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**Agility (AGLT.KW)****May 29, 2008**

- The United States Defense and Logistics Agency (DLA) has renewed Agility's Subsistence Prime Vendor contract (SPVC) for the provision of food and related items to the US military in Kuwait, Iraq and Jordan. The renewal is a one year extension of the contract, valid from June 3, 2008 to June 2, 2009.
- The renewal of SPVC will help maintain the operating performance of the Defense & Government Services (DG&S) segment at a level close to 2007. Thus, we do not expect to see in 2008 any major decline in the profitability of the DG&S segment—which generates more than half of Agility's profits.
- The DLA has announced their intention to award new contract(s) based on a new solicitation which closes on June 30, 2008 (the terms of the solicitation are described in our previous update dated 27 February 2008) at least six months prior to the expiration of Agility's extended contract. This will allow the DLA to phase in the new prime vendor(s); however, Agility will remain the primary choice until its contract expires.
- The new solicitation separates the services to be rendered to the US Army into two zones: Zone I and Zone II. Zone I contains Kuwait and northern, central, and southern portions of Iraq, which should be supported via delivery routes originating in Kuwait and Turkey. Zone II, on the other hand, consists of Jordan and the west-central portion of Iraq, which should be supported via delivery routes originating in Jordan. Also, the DLA intends to make a single award per zone but reserves the right to make one award for both zones. The estimated annual value of Zone I and Zone II are USD 1.3 billion and USD 264 million respectively.
- According to the terms of the solicitation, the two most important factors the DLA will examine in its evaluation of potential prime vendors are: a) the distribution system capability (location, warehouse and resource availability) and b) experience and past performance. It is our opinion that Agility will score very high according to these factors and we find it highly probable that it will win Zone I (if not both Zones) in the new solicitation.
- The extension of the current contract hints that there are no major issues between the US government and Agility. Even though we regard this as a positive event for Agility, it does not mean that the possibility of losing the contract has gone.
- We will be issuing an update report on Agility to incorporate the new information

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- Agility Update - 20 Nov. 2008
- Agility Update – 15 June 2008