

Market Overview

The dynamics of SOFIX in December somehow resembled the move during the year - after a strong first half, another portion of instability, stemmed from the political scene followed.

In early December the expectations of the market players that a part of the paid out guaranteed deposits in Corporate Commercial Bank AD would be redirected to the stock market drove the prices up. However, the positivism was quickly cooled off by the unexpected proposal for changes in the pension system. Despite the widespread criticism sparked by the controversial texts, the changes have been approved by the Parliament. The news were interpreted negatively by the investors and the fear of possible restructuring of the portfolios, managed by the private pension funds, led to sales in the second half of the month.

Due to the political tension the volumes remained volatile and low as SOFIX gained 1.49% in December and closed at 522.10. Among the biggest gainers in the composition of SOFIX were Industial Holding Bulgaria AD [4ID], which was up by 8.18% (*see Stock in Focus*), Albena AD [6AB] (+8.11%) and M+S Hydraulic AD [5MH] (+4.28%). The top 3 losers were Neohim AD [3NB], down by 9.47%, Zarneni Hrani AD [T43], which fell by 8.09% and Chimimport AD [6C4], which shares lost 5.27% in December. In spite of the difficult and filled with political and financial uncertainty and instability year, SOFIX finished 2014 with an increase of 6.22%.

The performrance of the broader index BGTR 30 also was feeble as it aded 1.07% to its value and closed at 407.50. The outperformers here were Bulgarian Stock Exchange AD [BSO] (+13.92%), follwed by Albena AD and Industrial Holding Bulgaria AD. The group of the losers was led by Advance Equity Holding AD, which shares lost 16.36% of their value, followed by Neohim AD [3NB] and Synergon Holding AD [6S7], which registered a decrease of its share price of 5.66% in December. BGTR 30 added to its value 16.75% in 2014.

December proved to be dramatic for investors worldwide. The trading pattern of the leading indices in the US and Germany throughout the last month of the year resembled the correction earlier this autumn. *Continues on page 4*

Monthly Newsletter 12'2014

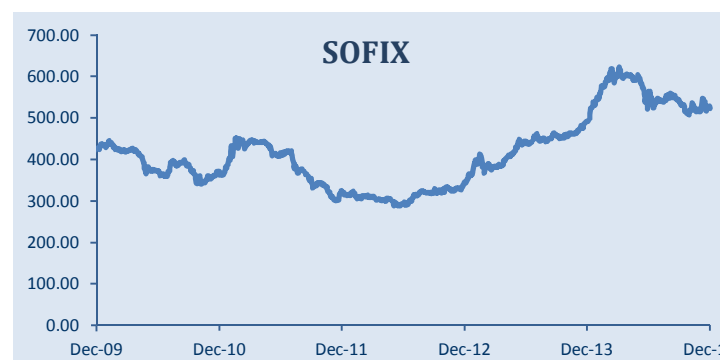
Bulgarian Stock Exchange | Trends

	Value	Monthly change	Year-to-date
SOFIX	522.10	1.49%	6.22%
BGBX 40*	104.61	1.27%	4.61%
BG REIT	98.75	1.45%	11.38%
BGTR 30	407.50	1.07%	16.75%

*BGBX 40 replaces BG40 starting on January 1, 2014

BSE Turnover	BGN	EUR
Equities (BGN/EUR'000)	27 144.50	13 878.76
Bonds (BGN/EUR'000)	1 803.56	922.14
Other (BGN/EUR'000)	270.93	138.53
Total-Regulated market (BGN/EUR'000)	29 218.99	14 939.43
OTC market (BGN/EUR'000)	115 563.22	59 086.53
Market Cap (BGN/EUR'000 000)	7 612.90	3 892.41
Market Cap/GDP	8.6%	

SOFIX



P/E	P/B	EPS growth	Market Cap	Turnover
12.99	0.58	-35.9%	2 869	8.113

Annual trailing EPS growth; Market cap and turnover in BGN'000 000

CEE and Global Markets

Country /	Index	Value	Monthly	Year-to-
Bulgaria	SOFIX	522.10	1.49%	6.22%
Greece	ASE	826.18	-14.22%	-28.94%
Macedonia	MBI-10	1 844.20	-0.61%	6.06%
Poland	WIG20	2 315.94	-4.18%	-3.54%
Romania	BET	7 083.00	2.11%	9.07%
Russia	RTS	790.71	-18.84%	-45.17%
Slovakia	SAX	222.32	0.67%	12.42%
Slovenia	SBITOP	784.12	-3.62%	19.59%
Serbia	BELEX15	667.02	-4.29%	19.54%
Turkey	ISE-100	85 721.13	-0.52%	26.43%
Ukraine	PFTS	386.92	1.27%	28.75%
Hungary	BUX	16 634.00	-4.13%	-10.40%
Croatia	CROBEX	1 745.44	-2.60%	-2.72%
Montenegro	NEX20	11 356.11	-2.84%	15.29%
Czech Republic	PX	946.71	-6.00%	-4.28%
Morgan Stanley	MSCI EE (€)	275.17	-16.39%	-31.68%
USA	S&P 500	2 058.90	-0.42%	11.39%
Germany	DAX	9 805.55	-1.76%	2.65%
Japan	NIKKEI	17 450.77	-0.05%	7.12%

Neohim AD [3NB]

Sector: chemicals (fertilizers)

The shares of fertilizer-maker Neochim were among the biggest losers in December as they lost 9.47% of their value settling at BGN 38.93 per share, after the company released disappointing 9M results. The sell-off was also driven by the announcement of the management that the next two years will be difficult and critical for the survival of the firm.

Neohim AD reported a loss of BGN 12.245 mln for 9M'2014 vs. pre-tax earnings of BGN 4.018 mln a year earlier. The results are close to the crisis levels of 2009, when the company saw its worst performance for the last decade. The deterioration is a sharp drop in revenues and a twice slower decrease in the operating expenses. Sales fell 16% on the year to BGN 162.934 mln, while operating expenses decreased 8% y-o-y to BGN 165.432 mln. Consequently, the operating performance suffered, reflecting negative EBITDA of 2.498 mln vs. positive BGN 5.367 mln a year earlier. The decline in the sales was due to numerous mechanical breakdowns in the production lines, which led to supply disruptions and delays in the fulfillment of contracts.

Another major problem for Neohim AD continues to be the high price of the natural gas in Bulgaria, which is the main raw material used in the production. It hampers the opportunities for cost optimization and thus weighs down the performance. Due to the lack of

Shares outstanding, th	2 654	P/E	negative
Last share price	36.39	P/B	1.15
Market cap, BGN th	96 584	P/S	0.44
Assets, BGN mln	185 215	ROA, ttm	-12.12%
Debt/Assets	54.55%	ROE, ttm	-22.28%

which results in negative gross margins and return on sales and, consequently, leads to negative bottom line. The main sales driver remains the domestic market, although the management said in a statement that the interest from foreign markets for their leading product – the ammonium nitrate is increasing.

The CEO expressed his concerns regarding the present state of the company. He told the media that the next 2 years will be very difficult and critical for the survival of the fertilizer-maker. He added that the management will be focused on identifying opportunities for cost optimization. The CEO also mentioned that a 5% cut of the employees is one of the planned measures. The Board of Directors announced earlier in December that they have decided to initiate a liquidate 2 of the subsidiary companies of Neohim AD – Neohim Engineering EOOD and Neohim Catering EOOD.

The sell-off was also driven by the pessimistic expectations for the Q4 results, which are traditionally poor and by the announcement of the Board of Directors that 2 of the subsidiaries of Neohim AD - Neohim Engineering EOOD and Neohim Catering EOOD will be liquidated in the upcoming months.

Industrial Holding Bulgaria AD [4ID]

Sector: conglomerates

Share price of Industrial Holding Bulgaria inched up 8.18% in December despite the consolidated loss of BGN 1.394 mln for 9M'2014. The shares appreciated after the conglomerate released a statement revealing that one of its subsidiaries has finished a deal for the sale of ship 'Marciana'. The news was interpreted as a positive signal by the market players, although the price of the ship wasn't disclosed.

At the beginning of December the management of Industrial Holding Bulgaria announced that it will conduct a public offering for a new bond issue of convertible, interest-bearing bonds in the amount of BGN 50 mln. The maturity is 3 years and the interest is 5% per annum, payable every 6 months. The funds will be used for repaying the existing bond issue of convertible bonds, issued last year, financing investments in KRZ Port Burgas AD as well as other projects of the holding and its subsidiaries.

Shares outstanding, th	67 978	P/E	negative
Last share price	1.12	P/B	0.31
Market cap, BGN th	76 203	P/S	0.78
Assets, BGN mln	422 137	ROA, ttm	-0.87%
Debt/Equity	60.00%	ROE, ttm	-1.46%

Later in December, Industrial Holding Bulgaria reported that the conglomerate has increased its investment in the subsidiary Bulyard Shipbuilding Industry EAD. The capital of the latter was increased to BGN 63 663 115 from BGN 900 000 through the issue of 62 763 115 new shares with par and emission values of BGN1/share, which were acquired by Industrial Holding Bulgaria.

The conglomerate has increased its stake in other 2 companies in the maritime business – Bulport logistics AD and Odesos PBM AD. As a result from the deals Bulport logistics AD became a subsidiary of Industrial Holding Bulgaria because the share of the conglomerate in its capital reached 98%. Industrial Holding Bulgaria also took over Odesos PBM AD as it controls 60% of the capital of Odesos PBM AD.

Main Economic Indicators

	2011	2012	2013	2014
GDP, in BGN bn	75.3	78.089	78.1	22.8
GDP, real annual growth (%)	1.8	0.6	0.9	1.9
Inflation (%)	4.2	3	-1.5	-0.6
Jobless rate (%)	10.4	11.4	11.8	10.8
Fiscal balance, %GDP	-2	-0.8	-0.1	0.3
Gross public debt, %GDP	16.3	18.5	17.1	21.0
Gross external debt, %GDP	94.3	94.9	92.1	96.1
Current account, %GDP	0.1	-1.3	2.8	0.9
FDI, %GDP	3.5	3.7	3	2
Prime interest rate (%)	0.22	0.03	0.04	0.01

For 2014 latest available official data is used. GDP data is for Q3'2014. Data for inflation and unemployment are at end-November 2014. Fiscal balance and Gross public debt data is for Q2'2014. Gross external debt, current account and FDI data is at end-October 2014. Data for the prime interest rate is for January 2015.

Market Overview (cont.)

from page 1

December proved to be dramatic for investors worldwide. The trading pattern of the leading indices in the US and Germany throughout the last month of the year resembled the correction earlier this autumn. The weak beginning, garnished with a serious dive of the crude oil price (-18.5 % for the month) and arising apprehensions about new sanctions to Russia was gradually offset at the end of the month.

The Christmas rally in the US led the leading indices there to new historical highs as S&P 500 finished 2014 with an increase of 11.39%, which could be classified as a good year for the equity markets. DAX, the German index also reached new all time highs during the year, al

Even the sluggish European economy couldn't stop the German index DAX from reaching new all time highs during the year, however the final sell off led the index to finished 2014 with a return of only 2.65%.

The sharp decrease in the crude oil price and the strong dollar were the top themes among the investors. The strong performance of the indices in the second world largest economy in the world continued and as a result for the year China's growth was more than 50 % - its highest levels since the middle of 2009.

News of the Past Month | Corporate Sector

- Consolidated November sales of Monbat AD [5MB] edged up 2.10% y-o-y to BGN 23.952 mln, the company announced in a statement. Consolidated revenues fell by 4.80% on the year, to BGN 207.976 mln for January – November 2014. Cumulative consolidated EBITDA decreased by 3.60% y-o-y to BGN 38.570 mln for the first 11 months of 2014. In November alone consolidated EBITDA slumped 28.40% on the year and amounted to BGN 3.743 mln.
- The portfolio of Advance Terrafund REIT [6A6] increased by 2 600 da in November, the fund announced in its monthly bulletin. It bought 2 600 da agricultural land at an average acquiring price of BGN 828/da. At the end of November the REIT owned 214 268 da agricultural land with an average cost price of BGN 408/da and 139 da urban land. The new agricultural year 2014 – 2015 has started in October and the average rental income from new contracts is BGN 47/da. Expected rental revenue arrives at BGN 6 671 160 as 29.1% from it or BGN 1 942 072 is already collected. BGN 4 421 356 or 80.2% of the rents for 2013 – 2014 year has already been collected.

News of the Past Month | Economy and Politics

- Bulgaria's parliament approved making private pension contributions optional despite the criticism by the financial sector and the protests against it. Currently, the pension system is hybrid, where a majority of savings go to the state system and a fraction goes to private funds. Employers and workers make mandatory payments to both. The new rules apply to people born after 1959 and all new entrants to the labor market. Their second-pillar contributions will be irreversibly directed to the state fund unless they pick a private fund within a year of starting employment. The people born after 1959 are given one lifetime opportunity to change the allocation of their savings for the second-pillar. The discussion on the topic continues and most likely more changes will be made in the upcoming months.
- Fitch ratings has affirmed Bulgaria's Long-term foreign Issuer Default Rating (IDR) at BBB- with stable outlooks. The country's ceiling has been affirmed at BBB+ and the Short-term foreign currency IDR at F3. Earlier in December, Standard & Poor's downgraded its sovereign credit rating on Bulgaria from BBB- to BB+.
- The trend of a slow decline in the unemployment rate continued in November as it fell to 11.1% from 11.3% in October. A year earlier, in November 2013, the jobless rate was 12.9%. Despite the decrease, unemployment in Bulgaria still remains above the average for the EU.

News of the Past Month | Economy and Politics

- Bulgaria's current account deficit amounted to EUR 194.3 mln in October 2014, up from EUR 46.8 mln a year earlier, data by BNB showed. The country's cumulative C/A surplus totaled EUR 349.2 mln (0.9% of GDP) for January – October 2014 vs. EUR 1 236.6 mln (3% of GDP) for the same period of 2013. The trade balance was negative at EUR 237.2 mln in October vs. a deficit of EUR 187.5 mln a year earlier. Cumulative trade balance for the first 10 months of 2014 was negative at EUR 2 345.8 mln (5.8% of GDP) vs. a deficit of EUR 1 886.6 mln (4.6% of GDP) a year earlier. Cumulative exports for January – October 2014 decreased 1.4% y-o-y to EUR 18 380.6 mln and imports increased by 0.9% on the year to EUR 20 726.4 mln. In October alone, exports inched up by 1.9% y-o-y to EUR 2 064.8 mln, while imports increased by an annual 4% to EUR 2 302 mln. Foreign direct investment (FDI) reached EUR 217.3 mln in October 2014, vs. negative EUR 8.2 mln a year earlier. Cumulative FDI amounted to EUR 804.9 mln (2% of GDP) for January – October 2014, down from EUR 1 310.4 mln (2% of GDP) for the same period of 2013.

- Bulgaria's government debt totaled EUR 9 597.7 mln as of the end of November, which accounted for 23.1% of GDP, the monthly bulletin of the Ministry of Finance showed. In nominal terms, the government debt increased by EUR 181.9 mln compared to the end of October, mainly due to the placement of new government securities. The domestic debt amounted to EUR 4 018.1 mln and accounted for 9.7% of GDP, while the external debt reached EUR 5 579.6 mln, or 13.4% of GDP. By the end of November the share of debt denominated in EUR was 58.8%, in BGN – 30.8%, in USD - 9.6% and in other currencies - 0.9%.

- The budget balance on a cash basis under the Consolidated Fiscal Program (CFP) as of the end of November, 2014 is negative amounting to BGN 1 600.7 mln, showed the data by the Ministry of Finance. The negative balance is due to deficit in the national budget of BGN 854.9 mln and deficit of European funds of BGN 745.8 mln. The Fiscal Reserve account amounted to BGN 8.8 bn at the end of November, 2014.

- Bulgaria's 2015 budget projects a decrease of the government debt to BGN 24.5 bn (29.7% of GDP) from around BGN 3 bn (3.7% of GDP) at the end of 2014. The planned amount of the new government debt for 2015 is BGN 8.1 bn. The funds will be used to refinance the outstanding debt, finance the projected budget deficit and secure short-term fluctuations of the fiscal reserve.

News of the Past Month | Corporate Sector

from page 4

- November consolidated revenue of Stara Planina Hold AD [5SR] amounted to BGN 14.888 mln, while the cumulative revenue for the first 11 months of 2014 increased by 2% on the year, reaching BGN 169.009 mln, the company said in a statement. The company expects the consolidated revenue for 2014 to arrive at BGN 181.4 mln, which is 1.34% increase on annual basis. The Board of Directors said in their annual letter to the shareholders that they anticipate 0.5% decrease in the consolidated revenue for 2015, which is projected to arrive at BGN 178 mln. They stated that the consortium has planned investments amounting to BGN 12 mln for 2015, which will be financed with own funds. The management also expressed assurance that 1/3 of the net income for 2014 will be distributed to the shareholders.

- Euroins Insurance Group AD (EIG), the insurance division of Eurohold Bulgaria [4EH], reported a 5% decrease in the gross written premium (GWP) to EUR 136.581 mln for the first 11 months of 2014. In November alone, GWP earned by the EIG decreased by 2.24% on the year to EUR 12.635 mln. GWP of Euroins Bulgaria dropped by annual 16.1% to EUR 2.803 mln in November, while the Romanian entity reported no change and the GWP earned by it was BGN 8.853 mln. GWP of the Macedonian unit jumped by 19.7% on the year to EUR 617 000. Meanwhile, sales volume of Auto Union, the automotive arm of Eurohold Bulgaria, decreased 32.9% on the year to 3 148 new cars sold in January – November 2014, but November sales volume alone fell even more, by 36.4% y-o-y to 192 motor vehicles.

- November sales of Sopharma Trading AD [S05] increased 7% on the year to BGN 46.635 mln, while the cumulative revenue for the first 10 months of 2014 jumped 15% y-o-y, reaching BGN 459.082 mln, the company said in a statement. EBT arrived at BGN 1.050 mln in November vs. BGN 1.036 mln a year earlier. Cumulative EBT rose 18% on the year to BGN 12.054 mln.

- Synergon Holding AD [6S7] announced that it has terminated the reimbursement of unexercised rights from the two capital increase procedures of the company from 2006 and 2007. The reason is the expiration of the 5 year limitation period under article 110 of the Obligations and Contracts Act, which states that all claims should be extinguished upon the expiration of five year limitation period. Thus, Synergon Holding AD acquired BGN 3.8 mln, representing the amount of the obligations for the unexercised rights from the two capital increase procedures.

Company	Ticker	Sector	Market Cap (BGN'000)	Price*	Monthly change	YTD change	Turnover (BGN'000)	P/E	P/B	P/S	EV/ EBITDA	EV/ Sales
Advance Equity Holding AD	6A8	conglomerate	16 535	0.46	-16.4% ▼	-48.3% ▼	2.92	-	0.5	-	-	-
Advance Terrafund REIT	6A6	REITS	207 669	2.44	-0.5% ▼	22.8% ▲	1 830.71	5.5	1.0	2.4	4.3	1.8
Agria Group Holding AD-Varna	A72	agribusiness	57 800	8.50	-2.9% ▼	71.8% ▲	140.82	6.4	0.9	0.5	8.7	1.1
Albena AD	6AB	tourism	244 850	57.30	12.1% ▲	-4.0% ▼	563.75	16.2	0.7	2.2	10.5	3.0
Albena Invest Holding AD-Albena	5ALB	conglomerates	35 739	6.50	7.3% ▲	9.2% ▲	31.48	33.5	0.3	4.5	23.9	4.2
Biovet AD	53B	chemicals	77 670	11.45	0.0% -	16.2% ▲	88.06	5.9	0.8	0.4	4.7	0.6
Bulgarian Real Estate Fund REIT	5BU	REITS	32 643	0.54	0.2% ▲	1.5% ▲	253.94	28.9	0.5	11.5	57.0	10.5
Bulgarian Stock Exchange-Sofia	BSO	fin.services	23 698	3.60	13.9% ▲	2.9% ▲	85.20	31.0	2.1	8.1	30.9	6.4
CB Central Cooperative Bank AD	4CF	banks	124 357	1.10	2.7% ▲	7.7% ▲	692.72	10.6	0.3	-	-	-
CEZ Distribution Bulgaria AD	3CZ	utilities	273 776	142.00	-1.9% ▼	-9.0% ▼	57.97	neg	0.2	0.2	5.3	0.7
Chimimport AD	6C4	conglomerates	260 533	1.73	-6.6% ▼	11.4% ▲	1 630.87	3.2	0.2	0.5	-16.7	2.4
Doverie Obedinen Holding AD	5DOV	conglomerates	18 549	0.99	4.2% ▲	19.3% ▲	110.70	neg	0.3	0.1	45.7	0.6
Enemona AD	E4A	energy	20 884	1.75	0.6% ▲	-38.7% ▼	468.63	neg	0.4	0.1	25.3	0.7
Eurohold Bulgaria AD	4EH	conglomerates	123 525	0.97	-0.5% ▼	10.2% ▲	224.54	neg	0.6	0.2	-1200.8	0.4
Fazerles AD	4F6	industrials	24 978	48.50	-3.0% ▼	28.8% ▲	115.48	18.2	1.0	1.2	7.2	1.1
First Investment Bank AD	5F4	banks	308 000	2.80	6.7% ▲	15.2% ▲	349.11	10.5	0.5	-	-	-
Industrial Capital Holding AD	4I8	conglomerates	59 175	3.81	-2.7% ▼	99.2% ▲	99.83	22.3	1.6	0.3	2.2	0.3
Industrial Holding Bulgaria PLC	4ID	conglomerates	78 175	1.15	11.7% ▲	37.1% ▲	256.07	neg	0.3	0.8	13.6	2.1
M+S Hydraulic AD	5MH	machinery	203 478	5.21	4.2% ▲	64.9% ▲	566.04	13.0	2.2	1.6	10.8	2.3
Monbat AD	5MB	machinery	333 450	8.55	5.4% ▲	26.8% ▲	874.96	11.9	2.0	1.4	8.7	1.7
Neochim AD	3NB	chemicals	103 334	38.93	-9.4% ▼	-26.5% ▼	107.89	neg	1.1	0.4	-13.6	0.5
Sopharma AD	3JR	pharmaceuticals	492 001	3.88	3.5% ▲	-0.9% ▼	293.84	26.2	1.3	0.6	9.4	0.9
Sopharma Properties REIT-Sofia	6S6	REITS	53 809	3.43	10.0% ▲	40.7% ▲	303.66	42.8	1.6	5.4	13.4	9.7
Sopharma Trading	SO5	pharma trading	182 623	5.55	2.4% ▲	87.8% ▲	3 317.42	16.0	2.9	0.3	17.9	0.5
Sparky Eltos AD-Lovech	SL9	machinery	15 062	0.90	0.1% ▲	61.9% ▲	35.42	-	0.3	-	-	-
Stara Planina Hold AD	5SR	conglomerates	90 300	4.30	1.7% ▲	43.8% ▲	435.74	13.0	1.2	0.5	2.4	0.4
Synergion Holding AD	6S7	conglomerates	22 031	1.20	-8.5% ▼	-6.3% ▼	107.93	neg	0.1	0.1	8.4	0.3
Toplivo AD	3TV	commerce	27 084	5.00	-5.7% ▼	48.8% ▲	20.37	-	0.2	-	-	-
Trace group Hold AD	T57	infrastructure	150 863	6.23	-1.4% ▼	56.9% ▲	203.63	7.1	1.5	0.4	4.0	0.3
Yuri Gagarin PLC-Plovdiv	4PX	industrials	39 895	39.74	-0.6% ▼	-39.0% ▼	19.61	neg	0.6	0.4	11.4	0.5

The composition of BG30 was changed in September in accordance with a decision of the Board of Directors of the Bulgarian Stock Exchange. Agro Finance REIT [6AG], Sila Holding AD [6S5], Himsnab Bulgaria AD [58E] and Holding Varna AD [5V2] were replaced by CEZ Distribution Bulgaria [3CZ], Fazerles AD-Silistra [4F6], Advance Equity Holding AD [6A8], and Toplivo AD [3TV], effective

Top 3 Gainers*			Change	Top 3 Losers*			Change
Holding Nov Vek AD	6N3		+ 11.11%	Neochim AD	3NB		-9.47%
Sopharma Properties REIT	6S6		+ 9.42%	Zarneni Hrani Bulgaria AD	T43		-8.09%
Industrial Holding Bulgaria /	4ID		+ 8.18%	Synergion Holding AD	6S7		-5.66%

* Among all stocks with turnover of at least BGN 100 000 for the past month

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