



### Stock Price of Neochim



- The producer of fertilizers Neochim turned again to quarterly loss after the surprisingly good financial results during the first quarter of 2010. Domestic sales accelerated their decline and were 20% lower than year ago to BGN 34.6 million. The main reasons for the weak demand were problems with financing of domestic producers and the volatile prices of agricultural production. Increased competition among fertilizer producers also contributed for the decline of domestic sales.

- On yearly basis revenues jumped 70% due to the rising exports to Europe and Africa. Those are relatively new markets for Neochim and the demand is very volatile. Prices of crop nutrients declined sharply from a year ago on global scale following the correction of the grain prices and the low prices of natural gas. We don't think that exports will return again to 2008 levels in foreseeable future, whereas domestic demand will remain seasonally weak during the third quarter.

- Low sales resulted to large quarterly loss that reversed the positive trend of improvement from the previous quarters. Moreover, it is consistent with the weak results of the last year and could extent until the end of 2010. Expenses for natural gas jumped faster than revenues during the last year to 70% of total revenues and returned to the average level for 2009. Technical maintenance during the other periods is contributing for large usage of resources and lower profit margin.

- At the beginning of the year the Management of the company forecasted sales growth in the range 51%-62% for 2010 as compared to the previous year. The expected revenues from ammonium nitrate are BGN 130 million with 40% share of the export. The investment program of Neochim for the next four years amounts BGN 11 million.

- The stock price of Neochim showed the insignificant market reaction to the report. The position is currently traded at P/B of 0.65 and P/S of 0.48.

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