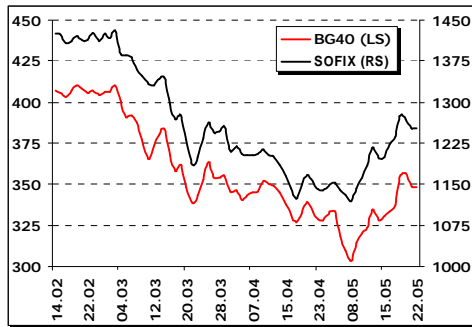




MARKET REACTION TO EARNINGS




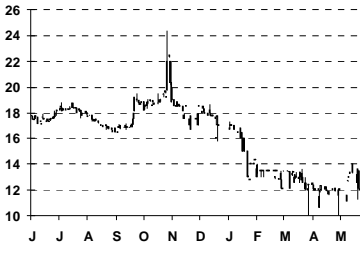
The first quarter financial reports opened a new page for the Bulgarian market history – corporate profits weakened despite the last year solid trend. The stock market expected another strong quarter but two thirds of industrial companies showed lower profits despite their growing revenues. Although investors were a bit disappointed, the absence of massive sell off is a sign that the market is aware of the possible weakness in profits. We don't see yet the negative effects from the credit crunch or the slowdown in European economy. Those factors could weight on the third or fourth quarters as real estate market and the financial system are sound. Most of the negative impact is due to the harsh weather conditions compared to the mild winter of 2007. The last year's tax decrease also stimula-


ted the companies to show better profits in 2007 for the expense of previous year. However, the main factor behind the disappointments was the inflation. Production costs increased substantially, including fuels and labor costs. We expect gradual transferring of the price pressure to end-user prices through the course of the year but profit margins could remain under pressure following the higher fuel costs and possible decrease of demand. Moreover, the competitive advantage of lower labor cost is diminishing factor for Bulgarian companies comparing to regional markets. We see improvement in profitability and revenues for companies that invest in modernization.


Company	Indicator	Value	Graph
Albena /ALB/*			
<p>The non-consolidated report showed the same picture as usual – weak first quarter and non-consolidated net losses of BGN 7 m. The seasonal pattern is strong and the winter months are usually the period for reconstruction and renovation of the sea-side hotels. Albena is better prepared for the touristic season comparing to other Bulgarian resorts and during the last year managed to increase profits and revenues. We expect better 2Q report as the 2007 data were influenced a bit by changes in the accounting method. The consolidated P/E is 18 and the company is trading at P/B of 1.26.</p>	Price	90.03	
	Sales Growth	neg.	
	P/E	18.49	
	P/B	1.43	
	P/S	3.75	
	EV/EBITDA	11.92	
	EV/Sales	5.11	
	* non-consolidated		


Company	Indicator	Value	Graph
Alcomet /ALUM/			
<p>Prices of alumina recovered during February and March but the shipments of Alcomet decreased to 11.4 thousand tones. Sales were 15.85% lower whereas profit shrank 61%. The export which accounts 82% of sales fell 13% whereas the domestic market decreased by 40%. Inventories jumped 36% and are financed by higher bank loans. EBITDA is falling faster than sales and P/EBITDA increased to 15.71. Depreciation and interest costs pushed down additionally the profit before tax. The company's investment program for 2008 will finish the reconstruction and modernization.</p>	Price	9.04	
	Sales Growth	neg.	
	P/E*	75.95	
	P/B	2.44	
	P/S	0.64	
	EV/EBITDA	15.66	
	EV/Sales	1.04	
	*not including taxes		

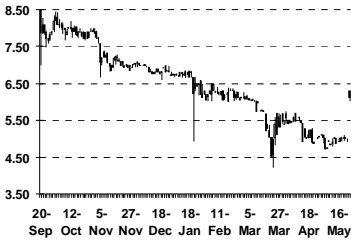
Company	Indicator	Value	Graph
Bulgarian American Credit Bank /BACB/			
<p>Bulgarian American Credit Bank (BACB) has the best profitability ratios among Bulgarian public listed banks. The quarterly net profit improved by 29% y-o-y, mainly due to the raising credit portfolio. The net credit portfolio increased by 50.2% as compared to the same period last year to BGN 317.3 m. The trailing P/E is below the average for the banking sector and is likely to remain the lowest as the market capitalization of BACB is higher than its assets. The additional provisions for the first quarter are BGN 1 m and the provisions are 114.4% above the non-performing loans.</p>	Price	64.49	
	Asset Growth	41.5%	
	Profit Growth	29.3%	
	P/E	14.42	
	P/B	4.78	
	RoA	7.89%	
	RoE	33.1%	


Company	Indicator	Value	Graph
Biovet /BIOV/			
<p>Revenues and costs increased by 20% each, which prevented any improvement of the profit. However, changes in the revenue structure showed that the increase of sales of production is offsetting the lower revenues of the other groups. The non-consolidated profit is insignificantly higher and the net profit margin remains meager. EBITDA is also slightly higher and EV/EBITDA is below 14. Trading with shares is showing even lower activity this year.</p>	Price	13.45	
	Sales Growth	20.1%	
	P/E	1900	
	P/B	1.57	
	P/S	0.84	
	EV/EBITDA	13.76	
	EV/Sales	1.21	
*non-consolidated			


Company	Indicator	Value	Graph
Blagoevgrad-BT /BLABT/			
<p>The tobacco company announced quarterly net loss and lower revenues y-o-y. The main reason is the increased excise duties from the beginning of the year and the building of stockpiles from retailers in end-2007. The weak US dollar also contributed to the lower revenues. BLABT realized BGN 2m net losses from foreign exchange rates. The forecasted investments for 2008 are BGN 12.7m. Shares are trading at cheap valuation but the low liquidity, the rising excise duties next two and the future privatization are the main factors for the discount.</p>	Price	84.85	
	Sales Growth	Neg.	
	P/E	9.35	
	P/B	1.14	
	P/S	1.13	
	EV/EBITDA	4.50	
	EV/Sales	0.81	


Company	Indicator	Value	Graph
Bulgarian River Shipping /BRP/			
<p>Total revenues were almost unchanged but the rising fuel costs pushed down the net profit significantly. Payments are also rising as qualified personnel are hard to find. The seasonal effects are also decreasing revenues and profits during the first quarter but the main concern remains the elevated multiples despite the 60% correction so far.</p>	Price	5.32	
	Sales Growth	1.7%	
	P/E	43.73	
	P/B	3.99	
	P/S	3.38	
	EV/EBITDA	21.61	
	EV/Sales	3.48	
*non-consolidated			


Company	Indicator	Value	Graph
Central Cooperative Bank /CCB/			
<p>The bank slightly improved its quarterly net profit y-o-y, mainly due to the weak results from operations with financial instruments. Assets increased by almost 25% y-o-y to BGN 1.6 billion as the credit portfolio grew. CCB has the higher P/E ratio among public listed banks despite the 60% correction. The revaluation of financial assets mainly credits and receivables contributed by BGN 8 million for the net profit. The loan to assets ratio is 0.70.</p>	Price	5.47	
	Asset Growth	24.5%	
	Profit Growth	7.8%	
	P/E	21.86	
	P/B	1.49	
	RoA	1.46%	
	RoE	14.2%	


Company	Indicator	Value	Graph
Devin /DEVIN/			
<p>The consolidated report showed net losses of BGN 720 000 for the 1Q, which is seasonally weaker period. Sales improved by 18.44% y-o-y. DEVIN finalized its investment program during this quarter and will lead in exploitation new equipment, which will allow double producing capacity and lower costs. Higher fuel costs are weighting on the profitability as the company is situated at distant location than its main competitors. Trailing P/E is extremely high, whereas P/S of 1.5 is around the market average.</p>	Price	4.90	
	Sales Growth	18.44%	
	P/E	147	
	P/B	3.00	
	P/S	1.51	
	EV/EBITDA	15.83	
	EV/Sales	1.80	


Company	Indicator	Value	Graph
Elhim /ELHIM/			
<p>The battery producer improved substantially its financial results on yearly basis. Net profit for the 1Q was BGN 1.025 m as compared to BGN 172 000 for the same period last year. Sales also increased but in lower pace. Starter batteries set up almost 50% of the total revenues. Investments costs since the beginning of the year amounted BGN 880 000, mainly for new equipment, which will improve the productivity of the company. The main risk remained the international price of lead, as the lead and the lead alloys are basic materials for production. However, the rising lead price supported the increase of sales.</p>	Price	5.37	
	Sales Growth	56.3%	
	P/E	19.31	
	P/B	3.30	
	P/S	1.74	
	EV/EBITDA	13.15	
	EV/Sales	1.78	


Company	Indicator	Value	Graph
Sparky Eltos /ELTOS/			
<p>1Q net profit of Sparky Eltos (ELTOS) solidly improved to BGN 2.5 m as compared to BGN 96 000 for the 1Q 2007. Sales increased by 57.5%. ELTOS's cash at the end of the period is BGN 3 m. Eltos had negative cash flow from operations as delivery payments jumped solidly to BGN 9.7 m. Trailing P/E improved but remained above the market's average. Eltos is expecting 23% sales growth for 2008 and 0.91 EPS.</p>	Price	12.90	
	Sales Growth	57.5%	
	P/E	23.21	
	P/B	2.26	
	P/S	2.99	
	EV/EBITDA	12.35	
	EV/Sales	3.04	

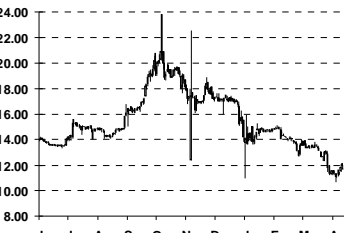
Company	Indicator	Value	Graph
Euro Ins /EURINS/			
<p>Euro Ins posted 25% growth of both gross premium income and net profit, thus exceeding the market average for premium income. However, the premium income net of reinsurance increased by 15% but the contribution of reinsurers resulted to lower claims paid. The 40% growth of insurers' profits for the first 9 months of the 2007 was mainly due to the revaluation of securities, whereas the contribution of financial instruments for the profit of Euro Ins is BGN 3 million for 2007. Acquisition costs increased 70% last year, whereas other technical expenses were cut by half. The administrative expenses were 13% higher.</p>	Price	8.97	
	Premium Growth	94.5%	
	P/E	19.10	
	P/B	4.28	
	P/Premium	1.21	

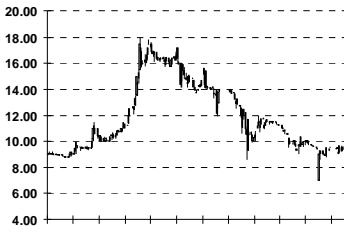
Company	Indicator	Value	Graph
First Investment Bank /FIB/			
<p>First Investment Bank (FIB) quarterly net profit improved by 49% y-o-y to BGN 15 m, mainly due to the rising credit portfolio and non-interest income. The total assets of the bank kept the growth rate of 33% y-o-y and reached BGN 4 billion. The financial report showed slight decreasing of assets as compared to 4Q 2007 as the bank paid its bond issue. FIB was under selling pressure during the market's weakness and remained below the IPO's price. Rumors of liquidity problems resulted to increased withdrawals of deposits in April and May.</p>	Price	7.27	
	Asset Growth	32.9%	
	Profit Growth	49%	
	P/E	14.53	
	P/B	2.35	
	RoA	1.54%	
	RoE	17.58%	


Company	Indicator	Value	Graph
Fazerles /FZLES/			
<p>The quarter was good for FZLES, despite the expectations for weaker financial results this year. The management is seriously concerned to the economic slowdown in EU and particularly in Bulgaria this year. It announced weak expectations that sent price lower and were easily exceeded by the 1Q results. The net profit improved due to the investment in energy efficiency technology and the high capacity utilization – close to 105% capacity during the quarter. Visible result had the replacement of the oil as a fuel for heat and energy generation with wooden scrap. FZLES had almost BGN 8 m cash, which will use mainly for the construction of new facility to treat wastewaters to total amount of BGN 5 m /the entire investment program for 2008 is BGN 9 m/.</p>	Price	180.20	
	Sales Growth	3.3%	
	P/E	15.73	
	P/B	4.79	
	P/S	2.90	
	EV/EBITDA	11.32	
	EV/Sales	2.66	


Company	Indicator	Value	Graph
<u>Oil & Gas /GAZ/*</u>			
<p>The revenues increased but the pumped out crude oil and natural gas fell as compared to a year ago. The decline of physical volumes is stronger for the natural gas – 11.5%, whereas the crude oil production fell 8.8%. The increase of other revenues, which include mainly sale of tangible assets, supported also the growth of total sales. The consolidated report will show higher revenues but the lack of disclosed information for the proven reserves is limiting the valuation only to multiples.</p>	Price	7.50	
	Sales Growth	15.8%	
	P/E	14.51	
	P/B	1.88	
	P/S	3.21	
	EV/EBITDA	10.83	
	EV/Sales	3.13	
*non-consolidated			


Company	Indicator	Value	Graph
<u>Hydraulic Elements & Systems /HES/</u>			
<p>The global slowdown is pressuring the production of construction equipment and machines. The sector is the main consumer of hydraulic cylinders and HES is reporting lower demand in short-term perspective. Risks include a price increase of metals and lack of skilled workforce for the increase of production.</p>	Price	24.46	
	Sales Growth	22.7%	
	P/E	35.13	
	P/B	3.61	
	P/S	1.52	
	EV/EBITDA	18.77	
	EV/Sales	1.50	


Company	Indicator	Value	Graph
<u>Kaolin /KAO/</u>			
<p>The 1Q 2008 of KAO disappointed the market as the net profit declined. The quarterly result is BGN 1.8 m as compared to BGN 5.5 m for the 1Q 2007. The weak US dollar and increased prices of fuels additionally pressured the results. Sales stayed almost unchanged y-o-y, mainly due to the bad weather conditions and the locked up production process at the beginning of January. The winter had negative impact over the operations of the company and the revenue of its subsidiaries. Trailing, consolidated P/E of 20.6 is above the market average.</p>	Price	11.88	
	Sales Growth	1.7%	
	P/E	20.58	
	P/B	2.57	
	P/S	2.52	
	EV/EBITDA	10.51	
	EV/Sales	2.46	


Company	Indicator	Value	Graph
<u>M+S Hydraulic /MCH/</u>			
<p>MCH showed improved quarterly net profit by almost 17% y-o-y to BGN 2.1 m. Sales also increased but in small scale – 9.25% y-o-y. The company is producer of hydraulic elements and has long-term contracts that provide it with a stable demand and the possibility to transfer the price pressure. The export for the first quarter amounted BGN 15.7 m or 76% of total revenues. The company is trading at higher than average P/E ratio as the market is focusing toward the growth perspectives and the possibilities to expand the production further. However, MCH is planning 7% increase of production in 2008.</p>	Price	10.08	
	Sales Growth	9.25%	
	P/E	28.66	
	P/B	3.74	
	P/S	1.68	
	EV/EBITDA	12.50	
	EV/Sales	1.79	


Company	Indicator	Value	Graph
Monbat /MONBAT/*			
<p>Monbat is the best performing position among SOFIX from the beginning of the correction. The solid improvement of sales and profits is exceeding the expectations of the management. However, a price of lead below 2000 USD per metric ton will start to underpin the profitability ratios. The start of the two new recycling facilities in Serbia and Romania will be delayed by a quarter and their contribution in sales and profits will be visible in the second half of 2008. P/E ratio fall to the market average and will improve further.</p>	Price	27	
	Sales Growth	106.5%	
	P/E	22.27	
	P/B	5.41	
	P/S	3.10	
	EV/EBITDA	17.51	
	EV/Sales	3.20	
	*non-consolidated		

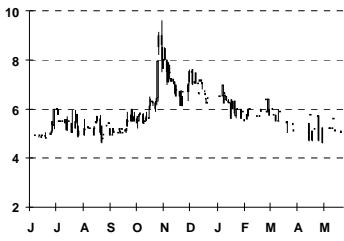
Company	Indicator	Value	Graph
Neochim /NEOH/*			
<p>The net profit solidly improved y-o-y to BGN 22 m as compared to BGN 6 m for the same period last year. Sales also increased but in small rate to BGN 95 m (26% y-o-y). Domestic sales exceeded the export of NEOH and represented 60% of total revenues in 1Q 2008. The fertilizers are still with higher share in sales for both foreign and domestic markets. Natural gas is the main raw material used by the company and the further increasing of its price will have negative impact over the NEOH's activity. The first quarter is seasonally strong. The booming commodities resulted to firm demand of fertilizers.</p>	Price	73	
	Sales Growth	26.5%	
	P/E	10.12	
	P/B	1.91	
	P/S	0.93	
	EV/EBITDA	7.85	
	EV/Sales	1.01	
	*non-consolidated		


Company	Indicator	Value	Graph
Odessos /ODES/			
<p>The report for 1Q exceeded our expectations. Despite showed slow down in the net profit margin as well as in the sales y-o-y. Revenues improved by 13.4% y-o-y. The cash remained higher – BGN 16.5 m. The market's expectations for lower maritime transport due to the global slowdown are pushing down the price per share. However, SEE will be affected slightly and Odessos is working at high capacity utilization.</p>	Price	269.25	
	Sales Growth	13.4%	
	P/E	22.91	
	P/B	3.00	
	P/S	3.67	
	EV/EBITDA	17.59	
	EV/Sales	3.38	

Company	Indicator	Value	Graph
Orgachim /ORGH/*			
<p>ORGH posted 1Q 2008 non-consolidated net losses of BGN 182 000. The result is influenced mainly by the lower profits from financial operations as compared to the last year. Although the revenues increased by 20%, operating costs also jumped substantially thus leading to negligible operating profit for the quarter. Sales growth comes from the revenues abroad as domestic sales are flat. The export set up 64% of total revenues as compared to 53% for the same period last year.</p>	Price	361.31	
	Sales Growth	19.9%	
	P/E	35.42	
	P/B	2.67	
	P/S	1.47	
	EV/EBITDA	13.29	
	EV/Sales	1.71	
	*non-consolidated		

Company	Indicator	Value	Graph
Lead & Zinc Complex /OTZK/			
<p>The report of OTZK was one of the negative surprises for the 1Q. The financial results remained under the influence of the weakness of metal prices and US dollar. However, the investments in new equipment and the future acquisition of mines could support the growth rate of revenues and profits in long-term. The company forecasts to produce 26 225 tones lead and 27 850 tones zinc for 2008. Net profit for the 1Q declined y-o-y as well as the sales, mainly due to the falling zinc price. The market situation is turning negative as the zinc is well supplied and lead is also correcting heavily.</p>	Price	44.09	
	Sales Growth	neg.	
	P/E	37.45	
	P/B	5.41	
	P/S	1.61	
	EV/EBITDA	24.04	
	EV/Sales	1.76	

Company	Indicator	Value	Graph
Polimeri /POLIM/			
<p>The first quarter report showed decrease of revenues and lower capacity utilization. The loss is due to the rising production costs. The price of electricity will likely be hiked this year further and will increase the pressure to profitability ratios. The revaluation of assets is behind the very low P/B, which is unlikely to support the company's valuation. The company is planning a capital increase to invest in energy efficiency and modernization, which is facing serious hurdles.</p>	Price	5.28	
	Sales Growth	neg.	
	P/E	neg.	
	P/B	0.13	
	P/S	0.65	
	EV/EBITDA	neg.	
	EV/Sales	0.92	

Company	Indicator	Value	Graph
Svilosa /SVIL/			
<p>Unexpected delay of the investment project is the main reason for the weak 1Q financial results of SVIL, the company announced. The cold winter additionally contributed for the net losses of BGN 2.5 m and the declined sales. The often suspension of the production increased the costs and the process was stabilized as well as March. The next several quarterly reports should remain under the negative influence of the modernization and shares will be traded at higher multiples than the average for the market.</p>	Price	5.02	
	Sales Growth	neg.	
	P/E	neg.	
	P/B	3.13	
	P/S	3.10	
	EV/EBITDA	34.22	
	EV/Sales	4.32	

Company	Indicator	Value	Graph
Toplivo /TOPL/			
<p>The 1Q 2008 net profit grew by almost 20% y-o-y, whereas sales improved by 30%, following a relatively weak 1Q 2007. The expected net profit for 2008 is BGN 9.4 m or 70% above the last year financial results excluding extraordinary items. The company also forecasted revenues of BGN 310 m. TOPL is one of the cheapest stocks in terms of P/B ratio and the company has lots of real estates that aren't revaluated recently and could add to the revaluation reserve.</p>	Price	19.85	
	Sales Growth	30%	
	P/E	18.97	
	P/B	0.80	
	P/S	0.35	
	EV/EBITDA	9.69	
	EV/Sales	0.51	

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