

<u>Recommendation</u>	<u>Previous</u>	<u>From date</u>	<u>52-week target</u>
Market Perform	Market Outperform	16 July 2008	BGN 6.13

Monbat

Business Summary

Monbat is the largest producer of lead-acid car batteries in Bulgaria. Its product range includes batteries for both civil and military applications. The company was established in 1959 in Montana as a self dependant factory for starter batteries. "PRISTA OIL" – Sofia acquired the company in 1998.

Monbat is specialized in the production of the following types of batteries:

- starter batteries (including semi-traction batteries);
- stationary batteries;
- locomotives batteries;
- semi-traction batteries;
- batteries for special purposes.

The most profitable product group, however, are starter batteries. Monbat is constantly aiming at increasing the quality of its production and widening its product range at the same time. After the IPO in 2006, Monbat became a public company with 24% free float.

Current Market Activity

The current liquidity of Monbat is better then the rest of liquid positions but remained subdued as compared to the traded volumes last year. The stock dividend and the forth shares buy-back procedures improved the volumes but couldn't support the price. The price found some support around BGN 6.00 but the overall market weakness also reflected on Monbat. The market is ignoring any positive news like solid third quarter report despite the weakening lead prices. Monbat is under the negative influence of the recession fears but the heavy decline of lead price on international market is the primary source of concern due to the impact on revenues and profits. The minor hurdles from the delay of Serbia's project for recycling facility were aside of the market attention.



Financial Summary

The non-consolidated report for the third quarter showed lower sales as compared to the second quarter. The total revenues improved on yearly basis due to the higher sales of lead and alloys to the subsidiary in Dobrich and machines to the plant in Serbia. The fourth quarter of last year was very strong but it is likely that this year revenues and margins will fall.

Valuation Ratios

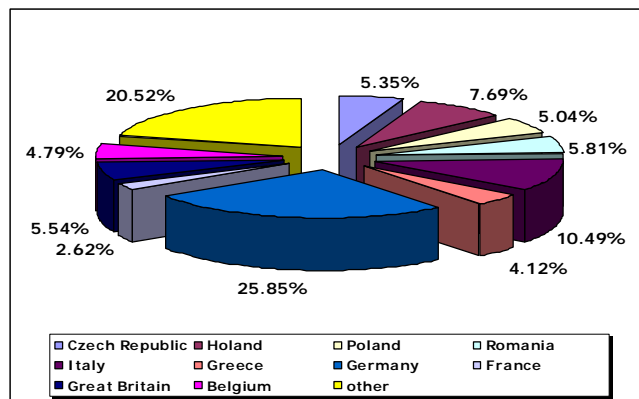
Enterprise Value	173 150 000
Dividend Yield - Gross	3.8%
Trailing P/E (ttm)	6.73
Forward P/E (2009)	6.70
PEG Ratio (1yr expected)	0.12
Price/Sales (ttm)	0.99
Price/Book (mrq)	1.72
Enterprise Value/Revenues (ttm)	1.08
Enterprise Value/EBITDA (ttm)	5.67

Profitability and Growth Ratios

Return on Capital	26.83%
Return on Equity	25.61%
Return on Assets	18.13%
EBITDA Margin	19.08%
Net Profit Margin	14.65%
Revenue Growth	61%
EPS Growth	126%
Capital Growth	28%
Assets Growth	36%

Market Position

87% from the production is intended for export. Germany is on the first place with 25.85%, which is 2.22 percentage points above the last year. The main German client is Panther, which set up 13.33% from Monbat's revenues for the first nine months of the year. The main advantage of Monbat is the diversified market structure as the negative impact on sales from deterioration of any country is offset by strength of the others. Monbat don't have contracts with car producers and is offering its products throughout the local distributors of automotive batteries, thus maintaining better profit margins. The products of Monbat have slightly lower prices than the car batteries of larger producers.



Source: Monbat

Investment Program

Monbat's investment program in the past several years was mainly aimed at:

- modernization of existing plants and machinery in order to increase production capacity and to suit environmental requirements;
- building, reconstruction, modernization of factories for recycling in order to reduce material expenses.

The company plans increasing the production capacity and reaching a capacity of 3 100 000 starter batteries per year until July, 2009 as compared to 1 200 000 in 2006.

2008		BGN ' 000
Increasing production capacity		2 400
Modernization of the production in Monbat and Start		1 900
Doubling the prod. cap. for telecommunication, stationary batteries		1 100
Factory for old acumulators batteries recycling in Republic of Serbia		7 000
Factory for old acumulators batteries recycling in Republic of Romania		13 400
Modernization and increasing the prod.cap. of the factory in Montana		2 400
Establishment of a new company in Dobrich		10 000
Attracting new young engineers		1 000
	Total	39 200
2009		
Increasing production capacity		14 000
Establishment of a new company in Dobrich		11 000
	Total	25 000
2010		
Establishment of a new company in Dobrich		10 000

Source: Monbat

The production capacity for telecommunication and stationary batteries will be doubled to 200 000 until the end of 2008. Monbat forecasted establishment of a new company in Dobrich for production of traction batteries for electric trucks which will produce 250 000 elements in 2009. During the two following years the capacity will reach 750 000 elements. The new company could become public in 2010.

All needed financing will be acquired through bank loans /up to BGN 16 m/ and own resources, leasing and/or bond issue /BGN 48.2 m/. Monbat's preferable source of financing is the leasing. Recently, Monbat leaded a GMS with main item in the agenda profit allocation decision. The company distributed part of its profit as dividends to the shareholders and the rest of the profit for increase of the capital.

Lead Price

The price of lead is correlated with sales as it represents the main part of the production costs. In addition, the LME quotes are the base for the pricing of car battery scrap that Monbat is purchasing. The company is planning to increase the recycled lead to total resource utilization from 38% in 2007 to 60% and 75% in 2008 and 2009, respectively. Despite the solid increase, the use of recycled lead won't cover all needs in longer term as Monbat is planning to use 40% more lead and lead alloys annually in 2008 and 2009. The lead price fell to the levels of 2005 and remains in the downward trend.

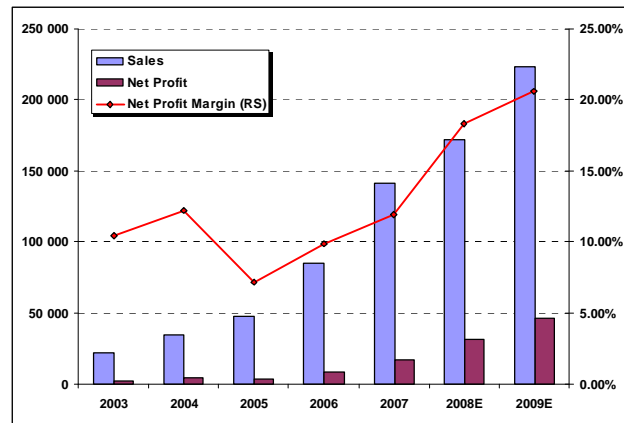


Source: Bloomberg

Forecasts

The forecasted sales and profits from Monbat are based on the lead price of 2500 and 2000 USD per metric ton for 2008 and 2009. The average price per ton continued to decline during the third quarter. Growth rates of Monbat decelerated. The period is seasonally the weakest but we expect that the revenues from car batteries will be hurt. Some downward revisions of revenues and profits are imminent as Monbat's projections will reflect the lower lead price.

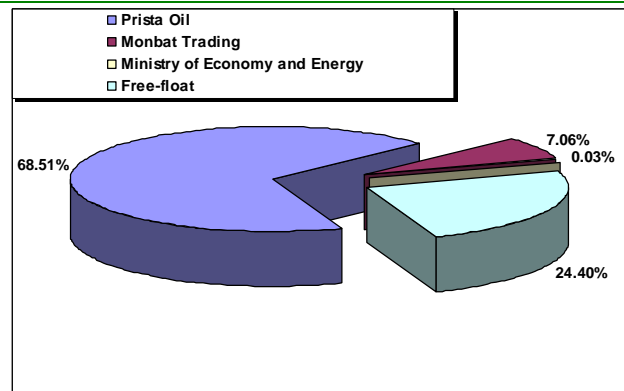
The net profit margin is improving during the last two years and is expected to continue to as the new recycling facilities in Serbia and Romania will increase their production next year.



Source: Monbat

Ownership

After the establishment in 1959 the company was merged with several other factories, until it was organized as a state company under the name PIMA. In the 90's the battery plant was separated from the PIMA state company and was renamed to "Akumicar". In 1998 PRISTA-OIL – Sofia acquired "Akumicar" and renamed it to "Monbat". Recently, PRISTA-OIL owns 68.51% from Monbat's capital, followed by Monbat Trading with 7.06%. Both are related entities and their total share in Monbat amounts 75.57%.



As of 3Q 2008
Source: Monbat

Financial Situation

The respectable growth of Monbat during the last several years raised the questions of the financial stability and the risks for the company's solvency. Moreover, such growth could result to significant changes in the balance sheet structure.

Liquidity	2003	2004	2005	2006	2007
Current ratio	3.43	2.82	3.79	6.16	4.73
Quick ratio	1.83	1.56	1.76	3.42	2.06
Days Receivables Held	105.34	78.38	86.22	73.24	62.05
Days Inventory Held	95.25	103.78	129.06	111.47	105.94
Days Payables Held	95.48	65.71	59.88	40.07	24.46

The increase of sales didn't result to deterioration of the company's liquidity ratios. On the contrary, Monbat showed solid improvement in 2007 as compared to the years before the IPO. Days receivables held fell to 62, which represent two months from the delivery to the payment by clients. Monbat is also decreasing the period for its payments, which is characterizing the stable financial situation of the company.

Debt Management	2003	2004	2005	2006	2007
Total Liabilities / Total Assets	33.8%	38.2%	47.9%	13.7%	29.9%
LT Debt / (LT Debt + Share Equity)	24.3%	25.2%	36.7%	2.3%	18.4%
LT Debt / Share Equity	32.1%	33.6%	57.9%	2.3%	22.6%
Operating Cash Flow to Total Liabilities	49.8%	67.4%	22.7%	111.5%	62.5%
Interest Coverage Ratio	9.94	18.15	6.57	8.01	26.16

Liabilities decreased in 2006 after the IPO as Monbat covered its debts. However, this was temporarily and the company continued to implement its investment program. The capital raised from the IPO and the solid net profit improved the debt to assets structure and the interest payments are not burden for the company. Moreover, bank loans and leasing are the source for financing of the investment program. Monbat is not planning to increase its capital or to issue bonds as leasing is easier and cheaper way to purchase equipment.

Asset Management	2003	2004	2005	2006	2007
Inventory turnover	4.23	3.88	2.77	3.74	3.39
Days sales outstanding	82	104	94	92	67
Fixed asset turnover	1.53	2.01	2.17	3.01	3.39
Total asset turnover	0.82	1.05	0.98	1.20	1.34

The solid growth of sales is increasing the assets turnover ratios. Monbat is making a gradual re-valuation of its fixed assets.

Profitability	2003	2004	2005	2006	2007
Profit margin on sales	10.0%	12.2%	7.2%	9.9%	12.0%
EBIT margin	8.9%	15.6%	10.0%	13.2%	13.9%
Return on assets	9.5%	13.6%	8.4%	13.7%	16.7%
Return on equity	14.4%	20.2%	12.6%	16.4%	21.0%

Profitability margins improved along with the rising sales. The price of lead jumped several times during the last years but the recycling facilities, the strong demand of lead-acid batteries and the pricing policy of Monbat managed to overcome the cost pressure.

SWOT Analysis

Strengths	Weaknesses
Experience in the sector Transparent management System for collecting old batteries Recycling facilities Highly qualified team Capacity increase Strong export orientation and diversified market position	Strong dependence from the lead's price High transportation costs Weakening car market
Opportunities	Threats
Aggressive investment program Rising market share Stable growth rates	Falling lead price on international markets Additional delay of the new factories Competitive pressure

Corporate Action History



- 24 Jul. 2007 Shares of Monbat finished at new historical high after announcement of 2Q report. Profit growth decelerated but sales continued to improve with hefty pace. Volumes traded increased several times.
- 15 Aug. 2007 Monbat announced the implementation of its investment program in 2007. No new information for the market and shares were hardly changed.

Corporate Action History

20 Aug. 2007	Monbat announced preliminary information for sales and profits for July. Growth rates accelerated but shares began to appreciate several days after.
24 Sep. 2007	The management published updated prognosis for the 2007 along with the preliminary data for August. Profit jumped 300% y-o-y for the month. Although the update of forecasts was slightly on the upside, market reacted with huge gains.
08 Oct. 2007	Monbat fell more than 6% due to the general market weakness. SOFIX topped during the previous session and most blue chips posted serious losses.
25 Oct. 2007	Results for September showed another strong month as revenues had been fueled by rising prices of lead. Profit growth accelerated to 400% y-o-y before the seasonally strong fourth quarter. Monbat's shares continued to move higher.
30 Oct. 2007	Monbat announced preliminary quarterly results. The end-month buying sent the price to new all-time high at increased volumes.
15 Nov. 2007	Monbat announced new prognosis for 2008-2009, based on average price of lead of USD 2500 per ton for 2008 and USD 2000 per ton for 2009. Prices began to recover after a series of sell-offs.
26 Nov. 2007	Slightly positive reaction after the announced results for October in the following trading days.
20 Dec. 2007	Large selling orders from institutional investors pushed down the market but liquid positions managed to recover. Shares of Monbat were boosted also by the preliminary results for November and the end-year buying from institutional investors.
22 Jan. 2008	SOFIX collapsed after the huge losses on US and EU markets. Shares of Monbat fell due to the REPO-operations that were forcibly closed. The prices recovered during the following sessions and the lows weren't revisited despite the continuing market weakness.
25 Jan. 2008	Monbat announced the financial results for December, which had little impact during the following two trading sessions.
25 Feb. 2008	The management announced financial results for January and prognosis for the first quarter, which sparked modest price increase of Monbat shares. End-month buying lifted the price temporarily.
20 Mar. 2008	Monbat announced its investment program for 2008 and 2009, which had no positive impact on the shares.
21 Mar. 2008	The company published the agenda for the General Shareholders Meeting, which includes the proposal for stock dividend. The market reaction was positive but only during the following two trading session as the market was under pressure from the losses on developed markets and long liquidation from Bulgarian speculators.
25 Mar. 2008	The announced financial results for February, which confirmed the quarterly prognosis, had little impact on prices.
25 Apr. 2008	The announced financial results for March were close to the expectations. The price of lead continues to weaken.
16 May 2008	The General Shareholders Meeting approved the stock dividend, which provided moderate support for the shares.
26 May 2008	Monbat announced the April financial results, which were influenced by the seasonality of the business and the falling price of lead. The management expects a deceleration of profit growth during the second quarter. Shares were under modest selling pressure.
25 June 2008	Monbat announced the financial results for May. The profit before tax jumped 111% to BGN 2.152 million. Sales increased 68% y-o-y to almost BGN 13 million in May.

Corporate Action History

17 Jul. 2008	The GMS of Monbat has adopted a decision for a reverse buying out of up to 115 380 shares (0.295% from the registered capital). The minimum price will be the minimum price reached on the Bulgarian Stock Exchange on the last day, preceding the particular resolution of the Management Board on the initial date for the reverse buying out. Maximum price will be the maximum daily price reached of May, 29 or BGN 15.042. The battery producer made a solid reverse during the session but the enthusiasm was only for few days.
25 Jul. 2008	Monbat announced the financial results for June. The profit before tax jumped 16.27%. Sales increased 10.97% y-o-y to almost BGN 10.4 million in June. The Management Board prolonged the terms for start of the new factories in Serbia and Romania, and the modernization of the recycling factory in Montana. The news didn't influence the price of Monbat's shares.
30 Jul. 2008	Monbat submitted its non-consolidated 2Q 2008 financial report. The market reaction was positive and provided support in short term.
25 Aug. 2008	In July Monbat announced sales of BGN 12 m or 15.54% up as compared to July 2007. For the first seven months of 2008 the company generated sales of BGN 105.5 m and net profit of BGN 17.8 m or 119.19% up as compared to the same period of 2007. The share received slight market support after the announcement.
01 Sept. 2008	In the period between August 01 – August 29 the company bought back 84 250 own shares at average price of BGN 11.24 per share.
01 Sept. 2008	Monbat announced consolidated 2Q financial report. The net profit amounted BGN 15 m and sales were BGN 84 m. the improved financial results didn't influence the investors and the position continued to trade around BGN 12.00
12 Sept. 2008	The company announced the end of the procedure for reverse buying of 115 380 shares or 0.295% from the company's capital and announced second buying back procedure for another 0.295% of the capital.
25 Aug. 2008	In August Monbat generated sales of BGN 15 m, which represents 39.85% growth as compared to August 2007. The summarized data for the first eight months of the year show that the company's sales increased by 67.07% y-o-y to BGN 120.5 m. The net profit for August is BGN 2.9 m or 44.81% above August 2007. The summarized profit amount BGN 20.7 m. The position stayed around BGN 10.00.
01 Oct. 2008	In the period September 15 – September 30 Monbat bought back 80 800 own shares at average price of BGN 10.29 per share.
15 Oct. 2008	The Minister of Ecology of the Republic of Serbia stopped the implementation of Monbat's project in Injia - Serbia. Technical and procedural omissions of the competent authorities of the self-governing region Vovodina were stated as arguments for the suspension. No remarks related to the ecological and technical implementation of the project had been made.
24 Oct. 2008	The Management Board announced Third buying back procedure for up to 0.366% from the capital at minimum price BGN 6.00.
27 Oct. 2008	In September 2008 Monbat sales improved by 14.43% as compared to September 2007. The summarized data for the first nine months of 2008 showed solidly improve of 59.15% y-o-y. The net profit for September increased by 87.33 % as compared to the same period last year. The non-fulfillment of the prognoses of the management is due to the sharp decrease of the lead price which brought to respective decrease in the sales price of the production. By the present the Management Board will not make any amendments in the annual consolidated prognoses.
30 Oct. 2008	Monbat submitted its non-consolidated 3Q 2008 report.
17 Nov. 2008	The company announced Fourth buying back procedure at lower price limits. The minimum price is set to BGN 4.00. Thus probably will limit the free fall, but wouldn't stop the decline.

Stock Information (BSE Ticker: 5MB; Bloomberg: 5MB BU; REUTERS: 5MB.BB)

Last Price	4.42	Market Cap	172 728 000	1Y Range	BGN 4.15 – BGN 15.90	Average Volume (3m)	25 150
Beta	1.05	1Y Change	-72.16%	SOFIX Change	-80.72%	BG40 Change	-81.84%

Valuation

Monbat is usually traded at higher than average multiples. The extreme growth of sales and profits is the main factor behind the difference to other blue chips. Monbat managed to fulfill and exceed the prognosis made before the IPO in late-2006. However, the huge decline of stock prices has its negative implication on Monbat's valuation as lower multiples of other blue chips make Monbat shares less attractive.

Multiples Analysis

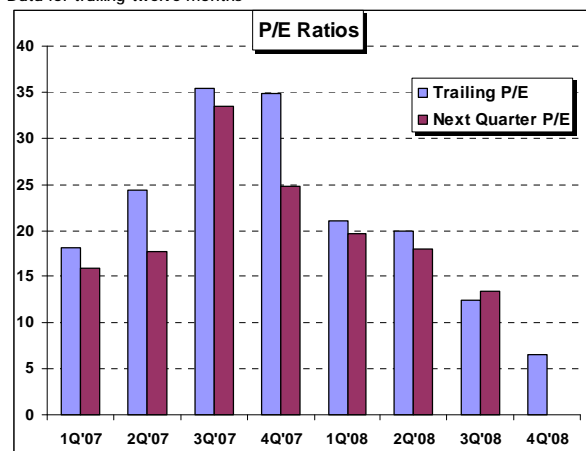
The strong first half of the year resulted to solid improvement of multiples. The slump of lead price is pushing down the revenues as the price of car batteries is bound to the value of the resource. The management expects 30% higher sales in real volumes for both 2008 and 2009 but revenues will likely be undermined by the price of lead. During the second quarter the lead has negative impact on revenues. In addition to the calculations of multiples with the data for 2007 and the period from July 1, 2007 to June 30, 2008, we give our estimations for the total 2008. The calculations for 2008 were adjusted by the lower number of shares after the buy-back. We expect revenues growth to moderate during the fourth quarter of the year.

BGN '000	2007	2Q'08	2008*
Net Profit	16 885	25 366	26 307
EBIT	19 696	28 797	30 730
EBITDA	24 249	33 037	35 730
Sales	141 226	173 150	162 500
Equity	86 760	99 030	106 700
Market Cap	432 900	170 728	170 096
Cash	5 934	2 229	3 500
Debt	24 520	18 689	25 000
EV	190 966	187 188	191 596
P/E	10.21	6.73	6.47
P/S	1.22	0.99	1.05
P/B	1.99	1.72	1.59
EV/EBIT	9.70	6.50	6.23
EV/EBITDA	7.88	5.67	5.36
EV/Sales	1.35	1.08	1.18
P/EBIT	8.75	5.93	5.54
P/EBITDA	7.11	5.17	4.76

*Estimations and calculations: ELANA Trading
Data for trailing twelve months

P/E ratios were above the market averages during the last several quarters. The graph is showing the trailing P/E ratios at the end of each quarter and a comparison to the multiple by financial data for the consequent quarter at the same market price. This gives us the idea for the expectations of investors and the positive surprise.

Since 1Q 2008 trailing P/E ratios at the end of each quarter are very close to those calculated by the next quarter profits. The extreme growth of profits is no longer a factor for Monbat to have higher P/E ratio than the average for the market. The ratio is already very low as compared to the historical performance and the ability of the company to maintain good margins will soon create a floor for the price.



*Estimations and calculations: ELANA Trading

5Y Projections

Monbat managed to increase its profit margins during 2007 and the recycling facilities in Serbia and Romania will contribute for the improvement of EBITDA margin in 2009. The volatile price of lead and the seasonality factors could result to very different margins on quarterly basis. Another factor for uncertainty is the production of traction batteries, which will change the product structure of Monbat but is unlikely that this will diverge seriously from the price of lead.

We decreased our estimations for the sales in mid-term, starting in the fourth quarter. The conservative projections for the quarter and the 5% expected sales growth for 2009 could prove to be precipitated but the lead price slump is too big to be ignored. The lead fell 70% from its last year all-time high. Nevertheless, Monbat is announcing solid increase of revenues during 2008 and at trailing basis sales are above the projected figure for 2008. The management is anticipating a 40% increase of batteries sold for the year.

However, unless the price of lead moves again to the range between 2500 and 3000 USD per ton it is unlikely that revenues will continue to jump by the recent rate. We assumed decelerating growth of sales for 2009 but we expect that the commodities will begin to appreciate again in 2010 and beyond, following the recovery of the global economy and the loose monetary policy. This could sound too far in the future and too uncertain but is our most probable scenario for long-term period. We expect constant profit margins for the years after 2009. Those figures are used for the calculations of discounted cash flows.

The production of lead-acid car batteries is entering a new stage of development. The record high fuel prices are turning the consumers' attention toward small and hybrid vehicles. Large car manufacturers are planning to invest in the development of electric-powered cars, which will be commercially available in 2010-2012. So why we use 20% growth rate in our estimations for 2012? The main reason is that this transition will be gradual and the contractors for car manufacturers will be more affected than the battery market. Even the limited use of a car is only increasing the necessity of a good battery. We believe that any economically lucrative production of traction batteries for electric cars will provide mainly opportunities for Monbat as the company is investing in modern equipment and has broad market positions in Europe.

BGN '000	2007	2008	2009	2010	2011	2012
Sales	141 226	162 410	170 531	204 637	255 797	306 956
Growth	65.55%	15.00%	5.00%	20.00%	25.00%	20.00%
EBITDA	24 249	35 730	35 812	47 067	58 833	70 600
EBITDA margin	17.17%	22.00%	21.00%	23.00%	23.00%	23.00%
EBIT	19 696	30 730	29 812	40 928	51 159	61 391
EBIT margin	13.95%	18.92%	17.48%	20.00%	20.00%	20.00%
Net Profit	16 885	26 307	25 356	34 104	43 312	53 902
Net Profit margin	11.96%	16.20%	14.87%	16.67%	16.93%	17.56%

Estimated data for 2008-2012;
Calculations: ELANA Trading

Discounted Cash Flows

Discounting of the cash flows gives better picture for the price, according to the growth opportunities as the long-term perspectives are not included in the multiples P/E or EV/EBITDA. However, this method has several flaws – it is based on the presumptions for sales and profit margins and the price is very sensitive to the discount factor and the long-term growth rate.

The DCF model is based on our projections for sales and profits for 2008 and 2009 that could be very conservative. However, the uncertain times for the global economy require a cautious approach to estimations.

Afterwards we projected a gradually decrease of growth rates and constant profit margins. However, it is unlikely that the growth will be so smoothly given the recent volatility of lead and lead alloy prices. Growth rates are expected to decelerate to the end of the ten-year period. The projected long-term growth rate is 3% with WACC of 15%. We use higher long-term growth rate

than the average for EU as the lead is the main price factor for lead-acid car batteries. The discount rate was raised and could be even higher as the BSE is very volatile at the moment and investors could be requiring higher risk premium. We also provide a sensitivity analysis. The price per share is between BGN 7.47 and 12.43. This is substantially lower when comparing to our previous DCF model and is due to the decreased sales growth and profit margins.

Monbat											Terminal
<i>BGN'000</i>	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Year
EBIT	29 812	40 928	51 159	61 391	70 600	77 660	83 484	87 658	91 165	94 355	93 899
EBIT(1-T)	26 831	36 835	46 043	55 252	63 540	69 894	75 136	78 892	82 048	84 920	84 510
Add: D&A	6 000	6 139	7 674	9 209	10 590	11 649	12 523	13 149	13 675	14 153	14 085
Less: Investments	25 000	10 000	7 674	9 209	10 590	11 649	12 523	13 149	13 675	14 153	14 085
Less: Change NWC	-5 684	10 232	15 348	15 348	13 813	10 590	8 737	6 261	5 260	4 786	4 225
FCF	13 515	22 742	30 695	39 904	49 727	59 304	66 399	72 631	76 789	80 134	80 284
PV FCF	11 752	17 196	20 183	22 815	24 723	25 639	24 962	23 743	21 828	19 808	
Sum of PV FCF	212 649										
PV of Continuing Value	165 375										
Total PV Free Cash Flows	378 024										
Less: Outstanding Debt	22 300										
Plus: Financial Assets	2 417										
PV of Equity	358 141										
Number of Shares	38 626										
Price Per share	9.27										
			WACC								
				SA	2.0%	2.5%	3.0%	3.5%	4.0%		
				13.0%	11.29	11.53	11.80	12.10	12.43		
				14.0%	10.08	10.26	10.47	10.69	10.93		
				15.0%	9.06	9.21	9.36	9.53	9.71		
				16.0%	8.20	8.32	8.44	8.57	8.71		
				17.0%	7.47	7.56	7.65	7.75	7.86		

Calculations: ELANA Trading

Peers Comparison

Most large peers are producing a broad range of lead-acid car and traction batteries. Their valuation ratios are influenced by the current market correction and the expected economic slowdown. The growth of their revenues began to suffer from the declining lead price. The peers have lower profit margins when comparing to Monbat one of the reason is that Monbat is not producing batteries for new cars. P/S ratios are less than one but the better profitability of Monbat could be the reason for the difference.

	Country	P/B	P/S	RoE	P/E	Est P/E 09	EBIT margin	Sales Growth	EV/EBITDA
Johnson Controls	USA	4.06	0.22	10.69	8.82	7.67	3.85	9.93	5.49
Exide Technologies	USA	0.80	0.06	14.09	6.79	3.14	1.98	23.66	3.03
BYD	Hong Kong	2.26	0.92	18.82	14.34	14.74	9.33	57.35	9.53
Amara Raja Batteries	India	1.22	0.31	32.72	4.29	4.15	10.70	58.68	2.19
Global And Yuasa Battery	Korea	0.88	0.31	34.79	10.61	-	15.63	50.16	1.50
Yuasa Battery	Thailand	0.92	0.08	-23.68	neg.	-	-2.04	27.76	45.05
GS Yuasa	Japan	2.13	0.48	1.90	98.15	25.32	3.02	16.49	13.90
Thai Storage Battery	Thailand	0.37	0.13	5.65	2.02	-	6.33	12.69	6.14
Mutlu	Turkey	0.49	0.18	15.80	4.12	-	7.46	52.33	3.77

Source: Reuters, Bloomberg

Relative Valuation - Peers

The relative valuation to peers changed significantly from the previous report. Now, Monbat has better P/E ratios, both trailing and forward, but has a bit higher P/B and is still behind when comparing by P/S and EV/EBITDA.

We assume that the good profitability and solid growth rate of Monbat are contributing to the premium over the average P/S. Higher P/B is usual for Bulgarian industrial companies as revaluation of assets is lagging.

Relative Valuation - Peers	Value	Price	Weight
Multiples			
P/E (ttm)	7.81	5.13	20%
P/E (2009)	7.67	5.05	20%
P/S (ttm)	0.22	0.99	20%
EV/EBITDA	5.49	4.27	20%
P/B	0.92	2.36	20%
Price (BGN)			3.56

Average values for multiples of peers
Calculations: ELANA Trading

Relative Valuation - SOFIX

Monbat is overvalued even when comparing to the average multiples for SOFIX components. However, huge profits from financial operations of holdings in SOFIX are decreasing artificially the ratio. Other multiples are also very low by historical standards and show the overreaction of the market to recession fears and the lost confidence.

Relative Valuation - SOFIX	Value	Price	Weight
Multiples			
P/E (ttm)	4.59	3.01	25%
P/S (ttm)	0.38	1.70	25%
EV/EBITDA	4.19	3.16	25%
P/B	0.71	1.82	25%
Price (BGN)			2.42

Average values for multiples of SOFIX components, excl. REIT
Calculations: ELANA Trading

Valuation

The three methods of valuation give price per share of BGN 6.13. This is 45% above the current market price. However, the main concern remains the huge difference between the two methods – multiples comparison and DCF.

Method	Price	Weight
Relative Valuation - Peers	3.56	25%
Relative Valuation - SOFIX	2.42	25%
DCF	9.27	50%
Price (BGN)		6.13

Calculations: ELANA Trading

Recommendation and Price Target

The market is in process of reassessment the risks and the valuation of stocks. This has an implementation not only to current stock valuation but also to the expected price targets, which are calculated by multiples or by higher WACC and risk premium. The valuation of Monbat is reflecting the changes in market perception despite that the fundamentals are only slightly deteriorating. We assess the higher risk by using 15% WACC but in more calm and stable market environment it is subject of correction to the downside.

We give *Market Perform* recommendation of Monbat due to the stable fundament, the good management and the higher intrinsic value of shares, calculated by the discounted cash flows. The stock is no longer outperforming the market during the recent slump and even the shares buy-back was unable to diminish the scale of the price decline. Monbat is affected by the long liquidation as position is among the most liquid blue chips.

Our one-year price target is the valuation by two methods or BGN 6.13. The target could be raise significantly during better times for the market and the global economy but we don't see such conditions during the next two or three quarters.

Financial Data

Statement of Income (in '000 BGN)	2003	2004	2005	2006	2007
Sales	21 749	35 136	47 841	85 305	141 226
Production expenses	13 462	20 809	32 713	61 138	106 424
Personnel expenses	4 106	4 366	5 230	8 159	9 953
Net income from financial activities	884	79	(509)	(225)	(604)
Other revenues and expenses	1 299	(384)	0	1	4
EBITDA	6 364	9 656	9 389	15 784	24 249
Depreciation	3 423	4 158	4 559	4 495	4 553
EBIT	2 941	5 498	4 830	11 289	19 696
Interest expense	296	303	735	1 409	753
Pretax income	2 645	5 195	4 095	9 880	18 943
Taxes	378	906	654	1 394	2 042
After-tax income	2 267	4 289	3 441	8 486	16 901
Minority interest	0	0	0	56	16
Net income	2 267	4 289	3 441	8 430	16 885
Earnings per share in BGN	28.34	53.61	2.33	0.43	0.87
Balance Sheet (in '000 BGN)	2003	2004	2005	2006	2007
Total Assets	25 578	41 433	55 819	85 823	124 179
Equity subscriptions receivable	0	0	0	0	0
Fixed assets	14 526	21 145	23 293	33 767	50 276
Tangible fixed assets	14 115	20 864	23 160	33 590	49 764
Financial investments	0	0	0	8	8
Current assets	11 052	20 288	32 526	52 056	73 903
Inventory	5 137	9 061	17 296	22 792	41 631
Receivables	4 984	10 106	12 496	21 736	26 281
Financial assets	0	0	0	0	0
Cash and cash equivalents	908	1 093	2 616	7 182	5 934
Total liabilities + equity	25 578	41 433	55 819	85 823	124 179
Equity	16 925	25 626	29 064	69 996	86 760
Registered capital	800	800	14 800	19 500	19 500
Capital funds	9 382	15 884	10 823	39 452	46 969
Earnings	6 743	8 942	3 441	11 044	20 291
Liabilities	8 653	15 807	26 755	15 827	37 103
Long-term payables	0	1 276	4 343	2 656	2 586
Long-term bank loans	5 434	8 623	13 839	605	18 897
Short-term bank debt	0	0	782	0	5 623
Short-term payables	3 219	5 908	7 791	7 379	9 997
Other liabilities	0	0	0	0	0
Working capital	7 833	14 380	23 953	44 677	58 283
Cash Flow Statement (in '000 BGN)	2003	2004	2005	2006	2007
Net income	2 267	4 289	3 441	8 430	16 885
Depreciation	3 423	4 158	4 559	4 495	4 553
Changes in Working capital	1 869	6 547	9 573	20 724	13 606
Other operating cash flow items	(7 945)	(15 198)	(20 746)	(25 106)	(41 203)
Net cash from operating activities	(386)	(204)	(3 173)	8 543	(6 159)
Capital expenditures	0	0	(971)	(3 875)	(15 857)
Other investing cash flow items	0	0	0	875	(7 273)
Net cash from investing activities	0	0	(971)	(3 000)	(23 130)
Issuance/ Retirement of Stock, Net	0	0	0	32 665	0
Issuance/ Retirement of Debt, Net	637	1 990	7 559	(20 608)	29 483
Dividends paid	0	0	0	0	0
Other financing cash flow items	(429)	(1 601)	(1 892)	(13 610)	(1 442)
Net cash from financing activities	208	389	5 667	(1 553)	28 041
Net change in cash	(178)	185	1 523	3 990	(1 248)
Beginning-of-period cash	1 086	908	1 093	3 192	7 182
End-of-period cash	908	1 093	2 616	7 182	5 934
Cash per share	11.35	13.66	1.77	0.37	0.30
Number of shares:	80 000	80 000	1 480 000	19 500 000	19 500 000
Price in BGN - period end:	n/a	n/a	n/a	9.60	30.56
Market cap in BGN - period end:	n/a	n/a	n/a	187 200 000	595 920 000

Financial and Performance Indicators	2003	2004	2005	2006	2007
Valuation Ratios					
Price/Earnings (P/E)	n/a	n/a	n/a	22.21	35.29
Book Value (BV)	n/a	n/a	n/a	3.59	4.45
Price/Book (P/B)	n/a	n/a	n/a	2.67	6.87
Sales Per Share	n/a	n/a	n/a	4.37	7.24
Price/Sales (P/S)	n/a	n/a	n/a	2.19	4.22
Price/Cash per share	n/a	n/a	n/a	14.48	27.80
EV (in BGN)	n/a	n/a	n/a	180 623	614 506
EV/Sales	n/a	n/a	n/a	2.12	4.35
EV/EBITDA	n/a	n/a	n/a	11.44	25.34
EV/EBIT	n/a	n/a	n/a	16.00	31.20
Liquidity					
Current ratio	3.43	3.43	3.79	7.05	4.73
Quick ratio	1.84	1.90	1.78	3.97	2.07
Debt Management					
Debt to total assets	0.34	0.38	0.48	0.18	0.30
Interest coverage	9.94	18.15	6.57	8.01	26.16
LT Debt/Equity	0.32	0.39	0.63	0.05	0.25
Total Debt/Equity	0.51	0.62	0.92	0.23	0.43
Asset Management					
Inventory turnover	4.23	3.88	2.77	3.74	3.39
Days sales outstanding	82	104	94	92	67
Fixed asset turnover	1.50	1.66	2.05	2.53	2.81
Total asset turnover	0.85	0.85	0.86	0.99	1.14
Profitability					
Profit margin on sales	10.4%	12.2%	7.2%	9.9%	12.0%
EBITDA margin	29.3%	27.5%	19.6%	18.5%	17.2%
Basic earning power	11.5%	13.3%	8.7%	13.2%	15.9%
Return on assets	8.9%	10.4%	6.2%	9.8%	13.6%
Return on equity	13.4%	16.7%	11.8%	12.0%	19.5%
Return on investments	10.1%	12.1%	7.3%	11.5%	15.6%
Dividend Information					
Dividend Yield	n/a	n/a	n/a	n/a	0.58%
Dividend per share	n/a	n/a	n/a	n/a	0.18
Number of shares:	80 000	80 000	1 480 000	19 500 000	19 500 000
Price in BGN - period end:	n/a	n/a	n/a	9.60	30.56
Market cap in BGN - period end:	n/a	n/a	n/a	187 200 000	595 920 000

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Outperform	More than 5% higher as compared to SOFIX and BG40 performance
Neutral	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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