



BASSCOM Barometer 2016

Annual Report On The State of the
Software Sector in Bulgaria

November 2016

Contents

- Introduction
 - About BASSCOM Barometer
 - Data Sources
- Key Indicators
 - Revenue
 - Share of GDP
 - Jobs
 - Employee compensation
 - Taxes paid
- Forecasts
- Impact of external factors
- Conclusion

About BASSCOM Barometer

- BASSCOM
 - Professional association of the software companies in Bulgaria
- BASSCOM Barometer
 - An annual report on the Software sector in Bulgaria
 - Published since 2009

Sources

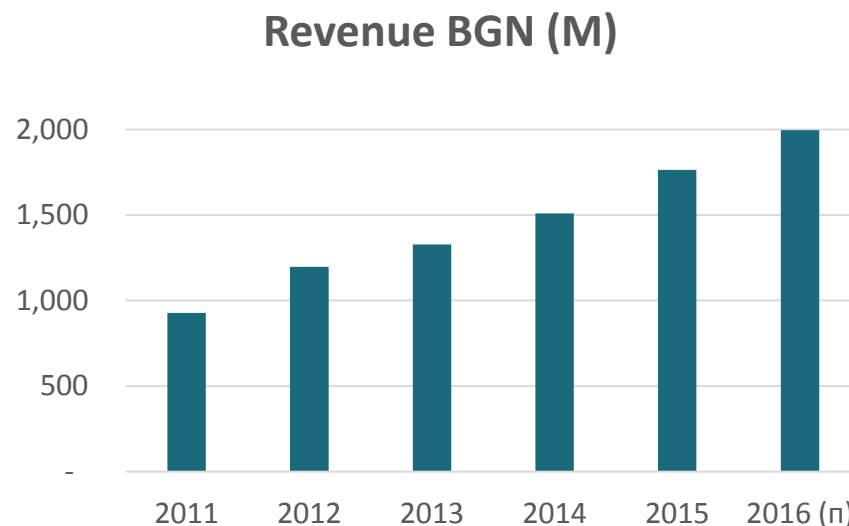
Unless expressly stated otherwise, the data is from a study of the software industry by CBN - Pannoff, Stoytcheff & Co. contracted by BASSCOM.

The study covers 2014, 2015 and 2016 – forecast. It is based on data gathered from ~ 3000 companies whose revenues are generated mostly from software-related activities.

Data from a survey conducted by BASSCOM among its members is also used.

Revenues

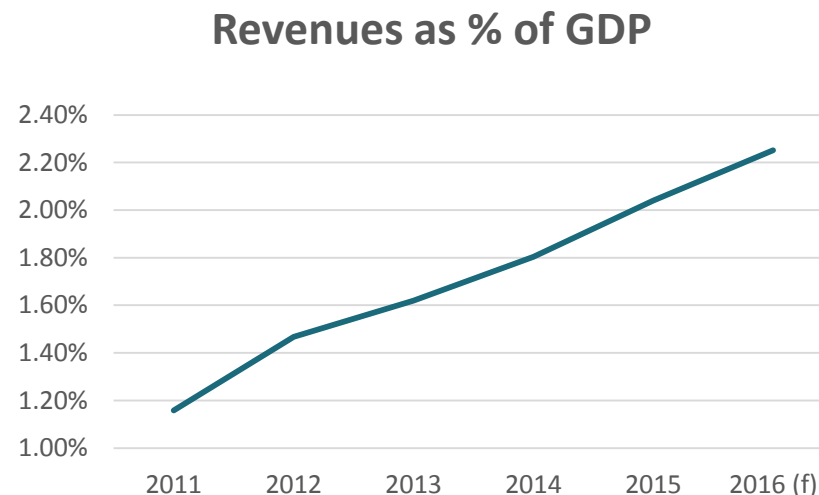
Year	Revenues BGN (M)	Increase
2016 (f)	1,995	13 %
2015	1,763	17 %
2014	1,508	14 %
2013	1,327	11 %
2012	1,197	29 %
2011	928	*



- Double-digit growth for a consecutive year
- 70 % of revenues are generated by export-oriented software business

Share of GDP

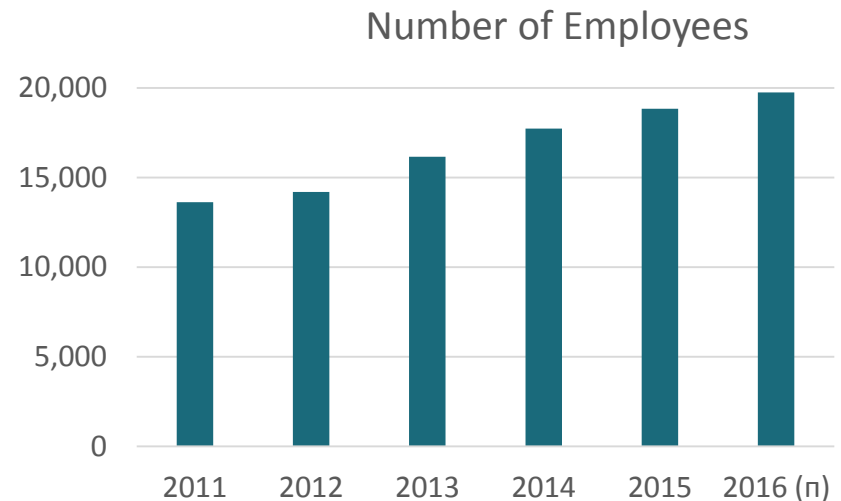
Year	Revenues BGN (M)	Revenues % of GDP
2016 (f)	1,995	2.25 %
2015	1,763	2.04 %
2014	1,508	1.80 %
2013	1,327	1.62 %
2012	1,197	1.47 %



- Exceeds 2% of GDP
- Among the fastest growing industries

Jobs

Year	New Employees	% New Jobs
2016 (f)	907	4.81%
2015	1,107	6.24%
2014	1,576	9.75%
2013	1,960	13.80%
2012	578	4.24%



- > 2 % of GDP with 19,000 employees
- 6,000 new highly paid jobs for 5 years
- The growth is restricted by shortage of software engineers and the corresponding increase of compensation in the sector

Employee Compensation

Year	<u>Gross Annual Compensation, BGN</u>	<u>Net Monthly Compensation*, BGN</u>	<u>Compensation/ Average for the country (times)</u>
2016 (f)	44,789	2,752	3.94
2015	42,799	2,616	4.05
2014	35,999	2,176	3.67
2013	34,698	2,110	3.73
2012	31,293	1,901	3.54
2011	28,086	1,683	3.36

- Expected growth for 2016 - 6 %

* Calculated on the basis of Gross Annual Compensation and the assumption that 10 % of it is in the form of bonuses.

Employee Compensation

	Compensation
Gross Annual Compensation 2016 (f)	44,789 BGN
Net Monthly Compensation (with 10 % bonus)	2,752 BGN
Net Monthly Compensation - UK (through PPP)	2,766 GBP
Gross Monthly Compensation - UK	3,696 GBP
Gross Annual Compensation, exc. Pension contributions	44,353 GBP

- In terms of quality of life a developer in Bulgaria is approaching that of a developer in the United Kingdom.

* Calculated through PPP coefficient using The World Bank Purchasing Power Parity (PPP) conversion factor.

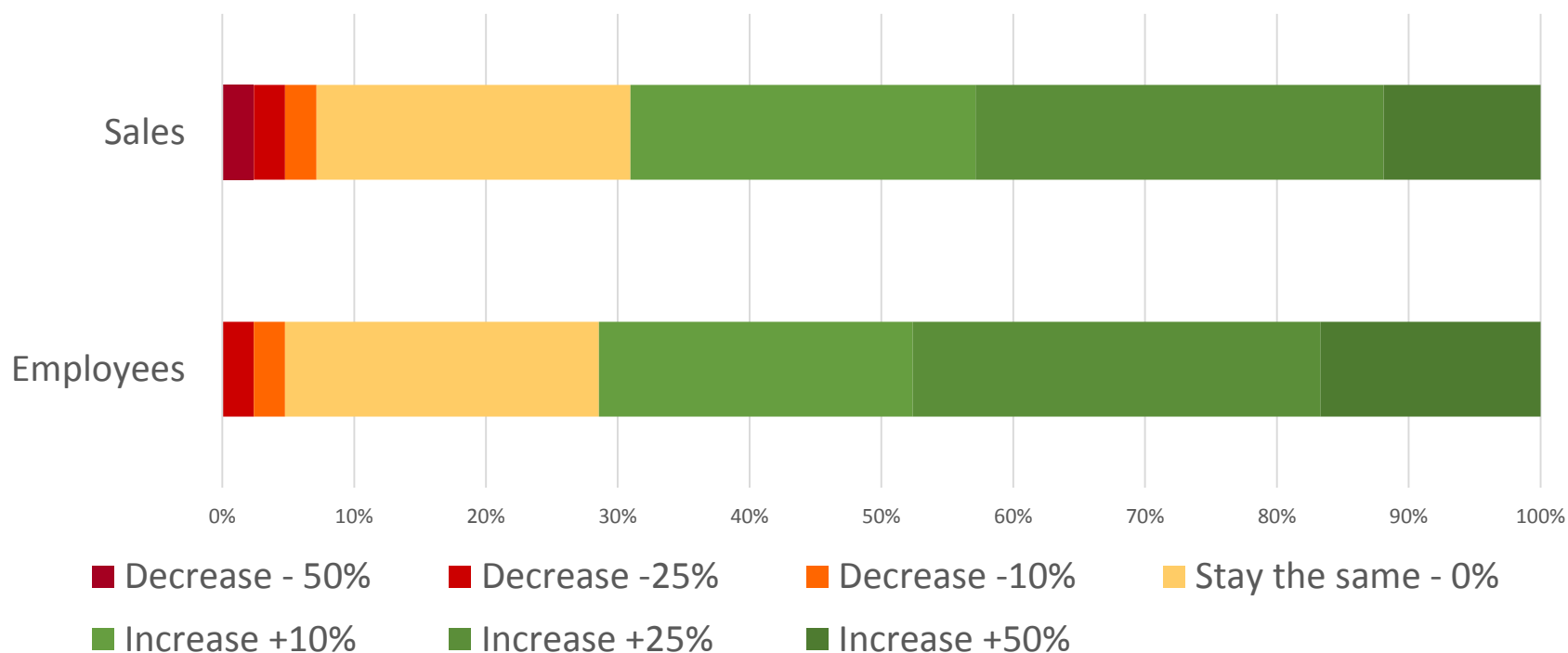
Taxes

Tax	Paid in 2015 BGN (M)
VAT	96
Profit Tax	19
Social Security	89
Income Tax	74
Total	278

- In 2015 a workplace in the software sector generated approximately 15,000 BGN annual direct and indirect taxes - more than 50 % above the national average
- Approximately 33m BGN more taxes paid compared to 2014
- Large companies choose Romania because of the tax incentives

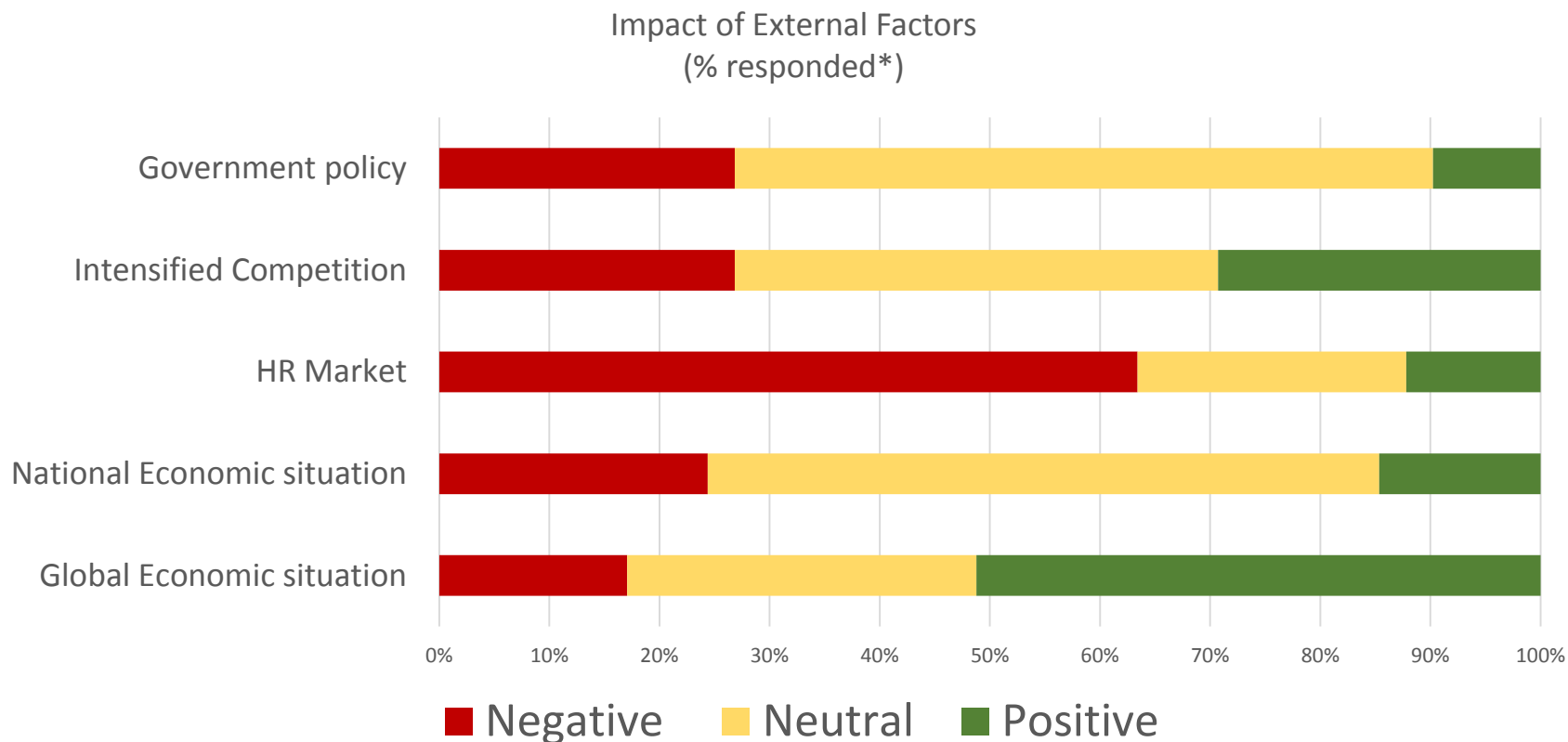
Forecast

Expectations for next year
(% responded*)



*Survey among BASSCOM members

External factors influence



*Survey among BASSCOM members

Conclusions

- High Employee Compensation – 4 times above the average for the country
- Significant growth as % of GDP - an increasingly important industry
- Zero or very small gray sector, 50 % higher contributions to the budget per workplace
- The growth is restricted by shortage of qualified specialists. Other industries are recruiting the same talents
- Risk for investors in terms of:
 - Limited availability of new talent
 - Risk of increased tax burden (compared to zero Income Tax in Romania for IT)