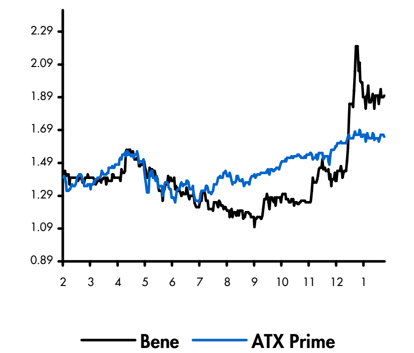
Company Update
Bene

February 1, 2011 **Construction & Materials/Austria**

Buy

Price 31.01.11	1.89
Price target	2.35
Volatility risk	medium
Year high/low	2.20/1.10
Currency	EUR
EUR/EUR	1.00
GDR rate	n.a.
Shares outstanding eoy in mn	24.35
Market capitalisation (total shares) in EUR mn	46.3
Free float	53.7%
Free float in EUR mn	24.8
Avg. daily turnover (12 m) in EUR mn	0.03
Index	ATX Prime
ISIN code	AT00000BENE6
Bloomberg	BENE AV
Reuters	BENE.VI
www.bene.com	



Source: Raiffeisen Centrobank

Target price increase as follow-up on December note

In a recent conference call with management we found our underlying assumptions of our December note (Company Update: "Bottom reached and positive trend ahead", Buy, EUR 1.75) confirmed and we now see reasons to up our forecasts in certain aspects. First and foremost, reading between the lines we feel confirmed that our FY 10/11e assumption of Bene breaking even on EBITDA level is realistic. After generating negative EBITDA of EUR 2.3 mn in 1-3Q 10 (with losses in each of the three quarters) this implies a significant swing on the operating profit line and in our view would strongly support the sentiment for the share price. Moreover, we had forecast an operating cash flow of EUR -5.6 mn for FY 10/11e in our most recent update. Since that implied the break of the covenant of the corporate bond which would trigger a 200 bp step-up of the 6.875% interest rate we included EUR 0.8 mn in additional interest expenses in our model. Following the conference call we retreat from this cautious stance reckoning with aggressive working capital management in the final quarter of FY 10/11e. As this boosts our EPS forecasts for FY 11/12e and the following years of our detailed planning period we also looked at the implications on the valuation of a scenario in which Bene starts to draw down the strategic cash reserve which implies further upside to our raised price target. Based on the presented arguments, we believe that Bene still has significant upside from current levels despite the 31% run based on yesterday's close, which peaked at EUR 2.20 or at a 52.7% jump, since our last update.

Our model revisions are dominated by rolling forward our detailed planning period, by updating our risk-free rate assumptions and by retreating from the assumption of higher interest rate costs as a result of the previously assumed break of covenants. The arguments underlying our December upgrade still apply: While the environment will stay tough and net earnings negative in FY 11/12e we believe that Bene has passed the bottom and will record a sequential increase in sales and earnings owing to bottoming-out of markets, a project pipeline that is filling up and the internal efficiency measures as well as positive implications from the extension of, and investments in, the existing product portfolio.

Recommendation: Our target price continues to be based on our DCF model and peer group multiples (EV/EBITDA and P/E for 2012). Deriving fair values of EUR 2.30 from our DCF model and of EUR 2.41 from the multiple valuation we raise our target price to 2.35 and confirm our "buy"-call on Bene.

Key figures and ratios

EUR	*1/2009*	*1/2010*	*1/2011e*	*1/2012e*	*1/2013e*
Sales (mn)	265.3	179.3	169.1	189.1	213.9
EBITDA (mn)	18.9	-5.2	0.1	9.3	17.2
EBIT (mn)	11.4	-14.0	-8.3	1.2	9.0
Net profit a.m. (mn)	4.6	-17.3	-11.7	-1.4	4.3
Earnings per share (adj.)	0.2	-0.7	-0.5	-0.1	0.2
EPS reported growth	-58.3%	-475.5%	n.a.	n.a.	n.a.
Adjusted PE ratio	7.2	neg.	neg.	neg.	10.8
DPS	0.0	0.0	0.0	0.0	0.1
Dividend yield	0.0%	0.0%	0.0%	0.0%	2.6%
EV/EBITDA	2.2	-9.0	644.1	7.8	4.2
Price book value	0.5	0.7	1.2	1.2	1.1

Source: Bene, Raiffeisen Centrobank estimates

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Share price triggers

Trigger	Momentum	Explanation
4Q 10/11e	positive	▪ With our forecast of breaking even on EBITDA level this year repeatedly called realistic in conference calls with management the implied significant improvement of profitability in 4Q 10/11e (1-3Q EBITDA: EUR -2.3 mn) in our view will provide another boost to the momentum and foster trust in the sustainability of the uptrend.
Guidance	positive	▪ The upbeat forward-looking statements by management are unchanged compared to our last Company Update. ▪ After stabilization at the beginning of 3Q positive trends are observable now in almost all markets which is reflected in the fact that the project pipeline is filling up in the Middle East, Asia, Western Europe and certain markets in Eastern Europe.
Liquidity reserves	positive	▪ EUR 40 mn raised through a private bond placement in 2009 serve as cash cushion and war chest and should cover all liquidity needs in a worst-case scenario. At eop FY 09/10 the cash reserves had amounted to EUR 48.2 mn and declined to EUR 32.5 mn at the end of 3Q 10/11. Given the anticipation of strongly improving profitability in 4Q and expecting aggressive working capital management in 4Q 10/11e we expect the cash and cash equivalents to rise again to EUR 43.1mn. ▪ Management guides that capex requirements can be limited to about EUR 10 mn or less per year. When deducting short-term debt from cash reserves and assuming zero operating cash flows Bene has sufficient reserves for more than three years when comparing to our forecasts on capex for FY 11/12e to FY 13/14e. ▪ Moreover, this means that at eop 3Q 10/11 Bene has liquid funds of EUR 1.34 per share on the balance sheet or EUR 0.77 per share when deducting short-term debt which is 41% of the current share price or 33% of our target price.
Covenant risk	neutral	▪ The bond issued in spring 2009 does not carry a cross default clause. However, if Bene generates a negative operating cash flow, the interest rate on the bond increases by 200 bp (EUR 0.8 mn annually) which is a risk for the eop FY 10/11e covenant test. ▪ Following the most recent conference call with management we retreat from our view that Bene will break the bond covenants despite generating OCF of EUR -10.6 mn in 1-3Q 10/11 as we expect aggressive working capital management in 4Q 10/11e. ▪ The other covenant with a threshold for the equity ratio of at least 17% constitutes no risk in our view.

Source: Raiffeisen Centrobank

Conference call with management

Statements confirm our base scenario and provide ground for moderate upward revisions

In a recent conference call with management we found our underlying assumptions of our December note (Company Update: "Bottom reached and positive trend ahead", Buy, EUR 1.75) confirmed and we now see reasons to up our forecasts in certain aspects. First and foremost, reading between the lines we feel confirmed that our FY 10/11e assumption of Bene breaking even on EBITDA level is realistic. After generating negative EBITDA of EUR 2.3 mn in 1-3Q 10 (with losses in each of the three quarters) this implies a significant swing on the operating profit line and in our view would strongly support the sentiment for the share price. Moreover, we had forecast an operating cash flow of EUR -5.6 mn for FY 10/11e in our most recent update. Since that implied the break of the covenant of the corporate bond which would trigger a 200 bp step-up of the 6.875% interest rate we included EUR 0.8 mn in additional interest expenses in our model. Following the conference call we retreat from this cautious stance reckoning with aggressive working capital management in the final quarter of FY 10/11e. As this boosts our EPS forecasts for FY 11/12e and the following years of our detailed planning period we also looked at the implications on the valuation of a scenario in which Bene starts to draw down the strategic cash reserve which implies further upside to our raised price target. Based on the presented arguments, we believe that Bene still has significant upside from current levels despite the 31% run based on yesterday's close, which peaked at EUR 2.20 or at a 52.7% jump, since our last update.

Planning model

Most significant changes on assumptions on net interest expenses

Our planning assumptions are subject to the following changes:

- We have rolled forward our detailed planning assumptions to the year FY 13/14e.
- We have only fine-tuned our sales and operating profitability assumptions in FY 10/11e to FY 12/13e. This means that we stick to our view that Bene will break even on EBITDA level this year, on EBIT level next year and that the company will return to a positive net result only in FY 12/13e.
- We are not accounting for a break of covenants at eop FY 10/11e anymore as we expect aggressive working capital management in 4Q 10/11e. Consequently, we do not reckon with the 200 bp interest rate step-up on the EUR 40 mn bond anymore that would have hit the company otherwise and deduct the EUR 0.8 mn from our net-interest expense estimate.

- We are less aggressive on the hike of capex in PPE & intangibles given the ample capacity reserves (our FY 14/15e sales forecast is still 4.5% below the all-time high) and the statement that in FY 11/12e capex will not significantly exceed FY 10/11e levels.
- We have updated our risk-free rate assumptions, which are based on the spot yield curve of government bonds, for the calculation of the weighted average capital costs, which results in a moderately steeper yield curve but this update generally has an only minor impact on the valuation.

Changes to forecasts

	Old			*New*				
	FY 10/11e	***FY 11/12e***	***FY 12/13e***	***FY 10/11e***	***FY 11/12e***	***FY 12/13e***	***FY 13/14e***	***comment***
Sales	169.3	188.7	213.6	169.1	189.1	213.9	234.5	Sales upped by only 0.1% on average in FY 10/11e - FY 12/13e ...
EBITDA	0.1	9.3	17.1	0.1	9.3	17.2	20.6	... and EBITDA raised by only 0.2% in the same period
EBIT	-8.4	1.0	8.8	-8.3	1.2	9.0	12.3	
EBT	-11.6	-3.2	4.5	-11.4	-1.9	5.8	9.1	Positive impact from retreat from break-of-covenant assumption
Net income a.m.	-12.0	-2.4	3.3	-11.7	-1.4	4.3	6.7	
EPS	-0.49	-0.10	0.14	-0.48	-0.06	0.18	0.28	
DPS	0.00	0.00	0.05	0.00	0.00	0.05	0.10	Unchanged: No dividend before FY 12/13e
EBITDA margin	0.1%	4.9%	8.0%	0.1%	4.9%	8.0%	8.8%	
EBIT margin	-4.9%	0.5%	4.1%	-4.9%	0.6%	4.2%	5.2%	
EBT margin	-6.8%	-1.7%	2.1%	-6.7%	-1.0%	2.7%	3.9%	
Net income a.m. margin	-7.1%	-1.2%	1.6%	-6.9%	-0.8%	2.0%	2.9%	

Source: Raiffeisen Centrobank estimates

Planning model

in EUR mn	FY 09/10	1Q 10/11	2Q 10/11	3Q 10/11	4Q 10/11	FY 10/11e	FY 11/12e	FY 12/13e	FY 13/14e
Sales revenues	**179.3**	**37.3**	**39.8**	**43.2**	**48.7**	**169.1**	**189.1**	**213.9**	**234.5**
yoy growth	-32.4%	-21.6%	-17.3%	10.2%	10.0%	-5.7%	11.9%	13.1%	9.7%
Austria	53.5	15.7	11.3	13.8	14.3	55.1	60.1	66.1	71.4
yoy growth	-30.3%	8.4%	-7.9%	4.4%	5.8%	3.0%	9.0%	10.0%	8.0%
Germany	50.9	9.1	11.1	10.6	12.9	43.8	47.6	53.0	57.7
yoy growth	-27.7%	-36.2%	-11.7%	-3.2%	-1.1%	-14.1%	8.8%	11.4%	8.7%
UK	15.8	3.0	5.8	5.0	4.4	18.2	20.8	24.2	26.5
yoy growth	-26.5%	-43.0%	90.1%	6.6%	58.0%	15.1%	14.5%	16.1%	9.7%
Russia	23.6	2.7	5.0	3.2	3.8	14.8	17.1	20.2	24.6
yoy growth	-40.6%	-46.6%	-58.5%	11.6%	8.8%	-37.3%	15.5%	18.1%	21.8%
Other markets	35.4	6.7	6.4	10.7	13.4	37.2	43.5	50.4	54.4
yoy growth	-37.6%	-20.1%	-19.4%	41.4%	16.5%	5.0%	17.0%	15.8%	8.0%
Total revenues	**180.7**	**37.7**	**43.0**	**45.2**	**50.1**	**175.9**	**194.7**	**220.2**	**241.5**
yoy growth	-34.1%	-24.2%	-14.7%	11.1%	25.6%	-2.6%	10.7%	13.1%	9.7%
Materials and supplies	**-82.2**	**-16.6**	**-20.6**	**-21.0**	**-21.4**	**-79.7**	**-86.0**	**-97.0**	**-106.1**
yoy growth	38.2%	21.2%	18.8%	-8.8%	-30.7%	3.1%	-7.9%	-12.8%	-9.4%
Personnel expenses	**-65.4**	**-15.0**	**-15.4**	**-15.7**	**-17.1**	**-63.2**	**-65.8**	**-70.0**	**-75.8**
yoy growth	15.6%	16.0%	12.8%	-10.9%	-9.1%	3.3%	-4.1%	-6.4%	-8.2%
Other expenses	**-38.3**	**-6.9**	**-8.1**	**-8.8**	**-9.1**	**-32.9**	**-33.6**	**-36.0**	**-38.9**
yoy growth	14.5%	27.7%	24.4%	-17.7%	13.4%	13.9%	-2.1%	-6.9%	-8.3%
EBITDA	**-5.2**	**-0.9**	**-1.2**	**-0.2**	**2.4**	**0.1**	**9.3**	**17.2**	**20.6**
yoy growth	-127.4%	-176.6%	65.2%	-28.6%	190.2%	102.0%	8899.7%	84.6%	19.7%
EBITDA margin	**-2.9%**	**-2.4%**	**-3.0%**	**-0.6%**	**5.0%**	**0.1%**	**4.9%**	**8.0%**	**8.8%**
D&A	-8.8	-2.2	-2.1	-2.1	-2.0	-8.4	-8.1	-8.2	-8.3
yoy growth	-16.8%	-9.7%	0.0%	6.2%	20.6%	5.2%	2.7%	-1.2%	-0.8%
EBIT	**-14.0**	**-3.1**	**-3.3**	**-2.3**	**0.5**	**-8.3**	**1.2**	**9.0**	**12.3**
yoy growth	-223.1%	-269.5%	40.5%	3.4%	108.7%	41.1%	114.3%	657.3%	37.1%
EBIT margin	**-7.8%**	**-8.3%**	**-8.3%**	**-5.4%**	**0.9%**	**-4.9%**	**0.6%**	**4.2%**	**5.2%**
Net interest result	-2.6	-0.8	-0.8	-0.9	-0.8	-3.3	-3.4	-3.5	-3.5
yoy growth	-200.7%	-173.2%	-10.3%	-0.2%	-16.2%	-26.5%	-1.9%	-1.2%	-0.6%
Financial result	**-2.8**	**-0.8**	**-0.8**	**-0.7**	**-0.8**	**-3.1**	**-3.1**	**-3.2**	**-3.2**
yoy growth	-5.8%	-48.6%	-3.2%	10.0%	-8.6%	-9.4%	-1.1%	-2.1%	-1.4%
EBT	**-16.8**	**-3.9**	**-4.1**	**-3.0**	**-0.3**	**-11.4**	**-1.9**	**5.8**	**9.1**
yoy growth	-293.2%	-183.2%	35.1%	5.0%	94.7%	32.6%	82.9%	397.1%	56.9%
EBT margin	-9.4%	-10.4%	-10.4%	-7.0%	-0.6%	-6.7%	-1.0%	2.7%	3.9%
Taxes on income	-0.3	0.0	-0.1	-0.1	0.0	-0.3	0.5	-1.4	-2.3
effective tax rate	1.9%	1.1%	3.3%	4.6%	6.6%	3.0%	-25.0%	-25.0%	-25.0%
Net income b.m.	**-17.2**	**-3.9**	**-4.3**	**-3.2**	**-0.3**	**-11.7**	**-1.5**	**4.3**	**6.8**
yoy growth	-466.0%	-108.0%	35.2%	0.0%	94.0%	31.9%	87.5%	397.1%	56.9%
Minority interests	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
yoy growth	6.3%	106.5%	-266.7%	54.8%	-379.6%	47.4%	121.8%	-609.4%	-30.8%
Net income a.m.	**-17.3**	**-3.9**	**-4.3**	**-3.2**	**-0.3**	**-11.7**	**-1.4**	**4.3**	**6.7**
yoy growth	-475.5%	-101.2%	34.9%	0.7%	93.7%	32.0%	87.7%	395.6%	57.2%
Net income a.m. margin	**-9.6%**	**-10.5%**	**-10.7%**	**-7.4%**	**-0.7%**	**-6.9%**	**-0.8%**	**2.0%**	**2.9%**
EPS	**-0.71**	**-0.16**	**-0.18**	**-0.13**	**-0.01**	**-0.48**	**-0.06**	**0.18**	**0.28**
yoy growth	-475.5%					-32.0%	n.a.	n.a.	57.2%
DPS	**0.00**					**0.00**	**0.00**	**0.05**	**0.10**
Payout ratio	0.0%					0.0%	0.0%	28.4%	36.2%

Source: Bene, Raiffeisen Centrobank estimates

Valuation

Recommendation: Buy
Target price: EUR 2.35

Our revisions are dominated by rolling forward our detailed planning period, by updating our risk-free rate assumptions and by retreating from the assumption of higher interest rate costs as a result of the previously assumed break of covenants. The arguments underlying our December upgrade still apply: While the environment will stay tough and net earnings negative in FY 11/12e we believe that Bene has passed the bottom and will record a sequential increase in sales and earnings owing to bottoming-out markets, a project pipeline that is filling up and the internal efficiency measures as well as positive implications from the extension of, and investments in, the existing product portfolio.

Our target price continues to be based on our DCF model and peer group multiples (EV/EBITDA and P/E for 2012). Deriving fair values of EUR 2.30 from our DCF model and of EUR 2.41 from the multiple valuation we raise our target price to 2.35 and confirm our "buy"-call on Bene.

Peer group multiples

	P/E			EV/EBITDA			EV/EBIT			P/BV		
	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e	2010e	2011e	2012e
Steelcase	37.4	19.8	13.1	10.9	7.7	5.7	23.7	12.6	7.8	1.9	1.8	1.6
Herman Miller	23.2	16.6	13.6	9.9	7.9	n.a.	13.3	10.3	n.a.	9.5	6.2	4.3
HNI	41.6	18.4	14.8	11.4	9.3	n.a.	21.7	15.1	n.a.	3.4	3.3	n.a.
Knoll	27.4	15.9	12.7	12.4	8.5	6.9	16.0	10.5	8.2	6.4	4.7	3.5
Zumtobel	16.9	13.8	11.3	8.8	7.3	6.2	13.3	10.7	8.5	2.3	2.1	1.8
Mean	**29.3**	**16.9**	**13.1**	**10.7**	**8.1**	**6.3**	**17.6**	**11.8**	**8.2**	**4.7**	**3.6**	**2.8**
Median	**27.4**	**16.6**	**13.1**	**10.9**	**7.9**	**6.2**	**16.0**	**10.7**	**8.2**	**3.4**	**3.3**	**2.7**
Bene	**neg.**	**neg.**	**10.8**	**644.1**	**7.8**	**4.2**	**neg.**	**61.7**	**8.0**	**1.2**	**1.2**	**1.1**

Source: Bloomberg, Raiffeisen Centrobank estimates

Mid-term case: Recovery potential & utilization of strategic cash reserve

The utilization of the strategic cash reserve for reducing gross debt and optimizing net interest expenses implies further upside

In the discussion of our planning model we highlighted the positive impact of our retreat from accounting for a break of covenants on the net interest expense and consequently our EPS forecasts. Below we try to look at the implication on the outlook for the bottom-line recovery when net interest expenses are further lowered by a utilization of the cash reserve to run down gross debt. In our current model assumptions we assume that the cash reserve is not drawn down and that also the gross debt position is unchanged compared to our eop FY 10/11e forecast. However, due to the issue of the EUR 40 mn corporate bond in spring 2009 and a series of other measures to raise liquidity and become immune from threats such as cut-back or cancelled credit-lines Bene boasts excess liquid reserves. In our scenario we assume that the company needs about EUR 15 mn of cash to run day-to-day operations which compares to our current cash forecast of EUR 34.6 mn at eop FY 13/14e. Hence, we reckon that EUR 19.6 mn will be utilized for reducing gross debt and optimising net interest expense. The resulting interest expense savings of about EUR 1.0 mn translates into 11% higher EPS all other assumptions left unchanged.

Should our top-line scenario reflecting a sustainable market recovery materialize, optimizing the financing structure by drawing down the strategic cash reserve appears to be the low-hanging fruit in order to top-up the already strong potential for a bottom-line recovery. Operationally this is as after the steep plunge in sales ample spare capacities provide the ground for significant organic sales growth and a comparable high fixed cost structure among industry peers from running a direct sales network implies a high operating leverage. Compared to our currently implied FY 13/14e P/E multiple of 6.9x our scenario yields a multiple of 6.2x and we derive discounts of 38% and 45%, respectively, versus the average P/E multiple of the period 2005-2008 of 11.2x. Utilizing this average multiple and the current FY 13/14e peer multiple as well as the implied EPS after the run down of the strategic cash reserve we derive an average upside of 21% for these two scenarios. This in our view underlines the attractive investment story for this late-cyclical company that finally has found its bottom after what we forecast to be a peak-to-trough top-line plunge of 36%.

Mid-term view and implied upside from utilizing the strategic cash reserve

	FY 2013/14e	Ex. strategic cash reserve	Comments
Revenues	**234.5**	**234.5**	
EBITDA	**20.6**	**20.6**	
EBITDA margin	8.8%	8.8%	
EBIT	**12.3**	**12.3**	
EBIT margin	5.2%	5.2%	
Income from associated companies	0.2	0.2	Unchanged estimates vs. 2013/14e scenario
Avg. Cash and cash equivalents	**34.5**	**15.0**	**Assumption for Bene's required cash reserves for running day-to-day business in a normalized environment (avg.)**
Interest rate	0.6%	0.6%	
Interest income	0.2	0.1	
Avg. Interest-bearing liabilities	**63.5**	**44.0**	**Assumption that strategic cash reserve is utilized to reduce gross debt (avg.)**
Interest rate	5.8%	5.8%	
Interest expense	-3.7	-2.5	
Net interest result	**-3.5**	**-2.5**	**Positive impact on net interest expense of EUR 1 mn. A refinancing effort of the corporate bond issued in spring 2009 might prove to be an additional upside for EPS forecasts.**
Financial result	-3.2	-2.2	
EBT	**9.1**	**10.1**	
EBT margin	**3.9%**	**4.3%**	
Effective tax rate	25%	25%	
Minority interests	-0.1	-0.1	
Net profit	**6.7**	**7.5**	
Shares outstanding	24.35	24.35	
EPS ex. Strategic cash reserve	**0.28**	**0.31**	**Implied upside for EPS about 11%.**
Current share price	1.90	1.90	
Implied FY 13/14e P/E multiple	**6.9**	**6.2**	
Average 2005-2008 PE	11.2	11.2	
Discounts to pre-crises valuation	-38.4%	-44.6%	
Implied TP 13/14 based on pre-crises multiple	3.08	3.43	
Implied 12M TP	**2.61**	**2.91**	
FY 13e P/E peer group multiple (median)	10.6	10.6	
Implied 12M TP at FY 12/13 P/E peer multiple	2.48	2.76	
Two-scenario average	**2.55**	**2.84**	
Implied upside to target price	**8.5%**	**20.7%**	

Source: Raiffeisen Centrobank estimates

DCF Valuation

FCF projection (EUR mn)	2010e	2011e	2012e	2013e	2014e	2015e	TV CF
Consolidated sales	**169.1**	**189.1**	**213.9**	**234.5**	**253.3**	**268.5**	**309.3**
EBITDA	0.1	9.3	17.2	20.6	22.8	24.4	20.1
EBITA	-8.3	1.2	9.0	12.3	14.5	15.9	10.3
Taxes paid on EBITDA	-0.6	-0.6	-2.2	-3.1	-3.6	-4.0	-2.6
NOPLAT	**-6.2**	**0.9**	**6.7**	**9.2**	**10.9**	**11.9**	**7.7**
Adj. NOPLAT	-6.2	0.9	6.7	9.2	10.9	11.9	7.7
Depreciation of PPE & intangibles	8.4	8.1	8.2	8.3	8.3	8.5	9.8
Gross investment in PPE & intangibles	-6.6	-7.7	-8.3	-9.1	-11.1	-11.3	-10.9
Change in working capital	7.0	-4.4	-3.0	-3.3	-1.6	-2.1	-0.2
NWC/Sales	0.2%	2.5%	3.6%	4.7%	5.0%	5.5%	6.0%
Change in LT provisions other than tax	-0.2	0.2	0.2	0.2	n.a.	n.a.	0.0
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow to firm	2.4	-2.9	3.9	5.3	6.4	7.0	6.5
Adj. free cash flow to firm	**2.4**	**-2.9**	**3.9**	**5.3**	**6.4**	**7.0**	**6.5**
EV DCF, mid-year assumption	**73.4**	**81.2**					
+ MV of non-operating assets eop	0.0	0.0					
- MV of net debt eop	20.2	26.5					
- MV of minorities eop	0.3	0.3					
Adjustments to EV eop	1.0	1.0					
Fair value of equity	**54.0**	**55.4**					
Shares outstanding (mn)	24.3	24.3					
Fair value per share (in EUR)	**2.2**	**2.3**					

Value drivers	*2010e*	*2011e*	*2012e*	*2013e*	*2014e*	*2015e*	*TV CF*
Consolidated sales yoy	-5.7%	11.9%	13.1%	9.7%	8.0%	6.0%	1.0%
EBITDA margin	0.1%	4.9%	8.0%	8.8%	9.0%	9.1%	6.5%
Rate of taxes paid	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
Working capital/sales	0.2%	2.5%	3.6%	4.7%	5.0%	5.5%	6.0%
Capex/depreciation	78.9%	94.6%	100.8%	109.6%	133.6%	132.8%	111.3%
Free cash flow margin	1.4%	-1.5%	1.8%	2.2%	2.5%	2.6%	2.1%

WACC	*2010e*	*2011e*	*2012e*	*2013e*	*2014e*	*2015e*	*TV CF*
Target capital structure (at MV)	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Debt/equity ratio (at MV)	53.8%	53.8%	53.8%	53.8%	53.8%	53.8%	53.8%
Risk free rate (local)	1.1%	1.3%	2.1%	2.9%	3.8%	4.1%	4.3%
Equity market premium	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Levered beta	1.3	1.3	1.3	1.4	1.3	1.3	1.3
Cost of equity	8.4%	7.9%	8.7%	10.1%	10.4%	10.7%	10.9%
Cost of debt	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Tax rate	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%	-25.0%
WACC	**7.0%**	**6.7%**	**7.2%**	**8.1%**	**8.4%**	**8.5%**	**8.7%**

Sensitivity analysis

Growth sensitivity (EUR)			*Terminal growth rate*				
WACC	***-0.5%***	***0.0%***	***0.5%***	***1.0%***	***1.5%***	***2.0%***	***2.5%***
7.2%	2.5	2.7	2.9	3.1	3.4	3.7	4.1
7.7%	2.8	2.4	2.6	2.8	3.0	3.3	3.6
8.2%	2.5	2.2	2.4	2.5	2.7	2.9	3.2
8.7%	2.3	2.0	2.1	**2.3**	2.4	2.6	2.8
9.2%	2.1	1.8	1.9	2.1	2.2	2.3	2.5
9.7%	1.9	1.7	1.8	1.9	2.0	2.1	2.3
10.2%	1.7	1.5	1.6	1.7	1.8	1.9	2.0

Margin sensitivity (EUR)			*FCF margin TV*				
WACC	***0.6%***	***1.1%***	***1.6%***	***2.1%***	***2.6%***	***3.1%***	***3.6%***
7.2%	1.1	2.5	2.4	3.1	3.8	4.5	5.1
7.7%	1.6	1.6	2.2	2.8	3.4	4.0	4.6
8.2%	1.4	1.4	2.0	2.5	3.1	3.6	4.2
8.7%	1.3	1.3	1.8	**2.3**	2.8	3.3	3.8
9.2%	1.1	1.2	1.6	2.1	2.5	3.0	3.4
9.7%	1.0	1.1	1.5	1.9	2.3	2.7	3.1
10.2%	0.9	1.0	1.3	1.7	2.1	2.5	2.8

Source: Raiffeisen Centrobank estimates

Income statement (EUR mn)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Consolidated sales	**252.5**	**265.3**	**179.3**	**169.1**	**189.1**	**213.9**
Changes in inventories & own work capitalised	3.8	3.9	-2.1	3	3.5	4.1
Other operating income	4.2	4.9	3.4	3.8	2.0	2.2
Total revenues	**260.5**	**274.1**	**180.7**	**175.9**	**194.7**	**220.2**
Material costs	-128.2	-133.0	-82.2	-79.7	-86.0	-97.0
Personnel expenses	-71.3	-77.5	-65.4	-63.2	-65.8	-70.0
Other operating expenses	-39.2	-44.7	-38.3	-32.9	-33.6	-36.0
EBITDA	**21.7**	**18.9**	**-5.2**	**0.1**	**9.3**	**17.2**
Adjusted EBITDA	21.7	18.9	-5.2	0.1	9.3	17.2
Depreciation of PPE and intangibles	-6.5	-7.5	-8.7	-8.4	-8.1	-8.2
EBITA	**15.2**	**11.5**	**-13.9**	**-8.3**	**1.2**	**9.0**
Amortisation, impairment of goodwill	0.0	-0.1	-0.1	0.0	0.0	0.0
EBIT	**15.2**	**11.4**	**-14.0**	**-8.3**	**1.2**	**9.0**
Adjusted EBIT	15.2	11.4	-14.0	-8.3	1.2	9.0
Investment income	0.2	0.0	0.0	0.3	0.3	0.3
Net interest income	-0.7	-0.9	-2.6	-3.3	-3.4	-3.5
Other financial result	0.6	-1.8	-0.2	0.0	0.0	0.0
Financial result	**0.0**	**-2.7**	**-2.8**	**-3.1**	**-3.1**	**-3.2**
Earnings before taxes	**15.2**	**8.7**	**-16.8**	**-11.4**	**-1.9**	**5.8**
Taxes on income	-3.8	-4.0	-0.3	-0.3	0.5	-1.4
Extraordinary result	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	**11.4**	**4.7**	**-17.2**	**-11.7**	**-1.5**	**4.3**
Minority interests	-0.4	-0.1	-0.1	-0.0	0.0	-0.1
Net profit after minorities	**11.0**	**4.6**	**-17.3**	**-11.7**	**-1.4**	**4.3**
Adjusted Net profit	11.0	4.6	-17.3	-11.7	-1.4	4.3

Changes yoy	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Consolidated sales yoy	27.2%	5.1%	-32.4%	-5.7%	11.9%	13.1%
EBITDA yoy	16.6%	-12.8%	-127.4%	n.a.	8,899.7%	84.6%
EBITA yoy	16.2%	-24.4%	-220.7%	n.a.	n.a.	657.3%
EBIT yoy	16.2%	-25.1%	-223.1%	n.a.	n.a.	657.3%
EBT yoy	23.0%	-42.8%	-293.2%	n.a.	n.a.	n.a.
Net profit after minorities yoy	30.9%	-58.3%	-475.5%	n.a.	n.a.	n.a.

Margins	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Material costs margin	-50.8%	-50.1%	-45.9%	-47.1%	-45.5%	-45.3%
EBITDA margin	8.6%	7.1%	-2.9%	0.1%	4.9%	8.0%
EBITA margin	6.0%	4.3%	-7.7%	-4.9%	0.6%	4.2%
EBIT margin	6.0%	4.3%	-7.8%	-4.9%	0.6%	4.2%
EBT margin	6.0%	3.3%	-9.4%	-6.7%	-1.0%	2.7%
Net margin	4.4%	1.7%	-9.6%	-6.9%	-0.8%	2.0%

Profitability	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Return on assets	8.6%	3.7%	-9.2%	-5.1%	0.8%	4.5%
Return on equity	16.7%	6.7%	-29.0%	-26.0%	-3.8%	10.7%
Return on capital employed	14.1%	6.1%	-13.9%	-7.6%	1.2%	6.8%

Cash flow statement (EUR mn)	1/2008	1/2009	1/2010	1/2011e	1/2012e	1/2013e
Earnings before taxes	**15.2**	**8.7**	**-16.8**	**-11.4**	**-1.9**	**5.8**
Taxes paid	-3.6	-3.7	-0.9	-0.6	-0.6	-1.4
Amortisation and depreciation	6.5	7.6	8.8	8.4	8.1	8.2
Other non-cash items	-0.5	2.7	0.9	-0.2	0.2	0.2
Cash flow from result	**17.6**	**15.3**	**-8.0**	**-3.8**	**5.8**	**12.8**
Change in working capital	-7.9	-0.7	14.8	6.7	-4.4	-3.0
Operating cash flow	**9.8**	**14.6**	**6.8**	**2.9**	**1.4**	**9.8**
Capex PPE and intangible assets	-17.4	-20.9	-14.2	-6.6	-7.7	-8.3
Acquisitions	-1.4	-0.5	-0.2	0.0	0.0	0.0
Disposal of fixed assets (total)	23.2	1.5	1.4	0.0	0.0	0.0
Other items (investments)	-7.6	-0.1	-0.0	-4.0	-0.1	-0.1
Investing cash flow	**-3.2**	**-20.1**	**-13.1**	**-10.6**	**-7.8**	**-8.4**
Dividend payments	-4.9	-5.4	0.0	0.0	0.0	0.0
Other changes in equity	-0.8	0.0	0.0	-0.1	0.0	-0.1
Change in interest-bearing financial assets	-12.2	-2.5	0.7	-0.2	0.0	0.0
Other items	-0.5	-0.8	1.1	0.0	-0.0	0.0
Financing cash flow	**-13.9**	**2.0**	**38.4**	**2.6**	**0.0**	**-0.1**

Balance sheet (EUR mn)	*1/2008*	*1/2009*	*1/2010*	*1/2011e*	*1/2012e*	*1/2013e*
Current assets	**90.4**	**79.7**	**92.4**	**83.1**	**81.8**	**89.1**
Liquid funds	22.5	15.5	48.2	43.1	36.8	38.2
Receivables	48.5	45.1	30.4	24.0	28.4	32.7
Inventories	19.4	19.1	13.8	16.0	16.6	18.2
Other assets	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**44.6**	**59.1**	**62.5**	**64.7**	**64.3**	**64.4**
Property, plant & equipment	34.8	45.3	48.2	48.1	49.0	50.4
Intangible assets	5.2	8.9	9.6	7.9	6.5	5.2
Goodwill	4.1	4.3	4.4	4.4	4.4	4.4
Financial assets	0.6	0.7	0.4	4.4	4.4	4.5
Deferred tax assets	**6.9**	**6.7**	**6.8**	**7.0**	**8.1**	**8.1**
Total assets	**142.0**	**145.6**	**161.7**	**154.8**	**154.2**	**161.6**
Current liabilities	**53.6**	**61.3**	**47.1**	**53.8**	**54.4**	**57.3**
Short-term borrowings	9.6	19.9	9.8	14.1	14.1	14.1
Notes & trade payables, payments received	24.7	23.3	18.8	20.8	20.6	22.7
Other current liabilities	19.4	18.1	18.5	18.9	19.7	20.5
Long-term liabilities	**19.1**	**16.1**	**63.1**	**61.4**	**61.6**	**61.8**
Long-term borrowings	6.6	3.7	50.9	49.4	49.4	49.4
Long-term provisions	11.8	11.9	10.7	10.5	10.7	10.9
Other long-term liabilities	0.7	0.5	1.5	1.5	1.5	1.5
Hybrid & other mezzanine capital	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Shareholders' equity	**69.0**	**67.9**	**51.0**	**39.2**	**37.8**	**42.1**
Minority interests	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**
Deferred tax liabilities	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.2**
Total liabilities	**142.0**	**145.6**	**161.7**	**154.8**	**154.2**	**161.6**

Balance sheet (EUR mn)	*1/2008*	*1/2009*	*1/2010*	*1/2011e*	*1/2012e*	*1/2013e*
Net working capital	23.9	22.8	7.0	0.3	4.7	7.7
Net interest-bearing debt	-6.4	7.8	12.3	20.2	26.5	25.1
Capital employed	85.4	91.7	112.0	102.9	101.5	105.8
Market capitalisation	92.5	33.1	34.1	46.3	46.3	46.3
Enterprise value	85.9	40.7	46.6	66.7	73.1	71.6

Financing (x)	*1/2008*	*1/2009*	*1/2010*	*1/2011e*	*1/2012e*	*1/2013e*
Interest cover	22.0	15.6	-1.6	0.1	2.7	4.8
Internal financing ratio	0.6	0.7	0.5	0.4	0.2	1.2
Net gearing	-9.3%	11.4%	23.9%	51.2%	69.8%	59.4%
Quick ratio	1.3	1.0	1.7	1.2	1.2	1.2
Fixed assets cover	2.0	1.4	1.8	1.6	1.5	1.6
Capex / depreciation	2.7	2.8	1.6	0.8	0.9	1.0
Equity ratio	48.7%	46.8%	31.7%	25.5%	24.7%	26.2%

Per share data (EUR)	*1/2008*	*1/2009*	*1/2010*	*1/2011e*	*1/2012e*	*1/2013e*
Weighted avg. no. of shares (mn)	24.3	24.3	24.3	24.3	24.3	24.3
EPS reported	0.5	0.2	-0.7	-0.5	-0.1	0.2
Earnings per share (adj.)	0.5	0.2	-0.7	-0.5	-0.1	0.2
Operating cash flow per share	0.4	0.6	0.3	0.1	0.1	0.4
Book value per share	2.8	2.8	2.1	1.6	1.6	1.7
DPS	0.2	0.0	0.0	0.0	0.0	0.1
Payout ratio	48.6%	0.0%	0.0%	0.0%	0.0%	28.4%

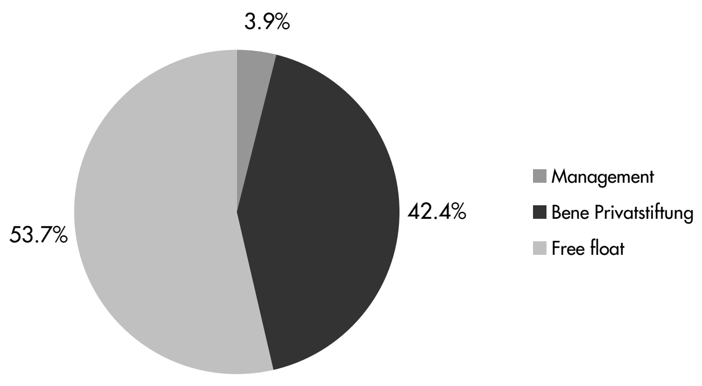
Valuation (x)	*1/2008*	*1/2009*	*1/2010*	*1/2011e*	*1/2012e*	*1/2013e*
PE reported	8.4	7.2	-2.0	-3.9	-32.0	10.8
Adjusted PE ratio	8.4	7.2	-2.0	-3.9	-32.0	10.8
Price cash flow	9.5	2.3	5.0	15.8	33.2	4.7
Price book value	1.3	0.5	0.7	1.2	1.2	1.1
Dividend yield	5.8%	0.0%	0.0%	0.0%	0.0%	2.6%
Free cash flow yield	-6.7%	-17.9%	-18.8%	-7.9%	-13.6%	3.2%
EV/sales	0.3	0.2	0.3	0.4	0.4	0.3
EV/EBITDA	4.0	2.2	-9.0	644.1	7.8	4.2
EV/EBIT	5.7	3.6	-3.3	-8.1	61.7	8.0
EV/operating cash flow	8.8	2.8	6.9	22.8	52.4	7.3
Adjusted EV/CE	1.3	0.6	0.8	1.1	1.1	1.0
Adjusted EV/CE vs. ROCE/WACC				-1.0	6.1	1.1

Fact Sheet

Company description

Bene, which has its headquarters in Waidhofen/Ybbs, Lower Austria, is the Austrian #1 and European #6 office furniture supplier, with sales of EUR 179.3 mn and 1,248 employees as of FY 2009/10. Sales are mainly generated in Austria (29.8%), Germany (about 28.4%), UK (8.8%), Russia (13.2%) and several CEE as well as Western European countries and the United Arab Emirates (19.8%). The group offers a full-line range of office furniture as well as consultancy and related services. In the very fragmented European office furniture industry, Bene is positioned as a high-quality, highly design-oriented supplier. In contrast to most of its competitors Bene counts on direct distribution, with 94% of sales generated via its own points of sale. Thus more than 50% of the total workforce are salespeople. While the competitors run up to 12 specialist production sites, Bene concentrates on one highly automated factory and an integrated just-in-time production system.

Shareholder structure



Strengths/Opportunities

- Trend-setter with a strong brand and one of the leaders in the office furniture industry
- Strong market shares: #1 in Austria, #6 in Europe, leading market shares in CEE
- Productivity advantages due to innovative production and supply-chain management
- Bene should benefit from the ongoing consolidation process in the very fragmented European market
- Large liquidity reserve
- Trend toward increasing gross margins due to the renewal of the product portfolio and the introduction of new high margin product lines

Weaknesses/Threats

- Very (late)-cyclical industry
- Threat of increasing price pressure from low-cost producers from CEE and Asia
- Low liquidity of the share due to the small market capitalization
- Very fragmented industry with no clear leader

Income statement	1/2010	1/2011e	1/2012e	1/2013e
(EUR mn)				
Consolidated sales	179.3	169.1	189.1	213.9
EBITDA	-5.2	0.1	9.3	17.2
EBIT	-14.0	-8.3	1.2	9.0
EBT	-16.8	-11.4	-1.9	5.8
Net profit bef. min.	-17.2	-11.7	-1.5	4.3
Net profit after min.	-17.3	-11.7	-1.4	4.3
Balance sheet				
Total assets	161.7	154.8	154.2	161.6
Shareholders' equity	51.0	39.2	37.8	42.1
Goodwill	4.4	4.4	4.4	4.4
NIBD	12.3	20.2	26.5	25.1
Cash flow statement				
Operating cash flow	6.8	2.9	1.4	9.8
Investing cash flow	-13.1	-10.6	-7.8	-8.4
Change NIBD	-4.5	-7.9	-6.3	1.4

Source: Raiffeisen Centrobank estimates

Per share data	1/2010	1/2011e	1/2012e	1/2013e
(EUR)				
EPS pre-goodwill	-0.7	-0.5	-0.1	0.2
Adj. EPS diluted	-0.7	-0.5	-0.1	0.2
Operating cash flow	0.3	0.1	0.1	0.4
Book value	2.1	1.6	1.6	1.7
Dividend	0.0	0.0	0.0	0.1
Payout ratio	0.0%	0.0%	0.0%	28.4%
Valuation (x)				
PE pre-goodwill	-2.0	-3.9	-32.0	10.8
Adj. PE diluted	-2.0	-3.9	-32.0	10.8
Price cash flow	5.0	15.8	33.2	4.7
Price book value	0.7	1.2	1.2	1.1
Dividend yield	0.0%	0.0%	0.0%	2.6%
FCF yield	-18.8%	-7.9%	-13.6%	3.2%
EV/EBITDA	-9.0	644.1	7.8	4.2
EV/EBIT	-3.3	-8.1	61.7	8.0
EV/operating CF	6.9	22.8	52.4	7.3

Acknowledgements

Publication schedule

Date	Publication
19.05.	4Q Earnings release
09.06.	Annual General Meeting
16.06.	Dividend Payment
16.06.	Ex-Dividend
22.06.	1Q Earnings release
21.09.	2Q Earnings release

Recommendation history

Date	Rating	Target Price	Price	Upside
20.12.2010	Buy	1.75	1.50	16.7%
22.09.2010	Hold	1.35	1.25	8.0%
30.08.2010	Hold	1.30	1.19	9.2%
02.06.2010	Hold	1.55	1.40	10.7%

Coverage universe recommendation overview

	buy	hold	reduce	sell	suspended	UR
Universe	47	34	6	1	7	11
Investment banking services	8	5	0	0	2	1

Acknowledgements

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3, 5