

### Stocks Finally Bounce Back

Bulgarian shares broke the black series of November and finished the last week of the month mostly higher. SOFIX were trading in positive territory in four out of five sessions and finished the week up 8.6%. Severe losses in the first three weeks of the month, however, made it one of the most depreciating indices in the world in November as SOFIX dropped 26.2% in just one month. The wider BG40 posted gains in each of the last five days and advanced by 8.23% within the week. Turnover remained low, excluding heavy trading with the shares of Petrol [5PET], as the main shareholders – Petrol Holding and Naftex Pertol Ltd, have been exchanging packages from the capital of the oil retailer during the last two weeks.

The week was marked by a number of consolidated 9M financial statements which were due at the end of the month. Most of the statements revealed deteriorating profits and shrinking profit margins which were combined with decreasing revenues for some of the companies. Among the worst hit companies was Sparky AD [SPV]. Consolidated revenues of the machinery producer dropped by 23.37% for the nine months finishing September 30. However, operating expenses decreased more rapidly and EBIT actually increased to BGN 4.6 mln vs. BGN 1.7 mln a year earlier. Surging financial expenses however pushed the bottom line to BGN 3.5 mln, down 55%, however.

Most of the companies reported shrinking profitability, mainly due to busting operating and/or financial expenses. Operating expenses of Chimimport [6C4], Trace Group Hold [T57], Sopharma [3JR], Kaolin [6K1], Enemona [E4A] and Orgachim [5ORG] were rising faster than revenues thus operational profitability worsened. Surging FOREX income, however, helped Chimimport to report a 5% higher 9M net profit of BGN 93.6 mln but all the other companies saw its bottom line sinking. Although Doverie United Holding AD [5DOV] reported 20% higher consolidated revenues and 32% higher EBIT, net income dropped by 66% due to the lack of significant income from financial operations that the company enjoyed last year. Zarneni Hrani Bulgaria AD reported 9M net consolidated sales of BGN 147 mln, which is 51% of the projection for the entire 2008. Net income of the company accounted for BGN 7.9 mln, while the company aimed at BGN 21.8 mln for the entire year. There were, however, some positive surprises, like Synergon Holding [6S7], Agria Group [A72], Industrial Capital Holding [4I8] and Oil and Gaz [4O1], which managed to boost both their sales and net profit.

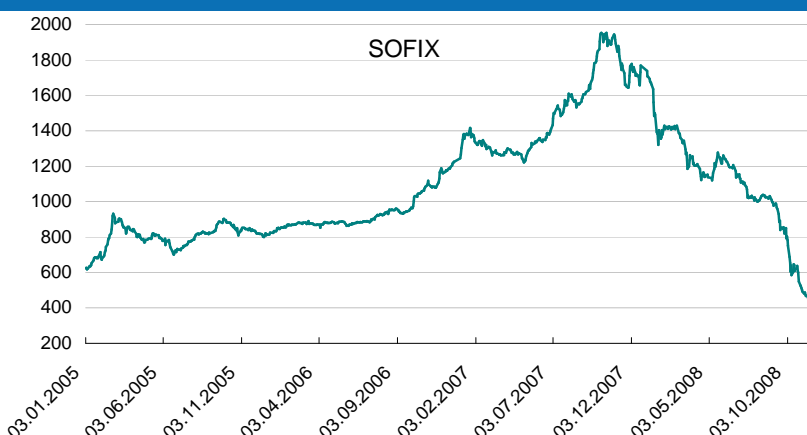
Local companies have already been affected by the credit crunch since the credit market has tightened and interest rates have increased significantly since the beginning of the year. In an attempt to ease the credit market the Bulgarian National Bank stepped on Friday and decreased minimal reserves requirement from 12% to 10% for deposits made by local persons, from 10% to 5% for deposits made by foreign physical and legal entities and to 0% for deposits made by the government and municipalities. Meanwhile, BNB announced that banks have granted 24.4% less loans in October as compared to October 2007.

See last page for a disclaimer.

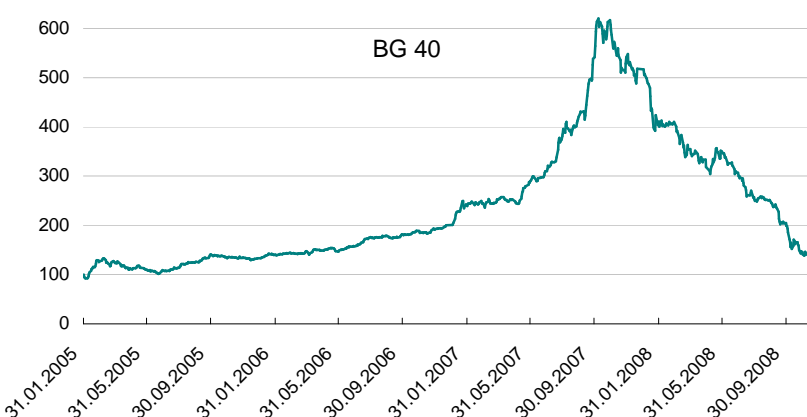
	Value	Weekly Chng	YTD Chng
SOFIX	363.27	8.61%	-79.45%
BG 40	108.60	8.23%	-79.04%
BG REIT	47.38	2.13%	-54.11%
BGTR 30	280.83	5.14%	-74.41%

Shares Turnover (BGN th)	69 833.37
Bonds Turnover (BGN th)	13 941.75
Market Capitalisation (BGN mln)	12 336.86
Market Capitalisation/GDP	19%

### Trends



P/E, ttm	Value	Weekly Chng	YTD Chng	Turnover(BGN th)
5.03	363.27	8.61%	-79.45%	5 336



Value	Weekly Chng	YTD Chng	Turnover(BGN th)
108.60	8.23%	-79.04%	69 369

Top Gainers	Ticker	Chng	Top Losers	Ticker	Chng
SS Konstantine&Elena Hold	3NJ	+ 40.26%	ERG Capital-3 REIT	5ER	-23.08%
Trace Group Hold AD	T57	+ 36.36%	Bulland Invest. REIT	5BD	-17.69%
CB Central Coop. Bank	4CF	+ 31.09%	Agro Finance REIT	6AG	-16.67%

<sup>o</sup> 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

### 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)

## 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.

## News of the Week

## Corporate

- Four Bulgarian companies are the final bidders for the construction of the remaining 37 km section of Bulgaria's key Trakia motorway, local media reported on Tuesday. The companies that have already submitted offers for the construction works valued at some BGN 340 mln are Glavbolgarstroy, Holding Roads [6H2], Moststroy [5MY] and Trace Group Hold [T57].
- Monbat [5MB] on Tuesday reported a 10.3% y-o-y drop to BGN 17.1 mln in October sales revenue. At the same time, the company's sales through October increased by 46.4% y-o-y to BGN 152.3 mln and pre-tax profit surged by 82.5% y-o-y to BGN 26.2 mln. Monbat expects to raise 2008 unconsolidated pre-tax profit by more than 50% to BGN 30.6 mln as sales are seen reaching BGN 180.2 mln.
- Consolidated 9M revenues of Doverie United Holding AD [5DOV] advanced by 20% y-o-y to BGN 156.2 mln but earnings dropped by half to BGN 7.7 mln, the company said.
- Stara Planina Hold AD [5SR] reported 5.75% higher 9M consolidated revenues of BGN 71.69 mln. At the same time net profit dropped by 21% to BGN 5 mln. The company also said it plans to buy back up to 0.5% of its capital at a price between BGN 1.55 and BGN 2.1 per share. The repurchase of up to 105,000 shares started on Wednesday and will last through January 30.
- Net consolidated profit of Albena - Invest AD [5ALB] dropped by 85% y-o-y to BGN 1.7 mln in the nine months through September, the company's Q3 financial statements showed. Revenues went down by 20% to BGN 10.8 mln.
- Enemona's [E4A] nine-month consolidated net profit fell by 10.5% year-on-year to BGN 9.3 million levs, the company reported. Enemona's sales revenue rose by 39.6% to BGN 84.8 mln, while costs were up by 46.2% to BGN 77.65 mln.
- Sopharma AD [3JR] on Friday said its nine-month net profit fell by 37% year-on-year to BGN 16.9 mln as costs rose faster than sales. Sales revenue rose by 36.7% to BGN 345.04 mln, while costs were up by 47.2% to BGN 331.18 mln. The company expects no increase in this year's pre-tax profit despite the fact that it sees sales revenue growing by a yearly 5.0%-10% in 2008, it said in a statement.

## East European Markets

Index	Value	Weekly Chng	YTD Chng
<b>Bulgaria</b>			
<b>SOFIX</b>	<b>363.27</b>	<b>8.61%</b>	<b>-79.45%</b>
<b>Croatia</b>			
<b>CROBEX</b>	<b>1 607.29</b>	<b>-6.21%</b>	<b>-69.32%</b>
<b>Macedonia</b>			
<b>MBI-10</b>	<b>2 354.03</b>	<b>3.25%</b>	<b>-69.59%</b>
<b>Montenegro</b>			
<b>NEX20</b>	<b>8 378.80</b>	<b>-9.67%</b>	<b>-75.48%</b>
<b>Romania</b>			
<b>BET</b>	<b>2 980.39</b>	<b>3.19%</b>	<b>-69.67%</b>
<b>Russia</b>			
<b>MICEX</b>	<b>611.32</b>	<b>18.26%</b>	<b>-67.64%</b>
<b>Serbia</b>			
<b>BELEX15</b>	<b>550.70</b>	<b>-2.10%</b>	<b>-76.25%</b>
<b>Turkey</b>			
<b>ISE-100</b>	<b>25 714.98</b>	<b>17.12%</b>	<b>-53.70%</b>
<b>Ukraine</b>			
<b>PFTS</b>	<b>289.63</b>	<b>8.28%</b>	<b>-75.33%</b>
<b>Morgan Stanley</b>			
<b>MSCI EE (€)</b>	<b>264.61</b>	<b>17.41%</b>	<b>-63.53%</b>

## News of the Week

## Economy and

- Bulgaria will lose EUR 220 mln in EU funding under the bloc's pre-accession PHARE programme because of mismanagement, the European Commission said. "We recognise that steps have been taken regarding the management and control systems for PHARE. However, most of the measures are promise of future action and have not yet delivered concrete results," EU spokesperson Krisztina Nagy said. The government, on the other hand, said that the staff of the two agencies that used to handle the aid has made exceptional efforts over the last six months to correct the irregularities.
- Bulgaria's central bank (BNB) is cutting the minimum reserve requirement for commercial banks to 10% from 12% effective Monday, it said on Thursday. BNB also cut the minimum reserve requirement on funds attracted from abroad to 5.0% from 10%. The central bank said that its previous move to increase the minimum reserve requirement to 12% from 8.0% has achieved its goal to curb growth in lending. Credit growth in the country has slowed to 40% this year after a 64% jump in 2007.
- Bulgaria's government expects the country's GDP to grow by a real 4.7% in 2009 and by 5.2% in 2010 under an optimistic scenario for the expected impact of the global crisis, according to the government's three-year programme for convergence with other EU member states, media reported on Friday. In case the external environment deteriorates considerably, Bulgaria's economic growth may fall to 2.1% next year before accelerating to 3.6% in 2010. Under this scenario the government will target budget surplus of 1.6% of GDP in 2009 and 1.1% in 2010, compared to above 3% now.
- October producer prices dropped by 0.9% month-on-month and advanced by 8.9% on the year, data from the National Statistics Institute (NSI) showed on Friday. Prices in the manufacturing segment fell by a monthly 1.2% and prices in mining decreased by 2.2% month-on-month. Prices in the utilities sector, on the other hand, were up by 1.2%. Producer prices in September were down by 0.4% month-on-month and up by 11.3% year-on-year.

Company	Ticker	Sector	Market Cap (BGN '000)	Close (BGN)	Volume (Shares)	Turnover (BGN)	Daily Chng	YTD Chng	P/E	P/B
Advance Terrafund REIT	6A6	real estate	44 100	1.00	163572	165 177	▲ 4.27%	▼ -50.69%	neg.	0.6
Albena - Invest AD	5ALB	conglomerates	23 650	4.30	9461	42 013	▼ -12.81%	▼ -78.38%	2.3	0.2
Aroma AD	6AR	cosmetics	31 603	2.04	0.00	0	- 0.00%	▼ -70.65%	10.2	0.9
Balgarska roza-Sevtopolis AD	4BJ	pharmaceuticals	8 036	0.67	101448	65 257	▲ 11.00%	▼ -78.16%	9.3	0.4
Billboard AD	5BP	printing	42 000	2.80	14755.00	41 769	▲ 1.41%	▼ -34.58%	7.4	1.8
Bulgarian American Credit Bank	5BN	banking	151 497	12.00	122101	1 320 890	▼ -0.83%	▼ -85.03%	2.6	0.8
Bulgarian Holding Company AD	5BA	conglomerates	17 118	2.60	25.00	65	- 0.00%	▼ -59.39%	69.3	0.5
CB Central Cooperative Bank AD	4CF	banking	93 134	1.12	294334	297 521	▲ 33.33%	▼ -88.94%	7.9	0.4
CB Corporate Commercial Bank	6C9	banking	390 000	65.00	12994.00	849 525	▼ -1.07%	▼ -30.93%	11.1	1.9
Chimimport AD	6C4	conglomerates	318 000	2.12	245649	524 292	▲ 13.25%	▼ -86.24%	2.6	0.5
Doverie United Holding AD	5DOV	conglomerates	91 040	6.50	69806	501 391	▼ -11.80%	▼ -54.55%	7.0	0.6
Elana Agric. Land Opport. REIT	4EC	real estate	54 342	0.91	69610.00	64 061	▼ -4.01%	▼ -58.77%	1.2	0.4
Elhim Iskra AD	52E	machinery	23 218	1.85	9480	18 444	▲ 3.93%	▼ -72.59%	5.4	1.0
Enemona AD	E4A	energy	73 155	6.13	13427	79 697	▲ 19.03%	▼ -63.94%	5.6	0.9
Eurohold Bulgaria	4EH	conglomerates	118 871	1.90	77427	147 207	▲ 8.69%	▼ -71.95%	1.0	0.6
Favorit Hold AD	6A9	conglomerates	11 785	5.00	75	335	- 0.00%	▼ -66.89%	16.5	0.6
Fazerles AD	4F6	wood industry	21 141	41.05	338.00	13 654	▲ 2.62%	▼ -86.89%	3.9	1.0
First Investment Bank AD	5F4	banking	306 020	2.78	81107	221 247	▲ 9.10%	▼ -76.02%	5.9	0.8
Holding Roads AD	6H2	construction	105 205	3.43	88113	302 222	▲ 22.98%	▼ -83.98%	7.1	1.8
Industrial Capital Holding AD	4I8	conglomerates	19 907	2.56	2337.00	5 550	▲ 16.36%	▼ -74.58%	3.9	0.3
Industrial Holding Bulgaria AD	4ID	conglomerates	78 717	1.80	34435	61 783	▲ 5.82%	▼ -84.88%	3.5	0.2
Insurance Company Euro Ins AD	5IC	insurance	29 990	3.00	28868.00	77 906	▲ 7.15%	▼ -81.62%	neg.	1.6
Kaolin	6K1	minerals	79 225	3.17	27865	88 853	▼ -5.09%	▼ -81.33%	7.1	0.7
Lead & Zinc Complex	5OTZ	metallurgy	60 574	7.20	11452	84 348	▲ 6.67%	▼ -91.96%	neg.	1.1
Monbat AD	5MB	machinery	182 910	4.69	89716	387 673	▲ 18.23%	▼ -70.03%	7.2	1.8
Moststroy AD	5MY	construction	22 299	4.00	1648	6 844	▲ 0.03%	▼ -92.59%	2.9	1.8
Neochim AD	3NB	chemical	101 383	38.20	1654	59 923	▲ 26.49%	▼ -50.01%	1.8	0.8
Odessos Shiprepair Yard AD	5ODE	machinery	69 517	118.50	330	37 808	▲ 3.95%	▼ -60.82%	5.2	1.2
Oil & Gas Exploration & Production A	4O1	oil & gas	38 396	3.14	3357	10 558	▲ 0.16%	▼ -76.91%	5.5	0.7
Orgachim AD	5ORG	chemical	36 705	73.00	332	23 218	▲ 15.87%	▼ -89.10%	132.0	0.5
Petrol AD	5PET	oil trading	1 289 150	11.80	5390286	62 357 424	▲ 12.38%	▲ 120.15%	5.2	5.0
Polimeri AD	5IP	chemical	9 351	1.76	960.00	1 785	▼ -7.53%	▼ -84.60%	neg.	0.0
Sopharma AD	3JR	pharmaceuticals	289 212	2.19	387859	783 978	▲ 9.66%	▼ -75.41%	12.5	1.2
Sparky Eltos AD	SL9	machinery	41 503	2.48	12951	33 429	▼ -7.43%	▼ -84.88%	3.5	0.4
Stara planina hold AD	5SR	conglomerates	37 800	1.80	2983	5 436	▲ 10.77%	▼ -75.94%	4.9	0.7
Synergon Holding AD	6S7	conglomerates	40 389	2.20	109576	243 608	▼ -8.33%	▼ -84.35%	4.3	0.2
TK - Hold AD	T24	conglomerates	13 451	3.15	645	1 951	▲ 5.00%	▼ -56.37%	3.1	0.4
Toplivo AD	3TV	trading	34 669	6.40	9303	52 740	▲ 12.28%	▼ -76.99%	5.7	0.3
Trace Group Hold AD	T57	construction	91 300	41.50	2833	109 274	▲ 31.75%	▼ -85.16%	neg.	2.1
Zameni Hrani Bulgaria AD	T43	agriculture	128 090	0.75	378448	280 293	▲ 25.00%	▼ -83.33%	11.0	0.7

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)