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Equity Research

ADD

BASLER VISION TECHNOLOGIES AG

GERMANY /
MACHINE VISION TECHNOLOGY

COMPREHENSIVE UPDATE

PRICE TARGET: **€7.60**
PREVIOUS CLOSE: **€6.20**
RETURN POTENTIAL: **22.6%**

09 NOVEMBER 2009

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BASLER VISION TECHNOLOGIES AG

GERMANY / MACHINE VISION TECHNOLOGY

Primary exchange: Frankfurt
Bloomberg symbol: BSL GR
ISIN: DE0005102008

RATING:	**Add**
PRICE TARGET:	**€7.60**
RETURN POTENTIAL:	**22.6%**
RISK RATING:	**High**

WELL PLACED FOR RESUMPTION OF GROWTH

Following a difficult start to the year, we feel that Basler is well positioned for renewed profitable growth in the near future. We reiterate our Add recommendation and €7.60 price target.

Restructuring to positively impact profitability and cash flow The discontinuation of certain product lines will have numerous positive impacts, namely a reduction in gross margin volatility, improved working capital dynamics, reduced overheads and a greater sales contribution from higher margin product lines.

Positive news flow Large-area TFT LCD panel shipments reached 52 million units in September, up 25% y-o-y. Sharp Co. and LG Display Co. have already expanded manufacturing capacity into China and Corning has been reported to be thinking about following suit. Further economic stimulus in Asia will be a positive catalyst for Basler.

Strong Q3 results Basler surpassed our Q3/09 expectations for revenues, profit and cash flow. This sets the company well on track to meet our FY/09 sales and EBIT forecasts. The better-than-expected working capital position helped the company generate free cash flow of €1.7m in Q3.

Components division continues to impress Basler Components continues to be the main value driver for the company. It posted a book to bill ratio of 1.1x in Q3. Cost restructuring also helped the EBIT margin jump to 15.7% compared to 9.8% for FY/08 and 7.7% in Q2/09.

Valuation implies upside On Oct. 29, we increased our DCF-based price target to €7.60 from €6.00. Our current valuation is 22.6% above Friday's closing price of €6.20 and corresponds to an Add recommendation.

FINANCIAL HISTORY & PROJECTIONS

	2006	2007	2008	2009E	2010E	2011E
Revenue (€m)	52.12	51.55	56.51	31.73	35.51	41.91
Y-o-y growth	15.9%	-1.1%	9.6%	-43.8%	11.9%	18.0%
EBITDA (€m)	11.75	9.57	11.03	0.33	6.17	8.27
EBITDA margin	22.5%	18.6%	19.5%	1.0%	17.4%	19.7%
EBIT (€m)	5.51	2.44	3.43	-7.60	1.15	3.03
EBIT margin	10.6%	4.7%	6.1%	-23.9%	3.3%	7.2%
Net income (€m)	2.96	1.08	2.06	-5.88	0.53	2.03
EPS (diluted) (€)	0.80	0.29	0.56	-1.68	0.15	0.58
P/E (x)	7.8	21.3	11.2	na	40.6	10.7
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF (€m)	0.54	-1.63	4.68	1.06	0.24	1.25
Net gearing	20.0%	27.7%	11.5%	21.5%	21.6%	15.2%
Liquid assets (€m)	3.27	3.95	7.74	3.37	1.90	0.12

RISKS

Risks to our share price include the current macroeconomic climate, business cyclicality in the core Display Inspection segment, exchange-rate fluctuations, intangible asset impairment, increasing price erosion in the Components business

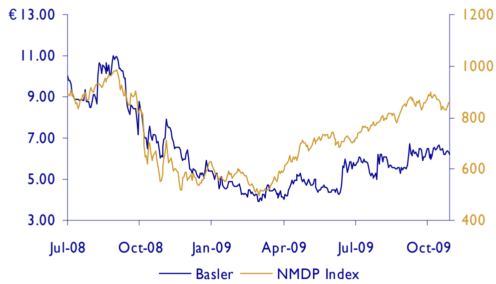
COMPANY PROFILE

Basler Vision Technologies, based in Ahrensburg, Germany, is a developer and supplier of machine vision technology with two core segments: Basler Solutions and Basler Components. The company has subsidiaries in Singapore, Taiwan and the US, and offices in China, South Korea and Japan. As of 30 September 2009, the company had 257 employees.

TRADING DATA

Closing price (06.11.09)	€6.20
Shares outstanding	3.50m
Market capitalisation	€21.70m
52-week range	€3.89 / 7.54
Average volume (12 months)	2,374

STOCK OVERVIEW



COMPANY DATA (as of 30 September 2009)

Liquid assets	€5.51m
Current assets	€17.54m
Intangible assets	€12.88m
Total assets	€40.31m
Current liabilities	€5.12m
Shareholders' equity	€21.95m

SHAREHOLDERS

Norbert Basler	51.4%
Dietmar Ley	3.8%
Abrias Sicav	3.3%
Andreas Müller-Hermann	3.0%
Free float	38.5%

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INVESTMENT CASE

POSITIVE IMPACT PROFITABILITY AND CASH FLOW EXPECTED

We feel that product portfolio rationalisation will help reduce volatility in the gross margin around its average level of around 50%. We also expect a rise in the operating cash flow yield to an average of ~18% in the near-term. Similarly, we are forecasting company ROCE will rebound to roughly 11.5% in 2011, after averaging 9% in 2007 and 2008.

The phasing out of less profitable products, particularly in the company's Solutions business will allow Basler's higher margin Components business to grab an increasing share of total revenues. In 2008, Components generated an EBIT margin of almost 10%, compared to Solutions' 2.2% and accounted for almost 55% of sales. We expect Components to account for roughly 66% of revenue in 2009 (61.4% in H1/09) and exceed 70% by 2011.

The increasing share of Components in the revenue mix and new product offerings for the IP security and solar markets should also help stabilise the company's earnings and sales volatility, which stemmed from the cyclicality of the Solutions business, particularly the flat panel TFT industry.

POSITIVE NEWS FLOW AND TRENDS

Price erosion for flat screen panels appears to be slowing down. The equipment segment saw revenues drop 50% y-o-y in 2009, the worst crystal cycle in the history of LCDs. However, our checks with the industry show promising signals. Average industry utilisation rose to 88% during Q3/09 and most TFT LCD makers were profitable. Current forecasts are for strong growth of roughly 50% in 2010 in equipment sales for the industry.

The biggest driver in capacity expansion is China, which is expected to increase its share of total TFT LCD capacity to 7.4% by 2012 from its current 3.7%. Asian stimulus packages, which tend to be geared towards the manufacturing/export sector, particularly in China, will continue to be a positive catalyst for companies like Basler, which generates roughly 50% of its turnover from the region.

Products for the TFT LCD market accounted for ~28% of total turnover in 2008 and represent the largest and most important sub-division of the company's Solutions business. Basler's display inspection unit, which markets inspection solutions and services for display glass, is a leader in its field with a market share of 50% for bare display glass inspection.

A TECHNOLOGY LEADER WITH SOLID GROWTH PROSPECTS

Basler could benefit from current market dynamics as smaller, poorly financed competitors fall by the wayside. The machine vision industry is highly fragmented. More than half of the industry's European companies are considered small, with ten or fewer employees. 85% of the companies employ fewer than 50 people, and only 6% of the companies have staffs which exceed 100 employees.

Basler is a global leader in its field. It is the world's second largest industrial camera manufacturer with a market share of 10%. Recent product developments like the Basler ACE, the smallest Gigabit Ethernet camera on the market, are a testament to its strong R+D platform. Basler's ability to bring R+D developments to market is underlined by the fact that it amortises capitalised R+D expenses over a three to four year period, which is below many of its competitors. We consider this a key USP for machine vision companies.

SWOT ANALYSIS

Strengths

- **Industry leader** Basler is the world's second largest industrial camera manufacturer and has a market share of 50% in its core-LCD business. Basler is a pioneer in setting technological standards and has a cutting edge product portfolio.
- **Working capital management** We continue to stress the importance of working capital management for machine vision companies. This will be particularly important as a means of financing growth when the macroeconomic situation improves.
- **Productive research and development** Basler has a long track record of bringing new products to market. This is particularly important for companies that capitalise R+D expenses. Basler is currently amortising its capitalised R+D over three to four years, a relatively short period when compared to other machine vision companies reporting on IFRS.

Weaknesses

- **Exposure to cyclicality** Basler's Display inspection unit is highly susceptible to industry cycles "the crystal cycle", which affects investments in the flat screen industry.
- **Low stock liquidity** Basler's market cap and free float, currently some €21.7m and 38.5%, respectively, are low, which explains the stock's poor liquidity in the market.
- **Over reliance of profits on Components business** Basler Components accounted for 85% of last year's total EBIT. Any downturn in the Components business will lead to a sharp earnings decline.

Opportunities

- **New product development** The company has recently entered the IP security and solar market, which we feel hold great promise.
- **Industry shakeout?** We expect to see poorly financed competitors exit the market under the very difficult current conditions. Their departure would provide Basler with an opportunity to capture market share.
- **New market expansion** The so-called BRIC-nations Brazil, Russia, India, and China provide a number of opportunities for well-established European machine-vision enterprises.

Threats

- **Fragile macroeconomic state** We continue to be cautious regarding a global economic recovery. Globalisation forces us to take a closer look at macroeconomic factors, which are highly dependent on consumption patterns in the US. We do not expect the necessary structural shift to happen in the short-term.
- **Slow uptake of solar products** With module prices expected to decrease again in 2010, it is unclear what impact shrinking margins will have on module makers' desire to invest in new productive technology.

FINANCIALS

STRONG Q3 RESULTS

Q3 results were highlighted by €1.7m in free cash flow. This stemmed from a heavy reduction in working capital, which came in at €9.7, down c.40% over last year (driven mostly by a reduction in accounts receivables). At the same time, the company managed to increase turnover for the second consecutive quarter. We consider this a significant achievement. After Perceptron, this is the best working capital development in our peer group.

Cost restructuring has also had a significant impact on the company's Components division, which is Basler's key value driver. The Q3 EBIT margin of 15.7% was 8 percentage points higher q-o-q and up 2.8 percentage points y-o-y. As mentioned earlier, we expect Components to continue increasing its share of turnover up past 70% by 2011. A third quarter book-to-bill ratio of almost 1.1x also gives us confidence that this trend can be sustained over the short-term.

The company looks to be well on track to achieve its restructuring targets and reduce its revenue breakeven point to €35m. We think the company will surpass the €35m revenue mark next year given the recent positive news flow in the flat screen industry.

Q3/09 Actual vs Estimates

All figures in €m	Q3 2009E	Q3 2009A	% difference
Revenue	8.15	8.36	2.6%
Solutions	2.00	2.17	8.5%
Components	6.15	6.19	0.7%
Gross Profit	4.08	4.28	5.0%
Margin (%)	*50.0%*	*51.2%*	-
EBIT	-0.60	-0.47	na
Margin (%)	*-7.4%*	*-5.6%*	-
Net income	-0.51	-0.44	na
Margin (%)	*-6.2%*	*-5.3%*	-
Diluted EPS (€)	-0.14	-0.13	na

Table 1 Source: Basler, First Berlin

EARNINGS FORECAST

Earnings visibility is improving following Q3 results. Cost restructuring has had a substantial impact in reducing breakeven levels and book-to-bill ratios are a relatively good metric in forecasting q-o-q growth for machine vision companies.

Management has provided guidance for turnover of €31m-33m for this year and anticipates earnings before taxes between -€8.0m and -€8.5m. After the 9M/09 results, we feel the company should easily be able to fall within this range. Management has yet to publish any forecasts beyond the current fiscal year. Our sales and EBT forecasts are shown below.

SEGMENT SALES FORECAST

in €m	2006	2007	2008	2009E	2010E	2011E
Solutions	28.8	24.0	26.8	10.7	10.5	10.7
Components	23.3	27.5	29.7	21.0	25.0	31.3
Total	52.1	51.5	56.5	31.7	35.5	41.9
y-o-y growth	*15.9%*	*-1.1%*	*9.7%*	*-43.8%*	*11.9%*	*18.0%*

Table 2 Source: Basler, First Berlin

EBT DEVELOPMENT TABLE

in €m	2006	2007	2008	2009E	2010E	2011E
EBT	4.88	1.81	2.86	-8.16	0.74	2.82
EBT margin	*9.4%*	*3.5%*	*5.1%*	*-25.7%*	*2.1%*	*6.7%*

Table 3 Source: Basler, First Berlin

SALES FORECAST

Basler Solutions

Sales will be both positively and negatively impacted by several factors, most notably product rationalisation, new product development and cyclical trends. Product streamlining will have its largest impact on the Solutions division, as inspection products for the optical media and sealing markets are phased out. The short-term effect will be to reduce sales for the division until inspection systems for the solar industry increase turnover to equivalent levels.

Sales visibility for solar solution products is currently low. The solar industry is set to suffer further in 2010, particularly in the module production phase, where module prices are expected to continue falling. We are taking a wait and see approach and do not expect any significant revenue growth until 2011. For 2009 and 2010, we are forecasting sales of roughly €3.3m.

At least over the near term, the most important market for Solutions will be products for the TFT-LCD industry, which is highly cyclical. 2010 is expected to be a strong year, with equipment sales to the sector projected to rise some 50% over 2009.

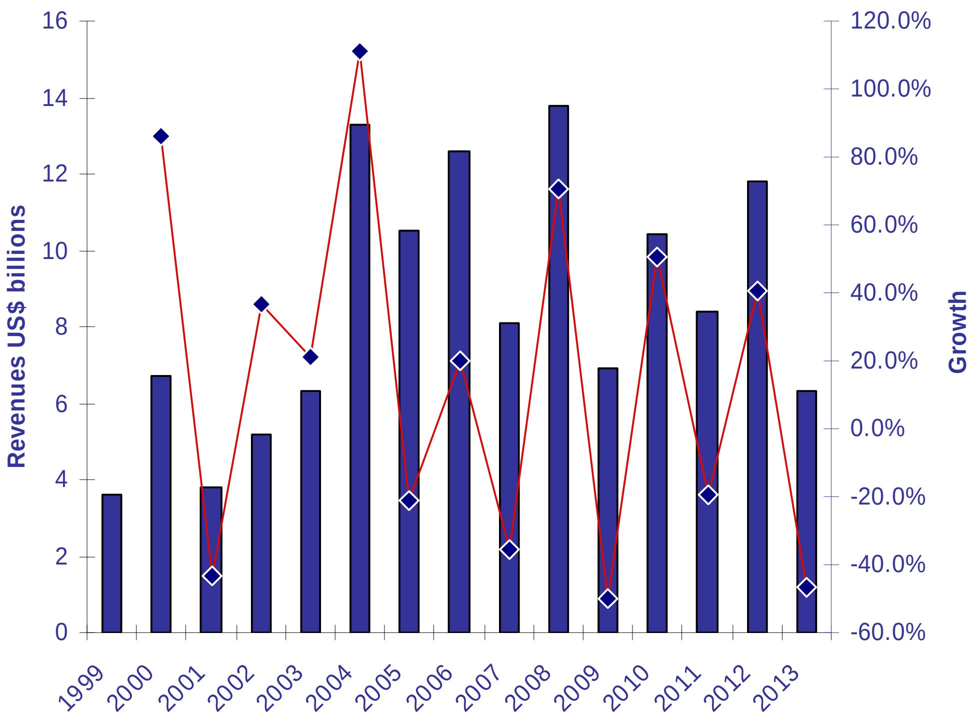

Chart 1 Source: DisplaySearch

The following table breaks down our sales assumptions for the different product lines at Basler Solutions. The "others" segment represents projects that are developed for customers outside of traditional business lines.

in €m	2009E	2010E	2011E
Optical media inspection	0.7	0.0	0.0
Sealing inspection	0.6	0.0	0.0
Display inspection	6.1	7.2	5.6
Solar inspection	3.3	3.3	3.9
Other	0.0	0.0	1.1
Total	10.7	10.5	10.7
y-o-y growth	*-60.0%*	*-2.1%*	*1.4%*

Table 4 Source: Company, First Berlin

Basler Components

Basler is the world's second largest industrial camera manufacturer and a technological leader in its field. Basler's Components business designs and manufactures digital cameras for industrial users. These cameras are sold to a myriad of industries such as semiconductors, electronics, print and paper, food and beverage, postal sorting, intelligent traffic systems, medical and life sciences. This diversity makes Basler's Components division less prone to cyclicality.

Basler Components has a long track record of success, having grown sales at a 5yr (2003-08) CAGR of 18.4% and is now the largest contributor to company revenues. A combination of technological leadership (Basler is a pioneer in Gigabyte Ethernet interface), strong service and the ongoing trend to replace analogue technology with digital solutions remain positive catalysts for the division. Accordingly we are forecasting revenues for the division to grow at a 3yr CAGR (2009-12) of 17.9%.

EARNINGS FORECAST

Earnings will be positively influenced by cost restructuring and product mix. Profitability at Basler is highly dependent on its Components division, which generates higher EBIT margins than Solutions. In 2008, Basler Components accounted for 85% of group EBIT. The higher proportion of sales arising from Components following product rationalisation will positively impact EBIT margins.

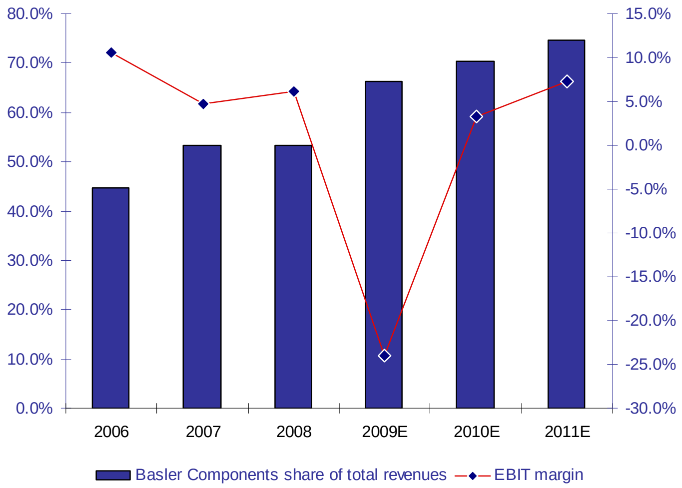

Chart 2 Source: Basler, First Berlin

Q3/09 results showed that Basler managed to reduce fixed overheads (S,G+A) by roughly 22% y-o-y. Management feels that it has enough excess capacity to keep these levels moving forward into 2010. We are forecasting S,G+A expenses of roughly €13.7m in 2010.

BALANCE SHEET AND CASH FLOW

The company's balance sheet is strong. After generating €1.2m in free cash flows during the first nine months of 2009, Basler has managed to reduce net debt to €2.6m. This translates to a current net gearing ratio of just 0.12x.

Just as impressive has been Basler's ability to keep working capital under control. We estimate that working capital rose by just half a percentage point on an annualised sales basis. Compared to our machine vision peer group, we consider this an impressive result.

	WC/sales						
	2004	2005	2006	2007	2008	2009E	4-year (2004-08) avg.
AVT	11.1%	9.5%	8.9%	7.3%	7.8%	18.4%	9.2%
Cognex	3.9%	12.3%	17.9%	20.6%	13.9%	21.6%	13.6%
Basler	**17.7%**	**21.7%**	**24.3%**	**30.1%**	**25.0%**	**25.5%**	**23.5%**
Perceptron	32.0%	37.8%	30.2%	40.5%	31.8%	25.9%	35.1%
Viscom	30.9%	21.7%	40.2%	60.2%	54.3%	89.4%	38.2%
Orbotech	35.7%	32.1%	34.3%	46.9%	51.2%	58.4%	37.2%
ISRA	30.1%	40.3%	51.5%	57.0%	57.0%	75.0%	44.7%
Augusta	n.a.	n.a.	n.a.	15.3%	13.4%	18.1%	15.3%
Mean	**21.9%**	**22.5%**	**26.0%**	**34.2%**	**30.7%**	**39.9%**	**26.1%**
Median	**24.3%**	**21.7%**	**27.2%**	**35.3%**	**28.4%**	**25.7%**	**27.1%**

Table 5 Source: Companies Financial Statements, First Berlin

In the medium-term, we expect working capital intensity to be reduced via improved receivable turnover and greater propensity for customers to place deposits once liquidity improves. However, we are not expecting any progress to be made until 2011.

in €m	2006	2007	2008	2009E	2010E	2011E
Working Capital Ratio	24.0%	30.1%	25.0%	26.7%	25.3%	22.4%
ROCE	19.1%	7.4%	10.9%	-31.1%	4.6%	11.5%

Table 6 Source: Company, First Berlin

VALUATION

To value Basler we have used our two-stage discounted cash flow model (the explicit period runs to 2025). Taking into account company-specific risk factors we have derived a cost of equity of 15.2% for the company. This corresponds to a High risk rating, which we regard as fair given the current macroeconomic climate, low stock liquidity and high exposure to investment cycles. For our DCF, we have taken the 9M/09 net debt figure of €2.6m in our calculations and assumed a capital structure of 27% debt to 73% equity.

Using this method, we generate a fair value of €7.60, currently some 22.6% above Friday's closing price. We are hesitant to use multiples in valuing machine vision companies due to negative earnings and differences in accounting methods. Cash flow multiples have also been distorted by negative sales growth and extraordinary investments/divestments.

DCF VALUATION

All figures in €'000	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E
Net sales	31,734	35,513	41,910	47,536	50,505	56,076	60,063	64,147
Operating profit	-7,599	1,155	3,032	4,957	5,230	6,187	6,668	7,301
NOPLAT	-5,471	831	2,183	3,569	3,766	4,455	4,801	5,257
+ depreciation & amortis. (excl. GW)	7,928	5,011	5,233	5,014	5,458	5,950	6,329	6,725
= net operating cash flow	2,456	5,842	7,416	8,583	9,224	10,405	11,130	11,982
- total investments (capex and WC)	-991	-5,307	-6,012	-7,759	-7,660	-9,426	-8,290	-7,703
Capital expenditure	-6,354	-5,147	-6,028	-6,808	-7,259	-7,896	-7,849	-8,238
working capital	5,614	-493	-415	-1,238	-436	-1,349	-385	-678
+/- others (incl. adj. on net interest, provisions, other non cash ite	-250	333	430	286	36	-181	-56	1,213
= Free cash flow (FCF)	1,466	535	1,404	824	1,564	978	2,841	4,279
Present value of FCFs	1,416	461	1,076	563	951	530	1,371	1,840

Residual free cashflow	3,678
FV Residual period CFs in last year explicit period	35,864
PV of FCFs in terminal period	8,956
Terminal sales growth	2.0%
Terminal EBIT margin	7.0%
Terminal ROCE	12.6%
Terminal tax rate	28.0%
Terminal incremental investment rate	40.0%

All figures in €'000	
PV of FCFs in phase I (to 2025)	20,078
PV of FCFs in phase II (terminal value)	8,956
Enterprise value (EV)	29,034
+ Net cash / - net debt (Q3 2009)	-2,600
Shareholder value	26,434
Fair value per share in €	**7.6**
WACC	**12.3%**

INCOME STATEMENT ANALYSIS

All figures in €'000	2006	2007	2008	2009E	2010E	2011E	2012E
Revenues	**52,122**	**51,547**	**56,507**	**31,734**	**35,513**	**41,910**	**47,536**
Cost of sales	-24,864	-26,253	-28,597	-15,867	-17,401	-20,955	-23,768
Gross profit	**27,258**	**25,294**	**27,910**	**15,867**	**18,112**	**20,955**	**23,768**
Administrative expenses	-8,293	-7,686	-8,066	-9,044	-6,037	-6,286	-6,893
Selling and marketing	-9,429	-9,755	-10,484	-8,251	-7,635	-7,963	-8,319
Research and development	-5,680	-6,689	-8,050	-7,838	-4,951	-5,341	-5,267
Other operating income / expenses	1,651	1,280	2,123	1,667	1,667	1,667	1,667
Operating income	**5,507**	**2,444**	**3,433**	**-7,599**	**1,155**	**3,032**	**4,957**
Interest results	-626	-630	-575	-561	-413	-211	-46
Income before income taxes	**4,881**	**1,814**	**2,858**	**-8,160**	**742**	**2,820**	**4,911**
Income taxes	-1,921	-733	-795	2,285	-208	-790	-1,375
Net income / loss	**2,960**	**1,081**	**2,063**	**-5,875**	**534**	**2,031**	**3,536**
EPS (€)	**0.85**	**0.31**	**0.59**	**-1.68**	**0.15**	**0.58**	**1.01**
Diluted EPS (€)	**0.80**	**0.29**	**0.56**	**-1.68**	**0.15**	**0.58**	**1.01**
EBITDA	**11,752**	**9,569**	**11,025**	**328**	**6,165**	**8,265**	**9,971**
Ratios							
Gross margin	52.3%	49.1%	49.4%	50.0%	51.0%	50.0%	50.0%
EBIT margin	10.6%	4.7%	6.1%	-23.9%	3.3%	7.2%	10.4%
EBITDA margin	22.5%	18.6%	19.5%	1.0%	17.4%	19.7%	21.0%
Net income margin	5.7%	2.1%	3.7%	-18.5%	1.5%	4.8%	7.4%
Expenses as % of revenues							
Administrative expenses	15.9%	14.9%	14.3%	28.5%	17.0%	15.0%	14.5%
Selling and marketing	18.1%	18.9%	18.6%	26.0%	21.5%	19.0%	17.5%
Research and development	10.9%	13.0%	14.2%	24.7%	13.9%	12.7%	11.1%
Y-o-y growth							
Total revenues	15.9%	-1.1%	9.6%	-43.8%	11.9%	18.0%	13.4%

BALANCE SHEET ANALYSIS

All figures in €'000	2006	2007	2008	2009E	2010E	2011E	2012E
Current assets, total	**20,342**	**23,392**	**26,303**	**15,620**	**15,127**	**15,512**	**17,206**
Cash and cash equivalents	3,268	3,945	7,735	3,372	1,898	1,420	1,445
Trade accounts and notes receivables	5,326	5,001	4,572	3,808	4,262	4,191	4,754
Accounts out of percentage of completion	4,155	5,850	5,719	1,677	1,627	1,512	1,898
Inventories	6,763	7,005	7,169	5,877	6,445	7,484	8,196
Other assets	830	1,591	1,108	886	895	904	913
Non-current assets, total	**25,093**	**23,914**	**23,868**	**23,038**	**23,185**	**23,718**	**25,174**
Intangible assets	1,318	1,803	2,111	2,104	2,096	2,088	2,080
Property, plant and equipment	2,585	3,076	2,732	2,657	2,781	3,057	3,470
Capitalisation of development	12,487	12,710	12,663	11,172	11,192	11,719	13,107
Deferred taxes	8,703	6,325	6,362	7,105	7,116	6,855	6,518
Total assets	**45,435**	**47,306**	**50,171**	**38,658**	**38,312**	**39,230**	**42,380**
Current liabilities, total	**11,298**	**4,242**	**7,295**	**5,110**	**7,372**	**7,663**	**7,353**
Trade payables	1,928	1,614	934	1,111	1,421	1,676	1,901
Short-term debt	6,727	300	2,828	1,350	3,123	2,966	2,225
Accrued expenses	1,931	1,514	2,398	1,799	1,892	1,990	2,094
Advanced payments received	0	129	0	0	0	0	0
Other current liabilities	712	685	1,135	851	936	1,030	1,133
Long-term liabilities, total	**9,189**	**16,990**	**14,880**	**11,427**	**8,286**	**6,881**	**6,806**
Long-term debt incl. silent partnership	1,534	8,734	8,134	6,784	3,661	2,197	1,505
Long-term tax liabilities	7,655	6,117	6,746	4,643	4,624	4,684	5,301
Convertible bond	0	2,139	0	0	0	0	0
Silent partnership	0	0	0	0	0	0	0
Shareholders' equity, total	**24,948**	**26,074**	**27,996**	**22,121**	**22,655**	**24,685**	**28,221**
Share capital	3,500	3,500	3,500	3,500	3,500	3,500	3,500
Capital reserve	1,268	1,220	1,131	1,131	1,131	1,131	1,131
Others	114	207	155	155	155	155	155
Retained earnings	20,066	21,147	23,210	17,335	17,869	19,899	23,435
Total shareholders' equity & debt	**45,435**	**47,306**	**50,171**	**38,658**	**38,312**	**39,230**	**42,380**

Ratios							
Current ratio	1.80	5.51	3.61	3.06	2.05	2.02	2.34
Quick ratio	76.1%	210.9%	168.7%	140.5%	83.6%	73.2%	84.3%
Equity ratio	54.9%	55.1%	55.8%	57.2%	59.1%	62.9%	66.6%
Debt to equity ratio	0.20	0.28	0.12	0.22	0.22	0.15	0.08
Equity per share (€)	7.13	7.45	8.00	6.32	6.47	7.05	8.06
Net debt	4,993	7,228	3,227	4,762	4,885	3,743	2,284
Interest coverage ratio	8.80	3.88	5.97	-13.54	2.80	14.34	107.58
Capital employed (CE)	28,893	33,094	31,607	24,420	25,049	26,258	29,289
Return on equity (ROE)	11.9%	4.1%	7.4%	-26.6%	2.4%	8.2%	12.5%
Return on capital employed (ROCE)	19.1%	7.4%	10.9%	-31.1%	4.6%	11.5%	16.9%

CASH FLOW ANALYSIS

All figures in €'000	2006	2007	2008	2009E	2010E	2011E	2012E
Net income	**2,960**	**1,081**	**2,063**	**-5,875**	**534**	**2,031**	**3,536**
Depreciation and amortisation	6,245	7,125	7,592	7,928	5,011	5,233	5,014
Investment in working capital	-2,859	-3,002	1,404	5,614	-493	-415	-1,238
Adjustments/disposals/currency/deferred taxes	1,873	1,510	1,247	-250	333	430	286
Operating cash flow	**8,647**	**6,709**	**12,306**	**7,416**	**5,385**	**7,279**	**7,599**
Capital expenditure	**-8,111**	**-8,338**	**-7,625**	**-6,354**	**-5,147**	**-6,028**	**-6,808**
Free cash flow	536	-1,629	4,681	1,062	238	1,252	791
Financial cash flow	-145	2,334	-891	-2,828	-1,350	-1,621	-1,434
Non operating adjustments/long term tax items	-449	-28	0	-2,597	-362	-109	667
Change in cash	**-58**	**677**	**3,790**	**-4,363**	**-1,473**	**-478**	**25**
Cash, start of the year	**3,326**	**3,268**	**3,945**	**7,735**	**3,372**	**1,898**	**1,420**
Cash, end of the year	3,268	3,945	7,735	3,372	1,898	1,420	1,445
Cash flow per share (€)	2.47	1.92	3.52	2.12	1.54	2.08	2.17
Yields							
Operating cash flow	16.6%	13.0%	21.8%	23.4%	15.2%	17.4%	16.0%
Free cash flow	1.0%	-3.2%	8.3%	3.3%	0.7%	3.0%	1.7%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommen-dation	Price target	Interim high	% change to high
Initial Report	2 September 2003	€4.40	Short-term Buy	€5.00	-	-
2...33	↓	↓	↓	↓	↓	↓
34	8 May 2009	€5.00	Add	€5.00	€6.10	22.0%
35	10 August 2009	€5.01	Add	€6.00	€6.70	33.7%
36	29 October 2009	€6.45	Add	€7.60	€6.49	0.6%
37	Today	€6.20	Add	€7.60	-	-

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance
BUY: Expected return greater than 25%
ADD: Expected return between 0% and 25%
REDUCE: Expected negative return between 0% and -15%
SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

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