

Aroundtown Property Holdings Plc.

Germany / Real Estate
 Frankfurt Stock Exchange
 Bloomberg: AT1 GR
 ISIN: CY0105562116

Q1/17
 Results

RATING
BUY

PRICE TARGET
€ 6.40

Return Potential 38.5%
 Risk Rating Medium

VERY STRONG Q1; PRIME STANDARD UPLISTING COMPLETE

First quarter results were ahead of our forecasts with all headline figures continuing to show strong Y/Y growth. Rental income of €114m spurred a strong FFO I result, which grew some 82% Y/Y to €59m. The quarter once again underscored management's ability to grow the portfolio with accretive acquisitions and unlock value from the existing assets with operational improvements. The acquisition pipeline continues to look strong, while the company has plenty of financial flexibility thanks to a strong cash position and a low Loan-to-value (pro forma 33%) following the recent capital increase. We stick to our €6.40 price target and Buy rating.

Step by step evolution has AT well positioned We expect continued growth thanks to a deal pipeline now estimated to be near €1.5bn, excellent financial flexibility owing to last month's equity issue, and a well stocked commercial portfolio with strong embedded rental income and FFO I upside. As of 2 June, the company's shares now trade in the Prime Standard of the Frankfurt Stock Exchange. In our view, this latest milestone in the company's evolution will increase the visibility and liquidity of Aroundtown's shares and pave the way for inclusion in important stock indices in and outside Germany. The company also expects to have completed the migration of its headquarters to Luxembourg in Q3/17. The latest capital increase and convertible bond reduction boosted the free float by some 600 basis points to 56%, which should likewise increase share liquidity. We believe management have done an excellent job of growing the company incrementally while also creating an attractive investment case for shareholders.

Commercial portfolio hits €5.8bn mark; +16% Q/Q Thanks to a strong deal sourcing network and the ability to often cherry pick properties via off-market transactions, the company was able to grow investment properties to €5.8m (Q4/16: €5.0m). This includes some €1bn in asset and share deals and €212m in fair value adjustments offset by a €470m transfer to assets held for sale. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Rental income (€m)	257.17	125.16	273.70	421.36	484.86	538.34
Y/Y growth	42.1%	-51.3%	118.7%	54.0%	15.1%	11.0%
Adj. EBITDA (€m)	59.67	92.72	194.54	296.53	342.09	379.60
Net income	898.45	920.75	901.09	662.09	758.21	830.43
EPS (diluted) (€)	1.41	1.01	0.88	0.59	0.64	0.70
EPRA NAV ¹ (€m)	1273.27	2720.69	4349.05	5349.70	5951.40	6627.32
DPS (€)	0.00	0.05	0.16	0.20	0.22	0.24
FFO I (€m)	38.75	94.05	165.63	242.08	293.23	331.60
FFOPS I	0.08	0.17	0.25	0.31	0.33	0.36
Liquid assets (€ m)	175.75	386.98	833.44	829.56	621.89	535.55

* Note that GCP was deconsolidated at the end of 2014. ¹ Includes perpetual notes issued October 2016.

RISKS

Risks include, but are not limited to, unfavourable interest rate developments, unfavourable macroeconomic developments, and the departure of key personnel.

COMPANY PROFILE

Aroundtown Property Holdings Plc is a specialist real estate company focused on investing in and managing value-add properties primarily located in the German/NL real estate markets.

MARKET DATA

As of 08 Jun 2017

Closing Price	€ 4.62
Shares outstanding	872.31m
Market Capitalisation	€ 4030.07m
52-week Range	€ 3.97 / 4.93
Avg. Volume (12 Months)	606,566

Multiples	2016	2017E	2018E
P/FFO I	18.5	14.8	13.9
P/EPRA NAV	0.9	0.8	0.8
FFO I/Yield	5.4%	6.8%	7.2%
Div. Yield	3.5%	4.4%	4.7%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2017

Liquid Assets	€ 864.09m
Current Assets	€ 1,606.95m
EPRA NAV ¹	€ 5,133.75m
Total Assets	€ 9,420.01m
Current Liabilities	€ 672.54m
Total Equity	€ 4,290.80m

¹ pro-forma, includes perpetual notes issued Oct. 2016

SHAREHOLDERS

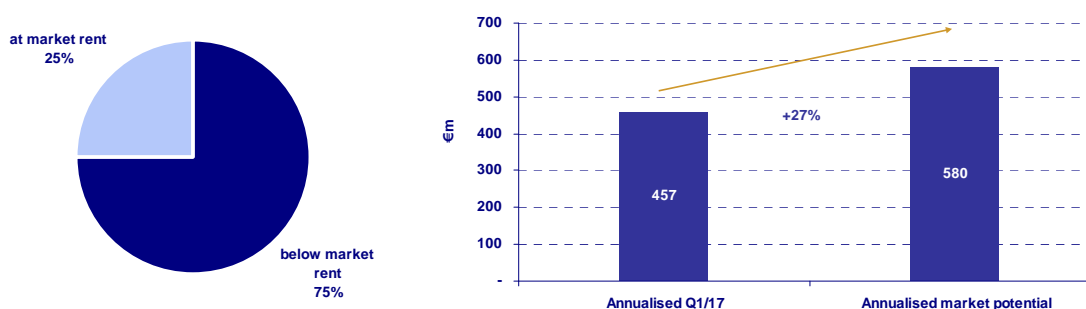
Avisco Group	44.0%
Free Float	56.0%

**Table 1: Asset class overview as of March 2017**

	Investment properties (€m)	Rentable area ('000 m ²)	EPRA vacancy	Annualised net rent (€m)	In-place rent (€/m ²)	Value (€/m ²)	Rental yield
Office	3,102	1,481	10.5%	178	10.7	2,094	5.7%
Retail	1,153	803	7.5%	82	8.7	1,434	7.1%
Hotel	1,096	575	0.0%	68	9.8	1,907	6.2%
Industrial/others	443	646	8.3%	25	3.3	686	5.7%
Total	5,794	3,505	7.8%	353	8.7	1,653	6.1%

Source: First Berlin Equity Research; Aroundtown

As of March 2017, Aroundtown's commercial portfolio excluding assets held for sale operates at an in-place rent of €8.7/m² and an EPRA vacancy rate of 7.8%. Growth continues to be well diversified across asset type. Office now constitutes 53% of the commercial portfolio followed by Retail with 20%. Of the core regions, the company enjoys excellent exposure in the German capital with 63% of the Berlin assets located within the inner-city including top districts such as Kreuzberg and Mitte, where available apartments and commercial space are acutely scarce. The commercial portfolio harbours significant upside potential to increase rental income with only 25% of portfolio rents in line with their respective markets. As of Q1, the company sees some 27% upside to €580m in RI with existing assets.

Figure 1: Potential for rent increases to market levels

Source: First Berlin Equity Research; Aroundtown

Table 2: First quarter results vs forecasts

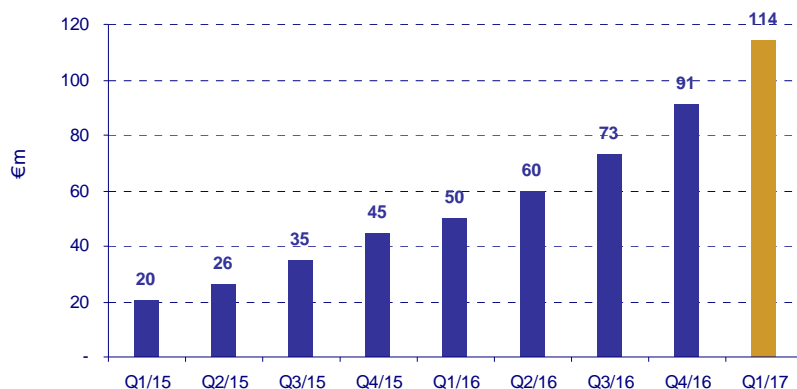
All figures in EUR '000	Q1/17	Q1/17E	Δ	Q1/16	Δ
Revenue	114,159	111,250	2.6%	50,069	128%
Adjusted EBITDA commercial	80,482	78,320	2.8%	36,009	124%
Margin	70%	70%	-	72%	-
Adjusted EBITDA	93,187	91,225	2.2%	53,111	75%
Margin	82%	82%	-	106%	-
FFO I	59,260	58,860	0.7%	32,626	82%
FFOPS I (€)	0.09	0.09	0.7%	0.05	80%

Source: First Berlin Equity Research; Aroundtown

Rental income +128% Y/Y led by rental income +135% Y/Y Revenues grew 128% to €114m (Q1/16: €50m; FBe: €111m) and included rental income of €97m vs €41m in the prior year period. The increase stems from both acquisition and internal growth. The strong operational performance resulted in a 3.9% improvement in like-for-like in-place rent and a 2.2% rise in like-for-like occupancy. The €114m in rental income and operating income in Q1 continues an impressive trend of Q/Q growth (figure 2 overleaf).



Figure 2: Quarterly rental and operating income development



Source: First Berlin Equity Research; Aroundtown

Aroundtown generated non-cash revaluation gains of €212m in Q1 compared to €224m in the prior year period. This KPI reflects the company's value-add acquisition strategy and deal sourcing strength. Management noted that some 20% of the commercial properties had thus far been assessed this year. AT's stake in Grand City Properties (GCP) is reflected in the equity-accounted investees line item and totalled €31m in Q1/17 compared to €26m in Q1/16. The profits from GCP stem from strong operational performance as well as value creation from successful turnaround measures at its residential properties. Currently, AT holds a 36% stake in GCP; however, management communicated in October its intentions to increase the GCP stake to up to 40% if market conditions are favourable.

Property operating expenses totalled €31m for the year (Q1/16: €13m). The increase is consistent with the expansion of the portfolio volume. Investors should be aware that operating expenses can fluctuate with the portfolio make up, given that various asset types have differing lease structures and associated operating expenses. Administrative & other expenses totalled €3.5m in the first quarter vs €12m in the prior year period. These expenses also include the one-off preparation costs for the Prime Standard uplisting as well as the costs for migrating the company to Luxembourg.

Financial expenses increased to €14.8m (Q1/16: €8.8m) in conjunction with the expansion of the portfolio and the associated debt load. The tax charge totalled €63m (Q1/17: €42m) and comprises current tax expense of €10.2m (Q1/16: €3.7m) and deferred tax expense of €52m (Q1/16: €38m). The latter tax item results directly from the rise in capital gains and revaluations. Net income (NI) for the year totalled €247m (Q1/16: €230m) corresponding to basic EPS of €0.33 and diluted EPS of €0.26 (Q1/16: basic €0.27; diluted €0.21).

**Table 3: Adjusted EBITDA calculation**

All figures in EUR '000	Q1/17	Q1/16	Delta Δ
EBITDA	323,527	285,547	13%
Capital gains, property revaluations & other income	-212,289	-223,692	-
Profit share from equity accounted investees	-31,105	-25,846	-
Management LT incentive plan	349	-	-
Adjusted EBITDA commercial portfolio	80,482	36,009	124%
Adjustment relating to properties marked for disposal	-8,726	-	-
Adjustment for GCP contribution	21,431	17,102	25%
Adjusted EBITDA	93,187	53,111	75%

Source: First Berlin Equity Research; Aroundtown

75% adjusted EBITDA growth matches 2016 pace Aroundtown measures operational performance with adjusted EBITDA (table 3), which excludes non-operational and non-recurring items such as capital and revaluation gains. GCP's adj. EBITDA result is also added back according to the holding rate. Adj. EBITDA totalled some €93m last year vs €53m in the prior year. The 75% Y/Y increase reflects portfolio growth, as well as the successful rent and lease optimisation measures.

Table 4: FFO I breakdown

All figures in EUR '000	Q1/17	Q1/16	Delta Δ
Adjusted EBITDA commercial portfolio	80,482	36,009	124%
Finance expense	-14,831	-8,593	-
Tax	-10,209	-3,740	-
Minority adjustment	-2,097	-1,480	-
FFO I commercial portfolio	53,345	22,196	140%
FFO I tied to properties marked for sale	-7,071	-	-
FFO I adjustment for GCP stake	12,986	10,430	25%
FFO I	59,260	32,626	82%
FFO I per share (€)	0.09	0.05	80%

Source: First Berlin Equity Research; Aroundtown

Funds from Operations (FFO I) measures the bottom line of operational profits. This KPI increased 82% Y/Y to €59m (Q1/16: €33m). The result reflects growth in rental income and adj. EBITDA as well as the impact of the low cost of debt. AT excludes €7m in FFO contributed from properties marked for sale since this is non-recurring. FFO I per share rose 80% to €0.09 (Q1/16: €0.05) based on weighted average basic shares outstanding of 676m (Q1/16: 600m). Management recently increased the dividend payout to 65% (previously: 30%) and plans to maintain this level in the near-term.



Cash flow and balance sheet developments Net cash flow from operations totalled €64m in Q1 compared to €32m in the prior year period. The strong development stems from the expansion of the portfolios, plus the operational improvements in the existing properties. Cash outflow from investing activities totalled some €280m (Q1/16: €205m) and was driven by the property acquisitions. Cash flow from financing totalled €314m (Q1/16: €108m) and included straight bonds of USD400m under the Euro Medium Term Note Programme (EMTN). Cash inflows were offset by €140m used to repay loans and for the redemption of the outstanding Primecity convertible bonds. In May 2017, the company further optimised its financial structure with a capital increase for gross proceeds of €426m. The company used some €77m of the proceeds for the reduction of its outstanding Series B convertible bond (see our note of 10 May 2017). Thanks to the operating cash flows and funds sourced, change in cash totalled €98m in Q1.

Table 5: Financial position highlights

All figures in EUR '000	Q1/17	FY16	Delta Δ
Cash and liquid assets	867,998	835,813	4%
Investment property	5,793,948	5,016,235	16%
Investment in equity-accounted investees	1,597,473	1,557,044	3%
Total assets	9,420,018	8,088,952	16%
Net debt	3,448,232	2,737,437	26%
Net debt pro forma*	2,722,656	2,737,437	-1%
Total equity	4,290,797	3,941,080	9%
EPRA NAV	4,187,279	3,870,770	8%
Loan-to-Value (LTV)	42%	39%	-
LTV pro forma*	33%	39%	-

* including the May 2017 capital increase and the Series B bond conversion as of the reporting date

Source: First Berlin Equity Research; Aroundtown

Total assets increased 16% to €9.4bn, mainly due to the strong increase in investment properties, which grew 16% to €5.8bn (2016: €5.0bn) reflecting the external growth of the commercial portfolios as well as value growth. Financial debt totalled €4.3bn and net debt equalled €3.4bn, or €2.7bn on a pro forma basis including the capital increase and Series B bond redemptions. The interest coverage ratio stood at 5.6x, while the LTV was 42%, or 33% on a pro forma basis.



EPRA NAV VALUATION

in €'000	2017E	2018E	2019E
Shareholders' equity	4,874,210	5,448,298	6,048,043
Total equity	5,379,268	6,104,997	6,870,829
NAV per share	6.17	6.80	7.47
Net deferred taxes	427,381	495,502	571,292
Derivative financial instruments	7,241	7,603	7,983
Convertible bond	40,869	-	-
EPRA NAV (inc hybrid notes)	5,349,701	5,951,402	6,627,318
EPRA NAV per share	5.96	6.30	7.01
FFO	242,078	293,228	331,597
Revaluation results	409,659	454,140	505,270
New Equity	425,940	-	-
Total return	1,077,677	747,369	836,867

EPRA NAV	5,349,701	5,951,402	6,627,318
Return on NAV	25%	14%	14%
Cost of equity	6.0%	6.0%	6.0%
Spread (percentage points)	19%	8%	8%

	2017E	2018E	2019E
WACC	4.2%	4.2%	4.2%
Value creation	1,005,616	475,415	535,465
NPV	982,639	445,823	481,890
Dividends paid	107,658	157,351	190,598
Present value of dividends paid	105,198	147,556	171,528

Fair value calculation	
PV of total value created	1,910,352
EPRA NAV (2016)	3,568,440
Adjustments	-
Equity value	5,478,792
PV of dividends	610,434
Fair value	6,089,226
Number of shares (000's, fully diluted)	944,920
Fair value per share €	6.40



INCOME STATEMENT

All figures in EUR '000	2015	2016	2017E	2018E	2019E
Revenue	125,162	273,699	421,364	484,857	538,335
Capital gains, property revaluations & other	814,511	719,517	409,659	454,140	505,270
Result from equity-accounted investees	134,138	197,064	135,228	150,037	146,478
Property OpEx	-28,529	-75,353	-116,296	-134,305	-149,657
Administration & other OpEx	-4,287	-7,921	-11,531	-11,630	-12,392
Operating income (EBIT)	1,040,995	1,107,006	838,423	943,100	1,028,034
Net financial result	-20,466	-47,408	-68,677	-64,121	-63,825
Other financial expenses	7,869	-35,883	0	0	0
Pre-tax income (EBT)	1,028,398	1,023,715	769,745	878,978	964,208
Tax expense	-9,264	-19,910	-46,208	-52,646	-57,988
Deferred tax	-98,380	-102,711	-61,449	-68,121	-75,791
Tax result	-107,644	-122,621	-107,657	-120,767	-133,779
Comprehensive net income	920,754	901,094	662,088	758,211	830,430
Minority interests	233,862	169,186	132,418	151,642	166,086
Hybrid note investors	0	3,699	3,310	3,791	4,152
Net income to owners	686,892	728,209	526,360	602,778	660,192
Basic EPS (in €)	1.26	1.11	0.68	0.68	0.73
Diluted EPS (in €)	1.01	0.87	0.59	0.64	0.70
Adjusted EBITDA commercial	92,723	194,541	296,531	342,087	379,602
Ratios					
Adjusted EBITDA commercial margin	74.1%	71.1%	70.4%	70.6%	70.5%
Tax rate	6.0%	7.4%	12.0%	12.0%	12.0%
Expenses as % of revenues					
Property OpEx	22.8%	27.5%	27.6%	27.7%	27.8%
Administration & other OpEx	3.4%	2.9%	2.7%	2.4%	2.3%
Y-Y Growth					
Revenues	-51.3%	118.7%	54.0%	15.1%	11.0%
Operating income	2.9%	6.3%	-24.3%	12.5%	9.0%
Adjusted EBITDA	-30.7%	109.8%	52.4%	15.4%	11.0%
Net income/ loss	-3.9%	6.0%	-27.7%	14.5%	9.5%
Funds from Operations (FFO)					
Adjusted EBITDA commercial portfolio	92,723	194,541	296,531	342,087	379,602
Finance expense	-20,466	-47,408	-68,677	-64,121	-63,825
Tax expense	-9,264	-19,910	-46,208	-52,646	-57,988
Minority adjustment	-7,900	-7,458	-1,709	-1,821	-1,937
FFO I commercial portfolio	55,093	119,765	179,937	223,499	255,851
Adjustment for GCP contribution	38,956	45,862	62,141	69,729	75,745
FFO I	94,049	165,627	242,078	293,228	331,597



BALANCE SHEET

All figures in EUR '000	2015	2016	2017E	2018E	2019E
Assets					
Current assets, total	432,545	1,100,047	1,255,640	1,065,363	993,674
Cash and cash equivalents	121,243	641,400	758,330	595,063	508,364
Short-term investments	261,527	180,810	59,667	14,917	14,917
Receivables	45,562	111,293	115,442	132,838	147,489
Other current assets	4,213	11,225	11,562	11,909	12,266
Assets held for sale	0	155,319	310,638	310,638	310,638
Non-current assets, total	4,007,602	6,988,905	7,999,944	8,957,850	9,923,559
Property, plant & equipment	5,123	22,799	23,255	23,720	24,194
Investment properties	2,430,595	5,016,235	6,011,122	6,798,879	7,597,634
Equity accounted investees	1,183,148	1,557,044	1,692,272	1,842,309	1,988,787
Other LT assets	388,736	392,827	273,296	292,942	312,944
Total assets	4,440,147	8,088,952	9,255,584	10,023,213	10,917,233
Shareholders' equity & debt					
Current liabilities, total	241,278	348,839	355,430	386,145	416,555
Short-term debt	129,426	159,965	111,721	114,390	120,259
Accounts payable	95,971	107,721	159,310	183,980	205,010
Provisions & other current liabilities	15,881	81,153	84,399	87,775	91,286
Long-term liabilities, total	1,773,357	3,799,033	3,520,886	3,532,071	3,629,849
Long-term debt	1,521,557	3,384,658	3,043,886	2,985,741	3,006,483
Deferred tax liabilities	185,774	365,932	427,381	495,502	571,292
Other LT liabilities	66,026	48,443	49,619	50,828	52,073
Minority interests	320,103	372,640	505,058	656,700	822,786
Shareholders' equity	2,105,409	3,568,440	4,874,210	5,448,298	6,048,043
Total consolidated equity and debt	4,440,147	8,088,952	9,255,584	10,023,213	10,917,233
Ratios					
Current ratio (x)	1.79	3.15	3.53	2.76	2.39
Equity ratio	54.6%	48.7%	58.1%	60.9%	62.9%
Financial leverage	60.0%	76.7%	47.7%	45.5%	42.8%
EPRA NAV	2,720,687	3,870,770	4,871,424	5,473,125	6,149,041
EPRA NAV per share (€)	3.70	4.90	5.58	6.09	6.68
Net debt	1,264,000	2,737,437	2,326,047	2,478,243	2,591,196
Return on equity (ROE)	43.7%	25.3%	13.6%	13.9%	13.7%
Loan-to-value (LTV)	34.5%	39.3%	28.6%	27.3%	25.8%
LTV without convertible bond	19.0%	34.0%	25.5%	25.9%	25.8%



CASH FLOW STATEMENT

All figures in EUR '000	2015	2016	2017E	2018E	2019E
Net income	920,754	901,094	662,088	758,211	830,430
Depreciation & amortisation	377	2,006	843	970	1,077
Capital gains, property revaluations & other	-814,511	-719,517	-409,659	-454,140	-505,270
Profit share from equity accounted investees	-134,138	-197,064	-135,228	-150,037	-146,478
Shared based payment in a subsidiary	0	2,110	0	0	0
Net finance expenses	12,597	83,291	68,677	64,121	63,825
Tax result	107,644	122,621	107,657	120,767	133,779
Operating cash flow	92,723	194,541	294,379	339,892	377,363
Changes in working capital	-3,842	-17,277	170,396	-8,828	-9,954
Provisions for other liabilities	6,355	-871	2,992	3,062	3,133
Dividend received	7,445	17,948	0	0	0
Tax paid	-8,376	-15,537	-46,208	-52,646	-57,988
Net operating cash flow	94,305	178,804	421,558	281,481	312,553
CapEx/ intangibles	-957	-6,653	-1,299	-1,435	-1,551
Disposal/ investment in investment properties, net	-776,436	-1,050,803	-585,227	-333,617	-293,485
Acquisition/disposals of subsidiaries	-386,297	-994,129	-155,319	0	0
Proceeds from investments in financial assets	-255,035	151,306	118,811	42,383	-2,404
Cash flow from investing	-1,418,725	-1,900,279	-623,034	-292,669	-297,440
Debt financing, net	1,230,276	1,786,100	68,801	69,392	152,612
Equity financing, net	319,731	740,942	425,940	0	0
Dividends paid	0	-34,490	-107,658	-157,351	-190,598
Other financing activities	-112,578	-203,936	0	0	0
Net paid financing expenses	-19,760	-44,606	-68,677	-64,121	-63,825
Cash flow from financing	1,417,669	2,244,010	318,406	-152,080	-101,812
Net cash flows	93,249	522,535	116,930	-163,268	-86,699
Assets held for sale - cash	0	-2378	0	0	0
Cash, start of the year	27,994	121,243	641,400	758,330	595,063
Cash, end of the year	121,243	641,400	758,330	595,063	508,364
Adjusted EBITDA commercial/share (€)	0.17	0.30	0.38	0.39	0.42
FFO I	94,049	165,627	242,078	293,228	331,597
FFOPS I (€)	0.17	0.25	0.31	0.33	0.36
Y-Y Growth					
EBITDA/share	42.0%	75.7%	28.6%	0.9%	8.0%
FFO I	142.7%	76.1%	46.2%	21.1%	13.1%
FFOPS I	112.5%	47.1%	25.1%	5.9%	10.1%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 September 2015	€3.40	Buy	€5.70
2...7	↓	↓	↓	↓
8	30 November 2016	€4.18	Buy	€6.20
9	5 April 2017	€4.59	Buy	€6.50
10	10 May 2017	€4.72	Buy	€6.40
11	Today	€4.62	Buy	€6.40

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).