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Tel.: +40-21-208 6030

Fax: +40-21-230 7620

BKR-EA@minbuza.nl

The Embassy of the Kingdom of the Netherlands in Bucharest publishes a monthly economic newsletter, distributed by e-mail. The material published in this newsletter is compiled by the staff in the Economic and Agriculture sections on the basis of publicly available information, from various sources (Rompres news bulletins, National Institute for Statistics, Nine O’Clock, Capital, Ziarul Financiar, Business Review) and reflects the developments of the month. It does not represent the opinion of the Embassy of the Kingdom of the Netherlands or any other official body. No responsibility for factual accuracy can be taken. Those interested in receiving the newsletter are requested to contact the above listed telephone and/or fax numbers or the e-mail address. Comments and suggestions are appreciated.

EUR / USD exchange rates against RON

Average October 2007 exchange rates were:

1 EUR = 3.3525 RON

1 USD = 2.3568 RON

Source: National Bank of Romania (www.bnr.ro)

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Macroeconomics

0.97% inflation in October 2007

According to the data published by the National Statistics Institute the inflation was of 0.97% in October 2007.

Unemployment in October 2007

According to the data published by the National Employment and Professional Training Agency (ANOFM) on its web site www.anofm.ro the nationwide unemployment rate was 4.1% at the end of October, 0.2% higher than the one registered in the previous month, but 1% lower as compared to October 2006.

Trade

EUR 1.7 billion trade deficit in September 2007

The data published by the National Statistics Institute shows that Romanian FOB exports were in value of EUR 2.453 billion in September 2007, up by 11.1% as compared to the same period of 2006, while the CIF imports reached EUR 4.143 billion, up by 22.5% as against September 2006. As a result, the trade deficit was in September 2007 of EUR 1.69 billion.

In total, Romania's trade deficit rose to EUR 15.4 billion in the period January 1 – September 30, up with EUR 5.5 billion as compared to the same period last year.

Between January – September 2007, the value of the intracommunitarian goods exchanges was of EUR 15.4 billion for outgoings and EUR 26 billion for incomings, representing 72% of total Romanian exports, and 71% of total imports.

Legislation / taxation

Governmental Decision on encouraging economic growth by supporting investments

Governmental Decision no. 1165/2007 regarding the stimulation of economic growth by supporting investments was published in the Romanian Official Gazette no. 688/10.X.2007, part I. The Decision's provisions are applicable to companies registered under Company Law no. 31/1990, with their registered office and performing their activity in Romania, which fulfil both the following main criteria:

- a) perform investments in excess of the RON equivalent of EUR 30 million;
- b) create at least 300 new jobs as a result of the initial investment.

The Decision also includes the criteria for granting state aid according to the state aid scheme included in the appendix, as well as the procedure for granting specific individual allocations under this scheme. *See: Official Gazette no. 688/10.10.2007*

Government Decision regarding the granting of de minimis state aid for the development or modernisation of enterprises

Government Decision no. 1164/2007 regarding the granting of de minimis state aid for the development or modernisation of enterprises was published in Official Gazette no. 690/11.X.2007, Ist Part. The above decision aims to establish a scheme for granting state aid that does not exceed, during a specific time period, the threshold provided by European Community regulations. Among other conditions, beneficiaries of such state aid should have not received de minimis state aid during a period of three consecutive fiscal years prior to the date of the request or, if they did, the total amount did not exceed the RON equivalent of EUR 200,000. The duration of the scheme is five years (2007 - 2011), with the possibility of extension. De minimis state aid should not be cumulated with state aid for the same eligible costs, if the result would exceed the aid intensity fixed in the specific circumstances of each case by a block exemption Regulation or Decision adopted by the Commission. *See: Official Gazette no. 690/11.10.2007*

New registration procedure regulations for agreements between Romanian legal entities and non-resident individuals / legal entities

Order no.1415/2007 regarding the procedure for registering agreements between Romanian legal entities and non-residents has been issued. This order replaces a similar decision which has not been specifically repealed but rather implicitly by the Methodological Norms of the Fiscal Code. The norms to the Fiscal Code currently state the obligation of Romanian legal entities to register

all service agreements concluded with non-resident individuals or legal entities for construction works, supervising, consultancy, technical assistance services, or any other types of activity. This Order completes the procedure as follows:

- Contracts must be registered:
 - With the fiscal authorities in the jurisdiction where the services beneficiary is registered;
 - By exception, large and medium-sized taxpayers are to register contracts with the fiscal authorities with administrative competence;
- Concluded agreements must be registered within 15 days;
- The format is provided in an appendix to the Order;
- This procedure also applies to any subsequent amendments to these agreements.

See: Official Gazette no. 699 / 17.10.2007

Amendments to the Fiscal Code

Emergency Government Ordinance no. 106/2007 has amended the Fiscal Code with effect from 1 January 2008. The main amendments were made within Heading I "General Provisions", Heading II "Profit Tax", Heading VII "Excise duties", and Heading IX "Local taxes and fees". *See: Official Gazette no.703 /18.10.2007*

Amendments to Order 246/2005 on the approval of Methodological Norms for using and completing payment orders to the State Treasury

Order 1648/2007 has amended Order 246/2005, which approved the Methodological Norms for using and completing payment orders to the State Treasury. These Norms now also relate to the recently published legal provisions regarding the possibility for tax payers to use a single account for payments of taxes and contributions. *See: Official Gazette of Romania no. 715/23.10.2007*

With thanks to PriceWaterhouseCoopers Romania – Tax Department

EU membership

Over 44% of EU budget for Romania in 2008 directed towards SMEs

The European Union allocates 44.2% of its budget for Romania in 2008 to SMEs and to job creation, said on October 17 during a press conference Jozsef Csaka, director of General Department for SMEs at album launching "ZF SME 100 greenfield business". "The contribution of SMEs to the Romanian 2006 GDP was of 69.8%," said Josef Csaka. He said that the Minister for SMEs backs the big investment through a component of Sectoral Operational Plan for the Increase of Economic Competitiveness, granting non-reimbursable funds of EUR 1.5 million. The institution also grants non-reimbursable funds of up to EUR 200,000 for projects of micro-enterprises. For small projects, the ministry grants financing of EUR 250,000 with 40% co-financing. The nonreimbursable funds allocated to SMEs for consultancy is EUR 10,000.

Energy

Romania's potential of saving electricity estimated at EUR 2.7 billion

Romania's potential to save electricity is estimated at EUR 2.7 billion, or 30-40% of consumption, say data from the Romanian Fund for Energy Efficiency (FREE), released during a seminar for the promotion of energy efficiency. Total investment in energy efficiency projects financed in Romania, in cooperation with FREE, currently amounts to USD 18.148 million. According to FREE, the Fund intends to make good use of its expertise and capital, in order to make, in the coming years, investment worth USD 50 million. FREE deals with the management of the funds coming from the Global Environment Fund and granted to Romania via the International Bank for Reconstruction and Development, FREE also deals with the financing of investment projects for increasing the efficiency of the use of energy in Romania. FREE finances, in commercial conditions, companies in industry and other energy consumers, to facilitate them the use of technologies leading to efficiency. In the period to come, FREE intends to attract the banking sector in financing investment projects evaluated by the Fund, and to initiate partnerships with other financing bodies interested in achieving investment projects in energy efficiency. So far, FREE concluded 18 financing contracts, worth USD 8.837 million. The Fund's current portfolio includes 92 projects worth a total of some USD 119 million. Romania's energy saving target for 2008-2020 stands at 1.5% annually from the consumption reported in the past five years, which amounts to 20.8 million tonnes oil equivalent.

Massive investment in energy and renewable resources planned for 2008

The year 2008 will be the year of investment in energy and renewable resources, said on October 25 Minister of Economy and Finance Varujan Vosganian during an international conference on regional electricity markets RESYM 2007 held by Transelectrica. "Many international banks, such as World Bank, European Bank for Reconstruction and Development and many other investors, want to build new thermal power stations, upgrade the old ones or get involved in cogeneration," said the minister. "The energy companies backed Romania's transition from the Communist regime to the market economy and have an important share in the Romanian economy," said the minister. Romania's energy strategy for 2007-2020 includes the privatization of Rovinari, Turceni and Craiova energy stations, the shut down of non-profitable units, the modernization of Termoelectrica and the listing in the stock exchange of Nuclearelectrica (10-15% of shares). The three energy stations should be privatized by end of 2008.

Transelectrica to handle applications for installation of 3,000 MW in wind capacity

Transelectrica received from electricity producers applications for the installation of wind turbines with a capacity of 1,000 MW in Dobrogea and of another 2,200 MW wind capacity in Moldova, Transelectrica director general Stelian Gal told the international conference "The electro-energy system and regional electricity markets on the way to the European internal electricity market." Romania's potential for wind energy is 14,000 MW, specified Transelectrica's director general. The power available in Romania for electricity generation is of 15,369 MW, with 39% thereof resulting from coal-fired generation, 24% coming from hydro plants, 29% from oil and gas and 8.5% from nuclear capacities, said Professor Aureliu Leca. "Romania's electricity cost is EUR 43 per MWh; 80% of Romanian heating power plants and 40% of hydropower plants are now beyond the life of service limit and 70% of gas pipelines are old and unsafe," specified Leca. Losses in the systems with a better condition stand at 35% and in less efficient systems they go as high as 80% a year. According to Leca, household electricity losses are 50%.

Infrastructure & transport

High-speed train railway to link Bucharest to Budapest

Romania intends to build a railway for a high-speed train to link Bucharest to Budapest, Transport Minister Ludovic Orban said on September 26. According to him, the sums necessary for a feasibility study are to be included in the 2008 draft budget for transport. "We have to start taking steps for having such a railway built, and the budget for next year will include a sum for a feasibility study for knowing the sums exactly," Orban said. The building of such a railroad will need investment worth EUR 8 billion, with the average cost per km put between EUR 10 and 12 million. Orban said the money for the railway will probably come from the state budget. The intention of the Romanian authorities comes in consequence of a European project for building a high-speed railway linking the city of Strasbourg, France, with Budapest, Hungary. The railway can cross Frankfurt, Munich and Vienna. Of late, authorities in Budapest made lobby to introduce the Vienna-Budapest segment in this project, for which money could also come from European funds. Transport Minister said that a road tax would be imposed on Bucharest-Constanta and Bucharest-Pitesti motorways, with such taxes to be levied only on the roads built under a leasing contract. A road tax will be imposed on four motorway segments, i.e. Pitesti-Sibiu, Ploiesti-Brasov, Ploiesti-Focsani-Bacau and Targu Mures-Iasi. "Because we could not build the roads from state money, they will be built by other companies, from their own money, and the money will be returned to them in 25-30 years, from the toll," Orban said. According to the National Motorways Co., British Atkins consultancy company will finalize by the year's end a study on the leasing of the motorway segments above and on the calculation of the road tax.

Bucharest-Ploiesti motorway to have 6 lanes

Bucharest-Ploiesti motorway (60 km north of Bucharest) is to have 6 lanes, with the price difference for the works to widen the road with two more lanes to be negotiated these days by the Romanian National Company of Motorways and National Roads (CNADNR) with the two companies due to develop the project. According to Mihai Grecu, general manager of CNADNR, the widening is needed because the traffic is very busy on the motorway, as this is the road from Bucharest to the mountain resorts on the Prahova Valley and to the Moldova region in north-eastern Romania. There are between 30,000 and 60,000 vehicles running on the motorway on a daily basis in a single direction. Grecu says that there is to be accepted only a proportional increase in the price, corresponding to the supplementary volume of works and to the prices established for each type of work. The initial cost estimated for the construction of the Moara Vlasiei-Ploiesti segment stood at almost EUR 200 million for 42-kilometres. The motorway is to have three lanes on a 7-kilometre

segment and is to be lighted so as to reach the stipulated standards. Moreover, environment and anti-noise devices are to be mounted in the Voluntari city near Bucharest, that is crossed by the Bucharest-Brasov motorway, CNADR officials said. According to the project, there is to be erected also a 2-kilometre bridge on the Bucharest-Moara Vlasiei segment (19.5 kilometres), as well as several passages across the road. There will be one single parking lot on this segment. The Bucharest-Moara Vlasiei segment will start being exploited in 2010.

Ring roads to become expressways

The ring roads of Romanian cities will have a motorway profile and will be included in the national expressway programme. Bucharest will have two concentric ring roads, both of them having a motorway profile. Upgrading works on the current ring road will start, at the same time with the beginning of the works on the second ring road, which will be built 10 km away. The ring roads of other localities are under upgrading works as well or under construction. The construction of the western ring road of Ploiesti (south) has been assigned through tendering and it will start next year. The ring road of Craiova (south) is almost finalized, while the making of the ring roads of Suceava (north-east) and Iasi (north-east) will start in the spring of 2008. The ring roads of Timisoara, Oradea and Arad (west) will be included also in the national expressway programme. For the ring roads of Bucharest, the representatives of the National Motorways and National Roads Company (CNADN) know the finalization deadlines, but the start of the works on the both ring roads depends on the expropriations underway. So far, the expropriations for the first ring road (which will be upgraded and widened) have been made 84%, and the deadline of the works is 2009. The 1st ring of the Bucharest ring road has 64 km and the 2nd ring will have some 100 km.

Investment in upgrading railway infrastructure to reach EUR 10 billion in next ten years

The investment in upgrading the railway infrastructure on corridors 4 and 9 will amount to EUR 10 billion by 2017, Transport Minister Ludovic Orban said on October 9, at a conference on the railway market. "For the development of the two corridors, investment will total EUR 10 billion in the coming ten years, money will go also to the upgrading of the systems of monitoring the traffic and to the finalization of the electrification of the main lines," Orban said. According to him, when it comes to passenger transport, sources were identify for providing 60% of the sums necessary for upgrading the rolling stock, the rest of the money will come from private funds. Corridor 9 links Albita checkpoint in Moldova to Focsani and next to Ploiesti (east-south), whereas corridor 4 links Constanta and Bucharest to western Romania (east-west), up to Nadlac checkpoint.

Bucharest- Constanta motorway to be finished by end-2009

The works on the Cernavoda-Constanta stretch of the 4th European Corridor and the ring road of Constanta municipality (southeastern Romania) will be done by late 2009, Transport Minister Ludovic Orban said October 25. "The works on both projects will start in next spring and the completion deadline is the end of 2009," Minister Orban said. The technical project for Cernavoda-Constanta motorway will be finalized by the end of the year, and the constructor will be selected by March 1, 2008, the Transport Minister stressed. The works have to start concomitantly on both projects, and seven companies and consortia have already submitted their pre-qualification bids to build the surrounding ring road of the Black Sea port of Constanta. The works will cost EUR 396 million, EUR 250 million of it from the European Investment Bank (EIB) and the rest from the state budget. The European Bank for Reconstruction and Development (EBRD) and Romania's Government will finance Constanta city's new ring road, whose building costs will exceed EUR 145 million. Initially, both projects were scheduled to be finished in the first quarter of 2010.

IT&C

IT market counts on USD 1.6 billion in 2007

Romania's IT market will stand this year at USD 1.6 billion, up 12.1% versus 2006, reads a survey conducted by IDC and made public by software provider Microsoft Romania. The IDC survey says the IT sector will generate in the next 4 years 13,500 new jobs and 150 new companies. The Romanian IT industry will have some 40,000 employees at end-2007. The 2007 investments in software are estimated at USD 200 million. IDC estimates for the next year a 12.1% annual growth rate of IT-related expenditures, with the growth rate of the software-related expenditures standing at 10.8%. According to IDC, in 2006, some 70% of the Romanian IT market was represented by the expenditures in hardware, while services and software represented some 30% of total expenditures. "The IT market in Romania is still growing and will continue to grow by over 10% year on year. The main industrial segments contributing to the investments in IT are production, financial sector, telecom and utilities. Moreover, big projects are expected in the public sector in the next years. The household users have a significant share in the hardware

expenditures," Calin Mirea, Research Analyst at IDC Romania, told Business Standard. On the whole, the IT expenditures represent 1.2% of Romania's GDP versus the world's average of 2.5%. The software expenditures represent only 11% of total IT market, but 48% of the total employees are involved directly in creating, distributing, installing or maintaining software.

Romania's telecom market grows by EUR 1 billion yearly

The growth pace of Romania's telecom market stands at EUR 1 billion a year, and the local market will reach the value of EUR 6 billion, according to the National Communications and IT Regulatory Authority (ANRCTI). "We will have the official statistics in January 2008, but we estimate the telecom market will reach this year EUR 5 billion versus EUR 4.2 billion in 2005," said Dan Georgescu, president of ANRCTI. Some 19.5 million mobile phone users were recorded at end-H1 2007, up 31.4% versus H1 2006. The fixed-line telephony is continuing its descending trend, with the total number of connected lines standing at some 4.1 million, down 7% versus the same period of last year. The market share held by the alternative providers has reached 25%. Moreover, the ANRCTI data show the total number of the Internet user stood at 4.5 million, while the penetration rate stood at 21%. There were also 2.2 million Internet broadband connections. According to some surveys, almost 90% of the companies in Romania hold at least one Internet connection, whereas 33% of households have a computer. The Internet users are aged 15 - 40, and those who do not use this service are people aged over 50 who live mainly in rural areas. At present, 18% of Romania's households have Internet access.

Agriculture & food

EU member states approve state aid for agriculture in Romania

At the October Council of the EU Ministers of Agriculture, Romania has received the favourable vote of EU member states to grant almost EUR 400 million as state aid to farmers affected by drought this summer. Only three states abstained from voting - Denmark, Sweden, and the Czech Republic. Debates focused mainly on the lack of precise assessments of damages caused by draught, by farms and areas. Legislation will be changed in the future, in order to meet EU rules for granting state aid. According to the Romanian authorities, drought halved this year's wheat crop, whereas production of other crops will be 35-40% lower than in 2006. The new Minister of Agriculture, Dacian Ciolos, gave also assurances that the problems identified by the European Commission with the Paying and Intervention Agency for Agriculture will be solved before November 9, and therefore no EU funds will be lost.

Foreign investors' presence pushes up agricultural land prices

The prices of Romanian agricultural land are expected to triple by 2012 under the pressure of foreign investors, according to experts. Thus, in the next five years, a hectare of agricultural land might sell for EUR 6,000 - close to the European average - up from the current EUR 1,500-2,000. Increasingly more foreign investors, mainly Italian and German, come to Romania to develop businesses in agriculture. Foreign companies are attracted by the conditions offered by Romania. Good soil, large farming area, and reasonably favourable climate, place Romania among the first three EU states by farming potential, according to the president of the National Romanian Farmers Federation, Viorel Matei. Romania has 9.7 million hectares of arable land, which are not used at their full potential. The Danish company FirstFarms has acquired, for example, some 3,000 hectares in Romania with a view to starting local farming and livestock production in 2008. Riso Scotti Danubio, the local branch of the largest rice producer in Europe, currently holds 7,200 hectares of farming land cultivated with rice in the counties of Braila (east), Ialomita, Dolj and Olt (south). The company intends to make more land acquisitions this year, targeting a surface of 10,000 hectares in Romania.

Dairy industry works with profit margin of 10%

The top ten dairy producers recorded, last year, cumulated sales of EUR 371.19 million, namely almost half of the entire dairy market. At the same time, the net cumulated profit of the big dairy producers increased to EUR 30.2 million in 2006. Even though the average profit margin is of some 10%, companies' financial reports indicate individual values ranging between 0.68% and 12.42%. The following companies obtained the highest profit margins in 2006: Danone Romania (12.42%), LaDorna (9%), Friesland Foods (8.77%) and Albalact (5.9%). Raraul Suceava, Prodlacta Brasov and Lactate Harghita are at the other end of this top, last year reporting profit margins ranging between 0.46% and 2.45%, according to the data the Ministry of Finance. Israeli dairy producer Tnuva has entered recently the domestic market, and is the first foreign company that developed a greenfield project in the dairy industry. Two other companies, Tyrom and Olympos, both from Greece, as well as German Meggle Co., announced their plans to enter the

domestic market through greenfield projects, in contrast to other multinational companies, such as Friesland and Hochland, which preferred the acquisition of some local firms. The domestic dairy market is to develop considerably, and it is expected to double in the upcoming four - five years due to increasing purchasing power, investments, as well as the elimination of the black market economy in this sector, according to Valeriu Steriu, President of the Employers' Association of the Dairy Industry. If, at present, a Romanian buys some 5.4 kilograms of fresh dairy products per year, in ten years time, according to producers' estimates, Romanians are to consume approximately 20 kilograms of fresh dairy products per year.

Privatisation

Bids to buy Iprochim Bucharest to be submitted by November 29

The National State Assets Realization Authority (AVAS) is to sell by negotiating, on a selection of technical offers, 72.99% of the share capital of Iprochim SA based in Bucharest, specialized in operations in architecture and engineering and in technical consultancy for such fields. The potential buyers interested in participating in the negotiations are to submit to AVAS the prequalification documents, the participation documents and the technical and financial offers till November 29. The envelope with the pre-qualification documents is to be opened on the same day, with all the buyers attending. The percentage of 72.99% of the share capital of Iprochim SA Bucharest represents 238,264 shares. The presentation file of the company can be got on a daily basis from the AVAS headquarters. According to AVAS, more information on the company will be available on the occasion of the data presentation organised at the Iprochim SA headquarters, over Oct. 29 - Nov. 28, 2007, based on a direct access fee. The guarantee for participation to the negotiation is of RON 119,182.

Dutch presence in Romania

ISDC ranks 21 in Top 100 Capital, Best Employers.

ISDC – Integrated Systems Development Corporation, experienced provider of business critical software solutions and services for the European market, has recently been acknowledged as the 21 best employer in Romania by Capital magazine in Top 100 Best Employers, a yearly study on employee satisfaction realised together with the GFK International Research Institute, number four worldwide in organisational research. ISDC scored high (679 points) in 4 areas validated by middle management employees: work environment/conditions, quality of team work, salary and benefits package, conditions and opportunities for professional development. Businesswise, ISDC confirms the status of best employer staying a dynamic company with a substantial record of success. For the first half of 2007 as compared to 2006, ISDC registered a 35% growth in terms of both turnover and headcount: EUR 4 million turnover, current headcount of 130 employees. From the company headquarters in Hilversum, the Netherlands, ISDC provides customers with expertise on functional consultancy, architectural advice and design, and project management. In the Romanian branch, set up in 1999, ISDC develops, maintains and tests the applications in the modern development and test centre located in Cluj-Napoca. Since 1990, ISDC delivers top software solutions and services to business areas as trade, industry, logistics, healthcare, warehousing, business services, banking and insurance, mainly on the Dutch, British, and Swiss markets. *Source: ISDC.*

Poly Delta estimates 20% increase for 2007

Varnish and paint producer Poly Delta Chemicals, a Romanian-Dutch company, estimates a turnover worth approximately EUR 6 million for this year, up 20% on last year, due to the favourable weather conditions and to investments on the real estate market. "The rise seen in the first half of the year was prompted by favourable weather conditions in the first quarter of the year, as well as the development of the real estate sector," said Tudor Voinescu, general manager of Poly Delta Chemicals, and one of the company's shareholders. "Products utilised in the industrial sector account for around 80% of the company's sales. One reason for this figure would be that sales in the industrial sector are not dependent on marketing methods in mass media," added Voinescu. The main clients of Poly Delta Chemicals for industrial products are companies in the petroleum sector, the pipe industry, rolling stock manufacturing industry, shipbuilding and companies in the steel industry. *Source: Ziarul Financiar.*

Romrecycling: EUR 160 million business from scrap metal

Romrecycling, a group that specialises in collecting and recycling scrap metal, will open three new collection centres in the next three months, with the investment estimated at around EUR 1-1.5 million for each centre. Romrecycling Group, which comprises the Romrecycling, Remat Sibiu and Remayer, closed last year with turnover worth approximately EUR 161.5 million, with around EUR 123.4 million coming from the company the group is named after. Specialising in the collection and recycling of scrap metal, the group, a part of the Dutch-based industrial group Ecore, expects to witness an organic growth, after it opens new collection centres. "This year, we opened a new centre in Brasov, which covers around 12,000 square metres, with the investment worth around EUR 1.3 million, and we plan to open another collection centre near Bucharest in November, with an investment worth almost EUR 1.5 million," said Bogdan Popoiu, general manager of the Romrecycling Romania group. *Source: Ziarul Financiar.*

TNT to pursue organic growth in Romania

TNT, Dutch-based provider of courier services, will continue to rely on international delivery services on the Romanian market, despite holding a top position on the internal markets in countries such as the United Kingdom, Italy, Spain, China, Brazil and India. Internationally, TNT has completed acquisitions in several countries to secure a strong foothold on the segment of internal courier services, however, in Romania TNT is set to pursue organic growth and will continue to rely on international delivery services. "TNT has made acquisitions in Spain, China, Brazil and India. In Romania, however, we are not targeting any domestic player," said Bogdan Zafiu, sales & marketing manager at TNT Romania. In Romania, the company derives around 10% of revenues from internal courier services, while company representatives said the decision not to boost operations on this segment was made because of TNT Romania's reluctance to engage in a battle of low prices. However, the internal courier services segment continues to boast steady annual growth; a situation TNT has also noticed, therefore improving its services on this segment. "International services have been, and are, our target, but we are also focusing on the domestic segment. In Romania, we have 50% more customers than last year(...)," specified Zafiu. Overall, TNT has gained around 30% more customers this year, with annual turnover forecast to increase at a similar rate. *Source: Ziarul Financiar.*

MEI, EUR 6 million stocks in Imotrust and Contor Arad

Two investment funds managed by the Dutch-based Middle Europe Investments (MEI) bought a 5% stake in real estate developer Imotrust Arad (ARCV), from its majority shareholder, Grup Codlea, through transactions worth RON 18.7 million (EUR 5.5 million euros) conducted on RASDAQ. October also saw the MEI funds acquire a 6.25% stake in Contor Grup Arad, (which will be listed on the Stock Exchange by the end of the year) and paid around EUR 800,000-900,000, according to market sources. Investment fund MEI Roemenie en Bulgarije, which entered the Romanian capital market a year ago, has become one of the largest investors on the stock exchange, and holds a portfolio worth over EUR 100 million. The fund purchased significant stakes in several companies listed on the RASDAQ market this year, such as Cemacon Zalau (CEON - 10.12%), Mecanica Rotes Targoviste (METY - 6.54%), Prospectiuni Bucuresti (PRSN - 5.01%) and Rompetrol Well Services (PTR - 5.95%). *Source: Ziarul Financiar.*

Air France-KLM set to increase Romanian foothold

Air France-KLM (AFKLM) airline is set to introduce new flights on the domestic market in a bid to strengthen its position, after reaching an around 20% market share as a result of the completion of the merger between French carrier Air France and Dutch company KLM. "We are looking at the area of Transylvania, but we haven't made any decisions yet. These flights cannot be introduced earlier than next year's summer season," said Alexandru Dobrescu, country manager with Air France-KLM Romania. Air France-KLM has an average 80% occupancy rate on flights to and from Romania and is considering increasing the frequency of flights to Amsterdam and Paris. Last year, air traffic on the Bucharest-Paris route increased by around 15%, maintaining its upward trend during the first few months of this year. The last time the company introduced new flights on the Bucharest-Paris route was in 2005, when it also raised its capacity, replacing its Boeing 737 aircraft with an Airbus 320. Air France currently operates (code sharing with TAROM) five daily flights from Bucharest to Paris (three with Air France and two with the national carrier), while KLM operates three daily flights from Bucharest to the Dutch capital. Both the airports in Amsterdam and Paris are transit airports, so that a large part of passengers choose to fly with Air France-KLM, not only to destinations in France or the Netherlands. AFKLM representatives are not just considering other Romanian regions for new flight routes, but also other cities in France. Although the Romanian market is registering constant growth each year, it

will have to progress on several levels to catch up with other regional countries. For instance, the share of online sales in the total tickets sold should increase. Dobrescu believes that on the routes to and from Romania, the company registers both business and leisure traffic, however it is difficult to make a precise distinction. The regular airline market is expected to reach around EUR 360 million this year, from EUR 305 million last year, according to IATA Romania. "The Romanian market is growing by around 15-20% (...) there's still room for growth," believes Dobrescu. *Source: Ziarul Financiar.*

Spar puts EUR 2.2 million in opening new unit in Orsova

Dutch company Spar has invested EUR 2.2 million in opening a new supermarket in Orsova. It has a total surface of 1,830 sqm and 1,375 sqm selling area. The Orsova store is the company's 11th unit in Romania. Company officials have announced their intention of opening two more units by year-end and 55 units on medium term. Spar Romania posted EUR 6.1 million turnover in 2006. *Source: Business Media Group - BR Daily*

Events & Useful web links

New Chief Representative at the NBSO in Cluj-Napoca

As of November 1, Maurits Janmaat has left the NSO in Cluj-Napoca. Jan van Laar will hold the function of Chief Representative until a new representative is selected.

- Embassy of the Kingdom of the Netherlands in Bucharest - www.netherlandsemb.ro
- Agency for International Business and Cooperation - EVD - www.evd.nl
- The Netherlands – Romanian Chamber of Commerce - www.netherlands.ro
- The Dutch-Romanian Association - www.nederland.ro
- Romanian Ministry of Agriculture and Rural Development - www.mapam.ro
- Romanian Ministry of Economy and Finance - www.mefromania.ro
- Romanian Ministry of Environment and Sustainable Development - www.mmediu.ro
- Romanian Ministry of Transport - www.mt.ro
- National Institute for Statistics - www.insse.ro
- Agency for Small and Medium Sized Enterprises - www.animmc.ro

Information on EU funds - www.fonduri-structurale.ro