

## Overview

### Economy Fears Chase Bulgarian Stocks

Investors on the Bulgarian Stock Exchange saw another week, marked by steep losses in thin volumes. Shares started Monday's session with some tiny gains but moods quickly changed and all of the four local indices dived deeply into the red by the end of the week. Thursday brought the severest losses, with SOFIX plunging 7.39% and BG40 tumbling 9.11% in its biggest ever one-day slump since the index was launched in 2005. SOFIX lost another 15.77 points on Friday to dip under 400, expanding a six-day losing streak in which it sank by more than 16%. For the week, it fell by 16.32 % to finish at 391.47, hitting a 62-months low. The wider BG40 and BGTR30 also took their share of the breakdown and tumbled by 17.76% and 14.93% respectively, within the week. Global demand for liquidity did not bypass the real estate investment trusts and the index tracking their performance, BGREIT, lost 1.87% within the week.

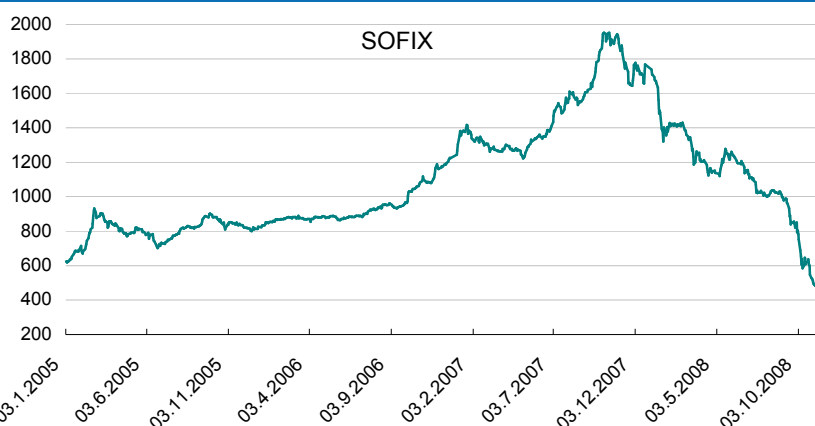
Despite heavy selling during the last couple of weeks pushing share prices to very attractive levels, with an average P/E of SOFIX of nearly 5.2, the outlook for the Bulgarian stock market remained clouded by concerns about a worsening economic health and increasing business risk. During the week some of the local companies announced intentions to cut staff and to halt production, making it clear that the credit crunch and shrinking global consumption had already affected the real sector in Bulgaria (see Corporate News section on page 2).

Earlier during the week Fitch Ratings downgraded Bulgaria's long term foreign and local currency ratings on concerns over increasing risk of a recession. Additionally, Fitch said that a marked decline in external financing flows would necessitate a sharp contraction in domestic demand to rein in the current account deficit totaling 5.6% of GDP according to the Q3 flash estimate of the National Statistical Institute. The agency emphasized that Emerging Europe was the most vulnerable Emerging Market region to the deterioration in the global financial and economic environment owing to the presence of large current account deficits and relatively high levels of short-term external debt. Along with Bulgaria, Fitch had also downgraded the sovereign ratings of Kazakhstan, Hungary and Romania and lowered the outlooks of Russia, Malaysia, South Korea, Mexico and South Africa, pointing out that the profound shift in the global economic and financial outlook had posed significant real economy and policy challenges for emerging markets.

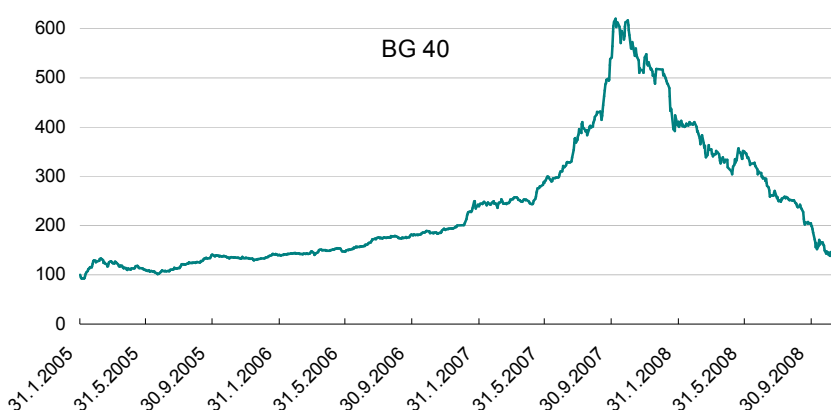
	Value	Weekly Chng	YTD Chng
SOFIX	391.47	-16.32%	-77.86%
BG 40	117.41	-17.76%	-77.34%
BG REIT	52.45	-1.87%	-49.20%
BGTR 30	301.76	-14.93%	-72.50%

Shares Turnover (BGN th)	10 330.90
Bonds Turnover (BGN th)	3 907.12
Market Capitalisation (BGN mln)	12 155.34
Market Capitalisation/GDP	19%

## Trends



P/E, ttm	Value	Weekly Chng	YTD Chng	Turnover(BGN th)
5.23	391.47	-16.32%	-77.86%	4 610



Value	Weekly Chng	YTD Chng	Turnover(BGN th)
117.41	-17.76%	-77.34%	6 637

Top Gainers	Ticker	Chng	Top Losers	Ticker	Chng
Pirinhardt - Razlog	4PJ	+ 69.93%	Neochim	3NB	-42.30%
FairPlay Properties REIT	6F3	+ 22.67%	Formplast	4F8	-34.51%
Doverie Obedinen Holding	5DOV	+ 8.33%	Holding Varna	5V2	-34.39%

° Gainers: Among shares with turnover above BGN th 50; Losers: Among shares with turnover above BGN th 20; Percentage changes are based on average weighted prices

## Main Economic Indicators

	2005	2006	2007	2008*
<b>GDP, in bln EUR</b>	21.88	25.24	28.9	15.05
<b>GDP, real growth (%)</b>	6.2	6.3	6.2	7.1
<b>Inflation, avg. (%)</b>	5.0	7.3	8.4	7.4
<b>Unemployment (%)</b>	10.7	9.1	6.9	5.8
<b>Fiscal Balance, %GDP</b>	3.1	3.5	3.5	7.2
<b>Gross Public Debt, %GDP</b>	31.3	24.6	19.8	15.7
<b>Gross External debt, %GDP</b>	70.9	81.7	99.8	96.0
<b>Current Account, %GDP</b>	-12.4	-17.8	-21.8	-14.0
<b>FDI, %GDP</b>	14.4	23.8	22.6	8.8
<b>Prime interest rate (%)</b>	2.04	2.69	3.93	5.38

\* For 2008 latest available official data is used. GDP data is for H1. Data for inflation and unemployment is for September. Data for fiscal balance, gross public debt and current account is at end-August. Data for gross external debt is at end-July. Data for the prime interest rate is for October.

## East European Markets

Index	Value	Weekly Chng	YTD Chng
<b>Bulgaria</b>			
<b>SOFIX</b>	<b>391.47</b>	<b>-16.32%</b>	<b>-77.86%</b>
<b>Croatia</b>			
<b>CROBEX</b>	<b>2 044.25</b>	<b>-6.69%</b>	<b>-60.98%</b>
<b>Macedonia</b>			
<b>MBI-10</b>	<b>2 701.24</b>	<b>-10.52%</b>	<b>-65.10%</b>
<b>Montenegro</b>			
<b>NEX20</b>	<b>10 835.57</b>	<b>-7.07%</b>	<b>-68.29%</b>
<b>Romania</b>			
<b>BET</b>	<b>3 128.53</b>	<b>-1.34%</b>	<b>-68.16%</b>
<b>Russia</b>			
<b>MICEX</b>	<b>596.75</b>	<b>-17.80%</b>	<b>-68.41%</b>
<b>Serbia</b>			
<b>BELEX15</b>	<b>661.99</b>	<b>-3.31%</b>	<b>-71.45%</b>
<b>Turkey</b>			
<b>ISE-100</b>	<b>25 238.52</b>	<b>-5.29%</b>	<b>-54.56%</b>
<b>Ukraine</b>			
<b>PFTS</b>	<b>274.72</b>	<b>-4.27%</b>	<b>-76.60%</b>
<b>Morgan Stanley</b>			
<b>MSCI EE (€)</b>	<b>258.72</b>	<b>-15.97%</b>	<b>-64.34%</b>

## News of the Week

▪ Neochim AD [3NB] will resume production following a shutdown for annual maintenance in August later than initially planned due to the global financial crisis, the company said on Thursday. Neochim previously planned to resume production in November. "The repairs took longer [than expected]. The deadlines were approximate," the company's investor relations director Alexander Ganev told SeeNews. He declined to comment on local media reports that the company would halt production because the global financial crisis has adversely affected its key markets.

▪ Cast iron producer Chugunoleene [59C] will lay off 25% of its staff due to a sharp decrease in exports caused by the global financial turmoil, the company announced on Thursday. Chugunoleene exports 85% of its production and a drop in orders from its key markets like Italy, Germany and France has put it in "an extraordinary situation", the company said.

▪ Unfavorable market conditions will probably push the biggest Bulgarian fertilizer producer Agropolychim, controlled by the U.S. Acid & Fertilizers, to suspend operations for several months as of November 21 because of a fall in exports, which contributes to 60% of company's sales, the management said. Production may be resumed in February 2009 if the local market revives but the company could be forced to significantly reduce its 1,100-strong workforce if the halt continues for too long, it was added.

▪ Half of the hotels in Albena [6AB] will remain closed next season in the worst-case scenario, Albena's CEO Krasimir Stanev said. The company prefers to close some of the hotels rather than working at loss, he said. The company's net profit is expected to drop by 20% y-o-y to some BGN 13 mln in 2008, Stanev added.

▪ Bulgarian metals group Intertrust Holding plans to reduce its staff by 20% to defend its operations due to dwindling global metals prices and tighter credit markets, the holding's chief executive Roberto Mladenov said. Intertrust, which controls Lead & Zinc Complex [5OTZ], will lay off for three months up to 700 people out of its 3,400-strong workforce.

## News of the Week

▪ Bulgaria's current account gap through September swelled to 15.8% of the country's GDP projected for 2008 from 13.5% of GDP for the same period in 2007, central bank data showed. The current account deficit rose to EUR 5.38 bn from EUR 3.9 bn a year earlier, mainly because of a widening trade deficit. The country's trade deficit for the first nine months reached EUR 6.45 bn, or 19% of GDP, versus a deficit of EUR 4.98 bn, or 17.2% of GDP a year earlier.

▪ Bulgaria's Q3 GDP growth slowed to a preliminary 5.6% from 7.1% in Q2'08, according to a flash estimate of the National Statistics Institute. Growth recorded in the third quarter was stronger than in Q3'07, when the economy expanded by 4.9%. The rise in GDP in Q3'08 was due mainly to the 37.8% increase in value added in the agriculture sector, NSI said.

▪ Bulgaria's October consumer price inflation rose by 0.5% month-on-month and increased by 10.9% on the year, the National Statistics Office said on Wednesday. Price acceleration was slower than in September, when consumer prices rose by a monthly 1.1% and were 11% higher on a yearly basis.

▪ Bulgaria's trade deficit stood at BGN 11.2 bn in the first eight months of 2008 on a preliminary basis. The country's exports totalled BGN 20.6 bn, while imports stood at BGN 31.9 bn.

▪ Bulgarian banks granted 9,259 new corporate loans in the third quarter of 2008, versus 9,724 in the previous quarter, the National Statistical Institute announced. Households received 103,332 loans, down from 121,208 in the previous quarter. Meanwhile, the number of mortgage-backed loans dropped by half in Q3, to 6,406, totaling BGN 620.0 mln, versus 12,165, totaling BGN 761.7 mln in Q2'2008.

▪ Fitch Ratings downgraded Bulgaria's Long-term foreign currency Issuer Default Rating to 'BBB-' Stable Outlook from 'BBB' Negative Outlook and Long-term local currency IDR was reduced to 'BBB' Stable Outlook from 'BBB+' Negative Outlook. The downgrade reflects the increasing risk of a recession in response to a marked decline in external financing flows, which will necessitate a sharp contraction in domestic demand to rein in the current account deficit, the agency said. However, given the large fiscal reserves and the broad-based commitment to the currency board arrangement, Fitch believes the risk of recession broadening into a deeper economic and financial crisis over the medium-term is limited and consistent with a Stable Outlook.

## Economy and Politics

Company	Ticker	Sector	Market Cap. (BGN '000)	Close (BGN)	Weekly Chng	YTD Chng	P/E	P/B
Advance Terrafund REIT	6A6	real estate	46 832	1.06	▼ -3.36%	▼ -47.64%	2.0	0.6
Albena - Invest AD	5ALB	conglomerates	23 650	4.30	▼ -18.87%	▼ -78.38%	2.3	0.2
Aroma AD	6AR	cosmetics	31 604	2.04	- 0.00%	▼ -70.65%	10.2	0.9
Balgarska roza-Sevtopolis AD	4BJ	pharmaceuticals	7 976	0.66	▼ -17.38%	▼ -78.33%	10.2	0.4
Billboard AD	5BP	printing	45 600	3.04	▼ -21.83%	▼ -28.97%	7.7	1.9
Bulgarian American Credit Bank	5BN	banking	205 156	16.25	▼ -9.72%	▼ -79.72%	3.5	1.2
Bulgarian Holding Company AD	5BA	conglomerates	19 489	2.96	▲ 0.34%	▼ -53.76%	78.9	0.5
CB Central Cooperative Bank AD	4CF	banking	89 225	1.07	▼ -12.91%	▼ -89.41%	5.1	0.4
CB Corporate Commercial Bank	6C9	banking	408 000	68.00	▼ -3.83%	▼ -27.74%	12.6	2.3
Chimimport AD	6C4	conglomerates	333 300	2.22	▼ -25.34%	▼ -85.58%	2.7	0.5
Doverie Obedinen Holding AD	5DOV	conglomerates	109 387	7.81	▲ 5.54%	▼ -45.38%	8.4	0.7
Elana Agric. Land Opport. REIT	4EC	real estate	59 717	1.00	▼ -10.71%	▼ -54.69%	1.3	0.5
Elhim Iskra AD	52E	machinery	24 473	1.95	▼ -14.77%	▼ -71.11%	5.9	1.2
Enemona AD	E4A	energy	71 604	6.00	▼ -19.13%	▼ -64.71%	5.5	0.9
Eurohold Bulgaria	4EH	conglomerates	126 871	2.03	▼ -7.94%	▼ -70.06%	1.1	0.6
Favorit Hold AD	6A9	conglomerates	11 549	4.90	▼ -21.10%	▼ -67.55%	16.2	0.6
Fazerles	4F6	wood industry	29 613	57.50	▼ -10.44%	▼ -81.63%	5.3	1.4
First Investment Bank	5F4	banking	342 100	3.11	▼ -17.07%	▼ -73.19%	6.1	1.0
Holding Roads AD	6H2	construction	102 751	3.35	▼ -17.26%	▼ -84.35%	6.9	1.8
Industrial Capital Holding AD	4I8	conglomerates	18 896	2.43	▼ -24.06%	▼ -75.87%	3.7	0.3
Industrial Holding Bulgaria AD	4ID	conglomerates	94 951	2.17	▼ -14.53%	▼ -81.76%	4.3	0.3
Insurance Company Euro Ins AD	5IC	insurance	27 100	2.71	▼ -11.44%	▼ -83.39%	8.0	1.3
Kaolin	6K1	minerals	85 000	3.40	▼ -13.79%	▼ -79.96%	7.6	0.7
Lead & Zinc Complex	5OTZ	metallurgy	61 415	7.30	▼ -36.41%	▼ -91.85%	42.9	0.9
Monbat AD	5MB	machinery	207 948	5.33	▼ -13.02%	▼ -65.93%	8.2	2.1
Moststroy	5MY	construction	27 875	5.00	▼ -19.34%	▼ -90.74%	3.7	2.3
Neochim AD	3NB	chemical	94 222	35.50	▼ -45.38%	▼ -53.54%	2.7	0.8
Odessos Shiprepair Yard AD	5ODE	machinery	76 310	130.00	▼ -18.01%	▼ -57.01%	8.9	1.4
Oil & Gas Exploration & Production	4O1	oil & gas	47 689	3.90	▼ -5.34%	▼ -71.32%	15.0	2.0
Orgachim AD	5ORG	chemical	40 627	80.77	▼ -17.29%	▼ -87.94%	16.4	0.6
Petrol AD	5PET	oil trading	996 906	9.13	▼ -3.44%	▲ 70.24%	4.0	3.9
Polimeri AD	51P	chemical	10 597	1.99	▼ -8.72%	▼ -82.54%	neg.	0.0
Sopharma AD	3JR	pharmaceuticals	277 200	2.10	▼ -2.87%	▼ -76.43%	12.0	1.2
Sparky Eltos AD	SL9	machinery	50 205	3.00	▼ -18.92%	▼ -81.71%	4.2	0.5
Stara planina hold AD	5SR	conglomerates	38 220	1.82	▼ -15.35%	▼ -75.67%	4.9	0.7
Synergon Holding AD	6S7	conglomerates	49 569	2.70	▼ -5.76%	▼ -80.80%	5.3	0.2
TK - Hold AD	T24	conglomerates	12 810	3.00	▼ -21.05%	▼ -58.45%	3.0	0.4
Toplivo AD	3TV	trading	37 134	6.86	▼ -13.23%	▼ -75.35%	6.1	0.3
Trace group Hold AD	T57	construction	82 940	37.70	▼ -21.62%	▼ -86.52%	neg.	1.9
Zarneni Hrani Bulgaria AD	T43	agriculture	118 867	0.70	▼ -22.23%	▼ -84.53%	10.2	0.6

\* Percentage changes are calculated based on closing prices.

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**KAROLL**  
 1 Zlatovrah Str., Sofia, Bulgaria  
 tel.(fax): +359 2 4008 300  
[www.karoll.net](http://www.karoll.net) [research@karoll.net](mailto:research@karoll.net)