

BSE ticker: OSP
 Bloomberg: OSP BU

Stock price: 17.80 BGN
 Market capitalization: 79 149 480 BGN
 1 year change: +9.8%
 1 year price range: 16.05-17.80 BGN

Intrinsic value: 30.89 BGN
 Recommendation: Buy
 Price target: 20.09 BGN

Valuation Ratios

Enterprise Value	81 111 000
Dividend Yield - Gross	5.8%
Trailing P/E (ttm)	9.55
Forward P/E (2013)	9.11
PEG Ratio (1yr expected)	1.39
Price/Sales (ttm)	5.62
Price/Book (mrq)	1.42
Enterprise Value/Revenues (ttm)	6.57

Profitability and Growth Ratios

Return on Equity	58.9%
Return on Assets	32.8%
EBITDA Margin	21.7%
Net Profit Margin	14.5%
Revenue Growth*	21%
EPS Growth*	21%
Capital Growth*	25%
Assets Growth*	22%

*on yearly basis

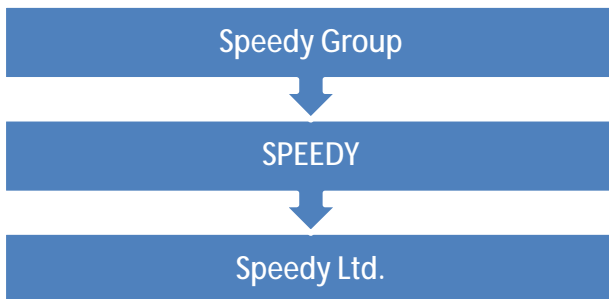
- Speedy is a leading Bulgarian company in the market of door to door courier services. Since its foundation in 1998, the company has established itself as a leading courier company with a 19% market share and 37% share in courier services sector in the country.
- Since November 2010 Speedy is an exclusive partner with the European shipping company DPD in Bulgaria, which extends its supplies by land transport in Europe as well as the delivery services worldwide.
- Other specific feature of the company's sales is the importance of corporate customers under contract, who form more than 80% of the total revenues. Less than 10% of the revenues are due to the individual clients of Speedy. The 10 largest clients of the company contribute to less than 10% of company's turnover.
- During the last two years the EBITDA margin (earnings before interest, taxes, depreciation and amortization) has remained at a stable level of 21.5%. The change in amortization has led to a slight increase in the level of net profit margin, which exceeds 14% for the past twelve months.
- Speedy paid dividend of BGN 2.98 per share at the end of May. The company also made a stock split and increased its number of share three times. This is expected to improve liquidity. The trading is already improving as number of investors is gradually increasing. We expect that a continuation of the free-float increase and the investors' interest will lead to inclusion in main indices.
- The stock is attractive for a long-term investment as it is seen from the big difference between the two valuation models – the comparison to sector and the discounted cash flows. A major problem remains the low liquidity, which will improve gradually in the future. However, the growing interest and the number of new investors show the potential of Speedy to be among the most traded Bulgarian shares. For this reason the price target till the end of the year is BGN 20.09., which is the valuation based on the multiples of the sector.

28 new offices are open through the Speedy parcels shop (SPS) program.

Company overview

Speedy is a leading Bulgarian company in the market of door to door courier services. Since its foundation in 1998, the company has established itself as a leading courier company with a 19% market share and 37% share in courier services sector in the country. Its main competitor Econt Express possesses lower market shares.

Structure of the economic group



The public company is SPEEDY and since the year end of 2012 it is traded on BSE – Sofia. Its subcontractor is Speedy Ltd, which is 100% owned by the public company. Speedy Ltd. is engaged in the courier business, sorting and transport of the consignments. SPEEDY on the other hand, is responsible for the sales and administrative activities. Speedy Ltd's revenues are formed entirely of its subcontractor's role. SPEEDY began its operations in February 2005 and since then it has a license for transportation services. The company is registered with the Communications Regulation Commission (CRC) as operator of non-universal postal services (NPS). Since 2005 Speedy is a certified company under the quality standard ISO 9001:2000, later replaced by ISO 9001: 2008.

Market penetration

Speedy has 100% coverage of the country to carry out its activities. The company has over 86 offices. Moreover, a program for expansion of the presence in small towns, through a partnership network, which shall enhance small shipments, while maintaining service costs low, is currently implementing. So far,



Since November 2010 Speedy has been an exclusive partner with the European shipping company DPD in Bulgaria, which extends its supplies by land transport in Europe as well as the delivery services worldwide.

The core business of Speedy is offering door to door delivery services and they hold more than 95% of the revenues for the past three years. Company's strategy is focused on servicing the transport and logistics activities of its corporate clients. The majority of the goods carried are shipments up to 6 tons. This explains the excellent sales growth rate of Speedy, despite the economic stagnation in the country. Prospects for expansion activities are high, as the company focuses on servicing the transport activities of their customers.

Transport outsourcing to specialized company as Speedy leads to cost optimization and it is expected this activity to grow at very high rates in the country. Weak economic growth underlies companies to use costs reducing policy for transportation. Speedy is corporation specialized in this service and its investments in infrastructure and vehicles allow it to increase its penetration on the market.

Additional services

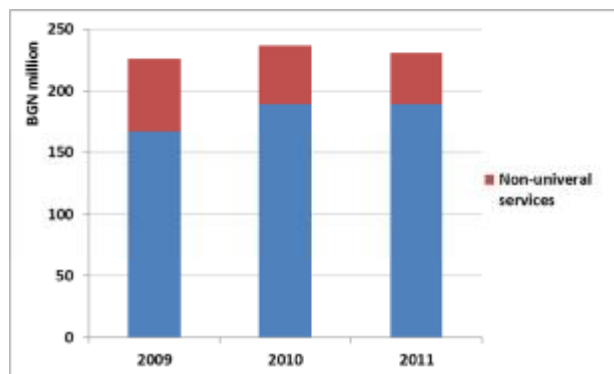
Supply of small courier consignments as letters and documents is additional activity to corporate clients servicing. They are not the main focus of Speedy's investments. However, it complements the services offered, along with others such as cash on delivery, advice of delivery and return of documents, fixed time of delivery, packaging and more.

These services still have a lower contribution to revenues. However, it is expected that they will increase with the opening of the SPS-points for the acceptance and delivery of shipments. The program of developing the office network SPS (Speedy parcels shop) started in late 2012 and is currently in its stage of selecting the submitted offers for partnership contracts. Each office will receive process and store shipments. Speedy's clients would be able to send and receive packages on competitive prices through the partnership. The remuneration of Speedy's partners will be formed from the consignments processed and each of the partners will provide the area for the office. Speedy will invest about BGN 1 million for equipment and training of its partners under the program and currently it is planned to open 100 new SPS-points.

The international shipments of Speedy have increased following the established partnership with DPD. The share of international shipments in total revenues is increasing by 1 percentage point per year and the international market takes 8.6% of the company's sales in the first quarter of 2013. The maximum weight per shipment, serviced through DPD is 31.5 kg and Speedy plans to provide its customers opportunities for larger shipments in the future. The company is developing a new service. Pallets are standardized packaging with dimensions of 1.2x1.2x0.8 m, allowing the clients to prepare the shipment before the arrival of the courier. The main advantage of the pallet service is the attractive price, as Speedy is optimizing transport and storage capacity. The service has lower costs for the company.

The largest part of revenues came from corporate clients of Speedy. They have yearly contracts for the courier services and are generating 80% of sales. Speedy has the reputation of quality services. The company has a flexible price policy, thus maintaining its profitability.

Postal services market



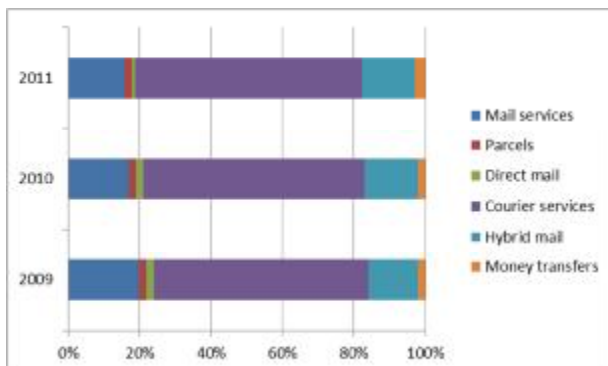
The postal services market is fragmented among a large number of participants. However, the top 15 companies carried over 90% of the deliveries. Speedy is a leading company in the NPS with a market share around 20% and almost 15% of the total market for postal services. It should be noted that Speedy is not presented on the market of universal postal services (UPS), which is mainly occupied by the state-owned Bulgarian Posts. Speedy's main competitor is Econt Express Ltd, which possess a similar market share but is focused on small shipments and deliveries from and to individuals.

Market data in Bulgaria shows that there is a steady downward trend in the universal postal services. The segment is displaced by non-universal postal services. For the period 2009-2011, universal postal services declined 29% in revenues to BGN 41.6 million per annum. Their share fell at the expense of an increase in non-universal postal services, which according to the latest data, hold 82% of the postal services in the country. Speedy is not gaining market share from the contraction in revenues of Bulgarian Posts, due to the fact that the services overlap of the two companies is very low.

Deliveries abroad

The volume of courier shipments from and to Bulgaria has increased in 2011 by 8.3% and the revenues from them were 7.6% higher according to research company Gallup International. Deliveries are growing faster than the economy, which is a clear sign that the international trade is shifting toward online commerce. Moreover, this sector will continue to improve faster than the aggregate consumer demand. Export-oriented industries are also growing faster.

According to data analysis, the number of international shipments was over 367 thousand, which is more both as reported in 2010 and during the strong market for courier services in 2007. The average price per shipment compared to 2007 declined, although only in small degree. The domestic market is also growing at a similar pace, driven by the outsourcing of transport services and by the growth of electronic commerce which is already estimated at BGN 1.5-2 billion per annum.



The courier services hold an increasingly larger share in the postal services structure and reached 64% of the total revenues in the sector. The regulator registered an increase in the number of delivered courier shipments during 2011 but also a decrease in revenues due to shift in demand from more expensive and express services to slower but cheaper ones for the client.

The second largest segment is mail services, with 16% of the postal market. They reported a decline in revenue and number of deliveries by about 6% in 2011. A similar market share has the "hybrid" mail, which is the printing and distribution of bill statements to the address of utilities consumers. Its market

share is almost unchanged in 2011, having previously been characterized by a stable growth. Money transfers accounted for 3% of the market, while the parcels and direct mail advertising have the smallest market share.

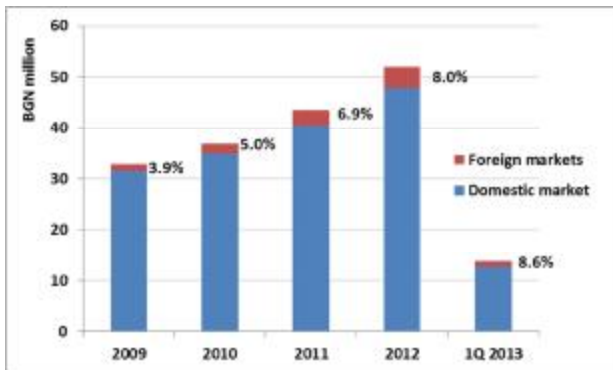
Market trends show several persistent patterns. The first one is the importance of NPS for the market of postal services development and particularly for courier services. The demand for universal postal services gradually fall at the expense of the advent of Internet technology and the conditioned by services such as hybrid mail, e-commerce and more.

Main problems and prospects for couriers

The influence on the courier services market is mostly determined by the deteriorating of the market conditions due to the financial difficulties in Greece and the effects of the crisis in the EU. Poor transport infrastructure and high fuel prices have a direct impact on the courier companies' costs. Speedy implemented a fuel tax on its clients, thus limiting the negative effect on its profits.

Last year the larger companies in the sector have planned to expand their operations and to optimize costs through new investments. Small companies' plans have been mainly focused on reducing activities and cost reduction through layoffs, payment cuts or reduction of access points. This trend is likely to remain in 2013, as the economy isn't growing. Slow export growth helps courier companies that offer more and more flexible logistics solutions, primarily focused on corporate clients and their business partners. The domestic market for postal services will be stimulated by the growth of e-commerce, while this segment remains with low profit margin.

Financial Analysis

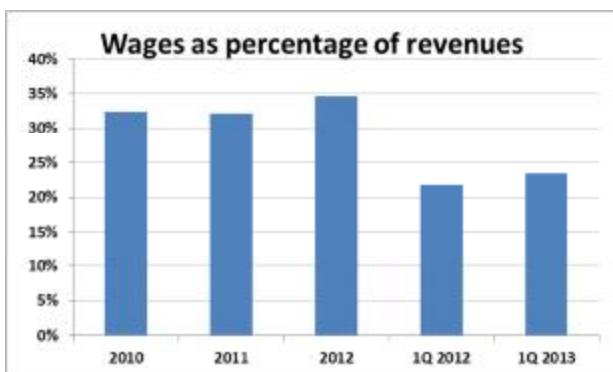


*Source: Speedy

The shipments outside Bulgaria are becoming more important for Speedy's revenues. Data show that since 2009 the external markets have multiplied its importance to 8.6% of total sales. The company does not report any change in its activity by regions as it corresponds to the economic activity. Other specific feature of the company's sales is the importance of corporate customers under contract, who form more than 80% of the total revenues. Less than 10% of the revenues are due to the individual clients of Speedy. The 10 largest clients of the company contribute to less than 10% of company's turnover. There is not a significant concentration of risk which can lead to sharp drop in revenues in case of economic deterioration.

Employment costs

The employees of Speedy are more than 1100 people.



*Source: consolidated reports of Speedy, data for 2010 are adjusted

85% of the employees of the group are responsible for the transportation and the shipments. They are employees in Speedy

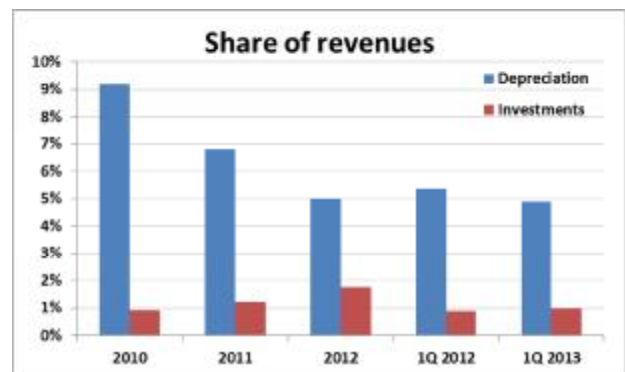
Ltd. In recent years the costs paid on a consolidated basis are increasing as a share of total revenue. The graph shows lower share in the first quarter of the year because of the irregularity in the bonus payments in the middle and in the end of the year.

The increase in costs is linked to the employees' improving performance. The payment is expected to be in the range of 35% of revenues, which is an optimal level for the current annual revenue growth.

Service quality and reclamations

The number of shipments in 2012 exceeded 7.47mln. Valid reclamations during this period totaled 1001, mainly delays in delivery that don't bear the risk from claims on reclamations. Commissions for insurance premium on the cargo exceed the reclamations' costs and Speedy have net income from insurance of its deliveries.

Depreciation and investments



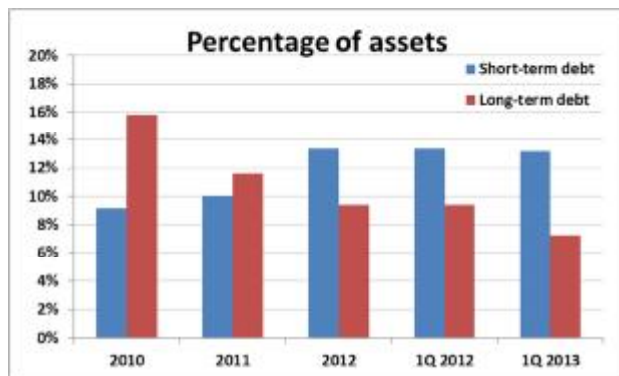
*Source: consolidated reports of Speedy, data for 2010 are adjusted

The level of depreciation as a percentage of revenue is 5%. For long-term tangible assets the percentage is much higher –around 30% because of the significance of automobile transportation in the company's assets. Their depreciation costs are high. Despite the increase of tangible assets in 2012 there is a decrease in depreciation due to the extended periods for automobiles' depreciation and to the increasing density of the transportation courses.

This year the investments in tangible assets will increase due to the end of the useful life of a large part of the automobiles. Speedy will use electric cars in cities for courier deliveries. The high price of electric automobiles is offset by the reductions in fuel con-

sumption and parking costs. The provided funds for the company's investment program are considerable. Speedy will invest up to BGN1mln. in development of the partnership network and additional funds will be provided for an automobile park, warehouses and for information technologies. In the next two years two third from the provided investments will be for purchases of automobiles.

Debt structure



*Source: consolidated reports of Speedy, data for 2010 are adjusted

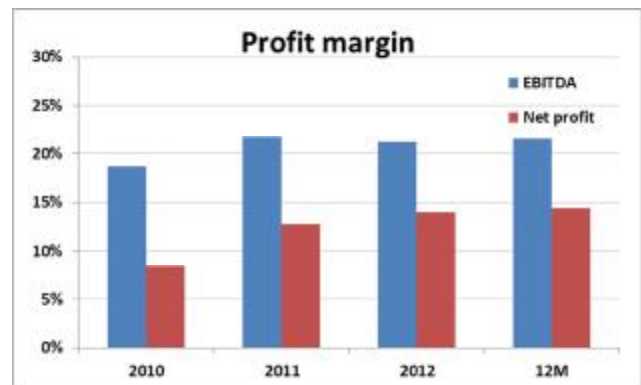
Liabilities to leasing companies increased 30% last year. They represent about 20% of the assets and the company does not have difficulties in servicing its loans. The operating profit in the first quarter of the year is 50 times larger than the interest payments for the period. This ratio is improving significantly.

The trend of gradual decrease of debt to equity ratio will continue over the next few years as Speedy reports big profit. The goal of the management of the company is not to repay all its bank loans as the effect of leverage on borrowings improves the return on equity.

Profit margin

During the last two years the EBITDA margin (earnings before interest, taxes, depreciation and amortization) has remained at a stable level of 21.5%. The change in amortization has led to a slight increase in the level of net

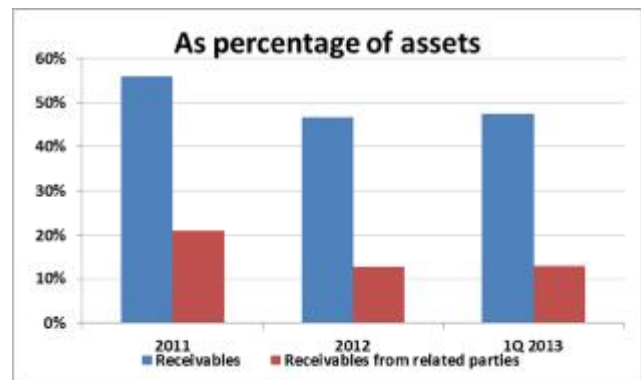
profit margin, which exceeds 14% for the past twelve months.



*Source: consolidated reports of Speedy, data for 2010 are adjusted

Receivables

The receivables of the company are around 1%, which are collected by an external company. There is no risk in increasing of the receivables in Speedy's operating activity.



*Source: Speedy

The loans to affiliates or related parties are also part of these receivables. At the end of the first quarter they represent an investment loan to Bulprom Gas Ltd. amounted to BGN 3.262 mln at an annual rate of 10%. The loans to affiliates decreased significantly since Speedy has become public company and the trend will continue.

Valuation ratios

Table 1
Multiples

	2011	2012	12M	2013
Current Price	51.50	51.50	17.80	17.80
Number of Shares	1 482 200	1 482 200	4 446 600	4 446 600
Market Capitalization	76 333 300	76 333 300	79 149 480	79 149 480
Net Profit	6 110 000	7 671 000	8 292 000	8 684 137
P/E	12.49	9.95	9.55	9.11
Equity	8 434 000	10 581 000	14 081 000	14 923 069
P/B	9.05	7.21	5.62	5.30
Sales	38 948 000	47 567 000	57 016 000	59 890 600
P/S	1.96	1.60	1.39	1.32
EV	78 687 300	78 220 300	81 111 480	78 019 412
EBITDA	10 355 000	11 594 000	12 349 000	12 577 026
EV/EBITDA	7.60	6.75	6.57	6.20
RoE	72.44%	72.50%	58.89%	58.19%
RoA	29.23%	29.96%	32.82%	29.00%

Source: Speedy
Calculations and forecasts: ELANA Trading

The table shows the change in the valuation ratios of Speedy during the last two years. There is an improvement in all indicators because of the growth of the company's operations. The ratios are representing the good profitability of Speedy and the attractive valuation of the company. **EV/EBITDA is at level, which would attract substantial interest of acquisition by a foreign company.** According to the majority owner this is possible exit scenario. The price/book ratio is high relative to the Bulgarian market. However it is not a good indicator for the company's valuation because of the extraordinary high rates of return on equity and on assets. Our forecast for 2013 is based on the conservative expectations for revenues to grow by 10% and to maintain current profit margin. **With forecasted profit for 2013 and P/E – 10, the Speedy's stock price corresponds to 19.50 in the year end.**

Comparison to peers

Speedy's activities are not including transportation and delivery of big international freights. This leads to smaller capital requirement and the main part of the investments are focused on light commercial vehicles.

Table 2
Comparison to peers

Mutiples	P/E	P/B	P/S	EV/EBITDA
Median	17.35	1.63	0.59	7.20
Market Capitalization	143 890 595	22 979 277	33 910 779	86 916 587
Price	32.36	5.17	7.63	19.55
Weight	35%	15%	15%	35%
Current Price		17.80		
Fair Price		20.09		
Premium (Discount) to Current Price		12.84%		

Source: Bloomberg
Calculations: ELANA Trading

The fair stock price of Speedy with current financial results is BGN 20.09 or 13% above than the current price. We are giving more weight to P/E and EV/EBITDA ratios because they represent more accurately the ability

of the company to generate cash flows for its shareholders. The P/B ratio is not a good indicator for Speedy because the company does not operate with big and expensive transportation vehicles such as airplanes, which are included in the balance sheet and require significant amount of equity. The prices derived from P/B and P/S comparison are very small. We consider Speedy as an attractive company according to EV/EBIDTA. In the comparison we are taking into consideration the median of the multiples of companies in the sector of courier deliveries some of which are world leaders.

Discounted Cash Flows

The model of discounted cash flows is indicative of the company's future development because it includes the outlook for growth in sales and profits.

Table 3, Discounted Cash Flows

Speedy												Terminal
<i>BGN'000</i>	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Year	
EBIT	8 984	10 062	11 068	12 986	14 025	14 867	15 610	16 234	16 803	17 391	17 999	
EBIT(1-T)	8 085	9 055	9 961	11 688	12 623	13 380	14 049	14 611	15 122	15 652	16 199	
Add: D&A	3 593	4 025	4 427	4 058	4 383	4 646	4 878	5 073	5 251	5 435	5 625	
Less: Investments	2 695	3 354	1 476	2 029	2 630	3 717	4 878	5 073	5 251	5 435	5 625	
Less: Change NWC	550	180	168	184	162	131	116	98	89	92	98	
FCF	8 433	9 547	12 745	13 532	14 213	14 178	13 933	14 513	15 033	15 560	16 101	
PV FCF	7 969	8 054	9 600	9 101	8 535	7 602	6 670	6 203	5 737	5 302		
Sum of PV FCF	74 774											
PV of Continuing Value	64 545											
Total PV Free Cash Flows	139 319											
Less: Outstanding Debt	5 170											
Plus: Financial Assets	3 208											
PV of Equity	137 357											
Number of Shares	4 447											
Price Per share	30.89											
			WACC									
				SA								
					Growth Rate							
					2.0%	3.0%	3.5%	4.0%	5.0%			
				10.0%	35.92	38.67	40.36	42.34	47.47			
				11.0%	31.83	33.81	35.00	36.35	39.74			
				12.0%	28.57	30.03	30.89	31.86	34.21			
				13.0%	25.90	27.01	27.65	28.36	30.05			
				14.0%	23.68	24.53	25.02	25.56	26.81			

Calculations: ELANA Trading

When constructing the model of discounted cash flows we assume very conservative expectations: a peak revenue growth of 12% in the next year and profit margin, which corresponds to the current levels. The company is grabbing very good opportunities for development and there are bright perspectives during the economic upswing in Bulgaria. Despite the moderate projections for its operations, Speedy will generate significant cash flow for its shareholders. The fair price based on this model is BGN 30.89. The discount rate is 12%, which reflects the higher risk of the company's size.

Recommendation and Price Target

Recommendation: The stock is attractive for a long-term investment as it is seen from the big difference between the two valuation models – the comparison to sector and the discounted cash flows. A major problem remains the low liquidity, which will improve gradually in the future. However, the growing interest and the number of new investors show the potential of Speedy to be among the most traded Bulgarian shares. For this reason, the price target until the end of the year is BGN 20.09., which is the valuation based on the multiples of the sector.

BUY

Target Price: 20.09 BGN

Increase: 13%

Financial Data

Statement of Income (in '000 BGN)	2010	2011	2012	1Q 2012	1Q 2013
Sales	39 443	47 792	54 493	12 047	14 617
Production expenses	19 389	22 906	24 617	5 539	6 524
Personnel expenses	12 775	15 384	18 857	2 620	3 426
Net income from financial activities	70	799	468	94	78
Other revenues and expenses	0	54	31	8	0
EBITDA	7 349	10 355	11 518	3 990	4 745
Depreciation	3 627	3 247	2 733	646	713
EBIT	3 722	7 108	8 785	3 344	4 032
Interest expense	0	304	307	81	79
Pretax income	3 722	6 804	8 478	3 263	3 953
Taxes	396	694	864	326	395
After-tax income	3 326	6 110	7 614	2 937	3 558
Minority interest	0	0	0	0	0
Net income	3 326	6 110	7 614	2 937	3 558
Earnings per share in BGN		4.12	5.14	1.98	0.80

Balance Sheet (in '000 BGN)		2011	2012	1Q 2012	1Q 2013
Total Assets	18 999	20 900	25 692	25 692	25 263
Equity subscriptions receivable	0	0	0	0	0
Fixed assets	6 094	6 039	8 835	8 835	8 997
Tangible fixed assets	4 863	4 639	8 251	8 251	8 394
Financial investments	0	0	0	0	0
Current assets	12 905	14 861	16 857	16 857	16 266
Inventory		438	556	556	568
Receivables		11 672	12 016	12 016	12 016
Financial assets		0	0	0	0
Cash and cash equivalents		2 169	3 956	3 956	3 208
Total liabilities + equity	18 999	20 900	25 692	25 692	25 263
Equity	7 865	8 434	10 523	10 523	14 081
Registered capital	7 865	1 482	1 482	1 482	1 482
Capital funds	0	348	348	348	348
Earnings	0	6 604	8 693	8 693	12 251
Liabilities	11 134	12 466	15 169	15 169	11 182
Long-term payables	0	0	0	0	0
Long-term bank loans	1 743	2 094	3 439	3 439	3 336
Short-term bank debt	3 007	2 429	2 409	2 409	1 834
Short-term payables	6 384	7 943	9 321	9 321	6 012
Other liabilities	0	0	0	0	0
Working capital	3 514	4 489	5 127	5 127	8 420

Cash Flow Statement (in '000 BGN)	2010	2011	2012	1Q 2012	1Q 2013
Net income	3 326	6 110	7 614	2 937	3 558
Depreciation	3 627	3 247	2 733	646	713
Changes in Working capital			638	0	3 293
Other operating cash flow items			(2 612)	(1 061)	(3 728)
Net cash from operating activities	3 788	7 530	8 373	2 522	3 836
Capital expenditures	(357)	(588)	(952)	(106)	(141)
Other investing cash flow items	0	0	494	56	223
Net cash from investing activities	(357)	(588)	(458)	(50)	82
Issuance/ Retirement of Stock, Net		0	0	0	0
Issuance/ Retirement of Debt, Net	(212)	(88)	(1 189)	(1 889)	(694)
Dividends paid	(650)	(3 671)	(5 013)	0	0
Other financing cash flow items	(1 892)	(2 772)	74	(793)	(3 972)
Net cash from financing activities	(2 754)	(6 531)	(6 128)	(2 682)	(4 666)
Net change in cash	677	411	1 787	(210)	(748)
Beginning-of-period cash	946	1 758	2 169	2 164	3 956
End-of-period cash	1 623	2 169	3 956	1 954	3 208
Cash per share		1.46	2.67	1.32	0.72

Financial and Performance Indicators	2010	2011	2012	1Q 2013
Valuation Ratios				
Price/Earnings (P/E)		12.49	10.03	9.61
Book Value (BV)		5.69	7.10	3.17
Price/Book (P/B)		9.05	7.25	5.62
Sales Per Share		32.24	36.76	12.83
Price/Sales (P/S)		1.60	1.40	1.39
Price/Cash per share		8.16	7.38	7.17
EV (in BGN)		78 687	78 225	81 111
EV/Sales		1.65	1.44	1.42
EV/EBITDA		7.60	6.79	6.61
EV/EBIT		11.07	8.90	8.56
Liquidity				
Current ratio		1.43	1.44	2.07
Quick ratio		1.39	1.39	2.00
Debt Management				
Debt to total assets	0.59	0.60	0.59	0.44
Interest coverage		23.38	28.62	31.06
LT Debt/Equity	0.22	0.25	0.33	0.24
Total Debt/Equity	1.42	1.48	1.44	0.79
Asset Management				
Inventory turnover		109.11	98.01	100.46
Days sales outstanding		88	79	76
Fixed asset turnover	6.47	7.91	6.17	6.34
Total asset turnover	2.08	2.29	2.12	2.26
Profitability				
Profit margin on sales	8.4%	12.8%	14.0%	14.4%
EBITDA margin	18.6%	21.7%	21.1%	21.5%
Basic earning power	19.6%	34.0%	34.2%	37.5%
Return on assets	17.5%	29.2%	29.6%	32.6%
Return on equity	42.3%	72.4%	72.4%	58.5%
Return on investments	34.6%	58.0%	54.5%	47.3%
Dividend Information				
Dividend Yield		7.3%	5.8%	
Dividend per share		3.74	2.98	
Number of shares:				
		1 482 200	1 482 200	1 482 200
Price in BGN - period end:		51.50	51.50	51.50
Market cap in BGN - period end:		76 333 300	76 333 300	76 333 300
				79 149 480

Disclaimer

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BUY	More than 5% higher as compared to SOFIX and BG40 performance
HOLD	Market performance, +/-5% as compared to SOFIX and BG40
SELL	More than 5% lower as compared to SOFIX and BG40 performance

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For more information, please contact:

Research analyst
Tsvetoslav Tsachev

Phone:
+359 2 810 00 23

E-mail:
tsachev@elana.net

Internet:
www.elana.net