

Stocks Climb After Earnings Reports

Bulgarian capital market broke its two-week losing streak and stocks ended mostly higher Friday, with the SOFIX index gaining 1.47% to 392.81. The rally followed a series of consolidated corporate earnings reports that showed hints of strength returning to the Bulgarian economy. The broader BG40 added 1.26% to 112.08. Total turnover was lifted to BGN 11.35 mln by OTC deals worth BGN 5.77 mln. In the regular trading, Chimimport [6C4] was the most liquid company with a turnover of BGN 1.03 mln. Sopharma also saw heavy trading as more than 138.5 thousand shares changed hands in a turnover of BGN 547.24 th.

Share price of Kaolin [6K1] surged 7.29% on promising financial figures for the second quarter. Revenues of the mineral extracting company surged by 31.4% y-o-y to BGN 41.010 mln in April – June, accelerating from a growth rate of 18.8% in the first three months of the year. Six-month sales totaled BGN 69.649 mln, up by 25.9% y-o-y. The improvement was driven largely by significantly higher sales of products for the ceramics industry, where exports increased substantially. The net profit rose by 7.6% y-o-y to BGN 4.309 mln but profitability narrowed to 6.20% from 7.20% a year earlier as operating expenses increased at a faster pace than revenues.

Last week Kaolin announced the end of its conversion procedure, in which its shareholders were able to swap one share in Kaolin into 26 shares of Solarpro Holding [0S8], in which Kaolin held a stake of 85.54% through its fully-owned subsidiary Solar Ventures. A total of 1,330,002 shares of Kaolin (5.32% of the registered equity and 85.12% of the total amount of shares available for conversion) have been converted into 34,580,052 shares of Solarpro Holding (73.95% of the registered equity). After the conversion, Solar Ventures owns a stake of 11.59% in Solarpro Holding.

Meanwhile, Solarpro Holding reported revenues of BGN 1.049 mln for the first six months of the year. Total operating expenses and depreciation came at BGN 1.648 mln. Income from financial operations amounted to BGN 573,000. Earnings before taxes were negative at BGN 26,000 but net profit after minority interest was BGN 73,000. Comparative figures are not relevant as the company was actually established in December 2009.

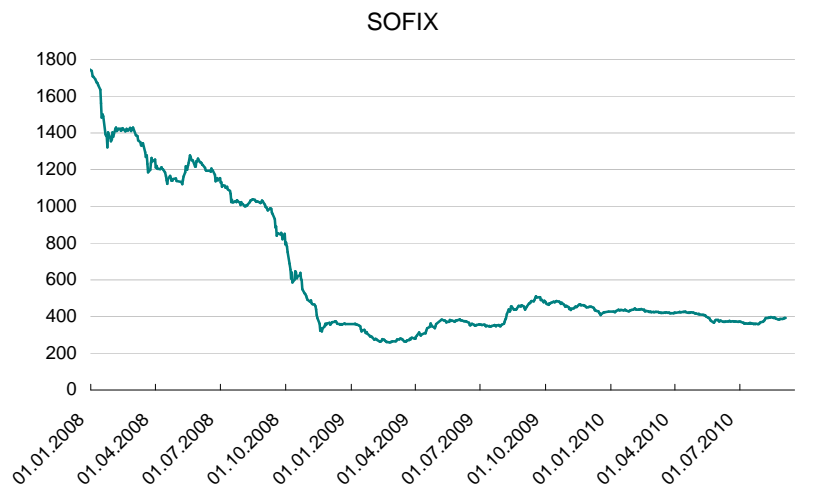
ERG Capital 1 [6EA] and ERG Capital 2 [6ER], two of the real estate investment trusts (REITs) of Bulgarian American Credit Bank [5BN] (BACB), were in focus last week as they struck a preliminary deal to sell their entire property portfolios, comprising four commercial buildings in Sofia and Varna, for a combined amount of EUR 27 mln. After the announcement, share price of ERG Capital 2 [6ER] soared 58.5% y-o-y to BGN 4.20, and ERG Capital 1 [6EA] jumped 36.9% to BGN 3.56 in slim volumes. BACB itself added 2.95% to BGN 11.20 per share last week. Later during the week it was announced that the buyer is Bluehouse Capital, a Greek private equity real estate investment company with a focus in South East Europe. In 2009, Bluehouse Capital paid EUR 27.3 mln for Auto Union Centre, which it acquired from Eurohold Bulgaria [4EH]. Bluehouse Capital also owns the Greenville hotel in Sofia and Boyana Park residential project.

See last page for a disclaimer.

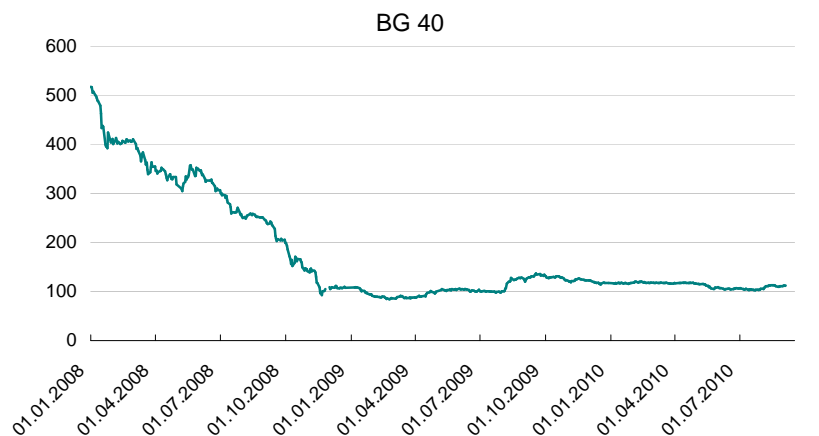
	Value	Weekly Chng	YTD Chng
SOFIX	392.81	1.47%	-8.07%
BG 40	112.08	1.26%	-4.34%
BG REIT	41.16	0.41%	-14.27%
BGTR 30	295.26	1.17%	-11.82%

Shares Turnover (BGN th)	4 990.75
Bonds Turnover (BGN th)	586.30
OTC Market Turnover (BGN th)	5 772.80
Total Turnover (BGN th)	11 349.85
Market Capitalisation (BGN mln)	10 666.42
Market Capitalisation/GDP	16%

Trends



P/E, ttm	Value	Weekly Chng	YTD Chng	Turnover(BGN th)
	392.81	1.47%	-8.07%	1 983



Value	Weekly Chng	YTD Chng	Turnover(BGN th)
112.08	1.26%	-4.34%	2 271

KAROLL

1 Zlatovrah Str., Sofia, Bulgaria
tel.(fax): +359 2 4008 300

www.karoll.net

research@karoll.net

Main Economic Indicators

	2005	2006	2007	2008	2009	2010
GDP, in bln EUR	21.88	25.24	28.9	34.1	33.9	15.5
GDP, real growth (%)	6.2	6.3	6.2	6.0	-5.0	-3.6
Inflation, y-o-y (%)	6.5	6.5	12.5	7.8	0.6	2.4
Unemployment (%)	10.7	9.1	6.9	6.27	9.13	9.23
Fiscal Balance, %GDP	3.1	3.5	3.5	3.0	-0.7	-2.0
Gross Public Debt, %GDP	31.3	24.6	19.8	16.1	14.8	14.2
Gross External debt, %GDP	70.9	81.7	99.8	107.4	111.1	105.7
Current Account, %GDP	-12.4	-17.8	-21.8	-25.3	-8.6	-1.8
FDI, %C/A Gap	116.5	132.4	116.8	71.4	97.7	24.2
Prime interest rate (%)	2.04	2.69	3.93	5.12	0.55	0.17

* For 2010 latest available official data is used. Data for gross domestic product is for H1. Gross external debt is for April; fiscal balance, gross public debt - as of the end of February; gross public debt - May; current account and FDI - cumulative data for January - June; inflation, unemployment - July; prime interest - August, 2010.

News of the Week

- Bulgaria's blue-chip industrial and financial conglomerate Chimimport [6C4] reported an 8.4% drop in H1 consolidated revenues to BGN 279.655 mln. Meanwhile, net income from financial operations fell by 6.2% y-o-y to BGN 103.504 mln. The top line was pushed down mostly by a slump in revenues of non-financial units of the group, with revenues from the transportation business slipping by 14% on the year. On the positive side, interest income and insurance premium earned increased, largely on the back of insurance company Armeec and Central Cooperative Bank [4CF]. Despite the drop in the top line, Chimimport's earnings climbed by 3% y-o-y to BGN 69.625 mln, as operating expenses decreased at a faster pace than revenues.
- Consolidated half-year revenues of Trace Group Hold [T57] more than doubled to BGN 93.419 mln. Meanwhile, operating revenues increased by a smaller pace of 88.5% y-o-y, thus operating profitability improved, with an EBITDA margin of 7.2% (on EBITDA of BGN 6.734 mln), vs. a margin of 3.4% (EBITDA of BGN 1.583 mln) a year earlier. The group's recent contracts include the construction of the Trakiya motorway section between Stara Zagora and Nova Zagora and plenty of road repair projects.
- Revenues of Sopharma [3JR] rose by 14% y-o-y in August after falling by 23% on the year in July, the drug maker said. Exports, which accounted for 74% of the total revenues in August, soared by 20% y-o-y, while sales to the domestic market remained unchanged. Cumulative 8-month revenue of the pharmaceutical company advanced by 17% y-o-y, as exports jumped by 27% y-o-y and domestic sales remained flat.
- Six-month consolidated revenues of Eurohold Bulgaria [4EH] climbed by 13% y-o-y to BGN 193.483 mln, while operating expenses increased at a smaller pace of 10.2% on the year to BGN 198.481 mln. Meanwhile, the conglomerate reported negative income from financial operations at the amount of BGN -524,000 (vs. a positive number of BGN 2.9 mln in the respective period of 2009) as interest income, income from dividends and dealing with securities, and FOREX gains decreased substantially. As a result, Eurohold Bulgaria posted a net loss of BGN 4.697 mln for January - June 2010, vs. a loss of BGN 4.023 mln a year earlier.

Corporate Sector

East European Markets

Index	Value	Weekly Chng	YTD Chng
Bulgaria			
SOFIX	392.81	1.47%	-8.07%
Croatia			
CROBEX	1.889.71	#VALUE!	#VALUE!
Macedonia			
MBI-10	2 301.17	-1.98%	-16.38%
Montenegro			
NEX20	13 820.52	0.17%	-5.32%
Romania			
BET	5 095.86	-1.91%	8.64%
Russia			
MICEX	1 410.16	3.20%	2.93%
Serbia			
BELEX15	629.31	0.53%	-5.19%
Turkey			
ISE-100	60 998.84	2.79%	15.47%
Ukraine			
PFTS	806.98	0.04%	40.86%
Morgan Stanley			
MSCI EE (€)	438.24	2.61%	8.64%

KAROLL

1 Zlatovrah Str., Sofia, Bulgaria
tel.(fax): +359 2 4008 300

www.karoll.net research@karoll.net

News of the Week

- Bulgaria's consolidated budget deficit climbed to BGN 1.231 bn in the seven months through July from BGN 386.4 mln a year earlier, the Finance Ministry said. Revenues dwindled to BGN 13.514 bn from BGN 14.751 bn a year earlier, while expenses went up to BGN 14.332 bn from BGN 13.902 bn in the respective period of 2009. Bulgaria closed 2009 with a budget gap equivalent to 0.8% of GDP, vs. a budget surplus equivalent to 3.0% of GDP in 2008. The government targets a budget gap equivalent to 4.8% of the projected GDP on cash basis for 2010.
- Earnings of Bulgarian banks dropped by 26.6% y-o-y to BGN 401.757 mln in January - July 2010, mainly due to 35% higher write down costs of BGN 678.580 mln, data from the Bulgarian National Bank showed. In July alone, write downs rose by 19.9% m-o-m to BGN 113 mln. Net interest income experienced a modest increase of 1.7% on the year to BGN 1.668 bn through July as lending remained sluggish. Net income from fees and commissions rose by the same pace to BGN 429.982 mln. Total assets of the banking system stood at BGN 71.0 bn at the end of July, up from BGN 69.4 bn a year earlier. Bank's total loan portfolio reached BGN 57.0 bn at the end of July, up from BGN 56.7 bn a year earlier. Deposits from clients amounted to BGN 60.5 bn, up from BGN 59.6 bn at the end of July 2009. Combined equity of Bulgarian banks rose by 5.3% y-o-y to BGN 9.60 bn.
- Foreign direct investments (FDI) in non-financial enterprises skyrocketed 288% y-o-y to EUR 521 mln in the second quarter of the year, data of the National Statistics Institute (NSI) indicated. FDI in non-financial enterprises totaled EUR 1.03 bn in January - June 2010, while for the entire year of 2009 they amounted to EUR 679 mln. Meanwhile, data from the central bank showed that total FDI amounted to EUR 358.5 mln through June, which implies that foreign investors had withdrawn investments in financial enterprises.
- Bulgarians made 16.9% fewer trips in Bulgaria in April - June, but increased their visits abroad by 40% y-o-y to some 165,000 in the second quarter, data by the NSI showed. Total tourism trips, both to domestic and foreign destinations, decreased by 11.1% on the year.

Economy and Politics

BG40 Stocks

September 3, 2010

Company	Ticker	Sector	Market Cap (BGN '000)	Close (BGN)	Volume (Shares)	Turnover (BGN)	Weekly Chng	YTD Chng	P/E ttm	P/B mrq
Albena - Invest AD	5ALB	conglomerates	33 556	6.10	60	364	▲ 1.68%	▲ 0.02%	35.1	0.4
Alcomet	6AM	industrials	57 449	3.20	2 168	6 940	- 0.00%	▲ 12.28%	9.7	0.7
Balgarska roza-Sevtopolis AD	4BJ	pharmaceuticals	17 496	1.45	2 850	4 138	▼ -0.34%	▲ 3.57%	10.0	0.9
Billboard AD	5BP	printing	10 410	0.69	55 742	36 233	▼ -5.58%	▼ -40.17%	neg.	0.3
Bulgarian American Credit Bank	5BN	banking	141 397	11.20	198	2 177	▲ 2.95%	▼ -34.46%	86.2	0.7
Bulgarian Real Estate Fund REIT	5BU	REIT	19 949	0.33	31 112	10 158	▲ 3.45%	▼ -10.81%	neg.	0.3
Bulgartabac Holding	57B	tobacco	147 344	20.00	6 220	106 222	▲ 5.89%	▲ 11.89%	7.6	0.5
CB Central Cooperative Bank AD	4CF	banking	99 786	1.20	59 099	72 012	- 0.00%	▼ -7.62%	4.3	0.4
CB Corporate Commercial Bank	6C9	banking	383 934	63.99	56	3 436	▲ 8.46%	▲ 11.29%	5.5	1.4
Chimimport AD	6C4	conglomerates	369 000	2.46	435 350	1 063 692	▲ 1.86%	▼ -8.92%	2.8	0.4
CTI Saedinenie	5T3	conglomerates	3 912	0.16	3 870	626	▲ 9.40%	▼ -1.21%	0.3	0.0
Doverie United Holding AD	5DOV	conglomerates	36 444	2.60	285	743	▼ -1.81%	▼ -29.68%	neg.	0.3
Elana Agric. Land Opport. REIT	4EC	real estate	34 038	0.57	9 800	5 671	▼ -1.72%	▼ -32.94%	neg.	0.5
Elhim Iskra AD	52E	machinery	26 992	2.15	2 437	5 064	▲ 1.18%	▲ 10.60%	6.9	1.0
Enemona AD	E4A	energy	84 573	7.09	2 655	18 265	▲ 3.07%	▼ -22.13%	7.2	0.8
Eurohold Bulgaria	4EH	conglomerates	54 998	0.88	25 042	21 577	▼ -0.90%	▼ -37.98%	88.9	0.3
FairPlay Properties REIT	6F3	REIT	19 539	0.35	5 592	1 790	▼ -2.78%	▼ -28.57%	56.5	0.3
Favorit Hold AD	6A9	conglomerates	7 542	3.20	0	0	- 0.00%	▲ 0.03%	neg.	0.8
Fazerles	4F6	wood industry	18 180	35.30	42	1 473	▲ 0.14%	▼ -3.02%	neg.	0.8
First Investment Bank	5F4	banking	216 370	1.97	5 444	10 521	▲ 2.23%	▼ -13.73%	7.9	0.5
Holding Roads AD	6H2	construction	44 812	1.46	27 746	40 275	▼ -0.61%	▼ -35.64%	47.1	1.8
Industrial Holding Bulgaria AD	4ID	conglomerates	59 508	1.36	3 351	4 515	▼ -0.73%	▼ -22.29%	neg.	0.3
Insurance Company Euro Ins AD	5IC	insurance	13 500	1.35	19 546	26 388	▼ -1.46%	▼ -9.27%	neg.	1.0
Kaolin	6K1	minerals	110 000	4.40	935	4 049	▲ 7.29%	▼ -23.48%	21.3	1.0
Lead & Zinc Complex	5OTZ	metallurgy	97 595	11.60	1 172	13 352	▲ 0.87%	▼ -20.00%	20.4	1.8
M+S Hydraulic AD-Kazanlak	5MH	machinery	61 186	4.70	1 465	7 007	▼ -2.08%	▼ -12.30%	1620.7	1.6
Monbat AD	5MB	machinery	253 500	6.50	9 038	58 901	▼ -0.61%	- 0.00%	15.0	2.0
Moststroy	5MY	construction	9 923	1.78	1 598	2 775	▲ 4.03%	▼ -51.23%	neg.	2.9
Neochim AD	3NB	chemical	61 050	23.00	43	979	▼ -1.29%	▼ -8.04%	neg.	0.6
Odessos Shiprepair Yard AD	5ODE	machinery	49 894	85.05	99	8 433	▼ -3.35%	▼ -26.69%	neg.	0.9
Orgachim AD	5ORG	chemical	43 192	85.90	6	515	▲ 0.94%	▲ 0.06%	34.1	0.8
Petrol AD	5PET	oil trading	305 243	2.79	4 731	12 423	▲ 4.64%	▼ -60.03%	neg.	22.4
Polimeri AD	51P	chemical	4 371	0.82	10	8	▼ -14.57%	▼ -54.39%	neg.	0.0
Sopharma AD	3JR	pharmaceuticals	520 080	3.94	138 530	547 236	▼ -0.25%	▼ -0.51%	12.5	1.8
Sparky Eltos AD	SL9	machinery	24 266	1.45	679	1 004	▼ -2.09%	▼ -34.12%	neg.	0.3
Stara planina hold AD	5SR	conglomerates	49 560	2.36	18 055	42 097	▲ 3.51%	▲ 12.97%	15.3	1.0
Synergion Holding AD	6S7	conglomerates	26 620	1.45	5 001	7 201	▲ 3.35%	▼ -34.92%	16.3	0.1
Toplivo AD	3TV	trading	17 876	3.30	0	0	- 0.00%	▼ -30.95%	135.2	0.1
Trace group Hold AD	T57	construction	110 000	50.00	889	45 206	- 0.00%	▼ -20.97%	7.6	1.8
Zarneni Hrani Bulgaria AD	T43	agriculture	101 617	0.60	23 567	14 065	▲ 2.59%	▼ -7.32%	13.4	0.5

* Percent changes are based on closing prices

Top Gainers			Top Losers		
Company	Ticker	Chng	Company	Ticker	Chng
Bulgartabac Holding	57B	+ 5.89%	Billboard AD	5BP	-5.58%
Chimimport AD	6C4	+ 1.86%	Insurance Company Euro Ins AD	5IC	-1.46%
CB Central Cooperative Bank AD	4CF	+ 0.00%	Eurohold Bulgaria	4EH	-0.90%

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

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KAROLL
1 Zlatovrah Str., Sofia, Bulgaria
tel.(fax): +359 2 4008 300
www.karoll.net research@karoll.net