

Recommendation:
BUY (BUY)

Risk:
HIGH (HIGH)

Fair Value:
EUR 5.71 (5.71)

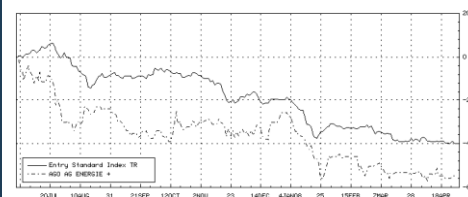
30th May 2008

Q1 figures reflect the cyclical business

We maintain our positive forecast for 2008E

- For Q1 2008, AGO reported sales revenues of EUR 5.4m and a relatively high gross margin of 12.7%. EBIT was slightly negative, amounting to EUR -0.09m. This was mainly due to the selling costs which were rather high in proportion to sales (10.5%). This might be a result of AGO's increased selling efforts in the Plant Operation segment. Net income was EUR -0.2m. Since AGO has not published last year's Q1 figures, a year on year comparison is not possible.
- The reported Q1 figures meet our expectations. As in every first quarter, the results were affected by the completion of orders from 2007 and preparing for new orders. It is typical for AGO's cyclical project business that there is no positive effect from new orders before the second quarter onwards.
- As already included in our initial report from May 19, 2008, AGO had announced a record high of EUR 20.7m incoming orders, compared to EUR 12.1m in 1Q 2007 (+71%). In view of this high level of incoming orders and the traditionally stronger following quarters of the year, we maintain our positive forecast for 2008.
- We expect significant margin increases due to AGO's strategic shift towards self-planned projects with less down-side risk. In 2009, AGO's Plant Operation business will pick up speed, when further plants will go into service. The fulfilled entry into the Italian market will give AGO's growth an additional boost.
- We expect a significant revaluation of AGO's stock in the course of the successful strategy implementation. We maintain our previous price target of EUR 5.71 and still recommend to BUY the share.

Share price (dark) vs. Entry Standard Index



Sources: CBS Research AG, Bloomberg, AGO AG

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

Internet: www.ago.ag
WKN: A0LR41
Reuters: AGYG.DE

Sector: Industrial
ISIN: DE000A0LR415
Bloomberg: AGY GY

Share data:

Share price (EUR):	4.00
Shares outstanding (m):	4.0
Market capitalisation (EURm):	16.0
Enterprise value (EURm):	23.5
Ø daily trading volume (6 m., no. of shares):	2,440

Performance data:

High 52 weeks:	9.34
Low 52 weeks:	3.65
Absolute performance (6 months):	-32.8%
Relative performance (vs. Entry Standard Index):	
1 month	-5.3%
3 months	-2.7%
6 months	-11.7%
12 months	-

Shareholders:

Caverion GmbH:	59.3%
Management:	5.1%
Free float:	35.7%

Financial calendar:

Shareholders' meeting:	June 2008
H1 figures:	August 2008

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Key data

Y/E 31.12., EUR m	2006	2007	2008E	2009E	2010E
Sales revenues	33.9	41.3	46.6	52.7	58.9
Gross profit	3.5	1.9	4.7	6.3	7.2
EBITDA	1.6	0.5	3.1	4.8	5.6
EBIT	1.4	-0.3	2.1	3.6	4.3
Net income/loss	0.4	-0.9	1.0	2.0	2.5
EPS*	1.06	-0.26	0.25	0.51	0.63
CPS*	-0.60	-1.15	0.21	0.62	0.87
DPS	0.00	0.00	0.00	0.00	0.00
Gross margin	10.4%	4.5%	10.1%	12.0%	12.2%
EBITDA margin	4.7%	1.1%	6.7%	9.0%	9.5%
EBIT margin	4.0%	-0.6%	4.5%	6.9%	7.3%
EV/EBITDA	14.9	50.7	7.5	4.9	4.2
EV/EBIT	17.2	neg.	11.1	6.5	5.5
P/E	3.8	neg.	15.9	7.9	6.4

Source: CBS Research AG, AGO AG

*EPS and CPS only from continuing operations

Profit and loss account

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

Source: CBS Research AG; AGO AG

Balance sheets

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

Source: CBS Research AG; AGO AG

Cash flow statements

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

Source: CBS Research AG; AGO AG

Cash flows from discontinued operations (included above)

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

Source: CBS Research AG; AGO AG

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

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

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

Recommendation history for the company analysed in this report:

Date	Recommendation	Price at change date	Target Price
19 th May 2008	Buy (Initiating Coverage)	3.99	5.71 EUR
30 th May 2008	Buy	4.00	5.71 EUR

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