

Recommendation:
BUY (BUY)

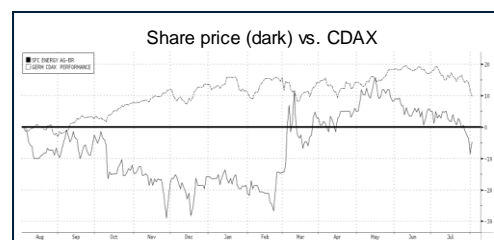
Risk:
HIGH (HIGH)

Price Target:
EUR 6.30 (5.70)

05 August 2014

2Q: Oil & Gas business well on track

- Due to the acquisition of Simark in 3Q13, the group's **sales** jumped by 112% from EUR 6.2m in 2Q13 to EUR 13.2m in 2Q14. Sales in the newly formed Oil & Gas segment reached EUR 7.4m (almost entirely contributed by Simark), compared to EUR 0.2m in 2Q13. The management stated that **Simark is even ahead of plan in its local currency (CAD)**. In the Security & Industry segment, revenue fell from EUR 4.9m in 2Q13 to EUR 4.7m in 2Q14, mainly due to the order cancellation at PBF already announced in 1Q. Sales in the Consumer segment suffered from a weak market in France and were thus slightly below last year's level. Detailed segment figures are shown on page 2 of this document. **Underlying EBITDA** amounted to EUR -0.3m (2Q13: -0.8m). **Underlying EBIT** accounted for EUR -0.7m (2Q13: -1.3m). **Unadjusted EBITDA** came in at EUR -0.6m (2Q13: -1.1m), while the **unadjusted EBIT** amounted to EUR -1.2m (2Q13: -1.5m).
- SFC continues to expect a strong 2H14, expecting the usual seasonality (relatively weaker 3Q, strong 4Q). The **FY14 guidance** (EUR 55m-60m in sales, positive underlying EBITDA) was **confirmed**. As the guidance is based on an exchange rate of 1.40 between the Canadian dollar and the Euro, we expect that FX effects will make it harder to achieve the upper end of this range. Nevertheless, we increase our estimate for 2014E–2016E due to the following reasons: **1)** In the **Oil & Gas** segment, order backlog amounted to EUR 5.7m on 30 June, and SFC expects first (and significant) revenues with the new EFOY ProCabinet fuel cell system in 2H which will add further momentum to the development in the Oil & Gas segment. **2)** Order intake in the **Security & Industry** segment has been good (order backlog of EUR 8m), and we expect a stronger 2H in this segment. Furthermore, the management is confident to receive further defense orders in 2H. **3)** SFC's management still expects FY sales in the **Consumer** segment to reach the level of 2013, due to growth in the Scandinavian markets. **4)** SFC is currently working on **higher power products for the security and industry markets** and on an **extension of the consumer product portfolio** (outdoor applications and emergency home backup). We see significant market potential in these applications.
- Our DCF model results in a **price target of EUR 6.30** (prev.: EUR 5.70). The high valuation level of US fuel cell companies tends to support a higher price target, but a direct comparison appears problematic (only EV/Sales multiples applicable; different technologies and target markets; different share of fuel cell sales in total sales). We confirm our **BUY** recommendation.



Source: CBS Research AG, Bloomberg, SFC Energy AG

Change	2014E		2015E		2016E	
	new	old	new	old	new	old
Sales	56.3	55.2	64.2	62.1	72.0	69.4
EBIT	-3.9	-5.0	-1.9	-2.9	0.5	-0.4
EPS	-0.53	-0.66	-0.31	-0.42	-0.03	-0.14

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 commercialised fuel cells for the Security & Industry, Oil & Gas, and Consumer 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):	4.579
Shares outstanding (m):	8.0
Market capitalisation (EUR m):	36.7
Enterprise value (EUR m):	35.8
Ø daily trading volume (6 m., no. of shares):	6,746

Performance data:

High 52 weeks (EUR):	5.48
Low 52 weeks (EUR):	3.30
Absolute performance (12 months):	-2.6%
Relative performance vs. CDAX:	
1 month	2.1%
3 months	-10.6%
6 months	19.6%
12 months	-10.9%

Shareholders:

HPE	24.05%
Conduit Ventures	9.49%
Havensight	9.56%
Mark Wheeler	3.94%
Management and Supervisory Board	3.45%
DWS	4.60%
Other free float	44.91%

Financial calendar:

3Q report: 13 November 2014

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	2013	2014E	2015E	2016E
Sales revenues	15.4	31.3	32.4	56.3	64.2	72.0
Underlying EBITDA	-2.7	0.8	-2.2	0.2	2.2	3.5
EBITDA	-4.6	0.7	-4.5	-1.0	1.0	3.5
EBIT	-6.6	-0.5	-8.8	-3.9	-1.9	0.5
Net income/loss	-6.2	-0.4	-8.9	-4.3	-2.5	-0.2
EPS	-0.87	-0.06	-1.16	-0.53	-0.31	-0.03
Underl. EBITDA margin	-17.4%	2.7%	-6.8%	0.3%	3.5%	4.9%
EBITDA margin	-30.1%	2.3%	-13.8%	-1.7%	1.6%	4.9%
EBIT margin	-42.9%	-1.7%	-27.3%	-6.9%	-3.0%	0.6%
EV/Underlying EBITDA	neg.	43.2	neg.	n/m	16.2	10.1
EV/EBITDA	neg.	49.1	neg.	neg.	35.1	10.1

Source: SFC Energy AG; CBS Research

Quarterly key figures with YOY comparison

	IFRS	EURm	2Q 2014	2Q 2013	Change	1H 2014	1H 2013	Change
Total sales			13.23	6.24	112.1%	26.16	13.58	92.6%
YOY growth			112.1%	-15.9%		92.6%	-9.2%	
Oil & Gas			7.43	0.18	>1,000%	14.04	0.30	>1,000%
as % of total sales			56.2%	2.9%		53.7%	2.2%	
Security & Industry			4.66	4.87	-4.4%	9.73	10.42	-6.7%
as % of total sales			35.2%	78.1%		37.2%	76.7%	
Consumer			1.14	1.19	-4.1%	2.39	2.86	-16.5%
as % of total sales			8.6%	19.0%		9.1%	21.1%	
Sales by company								
SFC Energy			2.70	2.69	0.2%	5.83	6.46	-9.8%
PBF			3.10	3.55	-12.6%	6.29	7.12	-11.6%
Simark			7.43	-	n.m.	14.04	-	n.m.
Gross profit								
as % of sales			3.83	2.04	87.4%	7.67	4.74	61.8%
			28.9%	32.7%		29.3%	34.9%	
Gross profit - Oil & Gas			1.81	0.10	>1,000%	3.43	0.16	>1,000%
as % of segment sales			24.3%	56.0%		24.4%	54.9%	
Gross profit - Security & Industry			1.66	1.60	3.6%	3.55	3.67	-3.4%
as % of segment sales			35.6%	32.9%		36.5%	35.2%	
Gross profit - Consumer			0.36	0.34	5.3%	0.70	0.91	-23.1%
as % of segment sales			31.6%	28.7%		29.2%	31.7%	
EBITDA								
as % of sales			-0.56	-1.07	n/m	-1.07	-0.77	n/m
			-4.2%	-17.1%		-4.1%	-5.7%	
EBITDA - Oil & Gas			0.01	-0.46	n/m	-0.06	-0.82	n/m
as % of segment sales			0.2%	-258.5%		-0.4%	-277.3%	
EBITDA - Security & Industry			-0.47	-0.57	n/m	-0.85	-0.11	n/m
as % of segment sales			-10.1%	-11.7%		-8.8%	-1.0%	
EBITDA - Consumer			-0.10	-0.03	n/m	-0.16	0.16	-197.2%
as % of segment sales			-8.7%	-2.7%		-6.5%	5.6%	
Adjusted EBITDA								
as % of sales			-0.26	-0.81	n/m	-0.50	-0.69	n/m
			-2.0%	-12.9%		-1.9%	-5.1%	
EBIT								
as % of sales			-1.23	-1.54	n/m	-2.44	-1.73	n/m
			-9.3%	-24.7%		-9.3%	-12.7%	
Adjusted EBIT								
as % of sales			-0.65	-1.28	n/m	-1.30	-1.65	n/m
			-4.9%	-20.6%		-5.0%	-12.1%	
Net income after minorities								
as % of sales			-1.36	-1.55	n/m	-2.68	-1.76	n/m
			-10.3%	-24.9%		-10.3%	-13.0%	
Basic earnings per share (EUR)								
			-0.17	-0.21	n/m	-0.33	-0.23	n/m
Cash flow from operating activities								
			-0.81	-1.25	n/m	-0.70	-4.69	n/m
Free cash flow (incl. interest received)								
			-0.99	-1.54	n/m	-1.95	-5.07	n/m

Source: SFC Energy AG, CBS Research AG

Profit and loss account

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Sales			15.43	31.26	32.41	56.30	64.20	72.00
YoY growth			15.7%	102.6%	3.7%	73.7%	14.0%	12.1%
Cost of sales			-10.06	-18.50	-21.77	-38.85	-43.72	-48.82
as % of sales			-65.2%	-59.2%	-67.2%	-69.0%	-68.1%	-67.8%
Gross profit			5.37	12.76	10.64	17.45	20.48	23.18
as % of sales			34.8%	40.8%	32.8%	31.0%	31.9%	32.2%
Research and development expenses			-2.54	-4.26	-6.15	-6.16	-6.23	-6.26
as % of sales			-16.4%	-13.6%	-19.0%	-11.0%	-9.7%	-8.7%
Selling expenses			-4.90	-5.86	-8.23	-10.25	-10.91	-11.12
as % of sales			-31.7%	-18.8%	-25.4%	-18.2%	-17.0%	-15.5%
General and administrative expenses			-2.68	-3.55	-3.86	-5.32	-5.49	-5.56
as % of sales			-17.4%	-11.4%	-11.9%	-9.5%	-8.6%	-7.7%
Other operating income			0.20	0.75	1.04	0.51	0.35	0.36
as % of sales			1.3%	2.4%	3.2%	0.9%	0.5%	0.5%
Other operating expenses			-2.07	-0.36	-1.71	-0.12	-0.13	-0.14
as % of sales			-13.4%	-1.2%	-5.3%	-0.2%	-0.2%	-0.2%
Restructuring expenses			0.00	0.00	-0.57	0.00	0.00	0.00
as % of sales			0.0%	0.0%	-1.7%	0.0%	0.0%	0.0%
EBIT			-6.61	-0.52	-8.84	-3.89	-1.94	0.45
as % of sales			-42.9%	-1.7%	-27.3%	-6.9%	-3.0%	0.6%
Underlying EBIT			-4.08	-0.96	-4.22	-1.58	0.33	1.53
as % of sales			-26.5%	-3.1%	-13.0%	-2.8%	0.5%	2.1%
Net financial result			0.39	0.08	-0.13	-0.28	-0.30	-0.30
EBT (Earnings before income taxes)			-6.22	-0.44	-8.96	-4.17	-2.24	0.15
as % of sales			-40.4%	-1.4%	-27.7%	-7.4%	-3.5%	0.2%
Income taxes			0.01	0.02	0.05	-0.11	-0.26	-0.38
as % of EBT			-0.1%	-4.3%	-0.6%	2.6%	11.4%	-249.0%
Group net income including minorities			-6.22	-0.43	-8.91	-4.28	-2.49	-0.23
as % of sales			-40.3%	-1.4%	-27.5%	-7.6%	-3.9%	-0.3%
Minority interests			0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to shareholders			-6.22	-0.43	-8.91	-4.28	-2.49	-0.23
Shares outstanding (m)			7.16	7.50	7.68	8.02	8.02	8.02
Basic earnings per share (EUR)			-0.87	-0.06	-1.16	-0.53	-0.31	-0.03
Underlying EBITDA			-2.69	0.83	-2.20	0.16	2.22	3.53
as % of sales			-17.4%	2.7%	-6.8%	0.3%	3.5%	4.9%
EBITDA			-4.64	0.73	-4.47	-0.98	1.02	3.53
as % of sales			-30.1%	2.3%	-13.8%	-1.7%	1.6%	4.9%

Source: CBS Research AG, SFC Energy AG

Balance sheet

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Assets								
Current assets			33.93	33.60	25.93	23.10	23.21	25.83
as % of total assets			68.5%	70.6%	54.4%	54.2%	56.0%	60.9%
Inventories and prepayments			4.91	5.81	7.71	7.88	8.35	9.07
Trade accounts receivable			4.47	3.70	9.26	9.56	11.08	12.43
Other assets incl. tax and PoC receivables			1.82	1.18	1.54	1.25	1.39	1.55
Cash and cash equivalents			22.44	22.63	7.14	4.31	2.29	2.68
Cash and cash equival. with limitation on disposal			0.29	0.29	0.29	0.10	0.10	0.10
Noncurrent assets			15.61	14.02	21.72	19.51	18.27	16.59
as % of total assets			31.5%	29.4%	45.6%	45.8%	44.0%	39.1%
Intangible assets excl. goodwill			4.89	4.86	7.26	5.48	3.83	2.18
Goodwill			6.14	6.14	11.80	11.80	11.80	11.80
Property, plant and equipment			2.75	2.40	2.30	1.86	1.41	1.03
Other non-current assets			0.05	0.00	0.00	0.00	0.00	0.00
Deferred taxes			1.77	0.62	0.37	0.37	1.23	1.57
Total assets			49.54	47.62	47.65	42.61	41.48	42.42
Shareholders' equity and liabilities								
Current liabilities			7.49	7.66	12.67	11.75	12.77	13.65
as % of total equity and liabilities			15.1%	16.1%	26.6%	27.6%	30.8%	32.2%
Provisions			1.58	1.00	0.80	0.84	1.03	1.15
Advance payments received			0.20	0.01	0.01	0.06	0.24	0.28
Trade accounts payable			3.17	3.03	5.09	5.79	6.38	6.98
Financial debt			0.56	0.37	2.19	2.20	2.20	2.20
Other liabilities			1.98	3.24	4.58	2.86	2.92	3.04
Noncurrent liabilities			5.26	3.56	5.92	6.07	6.41	6.71
as % of total equity and liabilities			10.6%	7.5%	12.4%	14.3%	15.5%	15.8%
Other noncurrent provisions			1.41	1.39	1.80	2.14	2.44	2.74
Financial debt			0.20	0.00	2.31	2.10	2.10	2.10
Other noncurrent liabilities			1.46	1.04	0.07	0.10	0.14	0.14
Deferred tax liabilities			2.19	1.13	1.73	1.73	1.73	1.73
Shareholders' equity			36.79	36.39	29.06	24.78	22.29	22.06
as % of total equity and liabilities			74.3%	76.4%	61.0%	58.2%	53.7%	52.0%
Subscribed capital			7.50	7.50	8.02	8.02	8.02	8.02
Capital reserve			67.88	67.88	69.57	69.57	69.57	69.57
Other changes in equity not effecting profit or loss			-0.07	-0.04	-0.66	-0.66	-0.66	-0.66
Accumulated loss brought forward			-32.31	-38.53	-38.95	-47.86	-52.14	-54.63
Net result of the year			-6.22	-0.43	-8.91	-4.28	-2.49	-0.23
Total equity and liabilities			49.54	47.62	47.65	42.61	41.48	42.42

Source: CBS Research AG, SFC Energy AG

Cash flow statement

	IFRS	EURm	2011	2012	2013	2014E	2015E	2016E
Income/loss before interest and taxes			-6.61	-0.52	-8.84	-3.89	-1.94	0.45
Amortisation of intangible assets incl. assets from PPA			1.46	0.59	3.60	2.07	2.06	2.12
Depreciation of PP&E			0.51	0.66	0.76	0.83	0.90	0.96
Other expenses / income with no effect on liquidity			0.25	0.45	-0.62	0.00	0.00	0.00
Increase/decrease in inventories, trade receivables, and other assets			-0.99	0.45	-1.05	-0.19	-2.12	-2.23
Increase/decrease in trade accounts payable and other liabilities			1.10	-0.37	-1.14	0.64	1.36	1.17
Cash taxes paid			-0.03	-0.01	-0.03	-0.11	-1.12	-0.72
Cash flow from operating activities			-4.32	1.26	-7.31	-0.64	-0.86	1.75
Net cash outflows from the purchase and retirement of noncurrent assets			-1.13	-0.88	-0.67	-0.70	-0.85	-1.06
Bank balances released/pledged			0.29	0.00	0.00	0.19	0.00	0.00
Interests received			0.43	0.22	0.08	0.02	0.03	0.03
Purchase of consolidated companies			-6.00	0.00	-6.00	-1.20	0.00	0.00
Cash flow from investing activities			-6.42	-0.66	-6.59	-1.70	-0.82	-1.03
Net cash inflow from capital stock increases deducting expenses			-0.05	0.00	0.00	0.00	0.00	0.00
Net cash flow from financial debt incl. leasing			-0.35	-0.39	-1.47	-0.20	0.00	0.00
Interests paid			0.00	-0.03	-0.10	-0.30	-0.33	-0.33
Cash flow from financing activities			-0.40	-0.42	-1.57	-0.50	-0.33	-0.33
Total change in cash and cash equivalents			-11.14	0.18	-15.47	-2.84	-2.01	0.39
Currency effects on cash and cash equivalents			0.01	0.00	-0.01	0.00	0.00	0.00
Cash and cash equiv. at the start of the period			33.56	22.44	22.63	7.14	4.31	2.29
Cash and cash equiv. at the end of the period			22.44	22.63	7.14	4.31	2.29	2.68

Source: CBS Research AG, SFC Energy AG

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2						PHASE 3	
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	∞
Sales	56.3	64.2	72.0	79.2	87.2	95.9	104.6	111.9	117.5	120.5	
Sales growth	73.7%	14.0%	12.1%	10.0%	10.0%	10.0%	9.0%	7.0%	5.0%	2.5%	
EBIT	-3.9	-1.9	0.5	1.8	3.0	4.0	5.2	5.8	6.0	6.2	
EBIT margin	-6.9%	-3.0%	0.6%	2.3%	3.4%	4.2%	5.0%	5.1%	5.1%	5.1%	
Cash taxes on EBIT	-0.2	-0.3	-0.4	-0.7	-0.8	-0.9	-1.4	-1.5	-1.5	-1.5	
Depreciation and amortisation	2.9	3.0	3.1	1.7	1.6	1.4	1.2	1.2	1.2	1.1	
Change in long-term provisions	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	
Other non-cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	0.5	-0.8	-1.1	-0.7	-0.8	-0.9	-0.9	-0.8	-0.6	-0.3	
Net capital expenditure	-0.7	-0.9	-1.1	-1.2	-1.3	-1.3	-1.2	-0.9	-1.0	-1.1	
Purchase of consolidated companies	-1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow	-2.2	-0.5	1.3	1.2	2.0	2.7	3.3	4.1	4.5	4.6	
Present values	-2.2	-0.5	1.1	0.9	1.4	1.7	2.0	2.2	2.2	2.1	38.8
Present value Phase 1	-1.6										
Present value Phase 2	12.5										
Present value Phase 3	38.8										
Total present value	49.7										
+ Liquid funds	4.7										
- Financial debt	-3.9										
- Minority interest	0.0										
Fair value of equity	50.6										
Number of shares (m)	8.0										
Fair value per share (EUR)	6.31										

Risk free rate:*	3.0%	Target equity ratio:	80.0%
Equity risk premium:	6.0%	Beta:	1.1
Debt risk premium:	2.0%	WACC:	8.2%
Tax shield:	25.0%	Terminal growth:	2.5%

Sensitivity analysis					
	Terminal growth (Phase 3)				
	1.5%	2.0%	2.5%	3.0%	3.5%
7.19%	6.85	7.39	8.04	8.85	9.89
7.69%	6.14	6.58	7.09	7.72	8.50
WACC 8.19%	5.55	5.90	6.31	6.81	7.41
8.69%	5.03	5.32	5.66	6.06	6.53
9.19%	4.59	4.83	5.11	5.43	5.82

Source: CBS Research AG

*Risk free rate was lowered from previously 3.5% to 3.0% in order to better account for the current interest rate level.

Research



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 Roger.Peeters@cbseydlerresearch.ag	Igor Kim (Equities)	+49 (0)69 - 977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Martin Decot (Equities)	+49 (0)69 - 977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Daniel Kukalj (Equities)	+49 (0)69 - 977 8456- 21 Daniel.Kukalj@cbseydlerresearch.ag
Gennadij Kremer (Corporate Credit)	+49 (0)69 - 977 8456- 23 Gennadij.Kremer@cbseydlerresearch.ag	Manuel Martin (Equities)	+49 (0)69 - 977 8456- 16 Manuel.Martin@cbseydlerresearch.ag
Carsten Kunold (Equities)	+49 (0)69 - 977 8456- 28 Carsten.Kunold@cbseydlerresearch.ag	Roland Pfänder (Equities)	+49 (0)69 - 977 8456- 26 Roland.Pfaender@cbseydlerresearch.ag
Felix Parmantier (Equities)	+49 (0)69 - 977 8456- 22 Felix.Parmantier@cbseydlerresearch.ag	Michele Sassano (Support)	+49 (0)69 - 977 8456- 17 Michele.Sassano@cbseydlerresearch.ag
Dr. Oliver Pucker (Equities)	+49 (0)69 - 977 8456- 27 Oliver.Pucker@cbseydlerresearch.ag	Marcus Silbe (Equities)	+49 (0)69 - 977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag
Nicolas Pütz (Support)	+49 (0)69 - 977 8456- 24 Nicolas.Puetz@cbseydlerresearch.ag	Veysel Taze (Equities)	+49 (0)69 - 977 8456- 18 Veysel.Taze@cbseydlerresearch.ag
Simone Steymann (Support)	+49 (0)69 - 977 8456- 25 Simone.Steymann@cbseydlerresearch.ag	Sergey Weinberg (Corporate Credit)	+49 (0)69 - 977 8456- 20 Sergey.Weinberg@cbseydlerresearch.ag
Ivo Višić (Equities)	+49 (0)69 - 977 8456- 19 Ivo.Visic@cbseydlerresearch.ag		

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Karl Filbert (Head of Sales)	+49 (0)69 -9 20 54-104 Karl.Filbert@cbseydler.com	Klaus Korzilius (Benelux, Scandinavia)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com
Sebastian Holl (Head of Sales Trading)	+49 (0)69 -9 20 54-119 Sebastian.Holl@cbseydler.com	Dr. James Jackson (UK, Ireland)	+49 (0)69 -9 20 54-113 James.Jackson@cbseydler.com
Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com	Markus Laifle (Sales Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com
Claudia Jurewecz (Germany, Austria, Switzerland)	+49 (0)69 -9 20 54-106 Claudia.Jurewecz@cbseydler.com	Enikö-Sofia Matyas (Germany, France)	+49 (0)69 -9 20 54-115 Enikoe-Sofia.Matyas@cbseydler.com
Angela Leser (Germany, Austria, Switzerland)	+49 (0)69 -9 20 54-111 Angela.Leser@cbseydler.com	Carsten Schlegel (Sales Trading)	+49 (0)69 -9 20 54-137 Carsten.Schlegel@cbseydler.com
Carsten Pfersdorf (Sales Execution)	+49 (0)69 -9 20 54-168 Carsten.Pfersdorf@cbseydler.com	Bas-Jan Walhof (Benelux, Scandinavia)	+49 (0)69 -9 20 54-105 Bas-Jan.Walhof@cbseydler.com
Christopher Seedorf (Switzerland)	+49 (0)69 -9 20 54-110 Christopher.Seedorf@cbseydler.com		

Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)

This report has been prepared independently of the company analysed by Close Brothers Seydler Research AG and/ or its cooperation partners and the analyst(s) mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Close Brothers Seydler Research AG, Close Brothers Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Close Brothers Seydler Research AG is a majority owned subsidiary of Close Brothers Seydler Bank AG (hereafter ‘CBS’). However, Close Brothers Seydler Research AG (hereafter ‘CBSR’) provides its research work independent from CBS. CBS is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). CBS or CBSR may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. CBS holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. CBS was a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve months.
- c. CBS has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. CBS acts as designated sponsor for the company's securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers. Due to the designated sponsoring service agreement CBS may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. CBSR and the analysed company have a contractual agreement about the preparation of research reports. CBSR receives a compensation in return.
- g. CBS has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d, f

CBS and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. CBS may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

Recommendation System:

CBSR uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price Target
5 August 2014	BUY	EUR 4.579	EUR 6.30
13 May 2014	BUY	EUR 5.101	EUR 5.70
28 March 2014	HOLD	EUR 4.889	EUR 5.00
5 February 2014	BUY	EUR 3.868	EUR 5.90
2 December 2013	BUY	EUR 3.83	EUR 5.90
14 October 2013	BUY	EUR 4.00	EUR 6.00

Risk-scaling System:

CBSR uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 12 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks.

These may change at any time without prior notice.

The opinions and forecasts contained in this report are those of the author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to *Börsenzeitung*, *Handelsblatt*, *Frankfurter Allgemeine Zeitung*, *Financial Times*), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the management for the purpose of preparing the analysis. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by the author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies are available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgment on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also "qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made there under or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)

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.cbseydlerresearch.ag

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