GLOBIS GmbH
Management Consulting

Market Report

Bulgarian Automotive Market: Passenger Cars, Supplier and Aftermarket

2007 - 2010

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1 Summary

Bulgaria is, with a population of 7,7 mio., a medium market in Central and Eastern Europe ("CEE"). GDP per capita in 2007 was 3.747 EUR and average income was at 217 EUR / month, making Bulgaria one of the poorer countries in CEE. However, with around 5% GDP growth rate at constant prices, Bulgaria's economy is growing faster than that of most other European countries. In addition, there is a substantial grey economy in Bulgaria which is not included in the official numbers.

Bulgaria's car penetration is one of the highest in CEE and just about 20% lower than for example in France. While the parc was growing at about 10% annually over the last years, growth will reduce to about 3%. The car parc today is relatively old, with 50% of cars older than 15 years. Bulgarians will start replacing very old cars through newer ones.

Since Bulgaria became a member of the EU in 2007, imports of used cars increased dramatically. The imports reached an all time high of 350.000 in 2007 (after less than 150.000 a year before), mainly consisting of relatively old and hence very cheap cars. Bulgaria has no regulations in place to prevent the imports of old cars.

Notwithstanding this rapid increase, the new car market is also growing continuously. During recent years the market grew at a rate of almost 30% annually. We expect this rate to reduce but still estimate 18% growth over the next years annually.

Toyota took the lead in the new car market, whereas the most popular models sold are the Dacia Logan and the Opel Astra. Chinese brands have not yet surfaced in Bulgaria. Most brands are represented by a wide dealership network, mostly owned by one local company. For many brands there is room for growing the dealer network.

The majority of new cars purchased are financed through financial leasing arrangements. Loans play a minor role in new car purchase and a somewhat bigger role in the used car market.

Currently, no OEM is manufacturing in Bulgaria. Bulgaria traditionally did not play any role in car production, although Rover did assemble cars on the basis of CDK kits for some years and a local industrial conglomerate is currently considering the production of a new local brand. This is in line with Bulgaria trying to attract FDI, also in the automotive sector. With no cars manufactured, there are only few players in the parts industry in Bulgaria.

The Bulgarian aftermarket is strongly influenced by the huge number of second-hand imported cars. These cars need service – and the service network in Bulgaria currently is not sufficiently organized to provide this service. Many unofficial backyard garages have opened to provide low cost service for cars with an average import value of 1.400 EUR. Most Bulgarians are price sensitive and hence choose IAM parts or fakes. Fakes are an issue, especially for maintenance and minor repairs. Also, used and somehow refurbished parts are an issue.

Alongside with the car parc, the Bulgarian aftermarket (spare parts) will be growing at a rate of 3,5% until 2010, outperforming the growth of the car parc.

The distribution system for spare parts to the consumer is still developing, alongside with the system for car service. Service centers account at present for only about one-third of the spare parts sold.

In total, the Bulgarian market for passenger cars and spare parts is quite attractive. The new car market will continue to grow and the aftermarket will become more professional in the course of the next years. The main challenge will be to provide attractive financing conditions for Bulgarians with low income. In the aftermarket, distribution of spare parts is the main issue to resolve.

To prepare this market report, we used primary and secondary research methods: expert interviews and consumer surveys – in particular for the market of automotive parts, which is not covered yet by any substantial statistical data – and standard analysis of secondary information available on the topic. Based on our experience and developed competencies we have built proprietary market models to forecast future market development. The report was compiled in the period from October 2007 to January 2008 and hence includes statistical data until December 2007, if available.

Globis is a Germany-based consulting company with broad international coverage regarding strategy development, especially entry strategies into new markets.

2 Country Basics

Population (mio.)	7,7
Area (1.000 sq. km.)	111
Territorial arrange-ment	28 Districts
Population density (inhabitants / sq. km.)	69,2
Life expectancy at birth (years)	Male: 69,1 Female: 76,3
Birth rate / Population growth	0,96 / -0,5%
No. of households (mio.)	2,3

Table 1: Bulgaria - Country Facts, 2007

Bulgaria is one of the new member countries of the European Union. With about 7,7 mio. inhabitants it is a medium-sized country in terms of population. Bulgaria has a population density of almost 70. This is much less than in the Western European states and for example about half of Poland's population density. Hence, Bulgaria, in European terms, is scarcely populated. However, about 70% of the population lives in cities. The largest city is Sofia, the capital, with about 1,2 mio. inhabitants. The second largest city is Plovdiv, with about 0,4 mio. inhabitants. Known from many other countries, Bulgaria's population is currently decreasing – by 0,5% annually. Bulgaria is divided into 28 districts (see Figure 1). For planning purposes, these are grouped into 6 planning regions. See Appendix, chapter 6.1, for a detailed overview over planning regions and districts. The largest planning region is the South-West (see Table 2). Bulgaria is encapsuled by countries of the former Eastern block in the North and West and by Turkey and Greece to its South. To the East, it has a coastline with the Black Sea which connects Bulgaria to Russia, Ukraine and the Mediterranean Sea.

	2005	2006	Change
Bulgaria overall	7.718.750	7.679.290	-0,51%
North-West	493.708	484.623	-1,84%
North-Central	1.140.453	1.129.729	-0,94%

	2005	2006	Change
North-South	1.270.018	1.264.101	-0,47%
Sourth-West	2.118.855	2.116.791	-0,1%
South Central	1.921.178	1.912.542	-0,45%
South-East	774.538	771.504	-0,39%

Table 2: Population Development in Planning Regions, 2005-2006

Source: NSI

Live expectancy at birth is not yet at the values of leading industrialized nations, but about average for CEE countries. However, with about 70 years for men it is far better than for example Russian live expectancy for men.

Figure 1: Bulgarian Borders, Districts and Main Cities

2.1 Economic Development

Bulgaria has seen stable growth rates of its GDP over the last years. With and shortly before EU accession, growth rates at constant prices were higher than what is to expect in the long run. However, with around 5% growth rate (see Figure 2), Bulgaria's economy is growing faster than that of most other European countries. In 2007 Bulgaria's GDP was around 56 bn. BLN, which is 28 bn. EUR or 42 bn. USD.

Bulgaria's currency, the lev (BGN), is fixed to the Euro at the rate of 1 EUR to 1,95583 BGN. Bulgaria is planning to introduce the Euro by 2010.

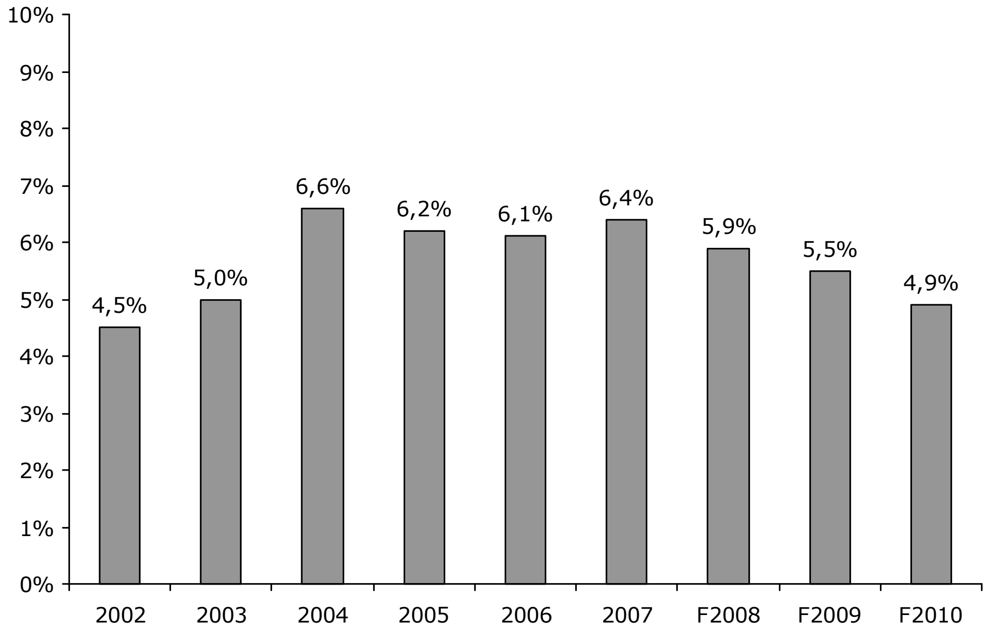

Figure 2: GDP Growth Rates at Constant Prices, 2002-2010

Source: NSI, IMF, Globis

On a per-person basis, Bulgaria, with a GDP per capita of 3.747 EUR (current prices) is one of the poorest countries in the EU, at about the level of Romania (but still a little higher). Countries like Poland or Hungary are much better off in terms of GDP / person. Growth rates are relatively high (see Figure 3), but most of the growth is compensated by inflation.

Bulgaria has had some problems with inflation in the past years. With 5% in 2005 its inflation exceeded European average by far. With new excise duties on various goods like cigarettes, inflation increased further to more than 7% in 2006 and in 2007 preliminary figures show an inflation rate of 7,6%, one of the highest in the EU. We expect inflation to fall to around 4% in the next years until 2010.

In 2006 agriculture accounted for about 7% of GDP, industry for about 30% and services for the remaining 63%. There is a substantial grey economy in Bulgaria, at about 25% the size of the official economy. This increases the size of the economy, but the relative standing in Eastern Europe remains the same, since in other Eastern countries there is a substantial grey economy as well.

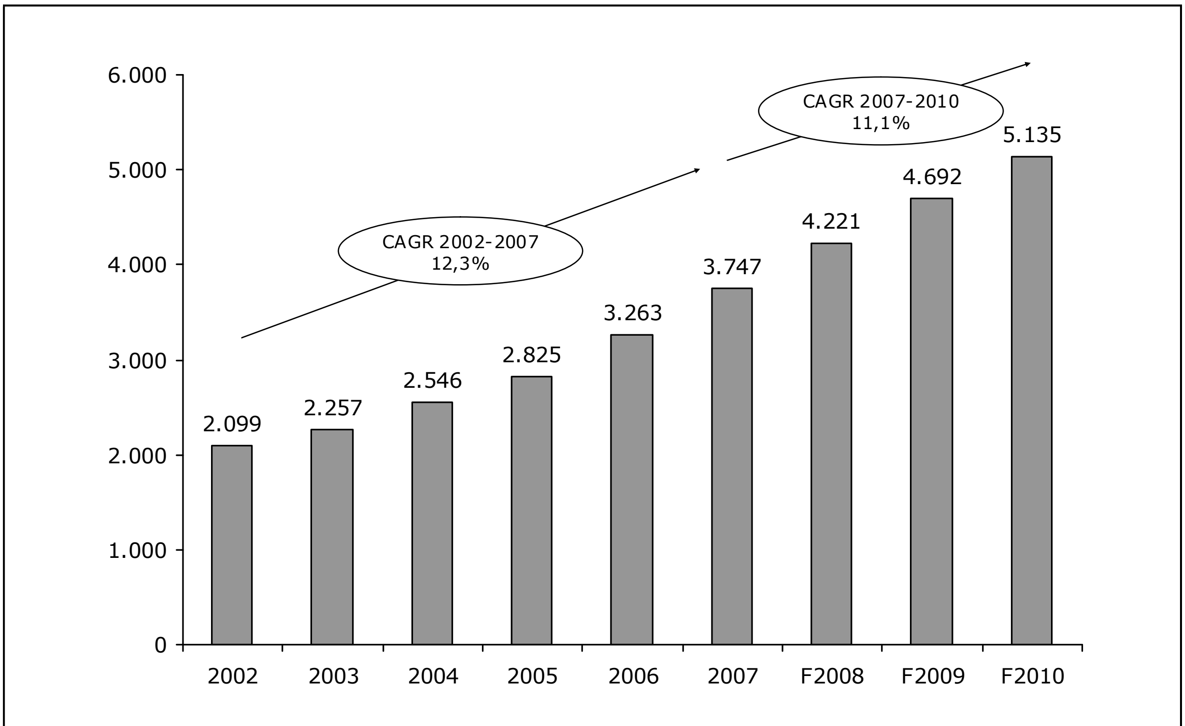

Figure 3: Development of GDP per Capita at Current Prices, in EUR, 2002-2010

Source: NSI, IMF, Globis

After privatisation programs started in 2004, there are only few state-owned companies left (like in tobacco and utilities) hence leaving the private sector as the main driver of the economy. The private sector makes up more than 80% of Bulgaria's economy.

In the Ninetheeth, Bulgaria joined the Central European Free-Trade Agreement (CEFTA) which allowed for free trade among Eastern European countries. Members of CEFTA were Croatia, Czech Republic, Hungary, Macedonia, Poland, Romania, Slovakia, Slovenia. Since most of these countries joined the EU, the relevance of CEFTA for Bulgaria today is limited. In 2006, almost 48% of imports and more than 55% of exports are with the EU. Outside the EU, Bulgaria has bilateral free-trade agreements with Albania, Croatia, Estonia, Israel, Latvia, Lithuania, Macedonia, Moldova, and Turkey. Also since the Nineteeth, Bulgaria is an WTO-member.

Bulgaria's economy is particularly strong in textiles, iron and steel, machinery and equipment as well as fuels. However, Bulgaria has to import substantially, leaving a substantial trade deficit year by year. For example, there is almost no automotive industry in Bulgaria. Main foreign investors in Bulgaria are coming mainly from the EU (with Austria and Germany in the lead), Russia and Turkey.

Cost of labor is still low, also compared to many other Eastern European countries. The average monthly income in July was about 400 BGN or slightly over 200 EUR per month (see Figure 4). Bulgaria hence is a rather attractive outsourcing region, explaining partly its success in some manufacturing industries like textiles. Monthly income in recent years did not always grow above the rate of inflation, leading even to a reduction in real wages.

However, income distribution is heavily distorted by city dwellers in Sofia, Varna and Plovdiv earning well above the average. In addition, there is an overall distortion through the tendency of private-sector firms to declare their employees' salaries at lower rates to minimize tax exposure and social security payments. In reality, often significantly higher wages are paid.

The disposable income of Bulgarians has a stronger impact than in many other countries due to the very high housing-ownerships of Bulgarians. Ownership rate is at about 90%, which is far above the rest of the EU.

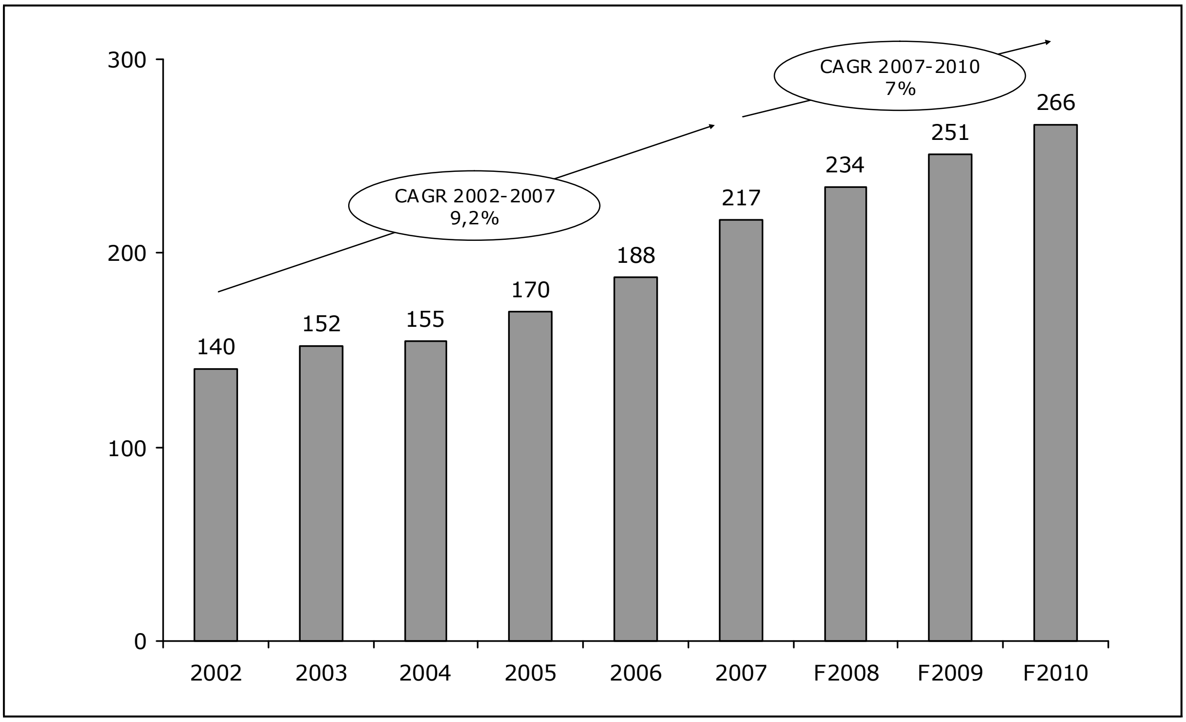

Figure 4: Development of Average Monthly Income, in EUR, 2002-2010

Source: NSI, Globis

Bulgaria today has an unemployment rate of a little less than 10%. This is far away from a problematic social situation and enough to keep wages in check. However, given a grey economy of about 25% of the official economy, unemployment is likely much lower than the official numbers.

In total, Bulgaria has a relatively stable economy. There is not too much risk involved in doing business in Bulgaria. Its legal and political system is stable and its financial management provides for stability as well.

2.2 Regional Economic Development

Bulgaria is divided into 28 districts, which are grouped into 6 planning regions - North-West, North Central, North-East, South-West, South Central and South-East. The strongest economy is in the South-West, whereas the Northern regions have traditionally a rather weak economy (see Table 3 for details).

Sofia, Bulgaria's capital, officially has about 1,2 mio. inhabitants (more than one seventh of the country’s total), leading to a population density of 921 people per sq. km. Inofficial numbers, which count internal migration as well, are around 2 mio. In any case, the city is growing strongly: it is expected to gain about 100.000 new inhabitants per year over the next 5 to 10 years. Sofia is the economic, political, logistics and cultural hub of the country. The unemployment rate in Sofia is less than 2%.

Regions	Population in 1.000	Area in sq. km.	Population density	GDP per capita in BGN	GDP per capita in EUR
Total	7.679.290	111.000	69,2	5.529	2.825
North-West	484.623	10.687	45,35	4.368	2.233
North-Central	1.129.729	17.921	63,04	4.342	2.220
North-East	1.264.101	19.923	63,45	4.589	2.346
South-West	2.116.791	20.306	104,24	8.179	4.182
South-Central	1.912.542	27.516	69,5	4.541	2.322
South-East	771.504	14.648	52,67	4.802	2.455

Table 3: Regional Population Density and GDP per Capita at Current Prices, 2005/2006

Source: NSI

Sofia has absorbed nearly half of all foreign direct investment. Many branches of the industrial sector, from engineering to light industry, are represented in and around the capital. Most of the country's metallurgical capacity is also located near Sofia. Correspondingly, per capita GDP in Sofia is more than 50% of the national average.

Plovdiv is located in the South Central planning region and is the second largest city in the country. It is also one of the biggest transport junctions in the country and on the Balkans. The international road E 80 – Belgrad-Sofia-Plovdiv-Istanbul runs close to the town. Plovdiv is the centre of the important Thracian agricultural region, and food processing is among the most important industries. The city also produces machinery, textiles, and chemicals. The Plovdiv International Fair, held annually since 1892, is the largest and oldest fair in the country and all of South-eastern Europe.

Varna is the third largest city in Bulgaria. The economy of Varna region produces 5,4% of the GDP of Bulgaria. The district is third in the country as to FDI per capita. Major industries in the province are manufacturing, transport, tourism and construction.

2.3 Bulgaria and the European Union

Since the beginning of 2007, Bulgaria is a member of the EU. Starting from 2008, Bulgarians can move freely into other member states of the EU. There are no border controls left. Hence, for investors from outside the EU, Bulgaria could be a good starting point to conquer the rest of Europe. With its low cost of labor, it could be a good place for the production of goods which are then sold into the EU.

To demonstrate the potential, Table 4 lists the potential of the EU in comparision to that of Bulgaria stand alone.

	European Union	Bulgaria
Population (mio.)	495,1	7,7
Area (1000 sq. km.)	4.423	111
Population density (inhabitants per sq. km.)	114	69,2
Life expectancy at birth	75,8	72,6
Number of households (mio.)	165	2,3
GDP (USD bn.)	14.527	310
GDP per capita (USD)	29.473	4.025

	European Union	Bulgaria
Exports, total (€ bn., 2005)	1.062	12
Imports, total (€ bn., 2005)	1.176	17

Table 4: Comparison of Key Figures EU / Bulgaria, 2006

Source: Eurostat, NSI

3 Bulgarian Passenger Car Market

3.1 Bulgarian Car Parc

The Bulgarian car market is characterized through the absence of any car manufacturer, neither of Bulgarian nor foreign origin. There are also only very few companies producing parts for the automotive industry. In fact, the automotive industry in Bulgaria contributes a quite small percentage to the economy overall. The government of Bulgaria has announced to foster investments in the automotive sector, particularly parts manufacturing. However, with almost no industry presence this will be a long way.

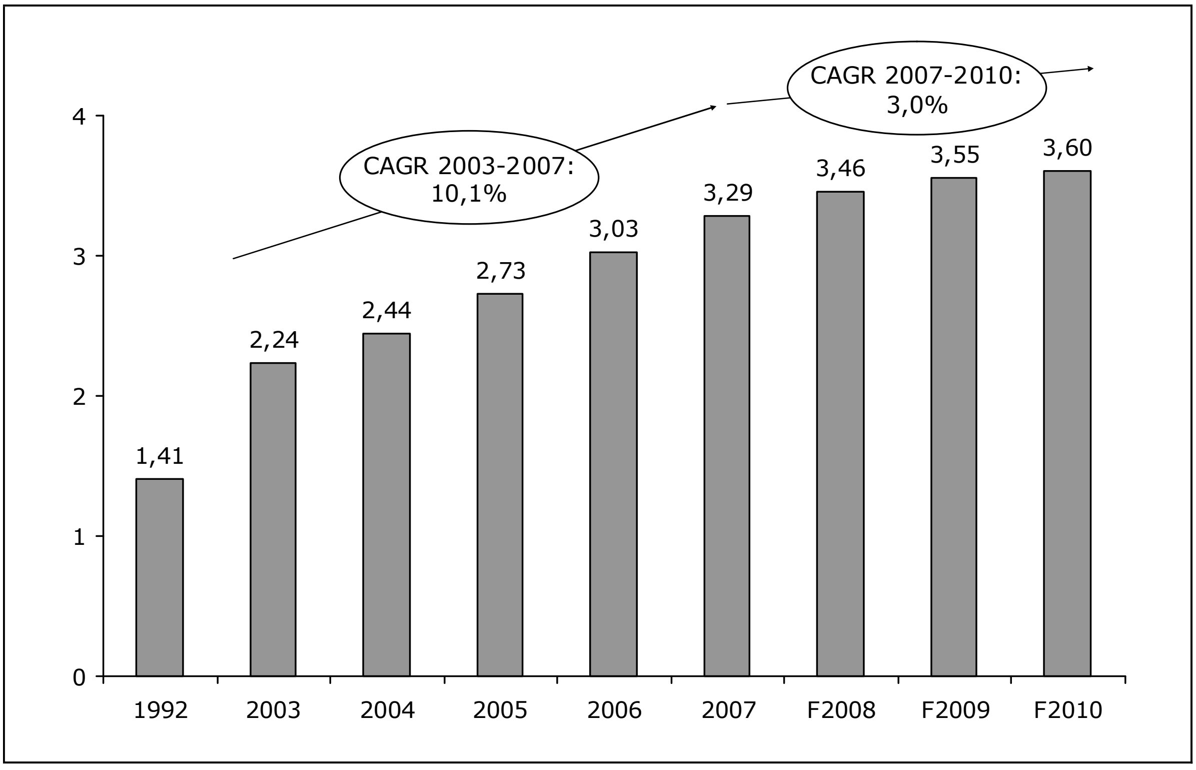

Figure 5: Development of Car Parc, in Mio. Units, 1992-2010

Source: Traffic Police, Globis

* Here and further the data on car parc is on the 31st December of the respective year.

The Bulgarian passenger car parc is growing fast. The total number of passenger cars has increased from 1,4 mio. in 1992 to almost 3,3 mio. end of 2007.

For the last five years, the car parc grew by an compounded rate of 10% annually. In comparison, the growth rates in Western European markets reached 1-2% annually. However, we estimate growth to moderate for the years until 2010, at a rate of 3% (see Figure 5). We expect a growing replacement of older cars through younger ones, but not a significant further growth of the parc. Many older cars will be scrapped over the next years. In 2010 there will be about 3,60 mio. cars in Bulgaria. With this car parc, Bulgaria will almost reach the car penetration of today's France.

The parc is dominated by old, partly very old cars. This trend even increased with the opening of the Bugarian market, following the entry to the EU in 2007. Since then, the import of used cars especially from Western Europe increased dramatically and drives the growth of the market. These cars are – with an average import value of 1.400 EUR – quite old. Bulgaria has not yet adopted regulations to prevent imports of very old cars. The trend got further support through regulations which abondant VAT on sales between private individuals. Following this, the import and sale of used cars through private individuals increased heavily. In addition, write-offs in the parc are relatively low. Even the strong growth of new car sales of over 25% annually does not change this picture: Less than 20% of cars added to the parc in 2007 were new cars. Also, the import and sale of used cars grew stronger over the last years. In total, the car parc is rejuvenating quite slowly.

Another characteristic is the car penetration of the Bulgarian car parc. With 428 cars per 1.000 inhabitants, Bulgaria is penetrated with cars almost at a Western European level (see Figure 6). Now almost 70% of Bulgarian families own a car and almost 80% of businesses have their own car fleet – even if it is small sometimes.

The current status of the car parc makes the Bulgarian market attractive to spare parts manufacturers, parts stores and car service chains. With growing wealth, Bulgarians will start to replace their old cars through new ones – and provide interesting opportunities for OEMs.

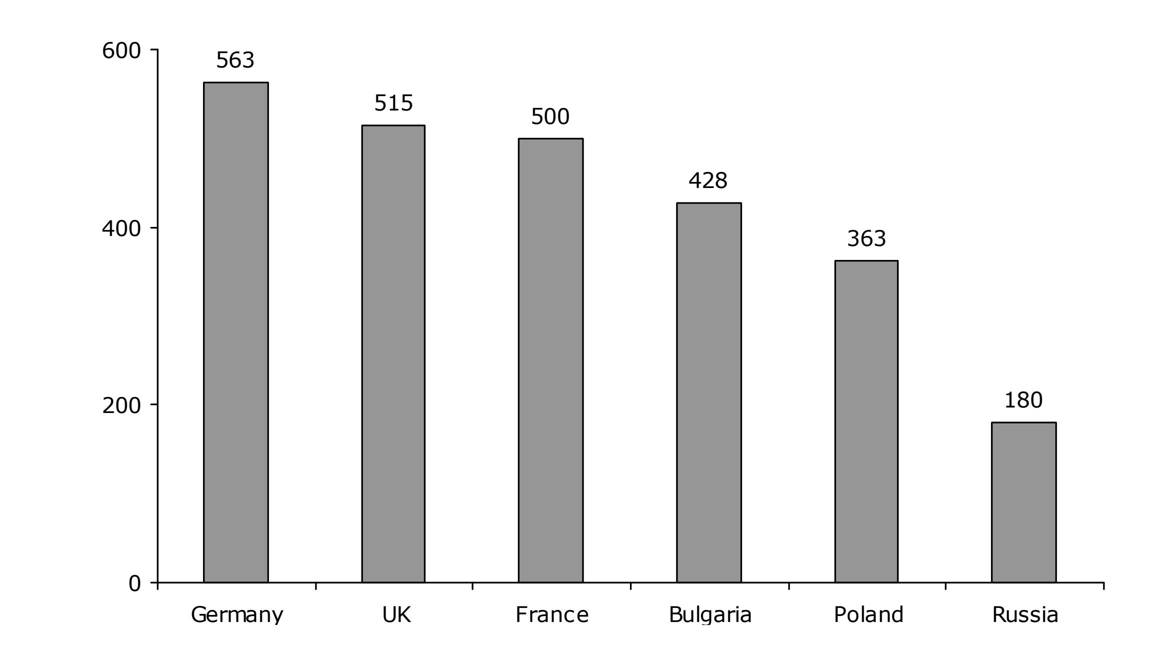

Figure 6: Car Penetration in Bulgaria and Selected European Countries, 2006/2007

Source: Acea, Globis

3.1.1 Structure of Car Parc by Age

A major characteristic of the car parc is its age. Not surprisingly, the Bulgarian car parc is quite old. More than 50% of Bulgarian passenger cars are 15 years and older (see Figure 7 for details). Almost 30% of passenger cars are between 11 and 15 years of age. These numbers are to be expected in an economy with a relatively low income level, historically almost no opportunities for financing and without domestic production of cars. Cars are run till they can not be fixed any more. Currently, Bulgarian families prefer to buy cars not older than 10 years – but also not much younger.

The "Rules of Technical Inspection for Transport Vehicles", issued in 2002 (chapter 4, §§ 32a, 32b of the rules) provide for cars to be checked regularly; by this provision, cars with an age older than three years have to be checked annually. Cars with an age up to 3 years have to be checked every second year. Only cars passing the test get a permission to be run. The inspection comprises basic function test, for example of the braking, lighting and steering system. Many old cars in the Bulgarian parc would not pass this test. Some of these cars are not used any more (or rarely, especially in the country-side) but remained registered. This mainly concerned the old Russian brands like Moskwich and VAZ vehicles, as well as the GDR-cars Trabant and Wartburg. Some cars, especially very old ones, are dropping out of the parc regularly due to this provision, hence helping to rejuvinate the parc.

By a new regulation in 2006, car licence plates had to be replaced – from cyrilic script to latin script. In the course of this re-registration in 2006, a relatively large number of cars (about 73.000) dropped out of the parc officially. Most of them were from the old Eastern-Block-Brands mentioned above. Since then, all cars in the parc are more or less actively used.

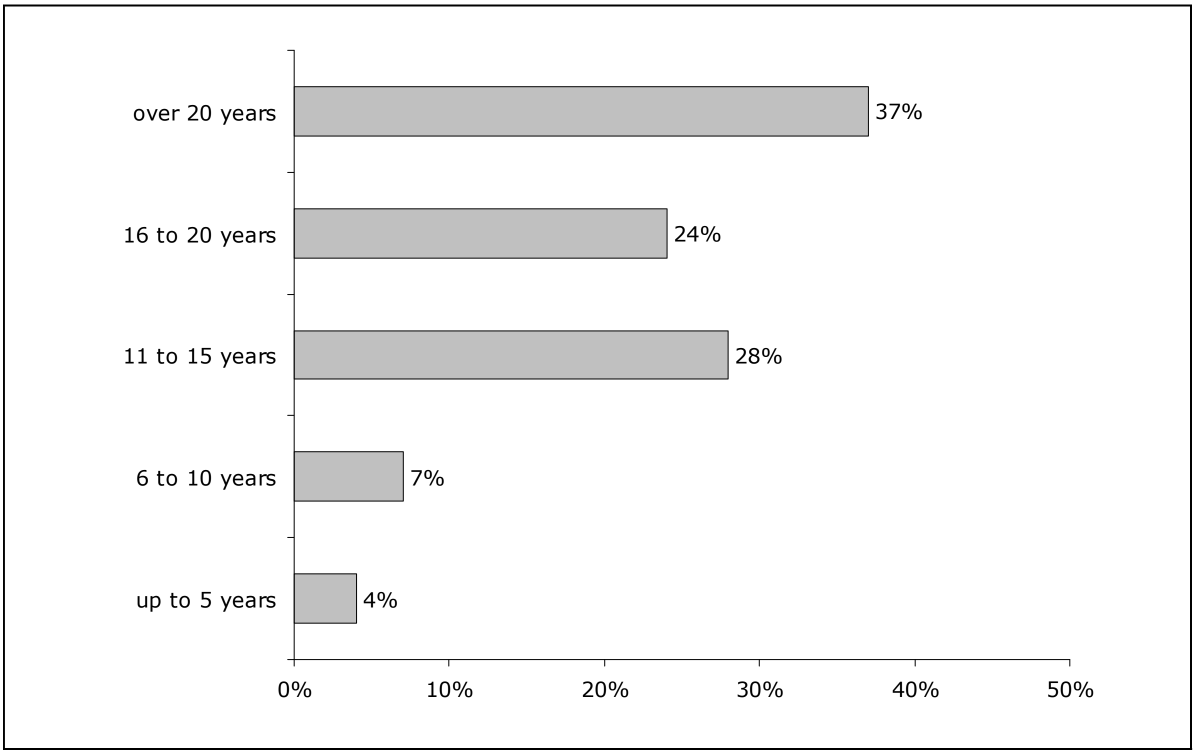

Figure 7: Structure of Bulgarian Car Parc by Age, 2007

Source: Traffic Police

3.1.2 Structure of Car Parc by Brands and Models

There are no domestic brands in Bulgaria – currently not even any assembling activities. With a share of the current car parc of almost 18%, Opel is the market leader in the parc, followed by Volkswagen (13,7%) and Renault (10,5%) (see

Figure 8). The main driver for Opel's leadership is its affordable price for used cars, together with a good reputation for quality. It is not due to Opel's or GM's strong presence in Bulgaria. Mostly private importers were driving this leading position.

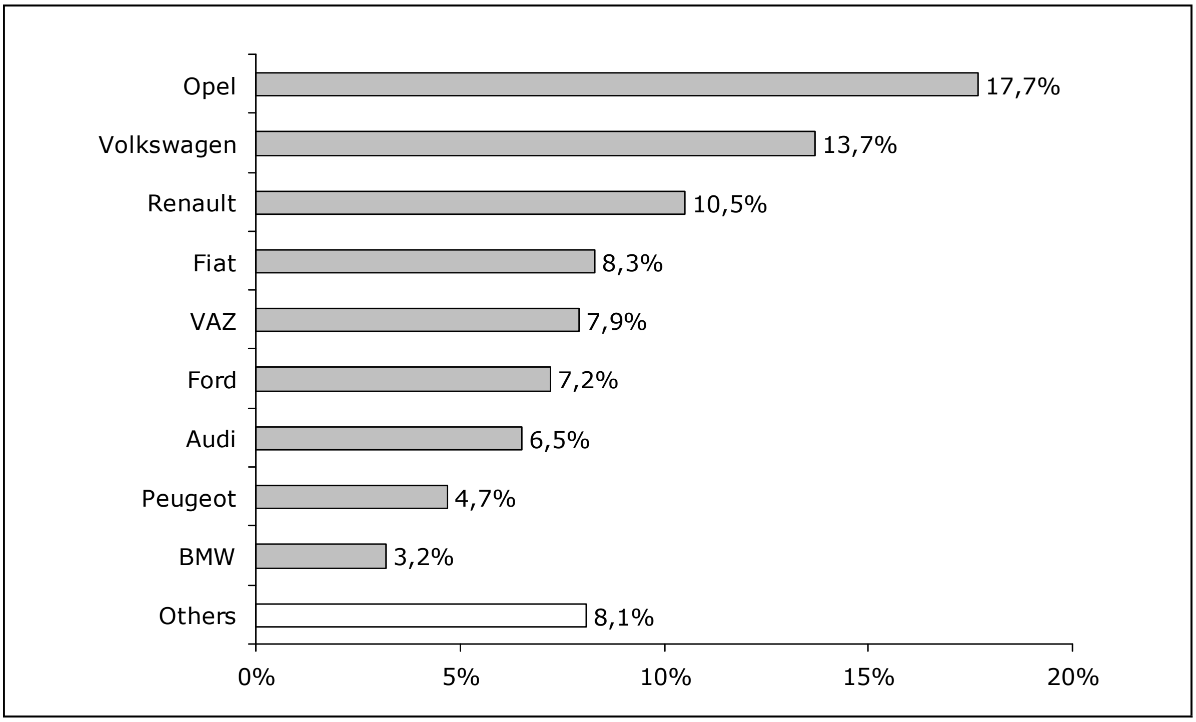

Figure 8: Structure of Bulgarian Car Parc by Brand, 2007

Source: Economedia.bg, Plovdiv Police Department, Globis Analysis

Up to 1990 the Bulgarian car parc was dominated by Russian and other Eastern European brands. Market leader in the parc was VAZ. Since 1990 the number of Russian cars is permanently declining. People more and more favour Western European cars – mostly with better quality and technique, accompanied by the effect of a narrowing price gap between Russian and Western European brands. In 2004 over 35% of the Bulgarian parc was still represented by Russian cars. Today there are only 11% Russian cars in Bulgaria, mainly in the country-side. In the big cities, the share of Russian cars is less than 10%. VAZ is the biggest CIS-brand in Bulgaria's car parc.

Except older cars from Russian brands, non-EU brands do not play any role in Bulgaria. Asian brands are not strongly represented in Bulgaria. Toyota today is the market leader in sales of new cars. Since new car sales make up only a fraction of the increase in the parc – due to strong imports of used cars – this leadership in sales has no impact on Toyota's relevance in the parc. Other Asian brands are even less represented in Bulgaria.

Astra, Golf and Passat are the most popular models in the Bulgarian car fleet, followed by Renault, Ford and Peugeot models (see Table 5).

Brand	Parc in 1.000	Popular models
Opel	566	Astra
Volkswagen	438	Golf, Passat
Renault	336	Megane, Clio
Ford	230	Fiesta
Peugeot	150	206, 307

Table 5: Popular Models in Bulgaria's Car Parc, 2007

Source: Various

3.1.3 Car Parc in Regional Markets

Bulgaria, with 7,7 mio. inhabitants and 3,2 mio. cars in parc is a relatively small market and there are no substantial differences concerning the car parc among the districts. Differences can be found between the age structure of the car parc in the big cities (like Sofia, Plovdiv, Varna) and the whole Bulgarian car parc. While only 10% of cars in parc are younger than 10 years on Bulgarian average, in big cities this is around 40%. The car parc in the big cities is also growing faster than the one in the country-side. Because of higher incomes in cities more and more people are able to afford a new car or a car younger than 10 years. Figure 9 shows the age distribution of the car parc in Plovdiv.

Sofia has the largest car parc – around 25% of the whole Bulgarian parc (together with Sofia region: 28%), followed by Plovdiv – 9%, Varna – 6%, Burgas – 5%, Stara Zagora – 4% and Ruse – 3%.

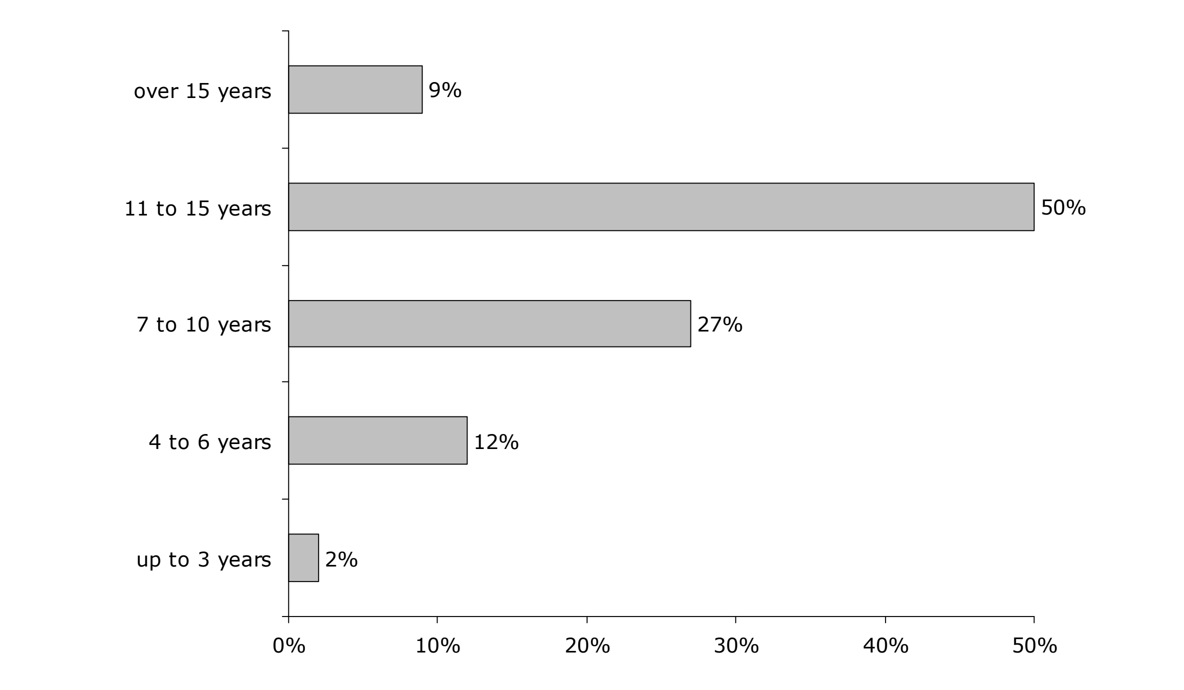

Figure 9: Car Parc in Plovdiv by Age, 2007

Source: Plovdiv Police Department, Globis Analysis

The cars-to-population ratio differs strongly between the regions in Bulgaria (see Table 6). Sofia has by far the highest penetration, with 655 cars per 1.000 people. Also Sofia region and Varna are in the forefront by this indicator, followed by Kyustendil and Pernik.

Region	Car parc, items	Population, in 1.000	Cars/1.000 people
Sofia Capital	832.235	1.238	672,30
Varna	210.680	457	461,11
Kyustendil	73.551	163	452,62
Pernik	61.059	140	437,08
Gabrovo	57.754	135	429,39
Sofia Region	107.781	258	417,11
Vraca	85.277	206	414,37

Region	Car parc, items	Population, in 1.000	Cars/1.000 people
Plovdiv	287.922	706	407,59
Stara Zagora	143.581	358	400,73
Blagoevgrad	131.476	330	398,41
Montana	64.415	164	392,53
Burgas	163.404	418	391,11
Vidin	44.296	115	386,19
Haskovo	101.773	264	385,07
Lovech	60.137	157	382,07
Ruse	95.202	255	372,90
Kurdjali (Kardzhali)	56.865	158	361,05
Dobrich	73.574	205	359,42
Shumen	69.249	198	350,45
Pleven	103.697	302	343,82
Veliko Turnovo	93.964	281	334,51
Razgrad	46.054	138	334,21
Pazardjik	96.032	296	324,10
Sliven	67.684	209	323,54
Smolyan	41.179	130	317,50
Silistra	40.374	133	304,25
Turgovishte	38.964	134	290,13

Region	Car parc, items	Population, in 1.000	Cars/1.000 people
Yambol	41.820	145	289,41
Total	3.290.000	7.691	427,78

Table 6: Regional Car Parcs by Number of Vehicles and Penetration, 2007

Source: Ministry of Environment and Water of Bulgaria, Globis Analysis

Car penetration does not show a clear geographical picture (see Figure 10). The tencency is that penetration is higher in proximity to Sofia and to some extent also in coastal regions.

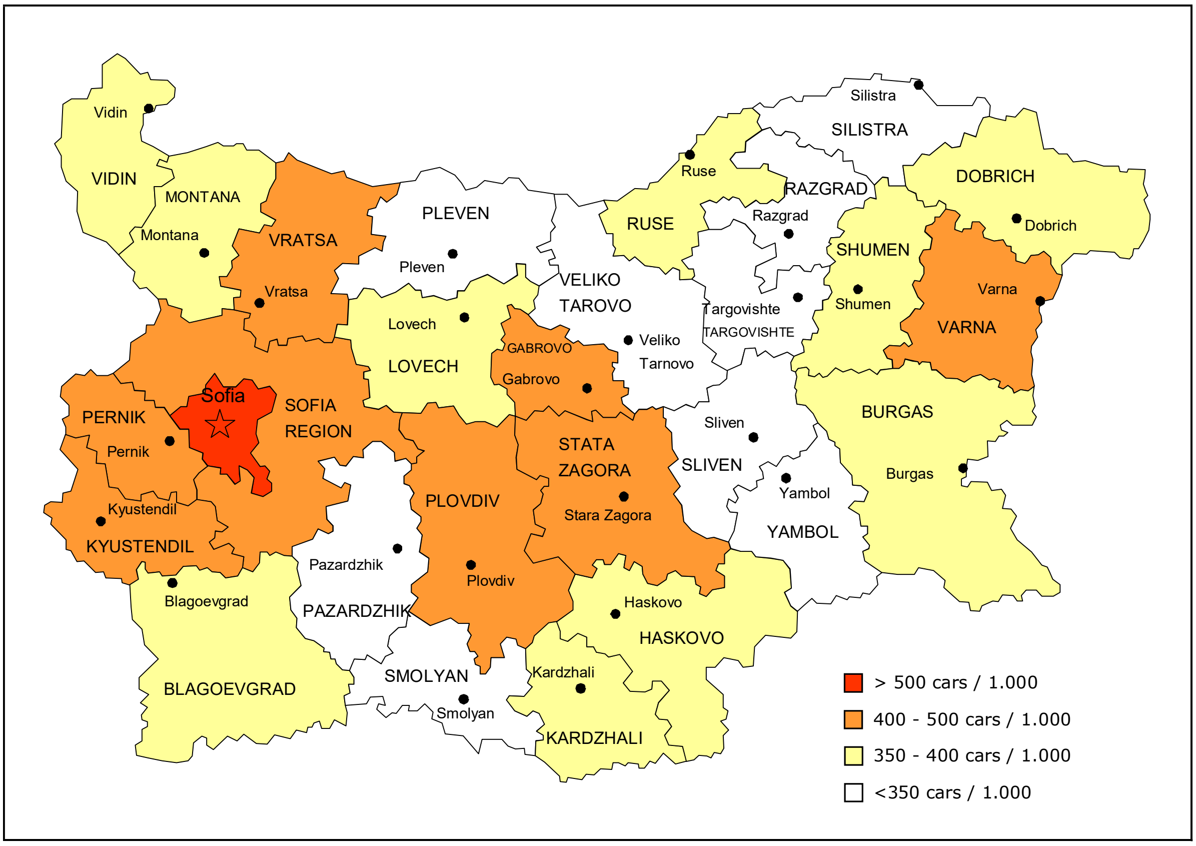

Figure 10: Car Penetration in Bulgarian Regions, 2007

Source: Globis

3.2 Passenger Car Sales and Imports

3.2.1 Size of Market

The Bulgarian car market is dominated by used cars. Additions to the parc are mainly driven through import of used cars. In 2007, imports of used cars reached an all time high of 349.000, after 143.000 a year before (see Figure 11).

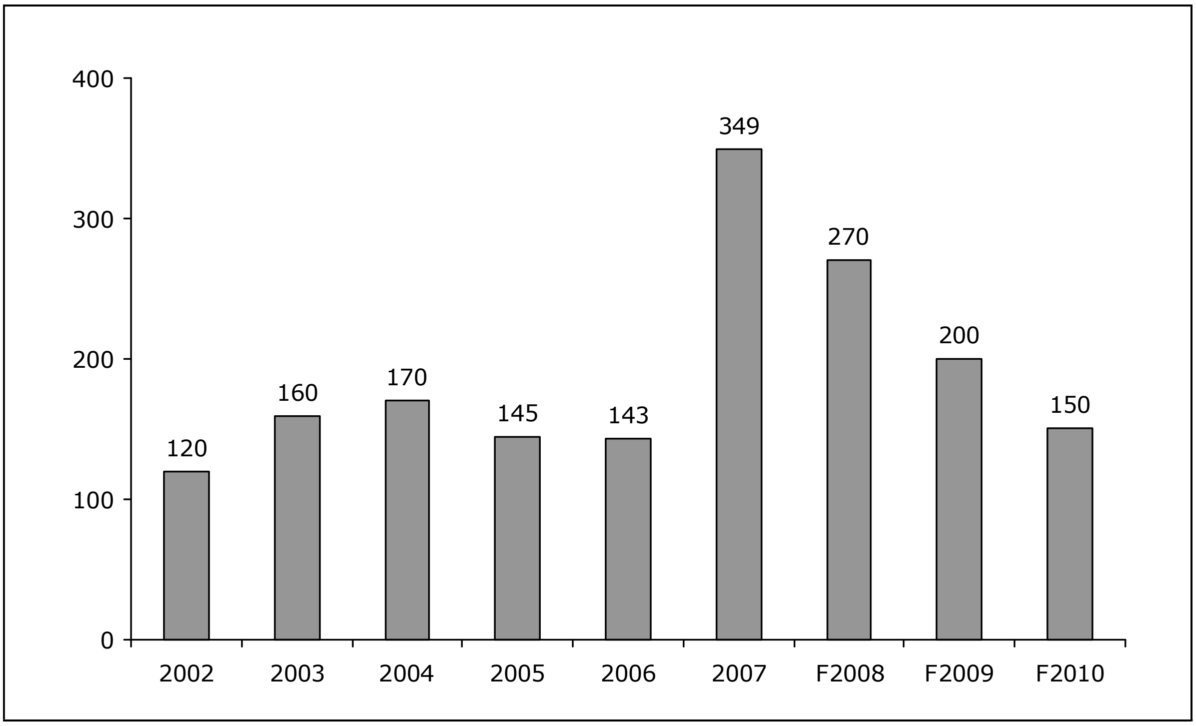

Figure 11: Development of Used Car Imports, in 1.000, 2002-2010

Source: Bulgarian Customs, NSI, Globis

This situation is a result of the market opening after EU-accession of Bulgaria in 2007 and the relative low income of Bulgarians. A major jump in imports of used cars can also be observed throughout other new member states, for example Poland. With an average value of 1.400 EUR, the imported cars are old but hence affordable for Bulgarians. The rapid increase is partly due to heavy activities of traders, most of them private individuals, who hope to gain from the membership in the EU. The demand in the market, however, is not so heavy as to absorb all imported cars at once. At least 20% of the cars imported remain unregistered, with some estimates going far beyond this share. With a stock of used cars building up in Bulgaria, imports will drop again in the next years. Especially private individuals are not used to invest larger sums into a trade and are likely shying away from repeating their normally unregistered trading business. The sale of new cars accounts for only 20% of additions to the parc.

Also, sales of new cars peaked in 2007 at 52.000 (see Figure 12). A main customer group for new cars is taxi companies, as in most markets with a basic public transportation system.

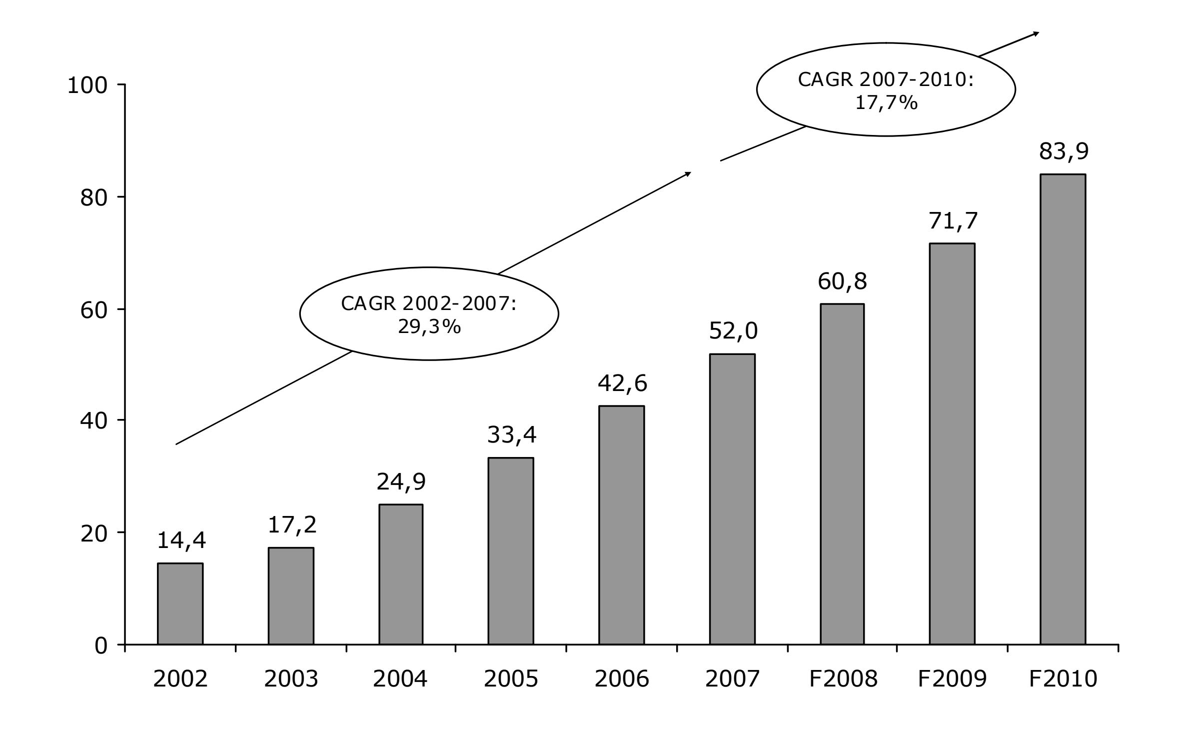

Figure 12: Development of New Car Sales, in 1.000, 2002-2010

Source: SVAB, Globis

We expect sale of new cars to grow further, mainly due to growing income and the wish to replace older cars against new ones. Sale of new cars grew by 29% annually since 2002. We expect further growth of about 18% annually until 2010.

In total we expect new car sales to increase while imported used car sales will decrease absolutely and relatively (see Figure 13 and Table 7).

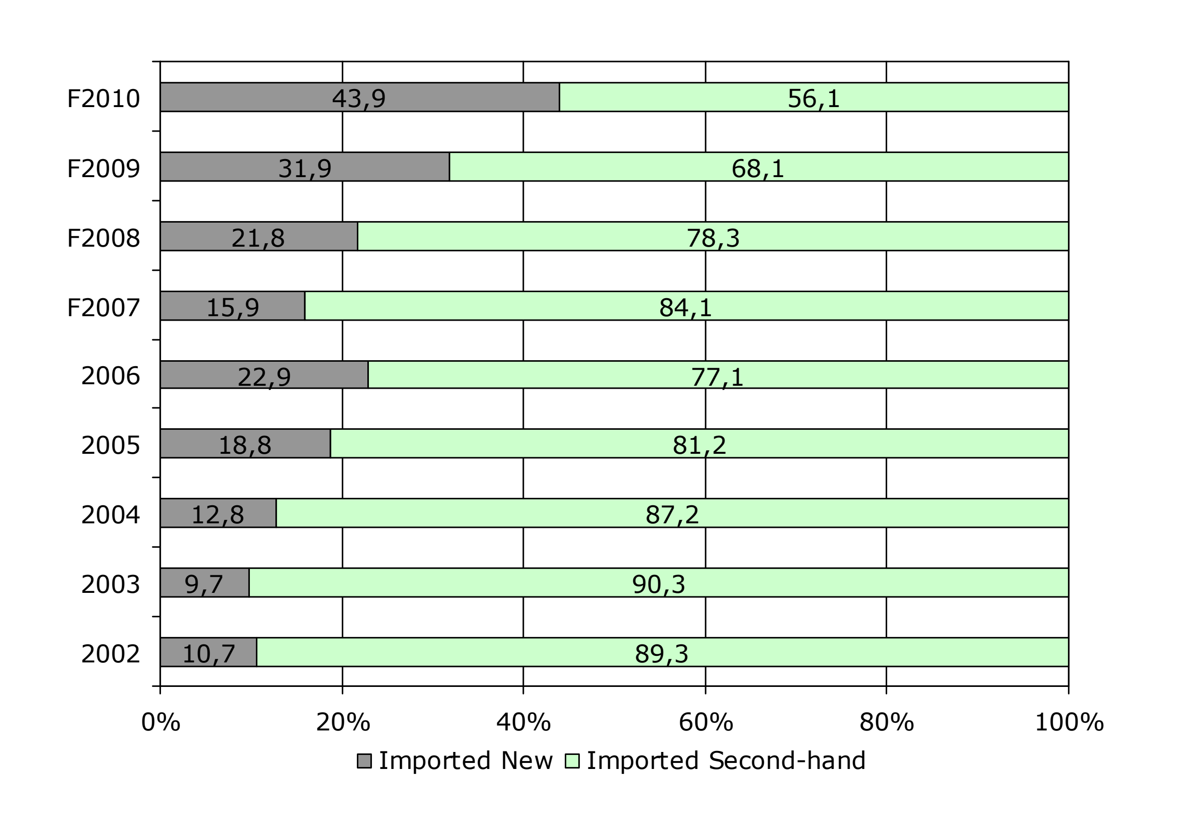

Figure 13: Relative Structure of New and Used Car Additions to the Parc, 2002-2010

Source: Globis

Additions to the parc will come almost to equal parts from new and used car imports in 2010. Until then, used car imports are the main driver for the growth of the car parc.

Year	Additions to Parc	Used Car Imports	New Car Sales
2002	134.361	120.000	14.361
2003	176.820	159.600	17.220
2004	194.908	170.000	24.908
2005	178.234	144.800	33.434
2006	186.025	143.400	42.625
2007	328.009	276.000	52.009

Year	Additions to Parc	Used Car Imports	New Car Sales
F2008	282.171	220.800	61.371
F2009	226.977	154.560	72.417
F2010	192.920	108.192	84.728

Table 7: New and Used Car Additions to the Parc, in Units, 2002-2010

Source: Traffic Police, SVAB, Globis

3.2.2 Market Characteristics New Cars Market

Although new car sales and imports are still very low in comparison to used car sales and imports, the Bulgarian new car market is characterized through steady growth. Since 2005 there is an annual growth of about 25%. We expect further growth until 2010 at a rate just below 20%, still an impressive increase compared with most other countries.

Peugeot has been the market leader in 2005 and 2006 and had 8,43% market share in 2007 (see Table 8 for details). In 2007 Toyota took the lead with 11,18% market share. However, adding together Group's market share, VW is in the lead with 15,96%, folllowed by PSA Peugeot Citroen Group with 15,6%.

Dacia is the brand with the most impressive growth. With a history of only two years it now ranks 8th in the new car market. Audi also grew by over 200%, but is still only 19th in the market. Porsche BG, the official importer of Audi in Bulgaria, just recently opened a new Audi dealership in Sofia which is the largest and most modern in Southeastern Europe and the second largest in all of Europe. Hence, Audi's growth is likely to continue.

Hyundai is the second Asian brand in the market, at rank 11. The only brands loosing market share are Peugeot and Lada, the later one dramatically by 19% over the last two years. GAZ is also decreasing but sells only very small numbers in general.

Brands	2007	2006	2005	CAGR 2005-2007
Toyota	5.813	4.204	2.840	43%
Ford	4.450	3.840	3.126	19%
Peugeot	4.384	4.628	4.672	-3%
Opel	4.316	3.583	2.818	24%
Volkswagen	3.880	2.521	1.493	61%
Skoda	3.303	3.261	2.543	14%
Citroen	3.209	3.087	2.795	7%
Dacia	3.014	1.721	9	1.730%
Chevrolet	2.684	1.725	1.163	52%
Renault	2.664	2.014	1.926	18%
Others	14.292	12.041	10.049	19%
Total	52.009	42.625	33.434	25%

Table 8: Top-Selling Brands in New Car Market, 2005-2007

Source: SVAB, Globis Analysis

The break down of the top-selling models looks quite different (see Table 9). Although Toyota is the brand leader, its most popular model Auris (the successor of the Corolla) was at place five. The most popular model in 2007 was the Dacia Logan, which sales grew from 1.721 in 2006 to 2.529 in 2007.

Second model in the market is Opel's class C Astra (official data is bundled with the rather insignificant sales numbers of the Zafira), followed by Skoda Fabia. The overall SUV-trend can be observed in Bulgaria, too. While the status and convenience aspect is true for Bulgaria as well, there are much more practical reasons for a SUV in Bulgaria: road conditions in winter and in the countryside any time of the year in Bulgaria are manageable at best with cars with good cross-country characteristics.

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Opel	C	Astra, Zafira	2.562	2.065	24,1%
Dacia	B	Logan	2.529	1.721	46,9%
Skoda	C	Fabia	1.564	1.946	-19,6%
Ford	MV	Transit, Turneo	1.478	1.203	22,9%
Toyota	C	Corolla, Auris	1.436	967	48,5%
Skoda	D	Octavia	1.263	1.183	6,8%
Peugeot	SV	Partner	1.187	1.523	-22,1%
Ford	B	Fiesta	1.175	986	19,2%
Chevrolet	SUV	Captiva	1.162	153	659,5%
Peugeot	B	206/207	1.136	730	55,6%

Table 9:Top-Selling Models in New Car Market, 2006-2007

Source: SVAB, Globis Analysis

The growth-leader in sales in comparison to 2006 was the Chevrolet Captiva with almost 660%, followed by Peugeot’s B Class (with 55,6%), Toyota Auris (the successor of the Corolla with 48,5%), Dacia Logan (46,9%), Ford Fiesta (32%) and Opel Astra (24,1%). Skoda Fabia, although still third in the market, experienced a decline by over 19%.

Given a growing market, the import of new cars into Bulgaria grows as well. In 2007 about 144.000 new cars were imported. Bulgarian Customs counts cars up to 6 months as “new” cars. The main imported new car category is cars with a motor capacity between 1.500 and 3.000 ccm.

The largest segment of the automobile market in Bulgaria is the class B segment with a share of 22,6% (see Figure 14). Next in ranking and preference is class C segment with 21,6%. Noteworthy is a large share of SV (station wagon) of 11,1% and MV (mini van) of 8,5%. With the development of the service industry there is a strong demand for light trucks in Bulgaria. Taxi and delivery companies are major customer groups for the cars of these segments.

The fuel / diesel ratio in the total car parc in Bulgaria is around 70% to 30%. The imports, however, show a different picture: In 2006 about 65% of new cars imported were diesel, in 2005 58%. This trend has been reversed in 2007, with diesel cars accounting for 43% of all new car imports. The recent growth in the price of diesel, which today has no cost advantages over petrol, was the main driver for this development.

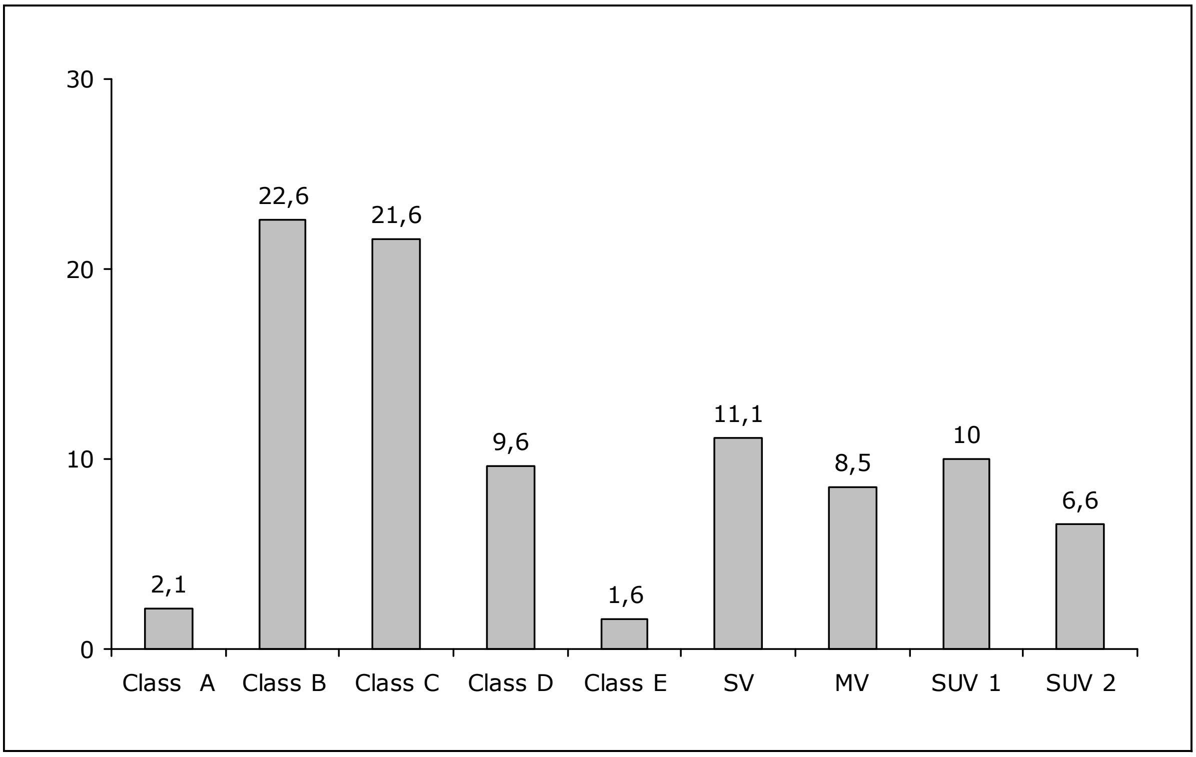

Figure 14: Car Sales by Segment, in Percent, 2007

Source: SVAB, Globis Analysis

Most new cars are sold in Sofia, the main agglomeration of Bulgaria, followed by the other larger cities and respective regions. The sale of new cars mirrors closely the economic well being in Bulgaria.

3.2.3 Market Characteristics Used Cars Market

The Bulgarian automotive market is dominated by used car sales and imports. Since 2000 used car imports are increasing. The number of imported cars reached 170.000 in 2004. During the following two years, there was a decrease with 143.000 used cars imported into Bulgaria in 2006.

Since January 2007 Bulgaria is a member of the EU. As a result of the free trade between Bulgaria and other EU countries the import of used cars grew strongly and reached, with 349.000, an all time high.

We do not estimate this trend to continue. There are signs of an oversupply in the market. Many imports are coming from private individuals and a majority of them is engaging in active trade, even though small numbers. At least 20% of the cars are not registered yet and waiting for buyers. These cars including the domestic used car trade provide for a good choice among Bulgarians. With invested funds flowing back only slowly to private individuals engaging in part-time trade, there will be a substantial number of private importers who are not active any more in the following years.

We estimate the number of imports to drop to about 270.000 in 2008 and further until the year 2010. During this time, the stock of used cars for sale in Bulgaria will further increase and ensure a good liquitiy of the used cars market.

However, the overall trend for the next years will rather be an exchange of older used cars against newer cars.

Most imported used cars running on petrol have a motor capacity between 1.500 and 3.000 ccm. Imports in this category increased from 65.000 in 2005, over 59.000 in 2006 to 139.000 in November 2007. New cars running on petrol have smaller engines, mostly with a capacity of 1.000 to 1.500 ccm. Used diesel cars are growing fast as well, but not at the pace of the used petrol cars.

In 2007, about 160.000 used cars were imported from Germany. This represented a growth of 93% to 2006. The second most important import country was Italy (57.000 units), followed by France (29.000 units). Used cars from Germany are preferred, because of the good quality of these cars. Italian used cars are imported mostly because of their more favourable price and lower transportation costs.

The majority of used cars imported into Bulgaria are German brands Opel and Volkswagen. That explains why Opel took the leadership in the Bulgarian car parc.

Used cars are, at least since 2007, mostly imported through private individuals (about 80%). The remaining share is made up by bigger importers (100-300 cars annually; for a list of the biggest importers, see Appendix, chapter 6.6), medium-sized importers (30-40 cars) and private individuals on the verge to businesses operations, importing 2-3 cars a year.

3.2.4 Sales Drivers for New Car Market

As already mentioned, the automotive market in Bulgaria is growing fast and we predict further growth at a rate slightly below 20%. The new car market is influenced by several developments. The most important are:

- Increasing income
- Used car imports
- Development of credit system and car loans
- Expansion of dealership networks
- Psychological reasons influencing consumer behaviour.

3.2.4.1 Increasing Income

The average monthly income will be growing at a rate of 7% annually for the next years and reach 270 EUR in 2010. With an inflation at about 4%, the increase in real terms will be much lower.

There are two factors effectively increasing the income of Bulgarians. Firstly, most Bulgarians are paid at a higher rate than the one declared to the tax authorities. National statistics data therefore are understated. Secondly, because of the high ownerships rate of apartments, Bulgarians will have a relatively high disposable income. The strength of this effect will grow over the years, with more families having fully repaid their dept.

Neverthelss, the average income level is not sufficient for the majority of people to be able to afford a car, even with financing options easily available. Hence, increasing income does not support a dramatic growth of new car sales to replace the partly very old car parc.

This situation is different to Poland for example, where cheaply imported used cars from Western Europe led to a break down of new car sales and – adjusting for different population strength – bringing the new cars market to an almost comparable level to Bulgaria's new car sales. In Bulgaria, there have not been higher sales of new cars in the past. The market environment is not suited for dramatic growth of new car sales. However, with about 20% annual growth in the future, the market potential is still impressive.

3.2.4.2 Used Car Imports

The Bulgarian market, as described before, is driven by imported used cars. Most imported used cars are relatively old, with an average value of 1.400 EUR.

Used cars are attractive to Bulgarians because of the relatively low price tag and a still OK-quality, compared to what many Bulgarians were used to from the older Russian and other Eastern-European brands.

The availability of cheap and easy to import used cars reduces the market for new cars. Hence, developments affecting the imported used car market affect new car sales as well.

The used car market strongly depends on the regulatory environment. Following Bulgaria's entry into the EU, the import of used cars grew much faster than the import of new cars and doubled on-the-year to 349.000 units. The trend got further support through the new 2007 VAT act, which abondant VAT on the import of second-hand cars into Bulgaria by private individuals. Following this, the import and sale of used cars through private individuals increased heavily.

Bulgaria has not adopted regulations limiting or reducing imports of very old cars as of now. The situation is comparable to Poland. In other countries like Romania and Hungary, high eco-taxes are imposed on older cars (also the EU is currently challenging these provisions). However, after accession to the European Union in January 2007, new cars in Bulgaria have to comply with the Euro 4 norm and, as of 01.01.2009, with the Euro 5 norm.

3.2.4.3 Car Loans

The system of car loans is one of the major aspects influencing the automotive market in Bulgaria. The car financing market in Bulgaria is growing rapidly since 2005. Since then, leasing-based contracts for new cars gained a market share from about 17% in 2004 to almost 75% in 2007 (see Figure 15). The majority of these contracts for new cars are financing leasing contracts. Hence, bank loans are less of an alternative. Normally an employed person with a stable income faces no problems in arranging a leasing contract.

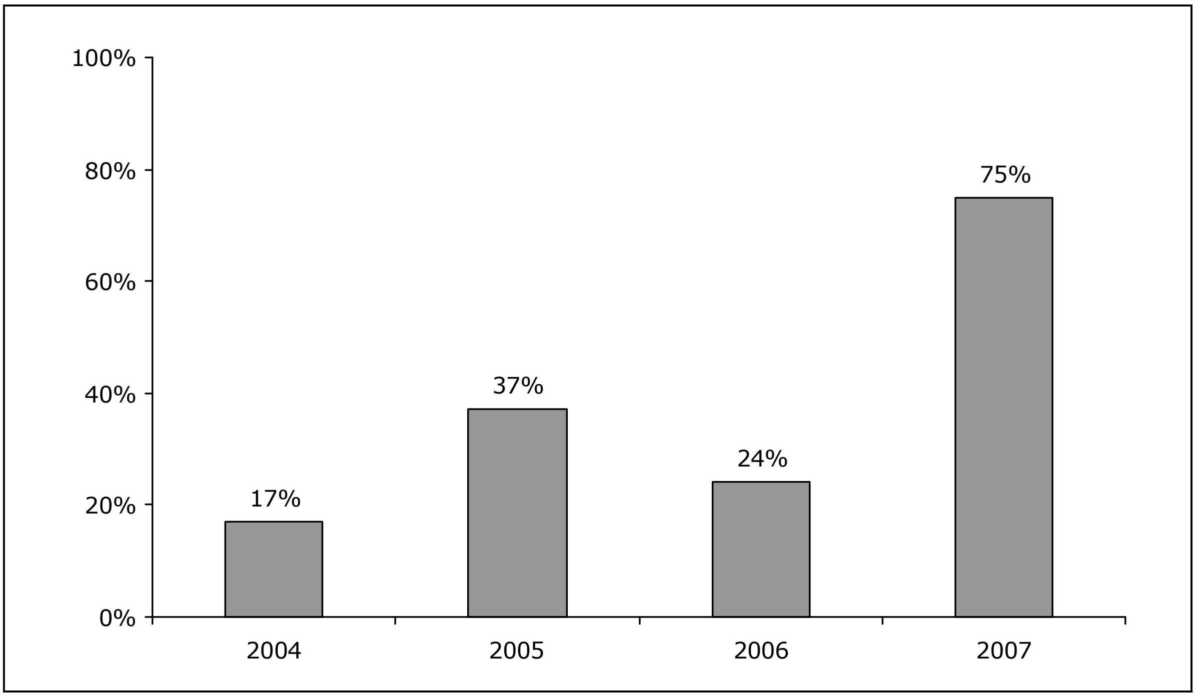

Figure 15: Share of Leasing Contracts in Total New Car Sales, 2004-2007

Source: Bulgarian Leasing Association, Globis Analysis

The majority of car leasing contracts has a maturity between 3 to 5 years. Interest rates currently are between 7,5% and 8,5%, depending on the leasing period and if the cars are new or used. Leasing is offered by a number of multinational players. However, there is a large number of smaller players working closely together with dealerships, some of which are even owned by the dealer. Table 10 gives an overview over these smaller leasing companies affiliated to dealers.

Leasing Organisation	Offers Leasing for Dealer Company	Represented Brand of Dealership
Afin Bulgaria	Iveco	Iveco
Automotor Corporation Leasing	Automotor Corporation	Citroen
Balkan Star Services	Balkan Star	Mercedes-Benz
Bohemia Auto	Euratek	Skoda
ITA Leasing	Auto Italia	Fiat
Moto Pfohe Leasing	Moto Pfohe	Ford, Jaguar, Land Rover
Promobile Leasing	Promobile	Renault
Sofia Leasing	Sofia France Auto	Peugeot

Table 10: Leasing Companies Affiliated to Car Dealers, 2007

Source: Globis

Only a very small fraction (less than 10%) of the new car sales is financed through bank loans (see Figure 16). More than 15% of new car purchase are paid for in cash.

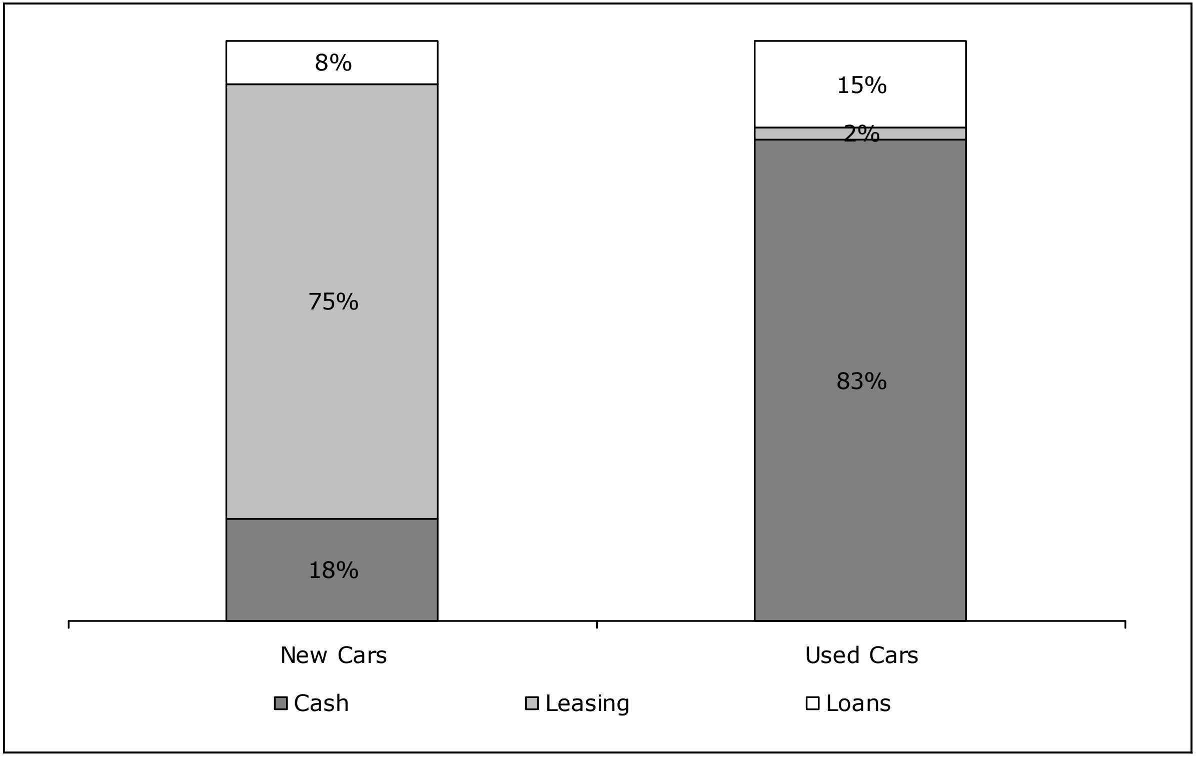

Figure 16: Market Share by Type of Financing for New and Used Cars, 2007

Source: Globis Expert Survey

The purchase of used cars is partly also financed. However, leasing institutions lease only cars under 1 year of age and banks provide for financing only if the car is under 5 years of age. Nevertheless, many Bulgarians finance their car purchase indirectly through the take up of simple installment credits. With an average import value of 1.400 EUR there is no need for larger scale financing for most cars. Given this consumer behaviour on financing used cars, the exact share of financed used cars is unclear. For used cars newly added to the parc we estimate 15% bank financed purchases.

3.2.4.4 Dealership Networks / Distribution Systems

New cars in Bulgaria are mostly sold through country-wide car dealer companies. The car dealer normally represent all brands of a car maker. For example, Moto Pfohe represents country-wide Ford, Jaguar, Land Rover and Volvo. The major exception to this rule is GM. GM’s brands Opel and Chevrolet are represented through many dealer companies and there are dealers who only deal with

Opels but not with Chevrolets. Table 11 gives an overview of major importer / dealer companies in Bulgaria.

Dealer	Brands
Antaris Trade Service	GAZ
Auto Italia	Lancia, Fiat
Autotechnica	Seat
Avtomotora Corporation	Citroen
Avtotrans Service	Daihatsu
Avtosvjat, Bova, Bulvaria, Cargoexpress, Generous Auto, Ilina Car Company, Onix Avto, Olympia Auto, Service Stefanov, Sofia Auto	Opel
Balkan Star	Jeep, Chrysler, Mitsubishi, Mercedes, Dodge
Bultraco	Honda
Avtosvjat, Bova, Bulvaria, Cargoexpress, Generous Auto, Ilina Car Company, Olympia Auto, Service Stefanov, Sofia Auto	Chevrolet
Euratec	Skoda
Griffin	Saab
Industrial Commerce	Hyundai
Kamor Auto	BMW, Mini
Kia Motors Bulgaria	Kia
Milano Motors	Alfa Romeo
Mirkat	Suzuki

Dealer	Brands
Moto Pfohe	Ford, Land Rover, Volvo, Jaguar
Nar	Lada
Porsche BG	Volkswagen; Audi
Ratola Corporation	Ssangyong
Renault Nissan Bulgaria	Renault, Nissan, Dacia
Sof Co	Isuzu, Piaggo
Sofia France Auto	Peugeot
Star Motors	Mazda
Subaru Motors Trading	Subaru
T M Auto	Toyota, Lexus

Table 11: Major Bulgarian Automobile Dealer Companies, 2007

Source: Globis

If a dealer represents more than one brands, showrooms, service and spare parts are separated from each other (3-S-System). Normally all dealer companies buy and sell used cars as well. With used car imports increasing dramatically, there is a lively trade in second-hand cars in Bulgaria. The new car dealer try to get a share of this business as well. However, the situation is not as dramatic as in Poland over the last years. With Poland's entry into the EU the new car market literally vanished. Car dealers had to pick up new lines of business just to survive. In Bulgaria, imports of used cars are growing heavily as well, but sales of new cars are also increasing. A reason might be the very high car penetration in Bulgaria. Most families own a car and – to some extent – do not want to exchange an old car against another. Currently there is no urgency for new car dealer groups to pick up other lines of business like a lively second-hand car trade.

The number of outlets per brand varies heavily. Of course there is an interdependence between sales outlets and number of new cars sold. The best-selling brands have the largest networks established. Table 12 gives a good overview.

All brands are represented in Sofia already. The current trend, starting about two years ago, is to move to other regions. Big cities like Plovdiv, Varna, Burgas, Ruse and Stara Zagora are normally covered very well by the most famous brands who move to the next level of cities. However, since Sofia will be continuing to grow over the next years, new outlets are opened there as well. In Sofia, Audi just opened the second largest Audi dealership in Europe.

Brand	City	Number of Centers
Alfa Romeo	Sofia, Varna	2
Audi	Sofia, Plovdiv, Varna, Burgas, Stara zagora	5
BMW	Sofia, Varna, Plovdiv, Burgas, Pleven	6
Chevrolet	Sofia, Plovdiv, Varna, Burgas, Sliven, Haskovo, Blagoevgrad	9
Chrysler	Sofia, Plovdiv, Varna, Burgas	4
Citroen	Sofia, Blagoevgrad, Burgas, Varna, Veliko Turnovo, Vidin, Gabrovo, Dobrich, Karlovo, Lom, Nessebar, Pazardjik, Pleven, Plovdiv, Ruse, Sliven, stara Zagora, Haskovo, Shumen	26
Dacia	Sofia, Plovdiv, Varna, Burgas, Sliven, Silistra, Montana, Ruse, Pazardjik, Haskovo, Vratsa, Blagoevgrad, Pleven, Shumen	22
Fiat	Sofia, Blagoevgrad, Burgas, Varna, Veliko Turnovo, Plovdiv, Ruse, Stara Zagora, Yambol, Haskovo, Sliven, Shumen, Dobrich	18
Ford	Sofia, Plovdiv, Pleven, Gabrovo, Veliko Tarnovo, Blagoevgrad, Stara Zagora, Haskovo, Sliven, Burgas,Varna, Shumen, Ruse, Montana, Dobrich	15
Honda	Sofia, Plovdiv	2

Brand	City	Number of Centers
Hyundai	Sofia, Varna, Burgas, Plovdiv, Stara Zagora, Yambol, Veliko Tarnovo, Vratsa, Ruse	10
Jaguar	Sofia	1
Jeep	Sofia, Burgas, Varna, Plovdiv	4
Kia	Sofia, Plovdiv, Varna, Burgas, Blagoevgrad, Stara Zagora, Kurdjali, Haskovo, Sliven, Shumen, Veliko Turnovo, Pleven,Ruse, Dobrich, Gabrovo	16
Lancia	Sofia, Blagoevgrad, Burgas, Varna, Veliko Tarnovo, Pleven, Plovdiv, Ruse, Stara Zagora, Yambol	10
Land Rover	Sofia, Varna, Pleven, Burgas, Stara Zagora, Plovdiv	6
Maybach	Sofia	1
Mazda	Sofia, Plovdiv, Varna, Burgas	4
Mercedes	Sofia, Plovdiv, Varna, Varna, Burgas, Ruse, Stara Zagora, Blagoevgrad	8
Mini	Sofia, Varna, Plovdiv, Burgas, Pleven	5
Mitsubishi	Sofia, Plovdiv, Varna, Burgas, Ruse, Stara Zagora, Blagoevgrad	7
Nissan	Sofia, Plovdiv, Varna, Burgas, Ruse, Yambol	6
Opel	Sofia, Plovdiv, Veliko Tarnovo, Varna, Blagoevgrad, Burgas, Pazardjik, Ruse, Sliven, Stara Zagora	13
Peugeot	Sofia, Plovdiv, Veliko Tarnovo, Varna, Haskovo, Gabrovo, Ruse, Blagoevgrad, Stara Zagora, Montana, Targovishte, Pleven, Dobrich, Sliven, Pazardjik	23
Porsche	Sofia	1

Brand	City	Number of Centers
Renault	Sofia; Plovdiv, Varna, Burgas, Sliven, Silistra, Ruse, Pleven, Pazardjik, Haskovo, Montana, Vratsa, Shumen, Blagoevgrad	24
Saab	Sofia	1
Seat	Sofia, Plovdiv, Varna, Burgas, Stara Zagora, Pleven, Ruse	7
Skoda	Sofia, Plovdiv, Varna, Burgas, Gorna Oryahovitsa, Veliko Turnovo, Ruse, Blagoevgrad, Dobrich, Sliven, Stara Zagora	13
Ssangyong	Sofia, Plovdiv, Varna, Dobrich	4
Subaru	Sofia, Plovdiv, Varna	3
Suzuki	Sofia, Plovdiv, Blagoevgrad, Haskovo, Stara Zagota, Sliven, Burgas, Veliko Turnovo, Varna, Ruse	12
Toyota	Sofia, Plovdiv, Varna, Ruse, Blagoevgrad, Pazardjik, Gabrovo, Stara Zagora, Dobrich, Burgas, Pleven, Sliven, Veliko Turnovo	13
Volkswagen	Sofia, Plovdiv, Varna, Burgas, Stara zagora, Veliko Tarnovo, Pleven, Ruse	9
Volvo	Sofia, Plovdiv, Pleven, Burgas, Ruse, Varna	6

Table 12: Number of Dealer Outlets by Brand and Region in Bulgaria, 2007

Source: Globis

There is not too much of a problem with grey dealers in Bulgaria. The country is rather small, so that suppy problems are not an issue like it is in Russia or the Ukraine.

Of course there are also companies active in Bulgaria which are specialised in second-hand cars. For example the leading second-hand car dealer in Eastern Europe, AAA Auto from Czech, is also present in Bulgaria. The majority of second hand trade, however, is mostly through private individuals who are importing cars cheaply from outside Bulgaria – for example Germany – and then sell them in Bulgaria. These individuals trade mostly one car at a time and often personal use and trading business can not readily be distinguished.

3.2.4.5 Consumer preferences

For many Bulgarian consumers the most important purchase criteria when buying a car is its cost-effectiveness.

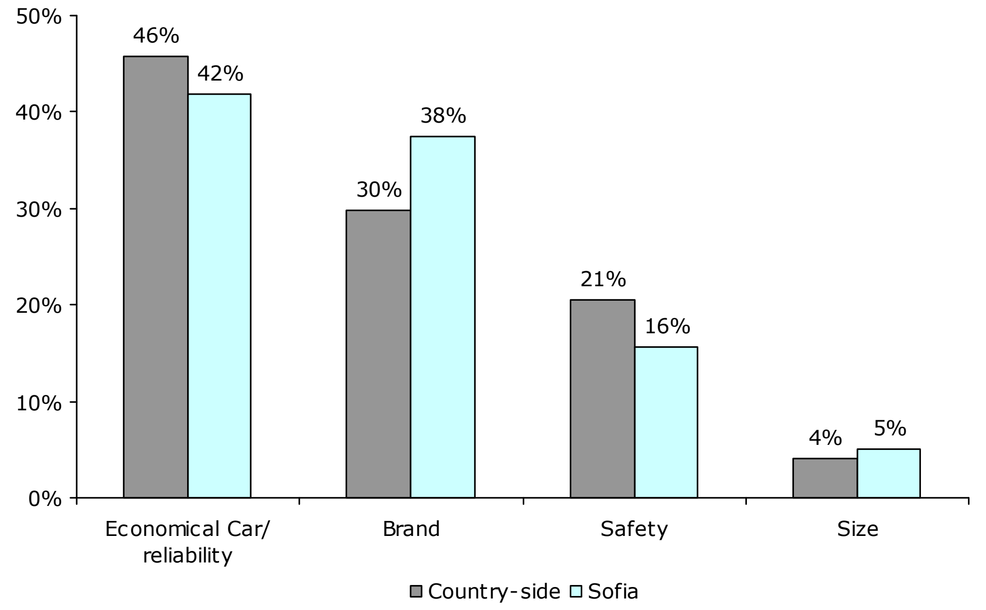

Figure 17: Key Criteria Influencing Car Choice in Bulgaria, Single-Choice, 2006/2007

Source: Alpha Research, Globis

On Bulgarian average, cost-effectiveness (with comprises quality to some extent) is followed by brand and safety. Figure 17 gives an overview of key purchase criteria. In Sofia, brand is far more important. These numbers reflect the average income situation of Bulgaria: in Sofia, people are better off and hence are willing to spend more, if the brand fits. Cost-effectiveness is less of an issue.

The overall preference can be seen looking at the success of the Dacia Logan, a cheaply priced car with a solid standard. Especially in Bulgaria as neighbour to Romania, where the Dacia is coming from, Dacia is not a hot brand name but one with a strong reminiscence to the Communist area. However, the Logan is the top-seller in 2007, almost from scratch.

In Bulgaria, the most active buyer of new cars is an up to 30 year old man or woman (in Europe: 47 years old, according to AEB) with higher education (office worker or manager). Buyers of new cars are middle-class representatives and young city inhabitants, who are conscious about high quality standards. They are replacing their car every 4 to 5 years. They prefer to buy a car via leasing arrangement. In the big cities, more and more women drive cars (in Sofia – around 37%, and 30% for the rest of the country). This goes hand in hand with many households having a second and third car in larger cities. In general, however, the purchase decision to buy the (one) family car is still made by men.

4 Bulgarian Components and Aftermarket

4.1 Bulgarian Automotive Industry

Bulgaria does not have its own automobile production. There is currently no OEM active in Bulgaria and historically only Rover assembled cars on the basis of CDK kits in Varna for some years. This situation predetermines the structure of the automotive industry: with no OEM around, there is no real development of automotive clusters. Suppliers tend to settle around the manufacturing site of OEMs. Hence, large suppliers delivering to the assembly line of OEMs will not settle in Bulgaria, given this situation. However, for parts manufacturing, especially for the aftermarket, Bulgaria could be an attractive location due to low cost and a good market potential through high car penetration and the large car parc. Nevertheless, there are some disadvantages for an investment into Bulgaria's automotive industry. There is a lack of specifically qualified labor for the automotive industry, since the industry is not very large. In addition, Bulgaria has a relatively small new car market.

There are currently rumors, that AKB Fores, an industrial conglomerate, will start manufacturing cars in Bulgaria. The new car could be called "Universe" and would be a co-development between Bulgaria and Italy. A prototype has already been developed. Given the realisation of this project, the situation could change for the Bulgarian automotive industry. In the first place, however, it will be difficult to build a moderately priced car from scratch with no suppliers in the vicinity. An alternative could be to assemble CKD kits manufactured abroad – with less benefits for the local industry. Since the Bulgarian government is keen on developing the automotive sector, substantial support for the new project is likely. However, any support will be investigated in the light of relevant EU-rules and could limit the official help.

According to NSI, there are some 150 companies in Bulgaria involved in the automotive industry. Most of them are small- and medium-sized businesses of Bulgarian origin specialized in service provision like contract manufacturing. Table 13 gives an overview of Bulgarian companies active in the automotive sector.

Company	Products / Services	Description / Capacity / Size
Kenta JSC	Modernization, repair of buses	Over 100 employees
Semi-Trailers and Containers JSC	Cistern semitrailers, dumper semitrailers, telescopic semitrailer, transporting semitrailers, loading containers, cistern containers	Smaller company with about 40 employees
Remel JSC	Trailer	Over 100 employees
Druzhba JSC Razgrad	Pistons, Piston Rings, Piston Pins, Aluminium Alloys and Sets;	Capacity / year: Pistons 1.000.000, Piston Rings 6.000.000, Piston Pins 130.000, aluminium alloys and sets 12.000.000 About 400 employees
Engineering & Development JSC Dobrich	Diesel engines, driving axles for trucks, iron castings, water radiators and oil coolers for trucks	Capacity / month: Foundry 100t, coolers and radiators 10.000
Dinamo JSC Sliven	Automobile generators and starters; constant current electric engines; automobile alternators and starters and respective components	Capacity / year: automobile generators and starters 100.000, components for alternators and starters 100.000, electric engines 50.000
Elhim Iskra JSC Pazardjik	Starter accumulators, blast battery for electric trucks	Capacity / year: starter accumulators 500.000, blast battery for electric trucks 400.000

Company	Products / Services	Description / Capacity / Size
Svetlina JSC Sliven	Automobile lamps for head lights and auxiliary lamps; general lighting lamps, halogen lamps; lamps for transport vechiles	Capacity / year: automobile lamps 17.000.000
Vamo JSC Varna	3- and 4- cylinder diesel und LPG engines for forklifts, trucks, light cargo vehicles; marine vessels generator sets; spare parts; technological equipment	Capacity / year: 42.000 engines
Hibridni integralni shemi Sofia	Thick layer and thin layer hybrid integral schemes; resistor groups and matrices; sensors; combined indication panels and keyboards	Capacity / year: 500.000 pads
Vamo, Varna	Diesel engines & respective components of 3- and 4-cylinder diesel and LPG engines with power from 25 to 90 kW; engines repairing and recycling; technological equipment production; spare parts production	Capacity / year: 72.500 engines
Struma-S, Sandanski	Water- and fuel-pumps	Also manufacture of weapons and ammunition
Viko, Plovdiv	Fuel filters	Smaller company
Aspo OOD, Sofia	Mufflers	Focus on aftermarket
Technika OOD, Veliko Tarnovo	Shock-absorbers, mufflers, fenders	Smaller company

Company	Products / Services	Description / Capacity / Size
Avtoelektronika, Plovdiv	Automotive electronics - ignition control modules, dry ignition coils, electronic voltage regulators	Larger player who is also active as contract manufacturer for non-automotive companies like Kemmer Präzision from Germany
Preskov AD, Stara Zagora	Manufacture of forgings in carbon and alloy steel	Capacity / year: 8.000 t
Monbat AD	Starter and traction batteries	In the beginning of 2007 Monbat has acquired the brand name “START” OOD; two new recycling plants are under construction. One located in Serbia and another in Romania.
Start OOD	Starter batteries	Capacity / year: 400.000 About 150 employees
Madara Group	Automobile castings; forgings, cogged wheels, driving axles; trucks	About 500 employees

Table 13: Bulgarian-Owned Automotive Components or Parts Producers, 2007

Source: Globis

In addition to Bulgarian pure plays there are also some foreign investors in the automotive sector in Bulgaria. There is only a small number of foreign invested companies, but their size is normally much larger than that of Bulgarian companies. However, the lack of local manufacturing sites is a real hinderance for suppliers to invest into Bulgaria. Cheap and qualified labor is the main driver for companies to come to Bulgaria. Table 14 gives an overview of some foreign automotive companies in Bulgaria.

Name	Fokus	Empoyees	Country of Origin
EPIQ	Car electronics	1.280	Belgium
Johnson Controls	Software-based car design solutions	400	USA
Grammer JSC	Seating systems	180	Germany
Melexis	Automotive chips	200	Belgium

Table 14: Foreign Automotive Components or Parts Producers in Bulgaria, 2007

Source: Globis

Apart from the plans of AKB Fores to build an entire new car in Bulgaria, there are other foreign investors who decided or are in detailed evaluations of becoming active in Bulgaria to manufacture components or spare parts. Table 15 gives an overview.

Name	Focus	City / Region	Country of Origin
Melexis	Automotive semiconductor; expansion of existing venture	Sofia	Belgium
Montupet	Alu spare parts for Renault, Peugeot, Ford and Audi	Ruse	France
Polaris Industries	Manufacture of all-terrain vehicles in Russe	Ruse	USA
Yazaki	Electric cables	Yambol	Japan

Table 15: New Automotive Production Projects in Bulgaria, 2007

Source: Globis

4.2 Bulgarian Aftermarket

4.2.1 Market Segments Aftermarket (OE, IAM, Fakes)

Bulgarians mostly use parts from the independent aftermarket for routine service and minor repairs, to about 60% (see Figure 18). Original parts are used at a level of about 10%. The level of faked spare parts used in Bulgaria is, with about 25%, strongly above European average, which is estimated to be 10% of all spare parts used. This high percentage can be explained through Bulgaria's borderline with Turkey, which is a major producer of faked parts and a distribution hub for parts originating from the Middle and Far East. Customs and other border controls can still be bribed easily and faked parts can not be recognized easily.

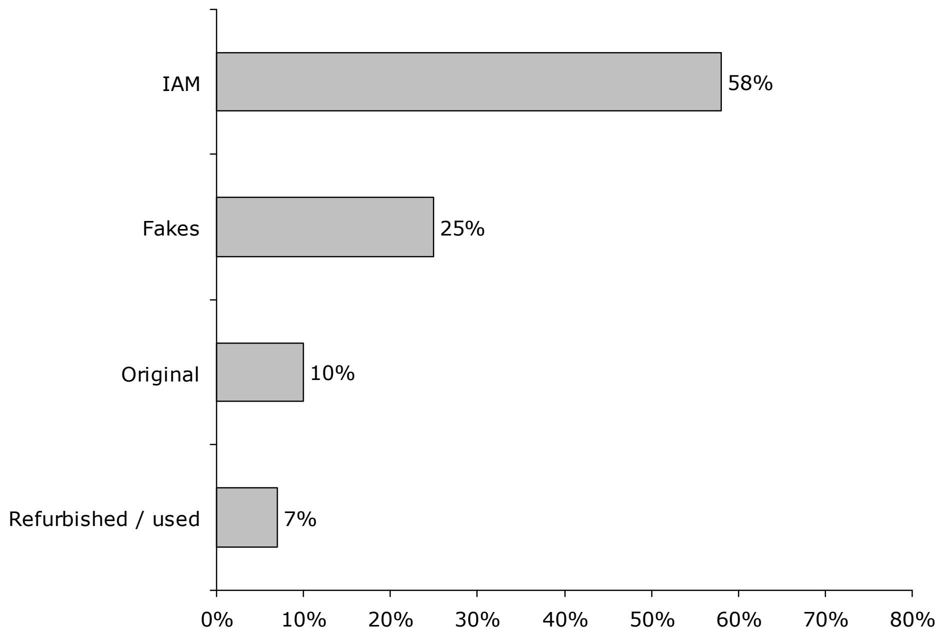

Figure 18: Share of OE-, IAM-, Fake-, Used-Parts for Routine Service, 2007

Source: Globis

However, Bulgarians who visit authorized OEM dealers for service, have a stronger tendency for original parts. Only about 30% of customers choose cheaper

IAM parts after the end of guarantee service. During guarantee service, it is about 10% of customers who prefer IAM parts.

4.2.2 Market Size Aftermarket

The spare parts market is mainly determined by the major characteristics of the car parc, e.g. its size as well as age, brand and model distribution. Of course, the personal income situation in respective households is also decisive. Apart from these generic derivatives for the market, there are country-specific factors which influence the parts market:

- Availability and usage of OE, IAM and faked parts
- Quality of cars, spare parts, fuel and lubricants used
- Regulations, like mandatory routine inspection
- Service center system and servicing habits
- External conditions like road conditions, climate, driving habits.

As discussed in chapter 4.2.1, most parts used are IAM or faked parts, which effectively lowers the value of the parts market.

More than 50% of the parc in Bulgaria is over 15 years old, almost 40% even over 20 years. The value of these cars is rather low. The declared import value of used cars imported into Bulgaria was about 1.400 EUR on average in 2007 – with almost 350.000 used cars being imported. Given this value, costly repairs of used cars are not economical. Cars are fixed until they do not run any more. Than they are disassembled and sold as spare parts on open-air-market. Some parts are refurbished, although there is no large-scale professional service for parts refurbishing in Bulgaria. This has a dramatic effect on the value of the spare parts market in Bulgaria.

The “Rules of Technical Inspection for Transport Vehicles” (chapter 4, §§ 32a, 32b of the rules) provide for cars to be checked regularly; cars older than three years have to be checked annually. These checks comprise mainly basic function tests, like the functioning of the brake, steering and lightning systems. These rules increase the spare parts market to some extent.

A comparatively large share of repair and maintenance services in Bulgaria is delivered by small repair garages, mostly not officially registered as a business. Self-repair is also relatively widespread. The main reason for this repair channel is low cost. The preferred methods of repair of these channels is to fix a problem somehow – if possible without the use of new spare parts or through used parts. If new parts are needed, the preferred choice is faked products and non-original parts. In the case of older models, the shortage of supply of spare parts also contributes to work-arounds affecting the value of the parts market.

Road conditions are, especially in the country side, hazardous in most regions. Years of underinvestment have left many roads in a poor state. Bulgaria's mountainous terrain and harsh winter conditions leave most roads potholed and dangerous and some impassable. There is a substantial backlog in infrastructure spendings, which – with the accession to the EU – might be reduced through EU-funds long-term. In the meantime, road conditions are a driving factor for the need of additional spare parts, especially shock-absorbers. Table 16 gives an overview of length and quality of the Bulgarian roads.

Road Condition Quality	Highways km	1st Class Roads km	2d Class Roads km	3th Class Roads km	Road Connections km	Total km
High	233	1.503	1.461	3.185	156	6.538
Middle	88	562	1.170	3.810	71	5.701
Low	11	896	1.353	4.473	14	6.747

Table 16: Length and Quality of Bulgarian Roads, 2006

Source: Bulgarian Road Agency

Based on our market model, the total aftermarket (only spare parts incl. tyres; no lubricants or fuel of any kind) in Bulgaria was around 800 mio. EUR in 2007. Based on today's pricing, this market will grow by 100 mio. EUR to 900 mio. EUR in 2010 (see Figure 19). Main drivers are, as discussed, an increase in the car parc and a further increase in the professionalism of the car service market. The growth of the aftermarket (3,5%) slightly outperforms the growth in the car parc (3,0%).

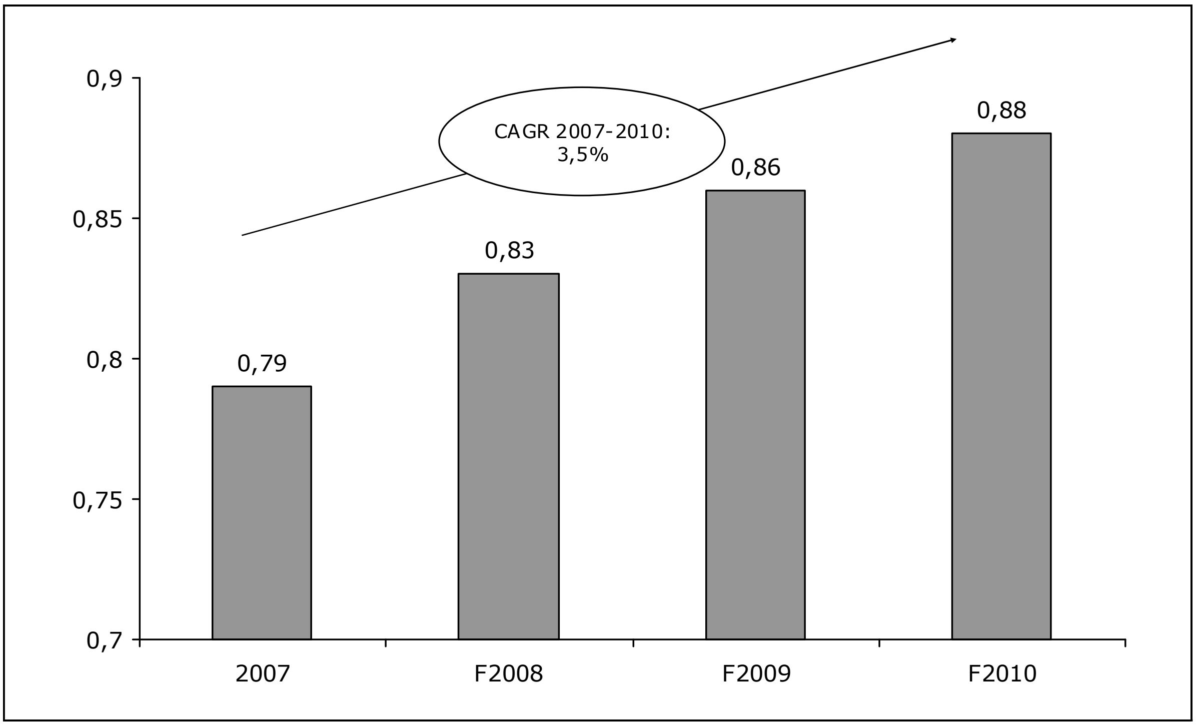

Figure 19: Size of Bulgarian Aftermarket, EUR bn., 2007-2010

Source: Globis

The top markets are, in order of size, tyres, brake shoes, batteries, and shock-absorbers followed by oil- and air-filters. Figure 20 gives an overview of important parts markets.

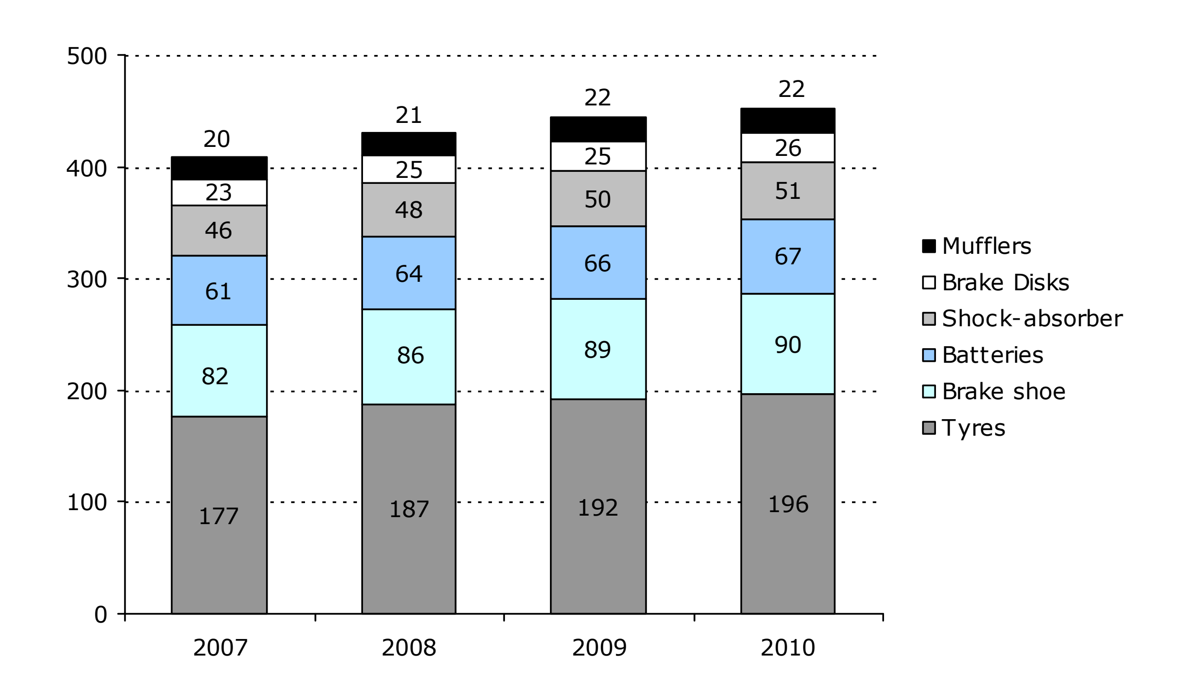

Figure 20: Bulgarian Aftermarket for Important Spare Parts, EUR mio., 2007-2010

Source: Globis

4.3 Distribution System / Sales Channels for Spare Parts

Car spare part distribution and sales in Bulgaria follows a common structure found in other countries as well. There is a large, fragmented independent sector, with several specialized players. Some spare part or service station chains are affiliated with importers or suppliers. This is, however, only a small fraction of all market players. In the long run, stronger importers and larger networks will be formed. The market today is still underdeveloped, with room for further service stations and spare part shops or distributors serving these stations. Figure 21 gives an overview of the players on the respective level of the supply chain.

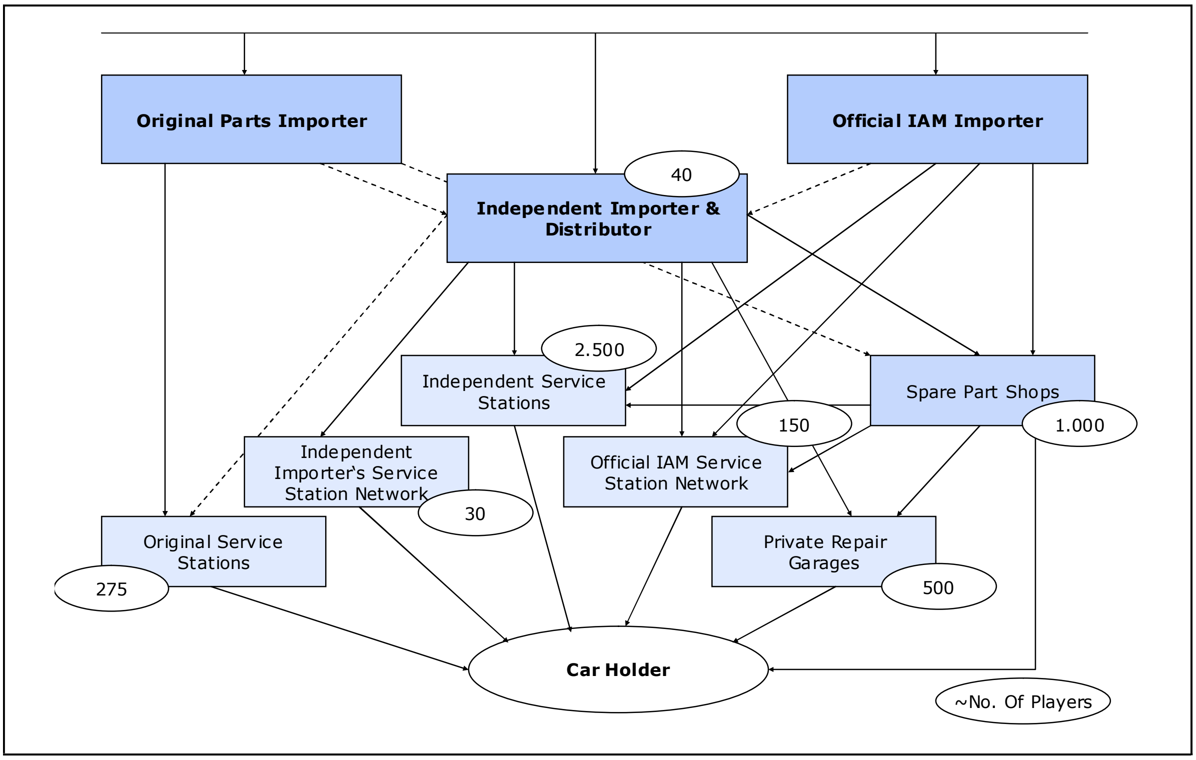

Figure 21: Distribution System for Spare Parts in Bulgaria

Source: Globis

Many car holders fix their car on their own. For this they buy spare parts from the numerous spare part shops in the country. We estimate above 30% of non-original spares are being bought through shops. Some car holders also buy spares at a shop and bring it to a service station to have it build in. The shops also engage in internet sale. Altogether, the shops account for over 35% of spare parts sold in Bulgaria (see Figure 22).

At the same level spare parts are sold through smaller repair shops. Many of them are officially registered, some are not registered and run inofficially in the backyard. The later one have increased in recent years with imports of used cars going up steadily.

The third sales channel is open-air-markets, where mainly parts for older cars are bought – mostly used parts or somehow refurbished ones. With an import value of about 1.400 EUR on average for used cars, even an IAM part is quite expensive and most people are looking for still cheaper alternatives.

Larger service stations and chains account for over 10%, including original service stations, which also equip cars with IAM parts, if customers want. This low number can simply be explained through the still fragmented and not yet very professionell car service sector in Bulgaria.

The internet accounts for a very small fraction of spare part sales. These sites are run by importers, spare part shops and private individuals with a side business.

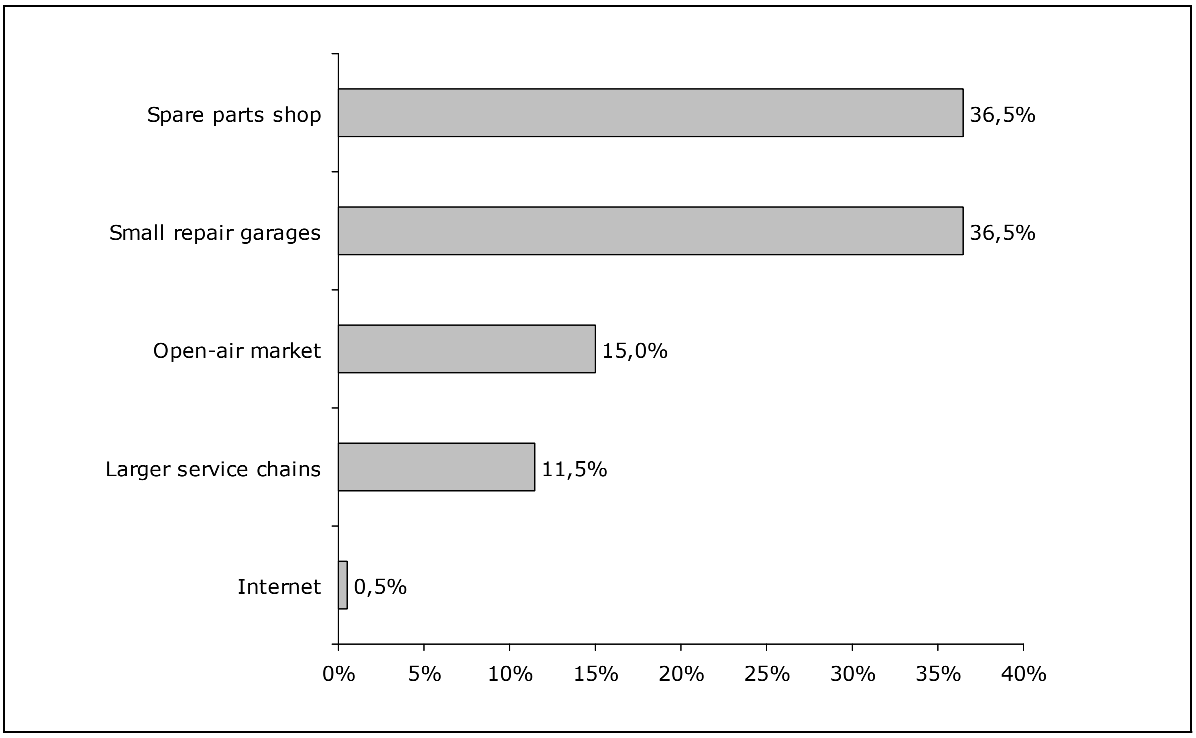

Figure 22: Shares of Spare Part Sales Channels for Non-OE, 2007

Source: Globis

4.3.1 Parts Importers and Distributors

Spare parts are mostly imported into Bulgaria through major wholesale distributors. The Bulgarian importer layer is still scattered, with about 40 professionally run importers (some of them highly specialized) and many smaller players importing parts on a irregular basis.

For parts manufacturers, the wholesale distributors are a main channel to sell its products in Bulgaria. Table 17 gives an overview of the largest independent importers and distributors in Bulgaria.

Company	Outlets in	Number of Outlets (Shops)
Elit Auto Bulgaria AD	Assenovgrad, Blagoevgrad, Plovdiv, Varna, Burgas, Ruse, Sofia, Yambol, Pleven, Petrich, Shumen, Harmanli, Montana, Stara Zagora, Lovech, Lukovit, Kurdjali, Kazanluk, Kyustrendil, Dobrich, Dupnica, Gabrovo, Smolian, Vratsa, Sevlievo, Veliko Turnovo, Sandanski, Sliven, Troyan, Gorna Oryahovitsa, Dimitrovgrad	50 Outlets (brand “Auto Plus”)
Kosser	Assenovgrad, Blagoevgrad, Plovdiv, Varna, Burgas, Ruse, Sofia, Yambol, Pleven, Pernik, Shumen, Haskovo, Pazardjik, Turgovishte, Montana, Stara Zagora, Lovech, Kurdjali, Kazanluk, Dobrich, Dupnica, Gabrovo, Smolian, Vratsa, Sevlievo, Veliko Turnovo, Silistra, Sandanski, Razgrad	42
Group Auto Union Bulgaria LTD	Sofia, Plovdiv, Varna, Burgas, Ruse, Veliko Turnovo, Blagoevgrad, Pazardjik, Kurdjali , Haskovo, Vratsa, Gabrovo, Sliven, Yambol, Stara Zagora Group Auto Union in Bulgaria is made up by three independent importers: Auto Help, Sofia Export, Autobul	30

Company	Outlets in	Number of Outlets (Shops)
Euro 07	Sofia, Plovdiv, Stara Zagora, Varna, Burgas, Ruse, Veliko Turnovo, Pleven, Pazardjik, Blagoevgrad	29
Auto Help	In Sofia, Plovdiv, Varna, Ruse, Burgas, Gabrovo, Iambol, Kurdjali, Stara Zagora, Pleven, Haskovo, Sliven, Veliko Turnovo, Blagoevgrad	16
D&N	Sofia, Pleven,Varna, Plovdiv, Burgas, Vratsa,Shumen, Haskovo, Razgrad	13
Tech Co	Sofia, Plovdiv, Varna, Bourgas, Sliven, Smolian, Haskovo, Vratza, Stara Zagora, Ruse, Blagoevgrad and Veliko Turnovo	12
Daskalov Car	Sofia, Pleven, Ruse, Blagoevgrad, Varna, Veliko Turnovo, Plovdiv, Burgas	10
Auto 1	Sofia, Varna, Plovdiv, Blagoevgrad, Pernik, Panagyurishte, Pazardjik	9 40 Partners

Table 17: Largest Spare Parts Importers in Bulgaria, 2007

Source: Globis

Group Auto Union Bulgaria is the common acting platform of 3 regional parts distributors in Bulgaria. Recognizing that survival on a local level will not be possible, they formed the group but still kept their legal independence. The group members are Auto Help, Sofia Export and Autobul. Gau Bulgaria is member of the international network GROUP AUTO UNION International which is represented in 20 countries.

4.3.2 Spare Part Shops

Spare part shops are a main distribution channel for parts to service stations as well as to car owners directly. There are over 1.000 spare part shops with different specialisations in the Bulgarian market. Many businesses or private individuals sell spares as a side business, which makes is difficult to track the market.

About 200 of them are part of a wholesale parts distributor's network. However, almost all of these shops are buying parts from the large wholesalers, complemented by parts they buy directly from suppliers like Bosch. Buying directly abroad as a regular process is mostly not a feasible way since because of missing purchasing volume prices and the administrative burden is not adequate.

The advantage of the shops is, of course, its proximity to the customer (garage or car owner). They have both a logistics and financing function.

Spare part shops are an integral part of any strategy to enter the Bulgarian parts market. To sell directly will be difficult, to sell via distributors, one's product might get lost in the vast product catalogue most distributors are offering. The best way is a mixture of good marketing or sales promotion and good logistics through distributors.

4.3.3 Service Stations

In Bulgaria there are currently about 2.500 officially registered service stations for cars. This results into 1.300 cars per service station, which is far below EU average. In recent years, the car parc has been growing at a high pace but the service infrastructure has been neglected. In the course of shortages, many private repair garages were established but not officially registered. They provide service for the large number of imported used cars, which need service at a very low price. We estimate about 500 of these privately run repair garages, bringing the cars to service stations ratio down to 1.100. We expect further growth in the service station segment, both officially and inofficially.

About 270 service stations are authorized stations of car makers (of which about 70% are also dealing with cars). Only about 30 garages are organized through parts importers. About 150 stations are affiliated to some larger supplier. Table 18 lists the largest service chains in Bulgaria.

Company	Servcie stations	Description
Bosch Service Network, but no uniform branding	70	Initiated by Bosch
MaxLife	31	In co-operation with Tech-Co
Fulda Bulgaria-Motoexpert	17	Service and spare parts trade; Fulda official dealer
D&N	13	Owned by Parts Importer D&N
Tech-Co-network, but no uniform branding	10	Initiated by parts importer Tech-Co
Omnicar	6	Service Station and Spare Parts Shops Chain
Primeks	6	Spezialized tyre centres
M Complect 33	4	Service Station and Spare Parts Shops Chain
Palma Rashidi	4	Spezializing in exhaust systems
AGD	3	Specializing in brake shoes; operates service stations and spare parts shops

Table 18: Large Chains of Multi-Brand Service Centers in Bulgaria, 2007

Source: Globis

Today, about 50% of service is delivered through these smaller repair shops, most of them not officially registered. About a quarter of incidents is fixed in self repair. Only about 7% of the service is delivered through original service stations (see Figure 23)

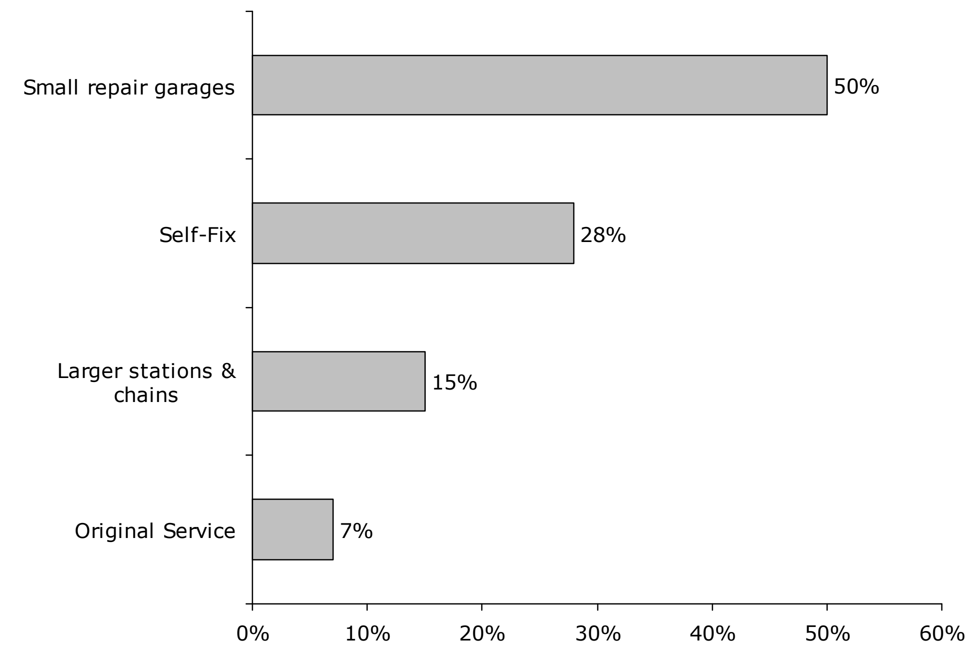

Figure 23: Share of Service-Channels Used for Car Repair and Maintenance, 2007

Source: Globis

Official car dealers provide repair and maintenance services and offer a complete range of original spare parts. In addition, there are some contract service stations, which provide original service and parts as well. These official service centers receive spare parts mostly from official importers.

Independent service centers get their spare parts mostly from independent importers. These service centers specialize in the provision of repair and maintenance services, mostly not limited to any brands. It is not unusual to bring in your spare parts and just buy the service at these independent centers.

5 Opportunities and Risk

Bulgaria as a member country of the EU bears limited political, administrative or financial risk. However, the EU recently demanded less corruption and a more aggressive fight to stop organized crime in Bulgaria – which highlights the major problems still present in the Bulgarian market. These are issues affecting the automotive market to some extent, for example the inflow and distribution of faked parts.

Other opportunities and risks arise from the situation of the automotive sector. Although the Bulgarian government is keen on attracting FDI in the automotive sector, the automotive industry is still limited. This leads to a shortage of qualified personnel, if needed.

Still, Bulgaria is an attractive market for the automotive industry, with growth rates outperforming those in Western European countries. Also, the new car market did not break down upon Bulgaria's entry to the EU, as it happened in Poland.

Opportunities for OEM arise especially through the growth of the new car market. This growth is highly likely, with increasing wealth of consumers and used car imports decreasing. There are also chances, that the Bulgarian government will issue provisions drastically reducing the import of older used cars. If so, the price gap between new cars and younger imported used cars will narrow and new car sales will benefit. These provisions could take the form of an eco-tax like in Romania or Hungary (which is, however, currently challenged by the EU). Short-term over the next 3 years, we expect a growth of about 18% in the new car market. An economic downturn, on the other hand, could postpone substantial growth in the new car market.

Opportunities in the aftermarket exist as well. Importers and distributors are just forming and there are substantial opportunities to start a presence in the market. The same holds true for service chains – most service stations in Bulgaria are small and not affiliated to importers, suppliers or any other chain. The spare part market will increase, although not at the pace as the new car market. Bulgarians are slowly willing to pay more for parts and properly maintain their car. There is no widespread Bulgarian industry producing for the Bulgarian aftermarket, so that local competition is limited. The main challenge for aftermarket participants will be to find the best sales channels possible. Since at importer / distributor level the industry is highly fragmented, it is difficult to reach national coverage. Another challenge is pricing, since many parts are faked and hence Bulgarian consumers are used to lower prices.

For companies wanting to manufacture in Bulgaria, wages are highly attractive compared to other Western European and even CEE countries. The biggest problem is the missing automotive industry in Bulgaria, with only few customers in Bulgaria. All production would be for export or directly for the aftermarket. Another problem is the lack of qualified labor. Still, for non-complex parts Bulgaria is a very good location for parts manufacturing.

6 Appendices

6.1 Districts and Regions in Bulgaria

Planning Region	Districts	Population	Area sq. km.	Population Density
North-West	Vidin	114.769	3.033	37,8
	Vratsa	205.797	3.937	52,3
	Montana	164.057	3.627	45,2
North Central	Veliko Turnovo	293.172	4.662	6,2
	Gabrovo	134.490	2.023	66,5
	Lovech	157.407	4.128	38,1
	Pleven	301.634	4.337	69,5
	Ruse	255.315	2.791	91,5
North-East	Varna	456.915	3.818	119,7
	Dobrich	204.738	4.723	43,3
	Razgrad	137.853	2.637	52,3
	Silistra	132.699	2.846	46,6
	Turgovishte	134.264	2.716	49,4
	Shumen	197.632	3.379	58,5
South-West	Blagoevgrad	330.034	6.452	51,2
	Kyustendil	162.534	3.084,3	52,7
	Pernik	139.677	2.392	58,4

Planning Region	Districts	Population	Area sq. km.	Population Density
	Sofia	258.397	7.059	36,6
	Sofia cap.	1.237.891	1.344	921,0
South Central	Kardzhali	157.463	3.208	49,1
	Pazardzhik	296.281	4.459	66,4
	Plovdiv	706.413	5.962	118,5
	Smolyan	129.731	3.193	40,6
	Stara Zagora	358.342	5.152	69,6
	Haskovo	264.312	5.538	47,7
South-East	Burgas	417.810	7.747	53,9
	Sliven	209.169	3.544	59,0
	Yambol	144.525	3.355	43,1
Total		7 679 290	111.000	69,2

Source: NSI, Globis

6.2 Major Bulgarian Cities

	City	Region	District	Population
1	Sofia	South-West	Sofia Cap.	1.237.891
2	Plovdiv	South-Central	Plovdiv	343.662
3	Varna	North-East	Varna	311.465
4	Burgas	South-East	Burgas	188.887
5	Ruse	North-Central	Ruse	157.526
6	Stara Zagora	South-Central	Stara Zagora	141.597
7	Pleven	North-Central	Pleven	113.382
8	Sliven	South-East	Sliven	95.400
9	Dobrich	North-East	Dobrich	93.850
10	Shumen	North-East	Shumen	86.954
11	Pernik	South-West	Pernik	80.588
12	Yambol	South-East	Yambol	79.119
13	Haskovo	South-Central	Haskovo	78.782
14	Pazardjik	South-Central	Pazardjik	76.136
15	Blagoevgrad	South-West	Blagoevgrad	69.976
16	Veliko Turnovo	North-Central	Veliko Turnovo	66.272
17	Gabrovo	North-Central	Gabrovo	62.561
18	Vratsa	North-West	Vratsa	62.909
19	Asenovgrad	South-Central	Plovdiv	51.979

	City	Region	District	Population
20	Vidin	North-West	Vidin	51.602
21	Kazanlak	South-Central	Stara Zagora	51.285
22	Kyustendil	South-West	Kyustendil	46.882
23	Montana	North-West	Montana	46.727
24	Kurdjali	South-Central	Kurdjali	45.482
25	Lovech	North-Central	Lovech	40.444
26	Silistra	North-East	Silistra	39.148
27	Turgovishte	North-East	Turgovishte	38.280
28	Dupnitsa	South-West	Kyustendil	36.673
29	Razgrad	North-East	Razgrad	35.704
30	Smolyan	South-Central	Smolyan	31.979

Source: Globis

6.3 New Car Sales by Brand, 2003-2007

Brand	2003	2004	2005	2006	2007	Growth 07/06
Toyota	1533	2093	2840	4204	5813	43%
Ford	1401	2158	3126	3840	4450	19%
Peugout	2698	3647	4672	4628	4384	-3%
Opel	1234	2066	2818	3583	4316	24%
Volkswagen	352	656	1493	2521	3880	61%
Skoda	1168	1974	2543	3261	3303	14%
Citroen	1574	1866	2795	3087	3209	7%
Dacia	270	399	9	1721	3014	1730%
Chevrolet	0	553	1163	1725	2684	52%
Renault	1367	2102	1926	2014	2664	18%
Hyundai	611	953	1165	1382	1710	21%
Mercedes	543	517	852	983	1439	30%
Fiat	280	171	542	874	1153	46%
Kia	390	368	555	950	1078	39%
Nissan	226	203	493	791	1050	46%
Mitsubishi	197	252	385	524	1011	62%
Suzuki	591	504	555	820	951	31%
Lada	564	930	1193	1234	791	-19%
Audi	59	104	58	325	684	243%

Brand	2003	2004	2005	2006	2007	Growth 07/06
BMW	57	235	151	550	679	112%
Mazda	282	343	462	517	652	19%
Honda	100	152	308	287	485	25%
Volvo	288	357	345	364	442	13%
Seat	274	434	191	317	432	50%
Ohters	336	557			426	
Ssangyong	88	201	287	322	302	3%
Land Rover	0	72	128	172	222	32%
Jeep	67	64	75	60	124	29%
Chrysler	40	63	75	96	103	17%
Lexus	0	52	57	73	101	33%
Subaru	22	73	54	86	101	37%
Alfa Romeo	16	8	33	102	87	62%
Dodge	0	0	0	19	70	
Mini	0	7	20	26	47	53%
Daihatsu	0	85	21	64	44	45%
Saab	18	23	7	27	40	139%
GAZ	187	76	41	85	36	-6%
Jaguar	15	19	15	22	19	13%
Lancia	3	2	21	9	9	-35%
Isuzu	54			3	4	

Brand	2003	2004	2005	2006	2007	Growth 07/06
Iveco	265	120				
IZ	4	16	1			
Rover	46	2	4			
UAZ	0	431	281			
	17.220	24.908	33.434	42.625	52.009	

Source: SVAB

6.4 Bulgarian Import Regulations for Cars

6.4.1 Imports from EU-countries

Since January 2007 import of cars from a EU member country are duty- and VAT-free. Customs applies a base fee of 100 BGN and an eco fee from 100 to 200 BGN, according to Euro Standard. In addition, excise duty is charged on the following terms:

- For new cars, an excise duty base fee of 700 BGN + 90 BGN per each kW over 120 kW. A “new car” if defined to be a vehicle under 6 months old from its production date, of up to 6000 km.
- For used cars, there is no excise duty base fee. Fees apply only for cars with engine capacity starting from 120 kW, according to Table 19. “Second-hand cars” are defined as non-new cars.

Engine Capacity (kW)	Import excise / kW
120-150	35 BGN
Over 150	60 BGN

Table 19: Excise Duty on Used Cars Imported into Bulgaria (from EU and non-EU), 2007

Source: Bulgarian Customs

6.4.2 Imports from Non-EU-countries

For new cars imported into the territory of Bulgaria the following duties apply:

- Customs duty: 10%
- Excise duty: 700 BGN + 90 BGN per each kW over 120 kW.

A “new car” if defined to be a vehicle under 6 months old from its production date, of up to 6000 km.

For second-hand cars imported into the territory of Bulgaria the following duties apply:

- Customs duty: 10%
- Excise duty: No base fee. Fees apply only for cars with engine capacity starting from 120 kW, according to Table 19.

“Second-hand cars” are defined as non-new cars.

6.5 New Car Sales by Model, 2006-2007

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Opel	C	Astra, Zafira	2.562	2.065	24,1%
Dacia	B	Logan	2.529	1.721	46,9%
Skoda	C	Fabia	1.564	1.946	-19,6%
Ford	MV	Transit, Turneo	1.478	1.203	22,9%
Toyota	C	Corolla, Auris	1.436	967	48,5%
Skoda	D	Octavia	1.263	1.183	6,8%
Peugeot	SV	Partner	1.187	1.523	-22,1%
Ford	B	Fiesta	1.175	986	19,2%
Chevrolet	SUV1	Captiva	1.162	153	659,5%
Peugeot	B	1007/206/207	1.136	730	55,6%
Citroen	SV	Berlingo	1.053	1.136	-7,3%
Renault	B	Clio	1.041	1.039	0,2%
Chevrolet	B	Aveo	1.010	1.098	-8,0%
Toyota	B	Yaris	1.003	668	50,1%
Opel	B	Corsa	970	852	13,8%
Toyota	D	Avensis/Prius	901	0	-
Peugeot	C	307	888	1.232	-27,9%
Volkswagen	SV	Touran	857	490	74,9%

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Peugeot	MV	Boxer/Expert	779	757	2,9%
Lada	SUV1	Niva	766	1.153	-33,6%
Ford	C	Focus	764	525	45,5%
Citroen	C	C4	753	699	7,7%
Toyota	SUV1	Rav4	751	663	13,3%
Volkswagen	B	Polo	715	468	52,8%
Renault	SV	Kangoo	671	285	135,4%
Citroen	B	C1/C2/C3	588	603	-2,5%
Suzuki	SUV1	G.Vitara/Jimny/SX-4	586	509	15,1%
Volkswagen	MV	Transporter/Multivan	581	331	75,5%
Ford	SV	TRConnect/Tourneo	540	789	-31,6%
Fiat	SV	Doblo	521	398	30,9%
Volkswagen	C	Golf/Jetta	513	358	43,3%
Dacia	SV	Logan Van	485	0	-
Volkswagen	D	Passat	479	374	28,1%
Toyota	MPV	Verso/Avensis	460	346	32,9%
Kia	C	Cerato/Ceed	448	141	217,7%
Volkswagen	SUV1	Touareg	409	345	18,6%
Renault	C	Megane II	403	326	23,6%
Ford	D	Mondeo	368	234	57,3%

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Mitsubishi	SUV1	Pajero	362	69	424,6%
Mercedes	MV	Viano/Vito	353	296	19,3%
Toyota	SV	Hilux	349	201	73,6%
Nissan	SUV1	Quashqai/ X-Trail	344	71	384,5%
Skoda	MPV	Roomster	319	23	1287,0%
Toyota	A	Aygo	311	221	40,7%
Suzuki	B	Swift/Ignis	308	225	36,9%
Seat	B	Ibiza/Cordoba	274	201	36,3%
Peugeot	D	407	260	365	-28,8%
Chevrolet	A	Sparc	244	237	3,0%
Audi	SUV2		223	91	145,1%
Nissan	B	Micra	221	211	4,7%
Chevrolet	C	Lacetti	220	212	3,8%
Opel	SV	Combo Cargo	219	235	-6,8%
BMV	SUV2	X5	204	76	168,4%
Nissan	SUV2	Patrol/Pathfinder	200	262	-23,7%
Kia	MV	K 2500/K 2700	191	371	-48,5%
Renault	MPV	Scenic	191	151	26,5%
Fiat	A	Seicento/Panda	189	122	54,9%
Mercedes	C	A/B Class	188	148	27,0%

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Mazda	D	Mazda 6	185	179	3,4%
Fiat	MV	Ducato/Scudo	184	118	55,9%
Honda	SUV1	CR-V	182	89	104,5%
Mitsubishi	B	Colt	180	206	-12,6%
Mazda	C	Mazda 3	177	159	11,3%
Nissan	SV	Pickup/Navara	174	146	19,2%
Land Rover	SUV2	Defender/Discovery	172	147	17,0%
Fiat	B	Punto	161	190	-15,3%
Mitsubishi	SV	L 200	159	87	82,8%
Seat	C	Toledo/Leon/Altea	155	116	33,6%
Honda	D	Accord	152	93	63,4%
Mazda	MPV	Mazda 5	147	149	-1,3%
BMW	D	Series 3	148	124	19,4%
Audi	E	A 6	148	80	85,0%
Mitsubishi	SUV2	Outlander /Pajero	144	41	251,2%
Audi	C	A 3	143	78	83,3%
Toyota	SUV2	Land Cruiser	138	407	-66,1%
Opel	SUV1	Antara	133	0	-
Mercedes	F/G	S Class	130	113	15,0%
BMW	SUV1	X 3	126	124	1,6%

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Audi	D	A 4	125	60	108,3%
Ford	MPV	S-Max/ Galaxy	125	84	48,8%
Volvo	D	S 40/V 40/V 50/S 60	124	71	74,6%
Mercedes	E	E Class	124	101	22,8%
Peugeot	A	107	117	0	-
Mitsubishi	C	Lancer	115	63	82,5%
Honda	C	Civic/City	106	45	135,6%
Opel	MPV	Movano/Vivaro	103	84	22,6%
Nissan	C	Almera/Note	102	59	72,9%
Citroen	D	C 5	94	101	-6,9%
Volvo	E	S 80/V 70/XC 70	93	71	31,0%
Fiat	C	Albea/Stolo/Bravo	93	41	126,8%
Skoda	SV	Roomster	90	14	542,9%
BMW	E	A 6	89	90	-1,1%
KIA	D	Magentis	87	57	52,6%
Kia	SUV2	Sorento	87	124	-29,8%
Kia	SUV1	Sportage	84	98	-14,3%
BMW	C	Series 1	78	81	-3,7%
Mazda	B	Mazda 2	73	19	284,2%
Volvo	C	C 30	70	0	-

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Skoda	E	Superb	67	95	-29,5%
Jeep	SUV1	Cherokee/Wrangler	65	10	550,0%
Chrysler	E	300 C	64	49	30,6%
Opel	MV	Movano/Vivaro	60	60	0,0%
Jeep	SUV2	Commander	59	50	18,0%
Renault	D	Laguna II	59	43	37,2%
Kia	B	Rio	54	75	-28,0%
Volkswagen	H	Caddy	51	14	264,3%
Land Rover	SUV1	FreeLander	50	25	100,0%
Alfa Romeo	D	159/GT/Crosswagon	49	61	-19,7%
Mitsubishi	MPV	Grandis	48	67	-28,4%
Chevrolet	D	Epica	47	22	113,6%
Mazda	SV	BT 50	47	6	683,3%
Ssangyong	SUV1	Actyon	47	38	23,7%
Kia	MPV	Carens/Karnival	45	12	275,0%
Subaru	SUV1	Forester	41	10	310,0%
Suzuki	C	Liana	41	42	-2,4%
Dodge	C	Caliber	38	19	100,0%
GAZ	MV	27xx	36	85	-57,6%
Daihatsu	SUV1	Terios	34	60	-43,3%

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Saab	D	93	30	10	200,0%
Audi	H	S5	26	1	-
BMW	F/G	Series 7	23	38	-39,5%
Dodge	SUV1	Nitro	23	0	-
Alfa Romeo	C	147	22	21	4,8%
Honda	B	Jazz	22	34	-35,3%
Audi	F/G	A 8	19	15	26,7%
Mazda	E		19	0	-
Volvo	H	C 70	17	0	-
Mercedes	MPV	R Class	17	21	-19,0%
Alfa Romeo	H	GT / Brera	16	19	-15,8%
Suzuki	A	Alto / Wagon R	16	44	-63,6%
Subaru	D	Legacy/Outback	14	17	-17,6%
Lexus	F/G	LS 460	14	1	-
Subaru	C	Impreza	13	3	333,3%
Peugeot	E	607	11	16	-31,3%
BMW	H	Serie 6	11	17	-35,3%
Ssangyong	SV	Actyon Sports	10	3	233,3%
Daihatsu	B	Sirion/Yrv	9	4	125,0%
Ssangyong	MPV	Rodius	9	0	-

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Saab	E	95	8	13	-38,5%
Nissan	D	Primera	7	40	-82,5%
Jaguar	H	XK/XKR	6	0	-
Jaguar	E	S-Type	5	3	66,7%
Jaguar	F/G	XJ	5	6	-16,7%
Peugeot	MPV	807	5	5	0,0%
Lancia	MPV	Phedra/Musa	4	1	-
Chrysler	H	Crossfire	3	0	-
Mitsubishi	H		3	0	-
Renault	H	Megane CC	3	13	-76,9%
Jaguar	D	X-Type	3	13	-76,9%
Fiat	D	Croma	3	4	-25,0%
Citroen	SUV1		2	0	-
Fiat	SUV1		2	0	-
Lexus	H	SC 430	2	2	0,0
Nissan	H	350Z	2	2	0,0
Subaru	H	Impreza Sti	2	7	-71,4%
Ssangyong	H		2	0	-
Saab	SUV2	9-7 X	2	4	-50,0%
Daihatsu	A	Cuore	1	0	-

Brand	Class	Model	Sales 2007	Sales 2006	Growth 2007/2006
Opel	A	Agila	1	4	-75,0%
Subaru	B		1	0	-
Chevrolet	MPV	Tacuma	1	3	-66,7%
Peugeot	SUV1		1	0	-
Volkswagen	SUV1	Touareg	1	0	-

Source: SVAB

6.6 Major Importers of Used Cars

Importer	City
ET "Sputnik 96" EOOD	Vratsa
AK "Rokar"	Plovdiv
AS "Odesos"	Varna
AK "Traykov Cars" EOOD	Plovdiv
Info Auto Plus EOOD	Plovdiv
Radine Trans EOOD	Burgas
A.B.Trans OOD	Burgas
AK "A2 Avtomobili" EOOD	Sofia
AK "Avtojet-H"	Sofia
AS "Adler Automobile"	Sofia
"Alfa BG 2005"	Sofia
"Auto Benny" EOOD	Sofia
AK "Auto Gilli"	Plovdiv
"Autodetelina-VT"	Veliko Turnovo
"Autoelit"	Pernik
"Auto-100-Yan"	Shumen
AS "Auto Hristov"	Plovdiv
"Bavaria Auto" EOOD	Sofia
"BMC Mobile" OOD	Sofia

Importer	City
"Bolkan Interleasing" OOD	Sofia
"Bomi Cars" OOD	Sofia
AK "Buls Avto"	Sofia
"Bratya Dernevi"	Karlovo
ET "Vangel Yanev-Ani"	Karlovo
AS "VEND"	Varna
AB "VEP"-"VEP"	Burgas
"DENT" EOOD	Varna
AK "Diesel"	Plovdiv
AK "Elegans"	Sofia
AK "Elpas"	Sofia
Ak "En-G"	Sofia
"Imperial Favorite" EOOD	Pleven
AK "Ital Service"	Sofia
AK "Kapitolia"	Sofia
AK "Kimi"	Dupnitsa
AK "Komeksmash"	Assenovgrad
"Kranmash"OOD	Sofia
AK "Krisi 2002"	Sofia
AK "Loat" EOOD	Sofia
AK "Lyubo Car"	Sofia

Importer	City
ET "Milen Zahariev"	Pleven
AK " M M Auto"	Sofia
AK "Next Car"	Sofia
AK "Nido-S"	Plovdiv
AK "Nikiforov"	Plovdiv
AK "Ontario"	Sofia
AK "Rils Trans"	Sofia
"Ring" EOOD	Pernik
"C-V Pavlovi Trade"	Sofia
AK "Savito"	Varna
"Sameks Auto" OOD	Pernik
AK "Sevtopolis"	Kazanluk
AK "Sil Turs"	Sofia
"Sprint 2001" OOD	Karlovo
AK "Sofavto"	Sofia
ET "Stanislav Milanov"	Sofia
"Stanev & Slavov" OOD	Karlovo
AK "Teodora 91"	Sofia
"Tipo Trans"OOD	Plovdiv
"Tony Commerce-Totka Ivanova"	Lovetch
SD "Transgrafika -Dimitrovi & Sie"	Sofia

Importer	City
AK "Turgovska kushta"	Pernik
AK "Funk Commerce"	Harmanli
AC "Harmanli"	Harmanli
AK "Henge"	Plovdiv
"Hit Auto BT"	Sofia
AK "Hristov Commerce"	Plovdiv
AK "Shafer"	Assenovgrad
SD "Sherkom"	Sofia
AK "Union Auto"	Sofia
"Yuta-2" EOOD	Plovdiv

Source: Association of Automobile Importers

7 Abbreviations

ACEA	European Automobile Manufacturers' Association
BGN	Bulgarian Lev
Bn.	Billion
CAGR	Compounded Annual Growth Rate
CDK	Complete Knock Down
CEFTA	Central European Free Trade Agreement
EUR	Euro
F	Forecast
GDP	Gross Domestic Product
IAM	Independent Aftermarket
kW	Kilowatt
Mio.	Million
NAPI	National Agency of Industrial Information
No.	Number
NSI	National Statistical Institute
OEM	Original Equipment Manufacturer
PC	Passenger Car
sq. km.	Square Kilometre
SUV	Sport Utility Vehicle
SVAB	Union of Importers of Automobiles in Bulgaria (also "UIAB")
USD	US-Dollar
WTO	World Trade Organisation

Globis Consulting

Globis is a market research and consulting company based in Berlin, Germany. We cover mature and developing automotive markets world-wide. Our services include:

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- Entry strategies

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