

Market Overview

Anxiety over the future of Greece in the euro area and the ongoing debates about the reforms in Bulgaria's pension system weighed down the Bulgarian market in January. SOFIX dropped by 4.14% for the month and dipped below the psychological level of 500 points. The blue-chip index, however, broke above the resistance of 500 at the very end of the month, helped by some better than expected corporate results. Broader BGTR30 index stepped back 2.9% in January.

Trading volumes remained low, with the exception of Advance Terrafund REIT [6A6] and Sopharma [3JR] which saw heavy trading. The share price of Advance Terrafund surged 5.6% after more than 1 million shares changed hands at BGN 2.402 apiece in just one day. The stock price surged to BGN 2.63 in a matter of days, and the trading volume for the month surpassed 2 million shares. On the flip side, drug maker Sopharma lost 6.4% of its market value in a volume of 1.6 million pieces as investors were disappointed with 2014 financial results (see the Corporate News sector on page 4). Moreover, the company announced that its January sales have plummeted by 43% on the year as exports plunged 61% y-o-y on jitters in Russia.

Biovet [53B] was also among the winners, adding 13.5% as investors cheered strong FY2014 earnings. Utility companies Energo Pro Sales [4ES] and Energo Pro Grid [2EG] also gained ground, advancing by 16% and 10.3%, respectively, following tender offer announcements (see the Stocks in Focus section on page 2).

Economic news in general had no market effect in January. Speculations about manipulations in some of the pension funds focused the attention on the debates about the pension system that had started in December.

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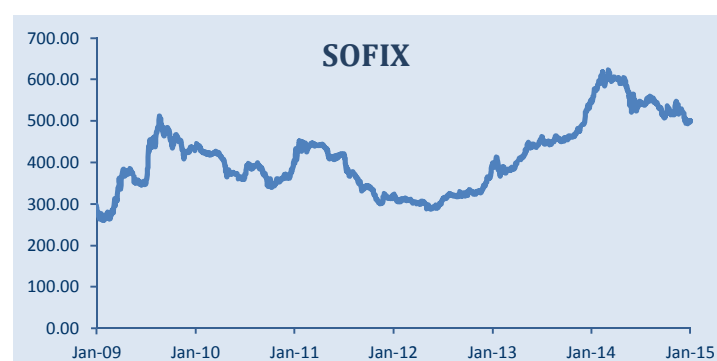
Bulgarian Stock Exchange | Trends

	Value	Monthly change	Year-to-date
SOFIX	500.49	-4.14%	-4.14%
BGBX 40*	100.40	-4.02%	-4.02%
BG REIT	96.18	-2.60%	-2.60%
BGTR 30	395.72	-2.89%	-2.89%

*BGBX 40 replaces BG40 starting on January 1, 2014

BSE Turnover	BGN	EUR
Equities (BGN/EUR'000)	54 726.57	27 981.25
Bonds (BGN/EUR'000)	43 027.20	21 999.46
Other (BGN/EUR'000)	590.50	301.92
Total-Regulated market (BGN/EUR'000)	98 344.26	50 282.62
OTC market (BGN/EUR'000)	91 616.94	46 843.00
Market Cap (BGN/EUR'000 000)	7 233.07	3 698.21
Market Cap/GDP	7.4%	

SOFIX



P/E	P/B	EPS growth	Market Cap	Turnover
14.98	0.57	-51.6%	2 869	15.582

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

CEE and Global Markets

Country / Region	Index	Value	Monthly change	Year-to-date
Bulgaria	SOFIX	500.49	-4.14%	-4.14%
Greece	ASE	721.93	-12.62%	-12.62%
Macedonia	MBI-10	1 874.42	1.64%	1.64%
Poland	WIG20	2 341.00	1.08%	1.08%
Romania	BET	7 033.17	-0.70%	-0.70%
Russia	RTS	737.35	-6.75%	-6.75%
Slovakia	SAX	227.38	2.28%	2.28%
Slovenia	SBITOP	790.31	0.79%	0.79%
Serbia	BELEX15	664.27	-0.41%	-0.41%
Turkey	ISE-100	88 945.82	3.76%	3.76%
Ukraine	PFTS	382.35	-1.18%	-1.18%
Hungary	BUX	16 530.93	-0.62%	-0.62%
Croatia	CROBEX	1 764.75	1.11%	1.11%
Montenegro	NEX20	11 305.83	-0.44%	-0.44%
Czech Republic	PX	955.78	0.96%	0.96%
Morgan Stanley	MSCI EE (€)	288.79	4.95%	4.95%
USA	S&P 500	1 994.99	-3.10%	-3.10%
Germany	DAX	10 694.32	9.06%	9.06%
Japan	NIKKEI	17 674.39	1.28%	1.28%

Biovet AD [53B]

Sector: chemicals

Share price of Biovet soared 13.5% in January following the veterinary drugs maker's 2014 earnings release. Biovet continued to gain ground in the first week of February, adding another 11.5% to BGN 14.50 per share.

The net income of the company surged 70% y-o-y to BGN 16.47 mln in 2014 on 8.7% rise in sales to BGN 197.43 mln and cost optimization. Operating expenses increased at a slower pace compared to revenues, by 3.9% on the year. Consequently, the profitability improved, with an EBITDA margin of 17.3% (vs. 11.7% in 2013) and a net profit margin of 8.5% (up from 6.2% a year earlier). The operating cash flow totaled BGN 37.31 mln in 2014, up from BGN 24.29 mln in 2013. In Q4 alone, sales jumped by 20% to BGN 56.55 mln, and earnings advanced by 64% to BGN 4.79 mln.

Shares outstanding, th	6 783	P/E	5.97
Last share price	14.50	P/B	0.94
Market cap, BGN th	98 347	P/S	0.50
Assets, BGN mln	241.86	ROA, ttm	8.57%
Debt/Assets	56.53%	ROE, ttm	17.03%

Biovet announced in November that it signed a EUR 20.8 mln loan contract with its parent Huvepharma and that it had repaid all its debts on bank loans with proceeds from the loan. The company's debt burden has decreased to 130% debt/equity ratio as of the end of 2014 from 152% a year earlier. Also in November, Advance Properties acquired full control over Biovet's majority owner - Bulgarian pharmaceutical company Huvepharma.

Biovet manufactures medicated and nutritional feed additives, enzymes, bulk active substances and pharmaceuticals for animal productivity and health. It exports more than 90% of its production, mainly to EU

Energo - Pro GRID AD [2EG]

Sector: utilities (grid operations)

Energo-Pro Varna has a filed a tender offer to buy 129 376 shares of electricity grid operator Energo-Pro Grid AD held by minority owners, or 9.82% of its share capital. Energo-Pro Varna is proposing to pay BGN 154.00 per share, which evaluates the whole company at BGN 202.97 mln. The proposal has come after Energo-Pro Varna increased its stake in Energo-Pro Grid to 90.18% through deals on January 26. The proposal is pending approval by the Financial Supervision Commission.

The net income of Energo-Pro Grid AD dropped by 12% y-o-y to BGN 9.32 mln in 2014 as sales revenue tumbled by 37% to BGN 233.97 mln, in

Shares outstanding, th	1 318	P/E	23.73
Last share price	161.00	P/B	0.61
Market cap, BGN th	212 198	P/S	0.91
Assets, BGN mln	461.26	ROA, ttm	0.85%
Debt/Equity	43.72%	ROE, ttm	2.71%

line with a 37% drop in operating expenses. The drop in both revenues and expenses is mainly attributable to a regulatory change in the electricity price components. Technological expenses amounted to BGN 60.32 mln, down from BGN 91.24 in 2013. The average technological expenses ratio for the year was 13.08%, down from 13.4% in 2013.

The company operates and maintains electricity distribution grid of 42,185 km and 26 substations in Northeastern Bulgaria.

Energo - Pro Sales AD [4ES]

Sector: utilities (power supplies)

Energo-Pro Varna has also filed a tender offer to buy 143 495 minority shares of electricity power supplier Energo-Pro Sales AD, or 9.56% of its share capital, at BGN 20.70 per share, which evaluates the whole company at BGN 31.07 mln. The proposal has come after Energo-Pro Varna increased its stake in Energo-Pro Sales to 90.44% through deals on January 26, and is pending approval by the Financial Supervision Commission.

The net income of Energo-Pro Sales tumbled to BGN 0.83 mln in 2014 from BGN 21.09 mln in 2013.

Shares outstanding, th	1 501	P/E	40936.00
Last share price	22.50	P/B	0.58
Market cap, BGN th	33 773	P/S	0.05
Assets, BGN mln	199.90	ROA, ttm	neg.
Debt/Equity	243.00%	ROE, ttm	1.40%

Revenues dropped by 14.8% y-o-y to BGN 667.51 mln as revenue from services plunged 42.7% to BGN 185.24 mln mainly due to changes in regulations which used to lead to double counting of some revenues.

Energo-Pro Sales supplies electricity to approximately 1.1 million household and business customers in Northeastern Bulgaria.

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	3.0	-1.5	-0.9
Jobless rate (%)	10.4	11.4	11.8	10.7
Fiscal balance, %GDP	-2.0	-0.8	-0.1	0.0
Gross public debt, %GDP	16.3	18.5	17.1	24.6
Gross external debt, %GDP	94.3	94.9	92.1	96.4
Current account, %GDP	0.1	-1.3	2.8	0.9
FDI, %GDP	3.5	3.7	3.0	3.0
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-December 2014. Fiscal balance and Gross public debt data is for Q3'2014. Gross external debt, current account and FDI data is at end-November 2014. Data for the prime interest rate is for February 2015.

Market Overview (cont.)

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The 2015 growth expectations of the World Bank and IMF for Bulgaria were slashed, to 1.1 % and 1.4%, respectively. Unemployment fell to 10.8% in December, while domestic producer prices in manufacturing fell 0.9% y-o-y and the downtrend there continued.

The first month of the year was abundant in many interesting developments in the global markets, which had substantial impact on the world capital markets performance. The negative downtrend in the oil price continued and it reached \$44 for barrel. The long awaited elections in Greece and the Syriza success were also a key factor for the markets, but the EUR 1.1 trln QE (quantitative easing) program announced by the ECB governor Mario Draghi was the top event of the month. The ECB's action powered the engine of the major European markets on expectations for strong performance of stocks, just like the one seem in the US and Japan after the announcements of identical stimulus programs. As a result, the best performing markets happened to be Germany, Italy and France. It is reasonable to acknowledge the strong depreciating of the euro against the dollar for the period, as it reached record lows for the last 11 years.

News of the Past Month | Corporate Sector

- Trace Group Hold AD [T57] has acquired Serbian road construction company PZP Vranje, the conglomerate announced. The name of the company is Trace PZP Vranje DOO Vranje and its capital is RSD 378 010 000. Meanwhile, 2 new contracts for construction works amounting to BGN 9 485 143.60 have been signed by Trace Group Hold in January, the company announced.
- The portfolio of Advance Terrafund REIT [6A6] increased by 2 813 da in December, the fund announced in its monthly bulletin. It bought 2 850 da agricultural land at an average acquiring price of BGN 809/da and sold 37 da. At the end of 2014 the REIT owned 217 081 da agricultural land with an average cost price of BGN 408/da and 139 da urban land. In 2014 the fund has bought 23 163 da of agricultural land at an average acquiring price of BGN 790/da and has sold 31 462 da at an average selling price of BGN 1 149/da. 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 6 693 325 as 30.9% from it or BGN 2 071 327 is already collected. The REIT will be offering deferred-payment sales of land, the company announced in a statement.
- Euroins Insurance Group AD (EIG), the insurance division of Eurohold Bulgaria [4EH], reported a preliminary 1.65% annual decrease in the gross written premium (GWP) to EUR 157.725 mln for 2014. GWP of Euroins Bulgaria [5IC] increased 8% on the year to EUR 38.296 mln in 2014, while the Romanian entity reported a decrease of 6.2% y-o-y to EUR 107.951 mln. GWP of the Macedonian unit jumped by an annual 14% EUR 8.368 mln. Meanwhile, sales volume of Auto Union, the automotive arm of Eurohold Bulgaria, surged by 32.9% on the year to 3.410 cars sold in 2014, Eurohold Bulgaria said in a statement.

News of the Past Month | Economy and Politics

- The World Bank cut its forecast for the economic growth of Bulgaria to 1.1% for 2015 from 2.4% previously anticipated. The European Bank for Reconstruction and Development (EBRD) also revised its estimate for the GDP growth. EBRD expects economic growth of 0.8% in 2015, down from 2% forecasted in September.
- The budget balance on a cash basis under the Consolidated Fiscal Program (CFP) for 2014 was negative, amounting to BGN 3 048.2 mln. The fiscal reserve amounted to BGN 9.2 bn at the end of December, 2014. The budget balance on a cash basis for January, 2015 is expected to be positive BGN 85 mln for the first time since 2009, announced from the Ministry of Finance. The expected improvement is mainly due to higher tax revenue.

News of the Past Month | Economy and Politics

- Net income of the Bulgarian banking system for 2014 increased 45.29% on the to BGN 746.313 mln year (excluding data for insolvent Corporate Commercial Bank [6C9] for comparability), data by BNB showed. Net interest income rose by an annual 7.32% to BGN 2.632 bn. Assets increased 7.76% y-o-y to BGN 85.135 bn at the end of 2014. Deposits of households and individuals jumped 16.32% on the year to BGN 41.003 bn and corporate deposits reached BGN 22.706 bn at the end of December, 2014, up from BGN 21.355 bn a year earlier. Consumer loans slipped 1.37% y-o-y to BGN 8.986 bn. Mortgage loans also fell to BGN 9.305 bn in 2014 from BGN 9.111 bn a year earlier. Corporate loans increased 2% on the year to BGN 34.319 bn in 2014. Accumulated credit provisions jumped by an annual 10.43% to BGN 5.478 bn at the end of 2014 as accumulated provisions on corporate loans increased 12.86% on the year to BGN 3.757 bn and accumulated provisions on retail loans expanded 3.45% y-o-y to BGN 1.676 bn.

- Bulgaria's current account deficit amounted to EUR 90.5 mln in November, 2014, up from EUR 38.7 mln a year earlier, data by BNB showed. The country's cumulative C/A surplus totaled EUR 371.1 mln (0.9% of GDP) for January – November, 2014 vs. EUR 1 197.9 mln (2.9% of GDP) for the same period of 2013. The trade balance was negative at EUR 166.9 mln in November vs. a deficit of EUR 185.3 mln a year earlier. Cumulative trade balance for the first 11 months of 2014 was negative at EUR 2 492.3 mln (6.2% of GDP) vs. a deficit of EUR 2 071.8 mln (5% of GDP) a year earlier. Cumulative exports for January – November, 2014 decreased 1.6% y-o-y to EUR 20 349.2 mln and imports increased by 0.4% on the year to EUR 22 841.5 mln. Foreign direct investment (FDI) reached EUR 416.6 mln in November, 2014, up from EUR 234.7 mln a year earlier. Cumulative FDI amounted to EUR 1 224.2 mln (3% of GDP) for January – November, 2014, up from EUR 1 545.1 mln (3.8% of GDP) for the same period of 2013.

- The Ministry of Finance settled the issue of global bonds denominated in US dollars with maturity January 15, 2015. USD 1.131 bn were paid to the bond holders as the required funds had been raised through the issue of 10-year Eurobonds with an annual coupon of 2.95%, which is by 5.3 p.p. lower than the coupon on the USD-denominated bond issue.

News of the Past Month | Corporate Sector

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- Sopharma AD [3JR] reported a 25.24% annual decrease of the net income for 2014 to BGN 25.164 mln, showed the Q4 individual financial statement of the drug producer. Revenue slipped 4.86% y-o-y to BGN 225.808 mln, while operating expenses (OPEX) increased 5.51% on the year to BGN 189.703 mln. The expansion in the OPEX was mainly due to an increase in the cost of hired services by 21% y-o-y to BGN 72.192 mln. EBITDA slumped 37.27% on the year to BGN 36.105 mln. Furthermore, the company said that its January 2015 sales dropped by 43% on the year as exports plunged 61% y-o-y, while sales on the domestic market increased by an annual 11%. The sharp decrease in exports was due to the volatility of the Russian ruble, which forced Sopharma to limit its export to Russia, it was said in a statement.

- First Investment Bank AD [5F4] finished 2014 with net income of BGN 30.455 mln, which is an annual increase of 17.78%, showed the Q4 financial statement of the bank. Net interest income surged 70.19% on the year to BGN 279.269 mln. Impairments reached BGN 291.827 mln, up from BGN 61.063 mln at the end of 2013. Gross corporate loans increased by an annual 18.15% to BGN 4.974 bn. Gross consumer loans jumped 20.82% on the year to BGN 640.053 mln and gross mortgage loans surged 78.55% y-o-y to BGN 635.559 mln. Deposits increased by an annual 15.82% to BGN 7.410 mln. Assets expanded 16.11% y-o-y to BGN 8.646 bn.

- Central Cooperative Bank AD [4CF] reported a 31.62% annual decrease in its net income to BGN 7.383 mln, showed the Q4 financial statement of the bank. Net interest income fell 6.78% on the year to BGN 50.911 mln. Impairments amounted to BGN 5.009 mln, down from BGN 6.233 mln at the end of 2013. Gross corporate loans reached BGN 1.449 bn, up from BGN 1.447 bn at the end of 2013. Gross consumer loans jumped 20.72% on the year to BGN 192.868 mln and gross mortgage loans increased 19.51% y-o-y to BGN 80.172 mln. Deposits rose by an annual 13.38% to BGN 3.717 mln. Assets expanded 11.63% y-o-y to BGN 4.181 bn.

- Bulgartabac Holding AD [57B] sold 7.5 bn cigarettes in Q4'2014, which is the best result for the last 5 years, announced from the company. Consolidated revenue for Q4 arrived at BGN 144.9 mln. Operating income before one-time effects of liabilities revaluation reached BGN 16 mln. The appreciation of the US dollar had a positive impact on the Group operations. The management said in a statement that dividend distribution between BGN 3.80 per share and BGN 4.30

Company	Ticker	Sector	Market Cap (BGN'000)	Price end of month	Monthly change	YTD change	Turnover (BGN'000)	P/E	P/B	P/S	EV/ EBITDA	EV/ Sales
Advance Equity Holding AD	6A8	conglomerate	14 378	0.40	-13.0% ▼	-13.0% ▼	70.09	72.6	0.4		-79.0	
Advance Terrafund REIT	6A6	REITS	216 605	2.55	4.3% ▲	4.3% ▲	5 083.54	16.3	1.1	5.2	14.1	4.1
Agria Group Holding AD-Varna	A72	agribusiness	59 840	8.80	3.5% ▲	3.5% ▲	326.56	5.1	0.9	0.5	7.9	1.1
Albena AD	6AB	tourism	230 749	54.00	-5.8% ▼	-5.8% ▼	270.95	27.6	0.6	2.2	12.7	3.1
Albena Invest Holding AD-Albena	5ALB	conglomerates	33 825	6.15	-5.4% ▼	-5.4% ▼	50.99	28.7	0.3	4.7	24.2	4.4
Biovet AD	53B	chemicals	88 184	13.00	13.5% ▲	13.5% ▲	234.32	6.0	0.9	0.5	4.8	0.7
Bulgarian Real Estate Fund REIT	5BU	REITS	32 280	0.53	-1.1% ▼	-1.1% ▼	205.35	-	0.4	9.5	-29.4	7.9
Bulgarian Stock Exchange-Sofia	BSO	fin.services	22 382	3.40	-5.6% ▼	-5.6% ▼	112.35	neg	2.1	9.8	793.6	8.6
CB Central Cooperative Bank AD	4CF	banks	118 812	1.05	-4.5% ▼	-4.5% ▼	627.77	16.8	0.3			
CEZ Distribution Bulgaria AD	3CZ	utilities	275 704	143.00	0.7% ▲	0.7% ▲	375.98	35.4	0.3	0.4	4.2	0.7
Chimimport AD	6C4	conglomerates	252 085	1.67	-3.2% ▼	-3.2% ▼	1 235.88	3.0	0.2	0.4	-16.9	2.2
Doverie Obedinen Holding AD	5DOV	conglomerates	16 357	0.87	-11.8% ▼	-11.8% ▼	41.22	neg	0.2	0.1	13.1	0.6
Enemona AD	E4A	energy	20 144	1.69	-3.5% ▼	-3.5% ▼	50.52	neg	0.4	0.1	22.8	0.7
Eurohold Bulgaria AD	4EH	conglomerates	114 611	0.90	-7.2% ▼	-7.2% ▼	550.10	183	0.6	0.2	153.5	0.4
Fazerles AD	4F6	industrials	24 076	46.75	-3.6% ▼	-3.6% ▼	77.82	14.8	1.0	1.3	6.4	1.1
First Investment Bank AD	5F4	banks	272 690	2.48	-11.5% ▼	-11.5% ▼	295.66	9.2	0.4			
Industrial Capital Holding AD	4I8	conglomerates	51 804	3.33	-12.5% ▼	-12.5% ▼	435.97	20.5	1.4	0.3	1.7	0.2
Industrial Holding Bulgaria PLC	4ID	conglomerates	73 485	1.08	-6.0% ▼	-6.0% ▼	58.40	neg	0.3	0.8	12.5	2.1
M+S Hydraulic AD	5MH	machinery	210 039	5.38	3.2% ▲	3.2% ▲	220.80	18.4	3.2	2.3	9.8	2.1
Monbat AD	5MB	machinery	312 000	8.00	-6.4% ▼	-6.4% ▼	470.36	11.4	1.8	1.4	8.3	1.6
Neochim AD	3NB	chemicals	98 238	37.01	-4.9% ▼	-4.9% ▼	59.06	neg	1.4	0.4	-10.7	0.6
Sopharma AD	3JR	pharmaceuticals	459 031	3.62	-6.6% ▼	-6.6% ▼	5 868.14	24.0	1.2	0.5	7.9	0.9
Sopharma Properties REIT-Sofia	6S6	REITS	54 815	3.49	1.9% ▲	1.9% ▲	232.01	11.1	1.7	5.7	13.0	9.5
Sopharma Trading	SO5	pharma trading	179 266	5.45	-1.8% ▼	-1.8% ▼	110.66	13.6	2.7	0.3	16.9	0.5
Sparky Eltos AD-Lovech	SL9	machinery	14 911	0.89	-1.0% ▼	-1.0% ▼	30.57	-	0.3	-	-	-
Stara Planina Hold AD	5SR	conglomerates	86 100	4.10	-4.7% ▼	-4.7% ▼	56.22	11.7	1.1	0.5	1.8	0.3
Synergion Holding AD	6S7	conglomerates	21 847	1.19	-0.8% ▼	-0.8% ▼	155.11	neg	0.1	0.1	11.6	0.3
Toplivo AD	3TV	commerce	27 084	5.00	0.0% -	0.0% -	29.71	85.2	0.3	0.1	11.5	0.3
Trace group Hold AD	T57	infrastructure	150 040	6.20	-0.5% ▼	-0.5% ▼	289.15	12.1	1.6	0.4	6.4	0.4
Yuri Gagarin PLC-Plovdiv	4PX	industrials	42 162	42.00	5.7% ▲	5.7% ▲	33.75	75.3	0.7	0.4	8.2	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
Formplast AD	4F8	+ 20.00%	Petrol AD	5PET	-45.65%
Energo Pro Sales	4ES	+ 16.00%	ERG Capital-3 REIT	5ER	-20.00%
Holding Nov Vek	6N3	+ 12.50%	Industrial Capital Holding AD	4I8	-12.50%

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

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