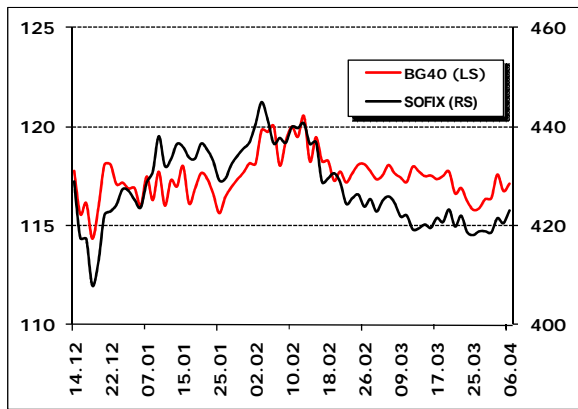


## A pause before the spring

The trading activity in March proved to be equally boring and sluggish. Volumes hit new record lows like the months of significant lows of last year. And this is the reason to start looking for the signs of mid-term bottom in resemblance of February and July 2009. The similarities are many, although we don't expect that the next leg-up will mimic the last two periods of strong and fast increases of the market. If it happens, anyway.



The main index SOFIX had difficulties to move in any direction from the gravitational force of 420 points. Although some of the components of SOFIX showed good volatility, the large capitalization stocks were hardly changed. The backbone of the market - Sopharma (3JR BU), Monbat (5MB BU), Chimport (6C4 BU) and Corporate Commercial Bank (6C9 BU) traded in very tight ranges. Volumes were thin and only occasional block deals changed the picture. The last week of March was a period of additional weakness in the trading activity as it preceded Easter.

## Macro news turned to gloom

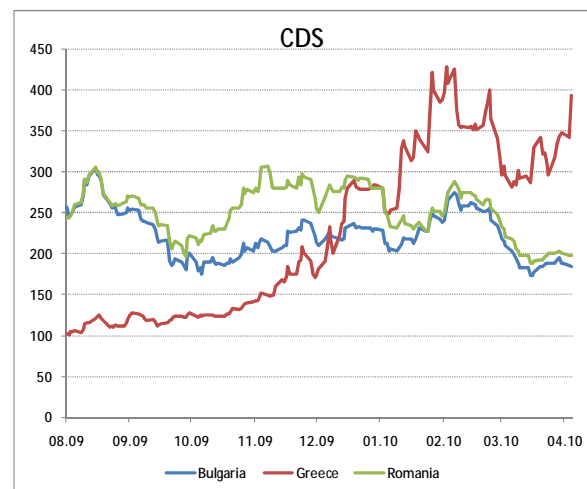
The implication of the macro news to the market is mainly through the stagnating capital inflows from individuals and companies. Most Bulgarian blue chips are not showing additional deceleration of their business as export revived during the second half of 2009. This trend will likely continue during the first quarter of 2010 and will likely have

slight positive effect on the financial results. However, news flow is turning more negative. The budget deficit enlarged significantly to 2.3% during the first two months of the year and will likely continue to increase.

The already approved anti-crisis government program could do little to improve the budget deficit and the worsening fiscal situation. Some of the measures are aiming to add to the government revenues but mainly through privatization and other non-taxable ways. Moreover, the declining fiscal reserve will force again the delay of payments to companies and eventually the government will be forced to increase social insurances and VAT. The market reaction of the measures was very subdued. During the process of negotiations we did not witness any increase of the volatility or the volumes traded that can be attributed to the political risks. We expect that this will continue in April but could become the focus of the market once budget problems rise again and the talks of the higher taxes emerge again.

## Greece is no longer a factor for Bulgaria

The part of the sell-off in November and December could be attributed to the rising tensions in Greece and the exit of Greek investors from the Bulgarian market. Moreover, the steepness of the decline to the recent low in December was more consistent to the fire exit that the usual close of positions from local investors.



Credit Default Swaps of Bulgaria and Romania diverged from the renewed increase of Greek indicator. Both markets are not affected by the negative reaction toward the government debt of Greece and is likely to remain aside of the storm. However, the big difference is that Bulgarian stocks are trading near the lows.

### Earning season approaches

The corporate reports for the first quarter of 2010 will be announced in late-April. We don't expect significant surprises. Large exporters are performing better due to the increase of commodity prices and the improvement of external demand. Industrial production recovered from the very low base of the first quarter of 2009. Investors could be disappointed by the slow growth of Bulgarian industrial companies. However, we want to emphasize on the performance of the largest companies like Sopharma, Monbat and Enemona. Their results are improving for more than one quarter and will likely to post another period of growth.

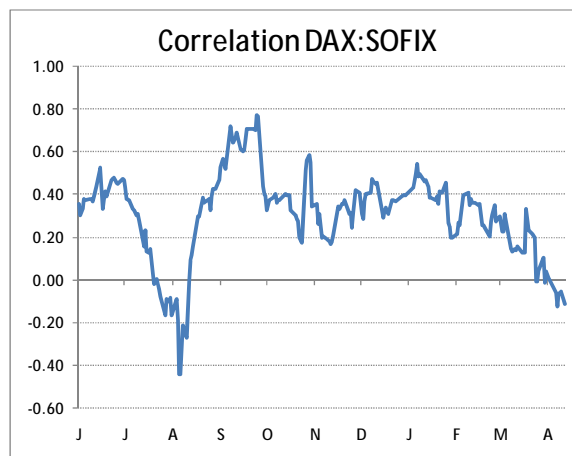
Forward ratios	P/E	P/S	P/B
6AB	11.14	1.79	-
5BN	12.23	-	0.87
E4A	5.88	0.51	-
4ID	-31.42	0.77	-
6K1	16.77	0.99	-
6C9	5.95	-	1.10
5MH	53.57	1.46	-
5MB	9.42	1.61	-
3NB	-4.85	0.61	-
5ORG	37.05	0.40	-
5OTZ	30.68	0.81	-
5F4	12.82	-	0.61
3JR	12.61	0.98	-
SL9	-4.95	1.49	-
6C4	3.21	-	0.36
4CF	5.39	-	0.41

\*Estimations: ELANA Trading

Our estimations for the yearly financial results are leading to mild improvement of multiples. However, we can still find undervalued stocks that will post good returns for

2010 despite our forecasts for zero growth in Bulgaria. The problem is that multiples will improve gradually during the course of the year that will not support investors' interest.

### The correlation to European markets



We will focus again on the one-month correlation of SOFIX and DAX. It fell to the same levels that had been witnessed before the last increase of stock prices. Additional similarity was the growth of international markets during this time, although this time they are rising before the earning seasons. If this is about to repeat, we should see some increased activity in the coming two weeks.

### Stocks in focus

#### Lead and Zink Complex



Lead and Zinc Complex (50TZ BU) forecasted 19.4% sales growth for 2010 y-o-y, mainly due to the rising prices of the metals.

The company's improved profitability could result to positive performance this year. In physical volumes, the Management expects slight decrease because of the ecological restrictions. As of the end of 2009, the company utilizes 30% lower capacity. Lead and Zinc Complex is implementing an investment to the total amount of EUR 120 million, which have to increase the production capacity and to solve the ecological problems. However, the crisis resulted to significant hurdles of the financing. The Management also forecasts that the company will produce 21 000 tones lead and 21 500 tones zinc this year as compared to the level of 21 480 tones lead and 24 070 tones zinc in 2009. 91.4% of the production last year was for export.

## Monbat



Monbat (5MB BU) is the other public Bulgarian company, directly affected by the lead's price. The company forecasts 32% sales growth for 2010 y-o-y and net profit of BGN 24 million. The prognosis are based on average lead price in 2010 of EUR 1 370 per ton. The exploitation of the recycling factories will increased the use of recycled lead, which will reflect in higher profit margin and competitive power.

We are positive toward the stock price of Monbat due to several reasons. The first and most important is that the company's fundamentals are supporting future increase of the price. Moreover, it is also breaking on the upside after two months of consolidation in tight range. The buy-back procedures last year decreased substantially the trading activity of the stock and we expect that lower

traded volumes would boost the performance of the stock in case of market rally.

## Orgachim



The largest Bulgarian producer of paints exploded on the upside in March after the news of the tender offer. Stocks of Orgachim (5ORG BU) briefly surpassed BGN 90 as the market expected higher prices than the average for the last several months. The regulatory body rejected the tender offer, as its price of BGN 85 had not been increased. Speculators that bought the stock with the expectations for repeat of the tender offer of Albena (6AB BU) last year, pushed the price lower. However, the pressure quickly faded out and we expect another test of the BGN 90 level.

Comparing the stock to the sector in Europe is resulting to higher price than the current by P/S and P/B ratios. Institutional investors could push the price higher to limit the minimum price for future tender offer as the majority owner announced its intention to delist the company from the stock exchange.

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<b>Outperform</b>	More than 5% higher as compared to SOFIX and BG40 performance
<b>Market Perform</b>	Market performance, +/-5% as compared to SOFIX and BG40
<b>Underperform</b>	More than 5% lower as compared to SOFIX and BG40 performance

**Frequency of Recommendations:** No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

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