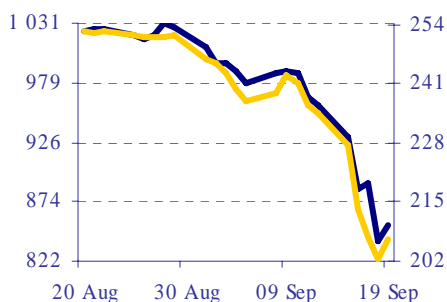


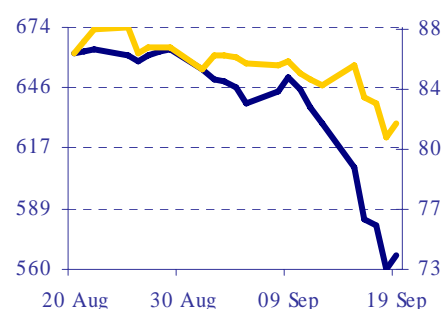


MARKET WRAP-UP

A rebound on Friday partly offset the drop of overall market levels last week. After 4 negative trading sessions in a row, positive news from the US Treasury and green colour of the European indices helped the domestic market to recover a bit during the last session for the week. SOFIX closed at 853.75 points (-11% WoW), after break a 52-weeks low. The other indices followed suit: BG40 suffered the most, closing at 206.86 points (-11.7%), BGTR30 lost 9.8% to 567.07 points, and BGREIT lost only 2.7%, to the level of 81.85 points. Based on the experience of the last week, we conclude that the market has grown “price insensitive” at moments -- the search for liquidity and the overall fear of an even wider global financial crisis impacted the Bulgarian market regardless of the performance of the local economy, the domestic companies and their respective fundamental valuations. We expect the Bulgarian market to continue to follow the sentiment of the world financial markets rather than the local drivers during the coming weeks. This could open the door for profitable longer-term investment opportunities - some of the local companies are still under significant sell pressure even though the hunt for liquidity has already pushed their prices far below their fair value.



— SOFIX (left) — BG40 (right)



— BGTR30 (left) — BGREIT (right)

Change	SOFIX	BG40	BGTR30	BGREIT
1-wk	-11.0%	-11.7%	-9.8%	-2.7%
3-mo	-28.4%	-35.7%	-29.0%	-14.3%
YtD	-50.9%	-59.9%	-47.8%	-21.8%
12-mo	-51.1%	-57.7%	-48.4%	-18.6%

NEWS HIGHLIGHTS

- **GDP real growth** reached 7.1% YoY in H1 08 (vs. 6.5% YoY in H1 07). The H1 08 GDP amounted to BGN 29.4bn.
- **HICP inflation** slowed to 11.8% YoY in August, down 2.6% from the 14.4% YoY reported in July.
- **Wage growth** in Bulgaria spiked to 21.9% YoY in Q2 08, the third highest growth in the EU.
- Average **household income** rose 12.3% YoY in July 08 to BGN 720. Household expenses increased 7.8% YoY.
- **Sofia real estate prices** were reported up 9.4% YoY in H1 08, according to Raiffeisen Real Estate division.
- **First Investment Bank [5F4]** unconsolidated net profit for Jan – July 08 was reported up 16% YoY, to BGN 27m. Separately, Fitch affirmed the bank’s ratings, but lowered its outlook from stable to negative on concerns of costs of refinancing.
- **Monbat [5MB]**, a battery producer, cut the price of its share buyback to BGN 10 per share, from BGN 11.24 previously.
- **Lomsko Pivo [6L1]** benefits from a new legislation approved by Parliament to reduce the excise duties for small breweries.
- **Agria Group Holding [A72]** announced an EUR 25m investment plan, focused on the construction of a plant for vegetable oil with an annual capacity of 100k tons.
- Some EUR 500m are to be invested in **wind farms** in north eastern Bulgaria by the end of 2009, said Velizar Kiryakov, chairman of the association of eco energy producers.
- Sigma Consulting, owner of 78% of **Cigarette Factory Plovdiv BT [4CV]**, made a tender offer of BGN 36.60 per share.
- The prospectus of Medical Diagnostic Center **Biocheck** was approved. The company lists its 930.9k existing shares.

Top Gainers*

M+S Hydraulic [5MH]	-0.9%
Industrial Holding Bulgaria [4ID]	-1.8%
Neochim [3NB]	-2.4%

Top Losers *

Bulgartabac Holding [57B]	-26.0%
EuroIns Insurance AD [5IC]	-22.6%
Sopharma [3JR]	-20.4%

* from our list of selected stocks (see last page)

Turnover statistics	Week 38
Weekly volume (shares)	8 306 598
Avg. weekly volume YtD	12 110 857
Weekly turnover (BGN)	31 067 467
Avg. weekly turnover YtD	54 415 917

Source: Bulgarian Stock Exchange

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FIXED INCOME AND MACRO DATA

Most recent macro data	
BGN/EUR Exchange rate	1.95583
Inflation (HICP, YoY Aug)	11.8%
Inflation (HICP, cumulative 2008)	7.1%
GDP Growth (YoY H1 2008)	7.1%
Unemployment (July 2008)	5.9%
Public External Debt/GDP (July '08)	11.9%
FDI Jan-July '08 (EUR)	2.8bn
C/A Deficit/GDP (Jan-July '08)	-13.9%

Source: BNB; NSI; National Employment Agency

Type	Coupon	Maturity	Currency	Yield (%)
Treasuries	3.75%	16-Feb-10	BGN	5.48
Treasuries	4.75%	11-Feb-11	BGN	5.33
Treasuries	5.20%	04-Feb-14	BGN	5.23
Eurobonds	8.25%	15-Jan-15	USD	5.90
Sofibor		Overnight (ON)	BGN	5.57
Sofibor		3-month	BGN	7.33
Sofibor		12-month	BGN	8.69
Base Interest Rate			BGN	5.23

Source: BNB; UBB

NEWS IN THE SPOTLIGHT

Bulgarian Banking System

Central bank governor: Bulgarian banks have no risk exposures to subprime MBS

Bulgarian banks have no direct exposure to subprime mortgage-backed securities, Bulgarian National Bank (BNB) governor Ivan Iskrov told a banking forum held in Sofia. Bulgarian lenders maintain the classical banking model, he said. The major effect of the global market downturn on the local banking system will be higher risk premiums and funding costs, according to the central bank governor.

Large European banks, which hold 81% of the assets of the Bulgarian banking sector, continue to inject liquidity into their Bulgarian divisions, according to Iskrov. He also added that local lenders maintain high lending standards despite the fierce competition in the sector. Standard exposures preserved the levels of last year, at 95.5% of the loan portfolios. Source: *Dnevnik*

Credit crunch to increase loan prices in Bulgaria

The global financial turmoil will send secondary shock waves through the Bulgarian market by the channel of higher borrowing costs, local bankers estimated. Pressure on liquidity, loan and deposit prices is expected to continue to pile up. Loan prices are expected to increase by another 0.5 or 1.0%, according to Postbank executive director Asen Yagodin.

Borrowing costs started to increase in Sep 2007 when the beginning of the credit squeeze coincided with a tightened minimum reserve requirement of the Bulgarian National Bank, from 8.0% to 12% of the deposit base. Next, the deepening global crisis reverberated through the Bulgarian market with the Euribor and Sofibor moving upwards. Accordingly, the banks hiked interest rates on both loans and deposits in three consecutive months starting Feb 2008. As a result, the average household mortgages rose 70 bp to 9.07% from Sep 2007 to July 2008. The average rate on consumer loans crept by 1.67% reaching 11.15% over the same period. The rates of business loans of up to EUR 1m added 1.75% to an average of 10.91%. Source: *FFBH, Dnevnik*

Insurance

Brokers generated 33% of insurance premiums in H1 2008

Brokers generated 33% of the Bulgarian insurers gross premium income for H1 2008, the Financial Supervision Commission said. Brokers collected BGN 278m, up almost 40% YoY. Motor insurance accounted for 60% of broker-collected premiums, motor third-party liability ranked second with 18%, and property insurance accounted for 6-7%. General insurance accounted for 25% of broker-collected premiums, life insurance premiums were 21%, respectively. Source: *Dnevnik*


SELECTED STOCKS INDICATORS
All figures in BGN (BGN/EUR rate fixed at 1.95583)

Ticker	Company Name	Average (Friday)	WoW%, avg	WoW%, close	YTD change %	Weekly Turnover	Market cap	PE (TTM)	PS (TTM)	PB (MRQ)	Dividend Yield
A72	Agria Group Holding	7.25	-6.1%	-3.5%	-20%	231 120	49 300 000	11.6	0.8	1.3	0.0%
6AB	Albena AD	58.38	-10.2%	-11.1%	-51%	370 094	249 443 730	11.8	2.2	0.9	0.9%
6AM	Alcomet	5.00	-9.6%	-9.7%	-70%	41 280	89 800 701	42.2	0.4	1.4	0.0%
6A6	Advance Terrafund	1.80	-3.0%	-2.7%	-11%	575 039	79 477 129	3.5	3.0	1.0	0.0%
5BN	Bulgarian American Credit Bank	50.77	-10.1%	-16.8%	-36%	184 989	640 995 162	10.8	7.5	3.8	3.0%
53B	Biovet	7.30	-7.0%	-4.5%	-57%	15 829	49 539 010	250.2	0.5	0.9	0.0%
55B	Blagoevgrad BT	59.89	-9.4%	-9.2%	-33%	118 277	161 871 082	17.8	0.8	0.9	8.3%
5BP	Billboard	4.89	-5.0%	-4.9%	34%	253 878	73 365 000	11.2	2.2	3.1	0.0%
5BU	Real Estate Fund Bulgaria	1.31	-8.3%	-2.1%	-37%	49 440	79 249 950	2.2	1.7	0.7	1.9%
57B	Bulgartabac Holding	20.71	-26.0%	-7.8%	-33%	38 173	152 567 800	n.m.	0.5	0.5	3.9%
4CF	Central Cooperative Bank	3.00	-6.1%	-6.0%	-72%	236 756	249 215 811	13.4	2.4	1.2	0.0%
6C4	Chimimport	6.09	-14.9%	-14.7%	-61%	2 542 608	913 499 903	7.1	0.7	1.3	0.0%
6C9	Corporate Commercial Bank	88.96	-3.3%	-2.3%	-7%	781 027	533 736 000	16.4	7.9	3.0	0.0%
5DOV	Doverie-Obedinen Holding	5.44	-18.8%	-17.6%	-62%	258 313	76 179 140	6.7	0.4	0.6	0.0%
4EC	Elana Agricultural Land Opportunity Fund	1.70	-5.6%	-5.6%	-23%	392 187	101 517 005	2.3	1.8	0.8	0.0%
SL9	Sparky Eltos	6.18	-13.0%	-15.5%	-62%	39 940	103 390 807	8.1	1.1	1.0	0.0%
E4A	Enemona	15.41	-6.9%	-6.9%	-8%	889 904	183 849 042	10.8	1.7	2.2	0.0%
4EH	Eurohold Bulgaria	3.76	-12.4%	-13.8%	-45%	773 435	235 116 107	2.0	0.7	1.2	0.0%
5IC	EuroIns Insurance AD	5.07	-22.6%	-23.5%	-70%	388 792	50 719 959	14.9	0.6	2.4	0.0%
5F4	First Investment Bank	5.48	-10.1%	-12.1%	-52%	1 085 578	602 800 000	10.8	2.8	1.7	0.0%
4F6	Fazerles	97.58	-15.9%	-16.2%	-69%	97 367	50 255 760	9.1	1.6	2.4	1.0%
6H2	Holding Roads	14.27	-7.9%	-7.9%	-30%	12 642	437 689 440	35.0	2.7	7.8	0.0%
4ID	Industrial Holding Bulgaria	5.63	-1.8%	-4.6%	-50%	335 374	246 219 137	14.4	1.3	1.3	0.0%
6K1	Kaolin	5.82	-9.2%	-11.6%	-67%	1 196 977	145 375 000	13.0	1.1	1.3	5.2%
3KN	Kapitan Diado Nikola	34.00	-14.6%	-14.6%	-82%	162 043	12 547 054	121.8	0.2	0.4	0.0%
5MH	M+S Hydraulic	6.57	-0.9%	-2.0%	-53%	382 651	85 517 870	18.3	1.1	2.4	1.4%
5MB	Monbat	10.01	-12.9%	-13.4%	-35%	2 529 392	390 312 000	15.4	2.1	3.9	1.8%
3NB	Neochim	79.05	-2.4%	-2.4%	3%	579 295	209 829 654	6.1	0.9	1.8	0.6%
5ODE	Shiprepair Yard Odessos	197.58	-14.1%	-10.5%	-36%	180 237	115 910 486	13.5	2.5	2.2	1.0%
5ORG	Orgachim	136.23	-16.4%	-16.6%	-79%	238 670	68 498 990	19.8	0.5	0.9	0.0%
5OTZ	Lead and Zinc Complex	22.55	-10.5%	-10.6%	-75%	287 127	189 671 085	132.4	0.9	2.7	0.0%
5PET	Petrol	8.00	-11.1%	-11.1%	52%	14 601	873 996 800	3.9	0.4	3.4	0.0%
6S7	Synergon Holding	4.84	-12.0%	-14.2%	-67%	133 555	88 856 829	7.8	0.2	0.3	1.7%
3JR	Sopharma	3.10	-20.4%	-19.9%	-65%	833 436	409 596 000	18.3	1.0	1.7	1.6%
3TV	Toplivo AD	14.00	-8.9%	-9.5%	-52%	491 629	75 830 189	8.6	0.2	0.6	0.0%

Note: Figures based on H1 2008 TTM consolidated results; PS ratio for banks (BACB, BRIB, FIB, CORP and CCB) based on total operating income, PS on EuroIns Insurance (BSE ticker: EURINS) - based on gross premium income, PS on Chimimport includes both financial and non-financial revenues

* Figures are based on unconsolidated data; Dividend Yield in blue based on 2006 DPS.



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