

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

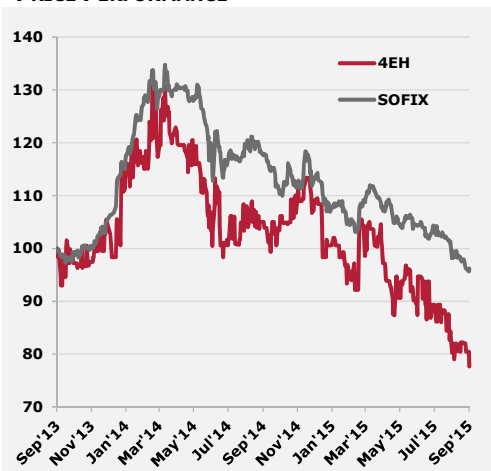
CURRENT PRICE: BGN 0.70

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

MARKET DATA

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

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.

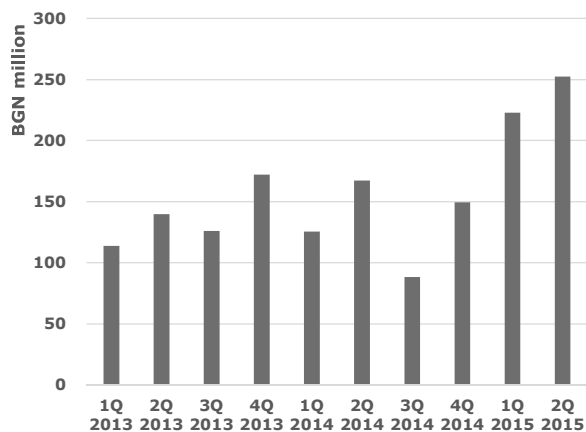
The Macedonian subsidiary, the smallest insurer in the Group, reported 15% increase of premium income to BGN 8.3m. It maintains its market share but the company turns its focus to corporate clients in an attempt to stimulate growth. Its financial result for the first half of 2015 was negative due to 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.

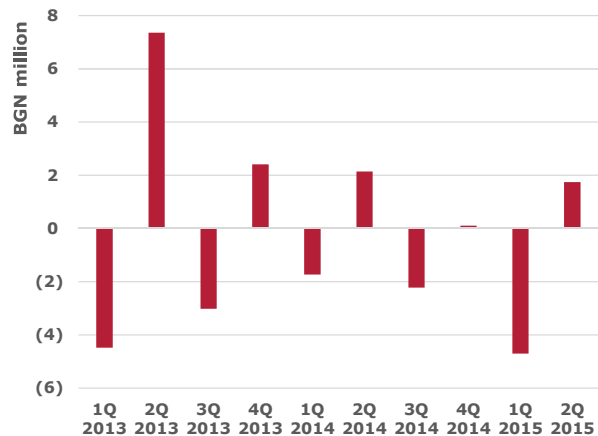
The leasing operations registered lower loss than a year ago. Revenues decline followed the lower interest rates. Bottom line is Eurohold's growth phase is yet to bring profitability to shareholders.

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 |
| COST OF EQUITY | 9.50% | 10.00% | 10.25% | 10.50% | 10.50% | 10.50% | 11.00% | 11.00% | 11.00% | 11.00% | 11.00% |
| 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% |
| AFTER-TAX COST OF DEBT | 7.65% | 7.65% | 7.20% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% | 6.75% |
| WEIGHT OF EQUITY | 54% | 53% | 54% | 56% | 57% | 65% | 65% | 65% | 65% | 65% | 65% |
| WACC | 8.64% | 8.90% | 8.84% | 8.85% | 8.90% | 9.19% | 9.51% | 9.51% | 9.51% | 9.51% | 9.51% |

DISCOUNTED CASH FLOWS

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

QUARTERLY DATA (UNAUDITED)

| Income Statement ('000 BGN) | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | 1Q 2015 | 2Q 2015 |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | 113,839 | 139,627 | 126,038 | 172,192 | 125,576 | 167,515 | 88,307 | 149,489 | 222,944 | 252,519 |
| 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 |
| Operating Income | (1,930) | 10,126 | (914) | 9,790 | 1,816 | 4,040 | 158 | 5,294 | (751) | 6,348 |
| Interest Expense | 2,919 | 2,772 | 2,614 | 2,746 | 4,094 | 2,558 | 2,638 | 3,263 | 4,777 | 3,527 |
| NET INCOME | (4,477) | 7,362 | (3,018) | 2,411 | (1,730) | 2,142 | (2,211) | 114 | (4,699) | 1,745 |

| Balance Sheet ('000 BGN) | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | 1Q 2015 | 2Q 2015 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 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 |
| Total Current Assets | 307,058 | 346,001 | 326,391 | 364,726 | 361,475 | 353,558 | 411,660 | 473,566 | 506,137 | 585,106 |
| 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 |
| Total Long-Term Assets | 359,663 | 334,561 | 329,484 | 322,241 | 332,996 | 325,259 | 324,799 | 326,671 | 336,457 | 342,576 |
| Total Assets | 666,721 | 680,562 | 655,875 | 686,967 | 694,471 | 678,817 | 736,459 | 800,237 | 842,594 | 927,682 |
| 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 |
| Total Current Liabilities | 291,958 | 310,715 | 298,431 | 327,194 | 337,306 | 290,845 | 349,365 | 391,834 | 422,211 | 491,668 |
| 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 |
| Total Long-Term Liabilities | 146,965 | 132,334 | 122,340 | 122,128 | 120,588 | 143,436 | 145,830 | 164,586 | 186,340 | 201,531 |
| Total Liabilities | 438,923 | 443,049 | 420,771 | 449,322 | 457,894 | 434,281 | 495,195 | 556,420 | 608,551 | 693,199 |
| Total Equity | 177,894 | 187,864 | 185,948 | 186,441 | 185,603 | 193,013 | 190,429 | 192,107 | 183,724 | 183,362 |
| Total Liabilities & Equity | 666,721 | 680,562 | 655,875 | 686,967 | 694,471 | 678,817 | 736,459 | 800,237 | 842,594 | 927,682 |

| Cash Flow Statement ('000 BGN) | Q1 2013 | Q2 2013 | Q3 2013 | Q4 2013 | Q1 2014 | Q2 2014 | Q3 2014 | Q4 2014 | 1Q 2015 | 2Q 2015 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|-----------------|
| 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 |
| Net Changes in Cash | (249) | (1,768) | (3,253) | 14,194 | 1,040 | (17,788) | 5,920 | 28,118 | (42,402) | (32,403) |
| End-of-period cash | 24,586 | 23,067 | 21,582 | 39,029 | 40,069 | 21,241 | 44,949 | 67,147 | 25,717 | 35,716 |

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.

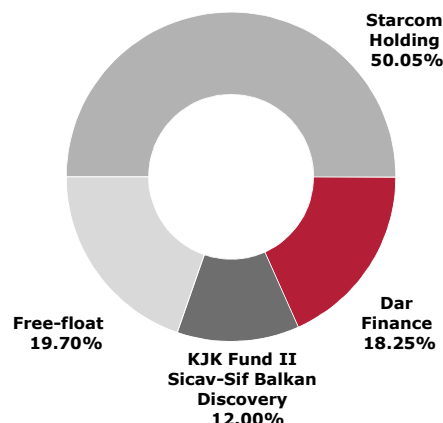
STRENGTHS AND OPPORTUNITIES

- 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

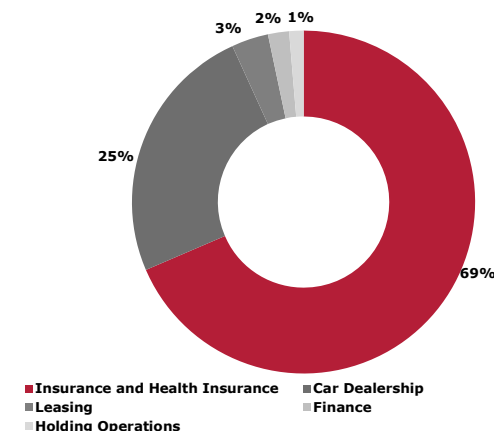
WEAKNESSES AND THREADS

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

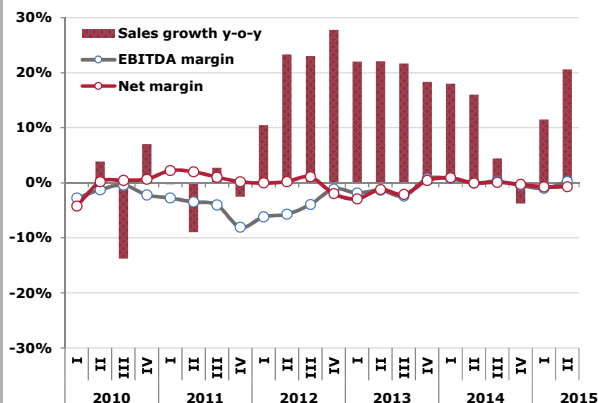
SHAREHOLDERS' STRUCTURE



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

| STATEMENT OF INCOME (IN '000 BGN) | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F |
|--|-----------------|-----------------|----------------|----------------|----------------|------------------|
| SALES | 375,490 | 466,140 | 551,696 | 530,887 | 822,875 | 864,019 |
| 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 |
| OPERATING INCOME | (37,851) | (13,037) | (2,638) | (9,349) | (4,114) | 6,480 |
| 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) |
| PRETAX INCOME | (15,689) | (8,691) | 6,021 | (1,245) | (2,996) | 7,780 |
| INCOME TAX EXPENSE | (12,074) | 142 | 2,738 | 274 | 0 | 778 |
| INCOME BEFORE XO ITEMS | (3,615) | (8,833) | 3,283 | (1,519) | (2,996) | 7,002 |
| EXTRAORDINARY LOSS NET OF TAX | 0 | 0 | 0 | 0 | 0 | 0 |
| MINORITY INTEREST | (3,339) | 379 | 1,005 | 166 | (300) | 1,050 |
| NET INCOME | (277) | (9,212) | 2,278 | (1,684) | (2,696) | 5,952 |
| EARNINGS PER SHARE IN BGN | (0.00) | (0.07) | 0.02 | (0.01) | (0.02) | 0.05 |
| BALANCE SHEET (IN '000 BGN) | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F |
| 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 |
| TOTAL CURRENT ASSETS | 275,480 | 310,410 | 364,726 | 473,566 | 614,837 | 604,907 |
| 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 |
| TOTAL LONG-TERM ASSETS | 361,319 | 364,988 | 322,241 | 326,671 | 372,762 | 416,457 |
| TOTAL ASSETS | 636,799 | 675,398 | 686,967 | 800,237 | 987,599 | 1,021,364 |
| 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 |
| TOTAL CURRENT LIABILITIES | 229,720 | 297,430 | 327,194 | 391,834 | 551,326 | 570,252 |
| 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 |
| TOTAL LONG-TERM LIABILITIES | 160,964 | 146,267 | 122,128 | 164,586 | 189,261 | 195,268 |
| TOTAL LIABILITIES | 390,684 | 443,697 | 449,322 | 556,420 | 740,587 | 765,520 |
| 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 |
| TOTAL EQUITY | 197,270 | 181,629 | 186,441 | 192,107 | 189,411 | 195,363 |
| WORKING CAPITAL | 18,292 | (11,855) | (1,497) | 14,585 | 823 | (432) |
| NUMBER OF SHARES: | 108,643,712 | 127,345,000 | 127,345,000 | 127,345,000 | 127,345,000 | 127,345,000 |
| PRICE IN BGN - PERIOD END: | 1.19 | 1.05 | 0.88 | 0.97 | 0.70 | 0.70 |
| MARKET CAP IN - PERIOD END: | 129,069,000 | 133,585,000 | 112,064,000 | 123,525,000 | 89,142,000 | 89,142,000 |

| CASH FLOW STATEMENT (IN '000 BGN) | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 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 |
| CASH FROM OPERATIONS | 46,184 | 23,844 | 22,790 | (51,038) | 42,961 | 16,532 |
| 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) |
| CASH FROM INVESTING ACTIVITIES | (51,957) | 4,988 | 17,306 | 69,192 | (54,682) | (52,559) |
| 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 |
| CASH FROM FINANCING ACTIVITIES | 1,959 | (31,465) | (25,902) | 9,964 | 7,262 | 8,426 |
| NET CHANGES IN CASH | (3,814) | (2,633) | 14,194 | 28,118 | (4,459) | (27,601) |
| END-OF-PERIOD CASH | 27,468 | 24,835 | 39,029 | 67,147 | 62,688 | 35,087 |
| CASH PER SHARE | 0.25 | 0.20 | 0.31 | 0.53 | 0.49 | 0.28 |

| FINANCIAL AND PERFORMANCE INDICATORS | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F |
|---|-------------|-------------|-------------|-------------|--------------|--------------|
| VALUATION | | | | | | |
| 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 |
| PROFITABILITY | | | | | | |
| 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% |
| LIQUIDITY | | | | | | |
| 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 |
| CREDIT | | | | | | |
| 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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| | |
|-------------|---|
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| SELL | More than 5% lower as compared to SOFIX and BG40 performance |

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For more information, please contact:

| | | | |
|-------------------------|------------------|--|--|
| Research analyst | Phone: | E-mail: | Internet: |
| Tatyana Vasileva | +359 2 810 00 24 | vasileva@elana.net | www.elana.net |
| Tsvetoslav Tsachev | +359 2 810 00 23 | tsachev@elana.net | www.elana.net |