

## EUROHOLD BULGARIA (4EH)

### INDUSTRY: DIVERSIFIED HOLDINGS

#### GROWTH BEFORE THE PROFIT

THE INSURANCE SECTOR IN THE REGION HAS EXCELLENT GROWTH POTENTIAL THAT WE CAN SEE IN THE LAST YEAR'S PERFORMANCE OF EUROHOLD BULGARIA. THE INSURANCE HOLDING REPORTED AN INCREASE OF INSURANCE INCOME IN BULGARIA, ROMANIA AND MACEDONIA, ALTHOUGH FINANCIAL RESULTS ARE STILL NEGATIVE. THEREFORE, WE DOWNGRADE THE STOCK FROM BUY TO HOLD UNTIL PROFITS EMERGE.

#### VERY STRONG 2015 IN TERMS OF REVENUE

The good news in Eurohold's performance came from the growth of premium income of the insurance companies of the Group. It is a consequence of the growing market but also follows the sound reforms in the business in Romania and Bulgaria. In brief, Euroins Insurance Group is switching to other segments, including reinsurance, which contributes the most to the 78% increase y-o-y in revenues to BGN 398m as of June 2015. The car dealership reported 13% y-o-y growth to BGN 83m.

#### WHILE PROFIT REMAINS SUBDUED

Last year's small profit was solely due to the Holding's operations with securities as the two main segments reported BGN 6m loss. The first half of 2015 was marked by BGN 1.7m loss from the Holding's operations, while the insurance companies and car dealers improved their performance but also had cumulative loss of BGN 1m. As a result, the consolidated results were substantially lower as compared to year ago. We, however, emphasize on the improvement by segments, rather than the total profit, which is influenced by financial operations.

#### WHY A REVISION

We revise the stock from BUY to HOLD and lower our target price from BGN 1.52 to BGN 0.53 per share. The first reason is that the stock underperforms the market. It follows the weak financial results and the loss that the Holding reported. Our model also reflected the solid change in revenues and profit margins. We put conservative forecasts and lowered the price target.

**VALUATION:** Our valuation model points to 24% lower intrinsic value of shares than the current price. It is based on conservative expectations for the development of the three segments of Eurohold Bulgaria and will provide support for the stock. **RISKS:** Motor third party liability insurance has significant stake in the product portfolios of the insurance companies of Eurohold, which may erode profitability due to low prices and severe competition. The main risk for insurers lies in extraordinary events while vehicle sales depend on the economic growth.

## RESULTS ANALYSIS AND RATING REVISION

**RATING: HOLD**  
**ONE YEAR PRICE TARGET: BGN 0.53**

**CURRENT PRICE: BGN 0.70**

**EXCHANGE RATES**  
**EUR/BGN (FIXED): 1.95583**  
**USD/BGN: 1.74**

#### MARKET DATA

Shares Outstanding:	<b>127m</b>
Share Capital:	<b>BGN 127m</b>
Free-float:	<b>19.70%</b>
Treasury Shares:	<b>0%</b>
Market Cap.:	<b>BGN 89.0m</b>
Avg. Daily Vol.:	<b>BGN 10,000</b>
52 Weeks Range:	<b>BGN 0.70-1.03</b>
BSE Ticker:	<b>4EH</b>
Bloomberg:	<b>4EH BU</b>

#### PRICE PERFORMANCE



in kBGN, excl. ratios	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
REVENUES	172,192	125,576	167,515	88,307	149,489	222,944	252,519
EBITDA	11,274	3,458	5,765	1,903	7,057	1,043	8,178
EBIT	9,790	1,816	4,040	158	5,294	(751)	6,348
NET PROFIT	2,411	(1,730)	2,142	(2,211)	114	(4,699)	1,745
EQUITY	186,441	185,603	193,013	190,429	192,107	183,724	183,362
ROE	1.23%	2.69%	-0.10%	0.32%	-0.89%	-2.45%	-2.70%
ROA	0.74%	1.58%	-0.06%	0.19%	-0.49%	-1.28%	-1.22%
EBITDA MARGIN	4.32%	4.87%	3.61%	4.05%	3.43%	2.51%	2.55%
NET PROFIT MARGIN	0.41%	0.89%	-0.03%	0.11%	-0.32%	-0.74%	-0.71%
EPS	0.06	(0.03)	0.02	(0.01)	0.02	(0.02)	0.00
DEBT/EQUITY	0.65	0.59	0.57	0.55	0.58	0.60	0.87
P/E	(19.60)	(9.63)	49.19	29.14	(632.15)	193.51	(73.31)
P/B	0.65	0.59	0.61	0.79	0.66	0.63	0.65
EV/EBITDA	18.20	40.15	7.51	7.59	10.03	8.37	12.30

**ANALYST'S COMMENT**

The insurance sector has excellent prospects for development in the region when comparing to the developed countries in EU. The insurance penetration and more importantly the premium income per insurance are better than the averages in Bulgaria and Romania. The sector relies on the car insurances and property insurances and life-insurance have very low share in total premium income.

The growth of premium income that we witness in Eurohold's results is not a surprise, although it surpasses our expectations due to the high level of reinsurance that has the biggest contribution to the 78% y-o-y increase of the segment. Euroins Bulgaria registered 54% growth during the first half of 2015. When excluding the reinsurance, the company's premium income rose 7.7%. The obligatory "motor third party liability" insurances showed weakness, while few of the smallest by market share other types of insurance increased substantially. They contribute with better profitability to the final result.

Our main concern is the change in the structure of insurance. On the one hand, it is positive to emphasize on other segments rather to gain market share on motor insurances that have high claims-to-premium ratio. On the other hand, the reinsurance has higher acquisition costs than general insurance.

The insurance operations in Romania, however, are the opposite of the strategy in Bulgaria. Euroins Romania reported a 61.5% increase of gross premium income to BGN 154.7m. The company focuses on the obligatory "motor third party liability" insurances that jumped 67%. It is following the structural changes on the market in Romania allowing the company to easily enter higher return segments safekeeping the claims levels. The company is selecting the profitable insurance policies. At the same time, Euroins Romania decreased the land vehicle insurances by 47.8% due to their high claim-to-premium ratio of 47%.

The solid premium growth of Euroins Romania put in the fifth place by market share at the middle of 2015. This increase came with pressure on the balance sheet and the company faced a capital shortfall. The Romanian regulator ordered in August a complete revision of its capital raise plan that included two capital increases of EUR 22.5m due on December 31, 2015 and June 30, 2016.

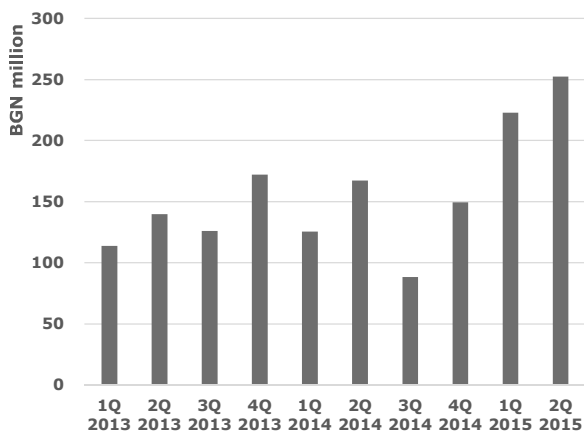
The Macedonian subsidiary, the smallest insurer in the Group, reported 15% increase of premium income to BGN 8.3m. It maintains its market share but the company turns its focus to corporate clients in an attempt to stimulate growth. Its financial result for the first half of 2015 was negative due to the revaluation of reserves. The loss of insurers totaled BGN 0.3m as compared to BGN 5.4m a year ago.

Eurohold's second largest business line, the car dealership, reported a decline in the number of vehicles sold but a 13% growth of revenue. The unit's loss, however, nearly doubled to BGN 0.8m. It was driven by the rising costs, including rents and wages. The subsidiary Auto Union lost market share during the second quarter as sales of new cars and light trucks in the country gained 12.7% on yearly basis. The brands in the portfolio of Eurohold that outperformed were Opel and Dacia, whereas sales of Nissan and Fiat lost ground.

The volatility in new car sales on quarterly basis is related to the large fleet deals. This is the reason for the lower sales of Auto Union during the first quarter of the year, whereas the 37% growth in the second quarter was at the back of lower base and the positive trend of the car market. The company invest in new showrooms and car service centers for its main distributors. We expect Auto Union to outperform the market.

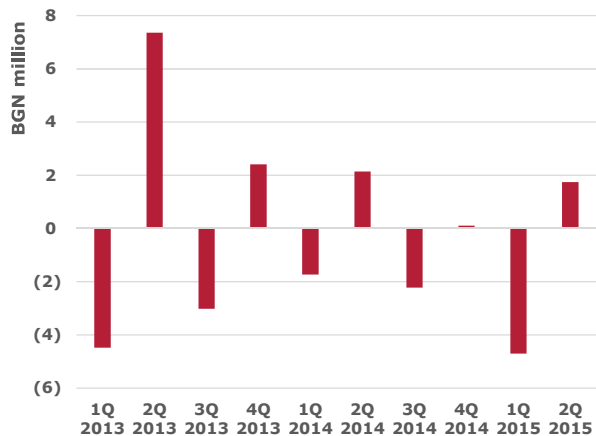
The leasing operations registered lower loss than a year ago. Revenues decline followed the lower interest rates. Bottom line is Eurohold's growth phase is yet to bring profitability to shareholders.

**QUARTERLY REVENUE**



Source: Company data

**QUARTERLY PROFIT**



Source: Company data

## VALUATION

The results of Eurohold Bulgaria are positive but only partially. The growth of revenues and the structure reforms in the insurance business, especially in Romania, will have positive long term effect. The profits, however, are below break-even and don't support our former price model. Moreover, investors are not positive either and the market reaction to the inflection point we see in Eurohold's insurance operations is negative. The stock underperforms the broad market and is 25% down for the past 12 months. This is the main reason to become more cautious regarding the stock for the next 12 months.

*We downgrade the stock from  
BUY to HOLD*

On the other hand, the synergy between the closely related car insurance, dealership and leasing operations is an important factor. All of the above mentioned sectors have prospects to grow faster than the overall economy due to the rising personal income and larger individual savings in the markets where the Company operates.

We made revisions on our DCF calculations toward a decrease of margins to levels that correspond to latest performance, maintaining the positive trend that should result to net profit in 2016. The growth of revenues in our model also reflects the latest performance with moderate expectations after the restructuring of the Romanian operations and the acquisitions in Bulgaria. The current positive trend, however, is not completed and revenues might jump further next year. The car insurance business in the region will remain a challenge with its high claim-to-premium ratio and the low price of policies.

*And lower the target price  
from BGN 1.52  
to BGN 0.53 per share*

The required capital increase of the Romanian subsidiary also is included in the model, although the equity injection might be larger due to the strong premium growth.

The change of the price target is on the downside to BGN 0.53. We made revision on our recommendation to HOLD, despite the fact that the positive prospects outpace the risks of further deterioration of results.

## WACC CALCULATION

	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	TERMINAL YEAR
RISK FREE RATE	2.50%	3.00%	3.25%	3.50%	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%
EQUITY RISK PREMIUM	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
BETA	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
<b>COST OF EQUITY</b>	<b>9.50%</b>	<b>10.00%</b>	<b>10.25%</b>	<b>10.50%</b>	<b>10.50%</b>	<b>10.50%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>	<b>11.00%</b>
COST OF DEBT	8.50%	8.50%	8.00%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
EFFECTIVE TAX RATE	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
<b>AFTER-TAX COST OF DEBT</b>	<b>7.65%</b>	<b>7.65%</b>	<b>7.20%</b>	<b>6.75%</b>	<b>6.75%</b>	<b>6.75%</b>	<b>6.75%</b>	<b>6.75%</b>	<b>6.75%</b>	<b>6.75%</b>	<b>6.75%</b>
WEIGHT OF EQUITY	54%	53%	54%	56%	57%	65%	65%	65%	65%	65%	65%
<b>WACC</b>	<b>8.64%</b>	<b>8.90%</b>	<b>8.84%</b>	<b>8.85%</b>	<b>8.90%</b>	<b>9.19%</b>	<b>9.51%</b>	<b>9.51%</b>	<b>9.51%</b>	<b>9.51%</b>	<b>9.51%</b>

## DISCOUNTED CASH FLOWS

BGN'000	2015F	2016F	2017F	2018F	2019F	2020F	2021F	2022F	2023F	2024F	TERMINAL YEAR
<b>EBIT</b>	(4,114)	6,480	6,934	9,800	10,290	13,419	14,090	14,794	15,460	16,156	20,292
<b>EBIT(1-T)</b>	(3,703)	5,832	6,240	8,820	9,261	12,077	12,681	13,315	13,914	14,540	18,263
<b>ADD: D&amp;A</b>	8,591	8,865	9,485	9,702	10,372	10,891	11,435	12,007	12,547	13,112	13,636
<b>LESS: INVESTMENTS</b>	27,179	10,387	12,933	10,904	14,096	11,533	12,110	12,715	13,213	13,808	14,280
<b>LESS: CHANGE NWC</b>	2,320	(1,255)	(12,511)	11,963	(13,426)	8,247	(308)	(323)	(306)	(319)	(308)
<b>FCF</b>	(24,611)	5,565	15,304	(4,345)	18,962	3,187	12,314	12,930	13,553	14,163	17,928
<b>PV FCF</b>	(23,612)	4,897	12,383	(3,232)	12,973	1,965	6,822	6,540	6,260	5,974	
<b>SUM OF PV FCF</b>	30,970										
<b>PV OF CONTINUING VALUE</b>	137,174										
<b>TOTAL PV FREE CASH FLOWS</b>	168,144										
<b>LESS: OUTSTANDING DEBT</b>	167,300										
<b>PLUS: FINANCIAL ASSETS</b>	67,147										
<b>PV OF EQUITY</b>	67,991										
<b>NUMBER OF SHARES ('000)</b>	127,345										
<b>PRICE PER SHARE</b>	<b>0.53</b>										

**QUARTERLY DATA (UNAUDITED)**

<b>Income Statement ('000 BGN)</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>1Q 2015</b>	<b>2Q 2015</b>
<b>Revenue</b>	<b>113,839</b>	<b>139,627</b>	<b>126,038</b>	<b>172,192</b>	<b>125,576</b>	<b>167,515</b>	<b>88,307</b>	<b>149,489</b>	<b>222,944</b>	<b>252,519</b>
Operating Expenses	117,385	139,028	128,530	169,391	128,851	171,354	89,090	150,941	230,219	248,441
Change in Inventories	0	0	0	0	0	0	0	0	0	0
Cost of Material	781	556	1,019	2,881	726	649	660	881	816	715
Cost of Labor	8,027	8,342	7,909	11,719	8,456	8,229	8,453	9,121	8,898	9,647
Cost of External Services	24,894	25,831	23,745	25,539	23,026	22,996	22,198	32,233	29,601	33,116
Depreciation and Amortization	1,804	1,732	1,740	1,484	1,642	1,725	1,745	1,763	1,794	1,830
Net Book Value of Assets Sold	20,420	31,670	32,237	26,751	28,866	34,961	27,566	31,650	28,510	42,159
Other Costs	0	0	0	0	0	0	0	0	0	0
<b>Operating Income</b>	<b>(1,930)</b>	<b>10,126</b>	<b>(914)</b>	<b>9,790</b>	<b>1,816</b>	<b>4,040</b>	<b>158</b>	<b>5,294</b>	<b>(751)</b>	<b>6,348</b>
Interest Expense	2,919	2,772	2,614	2,746	4,094	2,558	2,638	3,263	4,777	3,527
<b>NET INCOME</b>	<b>(4,477)</b>	<b>7,362</b>	<b>(3,018)</b>	<b>2,411</b>	<b>(1,730)</b>	<b>2,142</b>	<b>(2,211)</b>	<b>114</b>	<b>(4,699)</b>	<b>1,745</b>

<b>Balance Sheet ('000 BGN)</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>1Q 2015</b>	<b>2Q 2015</b>
Cash & Near Cash Items	24,586	23,067	21,582	39,029	40,069	21,241	44,949	67,147	25,717	35,716
Accounts & Notes Receivable	174,153	205,903	187,458	185,688	184,125	190,838	221,515	279,076	320,706	392,462
Inventories	22,274	24,011	26,695	31,106	25,817	24,372	25,468	23,095	26,529	29,981
<b>Total Current Assets</b>	<b>307,058</b>	<b>346,001</b>	<b>326,391</b>	<b>364,726</b>	<b>361,475</b>	<b>353,558</b>	<b>411,660</b>	<b>473,566</b>	<b>506,137</b>	<b>585,106</b>
Net Fixed Assets	50,769	34,094	33,122	30,423	30,195	30,637	29,872	29,139	32,981	42,452
Other Long-Term Assets	308,894	300,467	296,362	291,818	302,801	294,622	294,927	297,532	303,476	300,124
<b>Total Long-Term Assets</b>	<b>359,663</b>	<b>334,561</b>	<b>329,484</b>	<b>322,241</b>	<b>332,996</b>	<b>325,259</b>	<b>324,799</b>	<b>326,671</b>	<b>336,457</b>	<b>342,576</b>
<b>Total Assets</b>	<b>666,721</b>	<b>680,562</b>	<b>655,875</b>	<b>686,967</b>	<b>694,471</b>	<b>678,817</b>	<b>736,459</b>	<b>800,237</b>	<b>842,594</b>	<b>927,682</b>
Accounts Payable	52,773	61,176	64,324	75,068	66,374	44,352	60,857	66,266	76,749	68,526
Short-Term Borrowings	31,886	20,587	19,499	19,012	18,931	15,855	17,717	34,383	27,009	23,206
Other Short-Term Liabilities	207,299	228,952	214,608	233,114	252,001	230,638	270,791	291,185	318,453	399,936
<b>Total Current Liabilities</b>	<b>291,958</b>	<b>310,715</b>	<b>298,431</b>	<b>327,194</b>	<b>337,306</b>	<b>290,845</b>	<b>349,365</b>	<b>391,834</b>	<b>422,211</b>	<b>491,668</b>
Long-Term Borrowings	109,434	101,117	91,110	86,934	82,749	95,896	96,178	132,917	142,112	149,971
Other Long-Term Liabilities	37,531	31,217	31,230	35,194	37,839	47,540	49,652	31,669	44,228	51,560
<b>Total Long-Term Liabilities</b>	<b>146,965</b>	<b>132,334</b>	<b>122,340</b>	<b>122,128</b>	<b>120,588</b>	<b>143,436</b>	<b>145,830</b>	<b>164,586</b>	<b>186,340</b>	<b>201,531</b>
<b>Total Liabilities</b>	<b>438,923</b>	<b>443,049</b>	<b>420,771</b>	<b>449,322</b>	<b>457,894</b>	<b>434,281</b>	<b>495,195</b>	<b>556,420</b>	<b>608,551</b>	<b>693,199</b>
<b>Total Equity</b>	<b>177,894</b>	<b>187,864</b>	<b>185,948</b>	<b>186,441</b>	<b>185,603</b>	<b>193,013</b>	<b>190,429</b>	<b>192,107</b>	<b>183,724</b>	<b>183,362</b>
<b>Total Liabilities &amp; Equity</b>	<b>666,721</b>	<b>680,562</b>	<b>655,875</b>	<b>686,967</b>	<b>694,471</b>	<b>678,817</b>	<b>736,459</b>	<b>800,237</b>	<b>842,594</b>	<b>927,682</b>

<b>Cash Flow Statement ('000 BGN)</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>1Q 2015</b>	<b>2Q 2015</b>
Cash From Operations	12,637	17,547	44,112	22,790	3,934	(36,593)	(9,157)	(51,038)	(30,757)	(28,417)
Cash From Investing Activities	(1,621)	(2,758)	15,987	17,306	(733)	4,764	2,368	69,192	(36,400)	(33,316)
Cash from Financing Activities	(11,265)	(16,557)	(63,352)	(25,902)	(2,161)	14,041	12,709	9,964	24,755	29,330
<b>Net Changes in Cash</b>	<b>(249)</b>	<b>(1,768)</b>	<b>(3,253)</b>	<b>14,194</b>	<b>1,040</b>	<b>(17,788)</b>	<b>5,920</b>	<b>28,118</b>	<b>(42,402)</b>	<b>(32,403)</b>
<b>End-of-period cash</b>	<b>24,586</b>	<b>23,067</b>	<b>21,582</b>	<b>39,029</b>	<b>40,069</b>	<b>21,241</b>	<b>44,949</b>	<b>67,147</b>	<b>25,717</b>	<b>35,716</b>

## COMPANY OVERVIEW

### COMPANY PROFILE

Eurohold Bulgaria is a holding company specialized in financial services, including insurance and leasing, along with the car dealership. The Group operates mainly in Bulgaria and Romania but also expanded in Macedonia and Ukraine after acquiring smaller companies in the region. The sectors in which Eurohold has significant presence are fast growing and will benefit the most from the growth of personal income and the economy as a whole.

The unique combination of motor insurance, leasing and car dealership is the synergy that is the biggest value-added factor for the Holding. The subsidiaries in car dealership are the representatives of some of the most popular vehicle brands in the country, including BMW, Opel, Fiat, Nissan, Renault and the top performing by sales in Bulgaria – Dacia.

Eurolease Rent a Car is a licensee of the US Avis Budget Group well-known car rental brands Avis and Budget.

### FUNDAMENTAL STORY

The growing personal income and the old vehicles in the region are the two sources of future expansion of Eurohold's operations. The economic growth will stimulate car sales and will raise premium income on motor insurances. Both sectors represent directly 94% of Eurohold's revenues and will support the leasing operations that are closely related with the main business segments of the holding.

The prices of insurances are very low and the sector is negatively influenced by the high level of claims. The competition to gain market share has pushed down insurance rates. Eurohold's subsidiaries took measures to improve their profits while increasing premium income and market positions. The Holding acquired several smaller insurance companies. It also focuses is on the effects of the synergy within the Group as a step to improve profits.

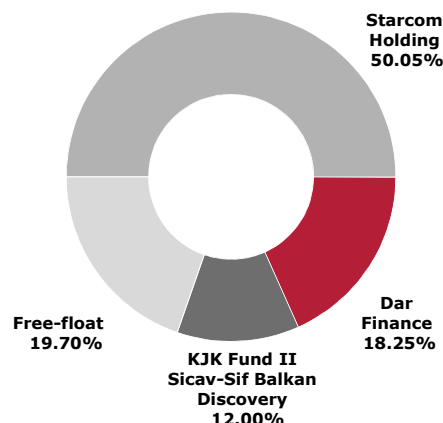
### STRENGTHS AND OPPORTUNITIES

- The Holding's operations should benefit from growth of regional economies and personal income
- Strong synergy between segments
- Exposure into the fast growing and most prospective financial sector in the Balkans
- Solid market positions on the automotive sector in Bulgaria, including dealership and car services of the most popular brands among consumers
- Offers diversified financial services

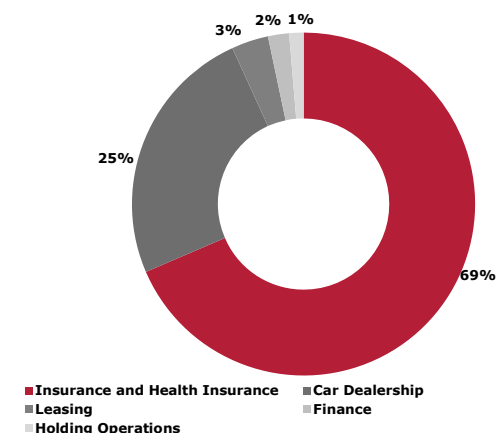
### WEAKNESSES AND THREADS

- Severe competition among insurers and low prices, which hurt profit margins

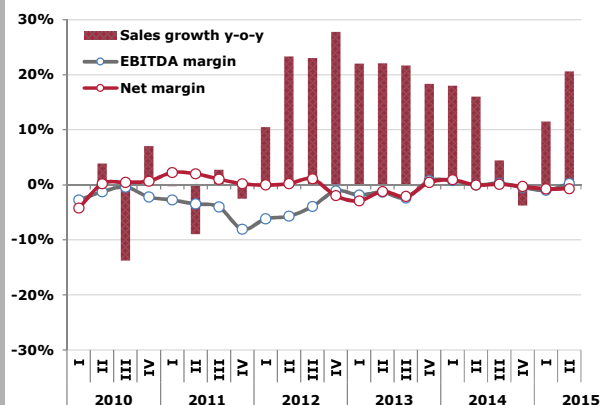
### SHAREHOLDERS' STRUCTURE



### SALES BREAKDOWN IN 2014



### MARGINS



Source: Company data; 12 months trailing data

### PRICE TRIGGERS

- Further improvement of profitability due to lower costs and increase of revenues in manufacturing segment
- Favorable conditions on the Bulgarian Stock Exchange and expansion of multiples

**YEARLY DATA**

<b>STATEMENT OF INCOME (IN '000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>
<b>SALES</b>	<b>375,490</b>	<b>466,140</b>	<b>551,696</b>	<b>530,887</b>	<b>822,875</b>	<b>864,019</b>
OPERATING EXPENSES	413,341	479,177	554,334	540,236	826,989	857,538
CHANGE IN INVENTORIES	0	0	0	0	0	0
COST OF MATERIAL	5,235	3,078	5,237	2,916	4,937	4,320
COST OF LABOUR	30,916	32,952	35,997	34,259	37,029	39,745
COST OF EXTERNAL SERVICES	75,830	87,116	100,009	100,453	127,546	139,971
DEPRECIATION AND AMORTIZATION	7,849	7,878	6,760	6,875	8,591	8,865
NET BOOK VALUE OF ASSETS SOLD	76,554	79,879	111,078	123,043	139,889	155,523
OTHER COSTS	216,957	268,274	295,253	272,690	508,997	509,114
<b>OPERATING INCOME</b>	<b>(37,851)</b>	<b>(13,037)</b>	<b>(2,638)</b>	<b>(9,349)</b>	<b>(4,114)</b>	<b>6,480</b>
INTEREST EXPENSE	13,921	12,040	11,051	12,553	14,105	14,339
FOREIGN EXCHANGE LOSSES (GAINS)	452	(54)	1,948	(122)	(823)	(518)
NET NON-OPERATING LOSSES (GAINS)	(37,011)	(16,332)	(21,658)	(20,535)	(14,400)	(15,120)
<b>PRETAX INCOME</b>	<b>(15,689)</b>	<b>(8,691)</b>	<b>6,021</b>	<b>(1,245)</b>	<b>(2,996)</b>	<b>7,780</b>
INCOME TAX EXPENSE	(12,074)	142	2,738	274	0	778
<b>INCOME BEFORE XO ITEMS</b>	<b>(3,615)</b>	<b>(8,833)</b>	<b>3,283</b>	<b>(1,519)</b>	<b>(2,996)</b>	<b>7,002</b>
EXTRAORDINARY LOSS NET OF TAX	0	0	0	0	0	0
MINORITY INTEREST	(3,339)	379	1,005	166	(300)	1,050
<b>NET INCOME</b>	<b>(277)</b>	<b>(9,212)</b>	<b>2,278</b>	<b>(1,684)</b>	<b>(2,696)</b>	<b>5,952</b>
<b>EARNINGS PER SHARE IN BGN</b>	<b>(0.00)</b>	<b>(0.07)</b>	<b>0.02</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>0.05</b>
<b>BALANCE SHEET (IN '000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>
CASH AND NEAR CASH ITEMS	27,468	24,835	39,029	67,147	62,688	35,087
SHORT-TERM INVESTMENTS	84,620	76,859	108,237	102,056	131,660	129,603
ACCOUNTS AND NOTES RECEIVABLE	134,237	181,538	185,688	279,076	386,751	406,089
INVENTORIES	28,406	25,898	31,106	23,095	31,269	31,969
OTHER CURRENT ASSETS	749	1,280	666	2,192	2,469	2,160
<b>TOTAL CURRENT ASSETS</b>	<b>275,480</b>	<b>310,410</b>	<b>364,726</b>	<b>473,566</b>	<b>614,837</b>	<b>604,907</b>
LT INVESTMENTS AND LT RECEIVABLES	83,773	85,572	71,468	84,237	123,431	155,523
NET FIXED ASSETS	55,344	52,283	30,423	29,139	47,727	49,249
OTHER LONG-TERM ASSETS	222,202	227,133	220,350	213,295	201,604	211,685
<b>TOTAL LONG-TERM ASSETS</b>	<b>361,319</b>	<b>364,988</b>	<b>322,241</b>	<b>326,671</b>	<b>372,762</b>	<b>416,457</b>
<b>TOTAL ASSETS</b>	<b>636,799</b>	<b>675,398</b>	<b>686,967</b>	<b>800,237</b>	<b>987,599</b>	<b>1,021,364</b>
ACCOUNTS PAYABLE	34,936	51,089	75,068	66,266	74,059	77,762
SHORT-TERM BORROWINGS	17,703	35,824	19,012	34,383	24,686	25,921
OTHER SHORT-TERM LIABILITIES	177,081	210,517	233,114	291,185	452,581	466,570
<b>TOTAL CURRENT LIABILITIES</b>	<b>229,720</b>	<b>297,430</b>	<b>327,194</b>	<b>391,834</b>	<b>551,326</b>	<b>570,252</b>
LONG-TERM BORROWINGS	133,506	109,573	86,934	132,917	139,889	146,883
OTHER LONG-TERM LIABILITIES	27,458	36,694	35,194	31,669	49,372	48,385
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>160,964</b>	<b>146,267</b>	<b>122,128</b>	<b>164,586</b>	<b>189,261</b>	<b>195,268</b>
<b>TOTAL LIABILITIES</b>	<b>390,684</b>	<b>443,697</b>	<b>449,322</b>	<b>556,420</b>	<b>740,587</b>	<b>765,520</b>
TOTAL PREFERRED EQUITY	0	0	0	0	0	0
MINORITY INTEREST	48,845	50,072	51,204	51,710	57,601	60,481
SHARE CAPITAL & APIC	123,234	118,312	121,454	127,321	127,321	127,321
RETAINED EARNINGS & OTHER EQUITY	74,036	63,317	64,987	64,786	62,090	68,042
<b>TOTAL EQUITY</b>	<b>197,270</b>	<b>181,629</b>	<b>186,441</b>	<b>192,107</b>	<b>189,411</b>	<b>195,363</b>
<b>WORKING CAPITAL</b>	<b>18,292</b>	<b>(11,855)</b>	<b>(1,497)</b>	<b>14,585</b>	<b>823</b>	<b>(432)</b>
<b>NUMBER OF SHARES:</b>	108,643,712	127,345,000	127,345,000	127,345,000	127,345,000	127,345,000
<b>PRICE IN BGN - PERIOD END:</b>	1.19	1.05	0.88	0.97	0.70	0.70
<b>MARKET CAP IN - PERIOD END:</b>	129,069,000	133,585,000	112,064,000	123,525,000	89,142,000	89,142,000



<b>CASH FLOW STATEMENT (IN '000 BGN)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>
NET INCOME	(277)	(9,212)	2,278	(1,684)	(2,696)	5,952
DEPRECIATION & AMORTIZATION	7,849	7,878	6,760	6,875	8,591	8,865
OTHER NON-CASH ADJUSTMENTS	56,904	(4,969)	24,110	(40,147)	23,304	461
CHANGES IN NON-CASH CAPITAL	(18,292)	30,147	(10,358)	(16,082)	13,762	1,255
<b>CASH FROM OPERATIONS</b>	<b>46,184</b>	<b>23,844</b>	<b>22,790</b>	<b>(51,038)</b>	<b>42,961</b>	<b>16,532</b>
DISPOSAL OF FIXED ASSETS	4,920	2,413	18,102	768	0	0
CAPITAL EXPENDITURES	(6,229)	(2,989)	(2,918)	(2,140)	(27,179)	(10,387)
INCREASE IN INVESTMENTS	(86,602)	(60,628)	(86,081)	(125,800)	(39,194)	(32,092)
DECREASE IN INVESTMENTS	33,606	65,694	80,083	178,934	0	0
OTHER INVESTING ACTIVITIES	432	427	7,649	15,795	11,691	(10,080)
<b>CASH FROM INVESTING ACTIVITIES</b>	<b>(51,957)</b>	<b>4,988</b>	<b>17,306</b>	<b>69,192</b>	<b>(54,682)</b>	<b>(52,559)</b>
DIVIDENDS PAID	(1,842)	0	0	0	0	0
CHANGE IN SHORT-TERM BORROWINGS	2,124	18,121	(16,812)	15,371	(9,697)	1,234
CHANGE IN LONG-TERM BORROWINGS	(29,304)	(23,933)	(22,639)	45,983	6,972	6,994
INCREASE IN CAPITAL STOCKS	69,521	80	56	0	0	0
DECREASE IN CAPITAL STOCKS	(4,000)	0	0	0	0	0
OTHER FINANCIAL ACTIVITIES	(34,540)	(25,733)	13,493	(51,390)	9,987	197
<b>CASH FROM FINANCING ACTIVITIES</b>	<b>1,959</b>	<b>(31,465)</b>	<b>(25,902)</b>	<b>9,964</b>	<b>7,262</b>	<b>8,426</b>
<b>NET CHANGES IN CASH</b>	<b>(3,814)</b>	<b>(2,633)</b>	<b>14,194</b>	<b>28,118</b>	<b>(4,459)</b>	<b>(27,601)</b>
<b>END-OF-PERIOD CASH</b>	<b>27,468</b>	<b>24,835</b>	<b>39,029</b>	<b>67,147</b>	<b>62,688</b>	<b>35,087</b>
<b>CASH PER SHARE</b>	<b>0.25</b>	<b>0.20</b>	<b>0.31</b>	<b>0.53</b>	<b>0.49</b>	<b>0.28</b>

<b>FINANCIAL AND PERFORMANCE INDICATORS</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015F</b>	<b>2016F</b>
<b>VALUATION</b>						
PRICE/EARNINGS (P/E)	-465.95	-14.50	49.19	-73.35	-33.06	14.98
PRICE/BOOK (P/B)	0.65	0.74	0.60	0.64	0.47	0.46
PRICE/SALES (P/S)	0.34	0.29	0.20	0.23	0.11	0.10
EV (IN '000 BGN)	17.05	-100.14	12.40	23.80	12.40	23.80
EV/EBITDA	252,810	254,147	178,981	223,678	191,028	226,858
<b>PROFITABILITY</b>						
RETURN ON COMMON EQUITY	-0.16%	-4.86%	1.24%	-0.89%	-1.41%	3.09%
RETURN ON ASSETS	-0.04%	-1.40%	0.33%	-0.23%	-0.30%	0.59%
RETURN ON INVESTED CAPITAL	-0.12%	1.01%	3.01%	4.23%	3.11%	5.51%
EBITDA MARGIN	-7.99%	-1.11%	0.75%	-0.47%	0.54%	1.78%
OPERATING MARGIN	-10.08%	-2.80%	-0.48%	-1.76%	-0.50%	0.75%
NET INCOME MARGIN	-0.07%	-1.98%	0.41%	-0.32%	-0.33%	0.69%
<b>LIQUIDITY</b>						
CURRENT RATIO	1.20	1.04	1.11	1.21	1.12	1.06
QUICK RATIO	1.07	0.95	1.02	1.14	1.05	1.00
<b>CREDIT</b>						
LT DEBT/EQUITY	0.68	0.60	0.47	0.69	0.74	0.75
TOTAL DEBT/EQUITY	0.77	0.80	0.57	0.87	0.87	0.88
TOTAL DEBT/TOTAL ASSETS	0.24	0.22	0.15	0.21	0.17	0.17
EBITDA/INTEREST EXPENSE	-2.16	-0.43	0.37	-0.20	0.32	1.07

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