

Recommendation:
BUY (HOLD)

Risk:
HIGH (HIGH)

Price target:
EUR 3.50 (4.50)

22 December 2010

Loss in 2010E due to PP&E impairment

AGO's boost in orders prompts us to confirm our sales estimates for 2011E and 2012E

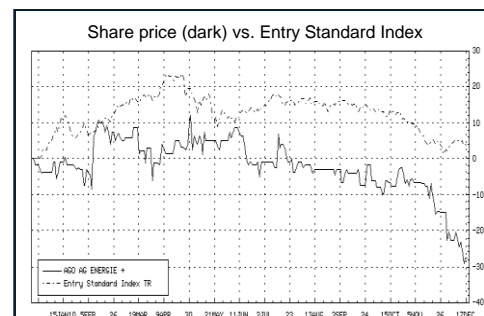
- Sales in 3Q 2010 were only slightly above the figure for 3Q 2009. AGO's quarterly gross margin declined y-o-y from 10.4% to 8.3%. EBIT dropped from EUR 0.3m in 3Q 2009 to EUR 0.02m in 3Q 2010. EBT amounted to EUR -0.2m in 3Q 2010 and EUR -1.4m in 9M 2010, respectively.
- We reduced our sales and earnings estimates for 2010E. AGO announced that a settlement deal has been concluded with the heating customer who has been refusing to bear the increase in heating costs that have occurred at the Alperstedt plant since 2007. The settlement of this legal dispute significantly reduces the financial strain and risk from Alperstedt. But even though the new terms should allow for a profitable operation of Alperstedt in the future, the expected earnings and cash flows will not be high enough to back up the current balance sheet values of the Alperstedt assets (PP&E). AGO therefore announced that an impairment of at least half of Alperstedt's PP&E will be necessary in 4Q 2010. We believe that AGO's management will choose a conservative approach and write off significantly more than half of the PP&E's book value in order to be on the safe side in the future. We therefore include an impairment loss of EUR 6m in our estimate for the Group's other operating expenses in FY 2010E.
- Since the recent demission of the two representatives of Caverion in AGO's supervisory board, the new majority shareholder of AGO, YIT Group, has not delegated own representatives in order to exercise its influence in the future. For this reason, we now regard the possibility of a complete exit of YIT as the most probably scenario, and so, apparently, do other market participants. The price of AGO's share has recently plummeted and, for a while, even dropped below EUR 3.00 a few days ago, coming from EUR 4.00 at the beginning of November. We believe that the share is currently trading at an attractive level again. We therefore change our recommendation from HOLD to BUY and set a new price target of EUR 3.50 (old: EUR 4.50).

Y/E 31 Dec, EUR m	2008	2009	2010E	2011E	2012E
Sales revenues	36.7	50.3	53.0	66.2	70.2
Gross profit	4.2	5.2	3.2	6.7	8.4
EBITDA*	2.4	2.6	0.5	3.6	5.4
EBIT	1.6	1.7	-6.6	2.4	3.9
Net income/loss	0.6	0.2	-7.3	0.5	1.4
EPS**	0.15	0.06	-1.83	0.14	0.34
CPS**	0.14	1.90	-1.15	-0.13	0.41
DPS	0.00	0.00	0.00	0.00	0.00
Gross margin	11.3%	10.3%	6.0%	10.1%	12.0%
EBITDA margin	6.5%	5.2%	1.0%	5.5%	7.7%
EBIT margin	4.3%	3.3%	-12.4%	3.6%	5.6%
EV/EBITDA	8.0	7.3	35.3	5.3	3.5
EV/EBIT	12.1	11.5	-2.9	8.0	4.8
P/E	20.4	52.3	n.m.	22.9	9.1

*2010E: EBITDA before expected impairment of PP&A (Alperstedt)

**2008: EPS and CPS only from continuing operations

Source: CBS Research AG, AGO AG Energie + Anlagen



Source: CBS Research AG, Bloomberg, AGO AG

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	53.0	57.0	-	66.2	-	70.2
EBITDA	0.5	2.2	3.6	3.9	5.4	5.8
EPS	-1.83	0.00	0.14	0.21	0.34	0.42

Internet: www.ago.ag

Sector: Industrial

WKN: A0LR41

ISIN: DE000A0LR415

Reuters: AGYG.DE

Bloomberg: AGY GY

Short company profile:

AGO AG Energie + Anlagen, headquartered in Kulmbach/Germany, is a specialist in the area of innovative and efficient energy supply and facilities. AGO AG concentrates on the three business segments project development and implementation, operation of facilities as well as service & consulting. The company's core competences are mainly biomass cogeneration plants, cogeneration plants, heat and refrigeration plants, trigeneration as well as contracting. Location studies / location development, energy efficiency consulting, raw material and fuel management as well as emissions trading round off the business model.

Share data:

Share price (EUR, latest closing price):	3.099
Shares outstanding (m):	4.0
Market capitalisation (EUR m):	12.4
Enterprise value (EUR m):	19.0
Ø daily trading volume (6 m., no. of shares):	1,121

Performance data:

High 52 weeks (EUR):	4.87
Low 52 weeks (EUR):	2.83
Absolute performance (12 months):	-33.9%
Relative performance vs. Entry Standard Index:	
1 month	-24.3%
3 months	-21.9%
6 months	-26.8%
12 months	-36.0%

Shareholders:

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

Financial calendar:

Annual report 2010:	2011
---------------------	------

Author: **Martin Decot** (Analyst)

Close Brothers Seydler Research AG

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

Email: research@cbseydlerresearch.ag

Weak sales and earnings development in 3Q 2010

Sales in 3Q 2010 were only slightly above the figure for 3Q 2009. AGO's quarterly gross margin declined y-o-y from 10.4% to 8.3%. EBIT dropped from EUR 0.3m in 3Q 2009 to EUR 0.02m in 3Q 2010. Financial expenses remained high in 3Q due to aval fees related to down payments. The resulting EBT amounted to EUR -0.2m in 3Q 2010 and EUR -1.4m in 9M 2010, respectively. Due to a deferred tax income of EUR 0.4m in 9M 2010, AGO's net result was somewhat better (see table below).

Negative earnings and cash flows

3Q and 9M 2010 key data (YoY comparison)

	IFRS	EUR 1,000	3Q 2010	3Q 2009	9M 2010	9M 2010
Sales			13,995	13,841	36,232	32,125
YoY growth			1.1%	27.4%	12.8%	25.1%
Gross profit			1,163	1,440	1,838	3,146
as % of sales			8.3%	10.4%	5.1%	9.8%
EBITDA			16	604	-686	1,095
as % of sales			0.1%	4.4%	-1.9%	3.4%
EBIT			16	344	-686	404
as % of sales			0.1%	2.5%	-1.9%	1.3%
EBT			-238	186	-1,364	-107
as % of sales			-1.7%	1.3%	-3.8%	-0.3%
Net income of the group			-210	138	-999	-81
Net income attributable to shareholders			-286	137	-1,124	-56
EPS (EUR)			-0.07	0.03	-0.28	-0.01
Cash flow from operating activities			-1,470	-399	-5,223	-284
Free cash flow			-1,631	-843	-5,465	-1,225
Cash and cash equivalents					5,127	5,855
Financial debt					11,472	11,433
Equity ratio					29.5%	35.6%

Source: AGO AG Energie + Anlagen, CBS Research AG

Settlement deal will result in a high loss in FY 2010

AGO announced that a settlement deal has been concluded with the heating customer who has been refusing to bear the increase in heating costs that have occurred at the Alperstedt plant since 2007. According to AGO's management, the fixed price for the delivered heat was raised significantly for 2010 and 2011. As from 2012, a new and better price adjustment clause will come into effect. For the years 2007-2009, however, the customer will not pay any additional compensation.

The settlement of this legal dispute significantly reduces the financial strain and risk from Biomasseheizkraftwerk Alperstedt GmbH. But even though the new terms should allow for a profitable operation of Alperstedt in the future, the expected earnings and cash flows will not be high enough to back up the current balance sheet values of the Alperstedt assets (PP&E). AGO therefore announced that an impairment of at least half of Alperstedt's PP&E will be necessary in 4Q 2010. We believe that AGO's management will choose a conservative approach and write off significantly more than half of the PP&E's book value in order to be on the safe side in the future. We therefore include an impairment loss of EUR 6m in our estimate for the Group's other operating expenses in FY 2010E.

Legal dispute with Alperstedt customer has been settled

High impairment will be necessary

According to our estimates, the Group's equity ratio (currently amounting to 29.5%) will drop to only 16.1% at the end of the year due to the expected impairment. Management presumes that this will not have any impact on financing costs. We nevertheless assume somewhat higher financial expenses for 2011E and 2012E, but only due to recently increased costs from aval fees for all credit users.

Lower equity ratio is not supposed to have any impact on financing conditions

Adjustments in sales and earnings estimates

We reduce our sales and earnings estimates for 2010E (see table below). For 2011E and 2012E, we maintain our sales and EBIT estimates. AGO's order backlog has further increased in 3Q and in the course of 4Q and has reached the very high level of EUR 46.8m as of 30 September 2010 (+34.6% compared to 30 September 2009). Order intake increased to EUR 44.4m in 9M 2010 and has jumped above EUR 60m by now. Management states that customers are currently 'bombarding' AGO with orders. We are thus optimistic for the business development in the next two years. Nevertheless, due to new assumptions regarding the financial result and taxes, we slightly reduce our net income estimates for 2011E and 2012E, too.

Positive development in 2011E and 2012E expected

Changes in sales and earnings estimates

	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	53.0	57.0	-	66.2	-	70.2
Gross profit	3.2	4.5	-	6.7	-	8.4
EBIT	-6.6	0.9	-	2.4	-	3.9
Net result after minorities	-7.3	0.0	0.5	0.9	1.4	1.7
EPS	-1.83	0.00	0.14	0.21	0.34	0.42

Source: CBS Research AG

Exit of YIT is the most probable scenario now

YIT Corporation recently took over AGO's parent company Caverion GmbH which held 59.25% in AGO. In our previous updates on AGO, we have already pointed to the possibility that YIT might either completely take over AGO or reduce its stake in AGO AG in the future. Since the recent demission of the two representatives of Caverion in AGO's supervisory board, YIT has not delegated own representatives. For this reason, we now regard the possibility of a complete exit of YIT as the most probably scenario, and so, apparently, do other market participants. The price of AGO's share has recently plummeted and, for a while, even dropped below EUR 3.00 a few days ago, coming from EUR 4.00 at the beginning of November. In case of this scenario, it however remains to be seen whether YIT will find an interested party willing to pay the price requested by YIT.

YIT has not yet exercised influence on AGO

Valuation and recommendation

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 3.84 (old: EUR 4.53). After the recent strong decline of AGO's share price, we believe that the share is currently trading at an attractive level again. We therefore change our recommendation from HOLD to BUY and set a new price target of EUR 3.50 (old: EUR 4.50).

New price target is EUR 3.50

BUY

Appendix

Profit and loss account

	IFRS	EUR 1,000	2007	2008	2009	2010E	2011E	2012E
Sales			41,344	36,697	50,287	53,000	66,185	70,156
YoY growth			0.8%	-11.2%	37.0%	5.4%	24.9%	6.0%
Cost of sales			-39,492	-32,543	-45,118	-49,847	-59,500	-61,737
as % of sales			-95.5%	-88.7%	-89.7%	-94.1%	-89.9%	-88.0%
Gross profit			1,852	4,154	5,169	3,154	6,685	8,419
as % of sales			4.5%	11.3%	10.3%	6.0%	10.1%	12.0%
Research and development expenses			-68	-174	-205	-69	-245	-260
as % of sales			-0.2%	-0.5%	-0.4%	-0.1%	-0.4%	-0.4%
Selling expenses			-2,090	-2,118	-2,580	-2,661	-3,177	-3,367
as % of sales			-5.1%	-5.8%	-5.1%	-5.0%	-4.8%	-4.8%
General and administrative expenses			-995	-692	-1,005	-1,129	-1,158	-1,228
as % of sales			-2.4%	-1.9%	-2.0%	-2.1%	-1.8%	-1.8%
Other operating income			1,233	551	939	689	536	561
as % of sales			3.0%	1.5%	1.9%	1.3%	0.8%	0.8%
Other operating expenses*			-198	-147	-645	-6,577	-397	-421
as % of sales			-0.5%	-0.4%	-1.3%	-12.4%	-0.6%	-0.6%
EBIT as reported			-266	1,574	1,673	-6,593	2,244	3,704
as % of sales			-0.6%	4.3%	3.3%	-12.4%	3.4%	5.3%
Income from equity consolidated affiliates			6	-1	-11	0	135	230
EBIT incl. income from equity consolidated affiliates			-260	1,573	1,662	-6,593	2,379	3,934
as % of sales			-0.6%	4.3%	3.3%	-12.4%	3.6%	5.6%
Net interest income/expense			-317	-529	-675	-937	-1,269	-1,606
EBT (Earnings before income taxes)			-577	1,044	987	-7,530	1,109	2,328
as % of sales			-1.4%	2.8%	2.0%	-14.2%	1.7%	3.3%
Income taxes			-102	-458	-716	415	-339	-711
as % of EBT			17.7%	-43.9%	-72.5%	-5.5%	-30.5%	-30.5%
Income from continuing operations			-679	586	271	-7,115	771	1,617
Income from discontinued operations, net of taxes			-179	31	0	0	0	0
Group net income including minorities			-858	617	271	-7,115	771	1,617
as % of sales			-2.1%	1.7%	0.5%	-13.4%	1.2%	2.3%
Minority interests			-12	21	-34	-199	-230	-255
Net income attributable to shareholders			-870	638	237	-7,314	541	1,362
Shares outstanding (in thousands)			2,624	4,000	4,000	4,000	4,000	4,000
Basic earnings per share (EUR)			-0.33	0.16	0.06	-1.83	0.14	0.34
- of which from continuing operations			-0.26	0.15	0.06	-1.83	0.14	0.34
- of which from discontinued operations			-0.07	0.01	0.00	0.00	0.00	0.00

Source: CBS Research AG, AGO AG Energie + Anlagen

*2010E: including impairment of PP&A (Alperstedt)

Balance sheet

	IFRS	EUR 1,000	2007	2008	2009	2010E	2011E	2012E
Assets								
Noncurrent assets			14,515	16,928	18,052	13,417	17,658	21,707
as % of total assets			41.4%	44.5%	41.6%	36.0%	38.9%	42.9%
Intangible assets			154	275	639	833	966	1,064
Property, plant and equipment			13,957	14,442	14,361	9,313	12,185	15,511
Financial assets			292	2,043	2,922	2,714	3,514	4,124
Other non-current assets			0	0	0	0	0	0
Deferred taxes			112	168	130	557	993	1,008
Current assets			20,549	21,110	25,330	23,811	27,773	28,901
as % of total assets			58.6%	55.5%	58.4%	64.0%	61.1%	57.1%
Inventories and prepayments			751	482	1,610	3,445	4,103	4,911
Receivables from contract manufacturing (PoC)			2,260	4,805	5,423	6,550	8,156	8,800
Trade accounts receivable			10,203	7,052	5,543	6,099	7,616	7,881
Receivables from affiliated companies			0	0	1,600	0	0	0
Other assets			1,779	1,092	886	1,219	1,489	1,543
Cash and cash equivalents			5,556	7,679	10,268	6,498	6,408	5,766
Total assets			35,064	38,038	43,382	37,228	45,431	50,608
Shareholders' equity and liabilities								
Shareholders' equity			12,380	13,043	13,116	6,001	6,771	8,389
as % of total equity and liabilities			35.3%	34.3%	30.2%	16.1%	14.9%	16.6%
Capital stock			4,000	4,000	4,000	4,000	4,000	4,000
Capital reserve			8,146	8,146	8,146	8,146	8,146	8,146
Retained earnings			24	656	855	-6,454	-5,914	-4,551
Currency translation reserve			0	0	5	0	0	0
Equity attributable to minority interest			210	241	110	309	539	794
Noncurrent liabilities			11,194	11,473	11,140	11,409	17,667	20,812
as % of total equity and liabilities			31.9%	30.2%	25.7%	30.6%	38.9%	41.1%
Provisions for pensions			209	215	222	231	240	249
Other noncurrent provisions			480	471	500	640	690	750
Noncurrent financial liabilities			10,246	10,068	9,152	9,474	15,474	18,474
- of which bearer bonds payables			2,450	2,462	2,474	2,474	2,474	2,474
Other noncurrent liabilities			20	14	4	4	5	6
Deferred tax liabilities			239	705	1,262	1,060	1,258	1,333
Current liabilities			11,490	13,522	19,126	19,818	20,993	21,408
as % of total equity and liabilities			32.8%	35.5%	44.1%	53.2%	46.2%	42.3%
Tax provisions and other provisions			170	123	150	150	375	311
Trade accounts payable and rec. advance payments			7,185	6,603	7,142	8,574	9,401	9,693
Liabilities from build-to-order contracts			24	1,395	6,299	4,964	5,210	5,316
Financial liabilities (to banks)			1,002	2,069	1,980	2,950	2,300	2,300
Other liabilities incl. liabilities from taxes			3,109	3,332	3,555	3,180	3,706	3,788
Total equity and liabilities			35,064	38,038	43,382	37,228	45,431	50,608

Source: CBS Research AG, AGO AG Energie + Anlagen

Cash flow statement

	IFRS	EUR 1,000	2007	2008	2009	2010E	2011E	2012E
Income/loss before interest and taxes			-530	1,617	1,673	-6,593	2,379	3,934
Cash taxes paid			-1,079	-212	-102	-214	-578	-650
Interests paid and received			-321	-529	-654	-937	-1,269	-1,606
Depreciation and amortization			730	820	940	7,132	1,232	1,486
Income from equity consolidated affiliates			-6	1	11	0	-135	-230
Change in accruals incl. pension provisions			-611	-50	75	149	284	5
Other expenses / income with no effect on liquidity			875	0	-163	0	0	0
Income/losses on retirements of noncurrent assets			0	-18	-2	0	0	0
Increase/decrease in inventories, trade receivables, and other assets			-2,309	51	616	-3,851	-4,052	-1,770
Increase/decrease in trade accounts payable and other liabilities			-850	378	5,207	-278	1,601	480
Cash flow from operating activities			-4,101	2,058	7,601	-4,592	-538	1,648
Net cash outflows from the purchase and retirement of noncurrent assets			-244	-1,409	-932	-2,279	-4,237	-4,910
Investments within short-term cash management			0	0	-1,600	1,600	0	0
Purchase/sale of noncurrent financial assets			-157	-90	-920	2	-965	-380
Investments in non-current assets			0	0	-286	206	300	0
Purchase of consolidated companies			524	0	-60	0	0	0
Cash flow from investing activities			123	-1,499	-3,798	-471	-4,902	-5,290
Net cash inflow from capital stock increases			8,225	0	0	0	0	0
Cash inflow from minority interests in shareholders' equity of consolidated subsidiaries			0	46	0	0	0	0
Purchase/sale of shares in fully consolidated subsidiaries			0	0	-167	0	0	0
Net borrowings/retirements of debt			-614	1,518	-1,047	1,292	5,350	3,000
Cash flow from financing activities			7,611	1,564	-1,214	1,292	5,350	3,000
Total change in cash and cash equivalents			3,633	2,123	2,589	-3,770	-90	-642
Cash and cash equiv. at the start of the period			1,923	5,556	7,679	10,268	6,498	6,408
Cash and cash equiv. at the end of the period			5,556	7,679	10,268	6,498	6,408	5,766

Source: CBS Research AG, AGO AG Energie + Anlagen

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2010E	2011E	2012E	2013E	2014E	2015E	2016E	2017E	2018E	2019E	∞
Sales	53.0	66.2	70.2	74.4	78.8	83.6	88.2	92.6	95.8	97.7	
Sales growth	5.4%	24.9%	6.0%	6.0%	6.0%	6.0%	5.5%	5.0%	3.5%	2.0%	
EBIT	-6.6	2.4	3.9	4.5	5.0	5.5	5.9	6.2	6.4	6.5	
EBIT margin	-12.4%	3.6%	5.6%	6.1%	6.3%	6.6%	6.7%	6.7%	6.7%	6.7%	
Income tax on EBIT	-0.3	-1.2	-1.1	-1.4	-1.5	-1.7	-1.8	-1.9	-2.0	-2.0	
Depreciation and amortisation	7.1	1.2	1.5	1.7	1.7	1.6	1.5	2.4	2.2	2.0	
Change in long-term provisions	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Change in net working capital	-3.2	-2.5	-1.3	-0.8	-0.9	-0.9	-0.9	-0.9	-0.6	-0.4	
Net capital expenditure*	-2.3	-5.2	-5.3	-3.4	-3.4	-3.3	-3.3	-2.0	-2.0	-2.0	
Free cash flow	-5.2	-5.1	-2.1	0.7	1.0	1.3	1.5	4.0	4.2	4.3	
Present values	-5.0	-4.5	-1.7	0.5	0.7	0.8	0.9	2.0	1.9	1.8	24.8
Present value Phase 1	-11.2										
Present value Phase 2	8.5										
Present value Phase 3	24.8										
Total present value	22.0										
+ Cash and non-operating assets**	6.9										
- Financial debt	-11.5										
- Minority interest	-2.1										
Fair value of equity	15.4										
Number of shares (m)	4.0										
Fair value per share (EUR)	3.84										

Risk free rate	3.5%	Target equity ratio	75.0%
Equity risk premium	6.0%	Beta (fundamental)	1.25
Debt risk premium	3.0%	WACC	9.4%
Tax shield	30.5%	Terminal growth	2.0%

Sensitivity analysis						
Terminal growth (Phase 3)						
		1.0%	1.5%	2.0%	2.5%	3.0%
	8.40%	4.51	5.03	5.63	6.34	7.18
	8.90%	3.73	4.17	4.67	5.25	5.93
WACC	9.40%	3.05	3.42	3.84	4.32	4.88
	9.90%	2.45	2.77	3.12	3.52	3.99
	10.40%	1.93	2.20	2.50	2.84	3.22

*Net capital expenditure includes investments in certain financial assets (at equity consolidated companies) which we classify as operating assets as we include the income from these assets (income from equity consolidated affiliates or other participations) in our EBIT estimate

**Non-operating assets: Mainly bank deposits with a remaining maturity of over a year and securities held to maturity. These items are also included in the Enterprise Value of AGO on page 1 of this document.

Source: CBS Research AG

Research



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 977 8456-0

Roger Peeters CEO	+49 (0)69 -977 8456- 12 Roger.Peeters@cbseydlerresearch.ag		
Martin Decot	+49 (0)69 -977 8456- 13 Martin.Decot@cbseydlerresearch.ag	Kristina Kardum	+49 (0)69 -977 8456- 21 Kristina.Kardum@cbseydlerresearch.ag
Rabeya Khan	+49 (0)69 -977 8456- 10 Rabeya.Khan@cbseydlerresearch.ag	Igor Kim	+49 (0)69 -977 8456- 15 Igor.Kim@cbseydlerresearch.ag
Ralf Marinoni	+49 (0)69 -977 8456- 17 Ralf.Marinoni@cbseydlerresearch.ag	Manuel Martin	+49 (0)69 -977 8456- 16 Manuel.Martin@cbseydlerresearch.ag
Enid Omerovic	+49 (0)69 -977 8456- 19 Enid.Omerovic@cbseydlerresearch.ag	Marcus Silbe	+49 (0)69 -977 8456- 14 Marcus.Silbe@cbseydlerresearch.ag
Veysel Taze	+49 (0)69 -977 8456- 18 Veysel.Taze@cbseydlerresearch.ag		

Institutional Sales



Schillerstrasse 27 – 29
60313 Frankfurt am Main

Phone: +49 (0)69 – 9 20 54-400

Raimar Bock Head of Sales	+49 (0)69 -9 20 54-115 Raimar.Bock@cbseydler.com		
Rüdiger Eich (Germany, Switzerland)	+49 (0)69 -9 20 54-119 Ruediger.Eich@cbseydler.com	Uwe Gerhardt (Germany, Switzerland)	+49 (0)69 -9 20 54-168 Uwe.Gerhardt@cbseydler.com
Klaus Korzilius (Austria, Benelux, Germany)	+49 (0)69 -9 20 54-114 Klaus.Korzilius@cbseydler.com	Stefan Krewinkel (Execution, UK)	+49 (0)69 -9 20 54-118 Stefan.Krewinkel@cbseydler.com
Markus Laifle (Execution)	+49 (0)69 -9 20 54-120 Markus.Laifle@cbseydler.com	Bruno de Lencquesaing (Benelux, France)	+49 (0)69 -9 20 54-116 Bruno.deLencquesaing@cbseydler.com

Sales USA



11 Town Square Place
Suite 1500A
Jersey City, NJ 07310
Phone: +1 201 216 0100

Tom Higgins	+1 201 706 6013 thiggins@hudsonsecurities
-------------	---

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(s) 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 (hereafter ‘CBSR’) 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 or CBSR may possess relations to the covered companies as follows (additional information and disclosures will be made available upon request):

- a. CBS holds more than 5% interest in the capital stock of the company that is subject of the analysis.
- b. CBS was 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 months.
- c. CBS has provided investment banking and/or consulting services during the last 12 months for the company analysed for which compensation has been or will be paid for.
- d. CBS acts 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.
- e. The designated sponsor service agreement includes a contractually agreed provision for research services.
- f. CBSR and the analysed company have a contractual agreement about the preparation of research reports. CBSR receives a compensation in return.
- g. CBS has a significant financial interest in relation to the company that is subject of this analysis.

In this report, the following conflicts of interests are given at the time, when the report has been published: d, f

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.

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%.

HOLD: The expected performance of the share price is between 0% and +10%.

SELL: The expected performance of the share price is below 0%.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
11 August 2009	Buy	4.19	EUR 5.16
6 November 2009	Buy	4.42	EUR 5.13
2 June 2010	Buy	4.50	EUR 5.10
3 September 2010	HOLD	4.15	EUR 4.50
22 December 2010	BUY	3.099	EUR 3.50

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 to be lower than the volatility of the benchmark

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

HIGH: The volatility is expected to be 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/Sales, 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 income statement, 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.

The opinions and forecasts contained in this report are those of the 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 analysis. 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 the 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 are 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 judgment 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 there under 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

Tel.: 0049 - (0)69 - 97 78 45 60