ALTA Invest

DATALAB D.D.

Technology

9th November 2012

www.datalab.si

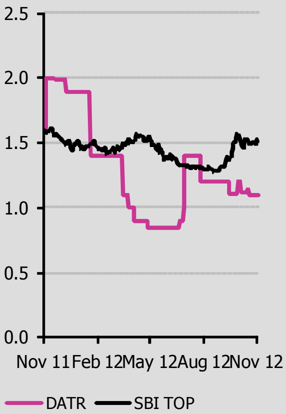
LJSE ticker: DATR
Bloomberg: DATR SV

Target price:
5.0 EUR

Previous target price:
4.7 EUR, BUY (07.05.12)

Recommendation:
BUY

12 months stock performance in EUR



Growth company.

Regional exposure.

Ambitious plan.

Attractive valuation.

ESOP programme.

Stock data as of 9th November 2012

Market price (EUR)	1.10	Market Cap (EUR)	1.8m
52 week range (EUR)	0.85 - 2.00	No. of Shares	1.7m
Avg. daily trade vol., EUR(k)	4.51	Free float	58.4%
Average daily % of stock traded	0.235%	Dividend yield	0.0%

Price performance			**Multiples:**	**TTM**	**2013F**
	3 months	12 months	P/E	3.4	2.9
price change in %	-8.3%	-31.2%	EV/Sales	0.6	0.5
SBI TOP index change in %	16.8%	-4.8%	EV/EBITDA	2.1	1.7
relative to SBI TOP in %	-21.4%	-27.3%	EV/EBIT	5.9	4.0

Key figures (According to International Accounting Standards) *Consolidated data in thousand EUR.*

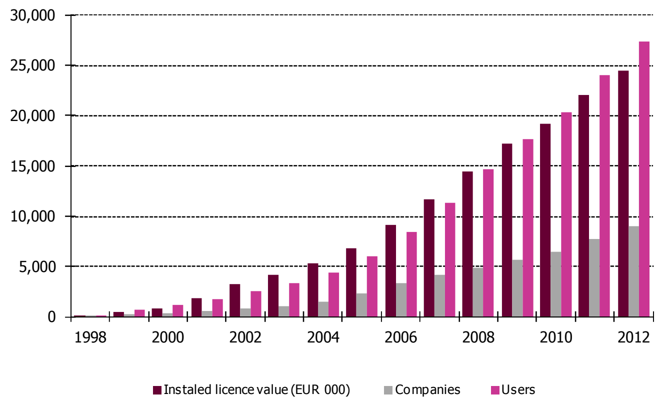
Income statement:					**Balance sheet:**			
thousand €	**2011**	**2012**	**2013F**	**2014F**	*thousand €*	**2011**	**2012**	**TTM**
Sales	5,148.7	5,940.3	6,440.0	9,106.4	Investments	139.9	137.1	137.1
Growth yoy	*3.0%*	*15.4%*	*8.4%*	*41.4%*	Cash	102.7	163.3	163.3
EBITDA	1,581.3	1,648.1	1,975.5	2,980.2	Debt	1,518.8	1,697.0	1,697.0
Margin	*30.7%*	*27.7%*	*30.7%*	*32.7%*	Net debt	1,276.1	1,396.6	1,396.6
EBIT	594.7	558.0	824.7	1,680.2	Equity	3,373.0	3,949.5	3,949.5
Margin	*11.6%*	*9.4%*	*12.8%*	*18.5%*	Assets	6,432.3	7,202.7	7,202.7
Net income	504.4	551.2	703.5	1,419.6	Fin. D/E	45.0%	43.0%	43.0%
Growth	*12.8%*	*9.3%*	*27.6%*	*101.8%*	Fin. D/A	23.6%	23.6%	23.6%
EPS	**0.30**	**0.32**	**0.38**	**0.67**	Debt/EBITDA	1.0	1.0	1.0

* EPS includes new issued shares due to ESOP program. Fiscal year for Datalab Group is from 1st July till 30th of June (difference to calendar year).

Investment Thesis:

- **High growth:** Datalab has a high growth rate of users, customers and value of installed base. Namely it had an average yearly growth of 48.2% in 1998 to 2012 period for installed value in EUR, a 42.1% CAGR for costumers (companies) and 45.3% CAGR for number of users. Respective average annual growth rates in 2007 to 2012 period are 16.0%, 16.8% and 19.4%. Slowdown of growth is expected as the company was started in 1998 and that in the first years the growth rates were exceptionally high. Nevertheless growth rates still show that Datalab remains a high growth company. In 2012 they achieved a 14.4% growth of sales revenues, 16.8% growth in users (+3,931 to 27,390) and 11.3% YoY growth in installed licenses. Here we have to also note that Datalab is a rare IT company listed on the exchange on the domestic market (as well as in region).

The crucial numbers to look at for growth is the increase in number of users. This is translating into current and future revenues. Here the important fact is that their sales partners continue to push Datalabs solutions (mainly Pantheon) and that training program is successful in order to capture new users (individual and adapted solutions).



In Slovenia installed licences are up 8% YoY in 2012, while number of companies by 13%. License revenues on the other hand fell by 8% YoY. They compensated this with other revenues like for maintenance. In Croatia installed licenses increased by 17% and number of companies by 11% to 1,298 companies. In BiH installed licenses increased by 17% while number of companies by 31% to 1,864. In Serbia installed licenses increased by 13%, despite the termination of partnership with Blue Soft, while companies by 16% to 1,263.

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

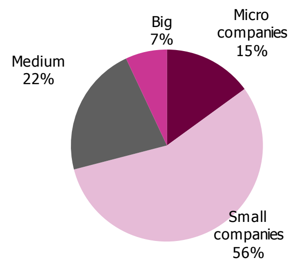
Head of Research:
Sašo Stanovnik
saso.stanovnik@alta.si

Head of Trading:
Igor Taljat
igor.taljat@alta.si

In Montenegro respective growths of installed licenses and companies are +26% and +22% (289) in Kosovo +21% and +22% (44), while in Macedonia +36% and +35% (305).

The reason for management optimism for the future, as they expect more than 30% yearly growth (30% to 90%), can be found in a current environment of fragmented IT suppliers (most have only EUR 1 to 2m of revenues). As the complexity of platform and application grows, so will the need for R&D and with it economy of scale. This is even more likely in case of significant tax, accounting or regulatory changes (coming through conversion processes, Croatia's pending entrance to EU etc.). Smaller competitors will not be able to provide sufficient IT support so their customers will likely switch to bigger companies (opportunity for Datalab). Recession is helping in that respect, as more price pressures are putting more pressure on economy of scale and therefore consolidation in the region (sentiment change for consolidation has been seen by Datalab's management in current year). Here we must also note that growth potential can also be seen when comparing current customer base with all the companies in the region. Also Datalab is counting on constant acquisition growth (not just organic) through which they would gain new customer base. With management guidance of at least 30% growth, Datalab is definitely a growth company and their growth is relatively inexpensive (PEG of only 0.1); however management will have to deliver this growth.

Client base



- **Regional Exposure:** The company is present in the whole Balkan region, with a nice diversification of sales. Namely in 2012, Datalab achieved 45% of sales on the domestic market, 16% in Croatia, 12% in Bosnia and Herzegovina, 14% in Serbia, 4% in Montenegro, 9% in Macedonia and 0.5% in Bulgaria. On the domestic market the company has around 9% market share (small and mid-size companies; ranked third place), while their long term plan is to have around 7% market share in all target markets. This target and their estimates imply the ecosystem revenue would amount to EUR 70m, while Datalabs EUR 23m, again supporting view that this can continue to be a growth company.

Regional segmentation on growth dynamics is seen in following table:

Licence sold by country	2005	2006	2007	2008	2009	2010	2011	2012
Slovenia	717	914	1,047	1,004	772	571	720	786
Croatia	133	284	407	555	374	494	756	521
BiH	118	732	675	573	746	531	901	721
Serbia	436	534	644	774	630	696	738	631
Montenegro	31	23	38	165	138	95	198	190
Macedonia	10	72	43	63	259	296	258	363
Kosovo	61	0	5	0	18	49	48	40
Bulgaria	0	0	0	21	22	81	37	10
Total	1,506	2,559	2,859	3,155	2,959	2,813	3,656	3,262

Licence value in EUR	2005	2006	2007	2008	2009	2010	2011	2012
Slovenia	871,307	1,215,910	1,236,390	1,213,770	1,116,490	564,552	885,284	827,352
Croatia	102,319	223,426	351,746	551,237	358,679	397,493	799,179	503,227
BiH	83,560	442,139	448,687	368,167	457,424	316,639	371,226	327,840
Serbia	307,302	363,695	477,522	522,489	446,551	441,427	453,091	421,017
Montenegro	22,032	15,389	24,837	100,201	90,922	55,414	113,675	124,493
Macedonia	9,065	47,468	25,359	26,325	172,855	189,930	147,078	250,706
Kosovo	35,980	0	5,720	0	11,114	29,405	41,928	16,840
Bulgaria	0	0	0	14,365	10,742	42,765	19,820	8,746

New clients	2005	2006	2007	2008	2009	2010	2011	2012
Slovenia	269	247	299	245	238	257	373	427
Croatia	47	114	109	138	116	141	116	133
BiH	46	219	200	144	194	165	438	435
Serbia	139	88	134	132	146	138	237	170
Montenegro	11	5	10	56	44	55	42	52
Macedonia	2	29	20	14	43	64	54	79
Kosovo	13	0	1	0	6	9	5	8
Bulgaria	0	0	0	1	9	17	12	5
Total	527	702	773	730	796	846	1,277	1,309

They will for now freeze operations in Bulgaria, but expand into Kosovo and Albania. If Albanian operation will go well (together with Swiss company Mattig Management Partners) they could re-enter Romanian market as well.

An interesting fact here provided by Datalab is that in order to cover cost of entering a new market they need about 2000 users that usually translates into 600 companies. This means there are normally 3 to 4 users per costumer (company) for their product. Also we must note the focus of the company is on medium, smaller and micro companies in the region.

- **Ambitious strategy.** Datalab strategic plan is very ambitious and its realization would mean that the growth of the company would accelerate and with it the value of its share. Average annual growth rate in 2013 to 2015 period for revenues envisioned by management is 36%, while for net income respective growth rate is 96%.

Datalab d.d.	2013F	2014F	2015F
Revenues	4,740,372	6,022,739	7,860,996
- regular	2,537,729	3,419,814	4,928,954
- capitalized	1,958,643	2,422,924	2,592,042
- other	244,000	180,000	340,000
Costs	3,904,885	4,691,048	5,261,963
out of which D&A	1,233,739	1,361,895	1,633,463
Financial income	61,000	40,000	0
Financial costs	78,400	95,360	99,652
Profit	792,067	1,244,866	2,076,513

Consolidated	2013F	2014F	2015F
Revenues	6,541,905	9,396,344	14,874,376
Net profit	1,260,436	2,498,616	4,967,258
out of which minority	53,030	259,545	828,269

This plan shows that management is confident that the region has high growth potential for its services and products and that Datalabs PANTHEON is a very competitive product, especially given current environment. Additionally margins should expand considerably through economies of scale (R&D costs per revenue) and improve profitability. Plan also shows ambition, innovation and boldness of the company and its management. For example they will try to capitalize on changes in agriculture sector in Europe, where European Commision will want a larger administration data for subsidies (FarmAccounting).

Here we must also note that financing of R&D has already been achieved by SID in the amount of EUR 2m (only a quarter used). Management also stated that R&D expenses and investments could change given how estimated business results and environment scenarios materializes.

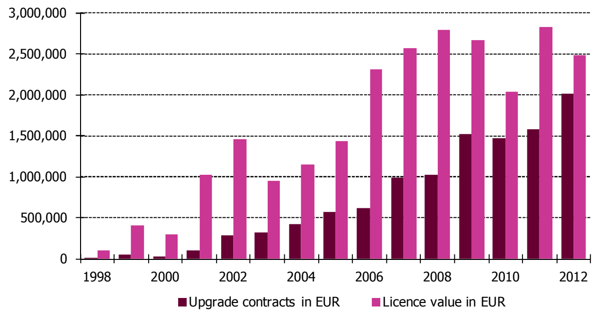
- **High customer satisfaction rating:** They are implementing around 160 improvements per month and one major version of product every quarter. New product generation is envisioned every four years with development cost of around EUR 3m. This means a CAPEX cycle of 4 years in the amount of EUR 3m with possible future trends shortening this cycle. But this also means Datalab is keeping pace with competition and is improving customer experience and satisfaction.

Datalab conducted a survey between their customers in the region. The surveys showed around 52% are satisfied and 23% very satisfied with the Pantheon solution. 4% of users rated their experience as unsatisfied. Also 90% of users would recommend Pantheon. This favorable consumer satisfaction rating is most probably connected to the fact that the number of errors (bugs) is trending lower, also through auto testing. The ultimate goal here is to have less than 10 bugs per month.

- **Consumer retention easier due to switching problems**: Users don't like switching platforms or applications as this creates significant costs and takes time for training. Also they are unaccustomed to the new platform. Therefore as long as IT provider is providing sufficient support and provides proper and timely upgrades it will maintain most of its users (high barriers for switching). Above we already shown that Datalabs customer satisfaction is high so we are assured that there will be a very high level of customer retention.

On the other hand switching problems is problematic for Datalab in terms of gaining new customers. But here management believes that partly this can be resolved by acquiring smaller companies (so called "partner from competitor") and partly there will be switching due to smaller IT companies failing to provide sufficient support (as they will not have a cash flow for needed R&D to keep pace with IT and regulatory changes). Additionally their distribution also comes through accountants, as they are motivated to push for the same platform in all of their companies. This is a prudent strategy to generate new customers and then retaining them.

- **Improving revenue mix:** Since retention ratio of customers is high and company is maturing to some extent, the revenue mix is slowly rebalancing toward upgrade fees and other more stabile maintenance connected fees (already bigger share of fees is coming from upgrade fees than new user fees). This gives the company more visibility of revenues as well as more recession proof business model. Additionally margins could benefit as well (with increases in upgrade fees). In turn this lower the risk profile of the company.



- **Margin expansion possibility:** Currently the company is in a growth phase so the focus is on gaining user base. Due to high investments into solutions (CAPEX) on one hand and still relatively low user base on the other, operating margins remain low (high ratio of R&D expenses to sales). We believe that further on we can see an increase in EBIT margin as costs will distribute on wider user base (especially amortization costs as they are tied to R&D).

- **Attractive valuation:** With current TTM P/E multiple of 3.4 and EV/EBITDA multiple of 2.1 we can hardly say this company is expensive, especially for IT company that plans high growth. Also P/B is at 0.5 and EV/Sales at 0.6.

- **ESOP program:** The company has a program to pay employees a variable in a form of companies stock options (through transferal of its own shares or issuing new shares). This stock option plan is trying to tie employee's motivation with shareholding interests, providing better incentive (motivation) and is also favorably taxed. Overall we see this option plan as positive. Employees gained 0.87%, 1.45% and 2.50% of shares in 2009, 2010 and 2011 respectively.

- **Not focused on government contracts:** Their mix of customers practically excludes government and big state owned companies, so the revenues are less under threat due to different political lobbying and therefore healthier (and stabile), while this also proves their competitiveness. Additionally it seems that current Slovenian government is more inclined to R&D tax benefits and corporate tax cuts (proposed to slowly lower to 15%). On the other hand part of their revenues (4.7% in 2012) comes from »Subsidies, grants, allowances, compensations and other revenue« given by different governments. This source of revenues can be tricky and we deem these revenues as less healthy than regular business revenues.

Risks:

- **Timing of increase in revenue growth unknown:** Although we believe the magement thesis for increase in future growth rates (to be above 30% per year), we see the problem in forecasting the exact timing. Namely users will swich to Datalab and other bigger IT providers in mass only when smaller IT companies will not be able to keep pace with R&D expenses. This could happen in 2012-2013 or a couple of years later. This is recognised by managament and they will adapt to the dynamic with costs, hiring and R&D expenses. Nevertheless this also means that management guidance, as well as our forecasts, could miss severely (in level and timing). Namely in scenario where current dynamic remains in place and without acquisition growth, we can see only around 7% growth of revenues in future years. Although this is still a nice growth rate it loweres our valuation and it erodes growth story. Current environment is currently not helping Datalab.

  Additional risk factor that cannot be ignored is threat of big competitors (like SAP or Microsoft) in terms of revenue growth and margins of Datalab. Namely, these big players have substantial advantage in brand name and especially economies of scale, although they are less focused and flexible looking for providing services to smaller companies.

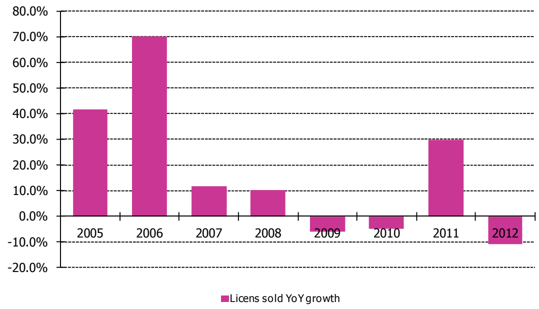
- **Macroeconomic issues:** Additionally the concerning fact regarding licenses sold is that in 2012 new license sale fell by 10.8%, the most in 10 years. The reason is primarily difficult macro environment and less a competition. Namely due to recessional environment in Slovenia and Croatia and difficult environment with low GDP growth in other regional markets, customers are less likely to decide for IT infrastructure change or upgrades. They are more likely to keep existing packages or to buy into lower costs products and services, like shifting to hosting. Additionally we can expect further pressures on prices and therefore margins. All this is seen in bottom line results for individual markets (on page 6). Here we must note that 2013 does not look good either, as for Slovenia there are still expectations for about 1.0% to 1.5% decrease of GDP. On the other hand we must note that Datalab increased maintenance fees with which will try to compensate lower new license sales.

Expected GDP growth in %	2011	2012E	2013E	2014E
Bosnia and Herzegovina	1.26	0.00	1.00	2.50
Croatia	-0.01	-1.14	0.95	1.50
Macedonia	3.11	0.96	1.95	3.54
Montenegro	2.45	0.20	1.54	2.03
Serbia	1.62	-0.48	2.05	2.55
Slovenia	0.60	-2.22	-0.36	1.71

Source: International Monetary Fund, World Economic Outlook Database, October 2012

Additionally although region presents an opportunity, Balkan region is also a highly macroeconomically and politically unstable region with a legal system and controlling mechanism still in early stages of development. Firstly, providing profitable growth in the region is difficult and evades many other Slovenian companies that expanded into the region. Secondly, payment discipline can be a problem. Datalab has EUR 269,809 receivable overdue on 30.6.2012 (of which 166,873 more than 30 days; nominal value of receivables EUR 335,206) or 23% of all receivables. But this is an improvement compared to a year ago. Nevertheless there is some risk of receivables write-off that would affect net income (but not cash flow), but management is managing this risk successfully through regular activation codes and pushing for payment discipline.

- **License sales grow volatility:** New license sold in a year varies significantly from a year to year. If we take into account years from 2007 onwards, the growth rate of new clients varied from -5.6% to 50.9%. Also new license sales varied from -10.8% to 30.7%. Although these ranges still point to a positive skew, this sales volatility is creating some level of unpredictability. For shares and results this creates a higher level of risk.



- **Intangibles risk:** There are EUR 4.9m of intangibles in the company's balance sheet or 122% of equity. Although this is somewhat normal for an IT company having intellectual property etc. (Pantheon development has cost EUR 12.5m), this poses some risk for severe balance sheet deterioration, a risk to equity capital value and a risk for one offs in income statement. Also acquisitions create goodwill that can be easily impaired if plans do not realize. This will create impairment risk that would affect bottom line numbers. We must also note that in order to retain customers the Group needs to maintain high R&D expenses. CAPEX in intangibles in the last few years was in average around 40% of all net sales revenues (70% of Datalabs d.d. revenues). Significantly lower R&D expenses would probably lead to a loss of users with a couple of year lag. Nevertheless management believes net CAPEX should lighten in 3 to 5 years period.

- **Possible implementations bottleneck:** It is not enough just to gain new customers and with it users, but also their retention. In order to retain customers Datalab has to provide on time user training and maintenance. Without this the switch to competitor's solutions is more likely. Datalab is trying to widen this bottleneck through more user friendly solutions and solutions that need less maintenance. Nevertheless to prevent this bottleneck Datalabs cost of labor could increase (+21% in number of employees in 2012).

- **Complex relation with sales partners:** Their sales partners are not only selling Pantheon platform but additional applications for platform (170 providers have around 700 aplication on Datalabs market). Here Datalab must be carefull not to provide additional solutions that are in direct competition with its sales partner solution (CRM solutions, online shopping solutions etc.). This is somewhat limiting the range of sales products of Datalab. Also in can easily happen that their sales partners are pushing more on implementation of their own additional application and less of Datalabs solutions as this means more share of revenues for them.

- **Dilution effect of ESOP:** ESOP plan can dilute EPS and valuation of the stock due to constant increase of shares. If Datalabs liquidity will sufice, ESOP program will be carried through buyback of its own shares. In this case we see less of a dilution and main issue will be the buyback price. If liquidity needs wont be good enough due to expansion and R&D activities, then additional shares will be issued for ESOP program. This will dilute the stock value and constant monitoring of this program is needed (+72,180 shares in 2012; +64,327 shares issued).

ALTA Invest

2012 Results and Recent news

Continuation of high revenue growth, while bottom line above expectations

thousand €	2011	2012	YoY	4Q11	3Q12	4Q12	QoQ	YoY
Sales	5,148.7	5,940.3	**15.4%**	1,430.2	1,674.1	1,808.2	**8.0%**	**26.4%**
EBITDA	1,450.1	1,576.1	**8.7%**	406.7	461.1	517.5	**12.2%**	**27.2%**
Margin	28.2%	26.5%		28.4%	27.5%	28.6%		
EBIT	594.6	558.0	**-6.2%**	262.3	230.2	262.1	**13.9%**	**0.0%**
Margin	11.5%	9.4%		18.3%	13.8%	14.5%		
Net income	504.4	551.2	**9.3%**	189.0	142.7	242.0	**69.6%**	**28.1%**
Margin	9.8%	9.3%		13.2%	8.5%	13.4%		

- Installed base's license value increased by EUR 2.5m to EUR 24.5m YoY, while users increased by 14.0% YoY to 27,390.

Double digit net sales growth.

- Revenues increased by 15.4% YoY to EUR 5.9m. This is a continuation of high growth rate, but lowered than company expected. The reason is in recession environment that is putting more pressure on licence prices and licence sales as hosting is becoming more popular option (revenues are more distributed). Therefore licence sales fell by 7% YoY. On the other hand maintenance fees increased by 27% YoY, hosting revenues by 122%, marketing revenues by 57%, service fees by 101% and education revenues by 1039%. Geographically the growth of net sales revenues on the domestic market was at 14.7% YoY, while 16.4% YoY abroad.
- Out of this they recorded EUR 1.5m of own capitalized revenues or 11.1% more YoY.
- 4Q12 showed 26.4% YoY increase in revenues or 8% QoQ growth.

Operating margin contracted.

- EBIT margin deteriorated, as costs increased more than revenues. Namely, COGS increased by 31.7% (34.5% of all costs), labour costs increased by 15.0% (headcount increased by 24 to 139; 37.3% of all revenues) and A&D costs increased by 19.0%. On the other hand other costs decreased significantly. The main contributors here to a rise were energy expenses, transportation costs and other services costs. Overall EBIT fell by 6.2% YoY while EBITDA increased by 8.7% YoY. 4Q12 EBITDA increased even more, namely by 27.2% YoY, while EBIT stagnated.

Nevertheless net income above expectations, especially due to 4Q12.

- Net financial result also deteriorated as financial income decreased while financial costs increased. Overall the net financial result was a negative EUR 0.153m. Here we note that accounting method changed slightly. Also there were impairments in the amount of EUR 67t, mostly due to discontinuation of operations in Bulgaria.
- Net income amounted to EUR 0.551m (EUR 0.508m of net income for continuing operations) and increased by 9.3%. The bottom line was helped by extraordinary income as well as deferred tax (110 thousand EUR). 4Q12 revenues increased by 28.1% YoY, an acceleration of growth.
- Revenues are exactly in-line with expectations, while net income is above expectations.

Segmental 2012 data positive in terms of growth.

- Balance sheet expanded due to intangibles that now amount to EUR 4.9 or 68.2% of all assets and 122% of equity. Working capital decreased, as account receivables were at EUR 1,3m or 21.6% of sales, while inventory remains negligible. Additionally account receivables increased to 14.2% of sales. NWC is therefore 10.9% of sales compared to 14.5% a year ago. Equity increased by 16.2% YoY, with 48%:52% split between short term and long term debt.
- As for operating cash flow it remained very healthy and actually increased 6.7% YoY. It amounted to EUR 1.6m. This helped finance R&D.

in EUR	Slovenia			Coratia			BiH		
	2012	2011	YoY	2012	2011	YoY	2012	2011	YoY
Net sales	**2,042**	**1,554**	**31%**	**706**	**546**	**29%**	**563**	**569**	**-1%**
Domestic market	**1,984**	**1,444**	**37%**	**609**	**503**	**21%**	**552**	**561**	**-2%**
Licence fees	435	501	-13%	256	286	-10%	244	269	-9%
Software upgrades	1,000	845	18%	315	180	75%	210	196	7%
Membership fees	43	45	-4%	17	20	-15%	14	14	0%
Services	157	31	406%	10	6	67%	57	50	14%
Marketing	17	2	750%	9	8	13%	10	6	67%
Training	193	0		3	3	0%	14	14	0%
Hosting	137	62	121%	0	0		0	0	
Other	0	58	-100%	0	0		3	12	-75%
Rent	0	0		0	0		0	0	
Foreign market	**83**	**11**	**655%**	**97**	**43**	**126%**	**8**	**0**	
Licence fees	27	8	238%	0	0		0	0	
Software upgrades	11	3	267%	0	0		0	0	
Membership fees	0	0		0	0		0	0	
Services	0	0		0	0		0	0	
Marketing	0	0		0	0		0	0	
Training	21	0		0	0		0	0	
Cooperation work	25	0		97	40	143%	7	0	
Other	0	0		0	3	-100%	0	0	
Expenses	1,843	1,437	28%	698	537	30%	601	559	8%
COGS	1,184	1,102	7%	449	353	27%	442	395	12%
Licence fees	861	868	-1%	295	166	78%	145	208	-30%
Rent	39	31	26%	13	15	-13%	19	9	111%
Cost of services	273	199	37%	137	167	-18%	113	171	-34%
of that sales	109	101	8%	11	117	-91%	47	61	-23%
Labour costs	615	332	85%	216	164	32%	142	127	12%
Financial Revenues	6	2	200%	0	3	-100%	58	0	
Financial Expenses	10	0		0	5	-100%	188	4	4600%
Net Profit	198	114	74%	2	6	-67%	-36	14	-357%

in EUR	Serbia			Montenegro			Macedonia		Bulgaria	
	2012	2011	YoY	2012	2011	YoY	2012	2011	2012	2011
Net sales	**620**	**598**	**4%**	**183**	**155**	**18%**	**393**	**252**	**22**	**72**
Domestic market	**596**	**566**	**5%**	**183**	**155**	**18%**	**288**	**147**	**22**	**72**
Licence fees	329	341	-4%	87	94	-7%	154	93	4	37
Software upgrades	199	175	14%	51	24	113%	44	21	5	10
Membership fees	19	26	-27%	0	1	-100%	3	2	1	2
Services	36	10	260%	44	36	22%	62	32	11	23
Marketing	4	9	-56%	0	0		0	0	0	0
Training	8	5	60%	0	1	-100%	14	0	1	0
Hosting	0	0		0	0		0	0	0	0
Other	0	0		0	0		0	0	0	0
Rent	2	0		0	0		0	0	0	0
Foreign market	**24**	**32**	**-25%**	**0**	**0**		**105**	**106**	**0**	**0**
Licence fees	1	2	-50%	0	0		30	36	0	0
Software upgrades	2	5	-60%	0	0		5	8	0	0
Membership fees	0	0		0	0		1	1	0	0
Services	0	0		0	0		18	10	0	0
Marketing	0	0		0	0		0	0	0	0
Training	0	0		0	0		0	0	0	0
Cooperation work	20	21	-5%	0	0		51	51	0	0
Other	0	4	-100%	0	0		0	0	0	0
Expenses	682	541	26%	153	135	13%	370	253	70	121
COGS	480	372	29%	78	63	24%	211	114	21	36
Licence fees	123	222	-45%	46	36	28%	81	47	4	18
Rent	19	17	12%	7	7	0%	11	9	3	0
Cost of services	193	129	50%	22	19	16%	107	54	8	19
of that sales	128	85	51%	0	0		40	24	0	0
Labour costs	183	139	32%	75	72	4%	152	125	48	81
Financial Revenues	16	7	129%	0	0		0	1	0	1
Financial Expenses	36	29	24%	15	4	275%	1	4	1	0
Net Profit	-57	33	-273%	14	16	-13%	19	-1	-48	-47

ALTA Invest

Relative valuation:

Trades at significant discount…

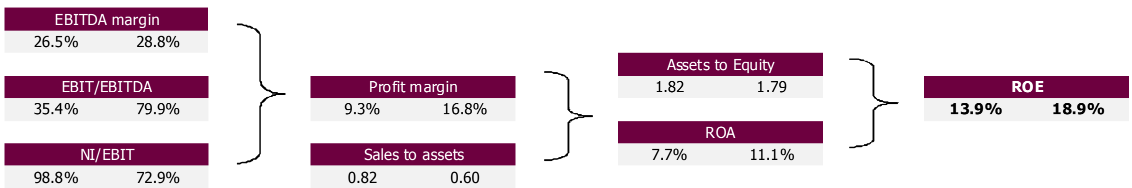
Company name	EV/S TTM	EV/S 2013F	EV/S 2014F	EV/EBITDA TTM	EV/EBITDA 2013F	EV/EBITDA 2014F	EV/EBIT TTM	EV/EBIT 2013F	EV/EBIT 2014F
Microsoft	2.6	2.2	2.0	6.5	5.1	4.8	7.2	5.5	5.1
Oracle	3.5	3.2	3.0	7.6	6.2	5.7	9.3	6.7	6.2
SAP AG	4.4	3.8	3.4	14.2	10.7	9.4	17.1	11.9	10.6
Software AG	2.6	2.5	2.3	9.4	8.2	7.6	11.3	9.6	8.7
Realdolmen	0.4	0.4	n.a.	5.7	4.7	n.a.	7.1	n.a.	n.a.
Assecopol	0.6	0.6	0.6	3.8	3.6	3.6	5.1	4.8	4.9
K3 Business Tech	0.9	0.8	n.a.	4.9	4.1	n.a.	8.4	4.6	n.a.
Logo Yazilim	2.0	1.5	n.a.	4.5	3.9	n.a.	6.7	n.a.	n.a.
Sage	2.9	2.6	2.5	9.5	8.8	8.4	10.6	9.7	9.3
DATALAB	0.6	0.5	0.4	2.1	1.7	1.1	5.9	4.0	2.0
Average	2.2	1.9	2.3	7.3	6.2	6.6	9.2	7.6	7.4

Company name	P/S TTM	P/S 2013F	P/S 2014F	P/E TTM	P/E 2013F	P/E 2014F	P/B TTM	P/B 2013F	P/B 2014F
Microsoft	3.4	2.8	2.6	15.4	8.9	8.0	3.5	2.5	2.1
Oracle	4.0	3.6	3.4	14.8	10.4	9.4	3.4	2.6	2.1
SAP AG	4.4	3.8	3.4	23.1	15.8	14.0	5.0	4.0	3.3
Software AG	2.6	2.5	2.3	16.5	13.4	12.1	2.7	2.2	2.0
Realdolmen	0.4	0.4	n.a.	13.3	6.0	n.a.	n.a.	n.a.	n.a.
Assecopol	0.6	0.6	0.6	7.7	9.0	9.1	0.7	0.6	0.6
K3 Business Tech	0.7	0.6	n.a.	7.7	4.7	n.a.	1.0	n.a.	n.a.
Logo Yazilim	2.0	1.5	n.a.	7.3	5.4	n.a.	2.2	n.a.	n.a.
Sage	3.0	2.7	2.6	16.5	14.2	12.9	2.6	2.3	2.2
DATALAB	0.3	0.3	0.2	3.4	3.1	1.7	0.5	0.4	0.4
Average	2.3	2.0	2.5	13.6	9.7	10.9	2.6	2.4	2.0

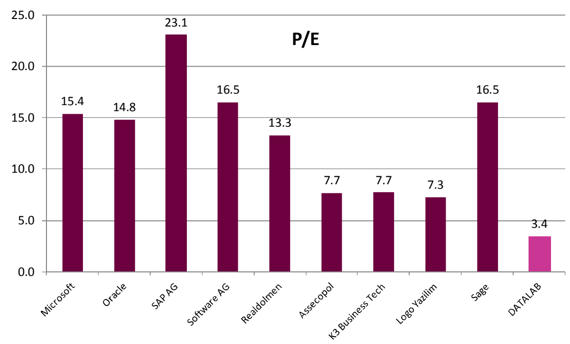
…but as a smaller IT company, also ROE is lagging.

Company name	EBITDA margin TTM	EBIT margin (%)	Profit margin (%)	ROE TTM	ROA TTM	Assets turnover	Div. yield (%)	Assets/ Equity	Net debt to EBITDA
Microsoft	40.1%	36.0%	21.7%	22.9%	12.9%	0.59	2.19	1.77	-1.89
Oracle	46.0%	38.0%	27.6%	22.9%	13.3%	0.48	0.59	1.77	-0.99
SAP AG	30.8%	25.6%	18.6%	21.9%	12.0%	0.65	1.96	1.83	-0.04
Software AG	27.2%	22.5%	15.5%	16.1%	9.6%	0.62	1.46	1.68	-0.04
Realdolmen	6.6%	5.3%	2.8%	n.a.	n.a.	n.a.	0.00	n.a.	0.00
Assecopol	16.3%	12.1%	7.7%	8.5%	4.2%	0.54	5.39	2.03	0.09
K3 Business Tech	18.1%	10.5%	8.4%	12.3%	5.7%	0.67	0.48	2.15	1.28
Logo Yazilim	43.6%	29.7%	28.9%	30.8%	21.9%	0.76	3.75	1.44	-0.15
Sage	30.8%	27.5%	19.8%	15.5%	9.4%	0.47	3.14	1.63	-0.36
DATALAB	26.5%	9.4%	9.3%	13.9%	7.7%	0.82	0.00	1.82	0.88
Average	28.8%	23.0%	16.8%	18.9%	11.1%	0.60	2.11	1.79	-0.23

ROE decomposition (company/peer average):



The company states that their main competitors are big global IT players (Microsofts Dynamic NAV, SAP All-in-one solutions) on one hand and small local IT players on the other. This creates difficulties using peer analysis. Namely, big IT players operate on different IT segments and their stock is very liquid, while small local players are a better peer alternative, but are mainly private companies, so gaining data is difficult and several are not listed. Therefore peer analysis has a limited value and DCF valuation is more appropriate. Nevertheless we included in the peer group a mix between big competitors and IT companies and some smaller European IT software companies.



Peer valuation target: EUR 5.2

The peer data shows that Datalab is trading at a discount, but this is also likely due to lower liquidity and somewhat lower profitability (possibly due to lower bargaining power and economy of scale). EV/Sales multiple is excluded due to a difference in sales segments and margins (implies EUR 8.4). Namely, in the tables above we can clearly see a substantial difference of valuation multiples and margins between big and small players in the sector. Peer valuation implies a value of EUR 5.2 per share using an EV/EBITDA, EV/EBIT and P/E multiples with an equal weight mix. We must note however that peer analysis lacks the future envisaged growth potential.

Outlook:

Growth acceleration expected by management.

- Management believes that in the next few years growth will accelerate as fragmented market will consolidate. Organic and non-organic driven growth should together bring growth levels of 30% to 90%. Management believes that growth rate of new license fees will continue to decrease in comparison to upgrade and hosting fees. We must note however that management stated the exact timing of growth acceleration is hard to predict, as it depends on market conditions. The lag in realization is therefore possible. For 2013 the forecast is EUR 6.5m for revenues and EUR 1.3m for net profit with minorities. For 2015 respective numbers are EUR 14.9m and EUR 5.0m.

Our expectations are more conservative.

- In our opinion the management forecasts are optimistic given current regional environment and political situation. Therefore we are more conservative in our estimates and we have to some extend calculated in a lag in realization of management plan. Given our GDP based model and management guidance we see growth of 8.4% growth in 2013 and around 37% growth in next three years. We note that revenues in 2012 were in line with our expectations and model, while net income was higher, but partially due to deferred tax and partially due to higher one-off income.

High EBIT margin expansion seen.

- Margins should increase in the following years as development costs will be applied to more users and revenues. As for competitive pressure on margins, it will be counterbalanced in full by industry consolidation. On the other hand in order to prevent bottlenecks and to retain customers the company will have to increase sales network. Therefore we see high EBIT margin expansion, while EBITDA margin expansion will be less substantial than for EBIT margin. Again we must note we see a lag in net income growth compared to management guidance, so there is conservatism in our forecast that could be revised upwards. The reason is that margin expansion envisioned by management is substantial and we will rather slowly increase our bottom line number given quarterly results if guidance materializes. We expect EBIDTA margin to reach 35% by 2017.
- CAPEX is forecasted at EUR 12.4m in 2013-2017 period while effective tax rate could increase only long term as in midterm tax deductions for R&D will remain high.

all data in EUR 000

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sales	3,948.0	4,462.6	4,996.8	5,148.7	5,940.3	6,440.0	9,106.4	12,975.3	16,458.4	18,080.2
Sales growth		13.0%	26.6%	3.0%	15.4%	8.4%	41.4%	42.5%	26.8%	9.9%
EBITDA	638.4	939.9	1,384.3	1,581.3	1,648.1	1,975.5	2,980.2	4,447.4	5,649.5	6,215.2
EBITDA margin	16.2%	21.1%	27.7%	30.7%	27.7%	30.7%	32.7%	34.3%	34.3%	34.4%
EBIT	-436.4	266.8	525.3	594.7	558.0	824.7	1,680.2	2,992.5	4,071.5	4,574.0
EBIT margin	-11.1%	6.0%	10.5%	11.6%	9.4%	12.8%	18.5%	23.1%	24.7%	25.3%
EBT	-350.5	-131.0	133.2	527.5	439.9	734.3	1,584.4	2,926.1	4,077.5	4,550.3
EBT margin	-8.9%	-2.9%	2.7%	10.2%	7.4%	11.4%	17.4%	22.6%	24.8%	25.2%
Net income	-365.3	202.2	447.1	504.4	551.2	703.5	1,419.6	2,437.4	3,396.6	3,600.9
Net income growth		-155.4%	-222.4%	12.8%	9.3%	27.6%	101.8%	71.7%	39.4%	6.0%

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fixed assets	2,611.7	3,396.1	4,050.3	4,740.3	5,430.3	6,020.4	7,075.9	8,444.2	10,053.0	11,903.6
PPE	218.6	111.9	60.5	258.8	308.8	282.3	276.8	268.4	265.6	265.5
Intangible assets	2,359.6	3,212.6	3,913.6	4,369.6	4,911.2	5,545.8	6,610.5	7,992.7	9,606.2	11,457.0
LT-investments	0.3	5.5	1.2	1.2	1.2	1.3	1.3	1.4	1.4	1.4
Other fixed assets	33.2	66.1	74.9	110.6	209.0	191.1	187.3	181.7	179.8	179.7
Current assets	2,145.6	2,077.8	2,172.8	1,692.0	1,772.3	2,078.6	2,963.5	5,155.0	7,803.7	9,953.6
Inventories	14.0	8.8	7.3	8.2	44.8	48.6	68.7	97.9	124.2	136.4
Trade receivables	1,894.2	1,811.4	1,789.6	1,327.9	1,280.6	1,610.0	2,458.7	3,762.8	4,772.9	4,881.7
Cash	83.9	85.6	149.4	102.7	163.3	144.9	159.3	162.2	205.7	226.0
ST-investments	89.3	103.4	126.4	139.9	137.1	141.2	145.4	1,004.8	2,574.9	4,583.7
Other current assets	64.1	68.6	100.1	113.3	146.5	133.9	131.3	127.3	126.0	125.9
Total Assets	4,757.3	5,473.9	6,223.2	6,432.3	7,202.7	8,099.0	10,039.4	13,599.2	17,856.7	21,857.3
Debt	943.6	1,043.2	1,488.3	1,518.8	1,697.0	1,679.0	1,501.0	1,567.0	1,301.0	1,273.0
ST-debt	130.9	198.9	1,488.2	580.4	817.7	809.1	723.3	755.1	626.9	613.4
LT-debt	812.8	844.4	0.0	938.4	879.2	869.9	777.7	811.9	674.1	659.6
Provisions	12.5	12.9	12.5	14.6	40.5	60.0	89.1	132.3	196.4	291.6
Trade payables	851.2	1,374.9	915.5	694.8	841.3	944.3	1,426.3	2,097.2	2,742.4	3,193.5
Other liabilities	864.6	731.9	959.6	743.6	602.0	676.9	839.0	1,136.6	1,492.4	1,826.7
Minority intrest	0.8	46.8	70.7	87.4	72.4	85.3	111.4	156.1	218.4	275.1
Equity	2,084.6	2,264.1	2,776.6	3,373.0	3,949.5	4,653.0	6,072.6	8,510.0	11,906.6	14,998.0

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net profit margin	-9.3%	4.5%	8.9%	9.8%	9.3%	10.9%	15.6%	18.8%	20.6%	19.9%
Asset turnover	0.83	0.82	0.80	0.80	0.82	0.80	0.91	0.95	0.92	0.83
ROA	-7.7%	3.7%	7.2%	7.8%	7.7%	8.7%	14.1%	17.9%	19.0%	16.5%
Equity multiplier	2.28	2.42	2.24	1.91	1.82	1.74	1.65	1.60	1.50	1.46
ROE	-17.5%	8.9%	16.1%	15.0%	14.0%	15.1%	23.4%	28.6%	28.5%	24.0%
CAPEX/Depreciation	42.8%	218.0%	167.6%	159.1%	149.9%	152.8%	181.5%	194.4%	202.1%	212.8%
Financial debt/Equity	0.45	0.46	0.54	0.45	0.43	0.36	0.25	0.18	0.11	0.08
Financial debt/Assets	0.20	0.19	0.24	0.24	0.24	0.21	0.15	0.12	0.07	0.06
Net debt/EBITDA	1.21	0.90	0.87	0.81	0.85	0.70	0.34	-0.09	-0.58	-0.89
Working capital/ Sales	28.9%	11.9%	20.6%	14.5%	10.9%	13.3%	13.8%	14.8%	14.3%	11.3%
ROIC	-14.4%	8.0%	1.7%	11.8%	12.0%	12.9%	21.9%	29.2%	30.3%	26.3%

ALTA Invest

Discounted Cash Flow Valuation:

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	TV
NOPLAT	824.7	1,680.2	2,992.5	4,071.5	4,345.3	3,818.7	4,163.6	4,595.8	5,106.3	5,687.6	4,493.9
NOPLAT growth	20.3%	103.7%	78.1%	36.1%	6.7%	-12.1%	9.0%	10.4%	11.1%	11.4%	-21.0%
Depreciation	976.2	1,146.4	1,298.5	1,427.1	1,489.4	1,722.4	1,865.8	1,955.0	1,999.2	2,007.8	2,007.7
Depretiation/Sales	15.2%	12.6%	10.0%	8.7%	8.2%	8.7%	8.5%	8.1%	7.6%	6.9%	6.7%
CAPEX	1,758.9	2,359.1	2,828.8	3,188.6	3,492.0	3,161.7	2,865.0	2,598.4	2,359.0	2,144.1	2,219.5
CAPEX/Sales	27.3%	25.9%	21.8%	19.4%	19.3%	15.9%	13.1%	10.8%	8.9%	7.4%	7.4%
Change in net working capital	211.7	401.3	665.3	434.6	-309.8	205.1	225.6	248.1	272.9	300.2	82.6
NWC/Sales	13.3%	13.8%	14.8%	14.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%	11.3%
FCF to firm	**-169.7**	**66.1**	**796.8**	**1,875.3**	**2,652.5**	**2,174.3**	**2,938.8**	**3,704.2**	**4,473.5**	**5,251.0**	**4,199.6**

FCF valuation	
Value in forecasting period	9,689
Continuing value	12,150
Total enterprise value	**21,838**
Net debt	1,460
Equity value	**20,379**
No. of shares (in mio)	2.6
Equity value per share	**7.7**

WACC	2013	TV
Tax rate	0.0%	15.0%
Cost of debt	10.4%	10.4%
Beta	1.3	1.2
Cost of equity	16.4%	16.4%
Debt/Equity	58.1%	43.5%
WACC	**14.2%**	**12.8%**
Perpetuity growth rate		**2.5%**

DCF valuation implies EUR 7.7

Our DCF valuation long term growth is set at 2.5%, WACC at 12.8%. WACC includes a 4.1% country risk premium (3.1% long term) and a small cap premium of 2.5%. It has increased compared to previous report. EBITDA margin in the period after 2017 is set at 30.0%, with long term EBITDA lower at 25.0% (due to competitive pressures). Implied long term EV/EBITDA multiple is 5.5. We have raised our forecasts given management guidance (although we stayed on a conservative side), but this was counterbalanced by higher WACC due to increased country risk.

Key determinants of value are shares issued through ESOP program. We assumed that own shares (20.034 or 1.2% off issued shares) will be given to employees and then additional shares will be issued in 2013 till 2017 period (therefore we used significantly higher number of shares). Namely in mentioned period CAPEX should remain high and financing possibility for share buybacks will be limited. After this period share buybacks could be used for ESOP. Also we must note that our estimates are below managements (especially in terms of margins) so further upside changes of estimates is very possible if management expectations will begin to realize (2012 was worse than company expected but better than our estimates). On the other hand if acceleration of growth fails, we would revise estimates downward.

Sensitivity analysis:

Sales growth 2018-2022

EBITDA margin 2018-2022	7.0%	8.0%	9.0%	10.0%	11.0%	12.0%	13.0%
27.0%	6.1	6.5	6.9	7.3	7.7	8.1	8.5
28.0%	6.3	6.6	7.0	7.4	7.8	8.2	8.7
29.0%	6.4	6.8	7.2	7.6	8.0	8.4	8.8
30.0%	6.6	6.9	7.3	7.7	8.1	8.6	9.0
31.0%	6.7	7.1	7.5	7.9	8.3	8.7	9.2
32.0%	6.8	7.2	7.6	8.0	8.5	8.9	9.3
33.0%	7.0	7.4	7.8	8.2	8.6	9.1	9.5

Perpetuity Growth

Perpetuity EBITDA margin	1.6%	1.9%	2.2%	2.5%	2.8%	3.1%	3.4%
22.0%	6.6	6.7	6.8	6.9	7.0	7.1	7.3
23.0%	6.8	6.9	7.0	7.2	7.3	7.4	7.6
24.0%	7.1	7.2	7.3	7.4	7.6	7.7	7.9
25.0%	7.3	7.4	7.6	7.7	7.9	8.0	8.2
26.0%	7.6	7.7	7.9	8.0	8.2	8.3	8.5
27.0%	7.8	8.0	8.1	8.3	8.4	8.6	8.8
28.0%	8.1	8.2	8.4	8.6	8.7	8.9	9.1

Perpetuity Growth

WACC	1.6%	1.9%	2.2%	2.5%	2.8%	3.1%	3.4%
11.3%	8.0	8.1	8.3	8.5	8.7	8.9	9.2
11.8%	7.7	7.9	8.0	8.2	8.4	8.6	8.8
12.3%	7.5	7.7	7.8	8.0	8.1	8.3	8.5
12.8%	7.3	7.5	7.6	7.7	7.9	8.0	8.2
13.3%	7.1	7.3	7.4	7.5	7.6	7.8	7.9
13.8%	7.0	7.1	7.2	7.3	7.4	7.6	7.7
14.3%	6.8	6.9	7.0	7.1	7.3	7.4	7.5

Final target price calculation:

Illiquidity discount applied.

Target price set at EUR 5.0

Our valuation is based on a 20%:80% mix between peer and DCF valuation, as we believe relative valuation has limitations in terms of peer group comparability. We applied 30% discount due to illiquidity. Our target price is raised to EUR 5.0 that implies a target P/E ratio of 15.6 and EV/EBITDA of 6.3. We deem these multiples as appropriate given the current ROE of 14.0%, EBIT margin at around 9.5% and its high growth potential. Therefore buy recommendation is in order.

Top5 shareholders:	
Mertelj Andrej	40.1%
Raiffeisen Bank	19.8%
Jagodic Zvone	8.5%
Zajc Lojze	4.5%
Rodman Moreno	1.9%

Brief Company profile

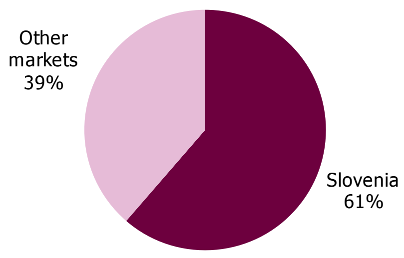
Datalab is a Slovenian software company. Their main product is the PANTHEON business IT system (based on MS SQL for Windows and Linux environment) for monitoring and optimization of business processes thereby increasing productivity and lowering operating costs. Datalab develops, sells and implements the software directly, through its Partner Channel and through accounting firms. It is orientated on small and midsized companies in Slovenia and SouthEast Europe. Its domestic market share is around 9% (2010 data).
Sources of revenues:

- Licence fees and user fees for Pantheon IT system (declining segment).
- Upgrade contracts for Pantheon (main source of revenues).
- Leasing and subscription user fees (Pantheon Hosting, growing segment).
- Membership fees for support.
- Education and certification fees, advertisements etc.

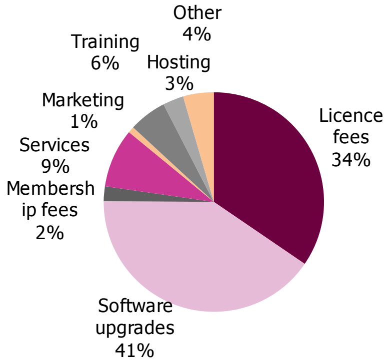
Datalab Group is organized into three levels. The controlling company is in charge of coordination of network, joint services and especially research and development. Second level consists of daughter companies, accountable for localization of PANTHEON, sales and support in respective country. On a third level there are partners or internal ServiceDesks for implementation of PANTHEON, support and activation of users.

Fiscal year for Datalab Group is from 1st July till 30th of June (difference to calendar year).

Group sales by region (2012)



Group sales by segment (2012)



Disclaimer

electronic media and other sources, for which ALTA Invest, investicijske storitve, d.d. considers to be reliable on the date of publication, or specially indicates its doubts concerning its reliability. However, no representations or guarantees are made by ALTA Invest, investicijske storitve, d.d. with regard to the accuracy or completeness of the data. Facts, on which the document is grounded, are clearly differentiated from the interpretations, assessments, opinions and other information, which are not facts. Projections, forecasts and target prices are marked and the document clearly shows main assumptions on which they are based, but are subject to change without notice. **The document can also consist of historical data about the profitability of financial instruments, however past performance is not necessarily indicative of future results.** For the purposes of this document the financial analysts of ALTA Invest, investicijske storitve, d.d. have gathered the data, reformed it and processed it accordingly to the principles of fairness and with special care of the individuals, which deal with the formulation of recommendations professionally.

ALTA Invest, investicijske storitve, d.d. and its affiliated entities, its employees and other individuals, which have participated in the formulation of this document, can possess financial instruments arising from this document or can be business partners with its issuers. **ALTA Invest, investicijske storitve, d.d. points that any investments in financial instrument, including the financial instruments that are subject to this document, are risky.** When investing in financial instruments, it is important to be aware of both systematic and unsystematic risk. Unsystematic risk applies to a certain financial instrument, which does not have the influence on the entire financial market and is independent of the movements on those markets. The effects of the unsystematic risk can be 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 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 which may therefore impact upon 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 contacts appropriate investment consultants or brokers to gather additional information**.

The selling price of 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 return can differ. Also investor must take into account that provisions, trade cost and taxes will influence final net return earned by difference between purchase and selling price of financial instrument. The difference can be positive or negative and cannot be forecasted in advance. In addition, all investors should be aware of the possibility of the failure to reach forecasted events and assumptions of the valuation on which the document is based, as well as the possibilities of price fluctuation of a particular financial instrument issuer. In the case of unfavourable movements of the price of a particular financial instrument, there is a possibility of lower future value of the investment, compared to the initial (purchase) value or vise versa. If a financial instrument is denominated in a currency other than an 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 currency risk. The reader of the recommendation should first also be aware of the large impact of chosen assumptions at predicting the target price of the financial instrument issuer, which is presented also in the sensitivity analysis, as well as the facts that past performance is not necessarily the indicator of future profitability of the financial instrument issuer and vice versa.

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

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

In the period between 30.09.2011 and 30.09.2012 the structure of all investment research was:

	Number	Share	Share of issuers, for which ALTA Invest, investicijske storitve, d.d., has provide investment services regarding financial instruments in last 12 months
Buy	38	59%	19%
Hold	12	19%	3%
Sell	14	22%	0%

Recommendations issued by ALTA Invest, investicijske storitve, d.d. Železna 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 analyst, who has prepared the document and other individuals, which are familiar with the time and content of the investment research, did not have any personal transactions or trade with the relevant financial instrument from the investment research or haven't been connected with the financial instruments in time during the preparation of the investment research and one day after.

Specific disclosures of the issuer under consideration

ALTA Invest, investicijske storitve, d.d. Železna cesta 18, 1000 Ljubljana, Slovenia, and financial analyst responsible for monitoring of the issuer under consideration, guarantee that this document has not been disclosed to the issuer of the financial instrument before it was publicly released.

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. A financial analyst covering the company also does not have any conflict of interest concerning the issuer under consideration, but the company is paying ALTA Invest d.d. for the coverage.

In the last 12 months, ALTA Invest, investicijske storitve, d.d. has performed services concerning financial instruments to the issuer under consideration.

ALTA Invest, investicijske storitve, d.d. and related entities could hold securities of the relevant issuer.

Statement of a financial analyst

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

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

First release of the recommendation was performed on 10.05.2012.
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 provision of services, price list and other disclosures 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., Železna 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.