

Share offering	
Shares offered	304 570
% of capital	7.13%
Price floor	48.94
Starting date	18 August
Ending date	2 October

Market Data	
No of shares outstanding, th	4 275
Last price	51.50
Market Cap., BGN th	220 163
52-week high	65.00
52-week low	45.61

Valuation	
Fair Value	57.06
Upside/Downside	+16.6%

* based on the price floor for the auction

P/E (ttm)	15.7
P/S (ttm)	2.10
P/B	0.60
EV/EBITDA (ttm)	9.30
EV/Sales (ttm)	2.70

Projections	
EPS 2014f	2.50
P/E 2014p	19.59
EPS 2015f	2.98
P/E 2015p	16.41

Municipality of Balchik to Sell its 7.13% Stake in Albena

Offering Starts on August 18, 2014

- The Municipality of Balchik is offering for sale its 304 570 ordinary shares, representing **7.13%** of the share capital in holiday resort operator Albena AD [6AB].
- The price floor is set at **BGN 48.94** per share.
- The public offering will start on **August 18, 2014**. It will be conducted through a mixed closed auction. The whole package of 304 570 shares will be available for sale from the first day of the auction. The final date is October 2, 2014.
- Adverse weather conditions and political tensions between Russia and Ukraine are taking its toll on Albena's performance this year. The company's earnings are expected to fall by between 22% and 35% in 2014 earnings, as the gradual increase in prices would not be enough to offset the effects of cancellations.
- Longer-term outlook remains positive, given the company's solid business model, robust balance sheet, and key location of properties. The strategy to invest in the development of higher-end niches, like the White Lagoon and Primorsko club, would increase profitability upon success. The company would also benefit from improving real estate market as it has huge potential for development of residential real estate projects, with a focus on family vacation houses.

Ratios	2011	2012	2013	30/03/2014	2014f	2015f	2016f	2017f	2018f
REVENUES	98 508	101 444	107 354	4 209	103 060	109 243	117 983	123 882	130 076
% change (y-o-y)	3.2%	3.0%	5.8%	-1.8%	-4.0%	6.0%	8.0%	5.0%	5.0%
OPERATING INCOME (EBITDA)	28 663	35 092	31 760	-1 271	29 887	32 445	37 047	40 509	43 966
% change (y-o-y)	-3.1%	22.4%	-9.5%	64.4%	-5.9%	8.6%	14.2%	9.3%	8.5%
EBITDA margin	29.1%	34.6%	29.6%	-30.2%	29.0%	29.7%	31.4%	32.7%	33.8%
EBIT	12 027	19 807	17 347	-4 602	14 700	16 643	21 877	25 837	29 655
% change (y-o-y)	-1.1%	64.7%	-12.4%	5.7%	-15.3%	13.2%	31.4%	18.1%	14.8%
EBIT margin	12.2%	19.5%	16.2%	-109.3%	14.3%	15.2%	18.5%	20.9%	22.8%
NET INCOME	8 290	15 994	14 260	-5 159	10 678	12 746	17 352	21 090	24 517
% change (y-o-y)	-16.0%	92.9%	-10.8%	4.1%	-25.1%	19.4%	36.1%	21.5%	16.3%
Net income margin	8.4%	15.8%	13.3%	-122.6%	10.4%	11.7%	14.7%	17.0%	18.8%
TOTAL ASSETS	464 085	467 592	478 362	495 443	500 103	501 712	516 034	526 285	544 757
ROA (ttm)	2.30%	3.83%	3.30%	3.18%	2.72%	5.97%	7.63%	8.84%	9.80%
ROE (ttm)	2.53%	4.67%	3.97%	4.00%	2.97%	3.34%	4.42%	5.21%	5.82%
Debt/Assets	27.34%	23.11%	21.63%	25.39%	22.62%	21.06%	21.15%	19.88%	19.31%

- Albena is the biggest holiday resort operator in Bulgaria, managing more than 25 000 beds in 43 hotels, mainly in the Black Sea resort Albena (which accounts for 70% of revenues), as well as in holiday village Primorsko Club and the White Lagoon complex (a joint venture with Thomas Cook Northern Europe).
- The Group has a well diversified portfolio of clients, with more than 50% of the revenue coming from foreign customers across Europe and Russia. The company's main exposure is to tourists from Bulgaria (47% of revenues in 2013), followed by Russia (21%), Romania (12%), and Germany (10%). Russia and Romania are the fastest growing markets in Albena's portfolio.
- Albena resort has a well-established reputation as a family-tourism destination. It is less popular, much quieter and far less crowded than the trendy Sunny Beach and other flashy resorts in the southern coast of the Black Sea, but is still attractive with plenty of open spaces, beautiful green areas, decent accommodation and food, and reasonable prices. Unlike most coastal resorts in Bulgaria, Albena is operated as an integrated resort, with consolidated ownership of the property and the equipment. Hence, it offers better quality of tourism infrastructure than most other Bulgarian seaside resorts.
- In 2013, Albena launched an ambitious investment program which involved massive renovation of existing hotels and equipment (including the White Lagoon, which is planned to be upgraded to a 5-star luxury sea resort, part of Thomas Cook's Sunwing Resorts chain, which is deemed the leader among eco-labeled hotels) and construction of new facilities (including an attraction water park in Albena resort, a golf club, etc.), aiming to attract higher-end tourists, as well as younger clients.
- The company invested nearly BGN 30 mn in construction and renovation of facilities in 2013, up from BGN 7.5 mn in 2012, and increased its planned 2014 CAPEX to BGN 41 mn (of which some BGN 2 mn were paid in advance in 2013). Albena plans to invest some EUR 100 mn in the following 7-10 years, with the largest investments being the White Lagoon complex, and an intended investment of EUR 30 mn in Primorsko club where the company plans to develop a luxury residential complex with family houses and sport facilities close to the seaside.
- The company's policy to invest in renovation allowed it to gradually increase prices of accommodation in the last couple of years. Consequently, the average revenue per stay increased from BGN 46.7 (EUR 24) in 2011 to BGN 56.8 (EUR 29) in 2013, or by 21%.
- While the price floor of the offering offers a limited **17% upside** potential to the fair value in the short term (1 year), we believe that the company has a huge value hidden in the top location of its property and land, which makes it perfectly positioned to benefit from improving real estate market. Growth in the long-term could be boosted by development of projects for luxury and eco-friendly residential and vacation resorts on the premises of the Group.

Albena AD, together with its subsidiaries, form the largest hotel company in Bulgaria, managing the seaside resort Albena, holiday villages Primorsko Club and White Lagoon. Albena's subsidiaries support the company's core business, operating in different segments, such as agriculture, energy production from biomass, wellness and balneology, event and tours organization, transportation and car rentals, operating an airport (in Lesnovo), real estate, and construction. The main goal is to add value through synergy and to ensure the sustainable development of the integrated brand Albena.

Albena was established in 1969 as a state-owned company. It was privatized in 1997. In 2001, Albena AD acquired Primorsko resort, which was spun off in 2012 and is now operating as a separate company under the name Primorsko Club AD. In 2002, Albena acquired the White Lagoon beach complex, which is also a public company but is among the less liquid companies traded on the Bulgarian Stock Exchange.

Albena is well-known for its specialization in the family vacation segment. The hotel business includes 43 hotels, 3 holiday villages and 2 complexes with more than 25 000 beds. In 2013, the hotels of the group hosted more than 220 000 guests, and hotel nights spent exceeded 1.6 mn. There are more than 100 restaurants and bars in Albena resort alone. The company also operates multiple sports facilities, including 7 soccer fields, 16 tennis courts and many more. One of the major advantages and differences from other resorts is that it was privatized as a whole and thus one of the major problems on the Bulgarian sea-side – over-construction, was avoided. Also, the company owns the infrastructure itself so it is able to manage the resort as an integrated business entity, closing the business cycle and benefiting from synergy and economies of scale.

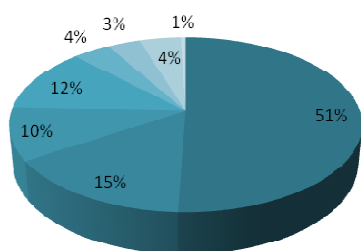
In 2013, 206 000 tourists visited Albena resort, up from 202 000 a year earlier. They spent 7.2 nights on average, or total 1.487 mn hotel nights, down from 7.4 nights average stay in 2012 (or a total of 1.498 mn hotel nights) and in line with the company's strategy to gradually increase prices at the expenses of slightly lower number of guests and shorter average stay. In 2012, the number of hotel nights in

Albena decreased by 8% compared to 2011, when 222 000 people travelled to Albena, resulting in a 6% increase in the number of nights spent and an increase in the occupation rate to 82%, up from 79% in 2010.

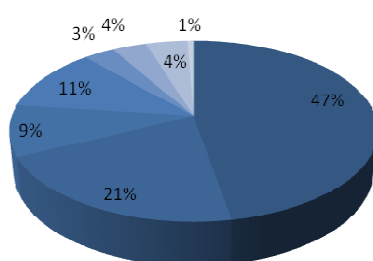
<i>Albena resort</i>	2012	2013
Number of tourists	202 000	206 000
Nights spent	1.50	1.49
Average stay (in number of days)	7.40	7.20
Revenue (BGN'000)	79 505	81 990
Average revenue per stay (BGN)	54.38	56.76

The Group has a well diversified portfolio of clients, with more than 50% of its revenue coming from foreign customers across Europe and Russia. The Group's largest markets are Bulgaria, Russia, Romania and Germany, accounting for 47.04%, 21.13%, 12.21% and 9.92% of the sales revenue in 2013, respectively.

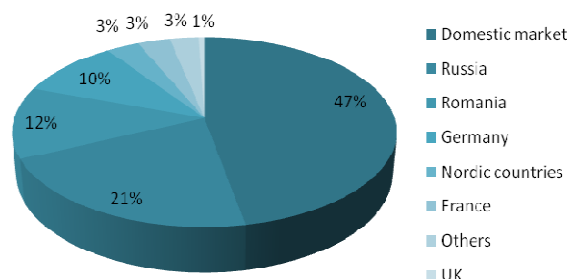
Consolidated Revenue Breakdown by Market,
Albena AD, 2011



Consolidated Revenue Breakdown by Market,
Albena AD, 2012



Consolidated Revenue Breakdown by Market,
Albena AD, 2013



Recent Developments

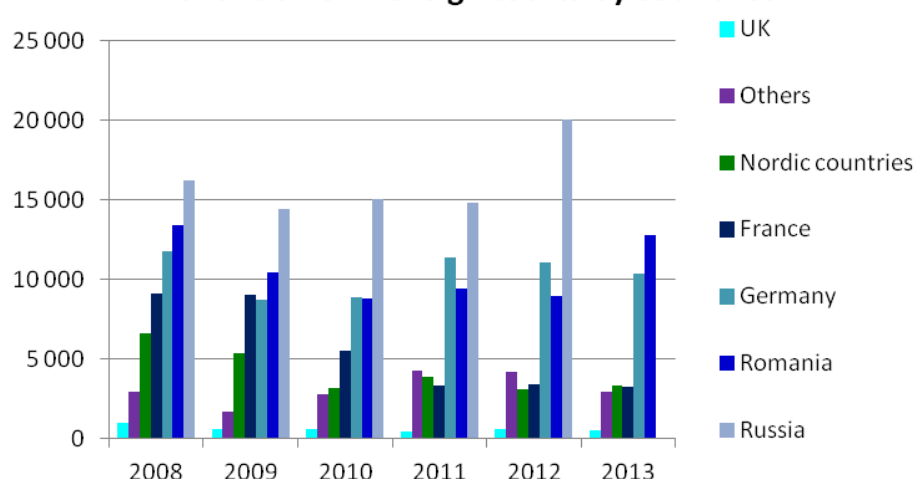
- Adverse weather conditions and political tensions between Russia and Ukraine are taking its toll on Albena's performance this year. The expected combined decline in the number of hotel nights spent by guests from Russia and Ukraine is around 15%. This adds to the effects of the bad weather conditions in June and July and is expected to shed between 22% and 35% of the company's 2014 earnings (compared to 2013), as the increase in prices would not be enough to offset the effects of cancellations.
- In 2013, Albena resort launched its water park, located close to the hotels Ralitsa and Vita Park, aiming to increase the attractiveness of the inland areas of the resort and to offer more entertainment opportunities. The revenue of the facility was BGN 10 – 12 th per day in the first 10 days of exploitation. The current capacity of the water park is 2 000 people per day, and the planned capacity is 3 000 people. The facility could potentially add between BGN 0.5 mn and BGN 1 mn to the company's revenue per season.
- The company may have to reduce its 2015 CAPEX program from a planned BGN 20 mn to BGN 7 – 10 mn due to the expected drop in earnings in 2014.

Consolidated revenues of the group increased by 5.8% y-o-y to BGN 107.35 mn in 2013, as revenues from core business jumped by 7.32% y-o-y to BGN 104.567 mln. Albena resort accounted for 70% of the sales. Sales on the domestic market managed to recover after a decline by 5.68% y-o-y in 2012 and reached BGN 49.187 mln in 2013, growing by 6.98% y-o-y.

Sales revenue, BGN'000	2006	2007	2008	2009	2010	2011	2012	2013
UK	7 480	4 886	1 035	607	582	491	615	563
Others	5 302	2 114	2 971	1 709	2 807	4 274	4 211	2 941
Nordic countries	7 879	7 001	6 641	5 352	3 202	3 867	3 102	3 354
France	10 138	8 999	9 152	9 038	5 503	3 354	3 432	3 283
Germany	19 210	15 066	11 743	8 751	8 879	11 407	11 093	10 377
Romania	4 541	7 667	13 377	10 431	8 819	9 458	8 934	12 767
Russia	8 592	13 083	16 239	14 425	15 066	14 775	20 075	22 095
Domestic market	25 961	43 841	56 738	42 700	48 369	48 746	45 976	49 187
TOTAL	89 103	102 657	117 896	93 013	93 227	96 372	97 438	104 567

Revenue from the Russian market kept its uptrend and jumped by 10.06% on the year to BGN 22.095 mln. The biggest growth was for the Romanian segment which surged by an annual 42.90% to BGN 12.767 mln in 2013, after a 5.54% drop in 2012. Revenues from the fourth major market, Germany, continued to decline, reaching BGN 10.377 mn in 2013, down by 6.45% from 2012.

Revenue from foreign tourists by countries

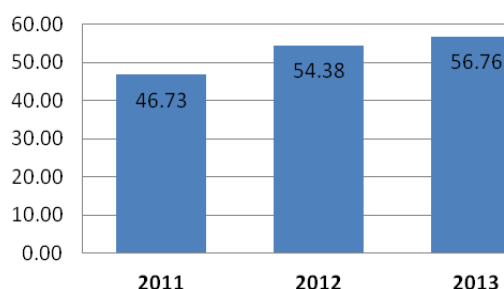


The main dynamic in the structure of Albena's revenue is attributable to the significant and steady increase in the Russian segment during the last couple of years. Russian clients contributed to 21.13% of the revenue in 2013, up from 12.74% in 2007. Romanian market has also experienced a tremendous growth and reached a share of 12.74% in revenues in 2013, up from 7.47% in 2007.

The growth in 2013 was achieved mainly on the back of higher prices at the expense of smaller number of hotel nights, in line with the company's strategy to renovate accommodation facilities and to gradually increase prices. The growth in revenues was also prompted by an increase in the occupation rates in some of the hotels, an increased number of organized events and the reopening of the renovated hotel "Amelia".

The number of the nights spent in Albena resort decreased by 1% y-o-y to 1.487 mn in 2013. At the same time, the average revenue per night increased by 4% y-o-y to BGN 56.76.

Average revenue per night in
Albena Resort, BGN



Some of the measures, aiming to boost revenue per night, included removing the discount for early booking for some of the hotels, no extension of the period for early booking for the first beach line hotels, increasing the prices of the first beach line hotels, adding additional conditions for the validity of the discounts which were tied with the other businesses of the company, like charter flights, and so on.

Operating expenses, however, grew faster than revenues, by 14% on the year, including a 19% increase in the raw materials and energy costs, 15% increase in labor expenses and 14% higher cost of hired services. Consequently, EBITDA dropped by 9.5% to BGN 31.76 mln, and the EBITDA margin narrowed to 29.6% from 34.6% a year earlier. Depreciation expenses were also on the rise, up by 14% y-o-y to BGN 14.4 mln, as the company undertook an ambitious investment program. The bottom line fell by 10.8% to BGN 14.26 mln, with a net profit margin of 13.2%, down from 15.8% in 2012.

Ratios	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013	30/03/2014
ROA (ttm)	3.76%	3.55%	2.29%	2.30%	3.83%	3.30%	3.18%
ROE (ttm)	5.02%	10.20%	3.08%	2.53%	4.67%	3.97%	4.00%
EBIT margin (YTD)	17.64%	20.84%	12.74%	12.21%	19.53%	16.16%	-109.34%
NI margin (YTD)	11.07%	31.45%	10.35%	8.42%	15.77%	13.28%	-122.57%
Debt/Assets	35.31%	32.94%	30.59%	27.34%	23.11%	21.63%	25.39%
Debt/Equity	68.39%	50.00%	44.90%	38.31%	30.59%	28.31%	34.91%
Loans/Equity	51.31%	41.16%	36.68%	30.24%	23.55%	20.70%	22.81%
EPS (ttm), BGN	3.10	7.01	2.31	1.94	3.74	3.34	3.29

The debt/equity ratio declined to 28.3% from 30.6% at 2012 year-end as the company kept on repaying large portions of its interest bearing debt. Total assets stood at BGN 478.36 mln at the end of 2013, rising by 2.3% y-o-y, mainly on the back of a 2.1% increase in the plant, property and equipment (BGN 421.702 mln) and a 6.4% increase in the investment property (BGN 11.423 mln).

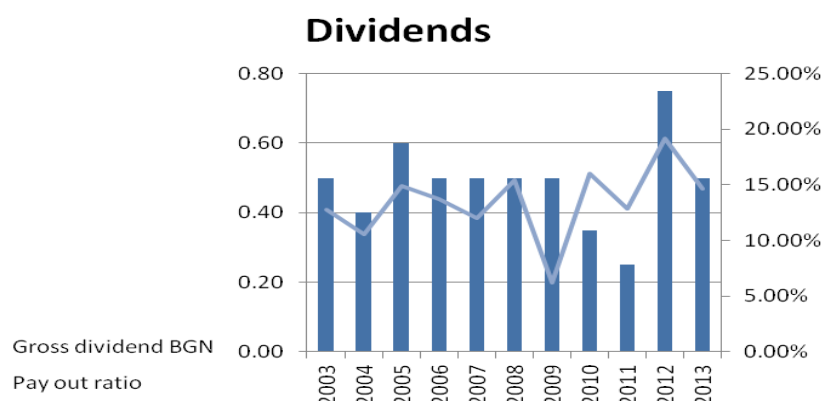
Income Statement, YTD, BGN'000	31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
REVENUES	119 517	95 184	95 423	98 508	101 444	107 354
% change (y-o-y)	3.6%	-20.4%	0.3%	3.2%	3.0%	5.8%
OPERATING INCOME (EBITDA)	37 919	37 973	29 567	28 663	35 092	31 760
% change (y-o-y)	-5.5%	0.1%	-22.1%	-3.1%	22.4%	-9.5%
EBITDA margin	31.7%	39.9%	31.0%	29.1%	34.6%	29.6%
EBIT	21 079	19 832	12 159	12 027	19 807	17 347
% change (y-o-y)	-14.9%	-5.9%	-38.7%	-1.1%	64.7%	-12.4%
EBIT margin	17.6%	20.8%	12.7%	12.2%	19.5%	16.2%
Total financial income / expenses	-5 471	13 483	-475	-2 718	-1 909	-1 941
NET INCOME	13 235	29 938	9 872	8 290	15 994	14 260
% change (y-o-y)	-38.1%	126.2%	-67.0%	-16.0%	92.9%	-10.8%
Net income margin	11.1%	31.5%	10.3%	8.4%	15.8%	13.3%

Selected items. Source: x3analysis, Karoll

Dividend Policy

Albena AD has been paying dividends every year for the last 14 years. The gross dividend per share for 2013 was BGN 0.50, down from BGN 0.75 a year earlier. The chart below shows the dividend history of the company:

Each share, including the offered shares entitles the holder to a dividend proportional to its par value. The right to receive dividend is given to each person registered in the Central Depository as a shareholder on the 14th day after the decision of the General Meeting to distribute dividends was made.



Bulgarian and foreign shareholders are subject to equal treatment in respect of the rights to receive dividends and its payment procedures. As a rule the company pays dividends in BGN.

Seasonality

Seasonality has a significant effect on the revenue and the bottom line of the Group due to the business model which relies mostly on summer seaside vacations. The peak of the demand for hotels is in the second and third quarter of the year, and especially in July and August. In 2013, 71% of the revenues were realized during the third quarter, and 18% in the second quarter.

Due to seasonality effects, the company realizes a positive bottom line only in Q3, while during the rest of the year it usually reports a loss. Albena takes some steps to at least partly offset the adverse effects of seasonality, focusing on wellness and SPA tourism, congress tourism, and sport events.

SWOT Analysis

Strengths:

- ✓ Known brand with an well established reputation for quality family tourism.
- ✓ Almost closed business cycle which allows significant economy of scale.
- ✓ It's not over-constructed and the beaches are clean, wide and open.
- ✓ Favorable geographical position, excellent location and environment: beautiful and clean nature, wide and long natural beach strip with fine sands, low level of salt in the sea, with shallow, gradually sinking seabed
- ✓ Favorable Climate: the climate is typical for the northern part of the Bulgarian Black sea coast with favorable ecologic indexes. Specific sea climate – clear

air, rich in salts, ozone, bromine, calcium and iodine with optimal humidity of the air: 63% – 65%. It is known as an ecology clean resort with fresh and clear air and water, rich on natural products, and well organized medical and balneology centers.

- ✓ Sources of mineral waters.
- ✓ Diversity of tourism resources for the development of diversified forms of tourism, both traditional (summer sea vacation) and specialized: health (spa and wellness tourism), cultural tourism, rural and eco-tourism.
- ✓ Easy implementation of investment programs and decisions as the company owns the whole resorts – accommodation and infrastructure.
- ✓ Experienced management with strong vision.

Weaknesses:

- ✓ Not well known among younger clients.
- ✓ Lags behind in the development of entertainment facilities (night clubs, amusement parks, etc.).
- ✓ Large CAPEX needs in order to keep hotels and facilities up to date.
- ✓ Not popular among high net worth clients due to the negative image of Bulgaria as a "cheap destination", which implies "low quality at low prices".
- ✓ Difficulties to hire and retain of skilled staff.
- ✓ Short summer season.
- ✓ Popular mainly as a destination for summer tourism.
- ✓ Not well developed inland areas with no direct or quick access to the beach which leads to lower occupation rate at the hotels located in such areas.

Opportunities:

- ✓ Opportunities to diversify the tourist products.
- ✓ Unexploited opportunities for weekend tourism.
- ✓ Unexploited opportunities to develop real estate.
- ✓ Opportunities to market the hotels as separate brands in order to attract different types of customers.
- ✓ Focus on positioning in the higher segment with the ongoing development of Primorsko Club and the White Lagoon which will target high net worth clients.
- ✓ Use of the European structural funds and other donor sources for development of the tourism facilities but also protection of the environment, which is among the company's most valuable assets.
- ✓ Partnerships with major and well known European tour operators.
- ✓ Flexible price policy and opportunity to increase the profit margins.
- ✓ Opportunity to limit the negative effect of the seasonality and extend the working period by development of other types of tourism – balneology and congress tourism.

Threats:

- ✓ Risk of failing to position itself in the higher-end segment of the market after big investments have been done to upgrade the hotels to 4 and 5 stars and to develop luxury projects like White Lagoon and Primorsko Club.
- ✓ Large scale campaigns of competing destinations in the neighboring countries.
- ✓ Negative impact of force majeure events such as natural disasters, diseases and terrorist attacks; climate changes.
- ✓ Failure to develop other types of tourism.

We used the following methods to derive the fair value of Albena AD:

- Discounted cash flow (DCF) analysis
- Peer comparison valuation with justified multiples

Our final fair price is based on the average weighted price of the two methods. As a result, we have estimated a fair value of **BGN 57.10** per share of Albena AD, which implies an upside potential of **16.6%** to the minimum auction price. In order to reach our estimate for the fair price, we have given equal weights to both methods.

DCF Valuation	
Fair Value	50.62
Weight	50%
Peer Comparison	
Fair Value	63.50
Weight	50%
Fair Value per share	BGN 57.1

Discounted Cash Flows Analysis

We derive a fair value estimate of **BGN 50.62** per share by the application of the DCF analysis (prior to any minority discounts).

We assume a long term growth rate of 2.0% per annum, which we find reasonable given the long term perspectives for growth of the Bulgarian economy, and the

Terminal growth rate	2.00%
Tax rate (current)	10.00%
Tax rate (terminal)	10.00%
Risk-free rate	3.16%
Market risk premium	7.85%
Cost of equity	11.14%
Cost of debt	3.37%
Beta (adjusted)	1.02
D/A (current)	21.63%
D/A (target)	25.00%
WACC (current)	9.46%
WACC (terminal)	9.20%
Terminal ROIC	10.00%

tourism sector in particular. We have used an estimate for the cost of equity based on the CAPM model, with an adjusted beta of 1.02 which accounts for the company's below average D/E ratio and lower applicable tax rate compared to the industry average. We have assumed that the company would have 25% debt in its capital structure in the long run. We use management guidelines for CAPEX for 2014, and management guidelines and our projections for the years thereafter. Further investments in the hotels and facilities, as well as the development of higher-profitability niches like wellness and spa tourism and luxury resorts, will help the company to increase its profitability.

We assume that the revenues of Albena will rise at a CAGR of 3.9% in the 2014 – 2018 periods, mainly driven by increasing prices. We expect the company's profitability to suffer in 2014 as we believe that the increase in the average prices of accommodation would not be able to offset the negative effects from the drop in the tourists coming from Russia and Ukraine and the cancellations related to the adverse weather conditions in June and July. On the positive side, we expect that the company's profitability would benefit from the investments in new facilities which will prompt price increases. We expect a more substantial increase in margins starting from 2016, when the upgrade of the White Lagoon to a 5-star luxury resort shall be completed.

Income Statement, YTD, BGN'000	2012	2013	2014f	2015f	2016f	2017f	2018f
REVENUES	101 444	107 354	103 060	109 243	117 983	123 882	130 076
% change (y-o-y)	3.0%	5.8%	-4.0%	6.0%	8.0%	-4.0%	6.0%
OPERATING INCOME (EBITDA)	35 092	31 760	29 887	32 445	37 047	40 509	43 966
% change (y-o-y)	22.4%	-9.5%	-5.9%	8.6%	14.2%	9.3%	8.5%
EBITDA margin	34.6%	29.6%	29.0%	29.7%	31.4%	32.7%	33.8%
EBIT	19 807	17 347	14 700	16 643	21 877	25 837	29 655
% change (y-o-y)	64.7%	-12.4%	-15.3%	13.2%	31.4%	18.1%	14.8%
EBIT margin	19.5%	16.2%	14.3%	15.2%	18.5%	20.9%	22.8%
EBIT*(1-t)	17 826	15 612	13 230	14 979	19 689	23 253	26 690
Depreciation	15 285	14 413	15 187	15 802	15 170	14 672	14 311
CAPEX	7 581	29 692	39 000	9 635	12 136	15 049	22 596
Change in WC	3 836	-1 054	-40	186	262	177	186
FFCF	21 694	1 387	-10 542	22 624	24 648	25 284	21 184
Terminal Value							302 432

Value	288 601
Debt	75 652
Cash	3 385
No of shares	4 274
Fair Value per share	50.62

Sensitivity Analysis

cost of equity	terminal growth				
	1.0	1.5	2.0	2.5	3.0
9.00	65.83	67.62	69.69	72.11	75.02
10.00	57.32	58.39	59.60	60.97	62.55
11.14	49.52	50.06	50.65	51.29	52.00
12.00	44.63	44.91	45.19	45.48	45.78
13.00	39.78	39.83	39.87	39.88	39.90

Peer Comparison

We arrive at a weighted average fair price of **BGN 63.50** per share of Albena AD by the application of the peer comparison method.

We compared Albena to 45 peer companies from Central and Eastern Europe (CEE) and the Mediterranean. The company is offered at a discount compared with its peer group, which could be only partly justified by the volatility in the company's earnings in the last couple of years and lower 5-year earnings growth compared to the sector average. On the other hand, the profitability of Albena is higher compared to most of its close peers, and its effectiveness (measured by ROE) is better.

Valuation based on earnings	
Peers average P/E	17.14
EPS	3.29
Fair Price, BGN	56.39
weight	30.0%

Valuation based on sales	
Peers average P/S	1.44
SPS	25.10
Fair Price, BGN	36.14
weight	10.0%

Valuation based on EBITDA:	
Peers average EV/EBITDA	11.52
EBITDA	31 262.00
Fair EV, BGN	360 138.24
IB Debt	82 177.00
Cash	10 421.00
No of shares	4 275
Fair Price, BGN	67.46
weight	30.0%

Valuation based on ROE:	
Peers average P/B	0.90
BVPS	84.29
Fair Price, BGN	75.86
weight	30.0%

Fair Value	63.5
-------------------	-------------

Income Statement, YTD, BGN'000	2014f	2015f	2016f	2017f	2018f
REVENUES	103 060	109 243	117 983	123 882	130 076
% change (y-o-y)	-4.0%	6.0%	8.0%	5.0%	5.0%
Operating expenses					
Materials and energy	31 433	32 882	34 923	36 669	38 242
Compensation	21 643	22 941	24 186	24 776	25 105
Cost of hired services	18 035	18 790	19 467	19 449	20 162
Other operating expenses	2 061	2 185	2 360	2 478	2 602
Impairments / writedowns & provisions	0	0	0	0	0
Total operating expenses	73 172	76 798	80 936	83 373	86 110
OPERATING INCOME (EBITDA)	29 887	32 445	37 047	40 509	43 966
% change (y-o-y)	-5.9%	8.6%	14.2%	9.3%	8.5%
EBITDA margin	29.0%	29.7%	31.4%	32.7%	33.8%
Depreciation and amortization	15 187	15 802	15 170	14 672	14 311
EBIT	14 700	16 643	21 877	25 837	29 655
% change (y-o-y)	-15.3%	13.2%	31.4%	18.1%	14.8%
EBIT margin	14.3%	15.2%	18.5%	20.9%	22.8%
Interest income / cost, net	-3 435	-3 181	-3 297	-3 104	-3 114
FX gain / loss, net	500	500	500	500	500
Income / loss from investments, net	100	200	200	200	200
Total financial income / expenses	-2 835	-2 481	-2 597	-2 404	-2 414
INCOME BEFORE TAXATION	11 865	14 162	19 280	23 433	27 242
NET INCOME	10 678	12 746	17 352	21 090	24 517
% change (y-o-y)	-25.1%	19.4%	36.1%	21.5%	16.3%
Net income margin	10.4%	11.7%	14.7%	17.0%	18.8%

Balance Sheet, BGN'000	2014f	2015f	2016f	2017f	2018f
ASSETS					
Inventories	7 317	10 971	11 562	11 910	12 301
Receivables	5 647	6 585	9 051	9 843	10 691
Cash and cash equivalents	4 208	6 332	17 521	25 825	33 996
Total currents assets	17 172	23 888	38 134	47 578	56 989
Property, plant and equipment	447 824	441 657	438 623	438 999	447 284
Intangibles	2 000	2 007	2 064	2 105	2 179
LT investments in securities	4 001	5 017	7 741	7 894	8 171
Goodwill	17 604	17 604	17 604	17 604	17 604
Investment property	11 502	11 539	11 869	12 105	12 529
Total non-currents assets	482 931	477 824	477 900	478 707	487 768
TOTAL ASSETS	500 103	501 712	516 034	526 285	544 757
Accounts payable	6 816	6 523	6 874	7 081	7 313
Short-term debt	37 560	26 782	18 367	20 089	19 461
ST accrued expenses	5 411	4 588	4 837	4 955	5 021
Total currents liabilities	49 786	37 893	30 078	32 125	31 795
Long-term debt	48 322	52 748	64 051	57 506	58 382
Deferred taxes	15 000	15 000	15 000	15 000	15 000
Total long-term liabilities	63 322	67 748	79 051	72 506	73 382
TOTAL LIABILITIES	113 109	105 641	109 129	104 631	105 177
Minority interest	9 353	9 353	9 353	9 353	9 353
Share capital	2 737	2 737	2 737	2 737	2 737
Reserves	374 905	383 981	394 815	409 564	427 490
TOTAL EQUITY	377 642	386 718	397 552	412 301	430 227

Strategy

The strategy of the Group is geared towards long-term profitable growth and focuses on the development of higher-margin products like 4 and 5 stars sea resorts with high quality of services and complete integration of the different businesses of the Group in one 'green' cycle which provides opportunities for efficient usage of the available resources. Some of the key elements in the company's long-term strategy include:

- ✓ Renovation of the existing hotels as well as building new ones. Implementation of a new room conception reflecting the advantages of the resort, the experience and the innovations in the industry;
- ✓ Developing a new recreation and entertainment area in Albena resort including a water park with a capacity of 3 000 people per day;
- ✓ Differentiation of the hotels and marketing them as individual products;
- ✓ Improving operational efficiency, with a focus on staff optimization and expense control by standardization;
- ✓ Development of a plan for an own golf course;
- ✓ Increasing the average revenue per room by improving the revenue management system;
- ✓ Increasing the occupation rate of the hotels by increased marketing efforts and increased focus on direct and online sales;
- ✓ Increasing the occupation rate of the sports facilities and conference halls by attracting and organizing new and significant sport and cultural events in Albena resort;
- ✓ Expanding the tourist season to at least 7 months through recreational and wellness offerings, business and sport events;
- ✓ Further development of the medical and spa services offered by Albena and implementation of new programs;
- ✓ Constant development and improvement of the whole portfolio of products and services of the group Albena, which includes hotel services, agriculture and electricity generation from waste. The aim is sustainable development of the Group.

Shareholders Structure

The shareholders who own at least 5% of Albena's capital are:

- ✓ Albena Holding AD : owns 2 307 584 shares with a par values of BGN 1 per share, representing 2 307 584 voting rights or 54% of the share capital;
- ✓ Albena Invest Holding AD: owns 879 131 shares, representing 20.57% of the capital and the voting rights;
- ✓ Municipality of Balchik: owns 304 570 shares, accounting 7.13% of the share capital and are all subject to the public offering.
- ✓ Albena AD repurchased 128 000 treasury stocks which are 3% of its capital. Albena Holding AD owns directly 54% of the capital of Albena AD and controls indirectly 8.64% of Albena AD through Albena Invest Holding AD.

Group Structure

The Group Albena holds stakes in 13 subsidiaries in Bulgaria and abroad but the most important business is the Albena resort as it generates 70% of the revenue of the Group. The subsidiaries and their main business focuses are:

- ✓ Hotels, restaurants and tourism: – ‘White Lagoon’ AD, ‘Primorsko Club’ EAD, Hotels des Masques in Switzerland;
- ✓ Medicine and Balneology: medical center ‘MC Medika Albena’ EAD, specialized hospital for rehabilitation “SBR Medika – Albena” EOOD, ‘Drogerii Medika Albena’ AD;
- ✓ Tour operations, event management and organization, business tourism, transportation and car rentals: ‘Albena Tour’ EAD, ‘Flamingo Tours’ in Germany, ‘Visit Bulgaria’ in Romania;
- ✓ Agriculture: ‘Eco Agro’ AD, ‘Ecoplod’ EOOD;
- ✓ Construction: ‘Ecostroj’ AD; ‘Active SIP’, DP ‘Ecostroj’ in Ukraine;
- ✓ Aviation: ‘Intersky’ AD
- ✓ Electricity production from biomass: ‘Perpetuum Mobile BG’ EAD
- ✓ Real Estate: ‘Tihia kat’ AD

Albena Resort

Albena resort has 40 hotels spread on 140 hectares. It is located near nature reserve ‘Balata’ with its beautiful forests, extending over an area of 183 hectares which also contribute to the unique environment in the resort. Another benefit for the resort is beach which spans over 3.5 km and is 150 m wide. It is considered one of the best in Europe. Albena holds the ‘Blue Flag’ award which was given for environmental purity of the sea and the beach.

The rooms are divided in different categories: from 4 and 5 stars hotels to 3 stars and low costs hotels. For 2014 Albena has 6 909 room available. Each year Albena welcomes around 200 000 visitors per season, who spend nearly 1.5 mln nights. Besides the hotels Albena has more than 100 restaurant and bars, multiple sports facilities and from 2014 a water park. Through its subsidiaries the resort also offers a wide range of additional services to its visitors such as clinics, SPAs, tours, car rental and many more.

In 2013 Albena welcomed 206 000 tourists which stayed for 1.487 mln nights. The average number of overnight stays decreased by 1% y-o-y to 7.2 days vs. 7.4 days a year earlier. In 2012 the number of guests was 202 000 and they spend 1.498 mln nights. In comparison with 2011 season, the number of overnight stays in 2012 dropped by 8% on annual basis. During 2011 Albena was visited by 222 000 people and the number of the overnight stays increased by 6% on the year compared to 2010. Also the occupancy rate increased to 82% from 79% in 2010.

Unconsolidated sales revenue of Albena AD amounted to BGN 81.990 mln in 2013, up from BGN 79.505 mln a year earlier as the average revenue of overnight stay was increased to BGN 56.75 from BGN 54.38. Net income for 2013 dropped by 13% y-o-y to BGN 14.57 mln.

In 2013 the company put a lot of efforts in increasing the sales through its own website and as a result it became the major sales channel for the domestic market and direct sales reached 50% of all local sales. This was achieved through aggressive add online champagne and new reservation module on the website as well as new mobile application.

An increase of 5% in the average revenue from basic services per night was reached in accordance with the established policy for an increase in the prices. In the last trade policy was adopted a goal for reaching an increase of EUR 5 in the average revenue per night for the next 2 years.

Unconsolidated sales revenue of Albena AD reached BGN 14.733 mln in H1'2014, up from BGN 14.415 a year earlier.

For 2013/2014 period Albena AD is implementing an ambitious investment program amounting to BGN 41.340 mln.

Primorsko Club EAD

It is a subsidiary of Albena AD with BGN 2 mln capital and 100% of it is owned by Albena. Primorsko Club is located in the southern part of the Bulgaria Black Sea coast on 60 ha of land. The holiday village has an excellent location near a wonderful beach next to a green oak forest. This allows the typical summer sea tourism to be combined with mountain, hunting and archaeological tourism. The beach is managed by Primorsko club EAD and is mainly used by its tourists since it is the owner of 90% of the adjacent to the beach area. The proximity to Primorsko and Kiten is an important feature of the area which allows all the advantages of the urban environment to be used. 45 km north of Primorsko is Burgas and its international airport and only 3 km west is the Primorsko airport which is a property of Primorsko club EAD and it is designed for light aviation. It handles 1000 – 1200 landings per year.

Primorsko club currently has 300 villas and 3 hotels (two of them are 4 stars) with 2 500 beds. Primorsko club is open from May till September and welcomes 15 000 tourists annually who spent 140 000 nights. The biggest customers are Look Voyage (France), Cedok (Czech Republic) and Solvex (Russia).

The complex has well developed sports infrastructure including stadium, two volleyball courts, two basketball courts and three tennis courts and Primorsko Club EAD is the owner.

Holiday club Primorsko has its own licensed airfield designed for flight and aviation services and airplanes with maximum tonnage of 5.7 tons and a wingspan of up to 24 meter can land there. Also competitions for aero modeling and parachute jumps are organized and held there.

Primorsko Club is one of the focuses in the strategic plans of "Albena" AD. Under development are the new architectural plans of the settlement. These include increasing the capacity to accommodate up to 5,000 people, a large-scale reconstruction and construction of new infrastructure of the town center, alleys, swimming pools, two main restaurants, sports facilities, an amphitheater and a water park. Primorsko club will become a holiday resort gated traffic-free and environmentally oriented.

In 2013 the visitors spent 102 827 nights in the complex vs. 94 748 a year earlier. Revenues were BGN 3.677 mln, up with BGN 180 000 since 2012. For 2013 Primorsko club realized net income of BGN 372 000 vs. a net loss of BGN 209 000 in 2012.

White Lagoon AD

The holiday village is located on 27.3 hectares area in scenic surroundings and has a spectacular view from all points of the complex thanks to the terraces terrain. It is a 3 stars complex which is located between Kavarna and Balchik and is near three golf complexes – Lighthouse Golf Resort, Black Sea Rama and Thracian Cliffs. Also it is close to the medical center 'Tuzlata', which is famous for its healing mud. The current capacity of the village is 500 rooms, both 3 and 4 stars rooms are available. Among the facilities are also 2 swimming pools, 2 dancing halls, 2 restaurants, 2 bars, conference hall with 150 seats and 2 sports courts. The complex is open from June to September and welcomes approximately 5 000 guests every season.

Currently the White Lagoon is the biggest investment project of Albena. It is undergoing an extensive program of modernization and expansion that will transform the holiday village to a 5 stars luxurious complex. The hotel part will consist of 269 studios, one and two bedroom apartments, most with a wonderful sea view. As a result the accommodation capacity will reach 1 000 beds. The complex will offer three restaurants, including one on the beach, several bars, a spa and gym, opportunities for outdoor sports - tennis, football, beach sports, children's center, pools with attractions and quiet pools.

The investment program is implemented in cooperation with the largest Scandinavian tour operator Tomas Cook Northern Europe and the new complex will be developed with accordance to their highest category club brand hotels called Sunwing Resort Club Hotel and will be targeted towards wealthy customers. The opening is expected to be delayed to 2016 instead as of previously planned 2015.

The book value of the assets of White Lagoon EAD amounted to BGN 44.168 mln at the end of 2013. Revenues were BGN 733 000 and the bottom line was negative BGN 430 000 vs. a net loss of BGN 472 000 in 2012.

Hotel des Masques, Switzerland

The hotel is situated in the heart of the mountain complex Anzere in Switzerland. It is a 3 stars hotel and has 40 rooms with 90 beds and a restaurant and bar with 100 seats. The number of the overnight stays in 2013 dropped by 20% y-o-y to 6 083. The occupant rate also fell to 27% vs. 34% a year earlier. The hotel realized a net loss of CHF 205 000 which deepened with CHF 95 000 compared to the negative bottom line of 2012. The guests of the hotel are from Switzerland, Belgium, Netherlands, Bulgaria, Russia, Poland and other countries from Eastern Europe. In 2012 Hotel des Masque establish a subsidiary in Germany called Flamingo Tours which operates as a tour operator.

Tourism is one of the most important sectors of the Bulgarian economy, generating over 13% of GDP and during its peaks provides employment to more than 10% of the population. The sector relies on foreign tourist who account for 2/3 of the overnights and bring more than 70% of revenues. Tourist flow is dominated by European visitors but in line with the global trends, Bulgaria managed to adapt to the reduced demand from Western-European tourists by attracting those from developing markets such as Russia and Ukraine which rank high in growth and numbers.

The financial crisis has affected the demand for tourist services on the domestic market, both from international and local travels. The average stay of the Bulgarian visitors is nearly 50% lower than foreign tourists. The growth and convergence of purchasing power in Bulgaria to average levels in Europe should contribute to the positive development of the sector.

The hotel facilities in the resorts are concentrated in the 3 stars category, followed by that of 4 and 5 stars but the number of beds in the 4 and 5 stars hotels is usually higher. Bulgaria attracts mainly low-budget tourist and this offers the lowest accommodation prices in Europe. But there is an ongoing trend of switching to higher class hotels as Bulgaria is trying to position itself in the higher segment with 4 and 5 stars hotels. In 2013 summer season half of the overnights were in those hotels.

Foreign tourists are the key driver for the development of the tourism industry in Bulgaria. In 2013 6.9 mln foreign guests visited the country which is a 5.5% annual increase from 2012. They accounted for 2/3 of the overnight stays and for 72% of the total revenue realized from nights spent.

Despite the strong growth of the Russian market during 2008 – 2013 (11% average annual growth rate of the nights spent), the EU continues to be the biggest foreign market for the Bulgarian tourism as it brings 58% of the total number of foreign guests.

The following table represents the number of nights spent in the bigger hotels on the Black Sea coast (according to the prospectus for the share offering, which is based on data provided by the National Statistics Institute). Keep in mind, however, that the full competitive position of Albena AD can't be precisely determined only on the basis of the information presented below, because the company operates in different segments and offers a variety of products and services, and also due to the lack of relevant information.

<i>Resorts</i>	2013		2012		2011	
	Total	Foreigners	Total	Foreigners	Total	Foreigners
Albena	1 509 347	1 777 600	1 478 599	1 133 212	1 334 282	1 013 705
Duni	2 919 993	269 252	304 428	284 952	307 525	289 766
Elenite	327 150	262 831	220 543	186 186	267 932	207 332
Golden sands	3 052 611	2 831 419	2 853 395	2 665 123	2 678 643	2 463 907
St. Constantine and Elena	916 391	663 992	993 142	714 304	1 041 370	699 908
Sunny beach	4 300 995	4 089 917	3 962 509	3 773 939	3 757 068	3 547 981
TOTAL	13 026 487	9 895 011	9 812 616	8 757 716	9 386 820	8 222 599

Income Statement, YTD, BGN'000	2007	2008	2009	2010	2011	2012	2013	41728
REVENUES	115 361	119 517	95 184	95 423	98 508	101 444	107 354	4 209
% change (y-o-y)	15.7%	3.6%	-20.4%	0.3%	3.2%	3.0%	5.8%	-1.8%
Operating expenses								
Materials and energy	35 602	24 417	25 180	29 289	31 902	27 523	32 661	1 608
Compensation	18 072	21 648	15 788	16 954	19 095	18 730	21 576	2 099
Cost of hired services	18 243	18 206	14 438	17 287	16 920	16 438	18 747	1 031
Other operating expenses	3 297	17 327	1 805	2 326	1 928	3 661	2 610	742
Impairments / writedowns & provisions	0	0	0	0	0	0	0	0
Total operating expenses	75 214	81 598	57 211	65 856	69 845	66 352	75 594	5 480
OPERATING INCOME (EBITDA)	40 147	37 919	37 973	29 567	28 663	35 092	31 760	-1 271
% change (y-o-y)	31.6%	-5.5%	0.1%	-22.1%	-3.1%	22.4%	-9.5%	64.4%
EBITDA margin	34.8%	31.7%	39.9%	31.0%	29.1%	34.6%	29.6%	-30.2%
Depreciation and amortization	15 377	16 840	18 141	17 408	16 636	15 285	14 413	3 331
EBIT	24 770	21 079	19 832	12 159	12 027	19 807	17 347	-4 602
% change (y-o-y)	34.1%	-14.9%	-5.9%	-38.7%	-1.1%	64.7%	-12.4%	5.7%
EBIT margin	21.5%	17.6%	20.8%	12.7%	12.2%	19.5%	16.2%	-109.3%
Financial income / expenses								
Interest income / cost, net	-6 795	-7 735	-4 243	-3 456	-3 460	-2 369	-2 399	-589
FX gain / loss, net	801	935	539	622	486	492	525	-6
Income / loss from investments, net	10 007	1 193	17 187	2 359	256	181	137	0
Other, net	303	136	0	0	0	-213	-204	0
Total financial income / expenses	4 316	-5 471	13 483	-475	-2 718	-1 909	-1 941	-595
Extraordinary items	0	767	0	0	0	0	0	0
Income / loss from associates	359	0	0	0	0	88	42	0
INCOME BEFORE TAXATION	29 445	16 375	33 315	11 684	9 309	17 986	15 448	-5 197
Tax expenses	2 452	1 847	3 604	1 216	1 026	2 038	1 381	0
Minority interest	5 622	1 293	-227	-596	7	46	193	-38
NET INCOME	21 371	13 235	29 938	9 872	8 290	15 994	14 260	-5 159
% change (y-o-y)	26.8%	-38.1%	126.2%	-67.0%	-16.0%	92.9%	-10.8%	4.1%
Net income margin	18.5%	11.1%	31.5%	10.3%	8.4%	15.8%	13.3%	-122.6%

Source: x3analyses, Karoll

Balance Sheet, BGN'000	2007	2008	2009	2010	2011	2012	2013	41728
ASSETS								
Current assets								
Inventories	6 105	7 419	4 191	4 775	4 939	9 455	10 816	11 479
ST investments in securities	1 023	348	0	0	0	0	0	0
Receivables	8 965	18 262	9 499	9 564	7 365	4 469	4 183	6 327
Prepayments	0	0	0	0	0	0	0	0
Cash and cash equivalents	22 832	8 870	3 834	7 165	952	3 542	3 385	10 421
Total currents assets	38 925	34 899	17 524	21 504	13 256	17 466	18 384	28 227
Non-currents assets								
Property, plant and equipment	411 820	452 701	429 269	420 536	419 564	413 020	421 702	432 332
Intangibles	1 692	1 486	2 001	1 734	1 391	1 806	2 309	1 690
LT investments in securities	3 548	4 546	2 126	2 125	2 125	6 811	6 848	6 848
Long-term receivables	317	332	1 158	1 809	455	147	92	92
Goodwill	768	768	17 604	17 604	17 604	17 604	17 604	17 604
Investment property	23 280	27 266	10 624	10 618	9 690	10 738	11 423	8 650
Other	4 735	1 964	0	0	0	0	0	0
Total non-currents assets	446 160	489 063	462 782	454 426	450 829	450 126	459 978	467 216
TOTAL ASSETS	485 085	523 962	480 306	475 930	464 085	467 592	478 362	495 443
LIABILITIES AND EQUITY								
Currents liabilities								
Accounts payable	13 347	19 702	12 378	6 502	7 535	3 978	7 040	3 852
Short-term debt	16 276	15 723	14 101	25 001	18 524	17 854	22 552	21 922
ST accrued expenses	3 601	0	0	4 506	3 713	4 735	4 534	23 047
Other current liabilities	1 509	10	224	872	706	1 025	293	753
Total currents liabilities	34 733	35 435	26 703	36 881	30 478	27 592	34 419	49 574
Long-term liabilities								
LT accrued expenses	0	580	580	0	0	0	0	0
Long-term debt	98 555	123 074	116 164	93 945	81 617	65 342	53 100	60 255
Deferred taxes	20 885	21 335	14 377	14 581	14 661	15 078	15 039	15 039
Financing	4 881	4 568	403	179	116	0	753	753
Other long-term liabilities	0	0	0	0	0	38	179	179
Total long-term liabilities	124 321	149 557	131 524	108 705	96 394	80 458	69 071	76 226
TOTAL LIABILITIES	159 054	184 992	158 227	145 586	126 872	108 050	103 490	125 800
Health	0	1	1	0	0	1	0	0
Minority interest	68 778	68 479	5 611	6 080	6 073	6 321	9 353	9 303
Equity								
Share capital	-65 193	-65 193	2 737	2 737	2 737	2 737	2 737	2 737
Reserves	251 361	272 068	244 354	274 254	282 115	293 316	295 329	295 180
Retained earnings (accumulated loss)	71 085	63 616	69 377	47 273	46 288	57 168	67 453	62 423
TOTAL EQUITY	257 253	270 491	316 468	324 264	331 140	353 221	365 519	360 340
TOTAL LIABILITIES AND EQUITY	485 085	523 962	480 306	475 930	464 085	467 592	478 362	495 443

Source: x3analyses, Karoll

The current report is prepared by licensed investment intermediary Karoll JSC. The employees who have prepared the analysis have acted with professional diligence and have made all reasonable effort to maintain independence and objectivity and to make fair judgement.

Karoll JSC works under the regulation of the Financial Supervision Commission (FSC), which does not imply that FSC approves or not investments in securities of the issuer, and it does not take responsibility for the data and conclusions, which are presented in this recommendation. The remuneration of the people who prepared the analysis is by no means related to trading with securities of the issuer, trading volumes or price levels of any securities, issued by the company, which is analyzed.

The preparation of this recommendation is based on annual and interim financial statements, which are published at the web sites: x3news.com, x3Analysis, the corporate web site of the issuer, and other information available to the public. 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 reliable, but for the completeness and accuracy of which we assume no liability.

This recommendation is not an offer to buy or sell securities of the company analyzed. Past performance cannot be considered a guide for future results. Investors should understand that investments in securities are highly risky and can lead to significant losses.

The recommendations in this analysis are not an investment advice and investment decisions should not be made because of them only. The users of this analysis should make their own decision about whether to invest in the company analyzed and what investment strategy they should follow. The securities under consideration in this analysis are not suitable for all investors. The shares of the company might experience significant changes in their price, and neither the people who have prepared the analysis, nor can Karoll JSC guarantee future results.

This statement should inform the users of this analysis that it is possible that Karoll JSC, but not its employees, might have relations with the issuer, which might be expected to influence the objectivity of the recommendation. It is possible that persons related to Karoll JSC – shareholders, managers, employees, and other stakeholders, as well as clients and other related parties, might own securities of the company analyzed. The remuneration of the employees who have prepared the analysis is by no means related to the trading and price levels of the securities, issued by the company analyzed.

When giving a “Buy” recommendation, we believe that the securities under consideration have a potential for a positive return of more than 15% in the next 12-18 months. When giving a “Sell” recommendation, we believe that the securities under consideration have a potential for a negative return of more than 15% in the next 12-18 months. When giving a recommendation “Hold”, we believe that the securities under consideration do not have a potential for neither a “Buy”, nor a “Sell” recommendation, based on the current financial and other publicly available information about the company at the moment of preparation of the analysis. It should be taken into consideration that companies with a “Buy” or a “Sell” recommendation bear a higher risk level.