

Bulgaria - Gateway to Europe and beyond

From the legal reforms of the 1990s and early 2000s to its accession to the European Union (EU) in 2007, successive Bulgarian governments have sought to unlock its inbuilt advantages and attract a constant flow of FDI. As a result, Bulgaria now offers international investors one of Europe's most competitive business environments, designed to keep costs down and innovation up.

Underpinned by the 2004 Investment Promotion Act, Bulgaria provides international investors access to land at discounted prices, state financing for basic infrastructure, and R&D grants, amongst other incentives. Meanwhile, a more recent reform means qualifying companies now receive a two-year value-added tax (VAT) exemption on all equipment investment projects worth more than EUR 2.5 million.

Going forward, provided Bulgaria achieves the "right mix of reforms and investments," the World Bank expects the country to double its annual economic growth rate to 4.6% in the next decade. So far, Bulgaria has already implemented

reforms in key sectors like manufacturing to incentivise more multinational corporations to invest in the country. Companies can now apply for reimbursement of up to 100% of paid corporate income tax on taxable profits from manufacturing activities in higher-than-average unemployment areas - in 2021, 41% of municipalities met this condition.

Indeed, Bulgaria's manufacturing sector is now one of the fastest-growing in the EU and, by playing an integral role in global supply chains post-pandemic, has proved itself a key indicator of the country's resilience. For example, according to a 2022 European Commission report, whereas 25% of EU manufacturing companies experienced a shortage of materials during the Covid-19 pandemic, only 7% of Bulgarian manufacturing companies reported the same.

Equally as resilient is Bulgaria's IT industry. Known as the 'Silicon Valley of Southeast Europe,' Bulgaria ranked 17th on the 2021 AT Kearney Global Services Location Index as a leading destination

for business process outsourcing and software development during the Covid-19 pandemic. And with the third-highest number of qualified IT specialists per capita in the world, according to the government agency InvestBulgaria, the country continues to attract US and European multinationals to establish global and regional centres.

For businesses looking to expand overseas, Bulgaria offers easy access to the European single market and the Commonwealth of Independent States (CIS). A shining example of how Bulgaria's logistics strengths and strategic location enable its companies to springboard into European markets is Ficosota, one of its leading FMCG companies. "For me, the goal is to become a global company, and we've already succeeded in having leading brands in Romania, Albania, Serbia, Georgia, Armenia, and Ukraine, thanks to Bulgaria. In our food division, we forecast our fast-growing brand Bruschette Maretti to be a success all over the world - we're like a rocket in the German market now," says its CEO, Krasen Kyurkchiev.

Ficosota - Championing Bulgaria's global business community

Over the past three decades, Bulgaria has transformed into an open, upper-middle-income, export-oriented economy. For businesses, Bulgaria is a gateway to the lucrative markets of the Commonwealth of Independent States (CIS) - worth a combined GDP of 1.84 trillion in 2021, according to Statista - in addition to the European Union (EU), the Middle East, and North Africa.

Bulgaria's strategic location has given its FMCG (fast-moving consumer goods) sector the edge in global markets. According to Statista, Bulgaria's food industry alone is worth USD 10.31 billion and its beauty and personal care market USD 555.2 million, whilst household care market revenue is expected to grow at a CAGR of 25.09% in the next five years.

Established in 1994, Ficosota is an award-winning Bulgarian FMCG company with 16 international brands and a growing export presence in 75 countries. Ficosota specialises in creating innovative products for the global personal and home care, baby care, and food and snacks markets.

"What distinguishes us as a company is that we have no private labels. We don't depend on anyone else, so we can focus on creating great products and building our brands," says Ficosota's CEO, Krasen Kyurkchiev. With multiple leading brands across eastern Europe, Ficosota is constantly



working to optimise its products for trending markets, for example, by introducing superfood and plant-based snacks with its brand Livy and environmentally friendly laundry detergent capsules through its Ecodose by Savex project.

Ficosota's global success defies its relatively concentrated size, outperforming many of the world's leading FMCG. "This industry is defined by either large corporations or small groups of talent, and often the smaller groups come out on top. In Bulgaria, we're competing against the likes of Coca-Cola," says Kyurkchiev, adding, "we offer the products most in demand across global markets - that's why we're so competitive."



Chimimport

Building a global platform for Bulgaria's economic future

Bulgaria demonstrated exceptional economic resiliency throughout the global pandemic, with GDP growth peaking at 7.6% in 2021, according to the World Bank. International investors in Bulgaria benefit from some of the lowest labour costs in the European Union (EU), EU-funded innovation programmes to raise the export capacity of SMEs, and fast-track administrative procedures for public-private partnerships. Additionally, businesses will enjoy a tailwind from the EU's post-Covid recovery and resilience plan, with EUR 6.27 billion in grants to support green energy, digitalisation, and private sector growth confirmed between 2021-2026.

Bulgaria's banking sector is vital in strengthening its investment climate and economic diversification. According to the Bank for International Settlements (BIS), Bulgaria's banking sector entered 2022 performing better than at the start of the pandemic, spreading stability across the private sector. Bulgaria's economic diversification is further strengthened by its robust infrastructure and strategic location as a regional logistics hub, with a 2022 Fitch Solutions report highlighting the "country's extensive road network, stable electricity supply, low-cost field and high levels of internet penetration" as key to facilitating the global increase in demand for Bulgarian exports like refined fuels.

Incorporated in 1990, Chimimport is one of Bulgaria's largest and most diversified companies, with almost 70 subsidiaries operating across Europe in financial services, trade and production, transport, construction and engineering, and real estate.

Chimimport's origins date back to 1947 as a foreign trade firm specialising in chemical products. Over the next decade, Chimimport entered the export business for raw plant materials, including herbs and essential oils, laying the foundations for strong growth into the 1990s when it registered as a holding company in 1997. In the 2000s and 2010s, Chimimport established and consolidated its presence in asset management, river and marine transport, and the airline industry through founding the Bulgarian Airways Group - Bulgaria's leading aviation company - in 2003, which owns Bulgaria Air - Bulgaria's national carrier.

"The business model in Bulgaria is evolving, and international exposure is critical to succeed. We're moving in the right direction and have been modernising heavily in the past 12 years. The mentality is also changing; it's an excellent time for the country and foreign investors," says Chimimport's CEO, Ivo Kamenov.

Chimimport now offers a comprehensive range of financial services through its well-recognised subsidiaries. Meanwhile, through subsidiaries like "Oil and Gas Exploration and Production Plc" - the only Bulgarian company, carrying out the full complex of activities in search, exploration, development and exploitation of oil and gas deposits, as well as the processing of crude oil into final products for the market, Chimimport continues to grow its presence in the petroleum



Ivo Kamenov
CEO

and natural gas market and biofuel industry.

Chimimport enjoys a high level of trust from both the public and private sector - the company's subsidiary Energoproekt has designed and built all of Bulgaria's energy projects, from small water heating plants to large-scale thermal power stations and the country's electricity transmission network. At present, Chimimport is open to partnerships in and outside of Bulgaria and welcomes investment in the listed companies within its portfolio. Indeed, for Kamenov, it is Chimimport's responsibility as a leading Bulgarian company to enhance the country's business landscape and investment potential. "It's our goal to make Bulgaria more attractive. We're constantly pushing for more foreign investors to come and work here," he says.

Chimimport's strong financial position and focus on minimal risk exposure, efficiency, and profitability makes for an exciting opportunity. Last year, fuelled by a 26% rise in revenue from non-financial activities to BGN 442.8 million, Chimimport registered a year-over-year increase in net profit by 27.7%, from BGN 35.29 million to BGN 45.11

Million. And as of 2 Jun 2023, the company registered a year-over-year revenue increase of 54.82%. Over recent decades, Chimimport has

applied its vast resources to supporting various social initiatives and sees its investments in human capital as a part of a broader mission to improve opportunities in Bulgaria. The company currently offers scholarships to Bulgaria's top universities, and sponsors numerous prestigious international sports competitions and organisations, including the National Martial Arts Association, which Kamenov is chairman of. Chimimport also built the Sport Complex Varna - known as the Palace of Culture and Sports - the largest modern project of its size in Bulgaria. The facility includes a FIFA-standard football stadium, gymnastics and fitness halls, offices, and restaurants.

As the global business community shifts its supply chains away from Asia, Kamenov believes Bulgaria's natural strengths in logistics and manufacturing will enable it to take advantage of new opportunities. "Many factories are migrating towards Eastern Europe, particularly Bulgaria, owing to our low labour costs, logistics strengths due to the Danube, and educated workforce," he says, adding, "our government is flexible and working hard to give Bulgarian companies the freedom to grow, there's a lot of incentives for investors."



Trace Group Hold

Reliability and Predictability - the values driving Bulgaria's construction success story

Driven by a tight and highly educated multilingual labour market, competitive tax regime, and growing convergence with the EU - Bulgaria is set to adopt the euro by 2025 - Bulgaria's GDP grew by 3.9% in 2022, according to the European Commission. Businesses operating in Bulgaria enjoy a flat corporate income tax rate of 10%, or even 0%, if active in high-unemployment sectors, whilst there are no limits on foreign ownership or control of domestic firms. Additionally, under the 2004 Investment Promotion Act, foreign and domestic investors in Bulgaria are given equal treatment.

As a key European transportation and logistics hub, Bulgaria is home to some of the continent's most important infrastructure, including five Pan-European Corridors, resulting in a thriving construction industry. Between 2010-2020, the number of construction businesses increased by 23.2% and industrywide turnover by 44.2%, amounting to EUR 14.3 billion, according to a recent report by the European Commission. The report concluded that the outlook for Bulgaria's construction industry was "promising

and maintains high-priority international and national infrastructure projects across Europe, including highways, roads, and streets; railways and metros; water supply and sanitation facilities; industrial, public, and residential buildings; and special purpose buildings.

Trace's first major project came in 2005 with a EUR 300 million deal to help construct the Sofia Metro, followed in 2009 with the construction of Bulgaria's largest integrated water projects. Trace later oversaw the implementation of one of Bulgaria's longest highways - the Trakia Highway - in a EUR 170 million project which connects Sofia to the Black Sea through the Pan-European Corridor 8. More recently, Trace has been helping to construct the Hemus Highway, an arterial road of strategic importance to Northern Bulgaria, by embedding the region in Europe's transportation system. Trace also has an extensive international portfolio, with branches in Serbia, Romania, the Czech Republic, Macedonia, Ukraine, Greece, Qatar, and Oman.

"Going forward, we're continuing to identify new market niches and growth opportunities. It has always been my belief that Trace should develop as an international entity. Currently, we're working on large projects in Serbia and Romania, and we want to diversify into Greece, where I expect us to begin participating in tenders," says Trace Group Hold's chairman, Prof. Nikolai Mikhailov. So far, Trace's Q1 financial results this year have already given it a boost, registering a net profit of BNG 419 thousand and a year-over-year increase of 536.11% in its operating revenue to BNG 45.8 million.

For Prof. Mikhailov, achieving large-scale partnerships with companies in the USA and Western and Central Europe is central to Trace's global market entry strategy, and the company prides itself on the longstanding relationships it has fostered with suppliers, clients, and international partners. Future partners will be aligning with a company trusted by key Bulgarian public stakeholders and can be confident in its professionalism, predictability, and reliability. In the past, Trace has been entrusted with major infrastructure projects, including reconstructing Sofia Airport and the national Graf Ignatievo



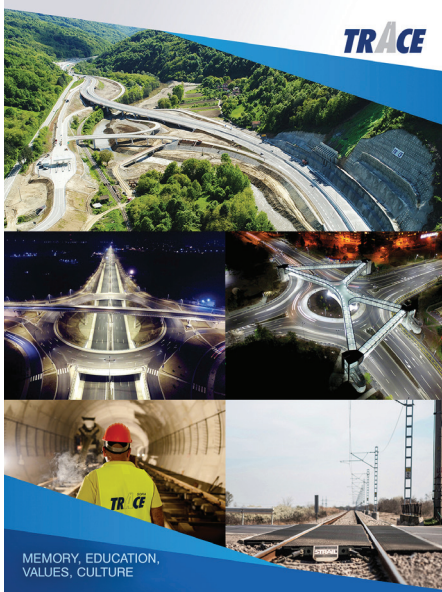
Prof. Nikolai Mikhailov
Chairman

military airport under NATO standards.

Above all, Prof. Mikhailov attributes the company's success to its driven employee base. "Our people make a difference for our partners and new clients. Having the right people for the job - we base our growth and partnerships on that," he says. Until July 2020, Prof. Mikhailov was head of department in the Faculty of Transport Engineering at the University of Architecture, Civil Engineering and Geodesy (UACEG) in Sofia, a position he used to help build the company's early success through student internship programmes.

"When a young person joins the company, we believe there is no limit on their development. We encourage all our employees to move up and develop their skill sets. This is how new business opportunities are born," says Prof. Mikhailov, who cites the company's dynamic corporate culture as key to its success in undertaking complex projects. But Trace's people-first approach to business goes far beyond supporting its employees, and in 2014, the company founded 'Trace for People' to help fund cultural, educational, and youth creative development projects. Trace also dedicates its resources to building sports facilities for communities and, through 'The Eternal Buildings' initiative, is helping to reconstruct historical buildings important to Bulgaria's national heritage.

Since transitioning to an open, market-based economy in the early 1990s, foreign interest in Bulgaria has skyrocketed. Trace is incredibly proud to support and promote Bulgaria's business image. To international partners and investors, companies like Trace offer one of the easiest ways to enter not just the Bulgarian market but, given the country's geostrategic position, the Balkans as a whole. For Prof. Mikhailov, the willingness to partner internationally amongst domestic businesses has been crucial to the country's success, alongside the synergy between its private and public sectors. "Foreign businesses investing in Bulgaria will likely be larger than domestic businesses in their destination sector. There's an obvious synchronisation, and it highlights where the opportunities lie," he says.



in the long run, primarily supported by increased investments in public infrastructure backed by EU funding" and highlighted the country's long-term strategy for renovating national residential and non-residential buildings until 2050.

Established in 1996, Trace Group Hold is one of Bulgaria's largest construction companies and the country's first and only public infrastructure construction company. Trace designs, constructs, rehabilitates,