

Schloss Wachenheim AG

Germany / Food & beverages

Primary exchange: Frankfurt

Bloomberg: SWA GR

ISIN: DE0007229007

Q3 15/16 results

RATING**BUY****PRICE TARGET****€17.60**

Return Potential

26.9%

Risk Rating

Medium

EXCEPTIONAL COSTS DENT Q3; BUT STOCK REMAINS MODESTLY RATED

Q3 15/16 sales rose 3.1% to €57.2m (Q3 14/15: €55.5m) and were close to our forecast but EBIT at €-0.1m (Q3 14/15: €-0.5m) was €0.9m below our projection due to exceptional personnel costs of €1.2m. Management guidance for full year 2015/16 remains for a moderate increase in volume accompanied by a slightly lower rise in sales. However, the previous guidance for a net profit before minorities at the high level of the previous year is now only valid before the exceptional personnel costs. We have lowered our 2015/16e EPS forecast by €0.13 or 9.3%, but the impact of this on our overall valuation is minor. The stock is modestly rated at 10x 2016/17e EPS and DCF methodology continues to indicate fair value at €17.60. We maintain our Buy recommendation and leave our price target unchanged at €17.60.

Sales lagged volume growth due to price/product mix effects Overall volume grew 8.7% to 42.5m bottles in Q3 15/16 (Q3 14/15: 39.1m bottles) with Germany leading the way with a 17.3% increase. Group sales growth of 3.1% to €57.2m (FBe: €57.6m; Q3 14/15: €55.5m) lagged volume growth due mainly to price effects and product mix changes in Germany. Price and mix effects were mitigated to some extent by lower raw wine costs but group gross profit was flat at €23.8m (Q3 14/15: €23.6m). EBIT of €-0.1m (FBe: €0.8m; Q3 14/15: €-0.5m) was cramped by the unplanned personnel costs of €1.2m mentioned above.

Price adjustments helped push sales in Germany up 6.1% Sales in Germany rose 6.1% and were 3.0% above our projections, (see figure 1 overleaf) helped by price adjustment of key brands at the end of 2014/15. However, EBIT in Germany was adversely affected by unplanned personnel costs of €1.2m in connection with the departure of a member of the management board and restructuring within the sales department. These costs were the main reason why overall group EBIT was €0.9m below our forecast. In France EBIT edged ahead due to lower advertising costs. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2011/12	2012/13	2013/14	2014/15	2015/16E	2016/17E
Revenue (€m)	293.43	306.96	308.27	288.68	292.27	298.57
Y-o-y growth	5.1%	4.6%	0.4%	-6.4%	1.2%	2.2%
EBIT (€m)	19.91	20.91	21.46	20.72	19.02	20.64
EBIT margin	6.8%	6.8%	7.0%	7.2%	6.5%	6.9%
Net income (€m)	8.79	9.71	12.55	10.20	9.73	10.95
EPS (diluted) (€)	1.11	1.23	1.58	1.29	1.23	1.38
DPS (€)	0.23	0.30	0.34	0.40	0.42	0.45
FCF (€m)	-3.41	-2.96	21.50	28.69	8.54	8.88
Net gearing	58.6%	60.4%	44.7%	28.6%	25.6%	22.6%
Liquid assets (€m)	1.57	3.65	2.92	4.00	2.92	2.99

RISKS

Risks to our price target include, but are not limited to: intensification of price pressure in Germany; currency volatility on the group's East Central Europe markets.

COMPANY PROFILE

Schloss Wachenheim AG is one of the world's largest producers of sparkling wine. The company is the number three producer in its home market of Germany (34% of 2014/15 group sales) and number one in France with a 40% market share. Some 33% of group sales are generated in Eastern Central Europe through the 61%-owned subsidiary, Ambra.

MARKET DATA

As of 16 May 2016

Closing Price	€ 13.87
Shares outstanding	7.92m
Market Capitalisation	€ 109.81m
52-week Range	€ 11.86 / 16.04
Avg. Volume (12 Months)	3,282

Multiples	2014/15	2015/16E	2016/17E
P/E	10.8	11.3	10.0
EV/Sales	0.5	0.5	0.5
EV/EBIT	7.6	8.3	7.7
Div. Yield	2.9%	3.0%	3.2%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2016

Liquid Assets	€ 2.46m
Current Assets	€ 149.73m
Intangible Assets	€ 78.75m
Total Assets	€ 300.29m
Current Liabilities	€ 170.54m
Shareholders' Equity	€ 140.91m

SHAREHOLDERS

Günther Reh AG	70.1%
Free float	29.9%



East Central Europe is the most seasonal of SWA's segments. After a strong Christmas quarter, EBIT was in the red in Q3 15/16 at €-0.9m: However, tight control of non-personnel costs meant that this figure was €1m above the prior year quarter's number.

Lower raw wine prices kept gross margin in Germany stable A strategic adjustment in the pricing of key brands from Q4 14/15 helped push volume in Germany up 17.3% to 17.6m bottles (Q3 14/15: 15.0m bottles) in the third quarter of SWA's financial year. Sales lagged volume growth due to the pricing adjustment and a product mix shift towards retailers' own label products, but was still brisk at 6.1% to €19.9m (Q3 14/15: €18.7m). Falling raw wine prices, as a result of a more abundant harvest in 2014 than in 2013, meant that the gross margin was stable at 42.4%. The segment's gross profit accordingly rose 6.0% to €8.4m (Q3 14/15: €7.9m). EBIT, which came in at €-0.7m (Q3 14/15: €-0.1m), was not able to keep up with the rise in gross profit. This was attributable to €1.2m in exceptional personnel costs in connection with the departure of a member of the management board and restructuring within the sales department.

French EBIT up due to lower advertising expenditure In France volume fell back 2.7% to 14.6m bottles (Q3 14/15: 15.0m bottles) while sales declined 5.4% to €21.2m (Q3 14/15: €22.4m). A slight decline in the product mix in Q3 15/15 with SWA's own brands accounting for a lower proportion of sales than during the prior year quarter contributed to a 7.4% decline in the gross profit to €8.5m (Q3 14/15: €9.2m) equivalent to a margin of 40.0% (Q3 14/15: 40.9%). The 6.8% improvement in EBIT to €1.4m (Q3 14/15: €1.3m) was mainly attributable to lower advertising expenditure.

12% volume increase in East Central Europe Volume in East Central Europe climbed 12.0% to 11.2m bottles (Q3 14/15: 10m bottles). Both sales, which climbed 10.9% to €17.1m (Q3 14/15: €15.5m) and gross profit, which rose 7.0% to €6.9m (Q3 14/15: €6.4m), lagged volume growth due to the adverse impact of the volatility of the Polish currency. Gross profit would have been higher but for the impact of Zloty weakness on goods paid for in Euros. EBIT improved by €1.0m to €-0.9m (Q3 14/15: €-1.9m) due to a reduction in non-personnel costs.

Figure 1: Q3 15/16 results versus our forecasts

	Q3 15/16A	Q3 15/16E	Δ vs. Q3 15/16E	Q3 14/15A	Δ vs. Q3 14/15A
Sales	57.2	57.6	-0.7%	55.5	3.1%
by region					
Germany	19.9	19.3	3.0%	18.7	6.1%
France	21.2	22.8	-7.2%	22.4	-5.4%
East Central Europe	17.1	16.5	3.9%	15.5	10.9%
Eliminations	-1.0	-1.0		-1.1	
EBIT	-0.1	0.8	n.m.	-0.5	-88.5%
margin (%)	-0.1%	1.4%		-0.9%	
by region					
Germany	-0.7	0.6	n.m.	-0.1	n.m.
margin (%)	-3.4%	3.1%		-0.4%	
France	1.4	1.2	18.3%	1.3	6.8%
margin (%)	6.7%	5.3%		5.9%	
East Central Europe	-0.9	-1.1	n.m.	-1.9	n.m.
margin (%)	-5.1%	-6.7%		-12.0%	
Eliminations	0.1	0.1		0.1	
Net profit	-0.4	0.5	n.m.	7.3	-105.4%
EPS (€)	-0.05	0.06	n.m.	-0.02	-18.8%

Source: SWA; First Berlin Equity Research estimates



Net gearing (incl. pension liabilities) has fallen to 28% from 31% over past 12 months

Operating cash flow fell 40% to €14.3m in Q3 15/16 (Q3 14/15: €23.8m). The decline was due mainly to reduced use of factoring. Net debt including pension liabilities fell €13.0m during Q3 15/16 to €48.4m (end Q3 14/15: €51.4m). Net gearing including pension liabilities was a comfortable 28.4% (end Q3 14/15: 30.9%).

Recommendation remains Buy with unchanged price target of €17.60

Management has altered its full year 2015/16 guidance in the light of the unplanned personnel expenses of €1.2m in the Q3 15/16 P&L account. Guidance for full year 2015/16 remains for a moderate increase in volume accompanied by a slightly lower rise in sales. However, the previous guidance for a net profit before minorities at the high level of the previous year is now only valid before the unplanned personnel costs. We have lowered our forecast for net profit before minorities from €13.6m to €12.6m. Our new forecast for this number is thus €1.2m or 9.1% below the 2014/15 figure of €13.8m. Investors should note however, that the decline in EPS is likely to be well below 9.1%. In 2014/15 minorities were boosted by the sale of properties in Romania and the Czech Republic. For 2016 we expect minorities of €2.9m compared with €3.6m in 2014/15. We thus expect the decline in EPS in 2015/16 to be limited to 4.6%. We have lowered our 2015/16E EPS forecast by €0.13 or 9.3%, but the impact of this on our overall valuation is minor. The stock is modestly rated at 10x 2016/17e EPS and DCF methodology continues to indicate fair value for the share at €17.60. We maintain our Buy recommendation and leave our price target unchanged at €17.60.

Figure 2: Changes to our forecasts

All figures in €m	2015/16E			2016/17E		
	old	new	% change	old	new	% change
Sales	292.17	292.27	0.0%	298.01	298.57	0.2%
by region:						
Germany	100.88	101.46	0.6%	101.89	102.98	1.1%
France	100.75	97.75	-3.0%	103.78	99.71	-3.9%
East Central Europe	95.42	97.81	2.5%	97.32	100.74	3.5%
Eliminations	-4.88	-4.75		-4.97	-4.86	
EBIT	20.02	19.02	-5.0%	20.41	20.64	1.1%
Margin	6.9%	6.5%	-	6.8%	6.9%	-
by region:						
Germany	3.10	1.93	-37.8%	3.06	3.06	-0.1%
margin (%)	3.1%	1.9%		3.0%	3.0%	
France	9.60	9.52	-0.8%	9.86	9.67	-1.9%
margin (%)	9.5%	9.7%		9.5%	9.7%	
East Central Europe	7.14	7.37	3.2%	7.30	7.70	5.5%
margin (%)	7.5%	7.5%		7.5%	7.6%	
Eliminations	0.19	0.20		0.19	0.21	
Net profit after minorities	10.73	9.73	-9.3%	11.03	10.95	-0.8%
EPS €	1.36	1.23	-9.3%	1.39	1.38	-0.6%

Source: SWA; First Berlin Equity Research estimates



DCF MODEL

All figures in T EUR	FY 15/16E	FY 16/17E	FY 17/18E	FY 18/19E	FY 19/20E	FY 20/21E	FY 21/22E	FY 22/23E	FY 23/24E	FY 24/25E
Net sales	292,266	298,575	307,494	316,715	326,248	336,105	345,735	355,096	362,898	370,886
NOPLAT	13,915	15,270	15,722	16,257	16,812	17,386	17,941	18,285	18,518	18,949
+ depreciation & amortisation	-7,570	-7,733	-7,964	-8,203	-8,450	-8,705	-8,955	-9,197	-9,399	-9,606
Net operating cash flow	21,485	23,003	23,687	24,460	25,261	26,091	26,895	27,482	27,917	28,555
- total investments (CAPEX and WC)	-11,795	-12,976	-12,937	-12,235	-12,869	-9,870	-13,274	-13,452	-13,279	-13,030
Capital expenditures	-12,341	-11,363	-10,964	-10,203	-10,450	-11,705	-10,955	-11,197	-11,399	-11,106
Working capital	546	-1,613	-1,973	-2,032	-2,419	1,835	-2,320	-2,255	-1,880	-1,925
Free cash flows (FCF)	9,690	10,027	10,749	12,225	12,393	16,221	13,621	14,030	14,638	15,525
PV of FCF's	9,594	9,158	9,056	9,501	8,884	10,726	8,308	7,894	7,598	7,433

All figures in thousands	
PV of FCFs in explicit period (2014/15-2024/25)	88,153
PV of FCFs in terminal period	109,011
Enterprise value (EV)	197,165
+ Net cash / - net debt	-48,446
+ Investments / minority interests	-9,344
Shareholder value	139,374

Fair value per share in EUR 17.60

WACC	8.4%
Cost of equity	10.2%
Pre-tax cost of debt	4.5%
Tax rate	30.0%
After-tax cost of debt	3.2%
Share of equity capital	70.0%
Share of debt capital	30.0%
Fair value per share in EUR	17.60

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.4%	24.81	25.82	27.03	28.52	30.38	32.80	36.05
6.9%	22.22	22.98	23.88	24.96	26.28	27.94	30.09
7.4%	20.01	20.59	21.26	22.05	23.01	24.18	25.65
7.9%	18.11	18.54	19.05	19.64	20.33	21.17	22.20
8.4%	16.45	16.78	17.16	17.60	18.11	18.72	19.45
8.9%	14.99	15.24	15.53	15.85	16.23	16.68	17.20
9.4%	13.69	13.88	14.10	14.34	14.63	14.95	15.33
9.9%	12.54	12.68	12.84	13.03	13.23	13.47	13.74



INCOME STATEMENT

All figures in T€	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY15/16E	FY 16/17E
Revenues	293,432	306,962	308,275	288,684	292,266	298,575
Change in inventories	8,035	9,165	-8,503	1,320	0	0
Cost of materials	-183,604	-196,501	-177,338	-167,567	-174,775	-177,652
Gross Profit	117,863	119,626	122,434	122,437	117,491	120,923
Other operating income	4,873	6,322	5,176	6,260	6,338	6,474
Personnel expenses	-39,116	-39,568	-39,988	-41,363	-36,826	-37,620
Depreciation	-6,958	-7,983	-7,646	-7,857	-7,570	-7,733
Other operating expenses	-56,748	-57,484	-58,517	-58,760	-60,415	-61,408
Operating Income (EBIT)	19,914	20,913	21,459	20,717	19,018	20,635
Associates	-87	-480	131	451	-75	-77
Net interest income	-4,416	-3,366	-3,559	-1,994	-1,754	-1,740
Pretax profit (EBT)	15,411	17,067	18,031	19,174	17,189	18,818
Taxes	-4,716	-5,056	-1,638	-5,332	-4,612	-4,893
Net profit before minorities	10,695	12,011	16,393	13,842	12,577	13,926
Minorities	-1,910	-2,302	-3,842	-3,646	-2,850	-2,980
Net attributable profit	8,785	9,709	12,551	10,196	9,727	10,946
EPS (€)	1.11	1.23	1.58	1.29	1.23	1.38
EBITDA	26,872	28,896	29,105	28,574	26,588	28,369
Ratios						
Gross margin	40.2%	39.0%	39.7%	42.4%	40.2%	40.5%
EBIT margin on revenues	6.8%	6.8%	7.0%	7.2%	6.5%	6.9%
EBITDA margin on revenues	9.2%	9.4%	9.4%	9.9%	9.1%	9.5%
Net margin on revenues	3.6%	3.9%	5.3%	4.8%	4.3%	4.7%
Tax rate	30.6%	29.6%	9.1%	27.8%	26.8%	26.0%
Expenses as % of revenues						
Personnel costs	-13.3%	-12.9%	-13.0%	-14.3%	-12.6%	-12.6%
Depreciation	-2.4%	-2.6%	-2.5%	-2.7%	-2.6%	-2.6%
Other operating expenses	-19.3%	-18.7%	-19.0%	-20.4%	-20.7%	-20.6%
Y-Y Growth						
Revenues	5.1%	4.6%	0.4%	-6.4%	1.2%	2.2%
Operating income	-1.6%	5.0%	2.6%	-3.5%	-8.2%	8.5%
Net profit before minorities	-10.4%	12.3%	36.5%	-15.6%	-9.1%	10.7%



BALANCE SHEET

All figures in T€	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16E	FY 16/17E
Assets						
Current assets, total	153,813	169,940	162,655	153,779	151,862	155,140
Cash and cash equivalents	1,571	3,647	2,921	3,995	2,923	2,986
Other receivables and short-term assets	10,931	11,985	8,131	5,277	6,430	6,569
Trade accounts and notes receivables	51,219	52,224	60,314	54,379	52,608	53,743
Inventories	90,092	102,084	91,289	90,128	89,901	91,842
Non-Current Assets, total	154,424	148,852	149,030	146,963	152,023	155,672
Property, plant and equipment	60,975	58,230	58,911	59,148	63,790	67,000
Goodwill + intangible assets	79,271	79,073	78,893	79,041	79,170	79,590
<i>of which:</i>						
Goodwill	5,479	5,339	5,393	5,690	5,690	5,690
Rights on brands, licenses	73,792	73,734	73,500	73,351	73,480	73,900
Other financial assets	11,842	10,735	10,528	8,186	8,186	8,186
Deferred taxes+ prepaid expenses	2,336	814	698	588	877	896
Total Assets	308,237	318,792	311,685	300,742	303,884	310,811
Shareholders' equity & debt						
Current Liabilities, total	133,139	128,523	118,631	108,708	105,229	104,512
Current provisions	3,563	3,619	3,324	3,219	3,089	3,124
Short-term financial debt	54,012	54,529	46,304	33,164	30,142	27,835
Trade payables	39,694	39,175	37,115	37,173	36,826	37,620
Prepayments, deferred charges & other liabilities	34,715	30,056	30,548	33,124	33,903	34,635
Long term liabilities, total	36,987	45,176	34,318	25,841	25,504	24,693
Long-term financial debt	26,036	34,254	24,854	15,253	13,863	12,802
Pension accruals and similar liabilities	2,440	2,556	2,796	3,077	3,262	3,457
Other long-term debt	1,422	1,529	2,247	2,177	2,204	2,252
Deferred taxes	7,089	6,837	4,421	5,334	6,175	6,182
Shareholders' equity	112,436	119,534	130,589	137,525	141,633	147,108
Minority interests	25,675	25,559	28,147	28,668	31,518	34,498
Total shareholders' equity & debt	308,237	318,792	311,685	300,742	303,884	310,811
Ratios						
Current ratio (x)	1.16	1.32	1.37	1.41	1.44	1.48
Quick ratio (x)	0.48	0.53	0.60	0.59	0.59	0.61
Financial leverage (including pension liabilities)	58.6%	60.4%	44.7%	28.6%	25.6%	22.6%
Book value per share (€)	14.20	15.09	16.49	17.36	17.88	18.57
Net debt (including pension liabilities)	80,917	87,692	71,033	47,499	44,344	41,109
Return on equity (ROE)	6.4%	6.9%	8.3%	6.3%	5.7%	6.2%



CASH FLOW STATEMENT

All figures in T€	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16E	FY 16/17E
Net profit before minorities	10,695	12,011	16,393	13,842	12,577	13,926
Depreciation and amortisation	6,958	7,983	7,646	7,857	7,570	7,733
Change in working capital	-10,866	-18,579	5,991	12,267	546	-1,613
Other	646	1,045	-1,634	-619	185	196
Operating cash flow	7,433	2,460	28,396	33,347	20,877	20,241
CAPEX	-11,373	-5,781	-7,383	-8,849	-12,341	-11,363
Fixed asset sales	534	360	484	4,194	0	0
Investing cash flow	-10,839	-5,421	-6,899	-4,655	-12,341	-11,363
Free cash flow	-3,406	-2,961	21,497	28,692	8,537	8,878
Change in financial liabilities	6,756	8,735	-17,625	-22,741	-4,412	-3,367
Dividends to shareholders	-1,584	-1,822	-2,376	-2,693	-3,168	-3,326
Dividends to subsidiaries of minorities	-2,066	-1,978	-2,120	-2,227	-2,029	-2,121
Financing cash flow	3,106	4,935	-22,121	-27,661	-9,609	-8,815
Change in cash	-300	1,974	-624	1,031	-1,072	63
Consolidation; exchange rate effects	175	102	-102	43	0	0
Liquid funds, start of the year	1,696	1,571	3,647	2,921	3,995	2,923
Liquid funds, end of the year	1,571	3,647	2,921	3,995	2,923	2,986
Free cash flow per share (€)	-0.43	-0.37	2.71	3.62	1.08	1.12
Y-Y growth						
Operating cash flow	-52.0%	-66.9%	1054.3%	17.4%	-37.4%	-3.0%
Free cash flow	n.a.	n.a.	n.a.	33.5%	-70.2%	4.0%
Financial cash flow	n.a.	58.9%	n.a.	n.a.	n.a.	n.a.

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	19 July 2007	€10.00	Hold	€10.75
2...28	↓	↓	↓	↓
29	5 October 2015	€13.10	Add	€13.50
30	20 November 2015	€15.08	Add	€17.90
31	1 March 2016	€13.46	Buy	€17.60
32	Today	€13.87	Buy	€17.60

Authored by: Simon Scholes, Analyst

Company responsible for preparation:

First Berlin Equity Research GmbH

Mohrenstraße 34
10117 Berlin

Tel. +49 (0)30 - 80 93 96 94 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© 2016 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] AND 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] 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 p. 2 No. 2 of the German Securities Trading Act [WpHG] 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).