

CINKARNA CELJE (CICG SV)

ALTA

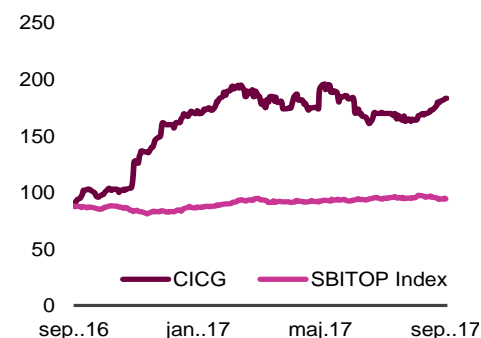
NEW
INVESTMENT
CULTURE
12M Target price: 230 EUR Recommendation: BUY

Previous target price: 205 EUR, BUY/HOLD (17.3.2017)

KEY MARKET DATA:

Stock data as of 13.09.2017 :		Price performance:		3M	12M
Market price (EUR)	180.0	Price change in %		-3.2%	111.8%
52 week range (EUR)	85.0 - 196.0	SBI 20 index change in %		0.9%	9.4%
Market Cap (EUR)	146.6	Relative to SBI 20 index in %		-4.1%	93.6%
		Valuation multiples:		TTM	Forward
Avg. daily trade vol., EUR(k)	118	EV/Sales		0.8	0.8
Average daily % of stock traded	0.091%	EV/EBITDA		3.9	3.2
No. of Shares in millions	0.8	EV/EBIT		6.3	4.6
		P/E		7.6	7.5
Dividend yield	5.0%	P/B		1.0	0.9

SHARE PRICE DYNAMIC:



KEY COMPANY DATA & ESTIMATES:

million €	FY2015	FY2016	TTM	2017F	2018F
Sales	169.1	169.8	176.4	182.7	182.7
EBITDA	21.2	25.4	36.7	43.8	37.8
Margin	12.5%	14.9%	20.8%	24.0%	20.7%
EBIT	8.1	10.6	22.3	30.5	24.4
Net income	6.8	9.8	19.3	19.7	19.8
EPS	8.4	12.0	23.7	24.2	24.3
DPS	4.2	9.05		12.1	12.2
Provisions	21.2	20.5	20.1		
Cash	14.0	31.0	25.4		
Net debt*	7.2	-10.6	-5.4		
Equity	140.2	146.0	152.6		
Assets	181.0	186.0	191.6		
ND/EBITDA	0.3	-0.4	-0.1		
P/E	9.0	13.5	7.6	7.5	7.4
EV/EBITDA	3.3	4.8	3.9	3.2	3.7

*Included environmental provisions but not ST and LT investments

KEY CURRENT DEVELOPMENT:

- Results are significantly up versus 1H16 and are already exceeding entire 2017 plan. Namely guided EBITDA was at EUR 23.2m and profit at EUR 10.0m vs already delivered EUR 23.1m and EUR 14.0m. However this is not the first time, as company guidance tends to be on a conservative side.
- In addition 1H17 report also implies they do not expect a change in current excellent demand dynamic. Its true however that in line with this input commodities market is also tightening and pricing pressures mounting – thereby we can expect profitability to slowly normalize.
- Key news in 1H17 was an environmental report submitted in 1H17 that entails possible environmental rehabilitation cost in the amount of EUR 1.8m to EUR 6.3m. More details are to be known by 2017 end-year when all environmental projects will be set. Therefore end year income statement and balance sheet could be burdened by one-offs (provisioning etc.). Note current environmental provisions are at EUR 19.8m.
- Based on industry development, outlook and 1H17 results we have upgraded our target price from EUR 205 to EUR 230. However industry is cyclical and can quickly turn. This must be considered, as well as our belief profit taking will likely increase when share price exceeds EUR 200 mark.
- NKBM is selling its stake (3.92%)– this can influence the market.

1H17 Results

ALTA

NEW
INVESTMENT
CULTURE

million EUR	1Q16	2Q16	1H16	1Q17	2Q17	1H17	YoY
Sales	40.7	46.3	87.0	45.1	48.6	93.7	7.6%
Operating revenues	38.0	43.8	81.8	43.9	48.4	92.2	12.7%
COGS	26.8	28.9	55.7	25.4	27.4	52.8	-5.2%
Labour costs	6.6	7.1	13.7	6.7	9.1	15.8	15.0%
Other opex	0.3	0.3	0.6	0.3	0.3	0.6	-7.0%
EBITDA	4.3	7.5	11.8	11.5	11.6	23.1	95.7%
Margin	10.7%	16.1%	13.6%	25.5%	23.9%	24.6%	
EBIT	1.3	4.3	5.6	8.6	8.7	17.2	209.7%
Net income	0.9	3.5	4.5	7.0	7.0	14.0	212.4%

- Higher demand, as economies are expanding, limited supply, also due to some Hutsman issues and situation in Ukraine-Russia, and consequently TiO2 price increases have dictated the positive dynamic of Cinkarna Celje results in 1H17 (2Q17 repeated 1Q17 environment). Namely global prices increased by 6.6% in 1H17 (and 20.5% from mid 2016) while European prices increased by 16.4% and 25.8% from end and mid 2016 respectively.
- Management noted that discontinued operations of titanium-zinc sheets production and graphic program have proved to be optimal as company could focus its capacities towards titanium dioxide production.
- TiO2 inventories are low as they are at only 11 production days.
- They sold 84.1 thousand ton of CEGIP or up 16% YoY (sales value down by 24%), which is positive for the life span of their dump site.
- Energy costs were up by 6% YoY while cost of packaging is down 12%, despite higher production volume. Labour costs increased as 13th wage was paid in June due to good results. Net financial result deteriorated slightly by EUR 0.3m due to FX related items.
- Profit level is above planned level of EUR 5.0m.

million EUR	1H16	2016	2Q17	YoY
Financial debt	3.5	0.1	0.2	-93.2%
Cash	13.1	31.0	25.4	94.1%
Net debt	-9.6	-30.9	-25.2	161.3%
Inv. & Provisions	19.7	19.1	18.6	-5.9%
Net debt 2	10.1	-11.8	-6.6	
Receivables	34.6	26.7	37.3	7.9%
Inventory	34.4	30.6	31.7	-7.7%
Equity	141.3	146.0	152.6	8.0%
Assets	182.8	186.0	191.6	4.8%

- CAPEX at EUR 5.4m is below planned amount (35.6% of 2017 planned level), mostly as several project are still in test phase.
- Cash flow from operations amounted to EUR 7.0m in 1H17.

Segment	1H16	1H17	Index
Titanium dioxide	60.5	73.8	121.9
Zinc processing	12.3	5.4	44.0
Construction programme	1.5	1.4	95.8
Coatings and varnishes	6.5	7.9	122.0
Agricultural programme	2.9	2.7	92.9
Other	3.3	2.4	71.6
Total	87.0	93.7	107.6

- Production of titanium dioxide increased by 2% with sales value up 22% YoY.
- In some programs, like construction and agro segment, results deteriorated, however not due to production levels (which are above plan), but due to pricing pressures burdening results. Its true however Cinkarna Celje has signaled situation is improving in domestic construction sector.

Country	1H16	1H17	Index
Slovenia	11.4	13.2	115.9
European Union	60.3	62.1	102.9
ex. Yugoslavia	3.8	3.7	97.8
Third countries	11.6	14.7	127.0
Total	87.0	93.7	107.6

- EU markets growth is higher if adjusted for discontinued operations (which recorded EUR 10m of sales in H16).
- Surge in „third countries“ categories is due to a volume increase in Iran, Izrael and India as well as Swiss and Turkey.
- For Ex-Yu market the main problem derives from BiH market, where economic situation is still problematic.

Huntsman:

- More than three-fourths of the of EUR 250 per metric ton price increase effective in the second quarter of 2017 were successfully captured.
- Management expects that there may be modest increases in raw material costs in the near term.
- Titanium dioxide finished goods inventory on hand at the end of the second quarter 2017 was lower than it's been in the past several years. This is a trend that management believes is being experienced across the titanium dioxide industry.

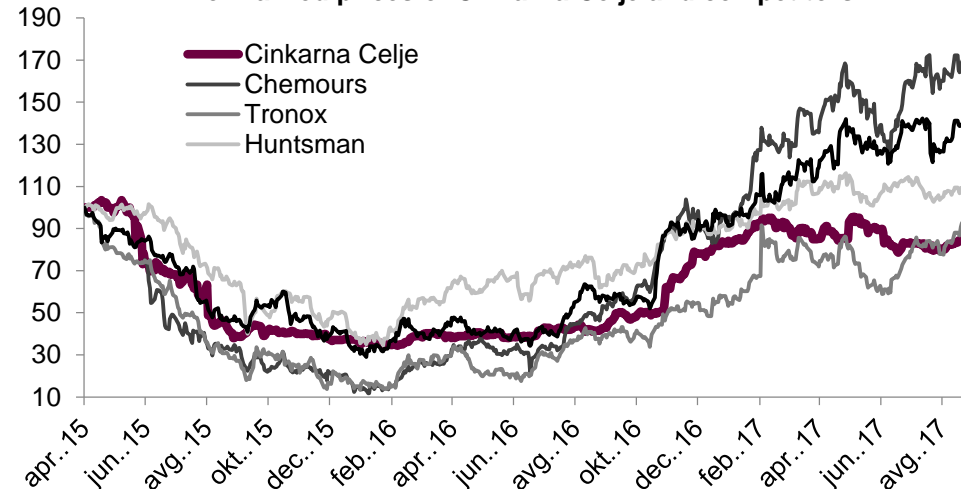
Tronox:

- They see that tightness in the global supply demand balance in pigment is continuing and this includes taking into account Chinese producers. Tronox believes that pigment inventories, in aggregate, remain at or below normal levels at customer and producer locations globally.
- Pigment producers globally are running at high utilization rates. Again, this includes Chinese producers. The result is little untapped global capacity.
- They are seeing tightening conditions in feedstock markets. This should provide cost pressure on non-integrated pigment producers who purchase feedstock. As the management commented, feedstock price increases usually follow TiO₂ market with six to nine months delay.
- Management believes the price increase cycle is nowhere near the top and that their expectation of prices will remain firm for the next several quarters going forward.
- The fact that the Chinese government has put environmental law on a rule that now needs to be followed by the Chinese companies, is leveling the playing field.
- Although Q4 and Q1 are generally weaker, the market will continue to improve but possibly at a slower pace than in the previous two quarters as there is limited new capacity. The demand is still solid in all their markets.

Huntsman:

- The demand for TiO₂ tends to be in line with global GDP growth. However, this year demand for their products has trended above GDP in the high single-digits, a result of market supply tightness and customer preference for Ti-Pure products.
- In China, a lot of the manufacturers are under scrutiny due to environmental impact. Some of those facilities have been shut down, however, it is hard to tell if that will be permanent or just temporarily.

Normalized prices of Cinkarna Celje and competitors



Investment Thesis

ALTA

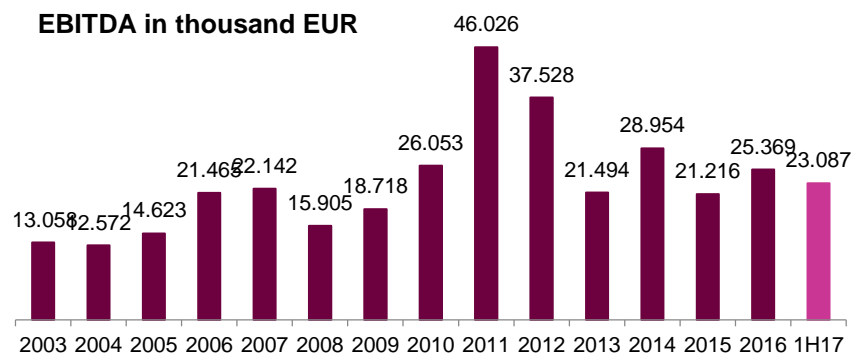
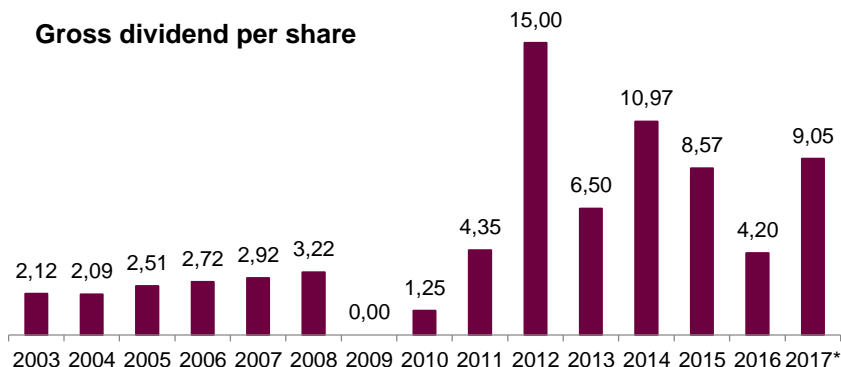
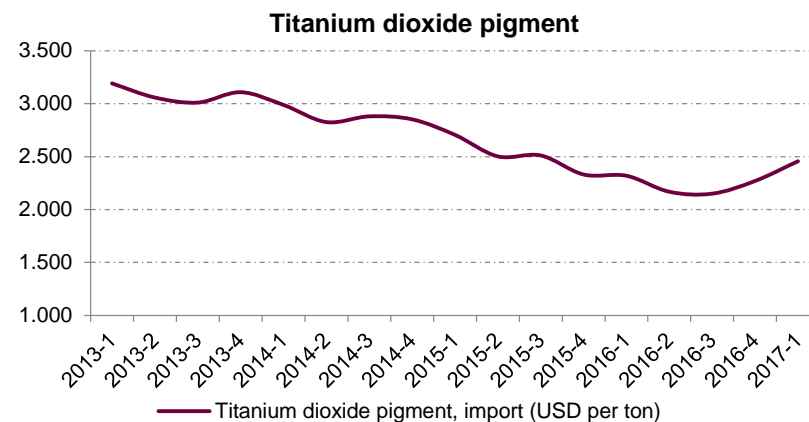
NEW
INVESTMENT
CULTURE

POSITIVE:

- **Consumption depends on global GDP growth, which picked up.**
- TiO₂ industry was plagued by oversupply and hence pricing pressures during 2015. However in 1H16 industry bottomed out and **pricing environment improved considerably during 2016 and 2017.**
- The company **has a net cash position** on its balance sheet (EUR 25.4m on 30th June 2017).
- Cinkarna Celje **consistently delivered profit** in the last decade despite being under the influence of high industry cyclicalities (on output and input markets).
- **Strong focus on most profitable segments.** In the last two years the company closed two unprofitable production units – Graphic Materials and titanium-zinc sheets production – to focus on more profitable segments. This shows management adaptability and flexibility.
- **Strong free cash flow generation.** Sales of EUR 159m per year on average (2006-2016 period) with EBITDA margin of 16.1% on average per year and CAPEX/sales of 5.5% are resulting in strong cash flow.
- **High dividend payer.** Cinkarna Celje delivered 5.4% average gross dividend yield or EUR 48.5m of dividends paid in 2006-2016 period. In 2017 dividends amounted EUR 9.05 per share, and given the 2017 trends and results, 2018 will also be generous to investors.

NEGATIVE:

- As demand for TiO₂ varies with industry and economic cycles, **results were and will be volatile** (from top to bottom perspective) and normalized view must be considered when valuing Cinkarna Celje. Consequently dividend amount should also be very volatile.
- **The production has negative effects on the environment.** Consequences are:
 - Limits regarding production – with respect of landfill capacity and extension permits.
 - Environmental clean-up expenses for which provision have to be and were formed. This could burden end 2017.
 - Regulatory environment demands could always stiff up, further limiting production or increasing costs.



Relative valuation

ALTA

NEW
INVESTMENT
CULTURE

Company name	P/E			EV/EBITDA			EV/EBIT		
	TTM	2017F	2018F	TTM	2017F	2018F	TTM	2017F	2018F
TAYCA Corp	10.8	n.a.	n.a.	6.3	n.a.	n.a.	6.3	n.a.	n.a.
Ishihara Sangyo Kaisha	9.2	8.8	8.4	7.2	n.a.	n.a.	9.4	n.a.	n.a.
Cosmochemical Co.	neg.	12.0	12.7	16.6	9.8	9.3	45.1	n.a.	n.a.
Grupa Azoty	15.3	9.7	8.3	8.4	7.0	5.9	14.3	10.9	8.5
Kronos Worldwide	9.2	12.7	n.a.	12.0	7.5	n.a.	14.5	14.6	n.a.
Tronox Limited	64.6	38.7	35.8	14.8	9.1	8.4	43.1	12.2	10.1
TOR Minerals Int	n.a.	n.a.	n.a.	9.0	n.a.	n.a.	52.1	n.a.	n.a.
Huntsman Corporation	15.5	13.2	14.1	8.5	7.5	6.1	13.3	12.7	12.2
Chemours	32.3	10.7	9.7	19.1	7.0	6.6	35.8	8.6	8.1
Cinkarna Celje	7.6	7.5	7.4	3.9	3.2	3.7	6.3	4.6	5.8
Median	15.3	12.0	11.2	9.0	7.5	6.6	14.5	12.2	9.3

Company name	EBITDA margin TTM	EBIT margin (%)	Profit margin (%)	ROE TTM	ROA TTM	Assets turnover	Div. yield (%)	Assets/Equity	Net debt to EBITDA
TAYCA Corp	15.3%	15.1%	10.7%	10.4%	7.6%	0.72	1.51	1.37	-1.94
Ishihara Sangyo Kaisha	11.6%	8.8%	6.5%	9.8%	4.2%	0.65	0.00	2.31	1.95
Cosmochemical Co.	8.9%	3.3%	-11.3%	-40.1%	-7.7%	0.68	0.00	5.21	7.62
Grupa Azoty	9.2%	5.4%	4.3%	9.3%	5.0%	1.17	1.96	1.87	1.39
Kronos Worldwide	15.5%	12.9%	18.6%	45.0%	18.9%	1.02	2.04	2.37	1.01
Tronox Limited	16.4%	5.6%	1.9%	4.2%	0.9%	0.45	0.58	4.93	7.39
TOR Minerals Int	7.8%	1.4%	0.8%	1.1%	0.9%	1.07	0.00	1.28	0.29
Huntsman Corporation	12.3%	7.8%	4.3%	25.8%	4.4%	1.02	1.35	5.81	2.99
Chemours	10.7%	5.7%	5.0%	50.5%	4.0%	0.81	0.18	12.44	4.13
Cinkarna Celje	20.8%	12.6%	10.9%	12.6%	10.0%	0.92	5.03	1.26	-0.15
Median	11.6%	5.7%	4.3%	9.8%	4.2%	0.81	0.58	2.37	1.95

- Peer comparison is limited due to the limited comparability of product segments, size and geographical focus. Namely we also used some major players in chemicals segment with wider range of products and we used several American based competitors. On the other hand it is true that due to spin outs and consolidation comparison is considerably easier than in previous years.
- The table above clearly shows multiples at market or target price seem very low, however high cyclicality of the industry (and consequently valuation) must be taken into consideration and therefore reversion to mean regarding cash flow generation. Also note relative valuation gives significantly higher price target than free cash flow model (albeit both show upside).
- Given the excellent results and some indications that are improving our long term assumptions regarding production, we have increased our target price from EUR 205 to EUR 230 per share. Visibility is also becoming better, albeit we will need to wait regarding further provisioning for 2017 end-year balance sheet, while we can expect further environmental data flow in 2018.

Historic Financial Data

NEW
INVESTMENT
CULTURE

in EURm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assets	206.3	209.8	207.4	189.9	188.3	198.0	196.0	183.4	182.9	181.0	186.0
Non-current assets	136.5	142.8	142.4	134.5	130.2	128.5	120.1	113.5	109.4	102.8	97.2
Current assets	69.8	67.0	65.0	55.3	58.2	69.5	75.9	69.8	73.5	78.2	88.8
Short term investment	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Cash	9.4	5.4	4.0	4.1	6.3	9.5	8.6	8.1	14.4	14.0	31.0
Equity	94.8	100.3	97.7	98.8	106.9	127.5	133.3	135.1	140.1	140.2	146.0
Equity of non-controlling interests											
Provisions	12.1	12.0	11.7	11.3	16.2	27.9	27.1	26.4	25.7	24.0	23.2
Non-current liabilities	31.4	27.7	19.3	17.7	11.2	3.8	4.7	0.2	0.0	0.0	0.0
Non-current financial liabilities	29.4	25.5	18.8	17.2	10.8	3.8	4.7	0.2	0.0	0.0	0.0
Current liabilities	67.7	69.4	78.1	60.8	52.6	36.6	28.2	19.0	15.3	15.2	15.5
Current financial liabilities	56.3	58.8	67.7	48.1	36.5	17.4	14.9	4.6	0.0	0.0	0.1

in EURm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Sales revenues	150.7	156.7	131.6	129.6	153.4	184.1	173.2	166.0	160.7	169.1	169.8
Total Revenues	160.1	162.7	137.6	128.6	155.1	195.5	178.3	166.5	169.6	170.5	166.4
Cost of goods, materials and services	113.0	114.3	94.7	84.7	99.1	117.6	110.2	115.5	109.7	119.5	111.6
Labour costs	24.7	25.1	25.8	24.2	28.4	30.5	29.6	28.5	29.7	28.4	28.2
D&A plus impairments	10.7	11.1	11.4	14.1	12.3	13.2	13.4	12.9	12.7	13.1	14.8
Other operating expenses	1.0	1.1	1.1	1.0	1.5	1.3	0.9	1.1	1.2	1.3	1.2
EBITDA	21.5	22.1	15.9	18.7	26.1	46.0	37.5	21.5	29.0	21.2	25.4
Operating income	10.8	11.0	4.6	4.6	13.7	32.8	24.1	8.6	16.2	8.1	10.6
Financial Income	0.8	1.3	1.5	0.8	0.7	1.0	0.9	1.3	0.5	0.7	1.0
Financial expenses	4.7	4.8	5.3	4.5	3.8	2.2	2.6	2.3	0.7	0.7	0.4
Interest cost	3.7	4.1	4.8	4.2	2.3	1.5	0.9	0.5	0.1	0.1	0.1
EBT	6.9	7.5	0.9	1.0	10.9	31.6	22.5	7.6	16.1	8.1	11.0
Total taxes	1.3	1.5	0.1	0.0	2.0	6.1	4.2	0.4	2.1	1.2	1.3
Net profit / loss	5.6	6.1	0.8	1.0	8.9	25.5	18.3	7.2	13.9	6.8	9.8
Attributable to equity holders of the parent											

CAPEX	-10.4	-14.9	-9.6	-4.5	-6.5	-10.2	-7.2	-6.9	-8.8	-6.9	-8.7
-------	-------	-------	------	------	------	-------	------	------	------	------	------

in EURm	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Gross margin	25.0%	27.1%	28.0%	34.7%	35.4%	36.1%	36.4%	30.4%	31.7%	29.3%	34.3%
EBITDA margin	14.2%	14.1%	12.1%	14.4%	17.0%	25.0%	21.7%	13.0%	18.0%	12.5%	14.9%
EBIT margin	7.1%	7.0%	3.5%	3.6%	9.0%	17.8%	13.9%	5.2%	10.1%	4.8%	6.2%
Net margin	3.7%	3.9%	0.6%	0.8%	5.8%	13.9%	10.6%	4.3%	8.7%	4.0%	5.7%
Assets Turnover	0.73	0.75	0.63	0.68	0.81	0.93	0.88	0.91	0.88	0.93	0.91
ROA	2.7%	2.9%	0.4%	0.5%	4.7%	12.9%	9.3%	3.9%	7.6%	3.8%	5.2%
Assets to Equity	2.18	2.09	2.12	1.92	1.76	1.55	1.47	1.36	1.31	1.29	1.27
ROE	5.9%	6.1%	0.8%	1.0%	8.3%	20.0%	13.7%	5.3%	9.9%	4.9%	6.7%
Net debt / EBITDA	3.6	3.6	5.2	3.3	1.6	0.3	0.3	-0.2	-0.5	-0.7	-1.2
Debt to Assets	41.5%	40.1%	41.7%	34.4%	25.1%	10.7%	10.0%	2.6%	0.0%	0.0%	0.1%
Debt to Equity	0.90	0.84	0.89	0.66	0.44	0.17	0.15	0.04	0.00	0.00	0.00
TIE ratio	2.9	2.7	0.9	1.1	5.9	22.6	27.7	15.7	249.4	74.1	163.2
NWC / Assets	23.7%	24.2%	24.4%	19.6%	18.8%	20.5%	27.3%	25.4%	23.6%	26.6%	22.5%
Days inventory outstanding	103.8	109.4	127.4	90.3	77.6	96.3	118.3	97.3	109.8	112.1	100.0
Days receivable outstanding	68.3	63.3	77.0	81.7	72.1	57.2	65.7	66.5	57.8	57.6	57.4
Days payable outstanding	36.8	33.9	39.8	55.0	59.1	59.6	44.0	45.5	50.8	46.4	50.2
EBITDA - CAPEX	11.0	7.3	6.3	14.3	19.6	35.8	30.3	14.6	20.2	14.3	16.7

Company & ALTA Description

ALTA

NEW
INVESTMENT
CULTURE

COMPANY DESCRIPTION:

- Established in 1873 as metallurgy, but after 1968 the main business activity of Cinkarna Celje is chemical processes, more exactly production and marketing of titanium dioxide pigment.
- Their main product is titanium dioxide pigment (annual production of roughly 65 thousand tons of TiO₂). Cinkarna is also an important supplier of titanium-zinc sheets and powder coatings.
- It has around 1,000 employees.
- Around 87% of its sales is generated abroad.

OWNERSHIP STRUCTURE:

Modra Zavarovalnica	20.0%
DUTB d.d.	14.5%
SDH d.d.	11.4%
Nova KBM d.d.	3.9%
SOP Ljubljana	3.7%

Source: KDD

RESEARCH REPORT:

Prepared by:

Matej Šimnic
Analyst
Sašo Stanovnik
Head of Research

Completion date and time:

14.9.2017 13:05

First release:

14.9.2017 13:50

Market data capture date:

13.9.2017 10:00

CONTACTS:

ALTA Invest, investicijske storitve, d.d.
Železna cesta 18, 1000 Ljubljana, Slovenia
phone: + 386 1 32 00 300
e-mail: invest@alta.si
http://www.alta.si

Head of Research:

Sašo Stanovnik
saso.stanovnik@alta.si
+386 (1) 32 00 310

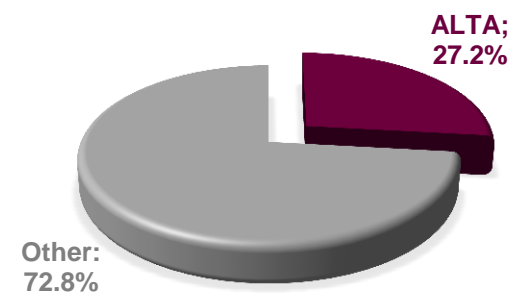
Institutional Trading:

Darko Jurčević
darko.jurcevic@alta.si
+386 (1) 32 00 395

ABOUT ALTA INVEST:

- ✓ Our trading advantage is our execution of large trading blocks with low impact on the market.
- ✓ 38,300 brokerage clients with EUR 3.3 bn of assets.
- ✓ European Banking award: Best Broker & Best Asset Manager in 2015 and 2016.

TTM market share:



Disclaimer

ALTA

NEW
INVESTMENT
CULTURE

The research department of ALTA Invest, investicijske storitve, d.d. (eng. ALTA Invest, investment services, Inc.), is, in order to avoid and deter conflict of interests, a separate organizational part of the company. It is independent in its decisions regarding selection, monitoring and updating of its investment recommendations of an individual issuer. According to its information policy, ALTA Invest, investicijske storitve, d.d. observes data privacy and strongly defends access to its data bases and other materials connected with the research department against any unauthorized access or personnel.

ALTA Invest, investicijske storitve, d.d. may trade with the financial instruments mentioned in this document for its own account and may also engage in securities transactions in a manner inconsistent with the content of this research report as a result of short-term trading recommendations by analysts.

Remuneration of the analyst who provides monitoring of a certain issuer is based, among other factors, also on the profitability of ALTA Invest, investicijske storitve, d.d.; a part is also profit arising from ALTA Invest, investicijske storitve, d.d. investment services.

ALTA Invest, investicijske storitve, d.d. is supervised by the Slovenian Securities Market Agency (Agencija za trg vrednostnih papirjev), Poljanski Nasip 6, 1000 Ljubljana, Slovenia.

CONFLICT OF INTEREST

ALTA Invest, investicijske storitve, d.d. (ALTA Invest, investment services, Inc.), declares that all of its affiliated legal entities, financial analysts, and with them related clients and any other subjects that have participated in the creation of this document, do not hold any important stakes concerning the financial instruments that are the subject of this document. Nor do they have any important financial interest with the issuer of those instruments that might arise from cross-ownership, financial instrument market making, facilitating public offerings for financial instruments or any other special services connected to such instruments in the past 12 months, as well as interests from the purchases of this document, the remuneration of the employees and/or other participating subjects, especially financial analysts, connected with turnover of tangible financial instruments or with other interest relations, eg. any other agreements, which might refer to providing services with financial instruments. ALTA Invest, investicijske storitve, d.d. also declares, that there are neither no conflicts of interests of the stated individuals/entities connected with financial instruments, which are subject of this document, nor any conflicts of interests concerning the issuer of the instrument.

LIMITED LIABILITY

The document was prepared by ALTA Invest, investicijske storitve, d.d. (ALTA Invest, investment services, Inc.), Železna cesta 18, Ljubljana. ALTA Invest, investicijske storitve, d.d. is a member of the Ljubljana Stock Exchange and is supervised by the Slovenian Securities Market Agency, Poljanski nasip 6, Ljubljana.

The document is, according to the Article 378 of The Securities Market Act, treated as an investment recommendation. The recommendation is prepared solely for the purposes of better understanding financial instruments and performance of capital markets and is not intended for a specific audience. Therefore it is not to be construed as an offer to buy or sell, nor as a solicitation of an offer to buy or sell any financial instrument. Additionally, no opinion in the document is intended to provide any personal investment services or advice, since it does not take into consideration any specific investment objectives, financial context or situation, investor knowledge, investor experience or any particular needs of any specific person that has, for whatever reason, become familiar with the contents of this document or part of such.

The document was prepared for the purposes of ALTA Invest, investicijske storitve, d.d. clients and is not subject to reproduction, distribution or publication without the explicit permission of ALTA Invest, investicijske storitve, d.d. Similarly, any kind of mediation, variation or summarizing of this document is only permitted with the prior explicit written consent of ALTA Invest, investicijske storitve, d.d. Therefore with the acceptance and examination of this document, the reader is obligated not to disclose the contents, opinions, conclusions or any other data from this document, as well as any investment recommendations, evaluations, forecasts or target prices, without the prior explicit permission of ALTA Invest, investicijske storitve, d.d.

Any information in this document is based on data obtained from public sources, printed media, annual and semi-annual reports, company presentations, Bloomberg L.P., electronic media and other sources, which ALTA Invest, investicijske storitve, d.d. considers to have been reliable on the date of publication or, exceptionally, indicates doubts concerning the reliability of such. The financial analysts that have prepared this document have gathered the data, reorganised it and processed it according to the principles of fairness and with professional care; however, no representations or guarantees are made by ALTA Invest, investicijske storitve, d.d. with regard to the accuracy or completeness of the data. The facts, on which the document is grounded, are clearly differentiated from those interpretations, assessments, opinions and other information that are not strictly factual in nature. Projections, forecasts and target prices are marked, and the document clearly indicates the central assumptions on which they are based, and are subject to change without notice. These forward looking statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance, achievements, or prospects to differ materially from any future results, performance, achievements or prospects expressed or implied by such statements. The document may also contain historical data on the profitability of certain financial instruments; however, past performance is not necessarily indicative of future results.

ALTA Invest, investicijske storitve, d.d. points out that any investments in financial instruments, including the financial instruments that are the subject of this document, pose certain risks. When investing in financial instruments, it is important to be aware of both systematic and unsystematic risks. Unsystematic risk applies to certain financial instrument that are not under the influence of the entire financial market and are relatively independent of developments on those markets. The effects of unsystematic risk can be reduced or eliminated with portfolio diversification. On the other hand, systematic risk applies to factors that influence the entire financial market and therefore affect the value of an investor's portfolio. Furthermore, settlement and custodial risk in emerging markets may be higher than in markets where there is a long-established infrastructure. Stock liquidity may be impacted by the number of market participants that may therefore impact the reliability of any investments made as a result of acting upon information contained in this document. Further, risks not discussed in this document may apply to the discussed security. Investors should always investigate the various risk aspects of any security in any market before making an investment decision. We advise investors to contact the appropriate investment consultants or brokers to gather additional information.

The selling price of a financial instrument is usually not known in advance and can differ from the expected target price used to calculate expected gross return. Therefore, realized and expected gross returns may differ. Also, the investor must take into account that provisions, trade costs and taxes will influence the final net return earned on the difference between the purchase and selling price of a financial instrument. The difference may be positive or negative and cannot be forecast with any certainty in advance. In addition, all investors should be aware of the possibility of failure to achieve forecasted events and valuation assumptions on which the document is based, as well as the possibilities of price fluctuation of a particular financial instrument and/or issuer. In the case of unfavourable movements of the price of a particular financial instrument, there is the possibility of lower future value of the investment compared to the initial (purchase) value or vice versa. If a financial instrument is denominated in a currency other than the investor's currency, a change in exchange rates may adversely affect the price or value of, or the income derived from, the financial instrument, and such investor effectively assumes this currency risk. The reader of the document should also be aware of the significant impact of certain assumptions on predicting the target price of the issuer of the financial instrument, which is presented in the document, especially in the sensitivity analysis, as well as the fact that past performance is not necessarily an indicator of future profitability of the issuer of the financial instrument and vice versa.

Disclaimer

ALTA

NEW
INVESTMENT
CULTURE

ALTA Invest, investicijske storitve, d.d. accepts no responsibility for any damage or loss arising from the use of information in this document.

Target price and recommendation is set by determining the fair value of stocks, taking into account fundamental factors and news and should be understood as such. The target price and recommendation does not indicate any relative performance of the stock versus a regional or sector benchmark.

BUY: The investment rating reflects the total expected return (the difference between the current price of the stock and estimated price, expressed in %, and the estimated dividend yield) for a potential investment in the 12-month period from the date of the initial rating, which is more than 10%.

HOLD: The investment rating reflects the total expected return (the difference between the current price of the stock and estimated price, expressed in %, and the estimated dividend yield) for a potential investment in the 12-month period from the date of the initial rating, which is between 0% and 10%.

SELL: The investment rating reflects the total expected return (the difference between the current price of the stock and estimated price, expressed in %, and the estimated dividend yield) for a potential investment in the 12-month period from the date of the initial rating, which is lower than 10%.

NO RECOMMENDATION / EVALUATION: No recommendation can be given on the basis of the data available.

In the period between 30.6.2016 and 1.7.2017 the structure of all investment research was:

	Number	Share	Share of issuers, for which ALTA Invest, investicijske storitve, d.d., has provided investment services regarding financial instruments in last 12 months
Buy	23	55%	14%
Hold	19	45%	10%
Sell	0	0%	0%

Recommendations issued by ALTA Invest, investicijske storitve, d.d. Zvezna cesta 18, 1000 Ljubljana, are valid for 12 months, except in case of previous update of the recommendation. However, ALTA Invest, investicijske storitve, d.d. is not engaged in periodical updating of the recommendations of the issuer under consideration as well as is not obliged to notify readers about any kind of valuation, opinion or forecast changes, which have arisen from the occurrences after the recommendation release. When dealing with its customers, ALTA Invest, investicijske storitve, d.d. is not obliged to act in accordance with opinions and assessments expressed in investment recommendations.

Financial analysts responsible for the preparation of the document and other individuals that are familiar with the content of the document have not engaged in any personal transactions or trade with the financial instruments that are the subject of the document nor have they been connected with the financial instruments during the preparation period of the document, up to and including one day after its publication.

SPECIFIC DISCLOSURES

ALTA Invest, investicijske storitve, d.d. Zvezna cesta 18, 1000 Ljubljana, Slovenia, and the financial analyst responsible for monitoring the issuer under consideration, guarantee that this document has not been disclosed to the issuer of the financial instrument before its public release.

ALTA Invest, investicijske storitve, d.d. and its related legal entities can own shares of the issuer under consideration. A financial analyst responsible for monitoring of the issuer under consideration does not have any significant financial interests concerning the financial instrument. They also do not have any conflict of interest concerning the issuer under consideration.

ALTA Invest, investicijske storitve, d.d. and/or its related legal entities have not performed (any) services concerning financial instruments to the issuer under consideration herein within the past 12 months.

ALTA Invest, investicijske storitve, d.d. and related entities may hold securities of the issuer in question herein.

STATEMENT OF FINANCIAL ANALYST

ALTA Invest, investicijske storitve, d.d. (eng. ALTA Invest, investment services, Inc.), and the undersigned financial analysts, responsible for the monitoring of the issuer under consideration, declare that they have not received any kind of compensation that could affect the formulation of this document or opinions expressed in this document. The recommendation has not been disclosed to anyone before it was publicly released.

Matej Šimnic, Analyst. On the day of the public release, the author of the recommendation did not hold securities of the relevant issuer.

Sašo Stanovnik, Head of research. On the day of the public release, the author of the recommendation did not hold securities of the relevant issuer.

First release of the recommendation was performed on 13.4.2010.

Quarterly updates are planned for data, valuation, target price and recommendation.

OTHER INFORMATION

Other information about the services of ALTA Invest, investicijske storitve, d.d. and financial instruments, including general conditions for the provision of services, price lists and other disclosures and information can be found at <http://www.alta.si/>, http://www.alta.si/Organizacija_skupine/Ceniki_pogoji_in_akti and http://www.alta.si/Osnove_trgovanja/Razlaga_financnih_instrumentov.

ALTA Invest, investicijske storitve, d.d., Zvezna cesta 18, SI-1000 Ljubljana. Registered at the District Court of Ljubljana, Registration Number: 3710432000, ID for DDV: SI89931181, Share capital: 2,031,803.00 EUR.

The distribution and/or content of this document in other jurisdictions may be restricted or differently regulated by law, and the reader should inform himself regarding any such restrictions. By accepting this document, the reader consents to be bound by the foregoing instructions.