

## PLASMASELECT AG

GERMANY / HEALTH CARE & NEW TECHNOLOGIES

Primary exchange: Frankfurt

Bloomberg symbol: PM3 GR

ISIN: DE0005471809

### NEWS FLASH

<b>RATING:</b>	<b>Buy</b>
<b>PRICE TARGET:</b>	<b>€1.50</b>
<b>RETURN POTENTIAL:</b>	<b>76.5%</b>
<b>RISK RATING:</b>	<b>High</b>

#### CHANGES IN MANAGEMENT TO REFLECT NEW ERA

**Karl-Heinz Riggers has resigned his CEO position at Plasmaselect and will now focus on supporting the company in maximising the value of Aquaworx, as well as finding new acquisition targets. Bernhard Giessel, previously the managing board member responsible for administration and finance, has taken over the new CEO role effective 15 August. The open management board position will be replaced in the mid-term with an expert in M&A and holding company management. Management changes reflect progress in the company's transition to a holding company with a buy-and-build strategy. We maintain our €1.50 price target and Buy rating.**

**Mr Riggers to focus on Aquaworx and finding acquisition targets** Karl-Heinz Riggers has resigned his CEO position at Plasmaselect in order to focus on supporting the company in maximising the value of the recently acquired subsidiary Aquaworx, including exploring its potential IPO within 2-3 years. He is also charged with finding new acquisitions targets within healthcare and new technologies. We regard this decision as positive, as it ends any capital market concerns on corporate governance issues in connection with the Riggers' family presence on the board. At the same time the company will continue to benefit from Mr Rigger's expertise and industry contacts.

**New CEO represents company's transition to a holding company** Mr Giessel, an expert in managing holding companies and turnarounds, is in our view well suited to lead Plasmaselect as a holding company with a buy-and-build strategy. Under this strategy the company will acquire businesses in attractive technology fields, generate value and exit them when appropriate at the highest possible price (e.g. the recent Generics business transaction). Mr Giessel's efforts will focus on completing the company's turnaround and maximising return on investments (IRS and Aquaworx).

**Plasmaselect's holdings are worth more than the share price indicates** We believe Plasmaselect's recent restructuring, portfolio realignment measures and implementation of a buy-and-build (including hold-or-sell) strategy promise to create value in attractive new technology fields (e.g. the water treatment market), in excess of what the current share price indicates. We maintain our €1.50 price target and Buy rating.

#### FINANCIAL HISTORY & PROJECTIONS

	FY 05/06	FY 06/07	FY 07/08E	FY 08/09E	FY 09/10E	FY 10/11E
Revenue (€m)	41.45	35.97	37.06	43.45	52.69	65.65
Y-o-y growth	na	-13.2%	3.0%	17.2%	21.3%	24.6%
EBIT (€m)	-3.73	-22.84	-4.09	-1.51	1.34	3.58
EBIT margin	-9.0%	-63.5%	-11.0%	-3.5%	2.5%	5.5%
Net income (€m)	-5.55	-28.70	-6.52	-3.85	-1.00	1.09
EPS (diluted) (€)	-0.33	-1.72	-0.34	-0.16	-0.04	0.04
P/E (x)	na	na	na	na	na	18.9
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

#### RISKS

The main risks to our price target include: marketing and commercialisation risk; competition risk, including the development of new technologies; restructuring risk; and corporate governance concerns.

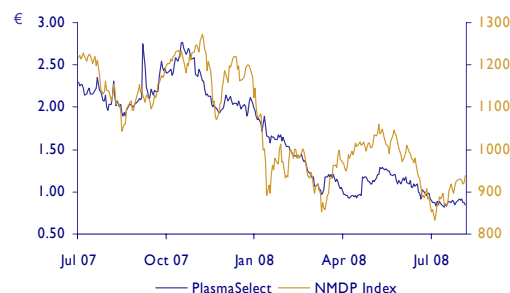
#### COMPANY PROFILE

PlasmaSelect, based in Munich, Germany, is a holding company commercialising products and services related to water, including infusion and rinsing solutions and an innovative process for water treatment. As of 31 May 2008, the company had 242 employees.

#### TRADING DATA

Closing price (15.08.08)	€0.85
Shares outstanding	24.17m
Market capitalisation (15.08.08)	€20.55m
52-week range	€0.82 / 2.76
Av. vol. (six months)	35,310

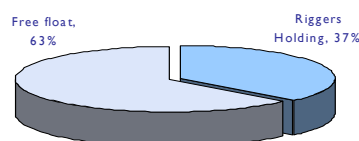
#### STOCK OVERVIEW



#### COMPANY DATA (as of 31 May 2008)

Liquid assets (incl. securities)	€40.74m
Current assets	€74.22m
Intangible assets	€14.03m
Total assets	€127.52m
Current liabilities	€31.43m
Shareholders' equity	€64.17m

#### SHAREHOLDERS



**Analyst:** Christian Orquera, Tel. +49 (0)30 - 80 93 96 95



## SALES AND EBIT FORECASTS BY SEGMENT

All figures in €m	FY 05/06	FY 06/07	FY 07/08E	FY 08/09E	FY 09/10E	FY 10/11E	FY 11/12E
<b>Group sales</b>	<b>41.45</b>	<b>35.97</b>	<b>37.06</b>	<b>43.45</b>	<b>52.69</b>	<b>65.65</b>	<b>85.90</b>
Continued operations (IV solutions & others)	41.45	35.97	34.80	35.15	35.67	36.39	37.12
Water purification	-	-	2.26	8.30	17.02	29.26	48.78
<b>Group operating profit</b>	<b>-3.73</b>	<b>-22.84</b>	<b>-4.09</b>	<b>-1.51</b>	<b>1.34</b>	<b>3.58</b>	<b>7.69</b>
Continued operations (IV solutions & others)	-3.73	-22.84	-4.00	-1.76	0.14	0.36	0.37
Water purification	-	-	-0.09	0.25	1.19	3.22	7.32
<b>Group operating margin</b>	<b>-9.0%</b>	<b>-63.5%</b>	<b>-11.0%</b>	<b>-3.5%</b>	<b>2.6%</b>	<b>5.5%</b>	<b>9.0%</b>
Continued operations (IV solutions & others)	-9.0%	-63.5%	-11.5%	-5.0%	0.4%	1.0%	1.0%
Water purification	-	-	-4.0%	3.0%	7.0%	11.0%	15.0%

Table 1

Source: Plasmaselect, First Berlin

## AQUAWORX PRODUCT PORTFOLIO AND EXPECTED MARKET LAUNCH

Product	Application	Market launch
<b>1. AquaTriLight</b>	- Drinking water purification - Sewage purification	Q3 2008
<b>2. AquaCleanFilter</b>	- Filtration of fluids	Q1 2009
<b>3. AquaTriComb</b>	- Processing of ballast water from ships	Q4 2010
<b>4. AquaHomeCare</b>	- Purification of pool, drinking and waste water	Q3 2008
<b>5. AquaLegioCon</b>	- Bacteria-management system	Q1 2009

Table 2

Source: Aquaworx, First Berlin

**FIRST BERLIN DISCLAIMER**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target	Interim high	% change to high
Initial Report	28 January 2005	€4.30	Strong Buy	€8.00	-	-
2...15	↓	↓	↓	↓	↓	↓
16	8 April 2008	€1.07	Hold	€1.00	€1.29	20.6%
17	12 June 2008	€1.13	Buy	€1.50	€1.17	3.5%
18	6 August 2008	€0.85	Buy	€1.50	€0.92	7.6%
19	Today	€0.85	Buy	€1.50	-	-

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

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