



Annual Consolidated
financial statement

09

30 years
one step ahead

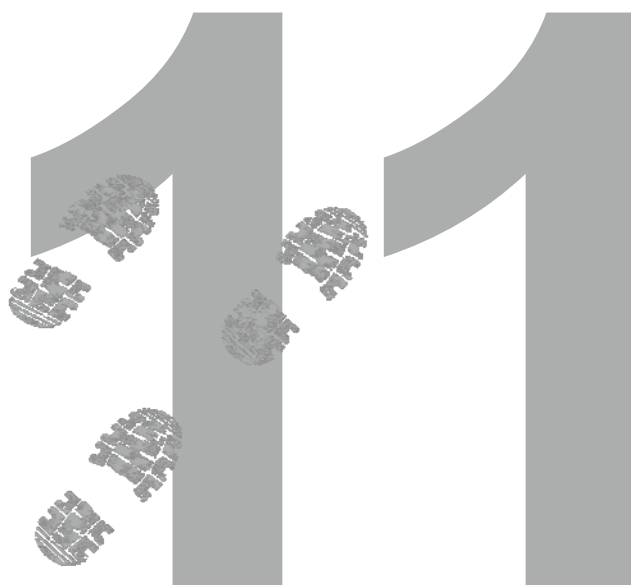
Information

The annual report 2009 will be published at the beginning of May on the Company website at

<http://www.ago.ag/en/investor+relations/reports/reports+2009/>

The English version of the annual consolidated financial statement 2009 of AGO AG Energie + Anlagen is a one-to-one translation of the audited German annual consolidated financial statement 2009 of AGO AG Energie + Anlagen. The English version is not audited.

Consolidated management report



Consolidated management report of AGO AG Energie + Anlagen, Kulmbach, for the financial year 2009

1. Business and environment

The Company continued to systematically pursue its strategy of focusing on industrial supply concepts in 2009. Sales activities were intensified – particularly in the areas of industrial energy supplies for industrial customers, energy providers and public authorities in the field of renewable energies and conventional plant construction. Increased demand for conventional plant technology was recorded on the back of the German government's economic stimulus package. In 2009, business with municipal authorities also had a considerable influence on AGO Group's domestic sales. Foreign markets were approached in a systematic manner in 2009, with the opening of the first energy centre for the Heineken brewery in South Africa just one example of this. The Company's business operations focus on offering an industrial energy supply irrespective of the fuel source used and the customer's industry. AGO Group continues to view this as a key growth area along with operating plants.

1.1 Group structure and business activities

AGO Group is a group of companies with the shared objective of focusing on energy supply for industrial locations and municipalities. The sites are supplied using both regenerative and conventional energy sources. The Group employs a tailored mix of different technologies to do this. As the parent company, AGO AG Energie + Anlagen, Kulmbach, takes on the role of an implementation-driven project developer. The Company also differentiates between sales companies and project companies when it comes to its subsidiaries. The Company's project companies are responsible for the contracting projects that are developed and constructed by AGO AG Energie + Anlagen, Kulmbach, while sales companies are solely responsible for project acquisitions in line with target markets.

Business divisions and organisational structure

AGO AG Energie + Anlagen, Kulmbach, has held its first interests since the financial year 2006. Biomasseheizkraftwerk Alperstedt GmbH, Alperstedt, was formed in early 2006 with the aim of providing bio energy to a large greenhouse complex near Erfurt. In the financial year 2008, Hans Ulrich Gruber (CFO of AGO AG Energie + Anlagen, Kulmbach) was appointed the sole director of this company. In 2008 Helmut Peetz (COO of AGO AG Energie + Anlagen, Kulmbach) became a director of HoSoTherm GmbH, Köllda, together with Roy Michael. AGO AG Energie + Anlagen, Kulmbach, took 100% control of HoSoTherm GmbH in 2009. Furthermore, the decision to set up a company in Italy was made in 2007. The Company holds a 55% interest in the newly founded AGO ENERGIA S.r.l., Turin/Italy. Mr. Roberto Sacco heads the Italian company. In 2008, AGO ENERGIA S.r.l., Turin/Italy, acquired a 100% interest in the first project company – Reindeer S.r.l., Cassano Magnago (VA)/Italy. Meanwhile, AGO Energy (PTY) Ltd., Cape Town/South Africa, was founded as an additional sales company. Responsibility for the African company was handed over to Ralph M. Ertner and Uwe Kern (Executive Manager at AGO AG Energie + Anlagen, Kulmbach). Ralph M. Ertner has over ten years experience working in South Africa.

The internationalisation plan rolled out in 2007 was pushed forward in 2009. By taking on a 33% interest in Pellerei AGO Energia Societa Agricola S.r.l., Cossato/Italy, the Company secured a strategic interest in a raw materials plantation and the realisation of a biomass cogeneration plant with an electrical capacity of 3 megawatts. Norway has been identified as another market that AGO AG Energie + Anlagen, Kulmbach, can tap thanks to its expertise when it comes to biomass and conventional plant technology. In 2009, AGO AG Energie + Anlagen, Kulmbach, acquired a majority interest in

Ringdalskogen Fjernvarme AS, Larvik/Norway.

Products, services and business processes

Energy supply as a core competency. AGO AG focuses on its core strength: supplying industrial locations with energy using a wide range of technologies. In this case, energy means heating, cooling and compressed air as well as electricity. We set ourselves apart from our competitors with our highly streamlined project implementation processes as well as our technical expertise in providing tailored solutions for customer processes and requirements across a wide range of energy supply methods. The Group is also well positioned with high levels of expertise and years of experience in increasing its customers' energy efficiency with trigeneration.

Key locations

From the heart of Germany to the whole of Europe: The parent company is headquartered in Kulmbach, Germany. All of the major population centres in southern and central Germany and a total of six airports are within two-and-a-half hours of our head office. We also continue to operate on the international market as a result of the establishment of AGO ENERGIE S.r.l. in Turin/Italy and AGO Energy (PTY) Ltd. in Cape Town/South Africa.

Key sales markets and competitive positions

Energy provision for industrial locations is a complex and varied field. With its well-versed project team and almost thirty years of experience with municipal authorities, energy suppliers and industrial customers, AGO AG's strength lies in its employees and their expertise. Projects can be implemented quickly and efficiently thanks to experienced project teams which are allocated into separate organisational units and a large proportion of employees with technical expertise. The Group clearly sets itself apart from competitors thanks to its flexibility when it comes to the technology it deploys and the fuel sources it selects. This competitive edge is boosted by the Group's broad range of services and products. The Company's sales markets are experiencing clear growth despite the difficult market environment. International industrial locations with a high degree of energy consumption or a specific need for media (heating, refrigeration, compressed air, steam, etc.) represent the Group's target clientele.

Management and control

The Management Board of AGO AG Energie + Anlagen, Kulmbach, is made up of two members. As Head of Technology, Helmut Peetz (COO) is responsible for the business divisions consulting, project development and implementation, sales, operation and service, data protection, internal auditing as well as environmental and quality management. CFO and speaker of the Management Board Hans Ulrich Gruber oversees strategic corporate planning and equity investments, taxes, finance, controlling and real estate, human resources, IT, investor and public relations, risk management, centralised marketing, and corporate governance.

The Supervisory Board, which acts as the supervisory body for AGO AG, consists of six members. The Chairman of the Supervisory Board is Steffen Pfund.

Corporate governance

The German Corporate Governance Code (“Code”) contains suggestions and recommendations for managing and overseeing a listed company in Germany. The Code was passed by the German Corporate Governance Code Governmental Commission on 26 February 2002 and has been revised several times since then, most recently on 18 June 2009 effective 5 August 2009. All of the shares of AGO AG Energie + Anlagen, Kulmbach, are listed on the Open Market as well as in the Entry Standard subsection of the Frankfurt Stock Exchange. As a result, AGO AG Energie + Anlagen, Kulmbach, is not classed as a listed company according to Sec. 3 (2) AktG (German Stock Corporation Act). As a result, the Management Board and Supervisory Board of AGO AG Energie + Anlagen, Kulmbach, are not obligated to confirm that the recommendations of the Code were fulfilled every year and which recommendations were not applied in line with Sec. 161 AktG.

The Company is not yet following the regulations of the Code as it is not currently obligated to issue a compliance statement. However, it is looking into whether it will issue such a statement in the future.

1.2 Company management, objectives and strategy

Focus on core competencies

In the future, AGO Group intends to focus more intently on project development and implementation. Its uppermost objective is to further develop the existing market and take advantage of potential in industrial energy provision. A wide range of products are supplied to different customers in a number of markets in various countries worldwide. Therefore, specific marketing and sales strategies are formulated depending on the product area.

Our objectives

The future market for AGO AG is the growth market of energy supply for industrial production, and the sub-segment of biomass cogeneration plants in particular. AGO AG’s strength lies in integrated project management from the planning stage right through to construction and operation which is then carried out by operating companies. This forms the foundation for AGO Group to achieve growth through plant operation. In the future, operating plants set up by third parties will also play an increasingly important role for AGO AG Energie + Anlagen, Kulmbach, and AGO Betriebs GmbH, Kulmbach.

Strategic financing measures

AGO AG Energie + Anlagen, Kulmbach, has been in discussion with investment companies and foreign direct investors since 2008 in an effort to substantially increase the project financing volumes achieved by the IPO in 2007.

The subordinate bonds that were issued in 2006 to finance the formation of the Biomasseheizkraftwerk Alperstedt GmbH, Alperstedt, and the acquisition of the equity interest in HolSoTherm GmbH, Köllda, still exist. The subordinate bonds are considered as proportionate components of shareholders’ equity for rating purposes and are reported in the annual financial statements as a separate liability item. In addition, a number of credit lines (guarantees) were created by insurance companies and banks totalling

approximately €26.7 million (previous year: €20.3 million). €22.8 million was availed of on 31 December 2009.

Management system and key performance indicators

AGO AG performs internal financial reporting in accordance with the German Commercial Code and IFRS. Four earnings forecasts are prepared each year. Projects are generally evaluated on the basis of direct costs and appropriate additions for overheads. Credit checks are performed for all customers via Euler Hermes. A comprehensive liquidity management and performance indicator system serves to ensure that the Management Board always has the most up-to-date information available for decision-making purposes.

1.3 Macroeconomic and sector development

Macroeconomic development

The German economy contracted for the first time in six years in 2009. According to the Federal Statistical Office (Destatis), the price-adjusted gross domestic product (GDP) fell by -5.0% - the most drastic decline in the post-war era. The economic slump was at its height during the winter of 2008/2009. During the course of the year, economic development stabilised at a new, lower level. According to the Federal Statistical Office in Frankfurt, GDP rose slightly by 1.3% in 2008, after increases of 2.5% and 3.2% in 2007 and 2006 respectively.

2009 was notable for the dramatic slump in exports and capital expenditure. Economic development was slowed by foreign trade, which had previously been an important growth driver for the German economy. Although exports fell by 14.7% on a price-adjusted basis, imports were only down 8.9%. The difference between exports and imports, the trade balance, therefore once again made a negative growth contribution to the GDP, as it did in 2008. However, it fell much stronger in 2009 than in 2008, decreasing by -3.4 percent points compared to -0.3 percentage points for the previous year. In total, investments in equipment were down one-fifth compared to 2008 (-20%). In contrast, investment in buildings fell by just 0.7% on the previous year. The only positive signs in 2009 came from consumer spending: On a price-adjusted basis, private consumer spending rose by 0.4% year-on-year, with national spending up even more, posting growth of 2.7%.

Economic performance in Germany was driven by an average working population of 40.2 million, which is 0.1% or 37,000 people down on the previous year (source: Federal Statistical Office, Press Release no. 012 from 13 January 2010).

A breakdown of AGO AG Group's individual markets

Although demand showed a significantly negative trend among industrial customers in 2009, energy providers and municipal utilities continued to invest.

The demand for cooling plants in the photovoltaics industry remained at a very buoyant level throughout 2009. Due to the supply remuneration adjustment, we are expecting a substantial slump in 2010.

We are therefore anticipating that the construction of photovoltaics plants will follow the very cautious investment pattern of industrial players.

In 2010, municipal authorities and energy providers will continue to invest in energy supply facilities at a similar level to that of 2009. Due to the changed energy pricing situation, investments in biomass plants will lag substantially behind conventional plants powered by natural gas.

However, a significant growth in demand for energy supply facilities with renewable heating supply concepts could be seen in the Norwegian market. Meanwhile, interest in biomass cogeneration plants in Italy has increased dramatically since the country's clear-cut legislation in favour of biomass power was introduced in 2009.

Oil price development in 2008 and the gas supply stop at the start of 2009 once again showed how fatally dependent industrial companies are on gas and oil. Many are increasingly looking for environmentally friendly alternative solutions for supplying their company. However, the automotive and financial crisis has considerably lengthened the negotiation periods for contracting projects. Many companies are dependent on industrial suppliers, as the strong increase in the oil price in the first half of 2008 demonstrated. AGO AG Energie + Anlagen, Kulmbach, has enjoyed a clear competitive edge in the field of industrial supply with biomass since 2008 with the joint implementation project, the only project of its kind in the world, and the emissions trading certificates that were produced from it. This allows AGO AG to demonstrate alternatives to conventional energy sources as well as options which increase energy efficiency including both site analyses and trigeneration. Italy in particular offers great potential for supplying industrial companies with the required heating and cooling via contracting solutions. Italian legislation makes the use of regenerative fuels particularly favourable. With the establishment of AGO ENERGIA S.r.l., Turin/Italy, the Italian market will also be served on a domestic basis. Things are changing in South Africa too where AGO Energy (PTY) Ltd. in Cape Town serves as a sales office for AGO Group. Projects are being acquired there and existing customer contacts bolstered. The primary technology used will be industrial trigeneration solutions.

In addition, several potential projects have been under discussion with a Norwegian partner since the summer of 2008. These discussions centre on biomass projects as well as large heat pump concepts due to the country's proximity to the sea.

Summary of market development

In 2009, AGO AG was able to offset the drop in demand from industrial customers with business from energy providers, municipal authorities and foreign projects. The services department was also able to substantially boost sales with projects for regular customers. AGO's broad technology base allows it to quickly adapt to changing market conditions. This is impressively underlined by incoming orders of €68.5 million (previous year: €57.8 million).

2. Net assets, financial position and results of operations

2.1 Results of operations and key financial indicators of the Group and business divisions

Sales

AGO Group recorded sales of €50.3 million in 2009, significantly up on the previous year (€36.7 million). In the medium-term, AGO AG Energie + Anlagen, Kulmbach, is aiming for moderate growth rates in plant creation and much greater growth in plant operation by operating companies with individual biomass cogeneration plants. The Company is particularly pleased with the constant growth in the service field. Sales in this area amounted to €13.5 million in the reporting year (previous year: €6.9 million).

Sales:

	2009	2008	Change
	€ thousands	€ thousands	%
Sales	50,287	36,697	37.0%
Domestic	43,878	34,070	28.8%
Foreign	6,409	2,627	144.0%

AGO Group's foreign activities have substantially increased compared to previous years – a fact increasingly reflected in the sales figures.

External sales by business division:

	2009	2008	Change
	€ thousands	€ thousands	%
Project	32,843	23,939	37.2%
Service	13,525	8,399	61.0%
Operating	3,919	4,359	-10.1%

Earnings

Earnings before interest and income tax came in at a distinctly positive €1.7 million (previous year: €1.6 million). In 2009, return on equity (ROE) amounted to 2.08% (previous year: 4.98%), while the equity ratio fell from 34.3% in 2008 to 30.2% in 2009. This was due to the expansion of business and the corresponding rise in total assets.

Incoming orders

Incoming orders for 2009 amounted to €68.5 million, substantially up on the previous year's figure of €57.8 million and the planned total of €60.6 million. AGO Group was able to make considerable gains in this area despite the difficult economic environment in 2009.

Research and development costs

Research and development costs increased to €205 thousand (previous year: €174 thousand). When it comes to research and development, AGO AG Energie + Anlagen, Kulmbach, continues to focus on implementing new economic energy supply concepts and market niches, especially in the field of cooling technology. Currently, AGO AG

Energie + Anlagen, Kulmbach, is working closely with the Georg Simon Ohm University of Applied Sciences in Nurnberg on developing a new cooling machine. The aim of the research work is to develop a groundbreaking and ready-to-launch machine for the market as a niche product. We also continued our development and process optimisation work on the ago congelato (ammonia/water absorption cooling unit).

Headcount

With 164 employees (as of 31 December 2009, previous year: 147), the number of employees once again increased over the previous year. Fifteen apprentices (previous year: twelve) were employed in the Company. The increase in the workforce is attributable to personnel expansion in plant operations, project execution and foreign sales. In an effort to further improve internal processes, the KAIZEN approach was continued in 2008 and the corresponding training measures among employees were carried out.

At €84 thousand (previous year: €81 thousand), training costs were up on the previous year, clearly underlining our strategy of constantly improving employees' know-how and in doing so enhancing AGO AG's competitive edge.

Staff costs

At €8.3 million, staff costs were up on the previous year (€6.8 million). Headcount increased in line with the Group's growth. The staff costs item is composed of expenses for wages and salaries of €7.1 million and expenses for social contributions and expenses for pension provision of €1.2 million.

Quality management system

The Company revised its quality management manual in 2008 and 2009. AGO AG Energie + Anlagen, Kulmbach, is certified in accordance with ISO 9001:2008 and again successfully passed its surveillance audit in July 2009. In addition, AGO AG Energie + Anlagen, Kulmbach, was certified by TÜV Süd in 2009 in accordance with AD 2000 HP 0/HP 100 R and DIN EN ISO 3834-3.

Costs of materials and purchased services

The cost of materials increased to €35.5 million in the reporting year (previous year: €33.3 million). Of this amount, purchased services constituted €3.8 million (previous year: €2.2 million) or 7.6%, up from 6.1% in the previous year. This trend reflects the improved margin situation at AGO AG Energie + Anlagen, Kulmbach, thanks to the development of customer relationships.

Selling costs

Selling costs came in at €2.6 million, up on the previous year (€2.1 million). Biomass projects still to be implemented and expenses for bid proposal preparation are included in selling costs as a significant proportion of these costs. The Company also invested €0.4 million in developing future markets such as Italy, South Africa and Norway (previous year: €0.1 million). Brand registration fees as well as legal and consulting costs for brands are also included in this item.

Project development and implementation business division

As forecast, the Company was able to largely make up for the decline in sales experienced in 2008. We are again anticipating only moderate demand for biomass contracting projects in Germany for 2010 due to energy price development.

Consequently, operating activities primarily focused on projects that were set up for our customers. Notably, foreign sales were up from €2.6 million in 2008 to €6.4 million in 2009 in the project development and implementation business division. This rise primarily stemmed from setting up an energy centre for the Heineken brewery in South Africa and constructing a biomass cogeneration plant in Italy. Domestic sales again recorded strong development, coming in at €26.4 million (previous year: €23.9 million) on the back of successfully executed biomass cogeneration plant and cooling projects.

Service & consulting business division

With sales of €13.5 million (previous year: €8.4 million) the service business recorded growth similar to that of the previous year. This reflects the emerging positive trend seen over the last few years. The Company has generated positive earnings and growth in the service business division by constantly developing existing customer relations and acquiring new projects.

2.2 Financial position

Financing analysis

Bearer bonds with a term of seven years and a volume of €2.5 million were issued in 2006 for the long-term financing of the Company's investments in biomass cogeneration plants. Since the bonds are subordinated, they are considered as proportionate components of shareholder equity for rating purposes.

Gearing

In counting the bearer bond towards shareholders' equity at half its value for rating purposes, gearing, i.e. the ratio of debt to equity, increased from 1.66 to 2.02 year-on-year. This was due to the expansion of business and the corresponding rise in total assets.

Total cash and cash equivalents

As of the balance sheet date on 31 December 2009, AGO Group had liquid assets amounting to €10.3 million (previous year: €7.7 million) available for short-term and independent project financing.

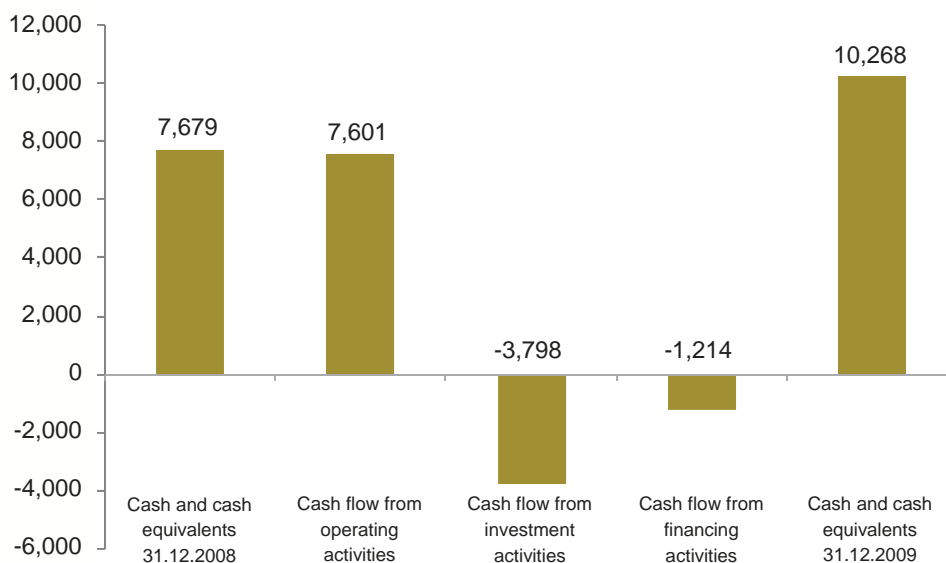
Investments, divestments and depreciations

AGO AG Energie + Anlagen, Kulmbach, invested a total of €0.7 million in property, plant and equipment in the financial year 2009 (previous year: €1.3 million). This largely relates to replacement investments.

Intangible assets totalling €0.3 million were acquired with the purchase of Ringdalskogen Fjernvarme AS, Larvik/Norway, and Fittings GmbH Formstücke + Anlagen, Erfurt. In addition, 32.94% of Pellerei AGO Energia Societa Agricola S.r.l., Cossato/Italy was purchased and €0.9 million invested in the shareholding.

A total of €0.1 million (previous year: €0.1 million) was invested in non-current securities in the year under review. This was attributable to a savings obligation in connection with financial liabilities.

Liquidity analysis



The inflow of liquidity and funds for investments (adjusted for cash flow from changes in the basis of consolidation) were generated from ongoing business operations. Financing activities consisted of planned repayments of bank loans and non-current financial leasing liabilities.

2.3 Net assets

Asset structure analysis

At €43.4 million, total assets grew by €5.4 million compared to the previous year (€38.0 million).

When it comes to asset positions, fixed assets increased by €1.2 million due to the acquisition of Fittings GmbH, Ringdalskogen Fjernvarme AS and the interest in Pellerei AGO Energia Societa Agricola S.r.l.

Receivables and other assets increased €1.4 million, largely as a result of loans to subsidiaries. Financial liabilities were reduced by €0.6 million, mainly due to scheduled repayments. Trade payables and liabilities from contracted work rose by €5.2 million on the back of the substantial rise in business volumes.

The change in equity stems from the profit of the current financial year being carried forward and the reduction in minority interests after the interest in HolSoTherm GmbH was increased to 100%.

Disclosures on founding companies

No companies were founded in 2009. The Group structure only changed through interests purchased in other companies.

Overall assessment of the economic situation

AGO Group's key figures reveal that the Company remains on a positive course despite the difficult economic environment. The field of industrial energy supply, especially process cooling and trigeneration (cogeneration plants), was able to make a particularly substantial contribution to sales and the upbeat earnings figures. Operating plants is also set to play a role within the Group in the future. This does not just relate to plants that we have set up in the past, but also power plants that we service and monitor. However, this remains a long-term plan. The strategy of undertaking an increasing number of operating projects in the field of renewable energies is long-term oriented. On the back of the fall in oil and gas prices following the economic crisis in 2009, market growth for biomass cogeneration plants has also slowed in Germany. However, the market is expected to recover in the long-term. Currently, AGO Group is participating in the biomass market in Italy through its interest in the Turin-based AGO ENERGIA S.r.l.

3. Report on the risks and opportunities of the Company's future development

3.1 Risk report

Risk management system

The Company's project development business is subject to specific risks that require risk-oriented corporate management. The aim of AGO's risk policy is to ensure proactive risk management. An early risk identification and monitoring system serves to ensure the timely, qualified and quantified identification of all potential risks. Risk control as a management task is performed as part of business division development on the basis of the level of capital resources available in the dynamic field of risk and expected return. The functions of risk control and financial control are clearly separated. Risk reports are prepared on a monthly basis, while projects within the Company are continuously evaluated for risk management purposes on a weekly basis.

In order to prevent default, Hermes credit insurance is generally concluded for all customers.

Individual risks

No agreement could yet be reached with a major customer about the contractual heating price adjustment at Biomasseheizkraftwerkes Alperstedt GmbH, Alperstedt. The action is still to be settled in court. Our lawyer's legal opinion confirms that there are good chances of a positive outcome. However, if a sufficient price adjustment cannot be made, this would result in further losses at the subsidiary.

Macroeconomic risks

Sales are primarily generated from capital goods for municipal authorities and industrial energy generation. Due to the general economic situation and the forecasts for 2010, a sustained reluctance among industrial customers to invest is anticipated. As these

companies now only make up a small proportion of AGO AG's target clientele, this only represents a small default risk. The Company's main focus is on solutions for energy providers, municipal authorities and selected international growth markets. Due to the investment bottleneck in the area of industrial energy supply and fluctuating energy costs, which are stimulating the employment of energy efficiency measures and the changeover to regenerative energy sources, we do not currently consider there to be any significant risk to the Company's earning power even if the European economy continues to deteriorate as forecast.

Sector risks

We are broadly positioned in the core business of industrial energy generation and are not dependent on any specific sector. As a result, AGO AG's business is exposed to a large number of sector risks, but the individual effect of each of these risks is minimal. The broad technology base of the energy supply sector allows AGO Group to react flexibly to market developments. The internationalisation of the Company, which is aimed at tapping into special national economic situations, also helps broadly disperse the risks.

Strategic risks

AGO Group's growth strategy is focussed on realising projects in the area of industrial energy supply. One key feature of the Company's risk hedging strategy is the long-term analysis of the creditworthiness of its customers. As in the project development business, customers are assessed and corresponding credit insurance is concluded. Access to refinancing for project development is the Company's key strategic focus.

Risks from long-term orders

One of the particular strengths of AGO Group is that it implements projects in a significantly shorter timeframe than is typical for the market as a whole.

Financial risks

Project refinancing is generally secured for the respective project term. This ensures that financial risk is limited. In addition, AGO Group also has sufficient access to the required surety bonds. This position increased significantly up to €26.7 million (previous year: €20.3 million) with a view to allowing access to large projects.

Legal risks

As is typical in the project development sector, a small number of legal disputes are currently pending. These disputes relate to claims for remuneration and guarantee issues. The resulting risks are secured by way of valuation allowances and provisions.

Staff risks

AGO Group is reliant on its highly qualified workforce. It competes with a large number of small and medium-sized companies to attract the best staff. There has been very little fluctuation in terms of the key players in the Company's workforce over the years. However, the Company's planned growth over the coming years means that it will be forced to expand its workforce in an increasingly competitive environment, with substantial demand for the best candidates due to the decline in the training of highly qualified technical employees. AGO AG intends to counter this risk by implementing

various measures aimed at improving its attractiveness as a potential employer. Along with training its own employees and nurturing employee potential, the Company is also constantly monitoring the human resources market. Being named as one of the best 100 small and medium sized employers in January 2009 has also helped generate more interest in AGO AG.

Risks relating to real estate assets

The real estate assets of AGO Group are limited to owner-occupied power plants and business premises. This means that the Company is not dependent on the real estate market.

Environmental risks

Environmental risks are present in the form of the fluids and oils used in plants operated by the Company, albeit at a fairly low level. These risks are countered by analysing hazardous substances and work instructions. Risk limitation is carried out by means of regular briefings and environmental liability policies.

Assessment of the risk situation by the Company's management

The main risk faced by AGO AG Energie + Anlagen, Kulmbach, relates to the dispute over the contractual heating price adjustment at Biomasseheizkraftwerkes Alperstedt. The action has been pending legal settlement for some time now. Our lawyer's legal opinion confirms that there are good chances of a positive outcome. However, if a price adjustment is not made, this would result in further losses at the subsidiary.

Above and beyond this risk, the risk profile of AGO AG Energie + Anlagen, Kulmbach, is primarily composed of the risks that are inextricably linked to its business activities.

Rating

According to information from our principle bank, the Company has a BBB rating.

4. Post balance sheet date events of special importance

After the conclusion of the financial year ending 31 December 2009, there were no events of special importance that need to be reported.

5. Forecast report

Orientation of the Company in the next two financial years

On the back of the crisis that first hit in 2008, AGO Group has used its scope of technology as a tool for successfully facing the difficult years ahead. Our successful launch in Italy means that we are well represented in the country with the highest supply remuneration for bio energy. Our decades of experience in dealing with large cooling machines and heating pumps makes us the ideal partner in the Norwegian growth market.

After successfully completing the first customer plant in South Africa, the Company is taking on the African market with AGO Energy (PTY) Ltd. in Cape Town (South Africa) as part of a sales cooperation with Dematech.

Future macroeconomic conditions and developments in AGO AG's key sectors

global economic crisis will continue to strongly influence markets and industries in the years to come. However, AGO Group looks to make the most of one-off economic effects in various industries, markets and regions. The Company's lack of reliance on one industry as well as its broad technology base for industrial energy supply facilities provides it with an excellent basis for continuing its positive development.

Expected course of business and forecast development of key performance indicators

The capacity utilisation in the Company at the turn of the year was highly positive, reflecting our upbeat incoming orders situation. Incoming orders totalled €68.5 million in 2009, following on from €57.8 million in 2008. The number of projects for which contracts were due to be signed at the turn of year was significantly higher than in previous years. The Management Board of AGO AG Energie + Anlagen, Kulmbach, is anticipating that sales will rise substantially in the next two years due to our excellent market positioning in bio energy as well as our standing among municipal authorities and energy providers. It believes that earnings will also improve. We are expected sales growth of at least 10% to 15% in 2010. In making our forecasts, we are assuming that the overall economic situation will recover and that the competitive position in the target markets mentioned above will not drastically deteriorate.

Expected financial position

In terms of financing, AGO AG Energie + Anlagen, Kulmbach, had cash in hand and bank balances totalling €10.3 million at the balance sheet date on 31 December 2009 as well as unutilised credit facilities of over €2.0 million. The Group intends to use the appropriate financial instruments to finance its acquisitions and project development activities. Small project developments and acquisitions are financed from current cash flow. Long-term projects are refinanced on a long-term basis.

Overall assessment of the Company's projected development

AGO Group is confirming the statement from 2008 that the Company will make selective project acquisitions from the variety of technological options and geographical markets. We are convinced that AGO Group is very well positioned to operate successfully in the crisis years to come.

6. Closing statement in accordance with Sec. 312 (3) AktG (German Stock Corporation Act)

Caverion GmbH, Stuttgart, is the parent of AGO Group, Kulmbach.

We hereby declare that AGO AG Energie + Anlagen, Kulmbach, received appropriate remuneration for the business transactions entered into on the basis of the circumstances known to the Management Board at the time at which the transactions were implemented. We neither performed nor failed to perform any measures according to Sec. 312 (1) Sentence 2 AktG (German Stock Corporation Act).

Kulmbach, 25 March 2010

AGO AG Energie + Anlagen
The Management Board



Hans Ulrich Gruber



Helmut Peetz

Consolidated financial statement

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**Consolidated income statement for AGO AG Energie + Anlagen, Kulmbach,
for the financial year 2009**

	Appendix	2009 € thousands	2008 € thousands
Sales	(6)	50,287	36,697
Cost of Sales		45,118	32,543
Gross profit		5,169	4,154
Research and development costs		205	174
Selling costs		2,580	2,118
General administrative costs		1,005	692
Other operating earnings	(7)	939	551
Other operating expenses	(8)	645	147
Operating profit (EBIT)		1,673	1,574
Profit or loss from associates	(9)	-11	-1
Interest and similar earnings	(10)	268	372
Interest and similar expenses	(10)	943	901
Earnings before income tax		987	1,044
Income tax	(11)	716	458
Earnings from continued business divisions		271	586
Earnings from discontinued business divisions	(12)	0	31
Consolidated net profit		271	617
Thereof:			
Shareholders from the parent company		237	638
Minority shareholders		34	-21
		271	617
Earnings per share (EUR per share)			
from continued business divisions	(15)	0.06	0.15
from discontinued business divisions	(15)	0.00	0.01

**Consolidated income statement for AGO AG Energie + Anlagen, Kulmbach,
for the financial year 2009**

	Appendix	2009 € thousands	2008 € thousands
Consolidated net profit		271	617
Remaining result			
Currency differences	(26)	5	0
Remaining period result (after tax)		5	0
Total period result (after tax)		276	617
Thereof			
Shareholders from the parent company		242	638
Minority shareholders		34	-21
		276	617

**Consolidated balance sheet for AGO AG Energie + Anlagen, Kulmbach,
as of 31 December 2008**

	Appendix	31.12.2009 € thousands	31.12.2008 € thousands
Assets			
Non-current assets			
Intangible assets	(16)	639	275
Property, plant and equipment	(17)	14,361	14,442
Interests in affiliated companies	(18)	2	0
Investments in associates	(19)	914	5
Other non-current financial assets	(24)	2,006	2,038
Deferred tax assets	(11)	130	168
		18,052	16,928
Current assets			
Inventories and paid down payments	(20)	1,610	482
Receivables from contract manufacturing	(21)	5,423	4,805
Trade receivables	(22)	5,543	7,052
Receivables from associates	(23)	1,600	0
Income tax receivables		153	377
Other receivables and other current financial assets	(24)	733	715
Cash and cash equivalents	(25)	10,268	7,679
		25,330	21,110
Total assets		43,382	38,038

**Consolidated balance sheet for AGO AG Energie + Anlagen, Kulmbach,
as of 31 December 2008**

	Appendix	31.12.2009 € thousands	31.12.2008 € thousands
Shareholders' equity			
Issued capital		4,000	4,000
Capital reserve		8,146	8,146
Revenue reserves		855	656
Investment reserve		5	0
Minority interests		110	241
Total shareholders' equity	(26)	13,116	13,043
Liabilities			
Non-current liabilities			
Provisions for pension obligations	(27)	222	215
Other non-current provisions	(27)	500	471
Non-current financial liabilities	(30)	9,152	10,068
Other non-current liabilities	(30)	4	14
Deferred tax liabilities	(11)	1,262	705
		11,140	11,473
Current liabilities			
Other current provisions	(27)	150	123
Current financial liabilities	(30)	1,980	2,069
Trade payables and advances received	(28)	7,142	6,603
Liabilities from contracted work	(29)	6,299	1,395
Income tax liabilities		47	29
Other current liabilities	(30)	3,508	3,303
		19,126	13,522
Total liabilities		30,266	24,995
Total shareholders' equity and liabilities		43,382	38,038

Consolidated cash flow statement for AGO AG Energie + Anlagen, Kulmbach, for the Financial Year 2009

	Appendix	2009 € thousands	2008 € thousands
Profit for the period before interest and taxes		1,673	1,617
Paid income tax	(11)	-102	-212
Paid interest	(10)	-922	-901
Received interest	(10)	268	372
Depreciations from the disposal of fixed assets	(16) (17)	940	820
Profit or loss from associates	(9)	11	1
Increase (+) / decrease (-) in provisions	(27)	75	-50
Other non-payment related expenses (+) / earnings (-)		-163	0
Profit (+) / loss (-) from asset disposal	(7) (8)	-2	-18
Increase (-) / decrease (+) of inventories, trade receivables and other assets	(20)-(22)	616	45
Increase (+) / decrease (-) of trade payables and other liabilities	(28)	5,207	384
Cash flow from current operating activities		7,601	2,058
- thereof discontinued activities	(12)	0	1,481
Cash inflow from the disposal of fixed assets		34	44
Cash outflow for investments in fixed assets	(17)	-721	-1,301
Cash outflow for funds investments within short-term cash management and forecast	(23)	-1,600	0
Cash outflow for investments in intangible assets	(16)	-245	-152
Cash outflow for investments in associated enterprises	(19)	-925	-90
Cash flow for investments in non-current assets	(24)	-286	0
Cash inflow from the disposal of financial assets	(19)	5	0
Cash flow from the acquisition of consolidated companies and other business units net of acquired funds	(4)	-60	0
Cash flow from investment activities		-3,798	-1,499
- thereof discontinued activities	(12)	0	0
Cash inflow from the sale of shares of a fully consolidated subsidiary		50	0
Cash outflow from the acquisition of shares from already fully consolidated companies		-217	0
Cash inflow from minority interests in shareholders' equity of consolidated subsidiaries		0	46
Cash inflow from proceeds from financial liabilities		9	3,764
Cash outflow from repayments of financial liabilities		-1,056	-2,246
Cash flow from financing activities		-1,214	1,564
- thereof from discontinued activities		0	0
Changes of cash and cash equivalents affecting payment		2,589	2,123
Cash and cash equivalents at the start of the period	(25)	7,679	5,556
Cash and cash equivalents at the end of the period	(25)	10,268	7,679
Cash and cash equivalents are comprised of the following:			
Cash and cash equivalents	(25)	10,268	7,679

**Consolidated statement of changes in shareholders' equity
for AGO AG Energie + Anlagen, Kulmbach, for the financial year 2009**

	Subscribed capital	Capital reserve	Revenue reserves	Reserve for currency conversion	Total	Minority interests	Consolidated shareholders' equity
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
As of 1 January 2008	4,000	8,146	24	0	12,170	210	12,380
Changes in basis of consolidation	0	0	-6	0	-6	52	46
Annual result	0	0	638	0	638	-21	617
As of 31 December 2008	4,000	8,146	656	0	12,802	241	13,043
As of 1 January 2009	4,000	8,146	656	0	12,802	241	13,043
Purchase of shares from fully consolidated companies from minorities	0	0	0	0	0	-219	-219
Sale of shares from fully consolidated companies from minorities	0	0	0	0	0	50	50
Changes in differential of currency conversion	0	0	0	5	5	0	5
Other changes in equity	0	0	-38	0	-38	4	-34
Annual result	0	0	237	0	237	34	271
As of 31 December 2009	4,000	8,146	855	5	13,006	110	13,116

Notes to the consolidated financial statement

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Notes to the consolidated financial statements AGO AG Energie + Anlagen, Kulmbach, for the financial year 2009

1. General information

AGO AG Energie + Anlagen (hereinafter: AGO AG or the Company) is a stock corporation with headquarters in Kulmbach, Germany (Am Goldenen Feld 23, 95326 Kulmbach). AGO AG and its subsidiaries (AGO Group or the Group) are full service providers of heating, cooling, steam, compressed air and power delivery in the area of industrial energy supply systems as well as the operator of these energy supply systems. In addition, the Group offers various consultancy services and other services for operators of industrial energy supply systems.

AGO AG's parent company is caverion GmbH, Stuttgart, which is also the ultimate Group parent.

AGO AG's annual financial statements and consolidated financial statements are published in the electronic Federal Gazette.

The Management Board approved AGO AG's consolidated financial statements 2009 for publication on 25 March 2010.

2. Application of new and amended standards

During the current year, the Group applied all of the new and amended standards as well as the interpretations that were published by the IASB International Accounting Standards Board (IASB) and its International Financial Reporting Interpretations Committee (IFRIC), became effective for the financial years commencing 1 January 2009 and were adopted by the European Union during the committee process.

During the financial year, the Group applied the new standards and interpretations listed below. The application of these new standards and interpretations did not have any effect on the consolidated financial statements.

Amendments to IFRS 1 and IAS 27 – Measuring Investments in Subsidiaries, Jointly Controlled Entities and Associates on First-time Adoption

The amendments to IFRS 1 enable an entity to measure the cost of an interest in a subsidiary, jointly controlled entity and associate instead of its deemed cost on first-time adoption of IFRS, even when using figures which were recognised in accordance with previous accounting regulations or when recognising these items at fair value. The amendments to IAS 27 only affect individual financial statements of a parent entity and particularly stipulate that all dividends from subsidiaries, jointly controlled entities and associates must be recognised directly in the individual income statement. Provisional regulations require that these changes be applied in the future.

Amendment **IFRS 2** – Share-based Payments

Wesentliche Änderungen und Klarstellungen sind:

The main changes and clarifications are:

- Vesting conditions exclusively relate to service or performance conditions customary on the market.
- Cancellations (premature), whether by the entity or by other parties, should receive the same accounting treatment.

AGO Group applied these changes as of 1 January 2009. IFRS 2 does not have any effect on the net assets, financial position and results of operation nor the cash flow of AGO Group, since the Group does not currently grant any share-based payments within the scope of IFRS 2.

IFRS 7 – Financial Instruments: Disclosures

The amended standard stipulates additional disclosures on the measurement of fair value and liquidity risk. The amendment requires a quantitative analysis of the fair value measurement based on a three level hierarchy for each financial instrument class that is recognised at fair value. When measuring the fair value of level 3 instruments, opening and closing balances must now be reconciled and material reclassifications between level 1 and 2 of the hierarchy must be disclosed. The amendment also clarifies the requirements for disclosures on the liquidity risk of business transactions involving derivatives and assets used as part of liquidity management. Disclosures on fair value measurement are described in paragraph 29. No material changes have been made to the disclosures on liquidity risk. They are described in paragraph 31.

IFRS 8 – Operating Segments

IFRS 8 must now be applied to financial years beginning on or after 1 January 2009. IFRS 8 requires information to be disclosed about the operating segments of an entity and replaces the obligation to define primary (operating segments) and secondary (geographical segments) segment report formats for an entity. IFRS 8 follows the so-called management approach, which handles segment reporting based exclusively on the financial information used by an entity's decision-makers for purposes of internal management of the entity. The deciding factors are the internal reporting and organisational structure and key figures applied for the purpose of reaching a decision about resource allocation and assessing profitability. According to AGO Group's assessment, the operating segments identified pursuant to IFRS 8 correspond to the segments previously identified pursuant to IAS 14.

Amendment **IAS 1** – Presentation of Financial Statements

IAS 1 (revised) employs the terms “statement of financial position” (formerly “balance sheet”) and “statement of cash flows” (formerly “cash flow statement”) and introduces the “statement of comprehensive income” as a separate unit. However, it is not obligatory to apply the new descriptions. The amendment to IAS 1 obliges entities to present comparative information for the previous reporting period. Furthermore, the revised standard requires the presentation of another “statement of financial position” at the start of the comparative period being presented, provided the entity applies an accounting policy retrospectively or makes a retrospective restatement. In addition, the amendment to **IAS 1** sets out the following:

- All changes to shareholders’ equity that are based on transactions with shareholders must be presented separately from changes that are not based on transactions with shareholders.
- Income and expenses must be presented separately from transactions with proprietors either in one statement of comprehensive income or a separate income statement and a statement of comprehensive income.
- Items included in “other comprehensive income” must be presented in a “statement of comprehensive income”.
- “Total comprehensive income” must be stated.
- The amendment to IAS 1 also requires disclosure of the respective amount of income tax for each item in “other comprehensive income” and the presentation of reclassification amounts in “other comprehensive income”. Reclassification amounts arise when amounts formerly recognised in “other comprehensive income” are transferred to “profit or loss”. In addition, amounts recognised as distributed dividends and corresponding per-share amounts must be shown either in the statement of changes to shareholders’ equity or in the notes.

AGO Group has decided to state income and expenses as two separate items. The amended standard influences the way in which the Group’s financial information is published but not on the approach and measurement of assets and liabilities in the consolidated financial statements.

Amendment **IAS 23** – Borrowing Costs

The main amendment to the standard relates to the deletion of the option to recognise borrowing costs that can be directly allocated to the acquisition, construction or manufacture of a qualifying asset directly in expenses. This is how AGO Group used to recognise such costs. A qualifying asset is defined as an asset for which a significant period of time is required to ready it for its intended use or sale. According to this, entities must capitalise such borrowing costs as part of the purchase costs of qualifying assets. The amended standard does not require the capitalisation of borrowing costs for assets that are measured at fair value or for inventories that are regularly manufactured or produced in large quantities – even if the period until the sale is quite considerable. The standard must be applied to borrowing costs for qualifying assets to be capitalised on or after 1 January 2009. In compliance with the transitional provisions of the standard, the Group has applied this standard. There were no borrowing costs to be recognised in the financial year.



Amendment IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation

The amendments concern the classification of puttable shareholder deposits as a liability or as shareholders' equity. Pursuant to the previous regulations, entities were sometimes obliged to recognise capital within the meaning of corporate law as financial liabilities due to shareholders' legal cancellation rights. The amendment states that these shareholder deposits should be classified as shareholders' equity to the extent that settlement is agreed to be at fair value and the deposits rendered represent the most subordinate claim on the company's net assets. As a result of the parent company's legal structure and the relevant statutory provisions under commercial and corporate law, the new regulations have no effect on the classification, evaluation and statement of shareholder deposits in the consolidated financial statements.

IFRIC 9 – Reassessment of Embedded Derivatives and IAS 39 – Financial Instruments: Recognition and Measurement

The amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from its host contract if an entity reclassifies a hybrid financial asset from the category financial instruments recognised at fair value in profit and loss. This assessment must be made on the basis of the conditions prevailing on the latter of the two following dates: the date on which the entity became a contractual partner, or the date on which the terms and conditions of the contract were amended, resulting in significant changes to cash flows. IAS 39 now states that if the fair value of an embedded derivative cannot be reliably measured, the whole structured instrument must remain classified as recognised at fair value in profit and loss. The amendments to IFRIC 9 and IAS 39 must be applied for the first time in the period starting on or after 30 June 2009. The application of the amendment will probably not have any effect on the consolidated financial statements.

IFRIC 13 – Customer Bonus Programme

The interpretation deals with the recognition and measurement of customer loyalty programmes where customers receive points (premiums) allowing them to obtain goods or services free or at a reduced cost from a seller or third party. Up until now, the question had been left open as to whether premiums represent a liability, in connection with a sale transaction which has taken place, or income, in the sense of an advance payment for a future sale transaction. According to this current interpretation, sales must be split into two components. One part is attributable to the current business transaction, which has resulted in the premiums. The other part relates to the future business transaction, which results from these premiums being redeemed. The part of income attributable to a delivery or service already provided is to be recognised directly in income. The part of income attributable to the premium must be recognised as an advance payment until the premium is redeemed by the customer and the liability arising from the premium is met. As the Group does not have any customer bonus programmes at this time, the interpretation has not impacted the consolidated financial statements.

IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The interpretation governs the measurement of an asset, which results from the plan assets exceeding pension obligations. The interpretation specifies how to determine whether there are economic benefits for the entity from the over-endowment of a pension plan. It also regulates how the cash value of the asset is determined in the event of a future contribution refund or reduction when there is a minimum requirement regarding the endowment of the pension plan. It also stipulates how to measure a defined benefit asset or liability if the Company is required to pay minimum contributions into a pension plan.

Improvements to IFRS 2008

The 2008 improvement project included some strictly editorial changes as well as various material changes which affected recognition and measurement. The former affect revisions of separate definitions and formulations in order to ensure consistency with other IFRSs. All amendments, except IFRS 5 (as of 1 July 2009), must now be applied to reporting periods starting on or after 1 January 2009. Although the application of the following new regulations led to changes in reporting methods, it did not have any impact on the net assets, financial position and results of operation of AGO Group.

- **IAS 1 – Presentation of Financial Statements:** It is not compulsory to recognise financial instruments held for trading as current assets or liabilities in the balance sheet. Items must be classified as “current” purely in accordance with the accrual criteria stated in IAS 1.
- **IAS 10 – Events after the Reporting Period:** Dividends, which were approved after the balance sheet date and before the approval of the financial statements for publication, do not constitute a liability as of the balance sheet date and are therefore not recognised as liabilities in the balance sheet.
- **IAS 16 – Property, Plant and Equipment:** Sales from property, plant and equipment held for lease, which is usually sold after the lease has terminated and within the scope of ordinary operations, must be recognised in sales.
- **IAS 19 – Employee Benefits:** As well as revising several definitions, the standard states that amendments to benefit plans, which result in a reduction of benefits for services performed in future periods, must be recognised in the balance sheet as plan reductions. If these relate to already performed services, on the other hand, they must be recognised as past service expenses.
- **IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance:** In the future, interest rate discounts of non-interest or low-interest-bearing loans must be calculated. The difference between the received amount and the discounted amount must be recognised in the balance sheet as a government grant.
- **IAS 23 – Borrowing Costs:** The definition of borrowing costs was revised and the

IAS 39 guidelines on real interest rates were adopted.

- **IAS 27** – Consolidated and Separate Financial Statements: In accordance with IAS 39, a subsidiary must continue to be recognised at fair value in the separate balance sheet of the parent company even when it is classified as held for sale.
- **IAS 28** – Investments in Associates: Goodwill included in the carrying amount of an investment in an associate is not recognised separately and therefore not tested for potential impairments. Instead, the entire carrying amount of the investment is recognised as a single asset, tested for impairment and, if required, written down. Write-ups on an investment in an associate, which was written down in previous reporting periods, must be recognised as write-ups on this investment and not be allocated to goodwill contained therein. Another amendment pertains to the disclosure requirements regarding investments in associates that are recognised at fair value in accordance with IAS 39. Due to the amendments, only the requirements of IAS 28 have to be applied to these investments, which state that the extent to which the associate has serious limitations in transferring financial resources in the form of cash or loan repayments to the entity must be reported.
- **IAS 29** – Financial Reporting in Hyperinflationary Economies: Within financial statements that are prepared on a cost basis, assets and liabilities that are or could be recognised at fair value do not have to include property, plant and equipment and financial investments only.
- **IAS 31** – Interests in Joint Ventures: The amendment pertains to the disclosure requirements regarding interests in joint ventures that are recognised at fair value in accordance with IAS 39. In the future, only IAS 31 will be applicable to these interests, in accordance to which the obligations of the partner enterprise and joint venture as well as a summary of financial information on assets, liabilities, income and expenses must be reported.
- **IAS 34** – Interim Financial Reporting: It is only necessary to recognise undiluted and diluted earnings per share in the interim financial statements, if the entity is subject to the regulations of IAS 33 – Earnings per Share.
- **IAS 36** – Impairment of Assets: The disclosure requirements for measuring the value at use and fair value less costs of sale, which is calculated using the discounted cash flow model, were standardised.
- **IAS 38** – Intangible Assets: In the future, expenses for goods and services used for marketing campaigns and promotions (including mail-order catalogues) must be recognised as expenses if the entity has obtained the access rights to such goods and services. In addition, the application of the depreciation method for intangible assets has been permitted without limitations.
- **IAS 39** – Financial Instruments: Recognition and Measurement: In the future, derivatives can be recognised at fair value, designated or removed from this class after their initial recognition, as this does not constitute a reclassification within the meaning of IAS 39. In addition, the reference to a “segment” in connection with determining if an instrument meets the criteria of a hedging instrument was removed. Furthermore, when recognising a debt instrument as a fair value hedge after the balance sheet date, the newly calculated real interest rate must be used.

- **IAS 40** – Investment Property: Property under construction that is built or developed as an investment is no longer attributable to property, plant and equipment but is considered investment property and recognised at cost or fair value. If the entity uses the fair value model and the fair value cannot be reliably determined, the property under construction is recognised at cost until the fair value can be determined or construction has been completed.
- **IAS 41** – Agriculture: The restriction on the use of an input tax discount rate when calculating fair values has been removed. In addition, the ban on taking into account cash flows, which are the result of additional biological transformations and other future activities of the entity, when estimating fair values has been lifted.
- Amendments to **IFRS 5** – Non-current Assets Held for Sale and Discontinued Operations – Part of Improvements to IFRS 2008. All assets and liabilities of a subsidiary, which is scheduled to be sold with the result of the entity losing the majority interest in this subsidiary, must be classified as held for sale, if the entity retains a minority interest in the former subsidiary after its sale.

The IASB and IFRIC published the standards and interpretations listed below, which had already been adopted by the EU but whose application was not yet mandatory, during the financial year 2009. The Group does not apply these standards and interpretations in advance.

IFRS 1 – First-time Adoption of IFRS

The revision of the standard includes all editorial changes and restructurings of the standard. This revision did not result in changes to recognition and measurement regulations for first-time adopters of IFRS.

Amendment **IFRS 3** – Business Combinations and **IAS 27** – Consolidated and Separate Financial Statements

The standards resulted from the second phase of the project for reforming the recognition of business combinations conducted in conjunction with the FASB. The main amendments compared to the previous version of IFRS 3 can be summarised as follows:

- For the accounting treatment of minority interests, the new version of IFRS 3 introduces an option to measure minority interests at fair value or proportionate identifiable net assets. This option can be exercised for each business combination on an individual basis.
- Any existing investments in an acquired entity are re-measured and recognised in profit or loss at the time control is first gained (business combinations carried out in several tranches). Goodwill is then calculated as the difference between the re-measured book value of the investment plus payments for the acquisition of new interests less acquired net assets.
- In the future, incidental acquisition costs will be recognised as expenses.

- If acquisition costs depending on future events (contingent consideration), which must be recognised as liabilities on the acquisition date, are adjusted, then subsequent measurement will not permit any adjustment to goodwill.
- Effects resulting from the termination of business relations that existed prior to the business combination are not to be included when calculating the consideration for the business combination according to the new version of IFRS 3.
- In comparison with the previous version, the revised IFRS 3 stipulates the recognition and measurement of rights which were granted to another entity prior to the business combination and now, as part of the business combination, are re-acquired (re-acquired rights).

The main changes compared to the previous IAS 27 version can be summarised as follows:

- Changes to the number of interests held by one shareholder without loss of control must be recognised exclusively as an equity transaction.
- In the case of loss of control of a subsidiary, the consolidated assets and liabilities must be deconsolidated. The new version stipulates that any remaining investment in the former subsidiary must be recognised at fair value upon initial recognition and any resulting adjustments to previously recognised assets and liabilities recognised in profit or loss.
- If losses accounted for by minority interests exceed the minority interest share in the shareholders' equity of the subsidiary, then these must be attributed to the minority interests despite the resulting negative balance.

The new version of IFRS 3 shall most likely be applied to business combinations whose acquisition date falls within annual reporting periods beginning on or after 1 July 2009.

Amendments to **IAS 39** – Eligible Hedged Items

Amendments to IAS 39 were published in July 2008 and must be retrospectively adopted for the first time for reporting periods starting on or after 1 July 2009. The amendment specifies how to apply reporting principles for hedging relationships to unilateral risks that are designated as eligible hedged items as well as inflation risks that are designated as eligible items. It is permissible to designate only part of a financial instrument's changes in fair value or cash flow movements as a qualifying hedged item. The recognition of hedging instruments in the Group balance sheet is not affected by this change. The application of the amendment will probably not have any effect on the consolidated financial statements.

IFRIC 12 – Service Concession Arrangements

In November 2006, the IFRIC issued the interpretation IFRIC 12 – Service Concession Arrangements. Service concession arrangements are arrangements in which a government or other body grants contracts for the supply of public services, such as roads, airports, prisons and energy and water distribution, to private operators. IFRIC 12 governs how concession holders, in the context of service concession agreements, have to apply existing IFRSs in order to include the obligations and rights received within the framework of the service concession agreements. IFRIC 12 must be applied for the first time to financial years starting on or after 1 January 2008. An early application is permissible. In accordance with Sec. 2 of the Commission Regulation (EC) No. 254/2009 of 25 March 2009, IFRIC 12 must be applied in the EU no later than at the start of the first financial year after 29 March 2009.

IFRIC 15 – Agreements for the Construction of Real Estate

This interpretation was published in July 2008 and must be applied for the first time in the financial year starting on or after 1 January 2009. This interpretation was adopted by the EU in July 2009 subject to it being applied in the EU no later than the beginning of the first financial year after 31 December 2009. This interpretation provides guidelines on the time and scope of the recognition of income from real estate construction projects. The application of the amendment will probably not have any effect on the consolidated financial statements under German civil law.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The IFRIC 16 interpretation was published in July 2008 and must be applied for the first time in the financial year starting on or after 1 October 2008. This interpretation was adopted by the EU in June 2009 subject to it being applied in the EU no later than the beginning of the first financial year after 30 June 2009. IFRIC 16 provides guidelines for identifying currency risks that can be hedged by hedging a net investment, determining which Group entity is able to hold the net investment hedging instrument as well as calculating currency gains and losses that must be taken out of shareholders' equity and recognised in the income statement instead once the hedged foreign operation is sold. The interpretation must be applied retrospectively. As the Group does not have any such investments, the application will probably not have any effect on the consolidated financial statements.

IFRIC 17 – Distributions of Non-cash Assets to Owners

The IFRIC 17 interpretation was published in November 2008 and must be adopted for the first time for reporting periods starting on or after 1 July 2009. This interpretation provides guidelines for recognising obligations, which are intended to be distributed as non-cash assets to owners, in the financial statements. It particularly refers to time, measurement and recognition of these obligations. Accordingly, such an obligation must be recognised at fair value once the entity cannot avoid this obligation any longer. The recognition of the obligation and potential changes to the fair value of the affected asset must be recognised in shareholders' equity. The difference between the fair value and carrying amount of the asset only starts affecting earnings once the asset has been transferred to the shareholders. The interpretation must be applied retrospectively. IFRIC 17 does not have any effect on the consolidated financial statements as the Group does not intend to make any distribution of non-cash dividends.

IFRIC 18 – Transfers of Assets from Customers

The IFRIC 18 interpretation was published in January 2009 and must be adopted for the first time for reporting periods starting on or after 1 July 2009. This interpretation provides guidelines for recognising agreements in which an entity receives an item of property, plant and equipment from a customer which then must be used by the entity for either connecting the customer to a network or providing it with ongoing access to a supply of goods or services. This interpretation particularly refers to recognition criteria for customer contributions and the time and scope of recognised income from such transactions. The interpretation must be applied retrospectively. IFRIC 18 does not have any effect on the consolidated financial statements as the Group does not conduct such transactions.

The IASB and IFRIC have published the standards and interpretations listed below. Their application was not yet compulsory during the financial year 2009. So far, the EU has not adopted these standards and they are not being applied by the Group.

Amendment to IFRS 1 – Additional Exemptions for First-time Adopters

The amendment to IFRS 1 was published in July 2009 and must be applied for the first time in the financial year starting on or after 1 January 2010. IFRS 1 was amended to allow for additional exemptions with regard to the full retrospective application of IFRS to the measurement of assets in the "oil and gas" sector as well as leases.

Amendment **IFRS 2** – Share-based Payments

In June 2009, the IASB published amendments to IFRS 2 – Share-based Payments. These amendments clarify the areas in which to apply IFRS 2 and also the recognition of a group's cash-settled share-based payment transactions in the individual financial statements of a company that receives the goods or services but where another group company or shareholder must pay for them.

Improvements to **IFRS 2009**

As part of the 2009 improvement project included some strictly editorial changes as well as various material changes which affected recognition and measurement. The former affect revisions of separate definitions and formulations in order to ensure consistency with other IFRSs. The dates of compulsory first-time application and transitional regulations are listed for each standard. If not otherwise stated below, individual regulations must be initially applied to the financial year starting on or after 1 January 2010. The following amendments have not yet been applied by the Group:

- **IFRS 2** – Share-based Payments: It has been clarified that the inclusion of a business unit during the formation of a joint venture or company mergers with joint control does not fall within the scope of IFRS 2. This amendment must be applied to financial years beginning on or after 1 July 2009.
- **IFRS 5** – Non-current Assets Held for Sale and Discontinued Operations: It has been clarified that only the disclosure requirements of IFRS 5 apply to non-current assets, asset groups that must be classified as held-for-sale and discontinued operations. Disclosures pursuant to all other IFRSs only come into effect if the standards or interpretations explicitly stipulate such disclosures for assets within the meaning of IFRS 5 and discontinued operations.
- **IFRS 8** – Operating Segments: It has been clarified that a segment's assets and liabilities only have to be recognised if these assets and liabilities are regularly reported to the responsible authority within the company.
- **IAS 1** – Presentation of Financial Statements: Assets and liabilities recognised as held-for-trading in accordance with IAS 39 – Financial Instruments: Recognition and Measurement must not be automatically classed as current.
- **IAS 7** – Cash Flow Statements: It has been stipulated that only activities resulting in the recognition of an asset may be classed as cash flows from investing activities.
- **IAS 17** – Leases: The specific guidelines for measuring property leases were abandoned. In the future, the general guidelines apply.
- **IAS 18** – Sales: The Board has drawn up additional guidelines to determine whether a company is acting as principal or agent. No specific application date was set for this amendment to the appendix of IAS 18, which is not part of the standard. It therefore became effective upon publication.

- **IAS 36 – Impairment of Assets:** It has been clarified that a cash-generating unit which receives goodwill acquired as part of a company merger must not be larger than a business unit within the meaning of IFRS 8 before the aggregation in accordance with the criteria stipulated by this standard.
- **IAS 38 – Intangible Assets:** If an intangible asset acquired as part of a company merger can only be recognised in connection with another intangible asset, this group of intangible assets can be stated as one asset, if the individual assets of this group have identical useful lives. It was also clarified that the methods for measuring the fair value of intangible assets acquired as part of a company merger stated in the standard are merely examples. Entities are free to use other methods. These amendments must be applied for the first time to financial years starting on or after 1 July 2009.
- **IAS 39 – Financial Instruments: Recognition and Measurement:** A prepayment option is deemed to be closely tied to its underlying instrument if its issue price covers the approximate cash value of the interest on the underlying instrument's remaining term to maturity, which the creditor would stand to lose. It has also been determined that the exemption regarding contracts between buyer and seller, which stipulates that a company may be purchased or sold at a later date, only applies to binding forward contracts but not to derivative instruments for which additional measures are required. The third new regulation stipulates that profits or losses stemming from the cash flow hedge of an anticipated transaction, which will result in the recognition of a financial instrument, or from the cash flow hedge of a recognised financial instrument must be reclassified in the period in which the anticipated hedged cash flows impact earnings.
- **IFRIC 9 – Reassessment of Embedded Derivatives:** IFRIC 9 does not apply to any potential initial assessment of derivatives embedded in contracts that were purchased as part of a company or business unit merger with joint control or the establishment of a joint venture. This amendment must be applied for the first time to financial years starting on or after 1 July 2009.
- **IFRIC 16 – Hedges of a Net Investment in a Foreign Operation:** Any company within a group can hold hedging instruments as long as they comply with the requirements for their designation, documentation and effectiveness as stipulated in IAS 39. This amendment must be applied for the first time to financial years starting on or after 1 July 2009.

The Group anticipates that the new regulations under the improvement project will not have any material effects on the presentation of its net assets, financial position and results of operations

Amendment **IFRS 1** – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters

The amendment to IFRS 1 was published in January 2010 and must be applied for the first time in the financial year starting on or after 1 July 2010. The new regulation allows first-time adopters of IFRS to apply the transitional regulations with regards to the amendment to IFRS 7 – Improving Disclosures about Financial Instruments, which was published in March 2009.

3. Key accounting and valuation methods

3.1 General information

The consolidated financial statements of AGO AG for the financial year as of 31 December 2009 were prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as applicable in the European Union on the balance sheet date.

Individual items in the income statement and balance sheet are summarised in order to improve the clarity of presentation. These items are explained in the notes. The income statement is prepared using the cost of sales method.

The cost method is generally applied when preparing the consolidated financial statements.

3.2 Consolidation

Consolidation principles

The consolidated financial statements comprise the financial statements of AGO AG and its subsidiaries and associated companies as of 31 December of each financial year. The financial statements of consolidated companies use uniform accounting and valuation methods and are prepared on the same balance sheet date as the consolidated financial statements of the parent company.

For the purchase method, the capital consolidation of the fully consolidated companies takes place on the acquisition date. The acquisition date represents the date on which control over the net assets, financial and operational activities of the acquired company is transferred to the Group. With the purchase method, the acquisition values of the acquired interests are offset against the pro-rata current value of the acquired assets and liabilities of the subsidiary on the acquisition date. The difference from offsetting these items is recognised as derivative goodwill. Negative differences which arise from the capital consolidation on the acquisition date are immediately derecognised in profit or loss.

All intercompany balances, transactions, income and expenses as well as profits and losses from intercompany transactions which are contained in the book value of the assets are fully derecognised.

Associated companies are included in the consolidated financial statements using the equity method.

Basis of consolidation

The following table provides a summary concerning the composition of the basis of consolidation for AGO Group:

	2009	2008
Number of domestic fully consolidated companies	7	6
Number of foreign fully consolidated companies	4	3
Number of associated companies	2	1

The following companies have been included in the consolidated financial statements as of 31 December 2009:

	Capital interest in %
According to the principles of full consolidation	
Germany	
AGO AG Energie + Anlagen, Kulmbach	
HolSoTherm GmbH, Kölldeda	100.00
Biomasseheizkraftwerk Alperstedt GmbH, Alperstedt	100.00
AGO Betriebs GmbH, Kulmbach	100.00
AGO Bioenergie I GmbH, Kulmbach	100.00
AGO Bioenergie II GmbH, Kulmbach	100.00
Fittings GmbH Formstücke + Anlagen, Erfurt (new)	75.00
Foreign	
AGO ENERGIA S.r.l., Turin, Italy	55.00
Reindeer S.r.l., Cassano Magnano, Italy	100.00
AGO Energy (PTY) Ltd., Cape Town, South Africa	100.00
Ringdalskogen Fjernvarme AS, Larvik, Norway (new)	75.00
Associated companies	
ife – Institut für Energieeffizienz GmbH, Bayreuth (new)	50.00
Pellerei AGO Energia Societa Agricola S.r.l., Cossato, Italy (new)	32.94

AGO Group holds 90.00% of the interests in FlorAgo Energy S.r.l., Turin, Italy, which is a shelf company without business activities. The company is of no material importance to the consolidated financial statements and was therefore not fully consolidated.

Conversion of foreign currency accounts

The consolidated financial statements were prepared in euros. Unless otherwise indicated, all values are stated in thousands of euros (€ thousand).

The annual financial statements of foreign Group companies are translated according to the functional currency concept outlined in IAS 21 (Effects of Changes in Foreign Exchange Rates). The functional currencies of the Group companies are their national currencies as these are the currencies used by the companies in a financial, economic and organisational sense in their daily business.

The assets and liabilities of the Group companies are converted from their national currencies into euros using the average exchange rate as on the balance sheet date. The expenses and income of the foreign companies are converted in the same way as the corresponding annual results – using the average exchange rate for the reporting period. Translation differences are recognised not affecting profit or loss.

The capital of the foreign companies is converted using the historical exchange rate. Accumulated translation differences are recognised separately in shareholders' equity. As of 31 December 2009, these amounted to €5 thousand (previous year: €0 thousand).

AGO Energy (PTY) Ltd applied an average annual exchange rate of ZAR 11.7106/€ and an exchange rate of ZAR 10.6219/€ as of the balance sheet date and Ringdalskogen Fjernvarme AS an average annual exchange rate of NOK 8.7481/€ and NOK 8.3282/€ as of the balance sheet date.

3.3 Explanation of the accounting and valuation methods

In accordance with IAS 1 – Presentation of Financial Statements, a distinction is made in the balance sheet between non-current and current assets and non-current and current liabilities. Assets are classed as current if realisation is expected within a year. Liabilities are classed as current if they are due within a year.

Intangible assets

Intangible assets acquired in return for payment are recognised at cost less accumulated depreciation. Recognised intangible assets have an identifiable useful life over which they are depreciated. Intangible assets are amortised on a linear basis over a period of three

to 10.5 years. Impairments are accounted for in the form of unscheduled write-downs. Where the reasons for the unscheduled write-downs cease to exist, write-ups are undertaken, which are not allowed to exceed the amortised net book values.

The agreement to supply goods acquired in 2007 within the framework of merging with HolSoTherm GmbH, Kölleda, is amortised in a straight line over the remaining term of the contract (10.5 years).

Property, plant and equipment

Items of property, plant and equipment are recognised at cost less scheduled depreciation according to their useful lives. In the case of impairment, unscheduled write-downs are carried out. Unscheduled depreciation is measured in accordance with IAS 36, based on a comparison between the recoverable amount and the net book value of the asset. Depreciation is recognised as affecting profit or loss, where the recoverable amount of assets lies below their net book value. The recoverable amount is the higher of net selling price and value in use of the asset.

The net selling price is the amount which is achievable from the sale of an asset at market price less selling costs. The value at use is the present net value of the estimated future cash flows which can be expected from the continued use of an asset and its sale at the end of its useful life.

If none of the future cash flows can be assigned to these assets, impairments are measured on the basis of the value in use (cash flows) of the cash-generating unit to which the asset is assigned. In order to identify the cash flows from cash-generating units, basic assumptions have to be made. These include assumptions regarding the company's plans, discounting and other parameters (including growth rate).

If the reasons for an unscheduled depreciation cease to exist, corresponding write-ups are undertaken.

The manufacturing costs of the plant and equipment produced by the Group include the total production-related costs. In addition to the costs of materials and wages, these include all costs directly connected to the product or the production process. Often, these are pro-rata material costs and manufacturing overheads plus the cost of special equipment.

Servicing and maintenance work is recognised as expenses in the income statement in the period it was carried out. General maintenance costs and investments for replacements or expansions that are necessary for the continued operation of the facility are regularly capitalised as substitute components.

They are written down in a straight line over their respective useful lives.

The following Group-wide useful lives are applied to key items of property, plant and equipment:

Property, plant and equipment	Useful life in years
Buildings	40
Technical systems	10 - 25
Operational and business equipment	5 - 15

Upon the sale of property, plant and equipment, the profit or loss from the difference between sales income and net book value is recognised in other operating income or expenses.

Leases

The determination as to whether an agreement contains a lease or not is based on the economic contents of the agreement at the time it is concluded as well as an assessment as to whether the fulfilment of the agreement is dependent on the use of a particular asset or assets and whether the agreement grants a right to use the asset. A re-assessment as to whether an agreement contains a lease or not is only undertaken after the start of the lease if one of the following conditions is met:

- a. The terms and conditions of the agreement are amended, if the change does not only relate to a renewal or extension of the agreement.
- b. A renewal option is exercised or an extension is granted, unless the renewal or extension provisions were originally taken into account in the lease term.
- c. A change takes place in determining whether the fulfilment depends on a specific asset.
- d. A significant change takes place to the asset value

If a remeasurement is carried out, the lease term has to be recognised/derecognised as from:

- the date the change in circumstances occurred which resulted in a remeasurement for cases a), c) or d).
- the start of the renewal or extension period in the case of b).

Group companies as a lessee

Finance leases, in which basically all of the opportunities and risks connected with ownership of the transferred asset are transferred to a company, lead to the capitalisation of the lease object on the date the lease is concluded at the lower of fair value of the lease object or cash value of the minimum lease payments. Lease payments are split up into financial expenses and the amortisation of residual debt so that the interest rate of the remaining debt remains constant over the remaining term to maturity. Financial expenses are immediately recognised in profit or loss.

If at the end of the lease term, the transfer of ownership to a group is not sufficiently certain, the capitalised lease objects are fully depreciated over the shorter of the two periods based on expected useful life and duration of the lease term.

Lease payments for operating leases are recorded using the straight line method over the duration of the lease as an expense in the income statement.

AGO Group companies are lessees of property, plant and equipment, mainly motor vehicles and operational and business equipment/fixtures.

Financial instruments

A financial instrument is a contract which simultaneously results in a financial asset for one company and a financial liability or an equity instrument for another company. Financial assets mainly include:

- Cash and cash equivalents
- Trade receivables
- Other loans and receivables
- Financial investments held to maturity
- Non-derivative and derivative financial assets held for trading
- Financial assets available for sale
- Other financial assets recognised at fair value in profit or loss

Classification depends on the nature and purpose of the financial assets and takes place upon receipt of the asset.

Financial liabilities regularly constitute a restitution claim in terms of cash and cash equivalents or other financial assets. These mainly include:

- Bonds and other guaranteed liabilities
- Trade payables
- Liabilities to banks
- Liabilities from financial lease contracts
- Derivative financial liabilities

Financial instruments are generally recognised when AGO Group becomes a party to the contractual regulations of the financial instrument. In the case of purchases or sales under ordinary market conditions (purchases or sales under a contract, whose conditions provide for the supply of the asset within a certain period of time, which is usually fixed by rules or conventions of the respective market) the execution date is relevant (i.e. the date when the asset is delivered to or by AGO Group) for initial recognition and derecognition. Financial assets and liabilities are usually recognised without being offset against one another, they are only offset if there is a right to offset the amounts at that point in time and the company wants to offset them on a net basis. As far as acquisition or sales contracts for non-financial items such as goods or electricity falling within the scope of IAS 39 are concerned, they are recognised in accordance with the provisions of this standard. Financial assets are initially recognised costs, which correspond to the fair value at that point in time. Depending on their class, these are measured in subsequent periods at their fair value or amortised cost. Acquisition costs of financial assets, which are not recognised at fair value in profit or loss in subsequent periods, also include directly attributable transaction fees.

Financial assets

Cash and cash equivalents, which include current cash accounts and short-term deposits with banks, have a remaining term to maturity of up to three months at the time of initial recognition and are measured at amortised cost.

Trade receivables and other current receivables are, where necessary, measured at book value at the time of initial recognition less depreciation, using the effective interest method. Impairments in the form of individual value adjustments sufficiently take into account the expected default risks; actual defaults result in the derecognition of the affected receivable.

Other non-current loans and receivables are measured at amortised cost less depreciation, using the effective interest method.

Financial assets with fixed or determinable payments and fixed maturities, which the Company intends and is able to hold to maturity, except outstanding company loans and receivables extended in accordance with IAS 39, are classified as investments held to maturity. This applies to certain securities of fixed assets. As a result, investments held to maturity are measured at amortised cost less depreciation, using the effective interest method, where necessary. The interest earnings are recognised using the effective interest method.

Financial assets are measured at fair value in profit or loss if the financial asset is either held for trading or intended for measuring at fair value in profit and loss.

Financial assets held for trading primarily include derivative financial instruments which are not part of an effective hedging relationship in accordance with IAS 39 and as such must be classified as “held for trading”. Any profit or loss resulting from the subsequent valuation must be recognised in profit or loss. The recorded net profit or loss includes any dividends and interest on the financial asset.

A financial asset is classed as held for trading, if

- it was mainly purchased with the intention of being sold in the near future
- it is part of an identified portfolio of financial instruments jointly controlled by the Group, for which there are references to short-term profit taking in the recent past
- it is a derivative which was not designated as a hedging instrument

The Group has so far not used the option of classifying financial assets at their initial recognition as intended for recognition at fair value in profit or loss.

Other financial assets are classified as available for sale.

Financial assets which are available for sale are subsequently recognised at fair value. Profits and losses resulting from fluctuations in fair value are recorded directly in equity. This excludes impairment losses and interest calculated according to the effective interest method as well as profits and losses from foreign currency conversion of monetary items which are recorded in profit and loss. If a financial asset is sold or an impairment is determined, the profits and losses previously recorded directly in equity are recorded in net earnings. Dividends from equity instruments in this category are recognised in profit and loss, as soon as the Group is entitled to payment.

Interests are classed as “available for sale” and are measured at fair value in accordance with IAS 39. If no reliable fair value can be determined for these interests, they are recognised at amortised cost.

On each balance sheet date, the book values of financial assets that are not to be measured at fair value should be assessed as to whether there is a substantial objective indication of their impairment. These indications include significant financial difficulties of the debtor, a high probability that insolvency proceedings will be initiated against the debtor, the absence of a capital market for the financial asset, significant changes in the technological, economic or legal environment, changes in the market environment of the issuer and an ongoing decline in the fair value of the financial asset under amortised costs. Any impairment loss, which results from a comparison between the book value of the financial asset and the current value of the expected future cash flows, as calculated on the basis of the original effective interest rate, is immediately recorded in profit or loss. If impairments of the fair values of financial assets available for sale were previously recorded directly in equity, these must be derecognised in equity up to the amount of the established impairment and transferred to the income statement. If, during subsequent measurements, it becomes apparent that the fair value has risen objectively as a result of events occurring after the initial recognition of the impairment, the impairment is derecognised at a corresponding level in profit or loss. Impairments relating to unlisted equity instruments, which are classed as available for sale and are recognised at cost, may not be reversed.

An impairment leads to a direct reduction in the book value of all affected financial assets with the exception of trade receivables, whose book value is decreased by an allowance account. If a trade receivable is uncollectible, it is written off against the allowance account. Changes in the book value of the allowance account are recognised in profit or loss.

A financial asset (or a part of a financial asset or part of a group of similar financial assets) is written off when one of the following three conditions is met:

- The contractual rights to receive the cash flows from a financial asset have expired.
- The Group retains the rights to receive the cash flow of financial assets, however undertakes a contractual obligation for immediate payment of the cash flow to a third party under an agreement which fulfils the conditions of IAS 39.19 ("pass-through arrangement").
- The Group has transferred its contractual rights to receive the cash flows from a financial asset and either (i) transferred all opportunities and risks associated with ownership of the financial asset, or (ii) has neither transferred nor retained all opportunities and risks associated with ownership of the financial asset, but transferred the authority to dispose of the assets.

If the Group neither transfers nor retains all opportunities and risks associated with the ownership of a transferred asset and at the same time retains the authority to dispose of the transferred asset, the Group recognises the transferred asset within the scope of its continuing involvement. If the continuing involvement takes the form of a guarantee of the transferred asset, the extent of the continuing involvement corresponds to the lower of original book value of the asset and the highest amount the Group may have to repay in return for the services received.

If the continuing involvement is in the form of a written or vested option (including an option settled in cash or in a similar manner) on the transferred asset, the extent of the continuing involvement of the Group corresponds to the amount of the transferred assets which the Group can buy back. In the case of a written sales option (including an option settled in cash or in a similar manner) on an asset, which is measured at fair value, the extent of the continuing involvement of the Group is however restricted to the lower of fair value of the transferred asset and exercise price of the option.

Financial liabilities

At initial recognition, financial liabilities are measured at fair value. Transaction fees directly attributable to acquisition are also recognised for all financial liabilities that are not subsequently recognised at fair value in profit or loss.

Trade payables and other non-derivative financial liabilities are always measured at amortised cost using the effective interest method.

Financial liabilities are recognised at fair value in profit or loss if they are either held for trading or classed as recognised at fair value in profit or loss.

The Group has so far not used the option of classifying financial liabilities at their initial recognition as intended for recognition at fair value in profit or loss.

A financial liability is classed as held for trading, if

- it was mainly purchased with the intention of being sold in the near future
- it is part of an identified portfolio of financial instruments jointly controlled by the Group, for which there are references to short-term profit taking in the recent past
- it is a derivative which is not designated as a hedging instrument

A financial liability is written off, if its underlying liability has been fulfilled, cancelled or expired.

If an existing financial liability is exchanged for any other financial liability of the same creditor with substantially different contractual terms and conditions or if the terms and conditions of an existing liability are substantially amended, such an exchange or such a change is treated as a write-off of the original liability and requires the recognition of a new liability. The difference between the book values is recognised in profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments for the management of interest rate risks resulting from operational activities, financial transactions and investments. Derivative financial instruments are neither held nor issued for any speculative purposes.

The fair value of derivative financial instruments corresponds to the amount that the Group would either have received or had to pay upon cancellation or maturity of the financial instrument as of the balance sheet date. In the absence of market values, the fair values are calculated using recognised mathematical models, taking into account the relevant interest rates and credit ratings of the contractual parties as of the balance sheet date. Any profit or loss resulting from the measurement is immediately recognised in profit or loss. Hedge accounting within the meaning of IAS 39 is of no relevance to the Group.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that is going to take a considerable amount of time to ready for its intended purpose are recognised as part of the asset's costs. All other borrowing costs are recognised in the period in which they were incurred. Borrowing costs include interest and other costs relating to loans taken out by a company. The Group recognises borrowing costs for all qualifying assets whose construction or production began after 1 January 2009. Borrowing costs relating to construction projects that were started before 1 January 2009 continue to be recognised as expenses.

Emissions rights

Emissions rights acquired free of charge are measured at fair value.

Inventories

Inventories are recognised at the lower of cost or net realisable value as of the balance sheet date. The net realisable value is the estimated sales income achievable from normal transactions less the reductions in income and direct cost of sales as well as other incidental and directly attributable production costs. Impairments are recognised for ageing inventories and surpluses.

The manufacturing costs of unfinished and finished products include the full costs related to production. They are essentially determined using individual calculations based on current cost accounting. Besides the directly attributable costs of individual materials, wages and special direct manufacturing costs, all directly attributable overhead production and material costs are accounted for. General administrative costs and finance costs are not capitalised.

Cash and cash equivalents

Cash and cash equivalents include cash and demand deposits. Cash equivalents are current liquid financial instruments which can be converted at any time into specific cash amounts (e.g. cheques). Cash equivalents are used to meet current payment obligations. This is why liquid assets include only financial investments with a maturity of up to three months. Financial investments with a maturity of more than three months are recognised in other current or non-current financial assets.

The cash fund in the consolidated cash flow statement is limited according to the above definitions.

Provisions for pensions and similar obligations

Provisions for pensions and similar obligations are calculated in accordance with IAS 19 according to the projected unit credit method with regards to future compensation and retirement revaluations. The valuation of the pension benefits is based on pension evaluation reports. The so-called corridor method is applied whereby actuarial gains and losses exceeding the margin of 10% of the higher of cash value of the pension benefit and plan assets are amortised over the average remaining term of service of the participating employee. The interest component included in pension expenses is recognised under interest expenses.

Other provisions

Other provisions are recognised in accordance with IAS 37. Recognition occurs when a present obligation results from past events and it is probable that an outflow of economically useful resources is required to fulfil the obligation and it is possible to reliably estimate the value of the obligation.

Warranty provisions are measured using the best possible estimated value. The costs of individual warranty claims are regularly used as a basis of calculation, presuming an individual concrete warranty claim has occurred. In addition, provisions are established based on empirical values from previous years.

Provisions for impending losses from pending transactions are set aside if, due to prior events, the unavoidable costs for fulfilment of a contract exceed the economic use from the contract.

Income taxes

Effective taxes

The effective tax refunds and tax liabilities for the current and prior periods are measured at the amount of an anticipated tax refund or payment. The calculation of the amount is based on the tax rates and tax laws in effect as of the balance sheet date.

Deferred taxes

For temporary differences between the tax balance sheet and commercial balance sheet resulting from the recognition of assets and liabilities, deferred tax assets and liabilities are recognised in accordance with IAS 12.

Under IFRS, these are not recognised if the temporary difference results from either goodwill or the initial recognition of other assets and liabilities in a transaction which is not a business combination and affects neither taxable nor recognised earnings. Likewise, deferred tax assets are recognised for tax credits and loss carry-forwards.

Deferred taxes are recognised on the basis of the liability method in accordance with IAS 12 – Income Taxes.

Deferred taxes are measured at the tax rate in effect as of the balance sheet date or future applicable tax rates, if these have been adopted.

Deferred tax assets are only recognised if it is probable that future taxable income can be offset against tax credits and loss carry-forwards.

Deferred tax assets and liabilities are offset if the company has an enforceable right to offset effective tax refund claims against effective tax liabilities, and the deferred taxes relate to the same tax subject and the same tax authority. Deferred taxes are recognised as tax income or expenses in the income statement unless they pertain to items recognised directly in equity.

Contingent liabilities

Contingent liabilities are stated in the notes. These regularly occur when a current obligation exists which does not fulfil the recognition criteria for provisions (e.g. there is no probability of a future outflow of economically useful resources) and when the occurrence of the obligation is determined by uncertain future events. If the outflow of economically useful resources is not probable, then no contingent liability is reported.

Income and expense realisation

The sales item includes sales income from ordinary operations during the financial year. Discounts or reductions in income and guaranteed remunerations are deducted from sales.

Sales are the gross economically useful cash inflow from ordinary operations during the reporting period.

Income from the sale of goods is realised in accordance with IAS 18. Income from the sale of products and goods is therefore realised when the service or delivery has been completed and the transfer of risk and authority has taken place.

If a sales agreement for goods contains a finance agreement, then the interest component is recognised as interest income.

Interest is recognised as expense or income in the period it was incurred, if it is not capitalised as an individual item.

Interest income is recognised when it is sufficiently probable that the financing transaction will be economically useful and the value can be reliably calculated. It is recognised pro rata temporis and based on the effective interest method.

Operating expenses are recognised in profit or loss at the time a service has been used or on the date they were incurred.

Production orders

Long-term customer-specific production orders are recognised pursuant to the percentage of completion method (PoC method) according to the project's progress. If the earnings of a production order can be reliably estimated, income and expenses from this order are recognised according to the progress of the project as on the balance sheet date, under expenses for the work already performed in relation to anticipated expenses, unless this does not reflect the progress of the project. Changes in the contractual work, claims and performance bonuses are covered at an amount agreed upon with the customer.

If the earnings of a production order cannot be reliably determined, then the order income is recognised only in the amount of the incurred order costs which can potentially be called in. Order expenses are recognised as liabilities in the period in which they were incurred. If it is probable that total order expenses will exceed total order income, the expected loss is immediately recognised as a liability.

Production orders are recognised in receivables or liabilities. If in an individual case the accumulated work performed (accrued order expenses and recognised profits) exceeds the initial payments received, the production orders are recognised in receivables from production orders. If a negative balance remains after deducting the client's initial payments, the order is recognised in liabilities from production orders.

Research and development costs

Research costs are costs for the independent and regular search for new knowledge which the company intends to use for developing new products and processes or for improving existing ones. In accordance with IAS 38, they are recognised in profit or loss as soon as they are incurred.

Development costs are costs for the application of research results or other findings to a plan or proposal for the generation of new products or processes or for essential improvements to existing ones.

In the reporting period, research and development costs amounting to €205 thousand (previous year: €174 thousand) were recognised as expenses.

Foreign currency transactions

Foreign currency transactions are translated at the cash price on the transaction date into the local currency of the subsidiary. As of the balance sheet date, all monetary foreign currency positions are translated into the functional currency at the exchange rate prevailing on the balance sheet date.

Non-monetary items are recognised at the exchange rate applicable on the transaction date. Differences resulting from the translation are recognised in profit or loss in the reporting period. Valuation differences reportable directly in equity are always exempt. The latter had no relevance for AGO Group during the reporting period.

Exchange rate profits or losses from changes in the exchange rates of foreign currency transactions are recognised in other operational income or expenses.

Use of estimates and assumptions

The consolidated financial statements contain assumptions and estimates which affect the amount and recognition of assets and liabilities, income and expenses and contingent liabilities. The actual amounts may be different from the amounts resulting from these estimates and assumptions.

In particular, assumptions and estimates were made with regards to the Group-wide expected useful lives of non-current assets, impairments of receivables and inventories, the parameter for the measurement of pension provisions and other provisions and the viability of deferred tax assets. In accordance with IAS 8, changes are recognised in profit or loss at the time when more detailed information is available.

No agreement could be reached on the adjustment of the contractually stipulated heating costs at Biomasseheizkraftwerkes Alperstedt GmbH, Alperstedt. The matter is still awaiting a decision by the court. Our lawyer's legal opinion confirms that there are good chances of a positive outcome. Receivables from these customers were measured on the basis of a potential agreement or court decision.

4. Company mergers

The acquisition of Fittings GmbH Formstücke + Anlagen, Erfurt

On 26 November 2009, AGO AG purchased a 75.00% interest in Fittings GmbH Formstücke + Anlagen, Erfurt. Fittings GmbH Formstücke + Anlagen, Erfurt, focuses on manufacturing, selling and brokering components for industrial plant and pipeline construction and rendering the corresponding services: Advising engineers and planners in the technical, practical and financial implementation of welded special constructions in the field of industrial plants and pipelines as well as developing, constructing and testing new products. They also plan, advise, support and carry out construction of industrial plants and pipeline systems.

Fittings GmbH Formstücke + Anlagen, Erfurt, has already worked with AGO AG in the past in the preassembly of building components for energy plants. Integrating the company into the Group promises to boost the efficiency of our cooperation even further. In addition, this acquisition helps AGO Group secure access to high-quality preassembly services.

The fair values of the identifiable assets and liabilities of Fittings GmbH Formstücke + Anlagen, Erfurt, to be reconciled at the time of acquisition and the corresponding book values directly before the time of acquisition are presented as follows:

	Book value before takeover	Actuarial gains/ losses	Fair value at the time of acquisition
	€ thousands	€ thousands	€ thousands
Other intangible assets	1	0	1
Order backlog	0	31	31
Customer relationships	0	51	51
Property, plant and equipment	128	0	128
Inventories	127	0	127
Trade receivables	16	0	16
Deferred tax assets	25	0	25
Other current assets	124	0	124
Cash and cash equivalents	24	0	24
	445	82	527
Provisions	-6	0	-6
Financial liabilities	-169	0	-169
Trade payables	-191	0	-191
Deferred tax liabilities	0	-25	-25
Other current liabilities	-115	0	-115
	-481	-25	-506
Fair value of net assets	-36	57	21
Interests without a controlling influence valued at fair value			-5
Goodwill			75
Purchase price			91
Cash and cash equivalents acquired			24
Net asset outflow from the acquisition			67

Fittings GmbH Formstücke + Anlagen, Erfurt, contributed €68 thousand in Group sales in 2009 from the time of its acquisition. In the same period of time, the company impacted Group earnings with a loss of €4 thousand. Had the merger taken place at the beginning of the year, the net loss for 2009 would have reduced Group earnings by €29 thousand and increased sales by €858 thousand.

Acquisition of Ringdalskogen Fjernvarme AS, Larvik/Norway

On 22 September 2009, AGO AG purchased a 100.00% interest in Ringdalskogen Fjernvarme AS, Larvik/Norway. As agreed prior to the purchase, a 25.00% interest was sold to a Norwegian partner on 4 December 2009. The company is dedicated to operating power plants and supplying companies in the industrial estate in Larvik.

The fair values of the identifiable assets and liabilities of Ringdalskogen Fjernvarme AS, Larvik/Norway, to be reconciled at the time of acquisition and the corresponding book values directly before the time of acquisition are presented as follows:

	Book value before the takeover <hr/> € thousands	Fair value at the time of acquisition <hr/> € thousands
Deferred tax receivables	1	1
Cash and cash equivalents	13	13
	14	14
Trade payables	-1	-1
Other current liabilities	-7	-7
	-8	-8
Fair value of net assets	6	6
Purchase price		7
Cash and cash equivalents acquired		14
Net asset outflow from the acquisition		-7

At the same time as the acquisition of Fjernvarme AS, Larvik/Norway, a concession for heating an industrial estate that has not yet opened was purchased for €193 thousand before the 25% interest in the company was sold.

Ringdalskogen Fjernvarme AS, Larvik/Norway, did not generate any sales after the purchase date in 2009. In the same period of time, the company boosted Group earnings with a profit of €1 thousand. Had the merger taken place at the beginning of the year, the net loss of €3 thousand would have been added to Group earnings in 2009, while Group sales would have remained unchanged as the company did not generate any sales in 2009.

Acquisitions of associated companies

On 18 June 2009, AGO AG Energie + Anlagen, Kulmbach, purchased a 50.00% interest in ife – Institut für Energieeffizienz GmbH, Bayreuth. The purchase costs amounted to €13 thousand.

In addition, on 29 September 2009, AGO AG Energie + Anlagen purchased a 32.94% interest in Pellerei AGO Energia Societa Agricola S.R.L., Cossato/Italy. The purchase price was €13 thousand.

Both companies were consolidated as associated companies from the date of purchase in line with the equity method.

5. Segment reporting

The goal of segment reporting is to provide information about the main business divisions of the Group. At the same time, it allows for ongoing insight into the risk/opportunity structure of a diversified company. The segmenting of Company divisions and regions in AGO Group is done in line with internal reporting. The structure and content of internal reporting show the risk/opportunity structure of the respective business divisions. The segment data was ascertained in compliance with the inclusion and valuation methods in the consolidated financial statements.

Segment reporting encompasses the business field divisions service, consulting and small projects, project development and realisation as well as plant operation.

In the business division “service, consulting and small projects”, AGO AG offers the repair and maintenance of energy generation plants. Customer service currently includes approximately 45 employees active nationwide who not only handle the maintenance of the plants constructed and operated by the Company, but also the considerable volume of maintenance at plants constructed by third parties. Specially trained employees are active in the Company’s customer service in the areas of cooling technology, combustion engineering, measurement, control and regulation technologies (MSR technology) as well as ventilation and climate technology. AGO AG also handles the reorganisation and expansion of plants with its own assembly personnel. Customer service employees are trained in the area of compartment air engineering according to hygienic regulation VDI 6022 and scheduled to ensure availability 24 hours a day, 365 days a year.

Besides providing repairs and maintenance for power generation plants, AGO AG also offers other services. The Company offers customers comprehensive advice on energy

issues (i.e. energy efficiency consulting) and produces energy studies in areas including heat and cooling technology as well as trigeneration. The technologies used by the customer for energy generation are analysed and alternative concepts for power production are identified once feasibility studies have been conducted. In addition, before any construction begins on a plant, the Company advises on financial issues and investigates the possible requirement for an approval process. By the same token, smaller projects are also executed by this business division.

The Company also organises the purchase or sale of emission certificates for customers who are subject to the regulations of the TEHG (German Greenhouse Gas Emissions Trading Act) due to their emissions output. This is dealt with on an off-market basis via the Bavarian Hypo- und Vereinsbank AG and Dresdner Bank AG. Beyond this, consulting services are offered in conjunction with emissions trading.

In the business division “project development and implementation”, AGO Group offers decentralized plants for supplying energy, with business mainly focusing on industrial firms and communal companies throughout Europe. As a solution and implementation-oriented project developer, the Company supports its customers all the way from the conception to implementation of an energy supply. The Company pursues an implementation-driven approach in developing energy generation plants, tailoring its efforts to the individual needs of customers. AGO Group obtains its components from various manufacturers and sees itself in the position to develop and construct suitable energy generation plants for its customers, delivering on specific demands irrespective of the manufacturer.

AGO also increasingly offers its services through contracting. This means that AGO Group fully takes over supplying a company with heating, steam, cooling, electricity or compressed air. The central element of contracting involves AGO Group taking on all essential parts of the energy supply and the associated services rendered by the Company. In the area of energy and plant contracting offered by the Company, customers do not independently produce the energy they require, but rather obtain it from AGO Group. AGO Group is therefore able to offer its customers complex, innovative and economical solutions for energy generation. Within the framework of contracting, AGO Group develops, plans, builds, finances and operates energy generation plants under its scope of responsibility and sells the energy to companies requiring energy. The sales gained through contracting relating to the continuous operation of energy generation plants are reported in the business division “plant operation”.

AGO Group operates energy generation plants for industry customers in the business division plant operation. These plants are based on both conventional and regenerative energies.

Besides carrying out the required repair and maintenance work, operating plants primarily relates to managing raw materials and fuels, which encompasses everything from raw material production and logistics to warehousing and the quality assurance of biogenic fuels. For this, the Company can rely on the supply network it has built up over many years, in particular from the interest in HolSoTherm GmbH.

The holding/consolidation business division includes consolidation effects as well as other activities not assignable to the other segments.

2009 in €thousands

	Service, con- sulting and small projects	Projekt develop- ment and realisatio	Plant operation	Holding/ con- solidation	Con- tinuing activities	Dis- continued activities	Total
External sales	13,525	32,843	3,919	0	50,287	0	50,287
Intercompany sales	0	8	175	-183	0	0	0
Total sales	13,525	32,851	4,094	-183	50,287	0	50,287
Segment earnings	1,413	720	-205	-266	1,662	0	1,662
Earnings from associated companies	-7	-4	0	0	-11	0	-11
Segment assets	2,809	13,049	12,208	2,715	30,781	0	30,781
Segment liabilities	1,494	12,573	588	3,170	17,825	0	17,825
Investments	77	876	280	24	1,257	0	1,257
Write-offs	65	116	660	99	940	0	940
Substantial non-cash item expenses	0	0	0	0	0	0	0
Book value of associated companies	5	909	0	0	914	0	914

2008 in €thousands

	Service, con- sulting and small projects	Projekt develop- ment and realisatio	Plant operation	Holding/ con- solidation	Con- tinuing activities	Dis- continued activities	Total
External sales	8,399	23,939	4,359	0	36,697	224	36,921
Intercompany sales	384	0	0	-384	0	0	0
Total sales	8,783	23,939	4,359	-384	36,697	224	36,921
Segment earnings	722	588	334	-71	1,573	44	1,617
Earnings from associated companies	0	0	-1	0	-1	0	-1
Segment assets	2,510	12,238	12,090	2,770	29,608	41	29,649
Segment liabilities	2,990	5,438	634	3,012	12,074	50	12,124
Investments	61	1,206	159	27	1,453	0	1,453
Write-offs	53	77	594	96	820	0	820
Substantial non-cash item expenses	0	0	0	0	0	0	0
Book value of associated companies	0	0	5	0	5	0	5

Intercompany sales show the amount of sales between segments. Sales between segments were executed at market price. Proceeds from transactions with other segments were excluded for consolidation purposes.

The investments relate to additions to property, plant and equipment as well as intangible assets, including assets from the acquisition of subsidiaries.

Geographical information

Of the sales generated in 2009, €2,562 thousand (previous year: €348 thousand) was generated abroad within Europe, €3,847 thousand (previous year: €2,279 thousand) in South Africa and €43,878 thousand (previous year: €34,070 thousand) domestically. The information provided on segment sales are categorised according to the location of our customers' headquarters.

When it comes to non-current assets by segment, €15,113 thousand (previous year: €16,294 thousand) came from domestic sources, €1,443 thousand (previous year: €297 thousand) was from within Europe, and €1 thousand (previous year: €0 thousand) stemmed from South Africa. The non-current assets reported here encompass intangible assets, property, plant and equipment, non-current receivables from finance leasing, bank deposits with a remaining maturity of over one year as well as granted loans and receivables.

Over 10% of AGO Group sales overall are attributable to one single customer, which represents €6,995 thousand. 61% of these sales were generated in the service, consulting and small projects segment, with 39% coming from the project development and implementation segment.

Transition from total segment earnings to net earnings for the year

	2009	2008
	€	€
	thousands	thousands
Total segment earnings	1,662	1,617
Interest income	-675	-529
Income tax	-716	-471
	271	617

Transition of segment assets and segment liabilities

	2009	2008
	€	€
	thousands	thousands
Total assets of the segment	30,781	29,649
Cash and cash equivalents	10,268	7,679
Income tax receivables	153	377
Other non-current assets	450	165
Receivables from associated companies	1,600	0
Deferred tax assets	130	168
Assets according to consolidated balance sheet	43,382	38,038

	2009	2008
	€	€
	thousands	thousands
Total liabilities of the segment	17,825	12,124
Current financial liabilities	1,980	2,069
Non-current financial liabilities	9,152	10,068
Income tax liabilities	47	29
Deferred tax liabilities	1,262	705
Liabilities according to consolidated balance sheet	30,266	24,995

Notes to the consolidated income statement

6. Sales

Reported sales are subdivided as follows:

	2009	2008
	€	€
	thousands	thousands
Sales from plant operation	3,919	4,359
Sales from production orders, service & consulting	46,368	32,338
Total sales	50,287	36,697

Sales from contract manufacturing recorded in the reporting year according to the PoC method amounted to €7,643 thousand (previous year: €11,353 thousand).

From the sales generated in 2009, €2,562 thousand (previous year: €348 thousand) were generated abroad within Europe, €3,847 thousand (previous year: €2,279 thousand) in third party countries and €43,878 thousand (previous year: €34,070 thousand) domestically.

7. Other operational income

Other operational income breaks down as follows:

	2009	2008
	€	€
	thousands	thousands
Indemnifications and accident compensation	331	75
Dissolution of accumulated depreciations	126	99
Currency gains	101	21
Dissolution of provisions	23	17
Earnings from the outflow of fixed assets	10	19
Other earnings	348	320
	939	551

8. Other operating expenses

Other operating expenses break down as follows:

	2009	2008
	€	€
	thousands	thousands
Damage expenses	324	7
Other taxes	17	79
Losses from outflow of fixed assets	8	1
Other expenses	296	60
	645	147

9. Earnings from associated companies

Earnings from associated companies consists of the proportional loss of €7 thousand from ife – Institut für Energieeffizienz GmbH, Bayreuth, and €4 thousand from Pellerei AGO Energia Societa Agricola S.r.l., Cossato/Italy.

10. Interest and similar earnings and expenses

Interest earnings and interest expenses break down as follows:

	2009	2008
	€	€
	thousands	thousands
Interest earnings		
Interest earnings third parties	268	372
Interest expenses		
Interest expenses to banks and from bonds	801	797
Interest expense from leasing	117	55
Addition of accrued interest from provisions	21	20
Interest expenses to related companies	4	29
	943	901

11. Income tax

Income tax encompasses income taxes payable in the individual countries as well as deferred tax accruals.

The calculation of domestic deferred taxes was based on a Group-wide tax rate of 30.53% (previous year: 30.53%). Apart from the trade earnings tax, this relates to corporate income tax at 15.0% and the solidarity surcharge of 5.5%.

Income taxes are calculated according to the local tax rates at foreign companies.

The cost from income tax is as follows:

	2009	2008
	€	€
	thousands	thousands
Actual income tax		
Income tax costs for the reporting year	120	26
Income tax costs for the previous reporting years	0	35
	120	61
Deferred taxes		
Creation and reversal of temporary differences	197	677
Tax losses carried forward	399	-267
	596	410
Tax expenditure		
Designated tax costs in the consolidated income statement	716	471
Attributable actual income tax for discontinued activities	0	13

Deferred taxes are regularly valued. The ability to realise tax earnings from deferred taxes is dependent on the possibility of achieving tax income in the future as well as using tax-related losses which are carried forward. On the balance sheet date, AGO Group disposed of unused tax losses carried forward for corporate income tax amounting to €1,975 thousand (previous year: €1,935 thousand) and for trade tax totalling €1,464 (previous year: €1,635 thousand). This also contains foreign tax losses carried forward amounting to €32 thousand (previous year: €78 thousand). Concerning these usable losses, a deferred tax asset totalling €173 thousand (previous year: €546 thousand) was capitalised. The tax losses carried forward as of 31 December 2009 can be carried forward without limitation with the exception of €24 thousand from foreign tax losses carried forward. Deferred tax assets are only formed if it can be assumed that any future earnings to be taxed will remain available and therefore the use of deferred tax is given.

Income tax can be attributed to the fictitious expenses for income tax, which would have resulted when applying the tax rate of the Group parent company AGO AG amounting to 30.53% (previous year: 30.53%) based on IFRS Group earnings before taxes, as shown in the following:

	2009	2008
	€	€
	thousands	thousands
Earnings before income tax	987	1,088
Theoretical income tax cost	301	332
Impact of tax rate changes	-6	-1
Non-deductible expenses	63	43
Permanent differences	0	57
Value adjustments on deferred tax assets	350	0
Other	8	40
Actual income tax	716	471
Effective tax rate in %	72.5	43.3

Deferred tax assets and liabilities from temporary differences and tax losses carried forward developed as follows:

	2009	2008
	€	€
	thousands	thousands
Deferred tax assets		
Other provisions and liabilities	70	47
Property, plant and equipment	167	0
Tax losses carried forward	173	546
	410	593
Balancing	-280	-425
Information shown	130	168
Deferred tax liabilities		
Intangible assets	86	65
Property, plant and equipment	59	335
Receivables and other assets	1,259	451
Other provisions and liabilities	138	279
	1,542	1,130
Balancing	-280	-425
Information shown	1,262	705

Value adjustments from deferred tax assets on tax losses carried forward were as follows on the balance sheet date:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Tax losses carried forward	596	619
Value adjustments	-423	-73
	173	546

A settlement of deferred tax claims and liabilities takes place if offsetting actual tax claims against actual tax liabilities is enforceable. In addition, tax claims and tax liabilities must relate to income taxes, which are levied by the same tax authority.

Deferred tax assets and liabilities developed as follows:

	2009	2008
	€	€
	thousands	thousands
Deferred tax assets	130	168
Deferred tax liabilities	-1,262	-705
Balance	-1,132	-537
Change	-596	-410
There of:		
Recognised in profit or loss	-596	-410
Offset against equity	0	0
Acquisitions	0	0

12. Earnings from discontinued business divisions

Earnings from business divisions discontinued for 2008 related to the business divisions of ventilation and air conditioning discontinued in 2007. In 2008, only two ventilation projects that were already underway were completed.

Earnings from business divisions discontinued in the previous year which are reported separately in the previous year's income statement break down as follows:

	2009	2008
	€	€
	thousands	thousands
Sales	0	224
Production costs	0	-180
Earnings before income tax	0	44
Income tax	0	-13
Earnings from discontinued business divisions	0	31

13. Cost of materials

The reported cost of materials in operating costs break down as follows:

	2009	2008
	€	€
	thousands	thousands
Expenses for raw materials and supplies and for goods purchased	31,633	31,058
Expenses for services purchased	3,835	2,241
	35,468	33,299

14. Staff costs

Staff costs included in operating costs are as follows:

	2009	2008
	€	€
	thousands	thousands
Wages and salaries	7,134	5,808
Social security costs and pension and support costs	1,170	998
	8,304	6,806

15. Earnings per share

Earnings per share are determined by the earnings attributable to the shareholders of AGO AG divided by the average number of shares in circulation. A dilution of the reference number occurs on account of so-called potential shares resulting from stock options and convertible bonds. AGO AG does not own so-called potential shares meaning that basic earnings per share are identical to diluted earnings per share.

		2009	2008
Earnings from continuing activities	€ thousands	271	586
There of the earnings share from shareholders of the parent company	€ thousands	237	607
Weighted average number of issued shares	Thousands	4,000	4,000
Earnings per share from continuing business divisions	EUR	0.06	0.15
		2009	2008
Earnings from discontinued activities	€ thousands	0	31
There of the earnings share from shareholders of the parent company	€ thousands	0	31
Weighted average number of issued shares	Thousands	4,000	4,000
Earnings per share from discontinued business divisions	EUR	0.00	0.01

Notes to the Group balance sheet

16. Intangible assets

Intangible assets developed as follows:

2009	Licenses and similar rights	Goodwill	Contracts	Total
	€ thousands	€ thousands	€ thousands	€ thousands
Acquisition and production costs				
As of 1 Jan. 2009	295	0	148	443
Change in the basis of consolidation	88	75	0	163
Accretion	245	0	0	245
As of 31 Dec. 2009	610	75	148	851
Accumulated depreciation				
As of 1 Jan. 2009	143	0	25	168
Accretion	30	0	14	44
As of 31 Dec. 2009	173	0	39	212
Book value as of 31 Dec. 2009	437	75	109	639
2008	Licenses and similar rights	Goodwill	Contracts	Total
	€ thousands	€ thousands	€ thousands	€ thousands
Acquisition and production costs				
As of 1 Jan. 2008	143	0	148	291
Zugang	152	0	0	152
As of 31 Dec. 2008	295	0	148	443
Accumulated depreciation				
As of 1 Jan. 2008	126	0	11	137
Accretion	17	0	14	31
As of 31 Dec. 2008	143	0	25	168
Book value as of 31 Dec. 2008	152	0	123	275

17. Property, plant and equipment

Property, plant and equipment developed as follows:

2009	Properties and buildings	Technical systems and machines	Operational and business equipment	Paid down payments and plants in construction	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Acquisition and production costs					
As of 1 Jan. 2009	6,343	10,263	1,703	616	18,925
Change in the basis of consolidation	0	0	128	0	128
Accretion	7	30	334	350	721
Reduction	0	0	-64	0	-64
As of 31 Dec. 2009	6,350	10,293	2,101	966	19,710
Accumulated depreciation					
As of 1 Jan. 2009	1,344	1,910	1,229	0	4,483
Change in the basis of consolidation	0	0	0	0	0
Accretion	161	580	155	0	896
Reduction	0	0	-30	0	-30
As of 31 Dec. 2009	1,505	2,490	1,354	0	5,349
Book value as of 31 Dec. 2009	4,845	7,803	747	966	14,361
2008	Properties and buildings	Technical systems and machines	Operational and business equipment	Paid down payments and plants in construction	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Acquisition and production costs					
As of 1 Jan. 2008	6,144	9,957	1,588	12	17,701
Accretion	199	306	180	616	1,301
Reduction	0	0	-65	-12	-77
As of 31 Dec. 2008	6,343	10,263	1,703	616	18,925
Accumulated depreciation					
As of 1 Jan. 2008	1,246	1,343	1,156	0	3,745
As of 1 Jan. 2008	98	567	124	0	789
Accretion	0	0	-51	0	-51
Reduction	1,344	1,910	1,229	0	4,483
As of 31 Dec. 2008	4,999	8,353	474	616	14,442

Depreciation was attributed to production costs in sales.

In terms of property, plant and equipment, there are collaterals for liabilities of up to €10,021 thousand max. (previous year's maximum: €7,033 thousand). In addition to the fixed assets, parts of trade receivables as well as parts of inventory assets are ordered for these liabilities as security.

18. Interests in affiliated companies

AGO Group holds a 90.00% interest in FlorAgo Energy S.r.l., Turin/Italy. This is a newly founded shelf company without business operations. The book value of the interest is €2 thousand.

19. Investments in associated companies

The Company has a 50.00% interest in ife – Institut für Energieeffizienz GmbH, Bayreuth, which was founded in 2009. In addition, 32.94% of Pellerei AGO Energia Societa Agricola S.r.l., Cossato/Italy was purchased (previous year: 0.00%). The Company sold its interest in BEW Bioenergie + Wärme GmbH, Floh-Selgenthal, in 2009 (previous year: 50.00%).

	2009	2008
	€	€
	thousands	thousands
As of 1 January	5	0
Reductions from sales	-5	0
Accretions from acquisitions	3	6
Accretions from capital contribution	922	0
Accretions/reductions on the basis of results	-11	-1
As of 31 December	914	5

The following table contains summarised financial information on the associated companies:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Total assets	4,609	12
Total liabilities	1,895	-2
Net assets	2,714	10
Group share in net assets	914	5
Total sales	70	0
Total net earnings for the period	-27	-2
Group share in net earnings for the period	-11	-1

20. Inventories and paid down payments

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Raw materials, auxiliary and operations materials	479	413
Unfinished products and services	1,074	0
Paid down payments	57	69
	1,610	482

A total of €283 thousand is pledged from inventories (previous year: €254 thousand) as collateral for liabilities. In addition to inventory assets, parts of trade receivables as well as parts of fixed assets are ordered for these liabilities as security.

Inventories also contain proportional production costs from one associated company amounting to €887 thousand (previous year: €0 thousand).

21. Receivables from contracted work

Receivables from contract manufacturing were made up as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Sum of incurred costs and profits from third parties	21,238	10,474
Payments received from third parties	-15,815	-5,678
Sum of incurred costs and profits	0	112
Related companies	0	-103
	5,423	4,805

On 31 December 2009, the securities held back by customers for production orders amounted to €0 thousand (previous year: €0 thousand).

22. Trade receivables

Trade receivables contain receivables from related companies and individuals amounting to €388 thousand (previous year: €10 thousand). These relate to the parent company's subsidiary caverion. This also contains receivables from finance leasing amounting to €410 thousand (previous year: €383 thousand).

Trade receivables are due within a year and are not interest bearing.

Split up according to time bands, non-depreciating trade receivables were recorded on 31 December as follows (in € thousands):

Book value	There of neither depreciated nor overdue on the balance sheet date	There of not depreciated or overdue over the following time					
		Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	Between 181 and 365 days	More than 365 days	
2009	5,543	1,891	213	3	18	123	6
2008	7,052	2,520	317	76	17	43	27

In terms of the stock of trade receivables which are neither depreciated nor in default of payment on the balance sheet date, there is no indication that debtors will not honour their payment obligations.

The value adjustments on trade receivables and other current assets developed as follows:

	2009	2008
	€ thousands	€ thousands
As of 1 January	2,433	2,099
Allocations	1,270	772
Consumption	-1,584	-339
Break ups	-126	-99
As of 31 December	1,993	2,433

Receivables amounting to €1,015 thousand (previous year: €639 thousand) serve as collateral for liabilities. In addition to the receivables, parts of the inventory assets as well as parts of the fixed assets for these liabilities are ordered as security.

23. Receivables from associated companies

AGO Group has a current loan receivable totalling €1,600 thousand due from Pellerei AGO Energia Societa Agricola S.r.l., Cossato/Italy (previous year: €0 thousand).

24. Other receivables and assets

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Non-current assets		
Financial assets		
Receivables from finance leasing	1,158	1,568
Investments	914	0
Bank deposits with a remaining maturity of over a year	262	168
Securities held to maturity	255	165
Other lending	194	0
Outstanding loans and receivables	137	137
Interests in affiliated companies	2	0
	2,922	2,038
Current assets		
Financial assets		
Debit-side creditors	80	431
Non-financial assets		
Accruals	215	155
Amounts receivable from tax authority (without income tax)	75	4
Other non-financial assets	363	125
	733	715
Gesamt	3,655	2,753

The loans and receivables granted were neither depreciated nor overdue on the balance sheet date.

On the balance sheet date, there was no indication that debtors would not honour their payment obligations.

Bank deposits with a maturity greater than 12 months are pledged as collateral in a similar fashion to the securities.

Receivables from finance leasing are made up as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Receivables from finance leasing - current -	410	383
Receivables from finance leasing - non-current -	1,158	1,568
	1,568	1,951

Current receivables from finance leasing are included in trade receivables. Receivables from finance leasing stem from a leasing deal relating to a rebuilding project.

The connection between future minimum leasing payments with gross and net investments in the leasing relationship as well as the cash value of the outstanding minimum leasing payments breaks down as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Future minimum leasing payments	1,771	2,277
+ non-guaranteed remaining value	0	0
Bruttoinvestition in das Leasingverhältnis	1,771	2,277
- Unrealised finance income	-203	-326
Net investment in the leasing relationship	1,568	1,951
- Cash value of the non-guaranteed remaining value	0	0
Cash value of the outstanding minimum leasing payments	1,568	1,951

The gross investments in the leasing relationship as well as the cash value of the outstanding minimum leasing payments are due as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Gross investment in the leasing relationship		
< 1 year	506	506
1 to 5 years	1,265	1,771
> 5 years	0	0
Cash value of the outstanding minimum leasing payments		
< 1 year	410	383
1 to 5 years	1,158	1,568
> 5 years	0	0

25. Cash and cash equivalents

Cash relates to bank balances amounting to €10,252 thousand (previous year: €7,666 thousand) and cash in hand amounting to €16 thousand (previous year: €13 thousand). The bank balances attract variable interest rates for balances which are subject to call on a daily basis.

26. Shareholders' equity

The development of shareholders' equity and the overall results are represented separately in the statement of shareholders' equity.

Subscribed capital

The share capital of AGO AG amounts to €4,000 thousand (previous year: €4,000 thousand) and this is split between 4,000,000 (previous year: 4,000,000) bearer shares, which are fully paid. The unit shares are calculated at €1.00/unit (previous year: €1.00/unit) as part of the subscribed capital. All shares allow one vote per share at the Annual General Meeting. Voting restrictions do not exist.

Through the resolution made at the Extraordinary General Meeting dated 4 May 2007, the share capital from company funds was increased by €1,730 thousand to €2,500 thousand. The capital increase was entered into the commercial register on 18 May 2007. In addition, the Extraordinary General Meeting of 4 May 2007 decided on a capital increase through a cash deposit amounting to a further €200 thousand as well as the changeover to bearer shares with no par value (shares). The capital increase was entered into the commercial register on 31 May 2007.

Through a resolution made at the Extraordinary General Meeting of 4 May 2007, the Company's share capital was increased by €1,300 thousand through a cash deposit and by €4,000 thousand through the issue of 1,300,000 new shares. The subscription rights of shareholders were excluded. The shares were distributed within the scope of the Company's IPO on 28 June 2007. The capital increase was entered into the commercial register on 26 June 2007.

On the balance sheet date, caverion GmbH, Stuttgart held 59.25% of the share capital (previous year: 59.25%). caverion GmbH, Stuttgart, notified us in line with Sec. 20 (1), (3) and (4) AktG that it holds more than a quarter of the shares and is therefore the majority shareholder in the Company.

Authorised capital

Through a resolution made at the Extraordinary General Meeting of 4 May 2007, the Company's Management Board was authorised to increase the Company's share capital on one or on successive occasions with the approval of the Supervisory Board until 4 May 2012 (in nominal terms up to €1,250 thousand) by issuing new bearer shares in the form of common shares against cash or in kind.

The shareholders shall be granted subscription rights, the Management Board is however authorised to exclude high amounts from the assignment to the shareholders and for the recovery of assets in kind, particularly in the form of interests in companies and assets and to exclude the right to subscribe. In addition, with the approval of the Supervisory Board, the Management Board is also authorised to exclude subscription rights in the respective utilisation of the authorisation through a capital increase against cash contributions (but no more than once within 12 months) if the capital increase does not exceed 10% of the existing share capital of the Company at the time of the authorisation, where the newly issued shares shall take the same form as company shares which are already listed and where the issue price of new shares is not substantially lower than the stock price of the shares at the time the issue price is adopted by the Management Board.

With the consent of the Supervisory Board, the Management Board is authorised to settle the remaining content of the share rights and terms of the share issue. The Supervisory Board is authorised in each case to adapt the statutes in accordance with the size of the capital increase from the authorised capital.

The authorised capital was entered into the commercial register on 18 May 2007.

Capital reserve

The capital reserve contains the amounts which have been made by issuing AGO AG shares, beyond the notional value of the shares.

Furthermore, the cost of the IPO amounting to €1,075 thousand less the attributed deferred taxes totalling €401 thousand were charged to the capital reserve in 2007. The expenses for share-based payments amounting to €920 thousand were credited to the capital reserve in 2007.

Profit reserves

Profit reserves contain the pro-rata profit reserves of the parent company and other involved companies following the date of the initial consolidation.

Reserve for exchange rate differences

The reserve for exchange rate differences serves to cover differences that occur by converting the financial statements of foreign subsidiaries. These result from exchange rate differences from a Norwegian and a South African company.

Minority interests

Minority interests show the ownership of shares of third parties in the consolidated companies. Minority interests relate to Fittings GmbH Formstücke + Anlagen, Erfurt, AGO ENERGIA S.r.l., Turin/Italy and Ringdalskogen Fjernvarme AS, Larvik/Norway.

Capital control

The primary objective of capital control for AGO AG and its shareholdings is to ensure that it supports the business activity while maintaining a high credit rating and good equity ratio. The capital includes shareholders' equity, share capital, capital reserve and net profit. To alter or maintain the capital structure, AGO AG is able to make adjustments to the dividends paid to shareholders, issue new shares or take out loans. As of 31 December 2009 and 31 December 2008 there were no changes made to the objectives and guidelines.

The Group monitors its shareholders' equity using the equity ratio set against the total capital. This amounted to 30.2% (previous year: 34.3%) on 31 December 2009.

27. Provisions

These provisions break down as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Pension provisions		
Non-current share	222	215
Other provisions		
Current share	150	123
Non-current share	500	471
	650	594
Total provisions	872	809

Pension provisions

AGO Group maintains a defined-benefit pension plan.

In addition to the defined-benefit pension plan, defined-contribution plans are also maintained. The legally mandated contributions by employers to the statutory pension insurance scheme in Germany should be considered examples of this type of defined-contribution plan. The expense for these contributions in this reporting period, recorded as working costs, came to €577 thousand (previous year: €510 thousand).

These pension obligations are based on individual agreements and pension schemes. These pension schemes and individual contracts provide for the granting of pensions in cases of long-term disability or when employees reach retirement age. The qualifying period is 5 and 10 years of employment with AGO respectively. Individual contracts contain no provision for a qualifying period. In general, the calculation of pension levels is based on the wage or salary level of employees and their length of service.

The determination of pension obligations is based on actuarial expert opinions, which are commissioned each year. Benefit levels are calculated based on employees' length of service and predicted future salary and pension trends.

The cash value of benefit claims for pension obligations are carried over into the balanced value of benefit claims as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Present value of entitlement	222	207
Actuarial profits not yet offset	0	8
Pension obligation	222	215

The cash value of service related obligations changed as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Present value of entitlement at the beginning of the financial year	207	215
Working time costs	4	4
Interest costs	12	11
Services paid for	-9	-9
Actuarial losses (compared to profits)	8	-14
Cash value of the service related obligation by the end of the financial year	222	207

Pension obligations developed as follows:

	€
	thousands
Service related obligations as of 1 January 2008	209
Working time costs	4
Interest costs	11
Actuarial losses	0
Services paid for	-9
Service related obligations as of 31 December 2008	215
Working time costs	4
Interest costs	12
Actuarial losses	0
Services paid for	-9
Service related obligations as of 31 December 2009	222

Recorded expenditures for pension benefits:

	2009	2008
	€	€
	thousands	thousands
Working time costs	4	4
Interest costs	12	11
Expenditures for pension benefits	16	15

Ongoing service cost is recorded under staff costs, interest expense under finance costs.

For the financial year 2010, the Group expects to make contributions of €4 thousand to service related plans.

Valuation factors

Pension benefit obligations are based on the following actuarial assumptions:

	2009	2008
	%	%
Discount rate	5.80	6.20
Rate of compensation increase	2.25	2.25
Rate of pension progression	2.25	2.25
Labour turnover rate	4.50	4.50

Other provisions

Other provisions developed as follows:

	Staff	Sales and distribution	Other	Total
	€ thousands	€ thousands	€ thousands	€ thousands
As of 1 January 2008	254	215	181	650
Consumption	0	0	-98	-98
Dissolution	-8	-14	-9	-31
Allocation	7	0	57	64
Accrued interest	6	0	3	9
January 2009	259	201	134	594
Consumption	-3	0	-37	-40
Dissolution	-25	-50	-20	-95
Allocation	13	120	50	183
Accrued interest	6	0	2	8
As of 31 December 2009	250	271	129	650

Staff department provisions reported on the balance sheet date consist largely of provisions for anniversary benefits (€110 thousand, previous year: €104 thousand) and provisions for partial retirement (€126 thousand, previous year: €147 thousand). In the sales & distribution department, provisions have been formed for guaranteed benefits (€271 thousand, previous year: €201 thousand). The remaining miscellaneous provisions primarily relate to legal and restructuring costs totalling €63 thousand (previous year: €70 thousand) and restoration obligations.

The following table reflects the maturities of remaining accrued provisions as of 31 December 2009:

	Staff	Sales and distribution	Other	Total
	€	€	€	€
	thousands	thousands	thousands	thousands
Current	0	87	63	150
Non-current	250	184	66	500
	250	271	129	650

28. Trade payables and advances received

This entry consists of the following:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Trade payables	7,142	6,589
Advances received	0	14
	7,142	6,603

29. Liabilities from contracted work

Liabilities from contracted work break down as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Sum of incurred costs and profits from third parties	-1,721	3,959
Payments received from third parties	7,878	-4,733
Sum of incurred costs and profits	-2,198	-3,299
Related companies	2,340	3,920
	6,299	1,395

30. Financial and miscellaneous liabilities

These liabilities break down as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Non-current liabilities		
Financial liabilities		
Financial liabilities		
Bank loans	5,537	6,071
Bonds outstanding	2,474	2,462
Liability from finance leasing	1,141	1,535
	9,152	10,068
Non-financial liabilities		
Other non-financial liabilities	4	14
	4	14
	9,156	10,082
Current liabilities		
Financial liabilities		
Financial liabilities		
Bank loans	1,586	1,702
Liabilities from finance leasing	394	367
	1,980	2,069
Other financial liabilities		
Liabilities to employees	564	192
Other financial liabilities	346	128
Liabilities to minority shareholders	448	674
	1,358	994
	3,338	3,063
Non-financial liabilities		
Other liabilities		
Other non-financial liabilities	5	0
Liabilities from other taxes	2,103	2,270
Accrued social insurance liabilities	42	39
	2,150	2,309
	5,488	5,372
Total	14,644	15,454

Liabilities to banks are denominated in euros. In addition to repayment liabilities due within a year, the short-term component of the bank loans item also includes overdrafts.

The majority of bank loans and the entirety of the bond issue are on fixed-interest terms.

The interest rate for fixed rate loans was between 4.85% and 5.75% (previous year: between 5.49% and 5.75%), representing an average interest rate of 5.40% (previous year: 5.49%). The effective interest rate of bonds outstanding is 8.68%.

31. Financial instruments

The primary financial instruments used by the Group – with the exception of financial derivatives – are bank loans and overdrafts, bonds, trade payables and advances. The main purpose of these financial instruments is financing the Group's business activities. The Group has assorted financial assets such as trade receivables, cash and short-term deposits resulting directly from its business activities. The Group's risk management provisions are discussed in detail in the management report.

AGO employs derivative financial instruments (interest rate caps) to minimise its exposure to risk from interest rate changes. These instruments are used solely to hedge existing or expected interest rate risks.

Exchange rate risk

Due to its geographical area of operations, the Group is only exposed to low exchange rate risks. Although the South African company launched operations in the reporting year, fluctuations in the exchange rate between the South African rand and the euro did not have any major impacts due to the company's low share of AGO Group's total business volume. The Norwegian company had not yet begun operations in the reporting year, therefore fluctuations in the exchange rate between the Norwegian krone and the euro are immaterial. However, the Group is exposed to risk from interest rate variations as a result of its financing activities.

Default risk

A solvency or default risk exists when a counterparty is unable to meet its obligations stemming from a transaction with original or derivative financial instruments, thereby causing a loss.

Credit assessments are carried out on new clients. In the case of existing client relationships, regular analyses of payment behaviour are carried out.

For receivables outstanding on the balance sheet date, the default risk is considered to be low. A large proportion of these receivables have been insured against default.

The amounts recorded in assets represent the maximum extent of possible default risk.

Risks from interest rate changes

AGO Group is exposed to risks from interest rate changes. Such changes primarily affect the Group's liabilities to banks. These liabilities include loans and overdrafts with variable interest rates and are therefore directly affected by interest rate changes. These changes affect future cash flows.

Financial risks stemming from variations in interest rates are managed by the Group's management. Interest rate related hedging transactions (interest rate caps) are used to hedge loans with variable interest rates. The residual maturity of these interest rate caps is 3 years.

A change in Eurozone interest rates of 50 base points relative to the normal volume as of the balance sheet date of 31 December 2009 would have no material effect on Group net earnings for the year or consolidated shareholders' equity, as financial instruments with variable interest rates are only of secondary importance to the Group.

Liquidity risk

The Group's business activities require that provision be made for adequate liquidity. AGO Group counters liquidity risk through wide-ranging credit facilities and by ensuring adequate supplies of cash on hand.

The following tables list the future undiscounted cash flows resulting from financial liabilities that affect the future liquidity status of AGO Group.

	Undiscounted cash flows as of 31 Dec. 2009 in €thousands					
	Total	2010	2011	2012	2013	> 2013
Non-current financial liabilities	9,152	0	961	949	3,255	3,987
Trade payables and advances received	7,142	7,142	0	0	0	0
Liabilities from contracted work	6,299	6,299	0	0	0	0
Current financial liabilities and other liabilities	3,338	3,338	0	0	0	0
Total	25,931	16,779	961	949	3,255	3,987

Undiscounted cash flows as of 31 Dec. 2008 in €thousands

	Total	2009	2010	2011	2012	> 2012
Non-current financial liabilities	10,068	0	928	961	949	7,230
Trade payables and advances received	6,603	6,603	0	0	0	0
Liabilities from contracted work	1,395	1,395	0	0	0	0
Current financial liabilities and other liabilities	3,063	3,063	0	0	0	0
Total	21,129	11,061	928	961	949	7,230

Credit risk

There are no significant concentrations of credit risk in the Group.

Current value

In general, financial instruments are carried at market or current value. Those financial instruments not carried at market value primarily include cash equivalents, trade receivables, trade payables and other financial liabilities, bank overdrafts and long-term loans.

Financial instruments classified as “available for sale” are valued at cost for lack of an active market.

Financial investments in the category “retained until maturity” are securities in which an active market exists. These securities are valued at their market price on the balance sheet date.

The book value of cash, cash equivalents and overdrafts is close to their fair value, due to the short-term nature of these financial instruments.

In the case of trade receivables and payables, which are generally based on normal trade credit conditions and have mostly short-term maturities, book value is also very close to the relevant fair value. The remaining receivables and obligations are also generally short-term in nature. As a result, their recorded value also represents a close approximation of present market value.

The fair values assigned to the miscellaneous non-current receivables represent the cash value of the payment streams associated with those assets. These are calculated at standard market interest rates with the usual maturity and credit conditions.

The fair values of non-current liabilities to banks as well as other non-current financial liabilities are calculated as the cash values of the payments associated with the obligations based on the applicable term structure curve.

The fair values of derivative financial instruments were determined according to standard market assumptions. The fair value of interest rate hedging transactions is based on the future expected discounted payment stream as determined by the applicable term structure curves.

Derivative financial instruments are recorded as other financial receivables (positive market value) or financial liabilities (negative market value) depending on their market values. As of 31 December 2009, the interest rate cap had a nominal value of €990 thousand (previous year: €1,220 thousand) and a market value of €2 thousand (previous year: €0 thousand).

The following table represents the fair value and book value of the financial assets and financial liabilities recorded in the individual balance sheet items:

Assets as of 31 Dec. 2009 in €thousands	Book value by valuation category				
	Fair value	Retained until maturity	Credits and receivables	Not covered by IFRS 7	Total
Non-current financial assets	2,922	255	1,751	916	2,922
Receivables from contracted work	5,423	0	5,423	0	5,423
Trade receivables	5,543	0	5,543	0	5,543
Receivables from associated companies	1,600		1,600		1,600
Other current receivables and assets	886	0	233	653	886
Cash and cash equivalents	10,268	0	10,268	0	10,268
Total assets	26,642	255	24,818	1,569	26,642

Liabilities as of 31 Dec. 2009 in €thousands	Book value by valuation category			
	Fair value	Financial liabilities at cost	Not covered by IFRS 7	Total
Non-current financial liabilities	9,152	9,152	0	9,152
Trade payables and advances received	7,142	7,142	0	7,142
Liabilities from contracted work	6,299	6,299	0	6,299
Current financial liabilities and other liabilities	5,488	3,338	2,150	5,488
Total liabilities	28,081	25,931	2,150	28,081

**Assets as of 31 Dec. 2008 in
€thousands**

Book value by valuation category

	Fair value	Retained until maturity	Credits and receivables	Not covered by IFRS 7	Total
Non-current financial assets	2,038	165	1,873	0	2,038
Receivables from contracted work	4,805	0	4,805	0	4,805
Trade receivables	7,052	0	7,052	0	7,052
Receivables from associated companies	0				0
Other current receivables and assets	1,092	0	807	285	1,092
Cash and cash equivalents	7,679	0	7,679	0	7,679
Total assets	22,666	165	22,216	285	22,666

Liabilities as of 31 Dec. 2008 in €thousands

Book value by valuation category

	Fair value	Financial liabilities at cost	Not covered by IFRS 7	Total
Non-current financial liabilities	10,068	10,068	0	10,068
Trade payables and advances received	6,603	6,603	0	6,603
Liabilities from contracted work	1,395	1,395	0	1,395
Current financial liabilities and other liabilities	5,372	3,063	2,309	5,372
Total liabilities	23,438	21,129	2,309	23,438

Following the valuation classes according to IAS 39 aggregated fair value is represented as follows:

	31.12.2009 € thousands	31.12.2008 € thousands
Financial liabilities at cost	25,931	21,129
Credits and receivables	24,818	22,216
Financial instruments held until maturity	255	165

The sum total of all financial liabilities that will mature in the course of the next 5 years and later is comprised of the following components:

	31Dec. 2009				31Dec. 2008			
	Total	2010	2011-2014	After	Total	2009	2010-2013	After
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Bank loans	7,123	1,586	2,067	3,470	7,773	1,702	2,086	3,985
Bonds outstanding	2,474	0	2,474	0	2,462	0	2,462	0
Liabilities to employees	564	564	0	0	192	192	0	0
Other financial liabilities	346	346	0	0	128	128	0	0
Liabilities from finance leasing	1,535	394	1,141	0	1,902	367	1,535	0
Liabilities to minority shareholders of AGO Energia	448	448	0	0	674	674	0	0
Trade payables	7,142	7,142	0	0	6,603	6,603	0	0
Liabilities from contracted work	6,299	6,299	0	0	1,395	1,395	0	0
	25,931	16,779	5,682	3,470	21,129	11,061	6,083	3,985

Net earnings by valuation category

	From interest	Net earnings	
		2009	2008
		€ thousands	€ thousands
Loans and receivables	268	268	383
Financial liabilities at cost	-943	-943	-901
	-675	-675	-518

32. Notes to the Group's cash flow statement

The cash flow statement of AGO Group shows in what way the cash and cash equivalents have changed through cash inflow and outflow in the course of the reporting year. In accordance with IAS 7 – Cash Flow Statements, a differentiation is made between cash flow from operational, investment and financing activities.

The capital funds disclosed in the cash flow statement comprise cash assets, checks as well as credits with banks, as long as they are originally due in less than three months.

Within the indirect evaluation, changes of balance sheet items taken into account are adjusted by effects from changes of all companies to be consolidated. Therefore, there are differences compared to the changes of the concerning balance items in the

consolidated balance sheet. Cash flow from investment and financing activities is calculated in a payment-oriented way.

For information on payment instrument flow from the acquisition of companies please refer to item 4 "Mergers".

Other disclosures

33. Leasing contracts

The Group has entered into leasing contracts as a lessee. The objects of these contracts are primarily vehicles and office equipment.

As of the balance sheet date, the following minimum payment obligations from operating leasing relationships existed:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Less than a year	224	248
Between one and five years	149	227
More than five years	0	0
	373	475

Rental and lease payments recognised in profit or loss totalled €227 thousand in 2009 (previous year: €265 thousand). There are no contingent rental payments or payments from subleasing relationships.

Leasing liabilities result from assets to be capitalised in line with IAS 17. This relates to a finance leasing contract for a wheel loader with a book value of €52 thousand (previous year: €63 thousand). The leasing relationship runs until 1 December 2011. There is no option to extend it. However, the Company has the option of purchasing the leasing object at the end of the contractual period. The interest rate is 6.3%.

In 2008, a rental contract was signed which runs until 30 June 2013. The interest rate is 6.9%. In contrast, the financing is connected to a leasing object which qualified as a finance leasing (see the detailed explanation of this under other non-current assets).

On 31 December 2009, liabilities from finance leasing and rental purchase contracts amounted to a total of €1,535 thousand (previous year: €1,902 thousand).

The details of the minimum leasing payments are as follows:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Future minimum leasing payments		
< 1 year	485	484
1 to 5 years	1,240	1,725
> 5 years	0	0
Share of interest contained in the future leasing payments		
< 1 year	91	117
1 to 5 years	99	190
> 5 years	0	0
Cash value of the future minimum leasing payments		
< 1 year	394	367
1 to 5 years	1,141	1,535
> 5 years	0	0

The following expenses are incurred from finance leasing:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Interest costs	117	55
Depreciation	11	4
Recorded expense	128	59

34. Contingent liabilities, contingent claims and financial obligations

Contingent liabilities and contingent claims

Bank credits amounting to €4,760 thousand (previous year: €1,785) serve to secure guaranteed credit of €22,767 thousand (previous year: €14,015) that has been drawn on.

Other financial obligations

Other financial obligations consist of the following:

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Obligations from leasing contracts	373	475
Service agreements	425	346
	798	821

35. Disclosures of relationships to related companies and people

caverion GmbH, Stuttgart, (hereinafter "caverion") holds 59.25% of the shares in AGO AG, Kulmbach.

In a series of subcontractor agreements with caverion and other caverion subsidiaries, i.e. contracts in which AGO AG as subcontractor agreed to complete portions of projects executed by caverion, the Company assumed responsibility for building various subassemblies. Normal contract procedures were followed. For some of these projects, caverion or its subsidiaries provided guarantees on behalf of the Company. On the balance sheet date there are securities as well as guarantees by caverion in favour of AGO Group totalling €1,236 thousand (previous year: €1,253 thousand) and €6,043 thousand (previous year: €6,557 thousand) respectively.

The insurance of the Group was converted from the group insurance of caverion Group to individual agreements in 2008.

The exchange of services with the subsidiaries of caverion took place according to the usual market conditions and had the following impact on the balance sheet and income statement of AGO AG:

	2009	2008
	€	€
	thousands	thousands
Sales	4,782	687
Production costs	128	85
Administrative costs	1	0
Other operating expenses	1	4
Financial expenses	4	28

	31.12.2009	31.12.2008
	€	€
	thousands	thousands
Payments received from production orders	0	4,023
Trade receivables	0	10
Trade payables	3	4

Liabilities from advances received totalling €330 thousand exist with an affiliated company outside the basis of consolidation of AGO AG, while trade receivables worth €58 thousand exist for another associated company.

In addition, during the usual course of business operations, relationships also exist with two associated companies. The exchange of services with these companies took place according to the usual market conditions and had the following impact on the balance sheet and income statement of AGO AG:

	2009	2008
	€	€
	thousands	thousands
Sales	2,203	0
Production costs	42	0
Payments received from production orders	2,340	0
Liabilities from contracted work	142	0

Compensation of the Management Board

Total compensation due to the Management Board for the financial year 2009 amounted to €531 thousand (previous year: €295 thousand). This contains emoluments of €104 thousand for previous years.

Former members of the Management Board received €9 thousand (previous year: €9 thousand). Pension obligations under IFRS (Defined Benefit Obligations) to former members of the Board total €99 thousand (previous year: €102 thousand).

Compensation of the Supervisory Board

For the financial year 2009, the members of the Supervisory Board received compensation totalling €63 thousand (previous year: €80 thousand), including attendance fees.

The AGO AG shares held by the members of the Management Board and the Supervisory Board total 8.96% of all outstanding shares.

36. Executive bodies of the Company

The members of the Supervisory Board of the Company are:

- Steffen Pfund (Chairman of the Executive Board of caverion GmbH, Stuttgart),
- Waiblingen-Neustadt (Chairman of the Supervisory Board)
- Dr. Klaus Hermsdorf (Managing Director of caverion GmbH, Stuttgart, responsible for technology and sales)
- Dresden (Deputy Chairman of the Supervisory Board)
- Johannes Eismann (Member of the Executive Board of quirin bank AG, Berlin), Eggolsheim
- Prof. Dr. Eckhard Dinjus (Professor at Ruprecht-Karls University in Heidelberg), Leimersheim

- Franz Brosch (Lawyer, Managing Director of the Bavarian association Metall und Elektro e.V., Munich), Iphofen
- Harald Petersen (Lawyer and Managing Director of H2M Capital Management GmbH, Bayreuth), Bayreuth

The members of the Management Board of AGO AG Energie + Anlagen are:

- Dipl. Betriebswirt Hans Ulrich Gruber (Head of Business and Trading), Mainleus
- Dipl. Ing. Helmut Peetz (Head of Sales and Technology), Kulmbach

37. Employees

In 2009, AGO Group employed an average of 144 employees (previous year: 131).

In 2009, an average of 133 (previous year: 124) white-collar and 11 blue-collar employees (previous year: 7) were employed.

38. Auditor's fees

The auditor's fees from the year under review break down as follows:

	2009	2008
	€	€
	thousands	thousands
Audit (consolidated and separate financial statements)	106	137
Other confirmation and valuation services	23	21
	<u>129</u>	<u>158</u>

39. Events occurring after the balance sheet date

No material events occurred after the balance sheet date.

Kulmbach, 25 March 2010

AGO AG Energie + Anlagen
Vorstand



Hans Ulrich Gruber



Helmut Peetz

Auditor's report



Auditor's report

For the attention of AGO AG Energie + Anlagen, Kulmbach:

"We have audited the consolidated financial statement prepared by AGO AG Energie + Anlagen, Kulmbach, consisting of income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in shareholder's equity and notes, together with the consolidated management report for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB (German Commercial Code) and the additional requirements of the articles of association are the responsibility of the company's management. It is our responsibility to express an opinion on the consolidated financial statement and the consolidated management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 of the HGB and the generally accepted German standards for auditing financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer - IDW). Those standards require that we plan and perform the audit in such a way that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities as well as the economic and legal environment of the Group along with expectations regarding possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the consolidated management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the consolidated management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and the additional requirements of the articles of association and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The consolidated management report is consistent with the consolidated financial statements and provides a suitable view of the Group's position as a whole while suitably presenting the opportunities and risks of future development.

Stuttgart, 26 March 2010

Ebner Stolz Mönning Bachem GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dr. Wolfgang Russ
Auditor

Christoph Lehmann
Auditor



Company headquarter of AGO AG Energie + Anlagen, Kulmbach

Financial calendar

4 May 2010
 4 May 2010
 May 2010
 30 June 2010
 August 2010
 November 2010

Annual Report 2009
 Entry und General Standard Conference
 1. Quarterly Report 2010
 Annual General Meeting
 2. Quarterly Report 2010
 3. Quarterly Report 2010

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Information

The annual consolidated financial statement is available on the Internet at www.ago.ag and also published in German.

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Concept and content



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