

# MPH Mittelstaendische Pharma Holding AG

Germany / Healthcare  
 Frankfurt  
 Bloomberg: 93M GR  
 ISIN: DE000A0L1H32

2016 Results

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 5.80**

Return Potential 60.2%  
 Risk Rating High

## HEALTHCARE HOLDINGS DRIVE PORTFOLIO VALUE

Full year results reflected the overall share price performance of the underlying holdings. The portfolio performance was spearheaded by M1 Kliniken shares, which climbed 86% Y/Y. CR Capital appreciated some 44% in 2016 followed by solid gains in HAEMATO shares (+31%). The performance of the listed holdings resulted in a 54% Y/Y increase in the stock market value of the portfolio driving strong net earnings for MPH. The company booked non-cash revaluation gains of €72.2m for the year. MPH will again pay out a €0.12 per share dividend to shareholders. Our adjusted sum of the parts model yields a €5.80 price target (previously: €5.50). Our rating remains Buy.

**Positive share price developments of holdings drive bottom line** As of 31 December 2015, MPH reports as an investment entity according to IFRS 10, whereas the company previously fully consolidated the majority stakes in its primary holdings. The company no longer generates operating revenues after the deconsolidation. Consequently, earnings are now chiefly driven by the share price developments of the publicly traded core holdings. The market value of the core holdings climbed some 54% Y/Y to €251m spurred by 40% growth in the last six months of 2016. This development led to revaluation gains totalling €72.2m in 2016 compared to €74.7m in 2015. The company booked revaluation gains of €52.2m in H2/16. Thus, MPH recorded net income (NI) of €80.0m for the full year compared to €84.1m in the prior year. NI equated to EPS of €187 for the year (2015: €1.96).

**Balance sheet dominated by financial assets** The largest items on the balance sheet are the financial assets position, which amounted to €219m at the end of 2016, and shareholders' equity of €214m. This compares to the balance sheet total of €230m at the end of the year. The equity ratio thus totalled 94%. MPH exited 2016 with cash and cash equivalents of €1.0m and net debt totalled €3.5m. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Pro-forma Rev. (€m) <sup>1</sup>	219.25	262.89	329.07	376.81	425.30	476.74
Y/Y growth	-3.3%	19.9%	25.2%	14.5%	12.9%	12.1%
EBIT (€m)	10.92	13.15	7.89	5.97	5.96	5.94
EBT (€m)	9.3	87.3	81.2	27.7	27.9	24.1
Net income (€m)	8.45	84.10	80.06	26.91	27.02	23.25
EPS (diluted) (€)	0.20	1.96	1.87	0.63	0.63	0.54
DPS (€)	0.19	0.12	0.12	0.12	0.12	0.12
NAV (€m)	94.73	139.02	213.95	235.72	257.60	275.61
Net gearing	29.1%	6.8%	1.7%	1.7%	1.7%	1.8%
Liquid assets (€m)	17.70	0.53	10.45	10.07	9.67	9.15

\* Please note the company changed to IFRS 10 reporting as of 31 December 2015 and deconsolidated its core holdings.  
<sup>1</sup> We provide pro-forma revenue of M1 Beauty, HAEMATO and CR Capital as a reference.

### RISKS

Regulatory changes in healthcare systems, spending cuts in healthcare systems, homogenization of pharmaceutical prices within the European Union.

### COMPANY PROFILE

MPH AG is a Berlin based management holding company. The strategic focus is the purchase and further development of companies positioned chiefly in growth segments of the healthcare market. The aim is to generate profitable growth through active development and create value in the portfolio companies and MPH AG.

### MARKET DATA

As of 29 May 2017

Closing Price	€ 3.62
Shares outstanding	42.81m
Market Capitalisation	€ 155.03m
52-week Range	€ 2.44 / 4.22
Avg. Volume (12 Months)	47,187

Multiples	2016	2017E	2018E
P/E	1.9	5.8	5.7
EV/EBT	2.0	5.8	5.8
P/NAV	0.7	0.7	0.6
Div. Yield	3.3%	3.3%	3.4%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2016

Liquid Assets	€ 10.45m
Current Assets	€ 10.45m
Financial Assets	€ 219.82m
Total Assets	€ 230.33m
Current Liabilities	€ 164.86m
Shareholders' Equity	€ 213.95m

### SHAREHOLDERS

Magnum	60.0%
Baring Fund Managers	1.9%
BayernInvest Luxembourg	0.2%
Free Float	37.9%



## PORTFOLIO DEVELOPMENTS AND OUTLOOK

The business focus of MPH is to take majority stakes in companies well positioned in growing segments of the German healthcare industry and create value for investors with these holdings. Each participation benefits from strong market impulses including concerns over rising healthcare costs, beauty and lifestyle trends, and a tightening residential property market.

**Table 1: Listed portfolio share price developments**

	FY/16			H1/16			Delta	Δ Value
	MPH shares	Share price (€)	Value (€k)	MPH shares	Shareprice (€)	Value (€k)		
HAEMATO AG	10,392	6.44	66,924	10,418	4.75	49,486	35.2%	17,439
M1 Kliniken AG	12,735	9.94	126,586	12,857	7.05	90,642	39.7%	35,944
CR Capital Real Estate AG	11,506	1.89	21,746	11,626	1.17	13,602	59.9%	8,144
<b>Total</b>			<b>215,257</b>			<b>153,730</b>	<b>40.0%</b>	<b>61,527</b>

\* Bloomberg closing prices from 30 June 2016 and 30 December 2016

Source: First Berlin Equity Research; Company; Bloomberg

**Positive impulses from the healthcare, beauty-lifestyle and residential property industries** HAEMATO presently benefits from favourable market conditions for cancer therapy and oncology products, where it traditionally generates some 60% of its turnover. Operations are prospering from improved sourcing and higher margin products in the sales mix, which pushed the gross margin north of 7% last year. We believe the company is also poised to launch its own branded hyaluronic acid product with a much higher margin structure. We see this as a pivotal step in the evolution of HAEMATO's operations. Traction with proprietary medical products can potentially offset some of the sourcing fluctuations associated with the parallel import and generics operations.

M1 is likewise benefiting from strong market tailwinds with beauty-lifestyle services becoming more and more popular supported by greater prosperity to afford vanity treatments. Management guide for 20% revenue growth in 2017, driven by a newly acquired facility in Essen, which will add new surgical capacity and translate into sales growth.

Meanwhile, the German residential housing sector remains fundamentally attractive for property developers. The sector continues to be characterised by low levels of supply, and new-build completions are unable to keep pace with demand in German hubs. We expect this environment to persist over the mid-term, which should provide good opportunities for CR Capital.

Operationally, CR Capital's core project development activities are currently centred on the Schkeuditz project in Leipzig. After several early stage delays typical for project development activities, the company broke ground in April. We believe CR Capital will hand over the first completed flats this year and look for this to generate some €20m in revenue with good profitability, given excellent property market fundamentals pervasive in German hub cities. The Leipzig construction pipeline has a total volume of €150m, which we expect the company to realise over the next five years providing excellent visibility. CR Capital has also secured another project pipeline in Dresden, Germany to further boost mid-term visibility.

## HAEMATO 2016 RESULTS

Revenues climbed 20% Y/Y reaching €276m corresponding to a record top line result for the company. HAEMATO cited continued growth (4.1%) in the German pharmaceuticals market last year, which was spearheaded by growth of 17% - 22% for cancer therapy. The company generally achieves some 60% of its revenue with oncology products. HEAMATO also recorded a strong gross margin at 7.3% thanks to the increased sales of higher margin products in the overall mix. EBIT grew some 63% Y/Y to €13.4m (2015: €8.2m) spurred by the gross margin and a strong other operating income result boosted by valuation gains from financial assets. Net income (NI) totalled €11.0m (2015: €5.5m).

**Table 2: HAEMATO P&L highlights**

All figures in EUR '000	H2 2016	H2 2016E	% delta	H2 2015	% delta	2016	2015	% delta
Revenue	133,340	138,000	-3.4%	128,250	4.0%	275,614	229,727	20.0%
Gross profit	9,689	9,142	6.0%	7,534	28.6%	19,469	15,273	27.5%
Margin (%)	7.3%	6.6%	-	5.9%	-	7.1%	6.6%	-
EBIT	7,585	4,735	60.2%	4,014	89.0%	13,441	8,225	63.4%
Margin (%)	5.7%	3.4%	-	3.1%	-	4.9%	3.6%	-
Net Income	6,622	3,659	81.0%	2,772	138.9%	11,037	5,539	99.3%
Margin (%)	5.0%	2.7%	-	2.2%	-	4.0%	2.4%	-

Source: First Berlin Equity Research; HAEMATO AG

Total assets grew to €117m (2015: €107m), mainly due to the increase in long term financial assets to €16.8m (2014: €12.5m). These include stakes in listed companies. Net debt, including the €5.2m participation certificate, totalled €16.3 at year end. Shareholders' equity rose slightly to €63.1m (2015: €58.3m) after distributing dividends of €6.2m to shareholders. The equity ratio dipped slightly to 54% vs 55% in 2015, due to the larger asset base. HAEMATO plans to pay out a dividend of €0.30 to shareholders equal to €6.6m.

**Table 3: HAEMATO balance sheet highlights**

All figures in EUR '000	2016	2015	Delta
Cash	9,790	2,449	299.7%
Short-term investments	2,813	2,791	0.8%
Financial debt (short- and long-term)	26,120	28,617	-8.7%
Net debt	16,331	26,168	-37.6%
Total assets	116,774	106,989	9.1%
Shareholders' equity	63,091	58,289	8.2%
Equity ratio	54.0%	54.5%	-

Source: First Berlin Equity Research; HAEMATO AG

## M1 KLINIKEN 2016 RESULTS

Revenues edged 3% higher Y/Y reaching €36m, thanks to operational expansion of the Berlin-Köpenick clinic from one surgery room and four beds in 2015 to six surgery rooms and 35 beds. The company also raised the number of outpatient clinics across Germany from four in 2015 to 12 in 2016. Gross profit grew 25% Y/Y to €13.4m (2015: €10.8m) stemming chiefly from strong other operating income amounting to €5.4m (2015: €0.4m). The non-cash revaluation gains of financial assets boosted this line item.

EBIT of €4.4m fell short of the prior year result, due to higher than anticipated OpEx. The company significantly raised the number of employed medical specialists triggering higher personnel and other expenses. The bottom line benefited from tax loss carry forward effects.

**Table 4: M1 P&L highlights**

All figures in EUR '000	2016	2016E	% delta	2015	% delta
Revenue	35,955	39,117	-8.1%	34,926	2.9%
Gross profit	13,444	11,657	15.3%	10,782	24.7%
Margin (%)	37.4%	29.8%	-	30.9%	-
EBIT	4,364	7,237	-39.7%	7,015	-37.8%
Margin (%)	12.1%	18.5%	-	20.1%	-
Net Income	5,007	5,030	-0.5%	6,630	-24.5%
Margin (%)	13.9%	12.9%	-	19.0%	-

Source: First Berlin Equity Research; Company

Total assets declined marginally to €32.2m (2015: €33.2m) owing mainly to a reduction in working capital. Net debt, including the €5.2m participation certificate, totalled €16.3 at year end. Shareholders' equity rose slightly to €30.3m (2015: €29.8m). The equity ratio stood at a stout 94% compared to 90% in 2015, due to the slightly lower asset base. The company exited the year with €9.4m in cash and net cash of €9.4m thanks to a debt free balance sheet. M1 plans to pay out a dividend of €0.30 to shareholders equal to €4.5m.

**Table 5: M1 balance sheet highlights**

All figures in EUR '000	2016	2015	Delta
Cash	5,812	413	1307.3%
Short-term investments	2,704	6	n.m.
Financial debt (short- and long-term)	0	0	-
Net debt	-5,812	-413	1307.3%
Total assets	32,186	33,187	-3.0%
Shareholders' equity	30,257	29,750	1.7%
Equity ratio	94.0%	89.6%	-

Source: First Berlin Equity Research; Company

## CR CAPITAL 2016 RESULTS

The top line nearly doubled in 2016 (+95%), to €17.5m, thanks primarily to the disposal of two properties in the portfolio (Griegstraße and Lillenthalstraße) in H1/16 for €8.4m and the handover of the Borgmannstraße 16 project in H2/16 for some €9.0m in revenue. Operating costs were slightly lower in 2016 with personnel expenses dipping to €0.7m compared to €0.8m in the prior year. Other operating expenses amounted to €0.9m in 2016 vs €1.0 in the previous year. The company also booked strong revaluation gains of €1.6m on its portfolio helping to boost operating income to €2.4m for the year. The company also benefited from tax loss carry forwards (TLCF) and deferred tax gains from property sales. Thus, the tax expense amounted to only €47k. NI of €2.2m translated into EPS of €0.12 per share for the year and beat our bottom line target.

**Table 6: CR Capital P&L highlights**

All figures in EUR '000	2016	2016E	% delta	2015	% delta
Revenue	17,499	16,969	3.1%	8,970	95.1%
Gross profit	1,497	1,760	-14.9%	-103	-
Margin (%)	8.6%	10.4%	-	-	-
EBIT	2,377	445	434.2%	2,719	-12.6%
Margin (%)	13.6%	2.6%	-	30.3%	-
Net income	2,167	772	180.7%	1,689	28.3%
EPS diluted (€)	0.12	0.04	187.5%	0.09	28.3%

Source: First Berlin Equity Research; Company

CR Capital ended the year with total assets of €27.4m compared to €35.7m at the end of 2015. The decrease stems primarily from the planned property disposals. Investment properties decreased from €13.2m in 2015 to €9.2m at the end of 2016. Thanks to the positive net result, shareholders' equity increased to €22.7m allowing the equity ratio to climb to 83% (FY15: 58%) against the lower asset base. CR Capital also ended the period with a net cash position of €3.3m. In our view, this gives the company solid financing headroom for future projects.

**Table 7: CR Capital balance sheet highlights**

All figures in EUR '000	2016	2015	Delta
Cash	5,441	1,947	179.5%
Assets held for sale	5,277	13,040	-59.5%
Investment properties	9,175	13,150	-30.2%
Total assets	27,378	35,651	-23.2%
Financial debt (short- and long-term)	2,116	2,121	-0.2%
Net debt	-3,325	174	-
Shareholders' equity	22,705	20,539	10.5%
Equity ratio	82.9%	57.6%	-

Source: First Berlin Equity Research; Company



## SUM-OF-THE-PARTS MODEL

We use to a sum-of-the-parts valuation methodology to value MPH. Value is driven by the projected fair value of HAEMATO; M1 Beauty, and CR Capital, which we have valued separately on a DCF basis. Based on the current stakes, we derive a fair value of €257m for the listed holdings. We add the book value of the non-listed holdings to this figure and subtract the 2016 net debt and holding costs. Given the 42.8m shares outstanding (SO), we now see fair value for MPH at €5.80 per share (previously: €5.50) corresponding to a Buy rating.

in € '000	Shareholdings	SO	MPH stake	Share price	Fair value <sup>1</sup>	Projected value
HAEMATO AG	10,392	20,780	50.0%	6.44	8.40	87,293
M1 Kliniken AG	12,735	15,000	84.9%	9.94	10.80	137,538
CR Capital Real Estate AG	11,506	18,780	61.3%	1.89	2.80	32,217
<b>Projected value of listed holdings</b>						<b>257,048</b>

<b>Fair value of listed portfolio</b>	<b>257,048</b>
Non-listed investment (book value)	4,484
Net debt (2016)	3,551
Present value of holding costs	-9,045
<b>Total fair value</b>	<b>248,935</b>
MPH Shares outstanding	42,814
<b>Fair value per share (€)</b>	<b>5.81</b>

<sup>1</sup> First Berlin Equity Research currently covers HAEMATO AG (Buy / PT EUR8.40), M1 Kliniken AG (Buy/ PT EUR10.80) and CR Capital (Buy / PT: EUR2.80)



## INCOME STATEMENT

All figures in EUR '000	2014	2015	2016	2017E	2018E
<b>Revenues</b>	<b>219,249</b>	<b>262,887</b>	<b>47</b>	<b>50</b>	<b>50</b>
Change in inventories	-27	-3,720	0	0	0
Cost of goods sold	-197,433	-231,703	17	-10	-10
Personnel expenses	-6,479	-8,326	-559	-567	-576
Other OpEx	-8,006	-10,771	-432	-438	-445
Other income	5,442	9,978	8,843	6,938	6,938
Depreciation & amortisation	-1,829	-5,193	-24	0	0
<b>Operating income (EBIT)</b>	<b>10,917</b>	<b>13,152</b>	<b>7,892</b>	<b>5,972</b>	<b>5,957</b>
Net financial result	-1,604	-2,001	-445	-420	-420
Other financial result	0	7,860	7,482	0	0
Depreciation of financial assets	0	-6,417	-5,995	0	0
Revaluation result	0	74,707	72,220	22,191	22,316
<b>Pre-tax income (EBT)</b>	<b>9,313</b>	<b>87,301</b>	<b>81,154</b>	<b>27,743</b>	<b>27,853</b>
Income taxes	-860	-3,200	-1,090	-836	-834
<b>Net income / loss</b>	<b>8,453</b>	<b>84,101</b>	<b>80,064</b>	<b>26,907</b>	<b>27,019</b>
Minority interests	3,503	1,513	0	0	0
<b>Net income after minorities</b>	<b>4,950</b>	<b>82,588</b>	<b>80,064</b>	<b>26,907</b>	<b>27,019</b>
<b>EPS (in €)</b>	<b>0.20</b>	<b>1.96</b>	<b>1.87</b>	<b>0.63</b>	<b>0.63</b>

<sup>1</sup> Please note the change to IFRS 10 accounting as of 31 December 2015



## BALANCE SHEET

All figures in EUR '000	2014	2015	2016	2017E	2018E
<b>Assets</b>					
<b>Current assets, total</b>	<b>68,150</b>	<b>685</b>	<b>10,452</b>	<b>10,069</b>	<b>9,667</b>
Cash and equivalents	10,117	528	983	10,068	9,667
ST financial assets	7,581	0	9,466	0	0
Trade receivables	11,523	8	0	0	0
Inventories	35,401	0	0	0	0
Other ST assets	3,528	149	3	0	0
<b>Non-current assets, total</b>	<b>82,051</b>	<b>150,419</b>	<b>219,878</b>	<b>242,037</b>	<b>264,343</b>
Property, plant & equipment	2,406	14	6	6	6
Goodwill & other intangibles	53,562	24	26	26	26
Investment properties	13,436	0	0	0	0
Financial assets	12,371	150,360	219,824	242,005	264,311
Deferred taxes	276	21	22	0	0
<b>Total assets</b>	<b>150,201</b>	<b>151,104</b>	<b>230,330</b>	<b>252,106</b>	<b>274,010</b>
<b>Shareholders' equity &amp; debt</b>					
<b>Current liabilities, total</b>	<b>28,645</b>	<b>967</b>	<b>165</b>	<b>161</b>	<b>173</b>
Trade payables	7,210	638	15	0	0
ST debt	14,359	60	0	0	0
Provisions	3,820	54	42	43	45
Other ST financial liabilities	510	205	87	96	105
Other current liabilities	2,746	10	21	22	23
<b>Long-term liabilities, total</b>	<b>26,826</b>	<b>11,117</b>	<b>16,217</b>	<b>16,228</b>	<b>16,239</b>
Long-term debt	23,356	9,990	14,000	14,000	14,000
LT provisions	27	0	0	0	0
Deferred tax liabilities	3,443	1,127	2,217	2,228	2,239
<b>Shareholders' equity</b>	<b>68,771</b>	<b>139,020</b>	<b>213,948</b>	<b>235,717</b>	<b>257,598</b>
Minority interests	25,959	0	0	0	0
<b>Total equity</b>	<b>94,730</b>	<b>139,020</b>	<b>213,948</b>	<b>235,717</b>	<b>257,598</b>
<b>Total consolidated equity and debt</b>	<b>150,201</b>	<b>151,104</b>	<b>230,330</b>	<b>252,106</b>	<b>274,010</b>

<sup>1</sup> Please note the change to IFRS 10 accounting as of 31 December 2015





## CASH FLOW STATEMENT

All figures in EUR '000	2014	2015	2016	2017E	2018E
<b>Pre-tax income</b>	<b>9,308</b>	<b>87,279</b>	<b>81,154</b>	<b>27,743</b>	<b>27,853</b>
Depreciation and amortisation	1,829	10,896	6,020	0	0
Revaluation gains	-4,953	-81,551	-81,438	-12,724	-22,316
Changes in working capital	-9	-533	-13,606	31	23
Other adjustments	-5,055	-15,342	396	10	10
Net financial result	1,604	2,000	445	420	420
<b>Operating cash flow</b>	<b>2,724</b>	<b>2,749</b>	<b>-7,029</b>	<b>15,481</b>	<b>5,990</b>
Interest income	158	223	2,922	0	0
Interest expense paid	-1,779	-2,223	-660	-420	-420
Tax paid	-1,594	-406	0	-836	-834
<b>Net operating cash flow</b>	<b>-491</b>	<b>343</b>	<b>-4,767</b>	<b>14,224</b>	<b>4,736</b>
CapEx	-9,913	-26,814	-2,006	0	0
Proceeds from disposal of fixed assets	13,387	18,623	7,570	0	0
<b>Cash flow from investing</b>	<b>3,474</b>	<b>-8,191</b>	<b>5,564</b>	<b>0</b>	<b>0</b>
<b>Free cash flow (FCF)</b>	<b>2,983</b>	<b>-7,848</b>	<b>797</b>	<b>14,224</b>	<b>4,736</b>
Equity inflow, net	2,485	3,652	0	0	0
Debt inflow, net	5,880	6,741	3,950	0	0
Dividend paid to shareholders	-7,086	-8,223	-4,293	-5,138	-5,138
<b>Cash flow from financing</b>	<b>1,279</b>	<b>2,170</b>	<b>-343</b>	<b>-5,138</b>	<b>-5,138</b>
<b>Net cash flows</b>	<b>4,262</b>	<b>-9,590</b>	<b>454</b>	<b>9,087</b>	<b>-402</b>
Cash, start of the year	5,855	10,117	528	982	10,068
<b>Cash, end of the year</b>	<b>10,117</b>	<b>528</b>	<b>982</b>	<b>10,068</b>	<b>9,667</b>
<b>EBITDA/share (in €)</b>	<b>0.30</b>	<b>0.56</b>	<b>0.32</b>	<b>0.14</b>	<b>0.14</b>
<b>Y-Y Growth</b>					
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-66.7%
Free cash flow	n.m.	n.m.	n.m.	1684.7%	-66.7%

<sup>1</sup> Please note the change to IFRS 10 accounting as of 31 December 2015

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 October 2012	€2.45	Buy	€5.50
2...12	↓	↓	↓	↓
13	6 September 2016	€2.70	Buy	€5.20
14	7 December 2016	€3.22	Buy	€5.20
15	20 March 2017	€4.08	Buy	€5.50
16	Today	€3.62	Buy	€5.80

**Authored by: Ellis Acklin, Analyst**

**Company responsible for preparation:**

**First Berlin Equity Research GmbH**

Mohrenstraße 34  
10117 Berlin

Tel. +49 (0)30 - 80 93 96 83 Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

**Person responsible for forwarding or distributing this financial analysis: Martin Bailey**

**Copyright© 2017 First Berlin Equity Research GmbH** No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

**INFORMATION PURSUANT TO SECTION 34B OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO THE GERMAN ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS [FINANV]**

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

**CONFLICTS OF INTEREST**

In accordance with Section 34b Paragraph 1 of the German Securities Trading Act [WpHG] and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) financial analyses may only be passed on or publicly distributed if circumstances or relations which may cause conflicts of interest among the authors, the legal entities responsible for such preparation or companies associated with them are disclosed along with the financial analysis.

First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest (further information and data may be provided on request):

- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

If despite these measures one or more of the aforementioned conflicts of interest cannot be avoided on the part of the author or First Berlin, then reference shall be made to such conflict of interest.

**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

## ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

### ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

**STRONG BUY:** An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

**BUY:** An expected favourable price trend of more than 25% percent.

**ADD:** An expected favourable price trend of between 0% and 25%.

**REDUCE:** An expected negative price trend of between 0% and -15%.

**SELL:** An expected negative price trend of more than -15%.

### RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

### INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

### UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

### SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

**SUPERVISORY AUTHORITY:** Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

## EXCLUSION OF LIABILITY (DISCLAIMER)

### RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

### RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

### INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

**NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS**

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

**NO OBLIGATION TO UPDATE**

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

**DUPLICATION**

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

**SEVERABILITY**

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

**APPLICABLE LAW, PLACE OF JURISDICTION**

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

**NOTICE OF DISCLAIMER**

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

**QUALIFIED INSTITUTIONAL INVESTORS**

First Berlin financial analyses are intended exclusively for qualified institutional investors.

**This report is not intended for distribution in the USA, Canada and/or the United Kingdom (Great Britain).**