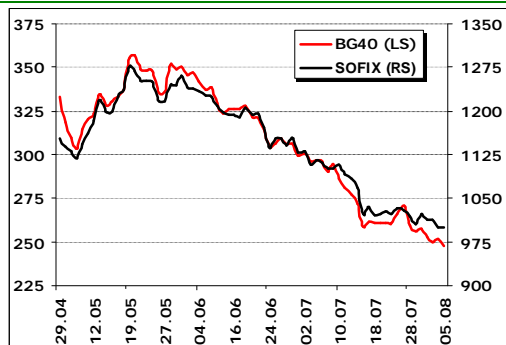
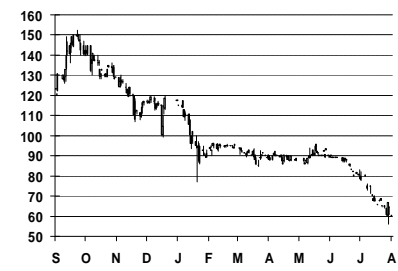



MARKET REACTION TO EARNINGS



One clear sign that the market has touched the bottom is when all bad news are already priced in. This was almost the case for the second quarter corporate profits in Bulgaria as the missing link for price recovery became the positive surprise. Non-consolidated revenues of most companies improved, whereas the rising costs continued to pressure the profit margins. Many stocks look attractive now but the lack of positive market reaction is predicting at least a month of struggle between buyers and sellers. The index SOFIX is testing the key level of 1000 points despite the modestly positive corporate reports for the quarter.

Company	Indicator	Value	Graph
Albena /6AB/*			
<p>The non-consolidated report showed the same picture as usual – weak first half of the year and non-consolidated net losses of BGN 11.6 m. The seasonal pattern is strong and the winter months are usually the period for reconstruction and renovation of the seaside 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. The non-consolidated P/E is 14 and the company is trading at P/B of 1.</p>	Price	62.00	
	Sales Growth	27.2%	
	P/E	14.67	
	P/B	1.01	
	P/S	2.71	
	*non-consolidated		

Company	Indicator	Value	Graph
Alcomet /6AM/			
<p>1H net profit of the company decreased on yearly basis to BGN 2.2 m or almost 50%. Sales also declined but in small rate – 15%, mainly due to the continuing reconstruction of the workshops. 84% from the revenues were from export, mainly to Germany and Italy. The new equipment, which was part of 2007 investment program, was put in exploitation during the 1H of the year. For the 2H 2008 the company foresee almost BGN 6 m investments, which will improve the production to 55 000 tones. The forecasted sales growth is minimum 20% as compared to 2007.</p>	Price	5.60	
	Sales Growth	-15%	
	P/E*	68.80	
	P/B	1.56	
	P/S	0.47	
	*not including taxes		

Company	Indicator	Value	Graph
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Bulgarian American Credit Bank /5BN/

Bulgarian American Credit Bank's net profit increased by 25.4% y-o-y, mainly due to the raising credit portfolio. The net interest margin is slightly lower as funding costs increased. The 5BN's cost-to-income ratio fell to 13.8%, which is the best in the sector. The credit portfolio grew by 37% as compared to the 1H 2007 and growth prospects remain positive as the bank has BGN 119.3 m committed but not yet disbursed loans. Trailing P/E of 12.50 is below the average for the banking sector and is likely to remain the lowest as the market capitalization is higher than the assets of the bank.

Price	58.86
Asset Growth	28.6%
Profit Growth	25.4%
P/E	12.51
P/B	4.43
RoA	8.03%
RoE	35.4%



Company	Indicator	Value	Graph
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Biovet /53B/*

Biovet announced lower quarterly revenues, which hardly changed the insignificant profit for the period. However, revenues from the beginning of the years are rising by 10% but costs for materials soared even faster – by 24.6%. The bank debt increased to BGN 43 million, following a long period of stability. Biovet is capable to maintain stable level of inventories and materials, which decreased the need for additional working capital.

Price	8.50
Sales Growth	-2.7%
P/E	291
P/B	1.02
P/S	0.53

*non-consolidated



Company	Indicator	Value	Graph
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Blagoevgrad-BT /55B/

Blagoevgrad - BT announced 1H 2008 loss of BGN 5.5 m as compared to net profit of BGN 15.4 m for the same period last year. Sales of the tobacco company also decreased but in small scale to BGN 70 m. The revenues from the domestic market fell significantly by almost 50% y-o-y to BGN 34 m. The weak US dollar also contributed to the lower revenues. End of period cash amounted BGN 114 m. Trailing P/E of 11 is around the market average, whereas P/B remained lower. However, the low liquidity and the unclear future privatization are the main factors for the discount to the average multiples.

Price	68.47
Sales Growth	-28.3%
P/E	10.90
P/B	0.98
P/S	0.94



Company	Indicator	Value	Graph
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Bulgarian River Shipping /5BR/


The company was among the positive surprises last quarter and managed to improve its profit margins from the meager levels of the first quarter and even from the seasonally strong 2Q of 2007. However, valuation ratios are above the average for the market and it is essential for the profit to rise during the 2H 2008 but the seasonal weakness could prevent the improvement.

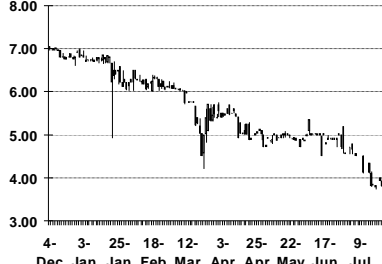
Price	4.00
Sales Growth	1.7%
P/E	35.04
P/B	2.87
P/S	2.79


*non-consolidated





Company	Indicator	Value	Graph
Central Cooperative Bank /4CF/			
<p>The weak financial report of Central Cooperative Bank pressured its shares. The 1H net profit decreased by 26% y-o-y and stayed almost unchanged on quarterly basis, mainly due to the negative result from operations with securities. Assets increased by almost 33% y-o-y to BGN 1.6 billion. The capital adequacy of 14% is far above the requirements of Bulgarian National Bank. Trailing P/E of 17 is above the average for the sector. P/Assets is 0.17.</p>	Price	3.60	
	Asset Growth	32.5%	
	Profit Growth	-26%	
	P/E	16.75	
	P/B	0.99	
	RoA	1.25%	
	RoE	12.2%	


Company	Indicator	Value	Graph
Corporate Commercial Bank /6C9/			
<p>Corporate Commercial Bank announced solidly improved 1H 2008 financial results. The net profit increased by 84% y-o-y to BGN 20.4 m, which exceeded the estimations by 12.3%. The capital adequacy is almost 13% and is far above the required rate of 6%. The credit portfolio increased by 67% on yearly basis and set up half of the assets. At the same time, the non-performing loans are only 0.26% of the total. Trailing P/E of 16.60 is above the average for the banking sector.</p>	Price	90.16	
	Asset Growth	44.1%	
	Profit Growth	83%	
	P/E	16.66	
	P/B	2.87	
	RoA	2.16%	
	RoE	21.03%	


Company	Indicator	Value	Graph
Devin /6D3/			
<p>Devin erased the 1Q loss and posted 17% increase of revenues as compared to the first half of 2007. The consolidated P/E ratio stayed too high but the seasonal strength of sales during the summer season could improve it as the main cost pressure from rising fuels is absorbed during the first half of the year.</p>	Price	3.85	
	Sales Growth	16.83%	
	P/E	115	
	P/B	2.30	
	P/S	1.14	


Company	Indicator	Value	Graph
Elhim Iskra /52E /			
<p>Elhim Iskra received market's support after the announcement of 1H 2008 financial results. The net profit solidly improved to BGN 2 m as compared to 475 000 for the same period last year. Sales increased by 37% y-o-y. The main part of the revenues is from traction batteries, followed by starter batteries. Trailing P/E of 13 is above the market average. The company's investments during 1H amounted BGN 1.1 m, mainly for new equipment.</p>	Price	4.23	
	Sales Growth	36.6%	
	P/E	12.85	
	P/B	2.54	
	P/S	1.32	


Company	Indicator	Value	Graph
Sparky Eltos /SL9/			
<p>Sparky Eltos 1H 2008 net profit improved by 88% y-o-y. Sales increased by 50% as compared to same period last year to BGN 37.6. Operating cash flow is negative, mainly due to the higher delivery payments jumped to BGN 27.7 m. Trailing P/E of 11 is below the market average, whereas P/S of 1.5 is higher. The company is expecting 23% sales growth for 2008 and 0.91 EPS.</p>	Price	7.81	
	Sales Growth	50.2%	
	P/E	10.91	
	P/B	1.29	
	P/S	1.54	


Company	Indicator	Value	Graph
Euro Ins /EURINS/			
<p>The insurer announced the consecutive quarter with strong premium income growth. However, the profit is still under the pressure from losses of securities as the company's portfolio is invested on the stock market. Despite the higher than average P/E ratio, the more relevant multiple P/Premium is very attractive.</p>	Price	6.91	
	Premium Growth	87.6%	
	P/E	22.24	
	P/B	3.26	
	P/Premium	0.84	


Company	Indicator	Value	Graph
First Investment Bank /5F4/			
<p>First Investment Bank report showed solid decrease of deposits as rumors for solvency problems resulted to huge withdrawals in April and May. This was compensated by the increase of other debts, which has higher interest payments. The net profit for 2Q is decelerating but the result is heavily influenced by the withdrawal of deposits. The provisions for bad credits are substantially lower.</p>	Price	5.80	
	Asset Growth	17.3%	
	Profit Growth	24%	
	P/E	11.64	
	P/B	1.82	
	RoA	1.45%	
	RoE	17.01%	


Company	Indicator	Value	Graph
Fazerles /4F6/			
<p>The small cap Fazerles maintained its profit margins despite the expected weakness in demand for wood materials in the region. Sales are lower but the company is working at 110% capacity. The net profit improved by 15 y-o-y. Trailing P/E is 12.</p>	Price	138	
	Sales Growth	-3.9%	
	P/E	12	
	P/B	3.44	
	P/S	2.28	


Company	Indicator	Value	Graph
Oil & Gas /4O1/*			
<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 – 17%, whereas the crude oil production fell 1.9%. The increase of other revenues, which include mainly sale of tangible assets, supported also the growth of total sales.</p>	Price	6.90	
	Sales Growth	56%	
	P/E	10.92	
	P/B	1.63	
	P/S	2.49	
	*non-consolidated		


Company	Indicator	Value	Graph
Hydraulic Elements & Systems /4HE/			
<p>4HE is with export orientation and the global slowdown is pressuring the production of construction equipment and machines. The company forecasted BGN 47 m sales for 2008 and net profit of BGN 2.8 m. The prognosis coincided with 2007 financial results. The first quarter was exceptionally stronger and the company is returning to level, which is more consistent to the last year.</p>	Price	17.99	
	Sales Growth	5.4%	
	P/E	18.34	
	P/B	2.28	
	P/S	1.03	


Company	Indicator	Value	Graph
Kaolin /6K1/*			
<p>Non-consolidated sales of Kaolin increased by 23% y-o-y but on quarterly basis the increase is 56% due to the severe weather during 1Q. The profit before tax for the second quarter is BGN 4.1 m, which is close to the result for the same period of 2007 excluding extraordinary items. The profit margins are decreasing due to the rising fuel costs. Sales to companies in ceramic industry are suffering the negative impact on construction activity. The company is retaining is expectations for 2008.</p>	Price	7.50	
	Sales Growth	23%	
	P/E	17.10	
	P/B	1.59	
	P/S	1.61	
	* non-consolidated		


Company	Indicator	Value	Graph
M+S Hydraulic /5MH/			
<p>M+S Hydraulic announced higher sales in quarterly basis. 1H net profit improved by 18% y-o-y to BGN 3.4m. Trailing P/E of 18 is above the market average and the fundamentals will need more time to provide support for the price, unless the correction deepens. The company is maintaining double digit growth rates and seems hardly hit by the global slowdown. The demand of hydraulic cylinders is still strong and more free capacity is needed to push prices down.</p>	Price	6.35	
	Sales Growth	13%	
	P/E	17.18	
	P/B	2.35	
	P/S	1.02	


Company	Indicator	Value	Graph
Monbat /MONBAT/*			
<p>The falling lead price is pushing down the revenues of the companies as the pricing policy is also related to the quotes of the metal. The prognosis of the management was fulfilled despite the decelerating growth in June. The consolidated report will add the production from the Start - Dobrich facility, whereas the recycling facilities in Romania and Serbia will start production with some delay.</p>	Price	10.71	
	Sales Growth	52%	
	P/E	16.12	
	P/B	4.22	
	P/S	2.24	
	*non-consolidated		


Company	Indicator	Value	Graph
Neochim /3NB/*			
<p>The 1H net profit solidly improved to BGN 39m as compared to BGN 8m for the same period last year. Sales increased by 60% y-o-y – the export soared faster than domestic sales as revenues from fertilizers and ammonia jumped 60% and 40%, respectively. Trailing P/E of 6 is far below the market average as well as P/S of 0.85. Natural gas is the main raw material used by the company and the further increasing of its price will have negative impact over the company's activity.</p>	Price	76	
	Sales Growth	60%	
	P/E	5.94	
	P/B	1.72	
	P/S	0.85	
	*non-consolidated		


Company	Indicator	Value	Graph
Odessos /5ODE/			
<p>The 1H 2008 financial results of Odessos improved on yearly basis. The net profit increased by 28.4% y-o-y, whereas sales by 25% as compared to the same period last year. The market's expectations for lower maritime transport due to the global slowdown are pushing down the price per share. Trailing P/E of 15 is above the market average as well as P/S. Recently, the GMS of the company decided to allocate BGN 2.00 gross dividend per share, which will be paid out from September 10, 2008.</p>	Price	233.09	
	Sales Growth	25%	
	P/E	15.25	
	P/B	2.55	
	P/S	2.97	


Company	Indicator	Value	Graph
Orgachim /5ORG/*			
<p>Orgachim announced 20% increase of revenues. The company turned to profit during the second quarter as export soared 23%. The quarterly financial result is slightly lower than the same period of the last year but the profit margins are deteriorating. The second quarter is seasonally stronger and we can expect same results for the third quarter. However, in order to bring down the P/E ratio to the market average the company should maintain the growth rates and the profit margins during the second half of 2008.</p>	Price	179.99	
	Sales Growth	20.5%	
	P/E	26.18	
	P/B	1.24	
	P/S	0.66	
	*non-consolidated		

Company	Indicator	Value	Graph
<u>Lead & Zinc Complex /5OTZ/</u>			
<p>Falling metals price on the international markets pushed down Lead and Zinc Complex's 1H non-consolidated results. Sales fell to BGN 80 m or by 34% y-o-y. The net profit slumped by 87% y-o-y. The export set up 85% from revenues. The company doesn't revise its 2008 prognosis for 26 255 tones lead and 27 850 tones zinc. The main risk remained the strong dependence of international lead and zinc price as well as the currency risk.</p>	Price	29.59	
	Sales Growth	-34%	
	P/E	173	
	P/B	3.58	
	P/S	1.22	

Company	Indicator	Value	Graph
<u>Polimeri /POLIM/</u>			
<p>The second quarter is much better than the previous but the profit was not enough to offset the 1Q loss. Revenues for the quarter are 25% q-o-q. The possibility to generate quarterly profit is the good news for Polimeri but we seriously doubt that all hurdles are overcome and that the company will be capable to maintain same sales and profitability during 2H 2008 as the 2Q results.</p>	Price	3.45	
	Sales Growth	-6.5%	
	P/E	neg.	
	P/B	0.09	
	P/S	0.41	

Company	Indicator	Value	Graph
<u>Sopharma /3JR/*</u>			
<p>Sopharma finished the first half of the year with non-consolidated net profit of BGN 9.7 m. The result is 50% down y-o-y. Sales increased by 7% on yearly basis. Tablets and ampoules set up 86% from the production. The inflation impact over the revenues was compensated by the higher medicines prices. 3JR is expanding its export to 62% of total sales. The modernization of ampoules facility during the 1Q is also weighting negatively on revenues. The company forecasted to invest BGN 35 m to the end of 2008.</p>	Price	4.69	
	Sales Growth	7.25%	
	P/E	29.20	
	P/B	2.84	
	P/S	3.40	
*non-consolidated			

Company	Indicator	Value	Graph
<u>Svilosa /3MZ/</u>			
<p>The report of Svilosa remained under the negative influence of the modernization and shares were traded at higher multiples than the average for the market. The company's loss increased to BGN 4.4 m. Revenues were hardly changed. Due to the frequent cease of production the costs have jumped substantially. The achieved monthly production volume of around 7 500 tons of cellulose is an interim stage, the prognosis are for 9 000 tons per month until the end of 2008. Higher fuel prices as well as other energy sources are transferred to the end product but with lag in time.</p>	Price	3.00	
	Sales Growth	4.04%	
	P/E	neg.	
	P/B	1.95	
	P/S	1.75	

Company	Indicator	Value	Graph
Toplivo /3TV/			
<p>Toplivo announced higher sales for the first half of the year as quarterly revenues increased both q-o-q and y-o-y. The revenues from the trading with construction and heating materials were the main reasons for the increase as revenues from the trading with liquefied natural gas posted a decline. However, the profit margins in both main segments are deteriorating.</p>	Price	15.15	
	Sales Growth	34%	
	P/E	13.48	
	P/B	0.61	
	P/S	0.25	

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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

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