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## Cluj-Napoca Software Development Market Overview

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Cluj-Napoca, located in Transylvania (Romania), has been identified among the cities which are rapidly emerging as leading IT&C centers. This city has continuously provided valuable human capital, due to its elitist institutions in education and scientific research. Currently, Cluj-Napoca holds the pole position for hardware production in Romania and is ranked 3rd in the software development and IT services sector. The dynamics of the local software development market show intriguing growth, in spite of the national industry's decreasing indicators. What is happening in Cluj-Napoca?

## Cluj-Napoca IT&C Market Structure

According to A.T. Kearney's "Global Services Location Index" 2009, Romania is ranked 3rd in Europe and 19th in the world, named the "new offshoring star in Europe". The Frost & Sullivan's "EMS Provider Regional Migration Opportunities" 2009 Report places Romania as one of the favorite destinations for near-shore EMS production. In such context, in spite of the overwhelming IT&C volumes generated in Bucharest (capital of Romania), Cluj-Napoca contributed to these ratings by delivering the leading hardware production centers in Romania and by hosting some of the fastest growing software development companies in South-Eastern Europe.

**Cluj -Napoca IT&C market structure**

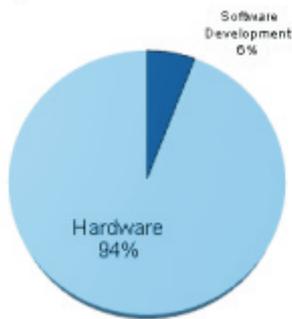


Fig.1: Cluj-Napoca It&C market structure  
Source: private research based on official data

While Romania's IT&C market was dominated by the Telecom sector (53% of total volume), Cluj-Napoca (and surroundings) distributes its' market shares between hardware production (30,5% of national volume, 1st rank/2008) and software development and IT services (6.3% of national volume, 3rd rank/2008). In 2009, both sectors registered considerable growth: 129% (hardware- generated by consolidation of new investments) and 23% (software development).

In spite of the recession registered in national industry figures, the software development companies subject of this research (in this case "client oriented software development" companies) continued their increasing trend in total turnover (by 23%) and total profits, as you can see the trend lines below.

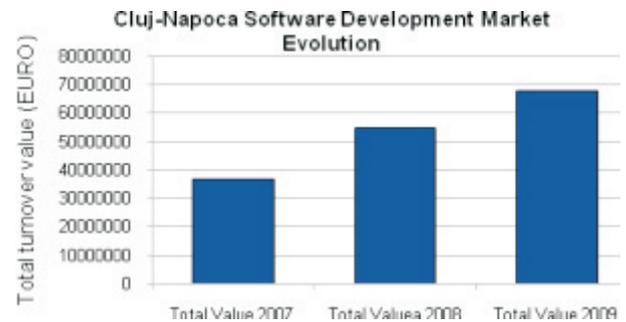


Fig. 2: Cluj-Napoca Software Development Market Evolution  
Source: private research based on official data

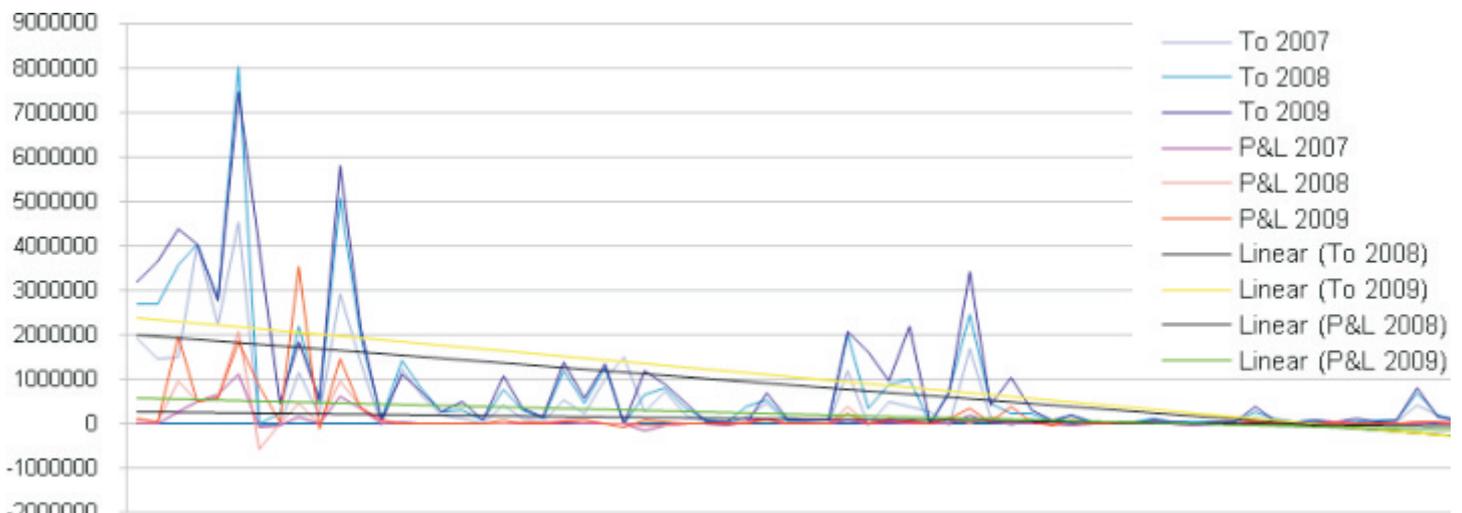


Fig. 3: Cluj-Napoca Software Development 2007 - 2009 Market Indicators / Source: private research based on official data

Part of this growth can be explained through the new direct investments, the mergers and acquisitions that have occurred on the local and regional market.

### Foreign Investors Lead Local Software Development Market

In order to understand the specificity of this market, we have proceeded to an in-depth analysis of the investors acting on this market. As you can see in the dedicated chart, Romanian entrepreneurs have constantly chosen to invest capital in software development. In 2008, foreign investors have raised the game.

Germany: constantly leading foreign investments on the Cluj-Napoca Software Development market. Holding 30% of the total market (in net turnover) German companies appreciate the technical skills, the cultural proximity and the great labor pool of Cluj.

The new market share structure reveals that 74% of the total turnover is being produced by companies benefiting from foreign capital : Germany (30%), UK (22%), USA (15%) and the Netherlands (15%) are the major investors; following: Austria (5%), Finland (4%), France and Sweden (3% each), Denmark and Switzerland (2% each), ending with Australia (1%) and Italy (0,5%).

### Elite Labor Pool Benefiting of Government Support

The City of 306.000,00 inhabitants (2009 est.), supplemented by av. 100.000,00 incoming students / year hosts 10 universities. Two of them are ranked as elite universities in the country and abroad, each having an Information Technology and Computer Science Faculty. Currently, + 5.000,00 software engineers are active on the work force market and a total of 600 graduates in IT&C are available each year.

Ranked with a HIGH H.D.I. (Human Development Index), great linguistic skills and many professionals, Cluj-Napoca is not only a hub for software development offshoring and nearshoring but also for other BPOs (business process outsourcing).

2009 Market Shares according to capital origin

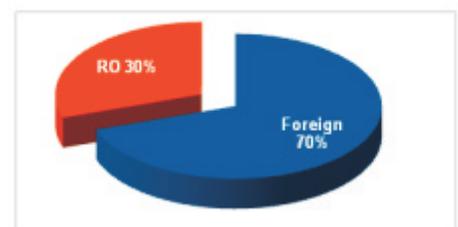


Fig. 4: Cluj-Napoca Software Development Market Shares according to capital origin  
Source: private research based on official data

Top Foreign Employers by country, 2009

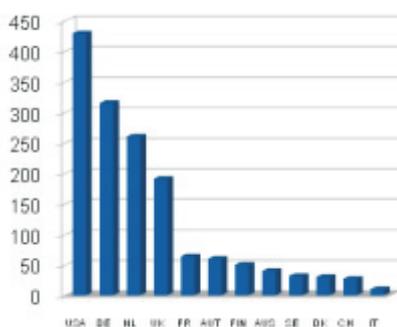


Fig. 5: Top Foreign Employers on Cluj-Napoca Software Development Market, in 2009  
Source: private research based on official data

Recruitment did not stop in 2009. On the contrary, on our panel of corporate employees (av. 50% of the total active software engineers) an increase of 0,04 % has occurred.

**Top employer: USA.** Seaming to follow the idea of turning Romania into the "Silicon Valley of Europe", USA technology companies relocate part of their software development activities to Cluj-Napoca. Great work attitude, flexibility and fast learning skills are amongst the most valuable assets. Lack of Income Tax for software engineers is also a big benefit for all parties.

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