Budget Anyone?

The government is happy at least to have a financial plan for 2010

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AmCham Thanksgiving Community Dinner

A special greeting at Thanksgiving time and our best wishes for a happy and healthy Thanksgiving Day!

For a seventh year in a row, American Chamber of Commerce in Bulgaria is joining the spirit of charity and generosity in the United States incited by the Thanksgiving tradition through its AmCham Thanksgiving Community Dinner.

We cordially invite all our members and friends to share the thrills of joy in the program, a live music performance by Vassil Petrov and a special Thanksgiving menu on

November 24, 2009, Tuesday, starting at 6:30 p.m.

The event is dedicated to charity fundraising through a Silent Auction.

This year we are going to support the projects:

✔ Protected homes projects

“Protected Home Together” in Guramazovo, Sofia. Integra Sofia and Samaritans Stara Zagora. The support is needed for the functioning of home-like institutions where 18+ year-old youngsters can live for up to 12 months and learn to depend on themselves, attend vocational training and meet employers.

✔ Scholarships for 12th grade orphan-students

In an attempt to replace missing parental care, the project will support through monthly stipends orphans with excellent school scores during their last year of school and help them prepare for university admission tests. The Orphan Foundation will distribute and manage the payments.

American Chamber of Commerce in Bulgaria

To register please go to the AmCham web-site www.amcham.bg or call the office at tel.: +359 2 9742 744/5. Companies can fully book 10-seats tables.

If you like to donate auction items or contribute to the charity please call us!
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The fall of the Berlin Wall 20 years ago marked a great moment in history. The Iron Curtain was pulled back and the doors of democracy were opened to millions of people in Europe, bringing them opportunities for prosperity and development.

Yet 20 years later when we celebrate these great moments of history we also ask ourselves how much we have changed. As Secretary of State Hillary Clinton said, “How do we take this gift of freedom, this alliance of values, this commitment for a better future, and put it to work to meet the challenges of freedom today?”

This may be a good occasion to look again at the values of the Chamber and remember that we are not just an organization that cares for its members’ interests, but one that stands for the common good. Our activities and policies serve the membership as much as they help to promote a better and transparent business environment, and in this way advance the society’s overall economic prosperity. We have to be proud of the active work of our members on various issues such as introducing measures to secure growth and competitiveness in the economy, keep financial stability, address climate change, increase energy efficiency and energy security, and develop company social responsibility. At the same time, our publications maintain the open public discourse on many political, economic and social issues. This contributes to upholding the basic values of democracy – freedom of speech, freedom of press and freedom of information.

Of course, this occasion should not be a mere recollection of what we have accomplished, but also a reminder of what we have learned along the way. We live in the tough times of an economic and financial crisis, and such lessons can help us face the new challenges of today and tomorrow.

Best regards,

Valentin Georgiev
Executive Director
AmCham Bulgaria Magazine is a primary forum for political and economic analyses, news, viewpoints as well as for the presentation of new business opportunities. The articles in the AmCham Bulgaria Magazine express the opinions of the authors and do not necessarily reflect the position of the American Chamber of Commerce in Bulgaria.

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AmCham Confers with Minister Plevneliev

The working meeting was called on Oct. 14, 2009, as a follow-up from the first meeting of the newly established Consultative Council with Rossen Plevneliev, minister of Regional Development and Public Works. The focus of the working group meeting was to discuss eventual topic, issues and problems of importance to AmCham member companies, which could be brought to the attention of the Consultative Council. Another area of discussion was what process to follow to generate feedback from the members companies and develop a common position.

Atanas Garov, AmCham representative in the Consultative Council, shared his experience from the first meeting. His minutes had been distributed to members in advance. Zhenia Russanova, AmCham representative in the working group on amending the law on territorial planning with the Ministry of Regional Development, encouraged member companies to be active in proposing adequate amendments and comments to the law.

White Paper on Renewables Under Discussion

The Renewable Energy Working Group convened on Oct. 20, 2009, to discuss the prepared draft of the AmCham White Paper on Renewables, developed by NECA with contributions from ABB, AES and Erato, which contains an outline of outstanding issues and offers a rationale for further development. In addition to that proposals for legislative amendments to the RES Act were presented at the meeting by Konstantin Sirleshtov (CMS Cameron McKenna), and discussed with the participating companies.

The White Paper, which had been a subject of deliberation for about a month, stirred arguments in several areas:

- Grid connection and availability, in particular who bears the cost of the connection? Several ideas and proposals were raised with this regard:
  - burden sharing between grid operators;
  - the U.K. model (also applied in neighboring Romania) of making the cost of the grid connection known to investors early in the process;
  - inclusion of green certificates/quotas trading in the White Paper as a way to address grid availability too;
  - introduction of auctions/public tenders to utilize existing grid capacities.

- Inadequate transparency and information regarding renewable energy projects and capacities. A suggestion was made to establish two registers – one for the investments in the RES with specifications of the projects, and one for capacities of the developed projects. Although the majority of the participants agreed that it would increase transparency, there did not seem to be an agreement that these registers would be beneficial to both sides, particularly to investors and developers.

- Other suggestions included:
  - Adding a 4th major stumbling block to meeting 2020 Bulgaria's energy goal: underutilization of suitable public property;
  - Adding the word “hydro” wherever relevant;
  - Differentiating tariffs for wind and solar sources.

The proposed legislative were presented and discussed briefly. Sirleshtov informed the participants that the Council of Ministers had approved of their draft amendments to the RES Act, which only affect biomass and bio fuel. It seems possible, however, to pass other amendments in the parliament.
Transparent Bulgaria initiative had its first meeting on Oct 22, 2009. This is a new project to help proactively promote transparency in Bulgaria. It is initiated and led by the Bulgarian business community, Bulgarian government and Transparency International Bulgaria.

Its goal would be identifying, adopting and implementing international best practices and developing and testing other innovative tools to systematically address problems initially in two major areas: transparency in public procurement and reducing grey economy. So far, CEIBG, AmCham, the Hellenic Business Council in Bulgaria have committed to support the initiative.

At the first meeting that was chaired by Tom Higgins, Balkan Accession Fund, guests were acquainted with the initiative and some ideas were discussed on how to proceed further. Among the suggestions made during the meeting was to set a wide coalition of stakeholders and to work with all of the business associations in order to resolve specific cases.
“Money does not grow on trees,” Deputy Prime Minister and Minister of Finance Simeon Dyankov told his colleagues before presenting next year’s financial constitution to the Council of Ministers. This was Dyankov’s explanation for the target deficit of less than 1 percent of the GDP for 2010.

The deficit will be accrued due to the payment of 779 million Leva Bulgaria will have to make for its EU membership. Otherwise, the draft budget law for 2010 provides for 26.3 billion Leva in revenue. Expenses are targeted at 26.760 billion Leva.

The budget law is based on a 2-percent negative growth rate, Leva/U.S. dollar exchange rate of 1.45, and an annual consumer price inflation of 2.2 percent. Foreign investments, which collapsed from 6.5 billion Leva in 2008 to 3 billion Leva in 2009, are projected at 3.3 billion Leva next year. The incumbents have decided to cut social security installments, paid by employers, by two percentage points. Employees will be entitled to up to three minimal monthly wages in case of employ-
The most widely sold cigarettes will cost about 5 Leva due to a drastic increase of the excise duties above the level specified by the EU. No increase is planned for excise duties on liquid fuels. Most probably property taxes will be also increase, if the municipalities decide to use the opportunity, provided by the state, to raise the ceiling of local taxes.

No specific figures have been set in the draft budget law for a possible wages and pensions increase in the second half of 2010, although the incumbents have on many occasions indicated that such a possibility exists.

An additional bonus of 50 Leva has been provided for in the draft budget for people above 75. Widows’ bonuses will also be increased. Although no income increase is planned at least until July, the excise duties on electricity consumed by businesses will go up as of Jan. 1, which will immediately result in a price hike.

About 40 percent of all budget payments will be dedicated to the social security sphere. That is why almost all other sectors will have to do with a cut in their individual budgets. A total of 2.6 billion Leva will be spent for education; almost the same amount will be allocated to healthcare.

Value-added tax (VAT) and profit taxes will remain at their present level. According to Finance Minister Dyankov, this is good news for the businesses, as it will provide incentives for preserving jobs.

There are four major risks for the 2010 budget according to Finance Ministry assessments.

The first concern regarding the draft budget for next year is related to falling revenues due to lower exports and reduced domestic demand, which will be manifested mainly by a fall in revenue from indirect taxes – VAT and excise duties, which are accrued on consumption and are directly dependant on economic performance and inflation.

Some 15 percent of the budget expenses next year, or 3.91 billion Leva, will be spent on capital investments – infrastructure projects, the acquisition of long-term assets and other long-term operations. This amount is by 26 percent less than the funds set for 2009, but the change will be insignificant, when compared with the actual data for this year.

There is no actual change in the amount of subsidies for municipalities. The specified municipal subsidy amount, 2.249 billion Leva, is 8.2 percent less than the same item for 2009, but is virtually identical in terms of actual funds, which will be allocated to municipalities.

The possible reassessment of the investors’ trust in the markets in Central and Eastern Europe is seen by Ministry of Finance experts as one more risk for financing the budget. The relatively high current account deficit, despite its downward tendency, remains a factor for a more careful fiscal policy. The potential necessity to provide capital support for the banking system is also seen as a potential risk, although the probability for such a situation to occur is considered to be low at present.

The increasing share of the people of retirement age and above is the fourth long-term risk for the stability of public finances. That is why Ministry of Finance experts highlight the necessity to amend the existing pension system in case the state intends to preserve this system’s stability.

The 2010 budget is based on a deficit and has no clear vision

for reforms in the various sectors, said Plamen Oresharski, the finance minister of the former government. “I am disappointed. Only a few more efforts would have been required to draft a balanced budget. Amendments to the budget bill are still possible during the approval procedure, provided, of course, the majority displays the will to do it,” Oresharski said.

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**Budget 2010 in figures**

The planned expenses within the consolidated fiscal program for 2010 are set at 26.4 billion Leva, which amounts to 41.6 of the GDP, including tax and non-tax revenues and aid, namely:

- tax revenues are set at 20.9 billion Leva
- non-tax revenues for 2010 are set at 3.4 billion Leva.
- aid, predominantly from the EU budget, are set at 2.1 billion Leva.

The revenues to the state treasury are allocated according to the priorities and the anti-crisis measures of the cabinet. Expenses in the social sector amount to 36.7 percent of the total, or to 15.1 percent of the GDP. Public expenses for education for the last several years stood at close to 4 percent of the GDP; the 2010 budget provided for the allocation of 4.2 percent of the GDP to this sector in 2010. Public expenses for healthcare are preserved at 4.2 percent of the GDP, with the nominal amount set at 2.6 billion Leva.

The investment expenses planned for 2010 are targeted predominantly at environmental and road infrastructure projects. The total amount within the consolidated fiscal program is set at 6.1 percent of the GDP, including 3 percent of the GDP of investments financed by the budget and 3.1 percent of the GDP financed with EU funds. The budget allocations for environment next year are set at 1.6 percent of the GDP.

The allocations for internal order and security amount to 1.3 billion Leva, which is equivalent to 2.0 percent of the GDP.
According to Oresharski, the budgets deficits in some of the leading economies in Europe are huge, sometimes even two-digit figures. He gave the example of Germany, which expects a 7 to 8 percent budget deficit, Great Britain with more than 10 percent, and Greece with more than 12 percent.

Oresharski stressed that Bulgaria has a specific monetary arrangement and must avoid large budget deficits, if it wants to maintain the currency board currently in effect. The former finance minister criticized the priorities in Budget 2010, as well as the lack of clear guidelines for reforms in the various spheres. Budget 2010 is difficult to implement and it was drafted under the persistent negative influence of the economic crisis, he said.

The trade unions are against Budget 2010

The Confederation of the Independent Trade Unions in Bulgaria (CITUB) and Podkrepa Labor Confederation spoke against the draft budget for next year. The two largest trade unions in Bulgaria listed a series of critical remarks regarding the allocation of funds for 2010.

“We have fundamental differences with the cabinet regarding the budget philosophy and the budget items,” said CITUB Deputy Chairman Plamen Dimitrov. In a crisis environment – which is expected to hit rock bottom sometime next year – the Cabinet is trying to distribute via the budget less than the necessary funds, which is off the mark, he added.

It is necessary to plan for small, controlled and temporary budget deficits, CITUB experts have asserted. All forecasts indicate that the 2009 budget will not be balanced, Dimitrov said. He supported the idea to unfreeze funds from the fiscal reserve. These funds could be used to support policies targeting low-income groups, Dimitrov said. The actions of the incumbents are not coherent with the measures initiated within the European Union and diverge from the guidelines proposed by the World Bank to support social measures in order to help people avoid extreme poverty.

CITUB insists that there must be tax-exempt minimum, equal to the minimal salary. Unemployment is expected to rise in 2010 to at least 500,000 people, up from the current 300,000, CITUB projections state. The trade union organization proposed to introduce a 5-percent tax preference for supplementary insurance against unemployment, as well as to raise the unemployment installment from 1 to 2 percent or to allocate additional budget funds for guaranteeing the rights of the unemployed. CITUB is pressing the cabinet to comply with the Social Security Code and adjust all pensions by 6.5 percent in line with the effective Swiss formula. The Confederation proposed also to lift all pension ceilings as of next year. The draft budget does not provide for any pensions or salaries increase, said CITUB Chairman Zhelyazko Hristov. The burden of the crisis will be shifted to all workers and employees, he added. “We cannot approve the draft budget in its present configuration,” Hristov said. “It is normal to expect the emergence of social tensions and protests on the side the incumbents leave all policies in the hands of the finance minister.”

Podkrepa also announced it will not support the 2010 budget because of its restrictive character. The trade union leadership motivated its decision to refuse its support for the draft budget also with the intentions of the Ministry of Finance to shift the burden of the crisis to the employed and the poorest segments of the society. There is no income-oriented policy neither in the budget for next year, nor in the three-year budget forecast, Podkrepa representatives said.

Bulgaria will remain at the very bottom in the EU

with its pathetically low incomes. It is sufficient to mention the minimum salary, trade union experts said.

The proclaimed objective of the pensions policy for 2010, namely to preserve the level of security protection of retirees and improve their financial situation, may be defined only as a manifestation of cynicism, as the effective Swiss formula for pensions adjustments is repealed, Podkrepa experts announced. They also noted the intention of then incumbents to freeze the nominal amount of pensions.

Podkrepa Labor Confederation representatives further said there is no excuse for the planned triple reduction of the funds allocated to the national employment program – from 190 million Lev to 65 million Lev. This, according to Podkrepa, means that some 60 percent of the active measures dedicated to the labour market will be blocked.

There is also no genuine explanation for the 14.8-percent reduction of the current expenses budget of the Ministry of Healthcare, and the 21.16-percent reduction of the subsidies for hospital treatment, while the funds allocated to the Ministry of Physical Culture and Sports have been increased by 136.55 percent, the trade union announced in its position statement. Podkrepa protested also against the intentions of the cabinet to reduce by 5 percentage points the social security installations while in power.
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Bulgarian Banks Flaunt Inflated Interest Rates

The businesses protest against expensive credits. The crisis brought to life one more paradox: a weak economy with a strong financial system

By Mina Tsvetkova

Bulgaria’s banking sector consists of 24 banks, only two of which have more than 51 percent of Bulgarian capital – the First Investment Bank and the Municipal Bank. The Bulgarian National Bank (BNB), in compliance with the Banking Act and Credit Institutions Act, regulates the operations of the commercial banks in Bulgaria and monitors the basic banking indicators of their performance like liquidity, credit ratings etc. with the objective to adjust the policies of the individual banks and protect depositors against risks. At the same time, BNB regulates all financial instruments in circulation in compliance with the requirements of the effective currency board arrangement. The largest Bulgarian banks in terms of assets are UniCredit Bulbank, DSK Bank, United Bulgarian Bank, Raiffeisen Bank, Eurobank EFG Bulgaria (although this is not indicative of the banks’ credit ratings and financial status).

BNB, in line with the legislation mentioned above, used to require from the banks to constantly allocate provisions for risky credit exposures as well as guarantee capital deposits for risk situations (namely to maintain a reserve with the BNB, which is used as a security), by imposing some genuinely strict control. This policy emerged as a safeguard against bank bankruptcies and for the protection of the depositors, while debtors were left virtually on their own.

The fear borne out of the looming crisis in late 2008 brought about the following effects:

- interest rates were raised by 1-2 percentage points on long-term and properly collateralized credits and by 4-5 percentage points on short-term credits;
- the financial status of the debtors was reassessed and long-term credits were converted into short-term;
- credits denominated in Euro were transformed into Leva-denominated debt;
- the employment of extreme mechanisms for collecting default credits. The institution of the Private Enforcement Agents was established, which were charged by the state to collect claimable credits even by using forceful methods.

This brought about the

Bulgarian paradox – a limping economy with a sound banking system.

The latest financial news indicates in no ambiguous terms that any development in Europe or the United States might have a completely different scenario from Bulgaria. While European banks were simultaneously lowering their interest rates, exactly the opposite trend was observed in Bulgaria.

It is a fact that Bulgarian banks offer the higher interest rates on deposits in Europe. Currently, Bulgarian commercial banks offer between 6.70 and 9.75 percent interest on 3-month deposits. The gain from such deposits, within the European Union, varies between 0.96 percent in Belgium and 4.06 percent in Cyprus, according to data released by the European Central Bank for July 2009. This is quite an alarming trend, as higher yields on deposits means higher risks for depositors. Besides, it is a textbook truth that the expensive financial resource suffocates economic and business activities.

In line with the prevailing trends, the European Central Bank reduced its key interest rate to 1.5 percent. This is the lowest interest rate level since the Euro was introduced as a common currency. The Bank of England lowered its interest to 0.5 percent. The key interest rate in Sweden was reduced to 1 percent. Switzerland lowered its key interest rate to 0.375 percent and is expected go further down to 0.25 percent. The interest rate in Japan is 0.3 percent, and in the United States – 0.25 percent. If we compare interest levels in other countries with the levels in Bulgaria, it will become clear that the crediting policies of Bulgarian banks run against the development of the businesses in this country.

The banks do not want to reduce the interest rates on current credits, do not want to extend new credits at normal interest levels of 5 percent, and do not want to accept five-year grace periods for long-term credits. Then why are the banks necessary, if they do not want to promote the development of the Bulgarian economy, representatives of the business community ask rhetorically.

The branches of foreign banks in Bulgaria in the current crisis environment have been overcome by unprecedented fear and have no intention at all to continue investing with their recent partners. The negative attitude of small and medium enterprises and of regular citizens is spreading and may turn against the banking system, as without the trust of their clients they would be unable to continue to make profits.

The Bulgarian business community was taken aback by the behaviour of the banks, who until recently used to be their partners. Businesses are accruing huge damages because the credit financing of ongoing projects was completely stopped, interest rates on already effective contracts were increased along with demands for supplementary collaterals, servicing fees were increased and access to favorable financing for future projects...
has been denied. By these measures the banks adamantly turned their backs on Bulgarian businesses and people in general, said Svetlozar Nikolov, chairman of the Bulgarian National Business Association. He started gathering signatures on a petition in March 2009 under the slogan “Banks – stop! Do not destroy the Bulgarian people and yourselves!”

The economy of a capitalist state is based on small and medium enterprises. Companies would be able to develop only if they have access to low-interest credits; expensive credits leads to a slow but unavoidable bankruptcy. Until recently economic development in Bulgaria was based on an over-inflated credit balloon. Bulgaria is the poorest nation in Europe, but has always paid for the most expensive credits, which is the ultimate absurdity of its economy.

The branches, which encounter the most serious obstacles when asking for credits, are the building construction, furniture manufacturing, the tailoring industry, tourism, trade and services. The truth is, however, that the Bulgarian businesses have absolutely no access to credits at an advantageous price. The offers made by banks now are not advantageous and would result in defaults by any potential client. That is why consultants advise against any credits for the time being, as the crediting conditions are murderous.

No legal business would be willing, in a global crisis environment, to pay interest rates of 7 to 20 percent. Bulgaria is among the poorest nations in Europe, and still its entrepreneurs are charged the highest price for credits. In this situation, Bulgarian businesses are drowning slowly. According to latest analyses, currently the bearable interest rate levels are about 4 percent. This leads to the conclusion that credits should be restructured. It is very important, however, to proceed with restructuring at conditions favorable to credit users – reducing the interest rate to 5 percent, and allowing a grace period of at least three years, during which debtors will pay only a portion of the principal and of the due interest.

Besides, banks have started unilaterally to raise interest rates on already effective credit contracts, as they raised the interest on deposits and their lending appreciated. Overcome with fear of extending credits, the only way for banks to gain some profit is to increase the instalments paid by their current users. This measure is destructive for businesses in a global crisis environment. All legal requirements have been observed, but from a moral point of view the actions of the banks are not fair as banks continue to collect excessive profits on the back of businesses.

**Will there be a reversal?**

The latest analysis of the financial services market posted by the “My Money” web site indicates that the banks have timidly started to lower their interest rates, but continue to focus also on attracting fresh resources by stable interest rates on deposits.

Another tendency, highlighted by analysts, is that the activity on the credit market in Bulgaria is on the rise, with queries increasing by 15 percent in a month, while actual credit amounts increase not only because of the larger number of individual credits but also due to the amount of the requested financing.

The major news came from the banks, which embarked on a promotions campaign valid until the end of the year and offered their clients lower interest rates, bonuses for property insurance, a zero interest rate in case of debt retirement by own funds, and other benefits. Interest rates within the framework of preferential offers fell by an average 0.2 to 0.8 percentage points for receivables in Euro, and between 0.5 and 1 percentage points for receivables in Bulgarian Leva. CreditCenter experts attribute the optimistic attitudes manifested by credit organizations and users by the long period since the beginning of the crisis. All subjects of the economic life in Bulgaria were able during the last year to monitor the impact of the crisis, to measure its effects and start operating under the new conditions. Currently, all sides see the market as more stable and predictable. This makes clients feel more relaxed in the long term and gave the banks the necessary boost to start making more attractive proposals. This does not mean that the liberal climate of 2007 has come back – clients must realize that they still have to match a long list of conditions in order to receive financing.

The market has started seeing the first tentative offers for financing of up to 70 or 80 percent of the real estate price. These offers generally relate to real estate items, whose price is lower than the average for the region and for the type of property. Most frequently real estate buyers are seeking external financing for about half of the price.
These were the conclusions made on the basis of a recent survey among adults, conducted by the sociology and economics institutes with the Bulgarian Academy of Sciences (BAS). The objective of the survey was to study the indebtedness of the population and the trends in debt servicing.

Poor knowledge of financial relations (barely 4 percent of the users seek the assistance of experts in deciding about obtaining a credit) and the structure of consumer credits create a risk for users.
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Banks report 622 million Leva in profits

The total amount of assets within the banking system stood at 69.9 billion Leva by the end of September. This was by 0.6 percent (432 million Leva) more than June, and 0.5 percent (341 million Leva) more than the beginning of the year.

The five largest banks have a 57.9 percent market share, and the medium and small banks hold 37 percent of the system’s assets.

Gross credits and advance payments stood at 54.09 billion Leva by September 30, 2009. This was by 1.7 percent (1.01 billion Leva) more than in June. The year-on-year rise was estimated at 5.8 percent. The total amount of credits to enterprises and retail exposures stood at 50.9 billion Leva, up by 1.8 percent (919 million Leva) on the preceding quarter. Consumer credits rose by 3.8 percent (347 million Leva), and residential mortgage credits by 2.3 percent (195 million Leva). The receivables from credit institutions also rose, by 3.6 percent (249 million Leva).

The growth rates for the preceding two quarters were higher; however the increase in credits during the third quarter was attributed to credit buy-back operations. The amount of attracted funds to the banking system did not change substantially. They rose to 60.1 billion Leva up by 0.1 percent (76 million Leva) on a quarterly basis.

The amount of assets from credit institutions went down by 935 million Leva during the third quarter, which was attributed entirely to a reduction of the assets held by non-residents. This reduction was compensated by the increase of assets attracted from non-credit institutions, (583 million Leva) and from individual depositors and households (642 million Leva). The trend towards a change in the quality of the assets was preserved between June and September. Classified exposures rose by 1,410 million Leva to 8.53 percent of the systems’ gross assets. Classified exposures with arrears of more than 180 days amount to 3.55 percent of the credit portfolios of the system, the provisioning ratio was set at 131.6 percent. The balance-sheet capital of the banking sector rose by 375 million Leva to 9.2 billion Leva by the end of September. This was attributed predominantly to an increase in profits (by 123 million Leva) and issued capital (225 million Leva).

The capital-to-assets ratio fell slightly to 17.34 percent due to a reduction in second-order capital instruments – subordinate secondary debt and debt-capital (hybrid) instruments, while first-order capital adequacy rose to 14.20 percent. Capital positions, both at a system and individual bank levels, remains stable, and accumulated buffers provide for an additional protection against a change in the assets quality. The financial results of the banking system continue to rise, albeit slowly, by the end of the third quarter, to 622 million Leva. Revenue from operations allow banks to meet the additional expenses made during the third quarter for a depreciation equivalent to 333 million Leva. The net income from interest by the end of September is comparable with the levels of 12 months ago. The liquidity of the banking sector remains stable and without any substantial changes. The level of liquid assets was estimated at 20.82 percent.

Indebtedness is a means to cover consumption, for which incomes alone would not be sufficient. Respondents explained their debts by the necessity to pay for healthcare services, for utility fees, for home repairs, and for other similar purposes.

These conclusions were confirmed by the results of a study of the consumer base in terms of income segments. The relative share of households with an income of more than 1,500 Leva, which have obtained a credit, is very low – about 6 percent, while the majority of the rest of the credits were obtained by households with substantially lower incomes.

For more than half of the households (59.1%) the credits have resulted in a deterioration of their financial situation, about 2.9 percent of the debtors are insolvent, and 15.9 percent of the debtors claim they have problems with paying the due instalments and fear that they may not be able to pay them at all in the future. Less than 10 percent of the credits have been drawn against a mortgage. A token 15.3 percent of the respondents said they have savings.

A very small portion - 7 percent of the credits and 5.07 percent of the loans - has been obtained for business development, which makes the structure of the credits genuinely risky and at the same time is indicative for the current state of businesses, experts said.

Credit indebtedness is tied in a peculiar way to the mistrust of users regarding bank policies. Some 60 percent of all respondents said the conditions for credits in Bulgaria are very steep and that financial institutions will have to alleviate the requirements and the procedures for extending credits. Close to one fourth of the respondents (24.6 percent) said that there is not a single bank in Bulgaria they would trust for considering a credit, and almost one out of two respondents (42.2 percent) were adamant they would never approach a bank for a loan.

More than three-quarters of the respondents, 78 percent, said the interest on credits is very high, and 57.1 percent insist the changes in applicable interest rates must be made after analyzing the potential of the debtors and should not be identical for all.

Prof. Garabed Minasyan of the Economics Institute with BAS said that living on credits is normal but only after a careful analysis of the credit risks. The trend among banks is to increase the interest on credits denominated in Bulgarian Leva, as the banks need Leva rather than Euro. This is due to the structure of the banks’ assets, most of which are denominated...
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in Euro. Bulgarians prefer to keep their savings in Euro and obtain credits in Leva, which is indicative of the mistrust in the national currency.

It is very important to improve credit conditions for individual clients as well, as these clients are also consumers and their wishes must be provided for in order to achieve a higher buying power.

There is one more risk, attributed to the “high interest rates” phenomenon.

The high interest rates creates conditions for “banking tourism” in Bulgaria, experts said. According to them, the high interest rates on deposits create a public attitude in favor of banking tourism, and are conducive to establishing predominantly short-term relations among banks and clients, and at the same time create an additional burden for businesses seeking credits.

Clients should not be misguided by the euphoria of the high interest rates on deposits. Individual re-negotiation of interest on deposits automatically strips the deposit from the guarantees provided by the State Deposits Guarantee Fund. It would be good to stop the race among banks in offering promotionally high interest on credits, bankers said.

In order to insure against bad credits, the banks are offering a new service to their clients who have stumbled on problems in servicing their loans. Instead of sending enforcement agents to take possession after three or four months of arrears on payments, the banks are ready to extend the payment period. Many people have lost their jobs and lost their income because of the crisis. The situation is exceptionally grave for people tied with servicing their loans. Instead of sending enforcement agents to lead their clients.

Post Bank announced it may reduce by half the due monthly instalments on a mortgage credit for a period of 12 months. Debtors are required to deposit an application for debt rescheduling and to pay at least one instalment according to the original debt retirement plan. No new analysis of income or new appraisal of the collateral is required. People, however, must realize that paying less now means they will have to pay more later. The loan amount remains the same, the scheme is simply to postpone the payment of large amounts, Post Bank warned. After the end of the 12-month period the bank will devise a scheme for compensating for delayed payments according to the financial status of their clients. There are two options – extend the loan maturity period or increase the monthly instalments. The objective is to help people avoid arrears. Should such a risk occur, the clients must seek together a mutually acceptable option with the bank.

A similar scheme is applied by the United Bulgarian Bank (UBB). It is devised according to the financial status of the client by assessing for how long and with what amount to reduce due payments. The bank was ready to employ a flexible approach to all individual cases as early as last November, which saw the first layoffs in the Pernik-based Stomana Steel Works.

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In Brussels, he measured his dorsal muscles: „Look, this is a real premier, not like you.” In Sofia, he grabbed a brush and cleaned his jacket. Yes, Italian Prime Minister Silvio Berlusconi paid special attention to his Bulgarian counterpart, Boyko Borissov. There are a lot of reasons for this – and each could serve for a lesson how the European Right is changing.

Well, this is just vintage Berlusconi. He made devil's horns above the heads of his counterparts while posing for a “family” photo. He “ambushed” Angela Merkel, trying to catch her unaware. He said that Barak Obama „has stayed a lot in the sun.” Impressed by the linguistic proficiency of Bulgaria’s ex-premier Simeon Saxe Courg-Gotha, he exclaimed “Got ya!” when it turned out that Bulgaria’s former king actually did not speak one of the languages of the many other prime ministers attending a state dinner.

There is no sense in reminding about the womanizing escapades of the Italian billionaire prime minister. Italian public opinion could blame him for any other vice but not for being mediocre. As a professional entertainer in his early days, Berlusconi knows the secrets of media attention and high ratings.

It must be added, however, that Italy has...
a pragmatic interest in Bulgaria – and vice versa. The state governed by Berlusconi is proud of being the leader of the “Southerners,” and political proximity often overflows into the economy. Despite a slight drop, Rome remained last year

**Sofia’s second largest trade partner** –

with key investments in banking, wineries, textiles and energy. The disparaging “Bulgarian job” and “Bulgarian elections,” coined by the Italians, are fading away; “the Bulgarian trace” in the assassination attempt against a former Pope seems to be erased. Silvio Berlusconi himself maintains a special relationship with three of the last four Bulgaria prime ministers: he shares Italian blood with Saxe Coburg-Gotha, and with Ivan Kostov (whose daughter graduated in Italy) he shares the membership in the European People’s Party. Boyko Borissov is also leaning to the right, which means that he and the Italian premier should easily find a common language.

Besides, they are linked by something else as well – the trace of the future “South Stream” pipeline. This project, together with the Samsun–Ceyhan oil pipeline, is of a vital importance to the Italian ENI, and, respectively, to the business-oriented Italian government. Initially, the new Bulgarian cabinet demonstrated some hesitancy: „South Stream” was one of the favorite topics for criticism against former prime minister Stanishev, and against the Socialists in general. The data about pipeline routes was complex and seemed impossible to find. Maybe this was the reason for diverging signals coming from Berlusconi, his deputy Simeon Dyankov and Minister of Economy and Energy Traicho Traikov, while the energy projects with Russian participation were frozen in expectation. These developments triggered the mechanisms of high diplomacy.

Borissov spoke late this summer about the “South Stream” project with Vladimir Putin, then came the October Borissov-Berlusconi meeting. The circle was closed on October 21, when Berlusconi landed in St. Petersburg for Putin’s birthday, while Bulgaria’s Minister Traikov landed in Moscow for talks with Russia’s Energy Minister Sergei Shmatko.

The shuttles were supplemented by three more plot lines – the Russian-Italian-Turkish memorandum of understanding in the energy sphere, then the Belgrade fireworks (Russia and Serbia swore their eternal gas friendship, embodied in the “South Stream” project during Medvedev’s state visit), and finally a low-profile media intrigue, sparked by a Russian newspaper, which claimed that the „South Stream” pipe might skirt Bulgaria

and pass only through Turkey. This was, of course, a wild duck. A superficial look at the map would convince even a blind man that the “South Stream” pipe simply cannot bypass Bulgaria on its way from Turkey to Serbia. The simple effect was that analysts were given the chance to claim that Berlusconi’s interest in Borissov bears a Russian lining and smells definitely of gas.

Putting aside the specific facts, however, one should admit that the European Right has been generating leaders, who look very much alike. The ascent of Berlusconi, Nicolas Sarkozy, Vladimir Putin and Boyko Borissov are different in scale, objectives and content, but the similarities among the main players seem to be much more than the differences.

This is because the new “rightist” leader…

- **Speaks the language of the people.** Paradoxical or not, the 21st century has completely transformed the image of the “popular tribune.” These are not the leaders of the left any more - clever and educated academics like Romano Prodi, or youngish looking middle-aged yuppies (or muppies) intellectuals like Zapatero or Stanishev. The “rightist” leader today speaks the language of the worker, the youngster, the bureaucrat. Using bold phraseology, often on the verge of political correctness, these leaders abandon the incomprehensible lingo of the elites and the wooden Brussels jargon. They joke, speak through a megaphone, and try to explain complex issues in simple words. That is why the media love them. Sometimes media’s affection does not come for free: Sarkozy appoints his friends to high positions in the media, while Berlusconi actually owns many of the outlets. There is no conspiracy behind the media affection, as a rule; the simple fact is that politics is made by words – something that Brussels seems to have forgotten.

- **Is always right.** Look at Sarkozy and Borissov – they have built their careers on the swiftness of their first political response. They did not idle waiting for partisan decisions or analyses, nor did they read thick volumes of statements and documents. Instead, they responded with a lightning speed. Remember Sarkozy and the liberation of the Bulgarian nurses; look at Borissov’s response to any accusation against him. In the “wonderful new world” of 24/7 news coverage, often it is better to be first than right.

You take over the initiative - and you dominate the public dispute; the details will be managed later. If your decision is short of being perfect, it could be improved; if it is outright off the mark, it may be canceled – who would notice? And even if it is noticed, you could win some applause for being responsive to public opinion. The only thing that could never be forgiven is the delay of the response.

- **Has tied his career to the security system.** Sarkozy is a former interior minister, Borissov – former secretary general of the Ministry of the Interior, and Putin – former KGB senior officer. The new rightist leader personifies one of the key issues for the contemporary Right - order. This is the way for such a leader to establish the borderline between himself and the leaders of the radical populist Right – while they scream against immigrants and minorities, he may assume a comfortable position in the centre. So, while others scream order, he seems to be the embodiment of order.

- **Comes from the private sector.** This seems to be inherent. He belongs to the political Right, after all, right?

- **Looks for associations with pop culture.** „Milan,” Carla Bruni, anecdotes, judo, karate, football matches, Champion League, celebrities, TV series – all these bring the new leader closer to what is “on” and acceptable
for the young. Today’s leftist politician listens to John Lennon, while today’s rightist leader simply marries a model-singer. Whom would you choose?

- Is not an ideological fanatic. He is neither libertarian nor Keynesian in economic matters. On the contrary, he ridicules labels and would use any efficient tool at hand. He is not biased in his foreign policy. Berlusconi has befriended Putin, because this is good for Italian companies. Sarkozy hugs left-wing Brazil President Lula da Silva, when he tries to sell a product of the French industry, and makes foreign policy by peddling frigates, corvettes and fighter planes. Putin is a friend with both left-leaning Schroeder and right-wing Chirac. Borissov avoids extreme positions against Russia and at the same time maintains his image of a pro-Westerner. Today, ideological barricades have been dismantled – to be replaced by the bridges of commerce.

The list of similarities is long, indeed, but it is hardly necessary to go further into this. Ideological battles are fading away, a global economic consensus has been reached and the new rightist leaders were called to stage; the crisis has imposed them with the

**image of fixers and doers.**

Being a European Christian-Democrat does not mean any more you have to wear a black suit, go to church, look serious and to have seven children. Just the opposite, the modern Right lives with the mutability of fate and the joy of life.

There is something Southern and sentimental in the political image we have just drawn. Did you notice that most of our heroes come from the warm parts of Europe? Berlusconi would never get a 70-percent popularity rating in Great Britain or Germany.

Bulgaria is also in the South. If we look at the leaders, who have governed it for longer periods or who have generated the largest expectations, we may see that some of Boyko Borissov’s seemingly unique features also in Simeon Saxe Coburg-Gotha, Todor Zhivkov and even in King Boris III. Particularly, we shall note the simple language, the direct contact with people, and the frequent replacements of the "small" leaders below the "top." It seems that the effective form of government in Bulgaria could be mastered and applied successfully.

What about the contents? It is true that most of Bulgaria’s policies and economy do not depend on Bulgarians any more but on global elements like the European Union or the global crisis. Leadership, however, remains important. We have discussed the reasons for this in the Am Cham Magazine, but we could repeat it again - Bulgaria wants economic priorities, a perception of order and justice and a new national dream. These will appoint its leaders for some time to come.

And these will be the criteria to judge Borissov by, some 20 years from now.
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Problems in the construction and real estate sector deepened seriously in the second and third quarter of the year. Not only was the enthusiasm in construction and real estate of the past two years replaced by diminishing demand, lack of financing, and strong price corrections in Q4 last year and Q1 this year. Indeed, the following two quarters were marked by a complete halt in investment activity in the sector, rising unemployment, and developer companies falling out of the market. According to estimates of the construction association works performed by branch companies will amount to only BGN 12.5bn this year, relative to BGN 16bn in the first half of last year. This will cause 35,000 workers in the industry to become unemployed, while a significant number of developers will drop out of the market. As a result of the challenges posed by the global financial crisis, international investors revised their investment plans and exposure which resulted in a 66% y/y drop in FDI in the real estate sector in H1. Real estate which used to be the driver of FDI growth, accounting for about 30% of total inflow in the past three years, now made up only 20% of the total in H1. In addition, its share to GDP declined to just 1% in H1, compared to some 6-8% in the previous three years. The decline in investments had a severe impact on construction output. The index measuring production in construction fell by 17% y/y in August, worsening from a drop of 14.4% y/y in July and 8.4% y/y in June. The decline in the number of construction permits was also considerable - 27.9% y/y in Q1 and 29.2% y/y in Q2. The number of permits for residential buildings exhibited the steepest decline of 33% y/y in Q2. Finally, the business sentiment indicator does not project an optimistic outlook for the following three months. Indeed prospects for a gradual recovery will be delayed to 2011. Uncertain economic prospects as well as the shortage of liquidity are cited as the largest impediments to recovery.

FDI inflows in real estate drop by 66% y/y in H1

Following the unprecedented growth in FDI inflows in the real estate sector by 148% y/y in 2005, 237% y/y in 2006, and 36% y/y in 2007, in 2008 inflows went down by 22.2% y/y, according to data published by the central bank. The bust became even more pronounced in the first six months of 2009 when the inflow of FDI in the sector dropped by 66% y/y to EUR 305mn. The real estate inflow of FDI in the sector dropped by 20% in the first 6 months of the year. Quite expectedly, foreign investment inflows in real estate also expanded markedly as a share of GDP in the boom years to 7.1%, 8.5%, and 5.6% in 2006, 2007, and 2008, respectively. This share is down to 1% of total inflows in the first six months of the year, the statistics of the bank reveal. These developments indicate a clear boom and bust pattern which is also strongly correlated to analogous developments in the construction sector. Following of growth rates in FDI inflows in construction of 110% y/y, 192% y/y, and 48% y/y in 2005, 2006, and 2007, respectively, these inflows went down by 24% y/y last year and as much as 73% y/y in the first half of this year. Constraints related to the more expensive borrowing, tougher credit conditions, risk aversion on the part of foreign investors, and a massive slump in demand for real estate investments are all unlikely to contribute to any quick recovery in the sector.

According to one recent report of the chamber of builders, about 1,550 companies have not renewed their registration with the chamber which means that they cannot perform construction works. The companies that fell out of the market accounted for a 29% share of the total number of building firms.

Construction output continues to worsen in August

The construction output index dropped by 17% y/y in August, reported the statistical office. It deteriorated from revised 14.4% y/y plunge in July and 8.4% y/y drop in June. The strong contraction in the sector is consistent with worsening business sentiments and weakening demand. The construction of buildings (including residential and non-residential), which has the largest relative share of 66% in the total index, dropped by 22.6% y/y in August. At the same time, civil engineering works declined by 4.2% y/y but they have a smaller weight in the index. Both types of construction output deteriorated in a monthly comparison. Total construction output contracted by 11.9% m/m and 10.4% y/y since the beginning of the year. Business sentiments indicator in September shows deterioration and expectations for falling prices in the construction business. We remind that the value added in the construction industry has been growing by more than 10% per year since 2004.

This article is based on extracts from ISI Emerging Markets IntelliNews publications: Bulgaria This Week and Bulgaria Country Report. For more detailed information please contact ISI Emerging Markets office in Sofia at +359 2 8160404 or info_bg@securities.com
According to an estimate of the Construction Chamber, orders in the sector have dropped by 30-35% y/y in September. The previous shortage of employees in the construction industry has now been replaced by growing unemployment. As many as 35,000 workers are expected to be let go by the end of the year. Works performed by construction organisations are estimated to total BGN 12.5bn this year, compared to BGN 16bn in the first half of last year.

**Construction permits decline strongly in Q2**

Weakening demand and tightening credit is also manifested in the steep decline in the number of construction permits issued for new building construction. Construction permits fell by 29.2% y/y in Q2, after dropping by 27.9% y/y in Q1, according to data of the statistical institute. The decline in the number of new permits has sustained for seven consecutive quarters but the contraction over the whole of last year was much smaller, averaging about 10.8% y/y. The dropping number of permits over the course of last year could be explained by the very strong growth rates posted in the previous few years and the resulting high comparison base. The full scale of the effects of the financial crisis on the sector, however, became much more obvious in the first two quarters of this year. We do not expect this situation to change markedly in the second half of the year, in line with macro-economic fundamentals and business sentiments in the sector.

In Q2 the permits for residential buildings construction marked the fastest rate of decrease of 32% y/y while those of administrative buildings and other buildings fell by 26.9% y/y and 24.3% y/y, respectively. The most permits for residential buildings were issued in the capital city of Sofia, but their number fell by 24.5% y/y. Similarly to last year, the second largest city in the country Plovdiv came in second but the permits there also dropped by more than 24% y/y. The number of permits in Varna is now less than those issued in the district around Sofia as well as those in Burgas. As it can be recalled, construction of holiday homes in Black Sea towns of Varna and Burgas used to be very strong pre-crisis. The number of permits in Varna fell more than 45% y/y, in Burgas 21% y/y and in Dobrich by 37% y/y.

The planned construction area approved by the line authorities dropped much steeper by 50.4% y/y in Q2 pulled down by all segments in the sample. However, the residential part was the biggest contributor again. The number of building permits decreased by 10.8% last year after growing by 8.1% in 2007 and 19.7% in 2006. The number of newly issued permits started to decline as of Q4 2007 while construction output kept relatively strong growth until November last year and dropped for the first time in December.

**Business sentiments in construction continue to worsen in September**

The business sentiment indicator in the construction sector dropped by 2.3pps m/m in September as a result of worsening perceptions for the current business environment, according to the latest survey of the statistical institute. Construction activity has declined and expectations for the following three months remain bleak. Construction companies report a falling number of orders and a rising number of customers with overdue payments. Employment in the sector is expected to fall accordingly. The factors impeding the activity of construction companies the most continue to be the uncertain economic environment and the shortage of liquidity. The two factors have been pointed out by 61.8% and 53.1% of the surveyed companies, respectively. Perceptions for falling prices among enterprises continued to prevail in September as well.
Real Estate Awaits Recovery, Taps Into Alternative Funding

By Irina Bacheva

The local real estate market is facing a bumpy ride in 2010, but the year will set the direction in which it will be developing, in the opinion of the participants of the BalREC real estate conference that goes along with BalPEx exhibition in Sofia. The developments in the sector and the necessary changes in its regulation were the main issues discussed by the government representatives, local administration, construction developers, architects, real estate brokers, financial experts and consultants during the forum entitled Awaiting Recovery - Before and after Crisis. AmCham Bulgaria has partnered with other business associations for this forum.

Experts divided again on whether real estate prices have hit the rock bottom or are in for a steeper fall. Sofia chief architect Peter Dikov advised investors to lower profit expectations from an estimated 150 percent at present to 10-15 percent. According to some developers the actual price stands at 900-1000 Euro per sq. m. of living area.

Peter Dikov announced that five large-scale investors are interested in developing projects in Sofia in 2010. Dikov did not mention specifics, but revealed that city authorities are considering an application for a permit to build a multi-task housing and retail complex which has already been financed with 3 million Leva by the investor.

The government supports the real estate industry in overcoming the crisis, said Regional Development Minister Rosen Plevenliev. “All of the issues discussed during the forum would be taken into consideration,” the minister assured. In his words the crisis is a suitable time to consider the grounds upon “we are working, what the business climate is, and what to do to in the near future.”

Plevenliev reiterated the key economic policy pledges of the government: keeping the currency board intact, beating up the corruption model of governance, cutting the expenses, absorbing EU funds, where he specifically mentioned the unfrozen SAPARD program. During the next year, the government will work hard and allocate resources to absorb the financing under structural and cohesion funds that total 6.7 billion Euro for Bulgaria. The government has gained a measure of trust of the European Commission, but it is important whether the new administration will handle properly the challenges ahead, the minister said. His agency is going to follow a policy of decentralization of the regions where more money will be allocated at later stage to be governed by the local authorities.

Bulgaria has to change its energy efficiency policy, Plevenliev said, and went on to explain that the government plans to sell 250 million tons of saved greenhouse gas quotas estimated at more than 1 billion Euro. The project will be completed after the Copenhagen summit on the climate change Dec. 7-18, 2009, and will depend much on its final deals and agreements. A total of 270,000 Bulgarian homes could be insulated as a result, said the regional development minister. Some 720,000 panel apartments are in bad shape in terms of energy efficiency.

In 2010 there will be a 1-2 percent decline in the country's GDP by Plevenliev’s estimation. Up to 35,000 construction workers will be laid off, according to data from the Bulgarian Construction Chamber. The business climate in the sector continues to deteriorate, added the minister.

The prices to remain low for another six months

The trend of lowered prices of real estate will continue in the next six months albeit at a slower pace, said Hristofoor Pavlov, chief economist of UniCredit Bulbank. He reiterated that there is a 28-percent decrease in the prices of the most expensive apartments. Pavlov added that the crisis in the sector will reach the bottom in the first half of 2010, but it would be felt in the economy in 2011 as well, and the real recovery become noticeable only in 2012. Bulgaria should not depend that much on external financing but to look for new sources of competitiveness, not only within the relatively cheap labor force, but to rely more on the export and on household consumption, Pavlov said.

Bulgaria’s construction sector taps into alternative funding

After the economic crisis sucked the banking liquidity out and clogged up access to credit, the Bulgarian real estate industry set out on a hunt for new sources of funding. Now builders loan money to property investors against collateral that is not too liquid, said Martin Gikov, real estate funding director at UniCredit Bulbank. Bond issues and sale of non-core assets are also coming into play to help investors bridge funding gaps. Another option is healing the project with a dedicated banking loan, which helps it get off the ground and start generating revenue, Gikov explained.
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I remember as if was yesterday that windy Wednesday in November 2005 when I entered the meeting room of the AmCham Toastmasters Public Speaking Club in Sofia. That was the day I had to deliver my introductory speech before the members – the ‘Icebreaker.’

On that evening my senses were hypersensitive. I noticed every little detail: the size of the meeting room fitting some 30 to 40 people; the chairs arranged in a classroom mode; the members and the guests, alert and in expectation of the event to start. They were in groups, some chatting joyfully about the upcoming holidays and long-expected Christmas vacation, others talking about the meeting, wondering how the new members would introduce themselves to the Club. I suddenly realized that my speech wouldn’t compare with any previous experience I had had before.

It took me a long time to choose the topic of my Icebreaker. Listing biographical data has never seemed very interesting to me. Therefore I decided to speak about my preferences and life credo through the concept of the “Six Thinking Hats” model by De Bono. I explained the significance of each “hat color” and related my personal traits to it.

In the few years that followed, many Toastmaster members have chosen to speak about themselves using an engaging and very original approach that makes their personality so unique. Sofia Panayotova, Toastmasters President 2009-2010, recalls her first speech experience: “The title of my Icebreaker was ‘You are what you eat’ … I wanted to talk about something that was important to me – people’s attitude towards food. The basic idea is that people pay too much attention to diets and don’t enjoy food. My point was to allow oneself treats once in a while, since they act as mood enhancers.”

Standing up and leaving the comfort zone is a challenge to every new speaker. The feelings before any stage appearance could range from overexcitement to extreme nervousness. What prevails, though, is the urge for self-improvement and personal growth. “My desire to make the first step was so big that, should I have had my tongue paralyzed, I still would have stepped in front of this audience and spoken,” Swinish says.

Who doesn’t recall the moments of fear, the trembling hands and anxiousness of seeing “oneself” through the eyes of others, while delivering the Icebreaker? In sharing this, I feel very close to Daniela, confessing her emotions during her first speech: “...what I saw in the other members’ eyes while delivering my speech was empathy, positiveness, joy of welcoming the first performance of a new club member who decided to take the journey of self-development.”

Innumerable ways exist to introduce oneself to an audience and Toastmaster members always seek unconventionality in approach, but strive to remain faithful to themselves. Daniela Petkova, VP for education 2009-2010, goes back to her first speech experience: “I decided to share who I am through the lenses of a Bulgarian ritual that takes place when a baby is born and which is believed to influence his/her choices later in life. Thus I presented the story of my life by revealing certain facts and choices I have made, which were conveying what my values and beliefs are and how eventually all this justifies me delivering my Icebreaker speech in the Toastmasters club.”

Other members, such as Sinisha Veselinovich, who joined the Club in May 2009, chose to speak about “Past, Present and Future.” It is a challenge to “squeeze” one’s life into four to six minutes, which is the duration of an Icebreaker speech. But Sinisha accepted that challenge and presented segments of his life, “mirrored through dreams, desires and goals, [his] firm belief in them and the efforts spent towards their achievement.”

In turn, when I completed my Icebreaker, the Club members passed on to me their speech comments and recommendations. Thus I learned how they perceived my presentation through the variety of opinions they expressed. They also gave me useful suggestions for improvement that I have strived to apply in all my subsequent speeches. Individual members’ emotions that transpired through these evaluations generated among us a mutual sense of confidence that we continue to encourage and nourish ever since.

At the time of my Icebreaker speech, I still hadn’t realized the level of importance that it would have on me. Now, four years later, I can be much more specific and eloquent about its benefits. I can’t speak highly enough about the
feeling of belonging to a community with which I share thoughts, ambitions and goals – all of which have been a very strong motivator for me to continue in my public speaking development path. Moreover, I have noticed that the Icebreaker speech raises a sense of friendship that extends beyond the time-frame of the club meetings. Definitely, through the years, Toastmaster members themselves have developed a higher level of responsibility to every new member and his desire to further develop his communication and leadership skills.

The more we support each other, the better the chances of the Club are to assert itself as the preferred place for people to exchange experience and experiment with new ideas, in the goal of enhancing self-discovery, expanding their interpersonal and professional skills, building positive approach to life and contributing to Club’s success. The appreciation of all these efforts resulted in the “Distinguished Toastmasters Club Award” that Toastmasters International gave to Sofia AmCham Toastmasters in 2009. I believe that with the active support and participation of our current and future members in all Toastmaster activities we will receive this sign of recognition again in 2010.

AmCham Toastmasters Club meetings are held in English every second and fourth Wednesday of the month at the Grand Hotel Sofia, starting at 7 p.m. sharp. For more information about the club and Toastmasters International go to enquiry@amchamt.org http://www.amchamt.org http://www.toastmasters.org

As the famous dictum goes, no man (or woman) is an island. We sometimes take for granted the community that we live in. People and societies co-depend on each other for survival, even though the growth of commercialism is eroding the traditional values such as team work and unselfishness. Communities are suffering because of this, but we can bridge that expanding gap through volunteering, which is ultimately about helping others and having an impact on people’s well-being. What better way is there to connect with your community and give a little back?

On Oct. 24, 2009, AmCham Corporate Social Responsibility Committee and Bulgarian Charities Aid Foundation BCAF united for the fourth time for Fall 2009 Volunteer Day. This project started a year ago targeting companies looking for ways to engage their employees to contribute time and talent to community through meaningful volunteer engagement.

The main purpose is to provide inspiration and change the attitudes toward our responsibility to the community and environment. We believe that organizing such events can show people that they can undertake their own initiatives to take care and improve the environment - cleaning parks, helping children and elderly people, protecting nature and in this way be an example for responsible business and citizens. Fundamentally, volunteering is about giving your time, energy and skills freely. As a volunteer you have made a decision to help on your own accord, free from pressure to act from others. Volunteers predominantly express a sense of achievement and motivation, and this is ultimately generated from your desire and enthusiasm to help.

Sometimes volunteers are regarded as do-gooders and those that hold that view also assume that one person can never make a difference. It may be true that no single person can solve all the world’s problems, but what you can do is make that little corner of the world where you live just that little bit better.
Bulgarian Land Development invited AmCham members to a presentation followed by a cocktail on Nov. 4, 2009, at Grand Hotel Sofia. The event was hosted by the AmCham Bulgaria, and Chamber’s vice president and CEO of Citibank Sofia Stefan Ivanov greeted the audience.

Bulgarian Land Development Plc is a leading Bulgarian property developer, listed on the London Stock Exchange, said Dimitar Savov, BLD executive director. The development portfolio now comprises of nine projects, with an estimated gross value of 150 million Euro.

BLD presented its leading project – Polygraphia Office Center, situated on Tsarigradsko Shosse Boulevard near the Eagle’s Bridge. The opening date is scheduled for July 1, 2010, announced investor Sergey Koynov, CEO of Forton International, an associate of Gushman&Wakefield. The center’s conceptual design was prepared by HoK International, one of the leading European architectural firms recently featured on the Top 100 Green Design Firms list.

ECACC Meets in Malta

The European Council of American Chambers of Commerce (ECACC) held a successful fall meeting Oct. 14-16, 2009, in Malta. As you know, AmCham Malta hosted us and we are extremely grateful for the huge efforts that they made in providing excellent venues, speakers, programme items, meals and optional tours. Particular thanks to Anton Tabone and James Satariano, but also to the entire board membership who were also present for most items on the programme.

ECACC had a cocktail with the new U.S. ambassador to Malta (one of the first public engagements), a very interesting and inspiring session with Edward Debono, lateral-thinking guru as well as a follow-up practical session with an official Debono trainer. This first morning was one of the highlights for the participants. ECACC also had lunch with the Deputy Prime Minister Tonio Borg and dinner with the Finance Minister Tonio Fenech in several historic locations.

Finally, Best Practices sessions: one on membership in times of crisis led by Stephen Brugger, and his colleague from AmCham Denmark, Chris Eberhart, and with a case study from AmCham France provided by Oliver Griffith. This was fol-
There is a huge potential in Bulgaria for application of renewable energy generation with the available land, radiation, wind regimes, hydro resources, and clean-tech applications in the opinion of Gerard van der Sluys, Managing Director Business Process Re-engineering (BPRE) International Management Consulting Services. He was a guest speaker at a business mixer of AUBG and AmCham Bulgaria on October 26 held at the AUBG affiliate “Ellief Center”.

As a business consultant Mr. Van Der Sluys elaborated on the topic “Creating sustainable businesses and jobs in Bulgaria”, applying new strategies when dealing with the economic crisis in Bulgaria, particularly with the expanding unemployment.

He sees huge potential in Bulgaria in several areas: in the establishment of clean-tech related equipment manufacturing - solar panels, turbines, biomass installations, and algae breeders; in attracting IT related businesses from abroad and establishing new ones locally. Additionally there is a huge potential for the extension of selected agricultural production. According to Mr. Sluys in these industries Bulgaria can create more than 25,000 jobs in the coming 2-3 years.

He advised to create a national platform of cooperation between Government and the business community in the form of a National Job Creation Task Force. There is a necessity to define a job creation plan for the coming 5 years with commitments from all parties involved. As part of this plan it is viable to define the legal and financial requirements to be fulfilled.

Bulgaria has to establish regional and national Public Private Partnerships (PPP), consisting of local and regional companies, entrepreneurs, governments and experienced business developers with appropriate networks worldwide. Further on the country has to increase the inward investment activities focused on the fields of excellence (Renewable Energy, IT), and to create business parks focused on fields of excellence.

Both foreign and national companies will need establishment incentives to be provided by governments and local corporate funding. With this regard there is a need of improvement of regulatory frameworks, energy and transportation infrastructures, and landing of re-allotment reforms.

The statistics show that current official unemployment figure is 8%, and many people are not included. The real unemployment is estimated to be at 15%, said Mr. Sluys. The Government expects the official unemployment to rise to 10% by end of 2009, and real number to be up to 20%. Some regions of Bulgaria have unemployment rates of more than 25-30% unemployment.

lowed by an excellent hands-on session with Gerald Strickland on the “business balanced scorecard” and which provided us with much food-for-thought on how to target and measure the success of our associations and also of ECACC.

ECACC’s next meeting will be in Brussels in March. A best practices session will be added to the AmCham EU Brussels Briefing (plus Transatlantic Conference which is also sponsored in 2010 by ECACC).
Carrefour Tsarigradsko Mall, European Trade Center completed

The main construction works of the most fashionable large-scale complex in Bulgaria have been completed. The complex includes Carrefour Tsarigradsko Mall and five office buildings forming the European Trade Center. The complex creates a new business location of Sofia that attracts companies looking for contemporary business environment, easy access, plentiful parking within a short ride to the airport. Building A is the tallest office building in construction in Bulgaria (67 meters). That is also the first huge building that the visitors arriving from Sofia Airport and Trakia Highway see, thus marking it as an original portal to the capital.

The roof of the shopping mall is now closed, the main construction works are completed and everything is being finished off. The underground transport connection between Mladost District and the complex is ready. The modern infrastructural equipment leads to the parking of the mall and will enable the access of automobiles from the city center as well as their exit to Mladost and Druzhba districts. The tunnel is the first of its kind built in Sofia in the last 20 years. The total investment in the complex situated on 240,000 sq. meters is 200 million Euro, of which 80 million Euro is just for the office buildings. The new business location emphasizes the synergy between the two leading projects in office and retail space – European Trade Center and Carrefour Tsarigradsko Mall, which creates additional value for the tenants.

The European Trade Center is formed by five office buildings class A with a total area of 72,300 sq. meters. Each building has its own entrance and enjoys direct access to the underground parking and warehouses. European Trade Center has 840 parking spaces, while the whole complex has 2800, which makes it the biggest parking area in Bulgaria. The office part offers an extremely convenient usage of the open spaces. European Trade Center and Carrefour Tsarigradsko are internally connected.

The planning and the construction of ETC has been based on the most innovative and high-tech decisions in the sector, which lead to low energy use and optimization of the functional environment. The office buildings possess high quality communication system, a HVAC system, cart control, excellent transport and provide easy access for disabled people. A modern water-sprinkle system and back-up diesel generators support the security systems of the buildings. There are six high-speed elevators in Building A, while the rest of the buildings have four elevators each with destination control system that provides energy savings and comfort for tenants and visitors. These are the first elevators of their kind in Bulgaria, with a speed of 2.5 meters per second. Building A has 17 floors over the ground level, Building B - 12, Building C - 11 and Building D and E - 10.

The newly built tunnel to the complex is 90 meters long with two entrance and one exit line. It provides an easy access to the complex and allows the entrance of automobiles from the city center directly at Level 3 of the parking. The tunnel is situated approximately 10 meters below Tsarigradsko Shosse Boulevard. The construction works started in September 2008.

"European Trade Center is a landmark at the market for office spaces in Bulgaria. It possesses high quality business environment, excellent communication and competitive prices for the tenants. The companies that are looking for an optimization of their office spaces and of the expenses for them; comfortable environment and a business synergy will find their perfect place with us," said Tanya Koseva-Boshova, CEO of European Trade Center.

"Tsarigradsko Shosse Boulevard is positioned as an attractive destination for office spaces, and the European Trade Center is the leading one. The complex marks the highest standards in the segment," said Anton Slavchev, manager for offices and business parks at Colliers International, Bulgaria.

European Trade Center Ltd. is the investor of the project designed by AS-Iliev. The construction works have been conducted by the leading international company TERNA and design management was provided by SAVANT. Piraeus Bank Bulgaria is the financing institution and Colliers International Bulgaria is the exclusive consultant.

„We are happy to be a financial partner for the largest project of its kind in the Balkans,” said Athanasios Kotsiopoulos of Piraeus Bank Bulgaria.
Leading Bulgarian wine producer Domaine Boyar announced its interim business results for this year. The company reports a 13-percent sales growth on the domestic market, which is quite impressive given the background of some 30-percent overall drop of wine consumption in Bulgaria.

Despite the complex and difficult international environment Domaine Boyar boasts significant achievements in some of the larger European markets, too. The figure for Sweden is 17 percent of growth, and on the demanding Belgian market the company has a 36-percent increase. In a year of a worldwide economic recession and fierce competition, these results demonstrate again the company's leading positions, achieved by maintaining the high quality and consistency of its wines, proudly carrying the name of Domaine Boyar. Vintage 2008 crowned with success the long-standing efforts of the qualified team of enologists to extend the assortment of its top range Solitaire with three new wines – Pinot Noir, Cabernet Franc and Grand Cepages (the latter represents a blend of Cabernet Sauvignon, Cabernet Franc and Merlot). These three new additions are a manifestation of the outstanding potential of these grape varieties. The wines enhance the exclusivity of this range, which already includes Domaine Boyar Solitaire Merlot, well known to many wine lovers since its launch with the 2003 vintage. This and the following vintages have been receiving undiminished interest from connoisseurs.

The Royal Selection, a wine range which has been enjoying an unrivalled acceptance at the premium end of the market for nearly 15 years, has also been supplemented with Pinot Noir. The XR range - modern screw top high fruit flavor wines – has had some exciting additions too. The Chardonnay and the medallist from Concours Mondial de Bruxelles Cabernet Sauvignon 2008 have now been joined by a 2008 Pinot Noir.

To further improve its market position, Domaine Boyar has embarked on a large-scale advertising campaign, starting in November and going on until the end of the year. The motto of the campaign is Domaine Boyar - The Taste of Wine. It will be featured on all national and local television and radio stations. The face of the campaign is Lyubo Neikov, an actor who is adored by the public as a creator of a famous comedy TV show on bTV.

Motorola Bulgaria has a tradition to dedicate one day in October – Global Day of Service - to services benefiting society by Motorola employees. These services are performed by Motorola employees in different areas like taking care of underprivileged children, repair and maintenance of buildings, planting trees etc.

Last three years Motorola Global Day of Service was aimed at improving of the environment in the city where we all live and work. The first stage of Motorola’s project "Mladost Garden and Children Playground" was planting trees on the territory of Mladost Municipality, in the area between blocks 446 and 447 in Mladost 4 region, 200 m away from Business Park Sofia. In spring 2008 Motorola Team built a children playground and in October finished a stone path from the street to the children playground and planted ornamental plants along the path.

On October 14, 2009 Motorola Bulgaria planted decoration plants along the fence of the children playground in Social Home "Nadejda" for unprivileged children- Mladost 1. The employees worked together with the children, living there.

We strongly believe this project will give the children a better place to play, as well as will contribute to keeping the green balance in Sofia and Bulgaria.
“Etap - Adress” AD has been registered in Sofia, 1994. The company’s main activity is domestic and international passenger road transport. As of January 2000, the company is a member of the National association of the bus carriers in Bulgaria. In June 2003, it made an investment in the company “Central bus station” AD. It acquired 37.5%. In October 2003, the company made a deal – acquired 100% of the capital of “Dodo Beach” EOOD Kiten, district Bourgas. Since November 2004, it has a permission from the Ministry of Finance to implement an activity as operator of food vouchers. It has concluded a contract with the Ministry of Regional Development and Public works for granting a concession over part of the sea shore – beach “Kiten - Yug”. “Etap - Adress” AD was granted a concession on part of the mineral water – an exceptional state property from the well "Barzia" – the village of Barzia, Berkovitsa municipality, the company is an owner of the balneotherapy center in the village of Barzia, Berkovitsa municipality. On May 16, 2007, the factory for producing and bottling of mineral water in the village of Barzia, Berkovitsa municipality, district of Monatana was officially opened and the construction of the office building is still in progress as at present the finishing works are being executed. The natural mineral water “KOM” is obtained from water field – Exploitation well №1, village of Barzia, Berkovitsa municipality, District of Montana.

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European Trade Center OOD is a property development company, focused on large scale office and retail projects in Bulgaria. European Trade Center’s mission is to satisfy its tenants' needs for quality office space and successful retail developments. The projects feature prime locations, state of the art quality and great tenants. The most recent successful project of the company is the first international style shopping mall in Burgas - Burgas Plaza. It features over 90 retail stores, food court and Carrefour Hypermarket. The list of tenants includes Marks&Spencer, New Yorker, Intersport, Benneton, Manga, DM, Deichman, Starbucks, Subway, McDonald’s, KFC. At present the company is focused on the completion of one of the largest office complexes in Sofia - European Trade Centre, part of the Carrefour shopping mall on Tsarigradsko Shosse Blvd. The five buildings feature 70,000 square meters of Class A office space, great visibility and easy access via a purpose built underground tunnel under Tsarigradsko Shosse Boulevard. The first tenants - Vivacom (ex BTC & Vivatel) and Carrefour move in January 2010. The retail portfolio of the company include also three more projects, anchored by Carrefour – a shopping mall in Stara Zagora and shopping galleries in Dobrich and Pleven. The mall in Stara Zagora is due to open in the last quarter of 2010, and the ones in Dobrich and Pleven in the second half of 2011.

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In addition to the arrival of 2010, this year we will ring in a new decade. According to the popular belief, however you meet what's new, the future will give you the same in return. For this reason, on the cusp of the new decade, Grand Hotel Sofia welcomes guests with an exquisite and stylish New Year’s Eve Party. Our wish is for the future to bring you the things that Triaditza Restaurant and Shades of Red Restaurant will offer you on New Year’s Eve.

A special program of entertainment with the participation of Borissov Brass Band will help the guests to count down the minutes to midnight with a rhythm of jazz and oldies. A variety show with Broadway-style dancing will indulge them in the brilliance of decades past. The gourmet menu for connoisseurs at Shades of Red offers six steps to utter bliss.

The chef’s suggestion for the start of the festive dinner is a bouquet of salads, carrots, zucchini, French peas and fresh beans served with truffle shreds, Parmesan cheese and olive oil. This is followed by sautéed king prawns on a bed of celery and zucchini and a hot starter: pan-fried Foie Gras de Canard with figs.

Guests can choose to taste vacuum poached sole fillet within bread crumbs and bisque sauce served with sautéed vegetables or roast veal with sautéed asparagus and carrots as a main dish for the festive dinner.

A cheese selection and an exquisite dessert – baked pears filled with crème brulé served with caramelized fruits – will round off your gourmet delight.

A wide choice of drinks is included in the New Year’s Eve menu - Irish and Scotch whisky, vodka, gin, rum, Martini, white and red wines, along with plenty of Champagne.

As the clock ticks down to 2010, we will open a live TV connection from the New Year’s Eve celebration in Battenberg Square and offer a midnight Champagne toast. Then dancing will begin with our DJ party.

The hotel offers diverse covers for the festivities depending on your choice of accommodation and programme. For Shades of Red Restaurant the price is 290 Leva, and for Triaditza Restaurant it is 250 Leva. The New Year’s Eve festivities begin at 8 p.m. Professional animators will entertain the children.

To ring in the new decade with style, Grand Hotel Sofia offers special accommodation between Dec. 31, 2009 and Jan. 4, 2010. Combined with the New Year’s cover for Grand Hotel Sofia, guests can enjoy special rates – 105 Leva per person in an executive double room, 185 Leva per person in a corner apartment and 385 Leva per person in the panorama apartment, which boasts an impressive view of Vitosha Mountain and Sofia’s night sky. Prices include a New Year’s Day brunch, gym and parking.

For further information and reservations for New Year’s Eve at the Grand Hotel Sofia, please call +359 2 811 0 900 or +359 2 811 0 727.