

Capital Increase

Enemona is issuing warrants and preferred shares to increase its capital. The memorandums of the both issues were approved by the Financial Supervision Commission. The trading with the rights of the warrant issue began in November, 30 on the stock exchange with the ticker E4AC. The preferred shares issue will be accomplished in January.

The capital raised by the warrant issue is up to BGN 1 014 356 in case of full subscription and additional BGN 110 million after the exercise of the warrants in the end of the 6 year period. The preferred shares could increase the capital with up to BGN 59 190 656.

Enemona will use the capital raised from the warrant issue for working capital, whereas the larger resources from the preferred shares will be invested in the Lom Lignites Energy Project, 18 MW thermo-power plant, natural gas compression station and other small projects.

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 and natural gas.

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 market price of Enemona common shares is declining since September and dipped below the key level of BGN 10.00 due to the expected supply of preferred shares. The market was also under selling pressure but Enemona is underperforming the other liquid positions.

The company has attractive valuation ratios as compared to Bulgarian stocks and regional bourses. The discounted cash flows are also showing higher intrinsic value. Enemona is among the most undervalued Bulgarian stocks and the recent weakness is due to the long-liquidation from both individuals and institutional investors.



Valuation Ratios

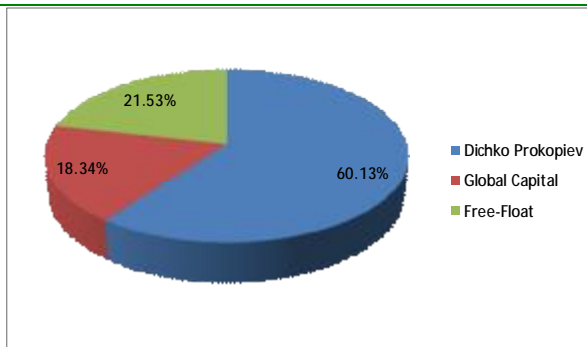
Enterprise Value	173 796 232
Dividend Yield - Gross	-
Trailing P/E (ttm)	7.18
Forward P/E (2009)	7.80
PEG Ratio (1yr expected)	-
Price/Sales (ttm)	0.60
Price/Book (mrq)	1.20
Enterprise Value/Revenues (ttm)	0.90
Enterprise Value/EBITDA (ttm)	6.11

Profitability and Growth Ratios

Enterprise Value	173 796 232
Dividend Yield - Gross	-
Trailing P/E (ttm)	7.18
Forward P/E (2009)	7.80
PEG Ratio (1yr expected)	-
Price/Sales (ttm)	0.60
Price/Book (mrq)	1.20
Enterprise Value/Revenues (ttm)	0.90
Enterprise Value/EBITDA (ttm)	6.11

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. The warrant exercise and the conversion of preferred shares could change the shareholders' structure.



Source: Enemona

Warrants

Enemona is the first Bulgarian public listed company to issue warrants. They give the right but not the obligation to participate in the future capital increase after six years. The exercise of the warrants will give the right to buy one common share at the price of BGN 18.50. The exercise price is subject of corrections to implement the effects of capital dilutions during the lifespan of the warrants.

The meeting of warrant owners can vote each year the right to exercise them. Investors that decide to exercise the warrants will have the possibility to buy ordinary shares at price of BGN 18.50. The procedure will be open at the end of the six-year period without voting. The warrants will be listed for trading on the Bulgarian stock exchange during their lifespan.

Parameters of the warrants issue	
Number of rights	11 933 600
Trading with rights - until December, 14th	
Auction - December, 23th	
Number of warrants	5 966 800
Issue Price	0.17
Capital raised	1 014 356
Exercise price	18.50
Capital raised after exercise	110 385 800
Minimum subscription	2 983 400
Years to exercise	6

Source: Enemona

Expected Price

The historical volatility is our main variable for the calculation of the warrant price of Enemona. This indicator has value of 54% according to the calculation of Bloomberg. The graph represents the expected price of the warrant by the Black-Scholes model at the current price per ordinary share of BGN 9.52 and different values of the historical volatility. The current price of rights for the subscription of warrants corresponds to the historical volatility of 20%. This is substantially lower than the volatility of Enemona shares and we can conclude that rights are undervalued.



Calculations: Elana Trading

Preferred Shares

Enemona is planning to issue preferred shares early next year. The memorandum of the issue was approved by the regulatory body and the secondary trading with the rights will begin during the second half of January 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 exercise of warrants at lower-than-market price will probably require changes of the conversion factor.

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	
Аукцион - февруари	
Number of preferred shares	5 966 800
Issue Price	9.92
Capital raised	59 190 656
Fixed dividend	0.99
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

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