

PLASMASELECT AG

GERMANY / HEALTH CARE & NEW TECHNOLOGIES

Primary exchange: Frankfurt

Bloomberg symbol: PM3 GR

ISIN: DE0005471809

HI RESULTS

RATING:	Buy
PRICE TARGET:	€1.50
RETURN POTENTIAL:	76.5%
RISK RATING:	High

ENCOURAGING HI 2007/08 RESULTS

PlasmaSelect reported HI 2007/08 results last week, which were in line with our expectations. We believe the company is on track to achieve our full-year estimates. The realignment of PlasmaSelect's portfolio is making progress, having seen positive results in the restructuring of the Infusion and Rinsing Solutions business (IRS) and in the gaining of distribution partners for the recent Aquaworx acquisition. We maintain our €1.50 price target and recommend investors Buy on current share price weakness.

Financial performance of continued operations improved in HI 2007/08

Group sales declined by 7.1% to €17.6m – a result of PlasmaSelect's portfolio realignment measures. Gross profit increased to €5.2m (from €4.3m in HI 2006/07), equating to a gross margin of 29.3% (22.5%). The operating loss improved to €1.9m (€2.4m) and the net loss came to €2.1m (€3.7m).

Restructuring of IRS underway, successful disposal of Haemacel

PlasmaSelect has taken measures to eliminate loss-making products and move the production of some profitable products from the older German site in Pfullingen to the more modern Italian facility in Potenza. These measures helped sales in the IRS business to almost stabilise at €14.5m (€14.6m in HI 2006/07), with the operating loss roughly flat at €1.1m. In June the company sold its Haemacel business to India's Piramal Healthcare Ltd for around €8.0m.

Acquisition of Aquaworx going to plan Aquaworx, PlasmaSelect's acquisition effective as of 2 June and to be consolidated from Q3 2007/08 on, has secured distribution partners for countries such as France, Spain/Mallorca, Canada and Kazakhstan, as a well as a co-operation agreement with an undisclosed international company, giving PlasmaSelect access to a worldwide distribution network to offer products and assistance.

Current low share price suggests attractive buying opportunity We believe PlasmaSelect's recent restructuring and portfolio realignment measures will lead to a significant recovery in the company's financial performance and position PlasmaSelect as an innovative player in the water treatment market. As such, 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	n.a.	-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	-0.39	-0.16	-0.04	0.05
P/E (x)	-2.6	-0.5	-2.2	-5.3	-20.3	18.7
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.

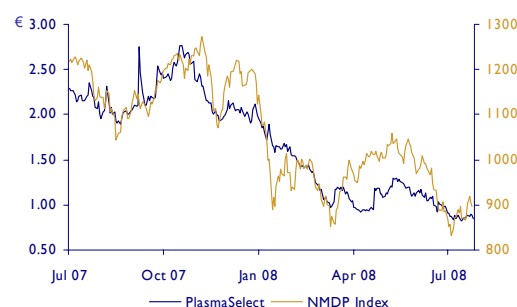
COMPANY PROFILE

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 (05.08.08)	€0.85
Shares outstanding	16.92m
Market capitalisation (05.08.08)	€14.38m
52-week range	€0.82 / 2.76
Av. vol. (six months)	36,837

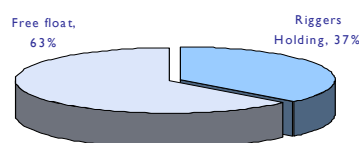
STOCK OVERVIEW



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



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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
Group sales	41.45	35.97	37.06	43.45	52.69	65.65	85.90
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
Group operating profit	-3.73	-22.84	-4.09	-1.51	1.34	3.58	7.69
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
Group operating margin	-9.0%	-63.5%	-11.0%	-3.5%	2.6%	5.5%	9.0%
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, Aquaworx, First Berlin

Aquaworx product portfolio and expected market launch

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

Table 2

Source: Aquaworx, First Berlin

**FIRST BERLIN RECOMMENDATION AND PRICE TARGET HISTORY**

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...14	↓	↓	↓	↓	↓	↓
15	11 September 2007	€2.47	Hold	€2.20	€2.76	11.7%
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	Today	€0.85	Buy	€1.50	-	-

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

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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