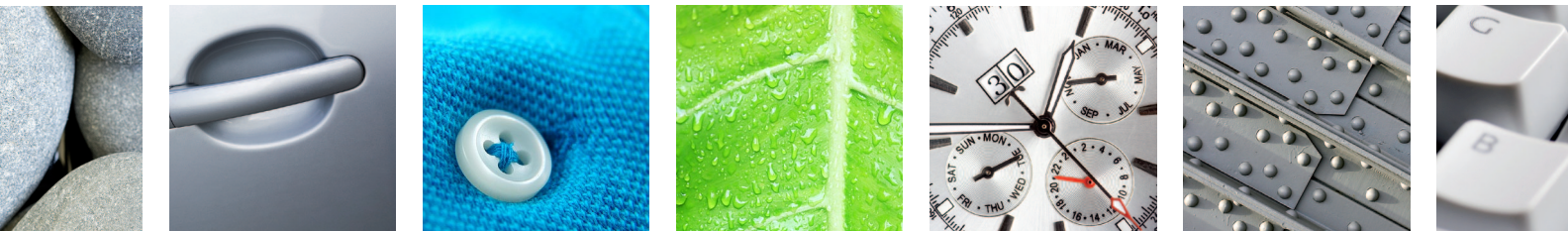


Deloitte.



CFO Survey

Bulgaria | June 2013

At the beginning of a year of snap elections in Bulgaria and resurgent external uncertainty, CFOs naturally reduce their expectations. Despite the falling optimism though, this survey edition still does not put in question corporate performance. Companies are capable of sustaining the dynamics. Finance executives are now more cautious than they were last year, but they are still looking for growth opportunities.



Intensifying vigilance and risk aversion

It is my pleasure to present the results of the second edition of the Deloitte CFO Survey for Bulgaria, conducted among the CFOs of large companies in the country. Once again, the publication focuses on domestic CFO sentiment and how it compares with that across 12 other economies in the region (Albania+Kosovo, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia).

The results of this report reinforce the view that the business environment is volatile and the level of external uncertainty remains high. Given that CFOs were providing their responses in the wake of a recent change of government in Bulgaria, it is well-advised that the analysis of the results of our survey takes into account the country's political instability. In such an environment near-term visibility is challenged, ultimately affecting business priorities.

The Deloitte CFO Survey identifies the choices to be made in the year ahead, and I hope that you will find it both interesting and inspirational. I would also like to take this opportunity to invite you to take part in our next survey, which will be held in September 2013.

V. Raichev

Vasko Raichev
Chairman
Deloitte Bulgaria

Key findings:

- Following a period of notable optimism compared to the CE region as whole, a decline in confidence among Bulgarian CFOs is now depressing their financial outlook.
- The level of external financial and economic uncertainty has increased, a key factor shaping CFOs' priorities for the year ahead.
- Economic stagnation is predominantly seen as the most likely scenario for Bulgaria, with stronger support among CFOs than in our November 2012 survey.
- Market uncertainty underlies CFOs' efforts to keep costs at bay which remains a high priority, as in the previous edition of our survey. CFOs have adopted a more cautious stance on new investments than in our November 2012 report.
- Interestingly, despite anticipated economic stagnation, CFOs have not given up on the challenge of driving stronger revenues from the market. The unfavorable economic environment, as well as some increased awareness of the importance of liquidity management, has not distracted Bulgarian CFOs from the pursuit of growth, which remains a key focus area for the near term.
- Banking finance is the preferred choice of funding route despite some expectations of a slight increase in borrowing costs with the majority of respondents viewing credit as normally available. Yet, relative to the latest survey, CFO focus has shifted to strengthening the balance sheet.
- The low level of taxation is the most valued characteristic of the Bulgarian tax system. CFOs also see its relative simplicity as something of an advantage, but they find the tax system less appealing in terms of its procedures and predictability.

CFOs' attitudes to business

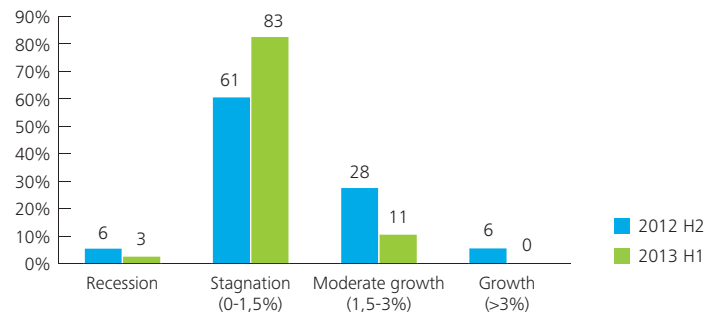
This section of the report addresses the views and issues of greatest concern to Bulgarian CFOs.

CFOs' forecasts for Bulgaria

Noticeable fall in expectations

Bulgarian CFOs have visibly reduced their macroeconomic forecasts. The expectation that Bulgaria was heading for stagnation in 2013, which was shared by 61% of the CFOs in our previous survey, now finds further support with 83% of respondents viewing this as the most likely scenario. This view seems to have found backing across CFO opinion groups, leaving some comfort in the fact that only 3% of our respondents see the threat of recession.

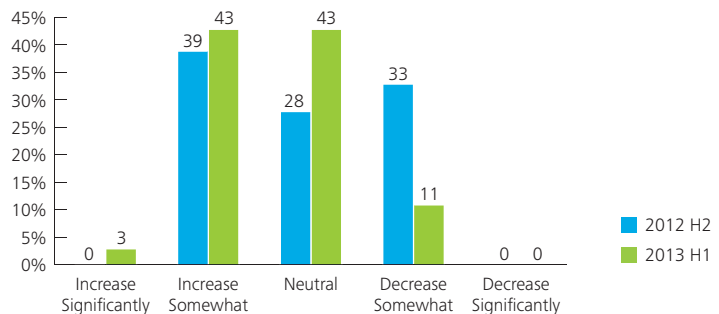
Graph 1: CFOs' expectations for the country's GDP growth in 2013 (%)



Delayed improvement in unemployment

CFOs are divided between somewhat pessimistic and neutral views when it comes to unemployment. 43% of them expect that the level of unemployment will increase slightly and another 43% believe it will stay at last year's levels. Official statistics from the National Statistical Institute report that job cuts in the last quarter of 2012 were higher than expected, which resulted in a reported unemployment level in January 2013 of 12.4% - a level, which has not been observed since 2004.

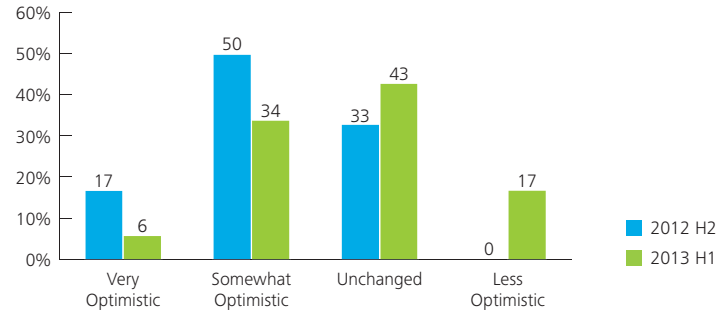
Graph 2: Expected change in unemployment level in Bulgaria over the next 12 month (%)



More uncertainty and lower financial prospects

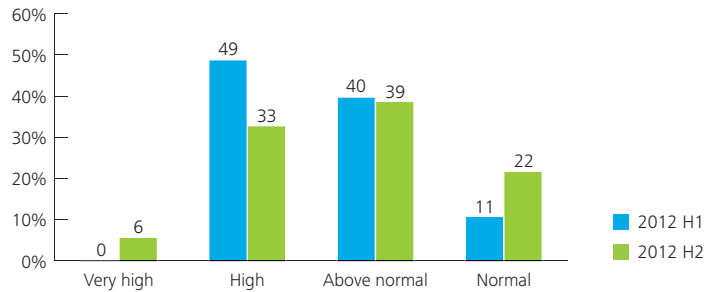
CFO optimism has declined over the last six months. The previous survey reported 67% of the CFOs felt very or somewhat optimistic about the financial prospects for their companies, whereas today only 40% of respondents hold this opinion. Six months ago none of our respondents shared a less optimistic view; today, 17% of respondents are sceptical about the financial outlook.

Graph 3: Outlook on financial prospects (compared with 6 months ago) (%)



Almost 90% of the CFOs perceive the level of external financial and economic uncertainty as high or above normal. The proportion of respondents who shared similar views is now higher compared to six months ago when 72% of the finance directors agreed that external uncertainty was at these levels. Respectively, only one out of nine respondents perceives the level of uncertainty as normal, twice as low as our latest survey results.

Graph 4: General level of external financial and economic uncertainty (%)



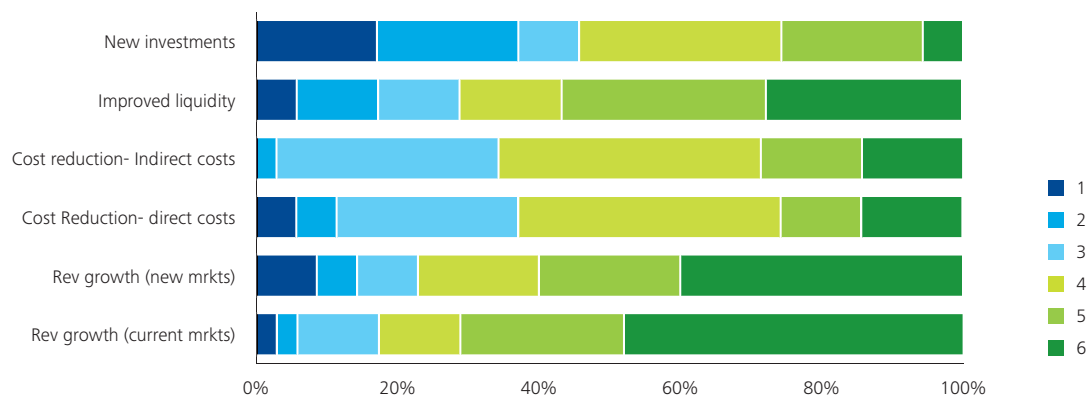
Shifting priorities – more liquidity and less investment

Although most of the CFOs still name the increase in revenues from current and new markets their top priority, there are some changes further down the list of results.

CFOs stay firmly focused on growth, their attitudes practically unchanged over the last six months. Revenue growth in present and new markets is among the top two priorities of around 68% and 60% of respondents respectively. This resilient attitude, however, is not mirrored by CFOs' position

on making new investments, with almost 50% of the interviewed placing it in the bottom half of their priority list, and only one out of four ranks them in the top tertile of the list. This is a noticeable shift in attitudes from our previous survey, when the figures stood at 33% and 45% respectively, and suggested availability of spare capacity to support targeted growth. Liquidity issues in certain businesses could also be a contributing factor as well; 57% of the CFOs list improving liquidity as a top one or two priority, compared to 41% six months ago.

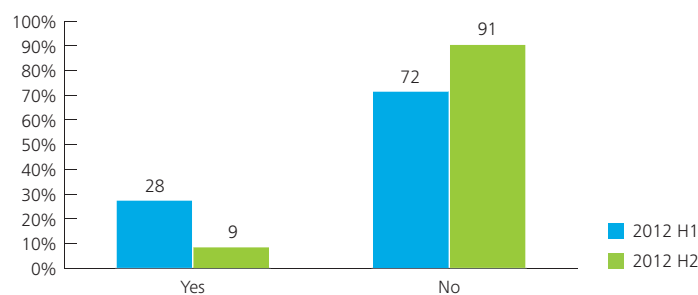
Graph 5: CFO business focus for companies for the upcoming year (1 - least important, 6 - most important)



A further decrease in appetite for risk

Taking on more balance sheet risk should be avoided in the opinion of 91% of respondents. Almost 28% thought it was a good time for risk-taking six months ago, and attitudes are distinctly more conservative now. This stance is a logical consequence of the increased pessimism about general economic uncertainty and financial prospects, and is echoed by the lower appetite for new investments shown in Graph 5. New investments are now a priority for less than 6% of the respondents, compared to 28% in our previous survey.

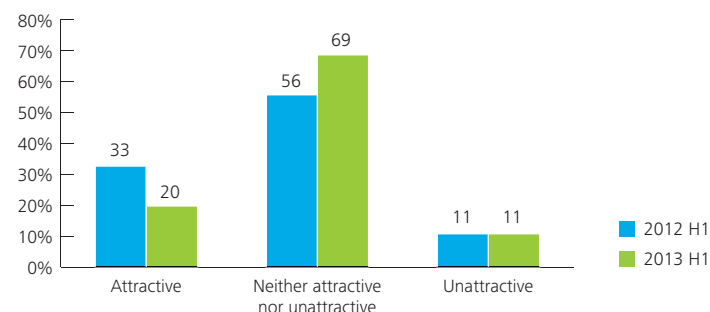
Graph 6: CFOs' view if now is a good time to be taking greater risk on their companies' balance sheets (%)



Loans are normally available and slightly declining in attractiveness

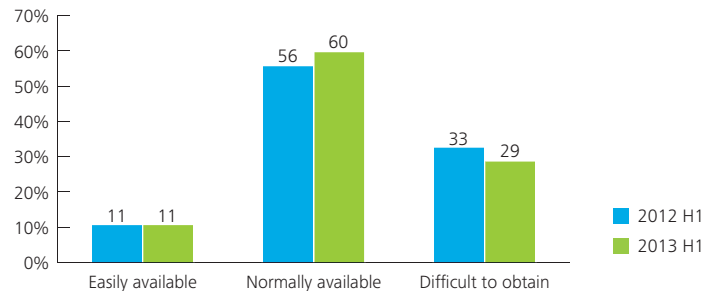
As bank credit is perceived to be “normally available”, attitudes to its attractiveness are essentially neutral with almost 70% of respondents expressing no strong opinion on this matter. Overall, it seems that bank borrowing has lost some appeal among CFOs, as one in five believe it to be an attractive source of funding whereas in the previous edition of our survey this opinion was shared by every third respondent.

Graph 7: Attractiveness of bank borrowing as a source of funding (%)

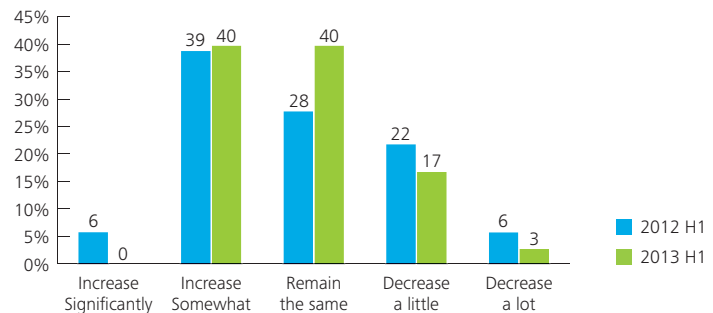


In the opinion of the majority of the CFOs, new credit remains normally available for their companies. Despite the steadily decreasing interest rates reported by the Bulgarian National Bank and the expected moderate growth in corporate lending for the year 2013, banking finance remains difficult to obtain for a significant proportion of respondents. Furthermore, most anticipate that costs of finance will either increase somewhat, or remain the same over the next 12 months (Graph 9). Looking back at our November 2012 survey, we can see that CFOs' views on the ease of obtaining credit have not changed during the last six months. The proportion of those who find credit easy to access remains unchanged at 11%.

Graph 8: How would you rate the overall availability of new credit for companies nowadays? (%)

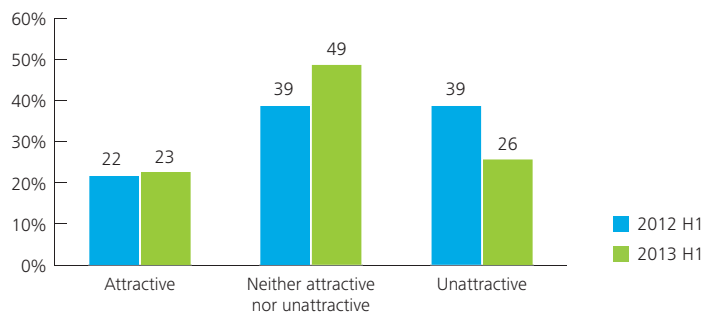


Graph 9: In your view how are financing costs for companies in your country likely to change over the next 12 months? (%)



Attitudes towards equity finance have not changed in the last six months. With only 23% of respondents (22% previously) feeling positive about raising equity, and the rest neutral or downbeat, Bulgaria's capital markets and interest from equity investors are yet to gain momentum.

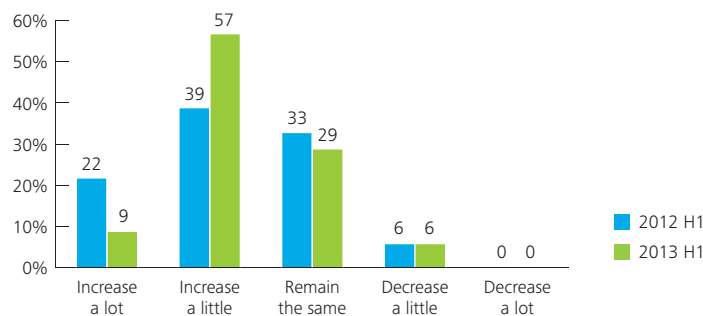
Graph 10: Attractiveness of equity raising as a source of funding (%)



Decreasing indebtedness, less borrowing

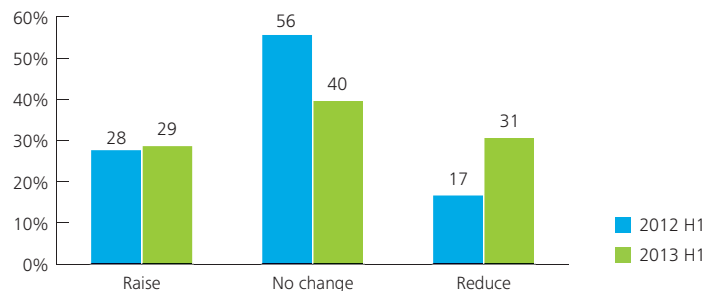
In line with the views expressed in the previous survey, most CFOs are confident about the capacity of their companies to service debt. Only 6% expect some decrease in capacity in the medium term, with the majority seeing improvement to present condition.

Graph 11: Expected change in companies' ability to service their debt over the next 3 years (%)



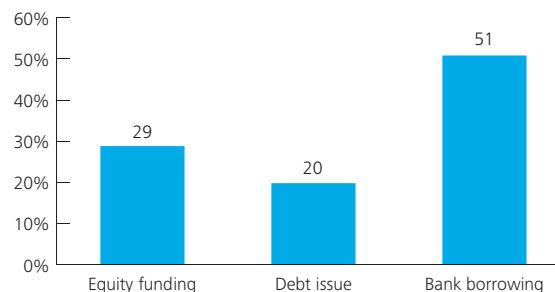
The conservative outlook running through this edition of our survey is also reflected in the CFOs' views on financial gearing. 31% of respondents are focused on reducing their borrowing, compared with just 17% six months ago. This leaves the proportion anticipating no change over the next 12 months at just 40% of the sample, compared to 56% last time. The percentage of CFOs who expect borrowing activity to increase remains unchanged.

Graph 12: CFOs' aim for the level of gearing over the next 12 months (%)



Given that over half of the CFOs expect bank borrowing to be the most attractive source of funding, we assume that over the next three years most Bulgarian businesses will continue to rely on bank credit when they need external financing. Raising equity is looked upon favourably by 30% of the respondents, while debt issuance is the least popular finance option.

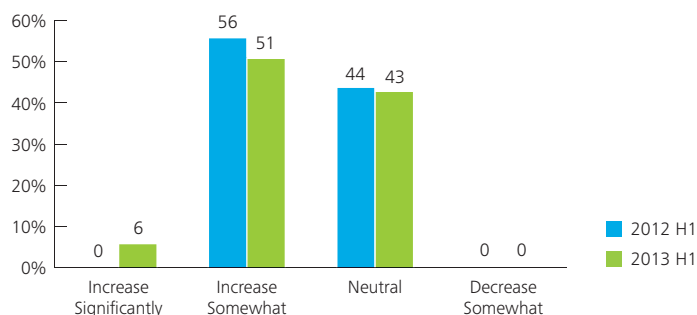
Graph 13: Which sources of funding you think will be most appealing on the Bulgarian market in the next three years? (%)



M&A market stays where it was six months ago

Bulgarian CFOs are not anticipating a significant increase in M&A activity in their country over the next 12 months. One in two CFOs believes that some increase is likely, while a further substantial proportion does not expect M&A activity to change. This snapshot is similar to the one from the previous survey and reflects the continuing trend on the M&A market - few deals, predominantly driven by debt restructuring.

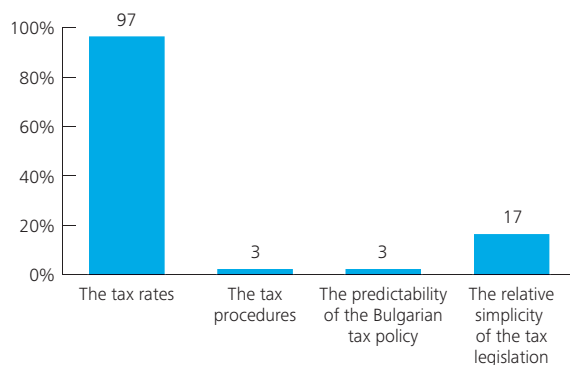
Graph 14: Expected change in M&A levels in Bulgaria over the next 12 months (%)



Bulgarian tax procedures: an area for improvement

To attract foreign investors Bulgaria has maintained an attractive tax rates, despite the crisis and high level of uncertainty. However, there are other aspects of the tax system which also make it competitive. It is not surprising that CFOs most value the low rates of tax – almost all of them perceive these rates as the most appealing factor. When it comes to tax procedures though, the respondents are not particularly enthusiastic. Very few of them mentioned this aspect to be a competitive advantage of the Bulgarian tax environment. Apparently there is much room for improvement in increasing the efficiency of Bulgarian tax procedures.

Graph 15: Which of the following specifics of the Bulgarian tax environment you consider most competitive (%)



Central European
economic and
business overview

Central European economic and business overview

This section of the report was prepared by Dr Daniel Thorniley, President, DT-Global Business Consulting, exclusively for Deloitte Central Europe.

The outlook for Central Europe

The global business and economic outlook is strained and under pressure. We probably have several more years of sub-par growth ahead of us. In the short-term the second half of 2013 could be better than the first half but sustainable, solid growth is unlikely to return until at least 2017. Companies and CFOs need to manage their own expectations and those of their customers.

The final quarter of 2012 was extremely difficult for the global economy and for the CE region, with nearly all markets reporting significant slowdowns, but Poland and Ukraine in particular. The first quarter of 2013 has been mixed at best.

Given the business cake is not growing much globally, western companies are doing two things:

1. Moving to emerging, faster-growth markets; and
2. Engaging in best practice wherever they can.

Unfortunately the CE region is performing more weakly than most other 'non-developed' markets. Core CE grew by only 0.6% last year, and we estimate that GDP growth this year will be a mere 0.8% thanks to a slower Polish outlook: for comparison, Asia Pacific will grow by 4.8% this year and Latin America by 3.4%.

Table 16: Growth trends in CE

	GDP 2013 (%)	When does GDP return to 3%	Long-term growth trend to 2023 (%)
Albania	2.2	2014	3.9
Bulgaria	1.3	2016	3.4
Baltic States	3.2	now	3.6
Croatia	-0.4	not before 2023	2.6
Czech Republic	-0.1	not before 2023	2.5
Hungary	-0.1	2017	2.8
Poland	1.4	2015	3.4
Romania	1.3	2015	3.6
Serbia	1.4	2018	2.8
Slovakia	1.0	2015	3.6
Slovenia	-1.2	not before 2023	2.4

Central Europe is next to the crumbling eurozone, and CE exports are heavily dependent on that market. The eurozone declined by -0.4% last year and this year a best case is zero growth; another mild recession of -0.5% is more likely, however. The eurozone has gone from critical illness phase to chronic debility, although crises like Cyprus intermittently raise the level to one of intensive care.

In terms of the best-performing business sectors in the CE region, these can be categorised as:

1. Pharmaceuticals and medical equipment
2. Luxury products
3. IT products and services (although these have tumbled badly in the last 15 months)
4. Retail
5. Food & beverages
6. General consumer products and FMCG
7. Beer industry (as a sub-sector)
8. B2B (engineering, manufacturing, equipment, chemicals)

Five major factors are holding back the global economic recovery including that of the CE region.

1. Banks are not functioning properly and not lending enough to the corporate sector and end-consumers. This is a global feature; new bank loans in the USA are a bare 2-3% of the total, but in the UK they are negative and in the eurozone close to flat while loans to SMEs are -4%. Across much of core CE region new loans are only rising by 1-2%, while in Hungary, for example, they are down by -10% to 20%. Western investor banks are downsizing their assets in the CE region to protect their home balance sheets. Banks are also tending not to finance local CE firms, and this is making sales difficult for western and local supplier companies into the B2B sector.
2. The austerity programmes that many CE governments are currently engaged in are not balanced with any growth element, and some might argue that this is exacerbating an already weak outlook in markets such as the Czech Republic, Bulgaria and Romania. Poland is something of an exception; following an initial commitment to austerity measures in early 2012, the government has changed direction and is now working with the National Bank to support the country's crumbling GDP growth. While this might enable Poland to write out its 'mini-crisis', falling sales mean that many companies are already suffering.

3. Consumers are neither happy globally nor in the CE region: they are worried about elevated levels of unemployment, ranging from 5-8% in Romania and the Czech Republic to 14-17% in Slovakia and Poland. Indirect taxes are rising, social benefits are being cut and pensions are losing their value – so it is unsurprising that consumers fear for their future and are alienated by rampant public corruption.

Consumer confidence indicators in selected markets in 2013 (where zero = contentment)

China	+12 (happiest people in the world)
Sweden	+11
Germany	-5
Eurozone	-23
Spain	-32
Greece	-72 (unhappiest people in the world)
Bulgaria	-42
Czech Rep.	-20
Hungary	-36
Poland	-30
Slovakia	-29

Source: DT Global Business Consulting

Household spending in most core CE markets is currently close to zero and has been strained for several years: in Hungary, household spending has been flat or negative for close to seven years, and markets such as the Czech Republic are currently reporting retail sales have fallen by 5% in the last year.

4. Companies are not spending; eurozone companies are sitting on 1.5 trillion euros because they are not confident enough to invest, to spend or to hire workers. This trend is also visible right across the CE region. If governments engage in austerity and consumers are not spending, then the future is highly uncertain. This means that companies too are not confident enough to invest and we see this in the survey results below. Uncertainty and lack of confidence are damaging company financing and the outlook of CFOs.
5. Finally, global and regional export trade slumped last year. This trend applies to ALL CE markets, but Romania is a particularly powerful example where exports have slumped brutally in recent years:

This is a significant downward slide, but it is one that reflects global/European trends. We do expect a mild export recovery this year to +2.0%, but even this presumes that there is a steady recovery in the eurozone driven by Germany; this is not guaranteed. As in other markets, industry and investment struggle when exports fall, another source of pain for the B2B sector.

Table 17: Exports (% change annually)

Country	2010	2011	2012
Romania	15%	10%	-4.0%
Hungary	12%	6.5%	2%
Poland	15%	7.5%	0.5%
Czech Republic	12%	4%	5%
Slovakia	16%	13%	9%

The dependency on exports has also warped the structure of some economies, of which Slovakia is a very good case study. Here, strong export growth spurred industrial output to feed external demand

that provided the confidence needed for investment (but even this export growth started to slow in 2011/2012).

Table 18: Slovakia GDP growth and by sector, 2010-12

	2010	2011	2012
GDP	4.4	3.2	2.0
Industrial output	18.9	7.1	10.1
Fixed investment	6.5	14.2	-3.7
Exports	16.5	12.7	8.6
Household spending	-0.9	-0.5	-0.6

It is clear from the table above that Slovak consumers were left out of the Slovak growth story. This was because wages were not rising, companies were squeezing productivity out of the existing workforce and unemployment was elevated at 12-17%, so undermining any consumer confidence and spending.

The bad news for the Slovak economy is that exports are set to slow further in 2013 to 4%.

Overall the business outlook will remain challenging until 2016-17, given that the eurozone will be weak for at least as long.

But in terms of business the CE region does have some pluses as well as minuses:

- Brand penetration is weak, and western investors have room to expand strongly
- Companies can look to expand sales in rural areas outside the capital cities
- There are opportunities for affordable innovation of products and services in the region
- EU funding does and will provide a buttress to growth and infrastructure spending
- While south-east Europe is particularly weak, closer ties with an eventually recovering EU and improved trade links by 2015-16 will act as some support.

The region remains attractive for out-sourcing as western firms look for service centres which are physically close to their European bases. The quality of human resources in the region is good to very good.

Central European comparative

This section of the report compares the expectations of CFOs from the 13 Central European countries that participated in the survey (Albania & Kosovo, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Serbia, Slovakia and Slovenia). It is based on answers of 668 CFOs from a broad range of industries.

How CFOs are rising to the challenge

CE businesses are operating in difficult times, so it is unsurprising that a lack of confidence permeates the responses of participating CFOs from most of the markets across the region. There are exceptions, of course – to the north of the region, the mini-boom in the Baltic states is supporting more positive attitudes to risk and expectations for the future that are above average across many metrics.

But the recent rapid slowdown of the Polish economy and continuing negative pressures in the Czech Republic are nonetheless causing uncertainty for finance professionals across the region as its two largest economies falter in the face of continued pressures among the key trading partners of Western Europe.

Further south, CFOs in the troubled market of Slovenia can see little prospect of improvement as the country's woes continue. Those in Hungary have only, meanwhile, raised their expectations for a less uncertain economic future because of the exceptional depths they had already plummeted.

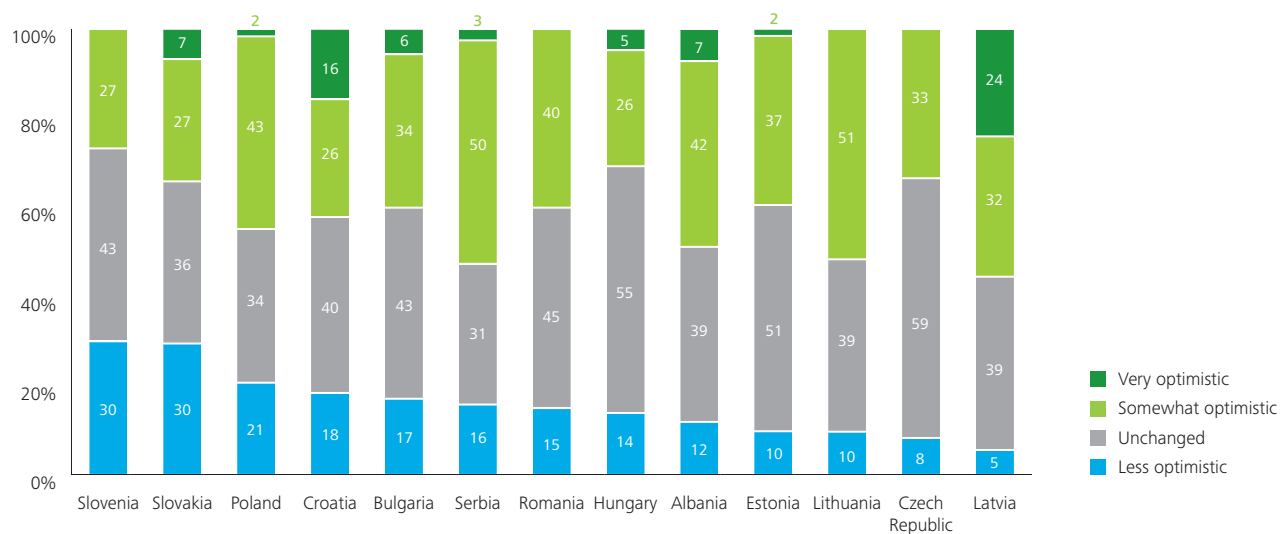
But right across the region, embracing Bulgaria and Romania, Slovakia and Albania, Serbia and Croatia, CFOs continue to rise to the ever-evolving challenges whose roots can still be traced to the global financial crisis of 2008 and 2009. While there appears to be an emerging consensus that recovery will be well on track for most by 2017, this still represents close to a 'lost decade' for today's generation of senior financial managers. So their determination to lead their companies through such turbulent times remains impressive and inspirational.

Optimism in short supply

Quite understandably, few companies are 'very optimistic' as there are no grounds for excessive confidence. The large number of companies who expect little change in main markets such as the Czech Republic, Hungary, Romania and Slovakia is understandable as several drivers here are static. Some 43% of Polish companies are fairly optimistic

about their home market compared with six months ago. The moderate/good opinion of the Baltic markets is also understandable as these markets undergo a mini-boom as they recover from deep lows. Serbian CFOs share upbeat opinions, but again a very recent softening in this market could raise doubts.

Graph 19: Financial prospects for companies (%)

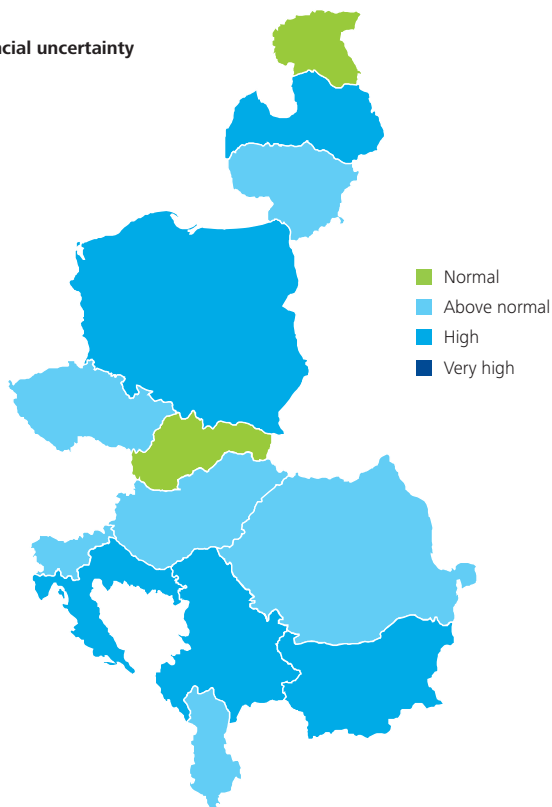


Living in uncertain times

The great majority of companies express elevated levels of uncertainty, which are particularly high in Slovenia. Hungary is only less uncertain because companies have already lowered their expectations. While Croatia is feeling high levels of uncertainty as

the market deteriorates, Slovakia is rightly judged as a more stable market than its neighbours. The Czech Republic has changed from a stable, even traditionally well-performing market to a much weaker one with downside risks; respondent opinions reflect this.

Map 20: General level of external financial uncertainty

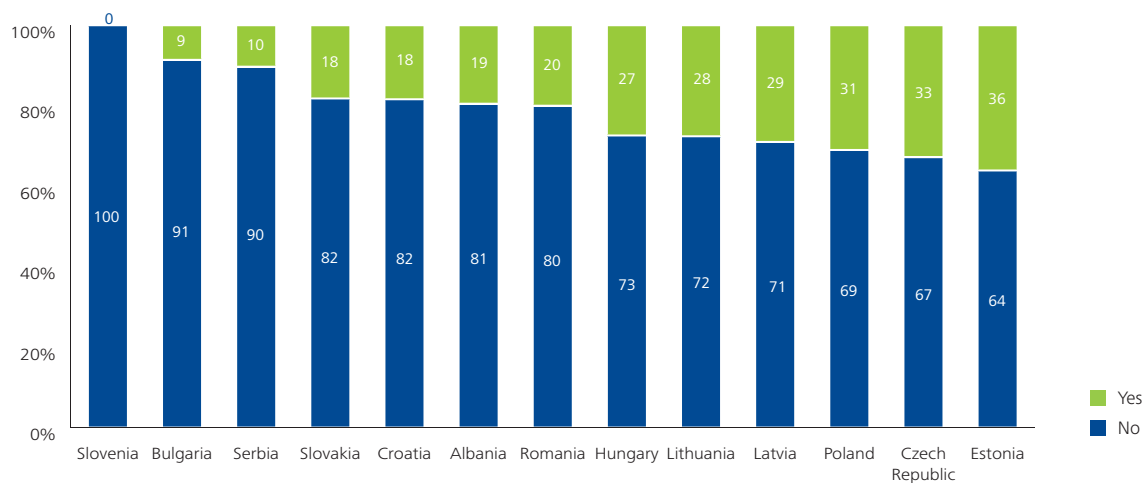


Risk-aversion rules

Right across the region, the response is perfectly clear: companies and CFOs want to avoid risk on the balance sheet. The relatively high number of Czech CFOs who feel differently may reflect the view

that while the market is currently weak, now is the time for risk in the expectation of returning stability in the medium and longer terms – and the same arguments apply to Poland.

Graph 21: CFOs' view if now is a good time to be taking greater risk onto companies' balance sheets (%)



Business focus for the year ahead

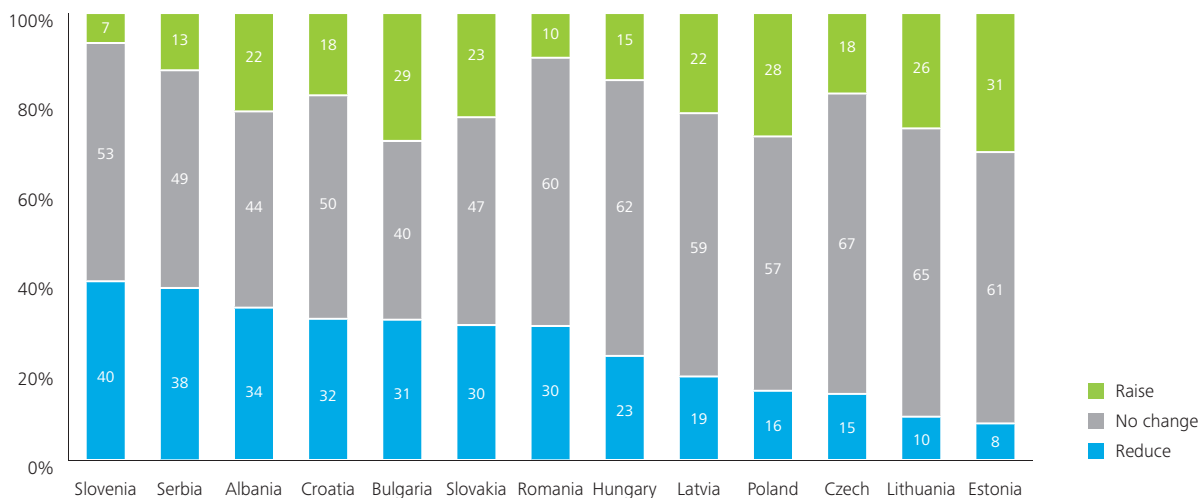
When searching for revenue growth, most CFOs across Central Europe's markets mix their priorities between domestic growth and expansion in foreign markets, which may include other core CE markets and those such as Russia and Turkey. CFOs outside Poland may be looking to the Polish market for future growth, but this remains tight and competitive.

Reducing fixed and indirect costs is important to most CFOs in the core CE markets; an exception is Poland. However, cost reduction is increasing even here. Again, the Baltic states are more focused on growth at the moment than cost cutting. Improving liquidity remains moderately important or more across nearly all CE markets.

Gearing up for no change?

Most CFOs remain cautious on the subject of gearing, with large majorities in most markets anticipating no change. Poland and the Baltics emerge as markets where gearing may be raised, while around 40% of CFOs in Slovenia and Serbia are planning to reduce their gearing.

Graph 22: CFOs' aim for the level of gearing over the next 12 months (%)

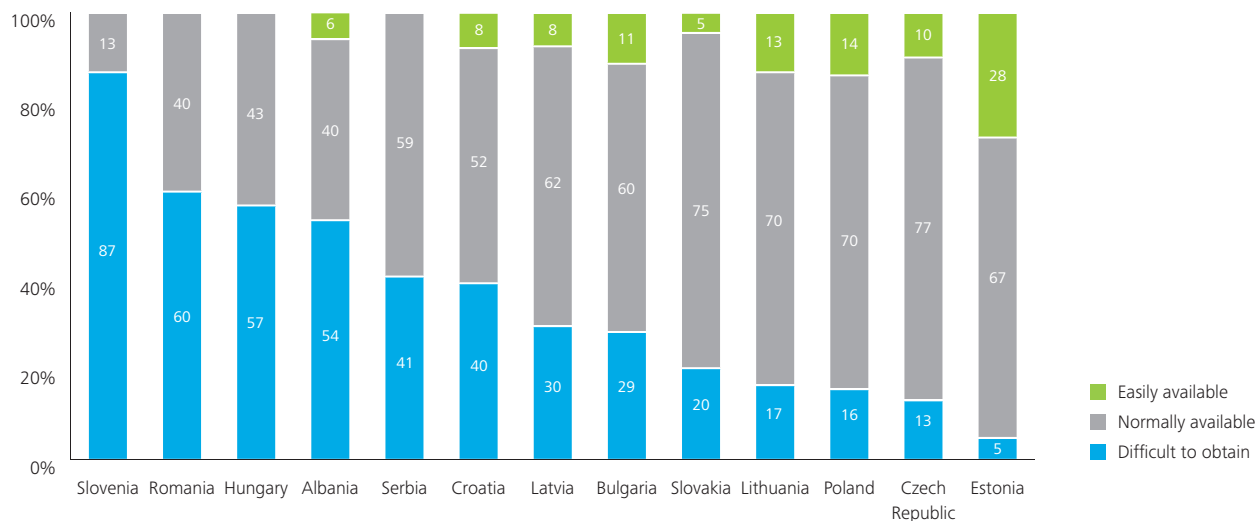


A mixed credit picture

It is a pleasant surprise that so many CFOs rate new credit as 'normally available' given the low amounts of new credit released in most core CE markets. Some of this response may be due to companies not wanting to borrow, but feeling that funds are 'on the table' if required.

That said, in Hungary, Romania and Albania more than half CFOs state that new credit is hard to find, which echoes common complaints in these markets. The worst situation seems to be in Slovenia, where almost 90% of CFOs claim that credit is difficult to obtain.

Graph 23: Overall availability of new credit for companies nowadays (%)

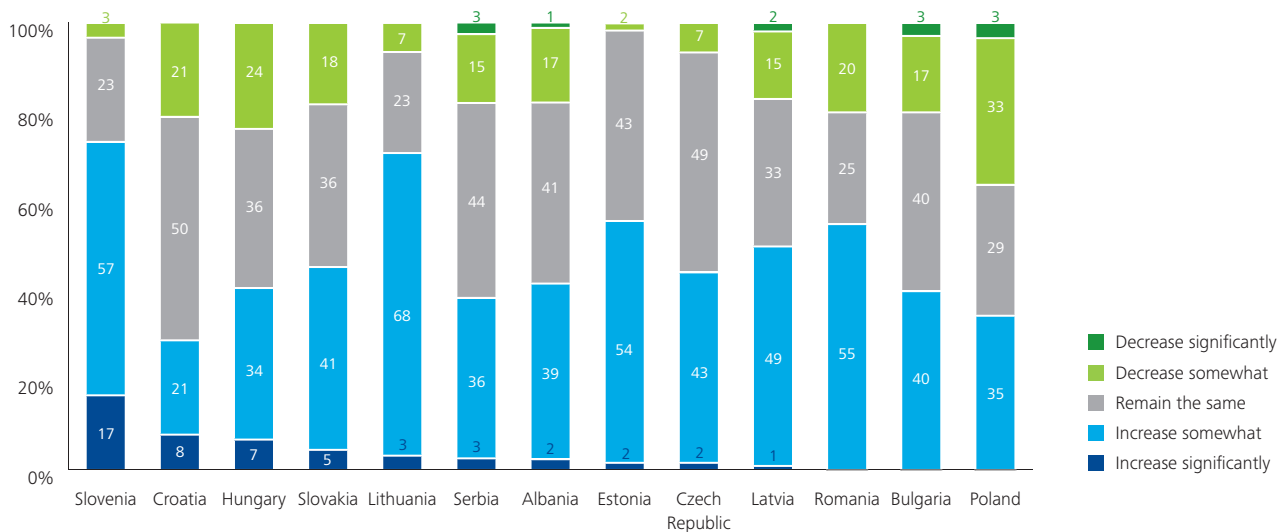


Recovery will drive up finance costs

Broadly, CFOs feel that the costs of finance are set to rise. Interest rates are low or very low in most markets; rates will start to rise, possibly slowly, whenever the economic cycle picks up, and this is reflected in most responses.

One exception is Poland where the National Bank is embarking on a cycle of interest rate cuts in response to the country's sharp economic slowdown.

Graph 24: Expected change in financing costs for companies over the next 12 months (%)

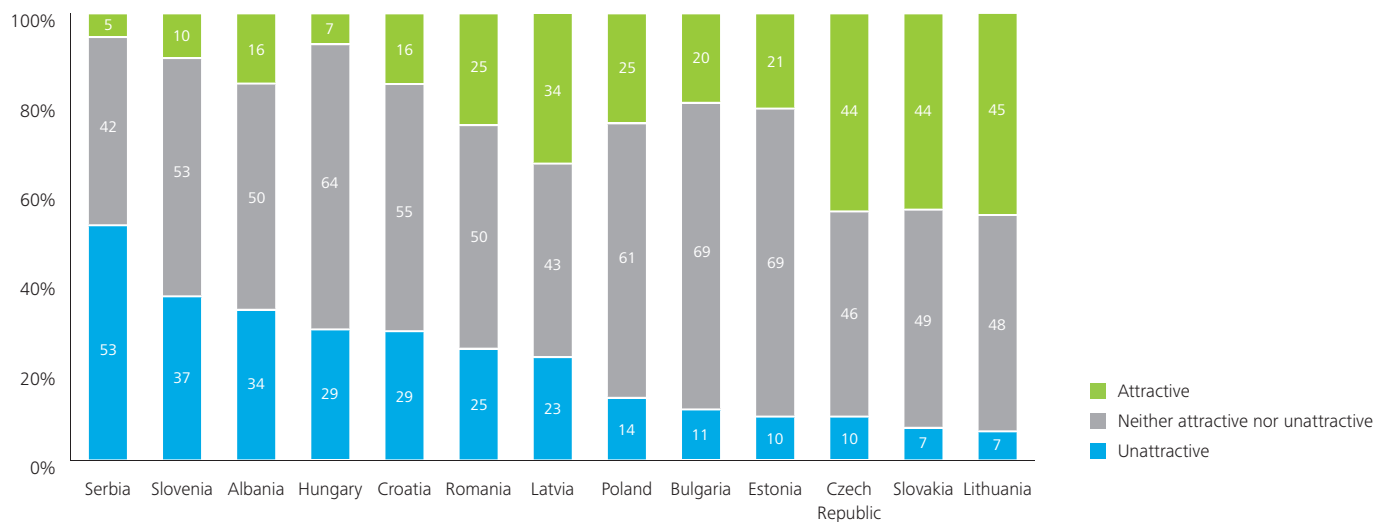


Most CFOs are banking neutral

Most CFOs are neutral about the attractiveness of bank borrowing. This fits in with the financing and growth picture across the region, with its combination of banks not lending and some companies not wanting or needing to borrow. Several markets across

the region, such as the Czech Republic, Slovakia and Lithuania regard it as more attractive than others, but there is no discernible logical pattern and variations are probably driven by specific corporate needs in those markets.

Graph 25: Attractiveness of bank borrowing as a source of funding (%)

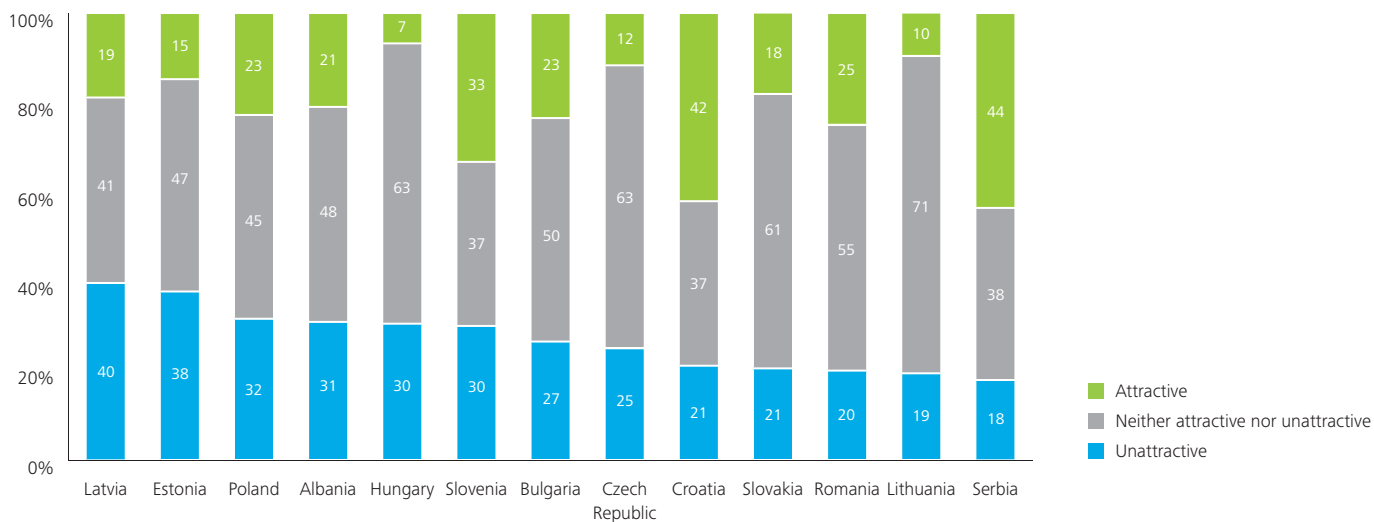


Opinions split on equity funding

Most CFOs currently find raising equity as neither an attractive nor an unattractive source of funding, but those in Croatia, Serbia and Slovenia stand out as mild exceptions and those in Latvia find it less appealing.

Responses from Poland are quite mixed, which reflects the country's shifting economic direction and increasing uncertainty.

Graph 26: Attractiveness of equity raising as a source of funding (%)

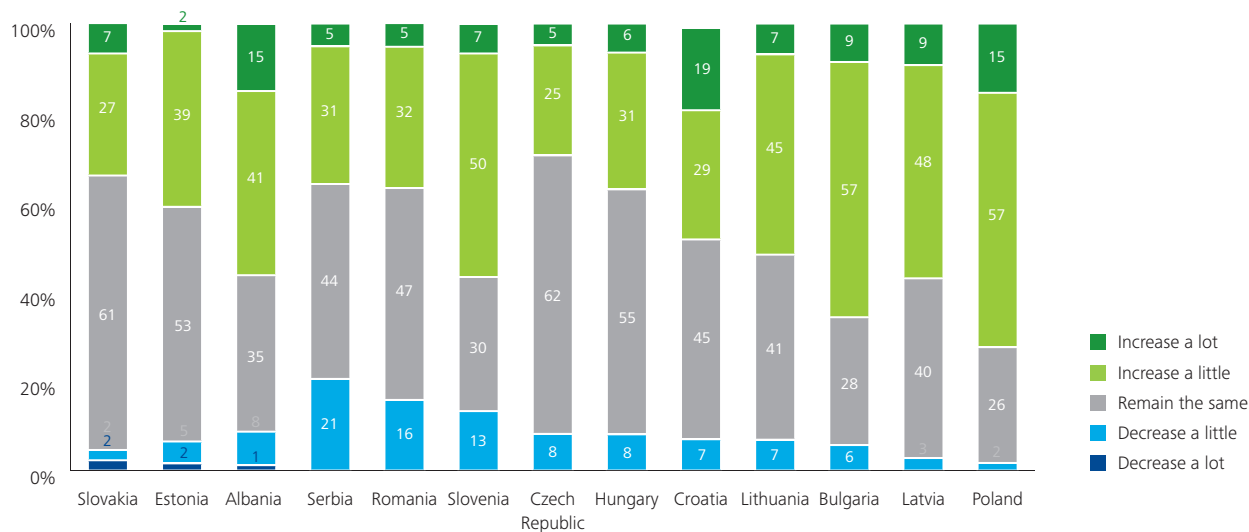


Servicing debt

Regarding companies' ability to service their debt, responses are much as expected: most CFOs predict an unchanged environment while almost the same proportion expects an improvement.

This is based on the view that markets will improve moderately over the next three years. Rising interest rates may prove a hindrance here, but it appears unlikely that rates will rise fast enough to be a problem in this period.

Graph 27: Expected change in companies' ability to service their debt over the next 3 years (%)

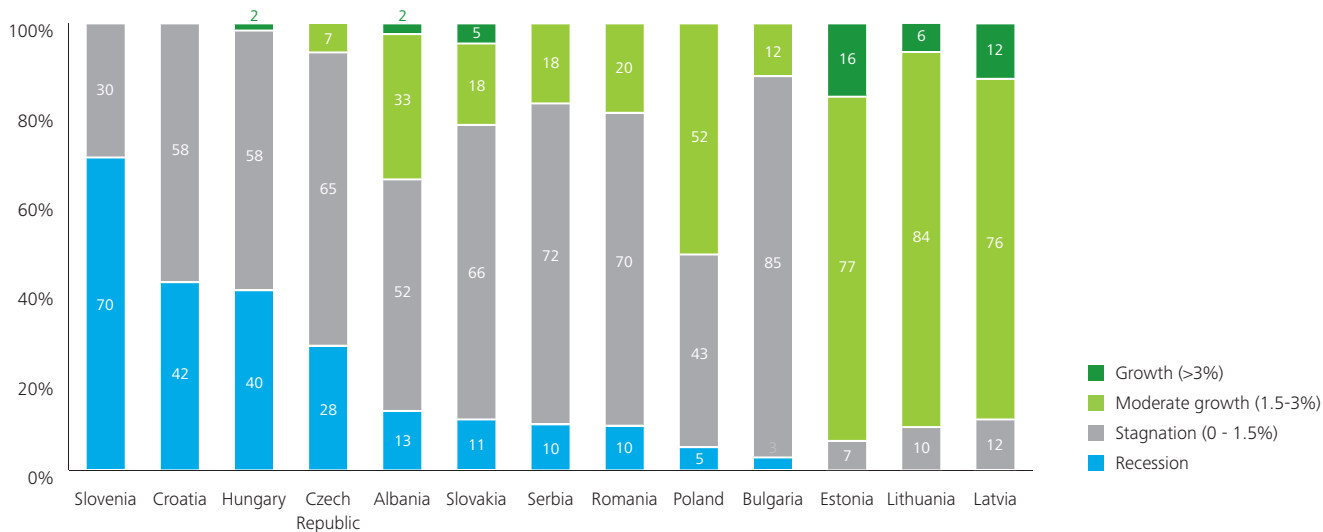


Expectations for growth

CFOs expect low single-digit GDP growth across the region, with a weaker performance expected in the Czech Republic, Croatia and Hungary and a somewhat stronger than average return from the small Baltic markets.

As last year, Slovenia is once again the most pessimistic country in the sample, with 70% of CFOs expecting recession.

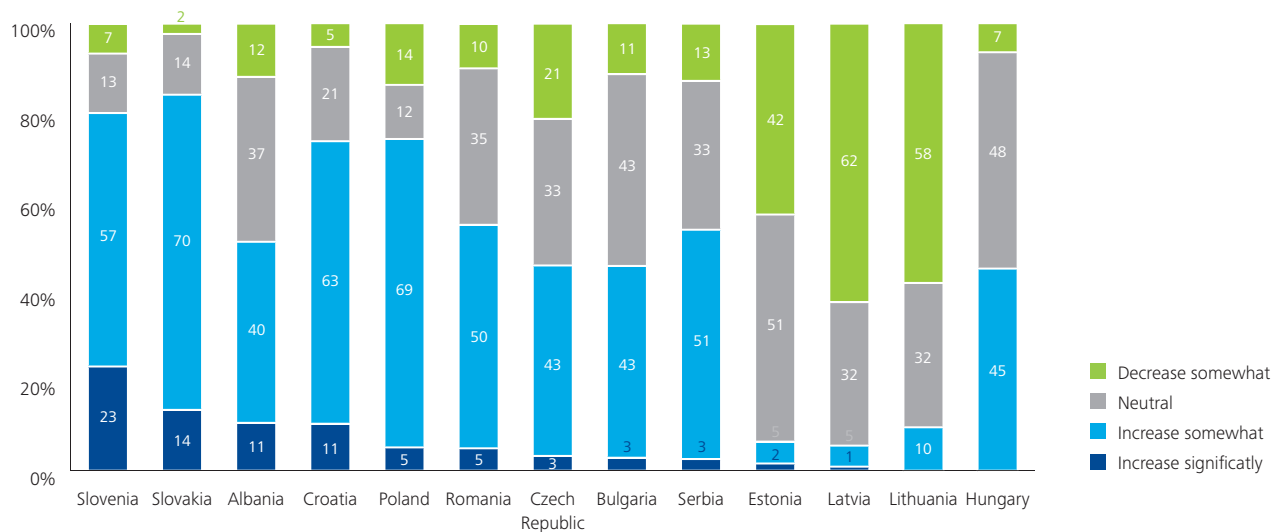
Graph 28: CFOs' expectations for the country GDP growth in 2013 (%)



Expectations for unemployment

Most CFOs expect unemployment to increase somewhat or at best remain neutral in most markets; the exception is the again Baltic states, where a majority of CFOs forecasts that unemployment will fall.

Graph 29: Expected change in unemployment level over the next 12 months (%)

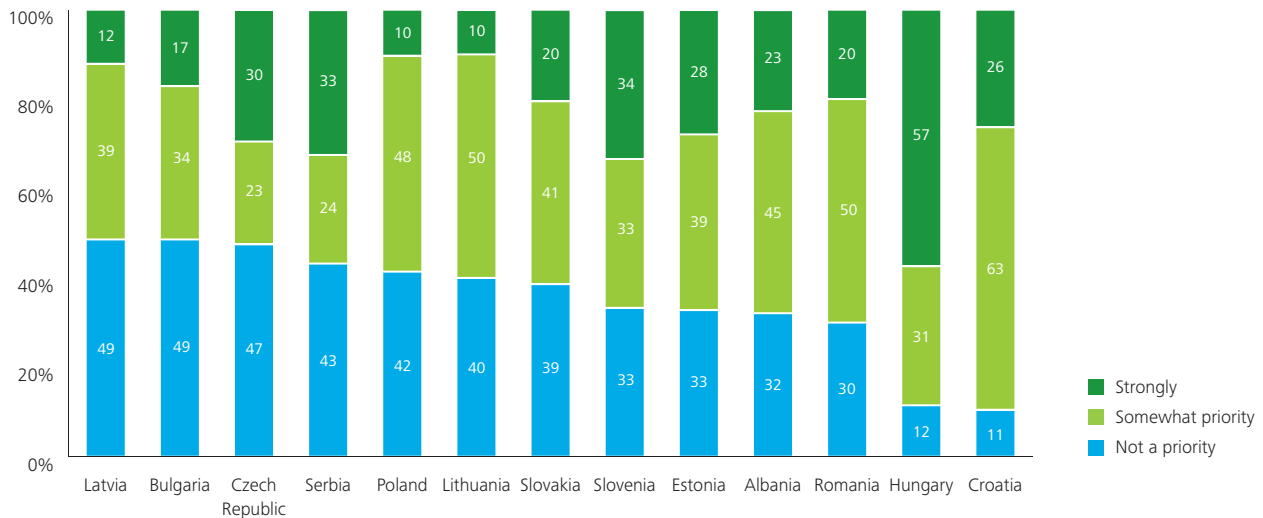


A question of remodelling

CFOs are split as to whether remodelling or restructuring will be a priority for their business in the near future. This partially reflects a desire to remain stable as they wait and see how things develop; it is also partly because much has already been done in most markets. Hungary and Slovenia stand out as two markets where one third to more than half of executives expect to remodel; in Slovenia, this relates

to the possible need for a bail-out and even a longer-term recession, while in Hungary the ongoing slump and government regulations also encourage further right-sizing. CFOs will also monitor developments in the Czech Republic and Croatia to see whether they need to downsize or, in Croatia's case, adapt to the EU.

Graph 30: Expectations to what extent is business remodelling or restructuring likely to be a priority for your business over the next 12 months (%)

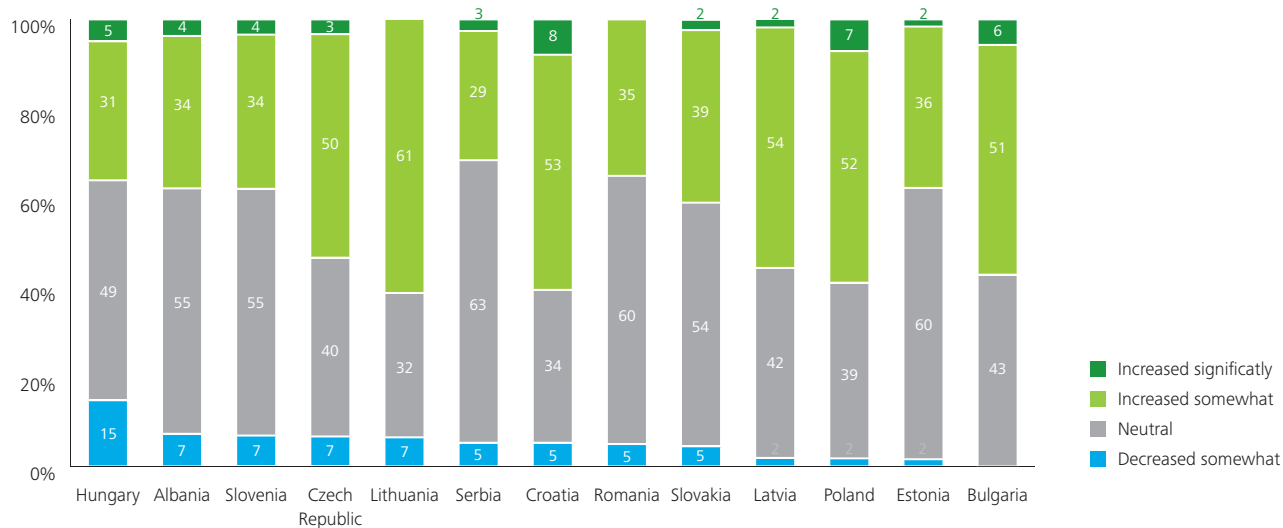


A marginal increase in M&A?

Regarding M&A, the respondents' outlook fits with their responses to other questions. In fact, with almost half of executives replying that they will see some slight increase in M&A this year, there is a marginally optimistic view. Some of this anticipated M&A activity will be due to sales of distressed assets, Western

investors divesting and private equity playing a larger role. Again, however, almost half the CFOs from across the region expect the flat trend to continue. Moderately increased activity in Poland could be due to executives responding to the current slowdown by planning to buy and sell.

Graph 31: Expected change in M&A levels over the next 12 months (%)

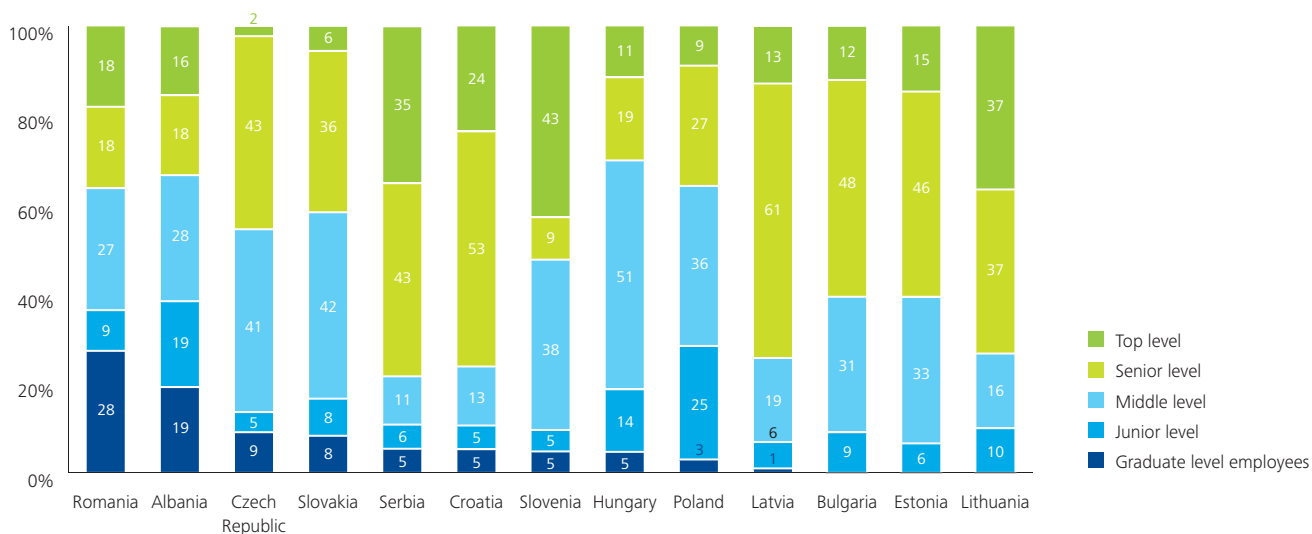


Talent in finance

Around two thirds of all respondents do not expect any talent shortages in financial roles across the region. This makes sense; there is not much of a talent shortage at the moment, and a fragile business outlook puts most power in the hands of the employers. (For comparison, this is not the case in Russia where talent shortages exist across the board and salaries remain elevated.)

That said, almost one third of CFOs do feel that there will be shortages, and this possibly includes top-quality people in key roles. This conclusion is reflected in the final question of the survey, where CFOs indicate that shortages will apply to the more senior levels. However, Romania and Albania stand out with 28% and 19% of CFOs respectively predicting quite significant talent shortages at the graduate level, which contrasts with the other countries.

Graph 32: Expected talent shortages in finance over the next year (%)



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Methodology

The 2nd CFO Survey took place between the 18th of February and the 1st of April. A total of 668 CFOs across 13 countries completed our survey. The survey is divided into two parts, first - local analysis based on responses from Bulgaria and the second part is based on all the responses across the region. Not all survey questions are reported in each bi-annual survey. If you were interested to see the full range of questions, please contact ifiserova@deloitteCE.com.

We would like to thank all participating CFOs for their efforts in completing our survey. We hope the report makes an interesting read, clearly highlighting the challenges facing CFOs, and providing an important benchmark to understand how your organization rates among peers.

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