

SFC Energy AG

Germany / Energy
 Primary exchange: Frankfurt
 Bloomberg: F3C GR
 ISIN: DE0007568578

Q2 figures

RATING	ADD
PRICE TARGET	€ 4.60
Return Potential	22.7%
Risk Rating	High

STRONG GROWTH LOOKS SET TO CONTINUE

On 17 August, SFC Energy published Q2 figures and held a conference call. Revenues grew 26% y/y to €13.2m and earnings improved significantly. EBITDA amounted to €-0.2m and was thus close to break-even. A high order backlog of €16.3m bodes well for Q3. SFC confirmed its 2017 guidance (sales of €50-55m and significantly improved profitability). We have slightly increased our 2017E revenue forecast to reflect continuing strong growth. An updated DCF model still yields a €4.60 price target. We reiterate our Add rating.

Strong growth in Q2 Revenues jumped 26% y/y to €13.2m (FBe: €13.1m) and were mainly driven by the Security & Industry (+32%) and the Oil & Gas (+22%) segments. Gross profit grew 47% y/y to €4.3m. This disproportionate increase can be traced to higher gross margins in all business segments. The gross profit margin climbed almost 5PP y/y to 32.6%. EBITDA amounted to €-0.2m (FBe: €-0.5m) and thus almost reached break-even. Underlying EBITDA (adjusted for one-off effects) was at break-even. EBIT improved to €-0.7m (Q2/16: €-1.9m, FBe: €-0.7m). The net result was €-0.8m (Q2/16: €-20m, FBe: €-1.0m). This translates into EPS of €-0.09 vs. €-0.23 in Q2/16 (see figure 1 overleaf).

Guidance confirmed SFC sticks to its 2017 guidance (sales: €50-55m, significantly improved profitability). Given H1 revenues of €26.3m, a high order backlog of €16.3m, and continuing strong demand from both security & industry and oil & gas customers, we believe that SFC will reach its guidance even if the German Army contract is postponed into 2018.

Recent bond placement solved financing problem The €5m bond placement gives SFC sufficient leeway to finance its growth. The H1 cash position was €1m (excluding restricted cash of €0.3m). The bond placement (see our report of 7 August) and the option exercise (see our report of 21 July) add €5.4m. The pro-forma cash position is thus €6.4m. This should cover future cash outflows from operations and investment. Short-term financial debt fell to €3.7m... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Revenue (€m)	53.63	47.31	44.04	53.27	57.34	65.20
Y-o-y growth	65.5%	-11.8%	-6.9%	21.0%	7.6%	13.7%
EBIT (€m)	-4.27	-10.64	-4.90	-2.02	0.17	2.41
EBIT margin	-8.0%	-22.5%	-11.1%	-3.8%	0.3%	3.7%
Net income (€m)	-4.83	-10.67	-4.99	-3.20	-1.06	1.23
EPS (diluted) (€)	-0.60	-1.24	-0.58	-0.35	-0.11	0.13
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-4.19	-3.21	-6.15	-2.91	-1.88	-0.65
Net gearing	-4.9%	11.0%	53.5%	91.5%	105.2%	99.6%
Liquid assets (€m)	6.41	3.71	2.04	3.22	2.72	3.07

RISKS

The main risks are financing, internationalisation, unfavourable EUR/CAD exchange rate changes, technological innovations, and increasing competition.

COMPANY PROFILE

SFC Energy AG is a leading provider of integrated power solutions for mobile and stationary off-grid applications. The company is a pioneer in developing and commercialising fuel cells which provide reliable, efficient, and clean power for its energy solutions. Main markets are oil & gas, security & industry, and leisure. SFC is headquartered near Munich in Germany.

MARKET DATA

As of 17 Aug 2017

Closing Price	€ 3.75
Shares outstanding	9.21m
Market Capitalisation	€ 34.53m
52-week Range	€ 1.85 / 4.12
Avg. Volume (12 Months)	5,493

Multiples	2016	2017E	2018E
P/E	n.a.	n.a.	n.a.
EV/Sales	1.0	0.8	0.7
EV/EBIT	n.a.	n.a.	249.1
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2017

Liquid Assets	€ 1.31m
Current Assets	€ 19.83m
Intangible Assets	€ 10.93m
Total Assets	€ 32.59m
Current Liabilities	€ 12.66m
Shareholders' Equity	€ 11.28m

SHAREHOLDERS

HPE	26.5%
DWS	8.8%
Havensight	8.5%
Other	16.7%
Free Float	39.5%



...at the end of H1 from €4.3m at the end of 2016. Long-term financial liabilities increased by €1.6m to €6.5m. Net debt was up €1.8m at €9.0m. Equity fell to €11.3m from €13.3m at the end of 2016 due mainly to the H1 net loss of €1.8m. The equity ratio declined to 34.6% from 39.5%.

Figure 1: Reported figures versus forecasts

All figures in €m	Q2-17A	Q2-17E	Delta	Q2-16A	Delta	H1/17	H1/16	Delta
Sales	13.19	13.09	0.8%	10.50	25.7%	26.31	20.80	26.5%
EBITDA	-0.21	-0.50	-	-1.31	-	-0.55	-1.76	-
margin	-1.6%	-3.8%	-	-12.5%	-	-2.1%	-8.4%	-
EBITDA adjusted	-0.06	-0.40	-	-1.31	-	-0.37	-1.85	-
margin	-0.4%	-3.1%	-	-12.5%	-	-1.4%	-8.9%	-
EBIT	-0.71	-0.68	-	-1.89	-	-1.52	-2.89	-
margin	-5.3%	-5.2%	-	-18.0%	-	-5.8%	-13.9%	-
EBIT adjusted	-0.37	-0.53	-	-1.63	-	-0.99	-2.47	-
margin	-2.8%	-4.0%	-	-15.5%	-	-3.8%	-11.9%	-
Net income	-0.83	-0.96	-	-1.99	-	-1.83	-3.01	-
margin	-6.3%	-7.3%	-	-18.9%	-	-6.9%	-14.5%	-
EPS (diluted, in €)	-0.09	-0.10	-	-0.23	-	-0.20	-0.35	-

Source: First Berlin Equity Research, SFC Energy AG

Operating cash flow significantly improved Operating cash flow in H1 amounted to €-1.1m (H1/16: €-3.3m). CAPEX of €0.4m resulted in free cash flow of €-1.5m. As financing cash flow was €0.8m, net cash outflow amounted to €0.7m.

Order backlog on high level The H1 order backlog increased 46% y/y to €16.3m and is a very solid foundation for another strong performance in Q3.

Oil & Gas segment shows robust growth at increased gross margin Q2 segment sales were up 22% y/y at €5.9m. Gross profit grew disproportionately by 68% to €1.5m (see figure 2 overleaf). The gross margin increased almost 7PP to 25.3%. Growth was driven by both spending of existing customers and new projects. SFC's Canadian subsidiary Simark looks set to continue to benefit from increased oil and gas drilling in coming quarters. Increasing sales volumes at markedly higher gross margins indicate a comfortable competitive position in the Canadian oil & gas market.

Security & Industry segment main revenue and earnings driver Q2 segment sales increased 32% y/y to €6.4m. Gross profit climbed 36% y/y to €2.5m. The gross margin increased from 37.8% to 39.0%. All subsegments contributed to growth. Power electronics revenues rose 26%, and fuel cells 13%, driven by dynamic national and international demand for civil surveillance technologies. The defence business even grew 143% y/y, albeit from a low basis of €0.4m. Defence revenues were driven by a follow-up order from India and the first serial order in the UK for on-board power supplies for military vehicles. We believe that the ongoing international expansion of the defence business has the potential to generate annual revenues in the mid single digit Euro million area. Adding defence revenues from the German market, a high single digit revenue contribution p.a. looks achievable. In 2016, the defence business generated €3.5m in revenues.

Consumer business growing again Following a very weak Q1, the Consumer segment grew 9% y/y in Q2. Although H1 revenues are still 5% below the previous year's figure, we believe that SFC can still reach annual segment sales on par with 2016.



Figure 2: Reported segment figures versus forecasts

All figures in €m	Q2-17A	Q2-17E	Delta	Q2-16A	Delta	H1-17A	H1-16A	Delta
Oil & Gas								
Sales	5.87	5.98	-1.9%	4.80	22.3%	11.69	8.84	32.2%
Gross profit	1.48	1.31	13.0%	0.88	68.2%	2.72	1.84	48.0%
margin	25.3%	21.9%		18.4%		23.3%	20.8%	
Security & Industry								
Sales	6.44	6.25	3.1%	4.89	31.7%	12.64	9.87	28.1%
Gross profit	2.51	2.46	2.1%	1.85	35.8%	4.78	3.75	27.6%
margin	39.0%	39.3%		37.8%		37.8%	38.0%	
Consumer								
Sales	0.88	0.85	3.2%	0.81	8.7%	1.98	2.09	-5.3%
Gross profit	0.31	0.20	56.6%	0.19	61.5%	0.44	0.55	-20.2%
margin	34.9%	23.0%		23.5%		22.4%	26.6%	
Group								
Sales	13.19	13.09	0.8%	10.50	25.6%	26.31	20.80	26.5%
Gross profit	4.30	3.97	8.4%	2.92	47.3%	7.94	6.14	29.4%
margin	32.6%	30.3%		27.8%		30.2%	29.5%	

Source: First Berlin Equity Research, SFC Energy AG

2017E revenue forecast increased Given H1 revenues of €26.3m, an H1 order backlog of €16.3m, and continuing strong demand from the oil & gas and security & industry markets, we have increased our revenue forecast by almost 7% to €53.3m. We however stick to our 2017E EBIT forecast due mainly to a more cautious gross margin assumption for the full year (now 32.3%, previously: 34.5%, H1/17: 30.2%). We still anticipate a significant gross margin increase in H2 due to a strong security & industry business. Estimates for 2018E and the following years remain unchanged (see figure 3). We continue to expect a positive EBIT in 2018E.

Figure 3: Revisions to forecasts

All figures in €m	2017E			2018E			2019E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	49.95	53.27	6.6%	57.34	57.34	0.0%	65.20	65.20	0.0%
EBIT	-2.02	-2.02	-	0.17	0.17	0.0%	2.41	2.41	0.0%
margin	-4.0%	-3.8%		0.3%	0.3%		3.7%	3.7%	
Net income	-3.20	-3.20	-	-1.06	-1.06	-	1.23	1.23	0.0%
margin	-6.4%	-6.0%		-1.8%	-1.8%		1.9%	1.9%	
EPS (diluted) in €	-0.35	-0.35	-	-0.11	-0.11	-	0.13	0.13	0.0%

Source: First Berlin Equity Research

Add reiterated at unchanged price target An updated DCF model still yields a €4.60 price target. We reiterate our Add rating.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net sales	53,270	57,341	65,197	73,477	82,160	91,146	100,310	109,511
NOPLAT	-2,018	172	2,244	3,690	4,868	5,627	6,357	7,055
+ depreciation & amortisation	2,005	1,021	1,007	930	994	1,063	1,133	1,201
Net operating cash flow	-13	1,193	3,252	4,620	5,862	6,690	7,490	8,256
- total investments (CAPEX and WC)	-1,715	-1,839	-2,885	-3,122	-3,299	-3,457	-3,579	-3,657
Capital expenditures	-906	-975	-1,108	-1,249	-1,344	-1,433	-1,514	-1,583
Working capital	-809	-864	-1,777	-1,873	-1,955	-2,024	-2,065	-2,074
Free cash flows (FCF)	-1,728	-646	366	1,498	2,563	3,233	3,912	4,599
PV of FCF's	-1,662	-560	286	1,053	1,624	1,846	2,013	2,131

All figures in thousands	
PV of FCFs in explicit period (2017E-2031E)	22,681
PV of FCFs in terminal period	28,534
Enterprise value (EV)	51,215
+ Net cash / - net debt (pro forma)	-8,325
+ Investments / minority interests	0
Shareholder value	42,890

Fair value per share in EUR 4.60

WACC		Terminal growth rate						
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
7.0%	10.47	11.13	11.94	12.95	14.25	15.98	18.41	
8.0%	8.11	8.50	8.97	9.53	10.21	11.06	12.16	
9.0%	6.42	6.67	6.95	7.29	7.68	8.15	8.73	
10.0%	5.17	5.33	5.51	5.72	5.96	6.24	6.57	
11.0%	4.20	4.31	4.43	4.57	4.72	4.90	5.10	
12.0%	3.45	3.52	3.60	3.69	3.80	3.91	4.04	
13.0%	2.84	2.89	2.95	3.01	3.08	3.16	3.24	
14.0%	2.34	2.38	2.42	2.47	2.51	2.57	2.62	

* for layout purposes the model shows numbers only to 2024, but runs until 2031



INCOME STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
Revenues	53,631	47,310	44,041	53,270	57,341	65,197
Cost of goods sold	37,970	34,083	30,795	36,064	37,558	43,095
Gross profit	15,661	13,227	13,247	17,206	19,783	22,102
S&M	10,540	12,499	9,126	9,930	10,207	10,236
G&A	4,872	5,546	4,883	5,064	5,161	5,216
R&D	4,530	5,806	4,148	4,230	4,243	4,238
Other operating income	170	142	96	160	172	196
Other operating expenses	159	161	83	160	172	196
Operating income (EBIT)	-4,269	-10,644	-4,898	-2,018	172	2,412
Net financial result	-298	-315	-475	-1,212	-1,274	-1,014
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	-4,567	-10,959	-5,373	-3,230	-1,102	1,398
Income taxes	259	-290	-380	-32	-44	168
Minority interests	0	0	0	0	0	0
Net income / loss	-4,826	-10,669	-4,993	-3,197	-1,058	1,231
Diluted EPS (in €)	-0.60	-1.24	-0.58	-0.35	-0.11	0.13
EBITDA	-1,177	-4,650	-2,508	-13	1,193	3,420
Ratios						
Gross margin	29.2%	28.0%	30.1%	32.3%	34.5%	33.9%
EBITDA margin on revenues	-2.2%	-9.8%	-5.7%	0.0%	2.1%	5.2%
EBIT margin on revenues	-8.0%	-22.5%	-11.1%	-3.8%	0.3%	3.7%
Net margin on revenues	-9.0%	-22.6%	-11.3%	-6.0%	-1.8%	1.9%
Tax rate	-5.7%	2.6%	7.1%	1.0%	4.0%	12.0%
Expenses as % of revenues						
S&M	19.7%	26.4%	20.7%	18.6%	17.8%	15.7%
G&A	9.1%	11.7%	11.1%	9.5%	9.0%	8.0%
R&D	8.4%	12.3%	9.4%	7.9%	7.4%	6.5%
Other operating expenses	0.3%	0.3%	0.2%	0.3%	0.3%	0.3%
Y-Y Growth						
Revenues	65.5%	-11.8%	-6.9%	21.0%	7.6%	13.7%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	1302.3%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.



BALANCE SHEET

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
Assets						
Current assets, total	27,542	21,154	20,056	23,167	23,821	27,012
Cash and cash equivalents	6,407	3,712	2,041	3,217	2,719	3,071
Short-term investments	0	0	0	0	0	0
Receivables	12,766	7,490	9,253	10,508	11,311	12,861
Inventories	7,653	8,782	7,718	8,398	8,746	10,036
Other current assets	711	742	888	888	888	888
Non-current assets, total	19,714	14,736	13,737	12,638	12,592	12,693
Property, plant & equipment	1,601	1,390	1,205	1,156	1,211	1,304
Goodwill & other intangibles	17,813	12,768	11,855	10,804	10,703	10,711
Other assets	300	578	678	678	678	678
Total assets	47,256	35,889	33,793	35,805	36,412	39,705
Shareholders' equity & debt						
Current liabilities, total	13,371	13,041	13,335	17,516	15,432	16,494
Short-term debt	2,013	2,014	4,317	7,371	5,000	5,000
Accounts payable	6,872	7,263	5,790	6,916	7,203	8,265
Current provisions	686	667	646	646	646	646
Other current liabilities	3,800	3,097	2,583	2,583	2,583	2,583
Long-term liabilities, total	6,296	6,291	7,119	7,748	10,748	11,748
Long-term debt	3,045	3,520	4,860	5,488	8,488	9,488
Deferred revenue	0	0	0	0	0	0
Other liabilities	3,251	2,772	2,259	2,259	2,259	2,259
Minority interests	0	0	0	0	0	0
Shareholders' equity	27,589	16,558	13,339	10,541	10,233	11,463
Share capital	8,611	8,611	9,047	9,209	9,413	9,413
Capital reserve	71,955	72,017	73,132	73,371	73,916	73,916
Other reserves	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0
Loss carryforward / retained earnings	-52,689	-63,358	-68,351	-71,548	-72,607	-71,376
Total consolidated equity and debt	47,256	35,889	33,793	35,805	36,412	39,705
Ratios						
Current ratio (x)	2.06	1.62	1.50	1.32	1.54	1.64
Quick ratio (x)	1.49	0.95	0.93	0.84	0.98	1.03
Net cash	1,349	-1,821	-7,135	-9,643	-10,769	-11,417
Net gearing	-4.9%	11.0%	53.5%	91.5%	105.2%	99.6%
Book value per share (€)	3.44	1.92	1.54	1.15	1.09	1.22
Return on equity (ROE)	-17.5%	-64.4%	-37.4%	-30.3%	-10.3%	10.7%
Days of sales outstanding (DSO)	86.9	57.8	76.7	72.0	72.0	72.0
Days of inventory turnover	73.6	94.0	91.5	85.0	85.0	85.0
Days in payables (DIP)	66.1	77.8	68.6	70.0	70.0	70.0



CASH FLOW STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
EBIT	-4,269	-10,644	-4,898	-2,018	172	2,412
Depreciation and amortisation	3,093	5,994	2,390	2,005	1,021	1,007
EBITDA	-1,177	-4,650	-2,508	-13	1,193	3,420
Changes in working capital	-2,015	3,216	-3,541	-809	-864	-1,777
Other adjustments	-361	-429	818	-1,180	-1,230	-1,182
Operating cash flow	-3,553	-1,863	-5,231	-2,002	-902	461
CAPEX	-181	-294	-301	-373	-401	-456
Investments in intangibles	-452	-1,055	-619	-533	-573	-652
Free cash flow	-4,186	-3,212	-6,151	-2,908	-1,876	-648
Debt financing, net	826	699	2,834	3,683	629	1,000
Equity financing, net	3,263	0	1,500	400	750	0
Other changes in cash	-923	-332	296	0	0	0
Net cash flows	-1,020	-2,845	-1,521	1,176	-498	352
Cash, start of the year	7,143	6,407	3,276	2,041	3,217	2,719
Cash, end of the year	6,123	3,563	1,756	3,217	2,719	3,071
EBITDA/share (in €)	-0.15	-0.54	-0.29	0.00	0.13	0.36
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	n.m.	n.m.	n.m.	n.m.	186.6%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	23 June 2014	€4.84	Buy	€7.40
2...22	↓	↓	↓	↓
23	12 May 2017	€3.67	Add	€4.20
24	21 July 2017	€3.88	Add	€4.30
25	7 August 2017	€3.89	Add	€4.60
26	Today	€3.75	Add	€4.60

Authored by: Dr. Karsten von Blumenthal, Analyst

Company responsible for preparation:

First Berlin Equity Research GmbH

Mohrenstraße 34
10117 Berlin

Tel. +49 (0)30 - 80 93 96 85 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).