

KORADO

INDUSTRY: ELECTRICAL EQUIPMENT

BOTTOM LINE OUTPACES EXPECTATIONS

KORADO'S FY 2017 FUNDAMENTALS MATCH TOP LINE EXPECTATIONS BUT OUTPACE BOTTOM LINE FORECASTS ON WELL MANAGED EXPANSION STRATEGY DESPITE SURGING MATERIAL COSTS. THE COMPANY DELIVERED RECORD HIGH BOTTOM LINE, AS A RESULT EXPANDED MARGINS CONSIDERABLY ABOVE COMPETITORS. THE LATTER GIVES US COMFORT WITH OUR CURRENT VALUATION WITH A POTENTIAL UPGRADE IF THE TREND IS SUSTAINED.

TOP LINE STEADILY UP AND MEETING EXPECTATIONS

Korado's top line grew by 30.7% y/y to BGN 42.6m in FY2017 on both rising volumes (up 14.3% y/y) and rising prices in the EU. The latter was a result of well-implemented strategy in the Company's target markets. Top line fundamentals matched our expectations as Korado managed to transfer the surge in material costs to customers.

PROFITABILITY ON THE RISE BEATING EXPECTATIONS

Despite surging raw materials costs, operating and net profitability improved considerably. Average LME steel prices advanced 20% y/y while Korado's material costs added 29% y/y. Still, EBITDA grew 50% y/y to BGN 6.5m and EBIT surged by 62% y/y to BGN 5.4m in FY2017. Net income surged by 63% y/y to BGN 5.3m on booming capacity utilization and well-managed operating expenses. Also, while competitors were squeezing margins, Korado was expanding with profitability rising above key competitors' results. EBITDA margin added 190bps to 15.3% while net income margin is up c.350 bps to 12.5% in FY2017.

EXPANDING PRESENCE IN TARGET MARKETS

The Company managed to expand key highly competitive target markets like Hungary and France. Sales to Hungary surged c.300% y/y to BGN 3m, becoming 4th largest for Korado, while sales to France advanced 73% y/y but remain below 1% of total revenue. The traditional Czech market, which is also the biggest for the Company, rose 20.4% y/y to BGN 27m in revenue in FY2017.

LUCRATIVE STOCK RETURN

Korado's stock price has doubled in 2017 with multiples up by a third. Nevertheless, latest financial results signal further room for multiples expansion as well as lucrative dividend return. Considering an 80% average payout ratio for the last three years, we raise our DPS expectation from BGN 0.28 to BGN 0.32 per share, yielding a 4% return at current market quotes.

VALUATION/RISKS

VALUATION: Latest results as well as expected growth in the construction industry in the next few years give us the comfort to restate our expectations. We keep our one year target price unchanged at BGN 8.51 per share with a potential for an upgrade if Korado sustains the current financial performance trend over the next one to two quarters. Yet, we update our recommendation from BUY to HOLD as the stock advanced c.15% for the last 3 months alone. **RISKS:** We consider further rise in steel prices, heavy reliance on the Czech market and considerable competition from peers, to pose risks on Korado's performance.

RESULTS ANALYSIS

HOLD
ONE YEAR PRICE TARGET: BGN 8.51
CURRENT PRICE: BGN 8.00

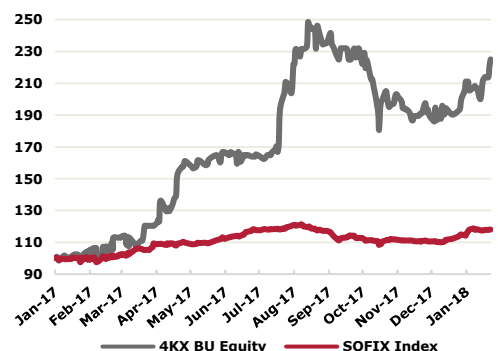
EXCHANGE RATES

EUR/BGN (FIXED): 1.95583
USD/BGN: 1.59634

MARKET DATA

Shares Outstanding:	13.2m
Share Capital:	13.2m
Free-float:	16.3%
Treasury Shares	0%
Market Cap.:	BGN 105m
Avg. Daily Vol.:	BGN 11 645
52 Weeks Range:	BGN 3.66 – 8.94
BSE Ticker	4KX
Bloomberg Ticker	4KX BU

OUTPACING THE MARKET



Source: Bloomberg

In kBGN, excl. ratios	2015	2016	2017	2018F	2019F
Sales	27 449	32 607	42 630	50 182	57 710
EBITDA	2 993	4 364	6 530	7 878	8 714
Net profit	1 932	2 927	5 311	6 083	6 934
Equity	16 271	17 587	20 541	20 312	21 698
ROE	15.22%	17.29%	27.86%	30.87%	33.01%
ROA	10.73%	12.90%	20.25%	22.12%	24.77%
EBITDA margin	10.90%	13.38%	15.32%	15.70%	15.10%
Net profit margin	7.04%	8.98%	12.46%	12.12%	12.02%
EPS	0.22	0.33	0.40	0.46	0.53
Debt/equity	0.02	0.26	0.19	0.19	0.11
P/E	16.36	15.84	19.84	17.32	15.19
P/B	1.94	2.64	5.13	5.19	4.86
EV/EBITDA	10.53	11.14	16.51	13.39	11.74
Payout ratio	82%	78%	80%	80%	80%
Dividend yield	5.00	4.92	4.03%	4.62%	5.27%

KORADO'S RESULTS REVIEW

Bulgaria's only steel panel radiator producer Korado strengthened its financial results in FY2017, confirming its position of a well-managed and profitable company in a rather mature sector with strong competition from European and global peers.

Revenue breakdown: The Company booked 30.7% y/y rise in sales in FY'17 on 20% surge in sales volumes for the EU market which takes up c.90% of Korado sales, excluding Bulgaria. The Company's sales volumes for the Bulgarian market declined by 2.20% y/y in 2017 while volumes for markets outside the EU dropped by 19.8%.

Korado's strategy for 2017 was partially realized, as Korado managed to meet its top goal, namely keeping its strong financial position in an industry which has been witnessing a continuing trend of stagnation.

The Company's target to keep and further increase its market share in Bulgaria was not met as the company delivered a 2.2% decline in sales volumes for the Bulgarian market. This, however did not reflect negatively on the revenue from sales in the country as the latter grew 7.4% y/y to BGN 1.6m on increased prices.

During the year, Korado succeeded in boosting its sales in target markets in Hungary, Bosnia and Romania. Sales in Hungary surged by 300% y/y reaching BGN 3m while sales in Romania advanced by 65% y/y to BGN 6.9m. Bosnia grew by 139% y/y yet to the modest amount of BGN 110k. Sales in Ukraine stayed flat at BGN 3.4m. As a result Korado did meet its 2017 goal to keep its positions in key markets (Ukraine and Bosnia) and outperformed in others (Hungary and Romania).

Room for expansion: According to the European construction market research institute Euroconstruct, the construction sector is ripe for a steady but slower growth until 2020, triggered by increase in income, corporate profits, good state of public finances and projected economic growth for most EU countries.

State subsidies for residential construction, together with EU funds, will also influence positively the construction sector in Europe. Korado's top market in the Czech Republic is estimated to grow by 15% in the next three years. Other Eastern European markets targeted by the Company, among which Poland and Hungary, are projected to reach 25% and 33% growth, respectively.

The latter poses good base for further expansion of Korado's presence in these markets. France, which is a relatively new market for Korado's production, will show rather moderate growth of 6.4% in the next three years. By 2020 the renovation sector is expected to see stronger growth than new construction for the first time since 2014, also offering room for growth.

Profitability review: Korado's FY2017 bottom line followed the upward trend in the top line. Accordingly, profitability has been steadily increasing over the last five years and we expect the trend

to continue in the next couple of years. At the close of 2017, Korado reported the best bottom line in its history.

The Company's expenses throughout the year were stable with the exception of the cost of materials. The latter fluctuated in 2017 rising sharply in H1'17 followed by a smoother period in H2'17. Overall, material expenses advanced 29% y/y in FY 2017 due to 20% y/y surge in steel prices worldwide. External services costs were stable throughout 2017, up 8% y/y to BGN 1.5m. Further down the line, the Company booked considerable rise in the cost of labor, up 17% y/y to BGN 4.5m.

On an annual basis, Korado generated considerable increases in OPEX, up 27% y/y to BGN 36.1m. The pace is slower than sales' advance in 2017. Accordingly, good cost management over the last four quarters allowed for operating profitability and net income to increase faster than the top line, thus expanding margins.

Margins are up: Korado's net income margin added 348bps in FY2017 to 12.5%. EBITDA margin improved considerably to 15.3%, reflecting improved efficiency and better operational performance due to good CAPEX utilization. The latter profitability outpaced competitors' results for the same period as they did not manage the costs surge as effectively as Korado, according to latest numbers by Rettig's subsidiaries which are key competitors.

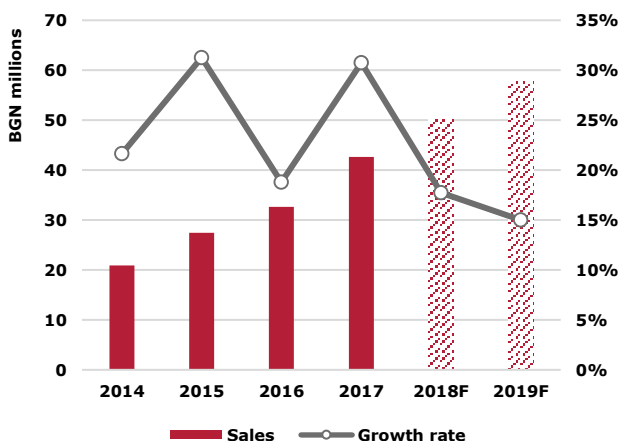
ROE and ROIC have also surged reaching 27.9% and 23.1%, respectively.

In 2017, long-term debt was kept in check and as of the end of 2017 the long-term debt to equity ratio has declined from 0.23 to 0.19. The Company has not borrowed any other long-term facilities except for the 2016 loan from its parent company Korado SA Czech amounting to BGN 3.7m. It used the loan to install the second steel panel radiators production line in Bulgaria.

Korado managed also to keep its liquidity ratios at high levels, continuing its debt-averse policy. The Company has a current ratio of 5.32 and a quick ratio of 2.84 as at the end of 2017, which is an increase from previous year's levels of 2.75 and 1.45, respectively. The excess of cash puts the Company in a good position for future investments or dividend distribution.

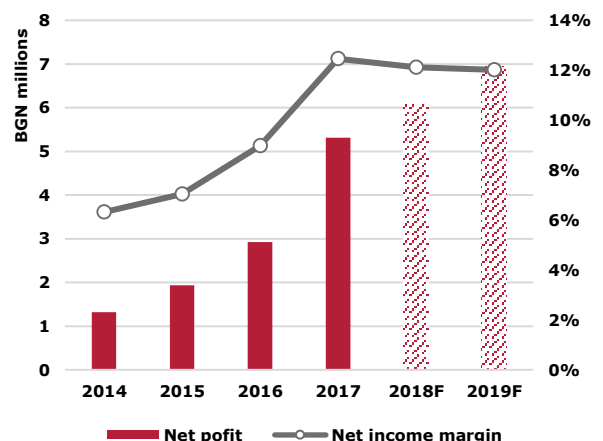
Higher dividends on the horizon: Based on a historical average of an 80% payout ratio, we estimate that Korado may distribute BGN 4.2m in dividends from 2017 profits. The latter translates into a projected BGN 0.32 dividend per share, which is 23% y/y higher. Still, the strong and stable financial performance of the Company led to a considerably increase in its share price – 2x in 2017. Thus, the Company's dividend yield should settle lower than last year's return from c.5% to c.4% in 2018 at current market quotes.

Exhibit 2: Sales and y/y growth



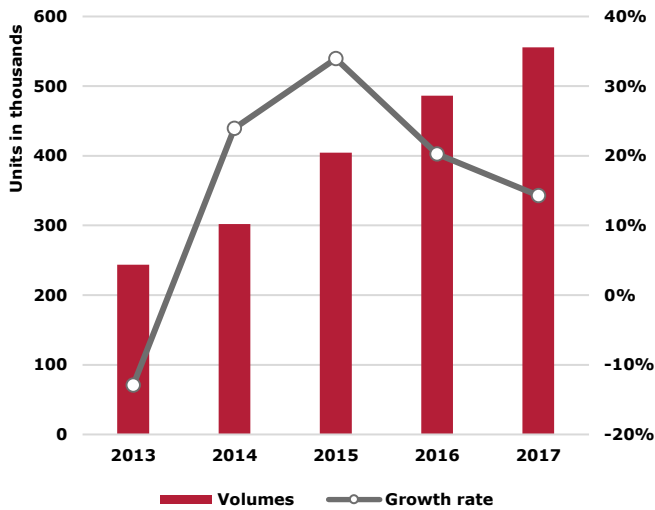
Source: Company data

Exhibit 3: Net income and margins



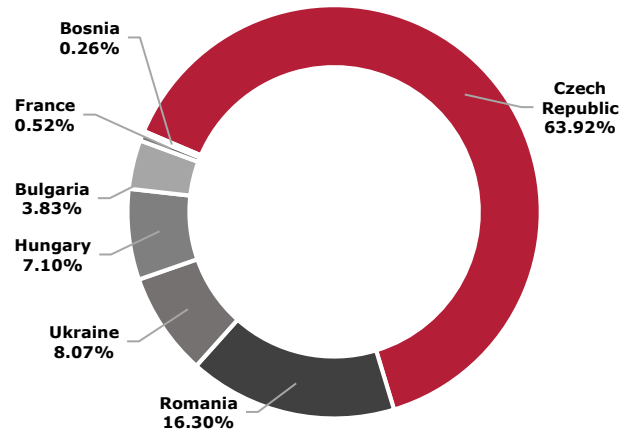
Source: Company data

Exhibit 4: Production volumes and y/y growth



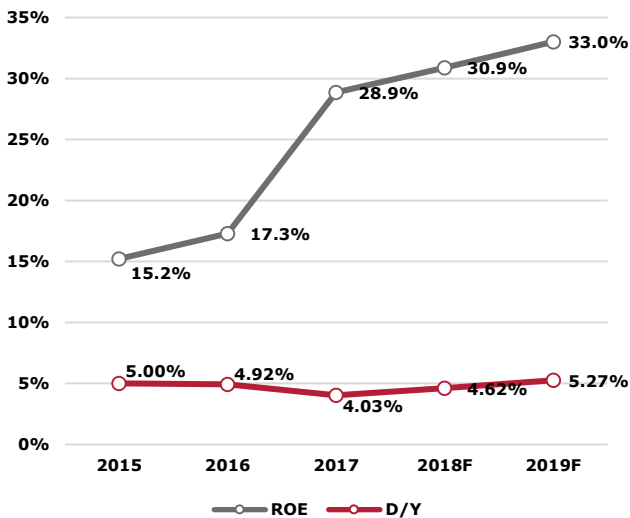
Source: Company data

Exhibit 5: Sales by countries in FY'17



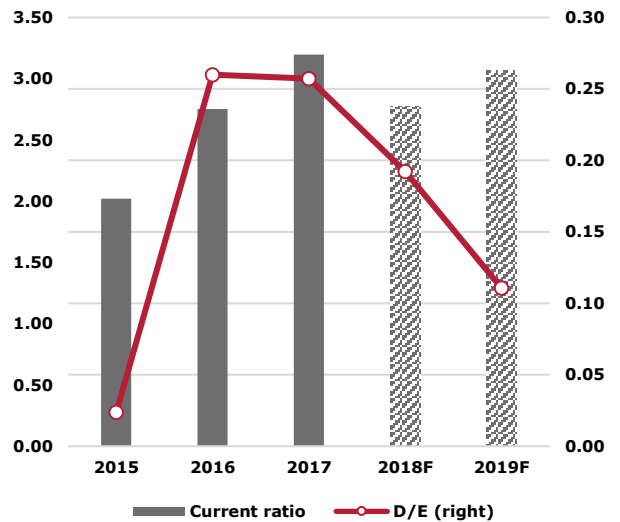
Source: Company data

Exhibit 6: Investor returns continue to be lucrative



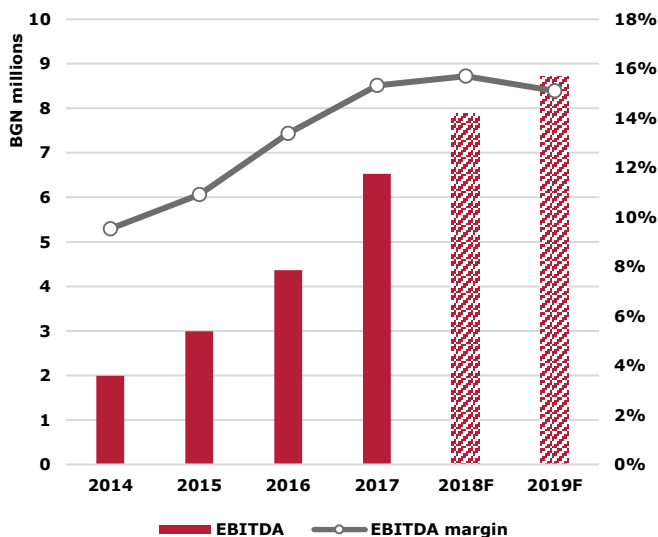
Source: Company data

Exhibit 7: Debt and liquidity ratios



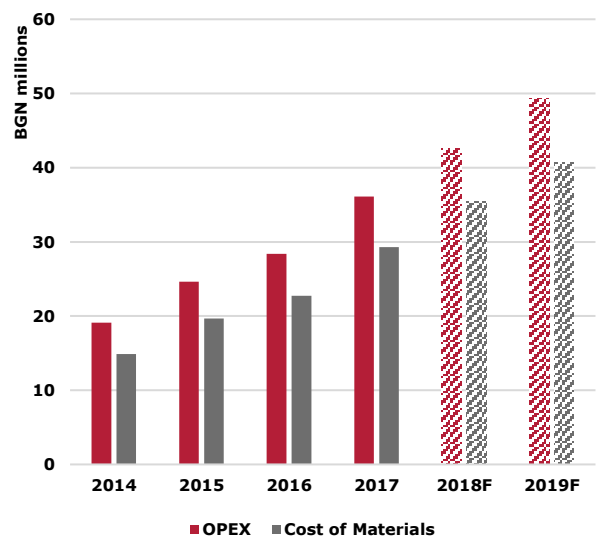
Source: Company data

Exhibit 8: Steadily improving EBITDA margin



Source: Company data

Exhibit 7: OPEX governed by raw materials costs



Source: Company data

INDIVIDUAL FINANCIAL DATA

Income Statement	2012	2013	2014	2015	2016	2017	2018F	2019F
Sales	20 458	17 193	20 912	27 449	32 607	42 630	50 182	57 710
Other operating income	1 398	605	209	180	154	0	254	289
Change in Inventories	-299	1	14	-78	-183	44	-434	-173
Cost of Materials	16 159	12 663	14 893	19 672	22 715	29 277	35 497	40 685
Cost of External Services	898	871	1 005	1 182	1 346	1 456	1 336	1 731
Cost of Labor	2 431	2 089	2 494	3 135	3 843	4 488	4 996	5 713
Other operating expenses	1 759	1 098	722	725	676	835	1 163	1 327
Total Operating Expenses	20 948	16 722	19 128	24 636	28 397	37 208	42 558	49 284
EBITDA	908	1 076	1 993	2 993	4 364	6 530	7 878	8 714
Depreciation and Amortization	351	385	416	797	1 013	1 108	936	866
EBIT	557	691	1 577	2 196	3 351	5 422	6 942	7 849
Financial revenue	8	0	0	2	1	0	0	1
Financial expense	42	32	113	47	99	111	183	144
Interest Expense	2	2	76	16	70	74	121	115
EBT	523	659	1 464	2 151	3 253	5 311	6 759	7 704
Income Taxes	125	60	143	219	326	0	676	770
Minority Interest	0	0	0	0	0			
Net Income	398	599	1 321	1 932	2 927	5 311	6 083	6 934

Balance Sheet	2012	2013	2014	2015	2016	2017	2018F	2019F
Inventories	2 355	3 122	2 762	3 920	4 897	5 414	5 520	6 637
Receivables from related parties	2 599	1 594	2 161	1 351	1 662	4 258	1 104	1 154
Trade Receivables	408	118	234	517	1 489	449	3 011	1 443
Cash & Cash Equivalents	114	557	1 003	480	2 301	1 488	3 751	5 459
Current Assets	5 476	5 391	6 160	6 268	10 349	11 609	13 387	14 692
Property, Plant & Equipment	3 386	4 600	9 961	13 516	15 127	15 257	14 553	13 273
Intangibles	2	3	5	12	9	8	15	17
Other receivables	25	35	38	37	45	45	25	29
Non-Current Assets	3 413	4 638	10 004	13 565	15 181	15 310	14 593	13 319
Total Assets	8 889	10 029	16 164	19 833	25 530	26 919	27 980	28 012
Shareholders' Equity								
Share Capital	1 634	6 202	6 481	8 779	8 779	13 169	13 169	13 169
Reserves	922	400	947	5 101	5 294	1 017	1 976	2 669
Retained Earnings	4 047	486	1 696	2 391	3 514	6 355	5 167	5 860
Total shareholder's equity	6 603	7 088	9 124	16 271	17 587	20 541	20 312	21 698
Liabilities								
Account Payables	1 939	2 469	2 361	3 022	3 227	2 022	3 613	3 751
Financial lease liabilities	17	17	4	62	92	124	90	63
Liabilities to Related Parties	168	192	4 364	3	9	2	1 004	866
Other Current Liabilities	0	0	0	13	433	35	125	115
Current Liabilities	2 124	2 678	6 729	3 100	3 761	2 183	4 833	4 796
Liabilities to Employees on Retirement	143	4	0	154	144	385	151	162
Financial lease liabilities	19	259	311	308	322	94	427	491
Liabilities to related parties	0	0	0	0	3 716	3 716	2 258	866
Non-Current Liabilities	162	263	311	462	4 182	4 195	2 835	1 518
Total Liabilities	2 286	2 941	7 040	3 562	7 943	6 378	7 668	6 313
Shareholders' Equity and Liabilities	8 889	10 029	16 164	19 833	25 530	26 919	27 980	28 012

Source: Company IFRS Financial Statements Audited; Elana Trading Estimates

INDIVIDUAL QUARTERLY FINANCIAL DATA

Income Statement	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Sales	5 601	13 238	23 356	32 607	9 624	21 532	32 290	42 630
Other operating income	39	84	116	154	41	112	162	0
Change in Inventories	-269	-419	-456	-183	-335	-406	-721	44
Cost of Materials	3 929	9 200	16 117	22 715	6 838	15 196	23 008	29 277
Cost of External Services	241	597	909	1 346	178	615	1 070	1 456
Cost of Labor	725	1 644	2 669	3 843	995	2 100	3 246	4 488
Other operating expenses	116	287	475	676	335	558	731	835
Total Operating Expenses	4 742	11 309	19 714	28 397	8 011	18 063	27 334	37 208
EBITDA	898	2 013	3 758	4 364	1 654	3 581	5 118	6 530
Depreciation and Amortization	217	470	738	1 013	272	548	830	1 108
EBIT	681	1 543	3 020	3 351	1 382	3 033	4 288	5 422
Financial revenue	0	0	0	1	0	0	0	0
Financial expense	12	41	73	99	27	56	84	111
Interest Expense	5	27	50	70	18	37	55	74
EBT	669	1 502	2 947	3 253	1 355	2 977	4 204	5 311
Income Taxes	0	0	0	326	0	0	0	0
Minority Interest	0	0	0	0	0	0	0	0
Net Income	669	1 502	2 947	2 927	1 355	2 977	4 204	5 311

Balance Sheet	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Assets								
Inventories	4 010	3 445	4 759	4 897	5 481	6 601	6 278	5 414
Receivables from related parties	2 526	3 887	4 580	1 662	4 253	3 350	2 789	4 258
Trade Receivables	487	2 347	1 350	1 489	851	3 987	2 163	449
Cash & Cash Equivalents	453	789	477	2 301	1 934	1 451	1 256	1 488
Current Assets	7 476	10 468	11 166	10 349	12 519	15 389	12 486	11 609
Property, Plant & Equipment	14 862	14 987	14 990	15 127	14 938	14 972	15 142	15 257
Intangibles	11	12	11	9	8	10	9	8
Other receivables	37	37	37	45	45	45	45	45
Non-Current Assets	14 910	15 036	15 038	15 181	14 991	15 027	15 196	15 310
Total Assets	22 386	25 504	26 204	25 530	27 510	30 416	27 682	26 919
Shareholders' Equity								
Share Capital	8 779	8 779	8 779	8 779	8 779	8 779	13 169	13 169
Reserves	5 101	5 294	5 294	5 294	5 294	5 407	1 017	1 017
Retained Earnings	3 060	2 120	3 565	3 514	4 869	4 095	5 322	6 355
Total shareholder's equity	16 940	16 193	17 638	17 587	18 942	18 281	19 508	20 541
Liabilities								
Account Payables	3 160	4 062	3 267	3 227	3 618	4 423	2 586	2 022
Financial lease liabilities	46	41	24	92	69	53	27	124
Liabilities to Related Parties	1 727	4 701	4 707	9	279	1 156	833	2
Other Current Liabilities	51	27	24	433	420	2 289	514	35
Current Liabilities	4 984	8 831	8 022	3 761	4 386	7 921	3 960	2 183
Liabilities to Employees on Retirement	308	308	308	144	144	176	176	385
Financial lease liabilities	154	172	236	322	322	322	322	94
Liabilities to related parties	0	0	0	3 716	3 716	3 716	3 716	3 716
Non-Current Liabilities	462	480	544	4 182	4 182	4 214	4 214	4 195
Total Liabilities	5 446	9 311	544	7 943	8 568	12 135	8 174	6 378
Shareholders' Equity and Liabilities	22 386	25 504	26 204	25 530	27 510	30 416	27 682	26 919

Source: Company IFRS Financial Statements

KEY FINANCIAL AND PERFORMANCE INDICATORS

	2014	2015	2016	2017	2018F	2019F
Valuation						
Price/Earnings (P/E)	13.62	16.36	15.84	19.84	17.32	15.19
Price/Book (P/B)	1.97	1.94	2.64	5.13	5.52	5.19
Price/Sales (P/S)	0.86	1.15	1.42	2.47	2.10	1.83
EV (in '000 BGN)	21 663	31 511	48 625	107 832	105 502	102 291
EV/EBITDA	10.87	10.53	11.14	16.51	13.39	11.74
Profitability						
Return on common equity	16.30%	15.22%	17.29%	27.86%	30.87%	33.01%
Return on assets	10.09%	10.73%	12.90%	20.25%	22.12%	24.77%
Return on invested capital	12.32%	13.57%	16.87%	23.07%	33.92%	42.11%
EBITDA margin	9.53%	10.90%	13.38%	15.32%	15.70%	15.10%
Operating margin	7.54%	8.00%	10.28%	12.72%	13.83%	13.60%
Net income margin	6.32%	7.04%	8.98%	12.46%	12.12%	12.02%
Dividend						
Dividend yield	4.14%	5.00%	4.92%	4.03%	4.62%	5.27%
Dividend per share	0.12	0.18	0.26	0.32*	0.37	0.42
Liquidity						
Current ratio	0.92	2.02	2.75	5.32	2.77	3.06
Quick ratio	0.50	0.76	1.45	2.84	1.63	1.68
Credit						
LT debt/equity	0.03	0.02	0.23	0.19	0.13	0.06
Total debt/equity	0.51	0.02	0.26	0.19	0.19	0.11
Total debt/total assets	0.29	0.02	0.18	0.15	0.14	0.09
EBIT/interest expense	20.75	137.25	47.87	73.27	57.31	68.00

Source: Company IFRS Financial Statements; Elana Trading estimates

* 2017 DPS Elana Trading estimate

KORADO Overview

COMPANY PROFILE

Korado Bulgaria is a leading steel panel radiator producer in Bulgaria. The Company is part of the Czech Korado Group, being a low cost manufacturing base, situated in the town of Strazhica in Northcentral Bulgaria.

The Company's core operations are steel panel radiators with 1.2 million pieces per annum capacity under 4 shifts operations with single type of radiators. The Company's main products in the segment are positioned both on the premium and low price end of the market with two corresponding brands – Kingrad and Radik, respectively.

In April 2016, Korado added tubular bathroom radiator production capacity, manufacturing 51k pieces for the first year of the line's operation. Bathroom radiator capacity under a 4 shifts operational scheme is estimated by the Company at 170k pieces per annum.

Approx. 70% of the Company's production is distributed via the parent company in the Czech Republic. On the one hand, this is due to better bargaining power by the parent company. On the other, due to the lack of radiator paint shop that can service Korado Bulgaria's total radiator capacity. The Company's current paint shop can service 650k steel panel radiators only. Accordingly, Korado uses the Group's paint shops in the Czech Republic to finish its tubular products. The Company is working on expanding its radiator paint shop capacity.

The Group has also strong market positions in Romania, Ukraine, Russia and the Balkans and has recently started balancing out its influence with orders from mature markets in Western Europe.

FUNDAMENTAL STORY

Korado is the only steel panel radiator producer in Bulgaria and among the key heating equipment manufacturers in the country. Being part of the biggest Czech steel panel and tubular radiator producer Korado Group, positions it among the key players on the European heating equipment market. According to Korado estimates, it is among the top 10 radiator producers in Europe

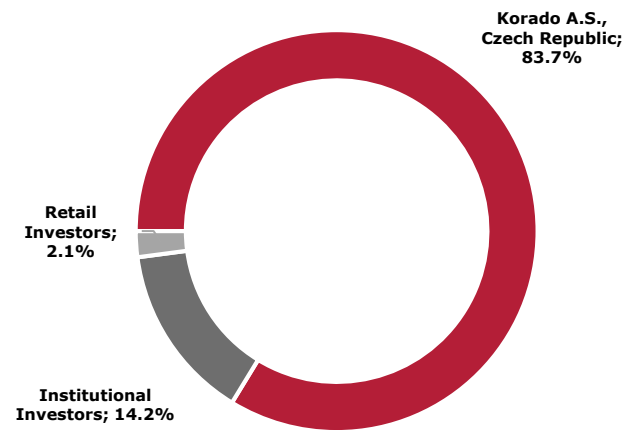
Korado has a diversified portfolio of products, adding tubular bathroom radiators to its portfolio in April 2016.

The Company is focused on selling its production in both Central and Eastern European markets, as well as entering the Western European markets. It has successfully strengthened and even expanded its market positions in almost all its markets. Among its main long-term goals is to increase in its market share in Bulgaria.

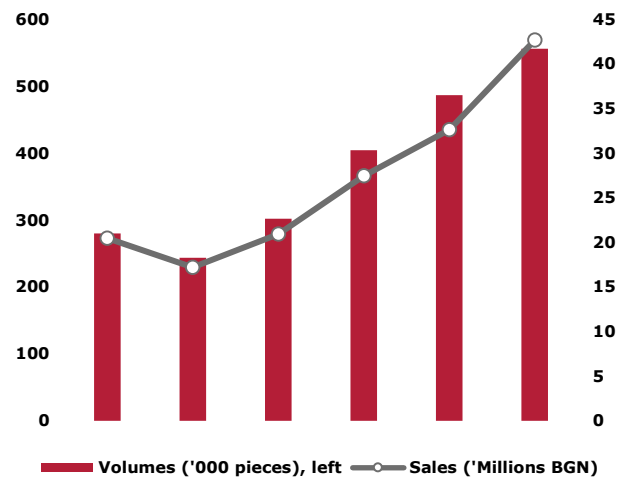
STRENGTHS & OPPORTUNITIES

- Good corporate governance
- Low indebtedness levels
- Successful expansion on EU markets
- EU energy efficiency policy in place

SHAREHOLDERS' STRUCTURE



SALES GROWTH



Source: Company data

WEAKNESSES & THREATS

- Heavy dependence on the Czech market
- Strong rivalry from steel panel radiators producers and substitutes, e.g. aluminum radiators
- Volatile steel prices
- Slowdown in construction sector

Disclaimer

Regulatory Restrictions: No publication of ELANA Trading should be construed as an offer (or solicitation of an offer) to **U.S. persons** to buy or sell financial instruments or any financial product, make any investment or participate in any particular trading strategy (collectively "Offers"). No Publication of ELANA Trading should be construed as an Offer (or solicitation of an offer) in any jurisdiction in which such Offer would be illegal. Any such perceived Offer will not be honoured by ELANA Trading.

Analyst Certification: The research analyst(s) certifies that: (1) all of the views expressed in this document accurately reflect his or her personal views about any and all of the subject securities or issuers; (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this document.

Financial Interest: ELANA trading does and seeks to do business with companies covered in its research reports. This may and includes investment banking services for which ELANA Trading shall be remunerated. ELANA Trading has performed market making services for Korado in the last 12 months. ELANA Trading may trade or own shares of the analyzed companies. The research analyst(s) is not holding shares of the analyzed companies, unless otherwise noted. As a result, investors should be aware that ELANA trading may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Regulatory Authority: Financial Supervisory Commission, *Budapest Street 16, 1000 Sofia, Bulgaria*

Information Disclosure: All reasonable care has been taken to ensure the facts stated are accurate and opinions given are fair and reasonable. Our recommendations are based on information available to the public that we consider to be reliable but for the completeness and accuracy of which we assume no liability. Neither ELANA Trading, nor its directors, officers or employees shall in any way be responsible for its contents. The views expressed may differ from the views of other firm departments or representatives. Additional information is available upon request. Unless otherwise noted, sources for all information in charts and tables are ELANA Trading's calculations.

Risks for Investors: Information in this document should not be regarded as an offer to buy or sell any financial instruments. The investment possibilities discussed in this document may not be suitable for certain investors depending on their specific investment objectives and time horizon or in the context of their overall financial situation. In particular, the risks associated with an investment in the securities or the financial instruments under discussion are not explained in its entirety.

The prices or values of the securities may go down as well as up and can fluctuate and fall against the investor. The securities or investments may cause the investor to lose the amount invested. Past performance is not a guide to future performance. Changes in exchange rates may have an adverse effect on the value, price or income of the securities or investments.

Valuation Methods: Company valuations are based on the following methods: multiple-based (P/E, P/B, EV/EBITDA), historical valuation approaches, peer comparisons, discount models (DCF, DDM) or asset-based evaluation methods. Valuation models are dependent on macroeconomic factors, including interest rates, foreign exchange rates, prices of raw materials, and any expectations about the economy, the market sentiment. The valuation is based on expectations that might change rapidly and without notice, depending on developments specific to individual industries and countries. Recommendations and target prices derived from the models might therefore change accordingly. The application of models depends on forecasts of a range of economic variables, thus there is a range of reasonable variations within models. Any valuation is dependent upon inputs that are based on the subjective opinion of the analysts carrying out this valuation.

Recommendations: Analyst(s) recommendations are based on the specific factors for the company, sector, country and global developments, as compared to market indices. Recommendations and opinions reflect ELANA Trading's expectations over the 12-month period following publication from the perspective of long-only investment clients. ELANA Trading reserves the right to express different or contrary recommendations and opinions for different timescales or for other types of investment client. Except as otherwise noted, expected performance over next 12 months vary for different recommendations for Bulgarian stocks as follows:

BUY	Target price is more than 10% above current quotes
HOLD	Target price in +/-10% range of the current quotes
SELL	Target price is more than 10% below the current quotes

Frequency of Recommendations: No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

Q4 2017 Recommendation Review			Market Maker Services
Recommendation	#	Share	
BUY	5	31%	SKK BU; Korado
HOLD	11	69%	
SELL	0	0%	

Copyrights: The copyrights of ELANA Trading analyses belong to the Research Department of the brokerage and their content cannot be used for commercial purposes. Replication and redistribution of ELANA Trading analyses content is expressly prohibited without the prior written consent of the appointed contacts listed below.

For more information, please contact:

Research Analyst	Phone:	E-mail:	Internet:
Natalie Ilcheva	+359 2 810 00 27	ilcheva@elana.net	www.elana.net
Research Team	+ 359 2 810 00 24	research@elana.net	www.elana.net