

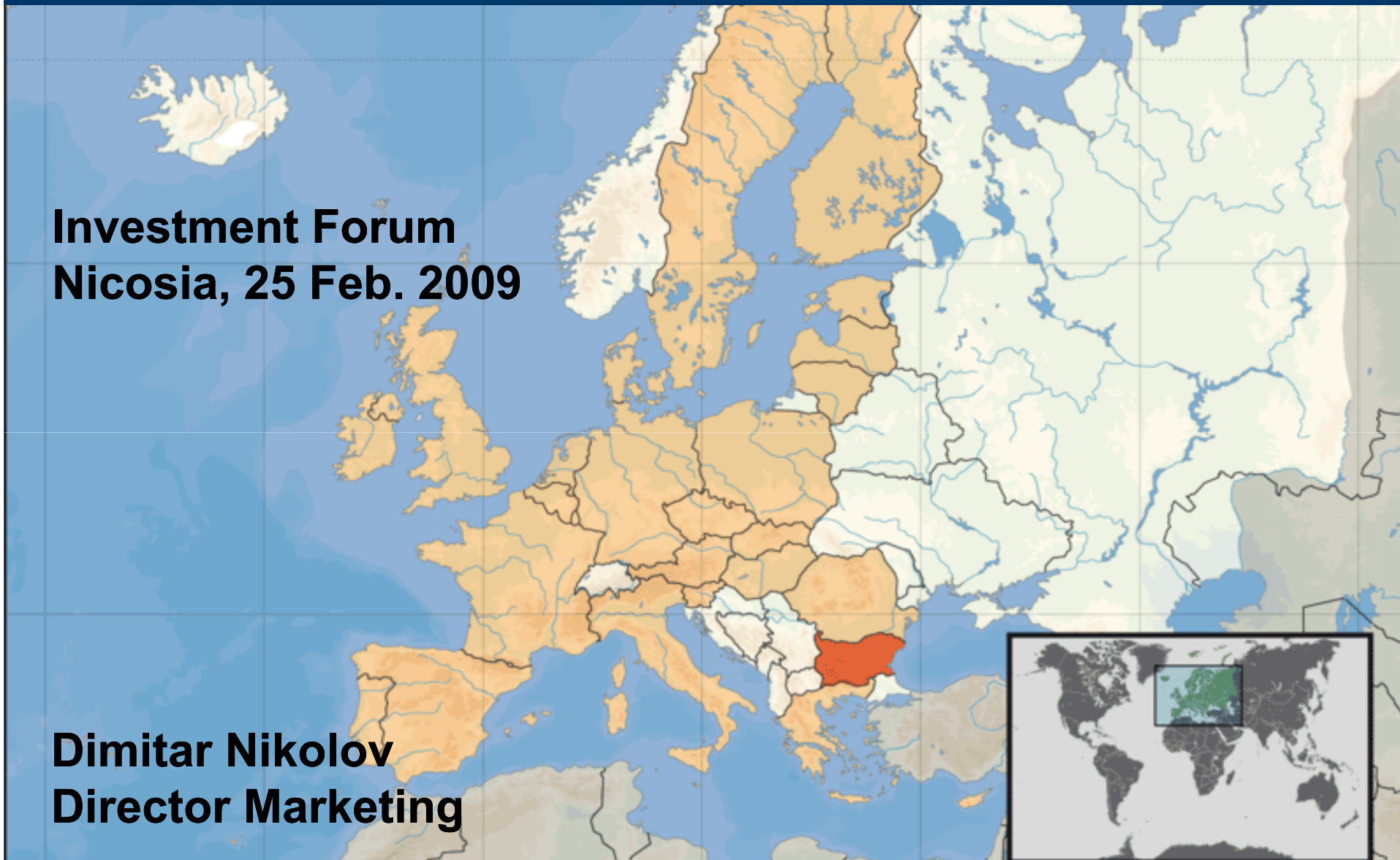
Bulgaria – your investment decision

**Investment Forum
Nicosia, 25 Feb. 2009**

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Director Marketing**

InvestBulgaria Agency

www.investbg.government.bg





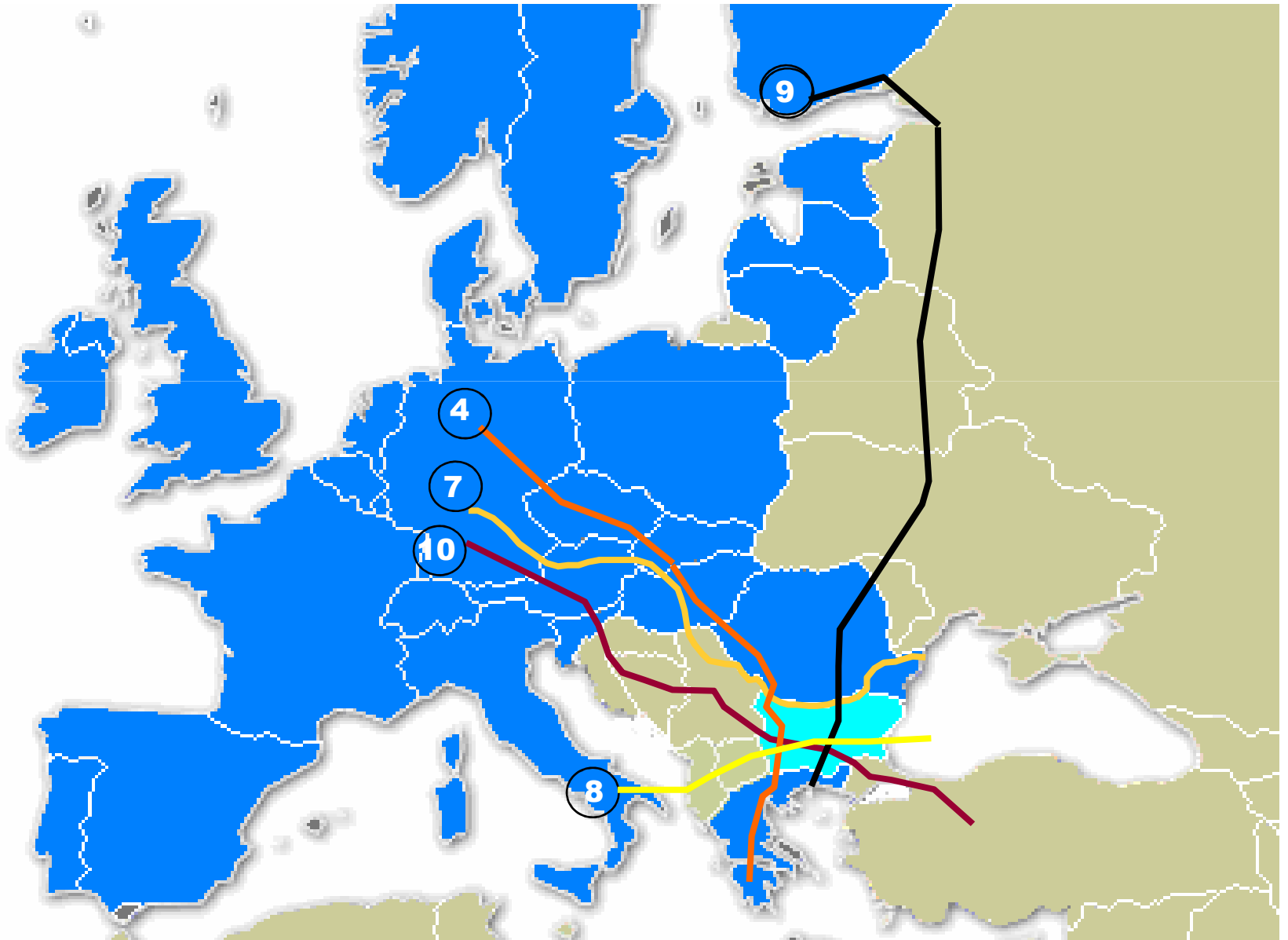
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Structure of the Presentation

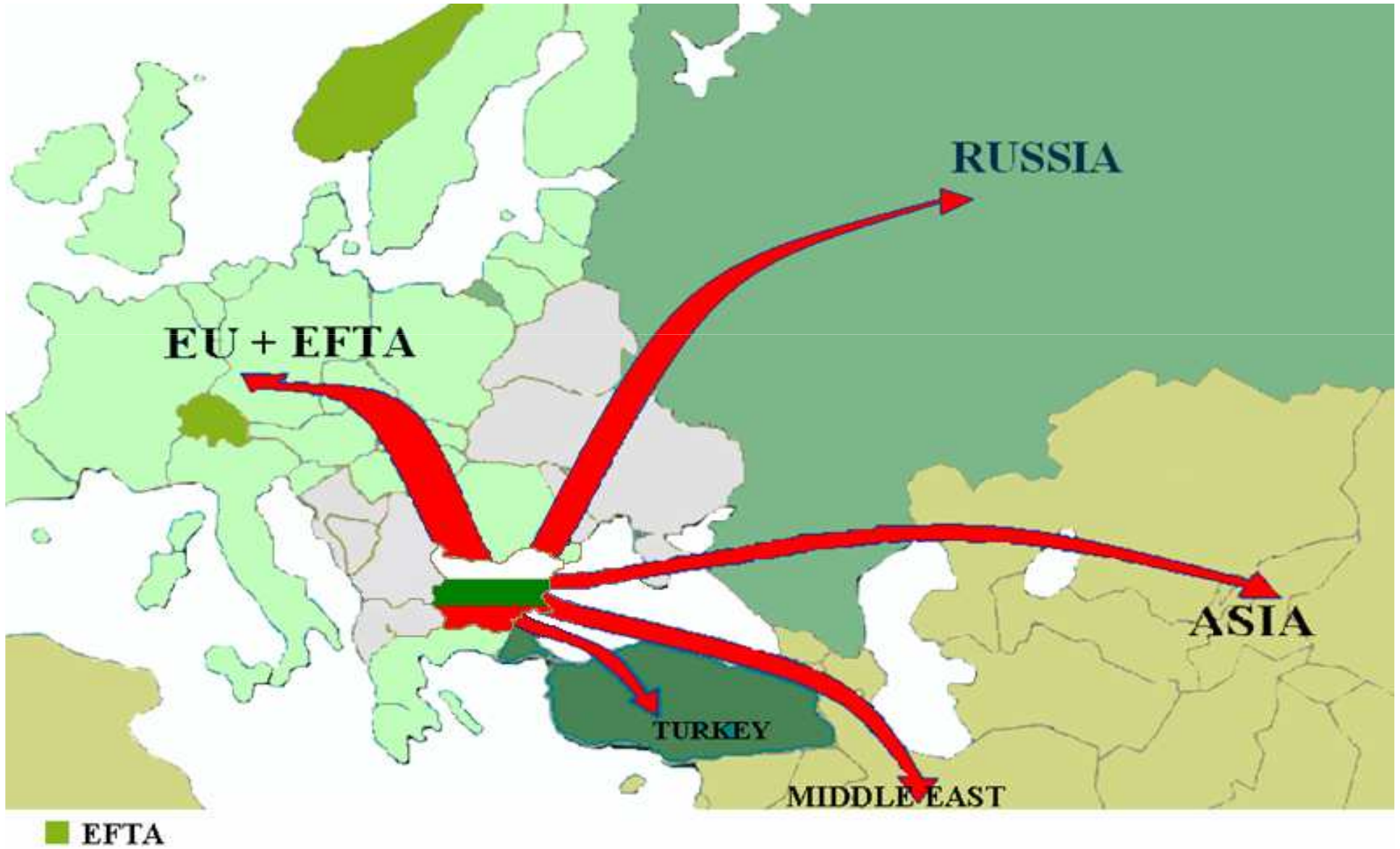
- ✓ **Positioning Bulgaria**
- ✓ **Why Bulgaria**
- ✓ **Macroeconomic Indicators**
- ✓ **FDI Inflow**
- ✓ **Highly Skilled Labor Force**
- ✓ **Comparison between Bulgaria and Europe**
- ✓ **Business Sectors of Highest Potential for Investors**
- ✓ **Investment Promotion Act**
- ✓ **Investment Incentives in Bulgaria**
- ✓ **InvestBulgaria Agency**



Pan-European Transport Corridors



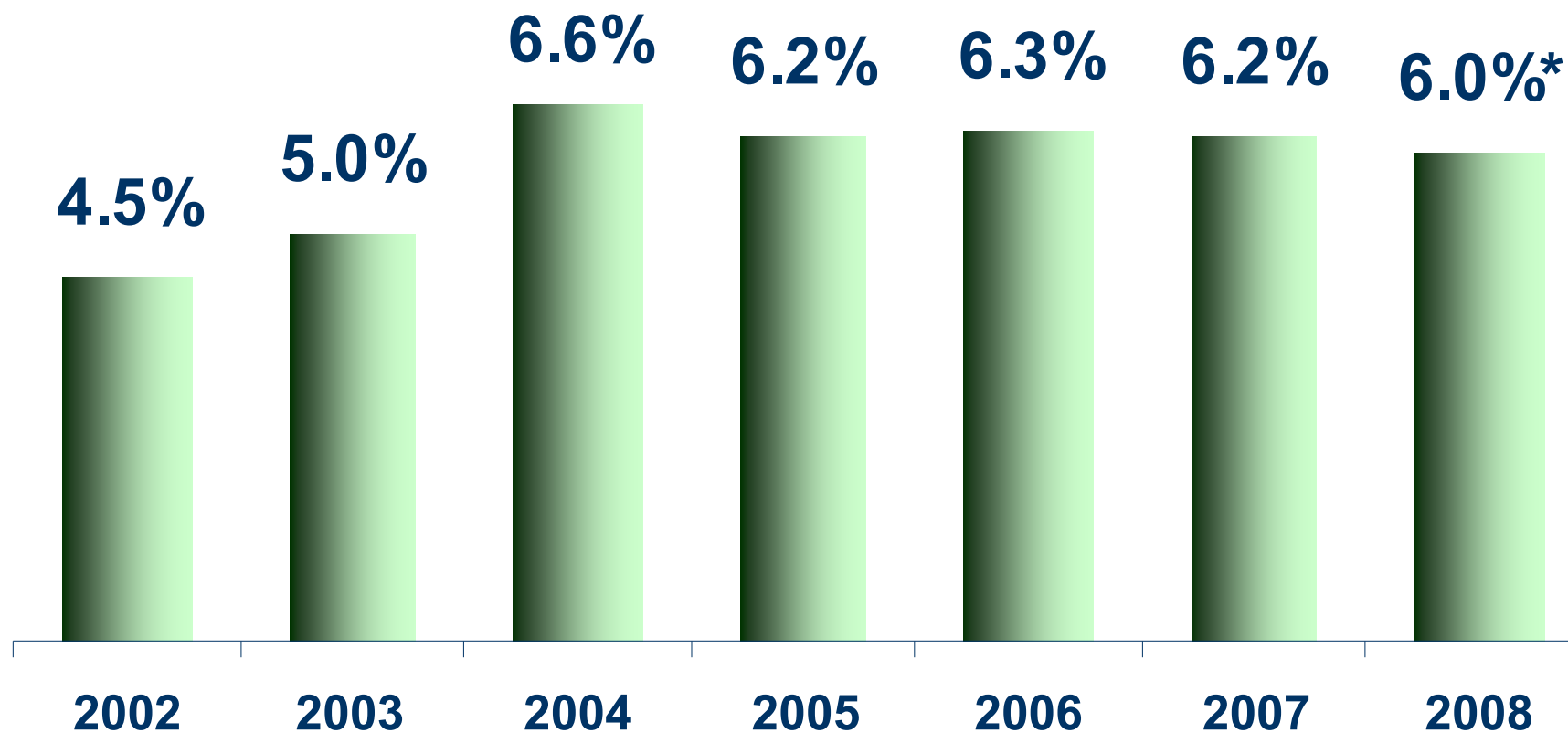
Market access



Why Bulgaria

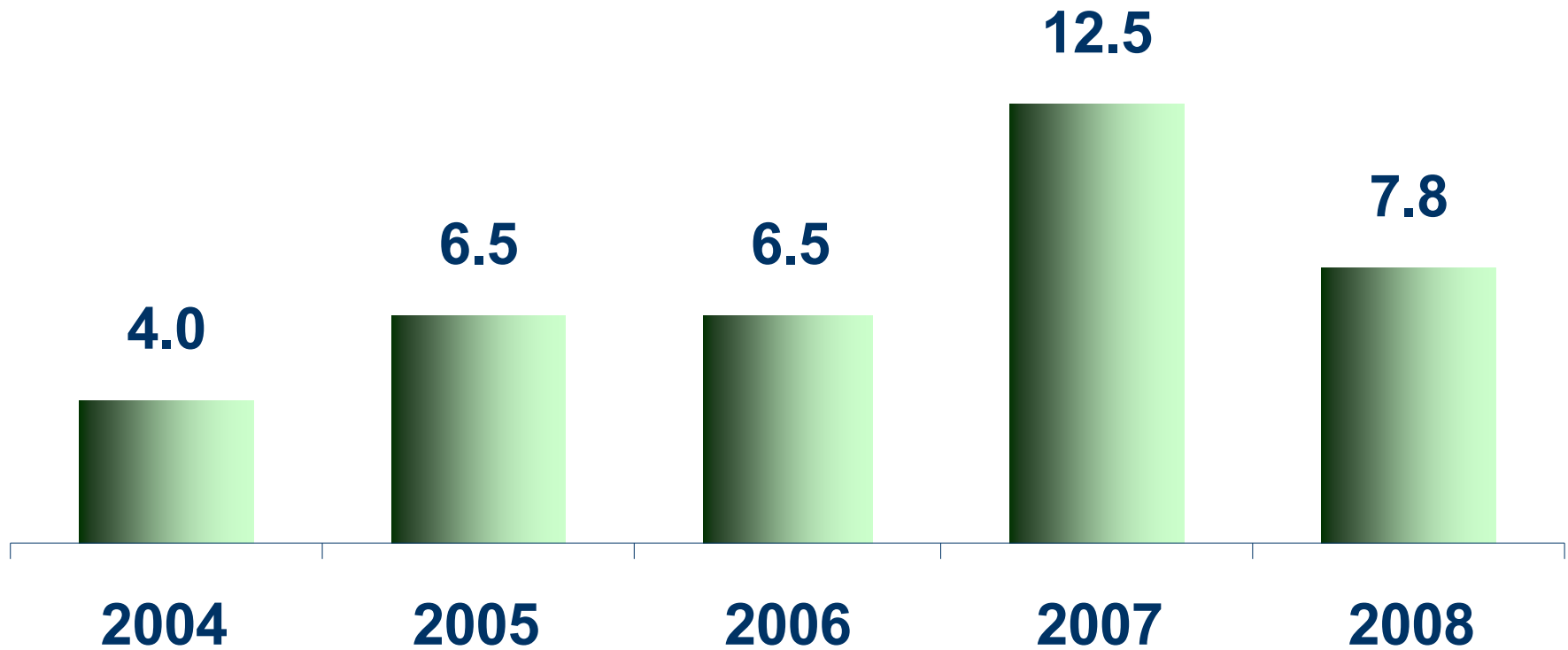
- ✓ **EU membership and NATO membership**
- ✓ **Macroeconomic and financial stability**
- ✓ **EU's most favourable taxes:**
 - **10% corporate income tax rate**
 - **0% in high-unemployment areas**
 - **10% flat tax rate on personal income**
- ✓ **Europe's lowest operational costs**
- ✓ **Well-educated and highly-skilled labour force**
- ✓ **22% of population holds university degree**
- ✓ **45,000 Bulgarian students in Europe. Second largest group after China**
- ✓ **Government support for priority investment projects**
- ✓ **Linking Europe and Asia**
- ✓ **Excellent climate, natural scenery, food and hospitality**

Steady GDP growth, 2002 – 2008



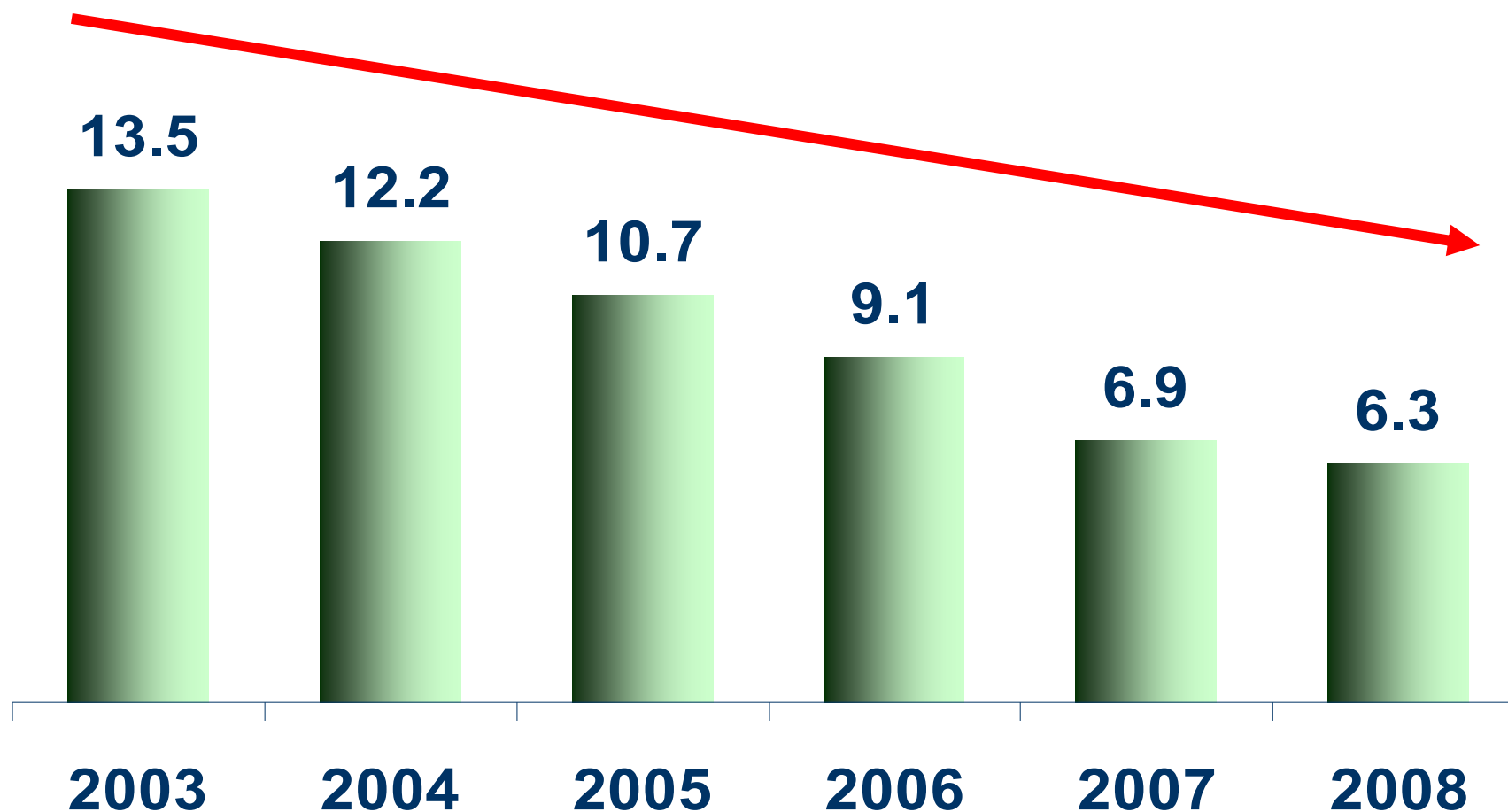
*** Preliminary Data**

Inflation, (annual change, %), 2004 - 2008



Source: Bulgarian National Bank

Decreasing unemployment rate, 2002 - 2008



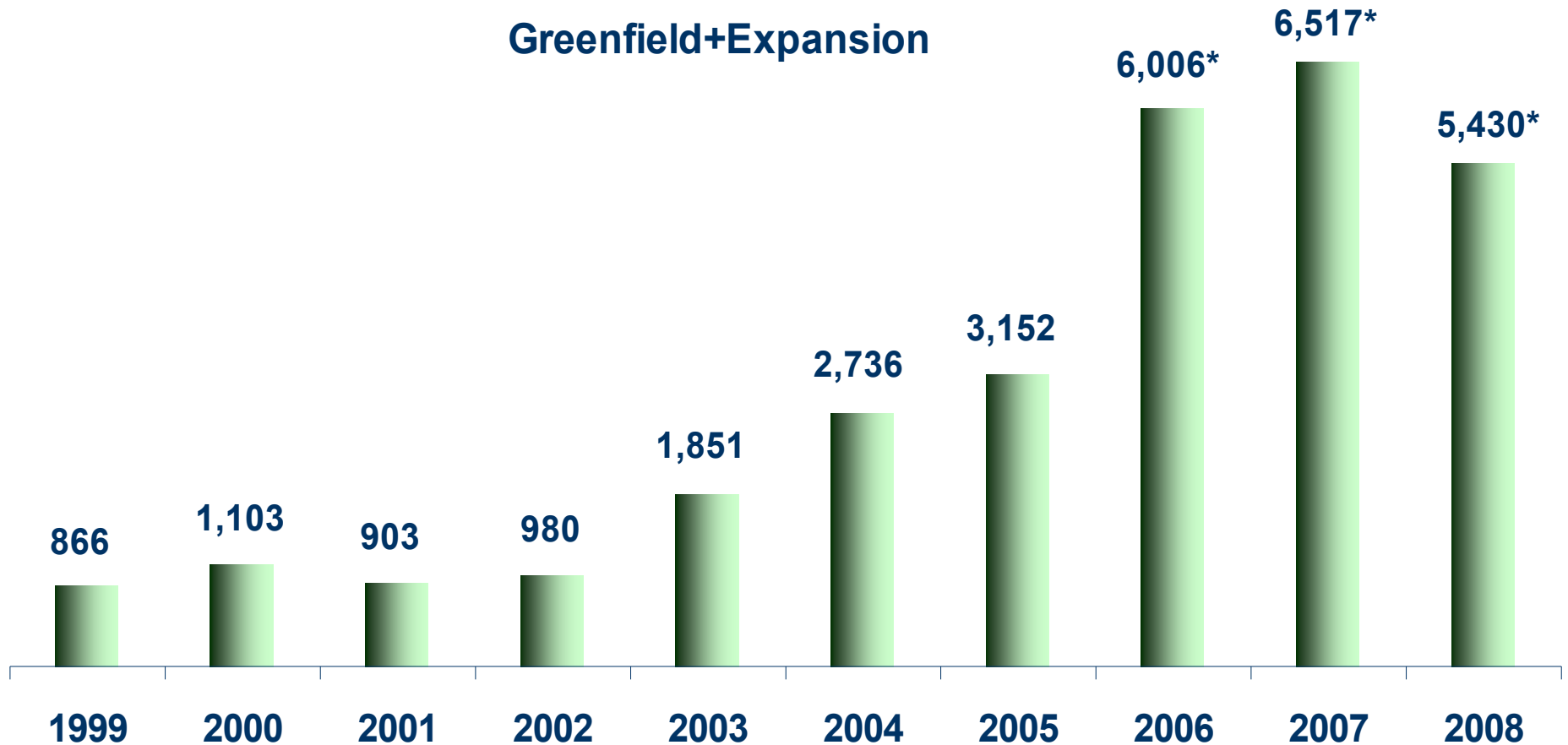
Source: Bulgarian National Bank

Credit rating

Agency	Date	Foreign currency			Local currency		
		Long-term	Short-term	Outlook	Long-term	Short-term	Outlook
Japan Credit Rating Agency	16 Dec 2008	BBB	-	Negative	BBB+	-	Negative
Fitch	10 Nov 2008	BBB-	F3	Stable	BBB	BBB+	Stable
Standard& Poor's	30 Oct 2008	BBB	A-3	Negative	BBB	A-3	Negative
Moody's	25 Sept 2008	Baa3	-	Stable	Baa3	-	Stable

Source: Ministry of Finance

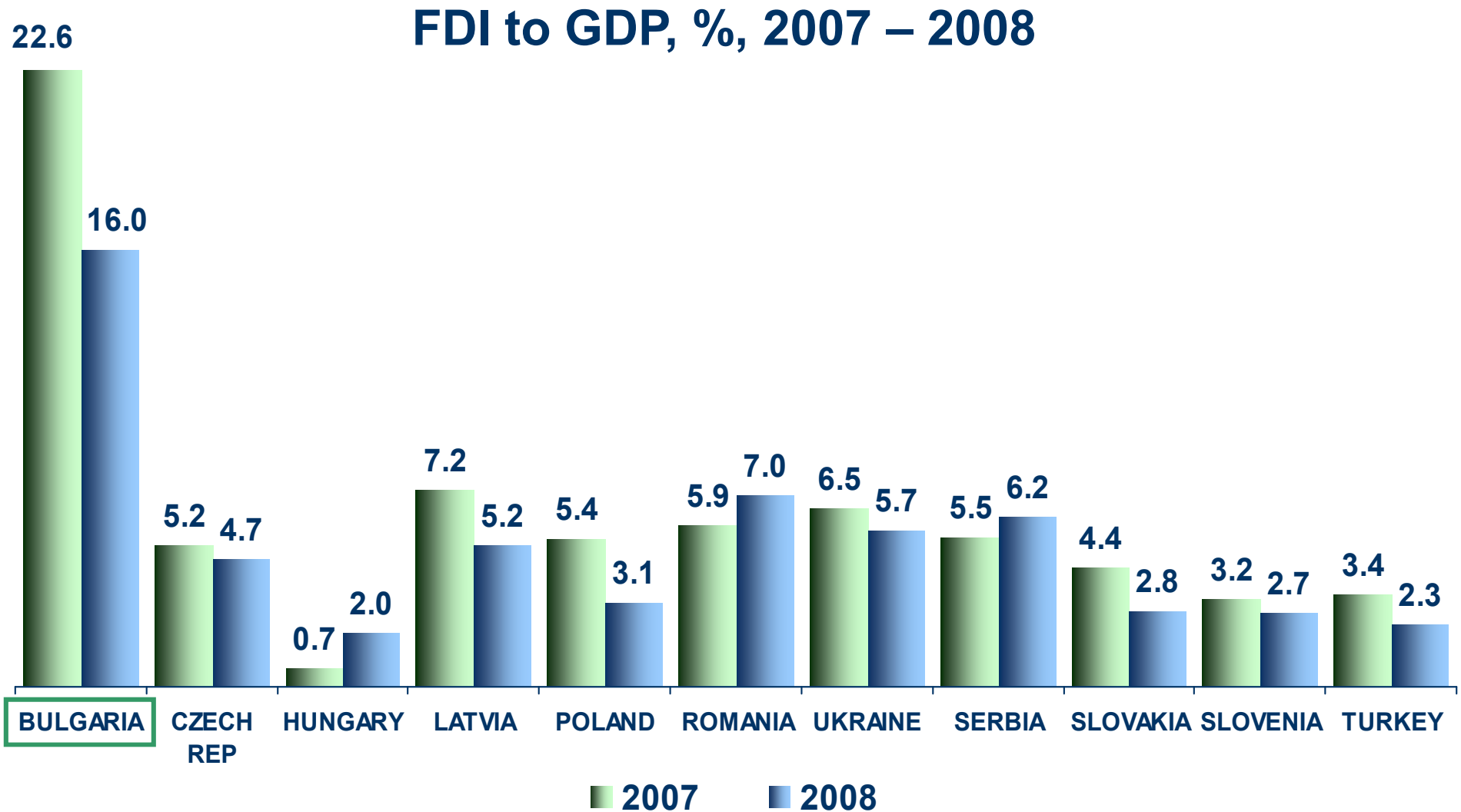
Record inflow FDI in 2006 - 2008, EUR m



* Preliminary Data










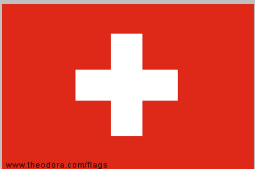
Source: BNB, IBA

Bulgaria leads CEE countries in terms of FDI to GDP indicator

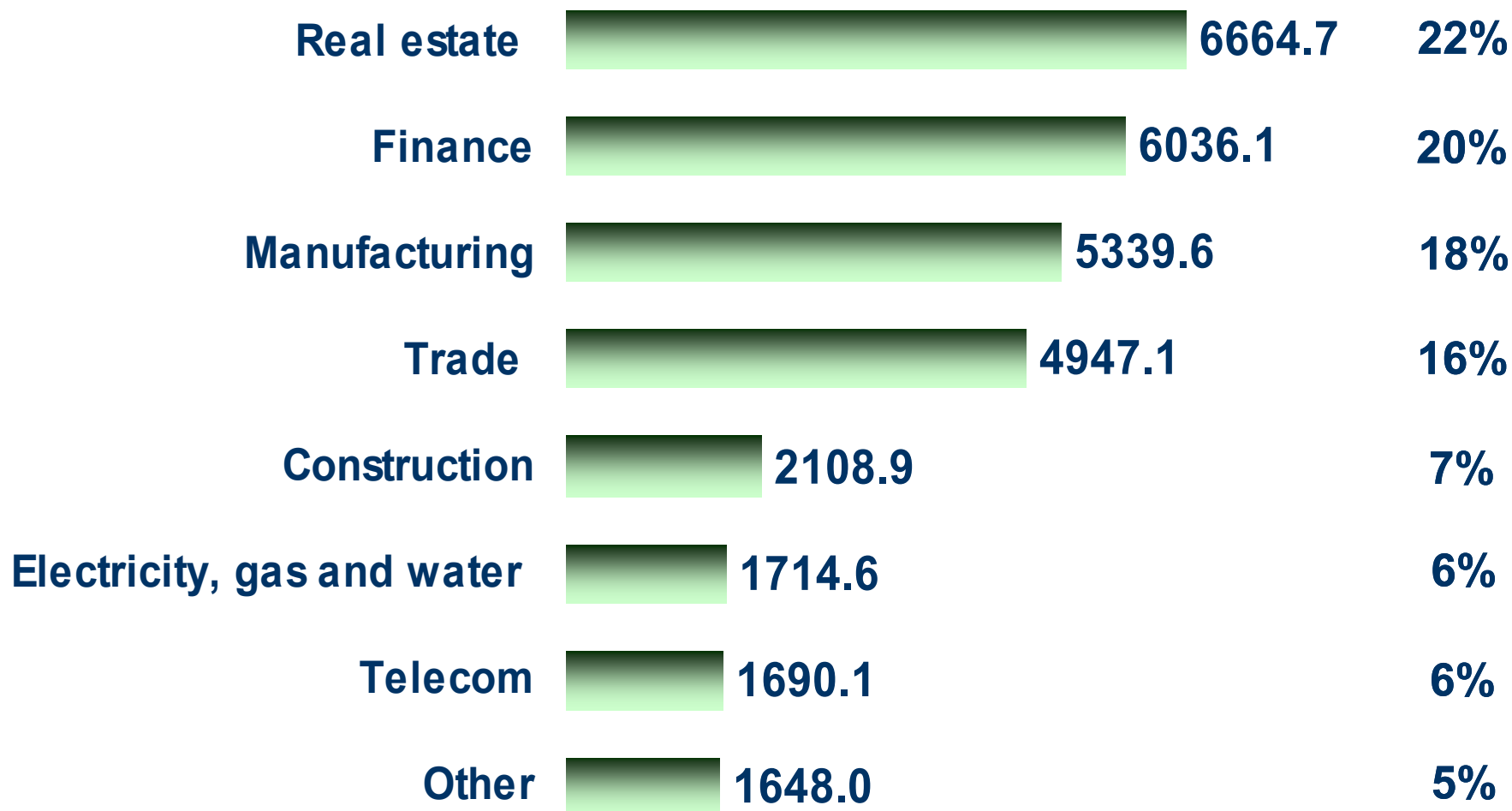


Source: Bank Austria Creditanstalt

FDI stock by country, 1996 – 2008, %, EUR m

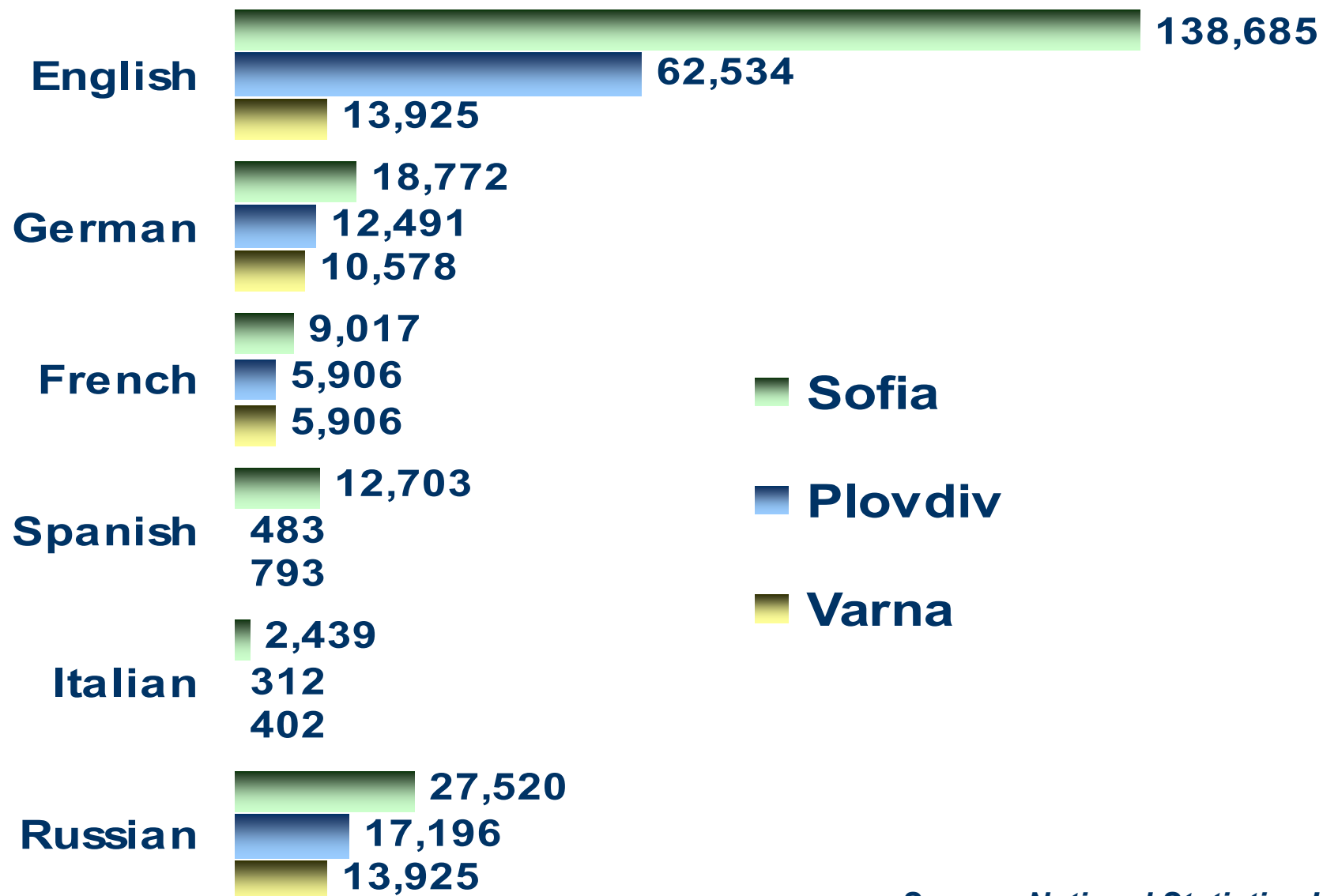
				
Austria	the Netherlands	Greece	Un. Kingdom	Germany
15% 4643.0	12% 3633.8	9% 2861.6	9% 2741.5	6% 1876.5
				
Cyprus	Belgium & Luxemburg	Hungary	USA	Switzerland
5% 1514.4	4% 1357.8	4% 1184.9	4% 1084.7	3% 1048.1

FDI stock by sector, 1998 – 2008, %, EUR m



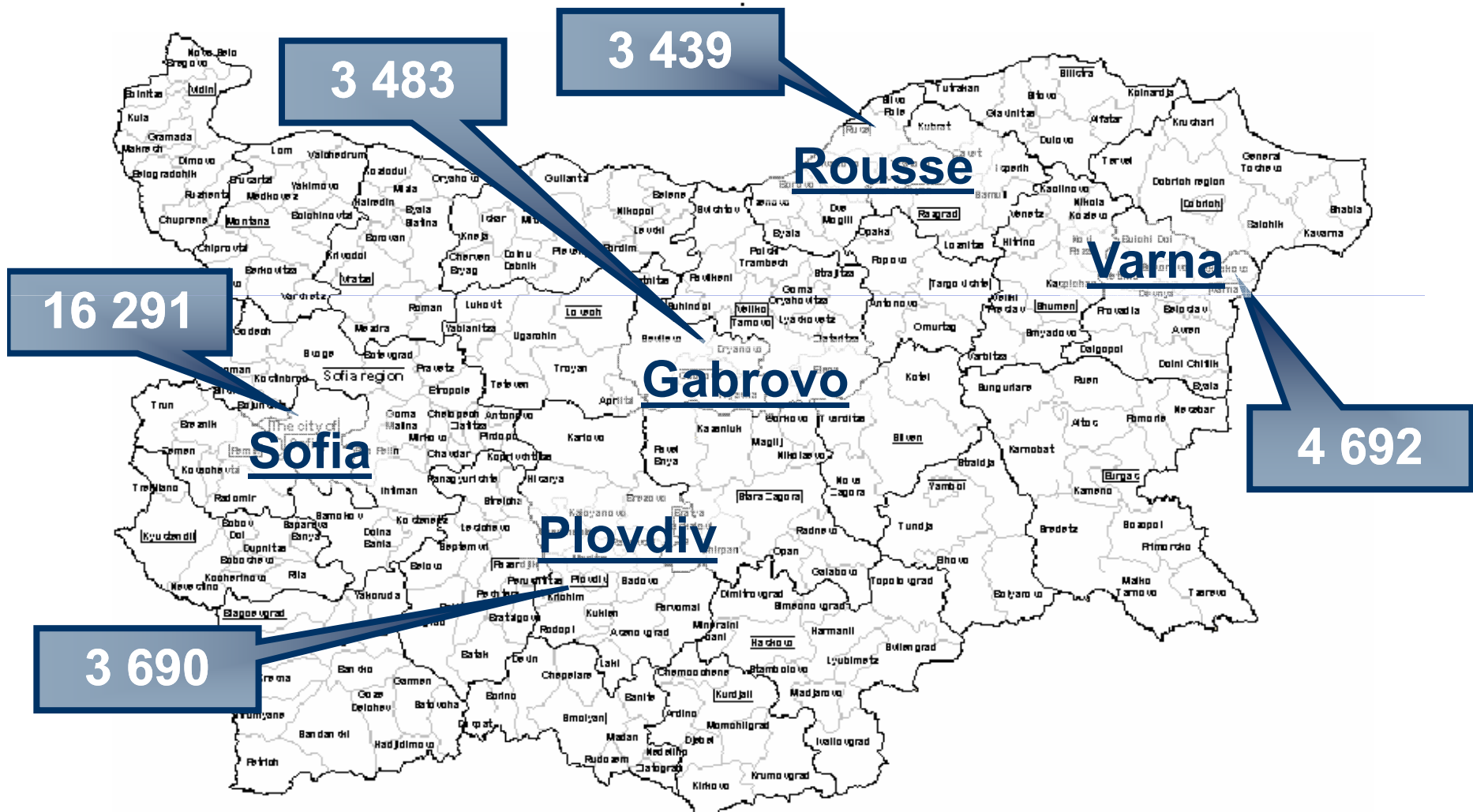
Source: BNB, IBA

Language education in upper secondary general schools by city, 2006/2007

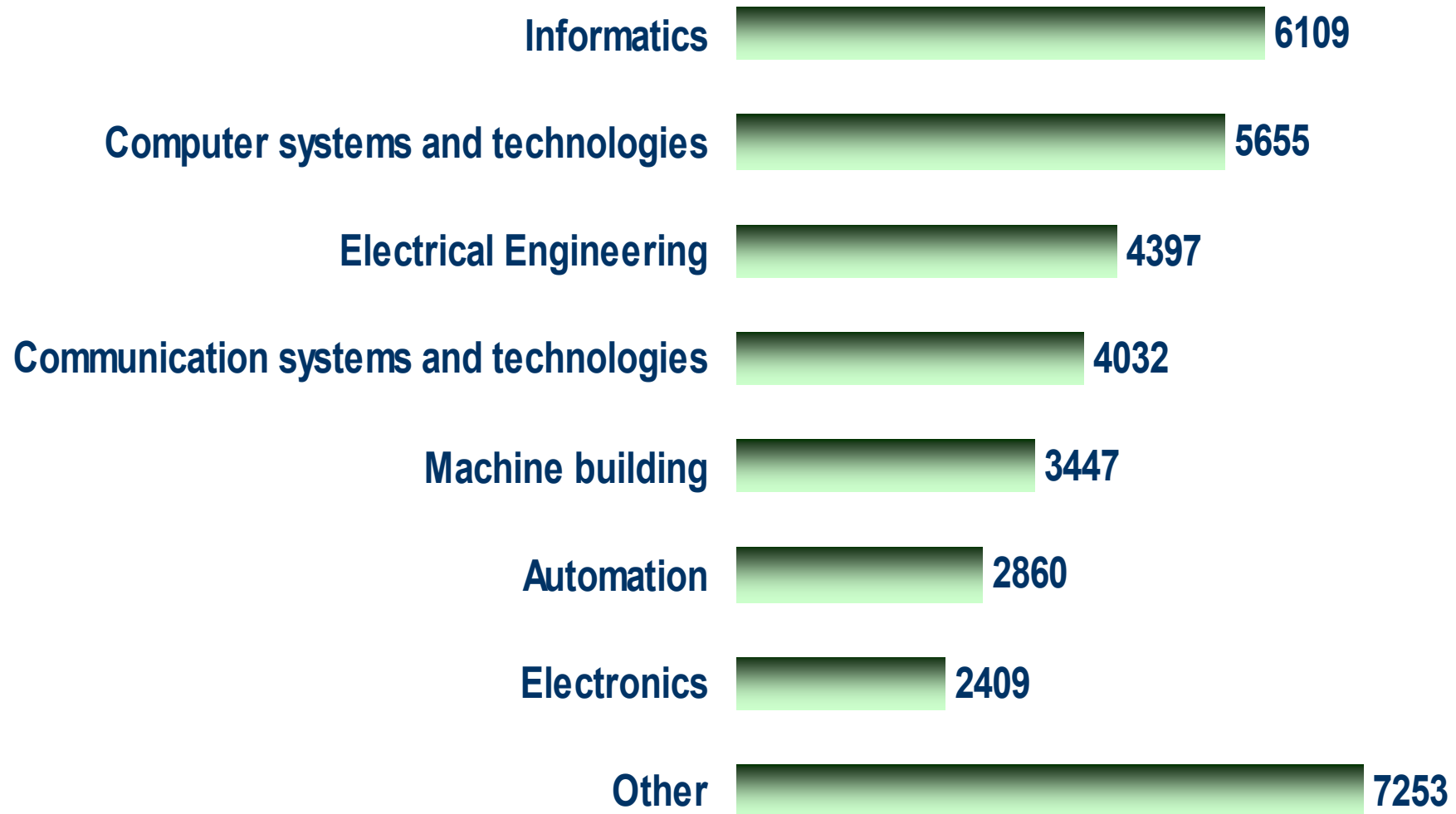


Source: National Statistics Institute

Students enrolment in vocational schools & technical universities for 2006/2007



Enrolment in university IT and engineering programs for 2006/2007



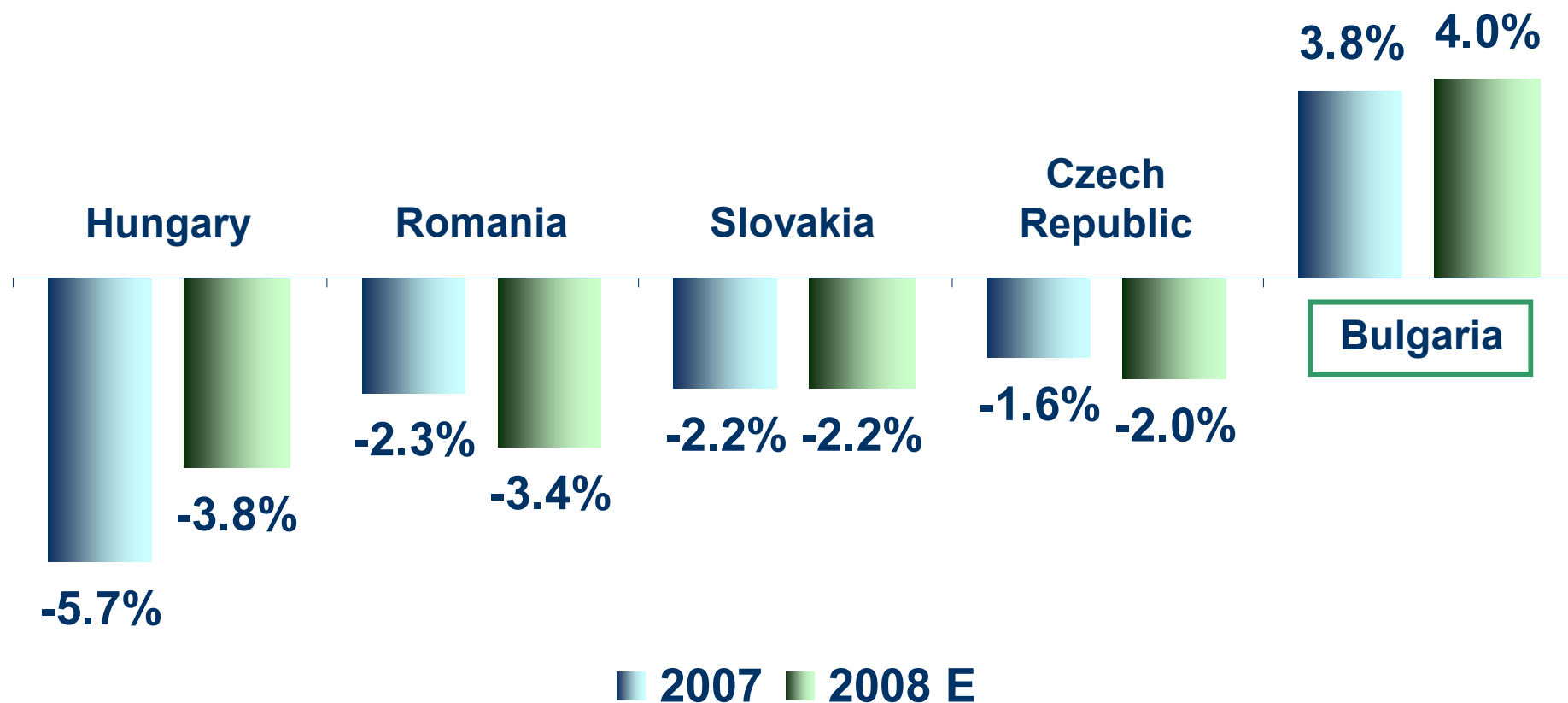
+36,000 – Total number of students enrolled in IT and Engineering related programs

Source: NSI

Comparison between Bulgaria and Europe

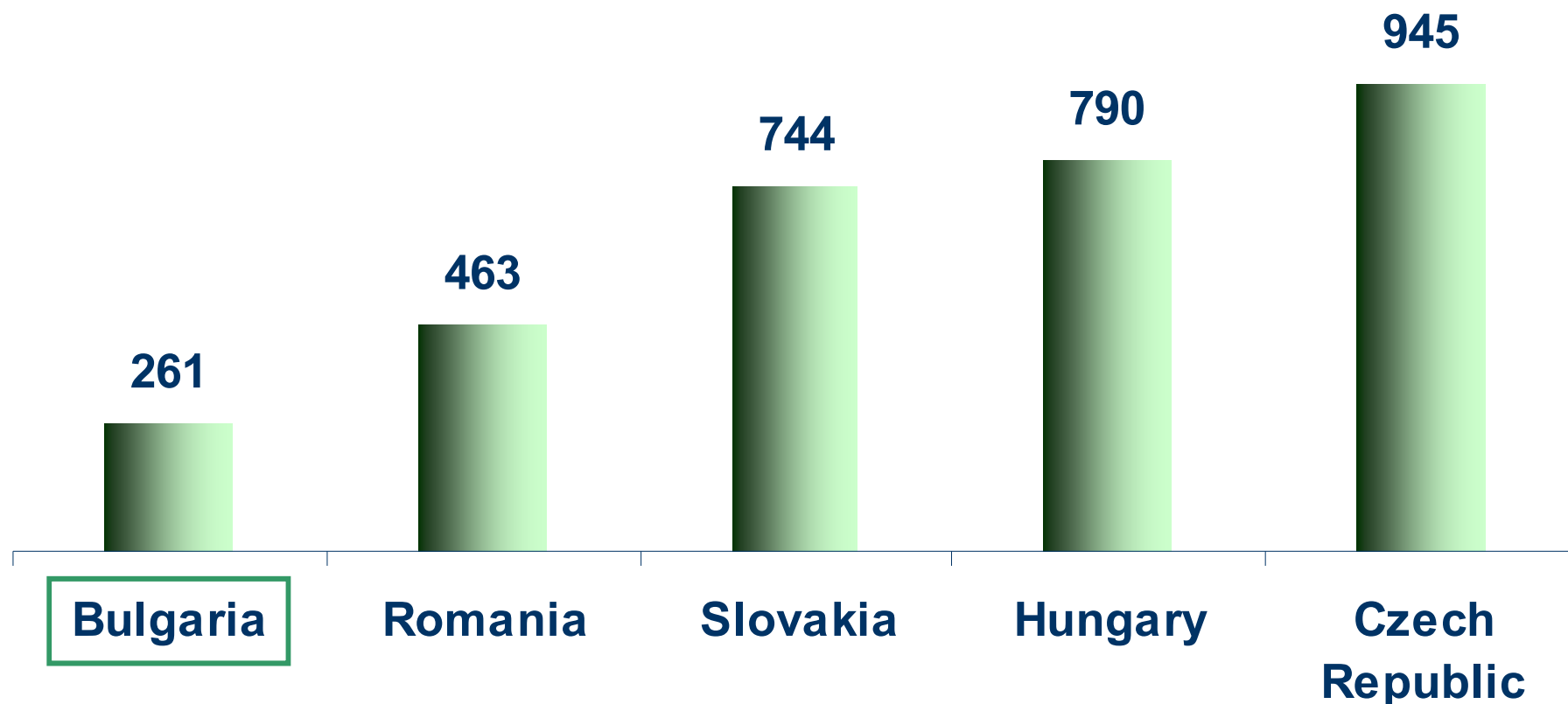
Strong Fiscal Policy and Stable Currency

General Government Balance, %



Comparison between Bulgaria and Europe

Average monthly wages, Q2 2008, EUR

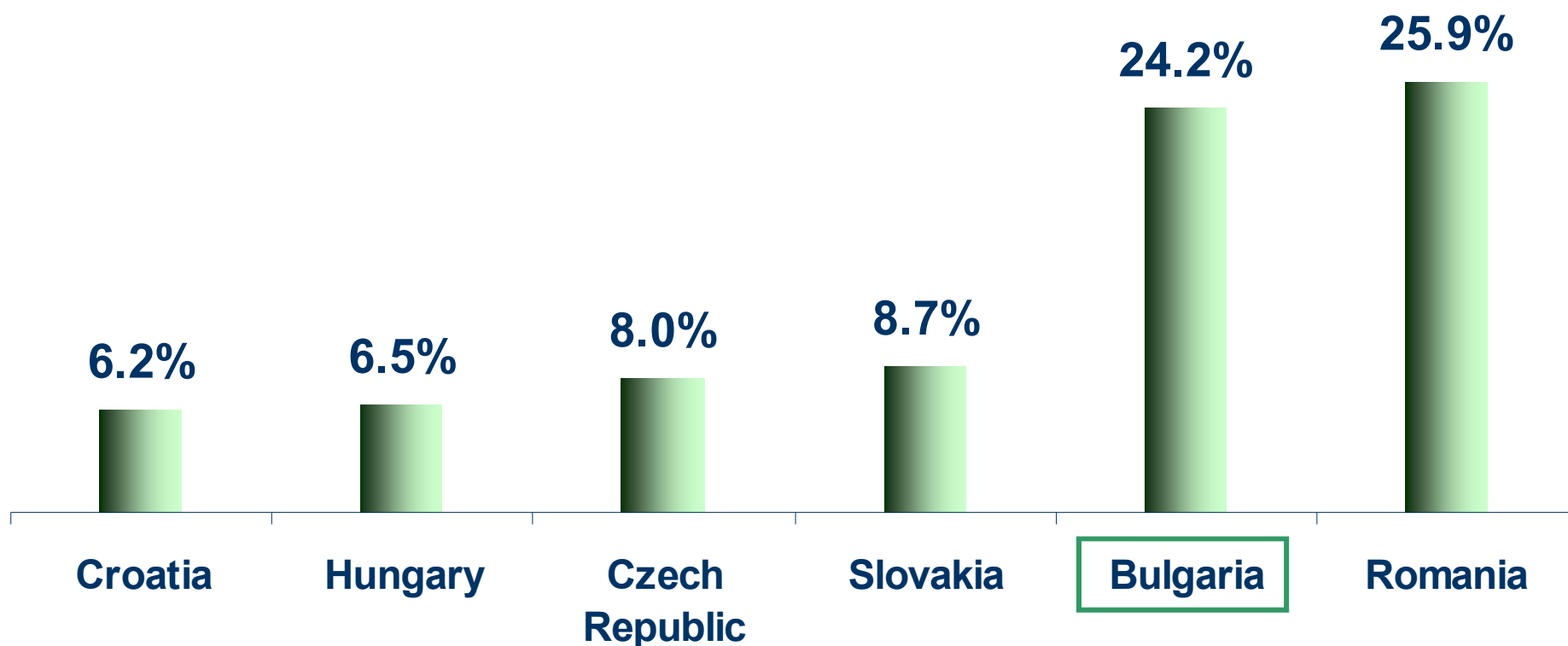


Source: Economist Intelligence Unit

Comparison between Bulgaria and Europe



Average monthly wages growth, Q2 2008 (% change, yoy)

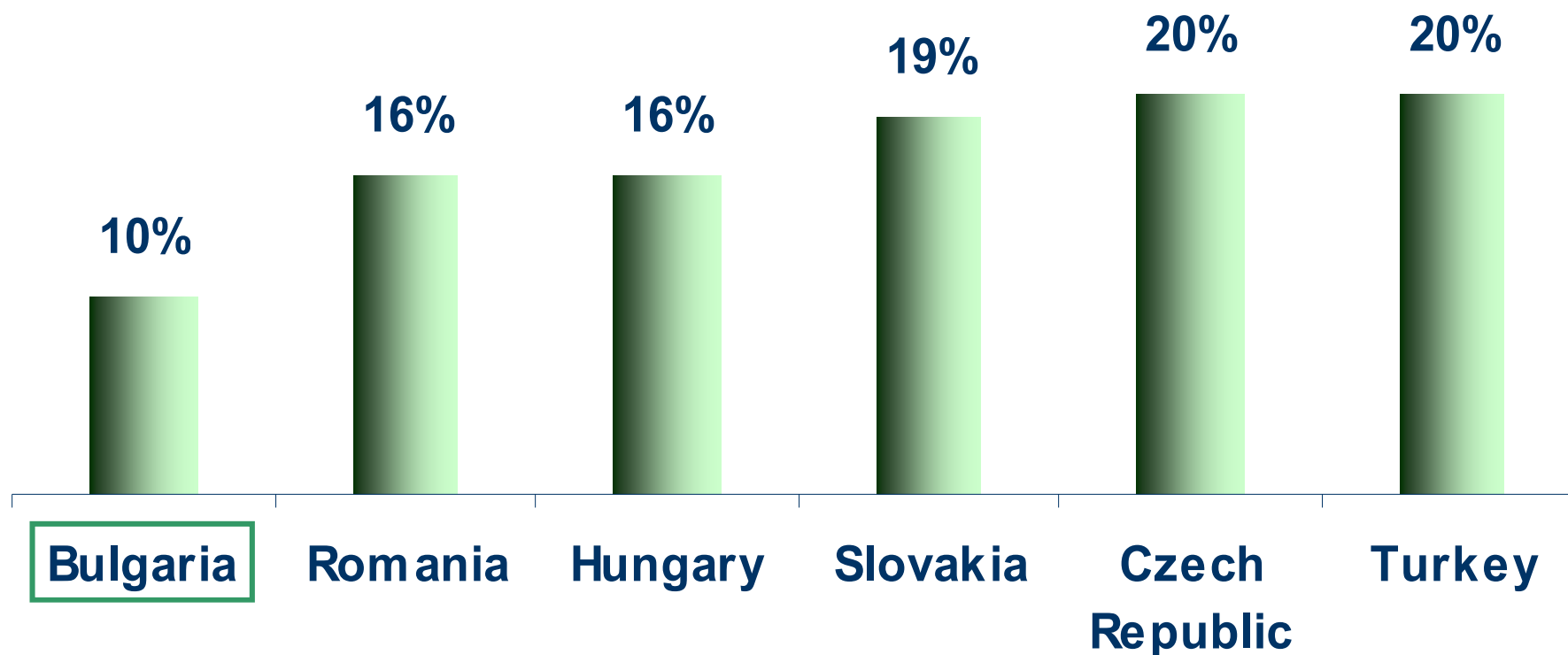


Source: Economist Intelligence Unit

Comparison between Bulgaria and Europe



Corporate income tax rate, 2009



* 0% for manufacturing companies in areas with high unemployment

Source: IBA

Manufacturing

Competitive advantages

- ✓ Availability of skilled personnel - 7% of the labour force with engineering university degree
- ✓ Reasonable labor cost – EUR 267 total average monthly compensation (Q3 2008)

Opportunities

- ✓ Electrical engineering
- ✓ Mechanical engineering
- ✓ Electronics
- ✓ Automotive parts manufacturing

Power engineering sector

Competitive advantages

- ✓ Skilled labour force
- ✓ Availability of natural resources
- ✓ Favorable climate conditions

Opportunities

- ✓ Modernization and construction of new TPPs
- ✓ Wind parks
- ✓ Solar plants
- ✓ Biomass
- ✓ Biofuel
- ✓ New nuclear PP

ICT & BPO

Competitive advantages

- ✓ 9.72 % share of the GDP for 2008 (second fastest growing sector in the country)
- ✓ Reliable telecom infrastructure
- ✓ Talent pool of qualified multilingual IT and F/A professionals
- ✓ Reasonable office prices

Opportunities

- ✓ IT support centers
- ✓ F/A shared service centers
- ✓ Contact centers

Real estate & Tourism

Competitive advantages

- ✓ Real Estate is the fastest growing sector in the country
- ✓ FDI inflow in Real Estate amounts to EUR 2 151 m in 2007 (EUR 5 112 m for the period 1998 – 2007)
- ✓ 7.7 m foreign tourists have visited Bulgaria in 2007 (3% growth compared to the 2006) , of which 75% EU citizens

Opportunities

- ✓ Development of
 - trade centres
 - business parks
 - residential parks
 - convention centres
 - winter resorts
 - balneology and SPA tourism
 - rural and alternative tourism
- ✓ Golf tourism
- ✓ Construction of luxury hotels

Top Foreign Manufacturing Investors (between \$24 & \$580 m)



Investor	Sector
Solvay (Belgium)	Chemical Industry
Lukoil (Russia, Netherlands)	Refinery & Petrochemicals production
NA - Cumerio (Germany, Belgium)	Copper smelting
Miroglio (Italy, Germany)	Textile
Sise Cam (Turkey)	Glass Industry
Italcementi (Italy)	Cement Industry
Viohalco (Greece)	Metal products
Liebherr Hausgeraete (Germany)	Refrigerators
Carlsberg (Denmark)	Brewery
EPIQ (Belgium)	Electronics

New Investment Promotion Act

- ✓ **Equal treatment for Bulgarian and foreign investors**
- ✓ **Investment classes A and B depending on the value, region and sector allocation of the investment**
- ✓ **Priority sectors and activities:**
 - **Manufacturing industry and production of electricity from renewable energy sources**
 - **High-tech activities in the field of ICT, R&D, as well as education and human health care**

Investment classifications under the investment promotion act, (€ Million)



Region or Sector	Class B	Class A
General	20 - 35	>35
In municipalities with unemployment rate up to 35% higher than the country average	12,5 - 22,5	>22,5
In municipalities with unemployment rate equal or more than 35% higher than the country average	10 - 17,5	>17,5
In high-tech activities in the manufacturing industry for the whole country	10 - 17,5	>17,5
In high-tech activities in the services, computer technologies and R&D sectors for the whole country	7 - 12	>12

Incentives under the new Investment Promotion Act



- All classes (A&B)**
 - ✓ **Information services and shortened administrative services**
 - ✓ **Preferential treatment upon acquisition of a right of ownership and limited real rights over real estate – private state or private municipal property**
 - ✓ **Financial support for vocational training of employees up to 29 years old for the needs of the investment project**
- A class**
 - ✓ **Individual administrative services**
 - ✓ **Infrastructure support to the borders of the investment project site**

Investment incentives in Bulgaria

- ✓ **10% corporate income tax;**
 - **0% for manufacturing companies in areas with high unemployment**
- ✓ **10% personal income tax, flat rate**
- ✓ **Opportunity for R&D expenditure write-off**
- ✓ **Depreciation of 2 years for computers and new manufacturing equipment**
- ✓ **2-year VAT exemption for imports of equipment for investment projects over € 5 million, creating at least 50 jobs**
- ✓ **5% withholding tax on dividends and liquidation quotas (0% for EU tax residents holding at least 15% of the Bulgarian company)**
- ✓ **Up to 1 year minimum salary and reimbursement of social/health care security for employing young people and disadvantaged people through the Employment Agency**

InvestBulgaria Agency

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

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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