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Industry Report

Manufacture of tobacco products 2017 BULGARIA

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I. KEY INDICATORS

- The Manufacture of tobacco products industry in Bulgaria was represented by 12 companies at the end of 2017, compared to 14 in the previous year and 19 in 2015.
- The industry's net loss amounted to BGN 16,446,000 in 2017.
- The industry's total revenue was BGN 693,646,000 in 2017, down by 10.23% compared to the previous year.
- The combined costs of the companies in the Manufacture of tobacco products industry reached BGN 708,845,000 in 2017, down by 7.99% year-on-year.
- The industry's total revenue makes up 0.72% to the country's Gross domestic product (GDP) in 2017, compared to 0.83% for 2016 and 0.99% in 2015.
- A total of 2,020 people were employed in the Manufacture of tobacco products industry in 2017, compared to 2,364 in 2016 and 2,972 in 2015.
- Most of the companies in the industry are based in Sofia, followed by Radinovo and Blagoevgrad.

II. INTRODUCTION

In 2017 the companies in the Manufacture of tobacco products industry numbered 12.

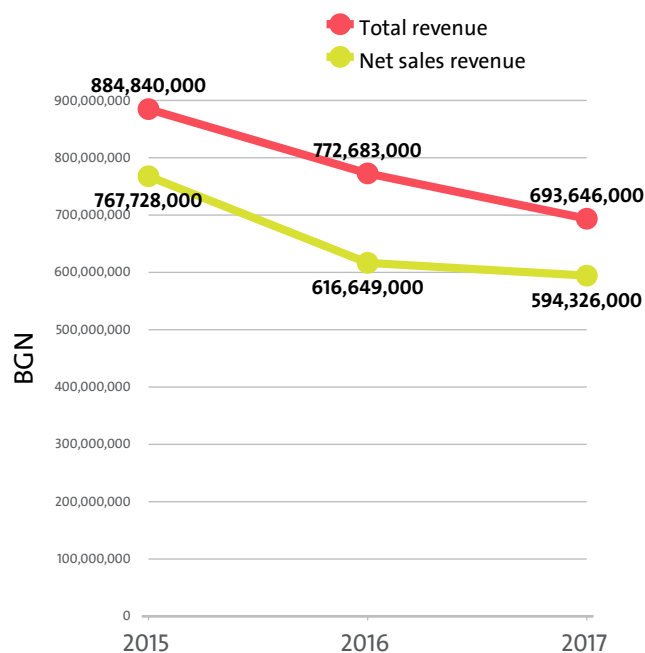
In 2016 there were a total of 14 companies operating in the industry. In 2015 their number totalled 19.

NUMBER OF COMPANIES IN MANUFACTURE OF TOBACCO PRODUCTS INDUSTRY BY SECTORS

SECTOR	2017	2016	2015
MANUFACTURE OF TOBACCO PRODUCTS	12	14	19

III. REVENUES

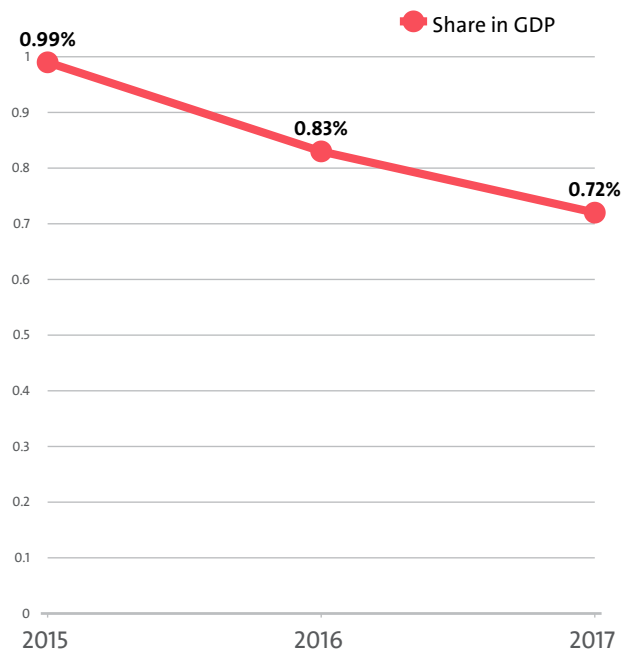
The total revenue in the industry was BGN 693,646,000 in 2017, BGN 772,683,000 in 2016 and 884,840,000 in 2015.



The companies in the Manufacture of tobacco products market of Bulgaria earned combined net sales revenues of BGN 594,326,000 in 2017.

In annual terms, sales marked a decline of 3.62% compared to 2016. In comparison to 2015 they went down by 22.59%. In 2016 sales decreased by 19.68% year-on-year.

The Manufacture of tobacco products industry total revenue make up 0.72% to the country's GDP in 2017, compared to 0.83% for 2016 and 0.99% in 2015.



In 2017 the Manufacture of tobacco products industry contributed to GDP BGN 561,489,000 in Gross value added (GVA) accounting for 0.33% of the total for the country's economy.

In the previous year, the industry's GVA amounted BGN 620,367,000, accounting for 0.41% of the total for the

country in 2016. In 2015 the GVA of the Manufacture of tobacco products was BGN 775,643,000, or 0.50% of the GVA for the country's economy.

We expect, based on the trend in the last three years, the total revenue of the Manufacture of tobacco products industry to change at a compound annual growth rate (CAGR) of -11.46% in 2018.

Manufacture of tobacco products contributed net sales revenue of BGN 594,326,000 or 100.00% of the total net sales in the industry.

There was no industry's sector to report a growth in net sales revenues. In terms of annual drop, the top position was occupied by Manufacture of tobacco products with 3.62%.

The top 10 companies in terms of total revenue in Manufacture of tobacco products accounted for 99.89% of the industry's total in 2017, 99.32% in 2016 and 99.61% in 2015.

TOP 10 COMPANIES BY TOTAL AND NET SALES REVENUE IN THE INDUSTRY

RANK	COMPANY	TOTAL REVENUE (BGN)	NET SALE REVENUE (BGN)
1	BLAGOEVGRAD - BT AD	280,120,000	209,006,000
2	SOCOTAB EOOD	170,151,000	155,169,000
3	KT INTERNATIONAL EAD	141,346,000	137,998,000
4	SOFIA -BULGARTABAC AD	29,734,000	24,348,000
5	KARDZHALI TABAK AD	24,960,000	24,939,000
6	PARVOMAY -BT AD	22,798,000	21,309,000
7	PLEVEN BULGARTABAK EAD	11,724,000	11,167,000
8	SLANCE STARA ZAGORA TABAK AD	7,593,000	6,023,000
9	GLOBAL TOBACCO OOD	2,563,000	2,560,000
10	VALTABAK OOD	1,917,000	1,807,000

The total revenues of the top 10 companies in the Manufacture of tobacco products were 0.72% of GDP in 2017, compared to 0.83% for 2016 and 0.99% in 2015.

The top 10 by assets in the Manufacture of tobacco products market made up BGN 591,766,000, or 99.57% of the total net sales revenue.

TOP 10 BY TOTAL ASSETS IN THE INDUSTRY

RANK	COMPANY	BGN
1	BLAGOEVGRAD - BT AD	719,131,000
2	SOCOTAB EOOD	217,760,000
3	KT INTERNATIONAL EAD	210,958,000
4	SOFIA -BULGARTABAC AD	131,319,000
5	KARDZHALI TABAK AD	39,329,000
6	PARVOMAY -BT AD	26,615,000
7	SLANCE STARA ZAGORA TABAK AD	21,927,000
8	PLEVEN BULGARTABAK EAD	16,238,000
9	DUPNITSA-TABAK AD	9,380,000
10	VALTABAK OOD	4,751,000

TOP COMPANIES WITH HIGHEST ANNUAL GROWTH IN OPERATING REVENUE IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	Y/Y GROWTH
1	MEHANIKA AD	3100.00%
2	KARDZHALI TABAK AD	624.97%
3	GLOBAL TOBACCO OOD	86.86%
4	KT INTERNATIONAL EAD	52.94%
5	VALTABAK OOD	36.87%

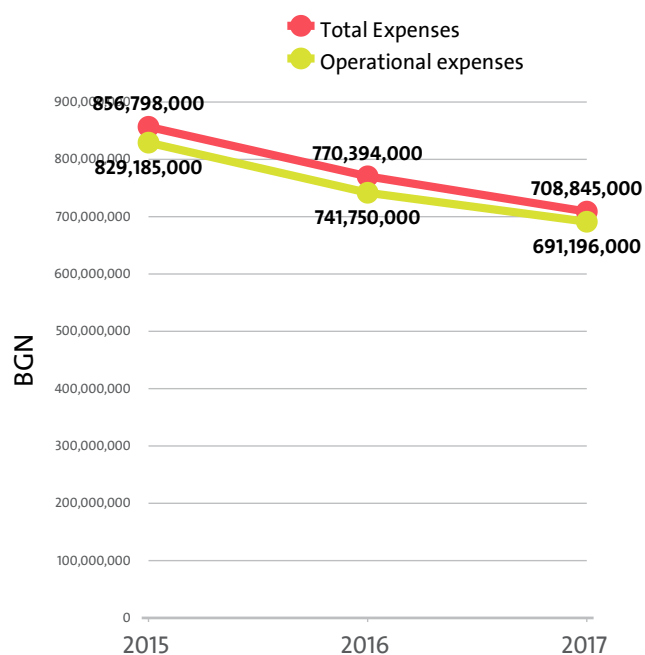
TOP 10 COMPANIES BY TOTAL REVENUE IN THE INDUSTRY WERE:

COMPANY	BGN
BLAGOEVGRAD - BT AD	280,120,000
SOCOTAB EOOD	170,151,000
KT INTERNATIONAL EAD	141,346,000
SOFIA -BULGARTABAC AD	29,734,000
KARDZHALI TABAK AD	24,960,000
PARVOMAY -BT AD	22,798,000
PLEVEN BULGARTABAK EAD	11,724,000
SLANCE STARA ZAGORA TABAK AD	7,593,000
GLOBAL TOBACCO OOD	2,563,000
VALTABAK OOD	1,917,000

The 10 largest companies in terms of total revenue in sector Manufacture of tobacco products earned total revenue of BGN 692,906,000 and accounted for 99.89% of the industry's total revenue.

IV. EXPENSES

The combined costs of the companies in the Manufacture of tobacco products industry reached BGN 708,845,000 in 2017.



In annual terms, total expenses went down by 7.99% compared to 2016 and went down by 17.27% in comparison to 2015.

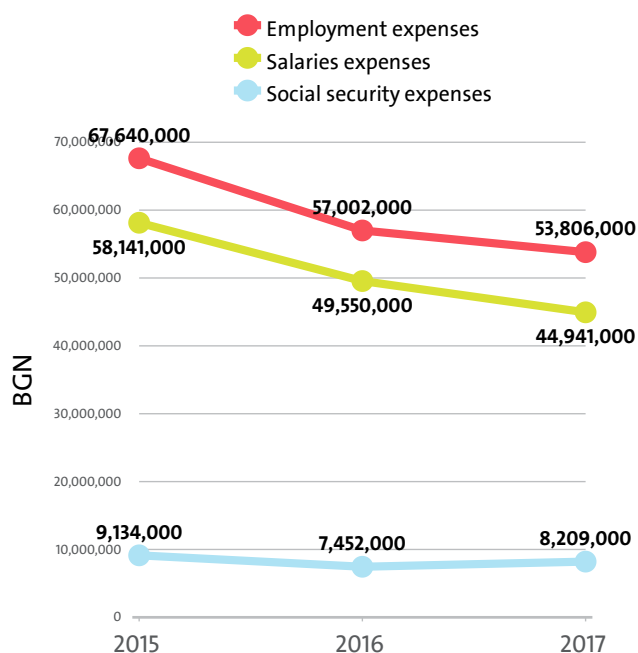
The total operating expenses of the companies in the

Manufacture of tobacco products industry were BGN 691,196,000 in 2017.

Operating costs dropped by 6.82% compared with the previous year and dropped by 16.64% when compared to 2015.

We expect, based on the trend in the last three years, the total costs of the Manufacture of tobacco products industry to change at a compound annual growth rate (CAGR) of -9.04% in 2018.

Employment expenses in the Manufacture of tobacco products industry fell by 5.61% on the year to BGN 53,806,000 in 2017.



The monthly costs per employee in the Manufacture of tobacco products industry averaged BGN 2,220 in 2017, BGN 2,009 in 2016 and BGN 1,897 in 2015.

The monthly social security costs per employee in the industry averaged BGN 339 in 2017, versus BGN 263 in 2016 and BGN 256 in 2015.

EMPLOYMENT EXPENSES IN MANUFACTURE OF TOBACCO PRODUCTS BY SECTORS IN 2017

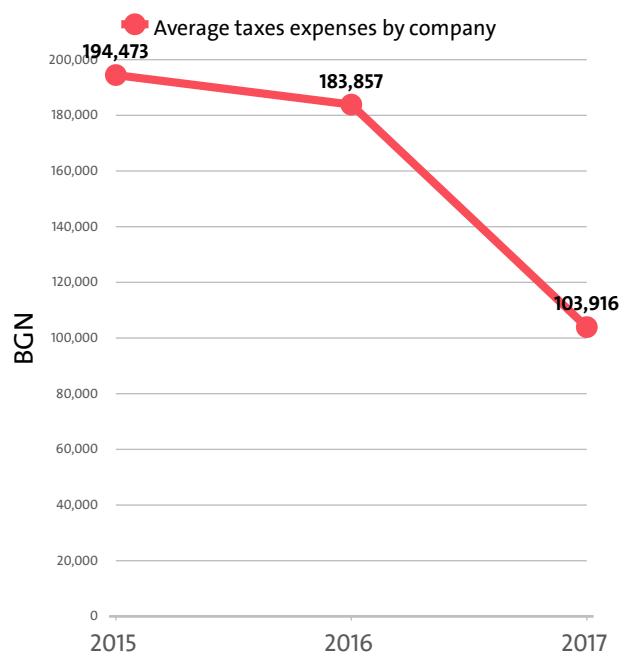
RANK	SECTOR	EMPLOYMENT EXPENSES (BGN)	AVERAGE EXPENSES PER EMPLOYEE (BGN)
1	MANUFACTURE OF TOBACCO PRODUCTS	53,806,000	26,637

THE TOP 10 COMPANIES BY AVERAGE MONTHLY COSTS PER EMPLOYEE IN THE INDUSTRY

RANK	COMPANY	BGN
1	SOFIA - BULGARTABAC AD	4,116
2	BLAGOEVRAD - BT AD	3,915
3	DUPNITSA-TABAK AD	2,438
4	SOCOTAB EOOD	1,878
5	PLEVEN BULGARTABAK EAD	1,671
6	KT INTERNATIONAL EAD	1,480
7	KARDZHALI TABAK AD	1,397
8	SLANCE STARA ZAGORA TABAK AD	1,364

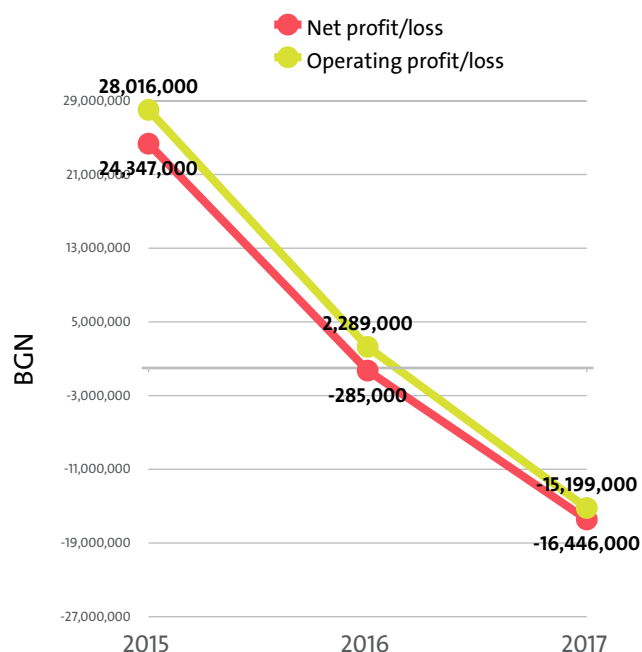
9	PARVOMAY -BT AD	696
10	VALTABAK OOD	595

The industry's tax expenses stood at BGN 1,247,000 in 2017. In 2016 it paid taxes of BGN 2,574,000. In 2015 the industry paid BGN 3,695,000 in taxes.



V. PROFITABILITY

The industry's net loss amounted to BGN 16,446,000 in 2017, compared to a net loss of BGN 285,000 in 2016 and a net profit of BGN 24,347,000 in 2015.



TOP COMPANIES BY HIGHEST NET PROFIT IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	BGN
1	SOCOTAB EOOD	6,429,000
2	KARDZHALI TABAK AD	3,378,000
3	GLOBAL TOBACCO OOD	252,000
4	PARVOMAY -BT AD	211,000
5	BLAGOEVRAD - BT AD	136,000

TOP COMPANIES BY HIGHEST NET LOSS IN MANUFACTURE OF TOBACCO PRODUCTS

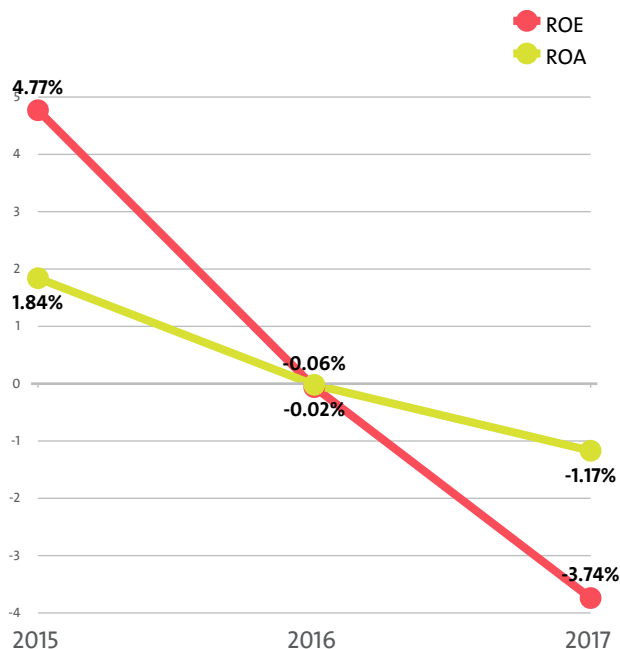
RANK	COMPANY	BGN
1	SOFIA -BULGARTABAC AD	25,183,000
2	PLEVEN BULGARTABAK EAD	1,591,000
3	DUPNITSA-TABAK AD	156,000
4	VALTABAK OOD	59,000

In 2017 the Manufacture of tobacco products industry swung to an operating loss of BGN 15,199,000 from an operating profit of BGN 2,289,000 in 2016.

The profit margin for the Manufacture of tobacco products industry stood at -2.45% in 2017, while in 2016 it amounted to 0.31% and 3.23% in 2015.

The Manufacture of tobacco products industry's return on equity (ROE) is -3.74% compared to -0.06% in 2016 and 4.77% in 2015.

The Manufacture of tobacco products's return on assets (ROA) was -1.17%, while in 2016 it amounted to -0.02% and 1.84% in 2015.



TOP COMPANIES BY HIGHEST AVERAGE NET PROFIT PER EMPLOYEE IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	BGN	COMPANY HEADQUARTERS (CITY)
1	KARDZHALI TABAK AD	80,429	KARDZHALI
2	SOCOTAB EOOD	13,535	RADINOVO
3	GLOBAL TOBACCO OOD	5,478	SOFIA
4	PARVOMAY -BT AD	1,220	PARVOMAY
5	BLAGOEVRAD - BT AD	240	BLAGOEVRAD

The average net sales revenue per employee in the Manufacture of tobacco products industry amounted to BGN 294,221 in 2017, up by 12.79% compared to 2016 and up by 13.90% compared to 2015.

The industry's average operating revenue per employee went down by 1.13% year-on-year in 2017 to BGN 307,657. It rose by 5.56% compared to 2015.

The Manufacture of tobacco products field generated an average BGN 343,389 in total revenue per employee. In 2016 and 2015 the figure was BGN 326,854 and BGN 297,725, respectively.

The average total revenue per company in the Manufacture of tobacco products industry rose to BGN 57,803,833 in 2017 from BGN 55,191,643 in 2016. The 2015 value was BGN 46,570,526.

A company in the Manufacture of tobacco products industry made on average a net sales revenue of BGN 49,527,167 in 2017, compared to BGN 44,046,357 in 2016 and BGN 40,406,737 in 2015.

The Manufacture of tobacco products industry made 0.22% of the overall sales country-wide, reducing its market share by 0.03 pp.

Operating profit per employee for the industry as a whole was BGN -7,524 in 2017. For comparison in 2016 it amounted to BGN 968 and BGN 968 in 2015.

THE TOP BY OPERATIONAL PROFIT PER EMPLOYEE IN MANUFACTURE OF TOBACCO PRODUCTS

RANK	COMPANY	BGN
1	KARDZHALI TABAK AD	80,429
2	SOCOTAB EOOD	15,154
3	GLOBAL TOBACCO OOD	5,413
4	PARVOMAY -BT AD	1,370
5	BLAGOEVRAD - BT AD	1,032

TOP 10 COMPANIES WITH HIGHEST CORRELATION OPERATING REVENUE - NUMBER OF EMPLOYEES - EMPLOYMENT EXPENSES*

RANK	COMPANY NAME	CORRELATION (BGN)
1	SOFIA -BULGARTABAC AD	776,306
2	KARDZHALI TABAK AD	577,024
3	SOCOTAB EOOD	335,672
4	BLAGOEVRAD - BT AD	322,284
5	KT INTERNATIONAL EAD	296,417
6	VALTABAK OOD	265,429
7	PARVOMAY -BT AD	123,173
8	DUPNITSA-TABAK AD	114,750

9 PLEVEN BULGARTABAK EAD	70,131
10 SLANCE STARA ZAGORA TABAK AD	61,194

**The correlation is calculated by subtracting the quotient of the operating profit, and the employment expenses to the number of employees.*

AVERAGE REVENUES PER EMPLOYEE IN MANUFACTURE OF TOBACCO PRODUCTS IN 2017

SECTOR	AVERAGE NET SALES REVENUE (BGN)	AVERAGE OPERATING REVENUE (BGN)	AVERAGE TOTAL REVENUE (BGN)	NUMBER OF EMPLOYEES
MANUFACTURE OF TOBACCO PRODUCTS	294,221	307,657	343,389	2,020

AVERAGE REVENUE PER COMPANY IN MANUFACTURE OF TOBACCO PRODUCTS IN 2017

SECTOR	AVERAGE NET SALES REVENUE (BGN)	AVERAGE OPERATING REVENUE (BGN)	AVERAGE TOTAL REVENUE (BGN)	NUMBER OF COMPANIES
MANUFACTURE OF TOBACCO PRODUCTS	49,527,167	51,788,917	57,803,833	12

The total indebtedness of the companies in the Manufacture of tobacco products industry was BGN 951,677,000 versus BGN 1,020,448,000 a year ago. In 2015 the industry's indebtedness totalled BGN 800,878,000.

Debt-to-assets ratio of the companies in the industry is 0.68 in 2017. It was 0.68 in 2016 and 0.61 in 2015.

According to market experts, the greatest impact on the development of the Manufacture of tobacco products industry has net sales revenue to production and land plots ratio. In 2017 it stood at 126, according to the financial statements of the companies in the industry. In 2016 the figure was 116 and 135 in 2015.

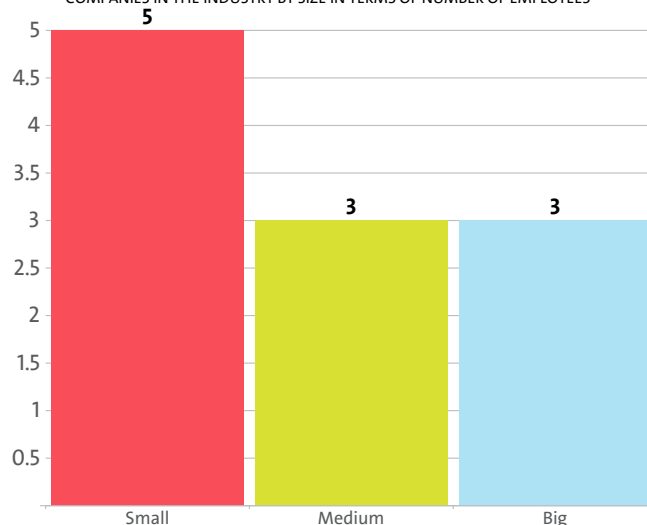
VI. EMPLOYMENT

A total of 2,020 people were employed in the Manufacture of tobacco products field at the end of 2017, compared to 2,364 in 2016 and 2,972 in 2015.

The analysis on companies' sizes by the number of employees, shows that 5 firms have less than 50 employees*, 3 have between 50 and 250 employees* and 3 companies employ more than 250*.

** Companies without data in the number of employees at end of the year are not taken into consideration.*

COMPANIES IN THE INDUSTRY BY SIZE IN TERMS OF NUMBER OF EMPLOYEES



The employees of the leading 10 companies in terms of numbers make up 99.80% of the workforce in the industry in 2017.

TOP 10 COMPANIES BY SHARE IN INDUSTRY'S TOTAL NUMBER OF EMPLOYEES

RANK	COMPANY	NUMBER OF EMPLOYEES	SHARE
1	BLAGOEVRAD - BT AD	566	28.02%
2	SOCOTAB EOOD	475	23.51%
3	KT INTERNATIONAL EAD	448	22.18%
4	PARVOMAY - BT AD	173	8.56%
5	PLEVEN BULGARTABAK EAD	130	6.44%
6	SLANCE STARA ZAGORA TABAK AD	93	4.60%
7	GLOBAL TOBACCO OOD	46	2.28%
8	KARDZHALI TABAK AD	42	2.08%
9	SOFIA - BULGARTABAC AD	36	1.78%
10	VALTABAK OOD	7	0.35%

The Manufacture of tobacco products industry is the 70th largest employer in the country with 2,020 employees with the largest employer being Retail trade, except of motor vehicles and motorcycles with 200,534 and Extraction of crude petroleum and natural gas at the bottom with 27 employees.

The Manufacture of tobacco products's share in the country's total employment was 0.09% in 2017, 0.12% in 2016 and 0.15% in 2015.

We expect, based on the trend in the last three years, the number of employees of the Manufacture of tobacco products industry to change at a compound annual growth rate (CAGR) of -17.56% in 2018.

The industry is represented by the following companies

KT INTERNATIONAL EAD

SOCOTAB EOOD

PARVOMAY -BT AD

SOFIA -BULGARTABAC AD

BLAGOEVGRAD - BT AD

PLEVEN BULGARTABAK EAD

GLOBAL TOBACCO OOD

SLANCE STARA ZAGORA TABAK AD

DUPNITSA-TABAK AD

KARDZHALI TABAK AD

VALTABAK OOD

MEHANIKA AD

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