

<u>Recommendation</u>	<u>Previous</u>	<u>From date</u>	<u>52-week target</u>
Neutral	Neutral	8 February 2012	1.22

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 85% of its production. Main markets are the European Union and Russia. 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 is certified under ISO 9001:2008.

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-known 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 during the third quarter were consequence of the low liquidity. The stock fell again to the average price for 2010 but the low liquidity contributed to the absence of gains during the market increase of January and February 2011.

Valuation Ratios

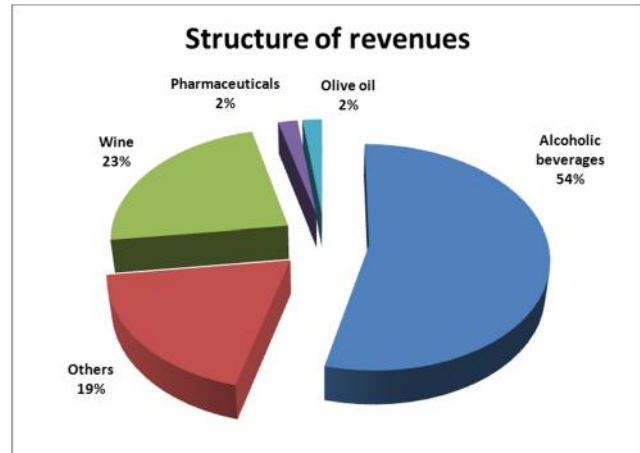
Enterprise Value	26 491 626
Dividend Yield - Gross	-
Trailing P/E (ttm)	65.14
Forward P/E (2010)	32
PEG Ratio (1yr expected)	-
Price/Sales (ttm)	0.52
Price/Book (mrq)	1.31
Enterprise Value/Revenues (ttm)	0.85
Enterprise Value/EBITDA (ttm)	10.70

Profitability and Growth Ratios

Return on Capital	-
Return on Equity	2.01%
Return on Assets	0.82%
EBITDA Margin	7.4%
Net Profit Margin	-
Revenue Growth	-5.1%
EPS Growth	-
Capital Growth	2.3%
Assets Growth	1.4%

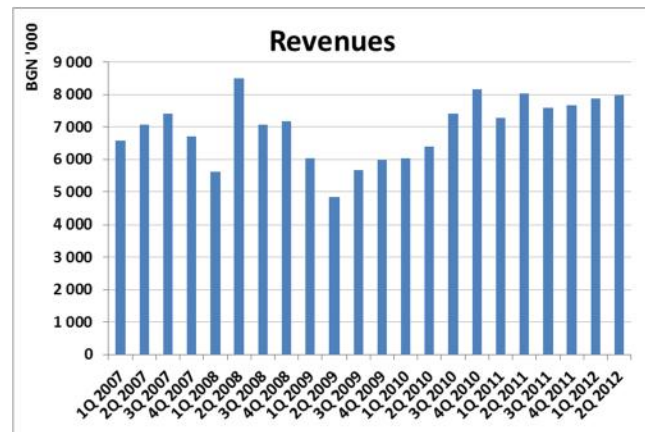
Sales

The largest part of the revenues comes from the packaging products for alcoholic beverages. There is a slight change in the structure of revenues since the beginning of the year. The Alcoholic beverages segment now takes up to 54% of the total revenue. The Alcoholic beverages segment now takes up to 54% of the total revenue. The aluminum closures for wine lost part of their contribution to revenues and went down to 24% of total sales. Producers of wine are switching from the more expensive cork to aluminum closures to cut costs. There was a small change in the sales structure of Herti since the beginning of the year. The decrease in packaging for pharmaceutical products is due to the single exports to Middle East client.



Source: Herti

Herti experiences slight decline in revenue for 2Q on a yearly basis. The main reason for the slowdown in the growth rate is the fall in the sales of aluminum closures for wine, which is a major segment for the company. Due to their significant absolute value as a percentage of the total revenues, the decline of sales in the wine and olive oil segments leads to reduction in the overall value of the growth in revenues. Increase in the sales in the Pharmaceuticals, alcohol and other segments as an absolute value exceeds the losses, but growth was reduced compared to the previous two quarters.

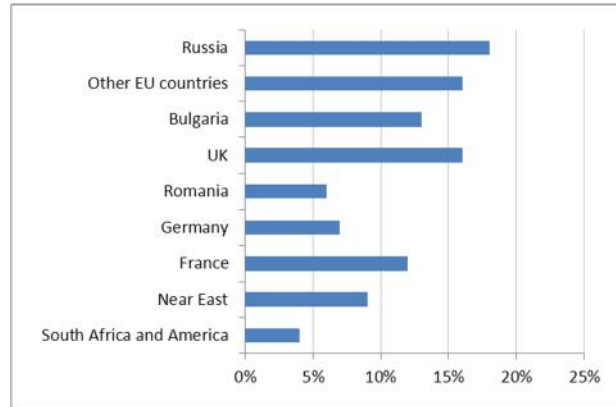


Source: Herti

Alcohol and Soft Drinks Market in Bulgaria

There is a contraction in the sales of drinks in Bulgaria. The data for the soft drinks market shows decline in the sales for the first six months, even though the rate of decline has reduced. The only market segment that records increase in the sales is the bottled water. In real terms the decline is 1.5% which represents a slowdown in the rate compared to the previous year's contraction. The forecasts for the second half of the year are for recovery in the consumption and offset of the decline. The best performance is expected to be achieved by the bottled water and the non-carbonated soft drinks and their sales will rise by 1% and 3% respectively. The alcoholic beverage market also shrunk, mainly because of the increased illegal production.

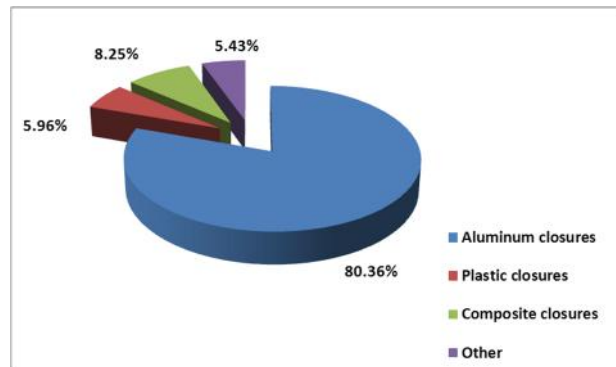
The packaging products and solutions of Herti are exported to broad range of markets. Bulgarian market, representing 13% of the total sales of the company, records a slight increase. More stable is the sales growth achieved on the European markets, after the participation of Herti in exhibitions in search for new clients from abroad. There is increase in the exports for the Near East. The region is characterized by significant dynamics of the supply, compared to the last year when there were single shipments for the pharmaceutical industry. The increase in sales in South Africa and America was due to the demand of the wine industry.



Source: Herti

Revenues from Near East increased in 2011 due to the orders from a pharmaceutical company in Iraq. The results confirmed the expectations that subsidiaries in France and United Kingdom will contribute to the expansion in the both markets. 22% of the revenues are through subsidiaries. Herti is also entering other new markets in Europe – the company is exporting aluminum closures for wine bottles to Germany and Austria. Herti is participating regularly on international exhibitions that are strengthening the market positions of the company. The company passed successfully audit from Henkel Germany and Hennessy France.

The changes in the product structure of revenues reflected the continuous rise in the sales of composite closures, which in fact doubled on a yearly basis. The growth in the sales of aluminum closures is really low and their share went down to 80% out of the total. Sales of plastic closure declined in absolute values. Herti is increasing gradually its prices – 1.5%.



Source: Herti

Costs

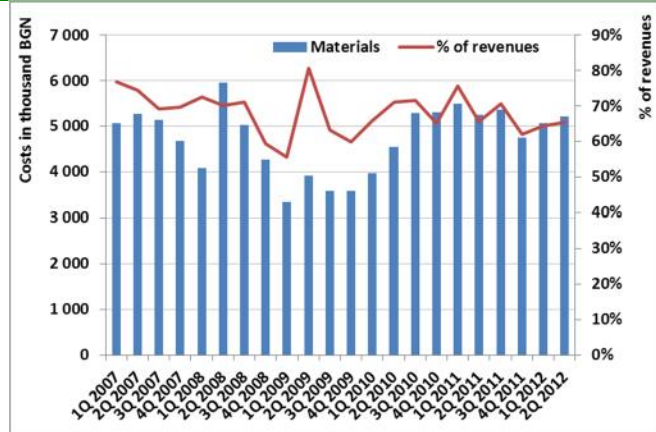
The aluminum price reached a new bottom for the last 2 years and closed the quarter at a price lower than USD 2000 per ton. This is the main factor behind the fall in the costs of materials.

The decrease is due to the lower demand of metals from many industries including automakers. The major reason for the depreciation of metals is risk aversion, as a result of the debt crisis in Europe and its effects on the manufacturing industry in Asia.

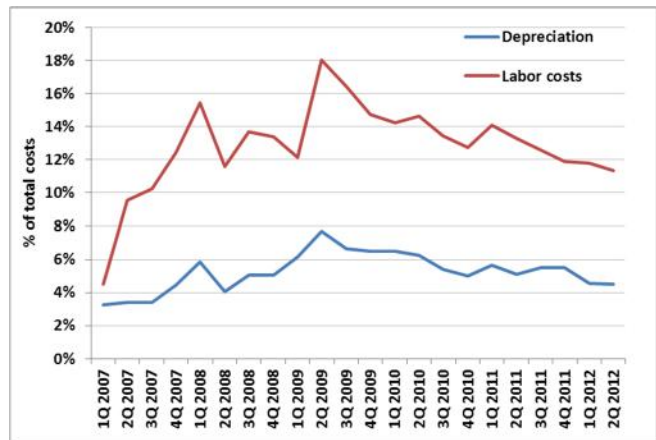


Source: Bloomberg

The expenses for materials rose compared to the end of the last year, but the percentage of total expenses from the revenue is unchanged. However, they are substantially below the recent peak from a year ago, following the price decline of aluminum. Inventories of raw materials are declining, while sales were rising. This is achieved through both change in the pricing policy of the company and improved efficiency in the cost controlling.



The labor costs as a percentage of total expenses fell further. The change is not sharp. It rather follows the tendency from the last 3 years and results from increasing revenues and optimization of expenses. The percentage of amortization costs out of the total sales stays unchanged since the level of the revenues has small effect on these costs. The potential for further improvement of both expenses groups is limited but it will improve the profitability of Herti.



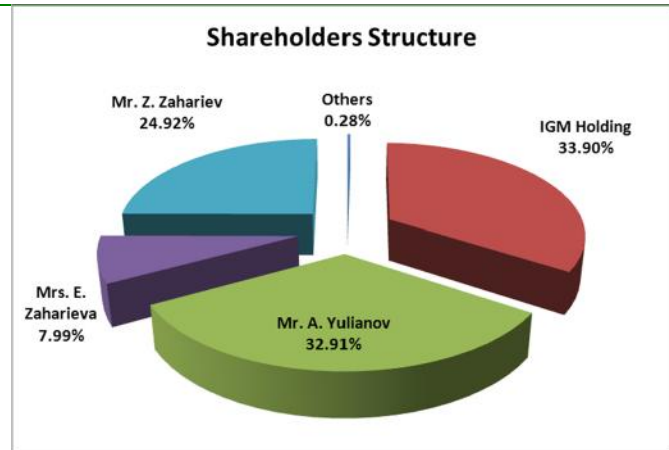
Certificates For Quality

Herti has certificate under the BRC/IOP Global Standard for Packaging and Packaging Materials. This Standard is a product certification designed to protect consumers' rights and help traders to follow the requirements of the EU for good practices. 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.

Herti is member of SEDEX – non-profit organization based in London, UK. It is a membership organization for businesses committed to continuous improvement of the ethical performance of their supply chains. SEDEX enables member companies to manage efficiently the ethical and responsible practices of their global supply chains in the field of Labor Standards, Health & Safety, Environment and Business Integrity.

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 IGM Holding is Austria-based. During the 2008 IPO the existing shares that were offered for sale were from the stake of IGM Holding. The large shareholders sold small amount of shares during 2010 and the free-float increased to 0.28%. This is still low to lead to liquid trading.



As of March 31, 2011
Source: Herti

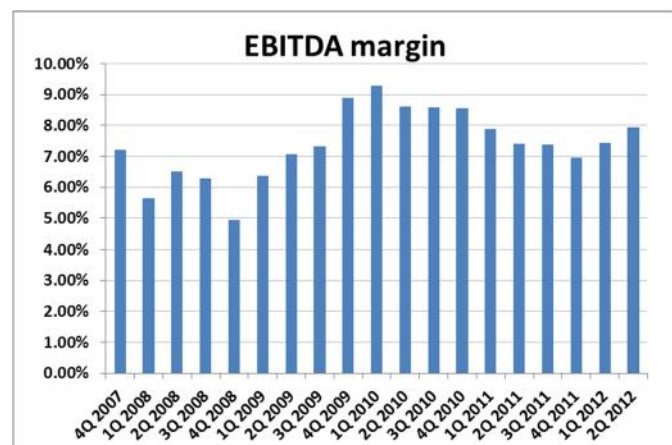
Financial Analysis

The European debt crisis is turning into economic slowdown for many industries. Large government debts have negative impact on the banking systems and the personal income in the region. The consumption, including soft drinks, remains subdued. The producers of packaging products in Europe are not experiencing decline of revenues, which is confirming that the crisis is limited to durable goods and investments. We do not expect contraction of the sales but the sector would rather experience a slowdown in the growth rate.

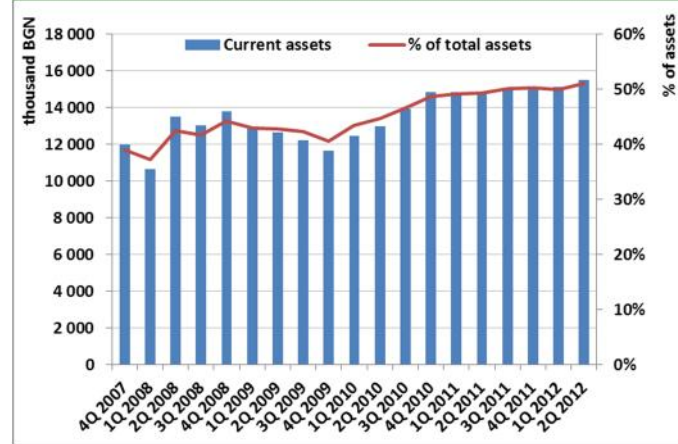
Investments in modernization and capacity increase of Herti have been financed by loans, which have its implications on the financial ratios of Herti. The initial public offering was unable to raise enough capital due to the difficult stock market conjuncture and could not improve the level of debts.

Herti has two projects approved for financing on European programs. The first project is for EUR 300 000 and aims to introduce an ERP system, the other one concerns a purchase of a varnishing line which amounts to EUR 1.2 million.

EBITDA margin recorded a growth for a second consecutive quarter. This was due to the depreciation of aluminum which is the major raw material in the production. The improvement during the first quarter of 2012 is substantial. The main reasons behind this were the increased sales and reduced labor costs.

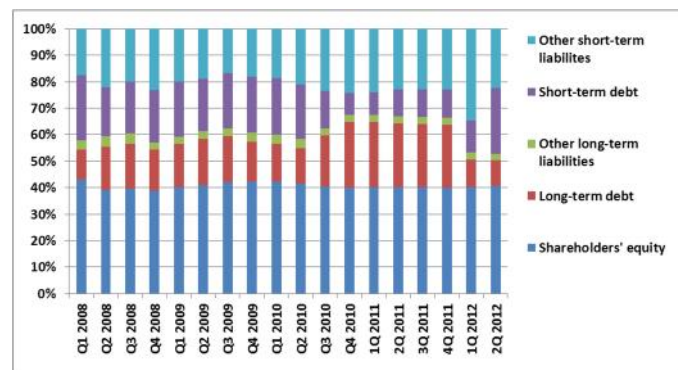


Over the last 2 years Herti maintained stable balance sheet. The expenses on materials were increasing slightly taking into account the rise in revenues. Even though the expenses on materials were down on a yearly basis, they had insignificant contribution to the improvement of the EBITDA margin. Receivables jumped again on quarterly basis, although they were lagging behind revenues. Inventories were hardly changed. For the last year the working capital fell substantially from its level of BGN 5 million.



Changes in the capital structure of the company were due to the maturing debts for less than a year. It is most likely that Herti will increase the maturity of its loans as the company does not have solvency problems. The equity remained at 40% of total assets.

Current and quick ratios improved last year but changed significantly following the different structure of debts.



Prognoses

Herti's revenues are record high. As we expected, the crisis in Europe affected the company's performance and the growth rate of revenues was low compared to the level from the previous year. Despite that fact, the positive results for the first quarter and the slight downturn over the second quarter represented the limited effect of the recession on the company's activity. Therefore, we confirm our expectations for 5% increase of revenues in 2012, followed by acceleration of growth to 10% due to improvement in the European economy.

The company manages to gain new positions on the international markets, where the competition is very strong in terms of production scale and pricing advantages for individual products. The profitability remains relatively low. Currently the improvement is due to the depreciation of aluminum and we keep our expectations for the EBITDA margin on 7.5%. We doubt that the net profit will be sufficient to ensure price-to-earnings ratio that is close to the average for the Bulgarian market even in 2013. However, the better results at the beginning of 2013 are reason to expect net profit this year.

BGN '000	2007	2008	2009	2010	2011	2012E	2013E	2014E
Sales	27 783	30 965	22 529	28 002	30 569	32 097	35 307	39 721
<i>Growth</i>	17.54%	11.45%	-27.24%	24.29%	9.17%	5.00%	10.00%	12.50%
EBITDA	1 613	2 030	2 006	2 394	2 129	2 407	2 683	3 178
<i>EBITDA margin</i>	5.81%	6.56%	8.90%	8.55%	6.96%	7.50%	7.60%	8.00%
EBIT	599	573	499	795	469	963	1 059	1 390
<i>EBIT margin</i>	2.16%	1.85%	2.21%	2.84%	1.53%	3.00%	3.00%	3.50%
Net Profit	-339	-651	-290	60	-281	401	441	608
<i>Net Profit margin</i>	-1.22%	-2.10%	-1.29%	0.21%	-0.92%	1.25%	1.25%	1.53%

Data for 2012 and beyond are estimations of ELANA Trading

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

Last Price	1.35	Market Cap	16 218 626	1Y Range	-	Average Volume	-
Beta	-	1Y Change	+9.76%	SOFIX Change	-24.5%	BG40 Change	-13.7%

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. We use for valuation purposes the comparison to companies in the global packaging industry. We are looking at the company as a potential takeover target due to its market position and the prospects for development. We use the DCF method for calculating the fair price as the company already has history and its sales showed stable growth rates.

Multiples Analysis

The achieved improvement in the profit margin resulted in positive performance for the last 12 months and price/earnings ratio of 65. This figure is not high but undoubtedly it shows the positive change as compared to the previous years. Maintaining the level of profitability will boost the value of P/E and it will still be slightly above the average for the market segment.

The share price increased but this had small effect on multiples. Sales are rising steadily and profits are adding to equity. EV/EBITDA was higher than the average for the Bulgarian public companies. Higher market capitalization had negative impact on the ratio.

	2010	2011	12M
Последна цена	1.23	1.23	1.35
Брой акции	12 013 797	12 013 797	12 013 797
Капитализация	14 776 970	14 776 970	16 218 626
Нетна печалба	80 000	-216 000	249 000
P/E - цена/печалба	184.71	-68.41	65.14
Собствен капитал	12 232 000	12 016 000	12 365 000
P/B - цена/капитал	1.21	1.23	1.31
Продажби	28 002 000	30 569 000	31 123 000
P/S - цена/продажби	0.53	0.48	0.52
EV	24 851 970	24 965 970	26 491 626
EBITDA	2 394 000	2 129 000	2 476 000
EV/EBITDA	10.38	11.73	10.70
RoE	0.65%	-1.80%	2.01%
RoA	0.26%	-0.72%	0.82%

* Estimations and calculations: ELANA Trading

Sector Comparison

The production of bottles' closures is only a specialized part of the packaging industry where lots of companies are operating in Europe. Few of them are direct competitors of Herti but using the average multiples of broader number of companies gives a better valuation.

Multiples	P/E	P/B	P/S	EV/EBITDA
Average Value of Peers	13.59	1.13	0.81	7.12
Market Capitalization	3 384 287	13 913 499	25 149 495	7 346 512
Price	0.28	1.16	2.09	0.61
Weight	20%	20%	30%	30%
Current Price		1.35		
Fair Price		1.10		
Premium (Discount) to Current Price		-18.56%		

Source: Bloomberg

The list of peers is unchanged as compared to the previous valuation of Herti. Average multiples are under the influence of large movements of stock markets, due to risk aversion. Their values decrease compared to the results from the previous analysis which is most apparent in the price-to-earnings ratio. The decrease in the multiples is offset to a great extent by the improved financial performance of the company. The fair price per share according to the peers' comparison valuation method is BGN 1.10, which is insignificantly lower than the figure of BGN 1.13 derived at the previous analysis.

Discounted Cash Flows

Despite the unfavourable economic environment posed by the debt crisis in Europe, Herti manages to improve its financial performance. The strongest recovery in 2010 was exception and the slowdown of European economy also had effect on revenues that will continue to limit the growth. The forecasted revenue growth rate for the year is kept at the level from the previous analysis in order to reflect the economic risks. The financial results of Herti for the second quarter showed that the company will be affected by the crisis. However it will not have any substantial effect on its future performance or the valuation of its share price. The expected profitability is also retained but rather as an insurance against negative outcomes from the crisis, even though the low price of aluminum is favorable for the expenses of the company. The company growth would receive a momentum providing that it maintains or slightly increases its level of sales over the second half of the year and there is no inflationary pressure on the price of aluminum. However, the expected optimism on the financial markets will result in appreciation of the metal, thus the potential for increase in the profit margin is reduced. The working capital fell substantially compared to the level of BGN 5 million which was maintained in 2011. This was due to the change in the maturity structure of the bank loans of the company and does not represent any significant variations in the non-current assets and liabilities of the company. Therefore the forecasts are for higher level of the working capital in the long term.

Growth rates for the years after 2015 are very modest. The projected long-term growth rate is 3.50% - we increased it due to the strong dependence from raw materials and the solid consumption. The WACC is 10%. We also provide sensitivity analysis to the change of the growth rate and the discounting factor. The price is between BGN 0.82 and 3.26. The fair value varies considerably and at the level of the selected multiples the price is BGN 1.41. It is higher compared to the price of BGN 1.32 from the previous analysis as a result of the change in the working capital and the chosen, rather conservative, growth rate of the model.

Herti											Terminal
BGN'000	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Year
EBIT	802	918	1 192	1 311	1 888	2 001	2 101	2 458	2 544	2 633	2 725
EBIT(1-T)	722	826	1 072	1 180	1 699	1 801	1 891	2 212	2 290	2 370	2 453
Add: D&A	1 605	1 765	1 986	2 185	1 888	2 001	2 101	1 912	1 979	2 048	2 120
Less: Investments	802	883	993	1 092	1 180	1 501	1 576	1 912	1 979	2 048	2 120
Less: Change NWC	-2 324	257	353	318	280	227	200	168	153	158	170
FCF	3 849	1 452	1 712	1 954	2 127	2 074	2 216	2 044	2 137	2 211	2 283
PV FCF	3 499	1 200	1 287	1 335	1 321	1 171	1 137	954	906	853	
Sum of PV FCF	13 661										
PV of Continuing Value	13 542										
Total PV Free Cash Flows	27 203										
					Growth Rate						
				SA	2.0%	3.0%	3.5%	4.0%	5.0%		
Less: Outstanding Debt	10 428			8.0%	1.87	2.15	2.34	2.57	3.26		
Plus: Financial Assets	155			9.0%	1.50	1.68	1.79	1.93	2.30		
PV of Equity	16 930			10.0%	1.21	1.33	1.41	1.50	1.72		
Number of Shares	12 014			11.0%	0.99	1.08	1.13	1.19	1.33		
Price Per share	1.41			12.0%	0.82	0.88	0.92	0.96	1.05		
				WACC							

Calculations: ELANA Trading

Valuation

The average price per share derived by calculations in the two valuation methods is BGN 1.25 compared to the BGN 1.22 from the first quarter. Taking into account the liquidity of the position, the difference is insignificant and is mainly due to change in the DCF model.

Метод	Цена	Тежест
Сравнение - сектор	1.10	50%
DCF	1.41	50%
Цена (лв.)		1.25

Calculations: ELANA Trading

Recommendation And Price Target

We give *Neutral* 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 average of both method and is **BGN 1.25**. The changes in price targets in the last two reports were substantial. It is mainly due to the changes in global stock market conjuncture. Herti improves its financial performance and achieves growth, which is expected to rise modestly over the next years. Our revision of expectations for 2012 and 2013 is also important factor on the valuation as we prefer more conservative estimations. Risks in front of the European economies are substantial, although we don't expect the crisis to worsen.

The price target is already reflecting the global recovery but the risk appetite of domestic investors is very low and will limit the recovery of Herti's stock during the next several quarters. The stocks' liquidity was a major factor for their performance in early 2011 and it is unlikely that investors will put money into companies with low free-float.

Financial Data (non-consolidated)

Statement of Income (in '000 BGN)	2009	2010	2011	1H 2011	1H 2012
Sales	22 529	28 002	30 569	15 296	15 850
Production expenses	17 051	21 689	24 405	12 065	12 665
Personnel expenses	3 419	3 832	3 955	2 089	1 830
Net income from financial activities	(53)	(87)	(80)	(142)	(8)
Other revenues and expenses	0	0	0	0	0
EBITDA	2 006	2 394	2 129	1 000	1 347
Depreciation	1 507	1 599	1 660	820	715
EBIT	499	795	469	180	632
Interest expense	789	735	685	336	323
Pretax income	(290)	60	(216)	(156)	309
Taxes	0	0	0	0	0
After-tax income	(290)	60	(216)	(156)	309
Minority interest	0	0	0	0	0
Net income	(290)	60	(216)	(156)	309
Earnings per share in BGN	(0.02)	0.00	(0.02)	(0.01)	0.03

Balance Sheet (in '000 BGN)	2009	2010	2011	1H 2011	1H 2012
Total Assets	28 621	30 531	30 103	30 029	30 437
Equity subscriptions receivable	0	0	0	0	0
Fixed assets	16 544	15 687	14 987	15 226	14 918
Tangible fixed assets	16 206	15 402	14 702	14 941	14 548
Financial investments	279	279	279	279	279
Current assets	12 077	14 844	15 116	14 803	15 519
Inventory	3 276	4 161	4 716	4 584	4 102
Receivables	8 542	10 638	10 243	10 174	11 262
Financial assets	0	0	0	0	0
Cash and cash equivalents	259	45	157	45	155
Total liabilities + equity	28 621	30 531	30 103	30 029	30 437
Equity	12 134	12 212	12 016	12 076	12 365
Registered capital	12 014	12 014	12 014	12 014	12 014
Capital funds	354	358	358	434	438
Earnings	-234	-160	-356	-372	-87
Liabilities	16 487	18 319	18 087	17 953	18 072
Long-term payables	1 038	799	826	8 028	3 730
Long-term bank loans	4 284	7 568	7 150	7 206	2 922
Short-term bank debt	6 065	2 552	3 196	3 040	7 506
Short-term payables	5 100	7 400	6 915	6 885	6 836
Other liabilities	0	0	0	0	0
Working capital	912	4 892	5 005	4 878	1 177

Cash Flow Statement (in '000 BGN)	2009	2010	2011	1H 2011	1H 2012
Net income	(290)	60	(216)	(156)	309
Depreciation	1 507	1 599	1 660	820	715
Changes in Working capital	539	3 980	113	(127)	(3 701)
Other operating cash flow items	(365)	(4 024)	539	349	3 297
Net cash from operating activities	1 391	1 615	2 096	886	620
Capital expenditures	(113)	(649)	(945)	(448)	(250)
Other investing cash flow items	42	0	0	0	0
Net cash from investing activities	(71)	(649)	(945)	(448)	(250)
Issuance/ Retirement of Stock, Net	0	0	0	0	0
Issuance/ Retirement of Debt, Net	(512)	(397)	(91)	39	79
Dividends paid	0	0	0	0	0
Other financing cash flow items	(1 073)	(783)	(948)	(477)	(451)
Net cash from financing activities	(1 585)	(1 180)	(1 039)	(438)	(372)
Net change in cash	(265)	(214)	112	0	(2)
Beginning-of-period cash	524	522	45	45	157
End-of-period cash	259	308	157	45	155
Cash per share	0.02	0.03	0.01	0.00	0.01

Financial and Performance Indicators	2009	2010	2011		1H 2012
Valuation Ratios					
Price/Earnings (P/E)	-47.64	246.28	-68.41		65.14
Book Value (BV)	1.01	1.02	1.00		1.03
Price/Book (P/B)	1.14	1.21	1.23		1.31
Sales Per Share	1.88	2.33	2.54		2.59
Price/Sales (P/S)	0.61	0.53	0.48		0.52
Price/Cash per share	11.35	8.91	10.23		15.84
EV (in BGN)	23 906	24 852	24 966		26 492
EV/Sales	1.06	0.89	0.82		0.85
EV/EBITDA	11.92	10.38	11.73		10.70
EV/EBIT	47.91	31.26	53.23		28.76
Liquidity					
Current ratio	1.08	1.49	1.50		1.08
Quick ratio	0.79	1.07	1.03		0.80
Debt Management					
Debt to total assets	0.58	0.60	0.60		0.59
Interest coverage	0.63	1.08	0.68		1.37
LT Debt/Equity	0.44	0.69	0.66		0.54
Total Debt/Equity	1.36	1.50	1.51		1.46
Asset Management					
Inventory turnover	6.88	6.73	6.48		7.59
Days sales outstanding	136	137	121		130
Fixed asset turnover	1.36	1.79	2.04		2.09
Total asset turnover	0.79	0.92	1.02		1.02
Profitability					
Profit margin on sales	-1.3%	0.2%	-0.7%		0.8%
EBITDA margin	8.9%	8.5%	7.0%		8.0%
Basic earning power	1.7%	2.6%	1.6%		3.0%
Return on assets	-1.0%	0.2%	-0.7%		0.8%
Return on equity	-2.4%	0.5%	-1.8%		2.0%
Return on investments	-1.7%	0.3%	-1.1%		1.3%
Dividend Information					
Dividend Yield	n/a	n/a	n/a		n/a
Dividend per share	n/a	n/a	n/a		n/a
Number of shares:					
	12 013 797	12 013 797	12 013 797	12 013 797	12 013 797
Price in BGN - period end:					
	1.15	1.23	1.23	1.23	1.35
Market cap in BGN - period end:					
	13 815 867	14 776 970	14 776 970	14 776 970	16 218 626

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
becheva@elana.net

Internet:
www.elana.net
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:

Outperform	More than 5% higher as compared to SOFIX and BG40 performance
Neutral	Market performance, +/-5% as compared to SOFIX and BG40
Underperform	More than 5% lower as compared to SOFIX and BG40 performance

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.