FIRST BERLIN
Equity Research

DEAG DEUTSCHE ENTERTAINMENT AG

GERMANY / ENTERTAINMENT

PRICE TARGET: €4.20
PREVIOUS CLOSE: €1.49
UPSIDE: 181.9%

SET TO RESUME GROWTH

16 June 2006

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DEAG DEUTSCHE ENTERTAINMENT AG

GERMANY / ENTERTAINMENT

Primary Exchange: Frankfurt
Symbol: ERM

Prime Standard
ISIN: DE0005513907

RATING: Buy
PRICE TARGET: € 4.20
RISK RATING: High

SET TO RESUME GROWTH

COMPANY PROFILE

DEAG Deutsche Entertainment AG ranks among the top live concert organiser groups in Europe. The core business of DEAG consists of organising national and international concerts and tours, as well as the exclusive management of large venues. The company provides the full range of services for music tours, including production, agency and promotion. DEAG is headquartered in Berlin and as of 31 December 2005, had a workforce of 76.

KEY POINTS

DEAG presented Q1 2006 results on 12 May. On continued operations revenues are up 132% to €11.8m compared to €5.1m in the prior-year period. A major boost came from the reopening of the Hallenstadion venue in Zurich and a larger number of concerts accomplished in this quarter.

EBIT returned to profitable levels at €0.2m compared to -€0.2m in the prior-year period. This improvement was principally driven by the increase in revenues and the company's tight management of distribution and administration costs. The pre-tax result of -€0.2m (-€0.6m) is still subject to high interest expenses of €0.5m. Net income was reported at -€0.5m compared to -€0.6m in the prior-year period which equates into basic EPS at -€0.03 (-€0.05).

Based on the strong performance of the Hallenstadion venue, the significant portfolio investments in 2005 as well as the recent improvements on the balance sheet, we forecast revenues on continued operations in FY06 to reach €112.8m (FY07: €126.9m), EBIT of €6.4m (€7.4m) and basic EPS of €0.21 (€0.29). The positive development of advanced sales to €22.7m from €14.4m at the end of 2005 is a strong indication to support these assumptions.

RECOMMENDATION

We believe that DEAG is set to resume its growth this year. The company has largely restructured its internal organization and heavily invested in the development of its product portfolio, e.g. its venture into ticketing as well as into the concert market for classical music.

We have adjusted our valuation model with respect to the discontinued operations. Our estimates for revenues going forward take into account the good indications of DEAG's concert venues and the robust increase in advanced sales. Looking ahead we believe that a strong H1 will help to improve investors' confidence in the company's ability to profit from its growth initiatives and act as a catalyst for appreciation in the share price.

We reiterate our Buy rating on DEAG. Based on our DCF model, we have determined a price target of €4.20 (previously €4.30) per share. Our price target equates to a 2007 P/E multiple of 12.7x earnings.

RISKS

Risks to our price target include but are not limited to: cancellation of currently signed contracts or concert events.

TRADING DATA

Market Capitalisation (15.06.06)	€27.65m
Shares Outstanding	18.56
Closing price (15.06.06)	€1.49
52-Week Range	€1.48 / 2.97
Free Float (According to Deutsche Börse)	75.65%
Average Daily Share Volume (year)	115,263

STOCK OVERVIEW

Source: Bloomberg & First Berlin

FINANCIAL HISTORY & PROJECTIONS

	2004A	2005A	2006E	2007E
Revenue €m	87.8	62.7	112.8	126.9
Yr/Yr Growth	-31.0%	-28.7%	80%	12.5%
EBIT €m	6.4	2.1	6.4	7.4
EBIT Margin	7.2%	3.4%	5.7%	5.8%
Net Income €m	2.9	-3.8	3.9	5.4
EPS € (basic)	0.21	-0.20	0.21	0.29

COMPANY DATA (as of 31 Mar 2006 unless otherwise noted)

Cash & Cash Equivalents	€27.4m
Current Assets	€58.8m
Intangible Assets (incl. Goodwill)	€34.6m
Total Assets	€112.8m
Current Liabilities	€65.3m
Total Shareholders' Equity	€39.1m

ANALYST INFORMATION

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RECENT EVENTS AND CORPORATE RESTRUCTURING

DEAG investors have seen a continual reduction of the company's revenue base over the last several years. In this respect, 2005 was similar as management decided to discontinue the Swiss Pop/Rock activities bundled in Entertainment One, as well as deconsolidating the Theaters division. These activities accounted for some €10.6m of revenues which will be tough to regain.

However, management have undertaken some very encouraging steps to prepare the company going forward. These include the acquisition of three concert agencies in Germany, the joint acquisition of Kartenhaus GmbH, together with ticketing company Ticketmaster, as well as the liquidation of the share repurchase agreement with Swiss publishing house Ringier regarding shares in DEAG's Swiss entity, Good News Productions AG.

In May 2006, DEAG liquidated its share repurchase agreement with Swiss publishing house, Ringier. DEAG had originally sold a 39% stake in its Swiss subsidiary Good News to Ringier on the condition to buy them back for a pre-determined sum of up to €12.0m by the end of June 2006.

In a separate transaction, Ringier agreed to buy 38% of Good News for a consideration of €13.3m and now holds a 43% stake. In addition to taking up the shares, Ringier agreed to invest an undisclosed amount for future marketing activities. The net result of this transaction is that DEAG retains the majority ownership (52%) in Good News, with the remaining 5% held by the subsidiary's CEO André Bechir. Furthermore, DEAG reduced its financial liabilities by €12.0m and received an extra €1.3m in cash, while the annual interest load is reduced by approximately €1m.

In December 2005, DEAG increased its capital by 1.92m new shares to acquire interests in three concert agencies in Germany via a contribution in kind. This included 75% of MPE Music Pool Europe GmbH, Hamburg, 50% of KBK Konzert- und Künstleragentur GmbH, Munich, as well as 50% of ct creative talent GmbH, Berlin. These participation will give DEAG access to highly successful artists such as Nigel Kennedy (MPE), Kylie Minogue (ct) and Chris de Burgh (KBK). The company expects these investments to add some €18m in revenues in 2006.

In November 2005, DEAG entered into an agreement with international ticketing giant Ticketmaster to acquire one of Germany's lead ticketing companies, Kartenhaus GmbH. As of Q1/06, Kartenhaus was present at 500 box offices throughout Germany. Although DEAG will hold only a minority position in this co-operation, we believe it is a timely extension of the company's value chain and will positively impact the bottom-line.

Q1/06 FINANCIAL RESULTS

DEAG presented its Q1/06 results on 12 May. The company achieved revenues of €11.8m in its continued operations, up 132% y-o-y (€5.1m). A major boost came from the Zurich Hallenstadion which was only reopened in August 2005. In addition, 2005 saw a majority of concerts being postponed to Q2 and Q3. So far this year, DEAG has already been able to complete several successful concerts including Deep Purple and Bloodhound Gang.

Gross margin fell from an unusually 35.9% in Q1/05 to 24.8%, mainly due to the stronger influence of the lower margin Entertainment Services division. On an earnings basis, DEAG returned to profitability with EBIT at €0.2m compared to -€0.2m in the prior-year period. This improvement was principally driven by the increase in revenues but the company's tight management of distribution and administration costs was also a factor. The pre-tax result of -€0.2m (-€0.6m) is still subject to high interest expenses of €0.5m. Net income was reported at -€0.5m compared to -€0.6m in the prior-year period from continued operations with basic EPS at -€0.03 (-€0.05). Net income from discontinued operations reached -€0.1m (Q1 2005: -€0.3m) reducing DEAG's basic EPS to -€0.04 (-€0.07).

The segment Live Touring accounted for €4.4m or 37% of Q1/06 revenues, up some 450% y-o-y (€0.8m). EBIT for this segment reached €0.5m up from -€0.2m in Q1/05.

The Entertainment Services segment added €7.4m or 63% to this period's revenues, increasing 68.2% y-o-y with the majority of these revenues generated in Switzerland by the Hallenstadion venue. It's EBIT increased to €1.9m (€0.7m).

It is also notable that advanced sales, booked under Sales accruals and deferrals, reached €22.7m, up 59.9% versus €14.2m in the prior year period and +76.8% compared to year-end 2005. This clearly indicates strong customer interest for upcoming tours.

OUTLOOK

DEAG invested heavily in new business lines in 2005, e.g. the foundation of DEAG Music, the build-up of DEAG Classics, its investments in Kartenhaus and in a number of concert agencies. In addition, the company signed up additional partners, e.g. the new framework agreement with IMG Artists and the music publishing co-operation with Warner / Chappell Music. All of this allows DEAG management to offer positive guidance for 2006, predicting significant growth in revenues and a continual improvement of the company's gross profit margin. In the mid-term, an EBIT margin of 5 – 7% is targeted. The positive development of advanced ticket sales supports this assumption.

EARNINGS ANALYSIS

We are forecasting revenue growth of 80% for FY06 to €112.8m on continuing operations and an increase in net profits to €3.9m. We believe that the Zurich Hallenstadion will make up a significant part of the company's revenues base, given that it is fully operational throughout the entire year and based on its singular position in the Zurich/Konstanz region. Furthermore, DEAG was able to secure additional lines of credit in 2005 which enabled it to bid for international concert tours. The recently acquired concert agencies in the Pop/Rock segment as well as the first full year of the classic music concert series should be the principal near-term revenue drivers. We have not taken into account potential revenues from new initiatives such as family entertainment and artist management due to their infant stages of development.

For FY07, we project additional sales growth of 12.5% and consider our mid-term growth rate of 10% going forward as conservative.

Gross margin in FY05 was 21.2%. We estimate the company to achieve some 21.5% for both FY06 and FY07 as we believe the company will be able to reduce its dependency on the Pop/Rock markets and thus profit from better margins traditionally achieved in the classic music segment. After a further increase to 21.7% in FY08 we expect margins to remain stable at 22.0%.

We expect upward pressure on EBIT margins from 5.7% in FY06 towards 6.8% in the mid-term thanks to tight cost control, economies of scale and the use of synergies between the various lines of business. Based on these assumptions, our operating income target for FY06 is €6.4m.

Pre-tax income should also improve to €5.3m in 2006 based on the share repurchase deal with Ringier.

We believe that DEAG will be able to restructure its Wintergarten and Friedrichsbau operations by the end of 2006. Thus, our net income estimates for FY/06 will be slightly burdened by an additional loss of €0.25m from these operations. We thus estimate DEAG to achieve a bottom line of €3.9m in 2006 which equates into basic EPS of € 0.21.

For FY07, we have modelled revenues of €126.9m, EBIT of €7.4m, EBT of €6.9m and a net income of €5.4m which corresponds to a diluted EPS of €0.29.

VALUATION AND RISKS

Our valuation on DEAG is based on a two-stage discounted cash flow model (see page 7). Using the First Berlin methodology, which takes into account company specific risk factors, we have derived a Cost of Equity (COE) of 17% for the company. We estimate a WACC of 14.7%, which we used to discount the projected cash flows. Assuming DEAG's present market segments and product offerings remain unchanged, we have assigned a terminal growth rate of 2.0% to 2020. Including a net cash of €2.9m, which takes into account the Ringier share repurchase agreement, we value the company at €78.2m. This corresponds to a fair value of €4.20 per share. Our ten factor risk analysis has rendered a "high risk" rating for DEAG.

Our positive view on DEAG is associated with certain risk factors. Firstly, DEAG's revenues are dominated by the Pop/Rock tours segment which is highly receptive to unforeseeable consumer trends. In addition, as can be seen in the drop of gross margins from Q1/05 to Q1/06, profitability is highly dependent on the number of gained and executed concerts. We believe management are following the right approach in leveraging the company's know-how and network into the more stable classical music industry.

RECOMMENDATION

We believe that DEAG is set to resume its growth this year. The company should have largely overcome its growth constraints from the organizational reconstruction since the Stella liquidation. In addition, the company has improved its balance sheet and also gained additional financing which should allow it to win important tour contracts in the future. In addition, DEAG has strongly invested in the classical music segment which should add further stability to its revenues.

We have readjusted our valuation model with respect to the discontinued operations. Our estimates for revenues going forward are slightly increased mainly based on the strong development of the Hallenstadion venue. In addition, we regard the increase in advanced sales as a robust indicator for a strong FY06. Looking ahead we believe that a strong H1 will help to improve investors' confidence in the company's ability to profit from its growth initiatives and act as a catalyst for appreciation in the share price.

We reiterate our Buy rating on DEAG. Based on our DCF model, we have determined a price target of €4.20 (previously €4.30) per share. Our price target equates to a 2007 P/E multiple of 14.4x earnings.

DCF VALUATION MODEL

All figures in T€	2005	2006	2007	2008	2009	2010	2011	2012
Total Sales	62,653	112,775	126,872	139,560	153,516	168,867	185,754	204,329
Operating Income (EBIT)	2,135	6,426	7,381	8,399	10,467	11,513	12,665	13,931
Net income / loss	-3,774	3,918	5,437	6,318	8,091	9,017	10,037	7,604
+ depreciation & amortis. (excl. GW)	285	789	736	809	890	979	1,077	1,185
= net operating cash flow	-3,489	4,708	6,172	7,128	8,981	9,996	11,114	8,789
- total investments (Capex and WC)	3,119	4,607	1,571	1,190	1,289	1,309	1,259	1,385
Capital expenditure	-209	-671	-662	-769	-890	-1,077	-1,185	-1,304
Working capital	3,328	5,278	2,233	1,959	2,180	2,386	2,444	2,688
+/- others (incl. adj. on net interest, provisions, other non cash items)	-6,164	485	937	946	1,131	1,338	1,569	1,812
= Free cash flow (FCF)	-6,534	9,799	8,680	9,264	11,401	12,643	13,942	11,986
PV of FCF's	0	8,544	6,599	6,141	6,590	6,372	6,127	4,593

All figures in T€	
PV of FCF's in Phase I	44,968
PV of FCF's in Phase II (terminal value)	36,205
Enterprise Value (EV)	81,173
+ Net cash / - net debt (2005)	-2,969
+ financial investments / - minorities (2005)	0
Shareholder value	78,204
Shares outstanding (m)	18.56
Fair value per share €	4.21
WACC	14.7%
cost of equity	17.0%
pre-tax cost of debt	10.0%
normal tax rate	40.0%
after-tax cost of debt	6.0%
share of equity	79.0%
share of debt	21.0%
Terminal Growth	2.0%

Sensitivity analysis

Fair value per share €

Discount rate

Terminal Growth	11.7%	12.7%	13.7%	14.7%	15.7%	16.7%	17.7%
0.5%	5.18	4.73	4.34	4.01	3.72	3.47	3.25
1.0%	5.31	4.82	4.42	4.07	3.77	3.51	3.28
1.5%	5.44	4.93	4.50	4.14	3.83	3.56	3.32
2.0%	5.59	5.05	4.60	4.21	3.89	3.61	3.36
2.5%	5.76	5.18	4.70	4.29	3.95	3.66	3.40
3.0%	5.95	5.32	4.81	4.38	4.02	3.72	3.45
3.5%	6.16	5.48	4.93	4.48	4.10	3.78	3.50
4.0%	6.39	5.65	5.06	4.58	4.18	3.84	3.55

2007 P/E Exit Multiples

Terminal Growth	11.7%	12.7%	13.7%	14.7%	15.7%	16.7%	17.7%
0.5%	17.7x	16.1x	14.8x	13.7x	12.7x	11.8x	11.1x
1.0%	18.1x	16.5x	15.1x	13.9x	12.9x	12.0x	11.2x
1.5%	18.6x	16.8x	15.4x	14.1x	13.1x	12.1x	11.3x
2.0%	19.1x	17.2x	15.7x	14.4x	13.3x	12.3x	11.5x
2.5%	19.7x	17.7x	16.0x	14.7x	13.5x	12.5x	11.6x
3.0%	20.3x	18.2x	16.4x	15.0x	13.7x	12.7x	11.8x
3.5%	21.0x	18.7x	16.8x	15.3x	14.0x	12.9x	11.9x
4.0%	21.8x	19.3x	17.3x	15.6x	14.3x	13.1x	12.1x

CASHFLOW ANALYSIS

(all figures in € '000)	2004A	2005A	2006F	2007E	2008E	2009E	2010E
Net Income	4,738	374	3,918	5,437	6,318	8,091	9,017
Depreciation	559	285	789	736	809	890	979
Other non-cashflow relevant changes	304	-1,110	0	0	0	0	0
Change in Other Accruals	-7,289	-1,853	811	846	761	837	921
Minority Share in Profits	0	0	470	529	581	640	703
Change in Deferred Tax Liabilities	-686	-1,813	0	0	0	0	0
Result from Valuation of associated Companies	5	-4	0	0	0	0	0
Change in Working Capital	-16,416	3,328	5,278	2,233	1,959	2,180	2,386
Operating Cash Flow	-18,785	-793	11,265	9,780	10,429	12,638	14,006
Capex	-1,394	-209	-671	-662	-769	-890	-1,077
Acquisitions	-56	512	13,300	0	0	0	0
Sale of Fixed Assets	58	104	0	0	0	0	0
Cash Flow from Investments	-1,392	407	12,629	-662	-769	-890	-1,077
Capital Increase	0	6,594	0	0	0	0	0
Costs re. Capital Increase	0	-385	0	0	0	0	0
Acq./Sale of Own Shares	-1	0	0	0	0	0	0
Net Increase in Financial Liabilities	2,487	-500	0	0	0	0	0
Cash Inflow from Dissolution of Pension Deal	0	0	-12,031	0	0	0	0
Cash Inflow from Convertible Bond Issue	0	0	301	316	332	348	366
Dividends to Minorities	-349	-172	-172	-172	-172	-172	-172
Cash Flow from Financing	2,137	5,549	-11,902	144	160	176	194
Foreign Exchange Effects	-68	-24	0	0	0	0	0
Net Cash Flow	-18,108	5,139	11,992	9,261	9,820	11,924	13,123
Cash Beginning of Year	37,500	21,266	26,290	38,282	47,543	57,363	69,287
Cash End of Year	19,392	26,405	38,282	47,543	57,363	69,287	82,409

BALANCE SHEET ANALYSIS

(all figures in € '000)	2004A	2005A	2006F	2007E	2008E	2009E	2010E
Non-Current Assets, Total	52,782	54,015	40,597	40,523	40,483	40,483	40,580
Current Assets, Total	16,464	24,499	31,699	35,389	38,760	42,444	46,508
Receivables from Trade	3,218	2,835	5,075	5,709	6,280	6,908	7,599
Receivables from associated parties	60	0	0	0	0	0	0
Inventories	3,553	3,502	5,821	6,276	6,736	7,217	7,759
Other short term assets	9,633	13,441	13,533	15,225	16,747	18,422	20,264
Receivables from discontinued corporate segments	0	1,215	1,871	2,105	2,315	2,547	2,802
Other short term assets re. discontinued corporate segments	0	3,506	5,399	6,074	6,681	7,350	8,085
Cash & Cash Equivalents	21,266	26,290	38,282	47,543	57,363	69,287	82,409
Prepaid Expenses	397	102	184	207	227	250	275
Total Assets	90,909	104,906	110,761	123,662	136,833	152,463	169,773
Shareholder's Equity, Total	32,125	39,361	43,279	48,716	55,034	63,125	72,141
Subscribed Capital	13,749	18,558	18,558	18,558	18,558	18,558	18,558
Capital Reserve/Agio/Goodwill/Cap.Increase	56,175	62,396	62,396	62,396	62,396	62,396	62,396
Cum. Gains/Losses	-37,781	-41,555	-37,637	-32,200	-25,882	-17,791	-8,775
Cum. Other Result	-18	-38	-38	-38	-38	-38	-38
Minorities	657	439	737	1,093	1,503	1,970	2,502
Accruals	8,167	5,956	6,767	7,612	8,374	9,211	10,132
Long-term Liabilities	20,637	8,108	8,409	8,725	9,056	9,404	9,770
Convertible Bond	5,281	6,016	6,317	6,633	6,964	7,312	7,678
Other long term Liabilities	898	150	150	150	150	150	150
Repurchase Agreement	12,386	0	0	0	0	0	0
Deferred Tax Liabilities	2,072	1,942	1,942	1,942	1,942	1,942	1,942
Short-Term Liabilities	21,914	38,201	31,271	34,679	37,746	41,121	44,832
Liabilities vs. Banks	4,000	4,005	4,005	4,005	4,005	4,005	4,005
Trade Liabilities	4,915	3,495	3,947	4,441	4,885	5,373	5,910
Liabilities vs. Associated Parties	12	0	0	0	0	0	0
Other short term Liabilities	12,987	14,132	15,789	17,762	19,538	21,492	23,641
Repurchase Agreement	0	12,031	0	0	0	0	0
Liabilities vs. Discontinued Operations	0	1,364	2,455	2,762	3,038	3,342	3,676
Liabilities re. Discontinued Operations	0	3,174	5,075	5,709	6,280	6,908	7,599
Sales Accruals and Deferrals	7,409	12,841	20,300	22,837	25,121	27,633	30,396
Total Shareholders' Equity & Liabilities	90,909	104,906	110,762	123,662	136,834	152,464	169,773
Ratios							
Current Ratio (x)	1.7	1.3	2.2	2.4	2.5	2.7	2.9
Quick Ratio (x)	1.6	1.2	2.1	2.2	2.4	2.5	2.7
Equity Ratio (%)	35.3%	37.5%	39.1%	39.4%	40.2%	41.4%	42.5%
Debt to Equity Ratio (Gearing, %)	67.4%	56.0%	23.8%	21.8%	19.9%	17.9%	16.2%
Equity per Share (€)	2.3	2.1	2.3	2.6	3.0	3.4	3.9
Net Debt	401	-4,238	-27,960	-36,906	-46,394	-57,969	-70,726
Interest Coverage Ratio (x)	3.1	0.9	4.8	10.1	12.7	18.1	24.2
Capital Employed (CE, €)	68,995	66,705	79,491	88,983	99,087	111,343	124,941
Return on Equity (RoE, %)	19.8%	5.4%	14.8%	15.2%	15.3%	16.6%	16.0%
Return on Capital Employed (RoCE, %)	9.2%	3.2%	8.1%	8.3%	8.5%	9.4%	9.2%
Return on Net Assets (RoNA, %)	13.1%	3.6%	9.0%	9.2%	9.3%	10.3%	10.0%

INCOME STATEMENT ANALYSIS

(all figures in € '000)	2004A	2005A	2006F	2007E	2008E	2009E	2010E
Total Sales	87,825	62,653	112,775	126,872	139,560	153,516	168,867
Material Costs	-69,548	-49,349	-88,529	-99,595	-109,275	-119,742	-131,716
Distribution Costs	-9,327	-6,293	-11,278	-12,687	-13,956	-15,352	-16,887
Administrative Costs	-8,922	-8,286	-12,405	-13,956	-15,352	-16,119	-17,731
Other income	8,640	4,259	7,666	8,625	9,487	10,436	11,480
Other expenses	-1,762	-564	-1,015	-1,142	-1,256	-1,382	-1,520
Depreciation & Amortization	-556	-285	-789	-736	-809	-890	-979
Operating Income (EBIT)	6,350	2,135	6,426	7,381	8,399	10,467	11,513
Net Financial Result	-2,046	-2,307	-1,325	-729	-660	-577	-477
Income from Investments	-50	237	195	219	241	265	292
Income from associated Companies	-5	4	0	0	0	0	0
Foreign exchange gains/losses	19	77	35	39	43	48	52
EBT	4,268	146	5,331	6,911	8,023	10,203	11,381
Income Tax	471	228	-693	-946	-1,124	-1,472	-1,661
Minorities	146	-261	-470	-529	-581	-640	-703
Income from discontinued Operations	-2,005	-3,887	-250	0	0	0	0
Net Income	2,880	-3,774	3,918	5,437	6,318	8,091	9,017
EPS	0.21	-0.20	0.21	0.29	0.34	0.44	0.49
EBITDA (for Reporting only)	6,906	2,420	7,215	8,117	9,208	11,357	12,493
Ratios							
Gross Margin	20.8%	21.2%	21.5%	21.5%	21.7%	22.0%	22.0%
EBITDA Margin	7.9%	3.9%	6.4%	6.4%	6.6%	7.4%	7.4%
EBIT Margin	7.2%	3.4%	5.7%	5.8%	6.0%	6.8%	6.8%
Net Income Margin	3.3%	-6.0%	3.5%	4.3%	4.5%	5.3%	5.3%
Tax Rate, effective (%)	-11.0%	-156.2%	13.0%	13.7%	14.0%	14.4%	14.6%
Expenses as % of Total Sales							
Material Costs	79.2%	78.8%	78.5%	78.5%	78.3%	78.0%	78.0%
Distribution Costs	10.6%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Administrative Costs	10.2%	13.2%	11.0%	11.0%	11.0%	10.5%	10.5%
Other income	9.8%	6.8%	6.8%	6.8%	6.8%	6.8%	6.8%
Other expenses	2.0%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Y-o-Y Growth							
Total Sales	-31.0%	-28.7%	80.0%	12.5%	10.0%	10.0%	10.0%
Operating Income (EBIT)	47.4%	-66.4%	201.0%	14.9%	13.8%	24.6%	10.0%
Net Income	nmf	nmf	nmf	38.8%	16.2%	28.1%	11.4%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of Publication	Previous Day Closing Price	Recommendation	Target Price	Interim High	% Change to High
1	3 June 2004	€2.80	Strong Buy	€3.75	€2.78	-0.7%
2	15 December 2004	€1.59	Strong Buy	€2.40	€2.51	57.9%
3	2 May 2005	€2.03	Strong Buy	UR	€2.42	19.2%
4	15 July 2005	€2.25	Buy	€5.75	€2.42	7.5%
5	15 August 2005	€2.11	Buy	€5.75	€2.98	41.2%
6	24 November 2005	€2.11	Buy	€4.30	€2.74	29.9%
7	Today	€1.49	Buy	€4.20	-	-

Source: Bloomberg & First Berlin

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First Berlin's investment rating system includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

BUY: Expected return greater than 15%
HOLD: Expected return between 0% and 15%
SELL: Expected negative return

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 30 June 2005, First Berlin's investment rating system was five 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: STRONG BUY: expected return greater than 20%, BUY: expected return greater than 10%, HOLD: fairly valued, REDUCE: expected return between -10% and 0%, SELL: expected return to depreciate by more than 15%. In addition, we had a SPECULATIVE BUY recommendation for stocks which we projected had the potential to give a return of 50% or more but which we also expected to be exceptionally volatile (movement up or down of 50% or more). Our risk ratings were Low, Medium, High and Speculative and were a reflection of expected price volatility, the strength of the balance sheet and the predictability of earnings.

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