

Recommendation:  
**BUY** (BUY)

Risk:  
**HIGH** (HIGH)

Price target:  
**EUR 5.16** (5.42)

11 August 2009

## Project business proves cyclical once again

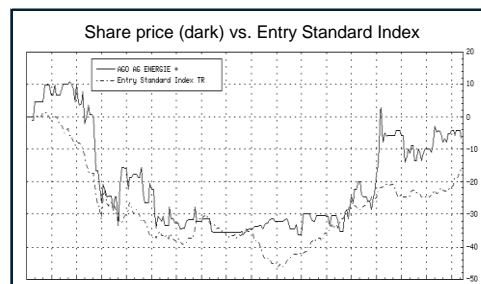
- In the second quarter of 2009, sales reached EUR 11.0m (2Q2008: EUR 9.5m), a y-o-y increase of 16.8%. Gross profit dropped to EUR 0.58m (EUR 1.3m) yielding a gross margin of 5.3% (13.8%). EBIT amounted to EUR -0.32m (EUR 0.67m), resulting in an EBIT margin of -2.9% (7.1%).
- While sales were still above our expectations, the negative operating result is a bit disappointing, particularly after the extraordinarily strong 1Q2009. While 1Q2009 was still impacted by the completion of projects for which engineering services were actually performed in the previous year, there were less construction projects carried out and more engineering services rendered in 2Q2009. The engineering services part of a project usually has relatively low margin. Furthermore, unscheduled maintenance work had to be carried out at the Alperstedt biomass cogeneration plant. Therefore, no electricity sales could be generated from this plant during a period of seven weeks during 2Q2009. This had a slight negative impact on sales (reduction of EUR 0.246m), but a stronger impact on the gross margin.
- We increased our sales estimates, but reduced our margin estimates. The recession has somewhat delayed the implementation of AGO's strategy in the Plant Operation segment. The recession and notably the crisis of the automotive industry have led to some temporary delays and even cancellations of Contracting projects, as industrial clients hesitate to incur long-term liabilities, particularly in view of the dropped oil price.
- Despite the short-term drawbacks in the Plant Operation segment, the strategy of AGO regarding the Contracting in the field of biomass plants remains promising. In the Project Development segment, AGO is currently coping quite well with the adverse market environment. This is particularly due to the fact that AGO has a very broad product range.
- Our DCF model yields a new fair value per share of EUR 5.16 (old: EUR 5.42). On basis of the fair value, and in view of AGO's promising long-term prospects, we maintain our BUY recommendation.

### Key data

Y/E 31 Dec, EUR m	2007	2008	2009E	2010E	2011E
Sales revenues	41.3	36.7	45.3	51.0	55.3
Gross profit	1.9	4.2	5.0	5.9	6.8
EBITDA	0.5	2.4	3.1	3.9	4.7
EBIT	-0.3	1.6	2.0	2.6	3.1
Net income/loss	-0.9	0.6	0.8	1.1	1.4
EPS*	-0.26	0.15	0.20	0.28	0.34
CPS*	-1.15	0.14	0.74	0.19	0.42
DPS	0.00	0.00	0.00	0.00	0.00
Gross margin	4.5%	11.3%	11.0%	11.6%	12.2%
EBITDA margin	1.1%	6.5%	6.8%	7.6%	8.5%
EBIT margin	-0.6%	4.3%	4.4%	5.0%	5.6%
EV/EBITDA	46.0	8.9	7.0	5.5	4.6
EV/EBIT	neg.	13.6	10.6	8.3	6.9
P/E	neg.	27.6	20.5	14.9	12.4

Source: CBS Research AG, AGO AG

\*EPS and CPS only from continuing operations



Source: CBS Research AG, Bloomberg, AGO AG

Change	2009E		2010E		2011E	
	new	old	new	old	new	old
Sales	45.3	40.1	51.0	48.9	55.3	-
EBITDA	3.1	3.3	3.9	4.4	4.7	-
EPS	0.20	0.22	0.28	0.36	0.34	-

Internet: www.ago.ag

Sector: Industrial

WKN: A0LR41

ISIN: DE000A0LR415

Reuters: AGYG.DE

Bloomberg: AGY GY

#### Share data:

Share price (EUR, closing price 08/10/09):	4.19
Shares outstanding (m):	4.0
Market capitalisation (EUR m):	16.8
Enterprise value (EUR m):	21.3
Ø daily trading volume (6 m., no. of shares)	796

#### Performance data:

High 52 weeks (EUR):	5.00
Low 52 weeks (EUR):	2.75
Absolute performance (12 months):	-31.0%
Relative performance vs. Entry Standard Index:	
1 month	-7.3%
3 months	13.0%
6 months	12.6%
12 months	13.4%

#### Shareholders:

Caverion GmbH:	59.25%
Management:	5.48%
Supervisory board	3.40%
Free float:	31.87%

#### Financial calendar:

9M 2009 report:	November 2009
-----------------	---------------

#### Analyst:

Martin Decot

Close Brothers Seydler Research AG

Phone: +49 (0) 69-977 84 56 0

Email: research@cbseydlerresearch.ag

#### Institutional Sales:

Close Brothers Seydler Bank AG

Germany: Raimar Bock

Phone: +49 (0)69 - 920 54 115

Benelux: Olaf Coerper

Phone: +49 (0)69 - 920 54 110

France: Bruno de Lencquessaing

Phone: +49 (0)69 - 920 54 116

Close Brothers Seydler Ltd.

United Kingdom: Ernie Ferriday

Phone: +44 2076 55 34 80

www.cbseydlerresearch.ag

## 2Q/1H 2009 figures

On 7 August 2009, AGO published its 1H2009 report. In the second quarter of 2009, sales reached EUR 11.0m (2Q2008: EUR 9.5m), representing a y-o-y increase of 16.8%. Gross profit dropped to EUR 0.58m (EUR 1.3m) yielding a gross margin of 5.3% (13.8%). EBIT amounted to EUR -0.32m (EUR 0.67m), resulting in an EBIT margin of -2.9% (7.1%).

### Operating loss in 2Q2009....

#### Key data (y-o-y comparison)

	IFRS	EUR 1,000	2Q 2009	2Q 2008	1H 2009	1H 2008
<b>Sales</b>			11,039	9,455	18,284	14,813
YoY growth			16.8%	n/a	23.4%	-30.0%
<b>Gross profit</b>			583	1,304	1,706	1,986
as % of sales			5.3%	13.8%	9.3%	13.4%
<b>EBITDA</b>			-110	899	491	1,024
as % of sales			-1.0%	9.5%	2.7%	6.9%
<b>EBIT</b>			-322	671	60	581
as % of sales			-2.9%	7.1%	0.3%	3.9%
<b>EBT</b>			-492	509	-293	252
as % of sales			-4.5%	5.4%	-1.6%	1.7%
<b>Net income attributable to shareholders</b>			-334	371	-193	146
<b>Earnings per share (EUR)</b>			-0.08	0.09	-0.05	0.04
<b>Cash flow from operating activities</b>			241	-350	115	-1,634
<b>Free cash flow</b>			-66	-483	-382	-1,910
<b>Cash and cash equivalents</b>			7,183	4,143	7,183	4,143
<b>Financial debt</b>			11,656	11,765	11,656	11,765

Source: AGO AG Energie + Anlagen, CBS Research AG

While sales were still above our expectations, the negative operating result is a bit disappointing, particularly after the extraordinarily strong 1Q2009. There are two explanations for this relatively weak earnings development in 2Q2009:

- While 1Q2009 was still impacted by the completion of projects for which engineering services were actually performed in the previous year, there were less construction projects carried out and more engineering services rendered in 2Q2009. The engineering services part of a project is usually characterised by a relatively low margin. When the construction services component (for which the engineering services were performed) of a project increases, the margin increases as a result.
- As unscheduled maintenance work had to be carried out at the Alperstedt biomass cogeneration plant, no electricity sales could be generated from this plant during a period of seven weeks during 2Q2009. This had a slight negative impact on sales (reduction of EUR 0.246m), but a stronger impact on the gross margin, as these electricity sales offer a relatively high margin. Other operating income increased by EUR 0.262m in consequence of this interruption, as a separate boiler was used during the seven week break to supply heat for the customer. However, this income was exceeded by the increase in other operating expenses (EUR 0.443m) resulting from the costs of this boiler as well as from costs arising from the

**...resulted mainly from two factors:**

**Erratic quarterly margins in the project business**

**Outage at Alperstedt plant**

repair and maintenance work carried out at the plant. According to the management, the net effect of the outage on EBIT amounted to EUR - 0.3m, at least. The management expects that AGO will receive a corresponding amount from the insurance in 3Q2009 which will compensate for the previous negative impact on profits.

## Financial forecast

AGO's order backlog, which had reached a record high of EUR 28.3m on 31 December 2008, still amounted to almost EUR 27.0m on 30 June 2009. In comparison to EUR 21.3m on 30 June 2008, order backlog increased by 27%. In 1H2009, sales have already reached 45.6% of our previous sales estimate for FY2009, in spite of the "Alperstedt maintenance effect". Last year, AGO's 1H sales accounted for only 40.4% of FY2008 sales, and we believe that the quarterly sales allocation will be similar in 2009. We therefore increased our FY2009E sales estimate to EUR 45.3m (old: 40.1m). Still, we have to point out that forecast risks remain high in the current macro environment, as further postponements or cancellation of orders cannot be excluded.

As a relatively high proportion of low margin engineering services were rendered in 2Q2009, we expect that there will be more construction projects carried out in 3Q and 4Q. In comparison to 1H2009, gross margins will therefore rise again significantly in 2H2009. Nevertheless, we prefer to take a more conservative stance regarding AGO's future margin development than before. There are still imponderables in connection with the insurance payment expected for 2H2009, and the "Alperstedt maintenance effect" might therefore still affect AGO's FY2009E profit margins.

For 2010E and 2011E, we also reduced our margin estimates, as the recession has somewhat delayed the implementation of AGO's strategy in the Plant Operation segment. The recession and notably the crisis of the automotive industry have led to some temporary delays and even cancellations of Contracting projects in Germany, as industrial clients hesitate to incur long-term liabilities, particularly in view of the dropped oil price. The small project in Gierstädt (0.65 MW) is cancelled for good. According to AGO, one or both of the projects in Upper Franconia (6 MWth) and in the area of Erfurt/Gotha might still be realised later, but have been put on hold for the time being. In Italy, the Reindeer project is delayed due to the bureaucratic hurdles which are higher than expected.

The resulting P&L key data is displayed in the table below.

### Changes in sales and earnings estimates

	2009E		2010E		2011E	
	new	old	new	old	new	old
Sales	45.3	40.1	51.0	48.9	55.3	-
Gross profit	5.0	4.8	5.9	6.0	6.8	-
EBITDA	3.1	3.3	3.9	4.4	4.7	-
EBIT	2.0	2.2	2.6	3.1	3.1	-
Net result after minorities	0.8	0.9	1.1	1.4	1.4	-
EPS	0.20	0.22	0.28	0.36	0.34	-

Source: CBS Research AG

### Revised CBSR estimates

### Higher sales estimate for 2009E...

### ..but reduced profit expectations

### Plant Operation segment is affected by recession

Despite the short-term drawbacks in the Plant Operation segment, the strategy of AGO regarding the Contracting in the field of biomass plants remains promising:

- Politics on EU and national level continue to create a very favourable legal framework for biomass heat and power plants
- Stronger demand for energy contracting will return due to a long-term upwards trend in oil prices (oil price is already on the rise again) and also due to Basel II.
- Biomass cogeneration plants can be fuelled by wood chips which offer significant advantages:
  - Good value prices per kWh
  - Low price fluctuations (in comparison to oil/gas)
  - Better CO<sub>2</sub> pollutant balance
  - Sustainability of the raw material
- AGO's ECo-Plus program can serve as a multiplier in Germany. AGO's national climate protection programme within the framework of a Joint Implementation represents a unique selling proposition
- Prevalent obsolescence of local industrial energy supply plants
- In case of further gas transit disputes in the future, the security of supply will return to the agenda of many companies again

In the Project Development and Implementation segment, AGO is coping quite well with the adverse market environment. This is particularly due to the fact that AGO has a very broad product range. Almost 30 years of company history and experience in plant engineering have resulted in the insight that technologies are cyclical, and shifts from one technology segment to another can occur very abruptly. AGO has historically often proven its high flexibility in case of changes in market demand structure, and also has done so in the current economic environment. The company is currently compensating for lower demand in the biomass sector by shifting a stronger focus to conventional block heat and power plants which the company is supplying to municipal utilities. AGO has also won several orders from large energy providers, namely from EnBW.

## Valuation and conclusion

We incorporated our new free cash flow estimates for AGO in our DCF model (see Appendix). Our model yields a new fair value per share of EUR 5.16 (old: EUR 5.42). On basis of the fair value, and in view of AGO's promising long-term prospects, we maintain our BUY recommendation.

**Contracting remains a promising business area**

**Conventional block heat and power plants are in the focus again**

**New fair value per share is EUR 5.16**

**BUY**

## Appendix

### Profit and loss account

	IFRS	EUR 1,000	2006	2007	2008	2009E	2010E	2011E
<b>Sales</b>			<b>33,942</b>	<b>41,344</b>	<b>36,697</b>	<b>45,300</b>	<b>51,000</b>	<b>55,335</b>
YoY growth			-17.2%	0.8%	-11.2%	23.4%	12.6%	8.5%
<b>Cost of sales</b>			<b>-30,408</b>	<b>-39,492</b>	<b>-32,543</b>	<b>-40,317</b>	<b>-45,084</b>	<b>-48,584</b>
as % of sales			-89.6%	-95.5%	-88.7%	-89.0%	-88.4%	-87.8%
<b>Gross profit</b>			<b>3,534</b>	<b>1,852</b>	<b>4,154</b>	<b>4,983</b>	<b>5,916</b>	<b>6,751</b>
as % of sales			10.4%	4.5%	11.3%	11.0%	11.6%	12.2%
<b>Research and development expenses</b>			<b>-47</b>	<b>-68</b>	<b>-174</b>	<b>-215</b>	<b>-242</b>	<b>-262</b>
as % of sales			-0.1%	-0.2%	-0.5%	-0.5%	-0.5%	-0.5%
<b>Selling expenses</b>			<b>-1,586</b>	<b>-2,090</b>	<b>-2,118</b>	<b>-2,265</b>	<b>-2,448</b>	<b>-2,656</b>
as % of sales			-4.7%	-5.1%	-5.8%	-5.0%	-4.8%	-4.8%
<b>General and administrative expenses</b>			<b>-562</b>	<b>-995</b>	<b>-692</b>	<b>-838</b>	<b>-908</b>	<b>-968</b>
as % of sales			-1.7%	-2.4%	-1.9%	-1.9%	-1.8%	-1.8%
<b>Other operating income</b>			<b>286</b>	<b>1,233</b>	<b>551</b>	<b>1,006</b>	<b>474</b>	<b>487</b>
as % of sales			0.8%	3.0%	1.5%	2.2%	0.9%	0.9%
<b>Other operating expenses</b>			<b>-260</b>	<b>-198</b>	<b>-147</b>	<b>-657</b>	<b>-230</b>	<b>-249</b>
as % of sales			-0.8%	-0.5%	-0.4%	-1.5%	-0.5%	-0.5%
<b>EBIT</b>			<b>1,365</b>	<b>-266</b>	<b>1,574</b>	<b>2,014</b>	<b>2,563</b>	<b>3,102</b>
as % of sales			4.0%	-0.6%	4.3%	4.4%	5.0%	5.6%
<b>Net financial result</b>			<b>-106</b>	<b>-311</b>	<b>-530</b>	<b>-799</b>	<b>-878</b>	<b>-1,081</b>
<b>EBT (Earnings before income taxes)</b>			<b>1,259</b>	<b>-577</b>	<b>1,044</b>	<b>1,214</b>	<b>1,685</b>	<b>2,021</b>
as % of sales			3.7%	-1.4%	2.8%	2.7%	3.3%	3.7%
<b>Income taxes</b>			<b>-445</b>	<b>-102</b>	<b>-458</b>	<b>-371</b>	<b>-515</b>	<b>-617</b>
as % of EBT			-35.3%	17.7%	-43.9%	-30.5%	-30.5%	-30.5%
<b>Income from continuing operations</b>			<b>814</b>	<b>-679</b>	<b>586</b>	<b>844</b>	<b>1,171</b>	<b>1,404</b>
<b>Income from discontinued operations, net of taxes</b>			<b>-449</b>	<b>-179</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Group net income including minorities</b>			<b>365</b>	<b>-858</b>	<b>617</b>	<b>844</b>	<b>1,171</b>	<b>1,404</b>
as % of sales			1.1%	-2.1%	1.7%	1.9%	2.3%	2.5%
<b>Minority interests</b>			<b>0</b>	<b>-12</b>	<b>21</b>	<b>-27</b>	<b>-48</b>	<b>-52</b>
<b>Net income attributable to shareholders</b>			<b>365</b>	<b>-870</b>	<b>638</b>	<b>816</b>	<b>1,123</b>	<b>1,352</b>
<b>Shares outstanding (in thousands)</b>			<b>770</b>	<b>2,624</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>	<b>4,000</b>
<b>Basic earnings per share (EUR)</b>			<b>0.47</b>	<b>-0.33</b>	<b>0.16</b>	<b>0.20</b>	<b>0.28</b>	<b>0.34</b>
- of which from continuing operations			1.06	-0.26	0.15	0.20	0.28	0.34
- of which from discontinued operations			-0.58	-0.07	0.01	0.00	0.00	0.00

Source: CBS Research AG, AGO AG Energie + Anlagen

## Balance sheet

	IFRS	EUR 1,000	2006	2007	2008	2009E	2010E	2011E
<b>Assets</b>								
<b>Noncurrent assets</b>			<b>5,348</b>	<b>14,515</b>	<b>16,928</b>	<b>17,918</b>	<b>21,162</b>	<b>24,961</b>
as % of total assets			27.4%	41.4%	44.5%	45.1%	49.4%	52.6%
Intangible assets			4	154	275	290	293	294
Property, plant and equipment			2,971	13,957	14,442	15,240	18,468	22,252
Interest in equity-consolidated companies			373	0	0	0	0	0
Other financial assets			2,000	292	5	1,990	1,990	1,990
Other non-current assets			0	0	2,038	0	0	0
Deferred taxes			0	112	168	398	410	425
<b>Current assets</b>			<b>14,144</b>	<b>20,549</b>	<b>21,110</b>	<b>21,815</b>	<b>21,668</b>	<b>22,475</b>
as % of total assets			72.6%	58.6%	55.5%	54.9%	50.6%	47.4%
Inventories and prepayments			1,421	751	482	589	663	719
Receivables from contract manufacturing (PoC)			2,551	2,260	4,805	5,653	6,200	6,586
Trade accounts receivable			8,013	10,203	7,052	8,067	9,082	10,006
Other assets			236	1,779	1,092	1,178	1,357	1,494
Cash and cash equivalents			1,923	5,556	7,679	6,328	4,365	3,670
<b>Total assets</b>			<b>19,492</b>	<b>35,064</b>	<b>38,038</b>	<b>39,733</b>	<b>42,829</b>	<b>47,436</b>
<b>Shareholders' equity and liabilities</b>								
<b>Shareholders' equity</b>			<b>3,664</b>	<b>12,380</b>	<b>13,043</b>	<b>13,887</b>	<b>15,057</b>	<b>16,462</b>
as % of total equity and liabilities			18.8%	35.3%	34.3%	34.9%	35.2%	34.7%
Capital stock			770	4,000	4,000	4,000	4,000	4,000
Capital reserve			500	8,146	8,146	8,146	8,146	8,146
Retained earnings			2,394	24	656	656	656	656
Unappropriated surplus			0	0	0	816	1,939	3,291
Equity attributable to minority interest			0	210	241	268	316	368
<b>Noncurrent liabilities</b>			<b>3,748</b>	<b>11,194</b>	<b>11,473</b>	<b>11,275</b>	<b>13,115</b>	<b>16,156</b>
as % of total equity and liabilities			19.2%	31.9%	30.2%	28.4%	30.6%	34.1%
Provisions for pensions			201	209	215	225	234	243
Other noncurrent provisions			453	480	471	500	512	522
Noncurrent financial liabilities			2,653	10,246	10,068	9,662	11,462	14,462
- of which bearer bonds payables			2,440	2,450	2,462	2,462	2,462	2,462
Other noncurrent liabilities			0	20	14	17	19	21
Deferred tax liabilities			441	239	705	870	887	907
<b>Current liabilities</b>			<b>12,080</b>	<b>11,490</b>	<b>13,522</b>	<b>14,572</b>	<b>14,657</b>	<b>14,819</b>
as % of total equity and liabilities			62.0%	32.8%	35.5%	36.7%	34.2%	31.2%
Other provisions			747	170	123	294	438	540
Trade accounts payable and rec. advance payments			7,708	7,185	6,603	7,055	7,664	8,016
Liabilities from build-to-order contracts			1,351	24	1,395	1,825	985	500
Financial liabilities (to banks)			213	1,002	2,069	2,000	2,000	2,000
Other liabilities incl. liabilities from taxes			2,061	3,109	3,332	3,398	3,570	3,763
<b>Total equity and liabilities</b>			<b>19,492</b>	<b>35,064</b>	<b>38,038</b>	<b>39,733</b>	<b>42,829</b>	<b>47,436</b>

Source: CBS Research AG, AGO AG Energie + Anlagen

## Cash flow statement

IFRS	EUR 1,000	2006	2007	2008	2009E	2010E	2011E
<b>Income/loss before interest and taxes</b>							
		698	-530	1,617	2,014	2,563	3,102
Cash taxes paid		-97	-1,079	-212	-435	-509	-612
Interests paid and received		-146	-321	-529	-799	-878	-1,081
Depreciation and amortization		214	730	820	1,048	1,308	1,577
Income from equity consolidated affiliates		-40	-6	1	0	0	0
Change in accruals incl. pension provisions		-1,218	-611	-50	210	165	121
Other expenses / income with no effect on liquidity		0	875	0	0	0	0
Income/losses on retirements of noncurrent assets		-17	0	-18	0	0	0
Increase/decrease in inventories, trade receivables, and other assets		-1,857	-2,309	51	-17	-1,816	-1,503
Increase/decrease in trade accounts payable and other liabilities		49	-850	378	951	-57	62
<b>Cash flow from operating activities</b>		<b>-2,414</b>	<b>-4,101</b>	<b>2,058</b>	<b>2,971</b>	<b>777</b>	<b>1,666</b>
Net cash outflows from the purchase and retirement of noncurrent assets							
		-156	-244	-1,409	-1,861	-4,540	-5,361
Net cash outflows from the purchase of noncurrent financial assets							
		-333	-157	-90	-1,985	0	0
Cash inflows from the purchase of consolidated companies							
		0	524	0	0	0	0
<b>Cash flow from investing activities</b>		<b>-489</b>	<b>123</b>	<b>-1,499</b>	<b>-3,846</b>	<b>-4,540</b>	<b>-5,361</b>
Cash inflow from capital stock increases							
		9	9,300	0	0	0	0
Cash inflow Cash inflow from minority interests in shareholders' equity of consolidated subsidiaries							
		0	0	46	0	0	0
Cash outflow related to capital increases							
		0	-1,075	0	0	0	0
Net borrowings/retirements of debt							
		2,214	-614	1,518	-475	1,800	3,000
<b>Cash flow from financing activities</b>		<b>2,223</b>	<b>7,611</b>	<b>1,564</b>	<b>-475</b>	<b>1,800</b>	<b>3,000</b>
<b>Total change in cash and cash equivalents</b>							
		<b>-680</b>	<b>3,633</b>	<b>2,123</b>	<b>-1,351</b>	<b>-1,963</b>	<b>-695</b>
Cash and cash equiv. at the start of the period							
		2,603	1,923	5,556	7,679	6,328	4,365
<b>Cash and cash equiv. at the end of the period</b>							
		<b>1,923</b>	<b>5,556</b>	<b>7,679</b>	<b>6,328</b>	<b>4,365</b>	<b>3,670</b>

### Cash flows from discontinued operations (included above)

IFRS	EUR 1,000	2006	2007	2008	2009E	2010E	2011E
Cash flow from operating activities							
		-1,950	-1,085	1,481	0	0	0
Cash flow from investing activities							
		-21	-1	0	0	0	0
Cash flow from financing activities							
		0	0	0	0	0	0
<b>Total change in cash and cash equivalents</b>							
		<b>-1,971</b>	<b>-1,086</b>	<b>1,481</b>	<b>0</b>	<b>0</b>	<b>0</b>

Source: CBS Research AG, AGO AG Energie + Anlagen

**Discounted Cash Flow Model**

EURm	PHASE 1			PHASE 2							PHASE 3
	2009E	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	∞
Sales	45.3	51.0	55.3	59.5	63.9	68.7	72.9	76.9	80.7	82.3	
Sales growth	23.4%	12.6%	8.5%	7.5%	7.5%	7.5%	6.0%	5.5%	5.0%	2.0%	
EBIT	2.0	2.6	3.1	3.7	4.5	4.9	5.4	5.8	6.1	6.2	
EBIT margin	4.4%	5.0%	5.6%	6.3%	7.0%	7.2%	7.4%	7.5%	7.5%	7.5%	
Income tax on EBIT	-0.6	-0.8	-0.9	-1.1	-1.4	-1.5	-1.6	-1.8	-1.8	-1.9	
Depreciation and amortisation	1.0	1.3	1.6	1.6	1.8	1.9	2.0	2.2	2.3	2.3	
Change in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	-1.2	-1.7	-1.4	-1.0	-1.1	-1.2	-1.0	-1.0	-1.0	-0.5	
Net capital expenditure	-1.9	-4.5	-5.4	-3.3	-2.7	-2.3	-2.3	-2.3	-2.3	-2.3	
<b>Free cash flow</b>	<b>-0.5</b>	<b>-3.2</b>	<b>-3.0</b>	<b>-0.1</b>	<b>1.1</b>	<b>1.9</b>	<b>2.5</b>	<b>2.9</b>	<b>3.3</b>	<b>3.8</b>	
<b>Present values</b>	<b>-0.5</b>	<b>-2.8</b>	<b>-2.4</b>	<b>-0.1</b>	<b>0.7</b>	<b>1.2</b>	<b>1.4</b>	<b>1.5</b>	<b>1.5</b>	<b>1.6</b>	<b>23.1</b>
Present value Phase 1	-5.7										
Present value Phase 2	7.8										
Present value Phase 3	23.1										
Total present value	25.2										
+ Excess cash/Non-operating assets	7.2										
- Financial debt	-11.7										
- Minority interest	-0.1										
<b>Fair value of equity</b>	<b>20.6</b>										
Number of shares (m)	4.0										
<b>Fair value per share (EUR)</b>	<b>5.16</b>										

Risk free rate	3.5%	Target equity ratio	75.0%
Equity risk premium	6.0%	Beta (fundamental)	1.20
Debt risk premium	3.0%	<b>WACC</b>	<b>9.2%</b>
Tax shield	30.5%	<b>Terminal growth</b>	<b>2.0%</b>

<b>Sensitivity analysis</b>					
<b>Terminal growth (Phase 3)</b>					
	<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>3.0%</b>
<b>8.2%</b>	5.79	6.29	6.88	7.57	8.40
<b>8.7%</b>	5.05	5.47	5.95	6.51	7.18
<b>WACC 9.2%</b>	4.40	4.76	<b>5.16</b>	5.62	6.16
<b>9.7%</b>	3.84	4.14	4.48	4.86	5.31
<b>10.2%</b>	3.34	3.60	3.88	4.21	4.58

Source: CBS Research AG

**Disclaimer and statement according to § 34b German Securities Trading Act (“Wertpapierhandelsgesetz”) in combination with the provisions on financial analysis (“Finanzanalyseverordnung” FinAnV)**

This report has been prepared independently of the company analysed by Close Brothers Seydler Research AG and/or its cooperation partners and the analyst mentioned on the front page (hereafter all are jointly and/or individually called the ‘author’). None of Close Brothers Seydler Research AG, Close Brothers Seydler Bank AG or its cooperation partners, the Company or its shareholders has independently verified any of the information given in this document.

Section 34b of the German Securities Trading Act in combination with the FinAnV requires an enterprise preparing a security analysis to point out possible conflicts of interest with respect to the company that is the subject of the analysis.

Close Brothers Seydler Research AG is a majority owned subsidiary of Close Brothers Seydler Bank AG (hereafter ‘CBS’). However, Close Brothers Seydler Research AG provides its research work independent from CBS. CBS is offering a wide range of Services not only including investment banking services and liquidity providing services (designated sponsoring). CBS may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- CBS may hold more than 5% interest in the capital stock of the company that is subject of the analysis.
- CBS may have been a participant in the management of a (co)consortium in a selling agent function for the issuance of financial instruments, which themselves or their issuer is the subject of this financial analysis within the last twelve month.
- CBS may have been providing investment banking and/or consulting services during the last 12 months for the company analyzed for which compensation has been or will be paid for.
- CBS may act as designated sponsor for the company's securities on the basis of an existing designated sponsorship contract. The services include the provision of bid and ask offers.
- Due to the designated sponsoring service agreement CBS may regularly possess shares of the company and receives a compensation and/ or provision for its services.
- The designated sponsor service agreement may include a contractually agreed provision of research services.
- The company that is subject of the analysis may agree on a research service agreement with CBS.
- CBS may have significant financial interests in relation to the company that is subject of this analysis.

CBS and/or its employees or clients may take positions in, and may make purchases and/ or sales as principal or agent in the securities or related financial instruments discussed in this analysis. CBS may provide investment banking, consulting, and/ or other services to and/ or serve as directors of the companies referred to in this analysis. No part of the authors compensation was, is or will be directly or indirectly related to the recommendations or views expressed.

CBS Research AG and AGO AG Energie + Anlagen have a contractual agreement about the preparation of research reports. CBS Research AG receives a compensation in return.

Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 6 months:

BUY: The expected performance of the share price is above +10%.

NEUTRAL: The expected performance of the share price trend is between +5% and +10%.

SELL: The expected performance of the share price is below 5%.

Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
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
February 27, 2009	Buy	3.02	EUR 5.42
May 4, 2009	Buy	2.92	EUR 5.42
August 11, 2009	Buy	4.19	EUR 5.16

#### Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling System. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected lower than the volatility of the benchmark

MEDIUM: The volatility is expected equal to the volatility of the benchmark

HIGH: The volatility is expected higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/revenues, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

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 with prior notice.

The opinions and forecasts contained in this report are those of author alone. Material sources of information for preparing this report are publications in domestic and foreign media such as information services (including but not limited to Reuters, VWD, Bloomberg, DPA-AFX), business press (including but not limited to Börsenzeitung, Handelsblatt, Frankfurter Allgemeine Zeitung, Financial Times), professional publications, published statistics, rating agencies as well as publications of the analysed issuers. Furthermore, discussions were held with the Management for the purpose of preparing the company study. Potentially parts of the analysis have been provided to the issuer prior to going to press; no significant changes were made afterwards, however. Any information in this report is based on data considered to be reliable, but no representations or guarantees are made by author with regard to the accuracy or completeness of the data. The opinions and estimates contained herein constitute our best judgment at this date and time, and are subject to change without notice. Possible errors or incompleteness of the information do not constitute grounds for liability, neither with regard to indirect nor to direct or consequential damages. The views presented on the covered company accurately reflect the personal views of the author. All Employees of the author's company who are involved with the preparation and/or the offering of financial analyzes are subject to internal compliance regulations.

The report is for information purposes, it is not intended to be and should not be construed as a recommendation, offer or solicitation to acquire, or dispose of, any of the securities mentioned in this report. Any reference to past performance should not be taken as indication of future performance. The author does not accept any liability whatsoever for any direct or consequential loss arising from any use of material contained in this report. The report is confidential and it is submitted to selected recipients only. The report is prepared for professional investors only and it is not intended for private investors. Consequently, it should not be distributed to any such persons. Also, the report may be communicated electronically before physical copies were available. It may not be reproduced (in whole or in part) to any other investment firm or any other individual person without the prior written approval from the author. The author is not registered in the United Kingdom nor with any U.S. regulatory body.

It has not been determined in advance whether and in what intervals this report will be updated. Unless otherwise stated current prices refer to the closing price of the previous trading day. Any reference to past performance should not be taken as indication of future performance. The author maintains the right to change his opinions without notice, i.e. the opinions given reflect the author's judgement on the date of this report.

This analysis is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor.

By accepting this report the recipient accepts that the above restrictions are binding. German law shall be applicable and court of jurisdiction for all disputes shall be Frankfurt am Main (Germany).

This report should be made available in the United States solely to investors that are (i) "major US institutional investors" (within the meaning of SEC Rule 15a-6 and applicable interpretations relating thereto) that are also

"qualified institutional buyers" (QIBs) within the meaning of SEC Rule 144A promulgated by the United States Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended (the "Securities Act") or (ii) investors that are not "US Persons" within the meaning of Regulation S under the Securities Act and applicable interpretations relating thereto. The offer or sale of certain securities in the United States may be made to QIBs in reliance on Rule 144A. Such securities may include those offered and sold outside the United States in transactions intended to be exempt from registration pursuant to Regulation S. This report does not constitute in any way an offer or a solicitation of interest in any securities to be offered or sold pursuant to Regulation S. Any such securities may not be offered or sold to US Persons at this time and may be resold to US Persons only if such securities are registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from registration.

This publication is for distribution in or from the United Kingdom only to persons who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom or any order made thereunder or to investment professionals as defined in Section 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and is not intended to be distributed or passed on, directly or indirectly, to any other class of persons.

This publication is for distribution in Canada only to pension funds, mutual funds, banks, asset managers and insurance companies.

The distribution of this publication in other jurisdictions may be restricted by law, and persons into whose possession this publication comes should inform themselves about, and observe, any such restrictions. In particular this publication may not be sent into or distributed, directly or indirectly, in Japan or to any resident thereof.

Responsible Supervisory Authority:

**Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)**

Graurheindorferstraße 108  
53117 Bonn  
and

Lurgiallee 12  
60439 Frankfurt

 Close Brothers Seydler  
Research AG

Schillerstraße 27-29  
60313 Frankfurt am Main  
[www.cbseydlerresearch.ag](http://www.cbseydlerresearch.ag)  
Tel.: 0049 - (0)69 - 97 78 45 60