

SOFIA BUSINESS GUIDE





Digitalisation, Innovation and
Economic Development department
of Sofia Municipality

www.innovativesofia.bg




Sofia Investment Agency, part of
Sofia Municipality

www.investsofia.com

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MAYOR'S ADDRESS

In recent years, Sofia has become a very attractive place to invest. The pace of work we have set brought Sofia to leading positions in both national and international rankings in terms of employment, infrastructure security, quality of life, good education, successful business endeavors and tourist growth. Investors are attracted by Sofia's location, good connectivity, but most of all, by the qualified and highly-educated population of the city.

Sofia provides the highest standard of living in the country. For the past 10 years, Sofia has been one of the European cities with the highest GDP per capita growth. The GDP of the city makes up 40% of the total GDP for Bulgaria. Sofia's GDP per capita is twice the national average and is gradually approaching the EU average.

By the end of 2018, Sofia attracted half of the foreign investments in Bulgaria, totaling EUR 12.4 billion, or EUR 9 800 per resident - three times the average for the country. A big share of the investment is directed towards high value-added sectors. Sofia aims to encourage projects in the fields of R&D, biotech, creative industries, high value-added manufacturing and technologies for sustainable city development. The city is currently building 4 new industrial zones located in the northern territories, suitable for strategic investors.

The technology sector is one of the main engines of the city economy and 90% of the IT companies are located in Sofia. In 2019, fDi Intelligence placed Sofia in the Fintech Locations of the Future ranking. Financial Times declared Sofia an important part of Southeast Europe's Silicon Valley. Sofia absorbed nearly 1/3 of the total amount of funds, allocated under various Operational Programs. Funds paid out in both program periods on the territory of Sofia amount to BGN 4.151 billion.

The average salary in Sofia exceeds the country's average by 38%, approaching the EU average. Given the concentration of highly educated working-age population, Sofia has the highest employment rate in Bulgaria - 76% for 2018. Furthermore, the city has the lowest unemployment rate in country, 2.1%.

The city's financial stability was affirmed by the Standard and Poor's international rating agency, which in 2019 once again increased Sofia's investment rating to BBB, with positive outlook.

Sofia is no longer only a business destination. Due to the systematic investments in the city's urban environment and cultural sites, Sofia is becoming an increasingly attractive tourist destination. The key to this success is the unveiling of the cultural and historical heritage in recent years. Sofia was among the five European cities with the highest growth of foreign tourists for the period 2009 – 2017, with an average growth of 9% per year.

Our efforts are focused on implementing innovative solutions in the city governance and urban development. Sofia is changing and the most important thing is that more and more citizens are taking part in this change. The city develops with a consistent focus on one strategic priority - the improvement of the quality of life of its citizens.

In January 2020 we created a new municipal department for Digitalization, Innovation and Economic Development that will facilitate the digitalisation and adoption of new technologies by the Municipality, as well as the process of “opening” the city to the technology companies.

Availability of financial resources and the strong traditions in education are our main strengths that will help us to further develop a favourable environment for technologies and innovation. We owe the achievements in these areas to the educated and enterprising people of Sofia – they are the city's most valuable asset. The future of Sofia is to develop as a green and innovative city and to transform into a digital capital of new markets.



YORDANKA FANDAKOVA
Mayor of Sofia

DEPUTY MAYOR'S ADDRESS

Sofia is developing rapidly. The city has a mature IT and technological ecosystem. Many of the IT companies in the city develop products and conduct R&D activities in the city.

The dynamic growth of the automotive sector in the city facilitates the development of new industrial zones. We aim to enhance Sofia's innovative and industrial potential to ensure its global competitiveness. Sofia is on the global map when it comes to creative industries such as game development and film. Sofia is also one of the most vibrant start-up ecosystems in CEE.

In 2015, Sofia Municipality launched Sofia Investment Agency with the goal to support investors in setting up their operations in Sofia and to assist local companies in finding new markets and partners abroad. The city reached out to other cities in Europe, Asia and North America to build partnerships and collaborations, to help Sofia-based companies find new markets as well as to introduce Sofia as an investment destination to other markets.

Sofia became a part of many global city networks and is present at fairs and expos worldwide. We are working on Sofia's brand as a digital and innovative city of great talent. In 2019, the city completed the Digital Transformation Strategy for Sofia. The Strategy outlines the next steps towards digital transformation through turning the city into a market for local companies.

In 2020, Sofia Municipality announced the creation of a Digitalisation, Innovation and Economic Development Department which will consolidate and guide all of the city's digital and smart city projects and will continue to support high-tech and R&D investors in Sofia.

It is my great honor to be the first Deputy Mayor for Digitalisation, Innovation and Economic Development of Sofia.



VLADIMIR DANAIOV

Deputy Mayor of Sofia for
Digitalisation, Innovation and Economic
Development



SOFIA MUNICIPALITY DIGITALISATION, INNOVATION AND ECONOMIC DEVELOPMENT DEPARTMENT

The “Digitalisation, Innovation and Economic Development” department of Sofia Municipality was established in 2020 to support Sofia’s development as a smart, digital, innovative, and technologically advanced city.

The new Department will consolidate and guide all of the city’s digital and smart city projects and will continue to support high-tech and R&D investors in Sofia. It will focus on increasing the number and quality of municipal e-services, open data and smart city projects implementation.



DIGITALISATION AND SMART CITIES

Supporting Sofia's development as a digital and smart city. Ensuring high quality of life for citizens and the creation of new business opportunities.



INNOVATION

Turning Sofia into a platform for innovation and the development and adoption of new digital services and smart solutions.



THE CITY AS MARKET CREATOR

Turning Sofia into a market for digital products and services created by Sofia-based companies. Identifying or creating markets for digital services at local, national or global levels, and facilitating the access to these markets.



E-SERVICES

Increasing the number and quality of municipal e-services. Reducing the administrative burden and optimising administrative processes.



COMMUNITY BUILDING

Engaging different stakeholder groups.



FACILITATING CONTACTS

Facilitating contacts and networks with potential international and local partners, public authorities, research and educational institutions.



INFORMATION AND ANALYSES

Providing information and analyses on Sofia's digital and smart city development and economic environment.



Invest Sofia is the investment promotion and business development agency of Sofia. Our mission is to support local and foreign businesses in building their success story in Sofia.

Invest Sofia is part of Sofia Municipality.
Our services are free of charge.



TAILOR-MADE SOLUTIONS

Tailor-made solutions for locating your project, business or research activities in Sofia.



INFORMATION AND ANALYSES

Information and analyses about the business climate, investment incentives, business costs, urban development, etc.



BENCHMARK SERVICES

A comprehensive opportunity and benchmarking service.



FACILITATING CONTACTS

Facilitating contacts and networks with potential partners, public authorities, research and educational institutions.



ASSISTANCE IN SETTING UP

Practical assistance in setting up a business in Sofia.



AFTERCARE PROGRAMME

Aftercare programme to grow your business once you are here.

BULGARIA: AN OVERVIEW

Area: 110 993.6 km²

Population: 7 000 039

Capital: Sofia

Largest city: Sofia (Population: 1 678 041 incl. the surrounding region)

Language: Bulgarian

Time Zone: EET (UTC+2)

EU member since 2007

NATO member since 2004



Currency	EUR 1 = BGN 1.9558 fixed exchange rate Bulgarian National Bank
GDP	EUR 56.1 billion (USD 62.9 billion) Bulgarian National Bank (2018)
GDP per capita	EUR 7 984 (USD 8 948) National Statistical Institute (2018)
GDP Annual Growth	3.1% Bulgarian National Bank (2018)
Sofia's share of the national GDP	40% Sofia Investment and Economic Profile, 2019
GDP Sofia	EUR 22.7 billion (USD 25.1 billion) National Statistical Institute (2018)
GDP per capita Sofia	EUR 17 097 (USD 18 889) National Statistical Institute (2018)
Corporate tax	10%
Personal income tax	10%
Doing Business rank	61 out of 190 countries World Bank Doing Business Report (2020)
Economic Freedom Index	37 out of 180 countries Heritage Foundation (2019)
Global Competitiveness Index	49 out of 140 countries World Economic Forum (2019)

In 2020, fDi Intelligence ranked Sofia the 6th Eastern European Region of the Future. The city also ranked 3rd among the Major European Cities of the Future for FDI strategy.

WHY SOFIA

Here are 10 great reasons to start and grow your business in Sofia.



REGIONAL TALENT HUB



Highly-skilled work force.



5% of the professionals are employed in the creative industries sector.



Over 50% of the population has a university degree.

Over 50 000 people employed in the IT sector.



23 universities, 100 000+ university students, 63 research centres, 30+ independent IT schools.



43 000 people employed in the BPO and SSC sector, working in over 30 languages.



High level of language fluency in English, Russian, German, Spanish and French.



COMPETITIVE BUSINESS COSTS

The lowest overall labor cost per hour in the EU.
Low office space costs - €13.5 average price for Class A.
One of the lowest industrial energy prices in the EU.



LOW CURRENCY RISK

The Bulgarian lev (BGN) is pegged to the Euro. Investors will avoid additional risk of local currency exchange rate fluctuations, present in other non-Eurozone countries.



GLOBAL R&D ICT LEADERS ARE ALREADY IN SOFIA

Sofia is a regional ICT center with over 50 000 people employed in the ICT sector.
Global leaders like SAP Labs, VMware, IBM, CISCO, Bosch, Coca-Cola, Financial Times, Uber and many others already operate large R&D centers employing, educating and developing thousands of highly-qualified professionals.



STRATEGIC BUSINESS LOCATION

Use Sofia as your gateway into the markets of Europe and Asia, while setting operations in a EU-member country, part of a 550-million consumer market.




WELL-CONNECTED


One to three-hour flight to most EU capitals.
Sofia – over 7 million passengers @ Sofia Airport.
Well-developed network of public transport, including 40 km of expanding underground metro.



EASY TO START AND GROW YOUR BUSINESS

€ Capital requirement of **1 Euro**.

 **2-3 business days** to register a company.

 **Low fees** to register a company.



BUSINESS-FRIENDLY TAX RATES

10% One of the lowest corporate taxes in the EU.
The lowest personal income tax in the EU.



EU FUNDING OPPORTUNITIES

Companies registered in Bulgaria have access to EU funds on both national and EU level.



GREAT DIGITAL INFRASTRUCTURE

One of the highest average connection speeds in Europe and the world in both download and upload, with **24** and **21 mbps** registered in October 2019.

SOFIA: AN OVERVIEW

Sofia is one of the oldest cities in Europe. Its history dates back several millennia. In 1879, after a close vote by the Parliament, Sofia became the capital of the newly independent Bulgaria.

Today Sofia is Bulgaria's capital, its largest city, the centre of the legislative, executive and judiciary power in the country (National Assembly, Presidency, Council of Ministers and all Ministries), the financial, educational, cultural, business and commercial centre and the biggest city-economy in Bulgaria.

Sofia's population exceeds 1.3 million, 1.6 million with the surrounding region, over an area of 492m², making it the 15th largest city in the European Union.

The city's economy is growing at a rapid pace. Sofia accounts for 40% of the nation's GDP and 1/3 of the country's export. Sixteen percent of the city's exports are produced by the growing ICT sector in the city.

Sofia has one of the most vibrant start-up and entrepreneurial ecosystems in Central and Eastern Europe. The capital available to local startups has played an instrumental role in positioning Sofia on the entrepreneurial map of Europe.

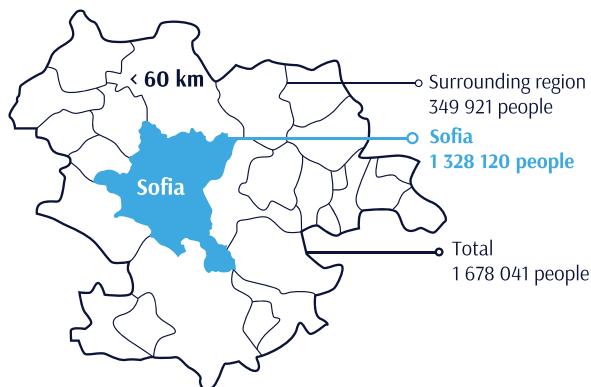
Sofia acts as a magnet for talent. Twenty-three of Bulgaria's 51 universities are located in Sofia, with over 100 000 students.

A developed transport infrastructure, with bus, tram and underground public transport, makes Sofia a well-connected city. Sofia Airport, the largest international airport in the country, is just 20 min. from downtown Sofia.

THE PEOPLE OF SOFIA

Total Population

Population of Sofia and the surrounding region



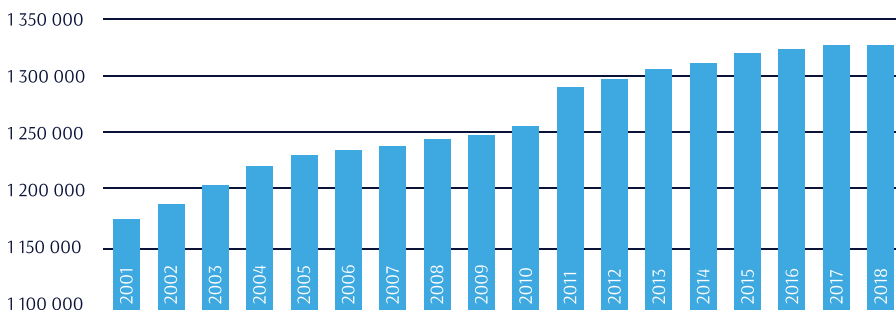
Source: NSI



23%
of Bulgaria's
population

25%
of the total labour
force in Bulgaria

Total population of Sofia

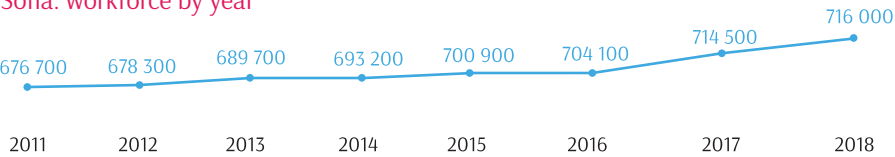


Source: NSI

LABOUR FORCE

Sofia is the largest city in Bulgaria in terms of population. It is also one of the few cities in the country experiencing population growth and benefiting from overall favourable demographic trends. The population growth in Sofia is supported by the continuing influx of young people to the city, which provides diversity and easy access to workforce. The labour force in the city increased by 26% in the period from 2003 to 2018, or by a total of 149 600 people, and currently amounts to 716 000 people. Sofia, together with the broader Sofia region (<60 km), has a total workforce of over one million people.

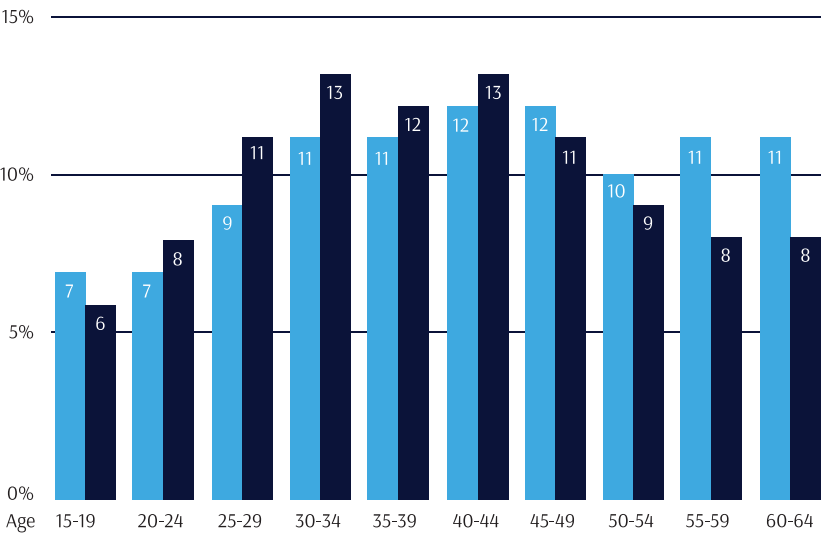
Sofia: workforce by year



Source: NSI

The age group distribution of the population in Sofia is also favourable.

Age group distribution of the population in Sofia, aged 15-64, in %



Source: NSI

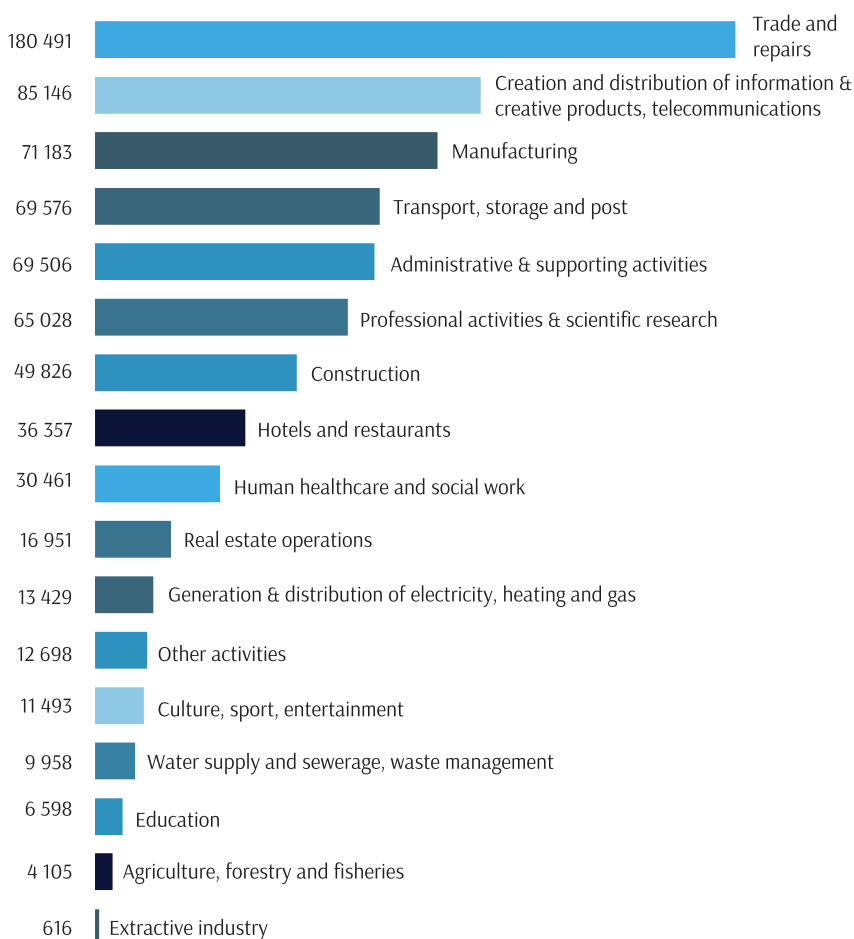
■ Bulgaria %

■ Sofia %

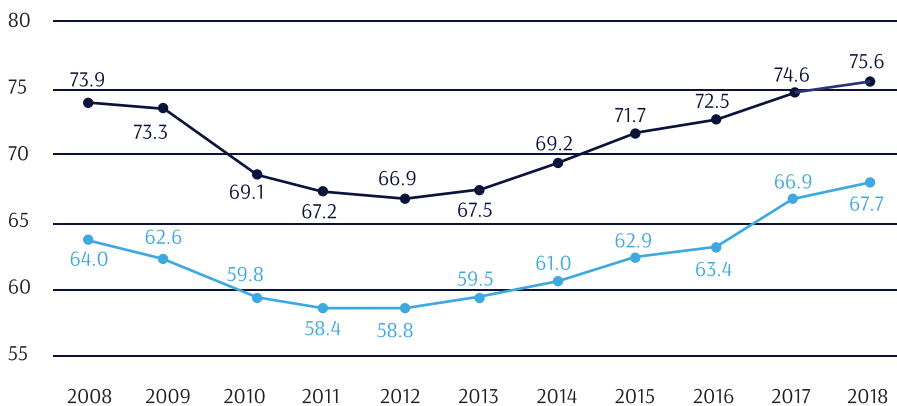
EMPLOYMENT

Sofia has the highest labour participation rate in Bulgaria, above the EU average, and the lowest unemployment rate in the country. The data on employment by economic activity shows the ongoing restructuring of Sofia's economy due to the rapid growth of the ICT and business service industries. The number of employed in these sectors increased by over 60 000 people between 2008 and 2018 and now accounts for more than 20% of the total employment in Sofia.

Number of employed by sector of economic activity in Sofia (2018)



Average annual employment rate of the population, aged 15-64, in %



■ Bulgaria %

■ Sofia %

Source: NSI

KNOWLEDGE WORKERS

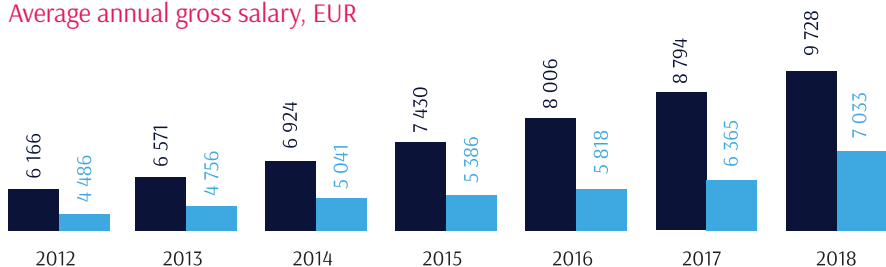
Much of Bulgaria's "brain business" is concentrated in Sofia. The city ranks 27th out of 278 European regions, included in the 2020 Brain Business Jobs Index, with 101 brain jobs per 1 000 working-age population and is performing very well in the tech and creative sectors. Design and IT are among Sofia's specific strengths.

Source: Europe's Brain Business Jobs Index, 2020

WAGES AND SALARIES

In 2018, the annual gross salary in Sofia was EUR 9 706, showing an increase of 10% on an annual basis. Although the upward trend is expected to continue, Sofia still has one of the lowest labour costs among the EU capitals.

Average annual gross salary, EUR



■ Bulgaria %

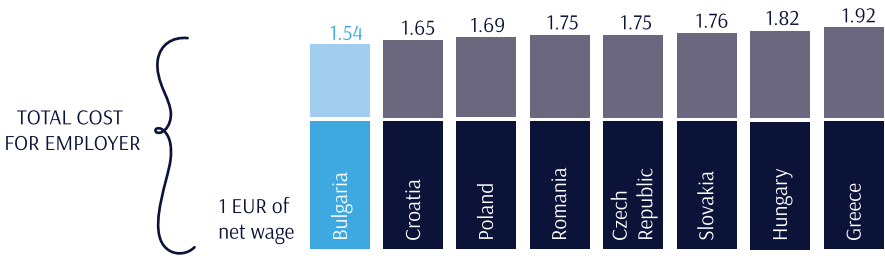
■ Sofia %

Source: Sofia Economic Profile 2019 by Sofia Investment Agency

IT and the sector of professional services, incl. business process outsourcing (BPO), offer the highest salaries in Sofia. The average salary in the IT sector was almost twice higher than the average for the city, while in the BPO sector it was 26% above the average for the city.



Total employer cost per EUR 1.00 of net salary - regional comparison



*The maximum taxable income in Bulgaria is capped at BGN 3 000 per month

Source: Institut Économique Molinari

The mandatory social security tax is split between the employer and the employee at 55/45. The employee part is 13.78% of the total cost, while the employer portion varies between 18.92% and 19.62%. The maximum taxable income in Bulgaria is capped at BGN 3 000 per month and any income above it is not a subject to social security tax.

LABOUR CODE

Working time



Working time

21 days per month
250 days per year



Annual paid leave

min. 20 days
per year



Public holidays in 2020

13 days

Labour contracts



Indefinite contract

Duration: indefinite
Probation period: up to
6 months
Termination notice:
1 month



Term contract

Duration: up to 3 years
Probation period: up to
6 months
Termination notice:
3 months



Overtime & Compensation

max.150 hours per year
On working days: 50%
On weekends: 75%
On national holidays:
100%

Maternity leave

up to 3 years paid by the state, very small employer contribution

1st year

The state pays 90% of
the gross salary, up to a
fixed amount

2nd year

The state pays
BGN 380 per month

3rd year

Without pay



FOREIGN EMPLOYEES AND INITIATIVES FOR ATTRACTING TALENTED LABOUR FORCE

Citizens of all EU and EEA countries, plus Switzerland have the right to reside and work in Bulgaria indefinitely. All other nationals need a work permit and a long-term visa in order to work or reside in Bulgaria. The issuance of a work permit is an employer-driven process.

Types of work permits

- **Single work and residence permit** is issued to non-EU nationals who apply to reside in Bulgaria for the purpose of work, or who already have a valid residence permit for purposes other than work.
- **EU Blue Card** is a work permit entitling highly qualified non-EU nationals to reside and work in the country. In October 2017, the requirements for receiving a Blue Card in Bulgaria were eased up and the duration of the employment permit was extended to 4 years. A list of the qualifying professions is published by the Ministry of Labour and Social Policy yearly.
- **Intra-corporate transfer permit:** temporary secondment of a foreigner for work or training purposes, applies only in case of relocation of managers, specialists and trainees.
- **Seasonal employment permit:** non EU-nationals can contract with a local employer for seasonal (up to 90 days) work. Recently, Bulgaria simplified the procedure for registration of seasonal workers.
- **Work permit for posted employees:** non-EU nationals temporary posted to Bulgaria for project-based, limited term services for a maximum of 12 months.

Source: Ministry of Labour and Social Policy, KPMG, 2018

The National Employment Agency is implementing measures for attraction and relocation of workers from non-EU.

EDUCATION IN SOFIA

UNIVERSITIES IN SOFIA

Sofia is home to 23 of Bulgaria’s 51 universities. The majority of the working-age population in the city, or 51.4%, hold a university degree. This number has grown significantly since 2011, when it was around 40%. The trend is expected to continue as Sofia is not only the city with the highest number of university students in the country, but also attracts graduates from other cities in Bulgaria and abroad.

Share of Sofia population aged 15+ by education level



Source: NSI, 2019

Largest universities in Sofia

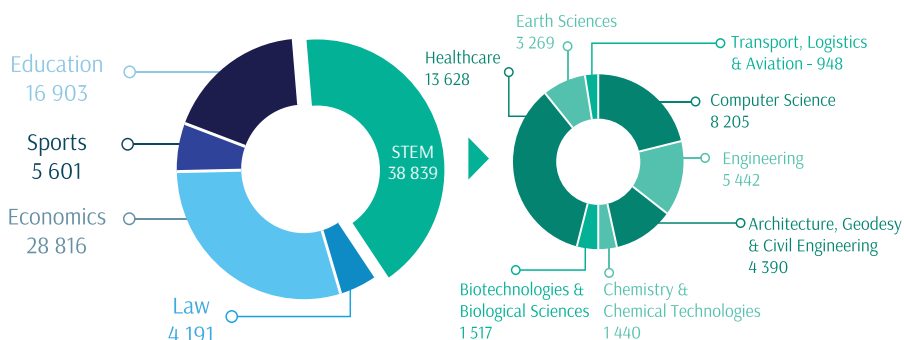
University	Number of students
Sofia University “St. Kliment Ohridski”	21 475
University of National and World Economy	18 972
Technical University	10 775
Medical University	8 599
New Bulgarian University	9 321

Source: opendata.government.bg; data for 2019

100 000+ university students in Sofia 40%
of all university students in the country.
Close to 21 000 graduates per year



Distribution of current students in Sofia by fields of study

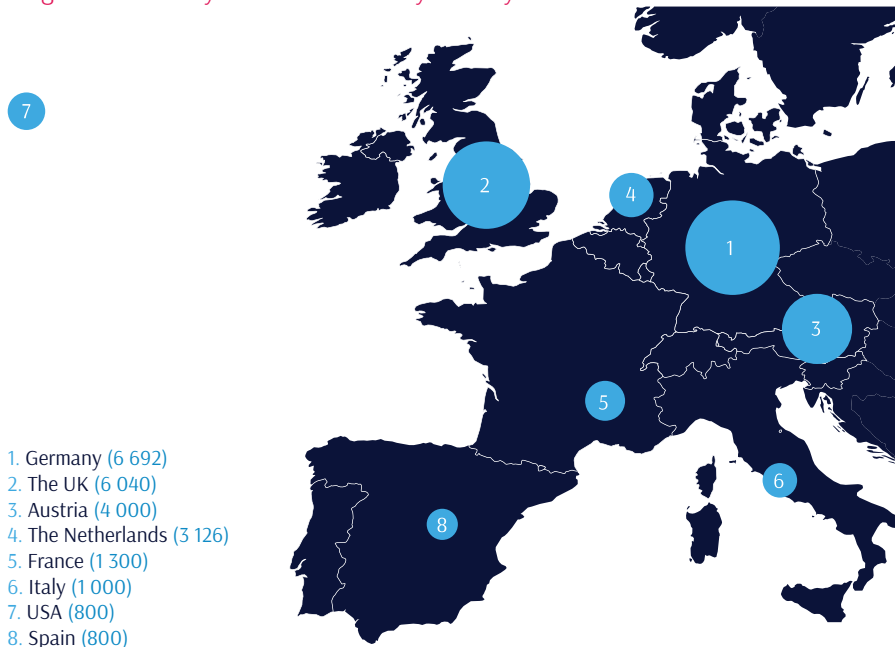


Source: Ministry of Education and Science

Dual education and increased participation in STEM fields are the current priorities of the Government. The Ministry of Labour and Social Policy is offering full scholarships in Engineering, there are joint IT project trainings between the private sector and universities, also there are plans for the establishment of a new automotive industry vocational academy for both high-school and university students.

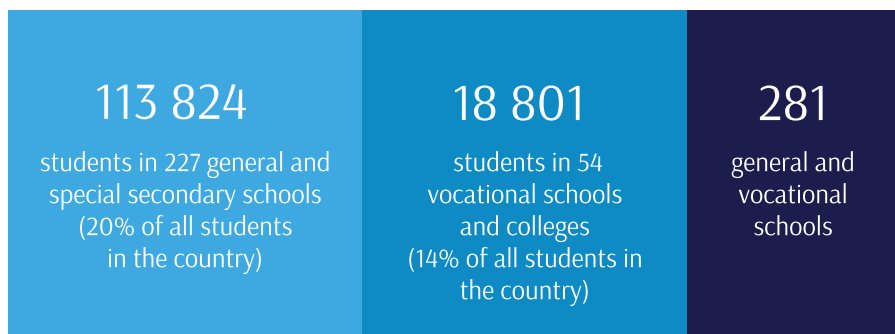
A significant number of students, graduating from secondary schools in Bulgaria, continue their university education abroad. Germany, the UK, Austria and the Netherlands have traditionally been the preferred destinations. According to some estimates, the number of Bulgarians studying abroad averages around 30 000 every year.

Bulgarian university students abroad by country



An increasing number of graduates are returning to Bulgaria upon graduation. Various information and promotion campaigns of public institutions and the private sector now target Bulgarian university students abroad.

SECONDARY AND PRIMARY EDUCATION IN SOFIA



Source: NSI, sofia.bg

SOFTWARE SCHOOLS

Due to the rapid expansion of the ICT sector in Sofia, ICT companies are increasingly turning to the high schools and universities in the city to develop joint courses.

Over 30 private software academies offer short to mid-term educational programs (6 to 30 months). Courses range from programming and computer graphics to IT project management and sales.

The courses are often developed in collaboration with local IT companies, according to their labour demands. The courses target people with little or no experience in the field, as well as developers with 3-5 years of experience. The number of graduates exceeds several thousand.

ENTREPRENEURIAL SKILLS

In 2015, the Bulgarian government ratified the “Action Plan Entrepreneurship 2020 – Bulgaria”, with over 30 specific measures in accordance with the “Entrepreneurship 2020” action plan of the European Commission. The Pre-school and School Education Act, adopted in 2016, included the education in entrepreneurship and digital skills in the mandatory school curriculum. Currently, over 27 000 students in Sofia, grades 1st to 12th take classes in entrepreneurship.

Source: Ministry of Education, Ministry of Economy

LANGUAGE EDUCATION

Close to 25 foreign languages form a part of the curriculum in the Bulgarian school system.

Number of students by foreign language studied per education level in Bulgaria

Language	Primary education	Lower secondary education	Upper secondary education	Upper secondary education – general	Upper secondary education – vocational	TOTAL PER LANGUAGE
English	199 616	193 013	223 790	116 476	107 314	840 209
Russian	12 812	32 556	69 353	31 959	37 394	184 074
German	6 244	12 855	77 037	46 758	30 279	173 173
French	2 480	4 327	22 535	14 797	7 738	51 877
Spanish	652	3 405	15 072	13 112	1 960	34 201
Italian	368	713	3 517	2 434	1 083	8 115
Other	2 047	1 543	3 412	2 882	530	10 414
Total	224 219	248 412	414 716	228 418	186 298	1 302 063

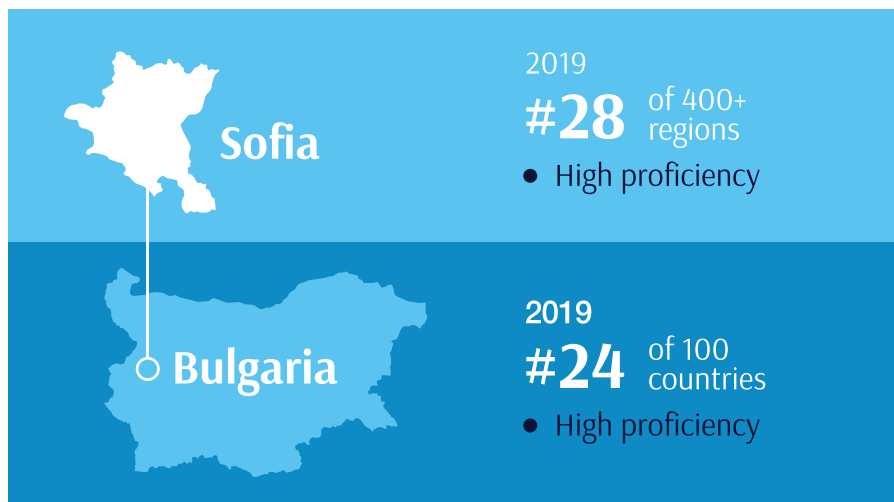
Source: Eurostat 2017



FOREIGN LANGUAGE PROFICIENCY IN SOFIA

Sofia is characterized by a high level of foreign language fluency. The most commonly spoken languages are English, German and Russian.

EF English Proficiency Index



Source: EF English Proficiency Index, 2019

English is the most preferred foreign language choice in Bulgarian schools. Most of the students in secondary schools with intensive language curriculum in Bulgaria in 2017 also studied English (64 074 students), followed by German (13 283) and French (6 218).

Education in Far Eastern languages in Bulgaria is available mostly in Sofia. It is estimated that over 2 000 students in the city take classes in Japanese, Chinese or Korean. Over 1 000 students study Hebrew and additional 200 take Scandinavian languages such as Norwegian, Danish and Swedish, which are rapidly gaining popularity.

Close to 1/3 of the population between 19 and 34 years self-report that they speak more than one foreign language at an intermediary level, or higher. The most common language combinations are English and Russian, followed by English and German.

Source: Labour Market in Sofia Report, 2017

ECONOMY OF SOFIA

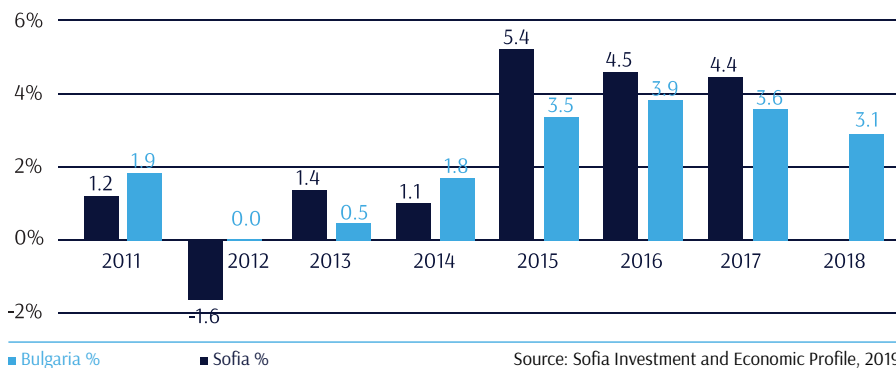
ECONOMIC GROWTH

Sofia: EUR 22.7 billion (in 2018)

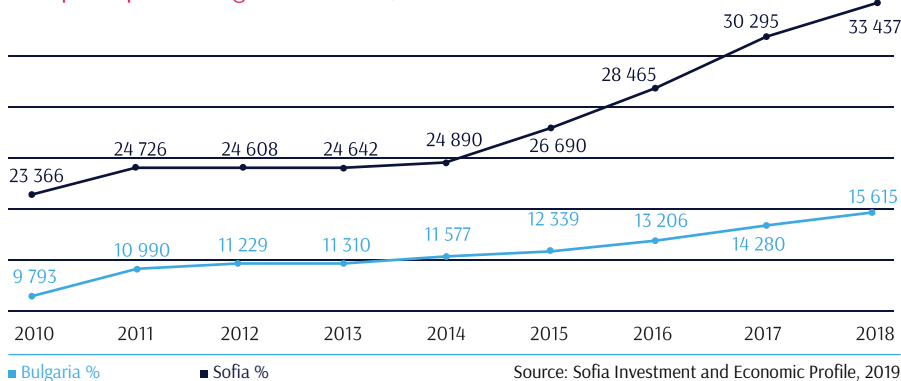
Sofia GDP per capita: EUR 17 097 (2.14 times the national average)

Sofia is the biggest city-economy in Bulgaria. It provides 40% of the nation's GDP. Due to the strong export and final consumption in the last several years, Sofia's economy has been growing at a rate faster than the EU average. It is export-oriented and accounts for 1/3 of the national export, amounting to BGN 28.4 billion.

Real GDP growth: Sofia and Bulgaria, %

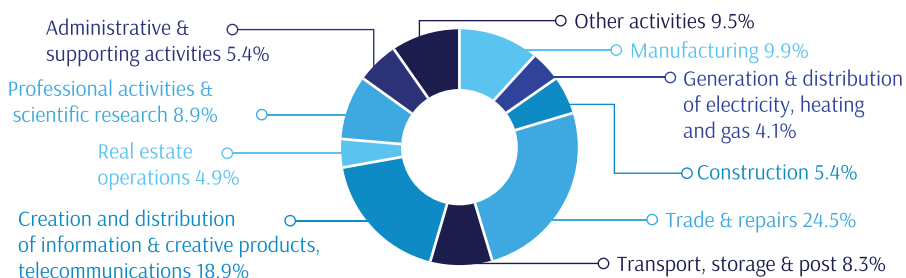


GDP per capita in Bulgaria and Sofia, BGN



SOFIA ECONOMY BY SECTOR

Value added at factor costs of non-financial enterprises in Sofia, in %

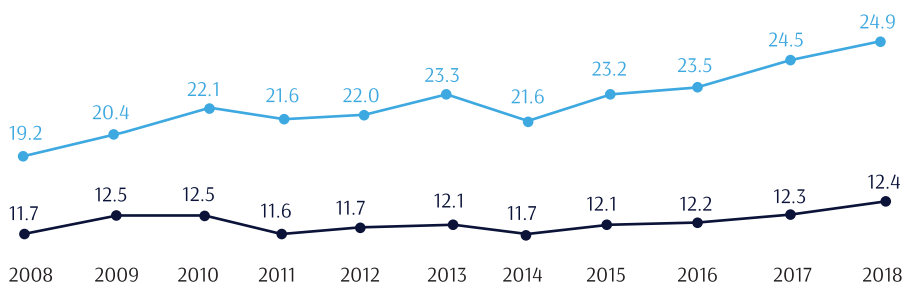


Source: Sofia Investment and Economic Profile, 2019

FOREIGN DIRECT INVESTMENT (FDI)

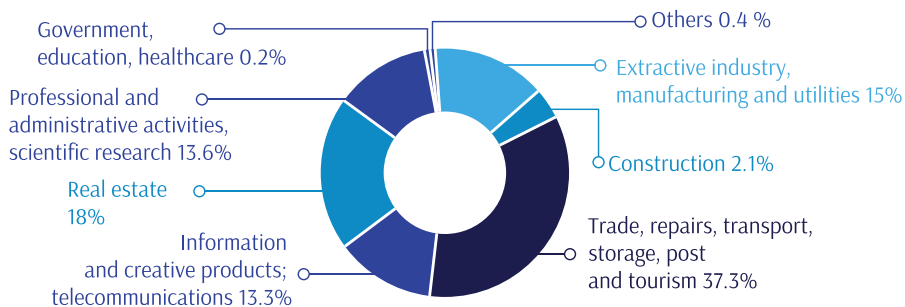
At the end of 2018, the cumulative foreign direct investment in Sofia was EUR 12.4 billion (2000-2018), accounting for 51% of the overall cumulative FDI to Bulgaria.

Cumulative foreign direct investment as of Dec 31* of the year, EUR billion



Source: Sofia Economic and Investment Profile, 2019

Foreign direct investment in Sofia by sector (2000-2018), %



Source: Sofia Investment and Economic Profile, 2019

CURRENCY

The Bulgarian Lev (BGN) is pegged to the EURO at 1.96 BGN per 1 EUR. Bulgaria has adopted a plan to join the precursor to euro area membership, the ERM-2 exchange rate mechanism, and the Banking Union.

CREDIT RATINGS

Credit ratings assigned to Bulgaria

S&P	BBB	positive	November, 2019
Moody's	Baa2	positive	August, 2019
Fitch	BBB	positive	March, 2019

Source: Ministry of Finance

Credit ratings assigned to Sofia

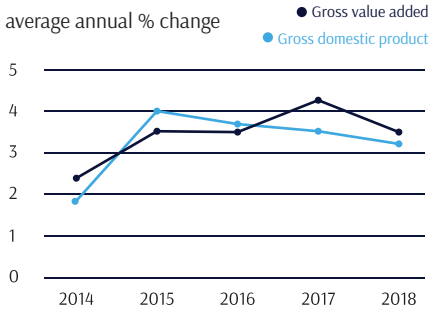
S&P	BBB	positive	as of December, 2019
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Source: Ministry of Finance

MACROECONOMIC INDICATORS

Economic growth of Bulgaria

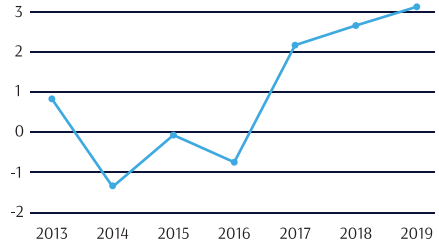
average annual % change



Source: Bulgarian National Bank

Consumer price index, Bulgaria

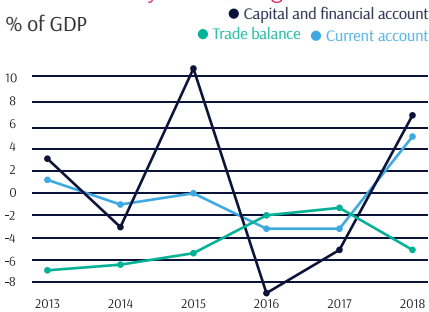
average annual % change



Source: Bulgarian National Bank

Balance of Payments, Bulgaria

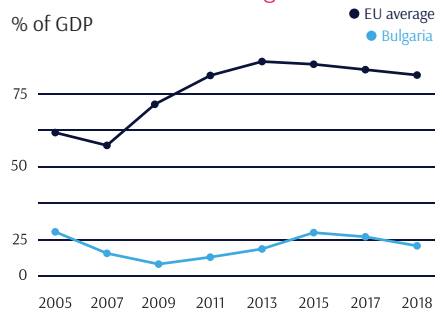
% of GDP



Source: Bulgarian National Bank

Government debt of Bulgaria

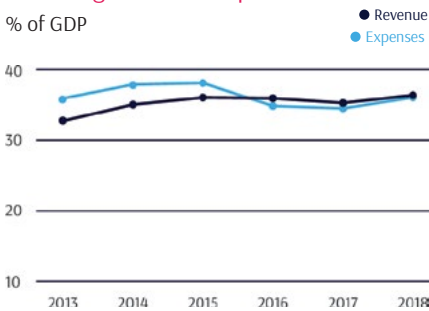
% of GDP



Source: Bulgarian National Bank

General government operations

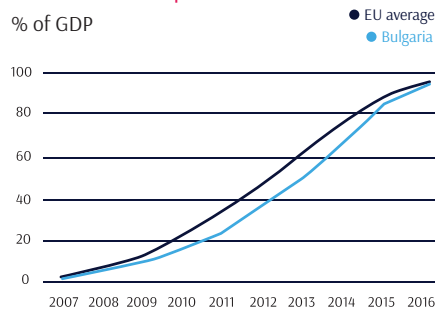
% of GDP



Source: Bulgarian National Bank

EU funds absorption rate

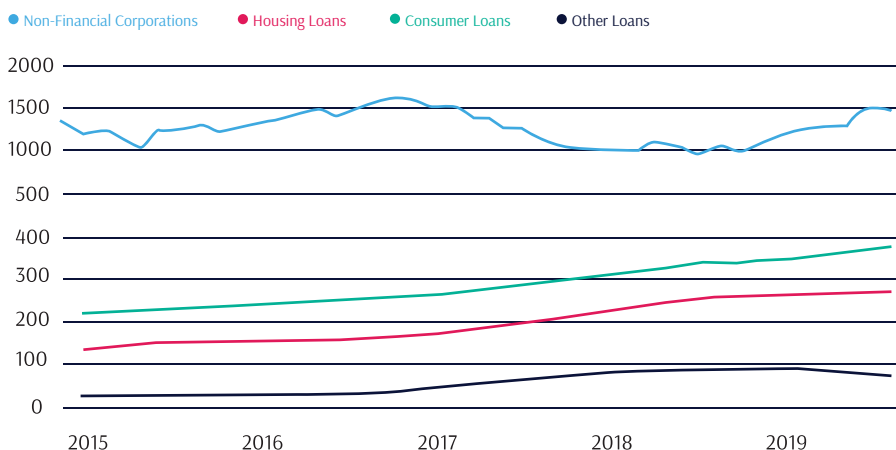
% of GDP



Source: Bulgarian National Bank

New loans

BGN million



Source: Bulgarian National Bank, Eurostat

BANKING SYSTEM

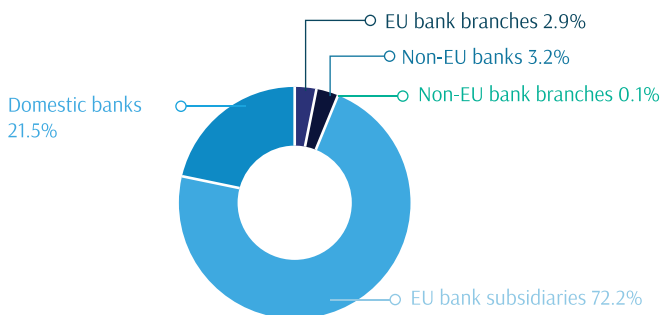
The Bulgarian banking system remains stable with growing assets and capital adequacy, and liquidity indicators that are significantly above the regulatory requirements. Loans to households and non-financial corporations continued to increase in 2019, reflecting the low interest rates and optimistic economic expectations.

The total banking system assets in Bulgaria exceeded EUR 55.51 billion and deposits into the banking system reached EUR 46.93 billion.

The share of gross non-performing loans and advances of the Bulgarian banking system continued to decrease but remained above the EU average.

There are 25 licensed banks and foreign banks' branches operating in Bulgaria, down by one from the previous year because of the ongoing trend of bank consolidation. The asset shares of the five largest banks account for approx. 60% of the total bank assets in the country. The majority of the banks operating in Bulgaria are members of international, almost entirely European, banking groups.

Market share of domestic banks and subsidiaries of foreign banks in Bulgaria



Source: Bulgarian National Bank

The biggest banks in Bulgaria by assets

- **Unicredit Bulbank** – part of UniCredit Group (Italy)
- **DSK Bank** – part of OTP group (Hungary)
- **United Bulgarian Bank** - part of KBC (Belgium)
- **Eurobank Bulgaria** – part of Eurobank (Greece)
- **First Investment Bank**
- **Raiffeisen Bulgaria** – part of Raiffeisen Bank International (Austria)

STOCK EXCHANGE

Bulgarian Stock Exchange – Sofia /BSE/ is the only regulated securities and other financial instruments market in Bulgaria.

MARKET SUPERVISION

The Financial Supervision Commission (FSC) is responsible for stock market supervision. The Commission is an independent state authority whose mission is to protect investors' rights and to enhance the development of a transparent and efficient capital market.

STARTING A BUSINESS IN SOFIA

Establishing a new business entity, including with foreign participation, or acquisition of shares of an existing local entity in Bulgaria, is governed by the Commercial Act. There is no limitation on the share participation of foreign legal entities and individuals.

Types of business entity

- Unlimited partnerships
- Limited partnerships
- Limited liability companies
(solely-owned limited liability companies)
- Joint-stock companies
(solely-owned joint-stock companies)
- Limited partnerships with shares
- Sole traders

No prior permission from government institutions is required except for cases involving banking or insurance activities, investment funds, management companies or investment intermediaries, special concession rights and others.

SETTING UP A COMPANY

The most popular forms of business associations are the limited liability company (OOD) and the joint stock company (AD):

Limited Liability Company (OOD)

- The minimum required capital is EUR 1
- Should have at least 1 Director and 1 Shareholder
- No restrictions for nationality of Directors or Shareholders
- Company incorporation takes 3-4 working days

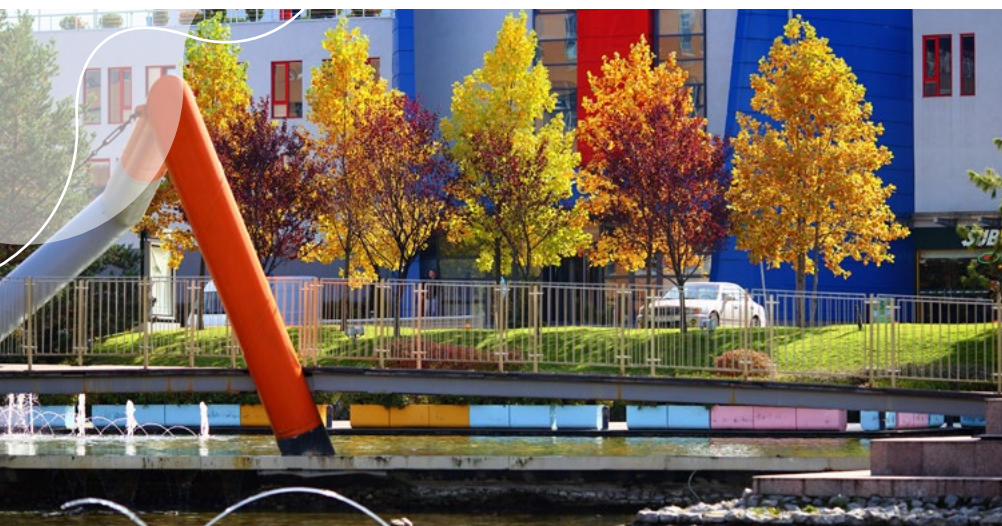
Joint Stock Company (AD)

- Minimum required capital - EUR 25 000
- Minimum required paid-up capital - 25% of the total capital
- Annual audit
- Should have at least 1 Chairman, 3 Board Members and 1 Shareholder
- No restrictions for nationality of Board members and Shareholders.

Registering a business - fees and turnaround times

Procedure	Time (business days)	Fees (BGN)
Implementation of the Articles of association	1 day	none
Obtaining a notary certified statement of consent and signature specimen of the manager and a verified copy of the company's Articles of incorporation	1 day	BGN 5
Depositing subscribed capital in the bank	1 day	BGN 10-30
Registration in the Commercial Register of the Registry Agency	2 days	BGN 55 (for online registration)
VAT registration	12 days	none
Registration of fiscal device (cash register)	2 days (simultaneous with previous procedure)	BGN 50-200
Register employees with National Revenue Agency	Less than one day, online procedure simultaneous with previous procedure	none
Register commercial object of the company (in case the company will operate commercial sites)	1 week	none

Source: World Bank – Economy Profile Bulgaria, Doing Business 2020



Business taxes and fees

Type	Number of payments	Tax rate	Tax Base
Corporate tax	1	10%	Taxable income
Value-added tax (VAT)	1	20%	Value added
Social security contributions	1	18.92%	Gross monthly salary (up to the monthly ceiling of BGN 3 000)
Communal taxes (non-residential waste collection tax in Sofia)	1 (in 4 installments)	10‰ (per mille)	Book value or/and the number of the utilized containers
Real estate transfer fee	1	Notary fee from BGN 30 to BGN 1 531+ 0.1%-1.5% of the property value (max. BGN 6 000) A 20% VAT is charged on the notary fee.	The taxable value or the selling price (whichever is higher)
Real estate transfer tax	1	3%	The taxable value or the selling price (whichever is higher)
Property tax	1 (in 2 installments)	1.875‰ (per mille)	Book or taxable value (whichever is higher)
Vignette*	1 - 12	BGN 97 - 2 088 (depends on the vehicle type)	Vehicle type
Vehicle tax**	1 (in 2 installments)	BGN 16 - 1 313 (depends on the vehicle type)	Vehicle type (car or truck)
Insurance premium tax	1	2.0%	Insured amount
Final/ one-off tax on some expenses (e.g. representative expenses, social expenses in-kind)	1	10% (exemptions apply)	Gross expenses
Tax on fuel	1	-	Included in the fuel price

*Vignette: BGN 97 annual vignette for a < 3.5 t. and < 8-passenger seats car

**Vehicle tax: BGN 83 for a 4-year old vehicle with EURO 6 standard in Sofia

INVESTMENT INCENTIVES

Investment incentives in Bulgaria are national and local. The investment projects are reviewed and awarded an investment certificate. The certification procedure takes a few weeks.

	National by Invest Bulgaria Agency			Municipal by Sofia Investment Agency
	Priority Class	Class A	Class B	Class C*
THRESHOLD				
	€ 50 M 50 – 150 Jobs	€ 1 -5 M 25 – 150 Jobs	€ 500 K – 2.5 M 10 – 100 Jobs	Up to € 1M No job requirements
INCENTIVES				
Shortened administrative procedures	✓	✓	✓	✓
The right to purchase government or municipal real estate without a tender	✓	✓	✓	✓
Individual services	✓	✓		✓
Financing of vocational training	✓	✓	✓	
Social security cash-back	✓	✓	✓	
Financing of supporting infrastructure	✓	✓		
Public-private partnership	✓			
No tax on land status change	✓			
Acquiring public real estate at below market price	✓			
R&D grants	✓			

*Class C is awarded for projects within the territory of Sofia Municipality.

Certification criteria

1. Economic activity*

To be awarded with Class A, B or Priority certificate, the investment must be in the sector of:

- Manufacturing
- Services including:

High-tech activities in the field of ICT, R&D, Outsourcing of business processes, Activities of head offices, Education, Human health care, Warehousing and support activities for transportation, Accounting and auditing, Architecture and engineering

*High-tech sectors have lower investment volume requirements.

2. Number of new jobs created

3. Location of the investment

Bulgaria has signed Double Taxation Avoidance Agreements with 80 countries.

ARBITRATION COURT

There are numerous independent arbitration courts in Sofia that resolve civil and commercial property disputes, and also disputes aimed at filling gaps in a contract or its adjustments to newly arisen circumstances between parties, physical persons or legal entities.

TRANSPORT AND CONNECTIVITY

SOFIA AIRPORT

Sofia Airport is the biggest international airport in Bulgaria. A new concessionaire of Sofia Airport for the next 35 years was selected in September 2019, under the conditions of substantial infrastructure investments, including the construction of a third terminal by 2030.

7 107 096

PASSENGERS

(2019)

2.1%

PASSENGER
INCREASE

(2019)

48

NEW DESTINATIONS
ADDED

(2015 - 2019)

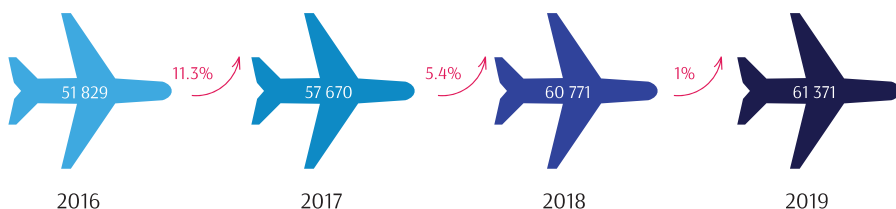
20 min

DISTANCE TO CITY
CENTRE

In 2019, Sofia Airport welcomed the record high 7.1 million passengers, following several years of strong passenger growth. Since 2015, the number of passengers served at Sofia Airport has increased by 74%.

In 2019 the Airport handled 23 987 tons of cargo – a growth of 7.8% on 2018.

Aircraft movements



In 2019, for a third year in a row, London was the most popular origin/destination for passengers at Sofia Airport, followed by two German cities - Frankfurt and Munich.

Sofia Airport: Top destinations in number of passengers

- | | | |
|--------------|--------------|-------------|
| 1. London | 4. Vienna | 7. Tel Aviv |
| 2. Frankfurt | 5. Milan | 8. Varna |
| 3. Munich | 6. Amsterdam | 9. Paris |

Source: Sofia Airport, 2019

HIGHWAY NETWORK

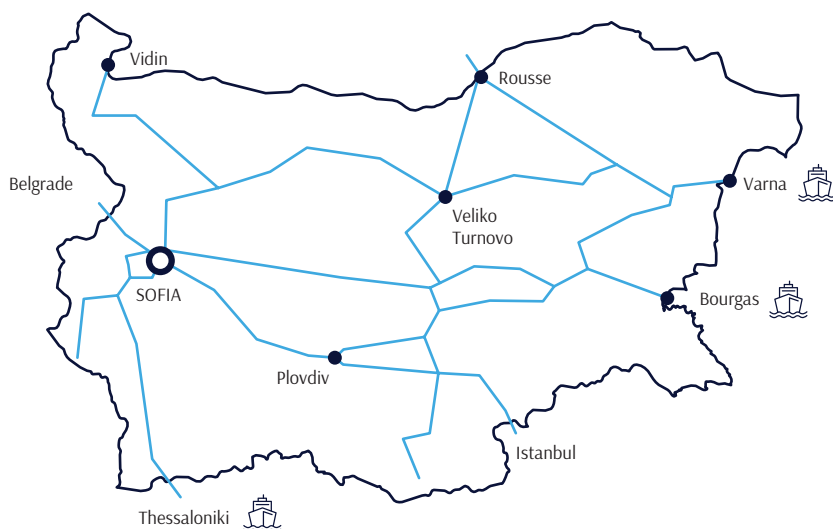
Sofia is part of 3 Pan-European transport corridors. The city is well connected with the rest of Bulgaria and the Black Sea Coast, the city and the port of Bourgas, as well as with the borders with Turkey, Greece (Thessaloniki) and Serbia through the Northern Speed Tangent road, Sofia Ring Road, Trakia Motorway (A1), Hemus Motorway (A2) and Struma Motorway (A3).

TRANSPORT NETWORK



Source: Ministry of Transport

RAILWAY NETWORK IN BULGARIA



Source: Bulgarian State Railways

INTERNET CONNECTIVITY

Sofia has one of the highest Internet speeds in Europe with average connection rates of 24 MBPS for downloading and 21 MBPS for uploading.

96% of households in Bulgaria have fixed broadband coverage and 75% of them have ultrafast broadband coverage compared to 97% and 60% in the EU.

A monthly broadband subscription for a business client costs approximately EUR 18 for 50 MBPS and EUR 26 for 100 MBPS per month excl. VAT. Higher speeds of up to 1 GBPS are also available.

Source: Digital Economy and Society Index (DESI) 2019, testmy.net

ACCESS TO UTILITIES

ELECTRICITY

Bulgaria has been a net exporter of electricity in the last 10+ years. The country's power sector has a diverse supply mix consisting of nuclear, hydro, thermal-based and renewable energy generation.

The main electricity supplier in Sofia is CEZ Bulgaria EAD. The Bulgarian Energy Exchange (IBEX) commenced operations in the beginning of 2014 with the establishment of an organised energy wholesale trading market Day-ahead. The Intraday electricity market and the Centralized Market for Bilateral Contracts (CMBC) segment started operating in 2018. Price of electricity for industrial use in Bulgaria is one of the lowest in the EU.

Source: eso.bg, ibex.bg, me. government.bg

Price of electricity for non-household consumers (Jan-Jun, 2019)

Annual electricity consumption (MWh)	Prices (including all taxes, levies and VAT)	
	BGN/kWh	EUR/kWh
< 20	0.249	0.127
20 < 500	0.234	0.119
500 < 2 000	0.208	0.106
2 000 < 20 000	0.192	0.098
20 000 < 70 000	0.176	0.090
70 000 ≤ 150 000	0.161	0.082
> 150 000	0.145	0.074

Source: NSI

NATURAL GAS

The major natural gas suppliers in Bulgaria and Sofia are Bulgargaz EAD and Overgas Inc. AD.

Price of natural gas for non-household consumers (Jan-Jun, 2019)

Annual gas consumption in GJ	Prices (including all taxes, levies and VAT)	
	BGN/GJ	EUR/GJ
< 1000	24.008	12.275
1 000 < 10 000	22.770	11.642
10 000 < 100 000	20.078	10.266
100 000 < 1 000 000	16.923	8.653
1 000 000 ≤ 4 000 000	15.645	7.999
≥ 4 000 000	confidential data	confidential data

Source: NSI

WATER & SEWAGE

Sofiyska Voda AD is the water supplier and provider of waste water services in Sofia.

Price of water for non-household consumers (2019)

Water supply, sewerage and waste water treatment	Prices (including all taxes)	
	BGN/m ³	EUR/m ³
Degree of pollution 1	2.636	1.348
Degree of pollution 2	2.980	1.524
Degree of pollution 3	3.180	1.626

Source: Sofiyska voda

COMMERCIAL REAL ESTATE

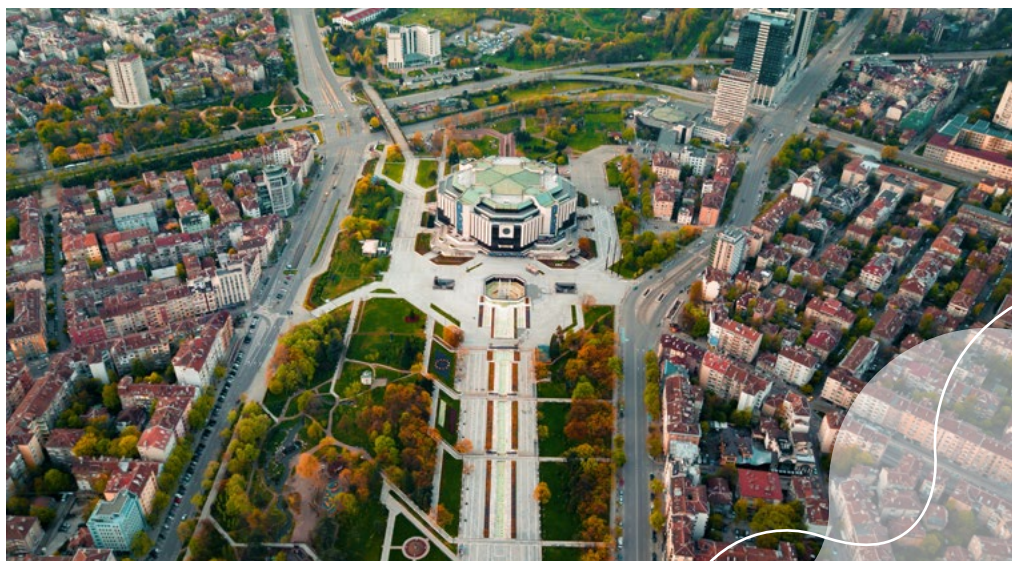
CONSTRUCTION PERMITS

According to the Doing Business 2020 report by the World Bank, completing the construction permitting process for a simple warehouse in Sofia, including connecting it to water and sewerage, requires 18 procedures and takes 97 days (a fast-track option at an additional fee for several municipal services is available). The building quality control index for Bulgaria is 14 (out of 15) with only six countries in the world having a higher score.

Dealing with construction permits in Sofia

Indicator	Sofia	Europe and Central Asia	OECD High Income
Procedures (number)	18	16	12.7
Time (days)	97	170.1	153.1
Building quality control index (0-15)	14	12	11.5

Source: World Bank – Economy Profile Bulgaria, Doing Business 2020



OFFICE SPACES IN SOFIA

The continuous growth in the office market is driven by tenants from the IT, BPO and SSC sectors.



2-2.1M m²

Existing stock - Class A and B office spaces



383-413K m²

Office spaces under construction



8-15 €/m²

Rental prices - Class A and B



9.1-9.5%

Vacancy rate



7.5-8%

Prime yields



~150 000 m²

New projects awaiting building permits

INDUSTRIAL SPACES IN SOFIA

The market is dominated by owner-occupied and built-to-suit facilities. However, more than half of the spaces currently under construction are speculative. Most tenants are logistics, e-commerce and retail companies.



1.1-1.3M m²

Existing stock of industrial spaces



145-185K m²

Industrial spaces under construction



2.5-5 €/m²

Rental prices



2-7%

Vacancy rate



8.5-9.5%

Prime yields

RETAIL SPACES IN SOFIA



391-425K m²

Existing stock of retail spaces



40 000 m²

Retail spaces under construction



39 €/m²

Average rental prices



6-9%

Vacancy rate

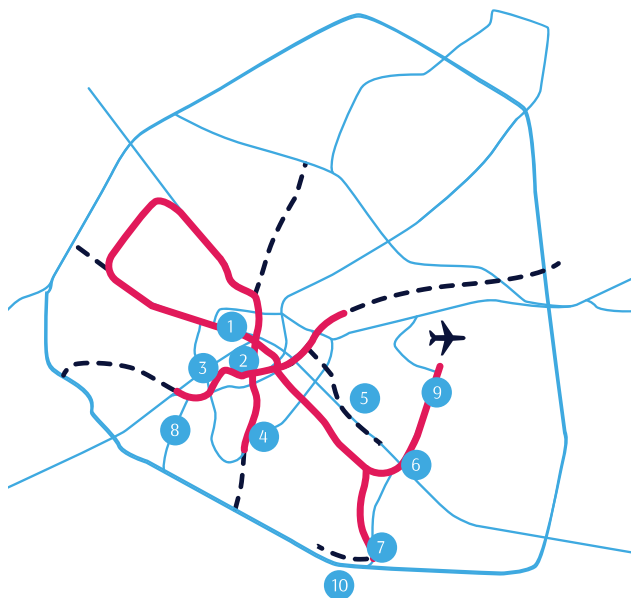


7.25%

Prime yields

Source: leading real estate agencies for Q3, 2019

BUSINESS ZONES IN SOFIA



1. Todor Alexandrov blvd
2. Central Business Zone
3. Tsar Boris III blvd
4. Hladiilnika Zone
5. Sofia Tech Park Zone
6. Capital Fort Zone
7. Business Park Sofia
8. Bulgaria blvd
9. Sofia Airport Zone
10. Kampanite Zone

SOFIA TECH PARK

The first science and technology park in Bulgaria opened in Sofia in 2015 with a focus on information technologies, life sciences and green energy. The Park includes a vast laboratory complex, an incubator for innovative companies, an innovation forum, exhibition areas, the interactive children's centre "TechnoMagicLand" and a sports complex. The Park is home to over 30 companies and startups and hosts over 200 events annually. In 2020, the Park is going to introduce a new coworking space called GroWorking as well as a Club House – a meeting space intended for networking clubs in the area of technologies and innovation.

Area: 57 000 m²

Laboratory Complex: 11 high-tech labs over 10 000 m²

Innovation Forum: 1 000 seats

TechnoMagicLand: over 45 interactive experiments for children from 7 to 14 years old

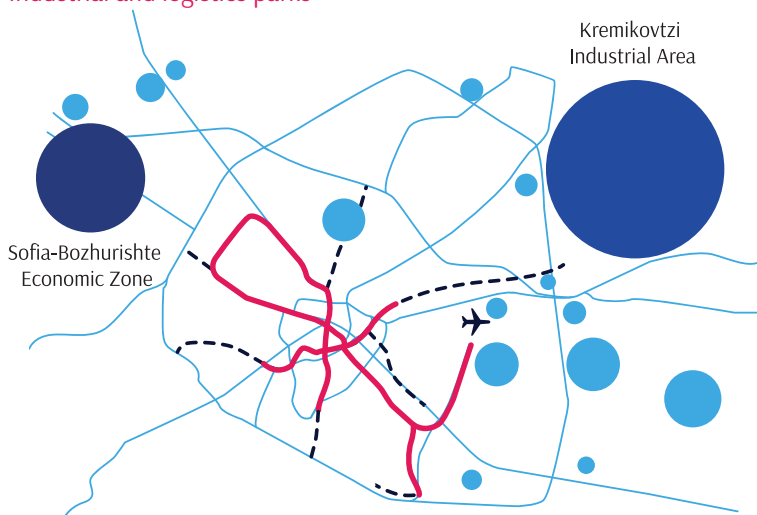
Source: Sofia Tech Park



INDUSTRIAL AND LOGISTICS ZONES IN AND AROUND SOFIA

Over 15 industrial and logistics parks are located in or around Sofia, including the biggest economic zone in the region – Sofia-Bozhurishte, and the brownfield land of the former steel mill “Kremikovtzi”.

Industrial and logistics parks



Source: Forton | Cushman&Wakefield, NCIZ

Sofia-Bozhurishte Economic Zone

Sofia-Bozhurishte economic zone is run by the National Company Industrial Zones. The zone is 15 km from the city centre and 23 km from Sofia Airport and has an area of 3 038 527 m².

Kremikovtzi Industrial Area

The area of the former steel mill “Kremikovtzi” represents a unique real estate consisting of 7.3 M m² of brownfield land. The area has the

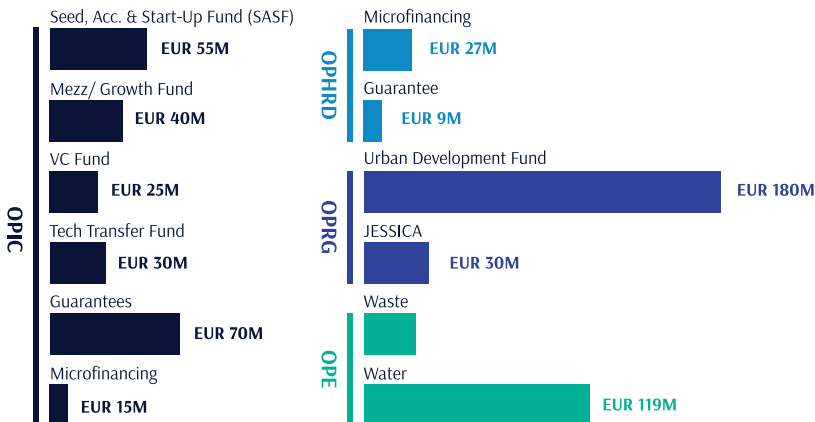
infrastructure and all the necessary prerequisites to again become the largest industrial zone in Bulgaria. The plot is clear of old buildings and unnecessary underground infrastructure. In the vicinity of the former steel mill there are a number of government and private plots, suitable for industrial and logistics facilities. The area has the potential to become one of the largest industrial hubs in the EU. The development of the area is a priority for both the local and the national governments.

FUNDING

There are multiple sources of financing available to companies and public and private organizations in Bulgaria. The Fund of Funds is the national entity overseeing the management of the financial instruments in the country.

FUND OF FUNDS

The Fund of Funds (FoF) manages BGN 1.2 billion under four operational programs: OP “Human Resources Development”, OP “Innovation and Competitiveness”, OP “Environment” and OP “Regions in Growth”.



Source: Fund of Funds

SOFIA MUNICIPAL GUARANTEE FUND

The Fund is a municipal financial instrument in support of the entrepreneurial and innovation ecosystem in Sofia.

Financing Innovative Start-ups program

- Guarantees up to 50% up to BGN 30K.
- Maximum warranty period - 60 months.
- SME's < 3yrs old or established ones with innovative projects.
- Collateral of at least 60% of the loan amount.

General program

- Guarantees up to 50% up to BGN 150K.
- Maximum warranty period - 84 months.
- Collateral of at least 60% of the loan amount.

Source: MGFSME

BULGARIAN SMALL AND MEDIUM ENTERPRISES PROMOTION AGENCY

The state agency supports SME's by organizing business delegations and participation in trade fairs.

Other support programs include:

- **Voucher scheme**

for the provision of information and communication technology (ICT) services to SMEs (up to EUR 12 000)

- **The National Innovation Fund under the National Innovation Strategy**

grants up to EUR 250 000 for industrial scientific research and experimental development activities in Mechatronics and Clean technologies, Information and Communication Technology, Healthtech and Biotech, technologies in the Creative and Recreative industries (Createch).

BEAM SME GROWTH MARKET

The Bulgarian Enterprise Accelerator Market (BEAM) is a specialized market for SMEs, organized by the Bulgarian Stock Exchange, with relaxed requirements for admission to the trading process and the raising of capital. It also offers mentoring.

DISC INITIATIVE

In order to address the investment gap in Central, Eastern and South Eastern Europe (CESEE) in the digital economy, the European Commission together with the EIB, the EIF, the EBRD, and the World Bank Group launched the Digital Innovation and Scale-up Initiative (DISC). The initiative is setting up the first regional investment facility that specifically targets digital innovations and the scale-up of digital startups in the CESEE region. DISC's targeted financing tools are tailored to both the early stage and the scale-up phase of digital startups, which require riskier financing and are underserved by the traditional finance sector.

BULGARIAN VC ECOSYSTEM

Incubators, pre-seed and seed



Venture and growth



Angel Investors



THE START-UP ECOSYSTEM IN SOFIA

Sofia has one of the most vibrant startup and entrepreneurial ecosystems in Central and Eastern Europe, with a startup association, business angel association and angel investment clubs. In 2019, Sofia became a French Tech label city, joining 50 innovation and tech hubs across the globe.

With 246 funding rounds, Sofia comes up third among CEE countries by number of VC rounds over the last 6 years, straight after Warsaw and Tallinn, according to Dealroom.co. Bulgaria is developing as a diversified tech hub with startups innovating across multiple industries. Approximately 15% of Bulgarian start-ups are in the deep tech sector, including AI, aerospace, robotics and IoT.

First-time entrepreneurs can resort to local incubators and pre-accelerator programs to get knowledge and guidance on starting a business. In addition, the VC community in Sofia supports scaling startups and companies in the growth stage.

Bulgaria's startup ecosystem ranks 35th globally, according to StartupBlink's Startup Destinations 2019 report.

COWORKING SPACES AND HUBS IN SOFIA

Sofia has over 35 tech, art, social and other coworking spaces and hubs.

1

DIGITAL CO-WORKING SPACES AND HUBS

- Betahaus
- Puzl CowOrKing
- Work&Share
- 1HUB
- init Lab
- Mastilo
- Co Share HIVE
- Smart Space
- This Way Coworking Hub
- Resonator Co-Innovation Hub
- Cherryz.work
- CampusX
- Premium Coworking

2

CULTURAL AND CREATIVE CO-WORKING SPACES AND HUBS

- Missia 23 Creative Hub
- SOHO
- Malkite 5
- Cosmos Coworking Camp
- Cre8
- Generator
- Trevor Workspaces
- Ko-Op Art&Coworking
- SODA Workspaces

3

THE EXPERIMENTALISTS

- Sofia Tech Park Incubator
- Groworking Space and Club House
- Microsoft Innovation Center
- JA Hambar
- CleanTech accelerator's co-working space
- Networking Zone

4

SOCIAL CO-WORKINGS AND HUBS

- NGO House
- Coworking by MOVE.BG
- OvertAim
- Launchee
- Zone 21
- WORKY Coworking & Coffee
- NAMASA CoWorking and CoLiving
- Catcotheque Coworking & Coffee
- CO&WO Coworking café

IT AND START-UP EVENTS IN SOFIA

In addition to the daily meet-ups and knowledge-sharing sessions, Sofia hosts many international flagship events:

JANUARY

- 25 **TEDx Vitosha**
- 31 – 2 **Sofia Game Jam**

FEBRUARY

- 20 **Innovation Explorer**
- 20-23 **Additive Days**
- 27 **Annual Fintech & InsureTech Summit**

MARCH

- 5 **E-Government Forum**
- 12 **Women Tech Sofia**
- 19-20 **Startup Europe Week Sofia**
- 26 **Smart Cities and Mobility Forum**

APRIL

- 4 **TEDx Sofia**
- 2-4 **18th e-Society Conference**

MAY

- 14-17 **Sofia Science Fest**
- 27-28 **JPrime Conference**
- 28-29 **DigitalK**
- 29-31 **Total Chaos**
- 30 **Telus International Game Show 2020**
- TBA **AIBEST Regional Conference**

JUNE

- 6 **AI and IoT Bulgaria Summit 2020**
- TBC **Supersonic**

JULY

- 11 **Pitch2Pitch - Grand Final**

AUGUST

- TBA **Dev.BG Annual Conference**

SEPTEMBER

- TBA **Annual Digital Finance Forum**
- 12-13 **Aniventure Comic Con**
- 17 **Tuk-Tam Career Hive**
- 24-25 **Biotech Atelier 3.0**
- 29 **Urban Development Forum 2020**

OCTOBER

- 1-2 **Webit Balkans**
- 10 **DevFest Bulgaria 2020**
- TBA **HackConf**
- TBA **Robotics Strategy Forum 2020**
- 30-31 **SlavConf. 2020 | Pathways**

NOVEMBER

- TBA **Growth Summit**
- 17-18 **Eastern European Gaming Summit**
- 18-19 **BEGE EXPO**
- TBA **Global Tech Summit**
- 20-21 **Js. Talks Bulgaria**
- TBA **Sofia Game Night**
- TBA **Cloud Sofia Summit**
- TBA **International Life Sciences & AI Cluster Conference**

DIGITAL SOFIA

In 2015, Sofia adopted the Innovation Strategy for Smart Specialisation of Sofia, identifying the IT and Creative industries as priority sectors.

In 2019, Sofia completed the Digital Transformation Strategy for the city Sofia (DTSS), created under the Digital Cities Challenge Project by the European Commission and with the participation of over 100 local stakeholders and international experts. The mission of the Strategy is to enhance the local tech ecosystem by turning the city into a market for the digital products created in Sofia.

In January 2020 the city appointed its first deputy mayor for Digitalisation, Innovation and Economic Development.

A new Big Data and AI Centre of Excellence - GATE, was launched in 2019 as a joint initiative between Sofia University, the Swedish Chalmers University of Technology and Chalmers Industrial Technologies. The center will focus on Future Cities, Intelligent Government, Smart Industry and Digital Health. Stakeholders will have access to a collaborative environment for experimentation, test-bedding, research and innovation. The project will include a City Living Lab, Visualisation Lab, Digital Twin Lab. One of GATE's first flagship projects will focus on building a city information model (CIM) of a district in Sofia under the concept of a digital twin.

One of the 8 new supercomputers of the European Union will start operations in Sofia in 2020 and will be available to the local ecosystem for scientific and industry activities.



SOFIA: PRIORITY INDUSTRIES

INFORMATION TECHNOLOGY (IT)

ICT in Bulgaria

The number of people employed in the ICT sector in Bulgaria on 2018 approached 100 000, or 3% of all people employed in the country . About 90% of the Bulgarian technology companies and 86% of the IT professionals (85 146 people) work in Sofia.

Bulgarian software industry



Revenue 2018



Revenue 2019

(preliminary data)

23%

Annual increase in operating revenues in 2018

9%

Annual increase in the working positions in 2018

88%

Increase in working positions in 2018, compared to 2013

10%

Estimated annual increase in working positions in 2019

3.4%

Share of GDP

The software development industry is expected to reach €5 billion in revenue in the next 5 years.

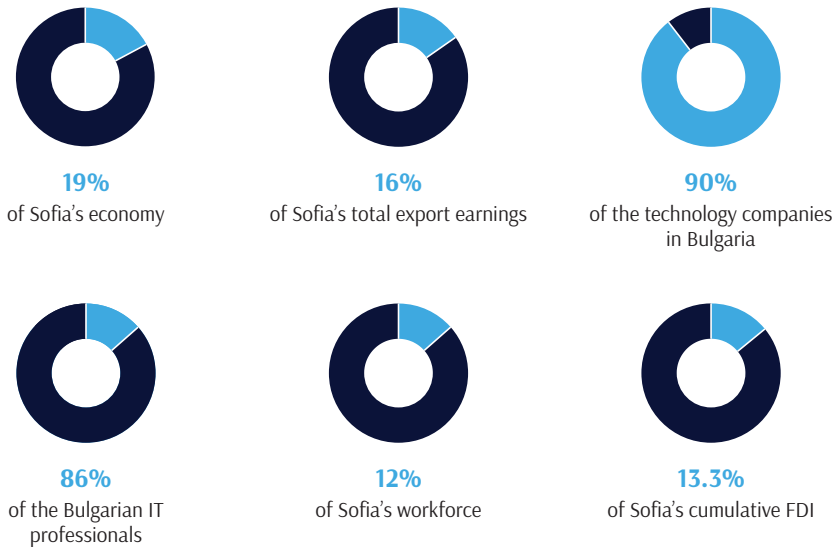
Source: BASSCOM Barometer, 2019

In 2019, Skillvalue placed Bulgaria 12th among the countries with the best developers in the world, based on 550 technical assessments.

ICT in Sofia

ICT is one of the fastest growing sectors in Sofia, accounting for 19% of the city's economy. The sector is predominantly export-oriented and over the last few years has moved up to high value-added projects and, increasingly, the development of own products. ICT has become the primary area for foreign investment, attracting 30% of all investment projects in 2018, with at least 16 projects valued at USD 240 million.

Source: fDi Markets



Source: Sofia Economic and Investment Profile, 2019

Sofia ranked 2nd among the top 10 fastest-growing tech centres in Europe according to the State of the European Tech report, 2018.

AI

Bulgaria's AI startup ecosystem is still at an early stage of its development but has gained a significant momentum in the past few years.



~2/3

of the operating revenue is contributed by development centres of large international companies



68%

of the AI companies are startups and scale-ups



>3 000

people employed, or >3% of all employed in the IT sector in Bulgaria



AI SOLUTIONS

for Retail, Finance, Media



NLP

long-standing tradition in Natural Language Processing (NLP)

Source: "Bulgarian AI Ecosystem" report, data for 2017

In 2019, the new Big Data Centre of excellence GATE was launched at the Sofia University Department of Mathematics with funding of EUR 15 million.

In 2019, the VC fund Brightcap Ventures launched a program for companies, specializing in AI, IoT, blockchain, advanced analytics, autonomous technologies and quantum computing. The AI Cluster Bulgaria was founded in 2019.

FINTECH

Sofia is one of the fastest growing Fintech destinations in SEE and the CEE region. Over 83% of the Fintech companies in Bulgaria are located in Sofia.



6 yrs
average age of the
fintech companies in
Bulgaria

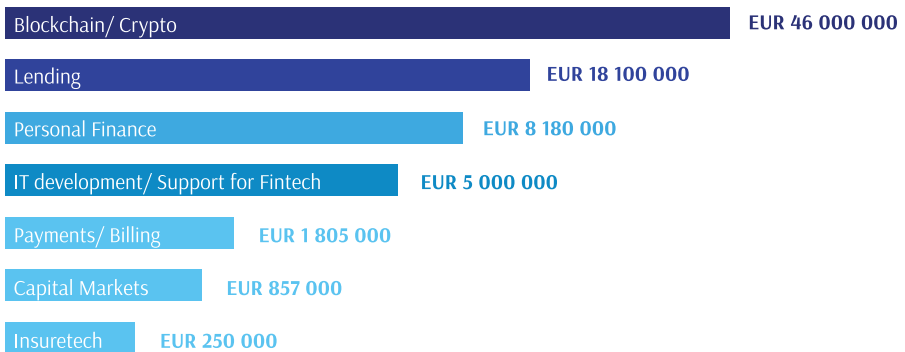
30%
of companies in
Personal finance and
capital markets

30%
of companies in
Payments and billing
solutions

10%
of companies are IT
development companies
supporting fintechs

The Fintech startups are supported by a number of investment funds, business angels, private investors and local banks.

Fintech venture investments by segment



Source: Bulgarian Fintech Association

Bulgaria is often used as a test market, while the strategy of the companies is to work globally. There is a growing trend for fintech and traditional financial

institutions like banks to develop new solutions jointly. The number of corporate acceleration programs is increasing.

In 2019, Sofia outperformed 52 locations worldwide and ranked first in terms of Cost Effectiveness in the “Fintech Locations of the Future 2019/20” ranking by fDi Intelligence.

PROPTech

There are over 13 proptech companies operating in Sofia. One of the local Proptech startups completed an investment round of EUR 2.7 million at the end of 2019. Some of the local companies already have 20+ years of experience in implementing technologies such as Building Information Modelling (BIM) in the real estate industry. Other technologies used by local proptech companies include virtual and augmented reality, artificial intelligence, machine learning, big data, blockchain and others.

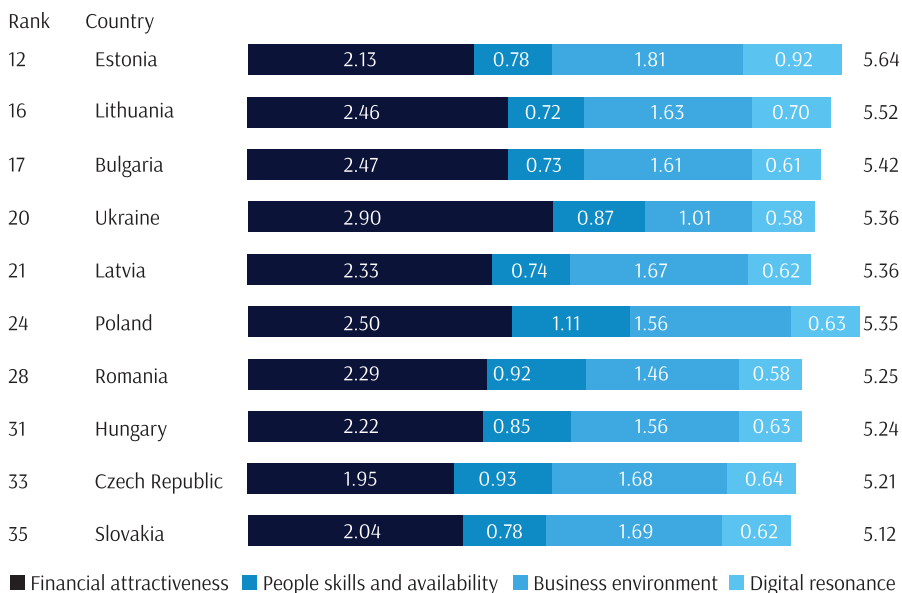
Source: Bulgaria: PropTech & ConTech Mapping Report 2019



SHARED AND BUSINESS SERVICES DELIVERY CENTRES

Bulgaria ranks in Top 3 among the global services locations in CEE and preforms best in financial attractiveness and business environment categories. Additionally, Bulgaria has a well-developed telecommunications infrastructure and one of the fastest Internet connection speeds in SEE. Information security and privacy regulations are in accordance with the EU legislation.

Global Services Location Index regional comparison



Source: A.T. Kearney GSII, 2019

The sourcing industry, which includes IT, BPO and SSC, contributed to 5.2% of the national GDP with a turnover of EUR 2.4 billion and a growth of 19.5% on an annual basis, employing 73 694 people. (data for 2018). The industry is expected to grow faster than the national economy. By 2022 its turnover is expected to reach EUR 4.8 billion or 9.2% of the GDP.

BPO and ITO revenue in Bulgaria (billion EUR)

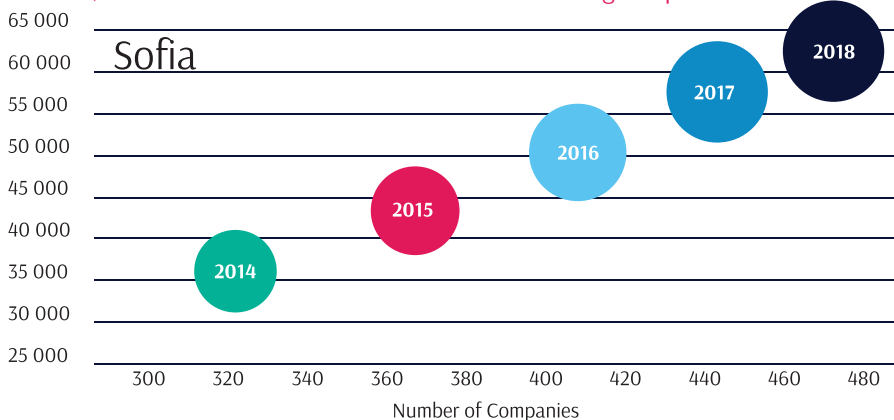
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total ITO	0.48	0.59	0.72	0.84	1.01	1.21	1.46	1.76	2.12
Total BPO	0.73	0.93	0.98	1.17	1.39	1.63	1.92	2.25	2.65
Total Outsourcing	1.21	1.52	1.7	2.01	2.4	2.84	3.38	4.01	4.77

Source: AIBEST Annual Industry Report, 2019

BPO IN SOFIA

The Bulgarian sourcing sector is almost entirely concentrated in Sofia, 81.6% of the vendors are headquartered in the city. In the period 2014-2018 the number of BPO companies in Sofia grew steadily with an average rate of 10% per year. The number of the employed increased even faster, by 15%. The main markets serviced by Sofia-based sourcing companies are: the USA, the UK, Germany, the Netherlands, Switzerland, France, Austria, Belgium, Italy, Canada, Sweden, Australia, Russia, China, India.

Number, headcount and turnover of Sofia-based sourcing companies



Source: AIBEST Annual Industry Report, 2019

In 2019, Sofia University and the Association for Innovation, Business Excellence, Services and Technology (AIBEST) launched a joint Masters degree program in Outsourcing Projects and Companies.

SHARED SERVICES CENTRES (SSC)

Large multinational companies from the FMCG, Agriculture, Logistics, Finance and Insurance, Healthcare, and Media industries have chosen Sofia for their shared service centres operating HR, F&A, IT, Logistics, Procurement & Trade Execution, Sales and Customer Care functions. Sofia is associated with developed IT skills and is a major SSC hub for Europe and the Middle East.

SSC is the sourcing segment with the highest annual labour costs, as shared service centres are typically larger with more sophisticated and knowledge-intensive functions.

OUTSOURCING

Sofia-based operations provide IT, Knowledge Process, HR Process, Finance and Accounting and other business process outsourcing services, in addition to the standard voice services. The majority of providers offer Voice-based BPO and HRO services, 101 and 73 companies respectively.

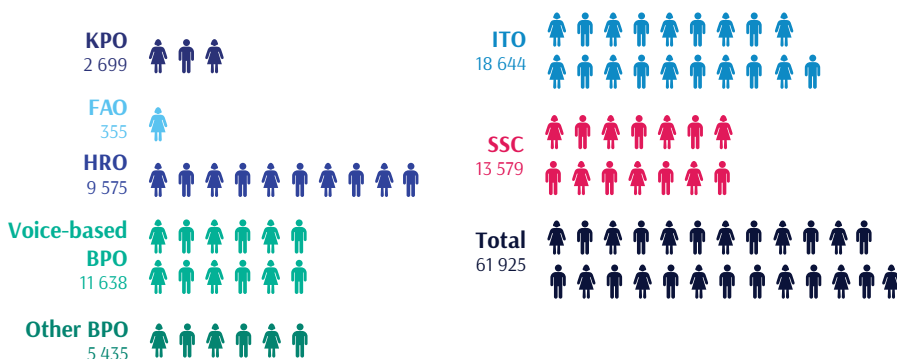
Number of Sofia-headquartered outsourcing companies by segment

ITO 239	HRO 65	Voice-based BPO 76	KPO 16
	Other BPO 50	SSC 22	FAO 8

Source: AIBEST Annual Industry Report, 2019

In 2018, Sofia-based companies employed an average of 148 people.

Headcount of Sofia-headquartered companies



Source: AIBEST Annual Industry Report, 2019

CREATIVE INDUSTRIES

Sofia is the centre of cultural and creative industries in Bulgaria and has the potential to become one of the leading creative hubs in Europe.

Sofia accounts for close to 80% of the revenue and 62% of the creative labour force in the country. There are over 60 000 artists, designers, game developers, filmmakers, musicians, architects, writers, interactive digital media and software developers, and other representatives of the creative industries employed in over 7 700 creative companies in Sofia. Employment in the sector continues to grow.

Sofia Creative Industries sector overview

12+
creative subsectors

€ 910.8 mln
value added at factor
cost (2008-2015)

4th in share
of the city economy

Over 8%
of the city's GDP

60 000 +
employed in the creative
sector in Sofia

€ 208.4 mln
FDI in creative industries
in Sofia (2015)

Sources: "Sofia – City of Creative Economy" report , NSI, IME, Invest Sofia



FILM INDUSTRY

Sofia is home to an active service sector, focusing on the film industry. Many professional organizations bringing together film directors and producers are also based in the city. Sofia is home of one of the leading film production studios in Europe.

Bulgaria's biggest film school (NAFTA) is located in Sofia. Since its first edition in 1997, the Sofia Film Festival has emerged to become the Balkans' largest and most important film festival. In 2014, Sofia joined the network of creative cities of UNESCO, and was awarded the title "City of Film".

Sofia Film industry overview

900+
companies and
organisations

3 900+
employed

93.5%
growth of value added at
factor cost (2008-2015)

Source: NSI, "Sofia – City of Creative Economy" report, NSI, Invest Sofia

GAMING SECTOR

Gaming is one of the fastest growing creative sectors in Sofia. There are 35+ gaming studios in Sofia, from affiliates of leading global studios, to established local companies and many indie game studios working on educational, casual, strategy, RPG, story-driven RPG, AAA games, VR on all platforms: mobile, console and PC.

Sofia Gaming sector overview

2/3+
of the gaming sector
in Bulgaria

35+
gaming companies

1 100+
employees

127%
growth of value added at
factor cost (2008-2015)

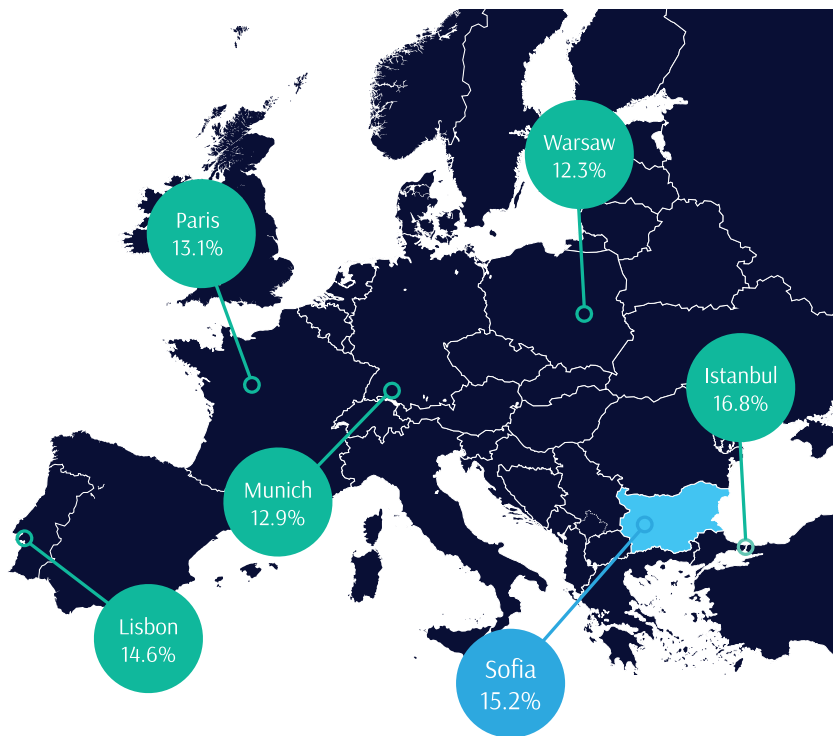
Highest growth
among all creative
industries

Source: Game Dev Summit, NSI, "Sofia – City of Creative Economy" report, Invest Sofia

TOURISM

Sofia is second in Europe in growth of international visitors for 2017 and is among the TOP 5 cities in Europe with the highest overall growth of international visitors for 2009 – 2017, with an average increase of 9% per year.

Top cities in Europe by annual growth of international visitors, 2018



Source: Mastercard Global Destination Index; 2018

In 2018, Sofia was visited by 1 384 963 tourists, 67% of which foreigners. The number of tourists visiting Sofia has been growing since 2009, but was particularly notable in the last 4 years, when the number of foreign tourists in Sofia increased by 44% - from 640 621 in 2015 to 922 075 in 2018.

After the particularly strong tourist growth in Sofia in 2016 and 2017 – approximately 13% increase in number of tourists and 15% increase in number of nights spent in

both years, in 2018 the growth of the tourism sector in Sofia slowed down. This was caused by the gradual saturation of the tourism market and the more active presence of online platforms for arranging or offering private accommodation such as Airbnb, whose data is not included in the official statistics. According to estimates by Sofia Tourism Administration including Airbnb and the similar platforms, the actual growth of tourists and nights spent in Sofia in 2018 was around 10%. Although at a slower pace, the tourism sector is expected to continue to expand in the next few years.

Sofia visitors (2015-2018)

	Total number of tourists	Tourist growth (%)	Number of foreign tourists	Share of foreign tourists (%)	Growth of foreign tourists (%)	Number of nights spent	Growth of nights spent (%)
2015	1 061 522	9.7%	640 621	60%	9.4%	1 872 978	8.5%
2016	1 197 564	12.8%	738 697	62%	15.3%	2 126 462	14%
2017	1 346 993	12.5%	882 142	65%	19.4%	2 444 684	15%
2018	1 384 963	2.7% (10%)*	922 075	67%	4.5%	2 488 490	1.8% (10%)*

* Including private accommodation platforms.

Source: Sofia Tourism Administration

TOP 10 countries by number of visitors to Sofia, 2018

	Country	Number of visitors	Share	Change %
1	Italy	64 895	7.04%	-6.89%
2	Germany	62 209	6.75%	0.93%
3	Israel	61 050	6.62%	18.56%
4	Greece	59 074	6.41%	2.19%
5	Great Britain	55 493	6.02%	-14.34%
6	Turkey	42 206	4.58%	-5.51%
7	USA	41 278	4.48%	-0.49%
8	France	37 200	4.03%	8.15%
9	Spain	35 643	3.87%	7.69%
10	Romania	31 690	3.44%	3.03%

Source: Sofia Tourism Administration

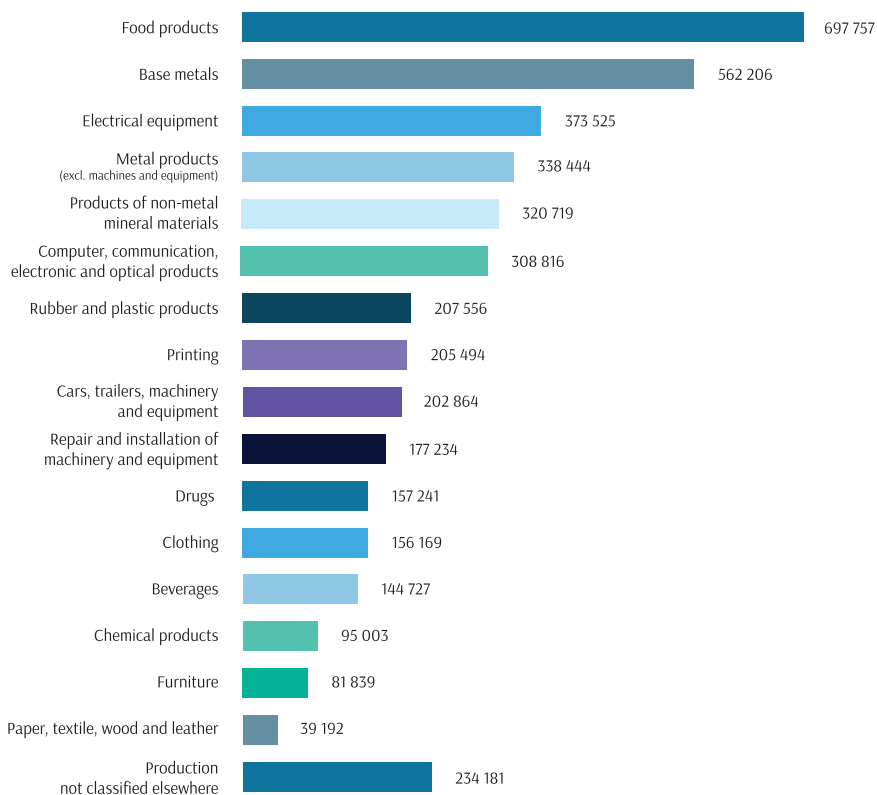
MANUFACTURING

The manufacturing industry formed 10% of Sofia's economy in 2018 and brought 17.5% of the export earnings in the city. Over 71 000 people, or 9.7% of all employed in the city, work in the sector. Its value added at factor cost and its share in the local economy increased during the last 10 years, while the number of employees decreased, reflecting an increase in efficiency and decrease in the need for human capital due to modernisation and capital investments, for example in new technologies.

The Manufacturing sector has been the second largest investor in tangible fixed assets (after the sector of Trade, Repairs and Transport), as well as the most stable FDI recipient in recent years. By the end of 2018, manufacturing in Sofia had attracted 15% of FDI.

Sofia Investment and Economic Profile, 2019

Manufacturing industry in Sofia by output (in EUR thousand)



Source: NSI, IME, data for 2017

AUTOMOTIVE

The automotive industry in Bulgaria is developing rapidly with Sofia as one of its biggest hubs and a birthplace of global innovation for the sector. The automotive industry is going to play an increasingly important role in Sofia's economy, and the development of industrial zones in Sofia is a priority for the local government.

Bulgarian Automotive industry overview

>EUR 6 billion

revenue in 2019

28

R&D centers

≈10

of Bulgaria's GDP

250

automotive companies

80%

of the sensors in all
European cars are made
in Bulgaria

Source: Automotive Cluster Bulgaria

ROBOTICS

Around 24 companies in Bulgaria develop products or services and software in the field of robotics and automation with over BGN 950 million in revenue and more than 5000 employees.

Over 30 academies and special interest clubs offer courses in robotics. Sofia is the center of the Bulgarian robotics ecosystem. Both local companies and the development hubs of global leaders in the sector are here.

Sofia is home to some of the key academies and educational institutions as well as the leading robotics research institute – the Institute of Robotics of the Bulgarian Academy of Sciences and hosts specialised events, key projects in the field of high-tech infrastructure such as the AI Centre of Excellence, the Supercomputer Centre and the Centre of Excellence in Mechatronics and Clean Technologies. Sofia has the potential to grow into the robo capital of Central and Eastern Europe.

Source: PARA - Professional Association of Robotics and Automation

AEROSPACE



Sofia hosts one of the largest aircraft maintenance, repair and overhaul facilities in Europe with over 1 100 employees.

The Technical University of Sofia offers Bachelor and Masters programs in Aeronautical Engineering (in English) and Aviation Equipment and Technologies.



A Bulgarian drone manufacturer is IATA's (International Air Transport Association) first strategic partner in the unmanned aircraft systems (UAS) sector.

Bulgaria is the 6th nation to send an astronaut in space and the only CEE country with two astronauts.



In 2017, SpaceX launched the first Bulgarian geostationary communication satellite in Earth's orbit.

Sofia University

offers a M.Sc. program in Aerospace Engineering and Communications (in Bulgarian, English or Russian).

Companies in Sofia are designing **CubeSats** for scientific, educational and commercial purposes.

A Bulgarian company is building the only decentralized ground-station-as-a-service platform.



Sofia hosts the biggest private educational program for space science, technology and exploration in Central and Eastern Europe.

LIVING IN SOFIA

COST OF LIVING

Sofia remains one of the most affordable EU capitals.

Utilities

Basic (electricity, heating, cooling, water, garbage) for 85m ² apartment	EUR 90
--	--------

Monthly mobile tariff (including 1000 min calls and 5 GB data)	EUR 10
--	--------

Monthly internet fee (>60 Mbps, unlimited data, Cable/ADSL)	EUR 10
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Restaurants

Meal, inexpensive restaurant	EUR 6
------------------------------	-------

Meal for 2 people, mid-range restaurant, three-course	EUR 26
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Water 0.5-litre bottle	EUR 1
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Supermarket

Milk (1 litre)	EUR 1
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Bread	EUR 0.60
-------	----------

Chicken (1 kg)	EUR 3
----------------	-------

Transportation

One-way public transport ticket	EUR 0.82
---------------------------------	----------

Annual public transport card	EUR 187
------------------------------	---------

Taxi 1 km (normal tariff)	EUR 0.41
---------------------------	----------

Gasoline (per litre)	EUR 1.16
----------------------	----------

Shared scooters	€0.77 + €0.16/min
-----------------	----------------------

Shared vehicles	€2-3.25 + €0.15-€0.25/min
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Rent per month

1-bedroom apartment city centre	EUR 367.80
---------------------------------	------------

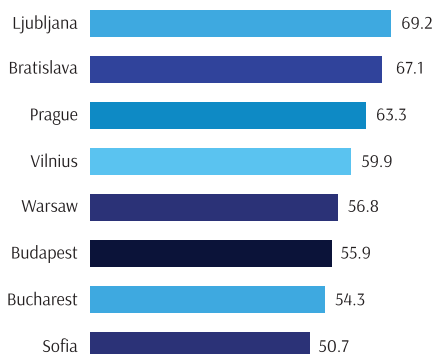
1-bedroom apartment outside of centre	EUR 282.48
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3-bedroom apartment in city centre	EUR 659.85
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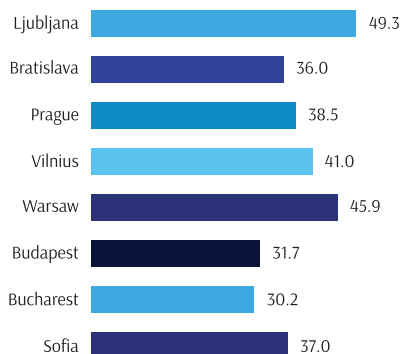
3-bedroom apartment outside of centre	EUR 476.82
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Source: Numbeo 2020, field research

Cost of living index



Local purchasing power



Source: UBS

INTERNATIONAL SCHOOLS IN SOFIA

Primary and secondary schools

- Anglo-American School of Sofia*
- British School of Sofia*
- The American College of Sofia
- American English Academy*
- Britanica Park School*
- Deutsche Schule*
- "Erich-Kästner" German School*
- Colegio Español "Reina Sofia"*
- French Lyceum "Victor Hugo"
- Italian Lyceum
- Russian Lyceum*
- St George International School*
- Maple Bear Canadian School*
- ESPA School
- Izzi Science for kids
- Darbi College

*with a kindergarten

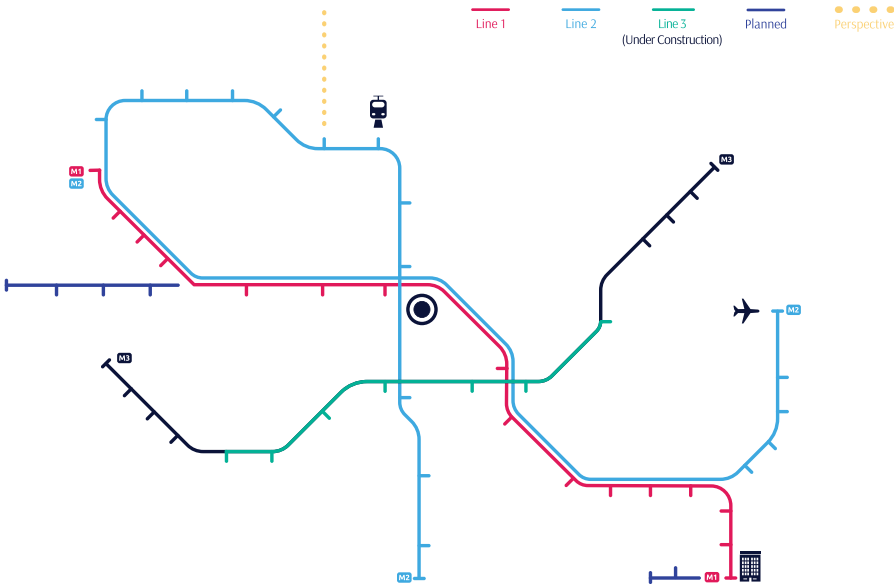
PUBLIC TRANSPORT

Sofia has an extensive bus and tram public transport system and an expanding rapid transit network. The Sofia Metro connects the city with Sofia Airport's Terminal 2, Sofia Business Park, most of the business zones in the city, the Inter Expo Center, the Central Railway and Bus Station and the largest residential areas. It currently operates 35 stations on 2 lines over the length of 40 km and will be extended with the new Line 3 in 2020.

With the construction of Metro Line 3, the traffic in Sofia is expected to further decrease by 20% and the amount of saved greenhouse gas emissions to reach 90 000 tons per year.

Source: Sofia Metropolitan; Sofia Tourism and Air Transport Market report by Sofia Investment Agency, 2019

Sofia Metro



Night public transport

Night public transport in Sofia runs from midnight to 4 a.m., the four night lines connect large neighborhoods with the city centre.



CULTURAL LIFE

NATIONAL HISTORY MUSEUM

with over 650 000 cultural artefacts, it is one of the largest history museums on the Balkans



“IVAN VAZOV” NATIONAL THEATRE

is one of the major landmarks in Sofia and the largest and the oldest theatre in the country.



NATIONAL ART GALLERY

with 9 branches around Sofia, this is the largest art institution in Bulgaria.



NATIONAL ARCHEOLOGY MUSEUM

hosting a collection of Bronze age Thracian gold and silver treasures and ancient artifacts.



KVADRAT 500

28 halls featuring 2000 art pieces from the collection of the National Gallery.



SOFIA HISTORY MUSEUM

The eight halls telling the story of Sofia hosted in the building of the old city mineral bath, an architectural gem from the early 20th c.



“SOFIA” THEATRE

is the largest municipal theatre in the city. Some of the productions have English subtitles.



SOFIA CITY ART GALLERY

hosts thematic exhibitions from its vast collection of paintings, sculpture, graphics, contemporary art, photography, as well as visiting exhibitions.



“ST. ALEXANDER NEVSKY” CATHEDRAL

is one of the largest Eastern Orthodox cathedrals in the world. The bell tower is 50.52 m high with 12 bells. The Museum of Christian Art is housed in the Cathedral's crypt.



THE BOYANA CHURCH

is famous for its medieval frescoes, and in 1979 was included in UNESCO's World Cultural and Natural Heritage list.



“ST. SOFIA” BASILICA

The 5th c BC necropolis of the ancient city of Serdika (current day Sofia) is now open to the public. The medieval “St. Sofia” Basilica, sitting on top of it gave the current name of the city.

“ST. ST. CYRIL AND METHODIUS” NATIONAL LIBRARY

is the largest library in the country and the oldest cultural institute of modern Bulgaria.



SOFIA OPERA AND BALLET

welcomes world-renowned performers and is one of the major cultural attractions in the city.

“BULGARIA” HALL

is the premier classical music venue in the country.



THE NATIONAL PALACE OF CULTURE

is the biggest multifunctional cultural, congress and exhibition centre in Bulgaria.

SOFIA FOR KIDS

MUZEIKO

The biggest science/educational centre for children in Eastern Europe with over 130 interactive games on 2 000 m².



TECHNO MAGIC LAND

An interactive science centre for kids and teenagers who want to discover the magic of science and technology, located @Sofia Tech Park.

In June 2019, UNICEF placed Bulgaria among the TOP 20 most family-friendly countries in the EU and OECD.

FESTIVALS

SOFIA FILM FEST

Sofia Film Fest is the largest film festival in Bulgaria and one of the leading cinema events in Central and Eastern Europe. Sofia Film Fest was included in “Variety” magazine’s list of top 50 film festivals worldwide.

FOTOFABRIKA: an annual international festival and platform for high-quality professional photography. Fotofabrika is part of the official Cultural Calendar of Sofia Municipality.

FOTO FABRIKA

SOFIA MUSIC WEEKS

A TO JAZZ

The International **A to Jazz Festival** is spreading the jazz spirit for three days in July. Since 2011, the festival has welcomed over 100 000 visitors and world-famous jazz musicians such as Branford Marsalis, Christian McBride, Robert Glasper, Kenny Garrett, Roy Hargrove, Dianne Reeves and many more.

SOFIA SCIENCE

Sofia Science is the first and only festival in Bulgaria dedicated to the achievements of young scientists and researchers from Bulgaria and abroad, attracting both children and grown-ups.

Sofia Music Weeks is one of the most significant international music events in the region, taking place in Sofia since 1970. The festival’s program includes an exclusive selection of concerts, operas, ballets, documentaries, photo exhibitions and master classes.

EUROPEAN MUSIC FESTIVAL

The **European Music Festival** is one of the most celebrated events for classical music in Sofia. Its program includes symphonic and orchestral concerts, jazz concerts, movie music concerts and events for children.

Opera in the Park takes opera and ballet performances to one of Sofia's parks every summer for the last 10 years.

OPERA IN THE PARK

SOFIA SPRING BOOK FAIR

WORLD THEATRE IN SOFIA

World Theatre in Sofia brings international theatre and dance productions and leading performers from all over the world to Sofia.

Sofia Spring Book Fair is an annual event with literary readings, book presentations and more attracting visitors of all ages.

MOUNT VITOSHA

Vitosha Mountain National Park overlooks the city of Sofia and offers a variety of recreational activities like hiking, skiing, mountain biking and rock climbing, just 30 minutes from the city centre. The mountain is accessible by public transport and is encompassed by a good network of lifts, trails and mountain huts. Plans for connecting the city's Metro system with the Simeonovo ski lifts were announced in 2018.

Two ski centres and several ski runs, with an option for night skiing, operate on Vitosha. Festivals and events organized in the park include an international folklore festival and the "Vitosha 100 km" ultra-marathon.

THERMAL SPRINGS

Sofia has 30 thermal springs, with water suitable for drinking and medical treatments, SPA procedures and recreation. Bankya Mineral Bath has the potential to become one of the largest SPA and wellness centres in Bulgaria and is expected to re-open for visitors by 2020, after a renovation.

SOFIA – CITY OF SPORT

In 2018, Sofia was declared a permanent holder of the title European Capital of Sport. The city will host over 200 sports events as part of the campaign in 2020. Sofia offers several dozen parks and city gardens as well as sport clubs for practically every sport you want to practice.

Sofia Marathon first took place in 1983. It is part of the IAAF Bronze Label Road Race list by the International Association of Athletics Federations. The 5KM RUN takes place every Saturday morning in Sofia's South Park and is open for children, seniors and people with disabilities, parents with strollers and dogs.

The two large man-made lakes near Sofia – Pancharevo and the Iskar Dam – offer opportunity for water skiing, wakeboarding and rowing. Wakeboarding enthusiasts love the Hydropark Kazichene just next to Sofia's ring road. The Struma river to the south (an hour drive from Sofia) is the optimal place for kayaking and rafting in Bulgaria. The 84 km-long Iskar River Gorge is another popular area for hiking north of Sofia.



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