

|  |  |   |   |
|--|--|---|---|
| <b>Buy</b><br><br><b>EUR 4.40</b><br><br>Price <b>EUR 2.76</b><br><b>Upside 59.4 %</b> | <b>Value Indicators:</b> EUR<br>DCF: 4.53  | <b>Share data:</b><br>Bloomberg: CNWK GR<br>Reuters: CNWKK<br>ISIN: DE000A1K0227  | <b>Description:</b><br>co.don develops, manufactures and distributes biopharmaceutical articular cartilage. |
|  | <b>Market Snapshot:</b> EUR m<br>Market cap: 44.8<br>No. of shares (m): 16.2<br>EV: 39.0<br>Freefloat MC: 21.9<br>Ø Trad. Vol. (30d): 39.55 th | <b>Shareholders:</b><br>Freefloat 49.0 %<br>Osemifaro Investments 14.6 %<br>Transnova Investments 14.6 %<br>Dr. Bernd Wegener 14.5 %<br>Klaus Stuffer 3.6 % | <b>Risk Profile (WRe):</b> 2015e<br>Beta: 1.9<br>Price / Book: 5.8 x<br>Equity Ratio: 79 %                  |

## Strong preliminary figures released

co.don released strong key preliminary figures, which clearly confirm the investment case. Final figures are due on April 29.

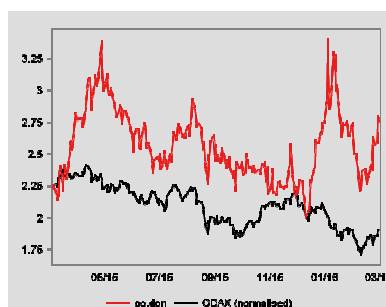
**Business development:** Sales increased by +14% yoy (+15% yoy WRe). EBITDA, before costs for the approval process for co.don chondrosphere, reached breakeven on a full-year basis in 2015. Therefore, the company reached a significant milestone in the last fiscal year. However, it is still expected that strategic expenditure as well as the repositioning after the change of management will burden full-year EBITDA (EUR -1.7m WRe). In the last six years, co.don invested more than EUR 12m in the development and approval of co.don chondrosphere. This investment represents a clear barrier to entry for new competitors who have not yet started clinical trials. co.don is operating in an oligopolistic market with just one serious competitor (TETEC a B.Braun company).

**Monetising business model:** In the last decade, co.don has been transformed from an R&D company towards a biopharmaceutical supplier of tissue engineered cartilage transplants. The monetisation of co.don's know-how became more visible in 2014, with an in-house sales force. Now, the benefits of self-operated distribution are showing in the financials in both higher sales prices and higher volumes. co.don reached a new record in Q4 15 by marketing c. 350 (WRe; +29% qoq) transplants. 270 (WRe) transplants were sold in Q3 15. Another record was reached in January 2016 with growth of +30% yoy. The number of completed tissue transplantations is estimated to have crossed the threshold of 8,400 (WRe) treatments at year-end 2015, further expanding the company's track record. In Germany, the core product co.don chondrosphere (95% of total sales) was approved in 2013 by the Paul-Ehrlich-Institute. The EU-wide approval by European Medicines Agency (EMA) is expected in H2 2017.

**Change of management:** In the context of the change of management, a sales acceleration is expected in the years to come. Mr. Hessel (CEO since July 2015) has widespread experience in various international management positions and has overseen several product launches in the pharmaceutical industry. co.don's current focus lies in strengthening sales activities in Germany to improve the operational breakeven and more importantly, to transform the company into a commercial and profitable biopharmaceutical company.

**European roll-out:** The company has already started preparation for the roll-out (e.g. market research; strengthening sales force; negotiations with distribution partners; visiting international medical exhibitions). To finance the internationalisation strategy, co.don issued new shares and raised some EUR 4.9m in November 2015. This is expected to have led to a cash position of some EUR 5.5m (WRe) at the end of the last fiscal year. Furthermore, the operational breakeven should result in a sharp reduction in the monthly cash burn at co.don. Hence, the liquid funds should last until the expected approval of co.don chondrosphere.

**Valuation:** Against the backdrop of this overall positive development, our assumptions are confirmed. As a result of improving figures, the investment case is perceived to be fully intact. Considering the potential of a European roll-out, the derived price target remains EUR 4.40 (DCF-based). **Buy.**

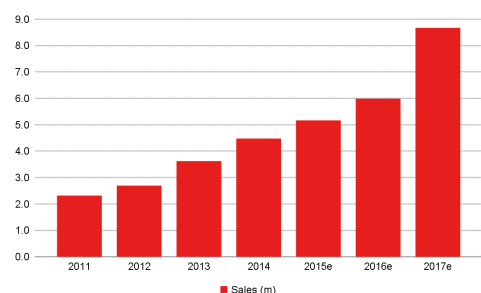


| Rel. Performance vs CDAX: |        |
|---------------------------|--------|
| 1 month:                  | 6.9 %  |
| 6 months:                 | 17.6 % |
| Year to date:             | 9.1 %  |
| Trailing 12 months:       | 35.9 % |

| Company events: |       |
|-----------------|-------|
| 29.04.16        | FY 15 |
| 14.07.16        | AGM   |
| 31.08.16        | Q2    |

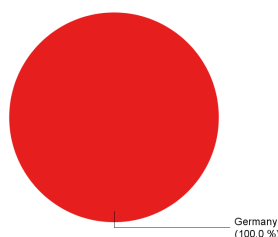
| FY End: 31.12. in EUR m    | CAGR (14-17e)                                     | 2011    | 2012    | 2013    | 2014    | 2015e   | 2016e   | 2017e   |
|----------------------------|---|---------|---------|---------|---------|---------|---------|---------|
| <b>Sales</b>               | 24.7 %  | 2.3     | 2.7     | 3.6     | 4.5     | 5.2     | 6.0     | 8.7     |
| Change Sales yoy           |   | 8.0 %   | 16.3 %  | 34.5 %  | 23.6 %  | 15.3 %  | 16.0 %  | 44.8 %  |
| Gross profit margin        |   | 41.2 %  | 49.2 %  | 62.7 %  | 85.4 %  | 67.0 %  | 70.0 %  | 85.0 %  |
| <b>EBITDA</b>              | -   | -0.9    | -2.2    | -2.5    | -2.3    | -1.7    | -0.7    | 0.9     |
| Margin                     |   | -37.1 % | -83.1 % | -68.4 % | -50.6 % | -33.0 % | -12.0 % | 10.0 %  |
| <b>EBIT</b>                | -   | -1.0    | -2.4    | -2.7    | -2.5    | -2.0    | -1.0    | 0.4     |
| Margin                     |   | -43.9 % | -88.4 % | -73.5 % | -55.3 % | -38.0 % | -17.0 % | 5.0 %   |
| <b>Net income</b>          | -   | -1.0    | -2.4    | -2.7    | -2.5    | -2.0    | -1.0    | 0.4     |
| <b>EPS</b>                 | -   | -0.14   | -0.22   | -0.24   | -0.18   | -0.12   | -0.06   | 0.02    |
| <b>DPS</b>                 | -   | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    | 0.00    |
| Dividend Yield             |   | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    |
| <b>FCFPS</b>               |   | -0.21   | -0.23   | -0.19   | -0.14   | -0.16   | -0.06   | 0.03    |
| <b>FCF / Market cap</b>    |   | -15.3 % | -22.3 % | -20.5 % | -6.0 %  | -5.9 %  | -2.1 %  | 1.2 %   |
| <b>EV / Sales</b>          |   | 3.6 x   | 3.0 x   | 2.5 x   | 6.5 x   | 7.4 x   | 6.5 x   | 4.4 x   |
| <b>EV / EBITDA</b>         |   | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | 44.4 x  |
| <b>EV / EBIT</b>           |   | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | 88.9 x  |
| <b>P / E</b>               |   | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | n.a.    | 138.0 x |
| <b>FCF Yield Potential</b> |   | -10.3 % | -28.2 % | -27.0 % | -7.9 %  | -4.5 %  | -1.8 %  | 2.1 %   |
| <b>Net Debt</b>            |   | -1.3    | -2.8    | -1.2    | -4.3    | -6.6    | -5.7    | -6.2    |
| <b>Guidance:</b>           | Positive revenue and yearly earnings development. |         |         |         |         |         |         |         |

**Sales development**  
in EUR m



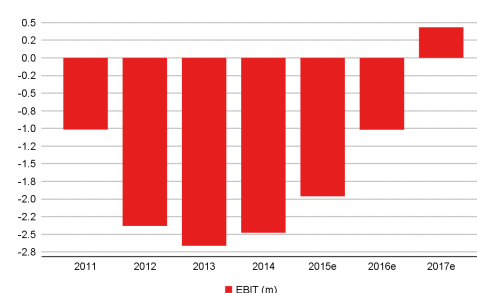
Source: Warburg Research

**Sales by regions**  
2014; in %



Source: Warburg Research

**EBIT development**  
in EUR m



Source: Warburg Research

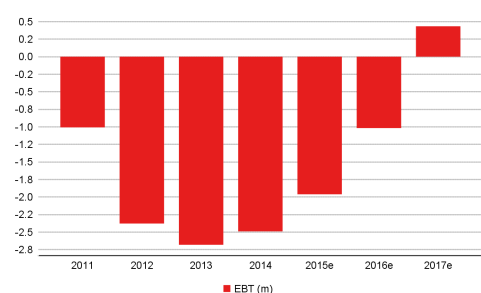
## Company Background

- co.don AG is a manufacturer of biopharmaceutical transplants. The company is specialised in the treatment of articular cartilage defects and spinal disc defects.
- A transplant is created from the patient's own cartilage and blood in the laboratory. This is then transplanted to the cartilage defect as autologous cells: an own-body, cell-based replacement for the defect.
- The authorisation process for the product co.don chondrosphere was necessary after the introduction of new EU regulations for the authorisation of medical products by the central European Medicines Agency.
- co.don chondrosphere was however already in distribution in 2004 and has since been used with around 8,500 patients. co.don chondrosphere is currently the most important co.don product to be on sale.
- The EMA authorisation would mean the product could be distributed in all EU countries. The authorisation is not expected until 2017.

## Competitive Quality

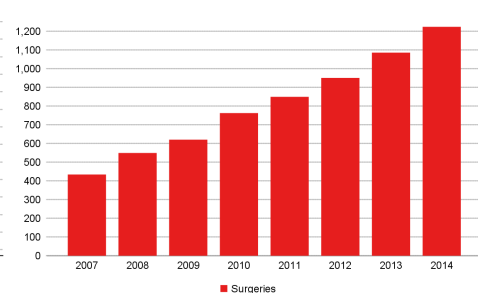
- With its joint-preserving product, co.don competes with manufacturers of surgical (i.g. metal knee implants), which can pose a considerably higher risk for the patients.
- A knee replacement procedure is considerably complex, while a cartilage replacement from co.don can be inserted by a minimally-invasive knee arthroscopy. Costs for both procedures are approximately comparable.
- Both procedures are covered by health insurance companies in Germany. The co.don procedure is currently being employed in more than 120 clinics (incl. Asklepios).
- As co.don chondrosphere is already being distributed, co.don has a clear competitive advantage over new entrants.
- In light of the 7,200 procedures that have already taken place and the now-confirmed effectiveness and safety of the procedure, the likelihood of a successful approval of the product is increased.

**EBT development**  
in EUR m



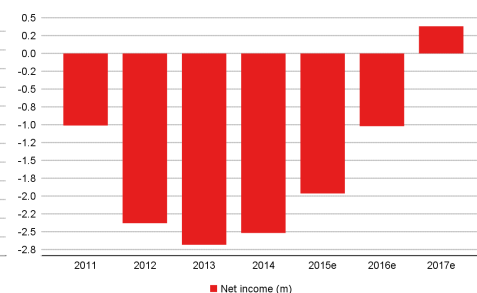
Source: Warburg Research

**Number of surgeries**  
in thousand



Source: Warburg Research

**Net income development**  
in EUR m



Source: Warburg Research

**DCF model**

| Figures in EUR m            | Detailed forecast period |         |        | Transitional period |        |        |        |        |        |        |        |        |        | Term. Value    |
|-----------------------------|--------------------------|---------|--------|---------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------------|
|                             | 2015e                    | 2016e   | 2017e  | 2018e               | 2019e  | 2020e  | 2021e  | 2022e  | 2023e  | 2024e  | 2025e  | 2026e  | 2027e  |                |
| Sales                       | 5.2                      | 6.0     | 8.7    | 12.6                | 19.9   | 28.9   | 36.7   | 46.4   | 55.8   | 64.5   | 73.3   | 82.4   | 88.6   |                |
| Sales change                | 15.3 %                   | 16.0 %  | 44.8 % | 44.8 %              | 58.4 % | 45.3 % | 27.2 % | 26.4 % | 20.1 % | 15.7 % | 13.6 % | 12.4 % | 7.5 %  | 2.0 %          |
| EBIT                        | -2.0                     | -1.0    | 0.4    | 0.5                 | 1.8    | 4.2    | 5.9    | 9.1    | 13.8   | 16.1   | 18.3   | 20.6   | 22.2   |                |
| EBIT-margin                 | -38.0 %                  | -17.0 % | 5.0 %  | 3.9 %               | 9.0 %  | 14.7 % | 16.2 % | 19.6 % | 24.7 % | 25.0 % | 25.0 % | 25.0 % | 25.0 % |                |
| Tax rate (EBT)              | -0.1 %                   | -0.2 %  | 12.0 % | 12.0 %              | 12.0 % | 12.0 % | 12.0 % | 12.0 % | 12.0 % | 15.0 % | 28.0 % | 28.0 % | 28.0 % |                |
| NOPAT                       | -2.0                     | -1.0    | 0.4    | 0.4                 | 1.6    | 3.7    | 5.2    | 8.0    | 12.1   | 13.7   | 13.2   | 14.8   | 16.0   |                |
| Depreciation                | 0.3                      | 0.3     | 0.4    | 0.4                 | 0.6    | 0.9    | 1.1    | 1.4    | 1.7    | 1.9    | 2.2    | 2.5    | 2.7    |                |
| in % of Sales               | 5.0 %                    | 5.0 %   | 5.0 %  | 3.5 %               | 3.0 %  | 3.0 %  | 3.0 %  | 3.0 %  | 3.0 %  | 3.0 %  | 3.0 %  | 3.0 %  | 3.0 %  |                |
| Changes in provisions       | 0.0                      | 0.0     | 0.0    | 0.0                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |                |
| Change in Liquidity from    |                          |         |        |                     |        |        |        |        |        |        |        |        |        |                |
| - Working Capital           | 0.5                      | 0.0     | 0.1    | 0.2                 | 0.4    | 0.5    | 0.4    | 0.5    | 0.5    | 0.4    | 0.4    | 0.5    | 0.3    |                |
| - Capex                     | 0.7                      | 0.2     | 0.2    | 1.3                 | 2.0    | 1.2    | 1.5    | 1.9    | 2.2    | 2.6    | 2.9    | 3.3    | 2.7    |                |
| Capex in % of Sales         | 13.6 %                   | 3.3 %   | 2.3 %  | 10.0 %              | 10.0 % | 4.0 %  | 4.0 %  | 4.0 %  | 4.0 %  | 4.0 %  | 4.0 %  | 4.0 %  | 3.0 %  |                |
| Other                       | 0.0                      | 0.0     | 0.0    | 0.0                 | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    | 0.0    |                |
| Free Cash Flow (WACC Model) | -2.9                     | -0.9    | 0.5    | -0.6                | -0.2   | 3.0    | 4.5    | 7.1    | 11.1   | 12.6   | 12.0   | 13.6   | 15.6   | 16             |
| PV of FCF                   | -2.9                     | -0.8    | 0.4    | -0.4                | -0.1   | 1.7    | 2.2    | 3.2    | 4.5    | 4.5    | 3.9    | 3.9    | 4.0    | 43             |
| share of PVs                | <b>-4.87 %</b>           |         |        | <b>40.86 %</b>      |        |        |        |        |        |        |        |        |        | <b>64.01 %</b> |

**Model parameter**

|                          |                |                     |             |
|--------------------------|----------------|---------------------|-------------|
| Derivation of WACC:      |                | Derivation of Beta: |             |
| Debt ratio               | 0.00 %         | Financial Strength  | 1.90        |
| Cost of debt (after tax) | 4.2 %          | Liquidity (share)   | 2.00        |
| Market return            | 7.00 %         | Cyclicality         | 1.80        |
| Risk free rate           | 1.50 %         | Transparency        | 1.60        |
|                          |                | Others              | 2.00        |
| <b>WACC</b>              | <b>11.73 %</b> | <b>Beta</b>         | <b>1.86</b> |

**Valuation (m)**

|                            |           |                              |             |
|----------------------------|-----------|------------------------------|-------------|
| Present values 2027e       | 24        |                              |             |
| Terminal Value             | 43        |                              |             |
| Financial liabilities      | 0         |                              |             |
| Pension liabilities        | 0         |                              |             |
| Hybrid capital             | 0         |                              |             |
| Minority interest          | 0         |                              |             |
| Market val. of investments | 0         |                              |             |
| Liquidity                  | 7         | No. of shares (m)            | 16.2        |
| <b>Equity Value</b>        | <b>73</b> | <b>Value per share (EUR)</b> | <b>4.53</b> |

**Sensitivity Value per Share (EUR)**

| Beta        | WACC   | Terminal Growth |        |        |             |        |        |        | Beta        | WACC   | Delta EBIT-margin |         |         |             |         |         |         |
|-------------|--------|-----------------|--------|--------|-------------|--------|--------|--------|-------------|--------|-------------------|---------|---------|-------------|---------|---------|---------|
|             |        | 1.25 %          | 1.50 % | 1.75 % | 2.00 %      | 2.25 % | 2.50 % | 2.75 % |             |        | -1.5 pp           | -1.0 pp | -0.5 pp | +0.0 pp     | +0.5 pp | +1.0 pp | +1.5 pp |
| <b>2.04</b> | 12.7 % | 3.76            | 3.80   | 3.85   | 3.90        | 3.95   | 4.00   | 4.06   | <b>2.04</b> | 12.7 % | 3.62              | 3.71    | 3.81    | 3.90        | 3.99    | 4.09    | 4.18    |
| <b>1.95</b> | 12.2 % | 4.03            | 4.09   | 4.14   | 4.20        | 4.26   | 4.32   | 4.38   | <b>1.95</b> | 12.2 % | 3.90              | 4.00    | 4.10    | 4.20        | 4.30    | 4.39    | 4.49    |
| <b>1.91</b> | 12.0 % | 4.18            | 4.24   | 4.30   | 4.36        | 4.42   | 4.49   | 4.56   | <b>1.91</b> | 12.0 % | 4.05              | 4.15    | 4.25    | 4.36        | 4.46    | 4.56    | 4.66    |
| <b>1.86</b> | 11.7 % | 4.34            | 4.40   | 4.46   | <b>4.53</b> | 4.60   | 4.67   | 4.75   | <b>1.86</b> | 11.7 % | 4.21              | 4.31    | 4.42    | <b>4.53</b> | 4.63    | 4.74    | 4.85    |
| <b>1.81</b> | 11.5 % | 4.50            | 4.57   | 4.64   | 4.71        | 4.78   | 4.86   | 4.95   | <b>1.81</b> | 11.5 % | 4.38              | 4.49    | 4.60    | 4.71        | 4.82    | 4.93    | 5.04    |
| <b>1.77</b> | 11.2 % | 4.68            | 4.75   | 4.82   | 4.90        | 4.98   | 5.07   | 5.16   | <b>1.77</b> | 11.2 % | 4.56              | 4.67    | 4.78    | 4.90        | 5.01    | 5.13    | 5.24    |
| <b>1.68</b> | 10.7 % | 5.06            | 5.14   | 5.23   | 5.32        | 5.41   | 5.52   | 5.63   | <b>1.68</b> | 10.7 % | 4.95              | 5.07    | 5.19    | 5.32        | 5.44    | 5.56    | 5.69    |

- Europe-wide authorisation is earliest expected in 2017.
- Upstream sales activities in 2016 are expected to lead to a significant revenue increase in 2017.
- Break-even is operationally expected on an EBITDA level (2015) but expenses for the authorisation still burden.
- After reduced expenses for the authorisation beyond 2017, total break-even is expected.

| <b>Valuation</b>                    |             |             |             |             |              |              |              |
|-------------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
|                                     | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015e</b> | <b>2016e</b> | <b>2017e</b> |
| Price / Book                        | 3.9 x       | 2.7 x       | 5.7 x       | 7.8 x       | 5.8 x        | 6.8 x        | 6.3 x        |
| Book value per share ex intangibles | 0.32        | 0.36        | 0.14        | 0.30        | 0.46         | 0.38         | 0.40         |
| EV / Sales                          | 3.6 x       | 3.0 x       | 2.5 x       | 6.5 x       | 7.4 x        | 6.5 x        | 4.4 x        |
| EV / EBITDA                         | n.a.        | n.a.        | n.a.        | n.a.        | n.a.         | n.a.         | 44.4 x       |
| EV / EBIT                           | n.a.        | n.a.        | n.a.        | n.a.        | n.a.         | n.a.         | 88.9 x       |
| EV / EBIT adj.*                     | n.a.        | n.a.        | n.a.        | n.a.        | n.a.         | n.a.         | 88.9 x       |
| P / FCF                             | n.a.        | n.a.        | n.a.        | n.a.        | n.a.         | n.a.         | 86.9 x       |
| P / E                               | n.a.        | n.a.        | n.a.        | n.a.        | n.a.         | n.a.         | 138.0 x      |
| P / E adj.*                         | n.a.        | n.a.        | n.a.        | n.a.        | n.a.         | n.a.         | 138.0 x      |
| Dividend Yield                      | n.a.        | n.a.        | n.a.        | n.a.        | n.a.         | n.a.         | n.a.         |
| Free Cash Flow Yield Potential      | -10.3 %     | -28.2 %     | -27.0 %     | -7.9 %      | -4.5 %       | -1.8 %       | 2.1 %        |

\*Adjustments made for: -

| <b>Company Specific Items</b> |             |             |             |             |              |              |              |
|-------------------------------|-------------|-------------|-------------|-------------|--------------|--------------|--------------|
|                               | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015e</b> | <b>2016e</b> | <b>2017e</b> |
| Surgeries                     | 849         | 950         | 1,085       | 1,223       | 1,291        | 1,497        | 2,000        |

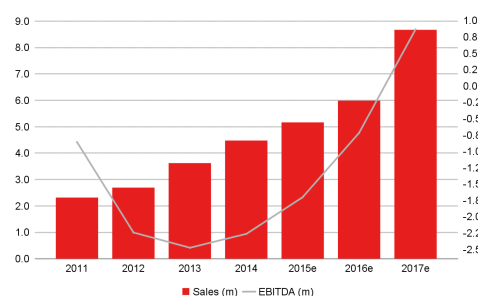
**Consolidated profit & loss**

| In EUR m   | 2011           | 2012           | 2013           | 2014           | 2015e          | 2016e          | 2017e         |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| <b>Sales</b>                                     | <b>2.3</b>     | <b>2.7</b>     | <b>3.6</b>     | <b>4.5</b>     | <b>5.2</b>     | <b>6.0</b>     | <b>8.7</b>    |
| Change Sales yoy                                 | 8.0 %          | 16.3 %         | 34.5 %         | 23.6 %         | 15.3 %         | 16.0 %         | 44.8 %        |
| Increase / decrease in inventory                 | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| Own work capitalised                             | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| <b>Total Sales</b>                               | <b>2.3</b>     | <b>2.7</b>     | <b>3.6</b>     | <b>4.5</b>     | <b>5.2</b>     | <b>6.0</b>     | <b>8.7</b>    |
| Material Expenses                                | 1.4            | 1.4            | 1.4            | 0.7            | 1.7            | 1.8            | 1.3           |
| <b>Gross profit</b>                              | <b>1.0</b>     | <b>1.3</b>     | <b>2.3</b>     | <b>3.8</b>     | <b>3.5</b>     | <b>4.2</b>     | <b>7.4</b>    |
| <b>Gross profit margin</b>                       | <b>41.2 %</b>  | <b>49.2 %</b>  | <b>62.7 %</b>  | <b>85.4 %</b>  | <b>67.0 %</b>  | <b>70.0 %</b>  | <b>85.0 %</b> |
| Personnel expenses                               | 1.8            | 2.1            | 2.8            | 3.6            | 3.0            | 3.4            | 4.7           |
| Other operating income                           | 1.4            | 1.0            | 0.5            | 0.5            | 0.8            | 0.9            | 0.9           |
| Other operating expenses                         | 1.4            | 2.5            | 2.4            | 2.9            | 2.9            | 2.5            | 2.7           |
| Unfrequent items                                 | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| <b>EBITDA</b>                                    | <b>-0.9</b>    | <b>-2.2</b>    | <b>-2.5</b>    | <b>-2.3</b>    | <b>-1.7</b>    | <b>-0.7</b>    | <b>0.9</b>    |
| <b>Margin</b>                                    | <b>-37.1 %</b> | <b>-83.1 %</b> | <b>-68.4 %</b> | <b>-50.6 %</b> | <b>-33.0 %</b> | <b>-12.0 %</b> | <b>10.0 %</b> |
| Depreciation of fixed assets                     | 0.2            | 0.1            | 0.2            | 0.2            | 0.3            | 0.3            | 0.4           |
| <b>EBITA</b>                                     | <b>-1.0</b>    | <b>-2.4</b>    | <b>-2.7</b>    | <b>-2.5</b>    | <b>-2.0</b>    | <b>-1.0</b>    | <b>0.4</b>    |
| Amortisation of intangible assets                | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| Goodwill amortization                            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| <b>EBIT</b>                                      | <b>-1.0</b>    | <b>-2.4</b>    | <b>-2.7</b>    | <b>-2.5</b>    | <b>-2.0</b>    | <b>-1.0</b>    | <b>0.4</b>    |
| <b>Margin</b>                                    | <b>-43.9 %</b> | <b>-88.4 %</b> | <b>-73.5 %</b> | <b>-55.3 %</b> | <b>-38.0 %</b> | <b>-17.0 %</b> | <b>5.0 %</b>  |
| <b>EBIT adj.</b>                                 | <b>-1.0</b>    | <b>-2.4</b>    | <b>-2.7</b>    | <b>-2.5</b>    | <b>-2.0</b>    | <b>-1.0</b>    | <b>0.4</b>    |
| Interest income                                  | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| Interest expenses                                | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| Other financial income (loss)                    | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| <b>EBT</b>                                       | <b>-1.0</b>    | <b>-2.4</b>    | <b>-2.7</b>    | <b>-2.5</b>    | <b>-2.0</b>    | <b>-1.0</b>    | <b>0.4</b>    |
| <b>Margin</b>                                    | <b>-43.5 %</b> | <b>-88.3 %</b> | <b>-74.0 %</b> | <b>-55.6 %</b> | <b>-38.0 %</b> | <b>-17.0 %</b> | <b>5.0 %</b>  |
| Total taxes                                      | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.1           |
| <b>Net income from continuing operations</b>     | <b>-1.0</b>    | <b>-2.4</b>    | <b>-2.7</b>    | <b>-2.5</b>    | <b>-2.0</b>    | <b>-1.0</b>    | <b>0.4</b>    |
| Income from discontinued operations (net of tax) | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| <b>Net income before minorities</b>              | <b>-1.0</b>    | <b>-2.4</b>    | <b>-2.7</b>    | <b>-2.5</b>    | <b>-2.0</b>    | <b>-1.0</b>    | <b>0.4</b>    |
| Minority interest                                | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0           |
| <b>Net income</b>                                | <b>-1.0</b>    | <b>-2.4</b>    | <b>-2.7</b>    | <b>-2.5</b>    | <b>-2.0</b>    | <b>-1.0</b>    | <b>0.4</b>    |
| <b>Margin</b>                                    | <b>-43.7 %</b> | <b>-88.4 %</b> | <b>-74.1 %</b> | <b>-56.3 %</b> | <b>-38.0 %</b> | <b>-17.0 %</b> | <b>4.4 %</b>  |
| Number of shares, average                        | 7.1            | 10.7           | 11.1           | 13.7           | 16.2           | 16.2           | 16.2          |
| <b>EPS</b>                                       | <b>-0.14</b>   | <b>-0.22</b>   | <b>-0.24</b>   | <b>-0.18</b>   | <b>-0.12</b>   | <b>-0.06</b>   | <b>0.02</b>   |
| EPS adj.   | -0.14          | -0.22          | -0.24          | -0.18          | -0.12          | -0.06          | 0.02          |

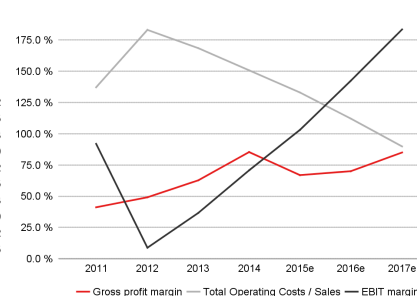
\*Adjustments made for:

**Guidance: Positive revenue and yearly earnings development.**
**Financial Ratios**

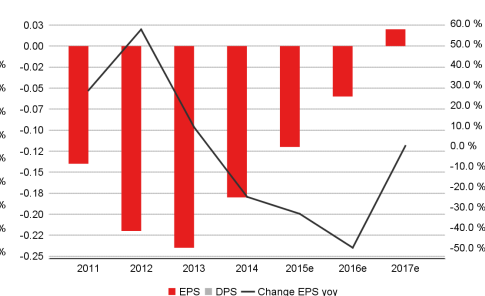
|                               | 2011    | 2012    | 2013    | 2014    | 2015e   | 2016e   | 2017e   |
|-------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Total Operating Costs / Sales | 137.1 % | 183.1 % | 168.4 % | 150.6 % | 133.0 % | 112.0 % | 90.0 %  |
| Operating Leverage            | -3.7 x  | 8.3 x   | 0.3 x   | -0.3 x  | -1.4 x  | -3.0 x  | n.a.    |
| Tax rate (EBT)                | -0.2 %  | -0.1 %  | -0.1 %  | -1.1 %  | -0.1 %  | -0.2 %  | 12.0 %  |
| Dividend Payout Ratio         | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   |
| Sales per Employee            | 59,385  | 62,628  | 72,443  | 75,864  | 87,506  | 101,483 | 144,500 |

**Sales, EBITDA**  
in EUR m


Source: Warburg Research

**Operating Performance**  
in %


Source: Warburg Research

**Performance per Share**


Source: Warburg Research

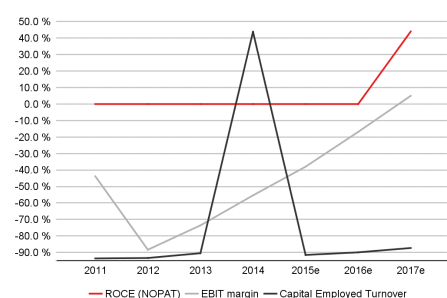
## Consolidated balance sheet

| In EUR m  | 2011       | 2012       | 2013       | 2014       | 2015e      | 2016e      | 2017e      |
|---|------------|------------|------------|------------|------------|------------|------------|
| <b>Assets</b>   |            |            |            |            |            |            |            |
| Goodwill and other intangible assets                    | 0.2        | 0.1        | 0.2        | 0.2        | 0.3        | 0.4        | 0.5        |
| thereof other intangible assets                         | 0.2        | 0.1        | 0.2        | 0.2        | 0.3        | 0.4        | 0.5        |
| thereof Goodwill  | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Property, plant and equipment                           | 0.7        | 0.6        | 0.9        | 0.9        | 1.2        | 1.0        | 0.7        |
| Financial assets  | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Other long-term assets                                  | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Fixed assets</b>                                     | <b>0.8</b> | <b>0.8</b> | <b>1.1</b> | <b>1.1</b> | <b>1.5</b> | <b>1.4</b> | <b>1.2</b> |
| Inventories   | 0.1        | 0.1        | 0.1        | 0.1        | 0.2        | 0.2        | 0.3        |
| Accounts receivable                                     | 0.2        | 0.6        | 0.5        | 0.0        | 0.7        | 0.8        | 1.2        |
| Liquid assets   | 1.3        | 2.8        | 1.2        | 4.3        | 6.6        | 5.7        | 6.2        |
| Other short-term assets                                 | 0.5        | 0.8        | 0.5        | 0.7        | 0.7        | 0.7        | 0.7        |
| <b>Current assets</b>                                   | <b>2.1</b> | <b>4.4</b> | <b>2.3</b> | <b>5.1</b> | <b>8.2</b> | <b>7.4</b> | <b>8.4</b> |
| <b>Total Assets</b>                                     | <b>3.0</b> | <b>5.2</b> | <b>3.4</b> | <b>6.1</b> | <b>9.8</b> | <b>8.8</b> | <b>9.6</b> |
| <b>Liabilities and shareholders' equity</b>             |            |            |            |            |            |            |            |
| Subscribed capital                                      | 7.1        | 10.7       | 11.1       | 13.7       | 16.2       | 16.2       | 16.2       |
| Capital reserve   | 0.0        | 0.4        | 0.4        | 2.8        | 5.2        | 5.2        | 5.2        |
| Retained earnings                                       | -4.6       | -7.0       | -9.7       | -12.2      | -14.2      | -15.2      | -14.8      |
| Other equity components                                 | 0.0        | 0.0        | 0.0        | 0.0        | 0.4        | 0.3        | 0.4        |
| Shareholders' equity                                    | 2.5        | 4.0        | 1.8        | 4.3        | 7.7        | 6.6        | 7.1        |
| Minority interest                                       | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| <b>Total equity</b>                                     | <b>2.5</b> | <b>4.0</b> | <b>1.8</b> | <b>4.3</b> | <b>7.7</b> | <b>6.6</b> | <b>7.1</b> |
| Provisions  | 0.3        | 0.7        | 1.0        | 1.2        | 1.2        | 1.2        | 1.2        |
| thereof provisions for pensions and similar obligations | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Financial liabilities (total)                           | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| thereof short-term financial liabilities                | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        | 0.0        |
| Accounts payable  | 0.2        | 0.4        | 0.4        | 0.3        | 0.6        | 0.7        | 1.1        |
| Other liabilities                                       | 0.1        | 0.1        | 0.2        | 0.3        | 0.3        | 0.3        | 0.3        |
| <b>Liabilities</b>                                      | <b>0.5</b> | <b>1.2</b> | <b>1.6</b> | <b>1.8</b> | <b>2.1</b> | <b>2.2</b> | <b>2.6</b> |
| <b>Total liabilities and shareholders' equity</b>       | <b>3.0</b> | <b>5.2</b> | <b>3.4</b> | <b>6.1</b> | <b>9.8</b> | <b>8.8</b> | <b>9.6</b> |

## Financial Ratios

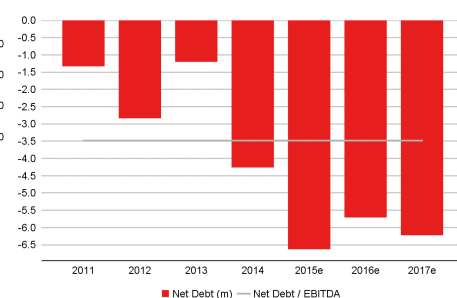
|   | 2011     | 2012     | 2013     | 2014     | 2015e    | 2016e   | 2017e   |
|---|----------|----------|----------|----------|----------|---------|---------|
| <b>Efficiency of Capital Employment</b> |          |          |          |          |          |         |         |
| Operating Assets Turnover               | 2.8 x    | 2.7 x    | 3.5 x    | 6.9 x    | 3.4 x    | 4.5 x   | 8.0 x   |
| Capital Employed Turnover               | 2.0 x    | 2.3 x    | 5.9 x    | 184.4 x  | 4.8 x    | 6.8 x   | 10.2 x  |
| ROA                                     | -119.5 % | -307.2 % | -233.7 % | -237.9 % | -127.9 % | -71.0 % | 31.7 %  |
| <b>Return on Capital</b>                |          |          |          |          |          |         |         |
| ROCE (NOPAT)                            | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     | n.a.    | 44.1 %  |
| ROE                                     | -41.3 %  | -73.4 %  | -92.2 %  | -82.6 %  | -32.7 %  | -14.3 % | 5.6 %   |
| Adj. ROE                                | -41.3 %  | -73.4 %  | -92.2 %  | -82.6 %  | -32.7 %  | -14.3 % | 5.6 %   |
| <b>Balance sheet quality</b>            |          |          |          |          |          |         |         |
| Net Debt                                | -1.3     | -2.8     | -1.2     | -4.3     | -6.6     | -5.7    | -6.2    |
| Net Financial Debt                      | -1.3     | -2.8     | -1.2     | -4.3     | -6.6     | -5.7    | -6.2    |
| Net Gearing                             | -53.7 %  | -70.8 %  | -66.3 %  | -99.4 %  | -86.0 %  | -86.6 % | -88.0 % |
| Net Fin. Debt / EBITDA                  | n.a.     | n.a.     | n.a.     | n.a.     | n.a.     | n.a.    | n.a.    |
| Book Value / Share                      | 0.3      | 0.4      | 0.2      | 0.3      | 0.5      | 0.4     | 0.4     |
| Book value per share ex intangibles     | 0.3      | 0.4      | 0.1      | 0.3      | 0.5      | 0.4     | 0.4     |

### ROCE Development



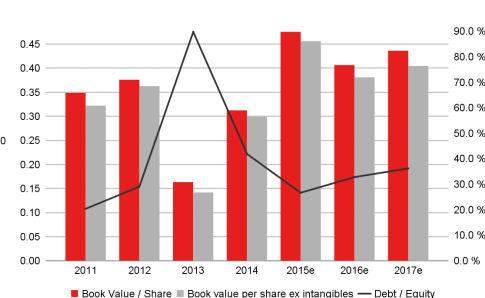
Source: Warburg Research

### Net debt in EUR m



Source: Warburg Research

### Book Value per Share in EUR



Source: Warburg Research

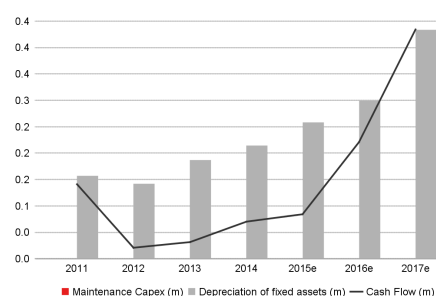
### Consolidated cash flow statement

| In EUR m   | 2011        | 2012        | 2013        | 2014        | 2015e       | 2016e       | 2017e       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net income   | -1.0        | -2.4        | -2.7        | -2.5        | -2.0        | -1.0        | 0.4         |
| Depreciation of fixed assets                           | 0.2         | 0.1         | 0.2         | 0.2         | 0.3         | 0.3         | 0.4         |
| Amortisation of goodwill                               | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Amortisation of intangible assets                      | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Increase/decrease in long-term provisions              | -0.1        | 0.4         | 0.1         | 0.2         | 0.0         | 0.0         | 0.0         |
| Other non-cash income and expenses                     | -0.3        | -0.4        | 0.3         | 0.3         | 0.0         | 0.0         | 0.0         |
| <b>Cash Flow</b>                                       | <b>-1.3</b> | <b>-2.2</b> | <b>-2.1</b> | <b>-1.8</b> | <b>-1.7</b> | <b>-0.7</b> | <b>0.8</b>  |
| Increase / decrease in inventory                       | -0.1        | -0.4        | 0.2         | 0.0         | -0.1        | 0.0         | -0.1        |
| Increase / decrease in accounts receivable             | 0.0         | 0.0         | 0.0         | 0.0         | -0.7        | -0.1        | -0.4        |
| Increase / decrease in accounts payable                | 0.0         | 0.2         | 0.3         | 0.0         | 0.3         | 0.1         | 0.4         |
| Increase / decrease in other working capital positions | 0.0         | 0.0         | 0.0         | 0.0         | 0.3         | 0.0         | 0.0         |
| Increase / decrease in working capital (total)         | -0.1        | -0.2        | 0.5         | 0.0         | -0.2        | 0.0         | -0.1        |
| <b>Net cash provided by operating activities</b>       | <b>-1.4</b> | <b>-2.3</b> | <b>-1.6</b> | <b>-1.8</b> | <b>-1.9</b> | <b>-0.7</b> | <b>0.7</b>  |
| Investments in intangible assets                       | 0.0         | 0.0         | -0.3        | -0.1        | -0.1        | -0.1        | -0.1        |
| Investments in property, plant and equipment           | 0.0         | 0.0         | -0.3        | -0.1        | -0.6        | -0.1        | -0.1        |
| Payments for acquisitions                              | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Financial investments                                  | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Income from asset disposals                            | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Net cash provided by investing activities</b>       | <b>-0.1</b> | <b>-0.1</b> | <b>-0.6</b> | <b>-0.1</b> | <b>-0.7</b> | <b>-0.2</b> | <b>-0.2</b> |
| Change in financial liabilities                        | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Dividends paid   | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Purchase of own shares                                 | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| Capital measures                                       | 0.0         | 0.0         | 0.0         | 5.0         | 5.0         | 0.0         | 0.0         |
| Other  | 1.1         | 3.9         | 0.5         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Net cash provided by financing activities</b>       | <b>1.1</b>  | <b>3.9</b>  | <b>0.5</b>  | <b>5.0</b>  | <b>5.0</b>  | <b>0.0</b>  | <b>0.0</b>  |
| Change in liquid funds                                 | -0.4        | 1.5         | -1.6        | 3.0         | 2.4         | -0.9        | 0.5         |
| Effects of exchange-rate changes on cash               | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         | 0.0         |
| <b>Cash and cash equivalent at end of period</b>       | <b>1.3</b>  | <b>2.8</b>  | <b>1.2</b>  | <b>4.2</b>  | <b>6.6</b>  | <b>5.7</b>  | <b>6.2</b>  |

### Financial Ratios

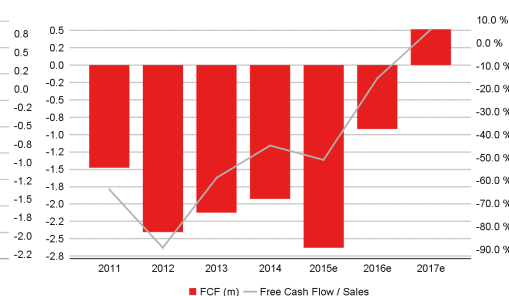
|                                      | 2011    | 2012    | 2013    | 2014    | 2015e   | 2016e   | 2017e   |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|
| <b>Cash Flow</b>                     |         |         |         |         |         |         |         |
| FCF                                  | -1.5    | -2.4    | -2.1    | -1.9    | -2.6    | -0.9    | 0.5     |
| Free Cash Flow / Sales               | -63.8 % | -89.3 % | -58.6 % | -44.7 % | -50.9 % | -15.4 % | 5.9 %   |
| Free Cash Flow Potential             | -0.9    | -2.2    | -2.5    | -2.3    | -1.7    | -0.7    | 0.8     |
| Free Cash Flow / Sales               | -63.8 % | -89.3 % | -58.6 % | -44.7 % | -50.9 % | -15.4 % | 5.9 %   |
| Free Cash Flow / Net Profit          | 146.2 % | 101.0 % | 79.1 %  | 79.5 %  | 133.9 % | 90.3 %  | 135.0 % |
| Interest Received / Avg. Cash        | 0.5 %   | 0.1 %   | 0.0 %   | 0.1 %   | 0.0 %   | 0.0 %   | 0.0 %   |
| Interest Paid / Avg. Debt            | n.a.    | n.a.    | n.a.    | 557.5 % | 0.0 %   | 0.0 %   | 0.0 %   |
| <b>Management of Funds</b>           |         |         |         |         |         |         |         |
| Investment ratio                     | 3.5 %   | 2.6 %   | 15.5 %  | 4.5 %   | 13.6 %  | 3.3 %   | 2.3 %   |
| Maint. Capex / Sales                 | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   | 0.0 %   |
| Capex / Dep                          | 51.6 %  | 49.3 %  | 299.8 % | 93.3 %  | 271.2 % | 66.8 %  | 46.1 %  |
| Avg. Working Capital / Sales         | 5.4 %   | 9.7 %   | 6.8 %   | -1.1 %  | 0.6 %   | 4.9 %   | 4.0 %   |
| Trade Debtors / Trade Creditors      | 155.6 % | 182.7 % | 111.6 % | 0.0 %   | 116.7 % | 114.3 % | 109.1 % |
| Inventory Turnover                   | 16.4 x  | 18.0 x  | 15.4 x  | 6.2 x   | 8.5 x   | 9.0 x   | 4.3 x   |
| Receivables collection period (days) | 39      | 87      | 48      | 0       | 49      | 49      | 51      |
| Payables payment period (days)       | 43      | 94      | 116     | 184     | 129     | 142     | 309     |
| Cash conversion cycle (Days)         | -21     | -70     | -91     | -128    | -81     | -97     | -214    |

### CAPEX and Cash Flow in EUR m



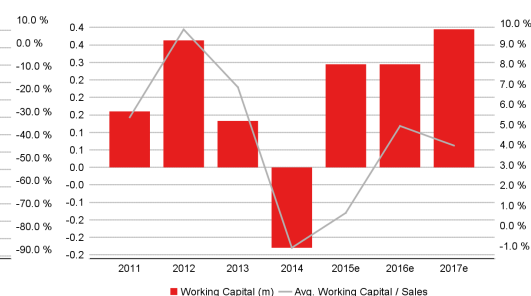
Source: Warburg Research

### Free Cash Flow Generation



Source: Warburg Research

### Working Capital



Source: Warburg Research

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| Company | Disclosure | Link to the historical price targets and rating changes (last 12 months)  |
|---------|------------|---|
| co.don  | 5          | <a href="http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A1K0227.htm">http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A1K0227.htm</a> |

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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

|     |                          |   |
|-----|--------------------------|---|
| -B- | <b>Buy:</b>              | The price of the analysed financial instrument is expected to rise over the next 12 months.               |
| -H- | <b>Hold:</b>             | The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months. |
| -S- | <b>Sell:</b>             | The price of the analysed financial instrument is expected to fall over the next 12 months.               |
| “-“ | <b>Rating suspended:</b> | The available information currently does not permit an evaluation of the company.                         |

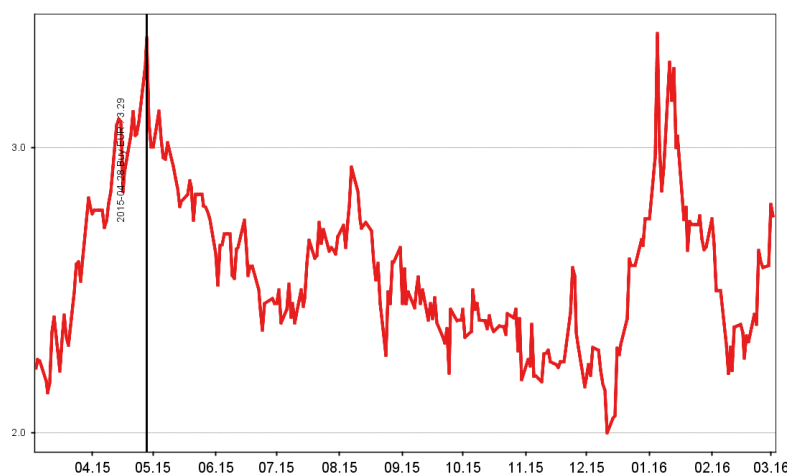
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| Rating           | Number of stocks | % of Universe |
|------------------|------------------|---------------|
| Buy              | 126              | 66            |
| Hold             | 56               | 29            |
| Sell             | 4                | 2             |
| Rating suspended | 4                | 2             |
| <b>Total</b>     | <b>190</b>       | <b>100</b>    |

**WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...**

... taking into account only those companies which were provided with major investment banking services in the last twelve months.

| Rating           | Number of stocks | % of Universe |
|------------------|------------------|---------------|
| Buy              | 26               | 81            |
| Hold             | 4                | 13            |
| Sell             | 1                | 3             |
| Rating suspended | 1                | 3             |
| <b>Total</b>     | <b>32</b>        | <b>100</b>    |

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The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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