

<u>Recommendation</u>	<u>Previous</u>	<u>From date</u>	<u>52-week target</u>
Market Perform	Market Perform	20 October 2010	1.78

## Herti

### Business Summary

Herti was founded in 1993 as a start-up company. It is producing various types of closures for bottles. The packaging products are sold to producers of alcoholic and non-alcoholic beverages but part of the closures are designed for the use by the pharmaceutical industry. The company is exporting more than 80% of its production. Main markets are the European Union, Russia and ex-Soviet countries. Herti's business model includes the whole process of production as well as the sell to clients. The company is making market researches in its sector to respond the necessities in different economic sectors.

The company's holding structure includes four subsidiaries:

- Tihert JSC – 100% of the capital;
- Herti UK – 100% of the capital;
- Herti France – 100% of the capital;
- Herti Group International – 49.00%.

The company also owns 5.6% stake in the first Bulgarian packaging recovery organization – the non-profit company Ecopack Bulgaria. Herti is fulfilling its obligations for separate waste collection and recovery of packaging released on the market in Bulgaria according to the current legislation.

Herti is expanding its product portfolio through research and development activities. The company is applying the requirements of the world quality standards and the principles of good corporate management. It was certified under ISO 9001:2008 in December 2009.

### Current Market Activity

Herti is among the low liquid shares on the Bulgarian stock market. The initial public offering during the first quarter of 2008 faced many obstacles in terms of limited investors' demand. The ambitious plan to raise capital and to sell existing shares through the stock exchange coincided with the first major decline of international markets. Investors turned toward the low-risk shares of large and well-know companies.

The trading activity with Herti's shares decreased substantially after the end of the first quarter according to the decline of overall market activity and the lower prices of stocks. The huge price gains to BGN 2.00 of Herti's shares is consequence of the low liquidity. The position remained aside of the market correction due to the lack of trading.

### Valuation Ratios

Enterprise Value	33 952 000
Dividend Yield - Gross	-
Trailing P/E (ttm)	-
Forward P/E (2010)	-
PEG Ratio (1yr expected)	-
Price/Sales (ttm)	0.93
Price/Book (mrq)	1.99
Enterprise Value/Revenues (ttm)	1.31
Enterprise Value/EBITDA (ttm)	15.28

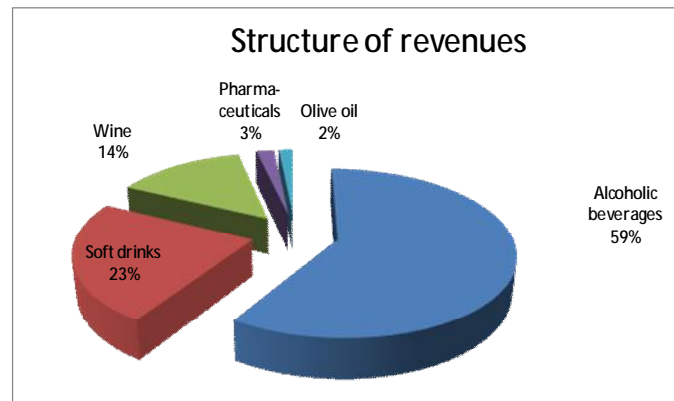
### Profitability and Growth Ratios

Return on Capital	-
Return on Equity	-
Return on Assets	-
EBITDA Margin	8.6%
Net Profit Margin	-
Revenue Growth	19%
EPS Growth	-
Capital Growth	-0.1%
Assets Growth	4.2%

## Sales

The largest part of the revenues comes from the packaging products for alcoholic beverages. In 2010, a significant change in the structure of sales by industry took place, the share of soft drinks increased to 23% of total revenues.

The Bulgarian Soft Drinks Association reported a continuing increase in the consumption of soft drinks during the third quarter by 3%. Revenues in the sector remained below the level of 2009 by 5%. The crisis changed the consumer behavior in the country and the decline will continue during the first half of 2010.

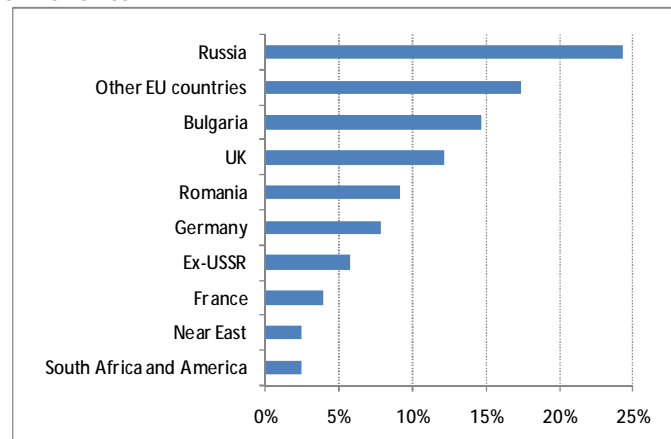


Source: Herti

Retail prices of soft drinks in Bulgaria were flat in 2009 as compared to the previous year. However, the production is declining due to the shrinking personal income, the rising unemployment and the weaker touristic season last year. Herti reported increased demand for caps from the wine industry, which is expected to continue. Producers of wine are switching from cork to aluminum closures to cut costs that could affect further positively the company's revenues in the coming quarters. Bulgarian alcohol drinks market posted increase but the demand remained subdued. The growth of revenues during the first half of the year was mainly due to the recovery of demand from existing clients. The global economic growth is supporting the consumption of beverages and we expect that Herti will continue to post better quarterly results in terms of sales. 20% of the increase was due to shipments to new clients.

The packaging products and solutions of Herti are exported to broad range of markets. The share of sales to Russia is declining due to the growing importance of the EU markets and mainly to United Kingdom and France. Herti is expecting to increase substantially its sales to Western Europe after the establishment of subsidiaries in those countries.

The increase in sales to South Africa and America was due to the demand of the wine industry.

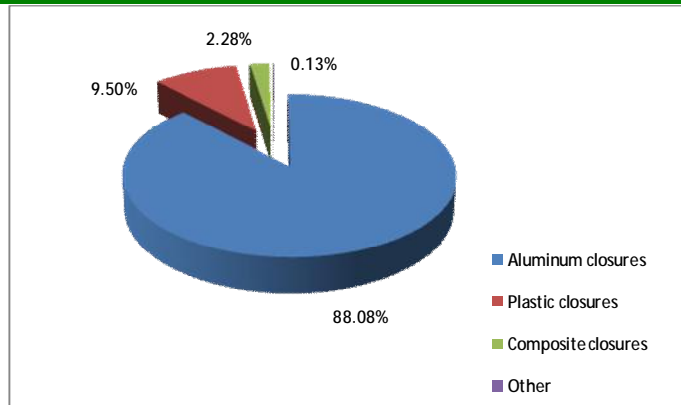


Source: Herti

The results for the first half of 2010 confirmed the expectations that subsidiaries in France and United Kingdom will contribute to the expansion in the both markets. Herti is also entering other new markets in Europe – the company is exporting aluminum closures for wine bottles to Germany as well as to Austria.

The aluminum closures segment remained the largest product segment of Herti with 86% of revenues. Share of composite closures is rising at the expense of plastic closures, which declined to 9.5% of all revenues.

In addition, the export of wine in packages with plastic closures to Russia faced some difficulties. The continuing decline in export to Russia suggests that the market is shrinking in terms of domestic demand.



Source: Herti

### Costs

The price of aluminum was relatively stable during the third quarter but approached the year's highs. The metal maintained its share in total costs of materials to 54% at the end of the quarter. The metal is determining the final cost of production. As expected, the appreciation of aluminum put some pressure on the financial results of Herti.

The last price increase coincides with growing concerns about U.S. economy entering a new recession. This means that the market is under the influence of other positive factors in addition to expectations for global growth and may lead to continued growth of aluminum during the recovery of developed economies.



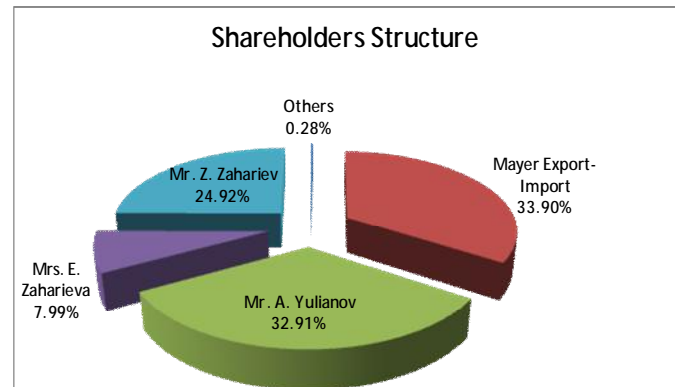
Source: Bloomberg

### Certificates For Quality

Herti completed successfully the certification procedure under the BRC/IOP Global Standard for Packaging and Packaging Materials and has been approved. This Standard is a product certification designed to protect consumers' rights and help traders to follow the requirements of the EU for good practices. The certificate provides proof of technical competence and helps producers and retailers reaching full law compliance. It is applied by suppliers in Europe, Africa, the Middle East, Asia, Australia, North and South America. Herti will have the opportunity of free trade with all the companies in the scheme - Tesco, Sainsbury, Marks&Spencer, Asda, Boots, Safeway, Co-op.

## Shareholders Structure

Main shareholders of Herti are physical persons. Joseph Mayer is the first long-term investor in the company and is a shareholder from 1997. His trading company Mayer export-import is Austria-based. During the 2008 IPO the existing shares that were offered for sales were from the stake of Mayer export-import. Large shareholders continued to sell small amount of shares during the first quarter of 2010 and the free-float increased to 0.28%. It remains too low to have liquid trading.



As of 30 June 2010  
Source: Herti

## Financial Analysis

The global economic and financial crisis put under severe stress the industrial companies in terms of their revenues and debt servicing. Herti is operating in a niche that also has been affected by the global slowdown. The decline during the crisis had positive effect on several indicators. The company's investments in modernization and capacity expansion have been financed through long-term bank loans. The initial public offering was unable to raise enough capital due to the difficult stock market conjuncture and could not improve the level of debts.

Liquidity	2006	2007	2008	2009	9M 2010
Current ratio	1.19	0.93	1.03	1.08	1.24
Quick ratio	0.77	0.62	0.73	0.79	0.87

The liquidity ratios posted sizable changes during the third quarter of the year as current assets of Herti increased. Company's receivables are rising, which is following the upward trend of revenues. Herti is maintaining a very good liquidity and is ensuring the continuous process of production despite the crisis and the difficult access to bank loans in Bulgaria. The large difference in the two liquidity ratios in 2007 as compared to 2006 was due to the huge investments in machines and the rising debt levels of the company. However, the current and the quick ratios improved since 2007 despite the slight increase of bank loans. The change during the first half of 2010 was small despite the large increase of revenues on yearly basis. Quick ratio decreases due to the increase in current liabilities, but the change is insignificant and the ratio remains above the average for recent years. Herti's management and the specific area of operations are insuring stable balance between current assets and current liabilities. The improvement of ratios on yearly basis is a result of the gradual decrease of debts.

Debt Management	2006	2007	2008	2009	9M 2010
Total Liabilities / Total Assets	60.9%	57.7%	60.2%	56.5%	58.4%
LT Debt / (LT Debt + Share Equity)	5.3%	13.7%	21.0%	19.1%	26.1%
LT Debt / Share Equity	7.9%	24.9%	40.2%	35.3%	47.5%
Operating Cash Flow to Total Liabilities	24.2%	-5.3%	4.4%	13.4%	14.6%
Interest Coverage Ratio	1.79	1.43	0.01	0.63	0.81

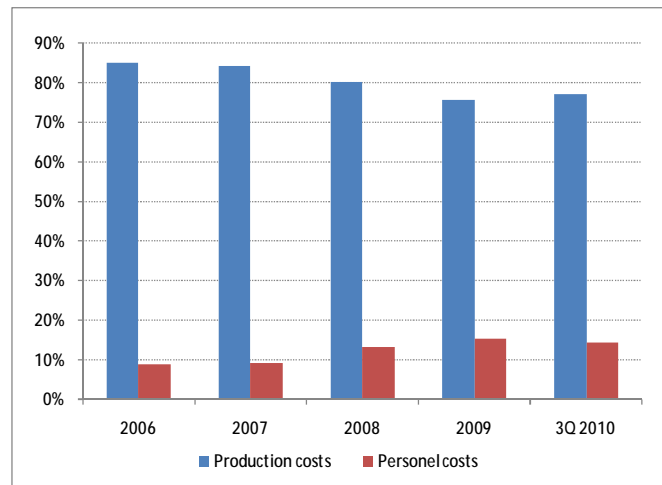
Long-term debt increased during the quarter at the expense of short-term bank loans. This is the main reason for the higher values of some ratios despite that total bank loans actually decreased. Long-term debt-to-equity rose to 47% in the last non-consolidated report. The rising debt levels in 2007 and 2008 financed the investment program of Herti.

The level of debts is serious hurdle for the companies with lower profits and plans to invest during the credit crisis. Herti improved its capability to service the debt during 2010. EBIT is still below the interest expenses but the difference is shrinking.

The costs of goods sold maintained their percentage of total revenues during the quarter due to the stable prices of aluminum.

Rising prices of production will maintain the costs at lower than the average level. However, the recovery of the global economy will keep price pressure on raw materials.

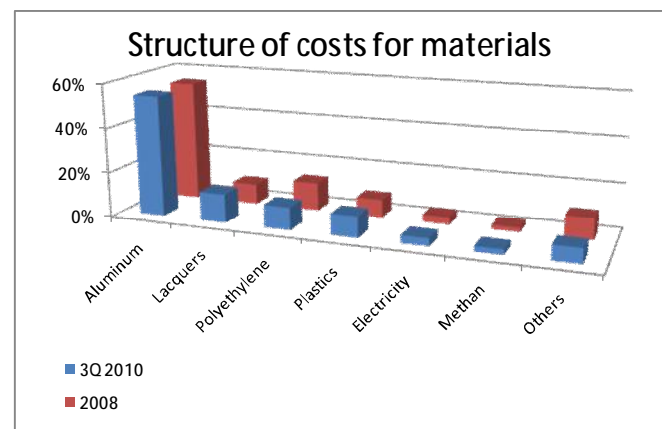
The optimization of the production and the large investments in modern equipment during the previous two years will contribute for the below average COGS-to-revenues as compared to 2006-2008. We don't expect to see further decrease of the ratio.



Source: Herti

Aluminum remains the primary material cost for Herti. The metal represented 54% of all costs for basic materials during the first half of 2010. The decrease of metal costs in the structure of expenses in the first quarter proved to be short-lived. Changes in other categories of expenditures are also affected by changes in product mix of Herti.

The dynamics in aluminum prices forced the company to increase the prices of its products. Currently, Herti is negotiating with its trading partners.



Source: Herti

Herti faced an increase of wage and social insurance costs as a percentage of total revenues in 2009. The main reason was the 27% decline of sales last year. Herti's politic to human resources is to avoiding the job cuts. The adjustments of the job number is due to the voluntary went off and retirements. Herti's goal is to maintain its specialists as the company expects that during the periods of rising revenues the labor costs will decrease their share to 10% of sales. 2010 confirmed the trend of falling labor costs as percentage of total revenues.

## Prognosis

The declining worldwide consumption of beverages is having negative impact on the revenues of Herti during 2009. This started to change in 2010 and Herti is already posting 20% increase of annual revenues for the first nine months of the year. This trend will persist for the coming quarters due to the high aluminum prices and the global recovery of demand.

The profit margins are lower than our expectations from year ago as raw materials appreciated. We are lowering our expectations for EBITDA margin for 2010 and the best case scenario is Herti to post low net profit. Our prognoses for the next two years are maintained at present levels due to the expected improvement of revenues.

BGN '000	2006	2007	2008	2009	2010E	2011E	2012E
Sales	23638	27 783	30 965	22 529	27 035	32 442	37 308
<i>Growth</i>		17.54%	11.45%	-27.24%	20.00%	20.00%	15.00%
EBITDA	1564	1 613	2 030	2 006	2 366	2 920	3 171
<i>EBITDA margin</i>	6.62%	5.81%	6.56%	8.90%	8.75%	9.00%	8.50%
EBIT	712	599	573	499	866	1 420	1 671
<i>EBIT margin</i>	3.01%	2.16%	1.85%	2.21%	3.20%	4.38%	4.48%
Net Profit	359	-339	-651	-290	-	-	-
<i>Net Profit margin</i>	1.52%	-1.22%	-2.10%	-1.29%	-	-	-

Data for 2010 and beyond are estimations of ELANA Trading:

### SWOT Analysis

Strenghts	Weaknesses
Diversification by markets and products Modern equipment Complete packaging solutions Specific niche Logistic advantages	High debt level Larger drop of revenues as compared to the decline of clients' industries
Opportunities	Threats
Certification procedure under the BRC/IOP Global Standard for Packaging Rising number of clients Improving profit margin during period of sales growth	Continuing decline of consumption of beverages in the main markets

## Stock Information (BSE Ticker: HTV; Bloomberg: HTV BU)

Last Price	2.00	Market Cap	24 028 000	1Y Range	BGN 1.00 – BGN 3.10	Average Volume	135
Beta	-	1Y Change	-16.01%	SOFIX Change	8.01%	BG40 Change	11.84%

## Valuation

The stocks of Herti are low liquid due to the unsuccessful IPO in the beginning of 2008 when the capital has been increased by only 14 000 shares. The valuation of the stock is based on the comparison by multiples of the companies in the sector of packaging products. We picked only European companies. Despite the economic uncertainties and the lack of comparable historical data of Herti in time of significant crisis, we also use discounted cash flows to calculate intrinsic value of the stock.

### Multiples Analysis

The loss of Herti is leading to negative price-to-earnings ratios. The last increase of the price to BGN 2.00 resulted to significantly higher multiples as compared to the average for the previous year. Price-to-book and price-to-sales ratios are currently at the average levels for the market. The steady improvement of financials has its positive effect on multiples.

EV/EBITDA also improved this year but remained relatively higher. However, we expect that EV/EBITDA will gradually improve over time following the rising revenues and the possibility of higher production prices. Moreover, the stock price could easily return to BGN 1.2 that will improve all multiples to levels not seen during the last year and half.

Multiples	2008	2009	3Q '10
Price/Earning (P/E)	-41.77	-47.64	-155.02
Equity (BV)	1.01	1.01	1.01
Price/Book Value (P/B)	2.56	1.14	1.99
Sales Per Share	2.36	1.88	2.15
Price/Sales (P/S)	1.09	0.61	0.93
EV (thousand BGN)	41 564	23 906	33 952
EV/Sales	1.47	1.06	1.31
EV/EBITDA	29.63	11.92	15.28

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

### Sector Comparison

The production of closures for bottles is only a specialized part of the packaging industry where lots of companies are operating in Europe. Few of them are competitors of Herti but using the average multiples of broader number of companies gives a better valuation. The table is showing the main multiples of companies in Western and Eastern Europe and the average values for all companies.

	P/E	P/B	P/S	EV/EBITDA
Eastern Europe	43.41	1.42	0.83	10.34
Western Europe	16.56	1.49	0.62	6.74
Average	26.50	1.46	0.70	8.09

Source: Bloomberg

The markets in Eastern Europe have higher multiples than the average for developed markets. We excluded from the peer group stocks with unreasonably high multiples, which has its implication on price-to-earnings and EV/EBITDA ratios. Other average multiples increased during the last quarter due to the rising stock prices in Europe.

The calculation of the average price-to-earnings ratios excludes the losses during the last 12 months and there is large percentage of companies on the red. This is artificially lowering the value of the indicator as it is representing only the profitable companies. When the sum of all profits and losses are divided by the aggregate market capitalization, the P/E ratio will be much higher. The indicator is the least suitable to value a company during this stage of the economic





## Valuation

The both methods have average price per share of BGN 1.51, comparing to BGN 1.40 from our last calculations. This is below the last market price but is higher than the average from the beginning of 2010. The difference between both methods is rising due to the expected growth of revenues.

Method	Price	Weight
Peers' Comparison	1.25	50%
DCF	1.78	50%
<b>Price (BGN)</b>		<b>1.51</b>

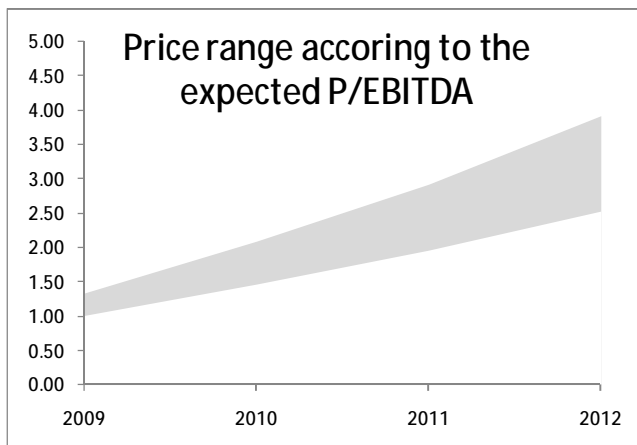
Calculations: ELANA Trading

## Recommendation And Price Target

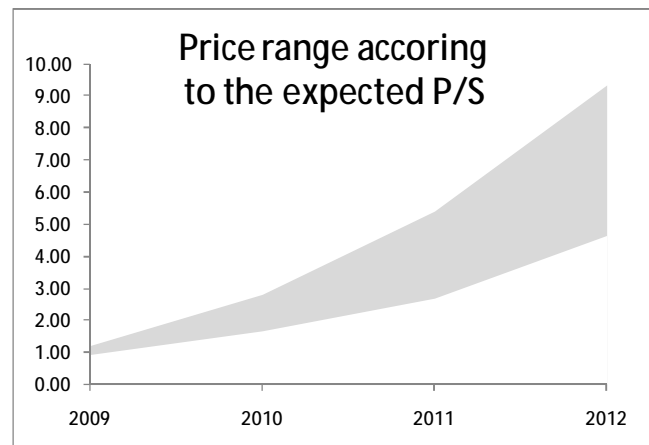
The current valuation has its flaws and some of them were already discussed. The comparison with European peers is based on their financial results that are under the negative influence of the deep economic and financial crisis – revenues and profits are at multi-year lows, whereas investors are requiring higher risk premiums as compared to the previous decade. We can expect that this market bias will gradually change over time. The risk appetite is returning and the valuation ratios are rising since March this year. On the other hand, the discounted cash flows model is very sensitive to the inflation and the nominal turnover of the company.

One alternative to those methods for valuation is the comparison of indicators like P/EBITDA or the price-to-sales to their values during the previous booming years. In 2007 Bulgarian stocks traded at very high multiples - P/S of 4 and P/EBITDA between 8 and 10. The reasons included the elevated expectations for the economy and the low liquidity of the Bulgarian stocks. Small companies posted huge price gains during the final years of the bull market.

The graphs are representing the probable price ranges according to the EBITDA and the revenues in two scenarios. In both cases we can expect higher multiples and renewed risk appetite that could support P/EBITDA and P/S. These price ranges are the possible scenarios if the company is a target for acquisition. The risk aversion is prevailing on the domestic market and P/S ratio of 3-4 looks extremely impossible during the next two years.



Calculations: ELANA Trading



Calculations: ELANA Trading

We give **Market Perform** recommendation of Herti's shares due to the low liquidity and the higher risk of small-caps. Our one-year price target is based on the DCF method and is BGN 1.78. The price target is already reflecting the global recovery but the risk appetite of domestic investors is very low.

## Financial Data (non-consolidated)

Statement of Income (in '000 BGN)	2006	2007	2008	2009	9M 2010
Sales	23 758	27 876	28 370	22 529	25 832
Production expenses	20 173	23 473	22 759	17 051	19 865
Personnel expenses	2 021	2 519	3 779	3 419	3 674
Net income from financial activities	48	(201)	(429)	(53)	(71)
Other revenues and expenses	51	0	0	0	0
<b>EBITDA</b>	<b>1 663</b>	<b>1 683</b>	<b>1 403</b>	<b>2 006</b>	<b>2 222</b>
Depreciation	852	986	1 394	1 507	1 579
<b>EBIT</b>	<b>811</b>	<b>697</b>	<b>9</b>	<b>499</b>	<b>643</b>
Interest expense	452	489	830	789	798
<b>Pretax income</b>	<b>359</b>	<b>208</b>	<b>(821)</b>	<b>(290)</b>	<b>(155)</b>
Taxes	0	16	0	0	0
<b>After-tax income</b>	<b>359</b>	<b>192</b>	<b>(821)</b>	<b>(290)</b>	<b>(155)</b>
Minority interest	0	0	0	0	0
<b>Net income</b>	<b>359</b>	<b>192</b>	<b>(821)</b>	<b>(290)</b>	<b>(155)</b>
<b>Earnings per share in BGN</b>	<b>0.14</b>	<b>0.02</b>	<b>(0.07)</b>	<b>(0.02)</b>	<b>(0.01)</b>

Balance Sheet (in '000 BGN)	2006	2007	2008	2009	9M 2010
<b>Total Assets</b>	<b>16 614</b>	<b>30 266</b>	<b>31 223</b>	<b>28 621</b>	<b>29 828</b>
Equity subscriptions receivable	0	0	0	0	0
<b>Fixed assets</b>	<b>6 000</b>	<b>18 008</b>	<b>17 409</b>	<b>16 544</b>	<b>15 907</b>
Tangible fixed assets	5 978	17 729	17 114	16 206	15 621
Financial investments	14	219	221	279	279
<b>Current assets</b>	<b>10 614</b>	<b>12 258</b>	<b>13 814</b>	<b>12 077</b>	<b>13 921</b>
Inventory	3 721	4 025	3 957	3 276	4 203
Receivables	6 055	7 343	9 333	8 542	9 692
Financial assets	0	0	0	0	0
Cash and cash equivalents	560	522	524	259	26
<b>Total liabilities + equity</b>	<b>16 614</b>	<b>30 266</b>	<b>31 223</b>	<b>28 621</b>	<b>29 828</b>
<b>Equity</b>	<b>6 502</b>	<b>12 798</b>	<b>12 099</b>	<b>12 134</b>	<b>12 085</b>
Registered capital	2 500	12 000	12 014	12 014	12 014
Capital funds	1 327	385	33	354	358
Earnings	2 675	413	52	-234	-287
<b>Liabilities</b>	<b>10 112</b>	<b>17 468</b>	<b>18 808</b>	<b>16 171</b>	<b>17 427</b>
Long-term payables	683	1 039	819	1 038	789
Long-term bank loans	511	3 190	4 864	4 284	5 743
Short-term bank debt	2 548	7 245	6 228	6 065	4 207
Short-term payables	6 365	5 994	7 213	5 100	7 004
Other liabilities	5	0	0	0	0
<b>Working capital</b>	<b>1 701</b>	<b>(981)</b>	<b>373</b>	<b>912</b>	<b>2 710</b>

Cash Flow Statement (in '000 BGN)	2006	2007	2008	2009	9M 2010
<b>Net income</b>	<b>359</b>	<b>192</b>	<b>(821)</b>	<b>(290)</b>	<b>(155)</b>
Depreciation	852	986	1 394	1 507	1 579
Changes in Working capital	0	(2 682)	1 354	539	(373)
Other operating cash flow items	(471)	947	(1 440)	(365)	397
<b>Net cash from operating activities</b>	<b>740</b>	<b>(557)</b>	<b>487</b>	<b>1 391</b>	<b>1 448</b>
Capital expenditures	(946)	(5 522)	(878)	(113)	(572)
Other investing cash flow items	0	(180)	0	42	0
<b>Net cash from investing activities</b>	<b>(946)</b>	<b>(5 702)</b>	<b>(878)</b>	<b>(71)</b>	<b>(572)</b>
Issuance/ Retirement of Stock, Net	0	0	43	0	0
Issuance/ Retirement of Debt, Net	1 204	5 990	1 493	(512)	(512)
Dividends paid	0	0	0	0	0
Other financing cash flow items	(572)	231	(1 143)	(1 073)	(597)
<b>Net cash from financing activities</b>	<b>632</b>	<b>6 221</b>	<b>393</b>	<b>(1 585)</b>	<b>(1 109)</b>
<b>Net change in cash</b>	<b>426</b>	<b>(38)</b>	<b>2</b>	<b>(265)</b>	<b>(233)</b>
Beginning-of-period cash	134	560	522	524	259
<b>End-of-period cash</b>	<b>560</b>	<b>522</b>	<b>524</b>	<b>259</b>	<b>26</b>
<b>Cash per share</b>	<b>0.22</b>	<b>0.04</b>	<b>0.04</b>	<b>0.02</b>	<b>0.00</b>

<b>Number of shares:</b>	<b>2 500 000</b>	<b>12 000 000</b>	<b>12 013 797</b>	<b>12 013 797</b>	<b>12 013 797</b>
<b>Price in BGN - period end:</b>	<b>n/a</b>	<b>n/a</b>	<b>2.58</b>	<b>1.15</b>	<b>2.00</b>
<b>Market cap in BGN - period end:</b>	<b>n/a</b>	<b>n/a</b>	<b>30 995 596</b>	<b>13 815 867</b>	<b>24 027 594</b>

Financial and Performance Indicators	2006	2007	2008	2009	12M
<b>Valuation Ratios</b>					
Price/Earnings (P/E)	n/a	n/a	-37.75	-47.64	-155.02
Book Value (BV)	n/a	n/a	1.01	1.01	1.01
Price/Book (P/B)	n/a	n/a	2.56	1.14	1.99
Sales Per Share	n/a	n/a	2.36	1.88	2.15
Price/Sales (P/S)	n/a	n/a	1.09	0.61	0.93
Price/Cash per share	n/a	n/a	54.09	11.35	16.87
EV (in BGN)	n/a	n/a	41 564	23 906	33 952
EV/Sales	n/a	n/a	1.47	1.06	1.31
EV/EBITDA	n/a	n/a	29.62	11.92	15.28
EV/EBIT	n/a	n/a	4618.18	47.91	52.80
<b>Liquidity</b>					
Current ratio	1.19	0.93	1.03	1.08	1.24
Quick ratio	0.77	0.62	0.73	0.79	0.87
<b>Debt Management</b>					
Debt to total assets	0.61	0.58	0.60	0.57	0.58
Interest coverage	1.79	1.43	0.01	0.63	0.81
LT Debt/Equity	0.18	0.33	0.47	0.44	0.54
Total Debt/Equity	1.56	1.36	1.55	1.33	1.44
<b>Asset Management</b>					
Inventory turnover	6.38	6.93	7.17	6.88	6.15
Days sales outstanding	92	95	118	136	135
Fixed asset turnover	3.96	1.55	1.63	1.36	1.62
Total asset turnover	1.43	0.92	0.91	0.79	0.87
<b>Profitability</b>					
Profit margin on sales	1.5%	0.7%	-2.9%	-1.3%	-0.6%
EBITDA margin	7.0%	6.0%	4.9%	8.9%	8.6%
Basic earning power	4.9%	2.3%	0.0%	1.7%	2.2%
Return on assets	2.2%	0.6%	-2.6%	-1.0%	-0.5%
Return on equity	5.5%	1.5%	-6.8%	-2.4%	-1.3%
Return on investments	4.7%	1.1%	-4.6%	-1.7%	-0.8%
<b>Dividend Information</b>					
Dividend Yield	n/a	n/a	n/a	n/a	n/a
Dividend per share	n/a	n/a	n/a	n/a	n/a
<b>Number of shares:</b>					
	2 500 000	12 000 000	12 013 797	12 013 797	12 013 797
<b>Price in BGN - period end:</b>					
	n/a	n/a	2.58	1.15	2.00
<b>Market cap in BGN - period end:</b>					
	n/a	n/a	30 995 596	13 815 867	24 027 594

**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) ELANA Trading is part of agreement with the issuer for preparation of the document; (2) 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.

**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.