

**PRESENTATION**  
**of**  
**Mrs.Bistra ILKOVA -**  
**Chief Executive Officer,**  
**Bulgarian Stock Exchange**  
**(Ohrid, 12<sup>th</sup> April, 2008)**

The Bulgarian Stock Exchange achieved significant results in 2007 and there are good reasons to believe that 2008 will also be a good year for all participants on our capital market.

Last year we registered a 90% increase in the market capitalization of our exchange, which accounts for 55.46% of the country's GDP. The turnover in 2007 went up 193 % and reached EUR 5 billion. Both our indexes increased significantly in one year – the SOFIX grew by 45% and the BG40 by 159%.

2007 was a record-breaking year in terms of number of IPO's. We had 9 initial public offerings ( the main method used for IPO's in Bulgaria is book-building), but also 9 secondary public offerings, 21 increases of capital and 30 new bond issues. 20 Special Purpose Investment Companies (mainly Real Estate Investment Trusts) listed their shares on the BSE.

A total of EUR 750 million were raised through the stock market. Initially around 50 private companies had declared their intention to go public and launch IPO's in 2008, but many of them have decided to postpone their listing on the BSE due to the global financial crisis and its repercussions on the Bulgarian stock market.

It is important to note that 2007 was the first year of Bulgaria's membership in the European Union. Our legislation is now almost 100% harmonized with the EU Directives. We started implementing MiFID (the Markets in Financial Instruments Directive) in November 2007. With Bulgaria's entry in the EU our stock exchange is getting more and more involved in the process of integration and consolidation of capital markets in Europe. As a result of our achievements, the BSE attracted the interest of leading European bourses and alliances of bourses.

A major step in this direction was the signing last year of an agreement between the Bulgarian Stock Exchange and Deutsche Boerse, according to which our current trading platform will be replaced by the German system XETRA. This will open a lot more opportunities to the Bulgarian investors and brokers, who

will have access to the developed European markets and vice-versa – foreign investors will have better possibilities to invest in Bulgarian stocks.

Although we are very pleased with all these results, we see new challenges in front of us. That is why we adopted a strategy for the development of the BSE and the Bulgarian capital market until 2010, as well as a Business Plan. In these documents we have fixed our priorities for the next three years, the most important of which are:

- Implementation of the XETRA trading platform;
- Increase of the number, volume and variety of financial instruments;
- Attracting new issuers for listing on the exchange;
- Attracting more local and foreign investors;
- Application of the Corporate Governance Code by all public companies;
- Propose new information services.

The experience from the last years has shown that the stock exchange can be used as an efficient and transparent instrument for carrying out privatization deals. The first privatization through the exchange was organized in 1998. Since then, major stakes of some of the biggest Bulgarian companies like the Bulgarian Telecommunications Company, Bulgartabak, the Bulgarian Merchant Fleet and others have been successfully privatized.

The following privatization methods are used in Bulgaria:

1. Public Offering of Securities
2. Centralized Public Auction
3. Remote Public Auction
4. Tender Offer

The privatization procedure is as follows:

The Principal of the securities decides to sell its stake. The Privatization Agency opens a procedure. Then an intermediary or consortium of intermediaries is selected. After that follows the application for registration on one of the privatization markets. The parameters of the sale are then announced to the public.

The BSE uses the Closed Auction for the privatization deals. Orders can be “Market” and “Limit” and their validity is 1 day. The order priorities are 1) price and 2) time.

The total number of stakes that have been privatized through the exchange is 1 897, of which 1 443 were sold through Centralized Public Auctions, 290

through Remote Public Auction, 157 through Public Offering and 7 through Tender Offer.

Bulgarian government officials have declared that major state monopolies – like Bulgargaz, National Electricity Company, energy distribution companies and others - can be privatized fully or partially through the BSE. We hope that this will happen, because such a step will be very beneficial for our capital market.