



FIRST BERLIN

Equity Research

STRONG  
BUY

OPENLIMIT HOLDING AG

SWITZERLAND /  
SOFTWARE / ELECTRONIC SIGNATURE

PRICE TARGET: €5.00  
PREVIOUS CLOSE: €2.25  
RETURN POTENTIAL: 122.2%

COMPREHENSIVE UPDATE

19 MAY 2008



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## OPENLIMIT HOLDING AG

SWITZERLAND / SOFTWARE / ELECTRONIC SIGNATURE

Primary exchange: Frankfurt      General Standard  
Symbol: OSH                              ISIN: CH0022237009

**RATING: Strong Buy**

**PRICE TARGET: €5.00**

**RISK RATING: High**

### READY FOR TAKE-OFF

#### COMPANY PROFILE

OPENLiMiT Holding AG develops and markets software applications for electronic signature, encryption and related fields. The company's internationally recognised Common Criteria-certified software products enhance the security, provability and efficiency of electronic transactions, workflow, communications and data. The company employed 31 full-time staff as of 31 December 2007.

#### KEY POINTS

**Large-scale migration to electronic signature technology likely** Electronic signatures allow legally binding transactions which historically have been carried out predominantly on paper to be realised digitally. The avoidance of the shift between electronic and paper media makes large efficiency gains possible. OPENLiMiT's software is the only product of its type which meets the requirements of both Common Criteria EAL+, a standard which is recognised in 25 countries, and the German Signature Law. An extensive network of partners (including Adobe, Fujitsu Siemens, Hewlett Packard, IBM, Microsoft, Oracle and Sun Microsystems) support the company's marketing efforts. We expect OPENLiMiT's products to gain widespread acceptance over the next decade.

**Momentum building** Adoption has so far been slower than expected but OPENLiMiT's strong H2 results (sales +494%) indicate that momentum behind electronic signature technology is building. The adoption of the technology is scheduled at several German public sector bodies over the next three years. Widespread implementation within the German public sector will promote increased adoption by the private sector.

**We think 2008 guidance is conservative** The slower-than-expected growth of the market has meant that the company has on several occasions failed to meet its own sales targets. However, we think management have deliberately pitched 2008 guidance at a low level to ensure that this year their forecast is met.

#### RECOMMENDATION

Momentum behind electronic signature technology is growing. Our confidence in the outlook for OPENLiMiT has been strengthened by the German government placing the technology at the centre of several efficiency programmes scheduled for the next three years. We expect widespread adoption by the German public sector to spark investment by the private sector. Germany currently accounts for over 95% of OPENLiMiT's sales. But given that the company's products are certified according to international standards, OPENLiMiT also has high potential outside Germany. Over the period 2007-10, we look for a sales CAGR of 69% and an EBIT CAGR of 159%. We rate the stock a Strong Buy with a price target of €5.00.

#### RISKS

Risks to our price target include but are not limited to: delay in large projects, erosion of the company's present competitive lead, further dilution of shareholders' interests and the failure of electronic signature applications to achieve widespread market acceptance.

#### TRADING DATA

Market capitalisation (16.05.08)	€35.45m
Shares outstanding	15.76m
Closing price (16.05.08)	€2.25
52-week range	€1.70 / 3.51
Free float (according to company)	69%
Average daily share volume (year)	19,506

#### STOCK OVERVIEW



Source: Bloomberg & First Berlin

#### FINANCIAL HISTORY & PROJECTIONS

	2006	2007	2008E	2009E
Revenue €m	0.72	2.95	4.80	9.00
Yr/Yr growth	302.6%	307.6%	62.6%	87.5%
Operating profit €m	-0.25	0.51	1.71	5.33
Operating margin	na	12.8%	28.0%	49.5%
Net income €m	0.61	0.60	1.50	4.70
EPS €	-0.07	0.06	0.10	0.30
Fully diluted EPS €	na	na	0.08	0.26
P/E	na	37.5	22.5	7.5

#### COMPANY DATA (as of 31 December 2007)

Liquid assets	CHF 1.08m
Current assets	CHF 4.82m
Intangible assets	CHF 2.58m
Total assets	CHF 7.60m
Current liabilities	CHF 0.41m
Shareholders' equity	CHF 7.19m

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## INVESTMENT SUMMARY

Electronic signatures allow legally binding transactions which historically have been carried out predominantly on paper to be realised digitally. The avoidance of the shift between electronic and paper media makes possible large efficiency gains.

The use of electronic signature software will allow the elimination/reduction of paper-based communications between the public sector, companies and private households. Its deployment in various e-government projects is expected to result in annual savings of c. €400m. In addition, the use of e-invoicing and e-forms entails savings potential of €5.20 per bill and €30-60 per administrative procedure.

Despite the compelling case for the adoption of the technology, the market for electronic signature software has developed more slowly than expected. In the past OPENLiMiT has failed to meet its own sales targets on several occasions. We believe there are two reasons for this. First, achieving the efficiency gains entailed by the adoption of digital signature software means significant organisational upheaval in many organisations. This often involves the retraining/redeployment of large numbers of employees. Implementing these changes takes time. Second, networking factors have played a big role in the slow adoption of electronic signature technology. The technology's potential can only be fully realised once it is widely accepted by businesses, public institutions and private individuals.

In our opinion, OPENLiMiT's strong H2 2007 sales figure (+494%) is a sign that the market for electronic signature software has reached an inflection point. We believe management's sales guidance for 2008 (+62.6% to €4.80m) reflects a conservative view of the conversion of pipeline projects into firm orders.

Several German government departments plan to migrate to all-electronic administration over the next three years. These include taxation, health and social security. Electronic signature software will be a key component of these projects. We expect the implementation of the technology by the public sector to accelerate adoption by private individuals and businesses.

OPENLiMiT's software is the only product of its type which meets the requirements of both Common Criteria EAL+, a standard which is recognised in 25 countries, and the German Signature Law. An extensive network of partners (including Adobe, Fujitsu Siemens, Hewlett Packard, IBM, Microsoft, Oracle and Sun Microsystems) support the company's marketing efforts. OPENLiMiT is thus very well placed to drive and exploit the growing acceptance of electronic signature software. We think H2 2007 was an inflection point for the technology. However, should this prove not to be the case, further delays in mass adoption of electronic signature software could lead to a decisive erosion of the company's current lead.

Over the period 2007-10, we expect a sales CAGR of 69% and an EBIT CAGR of 159%. In our view peer group analysis is not useful in valuing OPENLiMiT as there are no companies comparable with OPENLiMiT in terms of specialisation in electronic signature technology and growth potential. Our price target of €5.00 is based on DCF valuation. Our recommendation is Strong Buy.



## SWOT

### STRENGTHS

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- OPENLiMiT is the only electronic signature company whose products are certified according to Common Criteria EAL 4+ and other standards
  - Partnerships with global software companies such as Adobe, IBM, Microsoft and Oracle
- Good list of reference projects including Allianz Manual Workers, Brandenburg State Administration, Baden Württemberg State Administration, DFS German Air Traffic Control, Eurofighter, Europcar, Federal Employment Agency, Federal Railway Office, Federal Procurement Office, FINA, and Swiss Government

### WEAKNESSES

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- The market has developed more slowly than expected. OPENLiMiT reported negative free cash flows during each of the past three years

### OPPORTUNITIES

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- Opportunities for OPENLiMiT are arising in conjunction with the increasing use of e-invoicing and e-form solutions, the growing number of companies deploying client licenses, e-card projects (European Citizen Card, electronic health cards, electronic passports, electronic ID), the rising circulation of smart cards in its focus markets, the long-term archiving of electronically signed documents, co-operation with new partners in the development of new products as well as international expansion into new markets

### THREATS / RISKS

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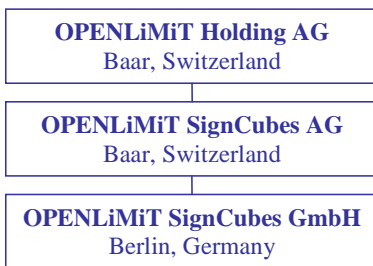
- OPENLiMiT's management are convinced that the company's products have a development lead. But the emergence of competing products with comparable functionality may negatively affect sales and results
- Demand for OPENLiMiT's products is likely to continue growing rapidly. The company may not be able to expand its personnel and infrastructure fast enough to cope with this demand
- Results may suffer if key employees leave the company



## COMPANY PROFILE

OPENLiMiT was founded in August 2002 by the current CEO Heinrich Dattler. The company has developed an electronic signature technology for use in the fields of IT security, digital documentation and archiving. OPENLiMiT sells its products through selected partners including Adobe, Sparkassenverlag and Fujitsu-Siemens, and maintains technological co-operations with IBM, Microsoft, Oracle and others. The company had 31 employees at the end of 2007, of which 10 were located in Switzerland at the head office in Baar and 21 worked at the Berlin subsidiary, OPENLiMiT SignCubes GmbH. The Berlin location houses OPENLiMiT’s software development activities. For the purposes of tax efficiency the Berlin subsidiary’s revenues are calculated on a cost-plus basis. This means that future profits will be primarily subject to the lower tax rates prevailing in Switzerland.

**CHART 1: OPENLIMIT GROUP**

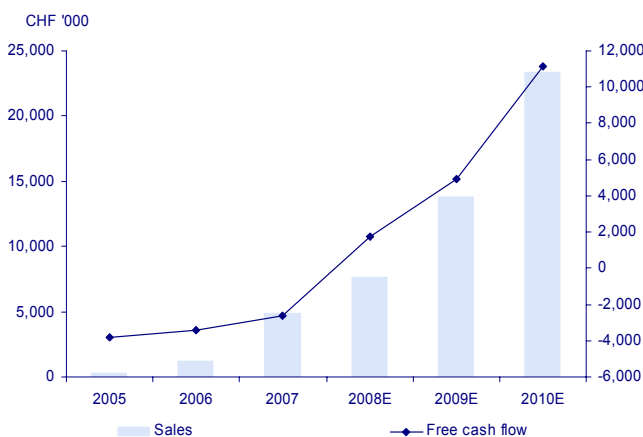


Source: company

Trading in the shares began in Frankfurt and Berlin-Bremen in August 2005. The shares were admitted to the Regulated Market (General Standard) of the Frankfurt Stock Exchange in April 2007.

Chart 2 below shows the development of sales and free cash flow since 2005 and our expectations to 2010.

**CHART 2: FREE CASH FLOW DEVELOPMENT 2005-10**



Source: company, First Berlin Equity Research



## WHAT ELECTRONIC SIGNATURE TECHNOLOGY IS USED FOR AND HOW IT WORKS

Electronic signature technology is used to simulate the security properties of a handwritten signature on paper. Electronic signatures allow legally binding transactions, which historically have been carried out predominantly on paper, to be realised digitally. The avoidance of the shift between electronic and paper media makes possible large efficiency gains.

The internet has created the basis for widespread use of electronic transactions in everyday life. However, several technical problems have to be overcome before secure electronic transactions can be successfully realised. A solution for electronic transactions must be able to conclusively identify the author of the transaction. It must also be able to guarantee the authenticity of the transferred data. This means ensuring that the transferred data are not tampered with. The electronic signature solves these problems.

Most industrialised countries have implemented electronic signature legislation. In the EU, the EU-Directive 1999/93/EC provides the legal framework for electronic signatures upon which all member countries have passed their respective national legislations. This ensures reciprocity among member countries. Current German law, for example, recognises electronic signatures as legally binding as long as the associated software fulfils the strict security criteria which allow the designation “qualified electronic signature” to be used. The legal position in Austria and Switzerland is very similar. OPENLiMiT is currently focused on the German-speaking countries, using these as a starting point for international expansion.

The European directive specifies three levels of electronic signature. The three levels (see below) each represent a different quality level. The higher the quality of the signature the higher its legal status and the greater its functionality in various application areas.

### CHART 3: THE THREE LEVELS OF ELECTRONIC SIGNATURE AS RECOGNISED BY THE GERMAN SIGNATURE LAW

Simple	Advanced	Qualified
Electronic Signature	Electronic Signature	Electronic Signature

Source: the European directive

The Simple Electronic Signature has very little legal value because authenticity and integrity of the signed data cannot be technologically guaranteed. The Advanced Electronic Signature has intermediate legal status. Only a Qualified Electronic Signature (sometimes called an Advanced Electronic Signature based on a qualified certificate) can replace a written signature in all cases, as well as in other specified applications (as determined by each country’s national legislation). OPENLiMiT technology works with both Advanced and Qualified Electronic Signatures.

OPENLiMiT’s electronic signature product is currently the only one of its kind on the market that has been certified according to Common Criteria EAL 4+ (as accepted throughout Europe, by the US Government and in 25 other countries around the world), and has also been



confirmed compliant with the German Signature Act. In addition, the joint solution of OPENLiMiT and its partner Adobe is certified according to PricewaterhouseCoopers' (PWC) criteria. This means that the OPENLiMiT/Adobe solution fulfils German requirements with respect to e-invoicing.

**The following elements are required for the use of qualified electronic signatures**

1. a smart card with a cryptographic chip (or USB-token, depending on the country). The signature and encryption certificates (electronic certificates) are stored on this chip. The electronic signature always comprises two certificates (also called keys). These are the private key and the public key. The private key is used to generate the signature and the public key is used for verification (the reverse process applies for encryption). This is so because the signature is only generated by the owner of the private key but can be verified by every recipient of a signed document.
2. a card reader for use with smart cards linked to a PC or server.
3. a trust centre. The trust centre generates the signature and encryption certificates that are stored on a smart card (or other device).
4. a signature application software component (as supplied by OPENLiMiT). This is installed on the PC or server and allows users to create and verify signatures, control smart cards and card readers (and other devices) and encrypt data.

## **ADOPTION OF ELECTRONIC SIGNATURE HAS BEEN SLOWER THAN EXPECTED**

The adoption of electronic signature technology has been a slower process than many observers had expected.

The German parliament first passed a law governing the use of the electronic signature in 1997. Since then, various obstacles to adoption have been removed. The technology itself has made great strides since 1997. OPENLiMiT's software is certified compatible with Microsoft and Adobe products and IBM certification is expected this year. OPENLiMiT 3.0, due for release at end 2008/early 2009 will extend compatibility to include Sun Solaris, Linux, Unix and MacOS. Meanwhile, as we have already seen, the equivalence of the qualified electronic signature with the handwritten signature is recognised in law.

Despite this, the technology has still so far failed to achieve mass acceptance. In our opinion there are two main reasons for this.

First, achieving the efficiency gains entailed by the adoption of electronic signature software entails significant organisational upheaval in many organisations. This often involves the retraining/redeployment of large numbers of employees. Implementing these changes takes time.



Second, networking factors have played a big role in the slow adoption of electronic signature technology. The potential of electronic signature technology can only be fully realised once the technology is widely accepted by businesses, public institutions and private individuals. This underlines the importance of government imposing timetables for adoption of the technology. As we describe below, the EU and the German Government have already laid down a timetable for the introduction of the electronic signature by several public bodies. Once the technology has been adopted by the public sector we expect private individuals and businesses will follow.

## **GOVERNMENT LEGISLATION TO KICKSTART GROWTH**

The German government and the EU have taken several decisions since 2001 aimed at promoting electronic communication between citizens, companies and public institutions.

In Germany the government intends that from 2012 administration procedures between it and companies should be conducted exclusively by electronic means.

The German government's ELENA (elektronischer Einkommensnachweis) project addresses the electronic administration of social security payments. From 2011 employers will be obliged to transfer employment and salary details of their employees to the German Labour Office electronically. This process will require the use of an electronic signature. Meanwhile, citizens wishing to make claims on public funds will be required to sign applications electronically using a smart card. Also in 2011 it is planned that the ELSTER project (elektronische Steuererklärung) will make the electronic completion of tax returns compulsory for all German citizens.

The German authorities also plan that industrial waste collection should migrate to all-electronic administration by 2010.

Other German government projects involving the electronic signature include the electronic health card, the electronic passport and the electronic identity card. On a European level, the European Services Directive 2006/123/EC and the European Citizen Card are projects that should promote the widespread use of electronic signatures.

Two to three years ago it looked as if the electronic health card would be among the first electronic signature projects to be realised in Germany. The legal framework for the introduction of an electronic health card was created in 2005. 2005 also saw the creation by leading public and private bodies within the German health care system of Gematik, which is responsible for the introduction and development of an electronic health card. The electronic health card will replace the health insurance card introduced in 1994. The new card will enable data communication between insured individuals, deliverers of health care and public and private health insurance organisations.

Several factors have hindered the introduction of the card. First, debate continues about exactly what information should be included on the card. It has been argued that the inclusion of



sensitive medical information on the health card could lead to abuses by insurance companies. Second, doctors, health insurance companies, pharmacies, pharmaceutical wholesalers and the pharmaceutical industry will all have to incorporate the health card into their existing IT systems. Third, patients, many of whom are advanced in years, will also need to adapt to the new product. The project's high degree of complexity means that it will be implemented in stages. The first phase of the project will be the introduction of the electronic prescription. This is scheduled for 2009/10. The introduction of a fully functional health card is expected to follow some time later.

The length of debates about which information to include and which to omit are also likely to influence the timing of the introduction of the electronic passport and identity card.

## **SPARKASSE SAVINGS BANKS AMONG EARLY ADOPTERS**

The electronic signature provides an extra layer of security in online banking transactions. Conventional PIN/TAN techniques are subject to phishing attacks. These can be circumvented by the use of the electronic signature which guarantees that a transaction is initiated by a smart card holder. The advantage of the electronic signature is that a bank account holder usually very quickly becomes aware that he has lost his smart card. Furthermore, the PIN protects the card against use by a third party and the PIN cannot be gleaned electronically when it is entered into the card reader. Phishing attacks, on the other hand, can take place without the account holder's knowledge.

The publicly-owned German Sparkasse savings banks have issued over 24 million signature-capable EC cards (target issuance is 45 million) for use in conjunction with a new online banking system which will start this year. The system will be based on smartcards and the OPENLiMiT technology S-TRUST Sign-it. OPENLiMiT expects the Sparkasse savings banks to be one of its stronger revenue producing distribution partners in the coming years.

We expect the public sector to account for over 50% of OPENLiMiT's sales over the next three years. In our opinion the public sector's early involvement will help create the "networking effects" outlined above which will promote increased investment by the private sector.

Over the long term, potential users of OPENLiMiT software include all private, public and business users in Germany (53.24m), Switzerland (5.23m) and Austria (4.65m) with access to an internet connection. Given that OPENLiMiT's software has international certification (Common Criteria EAL 4+), internet users worldwide (1,256.8m) are also potential users of OPENLiMiT software.

## **COMPETITIVE POSITIONING**

OPENLiMiT's software is the only product of its type which meets the requirements of both Common Criteria EAL+, a standard recognised in 25 countries, and the German Signature Law. An extensive network of partners is also one of OPENLiMiT's most important strengths.



OPENLiMiT's unique status as a provider of highly secure electronic signature technology has earned it a key role in the German Government-sponsored projects outlined above. However, it is possible that the increasing interest in electronic signature technology will prompt competitors to achieve higher levels of certification for their products. The certification process is complex and as a rule takes 1-2 years.

#### CHART 4: OVERVIEW OF CERTIFICATION ACHIEVED BY OPENLIMIT COMPETITORS

Company	Certificate
AuthentiDate International AG	PricewaterhouseCoopers
DE-Coda GmbH	-
Datev eG	ITSEC E2
Seccommerce Informationssysteme GmbH	ITSEC E2
Secrypt GmbH	-
Secude IT Security GmbH	-
Secunet Security Networks AG	ITSEC E2
Ventasoft GmbH	ITSEC E2
Verimax GmbH	-

Source: BSI, Common Criteria, PWC, First Berlin Equity Research

The companies in chart 4 have developed electronic signature components which can be used in legally binding transactions but are not certified according to CC EAL 4+. Most of the competitor's products have various levels of the European ITSEC certification. This means that certification of these products is at least one level below that of OPENLiMiT's products.

As OPENLiMiT's recent project with Eurofighter shows, IT security experts consider certification according to CC EAL 4+ to be an important criterion in selecting software for deployment in environments where security is paramount.

A high level of certification is also important to partners such as Adobe, IBM and Microsoft. OPENLiMiT's technology can be implemented with these companies' products via a development kit. This extends their functionality to include the electronic signature without the combined product having to be re-certified. This is very attractive to the over 30 partner companies of OPENLiMiT, as all involved can stay focused on their respective strengths and make solutions available to the market more quickly.

## CO-OPERATION AND PARTNERS

OPENLiMiT sells its products through selected partners. The company provides support to its partners in integration and development work.

OPENLiMiT's partners include distribution partners such as CSC, Deutscher Sparkassenverlag, Fujitsu Siemens, itelligence, Swisscom and T-Systems and technology partners such as Adobe, Hewlett Packard, IBM, Microsoft, Oracle and Sun Microsystems.

OPENLiMiT's co-operation with Adobe has produced a solution by which PDF documents can



be created and signed before further processing. The integration of software in so-called workflow systems is an important step towards the integration of the electronic signature. This eliminates the need to switch between electronic and paper-based media.

OPENLiMiT's middleware signature software, the development of which is supported by partners such as Adobe, CSC, Fujitsu Siemens, Sun Microsystems and others, will receive certification from the BSI (German Federal Office for Information Security) by the end of this year. This solution links smartcards, card readers, operating systems and applications in accordance with the German federal government's e-card strategy, which is based on similar and comparable initiatives in the EU.

OPENLiMiT is developing add-on components to extend IBM form server technologies with signature functionality. This software is already available and is currently undergoing BSI certification. This process is expected to be completed by the end of 2008.

Microsoft and OPENLiMiT achieved certification of conformity with the CC EAL 4+ certification and the German Electronic Signature Law for workflow, document and terminal server software in March of this year. The joint solutions are now ready for use in the e-government and business area.

Hewlett-Packard introduced an interesting OPENLiMiT-based product at CeBIT in 2007. Documents scanned on HP scanners can be signed using OPENLiMiT software and then immediately electronically archived.

itelligence, a company operating in the SAP ecosphere, has integrated OPENLiMiT software with SAP's bookkeeping solutions. According to itelligence, investment in this product pays for itself within five months.

In addition to its distribution partnerships with well-known multinational companies, OPENLiMiT last year concluded agreements with smaller partners in several countries. Partnerships were entered into in Brazil, Malaysia, Slovakia and Turkey. They did not generate any sales in 2007 but we expect modest contributions this year (3% of sales) and in 2009 (5% of sales).

## **ELECTRONIC SIGNATURE SOFTWARE AND THE OVERALL IT MARKET**

OPENLiMiT made over 95% of its sales in Germany last year. In the medium term Germany is likely to remain the focus of the company's business. As such, our analysis of the market environment for the company's products focuses on that country. The market for electronic signature software is a subset of the market for IT security which in turn is part of and is driven by the larger IT market.

The German IT market has shown good levels of growth over the last few years. In 2007 the overall IT market in Germany grew by 5.1% to €64.0 billion. The convergence of diverse



applications on the internet, the increased flexibility of organisations and the spread and increasing mobility of digital technology continues to drive strong demand for information technology. BITKOM (the German Association for Information Technology, Telecommunications and New Media) expects these themes to drive growth in German IT spending at an annual average rate of 4.4% over the two-year period to 2009. For 2008 BITKOM expects growth of 4.6%.

#### **THE IT SECURITY MARKET**

IT security is one of the fastest growing segments of the IT market. IT security encompasses such themes as protection against computer viruses and phishing as well as the introduction of biometric identification and electronic health cards. According to Gartner, annual growth rates for IT security spending will average 9.2% until 2011.

The market for electronic signature software is still in its infancy and is currently only a very small part of the IT security market. Anti-virus software currently accounts for most of its volume. However, the market for electronic signature software has recently gained momentum. For at least the next five years we expect its growth to far outpace that of the rest of the IT security market.



## RECENT RESULTS AND FINANCIAL POSITION

TABLE 1: 2007 RESULTS

All figures in CHF (m)	FY 2005	H1 2006	H2 2006	FY 2006	Q1 2007	Q2 2007	H1 2007	Q3 2007	9M 2007	Q4 2007	H2 2007	FY 2007	Q1 2008
Sales	272	527	663	1,191	226	678	904	306	1,210	3,638	3,943	4,847	652
change (%)	na	na	na	338%	na	na	71%	na	na	na	494%	307%	189%
Other capitalised work	na	700	726	1426	na	na	855	na	na	na	865	1720	504
<b>Total output</b>	<b>272</b>	<b>1,228</b>	<b>1,389</b>	<b>2,617</b>	<b>na</b>	<b>na</b>	<b>1,759</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>4,808</b>	<b>6,567</b>	<b>1,157</b>
<b>change (%)</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>863%</b>	<b>na</b>	<b>na</b>	<b>43%</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>246%</b>	<b>151%</b>	<b>189%</b>
Personnel expenses	-1,947	-923	-1,105	-2,028	na	na	-1,392	na	na	na	-1,884	-3,277	na
% output	-716%	-75%	-80%	-78%	na	na	-79%	na	na	na	-39%	-50%	na
Depreciation	-2,567	-79	-90	-169	na	na	-86	na	na	na	-922	-1,008	na
% output	-945%	-6%	-6%	-6%	na	na	-5%	na	na	na	-19%	-15%	na
Operating expenses	-920	-453	-467	-920	na	na	-5	na	na	na	-1,411	-1,416	na
% output	-338%	-37%	-34%	-35%	na	na	0%	na	na	na	-29%	-22%	na
Other expenses	-20	-166	155	-11	na	na	-742	na	na	na	720	-21	na
% output	-7%	-14%	11%	0%	na	na	-42%	na	na	na	15%	0%	na
<b>Operating result</b>	<b>-5,182</b>	<b>-393</b>	<b>-118</b>	<b>-511</b>	<b>-869</b>	<b>na</b>	<b>-465</b>	<b>-425</b>	<b>-890</b>	<b>1,736</b>	<b>1,311</b>	<b>845</b>	<b>-535</b>
<b>Operating margin</b>	<b>na</b>	<b>-32%</b>	<b>-8%</b>	<b>-20%</b>	<b>na</b>	<b>na</b>	<b>-26%</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>27%</b>	<b>13%</b>	<b>na</b>
Financial income/expenses	-161	32	93	126	na	na	73	na	na	na	98	171	na
Extraordinary income/expenses	6,019	-90	-438	-527	na	na	0	na	na	na	0	na	na
<b>Pretax profit</b>	<b>677</b>	<b>-450</b>	<b>332</b>	<b>-119</b>	<b>na</b>	<b>na</b>	<b>-392</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>1,409</b>	<b>1,016</b>	<b>na</b>
<b>Pretax profit margin</b>	<b>249%</b>	<b>-37%</b>	<b>24%</b>	<b>-5%</b>	<b>na</b>	<b>na</b>	<b>-22%</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>29%</b>	<b>15%</b>	<b>na</b>
Taxes	-5	-2	-39	-41	na	na	-22	na	na	na	-15	-38	na
Tax rate (%)	-1%	0%	-12%	34%	na	na	6%	na	na	na	-1%	-4%	na
<b>Net profit</b>	<b>671</b>	<b>-452</b>	<b>-627</b>	<b>-1,079</b>	<b>-664</b>	<b>249</b>	<b>-415</b>	<b>-439</b>	<b>-853</b>	<b>1,832</b>	<b>1,393</b>	<b>979</b>	<b>-723</b>

Source: company

### 2007 RESULTS

The slower-than-expected development of the electronic signature software market has meant that OPENLiMiT has on several occasions failed to meet its own sales targets. In August 2007 management reduced full-year sales guidance from €4.80m to €2.80m (because c. 95% of OPENLiMiT's sales are generated in euro, guidance is denominated in this currency; but as a Swiss domiciled company it reports in Swiss Francs). Later, in early 2008, management reduced sales guidance for 2008 from €7.91m to €4.80m. EBIT guidance for 2008 was reduced from €4.01m to €1.71m.

OPENLiMiT released 2007 figures in early March. Sales of €2.95m (2006: €0.72m) were slightly better than revised guidance (see above) while EBIT of €0.51m (2006: -€0.25m) was in line. Major customers during 2007 included the Federal State of Brandenburg, the Swiss Government, Eurofighter, Europcar, NORDWEST Handel AG and Einkaufsbüro Deutscher Eisenhändler GmbH (Purchasing Association of German Hardware Dealers).

As table 1 shows, Q4 was by far the strongest quarter of the year, accounting for 75% of total 2007 sales and 205% of EBIT. OPENLiMiT did not publish quarterly numbers in 2006 and so a quarterly comparison is not possible. But if we look at the half-year results we see that H2 2007 sales rose 494%.



## Q1 RESULTS

OPENLiMiT published Q1 results on 16 May. Sales rose 189% to CHF 0.65m (Q1 2007: CHF 0.23m). Total operating expenses rose by 55% in Q1 2008 to CHF 1.69m (Q1 2007: CHF 1.09m) due to higher staff numbers and increased depreciation. The operating loss narrowed by 38% to CHF -0.54m (Q1 2007: CHF -0.87m). Due to currency losses in connection with the strong Swiss Franc, the net result at CHF -0.72m was below the Q1 2007 figure of CHF -0.66m. OPENLiMiT will book most of its 2008 sales in Q3 and Q4. According to management the company has sufficient liquidity until then.

## FINANCIAL POSITION

OPENLiMiT's free cash flow has been negative during the past three years. Free cash flow improved from CHF -3.4m in 2006 to CHF -2.6m in 2007. The improvement would have been larger had it not been for a tripling in expenditure on working capital from CHF 0.8m to CHF 2.9m. Trade and other receivables jumped from CHF 0.7m in 2006 to CHF 3.7m in 2007 (from 58.3% to 77.2% of annual sales). The increase relates to the company's strong Q4. Payments on Q4 contracts have since all been received. By the end of March trade and other receivables had fallen to CHF 0.15m. As OPENLiMiT's business grows, we expect sales to be spread more evenly over the year than was the case in 2007. This implies that future net working capital as a percentage of sales will be much lower than the 68.7% seen at the end of 2007.

The second largest item on the asset side of OPENLiMiT's balance sheet at year end 2007 was intangible assets which accounted for CHF 2.6m. Capitalised costs in connection with the development of OPENLiMiT SignCubes (the name of the company's current generation of software) accounted for CHF 2.4m or 94% of this figure. Management tell us that OPENLiMiT will continue to capitalise software development costs over the next few years but that in the medium term the company will begin expensing development costs. We assume expensing from the start of 2011.

OPENLiMiT has no debt on its balance sheet. The company's cash position was CHF 1.1m at the end of 2007 and some CHF 2.8m at the end of Q1 2008. Shareholders' equity was CHF 7.2m or 95% of the balance sheet total at the end of 2007. We expect free cash flow to improve to CHF 1.8m this year as profitability improves and continues to rise in subsequent years.

## OUTLOOK

Until recently the electronic signature market developed more slowly than OPENLiMiT's management expected. However, in our opinion, the large rise in H2 2007 sales shows that the electronic signature market is beginning to take off.

Management look for 2008 sales of €4.8m (+63%) and EBIT of €1.7m (+28%). Management arrive at their sales and EBIT guidance by weighting the probability that the projects in their partners' pipelines will turn into firm orders. In the past, OPENLiMiT's assessments of future demand were too optimistic. However, in view of past disappointments, we think management have deliberately pitched their 2008 sales forecast at a low level to ensure that this year their



forecast is met. We adopt OPENLiMiT's 2008 guidance as our own forecast.

Major clients in 2008 are expected to include the German public sector and the Sparkasse savings banks. We expect German government legislation and the public sector to be the main drivers of market growth over the next two to three years. During this period we expect public sector projects to account for over 50% of OPENLiMiT's sales. In the private sector e-invoicing projects will be an important theme this year.

For 2009 we forecast growth to accelerate to 88%, taking sales to €9.0m. We expect sales to the public sector to gain further momentum as further e-government pilot projects commence. Prominent among these will be the e-prescription phase of the Electronic Health Card. 2009 revenues will also be positively influenced by the market introduction at end 2008/beginning 2009 of the OPENLiMiT signature middleware solution. This product will allow the use of OPENLiMiT software in conjunction with operating systems other than Windows – in particular the Unix variant Sun Solaris as well as other Linux derivatives. It will thereby greatly increase OPENLiMiT's target market. In 2007 OPENLiMiT began technological adaptation of its products for selected IBM, Microsoft and Oracle products. This work should be completed during 2008 and should also positively impact sales numbers in 2009.

Although OPENLiMiT does a limited amount of consulting work for its sales partners, this accounts for well under 10% of sales. Given the early stage of OPENLiMiT's revenue development, maintenance is also a small part of sales. This means that licensing currently makes up over 90% of sales. A licensing business model has very high operational leverage as incremental sales can be made at very little additional cost. We therefore think that an operating margin of 50% is plausible for 2009.

We expect the three years beyond 2009 to be very active for the electronic signature market in Germany as government projects move beyond the pilot project phase into nationwide roll-out and large-scale private sector adoption begins.

As an example of the potential size of a typical electronic signature project, we have taken OPENLiMiT's work with the Sparkasse savings banks. The Sparkassenverlag currently retails the OPENLiMiT technology S-TRUST Sign-it for net €25.17. The Sparkasse savings banks currently have c. 19m customers who use online banking services. If all these users were to be equipped with electronic signature software, this would imply a total revenue potential of around €478m. OPENLiMiT generally provides its licenses at a wholesale discount to its partners. We would thus expect the greater portion of the potential project size to represent revenue to OPENLiMiT.

We forecast a sales CAGR of 55.4% for the three-year period 2009-12. We expect the company's EBIT margin to peak at 60% during this period. For the five years beyond 2012 we assume that growth gradually fades to around the 20% level while the EBIT margin falls to around 30% as maintenance rises as a proportion of sales and competition intensifies. We think it unlikely that the growth of the digital market will slow to GDP growth by 2020 which we usually set as the limit of the explicit period in our DCF models. We therefore extend the explicit period of our valuation model to 2030.



## VALUATION

### DCF VALUATION

The First Berlin multi-factor risk model produces a cost of equity for OPENLiMiT of 17.5%. As we expect the company to remain net cash positive throughout our forecast period, we also use this number as the WACC. These numbers are high because although OPENLiMiT's sales growth accelerated strongly in H2 last year, we still view the company as a high risk investment. We believe that the digital signature will eventually break through to mass acceptance. However, recent history shows that the timing of this breakthrough is subject to a multitude of legislative, political, regulatory and technological factors, many of which are outside the control of OPENLiMiT's management. OPENLiMiT's most important USPs – its high level of certification and its extensive partnership network – could be eroded by further delays in mass adoption of electronic signature software. On the other hand, despite our high risk rating, the potential of OPENLiMiT's products is such that we have little difficulty in arriving at a price target of €5.00.

**TABLE 2: DCF MODEL**

All figures in CHF (m)	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Net sales	7.7	13.8	23.4	36.9	51.6	72.2	97.5	126.8
Operating profit	2.7	8.2	14.7	22.1	25.8	32.5	39.0	50.7
Adjusted NOPLAT	2.2	6.8	12.1	18.1	21.2	26.7	32.0	41.6
plus depreciation & amortisation (excl. GW)	1.6	2.1	2.8	2.5	2.7	1.7	1.3	1.6
Net operating cash flow	3.8	8.8	14.8	20.6	23.8	28.3	33.3	43.2
less CAPEX	-2.3	-3.0	-3.6	-0.8	-1.0	-1.4	-1.8	-2.3
less working capital investments	0.1	-1.2	-0.7	-2.9	-3.2	-4.5	-5.5	-6.3
Free cash flow	1.7	4.7	10.5	16.9	19.6	22.5	26.0	34.6
<b>PV of FCF's</b>	<b>1.5</b>	<b>3.6</b>	<b>6.9</b>	<b>9.5</b>	<b>9.4</b>	<b>9.1</b>	<b>9.0</b>	<b>10.2</b>

DCF model		Sensitivity analysis						
		Terminal EBIT margin						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC (%)	17.5%							
Residual period sales growth	2.0%							
Terminal EBIT margin	15.0%							
Tax rate	18.0%							
Incremental investment rate	23.8%	13.5%	11.68	11.73	11.78	11.83	11.89	11.96
Present value CFs explicit period	127.2	14.5%	10.51	10.54	10.57	10.61	10.65	10.70
Present value CFs terminal period	9.2	15.5%	9.51	9.54	9.56	9.59	9.62	9.65
<b>Total EV</b>	<b>136.3</b>	<b>16.5%</b>	<b>8.67</b>	<b>8.68</b>	<b>8.70</b>	<b>8.72</b>	<b>8.74</b>	<b>8.76</b>
Net cash assuming full dilution	8.1	17.5%	7.93	7.95	7.96	7.97*	7.99	8.00
Minorities (market value)	0.0	18.5%	7.30	7.31	7.32	7.33	7.34	7.35
<b>Shareholder value</b>	<b>144.4</b>	<b>19.5%</b>	<b>6.74</b>	<b>6.75</b>	<b>6.76</b>	<b>6.76</b>	<b>6.77</b>	<b>6.78</b>
<b>Fully diluted no. shares (m)</b>	<b>18.117</b>	<b>20.5%</b>	<b>6.26</b>	<b>6.26</b>	<b>6.26</b>	<b>6.27</b>	<b>6.28</b>	<b>6.29</b>
Fair value (CHF)	7.97							
Fair value (€)	5.00							

\* Fair Value Per Share CHF

Source: company, First Berlin Equity Research



## PEER GROUP COMPARISON

It is difficult to find peers with comparable specialisation in electronic signature technology and growth potential. The companies we show below are involved in various segments of the IT security market, many of which are more mature than the electronic signature business and hence have lower growth prospects. Against this background it is not surprising that comparison with these companies produces a lower valuation for OPENLiMiT than DCF valuation. We disregard these results and place much more weight on the result of our DCF analysis which suggests a fair value for OPENLiMiT of €5.00 per share.

**TABLE 3: PEER GROUP COMPARISON**

Companies	EV / Sales			EV / EBIT			P/E		
	2008E	2009E	2010E	2008E	2009E	2010E	2008E	2009E	2010E
VASCO Data Security Int.	2.7x	2.1x	n.a.	n.a.	n.a.	n.a.	17.9x	13.7x	n.a.
Entrust, Inc.	1.3x	1.2x	n.a.	21.4x	11.8x	n.a.	27.6x	17.5x	n.a.
Utimaco Safeware AG	1.9x	1.6x	1.3x	11.9x	8.8x	6.0x	19.7x	15.6x	11.4x
secunet Security Networks AG	0.5x	0.5x	0.5x	5.8x	5.3x	4.9x	9.3x	8.5x	7.8x
Mean	1.6x	1.4x	0.9x	13.0x	8.6x	5.4x	18.6x	13.8x	9.6x
Median	1.6x	1.4x	0.9x	11.9x	8.8x	5.4x	18.8x	14.7x	9.6x
OPENLiMiT - multiples ( x )	6.9x	3.8x	2.2x	19.3x	6.4x	3.6x	23.8x	7.9x	4.4x

OPENLiMiT - Premium/discount in multiples to peer group median

( % )	327%	171%	151%	62%	-28%	-35%	27%	-46%	-55%
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### OPENLiMiT - Valuation based on mean peer group P/Es

Based on P/E 2008	1.72	18.64x
Based on P/E 2009	3.85	13.83x
Based on P/E 2010	4.85	9.61x

### OPENLiMiT - Valuation based on mean peer group EV/EBIT

Based on EV/EBIT 2008	1.52	13.01x
Based on EV/EBIT 2009	2.95	8.65x
Based on EV/EBIT 2010	3.30	5.45x

### OPENLiMiT - Valuation based on mean peer group EV/Sales

Based on EV/Sales 2008	0.60	1.60x
Based on EV/Sales 2009	0.86	1.36x
Based on EV/Sales 2010	0.94	0.89x



## INCOME STATEMENT ANALYSIS

All figures in CHF '000	2005	2006	2007	2008E	2009E	2010E
<b>Revenues</b>	<b>272</b>	<b>1,191</b>	<b>4,847</b>	<b>7,653</b>	<b>13,755</b>	<b>23,384</b>
Other capitalised output	0	1,426	1,720	2,074	2,724	3,087
<b>Total output</b>	<b>272</b>	<b>2,617</b>	<b>6,567</b>	<b>9,727</b>	<b>16,479</b>	<b>26,470</b>
Marketing & operating expenses	-920	-920	-1,416	-1,693	-1,780	-3,097
Personnel expense	-1,947	-2,028	-3,277	-3,696	-4,334	-5,823
Goodwill amortisation & depreciation	-2,567	-169	-1,008	-1,584	-2,091	-2,759
Cost of materials	-20	-11	-21	-30	-35	-59
<b>Operating income</b>	<b>-5,182</b>	<b>-511</b>	<b>845</b>	<b>2,724</b>	<b>8,239</b>	<b>14,732</b>
Financial income	-161	126	171	108	292	734
<b>Income before income taxes and minority interests</b>	<b>677</b>	<b>-1,038</b>	<b>1,016</b>	<b>2,832</b>	<b>8,531</b>	<b>15,465</b>
Income taxes	-5	-41	-38	-510	-1,536	-2,784
<b>Net income / loss</b>	<b>671</b>	<b>-1,079</b>	<b>979</b>	<b>2,322</b>	<b>6,995</b>	<b>12,682</b>
<b>EBITDA</b>	<b>-2,615</b>	<b>-343</b>	<b>1,853</b>	<b>4,309</b>	<b>10,330</b>	<b>17,491</b>
<b>Ratios</b>						
EBIT margin	-1907.1%	-19.5%	12.9%	28.0%	50.0%	55.7%
EBITDA margin	-962.3%	-13.1%	28.2%	44.3%	62.7%	66.1%
Net income margin	247.0%	-41.2%	14.9%	23.9%	42.5%	47.9%
Tax rate	0.8%	-3.9%	3.7%	18.0%	18.0%	18.0%
<b>Expenses as % of total output</b>						
Marketing & operating expenses	338.4%	35.2%	21.6%	17.4%	10.8%	11.7%
Personnel expense	716.4%	77.5%	49.9%	38.0%	26.3%	22.0%
Goodwill amortisation & depreciation	944.7%	6.4%	15.3%	16.3%	12.7%	10.4%
Cost of materials	7.5%	0.4%	0.3%	0.3%	0.2%	0.2%
<b>Y-o-y growth</b>						
Total revenues	na	863.0%	151.0%	48.1%	69.4%	60.6%
Operating income	na	90.1%	265.4%	222.4%	202.4%	78.8%
Net income / loss	na	260.8%	190.7%	137.3%	201.2%	81.3%



## BALANCE SHEET ANALYSIS

All figures in CHF '000	2005	2006	2007	2008E	2009E	2010E
<b>Assets</b>						
<b>Current assets, total</b>	<b>690</b>	<b>4,421</b>	<b>4,823</b>	<b>6,665</b>	<b>13,272</b>	<b>25,921</b>
Cash	439	3,727	1,080	2,839	7,770	18,906
Trade accounts and notes receivables	134	449	3,743	3,827	5,502	7,015
Inventories	0	0	0	0	0	0
Others	118	245	0	0	0	0
<b>Non-current assets, total</b>	<b>192</b>	<b>1,877</b>	<b>2,778</b>	<b>3,479</b>	<b>4,375</b>	<b>5,207</b>
Property, plant and equipment	120	118	194	230	286	486
Goodwill & intangible assets	72	1,759	2,584	3,250	4,089	4,720
<b>Total assets</b>	<b>882</b>	<b>6,298</b>	<b>7,601</b>	<b>10,145</b>	<b>17,647</b>	<b>31,127</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>596</b>	<b>195</b>	<b>414</b>	<b>635</b>	<b>1,142</b>	<b>1,941</b>
Trade payables	336	165	353	536	963	1,637
Other current liabilities	261	30	61	99	179	304
<b>Long-term liabilities, total</b>	<b>135</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other long-term liabilities	135	0	0	0	0	0
<b>Shareholders' equity, total</b>	<b>151</b>	<b>6,103</b>	<b>7,187</b>	<b>9,510</b>	<b>16,505</b>	<b>29,186</b>
<b>Total shareholders' equity &amp; debt</b>	<b>882</b>	<b>6,298</b>	<b>7,601</b>	<b>10,145</b>	<b>17,647</b>	<b>31,127</b>
<b>Ratios</b>						
Current ratio	1.16	22.67	11.66	10.49	11.62	13.36
Quick ratio	1.16	22.67	11.66	10.49	11.62	13.36
Equity ratio (as %)	17.1%	96.9%	94.6%	93.7%	93.5%	93.8%
Debt to equity ratio (gearing as %)	-291.0%	-61.1%	-15.0%	-29.9%	-47.1%	-64.8%
Equity per share	0.01	0.39	0.46	0.60	1.05	1.85
Net debt	-439	-3,727	-1,080	-2,839	-7,770	-18,906
Interest coverage ratio	na	na	-4.9	-25.3	-28.2	-20.1
Capital employed (CE)	-288	2,376	6,107	6,671	8,735	10,281
Return on equity (ROE)	na	-34.5%	14.7%	27.8%	53.8%	55.5%
Return on capital employed (ROCE)	na	-49.0%	16.3%	35.0%	87.7%	127.1%
Days of inventory turnover	na	na	na	na	na	na
Net assets	151	6,103	7,187	9,510	16,505	29,186



## CASH FLOW ANALYSIS

All figures in CHF '000	2005	2006	2007	2008E	2009E	2010E
<b>Net income</b>	<b>671</b>	<b>-987</b>	<b>979</b>	<b>2,321</b>	<b>6,995</b>	<b>12,683</b>
Depreciation and amortisation	2,565	169	1,008	1,584	2,091	2,759
Payables due forgiven	-6,693	0	0	0	0	0
Other	233	132	137	0	0	0
<b>Operating cash flow</b>	<b>-3,224</b>	<b>-686</b>	<b>2,124</b>	<b>3,906</b>	<b>9,086</b>	<b>15,442</b>
Investment in working capital	-478	-843	-2,861	138	-1,169	-714
<b>Net operating cash flow</b>	<b>-3,702</b>	<b>-1,529</b>	<b>-737</b>	<b>4,044</b>	<b>7,917</b>	<b>14,728</b>
CAPEX	-94	-1,890	-1,909	-2,286	-2,986	-3,591
<b>Free cash flow</b>	<b>-3,796</b>	<b>-3,419</b>	<b>-2,646</b>	<b>1,758</b>	<b>4,931</b>	<b>11,137</b>
New share capital	1,560	6,843	0	0	0	0
Debt financing	2,599	-135	0	0	0	0
<b>Cash flow from financing activities</b>	<b>4,159</b>	<b>6,708</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Cash, start of the year	77	439	3,727	1,080	2,839	7,770
Cash, end of the year	439	3,727	1,080	2,839	7,770	18,906
<b>Y-o-y growth</b>						
Net operating cash flow	na	na	na	na	95.8%	86.0%
Free cash flow	na	na	na	na	180.5%	125.9%



## MANAGEMENT BIOGRAPHIES

### MANAGEMENT BOARD

The Management Board comprises: Chief Executive Officer, Heinrich (Henry) Dattler; Chief Financial Officer, Marc Gurov; Chief Financial Officer, Dr Thomas Hügi; Chief Development Officer, Armin Lunkeit; and Senior Vice-President New Business Development, Reinhard Stüber.

#### **Heinrich (Henry) Dattler**

Mr Dattler is the founder of OPENLiMiT and has been CEO since 2002. Mr Dattler is also President of the Supervisory Board. He has a degree in engineering sciences. For over thirty years, Heinrich Dattler was an entrepreneur in the clothing, financial and software industries, and has founded several companies in Germany, Switzerland and Italy. Mr Dattler founded OPENLiMiT SignCubes AG which developed the OPENLiMiT concept.

#### **Marc Gurov**

Mr Gurov joined OPENLiMiT in 2003 and is currently CFO and deputy to Mr Dattler. He attended school in Germany and the United States. He studied international business at Florida Atlantic University in Boca Raton, Florida. Mr Gurov worked in the US for various companies on a freelance basis with the main focus on marketing and consulting.

#### **Dr Thomas Hügi**

Dr Hügi holds the position of COO and has been responsible for sales and marketing since December 2007. Dr Hügi studied and gained a doctorate in jurisprudence at the University of Bern and trained as a lawyer. After postgraduate study in European economic law and international commercial law he worked for several years as a lawyer at Homburger in Zurich. He then joined the management of the Infront Sports & Media Group, an international sports marketing agency in Zug.

#### **Armin Lunkeit**

Mr Lunkeit has been CDO since December 2007. He studied microsystems technology and graduated as a Chartered Engineer. After completing his studies, Mr Lunkeit worked as a developer for Kithara GmbH. From 2003 he worked in product development at OPENLiMiT SignCubes GmbH.

#### **Reinhard Stüber**

Mr Stüber is Senior Vice-President of New Business Development. He studied engineering science and graduated as a Chartered Engineer. From 1973 Mr Stüber worked for various German companies as an engineer. Between 1993 and 2001 he was in charge of the software department at UVE GmbH. Mr Stüber has been Business Development Manager at OPENLiMiT SignCubes AG since 2001.

OPENLiMiT's extended management team includes Dirk Arendt who is co-responsible for new business development and Chief Technology Officer, Frank Jeschka.



## **SUPERVISORY BOARD**

OPENLiMiT's Supervisory Board consists of four people.

**Mr Heinrich Dattler** is the Chairman of the Supervisory Board.

**Mr Eduard Egloff** has a banking background and has worked at the international trading companies, Philipp Brother AG and Marc Rich & Co. AG. He currently works as an international business consultant.

**Mr René C. Jäggi** is an ex-CEO of Adidas AG and a marketing expert with a strong international contact network. Mr Jäggi is a president of the Supervisory Board of FloraEcoPower AG and also holds various Supervisory Board mandates. He has been a member of OPENLiMiT's Board of Directors since August 2007.

**Mr Urs Winzenried** is an ex-member of the Supervisory Board of Widea Holding AG and ex-Vice President of the Supervisory Board of Aarberg AG and Celcarta Holding AG. From October 1999 he trained as a coach and mentor.



## FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target	Interim high	% change to high
Initial Report	10 October 2005	€4.20	Buy	€5.20	-	-
2...6	↓	↓	↓	↓	↓	↓
7	30 August 2007	€2.70	Buy	€3.90	€2.75	1.9%
8	19 November 2007	€1.71	Buy	€3.90	€2.41	40.9%
9	6 March 2008	€2.27	Buy	€3.90	€2.50	10.1%
10	Today	€2.25	Strong Buy	€5.00	-	-

Source: Bloomberg & First Berlin

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

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

**BUY:** Expected return greater than 25%

**ADD:** Expected return between 0% and 25%

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

**SELL:** Expected negative return greater than -15%

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

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

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