



Research Report (Anno)



Net profit more than doubled in FY2016

-

All major investments show qualitative improvements

-

New investment in Fastbill

Target Price: €18.50 (before: €18.32)

Rating: BUY

IMPORTANT NOTE:

Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section 34b of the Securities Trading Act (WpHG) on page 15

FinLab AG ^{*5a,5b,6a,11}

Rating: BUY
Target Price: €18.50

Current Price: 14.60
29/05/2017 / ETR

Currency: EUR

Key Data:

ISIN: DE0001218063
WKN: 121806
Ticker Symbol: A7AG

Number of shares³: 4.989
Marketcap³: 72.84
³in millions / mEUR

Free Float: 20 %

Transparency Level:
Entry Standard

Market Segment:
Freiverkehr

Accounting Standard:
HGB/IFRS

Financial Year: 31.12.

Designated Sponsor:
Hauck & Aufhäuser

Analysts:

Felix Gode, CFA
gode@gbc-ag.de

Cosmin Filker
filker@gbc-ag.de

* List of possible conflicts of interest on page 16

Company Profile

Sector: Private Equity

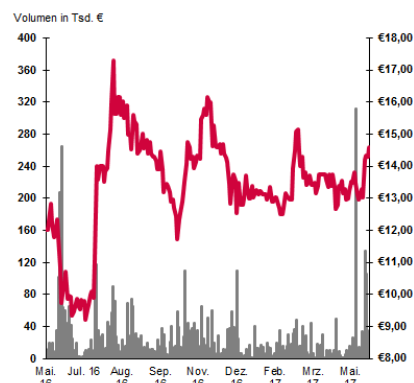
Focus: financial technology ("fintech") business models

Employees: 12 on incubator level and over 100 in subsidiaries

Established: 2000, focus on fintech since beginning 2015

Registered office: Frankfurt am Main

Board of Management: Stefan Schütze, Juan Rodriguez, Kai Panitzki



FinLab AG is an investment company focusing on fintech business models. The Company focuses on the development of self-founded and incubated German fintech start-up companies that have the potential to roll out their business models across Europe. The Company attempts to acquire majority interests in the self-founded start-ups and provides funding to companies in multiple funding rounds as lead investor or coinvestor. Another focus of the Company is providing venture capital to not self-founded but promising fintech companies in seed or follow-on funding rounds. The Company does not specialise regionally in this regard. In addition to Germany, potential investments are also considered in the US. FinLab AG also keeps the option open to selectively invest in funds and other incubators that focus specifically on fintech. In terms of regions, the Company primarily focuses on the US and Asia in this regard, in order to take advantage of the major role these markets play in the fintech sector and explore potentially attractive co-investment opportunities.

P&L in EUR millions*	31/12/2013	31/12/2014	31/12/2015	31/12/2016
Total income	2.10	4.76	6.46	4.94
EBIT	-4.31	0.49	4.02	2.27
Net income (loss)	-1.25	1.64	6.54	14.00
Operating Cashflow	-3.96	-0.06	2.62	0.89

*Figures according to IFRS

Key Figures in EUR*

Earnings per share	-0.27	0.36	1.44	3.08
Dividend per share	0.00	0.00	0.00	0.00

*Figures according to IFRS

Key figures*

Financial Assets in EUR millions	30.68	41.64	54.16	68.00
Equity (IFRS) in EUR millions	28.98	39.49	55.03	67.14
NAV per share in EUR	6.38	8.70	12.12	14.79
Discount to NAV	53.0%	48.3%	9.3%	11.4%
PE ration	neg.	44.41	11.14	5.20

*Figures according to IFRS

Financial Calendar

23/06/2017: Annual Shareholder Meeting
29/09/2017: Half-year report 2017
27-29/11/2017: Eigenkapitalforum 2017

** Last research by GBC:

Date: publication/target price in EUR/rating
06/10/2016: RS / 18.32 / BUY
04/08/2016: RS / 18.32 / BUY
24/03/2016: RS / 16.70 / BUY
28/01/2016: RS / 12.30 / BUY

** The research studies indicated above may be viewed at www.gbc-ag.de, or requested at GBC AG, Halderstr. 27, D86150 Augsburg

EXECUTIVE SUMMARY

- Once again FinLab AG has been able to present very satisfactory figures for FY 2016. The earnings per share (EPS) result has therefore increased substantially once again. After reaching a value of €1.44 per share in the previous year, it reached €3.08 per share in 2016. The Net Asset Value (NAV) also rose significantly by over 25 % to €14.79 in FY 2016.
- The main driver of this continuing strong business development was good progress by the portfolio companies. The interest in Deposit Solutions GmbH in particular was able to contribute substantially to performance. The company, which specialises in brokering overnight and time deposits, reached key milestones in 2016. For instance, the €1 billion threshold for deals was exceeded by the end of the year, a significant value in view of the short period of time since operations started. The capital increase that took place in June 2016 valued Deposit Solutions at over €100 million. The profit contribution to FinLab AG in 2016 was correspondingly strong.
- Other investments also made substantial progress. Nextmarkets, for instance, also had a capital increase which attracted prominent investors. The fresh capital will give the social trading platform a significant boost in 2017. The Kapilendo investment opened up new possibilities by collaborating with the real estate experts Engels & Völkers. This collaboration provides private investors with the opportunity to invest in large real estate projects, something that has until now been the preserve of institutional investors. Given the potential for the development of a totally new market segment, we see great opportunities here.
- FinLab AG has also been active with regard to new investments. Having already bought another investment in 2016 with identification services specialist AUTHADA, another investment followed in early May 2017 with Fastbill GmbH. Fastbill carried out a seven-digit capital increase, in which a 7.8% investment was made. The company specialises in digitised solutions in the field of financial management for small businesses and, since 2011, has built up a customer base of 40,000 small businesses and freelancers.
- **In total, FinLab AG has developed in a highly satisfactory manner in FY 2016 and clearly been able to improve the intrinsic value of its investments. This was achieved despite the major investment in Heliad Equity Partners GmbH & Co. KGaA contributing no increase in value. However, there are dormant reserves in the investment in the listed company, since the valuation at FinLab was at market price. This was listed more than 30% below the NAV. Taking into account both these dormant reserves and the new investment in Fastbill, as well as the stable cashflows from the conventional financial services business, we established a fair value of €18.50 per FinLab share on the basis of our NAV valuation. We therefore raised our previous target price of €18.32 slightly. An unchanged high upside potential remains for the share, so we confirm the BUY rating.**

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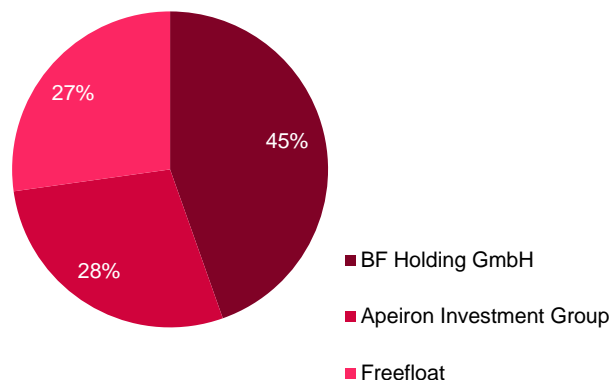
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COMPANY

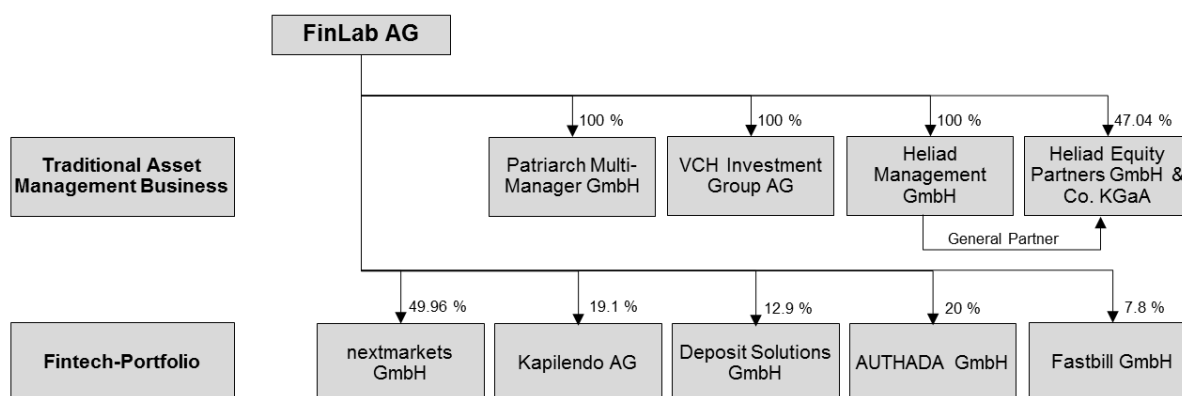
Shareholder Structure

Shareholders in %	29/05/2017
BF Holding GmbH	45.00 %
Apeiron Investment Group	28.00 %
Freefloat	27.00 %
Total	100.00 %

Source: FinLab, GBC



Group Structure



Source: FinLab, GBC

Board of Management



Stefan Schütze (Legal, Compliance & Regulation)

- Member of the Board of Management since 2013
- Authorized lawyer
- More than 15 years of experience in the areas of private equity, venture capital and the capital market
- A variety of management positions

Juan Rodriguez (CFO)

- Member of the Board of Management since 2013
- 20 years of experience in the area of finance
- A variety of positions in the areas of asset management, telecommunications and the energy industry

Kai Panitzki (Strategy, Marketing, PR & IR)

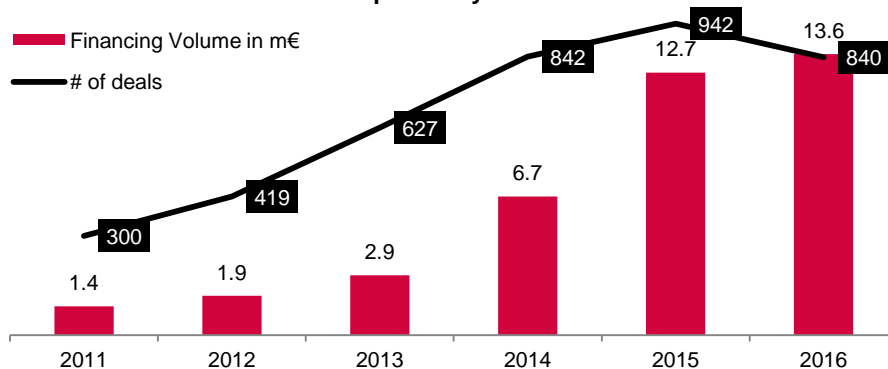
- Member of the Board of Management since 2015
- Studies of law at the University of Bonn
- More than 10 years of experience in the areas of media/marketing
- A variety of management positions, e.g. managing director of Scholz & Friends GmbH

MARKET AND MARKET ENVIRONMENT

The global market for fintech investments still proved dynamic in 2016. Nevertheless, the total amount of investments declined compared to 2015. The background to this, apart from the political and geopolitical events throughout the year, was primarily the two extremely strong previous years of 2014 and 2015. The decline in the volume of investments was a result mainly of the private equity sector, where there was a slowdown in buyout activities after two extremely strong years.

A rising trend could still be observed in the venture capital sector. Once again there was an increased volume of deals of USD 13.6 billion. This clearly shows that the trend towards technological solutions in the financial sector is still intact and there remains a high degree of willingness on the part of investors to support these new technologies.

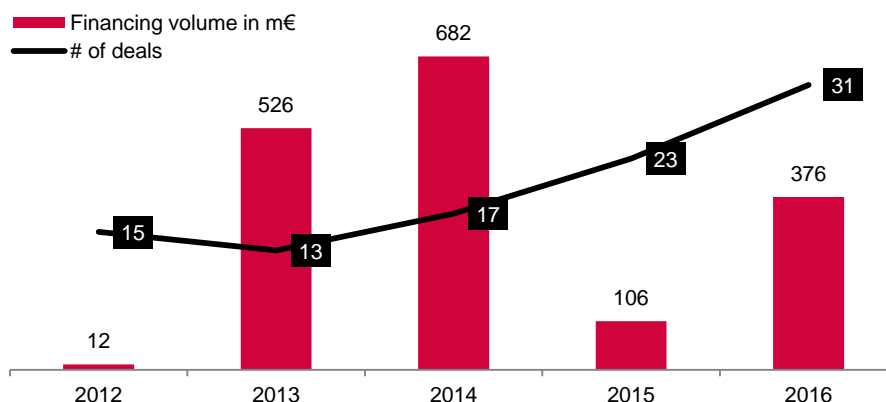
Global investments in fintech-companies by VCs



Source: KPMG, CB Insights

Activity in the fintech sector also improved in 2016 in Germany, when a far lower volume of financing in the previous year is taken into account. Whilst the peak levels of 2013 and 2014 were not reached again with USD 376 m, it was nevertheless almost four times as high as in 2015. The number of deals also rose, reaching a new maximum of 31. The process of Germany catching up with the English-speaking world is apparently still underway. The financing round of Deposit Solutions, a FinLab AG investment, was one of the three largest deals in Germany in the third quarter of 2016.

Investments in fintech-companies in Germany



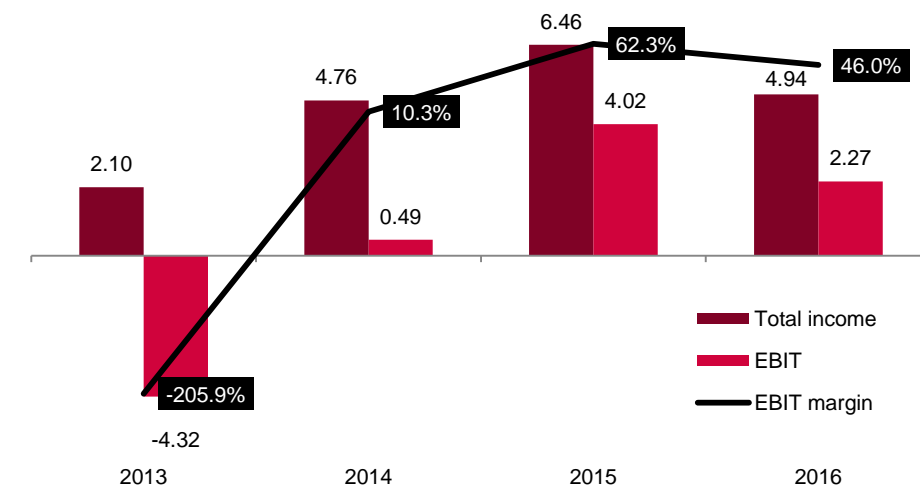
Source: KPMG, CB Insights

COMPANY DEVELOPMENT

Overview of key figures

P&L (in EUR millions)	FY 2013	FY 2014	FY 2015	FY 2016
Sales	1.53	2.85	4.17	1.72
Income from investments	0.07	0.35	1.61	2.75
Other operating income	0.50	1.55	0.68	0.48
Total income	2.10	4.76	6.46	4.94
Personnel expenses	-3.05	-2.09	-1.56	-1.64
Other operating costs	-3.37	-2.18	-0.88	-1.02
EBIT	-4.31	0.49	4.02	2.27
Financial result	3.07	1.17	3.11	11.77
EBT	-1.24	1.66	7.14	14.04
Taxes on income	-0.01	-0.02	-0.60	-0.04
Net profit/loss	-1.25	1.64	6.54	14.00
EBIT	-4.31	0.49	4.02	2.27
in % of total income	neg.	10.3 %	62.3 %	46.0 %
Earnings per share in €	-0.27	0.36	1.44	3.08
Dividend per share in €	0.00	0.00	0.00	0.00
# of shares in million	4.54	4.54	4.54	4.54

Development of total income, EBIT (m€) and EBIT margin (in %)



Source: FinLab, GBC

Business Development 2016

P&L (in EUR millions)	FY2013	FY2014	FY2015	FY2016
Total income	2.10	4.76	6.46	4.94
EBIT (<i>margin</i>)	-4.31 (<i>neg.</i>)	0.49 (10.3 %)	4.02 (62.3 %)	2.27 (46.0 %)
Net profit/loss	-1.25	1.64	6.54	14.00
EPS in €	-0.27	0.36	1.44	3.08

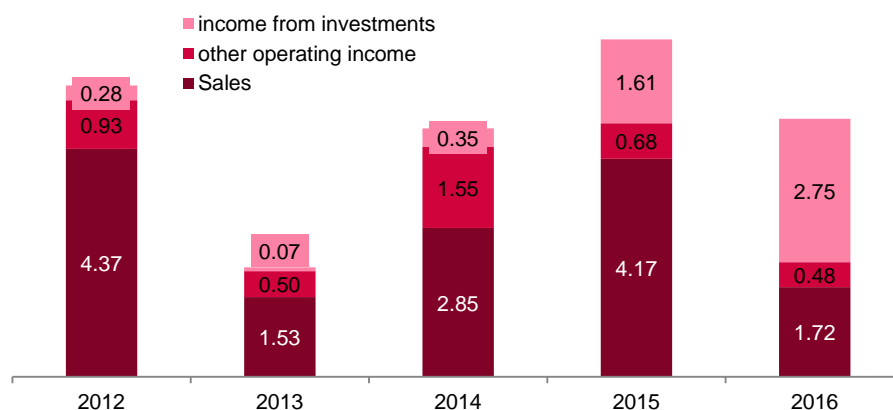
Source: FinLab. GBC

Development of income

FinLab AG's total income consists mainly of remuneration from the conventional financial services business, resulting from management fees, performance-related fees, and dividends. At €4.94 million, the total income of FinLab AG in FY 2016 was a little below that of the previous year, €6.46 million; this specifically related to lower revenues in connection with the management and performance-related fees of Heliad Management GmbH. The dividend distributions (income from investments) were, however, significantly above the previous year and consist principally of the dividends received from the investments in Heliad and Patriarch.

However, it must be said that the amount of total income is of secondary significance, because it does not reflect the success of the fintech investment portfolio. In fact, the conventional investment business earns easily-calculated and recurring proceeds which can in turn be used to finance the fintech investment portfolio. This allows FinLab AG to work profitably, which is not always the case in the environment of venture capital portfolio companies. For investors, the stable income from the conventional financial services business offers a good safety buffer, with the potential of the fintech portfolio as an added bonus.

Development of total income (in m€)



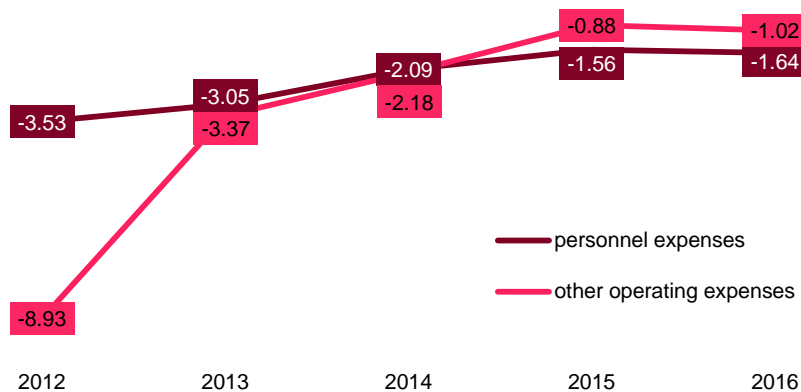
Source: FinLab. GBC

Development of earnings

There were no significant deferrals on the cost side in 2016 compared to FY 2015. On the contrary, the company continues to be a lean organisation with a low burden of fixed costs. For instance, staff costs in FY 2016 were €1.64 million and therefore only marginally higher than in the previous year. However, the staffing level was slightly increased in 2016. In a year-on-year comparison, a staff of 12 was employed compared to 10 in the previous year.

Other operating costs increased only slightly from €0.88 million to €1.02 million. This rise is associated with increased costs for premises, consultancy and auditing. Seen as a whole, the rise year-on-year is only marginal and the fixed cost basis can be regarded as stable.

Development of operating costs (in m€)



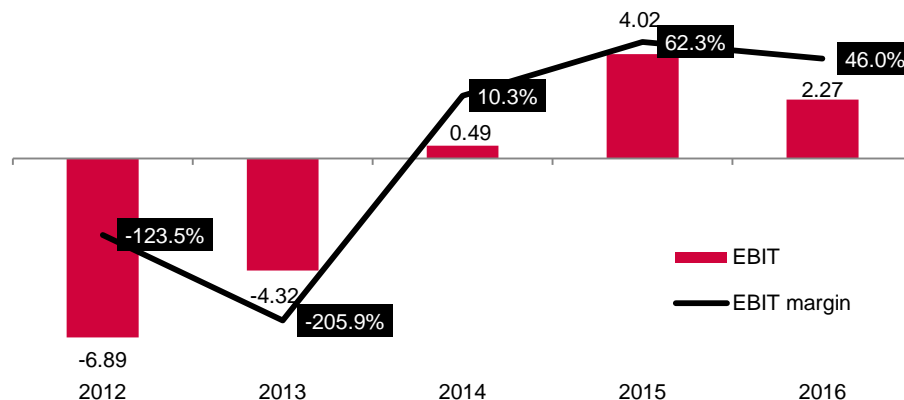
Source: FinLab. GBC

As a consequence of the slightly lower income combined with stable costs, EBIT fell year-on-year from €4.02 million to €2.27 million. However, the unchanged EBIT margin of 46.0%, continues to suggest that FinLab AG's traditional financial services business is very profitable.

An essential element of this is the business model based on two pillars. The conventional financial services business involving investments in Heliad Management GmbH and Patriarch Multi-Manager GmbH earns stable management fees as well as performance-related fees. These easily-calculated cashflows finance the second pillar of the business model, fintech investments.

Positive performance was also apparent in the operational cashflow, which at €0.89 million was again well into the positive range, even if it failed to reach the extraordinarily high level of the previous year of €2.62 million. Cashflow development, however, clearly reflected the strategic orientation of the two-pillared business model.

Development EBIT and EBIT margin (in m€)



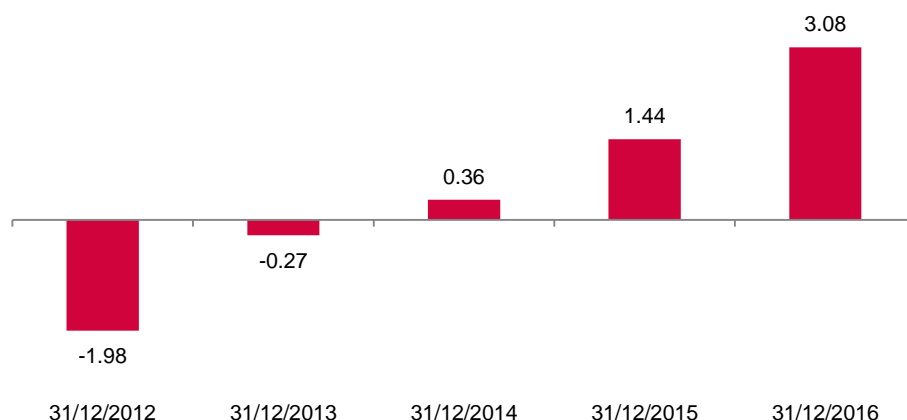
Source: FinLab. GBC

By contrast, annual net income underwent a significant upswing. At €14.00 million, it was more than twice as high as the previous year (2015: €6.54 million). The background to this is an extraordinarily strong financial result of €11.77 million. A large part of this good

valuation result was down to the investment in Deposit Solutions GmbH. Given the past financial year's capital increase to a far higher valuation level of around €100 million, the valuation base was also adjusted accordingly in FinLab AG's balance sheet. However, a valuation adjustment was also made for nextmarkets after the successful financing round in the summer of 2016.

There was another strong rise in the EPS as a consequence of the good valuation result. At €3.08 per share, it was more than twice as high as in the previous year. The trend towards continuing improvement in profit that has been apparent for several years now also clearly continued in FY 2016.

Development of Earnings per Share (in m€)



Source: FinLab. GBC

Overall, we can state that FinLab AG continued to develop successfully in FY 2016 as well. EPS of €3.08 clearly marked a new best value. Even if the year-on-year earnings trend declined slightly, the high valuation result meant that investments continued to develop successfully in 2016. This was led above all by Deposit Solutions. However, other investments also made clear progress, including in the first few months of the current year of 2017. In this respect we are also confident that FinLab AG will continue to develop positively in 2017 too.

Balance sheet and financial situation

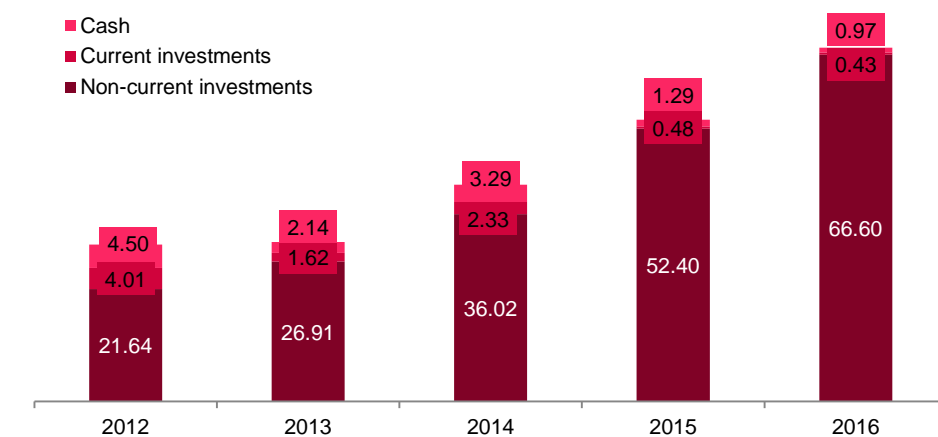
in EUR million	31/12/2013	31/12/2014	31/12/2015	31/12/2016
Equity	28.98	39.49	55.03	67.14
Equity ratio (in %)	83.1%	92.1%	96.1%	94.1%
Interest bearing debt	1.00	1.00	0.00	0.00
Financial Assets	26.91	36.02	52.40	66.60
Securities and Cash	3.76	5.62	1.77	1.40
NAV per share	6.38 €	8.70 €	12.12 €	14.79 €

Source: FinLab. GBC

Based on its good result, FinLab AG was able to strengthen its equity position in FY 2016 further and, as of the end of 2016, had equity value amounting to €67.14 million. As in previous years, the equity ratio was well over 90%. In addition, the company is completely debt-free and finances its transactions exclusively from equity capital. The company is therefore able to build on stable and easily-planned operative cashflows from the conventional financial services business.

It was also possible to improve the valuation base of investments significantly in 2016. At €68.00 million, it was about 25.5% above the previous year's figure. Above all, financial fixed assets were able to increase from €52.40 million to €66.60 million. While the investment in Heliad was assessed at around €3.5 million lower because of the slight decline in the market price during 2016, there was a clear increase in value primarily in the investment in Deposit Solutions GmbH. The capital increase that took place in June 2016 valued the company at €100 million. This also resulted in significant appreciation in FinLab AG's interest.

Development of financial assets and cash (in m€)



Source: FinLab. GBC

Overall, FinLab AG's Net Asset Value (NAV) increased year-on-year by 22% - from €12.12 to €14.79. It should be borne in mind that the NAV includes the 47.04% stake in Heliad Equity Partners GmbH & Co. KGaA at market value and does not reflect the NAV of the company. As of 31/03/2017, Heliad had an NAV amounting to €8.92 and was therefore more than 30% above the market price at the reporting date. Were Heliad's NAV taken as a valuation basis for FinLab AG, the valuation base would be €13 million higher. Put another way, the investment in Heliad includes correspondingly high dormant reserves, which are not currently reflected in FinLab AG's NAV.

SWOT-Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Experienced management team • Steady cash flows from Heliad and Patriarch investments in coming years • High equity ratio of more than 90% • There are no longer any interestbearing liabilities on the balance sheet • FinLab AG's current costs are covered by recurring cash flows • New investments can be funded using liquidity holdings and current cash flows • Low fixed-cost base 	<ul style="list-style-type: none"> • High dependence on the investment in Heliad Equity Partners GmbH & Co. KGaA • Due to the early stage of activity in the fintech sector, the fintech portfolio still contributes very little to the performance of the Company • The short history of the fintech investments makes forecasting difficult for investors • The market for the shares is very narrow due to a small free float of around 20%
Opportunities	Threats
<ul style="list-style-type: none"> • The large discount to net asset value (NAV) represents significant upside potential for the shares • Strong demand for fintech business models could drive the value of the fintech investments sharply higher • Fintech business models are showing strong growth momentum, which could also benefit FinLab AG's investments • New investments could further increase the growth potential • Additional increases in the Heliad share price would move the NAV of FinLab shares even higher 	<ul style="list-style-type: none"> • FinLab AG's investments could develop more slowly than expected • A sharp drop in the Heliad share price would decrease net income and reduce NAV • The outlook for the fintech market could deteriorate significantly • A lack of market investment opportunities could slow development of the Company • Competitors could use similar or identical business models, thereby limiting the market potential of the investments

OUTLOOK & VALUATION

Latest developments and opportunities for the investments

Patriarch Multi-Manager GmbH – equity share: 100.0 %

The 100% subsidiary, investment advisor Patriarch Multi-Manager GmbH, launched a robo-advisor with *truevest* at the start of 2017. *truevest* is an online asset manager that investors can use to obtain cost-effective access to a modern form of financial investments. Currently, it offers investors four different strategies, depending on their profile. The selection process takes place online and is completely automatic. In this respect, it is also digitising the conventional investment business, but without losing the fundamental experience and expertise of the fund management team. At present, assets with a value of around €90 million are managed using four different strategies. Customers can now invest in proven investment concepts entirely digitally using *truevest*.

In recent years, Patriarch has made stable profit contributions and cashflows and has been able to increase its contribution further by expanding its offering. We expect stable contributions from Patriarch in the years ahead.

Kapilendo AG – equity share: 19.1 %

The Kapilendo crowd-lending and crowd-investing subsidiary launched a crowd-investing platform for real estate projects through a joint venture with Engels & Völkers in March 2017. Engels & Völkers is one of the top real-estate specialists in Germany, and has in the past established many real-estate funds. Until now, however, these special funds in the property sector have only been available to institutional investors. Combining the real estate expertise of Engels & Völkers with the technical know-how and platform of Kapilendo now makes investing in attractive real-estate projects with smaller amounts possible. This synergy between the two companies can develop a powerful platform which is expected to take a leading position in Germany in a short time. In addition, the spectrum of investment options offered by Kapilendo is now expanding from start-ups through medium-sized businesses to real estate, which increases the attractiveness and scope of the platform and therefore also the potential for appreciation.

The latest financing round plus the cooperation with Engels & Völkers promises a successful year in 2017 for Kapilendo. With start-ups, medium-sized businesses and real estate asset classes, the company has an attractive bandwidth of investment options, which is not matched by any competitors in this field. This positioning should ensure further growth for the company.

Deposit Solutions GmbH – equity share: 12.9 %

Deposit Solutions was more than successful in 2016. The ZINSPILLOT platform, which allows investors access from a single account to the many overnight and time deposit offerings of several European banks, exceeded the €1 billion threshold for deals at the end of 2016. Put another way, substantial success was achieved within the extremely short period of 13 months, something unmatched on the fintech scene globally. Furthermore, even more banks are now choosing to use Deposit Solutions' service and offer it to their customers under their own brand. In July 2016, Deposit Solutions held a further financing round in order to finance growth. Its valuation at this time was over €100 million and therefore considerably higher than just one year earlier. Star investor Peter Thiel also participated in the financing round. In this respect, the revaluation of Deposit Solutions within the framework of the financing round was also a significant driver of earnings for FinLab AG in 2016.

We continue to rate the company as having a very high potential, in particular since the platform has not yet been widely rolled out but is already handling very high volumes.

nextmarkets GmbH – equity share: 49.9 %

Nextmarkets GmbH also held a further financing round of €3.5 million in July 2016, in which Peter Thiel also participated. This placed the valuation of nextmarkets well above FinLab AG's initial investment level. Apart from Peter Thiel, other prominent investors who came on board were EXTOREL and the Strascheg Family Office. This confirms that the platform is on the right track and has a unique orientation from which much is expected in 2017. At present, the plan is to complete the launch of the trading platform in the 2nd half of 2017.

Expected Company Development

FinLab AG was able to report further successes for its portfolio companies even in the first few months of the current year, as it did throughout 2016. At the start of May, FinLab AG also made a seven-figure investment in Fastbill GmbH. The equity interest from this is 7.8%. Fastbill specialises in digitisation solutions in the field of financial management for small businesses and has, since 2011, built up a customer base of 40,000 small businesses and freelancers. The company intends to use the new capital to expand and develop its platform technology.

Following FinLab's investment last year in the identification expert AUTHADA, the investment portfolio has now added another very promising company with Fastbill. We believe this increases the opportunities for further appreciation in the years ahead.

Apart from the continuing expected healthy development of the portfolio companies, FinLab AG will also earn stable income from the traditional financial services business in 2017, and this in turn can be used to expand the fintech portfolio. We expect the following cashflows for 2017:

• Distribution by Heliad Equity Partners GmbH & Co. KGaA (€0.15 per share):	m€ 0.70
• Distribution by Patriarch Multi-Manager GmbH	m€ ~0.30
• 2.5 % management fee on IFRS equity 2016 of Heliad Equity Partners GmbH & Co. KGaA*	m€ 2.00
• 20 % performance fee on HGB EBT of Heliad Equity Partners GmbH & Co. KGaA*	m€ 0.00
Total:	m€ ~3.00

* Distributions are made to Heliad Management GmbH

After Heliad Equity Partners GmbH & Co. KGaA generated a loss in FY 2016, there will therefore be no performance-related fees for 2016. Management fees should also fall slightly compared to 2016. Heliad has also cut dividends from €0.20 in the previous year to €0.15. Nevertheless, we assume as a whole that a calculable remuneration to the amount of €3 million will be earned.

Valuation

We have valued FinLab AG by calculating its Net Asset Value (NAV), a typical valuation method for portfolio companies.

As of 31/12/2016, according to its IFRS balance sheet, FinLab AG had equity capital amounting to €67.14 million. This contrasted with financial assets, securities and cash of

€68 million in value. The equity interest in Heliad Equity Partners GmbH & Co. KGaA (Heliad), in which FinLab AG holds a 47.04% stake, accounted for the largest share at €25.53 million. Heliad itself was last listed still well below NAV at €5.95. With a NAV per share of €8.92, the markdown of the market price to the NAV was around 33%.

Since the market price of Heliad is a substantial benchmark for FinLab's balance sheet, according to our calculations, the NAV markdown still present in FinLab AG's investment as of 29/05/2017 amounts to approx. €13.28 million.

In projecting the NAV based on the balance sheet data as of 31/12/2016, we have taken into account the expected and predictable revenue streams from the traditional asset management business, i.e. the agreed management fees as well as dividend income amounting to €3.0 million in liquid assets. We also included the expected holding costs amounting to €2.5 million as well as the capital increase in the calculation that was conducted recently. Finally, we also made a conservative allowance for the financing round at Kapilendo which took place at the start of the year.

Calculation of the fair value per share of FinLab AG:

	31/12/2015	31/12/2016	29/05/2017
Heliad NAV as of the reporting date (in €m)	103.36	79.75	84.82
FinLab AG share in Heliad	47.04 %	47.04 %	47.04 %
Fair value of the Heliad investment (in €m)	48.62	37.51	39.90
Heliad share price	6.20 €	5.71 €	5.95 €
Market value of the shares held in Heliad (in €m)	27.73	25.53	26.61
Hidden reserves in the Heliad investment	20.89	11.99	13.28
Financial investments/securities/liquid funds (in €m)	54.17	68.00	79.89
of which Heliad (in €m)	27.73	25.53	26.61
of which other investments (in €m)	19.63	39.51	42.01
of which cash/securities/loans (in €m)	6.80	2.97	11.27
FinLab AG equity (in €m)	55.03	67.14	79.03
Number of shares held by FinLab AG (in millions)	4.54	4.54	4.99
NAV FinLab AG	12.12 €	14.79 €	15.84 €
Hidden reserves per share (m€13.28 / 4.99 million shares)			2.66 €
Fair value per share of FinLab AG incl. hidden reserves (rounded off)			18.50 €

* GBC AG estimates

In total, including the dormant reserves in the Heliad investment, we value shares in FinLab AG at a fair value of €18.50. Thus, we have adjusted the previous target price of €18.32 upwards slightly. Given the current market price of €14.60, we consequently see a clear markdown on the fair value and therefore continue to rate the shares of FinLab AG as BUY.

ANNEX

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HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10 % and < + 10 %.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10 %.

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The analysts responsible for this analysis are:

Felix Gode, CFA, Dipl. Wirtschaftsjurist (FH), Vice Chief Financial Analyst
Cosmin Filker, Dipl. Betriebswirt (FH), Financial Analyst

Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Chief Financial Analyst

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GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de



GBC AG[®]
- RESEARCH & INVESTMENT ANALYSEN -

GBC AG
Halderstraße 27
86150 Augsburg
Internet: <http://www.gbc-ag.de>
Fax: ++49 (0)821/241133-30
Tel.: ++49 (0)821/241133-0
Email: office@gbc-ag.de