

<u>Recommendation</u>	<u>Previous</u>	<u>From date</u>	<u>52-week target</u>
Market Perform	Market Outperform	September 17 th , 2009	BGN 11.43

Enemona

Business Summary

Enemona is leading Bulgarian engineering company, established in 1990. The list of operations includes:

- engineering and project management;
- project design;
- turn-key construction;
- assembly works;
- construction;
- adjusting and testing activities in energetic, industry ecology and civil engineering;
- energy efficiency;
- trading with electricity.

The company is the leader on the market of energy efficiency services based on an ESCO model and doesn't have significant domestic competitors in the sector. Along with that in 2007 ESCO model was developed and successfully adapted for its application in industry. Enemona has the controlling stakes in several companies through which it operates its non-core business.

Current Market Activity

The share of Enemona (E4A) remains under pressure since October, 2009. The position settled below the level of BGN 10.00 and there are no signs for reverse. The traded volumes remained thin even at the ground of the overall market turnover. The investors are waiting the results from the capital increase, despite that the warrant issue attracted huge interest. The consolidated 2009 results also may affect the trading with E4A. The multiples are among the most attractive in SOFIX and the net profit is not generated by operations with financial instruments. The main risk for price pull-back is the future issue of preferred shares that will absorb the demand.



Financial Summary

The company posted higher net profit for the first nine months of 2009 on yearly basis. The consolidated revenues jumped by 66% as sales of goods continued to increase their share. The 9M 2009 results of the company were close to the preliminary prognosis for the entire 2009. The construction set up the main part of the net profit but the company intends the energy and energy efficient activities to take larger part as of 2012.

Valuation Ratios

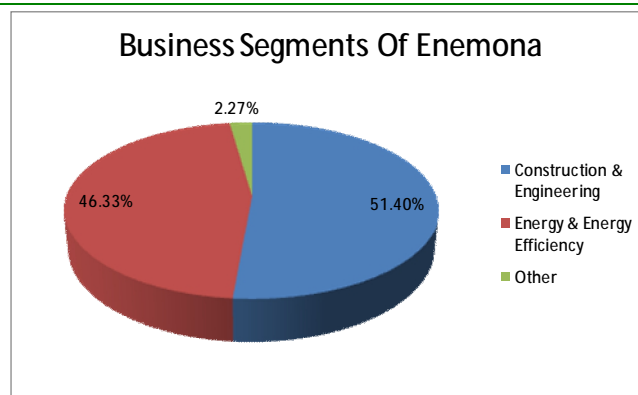
Enterprise Value	172 364 200
Dividend Yield - Gross	-
Trailing P/E (ttm)	7.09
Forward P/E (2009)	7.43
PEG Ratio (1yr expected)	-
Price/Sales (ttm)	0.59
Price/Book (mrq)	1.18
Enterprise Value/Revenues (ttm)	0.90
Enterprise Value/EBITDA (ttm)	6.11

Profitability and Growth Ratios

Return on Capital	22.2%
Return on Equity	16.6%
Return on Assets	7.3%
EBITDA Margin	14.8%
Net Profit Margin	8.3%
Revenue Growth	66%
EPS Growth	21%
Capital Growth	17.6%
Assets Growth	28%

The Business Model

The core business of Enemona is the construction and formed 51% of the consolidated revenues for 2009. The ESCO contracts are the second largest revenue source with 46% share. The service includes the assessment and implementation of energy efficiency measures and commitment to achieve certain results. Enemona is the largest and most successful company to implement those contracts in Bulgaria and has unique experience in the field that is expected to develop further in the future.



Source: Enemona

Subsidiaries

The trading with electricity is increasing its stake in the consolidated revenues of Enemona. The fully owned subsidiary Enemona Utilities is primary engaging with the trading with electricity and natural gas. This segment is the fastest growing in the structure of Enemona and will continue to support the growth rate of sales. Other subsidiaries will also operate in the sector and are building the infrastructure for the trading with natural gas.

Enemona is majority owner of two financial companies. The Real Estate Investment Fund REIT and Energetic And Energy Saving Fund SPV are public listed but are very low liquid. The REIT is investing in office buildings and land. Energetic And Energy Saving Fund SPV is securitizing receivables and most of the contracts for 2008 were with Enemona. This subsidiary is funding primary the ESCO contracts of Enemona.

	Percentage of the capital	2008 Revenues
Enemona Utilities	100.00%	28 369 000
Enemona Galabovo	91.11%	12 719 000
Energomontazhcomplex	77.36%	10 204 000
Agro Invest Engeneering	99.98%	4 124 000
ESCO Engineering	99.00%	680 000
Energetics & Energy Savings Fund SPV	69.23%	607 000
Real Estate Investments Fund – FINI REIT	60.80%	236 000
Hemusgas	50.00%	80 000
TPP Nikopol	100.00%	5 000
Botunya Energy	98.68%	0
Neo Agro Tech	90.00%	0
Nevrocop - Gas	90.00%	0
Pirinpower	84.00%	0
Solar energy	80.00%	0

Source: Enemona

Main Subsidiaries

Enemona Utilities

The company is a 100% subsidiary of Enemona and has been created in 2005. Enemona Utilities is trading with electricity, including from producers abroad when prices are better. It is buying electricity from large Bulgarian power plants and is selling to domestic industrial companies, including public listed Monbat, Biovet and Fazerles or foreign consumers from Serbia and Greece.

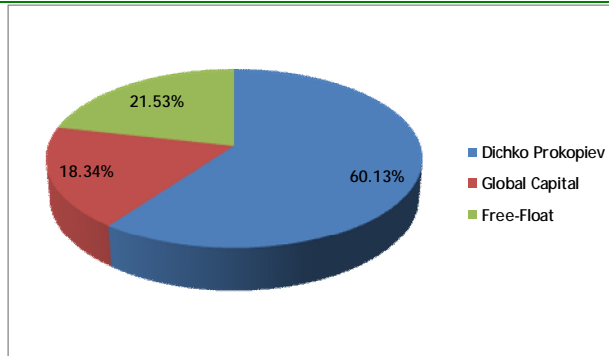
The main objective of Enemona Utilities is to become a prime player in the retail market of electricity and natural gas after the liberalization of the energy market in mid-2007. Revenues jumped to BGN 28.37 million in 2008 from BGN 8.96 million during the previous year. Net income more than tripled to BGN 1.74 million. Enemona Utilities is expected to increase its revenues from natural gas (1.12% of total for 2008) after attracting new clients and completing the construction of compression stations to link cities without gas supply.

Nevrokopgas	Enemona holds 90% of the firm's capital. Nevrokopgas's main operations include the engineering of natural gas facilities in the southern city Gotze Delchev. The company will supply compressed gas to all of the town's administrative and industrial sites, which will be transported from the gas-pipe of Bulgartransgas.
Hemusgas	The firm is 50% owned by Enemona. The company is planning to build natural gas facilities to ensure the supply to towns of Botevgrad, Etropole and Pravetz. The gas will also be compressed and transported. The maximum capacity of the project is 40 million cubic meters and the expected is 18 million cubic meters gas.
Enemona - Galabovo	<p>The company's main operational activities include engineering of infrastructural energy projects. The firm has no long-term debts and its projects are financed by its capital or through outside sources of financing. Last years' contracts ensured revenues from sales and services of more than BGN 12 million. Net income for the period was BGN 1.12 million.</p> <p>The company is the successor of all operations of Enemona in the area of Maritza East TPP. It has signed contracts for BGN 17 million in 2008 that will be implemented this year.</p>
Energomontazhcomplex (EMKO)	<p>The subsidiary is specialized in developing non-standard metal constructions. EMKO is certified by ISO 9001:2000 for quality control. Its main customers are TPP Maritza East 1 and 2 as subcontractor of Alstom. The company has successfully completed its contractual obligations in over 50 sites in 20 countries including the TPP Vasilikos in Cyprus. The production facility of EMKO is situated in the construction site of the second nuclear power plant of Belene.</p> <p>EMKO almost doubled its net income for the previous year to BGN 1.2 million. This is a direct consequence of the cost-cutting practices adopted by the management and the higher price of the firm's production. The company is vulnerable to rising of commodity prices and the solvency of its contractors.</p>
ESKO Engineering	The operations include heating and climate control. ESKO is consulting, designing and constructing heating and cooling systems from renewable energy sources. Revenues decreased in 2008 to BGN 680 thousand from BGN 953 thousand during the previous year.
Agro Invest Engineering	The firm is orientated in the agricultural sector through the purchase of land and specialized machinery in addition to producing and trade with agricultural production. Agro Invest Engineering has plans to build a grain silos. It finances its purchases through bank loans and capital leases. It also owns the land in the Lom Lignite Energy Project. On one hand the countercyclical character of the firm's operations makes it immune to the global financial turmoil. On the other, Agro Invest Engineering is vulnerable to sudden climatic hazards. Agro Invest Engineering owns 53.19% of the brewery Lomsko Pivo.

Ownership

Enemona is a private company with majority ownership. The Chairman of Board of Directors and CEO of Enemona controls 60% of the capital of Enemona and 96% of the capital of the other large shareholder – Global Capital.

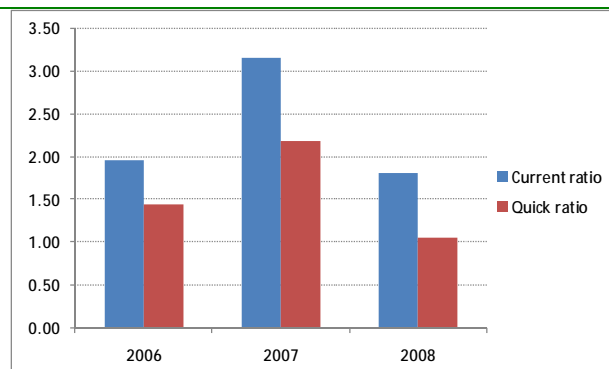
The free-float is almost equally divided between individual and institutional investors, respectively 43.25% and 56.75%.



As of end-2008
Source: Enemona

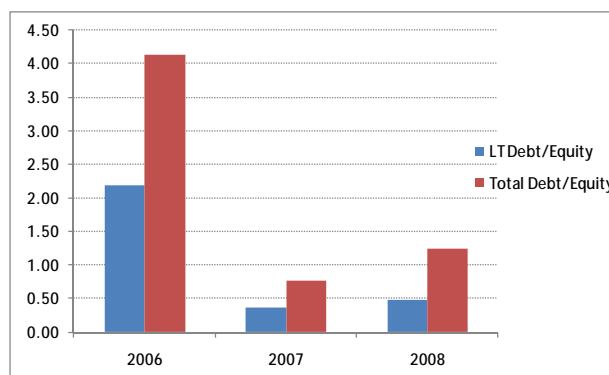
Financial Situation

The liquidity ratios of Enemona declined in 2008 as debts increased. The company is financing its expanding operations with debts that include short-term bank loans and significantly higher receivables than previous years. The ratios managed to remain below the 2006 levels. The construction projects in Bulgaria are usually financed by loans, whereas companies are maintaining large receivables in their balance sheets.



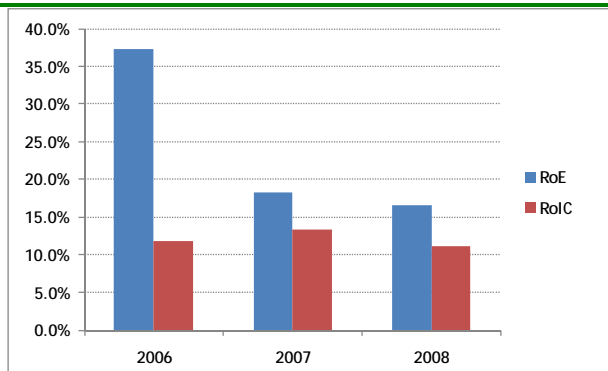
Calculations: ELANA Trading

The IPO in 2007 improved the debt-to-equity ratio as private companies usually maintain the minimum capital for their operations. The profits of the last two years also contributed for the improvement of the ratios. However, Enemona is among the SOFIX components with highest debt-to-equity ratio. The interest coverage for 2008 was 4 as interest payments are far less than EBITDA. We don't expect that the company will face liquidity problems and will be able to cover its current debts but the expansion will require additional capitals.



Calculations: ELANA Trading

The decline of RoE in 2008 is associated with higher equity as the net profit improved the capital funds. At the same time the debts increased last year and pushed down the return-on-investments. The average for the last three years is 12% and represents the stable return from Enemona's equity and debt.



Calculations: ELANA Trading

Corporate Action History



- 16 May 2008 Enemona announced the agenda of the Annual Shareholders Meeting which included no dividend payments and transfer of receivables to the subsidiary Energetics & Energy Savings Fund SPV. Shares of Enemona followed the short-term recovery of the stock market and traded above BGN 20.00.
- 30 Jun. 2008 The General Shareholders Meeting decided to allocate the net profit for 2007 as retained earnings. The amount of the profit is BGN 7.78 million.
- 08 Sep. 2008 The Board of Directors of Bulgarian Stock Exchange decided to include common shares of Enemona in the calculation of the main index SOFIX. Shares closed unchanged after the news as the decision had been expected by the market participants.
- 23 Sep. 2008 Shares of Enemona weakened 4.4% during the first day of trading after inclusion in the index SOFIX. The decline was induced by the overall market weakness.

06 Oct. 2008	Shares of Enemona lost 16.9% for the session as the Bulgarian market accelerated its downside movement, following the huge losses of international indices. The position begun to underperform the broad market and quickly compensated the lag.
20 Nov. 2008	Share price touched low of BGN 4.70 and began to recover under the positive influence of domestic and international demand. The position lost 77% from its peak and still outperformed the index SOFIX.
08 Jan. 2009	Enemona announced the contract with the Ministry of Justice for the construction of administrative building for more than BGN 100 million. The news had little impact on the stock trading.
27 Jan. 2009	The program for an irregular shareholders meeting has been announced. The decisions included transfer of receivables to the subsidiary Energetics & Energy Savings Fund SPV.
11 Feb. 2009	The Board of Directors decided to increase the capital by preferred shares issue for up to BGN 30 million. The decision needed the approval of shareholders and no details had been disclosed.
10 Mar. 2009	The shareholders meeting decided on operational issues of Enemona JSC including a sale of company's assets. Among other issues were management's compensations and the appointment of an audit committee.
07 May 2009	Shares of Enemona posted the YTD high of BGN 9.25 and nearly doubled from the last year bottom. The price peak coincided with the high of the market.
27 May 2009	Enemona announced the agenda of the Annual Shareholders Meeting.
29 Jun. 2009	The Board of Directors decided to issue warrants for 5.967 million shares at a minimum price of BGN 15.00 and no more than 10 years period of conversion. The news had no effect on the share price.
30 Jun. 2009	The General Shareholders Meeting decided to allocate the net profit for 2008 as retained earnings. The amount of the profit is BGN 8.96 million. It also voted for lower bonuses for directors than the previous proposal.
14 Jul. 2009	The Board of directors of the company adopted a decision to authorize the investment intermediary KBC Securities-N.V.- Bulgaria to administer the issuing of 5 366 800 preferred shares.
9 Sept. 2009	Enemona announced the parameters for the warrant issue. Term of the issue of warrants is six years. The total number of warrants is 5 966 800 and the exercise price is BGN 18.50. Issuing value is BGN 0.17 per warrant.
16 Oct. 2009	The Board of Directors adopted at its meeting held on October 15, 2009 the final parameters of the preferred shares to be issued by Enemona. Issuing value per share is BGN 9.92. Every share entitles its owner a guaranteed cumulative dividend in the amount of 10% of its issuing value i.e. of BGN 0.992.

Future Projects

Energy Project Lom Lignite (EPLL) is part of Lom coal field, the only lignite coal field in Northern Bulgaria. The proven deposit resources have significant energy potential. Moreover, they have lower sulfur than lignite coal of Maritza East and will be more efficient in the production of electricity. Enemona has the results of the 50 tons sample of coal from US laboratory that evaluated the most efficient technology of burning for the thermal power plant. The company already owns the land of the coal field and the future construction of the thermal power plant. The final phase of the project will be accomplished in cooperation with strategic investors. The scale of the project is larger than the possibilities of Enemona to implement it through additional debt. The project will include an open mine for extraction of 4-6 million tons annually and the construction of thermal power plant with 400-600 MW installed capacity.

Future Projects Under Development

Energy Project Lom Lignites	Thermal Biomass Power Plant Nicopol	Virtual gaslines
14% of Bulgaria's coal reserves	Planned capacity of the plant is 18 MW	Investments amounted EUR 4.6 mln
Building of TPP of 400-600 MW	Development will begin in April 2010 and is expected to be finalized in 2012	Two pipelines have estimated transfer of 2.6 mln.n.m3
Approximately EUR 640 mln investment in the mine	Approximately EUR 50 mln investment in the construction	Enemona intends to develop 2 more pipelines
Approximately EUR 760 mln investment in the TPP	Estimated CapEx for the next 2 years – EUR 15 mln	As of December 01, 2009 Enemona begun to export natural gas to Macedonia
Deloitte Bulgaria is an advisor for attracting a strategic investor		Estimated CapEx for the next 1 year – EUR 4 mln
Planned investment of EUR 15 mln		Planned investment of EUR 5 mln

Until 2012 the company intends to invest EUR 107 million in its current projects, including the EU Environment program and working capital energy trading. The capital raised from the preferred shares issue and the exercised warrants will be used for these investments. The largest part of the capital will be directed to Thermal Biomass Power Plant Nikopol.

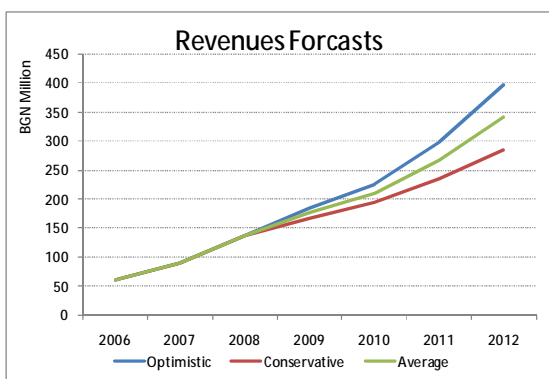
Large Energy Projects In Bulgaria

NPP Kozlodui	NPP Belene	Maritza East
Installed capacity - 2000 MW	Future capacity - 2000 MW	Installed capacity - 2490 MW
Expected execution volume by Enemona - 25%	Expected execution volume by Enemona - 20%	Expected execution volume by Enemona - 20%
Enemona is participating in the: -reconstruction and modernization -decommissioning of the old blocks -annual maintenance service works	Enemona is investing in the expansion of the production site to meet the future needs of the plant	Enemona is: -the main subcontractor for the renovation of blocks 1 to 4 of Maritza East 2 -providing maintenance services to Maritza East 3
Enemona is subcontractor in the construction of a specialized unit to allow the 3rd and 4th nuclear blocks longer exploitation	Total volume of services to be delivered in the next 10 years (est.) – EUR 2 billion (Bulgarian companies only)	Two new facilities will be launched in 2010, additional 630 MW and 600 MW
Total volume of services to be delivered in the next 5 years (est.) – EUR 100 mln		Total volume of services to be delivered in the next 3 years (est.) – EUR 1.2 billion

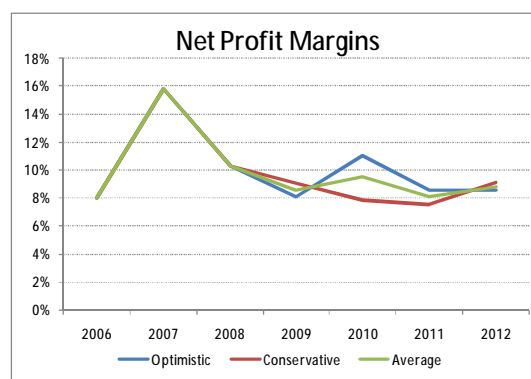
Forecasts

The forecasts for the next three years and the expectations for 2009 of Enemona's management are presented in two scenarios. The main difference between the conservative and optimistic scenario is the sale of the subsidiary Lomsko Pivo. The growth rates of revenues are also lower in the conservative scenario. Enemona's forecasts proved to be underestimating the financial results since company became public. To exclude the complexity of using two scenarios and the assumptions for their probability in the DCF model, we will use the average of both for sales in the initial three years and the profit margin for the ten years.

The net profit margins in both scenarios are stabilizing at 8% in 2011 and 2012. The better result in the conservative scenario is due to the one-time profit from the sale of assets as it was included in the 2010 profit in the optimistic scenario. We will use 8% as net profit margin in our forecasts for the cash flows.

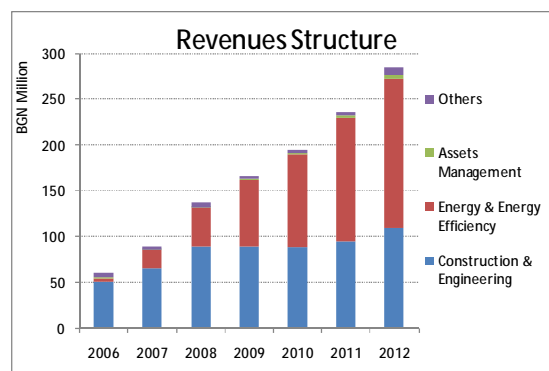


Source: Enemona



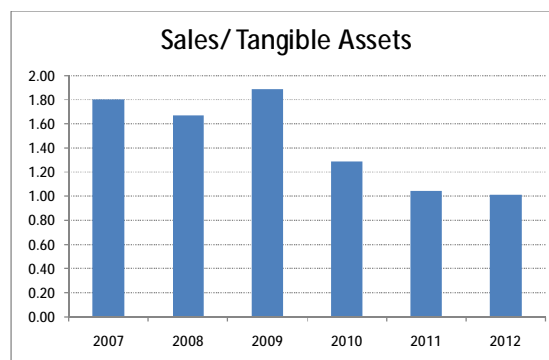
Source: Enemona

The main contributor to the growth of revenues is the energy and energy efficiency segment. The trading with electricity is already contributing for the rising sales but will result to lower profit margins. The difference will be fully compensated by the rising revenues and Enemona is expecting the profit of the segment to double in 2012 as compared to the 2009 result.



Forecasts for the conservative scenario
Source: Enemona

The forecasted increase of revenues is substantial. The average revenues of both scenarios should increase 95% during the next three years. Our calculations for the end of the 10th year are showing the astonishing 300% compound rise of revenues. The expected investments are BGN 210 million or almost twice more than the fixed assets of Enemona at the end of 2009. The rising capital needs are resulting to lower share prices according to the discounted cash flows. Enemona is aiming to enter in partnership with large investor for the realization of Energy Project Lom Lignite as the company cannot implement it on its own.



Calculations: ELANA Trading

Stock Information (BSE Ticker: E4A; Bloomberg: E4A BU)

Last Price	9.50	Market Cap	113 369 200	1Y Range	BGN 4.70 – BGN 13.00	Average Volume	2 684
Beta	1.21	1Y Change	-28.30%	SOFIX Change	-15.80%	BG40 Change	-15.11%

Valuation

The valuation of Enemona was influenced significantly by the expected increase of the capital from preferred shares and the already finished warrant issue. The trailing results of the company are among the best for Bulgarian companies and also among the regional peers as seen in the comparison to construction companies in East Europe. However, the forthcoming investment program is very ambitious and will likely have negative impact on the debt level of the company along with the higher depreciation and interest expenses.

Multiples Analysis

Enemona is among the few Bulgarian companies with rising revenues and profits for 2009 as its anti-cyclical business expanded in most segments. Moreover, the decline of stock prices improved further the multiples of Enemona. Our expectations for 2009 are based on the average forecasts of Enemona that look achievable as the data for the first nine months are already published. The improvement of the net profit is in fact much better as part of the 2008's results were one-time financial items. EV/EBITDA is decreasing steadily due to the falling stock price as the debt burden of the company is rising through the course of the last year.

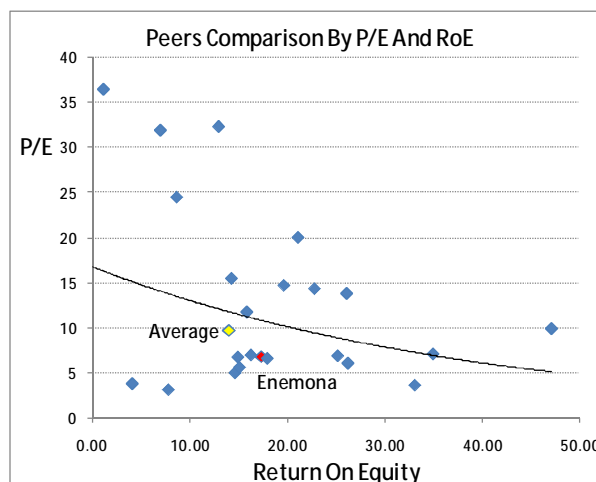
Last Price	9.50		
Number of Shares	11 933 600		
Market Capitalization	113 369 200		
	2008	TTM	2009 (e)
Net Profit	14 044 000	15 989 000	15 252 000
P/E	8.07	7.09	7.43
Revenues	136 247 000	192 158 000	173 049 000
P/S	0.83	0.59	0.66
Equity	85 223 000	96 066 000	103 886 000
P/B	1.33	1.18	1.09
EV	160 874 200	173 796 232	159 006 200
EBITDA	24 349 000	28 465 000	26 131 000
EV/EBITDA	6.61	6.11	6.08
EV/Revenues	1.18	0.90	0.92

*Estimations and calculations: ELANA Trading

Peers Comparison

The comparison to regional peers showed that Enemona has better P/E and return on equity than the median. The recent decline of the stock price placed Enemona among the most lucrative companies in the sector. Moreover, several regional peers are posting losses and are not included in the graph.

The P/E ratio is also attractive when comparing to SOFIX components and mainly to the local construction companies. Enemona is less cyclical than most other Bulgarian liquid stocks and it is less risky in terms of future volatility of sales and profits than other sectors.



*Source: Bloomberg

Peers Comparison

We picked the regional companies that operate mainly in the construction of factories and energy facilities. Our calculations are for lower EV/EBITDA ratio and higher P/E ratio but in both multiples Enemona has significant advantage to the average. The Bulgarian company has higher return on equity and return on assets ratios.

	P/E	P/B	P/S	EV/EBITDA	RoE	RoA
Enemona	6.86	1.14	0.57	7.91	17.38	8.22
Average	15.49	1.27	0.57	9.77	14.26	4.49
Bulgaria						
TRACE GROUP HOLD	36.47	2.72	0.93	15.88	1.15	2.37
HOLDING CO ROAD	-	1.75	0.30	18.45	4.60	-0.79
Croatia						
INSTITUT IGH	11.77	1.01	0.54	n/a	15.82	2.03
DALEKOVOD DD	6.77	1.18	0.27	4.30	14.90	4.83
TEHNIKA DD	31.92	0.91	0.23	4.02	6.98	0.57
INGRA DD	-	0.60	n/a	n/a	0.81	-
VIADUKT D.D.	3.84	0.59	0.09	0.95	4.11	3.41
LAVCEVIC DD	3.17	0.44	0.22	3.73	7.80	8.39
Estonia						
AS MERKO EHITUS	5.04	0.73	0.32	14.97	14.63	7.69
AS NORDECON	14.73	1.02	0.28	n/a	19.61	2.35
Lithuania						
PANEVEZIO STATY	7.13	0.57	0.25	2.81	34.89	3.08
Poland						
ENERGOMONTAZ-POLNOC	7.01	1.68	0.80	5.32	16.25	16.79
ERBUD	74.63	2.54	0.61	7.14	4.82	1.30
UNIBEP	9.94	1.69	0.55	6.75	47.03	6.76
INSTAL KRAKOW	6.11	1.29	0.45	n/a	26.17	10.67
MOSTOSTAL PLOCK	6.93	1.61	0.68	n/a	25.14	15.97
MOSTOSTAL-EXPORT	3.67	0.63	0.91	n/a	33.03	10.72
MOSTOSTAL WARSZAWA	13.84	2.75	0.46	3.10	26.06	6.09
MOSTOSTAL ZABRZE	14.36	2.59	0.65	7.81	22.75	6.96
REMAK	5.65	2.04	0.33	3.12	15.08	14.85
POLNORD	24.51	0.59	2.52	57.22	8.65	1.35
PROCHEM	32.33	0.87	0.37	7.38	12.94	1.26
ABM SOLID	9.77	0.74	0.18	4.56	14.02	2.48
BUDOPOL - WROCLAW	-	1.27	0.90	25.36	5.77	-2.53
ENERGOPOL	-	1.36	0.73	n/a	-18.60	-2.46
Romania						
CONCEFA	20.05	1.33	0.38	n/a	21.06	1.57
TRANSILVANIA CONSTRUCTII	-	0.21	0.98	2.41	7.15	-0.04
Slovakia						
INZINIERSKE STAVBY AS KOSICE	6.64	1.15	0.16	0.14	17.93	3.54
Ukraine						
KIYVGORSTRIY-1	-	0.92	0.84	n/a	2.9306	-3.39

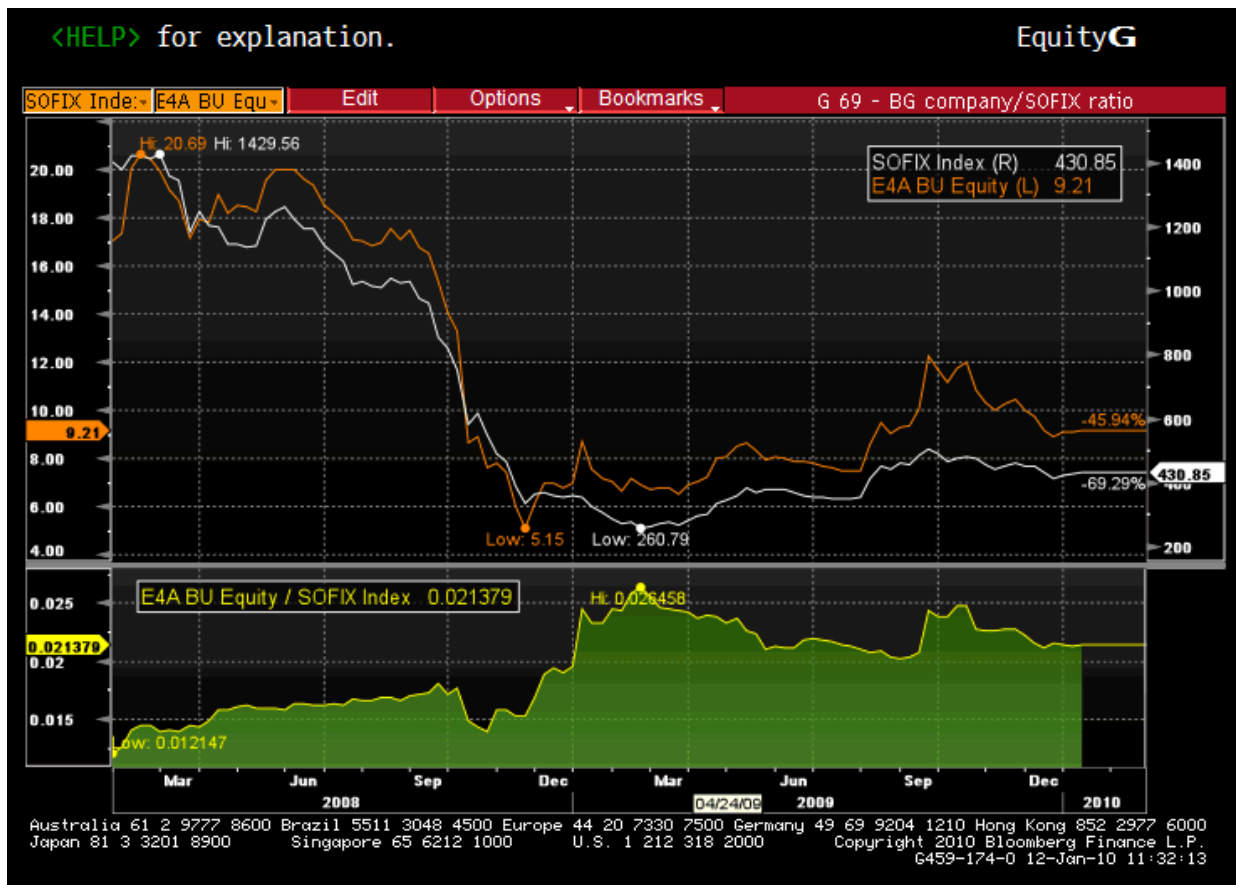
Source: Bloomberg

SOFIX Comparison

Enemona outperformed the index SOFIX during the market decline. The stock posted its all-time low in November 2008 and quickly jumped as the market realized that Enemona will not be damaged severely by the crisis. The short-term performance of the stock was not that good. Moreover, Enemona was among the few blue chips that fell more than the index since September. We think that this was due to two main reasons. The first is the news of the capital increase. Something similar was observed in mid-2009 when Chimimport (6C4 BU) issued convertible preferred shares. The domestic investors withdrew their bids for lower levels before the supply of new shares. Both issue are trading very closely since then and jumped solidly after the success of the public offering. Shares of Enemona were under the negative influence of the falling stock market as SOFIX lost 20% from early September to the late December.

The second reason for the underperformance is the change in the parliamentary majority and the new government. The large project for the construction of new courts of justice has been canceled and the news had negative impact on the stock price. Although the impact on the future cash flows of the company is significant, this will not change our projections for sales and profits. We want to emphasize on the capability of Enemona to participate and win future tenders for government buildings and large commercial real estates.

The warrant issue has been completed in December 2009. All warrants were subscribed successfully. Enemona can outperform the market in short-term after the public offering of the preferred shares even in low level of subscription of the issue.



Valuation By Multiples

The target price of Enemona as compared to the average multiples of East European peers is BGN 14.15. We give equal weight to all multiples, although some of the companies in our list of peers didn't have profits or information for their EV/EBITDA ratios. P/B and P/S are showing prices that are close to the current market price of Enemona.

Multiples	Value	Price	Weight
P/E	15.49	20.76	25%
P/B	1.27	10.20	25%
P/S	0.57	9.17	25%
EV/EBITDA	9.77	16.45	25%
Price (BGN)			14.15

*Calculations: ELANA Trading

Discounted Cash Flows

Discounting the cash flows of Enemona is based on the recently announced forecasts of the company. Our model is including the forecasted investments during the next three years and the financing by preferred shares and exercise of the warrants in 2011 and 2012. Afterwards we projected a gradually decrease of growth rates and constant profit margins. However, it is unlikely that the growth will be so smoothly given the recent volatility of construction activities and the energy efficiency business. Growth rates are expected to decelerate to the end of the ten-year period. Enemona will continue to post solid increase of sales due to the forthcoming public expenditures for energy efficiency and other construction business, along with the large energy projects.

The projected long-term growth rate is 3.50% with WACC of 10%. We also provide a sensitivity analysis, according to the different growth rates and WACC.

Enemona											Terminal	
BGN'000	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Year	
EBIT	27 268	31 675	44 691	47 532	54 810	61 119	64 071	65 862	69 670	72 712	64 136	
EBIT(1-T)	24 541	28 507	40 222	42 779	49 329	55 007	57 664	59 276	62 703	65 441	57 722	
Add: D&A	8 745	14 011	18 319	19 267	19 913	20 177	20 256	20 388	20 565	20 788	16 348	
Less: Investments	65 000	82 500	67 500	34 122	30 027	24 322	21 484	22 451	23 349	24 283	16 348	
Less: Change NWC	-7 089	9 248	17 359	15 056	15 460	13 760	11 962	10 492	9 230	7 373	6 162	
FCF	-24 625	-49 230	-26 318	12 869	23 755	37 102	44 473	46 720	50 689	54 572	51 560	
PV FCF	-22 386	-40 686	-19 773	8 789	14 750	20 943	22 822	21 795	21 497	21 040		
Sum of PV FCF	48 792											
PV of Continuing Value	233 807											
Total PV Free Cash Flows	282 599											
Less: Outstanding Debt	65 595											
Plus: Financial Assets	21 678											
PV of Equity	238 682											
Number of Shares	11 934											
Price Per share	20.00											
			WACC	Growth Rate								
				SA	2.5%	3.0%	3.5%	4.0%	5.0%			
				8.0%	29.75	32.46	35.76	39.89	52.29			
				9.0%	22.65	24.38	26.42	28.87	35.61			
				10.0%	17.49	18.66	20.00	21.57	25.64			
			11.0%	13.59	14.41	15.33	16.39	19.03				
			12.0%	10.54	11.13	11.79	12.53	14.33				

Calculations: ELANA Trading

The present value of equity is BGN 238 million but it needs to be adjusted by the number of new shares. The expected increase of the capital by 50% of the convertible preferred shares will add approximately 3 million shares, which will decrease the intrinsic value of the share to BGN 16.00. In addition, more than 3 million warrants are expected to be exercised at BGN 16.78 in 2011 and 2012. The rest should be exercised after the six years period. Thus the price can fell to BGN 11.43 according to our model. This is higher than the current price but will make difficult the exercise of warrants next year.

Preferred Shares

The secondary trading with the rights will begin on January 25, 2010. The preferred shares will be converted to common shares at the end of the seventh year. They are subject of anti-dilution measures in case of capital changes.

The guaranteed dividend of 10% of the issue price and the liquidation preferences of BGN 9.92 will be dropped after the conversion. This process will not require the explicit request from the preferred shareholders. The Article of Association of Enemona gives the possibility of preferred shareholders to cede their privileges after a shareholders meeting with the $\frac{3}{4}$ of the votes. Thus the preferred shares can be converted to common shares.

Two rights will be necessary for the subscription of one preferred share. The minimum number of preferred shares to consider the issue a success is 1 000 000. All existing shareholders will receive rights that will be traded two weeks on the secondary market. The unsubscribed rights will be offered at auction afterwards.

The capital raised is up to BGN 59.19 million at price of BGN 9.92 for one preferred share. The costs of rights bought are not included as their price will depend of the supply and demand on the market.

Parameters of the preferred shares issue	
Number of rights	11 933 600
Trading with rights	January 25th
Auction	February
Number of preferred shares	5 966 800
Issue price BGN	9.92
Capital raised	59 190 656
Fixed dividend BGN	0.992
Dividend yield	10%
Minimum subscription	1 000 000
Years to conversion	7

Source: Enemona

Comparison To Chimimport Preferred Shares

The preferred shares of Chimimport have almost identical parameters with the forthcoming issue of Enemona. Both issues are convertible into common shares but the Chimimport shares give the option to be converted during their lifespan by investors' request.

The main advantage of Enemona issue is the larger fixed dividend and the option of higher dividend to all shareholders after decision of the General Shareholders Meeting. However, we consider this opportunity with low probability during the first year of the issue.

Solvency And Risk

The financial results for the last four quarters are adequate to guarantee the interest expenses and the preferred dividends. Both fixed-charge ratio and interest-coverage ratio are above 1. The liquidation-coverage ratio is also adequate and could be higher when including the capital of the preferred shares issue.

Comparison			
Characteristic	Enemona	Chimimport	
Dividend yield	10%	9%	Better
Cumulative	Yes	Yes	No difference
Fixed rate	Yes	Yes	No difference
Convertible	Yes	Yes	No difference
Redeemable	No	No	No difference
Put option	No	No	No difference
Voting	No	No	No difference
Liquidation preference	Yes	Yes	No difference
Participating	Yes*	No	Better

*Option to be distributed higher-than the fixed dividend
Comparison: Elana Trading

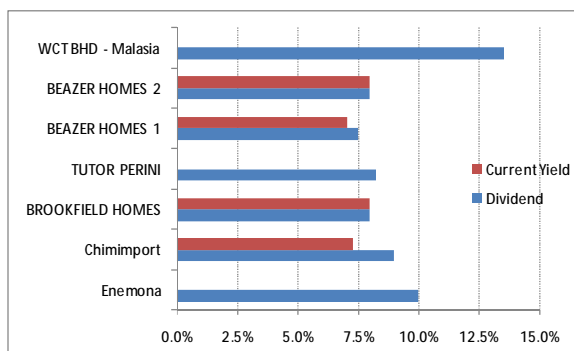
Fixed-Charge Ratio	4.06
Interest-Coverage Ratio	1.84
Liquidation-Coverage Ratio	2.07

Source: Consolidated report as of end of September 2009. The liquidation-coverage ratio excludes the capital from the forthcoming issues of preferred shares and warrants.
Calculations: Elana Trading

Yield Comparison

The equity screening function of Bloomberg showed several preferred share issues of construction companies worldwide. Several issues are convertible preferred shares. We also added Chimimport for comparison to the new issue of Enemona.

The conclusion is that the preferred shares of Enemona have very good yield that is higher than the average for the US companies. It is much better than the 7% dividend yield of Chimimport at current market prices.



Source: Bloomberg

Recommendation and Price Target

The market is already discounting the significant dilution of earnings per share from the new issues of preferred shares and warrants. Moreover, the current price is lower than the discounted cash flows when 50% of preferred shares and all warrants are converted to common stocks. Enemona is among the few companies with solid growth and lucrative business niche. Both methods of valuation of the common shares resulted to equally weighted price of BGN 12.79. Multiples-based price is BGN 14.15 and the DCF-based price is BGN 11.43, including the dilution effect. The preferred shares issue is lucrative investment due to the 10% dividend and the higher intrinsic value of the common shares.

On the other hand, the forecasted investments will have negative effect on the cash inflows that is not adequately presented in the DCF-model in terms of future revenues. Positive surprises in long-term period are possible but cannot be assessed at the moment. We are lowering our recommendation to *Market Perform* due to the expected supply and the possible dilution from warrants in 2011 and 2012. The recent decline of the stock price of Enemona proved that the support from domestic institutional investors is very limited. Our one-year price target is based on the DCF-model or BGN 11.43. However, we expect that the gradual return of the hot money on the Bulgarian market will support much higher prices in mid-term.

Financial Data

Statement of Income (in '000 BGN)	2006	2007	2008
Revenues	60 959	89 382	136 247
Production expenses	46 342	66 986	98 588
Personnel expenses	5 640	7 156	17 667
Net income from financial activities	131	5 153	3 545
Other revenues and expenses	80	352	812
EBITDA	9 188	20 745	24 349
Depreciation	2 068	1 952	3 038
EBIT	7 120	18 793	21 311
Interest expense	1 317	3 522	5 217
Pretax income	5 803	15 271	16 094
Taxes	780	889	1 586
After-tax income	5 023	14 382	14 508
Minority interest	151	396	464
Net income	4 872	13 986	14 044
Earnings per share in BGN	0.41	1.17	1.18
Balance Sheet (in '000 BGN)	2006	2007	2008
Total Assets	66 865	134 551	191 085
Equity subscriptions receivable	0	0	0
Fixed assets	23 460	49 637	80 963
Tangible fixed assets	17 952	41 842	64 736
Financial investments	3 497	3 664	11 836
Current assets	43 405	84 914	110 122
Inventory	11 536	26 216	45 492
Receivables	24 731	25 542	40 432
Financial assets	0	0	1 625
Cash and cash equivalents	6 999	33 106	22 519
Total liabilities + equity	66 865	134 551	191 085
Equity	13 041	76 354	85 223
Registered capital	5 947	11 934	11 934
Capital funds	1 728	49 932	59 300
Earnings	5 366	14 488	13 989
Liabilities	53 824	58 197	105 546
Long-term payables	21 177	20 162	23 825
Long-term bank loans	7 291	8 069	17 544
Short-term bank debt	1 338	7 566	28 655
Short-term payables	20 816	19 289	32 393
Other liabilities	33	29	0
Working capital	21 251	58 059	49 074
Number of shares:	11 933 600	11 933 600	11 933 600
Price in BGN - period end:	n/a	17.67	13.40
Market cap in BGN - period end:	n/a	210 866 712	159 910 240

Cash Flow Statement (in '000 BGN)	2006	2007	2008
Net income	4 872	13 986	14 044
Depreciation	2 068	1 952	3 038
Changes in Working capital	0	36 808	(8 985)
Other operating cash flow items	(10 655)	(56 753)	(1 403)
Net cash from operating activities	(3 715)	(4 007)	6 694
Capital expenditures	(8 677)	(12 177)	(25 753)
Other investing cash flow items	(5 523)	33 475	11 552
Net cash from investing activities	(14 200)	21 298	(14 201)
Issuance/ Retirement of Stock, Net	5 874	175	1 658
Issuance/ Retirement of Debt, Net	20 398	16 672	5 744
Dividends paid	(90)	(44)	(767)
Other financing cash flow items	(2 321)	(7 987)	(9 715)
Net cash from financing activities	23 861	8 816	(3 080)
Net change in cash	5 946	26 107	(10 587)
Beginning-of-period cash	1 053	6 999	33 106
End-of-period cash	6 999	33 106	22 519
Cash per share	0.59	2.77	1.89

Financial and Performance Indicators	2006	2007	2008
Valuation Ratios			
Price/Earnings (P/E)	n/a	15.08	11.39
Book Value (BV)	n/a	6.40	7.14
Price/Book (P/B)	n/a	2.76	1.88
Sales Per Share	n/a	7.49	11.42
Price/Sales (P/S)	n/a	2.36	1.17
Price/Cash per share	n/a	13.23	9.36
EV (in BGN)	n/a	178 366	161 911
EV/Sales	n/a	2.00	1.19
EV/EBITDA	n/a	8.60	6.65
EV/EBIT	n/a	9.49	7.60
Liquidity			
Current ratio	1.96	3.16	1.80
Quick ratio	1.44	2.19	1.06
Debt Management			
Debt to total assets	0.80	0.43	0.55
Interest coverage	5.41	5.34	4.08
LT Debt/Equity	2.18	0.37	0.49
Total Debt/Equity	4.13	0.76	1.24
Asset Management			
Inventory turnover	5.28	3.41	2.99
Days sales outstanding	146	103	107
Fixed asset turnover	2.60	1.80	1.68
Total asset turnover	0.91	0.66	0.71
Profitability			
Profit margin on sales	8.0%	15.6%	10.3%
EBITDA margin	15.1%	23.2%	17.9%
Basic earning power	10.6%	14.0%	11.2%
Return on assets	7.3%	10.4%	7.3%
Return on equity	37.4%	18.3%	16.5%
Return on investments	11.7%	13.4%	11.1%

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

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