

ROMANIA

A golden opportunity

Two decades after the fall of Communism and only four years since its entry into the European Union (EU), Romania is becoming a vibrant center for business, with some of the strongest prospects in the European Union. GDP is forecast to grow 1.5% in 2011, which is unsurprising given its assets, since the country boasts a number of valuable natural resources, such as oil, timber, natural gas, coal, salt and iron ore, as well as a growing renewable energy sector and rich agricultural lands. Romania therefore finds itself in an enviable position to benefit from the global increase in energy and food demand.

The nation is also an important player both in terms of transport and security due to its excellent geostrategic position. The EU's easternmost country, Romania is bordered by the Black Sea; and with Hungary, Serbia, Moldova, Bulgaria and Ukraine as its neighbors, it has the largest amount of non-EU borders of any country in the Union.

Romania is also an increasingly popular tourist destination due to its rich history, scenic beauty and wildlife. It boasts spectacular sites like the Danube Delta, recognized by UNESCO for its exceptional biodiversity, and Transylvania, birthplace of Vlad Tepes – the inspiration for Count Dracula. Around 1.34 million foreign tourists visited Romania in 2010, up 5.5% from 2009. According to the World Travel and Tourism Council (WTTC), Romania's tourism industry is expected to grow annually by 6.7% from 2009-2018.

However, to maximize its potential, Romania requires significant development. It has for many years enjoyed a strong relationship with the U.S. on a diplomatic level, and only this year agreed that an American anti-missile shield should be built and placed in Romania. Now Romania wants to cement this relationship through business. Romanian President Traian Basescu says: "Romania is committed to strengthening the strategic partnership with the U.S., especially in the area of economics and trade relations."

The Romanian government wants to demonstrate to foreign investors that Romania is a stable and safe place to invest. In recent years the country has been through a remarkable phase of economic reform. The administration of President Basescu embarked on wide-ranging austerity measures which have improved the efficiency of state-owned companies, and has initiated a privatization program. The measures have been recognized as a success by the International Monetary Fund (IMF).

INVESTMENT POTENTIAL

Romania is a country of considerable potential for American investors given that it is the closest ally in the region, with stable economic projections, a highly skilled talent pool and low labor costs to boot. Romania is also an EU member, meaning any company that invests in Romania can export to any country within the EU without any barriers. Increasingly, more and more European operations of U.S. companies are moving their headquarters to Romania for these reasons.

In terms of sectors, Romania offers some golden opportunities – particularly in energy.



Romania is committed to strengthening its strategic partnership with the U.S., especially in the area of economics and trade relations

Karoly Borbely, Secretary of State within the Ministry of Economy, Trade and Business Environment, says, "Energy is the government's number one priority, and 75% of investors coming here now are specifically interested in renewable energy sources. We have solar energy, wind, and we also have a lot of hydropower plants, but much more money is needed to effectively invest in these plants. American companies have excellent know-how within this field and we can learn a lot from them. Our government is willing to help anybody wanting to invest and any company that invests at least €5 million (\$7 million) can get state aid."

There is also much room for American partnerships in agriculture and infrastructure. Mugur Isarescu, governor of the National Bank of Romania, says, "American businessmen are looking for long-term, sustainable projects. Romania's location on the Black Sea has a lot of potential. Romania is connected through its waterways to the Middle East and there is potential to develop a transport link from Europe to the Middle East."

'ROMANIA IS ATTRACTING AMERICAN COMPANIES BECAUSE OF ITS STABILITY, HIGH POTENTIAL IN AGRICULTURE, ENERGY, IT AND RENEWABLE SECTORS; AND RICH NATURAL RESOURCES'

Mr. Isarescu also believes agriculture is a key area for development. "There is a lot of discussion about a food crisis in the future and I know some countries have limited land. The oil-

rich countries in the Middle East are looking to extend their access to agriculture. A joint venture between Middle Eastern money, American knowledge and Romanian land would be a good idea."

The tourist industry also provides significant potential because Romania is still relatively undiscovered and there are many opportunities for expanded development in tourism on the Black Sea and in the Carpathian Mountains.

U.S. Ambassador to Romania, Mark Gitenstein, comments: "There is no higher priority for the U.S. today than for Romania to become an effective democracy sustained by a transparent and efficient free market. At the heart of that endeavor is creating a larger private sector. Romania is attracting American companies because of its stability, high potential in agriculture, energy, IT and renewable sectors, as well as its rich natural resources."

Mr. Isarescu adds: "What Romania needs now more than anything else is the credibility and confidence it deserves."

A UNITED WORLD SUPPLEMENT PRODUCED BY: Alana Kalin, Carolina Costanzo, Waqas Ahmed, David Barbolla, Maggie Rubenstein and Geoffrey Cooke

A more extensive version of this report is available at: www.worldfolio.co.uk

NELSAND™ GROUP
www.nelsandgroup.com

Pioneering the Transylvanian Experience

Nelsand is a diverse business group situated in the Transylvanian city of Brasov. Established by one of the city's first businessmen, Nelsand is a Romanian success story with a proven track record in areas of international trade, real estate and tourism. Operating under a long-term, sustainable vision, the group and its companies firmly believe in professionalism and progressiveness, seeking out and capturing investment opportunities that bring value to shareholders and clients alike.



An invitation to the real Romania

Romania is rich in history and scenic beauty. Relatively unspoiled and undiscovered areas such as Transylvania offer investors significant development potential

Nelsand Group, founded in Transylvania, Romania, runs a number of operations from a catering equipment distribution company to a real estate and tourism business. General manager, Ion Turcu, launched Nelsand Group in 1991, to fulfill the increasing need for technological improvement in the Romanian food industry.

The company imported equipment from Italy, Austria, and Germany, and has grown into a successful distribution firm that now provides clients, ranging from fast-food chains and pizza parlors, hotels and small home-stays, with full-service solutions for their catering and hospitality needs. Services include: high-quality and reliable products, warranty and post-warranty guarantees, IT system maintenance and servicing options.

Spin-offs from the business include a €12.5 million (\$18 million) development of luxury villas, Stupinii Noi, in Brasov; and tourism packages that include accommodation within the development which is close

to famous Transylvanian landmarks such as Bran Castle – regular haunt of Vlad Tepes, the inspiration for Bram Stoker's Dracula.

And it seems that Mr. Turcu, whose firm is keen to develop the tourism arm of the business, is on to something. The number of tourists in Romania is growing every year and tourism is becoming an increasingly important source of Romanian GDP. According to Romania's National Institute of Statistics (INS), foreign tourists who visited Romania in 2010 spent around €886 million, an approximate 20% increase from the €738 million spent in 2009. Around 1.34 million foreign tourists visited Romania in 2010, an increase of 5.5% from 2009, when approximately 1.27 million foreign tourists visited the country.

Visitors for both business (conferences, lectures and exhibitions etc.) and for private purpose (holidays, shopping, cultural and sporting events etc.) accounted for the €886 million spent by foreign tourists. And according to the World Travel and Tourism



Streets of Sighisoara, birthplace of Vlad Tepes and UNESCO World Heritage Site in the heart of Transylvania

Council (WTTC), Romania's tourism industry is expected to grow annually by 6.7% over the 10 years 2009-2018.

The tourist industry provides significant potential for tourism development and investment because Romania is still relatively undiscovered and is a great destination for visitors seeking an authentic travel experience. Romania is rich in history, scenic beauty

and wildlife. For example, the Danube Delta, regarded as the world's third most biologically diverse area – after Australia's Great Coral Reef and Ecuador's Galapagos Archipelago – has been recognized by UNESCO for its outstanding universal value. The country is also compact; a journey of just three to four hours, by car or train, can transport visitors from

Bucharest, Romania's capital city, to the Black Sea; or from the medieval towns of Transylvania to the Danube River.

Mr. Turcu is keen to offer visitors a taste of the real Romania. A trip to Brasov, Transylvania on a Nelsand Group tour offers unique opportunities to experience Romanian traditions and Romanian culinary delicacies spend a day in the life of a Romanian

family or even attend a typical Romanian wedding.

There is also a chance to discover world-class tourist destinations such as the UNESCO World Heritage Site, Sighisoara – birthplace of Vlad Tepes. At the end of the trip, visitors leave with an impression of the real Romania.

Romania's entry into the EU in 2007 has seen the Romanian market open up and Mr. Turcu, believes that tourism enterprises such as those developed by Nelsand Group offer great opportunities for U.S. investors. He says: "We are looking for American investors to share their know-how and experience. I believe that Romania could hugely benefit from the American mentality of entrepreneurship. For example, U.S. investors could help develop our residential site, Stupinii Noi, into a tourism development, and benefit from its success as the perfect base for visitors to explore the Transylvania region.

"Also, regarding the catering equipment business, it would be very interesting to team up with a distribution company in the U.S., as American products are very well regarded by the industry in Romania."

Hidroelectrica powers the nation

One of the country's oldest companies has opened up partnership opportunities to capitalize on one of the safest, cleanest and most cost-effective sources of energy

With more than 10 years of operation in Romania, Hidroelectrica has established itself as the country's most important energy generator, providing roughly 30% of its energy. The Romanian state owns 80% of the power provider, while the remaining 20% belongs to Fondul Proprietatea, a property fund managed by Franklin Templeton in the U.S.

Hidroelectrica operates throughout Romania, taking advantage of its favorable geographical location and terrain that is so conducive to hydropower developments.

One of its biggest developments is the Tarnita Lapustesti hydropower plant, which will pump water into a reservoir and will generate energy from the stored water. Tarnita Lapustesti will have an installed capacity of 1,000 megawatts and is worth €1 billion (\$1.43 billion). Once completed, the installation will also provide services to Romania's neighboring countries.

Hidroelectrica also plans to refurbish numerous existing hydropower plants, starting with the historical Bicaz hydropower station, which is already 50 years old and whose modernization will cost approximately \$158 million. The company's renovation plans involve upgrading an entire group of hydropower plants, including larger installations such as the Vidraru on the Arges River and the Mariselu on the Somesul Cald River.

In all, Hidroelectrica manages a total of 232 power plants and small and micro-hydropower facilities. The company is not only revamping its energy in-

stallations, but it is also investing in its information technology systems so that all information is available in real time.

Hidroelectrica's general manager Constantin Trihenea, who has also previously set up his own company and worked as private contractor in the energy, civil, industrial, water supply, and utilities fields, says that throughout the company's his-

torian loan amounting to €88 million (\$126 million)," says Mr. Trihenea. "This project was a very complex large-scale refurbishment program. The hydroelectric power plant has a huge role in the national power system because it supplies auxiliary services and regulates all of the other participants in the energy sector."

Mr. Trihenea adds that the fourth objective of Hidroelectrica's management board is to attract private funds to finalize projects up to 2025. The company intends to sell bonds on the stock exchange soon and has already conducted some advanced studies.

Furthermore, according to Hidroelectrica's general manager, although the company enjoyed revenues of €100 million in 2010, the year was in no way a benchmark year in

terms of investments in Romania, as remnants of the global economic crisis remained. "2007, for example, had a different trend and enjoyed spectacular growth. I would like to say that 2011 will be a better year, and I think investments will grow considering that Romania provides many investment opportunities, not only in the energy field, but also in agriculture or industry," he says.

He continues: "I know that U.S. investors go very far to invest, but I invite them to come and invest in Romania to double their profit and to take it back to the States when they wish to, as now Romania offers enhanced investment conditions and an attractive business environment."



The power generator's new Hidroenergetica entity is designed to maximize a mix of energy sources

HIDROELECTRICA'S EXPANSION AND REPAIRS PLANS WILL MAKE IT THE CHAMPION AND LEADER OF THE ROMANIAN HYDROPOWER SECTOR

tory, it has taken on a wide range of different projects and has developed numerous energy programs, with one of the most recent having been completed in February.

"We managed to complete a very important project for our company with the backing of the World Bank in the form of

Private healthcare – reaping the rewards

The Romanian private healthcare sector has grown significantly and is one of the fastest developing markets in Central and Eastern Europe.

The Romanian private healthcare sector has grown significantly in recent years. Driven by an ailing public health service and the improved purchasing power of its population – the seventh largest in the European Union – it is one of the fastest developing markets in Central and Eastern Europe. It is not surprising therefore that Cegedim Group, a world-leading provider of CRM software for the healthcare sector worth over \$1.3 billion, finds Romania a rewarding market place.

When Cegedim entered Romania in 1996 there was huge demand for private healthcare and very little supply – with the total value of the market at only \$300 million. However, since then Romanian private healthcare has seen remarkable growth and has increased to a value of \$3 billion. Cegedim Group, which supplies services, technological tools, specialized software, data flow management services and databases has been at the forefront of the market

'BRINGING HEALTH AND A BETTER QUALITY OF LIFE TO THE MARKETS IN WHICH WE OPERATE IS MORE IMPORTANT THAN FINANCIAL RESULTS'

growth and established itself as the leading healthcare company in Romania.

However, the rapid expansion in the healthcare sector has led to uneven development and left some critical gaps within the industry. Mr. Petru Craciun, general manager of Cegedim Group, Romania, now believes these issues need fixing if the private healthcare and pharmaceutical sector is to continue to expand at pace in Romania. "Romania has a good pool of skilled human capital. What we lack is the tradition of research and devel-

opment. Personally, I think it would be a good idea for investors to set up a research facility here. I do not see it taking place naturally without foreign support."

When asked what drives a company like Cegedim to revolutionize healthcare in Romania, Mr. Craciun explains that it is not just the economic rewards that motivate the group. "There is the specialist aspect and the human aspect. Sure, all businesses like to make a profit, but the human aspect gives it more meaning, particularly in countries like ours that have gone through considerable difficulties. Cegedim employs 8,500 people in more than 80 countries so it is part of Cegedim Group's international strategy to contribute to issues of social equity, with respect to its employees but also to local communities, as well as minimize the environmental impact of Group activities. Bringing health and a better quality of life to the markets in which we operate is more important than just the financial results."

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POWERED BY WATER

Established in 2000, Hidroelectrica is a national leader in energy production. Hidroelectrica provides approximately 30% of the country's total production, depending on the hydrology of the year. Also, the company provides about



90% of the ancillary services needed for the operation of the National Power System. In a world where energy is the driving force of development, Hidroelectrica's constant focus on quality and innovation are preparing the company for all future challenges.





INVESTING IN **PEOPLE.**
INVESTING IN THE **FUTURE.**

Niro Investment Group understands the importance of long-term investments and like an Olympic player, comprehends and enjoys the benefits of hard work. As a company of investors, entrepreneurs and property managers all rolled into one, we maximize value and competitiveness in world markets. And, with both a diverse portfolio and a focus on sustainable development, Niro Investment Group invites you to come and discover the reasons to invest in Romania.

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A Romanian entrepreneur bridging East and West

Niro Investment Group comprises more than 20 different companies that are involved in a wide range of sectors, and it is looking to strengthen its relationships with China and the U.S.

Niro Investment Group is a 100% Romanian holding group which for the past 14 years has proven successful, having employed over 1,200 workers and reaping financial results in the Romanian market. The group controls more than 20 different companies in numerous sectors, such as the fast moving consumer goods (FMCG) industry, food industry, real estate, commercial and residential construction, guard and security services, the leisure industry, and investments.

The group has been setting an example by using sustainable development to guide its business dealings, aiming to improve wellbeing and satisfy the needs of the present without compromising future generations. The group is also responsible for funding a number of non-profit projects, such as film festivals, sports competitions, and church restorations.

Niro Investment Group has used creative means to conquer any challenges it encounters and stands by the belief that economic benefits do not come without the development of the host community. In the future, the group plans to take on the regional market, as Romania has already established partnerships with countries like Azerbaijan, through the AGRI Project.

Here, group president Nicolae Dumitru gives an overview of the company's Romanian activities and its international partnerships.

American investors like to know how transparent a company is and also what they are doing in terms of corporate social responsibility initiatives. Could you tell us a bit more about these factors?

Niro Investment Group is undertaking many social initiatives in various areas of Bucharest and is building partnerships to offer these projects. We have partnered with the Mayor and we have edited a book in our publishing house about the public-private partnership that exists with the Mayor.

We are also involved in the sponsorship of Romanian sports and were named the official sponsor of the Romanian Olympic team in Beijing 2008. We have many foundations to support gymnasts in Romania and the Romanian Orthodox Church. So each year we engage in a fairly developed program of corporate social responsibility.

On the diplomatic side, we have supported the publication of many books on diplomatic relations. Niro Investment Group is sponsoring the newly opened Honorary Consulate of the Republic of Latvia in Romania, an important event, as Latvia, a member of the EU and NATO, does not yet have an embassy in Romania. I had the honor of accompanying the President of Latvia at the ceremony of the official opening of the Honorary Consulate.

We have a magazine, *The Balkans and Europe*, which is part of the Niro Investment Group and is distributed free of

charge to diplomatic institutions, such as embassies, throughout the Balkans. Earlier this year I had the pleasure of meeting the President of Azerbaijan and I presented him with the magazine's Person of the Year 2010 award.

You have a strong track record with the Chinese. Do you have a strategy for collaborating with American business partners?

When I lived for three years in China and developed relationships and representatives there, I had the opportunity to be supported by a U.S.-Chinese consultancy firm, so I received

support, advice and explanations from both sides.

Last year I visited Washington DC and at the beginning of this year. I signed a contract with three companies. I think they are the three most important companies in America and one of them has a relationship with Romania dating back many years.

So are you exploring opportunities in the U.S. now?

The contract that I signed will enable us to gain a better understanding of American business opportunities and to become more well known by investors in the U.S. It will also enable us to investigate whether it is possible to establish business relationships between Romania and the U.S., in addition to our Chinese relationships.

Would you be interested in business opportunities in countries around the world in addition to China and the United States?

At the moment, on a multinational level, we are still a very small company. To think multinationally, you need to have the structure of professionals in place, and at the moment we have only been in existence for 18 years so we are like a student who has just finished high school and is going to university. We still have a great deal to learn.

In our 18 years, we have learned many things and have made mistakes – and we are still in this period of making mistakes and learning from them. We avoid making mistakes with our capital and the

fact that we have passed through the most difficult period of the crisis – and that this year we are beginning some new, large projects – means that we have learned where the opportunities lie in the economy. At the peak of the crisis in 2008, we put all the measures into place to support the company through such difficult periods, which has given us the ability to move onto the next phase in our plans today.

What would your personal message be to the American business community, not only as an ambassador of Romania but also as a key business leader?

At the state level it is very difficult to establish an image of Romania in the U.S. I would like to take a moment to separate the political relationship and the public relationship.

From the public's point of view, the people are pro-American. I had a meeting in Washington last year where I said: "Do not ask why a Romanian is pro-American as opposed to pro-German, pro-Chinese, pro-Russian, etc." They will not know the answer and will simply say that they like the Americans.

For the Romanian people, therefore, the opening of America is totally supported. In terms of the Romanian political institutions, I think that there is a structural issue, because after 1990 we did not build our political system correctly and we do not have politicians in office that understand the concept of a dignity of the state: a person doing the job for the people.

It is becoming increasingly common for Romanian politicians to close themselves in their own house as they only need to meet the public every four years. Additionally, they are involved in their own business activities. It is an image problem because Romanian politicians did not understand the role required of them when they entered their positions.

I believe that after 1990, the Romanian political institutions did not develop properly and instead went downhill. But I am glad to say that in the last two years Romania has resulted in a large number of politicians and political institutions behaving more responsibly, and I think what the politicians and political institutions are building right now will reshape our political future.

The entry of Romania into the European Union has also impacted positively upon the performance of Romanian institutions.



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NICOLAE DUMITRU,
President of Niro Investment Group

Joint projects forge international links

With Eastern Europe's largest Chinese trading area and an energy project being developed in collaboration with the U.S., solid international partnerships are transforming the way Romania does business

One of Romania's grand interests lies in its foreign business relations, such as those forged by its hometown Niro Investment Group. The company's international relationships have promoted Romanian business abroad and enabled the enterprise to grow to its current position of employing more than 1,000 people and having over 5,000 shops. The Romanian holding group, whose various investments now exceed €300 million (\$430 million), has spent a significant amount of time building relations with China.

In Bucharest, the group has developed the Red Dragon (Dragonul Rosu) trading area, which holds the China Business Center and the China Towers residential area. The entire development is part of the new Chinatown Romania project in Bucharest, which



One of the Niro Investment Group's most important business endeavors is its Red Dragon trading area, which is part of the huge Chinatown Romania project in Bucharest

ROMANIA'S FIRST CHINATOWN, 10 MILES FROM THE CAPITAL WILL COMBINE WITH THE RED DRAGON TRADING COMPLEX IN COLENTINA TO BECOME EUROPE'S MAIN HUB FOR THE SALE OF CHINESE PRODUCTS

was partially inspired by the Chinatowns in Los Angeles and New York. Nicolae Dumitru, president of Niro Investment Group, views the project as one of the investment group's most important business endeavors, despite their dealings being spread

across a wide range sectors.

"The saying is that you never forget your first love, and in terms of business, the first that I undertook was through our relationship with the Chinese businessmen," says Mr. Dumitru. "Aside from being the most important business part-



THE U.S. AND ROMANIA ARE DEVELOPING THE BIOMASS PROJECT IN THE HOPE OF IMPROVING SEWAGE CONTROL AND FARM MANAGEMENT PRACTICES WHILE LOWERING GREENHOUSE GASES FOR ENVIRONMENTAL GAIN

ner over these past 18 years, we have also developed important friendship connections with the Chinese community in Romania and the Embassy of the People's Republic of China, along with many other institutions of the Chinese state."

With this immense project

under way, the investment potential and partnership with Chinatown is now clearly open, with business and political relations between the two countries seeing a great improvement.

"For us the most important relationships are those with

the Chinese people and community here in Romania because we have accomplished not only a business relationship, but also one of friendship and trust," says Mr. Dumitru.

Another relationship being cultivated is that between Romania and the U.S. The two nations are developing the Biomass Project, which the U.S. has identified as an important initiative that is both good for the economy and the environment. The scheme is being developed with hopes of improving sewage control and farm management practices while lowering greenhouse gases for environmental improvement.

Romania is in full support of agricultural development and the U.S. Department of Energy estimates that this project in Romania could create approximately 869 direct and indirect jobs in fields such as transportation, maintenance, construction, agriculture, husbandry, management, logistics and engineering.

Overall, this agri-energy project will help Romania's economic development, environmental stewardship, and social development.