



LOW COST OF DOING BUSINESS

- **Most favorable tax regime in Europe. Corporate income tax rate is 10%, the lowest in the EU**
- **Personal income tax is 10 %, flat rate.** Industries in high-unemployment areas are granted 0% tax rate
- **0% tax on capital gains**
- **5% withholding dividend tax**
- **One of the most competitive costs of labor** in Central and Eastern Europe
- **Favorable office rents and low cost of utilities.** Cost of electricity for industrial users is 70% of the European average
- **Financial grants for education, R&D projects and manufacturing projects;** R&D expenditure write-off; 2-year VAT exemption for imports of equipment; **Tax depreciation;** **Subsidies for infrastructure;** **Accelerated administrative services** etc. (according to the Investment Promotion Act)

BULGARIA IN BRIEF

- **Territory** – 110 994 sq. km.
- **Population** – 7.364 mln, 72.5% urban
- **Political system** – Parliamentary Republic

POLITICAL AND BUSINESS STABILITY

- **Member of the EU (2007), NATO (2004) and WTO (1994)**
- **Currency board arrangement**, strongly supported by all institutions. The Bulgarian lev is pegged to the Euro at 1.95583
- **The only country in the EU with a credit rating upgrade by Moody's for the period 2010 - 2013.**
- **Current credit rating:** Moody's: Baa2; S&P: BB+; Fitch: BBB-

HUMAN RESOURCES

- **Well educated, highly skilled and multilingual workforce.** 98% of the high school students study a foreign language
- **62.2 % of the total population is in working age**
- Most **competitive cost of labor** in CEE

STRATEGIC LOCATION

- Located at the heart of the Balkans, **Bulgaria is a strategic logistics hub**
- **Five Pan-European corridors** pass through the country

ACCESS TO KEY MARKETS

- **European Union** - zero tariff market with population of 500M
- **CIS** – still not well penetrated market with a high potential
- **Turkey** - zero tariff market of near 80 million population
- **Middle East** – a market with high purchasing power
- **North African market**

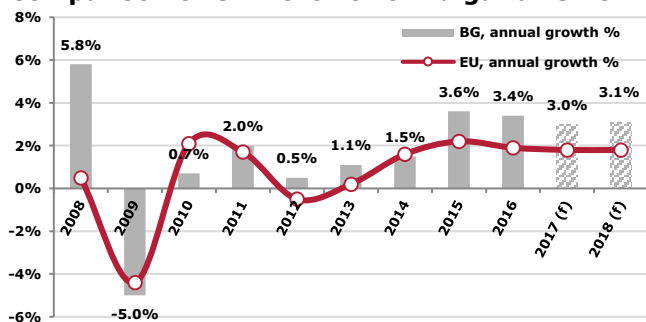
SOME ALREADY SUCCESSFUL BUSINESSES

- **Siemens, Coca-Cola, IBM, Unicredit, ABB, HP, Aurubis, Lufthansa, Raiffeisen, Schneider, Festo, Nestle, Danone, Hyundai, Lukoil, Johnson Controls, Yazaki, Metro, Citi, KRAFT, BNP, Magna Powertrain, Grammer, Kaufland, etc.**

KEY Indicators	2014	2015	2016	2017f	2018f
GDP (EUR bln.)	42.7	45.29	47.36	49.67	52.16
GDP growth real (%)	1.5	3.60	3.40	3.00	3.10
GDP per capita (EUR)	5 810	6 136	6 265	6 419	6 693
Private consumption	2.2	3.83	1.81	2.65	2.78
Fixed capital formation	3.4	2.66	-3.96	2.75	3.84
Exports	-0.1	5.74	5.66	5.22	5.36
Imports	1.5	5.44	2.80	4.75	5.31
Inflation rate (HICP, %)	-1.6	-1.06	-1.32	1.22	1.25
Unemployment (%)	11.4	9.14	7.57	6.89	6.46
Government deficit (-) (surplus) (+) (% of GDP)	-3.7	-2.1	1.6	-1.4	-1.0
Government debt (% of GDP)	26.9	26.7	29.04	25.87	25.40
EUR/BGN rate (fixed)	1.95583	1.95583	1.95583	1.95583	1.95583
FDI (% of GDP)	3.6	3.67	2.30	2.30	2.30
C/A (% of GDP)	0.9	0.38	3.82	3.77	3.85
Trade Balance (% of GDP)	-1.6	-5.79	-3.78	-3.51	-3.23

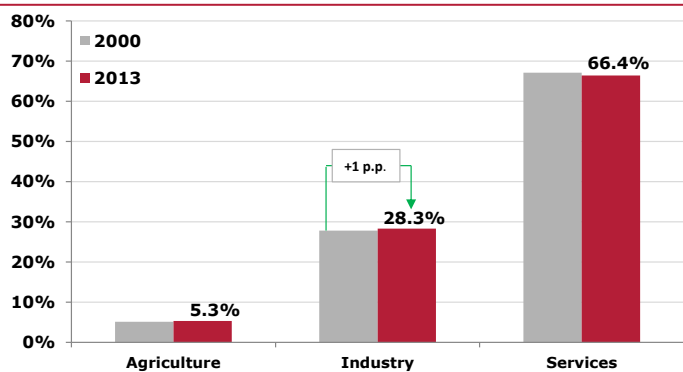
Source: Bulgarian National Bank, National Statistical Institute, Ministry of Finance, Eurostat

Comparison of GDP Growth of Bulgaria vs EU



Eurostat

- Bulgarian GDP growth outpaced EU's every year since 2004 except in 2009 and 2010
- Economy's performance is to follow developed markets closely on improving labor market and export expansion
- Russian/Ukraine conflict uncertainty was easily overcome in 2015 with increased government spending and improving labor market.
- Domestic demand and strong exports continue to fuel economic growth in 2017 compensating for slower government spending.



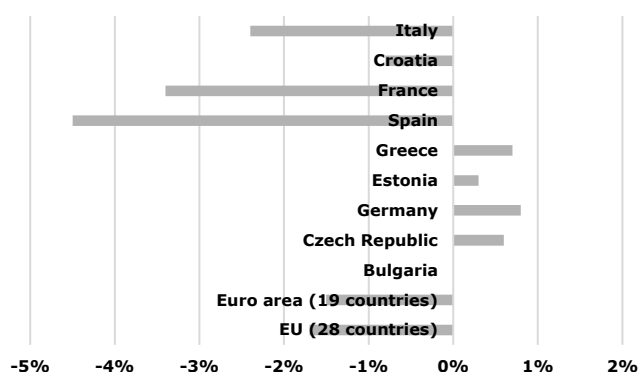
Structure of GVA by output in 2014, annual data, percentage share

INCREASING INDUSTRY SHARE

- A strong industrial basis in the country is a condition for boosting competitiveness, sustainable growth and new jobs
- Bulgaria is among the few EU countries, which have increased not only the industry share during the last decade, but the manufacturing share of the total GDP – to around 23% in 2015
- In comparison – since 2000 the average share of manufacturing in EU countries had declined to average 15% of GDP

PRESERVED FISCAL DISCIPLINE

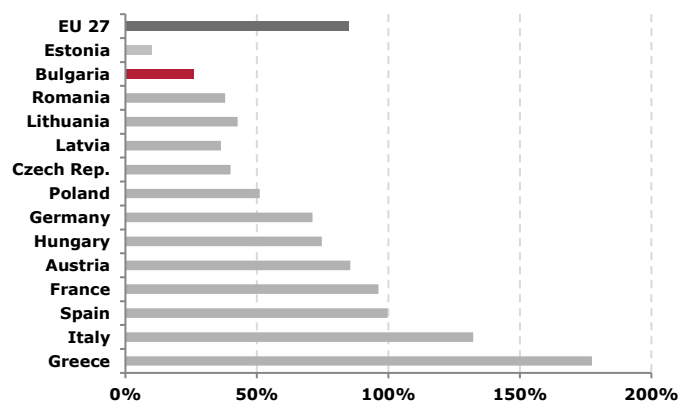
- In 2016, Bulgaria posted a budget balance on a cash basis and 1.6% of GDP surplus on a consolidated basis - the first balanced budget in seven years after running deficits since 2009
- Improving tax and non-tax revenue collection and higher absorption of EU funds stands behind the improved fiscal position.
- The former continues to fuel better fiscal performance with 1.8% of GDP budget surplus as of June 2017 – an indicator that then planned deficit for FY2017 may be lower.



General government balance, FY2016, % of GDP; Eurostat

LOW GOVERNMENT DEBT

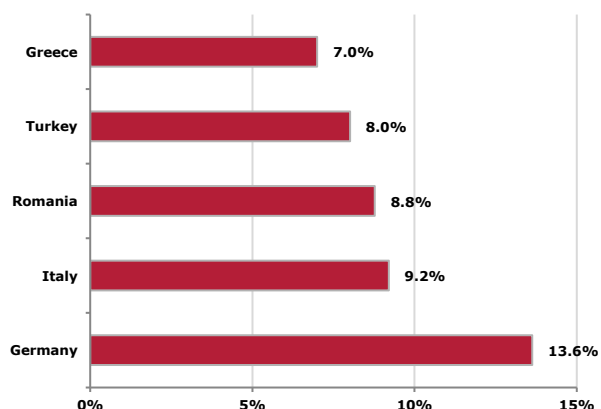
- Since 1999, Bulgaria has managed to reduce the ratio of government debt to GDP from around 80% to below 30%
- Growing economy and tight fiscal discipline contributed to low debt-to-GDP ratio vs EU average
- Bulgaria has the lowest debt-to-GDP ratio in EU after Estonia and is among countries with low debt-servicing costs
- New debt issuance is funding the small budget deficits the government is running to stimulate economic growth and invest in the country's outdated infrastructure



Government gross debt in 2015; % of GDP; Eurostat

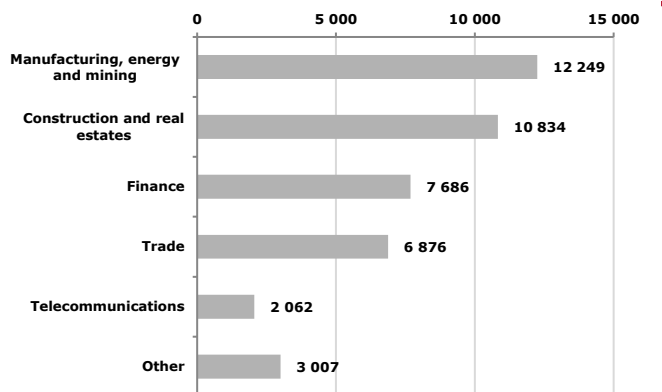
EU – MAJOR TRADING PARTNER

- Bulgaria has close commercial ties with the EU, which accounts for around 60% of exports
- During the last few years there is an increase of the share of exports to countries with higher economic growth potential, such as Germany and Turkey
- There is also a shift of the geographical structure of exports towards third markets, especially in Asia
- Exports to China have nearly tripled for the last five years

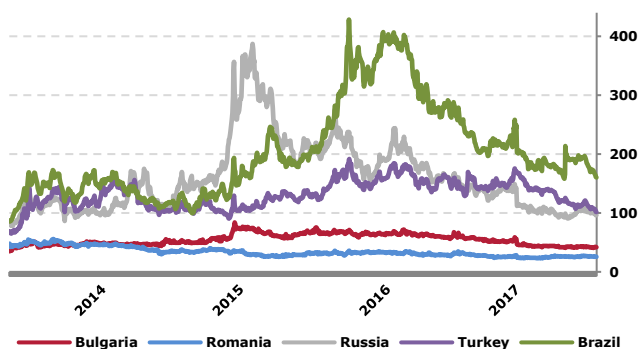


Main export partners in 2016; % of Exports, NSIt

SIGNIFICANT AMOUNT OF FDI IN INDUSTRY



FDI flows by industry, 1996-2014, EUR m



5-year CDS Levels; Bloomberg

- Industry has attracted 1/3 of the total FDIs for the period, as biggest investors are supported through a priority investment scheme
- The freeze of the main tax rates during the crisis ensured a predictable business and investment environment
- Bulgaria has significant advantages and investment potential in Chemistry and related industry; Electrical engineering and electronics; IT; Transport and logistics; Tourism; Food and agriculture; Mechanical engineering
- EU co-funding for Bulgaria for next programming period 2014-2020 amounts to EUR 15.9bn (c. 5% of the forecast GDP for the period)

STABLE CDS LEVEL

- Bulgarian 5-year USD CDS stands at 110 bps in June 2017 – one of the lowest among Frontier/Emerging markets
- It has been permanently below 200 for the last 5 years
- Yields on 10-year BG government bonds have aggressively fallen from 7.5% in 2009 to below 1% as of the end of 2016
- In 2015, Bulgaria placed EUR 3.1bn in 7-, 12- and 20- year notes at 2%, 2.65% and 3.125% yields, respectively. In March 2016, it placed another GMTN issue for a total of EUR 2bn– 7 and 12-year notes at 2.13% and 3.15% average yields, respectively.

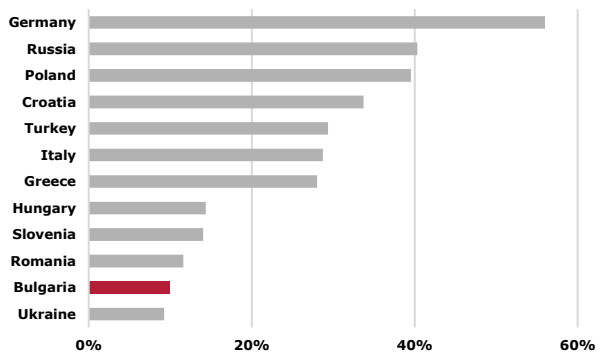
GRADUAL UPGRADING OF THE SOVEREIGN CREDIT RATING

	Moody's	S&P	Fitch	JCRA*	
	Aaa	AAA	AAA	AAA	
	
	Aa1	AA+	AA+	AA+	
	Aa2	AA	AA	AA	
	Aa3	AA-	AA-	AA-	
	A1	A+	A+	A+	
	A2	A	A	A	
	A3	A-	A-	A-	
	Baa1	BBB+	BBB+	BBB+	Dec. 2014 last change
	Baa2	BBB	BBB	BBB	
	Baa3	BBB-	BBB-	BBB-	
	Ba1	BB+	BB+	BB+	
	Ba2	BB	BB	BB	
	Ba3	BB-	BB-	BB-	
	B1	B+	B+	B+	
	B2	B	B	B	
	B3	B-	B-	B-	Dec. 1996
	Caa	CCC+	CCC	CCC	
	
	Caa	D	D	D	

*As of 1 July 2011 the Japan Credit Rating Agency (JCRA) withdrew its rating due to termination of contract relations with Bulgaria

- The stable fiscal position of the country in the last 17 years confirmed the ability of the several governments to meet their deficit targets and maintain public finance stability
- 2014 political and banking instability affected negatively the country's credit rating. Nevertheless, the new government is yet to perform needed reforms to substantiate a credit rating upgrade.
- In 2017, all three US credit rating agencies confirmed their ratings for Bulgaria. Fitch and S&P perspectives from stable to positive citing solid external and fiscal performance, improved credit metrics, steady delivering and exports strength.
- Government Securities (GS) continue to attract interest from local banks, pension funds, insurance companies and guarantee funds

HUGE UPSIDE POTENTIAL OF MARKET CAP TO GDP RATIO



Market capitalization to GDP in 2014, %

- Bulgarian capital market capitalization is 10% of the GDP - significantly below peer markets in the CEE region
- With the forecasted better market performance in next years, new interesting IPOs are expected
- The government is expected to sell its stake in different state companies through the stock exchange

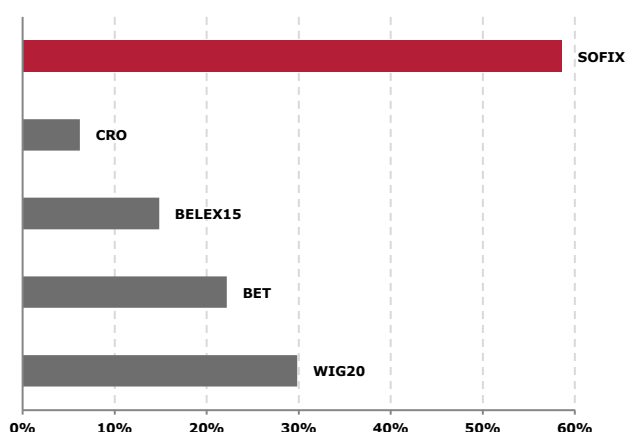
STOCK MARKET INFRASTRUCTURE

Market Operator Custody	Bulgarian Stock Exchange- Sofia Central Depository
Regulator	Financial Supervision Commission
Legislation	Fully EU/MIFID Harmonized
Trading platform	XETRA (provided by Deutsche Boerse)
Bulgarian stock exchange shareholder structure	Government owns 50% (expected privatization in the coming years)
Corporate governance	National code since 2007, National commission since 2009, Corporate Governance Index (CGIX) since 2011

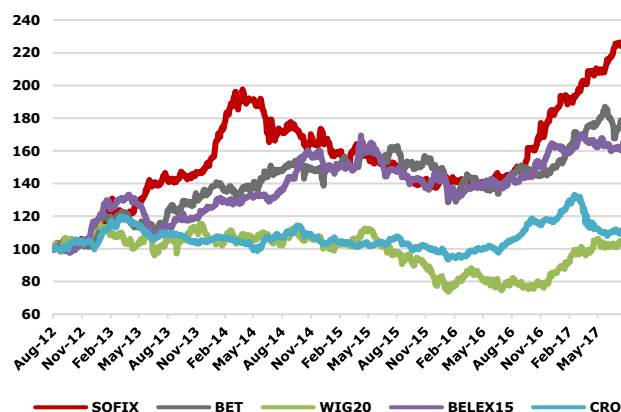
STOCK MARKET SNAPSHOT

Market Capitalization	EUR 4.9 bln.
Market Capitalization/GDP	10%
Main Index	SOFIX
Total 2016 turnover	EUR 212 m.
Average daily turnover (2016)	EUR 865 k.
Top 10 Average free float	33%
SOFIX P/E	11.59
SOFIX P/B	0.81

SOFIX BEST PERFORMER IN CEE FOR THE LAST 12M...



... AS WELL AS OVER THE LAST 5 YEARS



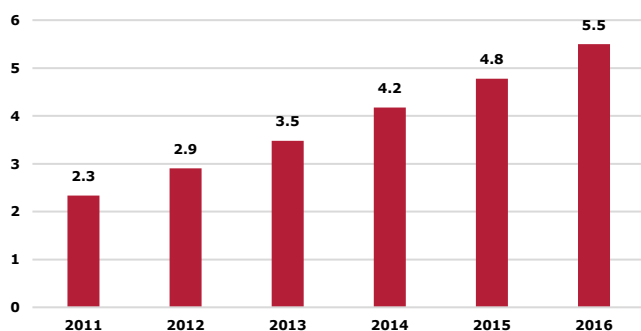
Source: Bloomberg

RECENT MARKET PERFORMANCE

- Bulgarian market has outperformed its regional peers YTD and over the last 5 years three key factors: increased local demand both from retail and institutional investors, the inception of the first SOFIX ETF and the attractive market valuation
- Yet, the market has significant long term potential for catching up with global markets' recovery

- In 2009, Bulgarian market dropped by 87% from its 2007 peaks. Currently it has only recovered around 30% from the peak despite almost tripling in value since 2009. Yet, most of the developed markets surpassed their 2007 peaks
- The stable growth potential is also backed by a considerable fundamentals improvement as the Bulgarian economy sustains 3%+ y/y real growth and corporates book double digit improvement in profits as well as on local savings yield search spree on zero interest rate environment

Net Assets, all funds, in EUR bn



Pension funds AUM, EUR bn, FSC

BULGARIAN PENSION FUNDS ASSETS DOUBLED IN FIVE YEARS

- Assets under management of the local pension funds more than doubled over the last five years to EUR 5.5 bn at the end of 2016
- Pension fund assets exceed the Bulgarian stock exchange total market capitalization since 2015
- 16% of the pension funds' assets are in equities and approx. 50% are in government and government guaranteed debt at the end of 2015

ATTRACTIVE MULTIPLES POSITION VS THE REGION AND THE WORLD

INDICE	COUNTRY	P/E*	P/B*
SOFIX	Bulgaria	11.96	0.81
MSCI FM CEE+CIS	World	9.86	1
BET	Romania	10.8	0.91
CROBEX	Croatia	16.02	0.99
WIG 20	Poland	17.64	1.33
ASE	Greece	18.09	0.69
DAX	Germany	18.68	1.8
S&P500	USA	20.95	3.07

*As of 2Q 2017; Source: Bloomberg

TOP 5 COMPANIES BY MARKET CAP, (2Q17, in EUR m)

Company Name (Ticker)	Market Cap
Sopharma (3JR)	312
First Investment Bank (5F4)	305
CEZ Distribution Bulgaria (3CZ)	258
Tchaikapharma (7TH)	245
Monbat (5MB)	236

TOP 5 MOST TRADED STOCKS IN 2Q17 (in EUR m).

Company Name (Ticker)	Turnover
Chimimport (6C4)	7.1
Sopharma (3JR)	5.8
Eurohold Bulgaria (4EH)	4.1
Advanc Terrafund REIT (6A6)	4.0
Doverie United Holding (5DOV)	5.2

HIGHEST DIVIDEND PAYERS ON THE MARKET

#	COMPANY	TICKER	DIVIDEND YIELD*					5 YEAR AVERAGE
			2012	2013	2014	2015	2016	
1	Bulgartabac Holding	57B	8.93%	-	9.04%	-	13.69%	6.33%
2	CEZ Distribution Bulgaria	3CZ	-	14.39%	-	-	9.62%	4.80%
3	Advance Terrafund REIT	6A6	18.95%	14.22%	12.24%	4.90%	7.71%	11.60%
4	Agrofinance REIT	6AG	2.44%	3.23%	2.99%	6.15%	6.53%	4.27%
5	Elana Agrocredit	0EA	-	-	5.92%	4.28%	5.48%	3.14%
6	Chimimport*	6C4P	10.63%	8.16%	9.89%	15.25%	5.32%	9.85%
7	Oil and Gas Exploration and Produc-	4O1	-	9.57%	7.66%	4.13%	4.42%	5.15%
8	Sopharma Properties REIT	6S6	15.36%	7.03%	6.64%	6.00%	4.36%	7.88%
9	Sopharma Trading	SO5	7.69%	4.51%	4.91%	5.26%	3.45%	5.16%
10	Hydraulic Elements and Systems	4HE	3.01%	1.98%	4.65%	5.97%	3.33%	3.79%
11	Bulgarian Real Estate Fund REIT	5BU	10.64%	4.05%	-	4.27%	3.28%	4.45%
12	M+S Hydraulic	5MH	6.47%	3.47%	4.11%	4.32%	3.27%	4.33%
13	Chimimport	6C4	-	-	-	-	3.12%	1.33%
14	Korado	4KX	-	-	4.00%	3.60%	2.92%	2.10%
15	Speedy	0SP	5.58%	4.00%	3.23%	3.10%	2.83%	3.75%
16	Stara Planina Hold	5SR	0.58%	1.15%	2.39%	5.15%	2.70%	2.39%
17	Monbat	5MB	-	2.59%	1.83%	3.83%	2.64%	2.81%
18	Sopharma	3JR	2.24%	1.64%	-	2.61%	2.50%	1.80%
19	Alcomet	6AM	0.66%	0.52%	0.71%	1.20%	2.50%	1.12%
20	Neochim	3NB	1.14%	-	-	1.51%	2.33%	1.00%

*Preferred stock

** Data as of June 15th 2017

Source: Bulgarian Stock Exchange

Now you know **Why Bulgaria**, find us at:



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