

## Overview

### Stocks Keep Dropping in Volatile Market

Bulgarian stocks dropped further during the past week in volatile trading with gains and losses surpassing 10% in the course of some trading sessions. Overall, the blue-chip index fell by a weekly 14.56% to 334.46 and the BG40 index shed 14.54% to 100.34 in the past five trading days. BG40's value was lower than the 100 points at which it started in 2005 in three of the sessions. Investors are clearly shying away from buying despite attractive valuation levels - on Friday the P/E of shares included in the SOFIX index was as low as 5.23%.

However, this is not surprising bearing in mind that bad news keeps coming - Monbat [5MB] on Thursday said it will lay off 120 of its employees in an attempt to cut costs, following an announcement of the country's sole pistons factory Druzhba Razgrad [4DU] on Monday that it will reduce its staff in order to weather the crisis. Druzhba Razgrad slumped by 73.5% for a week to end at BGN 10 on Friday, becoming this week's biggest loser. Shares in the company worth BGN 4,308 were traded in the five sessions. Monbat's shares were also on the losing side - they slumped by 25.6% for a week and closed at BGN 3.97 on Friday in a weekly volume of BGN 872,800. In the meantime, Monbat continues its share buyback programme aimed at supporting its stock, which had lost 74.65% since the end of last year, amid collapsing prices.

Rises were rare and only three of the BG40 members ended the week higher, out of a total of 19 gainers among the shares that traded. Petrol AD [5PET] was not the top gainer but it was certainly the most liquid among them. Large packages of the stock were changing hands in four of the days, bringing the total volume of traded shares to BGN 98.5 mln. Petrol added 15.07% for a week to BGN 10.5. Between 2.3 million and 2.7 million Petrol shares were traded in each of the four days.

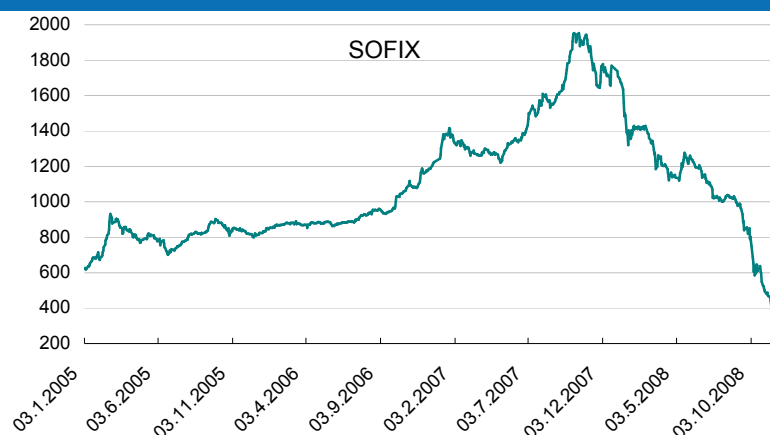
Albena Invest Holding [5ALB] also gained ground after on Friday Albena AD [6AB] said it plans to sell its 47.83% stake in the holding company at a price between BGN 7.11 and BGN 10.15 per share. The holding company jumped by 18.84% to BGN 4.93 on Friday and thus appreciated by a weekly 14.7% in a volume of BGN 84,209.

The week's top gainer was CBA Asset Management [C81]. The stock surged by 47.93% to BGN 2.23 in a volume of BGN 41,413.

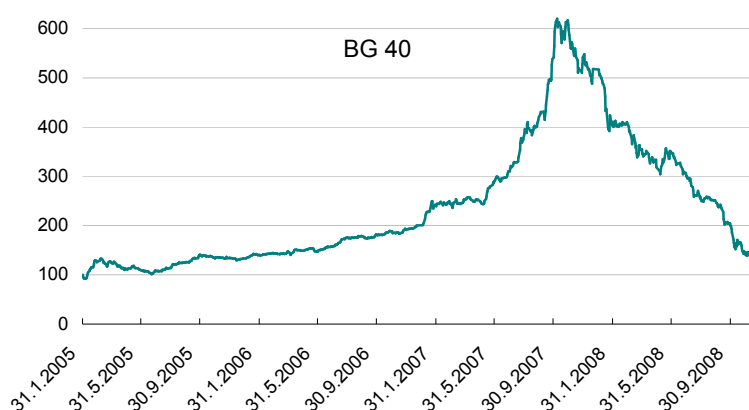
	Value	Weekly Chng	YTD Chng
SOFIX	334.46	-14.56%	-81.08%
BG 40	100.34	-14.54%	-80.63%
BG REIT	46.39	-11.55%	-55.07%
BGTR 30	267.11	-11.48%	-75.66%

Shares Turnover (BGN th)	112 255.68
Bonds Turnover (BGN th)	783.79
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	334.46	-14.56%	-81.08%	8 071



Value	Weekly Chng	YTD Chng	Turnover(BGN th)
100.34	-14.54%	-80.63%	108 465

Top Gainers	Ticker	Chng	Top Losers	Ticker	
Petrol AD	5PET	+ 15.03%	Velpa-91	4V9	-49.04%
Euroins Insurance	5IC	+ 7.61%	Decotex	4DE	-48.62%
Web Media Group	45W	+ 7.41%	Slanchev Bryag	3JL	-47.22%

° Gainers: Among shares with turnover above BGN th 50; Losers: Among shares with turnover above BGN th 20; Percentaae 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>334.46</b>	<b>-14.56%</b>	<b>-81.08%</b>
<b>Croatia</b>			
<b>CROBEX</b>	<b>1 713.66</b>	<b>-16.17%</b>	<b>-67.29%</b>
<b>Macedonia</b>			
<b>MBI-10</b>	<b>2 279.89</b>	<b>-15.60%</b>	<b>-70.55%</b>
<b>Montenegro</b>			
<b>NEX20</b>	<b>9 275.79</b>	<b>-14.39%</b>	<b>-72.85%</b>
<b>Romania</b>			
<b>BET</b>	<b>2 888.31</b>	<b>-7.68%</b>	<b>-70.60%</b>
<b>Russia</b>			
<b>MICEX</b>	<b>516.93</b>	<b>-13.38%</b>	<b>-72.63%</b>
<b>Serbia</b>			
<b>BELEX15</b>	<b>562.53</b>	<b>-15.02%</b>	<b>-75.74%</b>
<b>Turkey</b>			
<b>ISE-100</b>	<b>21 956.96</b>	<b>-13.00%</b>	<b>-60.47%</b>
<b>Ukraine</b>			
<b>PFTS</b>	<b>267.48</b>	<b>-2.64%</b>	<b>-77.22%</b>
<b>Morgan Stanley</b>			
<b>MSCI EE (€)</b>	<b>225.38</b>	<b>-12.89%</b>	<b>-68.94%</b>

## News of the Week

- Monbat [5MB] said on Thursday it will reorganize its production process and will lay off 120 employees in an attempt to significantly reduce expenses amid the increasingly negative influence of the economic crisis. Earlier during the week Monbat said it plans to launch its fourth share buyback procedure. The company plans to buy back up to 0.57 % of its share capital, or up to 223,000 shares, at a minimum price of BGN 4.0 and a maximum price of BGN 7.0 per share. The buyback will be launched on November 18 and will continue for up to 180 days.
- Standard & Poor's revised its outlook on Bulgarian American Credit Bank (BACB) [5BN], which is 49.99% owned by Allied Irish Banks, from stable to negative and affirmed its long- and short-term counterparty credit ratings. The move reflected "rising economic risks" in Bulgaria and the "growing concerns above the adverse impact on the Bulgarian financial sector, including BACB". S&P noted that it was particularly concerned about the effect of the slowdown in the "overheated real estate market" on BACB's asset quality. The agency added that it was also concerned with the rapid loan growth of BACB over recent years, which had "not been tested in a sustained economic slowdown", and concentration of lending to the real estate, construction, hotel and mortgage sectors (68% of total loans at end-September).
- Shareholders of Albena will vote on a proposal that the company offers for sale its 47.83% stake (2.63 mln shares) in the capital of Albena Invest AD on an extraordinary shareholders' meeting scheduled for January 18, 2008. Albena AD intends to offer the shares at a price range of BGN 7.11 – 10.15 per share. The shareholders will also vote on a proposal that the company acquires 100% of the capital of Intersky Ltd, which are currently held by Albena Invest, for a total BGN 26.573 mln. The main assets of Intersky are the Lesnovo airport and a license to act as an airport operator.
- Billboard reported 9M consolidated revenues of BGN 20 mln. The growth of the sales slowed down to 35% y-o-y, from 42% y-o-y in H1 08. Operating expenses rose by 39% y-o-y, faster than revenues. EBITDA jumped by 26% y-o-y to BGN 6.5 mln. but EBITDA margin shrank to 32%, vs. 34% in H1. Net income totaled BGN 1.4 mln, up 54% y-o-y, vs. 133% y-o-y in H1.

## News of the Week

## Economy and

- Foreign direct investments (FDI) in Bulgaria decreased by 22.4% to EUR 3659.8 mln (10.8% of GDP) for the first nine months of the year, vs. EUR 4715.2 (16.3% of GDP) for the same period in 2007, Bulgarian National Bank data showed. FDI covered 68% of the current account deficit as compared to 120.9% a year earlier. At the same time Bulgarian direct investment abroad jumped to EUR 414.5 mln from EUR 140.1 mln for the same period in 2007.
- Bulgaria's unemployment rate fell to 5.85% in October from 6.73% a year earlier but rose slightly compared to September, when it was 5.8%. The number of registered unemployed people in October was 216,644, down 13.1% y-o-y.
- Bulgargaz intends to seek a 25.88% rise in the price of natural gas to BGN 678.04 (USD 434 / EUR 344) per 1 000 cubic metres from the beginning of January 2009, the company revealed on Monday. The hike would reflect the fact that the price that the state regulatory commission approved was 12.62% lower than the price sought by Bulgargaz for the last quarter of this year and the weakening of the Bulgarian lev to the US dollar, the company added. The regulatory commission raised gas prices by 23.89% to BGN 538.66 per 1,000 cubic metres at the beginning of October.
- The financial wealth of Bulgarian households is estimated at BGN 33,5 bn for the third quarter of 2008, according to a research conducted by Industry Watch. There is however a slowdown in the growth rate of wealth, which has begun with the crash of the Bulgarian Stock Exchange, analysts from Industry Watch said. It was added that the wealth growth was yet larger than the inflation rate. Industry Watch forecasted that the trend of wealth growth in the future will be positive. The total estimated value of residential buildings in Bulgarian towns and cities is EUR 76 bn, according to Industry Watch. Compared to the other countries in the Euro Area, Bulgarians invest 7 times less in stocks and bonds and 5 times less in retirement funds, the think-tank added.

Company	Ticker	Sector	Market Cap. (BGN '000)	Close (BGN)	Weekly Chng	YTD Chng	P/E	P/B
Advance Terrafund REIT	6A6	real estate	42 294	0.96	▼ -9.69%	▼ -52.71%	1.8	0.5
Albena - Invest AD	5ALB	conglomerates	27 126	4.93	▲ 14.70%	▼ -75.20%	2.6	0.2
Aroma AD	6AR	cosmetics	31 604	2.04	- 0.00%	▼ -70.65%	10.2	0.9
Balgarska roza-Sevtopolis AD	4BJ	pharmaceuticals	7 240	0.60	▼ -9.23%	▼ -80.33%	8.4	0.4
Billboard AD	5BP	printing	41 415	2.76	▼ -9.18%	▼ -35.49%	7.3	1.8
Bulgarian American Credit Bank	5BN	banking	152 763	12.10	▼ -25.54%	▼ -84.90%	2.6	0.8
Bulgarian Holding Company AD	5BA	conglomerates	17 118	2.60	▼ -12.16%	▼ -59.39%	69.3	0.5
CB Central Cooperative Bank AD	4CF	banking	69 850	0.84	▼ -21.71%	▼ -91.71%	5.9	0.3
CB Corporate Commercial Bank	6C9	banking	394 200	65.70	▼ -3.38%	▼ -30.19%	11.2	1.9
Chimimport AD	6C4	conglomerates	280 800	1.87	▼ -15.75%	▼ -87.85%	2.3	0.4
Doverie Obedinen Holding AD	5DOV	conglomerates	103 224	7.37	▼ -5.63%	▼ -48.46%	7.9	0.7
Elana Agric. Land Opport. REIT	4EC	real estate	56 612	0.95	▼ -5.20%	▼ -57.05%	1.2	0.4
Elhim Iskra AD	52E	machinery	22 339	1.78	▼ -8.72%	▼ -73.63%	5.2	1.0
Enemona AD	E4A	energy	61 460	5.15	▼ -14.17%	▼ -69.71%	4.7	0.7
Eurohold Bulgaria	4EH	conglomerates	109 372	1.75	▼ -13.79%	▼ -74.19%	0.9	0.5
Favorit Hold AD	6A9	conglomerates	11 785	5.00	▲ 2.04%	▼ -66.89%	16.5	0.6
Fazerles	4F6	wood industry	20 600	40.00	▼ -30.43%	▼ -87.22%	3.8	0.9
First Investment Bank	5F4	banking	280 500	2.55	▼ -18.01%	▼ -78.02%	5.4	0.8
Holding Roads AD	6H2	construction	85 544	2.79	▼ -16.75%	▼ -86.97%	5.7	1.5
Industrial Capital Holding AD	4I8	conglomerates	17 107	2.20	▼ -9.47%	▼ -78.15%	3.4	0.2
Industrial Holding Bulgaria AD	4ID	conglomerates	74 385	1.70	▼ -21.66%	▼ -85.71%	3.3	0.2
Insurance Company Euro Ins AD	5IC	insurance	27 990	2.80	▲ 3.28%	▼ -82.85%	neg.	1.5
Kaolin	6K1	minerals	83 475	3.34	▼ -1.79%	▼ -80.32%	7.4	0.7
Lead & Zinc Complex	5OTZ	metallurgy	56 788	6.75	▼ -7.53%	▼ -92.47%	neg.	1.0
Monbat AD	5MB	machinery	154 713	3.97	▼ -25.60%	▼ -74.65%	6.1	1.6
Moststroy	5MY	construction	22 294	4.00	▼ -20.02%	▼ -92.59%	2.9	1.8
Neochim AD	3NB	chemical	80 151	30.20	▼ -14.93%	▼ -60.48%	1.4	0.6
Odessos Shiprepair Yard AD	5ODE	machinery	66 918	114.00	▼ -12.31%	▼ -62.30%	5.1	1.1
Oil & Gas Exploration & Production	4O1	oil & gas	38 335	3.14	▼ -19.62%	▼ -76.95%	15.0	2.0
Orgachim AD	5ORG	chemical	31 689	63.00	▼ -22.00%	▼ -90.60%	113.9	0.4
Petrol AD	5PET	oil trading	1 147 125	10.50	▲ 15.07%	▲ 95.90%	4.6	4.5
Polimeri AD	51P	chemical	10 112	1.90	▼ -4.57%	▼ -83.34%	neg.	0.0
Sopharma AD	3JR	pharmaceuticals	263 736	2.00	▼ -4.86%	▼ -77.58%	11.4	1.1
Sparky Eltos AD	SL9	machinery	44 833	2.68	▼ -10.70%	▼ -83.66%	3.8	0.4
Stara planina hold AD	5SR	conglomerates	34 125	1.63	▼ -10.71%	▼ -78.28%	4.4	0.6
Synergon Holding AD	6S7	conglomerates	44 062	2.40	▼ -11.11%	▼ -82.93%	4.7	0.2
TK - Hold AD	T24	conglomerates	12 810	3.00	- 0.00%	▼ -58.45%	3.0	0.4
Toplivo AD	3TV	trading	30 877	5.70	▼ -16.85%	▼ -79.50%	5.1	0.2
Trace group Hold AD	T57	construction	69 300	31.50	▼ -16.45%	▼ -88.73%	neg.	1.6
Zarneni Hrani Bulgaria AD	T43	agriculture	102 472	0.60	▼ -13.79%	▼ -86.67%	8.8	0.6

\* Percentage changes are calculated based on closing prices.

DISCLAIMER: This newsletter is for informational purpose only and does not represent a proposal for buying or selling securities. The material is based on publicly available information. KAROLL accepts no liability for the content either partially or integrally in this newsletter.

**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)