

MONBAT (5MB BU)

INDUSTRY: ELECTRICAL EQUIPMENT

A WELL MANAGED COMPANY IN A THRIVING MARKET

30.6% REVENUE CAGR FOR THE LAST DECADE. GROWING AUTOMOTIVE BATTERY MARKET WITH EXPECTED GLOBAL INCREASE OVER 50% UNTIL 2017, AS LEAD-ACID BATTERIES WILL REMAIN THE MAJOR MASS MARKET TECHNOLOGY. OWN RECYCLING FACILITIES PROVIDE RESOURCE INDEPENDENCE AND ADD TO PROFITABILITY.

WIDE-RANGE BATTERIES PORTFOLIO SOLD IN WELL-DIVERSIFIED MARKET

Monbat produces lead-acid batteries for both civil and military applications exported to over 20 countries. Starter batteries represent the majority part of sales (above 86%), as the new cars market in EU is expected to be the main growth driver for the segment. In addition, there is a significant aftermarket growth potential both in EU and Bulgaria. Monbat also produces stationary batteries for telecom applications, semi-traction batteries, locomotive batteries, and specialized batteries for military purposes.

VERTICALLY-INTEGRATED STRUCTURE

Monbat is a vertically integrated holding with three major business lines – production, sale and recycling of batteries. Battery recycling allows Monbat to report higher operating margins and secure raw material supply in terms of quantity and price, which makes the Group less dependent on global lead price fluctuations. The Group's recycling facilities ensure raw resource availability of lead and propylene.

NEARLY COMPLETED EXPANSION AND MODERNIZATION INVESTMENT PROGRAM

€30.0m investments for 2011-2014 period focused on machines and equipment modernization. Ongoing expansion program for 33% production capacity increase to be completed by the year end.

LED LIGHTING BULB MASS MARKET PRODUCTION IS A POTENTIAL GROWTH DRIVER

After 500% sales increase y-o-y in 2013, in 2104 Octa Light will launch its mass market products for home and office lighting with focus on neighboring countries, Western Europe and the Middle East. We expect a positive influence on the Group's revenues, as LED light bulbs will most probably replace the widely currently used Compact Fluorescent Lamp (CFL) and incandescent light bulbs due to its cost efficiency and long-lasting effect.

ONE OF THE BEST CORPORATE GOVERNANCE

Monbat is highly ranked in different categories for corporate governance and financial performance. We consider Monbat as one of the best managed among listed companies in Bulgaria.

VALUATION/RISKS

VALUATION: Our one year price target is BGN 10.50 per share, 21% higher than the current price. **RISKS:** Increased political instability and inefficient government institutions, which may delay some business projects.

| in kBGN, excl. ratios | 2013 | 2014F | 2015F | 2016F |
|-----------------------|---------|---------|---------|---------|
| REVENUES | 240,144 | 228,137 | 255,513 | 281,065 |
| EBITDA | 42,475 | 47,589 | 50,975 | 55,190 |
| EBIT | 31,905 | 36,046 | 39,605 | 43,565 |
| NET PROFIT | 25,389 | 29,556 | 33,426 | 37,107 |
| EQUITY | 161,804 | 181,016 | 197,728 | 216,282 |
| ROE | 17.61% | 17.24% | 17.65% | 17.93% |
| ROA | 11.03% | 11.66% | 12.53% | 13.17% |
| EBITDA MARGIN | 17.69% | 20.86% | 19.95% | 19.64% |
| NET PROFIT MARGIN | 10.57% | 12.96% | 13.08% | 13.20% |
| EPS | 0.65 | 0.76 | 0.86 | 0.95 |
| DEBT/EQUITY | 0.37 | 0.31 | 0.27 | 0.23 |
| P/E | 13.55 | 11.48 | 10.15 | 9.14 |
| P/B | 2.13 | 1.87 | 1.72 | 1.57 |
| EV/EBITDA | 9.33 | 8.10 | 7.30 | 6.43 |
| PAYOUT RATIO | 0.35 | 0.35 | 0.50 | 0.50 |
| DIVIDEND YIELD | 2.61% | 3.05% | 4.93% | 5.47% |

BUY
ONE YEAR PRICE TARGET: BGN 10.50
CURRENT PRICE: BGN 8.70

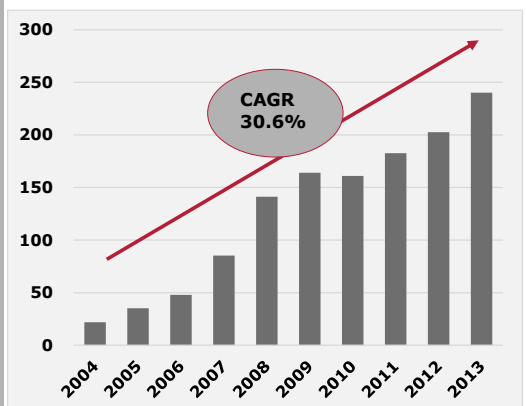
EXCHANGE RATES

EUR/BGN (FIXED): 1.95583
USD/BGN: 1.4738

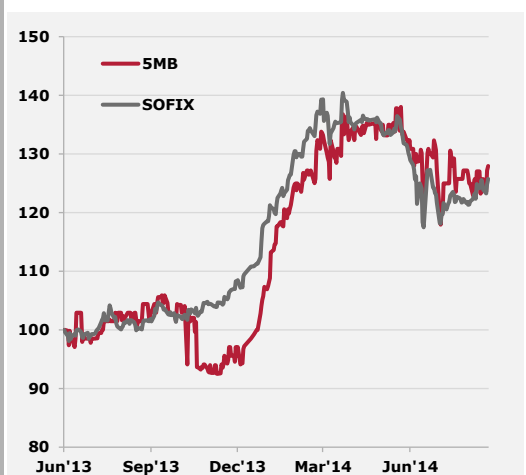
MARKET DATA

| | |
|---------------------|----------------------|
| Shares Outstanding: | 39.0m |
| Share Capital: | 39.0m |
| Free-float: | 24.43% |
| Treasury Shares: | 0% |
| Market Cap.: | BGN 333.4m |
| Avg. Daily Vol.: | BGN 98,000 |
| 52 Weeks Range: | BGN 6.25-9.42 |

REVENUE GROWTH



PRICE PERFORMANCE



EXECUTIVE SUMMARY

WE CONFIRM THE BUY RATING OF MONBAT JSCO. WITH ONE YEAR PRICE TARGET OF BGN 10.50 WHICH IS A 21% RETURN OVER THE NEXT 12 MONTHS.

THE COMPANY

Monbat AD (Monbat, the Group) is the largest lead-acid battery producer in Bulgaria, with almost 60-year history and traditions in batteries manufacturing. The Group is locally owned and is among the fastest growing battery producer in South East Europe. Monbat produces and services lead-acid starter and stationary accumulator batteries. In addition, the Group recycles lead-acid batteries and invests in growth business such as LED lighting bulbs. Monbat is a well-recognized brand in Bulgaria and the EU.

The Group operates in the following areas:

- Production of batteries for both civil and military applications
- Production of Led Lighting Bulbs (LED)
- Recycling of Lead Acid Batteries

Monbat sells its well-diversified product portfolio mainly abroad as foreign markets revenues contribute 90% of the consolidated sales in 2013. Foreign market mix remains fairly diversified with geographical concentration in Western Europe and the Balkans – Greece (15.8%), France (10.2%), Germany (9.6%), Poland (6.8%), Turkey (6.6%) and the Netherlands (5.4%).

The Group has made considerable investments to ensure resource availability (lead and propylene) by building own recycling facilities. The recycled raw materials satisfy Monbat's production needs, as the excess raw materials are sold predominantly in the EU market. In 2013 88% of the Group's total lead production needs and almost 100% of polypropylene needs were satisfied with own recycled resources.

There is no dependence on particular large customers due to the implemented strategy to sell products through an extensive distribution network domestically and abroad. All sales with deferred payment are insured, so the non-payment risk is eliminated.

The company invests in the development and improvement of innovative products, which in conjunction with the modern technologies and equipment in place, result in a highly competitive on the local and international markets entity. Monbat operates a proprietary R&D laboratory, which allows conducting broad range of chemical, physical and electrical tests, required under the internationally recognized standards for lead-acid batteries production. Monbat has adopted number of internationally accepted standards such as ISO 14001, ISO 18001, AQAP 2010, ISO/TS 16949.

The Group is highly ranked in different categories for corporate governance and financial performance. The management is also committed to continue with a solid dividend policy of distributing 40%- 50% of profits among all shareholders. We consider Monbat as one of the best managed among the listed companies in Bulgaria

Monbat's shares are listed on the Premium shares segment of the Bulgarian Stock Exchange (BSE). Monbat is considered as one of the "Blue Chips" on BSE, and is included in the major Bulgarian capital market index – SOFIX, which constitutes of the 15 most liquid large public companies on the market.

THE COUNTRY AND THE MARKET

The country is under a Currency board arrangement and the Bulgarian lev is pegged to the Euro at 1.95583.

We expect a modest economic increase in 2014 (1.5% of GDP, down by 0.3 p.p. compared to our previous forecast), as it will be affected by the ongoing political instability. Unemployment will remain relatively high, but its upward trend is over. The improvement of the economic scene in most of EU will support the Group's business and lower the risk of an activity slow down.

Despite the difference of opinion between the two leading parties, politicians have agreement about the main political lines, such as currency board stability, further reduction of administrative burden, and country's competitiveness via low tax levels.

The battery industry is expected to be among the fastest growing sectors in recent years, driven by sales of new cars and the significant share of car battery aftermarket. Given the existence of European and national regulatory requirements for imposing the use of lighting fixtures produced on the basis of the LED technology, we believe that the production of the Group will be met by sufficient domestic and international demand.

THE VALUATION

We use the discounted cash flows method to value Monbat. All calculations are based on the consolidated results of the Group that include the production of batteries and the recycling operations in the fully-owned subsidiary Monbat Recycling. We expect that Monbat will generate solid cash flows due to the investments in modernization and capacity increase.

We value the stock of Monbat at BGN 10.50 per share or 21% above the current market prices

SOME RISKS

Increased political instability, as there will be an early elections in October after the junior coalition partner MRF withdrew support for the government. Inefficient government institutions, which may delay some business projects. Change in regulation, especially in the Law on waste management, could lead to a decrease in deliveries from suppliers of raw materials for processing.

The risk of price increase in the basic raw material – lead, is being managed by of the presence of own recycling facilities. Nevertheless, relatively low price level of lead will affect negatively the Group's revenues, as Monbat sells its excess of lead.

Corruption remains relevant in many political and economic institutions and has a negative impact on the quality of public services. Slow recovery of the Bulgarian economy, leading to lower than expected demand of Group's products and services.

Local currency devaluation in some of the export markets, such as Turkey or Poland.

COMPANY OVERVIEW

Monbat is the largest producer of lead-acid batteries in Bulgaria. Its product range includes batteries for both civil and military applications; main product lines are SLI (Starting Lighting and Ignition) and deep-cycle industrial batteries. The company was established in 1959 in Northwest Bulgaria as factory for starter batteries. "PRISTA OIL" – Sofia acquired Monbat in 1998. Following the IPO in 2006, Monbat became a public listed company with 24% free float. The Group maintains intensive R&D activities in cooperation with the Bulgarian Academy of Science.

Monbat is significant player on EU markets of auto batteries

The main production site of Monbat is located in the Northwest Bulgarian town of Montana. The other production site in Bulgaria is in the Northeast town of Dobrich. The Group acquired the smaller producer of auto batteries Start in 2007 to increase its production capacity and its domestic market presence. Batteries types include:

- **Starting Lighting and Ignition (SLI)** – products cover all range of cars and trucks in normal or extreme conditions of exploitation. Monbat produces Sealed Lead-Acid (SLA) and maintenance-free batteries. Its brand name GEM are products by Absorbent Glass Mat (AGM) technology, that has very low internal resistance, is capable to deliver high currents on demand and offers a relatively long service life, even when deep-cycled
- **Deep-cycle – stationary batteries** for back-up systems in telecommunication and energy sectors. Valve-regulated lead acid (VRLA-AGM) are maintenance-free. Monbat also supplies batteries for large telecom operators globally. Traction batteries are built for maximum capacity and high cycle count, used for various applications like small traction, solar systems, cleaning machines, lifting devices and lighting

SHAREHOLDERS' STRUCTURE

The registered capital of Monbat consists of 39 million shares. The company recently sold the whole stake of treasury stocks from its buy-back program that lasted from 2009 to 2013. The latest changes in the shareholder structure were recorded in the first quarter of 2014 to reflect direct ownership from the shareholders in the parent company Prista Oil Group (owner of Prista Oil Holding). Asia Debt Management Capital, Hong Kong (ADM Capital) and EBRD acquired 21% of Monbat through Prista Holdco Cooperatief U.A The acquisition of the stake followed ADM and EBRD's previous acquisition of 30% of Prista Oil Group in 2012.

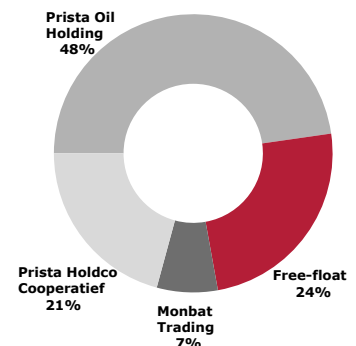
Prista Oil Group is controlled by the Bulgarian entrepreneurs Atanas Bobokov and Plamen Bobokov. The former is Monbat's Chairman of the Board of Directors while the latter is a Member of the Board.

Following the transfers during the first quarter Prista Oil Holding remains majority shareholder with 54.79%, including the stake of its related entity Monbat Trading (7.06%). Both companies are under the same control of Prista Oil Group B.V., which owns 100% of Prista Oil Holding and 90% of Monbat Trading.

The rest of the stock, 24.43% free float, is owned by more than 150 local and international institutional investors and more than 1700 individuals as it is among the most favored stock on the Bulgarian Stock Exchange. It is also among the most liquid stocks on the market.

Number of shares outstanding:
39 000 000

Shareholders' structure



GROUPS' SUBSIDIARIES SUMMARY

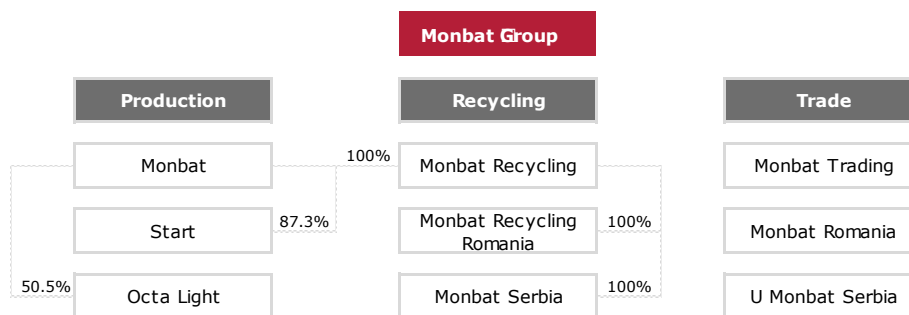
Monbat is a vertically integrated holding with three major business lines – production, sale and recycling of batteries. Among all products in the portfolio, Monbat car batteries are the most distinguished and well recognized all over Europe. On individual basis, Monbat mostly produces batteries and thus its financials are constituted by revenues from that segment. Monbat operates three production facilities located in Bulgaria – two battery production facilities in Montana and Dobrich, and the LED lighting bulbs production factory

Vertical integration supports profit margins and secure resources

Discharged batteries' recycling represents the second business line, which is with equal importance for the Group. It provides means for competitive prices on many foreign markets and thus increases the profitability. The recycling entity, Monbat Recycling, is fully-owned subsidiary of Monbat, which holds the recycling facility in Bulgaria and the operations in Romania and Serbia via two subsidiaries in both countries.

Trading is the third business line of the Group. The companies in Romania and Serbia are owned by Monbat (99% directly and 1% by Monbat Recycling) and by Monbat Serbia.

Exhibit 1: Major business lines with their key subsidiaries



POTENTIAL CATALYSTS

GROWING AUTOMOTIVE BATTERY MARKET: The revival of the automotive market is already in progress, as the main market for the Group – the EU, is expected to increase by 1/3 up to 2020. At the same time more than 60% of the vehicles in the EU and over 95% of the vehicles in Bulgaria are older than 5 years. The average life of car batteries is 5 years and after that they should be replaced. For economic and technical reasons the 12V lead-based battery will continue to be the only technology that satisfies mass market requirements, so we expect Monbat to generate solid profit from the aftermarket in the upcoming years.

BATTERY FACTORIES MODERNIZATION: Monbat currently implements a modernization program of its battery factories in Bulgaria. It will be completed within 2014 without interruption of the production. Half of the investment will be secured via a grant under Operational Programme "Development of the Competitiveness of the Bulgarian Economy". Modernization will increase the production capacity by 35% to respond to the increased demand.

Secure raw materials supply: The Group's recycling facilities secure the raw materials availability and add to profitability via cheaper lead. Also, when lead prices are rising, these facilities provide an additional revenue stream as there is free recycling capacity.

EXPENDITURES REDUCTION: The Group plans to sell the equipment of its recycling unit in Serbia. The plant is not working due to lack of raw materials and political and market pressure which makes inefficient. The sale will reduce the company expenditure by BGN 1.7 – 1.8 m per year and will improve profit margins. Moreover, an extraordinary income from the sale is expected.

OCTA LIGHT WILL LAUNCH ITS MASS MARKET PRODUCTS: After registering over 500% sales increase y-o-y in 2013, in 2014 Octa light will launch its mass market products for home and office lighting. It will continue to focus on neighboring countries, but contemplates to open offices in 5 new EU countries and in Abu Dhabi. We expect a positive influence on the Group's revenues, as LED light bulbs will most probably replace the widely currently used Compact Fluorescent Lamp (CFL) and incandescent light bulbs due to its cost efficiency and long-lasting effect. Octa Light is in the process of obtaining a new type of street lighting patent. That technology is expected to be among the least expensive and therefore the most accessible, even compared to Asian manufacturers. The first order for this lighting, made by a small town in Italy, is already in place.

SECTOR OVERVIEW

BATTERIES SECTOR

Batteries are divided into two main categories: starter and deep-cycle batteries. The first type includes all products for automobiles that provide energy for the ignition and operation of engines.

Deep-cycle batteries supply electrical power to critical systems (hospitals, telecommunications systems, emergency lighting systems and etc.) in the event of a power outage. Monbat also produces lead-acid traction batteries for electrical vehicles, such as electric forklift trucks.

Monbat produces started and stand-by batteries

AUTO BATTERIES SECTOR

The revival of the global automotive market is already in progress, as according to KPMG research the increase in the three main markets – China, North America and EU, will be between 15% and 65% for the period 2013 – 2020.

There are over 250 million vehicles in Europe. According to ACEA (European Automobile Manufacturers Association), the first six months of 2014 return that the passenger car registrations are up by 6.5% y-o-y and commercial vehicle registrations are up by 9.1% y-o-y.

In Bulgaria there are around 3.8 million vehicles, as only 4% of them are less than 5 years old. Around 40% of the vehicles are over 20 years old. The battery aftermarket in the country has higher potential than other EU countries. Extreme hot and cold weather, as well as the rule to keep vehicle lights permanently switched on, additionally reduce the battery life.

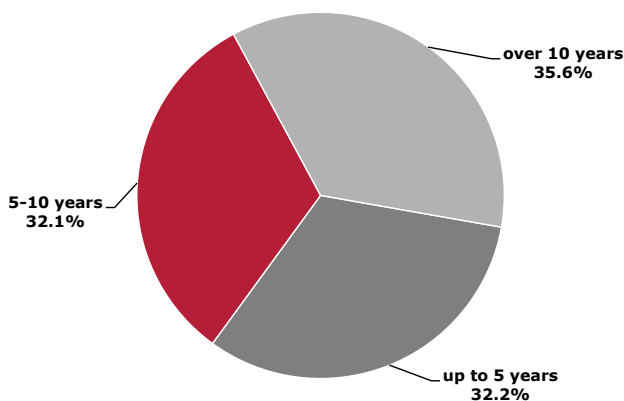
The global market for motive batteries is set to rise to \$47 billion in 2017, up more than 50% from \$31 billion in 2013, according to IMS Technology.

According to a Eurobat research, for economic and technical reasons (it is difficult to replace one technology by another without impacting on overall performance and vehicle cost) the 12V lead-based battery will continue to be the only technology that satisfies mass market requirements for the foreseeable future. As long as any residual risks to human health and the environment are properly managed, their cost-efficiency, durability, and cold-cranking ability will set them apart from other technologies in this high-volume segment.

Significant aftermarket in EU and Bulgaria, as well as new cars market revival, is expected to increase car batteries demand

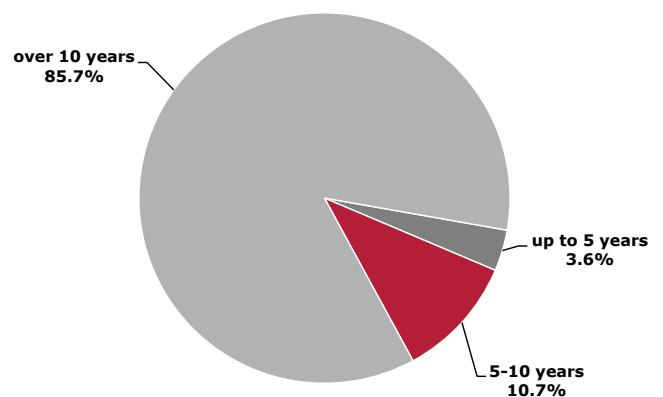
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Exhibit 2: Passenger car fleet in EU by age in 2013



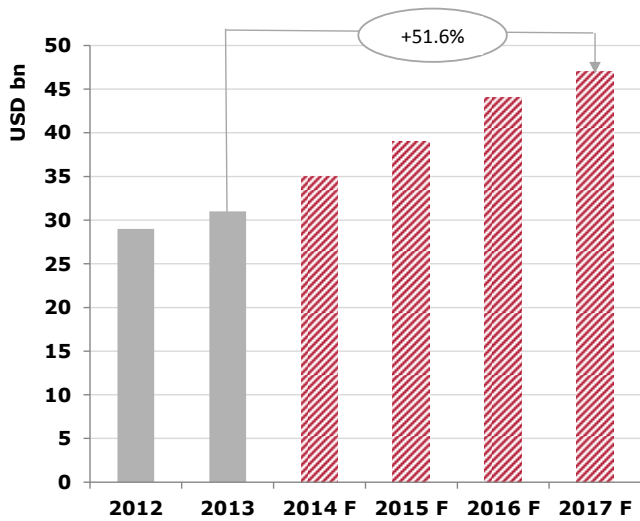
Source: ACEA

Exhibit 3: Passenger car fleet in Bulgaria by age shows the high aftermarket potential in the country



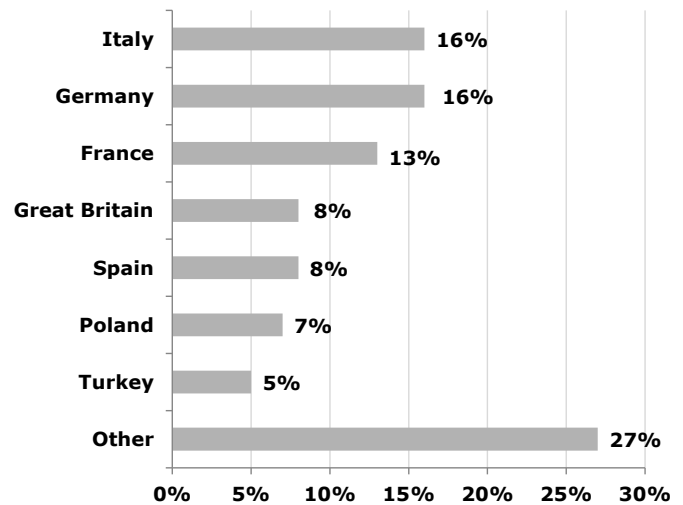
Source: Ministry of Interior

Exhibit 4: The global motive battery market is expected to increase significantly during the next few years



Source: IMS Technology

Exhibit 5: The battery aftermarket in EU reached 45 million units in 2013, as the largest EU markets generate 73% of the entire sales



Source: Eurobat

STATIONARY BATTERIES SECTOR

According to "Research and Markets", the global lead-acid battery market will grow at a CAGR of 3.5 percent over the period 2013-2018. One of the key factors contributing to this growth is the development of AGM lead-acid batteries. The market has also been witnessing an increase in the power deficit.

The governments of various countries are expecting that their nationwide energy demands will double within the next decade. As a result, the investments in smart grid technology are rising in order to meet the huge demand for power by 2020. This increase will support the growth of the lead-acid battery market because batteries can be used in electric vehicles, one of the major components in the smart grid industry.

By 2020, Pike Research forecasts that advanced lead-acid batteries will capture roughly 25% of the global battery-based grid storage market, a small subset of the broader energy storage market. The market value for advanced lead-acid batteries in grid storage will be approximately \$6.8 billion in 2020. Transportation applications, however, will still be the leading market for advanced lead-acid battery revenues.

In the coming years, advances in lead-acid battery technology will enhance the core technical features in order to meet the growing demand for dynamic energy storage. These innovations will enable lead-acid battery vendors to retain significant market share despite persistent competition from other technologies, such as lithium ion batteries. According to a recent report from Navigant Research, the worldwide installed capacity of advanced lead-acid batteries will grow from 77 megawatts in 2013 to 5,044 megawatts in 2020.

The global market will grow at a CAGR of 3.5% due to the smart grid technology

Energy storage will preserve the positions of lead acid batteries

RECYCLING OF LEAD ACID BATTERIES

The main resources for production of batteries are lead with purity of 99.99%, alloys with antimony and calcium, polypropylene and sulfuric acid. The Group is relying on recycling of batteries for the bulk of its materials. Monbat invested in new facilities and transferred the existing one into 100%-owned subsidiary Monbat Recycling. It operates three facilities: one in Serbia, Bulgaria and Romania, respectively.

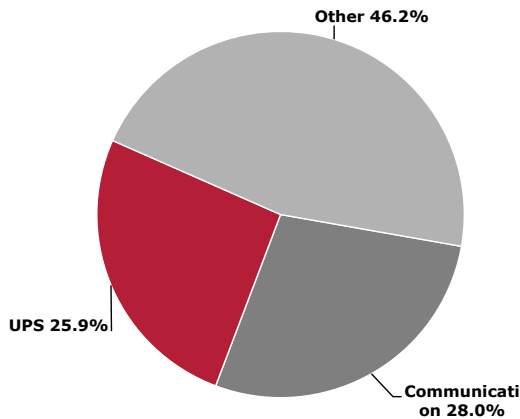
The facility in Serbia has the annual capacity of recycling 15-16 000 tons of lead and alloys. However, the Group decided to close the facility and is planning to sell the equipment. The main foreign recycling plant of the Group was officially opened in January 2011 in Romania. That investment totaled EUR 13 million during the previous three years. The plant's capacity is 15-16 000 tons of lead and alloys annually with higher volumes in the fragmentation and metallurgic units. The recycled resources will be sold abroad or used in the production of batteries. Monbat Recycling also operates the recycling plant on the main production site in Bulgaria.

The recycling of car batteries is lucrative business that is improving the Group's profit margins. Moreover, Monbat should benefit more on the increase of lead prices due to its very high level of recycled lead used in production - from 47% in 2010 to 88% in 2013. The

Recycling improves profit margins and expands operations of Monbat into another lucrative segment

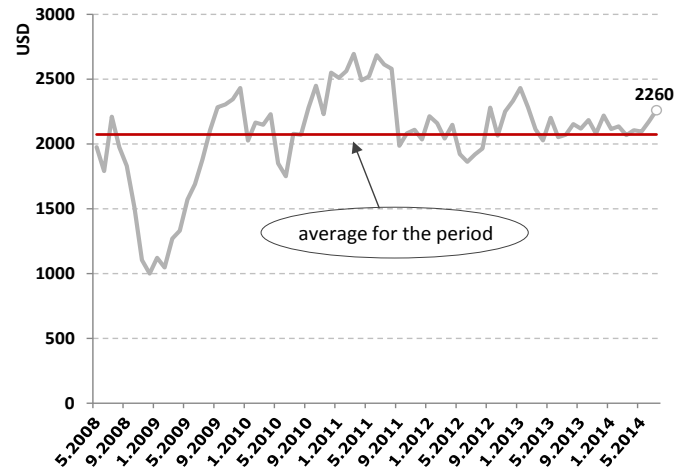
Group's high margins and lower product prices are consequences of the integration of recycling and production.

Exhibit 6: Stand-by batteries market per application in EU



Source: Eurobat

Exhibit 7: Lead price per ton increased in Q2 to USD 2260, as it is already above the average level for the last 5 years



Source: Bloomberg

PRODUCTION OF LED LIGHTING BULBS

Monbat initiated the production of Light-Emitting Diode (LED) bulbs through the acquisition of Octa Light Bulgaria. The company was established in 2010 and is the first that has all its research centers and production facilities in Europe. Octa Light covers the following activities:

- Manufacturing of powerful high-brightness light emitting diodes - LED 110 - 120 - 130 Lm/W at 1W, 3W and 5W
- Manufacturing of LED luminaires for all types of lighting systems – street lighting, tunnel lighting, industrial, exterior and interior applications
- Lighting design, measurement, audits and comprehensive engineering solutions

The stake of Monbat in Octa Light is 50.45%. Currently, Octa Light sells LED tubes and LED powered bulbs for special lighting applications such as refrigerators, sewing machines, desktop lamps, furniture backlights. Octa Light is also known for the several accomplished large projects for exterior and industrial lighting.

LED light bulbs is superior technology in lightning due to its cost efficiency and long-lasting effect. Typical 60-Watt incandescent lamps produce only 16 lumens of light output per Watt with useful lifetimes of 1,000 hours on average. An equivalent CFL provides about 67 lumens per Watt and lasts 10 times longer. LED lamps are even more efficient — currently producing around 83 lumens per Watt and are rated to last more than 30 times as long as a comparable incandescent lamp. LED lighting technologies have been advancing rapidly with projections for further improvements, resulting in lower cost, increased reliability, and reduced energy consumption. By 2020, EIA projects LEDs to produce more than 150 lumens per Watt.

The reason LEDs have not yet displaced CFLs from the market is twofold: the first generation LED bulbs had a narrow and focused light beam, and the cost was too high. Recent developments in LED technology have addressed these issues. LEDs have been 'clustered' to provide more light, and mounted within diffuser lenses which spread the light across a wider area. In addition, advancements in manufacturing technology have driven the prices down to a level where LED bulbs are more cost-effective than CFLs or incandescent bulbs. This trend continues, with LED bulbs being designed for more applications while the prices are going down over time.

Monbat bought a small producer of LED light bulbs

LED technology will replace current bulbs due to lower energy costs and longer life

MONBAT'S MARKET PRESENCE

Monbat has excellent market diversification, as the Group exports to over 20 countries. This determines Monbat as less dependent to economic contraction in a particular country. The Group produces a wide range of products and has well-grounded positions in the local markets, the markets of the Balkan region and in the Western European. The consolidated exports revenues represent near 90% of the total net sales revenues. The increase in sales in Europe is due mainly to the excellent quality of the products and focused market policy.

90% export to over 20 foreign markets provides stability of financial performance

The main markets are Greece, Germany, and France, as all of them registered a significant annual increase in 2013. We expect the positive trend to continue in the coming years, driven by the growth of automotive market.

A market with lower 2013 results compared to 2012 is Poland. The Group decided to decrease its lead supply due to lower commodity price. Monbat's policy is focused on selling the lead only when that price is favorable. As a result, the Group plans to shift its lead export from Poland to Greece, where profit margin is higher.

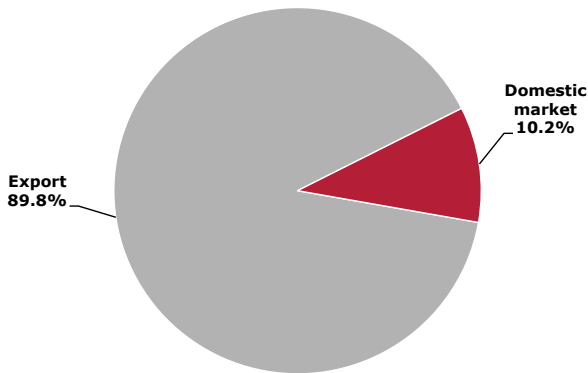
The recycling facilities in Bulgaria and Romania are utilized at 85-90% of their capacity. Therefore, the Group will not make major investments in additional recycling facilities in the next few years. The production of batteries will continue to use recycled lead for most of its capacity.

Recycling has enough capacity for the next few years to provide lead for Monbat's production

Over 86% of all sold products are starter batteries, out of which stationary batteries are between 7-9% of units sold. The other types of batteries (deep cycle batteries, locomotive batteries and batteries for special and leisure purposes) occupy 4-5% of the total units sold.

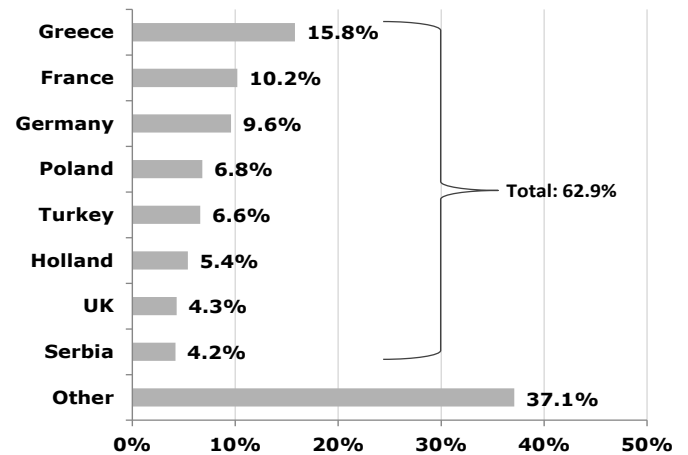
Octa light is soon expected to launch its mass market products for home and office lighting. The company plans to open offices in 5 new EU countries, as well as in Abu Dhabi.

Exhibit 8: Net sales revenues on domestic and foreign market



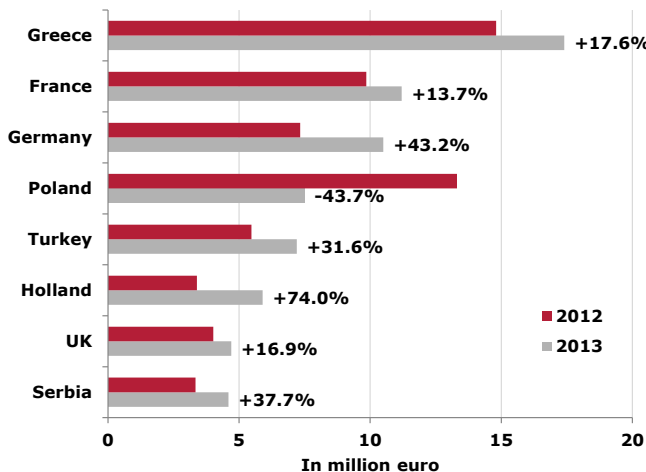
Source: Company data

Exhibit 9: Main markets, % of total revenues in 2013



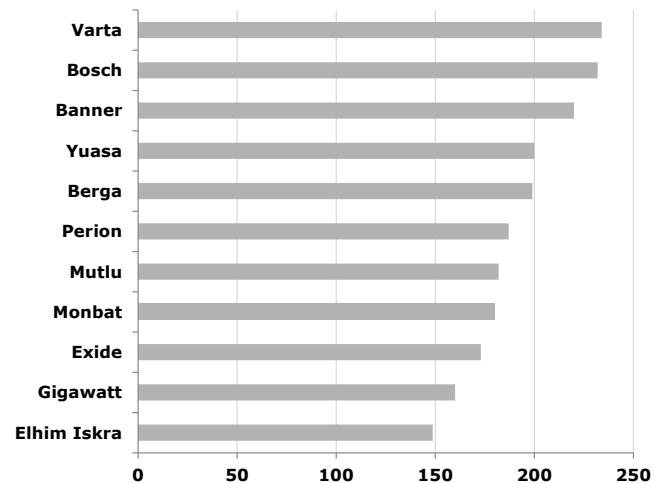
Source: Company data

Exhibit 10: All main export markets registered increases with the exception of Poland



Source: Company data

Exhibit 11: Retail prices of car batteries with the capacity of 75 Ah in Bulgaria show advantage of Monbat



Source: ELANA Trading

ADVANTAGES AND DISADVANTAGES OF LEAD ACID BATTERIES

The development of electric cars and the increasing usage of other types of batteries are raising the question for the future of lead acid technology. Different batteries types are suitable for specific applications and lead acid batteries will maintain their usage for foreseeable future.

Main advantages: Reliable with over 140 years of development. Can deliver very high currents, which is suitable for SLI (Starting Lighting and Ignition) batteries. Mass-produced in many sealed and maintenance-free variants at lowest prices. Can be left on trickle or float charge for prolonged periods - well suited for standby applications that require only occasional deep discharges. Low self-discharge of 5% per month. Extraordinarily high rate of recycling, ninety-seven percent of the lead is recycled and reused in new batteries.

Main disadvantages: High weight of lead, which makes the batteries expensive for transportation in large distances. Allows only a limited number of full discharge cycles, except for car batteries.

Lead acid chemistry will maintain its leading position in certain areas of usage

FINANCIAL ANALYSIS AND VALUATION

The ability to recycle gives Monbat an advantage towards profit margin improvement plus an insurance from volatility in lead prices. This vertical integration and solid presence on EU aftermarket make the Group more stable in terms of financial performance, while the excellent market diversification preserves it from separate market shocks.

The stock is traded at average P/E ratio for Bulgarian industrial companies. However, our primary valuation tool will be the analysis of cash flows on consolidated basis. Considering the big difference between Monbat and the larger global producers of batteries in terms of sales and equity, we present the peer multiples for informational purposes only.

The above-mentioned factors support the argument for Monbat as an attractive investment with moderate price volatility that is an opportunity for both long- and short-term investors.

Further improvement of financial results is opportunity for both short- and long-term investors

| | 2012 | 2013 | 12M | 2014E |
|------------------------------|-------------|--------------|--------------|--------------|
| Last Price | 4.69 | 8.82 | 8.70 | 8.70 |
| Number of Shares | 36,370,264 | 39,000,000 | 39,000,000 | 39,000,000 |
| Market Capitalization | 170,576,538 | 343,980,000 | 339,300,000 | 339,300,000 |
| Net Profit | 17,307,000 | 25,389,000 | 27,320,000 | 29,556,390 |
| P/E | 9.86 | 13.55 | 12.42 | 11.48 |
| Equity | 126,524,000 | 161,804,000 | 163,394,000 | 181,015,654 |
| P/B | 1.35 | 2.13 | 2.08 | 1.87 |
| Sales | 202,637,000 | 240,144,000 | 229,043,000 | 228,136,800 |
| P/S | 0.84 | 1.43 | 1.48 | 1.49 |
| EV | 224,444,538 | 396,354,000 | 391,826,000 | 385,394,531 |
| EBITDA | 30,200,000 | 42,475,000 | 44,264,000 | 47,589,336 |
| EV/EBITDA | 7.43 | 9.33 | 8.85 | 8.10 |
| RoE | 13.26% | 17.61% | 18.65% | 17.24% |
| RoA | 8.14% | 11.03% | 11.64% | 11.66% |

ANALYSIS OF FINANCIAL PERFORMANCE

Monbat reported 18.5% increase of revenues in 2013 and 14.2% average annual growth during the previous three years. Results are a consequence of increased sales of batteries and stable lead prices, thus taking away the inflationary effects on batteries' prices. The profit margins also improved in 2013 due to the increased usage of recycled lead up to 88% in the main production. Margins are closely related to the volumes of recycled lead. Therefore, they should remain elevated in near term. An increase of lead price would improve profits of recycling segment that would surpass the inflationary pressure on production costs. Other expenditures, including labour costs and depreciation, also declined as percentage of revenues due to economies of scale; a trend that is anticipated to continue.

Stable lead prices improve profit margins

We expect Monbat to grow by 12% and 10%, respectively in 2015 and 2016, while we

expect modest increase of lead price. The financial result could be distorted by the sale of equipment of the Serbian division, which faces serious hurdles with the deliveries of old batteries for its recycling operations.

The Group made significant investments in the production division in 2011, followed by two years of equally divided investments in both recycling and production. Currently, Monbat incorporates new machinery and equipment for building AGM auto and telecommunication batteries, partially sponsored under the Operational Programme "Development of the Competitiveness of the Bulgarian Economy". The project amounts to BGN 8.3 million, half of which will be a grant financing. Larger capacity and better profitability are expected as direct results from these investments.

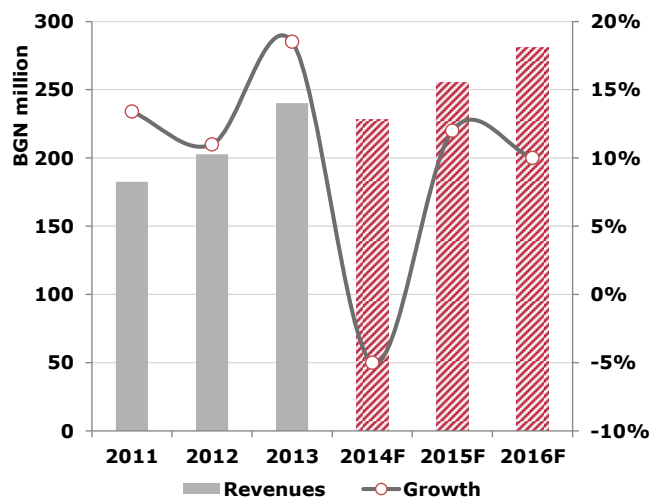
Large program for modernization during the last three years

Monbat announced a loan to its majority shareholder Prista Oil Holding at the amount BGN 14.66 million and mature date of 31 December 2014. The interest rate on the loan is 6%, which corresponds to the high levels of deposits in Bulgarian banks. Receivables from related parties totaled BGN 22.8 million, out of which BGN 20 million from Prista Oil Holding. We expect the level of receivables to related entities to be maintained in 2014 and 2015, but the risk of increase or delay in payment should be monitored carefully. Trade receivables will remain at current levels of revenues, although prone to decline due to the improvement of the financial position of trade partners.

The accumulated recycled lead reflected in inventories increase. We expect inventories of lead to decline in the next several quarters as higher prices would increase shipment of the metal or would be used in the production of batteries.

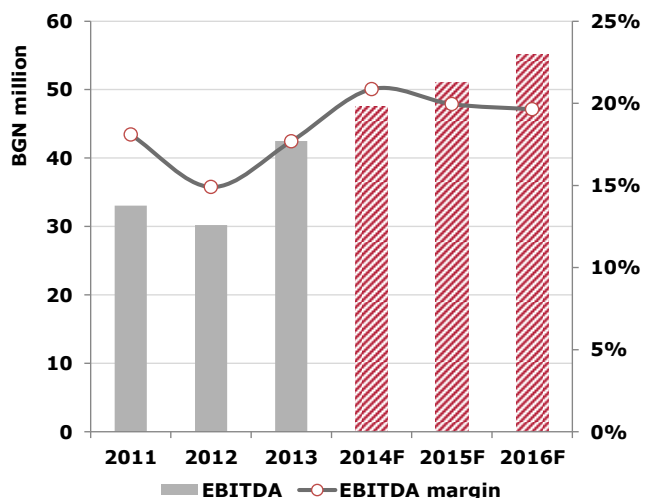
The company's financial results during the first six months of 2014 reveal a negative impact on revenue growth due to lower lead prices. However, we believe this to be a temporary event as the management is reorganizing sales both in terms of volumes and pricing to address the lower lead environment and at the same time using available own cheaper materials to increase profitability. In addition, better profitability is assured via the sale of high value added products.

Exhibit 12: Forecasted growth of sales following higher export of batteries and larger capacity



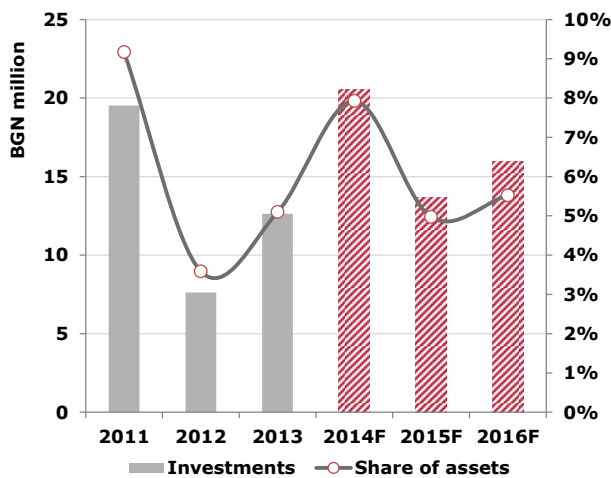
Source: Elana Trading estimates, company data

Exhibit 13: Higher EBITDA margin due to stable lead price and cost cutting



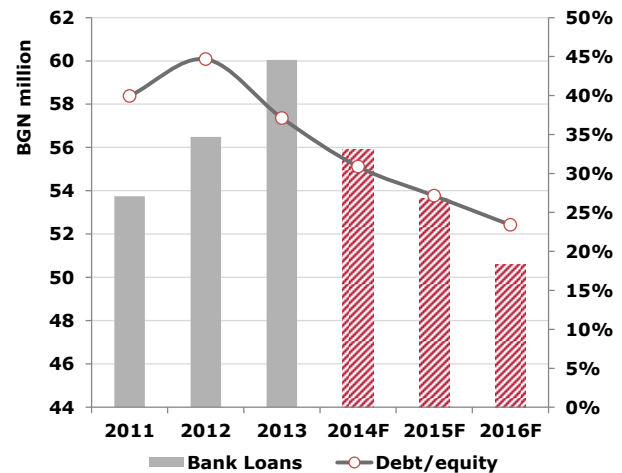
Source: Elana Trading estimates, company data

Exhibit 14: The Group will maintain its investment program in modernization and replacement



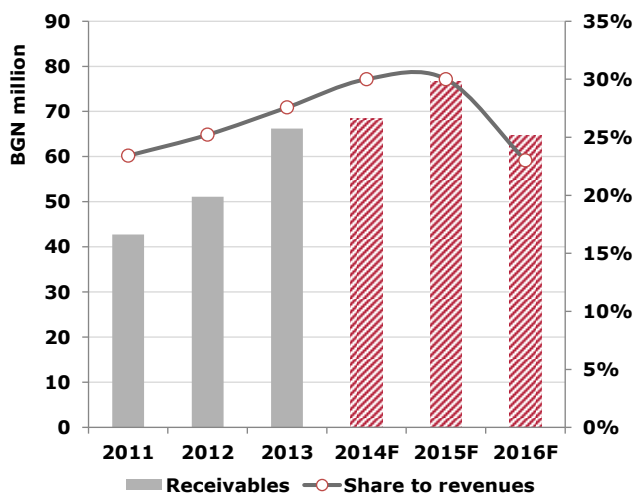
Source: Elana Trading estimates, company data

Exhibit 15: Monbat will generate solid cash flows that will make possible to decrease loans or to distribute substantially higher dividends



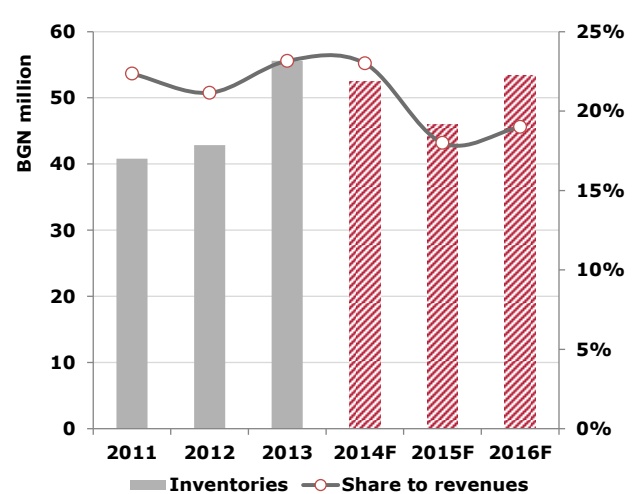
Source: Elana Trading estimates, company data

Exhibit 16: Receivables include large loan to majority owner, that raised their level above the normal 25% of revenues



Source: Elana Trading estimates, company data

Exhibit 17: Inventories are distorted from the piled up lead in anticipation of rising prices



Source: Elana Trading estimates, company data

VALUATION OF MONBAT

Monbat is generating solid cash flows that we expect to further improve in the foreseeable future. Our DCF model is based on expectations for growth and profit margins that are lower than historical ones. This scenario represents the current situation of stable lead prices and moderate expansion of company's products in EU markets. We do not include any forecasts for the performance of Octa Light Bulgaria, due to the lack of historical data and the early stage of LED lightning penetration in consumer markets.

According to the calculation of Bloomberg on Monbat's beta, the stock price movement corresponded to the market with its level of 0.92. The stock proved to be correlated to the overall market trend, presented by the main market index SOFIX. The Group's financials depend on the economic cycle in terms of volumes sold. However, its results are susceptible to the volatile price of lead in period of global recession. Therefore, we consider the Bloomberg's beta as representative for the stock behavior in a long term. We expect that the cost of capital will exceed 10% due to the gradual increase of risk-free rate and cost of debt.

Our DCF model is based on a decline of revenues in 2014 (5%) in line with the negative impact on revenues by lower lead prices, followed by recovery in 2015 (12% growth) that gradually decelerates to the long-term growth of 3.5%. Forecasts for EBITDA margin presume a trend of decline from 20.9% in 2014 to 18.8% in 2018. That is mostly reasoned by

the probable increase of lead prices and the high starting EBITDA margin point in 2014. Considering the expected lower level of investments as compared to the past three years, the future capital expenditures should exceed depreciation by the necessary amount to provide replacement of equipment and support the moderate growth of revenues. The intrinsic value of Monbat's share is BGN 10.50. We also provide sensitivity analysis on the price per share, based on a fixed WACC for the period and floating terminal growth and EBIT margin.

SECTOR COMPARISON

| Company | Country | Market Cap - USD m | P/E | P/B | P/S | EV/EBITDA | Battery Revenue (%) |
|------------------------|-------------|--------------------|-------|------|------|-----------|---------------------|
| Monbat | Bulgaria | 223 | 12.42 | 2.08 | 1.48 | 8.85 | 100 |
| Elhim Iskra | Bulgaria | 22 | 25.48 | 1.06 | 1.09 | 9.77 | 100 |
| Atlas Battery | Pakistan | 83 | 13.51 | 3.98 | 0.89 | 8.23 | 100 |
| Amara Raja Battery | India | 1,622 | 21.86 | 5.89 | 2.34 | 13.47 | 100 |
| Mutlu Aku | Turkey | 216 | 11.32 | 2.27 | 1.05 | 8.35 | 100 |
| PT Nipress | Indonesia | 36 | 5.18 | 0.73 | 0.20 | - | 100 |
| Dry Cell & Storage | Vietnam | 29 | 9.06 | 1.18 | 0.31 | 5.78 | 100 |
| Thai Storage Battery | Thailand | 48 | 8.25 | 0.86 | 0.26 | 7.82 | 100 |
| Furukawa Battery | Japan | 433 | 11.35 | 1.55 | 0.46 | 7.09 | 99 |
| Global & Yuasa Battery | South Korea | 642 | 9.69 | 1.03 | 0.72 | 4.23 | 99 |
| Chaowei Power Holdings | China | 550 | 11.06 | 1.48 | 0.23 | 6.75 | 97 |
| AtlasBX | South Korea | 409 | 7.06 | 1.08 | 0.78 | 2.39 | 97 |
| GS Yuasa | Japan | 2,574 | 28.41 | 2.03 | 0.81 | 11.32 | 28 |
| Johnson Controls | USA | 32,444 | 14.74 | 2.86 | 0.79 | 9.74 | 15 |

WACC CALCULATION

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | TERMINAL YEAR |
|-------------------------------|-------|-------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| RISK FREE RATE | 2.26% | 2.50% | 3.00% | 3.50% | 3.50% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% | 4.00% |
| EQUITY RISK PREMIUM | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% | 8.00% |
| BETA | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 | 0.92 |
| COST OF EQUITY | 9.62% | 9.86% | 10.36% | 10.86% | 10.86% | 11.36% | 11.36% | 11.36% | 11.36% | 11.36% | 11.36% |
| COST OF DEBT | 4.25% | 4.50% | 4.75% | 5.00% | 5.00% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% |
| EFFECTIVE TAX RATE | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% | 10% |
| AFTER-TAX COST OF DEBT | 3.83% | 4.05% | 4.28% | 4.50% | 4.50% | 4.95% | 4.95% | 4.95% | 4.95% | 4.95% | 4.95% |
| WEIGHT OF EQUITY | 76% | 79% | 81% | 84% | 88% | 90% | 90% | 90% | 90% | 90% | 90% |
| WACC | 8.25% | 8.62% | 9.21% | 9.87% | 10.12% | 10.72% | 10.72% | 10.72% | 10.72% | 10.72% | 10.72% |

DISCOUNTED CASH FLOWS

| BGN'000 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | TERMINAL YEAR |
|---------------------------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| EBIT | 36,046 | 39,605 | 43,565 | 45,532 | 48,264 | 50,678 | 52,958 | 55,076 | 57,279 | 59,284 | 57,269 |
| EBIT(1-T) | 32,441 | 35,644 | 39,209 | 40,979 | 43,438 | 45,610 | 47,662 | 49,569 | 51,552 | 53,356 | 51,542 |
| ADD: D&A | 11,544 | 11,370 | 11,625 | 12,021 | 12,317 | 12,933 | 13,515 | 14,056 | 14,618 | 15,129 | 15,659 |
| LESS: INVESTMENTS | 20,535 | 13,652 | 15,969 | 16,518 | 17,295 | 13,637 | 14,177 | 14,668 | 15,254 | 15,706 | 16,256 |
| LESS: CHANGE NWC | 11,288 | 2,281 | -3,168 | 10,928 | 15,882 | -3,462 | 3,783 | 3,514 | 3,654 | 3,325 | 3,562 |
| FCF | 12,162 | 31,081 | 38,033 | 25,554 | 22,578 | 48,368 | 43,217 | 45,443 | 47,261 | 49,454 | 47,383 |
| PV FCF | 11,689 | 27,456 | 30,517 | 18,380 | 14,629 | 27,627 | 22,295 | 21,174 | 19,889 | 18,797 | |
| SUM OF PV FCF | 212,453 | | | | | | | | | | |
| PV OF CONTINUING VALUE | 249,479 | | | | | | | | | | |
| TOTAL PV FREE CASH FLOWS | 461,931 | | | | | | | | | | |
| LESS: OUTSTANDING DEBT | 58,119 | | | | | | | | | | |
| PLUS: FINANCIAL ASSETS | 5,608 | | | | | | | | | | |
| PV OF EQUITY | 409,420 | | | | | | | | | | |
| NUMBER OF SHARES ('000) | 39,000 | | | | | | | | | | |
| PRICE PER SHARE | 10.50 | | | | | | | | | | |

SENSITIVITY ANALYSIS

Exhibit 18: Terminal growth

| | 2.0% | 3.0% | 3.5% | 4.0% | 5.0% |
|------------|-------|-------|--------------|-------|-------|
| WACC 8.0% | 14.07 | 15.89 | 17.10 | 18.61 | 23.13 |
| WACC 9.0% | 11.93 | 13.10 | 13.84 | 14.73 | 17.18 |
| WACC 10.0% | 10.38 | 11.17 | 11.66 | 12.23 | 13.69 |
| WACC 11.0% | 9.22 | 9.78 | 10.11 | 10.49 | 11.44 |
| WACC 12.0% | 8.33 | 8.74 | 8.97 | 9.24 | 9.88 |

Source: Elana Trading estimates

Exhibit 19: Terminal EBIT margin

| | 12.0% | 13.0% | 14.0% | 15.0% | 16.0% |
|------------|-------|-------|--------------|-------|-------|
| WACC 8.0% | 15.08 | 16.09 | 17.10 | 18.11 | 19.12 |
| WACC 9.0% | 12.33 | 13.09 | 13.84 | 14.60 | 15.36 |
| WACC 10.0% | 10.48 | 11.07 | 11.66 | 12.25 | 12.83 |
| WACC 11.0% | 9.18 | 9.64 | 10.11 | 10.58 | 11.05 |
| WACC 12.0% | 8.21 | 8.59 | 8.97 | 9.35 | 9.73 |

Source: Elana Trading estimates

RECOMMENDATION AND PRICE TARGET

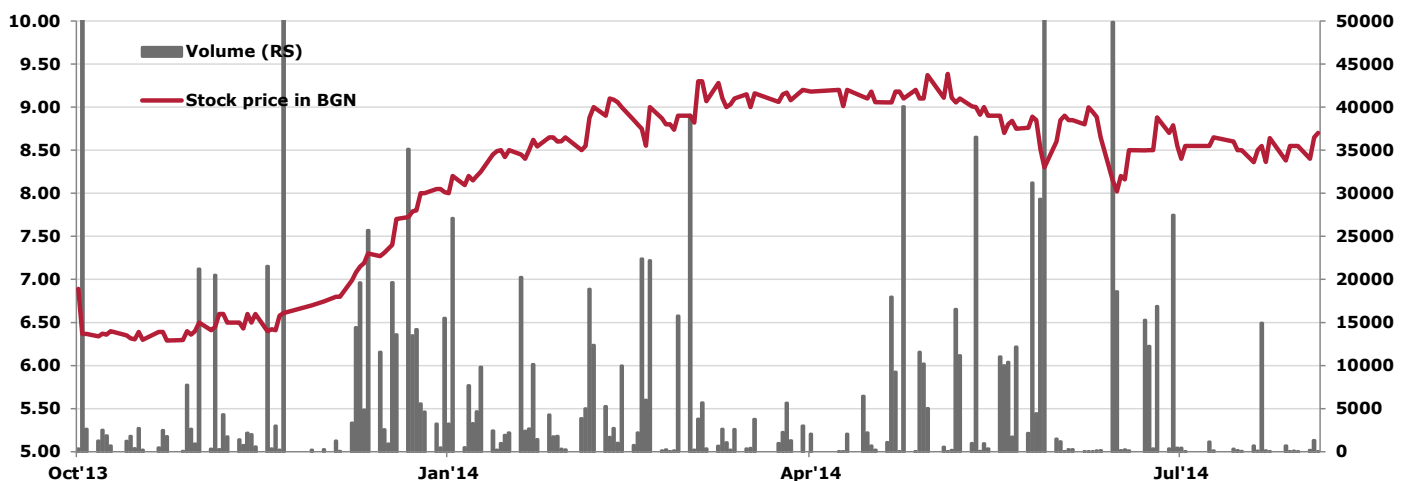
Several factors support the long-term positive trend of Monbat's shares that began two years ago: perspectives for growth with solid cash flows and rising dividend yield; attractive valuation (P/E of 11.3 for 2014) and 21% higher intrinsic value than the current price per share; very positive attitude of local investors toward the Group and the management. Therefore, we maintain our **BUY** recommendation with price target that is more than 20% higher than the current. The risk of underperformance of Monbat's shares as compared to other Bulgarian industrial stocks is low. The Group operates on most EU markets and during the last several years created significant value for investors.

Recommendation: BUY
Target Price: BGN 10.50
Increase: 21%

In terms of significant investors involved in our stock market, we share the following observations:

- Foreign investors prefer Monbat shares for their higher liquidity and stable performance during the last three years. The stock is representative for the development of the Bulgarian capital market, together with the low risks of the presence on many EU markets
- Bulgarian institutional investors are not active currently on the buy side. However, they are expected to maintain their present portfolio and will not provide excess volumes in following months
- Domestic private investors view the stock as stable and perspective for longer-term holding, rather than short-term speculation with high return

STOCK PRICE DYNAMICS



FINANCIAL DATA (AUDITED)

| INCOME STATEMENT (IN '000 BGN) | 2011 | 2012 | 2013 | TTM | 6M 2013 | 6M 2014 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| REVENUE | 182,562 | 202,637 | 240,144 | 229,043 | 114,540 | 103,439 |
| OPERATING EXPENSES | 158,244 | 182,760 | 208,239 | 195,663 | 103,234 | 90,658 |
| CHANGE IN INVENTORIES | 3,404 | (5,701) | 1,383 | (5,940) | 5,873 | (1,450) |
| COST OF MATERIAL | 110,316 | 133,242 | 153,812 | 149,029 | 72,417 | 67,634 |
| COST OF LABOUR | 14,686 | 13,996 | 14,448 | 14,770 | 7,014 | 7,336 |
| COST OF EXTERNAL SERVICES | 16,087 | 18,076 | 18,717 | 18,008 | 8,113 | 7,404 |
| DEPRECIATION AND AMORTIZATION | 8,718 | 10,323 | 10,570 | 10,884 | 5,247 | 5,561 |
| NET BOOK VALUE OF ASSETS SOLD | 2,355 | 3,414 | 3,764 | 4,266 | 1,958 | 2,460 |
| OTHER COSTS | 2,678 | 9,410 | 5,545 | 4,646 | 2,612 | 1,713 |
| OPERATING INCOME | 24,318 | 19,877 | 31,905 | 33,380 | 11,306 | 12,781 |
| INTEREST EXPENSE | 2,848 | 2,549 | 2,701 | 2,677 | 1,228 | 1,204 |
| FOREIGN EXCHANGE LOSSES (GAINS) | 11 | 460 | 788 | 537 | 179 | (72) |
| NET NON-OPERATING LOSSES (GAINS) | 57 | 315 | 363 | 38 | 299 | (26) |
| PRETAX INCOME | 21,402 | 16,553 | 28,053 | 30,128 | 9,600 | 11,675 |
| INCOME TAX EXPENSE | 2,380 | 1,846 | 3,282 | 3,428 | 1,337 | 1,483 |
| INCOME BEFORE XO ITEMS | 19,022 | 14,707 | 24,771 | 26,700 | 8,263 | 10,192 |
| EXTRAORDINARY LOSS NET OF TAX | 0 | 0 | 0 | 0 | 0 | 0 |
| MINORITY INTEREST | 0 | 0 | 0 | 0 | 0 | 0 |
| NET INCOME | 19,134 | 17,307 | 25,389 | 27,320 | 8,586 | 10,517 |
| EARNINGS PER SHARE IN BGN | 0.52 | 0.48 | 0.65 | 0.70 | 0.24 | 0.27 |
| BALANCE SHEET (IN '000 BGN) | 2011 | 2012 | 2013 | TTM | 6M 2013 | 6M 2014 |
| CASH AND NEAR CASH ITEMS | 4,108 | 2,626 | 7,673 | 7,985 | 4,918 | 7,985 |
| SHORT-TERM INVESTMENTS | 0 | 0 | 0 | 0 | 0 | 0 |
| ACCOUNTS AND NOTES RECEIVABLE | 42,737 | 51,090 | 66,200 | 66,447 | 53,362 | 66,447 |
| INVENTORIES | 40,817 | 42,861 | 55,607 | 55,581 | 41,688 | 55,581 |
| OTHER CURRENT ASSETS | 193 | 244 | 249 | 348 | 368 | 348 |
| TOTAL CURRENT ASSETS | 87,855 | 96,821 | 129,729 | 130,361 | 100,336 | 130,361 |
| LT INVESTMENTS AND LT RECEIVABLES | 8 | 1,071 | 463 | 463 | 946 | 463 |
| NET FIXED ASSETS | 121,413 | 113,650 | 116,484 | 120,092 | 115,109 | 120,092 |
| OTHER LONG-TERM ASSETS | 3,643 | 1,023 | 1,054 | 968 | 1,133 | 968 |
| TOTAL LONG-TERM ASSETS | 125,064 | 115,744 | 118,001 | 121,523 | 117,188 | 121,523 |
| TOTAL ASSETS | 212,919 | 212,565 | 247,730 | 251,884 | 217,524 | 251,884 |
| ACCOUNTS PAYABLE | 15,302 | 20,324 | 18,742 | 16,730 | 22,032 | 16,730 |
| SHORT-TERM BORROWINGS | 40,288 | 45,599 | 50,386 | 49,469 | 45,153 | 49,469 |
| OTHER SHORT-TERM LIABILITIES | 1,866 | 2,856 | 2,619 | 7,674 | 4,243 | 7,674 |
| TOTAL CURRENT LIABILITIES | 57,456 | 68,779 | 71,747 | 73,873 | 71,428 | 73,873 |
| LONG-TERM BORROWINGS | 13,459 | 10,895 | 9,661 | 11,042 | 11,260 | 11,042 |
| OTHER LONG-TERM LIABILITIES | 4,667 | 6,640 | 5,409 | 4,791 | 5,809 | 4,791 |
| TOTAL LONG-TERM LIABILITIES | 18,126 | 17,535 | 15,070 | 15,833 | 17,069 | 15,833 |
| TOTAL LIABILITIES | 75,582 | 86,314 | 86,817 | 89,706 | 88,497 | 89,706 |
| TOTAL PREFERRED EQUITY | 0 | 0 | 0 | 0 | 0 | 0 |
| MINORITY INTEREST | (2,728) | 273 | 891 | (1,216) | (596) | (1,216) |
| SHARE CAPITAL & APIC | (2,142) | (2,623) | 0 | 39,000 | 36,756 | 39,000 |
| RETAINED EARNINGS & OTHER EQUITY | 97,751 | 90,147 | 122,804 | 124,394 | 92,867 | 124,394 |
| TOTAL EQUITY | 134,609 | 126,524 | 161,804 | 163,394 | 129,623 | 163,394 |
| WORKING CAPITAL | 26,291 | 25,416 | 50,309 | 48,503 | 23,990 | 48,503 |
| NUMBER OF SHARES: | 37,095,139 | 36,370,264 | 39,000,000 | 39,000,000 | 36,411,980 | 39,000,000 |
| PRICE IN BGN - PERIOD END: | 5.25 | 4.69 | 8.82 | 8.70 | 6.11 | 8.90 |
| MARKET CAP IN BGN - PERIOD END: | 194,749 | 170,577 | 343,980 | 339,300 | 222,477 | 347,100 |

| CASH FLOW STATEMENT (IN '000 BGN) | 2011 | 2012 | 2013 | TTM | 6M 2013 | 6M 2014 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| NET INCOME | 19,134 | 17,307 | 25,389 | 27,320 | 8,586 | 10,517 |
| DEPRECIATION & AMORTIZATION | 8,718 | 10,323 | 10,570 | 10,884 | 5,247 | 5,561 |
| OTHER NON-CASH ADJUSTMENTS | (11,374) | (7,520) | 13,333 | 36,647 | (26,271) | (2,957) |
| CHANGES IN NON-CASH CAPITAL | 9,090 | 875 | (24,893) | (49,406) | 26,319 | 1,806 |
| CASH FROM OPERATIONS | 25,568 | 20,985 | 24,399 | 25,445 | 13,881 | 14,927 |
| DISPOSAL OF FIXED ASSETS | 0 | 0 | 0 | 0 | 0 | 0 |
| CAPITAL EXPENDITURES | (19,518) | (7,628) | (12,625) | (15,049) | (6,774) | (9,198) |
| INCREASE IN INVESTMENTS | (4,890) | (9,968) | (19,872) | (18,703) | (4,405) | (3,236) |
| DECREASE IN INVESTMENTS | 1,848 | 689 | 1,192 | 547 | 667 | 22 |
| OTHER INVESTING ACTIVITIES | 0 | 4,227 | 0 | 0 | 0 | 0 |
| CASH FROM INVESTING ACTIVITIES | (22,560) | (12,680) | (31,305) | (33,205) | (10,512) | (12,412) |
| DIVIDENDS PAID | (1,821) | (1,679) | (1,976) | (2,091) | 0 | (115) |
| CHANGE IN SHORT-TERM BORROWINGS | 12,184 | 5,311 | 4,787 | 4,316 | (446) | (917) |
| CHANGE IN LONG-TERM BORROWINGS | (4,188) | (2,564) | (1,234) | (218) | 365 | 1,381 |
| INCREASE IN CAPITAL STOCKS | 0 | 0 | 16,617 | 14,225 | 2,392 | 0 |
| DECREASE IN CAPITAL STOCKS | (3,039) | (2,474) | 0 | 0 | 0 | 0 |
| OTHER FINANCIAL ACTIVITIES | (3,670) | (8,280) | (6,241) | (5,405) | (3,388) | (2,552) |
| CASH FROM FINANCING ACTIVITIES | (534) | (9,686) | 11,953 | 10,827 | (1,077) | (2,203) |
| NET CHANGES IN CASH | 2,474 | (1,381) | 5,047 | 3,067 | 2,292 | 312 |
| END-OF-PERIOD CASH | 4,108 | 2,626 | 7,673 | 7,985 | 4,918 | 7,985 |
| CASH PER SHARE | 0.11 | 0.07 | 0.20 | 0.20 | 0.14 | 0.20 |

| FINANCIAL AND PERFORMANCE INDICATORS | 2011 | 2012 | 2013 | TTM |
|---|-------------|-------------|-------------|------------|
| VALUATION | | | | |
| PRICE/EARNINGS (P/E) | 10.18 | 9.86 | 13.55 | 12.42 |
| PRICE/BOOK (P/B) | 1.45 | 1.35 | 2.13 | 1.87 |
| PRICE/SALES (P/S) | 1.07 | 0.84 | 1.43 | 1.49 |
| PRICE/CASH PER SHARE | 6.99 | 6.17 | 9.57 | 8.88 |
| EV (IN BGN) | 244,388 | 224,445 | 396,354 | 391,826 |
| EV/EBITDA | 7.4 | 7.43 | 9.33 | 8.85 |
| PROFITABILITY | | | | |
| RETURN ON COMMON EQUITY | 14.69% | 13.26% | 17.61% | 18.65% |
| RETURN ON ASSETS | 9.27% | 8.14% | 11.03% | 11.64% |
| RETURN ON INVESTED CAPITAL | 12.04% | 10.54% | 13.72% | 14.49% |
| EBITDA MARGIN | 18.10% | 14.90% | 17.69% | 19.33% |
| OPERATING MARGIN | 13.32% | 9.81% | 13.29% | 14.57% |
| NET INCOME MARGIN | 10.48% | 8.54% | 10.57% | 11.93% |
| DIVIDEND | | | | |
| DIVIDEND YIELD | 3.28% | 4.51% | 2.61% | |
| DIVIDEND PER SHARE | 0.17 | 0.21 | 0.23 | |
| LIQUIDITY | | | | |
| CURRENT RATIO | 1.53 | 1.41 | 1.81 | 1.76 |
| QUICK RATIO | 0.82 | 0.78 | 1.03 | 1.01 |
| CREDIT | | | | |
| LT DEBT/EQUITY | 0.10 | 0.09 | 0.06 | 0.07 |
| TOTAL DEBT/EQUITY | 0.40 | 0.45 | 0.37 | 0.37 |
| TOTAL DEBT/TOTAL ASSETS | 0.25 | 0.27 | 0.24 | 0.24 |
| EBIT/INTEREST EXPENSE | 11.60 | 11.85 | 15.73 | 16.53 |

QUATERLY FINANCIAL DATA (UNAUDITED)

| Income Statement ('000 BGN) | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 46,088 | 40,791 | 51,058 | 63,361 | 64,576 | 49,964 | 57,778 | 68,023 | 59,653 | 43,786 |
| Operating Expenses | 40,854 | 38,352 | 44,091 | 54,389 | 58,418 | 44,816 | 48,764 | 55,848 | 52,525 | 38,133 |
| Change in Inventories | 2,376 | (6,329) | 521 | (1,339) | 6,246 | (373) | (4,147) | 63 | 1,181 | (2,631) |
| Cost of Material | 27,016 | 33,094 | 31,152 | 42,000 | 39,332 | 33,085 | 40,644 | 42,155 | 38,910 | 28,724 |
| Cost of Labor | 3,225 | 3,084 | 3,615 | 4,073 | 3,751 | 3,263 | 3,540 | 3,894 | 3,788 | 3,548 |
| Cost of External Services | 4,386 | 4,641 | 4,326 | 4,368 | 4,140 | 3,973 | 4,621 | 5,024 | 3,808 | 3,596 |
| Depreciation and Amortization | 2,527 | 2,506 | 2,661 | 2,629 | 2,600 | 2,647 | 2,778 | 2,554 | 2,755 | 2,806 |
| Net Book Value of Assets Sold | 577 | 606 | 893 | 1,341 | 1,103 | 855 | 541 | 1,265 | 1,085 | 1,375 |
| Other Costs | 747 | 750 | 923 | 1,317 | 1,246 | 1,366 | 787 | 893 | 998 | 715 |
| Operating Income | 5,234 | 2,439 | 6,967 | 8,972 | 6,158 | 5,148 | 9,014 | 12,175 | 7,128 | 5,653 |
| Interest Expense | 702 | 644 | 628 | 571 | 653 | 575 | 694 | 773 | 622 | 582 |
| NET INCOME | 3,923 | 1,632 | 5,330 | 7,316 | 4,807 | 3,779 | 7,099 | 10,006 | 5,748 | 4,769 |

| Balance Sheet ('000 BGN) | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash & Near Cash Items | 2,425 | 2,518 | 4,554 | 2,724 | 5,293 | 4,918 | 7,243 | 7,674 | 5,608 | 7,985 |
| Accounts & Notes Receivable | 40,825 | 37,693 | 44,570 | 51,172 | 57,827 | 53,362 | 55,194 | 68,835 | 70,074 | 66,447 |
| Inventories | 39,648 | 46,652 | 42,605 | 46,792 | 39,336 | 41,688 | 50,617 | 52,943 | 50,191 | 55,581 |
| Total Current Assets | 83,201 | 87,194 | 92,023 | 100,932 | 102,782 | 100,336 | 113,306 | 129,701 | 126,211 | 130,361 |
| Net Fixed Assets | 120,904 | 120,868 | 121,810 | 121,236 | 113,494 | 115,109 | 115,778 | 116,356 | 117,280 | 120,092 |
| Other Long-Term Assets | 3,785 | 3,866 | 4,040 | 4,046 | 1,142 | 1,133 | 1,129 | 1,054 | 1,015 | 968 |
| Total Long-Term Assets | 124,697 | 124,742 | 125,858 | 125,290 | 115,597 | 117,188 | 117,370 | 117,873 | 118,758 | 121,523 |
| Total Assets | 207,898 | 211,936 | 217,881 | 226,222 | 218,379 | 217,524 | 230,676 | 247,574 | 244,969 | 251,884 |
| Accounts Payable | 12,996 | 19,265 | 16,127 | 19,169 | 19,217 | 22,032 | 19,089 | 17,842 | 12,957 | 16,730 |
| Short-Term Borrowings | 32,587 | 35,774 | 41,361 | 41,072 | 48,667 | 45,153 | 54,868 | 49,234 | 48,728 | 49,469 |
| Other Short-Term Liabilities | 1,382 | 2,734 | 2,140 | 2,063 | 2,921 | 4,243 | 2,860 | 3,165 | 2,592 | 7,674 |
| Total Current Liabilities | 46,965 | 57,773 | 59,628 | 62,304 | 70,805 | 71,428 | 76,817 | 70,241 | 64,277 | 73,873 |
| Long-Term Borrowings | 12,451 | 11,504 | 11,322 | 10,895 | 10,268 | 11,260 | 11,042 | 10,813 | 9,391 | 11,042 |
| Other Long-Term Liabilities | 8,656 | 8,017 | 8,023 | 7,750 | 6,296 | 5,809 | 5,649 | 5,368 | 4,953 | 4,791 |
| Total Long-Term Liabilities | 21,107 | 19,521 | 19,345 | 18,645 | 16,564 | 17,069 | 16,691 | 16,181 | 14,344 | 15,833 |
| Total Liabilities | 68,072 | 77,294 | 78,973 | 80,949 | 87,369 | 88,497 | 93,508 | 86,422 | 78,621 | 89,706 |
| Total Equity | 137,427 | 132,312 | 136,637 | 143,164 | 131,478 | 129,623 | 137,947 | 162,106 | 167,398 | 163,394 |
| Total Liabilities & Equity | 207,898 | 211,936 | 217,881 | 226,222 | 218,379 | 217,524 | 230,676 | 247,574 | 244,969 | 251,884 |

| Cash Flow Statement ('000 BGN) | Q1 2012 | Q2 2012 | Q3 2012 | Q4 2012 | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Cash From Operations | 8,690 | 1,013 | 6,849 | 4,430 | 8,057 | 5,824 | 1,259 | 9,433 | 5,293 | 9,634 |
| Cash From Investing Activities | (3,923) | 2,459 | (6,923) | (4,293) | (6,381) | (4,131) | (5,856) | (15,110) | (4,592) | (7,820) |
| Cash from Financing Activities | (6,450) | (3,379) | 2,110 | (1,967) | 991 | (2,068) | 6,922 | 6,108 | (2,766) | 563 |
| Net Changes in Cash | (1,683) | 93 | 2,036 | (1,830) | 2,667 | (375) | 2,325 | 431 | (2,065) | 2,377 |
| End-of-period cash | 2,425 | 93 | 2,036 | (1,830) | 5,293 | (375) | 2,325 | 431 | 5,608 | 2,377 |

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| | |
|-------------|---|
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| HOLD | Market performance, +/-5% as compared to SOFIX and BG40 |
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