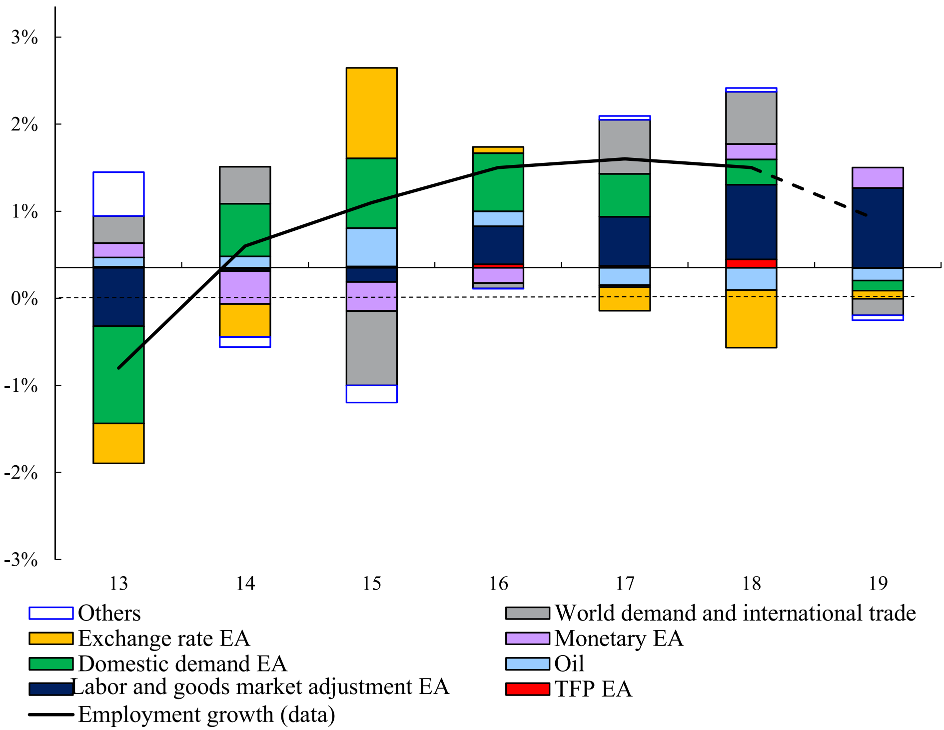
However, investment is predicted to continue growing but at a slower annual pace, as the high degree of uncertainty regarding the global outlook and trade policies is likely to weaken the impetus for equipment investment this year, particularly in export-oriented sectors and EU Member States. Investment should, however, continue to find support from high capacity utilisation rates in manufacturing and low financing costs throughout the forecast period. Meanwhile, the impact of these supportive factors is set to be partly offset by declining profit margins; rising supply hindrances, particularly in the construction sector; at the end of targeted fiscal incentives in some Member States. Overall, investment growth is forecast to decrease by one percentage point in the euro area in 2019 and to remain steady in 2020.

Euro Area real GDP Growth



Source: https://ec.europa.eu/info/sites/info/files/economy-finance/ecfin_forecast_spring_070519_box_1_en.pdf

Euro area employment growth



Source: https://ec.europa.eu/info/sites/info/files/economyfinance/ecfin_forecast_spring_070519_box_1_en.pdf

Chapter II provides an overview of EU funding as a financing source, generating business opportunities. Romania recurrently is trying to increase the absorption rates of the funds.

An outline of the markets and the opportunities available is presented in **Chapter III**.

Section 1 emphasises industry opportunities with the automotive sector in the spotlight and takes a look at the aeronautic and textile sectors.

The Romanian automotive sector is very dynamic and attractive for foreign investors, representing 20% of total Romanian exports. Important international manufacturers have opened factories in Romania, with car manufacturing in the lead, alongside the construction of components and equipment. The aeronautic industry and the textile and apparel industries are also seeing significant investment.

Section 2 introduces the real estate market, detailing the office, retail, residential, and flourishing hotel sectors. Steady and sustained growth can be seen with the regular completion of various projects and opportunities ranging across the different sub-markets. In addition to a growing demand for small scale residential housing in secondary areas, the office market has also seen a record take-up volume and a considerable increase is expected in Bucharest, with new retail schemes emerging. In addition, given the expanding tourism industry, the hotel market keeps on providing dynamic business opportunities. The potential of infrastructure projects, with a focus on the rail sector, is presented in Section 3.

Section 3. An infrastructure-based development policy is combined with major objectives for the transport system and EU funding opportunities.

Section 4 presents an overview of the renewable energy industry and the major legislative changes that will make the Romanian market more attractive to the investors.

Section 5 examines the agriculture sector, which has been the focus of many foreign investors in Romania. With EU funding available, low prices for land, some of the most fertile soils in Europe, and the availability of specialised personnel, the advantages of investing in Romanian agriculture have become undeniable.

Section 6 concentrates on the technology and IT sector, where highly skilled Romanian specialists have proved to be an attractive asset for investors, with an increased cost-effectiveness compared to other European countries. Romania is expected to become a target market for research and development centres focused on high-end solutions and technologies.

II. E.U. FUNDING

The Romania's EU fund absorption rate reaches 19%, with a drawing of EUR 5,8 billion worth of EU funds in the financial exercise of 2018. The absorption rate of 19% is slightly below the EU average of 20%. Most of EU funds went into education, healthcare, IT, infrastructure and human capital.

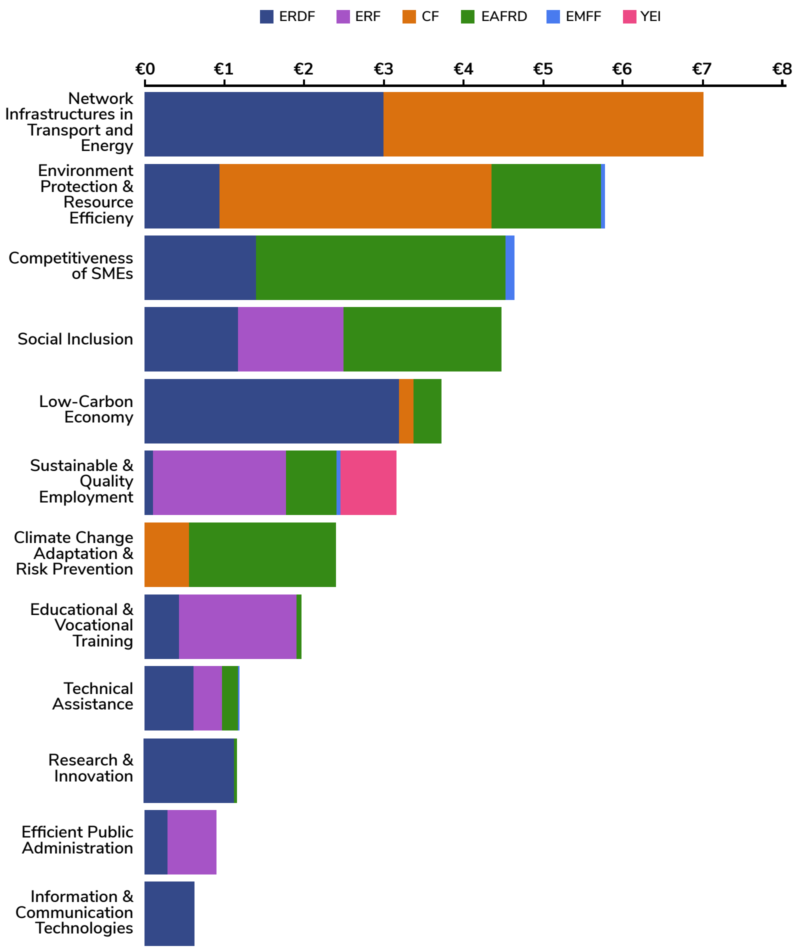
Romania has approved and contracted 174 projects worth a combined EUR 6 billion, being the biggest one financed with EU funds.

According to the Minister of European Funds, for 2019 Romania has proposed a rate of absorption of European funds ranging between 36% and 38%, slightly above the European average.

The Minister also confirmed an increase of 8% of the cohesion funds allocated to Romania for the next long-term EU budget 2021-2027 which shows that the EU acknowledges Romania's needs for development and confirms its trust in the potential of our country.

Romania, through 8 national programmes, benefits from the European Structural and Investment Funds (ESIF) of EUR 30.8 billion representing an average of EUR 1,548 per person over the period 2014-2020.

Total Budget by Theme: Romania, EUR Billion



ERDF = European Regional Development Fund

ESF = European Social Fund   CF = Cohesion Fund

EAFRD = European Agricultural Fund for Rural Development

EMFF = European Maritime and Fisheries Fund

YEI = Youth Employment Initiative

Source: https://cohesiondata.ec.europa.eu/countries/RO

Eu funds represent an important financing tool and a significant number of foreign investors have shown interest in similar projects, proven to be highly beneficial for both established investors and local communities. Furthermore, continued development using these funds will continue to push the economy towards a more sustained growth, while also improving the business environment and human capital.

III. MARKETS AND OPPORTUNITIES

1. INDUSTRY

In this sector, other European states are Romania's main trade partners (more than 85% of the total imports and exports of Romania) with the country registering a significant growth in international trade in 2017.

	Total exports						Total imports						Trade balance					
	Total		Intra-EU		Extra-EU		Total		Intra-EU		Extra-EU		Total		Intra-EU		Extra-EU	
	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16	Jan-Nov 17	Growth/ Jan-Nov 16
Belgium	348.3	5%	251.2	5%	97.1	7%	325.7	5%	209.0	7%	116.7	3%	22.6	20.9	42.2	43.8	-19.6	-22.9
Bulgaria	24.5	12%	16.3	11%	8.1	12%	27.4	15%	17.6	11%	9.8	23%	-2.9	-1.9	-1.2	-1.1	-1.7	-0.7
Czech Republic	147.3	9%	123.5	9%	23.8	9%	131.9	11%	103.4	10%	28.5	16%	15.4	17.0	20.1	19.6	-4.7	-2.5
Denmark	84.0	6%	52.1	7%	31.9	5%	75.6	7%	52.7	5%	22.9	12%	8.4	8.3	-0.7	-1.8	9.0	10.0
Germany	1,181.4	7%	692.1	6%	489.3	7%	950.6	9%	627.6	8%	323.0	10%	230.9	233.3	64.5	71.3	166.3	162.0
Estonia	11.8	8%	8.5	5%	3.3	17%	13.5	10%	10.9	8%	2.6	17%	-1.7	-1.4	-2.5	-2.1	0.7	0.6
Ireland	109.4	0%	55.8	2%	53.6	-2%	67.7	1%	45.1	4%	22.6	-4%	41.7	42.0	10.7	11.2	31.0	30.8
Greece	26.2	13%	14.1	8%	12.1	21%	46.1	15%	23.9	9%	22.2	22%	-19.9	-17.1	-9.7	-8.8	-10.1	-8.3
Spain	260.5	9%	172.6	8%	87.9	11%	284.8	11%	168.5	7%	116.3	19%	-24.3	-15.9	4.1	2.7	-28.4	-18.6
France	432.8	5%	257.1	4%	175.8	7%	509.1	8%	355.1	9%	154.0	6%	-76.2	-60.5	-98.0	-78.8	21.7	18.3
Croatia	13.0	15%	8.3	11%	4.7	22%	20.2	12%	15.7	12%	4.5	13%	-7.2	-6.7	-7.4	-6.5	0.2	-0.2
Italy	411.3	8%	230.5	7%	180.8	9%	369.1	9%	221.2	8%	147.9	12%	42.2	44.0	9.2	10.1	32.9	33.9
Cyprus	2.6	5%	1	-20%	1.6	29%	7.3	13%	4.3	0%	3.0	40%	-4.6	-3.9	-3.3	-3.1	-1.3	-0.9
Latvia	11.2	12%	7.5	7%	3.7	23%	13.6	16%	10.7	13%	2.9	30%	-2.4	-1.7	-3.2	-2.4	0.8	0.8
Lithuania	24.1	17%	14.1	12%	10.0	24%	26.4	17%	18.4	15%	7.9	23%	-2.3	-1.9	-4.3	-3.4	2.0	1.6
Luxembourg	13.0	-2%	10.9	0%	2.0	-10%	18.3	1%	15.2	10%	3.1	-26%	-5.4	-4.9	-4.3	-2.9	-1.1	-2.0
Hungary	92.8	9%	75.4	9%	17.4	13%	87.5	12%	66.5	10%	21.0	22	5.3	6.9	8.9	8.8	-3.6	-1.9
Malta	2.0	-25%	1.1	-3%	0.9	-41%	4.7	-13%	2.9	-2%	1.8		-2.8	-2.8	-1.8	-1.9	-0.9	-0.9
Netherlands	:	:	397.1	11%	:	:			214.3	9%				53.5	182.8	161.2		-107.7
Austria	136.9	8%	97.6	9%	39.4	7%	142.8	9%	110.3	8%	32.5	14%	-5.9	-4.4	-12.7	-12.6	6.8	8.2
Poland	188.4	12%	150.1	12%	38.3	12%	186.6	14%	133.0	12%	53.6	18%	1.8	4.6	17.2	15.8	-15.3	-11.2
Portugal	51.0	11%	37.9	9%	13.2	17%	63.4	14%	48.3	11%	15.1	24%	-12.4	-9.8	-10.4	-8.8	-2.0	-1.0
Romania	58.1	9%	44.2	10%	14.0	7%	69.4	12%	52.7	10%	16.7	19%	-11.3	-8.8	-8.6	-7.8	-2.8	-1.0
Slovenia	31.3	15%	23.8	15%	7.5	13%	29.2	15%	20.3	13%	8.9	21%	2.1	2.0	3.5	2.7	-1.4	-0.7
Slovakia	69.3	7%	59.4	7%	10.0	7%	67.8	8%	54.1	8%	13.7	11%	1.5	2.1	5.3	5.1	-3.8	-3.0
Finland	55.2	16%	33	17%	22.2	15%	56.8	14%	40.6	11%	16.2	22%	-1.6	-2.4	-7.6	-8.4	6.0	6.0
Sweden	124.2	8%	73.4	8%	50.8	9%	124.8	8%	88.6	7%	36.3	9%	-0.7	-1.1	-15.2	-14.4	14.5	13.3
United Kingdom	360.8	8%	173.8	8%	187.0	9%	524.8	-1%	271.8	2%	253.0	-4%	-164.0	-196.8	-98.0	-105.9	-66.0	-90.9

The total exports of Romania were focused on products of the machinery industry, including the electro-technical industry to over 40%, textiles and chemicals.
The most dynamic sectors in this industry are the automotive sector and the real estate sector which have proved to be very attractive for foreign investors.

1.1. AUTOMOTIVE SECTOR

Nowadays, many investors are establishing and developing more complex operations in Romania, thus shifting the focus of their employment policies from 'cheap labour', towards a highly skilled, diverse and globally competitive workforce. The local automotive industry includes two car producers, namely Dacia (part of Renault group) and Ford and more than 400 car parts manufacturers, such as Porsche with its R&D centre for the region, Suzuki, Opel and others.

According to a study published in the Business Review Magazine in July 2019, the global automotive industry is stagnating while still booming in Romania. It seems that Romania's automotive sector keeps the momentum and continues on an ascending trend of consecutive increases in the last five years in terms of new car purchases. 2018 marked a 20 percent growth which represented an all-time high in car production reached last year as , Renault and Ford, have accelerated production in the first ten months of 2018.

Dacia, the low-cost subsidiary of the French car maker Renault, has increased its production at the Mioveni plant by 7.7 percent year-on-year during the first ten months of 2018 up to 280,973 vehicles, according to ACAROM. Such steady growth and excellent financial results have led Renault Group to having invested nearly EUR3 billion in Romania in the modernization and expansion of the car factory in Mioveni and in its engineering and testing center in Titu, ZF English reports.

Dacia's only rival in Romania, Ford, has produced almost 120,000 cars at its Craiova plant in the first ten months of 2018, almost three times more than in the same period of last year due to the new model EcoSport, a small SUV produced since autumn of 2017 on the background of the growing market for the SUV segment in Europe.

The turnover generated by Romania's automotive industry marked a generous increase in 2018, by 20% compared with 2017, hitting the threshold of EUR 28 billion, according to the local automotive producers' association – ACAROM. This represents the fastest annual advance in the last seven years, with a more significant advance – of 25% seen in 2011 when Renault launched the Duster SUV into production.

After the constant growth of recent years and with 2018 being an extraordinary year for the automotive industry, the 2018 growth pattern continued in 2019 with a 6% rise in the first quarter of 2019 thus creating the legitimate expectation of ending this year as well with a positive increase. Such growth is mainly generated by exports, while imports are significantly lower, a study published in the Business Review Magazine in July 2019 shows.

In terms of numbers, the first half of 2019 looks extremely good: as per the data from the Automotive Manufacturers and Importers Association (APIA) new vehicle sales in Romania grew 9.5% on the year in January-July, to 115,744 units, of which 99,350 were passenger cars, up 11% on the year, as such information was reported by ZF English.

Not only car manufacturers are thriving in Romania, but also car components producers. One successful example would be Leoni Wiring Systems Arad (the local division of Germany's Leoni Group, with global sales of nearly EUR5.1 billion) which reported a turnover of RON 896.6 million (EUR 192.8 million) in 2018, up 13% year-over-year, according to ZF calculations based on Finance Ministry data. Leoni is a well-established player on the local automotive industry with a local presence since 2000 when it opened the first WSD (Wiring Systems Division) production plant in Arad followed by another two plants in Bistrita and Pitesti and thereafter by four satellite production units in Beius, Ludus, Marghita and Bumbesti-Jiu.

We can also see new market entries for example in the car components manufacturers sector. ZF English reports that in 2019, GMB Romania Auto Industry (a company part of the GMB Korea group) will begin production in a new facility built in Oarja, near Pitesti in southern Romania, a town where several Dacia investments and the automotive component plant of the Turkish Martur group are. GMB Romania Auto Industry will mainly manufacture here some of the engine parts, namely water pumps.

Other car manufacturers, including BMW, are also looking at the Romanian market, which is why the government has offered to support BMW to find Romanian IT companies that could be involved in developing software for the German group. Although the process is still ongoing, more than a dozen companies have been selected to participate in the BMW's newest project in Romania.

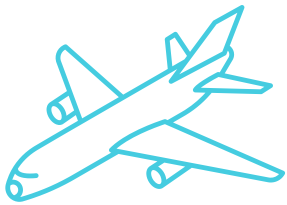
The future of the automotive industry looks quite bright as well, as Romania's car production would reach at least 650,000 units after 2020, according to Christophe Dridi from Dacia and reported by ZF English. Dacia and Ford, the two carmakers in Romania, will see production reach 650,000 cars after 2020, but the auto industry needs support to continue to develop, Christophe Dridi added.

Indeed, support for the automotive industry is essential to ensure further development and steady growth of this sector. 2018 was the highest peak in car manufacturing which represents a strong signal of confidence for the Romanian economy, and especially the business environment. The car sector has been and continues to be propeller of growth and national economic development, therefore the Romanian state role is quite important for ensuring such growth in the future.

Several measures aimed at supporting the car and car components manufacturers were implemented by the Romanian Government, such as the National Research – Development Plan 2015 -2020 for financing projects designed to contribute to boosting the competitiveness of the Romanian economy, which target to an overwhelming extent the automotive industry.

Also, the Romanian state assured the funding necessary for the state aid scheme with major impact in the economy, made it simpler and more flexible, in order for as many companies as possible to benefit from this aid. As per Government officials' statements given in March 2019 at the 2019 European Automotive Industry Forum which took place in Craiova, five of the 14 financing agreements signed at the end of 2018 on the basis of this policy, are for projects of companies active in the automotive industry, both car producers and car components manufacturers. The development of these projects which amount to a total of RON 1 billion will have important economic and social effects, through the creation of nearly 1,300 new jobs.

At the same event (i.e., 2019 European Automotive Industry Forum) another example was given through the programmes devoted to car park renewal which have been put in place by the Romanian Government in order to encourage the purchase of new cars, less polluting in line with the European objectives of environmental protection, through reduction of greenhouse gas emissions, but also with the European and world trends in the automotive industry towards shifting emphasis on hybrid and electrical vehicle manufacturing. In the past years, a program was promoted whereby citizens are supported to buy new cars, with state guarantees.



1.2. AIRCRAFT INDUSTRY

Romanian low-cost airline Blue Air estimated that it transported more than 26 million passengers, its aircraft travelled more than 300 million kilometres and hit a turnover of EUR 460 million in 2018.

Blue Air launched in 2018 two special aircraft, Boeing 737-800 models customized with King Carol I (in July) and King Ferdinand I (in December). In the fleet, Boeing 737 aircraft are undergoing continuous modernization, with new models being added frequently. In 2018, the company invested EUR 16 million in equipment as well as in personnel training.

When it comes to the flights, the company says that in 2018 has focused on increasing the frequency of domestic flights: it inaugurated the Bucharest - Bacau route, and by its Constanta base it facilitated the journey from the west and the center of the country to the Romanian seaside. In the summer of 2018 it also launched Bucharest - Palma de Mallorca route, one of the most popular summer destinations in Europe, as well as the Bucharest - Paris Charles de Gaulle route, as an alternative to Paris Beauvais.

1.3. TEXTILE AND APPAREL INDUSTRY

The revenue in the apparel market amounts to US$3,191m in 2018. The market is expected to grow annually by 5.3 % (CAGR 2018-2021).

In Romania, the market's largest segment is the segment "Women's and Girls' Apparel" with a market volume of US$1,242m in 2018.

The Romanian fashion industry is one of the significant employers of the economy, as shown by the relatively constant workforce in 2013-2017, of around 200,000 employees.
"The most important and relevant aspect is that more than three quarters of employees work in the manufacturing sector, which attracts businesses horizontally. Romania produces a lot via outsourcing contracts, most for export but the domestic market is also gaining moment," – according to KeysFin analysts.

Foreign groups hold a share of 83% in the local fashion retail sector, with H&M, Zara, C&A and Pepco among the top players.

1.4. PHARMACEUTICAL MARKET

Maintaining the continuous growth from the past years, the Romanian pharmaceutical market reached record sales in 2018, as the Romanians' appetite for pills and treatments is stimulated by media advertising campaigns and the crisis in the local healthcare system.

The total turnover estimated for the drug production, distribution and retail companies in Romania went up from RON 37.9 billion in 2012 to RON 47.9 billion in 2017. The profit reached RON 2,38 billion in 2017 and it was estimated to go up RON 2,53 billion in 2018.

In volume, the market increased by 6,6 % supported by a 6,6% increase in retail sales and 7,2% increase in sales to hospitals. The retail sales increased by 6,9% for the prescription drugs and 6,2% for OTC drugs.

Between March 2017 and March 2018 the pharmaceutical market in Romania reached RON 14.7 billion (EUR 3.15 billion), up 11.8% over the previous year. Sales of prescription drugs via drug stores reached RON 9,78 billion, up 10.6% year-on-year, the OTC market amounted to RON 3.19 billion (EUR 686 million), up 16.5%, and drug sales to hospitals totalled RON 1.71 billion (EUR 368 million), up 10.4%.

2. REAL ESTATE

The year of 2018 was the best year of the last decade for transactions with office buildings. Bucharest headed them with over 20 sold office buildings with an aggregate leasable area of 22,000 sq.m and for a total price of over EUR 500 mil, as per Romania Investment Marketbeat report drawn up by Cushman & Wakefield Echinox Romania. Other major Romanian cities with office building projects successfully sold were Cluj-Napoca and Timisoara, bringing the overall percentage held by office building transactions to a 55% of the overall real estate transactions successfully closed in 2018, as per the same report, which concluded that, in total, the investors placed EUR 957 mil in real estate transactions (2nd position was held by retail transactions, with 33%, and and 3rd position by Industrial and Logistics related transactions, with 9%).

The year of 2018 ended with a premiere on the local real estate market given by the fact that the Romanian investors were ranked second in the volumes generated by nationality. – according to the Business Review report.

The sale of The Bridge (I and II) and of Oregon Park offices represented two of the top 10 largest real estate deals ever made in Romania. The largest transaction made by the Romanian capital also marked the entry into the real estate market of the Dedeman group, which bought from Forte Partners the Bridge project in the center-west area of Bucharest, for a total of EUR 150 mil.

Other transactions made by local stock companies were smaller but relevant for the market: the acquisition of the Bucharest Corporate Center office building by One United Properties or Oradea Shopping City by Sapient Center Oradea.

The year of 2019 seems to be even more promising, a delivery of at least 300,000 sqm of new office spaces, in Bucharest only, being estimated by most of the real estate brokerage companies. Main tenant categories would be IT&C companies, banking groups and professional advisory companies.

The residential market had also an increase in 2018 (of 12%) compared to previous year, a number of 57,709 units being finalised compared to 51,578 units finalised in 2017, as per the official information disclosed by the National Institute of Statistics. While such figures represent the peak of the last 10 years, the year 2008 record (of over 61,000 units being delivered) remained still unbroken. Such increase tendency seems to be viable for the year 2019, as well, despite the increase in the final prices of the units caused by labor and material costs' successive increases throughout the first half of the year.

Finally, according to Romania Insider, while the office segment took the spotlight, there has also been spotted an increased activity on the hotel segment fuelled also by Romania's co-host position of the UEFA European Football Championship to be held in 2020. Although no big transactions such as the Radisson sale in 2017 were signed, this segment continued to draw investors, with the Polish group Orbis buying Mercure hotel in downtown Bucharest and the Lithuanian company Apex Alliance buying the headquarters of the 19th century Marmorosch Blank bank in Bucharest's Old Town.

2.1. OFFICE MARKET

Office activity maintained strong over 2018, with good results in terms of development pipeline and demand, further decreases in vacancy rates and stable rental levels. . Six buildings of above 10,000 sqm GLA were completed by CA Immo, Globalworth, Skanska, AFI Europe, Speedwell and Day Group, in Bucharest only. Record volumes of deliveries are announced for 2019, expected to increase the office availability.

The largest completions were recorded in the western and central areas of the Capital, concentrating 40%, respectively 39% of the total new supply. It was the first year when northern Capital lost its dominance in terms of new supply, accounting for just 21% of last year's completions.

Bucharest's modern office stock reached a total of 2.9 million sqm, 75% of A-class standards, corresponding to a density of 1,590 sqm GLA/1,000 inhabitants that is 50% higher than 5 years ago.

Northern Bucharest concentrates 52% of the existing modern office stock, followed by the central area with 28% of total and western area with 16%. The eastern and southern areas account each for just 2% of the total stock.

Barbu Vacarescu (Aurel Vlaicu metro station) - Dimitrie Pompeiu – Pipera area is established as the largest office concentration in Bucharest, with over 1.08 million sqm of modern offices. The new business district developed around Aurel Vlaicu metro station has been the most active area during the last 10 years, including today an existing stock of over 372,000 sqm GLA and pipeline projects of 136,500 sqm, sustained by a current vacancy rate of below 2%.

Over 90% of the existing stock was completed during the last 15 years, the most active periods being 2006-2010 (1.3 million sqm GLA) and 2016-2018 (587,000 sqm GLA).

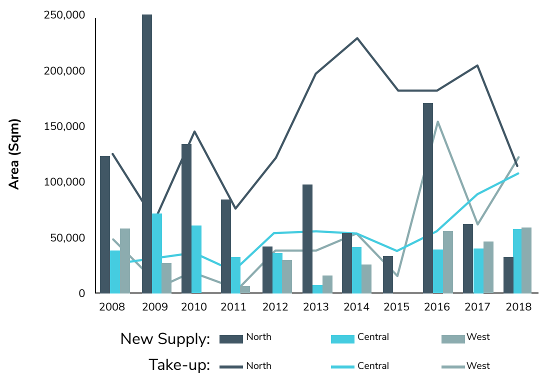
Outside Bucharest, deliveries recorded an all-time 2nd highest volume, with over 105,000 sqm GLA being completed as part of the major markets.

BUCHAREST - LARGEST OFFICE DELIVERIES 2018

BUILDING	AREA	GLA (SQM)
Orhideea Towers	Grozavesti	37,000
Globalworth Campus (2nd bldg.)	Dimitrie Pompeiu	32,000
Campus 6(1st bldg.)	Politehnica	22,200
AFI Tech Park (1st bldg.)	Tudor Vladimirescu	22,000
Unirii View	Unirii	18,700
Day Tower	Unirii	11,750

Source: Activ Property Services

BUCHAREST - OFFICE FACTS



Source: Activ Property Services

Timisoara was the most active location for the 2nd consecutive year, with a record new supply of 53,000 sqm. The city has become the largest office market outside Bucharest, at very small difference in front of Cluj-Napoca, accounting for 270,000 sqm GLA, out of which 48% was delivered over the last 4 years.

Important deliveries were also recorded in Brasov, including two buildings of 20,700 sqm in Coresi, followed by Cluj-Napoca (15,300 sqm) and Sibiu (12,100 sqm).

Office demand maintained firmly over 2018, with important volumes of leases in both Bucharest and outside the Capital, around half of the take-up volume being new demand. The development of the business sector and rapid expansion of IT&C, BPO & SSC sectors, coupled with consolidation activities of large occupiers, were the main sources of office demand that reached 440,000 sqm Bucharest registered 351,000 sqm GLA of leases in 2018, representing a 10-year 3rd highest performance, despite a 4% reduction from 2017. A-class leases represented 90% of total take- up.

IT&C maintained as the largest source of demand, representing over a third (35%) of the office take-up, followed by companies of professional services (12%), consumer goods (10%) and finance / banking / insurance (9%).

Western Bucharest secured 35% of last year's major leases, followed at close distance by the northern districts (33%) and central locations (30%). The southern and eastern areas attracted just above 2% of the office area leased.

The most demanded business districts were Grozavesti - Orhideea, with total leases of 60,000 sqm, Aurel Vlaicu metro (48,000 sqm), Politehnica (39,000 sqm), CBD Victoriei Square (34,000 sqm), Dimitrie Pompeiu (30,000 sqm) and Expozitiei (27,000 sqm).

Vacancy rate decreased to 7.7% at year-end in Bucharest, a 10- year lowest, with the A-class stock having a 6.8% vacancy. The new business district developed around Aurel Vlaicu metro station has the lowest office availability, with less than 2% of the existing space being vacant. The CBD area (Victoriei Square) is 7.5% vacant, while the largest business district Dimitrie Pompeiu confronts with an 11% overall vacancy (3.5% for A-class stock).

Office demand maintained solid outside Bucharest, being reported major leases of over 95,000 sqm, comparable with the volumes of the previous two years.

Once again Timisoara registered the largest take-up, with over 44,000 sqm that corresponds to a 19% year/year growth. Major occupiers such as Nokia, Continental, Microsoft, Flex, IBM, Visteon, Enel, Convergys and NTT Data Romania signed new leases last year.

Top take-up levels of activity were also registered in Cluj-Napoca (+25,000 sqm), Iasi (+12,000 sqm) and Brasov (+6,000 sqm).

Over 80% of the major leases signed outside Bucharest were done by IT&C companies, the sector having a rapid expansion, not only as part of the major cities, but also in smaller locations where workforce can be found.

MAIN OFFICE LEASES OUTSIDE BUCHAREST, 2018

TENANT	AREA (SQM)	BUILDING	CITY
Visteon	5000	ISHO	Timisoara
Genpact	+4000	UBC Riviera	Cluj-Napoca
Porsche Engineering	3500	Vivido	Cluj-Napoca
Amazon	3000	Unique	Iasi
NTT Data	2800	UBC OpenVille	Timisoara
Convergys	2100	UBC OpenVille	Timisoara
Metro Systems	1500	The Cube	Cluj-Napoca
Microsfot	1200	UBC OpenVille	Timisoara

Source: Activ Property Services

2.2. RETAIL MARKET

Shopping centre rents registered a growing tendency over the last year, especially on the prime segment, the upward pressure coming from the very low prime availability and growing sales. Prime shopping centre rents (ground floor shops of 100-200 sqm) have average levels of EUR 45-80/sqm/month in Bucharest, EUR 20-40/sqm/month in cities of above 150,000 inhabitants and EUR 10-25/sqm/month across county capitals of 80,000- 150,000 inhabitants. Prime stock is almost fully occupied, with the dominant schemes having vacancy rates of just 2-3%.

Retail warehousing

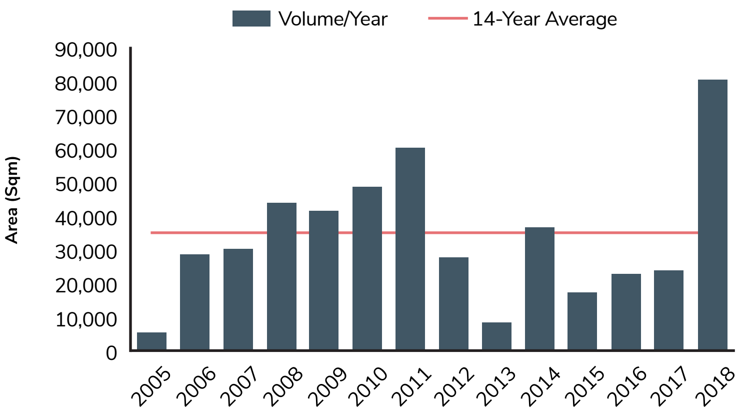
Over 200,000 sqm GLA of new retail warehousing space was delivered nationally in 2018, similar with the performance of the previous year, but marking a stronger developers' preference for the retail parks segment.

Retail parks openings reached a record-high of 81,700 sqm GLA, representing a +68% year/year growth and more than double last 10 years' average. Around 59% of the new area was delivered in cities of below 100,000 inhabitants.

A number of 12 retail parks and 4 extensions were opened, most of them being less than 10,000 sqm. Some of the projects (Baia Mare Value Center, Roman Value Center) include both retail park and shopping centre sections to boost attractiveness. Prime Kapital opened its first projects and was the most active developer with 5 schemes completed, accounting for over 32,350 sqm GLA.

The total existing retail park stock outpaced 500,000 sqm (523,270 sqm GLA) and is expected to further continue to grow, especially in smaller cities, with a larger number of developers and occupiers being now part of the game.

RETAIL PAKRS - NEW SUPPLY / YEAR



Source: Activ Property Services

Romania was ranked fifth at a European level by deliveries of retail spaces in retail parks in 2018, being overtaken only by France, Spain, Great Britain and Italy – as the European Retail Park – What's Next report states, compiled by the company Cushman & Wakefield.

Looking in perspective, Romania will continue to be among the top 10 countries in Europe to develop this format of commercial projects, with retail parks operating in both large and small cities that cannot absorb a shopping center mall type.
High street retail

While most of the high street locations are still in need for refurbishment and improvements in concept & amenities, their development being restricted by a lack of administrative strategy, low volumes of investments, absence of large-size stores and deficit in parking facilities, local high streets can still be found in central and central Romania, including Brasov, Sibiu, Timisoara, Cluj-Napoca and Oradea – locations that provide appealing pedestrian avenues.

As a continuity with the past years, the food sector is maintained as the main source of high street demand, with the market leaders (Profi, Mega Image, Carrefour) opening 340 new stores in 2018, most of them being located on high street locations.
On the other hand, high street demand came also from the main pharma chains -Catena, Sensiblu, Dona, HelpNet and Ropharma, but also from mobile phones operators, casinos & bet agencies, restaurants and coffee shops.

With respect to the rents on high street, such have registered a stable/up tendency, with an upward tendency for the prime and densely-populated locations with proved retail potential.

2.3. RESIDENTIAL MARKET

The first months of 2019 have been quite rough, with some commentators claiming that the residential sector was overvalued and was about to go into a crisis due to issues such as the Romanian currency depreciation against the Euro, rumours regarding the potential change of the government-backed program for first-time homebuyers called “Prima casa”, or change of the index, based on which the cost of mortgage loans was computed, from ROBOR to IRCC, which initially led to a slight reduction of bank instalments paid by debtors.

Despite such indices, residential projects developers suggested that demand for housing has bounced back in the second quarter of the year and that the need to live in big cities is far from being covered.

Furthermore, following an interview given by Codrin Matei, Managing Director of Crosspoint Real Estate, to ZF Live in the summer of 2019, the residential market prices increased by at least 20% and although the data shows that the residential sales decreased in the first half of the year, they only took into account the reported sales-purchase contracts and not also the pre-contracts, which were having a positive volume thanks to the benefit from a discount when buying a package in an early stage of the project. According to Codrin, when it comes to investments, you can benefit from discounts of 15-20% per year, depending on your risk appetite.
Asking prices for apartments increased in July 2019 both nationally as well as in some important regional centers, most significantly in Bucharest. Average asking prices at the country level increased by 2.7 percent, from EUR 1,216 per usable square meter in June to EUR 1,249 per square meter in July, according to Imobiliare.ro.

The present value is only 3.1 percent higher than the one recorded in the same period of last year. Although price increases were also recorded in the old housing segment, the most significant increases occurred in the newly built segment.

In July 2019, apartments for sale in Bucharest saw the highest price increases, with a 2.6 percent growth, from EUR 1,284 to 1,318 per square meter. Interestingly, this development only brought Bucharest back to the average price recorded 12 months ago, as the current value is identical to that of the similar period of 2018.

Apartments in old blocks of flats registered a 1.8 percent increase compared to the previous month (from EUR 1,228 to 1,250 per square meter), while apartments in new buildings had a more significant growth, amounting to 3.9 percent (from 1,323 to 1,375 euros) per square meter.

Data provided by residential property consultancy SVN Romania shows that some 35,000 residential units were delivered in urban areas last year, out of almost 60,000 dwellings delivered at national level (privately and publicly financed units).
More than 20,000 new residential units will be delivered this year in Bucharest and the main regional cities following a stable market, which might lead in price increase in the second half of the year, say consultants and developers, according to a recent article on business-review.eu.

In regional markets, Cluj-Napoca will rank first with deliveries of new housing units expected to exceed 5,000. More than 3,000 units will become available in Timisoara and Constanta, if the surrounding areas of the cities are taken into account. Similar figures might be recorded by Sibiu and Iasi.

Prices went up by 18 percent between the end of 2016 and the end of 2018, when they climbed to EUR 1,239 per sqm, according to Imobiliare.ro. This year, Cluj-Napoca has remained the most expensive residential property market, with asking prices averaging EUR 1,568 per sqm.

Specialists state that potential buyers are more and more interested in medium and medium-high apartments, located in areas with easy access to public transport, schools, parks, shopping centers and other social facilities.

2.4. INDUSTRIAL AND LOGISTICS

The volume of industrial and logistics spaces leased in the first half of the year totalled 240,700 square meters, more than twice the level recorded in the same period last year, of about 100,800 square meters, according to real estate consultancy JLL Romania.

Bucharest attracted most of the demand for industrial and logistics space in the country, namely 43 percent (approximately 103,600 square meters), followed by Slatina (62,000 sqm), Oradea (34,000 sqm) and Timisoara, with almost 22,300 sqm traded.
Given the developments in the first half of the year, JLL's expectations for 2019 demand are optimistic, namely a volume of transactions comparable to the one recorded over the past 3 years, around 500,000 sqm per year.

JLL recorded in the first semester a market share of almost 30 percent of the volume of industrial and logistics lease transactions by real estate consultants.

It is noteworthy that over the first half, more than half of the demand (121,600 sqm) came from manufacturing companies, most of which are in the automotive field.
Another trend seen on the market this year and which generates part of the demand is the migration of the companies from the spaces they are occupying on former industrial platforms in modern projects.

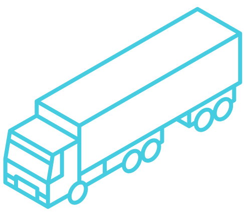
According to Romania-insider.ro, local companies Dedeman Group and Element Industrial have entered into a partnership to jointly invest an undisclosed sum in the development of ELI PARK 1 logistic and industrial project, located northwest of Bucharest, in Chitila-Buftea, project amounting a total of 50,000 sqm. Part of this logistics park is already pre-leased.

Element Industrial has also recently announced plans for a 60,000 sqm logistics park in Craiova, which will require a total investment of EUR 35 million.

According to business-review.eu, companies from Poland, Czech Republic, Serbia, Western Europe or Asia are considering Romania more and more when deciding to extend their activity in southeast Europe. They seek cities with good highway connections or access to the sea, as Dunwell data show and cities such as Constanta – for its port access – or railway hub cities like Brasov, Craiova or Iasi rise interest for future investors, who are aiming at boosting their presence in Europe.

The development of infrastructure, foreign capital absorption, highly qualified personnel, and expanding opportunities have all led to more investors coming to Romania and developing the industrial and logistics sector.

In 2018, the supply of industrial spaces increased by 30 percent y-o-y to 3.5 million square meters, while in 2019 Dunwell estimates it will exceed the 4 million sqm mark. Bucharest is the leading city both in demand and industrial development, but Cluj-Napoca is the most expensive city when it comes to land purchase for industrial purposes.



2.5. HOTEL MARKET

The Romanian hotel market saw an increase in both the accommodation capacity and the number of accommodated tourists in 2018, the accommodation capacity being 1.6% higher than in 2017 while the number of tourists increased by 6.7% compared to the previous year, according to Crosspoint Real Estate, international associate of Savills in Romania, according to Romania Insider.

The turnover of Romania's hotel industry for 2018 is estimated at around EUR 1.2 billion, according to the analysis made by Crosspoint Real Estate.

For 2019-2020, the number of operational hotels in Romania is expected to increase by 10%, from 1,633 to 1,800. Among the most important deliveries expected for this period, there are the Grand Hotel du Boulevard managed by Corinthia, Courtyard and Autograph Collection hotels managed by Marriott International in Bucharest, a series of Ibis hotels in Bucharest and Timisoara, and the extension of the Mercure brand in cities such as Timisoara, Sibiu and Brasov.

Crosspoint Real Estate also mentioned the trend to refurbish, upgrade and re-introduce old hotels into the touristic circuit in Romania. An example was the opening of the Lido Hotel in January this year, an emblematic building of Bucharest in the 1930s.

As for the attractiveness of hotel products from an investment point of view, Codrin Matei, Managing Partner, Head of Capital Markets at Crosspoint commented: "The increased interest in this asset class can be seen through the number of developments started last year in Bucharest as well in secondary cities, given that more and more investment funds target a diversification of their portfolio."
Brand hotels are the most visible on the radar of investors, and the reference transaction that has demonstrated their interest was the sale of Radisson Blu hotel in Bucharest to Revetas Capital, the analysis also said. Active buyers on the market target 4 and 5-star hotels with more than 100 rooms, located in central locations or especially near business hubs, as Romania Insider states.

3. INFRASTRUCTURE

Overview

The Romanian transport infrastructure is in need of significant investment and modernization. Fortunately, the EU has allocated several billion euros to support the development needs in this sector.

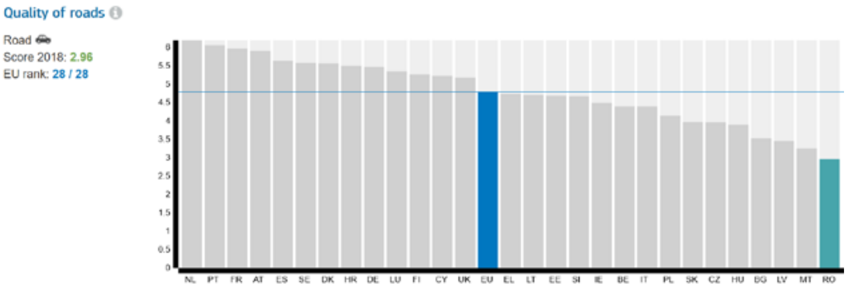
Road Infrastructure

The EU allocated EUR 9.5 bn to Romania for large infrastructure projects.

Among the most important infrastructure projects that were recently launched is the Sibiu-Pitesti motorway, an important part of the Pan-European Corridor IV.
Another important project is the new Bucharest Belt Motorway, which entered its projection phase in 2019. The south sector, which is 51 kilometres long and a total value of over RON 2.6 billion (around EUR 580 million), is part of the capital's new ring road and will be like traffic decongestion projects built in major European cities.

Romania is also launching tenders for four lots of the Craiova-Pitesti Expressway, with a total length of 121 km and a total value of around RON 3.76 billion (around EUR 820 million).

The suspension bridge over the Danube in Braila, is the most complex infrastructure project launched in Romania over the last 27 years is estimated to cost RON 2 billion (around USD 500 million).

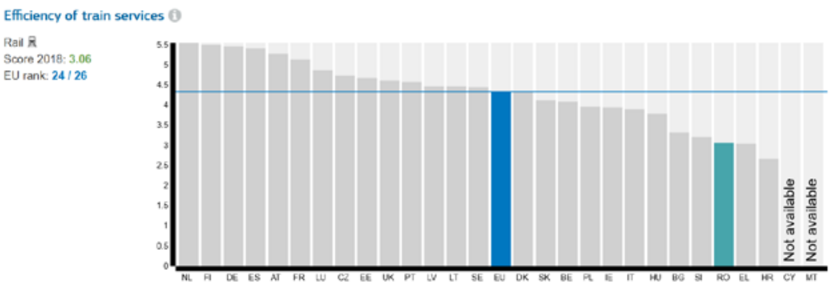


Source: https://ec.europa.eu/transport/facts-fundings/scoreboard/countries/romania/investments-infrastructure_en

Rail Infrastructure

Like the road network, the rail system in Romania is in great need of upgrading and investment. The average freight rail speed in country is 13 km/hr – one of the slowest in Europe. While this presents a challenge for managing supply chains, companies can benefit from the opportunity of rail upgrades.

According to National Railway Company "CFR" S.A., there are many projects which are under preparation or ready to be launched, which concentrates on rehabilitation and modernization of the railways.



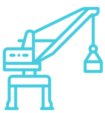
Source: https://ec.europa.eu/transport/facts-fundings/scoreboard/countries/romania/investments-infrastructure_en

Constanta Maritime and River Port Infrastructure

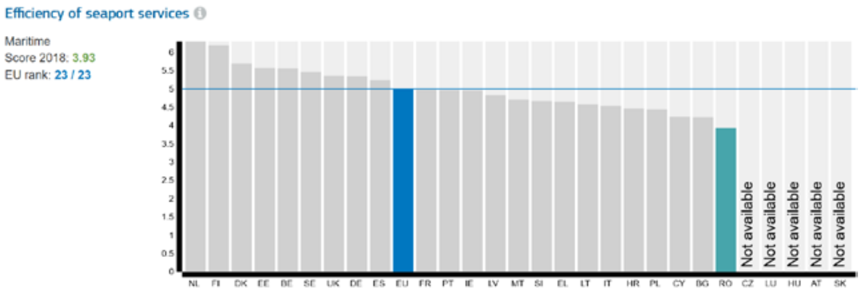
Located at the crossroads of the trade routes linking the markets of the landlocked European countries to the Caucasus, Central Asia and the Far East, the Constanta Port has excellent connections with the Central and Eastern European countries through the Corridor IV (rail and road), Corridor VII - Danube (inland waterway), to which it is linked by the Danube-Black Sea Canal, and Corridor IX (road), which passes through Bucharest. The two satellite ports Midia and Mangalia that are not far from Constanta Port are part of the Romanian maritime port system under the coordination of the Constanta Port Administration.

The port of Constanta is one of the main distribution centers for the Central and Eastern Europe, being a multi-purpose port with the deepest operational water in the Black Sea in the port basins to accommodate the largest vessels passing through the Bosphorus narrows (Turkey). The Constanta Port has a handling capacity of over 100 million tons per year and 156 berths, of which 140 berths are operational. The total quay length is 29.83 km, and the depths range between 8 and 19 meters (the deepest in the Black Sea). In terms of capacity, the port could receive sea-going vessels of 165,000 dwt and bulk carriers of 220,000 dwt, containers – 10,000 TEU (due to Bosphorus limitations).

The connection of the port with the Danube River is made through the Danube-Black Sea Canal, which represents one of the main strengths of Constanta Port. Due to low costs and important cargo volumes that can be carried, the Danube is one of the most advantageous modes of transport, an efficient alternative to the European rail and road congested transport.



The Port is currently planning several major projects that are related to: the development of the artificial island (new operational berths and transport infrastructure - phase 1, approx. $336 million, until 2020); modernization of pier 3 (approx. $315 million, until 2020) and pier 4 (approx. $340 million, until 2025).



Source: https://ec.europa.eu/transport/facts-fundings/scoreboard/countries/romania/investments-infrastructure_en

4. RENEWABLE ENERGY

According to the information published by MDPI , a pioneer in academic Open Access publishing, Romania has rich and varied renewable energy resources: biomass, hydropower, geothermal potential, wind, concentrated solar power (CSP), and photovoltaic energy. They are distributed throughout the country and can be exploited on a wider scale provided the performance-price ratio of technologies improves. This level will only be achieved by maturing new generations of equipment and related facilities. Romania has advanced the use of a significant part of the wind and photovoltaic energy potential. Evaluating the main renewable energy sources can be underlined that the least harmful to the environment is considered wind energy. At the same time, it is sustainable and long-lasting, pollution-free, and eco-friendly.

Over the last decade, significant progress has been made in the energy sector in Romania to limit the environmental impact. However, considerable efforts are still needed for the energy sector to contribute to Romania's transition to an economy based on the principles of sustainable development.

Romania fulfils the first condition of energy security, holding important energy resources that can support integrated cycles in certain industrial branches. Theoretical potential of renewable energy largely exceeds all other energy forms. In order to meet the world's demand, an important factor that contributes to harvesting energy from renewable sources and to use them as the source of new, clean, and sustainable energy is technological advancement.

The shift to renewable energy is mandatory given that fossil fuel supplies 85.77% of the primary energy consumption of the world. Nowadays, a significant percentage of the total energy production in the EU comes from renewable energy sources. In Romania, with more than 30% of its total electricity demand coming from renewable energy sources, renewable energy production is significantly increasing.

Romania has already achieved its 2020 target (24%) for renewable energy due, in particular, to the size of its hydropower sector, which is responsible for about one third of the installed power generation capacity, but also the evolution of wind energy and the use of biomass for heating (16.6% of final energy consumption). As an EU member state, Romania must achieve the target established by the EU that binds the member states to reach a share of at least 27% of renewable energy in its gross final energy consumption.

One of the most important indicators in the field of renewable energy is Renewable Energy Country Attractiveness Index (RECAI). The RECAI ranks 40 countries on the attractiveness of their renewable energy investment and deployment opportunities. In the same time, RECAI has established itself as an industry standard and is widely regarded as providing leading market commentary, analysis, and insights on the global renewable energy sector. Analysing this indicator (Table 1), it can be observed that Romania has an average attractiveness regarding renewable energy.

ROMANIA SCORES IN RECAI RANKINGS

INDICATOR NAME	VALUE
All renewables	46
Wind index	51
Onshore index	55
Offshore index	38
Solar index	33
Solar PV	45
Solar CSP	0
Biomass	44
Geothermal	41
Infastructure	45

Source: RECAI

5. AGRICUTURE

The Romanian agriculture sector recorded its best results in history last year, with record yields for wheat, maize and sunflower, according to Business Review . The total grain harvest in 2018 – about 31 million tons – ranks Romania on the third place in the European Union (EU), but first for maize harvest for the second year in a row.

Data from the European Institute of Statistics show that Romania ranks third in the EU, after France and Germany, in cereal production, with 31.89 million tons. However, the figures from the Agriculture Ministry are slightly more weighted and indicate only 30 million tons, of which 12 million tons of grain cereal production in the summer.

In maize, Romania is for the second consecutive year on the first position in the EU with a total harvest of 19 million tons, up by almost 33 percent compared to 2017 and with a yield of 7.8 tons per hectare, ahead of France, which gained 12.59 million tons this year.

Romania produces almost 28 percent of the European Union maize. The biggest producer is Agricost (from Insula Mare a Brailei), followed by Comcereal Dolj and Transavia.

For wheat production Romania is on the 4th position in the EU with 10.27 million tons, an increase of 2.36 percent over last year and an average of 4.8 tons per ha. Sunflower harvest rose to 3.35 million tons in 2018, up 15.01 percent over 2017 at a yield of 2.9 tons / ha. This data positions Romania on the first place in the EU.

Last year was also a good year for vineyards, with grapes producing more by 74.08 percent compared to 2017, up to 83.000 tons, with a yield of 9.4 tons / ha, while grape wine increased by 13.3 percent, totalling 1.155 million tons. The average per hectare was 6.7 tons.

The International Organization of Vine and Wine (OIV) estimated at the end of October that Romania recorded a 21 percent increase in wine production up to 5.2 million hectolitres, higher than 2013, the record year so far, when 5.113 million hectolitres were recorded.

On the other hand, there were crops with lower production in 2018. For barley the harvest was down 1.54 percent, the total reaching 1.87 million tons, with a yield of 5.2 tons / ha; for rapeseed oil the production was 1.51 million tons, down 9.46 percent at a yield of 2.3 tons / ha; sugar beet – 921,000 tons, a 21.58 percent decrease and an average of 40.6 tons / ha, and for autumn potatoes the production was 2.4 million tons (minus 10.03 percent) with a yield of 16.7 tons / ha.

TIME	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
GEO										
European Union - 28 countries	81.1	100.0 (r)	108.8	107.5	111.9	113.6	110.0	112.5	125.2	120.7 (e)
European Union - 27 countries (2007-2013)	80.8	100.0 (r)	109.0	107.8	112.0	113.9	110.0	112.3	125.2	120.6 (e)
European Union - 25 countries (2004-2006)	83.7	100.0 (r)	107.2	107.3	110.6	110.7	106.4	110.9	122.5	117.6 (e)
European Union - 15 countries (1995-2004)	87.2	100.0 (r)	106.1	107.0	110.9	111.9	107.4	107.2	118.4	114.5 (e)
Euro area (19 countries)	85.8	100.0	105.0	106.0	110.2	111.2	108.7	108.8	118.7	116.8 (e)
Euro area (16 countries)	86.1	100.0	105.0	105.6	110.1	111.2	108.6	109.0	118.6	117.0 (e)
Euro area (12 countries)	86.5	100.0	105.1	105.7	110.3	111.4 (e)	108.5 (e)	108.8	118.4	116.6 (e)
Euro area (11 countries)	85.3	100.0	106.5	107.4	113.1	113.7 (e)	109.8 (e)	110.6	120.1	118.5 (e)
Belgium	77.0	100.0	89.2	108.0	87.7	84.0 (e)	93.3 (e)	83.1	85.8	67.0 (e)
Bulgaria	89.8	100.0	114.1	133.3	162.0	173.4	159.3	190.4	226.7	202.3 (e)
Czechia	84.8	100.0	134.8	133.6	134.9	155.3	137.7	155.2	153.1	141.7 (e)
Denmark	56.7	100.0	112.4	153.5	106.7	109.2	69.5	61.9	109.9	59.1 (e)
Germany (until 1990 former territory of FRG)	72.2	100.0	116.6	105.0	122.0	116.7	80.5	85.4	112.7	86.5 (e)
Estonia	60.6	100.0	124.5	144.8	134.6	125.5	101.9	64.5	108.0	99.6 (e)
Ireland	88.0	100.0	131.8	118.6	122.6	126.8	123.7	130.0	163.6	138.2 (e)
Greece	103.8	100.0	87.2	87.1	80.6	87.6	96.7	90.2	98.6	93.9 (e)
Spain	94.3	100.0	101.1	102.5	112.7	118.3	125.0	135.6	133.5	138.5 (e)
France	70.8	100.0	104.6	105.3	89.5	101.8	107.2	94.2	105.8	116.3 (e)
Croatia	109.2	100.0	95.5	81.7	90.4	78.3	105.8	117.7	117.9	118.8 (e)
Italy	110.5	100.0	118.3	126.9	150.2	136.3	133.6	131.3	132.0	136.8 (e)
Cyprus	100.4	100.0	74.8	103.3	102.6	95.1	123.8	126.5	127.9	129.7 (e)
Latvia	77.8	100.0	95.8	115.2	103.9	115.7	131.3	119.7	138.2	126.4 (e)
Lithuania	88.1	100.0	127.8	159.6	144.6	135.5	144.6	121.1	150.0	103.9 (e)
Luxembourg	85.1	100.0	99.8	105.3	90.7	118.8	99.5	91.0	116.7	109.8 (e)
Hungary	85.7	100.0	148.7	136.7	150.2	160.1	152.6	163.5	166.2	171.6 (e)
Malta	109.4	100.0	87.0	82.2	80.9	79.6	95.9	70.5	63.4	61.2 (e)
Netherlands	78.0	100.0	85.5	92.3	103.6	99.5	101.6	105.1	117.8	104.5 (e)
Austria	83.1	100.0	115.3	108.4	95.3	88.8	83.4	93.9	106.9	102.5 (e)
Poland	76.9	100.0	113.8	106.3	114.9	103.0	99.3	125.6 (e)	140.4	122.2 (e)
Portugal	83.9	100.0	83.6	91.8	106.9	108.2	110.7	125.4	132.1	132.3 (e)
Romania	77.9	100.0	129.0	95.9	113.3	123.7	116.7	120.5	136.6	137.1 (e)
Slovenia	86.2	100.0	114.8	91.9	92.2	104.5	115.3	106.1	98.4	121.9 (e)
Slovakia	65.6	100.0	118.7	133.7	130.3	143.3	142.8	173.3	205.4	195.1 (e)
Finland	90.9	100.0	86.4	87.6	86.3	77.9	62.8	82.8	75.1	80.3 (e)
Sweden	77.3	100.0	102.0	101.4	91.8	101.1	106.3	98.2	114.2	76.0 (e)
United Kingdom	105.7	100.0 (r)	116.6	110.5	119.3	117.6	101.7	98.8	117.7	107.2 (e)
Iceland	143.6 (e)	100.0	109.4	120.6	97.7	156.0	176.0	163.8	159.1	152.4 (e)
Norway	94.3	100.0	97.8	101.2	98.3	106.4	121.4	125.3	115.1	105.7 (e)
Switzerland	101.9	100.0	103.5	102.8	110.0	117.2	109.8	115.2 (p)	118.6	117.2 (e)
North Macedonia	91.3	100.0	:	:	:	:	:	:	:	:
Available flags:										
b break in time series	c confidential		d definition differs, see metadata							
e estimated	f forecast		n not significant							

6. TECHNOLOGY

Entrepreneurs in Romania are the most advanced in the use of digital technologies in Central and Eastern Europe

According to the PwC Central and Eastern Europe Private Business Survey 2019 Report, Romanian entrepreneurial companies topped the list when it came to use of six from eight essential digital technologies (known as Essential Eight): Artificial Intelligence (AI), Augmented Reality (AR), blockchain, drone, Virtual Reality (VR) and 3D printing.

In the case of robotics and Internet of Things (IoT), Romania ranks third and fourth respectively.

The main conclusions of Romania's digitization report:

- Entrepreneurs consider that the most relevant technologies, in their view, are in order: blockchain, IoT, robotics, AI, AR, VR, 3D printing and drones.
- 41% of the local entrepreneurs show that they invest between 1-3% of the turnover in digitization, 29% spend over 5% for investments in this area, 18% give less than 1%, and 12% 5%
- The main restrains in implementation of new technologies are costs, risks associated with technology/cyber, the lack of relevant know-how/expert knowledge and resistance to change.
- 48.8% of Romanian entrepreneurs use AI in business processes; 40% - AR; 39.5% - virtual reality; 29.5% - blockchain; 27.9% - Drones.

The main conclusions about Romanian entrepreneurial companies' state of business:

- 58% of the Romanian entrepreneurs consider that the profitability of the last three financial years was good and 22% fairly good compared to the regional average of 53% and 31%, respectively.
- 50% expect business revenue to grow over the next 12 months, while 46% expect to remain the same and 4% a deterioration.
- By comparison, 55% of entrepreneurs in the region forecast improved indicators, 37% remain the same and 8% deteriorating.

Investment activity shows a strong focus on deep tech startup initiatives

According to EU-Startups.com, the leading online publication with a focus on start-ups in Europe, international outsourcing companies, as well as international companies with research and development offices in Romania have long served as a knowledge transfer mechanism from the West to the East, creating the momentum that gave birth to many start-up initiatives, which have in turn become successful companies. Such companies "demand" more diverse investment mechanisms.

Balanced growth in all areas of the ecosystem:

- 1000 active start-ups. A number on a growth trajectory, directly correlated with the growth of acceleration programs and investment opportunities.
- 40/year start-up conferences. A growing number of events is beneficial for all ecosystem stakeholders. Some of the best conferences in Romania are: Techsylvania, Codiax, IT Days, Internet & Mobile World, ICEE Fest, HowToWeb, TechFest, TeCOMM, Startup Weekend, MK4IT, Codecamp, GPeC, Webstock, DefCamp, HackTM and others.
- 1000/year meetups. The number of meetups and communities is considerable in comparison to the big events and conferences. To name a few: DevTalks, TodaySoftware, Cluj JavaScripters, Bucharest Java Hackers, Fullstack Cluj, Product Tank, Startup Grind, Code4Romania, FreshBlood, UX Bucharest, UX City Cluj, Cryptoland and many more.
- 51 co-working spaces and hubs

Romania is in growth mode, but to grow faster the country needs more investment

There are strong signals that Romania will continue on this positive path of growth and one of the strongest of them all is that more venture capital (VC) companies and investors are looking over the fence. The Romania-based actors in investments are: Gapminder, with €26 million under management; Early Game Ventures, which manages €22 million in funds backed by the European Innovation Fund for acceleration and seed investments; Gecad Ventures, managing €100 million and investing in Series A-B rounds; and Fribourg Digital, which manages €20 million and targets early-stage tech start-ups investments.

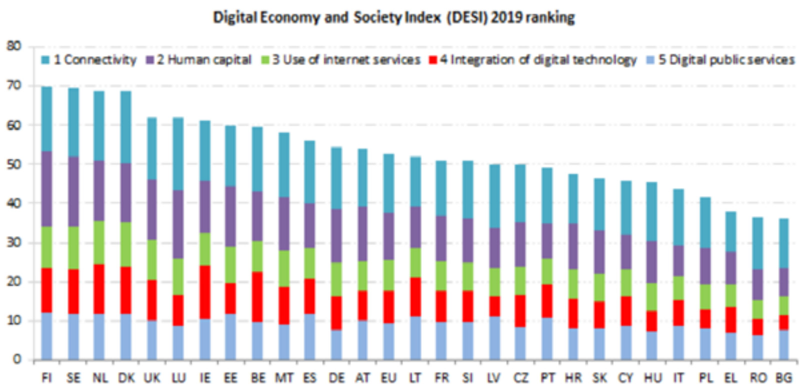
Romanian VC partners can be found in funds including Atomico, Accel, Earlybird, Longitude Capital, GHO Capital London, Horizon Capital and Silk Ventures.

In terms of accelerators, Romania has become diversified. Some of the key players are: Techcelerator, Spherik Accelerator, Innovation Labs, Risky Business, Privacy Accelerator, Startarium, MVP Academy, TBNR, TechAngels, OrangeFAB and others.

Corporate involvement is also worth noting, as actors including: Banca Transilvania, KPMG, ING, Orange, METRO, BCR, Ernst & Young, BRD, Kaufland, Lukoil, Ford, IBM, Philips, Renault | Dacia, Telekom, E-on, Microsoft, Continental, OMV Petrom, Engie, Raiffeisen Bank, Carrefour, Johnson&Johnson and Betfair are designing their own idea/ start-up launchpads, innovation and acceleration programs within the country, and also supporting the ecosystem by sponsoring various tech events.

Other players that are scouting in Romania include Start-up Wise Guys, hub:raum, StartupYard, rockstart, 3TS Capital Partners, EarlyBirdCapital, Credo Ventures, Accel and Startupbootcamp.

In conclusion, the Romanian tech start-up ecosystem will grow and the strongest factor that will influence the speed at which it evolves is an increased number of investments.



IV. SUMMARY

In the context of growing European and international political instability, Romania stands out through its relatively stable macroeconomic situation. Growth has continued at a slower pace in 2018 and 2019, while the commitment to legal reform and an anticorruption campaign are increasing the interest of new investors from both Europe and abroad.

The legal environment has reached maturity with laws and regulations becoming more attuned to the EU context and the demands of the economy. Managing a business has been notably simplified, and the information is largely available online, greatly facilitating all procedures connected to business formation and development.

Romania enjoys an extremely advantageous position due to its geographical location and richness in natural resources. Being part of the EU has been of great benefit for many businesses and the economy has seen a consistent growth in recent years. Low inflation, a careful monetary policy, and a highly qualified workforce provide an excellent platform for further growth.

The substantial structural reforms, which are expected to continue, provide a unique attraction for overseas investors from various locations such as North America, Europe, the Middle East and Asia.

Stratulat Albulescu Attorneys at Law offers you complete legal services. From contracts to disputes we can help you to start, grow, manage and protect your business, providing leading expertise in every area where it is required.

V. CONTACTS

You can rely on us to deliver commercial and legally sound advice on everyday issues, ongoing challenges, and complex one-off projects, combining our knowledge and skills to create tailored solutions that reduce risks and help you to meet your goals.

Our lawyers provide legal advice in Russian, English, French, Italian, Romanian and Spanish.

Stratulat Albulescu Attorneys at Law stands ready to assist on any legal requirements for investors interested in developing successful businesses in Romania.

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