

## Feature story

# Jeremie programme to start in Bulgaria within weeks

Tender for subcontractor funds may be called in March, financing expected next year

The negotiations between the ministry of economy, energy and tourism and the European Investment Fund (EIF) over the start of the Jeremie initiative are now in the final stage. Only the last legal details of the agreement remain to be specified before the document is submitted for approval by the cabinet and ratification by the parliament. The final version of the agreement is expected to be presented on February 8. I hope the holding fund will be set up within a few weeks, deputy minister Evgeni Angelov told the *Pari* daily. That will give the green light to the absorption of EUR 200 million. However, companies are unlikely to get any funding under Jeremie before the beginning of 2011, experts explained.

## Procedure

If the negotiations finish within a week and the ratification of the agreement with the EIF is not delayed, the first call for tender for subcontractor funds may kick off in March. Three funds are planned to start in 2010: for venture capital, for growth capital and for mezzanine finance. The first fund will have a EUR 30 million capital, including 70% European funding. It will invest up to EUR 1.5 million in a company a year. The other two funds will amount to some EUR 60 million and subcontractors will have to provide about 50% of the capital.



► Companies are unlikely to start receiving Jeremie financing before next year, Mattig Levercom Management Partners' Zoya Vasileva says

PHOTO MARINA ANGELOVA

## Terms

I hope that the EU funding will be provided at once, so that the three procedures can start simultaneously in the next few weeks, Angelov pointed out. When that stage is over, procedures will be opened for other types of instruments like guarantee funds, credit lines to banks, business angels networks. We have agreed with the EIF that if the three funds are successful we may set up another one or two funds, he added.

## Problems

The submitting of documents

and the assessment of offers each will take about a couple of months. We may expect that a six-month term will be given for raising of capital, so even if the first call to tender is announced in March or April we are unlikely to see the first companies using venture financing under Jeremie by this year's end, Zoya Vasileva, managing partner at Mattig Levercom Management Partners, told the *Pari* daily.

## Beneficiaries

The funds, banks and the Bulgarian Business An-

gels Network that the *Pari* daily talked with said they are waiting for the start of the procedure. What may discourage funds from applying is their investment policy, rather than the risk of investing in small developing companies, investment managers say. Most equity funds in Bulgaria are interested in companies at the stage of expansion. Market players forecast we are likely to witness the establishment of new funds for start-up businesses or the entry of foreign funds in Bulgaria.

## Advice

### Finance minister on EU tour over euro

Bulgaria should acquaint itself with Slovakia's eurozone application, since the two countries have similar economic structures, Luxembourg prime minister Jean-Claude Juncker told Bulgarian finance minister Simeon Dyankov. Juncker is one of the most influential financiers in the EU and heads the euro group of the finance ministers of the 16 eurozone countries. Slovakia joined the eurozone on January 1, 2009 and is the last country to have adopted the common European currency as a means of payment. In the next few days Dyankov will have meetings with other European financial ministers to lobby for Bulgaria's entry in ERM II and to present the reforms undertaken in Bulgaria in the past six months. Economists forecast that Bulgaria may join the eurozone in 2013.

## Utilities

### Water supply system in critical condition



► Angel Semerdzhiev

The water supply and sewerage network in Bulgaria is in a critical condition and investment is insufficient, Hristo Stankov, head of directorate at the ministry of regional development and public works, said at a public discussion. The event was organised by the State Energy and Water Regulatory Commission (SEWRC) in connection with the requested price hike by three water system operators. The 29 such companies in Bulgaria cannot reduce their losses without investment, Stankov pointed out. Offering concession on water supply services will help solve the investment shortage without raising prices, SEWRC chairman Angel Semerdzhiev said. Sofia's Sofiyska Voda is the only water concessionaire in Bulgaria. It has fulfilled almost 100% of its investment commitments, Semerdzhiev added.

## Auction

### Sofia offers BKS Centre for BGN 3.5m

Sofia municipality is putting BKS Centre construction company up for action. The initial price is BGN 3.5 million, municipal councillor Nikolay Stoynev told

the *Pari* daily. That will be yet another attempt to sell the company. Last year three tenders failed for lack of bidders. The initial price then was BGN 5.2 million and the new owner had to keep the company's line of business for three years, which is construction of the underground and infrastructure engineering of Sofia. This year the municipality will introduce no requirements for the activity of the firm after the sale. BKS Centre owns a production facility, 1.4 ha of land and production buildings located on 1,700 sq. m in Sofia. In 2010 the municipality expects BGN 5 million income from privatisation of other sites, VAT excluded. Other properties for sale in 2010 are 70.54% of Municipal Bank and Galatya 2002, the *Pari* daily found out.

## Privatisation

### Four candidate consultants for Bulgartabac

Four companies have filed offers to consult the Privatisation Agency on the sell-off of Bulgartabac Holding. The deadline expired on February 1. Candidates include Citigroup Global Markets Limited, a consortium of KBC Securities N.V. and Tokushev and Partners, a tie-in of Raiffeisen Investment and Kamburov, and Renaissance Securities. The tender commission will review the offers and propose a ranking within a 14-day term. Bidding for the holding will start from about EUR 100 million, minister of economy Tryacho Traykov said. The deal is expected to be finalised by the middle of the year.

## BSE

### Price up for half of traded stocks on Tuesday

The second session on the Bulgarian Stock Exchange (BSE) this week pushed up the share price of 49% of the traded companies and 29% cheapened. The remaining 22% of the deals closed without a change in price. The indexes divided in twos in their movement. The blue-chip Sofix gained 0.84% to 440.44 points. BGTR30 of the best performers in total return added 0.36% to its value to 336.44 points. BG40 of the most traded stocks lost 0.02% and finished at 118.12 points. BGREIT closed at 46.12 points, down 0.41%. Stroyinvest Holding's capitalisation grew 22.75%. Hydraulic Elements and Systems was the worst performing company. Only five shares were sold and the price slid 9.31%. Stocks of Chimimpor and its subsidiary Central Cooperative Bank were in the focus of investors with 89,370 and 71,214 shares sold.

# Eurohold profit shrinks 92% in 2009

Fourth quarter most successful for holding, subsidiary Euroins Bulgaria

Eurohold Bulgaria's net profit for 2009 slumped 92% to BGN 2 million, the non-consolidated report show. That was mainly due to the 59-percent year-on-year drop in financial income to BGN 17.2 million. The gains from operations in financial assets and instruments decreased 65% to BGN 13.6 million in 2009. The year-on-year slump was due to the fact

## Subsidiaries

### Avto Union swings to loss in 2009

► Car dealership Avto Union

Group reported a BGN 1.13 million loss for 2009.

- The company netted a BGN 843,000 profit for 2008.
- Eurolease Auto's profit surged five-fold to BGN 3.1 million.

that in 2008 Euroins Romania made a BGN 38.6 million contribution in kind in Euroins Insurance Group's capital.

## Results

The last three months of 2009 were the most successful quarter for Eurohold, the report shows. The holding's profit reached BGN 10.9 million for the period, compared with a BGN 3.12 million loss for the preceding quarter. The good performance of Eurohold Bulgaria was due to the sale of subsidiary Avto Union Centre to asset man-

agement fund Bluehouse in October. The deal amounted to EUR 27.3 million. Part of the receipts were used for repayment of a EUR 16.8 million loan from Piraeus Bank Bulgaria. The operation resulted in a EUR 7 million net accounting profit for Eurohold.

Last year was difficult but successful for Eurohold thanks to the completion of the holding's restructuring, management board chairman Kiril Boshov told the *Pari* daily. Eurohold reorganised its key businesses into three subholdings: Eu-

roins Insurance Group, Avto Union Group and Eurolease Group.

## Insurance

The net premium income of Euroins Bulgaria declined 2.70% to BGN 59.9 million in 2009. However, the income of the insurance company increased nearly 5% to BGN 68.3 million. Profit slumped 86% to BGN 1.8 million. Like the parent company, Euroins also had its strongest period in the last quarter of the year, when profit jumped more than six-fold to BGN 2.36 million.

Financial insurance plunged more than 80% last year due to Euroins's decision to limit such exposures. Casco and cargo insurance also dropped. However, agriculture and marine insurance jumped 39.3% and 35.7% respectively.

# 59.9

► million leva was the net premium income of Euroins Bulgaria in 2009