SeeNews

Research on demand

SOUTH EASTERN EUROPE IT SECTOR

Contents

SOUTH EASTERN EUROPE – UNLOCKING IT'S POTENTIAL

SEE TOP 100 Ranking, Edition 2011 and IT sub-ranking

The SEE TOP 100 annual ranking is the only ranking of private and public companies, banks and insurers from the ten South Eastern European countries - Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Serbia, Macedonia, Moldova, Romania, Montenegro and Slovenia. The 2012 edition will be published in October for the fifth consecutive year. Predominantly using annual non-consolidated reports, we rank companies by total revenue, banks - by total assets and insurers - by gross written premiums. The initial pool of companies exceeds 1,200 every year.

The telecommunications sector, represented in the 2011 ranking by 13 companies, established itself as the fourth most prosperous business generating a combined revenue of EUR 9.7 bln in 2010.

By comparison, IT firms are lagging behind telecoms specialists. Unfortunately, last year's SEE TOP 100 ranking did not include representatives of the IT segment. The best performing IT player in 2010 in terms of total revenue generated some EUR 150 mln below the bottom of the SEE TOP 100.

To fill the gap, we have compiled a ranking of the top 200 IT companies in SEE, derived straight from the initial pool of companies. The list by no means claims exhaustiveness or comprehensiveness for the whole region, but it certainly includes the major companies in the IT industry. Depending on data availability in the different countries, the ranking features software and hardware providers, ITO companies and IT traders. To allow comparison, all local currencies in the ranking have been converted into euro using the respective central bank's official exchange rate on the last working day of the year.

SEE TOP 200 IT Companies is topped by Croatian distributor of IT products and consumer electronics M San Grupa with a total revenue of EUR 229.2 mln in 2010. The company was established in 1995 and operates in former Yugoslav countries through a network of subsidiaries and affiliated companies.

In 2010 the leading 200 IT companies in SEE generated a combined revenue of EUR 4.67 bln and employed more than 37,300 workers. Romania reported the highest value – EUR 2.4 bln, followed by Croatia – EUR 741 mln and Slovenia – EUR 600.7 mln.

Similar to the SEE TOP 100 per capita ranking, Slovenia is also at the lead of the corresponding ranking in the IT sector with EUR 298, followed by Croatia with EUR 167, and Romania with EUR 113 ranks third.

The graph below shows the correlation between three indicators measuring the market – the number of employees, the total revenue of the IT sector in the respective SEE country and the number of companies:

TOP 200 IT COMPANIES IN SEE
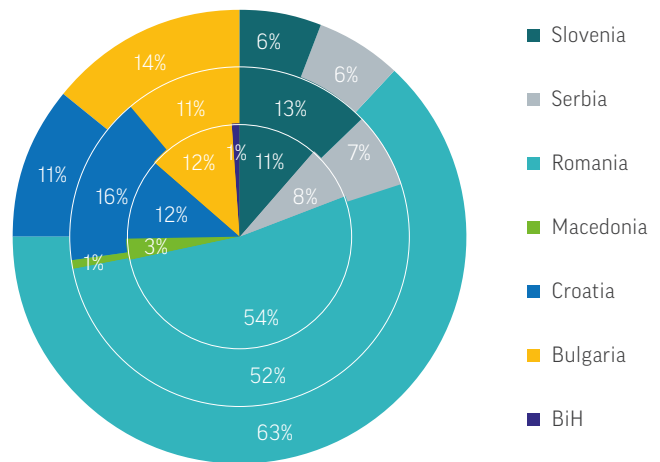
The outer circle indicates the number of employees in the IT sector, the middle circle indicates the total revenue by country and the inner circle indicates the number of companies.

The results of our ranking also find confirmation in the IT Industry Competitiveness Index 2011, issued by The Business Software Alliance (BSA) and The Economist Intelligence Unit. Only four SEE countries managed to enter into the Index - Slovenia (25th), Romania (37th), Croatia (40th) and Bulgaria (43rd). The index, measuring five indicators, showed improvement in the positions of Slovenia and Bulgaria, while Romania and Croatia stepped back in 2011.

IT INDUSTRY COMPETITIVENESS INDEX 2011 COMPOSITION
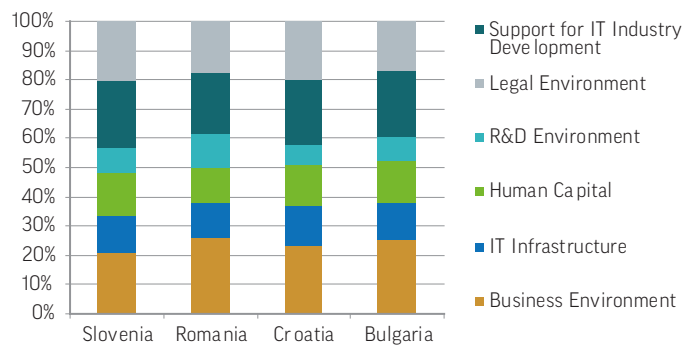
Source: IT Industry Competitiveness Index 2011

Based on our analysis of the IT market in some of South Eastern European countries in the last few years, we have identified the following trends in the region:
- IT products and services remain outside the top 20 exported items;
- The backbone of the ICT market is the Telecommunications sector, generating more than 70% of the revenue of ICT sector in SEE;
- Outsourcing is the IT segment of strongest presence;
- Very low level of IT companies' participation on stock exchanges;
- As a whole, the level of the foreign language knowledge in the region is high;
- In SEE, the IT sector consists of many, but small companies;
- Almost all IT giants have entered SEE countries, attracting young professionals, training them and sharing

knowledge, as well as boosting competitiveness;
• Legal regulations in the IT industry in SEE lag behind the European legislation;
• There is shortage of highly-qualified personnel on the local market.
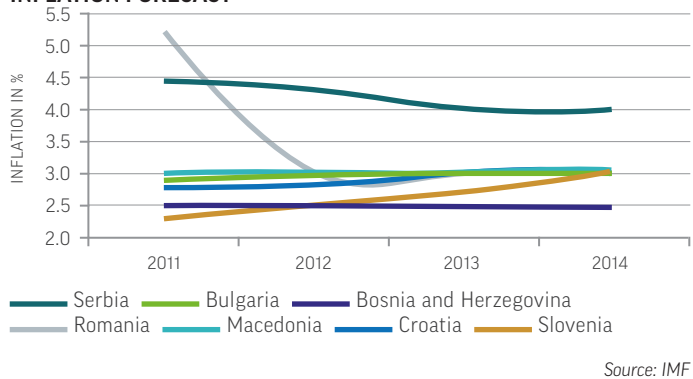
Our forecasts for 2012 – from slight to flat growth

Most of the market analysts expect the IT market to register growth in 2012. Some of them are optimistic, expecting between 10% and 15% increase in different countries, however our forecast is for a slight increase, following the main economic trends.
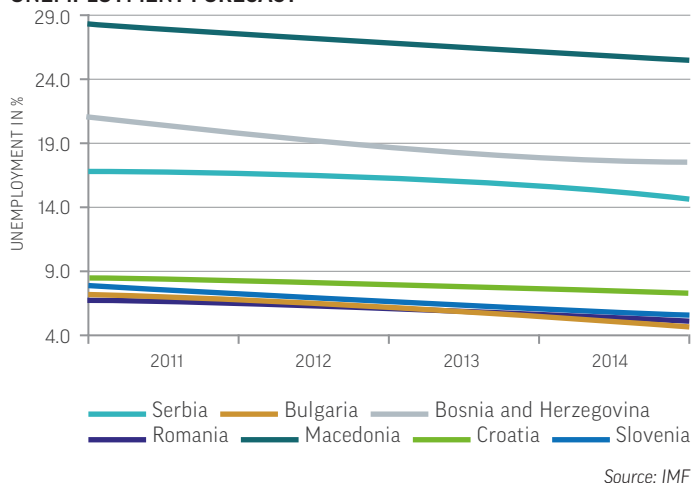
GDP GROWTH FORECAST

Source: IMF
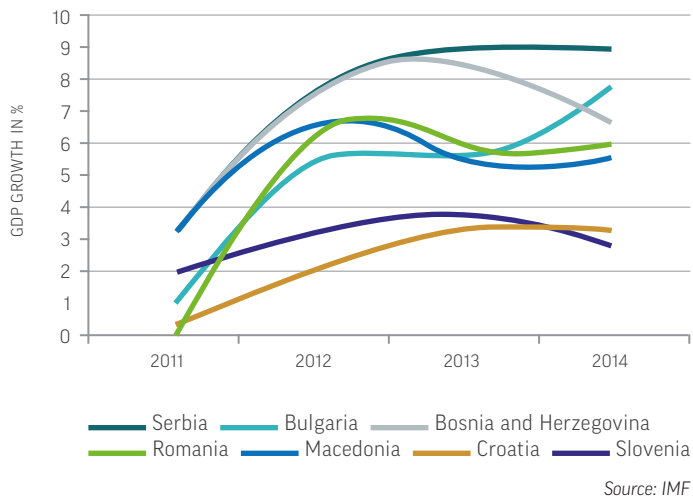
INFLATION FORECAST

Source: IMF

UNEMPLOYMENT FORECAST

Source: IMF

The major consumers and drivers of IT products and services will include the public sector and EU cohesion funds. According to data published by Erste Research, in 2011 Romania obtained EUR 252 mln in EU funds for ICT projects and Croatia - EUR 750 mln for the period between 2007 and 2011. Serbia received a EUR 200 mln EU pre-accession assistance, Montenegro – some EUR 35 mln, and Kosovo – EUR 70 mln.

## IT EXPENDITURE IN SEE EU MEMBERS

Source: Eurostat
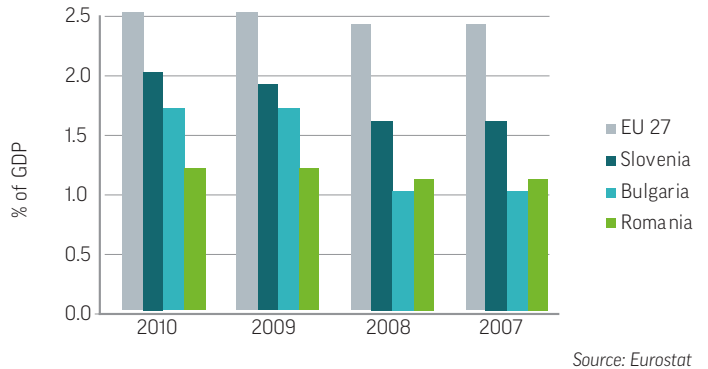
Amid other growth drivers for the next year is the focus on innovation and cloud technologies, and the tool that has been in use since the beginning of the crisis: lower costs > higher efficiency.

Be smart - to be outsourcing destination or to outsource?

The SEE IT market is still small and young, but it offers an opportunity for the development of outsourcing services and shows a considerable potential for growth in the short-term. It is no coincidence that Bulgaria and Romania are included in A.T. Kearney's Global Services Location Index for 2011, which consists of the best countries for outsourcing activities. In the Index Bulgaria holds the 17th place, between the UK and the USA, and Romania stands on the 25th place, but both countries lose four places compared to the previous year.

A.T. KEARNEY GLOBAL SERVICES LOCATION INDEX 2011

Source: The A.T. Kearney Global Services Location Index TM, 2011
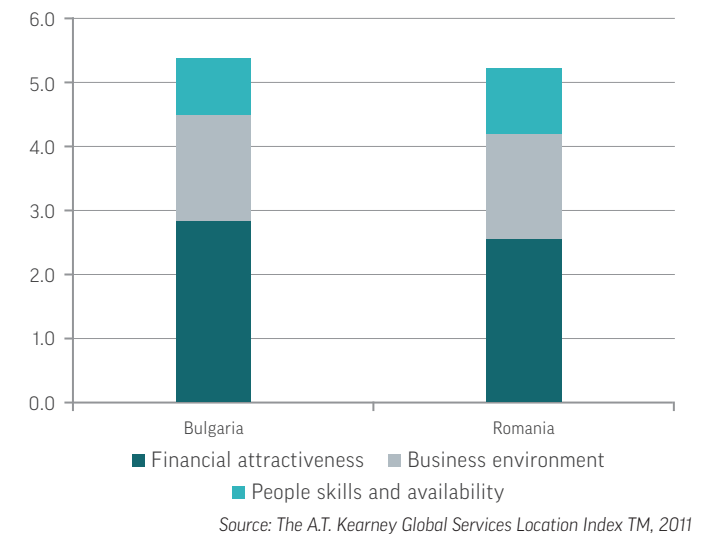
IT companies in SEE are to tackle the question whether to remain traditional outsourcing companies, to combine ITO, BPO and value-added services, based on innovative technologies or to outsource part of their activities to companies in the smaller countries such as Macedonia, Kosovo, Montenegro and Albania.

For the snap-shot of IT market in some SEE countries, we have used a pile of data sourced by statistical offices, Eu-

rostat, country's IT associations, governmental bodies and news providers. Due to the lack of explicit information about the Information Services sector in some countries, it is very difficult to quote the exact figures.

2010	Bulgaria	Romania	Serbia	Croatia	Slovenia
Total Revenue of IT Sector	EUR 1.0 bln	EUR 4.845 bln	EUR 22.8 mln	EUR 1.7 bln	EUR 1.478 bln
Number of IT Companies	~1,700	~15,300	~1,750	~1,853	~ 4,300
Number of Listed IT Companies	7		2	1	1
Number of Employees in IT Sector	~15,000	~72,660	~11,302	~15,114	~16,500
Average Salary in IT Sector	~ EUR 1,110	~EUR 800	~ EUR 1,000	~ EUR 960	~ EUR 1,020
Number of Students (IT)	~1,400	~8,000	~2,500	N/A	~ 500
IT Exports, incl. Outsourcing	EUR 80.75 mln	EUR 3.72 bln	EUR 154 mln	EUR 262.8 mln	EUR 643.9 mln
Pupils learning English-Upper secondary general education (%)	87.4	98.7	90	99	98.2
Percentage of Households with Internet Access (2011)	45	47	41.2	61	73

DISCLAIMER

Whilst the information contained in this Profile has been given in good faith and every effort has been made to ensure its accuracy, AII Data Processing cannot guarantee the accuracy of this information and hereby expressly disclaims any responsibility for error, misinterpretation and any and all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the Service referred to herein, or in the event of bankruptcy, liquidation or cessation of trade in any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned. Unless otherwise stated, the copyrights and any other rights in all material on this site are owned by AII Data Processing. Use of this Profile is provided by AII Data Processing subject to the following Terms and Conditions:

1. Use of this Profile constitutes your acceptance of these Terms and Conditions which take effect when you first use this Profile. AII Data Processing reserves the right to change these terms and conditions at any time by posting changes on line. You are responsible for reviewing regularly information posted on line to obtain timely notice of such changes. Your continued use of the Profile after changes are posted constitutes your acceptance of this agreement.

2. Neither AII Data Processing nor other related parties, whilst endeavouring to provide 24/7 availability, will be held liable if for any reason the Profile is unavailable at any time.

3. Access to this Profile may be suspended temporarily or permanently and without notice.

4. Whilst AII Data Processing endeavours to ensure that the information on this site is correct and up-to-date, no warranty, express or implied, is given as to its accuracy and AII Data Processing does not accept any liability for error or omission.

5. Part of this Profile contains materials submitted to AII Data Processing by third parties. Third parties are responsible for ensuring that materials submitted for inclusion on this Profile complies with national and relevant international law. AII Data Processing can not guarantee the accuracy of this material and hereby expressly disclaims any responsibility for error, omission or inaccuracy in the material, misinterpretation and any all loss, disappointment, negligence or damage caused by reliance on the information contained in the Profile or any failure or alleged failure in the delivery of the services referred to herein, or in the event of bankruptcy, liquidation or cessation of trade of any company, individual or firm referred to herein. Confirmation of the information accuracy should be sought from the establishments concerned or from AII Data Processing upon explicit request.

6. AII Data Processing shall not be liable for any damages (including, without limitation, damages for loss of business or loss of profits) arising in contract, tort or otherwise from the use of or inability to use this Profile, or any data contained in it, or from any action or decision taken as a result of using this Profile or any such information.

7. AII Data Processing accepts no responsibility for the content of any site to which a hypertext link from this Profile exists. Such links are provided for your convenience on an "as is" and "as available" basis with no warranty, express or implied, for the information provided within them.

8. If any of these terms should be determined to be illegal, invalid or otherwise unenforceable by reason of the laws of any state or country in which these terms are intended to be effective, then to the extent and within the jurisdiction in which that term is illegal, invalid or enforceable, it shall be severed and deleted from the clause concerned and the remaining terms and conditions shall remain in full force and effect and continue to be binding and enforceable.

9. By accessing and reading any part of this Profile, you should have accepted these Terms in full.

SeeNews

Research
on demand

SeeNews: The corporate wire • Power market review • Renewables • Shipping • Energy
Company profiles • Research on demand • TOP 100