

## CEZ DISTRIBUTION (3CZ)

**INDUSTRY: UTILITIES**

### MORE CONSERVATIVE STANCE

CEZ DISTRIBUTION SWITCHED TO QUARTERLY A LOSS IN ITS LATEST REPORT, WHILE ITS SISTER COMPANY CEZ ELECTRO REGISTERED A PROFIT. SALES CONTINUED TO DECLINE AS THE REGULATOR DETERMINED LESS TRANSMISSION FEES TO DISTRIBUTION COMPANIES. CONSIDERING THE UNCERTAINTIES IN THE SECTOR, WE TAKE A MORE CONSERVATIVE STANCE IN OUR FORECASTS FOR THE YEAR, DESPITE THE 43% PREMIUM OF THE PRICE TARGET OVER THE CURRENT QUOTES.

#### CEZ ELECTRO SWITCHED TO Q2 PROFIT

CEZ Distribution reported a loss in Q2 that matched the weak performance a year ago and again highlighted the volatility of financial results in electricity distribution. The first quarter was very positive and the cumulative profit since the beginning of the year is BGN 4.7m or BGN 2.42 per share. At the same time the other company CEZ Electro, that supplies the electricity in the Western Bulgaria, decreased its loss from BGN 6.6m to BGN 0.7m. The revenues of CEZ Distribution declined by 14.7% y-o-y due to the lower revenues for transmission, imposed by the regulator. CEZ Electro reported higher sales to households and business consumers.

#### THE SECTOR REMAINS UNDER PRESSURE

The conditions in the electricity distribution sector improved since 2014 but the companies continue to operate in a very difficult market. The results so far support our expectations of net profit of CEZ Distribution this year. The proposed increase of electricity prices for business consumers stalled due to the negative reaction of users. Higher tariffs are needed to balance the system in addition to the renegotiations of prices with suppliers. The private-owned companies remain under pressure from the regulator, which is concerned with the big deficits of the state-owned companies. The next big steps include renegotiations of prices for large conventional power plants and producers of renewable energy. The distribution companies require higher transmission fees from the regulator that should support investments and further reduction of technological losses.

#### NO DIVIDEND DISTRIBUTION IN 2015

Shareholders of CEZ Distribution voted to not distribute dividend this year and to capitalize the small profit of 2014. This decision is not a surprise regarding the required investments in mid-term horizon but it has negative influence on investors' confidence.

**VALUATION:** We downgrade CEZ Distribution to HOLD. Our one year price target is BGN 178 per share, down from BGN 206 in our previous research. Despite the substantial premium over the current price, we focus on the lower profit and the risks associated with the regulation of the sector.

**RISKS:** Slower economic growth; A contraction of industrial production or household income will lead to a decrease of consumption; Additional regulatory measures to cover the large deficit in the state-owned companies in the sector might result in a decrease of approved costs of electricity distributors, thus further limiting the investments of CEZ Distribution and suppressing its financial performance.

### RESULTS ANALYSIS

**PREVIOUS RATING: HOLD**

**ONE YEAR PRICE TARGET: BGN 178**

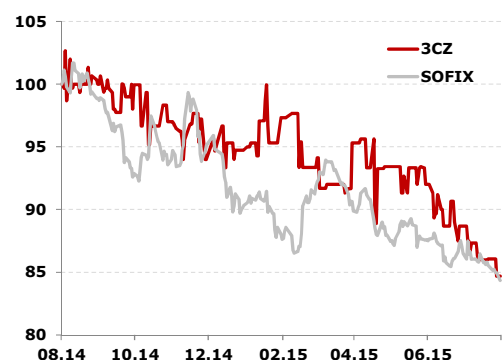
**CURRENT PRICE: BGN 124.00**

**EXCHANGE RATES**  
**EUR/BGN (FIXED): 1.95583**  
**USD/BGN: 1.70**

#### MARKET DATA

Shares Outstanding:	<b>1.3m</b>
Share Capital:	<b>BGN 1.3m</b>
Free-float:	<b>14.97%</b>
Treasury Shares	<b>0%</b>
Market Cap.:	<b>BGN 239.0m</b>
Avg. Daily Vol.:	<b>BGN 10,000</b>
52 Weeks Range:	<b>BGN 124-155</b>
BSE Ticker	<b>3CZ</b>
Bloomberg	<b>3CZ BU</b>

#### PRICE PERFORMANCE



in kBGN, excl. ratios	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
REVENUES	130,969	109,261	90,314	73,244	121,501	97,233	72,943
EBITDA	7,823	15,235	11,002	16,850	26,573	24,761	12,311
EBIT	(8,027)	(182)	(4,246)	1,752	9,704	9,217	(3,331)
NET PROFIT	(7,940)	(182)	(4,792)	1,300	8,063	9,217	(4,545)
EQUITY	616,420	616,238	563,246	564,546	576,713	586,107	581,562
ROE	2.86%	1.28%	-1.57%	-1.97%	0.76%	2.41%	2.43%
ROA	13.88%	6.22%	-6.72%	-8.14%	3.34%	11.04%	13.08%
EBITDA MARGIN	13.53%	14.00%	11.99%	12.61%	17.67%	20.71%	22.06%
NET PROFIT MARGIN	2.89%	1.55%	-2.14%	-2.88%	1.11%	3.61%	3.85%
EPS	-0.03	0.00	-0.02	0.00	0.03	0.03	-0.02
DEBT/EQUITY	0.07	0.07	0.07	0.07	0.06	0.05	0.04
P/E	17.01	38.30	-28.44	-24.82	62.38	19.58	17.72
P/B	0.49	0.49	0.45	0.49	0.47	0.47	0.43
EV/EBITDA	2.89	3.61	3.97	5.51	4.08	3.35	2.89

**ANALYST'S COMMENT**

The volatility of results during the first two quarters of the year is a reminder how sensitive is the company to the conjuncture in the sector. CEZ distribution cannot influence the regulator, even with the calculations of its investments needed to improve the transmission grid and to decrease technical losses. It may sound illogical but the regulator is more concerned with the deficits of state-owned companies without promoting any restructuring in the sector and only maintaining the status quo through price pressure on distributors. As a result, CEZ Distribution was forced to substantially decrease its investments and to cease the improvement of technological losses.

We consider the switch to bigger profit during the last quarter of 2014 as a logical result of the changes in the regulations in the electricity sector. This, however, is not lifting all concerns regarding the challenging market environment. Examples can be found in the volatile quarterly results in the two CEZ companies.

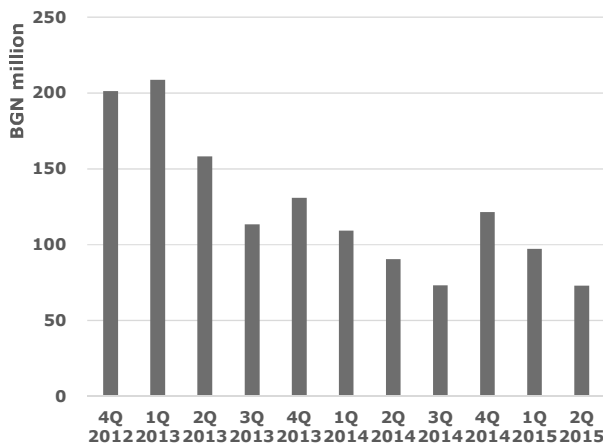
The technological losses for the transmission of electricity represented 12.1% of total distributed electricity for the first half of the year. The determined by the regulator level of technological losses is lower. CEZ companies have another distinctive difference with the other utility companies in Bulgaria – the lower percentage of renewables on its territory and the associated smaller costs.

Investments were the primary factor for the steady decline of technological losses during the past few years. CEZ Distribution made a substantial cut of its investments from BGN 18.1m in 1H 2014 to BGN 6.4m in the past six months. The company has been obliged to invest BGN 5.9m, according to the license for electricity distribution. It also includes sizable increase of required investments in 2016 and afterward to the average annual level of BGN 20m.

The required level of investments should contribute to the improvement of technological losses but in limited degree as compared to the previous few years. The reaction to the regulatory pressure that we see in the decline of investments to the lower limit would prolong the period of high technological losses.

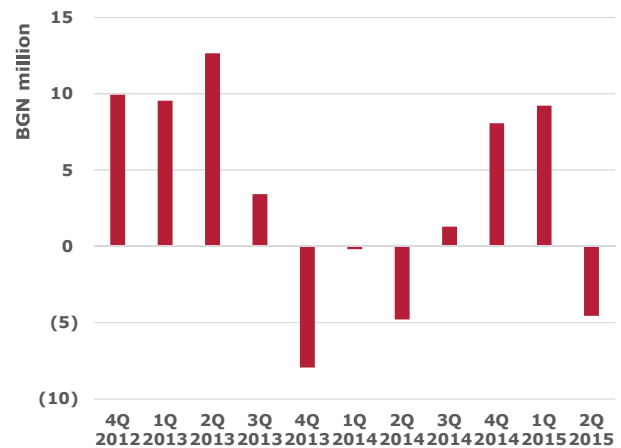
The other companies also were negatively affected by the regulations. We have some doubts that the regulator will ease conditions for distribution companies and lead to more investments in the modernization of the grid. 2015 will remain a challenging year for the sector and more moderate expectations as compared to the extrapolated profit are required. CEZ Distribution will outperform the other two in the sector, which might compel the regulator to improve the conditions for the companies.

**QUARTERLY REVENUES**



Source: Company data

**QUARTERLY PROFITS**



Source: Company data

**VALUATION OF CEZ DISTRIBUTION**

The second quarter report is a reminder of the slow process of normalization in the electricity sector that is too far from the balance. We prefer more neutral stance on CEZ Distribution, considering the volatile profit and the risks associated with the regulatory uncertainties. On the other hand, one could interpret the loss in Q2 as shift to profit for the sister company CEZ Electro. We expect both companies to post profit this year but CEZ Distribution will outperform. Therefore, its stock will remain the favorite one for investors. The better trading volumes support this forecast.

We made revisions on our DCF calculations toward a decrease of expected growth rates and margins to more conservative levels as compared to the previous research. The change of the price target is 13% on the downside from BGN 206 to BGN 178. We made revision on our recommendation to HOLD, despite that the target price is 43% higher than the latest quotes.

Our inputs in the DCF model include 12% decline of revenues in 2015, followed by four years of single-digit recovery of sales in the range between 4% and 8%. This corresponds to mild improvement in the sector that we presume to stay unless the reform in the sector is put forward. The model also includes margins in line with the average of the past several years with the assumption of slight improvement to 6% EBIT margin. The cash flow, however, is limited by the larger investments in fixed assets that we use in the calculations.

*Revision of price target on the downside and HOLD recommendation*

*Intrinsic value is BGN 178.30 per share*

The company's operations require bigger CAPEX than the regulator's requirements if it targets a decrease of technical losses. Any normalization of the sector should have very positive impact on the forecasted cash flow of CEZ Distribution as we include the negative factors while the model only partially reflects the positive effects from higher investments.

## WACC CALCULATION

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	TERMINAL YEAR
RISK FREE RATE	2.20%	3.00%	3.25%	3.50%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%
EQUITY RISK PREMIUM	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
BETA	0.73	0.73	0.75	0.75	0.75	0.85	0.85	0.85	0.85	0.85	0.85
<b>COST OF EQUITY</b>	<b>8.04%</b>	<b>8.84%</b>	<b>9.25%</b>	<b>9.50%</b>	<b>9.50%</b>	<b>10.30%</b>	<b>10.80%</b>	<b>10.80%</b>	<b>10.80%</b>	<b>10.80%</b>	<b>10.80%</b>
COST OF DEBT	2.50%	3.00%	3.00%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
EFFECTIVE TAX RATE	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
<b>AFTER-TAX COST OF DEBT</b>	<b>2.25%</b>	<b>2.70%</b>	<b>2.70%</b>	<b>3.15%</b>	<b>3.15%</b>	<b>3.60%</b>	<b>3.60%</b>	<b>3.60%</b>	<b>3.60%</b>	<b>3.60%</b>	<b>3.60%</b>
WEIGHT OF EQUITY	95%	96%	96%	96%	96%	65%	65%	65%	65%	65%	65%
<b>WACC</b>	<b>7.77%</b>	<b>8.57%</b>	<b>8.98%</b>	<b>9.23%</b>	<b>9.24%</b>	<b>7.96%</b>	<b>8.28%</b>	<b>8.28%</b>	<b>8.28%</b>	<b>8.28%</b>	<b>8.28%</b>

## DISCOUNTED CASH FLOWS

	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	TERMINAL YEAR
BGN'000											
<b>EBIT</b>	13,882	18,047	21,043	24,792	26,280	27,594	28,974	30,277	31,640	32,905	31,219
<b>EBIT(1-T)</b>	12,494	16,242	18,939	22,313	23,652	24,834	26,076	27,250	28,476	29,615	28,097
<b>ADD: D&amp;A</b>	59,347	60,006	61,790	63,592	64,495	67,720	71,106	74,306	77,649	80,755	83,582
<b>LESS: INVESTMENTS</b>	34,924	66,948	80,558	82,569	73,999	71,428	74,999	77,967	81,476	84,293	86,785
<b>LESS: CHANGE NWC</b>	50,917	514	-3,054	2,586	694	-7,280	-1,941	-1,834	-1,917	-1,780	-1,677
<b>FCF</b>	-13,999	8,788	3,223	750	13,454	28,406	24,124	25,422	26,566	27,858	26,571
<b>PV FCF</b>	-12,990	7,455	2,491	527	8,648	17,946	13,823	13,453	12,984	12,574	
<b>SUM OF PV FCF</b>	76,910										
<b>PV OF CONTINUING VALUE</b>	250,894										
<b>TOTAL PV FREE CASH FLOWS</b>	327,805										
<b>LESS: OUTSTANDING DEBT</b>	25,789										
<b>PLUS: FINANCIAL ASSETS</b>	41,752										
<b>PV OF EQUITY</b>	343,768										
<b>NUMBER OF SHARES ('000)</b>	1,928										
<b>PRICE PER SHARE</b>	<b>178.30</b>										

## QUARTERLY DATA (UNAUDITED)

<b>Income Statement (BGN '000)</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>
<b>Revenue</b>	<b>208,752</b>	<b>158,177</b>	<b>113,398</b>	<b>130,969</b>	<b>109,261</b>	<b>90,314</b>	<b>73,244</b>	<b>121,501</b>	<b>97,233</b>	<b>72,943</b>
Operating Expenses	197,820	144,767	109,608	139,356	109,286	94,831	71,568	111,834	87,848	76,266
Change in Inventories	0	0	0	0	0	0	0	0	0	0
Cost of Material	2,753	2,408	2,328	3,915	2,414	2,014	1,714	2,375	2,080	1,752
Cost of Labor	12,624	12,868	12,485	14,533	11,632	12,219	11,401	13,671	11,576	12,116
Cost of External Services	18,890	18,140	16,355	16,387	16,747	19,408	16,201	18,046	15,754	16,931
Depreciation and Amortization	15,320	14,952	15,110	15,850	15,191	15,248	15,098	16,869	15,357	15,642
Net Book Value of Assets Sold	753	121	149	559	844	1,763	274	201	186	618
Other Costs	0	0	0	0	0	0	0	0	0	0
<b>Operating Income</b>	<b>10,953</b>	<b>14,474</b>	<b>4,060</b>	<b>(8,027)</b>	<b>44</b>	<b>(4,246)</b>	<b>1,752</b>	<b>9,704</b>	<b>9,404</b>	<b>(3,331)</b>
Interest Expense	385	376	257	243	246	239	236	211	192	159
<b>NET INCOME</b>	<b>9,547</b>	<b>12,653</b>	<b>3,422</b>	<b>(7,940)</b>	<b>(182)</b>	<b>(4,792)</b>	<b>1,300</b>	<b>8,063</b>	<b>9,217</b>	<b>(4,545)</b>
<b>Balance Sheet (BGN '000)</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>
Cash & Near Cash Items	111,116	116,263	129,969	102,351	86,799	98,992	44,411	22,606	34,227	41,752
Accounts & Notes Receivable	96,317	76,927	49,650	75,273	58,929	44,399	49,260	67,938	56,918	42,958
Inventories	344	200	209	2,640	3,317	2,876	2,911	2,514	2,402	3,009
<b>Total Current Assets</b>	<b>209,563</b>	<b>195,119</b>	<b>181,002</b>	<b>180,566</b>	<b>150,974</b>	<b>147,883</b>	<b>97,830</b>	<b>95,378</b>	<b>95,455</b>	<b>89,360</b>
Net Fixed Assets	616,015	626,827	635,664	665,044	660,549	655,791	651,552	649,129	641,659	635,008
Other Long-Term Assets	9,551	9,457	9,176	8,986	8,812	8,650	8,494	8,372	8,246	14,122
<b>Total Long-Term Assets</b>	<b>625,566</b>	<b>636,284</b>	<b>644,840</b>	<b>674,030</b>	<b>669,361</b>	<b>664,441</b>	<b>660,046</b>	<b>657,501</b>	<b>649,905</b>	<b>649,130</b>
<b>Total Assets</b>	<b>835,129</b>	<b>831,403</b>	<b>825,842</b>	<b>854,596</b>	<b>820,335</b>	<b>812,324</b>	<b>757,876</b>	<b>752,879</b>	<b>745,360</b>	<b>738,490</b>
Accounts Payable	79,604	77,843	69,838	98,031	64,884	114,151	62,617	58,158	46,937	49,255
Short-Term Borrowings	11,053	0	0	7,368	7,368	7,368	3,684	14,737	11,053	7,368
Other Short-Term Liabilities	34,932	37,903	37,043	56,009	55,403	47,207	46,576	44,178	42,778	41,806
<b>Total Current Liabilities</b>	<b>125,589</b>	<b>115,746</b>	<b>106,881</b>	<b>161,408</b>	<b>127,655</b>	<b>168,726</b>	<b>112,877</b>	<b>117,073</b>	<b>100,768</b>	<b>98,429</b>
Long-Term Borrowings	47,895	40,526	40,526	33,158	33,158	33,158	33,158	18,421	18,421	18,421
Other Long-Term Liabilities	53,195	54,028	53,903	43,610	43,284	47,194	47,295	40,672	40,064	40,078
<b>Total Long-Term Liabilities</b>	<b>101,090</b>	<b>94,554</b>	<b>94,429</b>	<b>76,768</b>	<b>76,442</b>	<b>80,352</b>	<b>80,453</b>	<b>59,093</b>	<b>58,485</b>	<b>58,499</b>
<b>Total Liabilities</b>	<b>226,679</b>	<b>210,300</b>	<b>201,310</b>	<b>238,176</b>	<b>204,097</b>	<b>249,078</b>	<b>193,330</b>	<b>176,166</b>	<b>159,253</b>	<b>156,928</b>
<b>Total Equity</b>	<b>608,450</b>	<b>621,103</b>	<b>624,532</b>	<b>616,420</b>	<b>616,238</b>	<b>563,246</b>	<b>564,546</b>	<b>576,713</b>	<b>586,107</b>	<b>581,562</b>
<b>Total Liabilities &amp; Equity</b>	<b>835,129</b>	<b>831,403</b>	<b>825,842</b>	<b>854,596</b>	<b>820,335</b>	<b>812,324</b>	<b>757,876</b>	<b>752,879</b>	<b>745,360</b>	<b>738,490</b>
<b>Cash Flow Statement (BGN'000)</b>	<b>Q1 2013</b>	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q1 2015</b>	<b>Q2 2015</b>
Cash From Operations	21,901	53,977	37,757	6,421	(1,424)	14,797	5,169	(6,959)	17,170	20,672
Cash From Investing Activities	(16,399)	(29,985)	(23,832)	(33,785)	(13,866)	(2,309)	(7,623)	(10,947)	(1,669)	(9,297)
Cash from Financing Activities	(4,073)	(18,845)	(219)	(254)	(262)	(295)	(52,127)	(3,899)	(3,880)	(3,850)
<b>Net Changes in Cash</b>	<b>1,429</b>	<b>5,147</b>	<b>13,706</b>	<b>(27,618)</b>	<b>(15,552)</b>	<b>12,193</b>	<b>(54,581)</b>	<b>(21,805)</b>	<b>11,621</b>	<b>7,525</b>
<b>End-of-period cash</b>	<b>111,116</b>	<b>116,263</b>	<b>129,969</b>	<b>102,351</b>	<b>86,799</b>	<b>98,992</b>	<b>44,411</b>	<b>22,606</b>	<b>34,227</b>	<b>41,752</b>

**COMPANY OVERVIEW**

**COMPANY PROFILE**

CEZ Distribution performs the operation of the electricity distribution network and facilities. It distributes electricity to the end customers in West Bulgaria. The fixed assets of CEZ Distribution are substantial as network and other equipment are property of the company. It covers an area of 40 000 sq. km and 2.9 m residents. For 2014 the Company has distributed 10,292,118 MWh of electricity, from which technological losses were 11.59%. CEZ Electro supplies the electricity in the same region and manages the Group's marketing and sales strategy.

As a natural monopoly, the distribution of electricity is under strict regulation, including the determination of electricity prices and all fees that the Company receives as revenues.

CEZ Distribution and CEZ Electro depend on the retail electricity prices set by the regulator.

**FUNDAMENTAL STORY**

The energy market in Bulgaria needs substantial reforms to cover the large deficits of the state-owned companies. The electricity distribution and supply companies have been affected negatively from the low prices for households. The revenues of CEZ Distribution are strictly determined by the regulator and were lowered in 2013 and 2014 to redirect more funds to state-owned companies. The profit has been hurt by the lower approved expenditures than the operating costs.

The last year's increase of prices and the forthcoming renegotiation of the high prices with private-owned power companies already improved the financial conditions for electricity distribution companies. Although the reform should take years, positive effects are already in place.

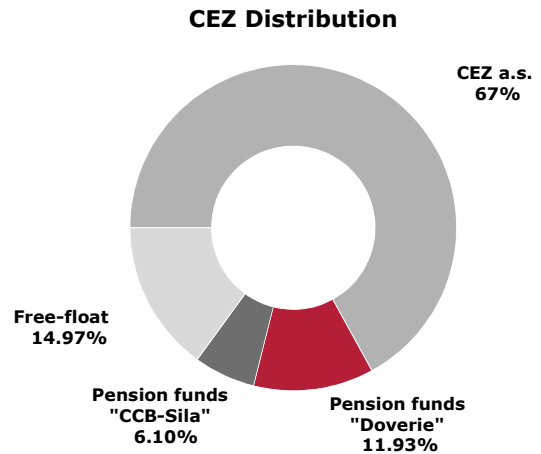
**STRENGTHS AND OPPORTUNITIES**

- Defensive sector with stable turnover and regulatory approved level of profits. Although the past two years increased the unpredictability of the companies and the sector as whole, the regulator already addressed the structural problems in the system.
- Additional measures that will cover the discrepancies in the system, including electricity price increase for consumers and renegotiations of long-term contracts with power companies.
- CEZ Distribution is the least affected in the sector by the penetration of renewables among distribution companies.

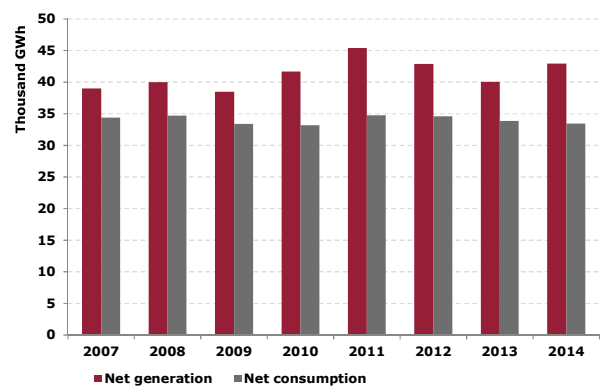
**WEAKNESSES AND THREADS**

- Resumption of pressure on private-owned companies in an attempt to decrease the deficit in the state-owned.
- Discontinuation of investment program, which could disrupt the long-term improvement of profitability.

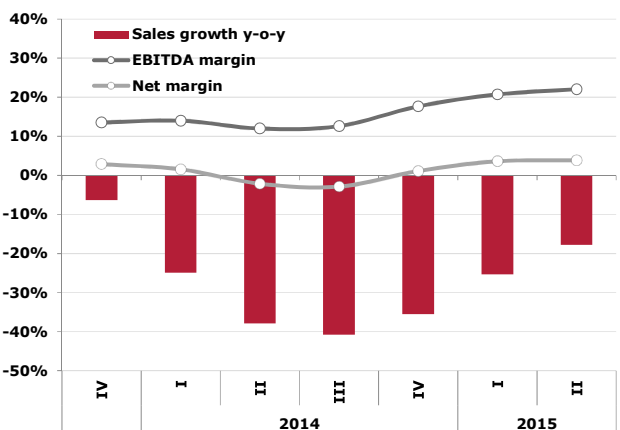
**SHAREHOLDERS' STRUCTURE**



**BULGARIAN ELECTRICITY MARKET**



**MARGINS**



Source: Company data; 12 months trailing data

**PRICE TRIGGERS**

- Recovery of Bulgarian stock market.
- Increase of electricity prices.
- Dividend announcement.

**ANNUAL DATA**

<b>STATEMENT OF INCOME (IN '000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>SALES</b>	<b>108,085</b>	<b>87,220</b>	<b>153,754</b>	<b>132,340</b>
OPERATING EXPENSES	99,796	76,753	140,079	114,159
CHANGE IN INVENTORIES	(4,219)	(4,192)	(2,791)	1,003
COST OF MATERIAL	17,562	17,967	20,806	24,263
COST OF LABOUR	1,477	1,890	2,236	3,848
COST OF EXTERNAL SERVICES	7,371	9,097	11,444	13,168
DEPRECIATION AND AMORTIZATION	3,138	3,926	2,951	3,681
NET BOOK VALUE OF ASSETS SOLD	73,749	47,983	104,678	67,866
OTHER COSTS	718	82	755	330
<b>OPERATING INCOME</b>	<b>8,289</b>	<b>10,467</b>	<b>13,675</b>	<b>18,181</b>
INTEREST EXPENSE	2,187	2,726	3,123	2,954
FOREIGN EXCHANGE LOSSES (GAINS)	366	91	(37)	22
NET NON-OPERATING LOSSES (GAINS)	672	709	597	376
<b>PRETAX INCOME</b>	<b>5,064</b>	<b>6,941</b>	<b>9,992</b>	<b>14,829</b>
INCOME TAX EXPENSE	502	776	598	0
<b>INCOME BEFORE XO ITEMS</b>	<b>4,562</b>	<b>6,165</b>	<b>9,394</b>	<b>14,829</b>
EXTRAORDINARY LOSS NET OF TAX	0	0	0	0
MINORITY INTEREST	0	0	0	0
<b>NET INCOME</b>	<b>4,562</b>	<b>6,165</b>	<b>9,394</b>	<b>14,829</b>
<b>EARNINGS PER SHARE IN BGN</b>	<b>0.67</b>	<b>0.91</b>	<b>1.38</b>	<b>2.18</b>
<b>BALANCE SHEET (IN '000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
CASH AND NEAR CASH ITEMS	578	674	2,008	3,261
SHORT-TERM INVESTMENTS	0	0	0	0
ACCOUNTS AND NOTES RECEIVABLE	17,039	20,073	40,522	36,622
INVENTORIES	32,585	58,208	36,106	36,923
OTHER CURRENT ASSETS	213	115	236	203
<b>TOTAL CURRENT ASSETS</b>	<b>50,415</b>	<b>79,070</b>	<b>78,872</b>	<b>77,009</b>
LT INVESTMENTS AND LT RECEIVABLES	5	5	5	5
NET FIXED ASSETS	39,152	45,871	51,501	63,278
OTHER LONG-TERM ASSETS	4,853	7,251	12,900	13,017
<b>TOTAL LONG-TERM ASSETS</b>	<b>44,010</b>	<b>53,127</b>	<b>64,406</b>	<b>76,300</b>
<b>TOTAL ASSETS</b>	<b>94,425</b>	<b>132,197</b>	<b>143,278</b>	<b>153,309</b>
ACCOUNTS PAYABLE	2,230	7,677	12,316	12,783
SHORT-TERM BORROWINGS	25,413	53,822	51,317	39,712
OTHER SHORT-TERM LIABILITIES	272	21	735	1,027
<b>TOTAL CURRENT LIABILITIES</b>	<b>27,915</b>	<b>61,520</b>	<b>64,368</b>	<b>53,522</b>
LONG-TERM BORROWINGS	19,272	14,631	13,144	24,646
OTHER LONG-TERM LIABILITIES	1,051	4,411	5,021	4,152
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>20,323</b>	<b>19,042</b>	<b>18,165</b>	<b>28,798</b>
<b>TOTAL LIABILITIES</b>	<b>48,238</b>	<b>80,562</b>	<b>82,533</b>	<b>82,320</b>
TOTAL PREFERRED EQUITY	0	0	0	0
MINORITY INTEREST	0	0	0	0
SHARE CAPITAL & APIC	6,800	6,800	6,800	6,800
RETAINED EARNINGS & OTHER EQUITY	39,387	44,835	53,945	64,189
<b>TOTAL EQUITY</b>	<b>46,187</b>	<b>51,635</b>	<b>60,745</b>	<b>70,989</b>
<b>WORKING CAPITAL</b>	<b>94,425</b>	<b>132,197</b>	<b>143,278</b>	<b>153,309</b>
<b>NUMBER OF SHARES:</b>	<b>6,800,000</b>	<b>6,800,000</b>	<b>6,800,000</b>	<b>6,800,000</b>
<b>PRICE IN BGN - PERIOD END:</b>	<b>3.05</b>	<b>3.15</b>	<b>4.95</b>	<b>8.50</b>
<b>MARKET CAP IN '000 BGN - PERIOD END:</b>	<b>20,747</b>	<b>21,413</b>	<b>33,653</b>	<b>57,800</b>



<b>CASH FLOW STATEMENT (IN '000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
NET INCOME	8,283	15,676	14,067	9,128
DEPRECIATION & AMORTIZATION	16,636	15,256	14,413	13,968
OTHER NON-CASH ADJUSTMENTS	7,399	4,239	(3,570)	(2,997)
CHANGES IN NON-CASH CAPITAL	(4,368)	(4,577)	5,823	3,975
<b>CASH FROM OPERATIONS</b>	<b>27,950</b>	<b>30,594</b>	<b>30,733</b>	<b>24,074</b>
DISPOSAL OF FIXED ASSETS	40	247	819	0
CAPITAL EXPENDITURES	(10,970)	(7,876)	(21,185)	(45,890)
INCREASE IN INVESTMENTS	(206)	(14)	(88)	0
DECREASE IN INVESTMENTS	13	21	15	19
OTHER INVESTING ACTIVITIES	52	79	41	(41)
<b>CASH FROM INVESTING ACTIVITIES</b>	<b>(11,071)</b>	<b>(7,543)</b>	<b>(20,398)</b>	<b>(45,911)</b>
DIVIDENDS PAID	(1,622)	(1,280)	(2,575)	(1,600)
CHANGE IN SHORT-TERM BORROWINGS	(6,477)	(670)	4,698	92
CHANGE IN LONG-TERM BORROWINGS	(16,467)	(14,870)	(8,834)	12,974
INCREASE IN CAPITAL STOCKS	0	0	641	0
DECREASE IN CAPITAL STOCKS	0	0	0	0
OTHER FINANCIAL ACTIVITIES	1,451	(3,670)	(4,332)	10,733
<b>CASH FROM FINANCING ACTIVITIES</b>	<b>(23,115)</b>	<b>(20,490)</b>	<b>(10,402)</b>	<b>22,199</b>
<b>NET CHANGES IN CASH</b>	<b>(6,236)</b>	<b>2,561</b>	<b>(67)</b>	<b>362</b>
<b>END-OF-PERIOD CASH</b>	<b>894</b>	<b>3,455</b>	<b>3,385</b>	<b>3,747</b>
<b>CASH PER SHARE</b>	<b>0.22</b>	<b>0.83</b>	<b>0.82</b>	<b>0.90</b>

<b>FINANCIAL AND PERFORMANCE INDICATORS</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>VALUATION</b>				
PRICE/EARNINGS (P/E)	4.55	3.47	3.58	3.90
PRICE/BOOK (P/B)	0.45	0.41	0.55	0.81
PRICE/SALES (P/S)	0.19	0.25	0.22	0.44
EV (IN '000 BGN)	64,854	89,192	96,106	118,897
EV/EBITDA	5.67	6.20	5.78	5.44
<b>PROFITABILITY</b>				
RETURN ON COMMON EQUITY	10.59%	12.60%	16.72%	24.19%
RETURN ON ASSETS	5.28%	5.44%	6.82%	10.39%
RETURN ON INVESTED CAPITAL	8.02%	8.14%	10.05%	13.92%
EBITDA MARGIN	10.57%	16.50%	10.81%	16.52%
OPERATING MARGIN	7.67%	12.00%	8.89%	13.74%
NET INCOME MARGIN	4.22%	7.07%	6.11%	11.21%
<b>DIVIDEND</b>				
DIVIDEND YIELD			14,39%	
DIVIDEND PER SHARE			25	
<b>LIQUIDITY</b>				
CURRENT RATIO	1.81	1.29	1.23	1.44
QUICK RATIO	0.63	0.34	0.66	0.75
<b>CREDIT</b>				
LT DEBT/EQUITY	0.42	0.28	0.22	0.35
TOTAL DEBT/EQUITY	0.97	1.33	1.06	0.91
TOTAL DEBT/TOTAL ASSETS	0.47	0.52	0.45	0.42
EBIT/INTEREST EXPENSE	3.79	3.84	4.38	6.15

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