ID. MidCaps

emerging markets research

CHINA

Toolux

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Offering price: EUR 12.59

Fair value: EUR 26.5m (post-money)

Market Cap.: EUR 22.0m (post-money)

Capital increase: EUR 5.02m

Free float post IPO: 22.80%

IDENTITY

Market	Alternext
ISIN	NA
Ticker	NA
Sector	Industry goods

OFFERING

Price	EUR 12.59
Capital increase	EUR 5.02M
# shares post IPO	NA
Market Cap.	EUR 22.0M

CALENDAR

Opening of the Offer	, 08
Closing of the Offer	, 08
Payment & settlement – Delivery date	, 08
1st trading day	, 08

EUR M	DEC08E	DEC09E	DEC10E
Sales	15.4	20.9	28.4
Growth	49.7%	35.6%	36.0%
EBIT/S	23.1%	20.6%	20.9%
REBIT/S	23.1%	20.6%	20.9%
EPS	1.45	1.76	2.47
Rest. EPS	1.45	1.76	2.47
Growth	20.1%	22.0%	40.2%
EV/Sales	0.96	0.73	0.38
EV/EBIT	4.1	3.6	1.8
EV/REBIT	4.1	3.6	1.8
PER	8.7	7.1	5.1
Rest. P/E	8.7	7.1	5.1
P/CF	6.7	5.6	4.2
P/BV	1.8	1.4	1.1
Div. yield	0.0%	0.0%	0.0%

Multiples post money

Executive summary

Founded in 1992, Zhejiang Sandings (Toolux) designs, manufactures and distributes tools for individual and professional markets with strong specialization in screwdrivers (67% of sales in 2007). Sales stood at €10.3M in 2007, up 18.2%, for a net result of €2M. This performance puts the company in pole position in terms of Chinese hand tool export companies.

Initially a subcontractor for the major players in the sector, both in terms of distributors and manufacturers, the company took decisive measures in 2000 with regard to its strategy so it could develop its own range of tools sold under the Toolux brand name. The tool ranges made under this brand (medium and top-end) represented 13.4% of sales in 2007, for an R&D investment of €3M (+50%).

The company exports its entire production, mainly towards European markets (50% of sales 2007) and American markets (19% of sales). Toolux is certified and compliant with all quality standards, among which the very demanding German VDE standard (ANSI for the United States), which shows the reliability and quality of the tools produced by the company.

The company adapted its structure so as to best meet the needs of the OEM activity and its own brand (setting-up of an ERP system). The group is focused on top-end products and outsources low-end products to a subcontractor network.

Toolux intends to usher in a new era in its development by carrying out a private investment on Alternext. This transaction would not only aim to strengthen its production capacities for traditional products, but also invest so as to achieve a position on a market experiencing high growth: that of the electric screwdriver. The group also wants to benefit from this raising of funds to commercially strengthen the brand awareness for its own Toolux brand in European markets and to better structure its direct distribution. Sales growth for its own brand is one of the main aspects of management's strategy, which should directly benefit the results thanks to the improvement in the product mix.

Based on a valuation by DCF, and supported by a stock market comparison, we estimate the fair value at €26.5M post-money (+20.5% compared with the price offered).

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Contents

PREAMBLE

The reasons for listing a Chinese company on Euronext are based on many elements:

- **Difficulty of listing in China** Given the substantial number of companies which wish to be listed and the scarcity of resources on the part of the market authorities, priority is given to large-scale government companies. Therefore, the timeframe for listing can reach 4 years.
- **Better access to financing.** In China, monetary policy is an extremely politicized affair, almost completely subject to the government's growth policy. Interest rates are set by the central bank but the transmission mechanisms which use the banking system are insufficient. This is one of the things which explains the difficulty for Chinese companies to find long-term financing from financial institutions with competitive rates, particularly due to high inflation.
- **Commercial interest.** Listing gives the company better awareness in the countries to which it exports.

FACT SHEET ON CHINA

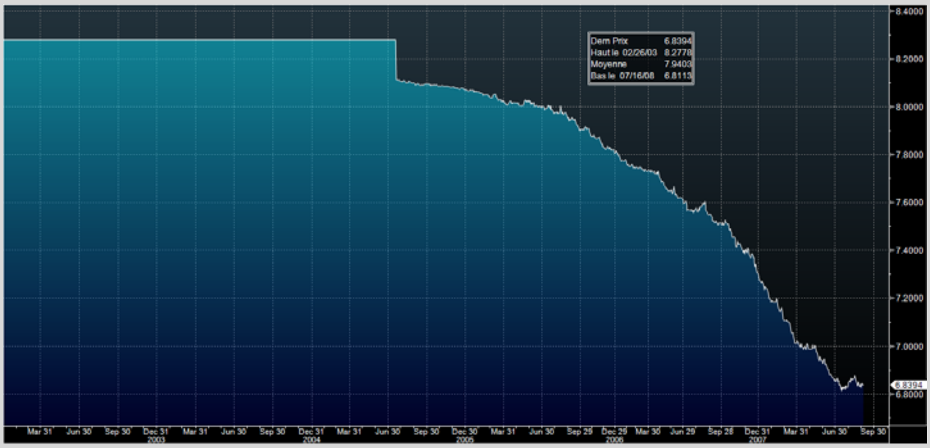
CURRENCY

The evolution of Euro/Dollar/Yuan parity and Euro/Dollar parity are important elements to take into account within the scope of investment in a Chinese company quoted in Europe whose exports to Europe depend on the evolution of the various currencies. To recap, the Yuan's official name is RMB (stands for reminbi). Parity at 01/09 is 9.74 Yuan (RMB) for €1 (compared with 10.5 in July).

The history of the various parities is presented in the tables below.

EURO / DOLLAR SINCE 2003

DOLLAR / YUAN



EURO / YUAN

Exchange policy

The exchange system of the People's Republic of China, laid down by the national monetary authorities, to a large extent determines the exchange rate of Chinese currency.

In 1994, a major reform unified multiple exchange rates, abolished the currency retention system, implemented a new narrow band monitored floating exchange system linked to a new commercial system. The yuan was thus anchored to the dollar on the basis of parity set at 8.277 yuan to the dollar with a very narrow fluctuation margin (+/- 0.3% per day).

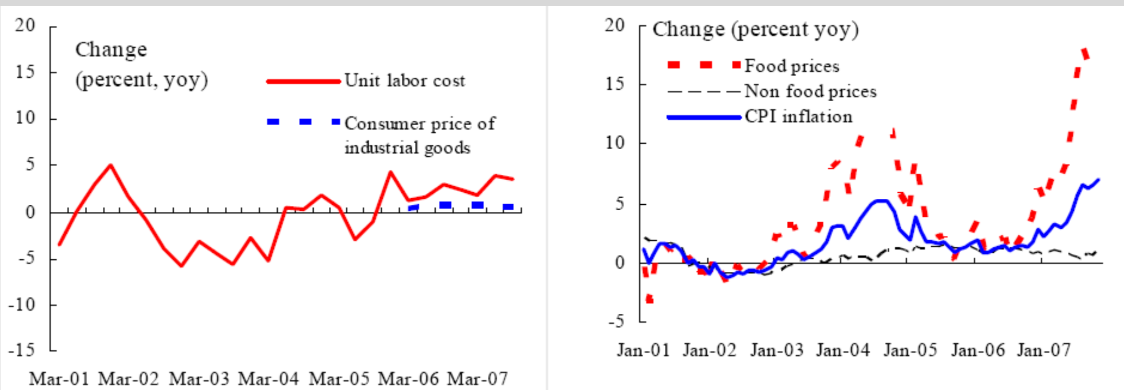
Since July 2005, China has switched to a floating system indexed on a basket of currencies (dollar, euro, yen and Korean won). The Yuan was reassessed by 2.5% at this time. The authorities still define the official exchange rate but efforts have been made to increase the role of the market in the determination of the exchange rate (broadening of the yuan's daily fluctuation margin from 0.3% to 0.5% in respect of the dollar, introduction of a market trend system and a private transaction system on the interbank exchange market, etc.).

Despite the continued appreciation of the Yuan in respect of the dollar since 1995 (-15%), most economists consider than the yuan is still undervalued. This element has thus been a way to steer growth of its economy whilst encouraging exports, which are the main motors of growth.

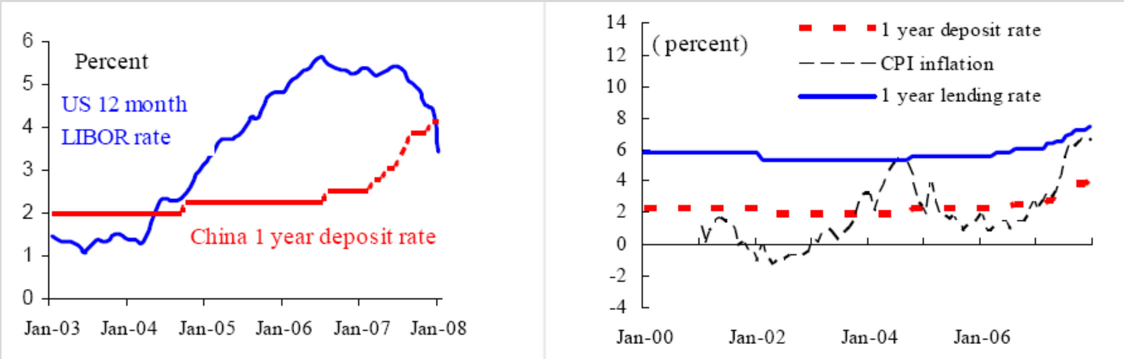
(in USD B)	2003	2004	2005	2006	2007
GDP growth	10,0%	10,1%	10,4%	11,6%	11,9%
Inflation (%)	3,2%	2,4%	1,6%	2,8%	6,5%
Exportations	438	593	763	970	1219
Importations	394	534	628	752	908
Trade balance	45	59	134	218	311
Current account balance	46	69	107	250	375
Source: Coface					

However, China is faced with many elements which make an appreciation in the Yuan seem likely, but it is still advisable to note that at a rate of appreciation of 10% per year, the yuan would still need twelve years in order not to be undervalued on the basis of the IMF's estimation which assesses the offset parity of the Chinese currency at 1.96 yuan to $1 compared with 7 yuan to $1 currently.

- **Trade deficit of Western countries:** The increasing trade deficits in the United States and Europe and the implications on their economies are encouraging Western leaders to put pressure on China to revalue its currency.
- **Inflation & Interest rates:** According to the World Bank, the increase in liquidities linked to the substantial surpluses in China's current balance has not had any real impact on inflation, with the government monitoring its currency via "open market operations" and an increase in its reserve rate (ten increases in 2007 for a total of +5.5 points). Furthermore, China uses administrative measures such as price-freezing on some products.
  On the other hand, inflation sped up at the end of 2007, reaching 6.5% and in Q1 2008 (8%) due in the main to the effect of the increase in agricultural product prices, which will encourage an increase in rates and thus an appreciation of the Yuan. This development is encouraged by the difference between the Chinese and American rates which returned to a positive figure. Inflationary pressure also started to be felt on wages, but this has had no impact on overall inflation for the moment. The rate nevertheless fell in July 2008 to 6.1% compared with 7.3% in June, the lowest level observed in 10 months.



Source: World bank



Source: World bank

PRODUCT QUALITY

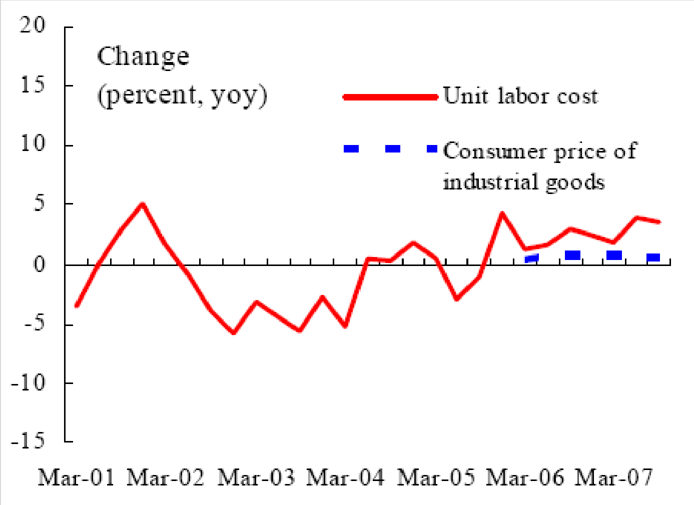
The risk regarding the sale of a product which does not respect the regulatory requirements of the importing country in terms of safety and quality is higher. As an example, a report published by the General Administration of Quality Supervision, Inspection and Quarantine indicated that almost 20% of the toys sold on the Chinese market are not in line with international standards. In the same vein, in 2007 the Chinese government blacklisted 444 companies in the food sector which did not respect local laws, thus preventing them from exporting.

The sale of products which are non-compliant comes in particular from 1) deficiencies in the monitoring system (some companies do not have licenses to carry out their trade and/or some have not carried out the certification tests or do not have the resources to do so), 2) monitoring frequency problems and in the type of monitoring which is in place with Chinese sub-contractors, since hundreds of companies may be involved in the manufacture of a single product and 3) corruption (e.g. conviction for corruption in 2007 of the former manager of the State Food and Drug Administration).

WAGE INFLATION AND LABOR LAW

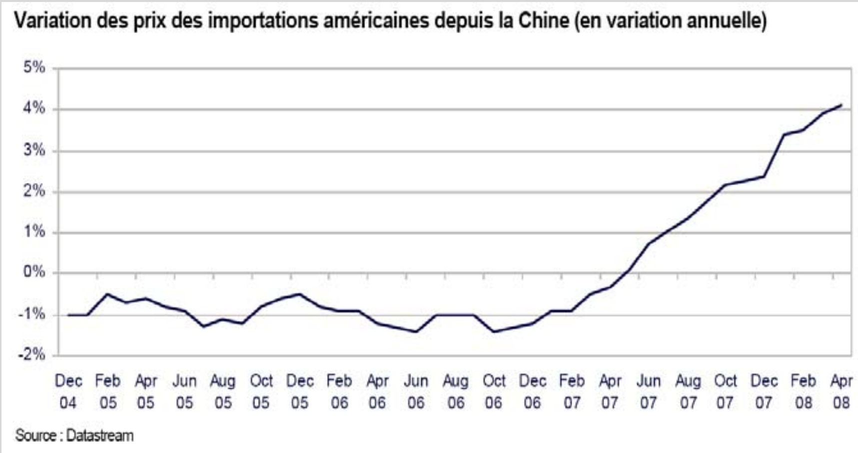
Chinese wage policy has evolved. New labor legislation, introduced in December 2007, gives new rights to workers (for example, it obliges the payment of overtime). It is also possible that demographics is starting to play a part. In fact, Chinese statistics for the 15-34 age range show a downturn from 443 to 380 million individuals between 2000 and 2005. And this trend is probably not over. According to a study from the Chinese Academy of Social Sciences, 75% of Chinese villages have "exhausted" their labor migration capacity.

According to the World Bank, signs are starting to be seen of an increase in wage inflation with a positive evolution over the period 2006-2007 in the manufacturing sector. However, it seems that the increase in wage costs has not been passed on to sale prices and for the moment it has been largely absorbed by companies.



Source: World bank

The curve below does however show that the evolution in American import prices, which is generally negative, switched to +4% (in annual variation terms) over the last two years.



This illustrates the fact that though productivity gains in China have not reached the end of the road, improvement is not quite as strong today as it was in the past, and these gains no longer suffice to fully offset the inflation in Chinese wages.

In social terms, a Local Authority Pension Fund Forum report in January 2007 indicated that:

- China did not respect some international standards in terms of labor law. Despite the fact that China is a member of the ILO, International Labor Organization, it has not signed all the agreements, particularly regarding collective bargaining. In addition, independent trade unions are practically non-existent.
- Despite the passing of new laws and regulations in 2002, such as the labor safety law, the lack of application and implementation are major stumbling blocks for improved health and safety at work.

- Although the labor law (1994) defines a minimum wage and specifies the number of hours which employees must work, the weakness in terms of execution and implementation renders the system open to abuse. In addition, provinces and towns pass legislation individually for minimum wages, which vary widely across the country as a whole and are difficult to monitor.

Following several social movements in the country, the government passed a new law on employment contracts, which came into force on 1 January 2008. This law imposes an employment contract, encourages permanent contracts, limits the internship period and adds compensation clauses in the event of lay-offs. It even gives the opportunity for collective bargaining, even if the right to strike has not been included. It remains the case however that without trade union representatives elected by employees, no defense of rights can be guaranteed.

TAXATION AND ADMINISTRATIVE MEASURES

Given that monetary policy is limited by the exchange policy and the fact that the rate increase encourages capital inflows and an increase in the currency, taxation and administrative measures are playing an ever-more important role in China's monetary policy.
According to the World Bank, its measures concern in particular 1) a moratorium on price adjustments for products whose prices are managed in the energy and utilities sector, 2) price monitoring on some food products, 3) the obligation since 2008 for food product producers to submit their planned price increases to the government for official approval, 4) help for the production of certain products, 5) the setting up of taxes and quotas on the exportation of some products, 6) the reduction of import rates for fuel.

In terms of production, China continues to use various means to direct its resources towards some activities, in particular to promote investment in leading-edge technologies or to reduce energy consumption. These action resources include tax incentives, non-tax benefits, price monitoring and various forms of support, including "industrial policies" per sector. In April 2006, China notified the WTO of grant programs from central government; these were income tax reductions and exemptions given to companies located in specific regions, carrying out specific activities or using foreign capital (companies using foreign investment). With the entry into force of the Corporate Income Tax Law in 2008, tax incentives in favor of companies using foreign investment will be gradually phased out and after a 5-year transition period, they will be given in the same way to national companies and those using foreign investment. Tax incentives offered to companies using foreign investment on the basis of export results were phased out at the end of 2007.

TVA, 2007

Taux de TVA	Article
Exemption	Produits agricoles vendus directement par les producteurs (y compris végétaux, animaux reproducteurs, produits forestiers, produits d'élevage et produits aquatiques) Contraceptifs et dispositifs de contraception Livres anciens Instruments et équipements importés pour utilisation dans la recherche scientifique, les expériences scientifiques et l'enseignement des sciences Matériaux et équipements importés donnés par des gouvernements étrangers et des organisations internationales à titre d'aide Équipements et machines devant être importés au titre d'un perfectionnement à façon, d'un montage ou d'opérations de compensation Articles importés directement par des organisations pour l'usage exclusif des handicapés Articles usagés (y compris articles usagés appartenant à des particuliers; vente d'articles d'occasion, dont le prix de vente est inférieur à la valeur originale; vente de yachts, motocyclettes et véhicules automobiles d'occasion, dont le prix de vente est inférieur à la valeur originale. Ne sont pas compris les yachts, motocyclettes et véhicules automobiles soumis à la taxe à la consommation) Autres articles précisés par le Conseil d'État
4%	Pour les petits contribuables s'occupant de commerce de gros ou de détail
6%	Pour les petits contribuables qui fabriquent des produits taxables ou fournissent des services taxables
13%	Céréales, huiles végétales comestibles Eau du robinet, chauffage central, conditionnement d'air, eau chaude, gaz de houille, gaz de pétrole liquéfié, gaz naturel, méthane et charbon ou charbon de bois destiné à l'usage domestique Livres, journaux, revues (à l'exclusion des journaux et revues distribués par le Ministère des postes) Aliments pour animaux, engrais chimiques, produits agrochimiques, machines agricoles et toiles pour l'agriculture Produits précisés par le Conseil d'État (produits agricoles, extraction de métaux, extraction de métalloïdes) Produits audio et vidéo importés, et autres formes de publications électroniques (au 15 septembre 2007)[a]
17%	Tous autres produits et services taxables, qu'ils soient importés ou d'origine nationale

China's policy has always been aimed generally at encouraging its exports to stimulate growth. The mechanisms instigated by China to promote exports include essentially tax incentives, export financing systems and export credit insurance packages.

The already-complex export system in China recently became much more restrictive. According to the WTO, several measures, including export taxes, reduced VAT discounts on exports (unlike VAT based on consumption, Chinese value-added tax is based on production. Standard VAT of 17% is levied on imported or country's own products. Some articles are subject to VAT of 13.6% or 4%; others may be exempted from VAT) as well as export bans, export licenses and export quotas, are serving to restrict, or even forbid, the export of a large and ever-growing number of products. Although some restrictions on export have been implemented to meet China's international obligations, a number of them are aimed among other things to limit the export of products which use large amounts of natural resources and energy, or to reduce the substantial trade surplus in China so as to lessen commercial friction. For example, the number of tariff lines subject to temporary export duties almost doubled over the past two years, while VAT discounts were phased out or their rates reduced for some 2,800 tariff lines in July 2007, and the number of tariff lines subject to export quotas and licenses increased. In the same way, VAT discount rates are adjusted from time to time in particular to allow industrial development objectives to be met and to control the export of some products. In September 2006, they were lowered, amongst others, for some steel products, cements, and some textiles, as well as for furniture, plastics and wooden products.

At the same time, they were increased from 13 to 17% for manufacturing industry materials, medical materials, and some high-technology items, and from 5 or 11% to 13% for some items manufactured with agricultural products such as raw materials. On 1 July 2007, China phased out discounts for 553 items deemed too energy-consuming, causing high pollution and using a large amount of raw materials, and lowered discount rates for products from 2,268 lines which, according to the authorities may give rise to commercial friction, particularly textiles and steel products. On 20 December 2007, it ended VAT discount on agricultural products from 84 tariff lines such as wheat, corn, rice and soy seeds with the intention of slowing inflation.

Textile and clothing

With regard to textiles and clothing, customs duties have remained practically unchanged since the last examination of China's commercial policy. The simple average of MFN duties applied to textiles was thus 10.9% in 2007, which was the same value as in 2005; for clothing, it increased from 15.8% in 2005 to 16.0% in 2007.

China reduced VAT discounts on two occasions on textile and clothing exports so as to reduce growth in the trade surplus. In September 2006, they were dropped from 13 to 11% for textile products. In July 2007, these discounts were dropped from 13 to 11% for clothing and from 7 to 5% for fabrics.

Oil products

According to a WTO report, China has not made any major changes since the previous examination to its energy policy, which continues to be characterized by a high level of state property, regulation and limitation of competition. Oil product prices have specifically been capped since 2005. China's energy policy is broadly based on self-sufficiency. Energy product markets in China are at various stages of reform. Though generally speaking the government has adopted a more liberal economic policy, it considers energy as a strategic commodity and as such has adopted a gradual approach to reform this sector, hence commercial restrictions and regulatory obstacles which protect national producers from international competition.

- Company profile:

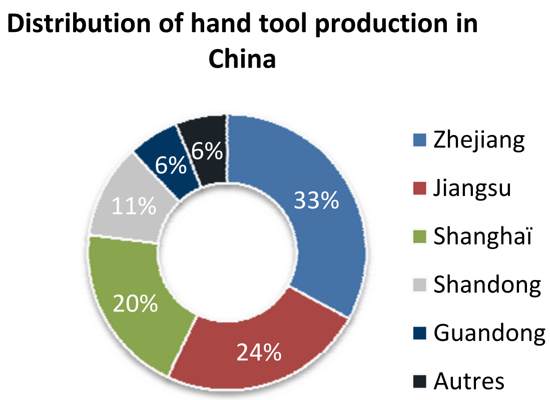
Zhejiang Sandings (Toolux) was founded in 1992 in Zhengzhou in Zhejiang province. The company manufactures and markets OEM hand tools and since 2004 has developed a range of own-brand tools. The company which has 43 employees and around 150 temporary workers made sales of €10.3M in 2007, for a net result of €2M with strong expertise in screwdrivers which represented 63% of sales last year.

This performance puts the company in pole position in terms of export companies specializing in screwdrivers. Own-brand sales generated 13.4% of total sales in 2007. These tools are destined both for the professional and individual markets, meeting the most drastic quality standards, in particular those of the German market. This certification represents a real barrier to entry for Toolux's competitors.

The hand tool industry in China

A SECTOR WHICH REMAINS VERY FRAGMENTED BUT VERY CONCENTRATED GEOGRAPHICALLY

According to Chinese statistics, there are some 4,000 hand tool manufacturers distributed over 5 main areas:



Source: China Customs Statistics

This distribution corresponds to a 'production hub' type of geographic organization. The objective is to develop a true ecosystem in a geographic area allowing a company to benefit from all the factors which are favorable to its growth.

Though a few large provinces make up most of the production, the market structure appears to be very fragmented. 70% of these companies are players which make less than $1M annually while those making between $1M and $10M make up the rest. According to statistics, currently there are less than 20 companies whose annual sales exceed $10M annually. Their annual production does not represent more than 10% of annual sales in the sector, however. Toolux, which made €10.3M in sales in 2007 is therefore one of the leading players in the sector.

Top 10 hand tooling export companies	Sales in $M	Prod. Cap/month (no. of items)	Average monthly prod.	% of production exported	% OEM in export sales
Longkou Newstar	25.6	15.000.000	2.300.000	91%	70%
Zhejiang Sanding (Toolux)	16.4	2.000.000	1.250.000	100%	85%
Everpower	14.8	550.000	420.000	94%	100%
Zhejiang ZEC	12.0	n/a	n/a	90%	n/a
Ningbo Mind	10.5	n/a	n/a	90%	n/a
Zhangjiagang Jinfeng	7.9	600.000	600.000	92%	50%
Longkou Hongtai	6.5	n/a	n/a	80%	n/a
Hebei Botou	6.0	300.000	300.000	63%	20%
Pro-Starter	4.5	300.000	220.000	100%	70%
Qingdao East & West	4.5	n/a	n/a	n/a	100%
Shanghai Himmers	4.3	n/a	200.000	65%	65%

Source: Global Sources

Despite these size differences, all players give priority to local sourcing of raw materials. As we explained previously, Toolux does not diverge from this rule. The largest companies also have a very substantial competitive advantage for the export market, that is to say test devices and quality control which enable them to make sure their production complies with international standards.

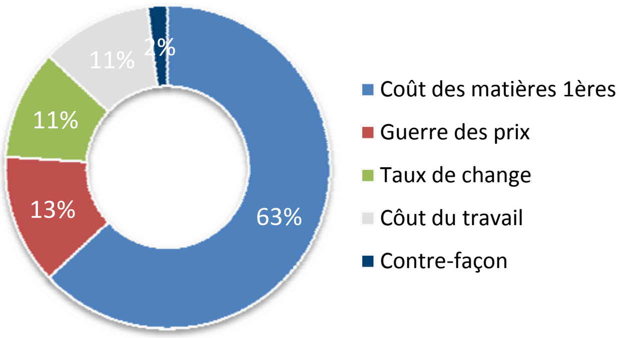
Over and above the adapted development model, Toolux is benefiting from the growth in the hand tool market, which remains led by exports. Export levels continue to grow at a rapid pace, supported by price increases while volumes tend to decrease. According to data sent by the customs authorities for the first quarter 2008, exports were up 11%, broken down into a price effect of 17% and a negative volume effect of 6%. In 2006, export volumes had increased by 11% but this pace was limited to 6% in 2007. According to a study carried out by Global Sources on the hand tool segment (study of the 46 main Chinese tool manufacturers, including Toolux), the questioned companies planned to continue with a price increase in the coming months, which will offset increases in the price of raw materials, particularly carbon steel (sourced locally) which rocketed almost 50% in 12 months (exceeding $850/tonne in March 2008) while plastic has increased by 20%.

In addition to this increase in raw materials cost, manufacturers have to face the increase in work cost (+10% since 1 January 2008) due to the new minimum wage and the drop in tax rebates for export from 13% to 5%. These pressures have led some manufacturers to turn to products with high added value and/or the professional tooling segment. It is indeed this evolution which explains why

Toolux is aiming to be present on the electric screwdriver segment while investing commercially in sets which combine several tools which are already available in its own-brand range.

According to the results of the survey conducted with 46 manufacturers exporting hand tooling by Global Sources, the main challenge which the industry must rise to is the evolution in the price of raw materials. 100% of the companies questioned talked of an increase in their selling prices within 12 months.

An industry faced with various challenges



This survey shows that 35% of companies schedule an increase in export prices of between 5% and 10%, 30% between 11% and 15%, 24% less than 5% and 11% more than 15%. Price increases designed to combat the evolution of raw materials, but which are also justified by the extension of the range towards products with higher added value (ergonomics, wireless electrical tools, etc.). Another way to combat inflation is to increase production capacity which allows economies of scale and improved productivity. Though concentration in the sector does not seem to be on the agenda, it is clear that companies which already have a critical size will be in a position to better manage this more complex environment. The fact remains that the expected price increases will allow export growth to be maintained despite lower volumes.

ESTABLISHMENT

Zhejiang province: the main production hub for hand tools

Zhejiang province remains in 4th place in terms of Chinese provinces due to its GDP (€186.4B in 2007) and its GDP per inhabitant (€3,713). GDP rose 14.5% in 2007, that is to say a rate higher than the Chinese economy as a whole. Its economy is led by a high-performance network of private SMEs which export heavily. Currently, the private economy represents over 70% of Zhejiang's GDP and over 50% of tax income for the local government.

Province	**Zhejiang**	Shanghai	Jiangsu	Anhui
Population (in millions)	**50.6**	18.6	76.0	66.8
% China total	***4.0***	*1.4*	*6.0*	*5.0*
GDP in EUR B	**186.4**	120	255.6	73.4
% China total	***7.6***	*5.0*	*10.3*	*3.0*
GDP rank	**4**	7	3	14
GDP/inhabitant	*3713*	*6535*	*3330*	*1200*

Source: Chinese national statistics office

Two major railway lines connect Hangzhou and Shanghai (high-speed line) and Zhejiang and Jiangxi. A motorway links Shanghai, Hangzhou and Ningbo, complemented by a Hangzhou-Suzhou link and a Wenzhou-Ningbo link. The province has over 99,650 km of roads, including over 2,700 km of high-speed lanes, centred around Hangzhou. An immense bridge (36 km) which crosses Hangzhou Bay has been open to traffic since May 2008 and has meant that the distance to travel between Shanghai and Ningbo has been considerably shortened. It now stands at 2 hours. Zhejiang also has 6 airports.

With 6,500 km of coastline, Zhejiang is aiming to highlight its port-based potential. The main ports of the province are Ningbo (in 4th place in the country in terms of tonnage, thanks in particular to the deep water port in Beilun), Wenzhou, Shenjiamen, Haimen, Zhapu and Zhou shan.

The value of annual production is close to €90.4B, or 48.5% of the province's total GDP. The main industrial centers in Zhejiang are equipped with industrial development zones. Eight zones accredited by central government already exist and are distributed between the cities of Hangzhou, Shaoxing, Ningbo and Wenzhou.

In 2007, external exchanges for the province reached €126.3B, up +14% compared to 2006. It should be noted that the export market is increasingly diversified, although Zhejiang remains a large-scale exporter of mechanical and electrical products whose value in 2007 reached a total of €40B, representing an increase of 31.2% compared to the previous year.

The United States receive 19.2% of Zhejiang's exports. Japan takes 6.9% of total exports and makes 16% of Zhejiang's imports. Furthermore, South Korea (12.4%), Taiwan (15.1%) and the United States (8%) make up over a third of total imports for the Province. In 2007, the volume of exports from France to Zhejiang stood at €394.3M (or 1.14% of total exports).

As we said previously, Zhejiang province contains most of the hand tool manufacturers and is the leading exporter for the screwdriver segment. The goal is to develop a true ecosystem in a determined geographic area enabling a company to benefit from all the factors which are favorable to its growth. In this favorable environment from an infrastructure point of view, Zhejiang province hosts over 2,000 hand tool manufacturers making Zhejiang the leading region for the tooling industry sector in China. The province is thus the leading exporter in China for this type of tool, contributing nearly one-third of annual exports. The region is specialized in certain product lines such as screwdrivers, exports of which reached $109.5M in 2007, covering over 50% of Chinese exports for this category.

Status as the leading export company in the screwdriver segment

Toolux's customer base is exclusively made up of major Western tool manufacturers (Stanley, Black & Decker, Supercraft, Draper Tools) and specialist distributors such as Homedepot, Sears, Brico Depot, Castorama and B&Q. Marketing is carried out through wholesalers, therefore indirectly (60, all of which are Chinese). Each order must represent a minimum of between 1,000 and 1,500 items, with Toolux setting the sale prices. The 5 top intermediaries pooled 62% of sales 2007 (13% for the leader).

Toolux sets sale prices to its intermediaries, who are always invoiced in Yuan. Though the intermediary takes a cut of between 5 and 8% (depending on volumes), this marketing strategy also has several advantages:

- Simplified management of orders and logistical aspects;
- Better management of commercial costs due to economies of scale made in marketing;
- Independence maintained when faced with customers who are in head-on competition by eliminating any risk of conflict of interest and any exclusive contracts with one of them.

Payment terms are defined by Toolux and are generally speaking an advance of 30% upon ordering for new customers whereas for recurring customers, a time period of 45 days from dispatch is given.

Strategy aimed at meeting customer needs allowing it to acquire a critical size

This indirect sales strategy does not rule out a strong customer relationship in the design phases (design, technical specifications, etc.) allowing it to create tools which correspond to customers' needs. The R&D department, created in 2003, employs 15 people equipped with CAD software who are divided into three teams: one based at the head office in Shengzhou (raw materials characteristics), the two others in Shanghai and Hangzhou (ergonomics, design). Since the creation of this department, the group has been able to lodge some 40 patents, which cover essentially design and ergonomics aspects.

In 2007, the group invested nearly 50% more than in 2006, representing RMB 3M (€0.3M). Every year, over 50 products are developed internally, of which 40 by working together with customers. Furthermore, end customers also carry out audits by regularly visiting the Toolux production site. Before production begins, a sample is always sent for customer approval, in particular as regards technical aspects. To recap, Toolux has all the certifications required in order to sell its tools on Western markets (ANSI for the United States, DIN for Europe, VDE and VPA for Germany).

Toolux's strategy is to give customers the most flexibility possible, allowing them to be able to modify some of the tool's elements right up until the purchase order, for example. The time between design and approval is around the 35-day mark. Over and above these pre-sale phases, Toolux has set up an after-sales service by going to customer premises, if need be, to obtain full feedback on the level of satisfaction. The group has also found success with customers as a reliable technological partner who plays the role of a true driving force for suggestions. This way of continuously interacting with the customer, in particular in upstream and downstream phases has enabled Toolux to form solid relations, which guarantees a degree of recurring business, reflected in an order book which traditionally represents 2 months' worth of sales. Today, Zhejiang Sandings is the leading Chinese exporter in the screwdriver segment.

Top 10 screwdriver exporters	Items/month
Zhejiang Sanding (Toolux)	1.125.000
Ningbo Mind	204.000
Ningbo Everest	150.000
Shanghai Shuangxuan	120.000
Qingdao Quanta	108.000
Wilon	100.000
Everpower	99.000
G&F	91.500

Zhangjiagang Rich Innovation	80.000
Zhejiang Soups Precise	66.000

Source: Global Sources

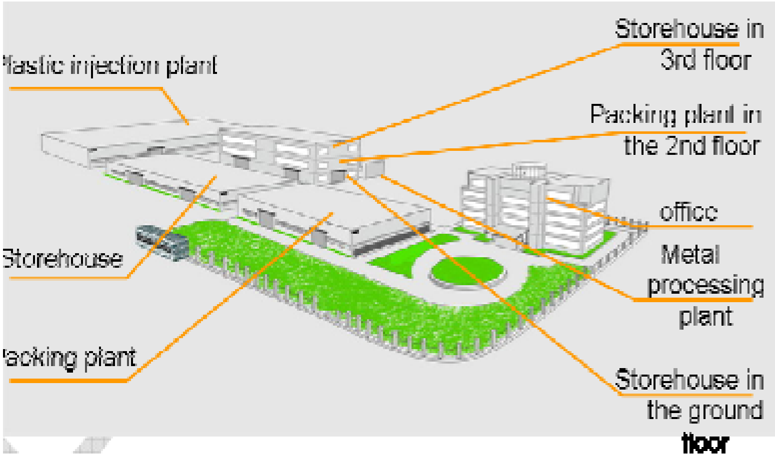
This leading position is also due to the fact that the company has been able to integrate a true marketing culture since its creation in 1992, which can be seen both in its catalogues and in the design and packaging of its tools. Every year, Toolux takes part in various trade shows (Cologne, Canton Las Vegas). In September 2008, the group will take part in the largest tooling trade show, the Shanghai International Hardware Show 2008, where it will have a stand of some 200 m². This recurring presence at foreign trade shows has also allowed the group to develop a whole range of catalogues (general and per product family) which are differentiating elements compared to the competition, and which strengthens its promotional activities in respect of customers. In the same way, the company gives its customers access to two showrooms at its head office, one of which is dedicated to its OEM activity while the other covers its own brand, Toolux.

A production tool which means the most stringent international quality standards can be met

This R&D capability and its marketing activities rely on a high-quality production tool. Toolux has set up an industrial organization, which is based at the Shengzhou site, and around which a true ecosystem has been created so as to generate supplies of raw materials, along with the subcontracting aspect. In order to manage all these processes, the company set up an ERP which, via analytical accounting, allows it to best manage flows, in terms of subcontracting, production and raw materials stocks alike. This tool is obviously an element which strengthens Toolux's competitiveness in comparison to its competitors, while meaning that it has a quality edge in respect of its customers. Management is thus able to adapt its sales policy since it has in-depth knowledge of the cost price for each tool manufactured internally or subcontracted.

Given the significant importance of raw material cost in the cost price of a tool (50 to 60%), sound purchase management (recycled steels and plastic granules) is a key factor in the generation of margins. Furthermore, this function is under the responsibility of one of the group's three shareholders. All suppliers were selected by the company and are located close by so as to optimize logistics (2 to 30 days maximum). Prices are set annually with suppliers unless there are very high fluctuations, in which case they may be revised upwards or downwards. Payment occurs at D+50 after delivery and is paid fully in local currency. As with its subcontractors, Toolux wishes to establish a long-term relationship with its suppliers.

Only mid-range and top-end tools are made internally while low-end is generally subcontracted. The group has set up a network of subcontractors (6 referenced) which for the most part are former workers from the factory who were able to set up on their own thanks to the orders received by Toolux. In return, Toolux obliges them to keep rather short manufacturing times (40 days), in particular in heavy periods before the end-of-year celebrations (October-November). Assembly can be carried out by Toolux. The watchword for this organization is having a lot of flexibility.



The production site, covering 55,000 m² and representing a total investment of RMB 50M pools all the major functions (steel preparation and cutting, materials treatment, plastics, assembly and packaging). Investment in machines, in particular for plastics, means that productivity can be increased, and also the consumption of raw materials can be limited (recycled plastic) for which wastage stands at between 1-1.5%. The production phase is linked with continuous quality control from raw materials entry until the end product. Thus, spoilage stood at between 3 and 5% in 2007.

VAT

The group is benefiting from the governmental policy which aims to encourage export companies, which can be seen in real terms by a "tax rebate" with reduced VAT of 5% for sales made on export, compared with a rate of 17% for China. The standard corporation tax rate for companies in China is 25%.

RAW MATERIALS

The materials cost is a significant element since it represents between 50 and 60% of the cost price depending on the type of tool.

LABOR

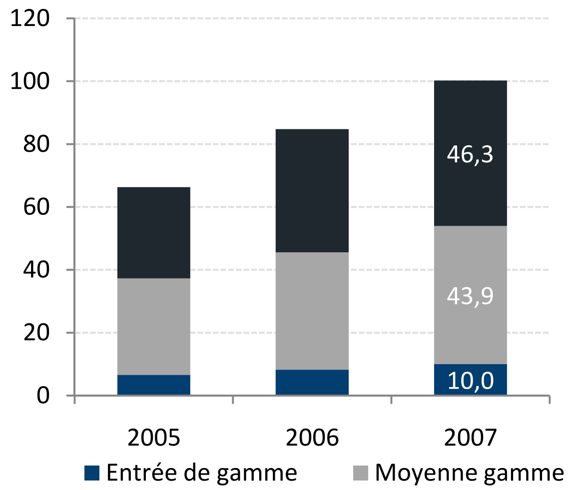
One of the major problems which Chinese companies have to face is the increasing scarcity of labor, which creates substantial wage inflation with large-scale movements of employees from one company to another depending on the wage offered.

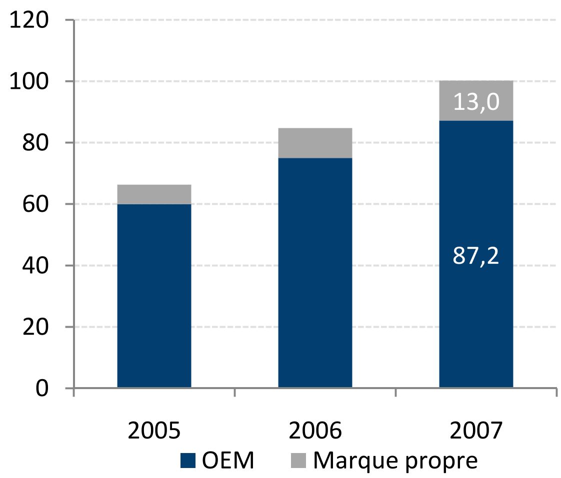
Recent Events

During the 2007 financial year, Toolux continued its development strategy for own-brand sales and strengthening of its pricing power. The application of this strategy was reflected in a 7.7 point increase in the rate of gross margin and a 6.7 point increase in its operating margin to stand at 24%.

Sales growth stood at 18.2%, continuing its 2006 pace (+27.8%). Sales thus exceeded the symbolic RMB 100M barrier. Toolux brand products represented the main springboard for growth, with an increase of over 30% (+33.7%), as was the case already in 2006. Launched in 2004, own-brand now represents 13% of group sales compared with 6% in 2005. Using the Toolux brand, the group only markets mid-range and top-end products. The OEM activity continued its growth (+16.2%), rather evenly distributed across ranges. Low-end products witnesses a 22% increase but only represent 11.5% of OEM sales. They grew most sharply in H1, since the group's marketing policy highlighted more top-end products from June 2007.

SALES BREAKDOWN IN RMB M - source: company





In terms of costs, the main evolution concerns the reduction in the weight of purchases of raw materials and end products. This can be explained by:

1/ the favorable evolution of the product mix, in favor of the Toolux brand. Own brand production offers better productivity insofar as there is no customization depending on customer needs (non-quantified margin differential). In addition, the number of intermediaries is reduced in terms of marketing;

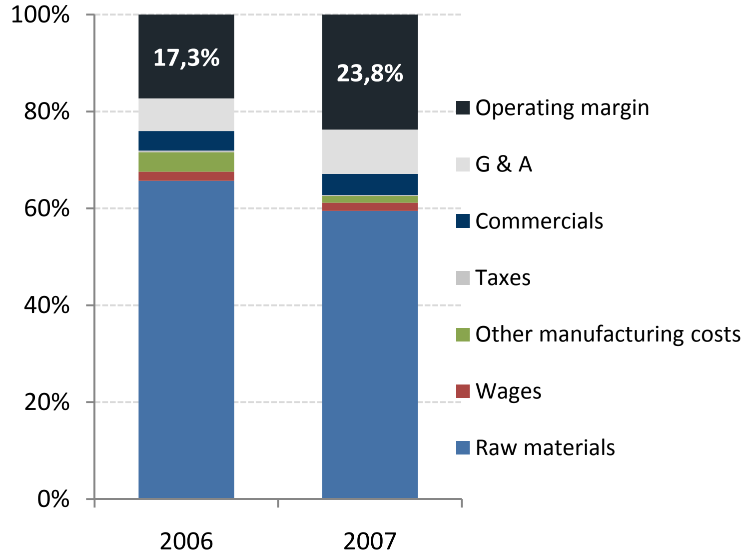
2/ the price increase of 20% on mid-range and top-end products made in April. This reassessment more than made up for the inflation in raw materials.

To recap, the company subcontracts production of its low-end OEM products, which ensures it has flexibility and reduces risks on this type of order, which is high in volume but less recurring due to strong price competition.

Production staff overheads have been contained (+17% to stand at RMB 1.9M). The annual average salary paid is RMB 8,600 (RMB 720/month).

In the end, the gross margin rate (US GAAP) comes out at 35.1%, up 7.7 points. Growth in business and the development in particular of own-brand products were reflected by an increase in selling costs (+0.4 points) and above all in general costs (+1.7 points). After account is taken of other income on the increase, recurring operating profit shows an upturn of 64% to stand at RMB 24M.

BREAKDOWN OF OPERATING RESULT (% OF SALES)



Source: company

As regards the bottom of the profit and loss account, the absence of financial overheads (losses on investments in 2006 of RMB 6.6M) and the drop in the IC rate within the scope of Law 10 (15% compared to 45.7% in 2006), lead to a fivefold increase in net income attributable to shareholders, which stands at RMB 20.5M.

The balance sheet structure of Toolux is light, as is the case with most Chinese companies. Its equity capital stands at RMB 45.4M, and total fixed assets at RMB 54.3M. The company's creation in 1992, at a time when land and building costs were low, may explain this situation. WCR is slightly negative (RMB -14M at end 2007): Customer accounts receivable are very limited insofar as the company is paid as soon as products are dispatched (FOB) and stocks too since subcontractors bear these partially.

At the end of the financial year, the company expressed net cash flow of RMB 4.4M. Financial debt (RMB 26M) is solely in the short-term, which is a traditional situation for a Chinese company and can be explained by more attractive short-term rates and the difficulties in borrowing in the long-term from Chinese banks.

Prospects

TWO AREAS FOR DEVELOPMENT: OWN-BRAND AND ELECTRICAL PRODUCTS

As we have seen, Toolux became one of the leading Chinese exporters of hand tools. This development occurred as a subcontractor. On a market undergoing slight volume growth but with high competitive pressure and as a result falling prices, the company's strategy can be outlined by:

1/ qualitative upgrading thanks to the launch of electrical products.

2/ strengthening of its own-brand awareness.

KEY FIGURES FOR THE HAND TOOL MARKET:

Overall the market is stable, both in terms of volumes and prices in Europe. In terms of professional products, the trend is towards development to the East, where many industries are moving.

Screwdrivers: the segment can be estimated at 200 million units per year in Europe.
It is characterized by growth in volumes (+10% over 5 years) but with high price pressure (-20% over 5 years).

PRODUCTION OF ELECTRICAL TOOLS (AUTOMATIC SCREWDRIVERS)

Taiwanese manufacturers are already working in this market, but they are rather positioned on the low-end segment. Toolux concentrated on the development of a range of top-end electrical screwdrivers.

The company can rely on the know-how of the Shengzhou region in the manufacture of electric motors. Like the other industrial Chinese companies in the region, it also benefits from plentiful labor and a dense network of raw materials suppliers which allow it to produce large volumes at competitive prices.

The plan schedules the implementation of a production line for electrical tools in the next 18 months. Initial sales of electric screwdrivers, made on existing production lines, are scheduled for H1 2009 (RMB 10M estimated over the half-year). The acceleration of volumes is scheduled for H2 2010 (RMB 30M) thanks to the increased importance of the new dedicated production line.

OWN BRAND

The group plans to increase its marketing investments but also to develop a direct distributor network for the Toolux brand. Furthermore, the company is to set up a new production line for screwdriver heads which seems necessary in order to develop the own brand while serving OEM customers.

The two strategic aspects identified must allow Toolux to accelerate its growth. OEM sales are expected to be up by on average 21.6% over the period 2007-2010, a comparable level to that of the previous years. In the same way, average annual variation for mechanical products is estimated at 28%, or a pace in the same region as that of the previous years. The planned acceleration in growth (average annual variation 2007-2010: +39%) will come from sales under the Toolux brand (+RMB 100M over 3 years) and electric screwdrivers (RMB 55M by 2010).

SALES IN RMB M	2006	2007	2008	2009	2010
Own brand	**10**	**13**	**21**	**48**	**110**
Mid-range	4	6	9	18	50
Top-end	6	7	12	30	60
OEM	**75**	**87**	**119**	**152**	**160**
Low-end	8	10	14	15	10
Mid-range	33	38	52	72	60
Top-end	34	39	53	65	90
TOTAL	**85**	**100**	**140**	**200**	**270**
Own brand		33.7%	61.2%	128.6%	129.2%
OEM		16.2%	36.5%	27.7%	5.3%
TOTAL		**18.2%**	**39.7%**	**42.9%**	**35.0%**
Hand products	85	100	140	169	215
Electrical products	0	0	0	31	55
Hand products		18.2%	39.7%	21.0%	26.9%
Electrical products		-	-	NS	79.8%

Sources: IDMidCaps, companies

Up to end June 2008, the group is globally in line with objectives. Its sales stand at RMB 66.6M, up 38.4%.

EVOLUTION OF GROSS MARGIN

Hand tool manufacturers must face high price pressure, while at the same time, steel prices are up sharply. The evolution of the product mix must allow its gross margin to be partially protected.

The group has raised its average selling prices by 13% since the beginning of 2008. In fact, the price increases (>25%) have been focused on the 20% of top-end sales.

Nevertheless, we have selected a gradual increase in the weight of raw materials and products in the region of 1 point per year.

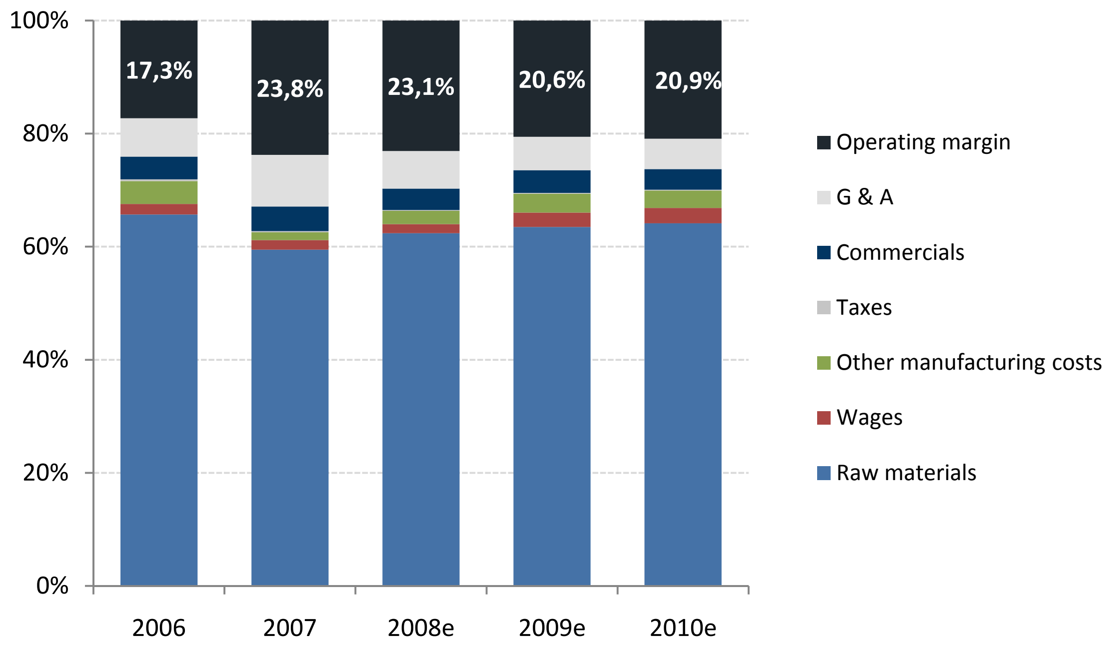
In terms of staff overheads, an annual increase of 25% in wages was integrated. Though in 2008 productivity is set to improve, the launch of the production of electric screwdrivers may affect it in 2009. Overall by the end of 2010, sales per worker should still be 10% lower than the 2008e level.

After the 35% peak in 2007, the gross margin rate should tend towards 30% by 2010 (29.7%).

As regards the other overhead entries, selling costs will follow the evolution of sales, stabilizing at around 4%. However, growth in sales will be reflected, in our opinion, by better absorption of general costs, whose increase should be limited to 20%/year.

It should be noted that the weight of depreciation will tend towards an increase following planned investments in new production lines: from 3.5% of sales in 2007, they should reach 4.8% in 2008e and 4% in 2009e, before returning to around the 3% mark.

BREAKDOWN OF OPERATING RESULT (% OF SALES)



Sources: company, IDMidCaps

Investment in production tools is one of the reasons behind Toolux's listing. The company has budgeted for over RMB 6M, distributed over 2008 (RMB 1.6M) and above all 2009 (RMB 4.5M). The funds will be devoted to: RMB 2.95M in equipment, RMB 1.6M in buildings and RMB 1.5M for land purchase.

Valuation

- Discounted Cash Flow:

Our DCF model is based on a preliminary period of 10 financial years beyond which we calculate a terminal value.

The prospects retained for the first 3 financial years are those presented on the summary page. Beyond the third year, we have issued the following hypotheses:

- An average annual rate for growth in sales of 5.2%
- An EBIT margin rate stabilized at 15.0% from the fourth financial year onwards This margin level seems realizable to us given the performance of international companies in the sector (Sandvik, Stanley, Cooper)
- A prescriptive tax rate of 25.0%
- A Capex/Sales ratio in the region of 2.0%
- A WCR/Sales ratio of around 3.0%

We have chosen to retain the weighted average cost of capital (WACC) as a discount rate. This includes the relative weight of equity capital as a market value and net debt value. We have applied a specific risk premium which adjusts the historic beta, so as to best reflect the elements not taken into consideration in this method.

Discount rate	%		%
Risk free rate (10 years)	4.45	Net debt / EV	NS
Market premium	4.74	WACC	17.0

Valuation	EUR M		
Present value of FCFs (10 years)	17.9	Number of shares	
Present value of the terminal value	4.8	Dilution potential	
Enterprise value	22.6	**Value per share**	**23.8**
Net debt	0.4	Current price	
Financial investments	0.0	Spread	
Minority interests		Value per share (WACC -1.0%)	25.7
Equity value	23.1	Value per share (WACC +1.0%)	22.2

Using the DCF method, we obtain a pre-money fair value of €23.8M.

In our model, we selected the current EUR/CYN rate (1 to 9.74), not speculating on the future evolution of parity.

M EUR	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	15.4	20.9	28.4	32.7	36.0	37.7	39.6	40.8	42.1	42.9	43.7	44.6
Var.	49.7%	35.6%	36.0%	15.0%	10.0%	5.0%	5.0%	3.0%	3.0%	2.0%	2.0%	2.0%
Recalculated op. profit	3.6	4.3	6.0	6.7	7.0	7.0	7.0	7.2	7.0	6.9	6.8	6.7
MOP	23.1%	20.6%	20.9%	20.5%	19.5%	18.6%	17.6%	17.6%	16.6%	16.1%	15.6%	15.0%
Corp. Tax rate (Corp. tax/Op. profit))	23.7%	23.9%	24.2%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
D&P exp.	0.7	0.8	0.9	1.0	1.1	1.1	1.0	1.0	0.8	0.9	0.9	0.9
Net EBITDA	**3.4**	**4.1**	**5.4**	**6.0**	**6.3**	**6.4**	**6.2**	**6.4**	**6.1**	**6.0**	**6.0**	**5.9**
% CA	22.4%	19.7%	19.0%	18.4%	17.6%	17.0%	15.7%	15.7%	14.5%	14.1%	13.7%	13.3%
Capex	-1.6	-4.6	-0.6	-0.7	-0.9	-1.9	-0.8	-0.8	-0.8	-0.9	-0.9	-0.7
WCR variation	0.2	0.1	0.0	-0.1	0.2	0.1	0.1	0.1	0.1	0.0	-3.5	0.0
Free Cash flow	**2.0**	**-0.4**	**4.8**	**5.2**	**5.6**	**4.6**	**5.5**	**5.7**	**5.3**	**5.2**	**1.7**	**5.2**

SENSITIVITY TABLE

		-2.0%	-1.0%	**WACC**	1.0%	2.0%
		15.0%	16.0%	**17.0%**	18.0%	19.0%
Infinite growth rate	0.5%	27.3	25.3	23.5	22.0	20.6
	1.0%	27.5	25.5	23.7	22.1	20.7
	1.5%	27.8	25.7	**23.8**	22.2	20.8
	2.0%	28.1	25.9	24.0	22.3	20.9
	2.5%	28.4	26.1	24.2	22.5	21.0
		14.7%	*6.3%*	*-1.3%*	*-7.6%*	***-13.4%***
		15.5%	*7.1%*	*-0.4%*	*-7.1%*	*-13.0%*
		16.8%	*8.0%*	*0.0%*	*-6.7%*	*-12.6%*
		18.1%	*8.8%*	*0.8%*	*-6.3%*	*-12.2%*
		19.3%	*9.7%*	*1.7%*	*-5.5%*	*-11.8%*

• Peer Group:

We identified two French comparables:

- **SAM**: Sam is a hand tooling manufacturer destined for industry professionals and garages. Made up of 10,000 tools, the company's range includes tightening and screwing tool families (spanners, pliers, screwdrivers), cutting (bolt cutters, cutting pliers), measurement and storage (boxes, trays, tool cupboards).
- **TIVOLY**: Created in 1917, Tivoly designs, manufactures and markets cutting tool ranges made from one-piece carbide and high speed steel. Tivoly operates an integrated R&D centre within which most of its products (drills, drill bits, screw taps and accessories) are designed.

Both these companies must deal will the competition from companies located in low-cost countries, like Toolux, and thus express low growth and profitability rates.

We also took international companies into account. Their size is not comparable to Toolux, but thanks to the strength of their brand and their ability to obtain supplies from low-cost countries, they express profitability rates which are closer to those of Toolux.

	Tivoly Dec-08	Sam Dec-08	Sandvik AB Dec.-08	Stanley Works Dec.-08	Black & Decker Dec.-08	Cooper Indus. Dec.-08	Newell Rubbermaid Dec.-08
Characteristics (€M)							
Capitalization	10.6	10.5	9 881.2	2 491.1	2 469.2	5 488.6	3 377.9
Enterprise value	34.9	11.0	13 352.2	3 359.2	3 435.9	6 246.5	5 308.1
Sales	82.0	33.3	9 907.3	3 100.5	4 203.0	4 529.0	4 634.8
Δ Sales	8.1%	2.5%	8.2%	2.5%	-4.9%	13.5%	6.2%
Op. margin	5.4%	4.9%	15.9%	12.8%	8.0%	14.7%	10.6%
REBIT margin	5.4%	4.9%	16.0%	11.8%	8.1%	14.6%	10.5%
REBIT variation	33.0%	2.4%	1.0%	-4.4%	-30.7%	14.9%	-13.6%

Furthermore, it seems necessary to make a comparison over the 2008 and 2009 financial years so as to take into account Toolux's higher-than-market growth.

	Ratios of French companies		Inferred valuation of Toolux (€M)	
	2008e	2009e	2008e	2009e
EV/Sales	0.4	0.4	8.1	9.3
EV/REBIT	7.4	6.9	28.4	31.4
PER	7.1	6.8	18.0	20.8
P/CF	3.8	3.7	12.5	14.5
Average			16.8	19.0

	Ratios of foreign companies		Inferred valuation of Toolux (€M)	
	2008e	2009e	2008e	2009e
EV/Sales	1.2	1.1	20.0	25.8
EV/REBIT	9.6	9.0	36.4	40.2
PER	11.6	10.6	29.2	32.6
P/CF	11.5	8.0	37.4	31.3
Average			30.8	32.5

By applying a discount of 10% compared to the ratios from French companies and 30% compared to international companies, we obtain a fair value of €19.1M.

- ## Acquisition ratios:

At the beginning of 2006, the American company Stanley took over French company FACOM, one of the world leaders in hand tools (€377M sales in 2005). FACOM was assessed at €410M in EV. The deal implied the following ratios: EV/sales of 1.09x and EV/Recurring Operating Profit of 11.5x.

On the basis of these ratios, Toolux's valuation comes out at between €19M and €43M.

Valuation	Dec06h	Dec07h	Dec08e	Dec09e	Dec10e
EV/Sales			**0.96**	**0.73**	**0.38**
EV/REBIT			**4.1**	**3.6**	**1.8**
PER			**8.7**	**7.1**	**5.1**
P/CF			**6.7**	**5.6**	**4.2**

Market data	Dec06h	Dec07h	Dec08e	Dec09e	Dec10e
# Shares (millions)	1.4	1.4	1.8	1.8	1.8
Share price (end of year/current)			12.59	12.59	12.59
EPS (reported)	0.30	1.56	1.45	1.76	2.47
Market capitalization			**22.0**	**22.0**	**22.0**
Enterprise Value (EV)			**14.8**	**15.3**	**10.7**

Economical performance	Dec06h	Dec07h	Dec08e	Dec09e	Dec10e
Sales	**8.7**	**10.3**	**15.4**	**20.9**	**28.4**
Sales growth		18.2%	49.7%	35.6%	36.0%
Organic growth					
EBITDA	**1.8**	**2.8**	**4.3**	**5.1**	**6.8**
EBITDA margin	20.6%	27.4%	27.9%	24.6%	24.1%
EBIT	**1.5**	**2.5**	**3.6**	**4.3**	**6.0**
REBIT	**1.5**	**2.5**	**3.6**	**4.3**	**6.0**
REBIT margin	17.3%	24.0%	23.1%	20.6%	20.9%
Net Interest income (expense)	-0.1	0.0	-0.2	-0.2	-0.2
Other financial income (expense)	-0.7	0.0	0.0	0.0	0.0
Corporate tax	0.3	0.4	0.8	1.0	1.4
Profit (loss) from affiliates	0.0	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0	0.0
Net income	**0.4**	**2.1**	**2.5**	**3.1**	**4.3**
Net margin	4.7%	20.5%	16.4%	14.8%	15.2%
Shareholder's equity	0.0	4.7	12.2	15.3	19.6
Goodwill		0.0			
Financial debt	0.0	2.7	2.7	2.7	2.7
Cash and cash equivalent		3.1	9.9	9.4	14.0
WCR (% sales)	0.0%	-13.3%	-10.0%	-8.0%	-6.0%
Net gearing	not given	-9.8%	-59.5%	-43.7%	-57.6%
Net debt / Sales	not given	not given	not given	not given	not given
Net debt / EBITDA	not given	not given	not given	not given	not given
Net debt / Cash Flow	not given	not given	not given	not given	not given
Capital intensity (CE/Sales)			0.30	0.32	0.30
ROCE before except. items	not given	not given	51.3%	41.8%	46.4%
Cash flow		**2.5**	**3.3**	**3.9**	**5.2**
Change in WCR			0.2	0.1	0.0
Net capital expenditures			-1.6	-4.6	-0.6
Free Cash Flow			**1.8**	**-0.6**	**4.6**
FCF yield [Equity]				**not given**	
Financial investments			0.0	0.0	0.0
Change in debt			0.0	0.0	0.0
Change in shareholder's equity			5.0	0.0	0.0
Dividend paid			0.0	0.0	0.0
Dividend yield					

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INVESTMENT RATING SYSTEM

IDMidCaps' recommendations, which are a function of our expectation of total return, are as follow:

BUY: We are positive for the next 12 months

SPECULATIVE BUY: A potential increase of the stock exists, but it depends on several facts we are not sure they will eventually occur

LONG-TERM BUY: We are positive on the medium-long term (more than 12 months)

NEUTRAL: From a BUY, SELL or AVOID recommendation, being NEUTRAL means the current price is fair and we are not able to be more or less confident about future stock evolution

SELL: We think the current price is overvalued

AVOID: We have serious doubts about fundamentals

TERMINATION OF COVERAGE

UNDER REVIEW: There have been changes in fundamentals and we need further investigations

ADDITIONAL DISCLOSURES

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