

Recommendation: **BUY** (BUY) Risk: **HIGH** (HIGH) Fair Value: **EUR 5.71** (5.71)

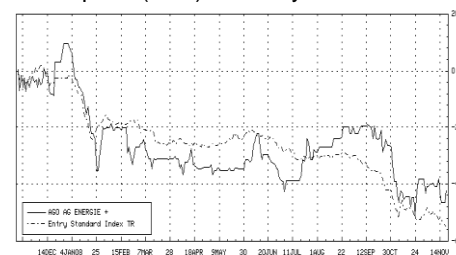
November 21, 2008

## 9M 2008 figures convinced

### Sales declined, but profit increased significantly

- The reported 9M 2008 figures were overall satisfying. Sales revenues decreased from EUR 32m in 2007 to EUR 25.68, which were affected by the cyclic project development business. Furthermore, AGO has been facing the crisis of the automobile industry, which led to some temporary delays and even cancellations in AGO's order backlog. However, AGO could level this weakness: The incoming orders amounted to EUR 48m.
- AGO has improved profitability in a substantial way. The gross result amounted to EUR 3.25m (previous year: EUR 0.83m). EBIT increased about 169% up to EUR 1.39m and net income amounted to EUR 0.49m (EUR 0.09m).
- The structure of the balance sheet is still persuasive. Deposits with banks amounted to EUR 5.72m. This liquidity allows AGO to be flexible in its growth strategy.
- The development of the international expansion is on track in Italy and in Norway. In South Africa AGO intends to finish its first project in the year 2009.
- We keep our forecasts for 2008E unchanged, but we consider that these goals became more ambitious, especially in the top line. With the estimates for 2009E and 2010E we still feel fine.
- We leave our fair value of EUR 5.71 per share unchanged, which indicates a high upside potential. The growth story is intact and during the last months AGO shares were able to outperform the Entry Standard Index. We expect this relative strength to remain unchanged. We maintain our BUY recommendation.

Share price (dark) vs. Entry Standard Index



Sources: CBS Research AG, Bloomberg, AGO AG

Change	2008E		2009E		2010E	
	new	old	new	old	new	old
Sales	46.6	-	52.7	-	58.9	-
EBITDA	3.1	-	4.8	-	5.6	-
EPS	0.25	-	0.51	-	0.63	-

Internet: [www.ago.ag](http://www.ago.ag)  
WKN: A0LR41  
Reuters: AGYG.DE

Sector: Industrial  
ISIN: DE000A0LR415  
Bloomberg: AGY GY

#### Share data:

Share price (EUR, closing price 11/20/2008):	3.57
Shares outstanding (m):	4.0
Market capitalisation (EURm):	20.4
Enterprise value (EURm):	25.4
Ø daily trading volume (6 m., no. of shares):	1,432

#### Performance data:

High 52 weeks (EUR):	7.02
Low 52 weeks (EUR):	3.00
Absolute performance (6 months):	-10.5%
Relative performance (vs. Entry Standard Index):	
1 month	28.2%
3 months	19.5%
6 months	53.4%
12 months	36.8%

#### Shareholders:

Caverion GmbH:	59.2%
Management:	5.5%
Supervisory board:	3.4%
Free float:	31.9%

#### Financial calendar:

Vienna Investment Forum 27 November 2008

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#### Key data

Y/E 31.12., EUR m	2006	2007	2008E	2009E	2010E
Sales revenues	33.9	41.3	46.6	52.7	58.9
Gross profit	3.5	1.9	4.7	6.3	7.2
EBITDA	1.6	0.5	3.1	4.8	5.6
EBIT	1.4	-0.3	2.1	3.6	4.3
Net income/loss	0.4	-0.9	1.0	2.0	2.5
EPS*	1.06	-0.26	0.25	0.51	0.63
CPS*	-0.60	-1.15	0.21	0.62	0.87
DPS	0.00	0.00	0.00	0.00	0.00
Gross margin	10.4%	4.5%	10.1%	12.0%	12.2%
EBITDA margin	4.7%	1.1%	6.7%	9.0%	9.5%
EBIT margin	4.0%	-0.6%	4.5%	6.9%	7.3%
EV/EBITDA	12.2	41.4	6.2	4.0	3.4
EV/EBIT	14.1	neg.	9.1	5.3	4.5
P/E	3.4	neg.	14.2	7.1	5.7

\*EPS and CPS only from continuing operations

Source: CBS Research AG, AGO AG

## Profit and loss account

	IFRS	EUR 1,000	2006	2007	2008E	2009E	2010E
<b>Sales</b>			<b>33,942</b>	<b>41,344</b>	<b>46,637</b>	<b>52,706</b>	<b>58,904</b>
YoY growth			-17.2%	0.8%	12.8%	13.0%	11.8%
<b>Cost of sales</b>			<b>-30,408</b>	<b>-39,492</b>	<b>-41,909</b>	<b>-46,370</b>	<b>-51,705</b>
as % of sales			-89.6%	-95.5%	-89.9%	-88.0%	-87.8%
<b>Gross profit</b>			<b>3,534</b>	<b>1,852</b>	<b>4,728</b>	<b>6,337</b>	<b>7,200</b>
as % of sales			10.4%	4.5%	10.1%	12.0%	12.2%
Research and development expenses			-47.0	-68.0	-102.4	-115.7	-129.3
as % of sales			-0.1%	-0.2%	-0.2%	-0.2%	-0.2%
Selling expenses			-1,586	-2,090	-2,017	-2,106	-2,238
as % of sales			-4.7%	-5.1%	-4.3%	-4.0%	-3.8%
General and administrative expenses			-562.0	-995.0	-722.9	-751.8	-775.6
as % of sales			-1.7%	-2.4%	-1.6%	-1.4%	-1.3%
Other operating income			286.0	1,233.0	391.4	437.6	449.6
as % of sales			0.8%	3.0%	0.8%	0.8%	0.8%
Other operating expenses			-260.0	-198.0	-163.2	-184.5	-206.2
as % of sales			-0.8%	-0.5%	-0.4%	-0.4%	-0.4%
<b>EBIT</b>			<b>1,365</b>	<b>-266</b>	<b>2,114</b>	<b>3,616</b>	<b>4,300</b>
as % of sales			4.0%	-0.6%	4.5%	6.9%	7.3%
Income from equity consolidated affiliates			40	6	0	0	0
Net interest income/expense			-146	-317	-586	-542	-457
<b>EBT (Earnings before income taxes)</b>			<b>1,259</b>	<b>-577</b>	<b>1,528</b>	<b>3,074</b>	<b>3,843</b>
as % of sales			3.7%	-1.4%	3.3%	5.8%	6.5%
Income taxes			-445	-102	-510	-1,027	-1,284
as % of EBT			-35.3%	17.7%	-33.4%	-33.4%	-33.4%
<b>Income from continuing operations</b>			<b>814.0</b>	<b>-679.0</b>	<b>1,017.7</b>	<b>2,047.5</b>	<b>2,559.5</b>
Income from discontinued operations, net of taxes			-449.0	-179.0	0.0	0.0	0.0
<b>Group net income including minorities</b>			<b>365.0</b>	<b>-858.0</b>	<b>1,017.7</b>	<b>2,047.5</b>	<b>2,559.5</b>
Minority interests			0.0	-12.0	-14.3	-27.1	-48.3
<b>Net income attributable to shareholders</b>			<b>365</b>	<b>-870</b>	<b>1,003</b>	<b>2,020</b>	<b>2,511</b>
as % of sales			1.1%	-2.1%	2.2%	3.8%	4.3%
Shares outstanding (in thousands)			770	2,624	4,000	4,000	4,000
<b>Basic earnings per share (EUR)</b>			<b>0.47</b>	<b>-0.33</b>	<b>0.25</b>	<b>0.51</b>	<b>0.63</b>
- of which from continuing operations			1.06	-0.26	0.25	0.51	0.63
- of which from discontinued operations			-0.58	-0.07	0.00	0.00	0.00

Source: CBS Research AG; AGO AG

## Balance sheets

	IFRS	EUR 1,000	2006	2007	2008E	2009E	2010E
<b>Assets</b>							
<b>Noncurrent assets</b>			<b>5,348</b>	<b>14,515</b>	<b>14,788</b>	<b>15,239</b>	<b>15,595</b>
as % of total assets			27.4%	41.4%	41.6%	39.7%	38.1%
Intangible assets			4	154	156	161	162
Property, plant and equipment			2,971	13,957	14,395	14,884	15,273
Interest in equity-consolidated companies			373	0	0	0	0
Other financial assets			2,000	292	220	175	140
Deferred taxes			0	112	17	18	20
<b>Current assets</b>			<b>14,144</b>	<b>20,549</b>	<b>20,778</b>	<b>23,181</b>	<b>25,361</b>
as % of total assets			72.6%	58.6%	58.4%	60.3%	61.9%
Inventories and prepayments			1,421	751	979	1,318	1,590
Receivables from contract manufacturing (PoC)			2,551	2,260	2,700	2,991	3,081
- Sum of the incurred costs and profits			6,857	4,298	5,401	5,644	5,813
- Advance payments received in respect of orders			-4,306	-2,038	-2,700	-2,652	-2,732
Trade accounts receivable			8,013	10,203	11,244	12,996	14,524
Other assets			236	1,779	1,865	2,056	2,121
Cash and cash equivalents			1,923	5,556	3,989	3,820	4,045
<b>Total assets</b>			<b>19,492</b>	<b>35,064</b>	<b>35,566</b>	<b>38,419</b>	<b>40,957</b>
<b>Shareholders' equity and liabilities</b>							
<b>Shareholders' equity</b>			<b>3,664</b>	<b>12,380</b>	<b>13,398</b>	<b>15,445</b>	<b>18,005</b>
as % of total equity and liabilities			18.8%	35.3%	37.7%	40.2%	44.0%
Capital stock			770	4,000	4,000	4,000	4,000
Capital reserve			500	8,146	8,146	8,146	8,146
Retained earnings			2,394	24	75	177	305
Unappropriated surplus			0	0	952	2,871	5,254
Equity attributable to minority interest			0	210	224	251	300
<b>Noncurrent liabilities</b>			<b>3,748</b>	<b>11,194</b>	<b>10,508</b>	<b>9,842</b>	<b>8,726</b>
as % of total equity and liabilities			19.2%	31.9%	29.5%	25.6%	21.3%
Provisions for pensions			201	209	218	228	237
Other noncurrent provisions			453	480	547	633	669
Noncurrent financial liabilities			2,653	10,246	9,450	8,650	7,450
- of which bearer bonds payables			2,440	2,450	2,450	2,450	2,450
Other noncurrent liabilities			0	20	23	26	29
Deferred tax liabilities			441	239	270	305	341
<b>Current liabilities</b>			<b>12,080</b>	<b>11,490</b>	<b>11,661</b>	<b>13,132</b>	<b>14,226</b>
as % of total equity and liabilities			62.0%	32.8%	32.8%	34.2%	34.7%
Other provisions			747	170	402	1,197	1,454
Trade accounts payable and rec. advance payments			7,708	7,185	7,619	8,303	9,215
Liabilities from build-to-order contracts			1,351	24	45	75	100
Financial liabilities (to banks)			213	1,002	750	500	100
Other liabilities incl. liabilities from taxes			2,061	3,109	2,845	3,057	3,358
<b>Total equity and liabilities</b>			<b>19,492</b>	<b>35,064</b>	<b>35,566</b>	<b>38,419</b>	<b>40,957</b>

Source: CBS Research AG; AGO AG

## Cash flow statements

	IFRS	EUR 1,000	2006	2007	2008E	2009E	2010E
<b>Income/loss before interest and taxes</b>			698	-530	2,114	3,616	4,300
Cash taxes paid			-97	-1,079	-215	-483	-1,461
Interests paid			-278	-744	-705	-639	-555
Interests received			132	423	119	98	98
Depreciation and amortization			214	730	1,009	1,148	1,295
Income from equity consolidated affiliates			-40	-6	0	0	0
Change in accruals incl. pension provisions			-1,218	-611	308	891	302
Other expenses / income with no effect on liquidity			0	875	0	0	0
Income/losses on retirements of noncurrent assets			-17	0	0	0	0
Increase/decrease in inventories, trade receivables, and other assets			-1,857	-2,309	-1,701	-2,573	-1,958
Increase/decrease in trade accounts payable and other liabilities			49	-850	-71	421	1,454
<b>Cash flow from operating activities</b>			<b>-2,414</b>	<b>-4,101</b>	<b>858</b>	<b>2,478</b>	<b>3,475</b>
Net cash outflows from the purchase and retirement of noncurrent assets			-156	-244	-1,450	-1,642	-1,685
Net cash outflows from the purchase of noncurrent financial assets			-333	-157	72	45	35
Cash inflows from the purchase of consolidated companies			0	524	0	0	0
<b>Cash flow from investing activities</b>			<b>-489</b>	<b>123</b>	<b>-1,378</b>	<b>-1,597</b>	<b>-1,650</b>
Cash inflow from capital stock increases			9	9,300	0	0	0
Cash outflow related to capital increases			0	-1,075	0	0	0
Net borrowings/retirements of debt			2,214	-614	-1,048	-1,050	-1,600
<b>Cash flow from financing activities</b>			<b>2,223</b>	<b>7,611</b>	<b>-1,048</b>	<b>-1,050</b>	<b>-1,600</b>
<b>Total change in cash and cash equivalents</b>			<b>-680</b>	<b>3,633</b>	<b>-1,567</b>	<b>-169</b>	<b>225</b>
Cash and cash equivalents at the start of the period			2,603	1,923	5,556	3,989	3,820
<b>Cash and cash equivalents at the end of the period</b>			<b>1,923</b>	<b>5,556</b>	<b>3,989</b>	<b>3,820</b>	<b>4,045</b>

Source: CBS Research AG; AGO AG

## Cash flows from discontinued operations (included above)

	IFRS	EUR 1,000	2006	2007	2008E	2009E	2010E
Cash flow from operating activities			-1,950	-1,085	-	-	-
Cash flow from investing activities			-21	-1	-	-	-
Cash flow from financing activities			0	0	-	-	-
<b>Total change in cash and cash equivalents</b>			<b>-1,971</b>	<b>-1,086</b>	<b>-</b>	<b>-</b>	<b>-</b>

Source: CBS Research AG; AGO AG

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Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Target Price
May 19, 2008	Buy (Initiating Coverage)	3.99	EUR 5.71
May 30, 2008	Buy	4.00	EUR 5.71
August 19, 2008	Buy	4.70	EUR 5.71
November 21, 2008	Buy	3.57	EUR 5.71

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