Research Study (update)

Good Q2 with EBITDA margin of 9.6% - integration measures are being implemented according to plan – share price target slightly raised

Target price: 26,50 €

Rating: Buy

IMPORTANT NOTE:
Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section 34b of the Securities Trading Act (WpHG) on page 11

First publication: 19/8/2013 Completion: 20/8/2013

euromicron AG *5

Rating: Buy
Price target: €26.50

current price: € 16.60
13/8/2013 / ETR

currency: EUR

Key date:

ISIN: DE000A1K0300

WKN: A1K030

Ticker symbol: EUC

Number of shares³: 6.664

Marketcap³: 110.62
Enterprise Value³: 190.61
³ in m / in EUR m

Freefloat: 92.1 %

Transparency Level: Prime Standard

Market Segment: Regulated Market

Accounting Standard:

Financial year-end: 12/31

Designated Sponsor:
EQUINET
CBS

Analysts:

Philipp Leipold
leipold@gbc-ag.de

Cosmin Filker
filker@gbc-ag.de

* catalogue of potential conflicts of interests on page 13

Company profile

Sector: Technology

Speciality: Network and fibre optic technology

Employees: 1759 (30/06/2013)

Founded: 1988

Registered office: Frankfurt am Main

Executive Board: Dr. Willibald Späth, Thomas Hoffmann

euromicron AG provides complete solutions for communication, transmission, data and security networks. The euromicron network infrastructures integrate speech, image and data transmission using wireless, copper cable and glass fibre technology. euromicron builds its market-leading applications on these network infrastructures, applications such as e-health, security, control and monitoring systems. The euromicron group consists of the parent company, euromicron AG, and a further 23 companies which are consolidated in the group accounts. The vast majority of the group's sales are generated in Germany. Activities can be divided into three divisions: projects & systems, components & assembly and distribution & services.

P&L in EURm / Due date	31.12.2011	31.12.2012	31.12.2013e	31.12.2014e
Sales	305.31	333.03	357.00	370,00
EBITDA	30.73	25.03	30.41	33.56
EBIT	24.16	17.08	22.41	25.56
Net profit	12.19	8.57	11.82	14.59
Figures in EUR				
Net Profit per share	2.32	1.29	1.76	2.18
Dividend per share	1.15	0.30	0.60	0.80
Ratios				
EV/Sales	0.56	0.58	0.53	0.52
EV/EBITDA	5.59	7.62	6.27	5.68
EV/EBIT	7.11	11.16	8,51	7.46
P/E	9.05	12.91	9.36	7.58
P/B		0.93		

Financial Dates:

Date: Event
28/08/2013: SCC
08/11/2013: Report Q3
12/11/2013: EKF
05/12/2013: MKK

**** last research published by GBC:**

Date: publication/price target in €/Rating
17/07/2013: RG / 25.50 / BUY
15/04/2013: RS / 25.50 / BUY
5/11/2013: RG / 30.50 / BUY
24/8/2013: RS / 30.50 / BUY

RS = Research Studie; RG = Research Guide;
RS = Research Report; RG = Research Guide;
** the research reports can be found on our webside www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D-86150 Augsburg

Company

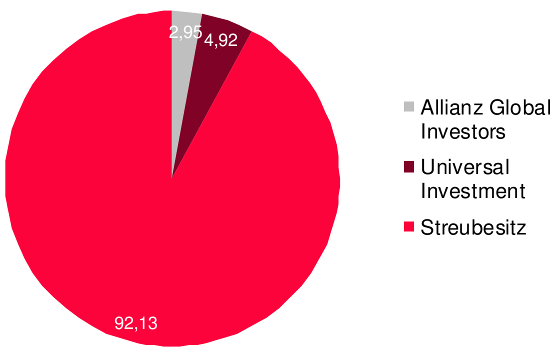
Organisational chart

The following diagram provides an overview of the group structure of the euromicron group:

Source: GBC, euromicron

Shareholder structure

Shareholder	30/06/2013
Allianz Global Investors	2.95
Universal Investment	4.92
Streubesitz	92.13



Source: GBC, euromicron

Business development in the first six months of the year 2013

in million €	First six months of the year 2012	Δ 2012/2013	First six months of the year 2013
Sales revenues	152.80	+0.2 %	153.09
EBITDA	13.68	-1.9 %	13.42
EBITDA margin	9.0 %	-0.2 Pp.	8.8 %
EBIT	9.66	-4.6 %	9.22
EBIT margin	6.3 %	-0.3 Pp.	6.0 %
Annual profit	5.44	-7.3 %	5.04
EPS in €	0.82		0.76

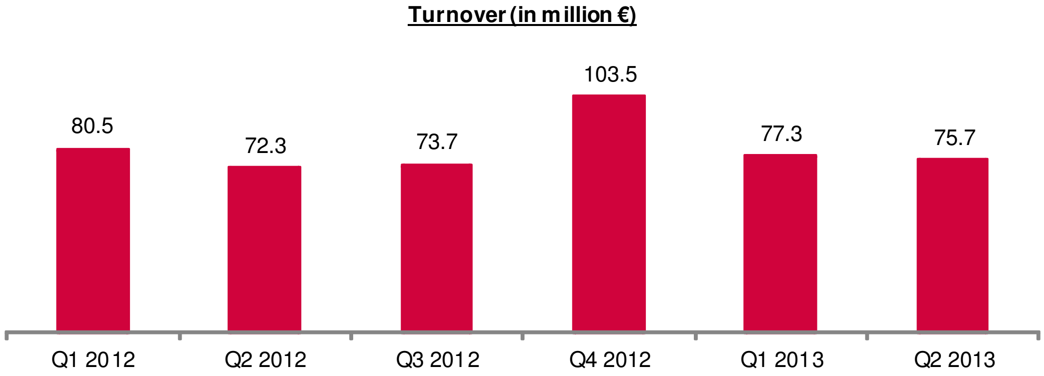
Source: euromicron; GBC

Development of turnover - Turnover at the level of the previous year

Euromicron AG can look back on a good first half of 2013, according to our assessment. The published half-year figures fall within the framework of our expectations. Following a weaker first quarter of 2013 the company was able to achieve a clear improvement in earnings in the second quarter. Against a backdrop of unaltered integration costs we judge the development of earnings in the second quarter of 2013 to be positive. At the same time we see good opportunities to change the trend regarding operating margins situation, given a successful second quarter.

It was possible for the sales revenues at the group level to be increased slightly in the first six months of the current fiscal year 2013 by 0.2% to €153.09 million (PY: €152.80 million). The increase in turnover was achieved solely in the second quarter of 2013. Here turnover came to €75.74 million, compared to €72.32 million in the same quarter of the previous year, which is an increase of 4.7%. Because euromicron AG has not undertaken any acquisitions in the current business year 2013, its consolidation scope remains unchanged.

The figure below displays turnover for the last six quarters.

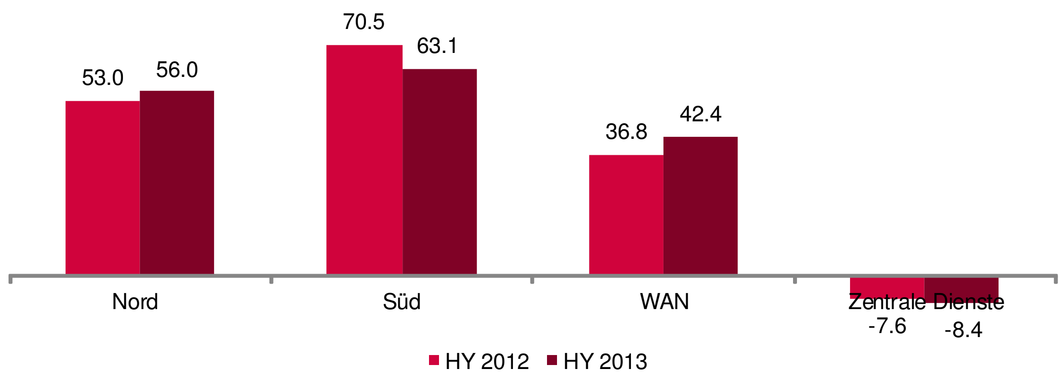


Source: euromicron; GBC

The fourth quarter is traditionally the strongest for euromicron AG due to a large proportion of project invoices falling then. This seasonal cycle should also be reproduced next year.

The already-high proportion of turnover from the German core market has once more slightly increased. In Germany a turnover of €137.13 million in the first half year (PY: €135.58 million) was achieved, which represented 89.7% of total company turnover, compared with 88.7% in the previous year. Euromicron AG also has subsidiary companies, which are headquartered in Austria, in Italy, in the Netherlands and in Luxembourg.

Turnover per segment (in million €)



Source: euromicron; GBC

The slight increase in turnover in the first half of 2013 is due to the positive development of both the North and WAN services segments. On the other hand the South segment showed a drop in turnover to €53.0 million (PY: €56.0 million). Alongside a consolidation effect following the acquisition of RSR Datacom in October 2012, this growth in the WAN services can also be explained by the encouraging development of the subsidiary company telent.

Development of earnings - Improved EBITDA margin of 9.6% in Q2 2013

The first effects of the integration measures which were carried out as well as the completed cost reduction programme have already made a positive impact in the first half of 2013. So the material purchase ratio was reduced in the first six months of 2013 substantially, to 50.66%, from 54.83% in the previous year. The individual subsidiary firms profit here from improvements in purchasing as well as from a better product mix. The high-margin sales, in connection with infrastructure projects in the telecoms sector should, according to our assessments, have moved to an even lower level. Here we expect a step-by-step resolution of investment bottlenecks by the network operators in the second half of the year.

At the same time the own work capitalised came to €1.97 million (PY: €0.58 million). The increased own work is closely linked to a series of product innovations, chiefly those of production firms MICROSENS, LWL-Sachsenkabel, ProCom, Elabo and SKM Skyline.

Staff costs rose in the first half of the year in 2013, largely due to an enlarged consolidation scope, to €46.24 milion (PY: €43.37 million). By the end of June 2013 the company employed 1,759 staff. At the same date in the previous year, barely 1,600 employees worked for euromicron AG. The other operational expenditures in the first half of the year came to €20.30 million, i.e. at the same level as the previous year. Higher consolidation expenditure was cancelled out by cost reductions in the savings programme which was carried out.

Earnings before interest, tax, depreciation and amortisation (EBITDA) in the first half of the current business year 2013 came to €13.42 million and thus were slightly above the level of the previous year (previous year: €13.68 million). Thus the EBITDA margin in the second quarter of 2013 had increased markedly in comparison with the previous quarter (Q1 2013: 8.0%) and also with the second quarter of the previous year (Q2 2012: 8.6%), to 9.6%.

Amortisation increased, in particular as a result of increased own work capitalised, to €4.21 million (PY: €4.03 million). Taking into account the finance losses in the amount of €-1.86 million as well as a company tax ratio of 29.9%, the net annual profit for the first half year of 2013 came to €5.04 million compared to €5.44 million in the previous year. This corresponds to an earning per share of €0.76 (PY: €0.82).

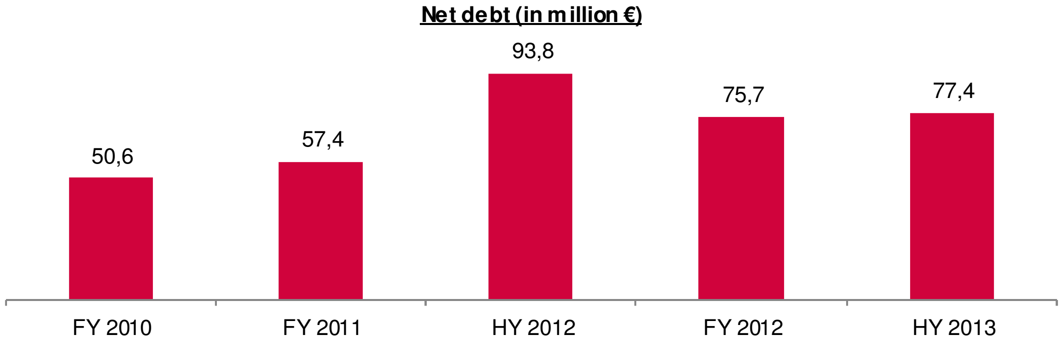
Balance sheet position and financial position - More positive free cash flow in the first six months of the year 2013

In million €	Full Year 2010	Full Year2011	Full Year 2012	Full Year 2012	Half Year 2013
Equity	89.3	120.0	118.0	119.0	121.9
Equity-Ratio	*45.5 %*	*45.3 %*	*42.0 %*	*41.9 %*	*42.7 %*
Net Debt	50.6	57.4	93.8	75.7	77.4
Operating fixed Assets	26.4	33.4	33.3	37.3	36.2
Net Working Capital	39.7	52.4	85.7	63.1	74.1

Source: euromicron; GBC

It is our opinion that euromicron AG continues to have healthy financial relations. This is reflected in a solid equity ratio of 42.7% up to 30.6.2013. Compared to the year end, the equity ratio was slightly improved by 0.8 percentage points. Along with the positive net annual profits, this is thanks to a limited dividend ratio as well as a company-wide working capital optimisation programme.

In the first six months of 2013 euromicron AG achieved a positive free cash flow of just under €3 million . In the previous year, this was around €-28 million and so still decidedly negative. We judge this development to be especially positive. The slight increase in net debt to €77.4 million can be explained by acquisition price payments made in arrears to the value of around €2.4 million as well as by the dividend payment made in May 2013 to the value of roughly €2 million . The following graphic illustrates the development of net debt.



Source: euromicron; GBC

In comparison to the same day in the previous year the net working capital in the first half of 2013 showed much more limited growth. Our calculations indicate that although the net working capital grew according, above all, to seasonal fluctuations, in comparison with the year end 2012 to €74.1 million, it still lay significantly below its level of 30.6.2012 (€85.7 million). According to our assessment, the effects of improved working capital management are already making themselves felt in this regard.

Investments in the first half of 2013 came to €3.2 million (PY: €4.0 million) and thus lay below the level of amortisation, which was €4.2 million. These facts also meant that the operating assets were reduced to €36.2 million by the end of June 2013 (31.12.2012: €37.3 million). Because euromicron AG has not yet undertaken any acquisitions in 2013, the goodwill in the balance sheet remains unchanged at €106.4 million .

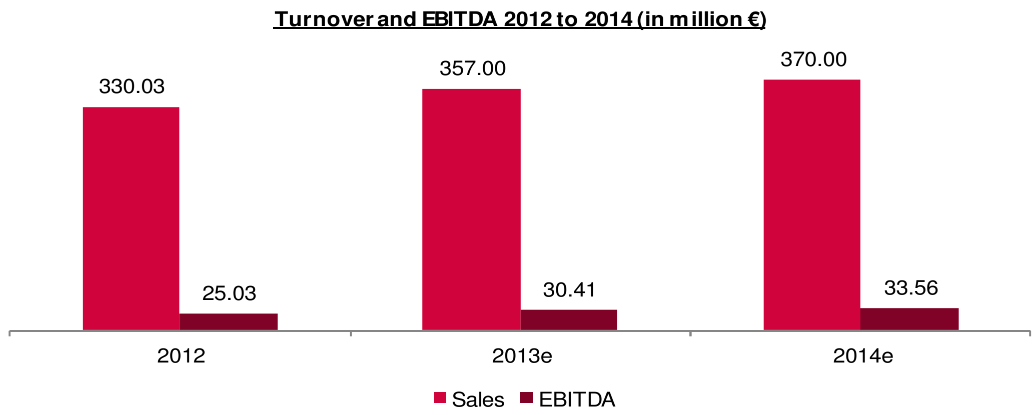
Forecast and model assumptions

in million €	Full year 2012	Full year 2013e	Full year 2014e
Sales revenues	330.03	357.00	370.00
EBITDA (margin)	25.03 (7.6 %)	30.41 (8.5 %)	33.56 (9.1 %)
EBITDA (margin)	17.08 (5,2 %)	22.41 (6.3 %)	25.56 (6.9 %)
Annual profit	8.57	11.82	14.59
EPS in €	1.29	1.77	2.19

Source: GBC

Turnover and earnings forecast - Assessments for 2013 and 2014 unchanged

Thanks to a strong second quarter of 2013, we see euromicron AG well on the way to achieving our forecast for the current financial year 2013. We continue to assume a turnover volume of €357.00 million and EBITDA of €30.41million, for 2013. And so both figures fall within the range indicated by the directors (turnover €350 to €365 million and EBITDA margin 8% - 11% respectively).



Source: GBC

It was possible to increase order inflow in the first half of 2013 to €154.80 million (PY: €148.00 million). Consequently, the book to bill ratio lay slightly over 1, and the orders balance of around €127 million provides, in our view, a comfortable starting basis for the coming quarter. According to company data, further increases in incoming orders should be assumed for the second half of the year.

Furthermore, we expected stimulus for incoming orders due to an increased willingness to invest among network operators in the telecommunications sector. We are encouraged by both the ongoing consolidation process in the sector (Telefonica and E-Plus as well as Vodafone and Kabel Deutschland), and the announcement by Deutsche Telekom of their increased investments in broadband expansion in Germany with fibre-optic cables (FTTC) and vectoring. The euromicron group should profit from these.

The already-implemented structure and integration measures are creating the preconditions for the implementation of Agenda 500 and are important steps in preparing the company for the next phase of growth. Substantial building blocks in this process include the purchase of new sites, the revision of management structures in individual subsidiary companies, the increased expansion of Competence Centres and Shared Service Units as well as investments in the IT landscape.

In the framework of Agenda 500, annual turnover up to the year 2015 should be increased to €500 million. This medium-term turnover goal comprises for us both inorganic growth as well as a rate of organic growth of 5% to 10% per year. For the current business year 2013 we anticipate smaller, subdued acquisitions ar best. We expect larger acquisitions, on the other hand, to come in 2014 or 2015 at the earliest.

We expect amortisation volumes for the year 2013 of €-8.00 million, remaining almost constant compared to the previous year. Also financial earnings should come roughly to the previous year's level at €-4.80 million. Assuming a company tax ratio of 30.00%, we forecast a net annual profit of €11.82 million, which represents a profit per share of €1.77.

On the basis of the current share price we calculate a 2013 price to earnings ratio of under 10, which we regard as attractive on the basis of market positioning, good track record in acquisitions as well as profitability achieved in the past. Also an EV/EBITDA for 2013 of 6.3 indicates, in our view, an undervaluation of shares. Taking a look at our assessments for the coming business year 2014, the currently low valuation of euromicron shares becomes plainer to see. The price to earnings ratio or the EV/EBITDA then come to 6.7 and 5.7 respectively.

Valuation

DCF valuation

Model assumptions

We valued euromicron AG using a three-phase DCF model. Starting from the real-life estimates for the years 2013 to 2014 in phase 1, the second phase from 2014 to 2018 forecasts the effect of value drivers. For this we are using a conservative approach, assuming average annual increases in sales of 2.5%. We took as our target an EBITDA margin of 10.5%. The tax ratio applied was 30.0%. For the third phase beyond the forecast horizon, a residual value was calculated using a perpetual annuity formula. For the final value we assume a growth rate of 2.0%.

Calculating the cost of capital

The weighted average cost of capital (WACC) for euromicron AG is calculated on the basis of internal capital costs and external capital costs. In order to determine the internal cost of capital, the fair market premium, the company beta and the risk-free interest rate need to be established.

The interest rate for 10-year German federal bonds is taken as the risk-free interest rate. This is currently 2.00%.

We used the historic market premium of 5.50 % as being a suitable expectation of market premium. This is supported by historical analyses of stock market yields. The market premium reflects the percentage of the expected excess return of the stock market over the low-risk government bonds.

Using the GBC estimation method there is currently a beta of 1.58. Applying these assumptions we can calculate an internal cost of capital of 10.7% (beta multiplied by the risk premium, plus 10-year interest rate). As we assume a long-term weighting of internal capital costs of 80%, the weighted average cost of capital (WACC) is 9.6%.

Valuation result

Discounting future cash flows was done using the entity approach. We calculated the relevant capital cost (WACC) at 9.6%. The resulting fair value per share at the end of financial year 2014 corresponds to a target price of €26,50.

Thus we have adjusted our share price goal of €25.50 for 2014 slightly upward due to rollover from the new basis.

euromicron AG - Discounted Cashflow (DCF) view

Value driver of the DCF model after the estimate phase:

consistency - Phase	
Sales growth	2,5%
EBITDA-Margin	9,6%
Depreciation to fixed assets	21,3%
Working Capital to sales	19,1%

final - Phase	
Eternal growth rate	2,0%
Eternal EBITA - Margin	7,7%
Effective tax rate in final phase	30,0%

three phases DCF - Modell:

Phase	estimate		consistency						final
in Mio. EUR	FY 2013e	FY 2014e	FY 2015e	FY 2016e	FY 2017e	FY 2018e	FY 2019e	FY 2020e	Terminal Value
Sales	357,00	370,00	379,25	388,73	398,45	408,41	418,62	429,09	
Sales change	8,2%	3,6%	2,5%	2,5%	2,5%	2,5%	2,5%	2,5%	2,0%
Sales to fixed assets	9,65	9,87	9,98	10,23	10,49	10,75	11,02	11,28	
EBITDA	30,41	33,56	36,41	37,32	38,25	39,21	40,19	41,19	
EBITDA-Margin	8,5%	9,1%	9,6%	9,6%	9,6%	9,6%	9,6%	9,6%	
EBITA	22,41	25,56	28,42	29,22	30,16	31,11	32,09	33,10	
EBITA-Margin	6,3%	6,9%	7,5%	7,5%	7,6%	7,6%	7,7%	7,7%	7,7%
Taxes on EBITA	-6,72	-7,67	-8,53	-8,77	-9,05	-9,33	-9,63	-9,93	
Taxes to EBITA	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%
EBI (NOPLAT)	15,68	17,89	19,89	20,46	21,11	21,78	22,47	23,17	
Return on capital	15,6%	17,5%	18,5%	18,5%	18,8%	19,1%	19,4%	19,6%	19,7%
Working Capital (WC)	65,00	70,00	72,44	74,25	76,10	78,01	79,96	81,96	
WC to sales	18,2%	18,9%	19,1%	19,1%	19,1%	19,1%	19,1%	19,1%	
Investment in WC	-1,88	-5,00	-2,44	-1,81	-1,86	-1,90	-1,95	-2,00	
Operating fixed assets (OAV)	37,00	37,50	38,00	38,00	38,00	38,00	38,00	38,03	
Depreciation on OAV	-8,00	-8,00	-7,99	-8,09	-8,09	-8,09	-8,09	-8,09	
Depreciation to OAV	21,6%	21,3%	21,3%	21,3%	21,3%	21,3%	21,3%	21,3%	
Investment in OAV	-7,71	-8,50	-8,49	-8,09	-8,09	-8,09	-8,09	-8,12	
Capital employed	102,00	107,50	110,44	112,25	114,10	116,01	117,96	119,99	
EBITDA	30,41	33,56	36,41	37,32	38,25	39,21	40,19	41,19	
Taxes on EBITA	-6,72	-7,67	-8,53	-8,77	-9,05	-9,33	-9,63	-9,93	
Total invesment	-9,60	-13,50	-10,92	-9,90	-9,95	-10,00	-10,04	-10,12	
Invesmtent in OAV	-7,71	-8,50	-8,49	-8,09	-8,09	-8,09	-8,09	-8,12	
Investment in WC	-1,88	-5,00	-2,44	-1,81	-1,86	-1,90	-1,95	-2,00	
Investment in Goodwill	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
Free Cashflows	14,09	12,39	16,96	18,65	19,25	19,88	20,52	21,14	278,97

Value operating business (due date)	235,37	245,56
Net present value explicit free Cashflows	88,48	84,57
Net present value of terminal value	146,89	160,99
Net debt	72,70	68,31
Net present value of options	0,00	0,00
Value of equity	162,67	177,25
Minority interests	-0,58	-0,63
Value of share capital	162,09	176,62
Outstanding shares in m	6,664	6,664
Fair value per share in €	24,32	26,50

Cost of capital calculation:

Risk free rate	2,0%
Market risk premium	5,5%
Beta	1,58
Cost of equity	10,7%
Target weight	80,0%
Cost of debt	7,0%
Target weight	20,0%
Taxshield	25,0%
WACC	**9,6%**

Sensitivity analysis - fair value per share in EUR

	WACC				
Return on capital	8,6%	9,1%	9,6%	10,1%	10,6%
19,3%	25,08	22,91	21,03	19,41	17,98
21,3%	28,41	25,92	23,77	21,90	20,27
23,3%	31,74	28,93	26,50	24,40	22,56
25,3%	35,07	31,94	29,24	26,90	24,85
27,3%	38,40	34,95	31,98	29,40	27,14

Conclusion

Following a weaker first quarter in 2013 it was possible for euromicron AG to grow considerably in the second quarter, and in particular to make significant progress regarding the margins situation. It was possible to significantly improve the EBITDA margins in the second quarter of 2013 in relation to both the previous quarter (Q1 2013: 8.0%) and the corresponding quarter of the previous year (Q2 2012: 8.6%) to 9.6%. These figures reflect the first results of the integration measures which were carried out as well as the savings programme which was initiated. Their full effects will not, however, be seen until 2014 and thereafter.

At the same time, the structure and integration measures laid the groundwork for a successful implementation of Agenda 500. They have thus created the necessary conditions for the next phase of growth. Up to 2015, turnover should develop in the direction of the €500 million threshold, with the help of acquisitions. That would involve an EBITDA margin at 8% to 11% of the target range.

The half-year figures for 2013 fall within the parameters of our expectations thanks to a good second quarter. On this basis we will state our assessments for both business years 2013 and 2014. We forecast a turnover for 2013 of €357.00 million and an EBITDA of €30.41 million .

On the basis of the current share price our evaluation figures indicate an undervaluation of euromicron shares. The price-earning ratio and the EV/EBITDA for the coming business year 2014 come to just 6.7% and 5.7% respectively. This is, according to our assessments, not appropriate given our present market positioning, our good track record in acquisitions, and our high yields in the past.

We have slightly raised our share price target for 2014 on the strength of rollover from the new basis to €26.50 (previously: €25.50). We are therefore reiterating our recommendation to buy euromicron AG shares. Given the current share price a significant price potential of over 50% can be discerned.

Annex

Section 1 Disclaimer and exclusion of liability

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever, or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:
This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

http://www.gbc-ag.de/de/Offenlegung.htm

Legal information and disclosures as required by section 34b para. 1 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)
This information can also be found on the internet at the following address:

http://www.gbc-research.de/index.php/publisher/articleview/frmCatId/17/frmArticleID/98/

Section 2 (I) Updates:
A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

Section 2 (II) Recommendation/ Classifications/ Rating:
Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

The recommendations/ classifications/ ratings are linked to the following expectations:

Buy	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is >= + 10 %.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is > - 10 % and < + 10 %.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the relevant time horizon, is <= - 10 %.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

Section 2 (III) Past recommendations:
Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

http://www.gbc-ag.de/de/Offenlegung.htm

Section 2 (IV) Information basis:
For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

Section 2 (V) 1. Conflicts of interest as defined in section 34b para. 1 of the Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV):
GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described, at the time of this publication, and in so doing meet the requirements of section 34b of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5)

section 2 (V) 2. Catalogue of potential conflicts of interest:
(1) GBC AG or a legal person connected to them holds shares or other financial instruments of this company at the time of publication.

(2) This company holds over 3 % of the shares in GBC AG or a legal person connected to them.

(3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.

(4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.

(5) GBC AG or a legal person connected to them has over the last 12 months agreed to create research reports for this company in return for payment. As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.

(6) GBC AG or a legal person connected to them has over the last 12 months agreed with a third party to create research reports about this company in return for payment. As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.

(7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.

(8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.

(9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.

Section 2 (V) 3. Compliance:
GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current **Compliance Officer, Markus Lindermayr**, **email:** lindermayr@gbc-ag.de.

Section 2 (VI) Responsibility for report:
The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin, Lurgiallee 12, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman), Jörg Grunwald and Christoph Schnabel.

The analysts responsible for this analysis are:

Philipp Leipold, Graduate Economist, Financial Analyst

Cosmin Filker, Graduate Economist, Financial Analyst

Section 3 Copyright

GBC AG
Halderstraße 27
D 86150 Augsburg

Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30

Internet: http://www.gbc-ag.de

E-Mail: compliance@gbc-ag.de

GBC AG®

- R E S E A R C H & I N V E S T M E N T A N A L Y S E N -

GBC AG
Halderstraße 27
86150 Augsburg
Internet: http://www.gbc-ag.de
Fax: ++49 (0)821/241133-30
Tel.: ++49 (0)821/241133-0
Email: office@gbc-ag.de