



OUR CODE YOUR SUCCESS

Market Report

January 2013

**Cluj-Napoca, Transylvania:
the Heart of Romanian Software Development**

Cluj-Napoca, Transylvania: the Heart of Romanian Software Development

Currently the 2nd largest city of Romania, Cluj-Napoca is constantly climbing rankings in the ITC field, namely for its software development activity. Hosting near 250 ITC companies, with roughly 5000 active software engineers, Cluj-Napoca's software market has expanded by 48.8% in the last two years. Bearing innovation and growth in mind, 2012 culminated with the setup of the Cluj IT Innovation Cluster.

Based on our latest data, 2013 opens the door for new collaborations forms, new projects and new strategies.

New Cluj ITC Structure

Formerly known as the 1st hardware center in Romania, Cluj-Napoca went through massive changes during 2012. The disinvestment strategies of a gigantic Telecom Corporation and the latter general economic landscape meant a 40% decrease of total market value, but also let software development win market shares. Today, software development holds 18% of the total local market expressed in net revenues, against 6% recorded in 2009.

The latter general economic landscape meant a 40% decrease of total market value, but also let software development win market shares. Today, software development holds 18% of the total local market expressed in net revenues, against 6% recorded in 2009.

Despite the market contraction from a total value of EUR 1.09 billion in 2011 to an estimated value of 0.6 billion in 2012, the software development sector registered considerable growth.

New investments from both domestic and Fortune 500 international companies have been registered in 2012. Along with the new settlements, the strategic outlook for Cluj-Napoca has been clarified. The city is ought to be the next Silicon Valley of Romania in direct connection with the biggest ITC markets in Europe and worldwide.

Positive Evolution of Cluj Software Sector

As data reveals, software development companies in Cluj-Napoca are doing well. Both net turnovers and profit margins exceeded expectations.

2011 Cluj-Napoca IT&C Market Structure

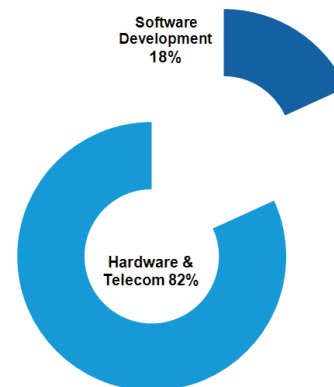


Figure 1: 2011 Cluj-Napoca ITC structure; source: own calculation based on 2011 Cluj Finance Administration Data

For 2011 we recorded a total growth of 38.8% of total net turnovers while we estimated a cautious year-on-year growth of 10% for 2012. The average profit margin during 2010-2011 was of 10.5% from the total net turnover.

Due to the recent foundation of the Cluj IT Innovation Cluster, this positive trend is expected to continue and radically reshape the local landscape.

Top Business Partners

A key growth factor for Cluj-Napoca is the set of selected partners that the business community attracts year by year. Due to a specific mix of cultural traits, diverse ethnical presence (Romanian, Hungarian and German) and elite academic institutions, the city has become a preferred destination for outsourcing and offshoring.

Cluj-Napoca Software Market Evolution

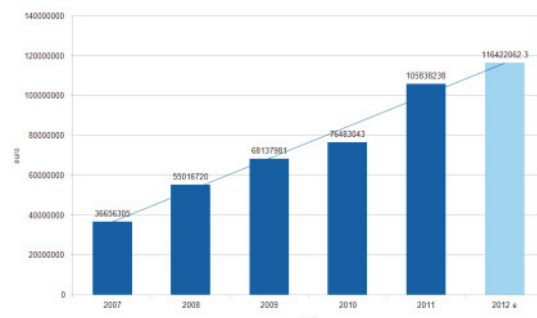


Figure 2 : Cluj-Napoca Software Market Evolution in Total Turnover (2007-2012e); source: own calculation based on 2011 Cluj Finance Administration Data



Germany is #1 Partner and Investor in the software development sector of Cluj-Napoca. “Cultural proximity, language skills, working ethics and well established socio-economical leverages with the German business community are the foundation for the good cooperation.” – declares Mr. Levente Szélyes – CEO, Codespring and he continues: “On top of that, Germany is Europe’s #1 ITC market and informally nominated Europe’s Silicon Valley having diverse industries and a cultural attitude towards performance and diligence”. The search for reliable partners and creative talent make Cluj-Napoca a healthy choice.

Rank	Business Partners by Country of Origin
1	Germany
2	United Kingdom
3	USA
4	Netherlands
5	Finland

Figure 3: Top 5 Business Partner Countries for Cluj Software Development Companies

United Kingdom is the second largest ITC partner for Cluj-Napoca, closely followed by USA investors and customers. Netherlands partners have also a noticeable presence and have consistently promoted the idea of continuing strategic partnerships with Cluj software professionals. Finland and fellow Scandinavian countries put their mark on the city’s ITC progress.

Growing ITC Talent Pool

The privilege of hosting 11 Universities in Cluj-Napoca, delivers about 1000 ITC graduates per year. In partnership with the corporate community, many R&D projects are being conducted. The mind-set for innovation and personal contribution to assigned projects is being shaped since the early stages of the profession.

As one can observe on the table above, companies hired more in 2011 compared to the years before. The same trend was noticed in 2012. Part of the 55%

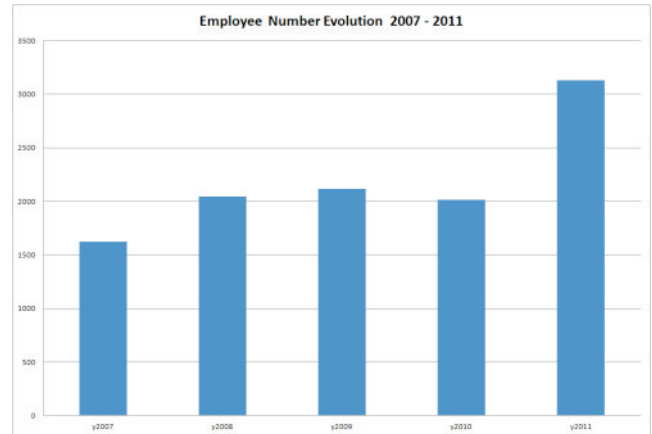


Figure 4 : Employee Number Evolution for the Software Development sector in Cluj-Napoca; source: own calculation based on 2011 Cluj Finance Administration Data

growth recorded on the software employment market of Cluj-Napoca in 2011, is due to the changes of the work regulation. Today fewer professionals are working as independent authorized practitioners, but the option is still a good choice.

Sourcing Strategies for 2013

In 2012, Romania has reached pole position in Deloitte’s CEE Technology Top 50. In the same time, Jones Lang LaSalle allowed the 9th rank in the Top 10 Outsourcing Destinations Globally. The key driver proves to be the added value that most Romanian providers manage to bring on the table.

Recent deals and agreements strive to fine-tune resources, costs and expected business impact in order to reach the best results. Whether we speak about staff augmentation, consulting, managed services, cloud-based outsourcing, offshoring or partial outsourcing, Cluj-Napoca ITC community constantly readapts to evolving needs.

We estimate that 2013 will be a year of growth, profit restoration and redefinition of Cluj-Napoca’s strategic posture on the ITC map.

www.codespring.ro

@ Copyright 2013 Codespring. All rights reserved
Reg. No. J12/1330/2005
VAT No. RO 17459688
RO-400664, Cluj-Napoca, Frunzisului Str. No. 29
Phone: +40 364 113 110
Fax: +40 364 113 111
E-mail: office@codespring.ro
Web: www.codespring.ro

Edition prepared by:
Tünde Székely – Public Relations Specialist (Codespring);
Diana Ciorba – Marketing Consultant (Elf'st);
Dénes Csáki – Senior Graphic Designer

The complete or partial reproduction of texts and illustrations from any edition of the current publication is subject to Codespring's written approval. The copywriters take full responsibility for editing and documenting the published articles. The formulated opinions and conclusions do not necessarily represent the Company's official position related to the presented subjects. We do not take responsibility for any changes in data that might occur from the collection moment and the public release date and time. All data are correct at the moment of launching the material into production.

MARKET REPORT