

<u>Recommendation</u>	<u>Previous</u>	<u>From date</u>	<u>52-week target</u>
Market Outperform	Market Perform	18 November 2008	BGN 10.57

## 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 price of Monbat (5MB) settled around BGN 6.50 and is almost unchanged since the beginning of the year. The buy-back procedure is supporting the price and volumes are decreasing significantly, as selling pressure is diminishing. In May the company bought back 67 049 own shares at average price BGN 6.52. The total number of the own shares is 1 330 179 at average price BGN 6.10.

The stock retraced 38% of the increase from 2009 lows and is outperforming the broad market since the beginning of 2010. The battery producer's practice to announce the monthly financial results of the company is improving the investors' confidence.



### Financial Summary

#### Valuation Ratios

Enterprise Value	213 961 000
Dividend Yield - Gross	-
Trailing P/E (ttm)	14.05
Forward P/E (2010)	11.34
PEG Ratio (1yr expected)	0.29
Price/Sales (ttm)	1.87
Price/Book (mrq)	1.99
Enterprise Value/Revenues (ttm)	1.63
Enterprise Value/EBITDA (ttm)	8.05

#### Profitability and Growth Ratios

Return on Capital	13.07%
Return on Equity	14.18%
Return on Assets	9.49%
EBITDA Margin	20.24%
Net Profit Margin	14.65%
Revenue Growth	14%
EPS Growth	13%
Capital Growth	4%
Assets Growth	0%

---

## General Information

Monbat is a fast developing company, which manufactures lead-acid batteries for various applications. It has more than 50 years more than 50 years history of production and export. The company's wide product range includes starter batteries, stationary batteries for telecommunication equipment, leisure, solar, marine batteries, special batteries for military applications (designed to meet both Russian and NATO standards), and locomotive batteries.

The main production site of Monbat is located in the Northwest Bulgarian town of Montana, where is situated the largest capacity for production of batteries and the currently operating recycling plant. The other production site in Bulgaria is in the Northeast town of Dobrich. Monbat is in process of completion the construction of two facilities for recycling of lead-acid batteries in Serbia and Romania, which will supply the total consumption of lead and polypropylene of the company.

The company invested in the latest technologies and equipment for the production and recycling, which makes it highly competitive on local and international markets. Monbat is constantly investing in research and development.

## Quality and Environment Control

Monbat has been awarded the international certification ISO 9001 for quality management system in 2002. The company is in compliance with AQAP 2110 certificate that contains the NATO requirements for quality.

ISO 14001 is the internationally accepted standard that sets out how a company can put in place an effective Environmental Management System. The standard is designed to address the delicate balance between maintaining profitability and reducing environmental impact.

In addition, Monbat is in compliance of OHSAS 18001 – the internationally recognized assessment specification for occupational health and safety management systems. OHSAS 18001 has been designed to be compatible with ISO 9001 and ISO 14001, to help meet health and safety obligations in an efficient manner.

## Corporate Governance

Monbat is governed by a Management Board and the control functions are assigned to a Supervisory Board. The company prepares a Corporate Governance Program, complying with the internationally accepted standards of good corporate governance and the Corporate Governance Code of the Bulgarian Stock Exchange. The program reflects the rights of shareholders.

## Products

### Starter Batteries:

The main function of the starter battery is to secure the needed electricity for the starter during engine ignition and to maintain the engine operation for a short period of time. The application of batteries cover the entire range of passenger and commercial vehicles, heavy trucks and agricultural machines, operating in normal and harsh environmental conditions. Most car batteries are maintenance-free.



Picture: Monbat

## Stationary Batteries:

Monbat MVR batteries are designed with flat, pasted grid plates and electrolyte immobilized in glass mat (AGM) separators. Compact design and high energy density, unification of the physical dimensions for similar product groups, carrying handles and full sets of installation accessories are the features, providing comfortable operation and compatibility with the existing systems. The product range includes 2-, 4-, 6- and 12-volt batteries with capacities from 50 to 600 Ah. The design life of batteries is 12 years.



Picture: Monbat

## Semi-traction Batteries:

Used for various applications like small traction, solar systems, cleaning machines, lifting devices and lighting. Batteries are specifically designed for applications requiring a permanent and long lasting supply of electrical energy. They have high resistance to deep and repeated discharge cycles, which guarantees long service life.



Picture: Monbat

## Special Batteries:

Monbat is producing batteries for military application, suitable for both Russian and NATO designed tanks and armored vehicles, as well as Russian helicopters and airplanes. The batteries are available in polypropylene or flame retardant container/lid.



Picture: Monbat

## Locomotive batteries:

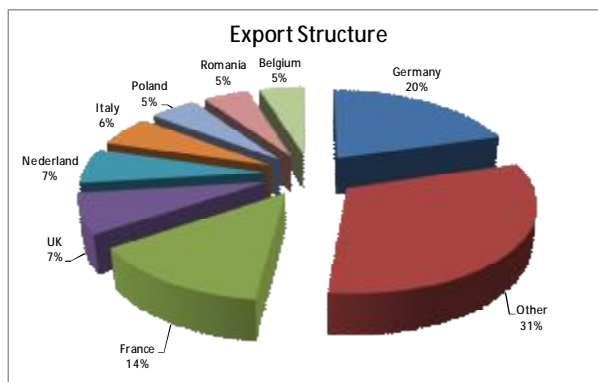
Locomotives starter batteries are designed for diesel engines initial cranking and to provide electronic and control circuits power supply for electrolocomotives. They usually consist of several smaller batteries, connected serially to each other. The batteries are designed and constructed in a way that highly increases their shock and vibration resistance.



Picture: Monbat

## Market Position

Germany remained the main market for Monbat's production. The company's export amounted 18.77 million during the first quarter. 20.3% of which was for Germany or EUR 3.82 million. The share of France increased as compared to 2009 and reached 13.74% or EUR 2.58 million. The third main market was UK. Revenues from domestic market during the quarter were EUR 4.5 million or 19.69% from total. Monbat is selling its batteries on the after-market and don't supply car producers. The company is selling throughout local distributors of auto batteries and is maintaining better profit margins.

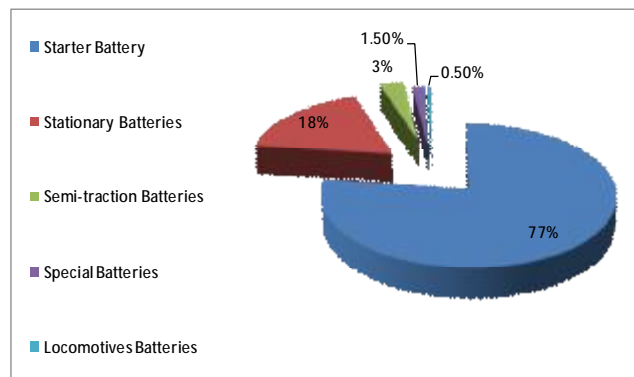


Source: Monbat

The products of Monbat have slightly lower prices on international markets than the car batteries of larger producers, without quality disadvantages. The main competitor on the domestic market is the other Bulgarian producer - Elhim Iskra (52E), which is also public listed company. However, it has lower production capacity and can't be solid threat for the Monbat's market share. In 2007 Monbat acquired the third company by capacity – Start, Dobrich.

## Sales Structure

Starter batteries are the main production group of Monbat and currently represent 77% of total revenues. Stationary batteries are the second important segment due to the growing demand of telecommunication services in Asia and Africa. It is less cyclical than the demand of semi-traction batteries for electrical vehicles.



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.

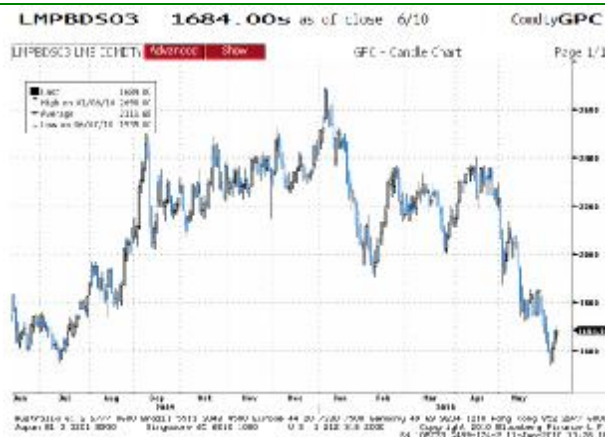
2008	BGN ' 000
Establishment of recycle capacity in Serbia and Romania	
Modernization of the production in Monbat and Start	
<b>Total</b>	<b>35 126</b>
2009	
Modernization of the production in Monbat and Start	2 151
Establishment of recycle capacity in Bulgaria	3 481
Establishment of recycle capacity in Romania	6 161
Establishment of recycle capacity in Serbia	2 797
<b>Total</b>	<b>14 590</b>

Source: Monbat

Monbat acquired 25 500 shares or 51 % from the capital of the company Octa Light Bulgaria in June 2010. The transaction valued BGN 2 351 100. Monbat will also participate in the capital increase of the company by subscribing and acquiring new 2 320 500 shares with par value of BGN 1.00. Monbat will maintain control of Octa Light Bulgaria, which is manufacturing high power light emitting diodes.

## Lead Price

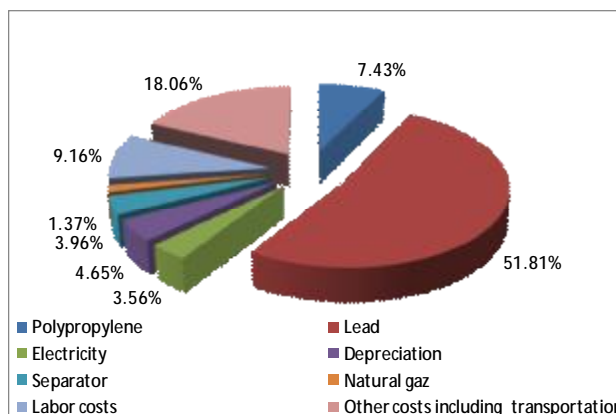
The solid gain of lead price in 2009 contributed to the increase of revenues of Monbat. The lead is the main pricing factor and represents the main part of the production costs. The LME quotes are the base for the pricing of car batteries and battery scrap that Monbat is purchasing. The average price per ton was EUR 1 211 in 2009. The Monbat's management made its 2010 prognosis at EUR 1 370 per ton. The recycled lead from the new facilities will increase the profit margin as the lead costs will decrease.



Source: Bloomberg

## Costs structure

The lead costs remained with higher share in the total costs – 51%. The production of the company depends from the electricity price and natural gas price as well, but they are with lower impact on the end-production price. The electricity is with 3.56% share of the price and the natural costs with 1.37%. However, we expect between 10 and 25% price hikes in both energy resources this year.

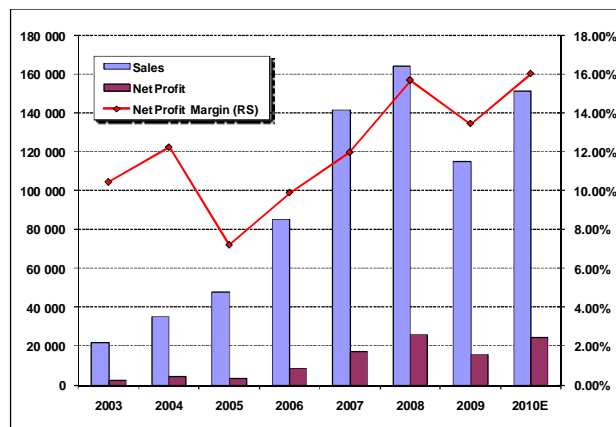


Source: Monbat

## Forecasts

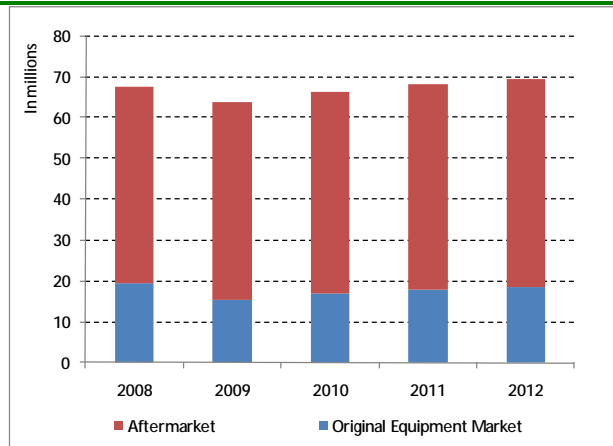
Monbat's management forecasted BGN 151 million revenues in 2010 or 32% increase as compared to 2009. The planned net profit is BGN 24 million as compared to BGN 15.25 million for 2009. Some revisions of revenues and profits are imminent, as Monbat's projections will reflect the volatile lead rice. The company exceeded its 2009 sales prognosis by 51% and its net profit prognosis by 13%.

The net profit margin is improving during the last two years and is expected to continue to as new recycling facilities in Serbia and Romania will finally become operational.



Source: Monbat

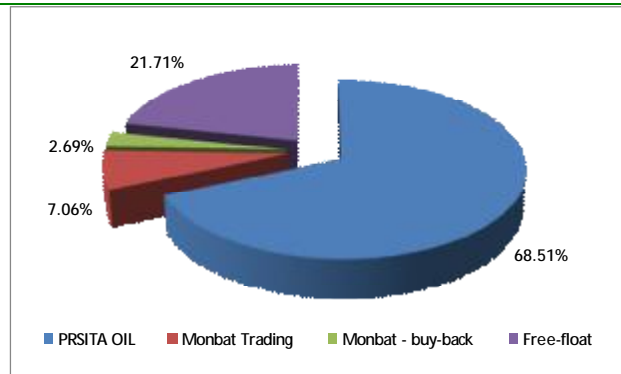
The Association of European Storage Battery Manufacturers announced its forecasts for the production of starter battery production until 2012. The Association expects the total number of produced batteries to increase slightly with rising share of the aftermarket. The automobile production slowed down and this reflected on batteries' producers. Monbat is operating on the aftermarket segment, which provides higher profit margins and less volatility in volumes.



Source: EUROBAT

## 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 2009  
Source: Monbat



## 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

28 May 2010	Monbat submitted its consolidated quarterly financial report.
26 May 2010	Monbat has appointed a General Meeting of Shareholders on June 28, 2010.
25 May 2010	Monbat has announced its financial results for April 2010 and the first four months of 2010. For the fourth consecutive year, the company wins first place in the ranking "Dnevnik 100" in the category "Best Corporate Management Company".
30 April 2010	In April 2010, Monbat has bought back 81 819 company's own shares at the average price of BGN 6.60 per share. The total number of the own shares held by the company as at April 30, 2010 is 1 263 130 shares at the average price of BGN 6.08 per share.
30 April 2010	The company submitted the consolidated annual financial report.
27 April 2010	The adopted amendments to the Statute of the company by the EGM dated April 19, 2010 have been registered with the Commercial Register to the Registry Agency on April 27, 2010.
26 April 2010	In March 2010, Monbat has realized net sales revenues to the amount of BGN 16.5 million. The summarized data for the first three months of 2010 show that the company has generated sales revenues to the amount of BGN 45.7million, which represents a 77.33% growth compared to the same period of 2009. The profit before tax realized by Monbat in March 2010 is to the amount of BGN 1.7 million on individual basis, which is a profit growth by 134.12% compared to March 2009. The summarized data for the first three months of 2010 show that the company has generated profit to the amount of BGN 5.7 million, which represents a 56.49% profit growth compared to the same period of 2009.
31 March 2010	In March 2010, Monbat has bought back 49 818 company's own shares at the average price of BGN 6.49 per share. The total number of own shares held by the company by March 31, 2010 is 1 181 311 shares at the average price of BGN 6.05 per share. Monbat has also submitted its 2009 annual report.

- 25 March 2010 In February 2010, Monbat has realized net sales revenues to the amount of BGN 15 million on individual basis, which represents a growth of 55.20% compared to February 2009. The summarized data for the first two months of 2010 show that the company has generated net sales revenues to the amount of BGN 29million, which represents a 50.51% growth compared to the same period of 2009. The summarized data for the first two months of 2010 show that the company has generated profit to the amount of BGN 3.9 million, which represents a 36.32% profit growth compared to the same period of 2009.
- 17 March 2010 Monbat has bought back 285 000 own shares at the average price of BGN 6.11 per share in the period from June 18, 2009 until March 16, 2010 under the sixth reverse buying out procedure, including in the period of prolongation of the sixth reverse buying out procedure. The total number of own shares redeemed in the period from August 2008 until March 2010 amounts to 1 166 760 at the average price of BGN 6.05 per share. Herewith, Monbat announces the end of the sixth reverse buying out procedure of 285 000 own shares i.e. of 0.73% of the company's capital.
- 17 March 2010 Monbat will lead a GMS on April, 19.
- 11 March 2010 The company has announced the prognosis for the year 2010 of the group of Monbat.
- 01 March 2010 In February 2010, Monbat has bought back 32 364 company's own shares at the average price of BGN 6.50 per share. The total number of own shares held by the company by February 28, 2010 is 1 131 493 shares at the average price of BGN 6.04 per share.
- 26 Feb. 2010 In January 2010, Monbat has realized net sales revenues to the amount of BGN 14 million on individual basis, which is a growth of 45.86% compared to January 2009. The profit before tax realized by Monbat in January 2010 is to the amount of BGN 1.8 million on individual basis, which is increase of the profit by 66.22% compared to January 2009.
- 02 Feb. 2010 In January 2010, Monbat has bought back 48 986 of company's own shares at the average price of BGN 6.46 per share. The total number of own shares held by the company as of January 29, 2010 is 1 099 129 shares at an average price of BGN 6.03 per share.
- 26 Jan. 2010 Monbat submitted information that December 2009 generated 10.76% increase in net income over December 2008, though 2009 generated 30.45% less basic net incomes compared to 2008.
- 25 Jan. 2010 Monbat announced the decision for an increase in the capital of the daughter company, Monbat Recycling SRL-Rumania, from EUR 3 million to EUR 3.5 million through cash contribution on a amount of EUR 500 000 to be made by the sale owner of the capital, Monbat.
-



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

Last Price	6.48	Market Cap	253 000 000	1Y Range	BGN 4.26 – BGN 8.00	Average Volume (3m)	13 500
Beta	1.00	1Y Change	+39.34%	SOFIX Change	-0.67%	BG40 Change	-10.80%

## Valuation

Monbat traded at higher than average multiples during the first two years after the IPO in 2006. The company managed to surpass all market expectations, supported by the strong increase of lead prices and the expansion abroad of Monbat. The valuation is showing the huge difference between the two methods – peers comparison and discounted cash flows. This is becoming more frequently the case for largest Bulgarian companies due to the strong prospects for growth.

### Multiples Analysis

The 37% gain of Monbat's shares in 2009 coincided with the significant deterioration of revenues and profits. As a result, multiples increased to levels above the average for Bulgarian public listed companies. Price-to-earnings of Monbat was constantly above the average and 2009 was not an exception. Although the increase of multiples was limiting the potential stock gains of Monbat in 2009, the report for Q1 contributed for the improvement of all trailing ratios.

2008 was also very strong year in terms of profitability. Return-on-equity and return-on-assets fell significantly but have the potential to return to high levels in near future.

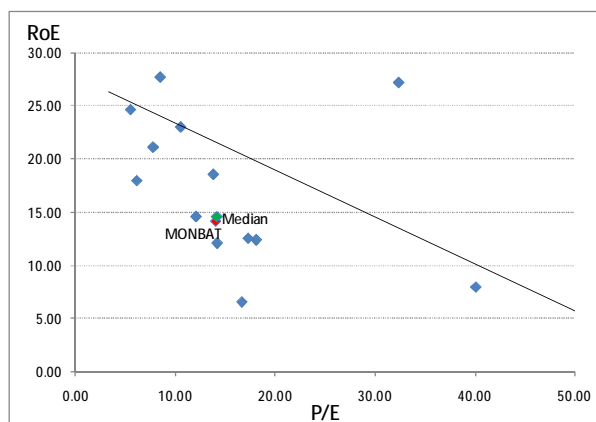
	2008	2009	TTM
Last Price	4.75	6.50	6.48
Number of Shares	38 533 278	37 949 857	37 818 689
Market Capitalization	183 033 071	246 674 071	244 989 467
Net Profit	25 664 000	15 436 000	17 432 000
P/E	7.13	15.98	14.05
Equity	105 516 000	118 228 000	122 951 000
P/B	1.73	2.09	1.99
Sales	163 981 000	114 994 000	131 251 000
P/S	1.12	2.15	1.87
EV	157 372 000	212 215 000	213 961 000
EBITDA	34 560 000	23 893 000	26 570 000
EV/EBITDA	4.55	8.88	8.05
RoE	24.32%	13.06%	14.18%
RoA	16.59%	8.32%	9.49%

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

### P/E and Return-on-equity

We compared the price-to-earnings and return-on-equity ratios to the public listed companies that produce car batteries worldwide. The number of peers that have negative financial results are relatively low.

Monbat is placed very close to the median of peers.



Source: Bloomberg

### Peers Comparison

Comparing the trailing ratios of Monbat to the median of all producers of auto and stationary lead-acid batteries resulted to small discount for the fair price as compared to the current. This is not a surprise as P/B ratio and most notably P/S ratio are lower than the usual for the industry. At the same time, P/E and EV/EBITDA of Monbat are at the same levels of the median values. The main reason for the difference between the ratios that include profits (P/E and EV/EBITDA) on one hand and P/B and P/S on the other is the profitability of Monbat from the recycling of batteries.

Fair price is BGN 5.57 as we give high weight to EV/EBITDA due to the importance of the indicator as it includes the debt of Monbat. The fair price should be significantly higher when calculated by the average value of multiples rather than the median.

Multiples	P/E	P/B	P/S	EV/EBITDA
Median Value of Peers	14.19	1.80	0.72	8.07
Market Capitalization	247 367 750	221 684 526	94 012 073	245 442 719
Price	6.54	5.86	2.49	6.49
Weight	20%	20%	20%	40%
Current Price		6.50		
Fair Price		5.57		
Premium (Discount) to Current Price		-14.25%		

Source: Bloomberg  
Calculations: ELANA Trading

### 5Y Projections

After the significant decrease of revenues in 2009, we prefer more conservative approach to sales and profit growth of Monbat. The main reason is that lead and lead alloy prices will grow less than the booming years of 2006 and 2007. Monbat is planning to increase its capacity of lead-acid batteries by one third during the next several years. Moreover, both recycling facilities in Romania and Serbia will start operations this year and will contribute to the growth of consolidated revenues. Our forecasts for EBITDA margin are also lower than the expected peak of profitability in 2012 by the management of Monbat. This is giving to our forecasts an additional cushion to increase of production costs and lower profit margins of car batteries due to volatile lead price and competitive pressure.

	2010	2011	2012	2013	2014
SALES	160 992	209 289	266 844	326 883	372 647
<i>Growth Rate</i>	28.6%	30.0%	27.5%	22.5%	14.0%
EBITDA	32 378	47 575	67 798	75 793	82 176
<i>EBITDA Margin</i>	20.1%	22.7%	25.4%	23.2%	22.1%
Depreciation	5 010	5 717	6 424	7 148	7 647
EBIT	27 369	41 858	61 374	68 646	74 529
<i>EBIT Margin</i>	17.0%	20.0%	23.0%	21.0%	20.0%
Interest Expense	3 328	3 618	4 167	4 907	5 562
NET INCOME	21 733	34 451	51 413	57 378	62 165
<i>Net Income Margin</i>	13.5%	16.5%	19.3%	17.6%	16.7%
Minority Interest in Earnings	134	175	223	273	311

Estimated data for 2010-2014;  
Calculations: ELANA Trading

We expect steady increase of fixed assets according to the growth of revenues. Monbat has not yet published its investment program that will include not only the increase of production capacity of lead-acid batteries but also the acquisition of Octa Light Bulgaria. The level of bank debt of Monbat will remain moderate and we don't expect that the company will face financial difficulties for its investments in fixed assets or in subsidiaries.

	2010	2011	2012	2013	2014
Cash and Marketable Securities	8 050	10 464	13 342	16 344	18 632
Receivables	40 248	41 858	53 369	65 377	74 529
Inventories	41 858	43 951	56 037	68 646	78 256
<b>CURRENT ASSETS</b>	<b>92 150</b>	<b>98 484</b>	<b>125 382</b>	<b>153 439</b>	<b>174 812</b>
Investments in Securities	0	0	0	0	0
Property, Plant & Equipment	106 321	121 321	136 321	151 691	162 283
Other Assets	1 032	1 341	1 710	2 095	2 388
<b>TOTAL ASSETS</b>	<b>199 503</b>	<b>221 147</b>	<b>263 413</b>	<b>307 224</b>	<b>339 484</b>
Payables	18 097	22 706	29 164	36 379	41 316
Short Term Debt	18 953	21 009	25 024	29 186	32 251
Other Current Liabilities	2 925	3 802	4 848	5 938	6 770
<b>CURRENT LIABILITIES</b>	<b>39 974</b>	<b>47 517</b>	<b>59 035</b>	<b>71 504</b>	<b>80 337</b>
Long Term Debt	23 940	26 538	31 610	36 867	40 738
Deferred Tax	3 455	4 492	5 727	7 016	7 998
Other Non-Current Liabilities	2 646	3 440	4 386	5 373	6 125
<b>TOTAL LIABILITIES</b>	<b>70 016</b>	<b>81 987</b>	<b>100 758</b>	<b>120 759</b>	<b>135 197</b>
<b>SHAREHOLDERS' EQUITY</b>	<b>129 487</b>	<b>139 160</b>	<b>162 656</b>	<b>186 466</b>	<b>204 287</b>
<b>TOTAL LIABILITIES AND EQUITIES</b>	<b>199 503</b>	<b>221 147</b>	<b>263 413</b>	<b>307 224</b>	<b>339 484</b>

Estimated data for 2010-2014;  
Calculations: ELANA Trading

Our forecasts for rising profitability are due to the lucrative recycling of old lead-acid batteries. We expect improvement in sales-to-receivables due to the growth of demand, whereas total liabilities will increase over time as percentage of total assets.

	2010	2011	2012	2013	2014
<b>RETURN ON ASSETS:</b>					
Profit Margin for ROA	15.33%	17.99%	20.65%	18.88%	18.00%
x Asset Turnover	0.84	1.00	1.10	1.15	1.15
= Return on Assets	12.82%	17.90%	22.74%	21.63%	20.75%
<b>RETURN ON COMMON EQUITY:</b>					
Profit Margin for ROCE	13.33%	16.29%	19.10%	17.39%	16.51%
x Asset Turnover	0.84	1.00	1.10	1.15	1.15
x Capital Structure Leverage	1.56	1.58	1.61	1.64	1.66
= Return on Common Equity	17.39%	25.54%	33.96%	32.71%	31.63%
<b>ASSET TURNOVER:</b>					
Sales / Avg. Accounts Receivable	4.10	5.10	5.60	5.51	5.33
COGS / Average Inventory	2.88	3.46	3.63	3.67	3.60
Sales / Average Fixed Assets	1.57	1.84	2.07	2.27	2.37
<b>LIQUIDITY:</b>					
Current Ratio	2.31	2.07	2.12	2.15	2.18
Quick Ratio	1.21	1.10	1.13	1.14	1.16
<b>SOLVENCY:</b>					
Total Liabilities / Total Assets	0.35	0.37	0.38	0.39	0.40
Total Liabilities / Total Equity	0.54	0.59	0.62	0.65	0.66
Interest Coverage Ratio	8.33	11.70	14.87	14.14	13.56

Calculations: ELANA Trading



## 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
<b>EBITDA</b>	<b>6 364</b>	<b>9 656</b>	<b>9 389</b>	<b>15 784</b>	<b>24 249</b>
Depreciation	3 423	4 158	4 559	4 495	4 553
<b>EBIT</b>	<b>2 941</b>	<b>5 498</b>	<b>4 830</b>	<b>11 289</b>	<b>19 696</b>
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
<b>Net income</b>	<b>2 267</b>	<b>4 289</b>	<b>3 441</b>	<b>8 430</b>	<b>16 885</b>
<b>Earnings per share in BGN</b>	<b>28.34</b>	<b>53.61</b>	<b>2.33</b>	<b>0.43</b>	<b>0.87</b>
Balance Sheet (in '000 BGN)	2003	2004	2005	2006	2007
<b>Total Assets</b>	<b>25 578</b>	<b>41 433</b>	<b>55 819</b>	<b>85 823</b>	<b>124 179</b>
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
<b>Current assets</b>	<b>11 052</b>	<b>20 288</b>	<b>32 526</b>	<b>52 056</b>	<b>73 903</b>
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
<b>Total liabilities + equity</b>	<b>25 578</b>	<b>41 433</b>	<b>55 819</b>	<b>85 823</b>	<b>124 179</b>
<b>Equity</b>	<b>16 925</b>	<b>25 626</b>	<b>29 064</b>	<b>69 996</b>	<b>86 760</b>
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
<b>Liabilities</b>	<b>8 653</b>	<b>15 807</b>	<b>26 755</b>	<b>15 827</b>	<b>37 103</b>
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
<b>Working capital</b>	<b>7 833</b>	<b>14 380</b>	<b>23 953</b>	<b>44 677</b>	<b>58 283</b>
Cash Flow Statement (in '000 BGN)	2003	2004	2005	2006	2007
<b>Net income</b>	<b>2 267</b>	<b>4 289</b>	<b>3 441</b>	<b>8 430</b>	<b>16 885</b>
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)
<b>Net cash from operating activities</b>	<b>(386)</b>	<b>(204)</b>	<b>(3 173)</b>	<b>8 543</b>	<b>(6 159)</b>
Capital expenditures	0	0	(971)	(3 875)	(15 857)
Other investing cash flow items	0	0	0	875	(7 273)
<b>Net cash from investing activities</b>	<b>0</b>	<b>0</b>	<b>(971)</b>	<b>(3 000)</b>	<b>(23 130)</b>
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)
<b>Net cash from financing activities</b>	<b>208</b>	<b>389</b>	<b>5 667</b>	<b>(1 553)</b>	<b>28 041</b>
<b>Net change in cash</b>	<b>(178)</b>	<b>185</b>	<b>1 523</b>	<b>3 990</b>	<b>(1 248)</b>
Beginning-of-period cash	1 086	908	1 093	3 192	7 182
<b>End-of-period cash</b>	<b>908</b>	<b>1 093</b>	<b>2 616</b>	<b>7 182</b>	<b>5 934</b>
<b>Cash per share</b>	<b>11.35</b>	<b>13.66</b>	<b>1.77</b>	<b>0.37</b>	<b>0.30</b>
<b>Number of shares:</b>	<b>80 000</b>	<b>80 000</b>	<b>1 480 000</b>	<b>19 500 000</b>	<b>19 500 000</b>
<b>Price in BGN - period end:</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>9.60</b>	<b>30.56</b>
<b>Market cap in BGN - period end:</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>187 200 000</b>	<b>595 920 000</b>

Financial and Performance Indicators	2003	2004	2005	2006	2007
<b>Valuation Ratios</b>					
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
<b>Liquidity</b>					
Current ratio	3.43	3.43	3.79	7.05	4.73
Quick ratio	1.84	1.90	1.78	3.97	2.07
<b>Debt Management</b>					
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
<b>Asset Management</b>					
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
<b>Profitability</b>					
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%
<b>Dividend Information</b>					
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
<b>Number of shares:</b>					
	80 000	80 000	1 480 000	19 500 000	19 500 000
<b>Price in BGN - period end:</b>					
	n/a	n/a	n/a	9.60	30.56
<b>Market cap in BGN - period end:</b>					
	n/a	n/a	n/a	187 200 000	595 920 000

**For more information, please contact:**

Research analyst  
Tsvetoslav Tsachev  
Tamara Becheva

Phone:  
+ 359 2 810 00 23  
+ 359 2 810 00 27

E-mail:  
[tsachev@elana.net](mailto:tsachev@elana.net)  
[becheva@elana.net](mailto:becheva@elana.net)

Internet:  
[www.elana.net](http://www.elana.net)  
[www.elana.net](http://www.elana.net)



## Disclaimer

**Analyst Certification:** The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

**Financial Interest:** ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted.

**Regulatory Authority:** Financial Supervisory Commission, *Shar Planina* Street 33, 1303 Sofia, Bulgaria

**Information Disclosure:** All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

**Risks for Investors:** Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety. The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

**Valuation Methods:** Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

**Recommendations:** Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

---

<b>Outperform</b>	More than 5% higher as compared to SOFIX and BG40 performance
-------------------	---

---

<b>Neutral</b>	Market performance, +/-5% as compared to SOFIX and BG40
----------------	---

---

<b>Underperform</b>	More than 5% lower as compared to SOFIX and BG40 performance
---------------------	--

---

**Frequency of Recommendations:** No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.