

Recommendation:

**BUY** (BUY)

Risk:

**HIGH** (HIGH)

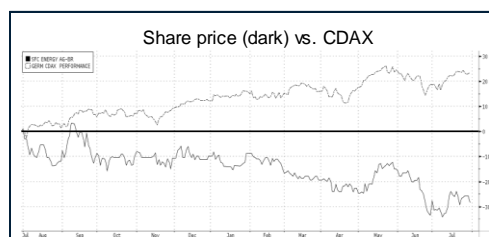
Price Target:

**EUR 7.50** (7.50)

30 July 2013

## Guidance confirmed in spite of weak 2Q

- Massive project delays in the **Defense & Security** and **Industry** sectors spoiled SFC's performance in 1H 2013. Group sales reached only EUR 6.2m in 2Q, representing a YOY decline of 15.9% in 2Q and 9.2% in 1H 2013, respectively. The lack of economies of scale due to lower sales and a change in the product mix both resulted in a gross margin of only 35.6% in 2Q (PY: 41.6%) as well as deteriorated EBITDA and EBIT figures (see page 2 for detailed quarterly and segment figures).
- Sales in the **Industry segment** showed a YOY decline of 18.0% in 2Q. The sales contribution of SFC (excluding PBF) to the Industry segment dropped by 47% in 2Q, reaching EUR 1.0m compared to EUR 1.8m in 2Q 2012. Unlike in the previous year, there was not another large traffic management project for SFC in 1H 2013. Due to lower order volumes from two major customers, PBF's sales contribution to the Industry segment also decreased by 2.8% YOY to EUR 3.4m in 2Q 2013, while total sales of PBF showed a smaller decline of 0.6% to EUR 3.5m. Sales in the **Defense & Security segment** collapsed by 26.1% in 2Q and even 43.2% in 1H 2013, respectively. This was mainly due to delays in contract awards due to the budget cuts (sequester) required by law in the U.S. and postponements in connection with reforms in Germany. JDA sales accounted for 42% of sales in 1H 2013 compared to only 11.7% in 2Q 2012. The **Consumer segment** developed at a relatively stable level and thus according to SFC's original forecast, with sales growth of 1.8% in 2Q and -3.5% in 1H 2013. In view of partially significant declines in the market for caravanning and marine accessories, this is a very positive result.
- From today's view, the management expects budget decisions from defense organisations in 2H 2013, and particularly by year end, which should make up for part of the above mentioned delays. **The guidance was confirmed.** On the back of sales between EUR 38m and EUR 43m, underlying EBITDA are expected to improve in line with sales growth in FY 2013. On basis of an underlying EBITDA margin of 2.7% in 2012, this would result in underlying EBITDA of EUR 1.0m to 1.1m in FY 2013. We nevertheless stick to our estimate of EUR 0.4m for the time being, and also **leave all other estimates unchanged until SFC's earnings guidance will be updated** after the closing of the Simark acquisition and the purchase price allocation. We maintain a price target of EUR 7.50 and our **BUY** recommendation.



Source: CBS Research AG, Bloomberg, SFC Energy AG

Change	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales	-	39.5	-	58.7	-	64.7
EBITDA	-	-1.5	-	3.5	-	4.9
EPS	-	-0.50	-	0.05	-	0.24

Internet: www.sfc.com      Sector: Alternative energy  
WKN: 756857      ISIN: DE0007568578  
Reuters: F3CG.DE      Bloomberg: F3C GY

### Short company profile:

SFC Energy AG is a market leader for off grid and stationary power generation and distribution. The Company has established fully commercialized fuel cells in the Consumer, Industry, and Defense & Security sectors and furthermore develops, produces and globally distributes higher level power management components. The products increasingly are delivered as customised power supply system solutions.

### Share data:

Share price (EUR, last closing price):	<b>4.978</b>
Shares outstanding (m):	7.5
Market capitalisation (EUR m):	37.3
Enterprise value (EUR m):	19.9
Ø daily trading volume (6 m., no. of shares):	4,777

### Performance data:

High 52 weeks (EUR):	6.95
Low 52 weeks (EUR):	4.30
Absolute performance (12 months):	-28.4%
Relative performance vs. CDAX:	
1 month	-5.1%
3 months	-9.5%
6 months	-26.5%
12 months	-42.0%

### Shareholders:

HPE	25.70%
Conduit Ventures	10.15%
Havensight	10.22%
Previous owners of PBF (lock-up agreement)	4.66%
Management and Supervisory Board	2.14%
DWS	4.92%
Other free float	42.21%

### Financial calendar:

3Q 2013 report: 6 November 2013

### Author:

**Martin Decot** (Analyst)

Close Brothers Seydler Research AG

Phone: +49 (0) 69-977 84 56 0

Email: research@cbseydlerresearch.ag

www.cbseydlerresearch.ag

Y/E 31 Dec, EURm	2011	2012	2013E	2014E	2015E
Sales revenues	15.4	31.3	39.5	58.7	64.7
Underlying EBITDA	-2.7	0.8	0.4	4.8	6.1
EBITDA	-4.6	0.7	-1.5	3.5	4.9
EBIT	-6.6	-0.5	-3.5	1.0	2.6
Net income/loss	-6.2	-0.4	-3.9	0.4	1.9
EPS	-0.87	-0.06	-0.50	0.05	0.24
Underl. EBITDA margin	-17.4%	2.7%	1.1%	8.1%	9.4%
EBITDA margin	-30.1%	2.3%	-3.7%	6.0%	7.5%
EBIT margin	-42.9%	-1.7%	-9.0%	1.6%	4.0%
EV/EBITDA*	neg.	20.7	neg.	10.6	7.4
EV/EBIT*	neg.	neg.	neg.	38.9	7.7

Source: SFC Energy AG; CBS Research AG

\*EV 2013E-2015E: after capital increase

## Appendix

### Key figures with YOY comparison

	IFRS	EURm	2Q 2013	2Q 2012	Change	1H 2013	1H 2012	Change
<b>Total sales</b>			6.24	7.41	-15.9%	13.58	14.97	-9.2%
YOY growth			-15.9%	82.8%		-9.2%	92.5%	
Industry			4.39	5.35	-18.0%	9.39	9.66	-2.8%
as % of total sales			70.3%	72.2%		69.1%	64.5%	
Defense & Security			0.66	0.90	-26.1%	1.33	2.34	-43.2%
as % of total sales			10.6%	12.1%		9.8%	15.6%	
Consumer			1.19	1.17	1.8%	2.86	2.97	-3.5%
as % of total sales			19.0%	15.7%		21.1%	19.8%	
<b>Gross profit</b>			2.22	3.08	-28.0%	5.10	6.15	-17.0%
as % of sales			35.6%	41.6%		37.5%	41.1%	
Gross profit - Industry			1.54	2.16	-28.9%	3.50	3.74	-6.6%
as % of segment sales			35.1%	40.4%		37.2%	38.7%	
Gross profit - Defense & Security			0.28	0.52	-46.3%	0.58	1.29	-55.0%
as % of segment sales			41.9%	57.7%		43.6%	54.9%	
Gross profit - Consumer			0.40	0.40	0.5%	1.03	1.12	-8.4%
as % of segment sales			34.0%	34.5%		35.8%	37.7%	
<b>EBITDA</b>			-1.07	0.29	-464.0%	-0.77	0.48	-261.3%
as % of sales			-17.1%	3.9%		-5.7%	3.2%	
EBITDA - Industry			-0.54	0.52	-205.3%	-0.16	0.48	-133.8%
as % of segment sales			-12.4%	9.6%		-1.7%	5.0%	
EBITDA - Defense & Security			-0.49	-0.14	n/m	-0.77	-0.13	n/m
as % of segment sales			-74.0%	-15.7%		-57.9%	-5.7%	
EBITDA - Consumer			-0.03	-0.08	n/m	0.16	0.13	21.9%
as % of segment sales			-2.7%	-7.0%		5.6%	4.4%	
<b>Adjusted EBITDA</b>			-0.81	0.32	-349.7%	-0.69	0.51	-236.0%
as % of sales			-12.9%	4.4%		-5.1%	3.4%	
<b>EBIT</b>			-1.54	-0.15	n/m	-1.73	0.16	-11.57
as % of sales			-24.7%	-2.1%		-12.7%	1.1%	
<b>Adjusted EBIT</b>			-1.28	-0.12	n/m	-1.65	-0.34	n/m
as % of sales			-20.6%	-1.7%		-12.1%	-2.3%	
<b>Net income after minorities</b>			-1.55	-0.15	n/m	-1.76	0.19	-1031%
as % of sales			-24.9%	-2.0%		-13.0%	1.3%	
<b>Basic earnings per share (EUR)</b>			-0.21	-0.02	n/m	-0.23	0.03	-1031%
<b>Cash flow from operating activities</b>			-1.25	-1.58	n/m	-4.69	-2.18	n/m
<b>Free cash flow</b> (incl. interest received)			-1.65	-1.70	n/m	-5.07	-2.44	n/m

Source: SFC Energy AG, CBS Research AG

#### Order situation:

Order intake fell from EUR 18.9m in 1H 2012 to EUR 9.7m, and the Book-to-Bill ratio dropped from 1.3 in 1H 2012 to 0.7 in 1H 2013. This was due to the fact that the previous year's order intake included the major order by the German Bundeswehr for SFC energy networks in the amount of almost EUR 5m. The order backlog at 30 June 2013 amounted to EUR 5.6m (30 June 2012: EUR 11.0m).

**Profit and loss account**

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
<b>Sales</b>			<b>13.33</b>	<b>15.43</b>	<b>31.26</b>	<b>39.48</b>	<b>58.67</b>	<b>64.69</b>
YoY growth			14.1%	15.7%	102.6%	26.3%	48.6%	10.3%
Cost of sales			-9.29	-10.06	-18.50	-23.90	-36.32	-39.69
as % of sales			-69.7%	-65.2%	-59.2%	-60.5%	-61.9%	-61.4%
<b>Gross profit</b>			<b>4.04</b>	<b>5.37</b>	<b>12.76</b>	<b>15.59</b>	<b>22.36</b>	<b>25.00</b>
as % of sales			30.3%	34.8%	40.8%	39.5%	38.1%	38.6%
Research and development expenses			-1.89	-2.54	-4.26	-4.97	-6.45	-6.66
as % of sales			-14.2%	-16.4%	-13.6%	-12.6%	-11.0%	-10.3%
Selling expenses			-4.75	-4.90	-5.86	-6.92	-8.98	-9.57
as % of sales			-35.6%	-31.7%	-18.8%	-17.5%	-15.3%	-14.8%
General and administrative expenses			-2.05	-2.68	-3.55	-4.30	-5.10	-5.34
as % of sales			-15.4%	-17.4%	-11.4%	-10.9%	-8.7%	-8.3%
Other operating income			0.23	0.20	0.75	0.67	0.90	1.01
as % of sales			1.7%	1.3%	2.4%	1.7%	1.5%	1.6%
Other operating expenses			-0.09	-2.07	-0.36	-3.60	-1.76	-1.83
as % of sales			-0.6%	-13.4%	-1.2%	-9.1%	-3.0%	-2.8%
<b>EBIT</b>			<b>-4.51</b>	<b>-6.61</b>	<b>-0.52</b>	<b>-3.54</b>	<b>0.96</b>	<b>2.60</b>
as % of sales			-33.8%	-42.9%	-1.7%	-9.0%	1.6%	4.0%
Net financial result			0.39	0.39	0.08	-0.07	-0.20	-0.22
<b>EBT (Earnings before income taxes)</b>			<b>-4.12</b>	<b>-6.22</b>	<b>-0.44</b>	<b>-3.60</b>	<b>0.76</b>	<b>2.38</b>
as % of sales			-30.9%	-40.4%	-1.4%	-9.1%	1.3%	3.7%
Income taxes			0.00	0.01	0.02	-0.26	-0.34	-0.45
as % of EBT			0.0%	-0.1%	-4.3%	7.2%	-44.0%	-18.9%
<b>Income from continuing operations</b>			<b>-4.12</b>	<b>-6.22</b>	<b>-0.43</b>	<b>-3.86</b>	<b>0.43</b>	<b>1.93</b>
Income from discontinued operations, net of taxes			0.00	0.00	0.00	0.00	0.00	0.00
<b>Group net income including minorities</b>			<b>-4.12</b>	<b>-6.22</b>	<b>-0.43</b>	<b>-3.86</b>	<b>0.43</b>	<b>1.93</b>
as % of sales			-30.9%	-40.3%	-1.4%	-9.8%	0.7%	3.0%
Minority interests			0.00	0.00	0.00	0.00	0.00	0.00
<b>Net income attributable to shareholders</b>			<b>-4.12</b>	<b>-6.22</b>	<b>-0.43</b>	<b>-3.86</b>	<b>0.43</b>	<b>1.93</b>
Shares outstanding (m)			7.15	7.16	7.50	7.68	8.02	8.02
<b>Basic earnings per share (EUR)</b>			<b>-0.58</b>	<b>-0.87</b>	<b>-0.06</b>	<b>-0.50</b>	<b>0.05</b>	<b>0.24</b>
<b>EBITDA</b>			<b>-3.49</b>	<b>-4.64</b>	<b>0.73</b>	<b>-1.45</b>	<b>3.53</b>	<b>4.86</b>
as % of sales			-26.2%	-30.1%	2.3%	-3.7%	6.0%	7.5%
<b>EBITA</b>			<b>-3.89</b>	<b>-5.15</b>	<b>0.07</b>	<b>-2.15</b>	<b>2.70</b>	<b>3.93</b>
as % of sales			-29.2%	-33.4%	0.2%	-5.4%	4.6%	6.1%

Source: CBS Research AG, SFC Energy AG

## Balance sheet

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
<b>Assets</b>								
<b>Current assets</b>			<b>40.17</b>	<b>33.93</b>	<b>33.60</b>	<b>29.17</b>	<b>31.88</b>	<b>35.90</b>
as % of total assets			86.7%	68.5%	70.6%	53.4%	56.9%	61.0%
Inventories and prepayments			1.94	4.91	5.81	6.06	9.92	10.87
Trade accounts receivable			2.71	4.47	3.70	8.53	11.25	12.41
Other assets incl. tax and PoC receivables			1.39	1.82	1.18	3.33	4.37	4.93
Cash and cash equivalents			33.56	22.44	22.63	11.15	6.24	7.60
Cash and cash equival. with limitation on disposal			0.57	0.29	0.29	0.10	0.10	0.10
<b>Noncurrent assets</b>			<b>6.15</b>	<b>15.61</b>	<b>14.02</b>	<b>25.49</b>	<b>24.17</b>	<b>22.95</b>
as % of total assets			13.3%	31.5%	29.4%	46.6%	43.1%	39.0%
Intangible assets excl. goodwill			2.95	4.89	4.86	9.02	8.04	7.46
Goodwill			0.00	6.14	6.14	11.97	11.97	11.97
Property, plant and equipment			2.34	2.75	2.40	3.73	3.37	2.91
Other non-current assets			0.07	0.05	0.00	0.14	0.16	0.19
Deferred taxes			0.80	1.77	0.62	0.62	0.62	0.42
<b>Total assets</b>			<b>46.31</b>	<b>49.54</b>	<b>47.62</b>	<b>54.66</b>	<b>56.05</b>	<b>58.85</b>
<b>Shareholders' equity and liabilities</b>								
<b>Current liabilities</b>			<b>3.18</b>	<b>7.49</b>	<b>7.66</b>	<b>8.28</b>	<b>12.73</b>	<b>13.57</b>
as % of total equity and liabilities			6.9%	15.1%	16.1%	15.1%	22.7%	23.1%
Provisions			0.55	1.58	1.00	1.22	1.82	1.94
Advance payments received			0.00	0.20	0.01	0.25	0.25	0.28
Trade accounts payable			1.38	3.17	3.03	2.57	5.81	6.35
Financial debt			0.00	0.56	0.37	0.73	0.73	0.73
Other liabilities			1.24	1.98	3.24	3.50	4.12	4.27
<b>Noncurrent liabilities</b>			<b>1.41</b>	<b>5.26</b>	<b>3.56</b>	<b>11.06</b>	<b>7.56</b>	<b>7.60</b>
as % of total equity and liabilities			3.1%	10.6%	7.5%	20.2%	13.5%	12.9%
Other noncurrent provisions			0.50	1.41	1.39	1.53	1.59	1.60
Financial debt			0.00	0.20	0.00	3.06	3.06	3.06
Other noncurrent liabilities			0.12	1.46	1.04	5.34	1.78	1.81
Deferred tax liabilities			0.80	2.19	1.13	1.13	1.13	1.13
<b>Shareholders' equity</b>			<b>41.72</b>	<b>36.79</b>	<b>36.39</b>	<b>35.32</b>	<b>35.75</b>	<b>37.68</b>
as % of total equity and liabilities			90.1%	74.3%	76.4%	64.6%	63.8%	64.0%
Subscribed capital			7.15	7.50	7.50	8.02	8.02	8.02
Capital reserve			66.88	67.88	67.88	70.15	70.15	70.15
Other changes in equity not effecting profit or loss			0.00	-0.07	-0.04	-0.04	-0.04	-0.04
Accumulated loss brought forward			-28.18	-32.31	-38.53	-38.95	-42.81	-42.38
Net result of the year			-4.12	-6.22	-0.43	-3.86	0.43	1.93
<b>Total equity and liabilities</b>			<b>46.31</b>	<b>49.54</b>	<b>47.62</b>	<b>54.66</b>	<b>56.05</b>	<b>58.85</b>

Source: CBS Research AG, SFC Energy AG

**Cash flow statement**

	IFRS	EURm	2010	2011	2012	2013E	2014E	2015E
Income/loss before interest and taxes			-4.51	-6.61	-0.52	-3.54	0.96	2.60
Amortisation of intangible assets incl. assets from PPA			0.62	1.46	0.59	1.39	1.74	1.33
Depreciation of PP&E			0.40	0.51	0.66	0.70	0.83	0.93
Other expenses / income with no effect on liquidity			-0.11	0.25	0.45	-0.34	-0.45	-0.50
Increase/decrease in inventories, trade receivables, and other assets			-1.01	-0.99	0.45	1.80	-7.19	-2.19
Increase/decrease in trade accounts payable and other liabilities			-0.13	1.10	-0.37	-1.75	2.83	2.10
Cash taxes paid			0.11	-0.03	-0.01	-0.26	-0.34	-0.25
<b>Cash flow from operating activities</b>			<b>-4.64</b>	<b>-4.32</b>	<b>1.26</b>	<b>-2.00</b>	<b>-1.61</b>	<b>4.02</b>
Net cash outflows from the purchase and retirement of noncurrent assets			-2.22	-1.13	-0.88	-0.98	-1.22	-1.22
Bank balances released/pledged			-0.52	0.29	0.00	0.19	0.00	0.00
Interests received			0.39	0.43	0.22	0.10	0.10	0.09
Purchase of consolidated companies			0.00	-6.00	0.00	-12.03	-1.87	-1.23
<b>Cash flow from investing activities</b>			<b>-2.35</b>	<b>-6.42</b>	<b>-0.66</b>	<b>-12.72</b>	<b>-2.99</b>	<b>-2.37</b>
Net cash inflow from capital stock increases deducting expenses			0.00	-0.05	0.00	0.00	0.00	0.00
Net cash flow from financial debt incl. leasing			0.00	-0.35	-0.39	3.41	0.00	0.00
Interests paid			0.00	0.00	-0.03	-0.17	-0.30	-0.30
<b>Cash flow from financing activities</b>			<b>0.00</b>	<b>-0.40</b>	<b>-0.42</b>	<b>3.25</b>	<b>-0.30</b>	<b>-0.30</b>
<b>Total change in cash and cash equivalents</b>			<b>-6.98</b>	<b>-11.14</b>	<b>0.18</b>	<b>-11.48</b>	<b>-4.90</b>	<b>1.35</b>
Currency effects on cash and cash equivalents			0.00	0.01	0.00	0.00	0.00	0.00
Cash and cash equiv. at the start of the period			40.54	33.56	22.44	22.63	11.15	6.24
<b>Cash and cash equiv. at the end of the period</b>			<b>33.56</b>	<b>22.44</b>	<b>22.63</b>	<b>11.15</b>	<b>6.24</b>	<b>7.60</b>

Source: CBS Research AG, SFC Energy AG

## Research

### Close Brothers Seydler Research AG

Schillerstrasse 27 - 29  
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters Member of the Board	+49 (0)69 -977 8456- 12 <a href="mailto:Roger.Peeters@cbseydlerresearch.ag">Roger.Peeters@cbseydlerresearch.ag</a>		
Martin Decot (Equities)	+49 (0)69 -977 8456- 13 <a href="mailto:Martin.Decot@cbseydlerresearch.ag">Martin.Decot@cbseydlerresearch.ag</a>	Igor Kim (Equities)	+49 (0)69 -977 8456- 15 <a href="mailto:Igor.Kim@cbseydlerresearch.ag">Igor.Kim@cbseydlerresearch.ag</a>
Gennadij Kremer (Corporate Credit)	+49 (0)69 – 977 8456- 23 <a href="mailto:Gennadij.Kremer@cbseydlerresearch.ag">Gennadij.Kremer@cbseydlerresearch.ag</a>	Daniel Kukalj (Equities)	+49 (0)69 – 977 8456- 21 <a href="mailto:Daniel.Kukali@cbseydlerresearch.ag">Daniel.Kukali@cbseydlerresearch.ag</a>
Ralf Marinoni (Equities)	+49 (0)69 -977 8456- 17 <a href="mailto:Ralf.Marinoni@cbseydlerresearch.ag">Ralf.Marinoni@cbseydlerresearch.ag</a>	Manuel Martin (Equities)	+49 (0)69 -977 8456- 16 <a href="mailto:Manuel.Martin@cbseydlerresearch.ag">Manuel.Martin@cbseydlerresearch.ag</a>
Felix Parmantier (Equities)	+49 (0)69 -977 8456- 22 <a href="mailto:Felix.Parmantier@cbseydlerresearch.ag">Felix.Parmantier@cbseydlerresearch.ag</a>	Nicolas Pütz (Support)	+49 (0)69 -977 8456- 24 <a href="mailto:Nicolas.Puetz@cbseydlerresearch.ag">Nicolas.Puetz@cbseydlerresearch.ag</a>
Marcus Silbe (Equities)	+49 (0)69 -977 8456- 14 <a href="mailto:Marcus.Silbe@cbseydlerresearch.ag">Marcus.Silbe@cbseydlerresearch.ag</a>	Simone Steymann (Support)	+49 (0)69 -977 8456- 25 <a href="mailto:Simone.Steymann@cbseydlerresearch.ag">Simone.Steymann@cbseydlerresearch.ag</a>
Veysel Taze (Equities)	+49 (0)69 -977 8456- 18 <a href="mailto:Veysel.Taze@cbseydlerresearch.ag">Veysel.Taze@cbseydlerresearch.ag</a>	Ivo Višić (Equities)	+49 (0)69 -977 8456- 19 <a href="mailto:Ivo.Visic@cbseydlerresearch.ag">Ivo.Visic@cbseydlerresearch.ag</a>
Sergey Weinberg (Corporate Credit)	+49 (0)69 -977 8456- 20 <a href="mailto:Sergey.Weinberg@cbseydlerresearch.ag">Sergey.Weinberg@cbseydlerresearch.ag</a>		

## Institutional Sales

### Close Brothers Seydler Bank AG

Schillerstrasse 27 – 29  
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Klaus Korzilius (Benelux, Germany)	+49 (0)69 -9 20 54-114 <a href="mailto:Klaus.Korzilius@cbseydler.com">Klaus.Korzilius@cbseydler.com</a>	Stefan Krewinkel (Sales Trading, Germany, UK)	+49 (0)69 -9 20 54-118 <a href="mailto:Stefan.Krewinkel@cbseydler.com">Stefan.Krewinkel@cbseydler.com</a>
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 <a href="mailto:Bruno.deLencquesaing@cbseydler.com">Bruno.deLencquesaing@cbseydler.com</a>	Nico Gesthüsen (Germany)	+49 (0)69 -9 20 54-115 <a href="mailto:Nico.Gesthuesen@cbseydler.com">Nico.Gesthuesen@cbseydler.com</a>
Dr. James Jackson (UK)	+49 (0)69 -9 20 54-113 <a href="mailto:James.Jackson@cbseydler.com">James.Jackson@cbseydler.com</a>	Claudia Jurewecz (Germany)	+49 (0)69 -9 20 54-106 <a href="mailto:Claudia.Jurewecz@cbseydler.com">Claudia.Jurewecz@cbseydler.com</a>
Markus Laifle (Sales Trading, Execution)	+49 (0)69 -9 20 54-120 <a href="mailto:Markus.Laifle@cbseydler.com">Markus.Laifle@cbseydler.com</a>	Michael Laufenberg (Germany)	+49 (0)69 -9 20 54-112 <a href="mailto:Michael.Laufenberg@cbseydler.com">Michael.Laufenberg@cbseydler.com</a>
Angela Leser (Germany)	+49 (0)69 -9 20 54-111 <a href="mailto:Angela.Leser@cbseydler.com">Angela.Leser@cbseydler.com</a>	Rasmus Mac Donald-Thomé (Scandinavia)	+49 (0)69 -9 20 54-119 <a href="mailto:Rasmus.MacDonald-Thome@cbseydler.com">Rasmus.MacDonald-Thome@cbseydler.com</a>
Mirella Mancuso (Sales Support)	+49 (0)69 -9 20 54-107 <a href="mailto:Mirella.Mancuso@cbseydler.com">Mirella.Mancuso@cbseydler.com</a>	Zeljko Maric (Scandinavia, Austria, East EU)	+49 (0)69 -9 20 54-119 <a href="mailto:Zeljko.Maric@cbseydler.com">Zeljko.Maric@cbseydler.com</a>
Carsten Pfersdorf (Sales Trading, Execution)	+49 (0)69 -9 20 54-168 <a href="mailto:Carsten.Pfersdorf@cbseydler.com">Carsten.Pfersdorf@cbseydler.com</a>	Carsten Schlegel (UK, Ireland)	+49 (0)69 -9 20 54-137 <a href="mailto:Carsten.Schlegel@cbseydler.com">Carsten.Schlegel@cbseydler.com</a>
Christopher Seedorf (Sales Support)	+49 (0)69 -9 20 54-110 <a href="mailto:Christopher.Seedorf@cbseydler.com">Christopher.Seedorf@cbseydler.com</a>	Holger Schmidt (UK)	+49 (0)69 -9 20 54-103 <a href="mailto:Holger.Schmidt@cbseydler.com">Holger.Schmidt@cbseydler.com</a>
Bas-Jan Walhof (Benelux)	+49 (0)69 -9 20 54-105 <a href="mailto:Bas-Jan.Walhof@cbseydler.com">Bas-Jan.Walhof@cbseydler.com</a>		

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Date	Recommendation	Price at change date	Price Target
30 July 2013	BUY	EUR 4.978	EUR 7.50
9 July 2013	BUY	EUR 4.421	EUR 7.50
6 May 2013	BUY	EUR 5.05	EUR 7.50
26 March 2013	BUY	EUR 5.45	EUR 7.50
29 January 2013	BUY	EUR 6.05	EUR 7.50
31 October 2012	BUY	EUR 6.163	EUR 7.50
1 August 2012	BUY	EUR 6.78	EUR 7.50



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Graurheindorferstraße 108

53117 Bonn

and

Marie-Curie-Str. 24-28

60439 Frankfurt

Close Brothers Seydler  
Research AG

Schillerstraße 27-29

60313 Frankfurt am Main

[www.cbseidlerresearch.ag](http://www.cbseidlerresearch.ag)

Tel.: 0049 - (0)69 - 97 78 45 60