

Investing in Bulgaria

The strategic business destination in Central and Eastern Europe



Government Keynote Address

Delian Dobrev,
Minister of Economy, Energy and Tourism

Investing in your future



EUROPEAN UNION
European Regional
Development Fund




OP "Development of
the Competitiveness
of the Bulgarian
Economy" 2007-2013



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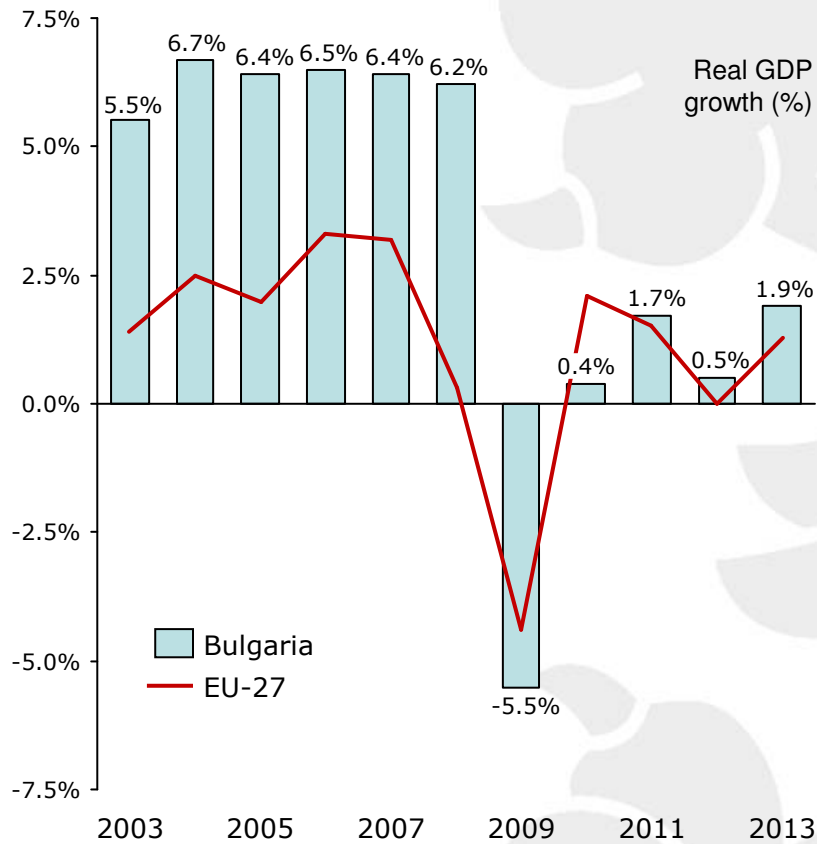
Bulgaria – Your Investment Destination in Europe

London
6 December 2012

Mr. Delian Dobrev
Minister of Economy, Energy and Tourism
Republic of Bulgaria

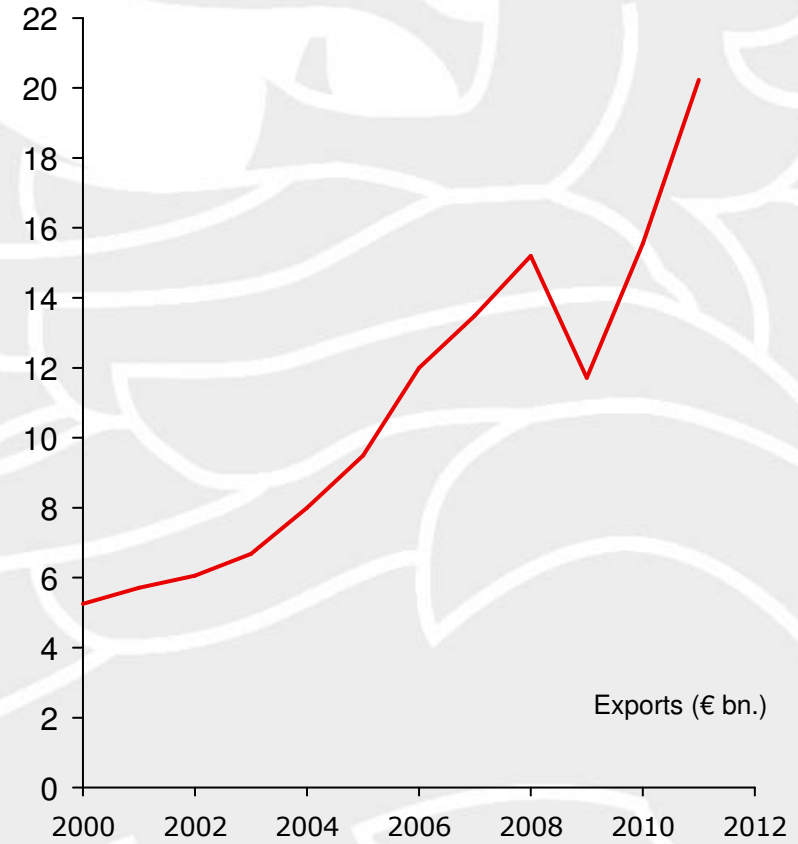
Bulgarian economy has kept on growing despite the financial and economic difficulties in Europe and worldwide

Bulgarian economy has outperformed EU average for the last 10 years



Source: Eurostat

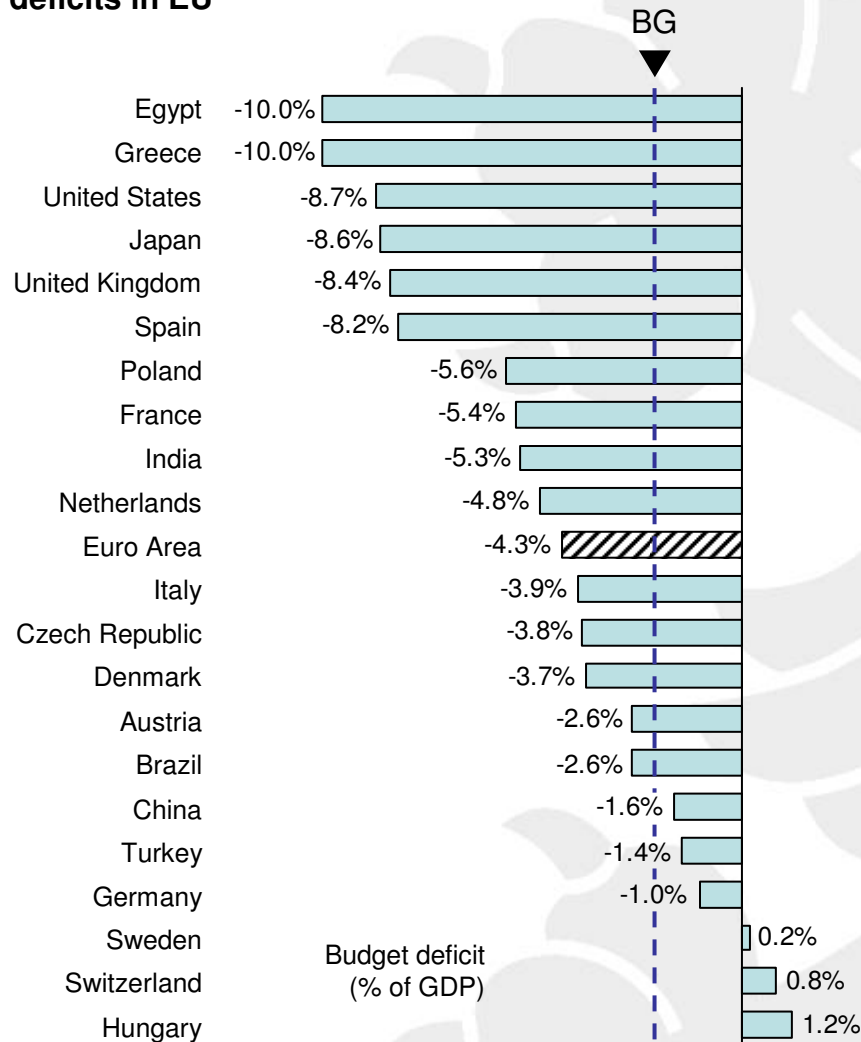
In absolute terms, exports have grown about 4 times since 2000



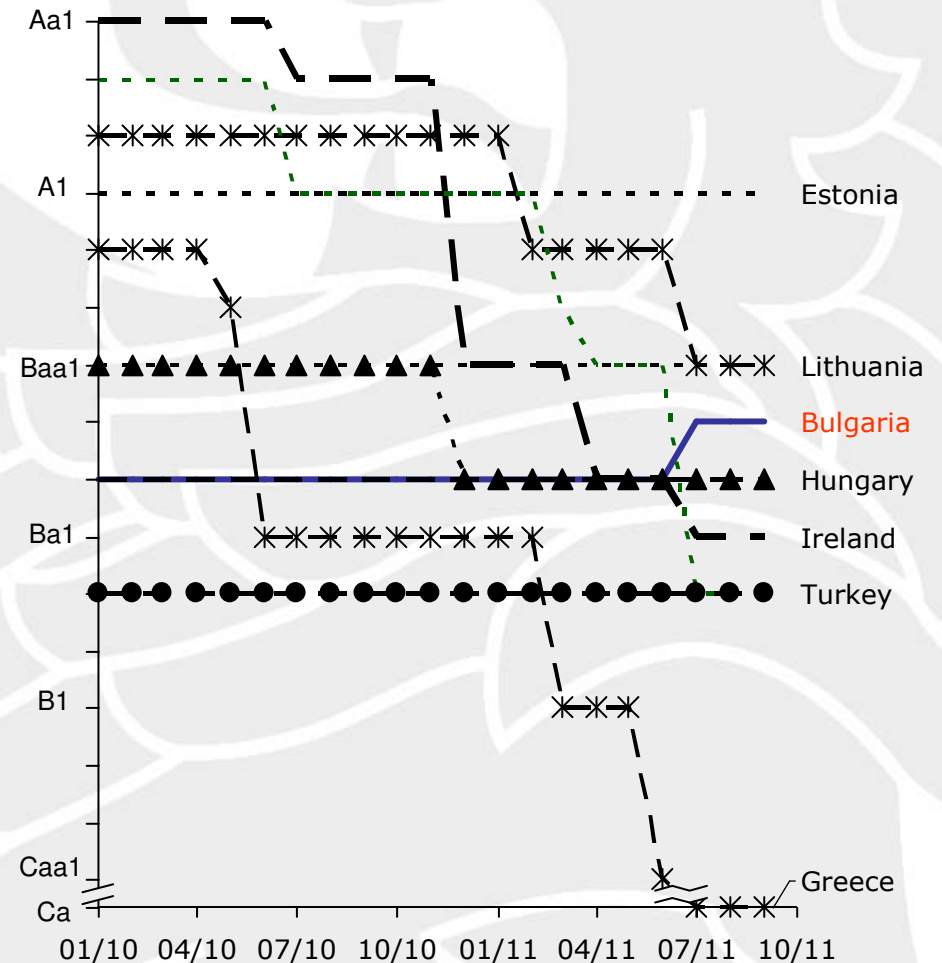
Source: Bulgarian National Bank

Bulgaria's exemplary financial stability has continued after the crisis

In 2011, Bulgaria had one of the lowest budget deficits in EU

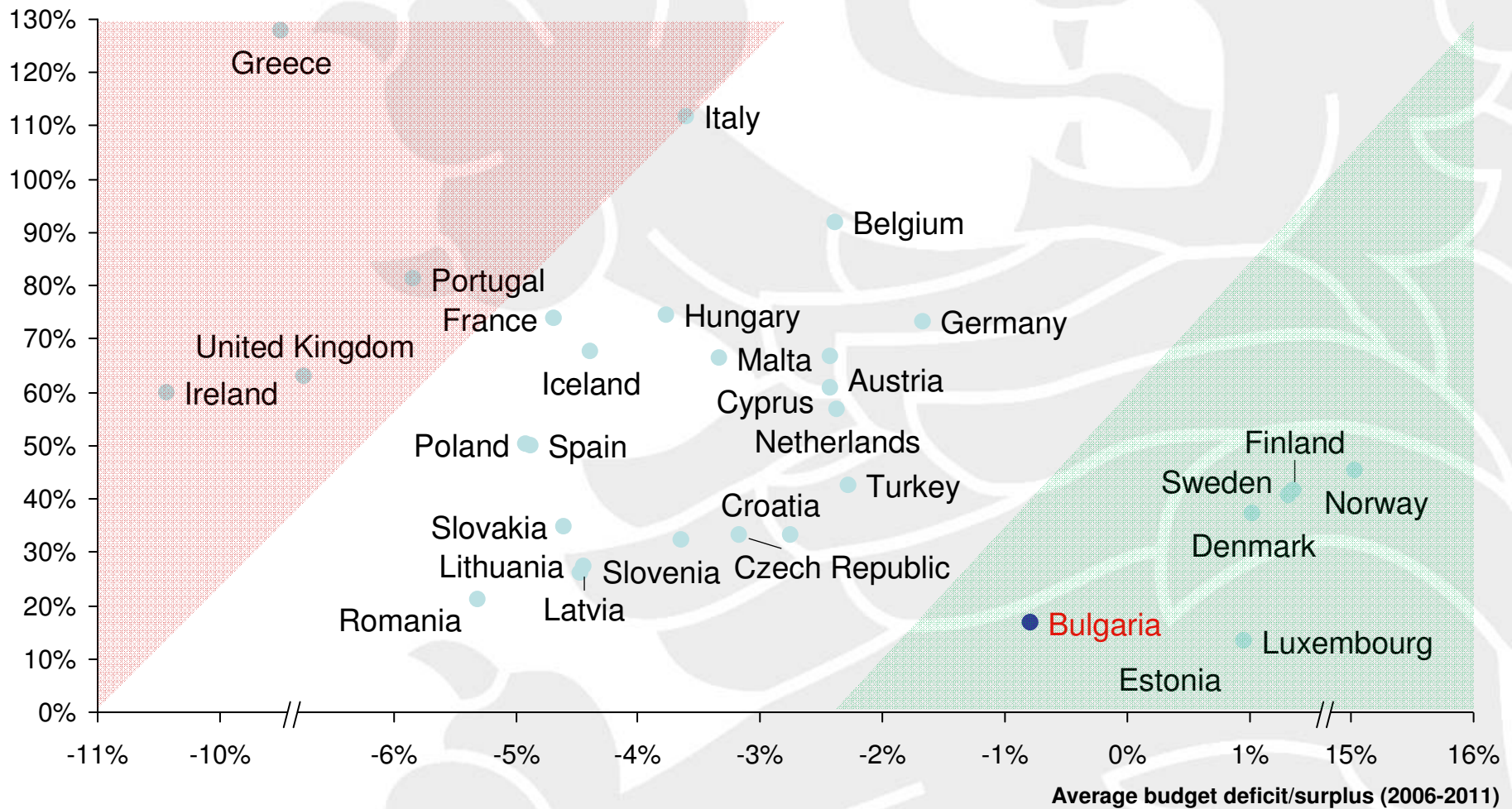


Bulgaria was the only European country with increased credit rating by Moody's in 2010 and 2011



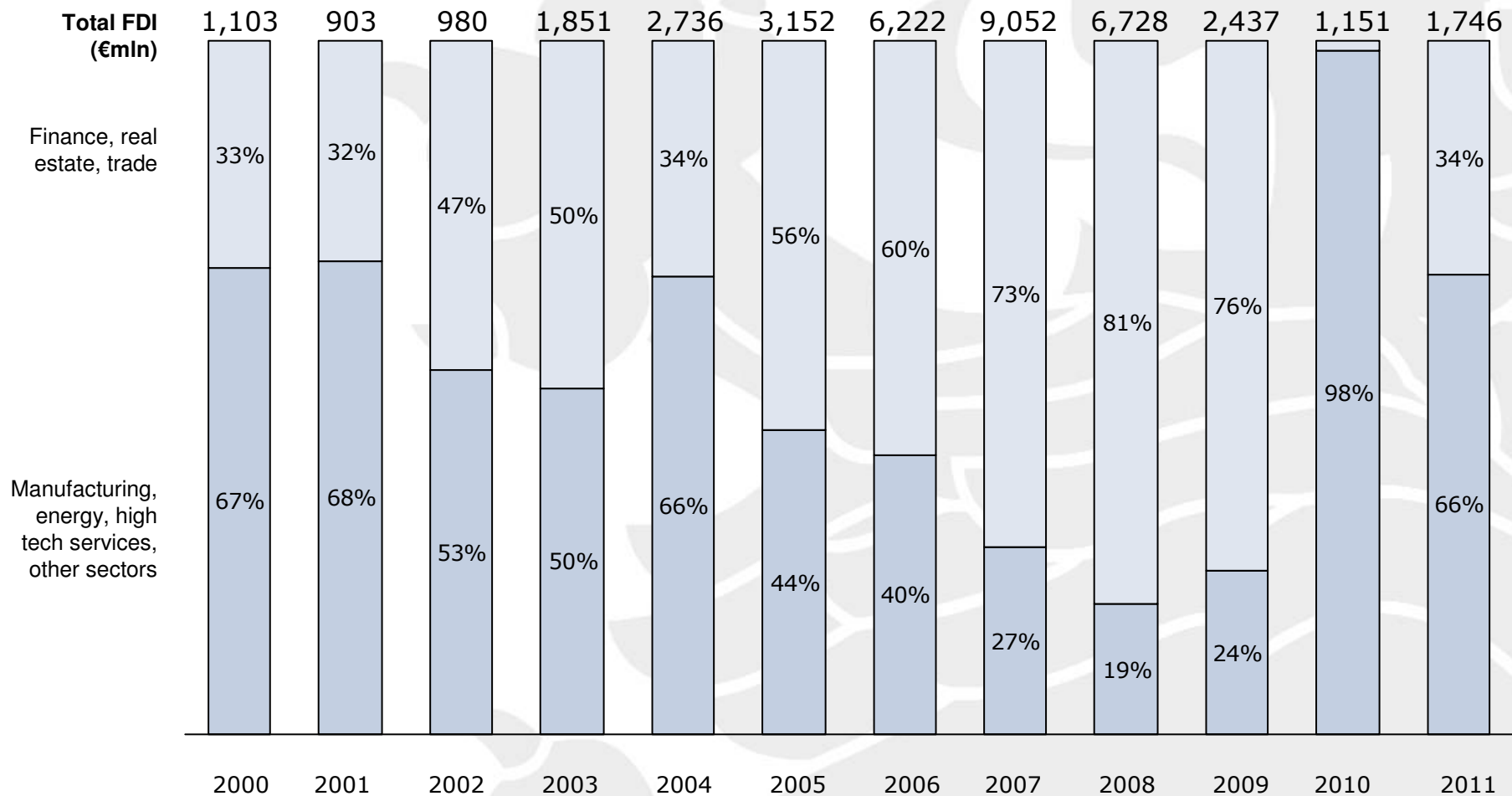
Government financial indicators are remarkable not only in the region, but on a pan-European scale

Average government debt (2006-2011)



Source: Eurostat

The composition of FDI in Bulgaria has changed lately towards manufacturing and other sustainable sectors



□ FDI in Bulgaria for January-September 2012 amounts to EUR 972 mln. (2.5% of GDP)

□ FDI in Bulgaria from UK – EUR 2.7 billion for the period 1996-2011

□ Ranks 4th among all countries.

Source: Bulgarian National Bank

Why invest in Bulgaria

- **Political and business stability**
 - EU member since 2007
 - NATO member since 2004
 - WTO member since 1996
 - Currency board backed by IMF
 - Among the lowest budget deficits and government debts in the EU
- **Low cost of doing business**
 - Favorable tax regime
 - Lowest operational costs within the EU
- **Access to markets**
 - European Union / European Free Trade Association
 - Russia and CIS
 - Turkey / Middle East
- **Educated and skilled workforce**
- **Government Incentives**
 - Shortened administrative procedures
 - Preferential acquisition of state or municipal land
 - Financial support for professional training / education
 - Infrastructure subsidies
 - Individual administrative services

The
Economist

“the culture of impunity that once plagued Bulgaria has largely gone“

May 27, 2010

THE WALL STREET JOURNAL.

„While governments across the euro-zone periphery are on the ropes or have been felled by the economic crisis, Prime Minister Boyko Borisov's government has drawn international accolades for cutting spending while maintaining high levels of public support.“

September 10, 2011

Why invest in Bulgaria

Advantages

Taxes

- 10 % effective corporate income tax rate
- 10 % effective flat personal income tax rate
- Equipment imports for projects over € 5 M exempted from VAT
- 5% withholding tax on dividends and liquidation quotas (0% for EU tax residents)
- 68 Double Taxation Avoidance Treaties including EU, China, Russia and USA; 66 Agreements on mutual protection and promotion of foreign investments

Labor

- Skilled labour
- Lowest labour cost per hour in EU
- Employer-friendly labour laws
- Standard labor contracts with 1-month severance and 20 days vacation

Government policies

- Stable and independent government policies
- Bulgaria is not subject to current Eurozone legislation
- Financial stability pact ensuring continued low taxation and stable fiscal policy

Customs & visas

- 24-hour customs at the warehousing locations
- Virtual consulate (online visa approval and issue of travel documents)
- Visa-free transit to non-EU countries

Infrastructure

- Focus on development of infrastructure – 7 highways currently under construction
- 70% of allocated road, rail and industrial zone infrastructure development funds still available

Investment incentives under the Investment Promotion Act (IPA)

- **Equal treatment of Bulgarian and foreign investors**
- **The investment has to be related to the setting up of a new establishment, expansion, output diversification into new additional products or a fundamental change in the overall production process of existing establishments**
- **Investment classes A and B** depending on the value, region and sector allocation of the investment
- **The investment to be made in the following sectors:** Manufacturing; Research & development; Education; Healthcare; High-tech services; Warehousing and Logistics

Region or Sector	Euro m	
	Class B	Class A
General	5 - 10	>10
In municipalities with unemployment rate equal or more than the country average	2 – 3.5	>3.5
In high-tech activities in the manufacturing industry for the whole country	2 – 3.5	>3.5
In high-tech activities in the services, computer technologies and R&D sectors for the whole country	1 – 2	>2

Investment incentives under the Investment Promotion Act (IPA)

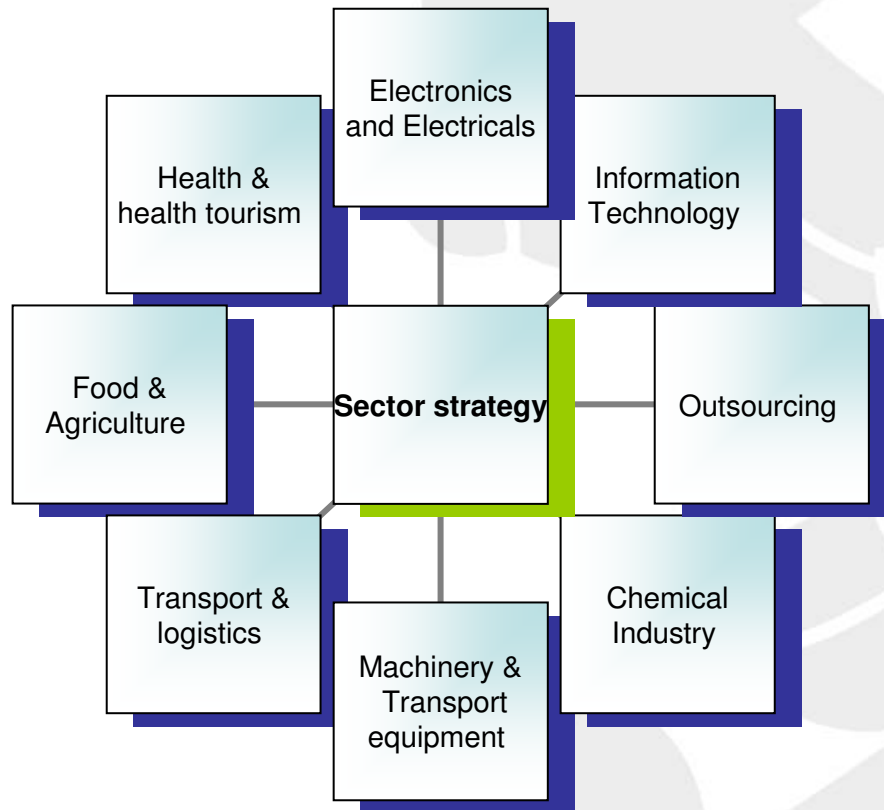
- Priority investment projects - depending on the value, jobs created and region allocation of the investment;
- The investment to be made in all economic activities

Region or Sector	Investment (Euro m)	Jobs
General	>50	>200
In municipalities with unemployment rate equal or more than the country average	>25	>100
In high-tech activities in the manufacturing industry for the whole country	>25	>100
In high-tech activities in the services, computer technologies and R&D sectors for the whole country	>10	>50
Industrial zone development	>35	>100
High-tech park development	>15	>50

New Measures in the Investment Policy

Sector Strategy- adopted in 2011

□ Eight priority sectors



□ Amendments in IPA in 2012

- Financial support for reimbursement of social security payments expenditure for newly created jobs for 2 years – 17,4% labour costs due by the employer;
- Opportunity for certifying projects in the service sector (in particular outsourcing), where a significant employment is generated;
- Decentralization of the certification process - issuing of investment certificates by the municipal council and the mayor of the municipality in which investment projects up to EUR 1 mln. are implemented.

Many leading multinational companies have chosen Bulgaria as a location for their production and high-tech services

IT & BPO	Mechanical and Electrical Engineering	Construction Materials	Telecom and Media	Energy	Finance
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The following table lists the companies shown in the image, categorized by industry:

IT & BPO	Mechanical and Electrical Engineering	Construction Materials	Telecom and Media	Energy	Finance
SAP	LIEBHERR	Holcim	AIG	E	Raiffeisen BANK
hp	Schneider Electric		TELEKOM AUSTRIA	ENERGO-PRO	UniCredit
IBM	ABB	SAINT-GOBAIN		EVN	citi
Johnson Controls		Italcementi Italcementi Group	MTG		
vmware	EPIQ	Aurubis	CME	Enel	BNP PARIBAS
60K	YAZAKI	SOLVAY	COSMOTE	AES	Eurobank EFG

Investments by British companies in Bulgaria

British companies that have already chosen Bulgaria as an investment location:

- **Melrose Resources:**
 - Production of oil and gas;
- **60K**
 - Outsourcing contact centre provider;
- **Questers Group:**
 - HR management and Business process outsourcing;
- **Glaxo SmithKline and Astra Zeneca**
 - Pharmaceutical industry
- **William Hughes:**
 - Metal products, constructions and shaped metals;
- **Shell UK:**
 - Retail sale of automotive fuels and lubricants in specialized stores
- **Sortis**
 - Real estate
- **WYG:**
 - Consultancy

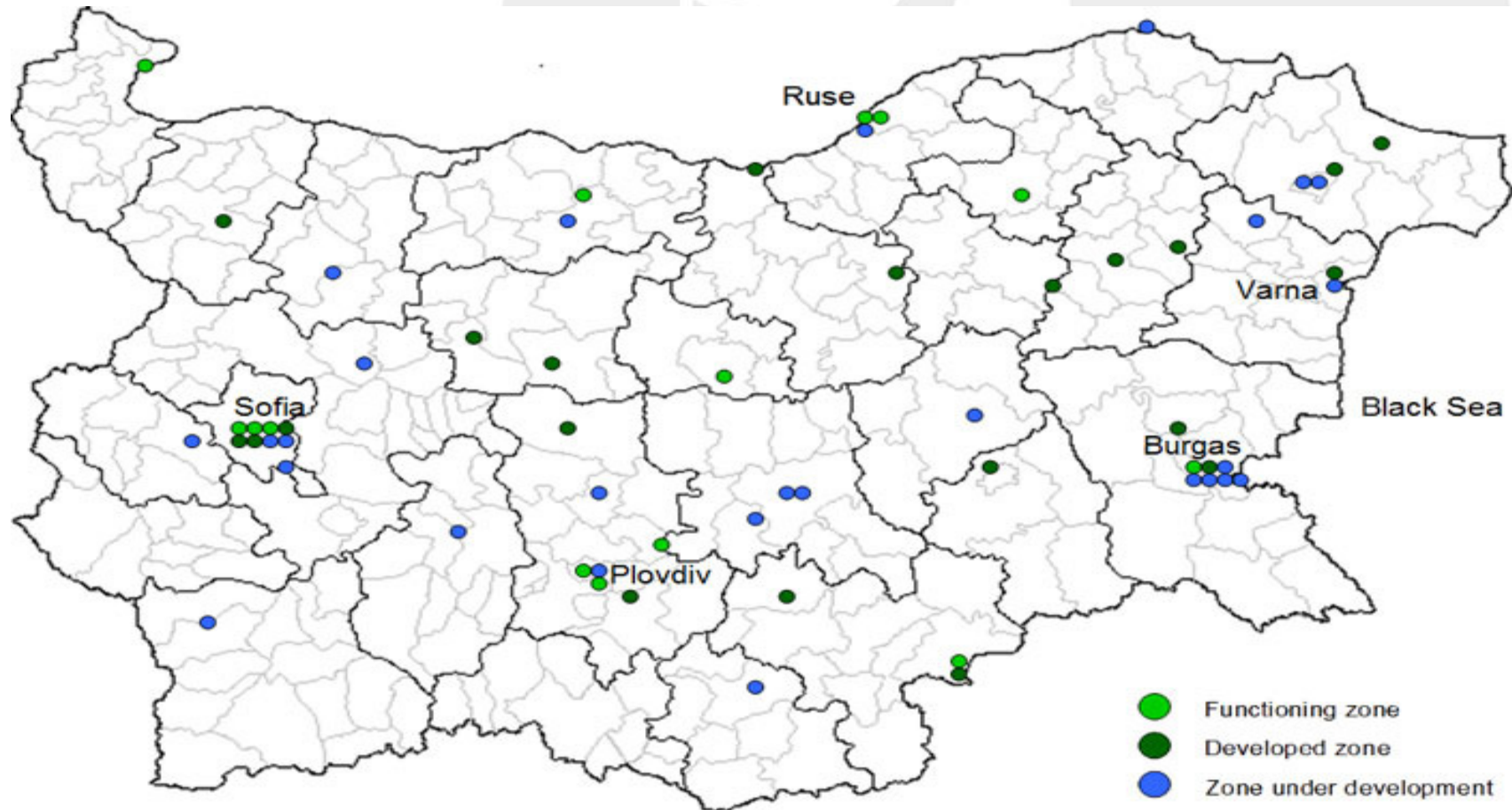
Economic sectors with highest potential for attracting British investments:

- **IT and BPO**
- **Transport & Logistics**
- **Electronics and electrical engineering**
- **Machine building**
- **Healthcare**



Potential investment locations in Bulgarian industrial zones

The industrial zones in Bulgaria offer attractive conditions for establishing production, warehousing, logistics and other activities at a very competitive prices



- 14 functioning zones, with active local and foreign investors
- 21 zones, either with fully or mostly developed infrastructure and ready to be invested in
- 27 zones under development

National Company Industrial Zones - Strategic partner for investors in Bulgaria

National Company Industrial Zones “NCIZ” is a state-owned company specialized in:

- Industrial park development
- Management of Industrial zones and Innovation centers
- Provision of additional services

Main activities:

- Development of industrial zones in line with the latest standards
- Encouragement of investments in sectors with high added value
- Creation of favourable conditions for investment



Total of 8 projects

4 969 500 m² total area

841 580 m² built area

225 500 m² open warehouses

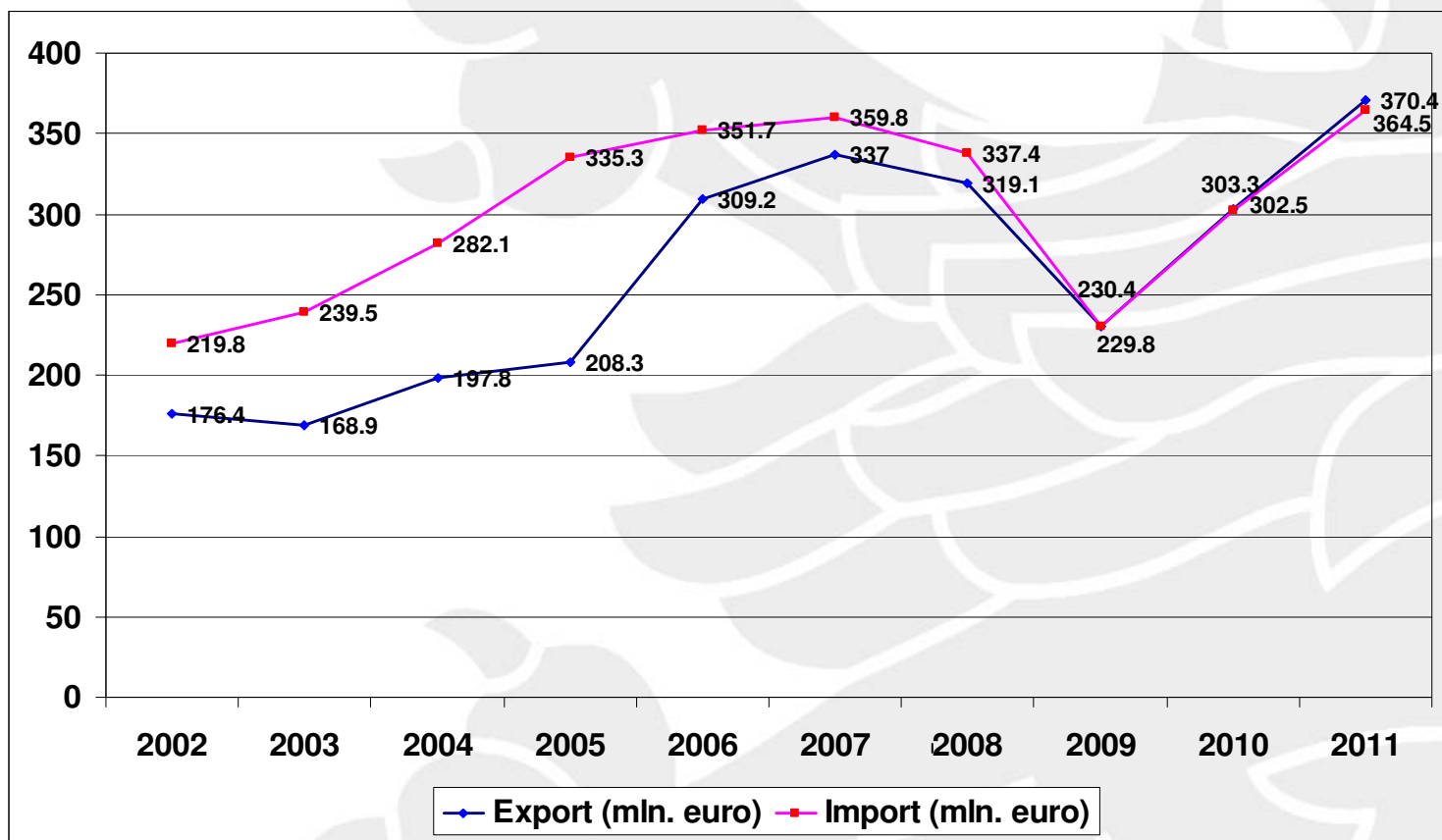
Three developed industrial zones: Ruse; Vidin; Svilengrad

Five zones on early stages of development: Sofia; Burgas;

Karlovo; Pleven/ Telish; Varna West

UK as a trading partner for Bulgaria

- In 2011 trade between **Bulgaria and UK** reached EUR **734.9** mln, with Bulgarian **exports** amounting to EUR **370.4** mln – up 22,3 % from 2010. The increase of import in 2011 is by 20%



Trade in goods between Bulgaria and UK (2011)

Exports to UK (2011)

Item	%
Copper bars, rods and profiles	4.00
Women's or girls' suits, ensembles, jackets, blazers, dresses	3.95
Pre-shave, shaving or after-shave preparations	3.74
Parts suitable for use solely or principally with the engines	3.68
Bread, pastry, cakes, biscuits and other bakers' wares	2.91
Ship and aircraft supplies-code 1 (SL)	2.81
Mineral or chemical fertilizers, nitrogenous	2.43
Glazed ceramic flags and paving, hearth or wall tiles	2.34
Ferrous waste and scrap; remelting scrap ingots of iron or steel	2.17

Imports from UK (2011)

Item	%
Pharmaceuticals	9.92
Ferrous waste and scrap	4.43
Copper waste and scrap	4.42
Undenatured ethyl alcohol	3.34
Electrical apparatus for line telephony or line telegraphy	2.70
Motor cars and other motor vehicles	2.50
Prepared pigments, prepared opacifiers and prepared colours	2.33
Tractors	2.29
Unsaturated acyclic monocarboxylic acids	1.98

There is scope for expanding Bulgarian exports to UK of textiles, ready made garments, furniture, agricultural and food bio products, perfumery and cosmetics

Travel & Tourism – important and growing industry

Facts and figures:

International and domestic tourism revenues form 10.5 % of GDP

- In 2011 revenues from international tourism totalled 2 852.4 million euros
- 8 712 821 foreign visitors in 2011, of which 6 328 023 tourists
- 4.6 % annual growth in international tourist arrivals in 2011
- for 2011 tourists from UK are 284 882 ; **1.5% decrease** compared to 2010
- January-August 2012 British tourists to Bulgaria - 203 252 which is a **decrease of 8.4%** compared to the same period of 2011



What do we offer:

- Excellent climate and environmental conditions
- Unique combination of seaside, mountains and mineral water
- Long lasting tradition in balneology and spa tourism (more than 600 mineral springs)
- Ancient history and unique cultural heritage
- Nine cultural sites in the UNESCO list
- Vivid customs and friendly people
- Bulgaria is well known for its valley of roses; Bulgarian rose oil is one of the main ingredients used in high quality perfumes all over the world
- Unique experiences throughout the whole year
- Affordable prices



Bulgaria – emerging golf destination

- International Association of Golf Tour Operators’ award in 2012 – “Undiscovered Golf Destination”
- 7 operational golf courses, situated near the Black see coast or in the foot of the mountains, designed by some of the biggest names in golf – Gary Player, Paul McGinley, Ian Woosnam, Peter Harradine
 - excellent leisure, treatment and wellness facilities
 - VIP treat
 - gourmet establishments
 - shopping outlets
- Professional Golfers Association certified instructors
- Residential property and rent





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Welcome to Bulgaria!