

Company Update

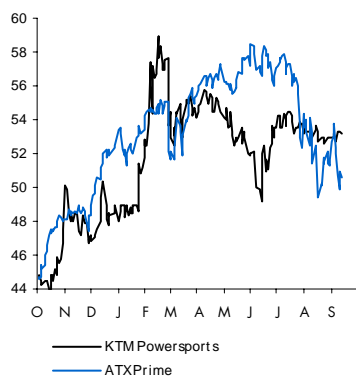
September 13, 2007

Industrials/Austria

KTM Powersports

Hold (from Buy)

Price 12.09.07	53.20
Price target	55.50
Volatility risk	medium
Year high/low	59.00/44.00
Currency	EUR
EUR/EUR	1.00
ADR rate	n.a.
Market capitalisation in EUR mn	366.7
Free float	44.9%
Free float in EUR mn	164.6
Avg. daily turnover (12 m) in EUR mn	0.4
Index	ATX Prime
ISIN code	AT0000645403
Bloomberg	KTM AV
Reuters	KTMP.VI
Datastream	O:KTM
www.ktmpowersports.com	



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Reducing maximum speed

Despite increased growth projections we see the results of KTM PS burdened by the USD and increased depreciation expenses. Therefore we downgrade the stock from "buy" to "hold" with a new price target of EUR 55.5.

1-3Q 2006/07 growth exceeding our estimates: KTM PS showed an impressive top-line growth in 1-3Q 2006/07 making us increase our sales estimates for this and the next business years. Also due to the fact that CEO, Stefan Pierer, recently announced a sales guidance of EUR 560.0 mn in 2006/07. Updated information about the USD effect on the company's results and the introduction of new models have led us to adjust our former forecast model.

Outlook: The introduction of new products, such as the racing ATV and especially the inclusion of the X-Bow in our model increases our sales forecasts for the coming years. The company is still committed to strong growth in the on-road segment while aiming to maintain its market share in off-road vehicles. Negative effects from the USD depreciation as well as increased depreciation expenses due to higher CAPEX burden our EBIT margin estimates. We adjust EBIT margins slightly downwards in the next two years, from 7.2% to 6.9% in 2006/07e and from 7.1% to 6.5% in 2007/08e.

Valuation: We calculate a new 12-month price target of EUR 55.5, using a DCF model and a peer group valuation. While the DCF model yields a price target of EUR 60.5, the peer group valuation is less favourable, given the share price losses of KTM's peers in recent weeks due to worries about the US economy underpinned by a profit warning of Harley Davidson. On the basis of EV/EBITDA and P/E multiples and a 10% premium for KTM we derive a peer group price target of EUR 48.0. Despite the strong growth we see earnings in the short run burdened by USD effects and increased depreciation. Therefore we downgrade our recommendation from "buy" to "hold" and derive a new price target of EUR 55.5 down from EUR 67.0.

Key ratios

EUR	8/2005	8/2006	8/2007e	8/2008e	8/2009e
EPS reported	2.09	2.90	3.46	3.70	4.65
PE reported	23.1	15.5	15.3	14.4	11.4
Adjusted EPS diluted	2.09	2.90	3.46	3.70	4.65
Adjusted PE diluted	23.1	15.5	15.3	14.4	11.4
Operating cash flow per share	7.49	5.41	5.73	6.29	7.54
Price cash flow	6.4	8.3	9.2	8.5	7.1
Book value per share	23.02	25.88	28.59	31.43	35.15
Price book value	2.1	1.7	1.9	1.7	1.5
Dividend per share	0.55	0.75	0.86	0.93	1.16
Dividend yield	1.1%	1.7%	1.6%	1.7%	2.2%
EV/adjusted EBITDA	14.2	8.2	8.2	7.6	6.4

Source: KTM Powersports, Raiffeisen Centrobank estimates

Looking back: 3Q 06/07

Impressive top-line growth

KTM PS presented strong 3Q 06/07 results in July, exceeding our expectation in top- and bottom line growth, even though 3Q figures are seasonally the weakest of the business year. Sales increased by an impressive 20.1% yoy to EUR 138.0 mn. 3Q sales were driven by higher-priced premium motorcycles and a higher percentage of on-road vehicles, due to more favorable climate conditions during this time of the year. The trend towards a higher share of on-road vehicles was also driven by the release of new models in the previous model year, such as the 690 Supermoto and the 990 Super Duke. The sales increase was also driven by higher sales in the "related products" segment, as well as the OEM engines segment. In the off-road segment KTM was able to maintain its relatively high market share. Gross profit rose by 13.1% yoy to EUR 42.2 mn, while overhead costs increased by only 5.5% to EUR 38.7 mn. This results in the increased EBIT of EUR 3.5 mn, up from EUR 1.5 mn in the previous year, which yields an EBIT margin of 2.5%. The EBIT margin is still relatively low compared to the full year, since on-road bikes in general have lower gross profit margins compared to the off-road product range. Net profit was reported at EUR 1.4 mn, up 133% from EUR 0.6 mn yoy.

Quarterly figures

in EUR mn	1Q 05/06	2Q 05/06	3Q 05/06	4Q 05/06	1Q 06/07	2Q 06/07	3Q 06/07
Sales	109.7	125.8	114.9	153.9	129.5	133.5	138.0
Gross profit	39.9	41.5	37.3	47.5	46.0	42.5	42.2
Gross profit margin	36.4%	33.0%	32.5%	30.9%	35.5%	31.8%	30.6%
EBITDA	13.3	14.4	6.8	19.5	16.9	17.7	9.9
EBITDA margin	12.1%	11.4%	5.9%	12.7%	13.1%	13.3%	7.2%
EBIT	8.6	9.5	1.4	14.5	11.5	11.1	3.5
EBIT margin	7.8%	7.6%	1.2%	9.4%	8.9%	8.3%	2.5%
EBT	7.0	8.6	-0.4	11.7	9.5	9.0	1.3
Net profit a.m.	5.7	5.3	0.6	8.4	7.3	6.4	1.4

Source: KTM PS

Expectations clearly exceeded

3Q 2006/07 results were clearly above our expectations. The growth in on-road sales and the trend towards higher-priced premium bikes drove sales growth to 20.1% yoy exceeding our more moderate forecast by 11.3%. The high on-road segment growth is also reflected in the lower gross profit margin, while gross profit in absolute terms still exceeded our forecast by 7.1%. EBIT strongly increased from EUR 1.4 mn to EUR 3.5 mn yoy and net profit after minorities rose from EUR 0.6 mn to EUR 1.4 mn, above our expectations of EUR 0.9 mn. The year-to-date performance leads us to raise our full-year forecast.

3Q 2006/07 – KTM

<i>in EUR mn</i>	3Q 05/06	3Q 06/07	+/- %	RCB est.	+/- % vs.est.	Comment
Sales	114.9	138.0	20.1	124.0	11.3	Higher on-road sales, more premium bikes
Gross profit	37.3	42.2	13.1	39.4	7.1	
Gross profit margin	32.5%	30.6%		31.8%		On-road vehicles have lower margins
EBIT	1.4	3.5	150.0	2.4	45.8	
EBIT margin	1.2%	2.5%		1.9%		
EBT	-0.4	1.3		0.4	225.0	
Net profit a.m.	0.6	1.4	129.5	0.9	55.6	

Source: KTM PS, Raiffeisen Centrobank

Outlook

X-Bow factored in

We have increased our sales estimates for the coming years, based on higher than expected sales growth in 2006/07, which was indicated in the 3Q report and confirmed in a recent press interview by the CEO, Stefan Pierer. Another major change comes from the inclusion of the X-Bow in our DCF model, which has a positive effect from 2007/08 on. On the negative side we have included new information on the impact of the USD depreciation on sales: given that the company currently is not hedged in USD, sales translation losses are fully reflected in lower EBIT. Furthermore we have increased CAPEX forecasts due to higher required investments for the company's further expansion and the launch of new products.

Adjusted sales model

We forecast a CAGR for sales of 9.4% between 2005/06 and 2009/10. Sales are driven by a stronger focus in on-road models, reflected by the higher growth rates for on-road bikes. The X-Bow will contribute to sales starting in 2H 2007/08. The recently launched KTM ATV for the US market will largely offset the termination of ATV distribution of Polaris. Delivery of OEM engines to Polaris boosts sales in the respective segment. The growth in related products & others is linked to increasing sales of on-road vehicles which usually have a higher share of accessories than their off-road counterparts. Strong competition for sportminicycles by low-cost producers from Asia leads us to assume stagnation in this segment.

Sales model

	2006/07e	+/- %	2007/08e	+/- %	2008/09e	+/- %	2009/10e	+/- %
Sportminicycles	17.9	-19.3%	17.8	-0.7%	17.7	-0.9%	18.0	2.1%
Off-road	274.4	14.2%	288.1	5.0%	303.3	5.3%	317.0	4.5%
On-road	167.5	15.8%	188.1	12.3%	205.0	9.0%	223.6	9.1%
ATVs	3.6	153.1%	21.8	501.0%	22.5	3.1%	23.3	3.9%
X-Bow			25.0		45.5	82.0%	53.6	17.7%
OEM engines	11.9	760.2%	17.0	43.4%	20.0	17.5%	22.0	10.0%
Related products & others	112.2	18.7%	124.0	10.5%	139.1	12.2%	149.7	7.6%
Sales discounts	-22.6		-25.9		-27.5		-30.1	
USD adjustment	-3.1		-4.3					
Total	561.9	11.4%	651.5	16.0%	725.6	11.4%	777.2	7.1%

Source: Raiffeisen Centrobank

Polaris distribution terminated

KTM PS has announced that it would stop the distribution of Polaris ATVs for the European market, due to the lack of strategic fit of the Polaris products with the more high-performance racing-oriented KTM product portfolio. Market acceptance for ATVs in Europe is also rather low. However, KTM signed a contract agreement with Polaris to supply OEM motors for certain Polaris products over the coming years. For the upcoming business year a volume of more than 13,000 motors is ordered at an estimated average unit price of EUR 1,300. The volume is intended to increase in the years thereafter, given that Polaris has pronounced interest in other types of motors as well.

Launch of KTM racing-ATV

While terminating the Polaris distribution for ATVs in Europe, KTM has developed an ATV for the US market. The vehicle is targeting the off-road racing segment of the US ATV market with an estimated annual market volume of 60,000 units sold. This is a good opportunity to leverage KTM's premium offroad reputation and we expect the company to sell the planned volume of around 2,600 units in 2007/08 (approx. 4% market share).

Forecast

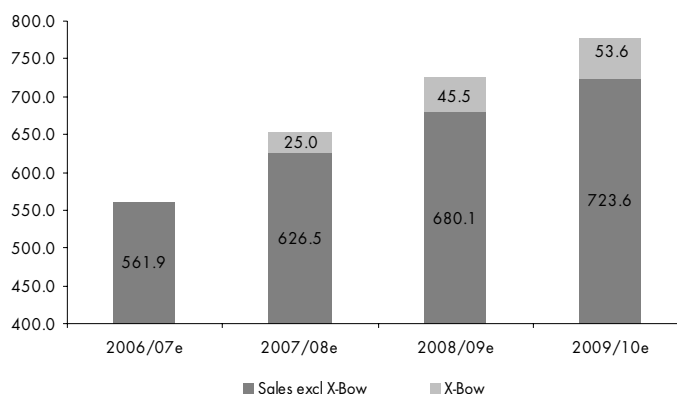
<i>in EUR mn</i>	<i>2004/05</i>	<i>2005/06</i>	<i>2006/07e</i>	<i>2007/08e</i>	<i>2008/09e</i>	<i>2009/10e</i>
Sales	381.9	504.5	561.9	651.5	725.6	777.2
Gross profit	116.4	166.3	180.7	205.6	235.6	251.9
Gross profit margin	30.5%	33.0%	32.2%	31.6%	32.5%	32.4%
EBITDA	32.8	53.9	62.6	72.0	83.9	90.1
EBITDA margin	8.6%	10.7%	11.1%	11.1%	11.6%	11.6%
EBIT	17.7	34.0	39.0	42.6	51.1	57.2
EBIT margin	4.6%	6.7%	6.9%	6.5%	7.0%	7.4%
EBT	12.4	26.9	31.4	33.6	41.6	51.0
Net profit a.m.	12.1	20.0	23.8	25.5	32.1	39.8
EPS	2.09	2.90	3.46	3.70	4.65	5.78
EPS adjusted	2.09	2.90	3.46	3.70	4.65	5.78
DPS	0.55	0.75	0.86	0.93	1.16	1.44

Source: KTM PS, Raiffeisen Centrobank estimates

X-Bow will be made "ready-to-race" in 07/08

Due to the high acceptance at the Geneva motor show in March 2007 KTM decided to take on series production of the X-Bow in business year 2007/08. Since March over 1,800 pre-orders for the X-Bow have been received. These reservations were not binding, but according to management the first pre-payments of approx. 20% of the total purchasing price were received this month, just days after the first payment request was sent out. In our view this indicates that the targeted 1,000 units to be produced per year will find their buyers. According to a KTM survey, demand is equally split between former motor racers, trend-setters and sports car drivers. The planned pre-series of 500 units should be sold by 2007/08 at an average price of approx. EUR 50,000 per car. For the following batch-production we estimate a sold volume of 1,000 units per year at an average price of EUR 45,000 in 2008/09 due to the fact that the pre-series will include some higher-cost, customized parts. KTM has founded a KTM-Sportscar GmbH subsidiary where all activities for the X-Bow production will be allocated. This gives a minor tax-advantage, separates the X-Bow clearly from KTM's core motorcycle business and might also facilitate the cooperation with a strategic partner in the future. In our opinion, it shows that 4-wheel racing vehicles will gain importance in the KTM group structure. According to our model, X-Bow sales of EUR 25.0 mn will account for 3.8% of total sales in 2007/08, increasing this portion to 6.9% in 2009/10. In the long run we see a 15% sales share of KTM Sportscars as possible. We expect gross profit margins of the X-Bow to be slightly below the level of off-road bikes at around 32%, with a lower GP margin for the pre-series, since higher production costs can be expected.

X-Bow sales share in EUR mn



Source: Raiffeisen Centrobank estimates

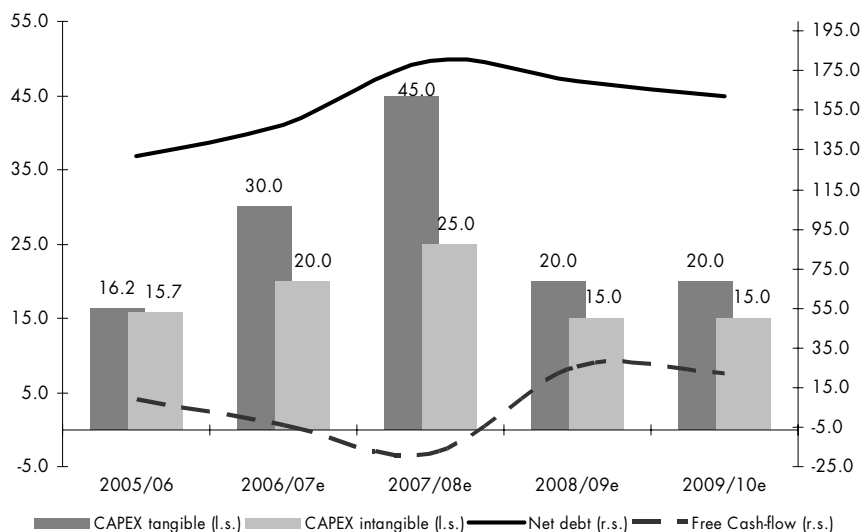
X-Bow increases CAPEX substantially

Additionally to the EUR 4.0 mn development costs that will be taken over from Cross Industries in 2007/08, KTM will have to invest approx. EUR 20.0 mn for implementing batch production for the X-Bow, half of it capitalised as R&D expense, the other part is to be invested in machinery for the assembly line. Assembly will probably be done at the Magna Steyr plant, but a formal contract has not yet been closed. KTM is even considering producing the X-Bow by itself in the medium run.

The above-mentioned investment for the X-Bow adds up with other investments in capacity extension and modernisation. In 2006/07 KTM is forecasted to spend around EUR 50 mn in tangible and intangible (mostly capitalised R&D expenses) assets. Approx. EUR 3.0 mn are invested in the expansion of the Austrian engine production plant, around EUR 5.0 mn stem from investments in R&D for the X-Bow and a large part of it are investments in machinery and equipment. For 2007/08 investments are forecasted to increase to around EUR 70 mn, incorporating the X-Bow related investments of EUR 15 mn into development and production and the EUR 4.0 mn development costs paid to Cross Industries. Around EUR 3.0 mn will be invested in a spare parts centre in the US and various distribution subsidiaries worldwide will be modernized and extended. Machinery and equipment for new products comprise the largest part of the planned CAPEX. However, we see these investments positive in the medium-run since they increase KTM's organic growth prospects.

In the short run, however, a negative effect on free cash-flow and net debt is expected. According to our estimates free cash-flow will turn negative by EUR -19.1 mn by 2007/08 also burdening net debt, which should increase by EUR 147.6 mn to EUR 180.3 mn. This is also reflected by the net-gearing ratio which should increase from 74.8% in 2006/07 to 83.3% in the next year. Given KTM's strong market position and its positive sales momentum, which we assume to continue in the next years, we believe in KTM's ability to improve these key figures in 2008/09. We expect the company to announce further details about expansion plans for the next years after the release of full-year figures for 2006/07 in November. Further sales growth above our current expectations could be an additional trigger for the share-price.

CAPEX plan



Source: KTM PS, Raiffeisen Centrobank estimates

Weak USD burdens EBIT margin

KTM has a relatively high USD exposure of almost 25% of sales. Generally, the company hedges this exposure at an exchange rate at which it also plans its budget in June of every year. Due to the strong depreciation of the USD KTM has planned the business year budget 2007/08 at 1.30 USD/EUR compared to 1.23 USD/EUR in the previous business year, but management has not executed any financial hedging yet, because at current rates it was seen as too expensive. Therefore the company has been fully exposed to exchange rate fluctuation in USD since June 2007. Our macro-economy research team expects the EUR/USD rate to stay at current levels around 1.37 until year end, then gradually improving in 2008 to a long-term equilibrium rate of 1.32 USD/EUR.

Our sales estimates for 2006/07 are affected by EUR -3.4 mn, diminishing sales from EUR 565.0 mn to EUR 561.9 mn. Given that all costs arise in EUR this decrease has a direct effect on EBIT, decreasing the EBIT margin from 7.4% to 6.9%. For 2007/08 this effect continues to influence sales, decreasing sales from EUR 655.9 mn to 651.3 mn. This results in a negative effect on the EBIT margin, depressing it from 7.2% to 6.5%. Formerly KTM mainly compensated for these losses by raising prices in the US, leveraging its premium producer reputation and selling their products at prices 5-10% above the competitors. The possibility of price increases seems to have reached its limits by now.

Effect of USD on EBIT margin

in EUR mn	2006/07e	2007/08e	Comment
EUR/USD budget rate	1.30	1.30	Budget rate for model year 2007/08
EUR/USD actual rate (Raiff. est.)	(avg 4Q) 1.36	1.34	Expected slight dollar appreciation
Sales pre USD effect	565.0	655.9	Assuming that 25% are USD sales
Sales incl. USD effect	561.9	651.5	Losses from negative translation effect
EBIT pre USD	42.0	46.9	
EBIT margin pre USD	7.4%	7.2%	
EBIT incl. USD effect	38.9	42.6	Translation losses directly affect EBIT, since cost arise in EUR
EBIT margin incl. USD	6.9%	6.5%	

Source: Raiffeisen Centrobank estimates

After 2007/08 we expect KTM to adapt to any exchange-rate development. Possible measures to avoid negative effects on the EBIT margin are increasing local sourcing in the US, using the operating leverage by selling higher volumes, higher sales of high-margin spare-parts and accessories and further modularisation the different model-types to have certain standardized model platforms for different vehicles.

Despite these negative effects we should not neglect that only around 40% of KTM's total FX exposure is in USD, while other currencies, such as the Yen, GBP and AUD play an important role as well and can partly offset negative effects as well.

US slowdown not to hurt KTM

The possible slowdown in the US economy that is currently being discussed, which would come in line with a loss in consumer spending is not affecting our sales model yet. We assume that KTM will be able to leverage its position as a premium high-class racing provider, and will be far less sensitive to the slowdown than producers of mid-range and lower-priced vehicles, such as the Japanese competitors. This is underpinned by the fact that KTM has managed to grow in the US by 14.3% per year on average since 2000, while the US market has grown by a more moderate 5.8% per year.

Changes to forecast

Reducing EPS estimates due to higher depreciation and USD

We have increased our sales outlook, due to the strong development in the past quarters, the planned introduction of new models and products and the capacity extension. We estimate a CAGR of 9.4% in the period between 2005/06 and 2009/10e. The EBIT margin for 2006/07e and 2007/08e is affected by the negative USD development and higher depreciation expenses due to the higher than expected capital expenditures and was thus adjusted slightly downwards to 6.9% and 6.5% in 2006/07e and 2007/08e respectively. This affects our EPS estimates, resulting in a reduction of EPS for 2006/07e from EUR 3.58 to EUR 3.46 and to EUR 3.70 from EUR 3.97 for 2007/08e. We expect, however, to see an improvement thereafter, raising EPS for 2008/09e to EUR 4.65 from EUR 4.43.

Changes to forecast

in EUR mn	old			new			
	2006/07e	2007/08e	2008/09e	2006/07e	2007/08e	2008/09e	2009/10e
Sales	547.7	615.7	688.0	561.9	651.5	725.6	777.2
Gross profit	177.1	192.7	211.1	180.7	205.6	235.6	251.9
Gross profit margin	32.3%	31.3%	30.7%	32.2%	31.6%	32.5%	32.4%
EBITDA	65.7	73.8	80.8	62.6	72.0	83.9	90.1
EBITDA margin	12.0%	12.0%	11.8%	11.1%	11.1%	11.6%	11.6%
EBIT	39.2	43.6	47.9	39.0	42.6	51.1	57.2
EBIT margin	7.2%	7.1%	7.0%	6.9%	6.5%	7.0%	7.4%
EBT	31.4	35.6	39.6	31.4	33.6	41.6	51.0
Net profit a.m.	24.7	27.4	30.5	23.8	25.5	32.1	39.8
EPS	3.58	3.97	4.43	3.46	3.70	4.65	5.78
EPS adjusted	3.58	3.97	4.43	3.46	3.70	4.65	5.78
DPS	0.90	1.00	1.10	0.86	0.93	1.16	1.44

Source: Raiffeisen Centrobank estimates

Risks to our planning model:

Given KTM's high USD exposure a sharp, long-term depreciation of the USD could harm KTM's results even more than already considered in our model. Also fluctuations in other currencies could negatively affect KTM's business. On the other hand there is substantial upside potential if the USD and other currencies develop more favourably. Strong losses in consumer spending in the target markets would eventually harm KTM, although its positioning as a premium quality supplier makes it less exposed to fluctuations of the economic cycle than lower priced brands.

Valuation

We value KTM PS with a peer group comparison and a DCF model, for the first time including the X-Bow in our forecast.

Peer group comparison

KTM is partly traded at premiums

Compared to its peers KTM is trading at a clear premium regarding EV/EBITDA (29% for 2007e). In terms of P/E the company is more in line with the peer group median. In our last update in February we saw KTM more equally valued regarding the peer group, trading even at slight discounts in terms of P/E. However, the recent financial crisis and worries about a slowdown of US consumer spending have led to share price losses of some peers, while KTM's share price has hardly reacted at all. This led to the valuation premium which we see today. Given KTM's above-average sales growth and good earnings development as well as the increased liquidity since February 2007 (placement of the 20% stake owned by Polaris) we continue to see a premium as justified. We do not consider KTM to be as exposed to the current worries about the US economy as most companies in the peer group (Arctic Cat, Polaris, Harley Davidson). This opinion is also reflected in the recent share price losses seen in many peer companies, while KTM's share price largely stayed at the same level. By taking an average of the P/E and EV/EBITDA valuations of KTM after considering the 10% premium we derive a 12-month price target of EUR 48.0.

DCF valuation

DCF better accounts for above average growth

For our DCF model we altered top-line growth projections from our previous Company Update, while reducing the EBIT margin for the coming two years. New information about KTM's growth plans for the next years are expected in November after the presentation of full-year figures. These plans could be an additional trigger for the share-price and are not factored into our model. After our detailed planning period we have factored in a down-cycle with slightly declining sales in 2010/11, minimum increase in 2011/12 and margins below average to take into account the cyclic nature of KTM. For the terminal value calculation we use a matured growth rate of 2.0% and an EBIT margin of 7.0%. Our terminal value WACC is 8.3%, by assuming a risk-free rate of 4.5%, an equity risk premium of 4.0% and a long-term cost of debt of 5.0%. Our model derives a 12-month target price of EUR 60.4.

Combining our two valuation techniques by assigning a 60% weight to our DCF model, since it better accounts for the above average growth we see in the medium run, and a 40% weight to our peer-group valuation we derive a price target of EUR 55.5. This leads us to change our recommendation from "buy" to "hold".

Price target assumptions

	Target price	Weight	Comment
EV/EBITDA	40.3	50.0%	KTM is trading at a slight premium
PER	55.1	50.0%	In terms of P/E KTM seems fairly valued
Peer group target price	48.0	40%	
DCF target price	60.5	60%	Better accounts for future growth
Target price	55.5		

Source: Raiffeisen Centrobank

DCF valuation

FCF projection (EUR mn)	2007e	2008e	2009e	2010e	2011e	2012e	TV CF
NOPLAT	31.4	34.5	41.5	46.0	33.4	36.5	47.6
Adj. NOPLAT	31.4	34.5	41.5	46.0	33.4	36.5	47.6
Depreciation of PPE & intangibles	23.5	29.4	32.7	32.9	28.0	28.0	28.0
Gross investment in PPE & intangibles	-50.0	-70.0	-35.0	-35.0	-31.0	-33.0	-30.9
Change in working capital	-9.2	-13.5	-14.3	-21.9	10.6	7.7	-2.9
NWC/Sales	19.4%	18.7%	18.6%	20.2%	19.0%	18.0%	17.5%
Change in LT provisions other than tax	0.1	0.5	0.5	0.5	1.0	1.0	1.0
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow to firm	-4.1	-19.0	25.4	22.5	42.0	40.2	42.9
Adj. free cash flow to firm	-4.1	-19.0	25.4	22.5	42.0	40.2	42.9
EV DCF, mid-year assumption		542.7	607.1				
MV of non-operating assets		0.1	0.1				
MV of net debt		147.6	180.3				
MV of minorities		0.2	0.2				
Adjustments to EV		0.0	0.0				
Fair value of equity		395.2	426.8				
Shares outstanding (mn)		6.9	6.9				
Price target per share per 01/09 (in EUR)		57.3	61.9				

Value drivers	2007e	2008e	2009e	2010e	2011e	2012e	TV CF
Consolidated sales yoy	11.4%	16.0%	11.4%	7.1%	-1.0%	0.0%	2.0%
EBITDA margin	11.1%	11.1%	11.6%	11.6%	9.0%	9.5%	10.5%
Rate of taxes paid	-19.5%	-18.9%	-18.7%	-19.6%	-19.0%	-19.0%	-18.0%
Working capital/sales	19.4%	18.7%	18.6%	20.2%	19.0%	18.0%	17.5%
Capex/depreciation	212.3%	237.7%	106.9%	106.3%	110.7%	117.9%	110.2%
Free cash flow margin	-0.7%	-2.9%	3.5%	2.9%	5.5%	5.2%	5.2%

WACC	2007e	2008e	2009e	2010e	2011e	2012e	TV CF
Target capital structure (at MV)	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Debt/equity ratio (at MV)	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Risk free rate (local)	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Equity market premium	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Levered beta	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Cost of equity	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%	9.3%
Cost of debt	5.2%	5.3%	5.5%	5.0%	5.0%	5.0%	5.0%
Tax rate	-19.5%	-18.9%	-18.7%	-19.6%	-19.0%	-19.0%	-18.0%
WACC	8.3%	8.3%	8.4%	8.3%	8.3%	8.3%	8.3%

Sensitivity analysis

Growth sensitivity (EUR)	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC							
6.8%	62.9	69.1	76.5	85.4	96.4	110.3	128.4
7.3%	55.8	61.0	67.0	74.3	83.0	93.7	107.3
7.8%	49.7	54.1	59.1	65.1	72.1	80.6	91.1
8.3%	44.4	48.1	52.4	57.3	63.1	70.0	78.3
8.8%	39.8	43.0	46.6	50.8	55.6	61.2	68.0
9.3%	35.7	38.4	41.5	45.1	49.2	53.9	59.4
9.8%	32.0	34.4	37.1	40.2	43.6	47.6	52.2

Margin sensitivity (EUR)	FCF margin TV						
	3.7%	4.2%	4.7%	5.2%	5.7%	6.2%	6.7%
WACC							
6.8%	59.5	68.2	76.8	85.4	94.0	102.6	111.3
7.3%	51.5	59.1	66.7	74.3	81.9	89.4	97.0
7.8%	44.8	51.6	58.3	65.1	71.8	78.5	85.3
8.3%	39.2	45.3	51.3	57.3	63.4	69.4	75.4
8.8%	34.4	39.9	45.3	50.8	56.2	61.6	67.1
9.3%	30.3	35.2	40.2	45.1	50.0	54.9	59.9
9.8%	26.7	31.2	35.7	40.2	44.6	49.1	53.6

Source: Raiffeisen Centrobank estimates

Risk/return analysis

	Currency	Price 12.09.	MCap. EUR mn	Performance (%)			Vola (%) 250D	EPS CAGR 3-year
				1M	3M	12M		
Arctic Cat	USD	16.03	145	-7.3	-16.7	-4.7	n.a.	-9.6%
Ducati	EUR	1.85	609	0.3	18.3	174.4	n.a.	neg.
Harley Davidson	USD	47.35	8,966	-17.2	-19.7	-22.9	n.a.	2.2%
Polaris Industries	USD	45.68	1,205	-4.8	-14.3	10.0	n.a.	11.3%
Porsche	EUR	1298.26	11,360	1.3	-0.8	66.9	n.a.	21.2%
Yamaha	YEN	2905.00	7,181	-7.2	-12.0	-1.5	n.a.	5.2%
Piaggio	EUR	2.92	1,157	-14.5	-20.3	-2.9	n.a.	10.8%
Mean				-7.1	-9.4	31.3		6.9%
Median				-7.2	-14.3	-1.5		8.0%
KTM Powersports	EUR	53.20	367	0.4	6.8	18.8	n.a.	17.2%

Peer group valuation

	P/E pre-goodwill				Dividend Yield			
	2006	2007e	2008e	2009e	2006	2007e	2008e	2009e
Arctic Cat	16.9	19.8	17.1	n/a	1.4%	1.7%	1.7%	n/a
Ducati	neg.	37.1	26.5	26.5	0.0%	0.0%	0.0%	0.5%
Harley Davidson	17.9	12.7	12.2	11.3	1.1%	1.9%	2.0%	2.2%
Polaris Industries	17.0	15.2	13.6	12.0	2.6%	3.0%	3.1%	3.0%
Porsche	21.1	11.3	13.2	11.5	0.4%	0.6%	0.6%	0.7%
Yamaha	13.8	10.3	9.7	9.2	0.9%	1.4%	1.7%	2.0%
Piaggio	17.0	15.4	12.7	11.7	1.0%	1.7%	2.4%	2.4%
Mean	17.3	17.4	15.0	13.7	1.1%	1.5%	1.7%	1.8%
Median	17.0	15.2	13.2	11.6	1.0%	1.7%	1.7%	2.1%
KTM Powersports	15.5	15.3	14.4	11.4	1.7%	1.6%	1.7%	2.2%

	P/BV				ROE			
	2006	2007e	2008e	2009e	2006	2007e	2008e	2009e
Arctic Cat	1.9	1.6	1.7	n/a	11.5%	n/a	n/a	n/a
Ducati	1.6	3.4	3.1	2.3	-5.5%	7.6%	9.8%	9.4%
Harley Davidson	6.8	4.8	5.1	3.5	37.8%	36.1%	37.7%	28.9%
Polaris Industries	11.5	7.6	10.5	10.7	67.4%	67.7%	84.8%	91.5%
Porsche	5.1	3.2	2.7	2.2	25.2%	36.5%	21.5%	21.5%
Yamaha	2.3	1.5	1.3	1.2	18.1%	15.1%	14.1%	14.2%
Piaggio	2.7	2.3	2.1	1.9	17.8%	15.4%	17.8%	17.3%
Mean	4.6	3.5	3.8	3.6	24.6%	29.7%	30.9%	30.5%
Median	2.7	3.2	2.7	2.3	18.1%	25.7%	19.7%	19.4%
KTM Powersports	1.7	1.9	1.7	1.5	11.9%	12.7%	12.5%	14.0%

	EV/Sales				EV/EBITDA			
	2006	2007e	2008e	2009e	2006	2007e	2008e	2009e
Arctic Cat	0.2	0.3	0.3	n/a	2.1	4.4	3.9	n/a
Ducati	2.2	1.7	1.6	1.5	25.1	12.6	10.6	8.9
Harley Davidson	2.4	2.3	2.3	2.0	7.5	8.0	7.6	7.0
Polaris Industries	1.1	1.0	1.0	1.0	7.7	7.9	7.0	6.6
Porsche	1.7	1.4	1.2	1.0	5.2	3.8	4.4	3.6
Yamaha	0.6	0.6	0.5	0.5	5.7	5.2	4.6	4.1
Piaggio	0.9	0.9	0.8	0.8	7.2	6.3	5.7	5.4
Mean	1.3	1.2	1.1	1.1	8.7	6.9	6.2	5.9
Median	1.1	1.0	1.0	1.0	7.2	6.3	5.7	6.0
KTM Powersports	0.9	1.0	0.9	0.7	8.2	8.2	7.6	6.4

Financial statements (IFRS)

<i>Income statement (EUR mn)</i>	<i>8/2005</i>	<i>8/2006</i>	<i>8/2007e</i>	<i>8/2008e</i>	<i>8/2009e</i>
Consolidated sales	381.9	504.5	561.9	651.5	725.6
Cost of sales	-265.4	-338.2	-381.2	-445.9	-490
Gross profit	116.4	166.3	180.7	205.6	235.6
Other operating income	0.2	1	0	0	0
Selling expenses	-61.5	-83.1	-84.2	-99.5	-106.2
Administrative expenses	-16.8	-25.9	-26.6	-29.7	-34.2
Other operating expenses	-20.6	-24.3	-30.9	-33.8	-44.1
EBITDA	32.8	53.9	62.6	72	83.9
Depreciation of PPE and intangibles	-15.2	-19.9	-23.5	-29.4	-32.7
EBITA	17.7	34	39	42.6	51.1
Amortisation, impairment of goodwill	0	0	0	0	0
EBIT	17.7	34	39	42.6	51.1
Investment income	0.9	0.7	0.8	0.8	0.8
Net interest income	-6.4	-7.8	-8.4	-9.8	-10.3
Other financial result	0.2	-0.1	0	0	0
Financial result	-5.3	-7.2	-7.6	-9	-9.5
Earnings before taxes	12.4	26.9	31.4	33.6	41.6
Taxes on income	-0.3	-6.8	-7.6	-8.1	-9.6
Extraordinary result	0	0	0	0	0
Net profit before minorities	12.1	20	23.8	25.5	32.1
Minority interests	0	0	0	0	0
Net profit after minorities	12.1	20	23.8	25.5	32.1

<i>Balance sheet (EUR mn)</i>	<i>8/2005</i>	<i>8/2006</i>	<i>8/2007e</i>	<i>8/2008e</i>	<i>8/2009e</i>
Current assets	181.6	219.9	231.9	256.5	282.3
Liquid funds	15	34.9	27.1	20.4	20.9
Receivables	88	102.9	113.5	131.6	145.1
Inventories	77.7	81.3	90.5	103.6	115.4
Other assets	0.9	0.9	0.9	0.9	0.9
Fixed assets	225.9	237	263.5	304	306.3
Property, plant & equipment	65.1	68.7	85.1	111.8	111.1
Intangible assets	81.4	89	99.1	113	115.9
Goodwill	78.4	78.4	78.4	78.4	78.4
Financial assets	1	0.9	0.9	0.9	0.9
Deferred tax assets	0	0	0	0	0
Total assets	407.5	457	495.4	560.5	588.6
Current liabilities	122.4	128.1	140.7	159.5	169.2
Long-term liabilities	106.9	130.8	137.1	163.7	156.4
Shareholders' equity	158.7	178.4	197	216.6	242.3
Minority interests	0.2	0.2	0.2	0.2	0.2
Deferred tax liabilities	19.3	19.5	20.3	20.7	20.7
Total liabilities	407.5	457	495.4	560.5	588.6

<i>Cash flow statement (EUR mn)</i>	<i>8/2005</i>	<i>8/2006</i>	<i>8/2007e</i>	<i>8/2008e</i>	<i>8/2009e</i>
Earnings before taxes	12.4	26.9	31.4	33.6	41.6
Taxes paid	-0.3	-6.8	-6.8	-7.7	-9.6
Amortisation and depreciation	15.2	19.9	23.5	29.4	32.7
Other non-cash items	0.6	0.8	0.1	0.5	0.5
Cash flow from result	27.9	40.7	48.3	55.8	65.3
Change in working capital	15.4	-3.4	-8.8	-12.5	-13.3
Operating cash flow	43.3	37.3	39.5	43.3	52
Capex PPE and intangible assets	-20.6	-31.8	-50	-70	-35
Acquisitions	-61.1	0	0	0	0
Disposal of fixed assets (total)	41.3	1.2	0	0	0
Other items (investments)	-8.3	0.5	0	0	0
Investing cash flow	-48.8	-30.1	-50	-70	-35
Dividend payments	0	-3.5	-5.2	-6	-6.4
Other changes in equity	48.5	0	0	0	0
Change in interest-bearing financial assets	-13.6	-0.1	0	0	0
Other items	-117.3	-0.9	0	-0.1	0
Change in NIBD	-87.8	2.7	-15.7	-32.8	10.6

Source: KTM Powersports, Raiffeisen Centrobank estimates

Financial ratios

Changes yoy	8/2005	8/2006	8/2007e	8/2008e	8/2009e
Consolidated sales yoy	147.1%	32.1%	11.4%	16.0%	11.4%
EBITDA yoy	51.8%	64.3%	16.0%	15.1%	16.4%
EBITA yoy	13.9%	92.3%	14.8%	9.1%	20.0%
EBIT yoy	13.9%	92.3%	14.8%	9.1%	20.0%
EBT yoy	-25.5%	117.3%	17.1%	6.8%	24.0%
Net profit after minorities yoy	-7.8%	65.7%	19.1%	7.1%	25.6%

Margins	8/2005	8/2006	8/2007e	8/2008e	8/2009e
Material costs margin	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA margin	8.6%	10.7%	11.1%	11.1%	11.6%
EBITA margin	4.6%	6.7%	6.9%	6.5%	7.0%
EBIT margin	4.6%	6.7%	6.9%	6.5%	7.0%
EBT margin	3.2%	5.3%	5.6%	5.2%	5.7%
Net margin	3.2%	4.0%	4.2%	3.9%	4.4%

Balance sheet (EUR mn)	8/2005	8/2006	8/2007e	8/2008e	8/2009e
Net working capital	92.1	100.3	109.1	121.6	134.9
Net interest-bearing debt	134.6	131.9	147.6	180.3	169.8
Capital employed	309.1	345.9	372.5	418.1	433.7
Market capitalisation	332.9	310.2	365.0	366.7	366.7
Enterprise value	467.5	442.1	512.6	547.0	536.4

Financing (x)	8/2005	8/2006	8/2007e	8/2008e	8/2009e
Interest cover	4.8	6.7	7.1	6.8	7.4
Internal financing ratio	-2.1	1.2	0.8	0.6	1.5
Net gearing	84.7%	73.9%	74.8%	83.2%	70.0%
Quick ratio	0.8	1.1	1.0	1.0	1.0
Fixed assets cover	1.2	1.3	1.3	1.3	1.3
Capex / depreciation	1.4	1.6	2.1	2.4	1.1
Equity ratio	39.0%	39.1%	39.8%	38.7%	41.2%

Profitability	8/2005	8/2006	8/2007e	8/2008e	8/2009e
Return on assets	6.6%	6.0%	6.4%	6.4%	7.1%
Return on equity	10.7%	11.9%	12.7%	12.3%	14.0%
Return on capital employed	8.5%	8.6%	9.1%	9.2%	10.2%

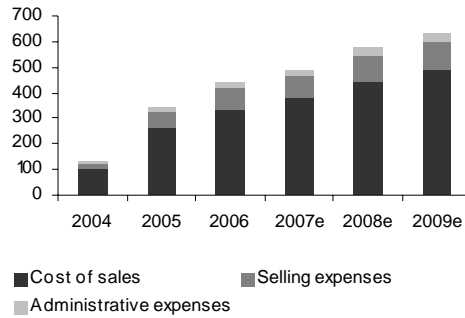
Per share data (EUR)	8/2005	8/2006	8/2007e	8/2008e	8/2009e
Weighted avg. no. of shares (mn)	5.8	6.9	6.9	6.9	6.9
EPS reported	2.09	2.90	3.46	3.70	4.65
EPS pre-goodwill	2.09	2.90	3.46	3.70	4.65
Adjusted EPS diluted	2.09	2.90	3.46	3.70	4.65
Operating cash flow per share	7.49	5.41	5.73	6.29	7.54
Book value per share	23.02	25.88	28.59	31.43	35.15
Dividend per share	0.55	0.75	0.86	0.93	1.16
Payout ratio	31.4%	26.0%	25.0%	25.0%	25.0%

Valuation (x)	8/2005	8/2006	8/2007e	8/2008e	8/2009e
PE reported	23.1	15.5	15.3	14.4	11.4
PE pre-goodwill	23.1	15.5	15.3	14.4	11.4
Adjusted PE diluted	23.1	15.5	15.3	14.4	11.4
Price cash flow	6.4	8.3	9.2	8.5	7.1
Price book value	2.1	1.7	1.9	1.7	1.5
Dividend yield	1.1%	1.7%	1.6%	1.7%	2.2%
Free cash flow yield	19.2%	1.8%	-2.9%	-7.3%	4.6%
EV/sales	1.2	0.9	0.9	0.8	0.7
EV/EBITDA	14.2	8.2	8.2	7.6	6.4
EV/EBIT	26.4	13.0	13.1	12.8	10.5
EV/operating cash flow	10.8	11.9	13.0	12.6	10.3
Adjusted EV/CE	1.6	1.4	1.5	1.4	1.3
Adjusted EV/CE vs. ROCE/WACC			1.4	1.3	1.1

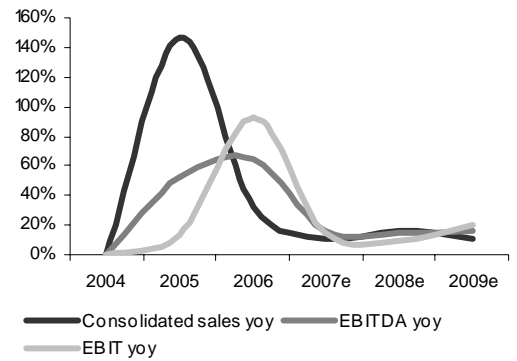
Source: KTM Powersports, Raiffeisen Centrobank estimates

Financial graphs

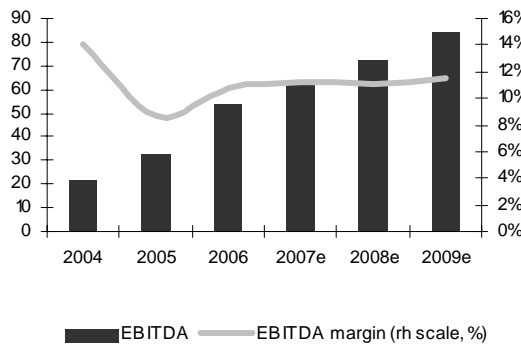
Operating expenses 2004-2009e (EUR mn)



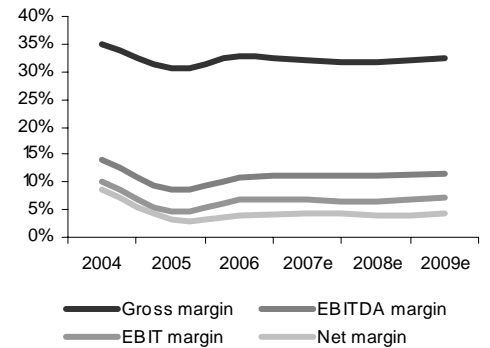
Momentum 2004-2009e (%)



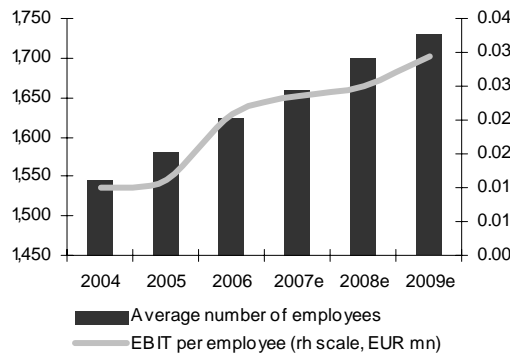
EBITDA margin 2004-2009e (EUR mn)



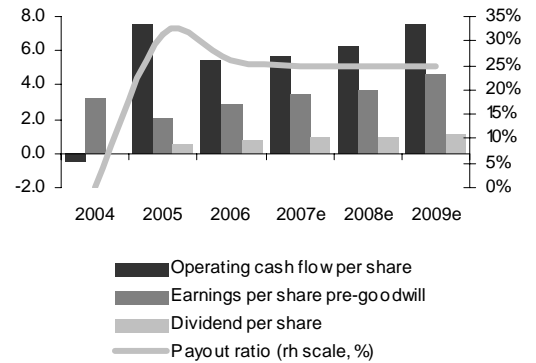
Profit margins 2004-2009e (%)



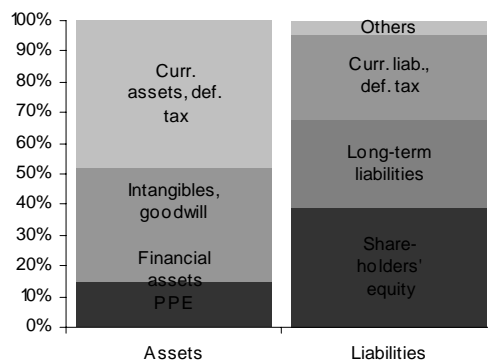
Productivity 2004-2009e



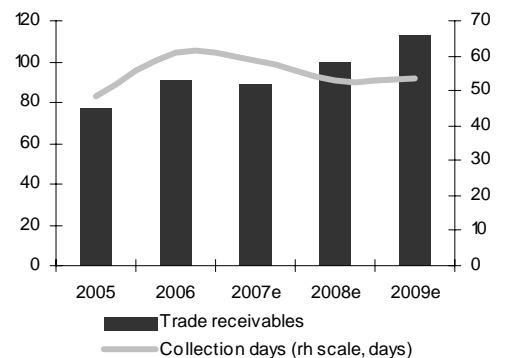
Per share data 2004-2009e (EUR)



Balance sheet structure (%)



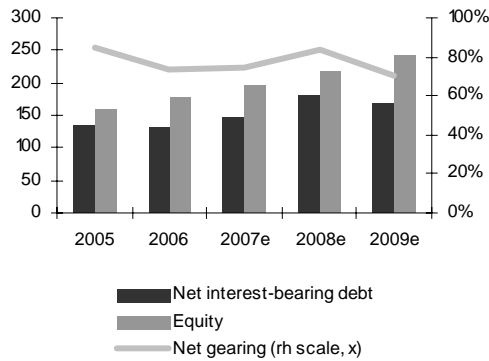
Cash management 2004-2009e (EUR mn)



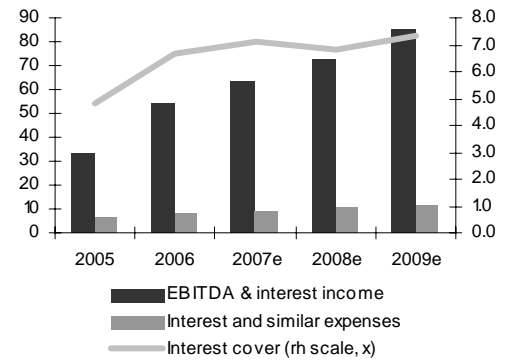
Source: KTM Powersports, Raiffeisen Centrobank estimates

Financial graphs

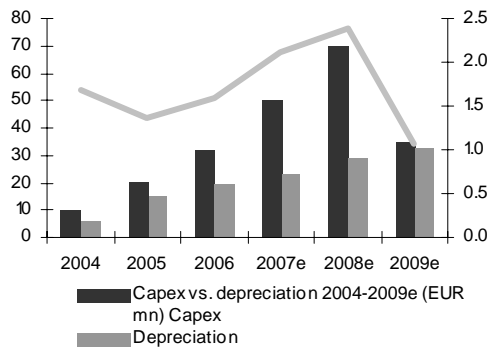
Net gearing 2004-2009e (EUR mn)



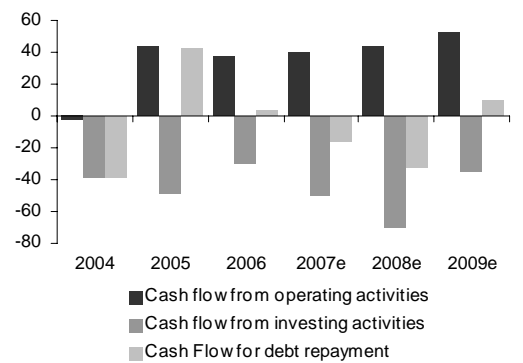
Interest cover 2004-2009e (EUR mn)



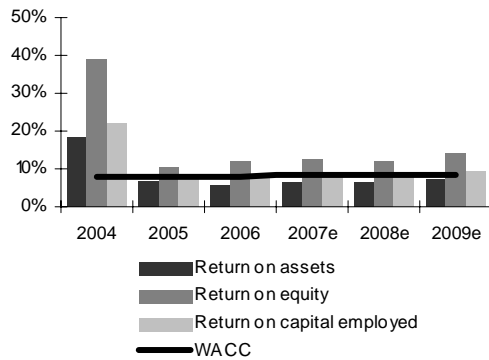
Capex vs. depreciation 2004-2009e (EUR mn)



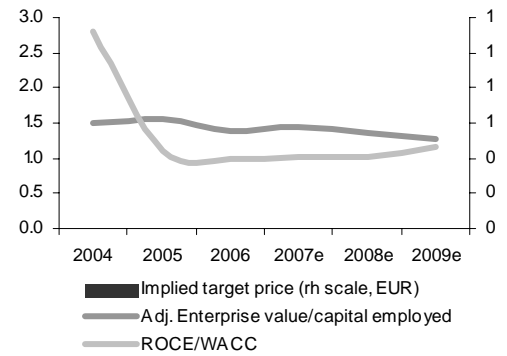
Cash flow comparison 2004-2009e (EUR mn)



Profitability 2004-2009e (%)



Adj. EV/CE vs. ROCE/WACC 2004-2009e (x)



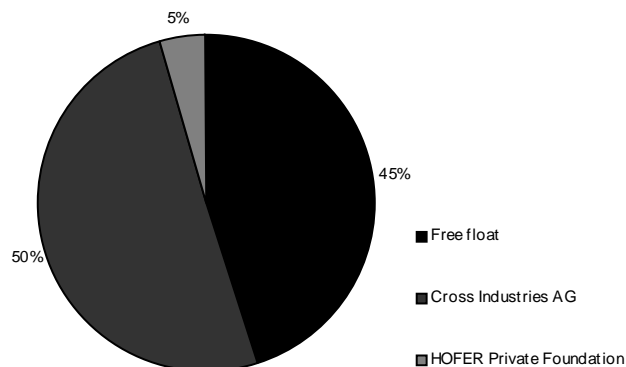
Source: KTM Powersports, Raiffeisen Centrobank estimates

Fact Sheet

Company description

KTM Power Sports AG (formerly CROSS Holding AG) has been listed on the semi-official market on the Vienna Stock Exchange since December 12, 2003 and in the prime market segment since December 15, 2004. KTM Power Sports owns 100% of the KTM group, which represents the only investment of KTM Power Sports. KTM's premium brand in the offroad sport motorcycle market and its entry into the sporty onroad segment made KTM Europe's second-largest sport motorcycle producer behind BMW. In 2005/06 KTM sold more than 86,000 motorcycles. In the offroad motorcycles segment, which accounts for about 48% of sales revenue, KTM is gradually reaching the limits of growth as it is a high-quality niche manufacturer. Therefore, an expansion of the product range in the onroad segment (about 30% of sales revenue) and the market entry into the ATV sector (All Terrain Vehicles, quads) is to ensure the long-term growth path.

Shareholder structure



Strengths/Opportunities

- No. 2 motorcycle manufacturer in Europe and No. 1 in terms of growth dynamics
- Secures its long-term growth path by expanding the onroad and ATV businesses
- Introduction of X-BOW could become a value-driver
- Strong growth in the highly profitable accessories and spare parts business
- The brand is strengthened through motor racing and a broadening of the product range

Weaknesses/Threats

- Strong dependency on exchange rate trends; USD weakness significantly burdens profitability
- Growth potential in the high-margin offroad motorcycles largely exhausted
- Lower profit margins in the growth market for onroad motorcycles

Income statement (EUR mn)	8/2006	8/2007e	8/2008e	8/2009e
Consolidated sales	504.5	561.9	651.5	725.6
EBITDA	53.9	62.6	72.0	83.9
EBIT	34.0	39.0	42.6	51.1
EBT	26.9	31.4	33.6	41.6
Net profit bef. min.	20.0	23.8	25.5	32.1
Net profit after min.	20.0	23.8	25.5	32.1

Balance sheet

Total assets	457.0	495.4	560.5	588.5
Shareholders' equity	178.4	197.0	216.6	242.3
Goodwill	78.4	78.4	78.4	78.4
NIBD	131.9	147.6	180.3	169.8

Cash flow statement

Operating cash flow	37.3	39.5	43.3	52.0
Investing cash flow	-30.1	-50.0	-70.0	-35.0
Change NIBD	2.7	-15.7	-32.8	10.6

Source: KTM Powersports, Raiffeisen Centrobank estimates

Per share data (EUR)	8/2006	8/2007e	8/2008e	8/2009e
EPS pre-goodwill	2.90	3.46	3.70	4.65
Adj. EPS diluted	2.90	3.46	3.70	4.65
Operating cash flow	5.41	5.73	6.29	7.54
Book value	25.88	28.59	31.43	35.15
Dividend	0.75	0.86	0.93	1.16
Payout ratio	26.0%	25.0%	25.0%	25.0%

Valuation (x)

PE pre-goodwill	15.5	15.3	14.4	11.4
Adj. PE diluted	15.5	15.3	14.4	11.4
Price cash flow	8.3	9.2	8.5	7.1
Price book value	1.7	1.9	1.7	1.5
Dividend yield	1.7%	1.6%	1.7%	2.2%
FCF yield	1.8%	-2.9%	-7.3%	4.6%
EV/EBITDA	8.2	8.2	7.6	6.4
EV/EBIT	13.0	13.1	12.8	10.5
EV/operating CF	11.9	13.0	12.6	10.3

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