



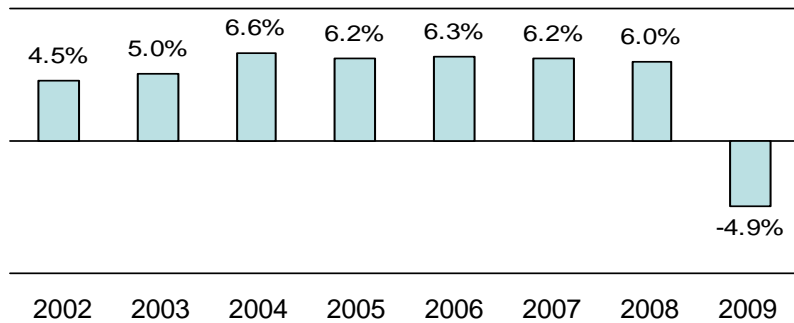
INVESTBULGARIA
AGENCY

Bulgaria – investment climate and business opportunities

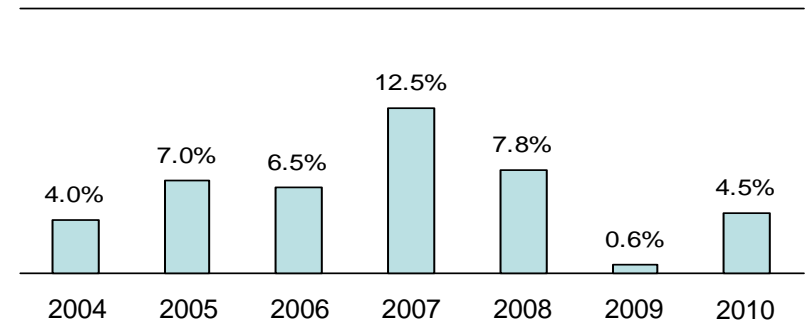
February 2011

Macroeconomic indicators show consistent growth in the years leading up to the global financial crisis

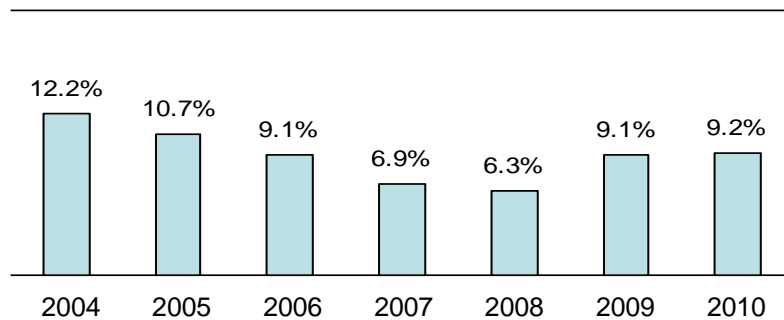
Real GDP Growth



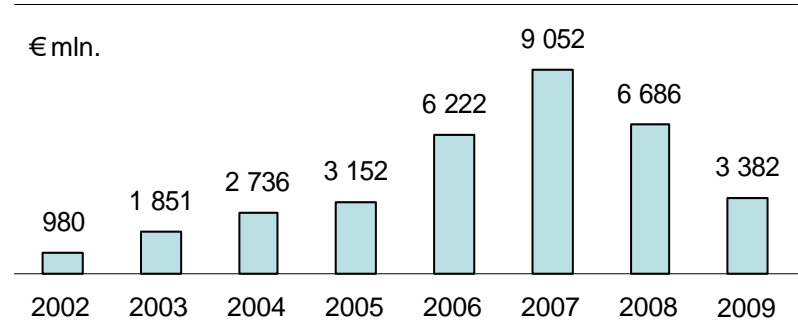
Inflation



Unemployment

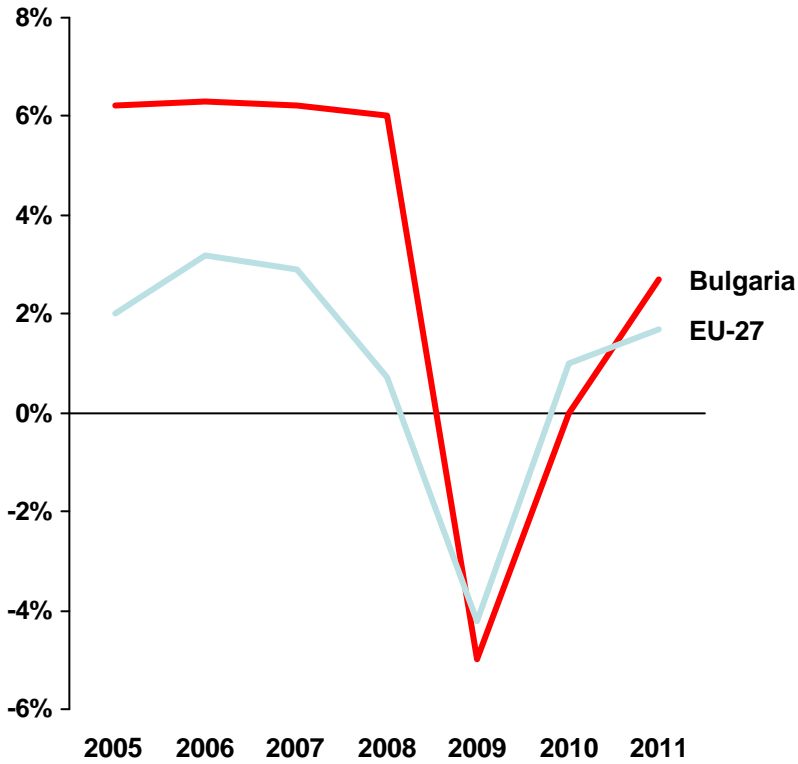


FDI Inflow

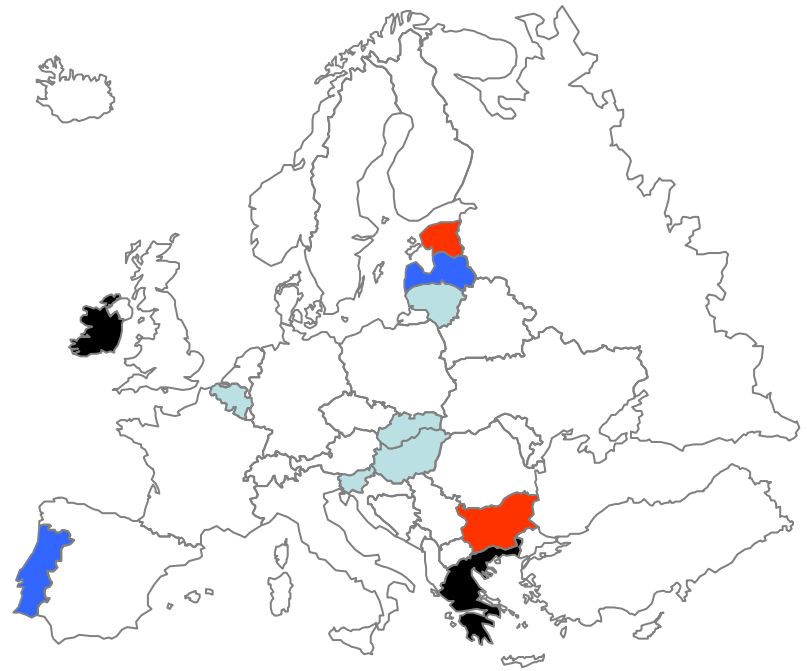


Consistent strong performance, compared to the Central European region and EU-27

GDP growth has outperformed the EU average and is forecasted to speed up again after the crisis



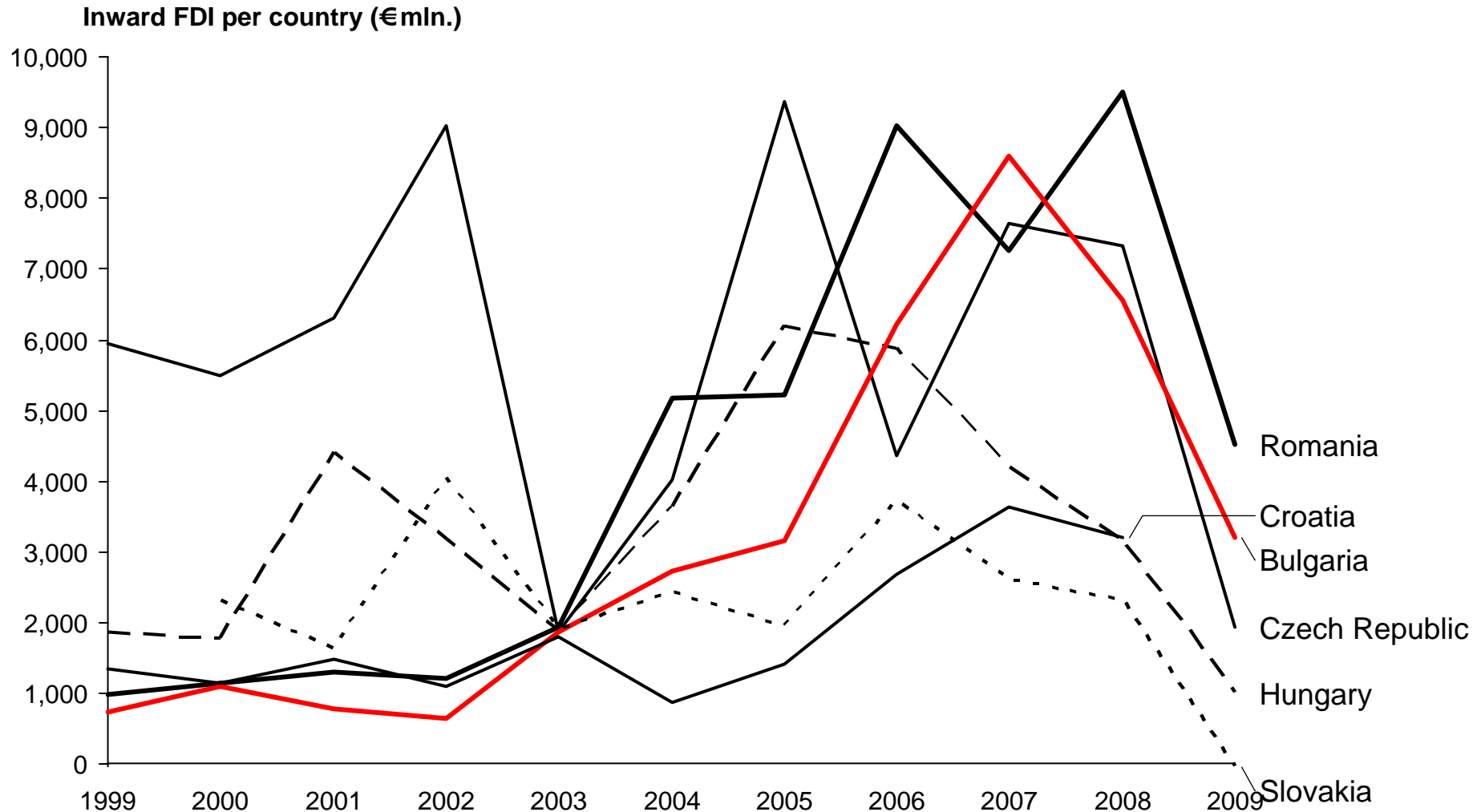
Bulgaria and Estonia are the only two countries in EU-27 with net positive rating action by Moody's since 2009



- Upgrade or outlook raise
- 2 rating / outlook downgrades
- Rating / outlook downgrade
- 3+ rating / outlook downgrades

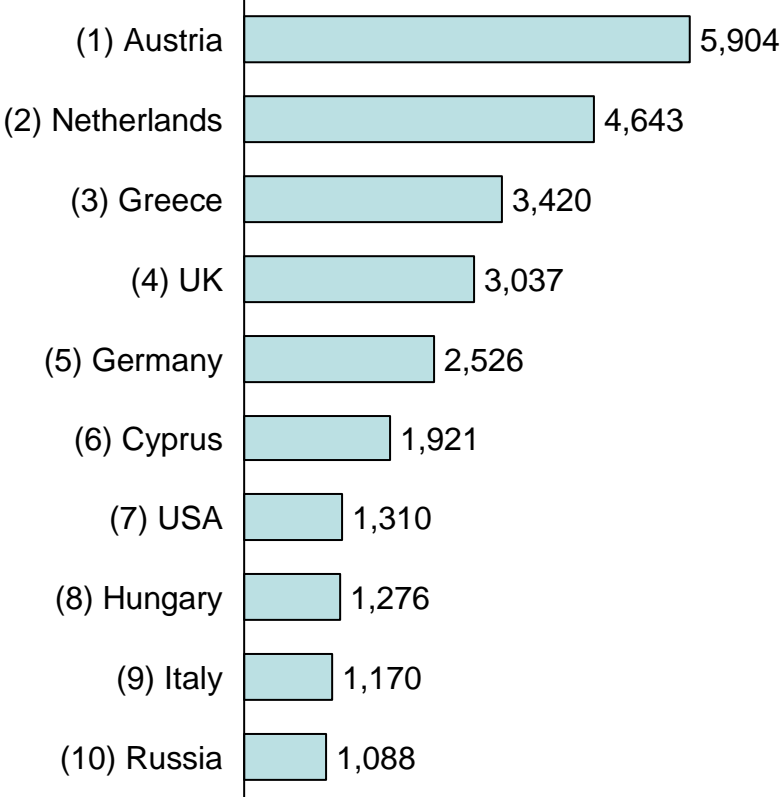
Source: Eurostat; Moody's

Role of Bulgaria as FDI location has grown significantly for the last 10 years

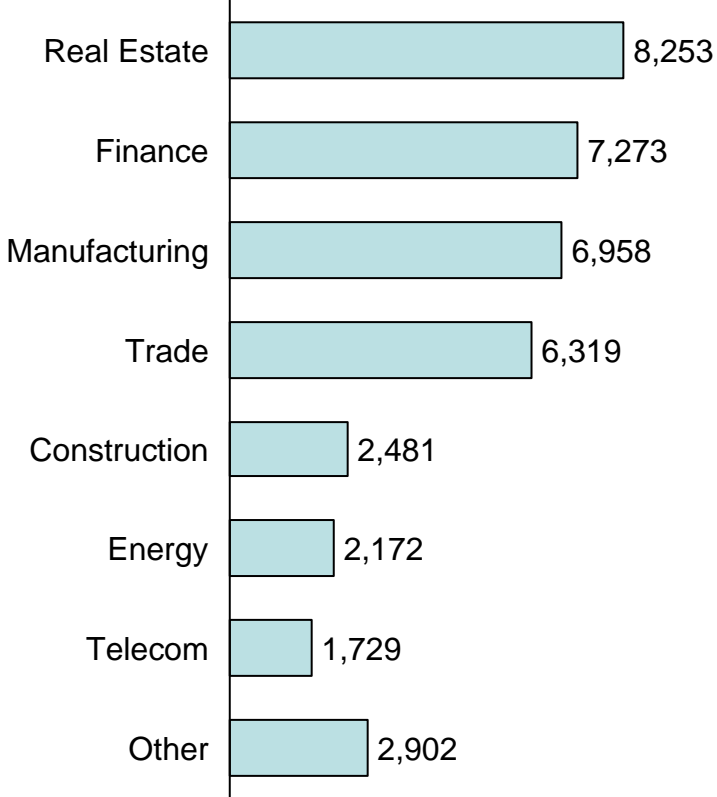


FDI in Bulgaria comes mostly from EU countries and is concentrated in four main sectors

FDI by host country, 1996-2009 (€mln.)



FDI flows by industry, 1996-2009 (€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



Bulgaria enjoys one of the most stable political and economic environments in Southeastern Europe

- Bulgaria is a member of some of the most prestigious political organizations
 - European Union member since 2007
 - NATO member since 2004
 - WTO member since 1996
- Strong commitment to political reform and transparency has earned praise from leading media and experts worldwide
- Stable currency
 - Bulgarian Lev has been pegged to the Euro since the adoption of the currency in 2002
 - Currency board backed by IMF

**The
Economist**

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

May 27, 2010

THE WALL STREET JOURNAL.

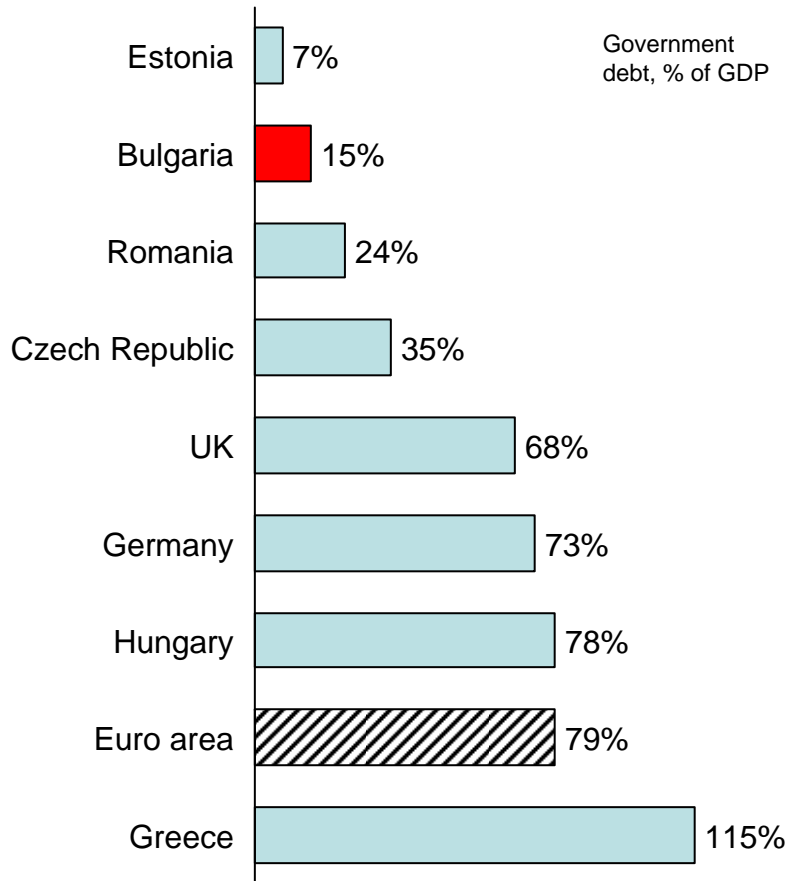
“The Bulgarian economy looks to be stabilizing after weathering the recent financial crisis better than most of its neighbors”

“the government has earned accolades from Western economists”

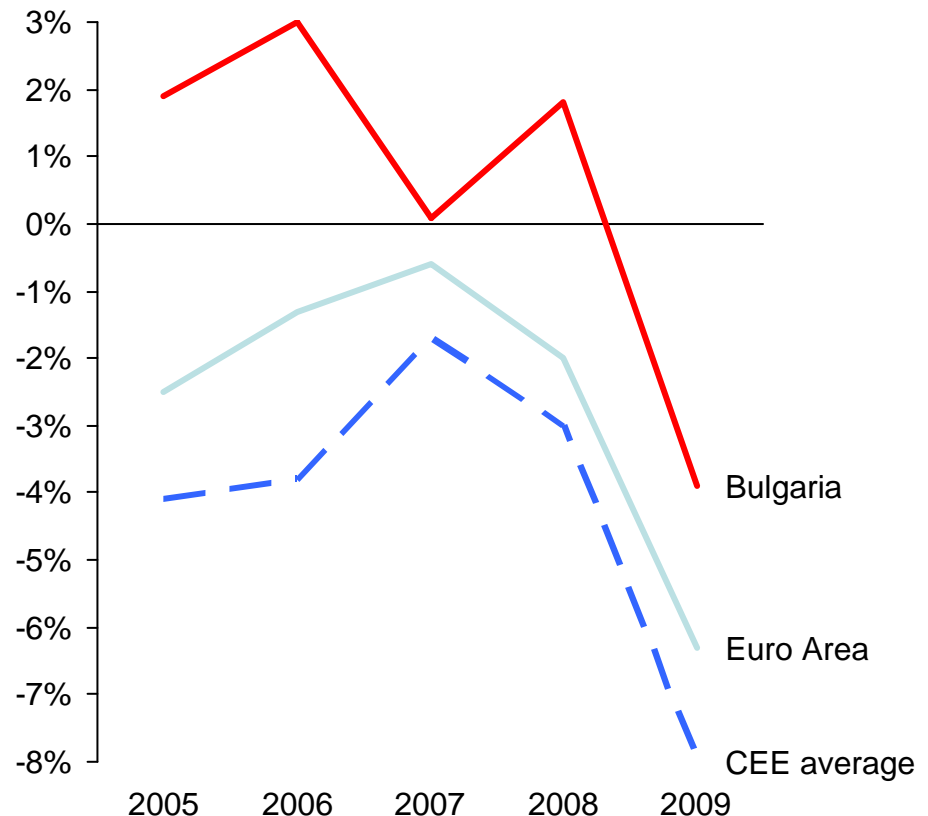
July 20, 2010

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

Bulgarian government debt is 3rd lowest in Europe



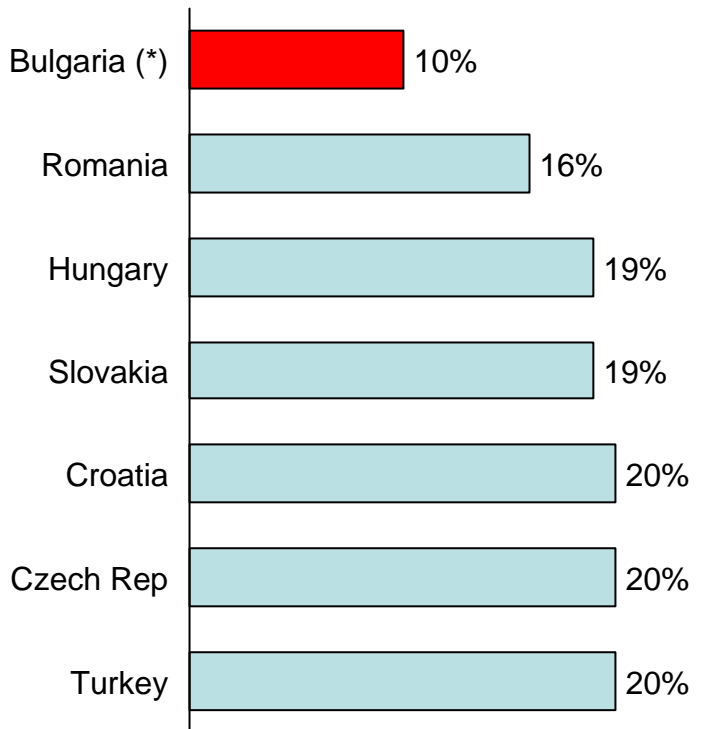
Budget surplus / deficit has consistently outperformed regional and European averages



Bulgaria has one of the lowest business costs in Europe

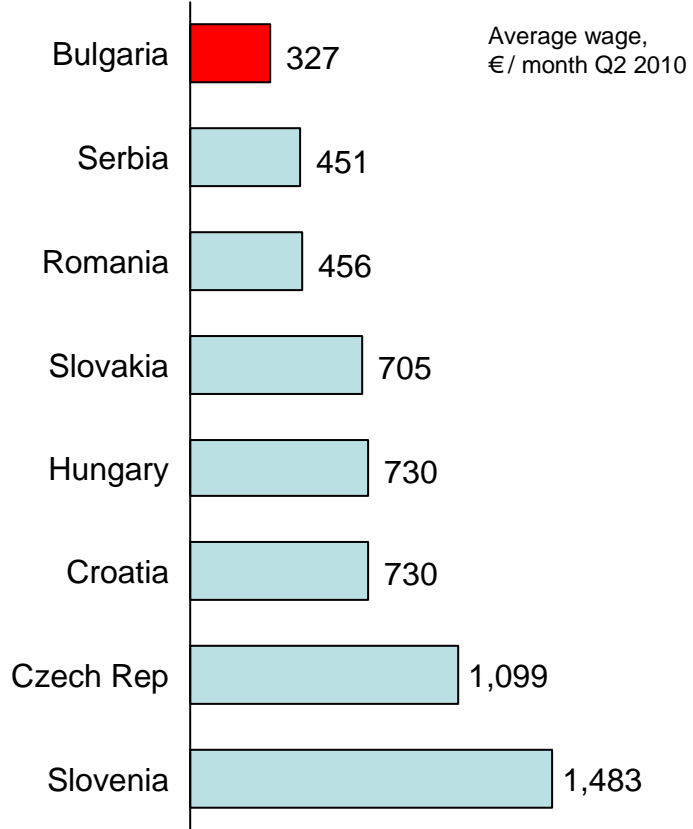
(1) taxes and labor costs

Lowest corporate income tax rate in Central / Eastern Europe



* 0% tax rate for manufacturing companies in regions with low employment

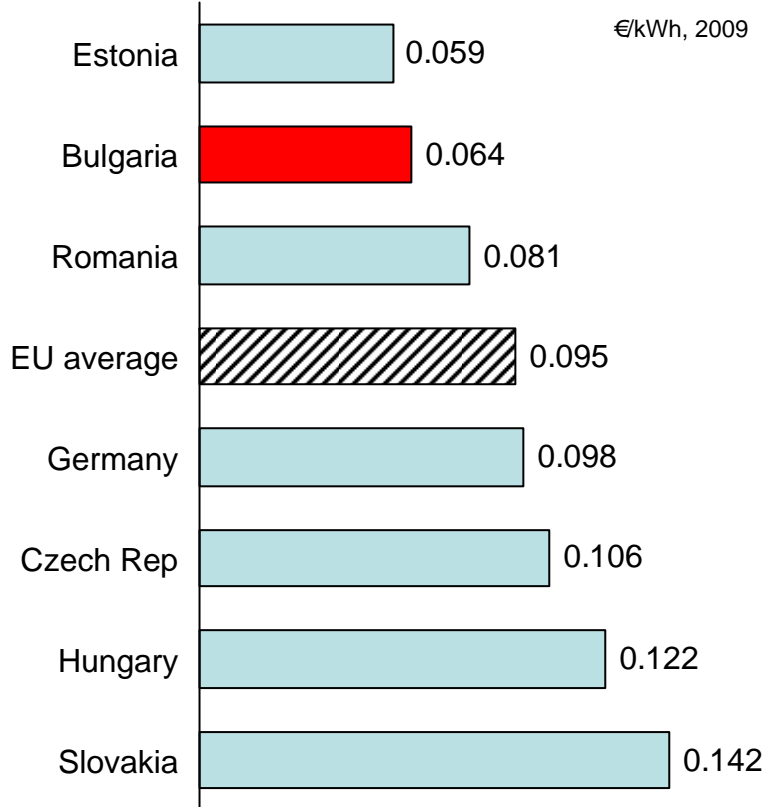
Most competitive cost of labor in Central / Eastern Europe



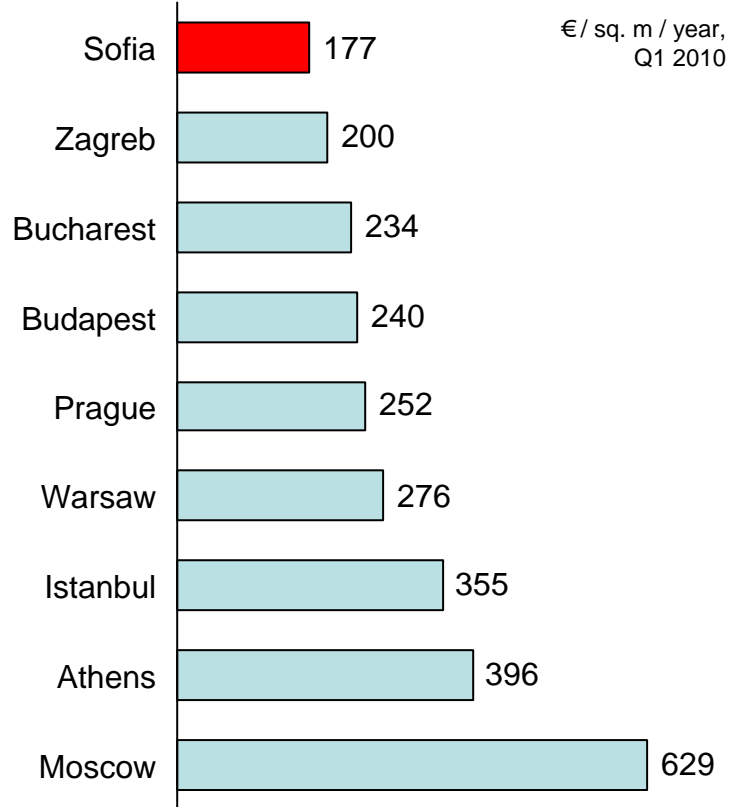
Bulgaria has one of the lowest business costs in Europe

(2) energy costs and rent

Bulgarian cost of electricity for industrial users is 67% of the European average

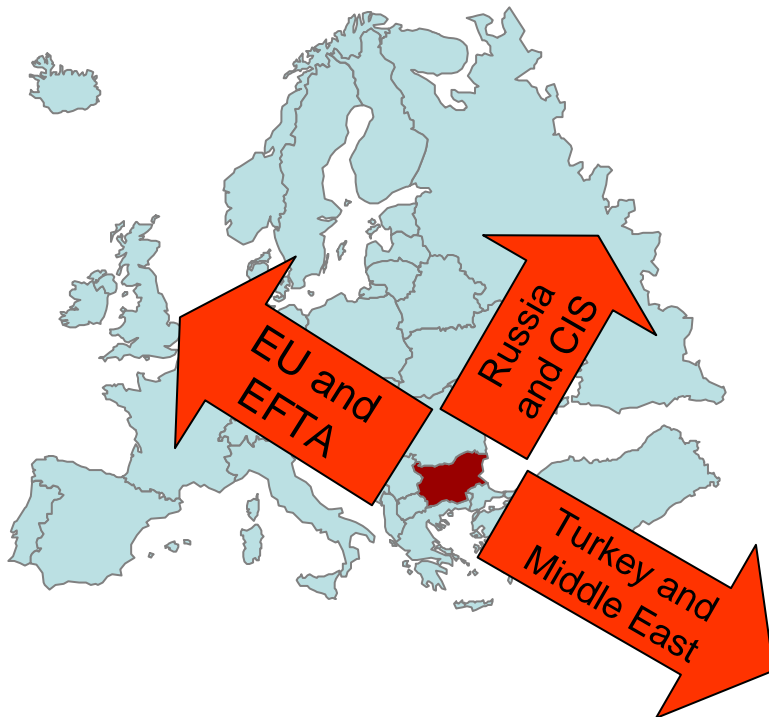


Office rents in Bulgaria are among the lowest in Europe

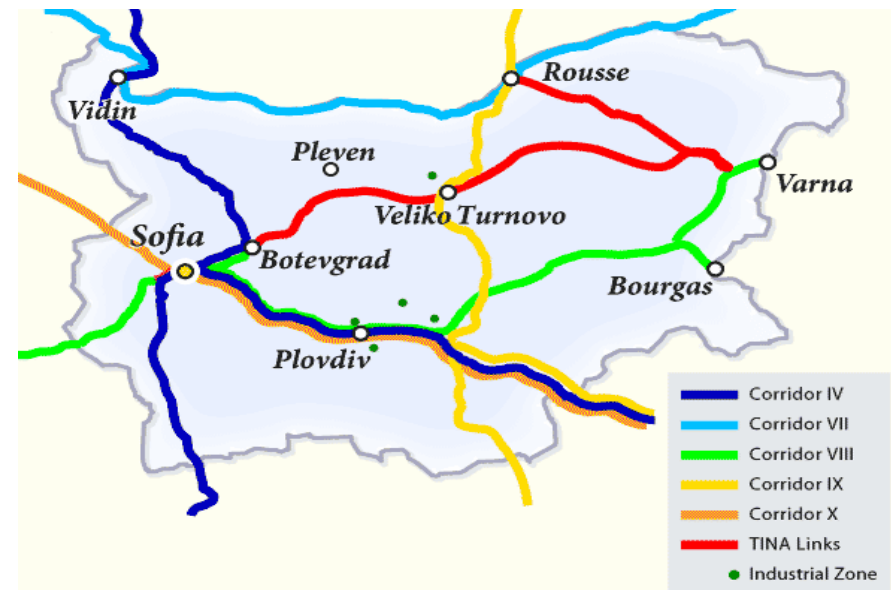


Bulgaria is only 3 hours flight from all major destinations in Europe, Russia and the Mediterranean region

Strategic geographic location

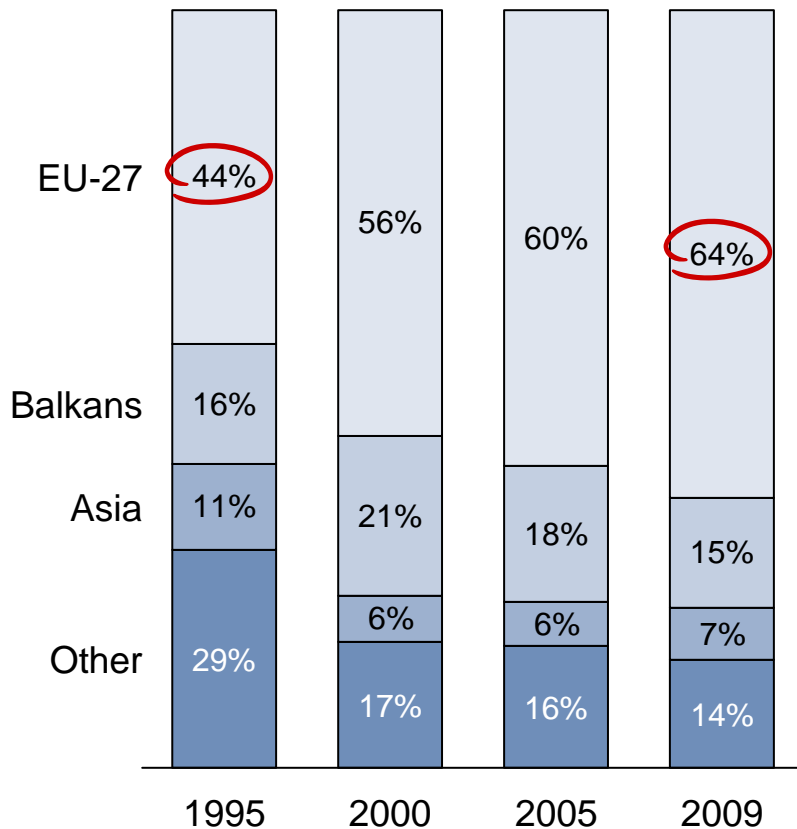


Major transport corridors passing through Bulgaria

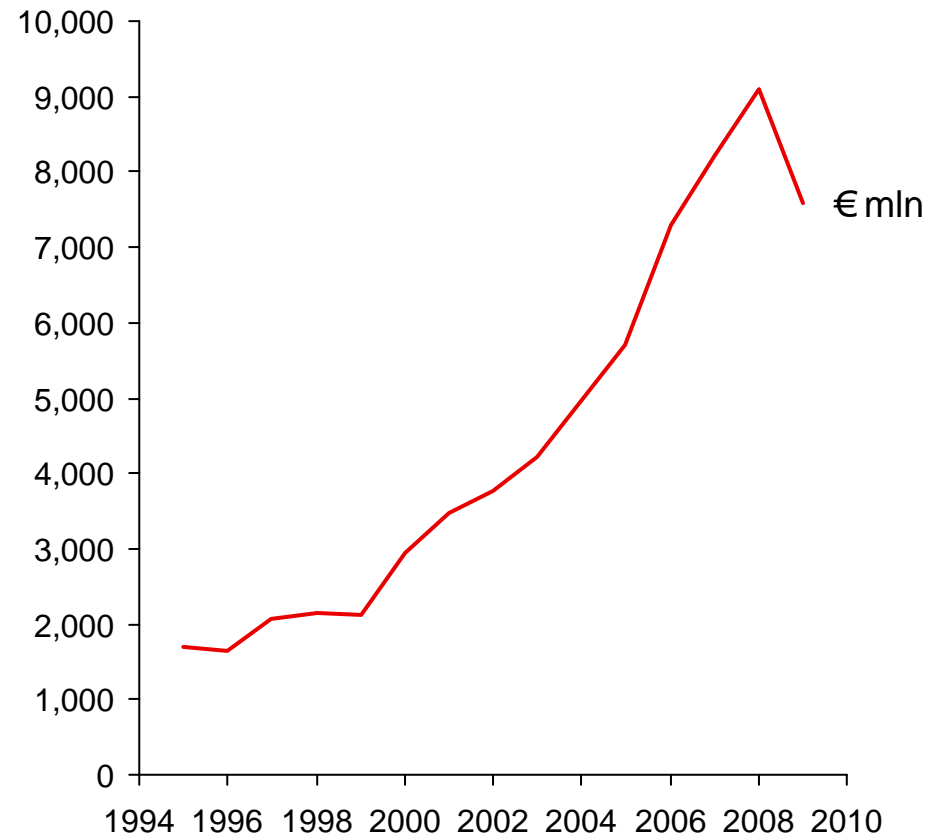


The role of the European Union as a trade partner for Bulgaria has been growing consistently

Share of EU-27 exports has grown by 50 percentage points since 1995

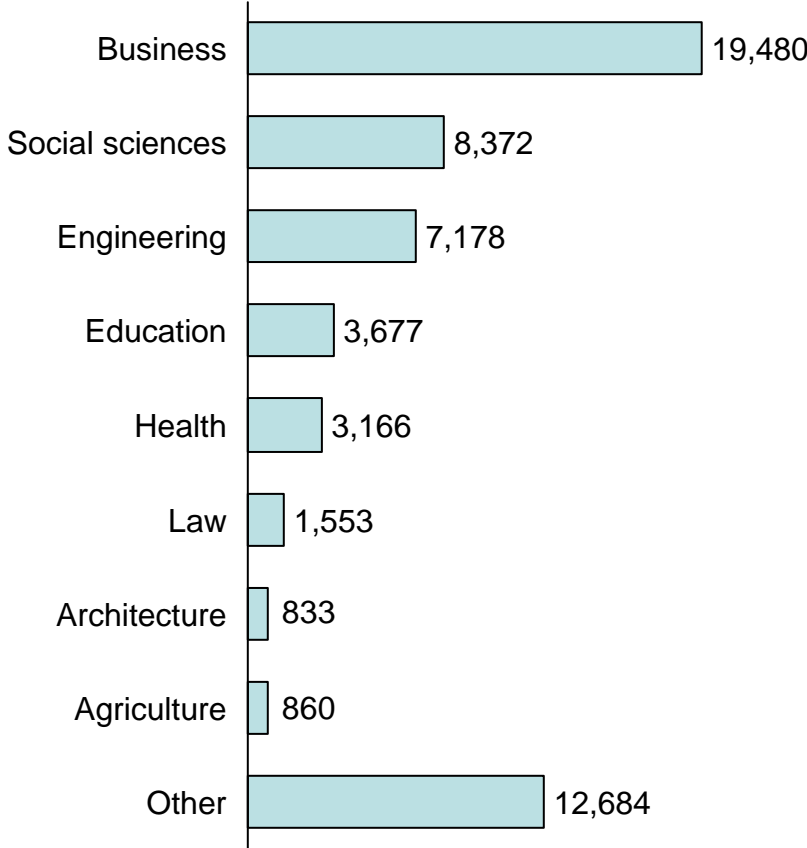


... in absolute terms EU-27 exports have grown approximately 5 times

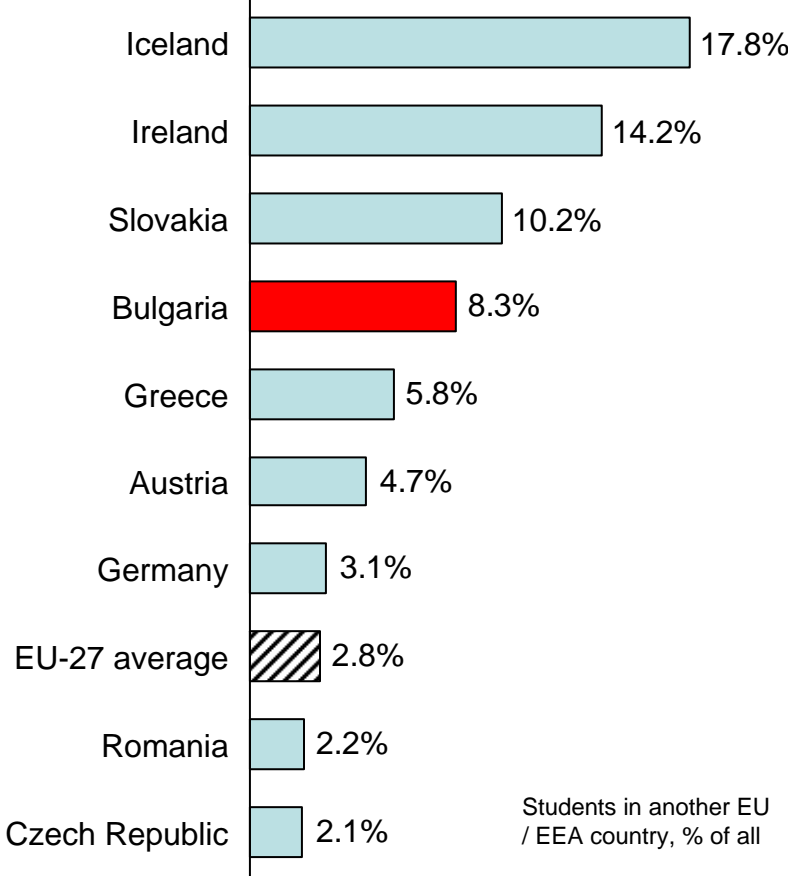


Educated and skilled workforce is among the main advantages of Bulgaria

Almost 60,000 students graduate every year from over 50 universities



Bulgaria has one of the highest proportions of students abroad from all European countries



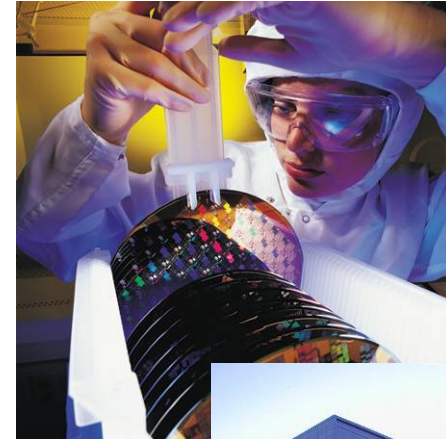
The government supports specific industries under the Investment Promotion Act (IPA)

- 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
 - Individual administrative services



Biggest investors are supported through a priority investment scheme

- Priority projects can be related to all sectors of the economy, which do not contradict regulation 800/2008 of the European Commission
 - Subsidies not allowed in mining, primary agriculture production, and shipbuilding
- Priority projects should exceed €50m and create at least 200 new working places for a 3-year period
 - €25 + 100 working places for certain manufacturing projects
 - €10m + 50 working places for high-tech services and R&D
- Priority projects receive all benefits for certified investors, as well as the following:
 - Lowest possible costs for the acquisition of government and municipal land + waived taxes for land status changes
 - Working group for project support is assigned by the Council of Ministers
 - Financial grant scheme for up to 10% of the investment project cost (50% for R&D)



Attractive FDI destinations

- Services:
 - Information technology
 - Public Sector
 - Transport and tourism
- Industry:
 - Electronic and electrical equipment
 - Machine building
 - Metal processing
- Resources:
 - Mining
 - Oil
 - Alternative energy



Major foreign investors in Bulgaria

- Information Technology & Business Process Outsourcing



- SAP Labs (Germany) – the Company has been operating for more than 7 years on the Bulgarian market and employs more than 470 software developers



- Hewlett-Packard, IBM, Sony, Microsoft, Coca Cola, and other companies have set up service support and call centers in Bulgaria

- Mechanical and Electrical Engineering



- Liebherr (Germany) – the Company has invested more than €80 mln in its Bulgarian production facilities near Plovdiv



- Schneider Electric (France) – Schneider has set up a greenfield plant in Maritsa Industrial zone (near Plovdiv) for production of electric distribution products



- ABB (Switzerland) – the Company has been operating for more than 10 years in Bulgaria and has invested recently €25 mln in a greenfield manufacturing plant for low voltage equipment



- Montupet (France) – the European leader in the manufacture of cylinder heads for engines set up a greenfield plant in Ruse industrial zone, ~ €80 mln

Major foreign investors in Bulgaria

- Construction Materials



- Holcim (Switzerland) – the leading cement producer has invested €70 mln in Bulgaria



- Sisecam (Turkey) – the Turkish glass producer has invested more than €380 mln in 4 production facilities in Bulgaria



- Saint-Gobain (France) – the company has started building a €100 mln greenfield plasterboard factory in Gabrovo



- Italcementi (Italy) – Italcementi has started an €250 mln modernization project of its cement-producing factory in Bulgaria

- Telecom and media



- AIG Global Investment (USA) – the Group has acquired 65% of the Bulgarian Telephone Company for €1.08 bn



- Telekom Austria – acquired the largest mobile operator, Mtel, for €1.2 bn



- MTG (Sweden) – acquired the second most popular TV channel, Nova TV, for €620 mln



- CME – acquired three television channels for €110 mln

Major foreign investors in Bulgaria

- Energy



- CEZ (Czech Republic) – the company has invested more than €150 mln in the energy distribution network and €200 mln in acquiring energy generating units in Bulgaria



- E.ON (Germany) – the company has invested more than €80 mln in the energy distribution network in Bulgaria



- EVN (Austria) – the company has invested more than €220 mln in the energy distribution network in Bulgaria



- Enel (Italy) – the company has invested €700 mln in HPP Maritsa-Iztok 3



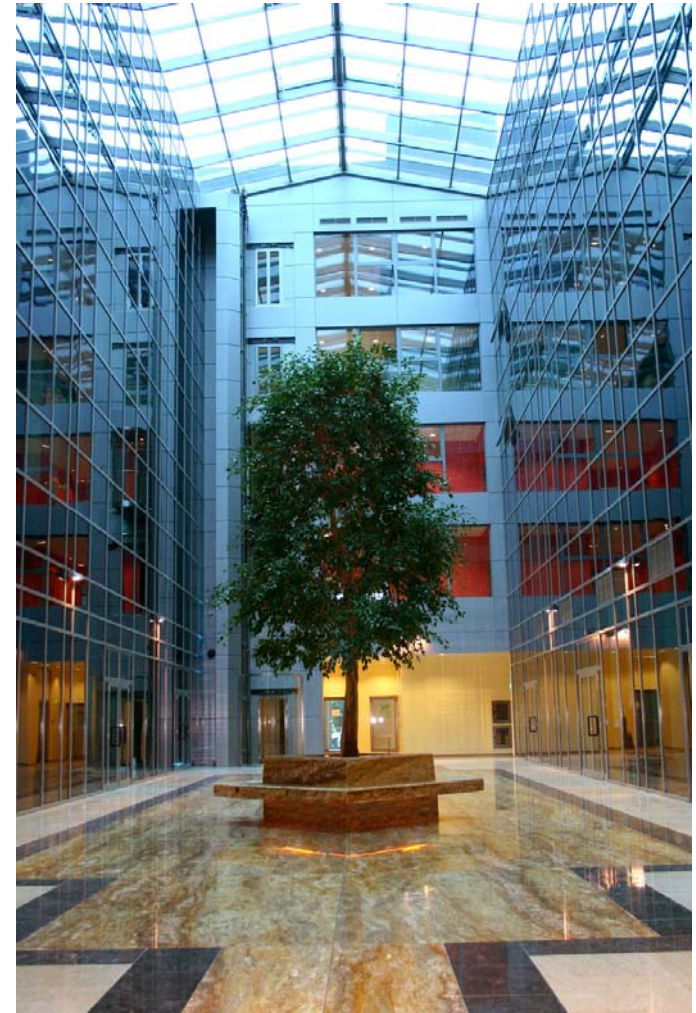
- AES (USA) – the company has undertaken HPP Maritsa-Iztok 1 project, worth €1.3 bn

InvestBulgaria Agency

InvestBulgaria Agency is a Government investment promotion arm, part of the Ministry of Economy, Energy and Tourism

IBA services:

- Macroeconomic data on Bulgaria
- Legal advice
- Data on operational costs
- Regional information: industrial zones and infrastructure, data on unemployment, skilled labour force and level of education
- Recommendation of investment project sites
- Identification of potential suppliers, contract manufacturers and joint-venture partners
- Personalized administrative servicing
- Liaison with central and local governments
- Liaison with branch chambers and NGOs



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