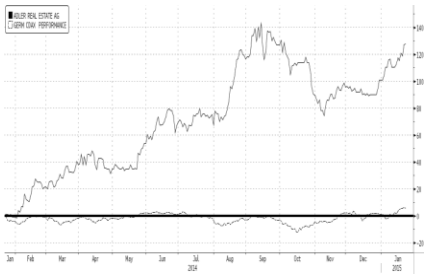
ADLER Real Estate AG

Restricted (BUY) | Restricted (12.00 EUR)
Price (last closing price) : **13.54 EUR** | Upside : -

Est. change	2014e	2015e
FFOIPS	-	-

Consolidation of second-line resi players – exceeding 50k units in 2015

Wednesday, 11 March 2015



Capital	
ADL GY | ADLG.DE	
Market Cap (EURm)	432
Enterprise value (EURm)	1,310
Extrema 12 months	14.49 - 4.46
Free Float (%)	42.2%

Performance (%)	1m	3m	12m
Absolute	31.2	86.5	193.2
Perf. rel. "sector"	28.5	55.1	88.9
Perf. rel. CDAX	21.7	57.9	135.8

P&L*	12/14e	12/15e	12/16e
NRI (EURm)	74	123	146
EBIT (EURm)	173	131	135
Attr. net profit (EURm)	118.6	68.0	63.5
EPS (EUR)	5.07	2.15	2.01
FFOI ps (EUR)	0.42	0.71	0.96
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	2.7	6.3	6.7
P/NAV (x)	1.36	1.12	0.96
P/EPRA NAV (x)	1.20	0.99	0.86
FFOI yield (%)	3.1	5.3	7.1
Dividend yield (%)	0.0	0.0	0.0
ROE (%)	58.9	19.4	15.3
Net LTV (%)	71.9	71.8	70.5
NAVPS (EUR)	9.98	12.13	14.14
EPRA NAVPS (EUR)	11.25	13.63	15.77

Next Events	
FY14 report	30 April 2015

** numbers are ADL standalone basis*

FY14e prelims and value-enhancing acquisition

Today ADLER Real Estate (ADL) published FY14e preliminary figures, which are heavily influenced by fair value adjustments and rental growth. The numbers are broadly in line with our expectations but barely comparable on yoy basis. ADL aims to gradually improve its communications with the market in order to level up to industry standards of reporting and visibility.

After the successful takeover and integration of Estavis in 2014, ADL recently announced a pre-agreed bid for Westgrund AG (WEG). The offer comprises a cash component (2/3) and a share offer (1/3). The combined company will own 52k units with significant portfolio overlaps. The deal will elevate the story to the next level by adding ~20k units in one blow and spreading fixed costs over a larger asset base. The acquisition of WEG will also enable ADL to immediately improve its financial metrics as WEG has operated on a sounder financial basis than ADL.

The takeover will enhance ADL's financial metrics by reducing its LTV to c.67% (before c.70%) and WACD from 4.7% to 3.9%, thus bringing it closer to industry peer levels. Regarding the EPRA NAV, the deal will increase fully diluted EPRA NAV by approx. 36% to EUR 14.60 p/s, according to management (all numbers are based on a rolling 12 months after consolidation).

Sector consolidation to continue

Over the past several years we have seen a series of increasingly larger portfolio and corporate transactions as well as high M&A activity driven by scale, efficiency and cost of capital/debt enhancement in order to unlock further value creation. Since the first sizable takeover by TAG and DWNI in the German residential sector, the market and industry players have understood the benefits of scale in the industry. The ECB's QE decision will also drive M&A, as takeovers are mostly debt-financed.

Strategic rationale for the deal

1) The combined entity will own c.52k units, enabling it to spread fixed costs across a larger asset base. ADL expects synergy effects of EUR 20m over three years.
2) From an operational viewpoint we welcome this step as ADL and WEG have complementary business models and portfolio overlaps. Major overlap locations would be Lower Saxony (32% of combined portfolio units), Saxony/Saxony-Anhalt/Thuringia (25%), NRW (20%) and Berlin/Brandenburg (14%).
3) The acquisition of WEG will enable ADL to improve its financial metrics as WEG has operated on a sounder financial basis than ADL. This will reduce WACD from 4.7% to 3.9% and LTV to c.67%, bringing it closer to ADL's LTV target of c.60%.
4) The combined market capitalisation would exceed EUR 700m and significantly improve ADL's positioning for capital market activities.

We will reassess the stock after the takeover is finalised

As Oddo Seydler is involved in the transaction, we are in blackout (restricted) and not allowed to publish a recommendation or price target. After finalisation of the transaction we will reassess our figures and price target for ADL. We will also present a detailed evaluation and our take on the deal. All in all, we feel confirmed in our view that size plays an essential role in extracting value from existing structures, and that the financial market and industry players understand the benefits of scale within the industry.

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Deals confirm our view on the market

Recent deals and deal announcements confirm our view of the market. Besides the Dt. Annington/Gagfah and Dt. Wohnen/conwert takeover annoucements, the second-line players are also consolidating. ADL took over Estavis in 1H14 and is now reaching for a major deal that will clearly lift the story clearly to the next level by adding ~20k units. The combined company will own approx. 52k units and will benefit from synergy effects by spreading fixed costs over a broader asset base. Details of this deal and the strategic rationale are presented below:

(1) ADLER bids for Westgrund

ADL recently announced a pre-agreed voluntary public takeover offer to the shareholders of WEG for the acquisition of all ordinary bearer shares. According to ADL management, it has secured a '50%+x' stake in WEG.

ADL will pay for the WEG shares with a combination of cash and payment in kind: ADL will pay EUR 9 (cash component) plus 0.565 new ADL shares for every three WEG shares (ADL capital increase for a contribution in kind to be decided at GM); based on the last closing price before the offer (EUR 10.80). This adds up to EUR 15.103 for three WEG shares or EUR 5.03 per single WEG share *(last Oddo Seydler PT/rec. for WEG: EUR 5/BUY)*. The total payment made to WEG would amount to around EUR 360m, with 2/3 in cash and 1/3 new ADL shares, corresponding to a premium of 6%. Based on the weighted 3-month average XETRA price (EUR 4.07), the premium is 22%.

The **strategic rationale** of the deal is quite obvious: 1) value creation through scale, 2) significant portfolio overlaps (consolidation of overheads) and complementary strategic approaches, 3) enhancing financial metrics initially and sustainably for the long run, and 4) improving capital market position and capital/debt conditions.

1) Value creation through scale and synergy effects: The combined company will own c.52k units and will spread its fixed costs over a larger asset base. ADL expects synergy effects of EUR 20m to be realized within three years.

2) Complementary business models and portfolio overlaps: From an operational viewpoint we welcome this deal as ADL and WEG have complementary business models and portfolio overlaps in Lower Saxony, Berlin and Saxony-Anhalt/Thuringia. The geographic structure of the combined portfolio would be Lower Saxony 26%, Saxony/Saxony-Anhalt/Thuringia 22%, NRW 19% and Berlin/Brandenburg 14% in terms of housing units (see Figure 3).

3) Improved financial metrics: The acquisition of WEG will immediately enable ADL to improve its financial metrics as WEG has operated on a sounder financial basis than ADL. As a result, WACD will decrease from 4.7% to 3.9% and LTV to around 67%, taking ADL closer to its LTV target of c.60%.

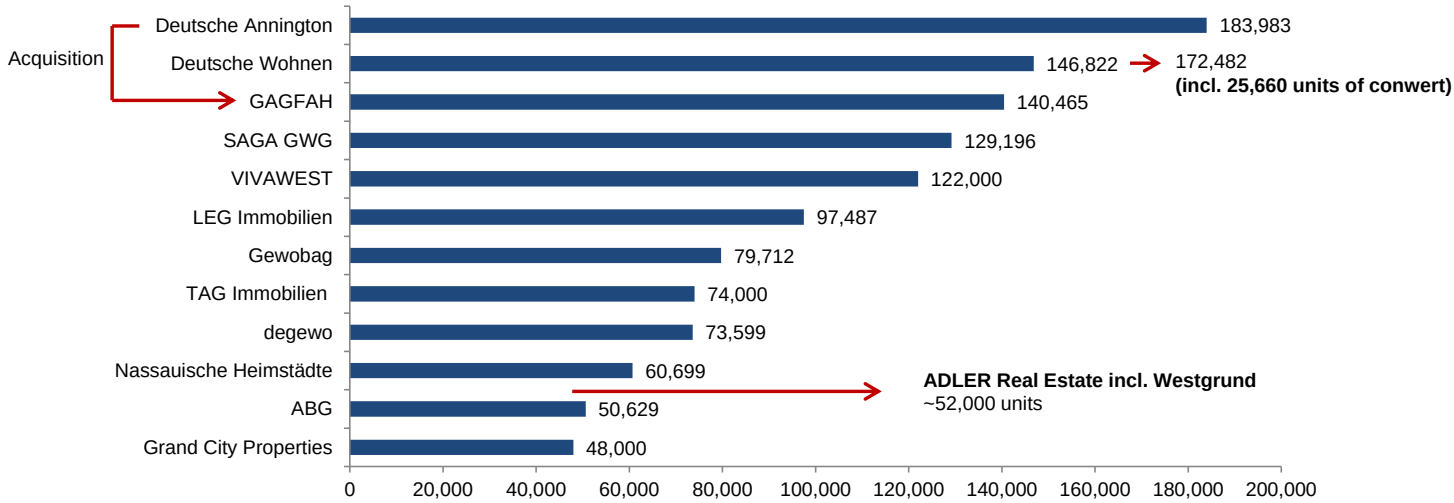
4) Improved capital market position: The combined market capitalisation would exceed EUR 700m and significantly improve the positioning for capital market activities.

We welcome ADL's takeover of WEG and would advise WEG shareholders to accept the offer. Both companies can greatly benefit from a combination in terms of scalability and accelerating enhancement of financial metrics. After the takeover ADL will be the fifth-largest listed resi player in Germany with a market cap above EUR 700m. This could potentially lift ADL into the **SDAX segment**.

(2) Metrics of the combined company

The combined company would be the fifth-largest listed residential player in Germany. The chart below shows the largest listed and non-listed residential real estate companies in Germany. We have also indicated the announced but not finalised acquisitions: Dt. Annington→Gagfah, Dt. Wohnen→conwert, ADLER→Westgrund.

Figure 1 : Largest portfolio unit holders



Source: Company data, Oddo Seydler Bank AG

The combined company would manage a portfolio of 52k resi units. This includes ~25k units through the Wilhelmshaven acquisition and the Westgrund deal. The combined portfolio value would be approx. EUR 2.4bn. The overall vacancy rate of the combined portfolio would be 11%. The current annualised rental run rate stands at EUR 260m while the annualised FFOI run rate amounts to EUR 69m.

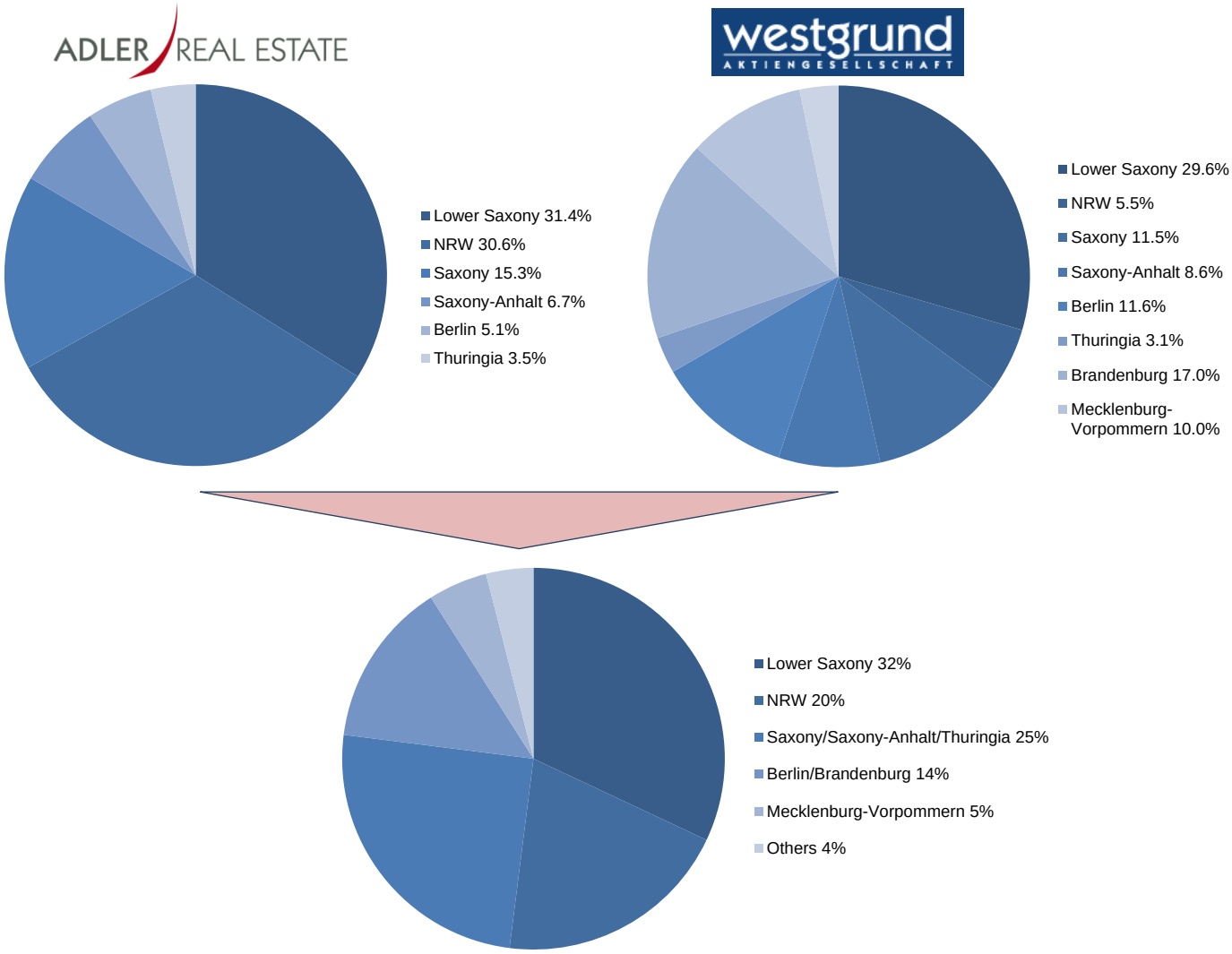
Figure 2: Key data of combined company

	ADLER REAL ESTATE	westgrund AKTIENGESELLSCHAFT	ADLER REAL ESTATE + westgrund AKTIENGESELLSCHAFT
Market capitalisation (EURm)	405	360	765
Enterprise value (EURm)	1300	560	1,860
Number of units	31,000	18,000*	49,000
Total area in m² (000')	2,000	1,100	3,100
Occupancy (%)	88.0	90.7	89.0
In-place rent (EUR)	4.92	4.66	4.89
NRI p.a. (EURm)	105.6	58.8	162.4

** Including exclusively finalised deals; additional 2,700 units are notarised*
Source: Company data, Oddo Seydler Bank AG

The portfolios of the two companies are highly complementary as there are large portfolio overlaps and the two portfolios are concentrated on mostly the same regions. The following charts provide a portfolio breakdown for both ADL and WEG as well as the combined company.

Figure 3: Geographic portfolio splits for ADLER, Westgrund and the combined portfolio, as a % of total housing units



Source: Company data, Oddo Seydler Bank AG

The combined company would manage a portfolio with critical mass in most of ADL's strategic locations of Germany: ~32% in Lower Saxony, ~20% in NRW (North Rhine-Westphalia), ~14% in Berlin/Brandenburg).

The new portfolio is well-diversified. Its four largest regions, Lower Saxony, NRW, Saxony/Saxony-Anhalt/Thuringia and Berlin/Brandenburg, make up for more than 90% of total housing units.

The following table shows the combined P&L from FY15e. We assume WEG will be consolidated starting in 2H15e (figures before 2015 are ADL standalone).

P&L on a combined basis

IFRS EURm	2011	2012	2013	2014e	2015e	2016e
Sales	**7.6**	**5.7**	**19.2**	**102.1**	**228.4**	**347.1**
YoY growth	500.1%	-24.8%	236.3%	430.9%	123.7%	51.9%
therof rental revenues	-	*0.4*	*16.8*	*74.1*	*163.6*	*246.4*
thereof revenues from sales	-	*5.3*	*2.0*	*28.0*	*64.8*	*100.7*
Change in inventories	-5.8	-3.1	-0.8	-23.7	-53.2	-83.4
Other operating income	1.6	2.2	0.2	25.9	2.1	3.6
IAS 40 fair value valuation	0.0	1.1	59.6	120.0	73.5	73.2
Total revenues	**3.4**	**5.8**	**78.2**	**224.4**	**250.8**	**340.4**
COGS	-0.7	-1.4	-10.2	-40.6	-71.2	-102.0
in % of sales	-9.5%	-23.6%	-53.2%	-39.7%	-31.2%	-29.4%
Gross income	**2.6**	**4.5**	**68.0**	**183.8**	**179.6**	**238.5**
in % of sales	34.8%	78.6%	353.5%	180.0%	78.6%	68.7%
Personnel expenses	-1.0	-0.9	-1.2	-3.5	-6.3	-9.0
in % of sales	-12.9%	-16.5%	-6.2%	-3.5%	-2.7%	-2.6%
Other operating expenses	-1.1	-1.1	-2.4	-7.4	-8.3	-12.5
in % of sales	-14.8%	-19.8%	-12.5%	-7.3%	-3.6%	-3.6%
Results from at-equity	-0.3	-1.3	6.6	0.0	0.0	0.0
in % of sales	-3.5%	-23.2%	34.1%	0.0%	0.0%	0.0%
Expenses of IAS 40 valuation	0.0	-0.1	-0.1	0.0	0.0	0.0
in % of sales	0.0%	-1.8%	-0.4%	0.0%	0.0%	0.0%
EBITDA	**0.3**	**1.0**	**70.9**	**172.9**	**165.1**	**217.0**
in % of sales	3.6%	17.3%	368.6%	169.3%	72.3%	62.5%
Depreciation and amortisation	0.0	0.0	0.0	0.0	-0.1	-0.1
in % of sales	-0.1%	-0.2%	-0.1%	0.0%	0.0%	0.0%
EBIT	**0.3**	**1.0**	**70.9**	**172.8**	**165.0**	**216.9**
in % of sales	3.6%	17.1%	368.6%	169.2%	72.2%	62.5%
Financial result	-0.1	0.0	-7.9	-33.0	-52.9	-70.1
EBT	**0.2**	**0.9**	**63.0**	**139.9**	**112.1**	**146.8**
in % of sales	2.1%	16.6%	327.6%	137.0%	49.1%	42.3%
Taxes	-0.1	-0.5	-16.1	-16.2	-20.6	-27.3
as % of EBT	-54.4%	-52.5%	-25.6%	-11.6%	-18.3%	-18.6%
Net income including minorities	**0.1**	**0.5**	**46.9**	**123.7**	**91.6**	**119.5**
Minority interests	0.0	0.0	-8.1	-5.1	0.0	0.0
Net income attributable to shareholders	**0.1**	**0.4**	**38.8**	**118.6**	**91.6**	**119.5**
as % of EBT	1.6%	6.9%	201.5%	116.1%	40.1%	34.4%
Shares outstanding (in millions)	15.0	15.0	15.1	23.4	40.0	45.0
Earnings per share (EUR)	**0.01**	**0.03**	**2.57**	**5.07**	**2.29**	**2.65**
FFO I	**0.34**	**0.70**	**-19.24**	**13.40**	**29.86**	**52.83**
FFO I per share (EUR)	**0.02**	**0.05**	**-1.27**	**0.42**	**0.75**	**1.17**
FFO I yield	0.2%	0.4%	-10.1%	3.4%	5.9%	9.3%

Source: Company Data, Oddo Seydler Bank AG

Balance sheet on a combined basis

IFRS EURm	2011	2012	2013	2014e	2015e	2016e
Assets						
Noncurrent assets	**7.3**	**20.6**	**423.1**	**1,236.3**	**2,525.2**	**2,897.2**
as % of total assets	21.1%	47.1%	91.8%	92.3%	96.9%	97.4%
Investment properties	0.6	14.5	417.9	1,195.5	2,483.1	2,855.1
Other noncurrent assets	6.8	6.2	5.2	40.8	42.1	42.1
Current assets	**27.4**	**23.1**	**37.8**	**103.1**	**80.6**	**76.4**
as % of total assets	78.9%	52.9%	8.2%	7.7%	3.1%	2.6%
Inventories	22.0	19.6	18.8	71.9	52.1	43.7
Other current assets	5.3	3.6	19.0	31.2	28.4	32.8
Total Assets	**34.7**	**43.8**	**460.9**	**1,339.4**	**2,605.7**	**2,973.6**
Total equity and liabilities						
Total equity	**26.1**	**26.4**	**86.9**	**315.7**	**686.5**	**806.0**
as % of total equity and liabilities	75.3%	60.4%	18.9%	23.6%	26.3%	27.1%
Noncurrent liabilities	**4.7**	**10.6**	**340.9**	**945.1**	**1,791.0**	**2,021.2**
as % of total equity and liabilities	13.4%	24.1%	74.0%	70.6%	68.7%	68.0%
Financial liabilities	3.8	9.3	323.2	905.4	1,717.0	1,937.2
Other noncurrent liabilities	0.9	1.3	16.4	38.2	74.0	83.9
Current liabilities	**3.9**	**6.8**	**33.0**	**78.6**	**128.2**	**146.4**
as % of total equity and liabilities	11.3%	15.4%	7.2%	5.9%	4.9%	4.9%
Financial liabilities	1.1	5.0	3.7	28.0	45.9	51.4
Other current liabilities	2.8	1.8	27.0	48.3	82.4	95.0
Total equity and liabilities	**34.7**	**43.8**	**460.9**	**1,339.4**	**2,605.7**	**2,973.6**

Source: Company Data, Oddo Seydler Bank AG

(3) Preliminary FY14e figures

Today ADL released preliminary FY14 figures, which are strongly characterised by fair value adjustments (according to IAS40). However, the numbers are largely in line with our expectations. We provide key highlights below, but bear in mind that comparability is limited as ADL has grown massively over the last two years (~200 units beginning of 2013, 8k units at the beginning of 2014, 24k units at the beginning of 2015, 52k units after Westgrund takeover later this year 2015):

(1) Rental revenues: EUR 84m (Oddo Seydler est.: EUR 74m), after EUR 18m in 2013
(2) Sale of properties: EUR 57m (PY: EUR 2m), heavily influenced by the sale of Estavis commercial assets
(3) Revaluation gains: EUR 133m, confirming ADLs strategy to buy at attractive prices
(4) Net profit: EUR 112m (Oddo Seydler est.: EUR 118m), translating into an EPS of EUR 4.65 (Oddo Seydler est.: EUR 5.07)
(5) Equity ratio: ~22%

The numbers are broadly in line with our estimates and we do not expect the shares to react to this news. Nevertheless, the company did not provide an indication of its FFO, a figure commonly reported in the industry. We assume, however, that ADL will soon deliver visibility on that figure for 2014 and an outlook for 2015 by providing an annualised FFO run rate. In the years to come, we also expect the company to provide FFO guidance on a regular basis.

Year-to-date, ADL shares have appreciated +85%, outperforming most industry peers which had already rerated to significant NAV premia. Grand City Properties have risen +22.5% ytd, Patrizia +26.5% ytd, DWNI +18.0% ytd, and Dt. Annington +15% ytd. We may see some temporary profit taking in the ADL story at these levels, viewing the shares' recent performance history.

P&L - ADL standalone basis

IFRS EURm	2011	2012	2013	2014e	2015e	2016e
Sales	**7.6**	**5.7**	**19.2**	**102.1**	**188.0**	**246.9**
YoY growth	500.1%	-24.8%	236.3%	430.9%	84.1%	31.3%
therof rental revenues	*-*	*0.4*	*16.8*	*74.1*	*123.2*	*146.3*
thereof revenues from sales	*-*	*5.3*	*2.0*	*28.0*	*64.8*	*100.7*
Change in inventories	-5.8	-3.1	-0.8	-23.7	-53.2	-83.4
Other operating income	1.6	2.2	0.2	25.9	1.2	1.5
IAS 40 fair value valuation	0.0	1.1	59.6	120.0	55.0	35.0
Total revenues	**3.4**	**5.8**	**78.2**	**224.4**	**191.1**	**200.0**
COGS	-0.7	-1.4	-10.2	-40.6	-50.1	-52.8
in % of sales	-9.5%	-23.6%	-53.2%	-39.7%	-26.6%	-21.4%
Gross income	**2.6**	**4.5**	**68.0**	**183.8**	**141.0**	**147.2**
in % of sales	34.8%	78.6%	353.5%	180.0%	75.0%	59.6%
Personnel expenses	-1.0	-0.9	-1.2	-3.5	-4.2	-4.6
in % of sales	-12.9%	-16.5%	-6.2%	-3.5%	-2.2%	-1.9%
Other operating expenses	-1.1	-1.1	-2.4	-7.4	-6.2	-7.3
in % of sales	-14.8%	-19.8%	-12.5%	-7.3%	-3.3%	-3.0%
Results from at-equity	-0.3	-1.3	6.6	0.0	0.0	0.0
in % of sales	-3.5%	-23.2%	34.1%	0.0%	0.0%	0.0%
Expenses of IAS 40 valuation	0.0	-0.1	-0.1	0.0	0.0	0.0
in % of sales	0.0%	-1.8%	-0.4%	0.0%	0.0%	0.0%
EBITDA	**0.3**	**1.0**	**70.9**	**172.9**	**130.6**	**135.3**
in % of sales	3.6%	17.3%	368.6%	169.3%	69.5%	54.8%
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.0	0.0
in % of sales	-0.1%	-0.2%	-0.1%	0.0%	0.0%	0.0%
EBIT	**0.3**	**1.0**	**70.9**	**172.8**	**130.6**	**135.3**
in % of sales	3.6%	17.1%	368.6%	169.2%	69.5%	54.8%
Financial result	-0.1	0.0	-7.9	-33.0	-45.3	-52.1
EBT	**0.2**	**0.9**	**63.0**	**139.9**	**85.3**	**83.2**
in % of sales	2.1%	16.6%	327.6%	137.0%	45.4%	33.7%
Taxes	-0.1	-0.5	-16.1	-16.2	-17.3	-19.7
as % of EBT	-54.4%	-52.5%	-25.6%	-11.6%	-20.3%	-23.7%
Net income including minorities	**0.1**	**0.5**	**46.9**	**123.7**	**68.0**	**63.5**
Minority interests	0.0	0.0	-8.1	-5.1	0.0	0.0
Net income attributable to shareholders	**0.1**	**0.4**	**38.8**	**118.6**	**68.0**	**63.5**
as % of EBT	1.6%	6.9%	201.5%	116.1%	36.1%	25.7%
Shares outstanding (in millions)	15.0	15.0	15.1	23.4	31.6	31.6
Earnings per share (EUR)	**0.01**	**0.03**	**2.57**	**5.07**	**2.15**	**2.01**
Diluted numbers of shares (in millions)	15.0	15.0	17.4	39.4	39.4	39.4
Earnings per share (EUR), diluted	**0.01**	**0.03**	**2.23**	**3.01**	**1.73**	**1.61**
FFO I per share (EUR)	**0.02**	**0.05**	**-1.27**	**0.42**	**0.71**	**0.96**
FFO I yield	0.2%	0.4%	-10.1%	3.4%	5.7%	7.6%

Source: Company Data, Oddo Seydler Bank AG

Balance sheet - ADL standalone basis

IFRS EURm	2011	2012	2013	2014e	2015e	2016e
Assets						
Noncurrent assets	**7.3**	**20.6**	**423.1**	**1,236.3**	**1,562.0**	**1,766.2**
as % of total assets	21.1%	47.1%	91.8%	92.3%	96.2%	96.7%
Intangible assets	0.0	0.0	0.0	29.2	29.2	29.2
PPE	0.0	0.0	0.0	0.4	0.4	0.4
Financial assets available for sale	0.0	0.0	0.0	0.0	0.0	0.0
Loans to participations	2.6	1.6	1.1	1.1	1.1	1.1
Interest in associated companies	3.8	3.7	3.5	9.5	9.5	9.5
Investment properties	0.6	14.5	417.9	1,195.5	1,521.2	1,725.4
Deferred tax assets	0.4	0.9	0.6	0.6	0.6	0.6
Current assets	**27.4**	**23.1**	**37.8**	**103.1**	**61.4**	**60.3**
as % of total assets	78.9%	52.9%	8.2%	7.7%	3.8%	3.3%
Inventories	22.0	19.6	18.8	71.9	43.1	34.5
Accounts receivables	0.6	2.2	3.4	3.4	3.4	3.4
Deferred income taxes	0.0	0.0	0.0	0.0	0.0	0.0
Other receivables and other assets	0.2	0.3	9.7	9.7	9.7	9.7
Cash and cash equivalents	4.5	1.1	5.9	18.1	5.1	12.7
Total Assets	**34.7**	**43.8**	**460.9**	**1,339.4**	**1,623.4**	**1,826.5**
Total equity and liabilities						
Total equity	**26.1**	**26.4**	**86.9**	**315.7**	**383.6**	**447.1**
as % of total equity and liabilities	75.3%	60.4%	18.9%	23.6%	23.6%	24.5%
Capital stock	15.0	15.0	16.5	31.6	31.6	31.6
Own shares	-0.1	-0.8	0.0	0.0	0.0	0.0
Capital reserve	7.7	8.3	13.1	97.9	97.9	97.9
Retained earnings	3.5	3.9	42.7	166.4	234.3	297.8
Minorities	0.0	0.1	14.6	19.7	19.7	19.7
Noncurrent liabilities	**4.7**	**10.6**	**340.9**	**945.1**	**1,147.4**	**1,274.1**
as % of total equity and liabilities	13.4%	24.1%	74.0%	70.6%	70.7%	69.8%
Pension provision	0.8	0.8	0.7	3.2	3.2	3.2
Other liabilities	0.1	0.1	0.1	1.4	1.5	1.7
Financial liabilities	3.8	9.3	323.2	905.4	1,099.3	1,220.7
Deferred tax liabilities	0.0	0.4	15.6	33.6	41.8	47.1
Current liabilities	**3.9**	**6.8**	**33.0**	**78.6**	**92.3**	**105.3**
as % of total equity and liabilities	11.3%	15.4%	7.2%	5.9%	5.7%	5.8%
Other provisions	1.6	0.2	0.2	3.1	3.4	3.8
Income tax payables	0.0	0.4	0.4	2.1	2.1	2.1
Financial liabilities	1.1	5.0	3.7	28.0	34.0	37.8
Trade accounts payables	0.4	0.7	6.0	6.0	6.0	6.0
Other current liabilities	0.8	0.5	20.4	37.1	44.5	53.4
Total equity and liabilities	**34.7**	**43.8**	**460.9**	**1,339.4**	**1,623.4**	**1,826.5**

Source: Company Data, Oddo Seydler Bank AG

Cash flow - ADL standalone basis

IFRS EURm	2011	2012	2013	2014e	2015e	2016e
EBIT	0.3	1.0	70.9	172.8	130.6	135.3
Depreciation and amortisation	0.0	0.0	0.0	0.0	0.0	0.0
IAS 40 fair value valuation	0.0	0.0	-58.6	-145.9	-55.0	-35.0
Other non-cash items	-0.1	-1.6	0.0	5.1	0.0	0.0
Change in long term provisions	-0.1	-0.1	-0.2	2.4	0.0	0.0
Change in inventories, trade receivables & other assets	5.4	1.3	-0.2	-53.1	28.8	8.6
Change in trade payables and other liabilities	-0.1	0.1	-1.0	22.6	7.9	9.4
Interest income	0.0	0.0	0.0	2.0	5.6	2.0
Interest expenses	-0.3	-0.4	0.0	-35.0	-50.9	-54.1
Paid taxes	0.0	-0.3	0.0	1.8	-9.1	-14.4
Cash flow from operating activities	**5.1**	**0.1**	**10.9**	**-27.1**	**57.9**	**51.7**
Change in fixed assets	0.0	0.0	0.0	-0.4	0.0	0.0
Investment in intangible assets	0.0	0.0	0.0	-29.2	0.0	0.0
Change in financial assets and receivables	0.3	-1.2	-90.1	-6.0	0.0	0.0
Investment in financial assets	-0.4	0.0	0.0	0.0	0.0	0.0
Expenses for acquisition & modernisation of inv. prop.	0.0	-2.3	-0.4	-631.7	-270.7	-169.2
Cash flow from investing activities	**0.3**	**-3.5**	**-94.2**	**-667.3**	**-270.7**	**-169.2**
Change in equity, non cash items	0.0	0.0	0.0	0.0	0.0	0.0
Change in group of consolidated companies	0.0	0.0	0.0	0.0	0.0	0.0
Outflows for the purchase of treasury stock	0.0	-1.0	0.0	0.0	0.0	0.0
Net borrowings/retirements of financial debt	-1.4	1.1	31.1	634.9	199.9	125.1
Cash inflow from capital increase	0.0	0.0	3.5	21.5	0.0	0.0
Cash flow from financing activities	**-1.4**	**0.1**	**88.1**	**706.6**	**199.9**	**125.1**
Total change in cash and cash equivalents	**4.0**	**-3.4**	**4.8**	**12.2**	**-13.0**	**7.6**
Currency effects	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Cash and cash equivalents at the start of the period	0.5	4.5	1.1	5.9	18.1	5.1
Cash and cash equivalents at the end of the period	**4.5**	**1.1**	**5.9**	**18.1**	**5.1**	**12.7**

Source: Company Data, Oddo Seydler Bank AG

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
11 March 2015	Restricted	EUR 13.54	Restricted
23 January 2015	BUY	EUR 8.47	EUR 12.00
21 November 2014	BUY	EUR 7.27	EUR 12.00
24 October 2014	BUY	EUR 8.00	EUR 12.00
08 September 2014	BUY	EUR 8.66	EUR 12.00
14 July 2014	BUY	EUR 6.22	EUR 10.00

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The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

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