

Motor Lubricants Market in Bulgaria

a report by SeeNews Competitive Intelligence

March 2015



Contents

1. Macroeconomic review and business climate in Bulgaria.....	4
2. Lubricants market in Bulgaria 2013 - 2014 – market size, structure, trends ..	5
2.1. Legislation – normative acts regulating the lubricants market in Bulgaria.....	5
2.1.1. Laws.....	5
2.1.2. Regulations.....	5
2.1.3. Ordinances.....	5
2.1.4. National Standards.....	5
2.2. Main stakeholders.....	6
3. Market analysis on the lubricants market in Bulgaria	7
3.1. Methodology.....	7
3.1.1. Scope of the analysis.....	7
3.1.2. Major classification bodies.....	8
3.2. Global lubricants market forecasts	8
3.3. Market segmentation and geographic location	9
3.4. Factors that determine the demand and supply in the sector	9
3.4.1. Motor vehicles market	9
3.4.2. Business climate, political factors and industrial development.....	10
3.5. Market size	11
3.5.1. Export	13
3.5.2. Import.....	15
3.5.3. Motor oils market in Bulgaria.....	18
3.5.4. Refined petroleum products, automotive fuels and lubricants.....	21
3.6. Prices and technical specifications.....	25
4. Profiles of the leading five companies by segment	27
4.1. Company profiles of leading distributors of lubricants.....	27
4.2. Top 5 company profiles by net sales revenue in Wholesales of refined petroleum products ..	29
4.3. Top 5 company profiles by net sales revenue in the Retail sales of refined petroleum products	31
5. Trends and SWOT analysis on the motor lubricants market in Bulgaria	34

1. Macroeconomic review and business climate in Bulgaria

Bulgaria's GDP increased by 1.2% y/y in the fourth quarter of 2014, continuing the upward trend since 2010. According to the World Bank, the real GDP annual growth will stand at 1.1% in 2015 and 2.0% in 2016, compared to 1.4% in 2014 and 1.1% in 2013. The main drivers behind the recovery were industry and exports, followed by gross capital formation and household expenditure.

In January 2015 the business confidence indicator went up by 3.8 percentage points m/m due to the improved business climate in the manufacturing industry, construction and services. Economic uncertainty, tough competition, financing issues and low demand are among the key factors, which impede the development of the sectors.

The rise in unemployment typical for the last five years was interrupted in 2014. As of December 2014, the unemployment rate was 10.6% against 12.9% in the end of 2013. Average annual inflation also went down in line with the trend for 2012 and 2013, and in 2014 there was annual average deflation of 1.4% y/y.

The FDI flow stabilised in 2014 and totalled EUR 1.182 bln for the January-December period, higher than the values for the whole 2012 and 2013, but still more than twice lower than 2009. In the Global Competitive Index 2014-2015 ranking of national economies' competitiveness prepared by the World Economic Forum, Bulgaria climbed three spots to 54th among 144 countries, compared to the 2013-2014 edition.

The positive growth of GDP, marked for fifth consecutive year in 2014, is expected to persist in 2015 and 2016 at rates of 1.5% and 2.0% respectively, as a result of improved EU funds utilisation, acceleration of structural reforms in key sectors, lower fuel prices and beneficial fiscal policy.

Bulgaria - macroeconomic overview						
Indicator	Q4 2014	2013	2012	2011	2010	2009
GDP - nominal (bln EUR)	30.408*	41.047	40.926	40.102	36.764	36.078
GDP - real, y/y (%)	1.2	0.9	0.6	1.8	0.4	-5.5
Inflation - average annual (%)	-1.4	0.9	3.0	4.2	2.4	2.8
Unemployment (%)	10.6	12.9	12.3	11.4	11.2	6.8
Foreign direct investment (bln EUR)	1.182	1.092	1.070	1.330	1.151	2.437
Trade balance (bln EUR)	-3.557	-2.353	-3.460	-2.156	-2.763	-4.174
Source: National Statistical Institute						

*as of Q3 2014

2. Lubricants market in Bulgaria 2013 - 2014 – market size, structure, trends

2.1. Legislation – normative acts regulating the lubricants market in Bulgaria

2.1.1. Laws

- Excise Duties and Tax Warehouses Act – 01.01.2006
- Waste Management Act – 13.07.2012
- Public Procurement Act – 01.10.2004

2.1.2. Regulations

- Regulations for Application of the Public Procurement Act – 21.06.2006

2.1.3. Ordinances

- Ordinance №2 of 24 July 2014 on waste classification - 24.07.2014
- Ordinance on the waste oils and waste petroleum products - 08.01.2013
- Ordinance №N-3 of 8 February 2011 on the conditions, dimensions and procedure for payment of additional compensation for risk to life and health, which cannot be eliminated, limited or reduced, to military and civilian personnel at the Ministry of Defence, structures directly subordinated to the Minister of Defence, and Bulgarian army - 08.02.2011
- Ordinance for maintenance and preservation of the purity and waste management in Sofia municipality - 16.04.2009
- Ordinance №N-17 of 13 December 2006 on the application of the provisions of Annex № 37 and Annex № 38 from Regulation (EEC) №2454/93 of the Commission on the written declaration through the single administrative document - 13.12.2006
- Ordinance amending Ordinance № 10 of 2004 on the terms and conditions for approval of internal combustion engines for the machinery with regard to emissions of pollutants - 2004
- Ordinance №3 of 1 April 2004 for the classification of waste – 01.04.2004
- Ordinance №10 of 24 February 2004 on the terms and conditions for the approval of internal combustion engines for the machinery with regard to emissions of pollutants - 24.02.2004
- Ordinance on border crossing points - 31.05.2002
- Ordinance №1 on collection, storage and utilization of waste oils - 16.11.1999
- Ordinance №7 on hygiene requirements for health protection of the urban environment - 1997
- Ordinance №2 of 12 September 1990 on the protection from accidents involving dangerous chemicals - 12.09.1990
- Ordinance №4 for the normalization of liquid fuels and lubricants consumption for motor vehicles and motorcycles - 01.01.1990

2.1.4. National Standards

Bulgarian National Standards applicable to the motor oils and lubricants sector are listed in Appendix 1 - List of Bulgarian National Standards.

2.2. Main stakeholders

The main stakeholders in the motor lubricants sector include state institutions and agencies, associations and non-profit organisations; producers, wholesalers, retailers and distributors of lubricants, and motor oils; the end users, which comprise industry sectors and individuals.

State and government bodies

Ministry of Finance (www.minfin.bg)
Ministry of Economy (www.mi.government.bg)
Executive Environment Agency (eea.government.bg)
Commission for Protection of Competition (www.cpc.bg)

Associations and non-profit organizations:

Association of Automobile Importers (www.avabulgaria.com)
Association of Automobile Producers and their Authorized Representatives in Bulgaria (www.svab.bg)
Bulgarian Petroleum and Gas Association (www.bpga.net)
Bulgarian Chamber of Commerce and Industry (www.bcci.bg)
Automobile Painters' Service Association
Bulgarian Chamber of Chemical Industry (www.bcci2001.com)
National Association of Autorepair Services (www.nasia.bg)
Bulgarian Recycling Association (www.bar-bg.org)

Companies

Manufacturers of lubricants and petroleum products, wholesalers, retailers and distributors of motor and industrial oils.

End users

Mining industry, energy sector, machinery manufacturing, other heavy industries, road and railway transport; all owners of motor vehicles

3. Market analysis on the lubricants market in Bulgaria

3.1. Methodology

For the preparation of the analysis a desk research is performed. The first stage of the process is focused on data mining in official and verified secondary sources, which include, but are not limited to:

- ✓ Bulgarian trade register database
- ✓ National statistical institute
- ✓ Original annual reports of companies
- ✓ Websites and publications of government and regulatory bodies
- ✓ Laws and regulations
- ✓ Websites of international organisations (Society of Automotive Engineers, American Petroleum Institute, Association des Constructeurs Europeens d'Automobiles, etc.)
- ✓ International Trade Centre
- ✓ Independent studies

Based on the data gathered via the research, a quantitative analysis is prepared, which resulted in:

- ✓ estimation of the market size in terms of volume and revenue
- ✓ identification and profiles of the top players in the industry
- ✓ market share and market penetration analysis
- ✓ industry landscape and dynamics

In the calculation of market size and penetration based on the financial data of companies and the subsequent forecasts, net sales revenue of companies in the whole liquid fuel and related products industry are taken into account, due to lack of separate category for motor oils. Companies are divided into segments based on Bulgaria's National classification of economic activities NKID 2008. Forecasts for the development of the motor oils sector in Bulgaria are made using the available historical data on revenue and mathematical models.

3.1.1. Scope of the analysis

The scope of the analysis encompasses Bulgarian manufacturers, importers, wholesalers and retailers of motor oils. The emphasis in the research is on the motor lubricants market.

According to the Bulgarian Exhaust oils and waste petroleum products act, motor lubricants are products derived from base mineral and/or synthetic oils and additives, designed for lubrication of internal combustion engines. They are aimed at reducing friction between the surfaces of moving parts. Base oils are oils with a given viscosity, derived through interfusion of different base oil components.

Types of lubricants by preparation:

- Synthetic – synthesized from chemically modified petroleum components or other artificial raw materials.
- Semi-synthetic - blend of mineral oil with up to 30% synthetic oil designed to have the features of synthetic oil.
- Mineral – distilled from crude oil without artificial additives.

Motor oils are classified in line with the type of engine and vehicle and include among others:

- Diesel, Petrol, Gas
- For passenger cars, commercial vehicles, heavy-duty vehicles, motorcycle, aircraft, marine engines

Types Of Motor Oils By Function
Gear Oils
Monograde Engine Oils
Transmission System Oils
General Purpose Lubricants
Greases
Bearing And Circulating Oils
Compressor Oils
Electrical Oils
Hydraulic Fluids

3.1.2. Major classification bodies

- Society of Automotive Engineers (SAE) - oils are defined according to their viscosity. Oils can be seasonal or all-season depending on their viscosity at different temperature. Separate classifications are available for three categories - petrol engines, cars with diesel engines and commercial vehicles with diesel engines.
- American Petroleum Institute (API) - classifies oils in terms of their quality and ability to protect the engine. The classification encompasses all vehicles with petrol engines and commercial vehicles with diesel engines. Oils for cars with diesel engines are not included yet.
- Association des Constructeurs Europeens d'Automobiles (ACEA) - this classification is based on European engines and is divided into four categories, each of them marked with a letter: A for cars with petrol engines, B for diesel engines of cars and light commercial vehicles, C for diesel engines with filter for hard particles and E for diesel engines of commercial vehicles (Appendix 2 - ACEA European Oil Sequences).
- Japanese Automotive Standards Organization (JASO) - a set of quality and performance standards specifically for Japanese petrol engines.
- International Lubricant Standardization and Approval Committee (ILSAC) - this classification is based on the API standards, with additional fuel economy criteria.

There are also classifications made by automobile manufacturers - Volkswagen, BMW, Opel and Ford.

3.2. Global lubricants market forecasts

The global automotive lubricant market is projected to grow at a CAGR of 8.10% from 2014 to 2019 to reach a volume of 154.6 million litres by 2019.

The Asian lubricants market will grow by 7.66% in terms of volume by 2019 driven by

the rising demand for passenger cars and commercial vehicles and their longer average lifespan.

The Northern America region is expected to record a 10.61% growth between 2014 and 2019, driven above all by Mexico, while the USA and Canada are considered mature automobile markets with little potential for growth.

In Europe the size of the lubricants market is projected to expand at a CAGR of 6.51% from 2014 to 2019, faster in Russia, Central and Eastern Europe than in the mature Western European markets.

3.3. Market segmentation and geographic location

The refined petroleum products sector in Bulgaria is concentrated in Sofia with half of the operational companies headquartered in the capital. The market leader Lukoil Neftochim Burgas AD however has its headquarters and refinery in Burgas, southeastern Bulgaria. Some of the other major players are headquartered outside Sofia - Lubrica OOD in Ruse, northeastern Bulgaria, and Insa Oil OOD in Rakovski, central southern Bulgaria.

The wholesale of fuels and related products segment is concentrated in Sofia with 23.1% of the operational companies headquartered in the capital. The third largest company Naftex Petrol EOOD has its headquarters in Lovech, central northern Bulgaria, while the other market leaders are concentrated in Sofia. The other districts with intensive presence of automotive fuel wholesalers are Burgas with 11.4%, Plovdiv with 7.8% and Varna with 7.6%.

The retail of automotive fuel sector in Bulgaria is characterised by larger number of companies - 2,875 in 2013, and broader geographical presence than the manufacturing and wholesale segments. It is best represented in Sofia with 14.2% of all registered retailers in Bulgaria. The largest companies in the segment are also headquartered in the capital.

3.4. Factors that determine the demand and supply in the sector

3.4.1. Motor vehicles market

Growing automobile parc in Bulgaria in the period 2011-2013 refers to increased consumption of lubricants and motor oils.

In the European Union (EU), together with Iceland, Norway and Switzerland, new vehicles registrations reached 14,101,079, a decrease of 1.4% y/y in 2013, data of the European Automobile Manufacturers Association (ACEA) reveals. Passenger cars registrations fell by 1.7% on the year, while commercial vehicles' number rose by 0.6% or 10,065 new registrations in 2013.

New Vehicles Registrations (units)						
Vehicle Type	2013		2012		2011	
	Bulgaria	EU27+EFTA*	Bulgaria	EU27+EFTA*	Bulgaria	EU27+EFTA*
New Registrations, of which:	24,235	14,101,079	24,040	14,302,618	21,610	15,632,854
Passenger Cars	21,073	12,312,046	20,986	12,523,650	18,631	13,606,999
Commercial Vehicles	3,162	1,789,033	3,054	1,778,968	2,979	2,025,855

Source: ACEA
*European Free Trade Association (EFTA) - Iceland, Norway, Switzerland

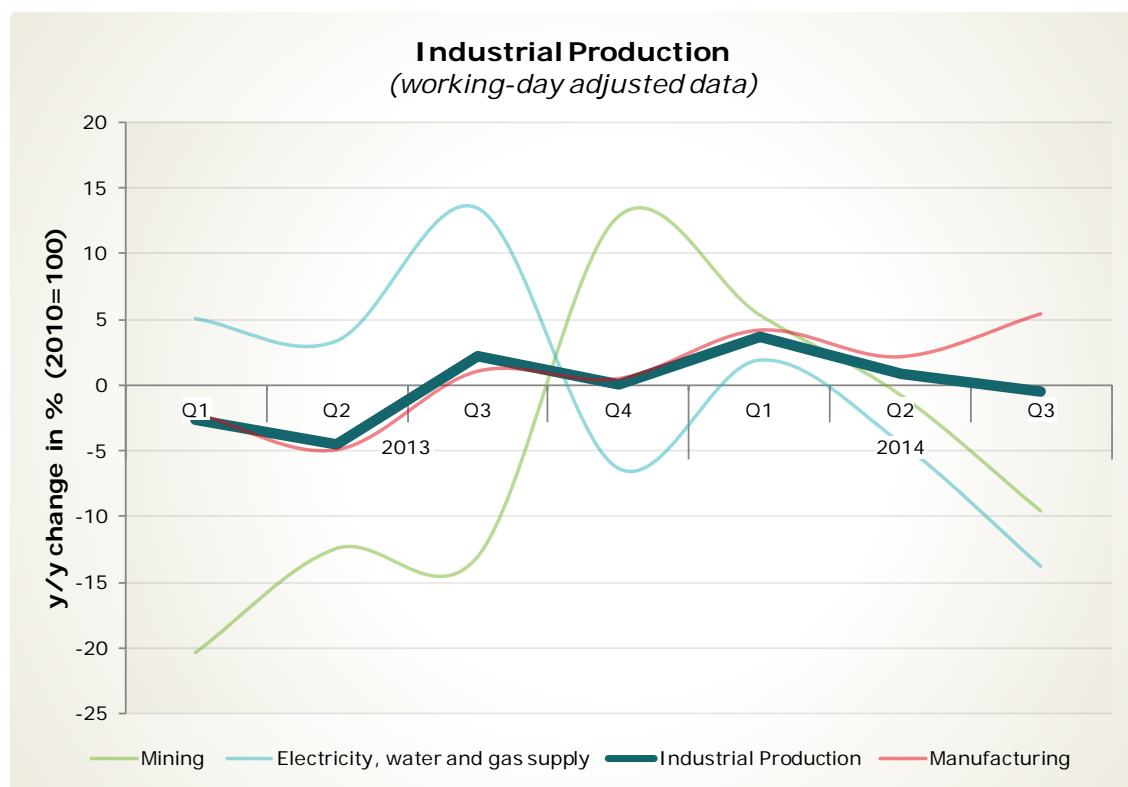
New vehicles registrations in Bulgaria continued rising to 24,235, which is an increase of 0.8% on the year for 2013, for third year in a row. In 2011 and 2012 the market posted growth of 14.6% and 11.2%, respectively. Both segments of the market, passenger automobiles and commercial vehicles, registered increases - of 0.4% and 3.5%.

Data of the Bulgarian Ministry of Internal Affairs shows that as of June 2014, 3.8 million motor vehicles were registered in Bulgaria. A total of 3.2 million vehicles were in use in 2012, up by 4.8% on the year, according to ACEA.

The uptrend in vehicles market in Bulgaria is also seen in the units of passenger cars and commercial vehicles traded in the first half of 2014 - a rise of 13.6%, according to the estimated data of ACEA. Segment wise, passenger cars' sales rose by 15.2% y/y in the first half of 2014, while commercial vehicles went up by 5.7%.

3.4.2. Business climate, political factors and industrial development

Due to political instability in 2013 and 2014 in Bulgaria, the business confidence indicator fell in five of the last seven quarters. In September 2014 the change of the indicator was -2.6 percentage points (p.p.).



Source: NSI

In the first three quarters of 2014 industrial production in Bulgaria marked an increase, due above all to the manufacturing segment, which is a positive sign for the demand of oils and lubricants.

A positive correlation between income level and lubricants consumption exists. According to NSI data the average monthly salary in September 2014 amounted to BGN 809, compared to BGN 791 in September 2013.

The growing living standard of the population leads to growing number of families who move to suburbs thus increasing road traffic and spending on motor fuels and lubricants. There is also an increase in the road trips during the public holidays, especially when the Bulgarian emigrants are returning back home.

The turbulent movements in global petroleum prices also affect the demand for motor oils. Expected ongoing decrease of the price levels will push the retail price of petroleum products further down, which in turn leads to increasing usage of motor vehicles and expanding demand for lubricants.

There is a change of preferences towards synthetic lubricants which offsets the decreasing mineral lubricants demand. It is a result of the gradual renewal of the motor vehicles in use and the share of cars suitable for synthetic and semi-synthetic oils.

Such tendency is already well observed on the global market, and the developed European markets in particular, which Bulgaria has yet to see. In 2014, low viscosity motor oils had a 40% share of the total motor oils market, which is expected to further increase in the middle- and long-term. The increasing use of low viscosity lubricants is driven by equipment manufacturers and car makers which aim at reducing the exhaust emissions and improving the fuel economy and maximising performance.

The market penetration of synthetic and semi-synthetic oils, as a result of the renewal of the automobile park, will offer motor lubricant producers, distributors, wholesalers, retailers and automobile repairs higher sales revenue, compared to the conventional lubricants. However, synthetic lubricants enable extended oil drain intervals and will not lead to a growth of the sold volume of lubricants on the market. The replacement of synthetic lubricants in new vehicles, which depend on operating conditions and driving patterns, can be from one oil change every 6 to 12 months to one change every 18 to 24 months.

3.5. Market size

According to the Bulgarian national classification of industrial activities NKID 2008 and the revised international classification of industries NACE 2.0, motor lubricants production, wholesale and manufacture are included in the broader petroleum products and fuels categories. This imposes difficulties on the identification of the sector's market size, since Bulgaria's national statistical authority NSI does not keep separate statistics for oils and lubricants. In addition, associations and non-profit organizations, as well as lubricants manufacturers, wholesalers and retailers rarely provide reliable information, due to confidentiality reasons. In individual companies' financial statements, revenue and financial results from oil and lubricants operations are combined with data in other fields of activity.

In our methodology we have derived the total size of the lubricants market by calculating it as a share of the total sales revenue of the companies licensed to market

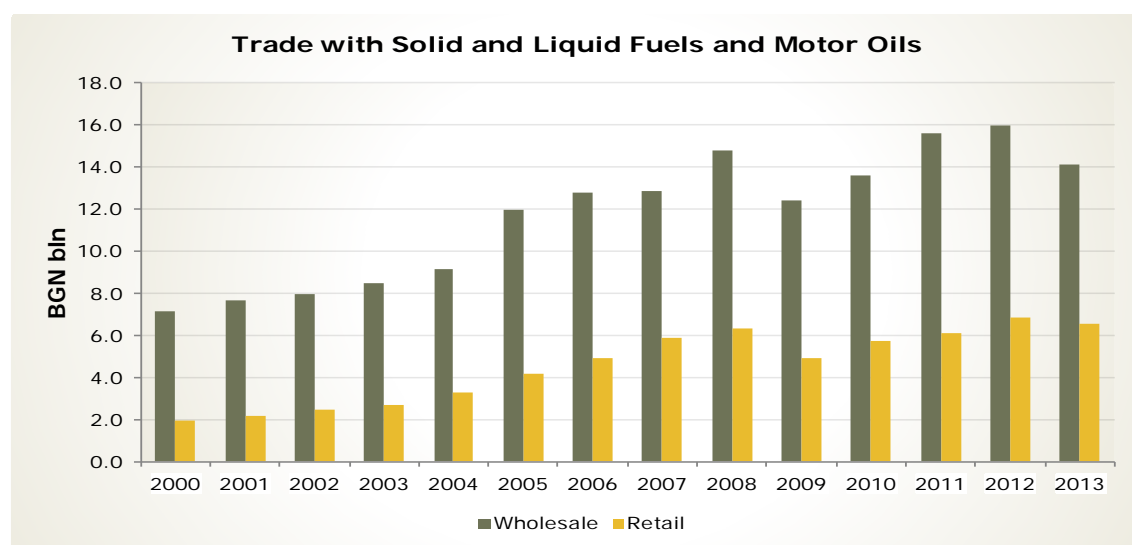
motor oils and lubricants (See Appendix 3 - List of companies licensed to market oils and lubricants). In Bulgarian legislation these are defined as individuals or legal entities which produce, import or enter (from another EU member state) oils and lubricants, and provide them to third parties against a payment or free of charge, or use them in the course of their trading, manufacturing or professional activities.

Major players on automotive fuel and lubricants market in Bulgaria in 2012					
N	Company	Automotive fuels sold in 2012 (million litres)	Sales market share in 2012	Petrol stations in 2012	Petrol stations market share in 2012
1	Lukoil Bulgaria EOOD	571.581	30	222	10.07
2	OMV Bulgaria OOD	331.517	17.4	93	4.05
3	Petrol AD	302.938	15.9	290	13.16
4	Shell Bulgaria EAD	278.170	14.6	112	5.08
5	Eko Bulgaria EAD	179.096	9.4	82	3.72
6	Rompetrol Bulgaria EAD	80.021	4.2	57	2.59
7	NIS Petrol EOOD	13.337	0.7	N/A	N/A
8	Others	148.611	7.8	1,348	61.33
	Total	1,905.271	100	2,204	100

Source: Saksa OOD, SeeNews

In 2013 according to NSI Bulgaria's exports (FOB) of mineral fuels, oils and related products was BGN 6.552 bln, or 2.9% less than the BGN 6.747 bln in 2012. Imports (CIF) stood at BGN 11.653 bln, a decrease of 6.0% compared to BGN 12.403 bln in 2012. The trade deficit was BGN 5.102 bln in 2013 and BGN 5.656 bln in 2012.

In 2013 Bulgaria's exports (FOB) of mineral fuels, oils and related products to the EU accounted for 23% of the country's total exports, or BGN 1.505 bln, by 3.6% less than the BGN 1.561 bln in 2012. Imports (CIF) from EU countries made 15.6% of the total, or BGN 1.817 bln, a 1.2% decrease in comparison to the BGN 1.839 bln in 2012. The trade deficit widened to BGN 312 mln in 2013 from BGN 279 mln in 2012.



Source: NSI

3.5.1. Export

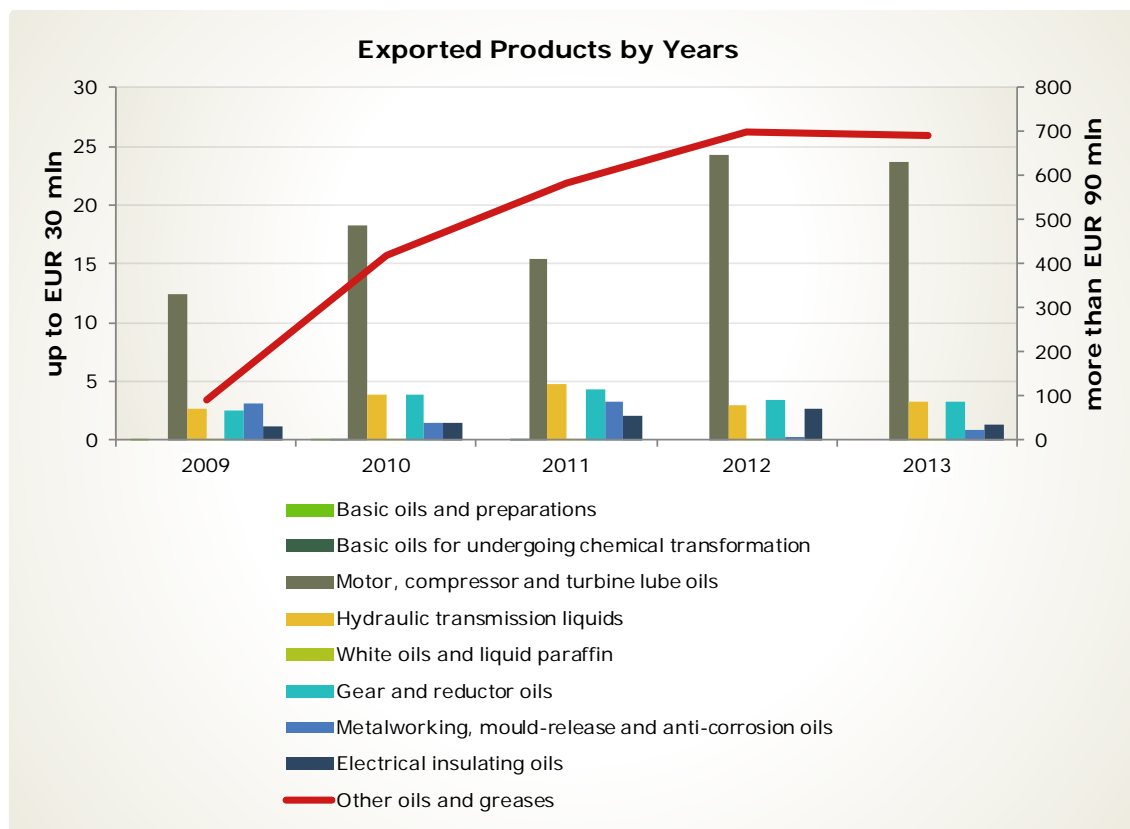
Bulgaria's leading export markets by product						
Product/Market	2013		2012		2011	
	EUR mln	Tonnes	EUR mln	Tonnes	EUR mln	Tonnes
Basic oils and preparations	0	0	0	0	0	0
Basic oils for undergoing chemical transformation	0	0	0	0	0.041	62
Romania	0	0	0	0	0.041	62
Motor, compressor and turbine lube oils	23.672	14,107	24.257	15,208	15.451	12,277
Algeria	13.051	8,201	8.652	6,148	0	0
Romania	2.050	1,521	2.075	1,487	5.273	4,126
Belgium	1.361	263	1.192	244	0.098	18
Hydraulic transmission liquids	3.304	2,938	3.004	2,371	4.705	3,708
Romania	2.097	2,107	1.950	1,617	3.119	2,645
Albania	0.264	128	0.016	7	0.006	4
Serbia	0.198	161	0.173	136	0.271	202
White oils and liquid paraffin	0.020	15	0.048	40	0.024	14
Macedonia	0.019	15	0.013	9	0.009	6
Turkey	0.001	0	0	0	0	0
Albania	0	0	0.028	20	0	0
Gear and reductor oils	3.307	2,244	3.467	2,151	4.373	2,859
Romania	1.366	1,056	1.774	1,349	2.426	1,782
Algeria	1.256	792	0	0	0.179	100
Serbia	0.209	131	0.328	206	0.459	299
Metalworking, mould-release and anti-corrosion oils	0.838	756	0.281	178	3.202	3,136
Cyprus	0.514	539	0	0	0	0
Romania	0.148	103	0.138	96	0.311	220
Hungary	0.095	71	0.043	28	0.170	110
Electrical insulating oils	1.363	1,138	2.605	2,023	2.075	1,855
Romania	0.818	667	0.926	815	1.081	1,105
Turkey	0.199	188	0	0	0	0
Egypt	0.186	138	0.638	484	0	0
Other oils and greases	688.876	1,587,259	698.494	1,411,156	580.784	1,408,151
Gibraltar	351.331	810,180	632.134	1,276,690	513.761	1,244,911
Singapore	324.975	753,927	37.124	78,576	24.487	74,399
Ukraine	6.442	14,924	0.067	37	3.356	7,907

Source: Eurostat, International Trade Centre

The other oils and greases segment dominates the lubricants export of Bulgaria in the last three years both in terms of value and quantity with 96% of the total. The other significant contributors to the export are motor, compressor and turbine oils with share of 3.0%, gear and reductor oils and hydraulic transmission oils.

The leading buyers of oils and lubricants exported from Bulgaria are companies based in Gibraltar and Singapore, which together account for more than 90% of the export in 2013. Other leading export destinations include Algeria, which dominates the motor and compressor oils export in 2012 and 2013, and Romania with strong presence in all types

of lubricants.



Source: Eurostat, International Trade Centre

In terms of value, Bulgarian exports of lubricants decreased by 1.5% y/y in 2013, following a steep growth of 19.8% in 2012. Exported quantities however continued to rise – by 12.2% y/y in 2013, compared to 0.7% in the previous year. The two leading segments - other oils and greases and motor, compressor and turbine oils, both marked a decrease in 2013, while metalworking, mould-release and anti-corrosion oils rose four times than in 2012.

In 2013 the structure of exports in terms of value and quantity is similar - other oils and greases held a share of 95.5% of the sales revenue and 98.7% of the exported quantity, while motor, compressor and turbine oils formed 3.3% of the revenue and 0.9% of the exported quantity. The combined share of all other segments remained negligible.

3.5.2. Import

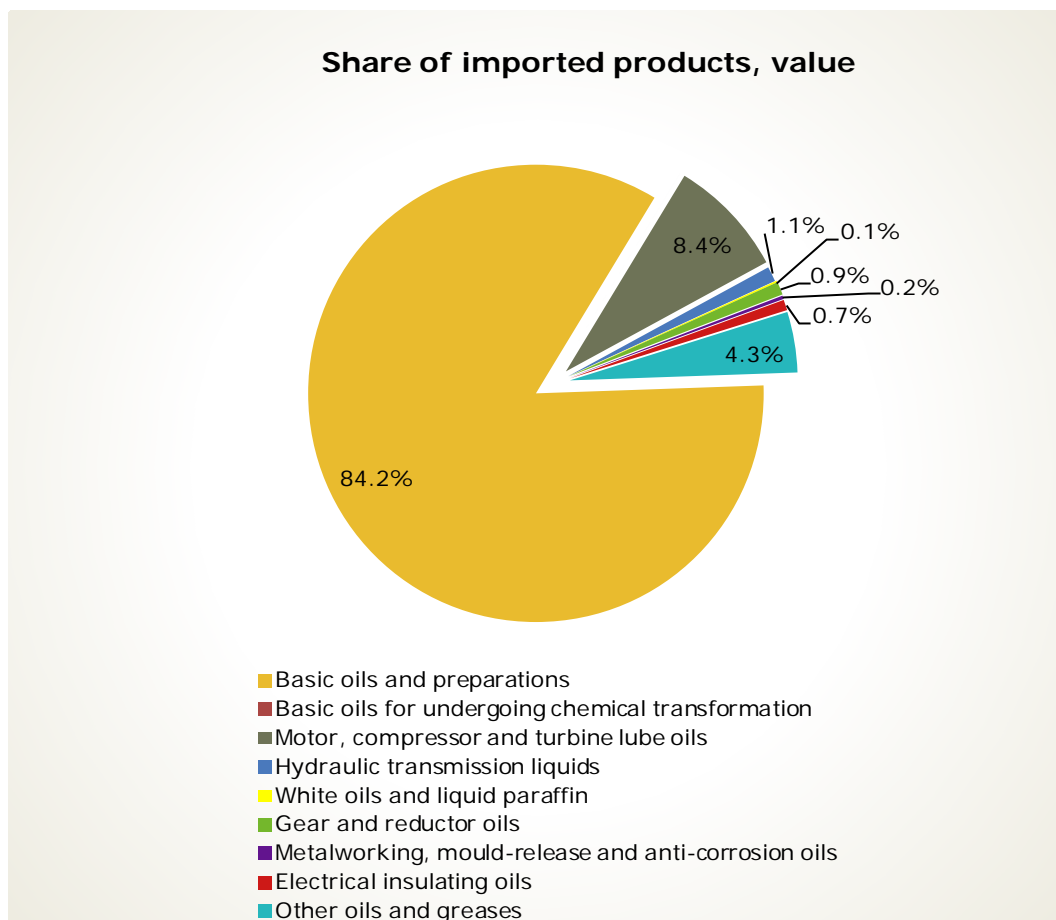
Bulgaria's leading import destinations by product						
Product/Market	2013		2012		2011	
	EUR mln	Tonnes	EUR mln	Tonnes	EUR mln	Tonnes
Basic oils and preparations	401.801	774,729	249.744	459,074	354.338	735,643
Russian Federation	383.050	737,446	208.734	389,325	184.264	375,784
Ukraine	18.714	37,273	40.943	69,718	170.064	359,853
Belgium	0.020	8	0.013	6	0.008	4
Basic oils for undergoing chemical transformation	0.000	0	0.460	94	0.117	65
Germany	0	0	0	0	0.001	0
Greece	0	0	0	0	0	0
Italy	0	0	0	0	0.115	65
Motor, compressor and turbine lube oils	40.043	20,711	32.894	16,884	28.693	15,685
Germany	8.383	3,289	6.737	2,602	6.775	2,790
Italy	7.225	3,288	5.594	2,225	4.896	2,112
Greece	6.189	5,123	1.919	1,216	1.863	1,299
Hydraulic transmission liquids	5.068	3,051	4.444	2,638	3.206	2,055
Belgium	1.237	576	0.868	405	0.161	72
Germany	0.900	353	0.681	287	0.578	288
Italy	0.778	389	0.712	353	0.738	405
White oils and liquid paraffin	0.620	497	0.904	703	1.086	936
India	0.284	280	0.315	260	0.233	194
Turkey	0.151	131	0.232	180	0.220	182
Italy	0.096	50	0.022	15	0.221	173
Gear and reductor oils	4.322	1,715	3.981	1,695	3.288	1,417
Germany	1.101	337	1.054	378	1.001	335
Belgium	0.588	224	0.576	211	0.307	105
Italy	0.518	219	0.529	205	0.465	196
Metalworking, mould-release and anti-corrosion oils	1.160	861	0.728	435	2.560	2,463
Poland	0.525	545	0.004	0	0.004	0
Germany	0.190	102	0.140	40	0.200	91
Greece	0.082	24	0.084	28	0.043	22
Electrical insulating oils	3.576	3,160	3.801	3,043	1.650	1,508
Belgium	3.412	3,039	2.111	1,610	1.030	930
Bosnia and Herzegovina	0.072	66	0.000	0	0	0
Turkey	0.029	24	1.380	1,200	0.486	510
Other oils and greases	20.491	19,785	34.838	40,738	39.102	46,365
Ukraine	4.704	5,858	7.412	8,829	16.488	18,182
Russian Federation	2.896	3,535	8.640	14,073	5.801	11,147
Hungary	2.432	2,765	2.955	3,288	2.720	3,379

Source: Eurostat, International Trade Centre

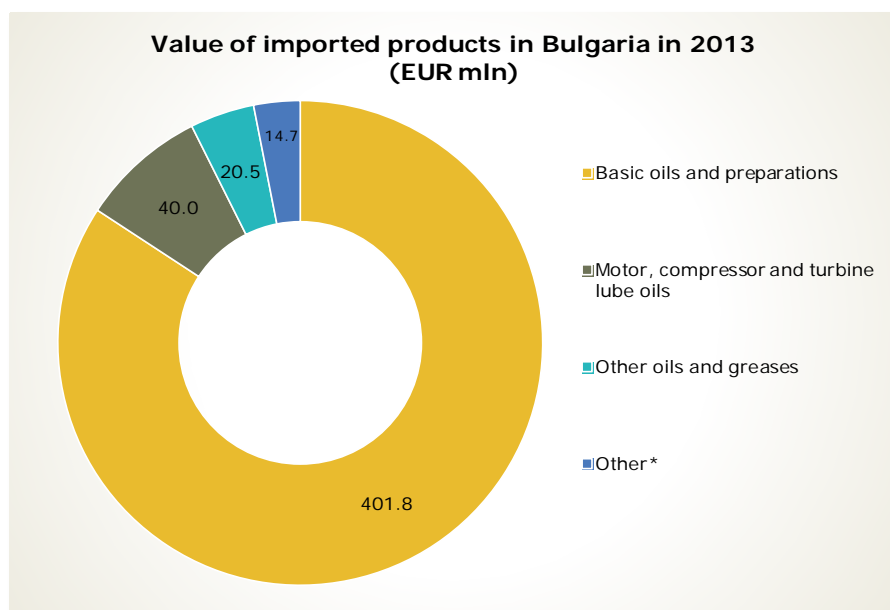
Total imports of lubricants recovered in 2013 after the decline in 2012. The growth was driven primarily by basic oils and preparations and motor, compressor and turbine oils, while white oils and liquid paraffin and electrical insulating oils marked a further decline. The total y/y increase in 2013 stood at 43.8% in terms of value and 57% in terms of quantity, compared to the slumps of 23.6% and 34.8%, respectively, in 2012.

The first three import destinations for Bulgaria in 2013 were Russia and Ukraine, with import amounted to EUR 387.321 mln and EUR 23.599 mln, respectively, and Germany followed by importing a total of EUR 12.179 mln of lubricants. Italy came forth with import of EUR 9.675 mln, Belgium of EUR 9.664 mln, and Greece of EUR 7.564 mln. The rank list of the top 10 import destinations includes Hungary (EUR 3.918 mln), Romania (EUR 3.890 mln), Netherlands (EUR 3.608 mln) and Slovenia (EUR 2.189 mln).

The basic oils and preparations segment dominated the lubricants import of Bulgaria in each of the last three years with 84.2% of the total value of imports. The other major import products are motor, compressor and turbine oils with share of 8.4% and other oils and greases with 4.3%.



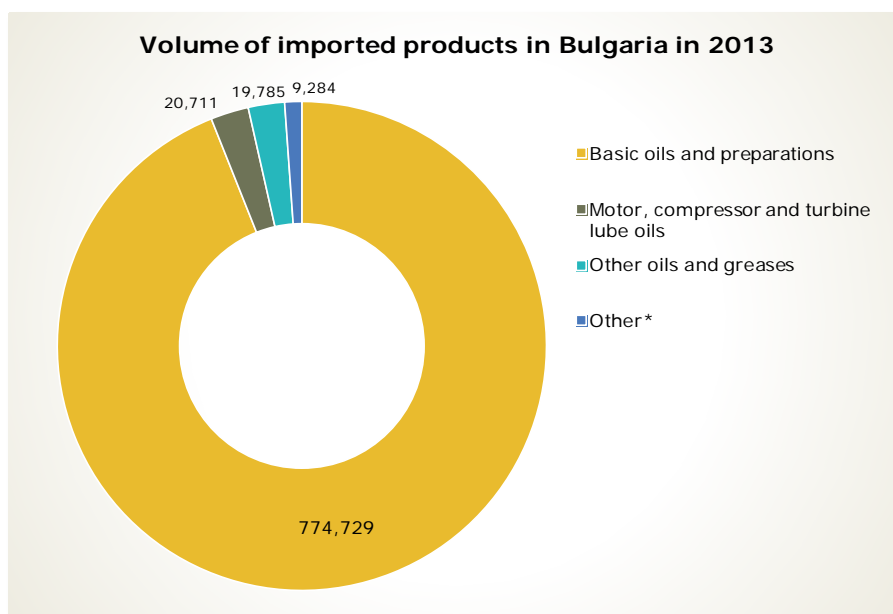
Source: Eurostat, International Trade Centre



**Other comprises Hydraulic transmission liquids; Gear and reductor oils; Electrical insulating oils; Metalworking, mould-release and anti-corrosion oils; White oils and liquid paraffin; Basic oils for undergoing chemical transformation.*

Source: Eurostat, International Trade Centre

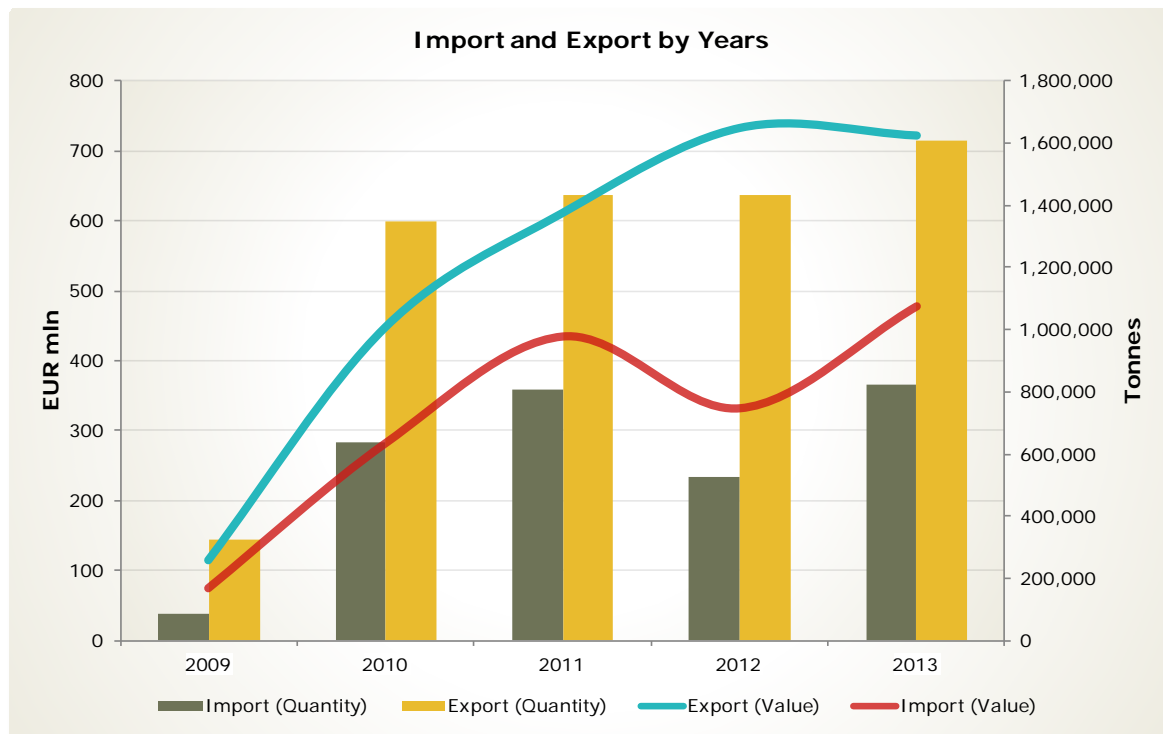
In terms of quantity the share of basic oils and preparations was even larger – 94% in 2013, followed by motor, compressor and turbine oils with 2.5% and other oils and greases with 2.4%. The leading importers to Bulgaria were Russia with a share of more than 75% and Ukraine. Motor, compressor and turbine lube oils were imported mainly from Germany, Italy and Greece, depending on the supply chains of major international wholesalers and retailers of packed motor oils. Belgium ranks among the top import destinations by hydraulic transmission liquids, gear and reductor oils and electrical insulating oils.



**Other comprises Hydraulic transmission liquids; Gear and reductor oils; Electrical insulating oils; Metalworking, mould-release and anti-corrosion oils; White oils and liquid paraffin; Basic oils for undergoing chemical transformation.*

Source: Eurostat, International Trade Centre

In each of the years between 2009 and 2013 Bulgaria registered positive trade balance regarding oils and lubricants. In 2013 the surplus amounted to EUR 244 mln, after it reached its peak in 2012 with BGN 400 mln. Both imports and exports follow the same



Source: Eurostat, International Trade Centre

pattern, except for 2012, when export revenues grew further, while import decreased significantly.

3.5.3. Motor oils market in Bulgaria

The official market of motor oils totals between 30,000 and 40,000 tonnes per year, according to our estimation. In general, the share of motor oils in the overall revenue structure of the leading companies, not exclusively specialised in lubricants, does not exceed 25%.

40,000 tonnes
Traded motor oils per year in Bulgaria

▲ BGN 720 mln
Market size of motor oils in Bulgaria

Based on the information gathered through our research, we estimate the size of motor oils market in Bulgaria for 2014 at BGN 720 mln.

In Bulgaria there is a normative requirement that 40% of the marketed motor oils and lubricants must be gathered and recycled. Data from the Bulgarian Recycling Association shows that 11,500 tonnes of waste oils are recycled annually by the two authorized companies - Lubrica OOD and Polihim SS EOOD. Turbine, hydraulic and other lubricants are rarely gathered and recycled - instead they are illegally used as fuel and for heating.

We think that the structure of sales by type of lubricants can be resumed as follows:

- Semi-synthetic motor oils – 32%
- Heavy-duty motor oils – 15%
- Transmission oils – 12%
- Mineral motor oils – 10%
- Hydraulic oils – 10%
- Synthetic motor oils – 9.0%
- Motorcycle oils – 7.0%
- Greases – 5.0%



In terms of storage capacity, Petrol AD owns and operates more than 70% of the total storage capacity for fuels and lubricants in Bulgaria.

In 2012 Prista Oil Holding operated four terminals for storage of base oils with combined capacity of 52,000 cu m. The estimated production was 49 million litres of lubricants, out of which 4.0 million litres synthetic and semi-synthetic oils. More than 50% of the output is exported to Eastern Europe and Central Asia and the planned sales of lubricants amounted to USD 60 mln.

As of 2011, Lubrica OOD had a storage capacity of 30,000 tonnes of lubricants.

Companies licensed to market motor oils

Market Share and Market Penetration of Top 10 Companies Licensed to Market Motor Oils (%)							
N	Name of the Company	Market Share			Market Penetration		
		2013	2012	2011	2013	2012	2011
1	Lukoil-Bulgaria EOOD	39.58	42.16	43.13	39.58	42.16	43.13
2	OMV Bulgaria OOD	21.93	20.43	22.74	61.51	62.58	65.88
3	Eko Bulgaria EAD	8.78	8.21	6.02	70.28	70.80	71.90
4	Orbico Bulgaria EOOD	4.58	4.76	4.69	74.86	75.56	76.59
5	Industrial Commerce EOOD	2.16	1.53	1.89	77.02	77.09	78.48
6	Toyota Balkans EOOD	2.04	1.79	1.66	79.05	78.88	80.13
7	Balkan Star Automotive EOOD	1.90	1.82	1.71	80.96	80.70	81.84
8	Somat AD	1.81	3.31	3.20	82.77	84.01	85.05
9	Porsche BG EOOD	1.80	1.89	1.84	84.57	85.90	86.88
10	Insa EOOD	1.72	1.38	0.28	86.30	87.28	87.17
	Total of industry	86.30	87.28	87.17			

The change in revenues of big market players is as an indicator of the trends in the economy. In 2013 the companies licensed to market motor oils registered a decline in their combined net sales revenue by 3.6% y/y, opposed to 2012 when a growth of 5.3% was marked. The indicator for the leading 10 companies moved in the same direction but with sharper amplitudes – a 4.6% decrease in 2013 versus a 5.5% rise in the previous year. The largest company by net sales revenue Lukoil-Bulgaria EOOD reported the most severe fall with 9.5%, while the steepest rise was achieved by Industrial Commerce EOOD with 35.7% y/y. The market concentration in the segment is higher than in wholesale and retail of automotive fuel and related products. The two leading automotive fuel wholesalers also dominate the segment of licensed motor lubricants providers and are responsible for more than 60% of their combined sales. The ranking of the leading four companies has remained the same in the three years under consideration, while the fifth-placed in 2012 Somat AD fell to eighth position in 2013 after it almost halved its sales revenue.

Net Sales Revenue of Top 10 Companies Licensed to Market Motor Oils						
N	Name of the Company	2013		2012		2011
		BGN mln	Y/Y Change (%)	BGN mln	Y/Y Change (%)	BGN mln
1	Lukoil-Bulgaria EOOD	3,237	-9.45	3,575	2.94	3,472
2	OMV Bulgaria OOD	1,793	3.51	1,732	-5.40	1,831
3	Eko Bulgaria EAD	717.622	3.03	696.551	43.66	484.845
4	Orbico Bulgaria EOOD	374.381	-7.25	403.638	6.95	377.409
5	Industrial Commerce EOOD	176.585	35.71	130.118	-14.41	152.020
6	Toyota Balkans EOOD	166.499	9.99	151.370	13.50	133.366
7	Balkan Star Automotive EOOD	155.558	0.86	154.237	12.09	137.596
8	Somat AD	148.376	-47.21	281.078	8.99	257.886
9	Porsche BG EOOD	147.256	-8.02	160.101	8.29	147.848
10	Insa EOOD	141.041	20.87	116.688	414.70	22.671
	Total for industry	8,178	-3.56	8,479	5.33	8,050
	Total for top 10	7,057	-4.64	7,400	5.46	7,017

The total financial result of the companies licensed to market motor oils in 2013 was negative for second year in a row, amounting to BGN 14.072 mln. However, it narrowed, compared to 2012 when it stood at BGN 30.587 mln. The 10 most successful motor oil traders reported a combined net profit of BGN 67.412 mln, compared to BGN 19.787 mln in 2012 and BGN 30.469 mln. In 2013 the second largest company in terms of market share OMV Bulgaria OOD turned to profit of BGN 22.467 mln from net loss of BGN 7.258 mln in 2012 and topped the ranking of the most profitable companies in the segment.

Net Profit/Loss of Top 10 Companies Licensed to Market Motor Oils (BGN mln)				
N	Name of the Company	2013	2012	2011
1	OMV Bulgaria OOD	22.467	-7.258	4.408
2	Sofia France Auto AD	12.444	14.449	7.790
3	Prista Oil Holding EAD	6.747	0.052	0.717
4	Porsche BG EOOD	6.372	7.090	5.856
5	Tech-Co OOD	4.882	4.218	3.063
6	Orbico Bulgaria EOOD	4.853	3.934	4.088
7	Eko Bulgaria EAD	3.195	-7.511	-6.216
8	Industrial Commerce EOOD	2.389	0.543	4.966
9	BMW Vertriebs- GmbH - Branch Bulgaria	2.195	2.100	3.962
10	Elit Car OOD	1.868	2.170	1.835
	Total for industry	-14.072	-30.587	51.579
	Total for top 10	67.412	19.787	30.469

In terms of return on sales, the most profitable companies are predominantly the smaller ones and the official representatives of global automobile manufacturers. The two leaders Mobilex EOOD and Sofia Auto Bulgaria EOOD have return on sales above 100%.

The total number of employees in the motor oils and lubricants traders was 9,960 in 2013, up by 3.4% from 2012. The 10 largest companies employed 65.2% of the workforce in the segment. Their annual growth in 2013 was higher than the whole segment – 4.6%. NIS Petrol EOOD increased its personnel by 98.7% compared to 2012, while the employment levels in the other biggest companies show only modest increase.

Our estimation of market potential of the motor oils and lubricants sector in 2015, based on data from ACEA, Bulgarian Ministry of Internal Affairs and information by experts, amounts to BGN 796 mln.

★ **BGN 796 mln**
Market potential of motor oils
in Bulgaria

3.5.4. Refined petroleum products, automotive fuels and lubricants

Manufacture of refined petroleum products – market size

Market Share of Top 10 Companies in Manufacture of Refined Petroleum Products (%)							
N	Name of the Company	Market Share			Market Penetration		
		2013	2012	2011	2013	2012	2011
1	Lukoil Neftochim Burgas AD	94.43	94.87	94.83	94.43	94.87	94.83
2	Insa Oil OOD	3.79	3.34	2.97	98.23	98.22	97.80
3	Prista Oil Holding EAD	1.09	1.26	1.67	99.31	99.48	99.47
4	Bulgarian Petroleum Refinery EOOD	0.32	0.22	0.19	99.64	99.70	99.66
5	Lubrica OOD	0.22	0.13	0.18	99.85	99.83	99.84
6	Verila Lubricants AD	0.07	0.09	0.08	99.93	99.92	99.92
7	Polihim SS EOOD	0.05	0.05	0.04	99.98	99.97	99.96
8	Plama Oils EOOD	0.02	0.02	0.04	100.00	100.00	100.00
9	Karbol EOOD	0.00	0.00	0.00	100.00	100.00	100.00
10	Green for You OOD	0.00	0.00	0.00	100.00	100.00	100.00
	Total	100	100	100			

In 2013 the manufacture of refined petroleum products market in Bulgaria amounted to BGN 8.046 bln and marked a y/y decrease of 6.3% compared to 2012, but still remained above the level in 2011. The reason for the fall is the 6.8% slump in the annual sales of the largest company in the segment - Lukoil Neftochim Burgas AD, which held a 94.4% of the market in 2013. The second largest manufacturer Insa Oil OOD registered a 6.3% y/y growth resulting in a market share of 3.8% in 2013. Prista Oil Holding EAD and its subsidiary Verila Lubricants AD also recorded less sales in 2013 – by 19.4% and 24.0%, respectively. Due to the large distance between manufacturers however, their relative positions in terms of market share remain unchanged in the last three years, regardless of the versatile trends in their sales revenue. The refined petroleum manufacturing sector is highly consolidated with only 10 companies operating in it and a clear market leader. The remaining players hold a total share of 5.6% and face severe competition to stay in the market.

In 2013 for third consecutive year the total financial result of the manufacture of petroleum products segment was negative with a net loss of BGN 225.7 mln. In 2011 and 2012 the combined net losses of all companies stood at BGN 121.1 mln and BGN 87.0 mln, respectively. The losses in the three years are attributed exclusively to Lukoil Neftochim Burgas AD. If we eliminate their effect, the rest of the segment marked positive results in the period 2011-2013. The runner-up in terms of market share, Insa Oil OOD reported the biggest net profit of BGN 7.5 mln, while the third largest manufacturer, Prista Oil Holding EAD, marked the sharpest y/y rise in profit for 2013 to reach BGN 6.7 mln.

Net Profit/Loss of Top 10 Companies in Manufacture of Refined Petroleum Products (BGN mln)				
N	Name of the Company	2013	2012	2011
1	Insa Oil OOD	7.500	7.038	9.793
2	Prista Oil Holding EAD	6.747	0.052	0.717
3	Lubrica OOD	0.873	0.930	2.688
4	Polihim SS EOOD	0.678	0.793	0.982
5	Bulgarian Petroleum Refinery EOOD	0.094	-1.867	0.403
6	Karbol EOOD	-0.065	0.000	0.000
7	Green for You OOD	-0.104	-0.020	0.000
8	Verila Lubricants AD	-0.150	0.498	0.321
9	Plama Oils EOOD	-0.202	-0.287	-0.165
10	Lukoil Neftochim Burgas AD	-241.036	-94.089	-135.854
	Total	-225.665	-86.952	-121.115

Polihim SS EOOD achieved the highest return on sales in the refined petroleum products segment in 2013 with 16.44%. The seventh largest manufacturer is the best ranked in terms of return on sales for third year in a row, although its result in 2013 was two times lower than the 32.62% in 2011. The two companies with largest market shares fail to match the results of the three most profitable.

The total number of employees in the 10 companies that constitute the segment continued its downward trend and in 2013 marked a y/y decrease of 7.9%. In each of the Top 6 manufacturers, the number of employees was lower than in 2012 and 2011. A correlation between the movements of employees and net sales revenue is observed. The company with most employees in 2013 was Lukoil Neftochim Burgas AD with 71.6% of all employed in the manufacturing segment. It marked the largest y/y decrease with 9.3% compared to 2012. Polihim SS EOOD is the only company in the segment to record growth in employees in 2013 – by 36%, or 13 more than the previous year.

Wholesale of fuels and related products – market size

In 2013 the Wholesale of solid, liquid and gaseous fuels and related products shrank by 10.1% y/y, opposed to 2012 when the growth was 4.3%. The combined sales revenue of the leading 10 companies shows smaller amplitudes – a 6.1% decrease in 2013 versus a 0.5% rise a year earlier. Two of the three market leaders registered hefty declines – the largest company Lukoil-Bulgaria EOOD with 9.5% and the third largest Naftex Petrol EOOD with 21.7%. The market concentration in the segment is substantially lower than in manufacturing, but higher than in retail. Two companies, Lukoil-Bulgaria EOOD and OMV Bulgaria OOD, dominate the market with a combined share of 34.47% in 2013, followed by two more companies with significant shares - Naftex Petrol EOOD and Saksa OOD. The latter is the fastest growing among the top companies in the period under consideration with annual growths of 25.0% and 13.4% in 2013 and 2012. Regardless of the versatile changes in net sales revenue among the companies, the ranking of the leading five has remained stable between 2011 and 2013.

Net Sales Revenue of Top 10 Companies in Wholesale of Fuels and Related Products						
N	Name of the Company	2013		2012		2011
		BGN mln	Y/Y Change (%)	BGN mln	Y/Y Change (%)	BGN mln
1	Lukoil-Bulgaria EOOD	3,237	-9.45	3,575	2.94	3,472
2	OMV Bulgaria OOD	1,793	3.51	1,732	-5.40	1,831
3	Naftex Petrol EOOD	1,056	-21.71	1,349	0.77	1,339
4	Saksa OOD	895.357	25.04	716.043	13.42	631.336
5	Bent Oil AD	576.213	1.37	568.450	-12.92	652.817
6	Nafta Trading AD	409.920	-4.44	428.964	-5.29	452.944
7	Rompotrol Bulgaria AD	356.066	-8.15	387.653	-11.06	435.855
8	Bulmarket DM OOD	315.623	56.22	202.037	18.98	169.810
9	Lukoil - Bulgaria Bunker EOOD	261.308	-47.62	498.883	13.94	437.862
10	Lukoil Aviation Bulgaria EOOD	260.894	-11.67	295.371	4.34	283.087
	Total top 10	9,161	-6.07	9,753	0.49	9,706
	Total industry	14,593	-10.14	16,240	4.33	15,566

The total financial result of the Wholesale of fuels and related products in 2013 was negative for second consecutive year – a loss of BGN 102 mln against a loss of BGN 34.9 mln in 2012. The 10 most profitable companies in the segment reported a net profit of BGN 93.9 mln. In 2011 and 2012 their combined net profit stood at BGN 43.6 mln and BGN 76.7 mln, respectively. The second largest company in terms of net sales revenue OMV Bulgaria OOD is the second most profitable in the segment with BGN 22.5 mln net profit, opposed to the net loss of BGN 7.3 mln in 2012. The market leader Lukoil-Bulgaria EOOD is outside the Top 10 companies with best financial results.

Net Profit/Loss of Top 10 Companies in Wholesale of Fuels and Related Products (BGN mln)				
N	Name of the Company	2013	2012	2011
1	Overgas Inc. AD	26.548	35.290	16.080
2	OMV Bulgaria OOD	22.467	-7.258	4.408
3	Saksa OOD	8.388	10.711	7.670
4	TBL EOOD	7.056	16.318	2.242
5	Heat Energy EOOD	6.622	4.747	0.000
6	Bratia Vasilevi OOD	6.442	6.211	4.747
7	Lukoil Aviation Bulgaria EOOD	5.087	7.055	5.603
8	Bulmarket DM OOD	4.678	0.078	0.101
9	Dayning Energy EOOD	3.564	0.382	0.000
10	Panatseya OOD	3.079	3.096	2.717
	Total top 10	93.931	76.630	43.568
	Total industry	-102.003	-34.905	43.057

The total number of employees in the segment was 9,886 in 2013, up by 1.1% from 2012. Half of them are employed by the 10 largest companies. Their annual growth in 2013 was higher than the whole segment – 3.0%. The increase in employment can be attributed to the growing sales of some of the leading companies. Saksa OOD has increased its personnel by 72.7%, in line with the 25% rise in net sales revenue in 2013. Bulmarket DM OOD is the other company with sharp growth in the number of employees - 18.6%, or 60 more than in the previous year. In Overgas Inc. AD the y/y increase is 12.9% in 2013.

Retail sale of automotive fuel – market size

Market Share of Top 10 Companies in Retail Sale of Automotive Fuel (%)							
N	Name of the Company	Market Share			Market Penetration		
		2013	2012	2011	2013	2012	2011
1	Eko Bulgaria EAD	17.09	17.65	14.64	17.09	17.65	14.64
2	Petrol AD	13.92	14.56	15.95	31.01	32.21	30.59
3	Shell Bulgaria EAD	12.15	13.56	16.74	43.17	45.76	47.33
4	Oilcard EOOD	2.32	2.30	1.80	45.49	48.06	49.13
5	NIS Petrol EOOD	1.47	0.28	0.00	46.96	48.34	49.13
6	Emi OOD	0.69	0.58	0.54	47.65	48.93	49.67
7	Benita EOOD	0.61	0.63	0.54	48.26	49.56	50.20
8	Kosanya EAD	0.60	0.71	0.86	48.85	50.27	51.06
9	Vam Logistics OOD	0.57	0.61	0.60	49.42	50.88	51.67
10	Tovarni Prevozi AD	0.57	0.55	0.69	49.99	51.43	52.36
	Total from industry	49.99	51.43	52.36			

The automotive fuel retail market reported a growth in 2013 for second consecutive year – by 6.4% y/y, compared to 19.2% in 2012. If we consider the 10 largest companies in the segment, their combined growth is slower – 3.4% in 2013 and 17.1% in 2012, which resulted in slight shrinking of their market share to 50%. Out of the three dominant retailers, only Shell Bulgaria EAD faced decline in net sales revenue, which led to loss of its leading position for 2012 and 2013. NIS Petrol EOOD reported the sharpest increase in net sales revenue in 2013 – BGN 50.8 mln more than in 2012. The automotive fuel retail market is less concentrated than the manufacturing and wholesale segments, but the leading three companies are clearly ahead of the others in terms of market share. The fast gain of market share of NIS Petrol EOOD, created in 2012 and fifth largest retailer in 2013 is a sign for the diversification of the market.

In 2013 the net financial result of the automotive fuel retail segment totalled BGN 71.959 mln, almost seven times higher than in the previous year. The ten leading companies generated a combined net profit of BGN 40.355 mln, opposed to the loss of BGN 0.068 mln in 2012. All leading companies registered improvement of their financial results from the previous year. Shell Bulgaria EAD realised the largest annual net profit in the segment with BGN 19.244 mln, followed by Petrol AD with BGN 4.352 mln and Eko Bulgaria EAD with BGN 3.195 mln. These are also the three largest automobile fuel retailers.

Net Profit/Loss of Top 10 Companies in Retail Sale of Automotive Fuel				
N	Name of the Company	2013	2012	2011
1	Shell Bulgaria EAD	19.244	0.635	-0.003
2	Petrol AD	4.352	-3.838	11.128
3	Eko Bulgaria EAD	3.195	-7.511	-6.216
4	Metagaz AD	3.109	2.838	1.827
5	Emi OOD	3.035	1.652	1.612
6	Oilcard EOOD	1.977	1.828	1.017
7	Europetrol EOOD	1.740	0.781	0.561
8	VIP Go Petrol EOOD	1.584	-0.016	0.000
9	Trakiya Gaz EOOD	1.136	2.853	1.062
10	Kosanya EAD	0.983	0.710	1.276
	Total for industry	71.959	11.920	26.151
	Total for top 10	40.355	-0.068	12.264

The number of employed persons in the automotive fuel retail segment in 2013 grew by 3.6% y/y. In the largest 10 companies the growth was faster – by 5.4% compared to 2012. The rise results from the expansion of NIS Petrol EOOD, the increasing consumption of automotive fuel and motor oils and the improved profitability in the segment in 2013, compared to the combined net loss in 2012. The three biggest retailers in 2013 further increased the number of their employees - NIS Petrol EOOD almost doubled them to reach 314. The company with most employees Petrol AD increased its personnel by 28 people.

3.6. Prices and technical specifications

Prices of motor oils in Bulgaria depend on producers, viscosity grades of the lubricants, vehicles' technical specifications and engines, as well as the means through which products reach final consumers, i.e. petrol stations, hypermarkets, automobile repairs or online stores. Currently, there are more than 100 different brands of motor lubricants on the market, which makes competition for customers highly intensive. As a result prices range from BGN 7.50 to BGN 48.0 for one litre of motor lubricant. This range does not include specialised petroleum products developed for the needs of some automobile brands and models, which often exceed our upper price level. The first factor determining the price differences between oils is their type – generally synthetic oils are twice more expensive than semi-synthetic oils of the same brand, while mineral oils are up to 30% cheaper than semi-synthetic.

Price Levels of Motor Lubricants as of 2013 (in BGN)		
Brand	Min Price/Litre	Max Price/Litre
Castrol	12-13	40-42
Valvoline	9-12	28-33
Total	8-10	29-32
Mobil	10-13	37-39
Esso	12-15	23-27
Bizol	9-11	24-30
Bardahl	15	42-48
Champion	11-13	21-28
Titan	13-15	38-40
Elf	14-15	50-56
Cepsa Star	10-12	29-32
Shell	10-12	37-39
Eneos	15-16	32-38
Lukoil	7-10	21-25
Prista	7-8	22-32
Cyclon	7-8	20-27
Lubrica	6-9	30-35

Source: company websites, retailers online stores

In retail sales, lubricants are commonly sold in packages of 1.0 litre, 2.0 litres, 4.0 litres and 5.0 litres. Bigger quantities are sold in barrels with different volumes, of which 60-litre, 180-litre and 200-litre barrels are most frequently used. Sizing of barrels depends on the type of lubricant and producers' market strategies.

The price level of local lubricant brands is often lower compared to foreign brands, as the former are sold at between 30% and 45% cheaper prices. However, there are exceptions where the price of a foreign brand falls at the local brands' price level.

The industrial lubricants market has some specifics and may be considered as underdeveloped. We have divided industrial lubricants into 15 separate groups, according to the specific applications. However, this division makes the estimation of price levels complex and the obscured public data might lead to incorrect conclusions.

Prices in the industrial lubricants market vary from BGN 2.0 (VAT excl.) for a package of hydraulic lubricant of 1.0 litre to BGN 35.0 (VAT excl.) for reduction gear lubricant of the same quantity. The upper price level is more elusive and depends on other factors, such as sales agreements. Agriculture lubricants range from BGN 4.0 (VAT excl.) to BGN 12.0 (VAT excl.) for 1.0 litre. Although price levels are low, the choice of an oil brand is often made in advance due to the importance of the machine maintenance. This is the reason why agricultural producers tend to agree on sales contacts for the use of a specific lubricant.

Prices of local industrial lubricant brands are lower compared to foreign brands by 20%-22% for a litre of hydraulic oil and by 35%-40% for agriculture oils. According to experts in the wholesale of industrial lubricants, Prista, Lubrica, and Insa are the top three local brands which are most traded on the market, while Shell, Mobil, and Total perform better among foreign brands.

In Bulgaria, a common practice is foreign brands of lubricants to be delivered to major regional hubs in the country by land transport. Deliveries from 1.0 to 10 tonnes are prepared and distributed to regional storages and corporate clients. Transportation and

courier companies make the distribution to the storages. Although motor and industrial oils are not classified as ADR¹ products, most of the transportation trucks are equipped with the special requirements for hazardous load. From the regional storages and corporate warehouses lubricants are directed to the main market channels – wholesalers and distributors, auto repair centres and petrol stations.

The main distribution channels through which lubricants reach clients are wholesalers and distribution companies, as well as automobile repair centres, according to data from our primary research. Auto repairs rank at the forefront mainly because of renovation of the automobile park and the improving maintenance culture of motor vehicles' drivers. Another thing is the presence of partnerships between producers of lubricants and local corporations.

Retailers' networks of petrol stations are the second most important channel for lubricants distribution. It should be noted that some companies, such as Lukoil Neftohim Burgas AD, market their motor oils only through their petrol stations, which are managed by the wholly-owned subsidiary Lukoil Bulgaria EOOD. Rompetrol Bulgaria AD offers only products of the Romanian Rompetrol SA.

Hypermarkets rank last among channels for distribution of lubricants in Bulgaria. In addition, they lose positions as clients of the major oils distribution companies. According to experts in the field they generate insignificant share of 1.0% from the sales revenue. This observation is confirmed by all of the respondents in the survey.

The number of the companies providing electronic commercial services in Bulgaria grows constantly. It is much easier nowadays to search the internet for a distributor of lubricants who also offers online retail services. Online stores are also the newest channels for lubricant distribution with increasing potential.

4. Profiles of the leading five companies by segment

4.1. Company profiles of leading distributors of lubricants

Orbico Bulgaria EOOD	
Address	Sofia 1592 161 Iztochna tangenta Blvd. Phone: +359 2 402 49 00; +359 2 402 45 00; +359 2 917 46 00 Fax: +359 2 402 49 09 Email: management@kavenorbico.bg Website: www.kavenorbico.bg
Management	Executives: Simeon Goleminov (CEO) Alexandrina Marinova (CEO) Admir Durakovic (CEO) Milena Rafailova (CFO)
Owners	Orbico d.o.o. – 100% (Croatia)
Establishment	2002
Capital	BGN 6,500,000
Employees	842 (November 2014)

¹ ADR concerns the transport of hazardous materials and refers to the European Agreement concerning the International Carriage of Dangerous Goods by Road.

Net Sales Revenue	BGN 377,409,000 (2013)
Financial Profit	BGN 4,088,000 (2013)
Products & Services	Import and export of lubricants; intermediary services; consultancy
Tech-Co OOD	
Address	Sofia 1225 99 Mara Buneva Str. Phone: +359 2 926 50 10; + 359 2 926 50 11; +359 2 926 50 44 Fax: +359 2 926 50 40 Email: trade@tech-co.net Website: www.tech-co.bg
Management	Executives: Margarit Mechev (CEO) Peyo Baylov (CEO) Margarit Mechev (Procurator) Petya Stoyanova (CFO)
Owners	Individuals – 100%
Establishment	1994
Capital	BGN 5,000
Employees	419 (November 2014)
Net Sales Revenue	BGN 31,912,000 (2013)
Financial Profit	BGN 3,063,000 (2013)
Products & Services	Import and export of automobile spare parts and lubricants
Subsidiaries	Bulval Oil OOD (100%) – Bulgaria Kodi OOD (75%) – Bulgaria Tehnotrans OOD (51%) – Bulgaria Tehsoft OOD (50%) - Bulgaria

Omnicar - BG EOOD	
Address	Plovdiv 4000 15-17 Kuklensko shosse Str. Phone: +359 32 946 946; +359 2 403 33 90 Fax: +359 32 946 945 Email: office@omnicar.bg Website: www.omnicar.bg
Management	Executives: Asparuh Bonev (CEO) Valeri Mektuchiyan (CEO)
Owners	Individuals – 100%
Establishment	2003
Capital	BGN 50,000
Employees	42 (November 2014)
Net Sales Revenue	BGN 10,957,000 (2013)
Financial Profit	BGN 862,000 (2013)
Products & Services	Warehouse services; trade in and distribution of lubricants
Subsidiaries	Compressors BG EOOD (100%) - Bulgaria

	Bulrom Gas-2006 OOD (49%) – Bulgaria
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Prime Oil 2000 EOOD	
Address	Sofia 1839 459 Botevgradsko shosse Blvd. Phone: +359 2 807 94 10 Fax: +359 2 807 94 11 Email: primeoil@primeoil-bg.com Website: www.primeoil-bg.com Executives:
Management	Stoyan Jelev (CEO)
Owners	Dest EOOD – 100% (Bulgaria)
Establishment	2001
Capital	BGN 50,000
Employees	28 (November 2014)
Net Sales Revenue	BGN 4,926,000 (2013)
Financial Profit	BGN 377,000 (2013)
Products & Services	Import and trade in automobile spare parts and lubricants; intermediary services

Motobul EOOD	
Address	Sofia 1592 43 Hristofor Kolumb Blvd. Phone: + 359 2 974 30 71; + 359 2 489 75 46; +359 2 942 46 53 Fax: + 359 2 489 55 90; +359 2 942 46 48 Email: motobul-center@motobul.com ; demirev@motobul.com Website: www.motobul.com Executives:
Management	Asen Asenov (CEO) Georgi Demirev (CEO) Ivan Grohchev (Procurator)
Owners	Auto Union AD – 100% (Bulgaria)
Establishment	2006
Capital	BGN 110,000
Employees	21 (November 2014)
Net Sales Revenue	BGN 5,577,000 (2013)
Financial Loss	BGN 708,000 (2013)
Products & Services	Trade in lubricants Motobul Express EOOD (100%) - Bulgaria

4.2. Top 5 company profiles by net sales revenue in Wholesales of refined petroleum products

Lukoil-Bulgaria EOOD	
Address	Sofia 1303 42 Todor Alexandrov Blvd. Phone: +359 2 9174 272

Management	Email: office@lukoil.bg Website: www.lukoil.bg Valentin Zlatev (CEO) Alexander Nemtsov (CFO)
Owners	Lukoil Europe Holdings B.V. - 100% (Netherlands)
Establishment	1998
Capital	BGN 231,817,070
Employees	2761 (November 2014)
Net Sales Revenue	BGN 3,236,642,000 (2013)
Financial Loss	BGN 54,265,000 (2013)
Products & Services	Trade in petroleum products, produced by Lukoil Neftohim Burgas refinery; financing and management of oil production capacity
OMV Bulgaria OOD	
Address	Sofia 1612 1 Sofiyski Geroy Str., fl. 8 Phone: +359 2 932 9710 Email: info.bulgaria@omv.com Website: www.omv.bg
Management	Petar Velichkov (CEO)
Owners	OMV Petrom SA - 99.9% (Romania) OMV Refining and Marketing GmbH - 0.1% (Austria)
Establishment	1998
Capital	BGN 121,206,300
Employees	58 (November 2014)
Net Sales Revenue	BGN 1,792,958,000 (2013)
Financial Profit	BGN 22,467,000 (2013)
Products & Services	Development and management of a petrol stations network; trade in petroleum products
Naftex Petrol EOOD	
Address	Lovech 5500 12 Tarnovska Str. Phone: +359 52 574 883; +359 52 574 625; +359 2 496 0384 Email: np@naftex.bg ; silvi.radanova@naftex.bg Website: www.naftex.bg
Management	Dragomir Petkov (CEO) Hristo Tonchev (Director) Iliana Stoycheva (CFO)
Owners	Petrol AD - 100% (Bulgaria)
Establishment	2003
Capital	BGN 262,757,330
Employees	39 (November 2014)
Net Sales Revenue	BGN 1,056,280,000 (2013)
Financial Loss	BGN 151,562,000 (2013)
Products & Services	Processing and trade in fuels and other petroleum products.
Subsidiaries	Evrokapital-Bulgaria EAD (100%) – Bulgaria Naftex Security EAD (100%) – Bulgaria Naftex Petrol Trade EOOD (100%) - Bulgaria Blits Aviation AD (90%) – Bulgaria Yureks Konsult AD (79.95%) – Bulgaria

SAKSA OOD	
Address	Dolna Bania 2040 1 Targovska Str. Phone: +359 2 991 7224 Email: office@saksa-bg.com ; contact@saksa-bg.com Website: www.saksa-bg.com
Management	Atanas Dimov (CEO)
Owners	Individuals - 100%
Establishment	2004
Capital	BGN 500,000
Employees	221 (November 2014)
Net Sales Revenue	BGN 895,357,000 (2013)
Financial Profit	BGN 8,388,000 (2013)
Products & Services	Trade in fuels and other petroleum products; storage and processing of oil products
Bent Oil AD	
Address	Sofia 1404 49 Bulgaria Blvd., fl. 1 Phone: +359 2 8183 044; +359 2 8183 066 Email: office@bentoil.com Website: www.bentoil.com
Management	Board of Directors and Executives: Dimitar Radev (Member of the Board and CEO) Tsvetelina Velkova (Member of the Board and CFO) Biser Evstatiev (Member of the Board)
Owners	Vilet AD – 99.998% (Bulgaria) Individuals – 0.002%
Establishment	2009
Capital	BGN 50,000
Employees	62 (November 2014)
Net Sales Revenue	BGN 576,213,000 (2013)
Financial Profit	BGN 2,623,000 (2013)
Products & Services	Trade in petroleum products
Subsidiaries	Multilevel Group OOD (100%) - Bulgaria

4.3. Top 5 company profiles by net sales revenue in the Retail sales of refined petroleum products

Petrol AD	
Address	Lovech 5500 12 Targovska Str. Phone: 359 2 9690 300 Email: office@petrol.bg

Bulgarian Stock Exchange Management	Website: www.petrol.bg Ticker: 5PET ISIN: BG11PESOB13 <i>Board of Directors and Executives:</i> Grisha Ganchev (Chairman of the Board) Georgi Tatarski (CEO and Deputy-Chairman of the Board) Milko Dimitrov (CEO) Georgi Ivanov (Member of the Board) Lachezar Gramatikov (Member of the Board) Kiril Shilegov (Member of the Board) <i>Supervisory Board:</i> Petrol Korekt EOOD Petrol Asset Management EOOD Ivan Voynovski
Owners	Naftex Petrol EOOD – 41.85% (Bulgaria) Alfa Capital AD - 28.85% (Bulgaria) Petrol Korekt EOOD - 18.31% (Bulgaria) Others – 10.99%
Establishment	1990
Capital	BGN 109,249,612
Employees	1470 (November 2014)
Net Sales Revenue	BGN 584,367,000 (2013)
Financial Profit	BGN 4,352,000 (2013)
Products & Services	Trade in fuels and petroleum products; operation of a petrol stations network
Subsidiaries	Varna Storage EOOD (100%) – Bulgaria Elit Petrol AD (99.99%) – Bulgaria Naftex Petrol EOOD (100%) – Bulgaria Petrol Trans Express EOOD (100%) – Bulgaria
	Petrol Tekhnika EOOD (100%) – Bulgaria Petrol Gaz EOOD (100%) – Bulgaria BPI EOOD (100%) – Bulgaria Petrol Properties EOOD (100%) – Bulgaria Petrol Eco Invest EOOD (100%) - Bulgaria
Shell Bulgaria EAD	
Address	Sofia 1505 48 Sitnyakovo Blvd. , fl. 8 Phone: +359 2 960 170; +359 800 13 482 Email: shell.bulgaria@shell.com ; euroshell-bg@shell.com
Management	Website: www.shell.bg Teodora Koleva (CEO) Kamelia Petkova (CEO)
Owners	Shell Petroleum B.V. - 100% (Netherlands)
Establishment	1991
Capital	BGN 47,404,000
Employees	65 (November 2014)
Net Sales Revenue	BGN 510,212,000 (2013)
Financial Profit	BGN 19,244,000 (2013)
Products & Services	Trade in fuels and other petroleum products; management of a petrol stations network

Oilcard EOOD	
Address	Sofia 1233 Zh.k. Banishora, 8 Kavala Str. Phone: +359 2 8313 128; +359 2 9311 741 Email: oilcard@yahoo.com Website: www.oilcard-bg.com
Management	Boris Dimov (CEO)
Owners	Individuals – 100%
Establishment	1998
Capital	BGN 350,000
Employees	19 (November 2014)
Net Sales Revenue	BGN 97,396,000 (2013)
Financial Profit	BGN 1,977,000 (2013)
Products & Services	Trade in fuels and other petroleum products; intermediary services
NIS Petrol EOOD	
Address	Sofia 1407 51A Nikola Vaptsarov Blvd., fl. 4 Phone: +359 2 9049 700; +359 2 4210 660 Email: office@nis.eu Website: www.bg.nis.eu
Management	Yelena Pavlovich (CEO) Valeriy Gruzlov (CEO)
Owners	Naftna Industrija Srbije A.D. – 100% (Serbia)
Establishment	2011
Capital	BGN 500,000
Employees	166 (November 2014)
Net Sales Revenue	BGN 61,720,000 (2013)
Financial Loss	BGN 18,113,000 (2013)
Products & Services	Trade in oil and petroleum products
EMI OOD	
Address	Burgas 8000 1 Adam Mitskevich Str., entr. 2, fl. 3 Phone: +359 56 844 844; +359 56 950 371 Email: emi.ood@abv.bg Website: www.emigas-bg.com
Management	Doncho Stankov (CEO) Emilia Stankova (CEO)
Owners	Individuals - 100%
Establishment	1995
Capital	BGN 700,000
Employees	59 (November 2014)
Net Sales Revenue	BGN 29,026,000 (2013)

Financial Profit	BGN 3,035,000 (2013)
Products & Services	Trade in fuels and other petroleum products

5. Trends and SWOT analysis on the motor lubricants market in Bulgaria

The expected growth rate of global lubricant demand for 2014 is in the range 0.5-1.0%, which is under the projected GDP growth of 3.3% and the uptrend in related industries such as car production (3.9%), chemicals production (3.0%) and steel production (2.4%).

The macroeconomic environment will continue to influence the Bulgarian lubricants markets. The development of Bulgarian lubricants market will depend primarily on the resolution of the Ukraine conflict, the economic situation in Asia and the movement of energy prices. Local motor oil companies can further grow, if they focus on high-quality oils and look for expansion opportunities on the dynamic Asian and Middle Eastern markets. On the other hand, the weakening demand in Western Europe will persist, caused by dwindling population and outsourcing of industrial production to other regions, affecting negatively Bulgarian lubricants producers and exporters.

We expect, based on the trend from the last three years, the net sales revenue in the motor oils and lubricants sector in Bulgaria to grow by a Compound Annual Growth Rate (CAGR) of 0.5% in the period 2014-2016. This rate is slower than the projected CAGR for retail of automotive fuels and related products of 8.2% and manufacture of petroleum products with 4.7%, but better than in the wholesale of fuels and related products segment, which is estimated to show a negative CAGR of 2.1%.

Strengths:

- Growing number of new vehicle registrations in Bulgaria;
- Developed country's infrastructure;
- Rise of the monthly net wages and improvement of the living standard;
- Lubricant market potential estimated at BGN 796 mln;
- Motor lubricant market reports a slight growth.

Weaknesses:

- Lack of a single statistics on the lubricants market due to their classification in one category with fuels and other petroleum products;
- Part of the motor lubricants market is in the grey economy.

▲ 0.5%

CAGR of motor oils market in Bulgaria

Opportunities:

- Stable macroeconomic environment;
- Level of foreign direct investments improves by posting a slight increase;
- Share of synthetic lubricants increases, related to mineral lubricants' share;
- Growing role of wholesalers, distribution companies and automobile repairs as distribution channels;
- Products with a market potential are the lubricants made of natural gas and low viscosity lubricants.

Threats:

- Lubricant sales account for 20% to 25% of the total net sales revenue of companies;
- Top three producers of petroleum products hold more than two thirds of the lubricants market.



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