



Research-Flash Update of Aug. 20, 2007

AGO AG Energie + Anlagen ⁴⁾

EUR6.56 Xetra: 08/20/07 17:36

EPS 06: EUR0.32; EPS 07e: EUR0.25; EPS 08e: EUR0.61 Euro; EPS 09e: EUR0.91 Euro

Buy

before: Fair-Value EUR8.94 as of 06/08/07

Occasion: Publication of H1 results

- In H1, the company harvested sales of EUR21.14m and EBIT of EUR0.52m
- As at June 30, net income was slightly positive, reaching EUR0.088m
- We leave our estimates for 2007 and the subsequent years unchanged
- Due to general changes in the DCF model and the weak performance of the peer group, our price target is EUR7.80 (IPO report: fair value: EUR8.94)
- With a price target of EUR7.80, we recommend to Buy

Conclusion: On August 20, AGO, the leading operator of biomass cogeneration plants, released its results for H1. For the first time, the company presented a consolidated annual report under IFRS. Therefore, no reference data for 2006 is available. In the reporting period, sales amounted to EUR21.147m, and EBIT reached EUR0.52m. Including financial results (EUR-0.19m) and taxes (EUR-0.24m), the company achieved a slightly positive net income of EUR0.088m. The gross profit margin was 6.7%. We expect the gross profit margin to climb to 7.5% by the end of the year. Following the IPO, the company's balance sheet total is EUR41.451m, while equity amounts to EUR11.428m (capital ratio: 27.6%). As at June 30, the company had EUR10.4m in bank deposits.

For the current fiscal year we still predict sales of EUR42.6m and EBIT of EUR1.088m. In H1, AGO realised about one-half of our full-year sales and EBIT forecasts. We leave our other estimates unchanged (cf. IPO report).

The current share price ranges below the subscription price, which amounted to EUR7 (gross IPO proceeds: EUR9.1m; book building range: EUR6-7). While the share, which is listed in the Entry Standard segment, exceeded the IPO price significantly at first (peak: EUR9.34), it eventually had to pay tribute to the weak market environment.

We have updated our valuation. The following assumptions have changed since the IPO report published on June 8. In our DCF model, we now presume a risk-free interest rate of 4.5% (before: 4.0%). Furthermore, the peer group companies (MVV, Techem, Schmack) have declined significantly, which has an effect on the valuation. We currently estimate the P/E ratio 2008 at 10.7, which reflects the general uncertainty after the sharp drop of the Schmack share. With a new price target of EUR7.80 (IPO report: fair value: EUR8.94), our recommendation is Buy.

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Research Flash of Aug 20, 2007

- site 2 -

Recommendation shares - Single Issuer -:

- Buy: According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
- Accumulate: According to our assessment, the stock should register an absolute profit between 0% and 15% within a 6-month period.
- Reduce: According to our assessment, the stock should register an absolute loss between 0% and 15% within a 6-month period.
- Sell: According to our assessment, the stock should register an absolute loss of at least 15% within a 6-month period.

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Research Flash of Aug 20, 2007

- site 3 -

Summary of the evaluation principles used:

Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer Group Analysis) are applied. Under the DCF Method the capitalised value of the issuers is calculated which shows the sum of the discounted company results, i.e. the current value of the issuer's future net distributions. The capitalised value is therefore determined with reference to the anticipated future company results and the capitalisation yield applied. Under the Peer Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of ratio indices (e.g. price earnings ratio, price to book ratio, enterprise value / sales, enterprise value / EBITDA, enterprise value / EBIT). The comparability of the ratio indices is determined above all by business activity and commercial prospects.

Technical analyses:

Technical analyses are based on historic share price and sales developments which are analysed by mathematical-statistical tools (chart techniques, indicator technology, the Elliott wave theory, sentiment observations as well as relative strength approaches) and on forecasts of future developments.

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The figures taken from the statement of income, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

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Research Flash of Aug 20, 2007

- site 4 -

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