

MACHINERY SECTOR IN BULGARIA

a report by SeeNews Competitive Intelligence

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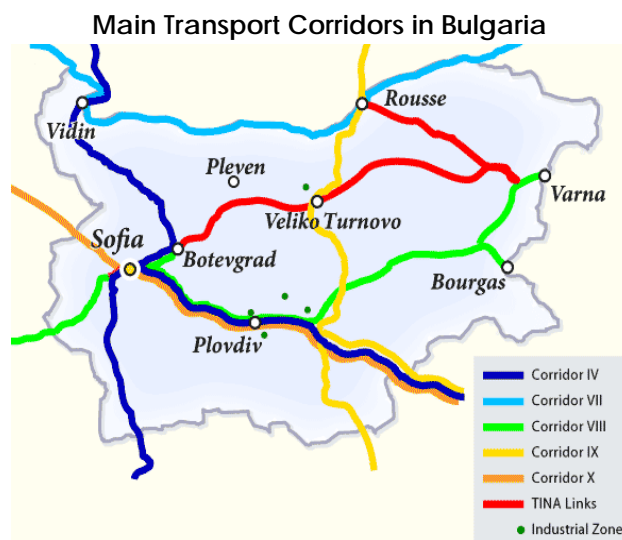
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1. MACHINERY SECTOR IN BULGARIA – INVESTMENT POTENTIAL

1.1. Country investment advantages

Bulgaria's strategic geographic location in Southeastern Europe and its European Union (EU) membership provide locally-registered companies with a market of more than 500 million potential clients. The access to such an enormous market is supported by the five Pan-European transport corridors that pass Bulgaria, the five international airports and the 64 river and sea ports in the country.



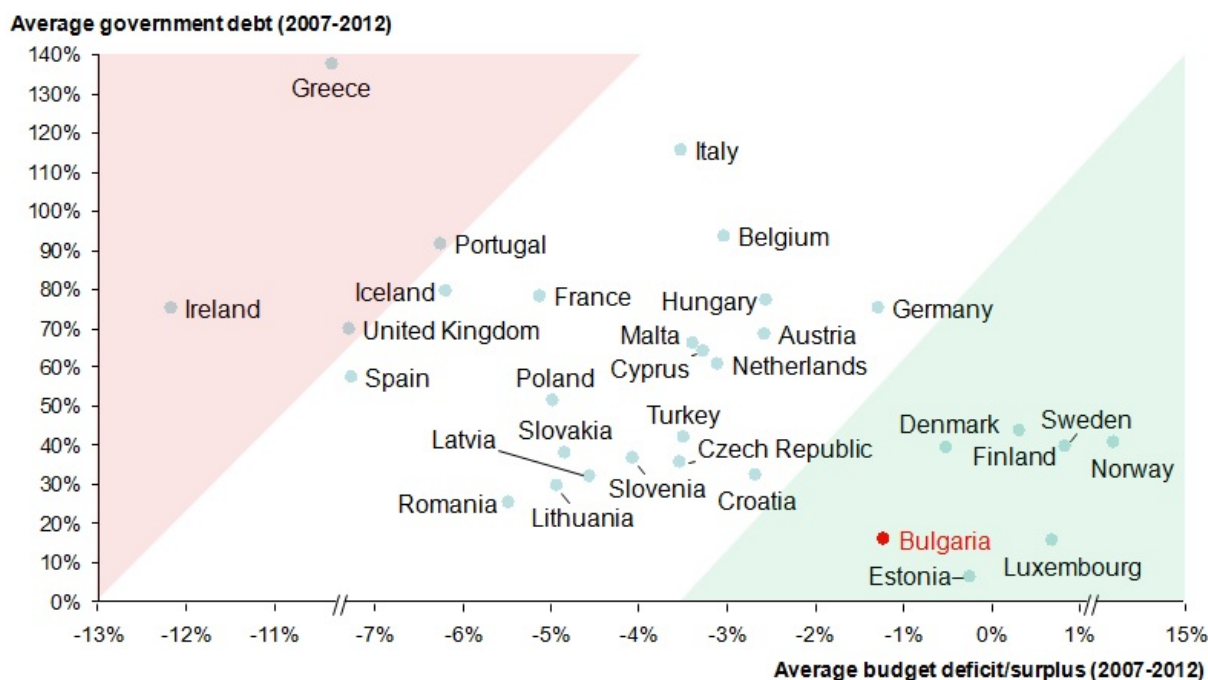
Source: InvestBulgaria Agency

Bulgaria offers a low corporate and personal tax rate of 10%, the lowest labour costs within the EU, modern office space and favourable office rents, as well as low utility expenses. The country is operating a currency board system, which provides financial stability by cushioning exchange rate movements. Other macroeconomic advantages are the low budget deficit and government debt.

Bulgaria also has a well-developed educational system, which comprises more than 50 universities, including five technical universities in major cities, with about 60,000 graduates every year.

Key indicators		
Indicator	Bulgaria	EU average
Real GDP growth rate in 2013	1.10%	0.00%
Corporate tax rate	10%	24%
Average annual wage in industry and services sectors (EUR)	4,599	26,402
Industrial gas price (EUR per gigajoule)	9.89	10.56
Electricity for industry sector (EUR per kWh)	0.080	0.094

Source: InvestBulgaria Agency



Source: Eurostat, InvestBulgaria Agency

The Bulgarian government supports investments in specific industries under the Investment Promotion Act (IPA). In order an investment project to be supported the minimum investment amount must exceed EUR 2.5 mln. However, this limit narrows to EUR 1.0 mln for projects in regions with high unemployment and to EUR 0.5 mln for investments in high-tech projects.

IPA supported industries	Benefits for investors
✓ Manufacturing	✓ Shortened administrative procedures
✓ Research & development	✓ Preferential acquisition of state or municipal land
✓ Education	✓ Financial support for professional training/education
✓ Healthcare	✓ Infrastructure subsidies
✓ High-tech services	✓ Labor cost subsidies
✓ Warehousing and logistics	✓ Individual administrative services

Bulgaria improved significantly its position in the ranking on ease of doing business, according to World Banks' Doing Business 2015 report. The country went up to the 38th position in the 2015 report, compared to its 58th position in previous year's report. Bulgaria made easier starting a business by simplifying preregistration and registration formalities, the World Bank noted. The country was among the economies in Southeastern Europe to achieve the highest average score on the strength of insolvency framework index, the report showed. Bulgaria implemented many of the good practices measured by the index as part of its reform efforts.

Bulgaria improved also its position in the Global Competitiveness Index of the World Economic Forum by scoring 4.37 points in the 2014-2015 ranking, thus occupying the 54th place, up from 57th place in the 2013-2014 ranking. Bulgaria outpaced almost all countries in Central and Eastern Europe, including Romania, Slovenia, Croatia and Greece. Bulgaria ranks highest in health and primary education, macroeconomic environment and technological readiness.

1.2. Investment potential in machinery sector

Bulgaria has long traditions and experience in the machinery field, dating back to 1948 when the industry started its sharp development. In the period 2000-2009 the machine building sector marked a steady growth with major foreign companies entering the Bulgarian market. The industry was hit by the global economic downturn but in 2011 it started to recover with foreign investments gathering pace.

The machinery sector contributes 4.5% of the country's total industrial production volume and generates 6.8% of the value added of the Bulgarian industry, according to Bulgaria's Ministry of Economy. The machinery sector employs 30,400 people, or 5.8% of the total for the manufacturing industry.

Other key advantages include:

- ✓ Well-educated, experienced and affordable workforce;
- ✓ Existing infrastructure for the needs of the machine building industry;
- ✓ Easy access to large markets such as EU, Russia and the Middle East;
- ✓ Proximity to the automobile clusters in Central and Eastern Europe;
- ✓ Significant number of technical universities and colleges;
- ✓ Transfer of know-how from major machine-building international companies, operating in the country;
- ✓ Financing under EU structural funds

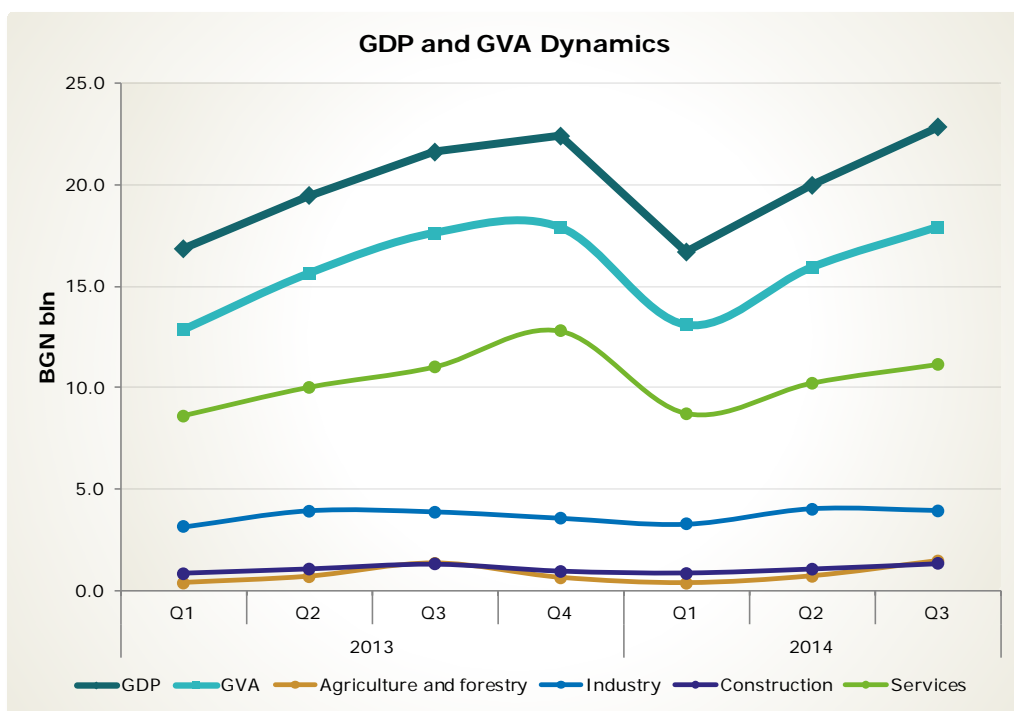
As of January 2015 Bulgaria managed to absorb 76.34% of the money from the EU structural funds, according to data of the country's Ministry of Finance (MoF). The total amount of the funds absorbed under the Operational Programmes stood at BGN 11.972 bln.

EU Operational Programmes' Priority Axes Concerning the Machinery Sector		
Priority name	Payments (BGN mln)	% of implementation
Support for innovation in enterprises	190.561	56.30%
Improvement of technologies used and management of enterprises	583.123	70.82%
Financial instruments for enterprise development	682.585	99.71%
Strengthening the international market positions of the Bulgarian economy	48.127	65.35%
Raising the productivity and adaptability of employees	282.707	77.41%
Strengthening the links between institutions for education and training, research and business sectors	96.771	79.87%

2. BULGARIA – ECONOMY SNAPSHOT

Bulgaria – Macroeconomic Snapshot		
Indicator	Value/Change in value	As of
<i>GDP Growth</i>	1.5% y/y	Q3 2014
<i>Business confidence indicator</i>	3.8 pp m/m	January 2015
<i>Industrial output</i>	-0.9% y/y	November 2014
<i>Industrial sales</i>	1.9% y/y	November 2014
<i>Wholesales</i>	-19.5% y/y	Q3 2014
<i>Retail sales</i>	2.3% y/y	November 2014
<i>Average annual inflation</i>	-1.4%	December 2014
<i>Unemployment rate</i>	10.8%	Q3 2014
<i>Number of building permits</i>	3.3% y/y	Q4 2014
<i>Money supply growth</i>	1.1% y/y	December 2014
<i>Household loans</i>	-1.6% y/y	December 2014
<i>SOFIX blue-chip index</i>	-8.5% y/y	January 2015
<i>Gross external debt</i>	EUR 38.819 bln	November 2014
<i>Current account gap</i>	EUR 90.5 mln	November 2014
<i>FDI inflow change</i>	5.4% y/y	Q3 2014
<i>Foreign trade deficit</i>	EUR 453 mln	Q3 2014
<i>Number of foreign tourist overnights</i>	6.6% y/y	November 2014

The country's **GDP** increased by 1.5% y/y and totalled BGN 22.838 bln (EUR 11.677 bln) in the third quarter of 2014, according to preliminary data of the National Statistical Institute (NSI).



Source: NSI

Editor's note: Construction's GVA is included in Industry's GVA for Q3 2014

The gross value added (**GVA**) generated by the national economy increased by 1.6% y/y in the third quarter of 2014 and totalled BGN 17.884 bln. The industrial sector grew in value by 1.7% y/y and its share in the GVA structure remained unchanged at 21.9%. The services sector recorded a 1.1% annual increase, slicing a 62.3% share in the GVA, down from 62.6% in the corresponding quarter of the previous year. The agricultural sector registered an annual rise of 8.7%, thus increasing its share in the GVA to 8.1%, from 7.6% in the third quarter of 2013.

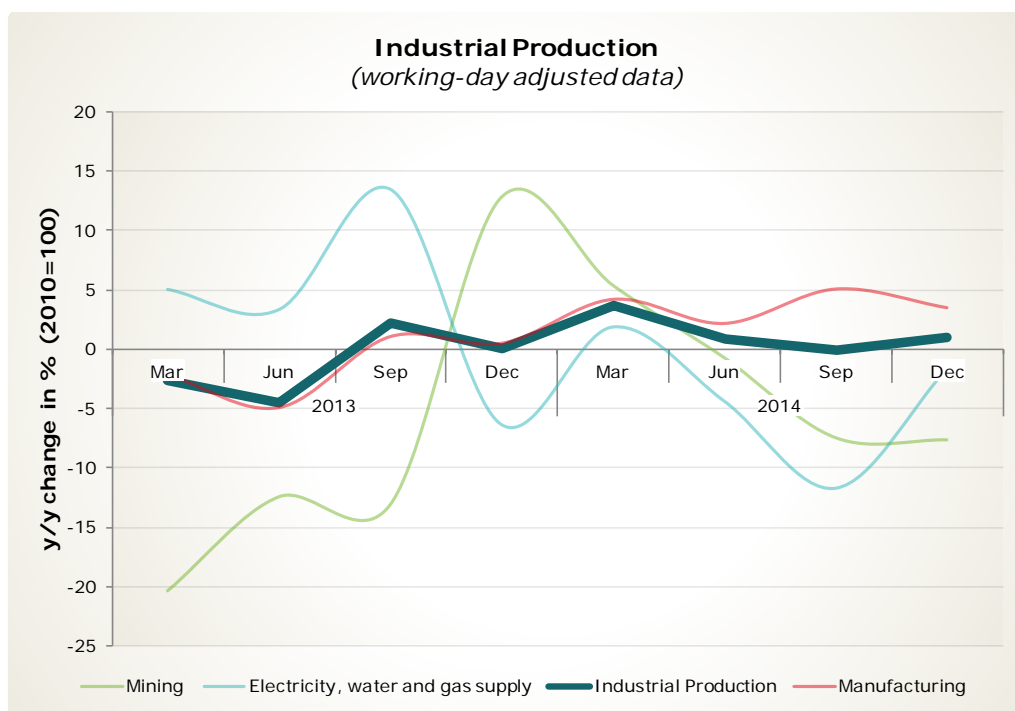
In September 2014 the **business confidence indicator** went up by 3.8 percentage points m/m due to the improved business climate in the manufacturing industry, construction and retail trade.

Economic uncertainty, tough competition, financing issues and low demand are among the key factors, which impede the development of the sectors.

The business confidence indicator fell by 1.1 percentage points m/m in December 2014 and grew by 0.5 percentage points m/m in November 2014.

Industrial output went down by 0.4% on the year in November 2014. The mining, and electricity, water and gas supply sectors fell by 7.6% and 1.6% y/y, respectively, while the manufacturing sector rose by 3.5% y/y.

Repair and installation of machinery and equipment was the segment to report the highest annual production growth, of 51.7%, while manufacturing of basic metals slumped by 16.7% y/y.



Source: NSI

Industrial sales increased by 1.9% y/y in November 2014. The manufacturing industry declined by 0.4% on the year. Sales in the manufacturing, repair and installation of machinery and equipment marked the highest annual growth of 50.7%, while manufacturing of wood and cork, except furniture marked the sharpest drop of 14.5%.

The **wholesale** sector went down by 19.5% y/y in the third quarter of 2014. Non-specialised wholesale registered the highest drop of 33.5%. Wholesale of computer and communications equipment was the only segment to report a rise, of 4.5%.

In the period January – December 2014 the **average annual deflation** was 1.4%. The highest average annual decrease of 22.1% in consumer prices in the period under review was recorded in dental services, while prices of newspapers and periodicals registered the strongest increase, of 3.6%.

Unemployment in Bulgaria narrowed to 10.8% of the total labour force in the third quarter of 2014 from 12.0% a year earlier, according to data of NSI.

The **average monthly salary** in the third quarter of 2014 inched down by 1.0% q/q, but grew by 2.3% in annual terms to BGN 809 (EUR 414). Wages in the public and private sectors went up by 5.8% y/y and 1.2% y/y, respectively. Employees in the IT and Communication sector and in the Electricity, gas and water supply and production had the highest salaries of BGN 1,753 and BGN 1,528, respectively.

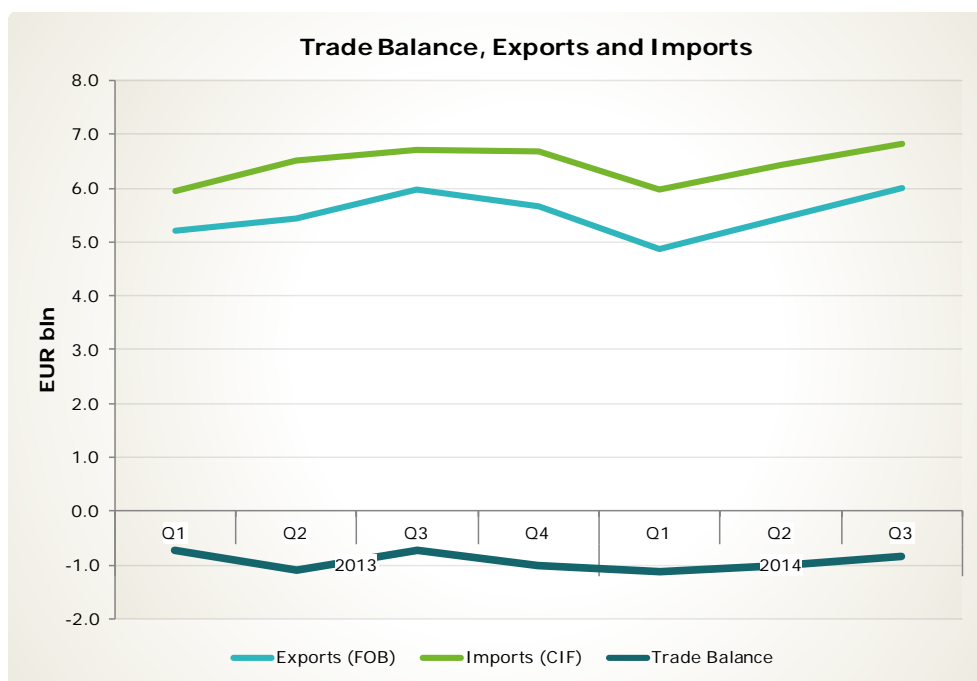
Housing prices inched up by 1.2% to an average BGN 874.5 per sq m in Q4 2014, compared to BGN 864.5 per sq m in the previous year.

Loans to non-financial corporations fell by 11.6% y/y to BGN 31.011 bln in December 2014, by 11.5% y/y in November and up by 3.0% y/y in October 2014.

The **gross external debt** increased, totalling EUR 38.819 bln at the end of November 2014, which was 96.4% of the projected full-year GDP. It widened by 4.5%, or EUR 1.895 bln compared to November 2014.

The **current account** gap was EUR 90.5 mln in November 2014, compared to a EUR 38.7 mln gap a year earlier, according to Bulgarian National Bank (BNB).

Foreign Direct Investments (**FDI**) rose by 5.4% y/y to EUR 354.3 mln in the third quarter of 2014. For the January-September period FDI totalled EUR 1.106 bln, or 2.7% of the projected full-year GDP, compared with EUR 1.161 bln, or 2.8% of GDP, a year earlier.



Source: BNB

3. MARKET ANALYSIS

3.1 Methodology

For the preparation of the analysis a throughout desktop research is implemented. The initial phase 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;
- websites of international organizations (International Trade Centre);
- independent studies

Based on the data gathered during the research, qualitative and quantitative analyses are made. The results are:

- 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

Forecasts for the development of the machinery sector in Bulgaria are made using the available historical data and mathematical models.

The information in the report for the machinery sector is based on the revised Statistical Classification of Economic Activities in the European Community (NACE Rev.2). The exact name and NACE code of the industry and its segments is presented in the table below:

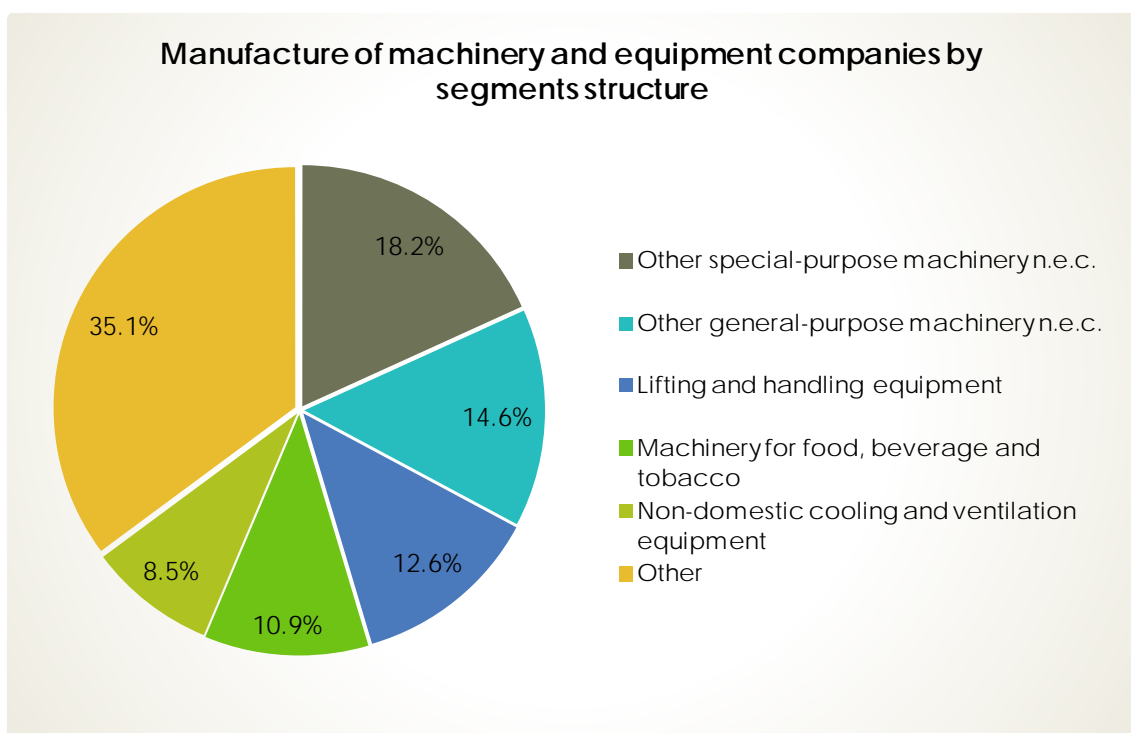
NACE Code	Level	Industry/Sector/Segment/Subsegment Name
C	1 (Industry)	Manufacturing
28	2 (Sector)	Manufacture of machinery and equipment n.e.c.
281	3 (Segment)	Manufacture of general-purpose machinery
2811	4 (Subsegment)	Manufacture of engines and turbines, except aircraft, vehicle and cycle engines
2812	4	Manufacture of fluid power equipment
2813	4	Manufacture of other pumps and compressors
2814	4	Manufacture of other taps and valves
2815	4	Manufacture of bearings, gears, gearing and driving elements
282	3	Manufacture of other general-purpose machinery
2821	4	Manufacture of ovens, furnaces and furnace burners
2822	4	Manufacture of lifting and handling equipment
2823	4	Manufacture of office machinery and equipment (except computers and peripheral equipment)
2824	4	Manufacture of power-driven hand tools
2825	4	Manufacture of non-domestic cooling and ventilation equipment
2829	4	Manufacture of other general-purpose machinery n.e.c.
283	3	Manufacture of agricultural and forestry machinery

2830	4	Manufacture of agricultural and forestry machinery
284	3	Manufacture of metal forming machinery and machine tools
2841	4	Manufacture of metal forming machinery
2849	4	Manufacture of other machine tools
289	3	Manufacture of other special-purpose machinery
2891	4	Manufacture of machinery for metallurgy
2892	4	Manufacture of machinery for mining, quarrying and construction
2893	4	Manufacture of machinery for food, beverage and tobacco processing
2894	4	Manufacture of machinery for textile, apparel and leather production
2895	4	Manufacture of machinery for paper and paperboard production
2896	4	Manufacture of plastics and rubber machinery
2899	4	Manufacture of other special-purpose machinery n.e.c.

3.2. Industry analysis

Landscape

The Manufacture of machinery and equipment sector in Bulgaria was represented by 868 companies at the end of 2013, compared to 722 in the previous year.



Most of the companies in the industry are based in the capital Sofia, followed by Plovdiv and Stara Zagora, southern Bulgaria.

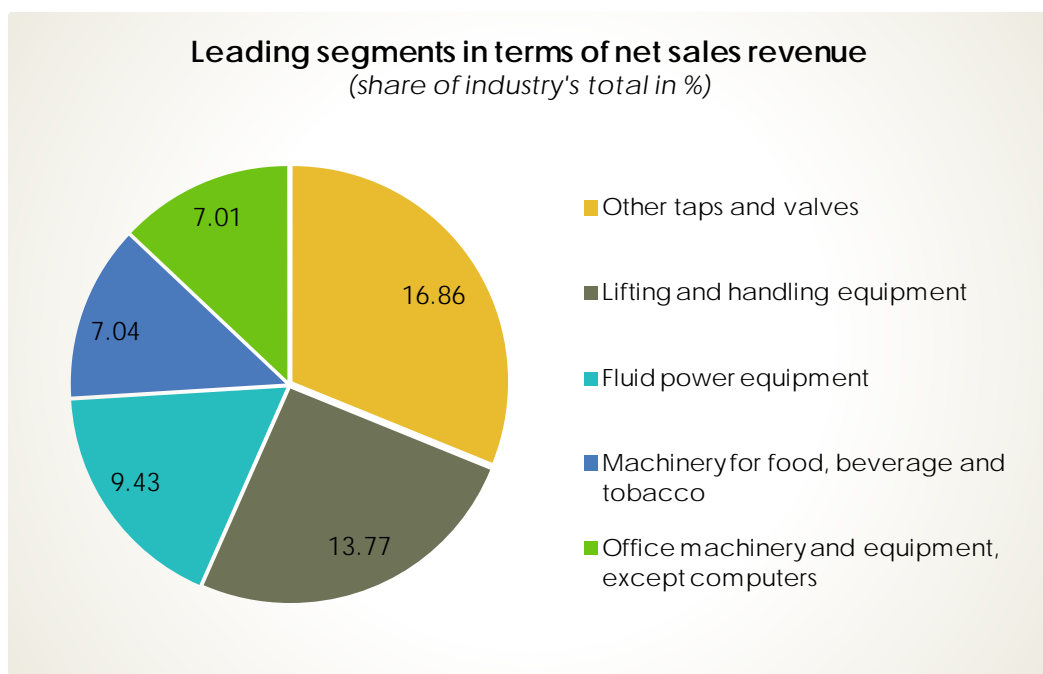
Employment

Statistics show that over 30,878 were employed in the Manufacture of machinery and equipment sector at the end of 2013, compared to 27,978 in 2012.

Market size

According to market experts, the greatest impact on the development of the Manufacture of machinery and equipment sector has amortisation expenses. In 2013 they stood at BGN 103.839 mln, according to the financial statements of the companies in the industry. In 2012 the figure was BGN 93.355 mln.

The companies in the Manufacture of machinery and equipment market of Bulgaria earned combined net sales revenues of BGN 2.446 bln in 2013. In annual terms, sales marked a climb of 12.83% compared to 2012.



Manufacture of other general-purpose machinery recorded the highest growth of 75.02% y/y, followed by Manufacture of metal forming machinery with 52.91%, while the biggest decline of 16.83% was registered by Manufacture of non-domestic cooling and ventilation equipment, followed by Manufacture of other special-purpose machinery with 10.03%.

The Manufacture of machinery and equipment sector revenues make up 3.29% to the country's GDP in 2013, compared to 2.94% for 2012.

Costs

The combined costs of the companies in the Manufacture of machinery and equipment sector reached BGN 2.560 bln in 2013. In annual terms, total expenses rose by 14.57% compared to 2012.

Employment expenses in the Manufacture of machinery and equipment sector climbed by 10.06% on the year, while the monthly costs per averaged BGN 1,041 in 2013 and BGN 1,044 in 2012.

The social security expenses in the industry reported an increase to BGN 65.467 mln in 2013 compared to BGN 59.202 mln in 2012.

Profits and profitability

The operating profit of the companies in the Manufacture of machinery and equipment market, fell by 29% y/y to a combined BGN 83.664 mln in 2013. At the same time, operating profit per employee in the industry as a whole also registered a decline with more than 35% y/y.

As a result, the profit margin for the Manufacture of machinery and equipment sector stood at 3.19% in 2013, while in 2012 it amounted to 5.06%.

Margins vary for different segments, with the most profitable being:

15.15%

Manufacture of plastics and rubber machinery

14.40%

Manufacture of machinery for mining, quarrying and construction

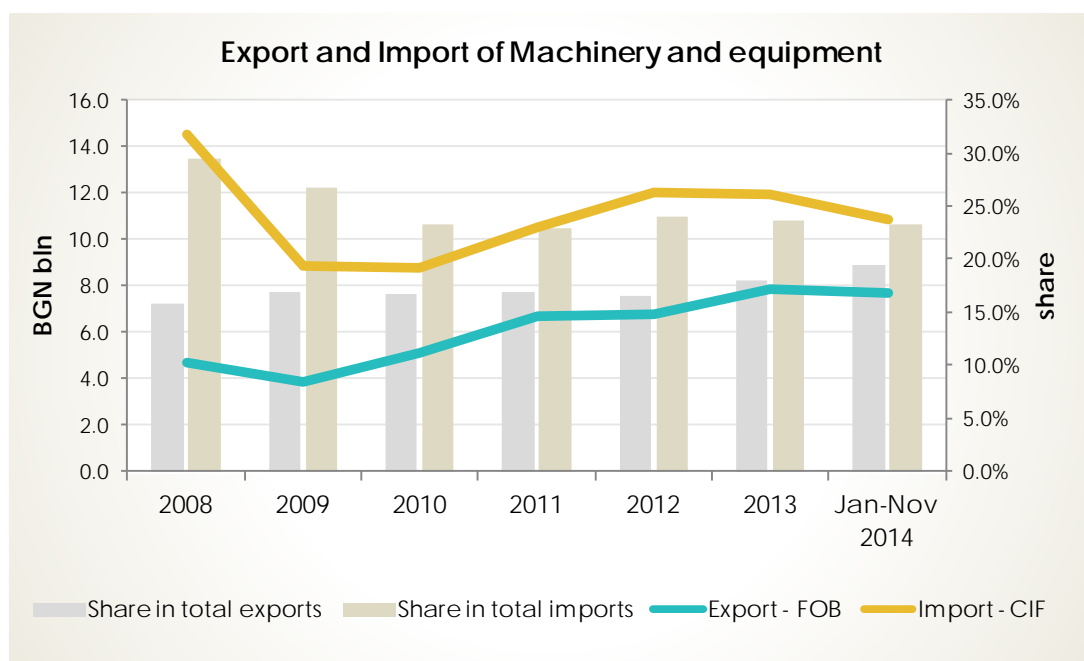
13.57%

Manufacture of other special-purpose machinery

3.3. Export and Import

Bulgaria's exports of machinery and equipment were constantly growing in the period 2009-2013. The trend continued in 2014 with exports reaching BGN 7.722 bln in the January-November period, growing by 6.7% compared to the corresponding period of the previous year, according to National Statistical Institute (NSI).

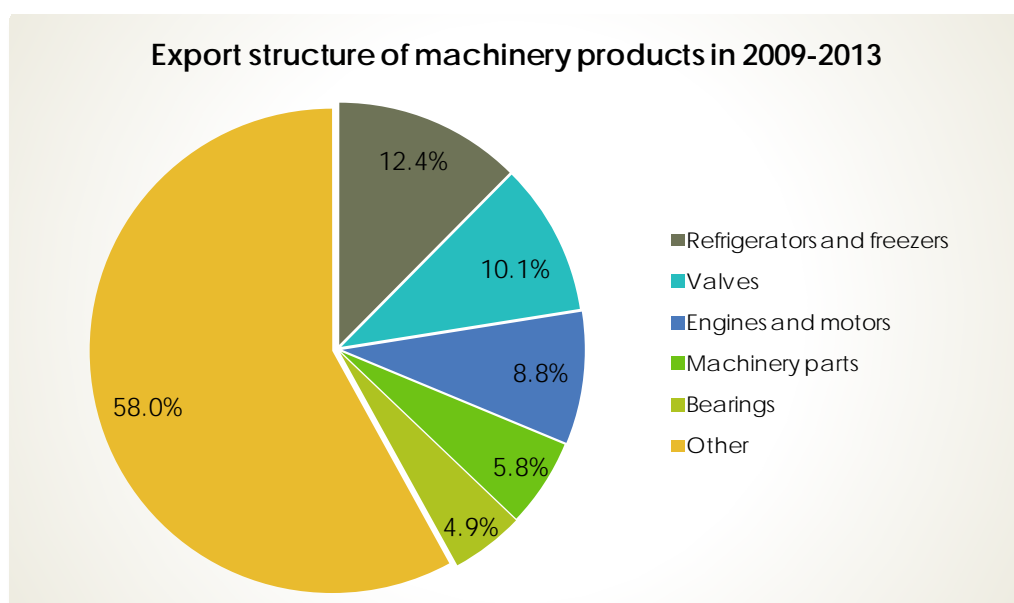
Imports fluctuated significantly in the period under review. After a sharp drop in 2009, it recovered partially between 2010 and 2013, but the latest available data for Jan-Nov 2014 showed a downtrend. However, on year-on-year basis, machinery imports marked a 7.2% growth in the first eleven months of 2014.



Source: NSI

3.3.1. Export

The most exported machinery products in the period 2009-2013 were refrigerators, freezers, valves, engines and motors, machinery parts and bearings, according to data from International Trade Centre (ITC). They accounted for 37% of the total export value of the 87 machinery product groups in the period under review.



Source: ITC

Bulgaria's machinery sector main export destinations by segment in 2013 – share of total segment exports



In 2013 Bulgaria's main export markets for machinery products were the EU-countries and Russia, according to UN Comtrade data. The EU-member states accounted for 78.2% of the Bulgarian machinery exports with the main markets being Germany, Romania and Italy. As a whole, Bulgaria exported machinery to 118 countries. However, the leading five markets in each of the segments accounted for between 54% and 98% of the total segment exports. Of the major export markets, Germany had the biggest share of 26.6% in Bulgaria's total machinery exports, followed by Romania with a 12.0% share and Italy with 11.6%. The three biggest markets accounted for half of Bulgaria's total machinery exports. Exports to non-EU SEE countries were weak, with the main market being Turkey but it had only a 1.3% share of the total exports.

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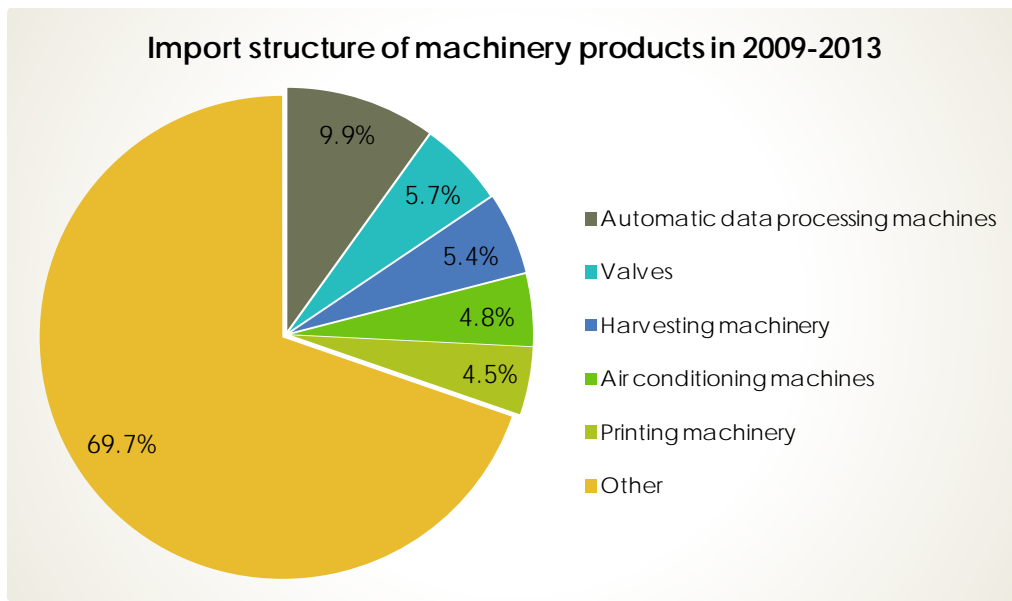
The main competitors of the Bulgarian machinery sector on foreign markets are the world's major machinery manufacturers such as Germany, Italy, France and China.

Main competitors on Bulgaria's major export markets by segments in 2013			
Segment	Importer Country	Bulgaria's share of total segment imports	Bulgaria's main competitors on importer country market
Engine parts	Hungary	1.3%	Germany (66.3%) Poland (6.0%) Italy (4.0%)
Pumps for liquids	Germany	1.4%	The Czech Rep. (17.1%) France (10.2%) Italy (9.7%)
Air conditioning equipment and machinery	Austria	9.9%	Germany (31.7%) Italy (13.4%)
Refrigerators and freezers	Germany	3.2%	France (13.5%) Italy (11.1%) China (10.8%)
Machinery parts	Russia	0.2%	China (19.2%) USA (14.0%) Germany (10.2%)
Agriculture machinery	Romania	23.9%	Germany (32.4%)
Valves	Germany	1.0%	China (12.6%) Italy (12.4%) Switzerland (9.7%)
Bearings	Italy	5.3%	Germany (28.5%) China (16.7%) France (16.3%)

Source: UN Comtrade

3.3.2. Import

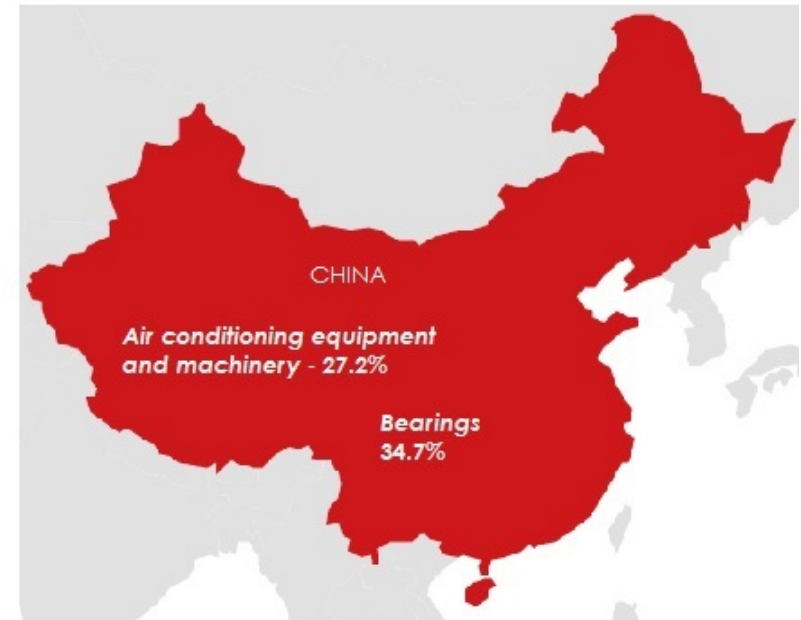
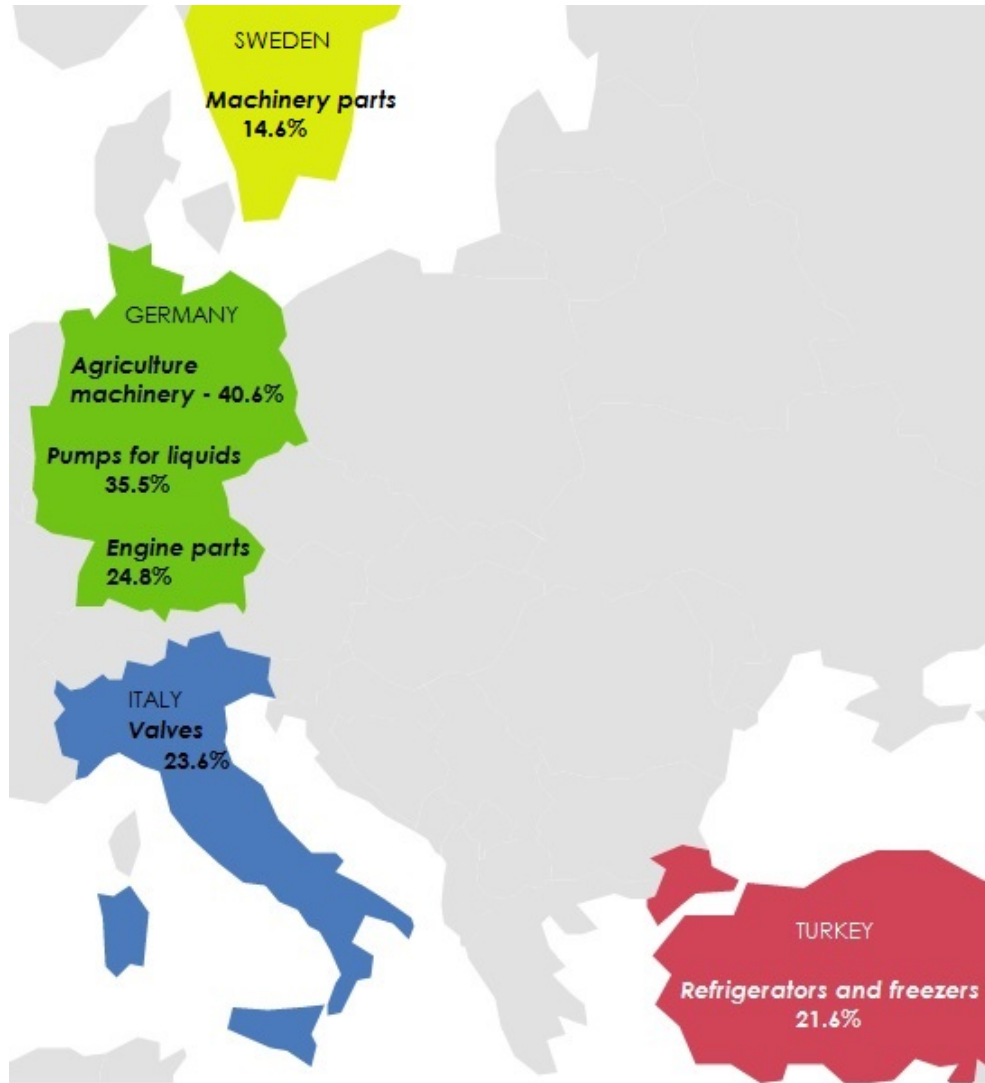
In the period 2009-2013 Bulgaria imported more than 85 types of machinery products with the leading being automatic data processing machines, valves, harvesting machinery, air conditioning machines and printing machines, according to ITC data. They accounted for 30.3%, or EUR 2.824 bln, of the total machinery imports in the country.



Source: ITC

Similar to exports, the bulk, or 78.7%, of Bulgaria's imports came from the EU-countries in 2013. Furthermore, Germany was also the biggest importer to Bulgaria, slicing a 24.2% share of the country's total imports. However, in difference to exports, non-EU countries had a much higher share in total imports with the main importers being China, Turkey, the USA and Russia with their combined share amounting to 18.2% of Bulgaria's total machinery imports. Other major importer was Italy with a share of 15.1%, much higher than the followers – Romania with 5.8% and Hungary with 5.3%.

Main importers of machinery in Bulgaria by segment in 2013 – share of total segment imports

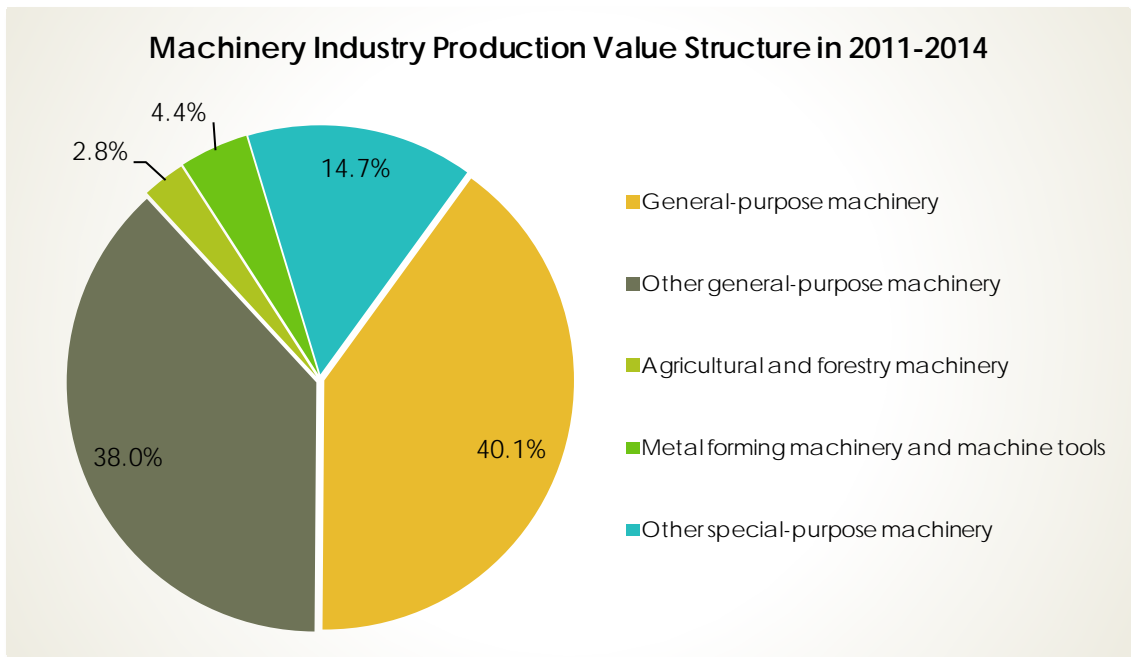


MORE DETAILED INFORMATION ON EXPORTS AND IMPORTS CAN BE FOUND IN:

- ✓ **Appendix 1** – Machinery products imported to and exported from Bulgaria in the period 2009-2013 in EUR mln. Sources: ITC, UN Comtrade
- ✓ **Appendix 2** – Machinery exports from and imports to Bulgaria by country and segment. Source: UN Comtrade

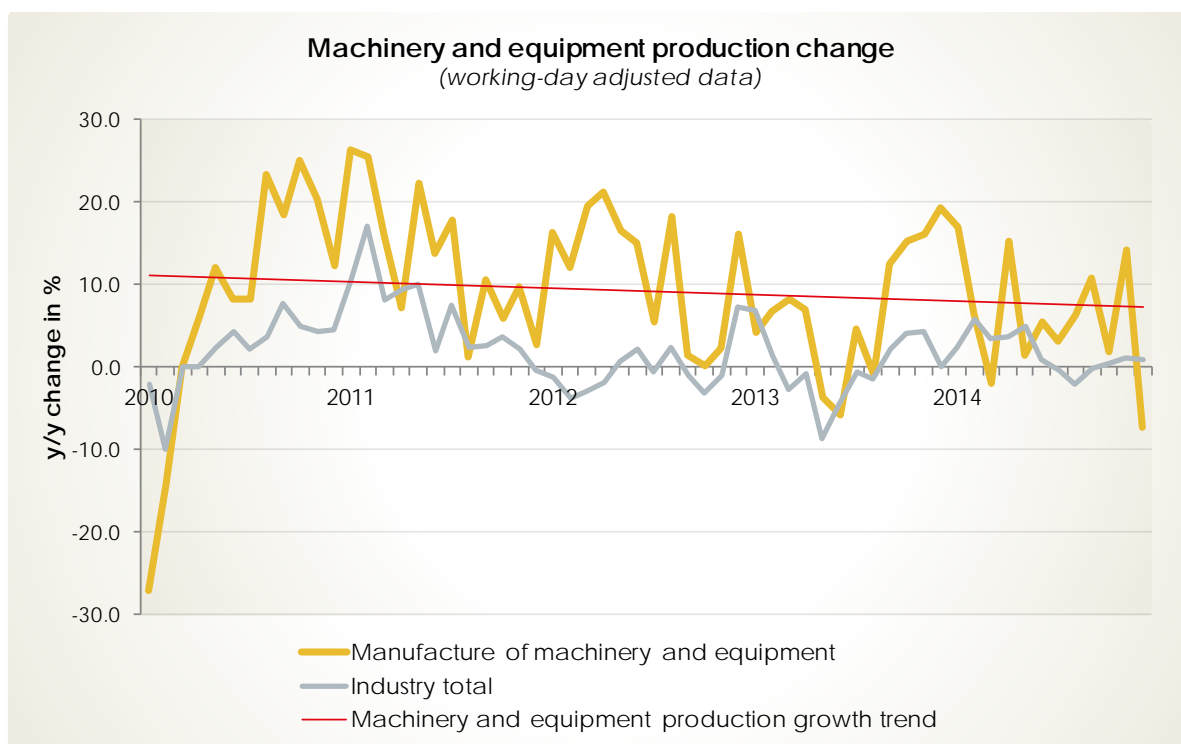
3.4. Production Figures

The output of the Bulgarian machinery sector was estimated at EUR 4.5 bln in the period 2011-2014 according to Bulgarian Industrial Association (BIA) and Eurostat data, with the highest production value of EUR 1.197 in 2014, compared to EUR 1.066 bln in 2011. All sector segments experienced an annual growth in 2014, led by manufacture of agricultural and forestry machinery with an increase of 5.9% to EUR 36 mln.



Source: Eurostat, BIA

In the period between 2010 and 2014 the annual industrial production growth of the manufacturing of machinery and equipment sector was generally higher than the average for the country's industry, NSI data showed. However, the growth trend is slowing down and in 2014 the average annual increase shrank to 6.1% from 7.0% in 2013.



Source: NSI

3.5. Competitive landscape

The Bulgarian machinery industry is highly concentrated in and around the largest Bulgarian cities, including the capital Sofia, Plovdiv and Stara Zagora, southern Bulgaria. The development of the sector is fuelled by major foreign companies, which started to enter the country in 1999. The global economic downturn in the 2008-2009 period had a negative impact on the sector and some manufacturers ceased their production and started to rent out or sell their plants and equipment.

The Bulgarian machinery sector is export oriented due to the weak local demand and the high number of subsidiaries of foreign companies. The economic fluctuations, including the low purchasing power of the population are further limiting the local market and push local enterprises to export their production.

The Bulgarian companies face tough competition on the export markets from large corporations as they are more capable of developing and implementing new technologies, while keeping competitive price levels. Furthermore, the big players achieve better economies of scale by transferring expensive production processes to countries with lower employment costs.

Another key issue spurring the competitiveness of the Bulgarian machinery companies is the high number of engineers who are leaving the country to seek better payment on foreign markets, mainly in Western Europe and the USA. Some machinery specialists also tend to work in the grey economy where they earn more despite the vague employment contracts.

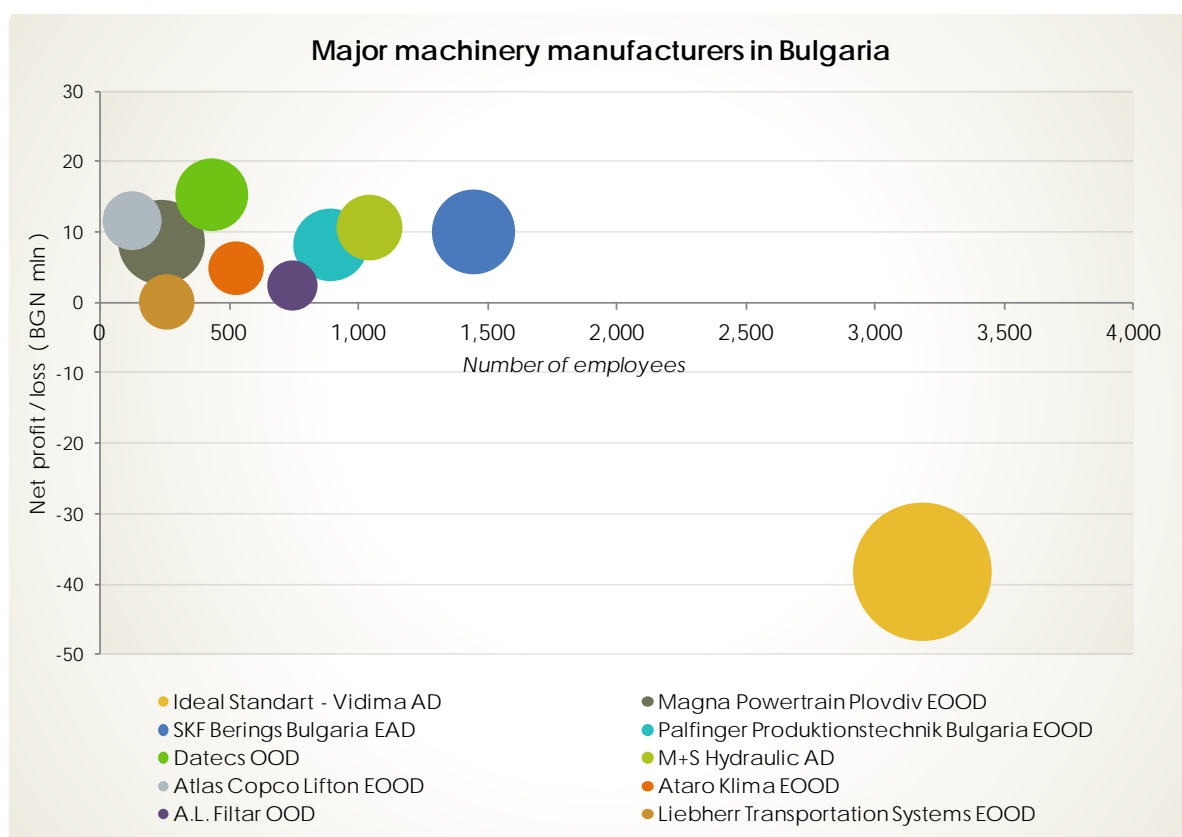
3.6. Fairs and exhibitions

Machinery fairs and exhibitions in Bulgaria in 2015			
Fair name	Website	Venue	Dates
Foodtech	http://www.fair.bg/NR/exercises/A2252A00-EAAE-49D4-A787-DFA60E9F9F41.htm	International Fair Plovdiv	March 04 – March 08
MachTech & InnoTech	http://machtech.bg/en	Inter Expo Center (IEC) - Sofia	March 11 – March 13
Technomebel	http://technomebel.bg/en	Inter Expo Center (IEC) - Sofia	April 21 – April 25
International Technical Fair, including:	http://www.fair.bg/NR/exercises/1563E91B-9B71-4501-BCB5-3F2487CF948D.htm	International Fair Plovdiv	September 28 – October 03
- Machine Building	http://www.fair.bg/NR/exercises/9158D73B-4B43-4678-A1B9-DA1CCDD09554.htm	International Fair Plovdiv	September 28 – October 03

4. SECTOR'S MAIN STAKEHOLDERS

4.1. Machinery manufacturers

The machinery manufacturing sector in Bulgaria increased by 12.8% in terms of net sales revenue to BGN 2.446 bln in 2013, compared to BGN 2.168 bln in 2012. The leading 10 companies by net sales revenue accounted for nearly half of the total, or BGN 1.150 bln. The leading company was bathroom equipment manufacturer Ideal Standart - Vidima AD, followed by car equipment maker Magna Powertrain Plovdiv EOOD and SKF Berings Bulgaria EAD. Almost all of the top 10 companies reported net profits in 2013 with the most profitable being cash register producer Datecs OOD with a net profit of BGN 15.4 mln.



Source: Companies' financial statements, SeeNews

Editor's note: The bubble size reflects the market share of the company in terms of net sales revenue in 2013 on the local machinery market.

The leading segments in terms of net sales revenue on the Bulgarian machinery market were manufacturing of other taps and valves, lifting and handling equipment, and fluid power equipment. The leading companies in each of the segments are presented below.

Top 5 by Net Sales Revenue in Manufacture of Other Taps and Valves Segment			
Rank	Company	2013 (BGN mln)	2012 (BGN mln)
1	Ideal Standart - Vidima AD	365.2	398.0
2	Danfoss EOOD	31.9	29.8
3	SIBI - OOD	5.9	7.3
4	Chugunena Armatura Bulgaria AD	3.7	3.0
5	Asat OOD	1.8	1.7

Top 5 by Net Sales Revenue in Manufacture of Lifting and Handling Equipment Segment			
Rank	Company	2013 (BGN mln)	2012 (BGN mln)
1	Atlas Copco Lifton EOOD	67.4	57.2
2	Monek-Yug AD	6.5	6.8
3	Berko Bulgaria EOOD	3.6	3.8
4	MBI Bulgaria EOOD	2.5	2.2
5	Kaelble BG EOOD	2.3	1.2

Top 5 by Net Sales Revenue in Manufacture of Fluid Power Equipment Segment			
Rank	Company	2013 (BGN mln)	2012 (BGN mln)
1	M+S Hydraulic AD	84.4	68.5
2	Hydraulic Elements & Systems AD	39.3	34.3
3	Caproni AD	29.8	28.2
4	Dzhebel-96 OOD	18.2	15.9
5	Badeshtnost AD	16.8	13.2

4.2. Machinery distributors, wholesalers, importers and exporters

List of the main machinery distributors and wholesalers in Bulgaria by segment

Rank	Company	City	Tel	Fax	E-mail	Website	Number of employees
Agents Involved in the Sale of Machinery, Industrial Equipment, Ships and Aircraft							
1	Juli Engineering OOD	Stara Zagora	+359 42 237 690	+359 42 237 690	juli_engineering@yahoo.com		7
2	Vodokanal Commerce EOOD	Sofia	+359 2 872 8783		p.georgiev.rodopsky@gmail.com		1
3	Yokogawa Bulgaria - Bulgaria Branch	Sofia	+359 2 973 1409	+359 2 973 1409	jav or.tcherv enkov @bg.yokogawa.com		2
4	SDS Service OOD	Sofia	+359 888 498 998		office@sds-service.com	http://sds-service.com/	7
5	Galika-Branch AD - Bulgaria Branch	Sofia	+359 2 981 0976	+359 2 980 5317	m.zwetkowa@galika.bg	www.galika.bg	7
Wholesale of Agricultural Machinery, Equipment and Supplies							
1	Megatron EAD	Sofia	+359 2 975 1555	+359 2 973 7225	megatron@megatron-bg.com	http://megatron-bg.com/	127
2	Titan Machinery Bulgaria AD	Sofia	+359 2 971 3525	+359 2 971 3504	office@titanmachinery.bg	http://titanmachinery.bg/	159
3	Zlateks OOD	Stara Zagora	+359 42 919 700	+359 42 639 578	office@zlatex.net	www.zlatex.com	77
4	Rapid KB OOD	Sofia	+359 2 400 8010	+359 2 860 1285	rapid.office@rapidkb.com	http://rapid.claas-partner.com/	54
5	Agrotron 2007 EOOD	Targovishte	+359 601 671 38	+359 601 200 22	agrotron@abv.bg	www.agrotron.bg	8
Wholesale of Machine Tools							
1	Alfa Laval EOOD	Sofia	+359 2 963 5544		peter.russev@alfalaval.com; slav.slavov@alfalaval.com		8
2	ZMM Bulgaria Holding AD	Sofia	+359 2 980 2417	+359 2 981 4314	greta@zmmbulgaria.com		20
3	MBS Business EOOD	Sofia	+359 2 850 8851	+359 2 887 9501	mbsb@abv.bg	www.mbs-bg.eu	3
4	Ingmar BG OOD	Sofia	+359 2 860 1492	+359 2 860 1494	office@ingmarbg.com	www.ingmarbg.com	8
5	Geos Mashini EOOD	Sofia	+359 2 963 3770	+359 2 963 3770	george.sirenkov@geosmashini.com		8
Wholesale of Mining, Construction and Civil Engineering Machinery							
1	Euromarket - BRD OOD	Sofia	+359 2 976 7100	+359 2 976 7111	office@euromarket.bg	www.euromarket.bg	207
2	Eltrak Bulgaria EOOD	Sofia	+359 2 818 3000	+359 2 808 3131	sstanev@eltrakbulgaria.com	www.eltrakbulgaria.com	87
3	Kirov AD	Sofia	+359 2 933 08	+359 2 933 0815	office@kirov.net	www.kirov.net	189
4	Evromaster Import-Eksport OOD	Sofia	+359 700 44 155	+359 2 934 3333	info@euromasterbg.com	www.euromasterbg.com	150
5	Powertek Bulgaria EOOD	Sofia	+359 2 920 0521	+359 2 920 1241	office@powertek.bg	www.powertek.bg	13

Wholesale of Machinery for the Textile Industry and of Sewing and Knitting Machines							
1	I.N.A - Trading OOD	Sofia	+359 2 974 5240	+359 2 974 5230	pr@inatrading.com	www.inatrading.com	53
2	Ruen Machinery EOOD	Sofia	+359 2 969 4949	+359 2 969 4944	ruenmasch@ruenmasch.com	www.ruenmasch.com	18
3	Vesta - R OOD	Sofia	+359 2 962 8530	+359 2 962 8519	office@vesta-r.com	www.vesta-r.com	13
4	Vivet Trading EOOD	Sofia	+359 2 981 1431	+359 2 981 1437	vivet@intech.bg		1
5	Trans OOD	Pleven	+359 64 801 608	+359 64 899 252	trans_pleven@abv.bg	www.trans-pl.com	12
Wholesale of Other Machinery and Equipment							
1	Siemens EOOD	Sofia	+359 2 811 5650	+359 2 811 5651	siemens.bg@siemens.com	www.siemens.bg	461
2	Filkab AD	Plov div	+359 32 608 881	+359 32 671 133	office@filkab.com	www.filkab.com	194
3	TMT Elkom OOD	Plov div	+359 32 682 196		elkom@dir.bg	www.tmt-elkom.com	210
4	Euromarket Construction AD	Sofia	+359 2 976 7101	+359 2 976 7111	construction@euromarket.bg	http://euromarket.bg/	128
5	Sparki Trading EOOD	Sofia	+359 2 9320 500	+359 2 9320 510	sparky_s_bg@sparkygroup.com	http://sparkygroup.com/	44

The full list of traders in machinery products, including exporters and importers can be found in Appendix 3.

4.3. Relevant associations and state institutions

- ❖ Bulgarian Branch Chamber Machine Building (www.bbcm-b.org)
- ❖ Bulgarian Association of the Metallurgical Industry (www.bcm-bg.com)
- ❖ Bulgarian Association of Electrical Engineering and Electronics (www.en.bcee-bg.org)
- ❖ Mechatronics and Automation Cluster (www.cluster-mechatronics.eu)
- ❖ Electric Vehicles Industrial Cluster (www.emic-bg.org)
- ❖ Ministry of Economy (www.mi.government.bg)
- ❖ Bulgarian Small and Medium Enterprises Promotion Agency (www.sme.government.bg)
- ❖ Patent Office of the Republic of Bulgaria (www.bpo.bg)
- ❖ InvestBulgaria Agency (www.investbg.government.bg)

5. PROFILES OF MAJOR COMPANIES IN INDUSTRY

Basic information	
Company name	Ideal Standart - Vidima AD
ID Number	107021444
Legal form	Joint Stock Company
Year of establishment	Feb 27, 1992
Primary Industry	Manufacture of other taps and valves
Contacts	
Headquarters	53, Marin Popov Str., 5400 Sevlievo, Bulgaria
Telephones	+359 675 30 223; +359 675 30 362; +359 675 30 806
Fax number	+359 675 30 809; +359 675 30 814
E-mail	officevidima@idealstandard.com
Website	www.vidima.bg; www.idealstandard.bg
Overview, Management and Ownership	
Company overview	Ideal Standart - Vidima AD is a Bulgarian bathroom ware producer, which specialises in the production of sanitary fixtures and sanitary brass fittings.
Management	<p>Board of Directors:</p> <p>Krasimir Hristov Kopchev - Chairman of the Board Valentin Atanasov Ganey - Member of the Board Yaroslav Donchev Donchev - Member of the Board Milena Petkova Bogdanova - Member of the Board Vera Todorova Yoveva - Member of the Board Lazar Bochev Lazarov - Member of the Board</p> <p>Executive Board:</p> <p>Valentin Atanasov Ganey - CEO Milena Petkova Bogdanova - CEO Krasimir Hristov Kopchev - CEO Yaroslav Donchev Donchev - CFO</p>
Ownership	Ideal Standard BK Holdings - 100% (Netherlands)
Key financial figures for 2013	
Registered capital in BGN	21,922,609
Total revenue in BGN	376,490,000
Net profit/loss in BGN	-38,288,000
Total assets in BGN	361,958,000
Number of employees	3,183

Basic information	
Company name	Magna Powertrain Plovdiv EOOD
ID Number	175425233
Legal form	Limited Liability Company
Year of establishment	Nov 28, 2007
Primary Industry	Manufacture of other pumps and compressors
Contacts	
Headquarters	Industrial zone "Rakovski" - Magna Power factory, 4142 Stryama, Rakovski Municipality, Plovdiv District, Bulgaria
Telephones	+359 32 273 800
Fax number	+359 32 273 801
E-mail	
Website	www.magnapowertrain.com
Overview, Management and Ownership	
Company overview	Magna Powertrain Plovdiv EOOD is a Bulgarian company for manufacturing of motor vehicle spare parts, hydraulic equipment and vacuum equipment.
Management	Executives: Ivailo Petrov - CEO Ute Ingeborg Seibert - CEO
Ownership	Magna Powertrain GmbH - 100% (Germany)
Key financial figures for 2013	
Registered capital in BGN	100,000
Total revenue in BGN	138,720,000
Net profit/loss in BGN	8,456,000
Total assets in BGN	46,213,000
Number of employees	239

Basic information	
Company name	SKF Bearings Bulgaria EAD
ID Number	130575495
Legal form	Joint Stock Company
Year of establishment	Aug 10, 2001
Primary Industry	Manufacture of bearings, gears, gearing and driving elements
Contacts	
Headquarters	10, Tzar Osvoboditel Blvd., 1000 Sofia, Bulgaria
Telephones	
Fax number	
E-mail	
Website	www.skf.com
Overview, Management and Ownership	
Company overview	SKF Bearings Bulgaria EAD, is the local unit of Swedish bearings manufacturer SKF Group.

Management	<p>Supervisory Board:</p> <p>Ferro Franco - Chairman of the Board Mauro Carrara - Member of the Board Carl Fredrik Orstadius - Member of the Board Aldo Cedrone - Member of the Board Valeri Dimitrov Konev - Member of the Board</p> <p>Board of Directors and Executives:</p> <p>Philip Peroz - Chairman of the Board Milena Dimitrova Doynova - Member of the Board Mihail Atanasov Georgiev - Member of the Board and CEO Veneta Sokolova-Ignatova - Member of the Board Giuseppe Dzhemezio - Member of the Board Petya Nikolova Radinov - Member of the Board and CFO Stoyanka Todorova Arshinkova - Member of the Board Fabio Bondzhovani - Member of the Board Nikolay Atanasov Galyanov - Member of the Board</p>
Ownership	SKF A.V. - 100% (Sweden)
Key financial figures for 2013	
Registered capital in BGN	24,664,309
Total revenue in BGN	139,823,000
Net profit/loss in BGN	9,978,000
Total assets in BGN	103,112,000
Number of employees	1,446

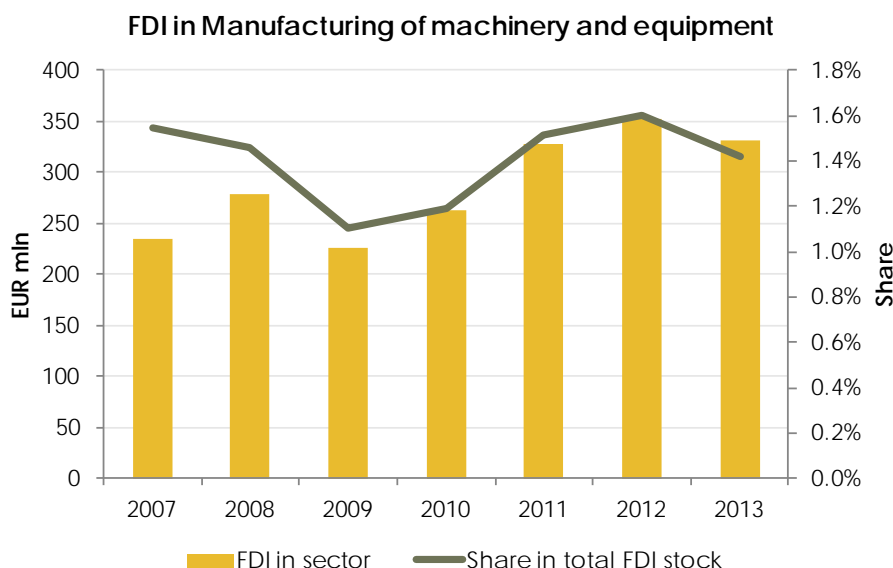
Basic information	
Company name	Palfinger Produktionstechnik Bulgaria EOOD
ID Number	114141414
Legal form	Limited Liability Company
Year of establishment	Sep 3, 1999
Primary Industry	Manufacture of lifting and handling equipment
Contacts	
Headquarters	zh.k. Komplex Beta, 5980 Cherven Bryag, Plev en District, Bulgaria
Telephones	+359 659 99 116; +359 466 80 111
Fax number	+359 659 99 135; +359 466 80 161
E-mail	v.hristova@palfinger.bg (Plant Lead Buyer); n.mikova@palfinger.com (Plant Lead Buyer)
Website	www.palfinger.ag
Overview, Management and Ownership	
Company overview	Palfinger Produktionstechnik Bulgaria EOOD is part of Austrian crane manufacturer Palfinger.

Management	Executive: Goran Starcevic - CEO Andreas Jurgen Shtrauh - CEO
Ownership	Palfinger Marine - Und Beteiligungs GmbH - 100% (Germany)
Key financial figures for 2013	
Registered capital in BGN	878,450
Total revenue in BGN	108,538,000
Net profit/loss in BGN	8,159,000
Total assets in BGN	90,157,000
Number of employees	893

Basic information	
Company name	Datecs OOD
ID Number	000713391
Legal form	Limited Liability Company
Year of establishment	Mar 6, 1990
Primary Industry	Manufacture of office machinery and equipment (except computers and peripheral equipment)
Contacts	
Headquarters	115A, Tzarigradsko shosse Blv d., 1784 Sofia, Bulgaria
Telephones	+359 2 816 56 50; +359 2 816 55 55
Fax number	+359 2 816 55 10
E-mail	pencho@datecs.bg (CEO)
Website	www.datecs.bg
Overview, Management and Ownership	
Company overview	Datecs OOD is a Bulgarian office equipment manufacturer and business technology provider.
Management	Executives: Pencho Angelov Iliev - CEO Nikolai Bogdanov Iliev - CEO
Ownership	Individuals - 100%
Key financial figures for 2013	
Registered capital in BGN	580,000
Total revenue in BGN	106,213,000
Net profit/loss in BGN	15,368,000
Total assets in BGN	99,894,000
Number of employees	432

6. FDI IN INDUSTRY

The FDI in the Bulgarian manufacturing of machinery and equipment sector totalled EUR 330.3 mln as of end-2013, according to BNB. They declined by 6.2%, compared to the EUR 352.0 mln in 2012. However, the 2013 FDI in the sector were by 40.8% higher than their value in the pre-crisis 2007.



Source: BNB

Main foreign investors in the Bulgarian machinery sector include foreign majors such as Germany's Witte, ABB, Festo and Grammer, Austria's Palfinger, US Visteon, and French Montpet and Schneider Electric.

6.1 Major foreign-owned companies

Our research identified 20 Bulgarian companies in the machinery sector with foreign companies as shareholders. The local companies are concentrated in manufacture of lifting and handling equipment, and manufacture of other general-purpose machinery n.e.c., which accounted for 50% of the total number of companies. The foreign owners come from 14 countries, with the bulk, or 11 countries, being EU-members. The non-EU countries are British Virgin Islands, Switzerland and the USA. In terms of geographical concentration, the companies are evenly located throughout the country, with major centres being the capital Sofia and Ruse, on the Danube. In 2013 the combined operating revenue of the 20 companies went up by 8.5% y/y to EUR 528.4 mln. The sharpest annual growth of in operating revenue was reported by GLC EAD, part of Italy's automated systems manufacturer FAAC Spa, which more than doubled its operating revenue to EUR 10.2 mln. On the other end was Herku AD, majority-owned by UK-based Alicora Limited, which reported operating revenue of just EUR 22,000 in 2013, a 90% y/y drop.

Bulgarian Machinery Companies with Foreign Companies as Direct Shareholders					
Rank	Company	City	Industry (NACE Rev.2 description)	Foreign Shareholder	Shareholder's Country
1	Ideal Standard Vidima AD	Sevlievo	Manufacture of other taps and valves	Bain Capital LLC	Netherlands
2	SKF Berings Bulgaria EAD	Sofia	Manufacture of bearings, gears, gearing and driving elements	Foundation Asset Management Sweden AB	Sweden
3	Magna Powertrain Plovdiv EOOD	Striyama	Manufacture of other pumps and compressors	Magna International Inc	Germany
4	Palfinger Produktionstechnik Bulgaria EOOD	Cherven bryag	Manufacture of lifting and handling equipment	Palfinger Marine Und Beteiligungs GmbH	Austria
5	Construction Tools EOOD	Ruse	Manufacture of machinery for mining, quarrying and construction	Atlas Copco Aktiebolag	Netherlands
6	Liebherr Transportation Systems Marica EOOD	Radinovo	Manufacture of non-domestic cooling and ventilation equipment	Liebherr-Aerospace & Transportation SAS	France
7	Cerazit Bulgaria AD	Gabrovo	Manufacture of other special-purpose machinery nec	Flatlake Priv atstiftung	Luxembourg
8	Danfoss EOOD	Sofia	Manufacture of other taps and valves	Bitten Og Mads Clausens Fond	Denmark
9	GLC EAD	Ruse	Manufacture of other general-purpose machinery nec	FAAC Spa	Italy
10	Mechatronica AD	Gabrovo	Manufacture of other special-purpose machinery nec	Ursula Wirz-Stiftung	Switzerland
11	SL Industries EOOD	Ruse	Manufacture of other general-purpose machinery nec	BGI USA Inc	USA
12	ITW Bulgaria EOOD	Kardzhali	Manufacture of other general-purpose machinery nec	Vault Bermuda Holding Company Ltd	UK
13	ZMM Pobeda AD	Sliven	Manufacture of metal forming machinery	Naffis International Ltd	British Virgin Islands
14	Vipom AD	Vidin	Manufacture of other pumps and compressors	Pandects Co Ltd	Cyprus
15	Art Colenta Bulgaria EOOD	Sofia	Manufacture of other special-purpose machinery nec	Art Bickford Co GmbH	Austria
16	Berco Bulgaria EOOD	Apriltsi	Manufacture of machinery for mining, quarrying and construction	Thyssenkrupp SpA	Italy
17	AQ Plastronic AD	Veliko Tarnovo	Manufacture of office machinery and equipment (except computers and peripheral equipment)	Aros Quality Group AB	Sweden
18	Tmco OOD	Debelets	Manufacture of lifting and handling equipment	Balkan Investments Consultants Limited	British Virgin Islands
19	Herku AD	Plovdiv	Manufacture of lifting and handling equipment	Alicora Lintied	UK
20	Nadema Bulgaria EOOD	Plovdiv	Manufacture of lifting and handling equipment	Navarra De Manutencion SL	Spain

6.2. Company investment plans

German vehicle access systems maker WITTE Automotive, plans to invest up to EUR 10 mln in a plant in Ruse, northern Bulgaria, by the end of 2015. The 15,000 sq m plant will produce tailgate and seat latches, handles and the Automatic Tolerance Compensation System WITOL. The new plant is the first stage of a planned large-scale expansion of WITTE Automotive's production operations in Bulgaria, according to the company.

In the period 2013-2018 German car parts supplier Behr-Hella Thermocontrol (BHTC) plans to invest more than EUR 20 mln in its Bulgarian site. The company, which specialises in control panels and units for automobiles, operates a production plant and a research and development (R&D) centre in Sofia-Bozhurishte Economic Zone. The initial investment in the site was estimated at EUR 21.7 mln.

French aluminium car parts manufacturer Montupet planned to invest EUR 12 mln in equipment for its plant in Ruse in 2014. The company's total investments in the Ruse plant exceeded EUR 85 mln as of end-2014. The Ruse plant exports its output mainly to Audi's factories in Hungary, BMW's plants in the UK and to the German and Romanian units of Ford.

In November 2014 steel panel radiators manufacturer Korado Bulgaria AD, a subsidiary of Czech Korado a.s., opened a EUR 3.0 mln production line in its plant in Strazhitsa, northern Bulgaria.

With the launch of the facility the company completed the first stage of a BGN 25 mln investment plan to expand its output capacity and product range.

Earlier in 2014, the company announced it will invest EUR 8.0 mln in a new radiator painting installation, another EUR 3.0 mln in a second welding line and EUR 1.5 mln in a welding furnace.

The company's long-term strategy includes the production of traditional and luxury products, as well as energy-saving radiators.

In June 2014 Bulgarian car manufacturer Litex Motors AD, which is in partnership with Chinese automaker Great Wall Motors, announced plans to invest EUR 70 mln in new welding and spray painting units at its factory in Lovech, central Bulgaria.

Construction works are expected to begin at the end of 2015 as each of the new units will have an annual capacity of 50,000 cars.

In June 2014 power and automation group ABB opened a new facility in Bulgaria as part of a EUR 17 mln investment programme aimed at meeting growing demand in Europe and Asia. The company will manufacture medium-voltage and low-voltage products in the plant, located in Rakovski, southern Bulgaria.

In the period 2007-2012 Germany's Lufthansa Technik invested more than EUR 40 mln in Bulgaria. The company's latest major investment was the EUR 20 mln expansion of its hangars at the Sofia airport, completed in 2012.

Lufthansa Technik has announced it plans to increase its investments in the country, focusing on new equipment and expansion of its hangars at the Sofia airport.

Lufthansa Technik operates in Bulgaria through Lufthansa Technik Sofia OOD, a joint venture with Bulgaria Air's owner Bulgarian Aviation Group. The Bulgarian company holds 20% in the joint venture, whereas the German company controls 80%.

7. TRENDS AND FORECASTS

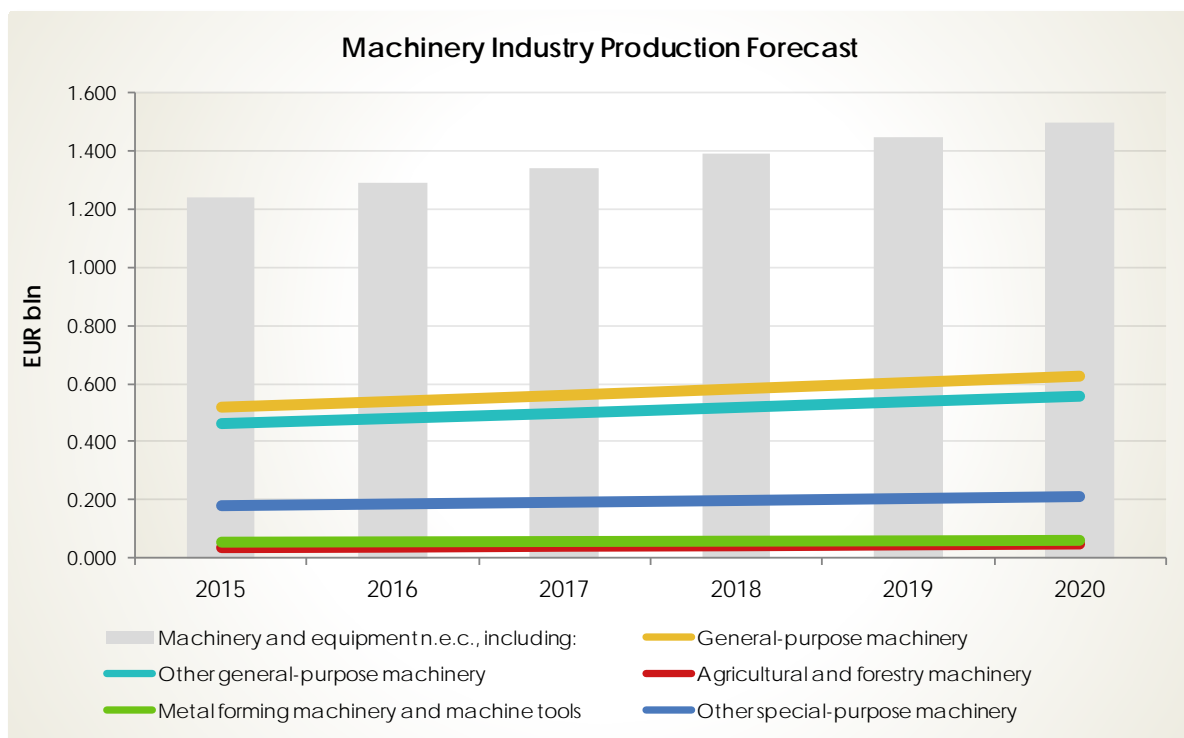
The weak demand on the Bulgarian market and the tough competition on foreign markets require diversification of the types of machinery products. The introduction of new manufacturing technologies will continue thanks to the foreign companies which will or already have stepped on the local market. The manufacturing of machinery for the agriculture, food and transportation industries is expected to grow backed by increasing demand for energy efficient machinery from these segments.

We expect, based on the trend in the last three years, the following growth trends of the machinery sector's number of employees, total revenue and total expenses in the period 2014-2016. The trends are calculated using the compound annual growth rate (CAGR) method.



Investments in the industry will continue to grow, especially in the car equipment and installations sector in which Bulgaria becomes a regional leader. The economic recovery of the EU and the decreasing fuel prices will also support the development of the Bulgarian machinery sector, which is export-oriented.

The machinery sector production is expected to reach EUR 1.500 bln by 2020, or by 40.7% more than in 2011, according to forecasts of the Bulgarian Industrial Association (BIA).



Source: BIA



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