

August 26, 2014

Europa | Poland | Technology

## Update

## BUY

Price target: PLN 13.40

## Overview

Industry:	Technology
Country:	Poland
ISIN:	PLATMSA00013
Reuters:	ATMP.WA
Bloomberg:	ATMP.PW
Website:	www.atm.com.pl

Last price:	11.94
	<b>High</b> <b>Low</b>
Price 52 weeks	13.60    10.70
Market cap. (PLNm)	433.94
No of shares (m)	36.34
Average volume (shares)	120,221

## Shareholders

ATP FIZ AN	25.09%
ING OFE	19.71%
Aviva OFE	8.02%
Altus TF	6.47%
Piotr Puteczny	6.17%
Free float	34.54%

## Performance

4 weeks	0.00%
13 weeks	-6.65%
26 weeks	2.75%
52 weeks	-5.98%
YTD	-3.32%

## Dividend

	in PLN	in %
2012	0.10	0.84%
2013	0.12	1.01%
2014E	0.00	0.00%
2015E	0.00	0.00%

## ATM S.A.

## Stock remains promising

- ATM's 2013 results beat our margin estimates, which resulted especially from a lower share of CoGS and administration expenses y-o-y. However, in Q1/14 revenues and EBIT were weaker y-o-y mainly as sales from the provision of Internet access declined by 23.8% and those from Data Transmission/Fiber-Optic Services (-11.8% y-o-y) were affected by lower one-off sales of new transmission lines. On the other hand, net profit was positively impacted by 21.3% shareholding Linx Telecommunications B.V., which in contrast to last year reported a net profit (PLN 0.2m vs. PLN -1.3m).
- In April 2014, an entity owned by the private equity fund Innova Capital, announced an offer for 100% of ATM's shares at a price of PLN 12.40 per share. While the offer was not successful, it shows that ATM's business, with an 88% share of subscription-based revenues in 2013, remains highly attractive as a takeover target. The research firm PMR estimates that the data center market in CEE, which in 2012 was valued at EUR 461m, will grow at a CAGR of >10% in the coming years. For the data transmission/IP traffic segment, Cisco forecasts a growth CAGR 13-18E of 23%, the second-largest worldwide after Asia, due to e.g. the increasing popularity of mobile video.
- For H1/14 results, which ATM will release on August 28, we forecast PLN 43.3m (+2.5% y-o-y) for sales (including c. PLN 8m from public "OST 112" contract, which generates almost no gross margin), an EBITDA of PLN 10.8m (-3.2%, 24.9% margin) and net income of PLN 3.7m (-22.9%, 8.6% margin). We believe that Q2 was affected by the same factors as Q1/14. We also expect that Linx, which especially in Russia plans to have 10,000 sqm of data center space in the long run, again contributed a positive result.
- For us, ATM remains a very interesting, low-risk stock with significant dividend potential in the long run. The company is the leader of the highly-promising Polish data center market (KRe: market share of 16%) and owns one of the largest metropolitan fiber-optic networks in PL. Thus, we recommend investors to BUY the stock at current level. Due to model adjustments and lower WACC our 12-months PT (80% DCF, 20% peer group) goes up from PLN 13.10 to PLN 13.40.

in PLNm	2012	2013	2014E	2015E	2016E	2017E
Net sales	180.40	170.33	153.48	145.74	167.23	185.39
EBITDA	44.39	46.26	39.30	46.21	53.19	59.15
EBIT	24.95	26.32	21.33	29.15	33.61	37.45
Net income	11.80	11.64	13.27	19.56	23.14	26.20
EPS	0.32	0.31	0.37	0.54	0.64	0.72
Tangible BVPS	6.21	6.29	6.86	7.40	8.04	8.76
RoE	4.67%	5.00%	5.47%	7.55%	8.25%	8.59%
EBIT margin	13.83 %	15.45 %	13.90 %	20.00 %	20.10 %	20.20 %
P/E	37.31x	38.52x	32.70x	22.19x	18.76x	16.56x
P/Tangible BVPS	1.92x	1.90x	1.74x	1.61x	1.49x	1.36x
EV/EBITDA	12.16x	11.67x	13.74x	11.68x	10.15x	9.13x

## Analysts

Adrian Kowollik  
Email: ak@kalliwoda.com

Dr. Norbert Kalliwoda  
Email: nk@kalliwoda.com

## Content

<b>1</b>	<b>Company profile.....</b>	<b>3</b>
<b>2</b>	<b>SWOT Analysis .....</b>	<b>3</b>
<b>3</b>	<b>Valuation.....</b>	<b>4</b>
<b>4</b>	<b>Q1/14 results and outlook .....</b>	<b>7</b>
<b>5</b>	<b>Profit and loss statement.....</b>	<b>11</b>
<b>6</b>	<b>Balance sheet.....</b>	<b>12</b>
<b>7</b>	<b>Cash flow statement .....</b>	<b>13</b>
<b>8</b>	<b>Financial ratios .....</b>	<b>13</b>

## 1 Company profile

ATM S.A., whose roots go back to 1987, is a telecommunication operator and a leading provider of colocation (data center) services in Poland. The company is also one of the leading providers of data center services in CEE. As a telco operator, it offers among others broadband data transmission services and Internet access for companies and institutions. ATM's telco infrastructure comprises: three modern data centers with a total space of 6,300 sqm net, a metropolitan fiber-optic network of >100k km, 4,500 km inter-city and 7,400 km international connections. It provides its services under the brands ATMAN and Thinx Poland. ATM S.A. has been listed on the WSE since 2004.

## 2 SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>- Leading provider of telco services (especially colocation and hosting) to companies in Poland and the CEE region</li> <li>- Expansion of data centers only if existing facilities are rent at min. 75%; leads to lower investment risk</li> <li>- ATM owns one of the largest metropolitan fibre-optic networks, which is situated in the eight biggest Polish cities; the market is characterized by relatively high entry barriers</li> <li>- Especially in the data center segment, revenues are based on recurring monthly fees (88% share in total sales in 2013)</li> <li>- Relatively low correlation with the economic cycle</li> <li>- Polish pension funds own 27.7% of all shares; management has 31.3%</li> </ul>	<ul style="list-style-type: none"> <li>- Current ratio equals less than 1x</li> <li>- One client generates more than 20% of yearly sales (Polish Interior Ministry)</li> <li>- Contract for the emergency number "112", which has been one of the largest public contracts in the last years, generates only small gross margins, as most of the work is conducted by ATM's subcontractors</li> <li>- Customers from the sectors Telco and Finance/Insurance have a share of 67% in ATM's total sales (2013)</li> <li>- Large investment expenditures relating to expansion of data centers and modernisation of fiber-optic network</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>- More focused and transparent business model after the spin-off of ATM SI/Atende makes ATM's valuation easier; also, ATM and Atende are now allowed to provide services to competing companies</li> <li>- According to PMR, the data center market in CEE was worth EUR 461m in 2012 and is expected to grow at &gt;10% y-o-y on average; Cisco estimates that IP traffic in CEE will increase at a CAGR 13-18E of 23% due to increasing network bandwidth, number of users and popularity of mobile video</li> <li>- Cloud computing is a key growth driver of the USD 2.1tr IT market (Source: e.g. IDC); companies, which offer that, use the infrastructure of data center providers such as ATM</li> <li>- IT and data center outsourcing services allow a significant cost optimisation; some entities e.g. banks are legally obliged to maintain a backup data center (Disaster Recovery Center) outside their offices</li> <li>- Increasing investments into telco infrastructure due to EU subsidies</li> <li>- Associated company Linx, which has a data center in Sankt Petersburg, could be a beneficiary of the tremendous potential of the Russian market in the coming years</li> <li>- Potential takeover by a financial investor or telco operator</li> </ul>	<ul style="list-style-type: none"> <li>- Risks relating to operations of associated company Linx in Russia</li> <li>- Liquidity risks relating to high CAPEX</li> <li>- Loss of key employees</li> <li>- Currency risks (ATM generates most of its sales in PLN, but pays for equipment in EUR and USD)</li> <li>- Risks stemming from consolidation in the telco sector and competition by much larger international players</li> </ul>

### 3 Valuation

We have valued ATM by using a weighted average of our DCF model (80%) and peer group (20%). Our 12-months price target for the stock equals PLN 13.40, which implies an upside potential of 12.2% at current level.

#### Discounted Cash Flow method (DCF)

##### Discounted Cash Flow Model (Basis 8/2014)

in PLNm	Phase 1									
	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	
<b>Net sales</b>	<b>153.48</b>	<b>145.74</b>	<b>167.23</b>	<b>185.39</b>	<b>203.58</b>	<b>221.80</b>	<b>240.05</b>	<b>258.32</b>	<b>276.62</b>	
(y-o-y change)	-9.9%	-5.0%	14.7%	10.9%	9.8%	8.9%	8.2%	7.6%	7.1%	
<b>EBIT</b>	<b>21.33</b>	<b>29.15</b>	<b>33.61</b>	<b>37.45</b>	<b>41.33</b>	<b>45.25</b>	<b>48.80</b>	<b>52.34</b>	<b>55.85</b>	
(EBIT margin)	13.9%	20.0%	20.1%	20.2%	20.3%	20.4%	20.3%	20.3%	20.2%	
<b>NOPLAT</b>	<b>17.28</b>	<b>23.61</b>	<b>27.23</b>	<b>30.33</b>	<b>33.48</b>	<b>36.65</b>	<b>39.53</b>	<b>42.39</b>	<b>45.24</b>	
+ Depreciation & amortisation	17.97	17.06	19.58	21.70	23.83	25.97	28.10	30.24	32.38	
= Net operating cash flow	35.25	40.67	46.80	52.04	57.31	62.62	67.63	72.63	77.62	
- Total investments (Capex and WVC)	-61.10	-36.07	-23.66	-25.86	-27.94	-30.02	-32.08	-34.16	-36.24	
Capital expenditure	-60.66	-34.09	-25.32	-27.35	-29.48	-31.62	-33.75	-35.89	-38.04	
Working capital	-0.44	-1.98	1.66	1.49	1.54	1.59	1.67	1.74	1.80	
= Free cash flow (FCF)	-25.85	4.60	23.14	26.18	29.37	32.59	35.55	38.48	41.39	
<b>PV of FCFs</b>	<b>-25.15</b>	<b>4.14</b>	<b>19.25</b>	<b>20.13</b>	<b>20.88</b>	<b>21.43</b>	<b>21.61</b>	<b>21.63</b>	<b>21.51</b>	

PV of FCFs in explicit period 125.42  
 PV of FCFs in terminal period 452.19

**Enterprise value (EV) 577.61**

+ Net cash / - net debt (31 March 2014) -91.60

+ Investments / - minorities 0.00

**Shareholder value 486.01**

Number of shares outstanding (m) **37.55**

WACC 8.2%

Cost of equity 10.0%

Debt cost before tax 6.7%

Effective tax rate 19.0%

Debt cost after tax 5.4%

Equity ratio 60.0%

Debt ratio 40.0%

**Fair value per share in PLN (today) 12.94**

**Fair value per share in PLN (in 12 months) 14.00**

WACC	Terminal EBIT margin							
		17.2%	18.2%	19.2%	20.2%	21.2%	22.2%	23.2%
5.2%	35.02	37.04	39.07	41.10	43.13	45.16	47.19	
6.2%	22.46	23.74	25.02	26.30	27.58	28.86	30.14	
7.2%	15.96	16.86	17.76	18.66	19.56	20.45	21.35	
8.2%	11.99	12.66	13.33	<b>14.00</b>	14.67	15.34	16.01	
9.2%	9.31	9.83	10.35	10.87	11.39	11.91	12.43	
10.2%	7.39	7.80	8.22	8.63	9.05	9.46	9.87	

Source: Dr. Kalliwoda Research GmbH

#### Peer Group Analysis

Our peer group comprises six companies from Poland, the UK, the Netherlands and the US, which offer similar services to ATM:

- (1) *Hawe S.A.*: HAWE, which is based in Warsaw, provides planning, construction and maintenance of telecommunication networks, fiber leasing, distribution of telecommunication equipment as well as wholesale voice and data services. The company's customers include fixed-line and mobile operators as well as cable TV providers. It owns c. 3,600 km (plus additional 480 km, which it leases) of fiber-optic lines and in the last years has constructed over 45,000 km of such lines for third parties. HAWE has been listed on the Warsaw Stock Exchange since 2007. In fiscal-year 2013, it generated total revenues of PLN 175m.

- (2) *Equinix Inc.*: Equinix, which is headquartered in Redwood City/US, connects businesses through a global platform of data centers in 38 markets in the Americas, the EMEA region and Asia-Pacific. Currently, Platform Equinix connects more than 4,000 enterprises, cloud, digital content and financial companies and more than 690 network service providers. In 2013, the company generated total sales of USD 2.2bn.
- (3) *Level 3 Communications Inc.*: Level 3 Communications, which is based in Broomfield/US, is a facilities-based provider of a range of integrated communication and content distribution services such as Internet access, Ethernet Virtual Private Networks, VoIP, caching and downloading, video streaming, colocation and data centers. For fiscal-year 2013, Level 3 Communications reported total revenues of USD 6.3bn.
- (4) *TeleCity Group PLC*: Headquartered in London, TeleCity operates data centers in Amsterdam, Dublin, Frankfurt, London, Manchester, Milan, Paris and Stockholm. TeleCity's data centers provide secure and highly-connected environments for IT and telecom equipment that host high-volume applications, content and information. In fiscal-year 2013, TeleCity had total sales of GBP 325.6m.
- (5) *InterXion Holding NV*: InterXion Holding, which is based in Schiphol-Rink/Netherlands, is a provider of carrier-neutral colocation data center services in Europe. The company supports its more than 1,200 customers through 28 data centers in 11 countries. Its data centers act as content, cloud and connectivity hubs that facilitate the processing, storage, sharing and distribution of content and applications among carriers and customers. In fiscal-year 2013, InterXion generated sales of EUR 307m.
- (6) *CenturyLink Inc.*: CenturyLink, which is headquartered in Monroe/US, is an integrated communication company that provides a range of communication services to its residential, business, governmental and wholesale customers. The company's communication services include Internet access, broadband and wireless data transmission, managed hosting (including cloud hosting), colocation and video. In fiscal-year 2013, CenturyLink's revenues totaled USD 18.1bn.

ATM's most important non-listed competitors are:

- (1) *GTS Central Europe*: GTS Central Europe (GTS CE), which was taken over by Deutsche Telekom AG in 2014, is the largest alternative communications carrier in the CEE region with currently c. 35,000 business customers. GTS CE delivers end-to-end Internet access, data transfer and fixed telephony services to business customers in the Czech Republic, Slovakia, Hungary, Romania and Poland.
- (2) *Exatel*: Exatel, which is part of the listed PGE Group, is one of the leading alternative telecommunication operators. Its service offer includes data transmission, line lease, voice services, Internet services, as well as hosting and colocation. Exatel has more than 1,500 customers in Poland, which include telecommunication operators as well as large and medium-sized enterprises from various sectors such as finance and power engineering.

The company manages the most modern telecommunication network in Poland with a total length of more than 20,000 km optic fibres and links to more than 80 domestic and 70 foreign operators allowing data transmission all over Central Europe.

- (3) *TK Telekom*: With a countrywide copper and fibre-optic network of 28,000 km and 6,000 km respectively, TK Telekom is among the largest backbone network operators in Poland. The company offers data transmission, line lease, Internet access and voice services, satisfying the needs of telecommunication operators, public administration and business customers. The state-owned Polish railway operator PKP S.A. owns 100% of the shares.

Company	EV/EBITDA		P/E		P/BVPS	EBITDA margin	Net gearing
	2014E	2015E	2014E	2015E	Latest	2013	Latest
HAWE S.A. (PLN)	4.94	4.50	5.28	4.69	0.86	43.94%	44.12%
Equinix Inc. (USD)	13.74	12.06	74.51	39.09	4.42	41.80%	128.92%
Level 3 Communications Inc. (USD)	9.80	8.97	31.28	23.14	6.21	23.20%	459.86%
TeleCity Group PLC (GBP)	11.01	9.88	19.37	17.22	3.66	47.10%	70.21%
InterXion Holding NV (EUR)	12.32	10.73	39.08	32.47	3.65	41.70%	88.20%
CenturyLink Inc. (USD)	6.21	6.30	15.63	16.50	1.41	39.50%	125.18%
<b>Median</b>	<b>10.40</b>	<b>9.42</b>	<b>25.33</b>	<b>20.18</b>	<b>3.65</b>	<b>41.75%</b>	<b>106.69%</b>
ATM S.A. (PLN)	13.74	11.68	32.70	22.19	1.88	27.16%	38.39%
<i>Premium/Discount</i>	<i>32.04%</i>	<i>24.01%</i>	<i>29.11%</i>	<i>9.96%</i>	<i>-48.58%</i>		
<b>Fair value ATM (PLN)</b>	<b>10.16</b>						

Source: Dr. Kalliwoda Research GmbH, Thomson Reuters Eikon

According to our peer group, ATM currently trades at a premium to the median of its peers. However, in our view this is justified as the Polish IT and data transmission market is characterized by much higher growth dynamics than in Western countries.

### Price target calculation

Valuation method	Fair value	Weight
DCF model	12.94	80%
Peer group analysis	10.16	20%
<b>Weighted average (present value)</b>	<b>12.39</b>	
<b>In 12-months (PV * (1+WACC))</b>	<b>13.40</b>	

Source: Dr. Kalliwoda Research GmbH

## 4 Q1/14 results and outlook

### Revenues

In Q1/14, ATM generated total sales of PLN 30.3m, which were 3.5% lower y-o-y. Including the proceeds from the “OST 112” contract (provision of telco services for the Poland-wide ICT network (OST) for the purposes of operating the 112 emergency number), revenues amounted to PLN 43.7m (+4.9% y-o-y). As the telco part of that contract is conducted by ATM’s subcontractors, the company’s gross margin is neglectable and only stems from contract management.

At the end of Q1/14, ATM’s data center clients rented 3,380 sqm, which corresponded to c. 54% of the company’s total available net space. While revenues from Colocation and hosting (+23.7% y-o-y to PLN 15.2m) were negatively impacted by declining activity of a larger data center client, the main reason, why total sales excl. “OST 112” fell y-o-y, were the segments Data transmission/fiber-optic services (-11.8% y-o-y to PLN 9.7m) and Internet access (-23.8% y-o-y to PLN 4.6m). Data transmission/fiber-optic services were negatively impacted by lower one-off sales relating to installation of transmission lines.

### Q1/14 results compared to previous year

#### Q1/14 compared to previous year

in PLNm	Q1/14	Q1/13	change y-o-y
Net sales	43.65	41.61	4.9%
without "OST 112"	30.34	31.45	-3.5%
EBITDA	10.77	11.05	-2.6%
EBITDA margin	24.7%	26.6%	
EBITDA margin (without "OST 112")	35.5%	35.1%	
EBIT	5.68	6.40	-11.2%
EBIT margin	13.0%	15.4%	
EBIT margin (without "OST 112")	18.7%	20.3%	
Net income	3.72	3.05	22.1%
Net margin	8.5%	7.3%	
Net margin (without "OST 112")	12.3%	9.7%	

Source: Company information, Dr. Kalliwoda Research GmbH

## Sales split Q1/14 vs. Q1/13

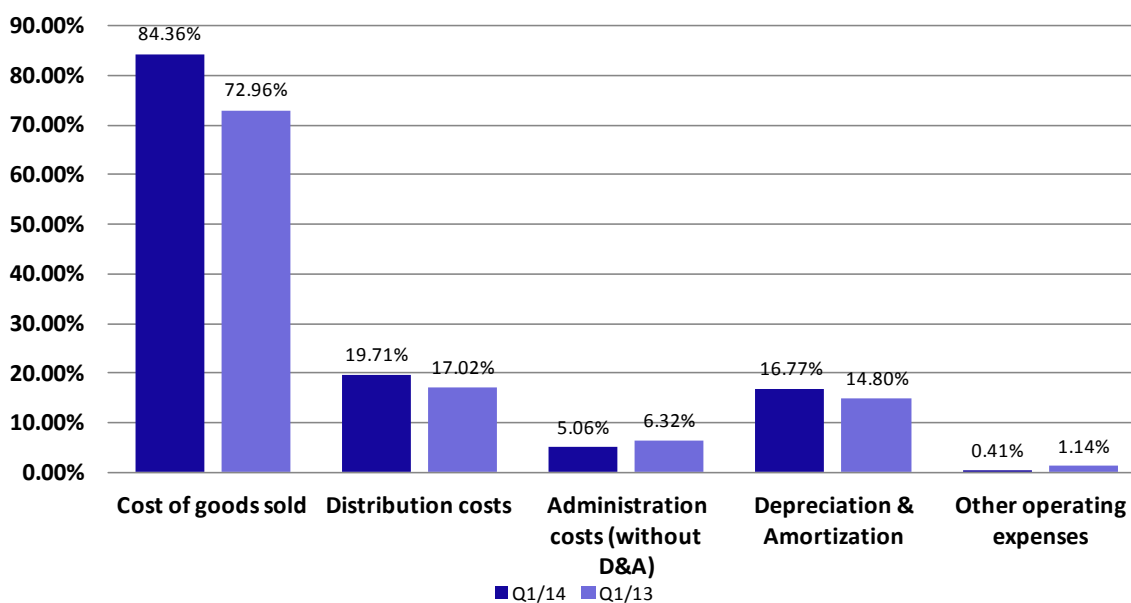
### Sales split Q1/14 vs. Q1/13

	Q1/14	Q1/13		Q1/14	Q1/13
<b>Colocation and hosting</b>			<b>Internet access</b>		
Net sales PLNm	15.17	12.26	Net sales PLNm	4.55	5.98
Share in total sales	50.0%	39.0%	Share in total sales	15.0%	19.0%
<b>Data transmission/fibre optic services</b>			<b>Others</b>		
Net sales PLNm	9.71	11.01	Net sales PLNm	0.91	2.20
Share in total sales	32.0%	35.0%	Share in total sales	3.0%	7.0%
<b>Group</b>					
Net sales PLNm (without "OST 112")	30.34	31.45			
Change y-o-y	-3.5%				

Source: Company information, Dr. Kalliwoda Research GmbH

## Profitability

### Share in total sales (without "OST 112") Q1/14 vs. Q1/13



Source: Company information, Dr. Kalliwoda Research GmbH

In the first three months of 2014, ATM's EBIT decreased by 11.2% y-o-y to PLN 5.7m, thus much more than sales (without the "OST 112" contract). Due to a higher share of CoGS (direct costs of revenues e.g. energy expenses relating to data centers, costs of engineers and contract employees), fixed distribution expenses and D&A (resulting from high investments in server rooms and fiber-optic lines) the operating margin (without "OST 112") fell from 20.3% in Q1/13 to 18.7%. Net income, which increased by 22.1% to PLN 3.7m, was positively affected by 21.3% shareholding Linx Telecommunications B.V., which has returned to profitability (PLN 0.2m net income after PLN -1.3m in Q1/13). In contrast to last year, ATM's financial results in Q1/14 did not account for the subsidiary mPay S.A., which was sold in November 2013 for several hundred thousand PLN (KRe) to strategic investors.



### ***Balance Sheet and Cash Flow***

As of 31 March 2014, the most important position on ATM's balance sheet were fixed assets, which comprise among others real estate, equipment as well as network and telco infrastructure. Due to e.g. the construction of new server rooms they increased from PLN 263m last year to PLN 272.9m.

Other important balance sheet positions were equity of PLN 238.6m (equity ratio of 63.1%) and investments in associated companies of PLN 63.1m. These at-equity-investments are related to ATM's 21.3% shareholding in the Dutch company Linx Telecommunications B.V., which offers telco solutions and data center services in Russia, Estonia and Poland. In Q1/14, the single-company balance sheet did not include the provider of mobile payment services mPay S.A. anymore, whose sale had resulted in a loss from discontinued operations of PLN 5.8m in the consolidated 2013 report.

At the end of March 2014, ATM's interest-bearing debt amounted to PLN 93.8m and comprised bank and leasing debt of PLN 45.4m (short-term) and PLN 48.4m (long-term) respectively. Given the liquid funds position, which as of March 31 equaled PLN 2.2m, the company's net debt amounted to PLN 91.6m (Net gearing of 38.4%).

In the first three months of 2014, ATM's operating cash flow equaled PLN 9.5m compared to PLN 8.6m last year. This mainly stemmed from higher net income and depreciation expenses y-o-y. As cash outflow from investing was lower y-o-y (PLN 16m vs. PLN 18.6m in Q1/13), free cash flow improved from PLN -10m to PLN -6.5m. In total, between January and March ATM's cash position increased by PLN 0.6m to PLN 1.8m.

### ***Outlook***

We maintain our positive stance on ATM as the company should be able to benefit strongly from above-average growth dynamics of the data center and transmission segment in CEE. Due to higher margin assumptions and lower WACC (8.2% vs. 9.1% before) we have increased our 12-months price target (80% DCF, 20% peer group) from previously PLN 13.10 to PLN 13.40 and recommend investors to BUY the stock at current level.

While in the next two years investments will be high – we now estimate gross CAPEX in 2014 and 2015 at PLN 60.7m and PLN 34.1m respectively – we think that in the long run ATM's business model is extremely promising. Due to e.g. increasing popularity of mobile technology LTE and online video data volumes are growing rapidly worldwide, with the CEE region being one of the leaders. Moreover, the data center business is set to grow at >10% y-o-y on average (Source: Cisco Systems) due to cost advantages associated with outsourcing of IT infrastructure to specialized entities and need for backup servers in case of emergency. As the leader of the data center market in PL and one of the largest operators of super-fast fiber-optic networks in Polish cities, ATM is set to benefit strongly from these two market trends.

We have adjusted our estimates in order to account for the earlier expiry of the "OST 112" public contract, which between January and July 2014 contributed PLN 22.3m (KRe) to sales, but with a neglectable gross margin. We have also accounted for weak sales from Data transmission/fiber-optic services and the provision of Internet access in H1/14, for which we however expect an improvement from H2/14.

As from 2015 its revenues will mostly stem from high-margin subscription-based Colocation and hosting segment, we think that in-line with competitors ATM will generate EBIT margins of >20% in the coming years. The 21.3% shareholding Linx, which ATM considers as a financial investment, should contribute a positive result to EBT. We think that in full-year 2014 its net profit will amount to PLN 0.5m, after a loss of PLN 2.3m in 2013.

## Results and forecasts 2013-2015E

Results and forecasts 2013-2015E						
in PLNm	2013		2014E		2015E	
	est.	act.	old	new	old	new
Net sales	191.99	170.33	218.67	153.48	246.66	145.74
without "OST 112"	151.19	131.04	177.87	131.15	205.86	145.74
<i>thereof: Colocation and hosting (data centers)</i>	65.27	57.66	79.13	65.69	95.00	78.96
<i>thereof: Data transmission/fiber optic services</i>	64.60	55.04	78.11	47.30	90.89	48.25
<i>thereof: Internet access</i>	21.32	18.35	20.63	18.16	19.97	18.53
EBITDA	48.15	46.26	55.60	39.30	64.94	46.21
EBITDA margin	25.1%	27.2%	25.4%	25.6%	26.3%	31.7%
EBITDA margin (without "OST 112")	31.8%	35.3%	31.3%	30.0%	31.5%	31.7%
EBIT	26.01	26.32	30.40	21.33	36.51	29.15
EBIT margin	13.6%	15.5%	13.9%	13.9%	14.8%	20.0%
EBIT margin (without "OST 112")	17.2%	20.1%	17.1%	16.3%	17.7%	20.0%
Net income	15.98	11.64	19.59	13.27	24.63	19.56
Net margin	8.3%	6.8%	9.0%	8.6%	10.0%	13.4%
Net margin (without "OST 112")	10.6%	8.9%	11.0%	10.1%	12.0%	13.4%

Source: Company information, Dr. Kalliwoda Research GmbH

## Quarterly results and estimates 2012-2014E

in PLNm	Q1/12	Q2/12	Q3/12	Q4/12	2012	Q1/13	Q2/13	Q3/13	Q4/13	2013
Net sales (incl. "OST 112")	56.60	39.10	40.30	44.40	180.40	41.61	42.20	42.10	44.43	170.33
<i>y-o-y change</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	<i>n.a</i>	-26.5%	7.9%	4.5%	0.1%	-5.6%
EBITDA	10.30	9.50	10.80	13.79	44.39	11.05	11.10	11.20	12.91	46.26
EBITDA margin	18.2%	24.3%	26.8%	31.1%	24.6%	26.6%	26.3%	26.6%	29.1%	27.2%
EBIT	5.60	4.90	5.70	8.75	24.95	6.40	6.80	6.00	7.13	26.32
EBIT margin	9.9%	12.5%	14.1%	19.7%	13.8%	15.4%	16.1%	14.3%	16.0%	15.5%
Net income	5.10	1.30	3.10	2.30	11.80	3.05	4.80	4.10	-0.31	11.64
Net margin	9.0%	3.3%	7.7%	5.2%	6.5%	7.3%	11.4%	9.7%	-0.7%	6.8%

in PLNm	Q1/14	Q2/14E	Q3/14E	Q4/14E	2014E
Net sales (incl. "OST 112")	43.65	43.25	33.50	33.08	153.48
<i>y-o-y change</i>	4.9%	2.5%	-20.4%	-25.5%	-9.9%
EBITDA	10.77	10.75	8.80	8.99	39.30
EBITDA margin	24.7%	24.9%	26.3%	27.2%	25.6%
EBIT	5.68	5.60	4.80	5.26	21.33
EBIT margin	13.0%	12.9%	14.3%	15.9%	13.9%
Net income	3.72	3.70	2.90	2.95	13.27
Net margin	8.5%	8.6%	8.7%	8.9%	8.6%

Source: Company information, Dr. Kalliwoda Research GmbH

## 5 Profit and loss statement

Profit and loss statement - ATM						
in PLNm	Fiscal year					
	2012	2013	2014E	2015E	2016E	2017E
<b>Net sales</b>	<b>180.40</b>	<b>170.33</b>	<b>153.48</b>	<b>145.74</b>	<b>167.23</b>	<b>185.39</b>
<i>thereof: Telco services without the OST112 contract</i>	<b>124.37</b>	<b>131.04</b>	<b>131.15</b>	<b>145.74</b>	<b>167.23</b>	<b>185.39</b>
Cost of goods sold	-105.83	-93.34	-87.49	-74.18	-85.29	-94.74
<b>Gross profit</b>	<b>74.57</b>	<b>76.99</b>	<b>66.00</b>	<b>71.56</b>	<b>81.94</b>	<b>90.66</b>
Other operating income	0.86	0.50	0.51	0.52	0.53	0.54
Distribution costs	-21.39	-22.97	-20.47	-19.22	-21.80	-23.89
Administration costs	-7.87	-6.47	-5.83	-5.53	-6.35	-7.04
Other operating expenses	-1.78	-1.79	-0.91	-1.12	-1.14	-1.12
<b>EBITDA</b>	<b>44.39</b>	<b>46.26</b>	<b>39.30</b>	<b>46.21</b>	<b>53.19</b>	<b>59.15</b>
Depreciation & Amortization	-19.44	-19.94	-17.97	-17.06	-19.58	-21.70
<b>EBIT</b>	<b>24.95</b>	<b>26.32</b>	<b>21.33</b>	<b>29.15</b>	<b>33.61</b>	<b>37.45</b>
Net financial results	-9.83	-8.38	-4.95	-5.00	-5.05	-5.10
<b>EBT</b>	<b>15.13</b>	<b>17.95</b>	<b>16.38</b>	<b>24.15</b>	<b>28.56</b>	<b>32.35</b>
Income taxes	-1.44	-0.47	-3.11	-4.59	-5.43	-6.15
Result from discontinued operations	-2.35	-5.84	0.00	0.00	0.00	0.00
Minority interests	0.46	0.00	0.00	0.00	0.00	0.00
<b>Net income / loss</b>	<b>11.80</b>	<b>11.64</b>	<b>13.27</b>	<b>19.56</b>	<b>23.14</b>	<b>26.20</b>
EPS	0.32	0.31	0.37	0.54	0.64	0.72
DPS	0.10	0.12	0.00	0.00	0.00	0.00
<b>Change y-o-y</b>						
Net sales	n.a	-5.58%	-9.89%	-5.05%	14.75%	10.86%
<i>thereof: Telco services without the OST112 contract</i>	n.a	5.36%	0.09%	11.12%	14.75%	10.86%
Cost of goods sold	n.a	-11.80%	-6.28%	-15.21%	14.98%	11.08%
Gross profit	n.a	3.25%	-14.28%	8.42%	14.52%	10.63%
Other operating income	n.a	-41.38%	2.00%	2.00%	2.00%	2.00%
Distribution costs	n.a	7.41%	-10.89%	-6.12%	13.44%	9.58%
Administration costs	n.a	-17.82%	-9.89%	-5.05%	14.75%	10.86%
Other operating expenses	n.a	0.62%	-49.05%	22.90%	1.33%	-1.47%
EBITDA	n.a	4.22%	-15.05%	17.57%	15.11%	11.21%
Depreciation & Amortization	n.a	2.58%	-9.89%	-5.05%	14.75%	10.86%
EBIT	n.a	5.49%	-18.95%	36.62%	15.32%	11.41%
Net financial results	n.a	-14.78%	-40.90%	1.01%	1.00%	0.99%
EBT	n.a	18.66%	-8.71%	47.38%	18.29%	13.25%
Income taxes	n.a	-67.59%	566.59%	47.38%	18.29%	13.25%
Result from discontinued operations	n.a	148.34%	-100.00%	n.a	n.a	n.a
Minority interests	n.a	-100.00%	n.a	n.a	n.a	n.a
Net income / loss	n.a	-1.32%	14.01%	47.38%	18.29%	13.25%
EPS	n.a	-3.13%	17.79%	47.38%	18.29%	13.25%
<b>Share in total sales</b>						
Net sales	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<i>thereof: Telco services without the OST112 contract</i>	68.94 %	76.93 %	85.45 %	100.00 %	100.00 %	100.00 %
Cost of goods sold	-58.66 %	-54.80 %	-57.00 %	-50.90 %	-51.00 %	-51.10 %
Gross profit	41.34 %	45.20 %	43.00 %	49.10 %	49.00 %	48.90 %
Other operating income	0.48 %	0.30 %	0.33 %	0.36 %	0.32 %	0.29 %
Distribution costs	-11.86 %	-13.49 %	-13.34 %	-13.19 %	-13.04 %	-12.89 %
Administration costs	-4.36 %	-3.80 %	-3.80 %	-3.80 %	-3.80 %	-3.80 %
Other operating expenses	-0.99 %	-1.05 %	-0.59 %	-0.77 %	-0.68 %	-0.60 %
EBITDA	24.61 %	27.16 %	25.61 %	31.71 %	31.81 %	31.91 %
Depreciation & Amortization	-10.78 %	-11.71 %	-11.71 %	-11.71 %	-11.71 %	-11.71 %
EBIT	13.83 %	15.45 %	13.90 %	20.00 %	20.10 %	20.20 %
Net financial results	-5.45 %	-4.92 %	-3.23 %	-3.43 %	-3.02 %	-2.75 %
EBT	8.38 %	10.54 %	10.67 %	16.57 %	17.08 %	17.45 %
Income taxes	-0.80 %	-0.27 %	-2.03 %	-3.15 %	-3.25 %	-3.32 %
Result from discontinued operations	-1.30 %	-3.43 %	0.00 %	0.00 %	0.00 %	0.00 %
Minority interests	0.26 %	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Net income / loss	6.54 %	6.83 %	8.65 %	13.42 %	13.83 %	14.13 %

Dr. Kalliwoda | Research © 2014

## 6 Balance sheet

Balance sheet - ATM						
in PLNm	Fiscal year					
	2012	2013	2014E	2015E	2016E	2017E
<b>Assets</b>						
Cash and cash equivalents	4.58	1.13	3.15	1.07	17.41	36.74
Other financial assets	0.97	0.45	0.41	0.39	0.44	0.49
Inventories	1.34	1.51	1.42	1.20	1.38	1.53
Trade accounts and notes receivables	24.20	29.24	25.50	23.42	25.95	27.76
Prepaid expenses, deferred charges and others	4.17	6.44	5.80	5.51	6.32	7.01
Assets-held-for-sale	2.59	0.00	0.00	0.00	0.00	0.00
<b>Current assets</b>	<b>37.84</b>	<b>38.77</b>	<b>36.28</b>	<b>31.58</b>	<b>51.51</b>	<b>73.53</b>
Property, plant and equipment	207.70	263.01	306.51	323.76	328.90	334.04
Other intangible assets	44.97	5.10	4.30	4.08	4.68	5.19
Goodwill	0.13	0.00	0.00	0.00	0.00	0.00
Long-term financial assets	68.37	64.24	64.88	65.53	66.19	66.85
Other long-term assets	0.16	0.21	0.20	0.20	0.20	0.21
Deferred tax assets	0.00	0.00	0.00	0.00	0.00	0.00
<b>Non-current assets</b>	<b>321.33</b>	<b>332.56</b>	<b>375.89</b>	<b>393.58</b>	<b>399.98</b>	<b>406.29</b>
<b>Assets</b>	<b>359.17</b>	<b>371.33</b>	<b>412.17</b>	<b>425.16</b>	<b>451.49</b>	<b>479.82</b>
<b>Liabilities</b>						
Trade payables	12.71	18.90	17.00	13.80	15.17	16.07
Other liabilities	9.45	10.86	9.79	9.29	10.67	11.82
Short-term financial debt	25.35	37.67	47.67	46.67	45.67	44.67
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Liabilities-held-for-sale	2.59	0.00	0.00	0.00	0.00	0.00
<b>Current liabilities</b>	<b>50.09</b>	<b>67.44</b>	<b>74.46</b>	<b>69.77</b>	<b>71.50</b>	<b>72.56</b>
Long-term financial debt	50.58	46.82	70.82	69.82	68.82	67.82
Other liabilities	27.04	19.44	17.52	16.64	19.09	21.16
Provisions	0.00	0.00	0.00	0.00	0.00	0.00
Deferred tax liabilities	0.03	1.53	0.00	0.00	0.00	0.00
<b>Long-term liabilities</b>	<b>77.65</b>	<b>67.80</b>	<b>88.34</b>	<b>86.46</b>	<b>87.91</b>	<b>88.99</b>
<b>Total liabilities</b>	<b>127.74</b>	<b>135.23</b>	<b>162.80</b>	<b>156.23</b>	<b>159.42</b>	<b>161.55</b>
<b>Shareholders equity</b>	<b>229.17</b>	<b>236.10</b>	<b>249.38</b>	<b>268.93</b>	<b>292.07</b>	<b>318.27</b>
Minority interests	2.25	0.00	0.00	0.00	0.00	0.00
<b>Total equity and liabilities</b>	<b>359.17</b>	<b>371.33</b>	<b>412.17</b>	<b>425.16</b>	<b>451.49</b>	<b>479.82</b>

Dr. Kalliwoda | Research © 2014

## 7 Cash flow statement

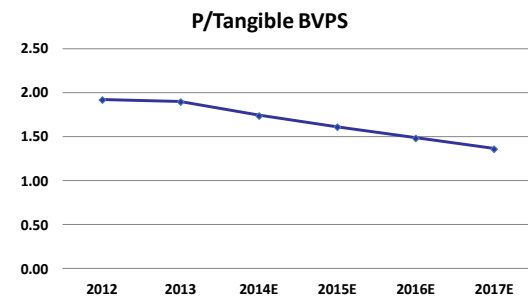
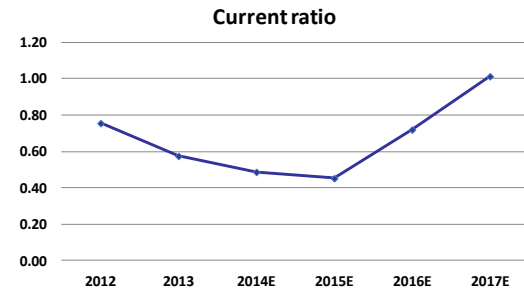
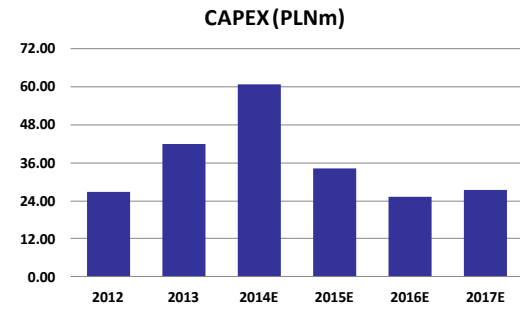
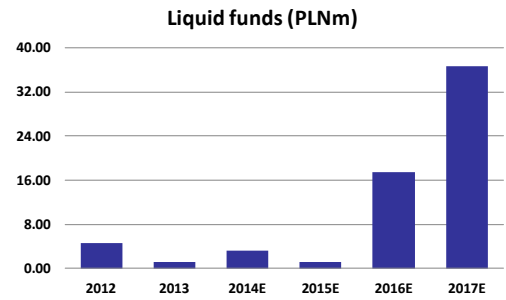
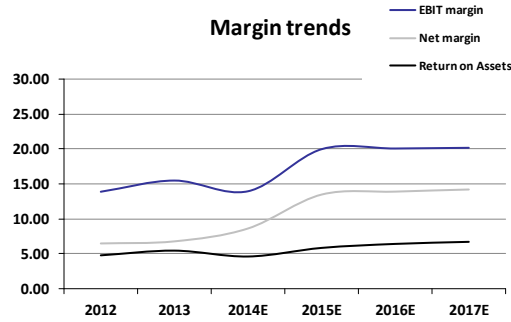
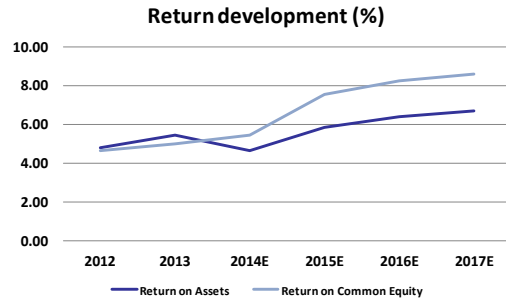
Cash flow statement - ATM						
in PLNm	Fiscal year					
	2012	2013	2014E	2015E	2016E	2017E
Net income / loss	11.80	11.64	13.27	19.56	23.14	26.20
Depreciation & Amortization	19.44	19.94	17.97	17.06	19.58	21.70
Change of working capital	-54.61	-0.55	-0.44	-1.98	1.66	1.49
Others	29.54	8.58	-1.53	0.00	0.00	0.00
<b>Net operating cash flow</b>	<b>6.17</b>	<b>39.61</b>	<b>9.72</b>	<b>34.64</b>	<b>44.37</b>	<b>49.40</b>
<b>Cash flow from investing</b>	<b>-26.86</b>	<b>-42.08</b>	<b>-60.66</b>	<b>-34.09</b>	<b>-25.32</b>	<b>-27.35</b>
Free cash flow	-20.69	-2.48	-50.95	0.55	19.05	22.04
<b>Cash flow from financing</b>	<b>-31.30</b>	<b>-0.97</b>	<b>52.97</b>	<b>-2.63</b>	<b>-2.71</b>	<b>-2.71</b>
Change of cash	-51.99	-3.45	2.02	-2.08	16.34	19.33
Cash at the beginning of the period	56.57	4.58	1.13	3.15	1.07	17.41
Cash at the end of the period	4.58	1.13	3.15	1.07	17.41	36.74

Dr. Kalliwoda | Research © 2014

## 8 Financial ratios

Fiscal year	2012	2013	2014E	2015E	2016E	2017E	2018E	2019E
Gross margin	41.34%	45.20%	43.00%	49.10%	49.00%	48.90%	48.80%	48.70%
EBITDA margin	24.61%	27.16%	25.61%	31.71%	31.81%	31.91%	32.01%	32.11%
EBIT margin	13.83%	15.45%	13.90%	20.00%	20.10%	20.20%	20.30%	20.40%
Net margin	6.54%	6.83%	8.65%	13.42%	13.83%	14.13%	14.39%	14.62%
Return on equity (ROE)	4.67%	5.00%	5.47%	7.55%	8.25%	8.59%	8.80%	8.92%
Return on assets (ROA)	4.82%	5.48%	4.65%	5.87%	6.43%	6.72%	6.95%	7.12%
Return on capital employed (ROCE)	7.30%	8.44%	5.12%	6.64%	7.17%	7.45%	7.65%	7.78%
Net debt (PLNm)	70.39	82.91	114.94	115.04	96.64	75.26	50.74	23.04
Net gearing	30.71%	35.12%	46.09%	42.78%	33.09%	23.65%	14.60%	6.06%
Equity ratio	63.81%	63.58%	60.50%	63.25%	64.69%	66.33%	68.00%	69.68%
Current ratio	0.76	0.57	0.49	0.45	0.72	1.01	1.34	1.70
Quick ratio	0.59	0.46	0.39	0.36	0.61	0.90	1.21	1.57
Net interest cover	2.54	3.14	4.31	5.83	6.66	7.34	8.02	8.70
Net debt/EBITDA	1.59	1.79	2.92	2.49	1.82	1.27	0.78	0.32
Tangible BVPS	6.21	6.29	6.86	7.40	8.04	8.76	9.56	10.46
Capex/Sales	16.23%	-20.70%	-39.53%	-23.39%	-15.14%	-14.75%	-14.48%	-14.25%
Working capital/Sales	-10.80%	-7.06%	-7.54%	-6.59%	-6.73%	-6.88%	-7.02%	-7.16%
EV/Sales	2.99	3.17	3.52	3.70	3.23	2.91	2.65	2.43
EV/EBITDA	12.16	11.67	13.74	11.68	10.15	9.13	8.29	7.58
EV/EBIT	21.64	20.51	25.31	18.52	16.06	14.42	13.06	11.93
P/Tangible BVPS	1.92	1.90	1.74	1.61	1.49	1.36	1.25	1.14
P/E	37.31	38.52	32.70	22.19	18.76	16.56	14.81	13.38
P/FCF	-21.27	-180.85	-8.52	792.77	22.77	19.68	17.22	15.29

Source: Company information, Dr. Kalliwoda Research GmbH



Source: Company information, Dr. Kalliwoda Research GmbH

<b>DR. KALLIWODA</b> RESEARCH GmbH		Arndtstr. 47 60325 Frankfurt Tel.: 069-97 20 58 53 Fax: 069-13 81 92 15 www.kalliwoda.com
Primary Research   Fair Value Analysis   International Roadshows		
<b>Head:</b> <b>Dr. Norbert Kalliwoda</b> E-Mail: nk@kalliwoda.com	CEFA-Analyst; University of Frankfurt/Main; PhD in Economics; Dipl.-Kfm.	<b>Sectors:</b> IT, Software, Electricals & Electronics, Mechanical Engineering, Logistics, Laser, Technology, Raw Materials
<b>Dr. Peter Arendarski</b> E-Mail: pa@kalliwoda.com	Senior-Analyst, Msc & Ph.D in Finance (Poznan Univer. of Economics), CFA Level 3 Candidate	<b>Sectors:</b> Technology, Raw Materials, Banks & Insurances, Financial-Modelling (Quant., Buyside)
<b>Patrick Bellmann</b> E-Mail: pb@kalliwoda.com	Junior-Analyst; WHU - Otto Beisheim School of Management, Vallendar	<b>Sectors:</b> Support Research and Quantitative Approach
<b>Andreas Braun</b> E-Mail: rb@kalliwoda.com	Junior-Analyst; University of Frankfurt/Main	<b>Sectors:</b> Support Research and Quantitative Approach
<b>Michael John</b> E-Mail: mj@kalliwoda.com	Dipl.-Ing. (Aachen)	<b>Sectors:</b> Chemicals, Chemical Engineering, Basic Metals, Renewable Energies, Laser/Physics
<b>Rainer Koch</b> E-Mail: rk@kalliwoda.com	Computer-Science/Dipl.-Betriebw, (Frankfurt); seasoned international Executive IT-Industry	<b>Sectors:</b> IT, IT-Services, Internet, Media, Internet, Emerging Markets
<b>Adrian Kowolik</b> E-Mail: ak@kalliwoda.com	Dipl.-Kfm.; Humboldt-Universität zu Berlin, CFA Candidate	<b>Sectors:</b> Media, Internet, Gaming, Technology, Eastern European stocks
<b>Maximilian F. Kaessens</b> E-Mail: mk@kalliwoda.com	Bachelor of Science in Business Administration (Babson College, Babson Park, MA (US))	<b>Sectors:</b> Financials, Real Estate
<b>Dr. Christoph Piechaczek</b> E-Mail: cp@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Witten-Herdecke.	<b>Sectors:</b> Biotech & Healthcare; Medical Technology Pharmaceutical
<b>Dario Maugeri</b> E-Mail: dm@kalliwoda.com	Master of Science in Corporate Finance; Rotterdam School of Management norb	<b>Sectors:</b> Automotive, Technology
<b>Hellmut Schaarschmidt;</b> E-Mail: hs@kalliwoda.com	Dipl.-Geophysicists; University of Frankfurt/Main.	<b>Sectors:</b> Oil, Regenerative Energies, Specialities Chemicals, Utilities
<b>Dr. Erik Schneider</b> E-Mail: es@kalliwoda.com	Dipl.-Biologist; Technical University Darmstadt; Univ. Hamburg.	<b>Sectors:</b> Biotech & Healthcare; Medical Technology Pharmaceutical
<b>David Schreindorfer</b> E-Mail: ds@kalliwoda.com	MBA, Economic Investment Management; Univ. Frankfurt/ Univ. Iowa (US).	<b>Sectors:</b> IT/Logistics; Quantitative Modelling
<b>Rainer Wochele</b> E-Mail: rw@kalliwoda.com	Bachelor of Science in Economics and Business Administration (Goethe University Frankfurt M. / Graduation Fall 2013)	<b>Junior-Analyst</b>
<b>Nele Rave</b> E-Mail: nr@kalliwoda.com	Lawyer; Native Speaker, German School London,	<b>Legal adviser</b>

Also view Sales and Earnings Estimates:

**DR. KALLIWODA | RESEARCH on Terminals of Bloomberg, Thomson Reuters, vwd group and Factset**



## Essential information, disclosures and disclaimer

### A. Essential information

Investments in financial instruments and securities (e.g. equities, bonds) generally involve high risks. It is possible that investors lose some or all of their invested money. Potential investors should be aware of the fact that prices of securities could fall and rise. Thus, the income from such investments might be subject to considerable fluctuations. Investment strategies are not appropriate at all times and past results are not a guarantee of the future performance. Investors should make their own and independent decisions as to whether undertake a risky investment.

### B. Disclosures according to Section 34b of the German Securities Trading Act (WpHG) and the German Regulation governing the Analysis of Financial Instruments (FinAnV).

#### *I. Information about the company held accountable and regulatory authority:*

Company responsible for the content of this document: DR. KALLIWODA | RESEARCH GmbH, Frankfurt am Main, Germany.

Regulatory authority for DR. KALLIWODA | RESEARCH GmbH is the Federal Financial Supervisory Authority (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

#### *II. Additional Information:*

##### 1. Sources of information:

Essential sources of information for the compilation of this document are publications from domestic and international information services and media (e.g. Bloomberg, dpa-AFX, Reuters, VWD, among others), financial press (e.g. Allgemeine Zeitung Frankfurter, Börsenzeitung, Financial Times Handelsblatt and others), specialized trade press, published statistics, rating agencies as well as publications by peer group companies and the company itself. This document was made available to the company before publishing to ensure the correctness of the information provided.

##### 2. Summary of the basis of valuation principles and methods used to prepare this document:

Within the scope of the evaluation of companies, the following valuation methods are applied: Multiple-based models (Price/Earnings, Price/Cash-flow, Price/Book value, EV/Sales, EV/EBIT, EV/EBITDA), peer group comparisons, historic valuation methods, discounting models, sum-of-the-parts-approaches, substance-valuation methods and SWOT-analyses. The valuation principles and models are dependent on macroeconomic factors, such as interest rates, exchange rates, raw materials and on basic assumptions about the economy. Moreover, the value of enterprises is affected by market moods and market sentiment. The approaches are based on expectations that could change rapidly and in advance warning according to developments specific to the individual branch. The valuation results and fair values derived from the models might therefore change accordingly. The ratings are the evaluation results and refer to a fair value pricing reflecting a time-horizon of twelve-months. Nevertheless, evaluation results are subject to changing market conditions and constitute merely a snapshot. The evaluation results and fair values may be reached faster or slower than expected by the analysts. The results and fair values may be scaled upwards or downwards.



DR. KALLIWODA | RESEARCH GmbH uses the following rating model:

<b>BUY:</b>	Based on our analysis, we expect the stock to appreciate and produce a total return of at least 10% over the next twelve months
<b>ACCUMULATE:</b>	Based on our analysis, we expect the stock to appreciate and produce a total return between 5%- 10% over the next twelve months
<b>HOLD:</b>	Based on our analysis, we expect the stock to produce a total return between -5% and +5% over the next twelve months
<b>REDUCE:</b>	Based on our analysis, we expect the stock to cause a negative return between -5% and -10% over the next twelve months
<b>SELL:</b>	Based on our analysis, we expect the stock to cause a negative return exceeding -10% over the next twelve months

### 3. Updates:

A specific update of this document has currently not been set. The research reflects the author's judgement on the date of this publication and is subject to change without any notice. The document might be incomplete or shortened and it may not contain all information concerning the company covered. It is in the sole decision of DR. KALLIWODA | RESEARCH GmbH whether and when a potential update of this research is made.

### *III. Disclosures about potential conflicts of interest:*

The business model of DR. KALLIWODA | RESEARCH GmbH is based on business relationships with issuer company, their broker or IR/PR agency, as well as equity transactions to be performed on the issuer's stock. Dr. Kalliwoda Research has not entered into an agreement on the preparation of this document with any party.

Conflicts of interest may be in existence with employees of DR. KALLIWODA | RESEARCH GmbH who are the authors of this document as well as other persons that were involved in the preparation of this research or related parties. Following conflicts of interest might exist:

1. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have a major shareholding (holding more than 5%) of the share capital of the issuer that is, or whose financial instruments are, the subject of the research.
2. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties are possibly holders of instruments that are mentioned in this research (or that are linked to these instruments) or might become holders and could regularly trade the issuer's securities or securities based on these issues as principal or agent.
3. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties could have participated in leading a consortium for the issuer via a public offering of the financial instruments that are the subject of this research.

4. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties might have been party to an agreement on the provision of investment banking services with the issuer which is the subject of this research, or have received services or a pledge to perform under the terms of such an arrangement during the same period.
5. DR. KALLIWODA | RESEARCH GmbH employees or other persons that were involved in the preparation of this document or related parties may have other substantial economic interests concerning to the issuer, who is the subject of this research.

The analysts have limited access to information that possibly could constitute a conflict of interest for the institution. DR. KALLIWODA | RESEARCH GmbH keeps insider registers appropriate to sec. 15 WpHG for assignees that normally have approach to inside information. Insiders' dealings appropriate to sec. 14 WpHG are categorically prohibited.

The analysts that composed this research did not receive or acquire shares in the issuer that is the subject of this document at any time. The analysts hereby certify that all of the views expressed accurately reflect the individual views about the issuer. No part of the remuneration was, is or will be, directly or indirectly, linked to the evaluation result or views expressed by the analyst in this research.

### **C. Disclaimer:**

This document is published and being distributed by DR. KALLIWODA | RESEARCH GmbH solely for informational purposes and for the personal use by persons in Continental Europe. This research is not intended to be in any form an offer or advice to buy or sell the securities referred to herein. This research is intended to provide information to assist investors in making their own investment decisions. Any decision to purchase any securities of the issuer must be made solely on the basis of the information contained in the offering documents from the issuer relating to such securities and not on the contents hereof.

Potential investors should seek professional and individual information and advice before making their investment decisions. This document neither constitutes a contract nor any kind of obligation.

Neither this document nor any copy, in whole or in part, thereof may be distributed in any other jurisdiction where its distribution might be restricted by law.

The information within this document has been obtained from sources believed by DR. KALLIWODA | RESEARCH GmbH to be reliable. DR. KALLIWODA | RESEARCH GmbH does not examine if the information is verified and complete, nor guarantees its correctness and completeness. Although due attention has been taken during the compilation of this document, it cannot be excluded that the information given is not complete or the document contains mistakes.

The liability of DR. KALLIWODA | RESEARCH GmbH shall be restricted to gross negligence and willful misconduct. Possible faults or incompleteness of this document may be corrected by DR. KALLIWODA | RESEARCH GmbH and do not constitute reasons for liability, neither with regard to indirect nor to direct or consequential losses. Moreover, DR. KALLIWODA | RESEARCH GmbH does not accept any responsibility and liability for any damage arising from using this research or its contents or otherwise arising in relation herewith. In each case, the liability and responsibility of DR. KALLIWODA | RESEARCH GmbH is limited to typical, predictable damages and the liability for any direct or indirect losses is excluded.

This document is subject to the laws of the Federal Republic of Germany. Place of jurisdiction is Frankfurt am Main, Germany.

In the United Kingdom this document is to be distributed only to persons who are described in Section 11 (3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended). This research may not be distributed and forwarded directly or indirectly to any other group of individuals. The distribution of this document in other international jurisdictions may be restricted by law and individuals who possess this study should inform themselves of any existing restrictions and comply with them.

**Neither this document nor any copy of it may be taken or transmitted into the United States of America, Canada, Japan or Australia or distributed, directly or indirectly, in the United States of America, Canada, Japan or Australia or to any resident thereof. Any Failure to comply with these restrictions may constitute a violation of United States, Canadian, Japanese or Australian securities laws or the law of any other jurisdiction.**

By accepting this document the reader or user agrees and accepts to be bound by all of the foregoing provisions and this disclaimer. Moreover, the user accepts not to distribute this document to unauthorized persons. The user of this document has to compensate DR. KALLIWODA | RESEARCH GmbH for any disadvantages, damages, claims and losses resulting from or in relation with the unauthorized use of this document.

© 2014 DR. KALLIWODA | RESEARCH GmbH, Arndtstraße 47, D-60325 Frankfurt am Main. All rights reserved.