

Bulgaria at a glance

Location and key data



- **Area:** 110,910 sq. km
- **Number of inhabitants** (2011): 7.4 mln
- **Capital and largest City:** Sofia
- **Other cities:** Plovdiv, Varna, Bourgas, Ruse, Stara Zagora, Pleven, Veliko Tarnovo
- **Natural Resources:** oil, gas, coal, iron ore, copper, lead, zinc, antimony, chromite, gold, silver, magnesium, nickel, pyrite, marble, limestone, salt, arable land
- **Major industries:** electricity, water and gas supply; food, beverages and tobacco; machinery and equipment; base metals, chemical products, coke, refined petroleum
- **Currency:** Lev (BGN). Fixed exchange rate with Euro.
- **EU Member** since 2007, **NATO Member** since 2004
- **Government type:** parliamentary republic
- **Last government elections:** July 2009

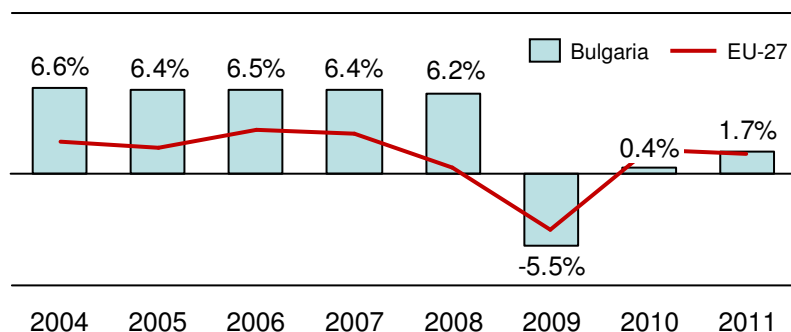
Bulgaria at a glance

Geography, landmarks and economic overview

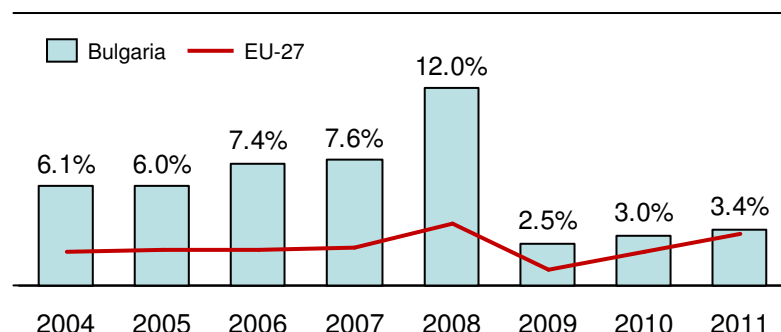


Macroeconomic indicators show consistent pre-crisis economic growth and quick post-crisis recovery

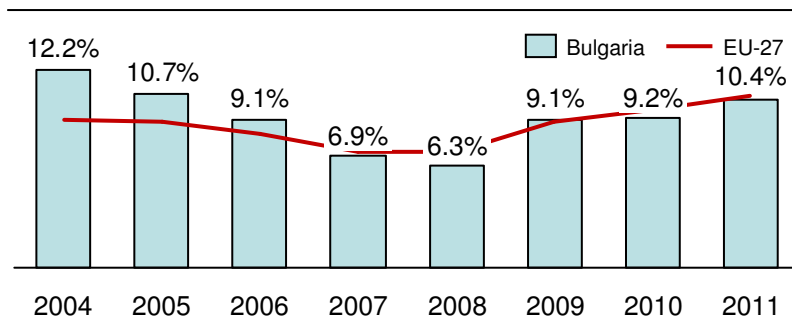
Real GDP Growth



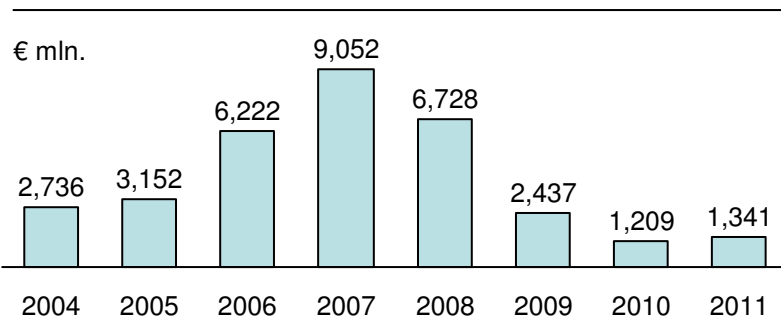
Inflation (HICP)



Unemployment

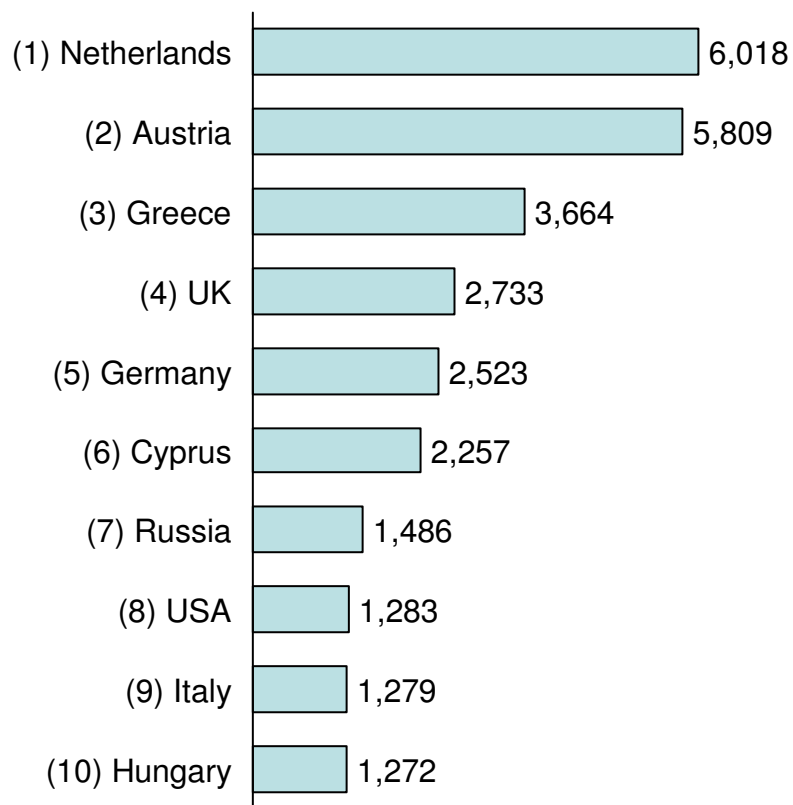


FDI Inflow

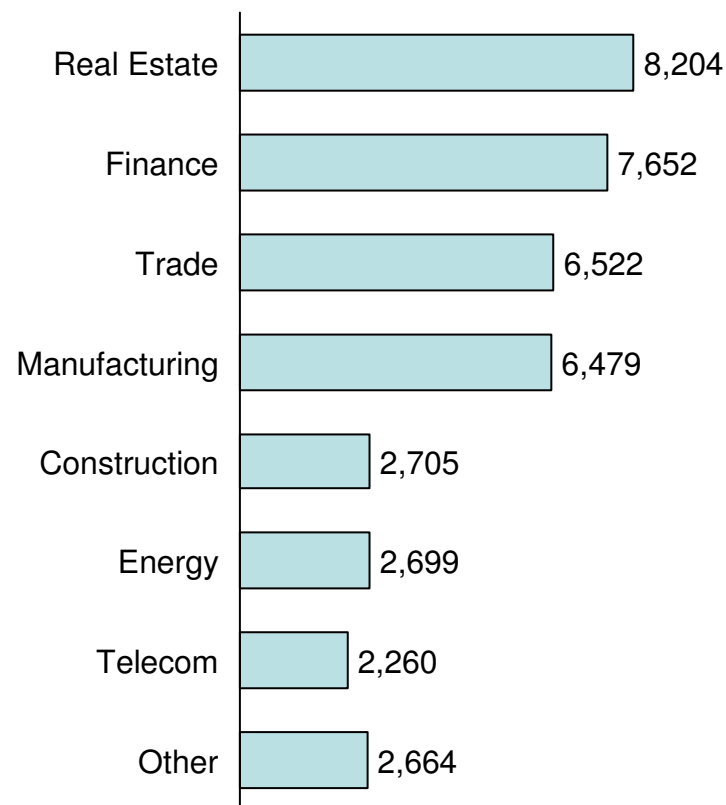


FDI in Bulgaria comes mostly from EU countries and is concentrated in four main sectors

FDI by host country, 1996-2011 (€ mln.)



FDI flows by industry, 1996-2011 (€ mln.)



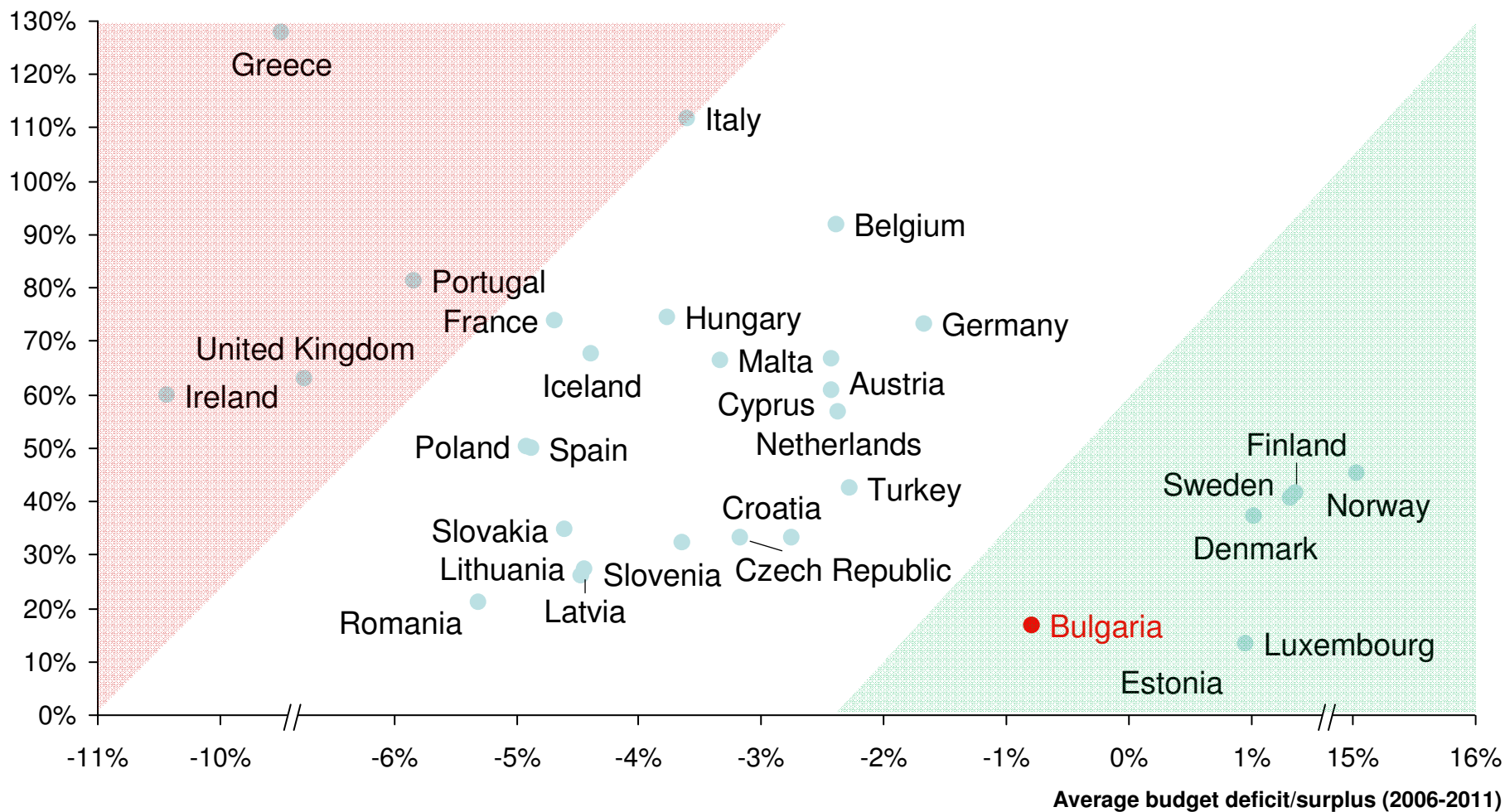
Why invest in Bulgaria?

- Political and business stability
 - EU and NATO member
 - Currency board
 - Low budget deficit and government debt
- Low cost of doing business
 - 10% corporate tax rate
 - Lowest cost of labor within EU
- Access to markets
 - European Union / EFTA
 - Russia
 - Turkey / Middle East
- Educated and skilled workforce
- Government incentives

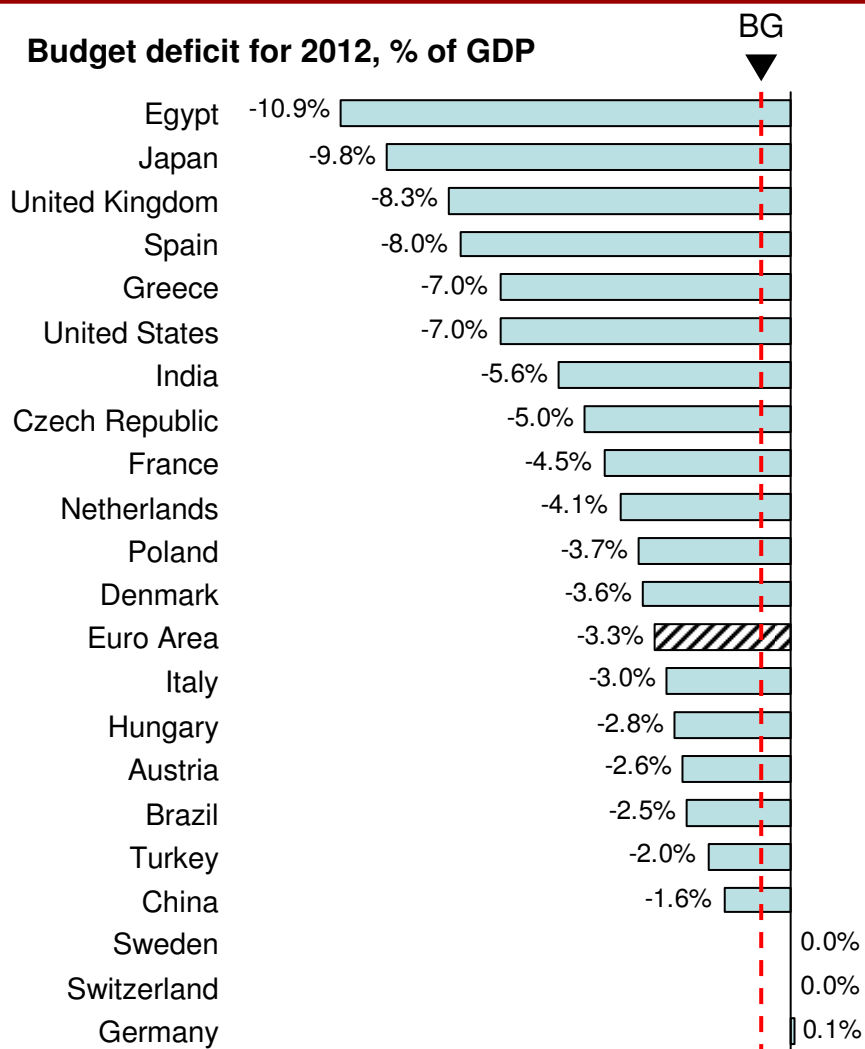


Government financial indicators are remarkable not only in the region, but on a pan-European scale

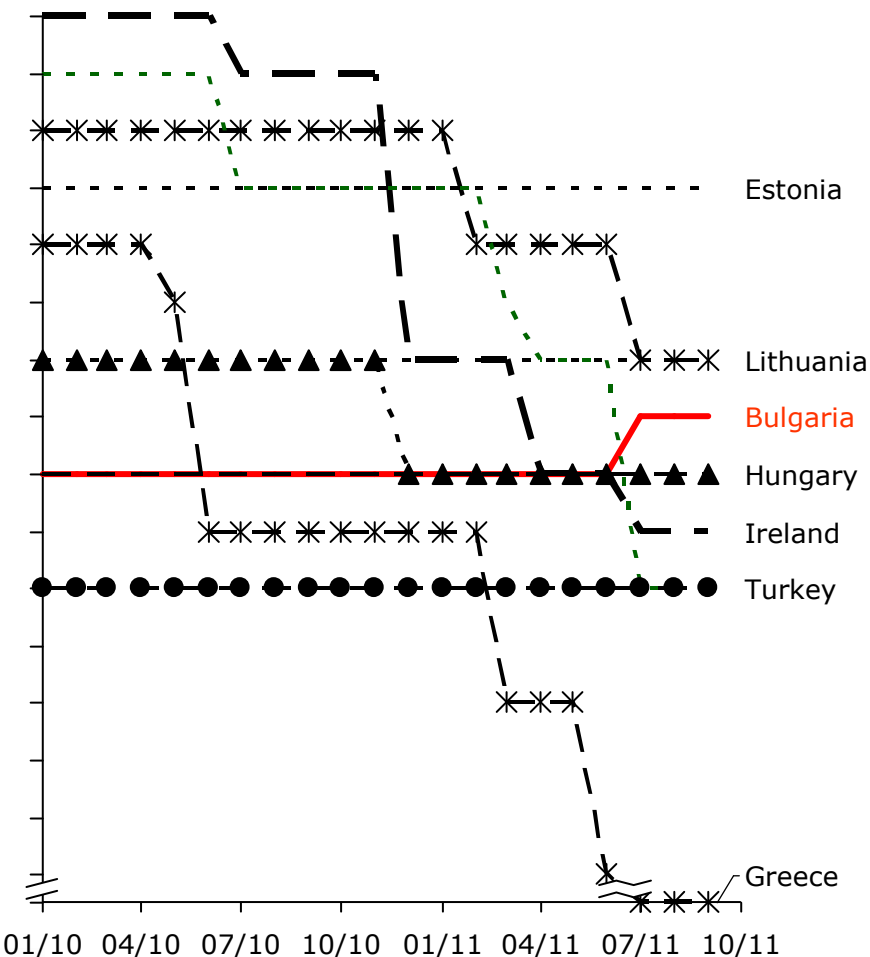
Average government debt (2006-2011)



Bulgarian economy maintains its excellent performance despite global challenges

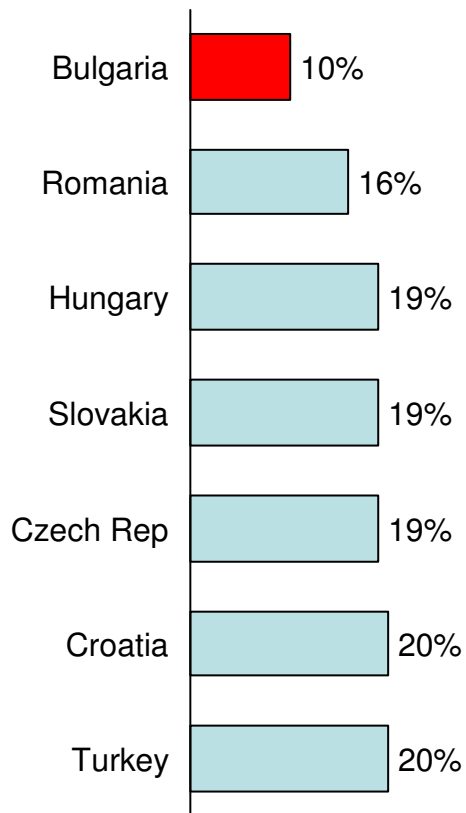


Bulgaria was the only European country with increased credit rating by Moody's in 2010 and 2011

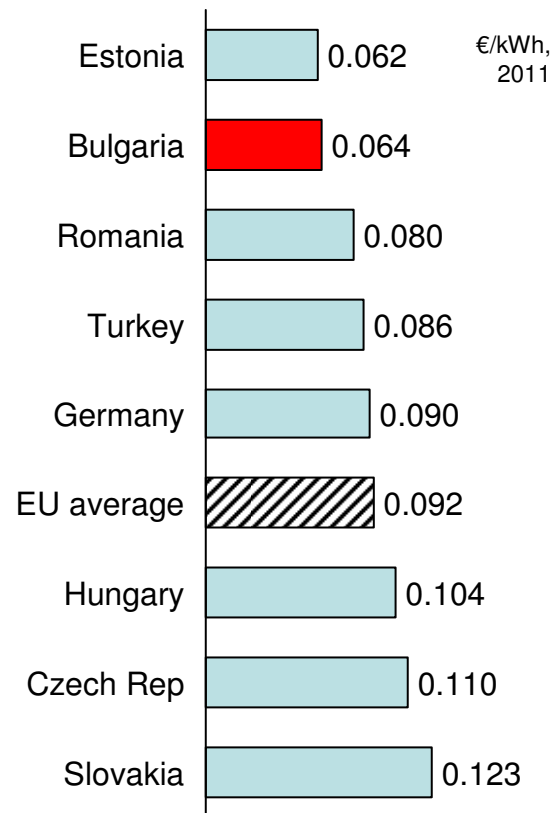


Bulgaria has one of the lowest business costs in Europe

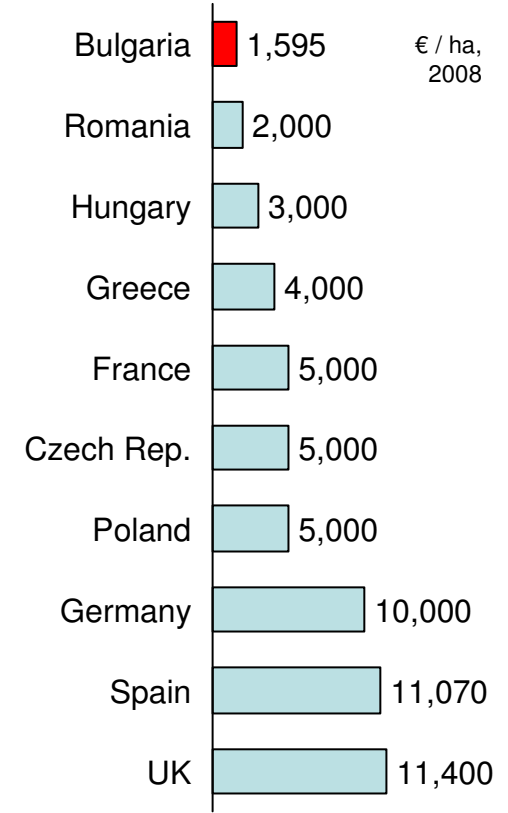
Lowest corporate income tax rate in Europe



Cost of electricity for industrial users is 70% of the EU average

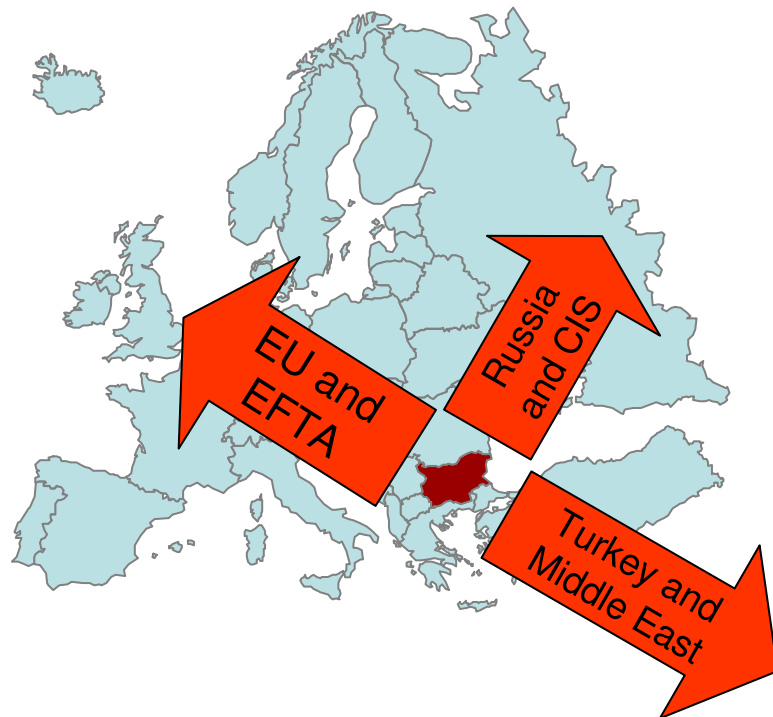


Lowest cost of agricultural land in the European Union

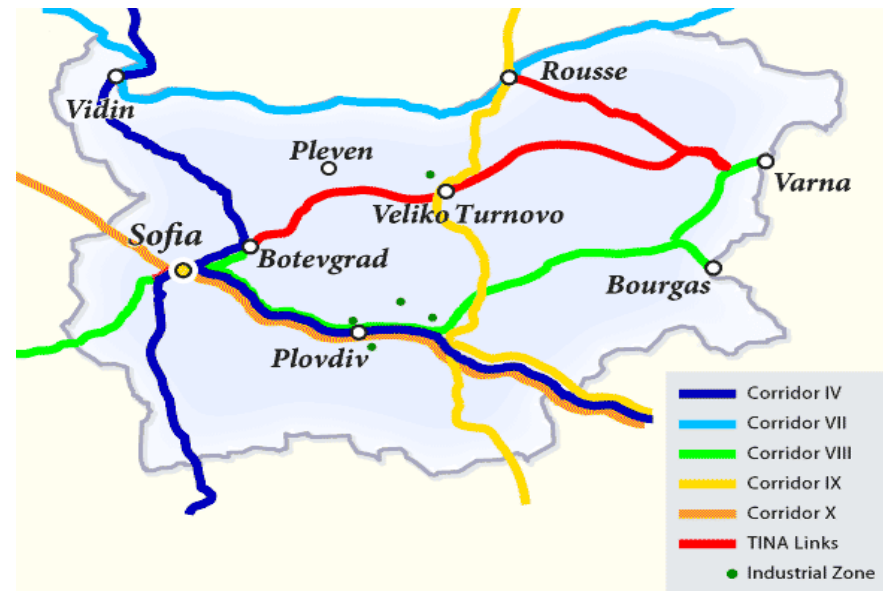


Bulgaria is only 3 hours flight from all major destinations in Europe, Russia and the Mediterranean region

Strategic geographic location



Major transport corridors passing through Bulgaria



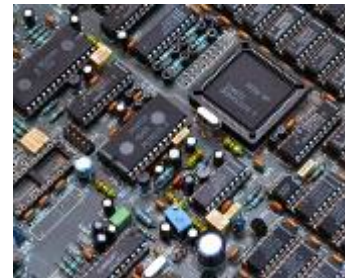
The government supports specific industries under the Investment Promotion Act (IPA)

- Investments must be related to the following sectors:
 - Manufacturing
 - Research & development
 - Education
 - Healthcare
 - High-tech services
 - Warehousing and logistics
- Minimum investment amounts must exceed €10m
 - €3.5 in regions with high unemployment and €2m for investment projects in high-tech services
- Benefits for certified investors include:
 - Shortened administrative procedures
 - Preferential acquisition of state or municipal land
 - Financial support for professional training / education
 - Infrastructure subsidies
 - Labor cost subsidies
 - Individual administrative services



Attractive FDI sectors

- Services:
 - Transport and Logistics
 - Information technologies
 - Outsourcing of business processes
 - Health and tourism related to healthy lifestyle
- Industry:
 - Transport equipment and machine building
 - Electronics and Electrical engineering
 - Chemical industry
 - Food and Agriculture
- Resources:
 - Mining
 - Oil





GLOBAL INVESTMENT DATA ANALYSIS

Presentation by Courtney Fingar, Editor, fDi Magazine

Investing in Bulgaria conference
6 December 2012, London

About fDi Intelligence

The Financial Times Ltd's dedicated division for FDI:

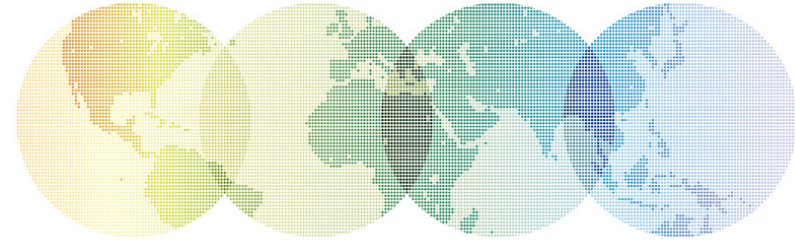
- **fDi Magazine**: reporting on the business of globalization
- **fDi Markets**: crossborder investment monitor
- **fDi Benchmark**: corporate location assessment tools
- **fDi Reports**: customised reports and data research
- **fDi Atlas**: investment incentives navigator
- Bespoke FDI events and investor roundtables
- www.fDiIntelligence.com: online portal



About the data

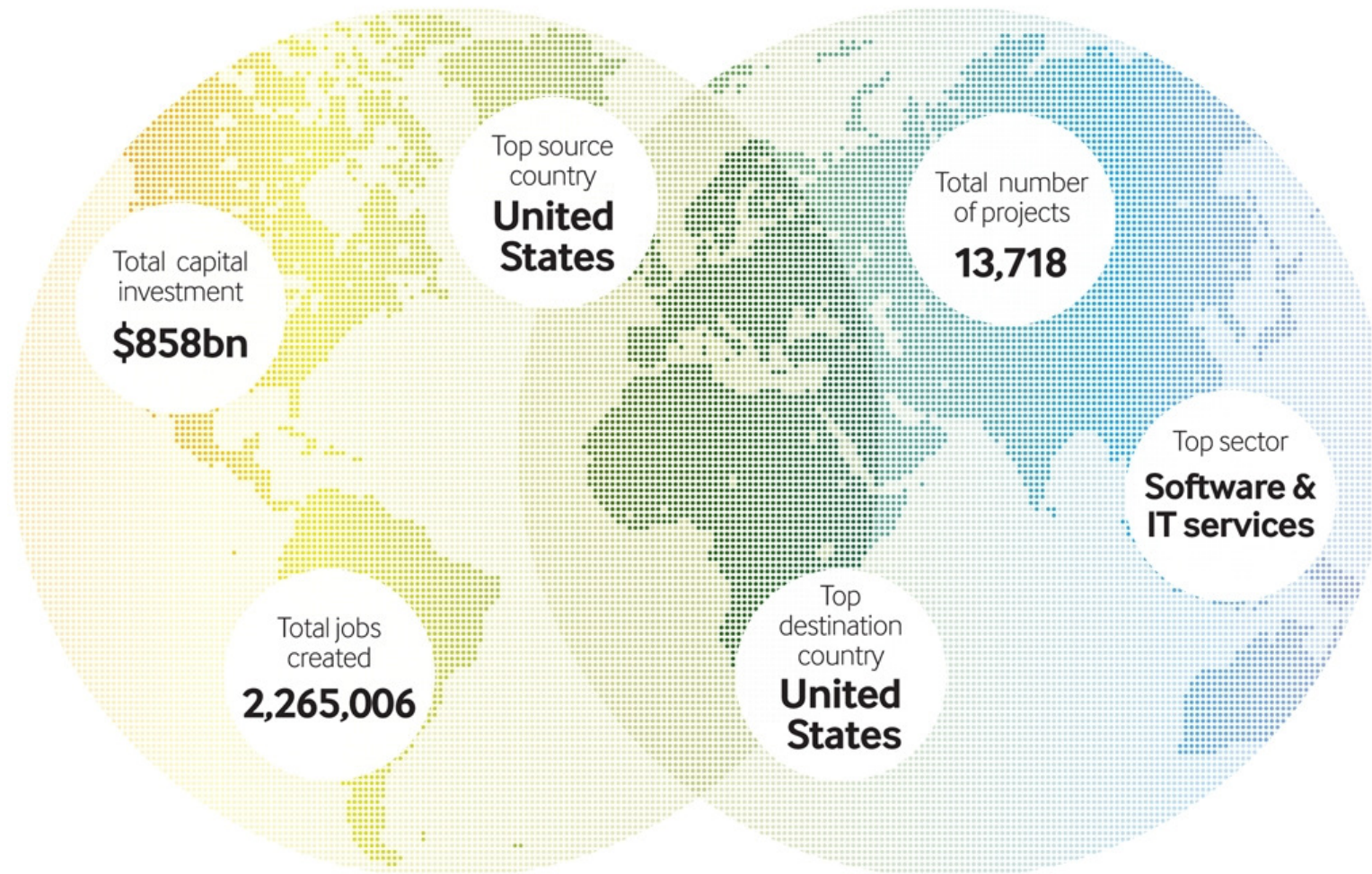
- Focus on greenfield FDI using the fDi Markets database
- Greenfield FDI is defined as new or expansion FDI projects which create investment and jobs and is the main target for most IPAs globally
- Greenfield FDI is different to official FDI flows data (ie, UN, IMF), which includes capital crossing borders typically with 10%+ stake in a foreign entity (ie, M&As)
- Data analytics becoming more important both as a means for corporates to identify, and justify, expansion decisions and also as a means for government agencies to present fact-based arguments for why a company should invest in their location
- Advanced methodologies like location assessment matrices are essential

Global FDI trends



- Global recession hit FDI hard in 2009 with a steep decline in FDI
- FDI project levels slowly recovered in 2010 and 2011; capex and jobs still at 2006 levels
- Europe holding back a bigger FDI recovery
- BRICS: India and China saw growth last year (15%, 3%); Russia saw decline
- Canada and Australia booming as source countries for FDI
- Software and IT the top sector by projects (+18% growth in 2011); metals the top sector for capex; renewable energy the fastest growing sector
- Greenfield FDI set to decline in 2012

Global FDI picture



Figures for 2011

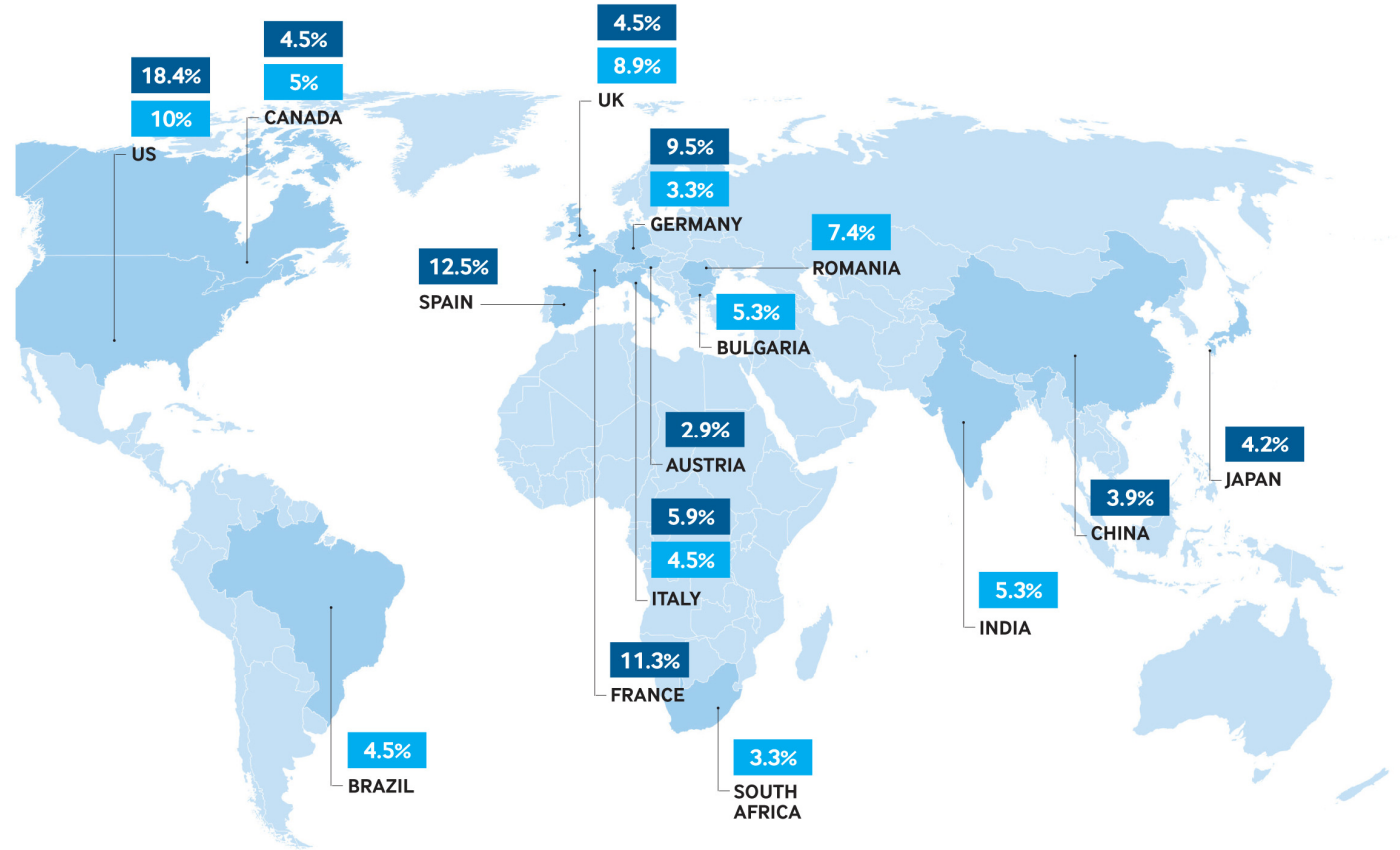
Source: The fDi Report 2012

Renewable energy

Project numbers increased 6x since 2003, +20% since 2010

\$91bn capex

US: top recipient as well as source country



■ Top 10 source countries – % share of global renewable FDI

■ Top 10 destination countries – % share of global renewable FDI

► This map shows the top 10 source and destination countries for renewable energy FDI in 2011

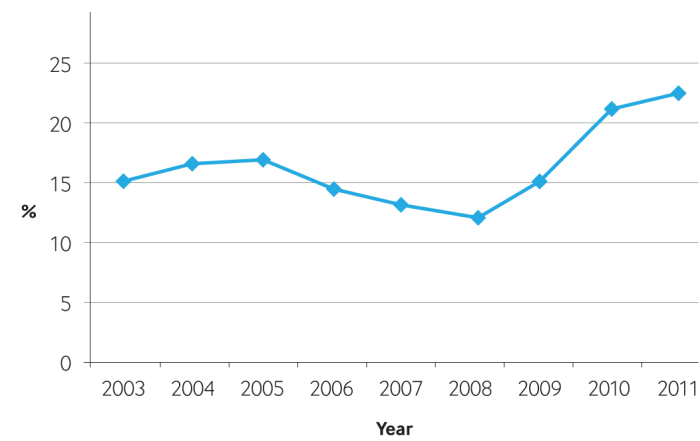
Source: FDI Markets

Figures for 2011

Expansions: a growing part of FDI

- Since the global economic crisis, expansion projects have become more important
- Accounted for **23%** of global capital investment in 2011 – the strongest share since fDi data began in 2003
- Expansions seen as a lower-risk and lower-cost approach than new facilities

EXPANSIONS AS A PERCENTAGE OF TOTAL CAPITAL INVESTMENT IN FDI



Source: fDi Markets
Note: includes estimates

Europe

Europe FDI:
-3% over 2010

Top sector:
Renewable
Energy

CEE/CIS:
-4%

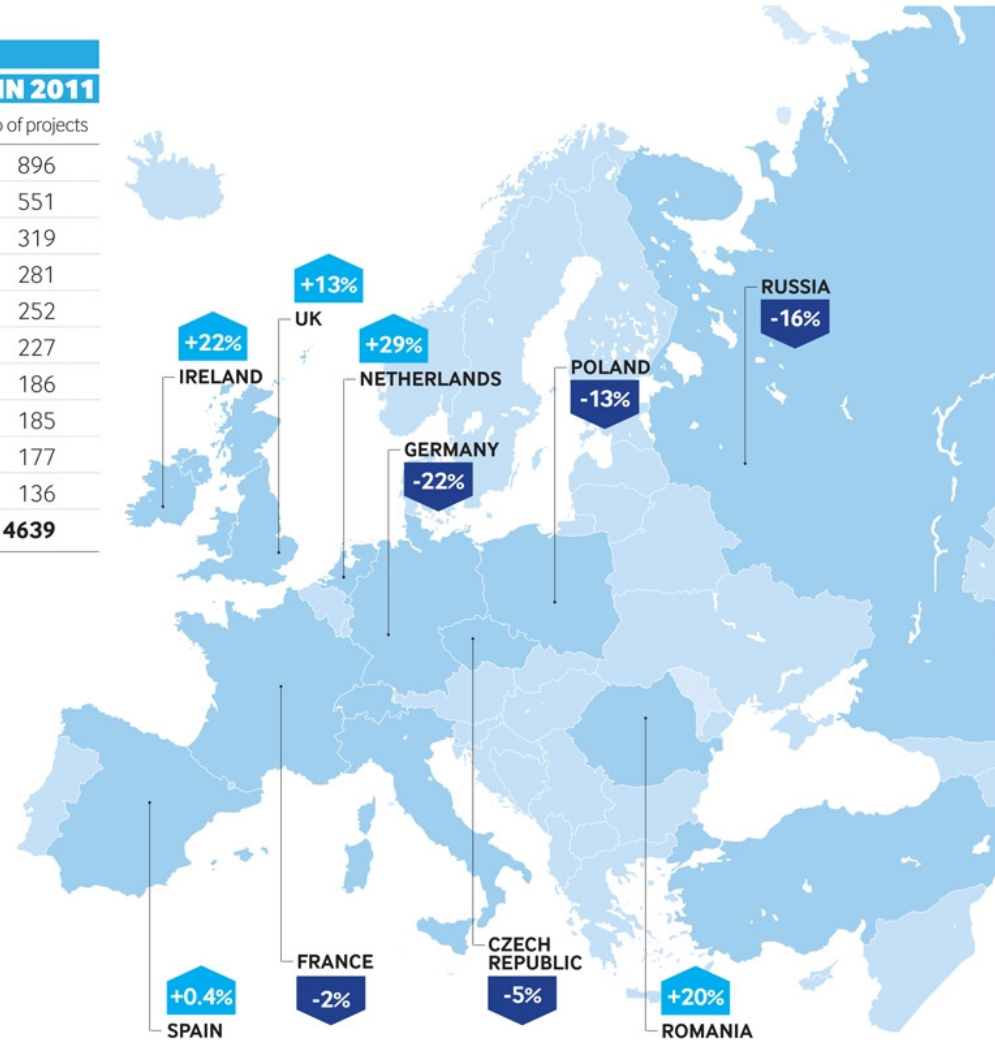
Bulgaria:
+15%

Table 3

TOP 10 DESTINATION COUNTRIES IN EUROPE IN 2011

Country	No of projects
UK	896
Germany	551
Russia	319
France	281
Spain	252
Poland	227
Ireland	186
Netherlands	185
Romania	177
Czech Republic	136
Total	4639

Source: fDi Markets

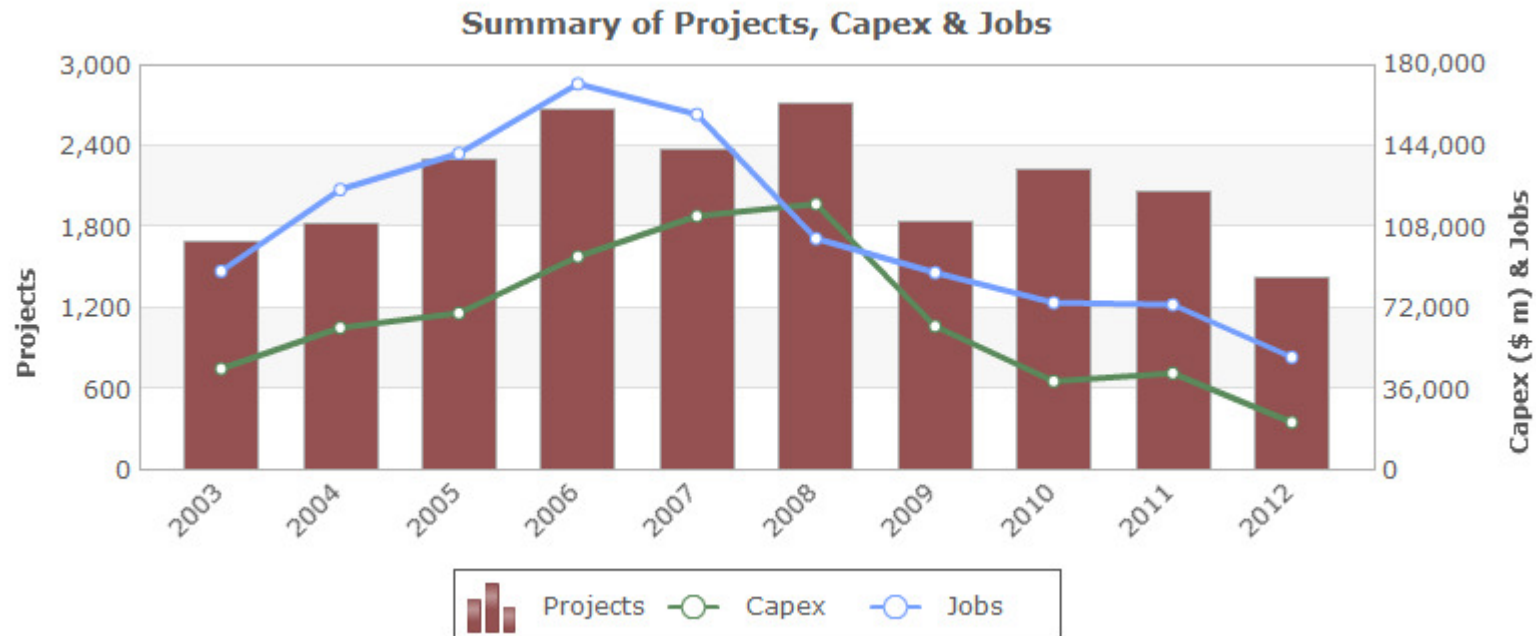


► This map shows the percentage change on 2010

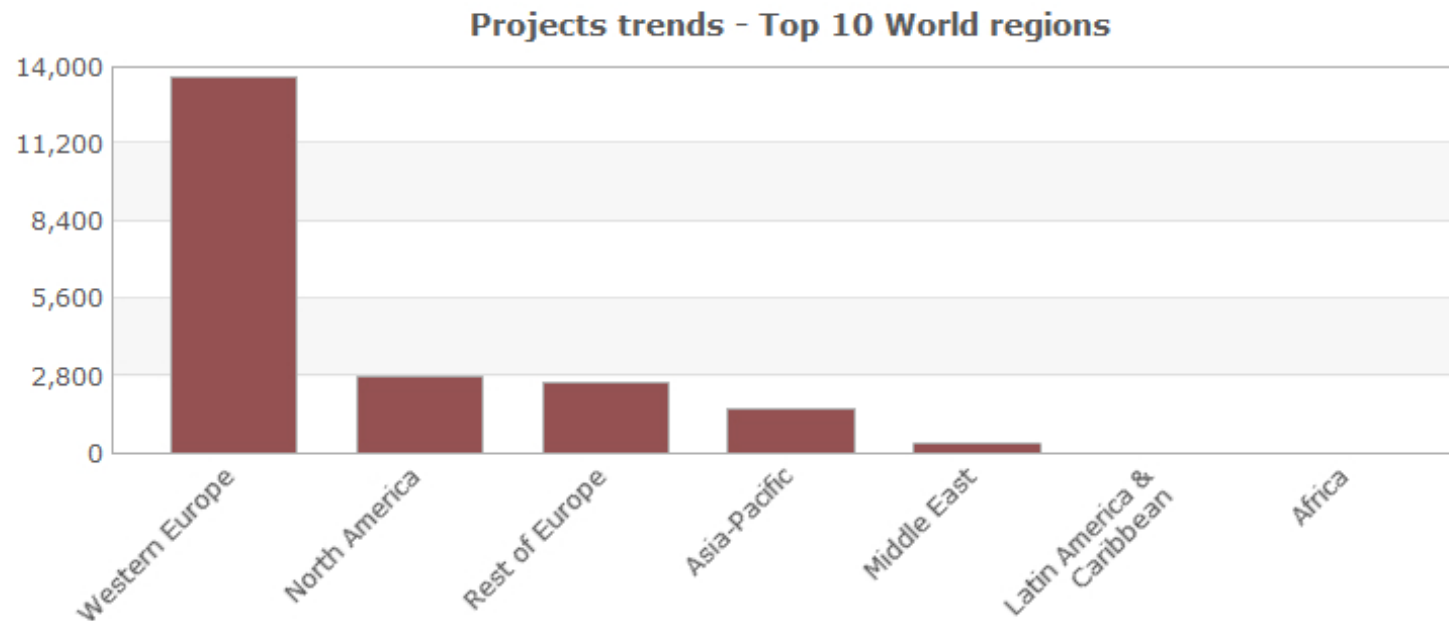
Source: fDi Markets

FDI in CEE and CIS region: 2003-2012

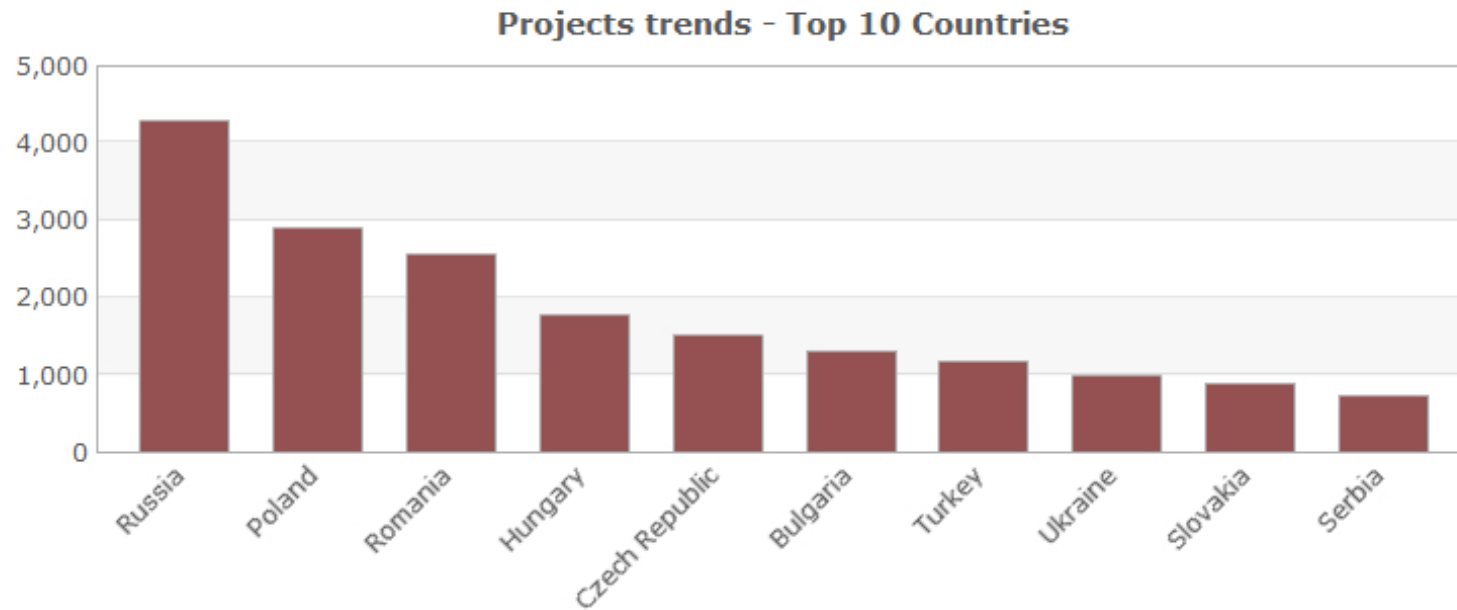
- Through October 2012, total of 21,140 FDI projects recorded – a 14.6% share of global FDI
- Total capital investment: \$670 billion; average investment size of \$98 million



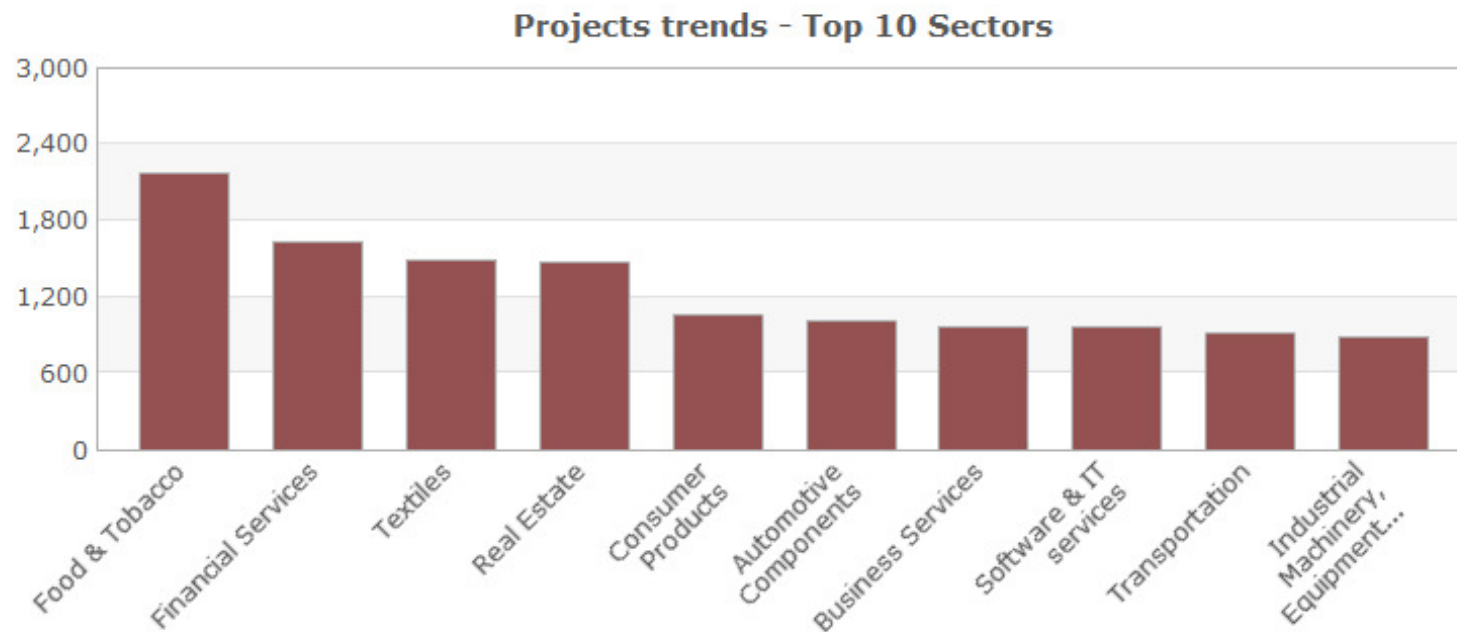
Source regions for CEE/CIS investment



Top destination countries in the region



Top industry sectors for FDI in the region



FDI in Bulgaria

- FDI projects peaked in 2008
- Domestic market growth potential is the top motive cited by companies (50% of projects), followed by skilled workforce availability and natural resources
- Top source countries: Germany, US, Spain; but UK does largest investments
- Alternative energy provides the largest overall volume and highest average investment, at \$220m per project
- In 2012 (TBC), decrease in projects #s and capex; increase in jobs created