

# IR HIGHLIGHTS

Macro Highlights  
Market Highlights  
Company Highlights  
Milestones  
BSE's Main Priorities and Projects  
Why invest in Bulgaria



BULGARIAN  
STOCK EXCHANGE  
SOFIA

# BULGARIAN CAPITAL MARKET OVERVIEW



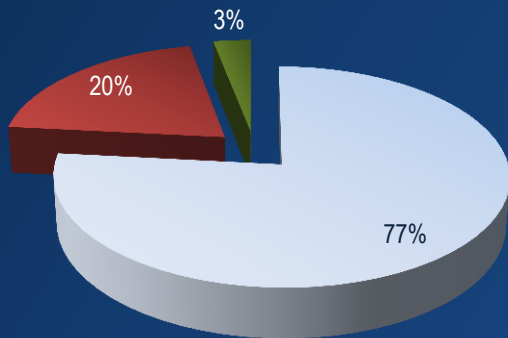
BULGARIAN  
STOCK EXCHANGE  
SOFIA



# MACRO HIGHLIGHTS

The EC Spring 2017 economic forecast, the EBRD strategy for Bulgaria and the Ministry of finance forecast all set real GDP growth to around 3% in 2017 and 2018. Together with the Positive perspective of the country's credit ratings by Fitch and Standard& Poor's, this is a strong positive sign for investors.

## GDP Structure for 2016



- Final consumption
- Gross capital formation
- Net Exports of goods and services

Source: NSI



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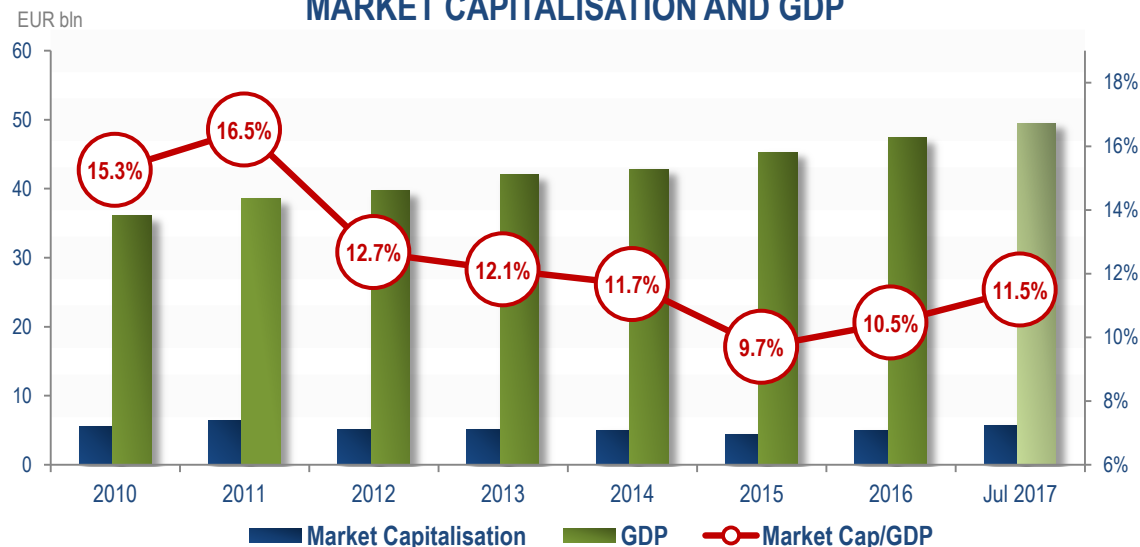
## MAIN ECONOMIC INDICATORS

	2013	2014	2015	2016	Jul 2017
GDP EUR (bln)	42	43	45	47	50
Real GDP growth	0,9%	1,3%	3,6%	3,4%	N/A
Short-term interest rates (3 Month SOFIBOR)	1,14%	0,78%	0,54%	0,16%	0.11% *
Population	7 265 115	7 223 937	7 177 991	7 127 822	7 127 822**
GDP per capita (nominal, EUR)	5 783	5 919	6 309	6 645	6 804*
Market Cap (as at July 30, EUR mln)	5 093	4 988	4 391	4 951	5 684
Market Cap / GDP	12,1%	11,7%	9,7%	10,5%	11,5%

Sources: NSI, BNB

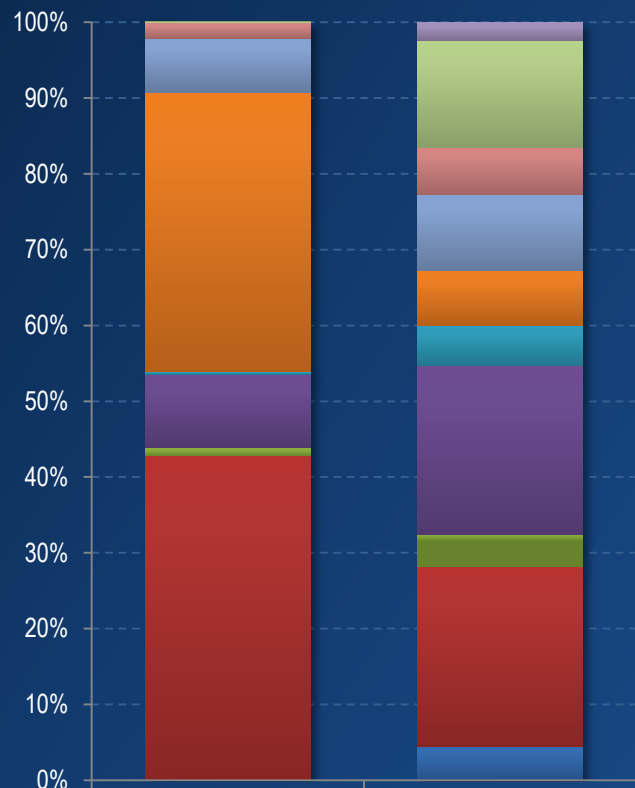
\*Q2 2017  
\*\* 2016 data

## MARKET CAPITALISATION AND GDP





### MCap vs. GDP Breakdown



- Arts and recreation; Households and extra territorial organisations activities
- Public administration, defence, health, education and social works
- Professional, scientific and technical activities; Administrative and support service activities
- Real estate activities
- Financial and insurance activities
- Information and communication
- Wholesale and retail trade; Transportation and storage; Accommodation and food services
- Construction
- Mining and quarrying; Manufacturing; Electricity and utilities
- Agriculture, forestry and fishing

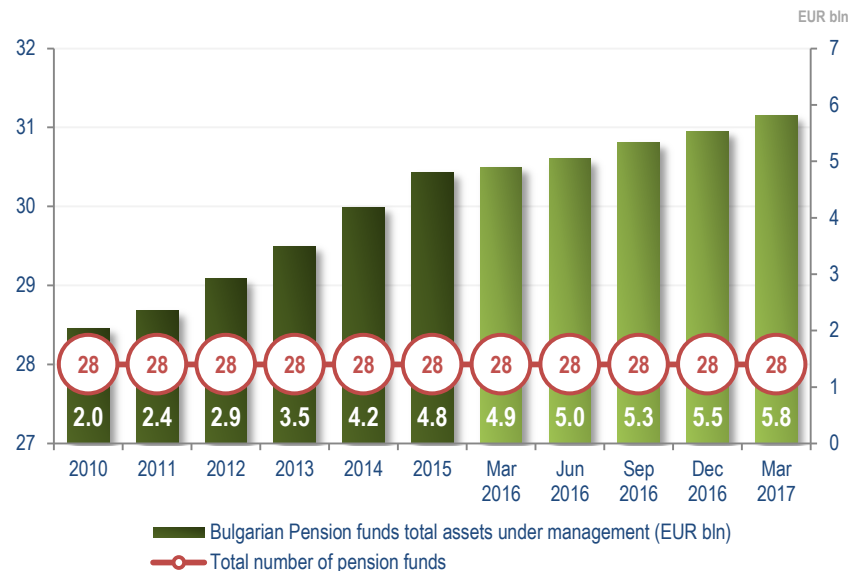




### Bulgarian Investment Funds Assets



### Bulgarian Pension Funds Assets



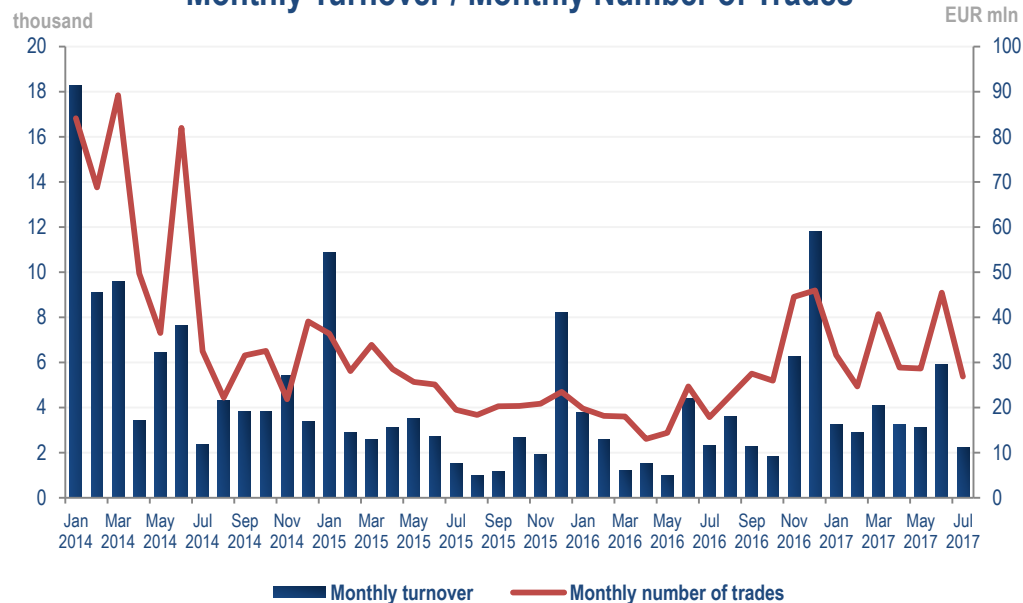
Asset Management Companies	34
Total Assets Under Managements of mutual funds (EUR mln)	569

Pension Insurance Companies	9
Total Assets Under Managements of pension funds (EUR bln)	5.8

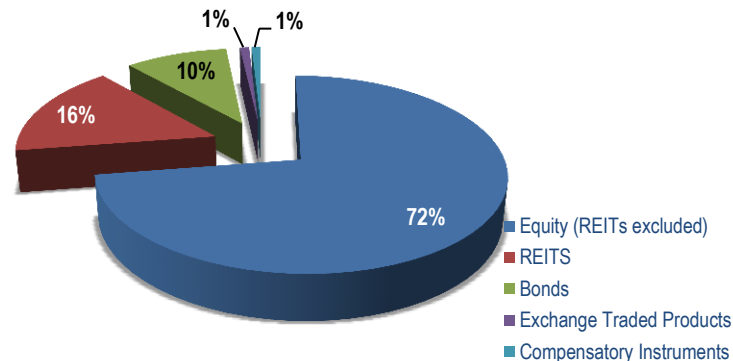


	2014	2015	2016	2017 YTD
Turnover (EUR mln)	388	210	213	123
Capital raised (EUR mln)	16	19	23	20
Companies that raised capital	5	5	7	3
IPOs	1	1	2	0

## Monthly Turnover / Monthly Number of Trades



## H1 2017 Turnover Breakdown



Regulated market turnover in H1 2017 reached EUR 12 mln. That represents an increase of nearly 55% in comparison with H1 2016. The overall increase is due to equity turnover (excluding REITs) growth by 83%, growth in REITs turnover by 17% and bonds turnover increase by 18%. The total equity turnover formed nearly 90% of the total Main Market turnover in H1 2017.

Market / Instrument	H1 '14	H1 '15	H1 '16	H1 '17
<b>Total turnover (EUR mln)</b>	<b>273</b>	<b>128</b>	<b>72</b>	<b>112</b>
Equity (REITs excluded)	185	71	45	82
REITs	32	20	16	18
Bonds	46	34	9	11
Exchange Traded Products	0	0	0	1
Compensatory Instruments	10	3	3	1

# MARKET HIGHLIGHTS

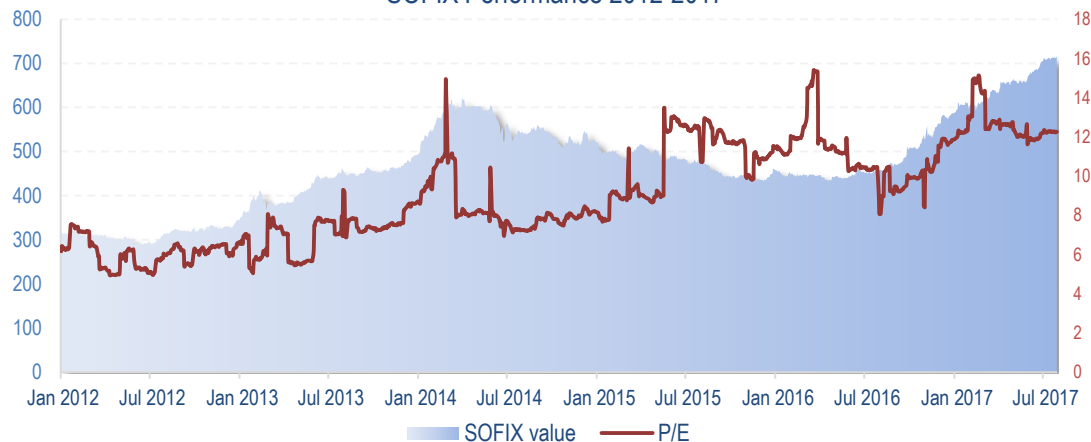
as of Jul 2017

Market Cap held by institutional investors (EUR mln)	723
Share ownership of institutional investors	18.5%
Share ownership of institutional investors in SOFIX Companies	17.1%
Share ownership of institutional investors in BGBX40 Companies	15.3%

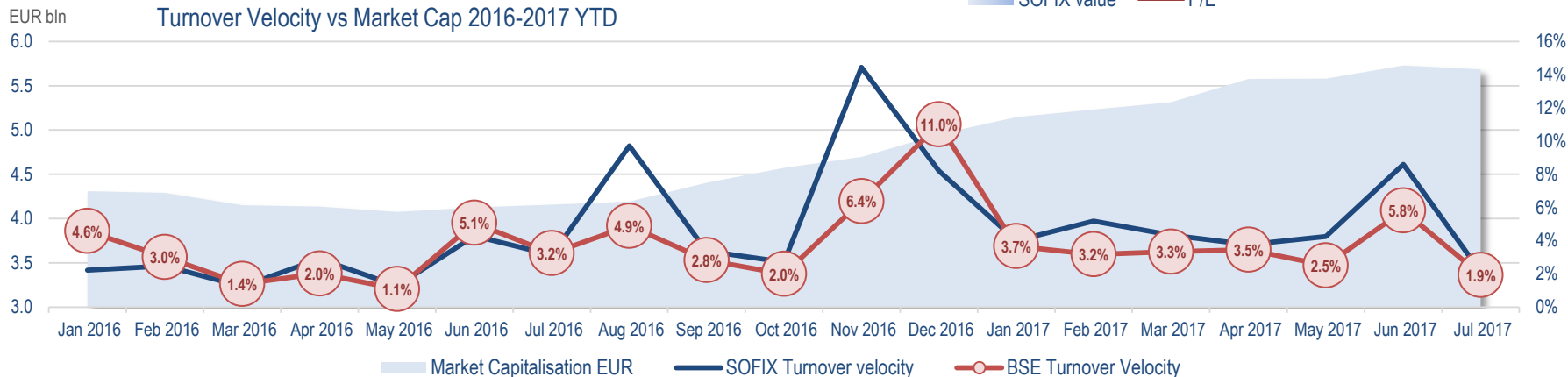
*Institutional investors include investment funds, UCITs, Pension insurance companiesq Central Depository*

## MARKET PERFORMANCE

SOFIX Performance 2012-2017



Turnover Velocity vs Market Cap 2016-2017 YTD



# BSE'S CONTRIBUTION TO CORPORATE GOVERNANCE

- One of the founders of the National Corporate Governance Committee.
- Author of the first corporate governance code back in 2006.
- One of the authors of the National Corporate Governance Code published in 2007 and the first non-listed company (at that time) to follow it.
- Currently a rotational chairperson of the National Corporate Governance Committee.
- One of the companies that produce all disclosure simultaneously in Bulgarian and English.
- Calculates CGIX, an index of companies adopted best corporate governance principles.
- The CGIX index grew by 31.4% YTD and by 73.5% TTM. The dividend yield of the companies underlying the index was 1.1% in 2017.

SOFIX vs. CGIX performance





# COMPANY HIGHLIGHTS



BULGARIAN  
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## BSO vs SOFIX 2017 YTD



as of Jul 2017

Name	Bulgarian Stock Exchange
Ticker	BSO
ISIN	BG1100016978
Market:	Main Market, Standard Equities Segment
Issue size	6 582 860

### Jul 2016 - Jul 2017

High price (EUR)	2.045
Low price (EUR)	1.023
Last price (EUR)	2.006
Traded value (EUR)	1 138 829
Number of transactions	971
Shares traded	781 197
Market cap (EUR mln)	13.21

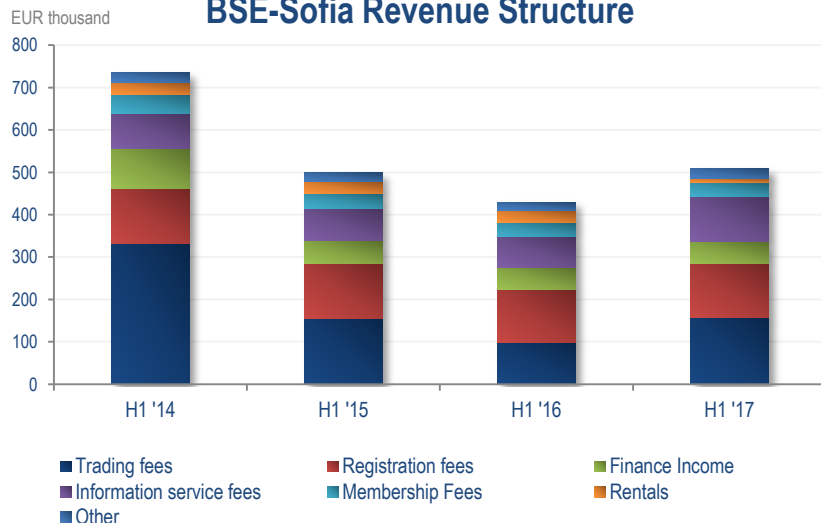
# COMPANY HIGHLIGHTS

Sales revenue of the Exchange increased by 21.4%, compared with H1 2016, mainly due to an increase in Revenue from Trading fees and Information services fees. Total cost decreased by 8.8% compared with H1 2016. BSE Cost and Revenue Structure is stable, besides the change in Trading fees revenue item, which is related to the Market turnover values.

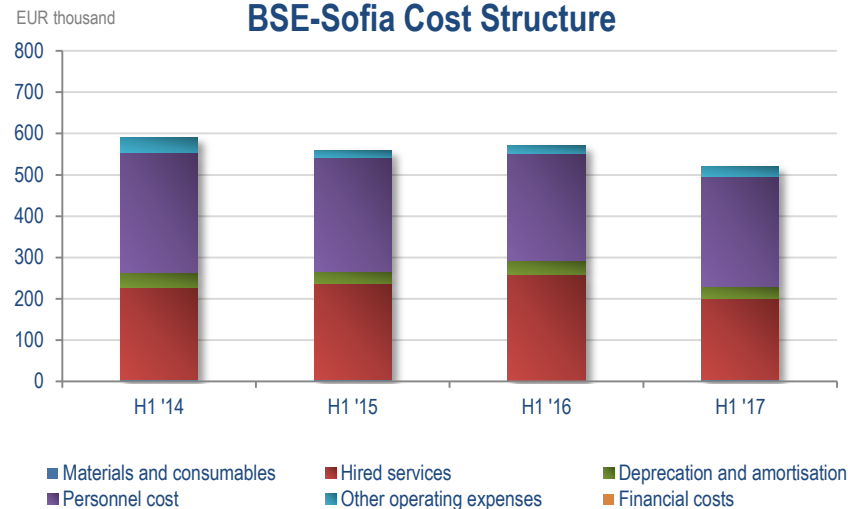
## BSE FINANCIAL PERFORMANCE

(EUR '000)	H1 '14	H1 '15	H1 '16	H1 '17
Operating income	641	445	377	458
Operating cost	-591	-559	-571	-521
Operating result	51	-114	-194	-63
EBIT	145	-60	-142	-11
EBITDA	179	-30	-110	17
Net profit/loss	130	-60	-142	-11
Profit/loss per share (EUR)	0.020	-0.009	-0.022	-0.002

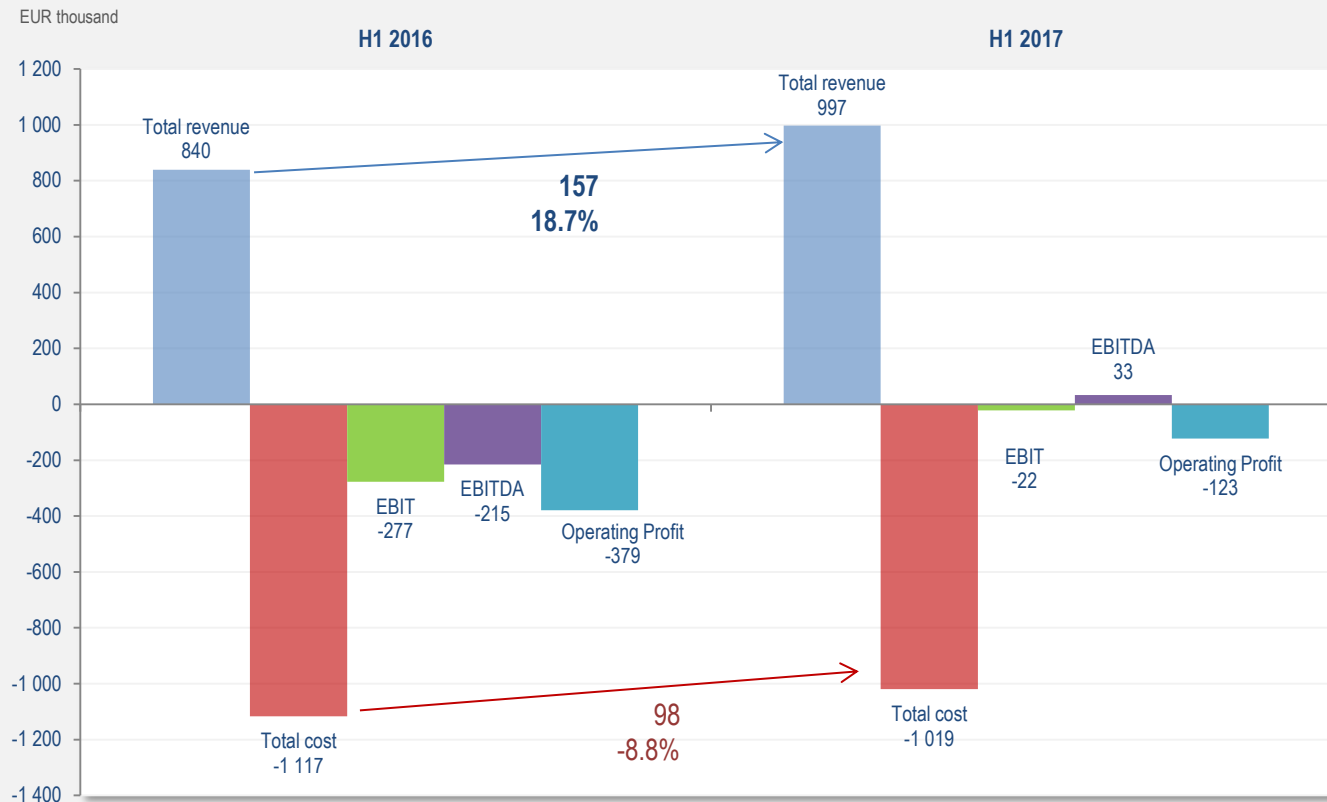
### BSE-Sofia Revenue Structure



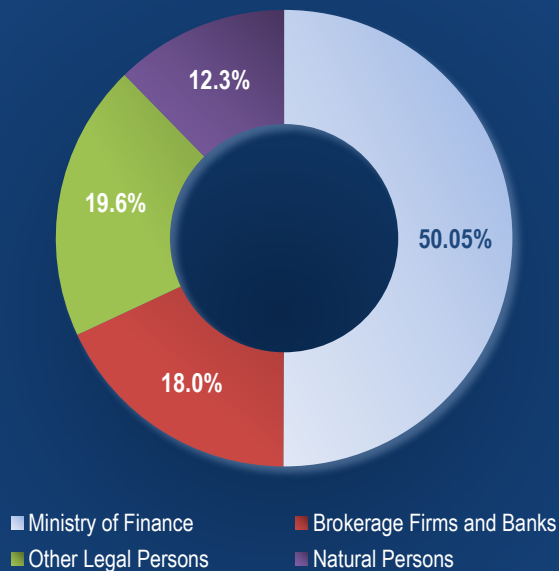
### BSE-Sofia Cost Structure



Compared to H1 of 2016 in H1 of 2017 the total revenue of BSE increased with almost 19% reaching almost EUR 1 mln. At the same time the Total Costs were reduced with almost 9% which resulted in a substantial reduction of the negative Operating Profit which at the end of the first half of 2017 was only EUR 123 thousand.



### Shareholder structure of BSE as of 30 Jun 2017

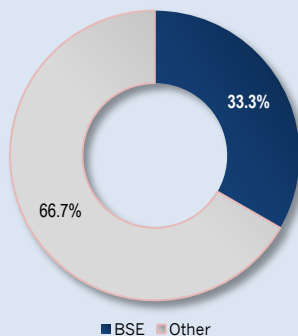


*There is no limit on how many BSE shares could a single shareholder own. Nevertheless, acquiring 10% or more requires regulatory approval.*

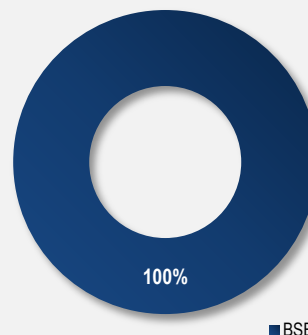
## SUBSIDIARIES, JOINT VENTURE AND MINORITY INTEREST



**SEE link** is a company established by Bulgaria, Macedonia and Zagreb stock exchanges with the objective of creating a regional infrastructure for trading of securities listed on those three markets.



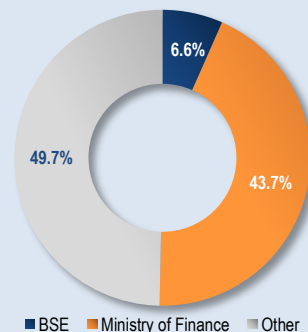
**Financial Market Services Ltd** is a subsidiary of BSE which is engaged in the design, development and maintenance of information systems and products related to the capital market.

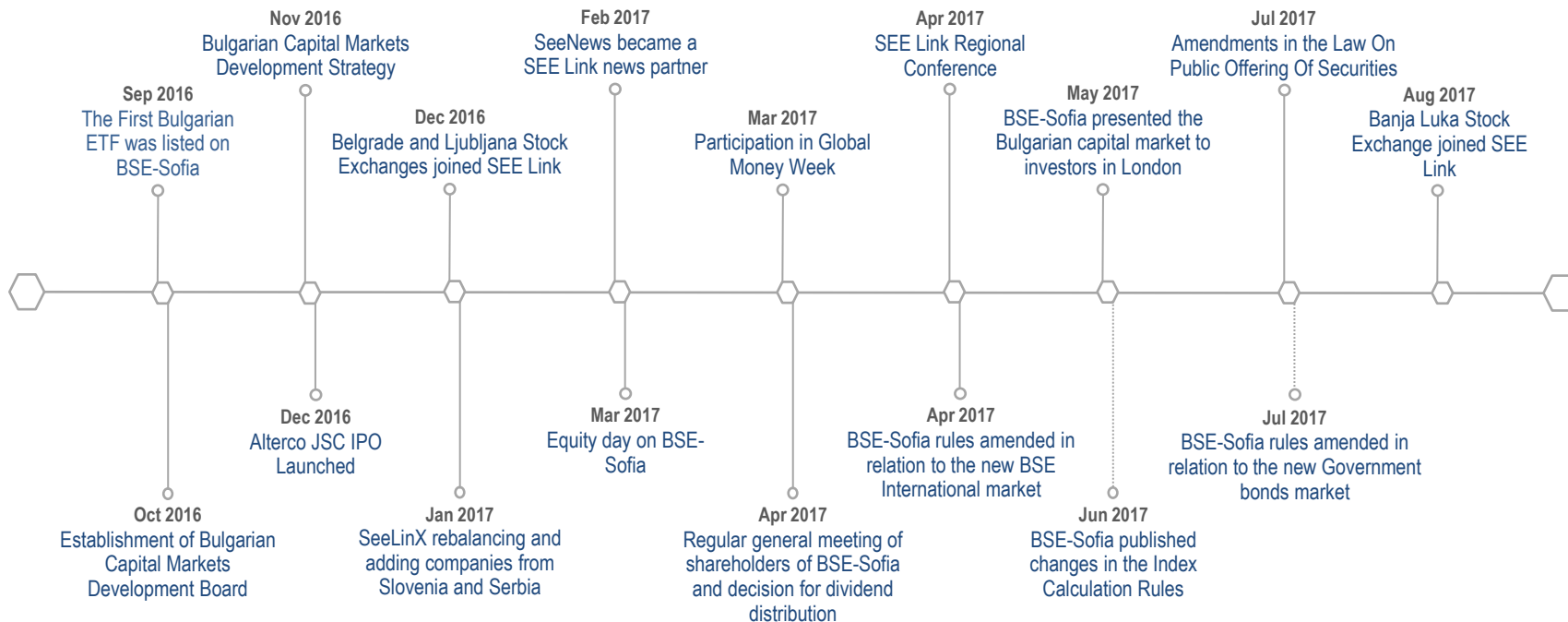


### Central Depository AD



**Central Depository AD** is a national system for securities settlement and shareholders' registry of dematerialized securities.





### BSE INTERNATIONAL MARKET

- ☐ Two stage project:
  - *Regulated market for instruments with EU-compliant prospectus;*
  - *MTF for all other instruments.*
- ☐ Regulated market rulebook & settlement link approved in Apr 2017 and Jul 2017 respectively;
- ☐ MTF rulebook filled with FSC in Jul 2017;
- ☐ A shortlist of companies with valid EU prospectuses finalized;
- ☐ Settlement routines with Clearstream Bank Luxembourg detailed out;
- ☐ German MM applied for BSE membership;
- ☐ Xetra® simulation environment now open;
- ☐ On-site and virtual workshops to be organized.

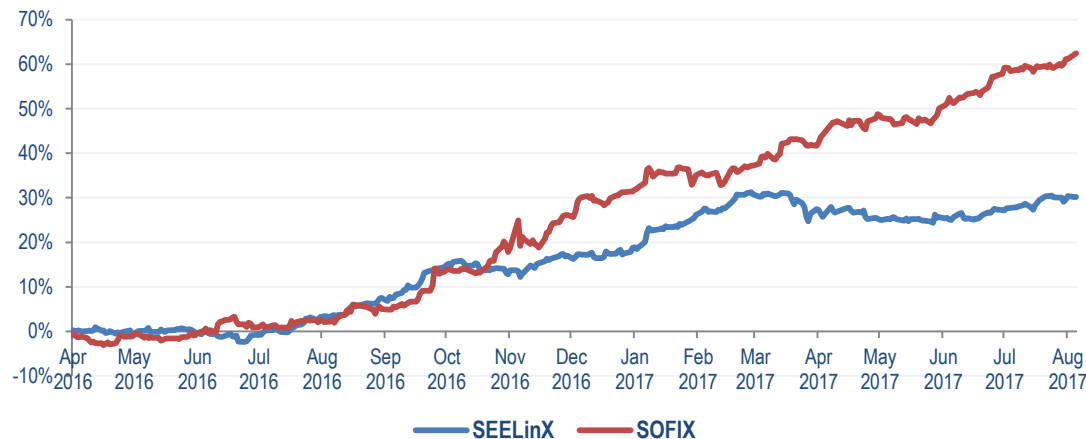
### GOVERNMENT BONDS MARKET

- ☐ BSE rulebook approved by the regulator in Jul 2017;
- ☐ Agreements between BSE and Ministry of Finance and BSE and Bulgarian National Bank finalised;
- ☐ Daily trade report format agreed between BSE and BNB;
- ☐ Technical connectivity between BSE and BNB being tested;
- ☐ CSD to apply for membership at the Government Bonds CSD of BNB;
- ☐ Expected launch in Sep 2017;
- ☐ On-site and virtual workshops to be organised by BSE.

## SEE Link

- ☐ Venue recap:
  - Six exchanges connected to the platform (BSE, MSE, ZSE, LJSE, BELEX and BLSE);
  - Two approved as members (ATHEX, SASE);
  - ATHEX is currently testing its connection;
  - 32 brokers have access to SEE Link;
  - 8 Originating Brokers and 7 Executing Brokers from Bulgaria.
- ☐ One FIX-compatible broker from Croatia;
- ☐ Leading international bank to facilitate settlement;
- ☐ MoUs to be signed with the exchanges and SLAs with the CSDs as a second step;
- ☐ Implementation postponed after successful CSDR licensing of the EU-domiciled CSDs;
- ☐ Post-trading integration project recently launched by EBRD;
- ☐ Selected consultants currently familiarize themselves with each country's post-trading specifics;
- ☐ A joint workshop is expected in Sep 2017 to present key findings.

## SOFIX and SEELinX Performance



## SME Market Project

- ☐ Securities Law amended in Jul 2017; no prospectus required for offerings of EUR 1 million or less;
- ☐ Domestic law in line with the Prospectus regulation (approved in Jan 2017);
- ☐ SME market to be structured under the umbrella of the MTF;
- ☐ Requirements for authorised advisors to be detailed;
- ☐ SME Growth Market in MiFID II environment to be considered as a next step.



# WHY INVEST IN BULGARIA



BULGARIAN  
STOCK EXCHANGE  
SOFIA



as of Jul 2017

Country credit rating	Local currency	Foreign currency	Perspective
Fitch	BBB-	BBB-	Positive
Moody's	Baa2	Baa2	Stable
Standard & Poor's	BB+	BB+	Positive

Source: Ministry of Finance

	2013	2014	2015	2016
GDP Growth (% YoY)	0.9%	1.3%	3.6%	3.4%
Inflation (% YoY)	-1.6%	-0.9%	-0.4%	0.1%
Unemployment (%)	11.8%	10.7%	10.0%	8.0%

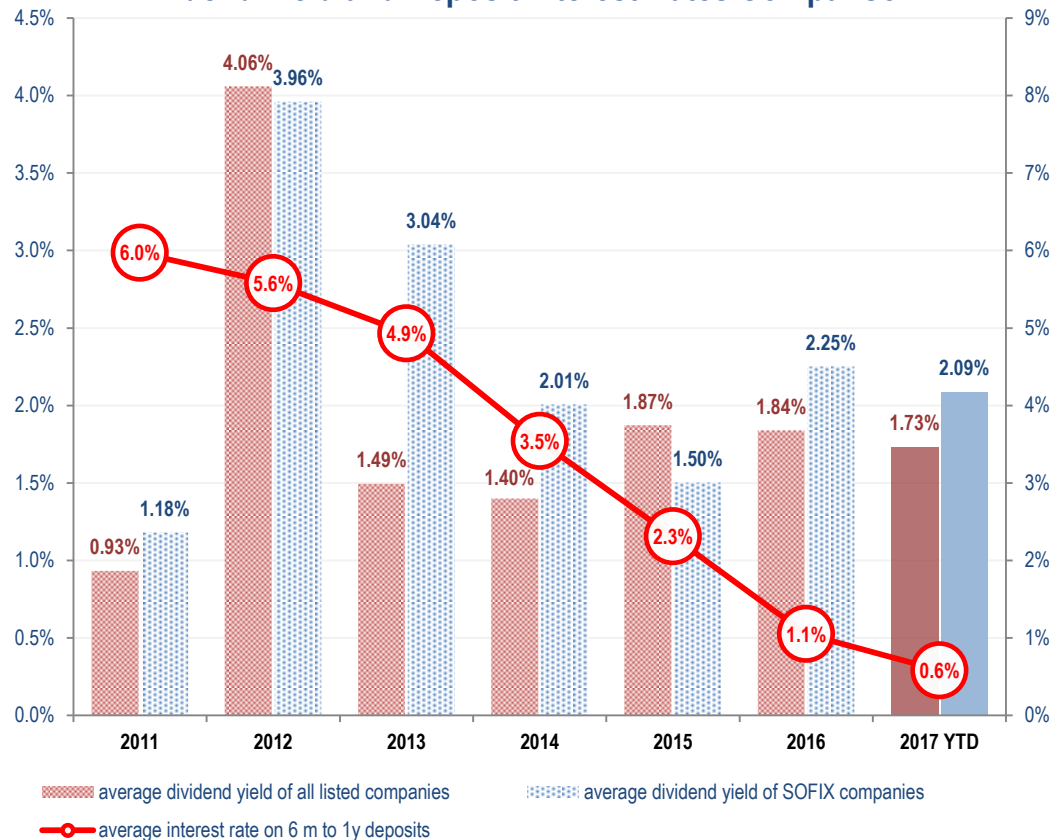
Source: NSI, BNB

As of Jul 2017

Bulgaria Real GDP Growth Forecast (%)	2017	2018
EC Spring 2017 Forecast	2.9%	2.8%
EBRD	3.2%	3.0%
Ministry of Finance Spring 2017 Forecast	3.0%	3.1%

Source: Ministry of Finance, EBRD, EC

## Dividend Yield and Deposit Interest Rates Comparison





# WHY BULGARIA

## CORPORATES

0% tax on capital gains

5% dividend withholding tax

10% flat corporate income tax

### CAPITAL GAINS TAX RATE

0% 10% 20% 30%

Bulgaria

Romania

Poland

Austria

Germany

UK

### DIVIDEND TAX RATE

0% 10% 20% 30%

Bulgaria

Romania

Poland

Austria

Germany

UK

### INCOME TAX RATE

0% 10% 20% 30%

Bulgaria

Romania

Poland

Austria

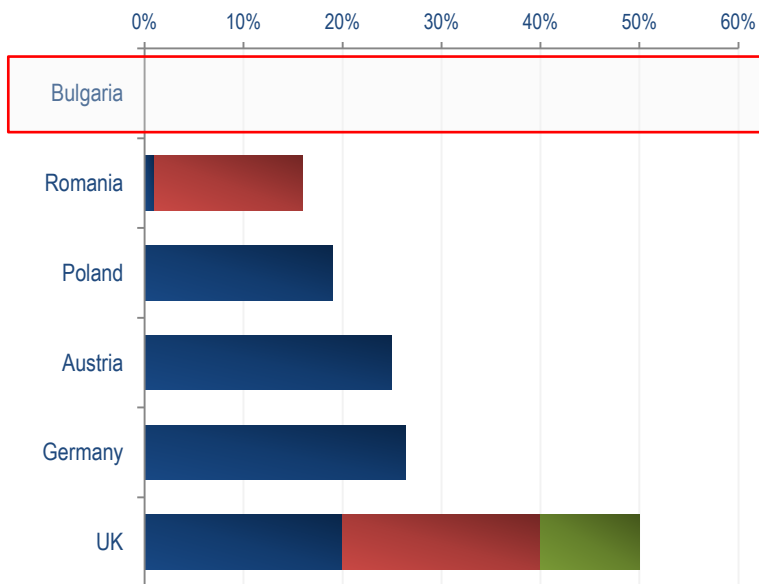
Germany

UK

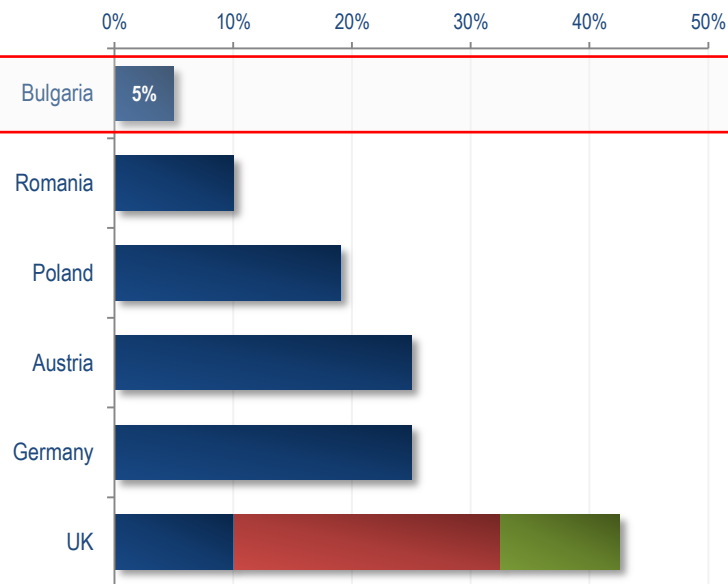




### CAPITAL GAINS TAX RATE

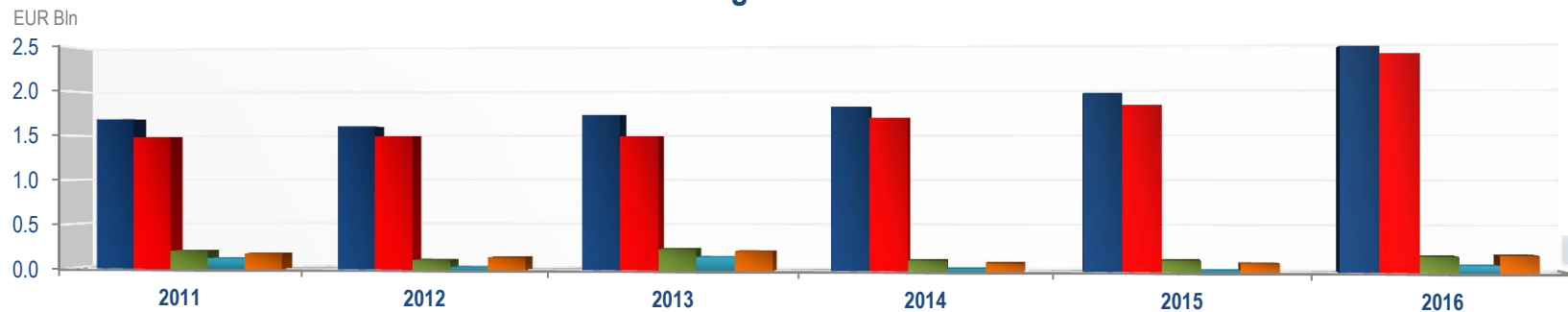


### DIVIDEND TAX RATE





### Financial Standing of SOFIX Constituents



■ Revenue ■ Cost ■ EBITDA ■ EBIT ■ Net profit

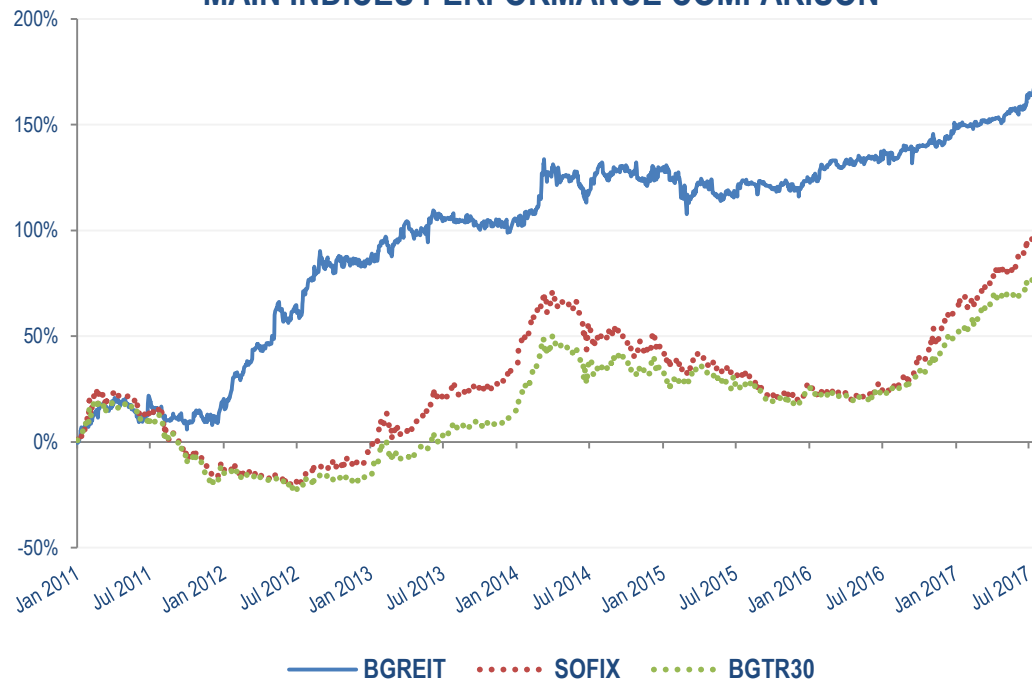


■ EBITDA ■ Net profit



Index	Country	Jul 2016 - Jul 2017
SOFIX	Bulgaria	55.2%
ATX	Austria	45.2%
ISE 100	Turkey	42.8%
WIG	Poland	35.1%
MBI10	Macedonia	33.9%
BUX	Hungary	29.4%
BET	Romania	23.5%
DAX	Germany	17.7%
CAC 40	France	15.6%
BELEX15	Serbia	14.8%
PX Index	Czech Republic	14.4%
Swiss Market Index	Switzerland	11.4%
FTSE 100	UK	9.6%
RTS	Russia	9.4%
CROBEX	Croatia	6.2%
SASX-10	Bosnia and Herzegovina	-10.1%

### MAIN INDICES PERFORMANCE COMPARISON

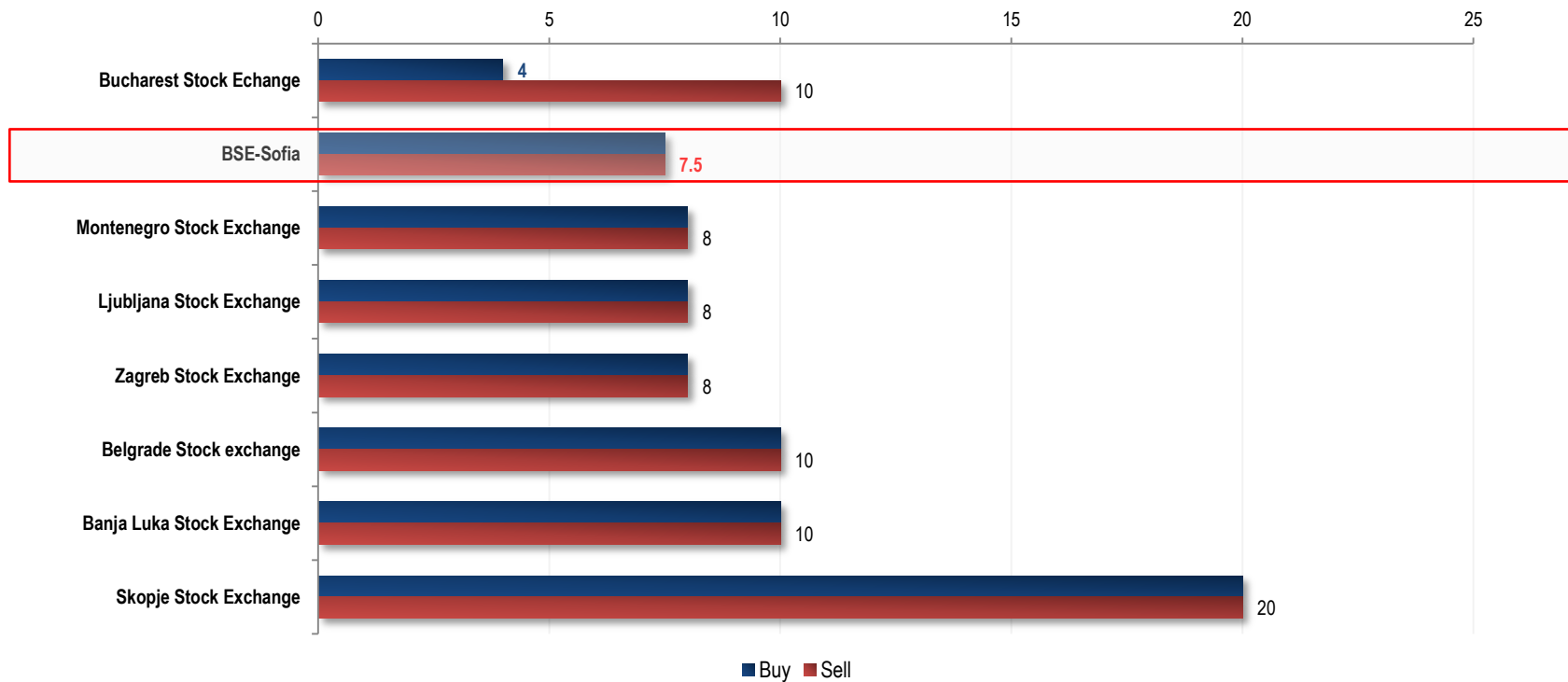


BGREIT, which follows the best performing real estate companies, outperforms all other indices even in periods of market crisis, when other indices plummeted (2011-2012). Over seven years BGREIT has grown by 72 points or almost 167%.





## TRADING FEES (BPs PER TRADE PER SIDE)



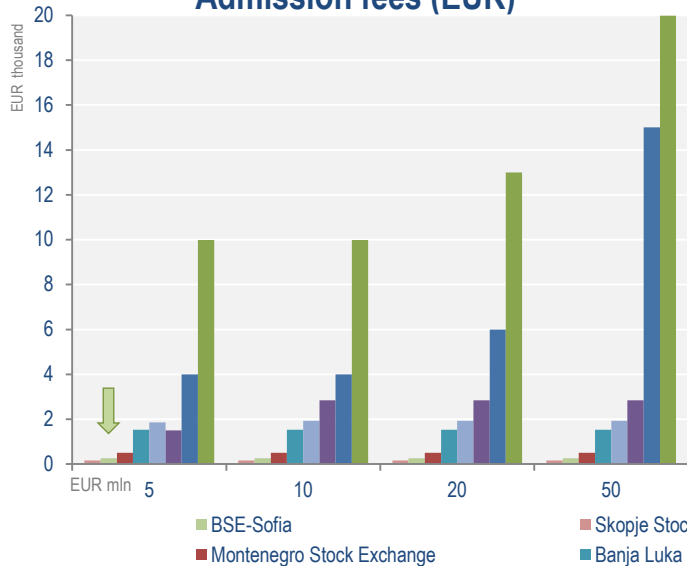


# WHY BULGARIA

Admission Fees (EUR)	Issue size (EUR)			
	5 mln	10 mln	20 mln	50 mln
Skopje Stock Exchange	162	162	162	162
<b>BSE</b>	<b>256</b>	<b>256</b>	<b>256</b>	<b>256</b>
Montenegro Stock Exchange	500	500	500	500
Banja Luka Stock Exchange	1 534	1 534	1 534	1 534
Bucharest Stock Exchange	1 865	1 932	1 932	1 932
Belgrade Stock exchange	1 500	2 841	2 841	2 841
Ljubljana Stock Exchange	4 000	4 000	6 000	15 000
Zagreb Stock Exchange	9 990	9 990	13 000	19 981

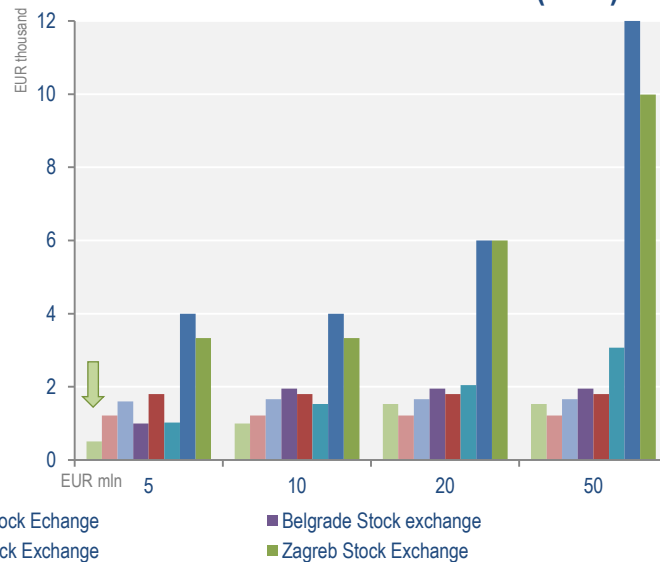
Annual Maintenance Fees (EUR)	Issue size (EUR)			
	5 mln	10 mln	20 mln	50 mln
<b>BSE</b>	<b>511</b>	<b>1 000</b>	<b>1 534</b>	<b>1 534</b>
Skopje Stock Exchange	1 218	1 218	1 218	1 218
Bucharest Stock Exchange	1 599	1 665	1 665	1 665
Belgrade Stock exchange	1 000	1 948	1 948	1 948
Montenegro Stock Exchange	1 800	1 800	1 800	1 800
Banja Luka Stock Exchange	1 023	1 534	2 045	3 068
Ljubljana Stock Exchange	4 000	4 000	6 000	12 000
Zagreb Stock Exchange	3 330	3 330	6 000	9 990

## Admission fees (EUR)



BSE has the lowest annual maintenance fees and the second lowest admission fees in the region.

## Annual maintenance fees (EUR)





## INVESTOR RELATIONS CONTACTS

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