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European Regional
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NATIONAL
STRATEGIC
REFERENCE FRAMEWORK
2007 – 2013



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



Project "Promoting the advantages of investing in Bulgaria"
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MACHINE BUILDING IN BULGARIA



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Products, manufactured in Bulgaria



➤ **Engine heads**



Montupet is a main supplier of the engine heads for the Audi brand. The company produced 156 200 engine heads in 2010



➤ **Seat systems for transport vehicles**



Grammer produces seats for tractors, construction equipment, buses, forklift trucks, as well as parts and systems for the automobile interior



➤ **Hydraulic and orbital motors**



M + S Hydraulic is sixth in the world in production of hydraulic motors, which are used in agricultural industry and transport



➤ **Wire rope hoists**



Podemcrane – legal successor of Podem AD is the biggest producer of wire rope hoists in Central and Eastern Europe. Historically, the company has sold more than 1 900 000 units of lifting equipment in 40 countries all over the world

Products, manufactured in Bulgaria

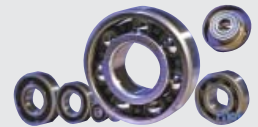
➤ Hydraulic and vacuum pumps

- One of the biggest producers of hydraulic pumps in the world, whose second largest factory is located in Bulgaria
- Produces hydraulic pumps for Mercedes and BMW



➤ Bearings

SKF produces bearings for Europe, America and Asia, with main clients: Mercedes, BMW, Volkswagen, Ford, Renault, Peugeot, etc.



➤ Production of automobiles

The first and the only factory for assembling Chinese automobiles



➤ Aircraft repair

- The only repair facility of Lufthansa Technik in Eastern Europe
- Lufthansa Technik Sofia manages to conduct the quickest D1 checks of Airbus A320 among the whole group of 31 companies and joint enterprises within only 16 days



Bulgaria offers unique opportunities for Machine building

- Established traditions and experience in the sector
- Steady growth between 2000 and the years of crisis
- Qualified work force at affordable price
- Availability of experienced engineers
- More than 50 000 people, working in the sector
- Export oriented sector
- Appropriate infrastructure for the needs of the manufacturing industry
- Easy access to the markets of EU, Russia/CIS and the Middle East
- Proximity to the automobile clusters of Central and Eastern Europe
- Networks of technical universities and colleges
- Big diversity of international and local companies in the machine building sector, which are successfully operating in Bulgaria
- The producers of components are active in producing high precision and endurance components for various European customers



The best of Bulgaria as a place for business development is the highly qualified work force, the young people's potential, and the good business climate in the country.

Iliya Terziev - Executive Director of Litex Motors

The reasons to invest in Bulgaria?

- Political and financial stability – the Bulgarian lev is fixed to the euro
- Administrative and governmental support upon investment
- Proximity to the clients
- Availability of appropriate terrains
- Low taxes and low work force price
- Acceptance of the importance of the industry on the part of the Bulgarian government

Michael Brison

Executive Director of Montupet

What distinguishes Bulgaria as an investment destination than other countries?

There is a very positive business climate, which can be further improved with a better support from the authorities and the people's strong will to learn and progress.

Philippe Peroz

Managing Director at SKF Bearings Bulgaria



Bulgaria is still among the main producers of universal lathes in the world.

The sector has developed on the basis of an ecosystem of multinational and local firms...

- A number of large international companies from the machine building sector have discovered Bulgaria as the best destination for their business in Eastern Europe - SKF, Montupet, IXETIC, Palfinger, Festo, Se Bordnetze, Yazaki, Lufthansa, Grammer, Witte and many others
- Many successful Bulgarian owned companies operate in the sector, offering competitive products worldwide - ZMM Sliven, Arsenal, M+S Hydraulic, Hydraulic Elements and Systems, Podemcrane, Sparky, Litex Motors, Bulyard, Shipyard Rousse, Madara and many others
- The combination of local and multinational companies is creating a unique environment where productivity, ingenuity and innovation in manufacturing are thriving



... supported by quality and affordable HR resources...

- Bulgaria offers a qualified and experienced workforce for the needs of the machine building sector – from assembly workers to highly qualified engineers
- More than 50 000 enrolled university students are potentially suitable for the industry
- Workforce in the industry is available all over the country at the most competitive cost in Europe
- Bulgarian technical high schools and universities are working together with the companies in the sector to create a qualified workforce
- Many Bulgarian students attend prestigious technical universities in Western Europe, USA and all over the world

... and available physical infrastructure...

- Bulgaria is crossed by five major Trans European corridors, providing easy access to regional and European markets
- Two of the largest ports at the Black Sea, Varna and Burgas are located in Bulgaria, both connected to the trans-European corridor VIII, which links the Adriatic and the Black Sea
- There are 12 functioning industrial zones and 26 more under development, all of them suitable for manufacturing companies
- Infrastructure development is a priority for the Bulgarian government



Why Bulgaria?


Experience – Long aviation history in Bulgaria

Location – Bulgaria is a very attractive location

Competitiveness – It strengthens LHTs presence in Central/Southern Europe

Hospitality – We feel that we are welcomed!

Lufthansa Technik AG - Bulgaria



The production of forklift trucks in Bulgaria is a leading sector, ever since the country has become specialized in it as a member of the former economic union, COMECON. Three decades ago, the Bulgarian producers generates 20% of the world production with an annual production of more than 80 000 forklift trucks, thus the holding company at that time Balkancar Holding was among the three biggest suppliers of engine driven and electric driven forklift trucks in the world – together with the American company Clark and Japanese company Toyota.

...specialized government incentives and EU funding...

- Manufacturing sectors, including Machine Building sector, are supported by the Investment Promotion Act (IPA)
- Lowest possible costs for the acquisition of government and municipal land plus waived taxes for land status changes
- Financial grant scheme for up to 10% of the investment project cost (50% for R&D)
- More than €8 bn EU funds are set aside for Bulgaria up until 2020



“The advantages of Bulgaria are: EU union member, stable currency, stable government and safe of the properties.

Grammer Bulgaria”



Bulgaria enjoys macroeconomic stability in the current challenging times.



OVERVIEW OF BULGARIA

Bulgaria has experienced rapid economic growth over the last years coupled with strong fiscal performance:



- South-East Europe – a 122 million inhabitant, high growth market
- European Union - Bulgaria offers the lowest cost access to a market of 500 million people
- Russia/CIS, Middle East and North Africa

Bulgaria offers a combination of political and macroeconomic stability and incentives for doing business:

- Stable parliamentary democracy, EU, NATO and WTO member
- Bulgaria's currency is fixed to the Euro under a currency board arrangement
- Lowest tax rate and one of the lowest labour costs in the EU coupled with special incentives for investors
- EU funding – more than €10 bln in EU funds over the next years

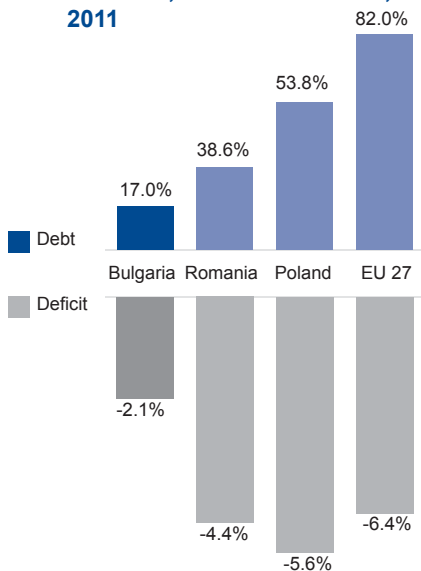
Bulgaria: Summary Statistics	
Population:	7.4 million
Labour force:	4.6 million
Urban Population:	73%
Capital:	Sofia
Time zone:	EET (UTC+2)
Summer (DST):	EEST (UTC+3)
Total area:	110 879 sq. km
Land area:	108 489 sq. km
Water area:	2 390 sq. km
Climate:	temperate
Languages:	
Bulgarian (official)	85.2%
Turkish	9.1%
Roma	4.2%
English, German, Russian, French:	widely spoken
Religions:	
Christian Orthodox	76%
Muslim	10%
Other	14%
Currency:	Lev (BGN)
Fixed exchange rate:	€1 = BGN 1.95583
Corporate income tax:	10%
Personal income tax:	10%
VAT (standard):	20%
Government type:	Parliamentary Democracy
Supreme legislative power:	Unicameral 240-seat National Assembly
Executive state body:	Council of Ministers, head: Prime Minister
EU member since 2007 NATO member since 2004 WTO member since 1996	

Bulgaria has exemplary macroeconomic fundamentals

2011 Economic Snapshot:	
GDP (€ bn):	38.5
Exports (€ bn):	25.6
Net FDI* (% of GDP):	3.5
GDP growth (%):	1.7
Unemployment (%):	10.4
Inflation rate (annual change, %):	3.4
Government deficit (% of GDP):	2.1
Government debt (% of GDP):	17.0
Current account balance (% of GDP):	0.9
Long-term credit ratings:	
Moody's:	Baa2 stable
S&P:	BBB stable
Fitch:	BBB stable

Source: Bulgarian National Bank, Eurostat, sovereign rating companies' websites

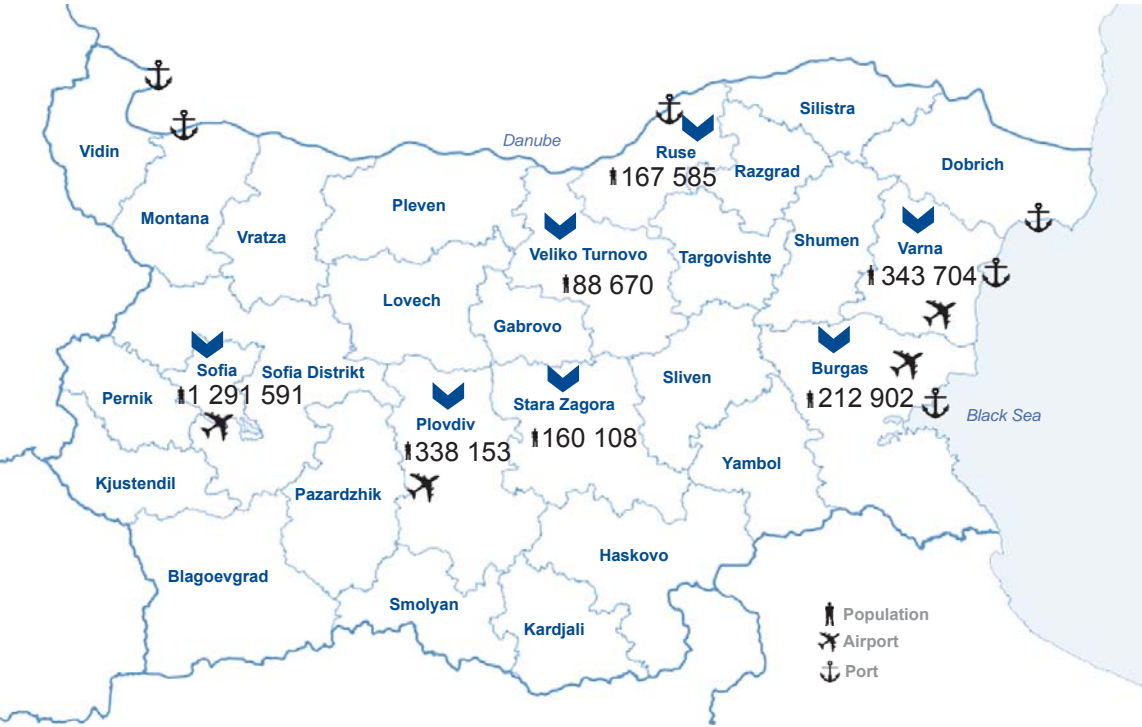
Government debt and government deficit in Bulgaria, Romania, Poland and EU 27, 2011



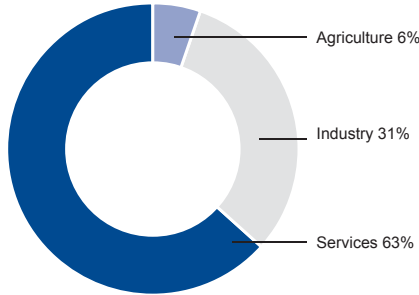
- The Bulgarian economy had a constant growth of above 6% in the period 2000-2008
- The economy stabilized in 2011 with GDP growth of 1.7% for 2011, which is forecasted to recover to 2.8% in 2012
- The budget deficit in Bulgaria is one of the lowest in Europe for 2011 - 2.1%
- There are no currency fluctuations due to a currency board, introduced in 1997 – the Bulgarian Lev is pegged at 1.95583 to the Euro
- Bulgaria has the second lowest government debt to GDP ratio in the EU27 in 2011



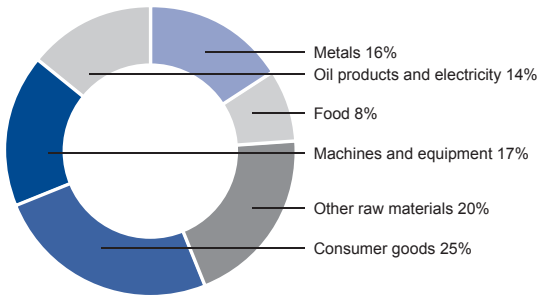
Bulgaria is the only European country with an increased credit rating by Moody's since the beginning of 2010.



GDP Breakdown 2011



Exports Breakdown



Bulgaria offers a unique lifestyle experience within easy reach of Sofia...



...vibrant cities with many art galleries, festivals, concerts, museums



...emerging world-class golf courses

...beautiful coastline with white and golden sand beaches

...numerous spa resorts

...ski resorts including the 2012 World Cup host town of Bansko



...hiking and adventure sports in the beautiful Rila, Pirin, Rhodopes and Balkan mountains

...fine cuisine and boutique wineries



Bulgaria is an attractive destination even for outsourcing of Hollywood productions starring actors such as Arnold Schwarzenegger, Sylvester Stallone, Bruce Willis, Chuck Norris, Scarlett Johansson.

... and boasts some of Europe's greatest historical treasures

...Thracian and Roman ruins and artifacts



...Medieval fortresses and artifacts from the time of the First and Second Bulgarian Kingdoms

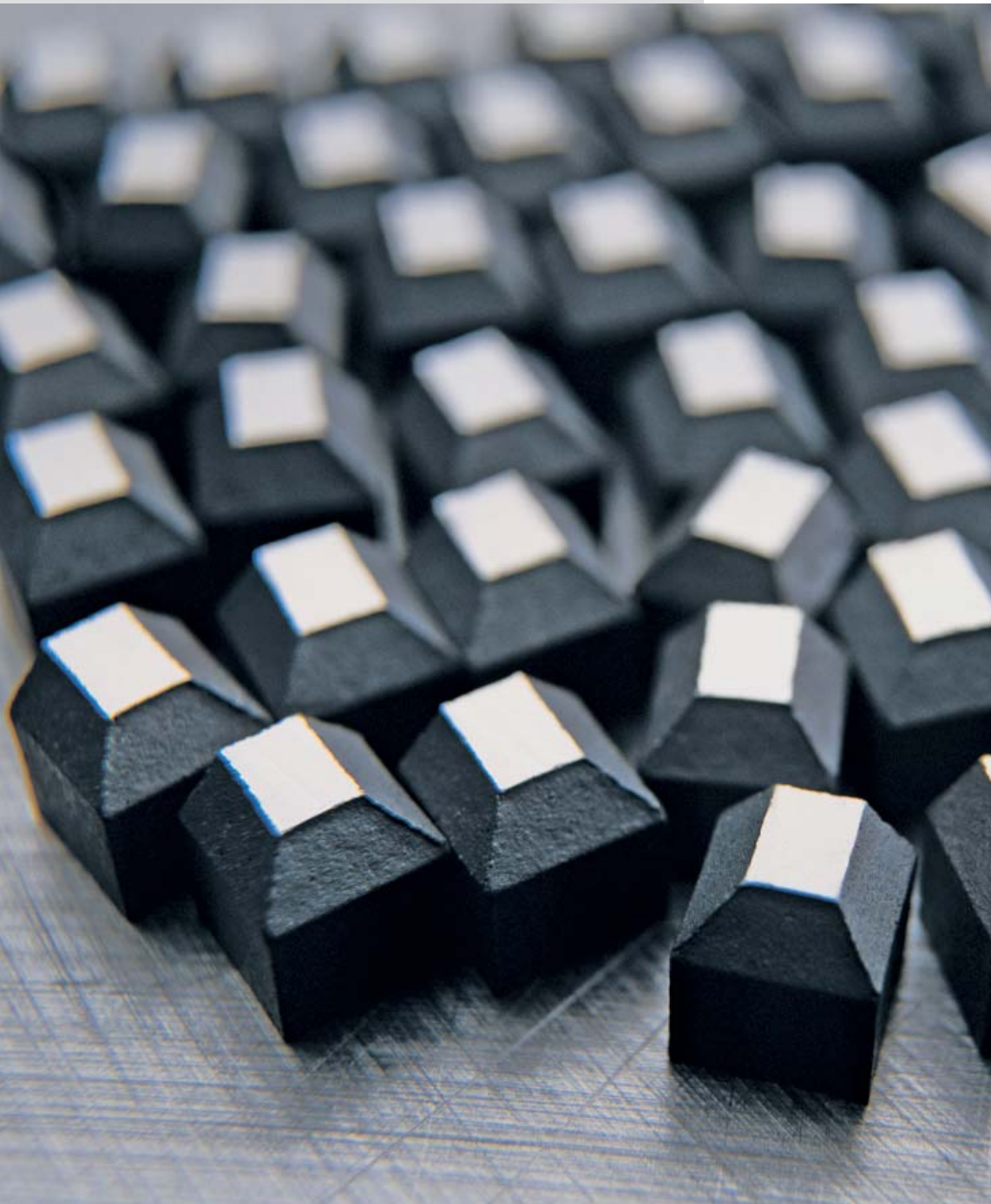


...monasteries and temples dating back as far as 4th century AD

...picturesque villages from the period of the Bulgarian National Revival



Sofia is among the oldest capital cities in Europe and the only city besides Jerusalem with an Orthodox church, a Catholic cathedral, a mosque and a synagogue within a square kilometer.



SECTOR OVERVIEW



- **Brief History**
- **Current Situation**
- **Human Resources**
- **Cost in Bulgaria**
- **Basic Infrastructure**



1878 -1960 Basic Development

1878
Arsenal (military products) was founded in 1878 in the town of Ruse as first factory meant to serve the newly created Bulgarian Army.



1881
Shipyard Ruse was found.



1907
Foundation of the company for production of agricultural machines in Ruse.



1924
Bodyshell workshop in Botevgrad has produced the first bus.



1925
were created two aircraft plants in Bozhurishte and Kazanlak.



1936
In 1936 in Sofia, started production of the first Bulgarian trams.



1948-1958
Beginning of construction of manufacturing plants for transportation machinery and investment equipment.



1941
The technical school in Sofia is established to become later the biggest Technical university in Bulgaria.





**1960 -1989
Golden Age**

1957
Beginning of production of forklift trucks in Sofia.

1969
In Plovdiv began assembling the cars Renault 8 and Renault 10.

1987
The production of industrial forklifts reached about 89 000 units, which represented more than 20% of the world production.



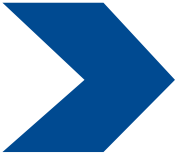
1958
In Shumen starts production of heavy duty vehicles.

1974
In Botevgrad begins mass production of buses "Chavdar".

1979
The Heavy Machine building Plant - Radomir (district of Sofia) is put into operation.

1970-1989
There are 730 factories and 430 000 employed. The leading role of machine building contributed for 30% of the total country manufacture in the late 80's.





1990-1999 Transition



1999
Liebherr (Germany) started production in Bulgaria near Plovdiv.



2006
Montupet enter in Bulgaria with its factory in Ruse.



1995-1996
Assembling of Rover in Varna.

2006
Four ship building companies are operating in Bulgaria, two in Varna, in Ruse and Burgas.

2007
The Austrian group Palfinger opens new plant in Tenevo for production of cylinders and hydraulic components.





2000 – today Cluster Inception

2008

German companies IXETIC and Witte Automotive opened their plants in Rakovski Industrial Zone and respectively in Ruse for production of automotive components.

2008

Yazaki established its first factory in Yambol.

2012

Start of the production in car manufacturing plant established by Litex Motors Corporation in cooperation with the Chinese Great Wall Motor Co.



2008

German company Lufthansa Technik opened maintenance facility for repair and overhaul of aircrafts like Airbus A320 family and the Boeing 737 series.

2010

Again there is a certain revival of production and the number of employees in the sector is estimated at about 115 000.

2010-2011

There is strong export growth in the sector.



Current situation

The sector is expected to grow significantly in the next years. Currently, the industry employs more than 50 000 people, generates revenues of € 1.03 bn and is closely related with other industries like electronics and electrical engineering. Important trend in the industry is relocation of some manufacturing activities (both equipment and assembly) from developed countries to low-cost countries.

Main Subsectors

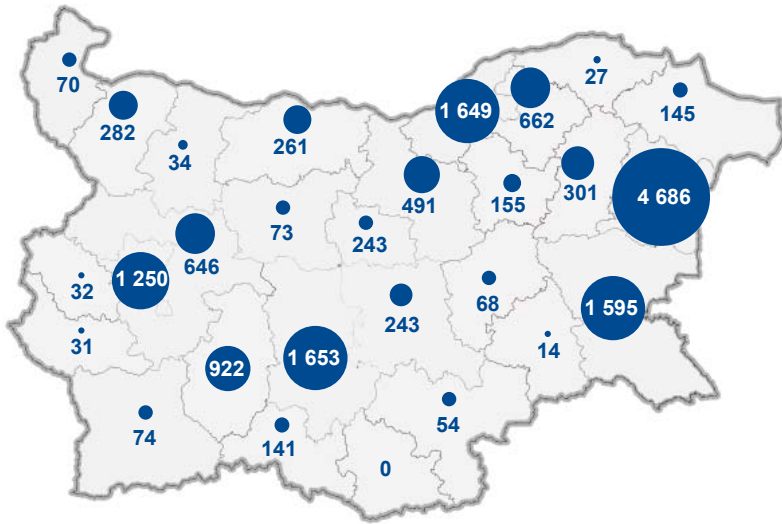
- Heavy machine building
- Metal-cutting and metal-processing machines
- Hydraulic elements and systems
- Material handling machinery
- Agriculture machinery
- Vehicle production and spare parts
- Ship building and repair
- Military equipment



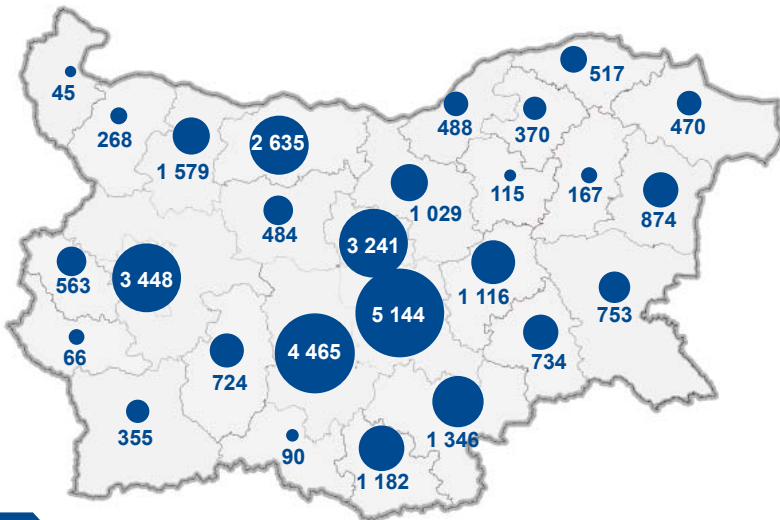
Size of Machine Building sector

	Size	% of manufacturing
Revenues (€ 'M)	1 032	8.7
Employees	50 301	7.7
Firms	1 558	7.3

Concentration of the Transport Equipment sector in Bulgaria in terms of employees



Concentration of the Machinery and Equipment sector in Bulgaria in terms of employees



FDI growth in the sector is 134 % in 2010 compared to 2007. An average annual FDI volume in the last 5 years is around EUR 65 mln.



Metal-cutting and metal-processing machines

Company	Revenues BGN mln	Number of employees	Manufacturing Activity
Remotex Radnevo SPJSC - Radnevo	24	786	Machinery for mining, quarrying and construction
ZMM Sliven JSC - Sliven	8.6	323	Metal processing machines
Chimmash-98 JSC - Haskovo	n.a.	174	Machines for chemical industry

Military equipment

Company	Revenues BGN mln	Number of employees	Manufacturing Activity
Arcus JSC - Lyaskovetz	68	1 957	Weapons and ammunition
Vazov Machine Works SPJSC - Sopot	60	3 526	Weapons and ammunition
Arsenal JSC - Kazanluk	29	7 225	Weapons and ammunition



Hydraulic elements and systems and Material handling equipment

Company	Revenues BGN mln	Number of employees	Manufacturing Activity
Ideal Standart Vidima JSC - Sevlievo	286	1 918	taps and valves
Ixetic SPLTD - Stryama	122	204	vacuum pumps and compressors
M+S Hydraulic JSC - Kazanluk	63	920	Manufacture of pumps and compressors
Palfinger Produktionstechnik Bulgarien SPLTD - Tcherven bryag	57	785	lifting and handling equipment
Hydraulic Elements and Systems JSC - Yambol	40	565	pumps, compressors and hydraulic cylinders
Sparky-Eltos JSC - Lovetch	30	784	machine-tools
Caproni JSC - Kazanluk	25	754	pumps and compressors
Vap Hydro SPLTD - Pleven	12	431	engines and turbines
Podemcrane JSC - Gabrovo	12	192	lifting and handling equipment
Balkankar Record JSC - Plovdiv	9	154	lifting and handling equipment



Ship building and repair

Company	Revenues BGN mln	Number of employees	Manufacturing Activity
Bulyard Ship-building Industry SPJSC - Varna	87	552	Building and repairing of ships
Shipyards Rousse JSC - Rousse	31	451	Building and repairing of ships
Odessos Shiprepair Yard S.A. JSC - Varna	30	903	Building and repairing of ships
Terem KRZ Fleet Arsenal Varna SPLTD - Varna	20	652	Building and repairing of ships
Bourgas Shipyards JSC - Bourgas	3.1	166	Building and repairing of ships



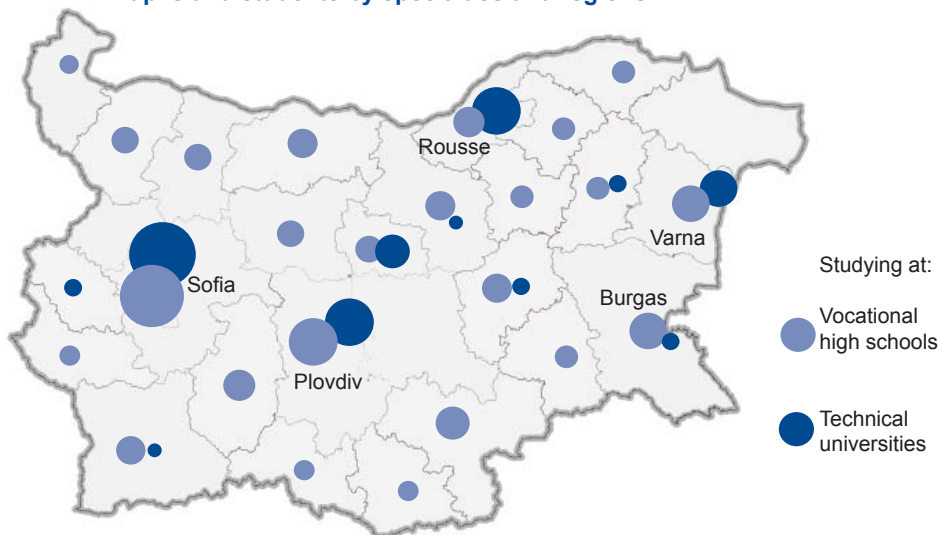
Transport equipment

Company	Revenues BGN mln	Number of employees	Manufacturing Activity
Se Bordnetze Bulgaria SPLTD - Karnobat	154	2 081	Parts and accessories for motor vehicles and their engines
Yazaki Bulgaria SPLTD - Yambol	131	3 400	Electronics, wire and wiring harnesses
SKF Bearings Bulgaria SPJSC - Sofia	52	1 535	Bearings, gears, gearing and driving elements
Transwagon JSC - Bourgas	51	625	Railway and tramway locomotives
Lufthansa Technik Sofia Ltd.	50	472	Repair and maintenance of aircraft
Madara JSC - Shoumen	47	259	Motor vehicles
Grammer JSC - Trudovetz	44	610	Parts and accessories for motor vehicles and their engines
Teklas Bulgaria JSC - Kurdzhali	30	301	Parts and accessories for motor vehicles and their engines
Cross LTD - Montana	29	252	Bicycles
Montupet SPLTD - Rousse	14	365	Engine heads
Drouzhba JSC - Razgrad	5.6	292	Parts and accessories for motor vehicles and their engines
Velomania SPLTD - Sofia	3.5	46	Bicycles
Litex Motors JSC - Sofia	n.a.	2 000*	Automobiles
Witte Automotive Bulgaria SPLTD - Rousse	n.a.	130	Parts and accessories for motor vehicles and their engines



The Technical High Schools and Technical Universities are located all over the country...

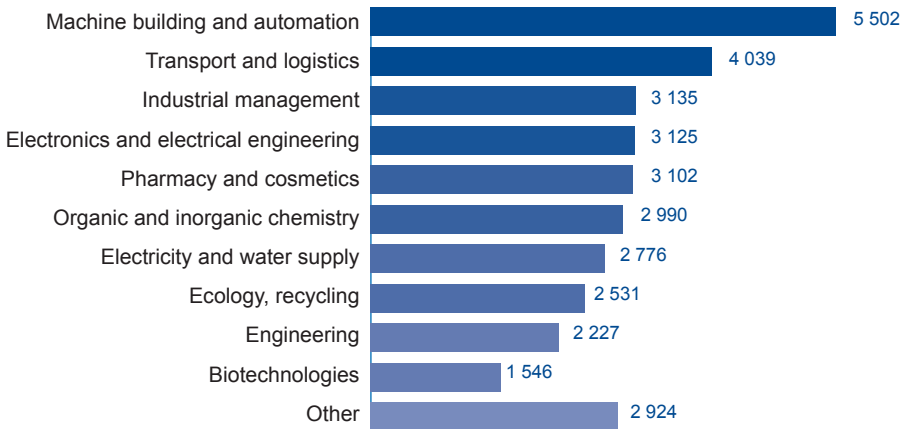
Pupils and students by specialties and regions



- Five technical universities are located in the cities Sofia, Plovdiv, Burgas, Ruse and Varna
- 11% of the students are enrolled in specialties, which are appropriate for the needs of the chemical and related to it industries
- 34% of the pupils in the vocational high schools study related specialties
- 43% of the pupils in the vocational high schools in the sector are concentrated in the cities Sofia, Plovdiv, Burgas, Varna and Stara Zagora
- Many of the universities maintain connections with companies in the branch, while the companies are offering internship programs, training courses and stipends for young specialists

...and train students in a wide range of related specialties.

Number of students at accredited universities in the academic year 2010/2011

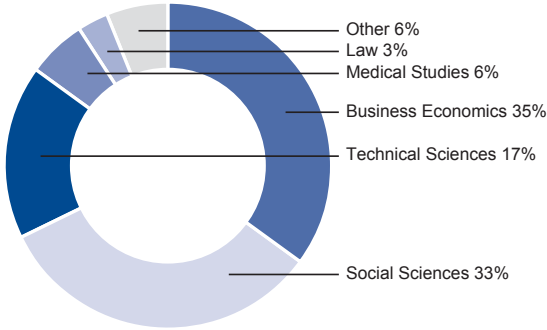


More than 59 000 pupils in related specialties in the vocational high schools

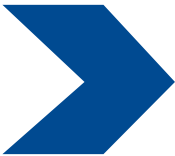
Electronics and electrical engineering	31 200 pupils
Chemical production	2 460 pupils
Machine building and transport equipment	15 100 pupils
Other related specialties	10 000 pupils

Bulgarian educational system is particularly well suited for the needs machine building sector

2011 University and college graduates by field of study, (%)



Bulgaria have increased the number of students in bachelor and masters degree from 215 000 to 285 000 (2006 - 2011)



17% of the graduates are potentially suitable for the industry

case study

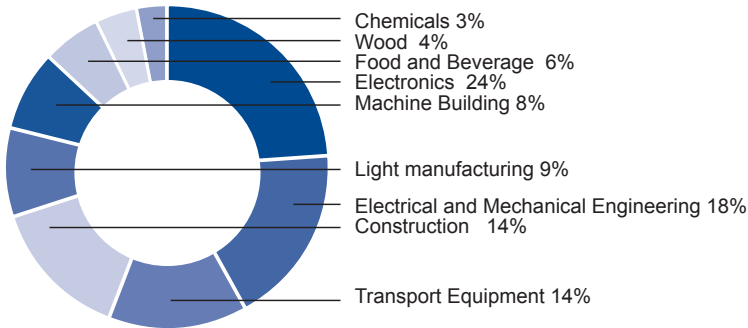
Technical University of Sofia is the biggest technical institute for higher education with 8 000 students. They have the opportunity to graduate in specialties taught through three languages – French, German and English. The engineers, who have graduated the university, are 90 000. There is no enterprise or plant in Bulgaria, where the graduates of the Technical University of Sofia are not working.



There is a positive trend in the number of university students in Bulgaria. The amount of economic active population in Bulgaria (15-64) with university education has increased in the period 2005 – 2009.

The vocational schools offer a rich diversity of production specialties, which are appropriate for the sector.

Students in professional schools in manufacturing specialties (% of total)



Total students in professional schools - 157 251



About 57000 are the students in Bulgaria for 2010/2011 that study transport, machine, electrical and other relevant technologies in 22 universities and colleges in the country.

Bulgarian University students design their first electric car



A team of students from the Technical University - Sofia (TU) designed the first Bulgarian student's electric vehicle and won a contest organized by Shell Bulgaria and FullCharger Bulgaria.



Electric vehicle of TU-Sofia will weigh around 120-125 kg and will develop a speed of 30-40 kilometers per hour. Battery power with 600-700 W will power electric motor that weighs only 1.3 kg and is the size of a human fist, said the captain of the team Blagoy Bourdin.

Two more universities projects took part in the contest – of Technical University - Varna and the branch of the Technical University-Sofia in Plovdiv A High School team also participated– a team from the vocational school in Chepelare.



The winners will represent Bulgaria in the international contest for fuel economy in the Netherlands.

Robopartans – School of Robotics

A group of young Bulgarian enthusiasts interested in Electronics and robotics have started an ambitious and interesting project – School of robotics “Robopartans”.

The aim of the school is to provoke and strengthen the interest of children of all ages and students in electronics, mathematics and technical sciences as a whole.

In the School, students are empowered to play, think, make mistakes, create and be original and at the same time develop knowledge and experience in technical sciences.

Using robots in the education process provides a lot of advantages. Students construct and program robots, which helps them acquire the knowledge faster using real objects than using formulas and abstract notions.

The mentors of the children are young professionals, some of them still students, others in the early stage of their professional career in technologies and electronics.

The Robopartans won Empower Award 2010 for Young Entrepreneurial Excellence and Special Awards Forbes 2011 2010, Special awards Forbes 2011.





Sofia University "St. Kliment Ohridski"

- 25 000 students
- Specialties: Electronics and Machine Building, Computing and computer science, etc.
- Many of the business and technical specialties are taught in English, French or German
- Programs for dual graduate certificates with Paris-Sorbonne, Bordeaux IV, City University Seattle



Technical University of Sofia

- 22 654 students
- Departments in automation, machine and equipment, transport equipment, electronics and electrical engineering, machine building, engineering, etc.
- Single representative of BEST for Bulgaria. BEST unites students from 67 technical universities from 27 states in Europe, conducting engineering competitions and trainings
- Branches in Plovdiv, Varna, Gabrovo



University of Chemical Technology and Metallurgy

- 4 000 students
- Accredited specialties by the European Federation of National Engineering Associations /FEANI/
- Studied: Automation and Information Technologies, Industrial Management, Engineering Ecology, etc.
- Cooperation with universities such as: Queen Mary University – London, Technical University of Hamburg – Hamburg, National Polytechnic Institute of Toulouse, etc.



University of Plovdiv "Paisii Hilendarski"

- 16 500 students
- Faculty of Chemistry, Biology, Physics, Mathematics and Informatics, etc.
- Independent R&D unit in the field of: Microbiology and Biotechnologies, Research on the utilization of natural raw materials, environmental protection, synthesis of new organic and inorganic substances, etc.

University of Food Technologies - Plovdiv

- 4 025 students
- Specialties: Technical Mechanics and Machine Science, Machines and Apparatuses for FPI, Automation, Information and Control Equipment, Electrical Engineering and Electronics, etc.
- Organizer of international scientific conferences



University “Prof. Dr. Assen Zlatarov” - Burgas

- 4 800 students
- Specialties: Mechanical and Instrumentation Engineering, Electrical Engineering and Electronics, Transport Equipment and Technologies, etc.
- Established active connections with institutes and universities from England, France, Germany, Russia, etc.



University of Ruse “Angel Kanchev”

- 8 500 students
 - Special partnership program with the Cornell University
 - Specialties: Machine Tools and Equipment, Transport Equipment, Electrical Engineering, Electronics and Automation, etc.
- Among the 18 universities from Central Europe, that have achieved best results in the restructuring of the higher education, selected by the European TEMPUS commission

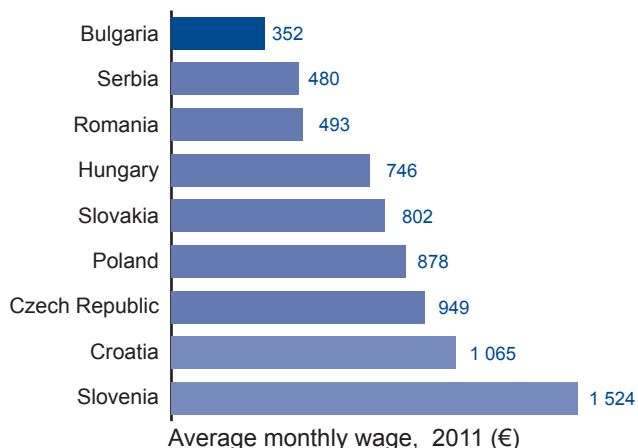


Higher School of Transport “Todor Kableshkov”

- 2 200 students
- Specialties: Transport Technology and Management, Railway Equipment, Automobile Equipment, Transport Construction, etc.
- Cooperation with more than 30 international universities in the transport equipment and machine building fields



Country average wage comparison

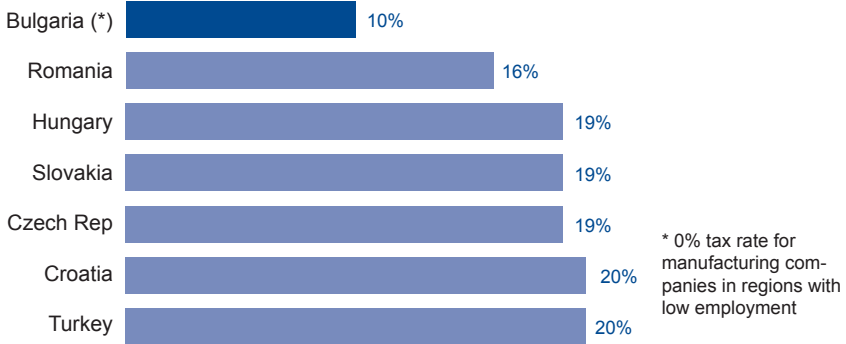


Most competitive cost of labor in Central / Eastern Europe

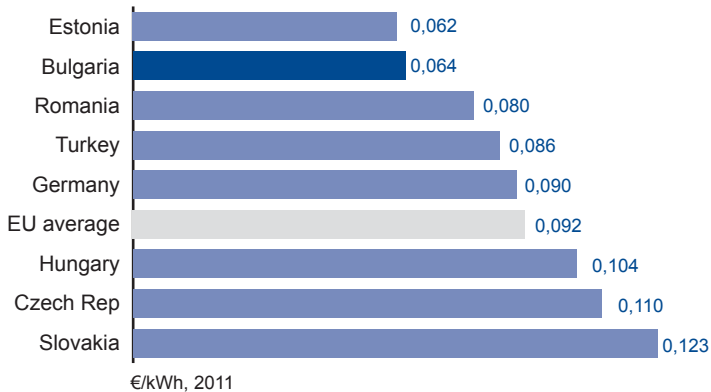
Average salaries in Bulgaria for the sector, 2010 (€)

Production	Total	Managers	Analytical specialists	Technicians	Administrative staff
Hydraulic pumps, hydraulic and pneumatic motors	367	631	466	389	329
Machines for the agriculture and forestry	246	464	341	253	231
Industrial refrigeration and ventilation equipment	251	549	360	377	227
Machines and equipment for food processing, beverages and tobacco	267	578	336	255	209
Vessels	323	618	418	375	260
Lifting machines	292	522	339	323	273
Fittings	494	809	629	513	332
Electronic and electrical engineering parts and devices for automobiles	282	805	616	411	350
Other parts and accessories for automobiles	413	710	623	462	433
Bearings, transmissions and clutches	288	530	364	302	229

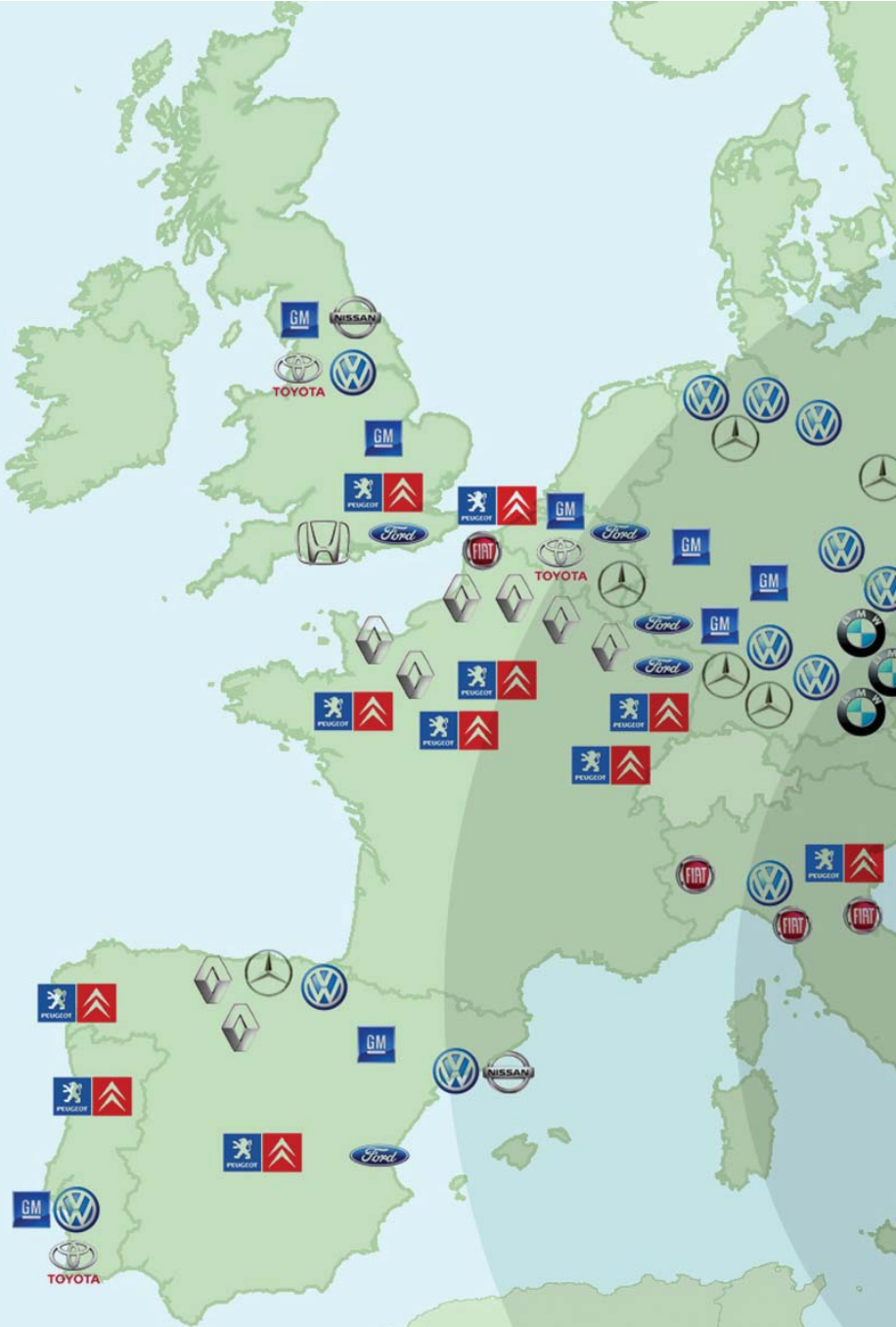
Lowest corporate income tax rate in Central / Eastern Europe



Bulgarian cost of electricity for industrial users is 70% of the European average



Europe cluster map in automotive industry



Operating costs

With its strategic position in the heart of South-eastern Europe Bulgaria opens for you the doors to three continents.



Bulgaria is strategically located in region, which has constant economic growth



The geographical position of the country provides a strategic connection between Europe and Asia

- Bulgaria is located at the cross-roads of Europe and Asia
- Bulgaria is in the middle of the high growth market of South East Europe
- Bulgaria is a suitable export base for serving the region, the EU, Russia and CIS, and Middle East and Africa

Bulgaria has infrastructure well suited for the needs of the manufacturing industries



A network of eight motorways connects Bulgaria to Western Europe, Russia, Asia Minor, and the Black Sea – E79, E83, E871, E772, E70, E773, E87 and E85



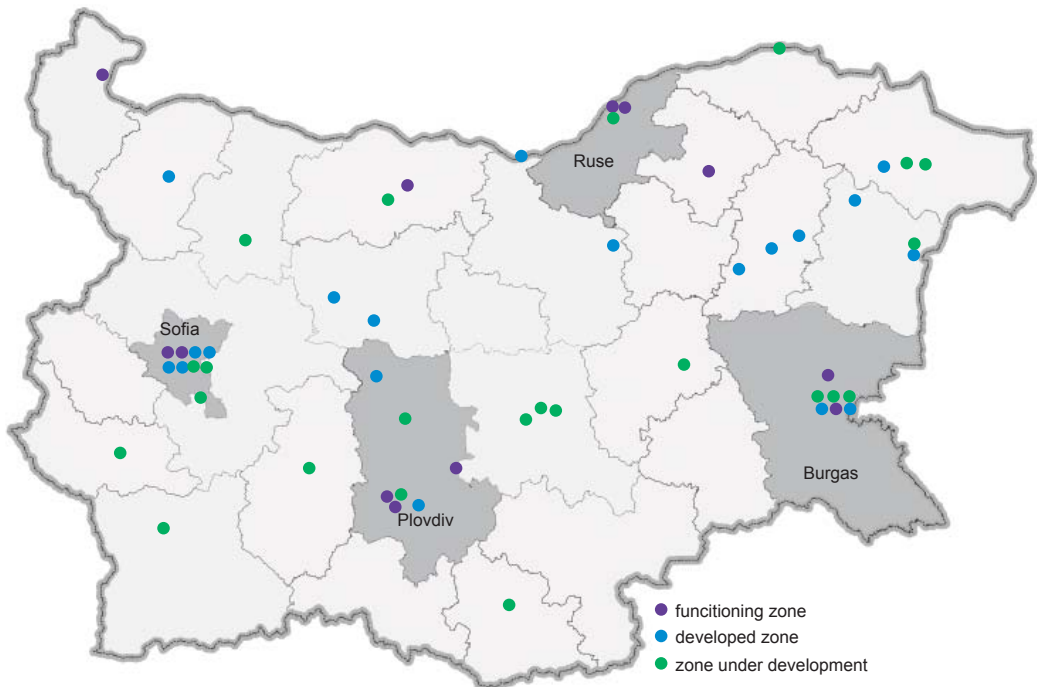
- Road network of 19 276 km, of which motorways are 437 km
- 5 motorways connecting the Bulgarian logistics hubs and Bulgaria with Turkey and Greece are in the process of construction
- Railroad network length of 4 098 km
- 6 major ports: largest river port Rouse; largest seaports Varna, Bourgas
- 4 international airports in Bulgaria - the major are Sofia, Varna, Bourgas

Major industrial zones where businesses can be successfully located,

The industrial zones in Bulgaria offer attractive conditions for establishing production, warehousing, logistics and other activities at a very competitive prices (around 25-40 €/m²). Investment projects are supported by the Government, the Municipal Authorities and by the various domestic and foreign Chambers of Industry and Commerce in Bulgaria.

Currently Bulgaria offers:

- 12 functioning zones, with active local and foreign investors
- 46 zones, either with fully or mostly developed infrastructure and ready to be invested in
- 26 zones under development

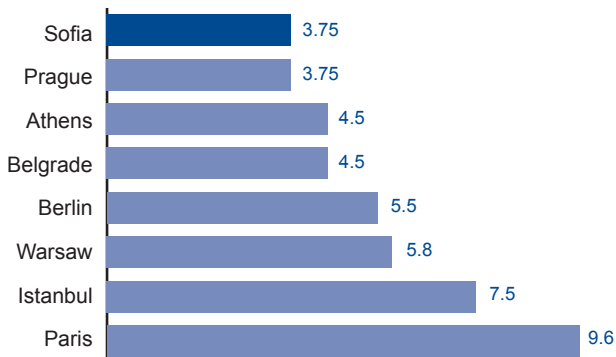


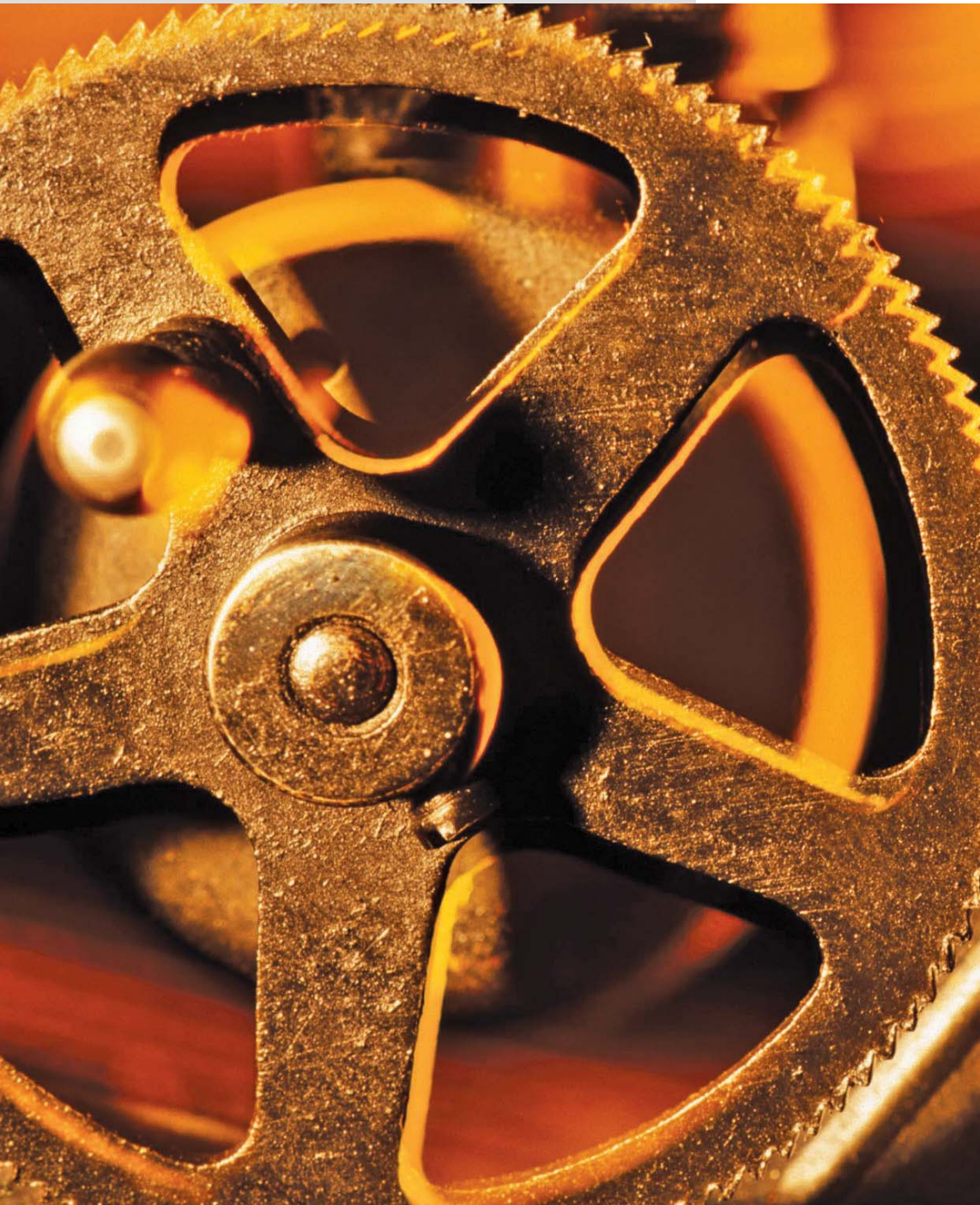
Rent of industrial properties in Bulgaria is very attractive

- The main industrial and logistics space in Sofia is approximately 628 000 sq. m. with about 67 000 new offering for Q2 2011
- As of now, about 32 000 sq. m. more of the industrial space is under construction
- The level of unoccupied area is about 8%
- Rents of industrial facilities in are among the lowest in Europe and rent levels in the rest of Bulgaria are even lower



Average monthly industrial rents in Sofia compared to other European cities, € per sq m/month (Q3 2011)





MAJOR COMPANIES





Lufthansa Technik

Sofia



- Lufthansa Technik is a world company, specialized in the maintenance and repair of aircrafts
- Lufthansa Technik Sofia was founded in 2007 as a joint venture between Lufthansa Technik AG and Bulgarian Aviation Group
- More than 400 highly qualified engineers and mechanics are working for the company
- The only repair base of Lufthansa Technik for Eastern Europe is located in Bulgaria
- Initial investment of EUR 20 million, with which it acquired Class A certificate for investment
- In Bulgaria the company performs D-check – the most comprehensive and demanding check for an airplane
- Since 2008, more than 50 heavy checks have been performed for customers like BMI, Bulgaria Air, Oman Air, Ural Airlines and many others
- In 2011 Lufthansa Technik Sofia decided to expand its activity and to invest another EUR 13 million
- On 14.09.2011 the company was awarded for a second time with a certificate for class A investor for its expansion
- The company is working very well with the biggest technical universities for the recruitment of its employees

Bulgaria has been competing for the investment of the German concern with all European countries, as well as with the neighbouring countries, Russia and the Ukraine. It has won due to three main reasons: the low costs for salaries, availability of specialized staff thanks to the Technical University, as well as the overall development of the aviation business in the country.

Lufthansa Technik Sofia is the first foreign site with German EASA 145. It was successfully obtained after audits on 28th of October 2008

The hangar, which is one of the most modern in the MRO (Maintenance, Repair and Overhaul) industry offers:

- 2 bays for 2 narrow body aircraft simultaneously; 3 more under construction
- IL-/D- Checks capability incl. full painting



case study

D-check is the most comprehensive and pedantic check for the aircraft serviceability. It is also known as Heavy Maintenance Visit (HMV). This check is performed at each 5-6 years.

Often on more than 100 technicians are simultaneously working on one Boeing 747.

Usually, such a check takes between 21 and 60 days depending on the aircraft and the number of the technicians.

Lufthansa Technik Sofia manages to perform only within 16 days the quickest D1 check on Airbus A320 among the whole group of 31 companies.



- The first and single factory in Europe producing Chinese automobiles
- The plant started operation in February, 2012 with capacity 50 000 automobiles per annum. The expectations are that the investment of EUR 96.4 million will open approximately 2 000 job places
- The owner is the Bulgarian company Litex Motors Corporation in cooperation with the biggest private producer in China - Great Wall Motor Co Ltd
- The plant continues the traditions in the transport machine building in the city. The "Pirin Fiat" automobiles were assembled in Lovech during the 1960s, and the Russian "Moskvich" automobiles from 1967 to 1988
- Class A investment by InvestBulgaria Agency
- The automobiles meet all the standards and requirements of the Acquis Communautaire

Why Bulgaria?

Bulgaria has experience in the production of automobiles. In the country, for example, a series of facilitations are available, related to the tax legislation for class A investors. From this point of view we think that there are good conditions for the automotive industry development in the country.

The best advantage of Bulgaria as a place for business development is the highly qualified work force, the youth's potential, and the good business climate in the country.

The automobiles of Great Wall Motors are sold in more than 100 states all over the world.

In the 33-th edition of Rally Dakar (2012) SUV the model of Great Wall – Hover occupied the 7-th place in the final classification.

The production will start with the following two series:

SUV

Automobile series SUV (Sport Utility Vehicle) with powered 4 wheels

Steed



Hover



A-Class

Car in the A-Class segment

Voleex



Up to 2016, Great Wall Motor have envisioned the development and the placement on the market in Europe a diversified model range, whose main task is to offer to the clients the best “price-product” ratio, following the most recent trends in the world machine building. The company is the only Chinese producer of automobiles, who presently sells on the European market and holds the respective type approval for its products pursuant to the European Community requirements.



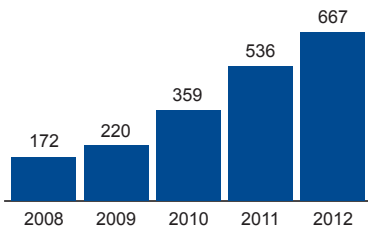
Montupet (France) - manufacturer of aluminum parts for the automotive industry (cylinder heads, engine blocks, inlet & exhaust manifolds, brake parts, structure)

Montupet Bulgaria

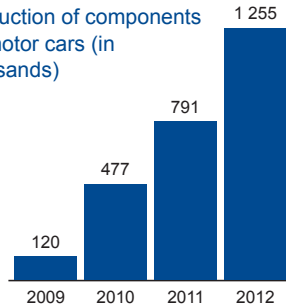
- Greenfield investment in Ruse 2006
- Size of investment: EUR 80 million for the period 2005 – 2010
- Planned expanding in 2012
- Products – parts for engines, chassis and brake systems
- Estimated turnover: EUR 50 million
- Employees: 667 (2012)
- Certified by external auditors according to the ISO/TS 16949(automotive) and ISO 14001 standards
- Main clients of the plant are Renault, Peugeot, Audi, BMW, Ford and Volvo



Development of the number of employed from the start of production



Production of components for motor cars (in thousands)





Prospects for development

The ambitions are to double the production capacity and the headcount, to reach around 1 000 employees, which will be the optimum size for a plant in our industry.

In Bulgaria, the Montupet plant produces engine heads for the whole series “Q” of Audi.

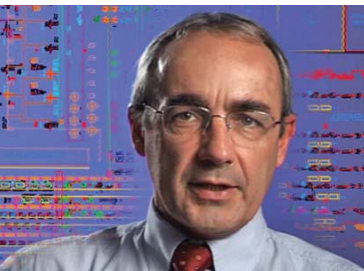


The reasons to invest in Bulgaria?

- Political and monetary stability with BGN indexed on euro
- Administrative and investment support from the country and the municipality
- Close to the clients
- Availability of appropriate terrene
- The low taxation and labour cost
- Understanding of importance of industry by the Bulgarian government

Michael Brison
Managing Director at Montupet





- World producer of bearings and seals
 - Came to Bulgaria in 1925
 - Markets of the products manufactured in Bulgaria: Europe, America and Asia, but major clients are the automotive manufacturers in Europe, such as: Mercedes, BMW, Volkswagen, Ford, Renault, Peugeot and many others
 - The company creates employment for more than 1500 people from the region
 - Own educational center for R&D activities is built in the city of Sopot
- Open Doors Days for students from the Technical universities – Sofia and Plovdiv

Future development?

- SKF Bearing Bulgaria will continue to invest and industrialize new products for main European customers.

What is the biggest success of your company since it started business in Bulgaria?

- The post 2008 crisis development has been very rapid, with a more than 20 % growth per year in 2010 and 2011.

Philippe Peroz
Managing Director at SKF Bearings Bulgaria

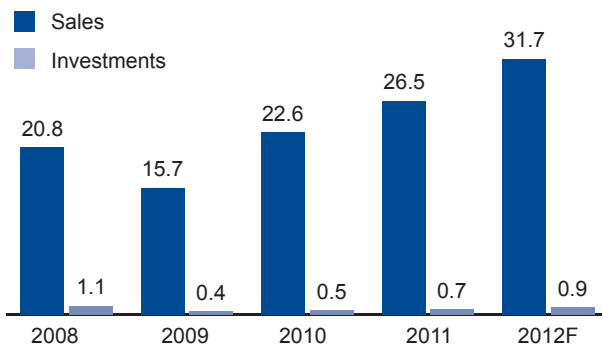


- World producer of seat systems and automobile interior systems
- 1997 – the first plant of Grammer in Bulgaria
- More than 695 employees
- Net sales – BGN 44 million
- Export to Europe, USA, South America and Asia
- Major clients are: Deutsche Bahn, Mercedes, Liebherr, Iveco, Toyota, Linde, Man, Renault Trucks, Scania, Siemens, Audi, Land Rover, Seat, Saab, Skoda, Volkswagen, Ford, GM, BMW, Opel, etc.
- Produces driver's seats for trucks and self-powered machines, tractors, construction equipment, passengers' and driver's seats for trains, tourist and city buses, trolleybuses, etc.



Future development

- For 2012 increase in the production rate and the number of the employees up to 900 people. Start of the production of new products. The aim is to create a complete chain and to manufacture all products here in Bulgaria.



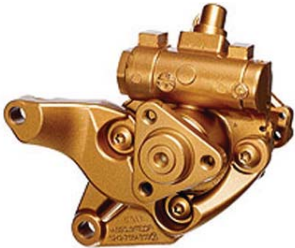
EUR mln.



Precision to move

**Premium³
Mobility. Dynamics. Innovation**

One of the world's leading manufacturers of hydraulic and vacuum equipment used in engine management, transmission, suspension and braking systems of vehicles.

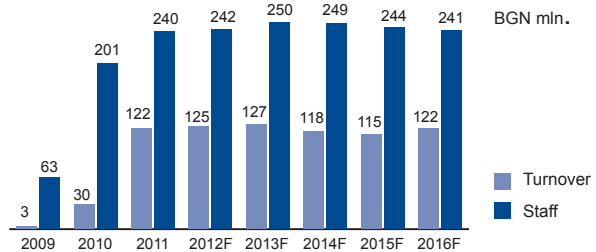


IXETIC in Bulgaria

- The second largest factory for the company is in Bulgaria
- Some of its biggest clients are Mercedes and BMW, for which IXETIC produces hydraulic pumps
- From first hole to an operating plant within only 11 months – times quicker than in Western Europe
- Bulgaria has been preferred to Romania, Poland, Slovakia and the Ukraine due to the stability and the traditions in the machine building sector
- More than 250 employees
- Certified as class A investor since July, 2008
- Clients: BMW, Mercedes, Toyota, Porsche, Audi, Volkswagen, Ford, Honda, Renault, MAN, Navistar, Daimler, ITEC, Scania and Volvo

It is already possible to develop a highly technological business in Bulgaria and the foreign companies know that.

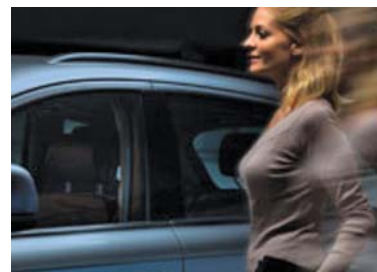
Ivaylo Petrov



We have intentions for plant expansion, as well as for doubling of production and staff by 2015.



- Innovative and powerful know-how in the development and production of technical solutions for locking and latching systems
- Production Locations in Asia, South America, North America and Europe
- About 70 employees in Bulgaria
- Common development of technological high-quality locking and latching systems
- Main customers are the most automobile manufacturers in Europe
- Further development is assured in August 2008 by establishing WITTE Automotive Bulgaria EOOD in the town of Ruse. Starting as office for Design and Purchasing activities, it was enlarged by starting production in May 2010 with the first WITOL (Tolerance compensation system) products
- In 2011 WITTE Automotive Bulgaria increased the Production volumes for more than 4 times in comparison to those of 2010
- Plans for 2012 are to enlarge the production capacity for 100% again and to increase the number of employees to 130 people at least in the Bulgarian location





ROUSSE SHIPYARD J.S.C.



- The main activity of the company is new building of sea ships and ship repair works, while having opportunity to build metal structures and pipelines
- Within the period 1999 – 2007 the company has built 40 ships
- The geographic location of the Shipyard on the Danube river makes it possible to also carry out additional logistic and port activities
- Shipyard Ruse was found in 1881
- Privatized in 1991
- 100% Bulgarian company
- 100% export oriented
- Main markets: Netherlands, Germany, Algeria, England, Greece, Russia and others
- The focus of the Yard for the next years is to build specialized tankers such as oil-tankers, bunker tankers, chemical tankers and bitumen carriers
- The technological capacities allow the simultaneous new building of 10 ships of up to 5 000 tons deadweight annually
- The shipyard is certified by German Lloyd according to the DIN EN ISO 9001:2008 standard
- The shipyard is approved by the company British Petroleum for safe building of tankers, and the company Thyssen Krupp-Germany has recognized the Shipyard as a Bulgarian partner under projects for the building of warships

Why Bulgaria: Good business climate, highly qualified staff and competitive labor price.



- Until present, more than 850 ships for 27 owner states have been built and put into operation, which are sailing all over the world under the flags of over 22 countries
- “Bulyard Shipbuilding Industry” EAD is located in the South Industrial Zone of the city of Varna – the second biggest city and the biggest port of Bulgaria on the Black Sea
- Founded in 1907
- Major partners: Wartsila, B&W, ABB, Alfa Laval, Mitsubishi
- The biggest enterprise for shipbuilding, ship repair works and ship reconstruction in Bulgaria with regard to production volume and production capacities
- Since 2009 “Bulyard Shpbuilding Industry” EAD has been a member of the Bulgarian National Association of Shipbuilding and Shiprepair (BULNAS), which is a member of the Community of European Shipyard Associations (CESA)
- More than 60% of the orders for new building of the shipyard have been executed for clients from the national and regional market – Bulgaria, Turkey, Greece. The same trend with regard to the shiprepair orders has also been observed

An interesting example is the ship from the Japanese Future-56 series, which has been directly purchased from Bulyard by the Turkish company Diler Shipping & Trading, regardless of the fact that this same company is one of the most powerful shipyards in Turkey.





- Main activity: Feasibility study, design, production and delivery of metal cutting machines – wide range of universal lathes and components & accessories for them, CNC lathes
- Occupy major position on the lathe market in the world
- ZMM is the biggest producer of universal lathes in Eastern Europe
- 100% Bulgarian company
- 99% export oriented company
- Major markets are Germany, Italy, USA, Russia and Turkey, the Middle & Far East, Central and South America
- Major clients are: Linde AG, Siemens AG, Thyssen Krupp AG, Robert Bosch GmbH, Fiat, MAN, etc.



- “Balkancar Record” – AD has been a part of the Balkancar Holding and has created and endorsed the traditions of the Bulgarian forklift truck manufacturing. Today, Balkancar Record is one of the leading producers of forklift trucks in Bulgaria
- The production range of the company includes electrically driven fork-lift trucks, diesel and gas engine driven trucks, engine-powered tractors, and spare parts for them. Depending on the modifications, the load capacity is from 1250 to 12500 kg, the lifting height is from 2800 to 6400 mm, and the traction force is from 15 to 20 kN
- Founded in the middle of the 50-ties of XX century in the city of Plovdiv
- 150 employed
- The main market is Eastern Europe, as well as Russia and the Ukraine, and “Balkancar Record” is a holder of gold medals from the International Technical Fairs in Plovdiv, Belgrade, Bucharest, Brno, etc.



- Podem is among the leading companies in the world suppliers of crane components, designated for crane producers and end clients
- Podemcrane is a leading supplier of all types of cranes and services for the crane industry in Bulgaria and the region
- It offers complete package of equipment and maintenance for the whole lifting industry, high quality products and services in compliance with the international standards
- Founded in 1961
- 1975 – Podem became the largest producer of wire rope hoists in the world
- Privatized in 1999
- More than 150 employed
- Main production facilities based in Gabrovo, Central Bulgaria
- 95% of the production is for export, while major markets are Western Europe, Middle East, Russia, Vietnam, Malaysia, Singapore and India
- The quality of the products is guaranteed by an integrated management system ISO 9001:2008 and OHSAS 18001:2007

What differentiates the machine building in Bulgaria: excellent traditions and well trained work force.

Podemcrane – legal successor of Podem AD is the biggest producer of wire rope hoists in Central and Eastern Europe. Throughout its history, the company has sold more than 1 900 000 units of lifting equipment in 40 countries all over the world.





Main Activities:

Design, manufacturing and trade in small arms and artillery armaments, ammunition and components, pyrotechnic products, hunting and sport weapons and ammunition, machine-tools, tooling, casting, forging etc.; engineering

Established: 1878 in Ruse, Bulgaria

Location: Kazanlak, Bulgaria since 1924

Area: 7 044 267 sq. m.

Employees: over 7000

Product List: over 10 000 different items

Capacity: over 200 mln. Small arms ammo per year

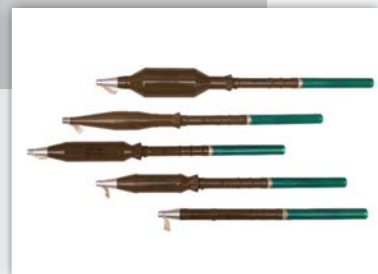
Export: 80% to over 120 countries

Certificates: AQAP 2110, ISO 9001:2008



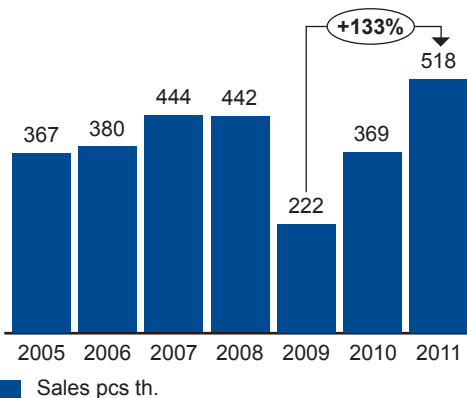
Highlights:

- The biggest factory in Bulgarian military industry
- One of the biggest factories in Bulgaria at all
- energetic innovation and modernization activity
- 100% full cycle production Recognized quality





- M+S Hydraulic is a leading producer of hydraulic motors, servo-steering s, valves, brakes and accessories, used in all machine building industries. The products find application in the agricultural industry and transport
- Founded in 1963
- Privatized in 1997
- Location: Kazanlak
- About 1000 employed
- Turnover: BGN 63 million
- The products of the company find application in the agricultural industry and transport
- Exports its production to European and other world markets
- The company occupies 6th place in the world for the production of hydraulic and orbital motors for application in the mobile and industrial systems with geometric volume from 12 to 800 cm³
- 133 % increase rate of production in 2011 compared to 2009
- M+S Hydraulic is developing many new types for all of its products and has turned into one of the main world producers of hydraulic motors
- Certificates: ISO 9001:2008, OHSAS 18001:1999 and ISO 14001:2004
- The company has R&D unit to improve the products and develop new ones compliant to the market requirements

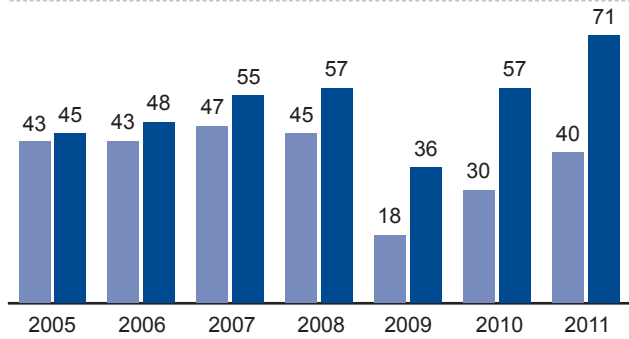




- HES designs, produces and services hydraulic cylinders, which find application in the transport equipment, as well as in construction machines and ships
- Founded in 1968
- Location: Yambol
- Privatized in 1997
- 565 employed
- Turnover: BGN39.7 million
- Main client in Bulgaria is Palfinger Austria, for which the company is a main supplier of hydraulic cylinders
- Over 95% of the production of the company is sold on the West-European market and in Russia

There are wonderful perspectives for the development of the company and the sector as whole during the next 5 to 10 years.

Main advantage of the company: quality, accuracy of the supplies, flexibility and competitive prices.



■ Output (thousand BGN/person)
 ■ Sales (BGN mln.)





- Established in 1985
- Location Dimitrovgrad
- Privatized in 1991
- 174 employed
- The company exports its production to Rumania, Greece, Russia and USA
- Certificates: ISO 9001:2008

- “HIMMASH” AD is a main producer of apparatuses and equipment from stainless, carbon, and bimetal steel for the chemical, biotechnological, foodstuff industries, power engineering, metallurgy and construction
- It manufactures reservoirs, reactors, heat exchangers, auto valves, boilers for metal refinement, metal structures, nuclear power plants within short terms and with high quality



Citation: Definitely, we are expecting positive development of the company in the future. Entering the American market with the production of sand and carbon filters according to an American standard.



IBA Services:

- Macroeconomic information
- Legal advice
- Information on operational costs
- Regional data on unemployment, availability of skilled labour force, level of education, infrastructure, foreign investors and industrial zones
- Recommendation of vacant land
- Identification of potential suppliers, subcontractors or joint venture partners
- Individual administrative services
- Contacts with the central and the local authorities
- Contacts with industry chambers, local universities and NGOs

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**EUROPEAN
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NATIONAL
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2007 – 2013



OP "Development of
the Competitiveness
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