



**Buy** (old: Buy)

**Price target: EUR 39.00** (old: EUR 38.00)

**Price:** EUR 19.49      **Next result:** FY 2009 31.03.10  
**Bloomberg:** FRG GR      **Market cap:** EUR 50.2 m  
**Reuters:** FRGG.DE      **Enterprise Value:** EUR 47.7 m

23-March-10

**Marc Osigus, CFA**  
Analyst

marc.osigus@ha-research.de  
Tel.: +49 40 4143885 90

## Stake in Frogster Online Gaming up to 100%; increase est. & PT

Today, Frogster announced the increase in its stake in Frogster Online Gaming GmbH (FOG) from 90% to 100%.

FOG is in charge of the operative European business within the company, i.e. it operates the MMO games Runes of Magic and Bounty Bay Online as well as Germany's most popular gaming community OnlineWelten.com. Thus, it is currently the company's by far most important revenue and earnings contributor.

Frogster bought the stake from the founders and management of FOG in exchange for 100,000 new shares, which will be created in the form of a capital increase from authorised stock against an investment in kind.

According to our calculations, this transaction is clearly value accretive for existing shareholders as the dilution of c. 4% should be more than compensated by a decrease of the minority interest in its most profitable division by 10%.

Assuming that FOG will contribute 60% to the group net profit in 2010E and 50% in 2011E would yield a pre-tax return on this "investment" of some 13% (2010E) and 18% (2011E).

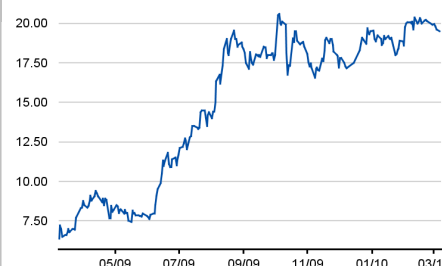
This step and its financial attractiveness may be explainable by the ongoing discussions with strategic and financial investors about the acquisition of a 40% stake in Frogster AG and the resulting incentive of the FOG management to own a direct (and more liquid) stake in the group.

Further, theme should continue to benefit from organic growth. Frogster indicated that it should be able to achieve a new monthly revenue record in March on the back of strong growth of its blockbuster Runes of Magic in the US.

EPS estimates for 2010E and 2011E haven been slightly increased to reflect the lower minority interest. Frogster remains a Buy with a new PT of € 39 based on FCF yield 2011E and a DCF model.

Y/E 31.12 (EUR m)	2007	2008	2009E	2010E	2011E
Sales	4.0	2.3	14.0	26.1	41.6
Sales growth	n/a	-42 %	512 %	86 %	59 %
EBITDA	-3.0	-3.4	3.3	6.7	11.2
EBIT	-6.8	-5.6	2.9	6.1	10.3
Net income	-4.6	-5.4	2.0	4.1	6.7
Net debt	-1.1	-1.5	-2.5	-4.3	-7.9
Net gearing	-12.6 %	-21.0 %	-28.7 %	-31.3 %	-41.2 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0
EPS fully diluted	-3.03	-2.28	0.77	1.55	2.52
CPS	-1.58	-1.71	0.85	1.11	2.25
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	60.3 %	65.3 %	73.7 %	73.7 %	74.5 %
EBITDA margin	-76.1 %	-150.1 %	23.7 %	25.8 %	26.9 %
EBIT margin	-171.8 %	-244.8 %	20.7 %	23.5 %	24.7 %
ROCE	-75.0 %	-69.0 %	35.5 %	52.0 %	59.1 %
EV/sales	7.2	19.5	3.4	1.8	1.1
EV/EBITDA	-9.4	-13.0	14.4	7.1	4.0
EV/EBIT	-4.2	-8.0	16.5	7.8	4.3
PER	-20.2	-12.0	25.5	12.7	7.8
Adjusted FCF yield	-2.8 %	-6.5 %	3.9 %	9.3 %	16.2 %

Source: Company data, Hauck & Aufhäuser Close price as of: 22.03.2010



Source: Company data, Hauck & Aufhäuser

**High/low 52 weeks:** 20.58 / 6.40  
**Price/Book Ratio:** 5.7  
**Relative performance (SDAX):**  
3 months 7.6 %  
6 months -0.2 %  
12 months 134.0 %

### Changes in estimates

		Sales	EBIT	EPS
2009	old:	14.0	2.9	0.80
	Δ	-	-	-
2010	old:	26.1	6.1	1.51
	Δ	-	-	2.8 %
2011	old:	41.6	10.3	2.42
	Δ	-	-	4.1 %

### Key share data:

Number of shares: (in m pcs) 2.5  
Authorised capital: (in € m) 0.5  
Book value per share: (in €) 3.4  
Ø trading volume: (12 months) 10,000

### Major shareholders:

Free Float 75.0 %  
Management & Families 20.0 %  
Other founders 5.0 %

### Company description:

Frogster Interactive Pictures AG publishes interactive online computer games. The Company focuses on the operation and marketing of virtual worlds, so-called massively multiplayer online games (MMO Games).

## Financials

Profit and loss (EUR m)	2007	2008	2009E	2010E	2011E
<b>Net sales</b>	<b>4.0</b>	<b>2.3</b>	<b>14.0</b>	<b>26.1</b>	<b>41.6</b>
<i>Sales growth</i>	<i>n/a</i>	<i>-42.4 %</i>	<i>511.9 %</i>	<i>86.4 %</i>	<i>59.4 %</i>
Increase/decrease in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0
<b>Total sales</b>	<b>4.0</b>	<b>2.3</b>	<b>14.0</b>	<b>26.1</b>	<b>41.6</b>
Other operating income	0.4	0.8	0.9	1.2	1.1
Material expenses	1.6	0.8	3.7	6.9	10.6
Personnel expenses	2.5	2.0	3.7	6.8	10.1
Other operating expenses	3.2	3.6	4.2	6.9	10.8
Total operating expenses	7.0	5.7	10.7	19.4	30.4
<b>EBITDA</b>	<b>-3.0</b>	<b>-3.4</b>	<b>3.3</b>	<b>6.7</b>	<b>11.2</b>
Depreciation	0.1	0.1	0.3	0.4	0.5
<b>EBITA</b>	<b>-3.1</b>	<b>-3.5</b>	<b>3.0</b>	<b>6.3</b>	<b>10.7</b>
Amortisation of goodwill	0.3	0.3	0.0	0.0	0.0
Amortisation of intangible assets	0.3	0.3	0.1	0.2	0.4
Impairment charges	3.1	1.5	0.0	0.0	0.0
<b>EBIT</b>	<b>-6.8</b>	<b>-5.6</b>	<b>2.9</b>	<b>6.1</b>	<b>10.3</b>
Interest income	0.0	0.0	0.0	0.1	0.2
Interest expenses	0.0	0.0	0.1	0.0	0.0
Other financial result	0.0	0.0	0.0	0.0	0.0
Financial result	0.0	0.0	0.0	0.1	0.2
<b>Recurring pretax income from continuing operations</b>	<b>-6.8</b>	<b>-5.6</b>	<b>2.9</b>	<b>6.2</b>	<b>10.5</b>
Extraordinary income/loss	0.0	-0.7	0.5	0.0	0.0
<b>Earnings before taxes</b>	<b>-6.8</b>	<b>-6.3</b>	<b>3.4</b>	<b>6.2</b>	<b>10.5</b>
Taxes	-2.0	-0.9	1.1	2.1	3.6
<b>Net income from continuing operations</b>	<b>-4.8</b>	<b>-5.4</b>	<b>2.3</b>	<b>4.1</b>	<b>6.9</b>
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>-4.8</b>	<b>-5.4</b>	<b>2.3</b>	<b>4.1</b>	<b>6.9</b>
Minority interest	-0.2	0.0	0.3	0.0	0.2
<b>Net income (net of minority interest)</b>	<b>-4.6</b>	<b>-5.4</b>	<b>2.0</b>	<b>4.1</b>	<b>6.7</b>
Average number of shares	1.3	2.1	2.5	2.7	2.7
<b>EPS reported</b>	<b>-3.39</b>	<b>-2.60</b>	<b>0.80</b>	<b>1.55</b>	<b>2.52</b>

Profit and loss (common size)	2007	2008	2009E	2010E	2011E
<b>Net sales</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Increase/decrease in finished goods and work-in-process	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Total sales</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
Other operating income	9.2 %	32.9 %	6.4 %	4.6 %	2.6 %
Material expenses	39.7 %	34.7 %	26.3 %	26.3 %	25.5 %
Personnel expenses	64.2 %	89.4 %	26.4 %	26.1 %	24.3 %
Other operating expenses	81.4 %	158.9 %	30.0 %	26.4 %	26.0 %
Total operating expenses	176.1 %	250.1 %	76.3 %	74.2 %	73.1 %
<b>EBITDA</b>	<b>-76.1 %</b>	<b>-150.1 %</b>	<b>23.7 %</b>	<b>25.8 %</b>	<b>26.9 %</b>
Depreciation	2.5 %	3.7 %	2.3 %	1.5 %	1.2 %
<b>EBITA</b>	<b>-78.6 %</b>	<b>-153.8 %</b>	<b>21.4 %</b>	<b>24.3 %</b>	<b>25.7 %</b>
Amortisation of goodwill	7.6 %	13.9 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	7.6 %	11.5 %	0.7 %	0.8 %	1.0 %
Impairment charges	78.1 %	65.7 %	0.0 %	0.0 %	0.0 %
<b>EBIT</b>	<b>-171.8 %</b>	<b>-244.8 %</b>	<b>20.7 %</b>	<b>23.5 %</b>	<b>24.7 %</b>
Interest income	1.2 %	1.9 %	0.1 %	0.4 %	0.5 %
Interest expenses	0.2 %	0.5 %	0.4 %	0.0 %	0.0 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	1.0 %	1.4 %	-0.3 %	0.4 %	0.5 %
<b>Recurring pretax income from continuing operations</b>	<b>-170.8 %</b>	<b>-243.5 %</b>	<b>20.4 %</b>	<b>23.9 %</b>	<b>25.2 %</b>
Extraordinary income/loss	0.0 %	-31.9 %	3.6 %	0.0 %	0.0 %
<b>Earnings before taxes</b>	<b>-170.8 %</b>	<b>-275.4 %</b>	<b>24.0 %</b>	<b>23.9 %</b>	<b>25.2 %</b>
Tax rate	29.9 %	15.1 %	32.5 %	34.0 %	34.0 %
<b>Net income from continuing operations</b>	<b>-119.8 %</b>	<b>-233.9 %</b>	<b>16.2 %</b>	<b>15.8 %</b>	<b>16.6 %</b>
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Net income</b>	<b>-119.8 %</b>	<b>-233.9 %</b>	<b>16.2 %</b>	<b>15.8 %</b>	<b>16.6 %</b>
Minority interest	-4.7 %	0.0 %	2.1 %	0.0 %	0.5 %
<b>Net income (net of minority interest)</b>	<b>-115.0 %</b>	<b>-233.9 %</b>	<b>14.0 %</b>	<b>15.8 %</b>	<b>16.1 %</b>

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2007	2008	2009E	2010E	2011E
<b>Intangible assets</b>	<b>3.1</b>	<b>2.2</b>	<b>2.4</b>	<b>4.8</b>	<b>6.4</b>
Property, plant and equipment	0.3	0.2	0.2	0.3	0.3
Financial assets	0.0	0.0	0.0	0.0	0.0
<b>FIXED ASSETS</b>	<b>3.4</b>	<b>2.4</b>	<b>2.5</b>	<b>5.0</b>	<b>6.6</b>
Inventories	0.1	0.0	0.0	0.0	0.0
Accounts receivable	1.0	0.3	0.4	2.1	3.2
Other current assets	0.4	0.6	1.7	5.2	8.9
Liquid assets	1.1	1.5	2.5	4.3	7.9
Deferred taxes	3.1	4.0	3.2	1.0	0.0
Deferred charges and prepaid expenses	1.7	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>7.4</b>	<b>6.3</b>	<b>7.8</b>	<b>12.6</b>	<b>20.0</b>
<b>TOTAL ASSETS</b>	<b>10.8</b>	<b>8.7</b>	<b>10.3</b>	<b>17.7</b>	<b>26.7</b>
SHAREHOLDERS EQUITY	8.8	7.0	8.8	13.7	19.3
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0
Other provisions	0.3	0.2	0.4	0.7	1.1
<b>Non-current liabilities</b>	<b>0.3</b>	<b>0.2</b>	<b>0.4</b>	<b>0.7</b>	<b>1.1</b>
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.3	0.7	0.4	1.3	2.3
Advance payments received on orders	0.1	0.0	0.1	0.2	0.5
Other liabilities (incl. from lease and rental contracts)	1.4	0.8	0.7	1.8	3.5
Deferred taxes	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0
<b>Current liabilities</b>	<b>1.7</b>	<b>1.6</b>	<b>1.2</b>	<b>3.3</b>	<b>6.3</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>10.8</b>	<b>8.7</b>	<b>10.3</b>	<b>17.7</b>	<b>26.7</b>

Balance sheet (common size)	2007	2008	2009E	2010E	2011E
<b>Intangible assets</b>	<b>28.9 %</b>	<b>25.2 %</b>	<b>23.2 %</b>	<b>27.1 %</b>	<b>24.0 %</b>
Property, plant and equipment	2.5 %	2.0 %	1.5 %	1.4 %	0.9 %
Financial assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>FIXED ASSETS</b>	<b>31.4 %</b>	<b>27.2 %</b>	<b>24.7 %</b>	<b>28.6 %</b>	<b>24.9 %</b>
Inventories	1.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts receivable	8.8 %	3.2 %	3.9 %	12.1 %	12.0 %
Other current assets	4.1 %	6.6 %	16.1 %	29.4 %	33.4 %
Liquid assets	10.3 %	16.9 %	24.4 %	24.2 %	29.8 %
Deferred taxes	28.6 %	46.1 %	31.0 %	5.7 %	0.0 %
Deferred charges and prepaid expenses	15.8 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>CURRENT ASSETS</b>	<b>68.6 %</b>	<b>72.7 %</b>	<b>75.3 %</b>	<b>71.4 %</b>	<b>75.1 %</b>
<b>TOTAL ASSETS</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>
SHAREHOLDERS EQUITY	81.4 %	80.3 %	85.0 %	77.4 %	72.3 %
MINORITY INTEREST	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	2.4 %	1.9 %	3.9 %	4.0 %	4.1 %
<b>Non-current liabilities</b>	<b>2.4 %</b>	<b>1.9 %</b>	<b>3.9 %</b>	<b>4.0 %</b>	<b>4.1 %</b>
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	2.3 %	8.1 %	3.9 %	7.3 %	8.5 %
Advance payments received on orders	0.9 %	0.2 %	0.5 %	1.1 %	1.9 %
Other liabilities (incl. from lease and rental contracts)	12.9 %	9.5 %	6.8 %	10.2 %	13.1 %
Deferred taxes	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Current liabilities</b>	<b>16.1 %</b>	<b>17.9 %</b>	<b>11.1 %</b>	<b>18.6 %</b>	<b>23.5 %</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>100.0 %</b>

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2007	2008	2009E	2010E	2011E
Net profit/loss	-4.8	-5.4	2.3	4.1	6.9
Depreciation of fixed assets (incl. leases)	3.2	1.6	0.3	0.4	0.5
Amortisation of goodwill	0.3	0.3	0.0	0.0	0.0
Amortisation of intangible assets	0.3	0.3	0.1	0.2	0.4
Others	3.1	1.2	0.0	0.0	0.0
Cash flow from operations before changes in w/c	2.1	-2.0	2.7	4.7	7.8
Increase/decrease in inventory	-0.1	0.1	0.0	0.0	0.0
Increase/decrease in accounts receivable	-1.0	0.7	-0.1	-1.7	-1.0
Increase/decrease in accounts payable	0.3	0.5	-0.3	0.9	1.0
Increase/decrease in other working capital positions	-3.7	-2.8	0.0	-0.8	-1.6
Increase/decrease in working capital	-4.5	-1.6	-0.4	-1.7	-1.7
<b>Cash flow from operating activities</b>	<b>-2.4</b>	<b>-3.6</b>	<b>2.3</b>	<b>3.1</b>	<b>6.2</b>
CAPEX	4.5	-0.5	0.6	1.2	2.5
Payments for acquisitions	0.0	0.1	2.5	1.9	0.0
Financial investments	3.3	0.0	0.0	0.0	0.0
Income from asset disposals	4.5	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-3.4</b>	<b>0.4</b>	<b>-3.1</b>	<b>-3.1</b>	<b>-2.5</b>
Cash flow before financing	-5.8	-3.1	-0.8	0.0	3.7
Increase/decrease in debt position	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Capital measures	6.7	3.3	1.9	1.8	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	0.1	0.2	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>6.8</b>	<b>3.5</b>	<b>1.9</b>	<b>1.8</b>	<b>0.0</b>
Increase/decrease in liquid assets	1.0	0.4	1.1	1.8	3.7
<b>Liquid assets at end of period</b>	<b>1.1</b>	<b>1.5</b>	<b>2.5</b>	<b>4.3</b>	<b>7.9</b>

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2007	2008	2009E	2010E	2011E
Domestic	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
Rest of Europe	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
Rest of world	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
<b>TTL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
yoy change	n/a	n/a	n/a	n/a	n/a

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2007	2008	2009E	2010E	2011E
<b>P&amp;L growth analysis</b>					
Sales growth	n/a	-42.4 %	511.9 %	86.4 %	59.4 %
EBITDA growth	n/a	13.7 %	-196.6 %	103.0 %	65.9 %
EBIT growth	n/a	-17.9 %	-151.7 %	111.7 %	67.5 %
EPS growth	n/a	-23.3 %	-130.8 %	93.3 %	62.9 %
<b>Efficiency</b>					
Total operating costs / sales	176.1 %	250.1 %	76.3 %	74.2 %	73.1 %
Sales per employee	39.3	25.4	140.0	159.0	187.4
EBITDA per employee	-29.9	-38.2	33.2	41.0	50.3
<b>Balance sheet analysis</b>					
Avg. working capital / sales	17.9 %	5.7 %	-1.8 %	1.2 %	1.3 %
Inventory turnover (sales/inventory)	37.3	0.0	0.0	0.0	0.0
Trade debtors in days of sales	87.8	44.4	10.4	30.0	28.0
A/P turnover [(A/P*365)/sales]	23.3	112.8	10.4	18.0	20.0
Cash conversion cycle (days)	53.9	-280.5	-29.2	-38.4	-50.4
<b>Cash flow analysis</b>					
Free cash flow	-6.9	-3.1	1.7	1.9	3.7
Free cash flow/sales	-174.3 %	-134.0 %	11.8 %	7.1 %	8.8 %
FCF / net profit	151.5 %	57.3 %	84.3 %	45.2 %	54.5 %
FCF yield	-23.4 %	-6.7 %	3.3 %	3.6 %	7.0 %
Capex / depre	207.1 %	-24.2 %	142.9 %	200.0 %	277.8 %
Capex / maintenance capex	n/a	0.0 %	357.1 %	333.3 %	277.8 %
Capex / sales	198.1 %	-22.9 %	4.3 %	4.6 %	6.0 %
<b>Security</b>					
Net debt	-1.1	-1.5	-2.5	-4.3	-7.9
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0
Net debt / equity	-0.1	-0.2	-0.3	-0.3	-0.4
Interest cover	0.0	0.0	58.0	999.0	999.0
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
<b>Asset utilisation</b>					
Capital employed turnover	0.4	0.3	1.5	1.8	2.0
Operating assets turnover	4.0	-8.3	135.5	28.6	62.5
Plant turnover	14.7	13.2	91.3	103.0	164.2
Inventory turnover (sales/inventory)	37.3	0.0	0.0	0.0	0.0
<b>Returns</b>					
ROCE	-75.0 %	-69.0 %	35.5 %	52.0 %	59.1 %
ROE	-51.8 %	-76.7 %	22.4 %	30.1 %	34.8 %
<b>Other</b>					
Interest paid / avg. debt	n/a	n/a	n/a	n/a	n/a
No. employees (average)	101	90	100	164	222
Number of shares	1.3	2.1	2.5	2.7	2.7
DPS	0.0	0.0	0.0	0.0	0.0
EPS reported	-3.39	-2.60	0.80	1.55	2.52
<b>Valuation ratios</b>					
P/BV	3.4	6.6	5.7	3.8	2.7
EV/sales	7.2	19.5	3.4	1.8	1.1
EV/EBITDA	-9.4	-13.0	14.4	7.1	4.0
EV/EBITA	-9.1	-12.7	15.9	7.6	4.1
EV/EBIT	-4.2	-8.0	16.5	7.8	4.3
EV/FCF	-4.1	-14.5	28.8	25.7	12.1
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

## Disclosure in respect of section 34b of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG)

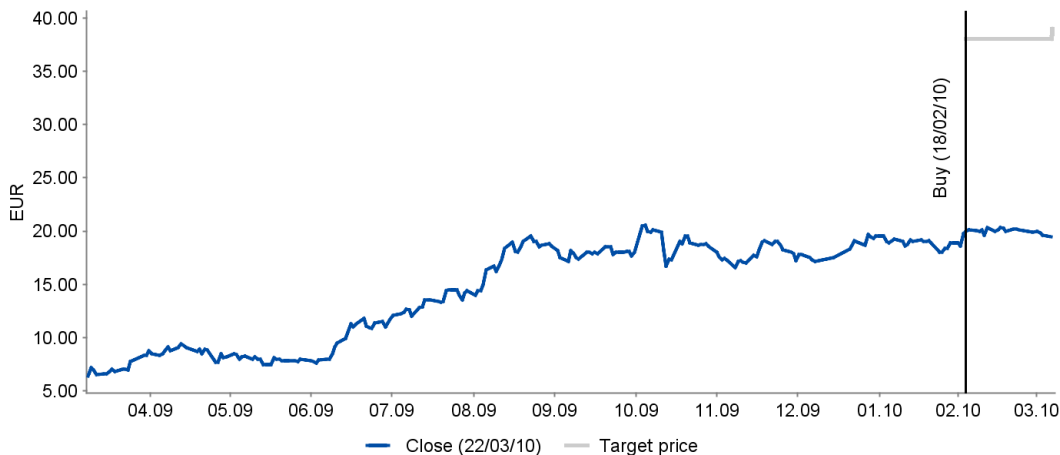
Company	Disclosure
Frogster Interactive Pictures AG	2

- (1) Hauck & Aufhäuser or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of this company.
- (2) Hauck & Aufhäuser acts as Designated Sponsor for this company or offers Equity Advisory Services.
- (3) Over the previous 12 months, Hauck & Aufhäuser and/or its affiliate(s) has effected an agreement with this company for investment banking services or received compensation or a promise to pay from this company for investment banking services.
- (4) Hauck & Aufhäuser and/or its affiliate(s) holds 5 % or more of the share capital of this company.
- (5) Hauck & Aufhäuser holds a trading position in shares of this company.
- (6) Hauck & Aufhäuser and/or its affiliate(s) holds a net short position of 1 % or more of the share capital of this company, calculated by methods required by German law as of the last trading day of the past month.
- (7) Within the last five years Hauck & Aufhäuser was a member of the issuing syndicate of this company.
- (8) The research report has been made available to the company prior to its publication / dissemination. Thereafter, only factual changes have been made to the report

### Historical target price and rating changes for Frogster Interactive Pictures AG in the last 12 months

#### Price and Rating History Frogster Interactive Pictures AG as of 23/03/10

**Initiation coverage**  
18-February-10



### Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

<b>Buy</b>	79.17 %	75.00 %
<b>Sell</b>	16.67 %	0.00 %
<b>Hold</b>	4.17 %	25.00 %

### Valuation basis/rating key

**Buy:** Sustainable upside potential of more than 10% within 12 months.

**Sell:** Sustainable downside potential of more than 10% within 12 months.

**Hold:** Upside/downside potential limited. No immediate catalyst visible.

### Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Straße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt am Main, Germany

## Important Disclosures

This research report has been prepared by Hauck & Aufhäuser Institutional Research GmbH, Hamburg, or one of its affiliates (“**Hauck & Aufhäuser**”).

Hauck & Aufhäuser has made every effort to carefully research all information contained in this financial analysis. The information on which the financial analysis is based has been obtained from sources which we believe to be reliable such as, for example, Reuters, Bloomberg and the relevant specialised press as well as the company which is the subject of this financial analysis.

Only that part of the research note is made available to the issuer, who is the subject of this analysis, which is necessary to properly reconcile with the facts. Should this result change considerably, a reference is made in the research note.

Opinions expressed in this financial analysis are the current, personal opinions of the analyst responsible for the document as of the issuing date indicated on this document and are subject to change without notice. Hauck & Aufhäuser does not commit itself in advance to whether and in which intervals an update is made. Also, the opinions in this document do not necessarily correspond to the opinions of Hauck & Aufhäuser.

The document and the recommendations and estimations contained therein are not linked - whether directly or indirectly - to the compensation of the analyst responsible for the document.

No representation, guarantees or warranties are made by Hauck & Aufhäuser with regard to the accuracy, completeness or suitability regarding all the information on the stocks, stock markets or developments referred to in it.

On no account should the document be regarded as a substitute for the recipient's procuring information for himself or exercising his own judgements.

The document has been produced for information purposes only, and only for institutional clients or market professionals. In particular, it is not intended to be distributed to private investors or private customers. Private investors or private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a recommendation, offer or solicitation to buy or sell the mentioned stock and will not form the basis or a part of any contract.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. Past performance is not a guide to future results. The price of securities may decrease or increase and as a result investors may lose the amount originally invested. Changes in exchange rates may also cause the value of investments to decrease or increase. Hauck & Aufhäuser and/or its directors, officers and employees accept no responsibility or liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content. To the extent this research report is being transmitted in connection with an existing contractual relationship, e.g. financial advisory or similar services, the liability of Hauck & Aufhäuser shall be restricted to gross negligence and wilful misconduct. In any case, the liability of Hauck & Aufhäuser is limited to typical, foreseeable damages and liability for any indirect damages is excluded.

Hauck & Aufhäuser may act as market-maker or underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or perform or seek to perform capital market or underwriting services.

Hauck & Aufhäuser reserves all the rights in this document. No part of the document or its content may be rewritten, copied, photocopied or duplicated in any form by any means or redistributed without Hauck & Aufhäuser's prior written consent.

**Please note that our research is only for the personal use of Hauck & Aufhäuser institutional clients. Do not pass on to third parties or make available to third parties.**

By accepting this document, a recipient hereof agrees to be bound by the foregoing limitations.

## Remarks regarding foreign investors

The preparation of this document is subject to regulation by German law. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

## Contacts: Hauck&Aufhäuser Investment Banking

### Hauck & Aufhäuser Research

Hauck & Aufhäuser  
Institutional Research GmbH  
Harvestehuder Weg 48

20149 Hamburg  
Germany

Tel.: +49 (0) 40 414 3885 - 70  
Fax: +49 (0) 40 414 3885 - 71  
Email: [info@ha-research.de](mailto:info@ha-research.de)  
[www.ha-research.de](http://www.ha-research.de)

**Sascha Berresch, CFA**  
Analyst

Tel.: +49 (0)40 414 3885 - 85  
E-Mail: [sascha.berresch@ha-research.de](mailto:sascha.berresch@ha-research.de)

**Tim Wunderlich**  
Analyst

Tel.: +49 (0)40 414 3885 - 81  
E-Mail: [tim.wunderlich@ha-research.de](mailto:tim.wunderlich@ha-research.de)

**Marc Osigus, CFA**  
Analyst

Tel.: +49 (0)40 414 3885 - 90  
E-Mail: [marc.osigus@ha-research.de](mailto:marc.osigus@ha-research.de)

**Bastian Timm**  
Analyst

Tel.: +49 (0)40 414 3885 - 82  
E-Mail: [bastian.timm@ha-research.de](mailto:bastian.timm@ha-research.de)

**Thomas Wissler**  
Analyst

Tel.: +49 (0)40 414 3885 - 80  
E-Mail: [thomas.wissler@ha-research.de](mailto:thomas.wissler@ha-research.de)

**Marie-Therese Gruebner**  
Analyst

Tel.: +49 (0)40 414 3885 - 83  
E-Mail: [marie-therese.gruebner@ha-research.de](mailto:marie-therese.gruebner@ha-research.de)

### Senior Advisors

**Dr. Alexander Klemm**  
Senior Advisor

Tel.: +49 (0) 69 50 500 49- 82  
E-Mail: [alexander.klemm@ha-ib.com](mailto:alexander.klemm@ha-ib.com)

**Graeme Davies**  
Senior Advisor

Tel.: +49 (0)40 414 3885 - 72  
E-Mail: [graeme.davies@ha-research.de](mailto:graeme.davies@ha-research.de)

**Jeronimo Bremer**  
Senior Advisor

Tel.: +49 (0)40 414 3885 - 73  
E-Mail: [jeronimo.bremer@ha-research.de](mailto:jeronimo.bremer@ha-research.de)

### Hauck & Aufhäuser Sales Trading

Hauck & Aufhäuser  
Privatbankiers KGaA  
Kaiserstraße 24

60311 Frankfurt am Main  
Germany

Tel.: +49 (0) 69 2161- 0  
Fax: +49 (0) 69 2161- 1340  
Email: [info@hauck-aufhaeuser.de](mailto:info@hauck-aufhaeuser.de)  
[www.hauck-aufhaeuser.de](http://www.hauck-aufhaeuser.de)

**Kirsten Meissner-Lange**  
Trading

Tel.: +49 (0)69 2161 - 1225  
E-Mail: [kirsten.meissner@hauck-aufhaeuser.lu](mailto:kirsten.meissner@hauck-aufhaeuser.lu)

**Oliver Hauer**  
Trading

Tel.: +49 (0) 69 2161 - 1526  
E-Mail: [oliver.hauer@hauck-aufhaeuser.de](mailto:oliver.hauer@hauck-aufhaeuser.de)